BRITISH SKY BROADCASTING GROUP PLC

Results for the three months ended 30 September 2010

CONSISTENT STRATEGY DELIVERING STRONG OPERATIONAL AND FINANCIAL RESULTS

Record Q1 net product growth of 989,000, up 12% on the prior year

- Net customer growth of 96,000 to reach 9.956 million households
- Net additional Q1 product sales up 13% to 893,000
- 2.3 million customers now taking all three of TV, broadband and telephony, up by 39%; broadband growth accelerates with 178,000 net additions
- Further good growth in HD with net additions of 215,000 to reach 3.2 million customers
- Plans to support growth with opening of new contact centre, creating 500 jobs

More great content for customers

- New channel 'Sky Atlantic HD' launching as the home of HBO and 'Mad Men'
- The Masters golf live from 2011
- Over 50 HD channels now available to Sky customers

More innovation for customers

- Successful launch of Europe's first dedicated 3D channel 'Sky 3D'
- Beginning rollout of Sky Anytime^{+} on-demand service

Converting into strong growth in revenue, profit and cash flow[1]

- Revenue up 15%, with strong growth in subscription, advertising and wholesale
- Operating profit up 25% to £255 million; margin expansion of 140 b.p. to 16.7%
- Basic EPS of 9.7 pence, up 33%
- Free cash flow up £156 million on the prior year to £65 million

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1 Revenue, operating profit and basic EPS are stated excluding exceptional items and from continuing operations (excluding the Easynet operations divested on 1 September 2010, and including Living TV Group). Free cash flow is from continuing operations.

Results highlights

Customer Metrics (unaudited)

'000s	Quarterly Net Additions 30-Sep-10	Quarterly Net Additions 30-Sep-09	Closing Base 30-Sep-10
Net Customer Additions	96	94	9,956
Net Growth in Additional Products:			
Sky+HD	215	287	3,154
Multiroom	37	62	2,158
Broadband	178	100	2,802
Telephony	203	132	2,570
Line rental	260	209	1,946
	893	790	12,630
Total Net Product Growth	**989**	**884**	**22,586**
Other Metrics			
Gross additions for the quarter (000)	374	362	
Churn for the quarter (annualised %)	11.2%	11.3%	
ARPU (£)	£514	£469	

Business Performance (unaudited) [1]

£'millions (from continuing operations)	3 months to Sep-10	3 months to Sep-09	% movement
Revenue	1,526	1,330	15%
Adjusted operating profit[2]	255	204	25%
% Adjusted Operating Profit Margin[2]	*16.7%*	*15.3%*	
Adjusted EBITDA[2]	335	279	20%
Adjusted basic earnings per share[3]	9.7p	7.3p	33%
Free Cash Flow	65	(91)	

Statutory Results (unaudited) [1]

£'millions (from continuing operations)	3 months to Sep-10	3 months to Sep-09	% movement
Revenue	1,526	1,330	15%
Operating profit	248	204	22%
Cash generated from operations	217	119	82%
Basic earnings per share	10.5p	7.7p	36%

[1] All comparatives are restated to reflect continuing operations, excluding the Easynet operations divested on 1 September 2010
[2] A reconciliation of adjusted operating profit and adjusted EBITDA from continuing operations to reported measures and cash generated from operations to free cash flow is set out in Appendix 3.
[3] Adjusted basic EPS is calculated from adjusted profit from continuing operations for the period. A reconciliation of reported profit to adjusted profit for continuing operations is set out in note 4 to the consolidated financial information.

Jeremy Darroch, Chief Executive, said:

"Today's results show that our consistent strategy is delivering an excellent performance in a challenging environment. Strong top-line growth is converting to accelerating profit and earnings.

"Operationally, we have made a very good start to the year with 96,000 net customer additions and record take-up of our additional subscription products. In particular, our focus this quarter on home communications has been rewarded with our highest ever take-up of broadband, telephony and line rental, alongside further good growth in high definition. To support our continued growth, we plan to open a new contact centre next year with the creation of 500 jobs.

"This performance, combined with our continued emphasis on operational efficiency, is translating into strong financial results. We've delivered 15% growth in revenue, 25% growth in operating profit, 33% growth in earnings per share and our operating margin increased for the third consecutive quarter. These results are underpinned by continued investment in content and innovation, which is bringing more value to customers and growing returns for shareholders."

OPERATIONAL REVIEW

In the three months to 30 September 2010 ("the quarter"), we saw further good DTH customer growth and an outstanding take-up of additional products.

Net DTH additions for the quarter were 96,000, taking our total number of customers to 9.956 million. Within this, gross additions were up 3% at 374,000 and churn was stable at 11.2%, in what remains a challenging consumer environment.

We are executing well against our multiproduct strategy and customers are choosing to take more of our products. Following three very strong quarters of growth in HD, we turned the focus of our marketing to home communications and saw an excellent response from customers. We achieved the highest ever combined quarterly growth rate in broadband, telephony and line rental customers, contributing to record first quarter net additional product sales of 893,000 - up 13%. As customers respond to our great value products and reward us with more of their business, ARPU reached a new high of £514 per annum. Importantly, each new customer and additional product makes a positive contribution and, together with our continued focus on operating efficiency, profitability was strong with adjusted operating margin from continuing operations up by 140 basis points year on year.

In support of continued customer growth and additional product take-up, we will create 500 new customer-facing roles with the opening of a new contact centre facility next year.

Content

We continue to invest on screen to bring more great content to customers. In sports, Sky Sports News became exclusive to pay TV and available in HD, and, with the return of Monday Night Football, we are bringing customers 23 additional live Premier League matches this season. We have also acquired new sports rights during the quarter, with an agreement to broadcast the Masters golf tournament from April 2011. Sky Sports will be the only broadcaster in the UK and Ireland to screen all four tournament days live, together with exclusive live coverage of Wednesday's Par-3 competition for the first time. All Sky coverage of the Masters will be in HD, and it will be the first of golf's Majors to be broadcast in 3D. Our expanded breadth and depth of sports coverage is attracting new customers, with the highest ever first quarter level of Sky Sports subscribers across all platforms.

We are making good progress with our arts and entertainment channels. This quarter we completed our acquisition of the Living TV Group and announced the launch of an entirely new channel, Sky Atlantic HD, in early 2011. In addition to Sky1 and Sky Arts, these channels will extend our top quality entertainment portfolio, all of which will be available in HD. Sky Atlantic HD will be the exclusive home of new HBO series, as well as our recent acquisition of 'Mad Men' from season five onwards, and a range of new UK programming to complement Sky1's emphasis on drama and comedy.

The addition of Living complements our existing channel line up, with a strong female viewership and attractive demographic profiles. The sixth - and most watched - series of 'Britain's Next Top Model' concluded in October, achieving an average audience of 700,000 per show. Looking ahead, Living has a strong schedule, with brand-new US drama 'Nikita', a new series of 'America's Next Top Model' and 'Party Wars', a 'Four Weddings' spin-off.

Sky1 continues its track record of bringing more talked about programming to customers. Our search for new music talent, 'Must Be The Music', concluded this quarter and achieved a weekly cumulative audience over 800,000. 'An Idiot Abroad', featuring Karl Pilkington and Ricky Gervais, has started strongly with the opening episode achieving an audience of 1.8 million viewers. In-house commissions airing through the Autumn include the original UK drama 'Thorne', starring David Morrissey and Natascha McElhone.

Innovation

Sky 3D, Europe's first in-home 3D channel, launched with live coverage of golf's Ryder Cup on 1 October 2010. The channel will showcase a wide range of 3D programming including sport, movies, documentaries, arts and entertainment. The channel is available at no extra cost to top tier HD subscribers, adding further value to the £10 monthly HD subscription.

We also have a pipeline of products maximising the benefits of the broadband connectivity of the HD box. From the end of October we will begin the phased roll-out of our full on-demand service. 'Anytime^{+}' will give customers access to over 600 movies from the Sky Movies and Sky Box Office collections, as well as entertainment, documentaries, children's programming and classic sport.

We are also building on the flexibility of our offering by giving customers new and innovative ways to enjoy our products. We are now the leading media provider in the UK on mobile and tablet platforms, with over 7.5 million Sky apps downloaded on iPhone, iPod touch and iPad.

Leadership in HD

We continue to see good demand for our high quality and great value HD offering, such that today, 32% of customers choose to pay for our HD service. We achieved a further 215,000 net additions in the quarter to surpass three million HD customers. We still see good headroom for growth. Ownership of HD TV sets continues to rise and this calendar year will see the number of HD-ready households exceed standard definition homes.

This quarter we announced several landmarks in HD. We launched Europe's first HD sports news service - Sky Sports News HD - and announced a further enhancement to our channel line up by bringing across to the pay window the high definition versions of some of the UK's most popular channels, ITV 2, ITV 3 and ITV 4. Our customers now have, in total, access to over 50 HD channels; over 70% more than that currently available on any other TV platform.

Broadband and Telephony

After an extended period of focus on HD growth, we shifted our marketing focus to home communications products this quarter. Following a successful advertising campaign we delivered the highest ever combined take-up of broadband, telephony and line rental, 36% higher than the prior quarter.

Over 50% of new DTH customers in the quarter joined us with all three of TV, broadband and telephony. As a result, the percentage of total customers choosing to take all three products increased by six percentage points to 23%. As customers respond to our high quality and great value products we added 178,000 broadband and 203,000 telephony customers – the highest quarterly growth rate for over two years. In addition, we now have over one million customers on our fully unbundled network.

We continue to see significant headroom with 7.7 million customers yet to take all three services; with each broadband customer making a positive contribution, the economics of growth are attractive going forward.

The Bigger Picture

As part of our commitment to making a positive contribution to the community, we delivered a number of initiatives in the quarter through our Bigger Picture programme.

One of our objectives is to encourage participation in sport. During the quarter more than 200,000 people got on their bikes at 12 Sky Ride events in 10 cities across the UK, including Manchester, Glasgow, Birmingham and London. Smaller local led rides are taking place nationwide.

Another objective is to open up the arts to more people. Through our partnership with public art company Artichoke, Sky Arts supported the Magical Menagerie, a large-scale working carousel of mechanical creatures aimed at adults and children. This was the centrepiece of The Milton Keynes International Arts Festival and was visited by 28,000 people over the course of the Festival. As media partner to the event we also showed a documentary about Magical Menagerie and the artists behind its creation on Sky Arts.

In September, we published our Bigger Picture Review 2010 at www.sky.com/thebiggerpicture. It contains further detail of our Bigger Picture activities and commitment to acting responsibly, including audited environmental data for the 2009/10 financial year.

FINANCIAL SUMMARY

We are generating strong rates of revenue growth on the back of continued customer and product growth. We balance that revenue growth with continued investment for the long-term and remain disciplined on non-customer facing costs. This approach is allowing us to build foundations for the future and at the same time accelerate returns for shareholders.

Total revenue growth of 15% was the result of strong performances in our retail subscription business together with wholesale and advertising. Wholesale revenue benefited from the first time consolidation of Living TV Group and reflected a mixed operational performance from our wholesale partners. Adjusted operating profit increased by 25% to £255 million as we progress through the investment cycle. Adjusted operating margin increased to 16.7%, an improvement of 140 basis points on the prior year and the third consecutive quarterly increase.

Our strong operational performance in home communications translated into a 39% increase in broadband and telephony revenue, to £187 million, more than offsetting growth in direct network costs of 32% resulting in an improved gross margin from 27% to 31%.

The results for the period include the acquisition of Living TV Group which completed on 12 July 2010, and was subsequently fully integrated following clearance from the Office of Fair Trading on 14 September. In the quarter, Living TV Group added £27 million in revenue (of which £20 million is advertising; £6 million is wholesale; and £1 million is other revenue) and £23 million of costs (of which £13 million is programming; £1 million is marketing; £5 million is transmission, technology and fixed networks; and £4 million is administration). We incurred exceptional restructuring costs of £5 million in the quarter relating principally to redundancy payments. These restructuring costs are included within reported operating profit of £248 million and excluded from adjusted figures.

Unless otherwise stated, all figures and growth rates included within the financial section exclude exceptional items and are from continuing operations (including Living TV Group from 12 July and excluding Easynet from both the current year and the prior year comparative).

Revenue

Group revenue increased to £1,526 million (2010: £1,330 million), up 15% year on year.

Retail subscription revenue increased by 14% to £1,275 million (2010: £1,115 million), reflecting continued customer growth and success in our multiproduct strategy which delivered a 4% increase in the customer base and a £45 increase in ARPU.

Wholesale subscription revenue increased by 24% to £68 million (2010: £55 million), reflecting the higher number of subscribers to premium channels and the first full quarter of revenues from the Living TV Group acquisition. Excluding Living TV Group, wholesale revenues increased 13%.

Advertising revenue increased 46% to £102 million (2010: £70 million) as a result of continued growth in pay TV customers as well as our acquisition of the Living TV Group and our agreement with Viacom. We estimate our share of the overall TV advertising sector increased by around three percentage points year on year to 17.6% leading to continued outperformance of the sector, which we estimate grew by 15.2% year on year. Advertising revenue now includes revenue related to our online properties and Sky Magazine; of which £5 million was reclassified from 'other revenue' in the quarter and £5 million in the prior year comparative. Incorporating the reclassification and excluding Living TV Group, advertising revenue was £82 million and grew 17% on a like for like basis.

Installation, hardware and service revenue was £30 million (2010: £46 million), reflecting the lower prices paid by customers following our price reduction for Sky^{+}HD boxes in January 2010.

Other revenue of £51 million (2010: £44 million) was 16% higher, benefitting from a good performance in Sky Bet and a contribution from Living TV Group. Excluding Living TV Group, the online properties and Sky Magazine revenue (which has been reclassified to advertising revenue), other revenue was 14% higher.

Direct Costs

Programming costs increased by 10% to £482 million (2010: £439 million) as we continue to prioritise investment to underpin future growth. Further investment in sports and entertainment accounted for the majority of the increase, as we expanded the depth and breadth of our offering to give customers more reasons to subscribe. Sports costs were higher due to additional Premier League and other rights such as the England away internationals. The first-time inclusion of Living TV Group contributed to higher entertainment costs year on year, partially offset by carriage fee savings in third party channels. Other third party channel costs were higher due to the launch of three HD channels and movie costs were lower reflecting improved terms on contract renewals.

Direct network costs increased by 32% to £129 million (2010: £98 million) as a result of strong customer growth in home communications which led to 39% revenue growth in broadband and telephony.

Other Operating Costs

Marketing costs increased by £58 million to £302 million (2010: £244 million) with increased investment in successful marketing campaigns in home communications and Sky Sports ahead of the Premier League season, both of which delivered record performance in the quarter.

Subscriber management and supply chain costs fell by £15 million to £142 million reflecting our continued focus on operational efficiency. The largest cost savings were achieved in supply chain, due to higher customer self-service volumes and lower box costs through greater in-sourcing.

Transmission, technology and fixed network costs increased by £19 million to £91 million. Excluding the first time inclusion of Living TV Group (£5 million), the majority of the increase relates to higher net transponder costs. The stronger Euro has driven absolute transponder cost increases, and the use of more capacity for our own HD channels has reduced income previously received from sub-leasing to third parties. We have also seen a phasing impact of higher renewal fees on certain transponders. This phasing impact will reverse over the course of the year as lower pricing on other transponders comes into effect.

Reported administration costs of £132 million (2010: £116 million) include £7 million of exceptional costs (please refer to the 'Exceptional Items' paragraph below). Excluding exceptional items, administration costs increased by £9 million to £125 million (2010: £116 million), of which £8 million is due to an increase in the Group's non-cash IFRS 2 'Share-based payment' charge and associated National Insurance costs. This increase is mainly due to the phasing of the Group's share based compensation schemes and the increase in the share price when compared with the prior year, despite the volumes of awards made remaining broadly constant. Excluding this amount and the consolidation of Living TV Group costs of £4 million, administration costs were broadly level year on year. The IFRS 2 charge and related tax and National Insurance costs for the year is expected to be around £75 million, an increase of £30 million.

Earnings

On an adjusted basis, profit before tax from continuing operations was £232 million (2010: £177 million) and included the Group's share of joint ventures' profits of £7 million (2010: £6 million) and a net interest charge of £30 million (2010: £33 million).

Adjusted taxation was £63 million (2010: £50 million). The adjusted tax charge on continuing operations for the year is expected to be approximately 27% (2010: 28%). The decrease reflects the reduction in the rate of UK Corporation Tax, the effect of share price movements on the tax accounting for share options and the lower effective tax rate on joint venture income. The forecast full year effective tax rate includes the impact to the income statement of calculating UK deferred tax balances at the reduced UK tax rate of 27%; the impact of this is immaterial.

Adjusted profit for the period from continuing operations was £169 million (2010: £127 million), generating an adjusted basic earnings per share from continuing operations of 9.7 pence (2010: 7.3 pence).

Including all exceptional items, profit before tax for the period of £230 million (2010: £186 million) includes the Group's share of joint ventures' profits of £7 million (2010: £6 million) and a net interest charge of £25 million (2010: £24 million). Reported taxation was £48 million (2010: £52 million) resulting in profit for the period from continuing operations of £182 million (2010: £134 million) and basic earnings per share of 10.5 pence (2010: 7.7 pence). Please refer to the 'Exceptional Items' paragraph for more detail.

Over the entire period the weighted average number of shares excluding those held by the Employee Share Ownership Plan for the settlement of employee share awards was 1,745 million.

Cash Flow and Financial Position

Cash generated from continuing operations was £98 million higher at £217 million (2010: £119 million) as a result of EBITDA growth and improved working capital.

Capital expenditure was £101 million (2010: £107 million) with the main items of expenditure in the period being the technical fit-out of our new broadcast facility and investment supporting broadband growth including the rollout to a further 93 exchanges. We expect to maintain this quarterly run-rate of capital expenditure for the remainder of the fiscal year and for capex over the medium term to be sustainable at a ratio of around 6.5% of sales.

After interest, cash taxes, and capital expenditure, free cash flow was £65 million, an improvement of £156 million on the prior year. Net cash outflow from continuing operations improved year on year to £88 million (2010: outflow of £112 million) and included a one-off payment for the Living TV Group. Net debt as at 30 September 2010 was £1,086 million (2010: £1,857 million) as a result of improved cash from operations in addition to the disposal proceeds of our ITV stake and EDS settlement.

Exceptional Items

Reported operating profit of £248 million included £5 million restructuring costs following the acquisition of the Living TV Group and £2 million of advisory fees relating to the News Corporation proposal. Both of these costs were classified as administration costs.

Reported profit after tax also included a £20 million exceptional gain, of which £5 million was a gain relating to the remeasurement of derivative financial instruments not qualifying for hedge accounting (2010: £9 million gain) and a £15 million non-cash tax credit for a tax settlement relating to the network operations retained from the Easynet business.

Corporate

News Corporation Proposal
On 10 June 2010 the Group received a proposal from News Corporation that could lead to an offer for the entire share capital of BSkyB not already owned by News Corporation ("the Proposal"). The Proposal, which is not a formal offer, is subject to regulatory and financing pre-conditions which add considerable uncertainty to when and whether any formal offer could be made.

For further detail of the Proposal please refer to the Group's statement of 15 June available on our Corporate website (www. sky.com/corporate).

Living TV Group

On 13 July 2010 we announced that we had completed our acquisition of the Living TV Group (then named Virgin Media TV). On 14 September we received formal clearance from the Office of Fair Trading. The acquisition is expected to be earnings accretive before restructuring costs in this financial year.

Easynet

On 1 September 2010, we completed the sale of our business-to-business telecommunications operation, Easynet Global Services, to LDC, a leading UK private equity company for consideration of £100 million. The results of Easynet Global Services for the period to 1 September 2010 have been disclosed as a discontinued operation and the comparatives have been restated accordingly.

SEC Deregistration

Following the delisting of the Company's ADSs on the New York Stock Exchange, the Company filed to terminate the registration of its ordinary shares with the U.S. Securities and Exchange Commission ("SEC"). The termination became effective on 18 August 2010. The Company no longer has SEC reporting obligations.

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

There will be a separate conference call for US analysts and investors at 10.00 a.m. (EST) today. Details of this call have been sent to US institutions and can be obtained from Dana Diver at Taylor Rafferty on +1 212 889 4350. A live conference call and supporting materials will be available on Sky's corporate website, http://www.sky.com/corporate. A replay will be subsequently 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 of the related IFRS measures.

Forward-looking statements

This document contains certain forward-looking statements with respect to our financial condition, results of operations and business, and our strategy, plans and objectives. These statements include, without limitation, those that express forecasts, expectations and projections, such as forecasts, expectations and projections with respect to the potential for growth of free-to-air and pay television, fixed line telephony, broadband and bandwidth requirements, advertising growth, Direct-to-Home ("DTH") customer growth, Multiroom, Sky^{+}, Sky^{+}HD and other services' penetration, churn, DTH and other revenue, profitability and margin growth, cash flow generation, programming costs, subscriber management and supply chain costs, administration costs and other costs , marketing expenditure, capital expenditure programmes, and proposals for returning capital to shareholders.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, these statements (and all other forward-looking statements contained in this document) 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, the fact that we operate in a highly competitive environment, the effects of laws and government regulation upon our activities, our reliance on technology, which is subject to risk, change and development, failure of key suppliers, our ability to continue to obtain exclusive rights to movies, sports events and other programming content, risks inherent in the implementation of large-scale capital expenditure projects, our ability to continue to communicate and market our services effectively, and the risks associated with our operation of digital television transmission in the United Kingdom ("UK") and Republic of Ireland ("Ireland").

Information on the significant risks and uncertainties associated with our business is described in "Directors' report – Business review - Principal risks and uncertainties" section of Sky's Annual Report for the year ended 30 June 2010. 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 presentation are based on information known to the Group on the date hereof. The Group undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Appendix 1 - Glossary

Useful definitions	Description
Adjusted earnings per share (EPS)	Adjusted profit for the period divided by the weighted average number of ordinary shares during the period.
Adjusted operating profit and margin	Operating profit excluding exceptional items. Adjusted operating margin is stated as a percentage of adjusted revenue.
Adjusted profit for the period	Profit for the period adjusted to remove exceptional items and related tax effects
ARPU	Average Revenue Per User: the amount spent by the Group's residential subscribers in the quarter, divided by the average number of residential subscribers in the quarter, annualised.
Churn	The number of customers over a given period that terminate their subscription in its entirety, net of former customers who reinstated their subscription in that period (where such reinstatement is within a 12 month period of the termination of their original subscription), expressed as an annualised percentage of total average customers for the period.
Customer	A subscriber to a DTH service.
DSL	Digital Subscriber Line
DTH	Direct-to-Home: the transmission of satellite services and functionality with reception through a mini dish. The Group also retails certain Sky Channels to a limited number of DSL subscribers (references throughout to 'DTH subscribers' include DSL subscribers).
EBITDA	Earnings before joint ventures, interest, taxation, depreciation and amortisation is calculated as operating profit before depreciation, amortisation and impairment of property, plant and equipment and intangible assets.
Exceptional Items	Items that arise from events or transactions that fall within the ordinary activities of the Group, but which management believes should be separately identified to help explain underlying performance.
Free cash flow	The amount of cash generated by Sky after meeting obligations for interest and tax, after all capital expenditure and net cash flows relating to joint ventures and associates.
HD	High Definition television.
Multiroom	Installation of an additional set-top box in the household of an existing customer.
Net debt	Borrowings net of cash and cash-equivalents, short-term deposits, and borrowings related derivative financial instruments
Sky Broadband and Talk	Residential Sky Broadband and Sky Talk customers. UK Online customers are excluded from quoted subscriber figures.
Sale	A sale is a gross addition of any product.
Sky^{+}	Sky's fully-integrated Personal Video Recorder (PVR) and satellite decoder. This includes Sky^{+} HD decoders.
Viewing share	Number of people viewing a channel as a percentage of total viewing audience.

Appendix 2 - Consolidated Financial Information

Consolidated Income Statement for the three months ended 30 September 2010

	Notes	2010/11 Three months ended 30 September £m (unaudited)	2009/10 Three months ended 30 September £m (unaudited)
Continuing operations			
Revenue	1	1,526	1,330
Operating expense	2	(1,278)	(1,126)
EBITDA		328	279
Depreciation and Amortisation		80	75
Operating profit		248	204
Share of results of joint ventures and associates		7	6
Investment income		2	1
Finance costs		(27)	(25)
Profit before tax		230	186
Taxation		(48)	(52)
Profit for the period from continuing operations		182	134
Discontinued operations			
Profit for the period from discontinued operations	3	46	(6)
Profit for the period		228	128
Earnings per share from profit for the period (in pence)			
Basic	4		
Continuing operations		10.5p	7.7p
Discontinued operations		2.6p	(0.3p)
Total		13.1p	7.4p
Diluted	4		
Continuing operations		10.4p	7.6p
Discontinued operations		2.6p	(0.3p)
Total		13.0p	7.3p

Adjusted earnings per share from adjusted profit for the period from continuing operations (in pence)			
Basic	4	9.7p	7.3p
Diluted	4	9.6p	7.2p

Notes:

1. Revenue

	2010/11 Three months ended 30 September £m (unaudited)	2009/10 Three months ended 30 September £m (unaudited)
Continuing operations		
Retail subscription	1,275	1,115
Wholesale subscription	68	55
Advertising	102	70
Installation, hardware and service	30	46
Other	51	44
	1,526	1,330

To provide a more relevant presentation, management has reclassified online properties and Sky Magazine advertising revenue from Other to Advertising in both the current period and the comparative.

2. Operating expense

	2010/11 Three months ended 30 September £m (unaudited)	2009/10 Three months ended 30 September £m (unaudited)
Continuing operations		
Programming	482	439
Direct networks	129	98
Transmission, technology and fixed networks	91	72
Marketing	302	244
Subscriber management and supply chain	142	157
Administration	132	116
	1,278	1,126

3. Discontinued operations

On 1 September 2010, the Group completed the sale of its business-to-business telecommunications operation, Easynet Global Services ("Easynet"), to Lloyds Development Capital ("LDC") for £100 million. The Group retains the UK network assets that it acquired as part of the original acquisition of Easynet Group in 2005. As part of the sale, the Group and LDC entered into a long-term supply agreement to grant Easynet continued access to the Group's fibre network and Easynet continues to be a key supplier of data network and hosting services to the Group.

Easynet represented a separate major line of business for the Group. As a result its operations have been treated as discontinued for the three months ended 30 September 2010. A single amount is shown on the face of the income statement comprising the post-tax result of discontinued operations and the post-tax profit recognised on the disposal of the discontinued operation.

An estimated pre-tax profit of £68 million arose on the disposal of Easynet being the proceeds of disposal less the carrying amount of Easynet's net liabilities and attributable goodwill. This number is subject to a possible outflow on finalisation of the working capital position.

During the period, cash flows attributable to Easynet comprised a net operating cash outflow of £4 million (2010: £6 million) and a cash inflow in respect of investing activities of £82 million (2010: outflow of £2 million).

4. Earnings per share

	2010/11 Three months ended 30 September Millions of shares	2009/10 Three months ended 30 September Millions of shares
The weighted average number of ordinary shares for the period was:		
Ordinary shares	**1,753**	1,753
ESOP trust ordinary shares	**(8)**	(12)
Basic shares	**1,745**	1,741
Dilutive ordinary shares from share options	**10**	11
Diluted shares	**1,755**	1,752

Basic and diluted earnings per share is 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.

	2010/11 Three months ended 30 September £m (unaudited)	2009/10 Three months ended 30 September £m (unaudited)
Reconciliation from profit for the period from continuing operations to adjusted profit for the period from continuing operations:		
Profit for the period from continuing operations	182	134
Living TV restructuring costs (1)	5	-
Advisory fees in relation to News Corp proposal	2	-
Remeasurement of all derivative financial instruments (not qualifying for hedge accounting)	(5)	(9)
Tax credit on settlement of liability (2)	(15)	-
Tax effect of above items	-	2
Adjusted profit for the period from continuing operations	169	127

(1) Restructuring costs arising on the acquisition of Living TV which comprise principally redundancy payments.

(2) Tax credit arising on the settlement of the pre-acquisition tax liabilities of a subsidiary of the Group.

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

Reconciliation of operating profit to adjusted operating profit and adjusted EBITDA
for the three months ended 30 September 2010

	2010/11 Three months ended 30 September £m	2009/10 Three months ended 30 September £m
Operating profit	**248**	204
Living TV restructuring costs	**5**	-
Advisory fees in relation to News Corp proposal	**2**	-
Adjusted EBITDA	**335**	279
Depreciation and amortisation	**80**	75
Adjusted operating profit	**255**	204

Reconciliation of cash generated from operations to free cash flow
for the three months ended 30 September 2010

	2010/11 Three months ended 30 September £m	2009/10 Three months ended 30 September £m
Cash generated from operations	**217**	119
Interest received	**2**	1
Taxation paid	**(45)**	(71)
Dividends received from joint ventures and associates	**4**	4
Net funding to joint ventures and associates	**-**	(1)
Purchase of property, plant and equipment	**(101)**	(107)
Interest paid	**(12)**	(36)
Free cash flow	**65**	(91)