

SKY 2013 AGM

Chairman's Address
October 2013

This past financial year has been one of considerable change for SKY.

We saw the sell down of major shareholders News Corp and Todd Corporation. I would like to stress that we do not expect the departure to affect any commercial relationships with News. SKY has worked closely with News' associates such as Foxtel and BSkyB will continue to do so. And we welcome the many new shareholders to the company.

As an outcome of the share ownership changes Michael Miller resigned as a director of the company. I'd like to thank Michael for his very valuable contribution to the SKY board. Michael's departure coincided with our regular review of the composition and skills of the board and as a result we are pleased to introduce Geraldine McBride and Derek Handley who have been appointed to the SKY board this year and are up for re-election. Geraldine and Derek will both address you today as they do not have a profile in our published Annual Report.

The competitive landscape of SKY has changed and is changing now more than ever before. SKY has not only endured but thrived in changing environments during its 23 year history. When UHF broadcasting moved to digital, SKY embraced the change, moving from a handful of channels to the more than 120 we have today and offering fantastic products to empower the customer to enjoy content even more. MY SKY our personal video recorder is in about half of SKY homes and our customer numbers have never been stronger with around half of all homes enjoying SKY.

The challenges continue; satellite and cable broadcast technology is no longer the only way of delivering pay television content in New Zealand. Today our key competitors are those delivering content over the internet. Our competitors are international as well as local. As the quality of internet distribution improves, as it will with the roll out of ultra-fast broadband, so does the number and depth of our competitors.

I can assure you SKY is prepared for the challenge. iSKY already delivers video on demand and live streamed content and SKY is embracing internet delivered content for the future. We have some great products in the pipe line to launch –

like delivering our content to tablets and mobile devices. Our new board members, Geraldine McBride and Derek Handley bring exciting skills at board level in the areas of technology, customer relationships, marketing and entrepreneurial skills in the new digital world.

This year a programme of work was implemented to enhance the SKY brand so that it more accurately reflects what our company is. You will notice some changes to how we present SKY here today, but this work is only just underway. John Fellet will speak more to this shortly. We hope our customers will gain a better understanding of who we are and the value we add to their entertainment experience.

In the broader community, we were very proud to announce a **\$1 million** commitment to the **Christchurch Earthquake Appeal Trust** to be put towards sport and recreation projects over a 5 year period. Our first project was drainage repairs to Garrick Park so the local football and cricket clubs can use the fields again. We are in the process of selecting a second project for funding and look forward to announcing that next year.

SKY continues to support the **Starship Foundation** and provide financial support to emerging athletes with the **SportConnect** programme run by Hamish and Marisa Carter.

Commercially it has been another exciting and challenging year for SKY. Cautious consumer spending, the delayed launch of Igloo, a flat advertising market, and continuing competition for program rights have all contributed to a difficult operating environment. Despite this, John Fellet and his team have produced record earnings **with net profit growing to \$137 million in 2013**. In addition the company paid, a special dividend of **32 cents per share totalling \$125 million in December 2012**.

One of the largest initiatives of the year was SKY's broadcast of the **London Olympics**. The 17 days of coverage was unprecedented in New Zealand. We offered 8 dedicated channels and Prime, our free to view channel, gave New Zealanders around 23 hours' Olympic viewing daily. The viewership numbers showed Kiwi's loved the coverage on both Prime and SKY. Last week SKY

announced they are the broadcast rights holder for the forthcoming Winter and Summer Olympics for both free to air and pay television coverage.

In other programming developments The **Jones!** channel was launched in May this year and has quickly risen to one off the top five rating channels. Prime acquired an output agreement with CBS which will strengthen our free to air offering over the next several years.

SKY was outbid for exclusive live rights to the broadcast of the English Premier League or EPL for the next three years.

Much has been written about the loss of the EPL. This needs some context. SKY has been outbid for rights in the past. There has always been competition for both entertainment and sports rights. And there will continue to be, especially as internet delivered content becomes more viable. The EPL viewership was very small but had a very passionate, following in NZ. Delayed broadcast rights of four major clubs have been acquired and SKY is broadcasting home and away fixtures for these clubs each week.

Igloo was launched in December 2012 as a low cost pay television service with IP connectivity. The launch was later than we had hoped. Partly due to the difficult launch date, the initial take up has been a little disappointing but a recent pricing change is showing positive signs. SKY has firm plans to further embrace internet delivered content with significant developments due to launch this financial year.

SKY recently announced a renewed agreement with Vodafone and we are very excited about the prospects of the ultra-fast broadband delivered 'Vodafone TV' that was announced by Vodafone earlier this month.

The Commerce Commission investigation into SKY's content and retail service partner agreements has been concluded. SKY has been given a warning, but no further action will be taken at this time. This is a good and expected result. SKY believes that it has always acted in the best interests of the company and that it has complied with NZ law at all times.

Your board and management are committed to building shareholder value and ensuring the future growth of SKY.

Your board and management are also committed to maintaining a strong balance sheet while continuing to review capital management.

On behalf of the board I thank all our shareholders for your support.

To John Fellet, Jason Hollingworth and the senior management team of SKY, most of whom are here today, thank you for your commitment and achievement over the past year.

I will handover to John Fellet now for his detailed report on this past year.

Thank you,

SKY

SKY TELEVISION
ANNUAL GENERAL MEETING
2013

COME WITH US

THE SKY JOURNEY SO FAR



■ UHF ■ Std SKY ■ Wholesale SKY ■ MY SKY ■ Other



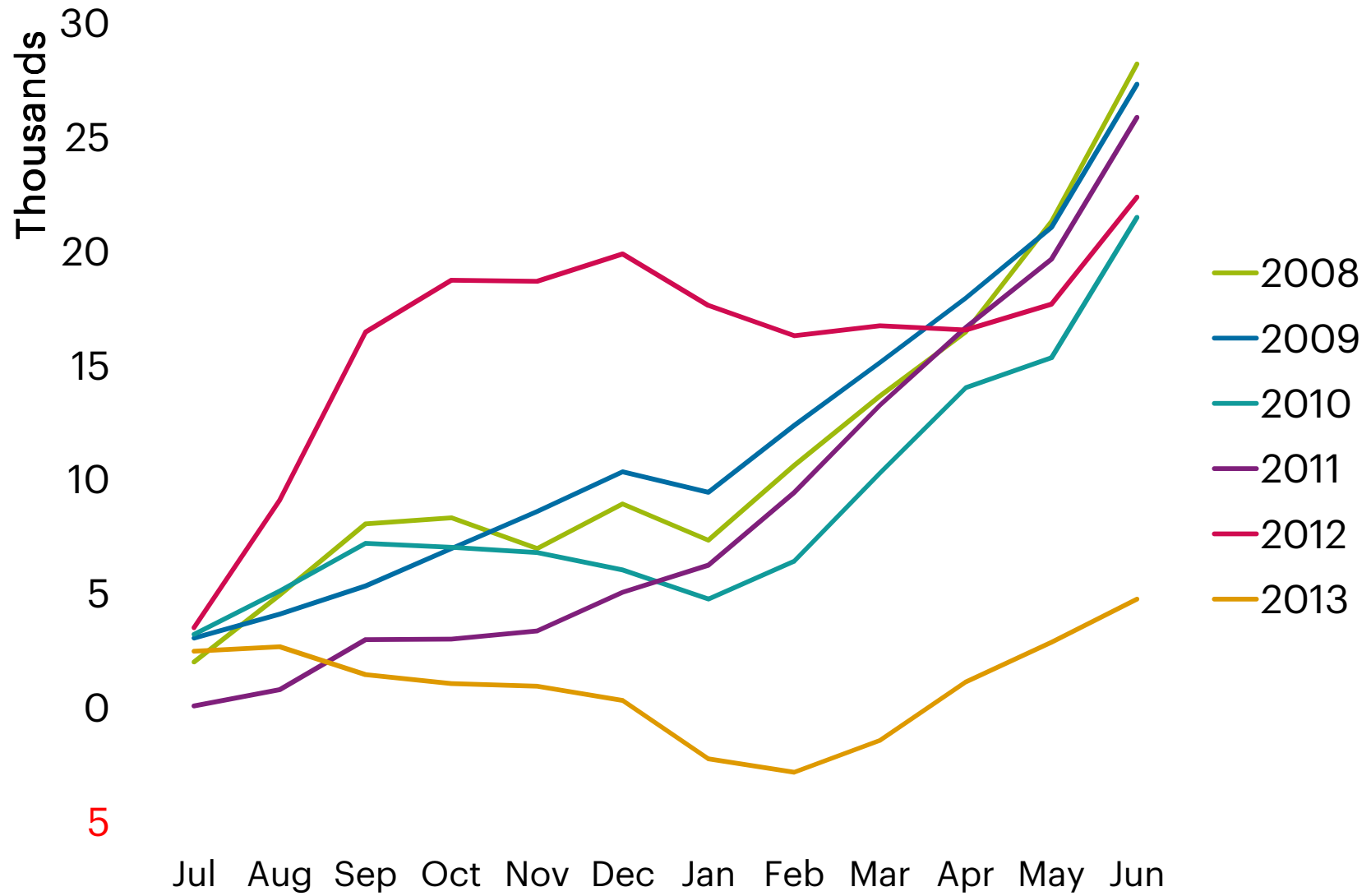
THE YEAR END POSITION



	June 2012	June 2013	% Change
DBS (Satellite) Domestic	307.8	234.6	-23.8%
DBS MY SKY	382.5	456.4	19.3%
DBS Wholesale	129.3	131.6	1.7%
Commercial & Other	27.3	33.4	22.2%
TOTAL SUBSCRIBERS	846.9	855.9	1.1%



NET GAIN BY MONTH



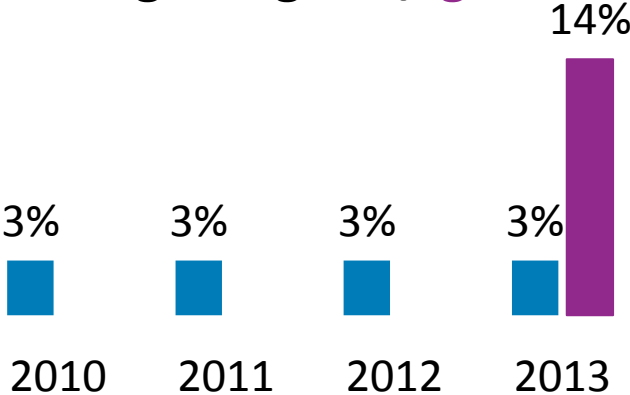
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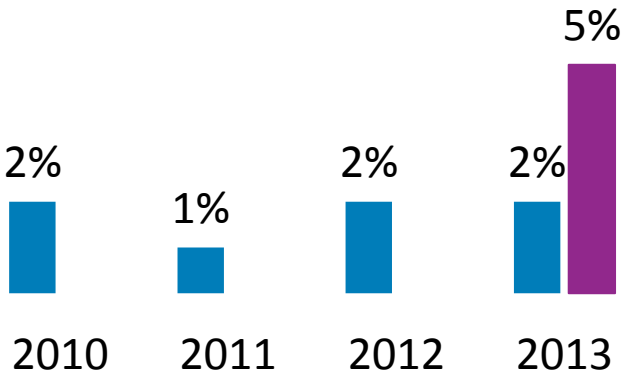
PROSPECTS TO SUBSCRIBE



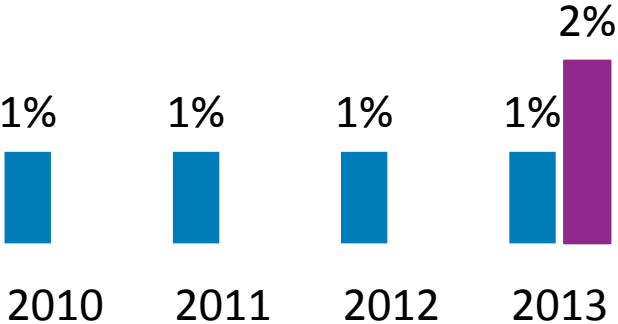
I am **mildly** interested in getting SKY/Igloo



I am **quite** interested in getting SKY/Igloo



I am **very** interested in getting SKY/Igloo





IGLOO

FATSO

movielink
HD IPTV DVOD BROADBAND SYSTEMS
DIGITAL TV ROLLOUT IMPLEMENTATION

mySKY HDi

i:SKY

ARTS
CHANNEL



vibe

SoHo

SKY MOVIES



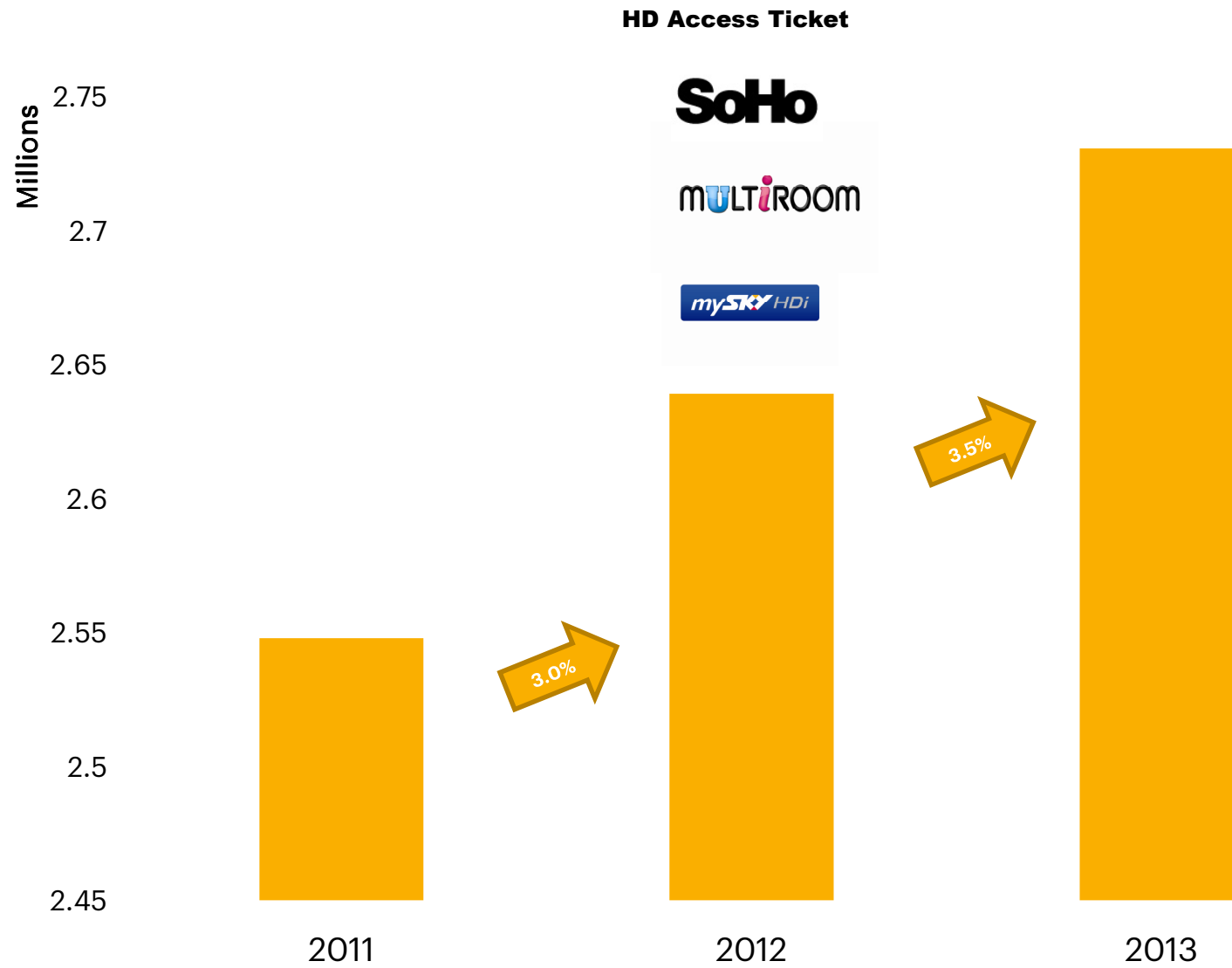
PRIME

SKY SKYWATCH

SKY | Business



SKY PREMIUM PRODUCTS



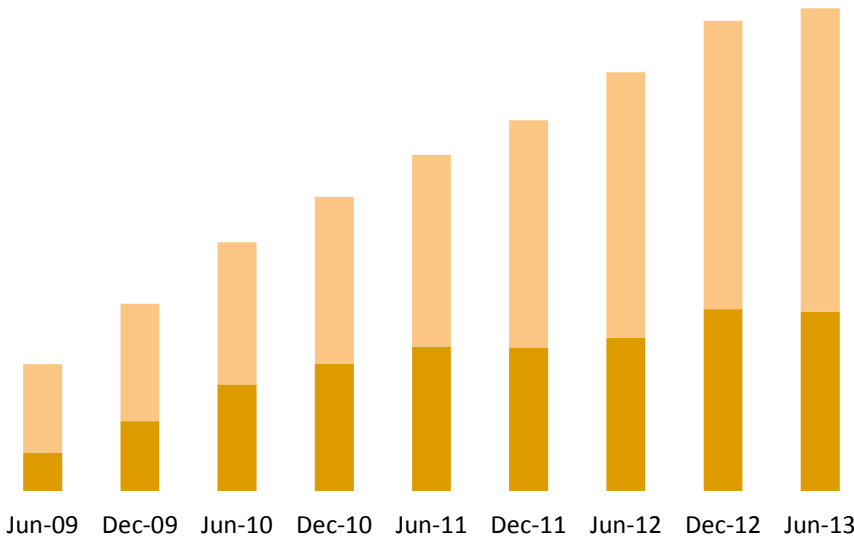
MY SKY

	Jun 12	Jun 13
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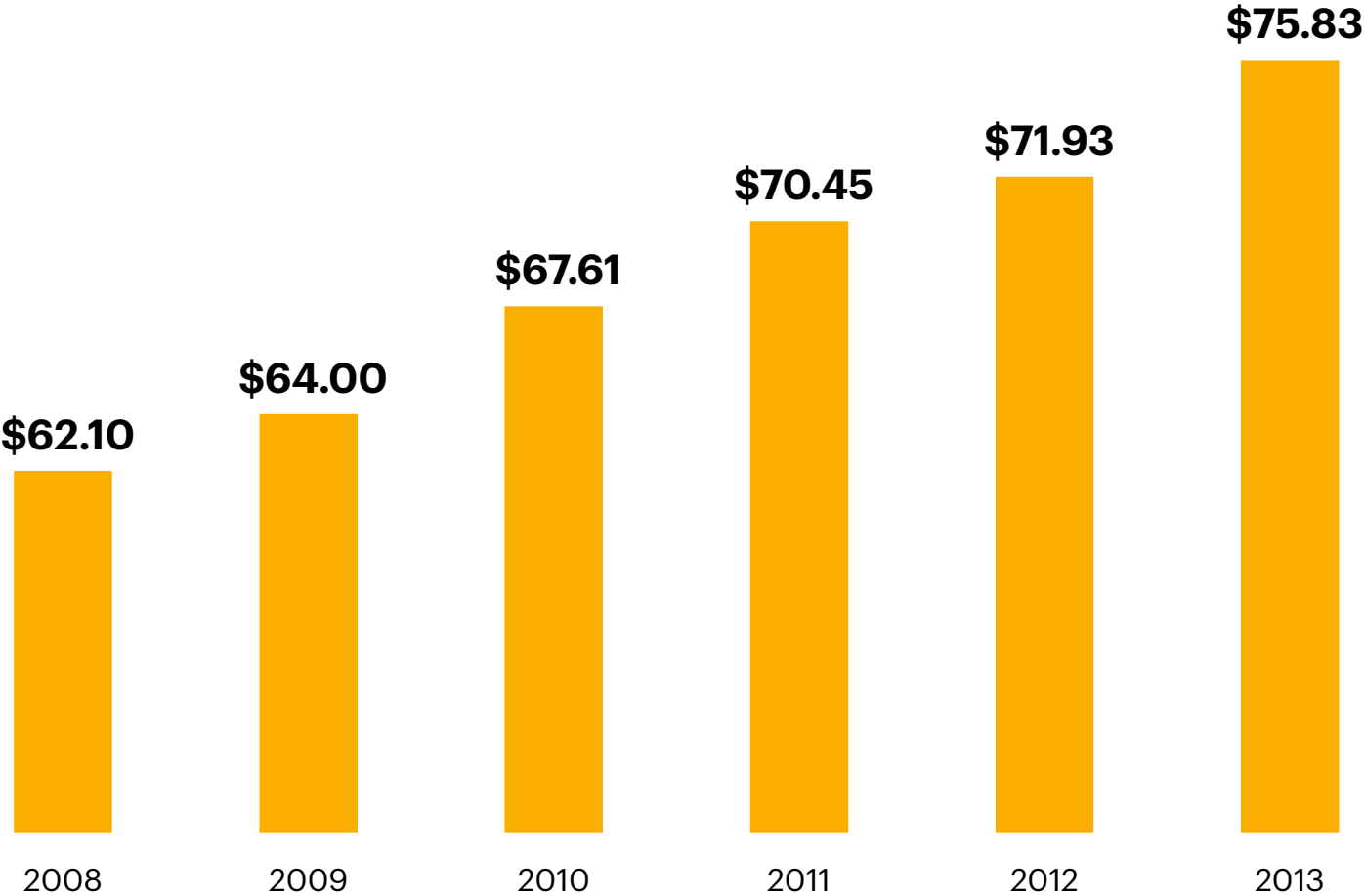
% Churn	10.4%	11.4%
HDi Subs	367,536	442,940
% Multiroom	31%	29%
% HD Ticket	15%	15%
% Upfront	6%	5.6%



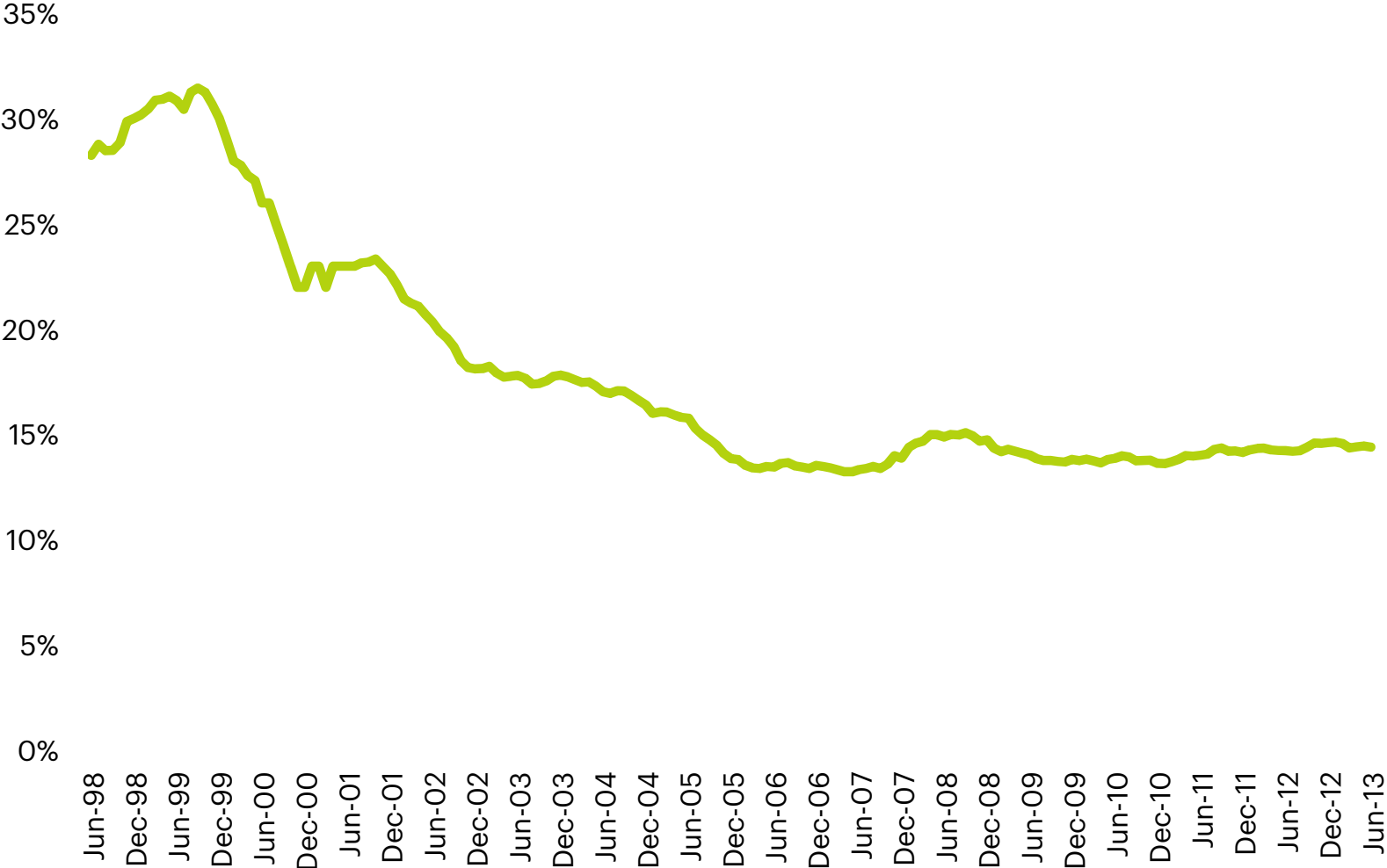
HD Access Ticket



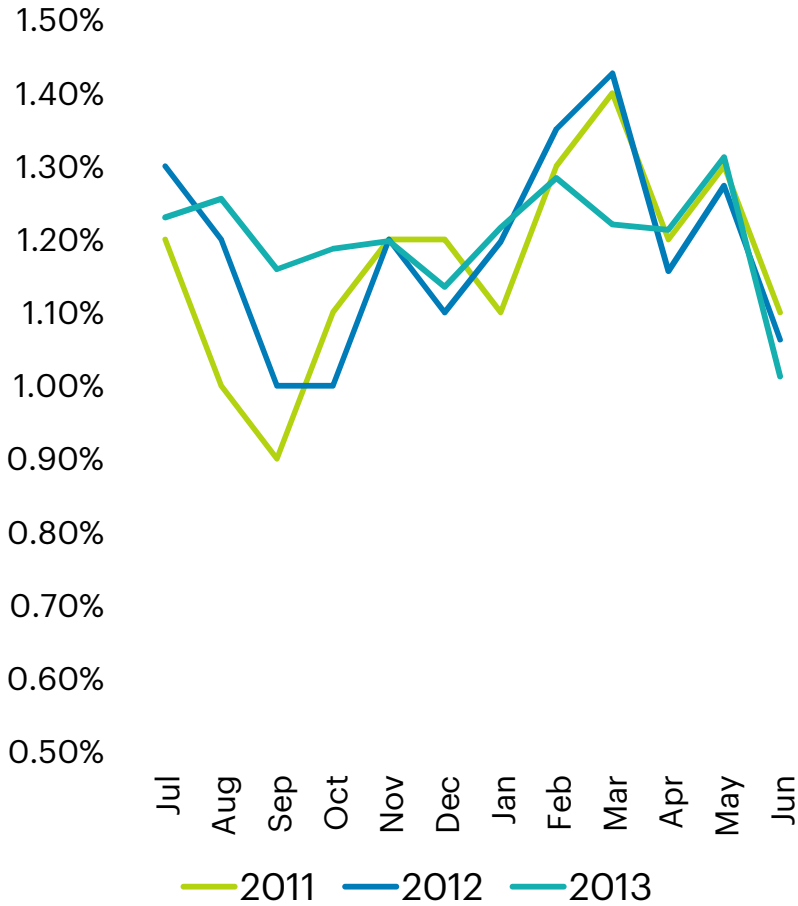
TOTAL ARPU



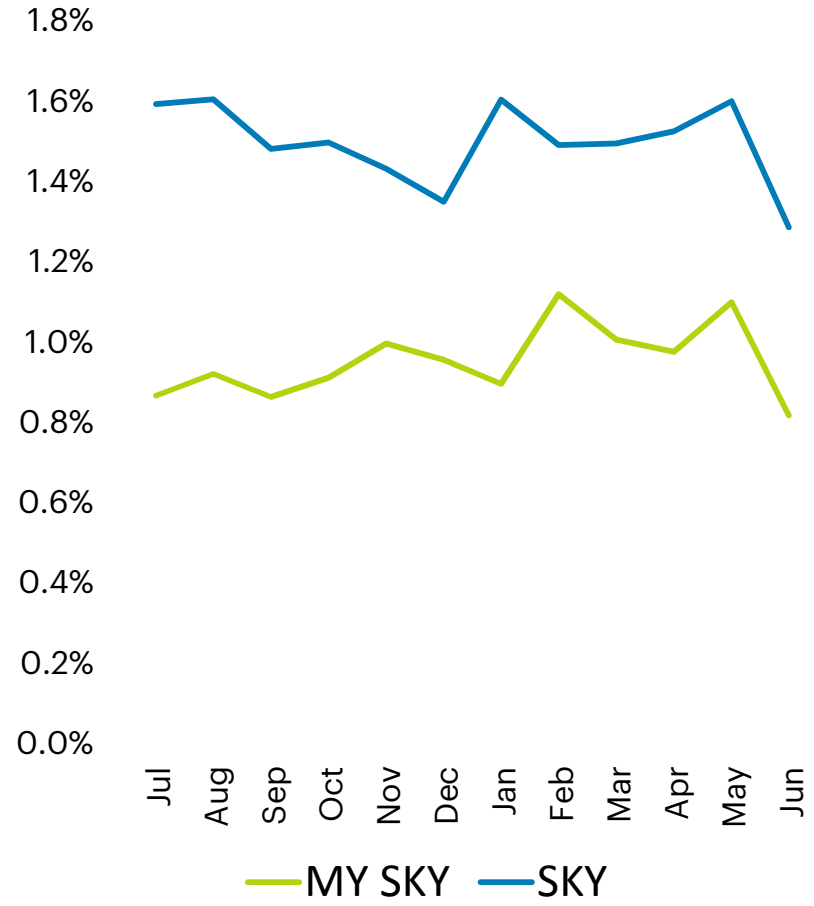
MOVING ANNUAL CHURN



MONTHLY CHURN

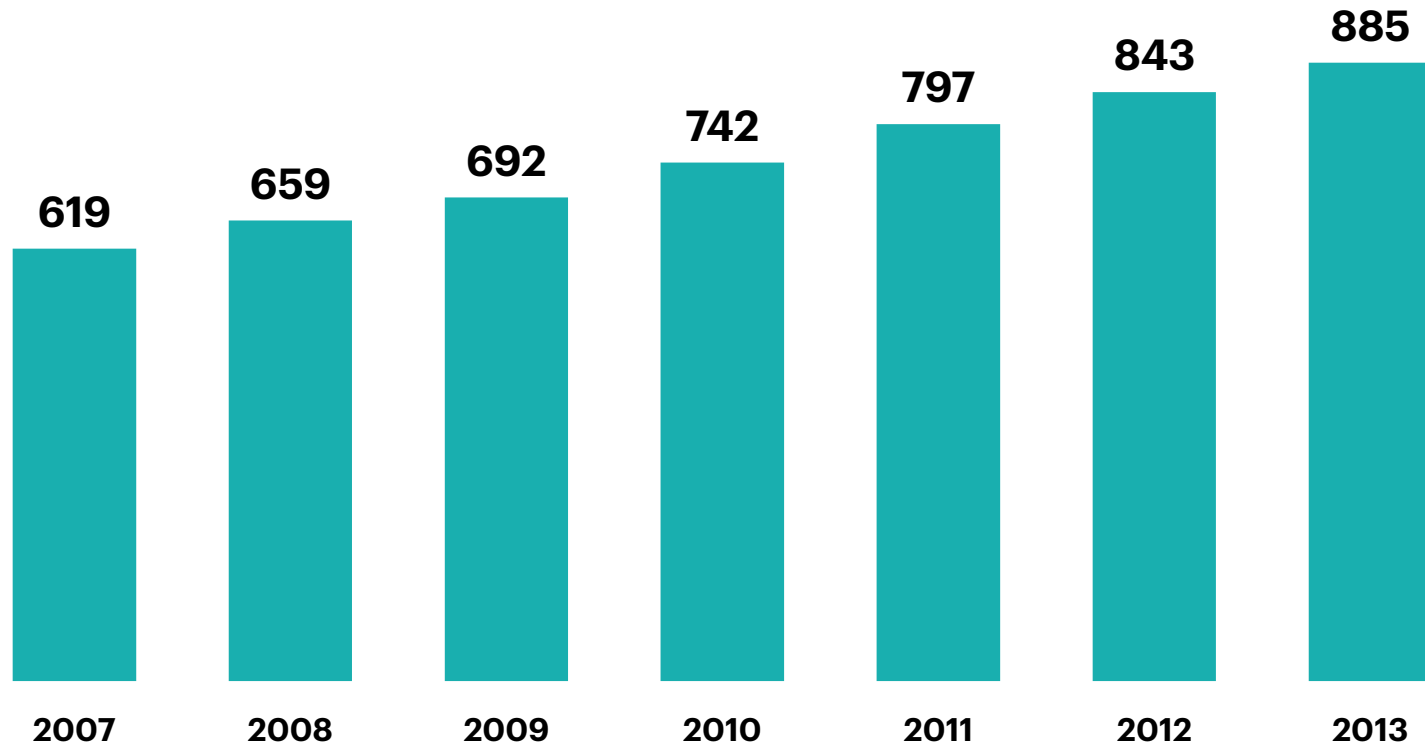


DEVICE CHURN



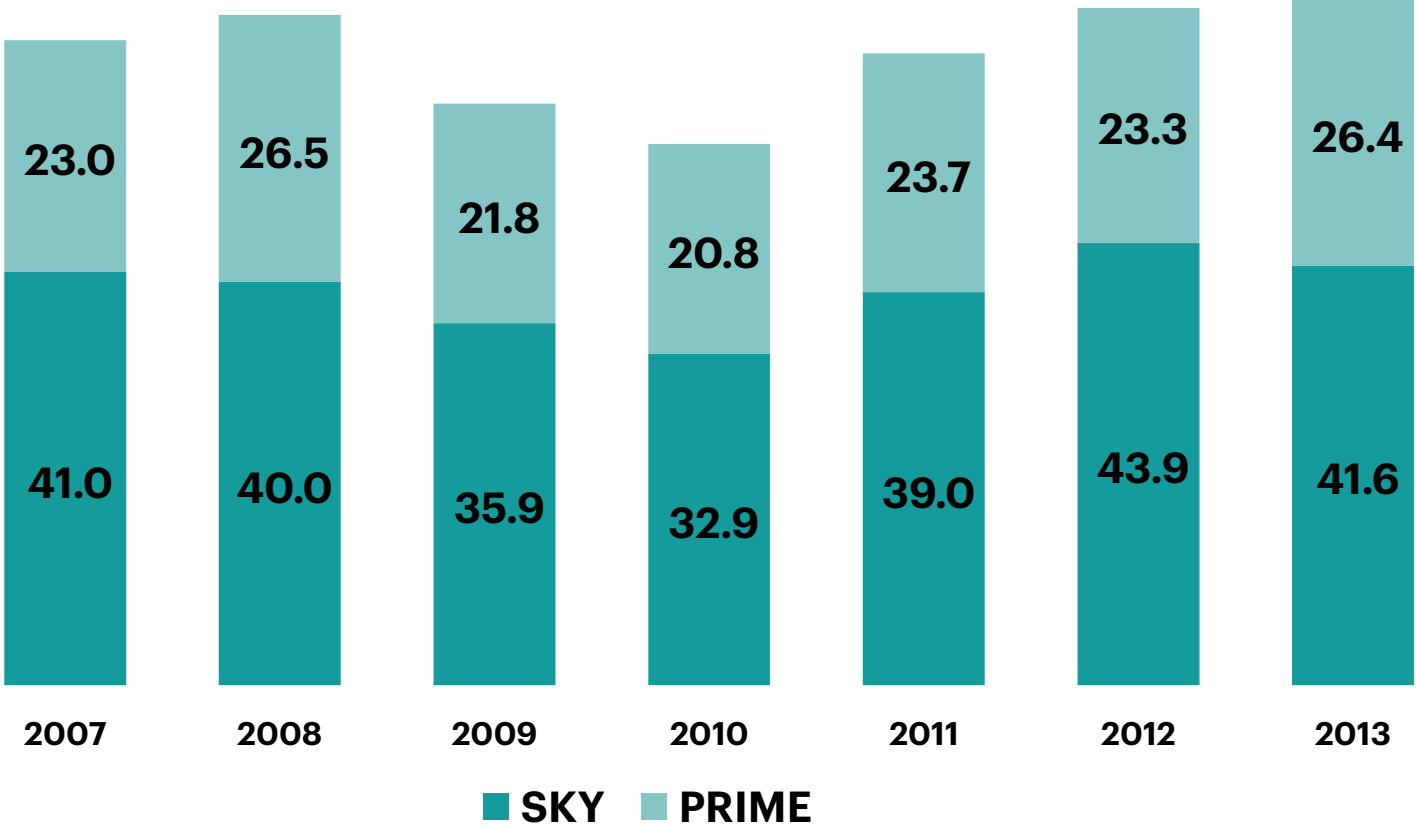
REVENUE

Millions

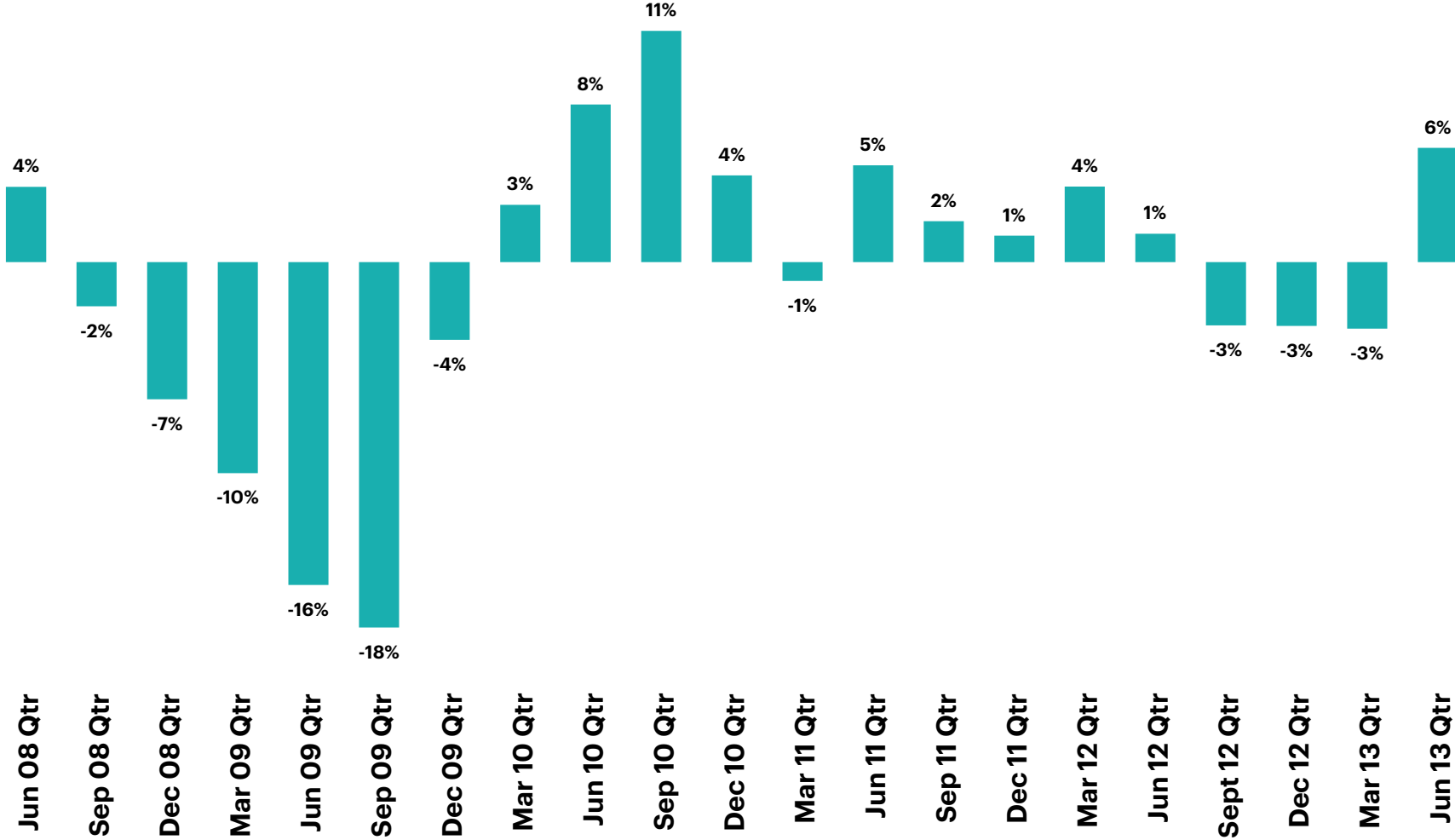


ADVERTISING REVENUE

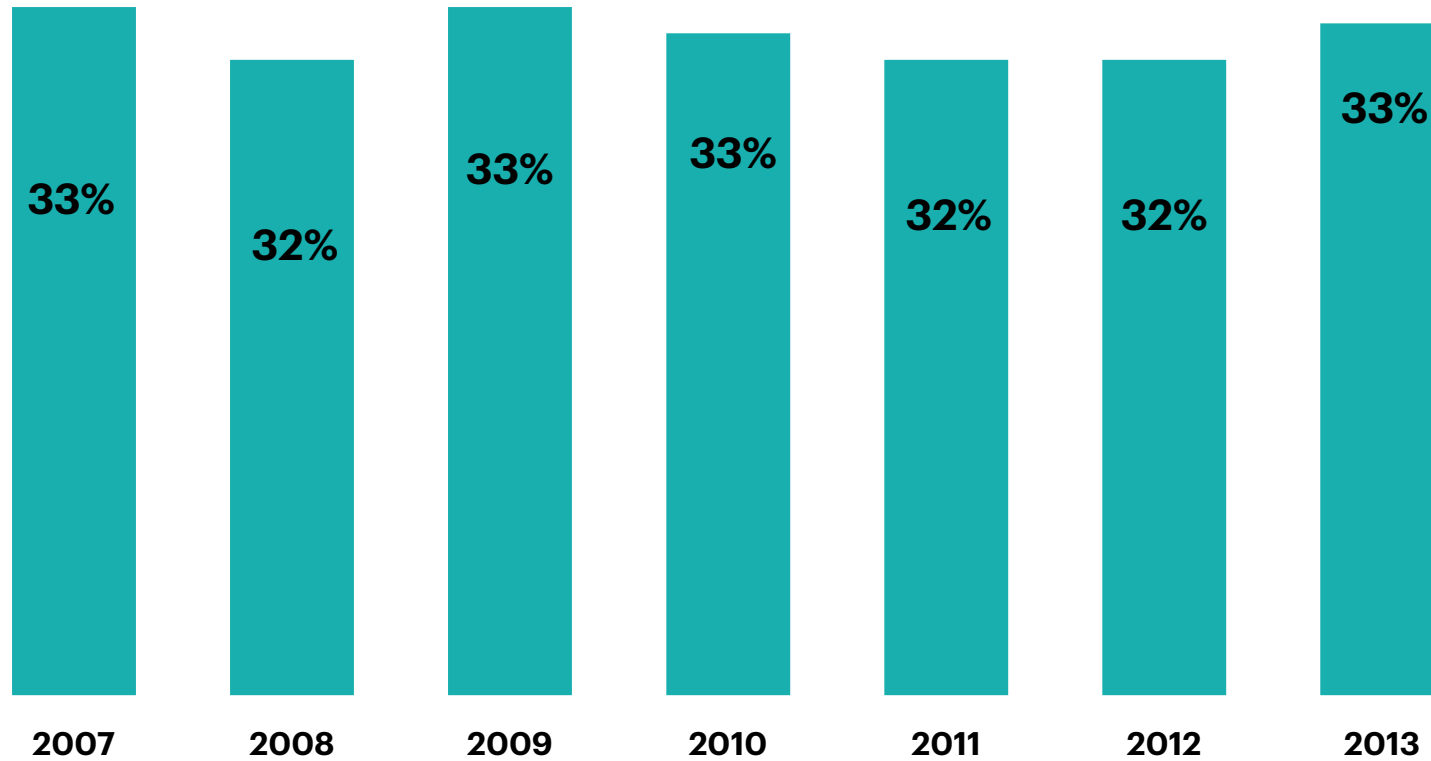
Millions



TOTAL TELEVISION ADVERTISING REVENUE

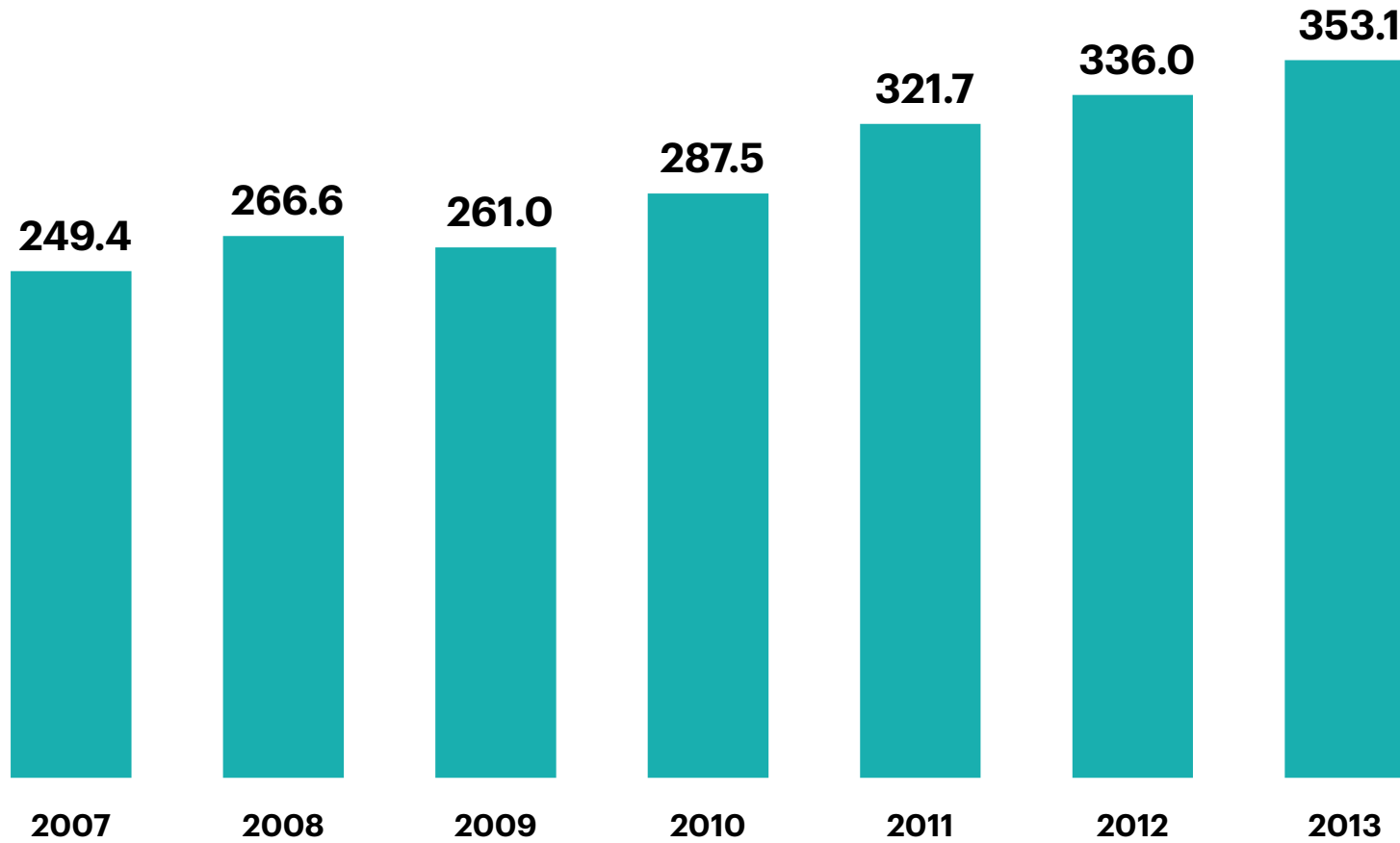


PROGRAMING COSTS ÷ REVENUE



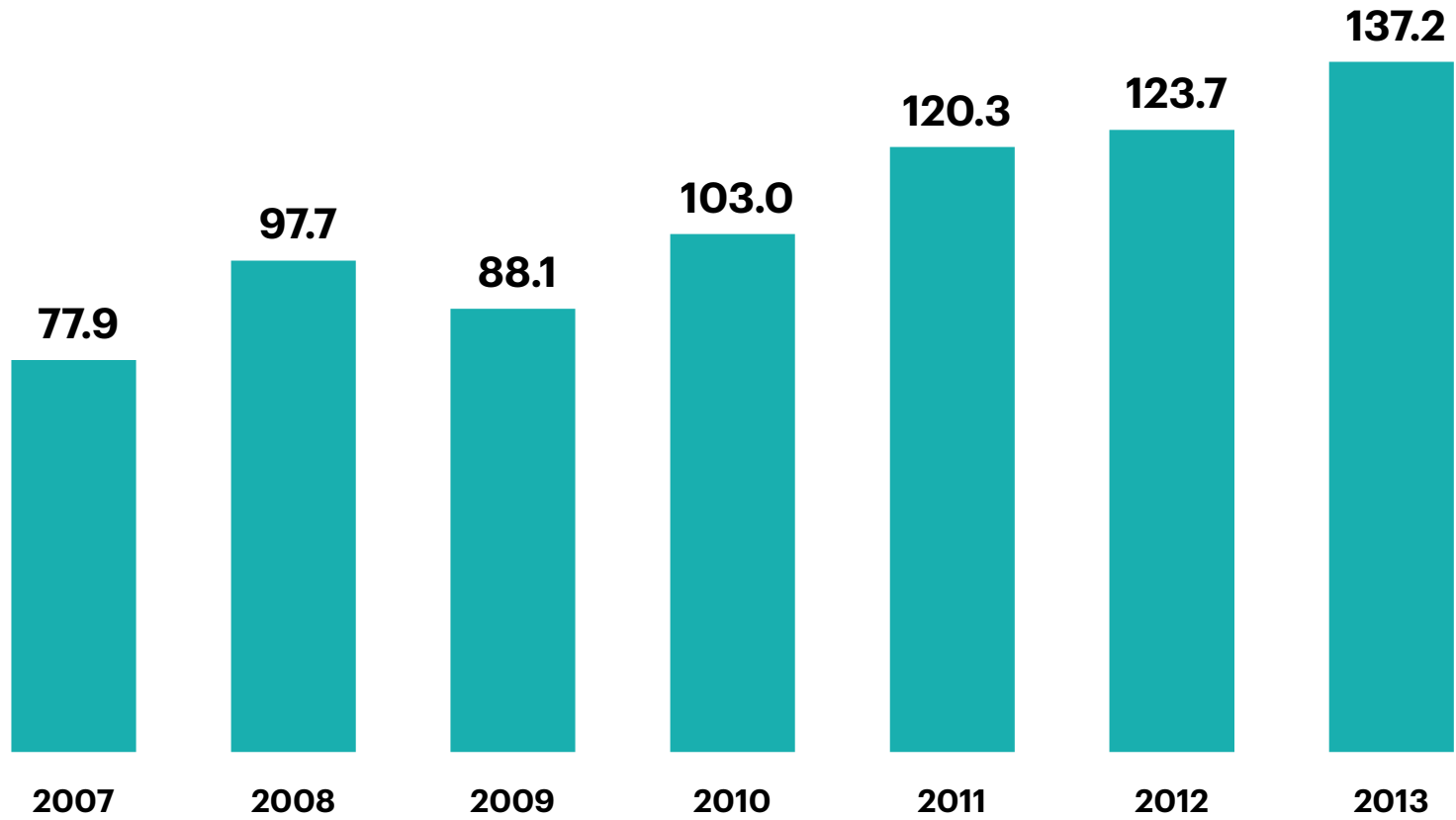
EBITDA

Millions



NET PROFIT


Millions





CAPITAL EXPENSE ANALYSIS


	2012	2013	% Change
Install	48.9	40.2	-8.7%
Decoders	57.4	22.9	-60.1%
Building Improvements	0.9	1.4	55.6%
OSB Truck	2.6	0	-100%
Igloo	12.3	2.6	-78.9%
Other	14.8	15.3	3.4%
TOTAL CAPITAL EXPENSE	136.9	82.4	-39.8%





OPERATING CASHFLOW

	2012	2013	% Change
Operating Cashflow	272.1	290.6	6.8%
Capex	-136.0	-82.3	-39.5%
Net debt drawn	58.0	14.0	-75.9%
Dividends	-185.5	-225.1	21.3%
Capital Introduced	12.3	0	-100%
Other	-4.4	-4.4	0.0%
NET CASH MOVEMENT	16.5	-7.2	-143.6%



FUNDING PROFILE



	FACILITY	DRAWN	MARGIN	MATURITY
Bank Debt	\$400m	\$272m	180bp	Jul 2018
Bond	\$200m	\$200m	65bp	Oct 2016



DIVIDEND



The Board has paid a fully imputed final dividend of 12.0 cps (\$46.7m) in September 2013.

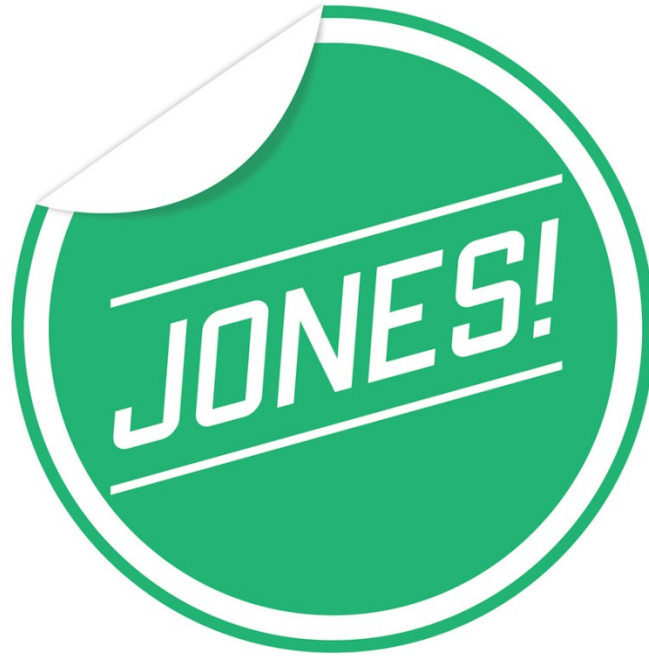
	2013	2012	2011	2010	2009	2008
Interim	12.0	11.0	8.0	7.0	7.0	7.0
Final	12.0	11.0	10.5	7.0	7.0	7.0
Ordinary Total	24.0	22.0	18.5	14.0	14.0	14.0
Special	0	32.0	25.0	0	0	0
TOTAL	24.0	54.0	43.5	14.0	14.0	14.0





COMMERCE COMMISSION





SKY

► MOVIES

POP-UP PARTY FOR KIDS!

SKY
MOVIES
FAMILY
POP-UP
CH 035

School holidays are the perfect time to relax, unwind and catch up with your favourite characters in some of the best family movies ever made!

That's why we created SKY Movies Family – our pop-up channel dedicated to the very best family movies. Every day, from 6am until the 7pm movie finishes, Channel 035 hosts a family movie extravaganza!

SKY Movies Family will be available between 28th September and 13th October, at no extra cost for those of you with the SKY Movies package. Plus, if you have the HD Access Ticket, and either MY SKY HDi or MY SKY+, our Family pop-up channel will be available in stunning high definition*. So join us as we entertain the kids these school holidays with SKY Movies Family.

THE MUPPETS

With the help of three fans, The Muppets must reunite to save their old theatre from a greedy oil tycoon. Starring Jason Segel, Amy Adams and Chris Cooper. Saturday 28th - 7pm

ALVIN AND THE CHIPMUNKS: CHIPWRECKED

The Chipmunks and Chipettes end up marooned in a tropical paradise after falling overboard from a cruise ship. Voices of: Justin Long and Matthew Gray Gubler. Sunday 29th - 7pm

SPY KIDS 4

A retired spy called back into action invites her step-children to join in an adventure. Starring Jessica Alba and Joel McHale. Monday 30th - 7pm

AND IN OCTOBER:

Madagascar 3:
Europe's Most Wanted
Sunday 13th October - 7pm

Plus: Ice Age 4: Continental Drift, Happy Feet 2, Frankweenie, Puss in Boots & more!



* Conditions apply. SKY Movies Family only available to SKY domestic subscribers who subscribe to SKY Movies between Sept 28th and Oct 13th, and if applicable, the HD Access Ticket and either MY SKY HDi or MY SKY+, are payable in advance and are subject to

30 SKYWATCH



PRIME



vodafone







On Demand Box Office Search Apps Settings

Movies All

The Bourne Legacy (M)
An original story that introduces us to a new hero whose life-or-death stakes have been triggered by the events of the first three films.

15:52

ies Greats The Lord of the Rings: The Return of the King (M) SKY Movies Greats Scott Pilgrim vs the World (M) SKY Movies 2 The Avengers (M) SKY Movies **The Bourne Legacy** (M) SKY Movies Madagascar 3: Europes Most Wanted (M) SKY Movies Silver Lining Playbook (M) SKY Movie

MENU FULL GRID LIST SEARCH BOX OFFICE A-Z



GUIDANCE

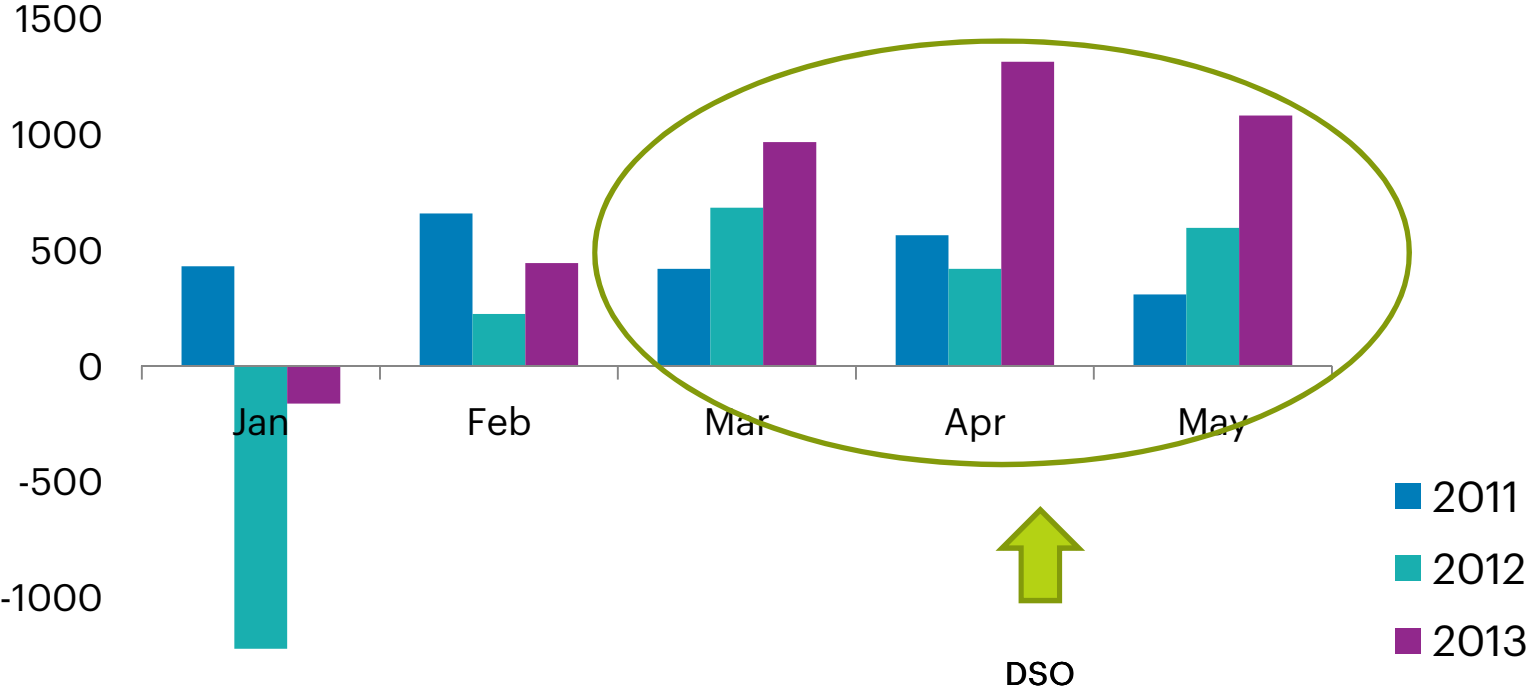
Analysts' have the following mean FY14 forecasts for SKY:

		Analysts' MEAN	SKY FY14 Forecast
\$m			
Revenue		916	890 - 900
EBITDA		366	355 - 360
Depreciation		117	115 - 120
NPAT		156	145 - 155
CAPEX		110	100 - 120
000's			
Subscribers	SKY	8.6	10
	IGLOO	13.7	20

DIGITAL SWITCHOVER NET GAIN



SOUTH ISLAND (EXCLUDING WEST COAST) – NET GAIN



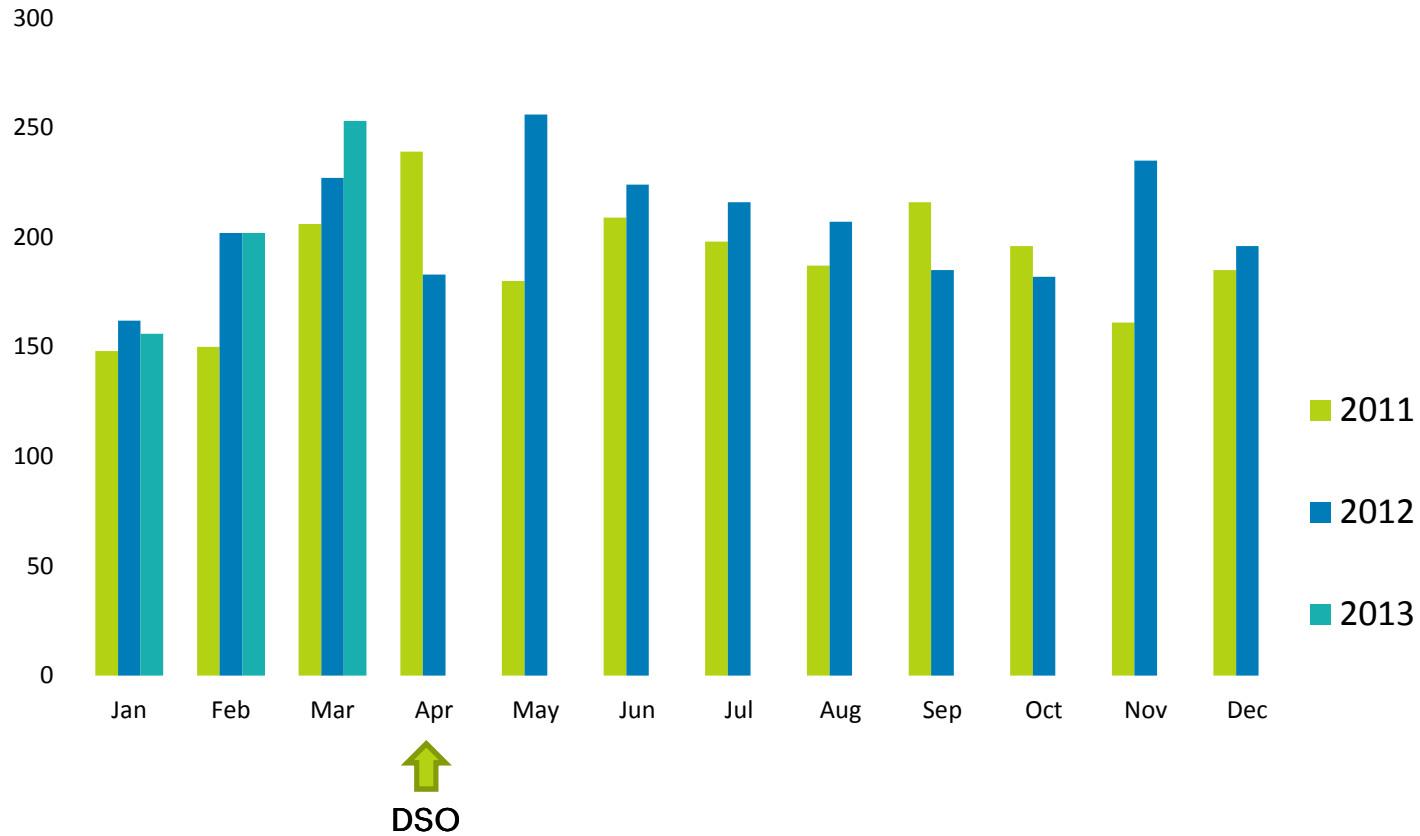
Net Gain in the 'Rest of the South Island' showed an improvement on previous years prior and post the switchover



DIGITAL SWITCHOVER MULTIROOM



THE SOUTH ISLAND (EXCLUDING WESTCOAST) – MULTIROOM



We have seen strong Multiroom growth leading up to the Digital Switchover

The 'Rest of the South Island' has delivered 17% Multiroom growth from 2011 to 2012 and a further 3% increase in the months leading up to DSO.



SKY

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COME WITH US