



## **Appendix 4D Release to ASX under rule 4.2A**

### **Half Year Information for Sky Network Television Limited for the six months to 31 December 2019**

*To be read in conjunction with Sky Network Television Limited financial statements for the year  
ended 30 June 2019*

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## **Sky reports growth in streaming services; tracking towards 1 million customers**

12 February 2020

### Key points:

- Sky achieving growth, with total subscribers increased to 795,000, including 74%<sup>1</sup> increase in streaming customer numbers
- Delivering strong progress across all strategic objectives
- Acquisitions of RugbyPass and Lightbox open door for further growth in New Zealand and offshore
- Revenues of \$385m with reconfirmation of Full Year 2020 guidance range of \$750m and \$770m
- EBITDA<sup>2</sup> of \$89.7m, with Full Year 2020 guidance confirmed at \$170m-\$190m
- NPAT of \$11.9m
- Business repositioned to be a leading New Zealand multimedia organisation, transforming rapidly to meet current and future needs of customers
- On trajectory to achieve 1 million customers in 2021

Sky has today reported financial results for the six months ended 31 December 2019, delivering strong growth in streaming customer numbers of 74% and overall growth in the customer base to 795,000 from 750,000 a year ago. The Lightbox acquisition will continue the momentum.

Martin Stewart, Sky's Chief Executive said "We are pleased to have grown our customer numbers and to have made strong progress across all of our strategic objectives. Our ambition is to connect New Zealanders with the sport and entertainment content they love, in ways that work for them.

"Our new and enhanced streaming services are attracting new customers to Sky, and we are also firmly focused on super-serving our satellite customers. One of the pleasing outcomes is seeing the 25% growth in satellite customers who are also streaming our content on Sky Go, and we've had excellent feedback about new features like the ability to cast to big screens and download-to-go.

"The Lightbox acquisition and our investment in ground-breaking new digital services gives us confidence that we will continue our growth trajectory. We have reached 925,000 customers this month, an all-time high for Sky, and have now set our sights on reaching the 1 million mark."

Revenue of \$384.8m is down 5% from \$403m in the previous period, but with positive signs with satellite churn performance improving from 15% to closer to 13% as a result of initiatives to attract and retain customers.

“Slowing the decline in satellite customer numbers is an important achievement, as it shows that we can manage the transition to a streaming future while continuing to serve satellite customers well and earning their loyalty every day.”

Operating costs, excluding depreciation, have increased 7% in the period to \$295.1m, including some one-off expenditure and investments that open the door to future growth. Programming rights have increased as anticipated, as Sky continues to ensure it secures the rights that matter to New Zealand fans. Marketing spend has been boosted after a long period of under-investment.

“Today’s results reflect a business in transformation. In the last year Sky has undergone significant change to reposition for growth in an increasingly competitive market. Many of the one-off costs we report today are a consequence of these changes, and we will continue to maintain the balance between careful control of costs and new investment to position Sky for future growth.”

### ***Investment for Growth***

The investment in RugbyPass provides the opportunity to grow Sky’s business beyond New Zealand’s borders, with more than 30 million people engaging with RugbyPass content every month. Initiatives like the launch of the RugbyPass TV channel in a number of Asian markets on 31 January, timed to coincide with the Six Nations and start of the Super Rugby season, shows Sky leveraging its capabilities to expand the RugbyPass customer base. In this example, adding linear TV to the RugbyPass portfolio enables the business to expand its reach in certain markets and create a blended TV and digital experience for rugby fans.

The Lightbox acquisition, which was announced in December and completed on 31 January 2020, accelerates the shift to streaming and enables the development of a super-charged entertainment service combining the best of Neon and Lightbox content.

The development of Sky’s new digital platform is progressing well, with details expected to be released in the next quarter.

### ***Securing the rights that matter, and fuelling sport in New Zealand***

The announcement in October of Sky’s revolutionary broadcast deal for SANZAAR Rugby rights was a clear demonstration of the strategy to retain the rights that matter. Sky also extended its partnership with Netball New Zealand, the New Zealand Olympic Committee and IOC, and secured the rights to ICC Cricket and Cricket Australia.

“We have also invested strategically to grow and nurture New Zealand sport at all levels. The strength and sustainability of the sports sector is as vital to Sky as it is to the wellbeing of the communities in which we operate. Our investment in the Sky Sport Next programme helps to grow more than 50 sports across the country, and we are also supporting a number of teams such as the Sky Sport Breakers, Wellington Phoenix, Kiwi Ferns, Warriors Women, Tall Ferns and White Sox.”

## **Outlook**

Sky has confirmed the FY2020 guidance provided in November 2019. FY2020 revenue is expected to be within the guidance range of \$750m - \$770m, and EBITDA is expected to be within the guidance range of \$170m - \$190m.

Capex is expected to remain within the target range of 7-9% of revenue. No dividend will be paid, consistent with the Company's strategy to reinvest in the business.

"We are pleased to report strong progress across all of our strategic objectives, and investors and customers can expect to see further progress in 2020. We have a clear focus on satisfying the needs of our customers and partners in order to achieve long-term value for our shareholders."

ENDS

<sup>1</sup> All percentage changes compare to the prior comparable period (six months to 31 December 2018) unless otherwise stated.

<sup>2</sup> EBITDA is a non-GAAP financial measure and is defined by the Company as Earnings before income tax, interest expense, depreciation, amortisation and impairment, unrealised gains and losses on currency and interest rate swaps. The directors and management believe that this measure provides useful information on the underlying performance of the Group. You should not consider this in isolation from, or as a substitute for, the information provided in the unaudited consolidated financial statements for the six months ended 31 December 2019, which are available at <https://www.sky.co.nz/investor-relations/results-and-reports>.

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## Results for announcement to market

### **SKY Network Television Limited** **Half year ended on 31 December 2019 (In NZD)**

Total operating revenues of \$384,839,000 has decreased \$18,193,000 from the prior half year, which is a 4.5% decrease.

Net profit of \$11,868,000 has decreased \$41,736,000 from the prior half year, which is a 77.9% decrease.

Net profit attributable to security holders of \$11,715,000 has decreased \$41,719,000 from the prior half year, which is a 78.1% decrease.

Dividends	Amount per security	Franked amount per Security
Interim Dividend payable	Nil	N/A
Previous corresponding period – Interim Dividend (paid March 2019)	7.5 cents	N/A

Brief explanation of any figures reported above, refer the interim financial statements and the results presentation attached.



# 2020

**Interim Report**  
SKY NETWORK TELEVISION LIMITED

**sky**



# Chairman Update

In my address to the Annual General Meeting in late 2019, I commented that the status quo of the last decade was not an option.

Technology, consumer behaviour and commercial pressures are all changing at an unprecedented pace and Sky had until recently been slow to adapt. Subsequent events continue to support this analysis.

**Sky takes pride in connecting New Zealanders with the sport and entertainment content they love, in ways that work for them.**

To deliver on this goal in an increasingly online world, Sky has continued to drive the important transition to a streaming future, delivering further increases in streaming customers and revenues. Greater focus on our DTH customers has also reduced churn and subscriber attrition.

Securing or renewing a number of key content rights in an increasingly competitive and global environment were important achievements in the period. In particular, the extended relationship with SANZAAR and New Zealand Rugby will provide content that is so important to New Zealand fans, as well as allow Sky to support the development of the game and the next generation of players in New Zealand.

Strategic initiatives like the purchase of Lightbox and the acquisition of global streaming service RugbyPass create opportunities for growth, both in New Zealand and beyond our borders.

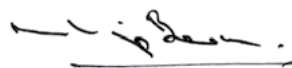
The Interim Results we present today reflect a business in transformation. Over the past twelve months Sky has undergone significant change to reposition itself for growth in an increasingly competitive market. Many of the one-off costs we report today are a consequence of these changes, and it is likely that there will

be further restructuring costs to come. The objective of the Board and Management is to maintain a balance between prudent control of the business cost base and new investment to position the Company for future growth.

As we enter the second half of the financial year Management has a firm focus on the execution of its growth plans, with ambitious targets to increase customer numbers and improve customer satisfaction levels. Investors and customers can expect to see innovations in our digital services, fresh approaches to pricing and content packaging, as well as the introduction of initiatives designed to reward our loyal customers and attract more New Zealanders to Sky.

The path ahead is not an easy one and there are many competitive challenges including a significant increase in content costs. The strategy that we are pursuing is a long-term one to drive value for our stakeholders, rather than one of unsustainable short-term profit maximisation. The refreshed Sky team is energised and focused on implementing clear plans to strengthen the base business whilst generating new revenue streams. Delivering this strategy will also require a strengthened capital structure; Management, together with the Board, is currently evaluating best how to align the capital structure with these requirements.

On behalf of the Board, I would like to thank you for your continuing support and look forward to again updating you on progress later in the year.



**Philip Bowman**  
CHAIRMAN





# CEO Update

## Laying the foundation for success is a vital part of winning.

Ask any sportsperson. Before you are selected to compete you must first do the preparation and prove yourself worthy of selection.

We have spent the last year at Sky transforming the business and building a platform for growth. The pace has been fast and the change hasn't always been easy, but we enter 2020 feeling match fit.

We delivered on some important objectives, including enhancing our streaming services, super-serving our satellite customers, winning key rights including Rugby and Netball, and opening the door to global growth with the purchase of RugbyPass.

### Achieving positive momentum

The Interim Results we report today show pleasing progress in priority areas, particularly the growth in streaming customers and revenue. Slowing the decline in satellite customer numbers is also an important achievement, as it shows that we can manage the transition to a streaming future while continuing to serve satellite customers well and earning their loyalty every day.

We finished the half year with 795,000 subscribers, and have since welcomed over 130,000 active Lightbox customers as a result of that acquisition. The progress we have achieved in the last six months, along with our investment in future growth areas, sets us well on the track to have one million subscribers by 2021.

### Investing in our future

The Interim Results show an increase in expenditure, some of which are one-offs associated with the transformation of the business and our ambitions for growth. Other increases reflect the realities of our competitive market, with increases in content costs and the need to boost marketing spend after a long period of under-investment.

We have invested in a new Sky Digital team, tasked with developing a ground-breaking new digital platform for Sky. I look forward to revealing details in the coming months.

We made some important investments in sport in New Zealand, as the strength and sustainability of the sports sector is as vital to us as it is to the wellbeing of the communities in which we operate. It is in everyone's interests for sport to be nurtured, and I'm particularly proud of the investment we have made in Sky Sport Next to help grow 50 sports across the country, along with our support for a number of teams such as the Sky Sport Breakers, the Wellington

Phoenix, the Kiwi Ferns, the Warriors Women NRL and Future Warriors, the Tall Ferns and the White Sox.

We have a unique partnership with New Zealand Rugby and are committed to working with them to grow and develop the game and its fan base. Our renewed rights agreement was a significant achievement in the period, as were our renewed relationships with Netball, the New Zealand Olympic Committee and IOC, and the ICC and Cricket Australia.

### The path ahead

We have entered the second half of the financial year with enthusiasm and confidence.

We completed the Lightbox deal on 31 January and will launch a super-charged streaming service that brings together the best of Neon and Lightbox, providing New Zealanders with a superb line-up of entertainment content. It is good to be working with Spark to deliver the new service to their customers as part of the deal, and I look forward to launching it in the coming months.

There is significant opportunity with RugbyPass, with more than 30 million people engaging with RugbyPass content every month. Initiatives like the launch of the RugbyPass TV channels in Asian markets, timed to coincide with the Six Nations and the start of the 2020 SuperRugby season, demonstrate how we will leverage Sky's capabilities to grow RugbyPass paying audiences. Adding linear TV to the RugbyPass portfolio in this way enables the business to expand its reach in certain markets and create a blended TV and digital experience for rugby fans.

While we have secured key rights that matter to our customers in the last few months, the nature of our business means rights will regularly be up for negotiation. We will continue to make careful choices about what we fight for and how much we spend.

In all aspects of our business, we will continue to maintain the balance between careful control of costs and new investment to position Sky for future growth.

Across everything we do, our goal is to connect New Zealanders with the sport and entertainment content they love, in ways that work for each of them. That means super-serving our satellite customers and having a laser focus on growing our streaming services.

I look forward to a positive and successful 2020.



**Martin Stewart**  
CHIEF EXECUTIVE



# Our 2020 **Interim Financials**

For the six months ended 31 December 2019 (unaudited)

# Consolidated interim statement of comprehensive income

For the six months ended 31 December 2019 (unaudited)

in NZD 000	Notes	31-Dec-19 (6 months)	31-Dec-18 (6 months)	30-Jun-19 (1 year Audited)
<b>Total revenue</b>	4	384,839	403,032	795,126
<b>Expenses</b>				
Programming		174,685	161,727	326,461
Subscriber related costs		50,767	42,064	88,323
Broadcasting and infrastructure		38,837	46,817	95,846
Depreciation, amortisation and impairment of assets		61,336	47,262	131,103
Other costs		30,830	24,141	54,328
	4	<b>356,455</b>	<b>322,011</b>	<b>696,061</b>
<b>Operating profit before impairment</b>		<b>28,384</b>	<b>81,021</b>	<b>99,065</b>
Impairment of goodwill	12	–	–	670,000
<b>Operating profit/(loss)</b>		<b>28,384</b>	<b>81,021</b>	<b>(570,935)</b>
Finance costs, net		8,800	6,507	12,442
<b>Profit/(loss) before tax</b>		<b>19,584</b>	<b>74,514</b>	<b>(583,377)</b>
Income tax expense		7,716	20,910	24,460
<b>Profit/(loss) for the period</b>		<b>11,868</b>	<b>53,604</b>	<b>(607,837)</b>
<b>Attributable to:</b>				
Equity holders of the Company		11,715	53,434	(608,158)
Non-controlling interests		153	170	321
		<b>11,868</b>	<b>53,604</b>	<b>(607,837)</b>
<b>Earnings per share</b>				
Basic and diluted earnings/(loss) per share (cents)	9	2.81	13.73	(156.28)
<b>OTHER COMPREHENSIVE INCOME</b>				
Profit/(loss) for the period		11,868	53,604	(607,837)
<b>Items that may be reclassified to profit and loss</b>				
Deferred hedging losses/(gains) transferred to operating expenses during the period		523	(3,215)	(2,745)
Exchange differences on translation of foreign operations	9	283	–	–
Income tax effect		(146)	900	769
<b>Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of income tax</b>		<b>660</b>	<b>(2,315)</b>	<b>(1,976)</b>
<b>Items that may not be reclassified to profit or loss</b>				
Deferred hedging gains and losses transferred to non-financial assets during the period		(4,095)	(6,036)	(10,097)
Income tax effect		1,146	1,690	2,827
<b>Net other comprehensive loss not being reclassified to profit or loss in subsequent periods, net of income tax</b>		<b>(2,949)</b>	<b>(4,346)</b>	<b>(7,270)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>9,579</b>	<b>46,943</b>	<b>(617,083)</b>
<b>Attributable to:</b>				
Equity holders of the Company		9,426	46,773	(617,404)
Non-controlling interests		153	170	321
		<b>9,579</b>	<b>46,943</b>	<b>(617,083)</b>

# Consolidated interim balance sheet

As at 31 December 2019 (unaudited)

in NZD 000	Notes	31-Dec-19	31-Dec-18	30-Jun-19 Audited
<b>Current assets</b>				
Cash and cash equivalents	13	3,898	6,957	4,283
Trade and other receivables		59,731	64,226	61,996
Programme rights inventory	6	112,786	83,604	89,458
Income tax receivable		294	–	–
Derivative financial instruments	13	2,865	8,944	5,019
		<b>179,574</b>	<b>163,731</b>	<b>160,756</b>
<b>Non-current assets</b>				
Property, plant and equipment		162,053	198,451	163,217
Intangible assets		45,491	51,022	50,485
Right-of-use assets	8	68,133	–	–
Goodwill	12	433,812	1,065,331	395,331
Derivative financial instruments	13	261	2,127	1,564
		<b>709,750</b>	<b>1,316,931</b>	<b>610,597</b>
<b>Total assets</b>		<b>889,324</b>	<b>1,480,662</b>	<b>771,353</b>
<b>Current liabilities</b>				
Interest bearing loans and borrowings	7/13	1,103	1,674	1,701
Lease liabilities	8	39,114	–	–
Trade and other payables		125,379	117,850	136,078
Contract liabilities		51,788	58,373	54,396
Income tax payable		–	7,362	11,052
Derivative financial instruments	13	4,650	3,219	2,721
		<b>222,034</b>	<b>188,478</b>	<b>205,948</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	7/13	215,854	211,577	191,961
Lease liabilities	8	41,619	–	–
Other non-current liabilities	11	5,283	–	–
Derivative financial instruments	13	2,546	3,435	2,952
Deferred tax		10,374	32,307	18,924
		<b>275,676</b>	<b>247,319</b>	<b>213,837</b>
<b>Total liabilities</b>		<b>497,710</b>	<b>435,797</b>	<b>419,785</b>
<b>Equity</b>				
Share capital	9	617,094	577,403	577,403
Reserves	9	(2,149)	2,371	(53)
Retained earnings		(224,813)	463,667	(227,111)
<b>Total equity attributable to equity holders of the Company</b>		<b>390,132</b>	<b>1,043,441</b>	<b>350,239</b>
Non-controlling interest		1,482	1,424	1,329
<b>Total equity</b>		<b>391,614</b>	<b>1,044,865</b>	<b>351,568</b>
<b>Total equity and liabilities</b>		<b>889,324</b>	<b>1,480,662</b>	<b>771,353</b>

  
Philip Bowman  
CHAIRMAN

  
Martin Stewart  
CHIEF EXECUTIVE

For and on behalf of the board 11 February 2020.

## Consolidated interim statement of changes in equity

For the six months ended 31 December 2019 (Unaudited)

in NZD 000	Attributable to owners of the parent						
	Notes	Share capital	Reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 July 2019		577,403	(53)	(227,111)	350,239	1,329	351,568
Impact of change in accounting policy	3	–	–	(9,417)	(9,417)	–	(9,417)
Adjusted balance		577,403	(53)	(236,528)	340,822	1,329	342,151
Profit for the period		–	–	11,715	11,715	153	11,868
Exchange difference on translation of foreign operations	9	–	283	–	283	–	283
Cash flow hedges, net of tax		–	(2,572)	–	(2,572)	–	(2,572)
Total comprehensive income for the period		–	(2,289)	11,715	9,426	153	9,576
Transactions with owners in their capacity as owners							
Issue of ordinary shares related to business combination	9	24,378	–	–	24,378	–	24,378
Issue of ordinary shares to NZ Rugby Union	9	15,436	–	–	15,436	–	15,436
Transaction costs relating to share issues		(123)	–	–	(123)	–	(123)
Employee share scheme	9	–	193	–	193	–	193
		39,691	193	–	39,884	–	39,884
Balance at 31 December 2019		617,094	(2,149)	(224,813)	390,132	1,482	391,614
For the six months ended 31 December 2018 (unaudited)							
Balance at 1 July 2018		577,403	9,032	439,418	1,025,853	1,254	1,027,107
Profit for the period		–	–	53,434	53,434	170	53,604
Cash flow hedges, net of tax		–	(6,661)	–	(6,661)	–	(6,661)
Total comprehensive income for the period		–	(6,661)	53,434	46,773	170	46,943
Transactions with owners in their capacity as owners							
Dividend paid		–	–	(29,185)	(29,185)	–	(29,185)
Supplementary dividends		–	–	(4,316)	(4,316)	–	(4,316)
Foreign investor tax credits		–	–	4,316	4,316	–	4,316
		–	–	(29,185)	(29,185)	–	(29,185)
Balance at 31 December 2018		577,403	2,371	463,667	1,043,441	1,424	1,044,865
For the year ended 30 June 2019 (audited)							
Balance at 1 July 2018		577,403	9,032	439,418	1,025,853	1,254	1,027,107
(Loss)/profit for the year		–	–	(608,158)	(608,158)	321	(607,837)
Cash flow hedges, net of tax		–	(9,246)	–	(9,246)	–	(9,246)
Total comprehensive (loss)/income for the year		–	(9,246)	(608,158)	(617,404)	321	(617,083)
Transactions with owners in their capacity as owners							
Dividend paid		–	–	(58,371)	(58,371)	(246)	(58,617)
Supplementary dividends		–	–	(8,552)	(8,552)	–	(8,552)
Foreign investor tax credits		–	–	8,552	8,552	–	8,552
Employee share scheme	9	–	161	–	161	–	161
		–	161	(58,371)	(58,210)	(246)	(58,456)
Balance at 30 June 2019		577,403	(53)	(227,111)	350,239	1,329	351,568

## Consolidated interim statement of cash flows

For the six months ended 31 December 2019 (unaudited)

in NZD 000	Notes	31-Dec-2019 (6 months)	31-Dec-2018 (6 months)	30-Jun-2019 (1 year) (audited)
<b>Cash flows from operating activities</b>				
Profit/(loss) before tax		19,584	74,514	(583,377)
<b>Adjustment for non-cash items:</b>				
Depreciation and amortisation		61,336	47,262	131,103
Impairment of goodwill		–	–	670,000
Impairment of programme rights	6	1,396	–	5,715
Unrealised foreign exchange loss/(gain)		644	(349)	(258)
Interest expense		8,588	7,221	13,895
Bad debts and movement in provision for doubtful debts		500	393	1,186
Other non-cash items		447	(2,305)	605
<b>Movement in working capital items:</b>				
Decrease/(increase) in receivables		2490	(3,598)	(65)
(Decrease)/increase in payables		(11,595)	8,290	5,362
(Increase)/decrease in programme rights		(7,407)	(5,226)	(16,795)
<b>Cash generated from operations</b>		<b>75,983</b>	<b>126,202</b>	<b>227,371</b>
Interest paid		(10,492)	(8,817)	(14,045)
Bank facility fees paid		(25)	(1,186)	(800)
Income tax paid		(23,500)	(26,500)	(34,500)
<b>Net cash from operating activities</b>		<b>41,966</b>	<b>89,699</b>	<b>178,026</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		–	154	228
Acquisition of property, plant, equipment and intangibles	10	(33,249)	(38,763)	(76,342)
Acquisition of subsidiary, net of cash acquired	11	(15,193)	–	–
Disposal of short term investment		–	6,332	6,334
<b>Net cash used in investing activities</b>		<b>(48,442)</b>	<b>(32,277)</b>	<b>(69,780)</b>
<b>Cash flows from financing activities</b>				
Advances received – bank loan		49,000	206,000	257,000
Repayment of borrowings – bank loan		(23,000)	(230,000)	(300,000)
Payments for lease liability principal		(19,366)	–	–
Vendor finance received		–	3,206	3,205
Repayment of other borrowings		(543)	(864)	(1,693)
Dividend paid to minority shareholders		–	–	(246)
Dividends paid		–	(33,501)	(66,923)
<b>Net cash used in financing activities</b>		<b>6,091</b>	<b>(55,159)</b>	<b>(108,657)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(385)</b>	<b>2,263</b>	<b>(411)</b>
Cash and cash equivalents at beginning of the period		4,283	4,694	4,694
<b>Cash and cash equivalents at end of the period</b>		<b>3,898</b>	<b>6,957</b>	<b>4,283</b>

# Notes to the interim financial statements

For the six months ended 31 December 2019 (unaudited)

## 1. General information

Sky Network Television Limited ("Sky") is a company, incorporated and domiciled in New Zealand. The address of its registered office is 10 Panorama Road, Mt Wellington, Auckland, New Zealand. The consolidated interim financial statements for the six months ended 31 December 2019 comprise Sky and its subsidiaries (the Group).

Sky is a company registered under the Companies Act 1993 and is a reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

These consolidated interim financial statements were approved by the Board of Directors on 11 February 2020.

## 2. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013, the NZX Main Board Listing Rules and the ASX Listing Rules.

These consolidated interim financial statements of Sky are for the six months ended 31 December 2019. They have been prepared in accordance with New Zealand generally accepted accounting practice, NZ IAS 34 Interim Financial Reporting and International Accounting Standard 34 (IAS 34). They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2019. For the purposes of financial reporting Sky is a profit-oriented entity.

The preparation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These interim financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments).

### Growth strategy and future performance

During the period, the Group has continued to execute its strategy which has included the following events and transactions:

- The acquisition of Rugby Pass Limited in August, which resulted in goodwill of \$38 million (refer Note 11). Part of the acquisition cost included the Group issuing 25,085,408 shares (refer Notes 9 and 11).
- In November Sky negotiated a five-year partnership agreement with the New Zealand Rugby Union (NZR) as a result of successfully renewing the SANZAAR contract for the five years from 2021 to 2025. The terms of the agreement included the issue of 21,801,325 Sky shares to NZR with a fair value of \$15 million (refer Notes 6 and 9).
- Review of the organisational design and structure within the Group.
- In January 2020, the Group completed the acquisition of Lightbox from Spark (refer Note 16).

There are also a number of other initiatives that have been executed during the period as part of the Group's ongoing transformation programme. In order to fund these investments, Directors and

Management are focussed on cash flow management and the effective use of capital as evidenced by the suspension of the dividend in 2019.

Considering the above, the Directors have reviewed the operating and cash flow forecasts for the five-year period to 2025. The Directors are satisfied, based on their review of these financial forecasts that during the period to at least 12 months from approving the consolidated interim financial statements there will be adequate cash flows generated from operating activities to meet the obligations of the Group as they arise.

The cash flow forecast reviewed by the Directors is based on assumptions regarding future, or in progress, initiatives that may have a material effect on actual future cash flows. They include key assumptions relating to:

- Growth rates in streaming subscribers and churn rates in satellite subscribers.
- Expansion of international services through RugbyPass.
- Expansion of content delivery means other than satellite.

As part of this growth plan, the Directors are also currently reviewing the funding structure of the Group given the investments required under the transformation programme and maturity of the \$100 million bond in March 2021. The current bank facility expires in July 2022 with a stepdown in the bank facility from \$200 million to \$150 million by July 2021 (refer Note 7).

The Board acknowledges the inherent execution risks involved in its growth strategy that may significantly impact the Group's financial performance, cash flow forecasts and consequently impact on banking facility terms and may affect the Group's assessment of impairment in future periods (as set out in Note 12). The group's capital structure, including adequacy of banking covenants is dependent on and sensitive to the timing and execution of the Group's strategy which affects the level of operating cash flows, capital investments and disposals that are key inputs to the financial ratio calculation (refer Note 7).

Acknowledging the inherent execution risks associated with the growth and transformation plan and underlying key assumptions, it is the Directors' considered view that the assumptions used in the cash flow forecast are reasonable and that the use of the going concern basis in preparing the consolidated interim financial statements remains appropriate.

### Group structure

The Group has a majority share in the following subsidiaries.

Name of Entity	Principal Activity	Country of Incorporation	Parent	Interest held Dec 2019	Dec 2018 and June 2019
Sky DMX Music Limited	Commercial music	New Zealand	Sky	50.50%	50.50%
Sky Ventures Limited	Investment	New Zealand	Sky	100.00%	100.00%
Media Finance Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Outside Broadcasting Limited	Broadcasting services	New Zealand	Sky	100.00%	100.00%
Screen Enterprises Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Igloo Limited	Non-trading	New Zealand	Sky	100.00%	100.00%
Believe It Or Not Limited	Entertainment quizzes	New Zealand	Sky	51.00%	51.00%
Sky Investment Holdings Limited (incorporated 15 August 2019)	Investment	New Zealand	Sky	100.00%	0.00%
Rugby Pass Limited (acquired on 19 August 2019)	Streaming services	Ireland	Sky Investment Holdings Limited	100.00%	0.00%
Rugby Pass Asia Pte Ltd (acquired 19 August 2019)	Management services	Singapore	Rugby Pass Limited	100.00%	0.00%

## Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

### 3. Significant accounting policies and changes

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied NZ IFRS 16 Leases for the first time using a modified retrospective approach which does not require restatement of previous financial statements. (Refer Note 8). As required by NZ IAS 34, the nature and effect of these changes are disclosed below.

#### Impact on the interim financial statements

NZ IFRS 16 primarily changes lease accounting for lessees; lease agreements now give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs are recognised in the form of depreciation of the right-of-use asset and interest is recognised on the lease liability. The new standard has substantively changed the accounting treatment for operating leases where rental charges were previously recognised on a straight-line basis and no lease asset or lease obligation was recognised. The standard was effective for accounting periods beginning on or after 1 January 2019 and the Group adopted the standard from 1 July 2019. As allowed under NZ IFRS 16 comparatives have not been restated.

Lease liabilities are measured at the present value of the remaining lease payments using the Group's incremental borrowing rate as at 1 July 2019 as described in Note 8. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. Right-of-use assets are classified as motor vehicles, property, transmission and equipment.

The impact of adoption of NZ IFRS 16 on the Group's consolidated interim balance sheet is summarised in the table below:

IN NZD 000	31-Dec-2019	1-Jul-2019
Right-of-use assets	68,133	78,345
Lease liabilities	(80,733)	(93,806)
Deferred tax	4,330	3,661
Other liabilities	–	2,383
Retained earnings	9,417	9,417

When compared to the accounting policies applied in the prior comparative period, the adoption of NZ IFRS 16 on the Group's consolidated interim statement of comprehensive income for the six months ended 31 December 2019 is as follows:

IN NZD 000	31-Dec-2019
Operating expenses	(21,277)
Depreciation	16,514
Interest expense	1,909

The table below reconciles commitments disclosed as at 30 June 2019 to the lease liability balance at 1 July 2019.

IN NZD 000	30-Jun-19
<b>Commitments disclosed as at 30 June 2019</b>	
Operating leases	92,660
Contracts for transmission service	7,038
Other service commitments	26,511
	<b>126,209</b>
Less short term leases recognised on a straight-line basis as an expense	(2,354)
Less contracts assessed as service commitments	(22,813)
Adjustment due to price changes	42
Discounting using the Group's incremental borrowing rate at the date of initial application	(7,278)
<b>Lease liability</b>	<b>93,806</b>
Current lease liabilities	37,043
Non-current lease liabilities	56,763
	<b>93,806</b>

The adoption of NZ IFRS 16 does not have any significant effect on the Group's banking covenants since adjustment is already in place to treat transmission leases as a finance lease contract.

#### Foreign currency translation

##### Functional and presentation currency

The Group's consolidated interim financial statements are presented in New Zealand dollars (NZD) which is the Group's functional and presentation currency.

#### Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs, except when deferred in other comprehensive income as qualifying cash flow hedges.

#### Foreign operations

The income statements of foreign operations are translated into the Group's reporting currency at average exchange rates for the period and the assets and liabilities of foreign operations are translated into NZD at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into NZD at the exchange rates at the dates of the transactions.

Foreign exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.



## Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

## 4. Segment information

The table below shows the disaggregation of the Group's revenue from contracts with customers on the basis of when revenue is recognised for its principal revenue streams.

In NZD 000	Residential satellite subscriptions	Other subscriptions	Advertising	Other revenue	Total revenue from contracts with customers
<b>For the six months ended 31 December 2019</b>					
Revenue from customers	298,729	52,439	26,084	15,607	392,859
Inter-segment revenue	–	–	–	(8,020)	(8,020)
<b>Total revenue</b>	<b>298,729</b>	<b>52,439</b>	<b>26,084</b>	<b>7,587</b>	<b>384,839</b>
<b>Timing of revenue recognition</b>					
At a point in time	5,875	–	26,084	3,962	35,921
Over time	292,854	52,439	–	3,625	348,918
	<b>298,729</b>	<b>52,439</b>	<b>26,084</b>	<b>7,587</b>	<b>384,839</b>
<b>For the six months ended 31 December 2018</b>					
Revenue from customers	322,044	46,144	27,370	16,959	412,517
Inter-segment revenue	–	–	–	(9,485)	(9,485)
<b>Total revenue</b>	<b>322,044</b>	<b>46,144</b>	<b>27,370</b>	<b>7,474</b>	<b>403,032</b>
<b>Timing of revenue recognition</b>					
At a point in time	8,041	–	27,370	2,955	38,366
Over time	314,003	46,144	–	4,519	364,666
	<b>322,044</b>	<b>46,144</b>	<b>27,370</b>	<b>7,474</b>	<b>403,032</b>
<b>For the year ended 30 June 2019</b>					
Revenue from customers	629,763	98,595	51,805	32,847	813,010
Inter-segment revenue	–	–	–	(17,884)	(17,884)
<b>Total revenue</b>	<b>629,763</b>	<b>98,595</b>	<b>51,805</b>	<b>14,963</b>	<b>795,126</b>
<b>Timing of revenue recognition</b>					
At a point in time	13,895	–	51,805	7,505	73,205
Over time	615,868	98,595	–	7,458	721,921
	<b>629,763</b>	<b>98,595</b>	<b>51,805</b>	<b>14,963</b>	<b>795,126</b>

Operating segments are reported in a manner consistent with the internal reporting provided to Sky's group of executive directors who are the chief operating decision makers. Sky's group of executive directors are responsible for allocating resources and assessing performance of the operating segments. Sky operates in a single business segment, as a provider of sport and entertainment and media services.

Operating expenses in the current period include redundancy costs of \$7 million, consultancy fees of \$2.5 million and a satellite reservation fee of \$2 million.

## 5. Related party transactions

There were no loans to directors by the Group or associated parties at any of the reporting dates.

The gross remuneration of directors and key management personnel during the period was \$9,163,000 (31 December 2018: \$7,421,000; 30 June 2019: \$15,587,000). The remuneration in the current period includes the redundancy cost paid to executive directors and key management personnel.

The first tranche of 200,000 shares of the Chief Executive's entitlement to 800,000 shares will vest in February 2020. Further shares will vest in future years subject to the conditions set out in the Chief Executive's employment contract.

The accrued share entitlements earned by the Chief Executive during the period was \$193,000 (30 June 2019: \$161,000), based on a grant date (1 February 2019) value of \$1.93 per share.

## 6. Programme rights inventory

IN NZD 000	Notes	31-Dec-2019	31-Dec-2018	30-Jun-2019 (Audited)
Opening balance		89,458	78,378	78,378
Acquired during the period		161,642	138,115	275,789
Acquired as part of acquisition of Rugby Pass	11	1,882	–	–
Written off during the year		(1,396)	–	(5,715)
Charged to programming expenses		(138,800)	(132,889)	(258,994)
<b>Balance at end of period</b>		<b>112,786</b>	<b>83,604</b>	<b>89,458</b>

Acquired programme rights include \$15,436,000 for prepaid rights relating to the SANZAAR contract and Rugby Union Partnership agreement. The payment for the rights was settled by the issue of 21,801,325 shares in Sky (refer Note 9).

## 7. Interest bearing loans and borrowings

in NZD 000	31-Dec-19			31-Dec-18			30-Jun-19 (Audited)		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Borrowings	1,103	116,194	117,297	1,082	110,086	111,168	1,093	90,643	91,736
Lease liabilities	–	–	–	592	2,104	2,696	608	1,796	2,404
Bonds	–	99,660	99,660	–	99,387	99,387	–	99,522	99,522
	<b>1,103</b>	<b>215,854</b>	<b>216,957</b>	<b>1,674</b>	<b>211,577</b>	<b>213,251</b>	<b>1,701</b>	<b>191,961</b>	<b>193,662</b>
<b>Repayment terms</b>									
Less than one year			1,103			1,674			1,701
Between one and five years			215,854			211,577			191,961
			<b>216,957</b>			<b>213,251</b>			<b>193,662</b>

## Bank loans

In October 2018 the Group renegotiated its bank facility with a syndicate of banks comprising Bank of New Zealand, Commonwealth Bank of Australia and Westpac Bank for a value of \$200 million expiring on 22 July 2022 with the facility reducing to \$150 million by July 2021.

## Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

### 7. Interest bearing loans and borrowings (continued)

The facility arrangements (together with certain hedging arrangements and the existing \$100 million bond) take the benefit of shared security granted by certain members of the Group, including (i) a general security deed granted by each of Sky Network Television Limited and Outside Broadcasting Limited, (ii) real property mortgages granted over certain real property interests of Sky Network Television Limited and (iii) a spectrum mortgage granted over certain spectrum. The loan facility is subject to certain covenant clauses whereby the Group is required to meet certain key financial ratios.

These financial ratios are calculated in accordance with the new strategy and business plan (refer Note 2 – Growth strategy). There have been no breaches of covenant clauses and no breaches are anticipated within the next 12 months.

Bank overdrafts of \$6,301,000 (31 December 2018: \$1,118,000; 30 June 2019: \$6,780,000) have been set off against cash balances.

#### Bonds

On 31 March 2014 the Group issued bonds for a value of \$100 million which were fully subscribed.

Terms and conditions of outstanding bonds are as follows:

Bonds	31-Dec-2019	31-Dec-2018	30-Jun-2019 (Audited)
Nominal interest rate	6.25%	6.25%	6.25%
Market yield	3.80%	4.13%	3.58%
Issue date	31-Mar-14	31-Mar-14	31-Mar-14
Date of maturity	31-Mar-21	31-Mar-21	31-Mar-21
<b>in NZD 000</b>			
Carrying amount	99,660	99,387	99,522
Face value	100,000	100,000	100,000
Fair value	102,977	104,533	104,523

### 8. Leases

This note provides information for leases where the Group is a lessee.

IN NZD 000	Property	Transmission	Equipment	Motor vehicles	Total
<b>Right-of-use assets</b>					
Transition balance on 1 July 2019	7,602	62,282	8,038	424	78,346
Reclassification of assets relating to finance leases previously recognised	–	–	2,361	–	2,361
Additions for the period	998	–	2,928	14	3,940
Depreciation	(685)	(12,750)	(3,007)	(72)	(16,514)
<b>Balance at 31 December 2019</b>	<b>7,915</b>	<b>49,532</b>	<b>10,320</b>	<b>366</b>	<b>68,133</b>
<b>Lease liabilities</b>					
Transition balance on 1 July 2019	8,954	76,215	8,211	426	93,806
Reclassification of finance leases previously recognised	–	–	2,404	–	2,404
Additions for the period	998	–	2,928	14	3,940
Add interest for period	244	1,368	286	11	1,909
Less repayments	(928)	(16,590)	(3,679)	(80)	(21,277)
Foreign currency revaluation	–	(73)	24	–	(49)
<b>Balance at 31 December 2019</b>	<b>9,268</b>	<b>60,920</b>	<b>10,174</b>	<b>371</b>	<b>80,733</b>
Current	1,463	30,802	6,703	146	39,114
Two to five years	5,948	30,118	3,471	225	39,762
More than five years	1,857	–	–	–	1,857
	<b>9,268</b>	<b>60,920</b>	<b>10,174</b>	<b>371</b>	<b>80,733</b>

The consolidated interim statement of comprehensive income includes operating expenses of \$4,163,000 which relate to short term leases or leases of low value assets.

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as finance leases under NZ IAS 17 "Leases". The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings (refer Note 7).

The Group leases various premises, transmission equipment, motor vehicles and sundry equipment. Rental contracts vary between one and five years with some office leases containing renewal options. Sky has incorporated renewal options into the lease term where it is reasonably certain that the lease will be extended.

In applying NZ IFRS 16 for the first time the Group has used the following practical expedients permitted by the standard:

- Use of a single discount rate to leases with reasonably similar characteristics.
- Use of hindsight in determining a lease term.
- Exclusion of initial direct costs for the measurement of the lease asset at the date of initial recognition.
- Exclusion of low value assets (less than \$20,000).
- Exclusion of leases with a remaining term of less than 12 months.

## Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

### 8. Leases (continued)

At the transition date (1 July 2019) Sky has valued its existing lease contracts using the modified retrospective method whereby the value of the lease asset and liability is calculated using the Group's incremental borrowing rate at the date of transition. Assets are accounted for as if they had existed at the contract start date. The difference between the transition lease asset and lease liability and the related deferred tax is accounted for as an adjustment to retained earnings.

Lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined which is the case for most of the Group's leases the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate (IBR), the Group calculates its internal borrowing rate on a quarterly basis. The average IBR at 31 December 2019 was 3.95% (1 July 2019: 4.0%). The Group uses this rate for contracts with a value of less than \$100,000.

For higher value contracts the Group makes adjustments to the IBR after considering the effect of the lease term, the currency and value of the lease, any security given, and the economic environment in which the Group operates.

For leases where there are renewal options the lease payments may change. When lease payments are adjusted, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

Right-of-use assets are measured at cost which includes the initial measurement of the lease liability, plus any lease payment made before the commencement date, initial direct costs and restoration costs less any lease incentives received. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### Critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a renewal option. Renewal options are only included in the lease term if the option is reasonably certain to be exercised.

Most of the Group's property leases contain renewal options, and generally where it is likely that these options will be exercised they have been included in the calculation of the lease liability. Management reassesses the likelihood of exercising termination options at each reporting date or when there is any significant change in circumstances. Any changes in the lease term or value affect the valuation of the liability and the right-of-use asset and are adjusted accordingly.

### 9. Share capital and reserves

	Notes	Number of shares ('000)	Ordinary shares (NZD '000)
Shares on issue at 30 June 2019		389,140	577,403
Shares issued for purchase of Rugby Pass	11	25,085	24,378
Shares issued to NZ Rugby Union	6	21,801	15,436
Less transaction costs		–	(123)
		<b>436,026</b>	<b>617,094</b>

On 19 August 2019 Sky issued 25,085,408 shares at a value of \$1.24 per share to RugbyPass Investors, LLC as part of the consideration for the purchase of Rugby Pass (refer Note 11).

Sky issued a further 21,801,325 shares on 1 November 2019 at a value of \$0.92 per share to the NZ Rugby Union as part of the consideration in relation to the Rugby Union Partnership agreement. The value of the consideration has been recorded as a prepayment for programme rights.

Due to restriction clauses in both contracts for disposal of the shares a discount has been allocated to determine the fair value of the consideration for the shares as follows:

IN NZD '000	RugbyPass	NZ Rugby Union
Shares issued at market value	29,600	20,057
Less discount	(5,222)	(4,621)
<b>Fair value of consideration</b>	<b>24,378</b>	<b>15,436</b>

Basic and diluted earnings/(loss per share)	31-Dec-2019	31-Dec-2018	30-Jun-2019
Profit/(loss) after tax attributable to equity holders of the parent (NZD '000)	11,715	53,434	(608,158)
Weighted average number of ordinary shares on issue (thousands)	416,860	389,140	389,140
<b>Basic and diluted earnings/(loss) per share (cents)</b>	<b>2.81</b>	<b>13.73</b>	<b>(156.28)</b>

Basic earnings or loss per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted earnings or loss per share is calculated by adjusting the weighted average of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

## Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

## 9. Share capital and reserves (continued)

## Reserves

IN NZD 000	Notes	Hedge reserve	Share based compensation reserve	Currency translation reserve	Total reserves
<b>As at 31 December 2019</b>					
Balance as at 1 July 2019		(214)	161	–	(53)
Acquisition of Rugby Pass	11	–	–	33	33
Translation of subsidiary		–	–	250	250
Employee share scheme		–	193	–	193
<b>Cash flow hedges (net of tax)</b>					0
Revaluation		(4,095)	–	–	(4,095)
Reclassification to profit and loss		523	–	–	523
Deferred tax		1,000	–	–	1,000
<b>Balance at 31 December 2019</b>		<b>(2,786)</b>	<b>354</b>	<b>283</b>	<b>(2,149)</b>
<b>As at 30 June 2019</b>					
Balance as at 1 July 2018		9,032	–	–	9,032
Employee share scheme		–	161	–	161
<b>Cash flow hedges (net of tax)</b>					0
Revaluation		(911)	–	–	(911)
Reclassification to profit and loss		(11,932)	–	–	(11,932)
Deferred tax		3,597	–	–	3,597
<b>Balance at 30 June 2019</b>		<b>(214)</b>	<b>161</b>	<b>–</b>	<b>(53)</b>

## 10. Capital expenditure

The Group acquired the following property, plant and equipment and intangibles during the period:

in NZD 000	31-Dec-2019 (6 months)	31-Dec-2018 (6 months)	30-Jun-2019 (1 year) (Audited)
Capital projects in progress	22,046	16,989	34,538
Land and buildings	926	132	2,951
Broadcasting and studio equipment	520	–	4,153
Plant and equipment and other	789	1,220	5,476
Decoders	1,435	732	3,229
Installation costs	6,648	7,709	15,566
Intangibles	786	1,080	10,035
	<b>33,150</b>	<b>27,862</b>	<b>75,948</b>
Movement in capital expenditure creditors	99	10,901	394
<b>Cash outflow in the period</b>	<b>33,249</b>	<b>38,763</b>	<b>76,342</b>

## 11. Business combination

On 19 August 2019 the Group through its subsidiary Sky Investment Holdings Limited acquired 100% of the share capital of Rugby Pass Limited (Ireland) and Rugby Pass Asia Pte Limited (together RugbyPass).

The acquisition has significantly expanded the Group's reach into the global rugby market, the largest online rugby network in the world.

RugbyPass is a premier online destination for global rugby fans, offering a live streaming rugby service across Asia, Australia and Europe, along with a wide array of original video content, news, analysis, statistics and a rugby player and team rankings system, the RugbyPass Index.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

Purchase consideration	IN NZD 000
Cash paid	15,633
Ordinary shares issued	24,378
Contingent consideration	5,283
	<b>45,294</b>

The fair value of the 25,085,408 shares issued was based on the published share price on 19 August 2019 of \$1.24 per share less an attributable discount (refer Note 9).

Based on the best information available at the reporting date, the provisionally determined fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

Assets and liabilities acquired	IN NZD 000
Cash	441
Trade and other receivables	700
Programming rights	1,882
Intangible assets	7,885
Trade payables	(2,081)
Deferred revenue	(76)
Deferred tax liability	(711)
Other liabilities	(1,227)
Net identifiable assets acquired	6,813
Add goodwill	38,481
<b>Fair value of purchase consideration</b>	<b>45,294</b>

The goodwill is attributable to the global reach and the streaming technology of the acquired companies.

Rugby Pass Limited has accumulated losses relating to prior years of EUR 14,991,000 as at 31 December 2018, that it is able to utilise against taxable income in the future. No deferred tax asset has been recognised for these losses as the timing and extent of their recoverability is uncertain.

For financial reporting purposes the assets and liabilities of Rugby Pass have been valued and consolidated as if the acquisition had occurred on 1 July 2019 which is the date the Group effectively obtained control of RugbyPass. The acquired Group contributed revenue of \$2,804,000 and losses of \$7,057,000 to the Group for the period 1 July 2019 to 31 December 2019. A deferred tax asset has not been recorded as recovery is not expected in the short term.

## Significant estimate: Contingent consideration

The acquisition agreement allows for a maximum earnout amount of USD10 million based on the achievement of certain specified targets during the earnout period from 1 January 2020 to 31 December 2022. The agreement also provides for an interim earnout amount of up to a maximum of USD3.5 million payable for the 18 month period from 1 January 2020 to 30 June 2021. The contingent consideration has been valued at NZD 5.3 million.

## Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

### 12. Goodwill

in NZD 000	31-Dec-2019 (6 months)	31-Dec-2018 (6 months)	30-Jun-2019 (1 year) (Audited)
Opening balance	395,331	1,065,331	1,065,331
Acquisition (Note 11)	38,481	–	–
Impairment	–	–	(670,000)
<b>Closing balance</b>	<b>433,812</b>	<b>1,065,331</b>	<b>395,331</b>

As at 31 December 2019, an impairment test of goodwill was undertaken because of the fall in Sky's share price from \$1.17 at 30 June 2019 to \$0.73 at 31 December 2019. The Group has completed an assessment of the carrying value of goodwill using a fair value less cost to sell basis to determine the recoverable amount consistent with the approach taken by the Group in its consolidated financial statements for the year ended 30 June 2019.

Management has reviewed its assumptions and has considered whether the fall in the share price could be due to factors not reflected in the key assumptions used in its assessment. Based on the calculations and assumptions used in determining the recoverable amount and, noting that the market capitalisation value excludes any control premium and may not reflect the value of 100% of the Group's net assets, the Group has not identified any impairment as at 31 December 2019.

The impact of new product offerings that are planned and proposed price changes and market changes from competitors makes it difficult to estimate subscriber numbers with a high degree of accuracy and therefore there is significant uncertainty in the level of future subscriber numbers and actual results may be materially different from the plan. Adverse changes in the key assumptions, in particular changes in the quality, pricing or retention of key content contracts, subscriber numbers and ARPU could give rise to a further impairment of goodwill.

The Board's assessment is that the recoverable amount continues to support the existing carrying value of goodwill. Given the execution risk associated with the growth strategy (refer Note 2), the Board will closely monitor the financial performance of the business and will reassess the carrying value of goodwill, as required, to consider whether there is any future impairment.

The table below illustrates the sensitivity of the impairment assessment to changes in key assumptions over the five year forecast period used in the model:

in NZD (million)	Headroom	Impairment
Increase/(Decrease) of 10% in satellite subscriber numbers	253	(253)
Increase/(Decrease) of 10% in satellite ARPU	339	(340)
Decrease/(Increase) of 10% in programming costs	250	(258)

Additions to goodwill relate to the acquisition of Rugby Pass (refer Note 11).

### 13. Fair value measurements of financial instruments

The Group's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, they should be read in conjunction with the Group's annual financial statements as at 30 June 2019. There have been no changes in any risk management policies since year end.

Financial assets of the Group include cash, and cash equivalents, trade and other receivables, financial assets at fair value through other comprehensive income (OCI) (unquoted investments held for disposal and derivative financial assets). Financial liabilities of the Group include trade and other payables, borrowings, bonds, and derivative financial liabilities. The Group does not hold or issue financial instruments for trading purposes.

The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted in active market for identical assets and liabilities).
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs), for example discounted cash flow.

Sky's financial assets and liabilities carried at fair value are valued on a level 2 basis.

#### Classification of financial instruments

The following table presents the Group's financial assets and liabilities according to classifications.

in NZD 000	31-Dec-2019		31-Dec-2018		30-Jun-2019 (Audited)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets at amortised cost</b>						
Cash and cash equivalents	3,898	3,898	6,957	6,957	4,283	4,283
Trade and other receivables	49,601	49,601	57,918	57,918	53,134	53,134
<b>Financial assets at fair value through OCI</b>						
Derivatives designated as hedging instruments (cash flow hedges)	2,152	2,152	9,211	9,211	4,557	4,557
Derivatives not designated as hedging instruments (fair value hedges)	974	974	1,860	1,860	2,026	2,026
	<b>56,625</b>	<b>56,625</b>	<b>75,946</b>	<b>75,946</b>	<b>64,000</b>	<b>64,000</b>
<b>Financial liabilities at amortised cost</b>						
Bank loans	113,460	110,809	106,250	105,738	87,356	85,678
Other loans	3,836	3,715	7,614	7,263	6,784	6,700
Bonds	99,660	102,997	99,387	104,533	99,522	104,523
Trade and other payables	96,896	96,896	91,070	91,070	113,618	113,618
<b>Financial liabilities at fair value through OCI</b>						
Derivatives designated as hedging instruments (cash flow hedges)	4,613	4,613	6,193	6,193	5,137	5,137
Derivatives not designated as hedging instruments (fair value hedges)	2,583	2,583	461	461	536	536
	<b>321,048</b>	<b>321,613</b>	<b>310,975</b>	<b>315,258</b>	<b>312,953</b>	<b>316,192</b>

Prepaid expenses, deferred revenue, unearned subscriptions, tax payables and employee benefits do not meet the definition of a financial instrument and have been excluded from the "Trade and other receivables" and "Trade and other payables" categories above. Due to their short-term nature, the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables is assumed to approximate their fair value.



## Notes to the interim financial statements (continued)

For the six months ended 31 December 2019 (unaudited)

### 13. Fair value measurements of financial instruments (continued)

The fair value of long-term borrowings are estimated by discounting future cash flows using current market interest rates offered to the Group for debt with substantially the same characteristics and maturities. The interest rates used in estimating the fair value of long-term debt were as follows:

	31-Dec-2019	31-Dec-2018	30-Jun-2019 (Audited)
Bond	3.80%	4.13%	3.41%
Bank Borrowings	4.05%	4.34%	4.12%
Other loans	1.81%	3.02%	2.00%

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable inputs. The fair value of forward foreign exchange contracts is based on market forward foreign exchange rates at period end.

### 14. Contracts for future programme commitments

in NZD 000	31-Dec-2019	30-Jun-2019 (Audited)
Year 1	226,600	184,958
Year 2	211,700	106,148
Year 3	178,800	33,785
Year 4	144,500	13,593
Year 5	130,900	2,076
Later than 5 years	112,500	1,955
	<b>1,005,000</b>	<b>342,515</b>

Programme rights renewals are cyclical in nature and the range of year end commitments over the last five years peaked at \$740 million in June 2016. The future programming commitments should be considered in relation to the programming rights expense which was \$326 million for the 12 months ended 30 June 2019.

### 15. Contingent liabilities

The Group is subject to litigation incidental to its business, none of which is expected to be material. No provision has been made in the Group's consolidated interim financial statements in relation to any current litigation and the Directors believe that such litigation will not have a significant effect on the Group's consolidated interim financial position, results of operations or cash flows.

### 16. Subsequent events

Sky acquired Lightbox New Zealand Limited (Lightbox) from Spark on 31 January 2020 for \$6 million cash plus the fair value of prepaid content rights, yet to be determined. Lightbox is an entertainment streaming service providing services in NZ. The assets acquired of Lightbox include subscribers, technology platforms to manage customers and provide entertainment content to a wide range of devices, prepaid content rights, and the Lightbox brand. In return, Spark will continue to make Lightbox available to its customers for an agreed period. The accounting for the acquisition is not yet complete and a fair value assessment is yet to be carried out.

In December 2018, Sky entered into a satellite service agreement with Optus for ten years from 2021. Sky's future payments under the agreement are likely to exceed \$200m. The agreement is conditional on Optus procuring the successful launch of a new satellite to replace the existing D1 satellite. In January 2020, Optus indicated there may be a delay to the launch of a replacement satellite from the expected deployment in 2022 to 2023. Sky is working with Optus and other satellite organisations to ensure that there is continuity of service.

# Independent review report



To the shareholders of Sky Network Television Limited

## Report on the consolidated interim financial statements

We have reviewed the accompanying consolidated interim financial statements of Sky Network Television Limited (the Company) and its subsidiaries (the Group) on pages 5 to 14, which comprise the consolidated interim balance sheet as at 31 December 2019, and the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

## Directors' responsibility for the consolidated interim financial statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation of consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

## Our responsibility

Our responsibility is to express a conclusion on the accompanying consolidated interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of providing treasury related financial markets risk analysis and commentary, agreed upon procedures on the bank compliance certificate, regulatory reporting and scenario analysis of property requirements. In addition, certain partners and employees of our firm may subscribe to Sky services on normal terms within the ordinary course of the trading activities of the Group. These relationships and other services have not impaired our independence.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and cash flows for the period then ended, in accordance with IAS 34 and NZ IAS 34.

## Emphasis of matter

We draw attention to notes 2, 7 and 12 to the consolidated interim financial statements which describe the significant uncertainties relating to the execution of the Group's growth strategy and the potential impact on future banking facility terms and impairment assessments. Our conclusion is not modified in respect of this matter.

## Who we report to

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

## Chartered Accountants

11 February 2020

Auckland

# Directory

To the shareholders of Sky Network Television Limited

## Registrars

Shareholders should address questions relating to share certificates, notify changes of address or address any administrative questions to Sky's share registrar as follows:

### New Zealand ordinary share registrar

#### Computershare Investor Services Limited

Level 2, 159 Hurstmere Road  
Takapuna, North Shore City 0622  
New Zealand

#### Mailing address:

Private Bag 92119  
Auckland Mail Centre  
Auckland 1142, New Zealand  
Tel: +64 9 488 8700 Fax: +64 9 488 8787  
Email: enquiry@computershare.co.nz

### Australian branch register

#### Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street  
Abbotsford, VIC 3067  
GPO Box 2975  
Melbourne VIC 3000, Australia

Freephone: 1800 501 366 (within Australia)  
Tel: +61 3 9415 5000 (outside Australia)  
Fax +61 3 9473 2500  
Email: enquiry@computershare.co.nz

### Bondholder trustee

The New Zealand Guardian Trust Company Limited  
Level 6, 191 Queen Street  
Auckland 1010, New Zealand

#### Mailing address:

PO Box 274, Shortland Street  
Auckland 1140, New Zealand  
Tel: 0800 683 909 Fax: +64 9 377 7470  
Email: ct-auckland@nzgt.co.nz

## Directors

Philip Bowman (appointed 1 September 2019), Chair  
Michael Darcey  
Derek Handley  
Geraldine McBride  
Susan Paterson ONZM  
Martin Stewart, Chief Executive Officer  
Joan Withers (appointed 17 September 2019)

## Officers

Martin Stewart	Director and Chief Executive Officer
Sophie Moloney	Chief Legal, People and Partnerships Officer and Company Secretary
Blair Woodbury	Chief Financial Officer
Steve Bayliss	Chief Marketing Officer
Chris Major	Director of External Affairs
Tex Teixeira	Chief Content Officer
Chaz Savage	Chief Revenue Officer
Prabhu Singh	Director of Technology
Justin Tomlinson	Advisor for Digital Products and Technology

### New Zealand registered office

10 Panorama Road, Mt Wellington,  
Auckland 1060, New Zealand  
Tel: +64 9 579 9999 Fax: +64 9 579 8324  
Website: sky.co.nz

### Australian registered office

c/- Allens Arthur Robinson Corporate Pty Limited  
Level 4, Deutsche Bank Place,  
126 Philip Street, Sydney, NSW 2000, Australia  
Tel: +61 2 9230 4000 Fax: +61 2 9230 5333

### Auditors to Sky

#### PricewaterhouseCoopers

PricewaterhouseCoopers Tower,  
188 Quay Street, Auckland 1010, New Zealand  
Tel: +64 9 355 8000 Fax: +64 9 355 8001

### Solicitors to Sky

#### Buddle Findlay

PricewaterhouseCoopers Tower,  
188 Quay Street, Auckland 1010, New Zealand  
Tel: +64 9 358 2555 Fax: +64 9 358 2055

sky

## Director's Declaration

The directors declare that the consolidated financial statements:

- (i) comply with New Zealand International Financial Reporting Standards
- (ii) give a true and fair view of the financial position of Sky Network Television Limited and its subsidiaries as at 31 December 2019 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date.

In the directors' opinion at the date of this declaration there are reasonable grounds to believe that Sky Network Television Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors and is signed for and on behalf of the Board of Directors.

Dated at Auckland this 11th day of February 2020.



Philip Bowman  
**Chairman**



Martin Stewart  
**Director**



## Other Information

### **SKY Network Television Limited** **Half Year ended on 31 December 2019 (In NZD)**

- **Net tangible assets per security:**

Current period \$(0.205): 1

Previous period \$(0.187): 1

- **Control gained over entities**

On 19 August 2019 the Group acquired 100% of the share capital of Rugby Pass Limited (Ireland) and Rugby Pass Asia Pte Limited (together RugbyPass) through its subsidiary Sky Investment Holdings Limited.

The acquisition has significantly expanded the Group's reach into the global rugby market, the largest online rugby network in the world. RugbyPass is a premier online destination for global rugby fans, offering a live streaming rugby service across Asia, Australia and Europe, along with a wide array of original video content, news, analysis, statistics and a rugby player and team rankings system, the RugbyPass Index.

The interim financial statements record the purchase consideration for the acquisition at \$45.3m, the fair value of the net assets acquired at \$6.8m and the attributable goodwill being \$38.5m.

Refer the attached interim financial statements (Note 11 Business Combinations) for detailed disclosure of the purchase consideration, the net assets acquired, and goodwill.

- **Loss of control of entities**

There was no loss of control of entities during the half year.

- **Dividends**

Interim dividend payable: Nil

Previous corresponding period – interim dividend (paid March 2018): \$29.2 million (ordinary securities)

- **Details of aggregate share of profits (losses) of associates and joint venture entities**

Not applicable

- **Accounting standards**

New Zealand international financial reporting standards used in compiling report.

- **Directors' Details**

The directors of Sky Network Television Limited at any time during the half year are as follows:

Philip Bowman	Chairman (appointed 1 September 2019)
Peter Macourt	Director (retired 17 October 2019)
Martin Stewart	Director & Chief Executive
Joan Withers	Director (appointed 17 September 2019)
Mike Darcey	Director
Derek Handley	Director
Geraldine McBride	Director
Susan Paterson	Director

# Results Presentation

For the 6 months ending 31 December 2019

# Disclaimer

This presentation has been prepared by Sky Network Television Limited and its group of companies ("the Company") for informational purposes. This disclaimer applies to this document and the verbal or written comments of any person presenting it.

Information in this presentation has been prepared by the Company with due care and attention. However, neither the Company nor any of its directors, employees, shareholders nor any other person give any warranties or representation (express or implied) as the accuracy or completeness of this information. To the maximum extent permitted by law, none of the Company, its directors, employees, shareholders or any other person shall have any liability whatsoever to any person for any loss (including, without limitation, arising from any fault or negligence) arising from this presentation or any information supplied in connection with it.

This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, and uncertainties, including material adverse events, significant one-off expenses and other unforeseeable circumstances. There is no assurance that results contemplated in any of these projections and forward-looking statements will be realised, nor is there any assurance that the expectations, estimates and assumptions underpinning those projections or forward-looking statements are reasonable. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release or to provide you with further information about the Company.

The Company has used the non-GAAP financial measure EBITDA when discussing financial performance, as the directors and management believe that this measure provides useful information on the underlying performance of the Group. EBITDA is defined by the Company as earnings before income tax, interest expense, depreciation, amortisation and impairment, unrealised gains and losses on currency and interest rate swaps. You should not consider this in isolation from, or as a substitute for, the information provided in the unaudited consolidated financial statements for the six months ended 31 December 2019, which are available at <https://www.sky.co.nz/investor-relations/results-and-reports>.

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. The presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any security and may not be relied upon in connection with the purchase or sale of any security. Nothing in this presentation constitutes legal, financial, tax or other advice.

# Achieving positive momentum

## In the half year to December 2019 Sky:

- Retained content rights that matter to NZ fans, particularly Rugby
- Delivered pleasing growth in streaming customers
- Opened the door to new growth opportunities, in NZ and globally
- Repositioned to be a leading New Zealand multimedia organisation, transforming rapidly to meet current and future needs of customers





# Connecting New Zealanders with the sport and entertainment content they love, in ways that work for them

A focus on  
super-serving all  
customers:  
streaming and  
satellite

Retaining rights  
that matter

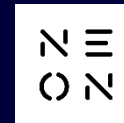
Fuelling sport  
in New Zealand,  
and nurturing the  
next generation of  
sports fans

Creating  
opportunities for  
new growth areas,  
including in  
international  
markets through  
RugbyPass

## PLATFORM FOR GROWTH

# Content that Kiwis have loved in the past six months

sky



sky  
SPORT

sky  
SPORT  
NOW

sky  
GO



Rugby Championship



Super Rugby



ICC Cricket World Cup



Netball World Cup



Supercars Championship



Sky Sport Breakers



Black Ferns



Mitre 10 Cup



Kiwis



ANZ Premiership | Super Netball



Fed Cup | ASB Classic



NRL Premiership



# Progress highlights

## ACCELERATED FOCUS ON STREAMING

- ✓ **Launched Sky Sport Now**, streaming our 12 sport channels in HD with weekly and monthly options. The most comprehensive sport streaming service in NZ, streaming 52,000 hours of sport since August launch
- ✓ **Improvements to Neon**, including platform stability, content, and better pricing
- ✓ **Established Sky Digital team** to develop ground-breaking new digital platform and services

# Progress highlights

## CONTINUED TO SUPER-SERVE ALL SKY CUSTOMERS

- ✓ **Enhanced Sky Go** with new features, including casting to the big screen and download-to-go  
  
25% increase in Sky customers choosing to stream content on Sky Go
- ✓ **Launched Sky Sport News**
- ✓ **Offered 12 sport channels on Sky Sport**
- ✓ **Doubled** My Sky storage allowing customers to store more of their favourite moments
- ✓ **Increased number of HD channels**



# Progress highlights

## RETAINED THE RIGHTS THAT MATTER

- ✓ **Rugby** – six years of SANZAAR + enhanced relationship with NZ Rugby
- ✓ **Netball NZ**
- ✓ **ICC Cricket** (including Men's and Women's World Cups)
- ✓ **Cricket Australia**
- ✓ **Commonwealth Games**
- ✓ **Olympics** – Tokyo 2020, Paris 2024 + Winter and Youth Olympics

# Progress highlights

## FUELLING KIWI SPORT AND NURTURING NEXT GENERATION OF SPORT FANS

- ✓ **\$10m investment in the Sky Sport Next** programme over three years. 50+ sports supported, and 157,000 unique viewers in the first quarter
- ✓ **Support** for a number of teams, including Sky Sport Breakers, Wellington Phoenix, Kiwi Ferns, Warriors Women, Future Warriors, Tall Ferns and White Sox
- ✓ **Sponsorship of Sky Stadium** in Wellington, with great new fan experiences to come

# Progress highlights

## CREATED OPPORTUNITIES FOR GROWTH

- ✓ **Acquisition of Rugby Pass**, the largest online rugby network in the world
- ✓ **Increased our breadth and depth of relationships** with other businesses in NZ to drive awareness, engagement and revenue – e.g. Spark (RWC and Lightbox), TVNZ (Olympics), NZME (Rugby and Press Box), Vodafone (Vodafone TV)
- ✓ **Purchase of Lightbox**, to create a super-charged entertainment streaming service combining all of the superb Neon & Lightbox content



# Bringing Neon and Lightbox together will create the leading locally-delivered streaming service for New Zealanders



**On growth trajectory**

**925,000 customers in February 2020:  
all time high for Sky**

**On track for 1 million customers by 2021**

- The progress achieved in the last 6 months underpins that we are moving in the right direction
- Striving for customer satisfaction and developing growth opportunities

# First Half Highlights – The numbers

- EBITDA of \$89.7m
- NPAT of \$11.9m
- CAPEX of \$33.2m within the target band of 7-9% of revenue
- Investment of \$45.3m for the acquisition of RugbyPass comprising acquisition \$15.6m in cash, \$24.4m in Sky shares and a further \$5.3m in cash contingent on meeting certain performance targets
- Delivered streaming revenue growth of 39%
- Grew total customers to 795,000, with 74% increase in streaming customers
- Improved satellite customer churn to 13%, compared to 15% last year
- On transformation journey with sharper customer focus and operational rigour

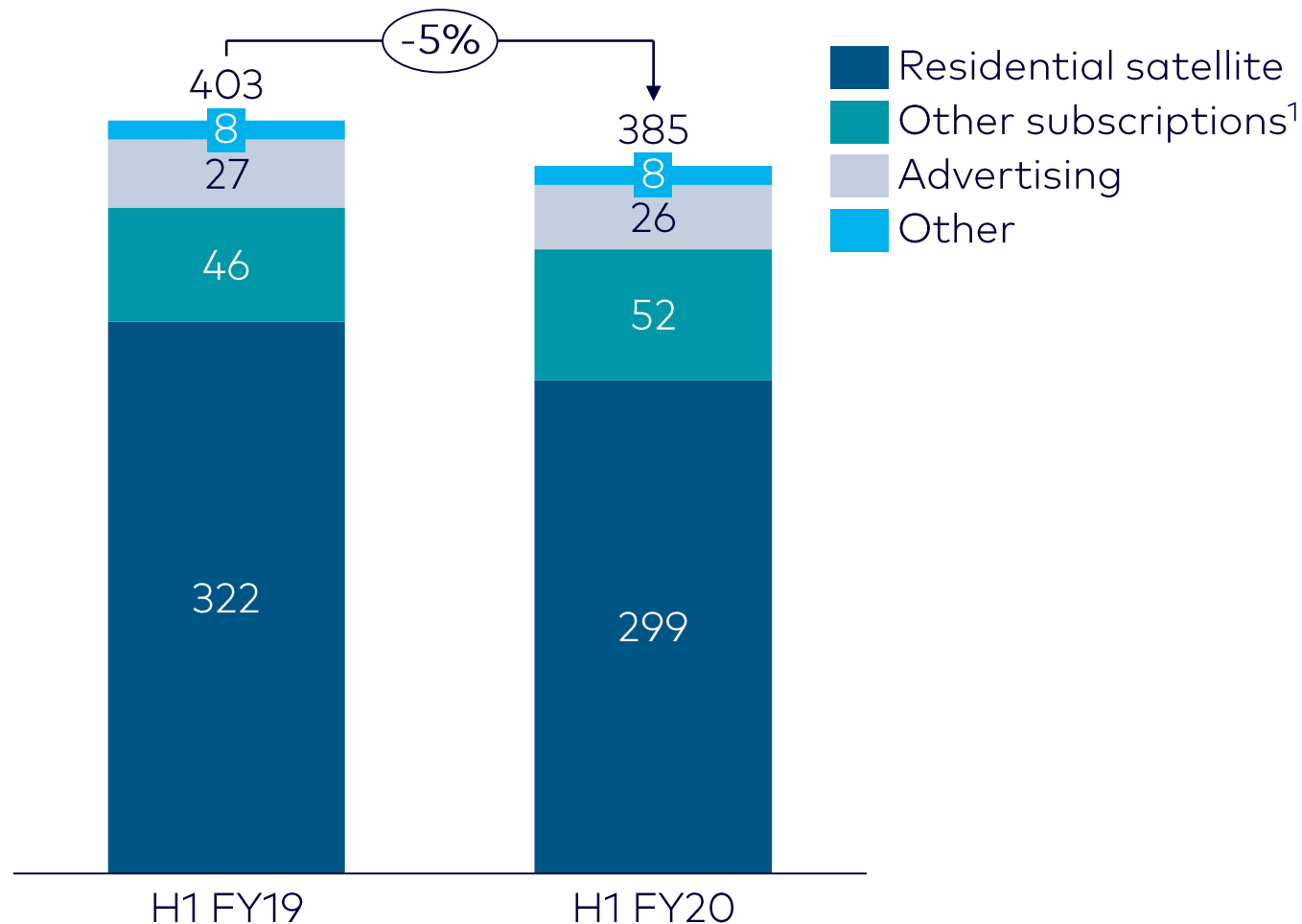
# Financials

# Financial Performance

\$m	H1 FY20	H1 FY19	Var vs H1 FY19
Revenue	384.8	403.0	(18.2)
Operating Expenses	295.1	274.7	(20.4)
EBITDA	89.7	128.3	(38.6)
Depn & Amort	61.3	47.3	(14.0)
EBIT	28.4	81.0	(52.6)
Interest	8.8	6.5	(2.3)
Tax	7.7	20.9	13.2
Profit after tax	11.9	53.6	(41.7)

- Signs of slowdown in revenue loss: 5% from H1 FY19 to H1 FY20 vs 8% from H1 FY18 to H1 FY19
- Operating Expenses impacted by \$12m one off costs, including: redundancy-related costs of \$7m, consultancy of \$3m and \$2m of satellite reservation fee

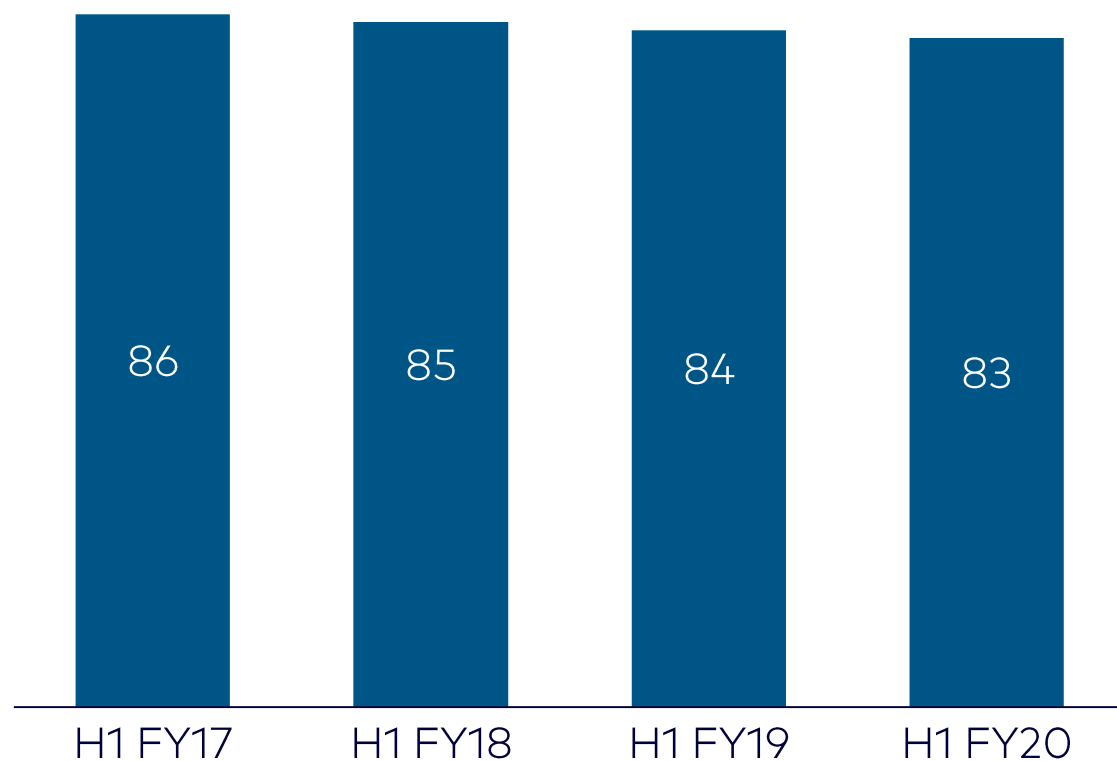
# Streaming revenue continues to grow and satellite trends improving



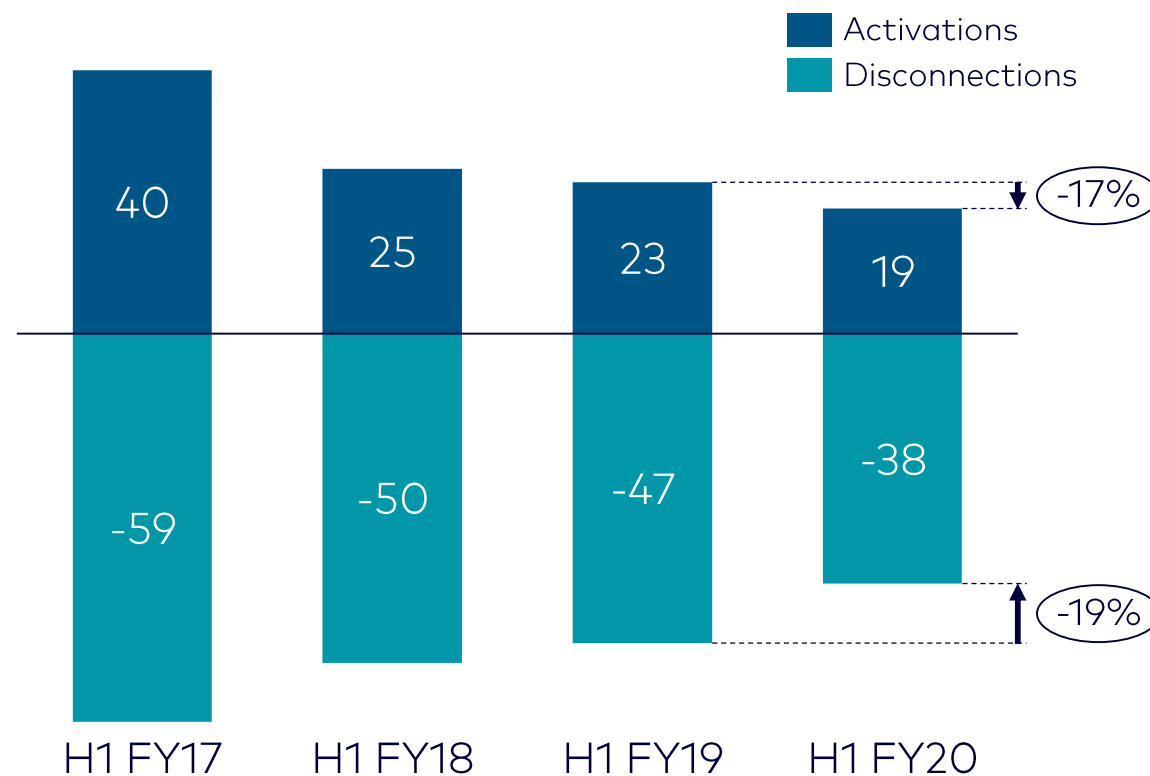
- Growth in streaming and commercial revenues gaining momentum, up 14% compared to an 8% increase in the prior period
- Satellite revenue declined 7% between H1 FY19 and H1 FY20 vs 10% between H1 FY18 and H1 FY19, mostly due to impact of lower subscriber numbers.
- Advertising revenue flat despite challenging market conditions

# Subscriber churn reducing. Focused on growing activations

Satellite subscription ARPU<sup>1</sup>



Satellite subscriptions (000's)<sup>2</sup>



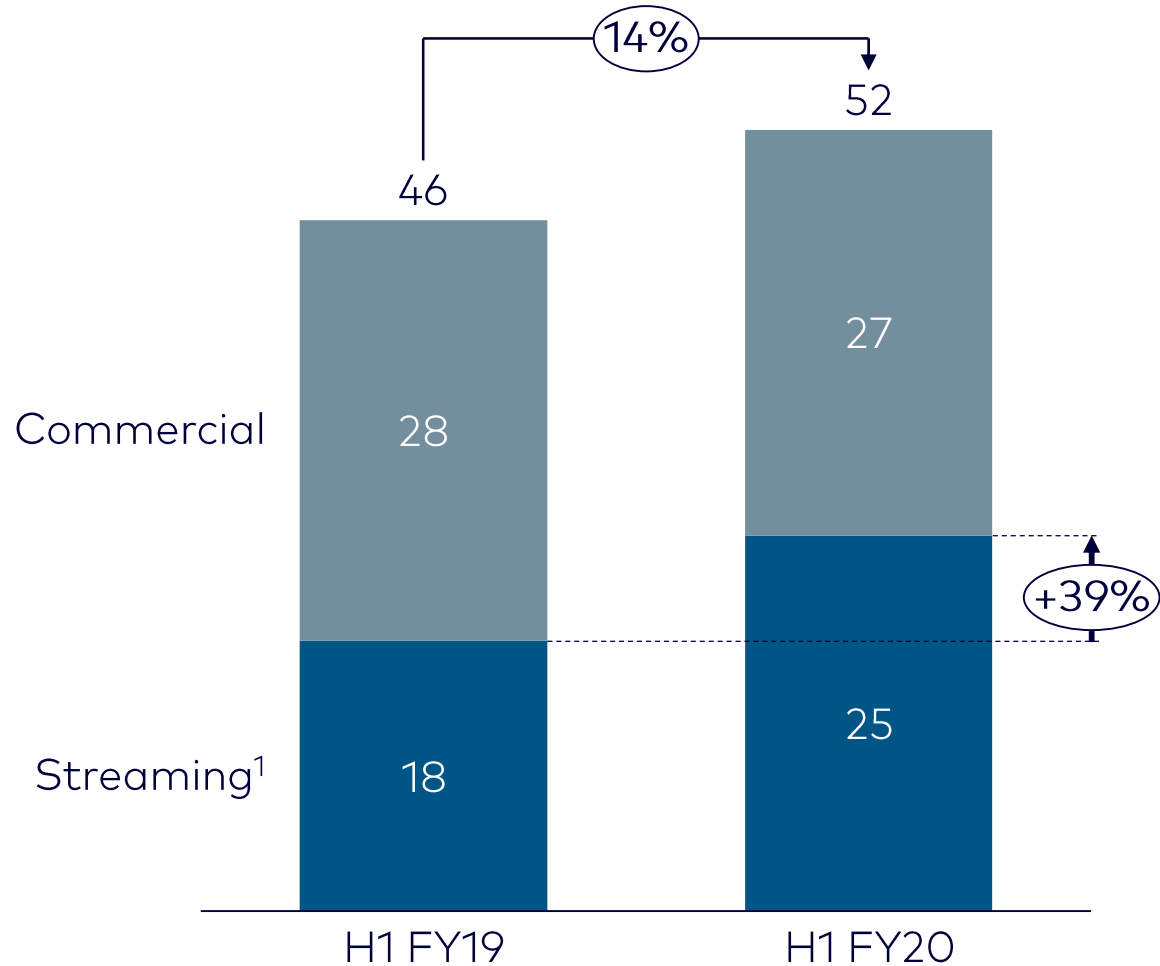
<sup>1</sup> Satellite subscription ARPU is for Sky residential customers only. Calculated as the average for the six month period

<sup>2</sup> Activations and Disconnections information is for Sky residential customers only

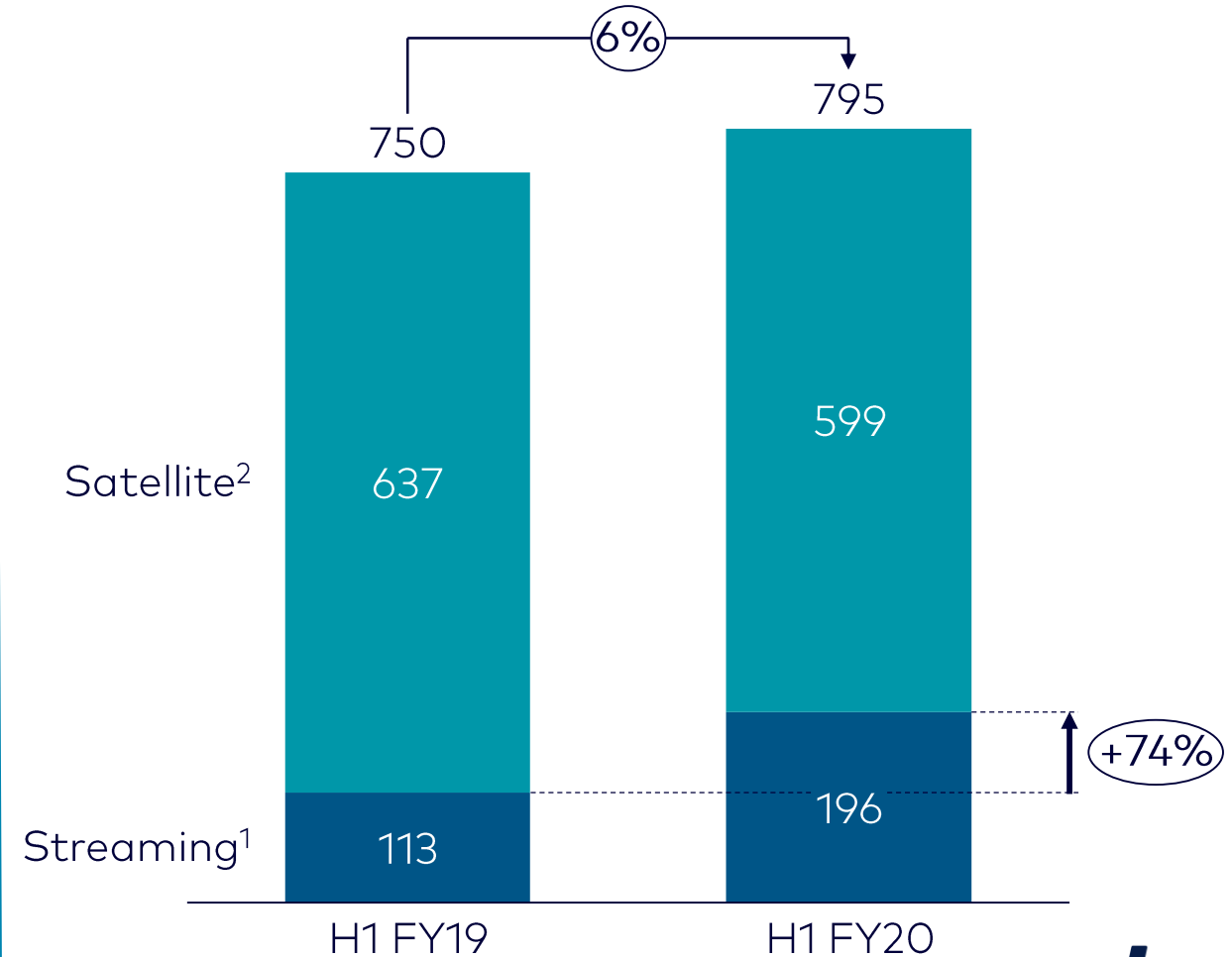


# 74% growth in streaming subscriber base

Streaming & Commercial revenue (\$m)



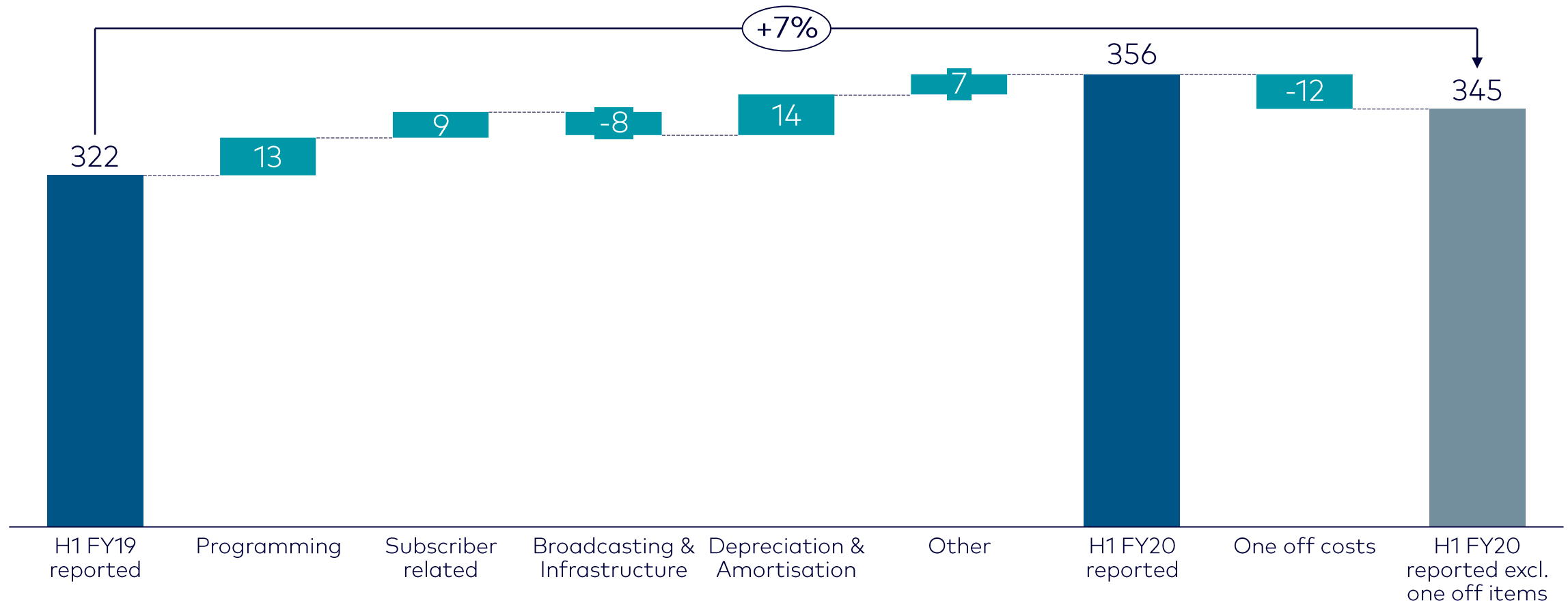
Subscriber base (000's)



<sup>1</sup> Streaming comprises Neon, Sky Sport Now, RugbyPass and Retransmission

<sup>2</sup> Satellite comprises Sky Residential, Commercial and Reseller customers

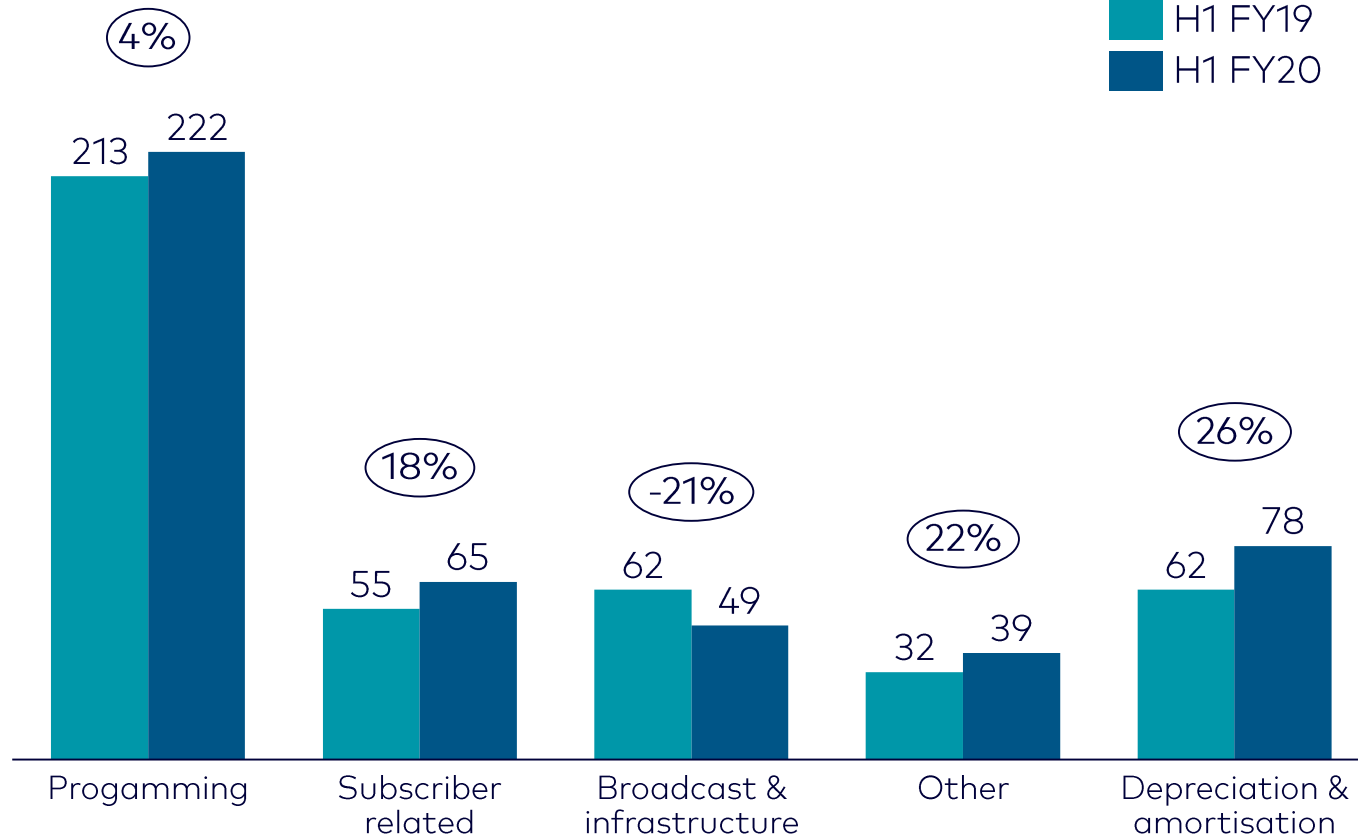
# Higher costs as expected after investing for growth



- \$12m one-off costs included: \$7m redundancy, \$3m consultancy, \$2m satellite reservation fee

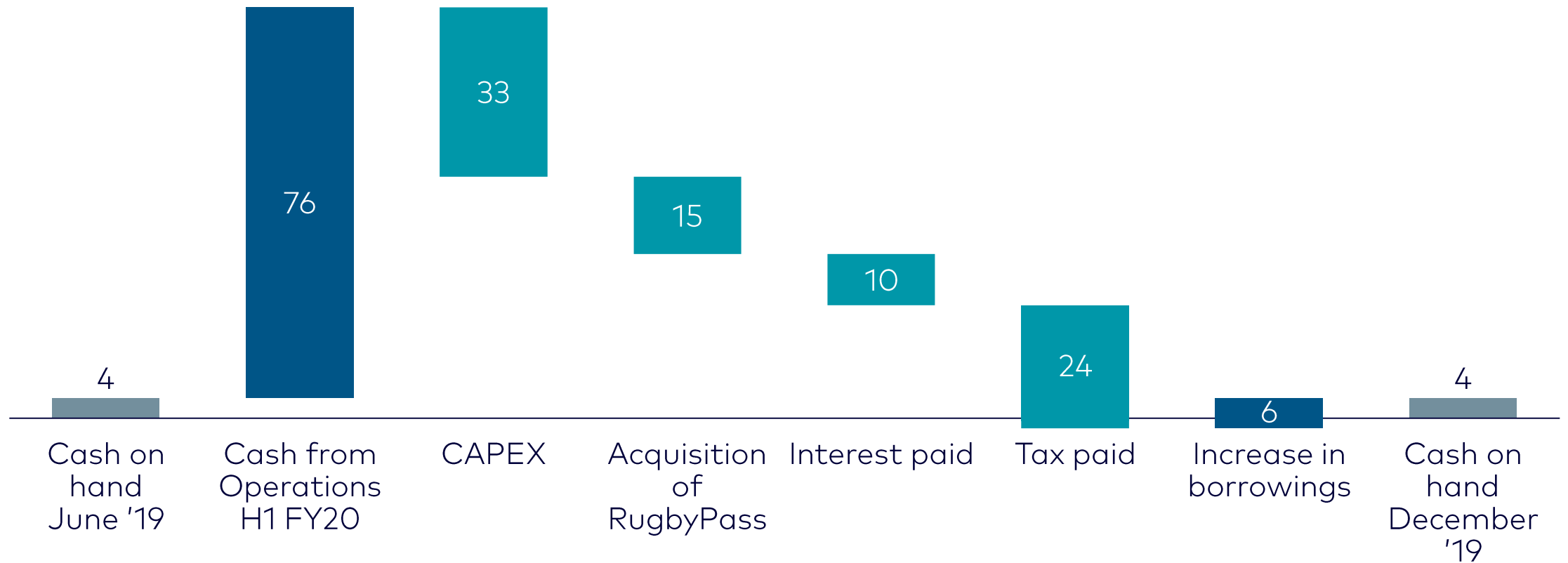
# Reinvestment in rights that matter and growth initiatives impacted on costs

Per subscriber expenses  
\$ per subscriber

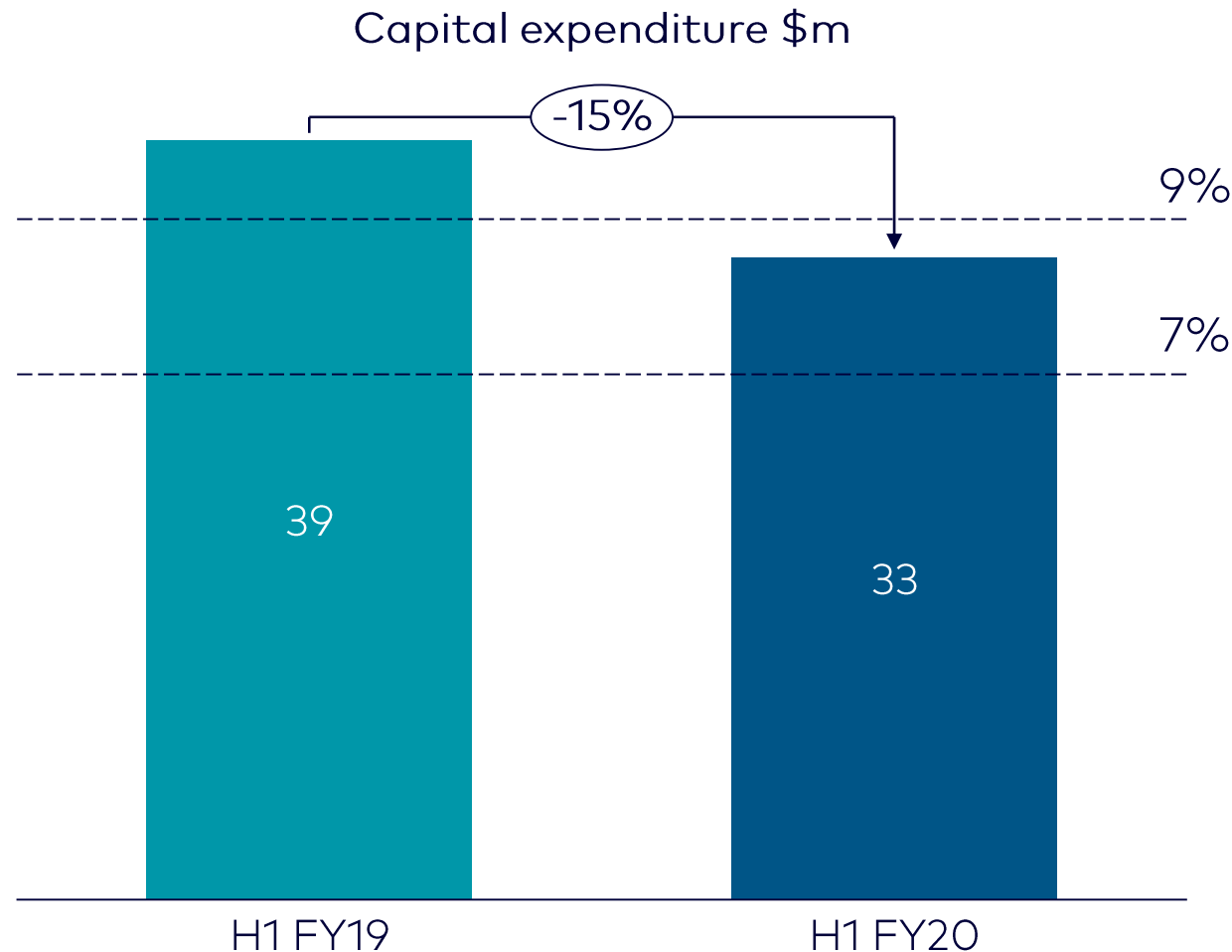


- Programming expenses grew by 4% due to rights increases and additional production costs
- Subscriber related increases includes new marketing following period of underinvestment
- Broadcast and infrastructure declined as a result of IFRS-16 with corresponding increase in Depreciation & Amortisation
- Other includes redundancies and consultancy

# \$76m of cash generated in H1 FY20 and reinvestment in growth



# CAPEX within target range and Sky continues towards a lighter capital model



- H1 FY20 CAPEX includes \$8m enhancing streaming platforms, \$7m for satellite installations and \$6m for enhancing our broadcast capabilities including HD expansion
- H1 FY19 included CAPEX associated with the IVP programme

# A look ahead

# On growth trajectory to 1 million customers by 2021

## Significant target, and a further record for Sky

### Initiatives to achieve it include:

- Successful launch of super-charged new entertainment streaming service by middle of 2020, merging Neon and Lightbox
- Growing paying RugbyPass customers, capitalising on the 30 million+ people who experience RugbyPass content every month
- Successful launch of ground-breaking new digital products, as part a technology roadmap that will meet the needs of all New Zealanders

**Increased number of customer relationships offers a wealth of opportunity to deliver new services**



# Guidance

## Market guidance – November 2019

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Revenue between \$750m to \$770m

---

EBITDA between \$170m to \$190m

## Current expectation for FY 2020

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✓ Revenue expected within guidance range

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✓ EBITDA expected within guidance range

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# Questions