

Notice of annual meeting of shareholders of Sky Network Television Limited



Notice is hereby given that the 2019 Annual Meeting of Shareholders of Sky Network Television Limited (the **Company**) will be held at The Generator, 12 Madden Street, Auckland on Thursday 17 October 2019, commencing at 10:30 a.m.

Agenda

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions:

1. Auditors' remuneration

That the Board be authorised to fix the auditors' remuneration.

Re-election of Directors

2. To re-elect Martin Stewart as a Director

That Martin Stewart be re-elected as a director of the Company.

3. To re-elect Philip Bowman as a Director

That Philip Bowman be re-elected as a director of the Company.

4. To re-elect Joan Withers as a Director

That Joan Withers be re-elected as a director of the Company.

Remuneration of Chief Executive Officer and Executive Director

5. To issue retention share rights

That the Company issue to Martin Stewart 800,000 share rights in the Company on the terms and conditions set out in the explanatory notes.

6. Ratification of prior issue of 25,085,408 shares to RugbyPass Investors, LLC

That the prior issue of 25,085,408 shares by the Company to RugbyPass Investors, LLC on the terms and conditions described in the explanatory notes is approved and ratified.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following special resolutions:

7. To approve the SANZAAR Rights Transaction

That Shareholders approve the SANZAAR Rights Transaction as described in the explanatory notes on terms acceptable to the Board and authorise the Directors and Company's senior executive to take all actions and do all things including negotiating terms and executing all documents and agreements necessary or desirable in connection with the SANZAAR Rights Transaction.

8. To adopt a new constitution

That the existing constitution of the Company be revoked and a new constitution, in the form referred to in the explanatory notes, be adopted with effect from the close of the meeting.

OTHER BUSINESS

- To consider any other business, including Shareholder questions, that may be properly brought before the meeting.
- All resolutions to be put to the meeting are discussed in the explanatory notes.

By order of the Board

Sophie Moloney

Chief Legal, People and Partnerships Officer and Company Secretary



PROCEDURAL NOTES

Ordinary Resolutions

Each of resolutions 1-6 set out above is to be considered as a separate ordinary resolution, requiring approval by a simple majority of the votes of Shareholders entitled to vote and voting on each resolution.

Special Resolutions

Each of resolutions 7 and 8 set out above is to be considered a special resolution, requiring approval by 75% of the votes of the Shareholders entitled to vote and voting on each resolution.

Voting Restrictions - Resolutions 5 and 6

The Company will disregard any votes cast on Resolution 5 by Martin Stewart or any Associated Person or associate of his (as defined in the NZX Listing Rules and ASX Listing Rules respectively). However, the Company will not disregard a vote if Martin Stewart is acting as a proxy for a person who is entitled to vote where such vote is cast in accordance with an express instruction contained in a voting/proxy form.

The Company will disregard any votes cast on Resolution 6 by RugbyPass Investors, LLC or any of its Associated Persons or associates (as defined in the NZX Listing Rules and ASX Listing Rules respectively). However, the Company will not disregard a vote if RugbyPass Investors, LLC is acting as a proxy for a person who is entitled to vote where such vote is cast in accordance with an express instruction contained in a voting/proxy form.

NZX Approval

This notice of meeting has been approved by NZX. However, NZX takes no responsibility for any statement contained in this notice of meeting or any of the explanatory notes.

Voting and Proxies

You can exercise your right to vote at the meeting in two ways. Namely, by being present and voting in person or by appointing a proxy to attend and vote in your place. A voting/proxy form is enclosed with this notice of meeting and explanatory notes.

If you are entitled to vote and wish to do so in person, you should attend the Annual Meeting. Please bring your voting/proxy form with you to the meeting, as the barcode will assist with your registration.

If you wish to vote by proxy you must complete the voting/proxy form and ensure it is received by the Company by no later than 10:30 a.m. on Tuesday 15 October 2019. You can also lodge your proxy online, see the voting/proxy form for more details.

If you wish to appoint a proxy:

- The proxy does not need to be a Shareholder.
- You may direct your proxy how to vote, or give your proxy discretion to vote as they see fit. If you wish to give your proxy that discretion, you should mark the appropriate box on the voting/proxy form. If you do not mark any appropriate box on the voting/proxy form then your proxy may vote or abstain from voting as they see fit.
- The Chair of the meeting is willing to act as proxy. If you appoint the Chair of the meeting as proxy but do not direct the Chair how to vote on a particular resolution then the Chair of the meeting will vote your shares in favour of each of the resolutions.

EXPLANATORY NOTES

AGENDA ITEM 1– Auditors' Remuneration

PricewaterhouseCoopers (**PWC**) is the Company's auditor and is automatically reappointed under section 207T of the Companies Act 1993 (**Companies Act**). This resolution authorises the Board to fix the audit fees and expenses of PWC for the financial year ending 30 June 2020.

AGENDA ITEMS 2, 3 AND 4 – Re-election of Directors

NZX Listing Rule 2.7.1 provides that any person who is appointed as a director by the Board shall retire from office at the next annual meeting, but shall be eligible for re-election at that meeting. ASX Listing Rule 14.4 provides that a director appointed to fill a casual vacancy or as an addition to the Board must not hold office past the next annual general meeting of the entity.

Martin Stewart

Mr Stewart retires in accordance with NZX Listing Rule 2.7.1 and ASX Listing Rule 14.4 and being eligible, offers himself for re election. The Board has determined that Mr Stewart is not an independent Director due to his role as Chief Executive Officer. The Board unanimously supports Mr Stewart's election.

Mr Stewart was appointed by the Board on 18 April 2019.

Mr Stewart joined Sky as Chief Executive in February 2019 and was appointed to the board in April 2019. A highly-regarded media sector operator with a wealth of experience in the UK, Europe and the Middle East, Mr Stewart brings a valuable international perspective to Sky. In the TMT space Mr Stewart has been CEO of OSN, the leading pay TV network in the Middle East and was CFO of Sky in the United Kingdom when Sky launched its digital platform and the company doubled its subscriber base in 4 years. Other major roles include CFO of the Football Association in the UK, CEO of ONO (Cable Europa in Madrid), and CFO and Executive Director of EMI Group.

Philip Bowman

Mr Bowman retires in accordance with NZX Listing Rule 2.7.1 and ASX Listing Rule 14.4 and being eligible, offers himself for re election. The Board considers that Mr Bowman is an independent Director and unanimously supports his election.

Mr Bowman was appointed by the Board on 1 September 2019.

He has extensive experience of leadership at major international public companies and was Chief Executive of Smiths Group from 2007 to 2015. He was previously Chief Executive of Scottish Power plc and Allied Domecq plc. He also held non-executive directorships at British Sky Broadcasting Group plc and Scottish and Newcastle Group plc as well as having been Chairman of Liberty plc, Coral Eurobet plc and Miller Group plc. His earlier career included five years as a director of Bass plc, where he held the roles of Chief Financial Officer and subsequently Chief Executive of Bass Taverns. He holds a Masters degree in Natural Sciences from Cambridge University.

Joan Withers

Ms Withers retires in accordance with NZX Listing Rule 2.7.1 and ASX Listing Rule 14.4 and being eligible, offers herself for re election. The Board considers that Ms Withers is an independent Director and unanimously supports her election.

Ms Withers was appointed by the Board on 16 September 2019.

Joan has spent over 25 years working in the media industry holding CEO positions at both Fairfax NZ Ltd and The Radio Network and has corporate governance experience spanning 20 years. Her current governance roles include Chair of Mercury NZ Ltd (stepping down 27 September 2019), Chair of The Warehouse Group Ltd and Director of ANZ NZ. She has previously held Chair positions at Auckland International Airport and TVNZ. Joan holds a Masters Degree in Business Administration from The University of Auckland.

In 2015 Joan was named Supreme Winner in the Women of Influence Awards and was named as Chairperson of the Year in the Deloitte Top 200 Management Awards.



AGENDA ITEM 5 – Remuneration of Chief Executive Officer and Executive Director

Introduction

In November 2018 the Company announced the appointment of Mr Stewart as its Chief Executive Officer, a role which he commenced on 21 February 2019. The Company subsequently announced Mr Stewart's appointment as an Executive Director of the Company with effect from 18 April 2019.

The Company and Mr Stewart entered into an employment agreement which details the terms of Mr Stewart's employment, including those relating to his remuneration. In determining Mr Stewart's remuneration package, the Board considered the scope of the Chief Executive Officer role, the complexity and challenges facing the Company, Mr Stewart's high calibre and extensive industry experience as well as market practice in relation to positions of similar responsibility in New Zealand and Australia.

Mr Stewart's remuneration arrangements, which were negotiated and agreed to by the Board, provide for (amongst other things) a base salary of NZ\$1,500,000 per annum and incentive arrangements comprising:

- /a the provision of 200,000 fully paid ordinary shares in the Company to be provided for no consideration on the first four anniversaries of employment (a total of up to 800,000 ordinary shares) (the **CEO Share Scheme**); and
- /b an annual cash based bonus payment linked to short term and long term incentive arrangements of up to 50% of base salary (NZ\$750,000) per annum, to be determined by the Board in its sole discretion.

In structuring Mr Stewart's remuneration package in this way, the Board sought to maintain an appropriate balance between fixed and variable components that ensure alignment between the interests of Shareholders and Mr Stewart. Additionally, in order to enhance Mr Stewart's long-term commitment to the Company, the Board determined that a component of his remuneration package should be delivered in equity over time, making it subject to the long-term performance of the Company.

CEO Share Scheme

Resolution 5 seeks Shareholder approval for one grant of 800,000 share rights in the Company to Mr Stewart in satisfaction of the Company's obligations in respect of the CEO Share Scheme. The equity securities comprising of the 800,000 share rights will be issued by the Company shortly after the 2019 Annual Meeting, and in any event within 1 month from the date of the 2019 Annual Meeting.

Subject to Shareholder approval pursuant to Resolution 5, the share rights granted to Mr Stewart in accordance with the CEO Share Scheme arrangements will be subject to the following terms:

- /a each share right is granted for no cash consideration (but rather as consideration for Mr Stewart's ongoing employment). Therefore, no funds will be raised from the issue of the share rights under Resolution 5;
- /b each share right granted may not be sold, transferred or otherwise disposed of;
- /c subject to remaining employed by the Company, Mr Stewart will be deemed to exercise 200,000 share rights on each of the first four anniversaries following commencement of his employment (February 2020, 2021, 2022 and 2023). No other performance hurdles or criteria must be satisfied for the share rights to be exercised;
- /d each share right granted confers an entitlement to be issued one fully paid ordinary share in the Company on exercise for no cash consideration (ie each share right will have a nil exercise price);
- /e shares issued on exercise of the share rights will be fully paid ordinary shares in the Company which will rank pari passu with all other ordinary shares of the Company and will be quoted on the NZX Main Board and ASX so long as the Company remains listed on the NZX Main Board and/or ASX markets; and

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/f the share rights confer no dividend rights or entitlement to participate in any other corporate action of the Company, including any capital return or subsequent issue of securities by the Company.

In the event that Mr Stewart's employment ceases due to termination by the Company for convenience or as a result of a change of control in the Company which leads to Mr Stewart no longer being the Chief Executive Officer, the unexercised balance of the 800,000 share rights issued to Mr Stewart pursuant to Resolution 5 will be deemed exercised upon the occurrence of such event. A change of control will be taken to have occurred where there is a sale of more than 50% of the Company's shares or a sale of substantially all the assets of the Company.

The share rights issued to Mr Stewart pursuant to Resolution 5 may only be exercised as described above.

Shareholder approvals sought

Due to his role as an Executive Director of the Company (subject to re-election), the issue of share rights and the resultant issue of shares on the exercise of those share rights to Mr Stewart must be approved by ordinary resolutions of Shareholders. Such approvals are sought pursuant to NZX Listing Rule 4.1.1 and ASX Listing Rule 10.11.

The Company proposes to issue 800,000 share rights pursuant to Resolution 5. If approved, Shareholders will not immediately be diluted, however subject to all of the share rights being exercised this will equate to the issue of 800,000 ordinary shares representing 0.19% of the total ordinary shares currently on issue. Shareholders will be diluted by this percentage amount. Dilution occurs when a company issues new shares which results in a decrease of an existing shareholder's ownership percentage of the company, and in this case if all of the 800,000 shares are issued to Mr Stewart, existing Shareholders' ownership percentage of the Company's total shares on issue will reduce by 0.19%, although their number of shares will not be affected.

If Shareholder approval for the issue of share rights pursuant to Resolution 5 is obtained, the Company will issue the share rights to Mr Stewart shortly after the 2019 Annual Meeting of Shareholders and no later than 15 November 2019.

If Shareholder approval for the issue of share rights pursuant to Resolution 5 is not obtained, the Company will satisfy its obligations in respect of the CEO Share Scheme by alternative means. This may involve the appointment of a broker to purchase shares on market which will incur additional cost to the Company or the Company may negotiate with Mr Stewart a cash alternative to the up to 800,000 shares to be made available to Mr Stewart under the terms of the CEO Share Scheme.

NZX Waiver from Appraisal Report requirements in respect of Resolution 5

NZX Regulation has granted the Company a waiver from the requirement for the Company to include an appraisal report with this notice of meeting in respect of Resolution 5 under Listing Rule 7.8.5. The terms of this waiver can be found on the Company's announcement page on the NZX website (www.nzx.com/companies/SKT/announcements).

Directors' recommendation to approve Resolution 5

The Board (with Mr Stewart abstaining) considers that the incentive arrangements and corresponding grant of share rights and resultant issue of shares on the exercise of those share rights outlined above are important in aligning Mr Stewart's personal financial interest with the future performance of the Company's share price. The Board (with Mr Stewart abstaining) fully supports Resolution 5 and recommends that Shareholders vote in its favour.



AGENDA ITEM 6 - Ratification of prior issue of 25,085,408 shares to RugbyPass Investors, LLC

As announced on 19 August 2019, on that date the Company issued 25,085,408 ordinary shares to RugbyPass Investors, LLC (representing 6.446% of the Company's total shares on issue before the issue to RugbyPass Investors, LLC (or 6.056% after the issue has occurred)). The shares formed part of the total purchase price paid by the Company (as buyer) to RugbyPass Investors, LLC (as seller) for acquiring 100% of RugbyPass New Zealand Limited (**RugbyPass**), the largest online rugby network in the world. The acquisition of RugbyPass completed on 19 August 2019. For more information on the RugbyPass acquisition, please refer to the Company's announcement dated 16 August 2019.

These shares were issued at a notional issue price of NZ\$1.24 per share. The shares rank equally with all existing shares on issue, however they are subject to certain restrictions on disposal under a restriction deed between the Company and RugbyPass Investors, LLC.

NZX Listing Rule 4.5.1 and ASX Listing Rule 7.1 restrict the number of equity securities (as that term is defined in the NZX Listing Rules and the ASX Listing Rules) which an NZX listed company and ASX listed company (as applicable) may issue in any 12-month period, without the approval of shareholders, to 15% of the number of fully paid ordinary shares on issue at the start of the period, subject to certain adjustments and permitted exceptions (**15% Placement Capacity**). The issue of the shares to RugbyPass Investors, LLC came out of the Company's 15% Placement Capacity.

NZX Listing Rule 4.5.1(c) provides that an issue of shares that has been ratified by an ordinary resolution of shareholders of an issuer is excluded from a calculation of the 15% Placement Capacity. ASX Listing Rule 7.4 provides that an issue of equity securities is treated to have been made with shareholder approval if ASX Listing Rule 7.1 is not breached at the time the equity securities were issued and shareholders subsequently approve the issue.

Therefore, if Shareholders ratify this prior issue of shares to RugbyPass Investors, LLC, the Company will have the flexibility to issue further shares up to the 15% limit over the next 12-month period because the issue of shares to RugbyPass Investors, LLC will not be counted for the purposes of the 15% limit set out in NZX Listing Rule 4.5.1 and ASX Listing Rule 7.1.

If Resolution 6 is not approved, the prior issue of shares to RugbyPass Investors, LLC will remain valid and effective as Shareholder approval of the share issue was not required under the NZX Listing Rules or the ASX Listing Rules.

Directors' recommendation to approve Resolution 6

The Board fully supports the resolution and unanimously recommends that Shareholders vote in favour of this resolution.

AGENDA ITEM 7 - Approval of the SANZAAR Rights Transaction

The following explanatory notes are provided for the purpose of assisting Shareholders in exercising their voting rights. These explanatory notes do not disclose details that are either confidential or commercially sensitive to the Company or other parties involved in negotiations related to the proposed SANZAAR Rights Transaction.

Definitions

Archive Matches	Matches played during the period from 1 January 1996 to 31 December 2020.
Matches	The rugby matches that are controlled by the Rugby Unions, which comprise matches in The Rugby Championship and Super Rugby and also rugby matches that are played as part of in-bound tours to, and domestic rugby competitions in, South Africa, New Zealand and Australia, or any agreed sub-set of those matches.
Next SANZAAR Rights	The SANZAAR Rights for the period after 1 January 2021.
Rugby Unions	The four national governing bodies for rugby in South Africa, New Zealand, Australia and Argentina and/or their successors and related entities.
SANZAAR Countries	South Africa, New Zealand, Australia and Argentina.
SANZAAR Rights	The rights to access grounds in order to produce, and distribute and exhibit within New Zealand, audio-visual and/or audio only coverage of the Matches.
SANZAAR Rights Transaction	The acquisition of the Next SANZAAR Rights for any period after 1 January 2021, and the entering into any agreements or arrangements to enable or support that acquisition (including the rights contract with the Rugby Unions, and any production and distribution arrangements).
Super Rugby	The annual competition using that name between franchised rugby teams from South Africa, New Zealand, Australia and Argentina (and any future enhancement to, or replacement of, that competition, including any renaming of that competition).
The Rugby Championship	The annual competition using that name involving test matches between the Springboks, All Blacks, Wallabies and Pumas (and any future enhancement to, or replacement of, that competition, including any renaming of that competition).

The explanation notes are provided for the purpose of assisting Shareholders in exercising their voting rights. The notes do not disclose details of future Matches, the terms on which the Rugby Unions are offering the Next SANZAAR Rights for the period after 1 January 2021, or other information provided by the Rugby Unions.



Introduction

The Company holds the SANZAAR Rights until 31 December 2020. A process is currently underway to sell the Next SANZAAR Rights for the period after 1 January 2021.

The Company is interested in acquiring the Next SANZAAR Rights for the period after 1 January 2021 by entering into the SANZAAR Rights Transaction, which is outlined below.

As explained in more detail in the next section, that transaction may be a major transaction for the Company that requires Shareholder approval. In the past (and since 1996) the Company has acquired the SANZAAR Rights without Shareholder approval. Shareholder approval is being sought for the SANZAAR Rights Transaction as a combined result of the following factors:

- potential increased interest from other local and international organisations for the Next SANZAAR Rights that could increase the cost of acquiring the Next SANZAAR Rights;
- the Company's lower share price and therefore lower Average Market Capitalisation which is relevant for testing major transactions under the NZX Listing Rules as described in the section below; and
- the Company's lower total assets following recent adjustments to the Company's balance sheet (in particular, the write off of a substantial amount of goodwill in the last two financial years) which is relevant for testing a major transaction under the Companies Act as described in the section below.

Requirements for Shareholder approval

Under s129 of the Companies Act, a company must not enter into a major transaction unless the transaction is approved, or is conditional on approval, by a special resolution of the company's shareholders. For the purposes of the Companies Act a major transaction includes the acquisition of, or an agreement to acquire, assets the value of which is more than half the value of the company's assets before the acquisition. A major transaction also includes a transaction that has, or is likely to have, the effect of the company incurring obligations or liabilities the value of which is more than half the value of the company's assets before the transaction.

As at 30 June 2019, the Company's total assets in its Consolidated Balance Sheet was \$771,545,000. The Company's view is that the market value of the asset it wishes to acquire pursuant to the SANZAAR Rights Transaction (being the Next SANZAAR Rights) and the value of the purchase price obligation which the Company could incur as a result, may be more than half the market value of the Company's total assets, in which case approval by a super majority of Shareholders (75% entitled to vote and voting) is required under s129 of the Companies Act.

Under NZX Listing Rule 5.1.1 a listed issuer must obtain shareholder approval for an acquisition of assets in respect of which the gross value exceeds 50% of the issuer's Average Market Capitalisation (as defined in the NZX Listing Rules), or where an acquisition of assets would significantly change the essential nature of the business of the issuer. If, for example, Sky's Average Market Capitalisation (as defined in the NZX Listing Rules) was \$470,000,000 on the day before the proposed SANZAAR Rights Transaction was entered into, and the gross value of the SANZAAR Rights Transaction exceeded \$235,000,000, Shareholder approval will be required under NZX Listing Rule 5.1.1.

Because the SANZAAR Rights Transaction may also require Shareholder approval pursuant to s129 of the Companies Act, a special resolution of Shareholders (75% entitled to vote and voting) is also required for the purposes of the NZX Listing Rules.

THE SANZAAR RIGHTS TRANSACTION

Overview

The transaction Shareholders are being asked to approve involves the proposed acquisition (subject to continuing negotiations) by the Company of the New Zealand media rights for certain rugby matches and competitions played after 1 January 2021 that are controlled by the Rugby Unions, which is likely to include those rights for The Rugby Championship and Super Rugby and other key rugby matches played in the SANZAAR Countries. The Next SANZAAR Rights may give the rights holder the right to access the venues at which Matches are played during the period of this contract, for the purpose of accessing or producing audio-visual and audio-only coverage of those matches, together with the ability and right to distribute and exhibit that coverage in New Zealand. The holder of the Next SANZAAR Rights may have responsibility for producing coverage of those matches played in New Zealand (or alternatively will have the right to access coverage of those matches), and the ability to access coverage of those matches playing in other SANZAAR Countries which is produced by the primary rights holder in those countries.

At the date of this notice, the consideration payable by the Company under, and the material commercial terms of, the SANZAAR Rights Transaction remain matters of ongoing negotiation. Such details are commercially sensitive to the Company and the Rugby Unions due to the competitive nature of the rights acquisition process. However, the Company expects that payments for the Next SANZAAR Rights will be made in instalments spread over the term of the contract, and those instalments will be budgeted for and paid from working capital.

It is advantageous to the Company to acquire the Next SANZAAR Rights without making its bid conditional on Shareholder approval. There is a risk that a conditional bid could be perceived as less attractive to the Rugby Unions when compared to an unconditional bid.

Next SANZAAR Rights

As noted above, the holder of the Next SANZAAR Rights may have rights to access match venues to produce coverage of Matches played during the period of the contract (or alternatively the right to access coverage of those matches), and to access coverage of overseas Matches played during that period which is produced by overseas rights holders. The holder of the Next SANZAAR Rights will be able to distribute and exploit audio-visual and/or audio only coverage of the Matches in New Zealand by the licensed platforms and distribution methods, which may include:

- various forms of television including pay and free to air television;
- streaming via websites and apps;
- distribution via mobile, broadband satellite and digital territorial transmissions;
- distribution live, delayed and via highlights; and/or
- distribution on an on-demand basis.

While the Next SANZAAR Rights are likely to be granted on an exclusive basis, there is also likely to be limited use rights granted in favour of the Rugby Unions (e.g. to help promote the game) and other parties such as Rugby Union sponsors and other licensees of the Rugby Unions. Rights for Archive Matches (being Matches played during the period 1996 to 2020) may be granted to the rights holder on a non-exclusive basis.

The Next SANZAAR Rights may be offered as one package or a number of separate packages. The SANZAAR Rights Transaction would include the acquisition of all, or any number of, those packages.



Matches

The Matches that are likely to be included in the SANZAAR Rights Transaction include the following rugby matches played during the period covered by the acquisition contract:

- test matches in The Rugby Championship;
- other test matches (both men's and women's) played in South Africa, New Zealand and Australia including in-bound tours (such as the British and Irish Lions Tours scheduled in 2021 and 2025) but excluding any Rugby World Cup Matches;
- Super Rugby Matches; and/or
- matches played as part of domestic rugby competitions in South Africa, New Zealand and Australia.

The SANZAAR Rights Transaction is also likely to give the rights holder access to, and the right to distribute and exhibit within New Zealand, audio-visual coverage of Archive Matches.

Business As Usual

The SANZAAR Rights Transaction represents an activity undertaken by Sky in the ordinary course of business and, importantly, is not the result of any change or shift in the Company's strategy or rights acquisition activities. The Company has a longstanding commercial relationship with the Rugby Unions and has held the SANZAAR Rights since 1996. In this time, the Company has always been successful in acquiring the SANZAAR Rights (without Shareholder approval) and has done so in five 5 year blocks covering the periods 1996-2000, 2001-2005, 2006-2010, 2011-2015 and 2016-2020. The SANZAAR Rights Transaction may involve acquiring the Next SANZAAR Rights for a similar 5 year period from 1 January 2021 to 31 December 2025 or a different period agreed with the Rugby Unions.

The SANZAAR Rights Transaction is consistent with the Company's business strategy of acquiring and distributing content rights and is very much within the core expertise, responsibility and accountability of the Company's executive management team and Board. Content acquisition is a fundamental and essential aspect of the Company's business, which Sky has nearly 30 years' experience of.

Other considerations

Other considerations include:

- The SANZAAR Rights Transaction does not involve the immediate expenditure of large amounts of Company funds given that payments are likely to be spread over the period of the contract.
- The Company's total programming costs are disclosed in the annual and half year reports and are carefully budgeted and managed by the Company's executive management team and the Board. Those costs have been an integral part of Sky's business since 1990.
- The Directors have duties to act in the best interest of the Company and will only authorise a bid for the Next SANZAAR Rights on terms that they believe make the best commercial sense for the Company.

Consequences if the special resolution is passed

If Shareholder approval to enter into the SANZAAR Rights Transaction is obtained, the Company's Board and senior executives will be granted a mandate and the flexibility to negotiate and enter into a contract to acquire the Next SANZAAR Rights as they see fit. However, Shareholders should be aware that passing the resolution does not itself guarantee entry into the SANZAAR Rights Transaction as it may remain subject to a competitive bidding process in which the Company may not be successful. Also the scope, duration, and exclusivity of the SANZAAR Rights Transaction will be the subject to negotiation between the Rugby Unions and the rights holder.

If the resolution is passed, any Shareholder who votes all of their shares against the special resolution will be able to require the Company to purchase their shares (or arrange for their purchase) as further detailed under the Minority Buy-out Rights section below.

Consequences if the special resolution is not passed or the SANZAAR Rights Transaction is not entered into

If Shareholder approval to enter into the SANZAAR Rights Transaction is not obtained the Board will continue to have discretion to acquire the Next SANZAAR Rights but only for total consideration which does not trigger the requirement to obtain Shareholder approval under the Companies Act or the NZX Listing Rules. In this case, it becomes more unlikely that the Company will be able to acquire the Next SANZAAR Rights. This is because the Company anticipates the market value of the rights and their purchase price could be higher than the relevant thresholds and details of what the Company can bid will become transparent, allowing competitors to anticipate and outbid the Company. It is likely that the Rugby Unions will wish to sell the Next SANZAAR Rights in one transaction to one rights holder, as they have done since 1996, rather than splitting those rights up into different packages, although this will be determined by the Rugby Unions during the sale process for the Next SANZAAR Rights.

The Rugby Unions are the sole supplier of the SANZAAR Rights. To date, they have always been granted on an exclusive basis in New Zealand, reflecting the value and commercial opportunity that exclusivity provides. This maximises the value of the rights since it creates certainty for the rights holder, and it is likely that this will continue. As a result, there are no alternative means of acquiring the Next SANZAAR Rights as they will be sold on an exclusive basis and cannot be replicated from other sources. In other words, the failure to acquire the Next SANZAAR Rights is likely to have an adverse impact on the Company and Shareholders.

Whether or not the resolution is passed, failing to acquire the Next SANZAAR Rights, arguably the Company's most important content asset, represents a significant threat to Shareholder value. The Company has been synonymous with rugby and sports broadcasting and production in New Zealand and has held the SANZAAR Rights on a continuous basis since 1996.

A failure to acquire the Next SANZAAR Rights will also result in the Company being required to maintain a lower Debt Ratio under the Company's Bank Facility. The Debt Ratio is the ratio of the total permitted debt to the EBITDA of the Company and its subsidiaries (calculated at the end of each quarter). In the event that the Next SANZAAR Rights are not acquired the Debt Ratio under the Company's Bank Facility will fall from 2.00:1 to 1.50:1, meaning the Company will be able to carry less debt as a ratio to the EBITDA of the Company and its subsidiaries. The Company will also be subject to additional ongoing reporting and certification obligations to lenders relating to the Company's budgets and forecasts.

Directors' recommendation to approve the special resolution

The Board fully supports the resolution and unanimously recommends that Shareholders vote in favour of the resolution. Each Director has indicated that he or she will be voting the shares they hold in favour of the resolution.

Minority Buy-out Rights

Section 110 of the Companies Act may confer minority buy-out rights on Shareholders who vote against the special resolution to approve the SANZAAR Rights Transaction (Resolution 7).

For a Shareholder to exercise those minority buy-out rights, the Shareholder must cast all the votes attached to shares registered in the Shareholder's name and having the same beneficial owner against Resolution 7. If Resolution 7 is nevertheless passed, a Shareholder who wishes to exercise minority buy-out rights must, within 10 working days of the passing of Resolution 7, give written notice to the Company that the Shareholder requires the Company to purchase the Shareholder's shares.

Within 20 working days of receipt of the notice the Board of the Company must:

- /a agree to the purchase of the relevant shares by the Company; or
- /b arrange for some other person to agree to purchase the relevant shares; or
- /c apply to the court for an order exempting the Company from the obligation to purchase the relevant shares on the grounds that the purchase would be disproportionately damaging to the Company or that the Company cannot reasonably be required to finance the purchase or it would not be just and equitable to require the Company to purchase the relevant shares or on the grounds that the Board has resolved that the purchase of the relevant shares by the Company would result in it failing to satisfy the solvency test and the Company has, having made reasonable efforts to do so, been unable to arrange for the relevant shares to be purchased by another person; or
- /d arrange for Resolution 7 to be rescinded by special resolution of Shareholders, or decide in the appropriate manner not to take the action concerned, as the case may be; and
- /e give written notice to the Shareholder of the Board's decision as to which of the above actions it will take.

Where the Board agrees to the purchase of the relevant shares by the Company, it must give notice to the relevant Shareholder within five working days after the written notice of the Board's decision referred to in the preceding paragraph, setting out the price the Board offers to pay for those shares and certain information relating to how that price was calculated. That price must be a fair and reasonable price (as at the close of business on the day before Resolution 7 was passed) for the relevant shares held by the Shareholder, calculated (subject to the following two sentences) using a default methodology described in the Companies Act designed to allocate to the relevant shares held by the Shareholder a pro rata portion of the fair and reasonable value of all shares in the Company adjusted to exclude any fluctuation in the value of all Shares that occurred and that was due to, or in expectation of, the SANZAAR Rights Transaction. The Board may use a different methodology to calculate the fair and reasonable price if using the default methodology would be clearly unfair to the Shareholder or the Company (and in that case the Board must also state in the notice that a different methodology has been used and why calculating the price under the default methodology would be clearly unfair).

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A Shareholder may object to the price offered by the Board by giving written notice to the Company no later than 10 working days after the date the Board gave written notice to the Shareholder of the price offered by the Board. If, within that 10 working day period, no objection to the price offered by the Board has been received by the Company, it must purchase the relevant Shareholder's shares at the nominated price. If, within that 10 working day period, an objection to the price has been received by the Company, the fair and reasonable price offered by the Board must be submitted to arbitration. The Company must within five working days of receiving the objection pay to the Shareholder on a provisional basis the price offered by the Board. The arbitration is to be conducted in accordance with the Arbitration Act 1996. If the price determined by the arbitrator:

- /a exceeds the provisional price paid by the Company, then the arbitrator must order the Company to pay the balance owing to the Shareholder; or
- /b is less than the provisional price paid by the Company, then the arbitrator must order the Shareholder to pay the excess to the Company.

Except in exceptional circumstances, the arbitrator must award interest on any balance payable or excess to be repaid.

If a balance is owing to the Shareholder the arbitrator may award to the Shareholder, in addition to or instead of interest, damages for loss attributable to the shortfall in the initial payment.

Where the Board agrees to the purchase of the relevant shares by the Company, on the day on which the Board gives written notice of the Board's decision to the purchase of the relevant shares by the Company, the legal title to those shares passes to the Company and the rights of the relevant Shareholder in relation to those shares end.

If the Board arranges for some other person to agree to purchase the shares, the process and terms set out in the paragraphs above apply (with such modifications as may be necessary) to the purchase of shares by such person. In addition, the Company must indemnify the Shareholder in respect of any losses suffered by the Shareholder by reason of the failure by the person to purchase the shares at the price nominated or fixed by arbitration, as the case may be.

AGENDA ITEM 8 – Adoption of a new constitution

The former NZX Main Board/Debt Market Listing Rules (dated 1 October 2017) have been replaced by updated NZX Listing Rules (1 January 2019) referred to in these explanatory notes as the NZX Listing Rules. A number of amendments are required to the existing constitution of the Company to ensure it meets the requirements of, and is consistent with, the NZX Listing Rules (as required by NZX Listing Rule 2.18.1).

The Company proposes to revoke its existing constitution and adopt a replacement constitution (**New Constitution**) which is compliant with the NZX Listing Rules. If approved by Shareholders, the existing constitution will be revoked and the New Constitution adopted, with effect from the close of the 2019 Annual Meeting of Shareholders.

In addition to amendments made to simplify the form of the constitution, the New Constitution reflects the following changes:

- Meetings of Shareholders: amendments to (i) reflect that voting at Shareholder meetings must be by poll as required under the NZX Listing Rules (rather than on a show of hands) and (ii) make it clear that meetings of Shareholders may be conducted through a combination of a physical meeting and electronic means, and that Shareholders and their proxies may participate through electronic means.
- Director rotation: including an express statement that the Company shall comply with the updated director rotation requirements of the NZX Listing Rules, which require directors to retire (with an ability to stand for re-election) after three years or the third annual meeting following their appointment, whichever is longer.
- Director appointment: including an express statement that the Company shall comply with the board composition requirements of the NZX Listing Rules. The NZX Listing Rules require the Company to have, at minimum, three directors, two directors ordinarily resident in New Zealand and two independent directors. The Company complies with all these requirements.
- Sale of less than minimum holding: amending the procedure allowing for the sale of share parcels of less than a minimum holding so as to provide for those shares to be sold on market (including through a broker on behalf of the Company), rather than through NZX or in some other manner approved by NZX.

A copy of the New Constitution may be viewed on the Company's website at www.sky.co.nz/investor-relations/investor-information. The New Constitution is also available for inspection at the registered office of the Company at 10 Panorama Road, Mt Wellington, Auckland.

Pursuant to the Companies Act, the proposed amendments must be approved by a special resolution of Shareholders. As the amendments do not impose or remove a restriction on the activities of the Company or affect the rights attaching to shares, the Shareholder minority buy-out rights under the Companies Act do not apply.

Buddle Findlay has provided an opinion to NZX that it considers that the proposed New Constitution complies with the NZX Listing Rules.

Directors' recommendation to approve the special resolution

The Board fully supports the resolution and unanimously recommends that Shareholders vote in favour of revoking the existing constitution and adopting the New Constitution.

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