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SKY AGM – CHAIRMAN’S ADDRESS
For immediate release, 18 October 2018

Attached is the Chairman’s address and slide presentation for SKY’s AGM to be held at 10am today at the Sofitel Hotel, Auckland.

Ends.

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18 October 2018

SKY TELEVISION ANNUAL GENERAL MEETING

CHAIRMAN'S REMARKS

SKY's strategy is about having world class content that matters, understanding our customers and delivering them great experiences, and offering a range of products at different price points.

I make some observations about our industry and our particular New Zealand market.

There is no question that the television industry is operating in turbulent times. The internet is changing the way people view content, and their expectations and needs are continuing to evolve.

But as John outlined in his earlier remarks, SKY has a proud record of innovating and evolving with new technology. You may worry that the roll-out of fast internet is radically affecting traditional media – but, remember, the internet presents as much opportunity for SKY as it does for our competitors.

And we are uniquely placed to capitalise on it, as we have established relationships with around 40% of NZ households – we know who they are and what they need. We have an exceptional line-up of exclusive content, and we have production capabilities that give us an edge with New Zealand sport.

Over the next 12 months you will see us roll out new technology and ways of accessing SKY, starting with the new online TV box that the team just outlined. But you will also see us continuing to provide our satellite-delivered content to New Zealand households from the top to the bottom of the country. That ability to reach 100% of the country remains our competitive edge, particularly with New Zealand-based national sport organisations.

One of the characteristics of the New Zealand market is that a significant number of New Zealanders don't yet have access to streaming-capable internet, and it may be some years before they do. Our sport partners know they can rely on SKY to deliver their content to all of their NZ fans, in ways that work for each individual.

They also know that internet delivery of live sport is notoriously difficult. Nowhere in the world is it fully succeeding yet. The recent failure in Australia to deliver the Football World Cup online is just one example. Our unique advantage is the ability to deliver live sport via the internet to those customers who want it, confident in the knowledge that the satellite can do the heavy lifting for as long as it is needed.

Clearly the world of entertainment is highly competitive, with slimmer and cheaper options coming into the market, even being given away in some cases. International experience has shown that there is an amount of switching as consumers take up new options and are attracted to different deals. But there is also evidence that over time markets transition to a new equilibrium between traditional 'big bundle' aggregators like SKY and slimmer online players. Faced with a raft of choices and more content than they can possibly consume, a central aggregator like SKY is an appealing and trusted place for many people. It is no accident that the next generation of SKY products will include Apps from local and global

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content providers for our customers to access. We have some exciting announcements coming on those soon.

Results

The introduction of new players and the increasingly competitive nature of our market, and of course the inability to capitalise on the many advantages that the Vodafone merger would have brought, has made for a turbulent time for our company and you, our shareholders. However, as our underlying results today show, SKY is still a very profitable business and earns more than all the other television, radio and newspaper companies in NZ added together. We believe that we can demonstrate to the market that we can retain a large and profitable satellite base, while at the same time transitioning to offering more products over the internet and establishing ourselves as a central player in On Demand content in New Zealand – and in doing so, stabilise the performance of the business and the outlook for SKY.

Board

I turn now to matters relating to the Board itself, and to the leadership of our company. As we have noted, John indicated his desire to retire as Chief Executive once a successor was found. We are grateful to John for giving us the ability to run a careful recruitment process without strict time constraints. The process has involved a global search, and we have considered a range of high quality candidates. I hope to be in a position to announce the new Chief Executive in the near future, and I look forward to sharing that news with you.

I indicated at the time of John's announcement that we would like John to stay on the SKY Board after he leaves the CEO role. There is no-one in this country who has the depth of knowledge about content, rights and Pay Television that John does. As we have outlined in our presentation today, we are operating in a more competitive environment than ever before. Judgements on what rights to pursue and at what cost are more critical than ever, particularly in the sports portfolio. Being able to draw on John's expertise and experience at the Board level will be invaluable.

John is fully aware of the need for the new CEO to be able to chart their own course. The new CEO will be free to lead the company and make whatever changes they consider necessary, within the constraints of normal Board oversight. As one of six Directors, John will provide his unique insight into strategic decision-making, and I have no doubt that the new CEO will find him a valuable sounding board.

Two other Directors are up for re-appointment today, and I have asked them to briefly speak to you about their contribution to the SKY Board and why they seek re-appointment.

My own appointment is up at next year's AGM. I have been Chair of SKY since 2002, and succession planning for the next Chair is an important matter. The planned merger with Vodafone NZ was an obvious part of my original succession plan, and its failure to proceed means we have had to re-think the approach and timing. As you would expect, my immediate focus is appointing the new CEO, and supporting them as they get into the role. I will address the succession planning for the next Chair once the new CEO is settled in their role.



Thank you to John Fellet

I want to conclude with a few words about John. John has led our company for 17 years, and has been with SKY for 27. Under his leadership, SKY went from a business with three channels and 125 employees to a multi-platform, highly profitable company. Innovations like MY SKY, which revolutionised the way New Zealanders viewed television, through to the suite of online products available now and in development, will be part of his significant legacy.

While the outcome was not what any of us planned or wanted, John was instrumental in the proposal to merge with Vodafone NZ. He could see the synergies and the opportunities that the merger could bring, and was bold in his vision for our company.

Since then, he has led the team through a difficult period of reassessment and repositioning, and is now implementing a transformational strategy for the business. The next generation of SKY that we are rolling out from next year will transform viewing for our customers, and reposition SKY in the New Zealand market. John hands over to the new CEO at an exciting time for our business.

Some of the strengths of our company are not often seen by those outside of it, and they are a credit to John's leadership. If you're lucky enough to come out to SKY's headquarters in Mt Wellington, you won't see flash premises but you will meet hundreds of kiwi staff who are passionate, talented, and determined to deliver great experiences for our customers. John has built up that team over many years, and I know all of SKY's staff – both current and former – will want to join me in thanking him for his leadership and passion for our company, our customers and our people.

The other strength of our company is the relationships we have across our sector. Over the years John has formed strong personal relationships with many of our most important stakeholders, particularly our content partners. John talks about the 3,000 contracts that make up the content that we play out to our customers, and it's worth reflecting on how many conversations and relationships John and the team have built to get there.

It has been a pleasure to work with John over the years, and the Board and I are grateful for his work and immense contribution to SKY.

On behalf of all of SKY's employees, board members past and present, and you, our shareholders, I want to pass on our thanks and best wishes to John and Marsha.

For further information please contact:

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