FY15 Financial Results

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FY15 Highlights

- Clear strategy with solid execution and a greater focus on customers leading to a return to EBITDA growth in a challenging market
- Brands continuing to perform strongly with improvements in preference measures and Net Promoter Score (NPS) scores across all segments
- Winning in the mobile markets with 2% growth in mobile revenue share and excellent connection gains
- Sustained revenue and earnings growth in Home, Mobile & Business for 3 halves
- Finished repositioning Spark Digital's business model, now focused on closing high-quality sales, operating efficiency and a return of the business unit to earnings stability in FY16
- Investing in digital service growth options, with Lightbox reaching first target, Qrious well-positioned, Cloud IT growing strongly and Morepork Smart Living beta-launched
- Release two of the re-engineered IT systems delivered and Turnaround Programme completed laying the foundation for future operational efficiency gains
- Successful divestment of three non-core legacy businesses generating $169 million of cash flow and enabling commencement of $100m on-market share buyback
- Dividends increased on the back of a good second half performance, growing confidence in earnings outlook and a step-change in forward cash generation

Results scorecard

Key financials			Product revenue			Market share and connections		
	FY15	H2		FY15	H2		30 June 2015	Change
Revenue Growth	(2.9%)	(3.2%)	Mobile Revenue Growth	4.4%	6.4%	Mobile share (revenue)	41% [1]	2% [2]
						Mobile Customers	2,178k	8.6%
EBITDA Growth [3]	2.8%	8.7%	Broadband Revenue Growth	0.6%	0.6%	Broadband share (connections)	46% [1]	(1%) [2]
						Broadband customers	680k	1.6%
DPS	20 cps	11 cps	IT services Revenue Growth	5.5%	4.2%	IT services share (revenue)	14.5% [1]	0% [2]

(1) Market share estimate
(2) Percentage Point estimate vs June 2014
(3) H1 FY15 includes re-brand costs, while H2 FY15 includes $32m gain on sale from divestments

Strategy shifting into next phase

FY14 & FY15: Stabilised revenue/margin and reduced costs:

- Reduced prices to compete
- Refocused on NZ market
- Rebranded as Spark New Zealand
- Divested non-core assets
- Completed Turnaround Programme
- Reduced costs for financial stability
- Invested in new growth areas and brands
- Expanded and upgraded data networks
- Re-engineered IT systems
- Built new organisational culture

FY16 & beyond: Drive market revenue/margin growth with continuing improvement in unit costs:

- Invest in market-leading digital products and services
- Digital First Programme to lead the market on digital customer experiences
- Drive revenue growth through brand preference
- Shift focus from acquisition to monetising demand
- Continue evolving leading data networks and digital platforms
- Maintain disciplined management to reduce unit costs

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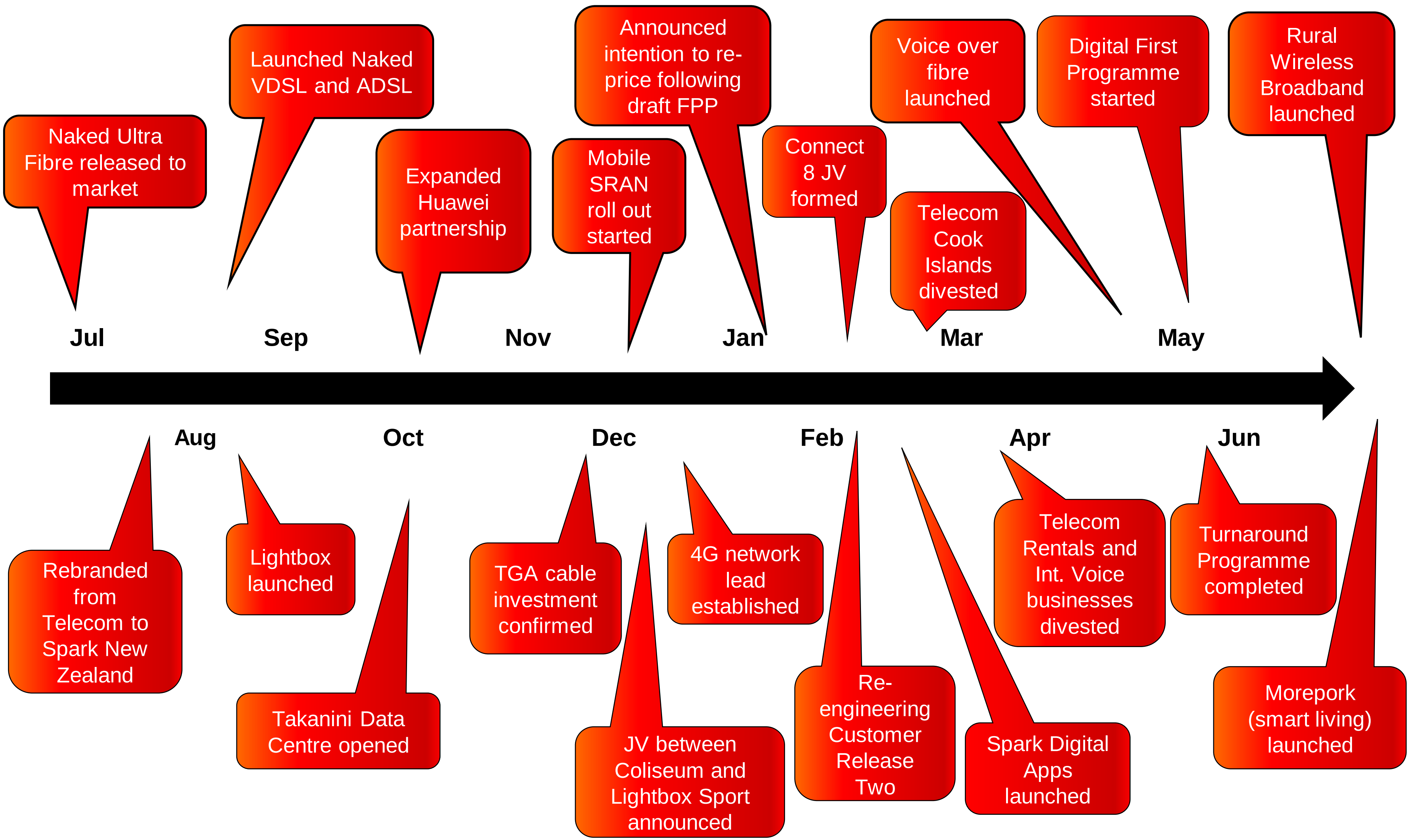
Executional discipline maintained



Brands on the rise

- Decision to rebrand delivering uplift in brand preference measures across wider segments
- Spark New Zealand rising in reputation indices
- Net promoter scores (NPS) improved across all key areas – in HMB up 10 points for consumers and 13 points for business
- Increase in foot traffic and online traffic driving sales performance
- Multi-brand strategy paying off with key flanking brands performing well

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Re-engineering & Turnaround contributing

Re-engineering delivering	Turnaround delivered
• Simplified customer systems (CRM and SingleView) • Re-usable building blocks and agile architecture • Improved online capability, bundling capability, speed to market and business intelligence • Contact centre cost savings • Enablement of Digital First Programme	• 3 year programme executed in 2 years • Performance management capability with owners' mind-set • Cash benefits to enable greater competitive intensity and investment in Spark Ventures growth options • Incremental cash that has uplifted free cash flow projections

June 2013 — **Re-engineering programme to be completed by end of FY16** — **June 2016**

Foundation Capability Prepaid Mobile | Customer Release | Consumer Fibre | Postpaid Mobile | Managed Fibre

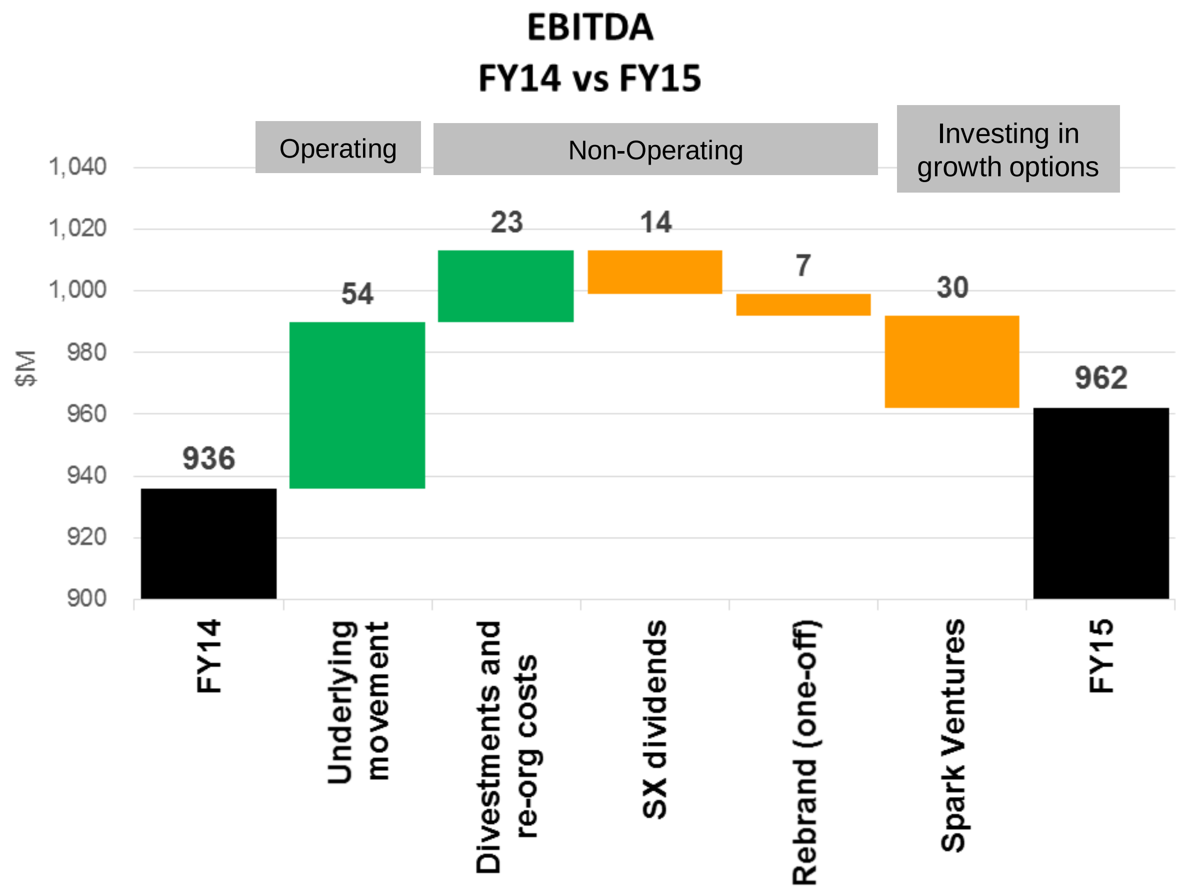
Reported Profit & Loss

Reported Results	FY15 $M	FY14 $M	CHANGE %
Revenues	3,531	3,638	(2.9%)
Operating expenses [1]	2,569	2,702	(4.9%)
EBITDA from continuing operations	962	936	2.8%
Depreciation & amortisation	453	451	0.4%
Net finance expenses	27	31	(12.9%)
Income tax expense	107	131	(18.3%)
Net earnings from continuing operations	375	323	16.1%
Net earnings from discontinued operation	-	137	NM[2]
Net earnings	375	460	(18.5%)

[1] Includes share of Joint Ventures
[2] NM = Not Meaningful comparison

EBITDA waterfall

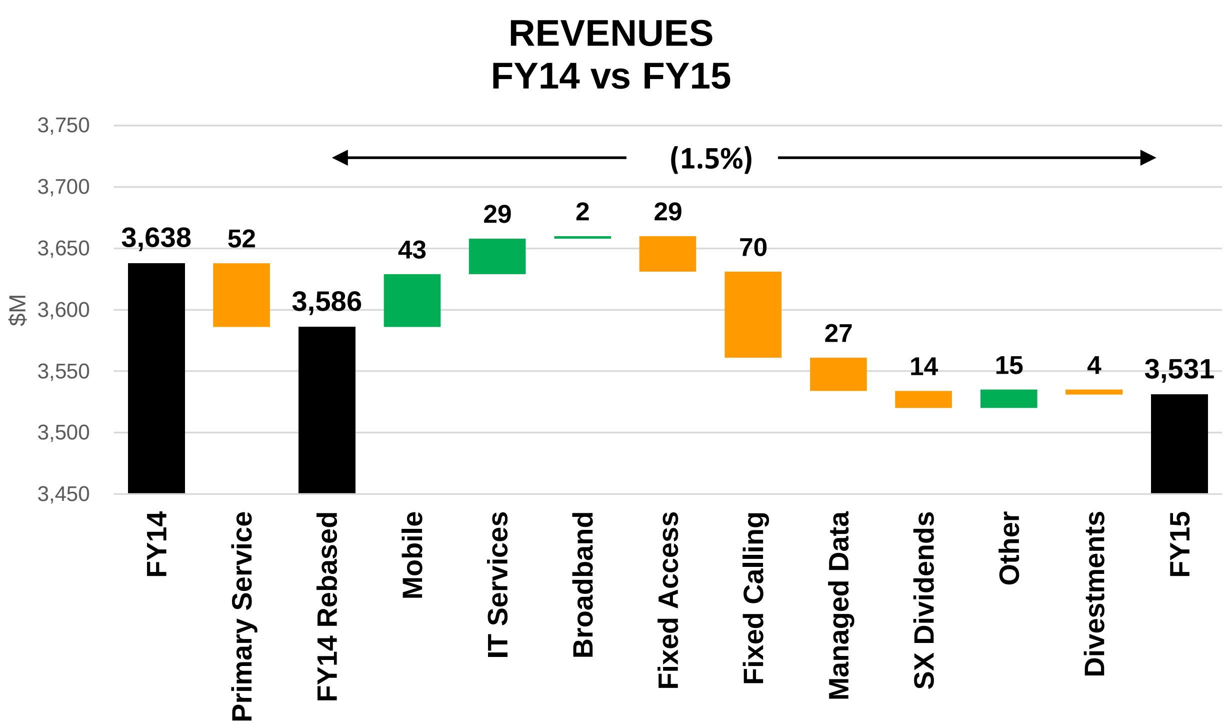
Underlying operating EBITDA improving on solid operational performance



- Underlying operating EBITDA improved on solid operational performance
- Divestments deliver one-off gains but are mostly offset by lower SX dividends and one-off rebrand costs
- Operating EBITDA funding investment in Spark Ventures' growth options

Revenue waterfall

Revenue rate of decline slowing as fixed calling is offset by mobile and IT services growth

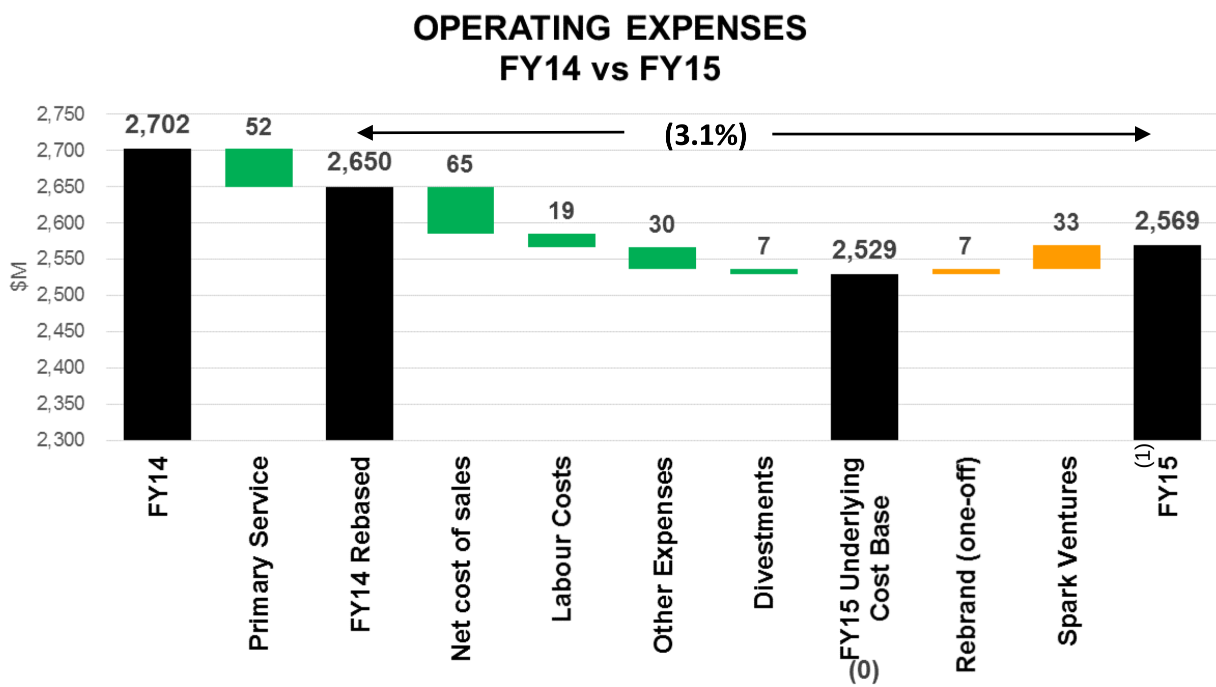


- $52m reduction due to primary service regulatory changes (nil impact on margin)
- Strong growth in Mobile and IT Services
- Broadband revenue stabilised
- Access and calling revenue decline continues
- Managed data down due to competitive pricing pressure
- An increase in net gains on disposals reflected in Other revenues

Note – Broadband revenues exclude the impact of 1 Feb price increase which have been fully provided against in the financial statements

Operating Expenses waterfall

Productivity improvements funding growth



- $52m reduction due to primary service regulatory changes (nil impact on margin)
- Cost of sales declined as UBA prices fell
- Labour efficiencies driven by H1 FY15 re-organisation offset by growth in IT Services and insourcing of Alcatel Lucent network operations contract
- Productivity benefits delivered under Turnaround Programme
- Investment in Rebrand and Spark Ventures growth options

(1) Includes share of Joint Ventures

Spark Home, Mobile & Business

Excellent performance in market flowing to sustained revenue and EBITDA growth

	FY15 $M	CHANGE %	H2 FY15 $M	CHANGE %
Revenues	1,847	3.0%	935	4.7%
Fixed [1]	998	(2.4%)	497	(2.0%)
Mobile	807	8.5%	416	11.8%
IT Services & Other	42	55.6%	22	57.1%
Costs [2]	(1,125)	1.4%	(544)	1.5%
EBITDA	722	5.4%	391	9.5%

NB: Results include Spark Ventures

- Revenue and EBITDA growth, with increasing momentum in H2 FY15
- Excellent performance in Mobile with revenue up 8.5% and service revenue up 5.4%
- Post-paid Mobile plan refresh driving upgrades
- Broadband revenue growth achieved in H2 FY15, driven by a focus on higher value plans, albeit offset by unprofitable competitive pricing of lower end plans
- Appserv contributing IT Services revenue growth
- Lightbox now established as a quality product with engaged customers
- Costs reflect Turnaround efficiencies and impact of change in UBA input charges, offset by investment in Spark Ventures' growth options

(1) Broadband revenues exclude the impact of 1 Feb price increase
(2) Includes share of Joint Ventures

Spark Digital

Repositioning work completed, now focused on operational effectiveness and high-quality deal-flow to stabilise earnings in FY16

	FY15 $M	CHANGE %	H2 FY15 $M	CHANGE %
Revenues	1,215	(5.7%)	593	(8.1%)
Fixed	400	(11.3%)	189	(14.9%)
Mobile	200	(9.5%)	93	(12.3%)
IT Services [(1)]	345	7.8%	180	11.8%
IT Procurement & Other	270	(8.8%)	131	(16.0%)
Costs	(841)	(5.4%)	(401)	(8.7%)
EBITDA	374	(6.3%)	192	(6.8%)

- Impact of repositioning, contract re-negotiations and market pressure evident in FY15 result
- H2 FY15 fixed revenues impacted by exit of Gen-i Australia
- Business now repositioned to focus on platform-centric telecommunications and IT Services growth
- Good growth achieved in core IT Services revenue, with low margin procurement revenues falling
- Sales pipeline healthy with large corporate and enterprise wins transitioning in over next six months
- Managed data and mobile performance key to improving revenue trajectory in FY16
- Major work underway on customer delivery performance and operating cost

(1) Excludes IT procurement revenue

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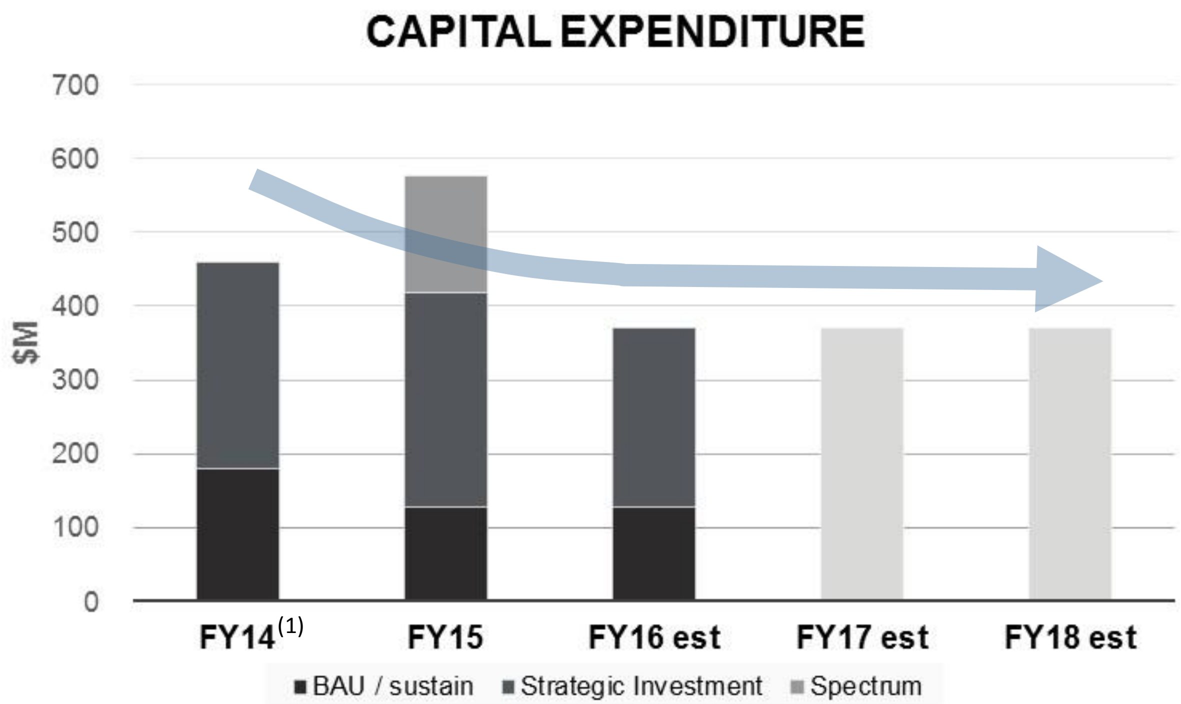
Spark Ventures model creating options

Built and now returned to Spark core	In market and generating revenue	In fast start-up phase
FREE WiFi ZONE	LIGHTBOX	morepork by Spark
Skinny MOBILE	QRIOUS	VIGIL
Bigpipe	SENBLE	
	putti www.puttiapps.com	

- Spark Ventures model now proven
- Lessons learnt along the way
- Digital services design and agile development capability a real asset for the company

Capital Expenditure now at target levels



- H2 FY15 Capex of $169m included strategic investments in Single RAN and Re-engineering
- FY15 Capex (excl spectrum) to sales ratio of 11.8%

- Targeting sustainable long term Capex of below $400m per annum
- Over time capital investment will be rebalanced from IT Re-engineering to other strategic programmes that deliver the best data network and digital services capability
- New Digital First Programme to be managed within this envelope

[1] Excludes $35m of Capex relating to AAPT discontinued operations

We said our FY15 performance should be measured by:

Measure	Progress
A winning culture which is inspired by customers, performance driven and highly competitive	Delivered
Spark brands programme driving greater brand differentiation, leadership, cut through and preference in key markets	Delivered
Successful deployment of 4G using 700 MHz spectrum supporting mobile market revenue share growth of 1.0 - 1.5pp[(1)]	Delivered with 2% growth
Broadband revenue market share maintained	Maintained in high value, declined in low value
High single digit revenue growth from networked ICT (including Cloud)	Delivered
Successful introduction of Lightbox, with 70k paying subscribers by 30 June 2015	Surpassed
Deliver Release two of the re-engineered IT system	Delivered
Complete the Turnaround Programme and embed the methodologies into business as usual	Delivered
Return to EBITDA and net profit growth	Delivered for continuing operations

[(1)] Percentage Point estimate vs June 2014

Materially increasing shareholder returns

Principles

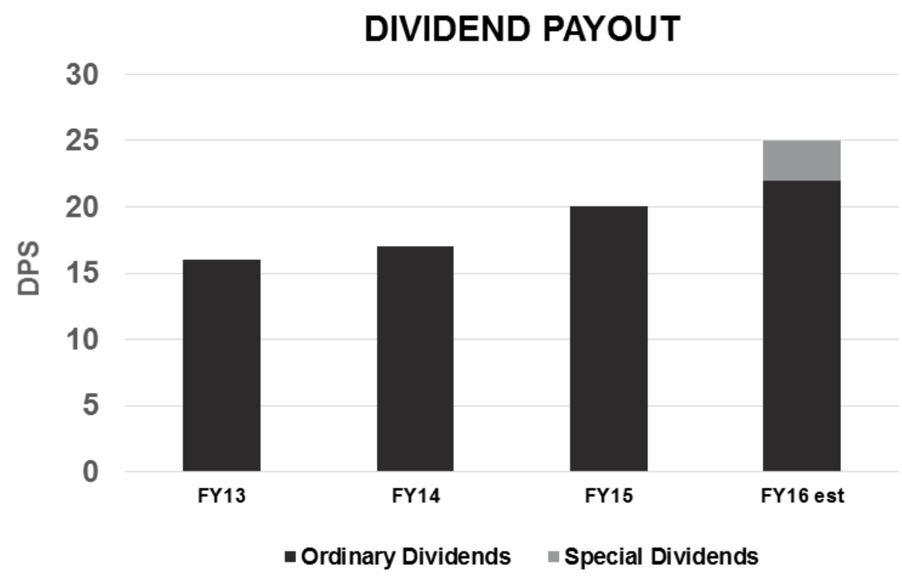
- Remain committed to conservative capital structure and single 'A Band' Credit Rating from S&P
- Preferred method of shareholder distributions is to sustainably grow ordinary dividends over time in line with earnings growth
- On-market share buybacks and special dividends used as appropriate to reset capital structure

On-market share buyback

- Intention to return proceeds from asset divestments via an on-market share buyback of up to $100m during 2015 calendar year - 30.6% complete at 30 June 2015

Dividends

- H2 FY15 dividend 11 cps, fully imputed. FY15 full year dividend 20 cps
- Anticipate FY16 ordinary dividend of 22 cps and special dividend of 3 cps (subject to no material adverse change in operating outlook). Imputation expected to be at least 75%
- FY16 dividend forecast up 25%
- DRP suspended



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Bold strategic plan strengthened for next phase

In May 2013 we set out a bold strategy to shift from a traditional fixed and mobile infrastructure company to a future-oriented, competitive provider of communication, entertainment and IT services delivered over our networks and the cloud. We're now shifting to the next phase with even greater emphasis on customer experience and digital self-service.

Ambition	At Spark New Zealand, our ambition is to be a winning business, inspired by customers to unleash the potential in all New Zealanders
Goals	To be New Zealand's: • Benchmark for amazing customer experiences • No 1 provider of mobility, data and cloud solutions • Market leader in digital life and business services • Best run and most efficient business
Strategic Programmes	Win Key Markets · Digital First · Spark Talent · Customer Inspired · Spark Brands
Foundation	New Zealand's best data network and digital services capability

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Digital First Programme established

Being world class at digital services will allow us to win with our customers, our people and our shareholders

1 Loyal customers

Deliver innovative, differentiated and convenient customer experiences

Deliver them mobile and digital first focussing on rich low friction experiences

2 Outperform the market and our competitors

Move first and fast to a lean and agile operating model that delivers a step change in competitiveness

Profitably lead the market on both value for money and innovation

3 Attract & grow the best talent

Deliver a creative and open workplace where experimentation is encouraged and the latest digital methodologies and innovations are embraced

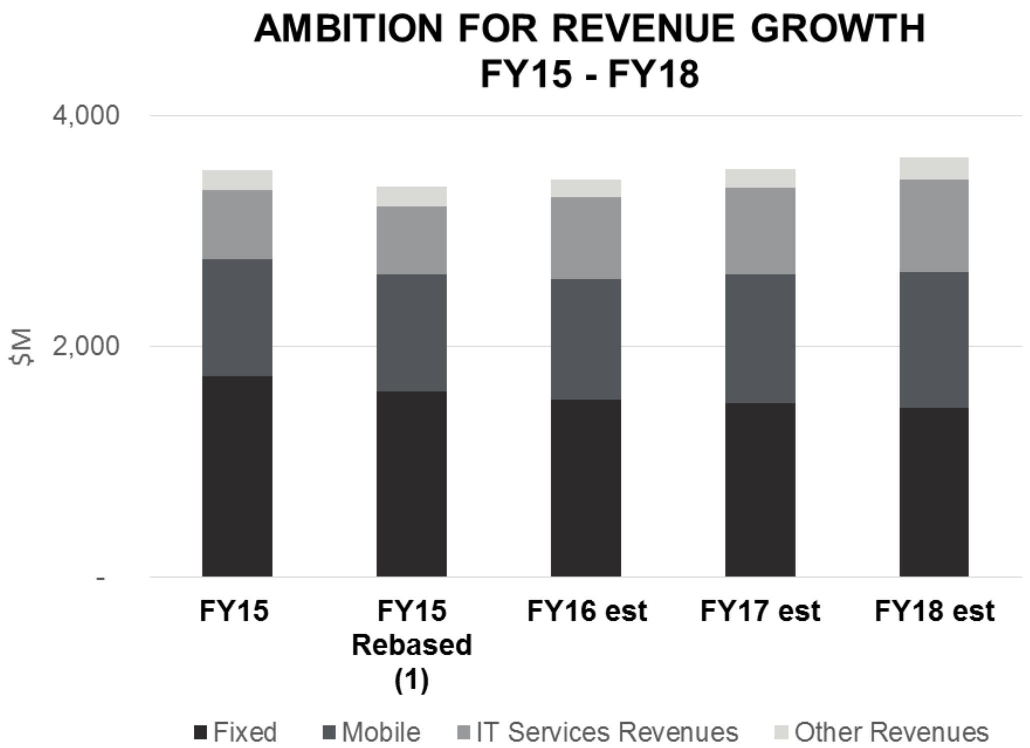
Attract, retain and grow the best talent in NZ and future proof our business

With a clear plan for each product category

Our approach within each key category

Category	Goal….	Whilst….	Through
Fixed voice, data and broadband	Optimise margin	Holding market share at low-end and driving uptake of high-end plans	A customer inspired approach, all-of-life provider and best digital experiences
Mobile	Achieve no.1 in revenue share – better brand preference, focus on key markets and optimised channels	Shifting focus from acquisition to monetising market demand by careful pricing management and upselling to higher value plans	Introducing products that grow engagement and data usage such as Lightbox, Spotify, Morepork, Putti, Spark Digital apps
IT services	Reset toward platform-centric IT and high growth segments like Cloud	Improving IT services' profitability through scalable standardised offerings, a lower cost delivery model and operational leverage	Investing in high growth segments, including Cloud, collaboration and security Focus on developing new business with existing customers and partnerships with global suppliers
New revenue sources	Build, buy or partner new options	Using an iterative agile development process with test and pivot in-market approach	Rapid development of new growth options. Passing back to the core as they mature, failing fast if not successful

Aiming for modest revenue growth



Modest revenue share growth

- Gains in Data (Broadband and Managed Data)
- Gains in Mobile

Fast-growth segments

- On-demand video (Lightbox)
- Smart Living (Morepork)
- Big Data (Qrious)
- Cloud and Data Centres (Revera)

Selective M&A

- Consider further bolt-ons

- Core Mobile & IT Services revenues are already on a growth trajectory with broadband stabilising and calling and access becoming a smaller part of the overall revenue mix
- Not intended as earnings guidance

(1) FY15 rebased reflects adjustments for Primary Service and Business Divestments

Productivity improvements will continue

Driven by technology and digital self-service enabling fundamental business change

- **Investments in networks, Re-engineering and Turnaround have laid the foundation**
- **Re-engineering and the Digital First Programme are a catalyst for ongoing productivity improvements**
- **Significant reduction in fixed cost of sales will be offset by volume driven growth in Mobile and IT Services**
- **Further productivity gains between Spark Connect and Spark Digital**
- **Planning for software defined networking and network function virtualisation (SDN & NFV)**

FY16 Guidance

	FY15 Actuals	FY16 Guidance
Reported EBITDA (1)	$962m	0-3% growth
Capex (excl spectrum)	$418m	around $380m
DPS (2)	20 cps fully imputed	Ordinary Div 22 cps (2) +Special Div 3 cps At least 75% imputed

(1) EBITDA guidance is relative to FY15 continuing operations and assumes copper broadband input costs based on IPP pricing to 1 Dec 2015 and then 2nd draft FPP pricing, with no backdating

(2) Guidance subject to no adverse change in operating outlook

Two years ago, we set out our strategy to transform the company, in two clear phases:

1. FY14 & FY15: Stabilise revenue/margin and reduce costs
2. FY16 & beyond: Drive market revenue/margin growth with continuing improvement in unit costs

We've executed the first phase of our strategy exactly to plan, and the FY16 outlook confirms we are on track to deliver the Spark New Zealand turnaround story.

Note that an Investor Day will be held in October 2015 to provide more detail on the Spark New Zealand strategic roadmap.

Disclaimer

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These forward-looking statements may be identified by words such as ‘anticipate’, ‘believe’, ‘estimate’, ‘expect’, ‘intend’, ‘will’, ‘plan’, ‘may’, ‘could’, ‘ambition’ 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.

Appendix 1: Regulated input charges

		FY14	FY15 From 1 Dec 2014	FY16 From 1 Dec 2015
Prices	UCLL	$23.52	$23.52	$26.74 [1]
	UBA	$21.46	$10.92	$11.15 [1]
		$44.98	$34.44	$37.89 [1]

Impact

FY14:

- Broadband plan prices lowered and value expanded in anticipation of lower UBA costs

FY15:

- Benefited from lower UBA costs for 7 months
- Voice and Broadband plan prices raised in February in anticipation of higher input prices from 1st draft FPP
- Commitment to pass benefit of February price increases back to customers if decision to not backdate is confirmed

FY16:

- Based on 2 July 2015 2nd draft FPP determination, UCLL and UBA input charges will increase from 1 December 2015, annualised impact $42 million
- Impact will be partially offset by FY15 price rise

(1) Based on Further Draft FPP determination at 2 July 2015