British Sky Broadcasting Group plc

Merrill Lynch TMT Conference

June 2004

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James Murdoch

CEO

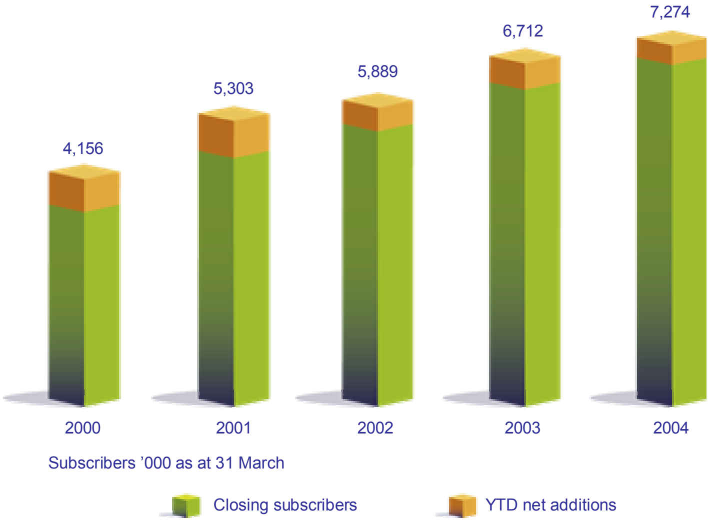
Introduction

- Financial strength
- Evolving market
- New initiatives

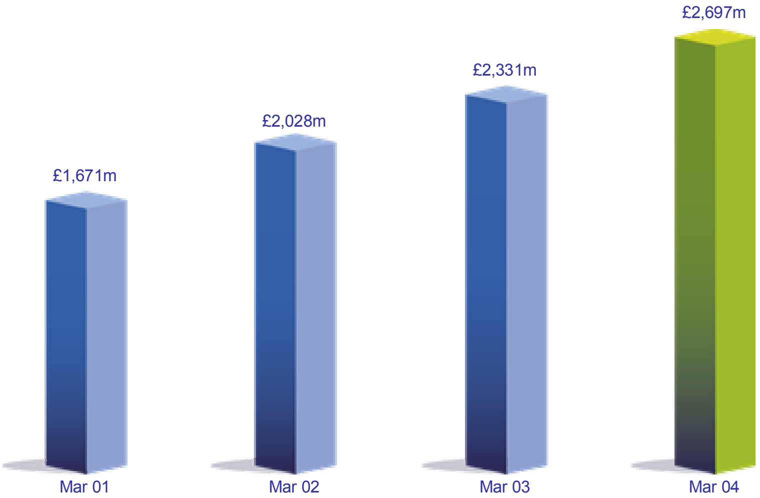
Third quarter results headlines

- Quarterly DTH subscriber growth of 66,000
- Total revenue up 16% to £2,697m
- Operating profit before goodwill and exceptional items up 76% to £438m
- Profit after tax increased almost tenfold from £28m to £243m
- EPS before goodwill and exceptional items increased to 13.2 pence
- Net debt down to £662m

DTH subscriber growth

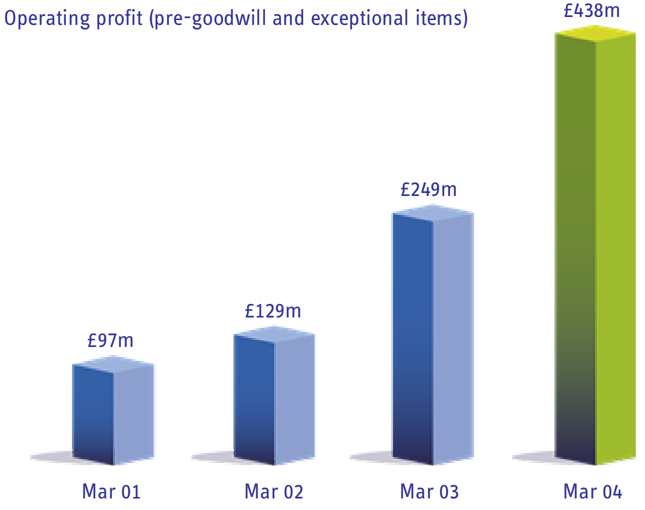


Revenue growth



Total revenue nine months ended 31 March

Strong operating profit growth



Nine months ended 31 March

Turnover

£m	Mar 03	Mar 04	% +/-
DTH	1,726	1,973	+14%
Wholesale	146	160	+10%
Advertising	204	223	+9%
Interactive	146	219	+50%
Other	109	122	+12%
Total	2,331	2,697	+16%

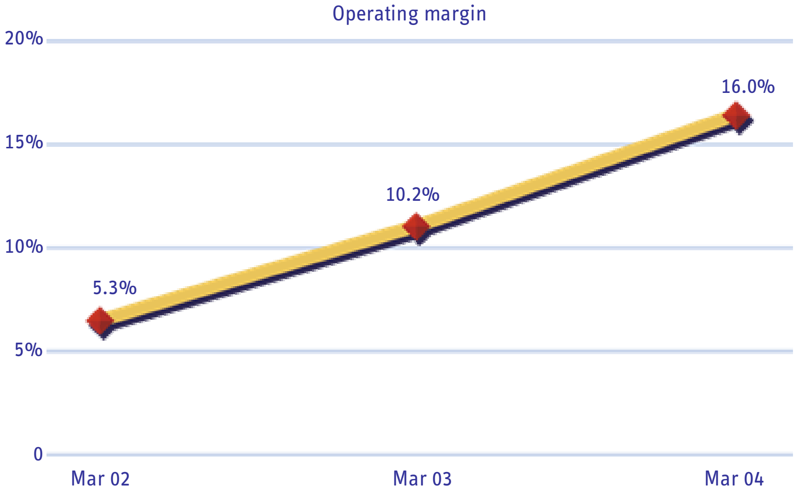
Nine months ended 31 March

Programming costs

£m	Mar 03	Mar 04	% +/-
Sports	519	564	+9%
Movies	293	302	+3%
Third party channels	262	268	+2%
Entertainment & News	95	114	+20%
Total	1,168	1,248	+7%
Gross margin	50%	54%	+4% pts

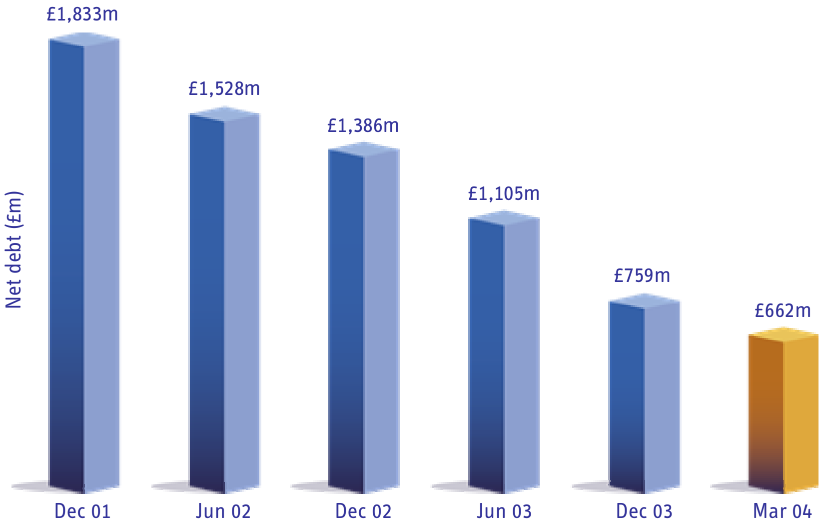
Nine months ended 31 March

Continued progression in operating margin



Note: operating margin before goodwill and exceptional items

Net debt

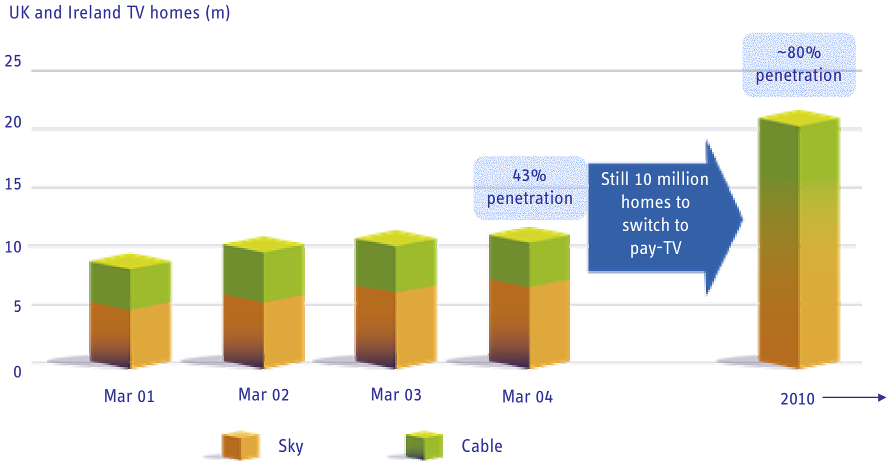


£1,833m
£1,528m
£1,386m
£1,105m
£759m
£662m
Net debt (£m)
Dec 01
Jun 02
Dec 02
Jun 03
Dec 03
Mar 04

- Revenue growth continues
- Strong operational gearing
- High conversion of profitability to cashflow

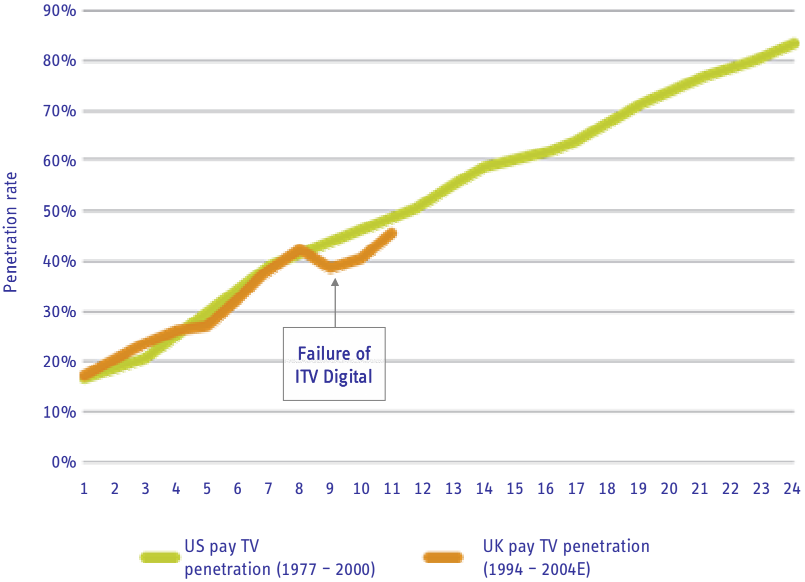
An evolving marketplace

Significant growth potential



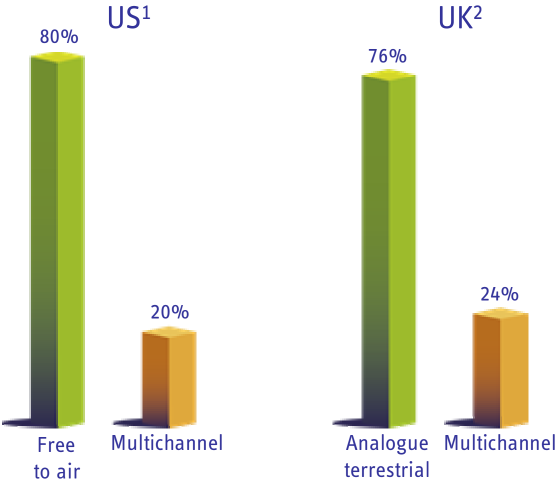
Source: Sky, BARB

US vs UK pay TV take-up



Source: UBS

Similar viewing patterns



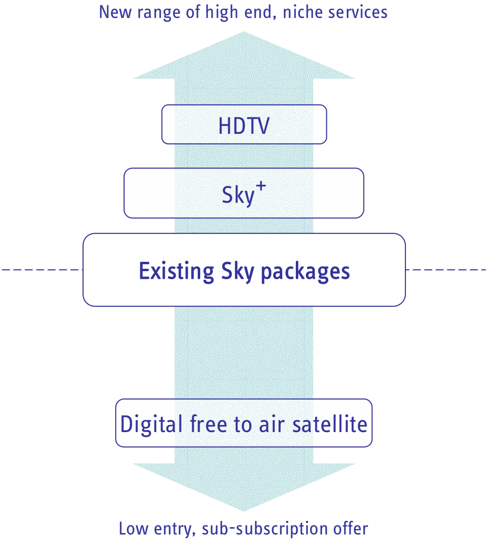
Share of viewing in US homes at 50% multichannel penetration

Share of viewing in UK homes at current level of 53% multichannel TV penetration

Source:

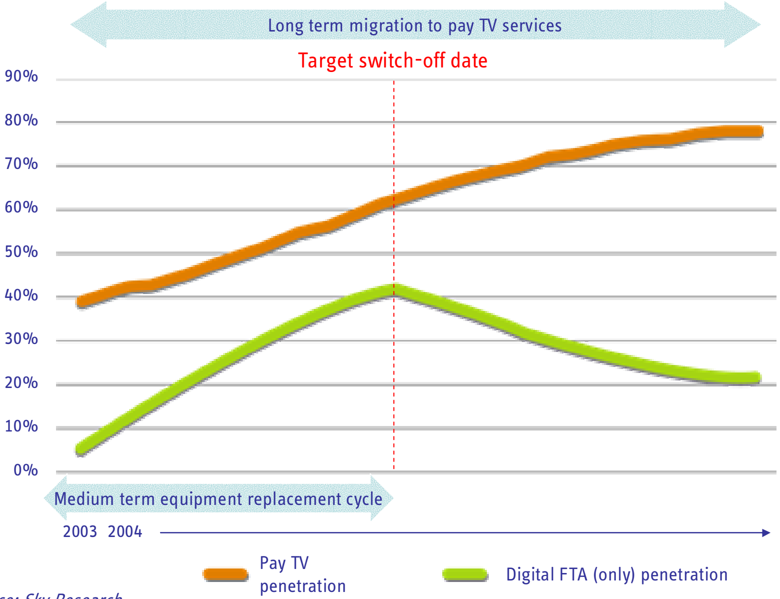
1. *Veronis Suhler*
2. *BARB (at 31 December 2003)*

Segmented growth/ an evolving product



Free to air digital satellite

Evolution of free to air vs. pay TV



Source: Sky Research

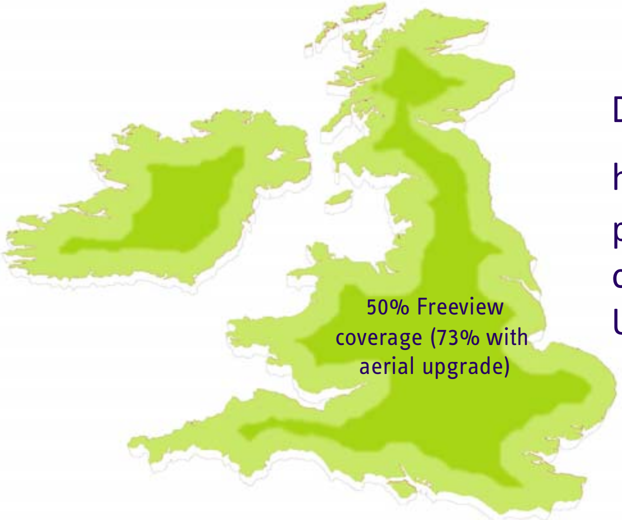
Free to air digital satellite

- Successful digital switch over requires digital solution for 100% of UK homes
- Sky intends to facilitate the purchase of its receiving equipment by customers wishing to receive encrypted free to air channels only
- Part of Sky's commitment to 'Digital Britain'
- Provides a single call, instant upgrade path to Sky packages
- Available during 2004

Digital Satellite FTA consumer proposition

- £150 for set top box, satellite dish, cabling and standard installation
- Includes 24 month free to air viewing entitlement
- Full access to 7 day programme guide and regional channels
- Access to interactive services including Government Direct
- Multiroom options will be available

Coverage of digital satellite



Digital satellite has **99.5%** potential coverage of UK homes*

**Source: Appleton laboratory figures*
Excludes impact of MDU, planning and leasehold covenant restrictions.

Channel line-up

196 Free to air channels: Including 27 general entertainment, 9 news and 4 children's channels

- 13 interactive services including Sky Active, Sky Bet and Gamestar plus 'red button' options behind channels, such as Sky News Active and BBCi

Sky's EPG

Sky News Active

UK Online

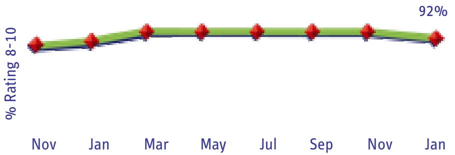
Sky+

Why Sky$^+$ is important to us

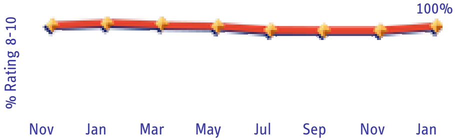
- Maintains and extends our platform leadership position
- Critical component to overcome key barriers-to-purchase
  - Reduces both viewing and lifestyle conflicts
  - Delivers the most benefit from the choice available from Digital TV
- Unrivalled customer satisfaction levels lead to higher Premium Channel usage and lower churn
- Drives penetration of Multiroom subscriptions for even more customer viewing flexibility, and thus satisfaction
- Establishes a more advanced platform for future developments

Dramatic increases in customer satisfaction

Sky+ overall satisfaction



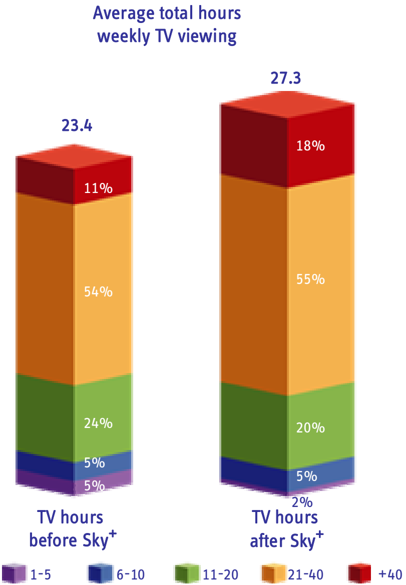
Intention to remain Sky+ customer



Source: Sky monthly tracker

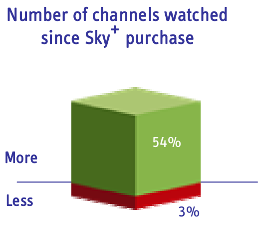
- Much higher than already high Sky digital satisfaction
  - 92% rate their satisfaction 8-10 on 10 pt. scale (98% rate 6-10)
- 9 out of 10 Sky+ customers are likely to recommend it to a friend

Overall viewing increases

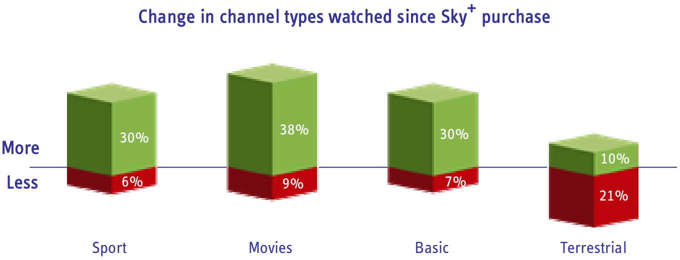


- Total viewing increases significantly in Sky+ homes

Viewing expands and shifts



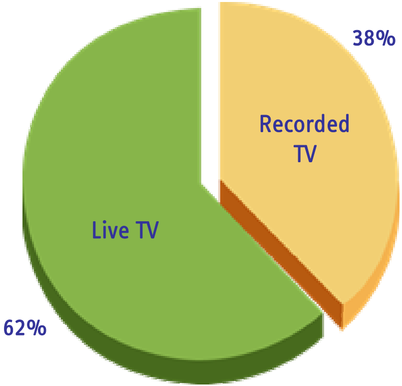
- 54% now watch a wider number of channels
- Spread of viewing across channels accelerates in favour of multichannel



- Terrestrial viewing decreases by 21%

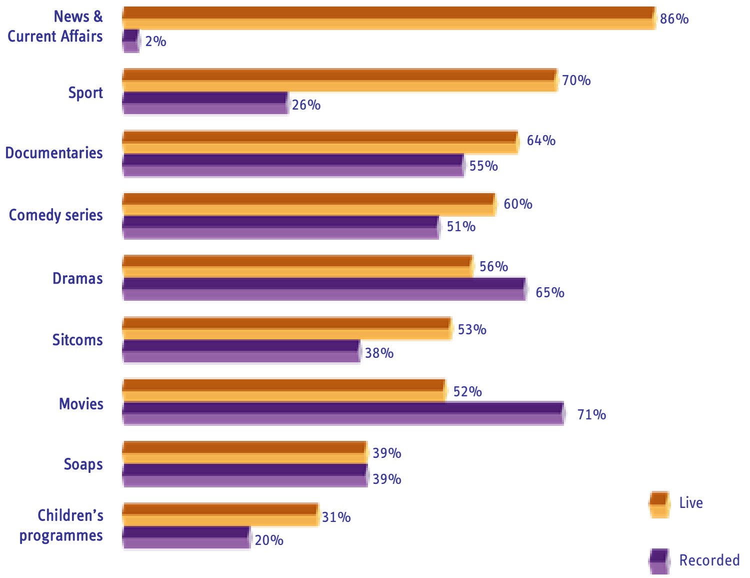
Live TV viewing continues

Proportion of Sky+ customers viewing live vs. recorded

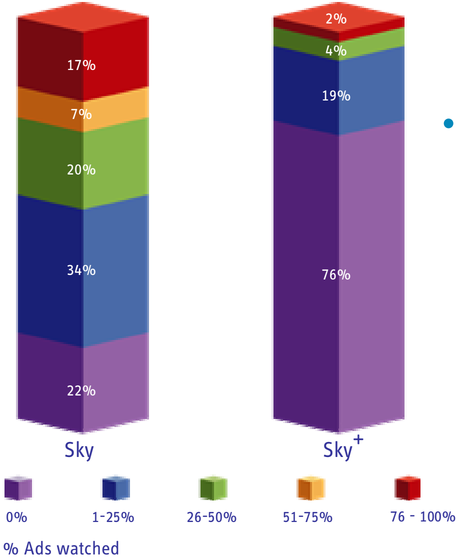


- Sky+ supplementing core viewing,
  not replacing it
- Sky+ customers continue to watch a large proportion of live TV

Variation by live / recorded



Significant impact on ads in recorded viewing



- 76% do not watch any ads during recorded content

Sky^{+} development

- A platform for further development
- Profound impact on viewing patterns
- Researching advertising impact with key clients
- Version 2.5 available in 2005

HDTV

HDTV - Background

- HDTV delivers substantially superior picture quality
- Although HDTV still within its infancy in Europe development in technology will fundamentally change that situation:
  - DVDs are raising the standard for top digital quality, and raising customers' expectations
  - Differences in picture quality more noticeable on plasma and LCD screens of 26" or greater
  - UK retailers keen to pursue next TV replacement cycle

Sky's commitment to new technology

Strong interest amongst TV audiences to enhance in-home audiovisual experience.

- Wide screen TV popularity
- DVD take-up (41% penetration in UK households and 76% of Sky households)
- Surround sound (25% of Sky's subscriber base)
- Plasma and LCD screens are falling in price

HDTV is the next step in audiovisual entertainment

Benefits of HDTV

- Underlines Sky's leadership in technology
- Incremental subscription revenue opportunities from niche segments
- Enhanced audiovisual experience leading to higher customer satisfaction and lower churn
- Launch in 2006

Conclusions

- Healthy financial position
- Market poised for further growth
- Increasing focus on new products
- Broader product range key to continued growth

Questions & Answers

sky