

Terms Sheet

Spark Finance Limited

Indicative Terms Sheet dated
29 August 2016

**\$100,000,000 Fixed Rate Bonds
(plus oversubscriptions) due
7 September 2026 ("Bonds")**



Spark Finance Limited Indicative Terms Sheet

Important Notice

This Terms Sheet sets out the key terms of an offer by Spark Finance Limited ("SFL") for \$100,000,000 (with the ability to accept oversubscriptions of \$25,000,000 at SFL's discretion) Bonds under a master trust deed dated 25 October 1988 (as most recently amended and restated on 4 November 2015) ("Trust Deed") between Spark New Zealand Limited ("Spark NZ") and The New Zealand Guardian Trust Company Limited ("Supervisor") and a supplemental trust deed dated 29 August 2016 entered into between SFL, Spark NZ and the Supervisor (together with the Trust Deed, the "Trust Documents").

The offer of Bonds by SFL is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 ("FMCA").

The offer contained in this Terms Sheet is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as SFL's bonds maturing on 10 March 2023 which are currently quoted on the NZX Debt Market under the ticker code SPF560 ("SPF560 Bonds"). Accordingly, the Bonds are of the same class as the SPF560 Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

SFL is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited ("NZX") for the purpose of that information being made available to participants in the market. That information can be found by visiting <https://www.nzx.com/companies/SPF>.

The SPF560 Bonds are the only debt securities of SFL that are currently quoted and in the same class as the Bonds.

Investors can refer to [nzx.com/markets/NZDX/bonds](https://www.nzx.com/markets/NZDX/bonds) to assess the risk premium of the Bonds. This website allows investors to compare the yield of the financial products listed on the NZX Debt Market. When comparing the yield of two debt securities, it is important to consider all relevant factors (including the credit rating (if any), maturity and the other terms of the relevant debt securities).

Contact Details

Issuer	Spark Finance Limited Level 2 Spark City 167 Victoria Street West Auckland 1010	Legal Advisers to the Issuer	Chapman Tripp ANZ Centre 23 Albert Street Auckland 1010
Registrar and Paying Agent	Link Market Services Limited Level 11 Deloitte Centre 80 Queen Street Auckland 1010	Arranger, Organising Participant and Joint Lead Manager	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) 16 Takutai Square Auckland 1010
Supervisor	The New Zealand Guardian Trust Company Limited Level 2 Dimension Data House 99-105 Customhouse Quay Wellington 6011	Joint Lead Manager	ANZ Bank New Zealand Limited Level 10 ANZ Centre 171 Featherston Street Wellington 6011

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Issuer	Spark Finance Limited ("SFL")							
Guarantors	<p>Spark New Zealand Limited ("Spark NZ") and the other Guaranteeing Group Members from time to time (as defined in the Trust Deed)</p> <p>As at the date of this Terms Sheet, the Guaranteeing Group Members are SFL, Computer Concepts Limited, Revera Limited, Spark NZ, Spark New Zealand Trading Limited, TCNZ (United Kingdom) Securities Limited, Telecom Enterprises Limited and Telecom Pacific Limited</p>							
Guarantee	The principal amounts of, and interest due on, the Bonds are jointly and severally guaranteed by the Guaranteeing Group Members on an unsecured basis in accordance with the Trust Deed							
Status	The Bonds will constitute unsubordinated, unsecured indebtedness obligations of the Issuer and rank equally and without any preference or priority among themselves and at least equally with all other unsubordinated and unsecured indebtedness of the Issuer, except indebtedness preferred by law							
Arranger and Organising Participant	Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)							
Joint Lead Managers	<p>ANZ Bank New Zealand Limited</p> <p>Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)</p>							
Instrument	Fixed Rate Bonds							
Purpose	General corporate purposes							
Credit Ratings	<table border="1"> <thead> <tr> <th></th> <th>Spark NZ Credit Rating</th> <th>Expected Bond Credit Rating</th> </tr> </thead> <tbody> <tr> <td>S & P Global</td> <td>A-/Stable</td> <td>A-</td> </tr> </tbody> </table> <p>A rating is not a recommendation by any rating organisation to buy, sell or hold Bonds and may be subject to suspension, revision or withdrawal at any time by the assigning rating organisation</p>			Spark NZ Credit Rating	Expected Bond Credit Rating	S & P Global	A-/Stable	A-
	Spark NZ Credit Rating	Expected Bond Credit Rating						
S & P Global	A-/Stable	A-						
Issue Amount	Up to \$100,000,000 plus oversubscriptions							
Oversubscriptions	Up to \$25,000,000 at the discretion of the Issuer							
Opening Date	Monday, 29 August 2016							
Closing Date	2:00 p.m. (New Zealand time) on Wednesday, 31 August 2016							
Rate Set Date	Wednesday, 31 August 2016							

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Issue Date	Wednesday, 7 September 2016
Expected Date of initial quotation on NZX Debt Market	Thursday, 8 September 2016
Maturity Date	Monday, 7 September 2026
Interest Rate	<p>Equal to the Base Rate plus the Issue Margin on the Rate Set Date. Interest will accrue from the Issue Date of the Bonds</p> <p>The Interest Rate will be announced by the Issuer via NZX on or shortly after the Rate Set Date</p>
Base Rate	The mid market swap rate for an interest rate swap from the Issue Date to the Maturity Date as calculated by the Joint Lead Managers on the Rate Set Date in accordance with market convention with reference to Reuters page ICAPKIWISWAP1 (or any successor page) and expressed on a quarterly basis, rounded to 2 decimal places if necessary, with 0.005 being rounded up
Indicative Issue Margin	1.55 per cent per annum
Issue Margin	The Issue Margin will be determined by SFL in consultation with the Joint Lead Managers following completion of the bookbuild process and announced via NZX on or shortly after the Rate Set Date
Issue Yield	Equal to the Interest Rate
Issue Price	Par (\$1.00 per Bond)
Interest Payments	<p>Quarterly in arrear in four equal payments</p> <p>Interest paid on the Bonds will be paid to the registered holder on the relevant Record Date</p>
Interest Payment Dates	7 March, 7 June, 7 September and 7 December each year up to and including the Maturity Date, commencing on 7 December 2016
Business Day Convention	Following Business Day (unadjusted)
Day Count Convention	Actual/365
Settlement Price Formula	Reserve Bank of New Zealand ("RBNZ") pricing formula
ISIN	NZSPFD0570L5

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Listing	Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013
NZX Debt Market Ticker Code	SPF570
NZX Waivers	<p>NZX has approved the inclusion of transfer restrictions in the Trust Documents permitting SFL to refuse a transfer of the Bonds if the transfer is not in multiples of \$1,000 and/or results in the transferor or transferee holding an aggregate principal amount of less than the minimum holding of \$5,000 (other than zero)</p> <p>NZX has granted SFL a waiver from NZX Debt Market Listing Rule 5.2.3 to enable SFL to apply for quotation on the NZX Debt Market even though the Bonds may not initially be held by at least 100 members of the public holding at least 25% of the Bonds issued. The waiver has been granted for a period of six months from the quotation date of the Bonds. The effect of the waiver from NZX Debt Market Listing Rule 5.2.3 is that initially the Bonds may not be widely held and there may be reduced liquidity in the Bonds. To the extent that there is a material reduction in the spread of the Bonds, SFL will notify NZX accordingly</p>
Record Date	10 days before the Interest Payment Date or, if not a Business Day, the immediately preceding Business Day
Business Days	Auckland, Wellington
Minimum Subscription Amount	Minimum subscription amount of \$5,000 with multiples of \$1,000 thereafter
Transfer Restrictions	No transfer may be made if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a principal amount of less than \$5,000 or not in multiples of \$1000
No Underwriting	The offer contained in this Terms Sheet is not underwritten
Brokerage	Applicants are not required to pay brokerage or any charges to SFL in relation to applications under the offer contained in this Terms Sheet. However, you may have to pay brokerage to the firm from whom you receive an allocation of the Bonds
Registrar and Paying Agent	<p>Link Market Services Limited</p> <p>The Bonds will be accepted for settlement within the NZClear system</p>
Supervisor	The New Zealand Guardian Trust Company Limited
Documentation	This Terms Sheet and the Trust Documents
Repo Eligibility	SFL intends to apply to the RBNZ for the Bonds to be included as eligible securities for domestic market operations

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Further Bonds SFL is able to issue further series of bonds without the consent of Bondholders on such terms and conditions (not being inconsistent with the provisions contained in the Trust Deed) as SFL may from time to time determine

Early Repayment Bondholders have no right to require SFL to redeem their Bonds prior to the Maturity Date, except if an Event of Default occurs (as described below)

Events of Default The Events of Default are contained in clause 15.1 of the Trust Deed. They include a failure by SFL to make a payment on bonds issued by it under the Trust Deed and a breach by SFL or a Guarantor of a provision in the Trust Deed or the Bonds (subject in each case to applicable grace periods), and also insolvency-type events that affect SFL or a Guarantor

If an Event of Default occurs, subject to the Trust Deed the Supervisor may in its discretion, and must upon being directed to do so in accordance with the Trust Deed by holders of bonds issued under the Trust Deed, declare the Bonds to be immediately due and payable at their principal amount together with accrued but unpaid interest (subject to any deduction for or on account of tax)

The above is a summary of the Events of Default. For full details of the Events of Default, see clause 15.1 of the Trust Deed

Financial Covenants There are no financial covenants in the Trust Documents other than the Guaranteeing Group coverage ratios described below

Under the Trust Deed, Spark NZ must ensure that the Guaranteeing Group (being SFL and the Guarantors) meets the following coverage ratios, which are to be tested twice yearly:

- earnings (calculated before interest and tax) of the Guaranteeing Group must be at least 90% of earnings (calculated before interest and tax) of the Spark NZ consolidated group; and
- the total tangible assets of the Guaranteeing Group (excluding balances with other members of the Spark NZ consolidated group) must be at least 70% of total tangible assets of the Spark NZ consolidated group

For full details of these provisions, see clause 12.8 of the Trust Deed

Negative Pledge Each Guaranteeing Group member has agreed with the Supervisor that, while any bonds issued under the Trust Deed remain outstanding, none of its assets will be secured. Notwithstanding this restriction, the Guaranteeing Group is permitted to create security, or permit security to exist, over their assets, if:

- the aggregate principal amount secured does not exceed 5% of the total tangible assets of the Spark NZ consolidated group; or
- in certain other limited circumstances set out in the Trust Deed (namely, if the security arises by operation of law, relates to the acquisition of an asset or a project, is already in existence when the relevant asset was acquired, supplements or substitutes an existing permitted security or is made in favour of, or with the consent of, the Supervisor)

For full details of these provisions, see clauses 11.2 and 11.3 of the Trust Deed

Governing Law New Zealand

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Who may apply under the offer contained in this Terms Sheet

All of the Bonds offered under the offer (including any oversubscriptions) contained in this Terms Sheet have been reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries, and will be allocated to those persons by SFL in consultation with the Joint Lead Managers

There is no public pool for the offer. Retail investors should contact any Primary Market Participant for details as to how they may acquire the Bonds. You can find a Primary Market Participant by visiting nzx.com/investing/find_a_participant

Selling Restrictions

The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Bonds may be offered for sale or sold in any other country or jurisdiction except with the prior consent of SFL and in conformity with all applicable laws and regulations of that country or jurisdiction. This Terms Sheet may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction and the selling restrictions contained in this Terms Sheet

Set out below are specific selling restrictions that apply to an offer of the Bonds in the European Economic Area, the United Kingdom, Australia, Hong Kong, Japan, Singapore, Taiwan and Switzerland. These selling restrictions do not apply to an offer of the Bonds in New Zealand

The selling restrictions in this Terms Sheet may be modified by SFL and the Joint Lead Managers, including following a change in a relevant law, regulation or directive. Persons into whose hands this Terms Sheet comes are, and each Bondholder is, required by SFL and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense

By subscribing for Bonds, each investor agrees to indemnify SFL, the Supervisor, the Arranger, the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred as a result of the investor breaching the selling restrictions contained in this Terms Sheet

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Selling Restrictions - European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no person has made or will make an offer of Bonds which are the subject of the offering contemplated by the Terms Sheet to the public in that Relevant Member State except that, with effect from and including the Relevant Implementation Date, an offer of such Bonds to the public may be made in that Relevant Member State:

- a. at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- b. at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Joint Lead Manager nominated by SFL for any such offer; or
- c. at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Bonds referred to in (a) to (c) above shall require SFL or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds so as to enable an investor to decide to purchase or subscribe for the Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State

Selling Restrictions - United Kingdom

No invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) has been or will be communicated or caused to be communicated in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA applies to SFL

All applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom have been and will be complied with

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Selling Restrictions - Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001) in relation to the Bonds (including the Terms Sheet) has been or will be lodged with or registered by the Australian Securities and Investments Commission ("ASIC") or the Australian Securities Exchange Limited. No person may:

- a. make or invite (directly or indirectly) an offer of the Bonds for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- b. distribute or publish, any draft, preliminary or final form offering circular or memorandum, advertisement or other offering material relating to the Bonds in Australia,

unless:

- i. the minimum aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternate currency) (disregarding money lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 and Chapter 7 of the Corporations Act 2001 and does not constitute an offer to a "retail client" as defined for the purposes of section 761G of the Corporations Act 2001;
- ii. such action complies with all applicable laws, directives and regulations and does not require any document to be lodged with, or registered by, ASIC;
- iii. the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act 2001; and
- iv. such action does not require any document to be lodged with, or registered by, ASIC

Selling Restrictions - Hong Kong

No Bonds have been, or will be, offered or sold in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), by means of any document (except for Bonds which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong ("SFO"), other than:

- i. to "professional investors" as defined in the SFO and any rules made under the SFO; or
- ii. in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) of Hong Kong ("Companies Ordinance") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

No advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been or will be issued or has been or will be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO

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Selling Restrictions - Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948) (as amended) ("FIEA") and accordingly no person will offer or sell, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any resident of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)

Selling Restrictions - Singapore

The Terms Sheet has not been registered as a prospectus with the Monetary Authority of Singapore, and the Bonds will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore ("SFA"). Accordingly, the Bonds have not been and will not be offered or sold, or made the subject of an invitation for subscription or purchase nor may the Terms Sheet or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the applicable conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:
 - i. to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person pursuant to an offer in accordance with the conditions referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - ii. where no consideration is or will be given for the transfer;
 - iii. where the transfer is by operation of law;
 - iv. pursuant to Section 276(7) of the SFA; or
 - v. pursuant to Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore

Selling Restrictions - Taiwan

The offering of the Bonds has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and have not been and will not be offered or sold in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Bonds in Taiwan

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Selling Restrictions - Switzerland

In Switzerland, the Terms Sheet is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The Bonds have not been publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and may not be and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither the Terms Sheet nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations and neither the Terms Sheet nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland

The Opening Date and the Closing Date are indicative only and are subject to change. SFL has the right in its absolute discretion and without notice to open or close the offer contained in this Terms Sheet early, to accept late applications, and to extend the Closing Date. If the Closing Date is extended, the Issue Date, the expected date of initial quotation and trading of the Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may be extended accordingly. Any such changes will not affect the validity of any applications received.

SFL reserves the right to cancel the offer contained in this Terms Sheet and the issue of the Bonds, in which case all application monies received will be refunded (without interest) as soon as practicable.

The terms and conditions of the Bonds are set out in the Trust Documents. Bondholders are bound by, and are deemed to have notice of, the Trust Documents. Copies of the Trust Documents can be obtained on request to the Registrar or SFL at the addresses set out above (or such office as may be notified to Bondholders).

It is important that before making any investment decision, investors give consideration to the suitability of an investment in the Bonds in light of his or her individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).