**Results for the twelve months ended 30 June 2018**

# EXCELLENT RESULTS; STRONG PLANS IN PLACE FOR THE FUTURE

## Excellent financial and operating results

- 5% increase in like-for-like revenue to £13.6 billion
- 11% increase in Established Business EBITDA to £2.5 billion; 9% increase in EBITDA
- Operating costs down 70 basis points as a percentage of revenue
- Earnings per share (EPS) up 10% to 67.3 pence
- Statutory results: operating profit of £1,034 million, up 7%, and EPS of 47.5 pence, up 17%
- Sky Q in 3.6 million homes, up 2.3 million year on year
- Q4 customer growth up 39%; over 23 million European households enjoying Sky
- Q4 product growth up 81%; 63 million products now in Sky homes

## Extending our leadership in content

- Put in place major new partnerships; Netflix, BT Sport, Mediaset Premium, Spotify
- Secured significant exclusive rights; Serie A, Premier League, Austrian Bundesliga, Formula 1
- Investment in home grown content paying off; continued increase in the commercial success of Sky original productions

## Delivering greater value to our customers across the Group

- Excellent year for UK business with strong customer demand for Sky Q, Sky Fibre and Sky Mobile
- Comprehensively upgraded service in Germany, kick-starting next leg of growth in this market
- Transforming Italy into a diversified, multiplatform business; launched Sky over DTT and over fibre, plans for triple-play in 2019

## Strong set of plans in place for future growth

*Jeremy Darroch, Group Chief Executive, commented:*

"It's been an exceptional year. We've delivered another set of strong results with like-for-like revenues up 5%, Established Business EBITDA up 11% and EPS up 10%. Over half a million new customers joined Sky this year and we now have 63 million products in customer's homes as they continue to choose Sky over other providers. As a consequence, we have extended our leadership position as Europe's largest direct-to-consumer media and entertainment business.

"Our strong performance reflects the execution of our strategy over an extended period of time, driving sustained growth in revenue, profits and shareholder returns. We do this by providing our customers more of the best content, world class innovation in products and services, combined with industry leading front-line service. Together with an increasingly agile and efficient organisation, we are able to deliver for shareholders whilst ensuring the customer experience is better than anywhere else.

“Importantly, this strategy is now widely implemented across the Group. In the UK and Ireland, our largest market, we’ve delivered an excellent operational and financial performance whilst scaling our new initiatives. In Germany and Austria, we have comprehensively upgraded all our services as part of our plans for sustained long-term growth in what is Europe’s largest TV market. In Italy, we’ve had a ground-breaking year, opening up significant new growth opportunities for our business by offering new services over DTT and fibre, allowing us to reach new segments of the market.

“Alongside this, we’ve put in place further building blocks for future growth. We’ve secured more exclusive coverage of major sports events for our customers and our investment in Sky original productions is being widely recognised by customers and critics alike. We’ve rolled out Sky Q to all our major territories meaning a growing number of customers can enjoy the benefits of Europe’s best home entertainment service, and our agreements with Netflix, Mediaset, BT and Spotify will further enhance and extend our customer offer.

“We therefore enter the year ahead with good momentum. We have an excellent set of plans and we’re focused on executing them well. We are proud that Sky is recognised globally as an outstanding business and are confident we have the right assets and capabilities to continue creating long term growth opportunities and to capitalise on the strong position we’ve built.”

Unless otherwise stated, results are presented throughout on an adjusted, like-for-like, constant currency basis. For further details see page 3.

## GROUP FINANCIAL PERFORMANCE

### Results highlights[1]

| (£m) | 12 months to 30 June 18 | 12 months to 30 June 17 *Constant currency*[2] | Growth | Foreign exchange impact | 12 months to 30 June 17 *Actual exchange rates* |
|---|---|---|---|---|---|
| **Revenue**[3] | **13,585** | **12,997** | **+5%** | **133** | **12,864** |
| UK and Ireland | 8,931 | 8,600 | +4% | 0 | 8,600 |
| Germany and Austria | 2,023 | 1,916 | +6% | 58 | 1,858 |
| Italy[1] | 2,631 | 2,481 | +6% | 75 | 2,406 |
| **EBITDA Established Business**[4] | **2,456** | **2,208** | **+11%** | **12** | **2,196** |
| UK and Ireland | 1,995 | 1,796 | +11% | 0 | 1,796 |
| Germany and Austria | 119 | 147 | (19%) | 4 | 143 |
| Italy | 342 | 265 | +29% | 8 | 257 |
| **EBITDA Investment Business**[5] | **(107)** | **(57)** | **n.m.** | **0** | **(57)** |
| **EBITDA** | **2,349** | **2,151** | **+9%** | **12** | **2,139** |
| UK and Ireland | 1,888 | 1,739 | +9% | 0 | 1,739 |
| Germany and Austria | 119 | 147 | (19%) | 4 | 143 |
| Italy | 342 | 265 | +29% | 8 | 257 |
| **Adjusted Earnings per share (basic)** | 67.3p | 61.4p | +10% | | |
| **Statutory Results** | | *Actual exchange rates* | | | |
| Revenue | 13,585 | 12,916 | +5% | | |
| Operating profit | 1,034 | 964 | +7% | | |
| Earnings per share (basic) | 47.5p | 40.6p | +17% | | |

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

(1) Adjusted results exclude items which may distort comparability in order to provide a measure of underlying performance and are the results used by management to monitor performance and run the business.
(2) The constant currency exchange rate used for translating the financial results of Italy and Germany & Austria into sterling is €1.13:£1, being the average rate for the current period (2017: €1.16:£1).
(3) Like-for-like revenue for the Group and in Italy excludes the one-off sale of the Rio Olympics rights in 2016/17.
(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 through to their third fiscal year. Sky Mobile and Sky Spain are included in Investment Business.

## SUMMARY OF GROUP OPERATIONAL AND FINANCIAL PERFORMANCE

Today Sky operates in seven markets, providing a broad set of entertainment and communications services to over 23 million households, who are enjoying 63 million Sky subscription products. In total, our services now reach over 120 million people across Europe.

Our strategic priorities remain unchanged; to expand our leadership in direct-to-consumer media, grow our revenues and profits and create 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.

The successful execution of this strategy is reflected in today's excellent operational and financial results. Customers continue to choose Sky over other providers. We added over half a million new customers and a further 3.1 million new products this year, with Q4 growth up 39% and 81% respectively. Revenues are up 5%, driven by growth in each of our main territories and across our broad product set. EBITDA is up 11%, excluding our investments in Mobile and Spain, with EPS up 10% to 67.3 pence.

## PLANS FOR 2018/19

This year we have put in place the building blocks for future growth which will enable us to give more choice, quality and value to our customers. As we enter the new financial year, our focus is on executing our plans and securing returns from these initiatives that will drive growth in revenues and profits, in turn generating greater shareholder value.

### The best and broadest range of content for every household

Building on this year's on-screen success, we will continue to broaden our offer and meet consumers' demand for a range of high quality content.

Our Sky original programming goes from strength to strength. Over the course of the next 12 months we will grow our original output which is increasingly focused on high quality local stories for local markets as a key differentiator to acquired content:

- Gross investment on original drama will increase by around 25% and will be further monetised through our international sales arm, Sky Vision, which has hit its £200 million revenue target two years early.
- Invest around four times more in Germany & Austria versus a year ago, where our original content strategy is least developed.
- Almost 50% of our shows will be returning franchises, including the next series of Riviera, Babylon Berlin and Gomorrah, to name a few.
- Our first major co-production with HBO, Chernobyl, will air in 2019.

Sky original productions will sit alongside the best content from the US from our long term international partnerships:

- Returning series of major dramas from the likes of HBO and Showtime including Big Little Lies, Billions and the final series of Game of Thrones.
- Aggregation of all important entertainment for customers with the addition of Netflix to the Sky Q platform together with Spotify. Netflix will also launch as a standalone app on our streaming services, starting first with NOW TV in the UK and Ireland.

In sports, we will enhance our market-leading coverage in each of our territories by building on the recent choices we have made over the sports we invest in:

- Broadcast the top matches in the Serie A exclusively for the first time in Italy, together with the majority of Champions League, Europa League and Formula 1.
- UEFA Champions League to be exclusive to pay-TV in Germany and Austria for the first time. We'll also commence our new four-year deal with the Austrian Bundesliga, with most matches exclusive to Sky.
- Start of our new, long term Formula 1 contract in UK and Ireland, broadcasting 95% of races exclusively.
- Wholesale of BT Sport in the UK, meaning our customers can access Premier League, Champions League and Europa League matches all through one Sky subscription.
- Exclusive live coverage of the Ryder Cup across all major territories in September.

**The best innovation in products and services**

We will continue to transform the customer experience by delivering sustained world class innovation in our products and services. We want to make the Sky experience better for all customers and make it easier for them to enjoy the Sky experience on their terms.

Sky Q is already Europe's best home entertainment service. We have now launched Sky Q in each of our major markets and scaled it to 3.6 million customers by the end of Q4. This is delivering significant long-term benefits including lower churn, more incremental ARPU and higher customer satisfaction scores.

From here we will scale Sky Q's growth and continually enhance the service with a strong pipeline of innovation ahead over the next 12 months:

- Developing a hands-free TV experience with our next-generation of voice control.
- Improve personalisation with addition of individual profiles, enhancing the platform's data-driven recommendations.
- Introduce a kids mode, giving parents peace of mind over what their children can watch.
- Double the amount of Ultra-HD (UHD) content available, with HDR launching in 2019.
- Roll out Sky Soundbox to Germany and Italy, transforming the TV sound experience for customers in those markets.
- Launch Sky Q without the need for a satellite dish in Austria and Italy, opening up new growth opportunities with customers who cannot have a satellite dish.

In broadband, we aim to offer more customers faster download speeds and a better all-round experience when using broadband-driven services by significantly increasing our fibre broadband penetration. We will:

- Launch a next generation router in the UK with enhanced Wifi capabilities.
- Introduce a new superfast Fibre broadband product, Sky Fibre 1Gb, in Ireland, offering the fastest speeds available to customers.
- Partner with Open Fiber in Italy to access their next generation Fibre-to-the-Home (FTTH) broadband network and launch our own triple-play service from Summer 2019.

**The best front-line service delivery from the number one brand**

We already deliver an industry leading customer service experience and have a number of initiatives in place that will further extend our leadership position focused on two key areas:

- First, we'll reduce the need for customers to contact Sky by:
    - Continue to focus on root cause identification and fix of issues, including re-designing customer journeys.
    - Introduce new digital functionality to broaden the range of self-service tasks, like Optimal Character Recognition technology which will be able to assist in-home diagnostic tests.
    - Scale loyalty programme enrolment in the UK and Italy; launch new programme in Germany and Austria this autumn.
- At the same, time, we'll better manage customer contacts through "Digital First" by:
    - Further scale the service app across our territories, already downloaded 11 million times.
    - Increasingly use BOTs to further automate customer messaging, freeing up our service agents' time to work on solving more complex customer issues.
    - Launch a new scheduling system for customers, enabling us to offer same-day, or at short notice, engineer visits.

**Consistently improving our operational capability and efficiency**

We will continue to achieve greater efficiency in the business to further reduce operating costs as a percentage of revenue:

- Further roll out Digital First service delivery across the Group, reducing incoming call volumes and optimising our contact centre estate.
- Conduct zero-based organisational efficiency programmes, renegotiate key contracts and take choices on discretionary spend.
- Deliver greater network efficiency, introducing innovative new products and technologies, and migrating customers away from expensive legacy products (e.g. BT Connect to Sky Fibre).

Achieving greater efficiency will help fuel further investment in our operational capability. We will further enhance our infrastructure, including building an innovation centre in our Osterley campus, roll out products and services around the Group, deepen our data and insight capabilities, and extend our market-leading brand.

**Opening up new opportunities for growth by developing additional services and entering new geographic markets**

We will further extend our position as Europe's largest direct-to-consumer media and entertainment business by deploying Sky's leading brand and platform more widely. This year half a million customers joined Sky Mobile despite a slower handset replacement cycle. In addition, we successfully launched new TV propositions into Spain and Switzerland. In the year ahead, we will continue to scale our presence in each of these markets:

- Firmly establish Sky Mobile as the customer choice for freedom and flexibility at the same time as growing our sales and distribution capability across all our routes to market.
- Execute our new deal with Telefonica, enabling us to deliver excellent value to customers at the same time as accessing new technologies such as 5G.
- Broaden our distribution in Spain, building on our new strategic partnership with Mas Movil that provides their customers with access to Sky.
- Extend our position in Switzerland by adding a broader range of sports to the Sports app, launching Sky Cinema on the Sky Show app, plus developing our relationships with the leading telco operators.

## DETAILED OPERATIONAL AND FINANCIAL PERFORMANCE BY MARKET

### UK and Ireland

In the UK and Ireland we have delivered an excellent operational and financial performance at the same time as landing key initiatives for future growth such as Sky Q, Sky Fibre and Sky Mobile. We grew revenue by £331 million or 4% to £8,931 million. Established Business EBITDA increased by 11% to £1,995 million, and by 9% post our investment in Sky Mobile and our expansion into the Spanish TV market.

We added 270,000 new customers this year, including 20,000 in Q4. We grew total products by 2.7 million, including 290,000 new TV products taking our total TV customer base to 11.7 million. Fibre penetration increased to 38% of our broadband customers, up from 27% a year ago, and Sky Mobile is now taken by over half a million subscribers, after adding 95,000 in Q4.

Against the backdrop of a broadly flat TV advertising market in the UK, we grew our advertising revenues by 6% this year. This was primarily driven by strong growth in advanced advertising and Sky AdSmart, our targeted advertising platform, whose revenues increased 29% versus the prior year.

Our 12-month rolling churn was 10.3%, reducing 120 basis points from a year ago, with TV churn reducing to its lowest level for a decade. This is a direct result of the plans we put into place 18 months ago, including better and broader content; putting more of our best products like Sky Q and Sky Fibre into our customers' homes; taking a more targeted and disciplined approach to discounting; and launching our VIP loyalty programme, which has now scaled to 1.8 million customers. ARPU remained stable at £45, with a mix of customer price points combining with a strong increase in customer volume to achieve broad-based revenue growth.

Other highlights from the year include:

- Securing Premier League rights for seasons 2019-22 with more games and top picks while paying 16% less per game; successfully renewed EFL rights, with 81% more matches.

- Excellent performances from Sky original programmes: Riviera and Tin Star became our first and second most successful original dramas to date.
- Good growth in Sky Q, now in 2.7 million homes; with notable enhancements including adding Spotify to the platform, making voice control standard, and launching Sky Soundbox.
- Consistently received lowest level of complaints in Ofcom's quarterly report across each of TV, broadband and telephony, placing us top for customer service for nine consecutive quarters.
- My Sky App downloaded over 5 million times and now upgraded to include engineer tracking.

**Germany and Austria**

Over the past four years we have made considerable progress pursuing the significant growth opportunity in Germany and Austria, implementing a strategy to invest for the long term, broadening out the business and replicating many of the things that have proved successful in the UK and Italy. In doing so, we have added 1.4 million new customers, 2.7 million paid-for-products, and €626 million more revenue over that time.

This year we implemented a major set of initiatives to propel our next phase of growth, comprehensively upgrading our products and services to significantly improve the experience for customers. These included:

- Transforming the customer experience through the launch of Sky Q, which is already in over 1 million homes (820,000 at the end of the quarter) after Sky+ Pro customers were upgraded via a software download.
- Delivering a major new user-interface update across all devices and services.
- Broadening out the content offering, achieving a 9% increase in viewing to Sky channels and our first Sky original drama, Babylon Berlin, winning eight national TV awards.
- Securing exclusive coverage of 98% of Austrian Bundesliga football matches for the next four seasons.
- Connected a further 588,000 homes so that 2.5 million customers now have access to our on demand catalogue.
- Improving the customer service experience, including a new retention focussed contact centre in Berlin and the launch of Mein Sky service app, now downloaded 750,000 times.
- Simplified the pricing structure, including consistent standalone price points for our premium channels, giving customers clearer choice and better value.
- Started broadcasting from our new Sky Sports studio, significantly increasing the quality of our sports coverage.

While implementing these initiatives we rebalanced our trading strategy to rely less on discounts and to better reflect the value customers are receiving from the enhanced Sky experience. As planned, this important ground-work has resulted in higher acquisition ARPU, up €2 year on year, alongside a spike in churn to 15.0% on a 12-month rolling basis as lower value customers roll off the platform. Our expectation is that churn will return to normalised levels from here, reflecting similar customer responses in our other markets, particularly as we scale Sky Q penetration and launch a loyalty programme in the autumn to replicate the considerable success we have had in the UK and Italy.

While the primary focus of the business this year was to deliver these key initiatives, we added 200,000 new customers, including 30,000 in Q4. We grew revenues by 6% to £2,023 million on the back of customer growth, greater product penetration, and our highest ever levels of advertising revenue. EBITDA of £119 million was only £28 million lower than the prior year despite the £153 million step up in Bundesliga costs as we pushed hard on operating efficiency, reducing SG&A costs as a percentage of revenue by 300 basis points.

## Italy

This has been a ground-breaking year in Italy in which we have actively put in place a number of initiatives that have transformed the growth opportunity in this market. We enhanced our multi-platform strategy, introducing new ways to take Sky TV and opening up new customer segments of the market, at the same time as enhancing the content proposition. These included:

- Rolling out Sky Q, now in 92,000 households and generating very high customer satisfaction scores.
- Launching a brand new Sky pay-TV service delivered via digital terrestrial television (DTT) after striking a deal with Mediaset to use their transmission capacity.
- Introducing Sky over Fibre, delivering Sky TV over broadband-only for the first time.
- Acquiring exclusive rights to broadcast 266 live Serie A games per season from 2018/19 - 2020/21, more than twice as many exclusive matches versus today, and with 16 of the 20 biggest matches each season.
- Securing exclusive rights for the majority of both UEFA Champions League and Europa League matches from next season.
- Supplying nine additional Mediaset Premium film and TV series channels to existing Sky customers.
- Agreeing a long term wholesale deal 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.

Bringing all this together meant in the fourth quarter we added 57,000 new customers, the best net growth for 28 quarters, and 133,000 new paid-for-products. This was a strong performance against the backdrop of churn increasing slightly to, what we consider, a more normal level of 10.1%.

Revenues grew 6% to £2,631 million, with ARPU increasing to its highest ever level of €45, up from €42 in Q4 2017, as we increased product penetration and implemented a price rise. Advertising revenue grew by 13%, significantly outperforming the TV advertising market primarily driven by strong performance from our free-to-air and digital channels. EBITDA grew strongly, up 29% to £342 million, as operating cost management meant this strong revenue growth flowed through.

## GROUP FINANCIAL PERFORMANCE

Unless otherwise stated, all numbers are presented on an adjusted basis for the twelve months ended 30 June 2018. For comparative amounts in the prior year down to operating profit, numbers are translated at a constant currency rate of €1.13:£1 being the average exchange rate prevailing in the twelve months to 30 June 2018, while content revenue and programming costs also exclude the one-off sale of the Rio Olympic rights in Italy in the prior year. For a reconciliation to amounts at actual exchange rates see page 3. Full details including prior year comparatives are in Appendix 2.

### Revenue

Group revenues increased by £588 million, or 5% to £13,585 million. We delivered growth in each territory, with the UK and Ireland up 4% (+£331 million), Germany and Austria up 6% (+£107 million) and Italy up 6% (+£150 million).

We also delivered revenue growth in each category. Direct-to-Consumer revenue, our largest revenue category, grew by 3% (+£396 million) to £11,830 million driven by a number of factors, including: the increased size of our customer base; greater product penetration such as Sky Q, Sky Fibre and Sky Mobile; a higher number of pay as you go buys; the full year benefit from our home communications price rise in the UK in March 2017 and a price rise in Italy in October 2017.

Content revenue strongly increased by 15% (+£110 million) to £838 million as we monetised our growing investment in original programming. Similarly advertising revenue grew 10% (+£82 million) to £917 million with each territory outperforming its market.

### Costs

We made excellent progress in operating efficiency, with operating costs as a percentage of revenue reducing by 70 basis points.

We continued to invest on screen for customers, with programming costs up 4% (+£225 million). This includes a £153 million step up in Bundesliga costs in Germany and greater investment in original drama. This was partly offset by a change to our sports rights amortisation in the UK, following the repackaging of our sport channels, to an approach similar to that of Italy and Germany. As a result, we expense 97.5% of the Premier League costs from the 2017/18 season to this fiscal year, with 2.5%, or £35 million, deferred into the first quarter of 2019 fiscal year.

Direct network costs increased by 21% as we scaled growth in Sky Mobile to over half a million customers, grew broadband subscribers and increased fibre penetration to 38% of our total broadband subscriber base.

Sales, general and administrative costs were up only 2% (+£79 million), and down 70 basis points as a percentage of revenue to just 33%. We absorbed our increased investment in brand to support Sky original dramas and the launch of Sky Q in Italy and Germany, as well as higher depreciation as a result of investment in the roll-out of Sky Q set-top-boxes, Group integration and our UK campus. This performance reflects the strong progress we have made driving operating efficiency through the business as well as the benefit of capitalising rather than fully expensing Sky Q costs.

## Profit and earnings

As a result of our strong revenue growth and excellent progress in operating efficiency, Established Business EBITDA was up 11% to £2,456 million (2017: £2,208 million). EBITDA was up 9% after including the net costs of our investments in Sky Mobile and our streaming TV service in Spain.

Adjusting for depreciation and amortisation of £775 million, EBIT was up 7% to £1,574 million (2017: £1,473 million). Tax was £1 million lower at £214 million, at an effective rate of 15.5% (2017:17.0%) mainly reflecting the reduction in the UK rate and the recognition of tax allowances in Italy. Profit after tax was £1,168 million (2017: £1,048 million), resulting in earnings per share of 67.3 pence, up 10% (2017: 61.4 pence). The total weighted average number of ordinary shares was 1,716 million (2017: 1,710 million shares).

## Statutory results and adjusting items

Statutory operating profit for the year of £1,034 million (2017: £964 million) increased by 7%, reflecting 5% growth in statutory revenue, progress in operating efficiency and the movement in foreign currency exchange rates.

Adjusted operating profit is before the deduction of net operating expenses of £540 million (2017: £504 million) comprising three elements: (i) the ongoing amortisation of acquired intangible assets and related acquisition costs, (ii) one off costs associated with the offers for the Company and (iii) adjusting items including the costs of corporate efficiency and restructuring programmes and the costs of integrating Sky Italia and Sky Deutschland, which were partly offset by income received with respect to regulatory receipts and proceeds from settlements. A reconciliation of statutory and adjusted numbers is provided in Appendix 2.

## Cash flow and net debt

Free cash flow of £552 million was £277 million lower than the prior year, mainly reflecting the investment in deploying Sky Q to customers in each of our markets (c£180 million), as well as a peak year for the payment of upfront deposits on key sports rights including Premier League, Serie A, and English Cricket Board (c£230 million).

Net debt as at 30 June 2018 was £6.5 billion (30 June 2017: £6.2 billion). On a pro-forma basis reflecting Sky Bet sale proceeds actually received on 10th July, net debt would have been £6.0 billion, representing a net debt to EBITDA ratio of 2.6 times.

During the period the Group repaid its October 2017 and February 2018 bonds (£787 million) from existing cash resources. The Group continues to maintain a strong financial position and has ample headroom to its financial covenants, including excellent liquidity with cash of £1.6 billion as at 30 June 2018 and access to a Revolving Credit Facility totalling £1 billion.

**BIGGER PICTURE**

We have made great progress on our commitment to remove all single-use plastics from our operations, products and supply chain by 2020. We are pleased that take-away coffee cups, plastic cutlery, plastic straws and sauce sachets have all disappeared from every Sky office in the UK and Ireland, and we're on track to remove these items by September from our offices in Germany and Italy. Our Sky Ocean Rescue campaign will have kept over 175 tonnes of single-use plastic out of the environment by the end of this calendar year. And there's a lot more to come. We've partnered with the likes of National Geographic, Premier League, WWF and Volvo Ocean Race. Together, we're encouraging hundreds of millions more people to make small changes that help the planet.

We have made our first investments through Sky Ocean Ventures too. Our objective is to find and invest in big ideas that can keep plastic out of our oceans. So far we've invested in Skipping Rocks Lab and Choose Water, two companies turning sustainable materials into alternatives to plastic packaging. We've also partnered with Imperial College London to help us assess more ideas like these.

**CORPORATE**

**SkyBet sale**

We completed the sale of our 20% stake in Sky Bet to The Stars Group Inc. on 10th July 2018. At the closing of the transaction, we received £427 million in cash and 7.6 million shares in The Stars Group worth at close on 9th July approximately £208 million. This, together with the original sale of our majority stake in 2015, has crystalised a total value of c£1.4 billion for Sky shareholders.

**IFRS 15**

IFRS 15 'Revenue from Contracts with Customers' has been adopted from 1 July 2018, and will change the phasing of revenue recognised for certain of our products. We will continue to manage the business using our existing 'cash-led' accounting policies and therefore the results of our segments will exclude the impact of IFRS 15. We will clearly present the impact of IFRS 15 within our consolidated statutory results.

On transition to IFRS 15, we will recognise material new contract assets for accrued revenue and costs to obtain customer contracts on the balance sheet. However, material changes in statutory revenue and operating profit are not expected.

**Offers for Sky**

The Company has remained in an offer period throughout the year, following the announcement of a recommended pre-conditional cash offer by 21st Century Fox for Sky in December 2016.

On 25 April 2018, Comcast announced a firm pre-conditional cash offer for Sky at an offer price of £12.50 per Sky share. Following the year end, on 11 July 2018, 21st Century Fox announced a recommended pre-conditional cash offer for the shares in the Company which it (or its affiliates) did not already own at an offer price of £14.00 per Sky share. Subsequently and also on 11 July 2018, Comcast announced an increased cash offer of £14.75 per Sky share which the Independent Committee of the Board recommended shareholders to accept. The pre-conditions to both offers have now been satisfied or waived, and an offer document relating to the Comcast offer has been published.

The increased Comcast offer and increased 21st Century Fox offer both include an amount in lieu of a final dividend in respect of the financial year ended 30 June 2018, with Comcast and 21st Century Fox each reserving the right to reduce their respective offer prices by some or all of the amount of any dividend (which is announced, declared, paid or becomes payable to Sky shareholders). As a result, the Board is not proposing a final dividend at this stage.

On 12 April 2018, further to the proposed acquisition of 21st Century Fox by Disney, the Takeover Panel Executive ruled that Disney must make a "chain principle" mandatory cash offer for Sky at £10.75 per Sky share following the closing of the Disney acquisition of 21st Century Fox if, at that time, 21st Century Fox had not acquired 100% of the Sky shares or Comcast or another third party had not acquired a majority of the Sky shares. On 13 July 2018 and subsequent to the increased offer by Disney for 21st Century Fox, the Takeover Panel Executive announced that the price payable pursuant to any required chain principle bid would be £14.00 in cash. Sky notified the Hearings Committee of the Panel that it would appeal that determination, and that appeal will be heard by the Hearings Committee on 27 July 2018.

## Group KPI Summary (unaudited)

| All figures (000) unless stated | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY18 | Change |
|---|---|---|---|---|---|---|---|
| UK and Ireland (£m) | 7,018 | 7,377 | 7,820 | 8,255 | 8,600 | 8,931 | +4% |
| Germany and Austria (€m) | 1,433 | 1,657 | 1,808 | 1,988 | 2,162 | 2,283 | +6% |
| Italy (€m) | 2,817 | 2,809 | 2,740 | 2,739 | 2,800 | 2,970 | +6% |
| **Revenue @ constant currency (£m)** | **10,784** | **11,334** | **11,848** | **12,445** | **12,997** | **13,585** | **+5%** |
| | | | | | | | |
| UK and Ireland | 31,634 | 34,775 | 38,036 | 40,373 | 41,958 | 44,689 | +2,731 |
| Germany and Austria | 5,543 | 6,164 | 7,133 | 8,042 | 8,774 | 8,887 | +113 |
| Italy | 7,320 | 8,227 | 8,614 | 8,640 | 8,978 | 9,241 | +263 |
| **Total products** | **44,497** | **49,166** | **53,783** | **57,055** | **59,710** | **62,817** | **+3,107** |
| | | | | | | | |
| UK and Ireland | 11,153 | 11,495 | 12,001 | 12,446 | 12,726 | 12,996 | +270 |
| Germany and Austria | 3,453 | 3,813 | 4,280 | 4,626 | 4,991 | 5,191 | +200 |
| Italy | 4,756 | 4,725 | 4,725 | 4,742 | 4,783 | 4,823 | +40 |
| **Retail customers** | **19,362** | **20,033** | **21,006** | **21,814** | **22,500** | **23,010** | **+510** |
| | | | | | | | |
| UK and Ireland | 3,677 | 4,041 | 4,028 | 3,923 | 3,492 | 3,345 | (147) |
| Germany and Austria | 124 | 213 | 146 | 144 | 129 | 160 | +31 |
| Italy | - | - | - | - | - | - | - |
| **Wholesale customers** | **3,801** | **4,254** | **4,174** | **4,067** | **3,621** | **3,505** | **(116)** |
| | | | | | | | |
| **Total customers** | **23,163** | **24,287** | **25,180** | **25,881** | **26,121** | **26,515** | **+394** |
| | | | | | | | |
| **ARPU** | | | | | | | |
| UK and Ireland | £46 | £46 | £47 | £47 | £47 | £45 | |
| Germany and Austria | € 35 | € 36 | € 34 | € 35 | € 34 | €32 | |
| Italy | € 42 | € 43 | € 43 | € 42 | € 42 | €45 | |
| | | | | | | | |
| **Churn** | | | | | | | |
| UK and Ireland | 10.7% | 10.9% | 9.8% | 11.2% | 11.5% | 10.3% | |
| Germany and Austria | 12.3% | 10.4% | 8.6% | 9.9% | 12.6% | 15.0% | |
| Italy | 13.9% | 10.3% | 9.6% | 11.1% | 9.1% | 10.1% | |

- Revenue at constant currency is translated at €1.13 and excludes the 53rd week impact in FY16 and the one-off sale of Rio Olympic rights in FY17
- 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 2018.
- 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, Ultra HD, Sky Go plus and paying HD.
- In Germany and Austria, paid-for products includes TV, Multiscreen, Premium HD and Sky Go Extra.
- 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, FY14 and FY15 Revenue numbers for Germany and Austria and Italy are on a pro-forma basis.

## Sky content highlights – on screen between July and December

sky uno · sky living · sky one

Sick Note Season 2*
A League of Their Own Season 13*
Loot*
The Reluctant Landlord*
Delicious Season 3*
Stan Lee's Lucky Man Season 3
A Discovery of Witches*
Sick of It*

Masterchef All Stars ITA*
Hell's Kitchen USA S17
EPCC A Teatro Season 6*
X Factor ITA Season 12*
Hell's Kitchen ITA Season 5*
Planning Mom's and Dad's Wedding
Brooklyn Nine-Nine Season 4
Alessandro Borghese: 4 Ristoranti Summer*

Das Boot *
The X Factor DE*
Madam Secretary Season 4
Ballers Season 4
Supernatural Season 13
Masterchef USA Season 9
Quatsch Comedy Club Season 2*

sky atlantic

Sharp Objects
Succession
Sally4Eva*
White Famous
Die Pest
I'm Dying up Here Season 2
The Pacific
Insecure Season 3
The Deuce Season 2

Fortitude season 3*
Ray Donovan Season 6
Curb your Enthusiasm Season 9
Escape at Dannemora
Wentworth Season 6
SMILF Season 2
Strike Back Season 6*
Here and Now
Tin Star Season 2
True Detective Season 3

Billions Season 3
Westworld Season 2
Il Miracolo *
Picnic at Hanging Rock
The Generi *
Power Season 5
The Affair Season 4
Deutschland 86
Mosiac
Mozart in the Jungle Season 4
House of Cards Season 5

sky cinema

All The Money in the World
Black Panther
Coco
Daddy's Home 2
Darkest Hour
Father Figures
Fifty Shades Freed
Insidious: The Last Key
Maze Runner: Death Cure
Murder on the Orient Express
Pitch Perfect 3
Rampage
The Lego Ninjago Movie
The Mountain Between Us

Thor: Tag der Entscheidung
Blade runner 2049
Jumanji: Welcome to the Jungle
War of the Planet of the Apes
Justice League
Ready Player One
Star Wars: Episode VIII – The Last Jedi
Thor: Ragnarok
Kingsman: The Golden Circle
Das Pubertier
Tomb Raider
The Post
Three Billboards

The Circle
IO C'E
Flatliners
Daddy's Home 2
Borg McEnroe
Tafanos
The Hitman's Bodyguard
Il Tuttofare
Gold
Gifted
Everything Everything
Il Vegetale
La Ragazza Nella Nebbia
The Tale

Football: Premier League
Football: EFL
Football: SPFL Ladbrokes Premiership
Football: Carabao Cup
Football: Champions League
Football: Europa League
Football: DFB Pokal Competition
Football: Bundesliga
Football: Serie A
Cricket: England International
Cricket: England Domestic

Rugby: Super League
Rugby: England Autumn Internationals
Rugby: The Championship
Rugby: Test Match
2018 Formula 1 season
Moto GP
Basketball NBA
PDC World Darts Championship
2018 NFL season
Handball: EHF Champions League
Athletics IAAF Diamond League

Handball: Bundesliga
Tennis: Wimbledon
Tennis: ATP
Golf: Ryder Cup
Golf: LPGA and LET
Golf: Ryder Cup
Golf: US PGA Tour
Golf: European and PGA Tour

South Bank Sky Arts Awards 2018*
Landscape Artist of the Year Season 4*
Soundtracks: Songs That Defined History
Master of Photography *
Sette Meraviglie *
Muro (Street Art) *
33 giri *
Italie Invisibili *
Bayreuther Festspiele live: Lohengrin*

Doc Roberto Bolle *
Basquiat - Rage to richies
Palermo - Capitale del Mediterraneo*
Sei in un Paese Meraviglioso*
Hitler contro Picasso e gli altri*
Doc. Jane Fonda
Leonard Bernstein A Genius Divided
Arthur Miller: Writer
Caravaggio - L'anima e il sangue *

Elvis And The Girl From Vienna
Arthur Miller: Writer
First Monday in May
Porn Culture *
Superheroes *
Project Greenlight
Royal Opera House or Berliner

* Indicates a Sky original production

# Appendix 1 – Consolidated Financial Information

**Consoliated Income Statement** for the year ended 30 June 2018

| | Notes | 2018 £m | 2017 £m |
|---|---|---|---|
| **Revenue** | 2 | **13,585** | 12,916 |
| Operating expense | 2 | **(12,551)** | (11,952) |
| **EBITDA** | | **2,108** | 1,936 |
| Depreciation and amortisation | | **(1,074)** | (972) |
| **Operating profit** | | **1,034** | 964 |
| Share of results of joint ventures and associates | 10 | **56** | 21 |
| Investment income | | **11** | 22 |
| Finance costs | 3 | **(286)** | (204) |
| Profit on disposal of available-for-sale investment | 4 | **49** | - |
| **Profit before tax** | | **864** | 803 |
| Taxation | 5 | **(49)** | (112) |
| **Profit for the year** | | **815** | 691 |
| **Profit (loss) for the year attributable to:** | | | |
| Equity shareholders of the parent company | | **815** | 695 |
| Non-controlling interests | | **-** | (4) |
| | | **815** | 691 |
| **Adjusted earnings per share from adjusted profit for the year (in pence)** | | | |
| Basic | 6 | **67.3p** | 61.4p |
| Diluted | 6 | **66.9p** | 60.4p |
| **Earnings per share from profit for the year (in pence)** | | | |
| Basic | 6 | **47.5p** | 40.6p |
| Diluted | 6 | **47.2p** | 40.0p |

**Consolidated Statement of Comprehensive Income** for the year ended 30 June 2018

| | 2018 £m | 2017 £m |
|---|---|---|
| **Profit for the year** | **815** | 691 |
| **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 | **49** | - |
| (Loss) gain on cash flow hedges | **(139)** | 31 |
| Tax on cash flow hedges | **25** | (2) |
| Loss on net investment hedges | **(42)** | (335) |
| Exchange differences on translation of foreign operations | **-** | 396 |
| Actuarial movements on employee benefit obligations | **-** | 1 |
| | **(107)** | 91 |
| **Amounts reclassified and reported in the income statement** | | |
| Loss (gain) on cash flow hedges | **64** | (85) |
| Tax on cash flow hedges | **(11)** | 17 |
| Transfer to income statement on disposal of available-for-sale investment | **(49)** | - |
| | **4** | (68) |
| **Amounts recognised in non-financial assets (basis adjustment)** | | |
| Gain on cash flow hedges | **(71)** | (165) |
| Tax on cash flow hedges | **11** | 33 |
| | **(60)** | (132) |
| **Other comprehensive loss for the year (net of tax)** | **(163)** | (109) |
| **Total comprehensive income for the year** | **652** | 582 |
| **Total comprehensive income (loss) for the year attributable to:** | | |
| Equity shareholders of the parent company | **652** | 586 |
| Non-controlling interests | **-** | (4) |
| | **652** | 582 |

**Consolidated Balance Sheet** as at 30 June 2018

| | Notes | 2018 £m | 2017 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | **4,972** | 4,930 |
| Intangible assets | 8 | **4,531** | 4,626 |
| Property, plant and equipment | 9 | **2,548** | 2,273 |
| Investments in joint ventures and associates | 10 | **42** | 116 |
| Available-for-sale investments | 11 | **117** | 110 |
| Deferred tax assets | 12 | **425** | 302 |
| Programme distribution rights | 13 | **109** | 63 |
| Trade and other receivables | 14 | **45** | 41 |
| Derivative financial assets | | **475** | 643 |
| | | **13,264** | 13,104 |
| **Current assets** | | | |
| Inventories | 13 | **1,305** | 1,113 |
| Trade and other receivables | 14 | **1,729** | 1,475 |
| Current tax assets | | **2** | 12 |
| Short-term deposits | | **-** | 300 |
| Cash and cash equivalents | | **1,622** | 2,200 |
| Derivative financial assets | | **80** | 234 |
| | | **4,738** | 5,334 |
| **Total assets** | | **18,002** | 18,438 |
| **Current liabilities** | | | |
| Borrowings | 17 | **447** | 974 |
| Trade and other payables | 15 | **4,586** | 4,303 |
| Current tax liabilities | | **139** | 146 |
| Provisions | 16 | **127** | 107 |
| Derivative financial liabilities | | **22** | 20 |
| | | **5,321** | 5,550 |
| **Non-current liabilities** | | | |
| Borrowings | 17 | **7,754** | 8,207 |
| Trade and other payables | 15 | **141** | 87 |
| Provisions | 16 | **81** | 83 |
| Derivative financial liabilities | | **428** | 384 |
| Deferred tax liabilities | 12 | **257** | 280 |
| | | **8,661** | 9,041 |
| **Total liabilities** | | **13,982** | 14,591 |
| Share capital | 19 | **860** | 860 |
| Share premium | | **2,704** | 2,704 |
| Reserves | | **452** | 274 |
| **Total equity attributable to equity shareholders of the parent company** | | **4,016** | 3,838 |
| Total equity attributable to non-controlling interests | | **4** | 9 |
| **Total liabilities and equity** | | **18,002** | 18,438 |

**Consolidated Cash Flow Statement** for the year ended 30 June 2018

| | Notes | 2018 £m | 2017 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 20 | **1,910** | 2,254 |
| Interest received | | **7** | 15 |
| Taxation paid | | **(151)** | (163) |
| **Net cash from operating activities** | | **1,766** | 2,106 |
| **Cash flows from investing activities** | | | |
| Dividends received from joint ventures and associates | | **131** | 20 |
| Funding to joint ventures and associates | | **(8)** | (9) |
| Repayment of loan from associate | | **-** | 83 |
| Loan to joint venture | | **-** | (14) |
| Purchase of joint ventures and associates | | **-** | (2) |
| Proceeds on disposal of joint ventures and associates | | **-** | 4 |
| Purchase of property, plant and equipment | | **(662)** | (628) |
| Proceeds on disposal of property, plant and equipment | | **-** | 1 |
| Purchase of intangible assets | | **(523)** | (546) |
| Purchase of subsidiaries (net of cash and cash equivalents purchased) | | **(11)** | (26) |
| Purchase of available-for-sale investments | | **(18)** | (34) |
| Proceeds on disposal of available-for-sale investments | | **69** | 2 |
| Decrease (increase) in short-term deposits | | **300** | (300) |
| **Net cash used in investing activities** | | **(722)** | (1,449) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | **(787)** | (7) |
| Repayment of obligations under finance leases | | **(3)** | (16) |
| Proceeds from disposal of shares in Employee Share Ownership Plan ("ESOP") | | **14** | 15 |
| Purchase of own shares for ESOP | | **(200)** | - |
| Payments to satisfy exercise of employee share awards | | **(5)** | - |
| Interest paid | | **(248)** | (238) |
| Capital contribution from non-controlling interests | | **-** | 7 |
| Dividends paid to shareholders of the parent | | **(396)** | (358) |
| Dividends paid to holders of non-controlling interests | | **(5)** | (4) |
| **Net cash used in financing activities** | | **(1,630)** | (601) |
| **Net (decrease) increase in cash and cash equivalents** | | **(586)** | 56 |
| Cash and cash equivalents at the beginning of the year | | **2,200** | 2,137 |
| Effect of foreign exchange rate movements | | **8** | 7 |
| **Cash and cash equivalents at the end of the year** | | **1,622** | 2,200 |

**Consolidated Statement of Changes in Equity** for the year ended 30 June 2018

| | 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 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: | | | | | | | | | |
| - In equity | - | - | - | 31 | - | - | 31 | - | 31 |
| - In income statement | - | - | - | (85) | - | - | (85) | - | (85) |
| - In non-financial assets (basis adjustment) | - | - | - | (165) | - | - | (165) | - | (165) |
| 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** |
| Profit for the year | - | - | - | - | - | 815 | 815 | - | 815 |
| Net investment hedges | - | - | - | - | (42) | - | (42) | - | (42) |
| Recognition and transfer of cash flow hedges | | | | | | | | | |
| - In equity | - | - | - | (139) | - | - | (139) | - | (139) |
| - In income statement | - | - | - | 64 | - | - | 64 | - | 64 |
| - In non-financial assets (basis adjustment) | - | - | - | (71) | - | - | (71) | - | (71) |
| Tax on items taken directly to equity | - | - | - | 25 | - | - | 25 | - | 25 |
| Revaluation of available-for-sale investments | - | - | - | - | 49 | - | 49 | - | 49 |
| Transfer to income statement on disposal of available-for-sale investment | - | - | - | - | (49) | - | (49) | - | (49) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **(121)** | **(42)** | **815** | **652** | **-** | **652** |
| Share-based payment | - | - | 69 | - | - | (166) | (97) | - | (97) |
| Tax on items taken directly to equity | - | - | - | - | - | 19 | 19 | - | 19 |
| Dividends | - | - | - | - | - | (396) | (396) | (5) | (401) |
| **At 30 June 2018** | **860** | **2,704** | **(9)** | **(35)** | **322** | **174** | **4,016** | **4** | **4,020** |

## 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 2018 or 2017, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2018, 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 2018. Statutory financial statements for 2017 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 2017, 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 2018, this date was 1 July 2018, this being a 52 week year (fiscal year 2017: 2 July 2017, 52 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 2018

| | UK & Ireland £m | Germany & Austria £m | Italy £m | Adjusting Items & Eliminations £m | Statutory Group Total £m |
|---|---|---|---|---|---|
| Direct to customer | 7,611 | 1,896 | 2,323 | - | 11,830 |
| Content | 788 | 31 | 27 | (8) | 838 |
| Advertising | 540 | 96 | 281 | - | 917 |
| **Revenue** | **8,939** | **2,023** | **2,631** | **(8)** | **13,585** |
| Inter-segment revenue | (8) | - | - | 8 | - |
| **Revenue from external customers** | **8,931** | **2,023** | **2,631** | **-** | **13,585** |
| Programming | (3,698) | (1,243) | (1,490) | (57) | (6,488) |
| Direct network costs | (1,148) | - | - | 9 | (1,139) |
| Sales, general and administration | (2,696) | (784) | (952) | (492) | (4,924) |
| **Operating expense** | **(7,542)** | **(2,027)** | **(2,442)** | **(540)** | **(12,551)** |
| **EBITDA** | **1,888** | **119** | **342** | **(241)** | **2,108** |
| Depreciation and amortisation | (499) | (123) | (153) | (299) | (1,074) |
| **Operating profit** | **1,389** | **(4)** | **189** | **(540)** | **1,034** |
| Share of results of joint ventures and associates | | | | | 56 |
| Investment income | | | | | 11 |
| Finance costs | | | | | (286) |
| Profit on disposal of available-for sale investment | | | | | 49 |
| **Profit before tax** | | | | | **864** |

**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 |
|---|---|---|---|---|---|
| Direct to customer | 7,398 | 1,760 | 2,154 | - | 11,312 |
| Content | 698 | 22 | 62 | (4) | 778 |
| Advertising | 508 | 76 | 242 | - | 826 |
| **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 | (2,703) | (778) | (824) | (483) | (4,788) |
| **Operating expense** | **(7,316)** | **(1,817)** | **(2,319)** | **(500)** | **(11,952)** |
| **EBITDA** | **1,739** | **143** | **257** | **(203)** | **1,936** |
| Depreciation and amortisation | (451) | (102) | (118) | (301) | (972) |
| **Operating profit** | **1,288** | **41** | **139** | **(504)** | **964** |
| Share of results of joint ventures and associates | | | | | 21 |
| Investment income | | | | | 22 |
| Finance costs | | | | | (204) |
| **Profit before tax** | | | | | **803** |

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.

To provide a more relevant presentation, management has chosen to reanalyse the revenue categories from those previously reported. Revenues previously included in Subscription, Transactional, and Other have been aggregated into Direct to consumer revenue. Revenue previously labelled Programme and Channel sales is now labelled Content. To provide a more relevant presentation, management has chosen to reanalyse the segmental allocation of certain costs in the prior year, to be consistent with their presentation in the current year, resulting in the transfer of Sales, general and administration expense of £1 million from Germany & Austria and £3 million from Italy into the UK & Ireland segment.

During the period, the Group's pay TV business in the UK and Ireland repackaged its sport channel proposition, resulting in new sport-specific channels being retailed to the customer, which are consumed throughout the year. As a result, in accordance with the Group's accounting policy for the cost of sports rights, a portion of the total rights value has been allocated to the off-season period, and will be recognised on a straight-line basis over the off-season period. This change in accounting estimate has resulted in a reduction in programming expense of £35 million in the period.

## 3 Investment income and finance costs

| | 2018 £m | 2017 £m |
|---|---|---|
| **Finance costs** | | |
| **Interest payable and similar charges** | | |
| Facility related costs | **(2)** | (5) |
| Guaranteed Notes | **(215)** | (233) |
| Finance lease interest | **(6)** | (7) |
| Mobile handset financing cost | **(11)** | - |
| | **(234)** | (245) |
| **Other finance income (expense)** | | |
| Remeasurement of borrowings and borrowings-related derivative financial instruments (not qualifying for hedge accounting) | **(57)** | 22 |
| Remeasurement of other derivative financial instruments (not qualifying for hedge accounting) | **5** | 18 |
| Loss arising on derivatives in a designated fair value hedge accounting relationship | **(14)** | (47) |
| Gain arising on adjustment for hedged item in a designated fair value hedge accounting relationship | **14** | 48 |
| | **(52)** | 41 |
| | **(286)** | (204) |

## 4 Profit on disposal of available-for-sale investments

On 27 March 2018, the Group completed its disposal of its investment in Roku Inc. consisting of 2,571,740 shares for an aggregate consideration of £58 million. A profit of £49 million was realised on disposal, being the excess of the consideration above the initial cost of the shares (£9 million).

## 5 Taxation

**Taxation recognised in the income statement**

| | 2018 £m | 2017 £m |
|---|---|---|
| **Current tax expense** | | |
| Current year – UK | **142** | 183 |
| Adjustment in respect of prior years – UK | **(4)** | (34) |
| Current year - Overseas | **21** | 16 |
| Adjustment in respect of prior years - Overseas | **(2)** | (16) |
| **Total current tax charge** | **157** | 149 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences – UK | **22** | (17) |
| Adjustment in respect of prior years – UK | **(5)** | 11 |
| Origination and reversal of temporary differences - Overseas | **(59)** | (31) |
| Adjustment in respect of prior years - Overseas | **(66)** | - |
| **Total deferred tax credit** | **(108)** | (37) |
| **Taxation** | **49** | 112 |

## 6 Earnings per share

The weighted average number of shares for the year was:

| | 2018<br>Millions of shares | 2017<br>Millions of shares |
|---|---|---|
| Ordinary shares | **1,719** | 1,719 |
| ESOP trust ordinary shares | **(3)** | (9) |
| **Basic shares** | **1,716** | 1,710 |
| Dilutive ordinary shares from share options | **11** | 29 |
| **Diluted shares** | **1,727** | 1,739 |

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.

| | 2018<br>£m | 2017<br>£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 | **815** | 695 |
| Costs relating to corporate restructuring and efficiency programmes | **194** | 140 |
| Costs relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group | **66** | 50 |
| Regulatory related receipts and proceeds of settlements | **(24)** | (8) |
| Costs relating to advisory fees and share-based payments incurred as a result of offers for the Company | **23** | 56 |
| Amortisation of acquired intangible assets and related acquisition costs | **276** | 269 |
| Distribution received from associate | **(33)** | - |
| Profit on disposal of joint venture | **-** | (8) |
| Profit on disposal of available-for-sale investment | **(49)** | - |
| Remeasurement of all derivative financial instruments not qualifying for hedge accounting and hedge ineffectiveness | **52** | (41) |
| Tax adjusting items and the tax effect of above items | **(165)** | (103) |
| **Adjusted profit for the year attributable to equity shareholders of the parent company** | **1,155** | 1,050 |

## 7 Dividends

| | 2018<br>£m | 2017<br>£m |
|---|---|---|
| **Dividends declared and paid during the year** | | |
| 2016 Final dividend paid: 20.95p per ordinary share | **-** | 358 |
| 2018 Special dividend paid: 10.00p ordinary share | **172** | - |
| 2018 Interim dividend paid: 13.06p per ordinary share | **224** | - |
| | **396** | 358 |

As the 21st Century Fox Offer had not become effective at 31 December 2017, and in accordance with the terms of the offer, a special dividend was paid on 9 February 2018.

## 8 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 2017 | 573 | 947 | 854 | 3,654 | 592 | 121 | 287 | 7,028 |
| Additions from business combinations | - | - | - | 3 | - | - | - | 3 |
| Additions | - | 107 | 106 | - | 53 | 200 | 104 | 570 |
| Disposals | - | (26) | (13) | - | (7) | (6) | (7) | (59) |
| Transfers | - | 108 | 113 | - | 1 | (108) | (114) | - |
| Foreign exchange movements | 7 | - | 1 | 17 | - | - | - | 25 |
| **At 30 June 2018** | **580** | **1,136** | **1,061** | **3,674** | **639** | **207** | **270** | **7,567** |
| **Amortisation** | | | | | | | | |
| At 1 July 2017 | 6 | 475 | 517 | 924 | 480 | - | - | 2,402 |
| Amortisation | - | 166 | 145 | 236 | 71 | - | - | 618 |
| Disposals | - | (26) | (13) | - | (7) | (6) | - | (52) |
| Impairments | - | 4 | 9 | - | - | 6 | - | 19 |
| Foreign exchange movements | - | - | 2 | 47 | - | - | - | 49 |
| **At 30 June 2018** | **6** | **619** | **660** | **1,207** | **544** | **-** | **-** | **3,036** |
| **Carrying amounts** | | | | | | | | |
| At 1 July 2017 | 567 | 472 | 337 | 2,730 | 112 | 121 | 287 | 4,626 |
| **At 30 June 2018** | **574** | **517** | **401** | **2,467** | **95** | **207** | **270** | **4,531** |

## 9 Property, plant and equipment

| | Freehold land and buildings | Leasehold improvements | Equipment, furniture and fixtures | Owned set-top boxes | Assets not yet available for use | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Cost** | | | | | | |
| At 1 July 2017 | 653 | 99 | 1,970 | 934 | 240 | 3,896 |
| Additions | 4 | 17 | 66 | 48 | 568 | 703 |
| Disposals | (2) | (17) | (35) | (278) | - | (332) |
| Transfers | 31 | 5 | 118 | 465 | (619) | - |
| Foreign exchange movements | - | - | 1 | 4 | - | 5 |
| **At 30 June 2018** | **686** | **104** | **2,120** | **1,173** | **189** | **4,272** |
| **Depreciation** | | | | | | |
| At 1 July 2017 | 84 | 47 | 1,221 | 271 | - | 1,623 |
| Depreciation | 14 | 9 | 172 | 201 | - | 396 |
| Impairments | - | - | 6 | 8 | - | 14 |
| Disposals | (2) | (17) | (34) | (259) | - | (312) |
| Foreign exchange movements | - | - | - | 3 | - | 3 |
| **At 30 June 2018** | **96** | **39** | **1,365** | **224** | **-** | **1,724** |
| **Carrying amounts** | | | | | | |
| At 1 July 2017 | 569 | 52 | 749 | 663 | 240 | 2,273 |
| **At 30 June 2018** | **590** | **65** | **755** | **949** | **189** | **2,548** |

## 10 Investments in joint ventures and associates

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

| | **2018** | 2017 |
|---|---|---|
| | **£m** | £m |
| Share of net assets | | |
| At 1 July | **116** | 123 |
| Movement in net assets | | |
| - Funding | **8** | 9 |
| - Dividends received | **(131)** | (20) |
| - Share of profits | **56** | 21 |
| - Acquisition of associates and joint ventures | **-** | 2 |
| - Disposal of joint ventures and associates | **(7)** | (19) |
| **At 30 June** | **42** | 116 |

During the year, the Group received a cash distribution of £113 million from Sky Bet, following Sky Bet's recapitalisation. The distribution was applied to reduce the carrying value of the Group's investment in Sky Bet to nil, with the excess of £33 million being recognised as income. On 21 April 2018, the Group reached an agreement to dispose of its investment in Sky Bet to The Stars Group Inc., following which the investment was reclassified as a held for sale asset, with a carrying value of nil. The sale of this investment was completed on 10 July 2018 (for further details see note 21)

## 11 Available-for-sale investments

As at 30 June 2018 the Group held £117 million (2017: £110 million) of unlisted investments. These investments consist of minority equity stakes in a number of technology and start-up companies.

During 2018, the Group purchased further investments in iflix Limited (£8 million) and Fubo TV (£4 million). Other principal investments include Dataxu Inc. During the year, the Group sold its investment in Roku Inc for an aggregate consideration of £58 million, realising a profit on disposal of £49 million (for further details see note 4).

## 12 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 2017 | (45) | (760) | 740 | 57 | 53 | (23) | 22 |
| Credit (charge) to income | 10 | 31 | 62 | 23 | (22) | 8 | 112 |
| Credit to equity | - | - | - | - | 14 | 28 | 42 |
| Effect of change in tax rate | | | | | | | |
| - Income | 1 | (3) | - | - | (1) | (1) | (4) |
| - Equity | - | - | - | - | (1) | (3) | (4) |
| Foreign exchange movements | - | (5) | 5 | - | - | - | - |
| **At 30 June 2018** | **(34)** | **(737)** | **807** | **80** | **43** | **9** | **168** |

## 13 Inventories

| | 2018 £m | 2017 £m |
|---|---|---|
| Television programme rights | **1,250** | 1,058 |
| Set-top boxes and related equipment | **48** | 36 |
| Other inventories | **7** | 19 |
| **Current inventory** | **1,305** | 1,113 |
| Non-current programme distribution rights | **109** | 63 |
| **Total inventory** | **1,414** | 1,176 |

## 14 Trade and other receivables

| | 2018 £m | 2017 £m |
|---|---|---|
| Net trade receivables | **400** | 413 |
| Amounts receivable from joint ventures and associates | **11** | 14 |
| Amounts receivable from other related parties | **13** | 24 |
| Prepayments | **678** | 498 |
| Accrued income | **553** | 429 |
| VAT | **2** | 2 |
| Other | **72** | 95 |
| **Current trade and other receivables** | **1,729** | 1,475 |
| Prepayments | **11** | 16 |
| Amounts receivable from joint ventures and associates | **15** | 15 |
| Other receivables | **19** | 10 |
| **Non-current trade and other receivables** | **45** | 41 |
| **Total trade and other receivables** | **1,774** | 1,516 |

## 15 Trade and other payables

| | 2018 £m | 2017 £m |
|---|---|---|
| Trade payables | **1,907** | 1,612 |
| Amounts owed to joint ventures and associates | **23** | 9 |
| Amounts owed to other related parties | **175** | 193 |
| VAT | **169** | 168 |
| Accruals | **1,526** | 1,607 |
| Deferred income | **530** | 480 |
| Other payables | **256** | 234 |
| **Current trade and other payables** | **4,586** | 4,303 |
| Trade payables | **50** | 44 |
| Amounts owed to other related parties | **3** | - |
| Deferred income | **54** | 3 |
| Other payables | **34** | 40 |
| **Non-current trade and other payables** | **141** | 87 |
| **Total trade and other payables** | **4,727** | 4,390 |

## 16 Provisions

| | At 1 July 2017 £m | Reclassified during the year £m | Provided during the year £m | Utilised during the year £m | Foreign exchange movement £m | At 30 June 2018 £m |
|---|---|---|---|---|---|---|
| **Current liabilities** | | | | | | |
| Restructuring provision | 13 | - | 12 | (4) | - | **21** |
| Customer-related provisions | 38 | - | - | (21) | - | **17** |
| Other provisions | 56 | 2 | 45 | (14) | - | **89** |
| | 107 | 2 | 57 | (39) | - | **127** |
| **Non-current liabilities** | | | | | | |
| Other provisions | 49 | (2) | 36 | (35) | 2 | **50** |
| Employee benefit obligations | 34 | - | (1) | (2) | - | **31** |
| | 83 | (2) | 35 | (37) | 2 | **81** |

## 17 Borrowings

| | **2018 £m** | 2017 £m |
|---|---|---|
| **Current borrowings** | | |
| Guaranteed Notes | 438 | 971 |
| Obligations under finance leases | 9 | 3 |
| | **447** | 974 |
| **Non-current borrowings** | | |
| Guaranteed Notes | 7,687 | 8,140 |
| Obligations under finance leases | 67 | 67 |
| | **7,754** | 8,207 |

As at 30 June 2018, Guaranteed Notes falling due within 12 months have been reclassified from non-current borrowings to current borrowings. These relate to bond falling due in November 2018 (£438 million).

## 18 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 2018** | 30 June 2017 | **30 June 2018** | 30 June 2017 | **30 June 2018** | 30 June 2017 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| **Financial assets** | | | | | | |
| *Available-for-sale financial assets* | | | | | | |
| Other investments | **-** | - | **-** | - | **117** | 110 |
| *Financial assets at fair value through profit or loss* | | | | | | |
| Interest rate swaps | **-** | - | 17 | 44 | **-** | - |
| Cross-currency swaps | **-** | - | 492 | 783 | **-** | - |
| Forward foreign exchange contracts | **-** | - | 46 | 50 | **-** | - |
| **Total** | **-** | - | **555** | 877 | **117** | 110 |
| **Financial liabilities** | | | | | | |
| *Financial liabilities at fair value through profit or loss* | | | | | | |
| Interest rate swaps | **-** | - | (1) | (4) | **-** | - |
| Cross-currency swaps | **-** | - | (398) | (353) | **-** | - |
| Forward foreign exchange contracts | **-** | - | (47) | (40) | **-** | - |
| Embedded derivative | **-** | - | (4) | (7) | **-** | - |
| **Total** | **-** | - | **(450)** | (404) | **-** | **-** |

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.

## 19 Share capital

| | **2018** | 2017 |
|---|---|---|
| | **£m** | £m |
| **Allotted, called-up and fully paid shares of 50p** | | |
| 1,719,017,230 (2017: 1,719,017,230) | **860** | 860 |

**20 Notes to the Consolidated Cash Flow Statement**

**Reconciliation of profit before tax to cash generated from operations**

| | **2018** | 2017 |
|---|---|---|
| | **£m** | £m |
| **Continuing Operations** | | |
| **Profit before tax** | **864** | 803 |
| Depreciation, impairment and losses (profits) on disposal of property, plant and equipment | **430** | 366 |
| Amortisation, impairment and losses (profits) on disposal of intangible assets | **644** | 606 |
| Share-based payment expense | **94** | 147 |
| Investment income | **(11)** | (22) |
| Finance costs | **286** | 204 |
| Share of results of joint ventures and associates | **(56)** | (21) |
| Profit on disposal of available-for-sale investment | **(49)** | - |
| | **2,202** | 2,083 |
| Increase in trade and other receivables | **(267)** | (103) |
| Increase in inventories | **(198)** | (176) |
| Increase in trade and other payables | **282** | 278 |
| Increase (decrease) in provisions | **21** | (89) |
| (Decrease) increase in derivative financial instruments | **(130)** | 261 |
| **Cash generated from operations** | **1,910** | 2,254 |

**21 Events after the reporting period**

On 10 July 2018, the Group completed the sale of its 20% stake in Sky Betting & Gaming to The Stars Group Inc. for a total consideration of £635 million, comprising £427 million in cash and 7.6 million shares in The Stars Group Inc.

# Appendix 2 – Non-GAAP measures

**Reconciliation of cash generated from operations to adjusted free cash flow**
for the year ended 30 June 2018

| | Note | **2018** **£m** | 2017 £m |
|---|---|---|---|
| **Cash generated from operations** | 20 | **1,910** | 2,254 |
| Interest received | | **7** | 15 |
| Taxation paid | | **(151)** | (163) |
| Dividends received from joint ventures and associates | | **131** | 20 |
| Funding to joint ventures and associates | | **(8)** | (9) |
| Loan to joint venture | | **-** | (14) |
| Purchase of property, plant and equipment | | **(662)** | (628) |
| Purchase of intangible assets | | **(523)** | (546) |
| Interest paid | | **(248)** | (238) |
| **Free cash flow** | | **456** | 691 |
| Cash paid relating to corporate restructuring and efficiency programmes | | **89** | 114 |
| Cash paid relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group | | **20** | 15 |
| Cash paid relating to acquisition related costs | | **7** | - |
| Cash paid relating to advisory fees associated with offers for the Company | | **4** | 9 |
| Cash received relating to regulatory-related receipts and proceeds of settlements | | **(24)** | - |
| **Adjusted free cash flow** | | **552** | 829 |

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

**Net debt**

| | **2018** **£m** | 2017 £m |
|---|---|---|
| Current borrowings | **447** | 974 |
| Non-current borrowings | **7,754** | 8,207 |
| Borrowings-related derivative financial instruments | **(110)** | (470) |
| **Gross debt** | **8,091** | 8,711 |
| Cash and cash equivalents | **(1,622)** | (2,200) |
| Short-term deposits | **-** | (300) |
| **Net debt** | **6,469** | 6,211 |

**Consolidated income statement - reconciliation of statutory and adjusted numbers**

| | | 2018 | | |
|---|---|---|---|---|
| | Notes | Statutory £m | Adjusting Items £m | Adjusted £m |
| **Revenue** | | | | |
| Direct to customer | | **11,830** | **-** | **11,830** |
| Content | | **838** | **-** | **838** |
| Advertising | | **917** | **-** | **917** |
| | | **13,585** | **-** | **13,585** |
| **Operating expense** | | | | |
| Programming | A | **(6,488)** | **57** | **(6,431)** |
| Direct network costs | B | **(1,139)** | **(9)** | **(1,148)** |
| Sales, general and administration | C | **(4,924)** | **492** | **(4,432)** |
| | | **(12,551)** | **540** | **(12,011)** |
| **EBITDA** | | **2,108** | **241** | **2,349** |
| **Operating profit** | | **1,034** | **540** | **1,574** |
| Share of results of joint ventures and associates | D | **56** | **(22)** | **34** |
| Investment income | E | **11** | **(3)** | **8** |
| Finance costs | F | **(286)** | **52** | **(234)** |
| Profit on disposal of available-for-sale investment | G | **49** | **(49)** | **-** |
| **Profit before tax** | | **864** | **518** | **1,382** |
| Taxation | H | **(49)** | **(165)** | **(214)** |
| **Profit for the year** | | **815** | **353** | **1,168** |
| Profit attributable to non-controlling interests | I | **-** | **(13)** | **(13)** |
| **Profit for the year attributable to equity shareholders of the parent company** | | **815** | **340** | **1,155** |
| **Earnings per share (basic)** | | **47.5p** | **19.8p** | **67.3p** |

Notes: explanation of adjusting items for the year ended 30 June 2018

A. Costs of £24 million relating to corporate restructuring and efficiency programmes, costs of £2 million relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group and costs of £31 million relating to the amortisation of acquired intangible assets and related acquisition costs
B. Income of £9 million relating to regulatory-related receipts and proceeds of settlements
C. Costs of £170 million relating to corporate restructuring and efficiency programmes (including £14 million of depreciation and amortisation), costs of £64 million relating to the integration of Sky Deutschland and Sky Italia in the enlarged Group (including £41 million of depreciation and amortisation), costs of £23 million relating to advisory fees and share-based payments incurred as a result of offers for the Company, income of £12 million relating to regulatory-related receipts and proceeds of settlements and costs of £247 million relating to the amortisation of acquired intangible assets and related acquisition costs
D. Income of £33 million relating to distribution received from associate and costs of £11 million relating to the amortisation of acquired intangible assets and related acquisition costs
E. Interest income of £3 million on credit received relating to regulatory related receipts and proceeds of settlements
F. Re-measurement of all derivative financial instruments not qualifying for hedge accounting
G. Profit on disposal of available-for-sale investment of £49 million
H. Tax adjusting items and the tax effect of the above items.
I. Costs of £13 million relating to the amortisation of acquired intangible assets and related acquisition costs

**Consolidated income statement - reconciliation of statutory and adjusted numbers**

| | | 2017 | | |
|---|---|---|---|---|
| | Notes | Statutory £m | Adjusting Items £m | Adjusted £m |
| **Revenue** | | | | |
| Direct to customer | | **11,312** | **-** | **11,312** |
| Content | | **778** | **-** | **778** |
| Advertising | | **826** | **-** | **826** |
| | | **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 | G | **4** | **(2)** | **2** |
| **Profit for the year attributable to equity shareholders of the parent company** | | **695** | **355** | **1,050** |
| **Earnings per share (basic)** | | **40.6p** | **20.8p** | **61.4p** |

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 £56 million relating to advisory fees and share-based payments incurred as a result of offers for the Company, and amortisation of acquired intangible assets and related acquisition costs of £258 million.
C. Amortisation of acquired intangible assets and related acquisition costs of £13 million and profit on disposal of joint venture of £8 million
D. Interest income of £8 million on credit received relating to regulatory-related receipts and proceeds of settlements.
E. Credit of £41 million relating to the re-measurement 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.
G. Costs relating to amortisation of acquired intangible asset and related acquisition costs of £2 million.

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.