Spark New Zealand
H1 FY18 Results Summary

Simon Moutter, Managing Director
David Chalmers, Chief Financial Officer

Overall Performance

Financial Summary

Continued growth in mobile, cloud, security and service management revenues offset by planned costs of change associated with Quantum programme

- Reported EBITDA on plan albeit down $8m (1.7%) on prior year; inclusive of $13m of non-recurring Quantum programme costs of change to deliver an associated gross operating expense benefit of $8m in H1 FY18[(1)] and a $44m annualised gross reduction in operating expenses
- H2 FY18 EBITDA outlook underpinned by revenue momentum and Quantum programme outcomes. To date the Quantum programme has delivered an annualised gross reduction in operating expenses of $74m, with gross benefits weighted towards H2 FY18 and beyond.
- Reported YoY revenue growth of $29m, or 1.6%, taking revenue to $1,822m as a result of continued strong performances in cloud, security and service management up 17.5% and mobile up 8.0%. Mobile now accounts for 38.2% of gross margin, up from 34.2% in H1 FY16.
- 3.4% reduction in NPAT to $172m due to decline in reported EBITDA with depreciation, amortisation, interest and tax expenses relatively flat
- H1 FY18 capex up $38m or 17.0% on prior year to $262m, only due to phasing of mobile capacity and coverage expansion and build of foundational capability in support of PSTN shutdown. Overall FY18 capex expected to remain in line with guidance.
- Cash conversion ratio[(2)] improved to 104% in H1 FY18, up from 83% in H1 FY17, due to favourable timing of payment due dates and amortisation of content rights
- Net debt increased by $123m during H1 FY18 due to business acquisitions, continued growth in handset receivable, timing of capital expenditure and payment of H2 FY17 dividend; current gearing provides ~$150m of debt headroom within our S&P A- credit rating
- H1 FY18 total dividend per share of 12.5c will be made up of a 75% imputed ordinary dividend per share of 11.0c and a 75% imputed special dividend per share of 1.5c

$29m
+1.6%

Reported Revenue movement
vs. H1 FY17

($8m)
- 1.7%

Reported EBITDA movement
vs. H1 FY17

($6m)
- 3.4%

Reported NPAT movement
vs. H1 FY17

[(1)] Page 13 of this document provides further detail on Quantum costs and associated benefits
[(2)] Calculated as operating cash-flow (excluding tax and interest) divided by EBITDA (excluding net gains from divestments and share of associate and joint venture net losses)

Overall Performance

Key Areas of Focus

Substantial progress made in three focus areas outlined at 30 June 2017 Investor day; now underway with transition to scale Agile operating model

Emphasis on Wireless

- Successfully monetising customer demand for mobile data, with total mobile ARPU returning to growth for the first time in two years; up 1.8% on H1 FY17
- 104k customers now connected to wireless broadband generating a ~$46m annualised gross reduction in access costs and $17m of incremental benefit in H1 FY18. Still targeting 125k wireless broadband connections by 30 June 2018 as we progress towards our goal of being mostly ex copper by 2020.
- 4.5G now live in 30 locations expanding network speed and capacity in order to meet exponential growth in data

Better serving price sensitive customers

- Broadband connection growth continues, up 7k during H1 FY18. Total connection growth of 19k during 2017 is Spark's highest annual growth in three years
- Skinny and Bigpipe sub brands secured majority of Spark's H1 FY18 connection growth and continue to resonate well with price sensitive customers
- Skinny is the winner of Consumer NZ's People's Choice Award for the third consecutive year running. Skinny NPS up 9 points on prior period; and Skinny Direct customer base has tripled YoY, further demonstrating demand for digital sales and service

Lowest cost operator

Pleasing progress made on the Quantum programme with financial benefits tracking to plan; albeit more visible on run-rate than in-year due to phasing:

- Simplification, automation and digitisation driving improvement in customer experience and service costs; H1 FY18 HMB customer care voice interactions down 18% YoY
- Second phase of digitisation initiatives completed during H1 FY18, delivering an associated gross operating expense benefit of $8m in H1 FY18 and a further annualised gross reduction in operating expenses of $44m. The programme, which commenced in H2 FY17, has now delivered an annualised gross reduction in operating expenses of $74m; with gross benefits weighted towards H2 FY18 and beyond.

Further Quantum investment in H2 FY18 and FY19 will continue to drive service and cost improvements.

Progress made on Quantum programme has given us confidence to go bigger and faster on our planned transition to Agile at scale operating model.

~$46m

Wireless Broadband Migration
per annum gross reduction in access costs

$74m

Quantum Programme
per annum gross reduction in operating expenses

41.9%
(0.5 pp)

Share of Broadband Connections (1) (2)
vs. H1 FY17

38.8%
+1.1 pp

Share of Mobile Service Revenue (1)
vs. H1 FY17

[1] Market share estimate
[2] Includes wireless broadband connections

Overall Performance

Financials

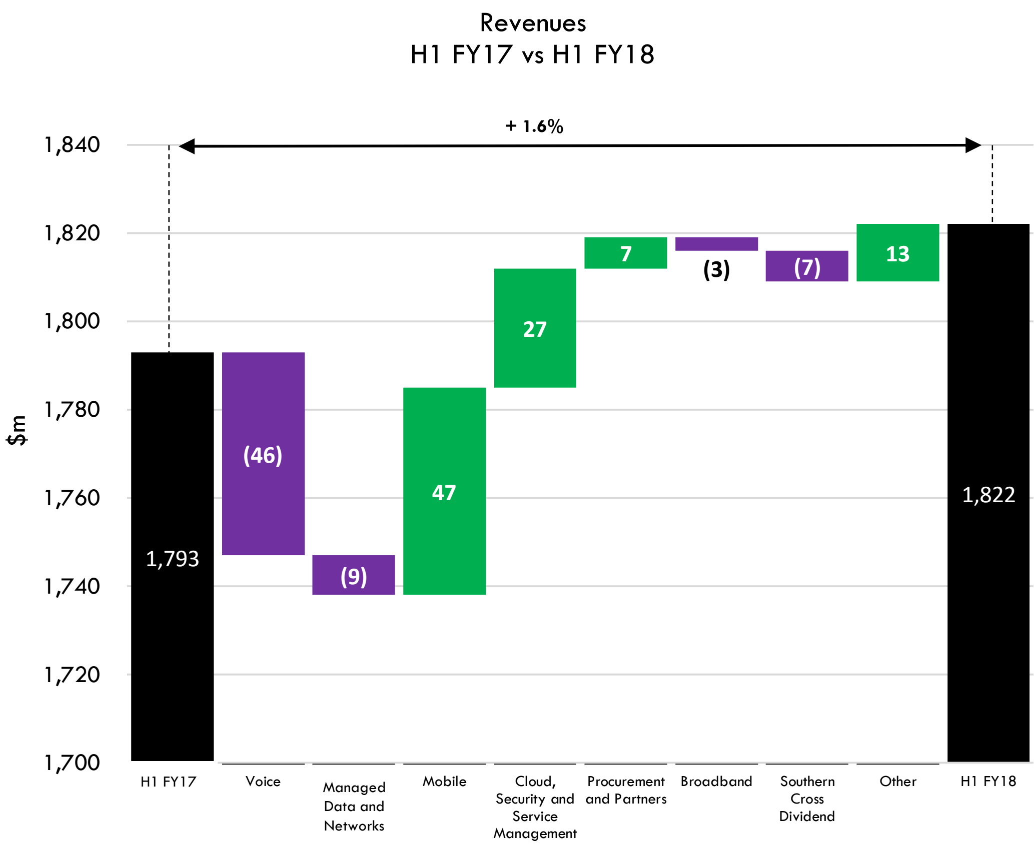
	H1 FY18 $M	H1 FY17 $M	CHANGE
Revenues	1,822	1,793	1.6%
Operating expenses[1] [2]	(1,359)	(1,322)	2.8%
Reported EBITDA	**463**	**471**	**(1.7%)**
Depreciation and amortisation	(214)	(215)	(0.5%)
Net finance expenses	(14)	(13)	7.7%
Net earnings before income tax	**235**	**243**	**(3.3%)**
Income tax expense	(63)	(65)	(3.1%)
Net earnings after income tax	**172**	**178**	**(3.4%)**
Capital expenditure	262	224	17.0%
Notional free cash flow[3]	201	247	(18.6%)
EBITDA margin	25.4%	26.3%	(0.9pp)
Effective tax rate	26.8%	26.8%	-
Capital expenditure to operating revenues	14.4%	12.5%	1.9pp
Earnings per Share	9.4c	9.7c	(3.1%)
Total Dividend per Share	12.5c	12.5c	-

[1] H1 FY18 operating expenses include $13m Quantum costs of change
[2] Includes share of associate and joint venture net losses
[3] Notional free cash flow = EBITDA less capital expenditure

Overall Performance

Revenue

Mobile and cloud growth more than offsetting ongoing declines in voice, managed data and Southern Cross dividends



Mobile, cloud, security and service management revenues now account for 44.8% of total revenues, an increase of 5.3pp over the past two years

Mobile growth driven by:

- 6.0% increase in high margin service revenues on increased ARPU and connections; and
- Ongoing customer demand for premium devices

Cloud, security and service management growth driven by ongoing customer demand for "as a service" products

Accelerated rate of decline across voice, managed data and networks due to:

- Continued adoption of naked broadband plans;
- Proactive migration of customers off traditional managed data products onto new lower priced fibre based alternatives; and
- Increased churn off Wholesale and Spark Digital PSTN offerings

Consistent with indications given in FY17 Results Summary, Southern Cross dividend down $7m, or 20.0%, on prior year:

- H2 expected to see a further significant year-on-year decline as the level of pre-purchased capacity from large customers decreases

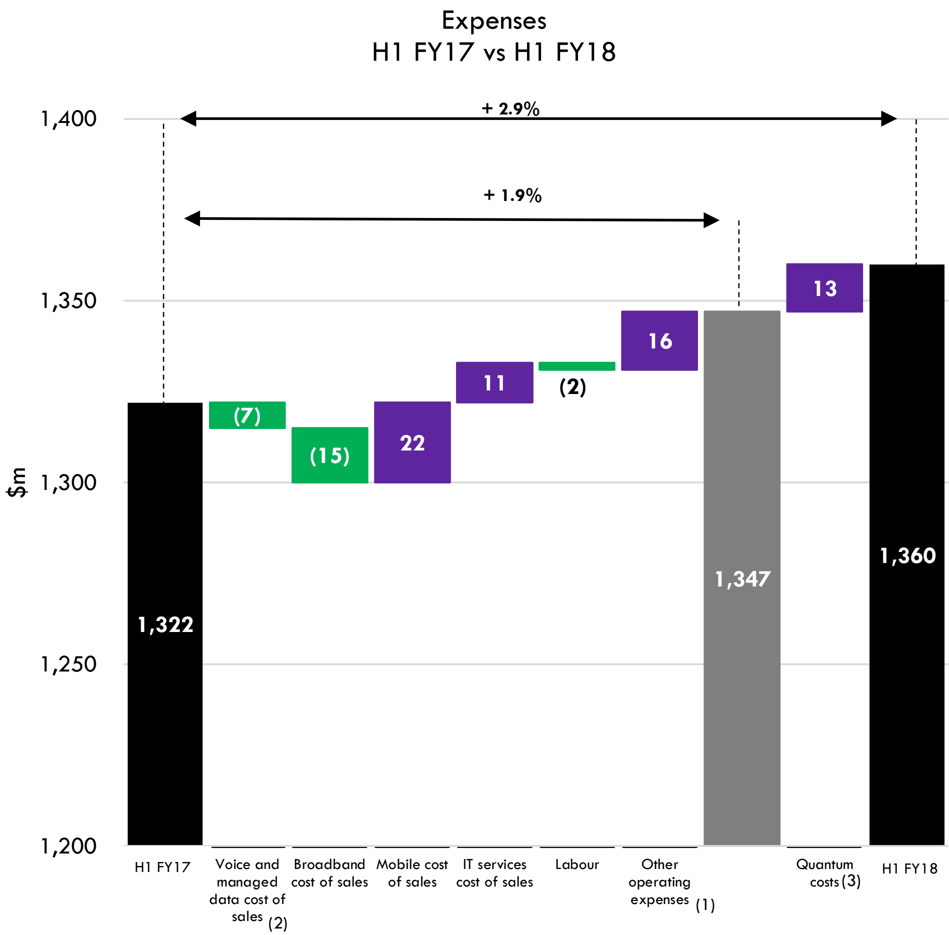
Other revenue growth from:

- Continued progress of Spark Ventures businesses including acquisition of Ubiquity; and
- Gain of $3m associated with the buyback of retail stores

Overall Performance

Operating Expenses(1)

Cost increases in support of top line revenue growth and implementation of Quantum programme with associated non-recurring costs



5.8% decline in voice, managed data and network cost of sales due to:
- Ongoing reductions in voice connections

Broadband cost of sales down $15m, or 6.7%, on prior year driven by:
- $17m YoY reduction in access costs due to ongoing adoption of wireless broadband; partially offset by
- Regulated increases in wholesale access charges for both fibre and copper

Mobile costs of sales increased $22m, or 9.9%, due to:
- Increased customer demand for premium devices;
- Ongoing adoption of value added services; partially offset by
- Reduction in commissions following the insourcing of Spark retail stores

IT services cost of sales increase of 5.1% in support of growth in higher-margin cloud and security products revenues

H1 FY18 labour costs flat year on year:
- $20m gross benefits from Quantum; offset by
- Expansion of labour in support of cloud and data analytics growth and acquisitions, including insourcing of retail stores
- $74m annualised gross Quantum benefit weighted towards H2 FY18

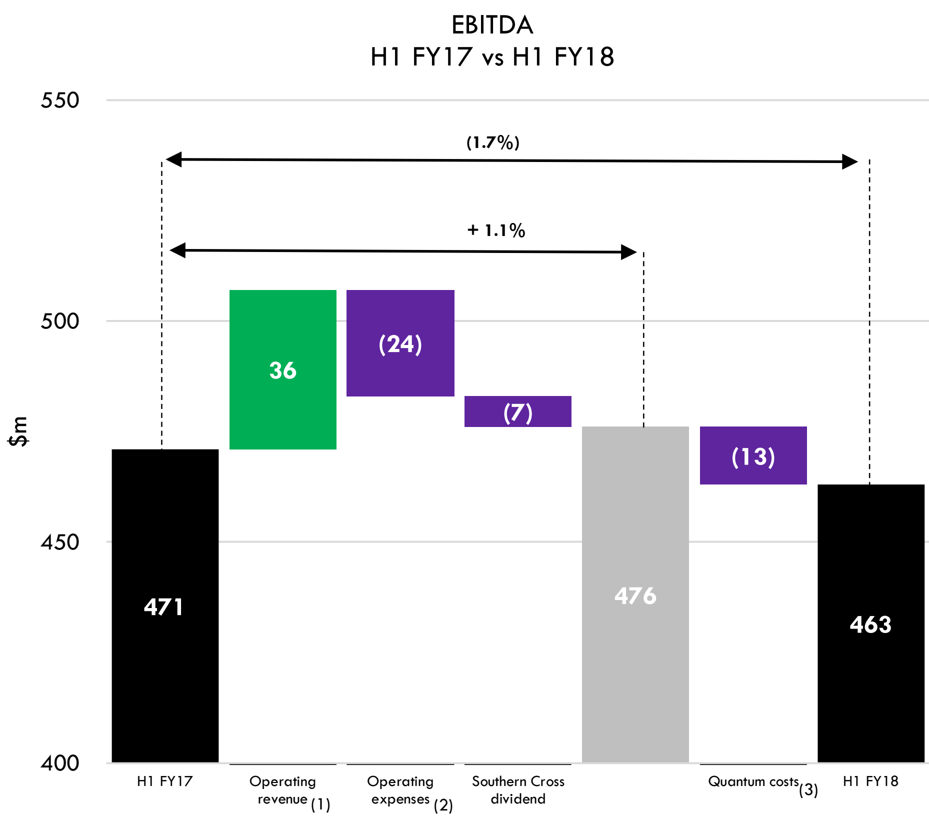
Other expenses increased $16m, or 19.8%, in support of key marketing campaigns and product launches

(1) Includes share of associate and joint venture net losses of $2m in H1 FY17 and $1m in H1 FY18
(2) Voice, managed data and network cost of sales includes baseband and access charges and other intercarrier costs
(3) Quantum costs of change are externally reported within labour ($2m) and other operating expenses ($11m)

Overall Performance

EBITDA

Reported EBITDA on plan with YoY reduction due to $13m of non-recurring Quantum costs of change; associated gross benefits weighted to H2 FY18 and beyond



EBITDA margin of 25.4% down 0.9 pp on prior year due to:

- Improvement in gross margin percentage on growing revenues; offset by
- $13m of Quantum costs of change in H1 FY18, delivering $8m of gross cost reductions in the period and $44m of annualised gross benefit; and
- Expenditure in support key marketing campaigns and product launches

Excluding Quantum costs of change, underlying EBITDA grew $5m or 1.1% to $476m

Gross margin increased by $19m or 2.0% on prior year due to:

- 6.8% growth in mobile gross margin on connection and ARPU growth;
- 14.0% increase in cloud, security and service management gross margin due to continued adoption of cloud and security services;
- 9.9% improvement in broadband gross margin, despite lower revenues, due to uptake of higher-margin wireless broadband; partially offset by
- Ongoing declines in voice and managed data; and
- Declining Southern Cross dividends

(1) Southern Cross dividends are externally reported within other operating revenue
(2) Includes share of associate and joint venture net losses of $2m in H1 FY17 and $1m in H1 FY18
3) Quantum costs of change are externally reported within labour ($2m) and other operating expenses ($11m)

Product Performance

Mobile

New Zealand's fastest growing mobile provider by connections and revenues with a return to overall ARPU growth driving improved gross margin

Mobile revenues now account for 34.9% of total operating revenues; up 2.1pp on prior year.

Overall mobile ARPU up 1.8% on prior year, returning to growth for the first time in two years:

- Continued growth in HMB pay-monthly ARPU following launch of lower-priced unlimited data plan, with the number of HMB pay-monthly customers on a $55 plan or above increasing by 22% on prior year;
- Spark Digital ARPU down on prior year due to continued competitive price pressure; and
- Significant prepaid ARPU growth, up 7.0% on prior year, driven by adoption of low-cost Skinny Direct prepaid offerings

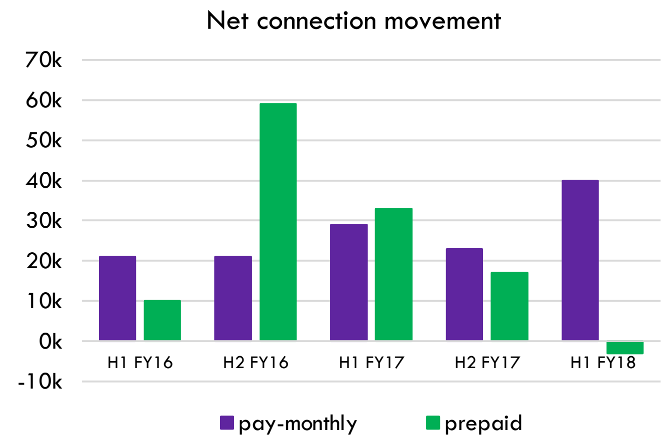
Mobile gross margin up $25m, or 6.8%, on prior year:

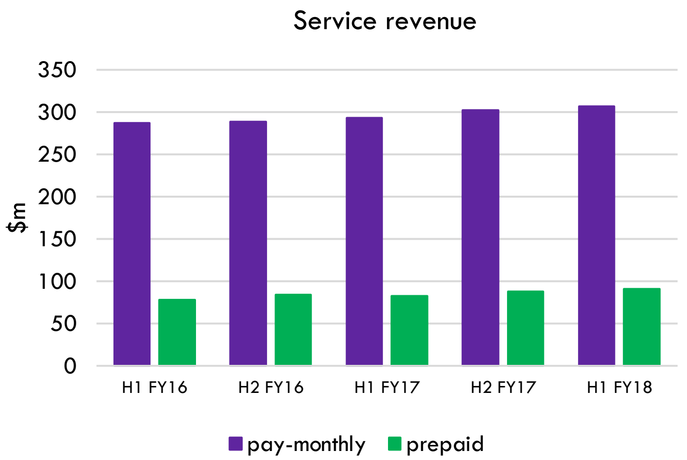
- Continued growth in high margin service revenues on increased ARPU and connection growth of 77k or 3.3%;
- Ongoing improvement in HMB handset margin as customers continue to migrate away from subsidised handsets; with 86% of HMB pay-monthly base now on open term plans; and
- Dealer margin savings through insourcing of Spark retail stores

20% YoY increase in net customer migration from prepaid to pay-monthly resulting in decline in HMB prepaid base during the half

4.5G roll out progressing well with 30 locations and 38 sites now live:

- Provides customers with more data and faster speeds;
- Enables data to be delivered at a lower cost per GB; and
- Helps us prepare for a 5G future, by giving us a deeper understanding of the more intensive data use-cases that will be made possible





Product Performance

Broadband

9.9% growth in broadband gross margin[1] with benefits of wireless broadband adoption offsetting the ARPU impacts of commoditisation, aggressive price competition and shift to naked broadband services

Rising input costs and persistent retail price competition continue to be features of the broadband market, further cementing our focus on:

- Wireless broadband; and
- Better serving price conscious customers

Second consecutive period of connection growth, up 7k during H1 FY18, driven by appeal of Skinny and Bigpipe sub-brands to price conscious customers

Revenue down $3m, or 0.9%, on prior year, despite connection growth, due to ARPU dilution from:

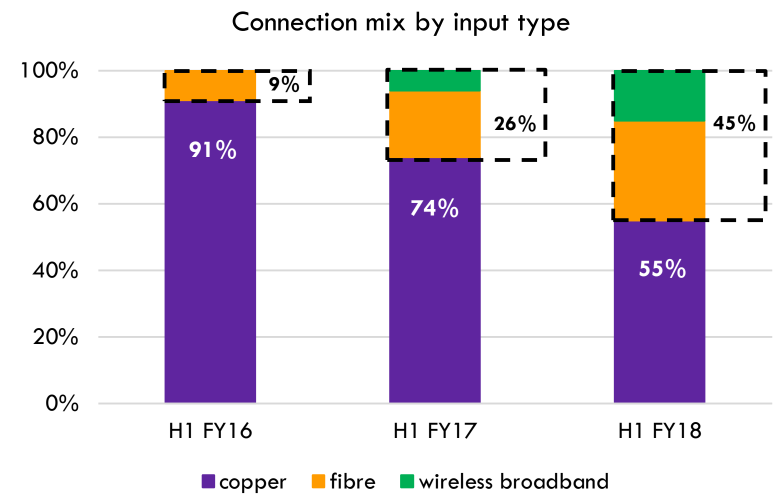
- Ongoing adoption of naked broadband services reducing broadband access revenue; and
- Uptake of lower-priced, but higher-margin, wireless broadband offers

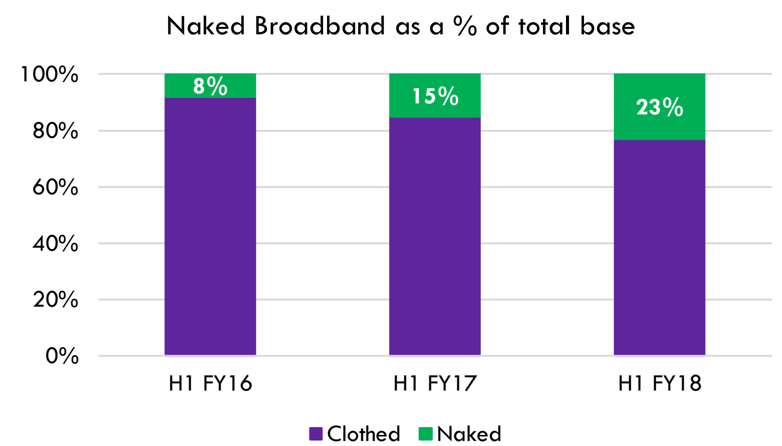
'Upgrade New Zealand' momentum continues with 45% of broadband connections now on newer and more reliable fibre and wireless inputs, up from 26% in H1 FY17

- 104k customers now on wireless broadband, delivering ~$46m of annualised gross reduction in broadband access costs

Video continues to fuel demand for data, with average monthly GB usage per customer up 39%[2] on prior year. Reflected in ongoing migration to unlimited broadband plans with these now accounting for 54% of connections.

Completed successful trial of portable wireless broadband solution during H1 FY18, providing valuable insights into potential future offerings





[1] Broadband gross margin calculated as broadband revenue less broadband cost of sales
[2] Excludes Skinny, Bigpipe and Digital Island. Average monthly data usage per connection 132GB

Product Performance

Cloud, Security and Service Management

Growth in higher-margin products and improved performance in service management driving increased gross margin

Topline revenue growth of $27m or 17.5% driven by:

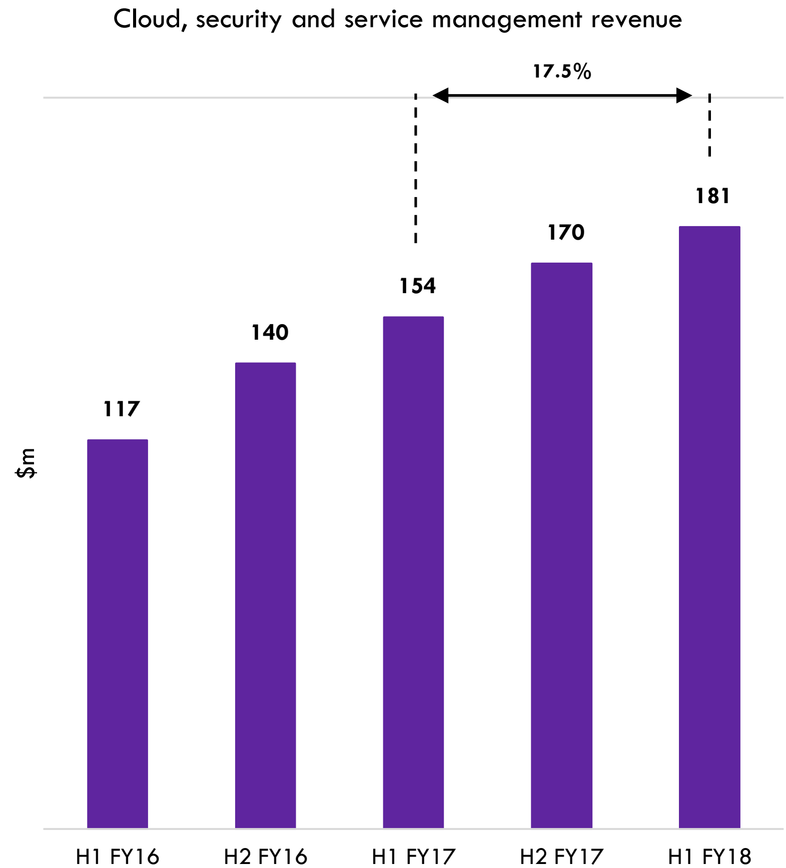
- Customer wins reflecting demand for the benefits and flexibility that cloud-based platforms offer;
- Transition project workload; and
- Ongoing annuity product revenues

Gross margin up $17m fuelled by:

- Topline revenue growth; and
- Ongoing change in mix, with higher-margin cloud and security products growing faster than more labour intensive service management offerings

Ongoing focus on effective and efficient service management to drive growth in the profitability of our top clients

Global trends and strong customer demand indicate ongoing growth potential for cloud and security revenues



Voice, Managed Data and Networks

Acceleration in rate of revenue and margin decline due to ongoing substitution of landline voice to other technologies and proactive migration away from traditional managed data products in support of simplification

Total voice, managed data and networks revenue declined by $55m (12.4%) on prior year; versus a $36m (7.5%) YoY decline in H1 FY17

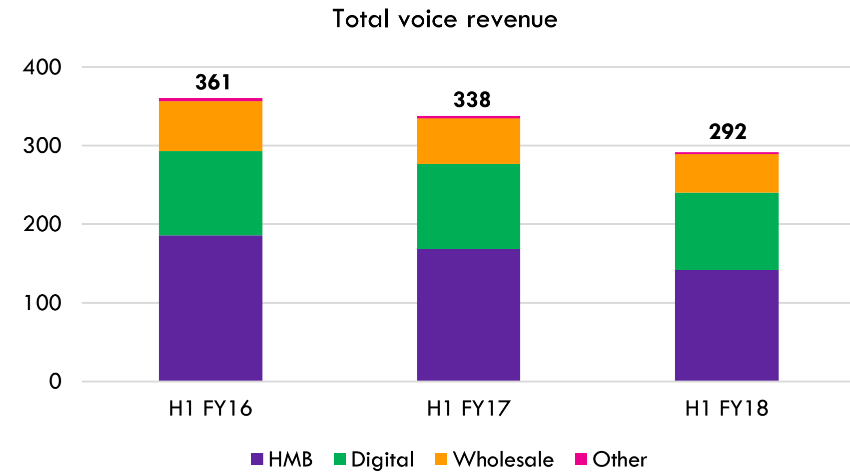
H1 FY18 voice revenue[1] decline of $46m (13.6%) on prior year higher than prior periods due to:

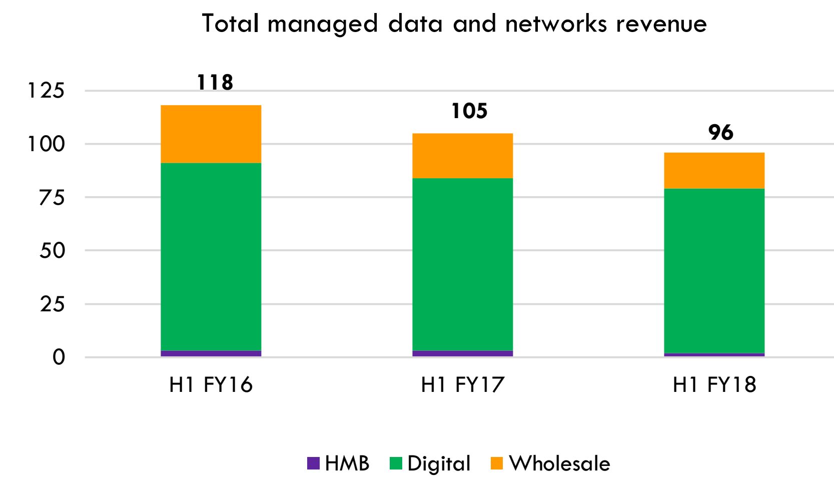
- $18m (12.7%) YoY decrease in higher-margin calling revenues due to a 16% YoY decline in total calling minutes; and
- Acceleration in migration of wholesale and Spark Digital customers off PSTN

H1 FY18 managed data and networks revenue decline of $9m (8.6%), higher than prior periods, as a result of:

- Proactive migration of customers off legacy data platforms on to new lower-margin fibre based alternatives in support of core product simplification; and
- Competitive pricing pressure

Launch of new managed data customer support systems, creating the foundation for improved customer experience and better self-service





[1] Voice revenue includes connections delivered over the mobile network (Voice over LTE)

Strategy Update

Media

Lightbox expanding its service, adding new monetisation options and latest movies

Excited to relaunch Lightbox on new Brightcove media platform in April, in support of media marketplace strategy. Will give us the functionality to partner with other premium content providers; delivering other types of content such as "pay-per-view" movies and events.

From launch we will substantially expand the available range of content:

- Pay-per-view movies; hundreds of titles available at launch with many more being added every week
- Kids content will get its own home so parents can keep kids safe with appropriately curated content

Will also provide users with more sophisticated functionality:

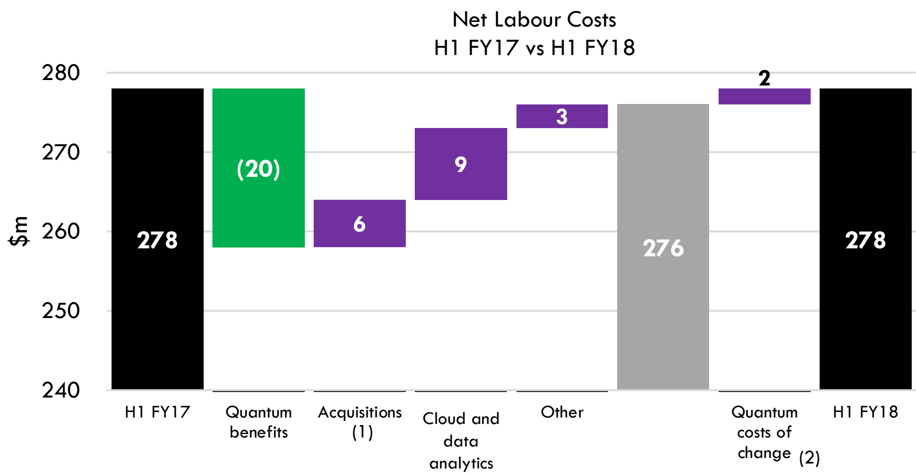
- Paid-for premium option to unlock simultaneous streaming to more devices and downloadable content to enable offline viewing
- Password protected profiles provide dedicated access to kids content

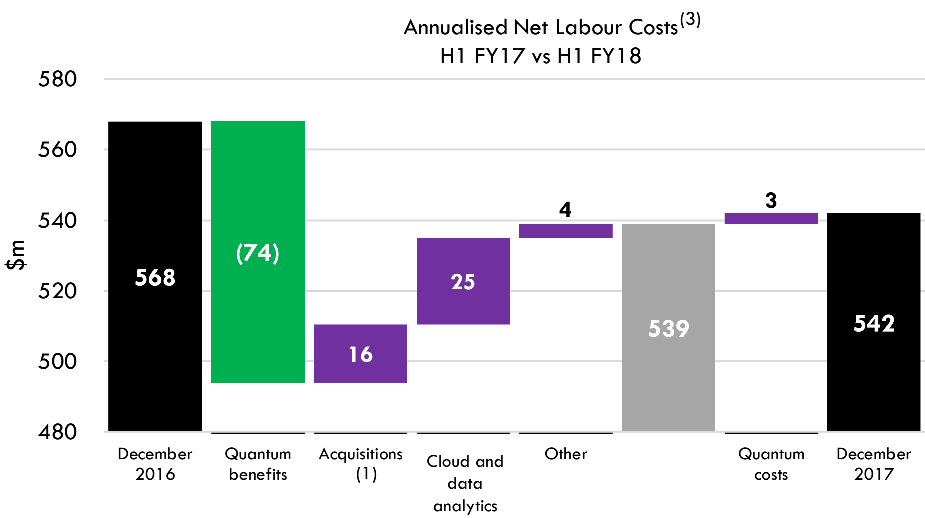
With continuing growth and over 300,000 subscribers Lightbox remains a valuable means of customer acquisition and retention

Strategy Update

Quantum: Progress

Programme delivery expanded as planned during H1 FY18; associated gross annualised benefits of $74m weighted towards H2 FY18 due to phasing of productivity gains





First phase of digitisation initiatives executed in H2 FY17 at a cost of $8m to deliver:

- $12m gross benefit in H1 FY18; and
- $30m gross annualised reduction in labour

Second phase of digitisation initiatives also completed during H1 FY18 at a cost of $13m to deliver:

- Further $8m gross benefit in H1 FY18; and
- $44m gross annualised reduction in labour

Annualised net labour costs projected to decline further to ~$500m by end of FY18

Intent on completing Quantum programme in FY19 however:

- Considering opportunity to bring forward benefits by accelerating the programme; and
- Additional costs of change may be brought forward into FY18 to benefit FY19

(1) Includes insourcing of Spark retail stores and acquisitions of Ubiquity and Digital Island
(2) Total H1 FY18 Quantum costs of change of $13m are recognised in labour costs ($2m) and other expenses ($11m)
(3) Equals 12 x actual monthly spend (after adjusting for timing of labour capitalisation and releases of holiday pay accruals)

Quantum: Progress

Bold programme of simplification, automation and digitisation delivering material improvement in service experience, employee engagement and cost to serve

Simplification

166,000
Customers migrated onto new fit-for-purpose consumer plans during the half

5,000+
Managed data plan variants grandfathered

100+
Spark Digital voice and mobile plans grandfathered

Automation

53%
Spark Digital mobile service requests automated

35
Bots automating tasks across the business and proactively solving customer issues

60%
Simple cloud customer requests now automated via self-service portal

Digitisation

468,000
YoY reduction of calls into HMB contact centres

46%
YoY Increase in HMB chat interactions

19%
Increase in organisations using MySparkDigital

500,000+
Spark App users completing 270,000 self-service interactions per month

2,078
Business customers using "walk me" self-service tutorials

NPS

+5
Increase in employee NPS in the half

+23
Increase in Spark Digital relationship NPS in the half

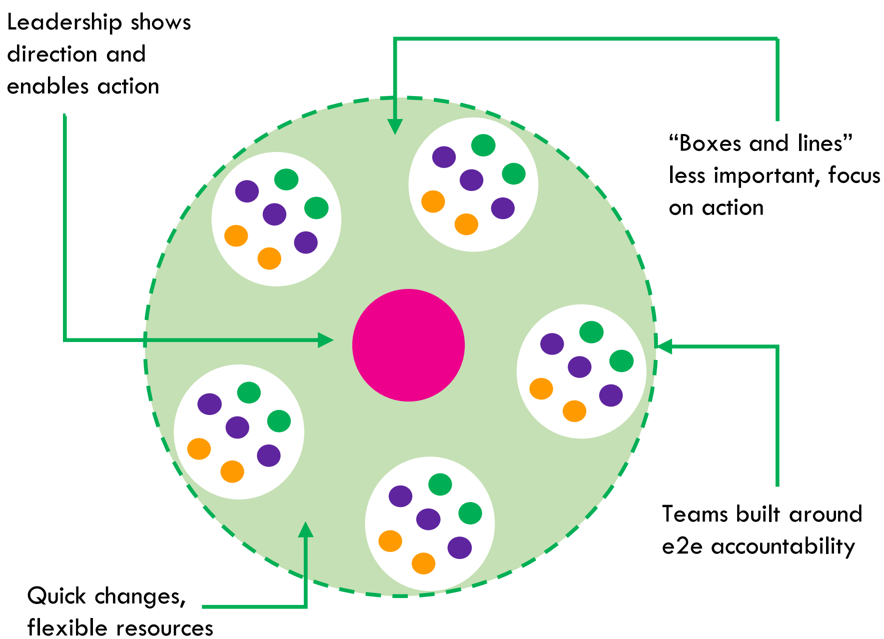
+5
Increase in consumer and small business market NPS in the half

Strategy Update

Quantum: Agile Ways of Working

Moving ahead with Agile at scale more quickly and with broader scope than earlier envisaged, to capture clear benefits of these new ways of working

What



Principles

Organisations as organic systems, in which people collaborate quickly and effectively around tasks and projects, across boundaries

Leaders as catalysts who show direction and set up the system for people to do their jobs effectively

Employees as adults, exposing them to uncertainty to help them grow and trusting them to do the right thing

Why

Deeply embedded customer centricity

Dramatically increased speed to market

Highly empowered and engaged people with greater productivity

When

Planning and high level design	Completed
Frontrunner tribes being established	Now
Detailed structure design confirmed	March
Employee training and transition to squad roles	April-June
Agile at Scale implemented	Q1 FY19

Capital Expenditure

Capital envelope continues to provide sufficient capacity to execute on our strategy, with FY18 investment weighted towards H1

Capital Expenditure ($m)	H1 FY17	H2 FY17	H1 FY18
Plant, network, core sustain and resiliency	36	31	38
IT systems [(1)]	60	52	64
Mobile [(2)]	69	33	89
Cloud	22	20	19
Other [(3)]	20	23	21
Converged Communications Network	3	12	17
International cable construction and capacity [(4)]	14	20	14
Total CAPEX	**224**	**191**	**262**
Total CAPEX to operating revenue	12.5%	10.6%	14.4%

[(1)] IT systems includes investments in core IT systems and Telecommunications-as-a-Service
[(2)] Mobile includes investment in standalone mobile assets including capacity in support of wireless broadband
[(3)] Other includes store refits, Lightbox, Qrious, IoT and Morepork
[(4)] International cable includes capacity purchases on Southern Cross cable and investment in Tasman Global Access cable

Continuing to work within a capex envelope of 11-12% of revenue annually

Plant, network and core sustain includes ongoing fibre build programmes and investments in Spark-owned properties

IT systems investment in support of enhanced customer experience and ongoing simplification, automation and digitisation of Spark's products and services

Mobile investment up $20m on H1 FY17 due to phasing of capacity and coverage expansion. Core mobile and wireless broadband capability increasing via ongoing investment in single radio access network (SRAN) and long-term evolution (LTE) technologies.

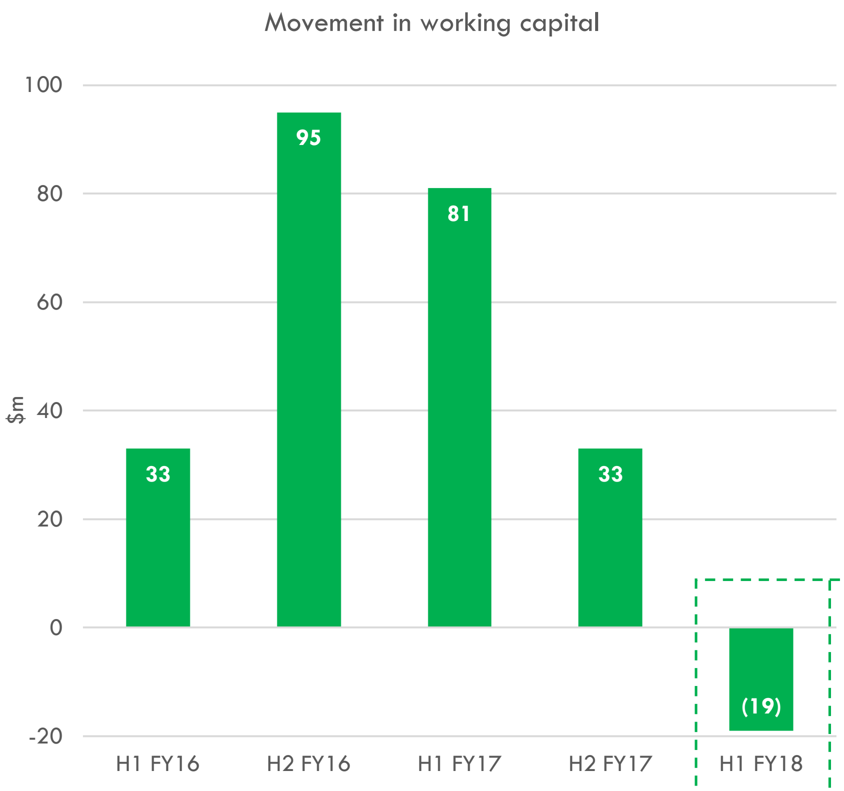
Multi-year Converged Communication Network (CCN) investment will replace the legacy PSTN network and enable the delivery of future IP based voice services

Reduction in international cable and construction investment following completion of Tasman Global Access (TGA) cable build in H2 FY17

Capital Management

Working Capital

Cash conversion ratio[1] improved to 104% in H1, resulting in a $19m improvement in working capital. Overall FY18 cash conversion projected to be 90-95%, as favourable timing of H1 payables unwinds.



Cash conversion ratio	H1 FY16	H2 FY16	H1 FY17	H2 FY17	H1 FY18
	93%	82%	83%	94%	104%

Key components of movement in working capital between H2 FY17 and H1 FY18	
HMB mobile handset receivable Driven by a 19% increase in average handset value[2] Growth in the penetration of 'open term' plans has slowed during H1 FY18, increasing by only 1% to 86%	$29m
Prepayments and accruals Primarily due to timing of expenditure in support of procurement and partners revenue growth	$3m
IT services contracts Further on-boarding of customers during H1 FY18, with costs incurred at the beginning of the contract but recognised over the life of the contract	$11m
Timing of payables and receivables Predominantly due to timing of payment due dates for key suppliers and recognition of new customer acquisition costs over customer contract periods	($60m)
Inventory Due to reduction in level of broadband modem stock	($1m)

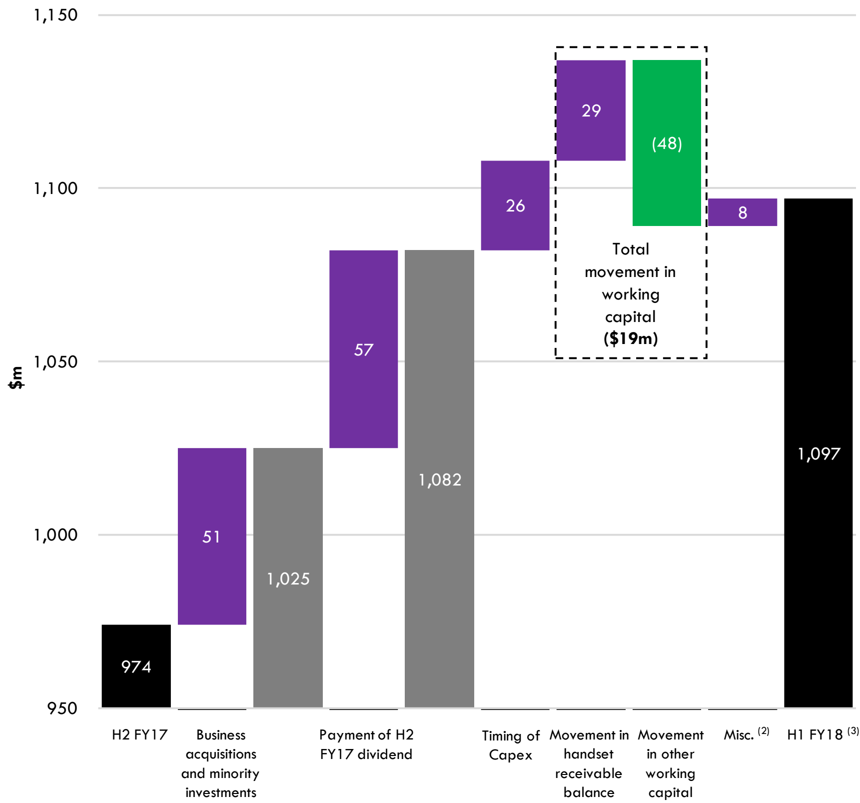
[1] Calculated as operating cash-flow (excluding tax and interest) divided by EBITDA (excluding net gains from divestments and share of associate and joint venture net losses)
[2] Calculated as the weighted average retail price (incl. GST) for all mobile devices sold by Spark HMB

Capital Management

Net Debt

Current gearing provides ~$150m of debt headroom[1] within our S&P A- credit rating; with net debt increasing by $123m during H1 FY18 due to business acquisitions, continued growth in handset receivable balance, timing of capital expenditure and payment of H2 FY17 dividend

Movement in Net Debt between H2 FY17 and H1 FY18



[1] Calculated using FY17 EBITDA of $996m; being reported FY17 EBITDA of $1,016m less net gain from sale of Mayoral Drive Carpark

[2] Miscellaneous movements include adjustment for fair value estimate of debt and timing of tax, interest and lease payments

[3] Refers to gross debt of $1,180m as reported in Note 6 of Spark's FY18 Half Year Report *less* cash of $117m as reported in the Statement of Financial Position within Spark's FY18 Half Year Report *plus* the impact of hedged rates used, being $34m as at 31 December 2017.

$51m to fund minority investments and business acquisitions including Digital Island, Spark retail stores and Ubiquity

$57m payment of H2 FY17 dividend consistent with previous policy, whereby debt was used to supplement earnings per share to reset capital structure

$26m timing of capital expenditure[4] across mobile and converged communications programmes

$29m growth in handset receivable balance due to 19% increase in average handset value[5] as HMB customers continue to adopt premium devices

($48m) improvement in other working capital[6] due to:

- Timing of payment due dates for key suppliers; and
- Initial benefits of refreshed working capital policies

Current gearing of 1.09x[7] remains consistent with Spark's ongoing commitment to maintaining an A- S&P credit rating and continues to provide sufficient funding for:

- accretive business acquisitions and investments with focus remaining on transactions of ~$100m or less that are close to the core;
- business as usual operations; and
- withstanding normal business risks

Funding capacity projected to improve over time as:

- EBITDA growth provides additional funding headroom; and
- Application of refreshed working capital policies improves cash conversion

[4] Calculated as H1 FY18 payments for capital expenditure and capitalised interest paid of $240m *less* reported H1 FY18 depreciation and amortisation of $214m

[5] Calculated as the weighted average retail price (incl. GST) for all mobile devices sold by Spark HMB

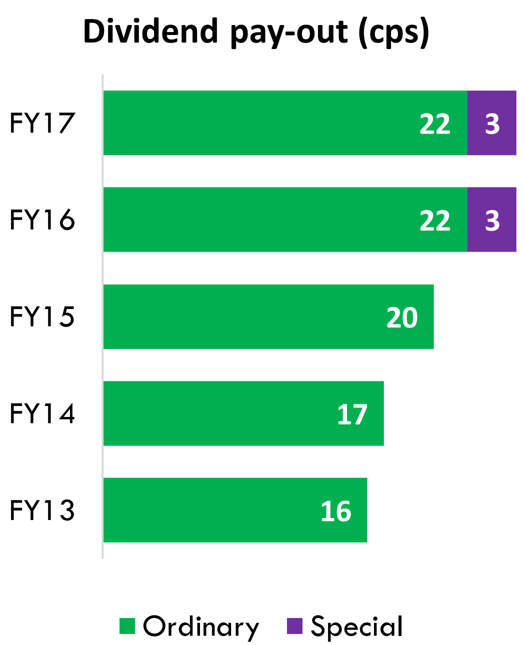
[6] Calculated as total H1 FY18 improvement in working capital of $19 *less* H1 FY18 increase in handset receivable balance of $29m

[7] Calculated as net debt/EBITDA

Capital Management

Dividend

Our preferred method of shareholder distribution remains to sustainably grow total dividends over time in line with earnings growth



As part of our 2017 Investor Update we outlined our dividend aspiration:

- To deliver a sustainable total dividend that is fully funded by earnings per share of 25c or above - timing uncertain
- While earnings per share remain below 25c Spark may choose to use debt to supplement earnings

From H1 FY18 onwards the primary use of any debt to supplement earnings per share has therefore changed:

- ***from*** resetting capital structure
- ***to*** topping up dividends as underlying earnings sustainably grow to 25cps or above

Spark confirms an H1 FY18 total dividend per share of 12.5c made up of:

- H1 FY18 ordinary dividend per share of 11.0c, to be 75% imputed; and
- H1 FY18 special dividend per share of 1.5c, to be 75% imputed

FY18 Outlook

Guidance [1] [2]

Considering acceleration of Quantum programme to strengthen FY19 result. No decision has yet been made but if programme is accelerated then FY18 guidance may reduce due to associated costs of change; we will update the market if appropriate.

	FY17 Actual excluding net gain from sale of Mayoral Drive carpark	FY18 Guidance [1] [2] versus FY17 actual excluding net gain from sale of Mayoral Drive carpark	Change to previous FY18 guidance
Total Revenues	$3,594m	0-2% growth	-
EBITDA	$996m	0-2% growth	-
Capex	$415m	~$410m	-
Earnings per Share	22c	~22c	-
Dividend per Share	*Ordinary* 22.0 cps fully imputed *Special* 3.0 cps 75% imputed	*Total* 25.0cps at least 75% imputed[3]	-

[1] Guidance subject to no adverse change in operating outlook
[2] Guidance is relative to reported FY17 results excluding net gain from sale of surplus Mayoral Drive carpark land
[3] Likely to be made up of an ordinary dividend determined by earnings, topped up by a special dividend to maintain a total dividend per share of 25.0c

FY18 Outlook
Indicators of Success

	Measures	Target 30 June 2018	Status
Strategic enablers	Spark HMB mobile and broadband connections migrated to new plans	200k	On Track
	Spark Digital core product plan portfolio	Reduced from 1,000's to 100's	Solid Progress
	Transition to scaled Agile operating model	Implemented H2	On Track, going bigger
	Spark Digital offering tiered service model	Launched H2	On Track
	Deployed 4.5G locations	30	Delivered
	Foundation IMS capability deployed	Commissioned H2	On Track
	Significant new automation and digitisation initiatives completed	5	On Track
	Percentage of customer journeys designed digital first	70%	On Track
	PSTN exchange closures	at least a further 40 closures	On Track
Lead indicators	Reduction in monthly Customer Care workload minutes (1)	10%	Well Ahead
	Proportion of broadband customers on fibre or wireless broadband	50%	On Track
	Market share of UFB connection growth	40-45%	Improvement Needed
	Wireless broadband connections	125k	On Track
Market outcomes	Market NPS	5 point lift	Improvement Needed
	Total mobile revenue growth	4%	Well Ahead
	Cloud revenue growth (2)	10-15%	Ahead
	New Ventures revenue growth incl. new wholesale	100%	On Track
	Cyber security revenue growth	30%	On Track

(1) Workload minutes defined as: interactions answered **x** average handling time
(2) This measure replaces the previous Platform IT revenue growth target, as Platform IT is no longer reported as a revenue category

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, 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.