



## **MARKET RELEASE**

**4 November 2016**

### **Chairman's Address delivered at the 2016 Annual Meeting, Spark City, Auckland at 10:00am on 4 November 2016**

On behalf of Spark New Zealand it is again my pleasure to report to shareholders on progress.

With regards to the twelve months to 30 June 2016, it has been another big year, with Spark taking further strides towards our goals as we move from the 'resetting' phase of our strategy to growing customer numbers, revenues and our contribution to New Zealand's future.

As outlined in our financial results in August, the growing parts of our business, such as mobile and IT services, are now rising faster than the declining legacy parts. The 2016 financial year was a real turning point as the strategy we've been executing for the last three years began to pay off.

On most measures we are achieving our goals. Underlying revenues are increasing. We've regained revenue leadership in the mobile market. A focus on delivering value for customers has driven growth in broadband revenues and exceptional growth in IT services revenue.

This pleasing performance has continued into the current financial year, and today I am reconfirming our guidance previously given to the market for the full financial year ending 30 June 2017.

Operationally we have continued to invest in data network and digital service leadership, expanding our 4G mobile network, commencing a new international cable build, investing in data and Cloud advantages and completing a major upgrade of customer IT systems. At the same time we have rapidly expanded the availability of our music, video and big data analytics services, with very strong customer uptake.

The IT systems upgrade is particularly important as it unlocks the capabilities needed to improve an area we acknowledge we need to lift our game- customer service. The Board has been very focused on the matter of improving our customer service and it occasions discussion at every board meeting. We are seeing rapid improvements as process and



service initiatives gain traction. We've still got a lot of work to do, but I am pleased to report things are on the up.

We've also made a number of changes to our leadership and governance teams as we gear up for the next phase of our transformation. On our leadership team, Mark Beder is our new Chief Operating Officer, Dr Claire Barber is our new Chief Digital Officer and David Havercroft has taken on the role of Chief Transformation Officer.

David Chalmers has joined as our new Chief Financial Officer, former CFO Jolie Hodson has moved across to replace the departing Tim Miles as CEO of Spark Digital, while Ed Hyde is replacing the departing Rod Snodgrass as CEO of Spark Ventures. I'd like to take this opportunity to thank Tim Miles and Rod Snodgrass for their significant contributions to Spark.

It's pleasing to see our talent development programmes paying off. All of Mark, Claire and Ed have been instrumental in senior roles within Spark for some years now and it is pleasing to see them come through and join Simon's senior team.

On the ongoing Board succession front Spark has appointed two new directors, Alison Barrass and Alison Gerry, whom you will hear from later. Murray Horn retired from the Board during the year, with the thanks of his fellow directors for his many years of exemplary service.

A key part of our transformation is our commitment to unleashing the potential in all New Zealanders. We're investing in New Zealand innovation through Spark Ventures and through support of start-up sector programmes. We continue to invest in our nation's future through the Spark Foundation and through our support of technology in education. We are especially proud of Spark Jump, a new initiative to bring heavily subsidised home broadband to thousands of New Zealand children.

In May this year, Simon led a business delegation to Israel (which I also participated in) to study their highly successful innovation eco-system and to consider ways New Zealand can accelerate its own economic performance. Simon will touch on his thinking about this later.

We have also taken a leadership position as an employer. We have a responsibility to ensure we are setting a standard for others to follow, and encouraging the best people to consider a career with Spark, as well as help encourage a higher wage and higher skilled economy. Simon will outline more on this later.



The reason for all of this investment in New Zealand's future is simple. Digital technology can make a significant and positive impact on our nation's social and economic wellbeing. It can unleash the potential of Kiwi companies to compete - and win - on the world stage.

We are passionate about using technology to be truly useful to our customers, helping make our country better and enriching the lives of all New Zealanders. And if we help New Zealanders and New Zealand businesses succeed, Spark will also succeed. It is important that as many New Zealanders as possible participate in the new digital age, to ensure the country doesn't get left behind what is occurring globally, and that includes our shareholders.

As New Zealand's leading digital services company, next year Spark intends to take a leadership role in what we regard as the inevitable transition to virtual shareholder meetings. So I am signalling today that we intend that next year's annual shareholders meeting be solely a virtual meeting.

The reality is in today's world all procedural aspects of the traditional shareholder meetings can now be virtualised, at considerably less cost to companies and to attending shareholders in terms of travel, and at considerably more convenience to those shareholders who live elsewhere and cannot attend (which is the majority of our investor base).

Access to Board and management is always important, and shareholders can already actively engage with Spark in different ways, which we encourage. We provide a continuous flow of information via stock exchange and media announcements and we conduct regular briefings for analysts and investors. We also make ourselves available for meetings, proactively engage with the NZ Shareholders Association, and respond to all shareholder queries. You can also be assured that at the virtual meeting we will ensure that full participation, including the ability to question and debate issues, will be fully provided for. This will occur whether shareholders wish to participate online, or by listening to the webcast and asking questions over the phone. This is about encouraging participation of all shareholders, not reducing engagement.

We also recognise that in exceptional circumstances, or where there are especially noteworthy resolutions to discuss, there may well be a need for a shareholder forum to meet face to face to discuss important matters, and we commit to doing so if, when and where needed.

I'm incredibly proud of the work we do for New Zealand and I hope you are too. And I'm very proud of all of Spark's people who have worked hard every day to make New Zealand a better place and get this company onto a positive pathway.



I'd also like to thank you, our shareholders, for your continued support. It's a privilege to serve as your Chairman.

Thank you.

-ENDS-

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