



SKY PLC
Unaudited results for the nine months to 31 March 2017

Strong execution of our strategy; good growth in all markets

- 11% increase in revenue to £9.6 billion

9 months to 31-March-17	Reported revenue	Reported growth	Reported growth	At constant currency
UK & Ireland	£6,410m	+£249m	+4%	+4%
Germany & Austria	£1,382m	+£303m	+28%	+10%
Italy	£1,849m	+£374m	+25%	+7%
Group	£9,641m	+£926m	+11%	+5%

- Over 100,000 new customers joined Sky in Q3; added 769,000 in the last year to 22.4 million customers
- Good financial performance; adjusted Group EBITDA of £1.5 billion; adjusted Group operating profit of £1.0 billion
- Strong year on year profit growth in Italy (+£64 million) and Germany & Austria (+£43 million)
- Continued progress on cost efficiency with operating costs down 1%
- HBO and Sky announce a \$250 million multi-year production partnership
- Business remains on track for the full year

Jeremy Darroch, Group Chief Executive, commented:

“It’s been another strong quarter for Sky, despite this being our seasonally quietest period. We continue to perform well, attracting another 106,000 customers across the Group in the quarter, taking growth to 769,000 over the last 12 months. We have delivered strong revenue growth of 11% and are on track financially with operating profit for the nine months exceeding £1 billion.

“We’ve made good progress on the growth plans that we laid out. We launched Sky Mobile to create a substantial new source of revenue and profits. We have continued to improve the customer experience with further enhancements to our Sky Q and Sky+ platforms as well as the launch of our digital customer service via the My Sky app. We have concluded a number of long term rights renewals and are announcing today a major new multi-year co-production deal with HBO, as well as a ground breaking virtual reality experience in partnership with Sir David Attenborough and the Natural History Museum.

“Looking forward, we enter the final quarter of our fiscal year in good shape. Despite the broader consumer environment remaining uncertain, we continue to deliver on our strategy and are on track for the full year. “



OPERATING REVIEW

Group

We have continued to make good progress on our plans: to grow revenues and profits and create sustainable long-term value for shareholders, investing to expand into new markets, opening up new customer segments and develop more products and services. This approach is working well as reflected in our strong operating and financial performance for the year to date.

Group revenues increased 11% to £9,641 million in the first nine months of the year (“the period”). We benefited from the stronger Euro whilst, even on a constant currency basis, our revenues were up 5% in line with our guidance and showing good growth across all territories.

In a year in which we are absorbing significantly higher programming costs, we continue to make further progress on our efficiency plans, with operating costs down a further 1%. As a result, we were able to deliver operating profit of £1,013 million in the period, only £129 million lower than the prior year despite additional Premier League costs of £494 million, investment in Sky Q and Sky Mobile, and a weaker UK advertising market. This shows the strong underlying progress we are making and as part of this Germany and Austria and Italy each grew strongly, together delivering a year-on-year growth in operating profit of over £100 million.

Across the last year, we have continued to attract new customers to our service in all our markets, adding 769,000 new customers, including growth of 106,000 this quarter, and taking our total customer base to 22.4 million households.

It has also been a good quarter on screen, reflecting our continued investment in the customer viewing experience. Our reach increased by 4% and we are now regularly reaching over 100 million viewers across Europe. Within this, Sky Atlantic audiences grew 5% across all territories, MasterChef became the most watched Sky Original programme ever both in Italy and Germany, and viewing increased for Bundesliga, Serie A and the English Football League, while Premier League audiences have continued to improve since the beginning of the season and are up year-on-year in Q3.

UK & Ireland

In the UK and Ireland we had a solid quarter, growing customers, products and revenues, despite the more challenging environment facing most consumer businesses during the first quarter of the new calendar year.

UK revenues increased by 4% to £6,410 million driven by customer growth of 338,000 over the last year, the benefit of our June 2016 TV price change and growth in transactional and programme and channel sales revenues. We estimate that the UK advertising market was down around 8% in the first quarter of the 2017 calendar year and down around 4% fiscal year to date. Against this backdrop our own business continued to outperform the market, with our advertising revenues only down 3% year to date, driven



by the quality of our audiences and the track record of innovation in advertising formats. Our UK EBITDA for the period was £1,245 million and UK operating profit was £918 million.

As at 31 March, we had 12.7 million customers and we added 40,000 new customers this quarter. Churn was stable on the prior quarter despite communicating a 2017 Broadband and Telephony price change to customers and, as outlined at our Half Year results, we have a strong set of plans in place to reduce churn over the balance of the year.

We launched our new My Sky digital service, a key early step in our journey to digital-only customer interaction and management. Central to this is our new app, which has been downloaded by 1.2 million customers in just two months and next quarter will be extended to include digital messaging.

Whilst it is early days we are pleased with the initial response to our entry into the UK mobile market, with our operations running smoothly. Following our SIM-only launch in January we launched our innovative handset proposition at the end of the quarter, which allows customers to upgrade their device annually and included the UK's lowest price for the new Samsung Galaxy S8.

Other UK highlights from the quarter include:

- Sky Q is now in over 1 million customer homes
- Major long term rights renewals secured with UKTV, Discovery, A+E Networks and NBCUniversal
- 50% increase in Fibre penetration to 24%
- Led Ofcom service league table for fourth consecutive quarter across pay-TV, fixed line telephony and broadband

Germany and Austria

It has been a strong quarter in Germany and Austria, as the benefit of strategies put in place since the acquisition materialise. We added customers, increased our viewing by 7%, grew total revenues by 10%, and achieved our first ever operating profit at the nine-month stage. In the first full quarter since its launch, we are very pleased with the performance of Sky 1, already our most popular German entertainment channel by reach.

Revenues increased by 10% to £1,382 million driven by strong growth in customers and our highest ever level of advertising revenues. Despite investment in programming and marketing, EBITDA increased to £78 million (up 117%), and operating profit increased by £43 million to £4 million.

We closed the quarter with 4.9 million customers, up 363,000 on the prior year and with growth of 73,000 new customers in the quarter.

Other highlights from the quarter include:

- Major long term rights renewals secured with A+E Networks and NBCUniversal



- 77% growth in connected customers year-on-year to 1.7 million
- Over 2 million customers tuned in to the first series of Masterchef Germany on Sky 1
- New sales agreement with Mobilcom-debitel

Italy

As part of a strong nine months, we have recorded our fastest rate of revenue growth in Italy for eight years with operating profit of £91 million; over three times higher than prior year.

Revenues increased by 7% to £1,849 million reflecting our larger customer base and good growth in advertising revenues as well as the sale of programming to third parties, which included the re-sale of the Rio Olympic television rights. EBITDA increased to £202 million (up 44%) and operating profit increased to £91 million (up 237%).

As at 31 March, we had 4.8 million customers, up 68,000 on the prior year. However new customer demand was relatively subdued in Q3 reflecting both a decline in Telecom Italia customers as a result of our contractual dispute and the impact on new sales from the ongoing uncertain economic environment in the country. This resulted in a decline in customers of 7,000 in the third quarter.

Other highlights from the quarter include:

- Loyalty programme membership over 2 million customers
- Sky Go Extra attracted around 310,000 customers since launching six months ago
- Latest series of Masterchef achieved record audiences of 2.5 million viewers
- 15% growth in connected customers year-on-year to 2.4 million

GROUP FINANCIAL PERFORMANCE

Unless otherwise stated, all growth rates and comparative amounts are presented below on an adjusted and constant currency basis using current period exchange rates. The financial results of Italy and Germany and Austria are translated into sterling at a constant currency rate of €1.16: £1, being the average for the nine months to 31 March 2017. For a reconciliation to amounts at actual exchange rates see page 7.

Revenue

Group revenue grew by 5%, or £492 million, to £9,641 million (2016: £9,149 million).

Subscription revenue grew by 4% to £8,125 million. Over the past twelve months we've added 769,000 retail customers and grown paid-for products strongly whilst subscription revenues also benefitted from the prior year's UK TV price increase in June 2016.



Weak consumer markets in the UK and Italy have resulted in tougher advertising markets in calendar 2017. In spite of this, our advertising revenue was up 4% to £613 million, boosted by the strong performance of our TV8 free-to-air channel in Italy, greater reach of our wholly-owned channels through customer growth in Germany, and Sky Adsmart in the UK.

Transactional revenue increased by 10% to £162 million, whilst we saw excellent revenue growth from our programme and channel sales, up 20% to £578 million. This reflects higher sales of our premium channels (sports and movies) on our wholesale partners' platforms and rate increases, as well as growth in international programme sales of our original commissions through Sky Vision.

Costs

Total costs grew by 8% to £8,628 million, slightly ahead of revenue growth as we absorbed significantly higher programming costs resulting from the £494 million year to date step-up in the new three-year Premier League contract. Excluding this, total costs increased by only 2%, well below the rate of revenue growth. Despite the substantial investment in rolling out Sky Q in the UK and Sky+ Pro in Germany, as well as the first time costs associated with the launch of Sky Mobile, SG&A costs reduced in absolute terms by 1% reflecting the strong progress we have made driving efficiencies through the business as well as the benefit from capitalising Sky Q boxes.

Profit

Further good progress in revenue growth and efficiency savings this year have substantially offset the majority of the increase in Premier League costs (£494 million). As a result EBITDA only decreased by 6% to £1,525 million (2016: £1,625 million) and operating profit by 11% to £1,013 million (2016: £1,142 million).

Adjusting items

Statutory operating profit for the period of £703 million (2016: £802 million) is after the deduction of operating expenses of £310 million (2016: £341 million) principally comprising the costs of integrating Sky Italia and Sky Deutschland in the enlarged group, the costs of a corporate efficiency and restructuring programme, and the ongoing amortisation of acquired intangibles of £193 million (2016: £256 million).

Net debt

Net debt as at 31 March 2017 reduced to £7.2 billion (31 December 2016: £7.3 billion) and comprised €7.4 billion Euro debt, £2.2 billion sterling debt, net of £1.4 billion of cash.

Strong operating cash generation of £360 million in the third quarter was partially offset by approximately £83 million of interest, tax and joint ventures funding and £70 million of non-recurring capital expenditure on UK Campus and integration.



On the basis of average exchange rates (as used in the group's banking covenant) the ratio of net debt to EBITDA at 31 March 2017 was approximately 3.1 times, in-line with the ratio as at 31 December 2016. On the basis of spot exchange rates at the end of the period, our net debt to EBITDA ratio was 3.4 times, again unchanged from the ratio at 31 December 2016.

CORPORATE

On 15 December 2016, the Board of 21st Century Fox and an Independent Committee of the Board of Sky announced that they had reached agreement on the terms of a recommended pre-conditional cash offer by 21st Century Fox for the fully diluted share capital of Sky which 21st Century Fox and its affiliates do not already own. The offer, which is intended to be effected by a scheme of arrangement, is subject to the satisfaction or waiver of certain pre-conditions, principally being regulatory clearances.

The European Commission issued its clearance of the transaction on 7 April. Clearance has also been received from the Jersey Competition Authority, in addition to media clearances in Italy, Germany and Austria.

On 16 March 2017, the UK Secretary of State for Culture, Media and Sport issued a European Intervention Notice in relation to the proposed merger, requesting reports on the bid from the regulator Ofcom and the Competition Markets Authority with, in each case, a deadline of 16 May to respond.

For further details of the offer and its terms, please refer to our website (www.sky.com/corporate).



GROUP FINANCIAL PERFORMANCE

	9 months to 31 Mar 2017	9 months to 31 Mar 2016 at constant exchange rates	Foreign exchange impact	9 months to 31 Mar 2016 at actual exchange rates	Reported growth	Growth at constant exchange rates
Revenue	£9,641m	£9,149m	(£434m)	£8,715m	+£926m	+5%
UK & Ireland	£6,410m	£6,161m	-	£6,161m	+£249m	+4%
Germany & Austria	£1,382m	£1,262m	(£183m)	£1,079m	+£303m	+10%
Italy	£1,849m	£1,726m	(£251m)	£1,475m	+£374m	+7%
Operating Profit	£1,013m	£1,142m	£1m	£1,143m	(£130m)	(11%)
UK & Ireland	£918m	£1,154m	-	£1,154m	(£236m)	(20%)
Germany & Austria	£4m	(£39m)	£6m	(£33m)	+£37m	N.M.
Italy	£91m	£27m	(£5m)	£22m	+£69m	+237%

GROUP OPERATIONAL SUMMARY

('000)	As at 31 Mar 2017	As at 31 Dec 2016	As at 31 Mar 2016
UK & Ireland	12,691	12,651	12,353
Germany & Austria	4,930	4,857	4,567
Italy	4,802	4,809	4,734
Retail customers	22,423	22,317	21,654



Enquiries:

Analysts/Investors:

Rob Kingston

Tel: 020 7032 3726

Andrew Gillian

Tel: 020 7032 1762

E-mail: investor-relations@sky.uk

Press:

Gavin Davis

Tel: 020 7032 7115

E-mail: SkyPress@sky.uk

There will be a conference call for analysts and investors at 08:30 a.m. (BST). Participants should register by contacting Charlotte Fox on +44 20 7251 3801 or at Charlotte.Fox@Finsbury.com. There will be a separate conference call for US analysts and investors at 10.00 a.m. (EDT). To register for this please contact Dana Diver at Taylor Rafferty on +1 212 889 4350. Alternatively you may register online at <http://www.invite-taylor-rafferty.com/sky/2017Q3/Default.htm>. Both conference calls will be live via the Sky website at <http://www.sky.com/corporate>. Replays will subsequently be available.

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, NOW TV, Sky Ticket, Sky Go, Sky Go Extra, Sky+ HD, Sky Store, Sky Online, Sky mobile, Multiscreen 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, synergies and integration, and capital expenditure.

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 2016 (as updated in Sky's results for the six months ended 31 December 2016). Copies of the Annual Report are available from the Sky plc web page at www.sky.com/corporate and in hard copy from the Company Secretary, Sky plc, Grant Way, Isleworth, Middlesex TW7 5QD.

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.

Footnote

Results are presented throughout on an adjusted basis. Adjusted results exclude items that may distort comparability in order to provide a measure of underlying performance. 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.



APPENDIX: CONTENT HIGHLIGHTS COMING UP ON SKY BETWEEN 1 APRIL AND 30 JUNE 2017

sky 1 sky UNO

Jamestown*	Italia's Got Talent (series 3)*	You, Me and the Apocalypse*
Mickey Flanagan: Thinking Aloud*	Xavier's Wunschkonzert Live *	Celebrity MasterChef Italy*
Inside the Freemasons*	Doctor Doctor	Edicola Fiore*

sky ATLANTIC

Guerrilla*	Big Little Lies	Twin Peaks (series 3)
Riviera*	The Trip to Spain*	Billions (series 2)
Veep (series 6)	House of Cards (series 5)	1993
Silicon Valley (series 4)	Versailles	House of Lies (series 4 - 5)
Fargo (series 3)	The Break	In Treatment (series 3)*
Public Enemy	The Leftovers (series 3)	Taboo

sky SPORTS

Football: Premier League	Football: Bundesliga	Moto GP
Golf: US Open	Football: UEFA Champions League	Football: Serie A and Serie B
Cricket: England Internationals	Rugby: British and Irish Lions Tour	Basketball : Italian Championship
Golf: Players Championship	Tennis: Wimbledon	Formula 1:
Tennis: ATP Tour	Handball: EHF Champions League Final 4	Beach Volleyball: Smart Beach Tour

sky CINEMA

Suicide Squad	X-Men: Apocalypse	Piuma*
Jason Bourne	Captain America: Civil War	Heidi
Sausage Party	Pets	The Magnificent Seven
The Legend of Tarzan	Independence Day: Resurgence	Alice Through The Looking Glass
War Dogs	Ice Age - Kollision Vorauss!	Fack ju Göhte 2

sky LIVING sky ARTS

Brian Johnson's A Life on the Road With...*	Isle of Wight Festival 2017	Master of Photography (series 2)*
Art in the City*	Sette Meraviglie (series 4)*	De.Sign (series 5)*
Nashville (series 5)	Book Lovers (series 2)	MURO (street art) series 2*

* Sky original programme