

Investor Newsletter

Winter 2022

sky

Message from Sophie

Dear Shareholders

Welcome to our Winter 2022 investor newsletter. We have just completed the financial year, and we look forward to sharing our Results for the 2022 financial year with you next month. In the meantime, it seems timely to update you on some of the recent happenings at your company as we continue to execute on the strategy.



First up, you may be aware that Sky looked at a **potential acquisition of MediaWorks Holdings**. We were undertaking due diligence when media speculation meant we needed to advise the market (on 7th June) that we were in discussions with MediaWorks' owners. The context for this engagement stemmed from the position we advised in February of exploring opportunities to invest capital if there was an investment that would accelerate the growth of the business, generate new revenue streams, and deliver greater shareholder returns. The strategic rationale talked to the immediate scale that this acquisition of radio and outdoor advertising assets would provide in growing Sky's share of New Zealand's advertising market, in addition to supporting the further growth of Sky's core subscription business. Although there were significant potential cost and revenue synergies from a combination of the two companies, the significant change in outlook for the New Zealand economy and rising interest rates, together with feedback from shareholders, led us to the decision not to proceed with this acquisition.

Our focus has since returned to confirming the best options

for returning surplus capital to shareholders (in addition to the previously-announced return to paying dividends) and accelerating organic investment in the business to drive further growth. We will update you on our plans no later than at Sky's Full Year Results announcement on 25 August 2022. Please do note the important information required below in respect of our return to paying dividends!

The second area I'm keen to update you on is in respect of our **Sky Box project**. Despite the best efforts of our teams – who have been working tirelessly – we, like many other businesses, are not immune to the challenges caused by disruptions to the global supply chain, and in particular chipset shortages. This does mean there will be a short delay to getting the first boxes into customer homes, from the originally planned 'middle of the year' to spring of 2022.

What this doesn't mean is any change to our focus on delivering a transformational experience for our Sky customers.

Please do take a look at our update on the following page: suffice it to say, I'm really looking forward to revealing the features

of the new Box to you – and our customers – in the coming weeks.

In the meantime, we continue to deliver our **unrivalled range of sport and entertainment content** to customers across the country, in ways that work for them. As we commence this new financial year, the amount of superb content we have on offer is simply outstanding – including All Blacks and Black Ferns rugby, the Commonwealth Games, the return of Premier League to Sky next month, and the highly-anticipated House of the Dragon (the Games of Thrones prequel) coming to Neon and Sky in August, to name just a few. We provide a snapshot on page 3.

I hope the information we share is useful. As always, I welcome your feedback and you can contact me at Sophie@sky.co.nz.

I look forward to updating you in more detail at our full year results in August.

Ngā mihi nui (with warm regards),

A handwritten signature in black ink, appearing to read 'Sophie', with a horizontal line underneath it.

Sophie



New Sky Box

The new Sky Box is an exciting development for those Sky customers who are looking to transform the way they watch their favourite content across Sky, free-to-air and their favourite streaming apps.

It is the most transformational product we have launched since we delivered MySky to New Zealanders (with its much-loved recording functionality) in 2007, as we reconnect with our origin story of offering amazing choice and ease of use to kiwis.

We have an incredibly dedicated and diligent team working around the clock on the new Sky Box alongside our chosen global partners.

Yes, the timelines for delivery of the project have been impacted due to factors outside of our control – including from global chipset shortages, Covid interruptions (to resources and supply chains) and, more latterly, further impacts on supply chains caused by the war in Ukraine.

However, we are pleased to confirm that, notwithstanding those challenges, technical trials are now underway with specialist Sky crew, and wider staff trials start this week. Customer trials will follow before we confirm the precise launch date, acknowledging that we are determined to deliver the transformational Sky Box experience that our customers deserve.

At every stage of the project, we have engaged with customers to gain their feedback.

"It's very satisfying to be building something we're confident customers will love. Our voice activated remote (powered by Google Assistant) is a real 'wow' factor and we know customers will benefit from the search functionality which enables them to discover content from apps as well as Sky," said Bridget McNeill, Head of Product.

Fortunately, our roll-out of the new Sky Box is scheduled in phases (starting with our most loyal customers), so we have some flexibility over timing. We are also very focused on the group of Vodafone TV customers who are seeking a new solution for their Sky and free-to-air viewing when VTV closes at the end of September. We will ensure we have a Sky solution for them.

The new Sky Box is a key part of our strategy to remain the number one sport and entertainment provider in New Zealand and we can't wait to share it with you.

Sky customers have been involved throughout the process - here's what they've been telling us

"So much more than I ever imagined – very exciting for Sky Customers"

"This is awesome, one box for everything – how cool"

"I really like that Sky are taking onboard the feedback and adapting the functionality – it's great to be heard"

"This is a game changer for all of us so bring it on ASAP!!!"

Delivering superb content to our customers

Sky customers are spoiled for choice this winter. It was great to have the return of the All Blacks and Māori All Blacks to our screens this month, with strong viewership of their opening matches against Ireland.

More than 800,000 New Zealanders engaged with the opening round of the All Blacks v Ireland across Sky, Sky Go, Sky Sport Now, and free-to-air on Prime (and that doesn't include the engagement on our social channels - more on that below).

Our customers also enjoyed the long-awaited Vodafone Warriors' homecoming match v West Tigers with a reach of more than 590,000 across Sky, Sky Go, Sky Sport Now and live on Prime. Israel Adesanya's Middleweight UFC bout also performed well on Pay-Per-View.

We are proud of our world-class production for events here in New Zealand and the impact of our team's storytelling for the likes of the UFC. The latter is producing very high levels of engagement in social media, which means we are drawing incremental viewers from new audiences.

In the week that spans these four key events, our social media

content had more than 6.4 million views, significantly above the average weekly result of 2.7 million during the 2022 financial year.

Engaging with new audiences and trying new things is a key focus for our team. Our new rugby league studio show 'The Ditch' is a good example - it is focused on the contribution Māori and Pasifika make to rugby league and is attracting strong young and diverse audiences. 'The Ditch' will also be watched on Fox Sports Australia, Digicel (through the Pacific Islands) and globally on Watch NRL platforms.

Ahead we have more from the All Blacks, the Black Ferns, Silver Ferns netball, Supercars, IndyCars, the British Open and NRL - all of which will deliver the quality content fans have come to expect.

The Birmingham Commonwealth Games start in late July, and we are proud to be delivering six

dedicated channels on Sky and substantial free-to-air coverage on Prime for this special event. And the Premier League returns to Sky in early August, with all 380 matches on Sky, Sky Go and Sky Sport Now, and we know this is eagerly awaited by football fans.

Our exceptional entertainment offering continues to perform strongly and we eagerly anticipate the launch of "House of the Dragon" next month, and - for those of you in New Zealand - we invite you to watch out for something special to celebrate this highly anticipated series during the All Blacks' third test at Sky Stadium on 16 July.

Hot on the heels of House of the Dragon we will also see the return of the highly-anticipated Handmaid's Tale, so there is certainly an incredible array of sport and entertainment on offer for our customers - across all of our services in the coming months.



Return to paying dividends – important information!

At our half year results in February, Sky's Board announced that it will return to paying dividends from the end of the 2022 financial year, with the first dividend expected to be payable in September.

This followed a strong half year result with a return to revenue growth for the first time in six years, continued growth in customer numbers and a return to sustainable levels of free cash being generated by the business.

To receive your dividend payment, we must have your bank account details – or more specifically, our registry provider (Computershare) must have them. In the past some shareholders have received dividends via a cheque, however this is no longer an option.

- > Please visit Computershare's Investor Centre portal www.investorcentre.com/nz to check your payment details are correct - this will enable future payments to be credited directly to your account. If you do not have an existing login, you will need your Common Shareholder Number (CSN) or holder number and FASTER Identification Number (FIN) to register.
- > And while you are there, if you haven't already done so, we would welcome your support to reduce Sky's environmental footprint by opting to receive communications via email.

The Sky logo is displayed in a white, lowercase, sans-serif font. The letters are bold and have a slight shadow effect, making them stand out against the dark purple and blue background of the page.