



Shareholder Update

April 2017



Dear Shareholder

It's been another dynamic six months since the most recent Shareholder Newsletter in September last year.

The earthquakes near Kaikoura on the South Island's east coast in November 2016 saw Spark contribute significant resources to disaster response efforts. Hundreds of Spark people worked

around the clock and collaborated with industry partners including Chorus and Vodafone to help impacted customers and businesses get back online as quickly as possible and restore network diversity to the South Island. In these times, the industry puts aside competitive differences to work together in New Zealand's best interests - and Spark was proud to be part of that joint effort.

On February 16 this year we announced our half-year results (six months to 31 December 2016) to the market and to our investors. To sum it up; our financial results were broadly on-plan, despite a tough market and operating environment. The revenue side was a big plus. Total operating revenues increased by \$70 million, or 4.1%, to \$1,793 million, with particularly good revenue growth in mobile and IT services. While we've been making great progress on improving customer service experiences for consumers and business, this has come at an increased cost in terms of the extra resources needed to address it, contributing to our total operating expenses for the half-year going up 4.3% \$1,320 million.

Earnings before interest, income tax, depreciation and amortisation (EBITDA) increased \$16 million, or 3.5%, to \$471 million - but it's worth noting this included a full six months earnings from the CCL Group (acquired in December 2015) and an earlier than expected dividend from Southern Cross.

In Home, Mobile & Business we saw a significant improvement in customer service levels through investment in staff and improved systems and processes. We also had a successful launch of

Wireless Broadband, which was already at 40k connections as at 31 December 2016 against a full year target of 50k by 30 June 2017, while the launch of upgraded mobile and broadband plans and bundling of Lightbox into pay-monthly is driving upsell and revenue growth.

In Spark Digital, we've had a substantial number of new business wins in platform IT and cloud, with telecommunications-as-a-service adoption increasing rapidly. We've completed some complex customer transitions including NZ Racing Board and Contact Energy, and we've focused on driving efficiency in our IT service delivery, and reducing churn in mobile.

Our Connect team has continued to invest in our 4G mobile network and Wireless Broadband, including Single Radio Access Network (SRAN), mobile core and the deployment of 2300 MHz spectrum; and we now have 4G coverage for more than 93% of the population. This team was at the centre of the rapid coordinated response to the Kaikoura earthquake, including increasing the network resilience for the South Island.

Our Platforms team have hit the ground running on the critical challenge of driving an accelerated digitisation and customer experience transformation strategy. As part of this they have already established processes to improve end-to-end customer journeys, including for Wireless Broadband and fibre, which is helping to drive customer satisfaction improvements.

The Ventures & Wholesale team has continued to shift to its next phase, which will mean a more equal weighting between acquire, partner or build activities rather than having a bias towards building new businesses ourselves. Data analyst business Qrious has been going very well, with growth in revenues and earnings underpinned by targeted business acquisition and the launch of new products.

Some shareholders may have observed that I have adopted a public position over the last couple of years on the importance of all companies who benefit financially from operating in New Zealand also contributing their fair share towards the tax base that pays for hospitals, schools, transport, welfare and other vital public services.

Continued over

This position has been founded on some important principles. While it is important businesses are profitable so they can reinvest, they are also part of the social contract. We all have a role to play in helping New Zealand succeed. The health of our tax base might not be everybody's favourite topic, but this matters - it impacts all of us in the long term. That's why I've spoken out about this issue, and why I was pleased to see in March that the Government is proposing a wide range of measures to address the issue.

In a relentlessly globalising and digitising world, the question is how to adapt to it to ensure New Zealand's future success. We have to be in charge of our own destiny and avoid becoming an 'off-ramp' of an international digital super-highway. And increasingly, technology offers possibilities to help build a better future. Companies like Spark will have a huge role to play. Key to our role will be how much we can continue to improve our digital customer service options, and simplify our products and processes. The rapid rise of digital-first and digital-only businesses such as Uber, Airbnb and many others only reinforces how many people now prefer to be able to manage their own services online or via an app.

We're confident we can collectively rise to the challenge and continue to deliver for our customers, for you, our shareholders, and for New Zealand.



Simon Moutter
Managing Director

Commerce Commission pulls plug on Sky/Voda

In late February this year the Commerce Commission declined to give clearance to the proposed merger between Sky TV and Vodafone. Sky TV and Vodafone have filed appeals within the statutory time period for an appeal while they wait for the release of the Commerce Commission's reasons for its decision and have the opportunity to assess these.

While a lot has been written and said about this decision, we firmly believe it was the right one for kiwi consumers. The paucity of options today for how New Zealand sports fans can access 'must-watch' premium sports - such as the All Blacks - meant it was simply not in the best interests of consumers to allow the merger to proceed.

Increasingly, viewers now want to be able to watch their favourite sports wherever and whenever they want, be it on the TV, laptop or mobile. Viewers have already been voting with their wallets away from out-dated content bundle models that force them to pay for unwanted content, set-top boxes or service providers.

The lack of a meaningful wholesale market today for Sky's sports content means Spark and other mobile and broadband providers have been held back from offering our customers new ways to watch sports that are already the norm elsewhere in the world. Such a wholesale market would not have developed had the merger gone ahead, but we believe it will and must develop now. Spark would welcome the opportunity to bundle modern, on-demand versions of Sky's core sporting content with our broadband and mobile packages, if Sky is willing to create a vibrant wholesale market for its content.

The need for the market to be able to deliver better choice for sports fans will only grow. The Commerce Commission's decision recognises the sports content market in New Zealand needs to catch up with consumer reality, as it has in many other markets around the world. Increasingly, New Zealand consumers are demanding greater choice and flexibility as to how they access must-watch sports.



Bringing Xtra back home

Spark has nearly finished the migration of the Xtra email service away from Yahoo back home to New Zealand owned email provider, SMX.

It's been a challenging and complex migration which we know has impacted some customers. The phase during which we asked for Xtra customers' permission to move their Xtra email service completed in November. Since then, Spark developed and tested the migration approach, and kicked off the process of migrating customer email accounts across to the SMX platform in February. As at late March, the migration of active customers is nearing completion.

A significant amount of work went on behind the scenes to prepare for this migration. Spark has had a team dedicated to the migration, with at times up to 100 people, working on the project, including a customer services team of email migration specialists.

We know that some of our Xtra customers have had a trying time during this process, and we'd like to apologise to those who haven't been able to access their email at times and thank them for their patience while the work was done.

We're confident that the short-term pain and inconvenience will be well worth it - bringing Xtra email home to New Zealand. When the migration is fully completed, we'll have achieved our objective of transforming Xtra into a world-class email service, protected by world-class security and hosted and managed right here in New Zealand.

If Xtra customers have any questions around the migration process, they can find more information here: spark.co.nz/email.

Spark set to be part of unforgettable arena experiences

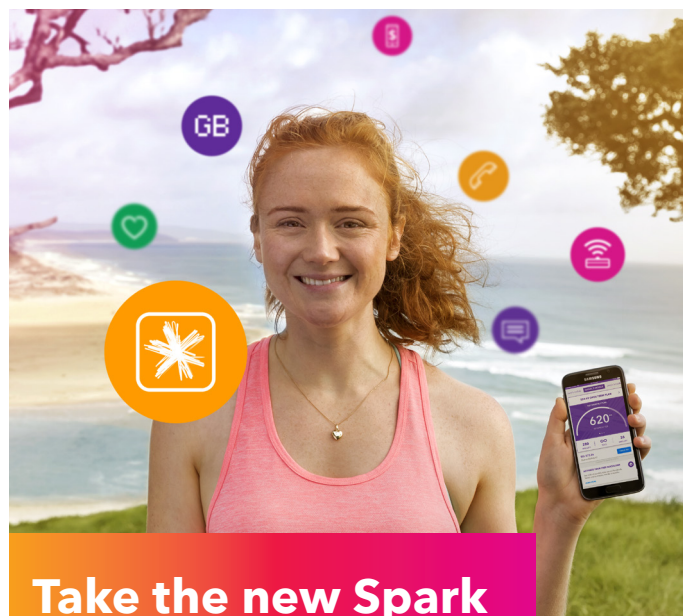
Later this month Spark will become the new naming rights, brand and technology partner for New Zealand's biggest multi-purpose entertainment venue, currently known as Vector Arena.

We're incredibly excited about this partnership and the platform it will give us to deliver some truly amazing and unforgettable experiences to New Zealanders.

Customers, young and old, tell us music is a huge part of their lives, that's why it makes so much sense for us to partner with a venue that attracts some of the world's most talented artists and entertainers, bringing our customers closer to the music they love.

Spark has developed strong ties to the music scene in the last two-years, extending its partnership with music streaming giant Spotify, and with the world's leading live entertainment group Live Nation which gives customers pre-sale access to concerts and best seats in the house tickets through its Spark Thanks programme.

Spark will officially take over as the naming rights, brand and technology partner of the venue on 19 April, 2017, and will start to change the name of the venue over the next few months.



Take the new Spark App for a run...

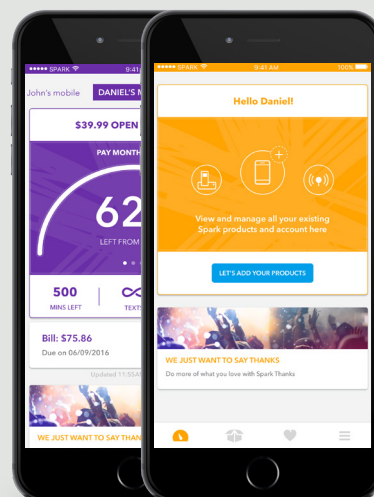
After a huge beta trial featuring over 6,300 testers, the next generation Spark Mobile App was launched publicly at the end of February and is available to download.

The new app brings huge improvements in customer experience, and makes digital self-service much easier. It gives both mobile and broadband customers the ability to manage their accounts, see their usage and buy extras.

While new features are always important, one of the main goals is to focus on improving the ease-of-use because that drives the improved customer experience. Now that it's launched, we will have a strong focus on continually improving the app - we have a great new foundation to build the tools and services our customers want to see and use, and it's our job to make sure we're listening to feedback and developing the app in line with that.

How to get the new app

- Visit either the App Store or Play Store, search Spark NZ and download. If you already had the Spark App, you'll be able to complete an update from the appropriate store.
- If you were on our Beta trial, iOS users can delete the Beta version app and complete the update on the old app as above.
- Make sure your friends and family are updating their apps too!



Spark terms and conditions apply. Please note, some of the app features may use mobile data. Android, Google Play, and the Google Play logo are trademarks of Google Inc. Apple and the Apple logo are trademarks of Apple Inc., registered in the U.S. and other countries. App Store is a service mark of Apple Inc.

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Spark partners with Netflix

In February this year, Spark and Netflix, the global internet television network, announced an exclusive partnership that gives Spark broadband customers a subscription to Netflix's Standard plan for one year when they sign up to a 24 month Unlimited Data Spark broadband plan. This is the first time that Netflix has been bundled with broadband in New Zealand.

Long gone are the days when New Zealanders had no choice in the way they watched TV and video. Many households now use a combination of entertainment services such as Netflix and Lightbox to access all the hit shows and movies that they love. Reflecting this, Netflix will sit alongside Spark's current Lightbox offer.

In combination, these highly desirable content streaming services mean you get an incredible entertainment package bundled with your Spark broadband. By bringing Netflix and Lightbox under the same roof, we make it easier for our customers to access the content they want to watch, when they want to watch it.

We know that our customers love Netflix and Lightbox. We've just announced that Lightbox is now approaching 250k subscribers and we already see the popularity of Netflix in New Zealand - around a third of the data over our broadband network on an average evening is customers streaming Netflix and Lightbox.

Spark customers who take up a 24 month unlimited broadband plan now have access to another huge content library, with thousands of hours of TV and movies.

New Christchurch premises

Spark announced in March it will be returning to the heart of Christchurch's CBD in a new high-profile office to be built in Cathedral Square.

Spark currently has more than 650 staff spread across four different locations, and has recently signed a contract as anchor tenant in a striking new building which will allow Spark to move most of its operations back into the heart of the city.

A purpose-built, four-level facility at 2 Cathedral Square will allow Spark to eventually operate a two-site strategy in Christchurch and relocate around 450 of its people into the new site in 2019.

The landmark location was chosen based on its proximity to the CBD and key amenities and was the site of the old BNZ building. It's on the edge of the retail precinct and across the square from the Christchurch City Council's new Knowledge Centre where Spark is supporting the development of a 'Spark Lab' through the Christchurch City Foundation.

The Christchurch development is an important step for Spark's people and highlights the company's commitment to rejuvenating the Christchurch CBD.

This is in addition to the support by Spark as a cornerstone partner of the new Christchurch City Foundation. The Foundation is being established to foster and promote philanthropy and will actively collect, manage and distribute money for the betterment of Christchurch communities through endowments, corporate partnerships and other gifting programmes.

Spark has a long history in Christchurch, and we are excited to play our part in the CBD regeneration. It will be a 5 star Green Star accredited by design and have a NABERS NZ 4.5 star energy efficiency rating.

The building is expected to be ready to occupy around the end of July 2019.

Electronic Shareholder Communications

Spark New Zealand shareholders can choose to receive all communications electronically. This makes it more efficient and convenient for you, plus it reduces environmental impact and cost.

You can select how you receive communications from Spark New Zealand by visiting the Link Market Services website.

NZ registered holders:

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Go to linkmarketservices.com.au please select "Investor and Employee Login" on the top right hand side of the page. Please select "Spark New Zealand Limited" from the issuer drop down box. You will need your holder number (SRN or HIN) and postcode to complete the investor validation process.

To find out more about Spark products and services, visit spark.co.nz or visit your nearest store.

We welcome any feedback, which you can provide via email to investor-info@spark.co.nz



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