



BRITISH SKY BROADCASTING GROUP PLC
Unaudited results for the three months ended 30 September 2011

GOOD GROWTH IN TOUGH CONDITIONS

<i>Three months to 30 Sept</i>	Adjusted results			Reported results		
	2012	2011	Variance	2012	2011	Variance
Revenue	£1,657m	£1,526m	+9%	£1,657m	£1,526m	+9%
EBITDA ⁽²⁾	£381m	£335m	+14%	£413m	£328m	+26%
Operating profit ⁽²⁾	£295m	£255m	+16%	£327m	£248m	+32%
Earnings per share (basic) ⁽³⁾	11.6p	9.7p	+20%	12.9p	10.5p	+23%

- Strong financial performance:
 - Revenue growth of 9% to £1.66 billion
 - Adjusted operating profit up 16% to £295 million with further margin improvement
 - 20% increase in adjusted basic earnings per share to 11.6 pence
 - 39% growth in adjusted free cash flow to £96 million
- Good growth in total customers and products, up 77,000 and 683,000 respectively
- Continued improvement in product mix with 2.9 million customers taking all three of TV, broadband and telephony, up by 29%
- Strong customer loyalty despite pressure on consumers
- Good quarter on-screen supporting growth in advertising and wholesale businesses
- Excellent response to Sky Go; over 1.6 million customers in first three months

Jeremy Darroch, Chief Executive, commented:

“We continue to deliver strong financial results and good growth in customers and products. In tough market conditions, our move to more broadly based growth and multiple products is serving us well. New customers are choosing Sky over other providers, existing customers are taking more from us and our financial performance is accelerating, with another quarter of double-digit growth in operating profit, EPS and free cash flow.

“Looking ahead, the environment is likely to remain challenging as a result of the pressures facing consumers in the UK and Ireland. Our job is to give customers the quality and value they’re looking for, with a better choice of programmes, more innovation and peace of mind with a price freeze for 12 months. In particular, customers can look forward to more outstanding TV as we step change our investment in new British comedy and drama, begin coverage of Formula 1 and continue to offer the best US shows like Glee, Terra Nova and Boardwalk Empire.”

Results highlights

Customer Metrics (unaudited)

	As at 30-Sep-11	As at 30-Sep-10	Growth	Quarterly Growth to 30-Sep-11
Total products ('000s)	26,058	22,586	+3,472	+683
TV	10,213	9,956	+257	+26
HD	3,925	3,154	+771	+103
Multiroom	2,295	2,158	+137	+45
Broadband	3,485	2,802	+683	+150
Telephony	3,248	2,570	+678	+147
Line rental	2,892	1,946	+946	+212
Total customers ('000s)	10,371	9,979	+392	+77
Products per customer	2.5	2.3	+0.2	
Other metrics				
Customers taking each of TV, broadband & talk	28%	23%	+5%	
ARPU ⁽¹⁾	£535	£510	+£25	
Churn (quarterly annualised)	11.1%	11.2%		

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

Business Performance ⁽²⁾ (unaudited)

£millions	3 months to 30 Sep-11	3 months to 30 Sep-10	Movement
Revenue	1,657	1,526	+9%
Adjusted operating profit	295	255	+16%
<i>% Adjusted operating profit margin</i>	<i>17.8%</i>	<i>16.7%</i>	+110 bps
Adjusted EBITDA	381	335	+14%
Adjusted free cash flow	96	69	+39%
Adjusted basic earnings per share ⁽³⁾	11.6p	9.7p	+20%

¹ Quarterly annualised. Calculations have been restated to include customers taking standalone home communications products and to reflect the impact of the Sky magazine closure. Further details are provided in Schedule 2.

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

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

OVERVIEW

We have made a good start to the year. In what remains a challenging consumer environment, our financial performance was strong with double-digit growth in earnings and cash flow and further expansion in adjusted operating margin to reach 17.8% - the highest first quarter level for six years. We have continued to grow our customer base and improve product take-up, adding 683,000 net products this quarter, which, combined with a strong on-screen performance, delivered 9% growth in revenue.

We continue to balance growth and returns sensibly, pursuing growth where it makes sense and investing carefully for customers. We believe this is the right approach to deliver a strong financial performance in the near-term while at the same time building solid foundations for the future.

Operational performance

Our focus on delivering for customers is reflected in strong product growth in the three months to 30 September 2011 ('the quarter'). We added 683,000 total net products, growing the base by 15% year on year to reach 26.1 million. Within this we added 77,000 net new households to reach 10.4 million. By expanding our addressable market for home communications beyond our existing TV base we now have a growing number of standalone home communications customers. So while TV growth was lower at 26,000, we added 51,000 new standalone customers, demonstrating the flexibility we have in our business to adjust to market conditions.

Our value proposition in home communications continues to resonate well with customers. We delivered over half a million product additions this quarter, including 150,000 new broadband customers. We also saw good growth in our additional TV services - HD and multiroom. We grew our HD service by 103,000 customers in the context of an overall decline in HD TV set sales. Multiroom customers increased by 45,000; up strongly year on year and three times higher than the previous quarter following our short marketing campaign. Overall, product mix is improving with 2.9 million customers now taking all three of TV, broadband and telephony, up 29% year on year. The benefits of improved product mix are reflected in strong customer loyalty with churn stable at 11.1%.

ARPU continued to grow well, increasing by £25 to reach £535, representing growth of 5% versus the prior year. The largest driver of higher ARPU was the greater average number of products taken by our customers with growth in each of the TV and home communication related elements. Our ARPU calculation for the period includes standalone communications customers. The prior year comparative has also been restated to produce a like for like equivalent on this basis as well as the loss of benefit from the zero VAT rating of the Sky customer magazine. Had we not made this change, our year on year ARPU growth would have been greater at £29, with Q1 ARPU of £543. For the detail of the adjustments please refer to Schedule 2 on page 10.

We have further enhanced our home communications proposition by expanding our network footprint. This quarter we unbundled another 155 exchanges and migrated or provisioned a further 183,000 customers onto our own network to reach 1.9 million, or 54% of our broadband base. By managing the entire broadband and telephony line we are improving the service to our customers and reducing our cost base. We intend to extend our UK coverage further this year by another 200 exchanges, increasing our exchange footprint beyond the current level of 81%.

Content

It has been a very strong quarter on-screen where we have continued to build on our traditional strengths, as well as delivering a step change in our entertainment offering.

We've increased investment in home grown content and delivered more original British comedy and drama. We achieved two of the biggest comedy launches in multichannel history with our in house commissions 'Trollied' and 'Mount Pleasant' and the opening episode of 'An Idiot Abroad 2' achieved the third largest audience in the history of Sky 1. We are also bringing our customers other unmissable shows such as the new season of 'Glee', which is exclusively on pay TV. In the second quarter we have more new UK comedies including 'Spy' starring Robert Lindsay and 'The Cafe' starring Ralf Little and we will continue bringing customers the best of the US with Steven Spielberg's 'Terra Nova' having already begun on Sky 1.

In sports, average Premier League audiences were up 18% year on year and Champions League matches featuring home nations teams were 27% higher. With good performances in British sport this quarter, our coverage of the US Open tennis reached its highest level ever and England's home cricket Test series against India recorded the second highest audience for a summer tour behind the 2009 Ashes series.

Innovation

We continue to innovate to add value for customers and make the whole experience of TV better with Sky. Our Sky Go service launched in July, providing customers with greater flexibility and convenience to watch live and on-demand TV on the move via PCs, Macs, iPhones, iPads and Xbox. Customers can register up to two devices for Sky Go. The service offers access to a range of channels, including all five Sky Sports channels; TV customers have access to channels in line with their subscription.

In just three months Sky Go has gained over 1.6 million unique users across all platforms. At no extra charge to TV customers, this is another example of how we are seeking to build more value into our customers' subscriptions. We will continue to develop Sky Go over the coming months by adding more content and extending the service to Android devices and other platforms.

As part of our mobile content strategy we continue to increase the coverage of our Wi-Fi network via The Cloud with new agreements reached with Wagamama and Phones 4u as well as renewing our agreement with the City of London for a further five years. Ahead of the launch of the customer proposition later this fiscal year, the technical integration of The Cloud's network is progressing well and we now have over 5,700 live hotspots.

The Bigger Picture

As part of our commitment to making a positive contribution to life in the UK and Ireland, we have delivered a number of important components of our Bigger Picture programme during the quarter.

In another successful summer of cycling, over 200,000 people participated in 21 free Sky Ride city events across the UK and Ireland, including our first event in Dublin. Our professional road racing team, Team Sky, recorded its first stage wins in the Tour de France and secured second and third place overall in the Vuelta a España, its first podium finishes in a Grand Tour. These both contribute to our overall goal of inspiring one million more people to cycle regularly.

In August, we were placed first in the FTSE 100 Carbon Reporting Assessment in recognition of our commitment to environmental leadership, as well as being highlighted as a leader on Climate Change through the Carbon Disclosure Project. Our Sky Rainforest Rescue project, a partnership with WWF, has now raised £1.3 million and our Sky Rainforest Rescue pod toured the UK over the summer receiving over 30,000 visitors and helping us to raise awareness of climate change.

We had a strong response for the first round of the 'Sky Arts Ignition Series', where we will partner with six leading arts organisations over three years to create new ground-breaking works of art. We are currently considering the applications and will announce our first project winner in the coming quarter.

FINANCIAL SUMMARY

We delivered a strong financial performance in the quarter. Good revenue growth and excellent progress on costs delivered 16% growth in adjusted operating profit and 20% growth in adjusted basic EPS. Efficiency programmes across the business have allowed us to hold operating costs broadly flat year on year, more than offsetting the increased investment in programming to deliver adjusted operating margin expansion of 110 basis points to 17.8%.

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

Revenue

Group revenue increased to £1,657 million (2011: £1,526 million), up 9% year on year, benefitting from the broadly based growth in retail and other lines of business.

Retail subscription revenue increased by 7% to £1,368 million (2011: £1,278 million), reflecting strong product growth and a larger customer base.

Our strong performance on-screen and growing portfolio of channels supported continued growth in our wholesale and advertising businesses. Wholesale subscription revenue increased by 22% to £83 million (2011: £68 million) and advertising revenue increased by 3% to £105 million (2011: £102 million). We continue to outperform the overall TV advertising sector, and after the successful integration of Living TV, grew our estimated share 350 basis points year on year to 21.1%.

Installation, hardware and service revenue was lower year on year at £24 million (2011: £30 million), reflecting our introduction of a free home move service and fewer visits as a result of more reliable set-top boxes. Other revenue was 60% higher at £77 million (2011: £48 million) with the higher revenue principally from sales of set-top boxes to Sky Italia. The costs associated with these box sales are included in subscriber management and supply chain costs.

Direct Costs

Programming costs increased by £53 million to £535 million (2011: £482 million) as we expanded the depth and breadth of our offering to give customers an even better choice of programming. Entertainment costs accounted for £26 million of the increase and included our investment in Sky Atlantic and additional UK commissioned content. Sports costs increased by £15 million reflecting a strong quarter of cricket with India's tour of England and the West Indies Twenty20 series. Third party channel costs were £9 million higher as a result of having nine additional HD channels and higher subscriber volumes with 24% growth in the HD customer base versus the prior year. Movies and news costs were broadly level year on year.

Direct network costs increased by 26% to £162 million (2011: £129 million) as a result of the 32% increase in home communications products year on year. Gross margin improved as a greater proportion of customers are on our own fully unbundled network.

Other Operating Costs

We have delivered an excellent performance on costs. Despite a larger customer base and continued high volumes of product sales in the business, our wide-scale efficiency programmes have delivered a 310 basis point reduction in other operating costs as a percentage of revenue year on year.

Marketing costs fell by 11% to £270 million (2011: £302 million), due to lower gross additions and improved efficiency in routes to market; including a 23% increase in sales through our online channels. In addition, we reduced above-the-line advertising costs year on year and benefitted from savings from our decision to close the Sky customer magazine.

Underlying subscriber management and supply chain costs were flat year on year despite a larger customer base. The increase of £19 million to £161 million relates to the cost of sales of set-top boxes to Sky Italia; for which the corresponding revenue is recorded within other revenue and from which we both derive scale benefits and make positive margin.

Transmission, technology and fixed network costs were £9 million higher as a result of additional support and maintenance costs and an increase in running costs of an enlarged network and our new studios. Also included are two additional months of cost compared to the prior year for network services previously accounted for within the Group by Easynet (prior to the disposal of that business on 1 September 2010) and additional content delivery costs relating to new products such as Sky Go.

Administration costs (excluding exceptional items) were 7% higher at £134 million (2011: £125 million) reflecting additional legal fees related to regulatory inquiries and the impact from the first time inclusion of costs relating to The Cloud which was consolidated from February 2011.

Earnings

On an adjusted basis, profit before tax was £274 million (2011: £232 million) and included the Group's share of joint ventures and associates' profits of £7 million (2011: £7 million) and a net interest charge of £28 million (2011: £30 million).

Adjusted taxation was £72 million (2011: £63 million) resulting in an effective rate of 26% for the quarter. The adjusted tax charge on continuing operations for the year is expected to be between 25% and 26% (2011: 27%). The lower rate year on year reflects principally the reduction in the rate of UK Corporation Tax.

Adjusted profit for the period was £202 million (2011: £169 million), generating an adjusted basic earnings per share from continuing operations of 11.6 pence (2011: 9.7 pence).

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 1,741 million.

Cash Flow and Financial Position

Cash generated from continuing operations was £131 million higher at £348 million (2011: £217 million) as a result of EBITDA growth and improved working capital.

Capital expenditure increased by £24 million to £125 million (2011: £101 million). The majority of the increase relates to investment in our broadband network as we unbundled a particularly high number of exchanges this quarter than in the comparative period. Capex for this financial year is expected to be slightly weighted towards the first half as we achieve the majority of our planned exchange unbundling and complete the final stages of the technical fit-out of Sky Studios.

Adjusted free cash flow was £96 million, an improvement of 39% on the prior year.

Exceptional Items

Reported operating profit of £327 million included the receipt of a £39 million break fee from News Corporation and £7 million of costs for related advisory fees.

Reported profit after tax of £225 million also included an exceptional gain of £1 million relating to the re-measurement of derivative financial instruments not qualifying for hedge accounting (2011: £5 million gain) and a £10 million charge relating to the tax effect on exceptional items.

Corporate

ECJ Decision

On 4 October, the European Court of Justice handed down its judgment in actions brought by the Premier League ('PL'), amongst others, against pubs using foreign decoder cards and boxes to view live PL football. The court determined that restrictions in agreements between the PL and one of its licensee broadcasters, which obliged that broadcaster not to supply decoding devices to persons outside the licensed territory, are contrary to EU law. The court found that, although the PL did not have copyright in the live coverage of its football matches, the PL title sequences, logo, anthem and graphical elements did attract protection under the Copyright Directive. The High Court will now need to apply the ECJ's judgment to the facts of the cases before it.

AGM and Board

Our Annual General Meeting is scheduled for 29 November 2011. The formal notice of meeting will be sent to shareholders in the week commencing 24 October.

As previously communicated the Board has put in place an orderly programme for replacing members of the Board of Directors as they retire. It is the intention that Allan Leighton and David Evans retire at this year's AGM. All Directors will stand annually for re-election at the AGM in line with best practice.

Andrew Higginson has been appointed as a member of the Corporate Governance & Nominations Committee.

The Board will also seek the necessary approvals to return £750 million of capital to shareholders via a share buy-back programme, currently expected to commence immediately following shareholder approval.

Schedule 1 – KPI Summary

All figures (000) unless stated	FY09/10				FY10/11				FY11/12
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total Customers	9,536	9,708	9,770	9,868	9,979	10,150	10,223	10,294	10,371
Total Products	18,444	19,609	20,549	21,597	22,586	23,790	24,591	25,375	26,058
Television	9,536	9,708	9,770	9,860	9,956	10,096	10,147	10,187	10,213
Sky+HD	1,600	2,082	2,510	2,939	3,154	3,497	3,686	3,822	3,925
Multiroom	1,897	1,999	2,062	2,121	2,158	2,219	2,237	2,250	2,295
Broadband	2,303	2,404	2,505	2,624	2,802	3,006	3,161	3,335	3,485
Telephony	1,982	2,112	2,230	2,367	2,570	2,757	2,916	3,101	3,248
Line Rental	1,126	1,304	1,472	1,686	1,946	2,215	2,444	2,680	2,892
Other Metrics									
% of customers taking TV, Broadband and Talk	17%	18%	20%	21%	23%	24%	26%	27%	28%
ARPU (£)	£466	£489	£499	£504	£510	£536	£537	£538	£535
Churn – quarterly annualised	11.3%	9.6%	9.9%	10.5%	11.2%	9.5%	10.4%	10.4%	11.1%
Fixed Network Metrics									
On-net base	2,020	2,103	2,187	2,288	2,450	2,659	2,856	3,045	3,205
<i>MPF base</i>	<i>143</i>	<i>500</i>	<i>664</i>	<i>883</i>	<i>1,064</i>	<i>1,247</i>	<i>1,435</i>	<i>1,686</i>	<i>1,869</i>
<i>SMPF base</i>	<i>1,877</i>	<i>1,603</i>	<i>1,523</i>	<i>1,405</i>	<i>1,386</i>	<i>1,412</i>	<i>1,421</i>	<i>1,359</i>	<i>1,336</i>
<i>MPF %</i>	<i>7%</i>	<i>24%</i>	<i>30%</i>	<i>39%</i>	<i>43%</i>	<i>47%</i>	<i>50%</i>	<i>55%</i>	<i>58%</i>
<i>SMPF %</i>	<i>93%</i>	<i>76%</i>	<i>70%</i>	<i>61%</i>	<i>57%</i>	<i>53%</i>	<i>50%</i>	<i>45%</i>	<i>42%</i>
Off-net base	283	301	318	336	352	347	305	290	280
Total Broadband	2,303	2,404	2,505	2,624	2,802	3,006	3,161	3,335	3,485
On-net %	88%	87%	87%	87%	87%	88%	90%	91%	92%
New LLU exchanges	3	-	-	6	94	141	115	28	155
Total LLU exchanges	1,193	1,193	1,193	1,199	1,293	1,434	1,549	1,577	1,732

Schedule 2 – Restated ARPU

	FY09/10				FY10/11				FY 11/12
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
ARPU as previously reported	£469	£492	£503	£508	£514	£541	£544	£539	£543
Impact of Standalone Home Communications ¹	-	-	-	-	-	(£1)	(£3)	(£5)	(£7)
Benefit of zero-VAT magazine related income ²	(£3)	(£3)	(£4)	(£4)	(£4)	(£4)	(£4)	(£3)	(£1)
Elimination of timing difference related to magazine closure ³	-	-	-	-	-	-	-	£7	-
ARPU	£466	£489	£499	£504	£510	£536	£537	£538	£535

1. We have restated ARPU to include standalone home communications customers, of which there were 158,000 at the end of September.

2. We previously recognised the benefit arising from the zero rated VAT treatment on a small portion of customer revenue attributable to the Sky magazine. Following closure of the magazine we have restated the comparatives to present on a like for like basis.

3. Following our decision to close the Sky customer magazine, a one-off timing upside was reversed which related to revenue recognition of the magazine element of subscription revenue. This equated to a £7 reduction to ARPU in Q4 2011.

Use of measures not defined under IFRS

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

Forward looking statements

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

Although the Company believes that the expectations reflected in such forward looking statements are reasonable, these statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward looking statements. Information on the significant risks and uncertainties are described in the "Principal risks and uncertainties" section of Sky's Annual Report for the full year ended 30 June 2010 (as updated in Sky's results for the six months ended 31 December 2010). Copies of the Annual Report and 31 December 2010 results are available from the British Sky Broadcasting Group plc web page at www.sky.com/corporate.

All forward looking statements in this document are based on information known to the Group on the date hereof. The Group undertakes no obligation publicly to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Appendix 1 - Glossary

Useful definitions	Description
Adjusted earnings per share (EPS)	Adjusted profit for the period divided by the weighted average number of ordinary shares during the period.
Adjusted operating profit and margin	Operating profit excluding exceptional items. Adjusted operating margin is stated as a percentage of adjusted revenue.
Adjusted profit for the period	Profit for the period adjusted to remove exceptional items and related tax effects.
ARPU	Average Revenue Per User: the amount spent by the Group's residential customers in the quarter, divided by the average number of residential customers in the quarter, annualised.
Churn	The number of total customers over a given period that terminate their subscription in its entirety, net of former customers who reinstated their subscription in that period (where such reinstatement is within a 12 month period of the termination of their original subscription), expressed as an annualised percentage of total average customers for the period.
DSL	Digital Subscriber Line.
DTH	Direct-to-Home: the transmission of satellite services and functionality with reception through a mini dish. "DTH customer" means a subscriber to one or more of our retailed packages of television channels made available via DTH.
EBITDA	Earnings before joint ventures, interest, profit on disposal of available-for-sale investments, taxation, depreciation and amortisation is calculated as operating profit before depreciation, amortisation and impairment of property, plant and equipment and intangible assets.
Exceptional Items	Items that arise from events or transactions that fall within the ordinary activities of the Group, but which management believes should be separately identified to help explain underlying performance.
Free cash flow	The amount of cash generated by Sky after meeting obligations for interest and tax, after all capital expenditure and net cash flows relating to joint ventures and associates.
HD	High Definition television.
LLU	Local Loop Unbundling: a process by which BT's exchange lines are physically disconnected from BT's network and connected to other operators' networks. This enables operators other than BT to use the BT local loop to provide services to customers.
MPF	Metallic Path Facilities which occur where a single communications provider uses the local loop to provide both broadband and voice services over its network.
Multiroom	Installation of an additional set-top box in the household of a DTH customer.
Net debt	Borrowings net of cash and cash-equivalents, short-term deposits, and borrowings related derivative financial instruments.
SMPF	Shared Metallic Path Facility.
Sky by Wire	Sky's retailed packages of premium Sky Channels made available on third party operators' DSL and fibre platforms.
Sky Player	Sky's retailed packages of television channels and on demand content made available via a broadband connection and our Sky Player platform.
Sky Mobile	Sky's retailed packages of television channels made available to mobile devices via a wireless or 3G connection and our Sky Mobile TV platform.
Sky ⁺	Sky's fully-integrated Personal Video Recorder (PVR) and satellite decoder. This includes Sky ⁺ HD decoders.
Standalone home communications	Sky's retailed packages of broadband, talk and line rental when taken without a television subscription package.
TV customer	A subscriber to one or more of our DTH, Sky by Wire, Sky Player, or Sky Mobile TV services.
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 2011

		2011/12	2010/11
		Three months ended	Three months ended
		30 September	30 September
		£m	£m
	Notes	(unaudited)	(unaudited)
Continuing operations			
Revenue	1	1,657	1,526
Operating expense	2	(1,330)	(1,278)
EBITDA		413	328
Depreciation and Amortisation		(86)	(80)
Operating profit		327	248
Share of results of joint ventures and associates		7	7
Investment income		4	2
Finance costs		(31)	(27)
Profit before tax		307	230
Taxation		(82)	(48)
Profit for the period from continuing operations		225	182
Discontinued operations			
Profit for the period from discontinued operations	3	-	46
Profit for the period		225	228
Earnings per share from profit for the period (in pence)			
Basic			
Continuing operations		12.9p	10.5p
Discontinued operations		-	2.6p
Total		12.9p	13.1p
Diluted			
Continuing operations		12.8p	10.4p
Discontinued operations		-	2.6p
Total		12.8p	13.0p
Adjusted earnings per share from adjusted profit for the period from continuing operations (in pence)			
Basic	4	11.6p	9.7p
Diluted	4	11.5p	9.6p

Notes:**1 Revenue**

	2011/12	2010/11
	Three months	Three months
	ended	ended
	30 September	30 September
	£m	£m
	(unaudited)	(unaudited)
Continuing operations		
Retail subscription	1,368	1,278
Wholesale subscription	83	68
Advertising	105	102
Installation, hardware and service	24	30
Other	77	48
	1,657	1,526

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

2 Operating expense

	2011/12	2010/11
	Three months	Three months
	ended	ended
	30 September	30 September
	£m	£m
	(unaudited)	(unaudited)
Continuing operations		
Programming	535	482
Direct networks	162	129
Transmission, technology and fixed networks	100	91
Marketing	270	302
Subscriber management and supply chain	161	142
Administration	102	132
	1,330	1,278

3 Discontinued operations

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

Easynet represented a separate major line of business for the Group. As a result its operations were treated as discontinued for the 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.

4 Earnings per share

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

	2011/12 Three months ended 30 September Millions of shares	2010/11 Three months ended 30 September Millions of shares
Ordinary shares	1,753	1,753
ESOP trust ordinary shares	(12)	(8)
Basic shares	1,741	1,745
Dilutive ordinary shares from share options	15	10
Diluted shares	1,756	1,755

Basic and diluted earnings per share are calculated by dividing profit for the period into the weighted average number of shares for the period. In order to provide a measure of underlying performance, management have chosen to present an adjusted profit for the period which excludes items that may distort comparability. Such items arise from events or transactions that fall within the ordinary activities of the Group but which management believes should be separately identified to help explain underlying performance.

	2011/12 Three months ended 30 September £m (unaudited)	2010/11 Three months ended 30 September £m (unaudited)
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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	225	182
(Net recovery of) costs in relation to News Corp proposal	(32)	2
Living TV restructuring costs	-	5
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness	(1)	(5)
Tax credit on settlement of liability	-	(15)
Tax effect of above items	10	-
Adjusted profit for the period from continuing operations	202	169

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 2011

	2011/12 Three months ended 30 September £m	2010/11 Three months ended 30 September £m
Operating profit	327	248
(Net recovery of) costs in relation to News Corp proposal	(32)	2
Living TV restructuring costs	-	5
Adjusted EBITDA	381	335
Depreciation and amortisation	(86)	(80)
Adjusted operating profit	295	255

Reconciliation of cash generated from operations to adjusted free cash flow for the three months ended 30 September 2011

	2011/12 Three months ended 30 September £m	2010/11 Three months ended 30 September £m
Cash generated from operations	348	217
Interest received	4	2
Taxation paid	(73)	(45)
Dividends received from joint ventures and associates	4	4
Net funding to joint ventures and associates	(1)	-
Purchase of property, plant and equipment	(125)	(101)
Interest paid	(14)	(12)
Free cash flow	143	65
(Net recovery of) costs in relation to News Corp proposal	(22)	-
Recovery of import duty on set-top boxes (after corporation tax)	(25)	-
Costs relating to restructuring exercise	-	4
Adjusted free cash flow	96	69