



SHAREHOLDER UPDATE

April 2021



Kia ora,

I hope you have been keeping well as COVID-19 has continued to challenge us across the globe.

In New Zealand, our borders remain largely closed, Auckland has moved into lockdown on three separate occasions, and the rest of the country has also faced periods of heightened COVID-19 restrictions.

Once again, the critical importance

of our services has been front and centre, and each time our team has adapted quickly - moving seamlessly to working remotely or in a safe, socially distanced way, and keeping our customers connected at a time when a digital connection is essential.

While New Zealand is in a fortunate position compared to many other countries, border closures in particular have had an impact on our wider economy, and Spark has not been immune from that.

In February we announced our financial results for H1 FY21, where we saw revenues decline 1.5% - largely driven by the loss of higher-margin mobile roaming revenue. The contraction of broadband and prepaid markets - the result of 44,000 fewer people migrating to New Zealand versus the first half of FY20 - also had an impact. We also recognised a non-recurring provision to refund historical wire maintenance charges during the half.

Despite this, our underlying performance remains strong. When you strip out the impact of roaming revenue losses, we have strong underlying momentum in mobile - with service revenues up 3.8%. Cloud, security and service management revenues also grew by 4.6% year-on-year, as the new ways of working established during COVID-19 lockdowns continue to support demand for business transformation and digitisation services.

While our growth aspirations in the broadband market were impacted by lower migration in the first half of FY21, our longer-term wireless ambitions have not changed. There remains a significant addressable market for wireless broadband, which continues to grow as we roll out 5G - and we are now live in Christchurch. Precision marketing is helping us to identify customers who are best suited to wireless broadband - a strategy that has been very successful in improving our marketing efficiency.

Our disciplined cost management saw our operating expenses decrease 2.3%, offsetting revenue declines and holding our EBITDAI steady.

Net profit after tax was down 11.4% - this was driven by an increase in depreciation and amortisation charges resulting from the shorter asset lives of new digital technologies, and an increase in depreciation related to customer and property leases.

The implications of COVID-19 for Spark have become clearer during the first half, with the overall FY21 EBITDAI impact now expected to be \$50 million, versus the original estimate of \$75 million.

As a result, we have narrowed our FY21 EBITDAI guidance range which has now been set at \$1,100 million to \$1,130 million^[1], and confirmed full year dividend guidance to the top end of the range at 25 cents per share. At our H1 FY21 results we announced an interim dividend per share of 12.5 cents, 100% imputed, and will also continue to operate the Dividend Re-investment Plan with a 2% discount.

We are now six months into our new three-year strategy, which identifies four core capabilities that will make Spark truly world-class: a simple, intuitive customer experience; deep customer insights; smart automated network; and growth mindsets. We have already made great progress in each of these areas - and you will find more about our progress throughout this newsletter.

These capabilities will give us a competitive advantage across both our established markets of wireless, broadband and cloud, and in our future growth markets of IoT (internet of things), digital health and sport.

Our team is focussed on closing out FY21 and delivering what we said we would for you, our shareholders.

We expect FY21 to continue to present us with challenges, but our people have shown a commitment and determination to deliver for Spark customers that I am very proud of. On behalf of the Leadership Squad and all our people, I would like to thank you for your continued support in these difficult times. I wish you and your families all the best in the coming months.

Ngā mihi

Jolie Hodson
Chief Executive

^[1] Previously \$1,090 million to \$1,130 million. Subject to no adverse change in operating outlook.



Spark's 5G Race Zone: An immersive insider experience for the fans

5G update

In February we were excited to launch 5G in central Christchurch. Christchurch is now the sixth location in New Zealand to have access to Spark's 5G on both wireless broadband and mobile, alongside Te Awamutu, New Plymouth, Palmerston North, Dunedin and Auckland as well as six South Island towns who have access to Spark's 5G wireless broadband services.

Spark Technology Lead Renee Mateparae says the team is excited to begin 2021 by launching 5G in the largest city in the South Island. "We've come a long way since we launched our first 5G service in September 2019 and are well on track to achieve our goal of 90% 5G coverage by 2023, provided we secure the necessary long-term rights to 5G spectrum. "We're excited about our plans for 2021 - as we deploy 5G to new locations it is great to see real-life examples of people and businesses benefiting from the faster speeds and low latency that 5G provides."

Last year, the first of our 5G rollout, we worked with Toyota in Palmerston North to provide virtual reality test drives; partnered with Animation Research Limited to bring street art to life through augmented reality in Dunedin; offered a glimpse into the future of smart cities with Auckland Transport in Wynyard Quarter; helped Kiwi businesses to build future 5G applications through the 5G Starter Fund and introduced 5G to local businesses like Aon Insurance to enable them to do what they do best.

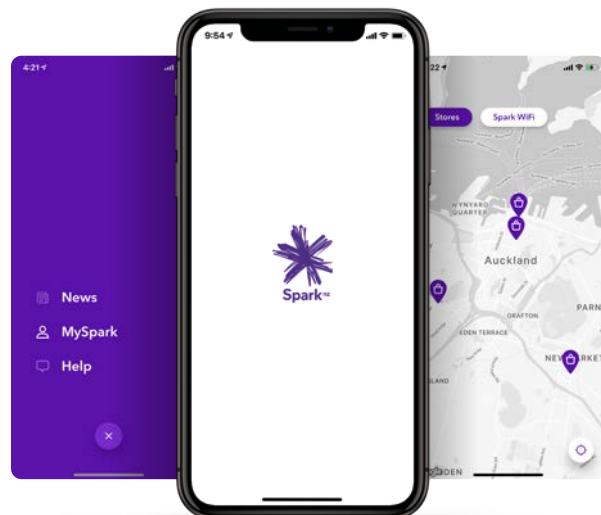
We also teamed up with Emirates Team New Zealand to bring a first-of-its-kind race experience to Auckland at Spark's 5G Race Zone showcasing how Spark 5G was powering ETNZ to defend the 36th America's Cup. The engaging space located at Auckland's Wynyard Quarter brought together the best of sailing and technology in seven fully interactive zones, each showcasing the different benefits of 5G - speed, low latency, and mass connectivity.

Making life easier for customers with Spark's new smartphone app

The Spark smartphone app was recently redesigned and rebuilt from the ground up to make it a simpler, better experience for our customers. Customers can use the app to keep track of their usage, pay their bills, make changes to their plans, contact our care team, and enter exclusive competitions and giveaways.

The app has been designed to make it more accessible, including for customers with hearing or vision challenges, and will offer a more personalised experience. Using individual customer insights, the News Feed will showcase stories and benefits tailored to each customer, based on their preferences and requirements. And very soon, customers will be able to see what value-added services like Netflix, Spotify, Spark Sport or Neon they can activate, directly from the app itself.

spark.co.nz/myspark



New Zealand White Ferns (left to right): Amanda Kerr, Hannah Rowe and Leigh Kasperak

Spark Sport showcases successful summer of cricket

New Zealand's cricket teams have enjoyed one of their most successful seasons on home soil and Spark Sport has been bringing Kiwi cricket fans all the action, live and on-demand.

Spark Sport has streamed over 3 million hours of live cricket into New Zealand since the season commenced in November.

Kiwis have welcomed the fresh, new look and the commentary line-up including Scotty Stevenson, Sonia Gray, as well as cricketing centurions Brendon McCullum, Stephen Fleming, Craig

McMillan and Rebecca Rolls, alongside fan favourites Frankie Mackay, Katie Martin, Susie Bates and Grant Elliott.

Head of Spark Sport, Jeff Latch, says: "We are really happy with how our subscribers are engaging with our content, and it's great to see so many watching on the go. Over 40% are watching on a mobile device with the ability to cast and stream to a big screen at home, watch on their smartphone at the beach or out and about over summer."

22 million reasons to love Spark IoT

During the first half of FY21, Spark's IoT connections grew 65%, helped in part by a new brand campaign that brings to life the real-life, tangible benefits of what IoT can do for a business.

The campaign focuses on 4 key products - asset tracking, construction, temperature monitoring and water metering - and illustrates the change that will be possible when 500,000 businesses and 22 million things are connected, which is what is predicted to occur by 2021.

A great example of IoT in action is St John medical alarms, which have traditionally relied on a customer's landline for an emergency call out. The latest version of the alarm is a medallion which stays charged for up to a month and communicates wirelessly to the contact centre, through the mobile network (with the landline used as a back-up). For customers, this means as long as they are within a mobile coverage area they can use their alarm - even when they are outside mowing the lawn, spending time in the garden, or in the community.

This is a great example of what IoT is all about - empowering better decision making, balancing technology with human interaction and delivering tangible and meaningful ways to run more efficient operations.



The latest medical alarms connect directly to St John



Ciena Jump for Students Fund launched to provide free broadband to students in Decile 1 schools

Spark Foundation has launched a half-a-million-dollar initiative to help address digital inequity in New Zealand by providing free in-home internet access to eligible students in decile 1 high schools.

The 'Ciena Jump for Students Fund' is the result of a collaboration between Spark and our partner Ciena. It will build on the work Spark is already doing to further digital equity through Skinny Jump – which provides low-cost wireless broadband to Kiwis who find that cost is a barrier to having an internet connection at home.

As part of the new Fund, eligible students will be provided with a free Skinny Jump wireless modem and broadband connection – including 150GB of free data per month, until the end of the school year.

Spark CEO Jolie Hodson says that as New Zealand transitions to more digital ways of working, learning and connecting, Kiwis without an internet connection at home are at a significant disadvantage.

"This is particularly acute for high school students, who need access to the internet to learn and study and will be entering a workforce that is increasingly digital. We are excited that Ciena has come on board to help us accelerate the rollout of Jump and enable students to experience the benefits that digital connectivity provides," says Hodson.

"We currently have over 11,000 homes connected through Skinny Jump, a more than 100% increase since COVID-19 first hit, and our goal is to have 35,000 connected by 2023."

