BRITISH SKY BROADCASTING GROUP PLC
Unaudited results for the three months ended 30 September 2012

	Adjusted results		
Three months to 30 Sept	2013	2012	Variance
Revenue	£1,715m	£1,657m	+4%
EBITDA	£392m	£381m	+3%
Operating profit	£310m	£295m	+5%
Earnings per share (basic)	13.4p	11.6p	+16%

Robust quarterly performance with broad product growth and strong loyalty

- Good growth in products and customers, up 533,000 and 48,000 respectively
- One in three customers now takes all three of TV, broadband and talk
- Strong customer loyalty with Q1 churn of 10.9%

Extending leadership in content

- Long-term renewals in sports and movies providing certainty on content leadership
- Spectacular success of Ryder Cup – 4.8m viewers and 700,000 unique Sky Go users

Bringing world-class innovation to customers

- Launch of catch up service offers the best of pay and free TV on demand
- Award-winning Sky+HD box re-launched with six times more storage
- Unique users of Sky Go up 75%, confirming leadership in over-the-top content delivery

Top-line growth and operational efficiency driving strong financial performance

- Revenue up 4%
- Adjusted operating profit up 5%
- Adjusted basic earnings per share up 16%
- Approval sought at 2012 AGM for further £500m share buy-back programme in 2012/13

Jeremy Darroch, Chief Executive, commented:

"We have made a strong start to the year, delivering another good quarterly performance and continuing to position the business for the long term. Our investment in high quality content and innovative services has delivered excellent levels of loyalty and generated good growth in customers and products. At the same time, we continue to drive improvements in efficiency, reliability and customer service throughout our operations. This approach continues to generate strong financial results with good growth in revenues and earnings. Looking forward, whilst we continue to see a challenging consumer environment in the UK and Ireland, we are well positioned to execute our plans for the year."

Results highlights

Customer Metrics (unaudited)

	As at 30-Sep-12	As at 30-Sep-11	Annual Growth	Quarterly Growth to 30-Sep-12
Total products ('000s)	**28,898**	**26,058**	**+2,840**	**+533**
TV	10,308	10,213	+95	+20
HD	4,468	3,925	+543	+125
Multiroom	2,423	2,295	+128	+21
Broadband	4,103	3,485	+618	+102
Telephony	3,888	3,248	+640	+120
Line rental	3,708	2,892	+816	+145
Total customers ('000s)	**10,654**	**10,371**	**+283**	**+48**
Products per customer	**2.7**	**2.5**	**+0.2**	
Other metrics				
Customers taking each of TV, broadband & talk	33%	28%	+5%	
ARPU (2)	£550	£535	+£15	
Churn (2)	10.9%	11.1%		

An additional KPI summary table containing further detailed disclosure may be found in Schedule 1.

Business Performance (1) (unaudited)

£'millions	3 months to 30-Sep-12	3 months to 30-Sep-11	Movement
Revenue	1,715	1,657	+4%
Adjusted EBITDA	392	381	+3%
Adjusted operating profit	310	295	+5%
% Adjusted operating profit margin	*18.1%*	*17.8%*	+30 bps
Adjusted basic earnings per share (3)	13.4p	11.6p	+16%

[1] A reconciliation of adjusted operating profit and adjusted EBITDA to reported measures is set out in Appendix 2.

[2] Quarterly annualised.

[3] Adjusted basic EPS is calculated from adjusted profit for the period. A reconciliation of reported profit to adjusted profit is set out in note 3 to the consolidated financial information.

SUMMARY OF OPERATIONAL AND FINANCIAL PERFORMANCE

In the three months to 30 September 2012 ("the quarter") we have continued to focus on improving the customer experience: delivering great TV, providing leading innovation and improving service delivery. This approach has driven strong customer loyalty and good product and customer growth. Churn improved year on year to 10.9% and we added 533,000 net products in the quarter, growing the total number of products year on year by 11% to reach 28.9 million. We also added 48,000 new Sky households to reach 10.654 million, with 28,000 new standalone home communications customers and 20,000 new TV customers. As customers choose to take more products from us, ARPU has grown to a new high of £550.

Our home communications proposition performed strongly, with combined quarterly net growth of 367,000, comprising 102,000 broadband, 120,000 telephony and 145,000 new line rental customers. Our triple-play base has grown by 19% year on year, with 3.5 million or one in three customers, now taking each of TV, broadband and talk.

Total HD customers reached 4.5 million, with 125,000 net additions in the quarter. This reflected continued strong demand for the product alongside the success of our 'Summer of Sport in HD' campaign. The strength of our offering, including our dedicated Formula 1 channel which launched in April, has driven increased demand for our premium channels and their HD versions across other platforms. Our multiroom base also grew by 21,000 to 2.4 million.

Our financial performance for the quarter was strong, with year on year increases in revenue, adjusted profits, adjusted margins and adjusted earnings. Revenue growth of 4% combined with an absolute reduction in adjusted other operating costs to deliver adjusted operating profit of £310 million, up 5%, and an adjusted operating margin expansion to 18.1%. Adjusted basic earnings per share grew by 16% to 13.4 pence.

Extending leadership on screen

With the London 2012 Olympic and Paralympic games falling in the quarter, we focused attention on providing a differentiated offering for our customers. In addition to the main terrestrial channels, Sky customers had access to the most comprehensive BBC coverage of the Olympics in HD via 24 dedicated channels plus 100 hours of 3D coverage from Eurosport on Sky 3D. In total, over 14 million people watched the dedicated channels in Sky homes generating a viewing share of 7% during the games.

It was a strong September for Sky Sports. We achieved record audiences for tennis, with Andy Murray's US Open Tennis victory attracting 4.5 million viewers. We also had a spectacular response to our coverage of the Ryder Cup, reaching 4.8 million viewers across Sky Sports 1 and 700,000 unique users on Sky Go. We reinforced our position as the home of live cricket by securing six more England overseas tours, including next year's Ashes. Long-term agreements with three international cricket boards will bring a range of live Test cricket from Australia, South Africa and India until at least 2016. Alongside this, we agreed a new four-year deal with the ERC for exclusive live coverage of European Rugby competitions – the Heineken Cup and Amlin Challenge Cup – until 2018. These new deals complete sixteen recent long-term renewals for Sky Sports within the last 18 months, meaning we now have a stronger line up of live sport for our viewers than ever before.

We also delivered a strong schedule from September on our entertainment channels. Sky Atlantic launched nine new commissions in the quarter, including 'Alan Partridge Open Books', 'British Cycling: Road to Glory' and 'The British', while Sky1 saw successful launches of 'Sinbad' and 'A Touch of Cloth'. Over 30% of subscribers now say Sky Atlantic is a "must have" channel for them, while 50% say the same for Sky1, making it the most popular pay TV channel.

In movies, we further strengthened our offering with a comprehensive new agreement with Warner Bros. This agreement spans the pay-per-view and first subscription pay TV windows, and means that subscribers to Sky Movies, including customers of NOW TV, will enjoy exclusive access to Warner Bros. new releases as little as six months after they have ended their run in cinemas.

Innovating to add value for customers

We continue to lead the market in product innovation, driving strong usage of existing products and adding value to customers by bringing new ways to consume Sky's content.

Our world-class over-the-top service for Sky customers, Sky Go, goes from strength to strength. Usage of the service is building as customers access more of the content they love wherever and whenever they want. Unique users of the service increased in the quarter to reach a new high of 2.8 million, up 75% on the prior year, with particularly strong usage around the Ryder Cup as customers kept up with the dramatic European victory.

We re-launched our award-winning Sky+ service during the quarter, step-changing Britain's most popular personal video recorder. The first-time inclusion of a new 7-day Catch Up TV section within our On Demand service (previously Anytime+) means that programmes from both Sky and terrestrial channels are now seamlessly integrated into the Sky+ experience. At the same time, we introduced a new Sky+HD 2TB box providing capacity to store up to 350 hours of HD content and giving customers more personal storage than any other subscription TV provider. We also continue to innovate around Sky+ to enhance the customer experience away from the main TV screen with the launch of a new app for iPad which allows customers to connect to online communities around virtually every show on television, across Sky and other channels. All of these new features mark the latest stage in the on-going development of Sky+, which is now enjoyed in over nine million homes – more than all of the other competing pay TV services added together.

We continue to offer customers greater flexibility in the ways in which they can access our content with a growing proportion of households now having fully-connected set-top boxes. Around 1.3 million households have activated our full on-demand service by connecting their Sky+HD box to the internet and on average are downloading more than three pieces of on-demand content per week. Customers can now rent a movie instantly via Sky Store, with a choice of over 1,000 titles available on-demand from 99p. Despite the closure of half the Sky Box Office (SBO) channels in the quarter to allow for our extended coverage of the Olympics, transactions via our pay-per-view services were up 3% year on year (excluding the impact of a one-off boxing fight in the prior year).

We launched our second pay TV brand, NOW TV, in the quarter offering a new way to access Sky Movies. We will continue to build awareness of the service as we focus on movies in the run up to Christmas and we are planning to introduce content from Sky Sports by the end of the year.

Improving service delivery

Market-leading customer service remains central to our offering and we continue to make excellent progress in this area. Our focus on greater in-sourcing of customer facing roles, improving box reliability and encouraging more customer interactions online is delivering a meaningful improvement in customer satisfaction scores, which increased by seven percentage points on the prior year to their highest-ever levels. At the same time, we saw our sixth successive quarter of improvement in the Ofcom customer survey and we continue to lead the market in the service provision of both pay TV and broadband.

We are making sustained investment in people and systems so that we can deliver better service for our customers and this has seen us continue with the transition of our service estate in-house. We have integrated our third-party customer service centres in Cardiff and Glasgow more closely within the Sky-owned estate, whilst 250 colleagues have been recruited for our new in-house facility in Dublin opening in November 2012, meaning that more Sky staff will be dealing directly with customers.

Driving efficiency and reliability

Our integration of design, manufacture and repair of set-top boxes continues to deliver significantly improved reliability for customers and cost efficiencies for the business. 6.7 million customers now have our most reliable Sky+HD box, up 1.6 million on the prior year. This was a strong contributor to a 12% fall in service visits versus the prior year, and a 45% fall versus the same quarter in 2010. We expect to make similar improvements for our communications customers as our new broadband router, developed in-house and launched this month, adds additional capability to diagnose and fix faults remotely.

In our call centre estate greater use of online services by customers and further improvements in issue resolution led to a 19% reduction in calls versus prior year and 30% lower than three years ago. This greater efficiency across the organisation is not only delivering greater satisfaction for our customers, it is also reducing costs and giving us increased capacity to invest more where customers see value.

BROADER CONTRIBUTION

As Sky has evolved, so has the positive impact that our business has on the UK economy, the creative industries, and the wider community in which we operate. We recognise that our future success depends on the relationships we have with millions of families across the UK and Ireland and we understand that, increasingly, those families look for companies that share their values and make a positive contribution to society.

As an example of this, we opened Sky Skills Studio in September, an exciting new initiative for young people, based at our west London headquarters. Our aim is to build confidence and life skills by giving school children the opportunity to create their own television reports in our state-of-the-art broadcast facilities. We expect Sky Skills Studio to reach 12,000 young people between the ages of 8 and 18, from across the country every year.

Post quarter-end, we beat our target to get one million more people cycling regularly by 2013. The ambitious five-year target was set in 2008, when Sky first joined up with British Cycling, as a way of measuring the success of a partnership that has aimed to grow cycling in Britain at all levels, from the grassroots to the elite.

DETAILED FINANCIAL PERFORMANCE

Our financial performance for the quarter was strong. Good revenue growth of 4% combined with a 3% reduction in other operating costs, delivered operating profit of £310 million and basic earnings per share of 13.4p, up 16%, all on an adjusted basis.

Unless otherwise stated, all figures and growth rates included below exclude adjusting items.

Revenue

Group revenue increased by 4% to £1,715 million (2012: £1,657 million), with growth in both retail and wholesale operations more than offsetting a weak quarter for advertising.

Retail subscription revenue grew by 4% to £1,428 million (2012: £1,368 million), reflecting continued product and customer growth as well as one month's benefit of the September price rise. The launch of a dedicated Formula 1 channel was the main contributor to the strength in wholesale revenues, up 11% to £92 million (2012: £83 million), whilst advertising revenue was 10% lower year on year at £95 million (2012: £105 million), predominantly due to the market decline this quarter as a result of the Olympics.

Other revenue increased by 4% to £80 million (2012: £77 million) due to higher Sky Bet revenues, the sub licence of a football World Cup qualifying match to ITV and the first time inclusion of revenues from Parthenon Media Group, now rebranded as Sky Vision. These were partially offset by a £4 million reduction in the sale of set-top boxes to Sky Italia.

Costs

We once again delivered a strong performance on costs, with a three percentage point reduction in other operating costs releasing resources for greater investment on screen whilst still allowing the Group's operating margin to expand to 18.1%.

Programming costs increased by £54 million to £589 million (2012: £535 million) in line with guidance given at FY12 results. Over half of this increase was due to the first-time inclusion of Formula 1 and the biennial Ryder Cup with a further £3 million associated with additional Olympic feeds on the Sky platform. Entertainment costs accounted for £17 million of the increase as we continued to invest in new and exclusive UK-commissioned content such as 'The British', 'Hunderby' and 'Sinbad'. Whilst we expect such originated high-end content to produce long-term differentiation for our channels, the majority of cost is amortised against first showing. Excluding the biennial costs associated with the Ryder Cup, underlying operating profit growth was 10% year on year.

Our work on network efficiency within our communications business resulted in excellent operating leverage in direct network costs, up only 6% to £172 million (2012: £162 million) despite a 22% increase in home communications products. We now have over 2.7 million fully unbundled customers, up 48% year on year, and have put our own equipment in over two thousand BT exchanges, meaning that our unbundled network can now serve 84% of UK homes.

Our focus on efficiency within other operating costs led to a £21 million absolute reduction to £644 million (2012: £665 million) and a 250 basis point reduction as a percentage of sales. Contributing to this, administration costs were down £8 million, subscriber management costs were down £5 million and transmission and technology costs were down £3 million, with savings arising from the aggregation of small improvements over time rather than initiatives specific to the quarter. Marketing costs also fell by a net £5 million with lower acquisition volumes offsetting some additional investment in above-the-line spend.

Earnings

On an adjusted basis, profit before tax was £291 million (2012: £274 million) and included the Group's share of joint ventures and associates' profits of £7 million (2012: £7 million) and a net interest charge of £26 million (2012: £28 million). After tax of £70 million (2012: £72 million) at an effective rate of 24%, our adjusted profit for the period was £221 million (2012: £202 million), generating adjusted basic earnings per share of 13.4 pence (2012: 11.6 pence), an increase of 16%.

Cash generated from operations

Cash generated from operations was lower at £224 million (2012: £292 million). Growth in EBITDA of £11 million (£29 million excluding the Ryder Cup and one-off costs of extra Olympic feeds) was offset by a working capital outflow of £185 million due to seasonal outflows on rights costs, particularly in relation to Premier League, Football League and an increase in the volume of our own original commissions. The majority of the Group's working capital movements occur intra-year and arise as a result of upfront payments for rights at the commencement of availability windows (sports, movies and U.S. entertainment) or at the production stage (originated content). This quarter we incurred upfront payments relating to the new cricket rights agreed in the period and additional commissions in comedy and drama on Sky1 and Sky Atlantic.

Exceptional Items

Reported profit after tax of £219 million (2012: £225 million) included an exceptional loss of £3 million relating to the re-measurement of derivative financial instruments not qualifying for hedge accounting (2012: £1 million gain), and a benefit of £1 million relating to the tax effect. Please refer to Appendix 2 for a detailed reconciliation of reported and adjusted numbers.

LEGAL AND REGULATORY

Competition Commission (CC)

The CC published its final report on 2nd August, concluding that Sky's position in the acquisition and distribution of movies in the first pay window ("first pay movies") does not adversely affect competition in the pay TV retail market and that, accordingly, remedies are not required. Parties had until 2nd October to apply to the Competition Appeal Tribunal for a judicial review of the CC's decision. No party did so.

Competition Appeals Tribunal (CAT)

On 8th August, the CAT handed down the confidential version of its judgment in the appeals against Ofcom's Pay TV statement, which was disclosed only to members of a confidentiality ring. At the same time, the CAT published a non-confidential summary of the judgment, which provided an overview of the CAT's main conclusions and the outcome of the appeals themselves. The non-confidential version of the full judgment was published on 26th October. Sky's appeal has been successful. The CAT has found that Ofcom's core competition concern is unfounded, that Sky did not obstruct fair and effective competition in the retailing of Sky's premium sports channels and that Ofcom misinterpreted the evidence of Sky's negotiations with other retailers for supply of its channels. The parties have until 26th November to apply for permission to appeal against the decision. Appeals are allowed on a point of law only.

Fit and proper

On 20th September Ofcom published its decision finding Sky to be a fit and proper holder of its broadcasting licences. As a company, Sky remains committed to high standards of governance and continues to take its regulatory obligations extremely seriously.

Schedule 1 – KPI Summary

All figures (000) unless stated	FY10/11				FY11/12				FY12/13
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total customers	**9,979**	**10,150**	**10,223**	**10,294**	**10,371**	**10,471**	**10,549**	**10,606**	**10,654**
Total products	**22,586**	**23,790**	**24,591**	**25,375**	**26,058**	**26,830**	**27,734**	**28,365**	**28,898**
Television	9,956	10,096	10,147	10,187	10,213	10,253	10,268	10,288	10,308
Sky+HD	3,154	3,497	3,686	3,822	3,925	4,063	4,222	4,343	4,468
Multiroom	2,158	2,219	2,237	2,250	2,295	2,350	2,378	2,402	2,423
Broadband	2,802	3,006	3,161	3,335	3,485	3,651	3,863	4,001	4,103
Telephony	2,570	2,757	2,916	3,101	3,248	3,407	3,627	3,768	3,888
Line Rental	1,946	2,215	2,444	2,680	2,892	3,106	3,376	3,563	3,708
Other metrics									
Triple-play %	23%	24%	26%	27%	28%	29%	31%	32%	33%
ARPU (£)	£510	£536	£537	£538	£535	£544	£546	£548	£550
Churn	11.2%	9.5%	10.4%	10.4%	11.1%	9.6%	10.1%	9.9%	10.9%
Fixed Network Metrics									
On-net base	2,450	2,659	2,856	3,045	3,205	3,403	3,636	3,778	3,882
MPF base	1,064	1,247	1,435	1,686	1,869	2,146	2,423	2,588	2,762
SMPF base	1,386	1,412	1,421	1,359	1,336	1,257	1,213	1,190	1,120
MPF %	43%	47%	50%	55%	58%	63%	67%	69%	71%
SMPF %	57%	53%	50%	45%	42%	37%	33%	31%	29%
Off-net base	352	347	305	290	280	248	227	223	221
Total Broadband	2,802	3,006	3,161	3,335	3,485	3,651	3,863	4,001	4,103
On-net %	87%	88%	90%	91%	92%	93%	94%	94%	95%
Total no. of LLU exchanges	1,293	1,434	1,549	1,577	1,732	1,907	1,964	1,965	2,036

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There will be a conference call for analysts and investors at 08.30 a.m. (GMT) today. Participants must register by contacting Camilla Regan on +44 20 7251 3801 or at Camilla.regan@RLMFinsbury.com. In addition, the live webcast will be available via http://www.sky.com/investors and subsequently be available for replay.

There will be a separate conference call for US analysts and investors at 11.00 a.m. (EDT) today. Details of this call have been sent to US institutions and can be obtained from Dana Diver at Taylor Rafferty on +1 212 889 4350. A live conference call will be available on Sky's corporate website, http://www.sky.com/corporate. A replay will subsequently be available.

Use of measures not defined under IFRS

This press release contains certain information on the Group's financial position, results and cash flows that have been derived from measures calculated in accordance with IFRS. This information should not be read in isolation from the related IFRS measures.

Forward looking statements

This document contains certain forward looking statements with respect to the Group's financial condition, results of operations and business and management's 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, Multiroom, On Demand (previously Anytime+), NOW TV, Sky Go, Sky+HD and other services penetration, revenue, administration costs and other costs, advertising growth, churn, profit, cash flow, product penetration, our broadband network footprint, content, wholesale, marketing and capital expenditure and proposals for returning capital to shareholders.

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 2012. Copies of the Annual Report are available from the British Sky Broadcasting Group plc web page at www.sky.com/corporate.

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.

Glossary of Terms

A glossary of terms is included within the Annual Report and on our corporate investor relations web page at http://corporate.sky.com/investors/glossary .

Appendix 1 - Consolidated Financial Information

Consolidated Income Statement for the three months ended 30 September 2012

	Notes	**2012/13 Three months ended 30 September £m (unaudited)**	2011/12 Three months ended 30 September £m (unaudited)
Revenue	1	**1,715**	1,657
Operating expense	2	**(1,405)**	(1,330)
EBITDA		**392**	413
Depreciation and amortisation		**(82)**	(86)
Operating profit		**310**	327
Share of results of joint ventures and associates		**7**	7
Investment income		**5**	4
Finance costs		**(34)**	(31)
Profit before tax		**288**	307
Taxation		**(69)**	(82)
Profit for the period		**219**	225
Earnings per share from profit for the period (in pence)			
Basic		**13.3p**	12.9p
Diluted		**13.2p**	12.8p
Adjusted earnings per share from adjusted profit for the period (in pence)			
Basic	3	**13.4p**	11.6p
Diluted	3	**13.3p**	11.5p

Notes:

1 Revenue

	2012/13 Three months ended 30 September £m (unaudited)	2011/12 Three months ended 30 September £m (unaudited)
Retail subscription	**1,428**	1,368
Wholesale subscription	**92**	83
Advertising	**95**	105
Installation, hardware and service	**20**	24
Other	**80**	77
	1,715	1,657

2 Operating expense

	2012/13 Three months ended 30 September £m (unaudited)	2011/12 Three months ended 30 September £m (unaudited)
Programming	**589**	535
Direct networks	**172**	162
Marketing	**265**	270
Subscriber management and supply chain	**156**	161
Transmission, technology and fixed networks	**97**	100
Administration	**126**	102
	1,405	1,330

3 Earnings per share

The weighted average number of shares for the period was:

	2012/13 Three months ended 30 September Millions of shares	2011/12 Three months ended 30 September Millions of shares
Ordinary shares	**1,667**	1,753
ESOP trust ordinary shares	**(15)**	(12)
Basic shares	**1,652**	1,741
Dilutive ordinary shares from share options	**11**	15
Diluted shares	**1,663**	1,756

Basic and diluted earnings per share are calculated by dividing profit for the period into the weighted average number of shares for the period. In order to provide a measure of underlying performance, management have chosen to present an adjusted profit for the period which excludes items that may distort comparability. 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.

	2012/13 Three months ended 30 September £m (unaudited)	2011/12 Three months ended 30 September £m (unaudited)
Reconciliation from profit for the period to adjusted profit for the period		
Profit for the period	**219**	225
Net recovery of costs in relation to News Corporation proposal	**-**	(32)
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness	**3**	(1)
Tax effect of above items	**(1)**	10
Adjusted profit for the period	**221**	202

4 Shareholder's Equity

Purchase of own equity shares for cancellation

On 29 November 2011, the Company's shareholders approved a resolution at the AGM for the Company to return up to £750 million of capital to shareholders via a share buy-back programme.

The Company has entered into an agreement with News Corporation under which, following any market purchases of shares by the Company, News Corporation will sell to the Company sufficient shares to maintain its percentage shareholding at the same level as applied prior to those market purchases. The price payable to News Corporation is the price payable by the Company in respect of the relevant market purchases. The effect of the agreement is to provide that there will be no change in News Corporation's economic or voting interests in the Company as a result of the share buy-back programme.

During the period, the Company purchased, and subsequently cancelled, 20,246,891 ordinary shares at an average price of £7.39 per share, with a nominal value of £10 million, for a consideration of £150 million. Consideration included stamp duty and commission of £1 million. This represents 1% of called-up share capital at the beginning of the period. Of these purchases, the Company purchased, and subsequently cancelled, 7,924,179 ordinary shares from News Corporation at an average price of £7.39 per share, with a nominal value of £4 million, for a consideration of £59 million. Consideration included stamp duty of less than £1 million.

On 28 September 2012, the Company entered into an agreement with its broker, Barclays Bank PLC, to repurchase on its behalf, ordinary shares in the Company for cancellation during the Company's close period. Accordingly, following the period end date, the Company purchased, and subsequently cancelled, 4,511,870 ordinary shares at an average price of £7.35 per share, with a nominal value of £2 million, for consideration of £33 million. Of these purchases, the Company purchased, and subsequently cancelled, 1,765,843 ordinary shares from News Corporation at an average price of £7.35 per share, with a nominal value of £1 million for a consideration of £13 million.

Appendix 2 – Non-GAAP measures

Reconciliation of operating profit to adjusted operating profit and adjusted EBITDA
for the three months ended 30 September 2012

	2012/13 Three months ended 30 September £m	2011/12 Three months ended 30 September £m
Operating profit	**310**	327
Net recovery of costs in relation to News Corporation proposal	**-**	(32)
Adjusted EBITDA	**392**	381
Depreciation and amortisation	**(82)**	(86)
Adjusted operating profit	**310**	295

Reconciliation of reported cash generated from operations to adjusted cash generated from operations
for the three months ended 30 September 2012

	2012/13 Three months ended 30 September £m	2011/12 Three months ended 30 September £m
Cash generated from operations	**224**	348
Net recovery of costs in relation to News Corporation proposal	**-**	(22)
Recovery of import duty on set-top boxes		(34)
Adjusted cash generated from operations	**224**	292

Consolidated income statement - reconciliation of reported and adjusted numbers

		2012/13			2011/12		
	Notes	**Reported £m**	**Adjusting Items £m**	**Adjusted £m**	Reported £m	Adjusting Items £m	Adjusted £m
Revenue							
Retail subscription		**1,428**	**-**	**1,428**	1,368	-	1,368
Wholesale subscription		**92**	**-**	**92**	83	-	83
Advertising		**95**	**-**	**95**	105	-	105
Installation, hardware and service		**20**	**-**	**20**	24	-	24
Other		**80**	**-**	**80**	77	-	77
		1,715	**-**	**1,715**	1,657	-	1,657
Operating expense							
Programming		**(589)**	**-**	**(589)**	(535)	-	(535)
Direct networks		**(172)**	**-**	**(172)**	(162)	-	(162)
Marketing		**(265)**	**-**	**(265)**	(270)	-	(270)
Subscriber management and supply chain		**(156)**	**-**	**(156)**	(161)	-	(161)
Transmission, technology and fixed networks		**(97)**	**-**	**(97)**	(100)	-	(100)
Administration	A	**(126)**	**-**	**(126)**	(102)	(32)	(134)
		(1,405)	**-**	**(1,405)**	(1,330)	(32)	(1,362)
EBITDA		**392**	**-**	**392**	413	(32)	381
Operating profit		**310**	**-**	**310**	327	(32)	295
Share of results of joint ventures and associates		**7**	**-**	**7**	7	-	7
Investment income		**5**	**-**	**5**	4	-	4
Finance costs	B	**(34)**	**3**	**(31)**	(31)	(1)	(32)
Profit before tax		**288**	**3**	**291**	307	(33)	274
Taxation	C	**(69)**	**(1)**	**(70)**	(82)	10	(72)
Profit for the period		**219**	**2**	**221**	225	(23)	202
Earnings per share (basic)		**13.3p**	**0.1p**	**13.4p**	12.9p	(1.3)p	11.6p

Notes: explanation of adjusting items for the period ended 30 September 2012

B. Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.

C. Tax effect of adjusting items.

Notes: explanation of adjusting items for the period ended 30 September 2011

A. A credit of £32 million in relation to the News Corporation proposal, consisting of costs incurred offset by the receipt of the break fee.

B. Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.

C. Tax effect of adjusting items.