Spark New Zealand

H1 FY23 Results Summary

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Results overview

H1 FY23 financial snapshot

Reported revenue and earnings growth driven by TowerCo sale, with a challenging operating environment impacting adjusted performance

$2,534m
▲ 34.1% increase vs. reported H1 FY22
REPORTED REVENUE[1]

$1,042m
▲ 93.7% increase vs. reported H1 FY22
REPORTED EBITDAI

$837m
▲ NM vs. reported H1 FY22
REPORTED NPAT

$1,950m
▲ 3.2% increase vs. reported H1 FY22
ADJUSTED REVENUE[1][2]

$510m
▼ (5.2%) decrease vs. reported H1 FY22
ADJUSTED EBITDAI[2][3]

$165m
▼ (7.8%) decrease vs. reported H1 FY22
ADJUSTED NPAT[2]

$250m
▲ 14.7% increase vs. H1 FY22
CAPEX[3]

$115m
▼ (29.9%) decrease vs. H1 FY22
FREE CASH FLOW

$13.5c
▲ Total FY23 dividend guidance confirmed at 27.0cps
H1 FY23 DIVIDEND

(1) Operating revenues and other gains
(2) EBITDAI is adjusted for the impact of TowerCo gain on sale of $584m included in revenue and the Spark Sport provision of $52m included in operating expenses. Net EBITDAI impact of $532m. NPAT is further adjusted for the tax effect of the Spark Sport provision $14m and a credit to tax expense of $126m arising from the TowerCo transaction
(3)Earnings before finance income and expense, income tax, depreciation, amortisation and net investment income (EBITDAI) and capital expenditure (CAPEX) are non-Generally Accepted Accounting Principles (non-GAAP) performance measures that are defined in note 5 of Spark's interim financial statements and note 2.5 of Spark's 2022 Annual Report

Results summary

Effective portfolio management enabling shareholder returns in tough economic environment

EFFECTIVE PORTFOLIO MANAGEMENT DELIVERING SHAREHOLDER VALUE

- Strategic divestment of a majority stake in Spark's passive mobile infrastructure assets resulted in reported revenue, EBITDAI, and NPAT growth
- TowerCo transaction delivered proceeds of $911 million[1] and a net gain on sale of $584 million
- Decision to exit the sports streaming market resulted in a one-off provision of $52 million – enabling Spark to focus future capital investment in growth areas with nearer-term returns
- The resulting net gain of the tower transaction and sport exit was $532 million, driving a 34.1% increase in reported revenue to $2,534 million, a 93.7% increase in reported EBITDAI to $1,042 million, and an increase in reported NPAT to $837 million
- Commencing on-market share buy-back following Spark's 5 April 2023 Investor Strategy Briefing to return up to $350 million of proceeds from TowerCo transaction to shareholders (subject to market conditions)
- Spark will also invest $350 million for growth, with ~$90-$110 million of incremental investment in digital infrastructure and emerging technologies in FY23
- Declared an H1 FY23 dividend of 13.5 cents, 100% imputed and confirmed total FY23 dividend guidance of 27.0cps, 100% imputed

CHALLENGING OPERATING ENVIRONMENT

- Like all businesses, Spark is navigating uncertain economic conditions as New Zealanders and businesses adapt to the inflationary environment
- Since the conclusion of the half this has been compounded for many communities by recent extreme weather events. Spark has been focused on supporting its customers and restoring services with urgency. While Spark's services were affected, this was largely due to power outages and fibre cuts – with mobile infrastructure remaining intact
- Within the half, while core products and services remained resilient, higher product costs and intensifying broadband and cloud competition contributed to margin pressure in the half, with adjusted EBITDAI down 5.2% to $510 million and adjusted NPAT down 7.8% to $165 million
- Adjusted revenues increased 3.2% to $1,950 million, largely driven by standout mobile performance, with mobile service revenue up 8.8% as roaming revenues return, and data-driven marketing differentiates Spark in the market
- Future markets are well positioned for growth, with healthcare sector digitisation expected to accelerate as public sector reforms progress, and Spark IoT continuing to scale – reaching the milestone of 1.2 million connections during the half
- While broadband remains challenging with ongoing price competition and rising access prices further squeezing margins, Spark is on track to meet its target of 30% of its base on wireless by end FY23 – hitting ~29% in the first half
- As reported in the FY22 results, the scaling of public cloud in New Zealand resulted in a repricing of private cloud, reducing revenues and eroding margins. Spark is focussed on accelerating simplification and meeting customer demand for hybrid cloud environments while investing in new data centre assets

[1] Proceeds before transaction costs of $17m

Established market performance

Standout performance in mobile, while competitive pressures squeezed margins in broadband and cloud

$480m	$313m	$214m
8.8% increase vs. H1 FY22	(3.4%) decrease vs. H1 FY22	(4.5%) decrease vs. H1 FY22
MOBILE SERVICE REVENUE	BROADBAND REVENUE	CLOUD, SECURITY AND SERVICE MANAGEMENT REVENUE
Continued strong mobile performance with ARPU and connection growth across pay monthly and pre-paid, and roaming returning to more than 75% of pre-Covid levels	Price refresh and scaling of precision marketing into broadband portfolio maintaining connection base in line with strategy	Cloud mix-shift trend continues, with volume growth in lower-margin public cloud and co-location being offset by lower private cloud volumes and repricing
Simplification combined with data-driven marketing resulting in ~10% increase in the proportion of Spark's mobile customers on Endless plans	Inflationary input cost increases, higher fibre base, and retail competition squeezed margins. Benefits of Spark's pass through of input cost increases is expected to flow through in H2	Managed services revenue impacted by lower project and transition activity
Return of roaming combined with strong growth in data usage driving increased total ARPU up $1 YoY across entire mobile portfolio	On track to achieve FY23 aspiration of ~30% of broadband base on wireless, reaching ~29% during the half	Focus on improving performance in second half through launch of enhanced hybrid cloud solutions and bringing Enterprise Service Management proposition to market

H1 FY23 future market performance

Strategic decision to exit sports streaming market to enable more focussed future growth investment ahead

SPARK IoT

- Achieved milestone of one million connected devices, with connections up 39% to 1.2 million
- Revenue up 21% YoY driven by continued strong connectivity growth and increased solutions revenue across multiple sectors – including energy, industry, property, transport, food, forestry, and agriculture
- Implemented pilot with Christchurch City Council and Fire Emergency NZ in Bottle Lake Forest in response to challenges of a warming climate – utilising sensors to detect fire risk and enabling a faster emergency response

SPARK HEALTH

- Digital health revenues maintained with digital transformation opportunities expected to grow as public health reforms progress
- Continue to target growth through core services and digital transformation projects in the private and public sectors
- Kete Waiora (Digital Health Platform) Health Wearables integration enabling individual health data to be captured in a personal health record and shared with healthcare providers

SPARK SPORT

- Decision to exit sports streaming market announced during the half, as content rights costs continue to escalate
- Content partnership agreed with TVNZ, with the broadcaster taking the majority of Spark Sport content from 1 July 2023[1]
- A one-off provision of $52 million has been recognised in H1 FY23, which includes ongoing obligations under content rights agreements that extend from FY24 to FY28

[1] Subject to rights holder agreement

Core capabilities laying foundations for next phase of strategy

Continued to build differentiation in the market through capability-led strategy

SIMPLE, INTUITIVE CUSTOMER EXPERIENCES

- Simplification continues with a further 81,000 customer mobile and broadband lines migrated to new plans
- ‘Team Up’ mobile proposition launched, with take up and ARPU performance ahead of expectations since launch
- Roaming usage tracking now available in the Spark App, making it easier for customers to manage data while traveling

DEEP CUSTOMER INSIGHTS

- Data-driven marketing continues to reduce acquisition costs and improved conversion by ~17% YoY
- More than half of all marketing campaigns now automated – on track to cover 80% by end FY23
- Data and AI capability now being rolled out in business segment to improve returns

SMART, AUTOMATED NETWORK

- 5G rollout on track for FY23 target with 64 5G locations now live across the country and 5G Standalone trials underway
- $24m of funding committed to support rural connectivity in return for the allocation of C-band spectrum
- New joint venture established, Hourua, awarded contract to provide priority cellular services to the Public Safety Network
- Data centre investment at Takanini progressing to plan and expected to complete in second half
- Connexa reaches agreement to acquire 2degrees’ passive mobile tower assets – further improving network economics in the future

GROWTH MINDSET

- Gender pay gap at 22%, a 1pp YoY improvement, with females representing 33% of Spark’s workforce
- Achieved employee Net Promoter Score of +70
- Spark recognised with the Diversity and Inclusion Leadership Award at the Deloitte Top 200

Continual ESG improvements underpinning sustainable growth

Spark now placed in top quartile of S&P Corporate Sustainability Assessment benchmark

CREATE A SUSTAINABLE SPARK

- Ongoing progress towards gender diversity targets
- Provisional scope 1 and 2 emissions down ~35% vs H1 FY22 to 7,500 tonnes CO_2e, driven by higher share of renewables in national electricity generation. These reductions bring our emissions on track with our SBTi target pathway
- FY22 S&P Corporate Sustainability Assessment score increased to top quartile, with Spark accepted into the Dow Jones Sustainability Australia Index

ECONOMIC RECOVERY AND TRANSFORMATION

- Research launched into the role digital technology can play in addressing Aotearoa's climate change – highlighting cross-sector actions that could reduce annual emissions 7.2 Mt by 2030, equivalent to 42% of emissions budget targets
- Accelerated 5G rollout on track and spectrum allocation to recycle investment into improved rural connectivity
- Continued to invest in rural connectivity with over 400 Rural Connectivity (RCG) sites now live, including 59 new sites in the half

CHAMPION DIGITAL EQUITY

- ~25,000 active Skinny Jump connections supporting low-income households to access the digital world
- Spark Foundation funded *'Te Au Hangarau: The Wave of Technology'* research launched – exploring how the technology industry can increase Māori participation and progression
- 'ALL IN' digital equity event for Spark people generated significant number of ideas to increase digital equity, with the top 3 prioritised for action in FY24 and beyond

FY23 indicators of success

Key indicators largely on track, with performance lift required in cloud and health

Strategic Pillar	Focus Area	Measure	Target 30 June 2023	Status
World class capability	Customer experience	Consumer and small business iNPS	+6 point lift	On Track
	Data driven insights	Uplift in data-driven marketing campaign conversion	15%[1]	Exceeding
	Smart automated networks	5G roll out	40-50 locations[2]	On Track
	Growth mindsets	eNPS	+70	On Track
Grow established markets	Wireless	Mobile service revenue growth	5-8%	Exceeding
	Broadband	Percentage of broadband base on wireless	~30%	On Track
	Cloud	Cloud, security and service management revenue growth	2-5%	Off Track
Accelerate future markets	Spark IoT	Number of connected IoT devices	~1.2m connections	Exceeding
	Spark Health	Growth in Spark Health Digital Platform Revenues	10-15%[3]	Improvement Needed
Lowest cost provider	Deliver best cost	EBITDAI margin	~31%	On Track
Build a sustainable future	Championing digital equity	Skinny Jump connections	+5k	Improvement Needed
	Sustainable Spark	Reduction in scope 1 and 2 emissions year-on-year to hit SBTi emissions reduction pathway	18.6% reduction	On Track

(1)Spark consumer base
(2)Contingent on NZ Government allocation of C-band spectrum
(3)Excluding procurement and telco revenues

Financials

H1 FY23 reported financial performance summary

Reported financials include significant impacts from TowerCo sale and Spark Sport TVNZ content partnership agreement

$2,534m ▲ Up $644m or 34.1% vs. H1 FY22	**REPORTED REVENUE GROWTH[1]**	• Reported revenue includes $584m gain on sale as a result of divestment of majority stake in passive mobile infrastructure
$1,492m ▲ Up $140m or 10.4% vs. H1 FY22	**REPORTED OPEX GROWTH**	• Reported operating expenses includes $52m provision for exit of Spark Sport • The provision represents ongoing obligations under content rights agreements that extend from FY24 to FY28
$1,042m ▲ Up $504m or 93.7% vs. H1 FY22	**REPORTED EBITDAI GROWTH**	• Reported EBITDAI includes a net impact of $532m for TowerCo sale and Spark Sport provision
$837m ▲ Up $658m vs. H1 FY22	**REPORTED NPAT GROWTH**	• NPAT is adjusted for the tax effect of the Spark Sport provision of $14m and credit to tax expense of $126m arising out of the TowerCo transaction

[1]Operating revenues and other gains

H1 FY23 adjusted financial performance summary[1]

Adjusted results reflect challenging operating conditions and uncertain economic environment

$1,950m Up $60m or 3.2% vs. reported H1 FY22	**ADJUSTED REVENUE GROWTH[2]**	Revenue growth driven by: • Outstanding performance in mobile • Growth in procurement related software licencing revenues for health sector • Higher other operating revenues through growth in new businesses
$1,440m Up $88m or 6.5% vs. reported H1 FY22	**ADJUSTED OPEX GROWTH**	Increase in Opex driven by: • Increased product costs to support mobile and procurement growth and higher sport content costs • Higher other operating expenses reflecting post Covid normalisation • Higher labour expense due to the acquisition of Connect 8
$510m Down $28m or (5.2%) vs. reported H1 FY22	**ADJUSTED EBITDAI GROWTH**	EBITDAI impacted by growth in mobile being offset by: • Declines in business segment, broadband, and return to normal calling behaviours post Covid • Reinvestment of cost out benefits in support of future growth
$165m Down $14m or (7.8%) vs. reported H1 FY22	**ADJUSTED NPAT GROWTH**	NPAT decreased due to: • Lower EBITDAI • Partially offset by lower tax expense in line with decrease in earnings
$115m Down $49m or (29.9%) vs. reported H1 FY22	**FREE CASH FLOW**	Free cash flow impacted by: • Lower EBITDAI • Phasing of capex • Timing of tax payments • Remain committed to FY23 free cash flow aspiration of ~$460m-$500m however expect to be lower in the range
$13.5c Up 1.0c or 8% vs. reported H1 FY22	**H1 FY23 DIVIDEND**	• H1 FY23 dividend of 13.5cps, 100% imputed • Total FY23 dividend guidance confirmed at 27.0cps, 100% imputed • Commencing on-market buy-back to return up to $350m of proceeds from TowerCo transaction to shareholders[3]

(1) Adjusted financial performance excludes the impacts of TowerCo transaction and Spark Sport provision
(2) Operating revenues and other gains
(3) Buy-back to commence after Spark's April 2023 investor Strategy Briefing (subject to market conditions)

Financials

	REPORTED H1 FY22 $m	REPORTED H1 FY23 $m	CHANGE	REPORTED H1 FY22 $m	ADJUSTED H1 FY23 $m	CHANGE
Operating revenues and other gains	1,890	2,534	34.1%	1,890	1,950	3.2%
Operating expenses	(1,352)	(1,492)	(10.4%)	(1,352)	(1,440)	(6.5%)
EBITDAI	538	1,042	93.7%	538	510	(5.2%)
Finance income	14	16	14.3%	14	16	14.3%
Finance expense	(37)	(43)	(16.2%)	(37)	(43)	(16.2%)
Depreciation and amortisation	(257)	(248)	3.5%	(257)	(248)	3.5%
Net investment income	(1)	(1)	-%	(1)	(1)	-%
Net earnings before tax expense	257	766	NM	257	234	(8.9%)
Tax expense	(78)	71	NM	(78)	(69)	11.5%
Net earnings after tax expense	179	837	NM	179	165	(7.8%)
Capital expenditure[1]	218	250	14.7%	218	250	14.7%
Free cash flow	164	115	(29.9%)	164	115	(29.9%)
EBITDAI margin	28.5%	41.1%	12.6pp	28.5%	26.2%	(2.3pp)
Effective tax rate	30.4%	(9.3%)	(39.7pp)	30.4%	29.5%	(0.9pp)
Capital expenditure to operating revenues and other gains	11.5%	9.9%	(1.6pp)	11.5%	12.8%	(1.3pp)
Basic Earnings per Share	9.6c	44.7c	35.1c	9.6c	8.8c	(0.8c)
Total Dividend per Share	12.5c	13.5c	1.0c	12.5c	13.5c	1.0c

[1] Excluding expenditure on mobile spectrum

H1 FY23 operational performance summary

Adjusted revenue increase driven by standout performance in mobile

$1,950m

▲ 3.2% increase vs. reported H1 FY22

ADJUSTED REVENUE[1]

- Strong performance in mobile boosted by a $20m increase in roaming revenues in the half[3]
- Procurement growth driven by strong software sales, particularly in health
- Increase in other operating revenue primarily attributed to:
  - 100% acquisition of Connect8 in February 2022;
  - Higher Spark Sport and Spark IoT revenues; and
  - New Public Safety Network (Hourua) revenue
- Cloud, security and service management declined as mix shift towards public cloud continues, combined with managed services decline
- Broadband revenue impacted by adoption of lower ARPU plans following FY22 plan refresh and competitive landscape
- Voice revenue declined as calling volumes normalised post the extended Covid lockdown in H1 2022
- Decrease in other gains of $12m due to prior period gain relating to property leases

$1,440m

▲ 6.5% increase vs. reported H1 FY22

ADJUSTED OPEX[2]

- Operating expenses up YoY as targeted cost out benefits continue to be reinvested in growth areas
- Overall increase in product costs to support mobile and procurement revenue growth, and increases in other product costs attributed to:
  - Higher Spark Sport content costs
  - Onboarding of Connect8 cost base
- Increase in labour primarily driven by full acquisition of Connect8
- Increase in other operating expenses due to increased maintenance for sites not able to be accessed during lockdowns and increased electricity costs

[1] Operating revenues and other gains. Adjusted for the impact of TowerCo gain on sale $584m
[2] Adjusted for Spark Sport Provision $52m
[3] Outbound roaming of $20m reported in mobile service revenue and $4m of inbound revenue reported in non-service revenue

Second half performance outlook

Remain committed to delivering FY23 EBITDAI guidance of $1,185m-$1,225m [1], now expected to be lower in the range

Spark's seasonal weighting of earnings to the second half combined with mobile roaming tailwinds, further stabilisation in broadband, and continued cost discipline will support delivery of FY23 EBITDAI guidance

MOBILE SERVICE REVENUE	• Ongoing strength in mobile with return of roaming accelerating towards 100% of pre-Covid levels
BROADBAND	• Targeting stabilisation in revenues • Benefits of price increases implemented during H1 FY23 to offset inflationary input costs expected to flow through in H2 FY23 • Continue to target ongoing growth in wireless broadband to reduce cost and improve margins
VOICE	• Slowdown in rate of decline expected in H2 FY23 due to less elevated calling volumes in H2 FY22 as Covid subsided
CLOUD, SECURITY AND SERVICE MANAGEMENT	• Unlikely to achieve revenue aspiration of ~2-5% due to ongoing competitive pressure in cloud and lower service management project activity • New data centre infrastructure capacity to come online
OTHER REVENUES AND GAINS	• Ongoing opportunities for equipment sales through normal management and life-cycling of network equipment
OPEX	• Continue to approach targeted cost out and tight management of discretionary spend to insulate from ongoing macro-economic uncertainty

[1] Subject to no material change in operating outlook and excludes gain on sale for TowerCo transaction and impact of Spark Sport provision

H1 FY23 capital investment

FY23 capital investment guidance updated with an additional ~$90-$110m capital investment committed in H2 FY23 funded by TowerCo proceeds

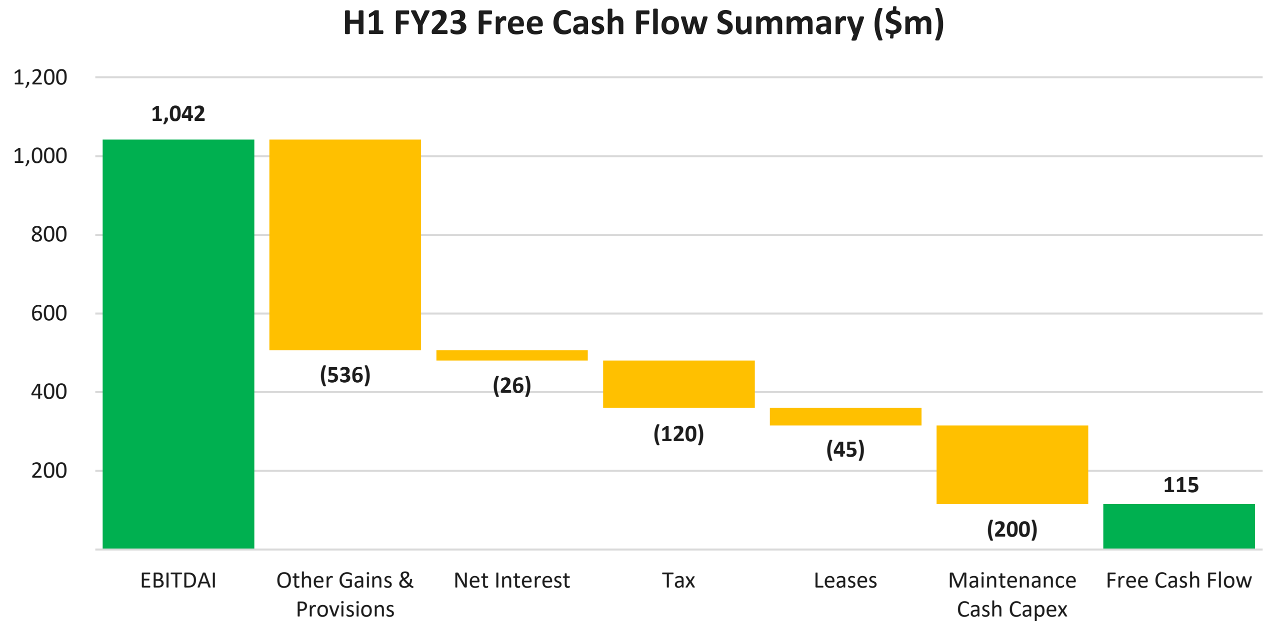
Capital expenditure ($m)	H1 FY22	H1 FY23
Cloud	7	11
Converged Communications Network (CCN)	11	16
International cable construction and capacity purchases	1	-
IT systems	87	62
Mobile network	74	69
Core sustain and resiliency	26	36
Data centres	9	50
Other	3	6
Capital expenditure excluding mobile spectrum	**218**	**250**
Total capital expenditure to operating revenue and other gains	11.5%	9.9%
Maintenance capex	197	200
Growth capex	21	50

- H1 FY23 capital investment of $250m[1] up $32m vs. H1 FY22
- Upweight of first half capital investment primarily in support of Takanini data centre expansion
- Total growth capex for FY23 now expected to be ~$145-$165m, an increase of ~$90-$110m to be funded from TowerCo proceeds and invested in:
  - Uplift in data centre investment
  - Accelerated 5G standalone rollout
  - Additional investment in multi-access edge compute
- Investment in growth capex will deliver returns in line with Spark's Capital Management Framework
- As a result FY23 capital investment guidance is updated to ~$520m
- An update on the balance of the proceeds retained from the sale of TowerCo (~$240-$260m) allocated for future capital investment will be provided as part of Spark's upcoming investor strategy briefing

[1]Excluding expenditure on mobile spectrum. Capital expenditure is a non-GAAP measure and is defined in Note 2.5 of Spark's 2022 Annual Report

H1 FY23 free cash flow

Delivered free cash flow of $115m with cash conversion of 102%

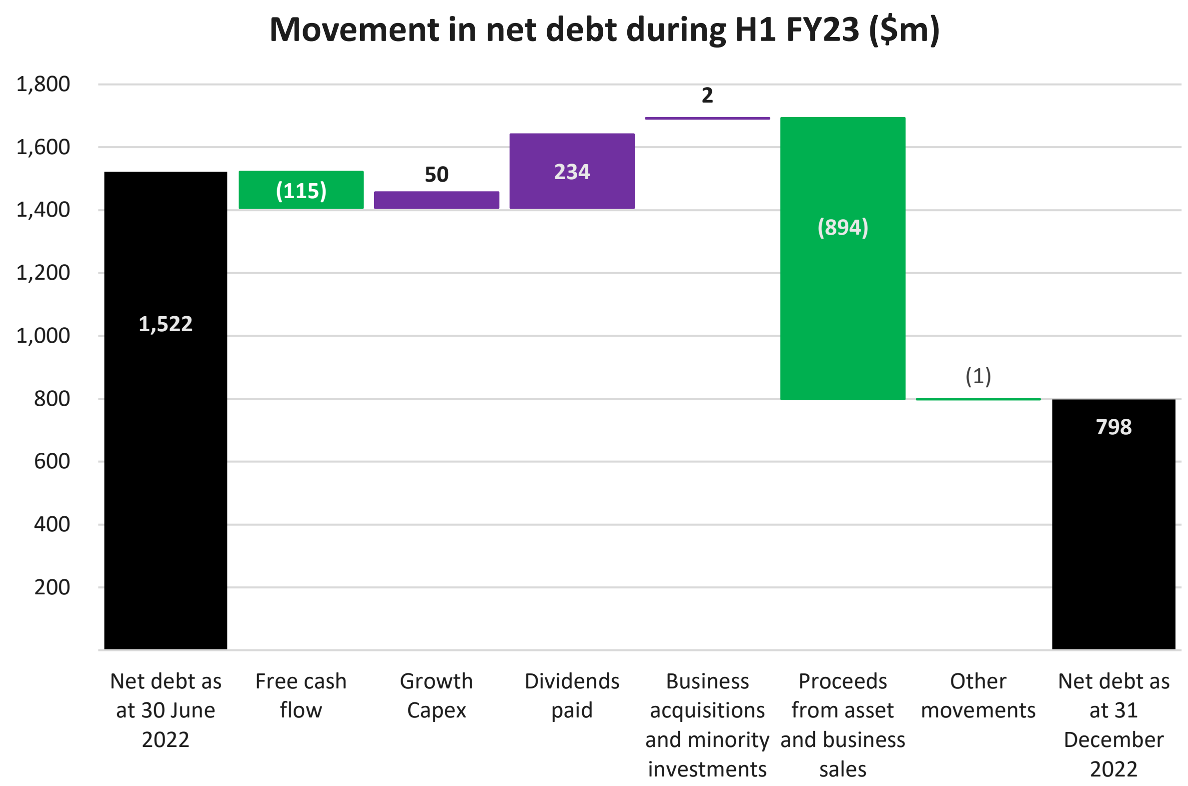


- Free cash flow of $115m down $49m vs. H1 FY22
- H1 FY23 free cash flow impacted by:
  - $28m lower EBITDAI
  - $27m higher tax payments due to timing (with a lower final tax payment in H1 FY22 relating to the FY21 year)
- H2 FY23 free cash flow expected to be driven by:
  - EBTIDAI growth driven by mobile and stabilisation in broadband and voice;
  - Timing of tax payments normalising; and
  - Managing maintenance capital expenditure in line with plan
- Remain committed to FY23 free cash aspiration of ~$460m-$500m, but now expect to be lower in the range
- Year to date change in working capital, an improvement of $30m(1), primarily driven by timing of software licencing and billing(2)

(1)Working capital is not included in Spark's calculation of free cash flow. The calculation of free cash flow is defined within the 'cash flows' worksheet of the H1 FY23 detailed financials
(2)In H1 FY22 $66m of software licenses were billed in H1 but not paid for until H2. In H1 FY23 these were billed and paid for within the period

Net debt

Reported net debt down $724m, reflecting repayment of short-term debt following receipt of TowerCo proceeds



- Reported net debt to EBITDAI ratio of 0.66x[1] consistent with an S&P A- credit rating
- Spark's internal capital management policy has been to ensure that on a long-run basis, reported net debt to EBITDAI does not exceed 1.4x. This metric does not consider leases
- Following the TowerCo transaction, and to reflect the impact on leases, Spark's internal proxy for net debt to EBITDAI on a long-run basis has been lowered to 1.0x to more closely align to the external credit rating treatment
- Net debt will increase over time returning to more nomalised levels as proceeds of TowerCo sale are distributed:
  - Up to $350m to be returned to shareholders via an on-market buy-back due to commence post Spark's Investor Strategy Briefing on 5 April 2023; and
  - $350m invested in growth as capital investment is upweighted to unlock future growth potential

[1]Spark's internal capital management policy is to ensure that on a long-run basis reported net debt to EBITDAI does not exceed 1.0x, which Spark estimates is approximately equivalent to S&P's 1.7x adjusted net debt to EBITDAI threshold. Spark's internal threshold of 1.0x excludes S&Ps adjustments in relation to IFRS16 and captive finance operations

Guidance[1]

	FY22 Actual	FY23 Guidance	Changes to previous FY23 Guidance
EBITDAI	$1,150m	$1,185m-$1,225m Expect to be lower in the range (excludes net gain on sale of $584m for TowerCo transaction and Spark Sport provision of $52m)	-
Capital expenditure[2]	$410m	~$410m	~$520m[3]
Dividend per share	Total 25.0cps (100% imputed)	Total 27.0cps (100% imputed)	-

[1] Subject to no adverse change in operating outlook
[2] Excluding expenditure on mobile spectrum
[3] Previous capital expenditure guidance included growth capex of ~$50-$60m. Updated capital expenditure guidance includes growth capex of ~$145m-$165m an increase of ~$90-$110m to be funded from TowerCo proceeds

Summary

In final six months of three-year strategy, and on track to deliver FY23 ambitions

Delivered consistent financial performance over the last three-years despite challenging operating conditions including Covid, rapidly rising inflation, and ongoing macro-economic uncertainty

Investment in world class capabilities and culture have laid the foundations and created differentiation and competitive advantage in the market

An evolved strategy for the next three-years will be shared on Wednesday 5 April 2023

Appendix

FY23 Connexa P&L impact summary

Following completion of the Connexa divestment - an updated summary of the expected P&L financial impacts is below

Previous FY22 Results Market Release

	FY23 $m	FY24 $m
Other gains		
Operating revenue	2	(1)
Operating expenses	(5)	(8)
EBITDAI impact	**(3)**	**(9)**
Total net financing expense	11	17
Net earnings before tax	**8**	**8**

FY23 Expected Connexa Impacts

	FY23 $m	FY24 $m
Other gains	584	
Operating revenue	2	
Operating expenses	(5)	(8)
EBITDAI impact	**581**	**(8)**
Total net financing expense	(3)	5
Net earnings before tax	**579**	**(3)**

There are two key changes to the disclosures previously made as part of Spark's FY22 results:

- Recognition of the gain on sale; and
- Net financing expense reflects updated IFRS treatment (unaudited) for Connexa leases and loans

Financing expenses may differ from the expected financial impacts outlined depending on:

- The timing of Connexa's acquisition of 2degrees' passive mobile tower assets, if approved;
- Timing of the utilisation of proceeds from Spark's divestment of TowerCo; and
- Final audited accounts from Connexa

FY23 Connexa statement of financial position impact summary

The significant balances included within the statement of financial position as at 31 December 2022 as a result of the Connexa transaction were as follows:

	31 December 2022 UNAUDITIED $M	Description of the balance relating to the Connexa transaction
Long-term receivables and prepayments	**150**	Loans receivable from FrodoCo
Long-term investments	**87**	Investment in associate
Right-of-use assets[(1)]	**41**	Sale and leaseback right-of-use asset
Deferred tax assets	**126**	Deferred tax asset on the lease with Connexa
Short-term lease liabilities[(1)]	**(15)**	Short-term portion of sale and leaseback liability
Long-term lease liabilities[(1)]	**(477)**	Long-term portion of sale and leaseback liability

[(1)]These balances have increased since the transaction date due to additional sites being leased from Connexa between the transaction date and 31 December 2022

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.