Our performance

Adjusted key performance indicators

**Adjusted revenue**
- **£12,916m**
- **2015:** £11,728
- **2016:** £12,317
- **2017:** £12,916

**Description**
Adjusted revenue includes revenue from Subscription, Transactional, Channel and Programme sales, Advertising and Other revenue. 2016 revenue excludes the benefit from the 53rd Week.**1**

**Analysis**
Adjusted revenue is a key measure of how the Group is delivering on its strategy to grow the business. In 2017 revenue grew by 10%, or 5% on a constant currency basis, with good growth in both content and distribution operations.

**Programming and operating costs**
- **2015:** £5,146
- **2016:** £5,481
- **2017:** £6,179

**Description**
Programming costs relate to the acquisition, commissioning and production of programming content. Operating costs are made up of marketing, costs to serve our customers and general administration.**1**

**Analysis**
Programming costs increased by £698 million as we continue to invest on screen for customers, including the £629 million increase in the new Premier League deal, a strong schedule of Sky Originals and an improved entertainment schedule. Operating costs fell by 5% reflecting the strong progress we made driving efficiencies through the business.

**Adjusted operating profit**
- **£1,468m**
- **2015:** £1,407
- **2016:** £1,565
- **2017:** £1,468

**Description**
Adjusted operating profit is a measure of the profit generated by the business from its revenues and excludes items that may distort comparability from year to year.**2**

**Analysis**
Adjusted operating profit is a key measure of the underlying business performance. In 2017 adjusted operating profit was down 6%. This was as a result of the increase in Premier League costs (up £629 million year on year), costs incurred to launch Sky Mobile (£51 million) and the start-up costs for our International OTT platform, though substantially offset by our strong revenue growth and excellent progress in operating efficiency.

**Adjusted EBITDA**
- **£2,139m**
- **2015:** £2,068
- **2016:** £2,214
- **2017:** £2,139

**Description**
Adjusted EBITDA is a measure of the profit generated by the business, excluding Depreciation and Amortisation costs. For the purposes of understanding the underlying performance of the Group, the measure also excludes items that may distort comparability.**2**

**Analysis**
Adjusted EBITDA is a key measure of profitability. In 2017 adjusted EBITDA decreased by 3% on the previous year. This was as a result of the increase in Premier League costs (up £629 million year on year), costs incurred to launch Sky Mobile and the start-up costs for our International OTT platform, though substantially offset by our strong revenue growth and excellent progress in operating efficiency.

**Adjusted EPS**
- **61.4p**
- **2016:** 63.1p
- **2015:** 56.0p

**Description**
Adjusted basic EPS is the profit after tax for the year, excluding adjusting items and related tax effects, divided by the weighted average number of ordinary shares.

**Analysis**
Adjusted basic EPS provides a measure of shareholder return that is comparable over time. Adjusted basic EPS was lower year on year due to the reduction in adjusted operating profit.

**Total shareholder return**

<table>
<thead>
<tr>
<th>Year</th>
<th>FTSE 100</th>
<th>Sky</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year</td>
<td>+19%</td>
<td>+20%</td>
</tr>
<tr>
<td>10-year</td>
<td>+65%</td>
<td>+114%</td>
</tr>
</tbody>
</table>

**Description**
Total shareholder return (‘TSR’) represents the change in value of a share held for a 12-month period to 30 June, assuming that dividends are reinvested to purchase additional shares at the close price applicable on the ex-dividend date. The value of the share is based on the average share price over the three months prior to 30 June.

**Analysis**
TSR represents a comparable measure of shareholder return over time. Sky shares outperformed the FTSE 100 index over both a medium (3-year) and long term (10-year) period illustrating the strong shareholder returns that Sky generates.

1 This is an adjusted measure and a reconciliation between statutory and adjusted measures can be found on page 141.
2 Unless otherwise stated, all growth rates and comparative amounts are presented on an adjusted like-for-like basis and on a constant currency basis using current period exchange rates, though include 53 weeks of trading in the prior year compared with 52 weeks in the current year and in 2015. The financial results of Italy and Germany are translated into sterling at a constant currency rate of €1.16: £1.
Operational key performance indicators

Retail customers

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>22.5m</td>
<td>+0.7m</td>
</tr>
<tr>
<td>2015</td>
<td>21.8m</td>
<td></td>
</tr>
</tbody>
</table>

**Description**
A customer is defined as a subscriber to one of our TV packages or standalone home communications services.

**Analysis**
We added 686,000 new customers in the year with good growth in every market.

Connected homes

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>12.0m</td>
<td>+1.1m</td>
</tr>
<tr>
<td>2015</td>
<td>10.9m</td>
<td></td>
</tr>
</tbody>
</table>

**Description**
A connected home is one that has connected their Sky box to the internet and therefore has access to Sky’s on demand services such as Catch Up TV and Box Sets.

**Analysis**
We added 1.1 million connected homes during the year and we now have over 12 million homes connected, which is 57% of all TV customers. We are now Europe’s largest connected platform in our markets.

Total average quarterly reach

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>102.3m</td>
<td>+4%</td>
</tr>
<tr>
<td>2015</td>
<td>98.7m</td>
<td></td>
</tr>
</tbody>
</table>

**Description**
Viewers watching at least one Sky-owned channel (excl. Joint Ventures), both pay and free across UK, Germany and Italy.

**Analysis**
Our reach grew by 4% and we now regularly achieve over 100 million viewers each quarter across Europe.

Total products

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>59.7m</td>
<td>+2.7m</td>
</tr>
<tr>
<td>2015</td>
<td>57.1m</td>
<td></td>
</tr>
</tbody>
</table>

**Description**
Total products is defined as the total of all paid-for subscription products taken by our customers across the Sky Group. In the UK and Ireland, this includes TV, HD, UHD, Multiscreen, Sky Go Extra, Broadband, Telephony, Mobile and Line Rental. In Italy, this includes TV, Multiscreen and paying HD. In Germany and Austria, this includes TV, Second Smartcard, Premium HD and Mobile TV.

**Analysis**
We have almost 60 million products across the Group having sold an additional 2.7 million products in the year. The strong growth is a result of existing products as well as a growing contribution from new products, such as Sky Q, Sky Mobile and the Kids App in the UK, as well as Sky Go Extra in Italy.

Social participation

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>170,264</td>
</tr>
</tbody>
</table>

**Description**
Our social reach number represents the number of young people who have participated in our social initiatives across the Group in the past 12 months. These initiatives are detailed on page 15.

**Note:** Sky Foundation is a separate legal entity; its Board is answerable to the respective regulatory authorities in Germany.

**Analys**
We continue to collect data from our young people initiatives across the Group for an overall social reach. This has grown from 157,700 in 2015/16 to 170,264 in 2016/17. This is made up of 158,946 in the UK and Ireland, 5,580 for our initiatives in Italy, and 5,738 for Sky Foundation in Germany.

Carbon intensity

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>9.47tCO₂e/£m</td>
</tr>
</tbody>
</table>

**Description**
Carbon intensity, defined as tonnes of CO₂ equivalent (tCO₂e) emissions relative to revenue, is one of the key indicators we use to measure our environmental performance. Our total gross tCO₂e emissions include all our Scope 1 and Scope 2 location-based Greenhouse Gas emissions across all of our territories; these total 122,267tCO₂e for 2016/17 compared to 123,854tCO₂e for 2015/16.

**Analysis**
Our carbon intensity has decreased in 2016/17 as a result of our continued investment in energy efficiency and renewable energy. We continue to report across all territories and in our online Bigger Picture performance update we have compared our Group emissions performance against a science-based benchmark.

The Bigger Picture

<table>
<thead>
<tr>
<th></th>
<th>170,264</th>
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<td>Social participation</td>
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Annual Report 2017