

Shareholder Update

October 2014



Dear Shareholder,

Welcome to the fourth edition of our Shareholder Newsletter and our first as Spark New Zealand.

It's hard to believe it's been almost two months since we changed our name. The execution of the brand change was a massive exercise but it went extremely well and our customers are responding positively. We are already

starting to see the benefits in terms of increased customers visiting our stores and online channels. It reinforces the decision and its importance in helping us to achieve our ambitions.

In late August 2014, we demonstrated further progress with the announcement of our financial results for the year ended 30 June 2014. If I was to sum up the results in a single sentence, it would be that by doing great things for our customers, we're starting to win. The growth we're achieving in mobile, data and IT services is creating real momentum across the business.

Here are some headlines from our FY14 financial performance:

- Our profit was in line with expectations. At the half year, we predicted a better second half performance off the back of customer initiatives and our Turnaround programme and that is what we delivered.
- A net 191,000 new mobile customers joined us during the year – taking us back over 2 million connections and halving the gap that existed between ourselves and Vodafone at the time of CDMA closure in mid-2012. Our revenue share of the mobile market improved another two percentage points to an estimated 39%. Cool new services like free Spotify Premium are encouraging many people to take another look (or perhaps look for the first time) at Spark.
- Great new products such as Unlimited, Ultra Fibre and VDSL are helping maintain our estimated share of broadband customer connections at around 47%. And the launch of Lightbox (with the special deal for Spark broadband customers) gives us even greater appeal.
- Spark Digital (formerly Gen-i) is continuing its rapid repositioning towards Cloud infrastructure, mobility, managed ICT and platform-as-a-service. Our IT services EBITDA was up 38.5% on the back of our Cloud and data centre investments.
- We've announced a 1 cent increase in annual dividend, to 17 cents per share for FY14. Combined with a healthy appreciation in the share price, this means our shareholders have achieved a total return for the year of 28%.

Beyond the numbers, we had some huge operational achievements in FY14. This includes; launching 4G mobile; delivering the first

part of a major IT system reengineering programme; building a new data transport network; greatly expanding our digital self-service options for customers; acquiring more 700 MHz spectrum than anyone else... and plenty more.

The tough calls we have made to become more competitive have allowed room, alongside the funds freed by our divestment of AAPT in Australia, to invest in the areas where our customers are telling us they want us to be.

At the core of all this is a determination to listen to our customers – understanding what drives them, what matters to them, what they value, and what digital services they need to help them do amazing things.

We told the market at the half year results in February 2014 we expected to see better results for the second half of this financial year and into the next. So far we've delivered on the first part of that promise - this was an important step as we must maintain the confidence of you, our owners, to invest your money in new areas like Lightbox, Qrious, 4G Mobile and Cloud services.

I'm hugely excited about the potential to build upon the platform we've established. The change to Spark New Zealand is a milestone that has reinvigorated our company, our brands and our connection with customers. We've put the business in the best position for over a decade to return to genuine, sustainable growth. It's time for us to capitalise on this opportunity and on all the hard work and tough decisions we've made so far.

If you would like further information about Spark New Zealand and its financial performance, full details of the financial results are available at sparknz.co.nz/investors

We are keen to encourage more New Zealanders to participate in the ownership of our company. To that end if you would like to increase your shareholding in Spark New Zealand Limited please contact First NZ Capital on 0800 111 355 or your regular share broker (NZX Participant). For a list of NZX Participants see the NZX website nzx.com/investing/find_a_participant

As a New Zealand company, committed to the success of our country, we appreciate your ongoing support.

Simon Moutter
Managing Director



Transforming to Spark: The Numbers

In early August 2014 we began the huge task of rebranding stores, phone boxes, building signs and other assets across New Zealand as we changed name to Spark. This was one of the biggest rebranding exercises in New Zealand business history and involved thousands of people.

A large portion of the work took place overnight before Friday 8 August 2014. This included changing out the storefront of all 71 of Telecom's retail stores and 29 Business Hubs, erecting Spark branding on the flagship buildings in Auckland, Wellington, Christchurch, Hamilton, Dunedin and other regional locations, and putting the Spark brand on 150 of the most-used phone boxes around the country.

Spark also changed out signs in 400 'partner stores' such as Dick Smith and the Warehouse, and in 190 Countdown supermarkets.

The remaining phone boxes are progressively being rebranded, along with Telecom signs and branding in around 8,000 dairies, service stations and other third party locations, as well as our vehicle fleet.

The rebrand wasn't limited to physical assets. Spark also had more than 100 online systems that needed to change on or after Friday 8 August 2014. These include the old Telecom website, which switched over to spark.co.nz and social media sites such as Facebook and Twitter.

While the costs involved in this mammoth exercise were significant, to put them into context, they represented just under 2.5 days of the usual cost of running New Zealand's biggest technology company. For what we believe will drive long-term value for our shareholders, we think that's a worthwhile move.

The numbers

- 3 public-facing websites
- 29 Business Hubs
- 71 Stores
- 100 online system changes
- 135 vehicles
- 186 exterior building signs
- 197 supermarket locations
- 400 partners stores
- 2,700 phone boxes
- 8,000 signs in dairies, service stations and others

Internet TV is the new Black

On 28 August 2014 Lightbox, our new and highly-anticipated online TV service, went live and it has been an immediate success. Lightbox is about giving New Zealanders more choice when it comes to how they watch TV and with a free 30-day trial there's plenty of incentive for people to give it a go, enjoy hours of award winning television and see what they think.

New Zealanders now enjoy access to first-run exclusive TV shows including 24: Live Another Day, Vikings, Alpha House, Arrested Development and Outlander. Top TV shows already confirmed in the Lightbox line-up include Orange is the New Black, Breaking Bad, House of Cards and Modern Family, and there will be more content added continuously.

New Lightbox CEO Kym Niblock is totally confident the content line-up includes shows that people want to watch and demonstrates that we're a serious player in the entertainment space. Lightbox is available to anyone with a broadband connection. The service can be used across multiple devices, including laptop, desktop, iPad and on the big screen using an HDMI cable or Airplay on Apple TV.

Set up is easy. There are no contracts or installation visits required and membership is available to all New Zealanders regardless of their broadband service provider. A 30-day free trial will be available to all New Zealanders. Lightbox is \$15 per 30 days, and Spark home broadband customers who sign up will receive six months at half price. This is in addition to the 30 days free that all Lightbox customers are entitled to.

To take advantage of the offer, Spark home Broadband customers should visit spark.co.nz/lightboxoffer. They will need to enter their landline number and their Spark account number to retrieve their Lightbox voucher. They can then use this voucher to sign up for the deal at lightbox.co.nz.



Up to five devices can be registered to each Lightbox account and two shows can be played at once so you can watch the latest drama series in the living room while your kids sing along to their cartoon favourites in their bedroom. A parental control function enables parents to filter out content playback according to rating.

The incredible iPhone 6 is here

On 26 September 2014, Apple launched the new iPhone 6 in New Zealand. Interested shareholders can order online at spark.co.nz/discover/iphone6 to get priority on delivery of the new iPhone 6.



Bringing 4G to more New Zealanders

Spark New Zealand has been focused on ensuring that more New Zealanders can get access to 4G mobile services.

Following a Government auction, Spark New Zealand outbid the others to be the only mobile network operator with four lots of 700MHz spectrum. The more spectrum a mobile operator has the faster the speeds it can offer to its customers and the more data it can carry.

The 700 MHz spectrum band, previously used for analogue broadcast services, allows mobile operators to provide 4G mobile broadband services – already being built in New Zealand's main cities – much more extensively in New Zealand, including in less densely populated areas.

Spark New Zealand started its rollout of 4G services on the 700MHz spectrum in the Waikato in late August, enabling 12 sites with 4G in the region. Over the next few months we'll continue to widen our 4G footprint in the Waikato region, including the Coromandel, and will bring this technology to existing sites by February 2015.

Before Christmas this year we'll also extend our 4G over 700MHz coverage to Rotorua, building on our existing 4G coverage in central Rotorua on the 1800MHz spectrum. This is part of our broader plan to extend 4G on the Spark Network to a range of other locations across the country.

The investment in and rollout of 4G services is just another sign of Spark New Zealand's commitment to providing high speed mobile broadband to rural customers throughout New Zealand. Rural communities are the engine rooms of our economy. We know rural customers and agribusinesses in these communities need access to fast mobile data so they can tap into the latest technologies, driving greater efficiencies and giving them the means to explore new opportunities.

Putti in our hands

In July 2014 Spark Ventures made a strategic investment in start-up application services business Putti, in a move that recognises the rapid growth in the use of mobile apps by customers and will accelerate the company's product development pipeline.



Connecting to and engaging with customers through a mobile platform is now a vital part of many businesses' service offerings. Putti allows businesses of any size to easily build a professional mobile app without the significant development costs associated with traditional builds.

Putti was launched in November 2012 when the owners spotted a gap in the market for providing quality applications. Businesses and organisations can simply log in, pay a monthly subscription, and utilise an easy-to-use app builder to put together their app. So businesses don't need to be intimidated about developing an app. These days' apps are like the front window for a shop or as important as a brand advertisement in the paper.

Putti allows customers to register their app in both Apple and Android stores and have them verified in a much quicker timeframe. This is because Putti's apps go through a standardised vetting process and meet the requirements of both app stores.

Putti has been in business for 18 months and already has 150 customers ranging from the Wendy's national restaurant chain to local cafe loyalty schemes. It has a lot of scope to grow and develop, given the massive increase in smartphone use matched with how customers now connect with businesses.



Qrious, the smart data business launched by Spark New Zealand in March 2014, has continued to develop the capabilities to help New Zealand businesses make the most of data.

Early in September, Qrious appointed Ed Hyde as its new Chief Executive. Ed brings a wealth of experience in senior roles with technology companies in New Zealand and the United Kingdom, and has been instrumental in the successful establishment of the Spark Ventures innovation and incubator business unit within Spark New Zealand.

Qrious is now ready to expand its horizons and deliver insights to more New Zealand businesses. We are living in a new digital age, where the smart use of data is an exploding global phenomena. It's rapidly changing the way people live and do business. Qrious helps businesses better leverage available data to make quicker and more improved decisions than previously possible.

Significant benefits can be derived from the combination of information, the insights that can be gleaned from that information, and the application of those insights into valuable action. Qrious brings together a powerful combination of platform and people expertise to help New Zealand businesses better utilise data.

Qrious is an exciting addition to the Spark New Zealand portfolio, and one which we believe has enormous potential.

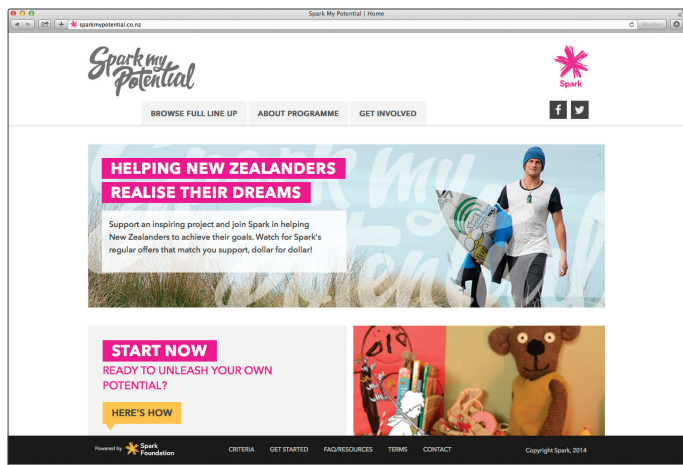
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Spark My Potential

In early August 2014 Spark New Zealand and the Spark Foundation launched a flagship new crowd-funding initiative that will help further the dreams of New Zealanders aspiring to do great things.

The programme, called Spark My Potential, is a zero fees, pledge-based website where selected candidates are able to access expert crowd-funding coaching, opportunities for increased public profile, and - in some cases - topped up funding from Spark New Zealand. It's an extension of hugely successful online fundraising platform Givealittle, which Spark Foundation purchased in 2012.



We're passionate about New Zealand and we want to support New Zealanders doing amazing things. So what better way to unleash the potential of New Zealanders than by using digital technology and the power and generosity of the crowd to accelerate success?

Givealittle is changing the way New Zealanders fundraise. Since 2012, donations on the site have grown to more than a million dollars a month and we celebrated our biggest month ever in July 2014. We want to build on this incredible platform and do more to help New Zealanders realise their dreams and achieve their goals.

While Givealittle is the fundraising platform for all New Zealanders and variety of causes, Spark My Potential is a programme where candidates are invited to be involved. The projects on Spark My Potential are for people wanting to achieve an aspirational goal or dream. Candidates can express interest in becoming part of Spark My Potential and suitable projects are then put through a selection and coaching process by specialist coaches.

See sparkmypotential.co.nz



It starts with a Thanks



As part of the rebrand to Spark New Zealand, a Spark Thanks programme was launched to let our loyal customers know we appreciate them. The Spark Thanks reward programme has been designed around what Spark customers have told the company they love - music, movies and technology.

The programme offers customers discounts on movie tickets, and early access to and discounts on concert tickets, through strategic partnerships with premium brands Event Cinemas and Live Nation. In addition, an Automated Thanking Machine 'ATM' has been travelling around New Zealand dispensing 'thank you' gifts to Spark customers. It's been a massive success.

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:

Go to linkmarketservices.co.nz and select "Investor 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 CSN/holder number and FIN to complete the investor validation process.

AU registered holders:

Go to linkmarketservices.com.au and 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



**Spark
New Zealand**