BRITISH SKY BROADCASTING GROUP PLC
Unaudited results for the six months ended 31 December 2012

GOOD PROGRESS ON STRATEGY DELIVERING STRONG FINANCIAL PERFORMANCE

	Adjusted results			Reported results		
Half year	2012/13	2011/12	Variance	2012/13	2011/12	Variance
Revenue	£3,533m	£3,364m	+5%	£3,533m	£3,364m	+5%
EBITDA	£813m	£772m	+5%	£845m	£803m	+5%
Operating profit	£647m	£601m	+8%	£679m	£632m	+7%
Earnings per share (basic)	28.3p	24.0p	+18%	29.7p	25.3p	+17%
Dividend per share	11.00p	9.20p	+20%	11.00p	9.20p	+20%

Further strong financial performance and increased returns to shareholders

- Revenue up 5% to £3,533m
- Adjusted operating profit up 8% to £647m
- Adjusted basic earnings per share up 18% to 28.3 pence
- Interim dividend up 20% to 11.0 pence

Multi-product strategy delivering good operational growth

- Subscription product growth of 615,000 in Q2
- Total subscription product base of 29.5 million, up 10% year on year
- Triple-play penetration of 33%, up 4pp year on year
- 88,000 new customers added in Q2 to reach 10.74 million, up 271,000 year on year
- ARPU of £568, up £24 year on year

Customers responding positively to our content and products

- New services driving increased viewing - weekly On Demand downloads up 150% in Q2; Sky Go users increased 46% year on year to reach 3.1 million
- Standout performance from Sky Sports – record audiences for Ryder Cup and US Open tennis, and over 9 million viewers to first season of Sky Sports F1 channel

Continued excellent progress in cost initiatives and efficiency improvements

- Adjusted other operating costs as percentage of sales reduced by 200 basis points

Results highlights

Customer Metrics (unaudited)

	As at 31-Dec-12	**As at 31-Dec-11**	**Annual Growth**	**Quarterly Growth to 31-Dec-12**
Products ('000s)				
TV (DTH and NOW TV)	10,358	10,253	+105	+50
HD	4,561	4,063	+498	+93
Multiroom	2,467	2,350	+117	+44
Broadband	4,235	3,651	+584	+132
Telephony	4,022	3,407	+615	+134
Line rental	3,870	3,106	+764	+162
Paid-for subscription products	**29,513**	**26,830**	**+2,683**	**+615**
Connected Sky+HD boxes	1,715	442	+1,273	+460
Sky Go unique users	3,066	2,107	+959	+298
Total Customers	**10,742**	**10,471**	**+271**	**+88**
Paid-for products per customer	2.7	2.6		
Other metrics				
Customers taking each of TV, broadband & talk	33%	29%		
ARPU (2)	£568	£544	+£24	+18
Churn (2)	10.3%	9.6%		

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

Business Performance (1) (unaudited)

£'millions	**6 months to 31-Dec-12**	**6 months to 31-Dec-11**	**Movement**
Revenue	3,533	3,364	+5%
Adjusted operating profit	647	601	+8%
% Adjusted operating profit margin	*18.3%*	*17.9%*	+40bps
Adjusted profit before tax	610	564	+8%
Adjusted basic earnings per share (3)	28.3	24.0	+18%

[1] A reconciliation of adjusted operating profit and adjusted EBITDA to reported measures as well as cash generated from operations to adjusted free cash flow 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 4 to the condensed consolidated interim financial statements.

Jeremy Darroch, Chief Executive, commented:

"We have delivered another good performance in the first half with strong progress across the board. In what remains a tough consumer environment, our broadly-based growth strategy is working well. Good product growth in the quarter means that our total base of subscription products has grown by 10% year on year.

"During the half, we have invested in providing the best service to our customers while continuing to drive greater operational efficiency. We strengthened our content offering, extended our leadership in customer technology and continued to lead the industry in customer service.

"As a result, more households are joining Sky, our existing customers are staying loyal and they are choosing to spend more with us. In particular, we have seen a strong response to new services like On Demand and Sky Go which increase customer satisfaction and loyalty and will provide important sources of future growth.

"Together with our continued focus on cost control and efficiencies, this has delivered another excellent financial performance and increased returns to shareholders. We grew earnings per share by 18% in the first half and have increased the interim dividend by a further 20% to 11 pence.

"Although we expect the consumer environment in 2013 to remain challenging, we have a strong set of plans for the year ahead. We will keep getting better on screen, further improve our products and services for customers and maintain our focus on efficiency. The business is in good shape to continue to deliver for customers and shareholders."

SUMMARY OF OPERATIONAL AND FINANCIAL PERFORMANCE

The business performed well in the first half as we invested in providing the best possible service to customers while further improving the efficiency of our operations. We continued to get better on screen with new rights deals and original commissions; we maintained our leadership in customer technology with rapid adoption of new products that enhance the viewing experience and make it easier for customers to access our content when and where they choose; and we continued to improve the quality and efficiency of our customer service operations.

This approach delivered a good operating performance and strong financial results. In a tough economic environment, more customers are taking more products and spending more money with Sky. In the three months to 31 December 2012, we added 615,000 new products, taking the total base to 29.5 million, up 10% year-on-year. Meanwhile, we added 88,000 new customers to reach a total of 10.7 million.

In TV, we added 50,000 new customers in the quarter. Of these, 25,000 are subscribers to our new internet TV service NOW TV, which benefited from our first above-the-line marketing campaign in the autumn. We are set to launch sport on NOW TV later this year following beta testing which started in December.

Customers now take an average of 2.7 products from us. This increased penetration of products, combined with a price rise in September, our first for two years, grew ARPU to £568, a £24 increase on the previous year. Quarterly annualised churn was 10.3%.

We delivered another strong quarter in home communications as we continue to outpace the rest of the market. Over the quarter, we added 132,000 new broadband customers, of which 38,000 were new standalone customers, to take our total customer base to 4.2 million. Meanwhile, our telephony customer base passed the four-million mark for the first time with the addition of 134,000 customers. As a result, we closed the quarter with 3.6 million triple-play customers, up 17% on last year. With 33% triple-play penetration, we see good headroom for futher growth with over six million TV customers yet to switch their communications services to Sky.

Our operating performance converted into a good financial performance for the first half. The combination of 5% revenue growth and good cost control delivered an 8% improvement in adjusted operating profit of £647 million, and expanded the adjusted operating margin to 18.3%. Adjusted basic earnings per share grew by 18% to 28.3 pence. On the back of the strong financial performance, the Directors have declared an interim dividend of 11.00 pence per share, an increase of 20% year on year.

Getting better on screen

We made good progress on screen in the quarter as we continue to strengthen our content business. We continue to see new record audience figures across our channel portfolio, we are bringing outstanding new talent to Sky with new commissions, and we are seeing ever-increasing levels of customer satisfaction.

Within this, Sky Sports delivered a standout performance. Viewing was up 9% in the quarter, building on a year that has seen record audiences in key events including the Ryder Cup and US Open tennis. In its debut season, the Sky Sports F1 channel reached more than nine million viewers while Sky Sports on Sky Go, our mobile TV service, continues to grow in popularity, registering a record 234,000 unique users for live coverage of the Manchester derby in December.

We have made good progress in securing our portfolio of sports rights. We have signed 21 deals in the last 12 months meaning that 90% of our sports rights are now secured for the next three years. Today we have announced three brand new deals for live rugby union which will give viewers live coverage of Ireland's Guinness Series together with France and Italy's Autumn Internationals. We also have an outstanding series of events coming up on Sky Sports this year including the Ashes home and away, the Lions' tour to Australia and the Masters from Augusta – a fantastic line-up for customers.

Meanwhile, our Sky Movies experience continues to get better. Our Sky Movies 007 channel, which launched in October and ran initially for one month, was a huge success attracting more than 5 million viewers. With an increasing number of our movies customers now with connected set-top boxes, we are also seeing a strong response to the choice we offer through our On Demand service. Total movie downloads across all platforms doubled year on year to over 30 million in Q2 boosted by Sky Movies 007. We further strengthened our movies offering with the announcement today of a new multi-year agreement with Sony. This follows two other major renewals, with Warner Bros and NBCUniversal, in the first half.

Our portfolio of entertainment channels is resonating strongly, with Sky Living, Sky Atlantic and Sky 1 all in the top five 'must have' pay channels for customers. The success of our strategy to grow investment in original British content has delivered a 70% increase in hours of original-commissioned programming in the first half compared to last year. We also saw 13 returning series in the half including 'Strikeback' and 'Spy'. We are putting a growing focus on original drama with some outstanding talent set to appear on Sky channels over the coming year including Dominic Cooper, Vanessa Redgrave and Idris Elba. As well as bringing customers a better choice of television, we will seek to monetise this growing content pipeline through our international programme sales and production company, which we acquired in the summer and rebranded as Sky Vision in October.

Extending leadership in customer technology

We strengthened our leadership in customer technology over the quarter with growing take-up and usage of On Demand and Sky Go, services that add value for customers by offering more choice and flexibility in the way they can access Sky's content.

The proportion of Sky households with fully-connected HD set-top boxes continues to grow. Just under half a million boxes (460,000) were activated in the quarter, taking the total number of connected boxes to 1.7 million. We expect to maintain good growth in this area in 2013.

The growth in the number of connected boxes, combined with the launch of Catch Up TV and the addition of BBC iPlayer, ITV Player and Demand Five, drove a marked increase in the usage of our On Demand service. Average weekly downloads more than doubled in the quarter from 1.8 million to 4.4 million by the end of December – more than four times the number of downloads 12 months earlier – with Sky content accounting for more than 50% of the downloads. The growth in connected boxes also led to an increase in the number of transactions through Sky Store, with total movie transactions surpassing 3 million in the quarter, up 25% year on year.

We continue to expand the availability of Sky Go, extending it to an additional 17 Android devices including the best-selling Samsung Galaxy S3 and the HTC One. This roll-out to new devices, combined with the addition of more live and on demand entertainment content, helped the service to reach 3.1 million unique users in the quarter, up 46% year on year. Stand-out successes in the quarter included 'An Idiot Abroad' Season 3 which attracted more than 850,000 on-demand views across the series. We will start to monetise this success in 2013 with the launch of Sky Go Extra, which, for an additional £5 a month, offers customers the added flexibility of registering up to four devices per account (two more than currently) and downloading content to watch offline.

We are also developing new ways to distribute our content to customers with NOW TV, our new internet TV service. We continued to build awareness of the service, which currently provides access to Sky Movies, with the launch of a new marketing campaign in the quarter, registering 25,000 monthly pass customers at the end of December. We plan to develop NOW TV further with the launch of Sky Sports later this year, following a beta test of the service which started in December. Under the new offer, customers will get unlimited access for a 24-hour period to the full range of sports that we offer over all six Sky Sports channels for just £9.99.

Improving service delivery and operational efficiency

Greater operational efficiency across the organisation continues to deliver the dual benefits of improved customer service and cost savings for the business. The improvements are driving greater customer satisfaction and at the same time give us increased capacity to invest more in the areas where customers see most value.

Market-leading customer service remained a key area of focus in the quarter. Over 70% of our customers now have our most reliable Sky+HD box, driving down annualised service rates by almost 90% versus four years ago. This has contributed to the lowest level of service visits in eight years, despite a 41% increase in the number of customers over that period. Improvements in service reliability have also led to a 15% reduction year on year in total calls to our contact centres. Meanwhile, improvements in our customer website have helped drive a 50% year-on-year increase in automated transactions. We expect to see further reductions in customer interactions following the introduction of our new 'Sky Hub' router in October, which provides additional capabilities to diagnose and fix faults remotely.

As part of our drive to improve further the efficiency and effectiveness of our home service operation, we have agreed a deal to bring around 700 engineers that work for our outsource partner, AVC, in-house as Sky employees later in 2013. This will give us one integrated nationwide team of engineers all working under a single set of processes. We have also this month opened a new contact centre in Ireland where we are creating 900 new jobs to help us better serve our Irish customers.

Our initiatives on service delivery helped Sky to come top in Ofcom's Customer Service Satisfaction survey in December 2012 across all three of fixed telephony, broadband and pay TV. We also received recognition of our leading service from the consumer group, uSwitch, winning four awards for best technical support, best customer service, most recommended broadband and best pay TV provider.

Broader Contribution

In December, we announced that Olympic gold medalist Jessica Ennis has become one of our inspirational ambassadors for Sky Sports Living for Sport, our free initiative to help improve confidence and attitudes to learning among secondary school children through sports participation. The project is reaching more young people than ever with over 1,000 schools taking part since September, a four-fold increase over the same time last year.

Sky Skills Studios, our free learning experience for young people to go behind the scenes at Sky, has received over 3,500 visitors since launch in September. It is getting great feedback from teachers and children alike, and we expect to reach over 10,000 young people across the year.

We also continue to invest in the Arts, both on air and in the community. The first of our Sky Arts Ignition Series where we collaborate with major arts organisations and artists to create new works, *Sky Arts Ignition: Doug Aitken – The Source*, continued at Tate Liverpool attracting over 50,000 visitors by the time it closed in mid January. We have just announced the second of our Sky Arts Ignition Series projects, the development of an exhibition called *Sky Arts Ignition: Memory Palace* in partnership with the V&A which will open to the public in June.

DETAILED FINANCIAL PERFORMANCE

We continue to deliver a strong financial performance. First half revenue growth of 5% and good discipline in keeping adjusted other operating costs flat helped to deliver adjusted operating profit growth of 8% to £647 million, and adjusted basic earnings per share of 28.3p, up 18%. Unless otherwise stated, all figures and growth rates included below exclude exceptional items. Exceptional items are discussed on page 9 and in Appendix 2.

Revenue

Group revenue increased by 5% to £3,533 million (2012: £3,364 million), with growth in both retail and wholesale operations more than offsetting reductions in the more cyclical businesses in advertising and pubs and clubs.

Retail subscription revenue grew by 5% to £2,907 million (2012: £2,764 million), reflecting continued product and customer growth and the benefit of price increases which came into effect in September. The strong performance in retail more than offsets a first half decline in Sky Business revenues (pubs and clubs) which continue to face cyclical headwinds; although recent performance has shown signs of recovery.

We delivered a strong performance in wholesale subscription revenue which increased by 14% to £194 million (2012: £170 million) as we continue to benefit from greater take-up of our premium channels and their HD versions on other platforms, together with the launch and success of our dedicated Formula 1 channel.

Advertising revenue improved on the previous quarter to be down just 3% for the period at £215 million (2012: £222 million). We continued to increase our market share to reach 21%, with the majority of this growth underpinned by increased ratings for our media partner channels, with whom we share revenue upside.

Installation, hardware and service revenue of £47 million was lower year-on-year (2012: £51 million) due to lower acquisition volumes and our work on product reliability and right-first-time installation rates.

Other revenue increased by 8% to £170 million (2012: £157 million) due to continued strong performance from Sky Bet which saw an increase in unique users in the period, and the international programme sales revenue generated by Sky Vision.

Direct Costs

Programming costs increased by £113 million (10%) to £1,222 million (2012: £1,109 million) in line with our expectations. Sports accounted for £48 million of the increase which was predominantly due to the inclusion of Formula 1 and Ryder Cup rights not in the prior year together with the England and Sri Lankan cricket tours to India and Australia respectively. Movie costs increased £23 million year-on-year and included investment in expanded rights agreements to support new product offerings such as Sky Go Extra. Entertainment accounted for £30 million of the increase as we continued to invest in new and exclusive UK-commissioned content across our channel portfolio.

Our work on network efficiency within our communications business resulted in excellent operating leverage in direct network costs, up only 4% to £348 million (2012: £336 million) despite a 19% increase in home communications products.

Other Operating Costs

We continued to focus on costs and once again delivered a strong performance, holding other operating costs flat in absolute terms year-on-year and generating a 200 basis point reduction of costs as a percentage of sales.

Marketing costs were flat at £541 million (2012: £541 million) with lower cost route-to-market sales and lower acquisition volumes offsetting the cost of Sky+ and On Demand campaigns in the period and the marketing support for the launch of NOW TV.

Subscriber management and supply chain costs were also held flat at £323 million (2012: £323 million) as we continue to benefit from lower service and repair costs as a result of deeper penetration of our most reliable Sky+HD box. We also generated savings from receiving fewer calls into the call centres as we focus on getting it right first time together with increased utilisation of the online self-help options.

Transmission, technology and fixed network costs were down 1% at £193 million (2012: £194 million) as favourable renegotiation of supplier contracts offset the modest incremental cost of the Formula 1 channel transmission. Administration costs were held flat at £259 million (2012: £260 million).

Exceptional Items

Reported operating profit of £679 million includes an exceptional gain of £32 million within direct network costs relating to a credit note received from BT following an Ofcom determination which requires BT to repay monies to Sky for overcharged-for Ethernet services (backhaul) between 2006/07 and 2009/10. Ofcom's determination may be appealed in the Competition Appeal Tribunal. Subject to the outcome of any such appeal, we intend to ensure that our customers benefit from this decision by spending the majority of this on a one-time basis in customer-facing areas of the business in the second half of the year.

Reported profit after tax of £487 million (2012: £441 million) includes an £8 million charge relating to the tax effect on exceptional items and generated reported basic earnings per share of 29.7 pence (2012: 25.3 pence). Please refer to Appendix 2 for a detailed reconciliation of reported and adjusted numbers.

Cash generated from operations

Adjusted free cash flow was 3% lower at £482 million (2012: £495 million) reflecting growth in adjusted EBITDA, lower interest and tax payments and lower capital expenditure, offset by a negative working capital variance as a result of increased commissioning of entertainment content and scheduling of payments for renewed sports rights deals.

Capital expenditure of £207 million (2012: £237 million), was lower in the first half due to phasing in the comparative year; specifically, the autumn 2011 completion of the fit-out of Sky Studios and the acceleration of our exchange roll-out programme.

Net debt increased to £1,201 million (2012: £615 million) primarily as a result of the approved share buy-back and 2011/12 final dividend. During the period, the Group took advantage of historically low pricing to raise $800 million from the issuance of guaranteed notes, maturing in November 2022 and with a 3.125% coupon. The Group's liquidity and headroom remain comfortable. For a reconciliation of net debt see Appendix 2.

Distribution to Shareholders

The Directors have declared an interim dividend of 11.00 pence per share (2012: 9.20p) representing an increase of 20% and the ninth consecutive year of an increase in the interim dividend for shareholders. As previously stated, our intention is to maintain a policy of paying out 50% of full year adjusted earnings as dividends with the final dividend payment typically forming the higher proportion of the total dividend. The ex-dividend date will be 27 March 2013 and the dividend will be paid on 23 April 2013 to shareholders of record on 2 April 2013.

At the Company's AGM on 1 November 2012, Sky received shareholder approval to return a further £500 million of capital to shareholders via a share buy-back programme. For the six months to 31 December 2012, the Company repurchased for cancellation 54.8 million shares for total consideration of £414 million, partly pursuant to the £750 million authority approved at the 2011 AGM and partly under the new £500 million share buy-back programme. The closing share count at the end of the quarter was 1,620 million.

CORPORATE

Board changes

The Company announces that Tom Mockridge resigned as a non-executive director and Chase Carey has been appointed a non-executive director of the Company on 30 January 2013. Mr Carey is currently the Deputy Chairman and Chief Operating Officer of News Corporation and serves on the supervisory board of Sky Deutschland AG. He was formerly President and Chief Executive Officer of DIRECTV, Inc and served on the Board of BSkyB as a non-executive director of Sky from 13 February 2003 to 10 February 2009.

Competition Appeal Tribunal (CAT)

On 8 August 2012, the Competition Appeal Tribunal (the "CAT") issued its judgment in the appeals against Ofcom's decision to impose wholesale must-offer obligations on Sky (the "Pay TV Judgment"). The CAT found that Ofcom's core competition concerns were unfounded and that accordingly Sky's appeal must be allowed. In November 2012, BT submitted a request to the CAT for permission to appeal the Pay TV Judgment to the Court of Appeal. If denied by the CAT, BT can apply to the Court of Appeal directly for permission. The CAT has listed an oral hearing for 6 February 2013 to determine how to dispose of the case, including dealing with setting aside the wholesale must-offer ("WMO") obligations, the monies paid by relevant wholesale customers into escrow on an interim basis (being the difference between the maximum price Sky may charge for Sky Sports 1 and Sky Sports 2 under the WMO obligations and Sky's rate card prices for the channels) and costs. The CAT will also determine the effect (if any) of any ongoing appeal by BT.

At 31 December 2012, £27 million of cash is being held in the escrow account.

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There will be a presentation for analysts and investors at 9.00 a.m (GMT) at Allen & Overy, One Bishops Square, London, E1 6AD. CEO, Jeremy Darroch and CFO, Andrew Griffith, will present. Participants should register by contacting Camilla Regan on +44 20 7251 3801 or at camilla.regan@RLMFinsbury.com.

There will be a separate conference call for US analysts and investors at 10.00 a.m. (EST). To register for this please contact Dana Diver at Taylor Rafferty on +1 212 889 4350. Alternatively you may register online by using the following link http://invite.taylor-rafferty.com/ bskyb/2013Q2CC/Default.htm .

A live webcast of the UK and US call will be available to analysts and investors via the BSkyB website at http://www.sky.com/corporate. Replays will be subsequently available.

Schedule 1 – KPI Summary

All figures (000) unless stated	FY10/11			FY11/12				FY12/13	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total customers	**10,150**	**10,223**	**10,294**	**10,371**	**10,471**	**10,549**	**10,606**	**10,654**	**10,742**
Television	10,096	10,147	10,187	10,213	10,253	10,268	10,288	10,308	10,333
NOW TV	-	-	-	-	-	-	-	-	25
Sky+HD	3,497	3,686	3,822	3,925	4,063	4,222	4,343	4,468	4,561
Multiroom	2,219	2,237	2,250	2,295	2,350	2,378	2,402	2,423	2,467
Broadband	3,006	3,161	3,335	3,485	3,651	3,863	4,001	4,103	4,235
Telephony	2,757	2,916	3,101	3,248	3,407	3,627	3,768	3,888	4,022
Line Rental	2,215	2,444	2,680	2,892	3,106	3,376	3,563	3,708	3,870
Total paid-for subscription products	**23,790**	**24,591**	**25,375**	**26,058**	**26,830**	**27,734**	**28,365**	**28,898**	**29,513**
Connected HD boxes				204	442	604	995	1,255	1,715
Sky Go unique users				1,625	2,107	2,607	2,740	2,768	3,066
Total Products				**27,887**	**29,379**	**30,945**	**32,100**	**32,921**	**34,294**
Other metrics									
Triple-play %	24%	26%	27%	28%	29%	31%	32%	33%	33%
ARPU (£)	£536	£537	£538	£535	£544	£546	£548	£550	£568
Churn	9.5%	10.4%	10.4%	11.1%	9.6%	10.1%	9.9%	10.9%	10.3%
Fixed Network Metrics									
On-net base	2,659	2,856	3,045	3,205	3,403	3,636	3,778	3,882	4,031
MPF base	1,247	1,435	1,686	1,869	2,146	2,423	2,588	2,762	2,926
SMPF base	1,412	1,421	1,359	1,336	1,257	1,213	1,190	1,120	1,105
MPF %	47%	50%	55%	58%	63%	67%	69%	71%	73%
SMPF %	53%	50%	45%	42%	37%	33%	31%	29%	27%
Off-net base	347	305	290	280	248	227	223	221	204
Total Broadband	3,006	3,161	3,335	3,485	3,651	3,863	4,001	4,103	4,235
On-net %	88%	90%	91%	92%	93%	94%	94%	95%	95%
Total no. of LLU exchanges	1,434	1,549	1,577	1,732	1,907	1,964	1,965	2,036	2,108

Related Party Transactions

Details of transactions with related parties during the six month period to 31 December 2012 are provided in Appendix 1.

Principal risks and uncertainties

A summary of the Group's principal risks and uncertainties is provided in Appendix 3.

Responsibility statement

The directors confirm that to the best of their knowledge:

- The unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the EU.
- The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules.

The directors of British Sky Broadcasting Group plc are listed on pages 40-41 of the 2012 Annual Report. At the Company's AGM on 1 November 2012 Jacques Nasser retired from the Board and on 30 January 2013 Tom Mockridge retired from the Board. On 16 November 2012 Dave Lewis was appointed to the Board as an Independent Non-Executive Director and on 30 January 2013 Chase Carey was appointed to the Board as a Non-Executive Director.

By order of the Board
Jeremy Darroch
Chief Executive Officer

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 our 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 (previously Anytime+), NOW TV, Sky Go, Sky+HD and other services penetration, revenue, administration costs and other costs, advertising growth, churn, profit, cash flow, products and 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. These factors include, but are not limited to, those risks that are highlighted in the document in Appendix 3 - "Principal risks and uncertainties."

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. Copies of the Annual Report are available from the British Sky Broadcasting Group plc web page at www.sky.com/corporate and in hard copy from the Company Secretary, British Sky Broadcasting Group plc, Grant Way, Isleworth, Middlesex TW7 5QD.

Appendix 1 - Condensed Consolidated Interim Financial Statements

Condensed Consolidated Income Statement for the half year ended 31 December 2012

	Notes	**2012/13 Half year £m**	2011/12 Half year £m
Revenue	2	**3,533**	3,364
Operating expense	3	**(2,854)**	(2,732)
EBITDA		**845**	803
Depreciation and amortisation		**(166)**	(171)
Operating profit		**679**	632
Share of results of joint ventures and associates		**18**	17
Investment income		**7**	8
Finance costs		**(62)**	(60)
Profit before tax		**642**	597
Taxation		**(155)**	(156)
Profit for the period		**487**	441
Earnings per share from profit for the period (in pence)			
Basic	4	**29.7p**	25.3p
Diluted	4	**29.5p**	25.2p
Adjusted earnings per share from adjusted profit for the period (in pence)			
Basic	4	**28.3p**	24.0p
Diluted	4	**28.1p**	23.8p

Condensed Consolidated Statement of Comprehensive Income for the half year ended 31 December 2012

	2012/13 Half year £m	2011/12 Half year £m
Profit for the period attributable to equity shareholders of the parent company	**487**	441
Other comprehensive income		
Amounts recognised directly in equity		
Exchange differences on translation of foreign operations	**-**	4
Gain (loss) on revaluation of available-for-sale investments	**86**	(17)
(Loss) gain on cash flow hedges	**(104)**	92
Tax on cash flow hedges	**25**	(22)
	7	57
Amounts reclassified and reported in the income statement		
Gain (loss) on cash flow hedges	**25**	(30)
Tax on cash flow hedges	**(6)**	7
	19	(23)
Other comprehensive income for the period (net of tax)	**26**	34
Total comprehensive income for the period attributable to equity shareholders of the parent company	**513**	475

Condensed Consolidated Balance Sheet as at 31 December 2012

	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Non-current assets			
Goodwill	**959**	944	956
Intangible assets	**568**	489	523
Property, plant and equipment	**965**	939	948
Investments in joint ventures and associates	**160**	158	156
Available-for-sale investments	**320**	203	228
Deferred tax assets	**44**	24	16
Trade and other receivables	**18**	15	17
Derivative financial assets	**305**	386	390
	3,339	3,158	3,234
Current assets			
Inventories	**880**	845	456
Trade and other receivables	**635**	545	621
Short-term deposits	**510**	755	710
Cash and cash equivalents	**888**	709	464
Derivative financial assets	**11**	26	24
	2,924	2,880	2,275
Total assets	**6,263**	6,038	5,509
Current liabilities			
Borrowings	**8**	8	8
Trade and other payables	**2,228**	2,209	1,855
Current tax liabilities	**217**	179	189
Provisions	**48**	21	43
Derivative financial liabilities	**10**	3	3
	2,511	2,420	2,098
Non-current liabilities			
Borrowings	**2,822**	2,420	2,398
Trade and other payables	**70**	51	27
Provisions	**10**	10	12
Derivative financial liabilities	**81**	27	29
Deferred tax liabilities	**1**	-	1
	2,984	2,508	2,467
Total liabilities	**5,495**	4,928	4,565
Share capital	**810**	870	837
Share premium	**1,437**	1,437	1,437
Reserves	**(1,479)**	(1,197)	(1,330)
Total equity attributable to equity shareholders of the parent company	**768**	1,110	944
Total liabilities and shareholders' equity	**6,263**	6,038	5,509

Condensed Consolidated Cash Flow Statement for the half year ended 31 December 2012

	Notes	**2012/13 Half year £m**	2011/12 Half year £m
Cash flows from operating activities			
Cash generated from operations	6	**858**	960
Interest received		**9**	7
Taxation paid		**(132)**	(142)
Net cash from operating activities		**735**	825
Cash flows from investing activities			
Dividends received from joint ventures and associates		**17**	16
Net funding to joint ventures and associates		**(1)**	(2)
Proceeds on disposal of investments		**4**	-
Purchase of property, plant and equipment		**(97)**	(125)
Purchase of intangible assets		**(110)**	(112)
Purchase of subsidiaries (net of cash and cash equivalents purchased)		**(1)**	-
Purchase of available-for-sale investments		**(7)**	(1)
Decrease (increase) in short-term deposits		**200**	(325)
Net cash from (used in) investing activities		**5**	(549)
Cash flows from financing activities			
Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP")		**6**	3
Purchase of own shares for ESOP		**(69)**	(86)
Repayment of borrowing resulting from acquisition		**(11)**	-
Net proceeds from bond issue		**499**	-
Purchase of own shares for cancellation		**(414)**	(87)
Interest paid		**(62)**	(65)
Dividends paid to shareholders		**(265)**	(253)
Net cash used in financing activities		**(316)**	(488)
Net increase (decrease) in cash and cash equivalents		**424**	(212)
Cash and cash equivalents at the beginning of the period		**464**	921
Cash and cash equivalents at the end of the period		**888**	709

Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2012

	Share capital £m	Share premium £m	ESOP reserve £m	Hedging reserve £m	Available-for-sale reserve £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 30 June 2011	**876**	**1,437**	**(107)**	**14**	**157**	**358**	**(1,700)**	**1,035**
Profit for the period	-	-	-	-	-	-	441	441
Exchange differences on translation of foreign operations	-	-	-	-	-	4	-	4
Revaluation of available-for-sale investment	-	-	-	-	(17)	-	-	(17)
Recognition and transfer of cash flow hedges	-	-	-	62	-	-	-	62
Tax on items taken directly to equity	-	-	-	(15)	-	-	-	(15)
Total comprehensive income for the period	**-**	**-**	**-**	**47**	**(17)**	**4**	**441**	**475**
Share-based payment	-	-	45	-	-	-	(95)	(50)
Tax on items taken directly to equity	-	-	-	-	-	-	(10)	(10)
Purchase of own equity shares for cancellation	(6)	-	-	-	-	6	(87)	(87)
Dividends	-	-	-	-	-	-	(253)	(253)
At 31 December 2011	**870**	**1,437**	**(62)**	**61**	**140**	**368**	**(1,704)**	**1,110**
Profit for the period	-	-	-	-	-	-	465	465
Exchange differences on translation of foreign operations	-	-	-	-	-	(2)	-	(2)
Revaluation of available-for-sale investment	-	-	-	-	25	-	-	25
Recognition and transfer of cash flow hedges	-	-	-	8	-	-	-	8
Tax on items taken directly to equity	-	-	-	(1)	-	-	-	(1)
Total comprehensive income for the period	**-**	**-**	**-**	**7**	**25**	**(2)**	**465**	**495**
Share-based payment	-	-	(50)	-	-	-	15	(35)
Share buy-back programme								
- Purchase of own equity shares for cancellation	(33)	-	-	-	-	33	(459)	(459)
- Financial liability for close period purchases	-	-	-	-	-	-	(10)	(10)
Dividends	-	-	-	-	-	-	(157)	(157)
At 30 June 2012	**837**	**1,437**	**(112)**	**68**	**165**	**399**	**(1,850)**	**944**
Profit for the period	-	-	-	-	-	-	487	487
Revaluation of available-for-sale investment	-	-	-	-	86	-	-	86
Recognition and transfer of cash flow hedges	-	-	-	(79)	-	-	-	(79)
Tax on items taken directly to equity	-	-	-	19	-	-	-	19
Total comprehensive income for the period	**-**	**-**	**-**	**(60)**	**86**	**-**	**487**	**513**
Share-based payment	-	-	(52)	-	-	-	27	(25)
Tax on items taken directly to equity	-	-	-	-	-	-	5	5
Purchase of own equity shares for cancellation (see note 7)	(27)	-	-	-	-	27	(404)	(404)
Dividends	-	-	-	-	-	-	(265)	(265)
At 31 December 2012	**810**	**1,437**	**(164)**	**8**	**251**	**426**	**(2,000)**	**768**

Notes to the condensed consolidated interim financial statements

1 Basis of preparation

The unaudited condensed consolidated interim financial statements for the half year ended 31 December 2012 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as adopted for use in the European Union and issued by the International Accounting Standards Board. The condensed consolidated interim financial statements have been prepared on a going concern basis and have been prepared using accounting policies and methods of computation consistent with those applied in the financial statements for the year ended 30 June 2012, except for new accounting pronouncements which have become effective this period, none of which had any significant impact on the Group's results or financial position.

The condensed consolidated interim financial statements are presented on a condensed basis as permitted by IAS 34 and therefore do not include all disclosures that would otherwise be required in a full set of financial statements and should be read in conjunction with the 2012 Annual Report. The condensed consolidated interim financial statements do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and are unaudited for all periods presented. The financial information for the full year ended 30 June 2012 is extracted from the financial statements for that year. A copy of the statutory accounts has been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain any statement under section 498(2) and (3) of the Companies Act 2006.

The Group maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 2013, this date will be 30 June 2013, this being a 52 week year (fiscal year 2012: 1 July 2012, 52 week year). The condensed consolidated interim financial statements are based on the 26 weeks ended 30 December 2012 (fiscal year 2012: 26 weeks ended 1 January 2012). For convenience purposes, the Group continues to date its consolidated financial statements as at 30 June, and its condensed consolidated interim financial statements as at 31 December.

Going Concern

The Group has updated the analysis which supported its assessment of going concern set out on page 66 of the 2012 Annual Report, and continues to believe that its existing external financing, together with internally generated cash inflows, will continue to provide sufficient sources of liquidity to fund its current operations, including its contractual obligations and commercial commitments, its approved capital expenditure requirements, the share buy-back and any dividends proposed for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

2 Revenue

	2012/13 Half year £m	2011/12 Half year £m
Retail subscription	**2,907**	2,764
Wholesale subscription	**194**	170
Advertising	**215**	222
Installation, hardware and service	**47**	51
Other	**170**	157
	3,533	3,364

3 Operating expense

	2012/13 Half year £m	2011/12 Half year £m
Programming	**1,222**	1,109
Direct networks[(i)]	**316**	336
Marketing	**541**	541
Subscriber management and supply chain	**323**	323
Transmission, technology and fixed networks	**193**	194
Administration[(ii)]	**259**	229
	2,854	2,732

(i) Included within direct networks costs for the period ended 31 December 2012 is a credit of £32 million in relation to a credit note received following an Ofcom determination.

(ii) Included within administration costs for the period ended 31 December 2011 is a credit of £31 million in relation to the News Corporation proposal consisting of costs incurred offset by the receipt of the break fee.

4 Earnings per share

The weighted average number of ordinary shares for the period was:

	2012/13 Half year Millions of shares	2011/12 Half year Millions of shares
Ordinary shares	**1,654**	1,752
ESOP trust ordinary shares	**(16)**	(11)
Basic shares	**1,638**	1,741
Dilutive ordinary shares from share options	**12**	12
Diluted shares	**1,650**	1,753

The calculation of diluted earnings per share excludes no share options (2012: less than 1 million), which could potentially dilute earnings per share in the future, but which have been excluded from the calculation of diluted earnings per share as they are anti-dilutive in the period.

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 has 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 Half year £m	2011/12 Half year £m
Reconciliation from profit for the period to adjusted profit for the period		
Profit for the period	**487**	441
Credit received following an Ofcom determination (see note 3)	**(32)**	-
Net recovery of costs in relation to News Corporation proposal (see note 3)	**-**	(31)
Revolving Credit Facility ("RCF") fee write off	**-**	5
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness	**-**	(7)
Tax effect of above items	**8**	10
Adjusted profit for the period	**463**	418

5 Dividends

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Dividends declared and paid during the period			
2011 Final dividend paid: 14.54p per ordinary share	**-**	253	253
2012 Interim dividend paid: 9.20p per ordinary share	**-**	-	157
2012 Final dividend paid: 16.20p per ordinary share	**265**	-	-
	265	253	410

The 2013 interim dividend is 11.00 pence per ordinary share being £176 million. The dividend was not declared at the balance sheet date and is therefore not recognised as a liability as at 31 December 2012.

6 Notes to the Condensed Consolidated Cash Flow Statement

Reconciliation of profit before taxation to cash generated from operations

	2012/13 Half year £m	2011/12 Half year £m
Profit before taxation	**642**	597
Depreciation and impairment of property, plant and equipment	**81**	85
Amortisation and impairment of intangible assets	**85**	86
Share-based payment expense	**38**	32
Net finance costs	**55**	52
Share of results of joint ventures and associates	**(18)**	(17)
	883	835
(Increase) decrease in trade and other receivables	**(18)**	49
Increase in inventories	**(424)**	(470)
Increase in trade and other payables	**412**	549
Increase in provisions	**2**	1
Increase (decrease) in derivative financial instruments	**3**	(4)
Cash generated from operations	**858**	960

7 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 up to £750 million of capital to shareholders via a share buy-back programme. On 1 November 2012, the Company's shareholders approved a resolution at the AGM for the Company to return up to a further £500 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, 54,826,752 ordinary shares at an average price of £7.52 per share, with a nominal value of £27 million, for a total consideration of £414 million. Consideration included stamp duty and commission of £2 million. This represents 3% of called-up share capital at the beginning of the period. Of these purchases, the Company purchased, and subsequently cancelled, 21,457,942 ordinary shares from News Corporation at an average price of £7.52 per share, with a nominal value of £11 million, for a total consideration of £162 million. Consideration included stamp duty of £1 million.

8 Other matters

a) Guarantees

Certain subsidiaries of the Company have agreed to provide additional funding to several of their investments in limited and unlimited companies and partnerships, in accordance with funding agreements. Payment of this additional funding would be required if requested by the investees in accordance with the funding agreements. The maximum potential amount of future payments which may be required to be made by the subsidiaries of the Company to their investments, in both limited and unlimited companies and partnerships under the undertakings and additional funding agreements, is £28 million (2012: half year: £37 million; full year: £30 million).

b) Issue of Guaranteed Notes

US$800 million of 3.125% Guaranteed Notes, repayable in November 2022, were issued in November 2012. At the time of issuing these notes, the US dollar proceeds were swapped into pounds sterling (£503 million). After hedging, 100% of the resulting sterling liability was subject to fixed interest rates at an average rate of 3.23%.

c) Competition Appeal Tribunal (CAT)

On 8 August 2012, the Competition Appeal Tribunal (the "CAT") issued its judgment in the appeals against Ofcom's decision to impose wholesale must-offer obligations on Sky (the "Pay TV Judgment"). The CAT found that Ofcom's core competition concerns were unfounded and that accordingly Sky's appeal must be allowed. In November 2012, BT submitted a request to the CAT for permission to appeal the Pay TV Judgment to the Court of Appeal. If denied by the CAT, BT can apply to the Court of Appeal directly for permission. The CAT has listed an oral hearing for 6 February 2013 to determine how to dispose of the case, including dealing with setting aside the wholesale must-offer ("WMO") obligations, the monies paid by relevant wholesale customers into escrow on an interim basis (being the difference between the maximum price Sky may charge for Sky Sports 1 and Sky Sports 2 under the WMO obligations and Sky's rate card prices for the channels) and costs. The CAT will also determine the effect (if any) of any ongoing appeal by BT.

At 31 December 2012, £27 million of cash is being held in the escrow account.

d) Ofcom determination

Included within direct networks costs for the period ended 31 December 2012 is a credit of £32 million in relation to a credit note received from BT following an Ofcom determination which requires BT to repay monies to Sky for overcharged-for Ethernet services (backhaul) between 2006/07 and 2009/10. Ofcom's determination may be appealed in the CAT.

9 Transactions with related parties and major shareholders

a) Entities with joint control or significant influence

The Group conducts business transactions with companies that are part of the News Corporation group ("News Corporation"), a major shareholder:

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Supply of goods or services by the Group	**47**	48	79
Purchases of goods or services by the Group	**(68)**	(97)	(199)
Amounts owed by News Corporation to the Group	**6**	5	12
Amounts owed to News Corporation by the Group	**(116)**	(111)	(98)

At 31 December 2012 the Group had expenditure commitments of £193 million (2012: half year: £640 million; full year: £462 million) with News Corporation companies of which £193 million (2012: half year: £144 million; full year: £58 million) related to minimum television programming rights commitments and nil (2012: half year: £496 million; full year: £404 million) related to expected ongoing smartcard costs.

Goods and services supplied to News Corporation

During the current period, the Group supplied set-top boxes, programming, airtime, transmission, marketing, consultancy services, customer relationship management services and a licence to use the Sky brand to News Corporation.

Purchases of goods and services and certain other relationships with News Corporation

During the current period, the Group purchased programming, digital equipment, smartcards and encryption services, set-top box technologies, advertising and IT services from News Corporation companies.

News Corporation has entered into an agreement with the Group pursuant to which it has been agreed that, for so long as News Corporation directly or indirectly holds an interest of 30% or more in the Group, News Corporation will not engage in the business of satellite broadcasting in the UK or Ireland.

Share buy-back programme

During the period, the Company purchased, and subsequently cancelled 21,457,942 ordinary shares held by News Corporation as part of its share buy-back programme. For further details, see note 7.

Transactions with related parties and major shareholders (continued)
b) Joint ventures and associates

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associates are disclosed below.

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Supply of services by the Group	**10**	11	24
Purchases of goods or services by the Group	**(34)**	(34)	(67)
Amounts owed by joint ventures and associates to the Group	**13**	23	15
Amounts owed to joint ventures and associates by the Group	**(7)**	(10)	(10)

Services supplied are primarily the provision of transponder capacity, marketing, airtime sales and support services. Purchases represent fees payable for channel carriage. Amounts owed by joint ventures and associates include £6 million (2012: half year: £15 million; full year: £7 million) relating to loan funding. These loans bear interest at rates of six month LIBOR plus 1.5% and one month and six month LIBOR plus 1%. The maximum amount of loan funding outstanding in total from joint ventures and associates during the period was £7 million (2012: half year: £16 million; full year: £16 million).

The Group took out a number of forward exchange contracts with counterparty banks during the period on behalf of the joint venture AETN UK. On the same dates as these forward contracts were entered into, the Group entered into equal and opposite contracts with AETN UK in respect of these forward contracts. The Group was not exposed to any of the net gains or losses on these forward contracts. The face value of forward exchange contracts with the joint venture AETN UK that had not matured as at 31 December 2012 was £3 million (2012: half year: AETN UK and Sky News Arabia FZ-LLC £3 million; full year: AETN UK £2 million).

During the current period, US$nil (2012: half year: US$11 million) was received from the joint ventures upon maturity of forward exchange contracts and US$1 million (2012: half year: US$2 million) was paid to the joint ventures upon maturity of forward exchange contracts.

During the current period, £1 million (2012: half year: £1 million) was received from the joint ventures upon maturity of forward exchange contracts and £1 million (2012: half year: £6 million) was paid to the joint ventures upon maturity of forward exchange contracts.

During the current period, €1 million (2012: half year: €nil) was received from the joint ventures upon maturity of forward exchange contracts and €nil (2012: half year: €1 million) was paid to the joint ventures upon maturity of forward exchange contracts.

At 31 December 2012 the Group had minimum expenditure commitments of £5 million (2012: half year: £7 million; full year: £1 million) with its joint ventures and associates.

c) Other transactions with related parties

A close family member of a Director of the Company runs Freud Communications Limited ("Freud"), which has provided external support to the press and publicity activities of the Group. During the period, the Group incurred expenditure amounting to £1 million with Freud (2012: half year: less than £1 million). At 31 December 2012, there were amounts of less than £1 million owed to Freud (2012: half year: less than £1 million; full year: less than £1 million).

In addition to the foregoing, the Group has engaged in a number of transactions with companies of which some of the Company's Directors are also directors. These do not meet the definition of Related Party Transactions.

d) Key management

The Group has a related party relationship with the Directors of the Group. At 31 December 2012, there were 14 (2012: half year: 14; full year: 14) members of key management, all of whom were Directors of the Company. Key management compensation is provided below:

	2012/13 Half year £m	2011/12 Half year £m	2011/12 Full year £m
Short-term employee benefits	**3**	3	6
Share-based payments	**5**	4	7
	8	7	13

Post-employment benefits were less than £1 million in each period.

Independent review report to British Sky Broadcasting Group plc

We have been engaged by the Company to review the condensed consolidated interim financial statements in this Appendix 1 to the half-yearly financial report for the six months ended 31 December 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 January 2013

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Appendix 2 – Non-GAAP measures

Reconciliation of operating profit to adjusted operating profit and adjusted EBITDA
for the half year ended 31 December 2012

	2012/13 Half year £m	2011/12 Half year £m
Operating profit	**679**	632
Credit received following an Ofcom determination	**(32)**	-
Net recovery of costs in relation to News Corporation proposal	**-**	(31)
Adjusted EBITDA	**813**	772
Depreciation and amortisation	**(166)**	(171)
Adjusted operating profit	**647**	601

Reconciliation of cash generated from operations to adjusted free cash flow
for the half year ended 31 December 2012

	2012/13 Half year £m	2011/12 Half year £m
Cash generated from operations	**858**	960
Interest received	**9**	7
Taxation paid	**(132)**	(142)
Dividends received from joint ventures and associates	**17**	16
Net funding to joint ventures and associates	**(1)**	(2)
Purchase of property, plant and equipment	**(97)**	(125)
Purchase of intangible assets	**(110)**	(112)
Interest paid	**(62)**	(65)
Free cash flow	**482**	537
Net recovery of costs in relation to News Corporation proposal (after corporation tax)	**-**	(17)
Recovery of import duty on set-top boxes (after corporation tax)	**-**	(25)
Adjusted free cash flow	**482**	495

Analysis of movements in net debt

	As at 1 July 2012 £m	Cash movements £m	Non-cash movements £m	**As at 31 December 2012 £m**
Current borrowings	8	-	-	8
Non-current borrowings	2,398	499	(75)	2,822
Debt	**2,406**	**499**	**(75)**	**2,830**
Borrowings-related derivative financial instruments	(356)	-	125	(231)
Cash and cash equivalents	(464)	(424)	-	(888)
Short-term deposits	(710)	200	-	(510)
Net debt	**876**	**275**	**50**	**1,201**

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		**2,907**	**-**	**2,907**	2,764	-	2,764
Wholesale subscription		**194**	**-**	**194**	170	-	170
Advertising		**215**	**-**	**215**	222	-	222
Installation, hardware and service		**47**	**-**	**47**	51	-	51
Other		**170**	**-**	**170**	157	-	157
		3,533	**-**	**3,533**	3,364	-	3,364
Operating expense							
Programming		**(1,222)**	**-**	**(1,222)**	(1,109)	-	(1,109)
Direct networks	A	**(316)**	**(32)**	**(348)**	(336)	-	(336)
Marketing		**(541)**	**-**	**(541)**	(541)	-	(541)
Subscriber management and supply chain		**(323)**	**-**	**(323)**	(323)	-	(323)
Transmission, technology and fixed networks		**(193)**	**-**	**(193)**	(194)	-	(194)
Administration	B	**(259)**	**-**	**(259)**	(229)	(31)	(260)
		(2,854)	**(32)**	**(2,886)**	(2,732)	(31)	(2,763)
EBITDA		**845**	**(32)**	**813**	803	(31)	772
Operating profit		**679**	**(32)**	**647**	632	(31)	601
Share of results of joint ventures and associates		**18**	**-**	**18**	17	-	17
Investment income		**7**	**-**	**7**	8	-	8
Finance costs	C	**(62)**	**-**	**(62)**	(60)	(2)	(62)
Profit before tax		**642**	**(32)**	**610**	597	(33)	564
Taxation	D	**(155)**	**8**	**(147)**	(156)	10	(146)
Profit for the period		**487**	**(24)**	**463**	441	(23)	418
Earnings per share (basic)		**29.7p**	**(1.4)p**	**28.3p**	25.3p	(1.3)p	24.0p

Notes: explanation of adjusting items for the period ended 31 December 2012

A. A credit of £32 million in relation to a credit note received following an Ofcom determination.

D. Tax effect of adjusting items.

Notes: explanation of adjusting items for the period ended 31 December 2011

B. A credit of £31 million in relation to the News Corporation proposal, consisting of costs incurred offset by the receipt of the break fee.

C. A write-off of £5 million relating to the facility fee on the £750 million RCF which has now been replaced with the £743 million RCF and the remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness (credit of £7 million).

D. Tax effect of adjusting items.

Appendix 3 – Principal risks and uncertainties

The Board continually assesses and monitors the key risks of the business. The key risks that could affect the Group's long-term performance, and the factors which mitigate these risks, are set out in more detail on pages 28-31 of the 2012 Annual Report. Other than where indicated below, the Board does not consider that the following principal risks and uncertainties have changed. Additional risks and uncertainties of which we are not aware or which we currently believe are immaterial may also adversely affect our business, financial condition, prospects, liquidity or results of operations.

- Market and competition: The Group operates in a highly competitive environment and faces competition from a broad range of organisations. Technological developments also have the ability to create new forms of quickly evolving competition. A failure to develop the Group's product proposition in line with changing market dynamics and expectations could erode the Group's competitive position. Great content is central to Sky's product proposition and increased competition could impact the Group's ability to acquire content that its customers want on commercially attractive terms. Economic conditions have been challenging in recent years and the future remains uncertain. A significant economic decline could impact on the Group's ability to continue to attract and retain customers.
- Regulatory breach and change: The Group is subject to regulation primarily under UK, Irish and European Union legislation. The Group is currently, and may be in the future, subject to proceedings, and/or investigation and enquiries, from regulatory authorities. The Group's ability to operate or compete effectively could be adversely affected by the outcome of investigations or by the introduction of new laws, policies or regulations, changes in the interpretation or application of existing laws, policies and regulations, or failure to obtain required regulatory approvals or licences.
    - In August 2012, the Competition Commission published its final report on its investigation into the supply and acquisition of pay TV movie rights and the wholesale supply and acquisition of pay TV packages including Sky's movie channels, concluding that there was no adverse effect on competition in the pay TV retail market and that accordingly remedies were not required.
    - In September 2012, Ofcom published its statement finding that the Group was a fit and proper person to hold its broadcasting licences.
    - On 8 August 2012, the Competition Appeal Tribunal (the "CAT") issued its judgment in the appeals against Ofcom's decision to impose wholesale must-offer obligations on Sky (the "Pay TV Judgment"). The CAT found that Ofcom's core competition concerns were unfounded and that accordingly Sky's appeal must be allowed. In November 2012, BT submitted a request to the CAT for permission to appeal the Pay TV Judgment to the Court of Appeal. If denied by the CAT, BT can apply to the Court of Appeal directly for permission. The CAT has listed an oral hearing for 6 February 2013 to determine how to dispose of the case, including dealing with setting aside the wholesale must-offer ("WMO") obligations, the monies paid by relevant wholesale customers into escrow on an interim basis (being the difference between the maximum price Sky may charge for Sky Sports 1 and 2 under WMO obligations and Sky's rate card prices for the channels) and costs. The CAT will also determine the effect (if any) of any ongoing appeal by BT.
- Customer service: The Group's business is based on a subscription model and its future success relies on building long-term relationships with its customers. A failure to meet its customers' expectations with regards to service could negatively impact the Group's brand and competitive position.
- Technology and business interruption: The products and services that the Group provides to its customers are reliant on complex technical infrastructure. A failure in the operation of the Group's key systems or infrastructure, such as the broadcast platform, customer management systems or the telecommunications networks on which the Group relies could cause a failure of service to our customers and negatively impact our brand.
- Supply chain: The Group relies on a number of third parties and outsourced suppliers operating across the globe to support its supply chain. A significant failure within the supply chain could adversely affect the Group's ability to deliver products and service to its customers.
- Financial: The effective management of its financial exposures is central to preserving the Group's profitability. The Group has some exposure to the European financial crisis although the Group's net euro cash flows are approximately 3% of total Group revenues and the Group's practice is to hold less than £10 million on deposit in euros. A number of the Group's syndicate banks are headquartered in Europe but the Group does not currently anticipate drawing the RCF.
- Security: The Group must protect its customer and corporate data and the safety of its people and infrastructure as well as needing to have in place fraud prevention and detection measures. The Group is responsible to third party intellectual property owners for the security of the content that it distributes on various platforms (Sky's own and third party platforms). A significant breach of security could impact the Group's ability to operate and deliver against its business objectives.
- Projects: The Group invests in, and delivers, significant capital expenditure projects in order continually to drive the business forward. The failure to deliver key projects effectively and efficiently could result in significantly increased project costs and impede our ability to execute our strategic plans.
- Intellectual property protection: The Group in common with other service providers relies on intellectual property and other proprietary rights, including in respect of programming content, which may not be adequately protected under current laws or which may be subject to unauthorised use.
- People: People at Sky are critical to the Group's ability to meet the needs of its customers and achieve its goals as a business. The failure to attract or retain suitable employees across the business could limit the Group's ability to deliver its business plan commitments.