



SKY PLC
Unaudited results for the nine months to 31 March 2018

STRONG RESULTS, WELL PLACED FOR THE FUTURE

Strong financial results

- 5% increase in like-for-like revenue to £10.1 billion
- 14% increase in Established Business EBITDA to £1.8 billion; 10% increase in EBITDA to £1.7 billion
- Adjusted operating costs held flat in absolute terms for a third successive year
- Statutory operating profit of £857 million, up 22%

Consistent execution against clear strategy

- Extended Premier League rights in UK to 2022 with more games and at a lower cost
- European partnership agreed with Netflix to bundle full service into brand new Sky TV pack
- Sky Q penetration reached 2.5 million homes across UK, Ireland and Italy
- Commenced next stage in development of Europe's best TV service with Spotify to launch on Sky Q next week
- Significant upgrade started to all services in Germany & Austria and Sky Q rolling out on 2nd May
- Agreed landmark deals in Italy with Mediaset to launch a Sky Pay-TV service over DTT, and with Open Fiber to launch a triple-play service
- Added 480,000 new customers in the last year to 22.9 million; Q3 growth of 38,000

Business remains on track for the full year

Jeremy Darroch, Group Chief Executive, commented:

"It's been a good quarter for Sky. We've delivered excellent financial results, with like-for-like revenues up 5% and Established EBITDA up 14%. Against the back drop of a challenging consumer environment, this performance reflects the continual improvement in our broad set of products and services and our focus on providing great value every single day – something recognised by customers now taking over 62 million subscription products from us and our services reaching over 120 million people across Europe.

Today's results not only demonstrate continued strong execution but also extend our position as Europe's leading direct-to-consumer media business. We're giving more customers the best viewing experience with the further development and roll out of Sky Q, now in millions of homes and launching in Germany & Austria in two weeks' time as part of the ongoing transformation of our business in these markets. Customers can look forward to an even broader choice of entertainment through our pioneering new partnerships with Netflix and Spotify, together with our new Premier League deal which secures the UK rights until 2022. We're continuing to expand the growth opportunity of the business by concluding landmark agreements in Italy with Mediaset to launch a Sky Pay-TV service over DTT for the first time, and with Open Fiber to access their next generation fibre-to-the-home broadband network and launch our own triple-play service in this market.

Looking ahead, we have the right strategy and abilities in place to provide customers with the best content, products and service. Whilst we expect the consumer environment to remain challenging, the business is in good shape and we remain on track for the full year."

GROUP FINANCIAL PERFORMANCE

Results highlights³

(£m)	Nine months to 31 Mar 18	Nine months to 31 Mar 17 <i>Constant currency</i> ²	Growth	Foreign exchange impact	Nine months to 31 Mar 17 <i>Actual exchange rates</i>
Revenue¹	10,144	9,703	+5%	114	9,589
UK and Ireland	6,668	6,410	+4%	-	6,410
Germany and Austria	1,523	1,431	+6%	49	1,382
Italy ¹	1,953	1,862	+5%	65	1,797
EBITDA Established Business⁴	1,777	1,564	+14%	11	1,553
UK and Ireland	1,454	1,270	+14%	-	1,270
Germany and Austria	68	83	(18%)	3	80
Italy	255	211	+21%	8	203
EBITDA Investment Business⁵	(84)	(28)	n.m.	-	(28)
EBITDA	1,693	1,536	+10%	11	1,525
UK and Ireland	1,370	1,242	+10%	-	1,242
Germany and Austria	68	83	(18%)	3	80
Italy	255	211	+21%	8	203

The Group uses alternative performance measures to provide readers with additional financial information. These are defined as set out below:

- (1) Like-for-like revenue for the Group and in Italy excludes the one-off sale of the Rio Olympics rights in 2016/17.
- (2) The constant currency exchange rate used for translating the financial results of Italy and Germany & Austria into sterling is €1.12:£1, being the average rate for the current period (2017: €1.16:£1).
- (3) Adjusted results exclude items which may distort comparability in order to provide a measure of underlying performance.
- (4) Established Business EBITDA is on an adjusted basis and includes the results of those businesses that have been operating for many years. This includes our entertainment and fixed line communications businesses in the UK & Ireland, Italy and Germany & Austria.
- (5) Investment Business EBITDA is on an adjusted basis and includes the results of new businesses from the first year of launch through to their third fiscal year. Years prior to the year of launch are considered to be R&D and absorbed within Established Business EBITDA. Sky Mobile and Sky Spain are included in Investment Business.

GROUP OPERATIONAL SUMMARY

('000)	As at 31 Mar 2018	As at 31 Dec 2017	As at 31 Mar 2017
UK & Ireland	12,976	12,906	12,691
Germany & Austria	5,161	5,191	4,930
Italy	4,766	4,768	4,802
Retail customers	22,903	22,865	22,423

OPERATING REVIEW

Group

Our strategic priorities are clear and remain unchanged - to grow our revenues and profits while creating sustainable value for shareholders over the medium term by providing:

- The best and broadest range of content for every household;
- The best innovation in products and services;
- The best front-line service delivery from the leading brand; and
- Consistently improving our operational capability and efficiency.

In addition, we are opening up new opportunities for growth by developing additional services and entering new geographic markets.

Our successful execution of this strategy is reflected in today's results. For the first nine months of the year ("the period"), Group like-for-like revenues increased 5% (constant currency) to £10,144 million, above £10 billion at the nine months stage for the first time ever and showing good growth across all territories and categories. Taken together with a strong performance on operating efficiency, where we held adjusted operating costs flat in absolute terms for the third consecutive year, our EBITDA grew by 14% to £1,777 million and by 10% to £1,693 million after the investment we are making in new businesses.

At the same time, we've continued to enhance our products and services across the Group. We've concluded major content agreements, with the world's leading music subscription service, Spotify, launching on Sky Q next week, and reached an agreement to bundle the full Netflix service into our Sky Q platform. We've rolled out product and service improvements across all platforms; expanded our services in new markets such as Spain and Switzerland; developed new services like Mobile in the UK and we are making final preparations to launch our first Sky over fibre service (all-IP delivered) in Italy in Q4.

UK & Ireland

We had a strong quarter in the UK & Ireland making significant progress on our future growth plans, including the successful renewal of our Premier League rights from 2019 to 2022 at 16% less cost per game, and the conclusion of new partnerships with both Netflix and Spotify as part of the next wave of development to make Sky Q even better. Simultaneously, we have continued to strongly grow customers, products, revenues and profits.

As at 31 March, we had 13 million customers, adding 70,000 new customers this quarter which is 75% higher than the prior year. This reflects healthy demand for our products and services and continued strong progress in reducing churn, falling for the fifth consecutive quarter as our loyalty initiatives, which launched just over a year ago, continue to take effect.

UK & Ireland revenues increased by 4% to £6,668 million driven by customer growth of 285,000 over the last year; good growth in products, particularly Sky Mobile and Sky Q multiscreen; the benefit of our March 2017 home communications price change, and strong growth in content revenues reflecting our successful investments in original programming. We estimate that the UK advertising market was up around 1%, with Easter falling into this quarter compared to Q4 in the prior year. Against that backdrop, our own business continued to outperform the market, with our advertising revenues up 3% year to date driven by continued good growth in advanced advertising.

This strong revenue performance, taken together with continued excellent progress on operating efficiency, delivered UK EBITDA growth of 14% to £1,454 million and 10% when including our investment in Sky Mobile and our new Sky TV service in Spain.

Other highlights from the quarter include:

- Next stage of Sky Q innovation rolling out including: a major upgrade to the user-interface designed to bring the content customers love to the top of their screens; a dedicated kids mode giving parents peace of mind over what their children can watch; and new voice controls which will allow customers to open apps and receive recommendations.
- Strong performance from Sky original programmes: Britannia was our second biggest series launch, reaching 1.9 million viewers in its first week, and Save Me became our most rapidly consumed box-set release.
- Sky Mobile scaling well with 437,000 customers, adding 102,000 new customers in Q3.
- 84% of customer homes connected, up from 81%, driving an 18% increase in streams and on demand downloads.
- Received lowest level of customer complaints in Ofcom's quarterly report across each of TV, broadband and telephony, placing us top for customer service for the 8th consecutive quarter.

Germany & Austria

We've made major progress over the last three years transforming our business in Germany and Austria, broadening out our content offering, expanding our range of products and services, and improving our front-line customer service. At the same time, we've expanded the scale of the business, delivering 32% growth in customers, 40% growth in products, and increasing revenue by almost €500 million on an annualised basis whilst also turning the business profitable in 2016/17.

In order to realise the full growth potential in these markets over the longer-term, our priority this quarter has been making final preparations for a comprehensive upgrade to our products and services that will significantly improve the experience for customers. This upgrade includes:

- A major new user-interface update to transform the viewing experience for every single customer across Sky+, Sky Ticket, Sky Go and Sky Kids.
- A full launch of Sky Q on 2nd May following the successful launches in the UK, Ireland and Italy, with over one million Sky+ Pro customers receiving the Sky Q UI and functionality for free via a software download.
- A simpler pricing structure from May, based on learnings from the UK and giving customers more choice and better value.
- An enhanced content line up with the launch in August of Austrian Bundesliga, and X Factor on Sky1; and a strong slate of Sky original dramas with Das Boot and Acht Tage on screen in the Autumn and Der Pass early in 2019.
- Launch of a new customer loyalty programme, leveraging our successful loyalty programmes in Italy, UK and Ireland which reduce churn by rewarding customers more the longer they stay with Sky.
- Continued improvement in front-line customer service including an all new contact centre experience based in Berlin.

As part of these preparations, as we explained at our Interim Results in January, we have continued to rebalance our trading strategy. This important ground-work ahead of the upgrade has resulted in higher acquisition ARPU, up almost €2 year on year, and some planned higher churn this quarter as we lose lower value customers. This led to a net reduction in customers of 30,000 this quarter representing approximately 0.6% of our customer base. We closed the third quarter with 5.2 million customers, up 231,000 on the prior year.

Revenues increased by 6% (constant currency) to £1,523 million driven by customer growth, increased product penetration, our highest ever level of advertising revenues and the benefit of broader distribution of our programmes. Prior to the 32% increase associated with the first season of our new four-year Bundesliga contract, EBITDA was £184 million demonstrating the strength of our underlying performance. Post the £116 million Bundesliga cost increase for the nine months, EBITDA was £68 million, slightly down year-on-year.

Other highlights from the quarter include:

- Strong viewing to live sport, with Bundesliga up 12% quarter on quarter, and record audiences for Sky Sport News with viewing up 62% in March versus the prior year.
- Viewing to Entertainment channels up 46%, with strong performances from Sky1 and Sky originals where Britannia was the second most successful launch on Sky Atlantic behind Game of Thrones.
- Our first major Sky original drama, Babylon Berlin, won seven prestigious television awards.
- 47% of customer homes connected, driving a 32% increase in box-set consumption.
- Set to show 25 matches of the 2018 FIFA World Cup™ in Ultra HD, including all matches of the German national team, the semi-finals and the final.

Italy

It's been a period of strong operational progress and financial performance in Italy. We've agreed two landmark deals this quarter: the first with Mediaset, which will allow us to launch a new Sky branded Pay-TV service on DTT and supply nine additional film and TV series channels to existing Sky customers, and the second with Open Fiber, which will allow us to launch our own triple-play service over their next generation fibre-to-the-home network from Summer 2019. Together with the launch of Sky Q in November and our recent deal with Netflix, these agreements will enhance the customer experience, broaden access to our products and services, and position us well for future growth.

Financially, like-for-like revenues increased by 5% (constant currency) to £1,953 million, reflecting an increase in retail prices from October 2017 and strong double-digit growth in both advertising and content revenues. Adjusted costs remained flat and as a result EBITDA was strong, up 21% to £255 million.

As at 31 March, we had 4.8 million customers. Customer numbers declined by 2,000 in the third quarter, with good growth in DTH customers offset by the continuing decline in Telecom Italia IPTV customers, reflecting our ongoing dispute with the telecoms operator.

Other highlights from the quarter include:

- Final preparations to launch Sky over Fibre in Q4, our first all-IP delivered service.
- Good early demand for the recently launched Sky Q, with Sky Soundbox and voice control launching soon.
- New content agreements for exclusive coverage of Formula 1 and with Warner Bros for a library of films to enhance our VOD offering.
- 9% growth in total viewing (average weekly minutes) to Sky entertainment channels, with a strong performance from Sky originals: 4 Ristoranti and Britannia.

- 61% of customer homes connected, up from 55%, delivering strong growth in on demand viewing.

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 and excluding the one-off sale of the Rio Olympic rights in Italy in the prior year, and costs include depreciation and amortisation. The financial results of Italy and Germany and Austria are translated into sterling at a constant currency rate of €1.12 to £1, being the average for the nine months to 31 March 2018 (9 months to 31 March 2017: €1.16 to £1). For a reconciliation to amounts at actual exchange rates see page 2.

Revenue

Group like-for-like revenue grew by 5%, or £441 million, to £10,144 million (2017: £9,703 million) with good growth in all territories and all categories.

Direct-to-consumer revenue grew by £297 million to £8,851 million as the result of continued good customer and product growth, a higher number of pay-as-you-go buys, a home communications price rise in the UK in March 2017 and a TV price rise in Italy.

Content revenue grew strongly, up 17% to £617 million, as we continue to leverage our growing investment in Sky original programming.

Advertising revenue outperformed the estimated market growth rate in each of our territories delivering strong growth of 9% to £676 million, with a particularly good performance in Italy, Germany and Austria, each achieving double-digit growth.

Costs

We continued to make significant progress on operating efficiency, holding adjusted operating costs flat in absolute terms. This is allowing us to continue investing on-screen, growing our fixed and mobile communications businesses and putting Sky Q into more of our customers' homes. As a result, adjusted total costs grew by only 3% to £9,017 million, well below the rate of revenue growth.

Programming costs grew by 4% to £4,826 million as we invest further on-screen for customers, including a £116 million step up in the new Bundesliga contract, increased Sky original drama investment across the Group, and the growth of Sky1 in Germany and its relaunch in the UK. This was partly offset by the change to our sports rights amortisation approach in the UK as disclosed in our interim results.

Sales, general and administrative costs were flat in absolute terms at £3,338 million compared to £3,334 million in the prior year reflecting continued strong progress on operating efficiency as well as the benefit of capitalising rather than fully expensing Sky Q box costs.

Depreciation and amortisation increased by £47 million to £566 million, reflecting the completion in the prior year of our West London campus which is now being depreciated, as well as our success to date in rolling out Sky Q and Sky+ Pro boxes to our customers in the UK and Germany respectively.

Profit

As a consequence of good revenue growth and tight cost management, profit performance was strong. Established Business EBITDA grew by 14% to £1,777 million (2017: £1,564 million). EBITDA was up 10% after including the net costs of investing in two new lines of business – Sky Mobile and an OTT service in Spain. After depreciation and amortisation of £566 million, EBIT was up 11% to £1,127 million (2017: £1,017 million).

Statutory financial results and adjusting items

Statutory operating profit for the period was £857 million, up 22%, (2017: £703 million).

The principal items within statutory results that are not included in adjusted results are: the ongoing amortisation of acquired intangible assets of £184 million (2017: £193 million), the costs of corporate efficiency and restructuring programmes, the costs of integrating Sky Italia and Sky Deutschland, which were partly offset by income received with respect to regulatory credits and proceeds from settlements. In addition, we incurred £11 million of one-off costs associated with the 21st Century Fox offer (2017: £10 million)

CORPORATE

Sky Ocean Rescue

This quarter we announced the launch of Sky Ocean Ventures – an impact investment vehicle that will invest in new ideas and businesses who can help solve the oceans plastic crisis and find solutions to everyday plastic problems. We have made an initial commitment of £25 million and aim to quickly scale this to £100 million with the support of other businesses.

We have also recently announced a new collaboration with National Geographic, which will create the largest global media campaign to date with the aim of reducing plastic litter in the ocean. In addition, we've recently joined the government-backed Commonwealth Clean Oceans Alliance to share our expertise and push for global change in this field.

Potential offers for Sky

The 21st Century Fox ("21CF") offer for the shares of Sky (which 21CF and its affiliates do not already own) is currently being reviewed by the Competition and Markets Authority ("CMA"). The CMA are due to send their final report to the Secretary of State by 1 May 2018, who is expected to give his decision by no later than 13 June 2018.

On 23 January 2018, the CMA published Provisional Findings that (i) the 21CF offer is not likely to operate against the public interest on broadcasting standards grounds; and (ii) the 21CF offer may be expected to operate against the public interest on media plurality grounds. At present, the CMA is considering whether remedies proposed by 21CF published by the CMA on 3 April 2018, being: (i) a legal separation and comprehensive ringfencing of Sky News; or (ii) a divestiture of Sky News to The Walt Disney Company ("Disney"), only to occur in the event that 21CF's offer for Sky reaches completion (and irrespective of whether Disney's proposed acquisition of 21CF reaches completion), are effective in addressing any plurality concerns the CMA may have.

On 27 February 2018, Comcast Corporation ("Comcast") announced a possible offer for Sky. Since no firm offer has yet been made by Comcast or any other third party, Sky shareholders have been advised to take no action.

Since the announcement on 14 December 2017 of Disney's definitive agreement to acquire 21CF (after the spin-off of certain businesses), the UK Panel on Takeovers and Mergers (the "Panel") has been assessing whether the Disney/21CF transaction should trigger a mandatory offer by Disney for Sky. On 12 April 2018, the Panel ruled that Disney will be required to make a mandatory offer for Sky at a fixed price of £10.75 in cash per Sky share within 28 days of completion of Disney's proposed acquisition of 21CF, unless, prior to that time, either: 21CF has acquired 100% of Sky; or any third party has acquired more than 50% of Sky.

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

Eleanor Mills

Tel: 020 7032 6615

Press office: SkyPress@sky.uk

There will be a conference call for UK/European analysts and investors at 8.30 a.m. (BST). Participants should register by contacting Isabel Batchelor on +44 (0)20 7251 3801 or at Isabel.Batchelor@Finsbury.com.

There will be a separate conference call for US analysts and investors at 8.00 a.m. (EST). 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/2018Q2/Default.htm>. The conference calls will be available live via the Sky website at <https://corporate.sky.com/investors/latest-results>. 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, Sky AdSmart 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 2017 (as updated in Sky's results for the six months ended 31 December 2017). Copies of the Annual Report are available from the Sky plc webpage 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.

Content highlights coming up on Sky over the next six months

sky UNO sky living sky one

Revolution*	Carnage*	Married at First Sight Italia*
Bulletproof*	Re-Dub*	Sick Note (Season 2)*
X-Factor Italia*	Lucky Man (Season 3)*	Discovery of Witches*
The Reluctant Landlord*	A League of Their Own (Season 13)*	Modern Family (Season 6)
Shades of Blue	9-1-1	Madame Secretary (Season 4)
Station 19	Mollo tutto e cambio Vita	Howard Ends
Elementary	Little Women	The Goldbergs
For the People	Brooklyn Nine-Nine (Season 3)	Borgia
Instinct		Lucky Man (Season 3)

sky atlantic

Patrick Melrose*	Britannia*	Strike Back (Season 6)*
WestWorld (Season 2)	Billions (Season 3)	Our cartoon President (Season 1)
Silicon Valley (series 5)	Mozart in the Jungle (Season 4)	Crashing (Season 2)
Barry (Season 1)	Sui Generi	Succession
Sharp Objects	The Plague	Ray Donovan (Season 6)
Animals (Season 3)	Insecure (Season 3)	The Deuce (Season 2)
Der Grenzganger*		

sky cinema

The Hurricane Heist*	Baby Driver	Spiderman: Homecoming
Girls Trip	Unlocked	Wonder Woman
The Dark Tower	Patriots Day	King Arthur: Legend of the Sword
The Emoji Movie	Cars 3	American Made
Alien: Covenant	Elle	Mother
Dunkirk	Il Premio	The Snowman
Atomic Blonde	Loving	Anabelle: Creation
Blade Runner 2049	I, Daniel Blake	

sky sports

Football: Premier League	Rugby: Super Rugby	Golf: Ryder Cup
Football: Europa League	Rugby: Rugby Test Match	Golf: The Open Championship
Football: UEFA	Boxing: Bellew Vs Haye2	Formula 1: British Grand Prix
Football: Serie A	Tennis: ATP Masters	Formula 1: Italian Grand Prix
Football: Serie B	Cricket: England Summer Test	Formula 1: Singapore Grand Prix
Football: Bundesliga	Cricket: Indian Premier League	Formula 1: Russian Grand Prix
Football: FIFA World Cup 2018	Handball: Bundesliga	

sky arts

Urban Myths (Season 2)*	Afterhours: Concerto 30 anni*	Brillo Box*
Mystery of the lost paintings*	Sky Arte sessions*	Street Art in Dubai*
Shades of Blue (Season 3)*	Muro*	Mix up Art (Season 3)*
Elvis and the Girl from Vienna*	Master of Photography*	

* Indicates a Sky original production