



MARKET ANNOUNCEMENT

7 November 2014

Spark New Zealand Limited

Chairman's Address delivered at the 2014 Annual Meeting, Spark City, Auckland at 11.00am on 7 November 2014

Kia ora and good morning.

On behalf of the Board, management and staff of Spark New Zealand, thank you for attending the 2014 Annual Meeting. My name is Mark Verbiest and I am Spark New Zealand's Chairman.

This is the first annual meeting since changing our name. This move, while significant, is just a single big step in the ongoing transformation of our business. It's part of a journey that reflects enormous change for our customers and our business.

Two and a half years ago we made the decision that we needed to become significantly more relevant and competitive. We needed to do that in order to win with customers, and do so in a way that meant good and growing returns for shareholders. That's when Simon took up the challenge we set of leading Telecom into a brave new future.

The Board appointed Simon because we knew this business needed to make fundamental changes and make some tough choices.

We were clear that decisions needed to be made with a view to setting ourselves up for a future based around digital services and new ventures vastly different to the Telecom of old. This meant having to address our cost structure, as the traditional margins were being competed away, whilst at the same time ensuring we were at the forefront of delivering services and executing faster, as expectations of customers and competitive intensity continued to increase.

Our customers wanted and needed us to change. They wanted us to be a growing New Zealand business that could help them unleash their potential in an increasingly technology-dependent and fast-changing world.

Since then, we've been striving to deliver on that promise. We've made many big bold moves to reposition ourselves for a digital future - a future focused very much on the New Zealand market.

Changing our name to Spark New Zealand was just one of many big steps on that journey. It was also, I think, an inevitable and essential move if we are to fulfil the potential that our customers, our people, our owners, and indeed I believe all New Zealanders, want to see from us.

More than a million New Zealanders have an ownership stake in Spark New Zealand, either directly as a shareholder or indirectly through Kiwisaver investments. That's a responsibility to investors that helps drive our ambitions.

At the core of the change we are going through has been a focus on listening 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.

At our last results announcement in August this year we were able to share some results that demonstrate solid progress.

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 led 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 the free music app 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 fixed broadband customer connections at around 47%. And the launch of Lightbox (with the special deal for Spark broadband customers) gives us potentially even greater appeal.

Spark Digital (formerly Gen-i) is continuing its rapid repositioning towards Cloud infrastructure, mobility, managed ICT and platform-as-a-service. To strengthen our position with business customers we purchased Revera and more latterly Appserv, who have built well respected reputations in the cloud arena. Our IT services EBITDA was up 38.5% on the back of our Cloud and data centre investments.

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 in their lives and businesses.

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 achieved a total return for the FY14 year of 28%.

More recently our share price has climbed further. When considering the performance to date since beginning the implementation of this strategy in June 2013, Spark New Zealand's share price has risen by 38%. Taking into account dividends, the total return to Spark New Zealand shareholders has been 53% over this period. Comparatively, over the same period the NZX50 gross index (including dividends) was up 22%.

For this financial year, already one quarter in, we are striving for a return to sustainable earnings growth. In August we announced a guidance of targeting low single digit growth in EBITDA and low single digit decline in total revenue.

It's only a few months into it, but the early signs are that the rebranding has proved successful – we are seeing an increase in foot traffic into retail stores, and an increase in online traffic to our websites.

When we outlined our core strategy to investors in May 2013, we said that we realistically expected FY14 and FY15 to be years in which we stabilised the business and reduced costs, targeting revenue and margin growth and improvement in unit costs in FY16 and beyond.

If anything, we actually think we are slightly ahead of this plan, however we know that the market is not standing still – competition remains intense, particularly in the mobile and broadband markets.

The journey is far from finished, however 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.

Before I hand over to Simon, I'd like to thank the management and staff of Spark New Zealand for their ongoing commitment to shaping Spark New Zealand into an original New Zealand business. I'd also like to acknowledge the contribution made by Kevin Roberts who retired from the board during the year. Kevin made a great contribution, not only as a director, but also as a coach in encouraging the senior leaders in the business to be bold, move faster and be customer driven.

I'd also like to thank you, our shareholders, for your continued support of Spark New Zealand. It's a privilege to serve as your Chairman. As shareholders you are, in effect, brand ambassadors for this company. So I would encourage you to tell your family and friends about the way in which Spark New Zealand is continually changing and how competitive we have become.

If you aren't already a customer – give us a try. Become a Spark New Zealand ambassador and never stop starting.

Thank you.

- ENDS -

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