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Sky to acquire Discovery NZ

Sky today announces it has agreed to acquire 100% of the shares in Discovery NZ Limited (Discovery NZ) from Discovery Networks Asia-Pacific Pte Ltd (a subsidiary of Warner Bros. Discovery, Inc.) (WBD) for $1 on a cash-free, debt-free basis. Completion of the sale is expected to take place on 1 August 2025.

Discovery NZ owns and operates:

- Broadcast-video-on-demand (BVOD) streaming platform ThreeNow
- Free-to-air linear channel Three
- And a range of other linear and free ad-supported streaming television (FAST) channels in New Zealand.

Sky expects the acquisition of Discovery NZ to:

- Deliver Sky revenue diversification and uplift of c.$95m on an annualised basis, with ~25%from digital sources
- Add to Sky's existing audience a growing digital audience via ThreeNow, a BVOD platform that recently recorded its 12th straight quarter of viewership growth
- Grow Sky's combined total linear television advertising revenue share to ~35%[1] and total digital television advertising revenue share to ~24%[2]
- Deliver material cost synergies primarily across Sky's content and broadcasting infrastructure
- Deliver a pathway to achieve incremental, underlying free cash flow from FY26 and sustainable EBITDA growth of at least $10m from FY28.

Sky Chief Executive Sophie Moloney said: "This is a compelling opportunity for Sky that directly supports our ambition to be Aotearoa New Zealand's most engaging and essential media company. It positions us to scale faster, accelerates our growth, and further diversifies our revenue streams, particularly in advertising and digital. We are acquiring a business with complementary operations that is a strong strategic fit for Sky, in an accretive way for our shareholders.

"In particular, acquiring the established and fast-growing ThreeNow BVOD platform adds an important missing component to Sky's portfolio, without incurring the significant brand and

[1] ASA Advertising Turnover Report 2024, noting Newshub restructure took place in mid-2024.
[2] Based on actual Sky and DNZ data and ASA Advertising Turnover Report 2024.

platform development costs and inherent revenue risks associated with building a BVOD service ourselves. The combined portfolio will give Sky significantly increased scale, diversity and mass reach that will unlock more opportunities in advertising and maximise the return on our investments in content through a strengthened, multi-platform approach."

Michael Brooks, Managing Director Australia and New Zealand for WBD, said: "This is a fantastic outcome for both WBD and Sky. The continued challenges faced by the New Zealand media industry are well documented, and over the past 12 months, the Discovery NZ team has worked to deliver a new, more sustainable business model following a significant restructure in 2024. While this business is not commercially viable as a standalone asset in WBD's New Zealand portfolio, we see the value Three and ThreeNow can bring to Sky's existing offering of complementary assets. The transaction includes a significant and ongoing content supply agreement for WBD's premium content, for the mutual benefit of both parties."

Sophie Moloney said: "Notwithstanding the ongoing challenges faced by the Discovery NZ business, Sky is uniquely placed to give effect to this opportunity to accelerate our growth strategy."

On completion, Discovery NZ's balance sheet[3] will be clear of certain long-term obligations, including property leases and content commitments, and will include assets such as the ThreeNow platform, a portfolio of content rights acquired in the normal course of business and clear of content payables, and a normal level of other net working capital (subject to a customary post completion adjustment process).

This transaction structure enables a pathway to achieving positive underlying free cash flow from year one. Longer term, the transaction is expected to deliver sustainable EBITDA growth of at least $10 million by FY28.

A structured transition plan will be in place to facilitate a smooth integration. This includes the provision of transitional services by WBD on commercial terms for 12 months post completion, and a contribution towards integration costs. The net integration costs for Sky are expected to be approximately $6.5m. Juliet Peterson, Vice President, Head of Networks, will continue to lead the Discovery NZ business, reporting to Sophie Moloney.

Irrespective of this transaction, Sky remains confident in achieving its 30cps dividend target for FY26.

Sophie Moloney commented: "I am excited by the possibilities this transaction unlocks for our business, by delivering transformative scale in advertising and digital, and significantly advancing our revenue growth strategy. We look forward to welcoming the excellent and highly-regarded Discovery NZ team to Sky, and to working together to deliver on the opportunities this transaction presents for our customers, partners and shareholders."

Sky and Discovery NZ gave the Commerce Commission confidential advance notice of the transaction. The Commission looked at the commercial circumstances and advised the parties that it did not intend to consider the acquisition further.

[3] The DNZ balance sheet will be subject to fair value acquisition accounting, to be completed in due course.

An investor presentation has been released to the NZX and ASX with further detail on the acquisition.

Ends

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Sky Network Television

Acceleration of growth strategy through the acquisition of Discovery NZ

Acquisition of Discovery NZ enables Sky to go further, faster

- ✓ Sky is uniquely positioned to realise this opportunity, which delivers a step change in its growth strategy
- ✓ Expected to deliver underlying incremental free cash flow in year one, and long-term sustainable EBITDA uplift from FY28
- ✓ Strong strategic fit from a highly complementary business creates immediate scale in Advertising and Digital in a cost-effective way
- ✓ Sky's balance sheet remains strong, and the transaction does not change our confidence in achieving our 30cps dividend target in FY26

Acquisition Summary

Compelling strategic and financial rationale underpins the transaction

Strategic

- ✓ **Creates significant audience presence**, aligned with Sky's ambition to be Aotearoa NZ's most engaging and essential media company
- ✓ **Delivers immediate Advertising scale** in linear and in the growing digital category, further diversifying revenue
- ✓ **Accelerates digital reach** through established, high-growth BVOD[1], strengthening Sky's multi-platform approach
- ✓ **Connects to a younger, more diverse audience** through established brands, creating opportunities for growth
- ✓ **Increases return on content investment,** leveraging Sky's portfolio-based strategy across a broader audience

Financial

- ✓ **Nominal cost acquisition** of 100% of Discovery NZ for $1 on a cash free, debt free basis
- ✓ **Immediate revenue uplift** of c.$95m p.a., including 25% from digital sources
- ✓ **Underlying free cash flow positive in year one**; confidence in 30 cps dividend target in FY26 remains
- ✓ **Future earnings and integration de-risked** through pre-structuring actions and robust synergy due diligence
- ✓ **Significant financial synergies** available, primarily in content and broadcast infrastructure

1. BVOD: Broadcast Video On Demand, free to access streaming platform ThreeNow

Sky is uniquely placed to realise this opportunity to accelerate its growth strategy

✓ DONE

Significant Discovery NZ transformation

Actions taken over the past 12 months, including the closure of Newshub, have substantially reduced the cost base, creating a leaner, more digitally focused business

Revenue has stabilised at a new level, delivering improved margin

NOW

Transaction expected to deliver positive underlying free cash from FY26

- Purchase price of $1 on a cash free, debt free basis
- Pre-structuring provides: a clean balance sheet largely clear of long-term obligations, including property leases and content commitments, and will include assets such as the ThreeNow platform, a portfolio of content rights, acquired in the normal course of business and clear of content payables, and a normal level of net working capital
- Structuring gives a high level of confidence in FY26 outcome, with low reliance on synergies

NEXT

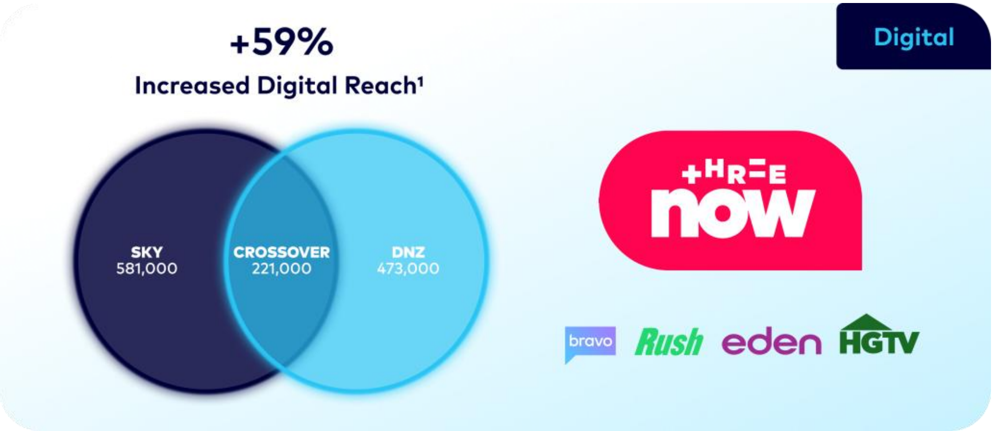
Sustainable EBITDA uplift of at least $10m expected from FY28

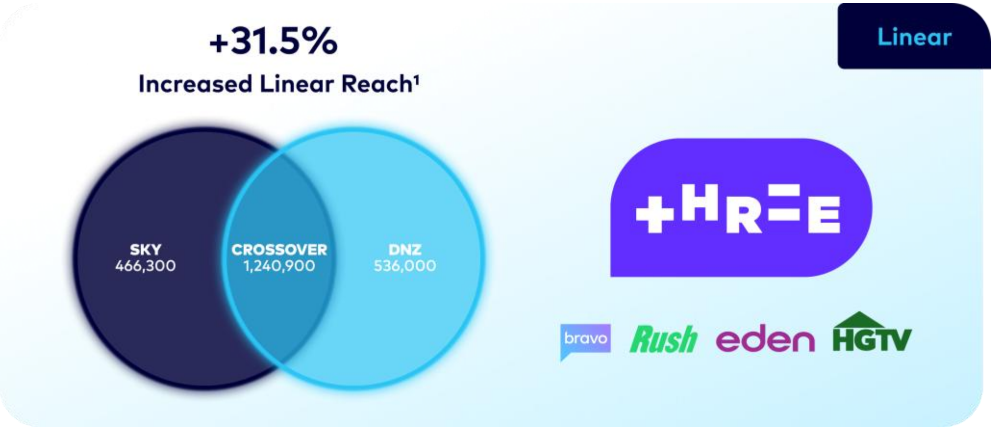
- Content on completion reduces net working capital requirements in the first 12-18 months providing a runway to rollout Sky's content strategy and realise synergies
- Content supply agreements provide cost certainty along with mutually beneficial revenue share arrangements, while the transitional services agreement enables a smooth transition pathway
- Significant cost synergies, primarily in content and broadcast infrastructure, identified through robust due diligence

Strategic Rationale

Creates significant audience presence with powerful reach

- Lifts total combined audience reach to 2.2 million linear and 1.2 million digital viewers per week[1]
- Adds established and much-loved brands with complementary strengths in audience and content genres including local news and reality
- Boosts Sky's position in digital through established and fast growing ThreeNow BVOD, missing from Sky's portfolio, without incurring the significant development costs of building from scratch

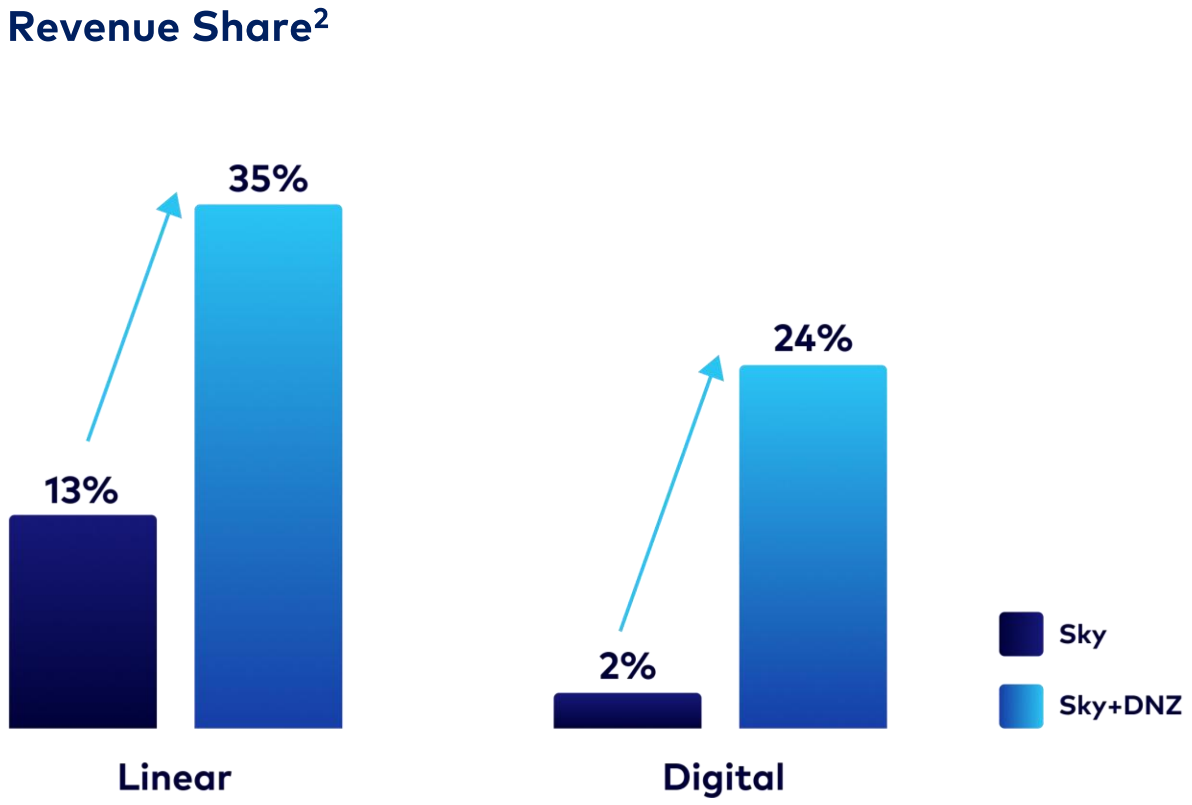




1. Digital – Nielsen CMI AP15+. Weekly. Linear TV - Nielsen TAM, Jul 2024-Jun 2025, 18+.

Delivers immediate Advertising scale and a strong market position

- A step change for our advertising ambitions, delivering immediate addressable audience scale that would be difficult to achieve organically
- Increase in linear revenue share delivers scale in the largest TV category (linear makes up approx. 80% of TV Ad spend of $490m[1])
- Significant increase in digital revenue share drives scale in this growing segment
- Creates ability to sell across a multi-platform suite and enhances appeal to brands and agencies

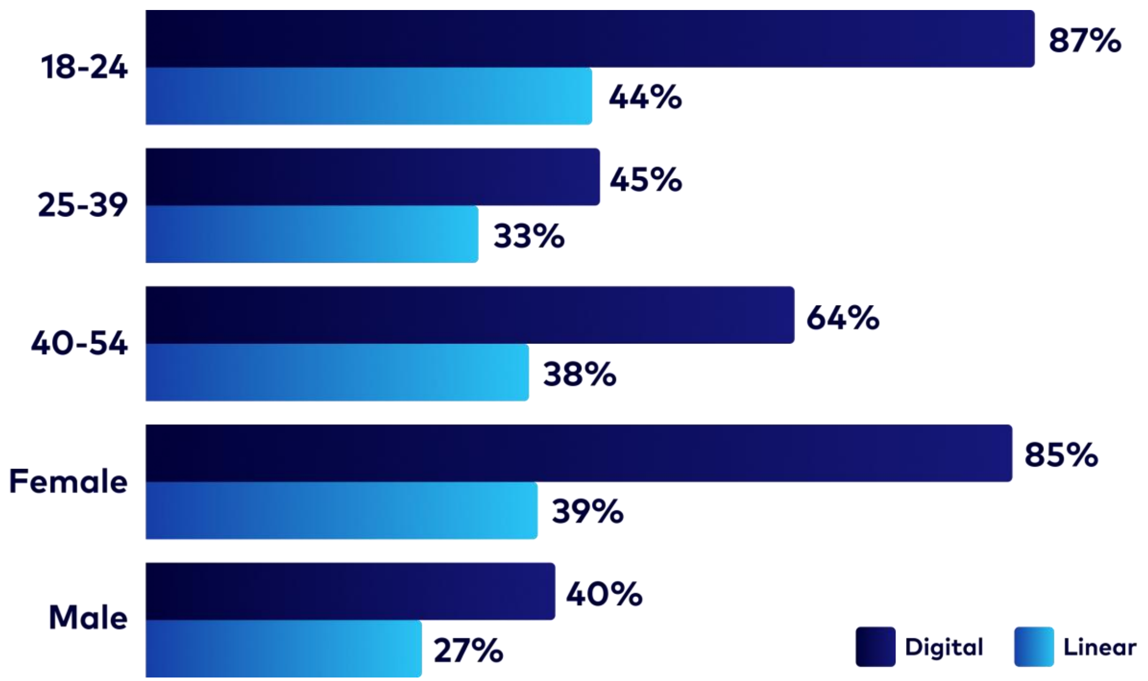


1. ASA Advertising Turnover Report 2024. 2. Linear Revenue Share: ASA Advertising Turnover Report 2024, noting Newshub restructure took place in mid-2024.. Digital Revenue Share based on 2024 Sky and DNZ data and ASA Advertising Turnover Report 2024.

Expands Sky's reach to a more diverse audience

- Significantly increased reach, to younger, more diverse viewers, particularly in digital
- Unlocks opportunities for cross-platform marketing and content windowing strategies to drive long-term margin growth
- Delivers advantages for partners
  - Attractive opportunities to grow exposure and fan base through broader free to air reach
  - Unlocks powerful advertising offer to broader segments complementing Sky's existing strengths

Incremental weekly reach[1]



1. Incremental to Sky's current audience reach, by age and gender groups. Linear: Nielsen TAM July 2024-June 2025, Digital: Nielsen CMI Q2 2024-Q1 2025

Summary of key deal terms

Key deal terms

- Acquisition of 100% of Discovery NZ Limited for $1 on a cash free, debt free basis
- Balance sheet largely clean (property leases and certain content commitments cleared prior to completion)
- Three and ThreeNow brands and BVOD platform are acquired assets
- Content on completion acquired in the normal course of business and clear of payables reduces net working capital requirements and provides a cash flow benefit in the first 12 – 18 months as Sky executes its content strategy and synergies are unlocked
- Content supply agreements provide cost certainty along with mutually beneficial revenue share arrangements
- TSA agreement in place for 12 months on commercial terms to support a smooth transition

Transaction cost estimates:

- Transaction fees: $3.0m
- Net integration costs[1]: $6.5m

Timetable

Completion expected 1 August 2025

Note:
Acquisition accounting is subject to a PPA process to be completed within 12 months of acquisition

1. Includes a contribution from WBD towards integration costs

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