



SKY PLC

Unaudited results for the nine months ended 31 March 2015

EXCELLENT PERFORMANCE ACROSS THE GROUP

Strong customer demand and loyalty across the group

- 242,000 new customer additions in Q3, almost 70% more than prior year
- Over one million new paid-for subscription products
- Stand-out churn performance in each market

Exceptional customer growth in all territories

- Highest Q3 growth in 11 years in UK and Ireland
- Record growth rate in Germany and Austria
- Best Q3 performance in Italy for three years

Excellent financial results

- 5% increase in group revenue to £8,453 million
- 20% increase in operating profit to £1,025 million

Jeremy Darroch, Group Chief Executive, commented:

“We have delivered an excellent third quarter as customers across the enlarged Sky group respond to the quality and breadth of what we offer. In all, we attracted almost 70% more new customers than the prior year and over one million new products. By continuing the strong operating momentum of the first half, we have grown revenues by 5% and operating profit by 20% over the nine months.

The UK and Ireland delivered a stand-out performance, reporting both the highest customer growth and lowest churn for eleven years. We took share in broadband and grew strongly in TV as our dual-brand strategy with NOW TV and Sky continues to deliver. At the same time, Germany enjoyed another record quarter of growth and Italy posted its best Q3 customer growth in three years. We’ve also delivered significantly increased customer loyalty in each of our businesses.

“We are particularly excited by our progress in original drama. *Fortitude* debuted as the most successful drama ever on Sky Atlantic in the UK, *1992* opened as our most successful original scripted series in Italy, while Germany took its first steps in international co-production with *100 Code*.

“As these results demonstrate, our teams are working well together right across the new Sky. Five months in, our integration plans are progressing well and we are well positioned for the expanded growth opportunity ahead.”

Results highlights

Group operational performance (Q3)

(000s)	As at 31-Mar-15	As at 31-Mar-14	Annual Growth	Quarterly Growth to 31-Mar-15
Group products	53,035	48,394	+4,641	+1,002
Group retail customers	20,848	19,902	+947	+242
Churn (%)				
UK & Ireland	10.1	11.0	-0.9pp	-0.4pp
Germany & Austria	8.5	10.9	-2.4pp	+0.2pp
Italy	9.7	10.9	-1.2pp	-0.3pp

Churn calculated on 12 month rolling basis

Group financial performance (9 months)

(£m)	As at 31-Mar-15	As at 31-Mar-14	Annual Growth
Group revenues	8,453	8,051	+5%
Group operating profit	1,025	854	+20%

Results are presented on an adjusted like for like basis including the results of Italy and Germany & Austria for the full period.

SUMMARY OF GROUP OPERATIONAL AND FINANCIAL PERFORMANCE

We continued the good momentum of the first six months in the third quarter with growing demand in all our markets driving excellent growth in both new customer additions and paid-for product sales.

Across the group, we added 242,000 net new customers in the third quarter – almost 70% more than the prior year – to take our customer base to 20.8 million. At the same time, we grew paid-for subscription products by 1.0 million taking total product sales to 3.8 million for the year to date. This reflects very strong levels of demand across our broad product offering.

In the UK and Ireland our investments to improve the customer experience helped deliver the highest Q3 customer growth in 11 years at 127,000, 41% up on the prior year. Sky in Germany and Austria achieved another good quarter of growth with 103,000 new retail customer additions, 61% more than the same period last year, taking our rolling 12 month growth rate to 494,000 – the highest in the company's history. Meanwhile, we had our best Q3 performance in Italy in three years with 12,000 new customer additions. This reversed a net loss of customers in the previous year and resulted in a second consecutive quarter of positive growth.

Paid-for product growth of 760,000 in the UK and Ireland took us over the 37 million mark, bolstered by 27% year on year growth in TV, with 94,000 additions, and 43% growth in broadband, with 100,000 additions. In Germany, paid-for products increased by 212,000 with good growth in Sky Premium HD and another strong quarter performance from Sky+ to take it

to 50% of homes. In Italy, paid-for subscription product growth was 30,000 with a new marketing campaign helping deliver strong growth in HD of 19,000.

In all three businesses we continued to make exceptional progress on improving customer loyalty. Increased customer satisfaction resulting from the growth of connected TV services delivered a 90 basis-point reduction in 12-month rolling churn to 10.1% in the UK and Ireland, our best performance in 11 years and a 40 basis-point reduction quarter on quarter. In Germany, the increased take-up of two-year contracts contributed to a reduction of 240 basis points to 8.5%. Meanwhile, churn in Italy hit a low of 9.7%, 120 basis points down on the prior year, thanks to increased product penetration and a continued focus on the quality of customers in acquisition.

Our excellent operating performance helped us achieve a 5% increase in revenues to £8,453 million while operating profit grew by 20% year on year to exceed £1 billion for the first time in a nine-month period.

Content

We had an outstanding quarter on screen with significant progress in our drive to increase the volume and quality of home-grown original content across the group.

Fortitude and the Italian political drama *1992*, became our first two dramas to premiere simultaneously across all five territories in the quarter, underlining the potential that we now have to operate at greater scale.

With an audience of 2.7 million for the first episode, *Fortitude* was Sky Atlantic's most successful original drama to date in the UK and became the most successful show for Sky Vision, our distribution business, with sales to 100 territories internationally. On the back of this successful debut, we look forward to bringing *Fortitude* back to Sky Atlantic for a second season in 2016. Meanwhile, *1992* premiered with the biggest-ever audience for an original scripted series in Italy and the successful launch of *Italia's Got Talent* has made it the top rated entertainment show on the platform ever. In Germany, we launched our first major international co-production, Scandinavian crime drama *100 Code*, to critical acclaim. Looking ahead, the first series to be jointly commissioned across the new Sky, crime drama *The Last Panthers*, launches later this year starring Samantha Morton, Tahar Rahim and John Hurt.

In acquired content, the fifth series of HBO hit *Game of Thrones* launched exclusively to Sky customers across all of our markets within 24 hours of its launch in the US on 12 April with the premiere achieving an overnight audience of over 1.5 million in the UK and Ireland, up almost 30% on the prior series.

Customers across our markets continue to enjoy the depth and breadth of our offering in sport. In Germany, Bundesliga has had a particularly good quarter, delivering a new ratings record in February and achieving a 10% share of all television viewing during the Saturday afternoon slot. In the UK, our dedicated channel for the ICC Cricket World Cup was watched by almost five million viewers while the Capital One Cup Final between Chelsea and Tottenham Hotspur achieved a peak audience of 2.4 million, up 11% on last year's final, with a further 225,000 watching live on Sky Go.

In a successful outcome to the Premier League's tender process in the UK, we strengthened Sky Sports' position as the unrivalled choice for sports fans by winning the rights to 126 live Premier League matches a season from 2016-17 to 2018-19. Our customers will be able to rely on Sky Sports to bring them three times as many live matches as any other broadcaster, including the best match picks, the most-watched slots in the schedule and live matches on Friday evenings for the first time.

Innovation

Across all of our markets we continue to bring Sky customers the best range of innovative services to make it easier to access and consume all of our content.

In the UK and Ireland, we have connected more than 1 million boxes in the year to date, taking our connected base to almost 7 million homes. This has driven On Demand downloads to over 300 million during Q3, up 63% year on year, with Sky Box Sets delivering a new quarterly record of almost 100 million viewing events across Sky+ and Sky Go with hits such as *The Walking Dead*, *Grey's Anatomy* and *Game of Thrones*.

In Italy, 32% of customers have now connected their boxes to the internet with the connected home strategy being deployed in Germany for the first time this quarter.

This growing penetration of connected devices is enabling us to drive growth in revenues from new products and services. An excellent example of this is Sky Store in the UK and Ireland where revenues increased 75% with a growing contribution from our Buy & Keep service. To date, more than half a million customers have purchased one or more movies from Sky since the service launched, and the service regularly ranks number one or two among digital retailers for new releases including over 30% of all UK digital ownership transactions for *Gone Girl*. Last week we announced that we have extended Buy & Keep to multiple devices – laptops, iOS and Android devices, and NOW TV, Roku and YouView boxes – meaning that anyone in the UK will be able to buy a movie from Sky.

NOW TV continues to make great progress with subscriber growth up 30% on the same period last year, driven by the success of our NOW TV box and our brand re-launch in early March. Sports transactions have trebled with over 1 million year to date and included a record 36,000 on the day of the Liverpool vs Manchester Utd clash in March. Our Sky Online streaming services in Italy and Germany are building on our experience in the UK, with Italy set to launch its own Sky Online box in Q4 based on the same technology already deployed in the UK and Germany. Last week we also launched our IPTV service in Italy in partnership with Telecom Italia.

Synergies and integration

While it is still early days, we are making good progress with our integration plans and are on track for our target of £200 million run-rate synergies by the end of the second full year post completion.

In order to achieve the greatest benefits across the group, our integration programme is focused on the key areas of delivering better content, accelerating product innovation and operating more efficiently. We have initially prioritised delivery of a select number of initiatives

around which the organisation can align. These include: moving to a common set-top box platform across our territories; commissioning and acquiring original content as one; partnering with our top suppliers to buy more smartly and efficiently; and developing an advanced set of broadcast and OTT infrastructures.

GROUP FINANCIAL PERFORMANCE

Revenue

Group revenues grew by 5% to £8,453 million (2014: £8,051 million). UK and Ireland revenues were up 6% to £5,824 million (2014: £5,490 million) and revenues in Germany were up 9% to £1,037 million (2014: £951 million). Revenues in Italy were resilient at £1,592 million (2014: £1,610 million) despite the challenging economic environment.

We saw excellent rates of growth in all of our main revenue streams across the group. Subscription and transactional revenues grew by 5% and 19% respectively reflecting a record trading performance over the past twelve months. We also delivered strong growth in both Advertising (+6%) and Wholesale (+4%) revenues as we continue to benefit from customer demand for our channels and programming.

Subscription revenues were up 5% to £7,280 million as we converted the healthy growth in customers (+947,000) and products (+4.6 million) over the past 12 months into ongoing revenues. Germany delivered the strongest rate of growth, up 10%, whilst the largest absolute revenue growth came from the UK, driven by increases in our customer base and selling more products, with further benefit from our September price rise. Subscription revenues in Italy were up £7 million as we held our customer base flat year on year and increased HD penetration alongside a Multiscreen price rise.

Our fastest rate of growth was in transactional revenues, up 19% to £120 million driven by the early success of Sky Store in the UK which included incremental revenues this year from our Buy & Keep service launched in April 2014.

Wholesale and syndication revenues were up 4% year on year to £406 million driven primarily by the strong performance in the UK due to rate increases under our new Virgin Media and TalkTalk contracts, and excellent growth in Sky Vision following good international demand for *Fortitude* and the acquisition of Love Productions. Underlying wholesale revenues in Italy were broadly flat year on year (looking through the benefit in the prior year from Champions League resale revenues) while wholesale revenues in Germany were marginally down, as a result of the successful migration of former Deutsche Telekom customers.

Group advertising revenues increased by 6% with Germany delivering very strong growth of 22% through higher sell-out rates and increased inventory around Bundesliga. In the UK, advertising revenues were boosted by the continued strong performance of AdSmart alongside market growth from the pull forward of election marketing spend. Advertising revenues in Italy were up 5% due to the strong performance of our free-to-air channel Cielo.

Costs

Group operating costs grew by just 3%, well below the rate of revenue growth, to £7,428 million (2014: £7,203 million) demonstrating excellent operating cost control whilst we continue to invest in content in all markets.

Group programming costs were up 4%, improving our on-screen proposition for customers. In the UK, programming cost growth was driven by the biennial Ryder Cup and Cricket World Cup in Sports, whilst in our Entertainment portfolio we brought *Fortitude* to screen, and invested in the recently launched Sky Asia pack and ITV Encore channel. Programming costs in both Germany and Italy were flat with our increased sports cost in Germany being offset by the benefit of changes in the amortisation profile for Bundesliga costs, better reflecting how customers consume these rights. In Italy the higher cost of the Fifa World Cup and greater investment in entertainment programming this year was offset by the end of our movies contract with the production and distribution business Medusa and the cost of the Sochi Winter Olympics last year.

Our UK broadband direct network costs grew by just 4%, below the rate of home communications revenue growth as we benefited from continued scale efficiencies across our network.

Sales, General and Admin costs were up only 2% across the group with the higher upfront cost of accelerated growth in Germany offset by the efficiencies made across Italy and the UK as part of their respective ongoing operating efficiency programmes.

Profit

Group operating profit grew strongly, up 20% to £1,025 million (2014: £854 million) through excellent revenue growth combined with good control over our cost base. This resulted in a 150 basis point expansion in our operating margin.

Our strong financial performance has been achieved in spite of adverse currency movements which have seen the value of the Euro weaken relative to Sterling since the start of our fiscal year. The results of Italy and Germany have been translated into Sterling at a rate of €1.29:£1 which is the average prevailing exchange rate for the nine months to 31 March 2015.

The UK continues to deliver the largest share of group operating profit growing by 14% to more than £1 billion whilst we saw a £43 million reduction in losses in Germany versus last year as we continue to translate strong subscriber revenue growth into an improved operating profit performance. Operating profit in Italy was up £5 million to £45 million demonstrating the continued resilience of the business in difficult economic conditions.

Adjusting for depreciation and amortisation of £475 million, EBITDA was £1,500 million (2014: £1,355 million).

Narrative on our financial performance is on an adjusted like for like basis.

CORPORATE

Sky Bet

On 19 March, Sky announced that it had closed the deal to sell a controlling stake in Sky Bet to funds controlled by CVC Capital Partners which resulted in a profit on disposal of approximately £600 million. Sky Bet is now presented as a discontinued operation.

Bond issuance

On 26 March, Sky announced the issuance of a €600 million five-year floating rate bond at a coupon of 0.75%. This debt refinances the remaining piece of the bank bridge facility put in place for the European acquisitions completed in November 2014. In addition, it provides funding for the acquisition of the fewer than 4% of Sky Deutschland shares held by minority shareholders that we plan to acquire later this year through the already announced "Squeeze-out" process.

Schedule 1 – Group KPI Summary (unaudited)

All figures (000) unless stated	FY13/14				FY14/15		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
UK and Ireland	32,434	33,307	34,071	34,775	35,535	36,555	37,315
Germany and Austria	5,691	5,895	6,025	6,164	6,373	6,794	7,006
Italy	8,141	8,259	8,298	8,311	8,637	8,684	8,714
Total Products	46,266	47,461	48,394	49,250	50,545	52,033	53,035
UK and Ireland	11,224	11,330	11,420	11,495	11,546	11,750	11,877
Germany and Austria	3,529	3,667	3,731	3,813	3,908	4,123	4,225
Italy	4,757	4,760	4,751	4,725	4,704	4,734	4,746
Retail customers	19,510	19,757	19,902	20,033	20,158	20,607	20,848
UK and Ireland	3,617	3,624	3,602	4,041	4,035	4,080	4,077
Germany and Austria	280	268	258	213	155	155	154
Italy	-	-	-	-	-	-	-
Wholesale customers	3,897	3,892	3,860	4,254	4,190	4,235	4,231
Total Customers	23,407	23,649	23,762	24,287	24,348	24,842	25,079
Churn							
UK and Ireland	10.7%	10.9%	11.0%	10.9%	10.9%	10.5%	10.1%
Germany and Austria	12.0%	11.4%	10.9%	10.4%	9.4%	8.3%	8.5%
Italy	13.3%	13.1%	10.9%	10.3%	10.0%	10.0%	9.7%
ARPU							
UK and Ireland	£46	£46	£46	£46	£46	£47	£47
Germany and Austria	€ 36	€ 36	€ 36	€ 36	€ 36	€ 35	€ 35
Italy	€ 43	€ 43	€ 43	€ 43	€ 43	€ 43	€ 43

Page 2 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 March 2015.
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 and Austria, 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.

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There will be a conference call for analysts and investors at 8.30 a.m. (BST). Participants should register by contacting Holly Dymock on +44 20 7251 3801 or at Holly.Dymock@Finsbury.com. There will be a separate conference call for US analysts and investors at 10.00 a.m. (EDT). 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/2015Q3/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.

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, synergies and integration, 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. Information on the significant risks and uncertainties are described in the "Principal risks and uncertainties" section of Sky's Annual Report for the full year ended 30 June 2014 (as updated in Sky's results for the six months ended 31 December 2014).

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 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 and in hard copy from the Company Secretary, Sky plc, Grant Way, Isleworth, Middlesex TW7 5QD.