BRITISH SKY BROADCASTING GROUP PLC
Unaudited results for the three months ended 30 September 2013

	Adjusted results		
Three months to 30 Sept	2013/14	2012/13	Variance
Revenue	£1,843m	£1,715m	+7%
EBITDA	£392m	£392m	+0%
Operating profit	£285m	£310m	-8%
Earnings per share (basic)	13.0p	13.4p	-3%

Strong growth across all products

- 800,000 new paid-for subscription products, growth up 50% year on year

Sky Broadband surpasses 5 million customers

- 111,000 net new broadband customers added in the quarter, up 9% year on year
- Triple play penetration of 36%, up 3 percentage points

Rapid growth in connected TV services

- Record growth in connected Sky+HD boxes, up 642,000 to 3.4 million
- Fourfold increase in On Demand usage
- 219,000 net additions to Sky Go Extra

Financial performance on track

- Revenue up 7% to £1,843 million
- Adjusted operating profit down 8% to £285 million
- Adjusted basic earnings per share down 3% to 13.0p

Jeremy Darroch, Chief Executive, commented:

"We have made a very good start to the year. Strong growth across the board drove a 7% increase in revenues and we added 50% more new subscription products than last year as customers continued to respond to the quality and value we offer. Adjusted operating profit was in line with our expectations as we invest in new services and absorb higher Premier League costs.

"We were particularly pleased with the continued strong performance in home communications. Quarterly growth in broadband was up on last year taking us past the 5-million customer milestone. In all, 36% of customers now choose to take all three of TV, broadband and telephony from Sky, over half a million more than last year.

"On screen, we enjoyed a fantastic summer of sport with the excitement of the Ashes and the Lions tour followed by our best ever start to the football season. Total viewing to our Sky Sports channels is up almost 15% on last year, including growth of over 40% in viewing through our mobile TV service Sky Go.

"We are making excellent progress against the plan we set out in July to accelerate growth and returns from new services. The number of connected Sky+HD boxes grew by almost 50,000 a week, faster than in any previous quarter, and we are seeing an immediate increase in usage as customers get connected. Weekly downloads through our On Demand service grew fourfold in the quarter while the number of movie rentals through Sky Store doubled on last year.

"While the consumer environment remains challenging, we are well placed as we execute a strong set of plans for the rest of the year."

Results highlights

Customer Metrics (unaudited)

	As at 30-Sep-13	As at 30-Sep-12	Annual Growth	Quarterly Growth to 30-Sep-13
Total products ('000s)	**32,434**	**28,898**	**+3,536**	**+800**
TV	10,459	10,308	+151	+37
HD	4,893	4,468	+425	+107
Multiroom	2,503	2,423	+80	+14
Sky Go Extra	385	-	+385	+219
Broadband	5,017	4,103	+914	+111
Telephony	4,652	3,888	+764	+151
Line rental	4,525	3,708	+817	+161
Paid-for products per retail customer	2.9	2.7		
New connected TV services ('000s)				
Internet-connected Sky+HD boxes	3,351	1,255	+2,096	+642
Sky Go unique users	3,291	2,768	+523	+34
Other metrics				
Total Customers ('000s)	**14,841**	**14,368**	**+473**	**+11**
Retail Customers	11,224	10,654	+570	+71
Wholesale Customers (1)	3,617	3,714	-97	-60
ARPU (2)	£559	£542	+£17	
Triple-play	36%	33%	+3%	
Churn	11.0%	10.9%	+0.1%	

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

Business Performance (3) (unaudited)

£'millions	**3 months to 30-Sep-13**	**3 months to 30-Sep-12**	**Movement**
Revenue	1,843	1,715	+7%
Adjusted EBITDA	392	392	+0%
Adjusted operating profit	285	310	-8%
% Adjusted operating profit margin	*15.5%*	*18.1%*	-260 bps
Adjusted basic earnings per share (4)	13.0p	13.4p	-3%

[1] Wholesale customers taking at least one paid for Sky channel. The customer numbers are as reported to us at August 2013.

[2] Quarterly annualised. Calculations have been restated to exclude revenues earned from retailing the ESPN channel. Further details are provided in Schedule 2.

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

[4] Adjusted basic earnings per share 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

We have made a strong start to the year as customers respond positively to the investments we're making to enhance our offering. Revenues for the three months to 30 September 2013 were up 7%, fuelled by robust growth across all products. Adjusted operating profit was down 8% and adjusted basic earnings per share were down 3% to 13.0 pence, reflecting the previously announced step-up in Premier League costs and our investments to accelerate take-up of connected services.

Strong customer demand delivered an increase of 800,000 paid-for subscription products over the three-month period, with quarterly growth up 50% year on year. We saw good growth across all TV products, adding 37,000 net new TV products and 107,000 new customers to HD. Sky Go Extra, our paid-for mobile TV service, continued to grow strongly with the addition of 219,000 new customers in the quarter, taking the total base to 385,000.

Home communications performed particularly well with the addition of 111,000 new broadband customers, 9% more than the first quarter last year and taking us past the 5-million mark. Telephony grew by 151,000 and line rental by 161,000 as we maintained our position as the UK's favourite triple play provider. In all, 36% of our customer base now take all three of TV, broadband and telephony from Sky, 519,000 more than last year.

We closed the quarter with 11.2 million retail customers, growth of 71,000 in the quarter, almost 50% higher year on year.

ARPU continued to grow well, increasing by £17 to reach £559, representing growth of 3% versus the prior year. The largest driver of higher ARPU was the greater average number of products taken by our customers. Our ARPU calculation for the period includes the customers acquired from O2 and removes the impact of ESPN customers from this period and the comparatives. For the detail of the adjustments please refer to Schedule 2.

Content

The investment that we are making on screen is resonating strongly with customers. Sky Sports subscribers grew well in the quarter and viewing increased by almost 15%, reflecting the strength of the summer schedule and a record start to the Premier League season. Audiences to the first 23 live Premier League games were up 20% on last year. Our own success, together with that of our wholesale partners, means that over 14 million homes in Britain and Ireland actively choose to pay for Sky's channels and content.

Connected TV services

Our plan to accelerate growth in new connected TV services has had an immediate impact. A record 642,000 customers connected their Sky+HD boxes to broadband in the quarter. As a result, the number of connected homes reached 3.4 million, up from 1.3 million last year, making Sky the UK's fastest-growing connected TV service.

We also expanded the range of content available to access on demand in the quarter, adding six new channels to Catch Up TV, including Universal and the Disney Channel, and over 25% more hours of programming on TV Box Sets. Overall, the number of average weekly On Demand downloads increased fourfold to over 6.5 million while the number of movie rentals through Sky Store more than doubled to 2.1 million.

Meanwhile, more customers than ever are using our mobile TV service Sky Go. Sky Sports viewing on Sky Go was up more than 40% on the same time last year while viewing to Sky Movies on Sky Go increased by almost 50%.

Efficiency and Service

We continue to make good progress in our work to improve our operating efficiency and service delivery. Our most reliable Sky+HD set-top box is now in nearly 8 million homes, up almost 20% year on year. This increased penetration helped reduce the number of service visits by 9%.

DETAILED FINANCIAL PERFORMANCE

We delivered a good financial performance in what, as we outlined at our full year results in July, will be a year of investment in the customer proposition. We saw strong revenue growth of 7%, adjusted operating profit was down 8% and adjusted basic earnings per share was down 3%, in line with our expectations. This was a result of the step-up in Premier League costs and our planned investments in connected services.

Within these adjusted results for the quarter, before integration costs, the consolidation of O2's consumer broadband and fixed line telephony business ('O2') resulted in a net neutral impact to operating profit, comprising £19 million of revenue and £19 million of operating cost.

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

Revenue

Group revenue increased by 7% to £1,843 million (2013: £1,715 million) with good growth across the board.

Retail subscription revenue grew by 7% to £1,531 million (2013: £1,428 million) reflecting continued strong product and customer growth as well as the initial benefit of the increase in some of our prices in September. Inclusion of revenue from former O2 broadband customers broadly offset the loss of ESPN revenue as we ceased retailing their sports channel on 31 July.

Wholesale revenue was up 4% to £96 million (2013: £92 million) while advertising revenues grew 7% to £102 million (2013: £95 million), primarily due to a post-Olympics increase in the advertising market.

Other revenues increased by 20% to £96 million (2013: £80 million) largely due to good growth in Sky Bet revenues and a £4 million increase in set-top box sales to Sky Italia to £20 million (2013: £16 million).

Costs

Programming costs were up 6% at £622 million (2013: £589 million) as we continued to invest in bringing Sky customers the very best TV. This included a step-up in Premier League costs and continued investment in original UK commissions. Under the new three-year Premier League deal which came into effect this financial year, we pay a flat amount of £760 million this year and for the two subsequent financial years. The year on year increase of around £220 million does not therefore recur in future periods.

Direct network costs were up 17% to £202 million (2013: £172 million) despite a 21% increase in the volume of home communications products in the last 12 months and a 16% increase in unbundled exchanges. In addition to having more customers on our cost effective unbundled network, we continue to achieve efficiencies in our network operating costs by negotiating fixed-price support contracts, in-housing our transit and peering capability and reducing third party visit costs to rectify network faults. We now have 3.5 million fully unbundled customers, up 27% year on year, and our unbundled network serves 88% of UK homes.

Marketing costs were up £55 million to £320 million (2013: £265 million) driven by a good customer response to our investment in connected services which was reflected in our strong product growth, and our above-the-line campaigns during the quarter. Subscriber management costs were up £19 million to £175 million (2013: £156 million) due to a combination of strong customer and product growth and incremental resource associated with the launch of NOW TV.

Depreciation grew by £25 million to £107 million. The increase reflects the number of large capital projects that went live in the quarter which will normalise through the year; the impact of continued strong communications growth through increased depreciation of capitalised connection fees; the unbundling of a further 121 BT exchanges in the previous quarter; and the depreciation of exchange equipment acquired from O2.

Earnings

Adjusted profit before tax was £263 million (2013: £291 million) and included the Group's share of joint ventures' and associates' profits of £8 million (2013: £7 million) and a net interest charge of £30 million (2013: £26 million). The higher net interest is principally due to the additional cost of carry of the US dollar bond issued in November 2012 that is not in the prior year.

Tax of £58 million (2013: £70 million) at an effective rate of 22.1% reflects the lower rate of UK Corporation Tax (from 23.75% to 22.5%) and a small phasing benefit in the quarter. The rate benefit received in the quarter will be diluted over the remainder of the year. We expect our effective tax rate for the full year to be approximately 23% as we continue to benefit from reductions in the headline rate of corporation tax.

Adjusted profit for the period was £205 million (2013: £221 million), generating basic earnings per share of 13.0 pence (2013: 13.4 pence). The number of shares, excluding the ESOP shares, at the end of the quarter was 1,572 million. The weighted average number of shares in the quarter, on the same basis and as used for the basic EPS calculation, was 1,573 million.

Adjusting Items

Reported profit after tax of £193 million (2013: £219 million) includes a net charge of £11 million from the integration following the O2 acquisition comprising customer migration costs, costs associated with running O2's network in addition to our own whilst the migration process takes place, and amortisation of acquired intangible assets.

The only other adjusting item in the quarter was a net £1 million charge relating to mark-to-market values of derivative financial instruments.

Additional detail is set out in Appendix 2.

Schedule 1 – KPI Summary

All figures (000) unless stated	FY11/12				FY12/13				FY 13/14
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total paid-for subscription products	**26,058**	**26,830**	**27,734**	**28,365**	**28,898**	**29,513**	**30,228**	**31,634**	**32,434**
TV	10,213	10,253	10,268	10,288	10,308	10,358	10,388	10,422	10,459
Sky+HD	3,925	4,063	4,222	4,343	4,468	4,561	4,669	4,786	4,893
Multiroom	2,295	2,350	2,378	2,402	2,423	2,467	2,476	2,489	2,503
Sky Go Extra	-	-	-	-	-	-	44	166	385
Broadband	3,485	3,651	3,863	4,001	4,103	4,235	4,387	4,906	5,017
Telephony	3,248	3,407	3,627	3,768	3,888	4,022	4,208	4,501	4,652
Line Rental	2,892	3,106	3,376	3,563	3,708	3,870	4,056	4,364	4,525
New connected TV services	**1,829**	**2,549**	**3,211**	**3,735**	**4,023**	**4,781**	**5,546**	**5,966**	**6,642**
Connected HD boxes	204	442	604	995	1,255	1,715	2,284	2,709	3,351
Sky Go unique users	1,625	2,107	2,607	2,740	2,768	3,066	3,262	3,257	3,291
Total products and services	**27,887**	**29,379**	**30,945**	**32,100**	**32,921**	**34,294**	**35,774**	**37,600**	**39,076**
Other metrics:									
Retail customers	10,371	10,471	10,549	10,606	10,654	10,742	10,812	11,153	11,224
Wholesale customers	3,569	3,629	3,657	3,672	3,714	3,751	3,801	3,677	3,617
Total customers	**13,940**	**14,100**	**14,206**	**14,278**	**14,368**	**14,493**	**14,613**	**14,830**	**14,841**
ARPU (£)*	£528	£536	£538	£541	£542	£558	£567	£569	£559
Triple-play %	28%	29%	31%	32%	33%	33%	34%	35%	36%
Churn	11.1%	9.6%	10.1%	9.9%	10.9%	10.3%	10.8%	10.9%	11.0%
Fixed Network Metrics									
On-net base	**3,205**	**3,403**	**3,636**	**3,778**	**3,882**	**4,031**	**4,190**	**4,696**	**4,826**
MPF base	1,869	2,146	2,423	2,588	2,762	2,926	3,159	3,359	3,504
SMPF base	1,336	1,257	1,213	1,190	1,120	1,105	1,031	1,337	1,322
MPF %	58%	63%	67%	69%	71%	73%	75%	72%	73%
SMPF %	42%	37%	33%	31%	29%	27%	25%	28%	27%
Off-net base	**280**	**248**	**227**	**223**	**221**	**204**	**197**	**210**	**191**
Total Broadband	**3,485**	**3,651**	**3,863**	**4,001**	**4,103**	**4,235**	**4,387**	**4,906**	**5,017**
On-net %	92%	93%	94%	94%	95%	95%	96%	96%	96%
Total no. of LLU exchanges	1,732	1,907	1,964	1,965	2,036	2,108	2,202	2,323	2,354

*See schedule 2 for details of the ARPU restatement

Schedule 2 – Restated ARPU

	FY11/12				FY12/13				FY13/14
£	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
ARPU as previously reported	535	544	546	548	550	568	576	577	571
Cessation of ESPN retail arrangement[1]	(7)	(8)	(8)	(7)	(8)	(10)	(9)	(8)	(2)
Dilutive impact of O2 customer base[2]									(10)
ARPU	**528**	**536**	**538**	**541**	**542**	**558**	**567**	**569**	**559**

1. We have restated ARPU because from 31 July, we stopped receiving revenue from retailing ESPN's sport channel. We received one month of revenue, worth £2 of ARPU, in the quarter.

2. We have updated reported ARPU to include the 290,000 new O2 broadband customers consolidated in Q4 2013. As these customers do not currently take a TV service they generally have a lower ARPU than existing Sky customers and therefore their inclusion has a diluting effect.

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There will be a conference call for UK/European analysts and investors at 8.30 a.m. (BST). Participants should register by contacting Felicity Marshall on +44 20 7251 3801 or at felicity.marshall@RLMFinsbury.com.

There will be a separate conference call for US analysts and investors at 10.00 a.m. (EDT). To register for this please contact Dana Diver at Taylor Rafferty on +1 212 889 4350. Alternatively you may register online at http://invite.taylor-rafferty.com/_bskyb/2014Q1CC/Default.htm.

A live webcast of both conference calls will be available via the BSkyB website at http://www.sky.com/corporate. Replays 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, On Demand, NOW TV, Sky Go, Sky Go Extra, 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 2013. 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 2013

	Notes	2013/14 Three months ended 30 September £m (unaudited)	2012/13 Three months ended 30 September £m (unaudited)
Revenue	1	**1,843**	1,715
Operating expense	2	**(1,573)**	(1,405)
EBITDA		**383**	392
Depreciation and amortisation		**(113)**	(82)
Operating profit		**270**	310
Share of results of joint ventures and associates		**8**	7
Investment income		**4**	5
Finance costs		**(37)**	(34)
Profit before tax		**245**	288
Taxation		**(52)**	(69)
Profit for the period		**193**	219
Earnings per share from profit for the period (in pence)			
Basic	3	**12.3p**	13.3p
Diluted	3	**12.2p**	13.2p
Adjusted earnings per share from adjusted profit for the period (in pence)			
Basic	3	**13.0p**	13.4p
Diluted	3	**12.9p**	13.3p

Notes:

1 Revenue

	2013/14 Three months ended 30 September £m (unaudited)	2012/13 Three months ended 30 September £m (unaudited)
Retail subscription	**1,531**	1,428
Wholesale subscription	**96**	92
Advertising	**102**	95
Installation, hardware and service	**18**	20
Other	**96**	80
	1,843	1,715

2 Operating expense

	2013/14 Three months ended 30 September £m (unaudited)	2012/13 Three months ended 30 September £m (unaudited)
Programming	**622**	589
Direct networks	**207**	172
Marketing	**320**	265
Subscriber management and supply chain	**176**	156
Transmission, technology and fixed networks	**115**	97
Administration	**133**	126
	1,573	1,405

3 Earnings per share

The weighted average number of shares for the period was:

	2013/14 Three months ended 30 September Millions of shares	2012/13 Three months ended 30 September Millions of shares
Ordinary shares	**1,593**	1,667
ESOP trust ordinary shares	**(20)**	(15)
Basic shares	**1,573**	1,652
Dilutive ordinary shares from share options	**13**	11
Diluted shares	**1,586**	1,663

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.

3 Earnings per share (continued)

	2013/14 Three months ended 30 September £m (unaudited)	2012/13 Three months ended 30 September £m (unaudited)
Reconciliation from profit for the period to adjusted profit for the period		
Profit for the period	**193**	219
Costs relating to the acquisition and integration of the O2 consumer broadband and fixed-line telephony business	**15**	-
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness	**3**	3
Tax effect of above items	**(6)**	(1)
Adjusted profit for the period	**205**	221

4 Shareholders' equity

Purchase of own equity shares for cancellation

At the Company's AGM on 1 November 2012, the Company was granted the authority to return £500 million of capital to shareholders via a share buy-back programme. This authority was subject to an agreement between the Company and Twenty-First Century Fox, Inc. (formerly known as News Corporation) (and others) dated 28 July 2012 whereby following any market purchases of shares by the Company, Twenty-First Century Fox, Inc. would 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 Twenty-First Century Fox, Inc. would be the price payable by the Company in respect of the relevant market purchases.

During the period, the Company purchased, and subsequently cancelled, 2,105,848 ordinary shares at an average price of £8.25 per share, with a nominal value of £1 million, for a consideration of £17 million. Consideration included stamp duty and commission of less than £1 million. This represents less than 1% of called-up share capital at the beginning of the period. Of these purchases, the Company purchased, and subsequently cancelled, 824,180 ordinary shares from Twenty-First Century Fox, Inc. at an average price of £8.25 per share, with a nominal value of less than £1 million, for a consideration of £7 million. Consideration included stamp duty of less than £1 million.

Appendix 2 – Non-GAAP measures

Consolidated Income Statement - reconciliation of reported and adjusted numbers

	Notes	2013/14 Reported £m	2013/14 Adjusting Items £m	2013/14 Adjusted £m	2012/13 Reported £m	2012/13 Adjusting Items £m	2012/13 Adjusted £m
Revenue							
Retail subscription		**1,531**	**-**	**1,531**	1,428	-	1,428
Wholesale subscription		**96**	**-**	**96**	92	-	92
Advertising		**102**	**-**	**102**	95	-	95
Installation, hardware and service		**18**	**-**	**18**	20	-	20
Other		**96**	**-**	**96**	80	-	80
		1,843	**-**	**1,843**	1,715	-	1,715
Operating expense							
Programming		**(622)**	**-**	**(622)**	(589)	-	(589)
Direct networks	A	**(207)**	**5**	**(202)**	(172)	-	(172)
Marketing		**(320)**	**-**	**(320)**	(265)	-	(265)
Subscriber management and supply chain	A	**(176)**	**1**	**(175)**	(156)	-	(156)
Transmission, technology and fixed networks	A	**(115)**	**3**	**(112)**	(97)	-	(97)
Administration	A	**(133)**	**6**	**(127)**	(126)	-	(126)
		(1,573)	**15**	**(1,558)**	(1,405)	-	(1,405)
EBITDA		**383**	**9**	**392**	392	-	392
Operating profit		**270**	**15**	**285**	310	-	310
Share of results of joint ventures and associates		**8**	**-**	**8**	7	-	7
Investment income		**4**	**-**	**4**	5	-	5
Finance costs	B	**(37)**	**3**	**(34)**	(34)	3	(31)
Profit before tax		**245**	**18**	**263**	288	3	291
Taxation	C	**(52)**	**(6)**	**(58)**	(69)	(1)	(70)
Profit for the period		**193**	**12**	**205**	219	2	221
Earnings per share (basic)		**12.3p**	**0.7p**	**13.0p**	13.3p	0.1p	13.4p

Notes: explanation of adjusting items for the period ended 30 September 2013

A. Costs of £15 million relating to the acquisition and integration of the O2 consumer broadband and fixed-line telephony business, including amortisation of £6 million in relation to associated intangible assets.

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 2012

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

C. Tax effect of adjusting items.