



**SKY PLC**  
**First quarter update**

**Business on track with a strong start to the year**

- Group revenue up 7% to £3.1 billion, with like-for-like revenue up over 5%
- Good growth in all markets

<b>Q1 16/17</b>	<b>Reported revenue</b>	<b>Reported growth</b>	<b>Reported growth</b>	<b>At constant currency</b>	<b>Like-for-like growth<sup>1</sup></b>
UK & Ireland	£2,104m	+£101m	+5%	+5%	+5%
Germany & Austria	£434m	+£98m	+29%	+9%	+9%
Italy	£610m	+£156m	+34%	+13%	+4%
<b>Group</b>	<b>£3,148m</b>	<b>+£355m</b>	<b>+13%</b>	<b>+7%</b>	<b>+5%</b>

Note 1: 'Like-for-like' excludes non-recurring items and is at constant currency

- Over 100,000 new customers joined Sky, including Italy's highest Q1 customer growth in four years
- Strong start to the year on cost efficiency – operating costs down 2% on prior year
- Business on track against full year expectations

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

"I'm pleased with the start we have made to the year, with like-for-like revenue growth of over 5% and more than 100,000 new customers joining Sky. We finished the quarter strongly after a slower start against the backdrop of the Rio Olympics and UEFA Euro 2016. It was also a strong quarter of innovation with the launch of our new streaming service, Sky Ticket, in Germany; Ultra HD in the UK, Ireland, Germany and Austria; and our enhanced mobile TV proposition, Sky Go Extra, in Italy, as we transform all our markets to multi- platform distribution services.

We are on track financially in a year of investment on screen. We are bringing customers the very best TV with more of the biggest Premier League matches, Europe's best box set service and more new and exclusive original drama. We are already seeing the benefit with good growth in revenues, more new customers joining us and existing customers consuming more. Alongside this we are making very strong progress on efficiency with operating costs for the quarter lower than a year ago in absolute terms.

Looking ahead, the forthcoming launch of our mobile proposition will add another major product offering to our UK line up and will give our customers the opportunity to take even more from a brand known for great customer service and quality products. In Germany, the upcoming launch of Sky 1 builds on a series of recent steps transforming the appeal of our proposition beyond our traditional sports base, including the new Entertainment pack, adding Sky Box Sets to the service, and our new Sky+ Pro set-top box. And in Italy, customers can look forward to a quarter of unprecedented innovation, with the launch of HD programming on demand, a brand new user interface and our Sky Kids app all coming before Christmas.

We are on track as we enter our busy Q2 trading period and we remain focussed on delivering our clear strategy for growth."

## **OPERATING REVIEW**

### **Group**

Group revenues for the quarter increased 13% to £3,148 million, with our Euro revenues benefitting from the stronger currency. Revenues on a constant currency basis were up 7%, with good growth across all territories and categories, and up 5% excluding the benefit of the sub-licence of the Rio Olympic rights in Italy. In Germany & Austria revenue was up 9%, driven by increased demand from our growing customer base; the UK & Ireland grew by 5%, while Italy delivered a revenue growth of 13% including the sale of the Olympic rights – a like-for-like increase of 4%. Overall, financially we had a strong quarter and we're on track for our full year expectations.

We added 106,000 new customers in the quarter. As expected, we had a quieter start to trading due to UEFA Euro 2016 and the summer Olympics, offset by a stronger September, meaning we go into our second quarter with good momentum. Germany & Austria added customers at the highest rate with 49,000 new additions followed by the UK & Ireland at 35,000. Italy achieved its fourth consecutive quarter of positive growth, adding 22,000 customers - the highest rate of Q1 growth for four years.

### **UK & Ireland**

Revenues were up 5% in UK & Ireland driven by customer demand for our extended range of products and services, the benefit of our June TV price rise, offset by weakness in the UK television advertising market. Our own advertising revenues were down 3%, slightly better than the overall market despite a quiet quarter on screen and our competitors benefitting from UEFA Euro 2016 and the Paralympics. We saw particularly good growth in our transactional revenues which were up by a third, reflecting strong sales in Sky Store and good growth in NOW TV sports passes.

We were pleased that our superior customer service was recognised by Ofcom's quarterly report for the three months to June 2016, with us leading the market in every single category. The other highlights from the quarter include:

- Launch of UK's most comprehensive Ultra HD service
- Start of our biggest Premier League season yet, including Friday evening matches for the first time
- Successful Sky Cinema campaign, driving movies consumption up 8% year on year
- Launch of new channel, Sky Sports Mix, viewed by nearly three million households to date
- Making our premium service, Sky Q, even better with launch of innovative new features
- Launched industry first pay lite, contract-free, TV and broadband proposition – NOW TV Combo
- Addition of Box Sets to Sky Store Buy & Keep service
- Sky Kids app adding extra value for families, with total kids downloads up over 70% year-on-year
- Introduction of innovative new Sky VR app, free to everyone

A key focus during the period was our upcoming launch of Sky Mobile, with a number of final readiness milestones achieved including successfully completing our first live calls, SMS and data sessions, provisioning our own SIMs, and concluding international roaming agreements.

## Germany & Austria

Revenues grew by 9% in Germany & Austria driven by strong customer demand, reflecting the momentum we have built in this market as we grow and broaden our business. Advertising revenue was up 25% year on year due to the increased reach of our channels, a greater amount of inventory we can now offer advertisers and growing demand enabling us to increase our rates. Highlights from the quarter include:

- Launch of brand new streaming service, Sky Ticket
- Start of the new Bundesliga season, with our first Ultra HD match being shown this weekend
- Over one million customers now taking our Entertainment pack
- New channel - Sky Cinema Family - viewed by record numbers with viewers up four-fold within first week
- Roll out of a local version of the successful UK Sky Kids app into Germany and Austria

In addition, we have focussed on preparing for the launch of Sky 1 at the beginning of November. This is an important milestone in our strategy to broaden our basic entertainment offering and give customers in Germany and Austria a new reason to take the Sky service for the first time.

## Italy

Revenue on a like-for-like basis was up 4% in Italy, our highest Q1 revenue growth in this market since 2009. This reflects the breadth and quality of our customer offer, now available across a larger number of platforms, as well as a higher customer base. Advertising revenue was up 17% with TV8 becoming the fastest growing channel in the free-to-air market - with audiences doubling year on year - plus a positive contribution from UEFA Euro 2016. The highlights from the quarter include:

- Launch of Sky Go Extra, replicating the enhanced mobile TV service in our other markets
- Over 50% of customers now connected and able to access Sky On Demand, including Sky Box Sets
- Best start to an *X Factor* series; first episode of the tenth series attracting over four million viewers
- Most watched sports event ever on Sky Sports Italy; Italy v Germany UEFA Euro 2016 match
- New movie distribution business established, giving Sky customers even better access to popular Italian films
- World premiere of our new Sky original production, *The Young Pope*, at the Venice Film Festival to critical acclaim
- Sky Extra loyalty programme exceeding 1.5 million subscribers

## CORPORATE

As part of the move announced in July to increase engagement with shareholders we will hold a day-long event for investors and analysts next week on Thursday 20th October. The event will include presentations from senior Executives from across the company, including the Group CEO, the Group COO & CFO and each of our territory CEOs, as well as product demonstrations that will showcase some of our latest innovations. Shareholders or potential shareholders wishing to attend should contact investor relations at [investor-relations@sky.uk](mailto:investor-relations@sky.uk)

## Proposed appointment of Independent Non-Executive Director

We are pleased to announce our intention to appoint Katrin Wehr-Seiter as an Independent Non-Executive Director of the Company immediately following the conclusion of today's Annual General Meeting.

Katrin is an experienced finance and investment professional who is currently a Managing Director at BIP Investment Partners SA and is based in Germany. Prior to joining BIP, she served as a Principal of global investment firm Permira, after starting her professional career at Siemens AG. Katrin is currently a non-executive director of SES SA and Lifebrain AG, and previously served as an independent non-executive director of Nanogate AG from 2013 to 2016; and Sky Deutschland AG from 2010 to 2015, prior to Sky taking full ownership of the company.

## GROUP FINANCIAL PERFORMANCE

	3 months to 30 Sept 2016	3 months to 30 Sept 2015 at constant exchange rates	Foreign exchange impact	3 months to 30 Sept 2015 at actual exchange rates	Reported growth	Growth at constant exchange rates
<b>Revenue</b>	<b>£3,148m</b>	£2,940m	(£147m)	<b>£2,793m</b>	<b>+£355m</b>	<b>+7%</b>
UK & Ireland	£2,104m	£2,003m	-	£2,003m	+£101m	+5%
Germany & Austria	£434m	£397m	(£61m)	£336m	+£98m	+9%
Italy	£610m	£540m	(£86m)	£454m	+£156m	+13%

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There will be a conference call for analysts and investors at 8.00 a.m. (BST). Participants should register by contacting Victoria Power on +44 20 7251 3801 or at [Victoria.Power@Finsbury.com](mailto:Victoria.Power@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.invite-taylor-rafferty.com/\\_sky/2017Q1/Default.htm](http://www.invite-taylor-rafferty.com/_sky/2017Q1/Default.htm). Both conference calls will be live via the Sky website at <http://www.sky.com/corporate>. Replays will subsequently be available.

## 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, 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 2016. Copies of the Annual Report are available from the Sky plc web page at [www.sky.com/corporate](http://www.sky.com/corporate) and in hard copy from the Company Secretary, Sky plc, Grant Way, Isleworth, Middlesex TW7 5QD.

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.

#### **Footnote**

Results are presented throughout on an adjusted basis. Adjusted results exclude items that may distort comparability in order to provide a measure of underlying performance. Such items arise from events or transactions that fall within the ordinary activities of the Group but which management believes should be separately identified to help explain underlying performance.

The constant currency rates used for translating the financial results of Italy and Germany and Austria into sterling are €1.18:£1, being the average rate for the current period (2015: €1.40:£1). Like-for-like excludes non-recurring items and is at constant currency.

## APPENDIX: CONTENT HIGHLIGHTS COMING UP ON SKY OVER THE NEXT THREE MONTHS

### sky 1 sky UNO

The Flash	MasterChef*	X Factor (series 10)*
Arrow	The Tunnel: Sabotage*	MasterChef (series 6)*
Trollied*	Hooten & The Lady*	Hell's Kitchen (series 3)*
Delicious*	Victoria	Edicola Fiore*
The Last Dragon Slayer*	Bordertown	Social Face (series 2)*
Stella: Christmas special*	Ballers (season 2)	Quattro Ristoranti (series 3)*

### sky ATLANTIC

The Young Pope*	Nurse Jackie (series 5)	The Affair (series 1 and 2)
Westworld	The Strain (series 3)	The Night Of
Insecure	Aquarius (series 2)	Divorce
House of Lies (series 5)	Masters of Sex (series 4)	Happyish
Quarry	Rectify (series 4)	Dice
The Affair (series 3)	Quarry	The Missing (series 2)

### sky ARTS

Treasures of the British Library*	Concert from the Sistine Chapel*	Muse Inquietanti (series 3)*
Animal Symphony*	Fascination Biography*	Dago in the Sky*
Passions*	Dancing Child	Grandi Mostre*
Bob Dylan: Knockin' on Dave's Door*	Video Killed the Radio Star	Italian Season*
Billy Elliot: The Musical	A Swan Lake	Firenze 1966*

### sky CINEMA

Captain America: Civil War	Star Wars: The Force Awakens	Goosebumps
Kung Fu Panda 3	Deadpool	The Good Dinosaur
The Danish Girl	The Intern	Bridge of Spies
The Revenant	Black Mass	Sicario
The Jungle Book (2016)	Der Geilste Tag	The Last Witch Hunter
Zoolander 2	Hitman: Agent 47	Tutte Lo Vogliono

### sky SPORTS

Cricket: England Test	Football: Bundesliga	Football: Serie A
Football: EPL and EFL	Football: DFB-Pokal	Moto GP: every race
Golf: European Tour	Ice Hockey: EBEL	Basketball: NBA
Ruby Union: Autumn Internationals	Tennis: 2016/17 ATP World Tour	Basketball: Italian Championship
Tennis: ATP World Tour Finals	Handball: EHF Champions League	Football: FIFA World Cup 2018 qualifiers
Formula 1: every race live	Football: Europe League	Football: Serie B

\* Sky original content