Spark New Zealand

FY21 Results Summary

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Results overview

FY21 Operating Conditions and Performance

- Stronger than expected New Zealand economic recovery, with low unemployment and GDP back in growth.
- Closed international borders and the loss of roaming revenue resulted in top-line revenue decline.
- Strong underlying revenue performance in mobile and cloud, security and service management.
- Delivered FY21 EBITDAI(1) growth at the top end of the guidance range through disciplined cost management.
- NPAT decline driven by higher depreciation and amortisation costs and increase in tax expense.
- Declared FY21 total dividend of 25 cents per share, 100% imputed, supported by resilient free cash flow.
- Phase one of Spark's Infrastructure Review completed, with further significant infrastructure investments planned for FY22 – including accelerated 5G rollout and datacentre capacity expansion.
- Further opportunities identified to drive value from the passive components of Spark's mobile network and fibre. Spark is actively exploring shared ownership models; however, discussions are ongoing and there is no certainty that any transaction will proceed.

[1] Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) is a non-Generally Accepted Accounting Practice performance measure that is defined and reconciled to net earnings in Spark New Zealand's Financial Statements

FY21 Financial Snapshot

Resilient revenues and disciplined cost reduction delivered EBITDAI growth towards the top end of guidance.

$3,593m

REVENUE[1]

(0.8%) decrease vs. FY20

$1,124m

EBITDAI[2]

1.0% increase vs. FY20

$384m

NPAT[3]

(8.6%) decrease vs. FY20

$354m

CAPEX

(5.3%) decrease vs. FY20

$433m

FREE CASH FLOW[4]

(1.1%) decrease vs. FY20

25.0c

TOTAL FY21 DIVIDEND

H2 FY21 Dividend confirmed at 12.5cps (100% imputed)

[1] Operating revenues and other gains
[2] Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) is a non-Generally Accepted Accounting Practice performance measure that is defined and reconciled to net earnings in Spark New Zealand's Financial Statements
[3] Prior year NPAT has been restated to reflect a reduction in NPAT of $7m for the amortisation of reacquired rights that were previously regarded as indefinite life and therefore not amortised
[4] The calculation of free cash flow is defined within the 'cash flows' worksheet of the FY21 detailed financials workbook - excludes $51m spectrum payment

Strategy update

FY21 Established Market Performance

$852m
MOBILE SERVICE REVENUE

0.5% increase vs. FY20

Leading Mobile Service Revenue[1]

$670m
BROADBAND REVENUE

(1.5%) decrease vs. FY20

#1 Broadband[1]

$443m
CLOUD, SECURITY, & SERVICE MANAGEMENT

5.5% increase vs. FY20

#1 Hybrid Cloud[1]

Mobile service revenue growth despite loss of $31m roaming revenues. Underlying growth of 4.3%[2] demonstrates strong momentum.

Mobile service revenue market share[1] 41.5%, up 1.1pp vs. FY20, and driven by pay monthly connection growth of 56k.

Growth in total mobile and prepaid ARPU, driven by 89% increase in Endless mobile plans as customers seek more data, and fewer low ARPU pre-paid travellers.

Lower overall market growth in FY21 vs. FY20[1]. Connection base at 701k despite increased competitive intensity.

Wireless broadband performance below target due to challenging marketplace. Increased momentum in Q4 resulting in +19k YoY connection growth.

Remain committed to target of ~30-40% of base on wireless broadband, targeting lower end of that range by FY23. Accelerating 5G rollout in FY22 will increase addressable base.

Strong momentum in service management with revenue up 10.8% – driven by increased annuity and project revenues as businesses transform to cloud-based solutions.

Collaboration revenue up 4.6% YoY as COVID-19 increased demand for flexible working solutions.

CCL achieved certification against ISO/IEC27001:2013 international standard demonstrating its commitment to maintaining robust security for clients and partners.

[1] Market share estimates sourced from IDC
[2] Mobile service revenue loss of $31m for outbound roaming. NOTE: mobile non-service revenue loss of $7m for inbound roaming. Total mobile roaming revenue loss of $38m

Strategic Update: World Class Capabilities and Culture

Strong progress across core capabilities supporting ongoing transition to digital services future

SIMPLE, INTUITIVE CUSTOMER EXPERIENCES

- 600k unique MySpark App users completing ~3.6m interactions per month – supporting a 32% increase in digital sale and change customer journeys.
- Enhanced online messaging functionality for customer care supporting ~15k conversations per month and delivering a higher iNPS than traditional voice and chat.
- Retired 210 legacy mobile and broadband plans – simplifying product stack and right planning customers.
- Legacy PSTN lines reduced to under 300k in June 2021 with an average of 10k connections migrating off this technology every month.

DEEP CUSTOMER INSIGHTS

- Increased coverage of household view to ~83% of New Zealand households – improving our ability to understand and serve the needs of Kiwis.
- Delivered ~22 core machine learning models, enabling highly targeted marketing campaigns.
- Precision marketing supporting 89% YoY growth in adoption of Endless mobile plans.
- Overall improvement in marketing efficiency of 16%.

SMART, AUTOMATED NETWORK

- 5G now live in 9 locations, including Auckland, Christchurch, Dunedin and Hamilton. Accelerating rollout and increasing overall investment in mobile connectivity to $125m in FY22 – targeting ~90% population coverage by end of calendar year 2023, assuming necessary spectrum is made available by the New Zealand Government.
- Continued investment in rural connectivity, with RCG cell tower builds [1] opening up additional wireless broadband and IoT opportunities, and 445 marae connected through the Marae Digital Connectivity initiative.
- First stage of next generation Optical Transport Network complete, continued investment in SX Next Cable build supporting resilience and capacity.
- Completed first phase of infrastructure review, now progressing to phase 2. See infrastructure review section, pages 8-14.

GROWTH MINDSETS

- Continued to grow Agile maturity, with 86% of squads now at 3.5 or above.
- Significant growth in employee engagement, with eNPS +76, up 10 points YoY.
- Substantial program of leadership capability delivered to high potential leaders, focussed on creating the conditions for innovation and growth.
- Continued to create a culture of inclusion with 42% of senior roles outside the Board and Leadership Squad now held by women, collaboration across the business community to drive data-driven ethnic inclusion strategies, and progress against Te Korowai Tupu, our Māori Strategy.

[1] Rural Connectivity Group (RCG) launched 261st tower during FY21 – targeting more than 400 sites by the end of 2022

Infrastructure Review

Infrastructure Review Recap

Overview

In February we announced a review of our infrastructure assets, with the aim of driving greater capital efficiency, increased resilience, and better experiences for customers. Spark has a significant infrastructure asset portfolio, and we have seen an increased interest in quality infrastructure assets.

- 1,200 km national fibre backhaul network
- 1,500 mobile sites
- 35 major network exchanges
- 18 Datacentres(1)
- Satellite station
- Ownership stake in 3 sub-sea cables
- Metro & regional data networks fibre/wireless

Review status

Phase 1

Complete

Categorising our different infrastructure assets into classes based on their strategic importance, competitive advantage and how they support network resilience for our customers

Phase 2

Ongoing

Define and pursue opportunities to grow the value of asset portfolio – either by investing, optimising or shared ownership

(1) Portfolio includes a mix of dedicated tier 3 datacentres, tier 2 facilities and converted exchange buildings.

Clear approach to the assets in each class

CLASS 1

INVEST & GROW

IMPORTANT FOR COMPETITIVE ADVANTAGE AND RESILIENCE

- Active mobile
- Critical network exchanges
- Datacentre capacity
- Multi-access edge compute

CLASS 2

OPTIMISE INVESTMENT

ASSETS THAT ARE IMPORTANT FOR NETWORK RESILIENCE

- Regional & local network exchanges
- Sub-sea cables
- Spark's satellite station

CLASS 3

SHARED OWNERSHIP MODELS

ASSETS THAT CAN BE SHARED

- Passive mobile
- Fibre

Class 1: Invest & Grow

CLASS 1

INVEST

& GROW

IMPORTANT FOR COMPETITIVE ADVANTAGE AND RESILIENCE

- Active mobile
- Critical network exchanges
- Datacentre capacity
- Multi-access edge compute[1]

RATIONALE & OPPORTUNITY

Retain control of assets that drive competitive advantage, accelerate smart automated network objectives, and support innovation and emerging technologies

- **Active mobile** when combined with Spark's spectrum holdings currently drives competitive advantage. Our 5G rollout will bring significant increases in capacity and speed and will further expand the addressable market for wireless broadband and open up commercialisation opportunities across business and consumer.
- **Critical network exchanges ~10% of sites:** provide resilience and will become future multi-access edge compute nodes.
- **Datacentre capacity** such as IaaS and hybrid-cloud platforms supports our growing cloud business which in turn creates opportunity to cross-sell other IT and Managed Services offerings such as service management.

Accelerated 5G rollout and datacentre capacity expansion mark a significant investment into New Zealand's connectivity and resilience

[1] Multi-access edge compute reduces the physical distance from an end user to compute and the networking service, reducing latency and supporting new use cases that require real-time performance to work e.g. cloud gaming

Class 1: Invest & Grow

CLASS 1

INVEST

& GROW

IMPORTANT FOR COMPETITIVE ADVANTAGE AND RESILIENCE

- Active mobile
- Critical network exchanges
- Datacentre capacity
- Multi-access edge compute[1]

CRITICAL NETWORK EXCHANGE & DATACENTRE OPPORTUNITY

Leverage growth and changing dynamics of datacentre market through substantial investment in datacentre capacity and multi-access edge compute

- Investing in a material upgrade of critical exchange at Mayoral Drive and scaling Spark's Tier 3 datacentre at Takanini to support strategy to lead in cloud.
- **Mayoral Drive:** investment to develop quality multi-access edge compute and leveraging the site's existing position as a key connection point for national and international connectivity to be at the core of New Zealand's cloud.
- **Takanini:** intend to increase the existing datacentre by approximately 10MW of capacity – which will make it the largest in New Zealand once completed. Investment will be staged to meet contracted demand. We are in advanced negotiations to contract at least 60% of the initial ~10MW expansion.
- Investments will deliver revenue growth and enable Spark to continue to be a leader in the New Zealand datacentre market as the cloud market rapidly evolves:
  - Significant uplift in demand for customer cloud solutions;
  - Migration of customers to multi-cloud solutions; and
  - Onshore investment by global public cloud providers.

Multi-year growth opportunity supported by capital investment managed within targeted capital envelope of 10-11% of revenues, albeit at top end of this range

[1] Multi-access edge compute reduces the physical distance from an end user to compute and the networking service, reducing latency and supporting new use cases that require real-time performance to work e.g. cloud gaming

Class 2: Optimise Investment

CLASS 2

OPTIMISE

INVESTMENT

ASSETS THAT ARE IMPORTANT FOR NETWORK RESILIENCE

- Regional & local network exchanges
- Sub-sea cables
- Spark's satellite station

RATIONALE

Focus on optimisation through efficient operation and investment while right-sizing the portfolio

- **Regional and local network exchange** portfolio provides a combination of resilience and housing for legacy network equipment; and is split across two key categories:
  - **Exchanges that enable resilience ~40% of sites:** provide secondary network connectivity and datacentre locations for Spark's modern technology, products and services.
  - **Exchanges that house legacy equipment ~50% of sites:** are not part of Spark's future technology roadmap. These are smaller legacy sites which Spark will progressively exit as infrastructure consolidates into exchanges that are critical and/or provide resilience (with proceeds unlikely to be material).
- **Sub-sea cables** support international resilience and we intend to maintain our long-term shareholding as there is value through shared ownership of key data transport assets.
- **Satellite station** has lower strategic value today but provides resilience and has potential future value as satellite market grows.

Resilience is critical to the ongoing performance and experience of our networks. Future planning for assets that support network resilience will ensure that customer outcomes are not only maintained but enhanced

Class 3: Shared Ownership Models

CLASS 3

SHARED OWNERSHIP

MODELS

ASSETS THAT CAN BE SHARED

- Passive mobile
- Fibre

RATIONALE & OPPORTUNITY

Maximising the value of passive infrastructure assets through efficiency, increasing asset utilisation, and exploring shared ownership models

Passive mobile towers are not considered a driver of competitive advantage. Global focus on these assets is shifting to operational efficiencies and shared ownership models. Our portfolio has:

- Approximately 1,500 mobile sites (~70% macro towers, ~15% on building, ~15% on light poles)
- Current tenancy ratio on Spark owned mobile sites: 1.07

Fibre network sharing models are considered a potential driver of efficiency in a market that is highly competitive with large amounts of overlapping network.

Actively exploring opportunities. Discussions are ongoing in relation to potential shared ownership models for passive infrastructure assets – no certainty that any transactions will proceed.

Strategic Update: Future Markets

Building foundations in future markets in support of long term growth

IoT[1]

- IoT connection growth underpinned by Spark's IoT networks which cover ~99% of the population[2]: connection growth of 83% vs. FY20, with over 450k devices connected across a range of industries including utilities, health and logistics.
- Spark Innovation Studio launched: ~150 tours conducted to date with over 1,000 customers visiting to identify how IoT and 5G can help them adapt, transform, and grow.
- IoT-enabled smart-city infrastructure: in partnership with Auckland Transport at Auckland's Wynyard Quarter with the goal of accelerating the digitisation of operations, enhancing productivity and sustainability.

Digital Health

- Spark Health: brand identity launched into market, with telco, IT and business transformation solutions tailored to the healthcare sector – delivering revenue growth of 10.6%, on a revenue base of ~$200m.
- Digital Health Platform 'Kete Waiora:'[3] platform vendor selected. Targeting launch to clients in Q1 FY22.
- Supported large healthcare providers: during the pandemic response, including Whakarongorau Aotearoa's COVID-19 hotline for COVID-19 information.

Sport

- First 'summer of cricket': successfully delivered with over 3 million hours of live cricket streamed to ~240k Spark Sport viewers[4].
- Continued to build capability and content: establishing pay-per-view content model, introduced e-sports, and secured exclusive New Zealand rights to the UEFA Champions League[5] and the Rugby League World Cup.
- Future investment expected to be consistent with current levels: focus on partnerships to drive access to additional premium content, subscription growth and improve returns.

[1] Internet of Things
[2] Spark's CAT-M1 network covers ~99% of the population with LoRa and NB-IoT coverage expanding with customer demand
[3] The basket of health and wellness
[4] The Spark Sport viewing number has been derived using real time platform data and a co-viewing factor based on results of the customised study commissioned by Spark Sport with leading international research firm Nielsen
[5] Includes rights to UEFA (Union of European Football Associations) Champions League, UEFA Europa League and UEFA Europa Conference League for the next three seasons

A POSITIVE DIGITAL FUTURE FOR ALL OF NEW ZEALAND

We will work **alongside New Zealand** to harness the **power of technology** and create a **positive digital future for all.**

Strategic Update: Sustainability

Significant progress establishing strong sustainability foundations across Spark:

- Launched new Sustainability Framework to the market and operationalised it into the business.
- Grew Skinny Jump connections by 5.6k – a 58% increase vs. FY20 and surpassing 15k connections in total by year end.
- Spark Foundation continued to pursue its vision of 'no New Zealander being left behind in a digital world', focussing on digital access, digital skills and pathways and digital wellbeing.
- Introduced a new Environment Policy to guide internal decision making.
- Assessed climate change risks and opportunities across the business, aligned to the Taskforce for Climate-related Financial Disclosures (TCFD) and incorporated into reporting.
- Set a science-based emissions reduction target, approved by the Science Based Target Initiative.
- Focus now shifting to designing and executing an emissions reduction plan and supporting businesses to harness the power of technology to shift to a low-carbon future.

Spark's Science-Based Emissions Reduction Target

Spark New Zealand commits to reduce absolute Scope 1 and 2 GHG emissions 56% by FY30 from a FY20 base year.

Spark New Zealand commits that 70% of its suppliers by spend covering purchased goods and services and capital goods will have science-based targets by FY26.

FY21 Indicators of Success

Strategic Pillar	Focus Area	Measure	Target 30 June 2021	Status
World Class Capability	Customer Experience	Consumer and small business iNPS	8 point lift	Not achieved[1]
	Data driven insights	80% of customer base[2] in household view[3] enabling	15% efficiency gain in marketing spend	Achieved
	Wireless future	Progressive rollout of 5G	Live in 5-7 locations	Achieved
	Mature Agile Leadership	Percentage of Agile squads at or above level 3.5	85%	Achieved
Grow established markets	Wireless	Mobile service revenue growth	0-3%	Achieved
	Wireless	Wireless broadband connections	+40k	Not achieved
	Cloud	Cloud, security and service management revenue growth	5-8%	Achieved
Accelerate future markets	IoT	Growth in number of connected IoT devices	50%	Exceeded
	Spark Sport	Successfully deliver season 1 of New Zealand cricket	Platform availability of 99.9%	Achieved
Lowest Cost Provider	Deliver best cost	EBITDAI margin	31%	Achieved
Build a sustainable future	Championing digital equity	Skinny Jump connections	+10k	Not achieved
	Sustainable Spark	Set emissions reductions target aligned to New Zealand being carbon neutral by 2050[4]	By 30 June 2021	Achieved

(1) The iNPS score has been rebased to include a larger sample of customer interaction feedback
(2) Spark and Skinny consumer and Spark SME customer base
(3) Household view is an insights platform that allows us to better anticipate the needs of New Zealand households to deliver more targeted, relevant and personalised services
(4) As part of commitment to Climate Leaders Coalition

FY21 Guidance Delivered

	FY20 Actual	FY21 Guidance	FY21 Actuals
EBITDAI	$1,113m	$1,100m to $1,130m	$1,124m
Capital expenditure	$374m	~$350m	$354m
FY21 Spectrum Renewals[1]	-	$50m	$51m
Dividend per share	25.0cps (H1 75% imputed, H2 100% imputed)	25.0cps (100% imputed)	25.0cps[2] (100% imputed)

[1] 1800MHz and 2100MHz spectrum renewals paid in January 2021
[2] The Dividend Reinvestment Plan (DRP) has been retained for the H2 FY21 dividend. Shares issued under the DRP will be issued at prevailing market price as determined around the time of issue

Financials

FY21 Financial Performance Summary

Strong momentum in key markets and disciplined cost reduction resulting in all FY21 guidance metrics met

($30m)	$41m	$11m	($36m)	($5m)	25.0c
REVENUE MOVEMENT	OPEX MOVEMENT	EBITDAI MOVEMENT	NPAT[1] MOVEMENT	FREE CASH FLOW MOVEMENT	TOTAL FY21 DIVIDEND
(0.8%) decrease vs. FY20	1.6% decrease vs. FY20	1.0% increase vs. FY20	(8.6%) decrease vs. FY20	(1.1%) decrease vs. FY20	H2 FY21 dividend 12.5c

Top line revenue of $3,593m declined 0.8%, driven by:

- Loss of $38m roaming revenues[2].
- Non-recurring refunds of historical wire maintenance charges.

Operating expenses of $2,469m declined 1.6% due to:

- Cost-out programme.
- Lower marketing and travel expenses.

Reported EBITDAI of $1,124m, up 1.0% on prior year and towards the top end of guidance range.

NPAT declined 8.6% due to:

- Higher D&A as a result of shorter asset lives; and
- Increased customer and commercial lease activity.
- FY22 D&A expected to be broadly flat.
- Increase in tax expense of $21m due to one-off decreases recorded in FY20[3] not repeated in FY21.

Free cash flow of $433m (excluding spectrum).

Strong cash flow management offsetting $48m additional cash tax.

Reported net debt to EBITDAI ratio within Spark's internal threshold of 1.4x.

H2 FY21 dividend per share of 12.5cps to be 100% imputed. Total FY21 dividend of 25.0cps in line FY21 guidance.

The Dividend Reinvestment Plan (DRP) has been retained for the H2 FY21 dividend at a zero discount[4].

[1]Prior year NPAT has been restated to reflect a reduction in NPAT of $7m for the amortisation of reacquired rights that were previously regarded as indefinite life and therefore not amortised
[2]Total mobile roaming revenue loss of $38m. NOTE: mobile service revenue loss of $31m for outbound roaming revenue and mobile non-service revenue loss of $7m for inbound roaming revenue
[3]These one-off decreases resulted from legislation enacted to reintroduce tax depreciation on commercial building structures and a higher amount of non-taxable gains in FY20
[4] Shares issued under the DRP will be issued at prevailing market price as determined around the time of issue.

Financials

	FY20[1] $m	FY21 $m	CHANGE
Operating revenues and other gains	3,623	3,593	(0.8%)
Operating expenses	(2,510)	(2,469)	(1.6%)
EBITDAI	1,113	1,124	1.0%
Finance income	36	34	(5.6%)
Finance expense	(94)	(81)	(13.8%)
Depreciation and amortisation	(488)	(523)	(7.2%)
Net investment income	1	(1)	NM
Net earnings before tax expense	568	553	(2.6%)
Tax expense	(148)	(169)	(14.2%)
Net earnings after tax expense	420	384	(8.6%)
Capital expenditure[2]	374	354	(5.3%)
Free cash flow[3]	438	433	(1.1%)
EBITDAI margin	30.7%	31.3%	0.6pp
Effective tax rate	26.1%	30.6%	4.5pp
Capital expenditure to operating revenues	10.3%	9.9%	(0.4pp)
Earnings per Share	22.9	20.7	(9.6%)
Total Dividend per Share	25.0c	25.0c	-

[1] Prior year NPAT has been restated to reflect a reduction in NPAT of $7m for the amortisation of reacquired rights that were previously regarded as indefinite life and therefore not amortised
[2]Excluding spectrum of $51m and finance lease receivable terminations of $3m
[2]The calculation of free cash flow is defined within the 'cash flows' worksheet of the FY21 detailed financials - excludes $51m spectrum payment

FY21 Operational Performance Summary

Ambition to return to revenue growth in FY22 by maintaining established market momentum and accelerating future market growth

$3,593m
REVENUE

(0.8%) decrease vs. FY20

$2,469m
OPERATING EXPENSES

(1.6%) decrease vs. FY20

$1,124m
EBITDAI

1.0% increase vs. FY20

FY21 Revenue growth underpinned by established market momentum:

- Total cloud, security, and service management growth of $23m, including service management growth of $17m, and cloud growth of $4m reflecting change in mix towards public cloud.
- Increase in other mobile revenue driven by device and accessory sales.
- Mobile service revenue and market share growth despite ongoing roaming impacts.

FY21 revenue impacts include:

- Higher rate of voice revenue decline due to non-recurring refunds of historical wire maintenance charges.
- Broadband revenue decline with lower overall market growth and persistent competitor price pressure.

Accelerated cost out programme delivering significant gross cost out benefits across product, labour, and other operating expenses, allowing investment into future markets.

Net labour cost reduction of $20m, or 3.9%, as services and customer care interactions continue to transition to digital channels and self-service options.

Other operating expenses decreased due to:

- Lower bad debt expense, with impacts of COVID-19 lower than expected.
- Data led marketing spend efficiencies.
- Reduced travel expenses.

Reduction in product costs due to Lightbox divestment and ongoing savings from wireless broadband growth; partially offset by additional Spark Sport content and production costs.

EBITDAI growth driven by strong momentum in established markets, focussed execution, coupled with ongoing benefits of cost management activities.

Total estimated COVID-19 impacts of ~$40m lower than revised estimate of ~$50m as a result of:

- Improving economic conditions resulting in lower bad debts.
- Modest return of roaming revenues due to limited opening of Australian and Cook Island travel bubble.

EBITDAI margin of 31.3% – in line with aspiration.

FY21 Capital Investment and Free Cash Flow

$354m
CAPEX
excluding spectrum

(5.3%) decrease vs. FY20

+ $51m
SPECTRUM

1800MHz & 2100MHz spectrum renewals

= $405m
TOTAL CAPEX[2]
including spectrum

8.3% increase vs. FY20

$433m
FREE CASH FLOW

(1.1%) decrease vs. FY20

$4m
WORKING CAPITAL

Increase in working capital vs. FY20

$0.25c
TOTAL FY21 DIVIDEND

H2 FY21 dividend 12.5c

Prioritised allocation of capex combined with long-term investments in mobile spectrum of $51m resulting in greater overall investment in FY21 vs. FY20.

Key capital expenditure projects for the year included:

- 5G rollout of mobile and WBB services to nine locations;
- Investment in Optical Transport Network (OTN 2.0), increasing resiliency and capacity;
- Continued investment in the converged communication network (CCN), advancing exit strategy for legacy PSTN network, and enabling delivery of IP-based voice services in the future.

Investing in New Zealand's wireless future. Committing an additional $35m to accelerate 5G rollout, boosting total mobile connectivity investment to ~$125m in FY22

Delivered free cash flow of $433m, due to continued focus on working capital with full year cash conversion rate of 100%.

Free cash flow includes impact of $48m increase in tax payments vs. FY20[1].

Working capital broadly flat vs. FY20 with gains offset by:

- Timing of receivables due to strong Q4 sales – expected to unwind in Q1.
- Higher rate of growth in device receivables due to increase in high end device sales.

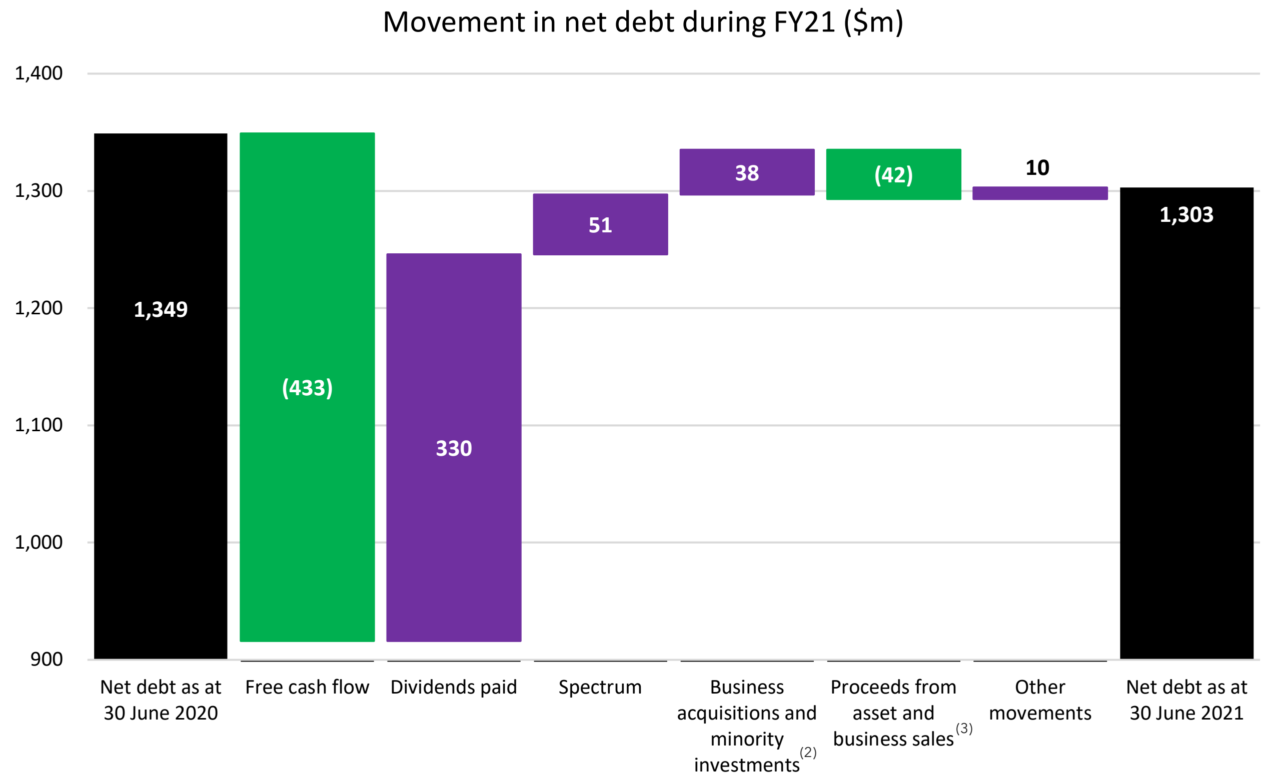
Free cash flow, when combined with DRP, sufficient to fund total FY21 dividend of 25.0cps and renewal of 1800MHz and 2100MHz spectrum.

FY22 free cash flow aspiration of $420m-$460m supported by a targeted return to revenue growth to fund shareholder distribution of $0.25c

[1] Tax payments increased due to an increase in provisional tax paid during the period (FY20 P3 payment paid in FY21)
[2] Excludes finance lease receivable terminations of $3m

Net Debt

Reported net debt to EBITDAI ratio of 1.16x[(1)] consistent with S&P A- credit rating



- Total net debt of $1,303m, down $46m YoY due to:
  - EBITDAI growth;
  - Planned reduction in capital investment;
  - Strong DRP participation; partially offset by
  - Payments for renewal of 1800MHz and 2100MHz spectrum - securing long-term right of use to 2041.
- Strong liquidity with $72m of cash and $630m of undrawn committed bank facilities.
- Weighted average cost of debt 3.8%.
- Weighted average life of debt 4.3 years with good spread of maturities across bank funding, domestic and offshore bonds.

(1) Spark's internal capital management policy is to ensure that on a long-run basis reported net debt to EBITDAI does not exceed 1.4x; which Spark estimates is approximately equivalent to S&P's 1.7x adjusted net debt to EBITDA threshold Spark's internal threshold of 1.4x excludes S&P's adjustments in relation to IFRS16, and captive finance operations
(2) Business acquisitions and minority investments includes: reacquired rights for business hub and retail licences, Rural Connectivity Group and SX Next equity contributions
(3) Proceeds from asset and business sales includes: receipts from business hub portfolio consolidation, divestment of Lightbox and Now New Zealand Ltd and sale of surplus mobile network equipment

FY22 indicators of success

Strategic Pillar	Focus Area	Measure	Target 30 June 2022
World class capability	Customer experience	Consumer and small business iNPS	+6 point lift
	Data driven insights	Uplift in data driven marketing campaign conversion(1)	15%
	Smart automated networks	Accelerate 5G	10-15 locations(2)
	Growth mindsets	eNPS	+70
Grow established markets	Wireless	Mobile service revenue growth	2-4%
	Broadband	Wireless broadband connections	+15-20k
	Cloud	Cloud, security and service management revenue growth	5-8%
Accelerate future markets	IoT	Growth in number of connected IoT devices	+300k
	Spark Health	Successful launch of Digital Health Platform Growth in Spark Health revenues	5 DHP customers onboarded 8-10%
Lowest cost provider	Deliver best cost	EBITDAI margin	31%
Build a sustainable future	Championing digital equity	Skinny Jump connections	+5k
	Sustainable Spark	Establish emissions reduction programme	30 June 2022

(1) Spark consumer base
[2] This includes a mix of new locations and existing locations where our 5G footprint will be expanded

Guidance[1]

	FY21 Actual	FY22 Guidance
EBITDAI	$1,124m	$1,130m-$1,160m
Capital expenditure[2]	$354m	~$400m
Dividend per share	Total 25.0cps[3] (100% imputed)	Total 25.0cps (100% imputed)

[1] Subject to no adverse change in operating outlook
[2] Excluding expenditure on mobile spectrum of $51m and finance lease receivable terminations of $3m
[3] Dividend Reinvestment Plan (DRP) has been retained for the H2 FY21 dividend. Shares issued under the DRP will be issued at prevailing market price as determined around the time of issue.

Disclaimer

This announcement may include forward-looking statements regarding future events and the future financial performance of Spark New Zealand. Such forward-looking statements are based on the beliefs of and assumptions made by management along with information currently available at the time such statements were made.

These forward-looking statements may be identified by words such as ‘guidance’, ‘anticipate’, ‘believe’, ‘estimate’, ‘expect’, ‘intend’, ‘will’, ‘plan’, ‘may’, ‘could’, ‘ambition’, ‘aspiration’ and similar expressions. Any statements in this announcement that are not historical facts are forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Spark New Zealand’s control, and which may cause actual results to differ materially from those projected in the forward-looking statements contained in this announcement.

Factors that could cause actual results or performance to differ materially from those expressed or implied in the forward-looking statements are discussed herein and also include Spark New Zealand's anticipated growth strategies, Spark New Zealand's future results of operations and financial condition, economic conditions and the regulatory environment in New Zealand, competition in the markets in which Spark New Zealand operates, risks related to the sharing arrangements with Chorus, any impacts or risks to Spark’s anticipated growth strategies, future financial condition and operations, economic conditions or the regulatory environment in New Zealand arising from or otherwise with COVID-19, other factors or trends affecting the telecommunications industry generally and Spark New Zealand’s financial condition in particular and risks detailed in Spark New Zealand's filings with NZX and ASX. Except as required by law or the listing rules of the stock exchanges on which Spark New Zealand is listed, Spark New Zealand undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.