



## SKY PLC

### Unaudited results for the six months ended 31 December 2014

| Six months to 31 Dec       | Statutory results |         |          | Adjusted results |         |          |
|----------------------------|-------------------|---------|----------|------------------|---------|----------|
|                            | 2014/15           | 2013/14 | Variance | 2014/15          | 2013/14 | Variance |
| Revenue                    | £4,302m           | £3,674m | +17%     | £5,604m          | £5,342m | +5%      |
| EBITDA                     | £811m             | £772m   | +5%      | £993m            | £925m   | +7%      |
| Operating profit           | £536m             | £545m   | -2%      | £675m            | £581m   | +16%     |
| Earnings per share (basic) | 63.6p             | 25.2p   | +152%    | 27.1p            | 26.3p   | +3%      |
| Dividend per share         | 12.30p            | 12.00p  | +3%      |                  |         |          |

### EXCELLENT FIRST HALF WITH GOOD MOMENTUM ACROSS EXPANDED BUSINESS

#### Strong financial results

- Group revenue up 5%
- Operating profit up 16%
- Adjusted basic earnings per share of 27.1 pence
- Interim dividend of 12.30 pence per share

#### Growing customer demand across the group

- Significant outperformance in the UK and Ireland
  - 204,000 new customers, the highest growth in nine years
  - Over 1 million new products, the highest growth in four years
- Record growth in Germany and Austria with 214,000 new customers
- Strong performance in Italy with 30,000 new customers, the highest growth in 12 quarters
- Significant group-wide reduction in churn

#### Building for the future

- Strengthening drama slate: *Fortitude* launched in all five markets and 160 hours of original drama in production across the group
- Extending leadership in sport: exclusively live UK and Irish rights to The Open Championship
- Opening up OTT opportunity with streaming services in all our markets
- Growing new revenue streams: Sky Store revenues up 90% year on year
- Good progress with integration planning and synergies

Our statutory results include the results of Sky Italia and Sky Deutschland following acquisition on 12 November 2014. We have also included the results on an "adjusted like for like" basis for the full six month period to 31 December 2014 down to operating profit with comparative figures, translated at a constant currency rate of €1.26:£1. Unless otherwise stated, the narrative is on an adjusted like for like basis.

**Jeremy Darroch, Group Chief Executive, Sky, commented:**

“We have delivered an excellent operational and financial performance in our first set of results as the new Sky. We closed the first six months of the year with revenues up 5% and operating profit up 16%, reflecting strong customer demand in all five of our markets.

“The strength of our performance in the UK and Ireland shows that our approach to segmenting the market with the complementary Sky and NOW TV brands is working. Across the board, customers are responding to our investment in more high-quality TV and innovative new services. This has resulted in the highest customer growth in nine years, the highest total product growth in four years and the lowest churn in a decade.

“Alongside our continued strength in the UK and Ireland, the acquisition of Sky Italia and Sky Deutschland gives us an expanded opportunity for growth. Both businesses had a strong quarter, Germany posting its highest ever customer growth and Italy showing resilience with good customer growth in a challenging economic environment. Integration is progressing well and we are excited about the potential for the three businesses to be even stronger together.

“The simultaneous launch of Fortitude, our ambitious new original drama, to 20 million customers across all five markets, shows the potential we now have to operate at greater scale. This is just the first of many opportunities we have to launch new products and services for customers in the months ahead.

“Six months into the year, we’ve seen a good performance right across the new Sky. We have world-class capability within the expanded business and a strong set of plans that mean we are well placed to deliver growth and returns for shareholders.”

## SUMMARY OF GROUP OPERATIONAL AND FINANCIAL PERFORMANCE

We mark our first set of results as an enlarged group having delivered an excellent performance in the first six months of the year with good momentum in all our markets.

Growing customer demand and increasing loyalty across the group reflects the strength of the combined business and leaves the company well positioned to benefit from the expanded market opportunity.

We grew our revenues by 5% to £5,604 million for the six-month period. This translated into a 16% increase in operating profit to £675 million while adjusted basic earnings per share were 27.1 pence. Reflecting this strong financial performance, the Board has declared an interim dividend of 12.30 pence per share.

### Results Highlights

#### Group Customer Metrics (unaudited)

|                                  | As at<br>31-Dec-14 | As at<br>31-Dec-13 | Annual<br>Growth | Quarterly<br>Growth to<br>31-Dec-14 |
|----------------------------------|--------------------|--------------------|------------------|-------------------------------------|
| <b>Total Customers ('000s)</b>   | <b>24,842</b>      | <b>23,649</b>      | <b>+1,193</b>    | <b>+493</b>                         |
| Retail Customers                 | 20,607             | 19,757             | +850             | +448                                |
| Wholesale Customers              | 4,235              | 3,892              | +343             | +45                                 |
| <b>Paid-for products ('000s)</b> | <b>52,033</b>      | <b>47,461</b>      | <b>+4,572</b>    | <b>+1,488</b>                       |

See Schedule 1 for notes

In total, we added 1.5 million paid-for subscription products in the second quarter, a 25% increase year on year. At the heart of this performance was the highest paid-for product growth in 16 quarters in the UK and Ireland, a strong performance in Germany – more than double the prior year – and solid growth in Italy.

In addition, retail customer numbers grew strongly across the group with 448,000 net new retail customer additions in Q2 – 82% more than the prior year and taking the total retail customer base at the end of December to 20.6 million.

## OPERATIONAL PERFORMANCE BY TERRITORY

### UK & Ireland

|                                  | As at<br>31-Dec-14 | As at<br>31-Dec-13 | Annual<br>Growth | Quarterly<br>Growth to<br>31-Dec-14 |
|----------------------------------|--------------------|--------------------|------------------|-------------------------------------|
| <b>Total Customers ('000s)</b>   | <b>15,830</b>      | <b>14,954</b>      | <b>+876</b>      | <b>+249</b>                         |
| Retail Customers                 | 11,750             | 11,330             | +420             | +204                                |
| Wholesale Customers              | 4,080              | 3,624              | +456             | +45                                 |
| <b>Paid-for products ('000s)</b> | <b>36,555</b>      | <b>33,307</b>      | <b>+3,248</b>    | <b>+1,020</b>                       |
| Monthly ARPU                     | £47                | £46                | +£1              | +£1                                 |
| Churn (quarterly annualised)     | 9.2%               | 10.8%              | -1.6pp           | -1.8pp                              |
| Churn (12 month rolling)         | 10.5%              | 10.9%              | -0.4pp           | -0.4pp                              |

See Schedule 1 for notes

Sky in the UK and Ireland had an exceptional Q2 with the investments in content and connected services delivering excellent operating growth across all areas of the business. Strong customer demand drove the highest product growth in four years at more than 1 million, 17% higher than the same period last year. Within this, TV growth more than doubled to 202,000 and we saw good growth in broadband with 106,000 additions.

The addition of 204,000 new retail customers in the quarter was the highest rate of customer growth since 2005 and reflected a good performance across both our Sky and NOW TV products.

Quarterly annualised churn for Q2 was 9.2%, the best performance since 2003 and an improvement of 160 basis points on the same period last year. Going forward we will be moving to presenting churn on a 12 month rolling basis, as is the case in Italy and Germany today. For information, churn is shown on both bases in the above table.

### Italy

|                                  | As at<br>31-Dec-14 | As at<br>31-Dec-13 | Annual<br>Growth | Quarterly<br>Growth to<br>31-Dec-14 |
|----------------------------------|--------------------|--------------------|------------------|-------------------------------------|
| <b>Total Customers ('000s)</b>   | <b>4,734</b>       | <b>4,760</b>       | <b>-26</b>       | <b>+30</b>                          |
| Retail Customers                 | 4,734              | 4,760              | -26              | +30                                 |
| Wholesale Customers              | -                  | -                  | -                | -                                   |
| <b>Paid-for products ('000s)</b> | <b>8,684</b>       | <b>8,259</b>       | <b>+425</b>      | <b>+47</b>                          |
| Monthly ARPU                     | € 43               | € 43               | -                | -                                   |
| Churn                            | 10.0%              | 13.1%              | -3.1pp           | -                                   |

See Schedule 1 for notes

The Italian business delivered a resilient performance in what remains a challenging economic environment. Customer growth of 30,000 in the quarter was the highest since Q1 2012 while total paid-for products increased by 47,000. HD accounted for much of this growth with net additions of 35,000 in the quarter, taking HD penetration to 66% of the base versus 55% last year.

Churn fell to 10% at the end of Q2, down from 13.1% in the prior year. This improvement was driven by growth in the connected base and the positive impact this had on customer loyalty and satisfaction. At the end of December, 1.4 million customers were connected, a 50% increase year on year.

## Germany

|                                  | As at<br>31-Dec-14 | As at<br>31-Dec-13 | Annual<br>Growth | Quarterly<br>Growth to<br>31-Dec-14 |
|----------------------------------|--------------------|--------------------|------------------|-------------------------------------|
| <b>Total Customers ('000s)</b>   | <b>4,278</b>       | <b>3,935</b>       | <b>+343</b>      | <b>+214</b>                         |
| Retail Customers                 | 4,123              | 3,667              | +456             | +214                                |
| Wholesale Customers              | 155                | 268                | -113             | -                                   |
| <b>Paid-for products ('000s)</b> | <b>6,794</b>       | <b>5,895</b>       | <b>+899</b>      | <b>+421</b>                         |
| Monthly ARPU                     | € 35               | € 36               | -€ 1             | -€ 1                                |
| Churn                            | 8.3%               | 11.4%              | -3.1pp           | -1.1pp                              |

See Schedule 1 for notes

Sky in Germany delivered record retail customer additions of 214,000 in Q2, 55% more than the prior year and taking the total retail customer base past the 4-million milestone.

Paid-for products grew by 421,000, more than double the growth for the same period last year. Within this, HD continued to grow strongly with growth of 148,000 in the quarter.

Churn fell to 8.3%, a significant reduction of 310 basis points year on year. This improvement is a result of actions we took to improve the quality of customer acquisition including the introduction of two-year customer contracts.

## OUR CORE STRENGTHS

As Europe's leading entertainment company, Sky's competitive advantage comes from our unique combination of strengths across three areas: the best and broadest range of content; leading innovation that enhances customers' viewing experience, wherever they are; and best-in-class customer service delivery. We are sharing these strengths and our expertise in each territory to serve customers better and grow faster.

### Content

As Europe's biggest investor in TV content, the Group is constantly increasing the range and quality of our programming to give customers the best choice of TV. This strategy is resonating strongly.

In entertainment, our UK channels increased their share of viewing in Q2 by 3% year-on-year with Sky 1 achieving its highest Q2 viewing share in three years. Our Italian entertainment portfolio also enjoyed a strong quarter as Sky Uno benefitted from its popular entertainment franchises with *X-Factor Italia* ratings up more than 40% year on year.

Our ambitious new drama *Fortitude* became the first Sky original programme to premiere simultaneously across all of Sky's five markets in January. Other highlights for 2015 include the launch of the fifth series of *Game of Thrones* which will premiere exclusively across all Sky territories in the spring.

In movies, we benefited from the strength of our relationships with the leading studios. Sky Movies in the UK and Ireland had a record Christmas with the biggest premiere in the channels' history for Disney's *Frozen*. The *Frozen* effect was also apparent in Germany where the film has attracted more than 1.5 million views across all Sky services to date.

In sport, we continued to extend the quality and breadth of our offering. In the UK and Ireland, we signed an exclusive deal to show live golf from The Open Championship from 2017 and Germany secured a new three-year deal for the exclusive live broadcasting rights for all matches involving German and Austrian teams in the UEFA Europa League starting from the 2015/16 season. In the UK and Ireland, Formula 1 and the World Darts Championship both achieved record peak audiences while MotoGP in Italy performed strongly in its first season on Sky.

## **Innovation**

Across the group, we continue to invest in the quality of the customer experience, delivering a sustainable impact in customer loyalty. In the UK and Ireland, we had 6.5 million connected customers at the end of December, driving On Demand downloads to a new record of 520 million in Q2, 40% up year on year. Box Sets continued to grow in popularity with Sky offering 134 of the latest shows on Box Sets at the end of December, 50% more than any other service.

In Italy, 30% of customers have now connected their boxes to the internet helped by the popularity of 'Restart', which lets connected customers go back to the beginning of a film.

Sky is extending its lead as Europe's leading mobile TV provider. Sky Go homes in the UK and Ireland increased 14% to 5.8 million while take-up of Sky Go in Italy grew to reach 52% of customers. Sky Go in Germany took a big step forward in Q2 with its launch on Android devices.

In addition, Sky is extending its reach into the pay light segment of the market. NOW TV, our UK over-the-top streaming service, enjoyed a record quarter of growth boosted by the success of partnerships with retailers like Dixons Carphone and new commercial partnerships with companies including Google and Vodafone. Meanwhile, Germany launched its Sky Online box over Christmas, based on the Roku technology used in the popular NOW TV box.

As penetration of connected devices increases, Sky is opening up new revenue streams. Revenues to Sky Store in the UK and Ireland were up 90% year on year with Buy & Keep now regularly ranked number one or two among digital retailers for new releases.

## **GROUP FINANCIAL PERFORMANCE**

To provide a more accurate analysis of the ongoing performance of the Group, all commentary down to the operating profit level for the Group is on an adjusted basis as if we had owned Italy and Germany for the full six months from 1 July to 31 December, unless otherwise stated, translated into sterling at a constant currency rate of €1.26:£1.

Numbers below the operating profit line for the Group consolidate Italy and Germany only for the period of ownership from 12 November to 31 December 2014 and are on an adjusted basis.

Our statutory financial reporting consolidates Italy and Germany for the period from 12 November 2014 to 31 December 2014. During this period, Italy contributed revenue of £286 million and operating profit of £15 million while Germany contributed revenue of £180 million and an operating loss of £19 million.

Unless otherwise stated, adjusted figures below are from continuing operations and on a recurring basis excluding i) the impact of Sky Bet as this is presented as a discontinued operation; ii) set-top-box sales to Italy which are now an intra-Group transaction; and iii) ESPN carriage revenue in the UK and Ireland from FY14 revenue comparatives, as we no longer retail the channel.

### **Revenue**

We saw good growth in revenue, up 5% to £5,604 million (2014: £5,342 million) driven by strong performances in the UK and Ireland and in Germany which grew 6% and 9% respectively, and a resilient performance in Italy in what remains a challenging environment. Detailed segmental information on revenue and costs is provided in note 2 of our financial statements.

### **Profits and earnings**

Group EBITDA increased 7% to £993 million (2014: £925 million) and Group operating profit increased by 16% to £675 million (2014: £581 million). These increases were predominantly due to a strong performance in the UK and Ireland.

The Group's share of joint ventures and associates' profits was £24 million (2014: £21 million) and net finance costs for the Group increased £23 million to £85 million (2014: £62 million) predominantly due to the interest charge associated with the bonds we raised during the period.

Group tax charge of £132 million (2014: £121 million) was at an effective tax rate of 23%.

Group profit after tax increased 10% to £453 million (2014: £413 million) and basic earnings per share were up 3% to 27.1 pence (2014: 26.3 pence) after accounting for the higher number of shares following our share issuance in July. The number of shares at the end of the period, excluding those held by the Employee Share Option Plan ('ESOP') for the settlement of employee share awards, was 1,702 million. The weighted average number of shares in the period was 1,676 million and our expectation for the full year weighted average number of shares is 1,690 million.

Statutory profit for the period from continuing operations of £1,064 million includes a £492 million gain on the disposal of available-for-sale investments, a £296 million gain on the disposal of our stake in National Geographic Channel, advisory, transaction and finance fees and amortisation of acquired intangible assets. Full details are set out in Appendix 2.

### **Group cash flow and financial position**

Group free cash flow increased year on year to £450 million (2014: £361 million) while net debt increased to £6,268 million (2014: £1,432 million) as a result of the acquisitions. For an analysis of movements in net debt see Appendix 2. The ratio of net debt to EBITDA at 31 December was 3.2 times.

### **Distribution to Shareholders**

The Directors have declared an interim dividend of 12.30 pence per share (2014: 12.00 pence per share), an increase of 3% on last year which continues our unbroken track record of growth. As in prior years, growth in the interim dividend is expected to be slightly higher than that expected for the full year. The ex-dividend date will be 26 March 2015 and the dividend will be paid on 21 April 2015 to shareholders of record on 27 March 2015.

### **Corporate**

#### **Mobile Partnership with Telefónica UK**

On 29 January 2015, Sky announced a multi-year agreement with Telefónica UK enabling Sky to add mobile voice and data services to its customer offering for the first time. The deal provides wholesale access to Telefónica UK's 2G, 3G and 4G network with Sky planning to launch its first mobile telephony services to customers in 2016.

#### **Acquisition of Sky Italia and Sky Deutschland**

On 12 November 2014, the Company completed its acquisition of Sky Italia Srl and an 89.71% stake in Sky Deutschland AG. Subsequently the Company acquired additional Sky Deutschland shares through market purchases and as a result holds 95.80% of Sky Deutschland.

The acquisition of Sky Italia was for a total consideration of £2.45 billion, satisfied by approximately £2.07 billion in cash and the balance through the transfer to 21<sup>st</sup> Century Fox of the Company's 21% stake in National Geographic Channel International. The acquisition of 95.80% of Sky Deutschland was for a total consideration of €6.0 billion.

The Group obtained £6.6 billion of committed bank facilities for the acquisitions in July 2014 including a new revolving credit facility of £1.0 billion. A placement of just under 10% of Sky shares raised £1.3 billion in July 2014 and we issued £5.0 billion equivalent of Sterling, Euro and US Dollar denominated bonds in September 2014 and November 2014.



## **Sky Bet**

Following the announcement of our agreement to sell a controlling stake in Sky Bet to funds advised by CVC Capital Partners, the deal is proceeding on track and remains scheduled to close in Q3, pending regulatory approval.

### **Proposed simplification to quarterly reporting**

Subject to consulting with our major institutional shareholders, we intend to simplify our reporting by moving to a quarterly trading statement for the first and third quarters. The statement will provide details of Sky's operational performance, by market, and will disclose all of those operating metrics currently included in the quarterly releases together with a commentary on the quarter's performance. We will also continue to host quarterly conference calls as now.

Over time, we expect that this will allow us to release the quarterly results sooner after the end of the period and spend less time in 'closed' period.

This move will align Sky with the approach adopted by a number of our media and telecom peers and is compliant with the relevant regulations and laws. Subject to the shareholder consultation, the first quarterly trading statement will be published for the third quarter of Sky's current fiscal year.

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There will be a presentation for analysts and investors at 9.00 a.m. (GMT) at Allen & Overy, One Bishops Square, London, E1 6AD. Participants should register by contacting Amy Hurnell on +44 20 7251 3801 or at [amy.hurnell@finsbury.com](mailto:amy.hurnell@finsbury.com)

There will be a separate conference call for US analysts and investors at 10.00 a.m. (EST). To register for this please contact Dana Diver at Taylor Rafferty on +1 212 889 4350. Alternatively you may register online at <http://www.event-taylor-rafferty.com/sky/Default.htm>

A live webcast of both conference calls will be available via the Sky website at <http://www.sky.com/corporate>. Replays will subsequently be available.

## Schedule 1 – Group KPI Summary (unaudited)

| All figures (000)<br>unless stated | FY12/13       |               |               | FY13/14       |               |               |               | FY14/15       |               |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                    | Q2            | Q3            | Q4            | Q1            | Q2            | Q3            | Q4            | Q1            | Q2            |
| UK and Ireland                     | 29,513        | 30,228        | 31,634        | 32,434        | 33,307        | 34,071        | 34,775        | 35,535        | 36,555        |
| Germany                            | 5,223         | 5,393         | 5,543         | 5,691         | 5,895         | 6,025         | 6,164         | 6,373         | 6,794         |
| Italy                              | 7,331         | 7,358         | 7,393         | 8,141         | 8,259         | 8,298         | 8,311         | 8,637         | 8,684         |
| <b>Total Products</b>              | <b>42,067</b> | <b>42,979</b> | <b>44,570</b> | <b>46,266</b> | <b>47,461</b> | <b>48,394</b> | <b>49,250</b> | <b>50,545</b> | <b>52,033</b> |
| UK and Ireland                     | 10,742        | 10,812        | 11,153        | 11,224        | 11,330        | 11,420        | 11,495        | 11,546        | 11,750        |
| Germany                            | 3,363         | 3,405         | 3,453         | 3,529         | 3,667         | 3,731         | 3,813         | 3,908         | 4,123         |
| Italy                              | 4,833         | 4,782         | 4,756         | 4,757         | 4,760         | 4,751         | 4,725         | 4,704         | 4,734         |
| <b>Retail customers</b>            | <b>18,938</b> | <b>18,999</b> | <b>19,362</b> | <b>19,510</b> | <b>19,757</b> | <b>19,902</b> | <b>20,033</b> | <b>20,158</b> | <b>20,607</b> |
| UK and Ireland                     | 3,751         | 3,801         | 3,677         | 3,617         | 3,624         | 3,602         | 4,041         | 4,035         | 4,080         |
| Germany                            | 125           | 125           | 124           | 280           | 268           | 258           | 213           | 155           | 155           |
| Italy                              | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Wholesale customers</b>         | <b>3,876</b>  | <b>3,926</b>  | <b>3,801</b>  | <b>3,897</b>  | <b>3,892</b>  | <b>3,860</b>  | <b>4,254</b>  | <b>4,190</b>  | <b>4,235</b>  |
| <b>Total Customers</b>             | <b>22,814</b> | <b>22,925</b> | <b>23,163</b> | <b>23,407</b> | <b>23,649</b> | <b>23,762</b> | <b>24,287</b> | <b>24,348</b> | <b>24,842</b> |
| <b>Churn</b>                       |               |               |               |               |               |               |               |               |               |
| UK and Ireland                     | 10.4%         | 10.5%         | 10.7%         | 10.7%         | 10.9%         | 11.0%         | 10.9%         | 10.9%         | 10.5%         |
| Germany                            | 12.1%         | 12.2%         | 12.3%         | 12.0%         | 11.4%         | 10.9%         | 10.4%         | 9.4%          | 8.3%          |
| Italy                              | 14.9%         | 13.7%         | 13.9%         | 13.3%         | 13.1%         | 10.9%         | 10.3%         | 10.0%         | 10.0%         |
| <b>ARPU</b>                        |               |               |               |               |               |               |               |               |               |
| UK and Ireland                     | £45           | £46           | £46           | £46           | £46           | £46           | £46           | £46           | £47           |
| Germany                            | € 34          | € 35          | € 35          | € 36          | € 36          | € 36          | € 36          | € 36          | € 35          |
| Italy                              | € 43          | € 43          | € 42          | € 43          | € 43          | € 43          | € 43          | € 43          | € 43          |

### Pages 3 to 5 and table above:

1. Wholesale customers taking at least one paid-for Sky channel. The customer numbers are as reported to us at the end of November 2014 for the UK and Ireland and at the end of December for Germany.
2. In the UK and Ireland, paid-for products includes TV, Sky+ HD, Multiscreen, Sky Go Extra, Broadband, Line Rental and Telephony.
3. In Italy, paid-for products includes TV, Multivision, Sky Online and paying HD.
4. In Germany, paid-for products includes TV, Second Smartcard, Premium HD, Sky Online and Mobile.
5. ARPU is quarterly annualised, residential and presented as a monthly amount. For the UK and Ireland, it excludes revenues earned from retailing the ESPN channel and revenues earned from Sky Bet.
6. Churn is 12 month rolling and includes residential customers only, unless otherwise stated

## **Related Party Transactions**

Details of transactions with related parties during the six month period to 31 December 2014 are provided in Appendix 1.

## **Principal risks and uncertainties**

A summary of the Group's principal risks and uncertainties is provided in Appendix 3.

## **Responsibility statement**

The directors confirm that to the best of their knowledge:

- The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the EU.
- The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules.

The names and functions of the directors of Sky plc can be found on pages 46-47 of the 2014 Annual Report.

By order of the Board  
Jeremy Darroch  
Chief Executive Officer

## **Use of measures not defined under IFRS**

This press release contains certain information on the Group's financial position, results and cash flows that have been derived from measures calculated in accordance with IFRS. This information should not be read in isolation from the related IFRS measures.

## **Forward looking statements**

This document contains certain forward looking statements with respect to the Group's financial condition, results of operations and business, and our strategy, plans and objectives for the Group. These statements include, without limitation, those that express forecasts, expectations and projections, such as forecasts, expectations and projections in relation to new products and services, the potential for growth of free-to-air and pay television, fixed line telephony, broadband and bandwidth requirements, advertising growth, DTH and OTT customer growth, On Demand, NOW TV, Sky Go, Sky Go Extra, Sky+ HD, Sky Store, Sky Online, Snap, mobile, Multiscreen and other services penetration, revenue, administration costs and other costs, advertising growth, churn, profit, cash flow, products and our broadband network footprint, content, wholesale, marketing and capital expenditure.

Although the Company believes that the expectations reflected in such forward looking statements are reasonable, these statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward looking statements. These factors include, but are not limited to, those risks that are highlighted in the document in Appendix 3 - "Principal Risks and uncertainties."

All forward looking statements in this document are based on information known to the Group on the date hereof. The Group undertakes no obligation publicly to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

## **Glossary of Terms**

A glossary of terms is included within the Annual Report and on our corporate investor relations web page at <https://corporate.sky.com/investors/annual-report-2014/glossary>. Copies of the Annual Report are available from the Sky plc web page at [www.sky.com/corporate](http://www.sky.com/corporate) and in hard copy from the Company Secretary, Sky plc, Grant Way, Isleworth, Middlesex TW7 5QD.

## Appendix 1 - Condensed Consolidated Interim Financial Statements

Condensed Consolidated Income Statement for the half year ended 31 December 2014

|   | Notes | 2014/15<br>Half year<br>£m | 2013/14<br>Half year<br>£m |
|---|-------|----------------------------|----------------------------|
| <b>Continuing Operations</b>  |       |                            |                            |
| <b>Revenue</b>  | 2     | <b>4,302</b>               | 3,674                      |
| Operating expense   | 2     | <b>(3,766)</b>             | (3,129)                    |
| <b>EBITDA</b>   |       | <b>811</b>                 | 772                        |
| Depreciation and amortisation   |       | <b>(275)</b>               | (227)                      |
| <b>Operating profit</b>   |       | <b>536</b>                 | 545                        |
| Share of results of joint ventures and associates                                 |       | <b>24</b>                  | 21                         |
| Investment income   |       | <b>5</b>                   | 6                          |
| Finance costs   |       | <b>(145)</b>               | (65)                       |
| Profit on disposal of available-for-sale investments                              | 4     | <b>492</b>                 | -                          |
| Profit on disposal of associate   | 5     | <b>296</b>                 | -                          |
| <b>Profit before tax</b>  |       | <b>1,208</b>               | 507                        |
| Taxation  |       | <b>(144)</b>               | (112)                      |
| <b>Profit for the period from continuing operations</b>                           |       | <b>1,064</b>               | 395                        |
| <b>Discontinued Operations</b>  |       |                            |                            |
| Profit for the period from discontinued operations                                | 3     | <b>23</b>                  | 16                         |
| <b>Profit for the period</b>  |       | <b>1,087</b>               | 411                        |
| <b>Profit for the period attributable to:</b>                                     |       |                            |                            |
| Equity shareholders of the parent company   |       | <b>1,089</b>               | 411                        |
| Non-controlling interests   |       | <b>(2)</b>                 | -                          |
|   |       | <b>1,087</b>               | 411                        |
| <b>Earnings per share (in pence)</b>  |       |                            |                            |
| Basic   |       |                            |                            |
| Continuing operations   | 6     | <b>63.6p</b>               | 25.2p                      |
| Discontinued operations   | 6     | <b>1.4p</b>                | 1.0p                       |
| Total   | 6     | <b>65.0p</b>               | 26.2p                      |
| Diluted   |       |                            |                            |
| Continuing operations   | 6     | <b>63.1p</b>               | 25.0p                      |
| Discontinued operations   | 6     | <b>1.4p</b>                | 1.0p                       |
| Total   | 6     | <b>64.5p</b>               | 26.0p                      |
| <b>Adjusted earnings per share from adjusted profit for the period (in pence)</b> |       |                            |                            |
| Basic   | 6     | <b>27.1p</b>               | 26.3p                      |
| Diluted   | 6     | <b>26.9p</b>               | 26.1p                      |

**Condensed Consolidated Statement of Comprehensive Income** for the half year ended 31 December 2014

|  | <b>2014/15</b>   | 2013/14   |
|--|------------------|-----------|
|  | <b>Half year</b> | Half year |
|  | <b>£m</b>        | £m        |
| <b>Profit for the period</b>   | <b>1,087</b>     | 411       |
| <b>Other comprehensive income</b>  |                  |           |
| <b>Amounts recognised directly in equity that may subsequently be recycled to the income statement</b> |                  |           |
| Gain on revaluation of available-for-sale investments  | <b>36</b>        | 155       |
| Gain (loss) on cash flow hedges  | <b>211</b>       | (160)     |
| Tax on cash flow hedges  | <b>(42)</b>      | 34        |
| Exchange differences on translation of foreign operations  | <b>(19)</b>      | (1)       |
|  | <b>186</b>       | 28        |
| <b>Amounts reclassified and reported in the income statement</b>                                       |                  |           |
| (Loss) gain on cash flow hedges  | <b>(167)</b>     | 102       |
| Tax on cash flow hedges  | <b>34</b>        | (23)      |
| Transfer to income statement on disposal of available-for-sale investment                              | <b>(492)</b>     | -         |
| Transfer to income statement on disposal of associate  | <b>(24)</b>      | -         |
|  | <b>(649)</b>     | 79        |
| <b>Other comprehensive (loss) income for the period (net of tax)</b>                                   | <b>(463)</b>     | 107       |
| <b>Total comprehensive income for the period</b>   | <b>624</b>       | 518       |
| <b>Total comprehensive income for the period attributable to:</b>                                      |                  |           |
| Equity shareholders of the parent company  | <b>626</b>       | 518       |
| Non-controlling interests  | <b>(2)</b>       | -         |
|  | <b>624</b>       | 518       |

**Condensed Consolidated Balance Sheet** as at 31 December 2014

|   | <b>31 December</b> | 31 December | 30 June |
|---|--------------------|-------------|---------|
|   | <b>2014</b>        | 2013        | 2014    |
|   | <b>£m</b>          | £m          | £m      |
| <b>Non-current assets</b>   |                    |             |         |
| Goodwill  | <b>4,414</b>       | 1,028       | 1,019   |
| Intangible assets   | <b>4,452</b>       | 747         | 810     |
| Property, plant and equipment   | <b>1,657</b>       | 1,035       | 1,088   |
| Investments in joint ventures and associates                                  | <b>44</b>          | 170         | 173     |
| Available-for-sale investments  | <b>31</b>          | 578         | 533     |
| Deferred tax assets   | <b>151</b>         | 29          | 31      |
| Trade and other receivables   | <b>20</b>          | 17          | 7       |
| Programme distribution rights   | <b>31</b>          | 19          | 20      |
| Derivative financial assets   | <b>310</b>         | 221         | 195     |
|   | <b>11,110</b>      | 3,844       | 3,876   |
| <b>Current assets</b>   |                    |             |         |
| Inventories   | <b>1,834</b>       | 1,017       | 546     |
| Trade and other receivables   | <b>1,112</b>       | 613         | 635     |
| Current tax assets  | <b>4</b>           | -           | -       |
| Short-term deposits   | <b>250</b>         | 395         | 295     |
| Cash and cash equivalents   | <b>1,177</b>       | 765         | 1,082   |
| Derivative financial assets   | <b>116</b>         | 4           | 15      |
| Held for sale assets  | <b>177</b>         | -           | -       |
|   | <b>4,670</b>       | 2,794       | 2,573   |
| <b>Total assets</b>   | <b>15,780</b>      | 6,638       | 6,449   |
| <b>Current liabilities</b>  |                    |             |         |
| Borrowings  | <b>491</b>         | 11          | 11      |
| Trade and other payables  | <b>4,192</b>       | 2,488       | 2,286   |
| Current tax liabilities   | <b>188</b>         | 129         | 128     |
| Provisions  | <b>41</b>          | 51          | 48      |
| Derivative financial liabilities  | <b>11</b>          | 34          | 46      |
| Held for sale liabilities   | <b>57</b>          | -           | -       |
|   | <b>4,980</b>       | 2,713       | 2,519   |
| <b>Non-current liabilities</b>  |                    |             |         |
| Borrowings  | <b>7,481</b>       | 2,723       | 2,658   |
| Trade and other payables  | <b>101</b>         | 73          | 56      |
| Provisions  | <b>63</b>          | 15          | 14      |
| Derivative financial liabilities  | <b>44</b>          | 103         | 129     |
| Deferred tax liabilities  | <b>346</b>         | 1           | 1       |
|   | <b>8,035</b>       | 2,915       | 2,858   |
| <b>Total liabilities</b>  | <b>13,015</b>      | 5,628       | 5,377   |
| Share capital   | <b>860</b>         | 790         | 781     |
| Share premium   | <b>2,704</b>       | 1,437       | 1,437   |
| Reserves  | <b>(909)</b>       | (1,217)     | (1,146) |
| <b>Total equity attributable to equity shareholders of the parent company</b> | <b>2,655</b>       | 1,010       | 1,072   |
| Total equity attributable to non-controlling interests                        | <b>110</b>         | -           | -       |
| <b>Total liabilities and equity</b>   | <b>15,780</b>      | 6,638       | 6,449   |

**Condensed Consolidated Cash Flow Statement** for the half year ended 31 December 2014

|  | Notes | 2014/15<br>Half year<br>£m | 2013/14<br>Half year<br>£m |
|--|-------|----------------------------|----------------------------|
| <b>Continuing Operations</b>   |       |                            |                            |
| <b>Cash flows from operating activities</b>  |       |                            |                            |
| Cash generated from operations   | 8     | 919                        | 744                        |
| Interest received  |       | 6                          | 6                          |
| Taxation paid  |       | (106)                      | (135)                      |
| <b>Net cash from operating activities</b>  |       | <b>819</b>                 | <b>615</b>                 |
| <b>Cash flows from investing activities</b>  |       |                            |                            |
| Dividends received from joint ventures and associates                                  |       | 15                         | 17                         |
| Net funding to joint ventures and associates   |       | (4)                        | (2)                        |
| Proceeds on disposal of investments  |       | 546                        | -                          |
| Purchase of property, plant and equipment  |       | (171)                      | (122)                      |
| Purchase of intangible assets  |       | (169)                      | (122)                      |
| Purchase of subsidiaries (net of cash and cash equivalents purchased)                  |       | (6,316)                    | (20)                       |
| Purchase of available-for-sale investments   |       | (84)                       | (2)                        |
| Decrease in short-term deposits  |       | 45                         | 200                        |
| <b>Net cash used in investing activities</b>   |       | <b>(6,138)</b>             | <b>(51)</b>                |
| <b>Cash flows from financing activities</b>  |       |                            |                            |
| Net proceeds from borrowing  |       | 4,917                      | -                          |
| Repayment of borrowing (see note 10)   |       | (105)                      | -                          |
| Repayment of obligations under finance leases  |       | (3)                        | (1)                        |
| Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP")             |       | 1                          | 4                          |
| Purchase of own shares for ESOP  |       | (12)                       | (164)                      |
| Purchase of own shares for cancellation  |       | -                          | (115)                      |
| Issue of own shares  |       | 1,346                      | -                          |
| Interest paid  |       | (153)                      | (69)                       |
| Purchase of non-controlling interests  |       | (228)                      | -                          |
| Dividends paid to shareholders of the parent   |       | (340)                      | (298)                      |
| <b>Net cash from (used in) financing activities</b>                                    |       | <b>5,423</b>               | <b>(643)</b>               |
| Effect of foreign exchange rate movements  |       | (36)                       | -                          |
| <b>Net increase (decrease) in cash and cash equivalents from continuing operations</b> |       | <b>68</b>                  | <b>(79)</b>                |
| <b>Cash generated from discontinued operations</b>                                     |       | <b>42</b>                  | <b>29</b>                  |
| Cash and cash equivalents at the beginning of the period                               |       | 1,082                      | 815                        |
| <b>Cash and cash equivalents at the end of the period</b>                              |       | <b>1,192</b>               | <b>765</b>                 |
| Cash and cash equivalents included within held for sale assets                         |       | (15)                       | -                          |
|  |       | <b>1,177</b>               | <b>765</b>                 |



Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2014

|   | Attributable to equity shareholders of the parent company |                        |                       |                          |  |                         |                            | Total<br>share-<br>holders'<br>equity<br>£m | Non-<br>controlling<br>interests<br>£m | Total<br>equity<br>£m |
|---|---|------------------------|-----------------------|--------------------------|--|-------------------------|----------------------------|---|--|-----------------------|
|   | Share<br>capital<br>£m                                    | Share<br>premium<br>£m | ESOP<br>reserve<br>£m | Hedging<br>reserve<br>£m | Available<br>- for-sale<br>reserve<br>£m | Other<br>reserves<br>£m | Retained<br>earnings<br>£m |   |  |                       |
| <b>At 30 June 2013</b>  | <b>797</b>  | <b>1,437</b>           | <b>(147)</b>          | <b>11</b>                | <b>351</b>                               | <b>439</b>              | <b>(1,876)</b>             | <b>1,012</b>                                | <b>-</b>                               | <b>1,012</b>          |
| Profit for the period   | -   | -                      | -                     | -                        | -  | -                       | 411                        | 411   | -                                      | 411                   |
| Exchange differences on translation of foreign operations                 | -   | -                      | -                     | -                        | -  | (1)                     | -                          | (1)   | -                                      | (1)                   |
| Revaluation of available-for-sale investments                             | -   | -                      | -                     | -                        | 155                                      | -                       | -                          | 155   | -                                      | 155                   |
| Recognition and transfer of cash flow hedges                              | -   | -                      | -                     | (58)                     | -  | -                       | -                          | (58)  | -                                      | (58)                  |
| Tax on items taken directly to equity                                     | -   | -                      | -                     | 11                       | -  | -                       | -                          | 11  | -                                      | 11                    |
| <b>Total comprehensive income for the period</b>                          | <b>-</b>  | <b>-</b>               | <b>-</b>              | <b>(47)</b>              | <b>155</b>                               | <b>(1)</b>              | <b>411</b>                 | <b>518</b>                                  | <b>-</b>                               | <b>518</b>            |
| Share-based payment   | -   | -                      | (14)                  | -                        | -  | -                       | (114)                      | (128)                                       | -                                      | (128)                 |
| Tax on items taken directly to equity                                     | -   | -                      | -                     | -                        | -  | -                       | 5                          | 5   | -                                      | 5                     |
| Purchase of own equity shares for cancellation                            | (7)   | -                      | -                     | -                        | -  | 7                       | (99)                       | (99)  | -                                      | (99)                  |
| Dividends   | -   | -                      | -                     | -                        | -  | -                       | (298)                      | (298)                                       | -                                      | (298)                 |
| <b>At 31 December 2013</b>  | <b>790</b>  | <b>1,437</b>           | <b>(161)</b>          | <b>(36)</b>              | <b>506</b>                               | <b>445</b>              | <b>(1,971)</b>             | <b>1,010</b>                                | <b>-</b>                               | <b>1,010</b>          |
| Profit for the period   | -   | -                      | -                     | -                        | -  | -                       | 454                        | 454   | -                                      | 454                   |
| Exchange differences on translation of foreign operations                 | -   | -                      | -                     | -                        | -  | 1                       | -                          | 1   | -                                      | 1                     |
| Revaluation of available-for-sale investments                             | -   | -                      | -                     | -                        | (51)                                     | -                       | -                          | (51)  | -                                      | (51)                  |
| Recognition and transfer of cash flow hedges                              | -   | -                      | -                     | 19                       | -  | -                       | -                          | 19  | -                                      | 19                    |
| Tax on items taken directly to equity                                     | -   | -                      | -                     | (3)                      | -  | -                       | -                          | (3)   | -                                      | (3)                   |
| <b>Total comprehensive income for the period</b>                          | <b>-</b>  | <b>-</b>               | <b>-</b>              | <b>16</b>                | <b>(51)</b>                              | <b>1</b>                | <b>454</b>                 | <b>420</b>                                  | <b>-</b>                               | <b>420</b>            |
| Share-based payment   | -   | -                      | 16                    | -                        | -  | -                       | 19                         | 35  | -                                      | 35                    |
| Tax on items taken directly to equity                                     | -   | -                      | -                     | -                        | -  | -                       | 4                          | 4   | -                                      | 4                     |
| Share buy-back programme:   |   |                        |                       |                          |  |                         |                            |   |  |                       |
| - Purchase of own equity shares for cancellation                          | (9)   | -                      | -                     | -                        | -  | 9                       | (151)                      | (151)                                       | -                                      | (151)                 |
| - Financial liability for close period purchases                          | -   | -                      | -                     | -                        | -  | -                       | (59)                       | (59)  | -                                      | (59)                  |
| Dividends   | -   | -                      | -                     | -                        | -  | -                       | (187)                      | (187)                                       | -                                      | (187)                 |
| <b>At 30 June 2014</b>  | <b>781</b>  | <b>1,437</b>           | <b>(145)</b>          | <b>(20)</b>              | <b>455</b>                               | <b>455</b>              | <b>(1,891)</b>             | <b>1,072</b>                                | <b>-</b>                               | <b>1,072</b>          |
| Profit for the period   | -   | -                      | -                     | -                        | -  | -                       | 1,089                      | 1,089                                       | (2)                                    | 1,087                 |
| Exchange differences on translation of foreign operations                 | -   | -                      | -                     | -                        | -  | (19)                    | -                          | (19)  | -                                      | (19)                  |
| Revaluation of available-for-sale investments                             | -   | -                      | -                     | -                        | 36                                       | -                       | -                          | 36  | -                                      | 36                    |
| Transfer to income statement on disposal of associate                     | -   | -                      | -                     | -                        | -  | (24)                    | -                          | (24)  | -                                      | (24)                  |
| Transfer to income statement on disposal of available-for-sale investment | -   | -                      | -                     | -                        | (492)                                    | -                       | -                          | (492)                                       | -                                      | (492)                 |
| Recognition and transfer of cash flow hedges                              | -   | -                      | -                     | 44                       | -  | -                       | -                          | 44  | -                                      | 44                    |
| Tax on items taken directly to equity                                     | -   | -                      | -                     | (8)                      | -  | -                       | -                          | (8)   | -                                      | (8)                   |
| <b>Total comprehensive income for the period</b>                          | <b>-</b>  | <b>-</b>               | <b>-</b>              | <b>36</b>                | <b>(456)</b>                             | <b>(43)</b>             | <b>1,089</b>               | <b>626</b>                                  | <b>(2)</b>                             | <b>624</b>            |
| Share-based payment   | -   | -                      | 5                     | -                        | -  | -                       | 31                         | 36  | -                                      | 36                    |
| Issue of own equity shares  | 79  | 1,267                  | -                     | -                        | -  | -                       | -                          | 1,346                                       | -                                      | 1,346                 |
| Non-controlling interests arising on purchase of subsidiaries             | -   | -                      | -                     | -                        | -  | -                       | -                          | -   | 193                                    | 193                   |
| Tax on items taken directly to equity                                     | -   | -                      | -                     | -                        | -  | -                       | 3                          | 3   | -                                      | 3                     |
| Share buy-back programme:   |   |                        |                       |                          |  |                         |                            |   |  |                       |
| - Reversal of financial liability for close period purchases              | -   | -                      | -                     | -                        | -  | -                       | 59                         | 59  | -                                      | 59                    |
| Dividends   | -   | -                      | -                     | -                        | -  | -                       | (340)                      | (340)                                       | -                                      | (340)                 |
| Purchase of non-controlling interests                                     | -   | -                      | -                     | -                        | -  | -                       | (147)                      | (147)                                       | (81)                                   | (228)                 |
| <b>At 31 December 2014</b>  | <b>860</b>  | <b>2,704</b>           | <b>(140)</b>          | <b>16</b>                | <b>(1)</b>                               | <b>412</b>              | <b>(1,196)</b>             | <b>2,655</b>                                | <b>110</b>                             | <b>2,765</b>          |

## Notes to the Condensed Consolidated Interim Financial Statements

### 1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the half year ended 31 December 2014 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as adopted for use in the European Union and issued by the International Accounting Standards Board. The condensed consolidated interim financial statements have been prepared on a going concern basis and have been prepared using accounting policies and methods of computation consistent with those applied in the financial statements for the year ended 30 June 2014, except for new accounting pronouncements which have become effective this period, none of which had a material impact on the Group's results or financial position, and except for material changes to the Group resulting from the acquisition of Sky Italia and Sky Deutschland in the period, being:

- Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the acquisition and the non-controlling shareholders' share of changes in equity since the date of the acquisition. The interest of the non-controlling shareholders in the acquiree may initially be measured either at fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. The choice of measurement basis is made on an acquisition-by-acquisition basis. In transactions with non-controlling parties that do not result in a change in control, the difference between the fair value of the consideration paid or received and the amount by which the non-controlling interest is adjusted is recognised in equity.
- Set-top boxes owned and leased to customers are accounted for within property, plant and equipment, and are depreciated over their useful economic lives of 5-7 years.
- Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on those instruments designated as hedges of the net investments in foreign operations are recognised in equity to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the statement of comprehensive income. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of.
- Liabilities in relation to employee obligations which are economically similar to defined benefit pension schemes are accounted for as such under IAS 19.

The condensed consolidated interim financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements and should be read in conjunction with the 2014 Annual Report. The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and are unaudited for all periods presented. The financial information for the full year ended 30 June 2014 is extracted from the financial statements for that year. A copy of the statutory accounts has been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain any statement under section 498(2) and (3) of the Companies Act 2006.

The Group maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 2015, this date will be 28 June 2015, this being a 52 week year (fiscal year 2014: 29 June 2014, 52 week year). The condensed consolidated interim financial statements are based on the 26 weeks ended 28 December 2014 (fiscal year 2014: 26 weeks ended 29 December 2013). For convenience purposes, the Group continues to date its consolidated financial statements as at 30 June and its condensed consolidated interim financial statements as at 31 December.

### Going Concern

The Group has updated the analysis which supported its assessment of going concern set out on page 80 of the 2014 Annual Report, and continues to believe that its existing external financing, together with internally generated cash inflows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual obligations and commercial commitments, its approved capital expenditure requirements and any dividends proposed for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

## 2 Operating Segments

On 12 November 2014, the Group purchased operations in Italy, Germany and Austria and as a result has reassessed the number of reportable operating segments and has restated segment information for the prior period on the same basis.

The Group now has three reportable segments that are defined by geographic area to reflect how the Group's operations are monitored and managed. The reportable segments presented reflect the Group's management and reporting structure as viewed by the Board of Directors, which is considered to be the Group's chief operating decision maker.

| Reportable segment | Description  |
|--------------------|--|
| UK & Ireland       | The activities and operations of the pay TV, home communications and adjacent businesses in the UK & Ireland |
| Italy              | The activities and operations of the pay TV and adjacent businesses in Italy                                 |
| Germany & Austria  | The activities and operations of the pay TV and adjacent businesses in Germany & Austria                     |

**Segmental income statement** for the half year end 31 December 2014

|  | Results for full 6 months |                |                            |   |   | Half year<br>2014/15           |
|--|---------------------------|----------------|----------------------------|---|---|--------------------------------|
|  | UK &<br>Ireland<br>£m     | Italy<br>£m    | Germany &<br>Austria<br>£m | Adjusting Items<br>& Eliminations<br>£m | Italy and<br>Germany &<br>Austria pre-<br>acquisition<br>£m | Statutory<br>Group Total<br>£m |
| <b>Continuing Operations</b>                         |                           |                |                            |   |   |                                |
| Subscription   | 3,251                     | 962            | 629                        | -                                       | (1,184)   | 3,658                          |
| Transactional  | 52                        | 18             | 9                          | -                                       | (19)  | 60                             |
| Wholesale and syndication                            | 244                       | 9              | 11                         | -                                       | (10)  | 254                            |
| Advertising  | 243                       | 76             | 23                         | -                                       | (68)  | 274                            |
| Other  | 48                        | 14             | 22                         | (2)                                     | (26)  | 56                             |
| <b>Revenue</b>                                       | <b>3,838</b>              | <b>1,079</b>   | <b>694</b>                 | <b>(2)</b>                              | <b>(1,307)</b>  | <b>4,302</b>                   |
| Inter-segment revenue                                | (7)                       | -              | -                          | 2                                       | 5   | -                              |
| <b>Revenue from external customers</b>               | <b>3,831</b>              | <b>1,079</b>   | <b>694</b>                 | <b>-</b>                                | <b>(1,302)</b>  | <b>4,302</b>                   |
| Programming  | (1,402)                   | (627)          | (378)                      | -                                       | 725   | (1,682)                        |
| Direct network costs                                 | (419)                     | -              | -                          | -                                       | -   | (419)                          |
| Sales, general and administration                    | (1,367)                   | (414)          | (329)                      | (108)                                   | 553   | (1,665)                        |
| <b>Operating expense</b>                             | <b>(3,188)</b>            | <b>(1,041)</b> | <b>(707)</b>               | <b>(108)</b>                            | <b>1,278</b>  | <b>(3,766)</b>                 |
| <b>EBITDA</b>  | 839                       | 125            | 29                         | (56)                                    | (126)   | 811                            |
| Depreciation and amortisation                        | (189)                     | (87)           | (42)                       | (54)                                    | 97  | (275)                          |
| <b>Operating profit (loss)</b>                       | <b>650</b>                | <b>38</b>      | <b>(13)</b>                | <b>(110)</b>                            | <b>(29)</b>   | <b>536</b>                     |
| Share of results of joint ventures and associates    |                           |                |                            |   |   | 24                             |
| Investment income                                    |                           |                |                            |   |   | 5                              |
| Finance costs  |                           |                |                            |   |   | (145)                          |
| Profit on disposal of available-for-sale investments |                           |                |                            |   |   | 492                            |
| Profit on disposal of associate                      |                           |                |                            |   |   | 296                            |
| <b>Profit before tax</b>                             |                           |                |                            |   |   | <b>1,208</b>                   |

Segmental income statement for the half year end 31 December 2013

|   | Results for full 6 months |                |                            |                       |  | Half year<br>2013/14           |
|---|---------------------------|----------------|----------------------------|-----------------------|--|--------------------------------|
|   | UK &<br>Ireland<br>£m     | Italy<br>£m    | Germany &<br>Austria<br>£m | Adjusting Items<br>£m | Italy and<br>Germany &<br>Austria full 6<br>months<br>£m | Statutory<br>Group Total<br>£m |
| <b>Continuing Operations</b>                      |                           |                |                            |                       |  |                                |
| Subscription                                      | 3,097                     | 953            | 572                        | -                     | (1,525)  | 3,097                          |
| Transactional                                     | 37                        | 19             | 10                         | -                     | (29)   | 37                             |
| Wholesale and syndication                         | 210                       | 33             | 14                         | -                     | (47)   | 210                            |
| Advertising                                       | 239                       | 67             | 19                         | -                     | (86)   | 239                            |
| Other   | 91                        | 7              | 20                         | -                     | (27)   | 91                             |
| <b>Revenue</b>                                    | <b>3,674</b>              | <b>1,079</b>   | <b>635</b>                 | <b>-</b>              | <b>(1,714)</b>   | <b>3,674</b>                   |
| Inter-segment revenue                             | (40)                      | -              | -                          | -                     | 40   | -                              |
| <b>Revenue from external customers</b>            | <b>3,634</b>              | <b>1,079</b>   | <b>635</b>                 | <b>-</b>              | <b>(1,674)</b>   | <b>3,674</b>                   |
| Programming                                       | (1,309)                   | (594)          | (368)                      | -                     | 962  | (1,309)                        |
| Direct network costs                              | (401)                     | -              | -                          | (10)                  | -  | (411)                          |
| Sales, general and administration                 | (1,389)                   | (440)          | (306)                      | (20)                  | 746  | (1,409)                        |
| <b>Operating expense</b>                          | <b>(3,099)</b>            | <b>(1,034)</b> | <b>(674)</b>               | <b>(30)</b>           | <b>1,708</b>   | <b>(3,129)</b>                 |
| <b>EBITDA</b>                                     | 791                       | 137            | (3)                        | (19)                  | (134)  | 772                            |
| Depreciation and amortisation                     | (216)                     | (92)           | (36)                       | (11)                  | 128  | (227)                          |
| <b>Operating profit (loss)</b>                    | <b>575</b>                | <b>45</b>      | <b>(39)</b>                | <b>(30)</b>           | <b>(6)</b>   | <b>545</b>                     |
| Share of results of joint ventures and associates |                           |                |                            |                       |  | 21                             |
| Investment income                                 |                           |                |                            |                       |  | 6                              |
| Finance costs                                     |                           |                |                            |                       |  | (65)                           |
| <b>Profit before tax</b>                          |                           |                |                            |                       |  | <b>507</b>                     |

Results for each segment are presented on an adjusted basis. A reconciliation of statutory to adjusted results is shown in note 6 which also includes a description of the adjusting items. Transactions between segments are based on estimated market prices.

To provide a more relevant presentation, management has chosen to reanalyse the revenue and operating expense categories from those previously reported. The revenue categories have been changed to reflect the increasing breadth of the business and a number of operating expense sub-categories have been combined within a single Sales, general and administration operating expense line as previously announced.

### 3 Discontinued operations

On 4 December 2014, the Group announced the sale of a controlling stake in its online betting and gaming business, Sky Betting & Gaming ("Sky Bet").

Sky Bet represents a separate major line of business for the Group. As a result, its operations are treated as discontinued for the six months ended 31 December 2014. A single amount is shown on the face of the condensed consolidated income statement comprising the post-tax result of discontinued operations. The assets and liabilities of Sky Bet have been classified as held for sale in the condensed consolidated balance sheet at 31 December 2014.

The results of discontinued operations, which have been included in the condensed consolidated income statement, were as follows:

|   | <b>2014/15</b>   | 2013/14   |
|---|------------------|-----------|
|   | <b>Half year</b> | Half year |
|   | <b>£m</b>        | £m        |
| <b>Revenue</b>  | <b>111</b>       | 83        |
| Operating expense   | <b>(82)</b>      | (63)      |
| <b>Operating profit</b>                                   | <b>29</b>        | 20        |
| <b>Profit before tax</b>                                  | <b>29</b>        | 20        |
| Attributable tax expense                                  | <b>(6)</b>       | (4)       |
| <b>Profit for the period from discontinued operations</b> | <b>23</b>        | 16        |

During the period, Sky Bet contributed £43 million (2014: half year: £30 million) to the Group's net operating cash flows, and paid £1 million (2014: half year: £1 million) in respect of investing activities.

### 4 Profit on disposal of available-for-sale investments

On 17 July 2014, the Group sold a shareholding of 6.4% in ITV plc, consisting of 259,820,065 ITV shares for an aggregate consideration of £481 million. A profit of £429 million was realised on disposal, being the excess of the consideration above the previously written-down value of the shares for accounting purposes (£52 million).

On 5 November 2014, the Group sold a further shareholding of approximately 0.8% in ITV plc, consisting of 31,864,665 ITV shares for an aggregate consideration of £65 million. A profit of £58 million was realised on disposal, being the excess of the consideration above the previously written-down value of the shares for accounting purposes (£7 million).

The Group recognised a gain of £5 million as a result of measuring to fair value its equity interest in Sky Deutschland held prior to the acquisition. For further details see note 12.

### 5 Profit on disposal of associate

On 12 November 2014, the Group transferred a shareholding of 21% in NGC Network International LLC and a shareholding of 21% in NGC Network Latin America LLC to Twenty-First Century Fox, Inc. for an aggregate consideration of £410 million as part of the purchase of Sky Italia (see note 12 for further details). A profit of £296 million was realised on disposal.

## 6 Earnings per share

The movement in the number of ordinary shares outstanding for the period was:

|   | <b>2014/15</b><br><b>Half year</b><br><b>Millions of shares</b> | 2013/14<br>Half year<br>Millions of shares |
|---|---|--|
| Beginning of period   | <b>1,563</b>  | 1,594                                      |
| Issue of own equity shares <sup>(i)</sup>                     | <b>156</b>  | -  |
| Shares repurchased and subsequently cancelled <sup>(ii)</sup> | -   | (14)                                       |
| <b>End of period</b>  | <b>1,719</b>  | 1,580                                      |

- (i) On 25 July 2014 the Company announced the placing of 156,132,213 new ordinary shares representing approximately 9.99% of existing issued share capital, for total gross proceeds of £1,358 million.
- (ii) During the prior period, the Company purchased, and subsequently cancelled, 14,029,122 ordinary shares at an average price of £8.17 per share, with a nominal value of £7 million, for a consideration of £115 million.

The weighted average number of ordinary shares for the period was:

|   | <b>2014/15</b><br><b>Half year</b><br><b>Millions of shares</b> | 2013/14<br>Half year<br>Millions of shares |
|---|---|--|
| Ordinary shares                             | <b>1,693</b>  | 1,590                                      |
| ESOP trust ordinary shares                  | <b>(17)</b>   | (19)                                       |
| <b>Basic shares</b>                         | <b>1,676</b>  | 1,571                                      |
| Dilutive ordinary shares from share options | <b>14</b>   | 10   |
| <b>Diluted shares</b>                       | <b>1,690</b>  | 1,581                                      |

Basic and diluted earnings per share are calculated by dividing profit attributable to equity shareholders of the parent company for the period into the weighted average number of shares for the period. In order to provide a measure of underlying performance, management has chosen to present an adjusted profit for the period which excludes items that may distort comparability. Such items arise from events or transactions that fall within the ordinary activities of the Group but which management believes should be separately identified to help explain underlying performance.

|   | <b>2014/15</b><br><b>Half year</b><br><b>£m</b> | 2013/14<br>Half year<br>£m |
|---|---|----------------------------|
| Profit for the period from continuing operations  | <b>1,064</b>                                    | 395                        |
| Loss for the period attributable to non-controlling interests   | <b>2</b>  | -                          |
| <b>Profit for the period from continuing operations attributable to equity shareholders of the parent company</b> | <b>1,066</b>                                    | 395                        |
| Profit for the period from discontinued operations  | <b>23</b>                                       | 16                         |
| <b>Profit for the period attributable to equity shareholders of the parent company</b>                            | <b>1,089</b>                                    | 411                        |

|   | <b>2014/15</b><br><b>Half year</b><br><b>£m</b> | 2013/14<br>Half year<br>£m |
|---|---|----------------------------|
| <b>Reconciliation from profit for the period from continuing operations attributable to equity shareholders of the parent company to adjusted profit for the period attributable to equity shareholders of the parent company</b> |   |                            |
| Profit for the period from continuing operations attributable to equity shareholders of the parent company  | <b>1,066</b>                                    | 395                        |
| Costs relating to the integration of the O2 consumer broadband and fixed-line telephony business  | -   | 19                         |
| Advisory and transaction fees and finance costs incurred on the purchase of Sky Italia and Sky Deutschland  | <b>95</b>                                       | -                          |
| Costs relating to the integration of Sky Italia and Sky Deutschland and the achievement of synergies in the enlarged Group  | <b>9</b>  | -                          |
| Amortisation of acquired intangible assets  | <b>54</b>                                       | 11                         |
| Profit on disposal of available-for-sale investments (see note 4)   | <b>(492)</b>                                    | -                          |
| Profit on disposal of associate (see note 5)  | <b>(296)</b>                                    | -                          |
| Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness   | <b>7</b>  | (3)                        |
| Tax effect of above items   | <b>12</b>                                       | (9)                        |
| <b>Adjusted profit for the period attributable to equity shareholders of the parent company</b>   | <b>455</b>                                      | 413                        |

## 7 Dividends

|   | 2014/15<br>Half year<br>£m | 2013/14<br>Half year<br>£m | 2013/14<br>Full year<br>£m |
|---|----------------------------|----------------------------|----------------------------|
| <b>Dividends declared and paid during the period</b>  |                            |                            |                            |
| 2013 Final dividend paid: 19.00p per ordinary share   | -                          | 298                        | 298                        |
| 2014 Interim dividend paid: 12.00p per ordinary share | -                          | -                          | 187                        |
| 2014 Final dividend paid: 20.00p per ordinary share   | <b>340</b>                 | -                          | -                          |
|   | <b>340</b>                 | 298                        | 485                        |

The 2015 interim dividend is 12.30 pence per ordinary share being £209 million. The dividend was not declared at the balance sheet date and is therefore not recognised as a liability as at 31 December 2014.

## 8 Notes to the Condensed Consolidated Cash Flow Statement

### Reconciliation of profit before taxation to cash generated from operations

|  | 2014/15<br>Half year<br>£m | 2013/14<br>Half year<br>£m |
|--|----------------------------|----------------------------|
| <b>Continuing Operations</b>                                 |                            |                            |
| <b>Profit before taxation</b>                                | <b>1,208</b>               | 507                        |
| Depreciation and impairment of property, plant and equipment | <b>123</b>                 | 104                        |
| Amortisation and impairment of intangible assets             | <b>152</b>                 | 123                        |
| Share-based payment expense                                  | <b>46</b>                  | 31                         |
| Net finance costs  | <b>140</b>                 | 59                         |
| Profit on disposal of available-for-sale investments         | <b>(492)</b>               | -                          |
| Profit on disposal of associate                              | <b>(296)</b>               | -                          |
| Share of results of joint ventures and associates            | <b>(24)</b>                | (21)                       |
|  | <b>857</b>                 | 803                        |
| Decrease (increase) in trade and other receivables           | <b>27</b>                  | (16)                       |
| Increase in inventories                                      | <b>(309)</b>               | (470)                      |
| Increase in trade and other payables                         | <b>381</b>                 | 463                        |
| Decrease in provisions                                       | <b>(19)</b>                | (43)                       |
| (Decrease) increase in derivative financial instruments      | <b>(18)</b>                | 7                          |
| <b>Cash generated from operations</b>                        | <b>919</b>                 | 744                        |

## 9 Other matters

### a) Sky plc

Following shareholder approval at the 2014 Annual General Meeting on 21 November 2014, British Sky Broadcasting Group plc changed its name to Sky plc.

### b) Guarantees

Certain subsidiaries of the Company have agreed to provide additional funding to several of their investments in limited and unlimited companies and partnerships, in accordance with funding agreements. Payment of this additional funding would be required if requested by the investees in accordance with the funding agreements. The maximum potential amount of future payments which may be required to be made by the subsidiaries of the Company to their investments, in both limited and unlimited companies and partnerships under the undertakings and additional funding agreements, is £18 million (2014: half year: £21 million; full year: £17 million).

Sky plc has provided a back-to-back guarantee in favour of Twenty-First Century Fox, Inc. of up to half the annual payment obligations of Sky Deutschland Fernsehen GmbH & Co. KG under the 2013/17 Bundesliga agreement. It has also provided back-to-back guarantees in favour of Twenty-First Century Fox, Inc. in relation to UEFA Champions League and other programming obligations of Sky Italia Srl.

### c) Ofcom determination

Included within direct networks costs for the period ended 31 December 2012 is a credit of £32 million in relation to a credit note received from BT following an Ofcom determination which requires BT to repay monies to Sky for overcharged-for Ethernet services (backhaul) between 2006/07 and 2009/10. Ofcom's findings on the amount of the overcharge were mostly upheld by the Competition Appeal Tribunal ("CAT") in August 2014. The CAT also directed Ofcom to determine the amount of interest payable by BT in respect of the overcharge. Separately, BT has applied to the Court of Appeal for permission to appeal the CAT's decision.

### d) Issue of Senior Unsecured Notes

€1,500 million of 1.500% Senior Unsecured Notes repayable in 2021, €1,000 million of 2.500% Senior Unsecured Notes repayable in 2026, US\$750 million of 2.625% Senior Unsecured Notes repayable in 2019 and US\$1,250 million of 3.750% Senior Unsecured Notes repayable in 2024 were issued in September 2014. At the time of issuing the US dollar proceeds were swapped into euros.

## 9 Other matters (continued)

£450 million of 2.875% Senior Unsecured Notes repayable in 2020, €850 million of 1.875% Senior Unsecured Notes repayable in 2023, £300 million of 4.000% Senior Unsecured Notes repayable in 2029 and €400 million of 2.750% Senior Unsecured Notes repayable in 2029 were issued in November 2014. At the time of issuing £100 million of the sterling proceeds were swapped into euros.

## 10 Transactions with related parties and major shareholders

### a) Entities with joint control or significant influence

The Group conducts business transactions with companies that are part of the Twenty-First Century Fox, Inc. ("21st Century Fox") group, a major shareholder.

Transactions with related parties and amounts outstanding in relation to those transactions and with related parties at 31 December are as follows:

|   | 2014/15<br>Half year<br>£m | 2013/14<br>Half year<br>£m | 2013/14<br>Full year<br>£m |
|---|----------------------------|----------------------------|----------------------------|
| Supply of goods or services by the Group    | 23                         | 53                         | 82                         |
| Purchases of goods or services by the Group | (101)                      | (50)                       | (127)                      |
| Amounts owed to the Group                   | 31                         | 3                          | 5                          |
| Amounts owed by the Group                   | (188)                      | (79)                       | (134)                      |

At 31 December 2014 the Group had expenditure commitments of £830 million (2014: half year: £129 million; full year: £99 million) with 21st Century Fox companies, all of which related to minimum television programming rights commitments.

### Goods and services supplied to 21st Century Fox

During the current period, the Group supplied set-top boxes, programming, airtime, transmission, marketing and a licence to use the Sky brand to 21st Century Fox.

### Purchases of goods and services and certain other relationships with 21st Century Fox

During the current period, the Group purchased programming from 21st Century Fox companies.

On 12 November 2014, the Group acquired 100% of Sky Italia Srl and 57.4% of Sky Deutschland AG from 21st Century Fox. For further details see note 12. In addition, the Group repaid the loan that Sky Deutschland AG had outstanding with 21st Century Fox of £105 million.

There is an agreement between 21st Century Fox and the Group pursuant to which it has been agreed that, for so long as 21st Century Fox directly or indirectly holds an interest of 30% or more in the Group, 21st Century Fox will not engage in the business of satellite broadcasting in the UK or Ireland.

### b) Joint ventures and associates

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates are disclosed below.

|  | 2014/15<br>Half year<br>£m | 2013/14<br>Half year<br>£m | 2013/14<br>Full year<br>£m |
|--|----------------------------|----------------------------|----------------------------|
| Supply of services by the Group                            | 5                          | 10                         | 19                         |
| Purchases of goods or services by the Group                | (25)                       | (32)                       | (66)                       |
| Amounts owed by joint ventures and associates to the Group | 7                          | 9                          | 8                          |
| Amounts owed to joint ventures and associates by the Group | (15)                       | (13)                       | (11)                       |

Services supplied are primarily the provision of transponder capacity, marketing, airtime sales and support services. Purchases represent fees payable for channel carriage. Amounts owed by joint ventures and associates include £1 million (2014: half year: £1 million; full year: £1 million) relating to loan funding. The maximum amount of loan funding outstanding in total from joint ventures and associates during the period was £1 million (2014: half year: £1 million; full year: £1 million).

The Group took out a number of forward exchange contracts with counterparty banks during the period on behalf of the joint venture AETN UK. On the same dates as these forward contracts were entered into, the Group entered into equal and opposite contracts with AETN UK in respect of these forward contracts. Consequently, the Group was not exposed to any of the net gains or losses on these forward contracts. The face value of forward exchange contracts with the joint venture AETN UK that had not matured as at 31 December 2014 was £14 million (2014: half year: £7 million; full year: £4 million).

During the current period, US\$1 million (2014: half year: US\$1 million) was paid to AETN UK upon maturity of forward exchange contracts.

During the current period, less than £1 million (2014: half year: £1 million) was received from AETN UK upon maturity of forward exchange contracts and less than £1 million (2014: half year: £2 million) was paid to AETN UK upon maturity of forward exchange contracts.

During the current period, €2 million (2014: half year: €2 million) was received from AETN UK upon maturity of forward exchange contracts.

At 31 December 2014 the Group had minimum expenditure commitments of £2 million (2014: half year: £4 million; full year: £3 million) with its joint ventures and associates.



## 10 Transactions with related parties and major shareholders (continued)

### c) Key management

The Group has a related party relationship with the Directors of the Company. At 31 December 2014, there were 14 (2014: half year: 15; full year: 15) members of key management, all of whom were Directors of the Company. Key management compensation is provided below:

|                              | <b>2014/15</b><br><b>Half year</b><br><b>£m</b> | 2013/14<br>Half year<br>£m | 2013/14<br>Full year<br>£m |
|------------------------------|---|----------------------------|----------------------------|
| Short-term employee benefits | <b>3</b>  | 3                          | 6                          |
| Share-based payments         | <b>4</b>  | 3                          | 7                          |
|                              | <b>7</b>  | 6                          | 13                         |

Post-employment benefits were less than £1 million in each period.

## 11 Financial instruments

The following table categorises the Group's financial instruments which are held at fair value into one of three levels to reflect the degree to which observable inputs are used in determining their fair values:

|   | <b>Level 1</b>   |                          | <b>Level 2</b>   |                          | <b>Level 3</b>   |                          |
|---|--|--------------------------|--|--------------------------|--|--------------------------|
|   | <b>31</b><br><b>December</b><br><b>2014</b><br><b>£m</b> | 30<br>June<br>2014<br>£m | <b>31</b><br><b>December</b><br><b>2014</b><br><b>£m</b> | 30<br>June<br>2014<br>£m | <b>31</b><br><b>December</b><br><b>2014</b><br><b>£m</b> | 30<br>June<br>2014<br>£m |
| <b>Financial assets</b>   |  |                          |  |                          |  |                          |
| <i>Available-for-sale financial assets</i>                        |  |                          |  |                          |  |                          |
| ITV investment  | -  | 514                      | -  | -                        | -  | -                        |
| Other investments   | <b>3</b>   | 4                        | -  | -                        | <b>28</b>  | 15                       |
| <i>Financial assets at fair value through profit or loss</i>      |  |                          |  |                          |  |                          |
| Interest rate swaps   | -  | -                        | <b>71</b>  | 82                       | -  | -                        |
| Cross-currency swaps  | -  | -                        | <b>248</b>   | 94                       | -  | -                        |
| Forward foreign exchange contracts                                | -  | -                        | <b>107</b>   | 34                       | -  | -                        |
| <b>Total</b>  | <b>3</b>   | 518                      | <b>426</b>   | 210                      | <b>28</b>  | 15                       |
| <b>Financial liabilities</b>                                      |  |                          |  |                          |  |                          |
| <i>Financial liabilities at fair value through profit or loss</i> |  |                          |  |                          |  |                          |
| Interest rate swaps   | -  | -                        | <b>(5)</b>   | -                        | -  | -                        |
| Cross-currency swaps  | -  | -                        | <b>(37)</b>  | (95)                     | -  | -                        |
| Forward foreign exchange and option contracts                     | -  | -                        | <b>(13)</b>  | (80)                     | -  | -                        |
| <b>Total</b>  | -  | -                        | <b>(55)</b>  | (175)                    | -  | -                        |

Level 1 fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market source data.

Level 3 fair values measured using inputs for the asset or liability that are not based on observable market data. Certain of the Group's available-for-sale financial assets are held at fair value and are categorised as Level 3 in the fair value hierarchy.

## 12 Acquisition of Subsidiaries

### a) Sky Deutschland

On 12 November 2014, the Group acquired 89.05% of the issued share capital of Sky Deutschland AG, obtaining control of Sky Deutschland, with 87.45% acquired through the offer process and the balance acquired subsequent to the close of the offer acceptance period on 3 November 2014. Sky Deutschland operates a pay TV business in Germany and Austria. Sky Deutschland was acquired to take advantage of growth opportunities, benefits of scale and synergy potential.

|   | <b>Recognised<br/>fair values<br/>£m</b> |
|---|--|
| <b>Recognised amounts of identifiable assets acquired and liabilities assumed</b> |  |
| Intangible assets   | 1,864                                    |
| Property, plant and equipment   | 170                                      |
| Deferred tax assets   | 597                                      |
| Derivative financial assets   | 13                                       |
| Inventories   | 344                                      |
| Trade and other receivables   | 73                                       |
| Cash and cash equivalents   | 111                                      |
| Trade and other payables  | (590)                                    |
| Deferred tax liabilities  | (488)                                    |
| Derivative financial liabilities  | (5)                                      |
| Provisions  | (13)                                     |
| Borrowings  | (312)                                    |
|   | <b>1,764</b>                             |
| Non-controlling interest  | (193)                                    |
| Goodwill  | 2,829                                    |
|   | <b>4,400</b>                             |
| <b>Satisfied by:</b>  |  |
| Cash  | 4,323                                    |
| Fair value of previously held equity interest                                     | 77                                       |
|   | <b>4,400</b>                             |
| <b>Net cash outflow arising on purchase</b>                                       |  |
| Cash consideration  | 4,323                                    |
| Less: cash and cash equivalent balances acquired                                  | (111)                                    |
| Net cash outflow arising on purchase  | 4,212                                    |
| All amounts in the above table are provisional                                    |  |

The fair value of the financial assets acquired includes trade receivables with a fair value of £45 million and a gross contractual value of £108 million. The best estimate at acquisition date of the contractual cash flows not likely to be collected was £63 million.

Goodwill of £2,829 million arising from the acquisition reflects growth opportunities and buyer specific synergies. None of the goodwill recognised is expected to be deductible for income tax purposes.

The value of the non-controlling interest in Sky Deutschland was estimated by calculating the non-controlling interest's share of net identifiable assets at the acquisition date.

Prior to obtaining control of Sky Deutschland, the Group held a 1.6% equity investment which had a carrying value of £72 million. The Group recognised a gain of £5 million within profit on disposal of available-for-sale investments as a result of measuring this investment to fair value as at the date of the acquisition.

Deferred tax assets and liabilities which are shown separately above have been offset where appropriate on the balance sheet.

Acquisition-related costs for the purchase of both Sky Deutschland and Sky Italia (see below) comprised advisory and transaction fees including, inter alia, financial advisory costs, corporate legal advice, due diligence reporting, assurance services and tax advice of £47 million within operating expense, and finance costs of £48 million incurred in connection with £6.6 billion of firm underwritten debt facilities.

For the period between the date of purchase and 31 December 2014, the acquisition contributed £180 million to the Group's revenue, and a £19 million loss to the Group's operating profit. If the Group had completed the purchase on the first day of the financial year, it is estimated that the acquisition would have contributed £694 million to Group revenue and a £13 million loss to the Group's operating profit for the period.

## b) Sky Italia

On 12 November 2014, the Group acquired 100% of the issued share capital of Sky Italia Srl, obtaining control of Sky Italia. Sky Italia operates a pay TV business in Italy. Sky Italia was acquired to take advantage of growth opportunities, benefits of scale and synergy potential.

|   | <b>Recognised<br/>fair values<br/>£m</b> |
|---|--|
| <b>Recognised amounts of identifiable assets acquired and liabilities assumed</b> |  |
| Intangible assets   | 1,784                                    |
| Property, plant and equipment   | 360                                      |
| Deferred tax assets   | 54                                       |
| Derivative financial assets   | 1  |
| Inventories   | 662                                      |
| Trade and other receivables   | 432                                      |
| Current tax assets  | 17                                       |
| Cash and cash equivalents   | 5  |
| Trade and other payables  | (1,093)                                  |
| Deferred tax liabilities  | (405)                                    |
| Current tax liabilities   | (5)                                      |
| Provisions  | (51)                                     |
|   | <b>1,761</b>                             |
| Goodwill  | 715                                      |
|   | <b>2,476</b>                             |
| <b>Satisfied by:</b>  |  |
| Cash  | 2,066                                    |
| Disposal of investment in associate   | 410                                      |
| <b>Total consideration transferred</b>  | <b>2,476</b>                             |
| <b>Net cash outflow arising on purchase</b>                                       |  |
| Cash consideration  | 2,066                                    |
| Less: cash and cash equivalent balances acquired                                  | (5)                                      |
| <b>Net cash outflow arising on purchase</b>                                       | <b>2,061</b>                             |
| All amounts in the above table are provisional                                    |  |

The fair value of the financial assets acquired includes trade receivables with a fair value of £305 million and a gross contractual value of £394 million. The best estimate at acquisition date of the contractual cash flows not likely to be collected was £89 million.

Goodwill of £715 million arising from the acquisition reflects growth opportunities and buyer specific synergies. None of the goodwill recognised is expected to be deductible for income tax purposes.

Deferred tax assets and liabilities which are shown separately above have been offset where appropriate on the balance sheet.

For the period between the date of purchase and 31 December 2014, the acquisition contributed £286 million to the Group's revenue, and £15 million to the Group's operating profit. If the Group had completed the purchase on the first day of the financial year, it is estimated that the acquisition would have contributed £1,079 million to Group revenue and £38 million to the Group's operating profit for the period.

## 13 Events after the reporting period

Subsequent to the period end, the Group acquired 19,453,096 shares in Sky Deutschland AG through market purchases. The total consideration paid for these shares was €131 million and represented an additional shareholding of 2.09% in Sky Deutschland. As a result, the Group holds 95.80% of the total share capital and voting rights of Sky Deutschland.

## **INDEPENDENT REVIEW REPORT TO SKY PLC**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2014 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
3 February 2015

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

## Appendix 2 - Non-GAAP measures

### Reconciliation of cash generated from operations to adjusted free cash flow for the half year ended 31 December 2014

|  | 2014/15<br>Half year<br>£m | 2013/14<br>Half year<br>£m |
|--|----------------------------|----------------------------|
| <b>Continuing Operations</b>   |                            |                            |
| <b>Cash generated from operations</b>  | <b>919</b>                 | 744                        |
| <i>Adjusting items:</i>  |                            |                            |
| Cash paid relating to advisory and transaction fees incurred on the purchase of Sky Italia and Sky Deutschland   | <b>14</b>                  | -                          |
| Cash paid relating to the integration of Sky Italia and Sky Deutschland and the achievement of synergies in the enlarged Group                             | <b>2</b>                   | -                          |
| Cash paid relating to integration of O2 consumer broadband and fixed-line telephony business   | <b>10</b>                  | 20                         |
| Cash paid under provisions recognised in prior periods   | <b>19</b>                  | 29                         |
| <b>Adjusted cash generated from operations</b>   | <b>964</b>                 | 793                        |
| Interest received  | <b>6</b>                   | 6                          |
| Taxation paid  | <b>(106)</b>               | (135)                      |
| Dividends received from joint ventures and associates  | <b>15</b>                  | 17                         |
| Net funding to joint ventures and associates   | <b>(4)</b>                 | (2)                        |
| Purchase of property, plant and equipment  | <b>(171)</b>               | (122)                      |
| Purchase of intangible assets  | <b>(169)</b>               | (122)                      |
| Interest paid  | <b>(153)</b>               | (69)                       |
| Cash paid relating to finance costs incurred on the purchase of Sky Italia and Sky Deutschland   | <b>81</b>                  | -                          |
| Tax effect of above adjusting items  | <b>(13)</b>                | (15)                       |
| Tax paid on income received following final settlement of disputes in prior periods with a former manufacturer of set-top boxes and an Ofcom determination | <b>-</b>                   | 10                         |
| <b>Adjusted free cash flow</b>   | <b>450</b>                 | 361                        |

### Analysis of movements in net debt

|   | As at 1<br>July 2014<br>£m | Cash<br>movements<br>£m | Non-cash<br>movements<br>£m | As at 31<br>December 2014<br>£m |
|---|----------------------------|-------------------------|-----------------------------|---------------------------------|
| Current borrowings                                  | 11                         | -                       | 480                         | 491                             |
| Non-current borrowings                              | 2,658                      | 4,914                   | (91)                        | 7,481                           |
| Borrowings-related derivative financial instruments | (80)                       | -                       | (197)                       | (277)                           |
| <b>Gross debt</b>                                   | <b>2,589</b>               | <b>4,914</b>            | <b>192</b>                  | <b>7,695</b>                    |
| Cash and cash equivalents                           | (1,082)                    | (110)                   | 15                          | (1,177)                         |
| Short-term deposits                                 | (295)                      | 45                      | -                           | (250)                           |
| <b>Net debt</b>                                     | <b>1,212</b>               | <b>4,849</b>            | <b>207</b>                  | <b>6,268</b>                    |

Consolidated income statement - reconciliation of statutory and adjusted numbers

|   |                 | 2014/15                  |                                       |  |                        |  |
|---|-----------------|--------------------------|---------------------------------------|--|------------------------|--|
|   |                 | Adjusted                 |                                       |  |                        |  |
| Notes   | Statutory<br>£m | Adjusting<br>Items<br>£m | Excluding<br>adjusting<br>items<br>£m | Italy and<br>Germany &<br>Austria<br>pre-<br>acquisition<br>£m | Like for<br>Like<br>£m |  |
| <b>Continuing Operations</b>  |                 |                          |                                       |  |                        |  |
| <b>Revenue</b>  |                 |                          |                                       |  |                        |  |
|   | 3,658           | -                        | 3,658                                 | 1,184  | 4,842                  |  |
|   | 60              | -                        | 60                                    | 19   | 79                     |  |
|   | 254             | -                        | 254                                   | 10   | 264                    |  |
|   | 274             | -                        | 274                                   | 68   | 342                    |  |
|   | 56              | -                        | 56                                    | 21   | 77                     |  |
|   | <b>4,302</b>    | <b>-</b>                 | <b>4,302</b>                          | <b>1,302</b>   | <b>5,604</b>           |  |
| <b>Operating expense</b>  |                 |                          |                                       |  |                        |  |
|   | (1,682)         | -                        | (1,682)                               | (725)  | (2,407)                |  |
|   | (419)           | -                        | (419)                                 | -  | (419)                  |  |
| A   | (1,665)         | 110                      | (1,555)                               | (548)  | (2,103)                |  |
|   | <b>(3,766)</b>  | <b>110</b>               | <b>(3,656)</b>                        | <b>(1,273)</b>   | <b>(4,929)</b>         |  |
| <b>EBITDA</b>   |                 |                          |                                       |  |                        |  |
|   | <b>811</b>      | <b>56</b>                | <b>867</b>                            | <b>126</b>   | <b>993</b>             |  |
| <b>Operating profit</b>   |                 |                          |                                       |  |                        |  |
|   | <b>536</b>      | <b>110</b>               | <b>646</b>                            | <b>29</b>  | <b>675</b>             |  |
|   | 24              | -                        | 24                                    |  |                        |  |
|   | 5               | -                        | 5                                     |  |                        |  |
| B   | (145)           | 55                       | (90)                                  |  |                        |  |
| C   | 492             | (492)                    | -                                     |  |                        |  |
| D   | 296             | (296)                    | -                                     |  |                        |  |
|   | <b>1,208</b>    | <b>(623)</b>             | <b>585</b>                            |  |                        |  |
| <b>Profit before tax</b>  |                 |                          |                                       |  |                        |  |
| E   | (144)           | 12                       | (132)                                 |  |                        |  |
|   | <b>1,064</b>    | <b>(611)</b>             | <b>453</b>                            |  |                        |  |
| <b>Profit for the period from continuing operations</b>   |                 |                          |                                       |  |                        |  |
|   | 2               | -                        | 2                                     |  |                        |  |
|   | <b>1,066</b>    | <b>(611)</b>             | <b>455</b>                            |  |                        |  |
| <b>Profit for the period attributable to non-controlling interests</b>  |                 |                          |                                       |  |                        |  |
| <b>Profit for the period from continuing operations attributable to equity shareholders of the parent company</b> |                 |                          |                                       |  |                        |  |
|   | <b>1,066</b>    | <b>(611)</b>             | <b>455</b>                            |  |                        |  |
| <b>Earnings per share from continuing operations (basic)</b>  |                 |                          |                                       |  |                        |  |
|   | <b>63.6p</b>    | <b>(36.5p)</b>           | <b>27.1p</b>                          |  |                        |  |

Notes: explanation of adjusting items for the period ended 31 December 2014

- A. Advisory and transaction fees including, inter alia, financial advisory costs, corporate legal advice, due diligence reporting, assurance services and tax advice of £47 million incurred on the purchase of Sky Italia and Sky Deutschland, costs of £9 million relating to the integration of Sky Italia and Sky Deutschland and the achievement of synergies in the enlarged Group, and amortisation of acquired intangible assets of £54 million.
- B. Finance costs of £48 million incurred in connection with £6.6 billion of firm underwritten debt facilities relating to the purchase of Sky Italia and Sky Deutschland and costs of £7 million relating to the remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.
- C. Profit on the sale of shareholding in ITV and gain on equity interest in Sky Deutschland held prior to the acquisition.
- D. Profit on disposal of a shareholding of 21% in NGC Network International LLC and a shareholding of 21% in NGC Network Latin America LLC.
- E. Tax effect of adjusting items.

We have used a constant exchange rate of €1.26:£1, being the average actual rate for the period 1 July to 31 December 2014.

**Consolidated income statement - reconciliation of statutory and adjusted numbers**

|   |       |                 |                          |                                       |  |                        | 2013/14  |
|---|-------|-----------------|--------------------------|---------------------------------------|--|------------------------|----------|
|   |       |                 |                          |                                       |  |                        | Adjusted |
|   | Notes | Statutory<br>£m | Adjusting<br>Items<br>£m | Excluding<br>adjusting<br>items<br>£m | Italy and<br>Germany &<br>Austria full<br>year<br>£m | Like for<br>Like<br>£m |          |
| <b>Continuing Operations</b>  |       |                 |                          |                                       |  |                        |          |
| <b>Revenue</b>  |       |                 |                          |                                       |  |                        |          |
| Subscription  |       | 3,097           | -                        | 3,097                                 | 1,525  | 4,622                  |          |
| Transactional   |       | 37              | -                        | 37                                    | 29   | 66                     |          |
| Wholesale and syndication   |       | 210             | -                        | 210                                   | 47   | 257                    |          |
| Advertising   |       | 239             | -                        | 239                                   | 86   | 325                    |          |
| Other   |       | 91              | -                        | 91                                    | (13)   | 78                     |          |
|   |       | 3,674           | -                        | 3,674                                 | 1,674  | 5,348                  |          |
| <b>Operating expense</b>  |       |                 |                          |                                       |  |                        |          |
| Programming   |       | (1,309)         | -                        | (1,309)                               | (962)  | (2,271)                |          |
| Direct network costs  | A     | (411)           | 10                       | (401)                                 | -  | (401)                  |          |
| Sales, general and administration   | A, B  | (1,409)         | 20                       | (1,389)                               | (706)  | (2,095)                |          |
|   |       | (3,129)         | 30                       | (3,099)                               | (1,668)  | (4,767)                |          |
| <b>EBITDA</b>   |       | 772             | 19                       | 791                                   | 134  | 925                    |          |
| <b>Operating profit</b>   |       | 545             | 30                       | 575                                   | 6  | 581                    |          |
| Share of results of joint ventures and associates   |       | 21              | -                        | 21                                    |  |                        |          |
| Investment income   |       | 6               | -                        | 6                                     |  |                        |          |
| Finance costs   | C     | (65)            | (3)                      | (68)                                  |  |                        |          |
| <b>Profit before tax</b>  |       | 507             | 27                       | 534                                   |  |                        |          |
| Taxation  | D     | (112)           | (9)                      | (121)                                 |  |                        |          |
| <b>Profit for the period from continuing operations</b>   |       | 395             | 18                       | 413                                   |  |                        |          |
| Profit for the period attributable to non-controlling interests   |       | -               | -                        | -                                     |  |                        |          |
| <b>Profit for the period from continuing operations attributable to equity shareholders of the parent company</b> |       | 395             | 18                       | 413                                   |  |                        |          |
| <b>Earnings per share from continuing operations (basic)</b>  |       | 25.2p           | 1.1p                     | 26.3p                                 |  |                        |          |

Notes: explanation of adjusting items for the period ended 31 December 2013

- A. Costs of £19 million relating to the integration of the O2 consumer broadband and fixed-line telephony business.
- B. Amortisation of acquired intangible assets of £11 million.
- C. Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.
- D. Tax effect of adjusting items.

Adjusted revenue as presented in the above table differs from adjusted revenue from recurring activities as presented elsewhere in this document. Adjusted revenue from recurring activities excludes Subscription revenue earned from the discontinued retailing of the ESPN channel (£6 million).

We have used a constant exchange rate of €1.26:£1, being the average actual rate for the period 1 July to 31 December 2014.

### Appendix 3 – Principal risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The key risks that could affect the Group's long-term performance, and the factors which mitigate these risks, are set out in more detail on pages 40–43 of the 2014 Annual Report. Other than where indicated below, the Board does not consider that the following principal risks and uncertainties have changed subject to taking into account the broader geographical spread and larger scale of the Group following completion of the acquisitions of Sky Italia Srl and Sky Deutschland A.G. Additional risks and uncertainties of which we are not aware or which we currently believe are immaterial may also adversely affect our business, financial condition, prospects, liquidity or results of operations.

- **Market and competition:** The Group operates in a highly competitive environment and faces competition from a broad range of organisations. Technological developments also have the ability to create new forms of quickly evolving competition. A failure to develop the Group's product proposition in line with changing market dynamics and expectations could erode the Group's competitive position. Great content is central to Sky's product proposition and increased competition could impact the Group's ability to acquire content that its customers want on commercially attractive terms. Economic conditions have been challenging in recent years and the future remains uncertain. A significant economic decline could impact on the Group's ability to continue to attract and retain customers.
- **Regulatory breach and change:** The Group is subject to regulation primarily under UK, Irish, Austrian, German, Italian, Luxembourg, Swiss and European Union legislation. The Group is currently, and may be in the future, subject to proceedings, and/or investigation and enquiries, from regulatory authorities. The Group's ability to operate or compete effectively could be adversely affected by the outcome of investigations or by the introduction of new laws, policies or regulations, changes in the interpretation or application of existing laws, policies and regulations, or failure to obtain required regulatory approvals or licences. Below is an update (to the extent there have been developments further to the 2014 Annual Report) of the ongoing investigations and reviews of regulatory and competition matters involving the Group
  - **Wholesale must-offer obligations:** On 5 November 2014 the Competition Appeal Tribunal ('CAT') granted BT's application to vary the Interim Relief Order granted to Sky in 2010 and extended the limited WMO obligation to BT's IPTV platforms (including YouView) on the condition that BT undertakes to maintain BT Sport on Sky's platform, and until the conclusion of Sky's substantive appeal against the WMO obligation, which is ongoing. The CAT is to consider the matter remitted to it by the Court of Appeal regarding the Group's rate card prices and discounts to those prices. The Group is currently unable to determine the outcome of its appeal.
  - **Wholesale must-offer review:** On 19 December 2014, Ofcom published a consultation as part of its review of the WMO Obligation announced in April 2014. This document represents the first phase of Ofcom's review, the purpose of which is to decide the extent to which the WMO Obligation remains appropriate or needs to be modified or removed. Ofcom is consulting on its assessment of whether, absent regulation, providers of channels which carry key sports content might limit distribution to some pay TV retailers and whether that would undermine competition. Ofcom's current view is that it may be appropriate to maintain some form of regulation on Sky in order to ensure fair and effective competition in pay TV, and that it is unlikely to be appropriate to consider the imposition of regulation on BT for the same purpose at the current time. The deadline for responding to the consultation is 27 February 2015. Ofcom plans to set out the conclusions of its assessment, and where necessary consult further on any proposed remedies, in 2015. The Group is not yet able to determine the outcome of Ofcom's review or its financial impact.
  - **Virgin Media ("VM") complaint to Ofcom alleging that the 'collective' selling of live UK television rights by the Premier League is in breach of competition law:** On 18 November 2014, Ofcom opened an investigation into whether the object or effect of the joint selling arrangements of the Football Association Premier League for live UK audio-visual media rights to Premier League matches is the restriction or distortion of competition in the UK and/or the European Union in breach of the Chapter I prohibition of the Competition Act 1998 and/or Article 101(1) of the Treaty on the Functioning of the European Union. The investigation follows a complaint from VM, which was submitted to Ofcom in September 2014. The complaint raises concerns about the limited number of Premier League matches for which live broadcasting rights are made available and alleges that this contributes to higher prices for consumers of pay TV packages that include premium sport channels and for the pay TV retailers of premium sports channels. Ofcom's investigation is ongoing. Ofcom has stated that it expects to publish an update on its investigation in March 2015. On 28 January 2015, VM submitted an application for interim measures to Ofcom, requesting Ofcom to intervene to suspend the Premier League's auction process for live broadcasting rights for the 2016/17 – 2019/20 seasons. The Group is currently unable to determine the outcome of Ofcom's investigation, nor whether, or the extent to which, it will have a material effect on the Group.
- **Customer service:** The Group's business is based on a subscription model and its future success relies on building long-term relationships with its customers. A failure to meet its customers' expectations with regards to service could negatively impact the Group's brand and competitive position.
- **Technology and business interruption:** The products and services that the Group provides to its customers are reliant on complex technical infrastructure. A failure in the operation of the Group's key systems or infrastructure, such as the broadcast platform, customer management systems, OTT platforms or the telecommunications networks on which the Group relies could cause a failure of service to our customers and negatively impact our brand.
- **Supply chain:** The Group relies on a number of third parties and outsourced suppliers operating across the globe to support its supply chain. A significant failure within the supply chain could adversely affect the Group's ability to deliver products and service to its customers.
- **Financial:** The effective management of its financial exposures is central to preserving the Group's profitability. The Group is exposed to financial market risks, and may be impacted negatively by fluctuations in foreign exchange and interest rates which create volatility in the Group's results to the extent that they are not effectively hedged. The financial leverage of the Group has increased on completion of the acquisitions of Sky Italia Srl and Sky Deutschland A.G which may limit the Group's commercial and financial flexibility. The Group may also be affected adversely by liquidity and counterparty risks.
- **Security:** The Group must protect its customer and corporate data and the safety of its people and infrastructure as well as needing to have in place fraud prevention and detection measures. The Group is responsible to third party intellectual property owners for the security of the content that it distributes on various platforms (Sky's own and third party platforms). A significant breach of security could impact the Group's ability to operate and deliver against its business objectives.
- **Projects:** The Group invests in, and delivers, significant capital expenditure projects in order continually to drive the business forward. The failure to deliver key projects effectively and efficiently could result in significantly increased project costs and impede our ability to execute our strategic plans.



- Intellectual property protection: The Group in common with other service providers relies on intellectual property and other proprietary rights, including in respect of programming content, which may not be adequately protected under current laws or which may be subject to unauthorised use.
- People: People at Sky are critical to the Group's ability to meet the needs of its customers and achieve its goals as a business. Failure to attract or retain suitable employees across the business could limit the Group's ability to deliver its business plan commitments.