Results for the twelve months ended 30 June 2017

STRONG YEAR DELIVERING ON OUR GROWTH STRATEGY

- 10% increase in revenue on a comparable 52 week basis to £12.9 billion; 5% growth at constant currency[(1)]
- EBITDA of £2,139 million; operating profit of £1,468 million, down only £97 million after absorbing £629 million of Premier League costs
- Earnings per share of 61.4 pence, 3% lower
- Return to profit growth in Q4, operating profit up 8% to £455 million, EPS up 19%
- Statutory results: 8% revenue growth, operating profit of £964 million, EPS of 40.6 pence, up 4%
- 686,000 new customers to 22.5 million, with 77,000 in Q4; reached 5 million milestone in Germany in July
- Excellent year on screen with over 100 million viewers across Europe and a record number of Sky Originals on air including *Riviera*, our most popular premiere series to date
- Partner of choice for the best content providers with significant new rights acquired across all markets
- Innovation continuing to deliver for customers with Sky Q in over 1 million UK homes and newly launched Sky+Pro in Germany & Austria reaching 460,000 homes
- Expanding into new markets and building new revenue streams with the launch of Sky Mobile achieving high single-digit share of sales in June
- Strong set of growth plans for 2017/18

Jeremy Darroch, Group Chief Executive, commented:

"Sky's growth and development has continued to be strong in 2017. We have driven a 10% increase in revenue on a comparable 52 week basis to £12.9 billion despite market headwinds. Operating profit is excellent, down £97 million despite additional Premier League costs and investment in new businesses, with particularly strong results in Germany & Austria and Italy where operating profit increased by £115 million. As we exit a year of investment, we returned to profit growth in the fourth quarter with operating profit up 8% and EPS up 19%.

Looking ahead we have a strong set of growth plans for the year. We will be increasing investment in Sky originals by 25% as we build on our track record for producing world-class entertainment. We will make the customer experience ever better as we roll out Sky Q to Italy, Germany and Austria while also launching Sky Q without the need for a satellite dish. We are creating 300 new technology roles to further enhance our capability to deploy in and out-of-home streaming platforms. Sky Mobile will continue to scale up as we take advantage of the headroom in our customer base and offer our customers more Sky products. Loyalty will be recognised and rewarded through a new tenure-based loyalty programme in the UK, building on the outstanding success of a similar programme in Italy. We will continue to identify opportunities to reach new customers through the recently launched new portfolio of channels and pricing to drive growth in Sky Sports UK and we intend to launch a simple and affordable OTT service in Spain. We will do all this while continuing to execute against our operating efficiency plans.

We enter 17/18 in a strong position with significant growth potential. Despite the broader consumer environment remaining uncertain, we are confident of delivering on the plans we've laid out as we continue to give our customers the best content, great products and industry leading service."

Results highlights

(£m)	12 months to 30 Jun 17	12 months to 30 Jun 16 *Like-for-like*	Growth *Like-for-like*	53rd Week *Constant currency*	Foreign exchange impact	12 months to 30 Jun 16 *Actual exchange rates*
Adjusted Results						
Revenue(1)	**12,916**	**12,317**	**+5%**	**182**	**-534**	**11,965**
UK and Ireland	8,600	8,255	+4%	116	-	8,371
Germany and Austria	1,858	1,708	+9%	28	-224	1,512
Italy	2,458	2,354	+4%	38	-310	2,082
EBITDA	**2,139**	**2,214**	**-3%**		**-36**	**2,178**
UK and Ireland	1,743	1,910	-9%		-	1,910
Germany and Austria	142	92	+54%		-10	82
Italy	254	212	+20%		-26	186
Operating Profit	**1,468**	**1,565**	**-6%**		**-7**	**1,558**
UK and Ireland	1,292	1,504	-14%		-	1,504
Germany and Austria	40	4	+900%		-	4
Italy	136	57	+139%		-7	50

Unless otherwise stated, results are presented throughout on an adjusted, constant currency basis. The constant currency exchange rate used for translating the financial results of Italy and Germany and Austria into sterling is €1.16:£1, being the average rate for the current year (2016: €1.34:£1).

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. For a reconciliation of statutory to adjusted results see Appendix 2.

(1)Like-for-like revenue excludes the impact of the 53rd week in the prior year and is on an adjusted, constant currency basis. Like-for-like revenue growth at actual exchange rates is 10% (£12,916m versus £11,965m less £174m).

Statutory results

(£m)	12 months to 30 Jun 17	12 months to 30 Jun 16 *Actual exchange rates*	Growth
Revenue	12,916	11,965	+8%
Operating profit	964	977	-1%
Earnings per share (basic)			
Adjusted (p)	61.4	63.1	-3%
Statutory (p)	40.6	39.0	+4%

SUMMARY OF GROUP OPERATIONAL AND FINANCIAL PERFORMANCE

We have made significant progress against our strategic priorities; to grow our revenues and profits while creating sustainable value for shareholders over the medium term by providing the broadest range of the best content for every household, innovating at pace to create the best products, extending our lead as the number one customer service brand in our space, and at the same time expanding into new markets and building new revenue streams, all underpinned by sustained operating cost improvement.

This approach has enabled us to deliver strong results whilst building the business for the future. Group revenue grew like-for-like (excluding the impact of the 53rd week in the prior year) by 10% to £12.9 billion (5% growth at constant currency), despite headwinds in the UK advertising market and pressure on consumer spending across Europe. We delivered an operating profit of £1,468 million, down only 6% or £97 million on the prior year despite additional Premier League costs of £629 million and investment in Sky Mobile (£51 million). Within this, Italy and Germany & Austria grew strongly, together delivering year-on-year growth in operating profit of £115 million. EBITDA was broadly flat if we exclude investment in our new businesses. Furthermore, in the fourth quarter, we returned to Group profit growth with operating profit up 8% and EPS up 19%.

We continue to attract new customers to our services across all our markets and through our ongoing investment in the customer experience, generating even higher customer engagement. At 30 June 2017, we had 22.5 million customers taking almost 60 million products, having added 686,000 new customers and almost 2.7 million products in the last year. In the fourth quarter, we added 77,000 new customers and 333,000 additional products. It was a record year for Sky Store, with more than 18 million transactions driving us to a 34% share of the digital retail ownership market. We increased reach by 2% in Q4 and we now regularly achieve over 100 million viewers across Europe.

Plans for 2017/18

We have a full and ambitious set of plans for the next 12 months. Although the economic backdrop remains uncertain, we continue to focus on giving more quality, choice and value to our customers.

Building on this year's on-screen success means we will continue to broaden our offering, showcasing the best of the US, like the highly-anticipated seventh series of *Game of Thrones*, *Ray Donovan* and the fourth series of *The Affair*. We will also step up our investment in Sky Original productions by 25% and continue to monetise these across our markets as well as sell into territories where we do not operate a direct-to-consumer business. Local dramas such as *Babylon Berlin* in Germany, *Britannia* in the UK and the return of the third season of Italian crime drama *Gomorrah* illustrate our strength in local programming that other SVOD providers cannot match. We are already working on our first major co-production under our new agreement with HBO, a big budget drama documenting the true story behind the Chernobyl disaster, which we will air in 2019. In addition, we will invest to broaden our entertainment offering within each market, for example extending Sky 1 and the entertainment pack more generally in Germany & Austria to further increase consumption.

With an estimated four million sports fans within our UK customer base that don't currently take Sky Sports we have identified a significant new growth opportunity. To meet this demand we recently expanded Sky Sports, with new channels and new pricing, giving our customers an even better experience. The brand-new line-up of ten sports channels includes dedicated channels for Premier League, Football, Cricket, Golf and Formula 1 together with more debate, analysis and behind-the-scenes shows and improved digital platforms. These changes come ahead of the kick-off in August of new football seasons from the Premier League and English Football League and a fantastic line-up this Autumn including the West Indies' cricket tour of England, the culmination of the exciting Formula 1 season, Autumn Internationals in rugby union, and the ATP World Tour tennis finals in London.

We look forward to an exciting new season of German Bundesliga at the start of our new contract, where, in addition to exclusive coverage of the majority of matches in Bundesliga 1, we will also become the exclusive live broadcaster for all matches of the Bundesliga 2 regular season, with an additional exclusive live match on Monday evenings. In Italy the Moto GP season approaches its finale with the exciting prospect of Valentino Rossi winning his tenth title. We also eagerly await the start of the new Serie A season, which for the first time will guarantee qualification for the top four clubs (an increase from the top two) to the following season's UEFA Champions League competition, for which Sky has the exclusive rights.

We have significant plans to further develop and improve the customer viewing experience in each of our territories. Today, we have announced that Sky Soundbox, our brand new all-in-one sound system for use with Sky Q, Sky+ and standalone TVs, will launch later this year to transform the TV sound experience for customers. We will introduce Sky Q into Italy and Germany & Austria later this year and will continue to enhance Sky Q features and functionality. We have a strong pipeline including voice control and greater personalisation, building Sky Q's position as one of the world's leading TV platforms. We will also launch our Sky TV service without the need for a satellite dish, opening up new headroom for growth by giving people who can't or won't have a dish on their property the Sky Q experience.

Building on our position as one of Europe's leading technology companies we are announcing today the creation of 300 new tech roles – representing a 25% increase in our software engineering workforce. The new roles will be split between Milan, Leeds and London under our new innovation centre, Sky Labs. This additional resource will enhance our capability to deploy the market leading in and out-of-home streaming platforms that our customers demand; create brilliantly usable on-screen interfaces; develop enhanced personalization and app-based platforms.

Our loyalty programme in Italy continues to be an outstanding success and we will now export this to our other markets. In the Autumn, we are launching a similar programme in the UK, recognising and rewarding the longevity of our customers in order to build even stronger relationships. Initial trials have been encouraging. Our move to a digital first customer service experience is also progressing well. We have launched new digital service apps in all our markets and we will be looking to accelerate customer take up of these services over the next 12 months.

We will continue to expand our portfolio of growth opportunities, including accelerating the growth of Sky Mobile which launched earlier in 2017. Both our SIM-only and handset propositions have landed well with customers and having initially been focused on building awareness amongst our customer base, we now plan to scale growth.

Our associate, Sky Bet, has continued to experience strong growth since we sold an 80% stake to CVC Capital Partners and, for the 12 months to 31 March 2017, grew revenues by 46% to £488 million. As a result of its strong financial performance, the shareholders have undertaken a review of its capital structure and in June 2017 Sky Bet fully redeemed a Sky vendor loan note amounting to £83 million in cash. In 2017/18, we expect to receive an additional c.£100 million in distribution from a re-capitalisation of the business whilst also retaining our 20% stake.

Having created a high growth business for Sky's shareholders, conservatively realising value in excess of £1 billion, we intend to re-invest some of the latest Sky Bet proceeds to create future value by expanding the footprint of our OTT services, leveraging the success of our existing multi-territory streaming platform and our capability in creating original content. Accordingly, during the first half of our fiscal year, we intend to launch a simple and affordable OTT service in Spain, the Eurozone's fourth largest economy and the market which has the largest free-to-air (FTA) headroom in Europe outside of our existing footprint.

UK and Ireland

In the UK and Ireland our focus has been on maximising the returns on the significant content and product investments we have made over the last few years, as well as delivering broad based revenue growth from new products and services, such as transactional and advertising, alongside pay TV subscription.

These priorities have led to a good financial and operational performance with like-for-like revenue up 4% to £8,600 million - despite the challenging environment facing most UK consumer businesses and the prevailing headwinds in the advertising market - and an operating profit of £1,292 million.

We added 280,000 new customers this year, including 35,000 in Q4, with a further 1.6 million products sold. This included 150,000 new TV products, taking our total TV customer base to over 11.4 million. In addition, we grew penetration of fibre to more than one in four of our broadband customers.

We have bolstered our position as the number one content brand across the key TV genres of entertainment, movies and sports. In entertainment we secured major long term rights agreements with NBCUniversal, Discovery, UKTV and A+E Network. We relaunched Sky Cinema, with a new premiere every day which resonated well with customers. In sports we launched a new sports channel Sky Sports Mix, which has been viewed by around 11 million people and shown 40 different sports since launch, and we secured rights to exclusively broadcast live English domestic and international cricket at home until 2024.

It's been a big year for Sky Originals in the UK. We have delivered more than one million viewers on average per episode for each of our last eight drama productions. On Sky Atlantic, we have set new records with *Riviera* achieving almost 12 million downloads and well over two million viewers so far.

The customer viewing experience continues to improve. Our world-leading Sky Q platform has gained real traction with our customers and is now in over 1 million homes, with around 22% of new customers choosing to pay £12 per month for additional Sky Q multiscreen functionality. We are continually improving Sky Q, releasing great new features like voice search and enhanced personalisation, as well as launching the UK's most comprehensive Ultra HD (UHD) service. Alongside Sky Q sits our OTT offering, NOW TV, which we have enhanced by launching an innovative new NOW TV box, introducing NOW TV Combo, the industry's first contract-free triple play proposition, and in April launching NOW TV in Ireland, where for the first time we have utilised our newly developed group International OTT platform.

We have made further progress in broadening our revenue growth, particularly with the launch of Sky Mobile. Our SIM-only offer went live in January, followed by the launch of our innovative handset proposition and a full above-the-line marketing campaign from the end of March. It is still early days but we are pleased with our initial progress; operations have run smoothly and we sold 97,000 SIMs by 30 June, including 74,000 in Q4 achieving a high single-digit market share of customer acquisitions in June.

In addition, we have further grown our Sky Store business, supported by the launch of Box Sets within Sky Store Buy & Keep and Sky Store took 34% of the digital ownership market. Sky Store attracted more than 18 million transactions, helping to drive a 15% increase in revenue from transactional business.

Against the backdrop of a weaker advertising market, we continued to make good progress with our Sky Media business, particularly through advanced advertising and our targeted advertising platform Sky AdSmart. Channel 5 became the first PSB to use the service, and we launched Sky AdSmart in Ireland, all of which helped our advertising business to outperform the market which we believe was down by 4% this fiscal year. In addition, we further extended the future reach of Sky AdSmart by entering into a targeted advertising partnership with Virgin Media.

On a 12-month rolling basis churn was 11.5%, falling by 10 basis points since March. While churn remains at a level higher than we would like, we have a strong set of plans to address it. We've already seen an excellent response to our customer Christmas gifting campaign and we are now in the process of making our loyalty programme available for all customers in the UK and Ireland. We believe this programme will deliver tangible results by rewarding longevity in order to build even stronger customer relationships, learning from the success of our loyalty programme in Italy.

We also launched our new My Sky digital service, centered upon the My Sky App. In its first six months the app has already been downloaded by almost 2 million customers. All of this is helping to cement our position as the leading customer services brand in our space, having led Ofcom's service league table every quarter this year across pay-TV, fixed line telephony and broadband, and delivering record net-promoter-scores in service.

Germany and Austria

Our performance in Germany and Austria has been very strong this year as we pursue the significant opportunity that exists in Europe's largest TV market. Our focus on broadening the proposition and developing a range of products and services to suit the whole market has driven excellent customer growth. We added 365,000 new customers, including 61,000 in Q4, with total product growth of 732,000.

We significantly broadened our content proposition this year, introducing brand new channels Sky Cinema Family and Sky 1 which quickly became our most watched entertainment channel in Germany and Austria after just seven months, and we took Sky Sports News free-to-air (FTA) to help expand our brand reach. These changes have helped to drive viewing consumption up 25%, with strong growth across all genres. In addition we secured major long term rights renewals with A+E Networks and NBCUniversal, and Champions League pay exclusivity for seasons 2018-21, with a sub-license of some games to Perform group that will help defray a substantial portion of the costs.

As part of the enlarged group we have been able to develop a wide range of products and services this year. We launched our next generation set top box Sky+Pro, which has become our fastest ever product launch in this market and is now in over 460,000 customer homes. We also introduced our brand new OTT streaming service, Sky Ticket, helping to drive growth into the pay-lite segment of the market, with passes sold increasing over 100% between H1 and H2, supported by cooperation agreements with Telefonica and Mobilcom-debitel. We also launched Sky Store in June, entering the €1.5 billion digital retail market in Germany and Austria.

We made good progress improving the digital connectivity of our service. Over a third of our customers are now connected, driving a 28% increase in connected viewing, supported in part by the launch of our Sky Kids App. We also launched our eCare web self-care centre and mobile app in June, two major milestones on our service digitisation journey.

Churn was up year on year at 12.6%, as customers continue to roll off their 24-month contracts and also reflecting a deliberate reduction, in the second half of the year, of discounts available in retention to better balance ARPU and growth going forward. We are already seeing the benefit of this approach with ARPU for customers that re-contracted in the second half of the year up €3 per month compared to those that re-contracted in the first half - an important contributor to future revenue and profit growth.

The strategy to broaden our offer and invest in future opportunities for customers is working. We have delivered like-for-like revenue growth of 9% at constant currency to £1,858 million, including a 29% increase in advertising revenue, while recording an operating profit of £40 million, compared with £4 million in the prior year.

Italy

In a challenging consumer environment, we have successfully grown our customer base and operating profits have reached their highest level for five years. We continue to focus on improving the TV experience for customers, broadening our revenue growth and leveraging our multi-platform strategy.

It has been a great year on screen, with record audiences across sports (International football, Formula 1 and Moto GP) and entertainment (*X Factor and Masterchef*). It's been a strong year for Sky Original drama; *The Young Pope*, became our most successful first series ever in Italy, with average audiences of 1.4 million, while *1993* has also performed strongly. We successfully relaunched our Sky Cinema service in November - making a movie premiere available every day – and established a new Movie distribution business, giving Sky customers even better access to popular Italian films.

We improved the TV experience for customers further with the successful launch of Sky Go Extra, which attracted 400,000 customers in just nine months. Our connected base grew to 51% partly driven by the addition of HD content to Sky On Demand, and in June we launched a brand-new Sky Sports App, with almost one million downloads to date.

We further broadened our revenue growth. Advertising grew 6%, supported by the roll-out of our Sky Adsmart platform together with a 16% growth in our FTA share of viewing, now at 2.9%, with TV8 the fastest growing channel in the Italian FTA segment. In addition programme and channel sales were more than four times higher than in the prior year.

Through the breadth and quality of our customer offer and by leveraging our multi-platform strategy, we have delivered a good financial and operational performance. Like-for-like revenue was up 4% on a constant currency basis to £2,458 million while operating profits reached £136 million. Customer growth was 41,000 and we added 338,000 new products. However in Q4 new customer demand remained subdued, in part impacted by the ongoing dispute with Telecom Italia, with customer numbers declining by 19,000. Churn improved to a record low of 9.1%, down two percentage points, demonstrating the success of our loyalty programme, which has grown to over 2 million members, as well as our customer satisfaction score at its highest level for three years.

GROUP FINANCIAL PERFORMANCE

Unless otherwise stated, all numbers are presented on an adjusted basis for the year ended 30 June 2017. For comparative amounts in the prior year down to operating profit, numbers are translated at a constant currency rate of €1.16:£1 being the average exchange rate prevailing in the twelve months to 30 June 2017, while revenue also excludes the benefit from the 53rd week in the prior year. For a reconciliation to amounts at actual exchange rates see page 2. Full details including prior year comparatives are in Appendix 2.

Revenue

Group revenues grew by more than £1 billion to £12,916 million (2016: £11,791 million at actual exchange rates) with growth in each territory and in each category (growth of £599 million excluding currency impact). UK and Ireland revenue was up 4%, or £345 million, to £8,600 million driven by a higher customer base, increased product take-up including Sky Fibre, Sky Q and Sky Mobile and the impact of pricing taken in the year. This was despite weakness in the UK advertising market which we estimate was down 4% for the year as a whole, including a peak of 8% lower in the third quarter. Revenue in Germany grew 9%, or £150 million, to £1,858 million behind good customer and product growth and a strong increase in advertising. In Italy, revenue increased by 4%, or £104 million, to £2,458 million reflecting higher average customers, more product penetration and increased advertising from our FTA channels and On Demand content.

Costs

Total costs grew by 5%, significantly impacted by the one-time step up in the new three year Premier League contract as well as costs incurred to launch Sky Mobile and the costs of rolling out Sky Q and Sky+ Pro to customers in the UK and Germany. This was partially offset by continued excellent progress in operating efficiency.

We continue to invest on screen for customers, with programming costs up by £698 million. This includes the £629 million increase in the new Premier League deal and seasonal sports events such as the biennial Ryder Cup which we exclusively broadcast in each market and the quadrennial British and Irish Lions tour in the UK. In addition, we continued to invest in Entertainment content with our best ever year of Sky Originals combined with a strong slate of acquired series from providers such as HBO and Showtime.

Direct network costs increased by 3%, below the rate of home communications revenue growth, as we continued to grow the volume of broadband customers and increased fibre penetration to 27% of customer households.

Sales, general and administrative costs were down by £209 million or 5%, whilst reducing by 300 basis points as a percentage of revenue. This reflects the strong progress we have made driving operating efficiency through the business. In the year, we reduced cost through increased set-top-box reliability and repair, deflected 26 million calls to digital channels, reduced more than 10% of non-customer facing roles in the UK as well as the benefit of capitalising rather than fully expensing Sky Q box costs.

As stated in January, we achieved our original run rate synergy target of £200 million six months early in December 2016. Since then we have continued to make good progress towards our £400 million synergy target by the end of 2020 completing a number of projects during the year.

Profit and earnings

Operating profit was down 6% to £1,468 million (2016: £1,565 million including a benefit from a 53rd week). This was as a result of the increase in Premier League costs and investment in Sky Mobile (£51 million), though substantially offset by our strong revenue growth and excellent progress in operating efficiency. Profits in Italy and Germany & Austria were up £79 million (+139%) and £36 million (+900%) respectively.

Adjusting for depreciation and amortisation of £671 million, EBITDA was £2,139 million (2016: £2,214 million).

Tax was £54 million lower at £215 million, at an effective tax rate of 17% (2016: 20%) as we benefitted from a reduction in the corporation tax rate in the UK to 19% and from a lower tax rate on the profits from our own patented technology. We expect the effective tax rate for the current fiscal year to be 18%, subject to a number of factors.

Profit after tax was £1,050 million (2016: £1,077 million), resulting in earnings per share of 61.4 pence (2016: 63.1 pence). The weighted average number of shares, excluding those held by the Employee Share Ownership Plan ('ESOP') for the settlement of employee share awards, was 1,710 million (2016: 1,707 million).

Adjusting items

Statutory operating profit for the year of £964 million (2016: £977 million) is after the deduction of operating expenses of £504 million principally comprising the ongoing amortisation of acquired intangibles of £258 million, the costs of integrating Sky Italia and Sky Deutschland, the costs of corporate efficiency and restructuring programmes, as well as share-based payments and advisory costs associated with the 21st Century Fox offer. See Appendix 2 for a reconciliation of statutory and adjusted numbers.

Net debt and financial position

Net debt as at 30 June 2017 was £6.2 billion (30 June 2016: £6.2 billion), held flat despite adverse non-cash movements of £379 million predominantly on the retranslation of Euro denominated debt into sterling at an exchange rate of €1.14 (30 June 2016: €1.20). Our net debt to EBITDA ratio remains flat at 2.9 times. The Group continues to maintain a strong financial position and has ample headroom to its financial covenants, including excellent liquidity with cash of £2.5 billion as at 30 June 2017 and access to a £1 billion Revolving Credit Facility which remained wholly undrawn throughout the period. The Group expects to redeem from existing cash resources bonds falling due both in October 2017 (£400 million) and February 2018 (£387 million) and thereafter we have a well spread portfolio of debt maturities, with an average maturity of six years.

BIGGER PICTURE

Earlier this year we launched our new environmental campaign, Sky Ocean Rescue, which aims to highlight the poor health of the planet's oceans to millions of people across Europe. The campaign sets out to educate and inspire people to change their behaviour in order to protect our oceans and dramatically reduce the amount of plastic waste produced every day that ends up in the sea. The campaign has reached over 45 million people online and on air to date. More information and details on how to join the campaign are available at www.skyoceanrescue.com.

CORPORATE

On 15 December 2016, the Board of 21st Century Fox and the 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" or the "21st Century Fox Offer"). The Offer, which is intended to be effected by a scheme of arrangement (the "Scheme"), is subject to the satisfaction or waiver of certain pre-conditions, principally being regulatory clearances.

Review of the Offer on public interest grounds by the UK Secretary of State for Digital, Culture, Media and Sport is on-going. Regulatory clearances from all other relevant authorities have now been received.

Under the terms of the Offer, Sky has agreed that it will not pay any dividends during the calendar year 2017. However, should the Scheme not become effective on or before 31 December 2017, shareholders will be entitled to receive a special dividend of 10 pence per Sky share, payable in 2018.

For full disclosure on the impact of the Offer on dividends, please refer to the Recommended Cash Offer announcement released on 15 December 2016 (found at www.sky.com/corporate/investors). For further details of the offer and its terms, please refer to our website (www.sky.com/corporate).

Group KPI Summary (unaudited)

All figures (000) unless stated	FY 13	FY 14	FY 15	FY 16	FY 17	Change
UK and Ireland (£m)	7,018	7,377	7,820	8,255	8,600	+345
Germany and Austria (€m)	1,433	1,657	1,808	1,988	2,162	+174
Italy (€m)	2,817	2,809	2,740	2,739	2,860	+121
Revenue @ constant currency (£m)	**10,670**	**11,215**	**11,728**	**12,317**	**12,916**	**+599**
Revenue @ actual exchange rate (£m)	**10,520**	**11,104**	**11,283**	**11,791**	**12,916**	**+1,125**
UK and Ireland	6%	5%	6%	6%	4%	
Germany and Austria	16%	16%	9%	10%	9%	
Italy	3%	0%	-2%	0%	4%	
Revenue growth @ constant currency	**6%**	**5%**	**5%**	**5%**	**5%**	
UK and Ireland	31,634	34,775	38,036	40,373	41,958	+1,585
Germany and Austria	5,543	6,164	7,133	8,042	8,774	+732
Italy	7,320	8,227	8,614	8,640	8,978	+338
Total products	**44,497**	**49,166**	**53,783**	**57,055**	**59,710**	**+2,655**
UK and Ireland	11,153	11,495	12,001	12,446	12,726	+280
Germany and Austria	3,453	3,813	4,280	4,626	4,991	+365
Italy	4,756	4,725	4,725	4,742	4,783	+41
Retail customers	**19,362**	**20,033**	**21,006**	**21,814**	**22,500**	**+686**
UK and Ireland	3,677	4,041	4,028	3,923	3,492	(431)
Germany and Austria	124	213	146	144	129	(15)
Italy	-	-	-	-	-	-
Wholesale customers	**3,801**	**4,254**	**4,174**	**4,067**	**3,621**	**(446)**
Total customers	**23,163**	**24,287**	**25,180**	**25,881**	**26,121**	**+240**
ARPU						
UK and Ireland (£)	£46	£46	£47	£47	£47	
Germany and Austria (€)	€ 35	€ 36	€ 34	€ 35	€ 34	
Italy (€)	€ 42	€ 43	€ 43	€ 42	€ 42	
Churn						
UK and Ireland	10.7%	10.9%	9.8%	11.2%	11.5%	
Germany and Austria	12.3%	10.4%	8.6%	9.9%	12.6%	
Italy	13.9%	10.3%	9.6%	11.1%	9.1%	

- Revenue at constant currency is translated at €1.164 and excludes the 53rd week impact in FY16.
- Revenue at actual exchange rate excludes the 53rd week impact in FY16.
- Revenue growth is based on local currency revenues for Italy and Germany and constant currency for total revenue and excludes the 53rd week impact in FY16.
- Wholesale customers are defined as customers taking at least one paid-for Sky channel. The customer numbers are as reported to us at the end of June 2017.
- In the UK and Ireland, paid-for products includes TV, Sky+ HD, Multiscreen, Sky Go Extra, Broadband, Line Rental, Telephony, Sky Mobile, Ultra HD and Sky Kids app.
- In Italy, paid-for products includes TV, Multivision and paying HD.
- In Germany and Austria, paid-for products includes TV, Second Smartcard, Premium HD and Mobile TV.
- ARPU is quarterly annualised, residential and presented as a monthly amount.
- Churn is 12 month rolling and includes residential customers only, unless otherwise stated.
- UK revenue excludes impact of Sky Bet and pre-acquisition sales to Sky Italy.
- FY13 and FY14 Revenue numbers for Germany and Austria and Italy are as a pro-forma basis.

Content highlights coming up on Sky over the next six months

sky UNO / sky LIVING / sky 1

A League of Their Own*	Russell Howard*	Stella (series 6)*
Living the Dream*	Bounty Hunters*	Madam Secretary (series 3)
Ballers (series 3)	Dein Wunschkonzert*	Hell's Kitchen Italia (series 4)*
MasterChef (series 2)*	Supernatural (series 12)	The seven ages of Elvis*
X Factor Italia (series 11)*	Shooter (series 2)	The Great Pottery Throw Down (series 2)
Sick Note*	Blindspot	Criminal Minds
Grey's Anatomy	Elementary	

sky ATLANTIC

Britannia*	Gomorra (series 3)*	Babylon Berlin*
I'm Dying Up Here	The Strain	Tin Star*
The Deuce	Divorce (series 2)	Insecure
The Affair (series 4)	Black Sails (series 4)	Animals (series 2)
Vikings (series 4)	Shannara (series 2)	Ray Donovan (series 5)

sky SPORTS

Cricket: England Test	Football: Bundesliga	Basketball: NBA
Formula 1: every race live	Moto GP: every race live	Football: EPL and EFL
NFL: 2017 season	Golf: PGA Championship	Rugby: Autumn Internationals
Football: Serie A and Serie B	Tennis: ATP World Tour	Golf: European Tour
Darts: World Championship	Handball: EHF Champions League	Football: UEFA Champions League in Germany & Austria
Rugby: The Championship		

sky CINEMA

Rogue One: A Star Wars Story	Willkommen bei den Hartmanns	Moana
T2: Trainspotting 2		Split
Beauty and the Beast	Fuga Da Reuma Park	Assassin's Creed
Passengers	Trolls	Monolith*
The BFG	Resident Evil: The Final Chapter	Fast and Furious 8
Doctor Strange		Sully
Storks	Logan	Allied
Get Out	Smurfs:The Lost Village	Guardians of the Galaxy 2

sky ARTS

Landscape Artist of the Year*	Urban Myths (series 2)	Sir Simon Rattle Conducts Wagner and Haydn
Raffaello - il principe delle arti*	Die neue Nationalgalerie	
Dago in the sky*	The Impossible Exhibition*	Vinicio Capossela - In-sanità live
ArtQuake*	Ryuichi Sakamoto: Playing the Orchestra*	Ferrante Fever
Mata Hari		Hansa Studio 1976 - 1990: By the wall*
Muse inquietanti*	Last diva	

*Sky Original Productions

Enquiries:

Analysts/Investors:
Robert Kingston Tel: 020 7032 3726
Andrew Gillian Tel: 020 7032 1762
E-mail: investor-relations@sky.uk

Media:
Gavin Davis Tel: 020 7032 7115
Christopher Westcott
Press office: 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 Eric Ando at Taylor Rafferty on +1 212 889 4350. Alternatively you may register online at http://www.invite-taylor-rafferty.com/ sky/2017FY/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.

Appendix 1 – Consolidated Financial Information

Consolidated Income Statement for the year ended 30 June 2017

	Notes	2017 £m	2016 £m
Revenue	2	**12,916**	11,965
Operating expense	2	**(11,952)**	(10,988)
EBITDA		**1,936**	1,970
Depreciation and amortisation		**(972)**	(993)
Operating profit		**964**	977
Share of results of joint ventures and associates	9	**21**	2
Investment income	3	**22**	17
Finance costs	3	**(204)**	(244)
Profit before tax		**803**	752
Taxation	4	**(112)**	(89)
Profit for the year		**691**	663
Profit (loss) for the year attributable to:			
Equity shareholders of the parent company		**695**	666
Non-controlling interests		**(4)**	(3)
		691	663
Adjusted earnings per share from adjusted profit for the year (in pence)			
Basic	5	**61.4p**	63.1p
Diluted	5	**60.4p**	62.6p
Earnings per share from profit for the year (in pence)			
Basic	5	**40.6p**	39.0p
Diluted	5	**40.0p**	38.7p

Consolidated Statement of Comprehensive Income for the year ended 30 June 2017

	2017 £m	2016 £m
Profit for the year	**691**	663
Other comprehensive income		
Amounts recognised directly in equity that may subsequently be recycled to the income statement		
Gain on revaluation of available-for-sale investments	**-**	1
Gain on cash flow hedges	**31**	699
Tax on cash flow hedges	**(2)**	(138)
Loss on net investment hedges	**(335)**	(897)
Exchange differences on translation of foreign operations	**396**	1,082
Actuarial movements on employee benefit obligations	**1**	(3)
	91	744
Amounts reclassified and reported in the income statement		
Gain on cash flow hedges	**(85)**	(427)
Tax on cash flow hedges	**17**	86
	(68)	(341)
Amounts reclassified and reported in non-financial assets (basis adjustment)		
Gain on cash flow hedges	**(165)**	(31)
Tax on cash flow hedges	**33**	6
	(132)	(25)
Other comprehensive (loss) income for the year (net of tax)	**(109)**	378
Total comprehensive income for the year	**582**	1,041
Total comprehensive income (loss) for the year attributable to:		
Equity shareholders of the parent company	**586**	1,044
Non-controlling interests	**(4)**	(3)
	582	1,041

Consolidated Balance Sheet as at 30 June 2017

	Notes	**2017 £m**	2016 £m
Non-current assets			
Goodwill		**4,930**	4,713
Intangible assets	7	**4,626**	4,446
Property, plant and equipment	8	**2,273**	1,957
Investments in joint ventures and associates	9	**116**	123
Available-for-sale investments	10	**110**	71
Deferred tax assets	11	**302**	245
Programme distribution rights	12	**63**	36
Trade and other receivables	13	**41**	95
Derivative financial assets		**643**	1,022
		13,104	12,708
Current assets			
Inventories	12	**1,113**	990
Trade and other receivables	13	**1,475**	1,349
Current tax assets		**12**	14
Short-term deposits		**300**	-
Cash and cash equivalents		**2,200**	2,137
Derivative financial assets		**234**	212
		5,334	4,702
Total assets		**18,438**	17,410
Current liabilities			
Borrowings	16	**974**	31
Trade and other payables	14	**4,303**	3,902
Current tax liabilities		**146**	162
Provisions	15	**107**	181
Derivative financial liabilities		**20**	50
		5,550	4,326
Non-current liabilities			
Borrowings	16	**8,207**	8,901
Trade and other payables	14	**87**	81
Provisions	15	**83**	94
Derivative financial liabilities		**384**	259
Deferred tax liabilities	11	**280**	308
		9,041	9,643
Total liabilities		**14,591**	13,969
Share capital	18	**860**	860
Share premium		**2,704**	2,704
Reserves		**274**	(117)
Total equity attributable to equity shareholders of the parent company		**3,838**	3,447
Total equity (deficit) attributable to non-controlling interests		**9**	(6)
Total liabilities and equity		**18,438**	17,410

Consolidated Cash Flow Statement for the year ended 30 June 2017

	Notes	**2017** **£m**	2016 £m
Cash flows from operating activities			
Cash generated from operations	19	**2,254**	2,086
Interest received		**15**	10
Taxation paid		**(163)**	(189)
Net cash from operating activities		**2,106**	1,907
Cash flows from investing activities			
Dividends received from joint ventures and associates		**20**	20
Funding to joint ventures and associates		**(9)**	(8)
Repayment of loan from associate		**83**	-
Loan to joint venture		**(14)**	-
Purchase of joint ventures and associates		**(2)**	(1)
Proceeds on disposal of joint ventures and associates		**4**	-
Purchase of property, plant and equipment		**(628)**	(542)
Proceeds on disposal of property, plant and equipment		**1**	3
Purchase of intangible assets		**(546)**	(432)
Purchase of subsidiaries (net of cash and cash equivalents purchased)		**(26)**	(26)
Purchase of available-for-sale investments		**(34)**	(50)
Proceeds on disposal of available-for-sale investments		**2**	16
(Increase) decrease in short-term deposits		**(300)**	1,100
Net cash (used in) from investing activities		**(1,449)**	80
Cash flows from financing activities			
Net proceeds from borrowings		**-**	353
Repayment of borrowings		**(7)**	(432)
Repayment of obligations under finance leases		**(16)**	(18)
Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP")		**15**	10
Purchase of own shares for ESOP		**-**	(200)
Interest paid		**(238)**	(231)
Capital contribution from non-controlling interests		**7**	-
Purchase of non-controlling interests		**-**	(170)
Dividends paid to shareholders of the parent		**(358)**	(564)
Dividends paid to holders of non-controlling interests		**(4)**	(3)
Net cash used in financing activities		**(601)**	(1,255)
Net increase in cash and cash equivalents		**56**	732
Cash and cash equivalents at the beginning of the year		**2,137**	1,378
Effect of foreign exchange rate movements		**7**	27
Cash and cash equivalents at the end of the year		**2,200**	2,137

Consolidated Statement of Changes in Equity for the year ended 30 June 2017

	Attributable to equity shareholders of the parent company								
	Share capital	**Share premium**	**ESOP reserve**	**Hedging reserve**	**Other reserves**	**Retained (deficit) earnings**	**Total share-holders' equity**	**Non-controlling interests**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 July 2015	**860**	**2,704**	**(125)**	**62**	**119**	**(455)**	**3,165**	**59**	**3,224**
Profit (loss) for the year	-	-	-	-	-	666	666	(3)	663
Net investment hedges	-	-	-	-	(897)	-	(897)	-	(897)
Exchange differences on translation of foreign operations	-	-	-	-	1,082	-	1,082	-	1,082
Revaluation of available-for-sale investments	-	-	-	-	1	-	1	-	1
Recognition and transfer of cash flow hedges	-	-	-	241	-	-	241	-	241
Tax on items taken directly to equity	-	-	-	(46)	-	-	(46)	-	(46)
Actuarial movements on employee benefit obligations	-	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**195**	**183**	**666**	**1,044**	**(3)**	**1,041**
Share-based payment	-	-	-	-	-	(88)	(88)	-	(88)
Non-controlling interests arising on purchase of subsidiaries	-	-	-	-	-	-	-	1	1
Dividends	-	-	-	-	-	(564)	(564)	(3)	(567)
Purchase of non-controlling interests	-	-	-	-	-	(110)	(110)	(60)	(170)
At 30 June 2016	**860**	**2,704**	**(125)**	**257**	**302**	**(551)**	**3,447**	**(6)**	**3,441**
Profit (loss) for the year	-	-	-	-	-	695	695	(4)	691
Net investment hedges	-	-	-	-	(335)	-	(335)	-	(335)
Exchange differences on translation of foreign operations	-	-	-	-	396	-	396	-	396
Recognition and transfer of cash flow hedges	-	-	-	(219)	-	-	(219)	-	(219)
Tax on items taken directly to equity	-	-	-	48	-	-	48	-	48
Actuarial movements on employee benefit obligations	-	-	-	-	1	-	1	-	1
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**(171)**	**62**	**695**	**586**	**(4)**	**582**
Share-based payment	-	-	47	-	-	109	156	-	156
Non-controlling interests arising on purchase of subsidiaries	-	-	-	-	-	-	-	23	23
Dividends	-	-	-	-	-	(358)	(358)	(4)	(362)
Tax on items taken directly to equity	-	-	-	-	-	7	7	-	7
At 30 June 2017	**860**	**2,704**	**(78)**	**86**	**364**	**(98)**	**3,838**	**9**	**3,847**

Notes to the consolidated financial statements

1 Basis of Preparation

The financial information set out in this preliminary announcement does not constitute statutory financial statements for the years ended 30 June 2017 or 2016, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2017, on which the Group's auditors have given an unqualified report which does not contain statements under s. 498(2) or (3) of the Companies Act 2006, will be filed with the Registrar of Companies by 31 December 2017. Statutory financial statements for 2016 have been filed with the Registrar of Companies. The Group's auditors have reported on those accounts; their reports were unqualified and did not contain statements under s. 498(2) or (3) of the Companies Act 2006.

Whilst the financial information included in this press release has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and as issued by the International Accounting Standards Board, this announcement does not itself contain sufficient information to comply with IFRS. The consolidated financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the financial statements for the year ended 30 June 2016, except for new accounting pronouncements which have become effective this year, none of which had a material impact on the Group's results or financial position.

The Group maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 2017, this date was 2 July 2017, this being a 52 week year (fiscal year 2016: 3 July 2016, 53 week year). For convenience purposes, the Group continues to date its consolidated financial statements as at 30 June and to refer to the accounting period as a "year" for reporting purposes.

2 Operating Segments

The Group has three reportable segments that are defined by geographic area to reflect how the Group's operations are monitored and managed. The reportable segments presented reflect the Group's management and reporting structure as viewed by the Board of Directors, which is considered to be the Group's chief operating decision maker.

Reportable segment	Description
UK & Ireland	The activities and operations of the pay TV, home communications, mobile and adjacent businesses in the UK and Ireland
Germany & Austria	The activities and operations of the pay TV and adjacent businesses in Germany and Austria
Italy	The activities and operations of the pay TV and adjacent businesses in Italy

Segmental income statement for the year ended 30 June 2017

	UK & Ireland £m	Germany & Austria £m	Italy £m	Adjusting Items & Eliminations £m	Statutory Group Total £m
Subscription	7,113	1,676	2,080	-	10,869
Transactional	168	22	34	-	224
Programme and Channel Sales	698	22	62	(4)	778
Advertising	508	76	242	-	826
Other	117	62	40	-	219
Revenue	**8,604**	**1,858**	**2,458**	**(4)**	**12,916**
Inter-segment revenue	(4)	-	-	4	-
Revenue from external customers	**8,600**	**1,858**	**2,458**	**-**	**12,916**
Programming	(3,649)	(1,039)	(1,495)	(17)	(6,200)
Direct network costs	(964)	-	-	-	(964)
Sales, general and administration	(2,699)	(779)	(827)	(483)	(4,788)
Operating expense	**(7,312)**	**(1,818)**	**(2,322)**	**(500)**	**(11,952)**
EBITDA	**1,743**	**142**	**254**	**(203)**	**1,936**
Depreciation and amortisation	(451)	(102)	(118)	(301)	(972)
Operating profit	**1,292**	**40**	**136**	**(504)**	**964**
Share of results of joint ventures and associates					21
Investment income					22
Finance costs					(204)
Profit before tax					**803**

Segmental income statement for the year ended 30 June 2016

	Results for full year				
	UK & Ireland £m	Germany & Austria £m	Italy £m	Adjusting Items & Eliminations £m	Statutory Group Total £m
Subscription	7,006	1,379	1,800	-	10,185
Transactional	146	18	33	-	197
Programme and Channel Sales	610	21	12	(1)	642
Advertising	524	52	202	-	778
Other	88	42	36	(3)	163
Revenue	**8,374**	**1,512**	**2,083**	**(4)**	**11,965**
Inter-segment revenue	(3)	-	(1)	4	-
Revenue from external customers	**8,371**	**1,512**	**2,082**	**-**	**11,965**
Programming	(3,032)	(881)	(1,250)	(54)	(5,217)
Direct network costs	(939)	-	-	-	(939)
Sales, general and administration	(2,899)	(627)	(783)	(523)	(4,832)
Operating expense	**(6,870)**	**(1,508)**	**(2,033)**	**(577)**	**(10,988)**
EBITDA	**1,910**	**82**	**186**	**(208)**	**1,970**
Depreciation and amortisation	(406)	(78)	(136)	(373)	(993)
Operating profit	**1,504**	**4**	**50**	**(581)**	**977**
Share of results of joint ventures and associates					2
Investment income					17
Finance costs					(244)
Profit before tax					**752**

Results for each segment are presented on an adjusted basis. A reconciliation of statutory to adjusted results is shown in the Non GAAP measures section which also includes a description of the adjusting items.

3 Investment income and finance costs

	2017 £m	2016 £m
Investment income		
Interest on cash, cash equivalents and short-term deposits	**6**	9
Interest on other loans and receivables	**16**	8
	22	17

	2017 £m	2016 £m
Finance costs		
Interest payable and similar charges		
Facility related costs	**(5)**	(6)
Guaranteed Notes	**(233)**	(224)
Finance lease interest	**(7)**	(8)
	(245)	(238)
Other finance income (expense)		
Remeasurement of borrowings and borrowings-related derivative financial instruments (not qualifying for hedge accounting)	**22**	(12)
Remeasurement of other derivative financial instruments (not qualifying for hedge accounting)	**18**	6
(Loss) gain arising on derivatives in a designated fair value hedge accounting relationship	**(47)**	1
Gain (loss) arising on adjustment for hedged item in a designated fair value hedge accounting relationship	**48**	(1)
	41	(6)
	(204)	(244)

4 Taxation

Taxation recognised in the income statement

	2017 £m	2016 £m
Current tax expense		
Current year – UK	**183**	224
Adjustment in respect of prior years – UK	**(34)**	(29)
Current year - Overseas	**16**	19
Adjustment in respect of prior years - Overseas	**(16)**	-
Total current tax charge	**149**	214
Deferred tax expense		
Origination and reversal of temporary differences – UK	**(17)**	5
Adjustment in respect of prior years – UK	**11**	9
Origination and reversal of temporary differences - Overseas	**(31)**	(130)
Adjustment in respect of prior years - Overseas	**-**	(9)
Total deferred tax credit	**(37)**	(125)
Taxation	**112**	89

5 Earnings per share

The weighted average number of shares for the year was:

	2017 Millions of shares	2016 Millions of shares
Ordinary shares	**1,719**	1,719
ESOP trust ordinary shares	**(9)**	(12)
Basic shares	**1,710**	1,707
Dilutive ordinary shares from share options	**29**	14
Diluted shares	**1,739**	1,721

Basic and diluted earnings per share are calculated by dividing the profit for the year attributable to equity shareholders of the parent company by the weighted average number of shares for the year. In order to provide a measure of underlying performance, management has chosen to present an adjusted profit for the year 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.

	2017 £m	2016 £m
Reconciliation from profit for the year attributable to equity shareholders of the parent company to adjusted profit for the year attributable to equity shareholders of the parent company		
Profit for the year attributable to equity shareholders of the parent company	**695**	666
Costs relating to corporate restructuring and efficiency programmes	**140**	142
Costs relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group	**50**	84
Costs relating to share-based payments incurred as a result of the 21st Century Fox Offer	**40**	-
Costs relating to advisory fees associated with the 21st Century Fox Offer	**16**	-
Advisory and transaction fees incurred on the purchase of Sky Deutschland and Sky Italia	**-**	4
Amortisation of acquired intangible assets	**269**	347
Profit on disposal of joint venture (see note 9)	**(8)**	-
Interest income on credit received following an Ofcom determination	**(8)**	-
Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness	**(41)**	14
Tax adjusting items and the tax effect of above items	**(103)**	(180)
Adjusted profit for the year attributable to equity shareholders of the parent company	**1,050**	1,077

6 Dividends

	2017 £m	2016 £m
Dividends declared and paid during the year		
2015 Final dividend paid: 20.50p per ordinary share	**-**	350
2016 Interim dividend paid: 12.55p per ordinary share	**-**	214
2016 Final dividend paid: 20.95p per ordinary share	**358**	-
	358	564

Under the terms of the 21st Century Fox Offer, the Company has agreed with 21st Century Fox that it will not pay any dividends during the calendar year 2017.

7 Intangible assets

	Trademarks	Internally generated intangible assets	Software development (external) and software licences	Customer contracts and related customer relationships	Other intangible assets	Internally generated intangible assets not yet available for use	Acquired intangible assets not yet available for use	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Cost								
At 1 July 2016	546	750	666	3,451	510	148	228	6,299
Additions from business combinations	-	-	-	22	5	-	-	27
Additions	-	135	105	-	72	98	143	553
Disposals	-	(50)	(21)	-	(2)	(8)	-	(81)
Transfers	-	112	92	-	1	(117)	(88)	-
Foreign exchange movements	27	-	12	181	6	-	4	230
At 30 June 2017	**573**	**947**	**854**	**3,654**	**592**	**121**	**287**	**7,028**
Amortisation								
At 1 July 2016	5	385	405	653	405	-	-	1,853
Amortisation	1	137	123	251	76	-	-	588
Disposals	-	(50)	(21)	-	(2)	(8)	-	(81)
Impairments	-	3	6	-	1	8	-	18
Foreign exchange movements	-	-	4	20	-	-	-	24
At 30 June 2017	**6**	**475**	**517**	**924**	**480**	**-**	**-**	**2,402**
Carrying amounts								
At 1 July 2016	541	365	261	2,798	105	148	228	4,446
At 30 June 2017	**567**	**472**	**337**	**2,730**	**112**	**121**	**287**	**4,626**

8 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements £m	Equipment, furniture and fixtures £m	Owned set-top boxes £m	Assets not yet available for use £m	Total £m
Cost						
At 1 July 2016	414	104	1,775	616	481	3,390
Additions	32	13	112	6	503	666
Disposals	(4)	(24)	(66)	(98)	-	(192)
Transfers	210	5	143	387	(745)	-
Foreign exchange movements	1	1	6	23	1	32
At 30 June 2017	**653**	**99**	**1,970**	**934**	**240**	**3,896**
Depreciation						
At 1 July 2016	73	60	1,084	216	-	1,433
Depreciation	12	10	200	125	-	347
Impairments	3	-	-	2	-	5
Disposals	(4)	(24)	(65)	(84)	-	(177)
Foreign exchange movements	-	1	2	12	-	15
At 30 June 2017	**84**	**47**	**1,221**	**271**	**-**	**1,623**
Carrying amounts						
At 1 July 2016	341	44	691	400	481	1,957
At 30 June 2017	**569**	**52**	**749**	**663**	**240**	**2,273**

9 Investments in joint ventures and associates

The movement in joint ventures and associates during the year was as follows:

	2017 £m	2016 £m
Share of net assets		
At 1 July	**123**	133
Movement in net assets		
– Funding	**9**	8
– Dividends received	**(20)**	(20)
– Share of profits[1]	**21**	2
- Acquisition of associates and joint ventures	**2**	1
– Disposal of joint venture	**(19)**	-
– Exchange differences on translation of foreign joint ventures and associates	**-**	(1)
At 30 June	**116**	123

[1] During the year, the Group acquired a controlling interest in Attheraces Holdings Limited, which was previously a joint venture. This was accounted for as a step acquisition; included within share of profits for the year is a profit on disposal of the previously held equity interest of £8 million.

10 Available-for-sale investments

As at 30 June 2017 the Group held £110 million (2016: £71 million) of unlisted investments. These investments consist of minority equity stakes in a number of technology and start-up companies.

During the current year, the Group purchased investments in iflix Limited (£12 million) and Molotov (£3 million). Other principal investments include Fubo TV, Dataxu Inc. and Roku Inc.

11 Deferred tax

Recognised deferred tax assets (liabilities)

	Accelerated tax depreciation £m	Intangibles on business combinations £m	Tax losses £m	Short-term temporary differences £m	Share-based payments temporary differences £m	Financial instruments temporary differences £m	Total £m
At 1 July 2016	(35)	(761)	696	79	28	(70)	(63)
(Charge) credit to income	(14)	46	4	(20)	21	-	37
Credit to equity	-	-	-	-	6	47	53
Acquisition of subsidiaries	-	(4)	1	1	-	-	(2)
Effect of change in tax rate							
- Income	5	(1)	(1)	(2)	(1)	-	-
- Equity	-	-	-	-	-	1	1
Foreign exchange movements	(1)	(40)	40	(1)	(1)	(1)	(4)
At 30 June 2017	**(45)**	**(760)**	**740**	**57**	**53**	**(23)**	**22**

12 Inventories

	2017 £m	2016 £m
Television programme rights	**1,058**	940
Set-top boxes and related equipment	**36**	26
Other inventories	**19**	24
Current inventory	**1,113**	**990**
Non-current programme distribution rights	**63**	36
Total inventory	**1,176**	**1,026**

13 Trade and other receivables

	2017 £m	2016 £m
Net trade receivables	**413**	345
Amounts receivable from joint ventures and associates	**14**	13
Amounts receivable from other related parties	**24**	20
Prepayments	**498**	527
Accrued income	**429**	332
VAT	**2**	2
Other	**95**	110
Current trade and other receivables	**1,475**	**1,349**
Prepayments	**16**	8
Amounts receivable from joint ventures and associates	**15**	77
Other receivables	**10**	10
Non-current trade and other receivables	**41**	**95**
Total trade and other receivables	**1,516**	**1,444**

14 Trade and other payables

	2017 £m	2016 £m
Trade payables	**1,612**	1,421
Amounts owed to joint ventures and associates	**9**	14
Amounts owed to other related parties	**193**	181
VAT	**168**	246
Accruals	**1,607**	1,375
Deferred income	**480**	462
Other payables	**234**	203
Current trade and other payables	**4,303**	**3,902**
Trade payables	**44**	34
Amounts owed to other related parties	**-**	1
Deferred income	**3**	7
Other payables	**40**	39
Non-current trade and other payables	**87**	**81**
Total trade and other payables	**4,390**	**3,983**

15 Provisions

	At 1 July 2016 £m	Reclassified during the year £m	Provided during the year £m	Utilised during the year £m	Foreign exchange movement £m	At 30 June 2017 £m
Current liabilities						
Restructuring provision	29	-	3	(19)	-	**13**
Customer-related provisions	65	-	-	(27)	-	**38**
Other provisions	87	4	17	(54)	2	**56**
	181	4	20	(100)	2	**107**
Non-current liabilities						
Other provisions	61	(4)	22	(32)	2	**49**
Employee benefit obligations	33	-	(1)	(1)	3	**34**
	94	(4)	21	(33)	5	**83**

16 Borrowings

	2017 £m	2016 £m
Current borrowings		
Loan Notes	-	6
Guaranteed Notes	971	-
Obligations under finance leases	3	25
	974	**31**
Non-current borrowings		
Loan Notes	-	1
Guaranteed Notes	8,140	8,839
Obligations under finance leases	67	61
	8,207	**8,901**

As at 30 June 2017, Guaranteed Notes falling due within 12 months have been reclassified from non-current borrowings to current borrowings. These relate to bonds falling due in October 2017 (£400 million) and February 2018 (£387 million).

17 Financial instruments

The following table categorises the Group's financial instruments which are held at fair value into one of three levels to reflect the degree to which observable inputs are used in determining their fair values:

	Level 1		Level 2		Level 3	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016	**30 June 2017**	30 June 2016
	£m	£m	**£m**	£m	**£m**	£m
Financial assets						
Available-for-sale financial assets						
Other investments	**-**	-	**-**	-	**110**	71
Financial assets at fair value through profit or loss						
Interest rate swaps	**-**	-	44	79	**-**	-
Cross-currency swaps	**-**	-	783	744	**-**	-
Forward foreign exchange contracts	**-**	-	50	411	**-**	-
Total	**-**	-	**877**	**1,234**	**110**	**71**
Financial liabilities						
Financial liabilities at fair value through profit or loss						
Interest rate swaps	**-**	-	(4)	(6)	**-**	-
Cross-currency swaps	**-**	-	(353)	(240)	**-**	-
Forward foreign exchange contracts	**-**	-	(40)	(55)	**-**	-
Embedded derivative	**-**	-	(7)	(8)	**-**	-
Total	**-**	-	**(404)**	**(309)**	**-**	**-**

Level 1 fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, including shares in listed entities.

Level 2 fair values measured using inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market source data.

Level 3 fair values measured using inputs for the asset or liability that are not based on observable market data. All of the Group's unlisted available-for-sale financial assets are held at fair value and are categorised as Level 3 in the fair value hierarchy.

18 Share capital

	2017	2016
	£m	£m
Allotted, called-up and fully paid shares of 50p		
1,719,017,230 (2016: 1,719,017,230)	**860**	860

19 Notes to the Consolidated Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	2017 £m	2016 £m
Continuing Operations		
Profit before tax	**803**	752
Depreciation, impairment and losses (profits) on disposal of property, plant and equipment	**366**	356
Amortisation, impairment and losses (profits) on disposal of intangible assets	**606**	637
Share-based payment expense	**147**	100
Investment income	**(22)**	(17)
Finance costs	**204**	244
Share of results of joint ventures and associates	**(21)**	(2)
	2,083	2,070
Increase in trade and other receivables	**(103)**	(204)
Increase in inventories	**(176)**	(2)
Increase in trade and other payables	**278**	137
(Decrease) increase in provisions	**(89)**	83
Increase in derivative financial instruments	**261**	2
Cash generated from operations	**2,254**	2,086

Appendix 2 – Non-GAAP measures

Reconciliation of cash generated from operations to adjusted free cash flow
for the year ended 30 June 2017

	Note	2017 £m	2016 £m
Cash generated from operations	19	**2,254**	2,086
Interest received		**15**	10
Taxation paid		**(163)**	(189)
Dividends received from joint ventures and associates		**20**	20
Funding to joint ventures and associates		**(9)**	(8)
Loan to joint venture		**(14)**	-
Purchase of property, plant and equipment		**(628)**	(542)
Purchase of intangible assets		**(546)**	(432)
Interest paid		**(238)**	(231)
Free cash flow		**691**	714
Cash paid relating to corporate restructuring and efficiency programmes		**114**	40
Cash paid relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group		**15**	32
Cash paid relating to advisory fees associated with the 21st Century Fox Offer		**9**	-
Adjusted free cash flow		**829**	786

Where appropriate amounts above are shown net of applicable corporation tax.

Net debt

	2017 £m	2016 £m
Current borrowings	**974**	31
Non-current borrowings	**8,207**	8,901
Borrowings-related derivative financial instruments	**(470)**	(577)
Gross debt	**8,711**	8,355
Cash and cash equivalents	**(2,200)**	(2,137)
Short-term deposits	**(300)**	-
Net debt	**6,211**	6,218

Consolidated income statement - reconciliation of statutory and adjusted numbers

		2017		
	Notes	Statutory £m	Adjusting Items £m	Adjusted £m
Revenue				
Subscription		**10,869**	**-**	**10,869**
Transactional		**224**	**-**	**224**
Programming and Channel Sales		**778**	**-**	**778**
Advertising		**826**	**-**	**826**
Other		**219**	**-**	**219**
		12,916	**-**	**12,916**
Operating expense				
Programming	A	**(6,200)**	**21**	**(6,179)**
Direct network costs		**(964)**	**-**	**(964)**
Sales, general and administration	B	**(4,788)**	**483**	**(4,305)**
		(11,952)	**504**	**(11,448)**
EBITDA		**1,936**	**203**	**2,139**
Operating profit		**964**	**504**	**1,468**
Share of results of joint ventures and associates	C	**21**	**5**	**26**
Investment income	D	**22**	**(8)**	**14**
Finance costs	E	**(204)**	**(41)**	**(245)**
Profit before tax		**803**	**460**	**1,263**
Taxation	F	**(112)**	**(103)**	**(215)**
Profit for the year		**691**	**357**	**1,048**
Loss attributable to non-controlling interests		**4**	**(2)**	**2**
Profit for the year attributable to equity shareholders of the parent company		**695**	**355**	**1,050**
Earnings per share (basic)		**40.6**	**20.8**	**61.4**

Notes: explanation of adjusting items for the year ended 30 June 2017

A. Costs of £20 million relating to corporate restructuring and efficiency programmes and costs of £1 million relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group
B. Costs of £120 million relating to corporate restructuring and efficiency programmes (including depreciation and amortisation of £13 million), costs of £49 million relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group (including depreciation and amortisation of £30 million), costs of £40 million relating to share-based payments incurred as a result of the 21st Century Fox Offer, costs of £16 million relating to advisory fees associated with the 21st Century Fox Offer, and amortisation of acquired intangible assets of £258 million.
C. Amortisation of acquired intangible assets of £13 million and profit on disposal of joint venture of £8 million
D. Interest income of £8 million on credit received following an Ofcom determination
E. Credit of £41 million relating to the remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.
F. Tax adjusting items and the tax effect of the above items.

Corporate restructuring and efficiency programmes include costs associated with specific programmes that the Group has established in order to achieve reductions in ongoing operating expense. Costs of these programmes include redundancy and relocation costs, consultancy costs, contract exit costs and the impairment or accelerated depreciation of assets that the Group no longer expects to use for their original estimated useful economic life.

Consolidated income statement - reconciliation of statutory and adjusted numbers

		2016		
	Notes	Statutory £m	Adjusting Items £m	Adjusted £m
Revenue				
Subscription		10,185	-	10,185
Transactional		197	-	197
Programme and Channel Sales		642	-	642
Advertising		778	-	778
Other		163	-	163
		11,965	-	11,965
Operating expense				
Programming	A	(5,217)	54	(5,163)
Direct network costs		(939)	-	(939)
Sales, general and administration	B	(4,832)	527	(4,305)
		(10,988)	581	(10,407)
EBITDA		1,970	208	2,178
Operating profit		977	581	1,558
Share of results of joint ventures and associates	C	2	7	9
Investment income		17	-	17
Finance costs	D	(244)	6	(238)
Profit before tax		752	594	1,346
Taxation	E	(89)	(180)	(269)
Profit for the year		663	414	1,077
Loss attributable to non-controlling interests		3	(3)	-
Profit for the year attributable to equity shareholders of the parent company		666	411	1,077
Earnings per share (basic)		39.0p	24.1p	63.1p

Notes: explanation of adjusting items for the year ended 30 June 2016

A. Costs of £28 million relating to corporate restructuring and efficiency programmes, costs of £18 million relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group and costs of £8 million relating to the remeasurement of derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.
B. Advisory and transaction fees of £4 million incurred on the purchase of Sky Deutschland and Sky Italia, costs of £114 million relating to corporate restructuring and efficiency programmes (including depreciation and amortisation of £11 million), costs of £66 million relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group (including depreciation and amortisation of £19 million), and amortisation of acquired intangible assets of £343 million.
C. Amortisation of acquired intangible assets of £7 million.
D. Finance costs of £6 million relating to the remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness.
E. Tax adjusting items and the tax effect of the above items.