Spark New Zealand FY17 Results Summary

Simon Moutter, Managing Director
David Chalmers, Chief Financial Officer

Overall Performance

Financial Summary

Continued revenue and EBITDA growth driven by mobile and IT services

Another period of solid financial performance with all guidance metrics met:

- Reported YoY revenue growth of $117m, or 3.3%, taking revenue to $3,614m on the back of continued strong performances in IT services , up 19.0%[1], and mobile, up 5.6%, further boosted by a $20m net gain from sale of surplus land
- Reported YoY EBITDA growth of $30m, or 3.0%, to $1,016m
- Increase in reported EBITDA, combined with a reduction in depreciation, increasing reported NPAT by $48m YoY, or $13.0%, to $418m

Prudent capital management continues to provide operating and strategic flexibility:

- Cash conversion ratio[2] improved to 89% in FY17; H2 FY17 saw average cash conversion improve to 94% due to cyclical impact of prepayments
- FY17 capex at 11.5% of revenue compares favourably to peers and within long term target of 11% to 12% capex to revenue
- Net debt increased by $117m during FY17 but declined by $16m during H2 FY17 due to divestment proceeds and improved cash conversion; current 0.96x gearing[3] provides ~$270m of debt headroom within our A- credit rating

H2 FY17 total dividend per share of 12.5c will be made up of a fully imputed ordinary dividend per share of 11.0c and a 75% imputed special dividend per share of 1.5c.

Subject to no adverse change in operating outlook Spark anticipates paying a total FY18 dividend per share of 25.0c that is at least 75% imputed. This dividend is 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

3.3%

Reported Revenue growth
vs. FY16

3.0%

Reported EBITDA growth
vs. FY16

13.0%

Reported NPAT growth
vs. FY16

[1] Includes $22m increase in revenue from having twelve months of CCL Group in FY17 versus seven months in FY16 (acquired in December 2015). YoY IT Services revenue growth excluding annualisation impact from CCL is $103m or 15.7%.
[2] calculated as operating cash-flow (adjusted for tax and interest) divided by EBITDA (excluding net gains from sale of Mayoral Drive carpark)
[3] calculated as Net Debt/EBITDA

Overall Performance

Meaningful progress across our new areas of focus

We've delivered to plan with regard to market outcomes and financial targets, albeit we have incurred higher short-term costs to:

- Return call centre service levels to industry standards; and
- Migrate customers off copper to wireless or fibre, and from Yahoo to SMX email

Customer satisfaction and market NPS have materially improved as a result with work continuing to deliver truly outstanding customer experience.

We've continued to execute our long-term strategy. Meaningful progress is being made across the new areas of focus outlined in our recent Investor Update:

1. Emphasis on wireless

- Mobile connection growth of 99k (4.3%) driven by the market appeal of our digital service inclusions and ongoing network and brand strength
- Successful execution of 'Upgrade New Zealand' programme with 84k customers now connected to wireless broadband, both improving customer experience and reducing operating costs

2. Better serving price sensitive customers

- Following almost two years of no broadband connection growth, the launch of Skinny Broadband (fixed and wireless) has contributed to a 12k (1.8%) increase in connections; with H2 seeing Spark secure a higher share of net connection growth than any other provider

3. Lowest cost operator

- Completed first phase of business simplification under the Quantum Programme
- Commenced decommissioning of the PSTN network, with removal of equipment from 22 small exchanges
- One of the first in Asia Pacific for a commercial 4.5G site providing 3-4 times the capacity of 4G and unlocking further reductions in cost per GB
- Over 750,000 customers now using our mobile app for digital self-service

37.8%
+0.1pp

Share of Mobile Service Revenue [1] [2]
vs. H2 FY16

42.2%
-1.2pp

Share of Broadband Connections [1] [2] [3]
vs. June 2016

687k
+1.8%

Broadband Connections [2] [3]
vs. June 2016

[1] Market share estimate
[2] excludes wholesale revenue and connections
[3] includes wireless broadband connections

Overall Performance

Reported Financials

	FY17 $M	FY16 $M	CHANGE
Revenues [1]	3,614	3,497	3.3%
Operating expenses [2]	(2,598)	(2,511)	3.5%
EBITDA [1]	**1,016**	**986**	**3.0%**
Depreciation and amortisation	(430)	(446)	(3.6%)
Net finance expenses	(26)	(28)	(7.1%)
Net earnings before income tax [1]	**560**	**512**	**9.4%**
Income tax expense	(142)	(142)	-
Net earnings after income tax [1]	**418**	**370**	**13.0%**
Capital expenditure	415	390	6.4%
Notional free cash flow [1] [3]	601	596	0.8%

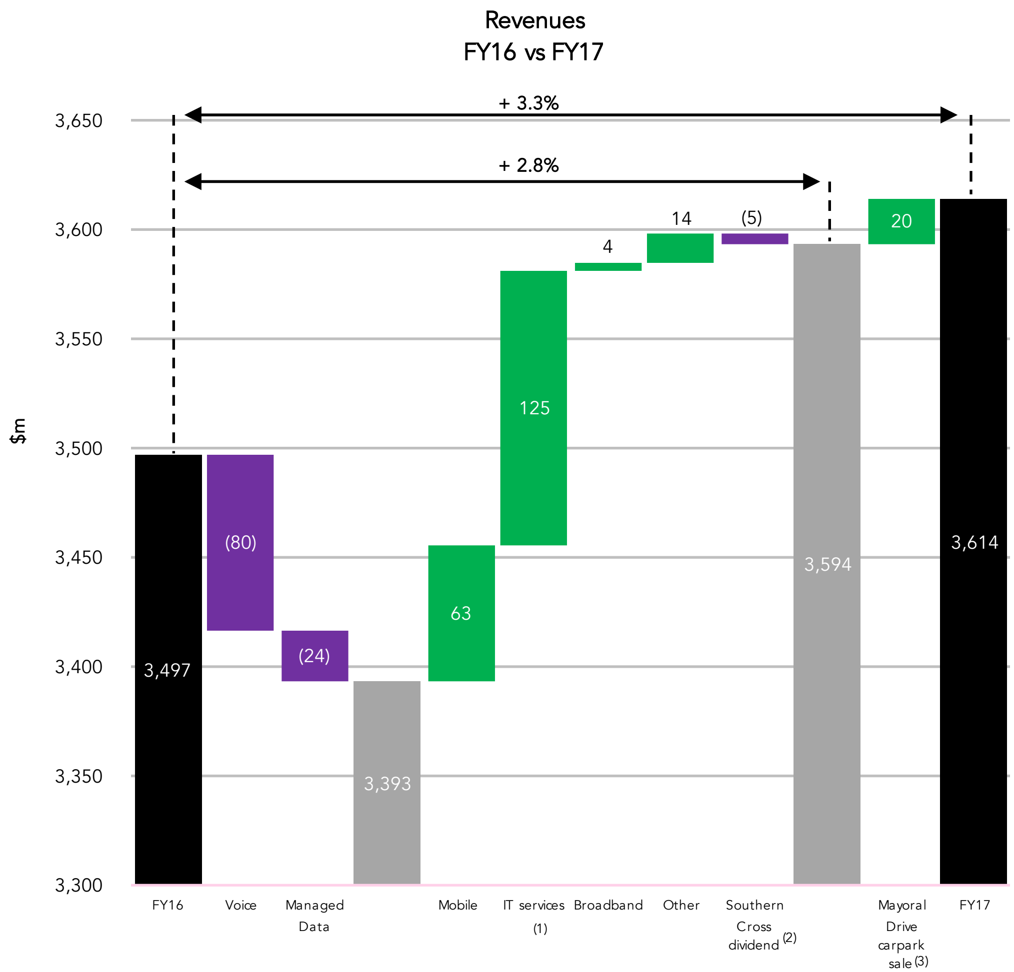
EBITDA margin	28.1%	28.2%	(0.1pp)
Capital expenditure to operating revenues	11.5%	11.2%	0.3pp
Earnings per Share	22.8c	20.2c	12.9%
Total Dividend per Share	25.0c	25.0c	-

[1] FY17 includes $20m net gain from sale of surplus Mayoral Drive carpark land
[2] Includes share of associate and joint venture net profits / (losses)
[3] Notional free cash flow = EBITDA less capital expenditure

Overall Performance

Revenue

Mobile and IT services revenue growth more than offsetting declines in fixed voice and managed data



Mobile growth driven by:

- 4.1% increase in high margin service revenues off the back of 4.3% growth in total connections
- Improved handset economics following further increases in unsubsidised device sales in HMB and growth in high-end device sales in Digital

IT services growth due to acquisition of CCL and continued transition of major customers to Cloud services

Absolute rate of decline in fixed voice and data slightly higher than prior periods, due to increases in wholesale customer churn

Other revenue growth from:

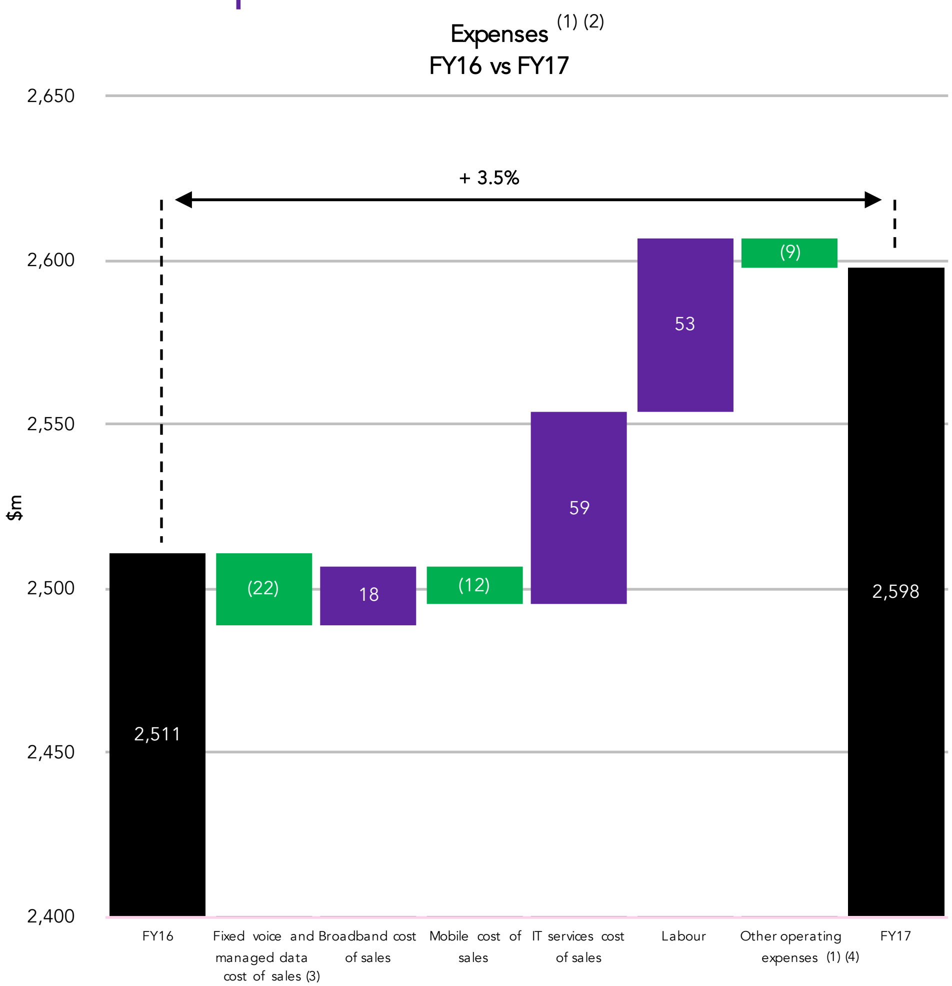
- Progress of Spark Ventures' businesses;
- Full acquisition of Connect8; partially offset by
- Decline in dividends received from Southern Cross Cables Ltd

(1) Includes $22m increase in revenue from having twelve months of CCL Group in FY17 versus seven months in FY16 (acquired in December 2015). YoY IT Services revenue growth excluding annualisation impact from CCL is $103m or 15.7%.
(2) Southern Cross dividends are externally reported within other operating revenue
(3) Net gains from sale of surplus Mayoral Drive carpark land are externally reported within other gains

Overall Performance

Operating Expenses

Cost growth required to support IT services revenue growth and improved call centre service experience



[(1)] Includes share of associate and joint venture net profits / (losses)
[(2)] Includes $19m increase in expenses from having twelve months of CCL Group in FY17 versus seven months in FY16 (acquired in December 2015).
[(3)] Fixed voice and managed data cost of sales include baseband and access charges, other intercarrier costs and field services expenses
[(4)] Other operating expenses include selling and support costs such as advertising, accommodation, computer costs, consulting and bad debt

Decline in fixed voice and managed data cost of sales due to:

- Migration of copper broadband to wireless and fibre alternatives, reducing UCLL payments by ~$40m; and
- Migration of copper voice to wireless and mobile alternatives reducing UCLF payments by ~$15m, with 11k voice only customers now on Spark's Voice over LTE service; partially offset by
- ~$30m growth in input costs due to rising prices for copper access lines mandated by the regulator

Increase in broadband cost of sales due to:

- Further migration to fibre inputs and rising prices for fibre access lines mandated by Crown Fibre Holdings; partially offset by
- Increasing wireless broadband penetration reducing UBA payments

Decline in mobile cost of sales driven by reduction in total volume of device sales due to further improvements in customer retention, partially offset by costs associated with increased uptake of value added services

16.3% increase in IT services costs of sales in line with associated revenue growth of 19.0%

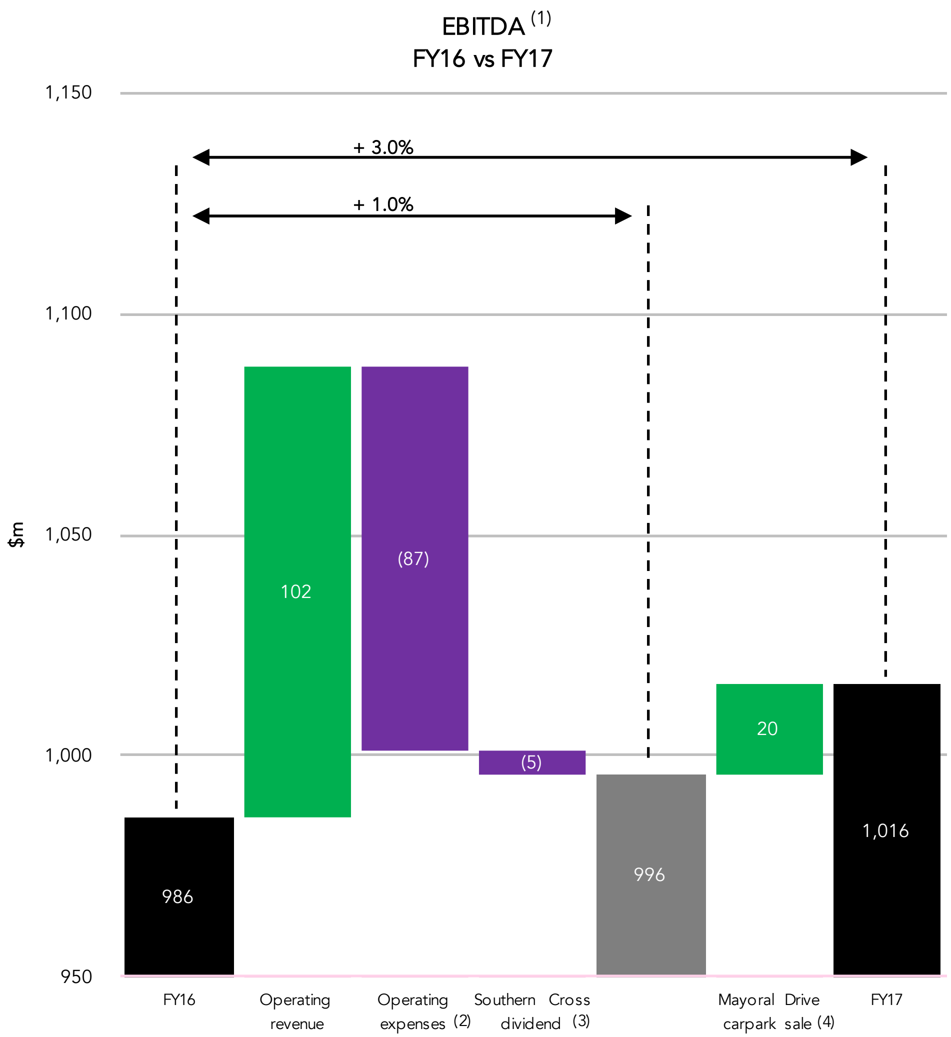
Total FY17 labour costs up 10.7% on prior year however FTE declined by 169 (2.8%) during H2 FY17 following:

- Completion of migration from Yahoo to SMX email
- Improvements in service experience due to ongoing migration of copper broadband customers to better performing wireless and fibre alternatives
- First phase of business simplification under the Quantum Programme

Decline in other expenses due to:

- Tight cost control
- Recognition of new customer acquisition costs over customer contract periods
- Reduction in investment write-downs; partially offset by
- Full year of CCL operating expenses; and
- Costs of change associated with the Quantum Programme

Overall Performance
EBITDA
Increased revenue driven margin offset cost increases to deliver modest EBITDA growth



[1] Includes $3m increase in EBITDA from having twelve months of CCL Group in FY17 versus seven months in FY16 (acquired in December 2015).
[2] Includes share of associate and joint venture net profits / (losses)
[3] Southern Cross dividends are externally reported within other operating revenue
[4] Net gains from sale of surplus Mayoral Drive carpark land are externally reported within other gains

EBITDA margin of 28.1%, or 27.7% excluding net gain from sale of surplus Mayoral Drive carpark land, down on prior year due to:

- Maintenance of gross margin at 57.0% on growing revenues; offset by
- Increase in labour costs due to IT service revenue growth and temporary increase in resource to improve service experience

Excluding net gain from sale of surplus Mayoral Drive carpark land, gross margin increased by $54m, or 2.7%, due to:

- 10.9% growth in mobile gross margin on continued connection growth and increasing handset margins;
- 22.2% increase in IT services gross margin following large customer wins and continued adoption of Cloud services;
- Improved broadband gross margin due to uptake of wireless broadband; partially offset by
- Ongoing declines in voice and managed data

Actively focussed on improving cost trends via Quantum Programme, with $8m costs of change from first phase of business simplification included in operating expenses

Southern Cross dividend $5m lower than prior year with dividends projected to further decline in the near to medium term due to:

- Declines in the level of pre-purchased capacity from large customers; and
- Value of capacity reducing in line with the remaining life of the current cable

Business Unit Performance

Spark Home, Mobile and Business

Strong mobile performance resulting in increased customers and service revenue

YEAR ENDED 30 JUNE	2017 $M	2016 $M	CHANGE %
Operating revenues	1,979	1,963	0.8%
Operating expenses	(1,161)	(1,161)	-
EBITDA	**818**	**802**	**2.0%**
EBITDA margin	41.3%	40.9%	

Overall increase in EBITDA of $16 million, or 2.0%

Operating revenues increased by $16m due to:

- Growth in mobile primarily through 7.5% increase in service revenues; and
- $6m increase in broadband revenues through connection growth and customers choosing higher value broadband plans, with HMB securing a higher share of H2 FY17 broadband net connection growth than any other provider; partially offset by
- $49m, or 14.1%, decrease in total fixed voice revenues due to continued uptake of naked broadband plans - now at 19% penetration up from 12% in FY16

Operating expenses flat year on year:

- $20m, or 17.5%, increase in labour and associated costs to improve customer experience; offset by
- Lower broadband input costs through the migration of copper customers to wireless broadband

Spark Digital

Platform IT driving top line revenue growth; margins impacted by funding rapid IT service growth and improved service delivery

YEAR ENDED 30 JUNE	2017 $M	2016 $M	CHANGE %
Operating revenues	1,323	1,226	7.9%
Operating expenses	(916)	(815)	12.4%
EBITDA	**407**	**411**	**(1.0%)**
EBITDA margin	30.8%	33.5%	

EBITDA decrease driven by:

- IT services revenue growth; being more than offset by
- Investment in support of significant customer wins moving into run-state and improved IT service delivery; and
- Ongoing declines in high margin fixed voice and managed data

Future EBITDA and EBITDA margin to benefit from simplification of products and services, automation and removal of duplication.

Operating revenues increased by $97m due to:

- Strong IT services revenue growth of $124m (18.9%) driven by continued transition to Cloud services and targeted business acquisitions;
- Growth in high-end mobile device sales offsetting mobile ARPU pressure, partially offset by
- $25m decline in voice, broadband and managed data revenues; broadly in line with previous trends

Operating expenses increased by $101m year on year due to:

- Investment in service desk, engineering and field service labour following move of significant customer wins into run-state;
- Increased service desk and support spend to improve service delivery; and
- Higher mobile device and procurement costs in support of associated revenue growth

Business Unit Performance

Spark Ventures and Wholesale

Churn away from legacy wholesale services partially offset by growth in new ventures and wholesale revenue

YEAR ENDED 30 JUNE	2017 $M	2016 $M	CHANGE %
Operating revenues	223	247	(9.7%)
Operating expenses	(108)	(111)	(2.7%)
Share of associates' and joint ventures' net losses	(1)	(5)	(80.0%)
EBITDA	**114**	**131**	**(13.0%)**
EBITDA margin	51.1%	53.0%	

Overall EBITDA declined by $17m, or 13.0%, due to churn away from legacy based wholesale services, partially offset by growth in new ventures and wholesale services and reduced losses from minority investments

Operating revenues decreased by $24m due to:
- Slightly higher rate of connection decline in wholesale legacy copper based voice and data services;
- Reductions in regulated wholesale pricing; partially offset by
- Revenue growth across new ventures and wholesale services including 240% growth in Qrious and Morepork and 8% growth in new wholesale data and mobile services

Operating expenses decreased by $3m due to:
- Morepork launch costs in H1 FY16 and improved cost efficiency in H2 FY17;
- Recovery of doubtful debts; partially offset by
- Increased expenses to support Qrious revenue growth

Spark Connect and Platforms

Network investment underpinning growth in Spark Home, Mobile and Business and Spark Digital

YEAR ENDED 30 JUNE	2017 $M	2016 $M	CHANGE %
Operating revenues	48	39	23.1%
Operating expenses	(368)	(380)	(3.2%)
Share of associates' and joint ventures' net (losses) / profits	(1)	1	NM
EBITDA	**(321)**	**(340)**	**(5.6%)**

Overall EBITDA improved by $19 million, or 5.6%, on tight cost control

Operating revenues increased by $9m driven by:
- Chorus, Telegistics Repair Limited, Connect 8 Limited (following its acquisition in December 2016); and
- Partnering arrangements

Operating expenses reduced by $12 million due to continued focus on efficiency improvement across all cost categories

Product Performance

Mobile

Gross margin growth of $75m driven by increased connections and migration away from handset subsidies

Growth in HMB pay-monthly ARPU for second consecutive year, with 35% of customers now on a $55 plan or above

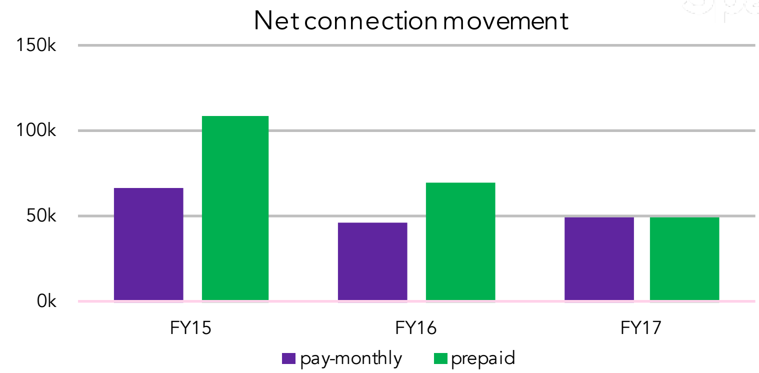
HMB handset margin continues to improve due to migration away from handset subsidies with 85% of HMB pay-monthly base now on open term plans

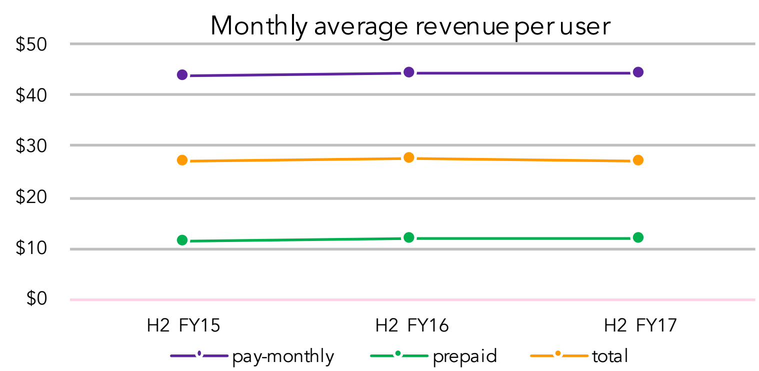
Improved Digital handset margin from growth in sales of high end devices offsetting pressure on Digital pay-monthly ARPU

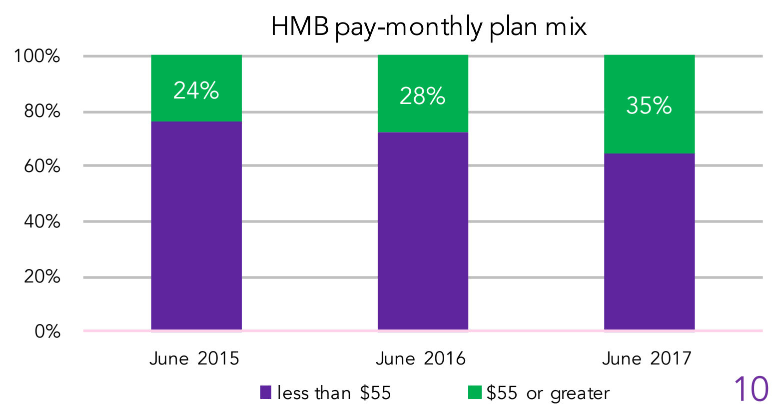
Prepaid ARPU declined by 0.8% however customer base up 4.2%

10% of Skinny base already on Skinny Direct; proving market attractiveness of lower cost to serve digital sales and service model

Investment in network leadership continues with launch of one of the first commercial 4.5G[1] sites in Asia Pacific







[1] 4.5G is an evolution of 4G delivered by utilising:

- "Carrier Aggregation" technology using up to five multiple bands of spectrum simultaneously to increase speeds and capacity;
- 4x4 MIMO (multiple input multiple output) utilising multiple antennae simultaneously to multiply available capacity;
- 256 QAM (Quadrature Amplitude Modulation) which improves the efficiency of radio transmissions and allows for more speed

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Product Performance
Broadband

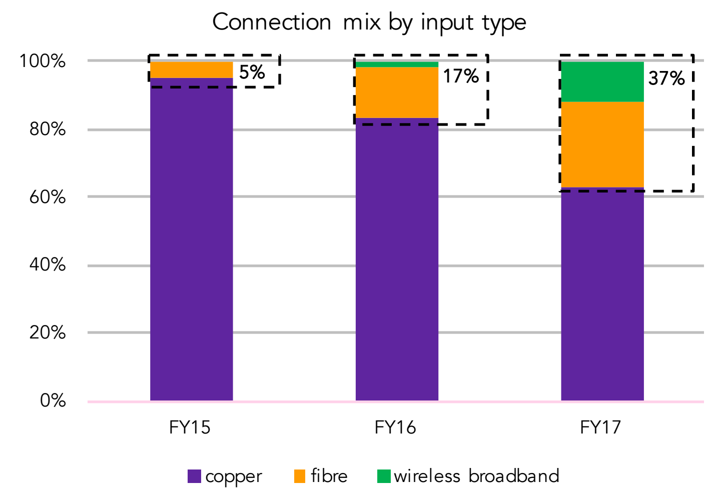
Return to connection growth following launch of Skinny broadband and expansion of digital service inclusions

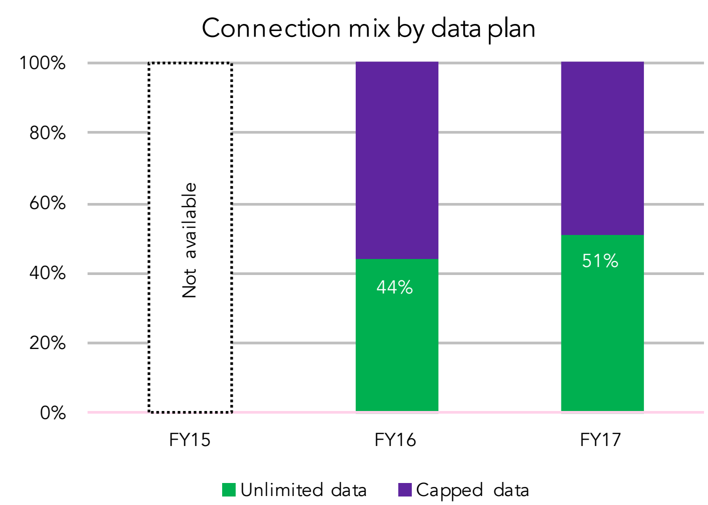
12k connections added during FY17 following:
- Entry of Skinny into the broadband market to better serve price sensitive customers; and
- Launch of Netflix promotional offer

'Upgrade New Zealand' programme is successfully moving customers off copper with 37% of base now on newer and more reliable fibre and wireless broadband solutions

Wireless broadband connections already at 84k or 12% of total broadband base:
- Delivering improved customer experience with NPS scores for wireless broadband consistently higher than for copper broadband; and
- Input cost reductions of ~$20m in FY17

Lightbox continues to drive improved Spark broadband retention with more than 260k subscribers now enjoying the service; upgrades to the Lightbox platform are underway in support of media marketplace strategy





Product Economics

Broadband

Higher wholesale access charges for both fibre and copper are putting further pressure on broadband retail margins in a fiercely competitive market

Mandated increases in wholesale access charges are taking effect every year up to 2019:

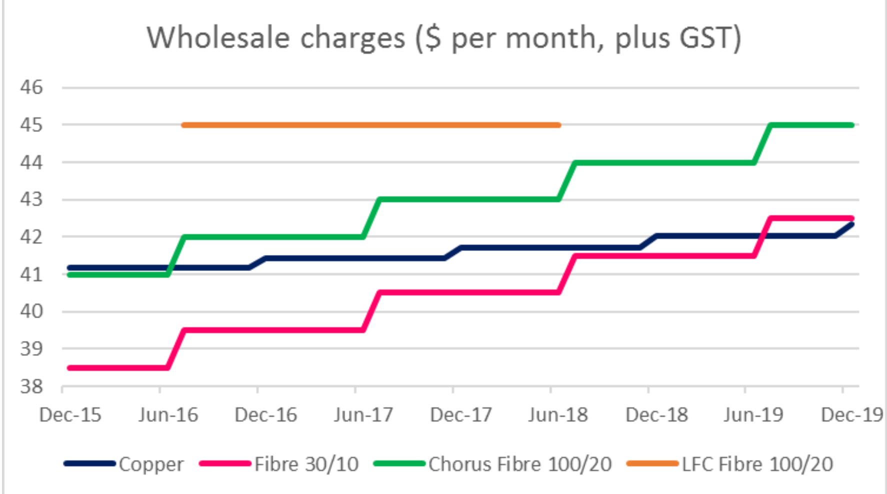
- $1.00 plus GST extra for most fibre inputs each July since 2015 (schedule of annual increases built into initial UFB contracts with Chorus/LFCs)
- ~$0.30 plus GST extra for Chorus copper inputs each December since 2016 (part of ComCom FPP determination in Dec 2015)

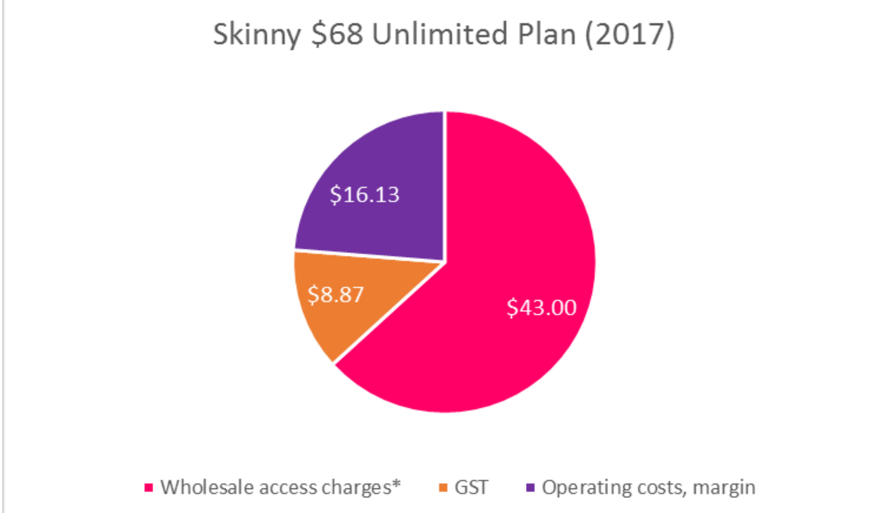
On top of these increases, the retail market for fibre plans has also moved to more expensive higher speed inputs:

- "100 is the new 30"
- Fibre 100/20 Mbps input $2.50 - $4.50 more expensive than 30/10 (cost varies between Chorus/ LFCs)

Higher wholesale access charges are squeezing retail margins even harder at the lower end of the market:

- Wholesale charges now account for almost two-thirds of the price of a basic broadband plan (up from about half of the price of a basic broadband plan two years ago)





*Chorus 100/20 fibre charge. Skinny uses fastest fixed input available up to 100/20 Mbps (fibre, VDSL or ADSL). Charges range $41.44 to $45.00 depending on input.

Product Case Study

Wireless broadband performing well for customers

Strong uptake is a clear demonstration of suitability and customer satisfaction

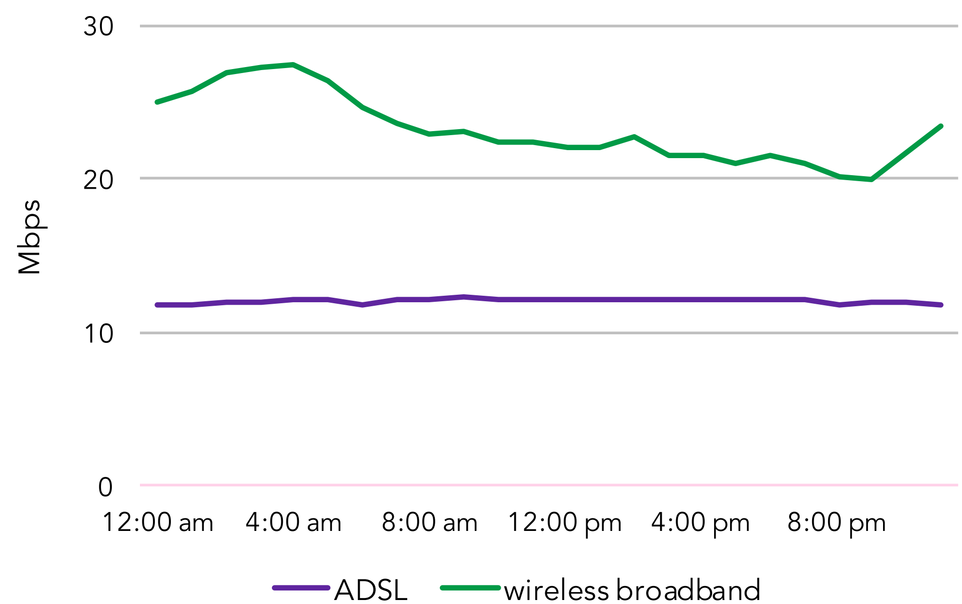
- Higher customer satisfaction for Spark's wireless broadband service compared to copper broadband offerings
- Independent testing (Truenet) shows average speed for Spark wireless broadband is well above copper ADSL, even at peak times on our mobile network

Spark broadband market NPS relative to ADSL	
Wireless broadband	+24
Fibre	+27
VDSL	+18

Spark broadband "join" NPS relative to ADSL	
Wireless broadband	+23
Fibre	+4
VDSL	+10

Spark Average Network Speeds

ADSL compared to wireless broadband



Source: Truenet June 2017 Urban Broadband Report:
- Table 1: Summary of Performance Measures
- Chart 5c: ADSL Peak Speed
- Chart 5d: Fixed Wireless Peak Speed

Product Performance

IT Services (1)

Ongoing revenue growth reflecting contract wins and several large customers moving into run-state during FY17; cloud and managed cyber security opportunities increasing

Continuing change in mix towards higher margin Platform IT revenues; CCL complementing existing services well

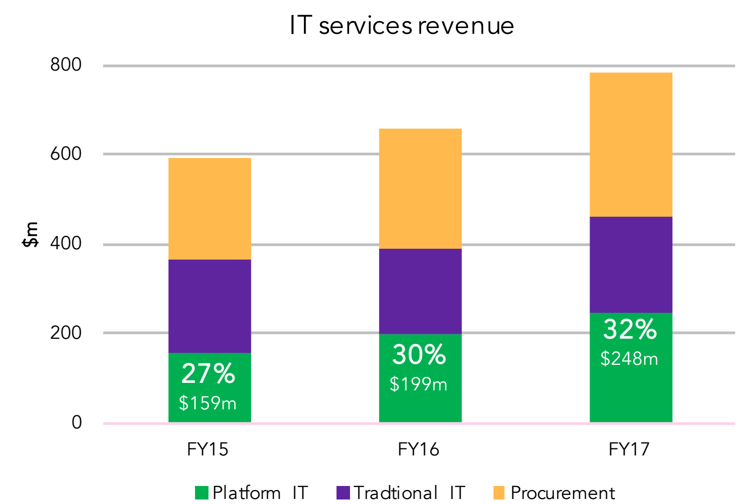
Further room for organic growth in Platform IT revenues with ~80% of NZ market not yet utilising cloud services

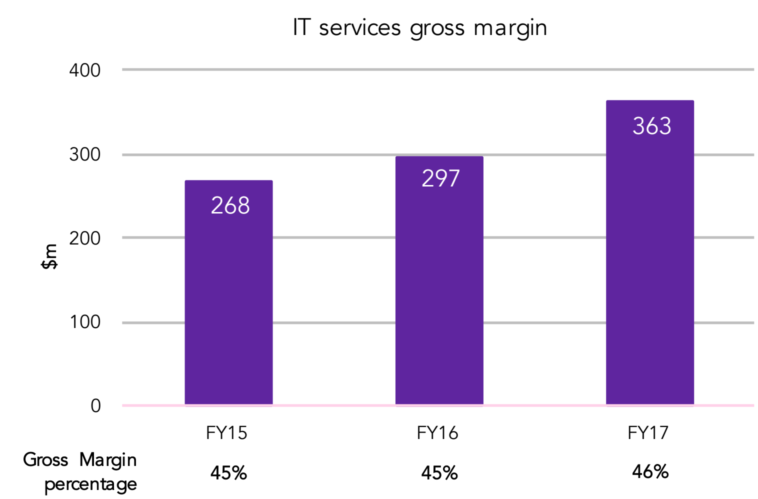
Increase in total IT services expenses reflects the impact of:

- Significant large customer contract wins moving into run-state
- Service desk and support costs to improve service delivery; and
- Procurement growth

Being addressed via simplification of products and services, automation and removal of duplication

Despite continued growth in lower margin Procurement revenues, overall IT services gross margin increased to 46% on the back of ongoing Platform IT growth





(1) Including Traditional IT, Platform IT and Procurement

Product Performance

Fixed Voice and Managed Data

Recent acceleration in rate of decline, due to continued adoption of naked broadband plans and migration away from traditional data products

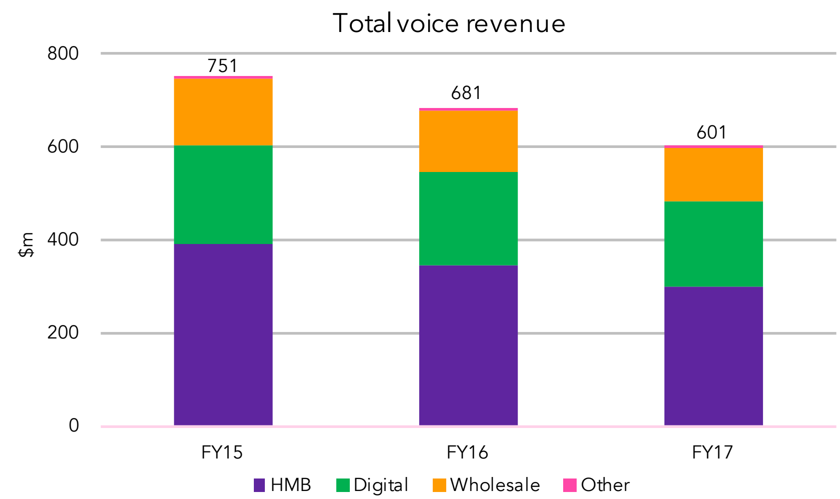
Total fixed voice and managed data revenues declined by $104m (12.0%) in FY17; versus a $90m (9.4%) decline in FY16[1]

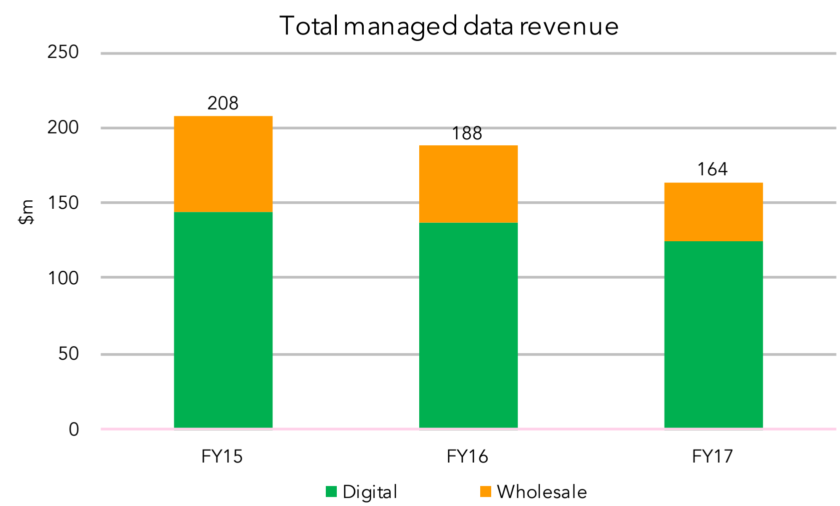
FY17 voice revenue [2] decline of $80m (11.7%) higher than prior period:

- Good performance in newer product revenues with 11k voice only connections already on Spark's Voice over LTE service; more than offset by
- 7pp increase in adoption of naked broadband offerings – now at 19% penetration of total broadband base;
- Increased wholesale PSTN churn

FY17 managed data revenue decline of $24m (12.8%) higher than prior period due to:

- Accelerated migration of business and wholesale customers off higher margin copper based products to lower margin fibre based products





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(1) FY16 revenues normalised for divestment of International Voice business and change in primary service
(2) Voice revenue includes connections delivered over the mobile network (Voice over LTE)

Capital Management

Capital Expenditure

FY17 capex at 11.5% of revenue compares favourably to peers and continues to maintain sufficient capacity to execute on our strategy

Capital Expenditure ($m)	FY15	FY16	FY17
Core plant, network, sustain and resiliency	70	79	67
IT systems [1]	37	59	112
Mobile [2]	92	77	102
Cloud	22	34	42
Other [3]	56	35	43
Converged Communications Network	-	3	15
International cable construction and capacity [4]	8	28	34
Re-engineering	72	66	-
Data centre build	61	-	-
CAPEX excl. mobile spectrum	**418**	**381**	**415**
CAPEX excl. mobile spectrum to operating revenue	11.8%	10.9%	11.5%
Spectrum	158	9	-
Total CAPEX	**576**	**390**	**415**
Total CAPEX to operating revenue	16.3%	11.2%	11.5%

Mobile investment in continued deployment of single radio access network (SRAN) and LTE sites; in support of ongoing data growth across mobile and wireless broadband

Cloud and TaaS investment in support of revenue growth across the IT services portfolio

IT systems spend includes foundational capability for the simplification, automation and digitisation of Spark's ways of working

Converged Communications Network (CCN) investment to replace legacy PSTN; unlocking an eventual $30m per annum gross reduction in operating expenses post PSTN closure

Plant, network and core sustain includes continued OTN and Carrier Ethernet expansion and investments in Spark owned properties

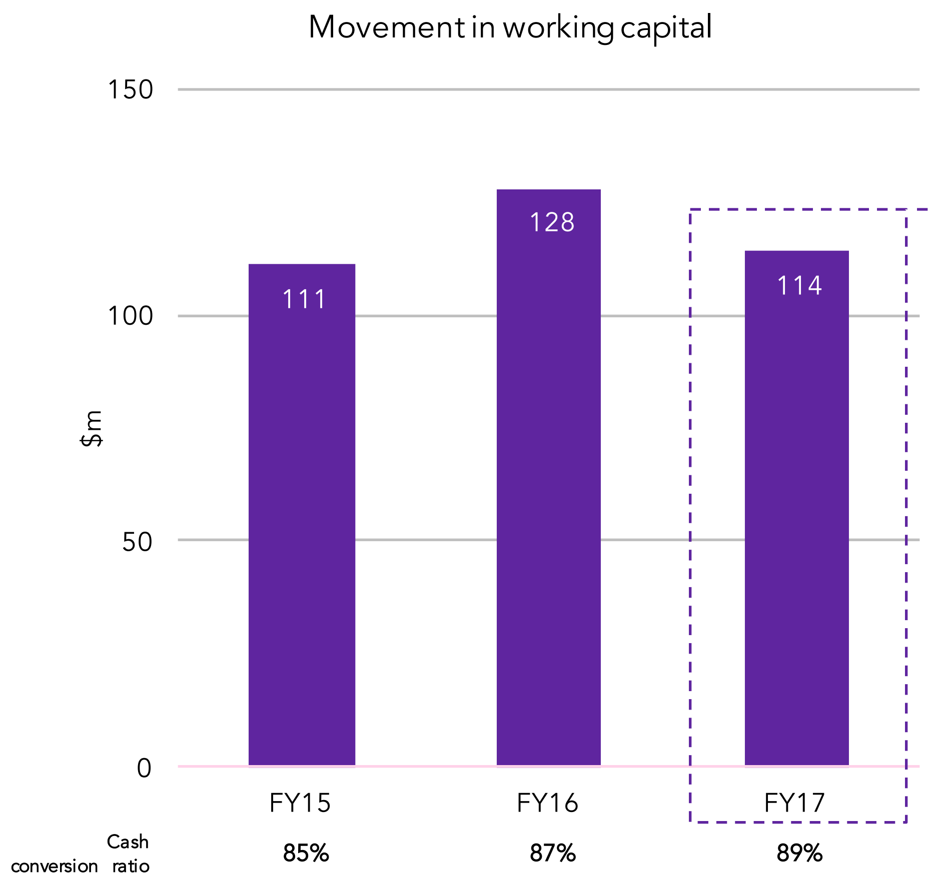
Build of Tasman Global Access (TGA) cable completed in March 2017, enhancing New Zealand's international broadband connectivity

(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 and Morepork
(4) International cable includes capacity purchases on Southern Cross cable and investment in Tasman Global Access cable

Capital Management

Working Capital

Spark's FY17 cash conversion ratio[1] remained stable at 89%, driving a $114m increase in working capital. While H2 FY17 saw average cash conversion improve to 94% due to cyclical impact of prepayments, FY18 conversion is expected to remain at similar levels to FY17



Key components of movement in working capital between FY16 and FY17	
Handset receivable Driven by increase in penetration of 'open term' plans from 77% to 85% coupled with increasing average handset value	$45m
Prepayments and accruals Receipt of credits for prior period outbound roaming expenses	($15m)
IT services contracts On-boarding of several large customers during FY17, with costs incurred at the beginning of the contract but recognised over the life of the contract	$15m
Timing of payables and receivables Predominantly driven by strong IT procurement sales in June 2017 and recognition of new customer acquisition costs over customer contract periods	$50m
Inventory Driven by wireless broadband modems, IT procurement and higher value handsets,	$15m

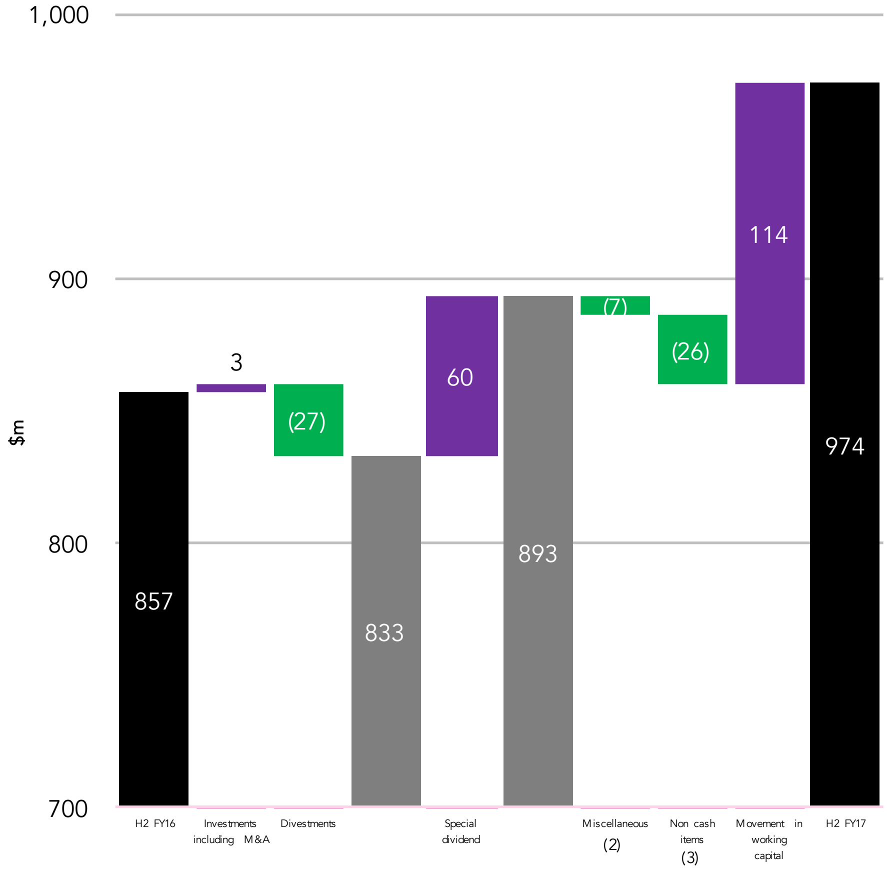
[1] calculated as operating cash-flow (excluding tax and interest) divided by EBITDA (excluding net gains from divestments)

Capital Management

Net Debt[1]

Net debt increased by $117m during FY17 but declined $16m during H2 due to divestment proceeds and cyclical improvement in cash conversion; current gearing provides ~$270m of debt headroom within our S&P A- credit rating

Movement in Net Debt between H2 FY16 and H2 FY17



[1] Refers to Net Debt as reported in Section 5.3d of Spark's FY17 Financial Statements which includes the impact of hedged rates. This differs from Net Debt as reported in Spark's H1 FY17 Results presentation which excluded the impact of hedged rates. June 2017 Net Debt excluding hedged rates is $935m or $15m less than the equivalent December 2016 position as reported in Spark's H1 FY17 results presentation.
[2] Miscellaneous movements include timing of capital expenditure, tax, interest and lease payments
[3] Non-cash movements include adjustment for fair value estimate of debt and delta between depreciation and reported capital expenditure
[4] As outlined in Section 5.2 of Spark's FY17 Financial Statements

$114m movement in working capital due to:
- changes in revenue mix; and
- general payables and receivables movements

$60m driven by use of special dividend to reset capital structure

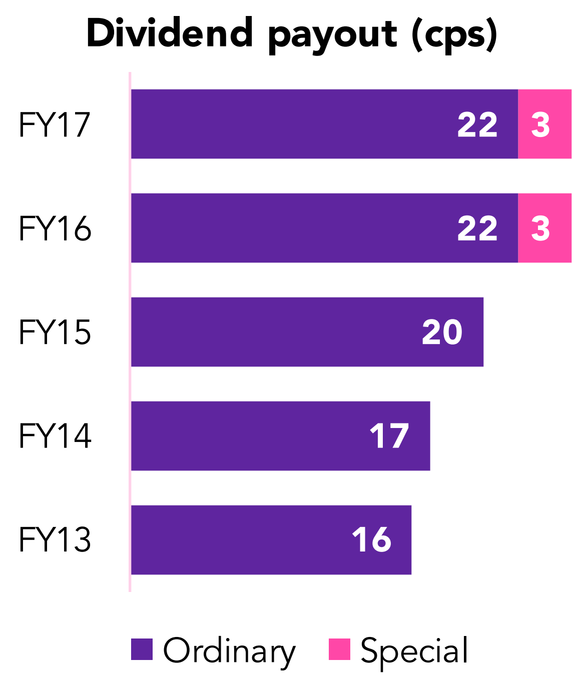
($26m) non-cash items including maintenance of reported capital expenditure below depreciation and movement in revaluation of the portion of long term debt that is in a fair value hedge relationship[4]

($24m) divestment proceeds of $27m from sale of Mayoral Drive carpark used to fund Spark Ventures' investments and full acquisition of Connect8

Current gearing is consistent with Spark's capital structure; is expected to progressively increase to fund:
- accretive business acquisitions and investments
- potential topping up of dividends as underlying earnings sustainably grow to 25 cps or above
- cash conversion lag ahead of expected improvement in working capital from FY19
- business as usual operations

Capital Management
Dividend

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



As part of our recent 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

The primary use of any debt to supplement earnings per share will therefore change:

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

Spark also confirms:

- H2 FY17 ordinary dividend per share of 11.0c to be fully imputed
- H2 FY17 special dividend per share of 1.5c to be 75% imputed

Overall Performance

Guidance (1)

Solid financial performance resulted in all guidance metrics being met

	FY16 Actual	FY17 Guidance (1)	FY17 Actual	
			including Mayoral Drive net proceeds	excluding Mayoral Drive net proceeds
Total Revenues	3,497	0-3% growth	**+3.3%** $3,614m	**+2.8%** $3,594m
EBITDA	986	0-2% growth	**+3.0%** $1,016m	**+1.0%** $996m
Capex	$390m	~$415m	**$415m**	**$415m**
Earnings per Share	20c	21c	**23c**	**22c**
Dividend per Share	*Ordinary* 22.0 cps *Special* 3.0 cps Both fully imputed	*Ordinary* 22.0 cps fully imputed *Special* 3.0 cps at least 75% imputed	***Ordinary* 22.0 cps fully imputed** ***Special* 3.0 cps 75% imputed**	

(1) Guidance excluded net gain from sale of surplus Mayoral Drive carpark land estimated at between $17m and $19m

Overall Performance

Indicators of Success

Focus on execution and targeted investment has driven improvement in key metrics; work continues on service experience, 'owned' CBD fibre and adjacencies

Desired Outcome	Measures	Target 30 June 2017	Actual 30 June 2017
Restore call centre service levels to world class	Answer Time	90% in 180 seconds	Materially Improved but not yet achieved
	First call resolution	75%	Materially Improved but not yet achieved
Advance toward amazing customer experiences through digital sales and service	Market NPS	5 point lift	Achieved
	Reduction in call volumes	7.5% reduction	Exceeded
	Launch a new, more feature rich Spark App	Q3 FY17	Achieved
	Introduce pro-active faults management for mass market	Q3 FY17	Achieved
	Adopt and scale dev-ops model	Adopt H1 FY17; Scale H2 FY17	Achieved
	Average daily log-ins to Spark App	20% increase	Materially Improved but not yet achieved
	Proportion of Skinny sales via Digital Channels	10%	Exceeded
Expand margins and improve service experience through reduced reliance on third party access	Drive uptake of Wireless Broadband	70,000 connections	Exceeded
	Implement 'owned' CBD fibre model	AKL and WLG CBDs 'owned'	Not yet achieved
	Expand coverage of 4G	95% population	Achieved
Maintain revenue growth momentum to deliver long-term sustainable growth	Market share of UFB orders	45%	Not achieved but getting close in Q4
	Mobile total revenue growth	5%	Exceeded
	Platform IT revenue growth	20%	Exceeded
	Proportion of BB and Mobile customers using inclusions	20%	Exceeded
	Enter adjacent high-growth market	Significant entry into one additional market	Considering options

Strategy Update

Three key insights are motivating our next strategic moves

4G/5G

$

Rapid advances in wireless capability and economics, together with scale uptake of mobile apps, means customers are now strongly preferring wireless connectivity and digital self service

A larger than expected portion of the market is buying primarily on price which is fuelling price competition and consequent margin pressure

Our work to reduce unit costs to date has been good, but not enough for the future. Customers are getting "more for less" and therefore profitability must be underpinned by further cost reduction

Key areas of focus

We have set our sights on…

+30NPS
Outstanding customer experience

Growing key segments

Holding market share

Top-decile culture

Lowest cost operator

Top 10 global telco ROI

Which means we will…

Up-weight our emphasis on wireless services and investment

Do better at serving price-sensitive customers, by further developing our multi-brand strategy

Become the lowest cost operator, through radically simplified and digitised processes, products and services

Execute our Quantum Programme to develop and implement the initiatives required to effect these new areas of focus

NB: +30 NPS is the minimum standard we aspire to for all NPS measures including market, relationship, interaction, journey and employee metrics

Strategy Update

The Quantum Programme is well underway

Approach

A focus on collaboration and agility as no single business unit can deliver in isolation …

Central programme office established in Q4 FY17 to embed cadence and governance; structured around four key streams:

- simplification
- automation
- digitisation
- One-Spark

Execution work-streams established across all Spark business units with each driven by senior leaders

FTE declined by 169 (2.8%) in H2 FY17 due to:

- completion of Yahoo email migration and reduction in temporary resources to improve service experience
- completion of first phase of Quantum Programme simplification initiatives, resulting in $8m of in-year restructuring costs, $1m of in-year benefit and <12 month payback from the ongoing benefits

Costs of Change

… however immediate net benefits will be impacted by material investment in costs of change

Costs of change may include:

- labour or one-off costs associated with plan, product or system migrations
- decommissioning costs associated with shut down of systems or disposal of physical assets
- restructuring expenses
- external subject matter expertise

Estimating costs of change is difficult hence we will communicate progress and impacts using the following principles:

- **earnings guidance will be provided inclusive of costs of change** and associated in-year benefits; and
- **costs of change and associated benefits will not be communicated in advance**; actual in-year impacts will be reported retrospectively as part of interim and full year announcements

FY18 Outlook

Guidance (1) (2)

	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
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* 25.0 cps 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
Dividend and Imputation

Dividend

FY18 earnings per share are expected to be ~22c

As part of our recent 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

Subject to no adverse change in operating outlook Spark anticipates paying a total FY18 dividend per share of 25.0c that is 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

Imputation

Spark's capacity to fully impute dividends has progressively reduced over time due to:
- Maintaining a dividend payout ratio above 100% of earnings for a sustained period
- Differences between reportable earnings and taxable earnings
- Timing differences between when dividends are paid, when provisional tax is paid and when the imputation measurement date occurs

Therefore to best balance long term yield with a sustainable imputation profile, Spark expects to at least 75% impute FY18 dividends

Making this change now will enable the fastest return to full imputation

Where we aspire to be by 2020

- Mostly ex-copper, enabled by pervasive 4G and emerging 5G wireless coverage and capability, together with rapid adoption of fibre access in urban areas
- Taking advantage of disruptive technologies like virtual assistants and machine learning at scale, to improve our business and better serve our customers
- Benchmarking ourselves against the world's best digital companies for digital sales, self-service and customer experience (measured by NPS)
- Fully leveraging our brand portfolio to address forces of commoditisation and lift market share in certain segments, while encouraging market growth
- Hosted in the Cloud, with best in class automated, software-defined converged network and digital service platforms enabling a marked increase in productivity
- Creating value for customers sufficient to sustain ongoing growth in returns to shareholders, with an EBITDA margin greater than 30 percent

FY18 Outlook

Indicators of Success

	Measures	Target 30 June 2018
Strategic enablers	Spark HMB mobile and broadband connections migrated to new plans	200k
	Spark Digital core product plan portfolio	Reduced from 1,000's to 100's
	Transition to scaled agile operating model	Implemented H2
	Spark Digital offering tiered service model	Launched H2
	Deployed 4.5G locations	30
	Foundation IMS capability deployed	Commissioned H2
	Significant new automation and digitisation initiatives completed	5
	Percentage of customer journeys designed digital first	70%
	PSTN exchange closures	at least a further 40 closures
Lead indicators	Reduction in monthly Customer Care workload minutes (1)	10%
	Proportion of broadband customers on fibre or wireless broadband	50%
	Market share of UFB connection growth	40-45%
	Wireless broadband connections	125k
Market outcomes	Market NPS	5 point lift
	Total mobile revenue growth	4%
	Platform IT revenue growth	25%
	New Ventures revenue growth including new wholesale	100%
	Cyber Security revenue growth	30%

(1) Workload minutes defined as: interactions answered x average handling time

Appendix

Changes to Chair and Board

Spark Chairman Mark Verbiest will stand down later this year and be replaced by current director Justine Smyth

This change is part of a well considered transition and succession plan. With Spark positioned well for the future and with Mr Verbiest being the director with the longest association with Spark, now is the optimal time to renew the leadership of the Board.

The Spark Board has appointed current director Justine Smyth as the new Chair, effective on 3 November 2017. Ms Smyth has extensive governance experience, including with Spark as the Chair of the Audit and Risk Management Committee and Chair of the Human Resources and Compensation Committee.

Ms Smyth will also succeed Mr Verbiest as Chair of the Nominations and Corporate Governance Committee. Current director Alison Gerry will succeed Ms Smyth as the Chair of the Audit and Risk Management Committee, while current director Alison Barrass will succeed Ms Smyth as the Chair of the Human Resources and Compensation Committee.

The Board will commence a recruitment process for a new director in due course, and will take the time to ensure the right person with the right set of skills is found.

Updates to External Reporting

We have made a number of improvements to the structure and detail of our externally reported financials and KPIs; we expect to make further improvements during FY18

Improvements already made as part of FY17 Annual Report

Capital expenditure
Realignment of categories used for reporting of capital expenditure, to provide greater clarity around investment by product and key areas of infrastructure

Mobile service revenue and ARPU
Restatement of HMB pay-monthly service revenues to align the recognition of handset revenues received via term contracts, with the recognition approach already used for handsets purchased outright or via a deferred payment option.

This provides a clearer and more consistent view of service revenue performance, with pay-monthly ARPU's having been updated accordingly.

Broadband input type
Introduction of a breakdown of total Broadband connections by input type. The input type categories provided are copper, fibre and wireless broadband.

Improvements expected to be made as part of FY18 Interim and Annual Reports

Unbundled Copper Local Loop (UCLL) input costs
All copper broadband connections require the purchase of both a UCLL and UBA input from Chorus. All UCLL input costs are currently reported within 'baseband and access charges' whereas UBA input costs are currently reported within 'broadband cost of sales'.

This is inconsistent with the classification of fibre broadband inputs, which are fully recognised within 'broadband cost of sales'. Therefore to provide a more consistent view of broadband economics we intend to reallocate all broadband related UCLL costs to 'broadband cost of sales'.

Spark Digital product categories
We are currently reviewing the product categories used for Spark Digital reporting, to ensure they remain relevant and insightful.

In the event that we determine changes are warranted, we will update external reporting accordingly.

New Accounting Standards
A summary of Spark's planned adoption of new accounting standards is provided in Section 6.8 of Spark's FY17 Financial Statements

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.