



sky

Sky Deutschland AG
Interim Statement Q3 2014/15

Sky Deutschland Q3 2014/15 figures

Record subscriber growth: up 61% year-on-year

Key metrics

- Net growth: 103,000 (Q3 2013/14: 64,000)
- Direct subscribers: 4,225,000, up 494,000 yoy
- Churn rate (12-month rolling): down to 8.4% (Q3 2013/14: 10.6%)
- Total paid-for subscription products: 7,006,000, up 981,000 yoy
- Q3 revenues: €455m, up €35m yoy
- Q3 EBITDA: €22m, up €31m yoy

Highlights

- Original series production: “100 Code” and “Fortitude” successfully launched
- Exclusive premieres: “Game of Thrones” (5), “The Walking Dead” (5B), “House of Cards” (3) – all previous seasons available on-demand via Sky Go and Sky Online
- “Game of Thrones” (5): one of the most successful starts of a series on Sky and the best ever on Sky Go
- Sky Go: further expanded; customer sessions at new all-time high
- Sky Anytime: major expansion of the on-demand catalogue
- Sky360: innovative model for cross-platform ratings measurement
- Bundesliga: more than 6 million match-day viewers
- Home of golf: The PGA European Tour and the Ryder Cup remain live and exclusive on Sky
- Squeeze out request by Sky German Holdings GmbH

**Brian Sullivan,
CEO of Sky Deutschland:**



Sky's constant focus on customers has once again driven record growth and a strong set of results. Our simple formula – great and exclusive content that people want to watch, innovative products that make our content accessible anytime and anywhere, and award winning service from people who truly care about delivering the best for our customers – is proving more powerful than ever. With almost half a million net new customers joining in the last 12 months Sky is becoming a must have for anyone who loves great entertainment, and the potential keeps growing. Going forward, with Carsten taking the lead here in Germany and Austria, and working closely with Jeremy and all our colleagues across the wider Sky group, we are already opening the next phase in what is undoubtedly the most exciting entertainment company across all of Europe. I am incredibly proud of what our team has delivered, and it's just getting started. There has never been a better time to be a Sky customer.

In the third quarter of the 2014/15 financial year, Sky Deutschland delivered record customer growth. The number of direct subscribers increased by 103,000 (Q3 2013/14: 64,000), which is 61% above the previous year's period. At the end of March, the total number of direct subscribers reached 4,225,000 (Q3 2013/14: 3,731,000), representing an increase of 494,000 subscribers over the last 12 months – the highest year-on-year growth in the history of the company. Supported by the continued take-up of two year contracts, customer loyalty improved significantly with the 12-month rolling churn rate dropping to 8.4% (Q3 2013/14: 10.6%).

Altogether Sky Deutschland grew its total number of paid-for subscription products, which include direct subscriptions, Sky Premium HD, Snap by Sky, Sky Online, and Sky Zweitkarte (second smart-card), by 16% in Q3 2014/15 to 7,006,000 (Q3 2013/14: 6,024,000). Sky+ continued its strong growth with the number of customers increasing by 105,000 in the quarter to 2,099,000 (Q3 2013/14: 1,576,000). One in two Sky subscribers now benefits from the convenience and flexibility of the award-winning Sky+ receiver (Q3 2013/14: 42%).

Sky Go, Germany and Austria's leading online TV service, also saw significant growth. Over the course of Q3 2014/15, all Sky Go key metrics achieved new record levels. The number of customer sessions grew by 88% year-on-year to 45 million, demonstrating that an ever increasing number of customers want to enjoy great TV entertainment beyond the home TV screen.

Strong financial performance

In Q3 2014/15, total revenues grew to €455 million (Q3 2013/14: €421 million). Subscription revenues were the key driver, up 9% to €419 million (Q3 2013/14: €384 million), driven by accelerated new customer additions and the continued strong performance on churn. Total costs excluding depreciation went up by 1% to €433 million (Q3 2013/14: €429 million). This reflects the planned step up in costs related to the enhanced Bundesliga rights, offset by the shift of two Bundesliga match-days from Q3 into Q4 this fiscal year as well as by the change in estimates in programming costs. As a result, EBITDA for Q3 2014/15 amounted to €22 million (Q3 2013/14: negative €9 million), which is an improvement of €31 million year-on-year.





Original series production: “100 Code” and “Fortitude” successfully launched

“100 Code” is Sky Deutschland’s first international co-production and an example of a successful international collaboration. The twelve-part series premiered in March, taking the cult Scandi-crime genre to a new level. Following the pan-European launch of “Fortitude” in the original language in January, Sky Deutschland presented the German version of the highly anticipated new drama in March. Compelling characters, premium quality production standards and exciting stories make these productions a must for fans of crime series.

Exclusive series premieres: “Game of Thrones” (5), “The Walking Dead” (5B), “House of Cards” (3)

The TV series event of the year took place on 12 April: Sky premiered season five of HBO’s “Game of Thrones” on Sky Go, Sky Online, and on Sky Anytime, as well as a day later on Sky Thrones HD, Europe’s first channel dedicated to a single series. It was one of the most successful starts of a series on Sky and the best ever on Sky Go. The series was shown simultaneously with its US debut, featuring the original English language version – and was totally exclusive to Sky customers. The German dubbed version followed on 27 April, also exclusive to Sky customers in Germany and Austria.

To deliver a truly outstanding entertainment experience, customers get access to a growing range of full series box-sets via Sky’s on-demand services. For example, along with the brand new season of “Game of Thrones”, all episodes of the previous four seasons have been made available exclusively for Sky subscribers, resonating greatly with customers: across all platforms the first four seasons and the first episode of the fifth season reached an aggregated audience of over six million since the start of Sky Thrones HD on 10 April. And for the recent premieres of “The Walking Dead” as well as of “True Blood”, Sky customers also got access to all previous seasons and episodes. Over the course of 2014, Sky offered a combined 474 full season box-sets and more than 9,000 individual episodes via its on-demand services Sky Anytime, Sky Go, Sky Online, and Snap by Sky.

The entire third season of the Kevin Spacey political drama “House of Cards” had its exclusive premiere in Germany and Austria on Sky. More than 200,000 views since launch late February made it another successful start of a series season. The recently confirmed fourth season of “House of Cards” will also premiere exclusively to Sky customers and is expected to be available early next year.



Sky Go

Further expansion of Sky Go

In April Sky extended Sky Go with a brand-new lifestyle section. It adds 100 new programs each month with great shows from Sky's partner channels E! Entertainment, RTL Living and TNT Glitz HD. Customers can now enjoy an even broader range of exciting programs whenever and wherever they want. In addition, Sky Go has been made available to more Android devices. Sky Go is Germany and Austria's best online TV service and accessible to all Sky customers at no extra cost.



Sky On Demand

Sky's entire on-demand offering available via Sky+

During Q3 2014/15, all of Sky's satellite customers with a Sky+ receiver were enabled to benefit from a major expansion of the Sky Anytime on-demand catalogue. Just by connecting the Sky+ receiver to the internet, customers can watch a growing part of Sky's on-demand portfolio directly on the big screen, with up to six times as much content as before. By this summer, the Sky Anytime expansion will also be available for all Sky cable customers. And later this year, Sky Anytime will become Sky On Demand, making Sky's entire on-demand offering available on the main TV set via Sky+, including first-run and exclusive movies, series, documentaries, kid's shows and other great programs – which today totals more than 13,000 titles across the year.



Sky+

Sky360: innovative model for cross-platform ratings measurement

Innovative services such as Sky Go and Sky Anytime are leading to significant changes in viewing habits. Sky360, the new innovative model for cross-platform audience measurement, now enables Sky to gain a complete and detailed picture of customers' TV viewing behavior. Sky360 accounts for media usage of the linear and non-linear multi-screen services Sky Go, Sky Anytime and Sky Online as well as live sport broadcasts in public spaces, for example in Sky Sportsbars and hotels.

Bundesliga: more than 6 million match-day viewers

In the past quarter, Sky once again showed the great appeal of its exclusive multi-platform Bundesliga offering with a peak of more than 6 million viewers tuning in on the 23rd match-day (1st March). 71% of them followed the action on the big screen at home, 18% in Sky Sportsbars, and 11% via Sky Go (source: Sky360).

Home of golf: The PGA European Tour and the Ryder Cup remain live and exclusive on Sky

After the recent successful broadcast of The Masters at Augusta, Sky Deutschland continues to be the exclusive home of golf in Germany and Austria after extending its agreement to continue broadcasting The PGA European Tour as well as the Ryder Cup live and exclusive. Golf fans in Germany and Austria can look forward to live broadcasts on every platform at home or on the go. In addition, Sky is also the exclusive home of the four Golf Majors, as well as the U.S. PGA Tour.

Senior management change

On 26 March, Sky announced that Brian Sullivan will step down as Chief Executive this summer. The Supervisory Board has appointed Carsten Schmidt, Chief Officer Sports, Advertising Sales & Internet, to Deputy CEO and to succeed Mr. Sullivan as Chief Executive upon his departure.

Squeeze out request by Sky German Holdings GmbH

Sky German Holdings GmbH, a wholly-owned indirect subsidiary of Sky plc, submitted to Sky Deutschland AG a request that a shareholders' meeting of Sky Deutschland AG resolves upon the transfer of the shares of the remaining shareholders to Sky German Holdings GmbH against payment of an adequate consideration in cash. On 7 January 2015, Sky German Holdings GmbH published a press release stating that it holds more than 95% of the registered share capital of Sky Deutschland AG. The resolution shall be resolved upon at a general meeting of Sky Deutschland AG's shareholders which will be scheduled in due course.

About Sky Deutschland

Sky is the leading pay-TV provider in Germany and Austria with more than 4.2 million subscribers and annual revenues amounting to approximately 1.7 billion Euros. The program portfolio of Sky includes live sports, feature films, series, children's programs and documentaries. Sky has around 2,500 employees and is based in Unterföhring near Munich. The company is a part of Sky plc, Europe's leading entertainment group (Status: 31 March 2015).

Key Metrics

	Q3 2014/15	Q3 2013/14	Change (absolute)	Change (in %)	9M 2014/15	9M 2013/14	Change (absolute)	Change (in %)
Net growth* ('000)	103	64	39	60.9	413	278	135	48.6
Direct subscribers at end ('000)	4,225	3,731	494	13.3	4,225	3,731	494	13.3
Premium HD subscribers incl. free-visions at end ('000)	2,481	2,106	375	17.8	2,481	2,106	375	17.8
Premium HD pen. rate incl. free-visions (in %)	58.7	56.4	2.3	-	58.7	56.4	2.3	-
Sky+ subscribers at end ('000)	2,099	1,576	524	33.2	2,099	1,576	524	33.2
Sky+ penetration rate (in %)	49.7	42.2	7.5	-	49.7	42.2	7.5	-
Second smartcard subscribers at end ('000)	486	443	43	9.7	486	443	43	9.7
Second smartcard penetration rate (in %)	11.5	11.9	-0.4	-	11.5	11.9	-0.4	-
Total paid-for products at end ('000)	7,006	6,024	981	16.3	7,006	6,024	981	16.3
Subscription ARPU (in €, monthly)	33.45	34.58	-1.13	-3.3	33.71	34.45	-0.74	-2.1
Churn rate (in %, 12 month rolling)	8.4	10.6	-2.3	-	8.4	10.6	-2.3	-
Wholesale subscribers at end ('000)	153	258	-105	-40.7	153	258	-105	-40.7

* including stand-alone online and mobile subscriptions since Q2 2014/15

Results

	Q3 2014/15	Q3 2013/14	Change (absolute)	Change (in %)	9M 2014/15	9M 2013/14	Change (absolute)	Change (in %)
Revenues (in €m)	455.3	420.7	34.6	8.2	1,337.4	1,227.8	109.6	8.9
Costs (excluding depreciation) (in €m)	433.4	429.3	4.1	0.9	1,257.5	1,244.2	13.3	1.1
EBITDA (in €m)	21.9	-8.6	30.5	>100	79.8	-16.4	96.3	>100
EBIT (in €m)	-7.5	-34.0	26.5	78.0	-2.7	-87.7	85.0	-96.9

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Credits:

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