**BRITISH SKY BROADCASTING GROUP PLC**
**Unaudited results for the nine months ended 31 March 2012**

| | Adjusted results | | | Reported results | | |
|---|---|---|---|---|---|---|
| *Nine months to 31 March* | 2012 | 2011 | Variance | 2012 | 2011 | Variance |
| Revenue | £5,078m | £4,833m | +5% | £5,078m | £4,833m | +5% |
| EBITDA | £1,161m | £1,030m | +13% | £1,192m | £992m | +20% |
| Operating profit | £908m | £790m | +15% | £939m | £752m | +25% |
| Earnings per share (basic) | 37.8p | 30.5p | +24% | 39.7p | 30.3p | +31% |

## CONSISTENT EXECUTION DELIVERING STRONG GROWTH

### Strong financial performance

- Revenue up 5% to £5.1 billion
- Adjusted operating profit up 15% to £908 million
- Adjusted operating margin expansion of 160 bps to 17.9%
- Adjusted basic EPS up 24% to 37.8 pence
- Completed £387 million of £750 million buyback programme

### Britain's favourite triple play provider

- Total quarterly net product growth of 904,000 to 27.7 million
- 78,000 net new households in the quarter to reach 10.55 million customers
- Largest base of triple play customers in Britain at 3.2 million, up 24% year-on-year
- Strongest ever quarter for home communications with 702,000 net broadband, telephony and line rental product additions

### Consistently delivering the best experience for customers

- Ensuring continued excellence in sports coverage with successful launch of Sky Sports F1 HD and new long term agreements in golf and cricket
- Bringing the best HD and 3D experience of the Olympics to Sky customers
- Leading broadband service getting even better with free out-of-home WiFi and launch of fibre products
- Huge choice of on demand content extended and now available to over five million Sky TV homes
- NOW TV on track for launch in first half of calendar 2012, widening the availability of Sky content on broadband-connected devices

## Results highlights

### Customer Metrics (unaudited)

| | As at 31-Mar-12 | As at 31-Mar-11 | Annual Growth | Quarterly Growth to 31-Mar-12 |
|---|---|---|---|---|
| **Total products ('000s)** | **27,734** | **24,591** | **+3,143** | **+904** |
| TV | 10,268 | 10,147 | +121 | +15 |
| HD | 4,222 | 3,686 | +536 | +159 |
| Multiroom | 2,378 | 2,237 | +141 | +28 |
| Broadband | 3,863 | 3,161 | +702 | +212 |
| Telephony | 3,627 | 2,916 | +711 | +220 |
| Line rental | 3,376 | 2,444 | +932 | +270 |
| **Total customers ('000s)** | **10,549** | **10,223** | **+326** | **+78** |
| **Products per customer** | **2.6** | **2.4** | **+0.2** | |
| **Other metrics** | | | | |
| Customers taking each of TV, broadband & talk | 31% | 26% | +5% | |
| ARPU (1) | £546 | £537 | +£9 | |
| Churn (quarterly annualised) | 10.1% | 10.4% | | |

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

### Business Performance (2) (unaudited)

| £'millions | 9 months to 31-Mar-12 | 9 months to 31-Mar-11 | Movement |
|---|---|---|---|
| Revenue | 5,078 | 4,833 | +5% |
| Adjusted operating profit | 908 | 790 | +15% |
| *% Adjusted operating profit margin* | *17.9%* | *16.3%* | +160 bps |
| Adjusted EBITDA | 1,161 | 1,030 | +13% |
| Adjusted free cash flow | 601 | 615 | -2% |
| Adjusted basic earnings per share (3) | 37.8p | 30.5p | +24% |

[1] Quarterly annualised. Calculations have been restated to include customers taking standalone home communications products and to reflect the impact of the Sky magazine closure.

[2] A reconciliation of adjusted operating profit and adjusted EBITDA from continuing operations to reported measures as well as cash generated from continuing operations to adjusted free cash flow from continuing operations is set out in Appendix 3.

[3] Adjusted basic EPS is calculated from adjusted profit from continuing operations for the period. A reconciliation of reported profit from continuing operations to adjusted profit from continuing operations is set out in note 4 to the consolidated financial information.

**Jeremy Darroch, Chief Executive,** commented:

"We have made a good start to 2012. In what remains a tough economic environment, strong and consistent execution of our plan has delivered good growth across our product range. We have grown revenues by 5% while holding prices flat for customers and delivered a record nine-month operating profit of £908 million alongside 24% growth in earnings per share. The decision to focus our marketing on home communications has paid off with our fastest quarter of growth since launch and confirmation that Sky is now Britain's favourite triple play provider.

"More households are choosing Sky and taking more products from us because we're constantly looking to improve the quality and value that we offer. Already in 2012, we've launched an entirely new channel dedicated to Formula 1, given millions of households access to a huge choice of on demand TV and made our market-leading broadband service even better with the launch of our fibre products and free out-of-home WiFi. Looking ahead, we will continue to improve our service for all Sky customers as we believe this is the best way to build a larger business and continue to increase returns for shareholders."

## OVERVIEW

We have once again delivered a strong operational and financial performance in the third quarter and first nine months driven by our sustained customer focus and the growing breadth of our product range. We are continuing to add to the customer experience through our innovation while maintaining our tight focus on costs. This has contributed to double digit growth in adjusted operating profit, growth in adjusted basic earnings per share of 24%, and expansion of our adjusted operating margin by 160bps to 17.9%.

Consumers are still facing a tough economic environment but customers are continuing to take more products from us as they recognise the great quality and value that Sky offers. We had our strongest quarter ever for home communications with 702,000 net product additions and Sky has now become Britain's favourite triple play provider. Net product additions of 904,000 in the three months to 31st March 2012 ("the quarter") were higher than both the prior year and the second quarter, and took the total base to 27.7 million, up by 13% year on year. Within this growth, we added 78,000 net new customer households. Churn at 10.1% was slightly lower than the prior year.

This operating performance has allowed us to deliver another strong set of financial results. Revenue growth was 5% in the first nine months despite freezing prices for customers and this, combined with our focus on efficiency, translated into 15% growth in adjusted operating profit and 24% growth in adjusted basic EPS. In addition, we have returned £387 million to shareholders to date through our on-going £750 million share buyback programme.

## OPERATIONAL REVIEW

### Operational Performance

We added 904,000 total net products in the quarter, growing the base by 13% year on year to reach a total of 27.7 million products. Within this, we added 78,000 net new households with 63,000 new standalone broadband customers and 15,000 TV customers. Our total customer base is now 10.55 million, of which 281,000 are standalone broadband customers. We have delivered growth across all product categories and customers are now taking an average of 2.6 products each, double the figure of five years ago.

We are continuing to see strong demand for home communications with record net new product additions of 702,000 during the quarter, including 212,000 broadband, 220,000 telephony and 270,000 line rental net new customers. Our continued strong growth in home communications has taken the number of customers with each of TV, broadband and telephony ("triple play") to 3.2 million, up 24% year on year. Triple play penetration of our customer base has now reached 31%. During the quarter, we also added 277,000 customers to our own network, meaning that 63% of our customers are now fully unbundled and, as a result, we continue to improve the economics of our home communications business.

Total HD customers reached 4.2 million, with 159,000 net additions in the quarter, an increase on the 138,000 net additions in the second quarter. This reflected continued strong demand for the product as well as the launch of our new Sky Sports Formula 1 HD channel (now included at no extra cost with an HD subscription). Our multiroom base also grew by 28,000 to 2.4 million.

ARPU grew to a new high of £546 in the quarter, with the impact of this year's price freeze more than offset by our success in selling our home communications products to new and existing customers. While the economic environment remains tough, we also saw good customer loyalty with churn falling to 10.1% (from 10.4% last year) as customers continue to recognise the value of our product range.

We continue to enhance our broadband service, providing further value to our customers. In April, we launched our WiFi hotspots from The Cloud service, giving internet access free of charge to Sky Broadband Unlimited, Sky Fibre Unlimited and Sky Connect customers in over 10,000 hotspots across the UK, including major outlets such as Pizza Express, Caffè Nero, Eat and Pret A Manger. We are currently adding over 200 new live hotspots each week and new contracts with Greggs and London Overground were agreed during the quarter. We also launched our new fibre service in April, giving customers access to download speeds of up to 38Mb and 76Mb for £20 and £30 a month, respectively.

Great customer service remains central to our offering. We remain focused on improving product reliability and are providing ever-improving levels of issue resolution. By continuing to encourage customers to interact with us online we have also reduced our cost to serve in our contact centres, with call volumes per customer in the quarter down 10% versus the same period last year. Our progress in making our customer service even better has again been validated by Ofcom – their latest survey on broadband complaints showing that Sky received the lowest level of complaints of any fixed broadband provider in the UK.

**Content**

We have had another quarter of strong on-screen performance as we continue to invest in our entertainment channels and build on our traditional strength in sports, news and movies.

We are continuing to invest in original British comedy and drama and saw strong performances from some of our key commissions, notably *Treasure Island*, the second biggest drama commission ever broadcast on Sky 1, and Ruth Jones' new comedy-drama *Stella*, which was the best UK comedy launch series in multi-channel history in terms of audience. The returning series *Got to Dance* and *Mad Dogs* also performed well, as did the US dramas *Hawaii-Five-0, Spartacus* and *Touch*. Forty-three entertainment shows in the quarter generated an audience of at least one million viewers, more than double the number in the same quarter last year. Our success is being recognised by the industry: Sky 1 was named Channel of the Year at the Broadcast Awards 2012 for the first time ever, while Darren Boyd won Best TV Comedy Actor at the British Comedy Awards for his performance in *Spy*.

As part of our previously announced commitment to original British content, we are investing in feature-length British films for television with two distinct and complementary strands: new films for family audiences on Sky Movies and the best new documentary films on Sky Atlantic. In addition, we recently acquired the rights to broadcast all twenty-four James Bond films in high definition, as well as the upcoming film, *Skyfall*. The deal will come into effect in October 2012, coinciding with the 50th anniversary of the film franchise.

During the quarter we launched our dedicated Formula 1 channel, Sky Sports F1, which has been very well received. The HD version (Sky Sports F1 HD) contributed to the strong performance of HD product additions in the quarter. The coverage has been critically acclaimed, offering over 500 hours of programming, extra video and data through the interactive 'Race Control' and streamed coverage on mobile, online and tablet devices, with 5.9 million viewers having watched the channel to date. Throughout the season Sky TV customers who subscribe to Sky Sports 1 & 2 or the HD channels mix will have access to live uninterrupted coverage of all 20 Grand Prix, including all practice and qualifying sessions, as well as our weekly Friday night magazine show and Steve Rider's legends series, available at no extra cost. This is yet another example of Sky investing in fantastic content to provide even better value for our customers while creating another reason for others to consider pay TV for the first time.

Looking ahead to the summer of sports, we have signed innovative agreements with the BBC and Eurosport which will mean that Sky homes will have access to the most comprehensive coverage of this summer's Olympics in HD and 3D. We will create 48 new channels (24 SD and 24 HD) specifically for the Olympics, meaning that Sky+ homes will be able to record the widest possible choice of Olympic events at a time that suits them. In addition, more than five million homes with Sky+HD set-top boxes will be able to watch the coverage in stunning high definition. Eurosport will also broadcast over 100 hours of the Games in 3D on Sky 3D.

We are continuing to grow our content relationships with channel partners through Sky 3D, the UK's first and only dedicated 3D TV channel which is enjoyed by over a quarter of a million Sky homes. As well as our agreement with Eurosport for the Olympics, we will be working with ESPN for the second year running to bring the FA Cup Final in 3D to Sky 3D homes.

During the quarter we added further to the breadth of our sports offering through long-term agreements in cricket and golf. We have secured the rights to show all ICC tournaments to 2015, including the Cricket World Cup, as well as an agreement to show the European Tour to 2018, including the Saturday and Sunday of the showpiece PGA Championship at Wentworth and The Scottish Open (previously held by the BBC).

**New Products and Services**

We remain focused on improving portability of content by giving customers seamless access to Sky content on the move. Our services have been well-received and we have added to them further during the quarter.

Sky Go continues to grow. We broadened the distribution in February, making it available on the Android platform, now the most popular smartphone platform in the UK. We also increased the channel line-up in the quarter with the addition of Sky 1, Sky Living, Sky Atlantic, Sky Arts 1 and Sky Sports F1. This enhanced offering has contributed to Sky Go reaching 2.6 million unique users in the quarter, up 24% from the second quarter (2.1 million).

Over five million Sky customers can now access a huge range of on demand content via Anytime+ after we made the service available to all HD boxes irrespective of their ISP. In addition, we introduced an enhanced new Sky+HD box in the quarter, adding even more flexibility for customers by increasing in-home storage capacity from 0.5TB to 1TB. Alongside the existing 1TB of personal storage, there is now a full additional terabyte of space dedicated to Sky Anytime showing the best of the week's Sky TV and Movies. We also launched Sky Store in January, our on demand rentals service, giving customers a choice of over 1,000 movies, including new releases just out on DVD and a whole library of favourites, all available to rent instantly.

**Launch of NOW TV service in 2012**

In March we announced that our new over-the-top internet TV service will be called NOW TV and is on track to launch in the first half of calendar 2012. The growth of broadband-connected devices is opening up new opportunities to retail our content directly to additional consumers, and this service will sit alongside our current subscription pay TV service and be aimed at the 13 million UK households who do not currently subscribe to pay TV. NOW TV will provide instant access to some of our most popular content with no dish and no contract required, and will be available on a wide range of devices. The service will initially offer access to our movie content but will soon expand to include sport and entertainment, with customers able to pay monthly or on a simple pay-as-you-go-basis. This will be a new way for us to appeal to consumers who love great content but may not want the full Sky service, while offering us another new opportunity for customer growth.

**The Bigger Picture**

As part of our commitment to making a positive contribution to the community, we delivered a number of initiatives this quarter through our Bigger Picture programme, which focuses on environment, sport and the arts.

To support our Sky Rainforest Rescue campaign in partnership with WWF, we launched a new TV advert during the quarter to highlight how customers can join in and contribute to helping protect the rainforest. We also supported WWF's Earth Hour in March with a weekend of dedicated environment programming across Sky channels, including the premier of the 3D documentary Secret Life of the Rainforest.

Through our partnership with British Cycling, which aims to increase participation in the sport, our pro cycling team 'Team Sky' began their third year on the road with their best start to a season to date with Bradley Wiggins winning the Paris-Nice and last week's Tour de Romandie. We are also delighted to be announcing the extension of our ground-breaking partnership with British Cycling today for a further four years to the end of 2016, building on our support for the sport from grassroots to elite. Our activity has already seen almost 700,000 people take up cycling regularly to date.

In February, we announced the first Sky Arts Ignition Series project with Sky funding the creation of a brand new work of art by renowned video artist Doug Aitken in partnership with Tate Liverpool.

In recognition of our work across the Bigger Picture, we have increased our score on Business in the Community's (BitC's) Corporate Responsibility Index, achieving 98% and once again earning a Platinum rating. Sky had the highest score in the Media and Entertainment sector.

**FINANCIAL SUMMARY**

We have delivered a strong financial performance in the nine months to 31 March 2012 ("the period"). Revenue growth of 5% combined with continued progress on costs led to a 15% increase in adjusted operating profit to £908 million. Our focus on efficiency contributed to an absolute reduction in other operating costs, contributing to further operating margin expansion of 160 basis points to reach 17.9%. Together with the recognition of some historic tax losses in the period, adjusted basic EPS was up by 24%.

Unless otherwise stated, all figures and growth rates included within the financial section exclude exceptional items and are from continuing operations.

**Revenue**

Group revenue increased by 5% to £5,078 million (2011: £4,833 million), with good growth in both retail and wholesale operations more than offsetting continued headwinds in advertising and Sky Business.

Retail subscription revenue grew by 4% to £4,172 million (2011: £4,009 million), with strong demand from customers for our products combined with an overall larger customer base. This increase was also despite our decision to freeze subscription prices.

Wholesale subscription revenue increased by 10% to £259 million (2011: £236 million) as demand for our channels and their HD versions continued to increase across other platforms.

Advertising revenue was 4% lower year on year at £334 million (2011: £348 million). This reduction results from a combination of a lower overall TV advertising market and higher payments to the third party pay TV channels represented by Sky Media in the period, due to improved ratings for their channels. The performance of our media partners has contributed to our share of total UK advertising revenue increasing to 20.9%. In the fiscal third quarter we performed in line with the market, which we estimate was broadly flat.

Installation, hardware and service revenue was lower year on year at £76 million (2011: £89 million), reflecting fewer engineer visits as a result of our work to increase the reliability of set-top boxes and the introduction of a free installation for customers moving home.

Other revenue was 57% higher at £237 million (2011: £151 million). The increase includes £46 million from the sale of set-top boxes to Sky Italia, for which the corresponding cost is recognised in subscriber management and supply chain. Excluding this, other revenue was up by 28% benefiting from continued strong performance in Sky Bet and the inclusion of £14 million from the consolidation of 'The Cloud' (acquired on 23$^{rd}$ February 2011).

**Direct Costs**

Programming costs increased by 5% to £1,709 million (2011: £1,621 million). More than half of the year on year increase was attributable to entertainment costs, which included a full nine months of Sky Atlantic programming as well as increased investment in original UK content. Third party channel costs were £22 million higher as a result of launching a further four HD channels in the period and 15% growth in HD customers. Sports costs were higher year on year with the first time inclusion of the Formula 1 channel, and movies costs were broadly flat.

Direct network costs increased by 22% to £510 million (2011: £418 million) due to increased scale in the business and the 28% growth in home communications products. Gross margin of our home communications products improved as a result of revenue growth and cost savings achieved, as a greater proportion of customers are unbundled onto our own network.

**Other Operating Costs**

We have delivered another strong performance in costs, where efficiency programmes have contributed to a 3% reduction in other operating costs for the period to £1,951 million (2011: £2,004 million) and 310 basis points of margin improvement year on year.

Marketing costs fell by 11% to £797 million (2011: £893 million) as a result of our decision to close the printed Sky customer magazine, fewer gross additions in the period, and a reduction in above-the-line advertising costs.

Subscriber management and supply chain costs increased by £51 million year on year to £483 million (2011: £432 million). The largest contributor to the increase was the cost of sales of set-top boxes to Sky Italia (corresponding revenue recorded within other revenue) from which we both derive both scale benefits and a small positive profit margin. Excluding the impact from these box sales, subscriber management and supply costs increased by 2% year on year, a lower rate than customer volume growth.

Transmission, technology and fixed network costs were £5 million lower at £288 million (2011: £293 million) as a result of favourable negotiations with suppliers and improved broadcasting efficiency due to the move to tapeless production within Sky Studios.

Administration costs fell by £3 million to £383 million (2011: £386 million) with a lower non-cash IFRS 2 'Share-based payment' charge and associated National Insurance costs than in the prior year as a result of the phasing of our share-incentive plans.

**Earnings**

On an adjusted basis, profit before tax was £853 million (2011: £727 million), which included the Group's share of joint ventures and associates' profits of £25 million (2011: £26 million) and a net interest charge of £80 million (2011: £89 million).

Adjusted taxation for the period was £198 million (2011: £195 million), benefitting from the recognition in the third quarter of approximately £26 million of tax losses, largely inherited at the time of the acquisition of Sky's core network, formerly part of Easynet, in 2006. As a result of this, and the lower statutory rate of corporation tax announced in the Budget on 21 March 2012, we now expect the full year adjusted tax rate to be around 24% (2011: 27%).

Adjusted profit for the period was £655 million (2011: £532 million), generating an adjusted basic earnings per share from continuing operations of 37.8 pence (2011: 30.5 pence).

Over the period the weighted average number of shares excluding those held by the Employee Share Ownership Plan for the settlement of employee share awards was 1,734 million. The number of shares at the end of the period was 1,709 million.

**Cash Flow and Financial Position**

Adjusted free cash flow was £601 million (2011: £615 million) due to the first time inclusion of rights payments made to Formula 1 at the start of its season, a one off benefit in the prior year due to the VAT increase on 1st January 2011, and the quarter end falling a week later than in the prior year.

Net debt as at 31 March 2012 was £723 million (2011: £817 million). Shares repurchased to date under the approved £750 million share repurchase plan totalled £387 million, of which £220 million was completed in the third quarter. The interim dividend payment of £157 million was paid to shareholders on 24th April 2012.

**Exceptional Items**

Reported operating profit of £939 million included a net benefit of £31 million being a break fee from News Corporation offset by related costs.

Reported profit after tax of £689 million also included an exceptional gain of £13 million relating to the re-measurement of derivative financial instruments not qualifying for hedge accounting (2011: £16 million gain), a profit on disposal of our stake in Chelsea Digital Media of £7 million, a £5 million charge due to writing off the fees relating to the previous revolving credit facility, and a £12 million charge relating to the tax effect on exceptional items.

**CORPORATE**

**Announcement of changes to the Board**

On 3rd April 2012, the Board announced that James Murdoch had stepped down as Chairman of BSkyB and would continue to serve in his capacity as a Non-Executive Director of the Company. Mr Murdoch was succeeded as Chairman by Nicholas Ferguson, who was appointed as a Director of the Company in June 2004 and previously served as Deputy Chairman and Senior Independent Non-Executive Director. Tom Mockridge, who joined the Board in February 2009, was appointed as Deputy Chairman. Andrew Higginson, who has been a Director of BSkyB since September 2004, succeeded Nicholas Ferguson as Senior Independent Non-Executive Director.

With effect from 1st May 2012 the following Board committee changes have taken place. Daniel Rimer was appointed Chairman of the Remuneration Committee in place of Nicholas Ferguson, who remains a member of the Committee. Martin Gilbert was appointed as a member of the Remuneration Committee.

Andrew Higginson was appointed Chairman of the Corporate Governance & Nominations Committee in place of Lord Wilson, who remains a member of the Committee. Daniel Rimer was appointed as a member of the Corporate Governance & Nominations Committee. Matthieu Pigasse was appointed as a member of the Audit Committee.

James Murdoch was appointed Chairman of the Bigger Picture Committee in place of Dame Gail Rebuck, who has stepped down as Chairman and as a member of the Committee.

With effect from 1st June 2012 Martin Gilbert will be appointed as a member of the Audit Committee.

**Sky News**

Following the close of the quarter, we concluded a review of editorial practices at Sky News. While there has been no allegation of impropriety at Sky News, the Company undertook the review at its instigation as part of its commitment to acting responsibly across all areas of our business. Reporting to the Audit Committee, the process involved the review of Sky News payment records by our internal audit team and a review of emails by our external legal advisors, Herbert Smith. These reviews found no evidence of impropriety or cause for concern.

Separately, the Audit Committee has reviewed the Company's approach to two separate investigations undertaken by Sky News in which a Sky News journalist accessed the email of individuals suspected of criminal activity. Following a thorough review of each of those cases, we are satisfied that the action was justified in the public interest and subject to proper editorial oversight.

**Acetrax**

On 25th April 2012, the Group acquired Acetrax, a small over-the-top (OTT) internet TV provider, which provides a transactional video on demand service to a wide range of internet-connected devices. The acquisition will support the continued development of Sky's OTT activities and further strengthen relationships with connected device manufacturers and content providers. Acetrax's gross assets as at 31st December 2011 were £2.3 million.

**Ofcom**

On 26th April 2012, Ofcom stated publicly that it is gathering evidence as part of its on-going assessment of whether BSkyB is fit and proper to hold its broadcasting licences, focusing in particular on events at News Group Newspapers that it believes may be relevant. The company is engaging with Ofcom in this process and continues to believe that it remains a fit and proper licence holder, as demonstrated by its positive contribution to UK audiences, employment and the broader economy, as well as its strong record of regulatory compliance and high standards of governance.

## Schedule 1 – KPI Summary

| All figures (000) unless stated | FY09/10 | | FY10/11 | | | | FY11/12 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| **Total Customers** | **9,770** | **9,868** | **9,979** | **10,150** | **10,223** | **10,294** | **10,371** | **10,471** | **10,549** |
| **Total Products** | **20,549** | **21,597** | **22,586** | **23,790** | **24,591** | **25,375** | **26,058** | **26,830** | **27,734** |
| Television | 9,770 | 9,860 | 9,956 | 10,096 | 10,147 | 10,187 | 10,213 | 10,253 | 10,268 |
| Sky+HD | 2,510 | 2,939 | 3,154 | 3,497 | 3,686 | 3,822 | 3,925 | 4,063 | 4,222 |
| Multiroom | 2,062 | 2,121 | 2,158 | 2,219 | 2,237 | 2,250 | 2,295 | 2,350 | 2,378 |
| Broadband | 2,505 | 2,624 | 2,802 | 3,006 | 3,161 | 3,335 | 3,485 | 3,651 | 3,863 |
| Telephony | 2,230 | 2,367 | 2,570 | 2,757 | 2,916 | 3,101 | 3,248 | 3,407 | 3,627 |
| Line Rental | 1,472 | 1,686 | 1,946 | 2,215 | 2,444 | 2,680 | 2,892 | 3,106 | 3,376 |
| **Other Metrics** | | | | | | | | | |
| % of customers taking TV, Broadband and Talk | 20% | 21% | 23% | 24% | 26% | 27% | 28% | 29% | 31% |
| ARPU (£) | £499 | £504 | £510 | £536 | £537 | £538 | £535 | £544 | £546 |
| Churn – quarterly annualised | 9.9% | 10.5% | 11.2% | 9.5% | 10.4% | 10.4% | 11.1% | 9.6% | 10.1% |
| **Fixed Network Metrics** | | | | | | | | | |
| On-net base | 2,187 | 2,288 | 2,450 | 2,659 | 2,856 | 3,045 | 3,205 | 3,403 | 3,636 |
| MPF base | 664 | 883 | 1,064 | 1,247 | 1,435 | 1,686 | 1,869 | 2,146 | 2,423 |
| SMPF base | 1,523 | 1,405 | 1,386 | 1,412 | 1,421 | 1,359 | 1,336 | 1,257 | 1,213 |
| MPF % | 30% | 39% | 43% | 47% | 50% | 55% | 58% | 63% | 67% |
| SMPF % | 70% | 61% | 57% | 53% | 50% | 45% | 42% | 37% | 33% |
| Off-net base | 318 | 336 | 352 | 347 | 305 | 290 | 280 | 248 | 227 |
| **Total Broadband** | 2,505 | 2,624 | 2,802 | 3,006 | 3,161 | 3,335 | 3,485 | 3,651 | 3,863 |
| On-net % | 87% | 87% | 87% | 88% | 90% | 91% | 92% | 93% | 94% |
| New LLU exchanges (actual figs) | - | 6 | 94 | 141 | 115 | 28 | 155 | 175 | 57 |
| Total LLU exchanges (actual figs) | 1,193 | 1,199 | 1,293 | 1,434 | 1,549 | 1,577 | 1,732 | 1,907 | 1,964 |

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A conference call for UK and European analysts and investors will be held at 08.30 a.m. (BST) today. Participants must register by contacting Yasmin Charabati on +44 20 7251 3801 or at yasmin.charabati@RLMfinsbury.com. In addition, the live conference calls and supporting materials will be available via http://www.sky.com/investors and subsequently available for replay.

There will be a separate conference call for US analysts and investors at 10.00 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 and supporting materials 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 projection, such as forecasts, expectations and projections in relation to new products and services, revenue, costs, advertising growth, churn, profit, cash flow, product penetration, our broadband network footprint, content, wholesale, marketing and capital expenditure and returns 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 2011 (as updated in Sky's results for the six months ended 31 December 2011). Copies of the Annual Report and 31 December 2011 results 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.

## Appendix 1 – Glossary

| Useful definitions | Description |
|---|---|
| Adjusted earnings per share (EPS) | Adjusted profit for the period divided by the weighted average number of ordinary shares during the period. |
| Adjusted operating profit and margin | Operating profit excluding exceptional items. Adjusted operating margin is stated as a percentage of adjusted revenue. |
| Adjusted profit for the period | Profit for the period adjusted to remove exceptional items and related tax effects. |
| ARPU | Average Revenue Per User: the amount spent by the Group's residential customers in the quarter, divided by the average number of residential customers in the quarter, annualised. |
| Churn | The number of total customers over a given period that terminate their subscription in its entirety, net of former customers who reinstated their subscription in that period (where such reinstatement is within a 12 month period of the termination of their original subscription), expressed as an annualised percentage of total average customers for the period. |
| DSL | Digital Subscriber Line. |
| DTH | Direct-to-Home: the transmission of satellite services and functionality with reception through a mini dish. "DTH customer" means a subscriber to one or more of our retailed packages of television channels made available via DTH. |
| EBITDA | Earnings before joint ventures, interest, profit on disposal of available-for-sale investments, taxation, depreciation and amortisation is calculated as operating profit before depreciation, amortisation and impairment of property, plant and equipment and intangible assets. |
| Exceptional Items | Items that 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. |
| Free cash flow | The amount of cash generated by Sky after meeting obligations for interest and tax, after all capital expenditure and net cash flows relating to joint ventures and associates. |
| HD | High Definition television. |
| LLU | Local Loop Unbundling: a process by which BT's exchange lines are physically disconnected from BT's network and connected to other operators' networks. This enables operators other than BT to use the BT local loop to provide services to customers. |
| MPF | Metallic Path Facilities which occur where a single communications provider uses the local loop to provide both broadband and voice services over its network. |
| Multiroom | Installation of an additional set-top box in the household of a DTH customer. |
| Net debt | Borrowings net of cash and cash-equivalents, short-term deposits, and borrowings related derivative financial instruments. |
| Over-The-Top (OTT) | Delivery of a service via broadband which is agnostic of the internet service provider. |
| SMPF | Shared Metallic Path Facility. |
| Sky Go | Sky's retailed packages of television channels and on demand content made available via a broadband connection, including the version made available to mobile devices via a wireless or 3G connection. |
| Sky Player | Sky's retailed packages of television channels and on demand content made available via a broadband connection and our Sky Player platform. |
| Sky + | Sky's fully-integrated Personal Video Recorder (PVR) and satellite decoder. This includes Sky + HD decoders. |
| Standalone home communications | Sky's retailed packages of broadband, talk and line rental when taken without a television subscription package. |
| Triple Play | Customers taking all three of TV, broadband and telephony |
| TV customer | A paying subscriber to one or more of our DTH or Sky Go services. |
| Viewing share | Number of people viewing a channel as a percentage of total television viewing audience. |

## Appendix 2 – Consolidated Financial Information

**Consolidated Income Statement** for the nine months ended 31 March 2012

| | Notes | **2011/12 Nine months ended 31 March £m (unaudited)** | 2010/11 Nine months ended 31 March £m (unaudited) |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 1 | **5,078** | 4,833 |
| Operating expense | 2 | **(4,139)** | (4,081) |
| **EBITDA** | | **1,192** | 992 |
| Depreciation and amortisation | | **(253)** | (240) |
| **Operating profit** | | **939** | 752 |
| Share of results of joint ventures and associates | | **32** | 26 |
| Investment income | | **15** | 6 |
| Finance costs | | **(87)** | (79) |
| **Profit before tax** | | **899** | 705 |
| Taxation | | **(210)** | (177) |
| **Profit for the period from continuing operations** | | **689** | 528 |
| **Discontinued operations** | | | |
| **Profit for the period from discontinued operations** | 3 | **-** | 53 |
| **Profit for the period** | | **689** | 581 |
| **Earnings per share from profit for the period (in pence)** | | | |
| **Basic** | 4 | | |
| Continuing operations | | **39.7p** | 30.3p |
| Discontinued operations | | **-** | 3.0p |
| Total | | **39.7p** | 33.3p |
| **Diluted** | 4 | | |
| Continuing operations | | **39.5p** | 30.1p |
| Discontinued operations | | **-** | 3.0p |
| Total | | **39.5p** | 33.1p |
| **Adjusted earnings per share from adjusted profit for the period from continuing operations (in pence)** | | | |
| Basic | 4 | **37.8p** | 30.5p |
| Diluted | 4 | **37.5p** | 30.3p |

**Notes:**

## 1. Revenue

| | 2011/12 Nine months ended 31 March £m (unaudited) | 2010/11 Nine months ended 31 March £m (unaudited) |
|---|---|---|
| **Continuing operations** | | |
| Retail subscription | **4,172** | 4,009 |
| Wholesale subscription | **259** | 236 |
| Advertising | **334** | 348 |
| Installation, hardware and service | **76** | 89 |
| Other | **237** | 151 |
| | **5,078** | 4,833 |

To provide a more relevant presentation, management has reclassified Sky Player and Sky Mobile revenue from Other revenue to Retail subscription revenue in both the current period and the comparative period.

## 2. Operating expense

| | 2011/12 Nine months ended 31 March £m (unaudited) | 2010/11 Nine months ended 31 March £m (unaudited) |
|---|---|---|
| **Continuing operations** | | |
| Programming | **1,709** | 1,621 |
| Direct networks | **510** | 418 |
| Marketing | **797** | 893 |
| Subscriber management and supply chain | **483** | 432 |
| Transmission, technology and fixed networks | **288** | 293 |
| Administration | **352** | 424 |
| | **4,139** | 4,081 |

## 3. Discontinued operations

On 1 September 2010, the Group completed the sale of its business-to-business telecommunications operation, Easynet Global Services ("Easynet"), to Lloyds Development Capital ("LDC"). The Group retained the UK network assets that it acquired as part of the original acquisition of Easynet Group in 2005. As part of the sale, the Group and LDC entered into a long-term supply agreement to grant Easynet continued access to the Group's fibre network and Easynet continues to be a key supplier of data network and hosting services to the Group.

Easynet represented a separate major line of business for the Group. As a result its operations were treated as discontinued for the nine months ended 31 March 2011. A single amount is shown on the face of the consolidated income statement comprising the post-tax result of discontinued operations and the post-tax profit recognised on the disposal of the discontinued operation.

## 4. Earnings per share

| | **2011/12 Nine months ended 31 March Shares (millions)** | 2010/11 Nine months ended 31 March Shares (millions) |
|---|---|---|
| **The weighted average number of shares for the period was:** | | |
| Ordinary shares | **1,744** | 1,753 |
| ESOP trust ordinary shares | **(10)** | (9) |
| **Basic shares** | **1,734** | 1,744 |
| | | |
| Dilutive ordinary shares from share options | **12** | 11 |
| **Diluted shares** | **1,746** | 1,755 |

Basic and diluted earnings per share are calculated by dividing profit or loss 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.

| | **2011/12 Nine months ended 31 March £m (unaudited)** | 2010/11 Nine months ended 31 March £m (unaudited) |
|---|---|---|
| **Reconciliation from profit for the period from continuing operations to adjusted profit for the period from continuing operations:** | | |
| Profit for the period from continuing operations | **689** | 528 |
| (Net recovery of) costs in relation to News Corporation proposal | **(31)** | 12 |
| Living TV restructuring costs | **-** | 26 |
| Revolving Credit Facility fee write-off | **5** | - |
| Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness | **(13)** | (16) |
| Profit on disposal of joint venture | **(7)** | - |
| Tax credit on settlement of liability | **-** | (15) |
| Tax effect of above items | **12** | (3) |
| **Adjusted profit for the period from continuing operations** | **655** | 532 |

## 5. Shareholders' 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 £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, 43,629,597 ordinary shares at an average price of £7.03 per share, with a nominal value of £22 million, for a consideration of £308 million. Consideration included stamp duty and commission of £1 million. This represents 2% of called-up share capital at the beginning of the period. Of these purchases, the Company purchased, and subsequently cancelled, 17,075,621 ordinary shares from News Corporation at an average price of £7.03 per share, with a nominal value of £9 million, for a consideration of £121 million. Consideration included stamp duty of £1 million.

On 30 March 2012, the Company entered into an arrangement with its broker, Bank of America Merrill Lynch, 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, 12,017,038 ordinary shares at an average price of £6.64 per share, with a nominal value of £6 million, for a consideration of £80 million. Of these purchases, the Company purchased, and subsequently cancelled, 4,703,195 ordinary shares from News Corporation at an average price of £6.64 per share, with a nominal value of £2 million, for a consideration of £31 million.

## Appendix 3 – Non-GAAP measures (all continuing operations)

**Reconciliation of operating profit to adjusted operating profit and adjusted EBITDA**
for the nine months ended 31 March 2012

| | **2011/12 Nine months ended 31 March £m** | 2010/11 Nine months ended 31 March £m |
|---|---|---|
| **Operating profit** | **939** | 752 |
| (Net recovery of) costs in relation to News Corporation proposal | **(31)** | 12 |
| Living TV restructuring costs | **-** | 26 |
| **Adjusted EBITDA** | **1,161** | 1,030 |
| Depreciation and amortisation | **(253)** | (240) |
| **Adjusted operating profit** | **908** | 790 |

**Reconciliation of cash generated from operations to adjusted free cash flow**
for the nine months ended 31 March 2012

| | **2011/12 Nine months ended 31 March £m** | 2010/11 Nine months ended 31 March £m |
|---|---|---|
| **Cash generated from operations** | **1,242** | 1,126 |
| Interest received | **10** | 5 |
| Taxation paid | **(185)** | (155) |
| Dividends received from joint ventures and associates | **22** | 15 |
| Net funding to joint ventures and associates | **(3)** | (4) |
| Purchase of property, plant and equipment | **(178)** | (147) |
| Purchase of intangible assets | **(185)** | (175) |
| Interest paid | **(80)** | (76) |
| **Free cash flow** | **643** | 589 |
| (Net recovery of) costs in relation to News Corporation proposal | **(17)** | 2 |
| Recovery of import duty on set-top boxes (after corporation tax) | **(25)** | - |
| Living TV restructuring costs | **-** | 19 |
| Costs related to restructuring exercise | **-** | 5 |
| **Adjusted free cash flow** | **601** | 615 |