

Spark starts here.

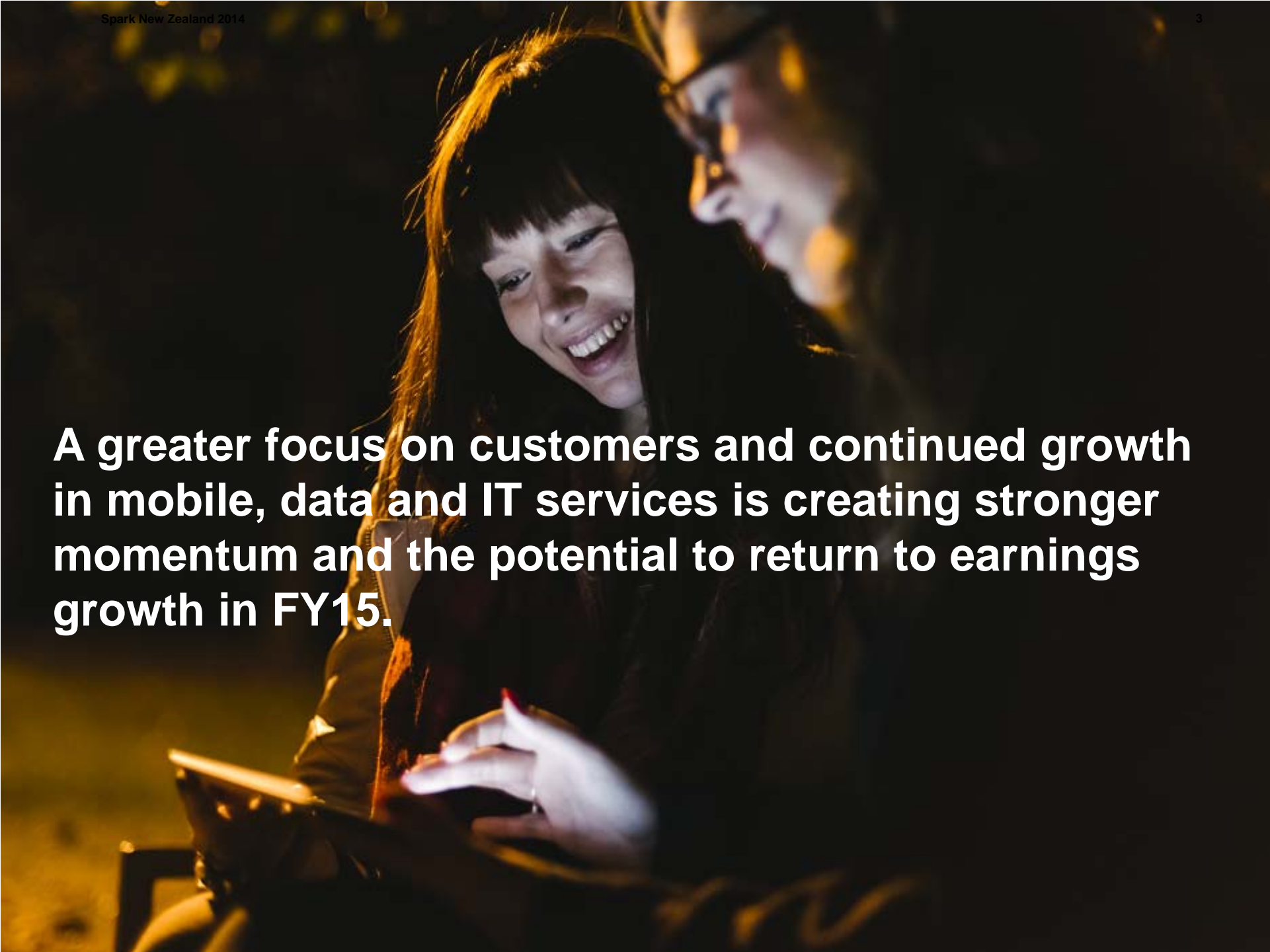
Spark New Zealand Annual Results 2014
Investor Presentation



**Spark is more than a name change.
It reflects enormous change for our customers
and our business.**

**Our ambition is to be a winning business,
inspired by customers to unleash the potential
in all New Zealanders. Join our journey.**





A greater focus on customers and continued growth in mobile, data and IT services is creating stronger momentum and the potential to return to earnings growth in FY15.

2014 Highlights

Delivering for customers, delivered earnings guidance, momentum gathering

- A stronger performance in H2 indicates potential to return to earnings growth, driven by improving customer preference leading to continued growth in mobile, data and IT services
- Spark Home, Mobile & Business (Retail) now in revenue growth, driven by strong mobile revenue gains
- Focus on productivity via Turnaround has helped increase business momentum and cash generation. This has allowed – alongside the proceeds of the sale of AAPT – more strategic investment in growth areas:
 - Internet TV – Lightbox built and launched
 - Cloud computing – Revera and Appserv acquired, Data Centre build expanded
 - Big data business Qrious built and launched
 - Wireless data – 4G rollout, 700 MHz spectrum acquired, nationwide WiFi
- Spark Digital (Gen-i) grew EBITDA in H2 and secured a number of significant new contracts to underpin investments in Cloud computing
- Delivered major enhancement projects to upgrade the Spark Network (4G, OTN) and IT systems capability (Re-engineering Release 1)
- Spark New Zealand brand strategy culminated in adoption of new core brand on August 8
- On track with strategic goals to be #1 in data, mobility, effortless customer service and cost
- Return to EBITDA and net earnings growth expected in FY15
- Capex (excluding delayed spectrum payment) forecast to decrease to around \$420m in FY15
- Consistent with our aspiration to sustainably grow ordinary dividends, H2 dividend increased to 9.0 cps, with a return to full imputation

Results Scorecard

Improving key financials			Improving product revenue			Growing market share and connections		
	FY14	H2		FY14	H2		30 JUNE 2014	CHANGE
Revenue Growth	(2.6%)	(2.1%)	Mobile Revenue Growth	6.0%	6.1%	Mobile share (revenue)	39% ⁽¹⁾	2% (approx)
						Mobile customers	2.0 million	10.5%
Adjusted EBITDA Growth	(4.0%)	(2.2%)	Broadband Revenue Growth	(3.5%)	(0.6%)	Broadband share (connections)	47% ⁽¹⁾	(0.5%)
						Broadband customers	669,000	3.1%
DPS	17.0	9.0	IT services Revenue Growth	5.8%	9.2%	IT services share (revenue)	14% ⁽¹⁾	1% (approx)

⁽¹⁾ Spark New Zealand estimate

At the start of FY14, we set big targets

A more competitive organisation:

A new winning culture which is performance driven, more agile and competitive	Achieved
On track to crystallising an additional \$100-\$200m of annualised benefits from re-engineering, cost out and simplification programmes	Over Achieved

Success in the market:

A 1-2% point increase in mobile market service revenue share – with prepaid mobile completely re-platformed, 4G LTE launched	Achieved
Greater brand cut-through and preference in key markets	Achieved
Stabilising broadband market connection share - VDSL and fibre products take-up accelerated	Achieved
Double digit revenue growth from Spark Digital (Gen-i) networked ICT – with expanded data, mobility and Cloud capability	Achieved in H2

Success for the future:

At least four new highly differentiated offers to consumer & SME customers	Achieved
Clear strategic path forward for Australia	Achieved
Spark Ventures (Digital Ventures) having launched a portfolio of new products and services	Achieved

We've been following a clear strategy

Ambition

A growing New Zealand business, winning by customers choosing us to connect them at the speed of life.

Goals

**#1 in mobility
#1 in data
#1 in effortless service and cost**

Strategic Priorities

**Revolutionise
customer
experiences**

**Simplify the
business**

**Win key
markets**

**Win the
future**

People, Brands, All Data Network, Turnaround Programme

Since then, we've executed relentlessly

Revolutionise customer experiences	Simplify the business
<ul style="list-style-type: none"> • Expanded digital self-service: <ul style="list-style-type: none"> • Spark smartphone App • Increased e-Bill use • New digital customer capability in R1 of re-engineered IT stack • Relunched Business Hubs 	<ul style="list-style-type: none"> • R1 of re-engineered IT stack • Turnaround Programme delivering at top end of expectations • Sold AAPT to focus on New Zealand • Refocused Spark Digital strategy around network and infrastructure core
Win key markets	Win the future
<ul style="list-style-type: none"> • Spark brand change successfully launched • Rapid rollout of 4G and OTN upgrade • Differentiated customer offers: <ul style="list-style-type: none"> • Spotify partnership • Expansion of WiFi footprint • Launched Ultra Fibre in all LFC regions • Launched Big Pipe • Partner collaborations e.g. SAP, Cisco, Telstra 	<ul style="list-style-type: none"> • Invested in customer inspired culture • Gained 700 MHz spectrum leadership • Invested in Cloud Computing and Data Centres • Strategic investments: <ul style="list-style-type: none"> • Acquisition of Appserv • Launched Lightbox • Launched Qrious • Invested in Vigil and App la Carte

We invested in Spark as a new core brand



Spark Home, Mobile & Business provides access to technology in new and innovative ways to help New Zealanders and New Zealand businesses move forward and reach their goals



Spark Digital is focussed on supporting the success of New Zealand businesses both here and wherever they want to operate in today's globally connected world.



Spark Ventures will be accelerating the Company's future focus and pace of innovation, and delivering new services and businesses such as WiFi, internet TV and Smart Data analytics.



Spark Connect will deliver the technology, products and processes to ensure great customer experiences and world-leading connectivity via the Spark Network.

SPECIALTY AND FLANKING BRANDS



- To be relevant to more customers
- To accelerate the process of reinvention
- To provide the flexibility needed for a digital future
- To drive increased brand preference and customer consideration
- Early impact of brand change is very encouraging



And we've honed our strategy

Ambition

At Spark, our ambition is to be a winning business, inspired by customers to unleash the potential in all New Zealanders

Goals

#1 in mobility
#1 in data
#1 in effortless service and cost

Strategic Programmes

Winning key markets

Turnaround

Spark Talent

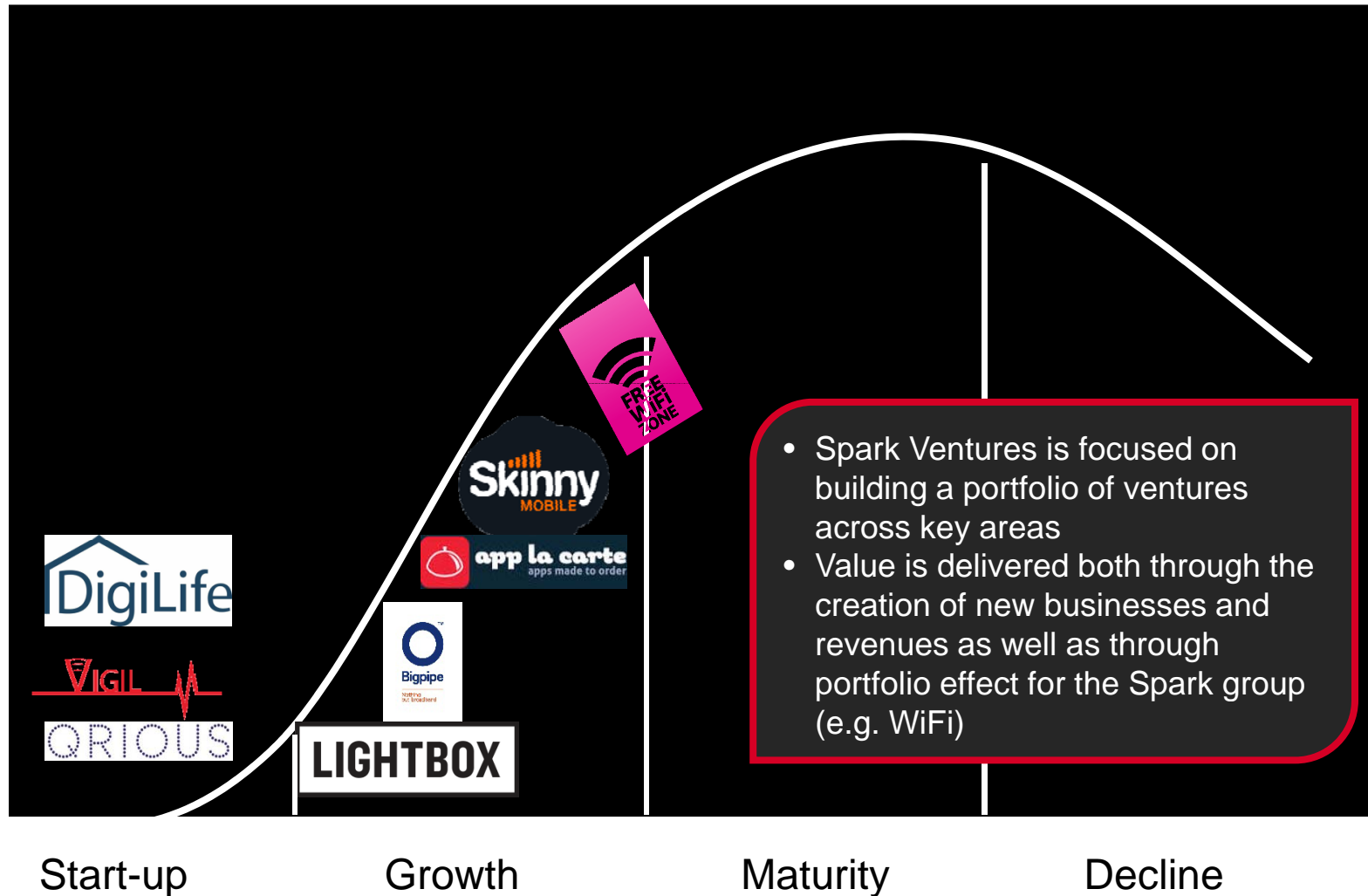
Customer inspired

Spark brands

Foundation

New Zealand's best data network

Spark Ventures portfolio



Financial Results.

Group Profit & Loss

Reported Results	FY14 \$M	FY13 \$M	CHANGE %
Total Revenues	3,638	3,735	(2.6%)
Operating Costs	2,702	2,861	(5.6%)
EBITDA	936	874	7.1%
Depreciation & Amortisation	451	459	(1.7%)
Net financing costs	31	42	(26.2%)
Tax expense	131	103	27.2%
Net Earnings – continuing operations	323	270	19.6%
Net Earnings – discontinued operations	137	(32)	NM ⁽¹⁾
Net Earnings	460	238	93.3%

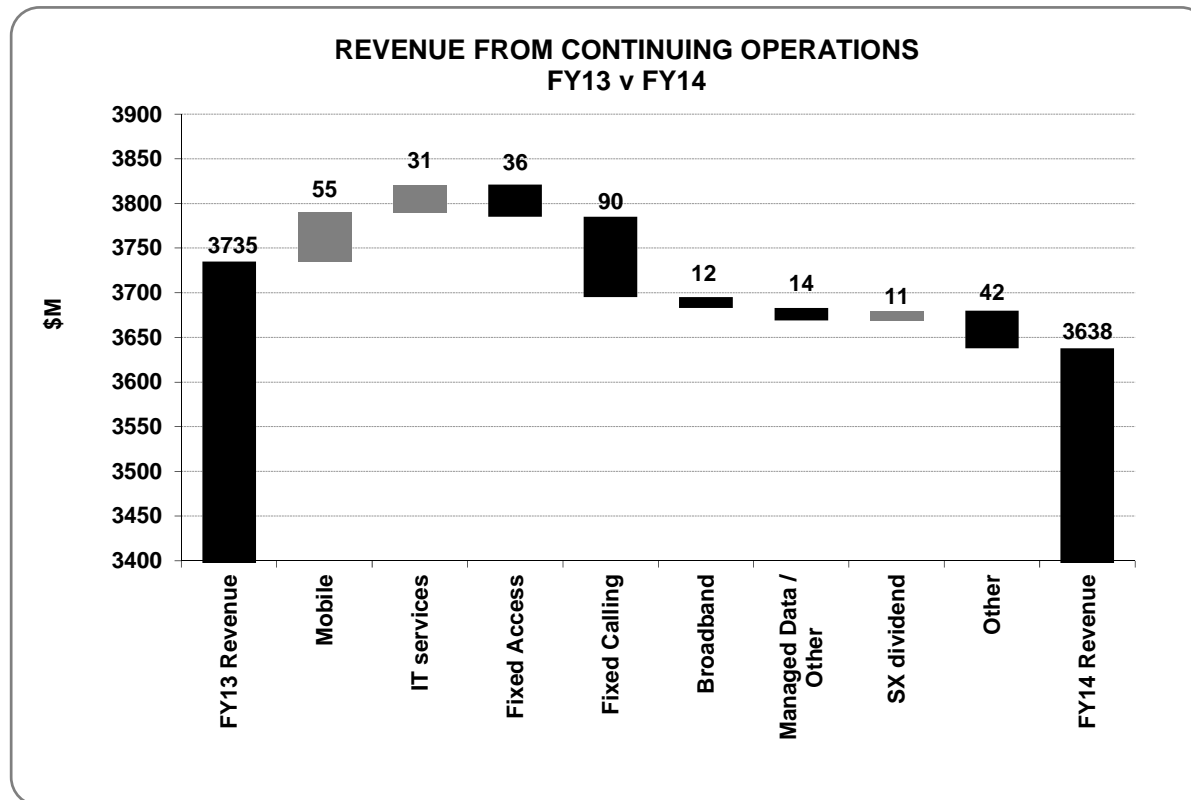
(1) NM = Not Meaningful comparison

Group Profit & Loss (adjusted)

Adjusted	FY14 \$M	CHANGE %	H2 FY14 \$M	CHANGE %
Total Revenues	3,638	(2.6%)	1,791	(2.1%)
Operating Costs	2,702	(2.1%)	1,307	(2.1%)
EBITDA	936	(4.0%)	484	(2.2%)
Depreciation & Amortisation	451	(1.7%)	224	(3.0%)
Net financing costs	31	(26.2%)	14	(30.0%)
Tax expense	131	5.6%	70	12.9%
Net Earnings – continuing operations	323	(7.7%)	176	(3.3%)

FY14 Revenues

Strong Mobile and IT Services growth close to offsetting fixed calling declines



- Mobile and IT Services revenues up 6.0% and 5.8% respectively
- Significant slowdown in rate of fixed revenue decline, 9.2% in H1, 5.4% in H2
- Broadband market remains extremely competitive
- Southern Cross dividends of \$67m in FY14, \$24m in H2

Mobile update

Mobile momentum building as we grow back over the 2.0 million customer milestone

	FY14 \$M	FY13 \$M	CHANGE %
Revenues ⁽¹⁾	965	910	6.0%
Service Revenues	724	713	1.5%
Direct margin	599	572	4.7%

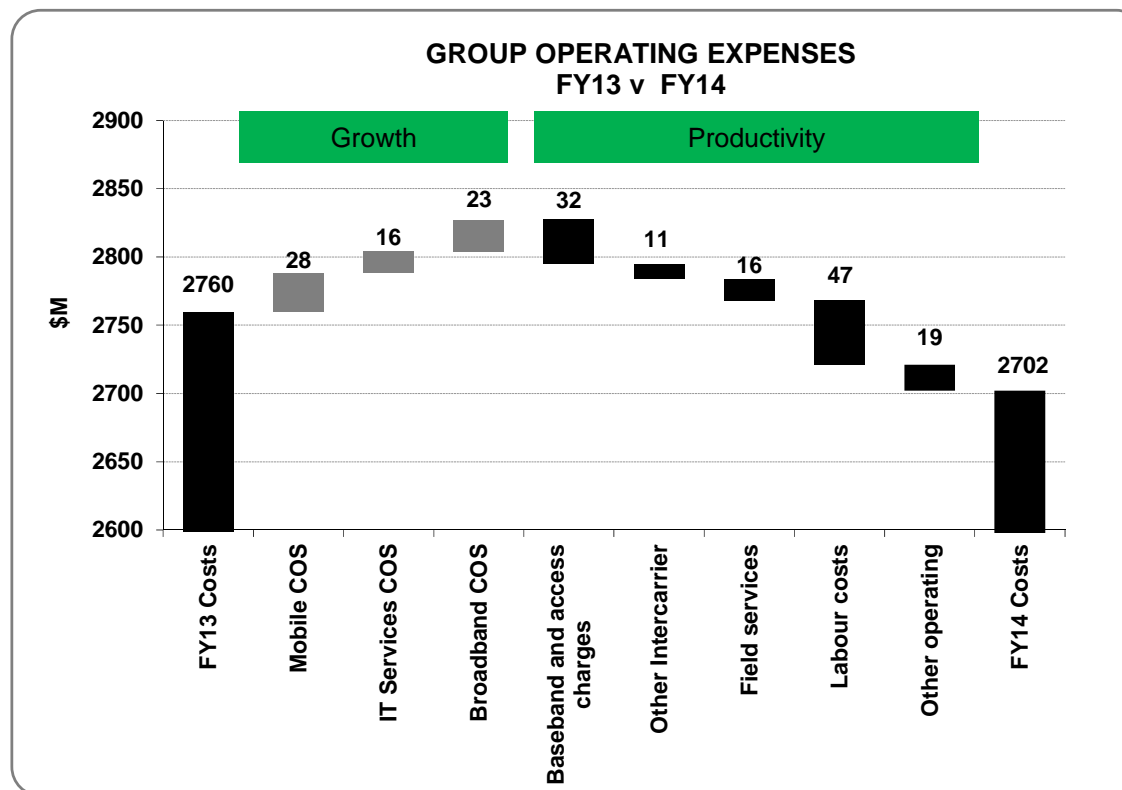
	(000's)	(000's)	CHANGE
Connections	2,006	1,815	10.5%
Postpaid	985	920	7.1%
Prepaid	1,021	895	14.1%

- Growth in Spark Home, Mobile & Business, partly offset by price pressure in Spark Digital
- Customers preferring open term plans, with no increase in churn
- SARC management and open term plans driving margin improvement
- Mobile connection growth driven by differentiated offers supported by better sales and marketing execution

⁽¹⁾ Excludes Wholesale Mobile Revenues

FY14 Costs

Disciplined approach to cost management resulting in net cost reduction of \$58M



- Growing Mobile, Broadband and IT Services business volumes driving increased cost of sales
- Turnaround programme gains momentum, contributing to reduction in labour and operating cost

Future revenue trends

Growth from Mobile, IT Services and new sources of revenue projected to offset fixed revenue decline by FY17

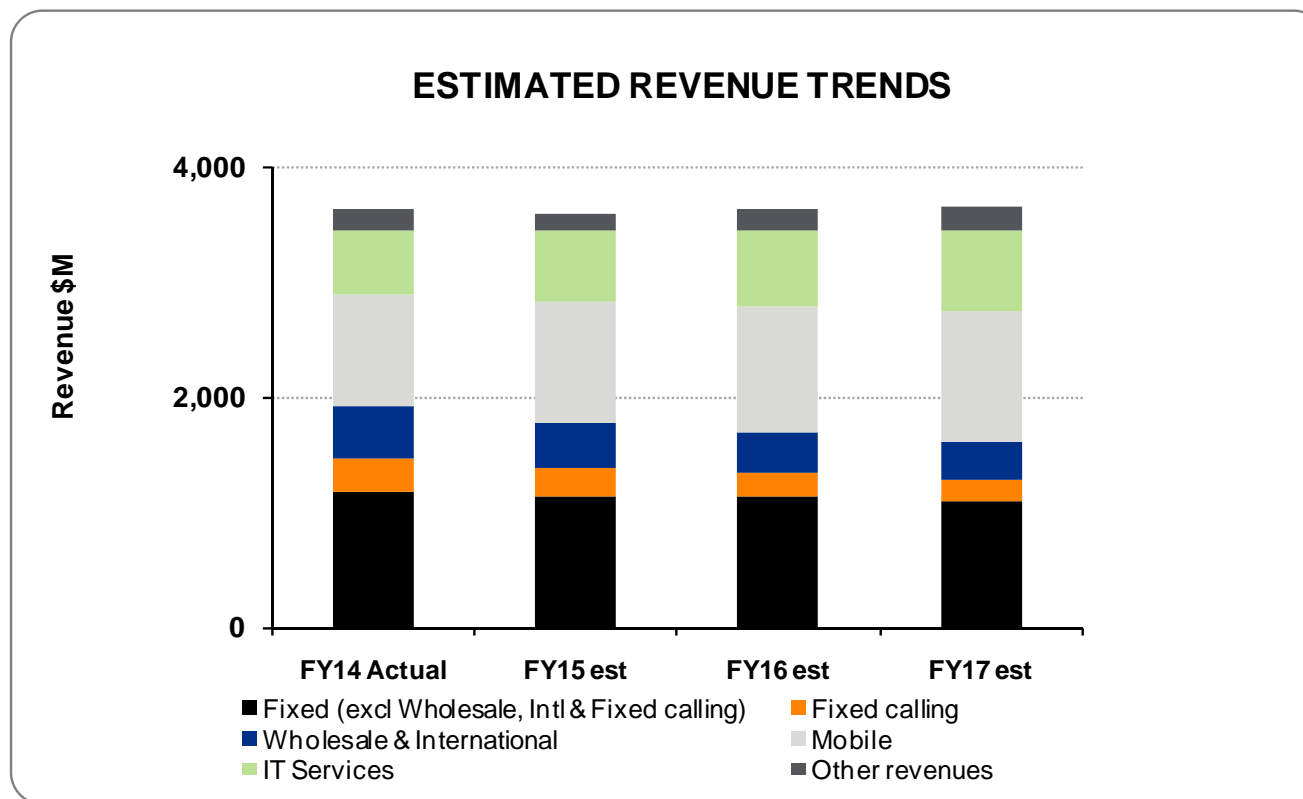
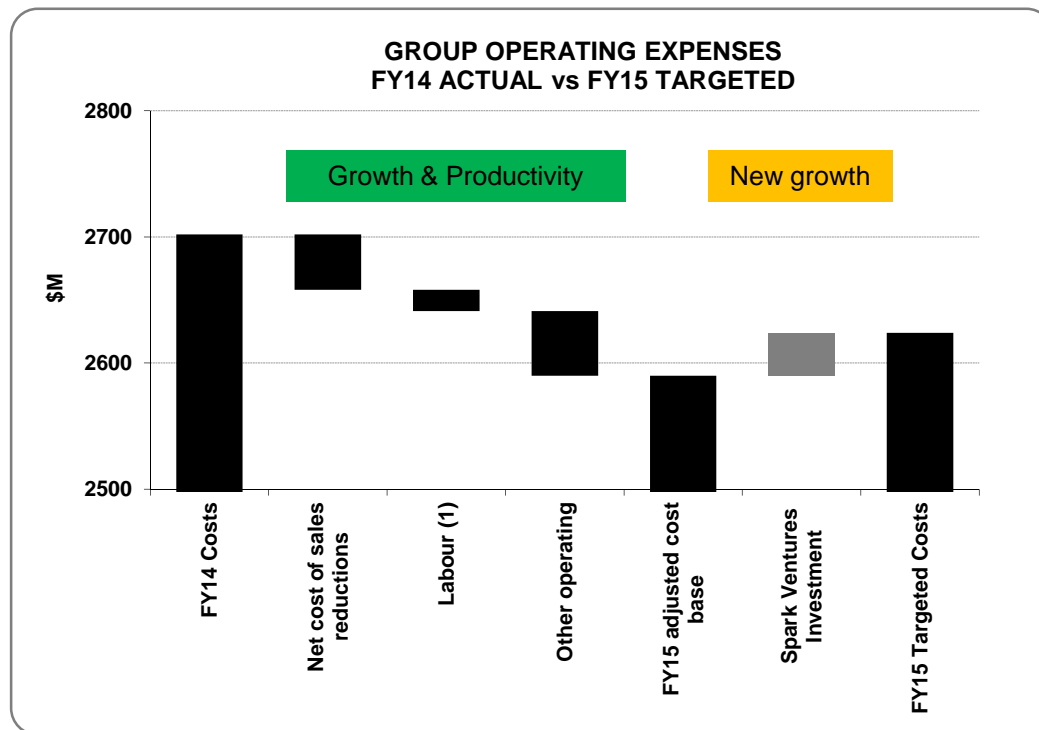


Chart illustrative only, not intended as guidance

Targeted FY15 Costs

Turnaround programme expected to deliver significant productivity benefits in FY15



FY15 targeted net cost reductions reflect:

- Forecast growth in Mobile, Broadband and IT Services cost of sales
- Expected UBA cost reductions
- Turnaround programme delivering benefits across all cost categories
 - Procurement and efficiency savings
 - Labour cost savings partially offset by ALu insourcing, to drive savings in other operating costs
- Growth in our future services of Lightbox, Qrious and other new ventures

(1) Excludes growth in Spark Ventures

Chart illustrative only, not intended as guidance



**Spark Home, Mobile
& Business**

Spark Home, Mobile & Business

Winning in the market saw us achieve revenue and EBITDA growth in H2

	FY14 \$M	CHANGE %	H2 FY14 \$M	CHANGE %
Revenues	1,794	0.7%	893	1.8%
Fixed	1,023	(5.0%)	507	(4.3%)
Mobile	744	10.4%	372	11.4%
Other	27	(10.0%)	14	7.7%
Costs	1,109	2.6%	536	2.1%
EBITDA	685	(2.1%)	357	1.4%

Achieved revenue and EBITDA growth in H2 through:

- Strong performance in mobile through customers choosing our brands and propositions
- Differentiated offers like WiFi and Spotify are valued by customers
- Digital self service providing better customer experience
- Slowdown in rate of fixed decline as we focus on value in broadband
- Simplification and customer focus reducing cost

Results include Skinny EBITDA and Spark Ventures investment



Spark Digital

Spark Digital

Leveraging our cloud and data centre investments to further grow our IT business

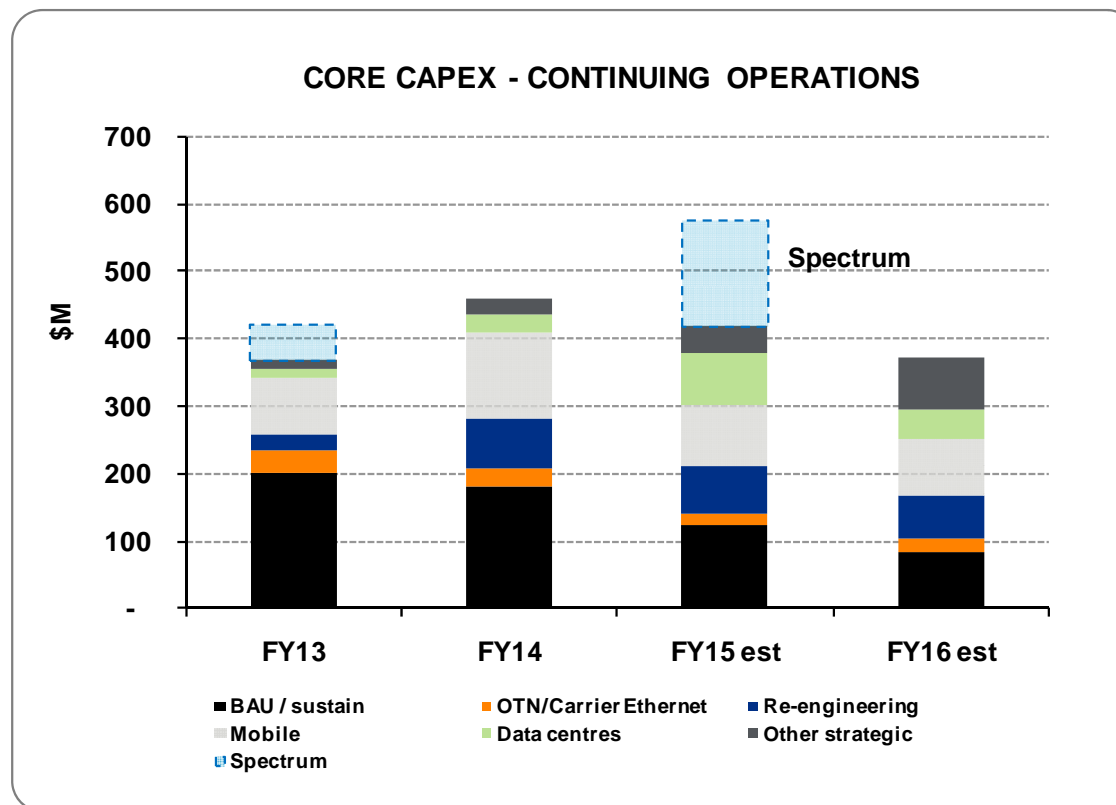
	FY14 \$M	CHANGE %	H2 FY14 \$M	CHANGE %
Revenues	1,288	(1.5%)	645	0.2%
Fixed	451	(8.7%)	222	(7.1%)
Mobile	221	(6.4%)	106	(8.6%)
IT Services ⁽¹⁾	320	9.2%	161	12.6%
IT Procurement & Other	296	4.2%	156	6.8%
Costs	889	(1.8%)	439	(1.1%)
EBITDA	399	(0.7%)	206	3.0%

- EBITDA growth in H2, due to growing momentum in IT Services
- Strong new business wins e.g. Ministry of Social Development and Transpower
- Improving service delivery and operating capability
- Mobile remains very competitive

⁽¹⁾ Excludes IT procurement revenue

Capex

Targeted investment to drive sustainable long term growth within tightly managed Capex envelope



- IT stack re-engineering programme is on track, with Release 1 completed in May 2014
- 2x20 MHz of 700MHz spectrum purchased in August FY15 (delayed from FY14 by prolonged auction process)
- OTN, 4G and Wi-Fi investment to build the best and lowest cost data network
- Takanini data centre investment completes in H1 FY15
- Targeting sustainable long term core Capex of below \$400m per annum

Capital management

Principles	<p>Return business to sustainable growth</p> <p>Reposition business portfolio in line with strategy</p> <p>Remain committed to conservative capital structure and single 'A Band' Credit Rating</p> <p>Preferred method of shareholder distributions is to sustainably grow ordinary dividends over time</p>
Outcomes	<p>Significant free cash flow generated from Turnaround Programme and sale of AAPT enabling:</p> <ul style="list-style-type: none">• Investment in business growth• Strategic investments including spectrum• H2 FY14 dividend of 9 cps, fully imputed



Outlook for FY15

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FY15 Guidance

	FY14 actual	FY15 guidance ⁽¹⁾
Total Revenue	\$3.6bn	low single digit decline
Adjusted EBITDA	\$936m	low single digit growth
Capex (excl spectrum)	\$459m	around \$420m
Spectrum	Nil	\$158m
DPS	17.0cps partially imputed	18.0cps ⁽²⁾ likely fully imputed

(1) Relative to FY14 continuing operations. Assumes UBA and UCLL pricing in line with IPP. Excludes rebranding costs

(2) Subject to no adverse change in operating outlook

In FY15 our success will be measured by:

1. Further gains in a winning culture which is inspired by customers, performance driven and highly competitive
2. Spark brands programme driving greater brand differentiation, leadership, cut through and preference in key markets
3. Mobile market revenue share growth of 1.0 - 1.5pp
4. Broadband market revenue share maintained
5. Double digit revenue growth from Cloud services
6. Successful introduction of Lightbox, with >70k paying subscribers by 30 June 2015
7. Deploy 4G using 700 MHz spectrum and deliver R2 of the re-engineered IT stack
8. Complete the Turnaround Programme and embed the methodologies into business as usual
9. Return to EBITDA and net earnings growth

At our investor day in May 2013 we set out a bold strategy to transform the company, in two clear phases

FY14 & FY15: Stabilise revenue/margin and reduce costs

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

We are ahead of plan and confident we are pursuing a sound strategy

Disclaimer

This announcement may include forward-looking statements within the meaning of the U.S. Securities Exchange Act of 1934 regarding future events and the future financial performance of Spark New Zealand. Such forward-looking statements are based on the beliefs of management as well as on assumptions made by and information currently available at the time such statements were made. These forward-looking statements may be identified by words such as 'anticipate', 'believe', 'estimate', 'expect', 'intend', 'will', 'plan', 'may', 'could' 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 in Spark New Zealand's annual report and related corporate governance statement, available at www.sparknz.co.nz/about/governance) 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 and Australia; 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. 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.

Non-GAAP financial measures

Spark New Zealand results are reported under NZ IFRS. This announcement includes non-GAAP financial measures which are not prepared in accordance with NZ IFRS. The non-GAAP financial measures used in this presentation include:

- **EBITDA.** Spark New Zealand calculates EBITDA by adding back (or deducting) depreciation, amortisation, finance expense/(income), and taxation expense to net earnings/(loss) from continuing operations.
- **Adjusted EBITDA.** Adjusted EBITDA excludes significant one-off gains, expenses and impairments.
- **Capital expenditure.** Capital expenditure is the additions to property, plant and equipment and intangible assets, excluding goodwill and other non-cash additions that may be required by NZ IFRS such as decommissioning costs.
- **ARPU.** Spark New Zealand calculates ARPU as revenue for the period (for mobile this is only voice and data) divided by an average number of customers.
- **Adjusted net earnings.** Adjusted net earnings are net earnings for the year adjusted by the same items to determine adjusted EBITDA, together with any adjustments to depreciation, amortisation and financing costs, whilst also allowing for any tax impact of those items.

Spark New Zealand believes that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the financial performance, financial position or returns of Spark New Zealand, but that they should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZIFRS. Non-GAAP financial measures as reported by Spark New Zealand may not be comparable to similarly titled amounts reported by other companies