

James Murdoch
CEO



Forward-looking statements

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and business, and management's strategy, plans and objectives for the Group. These statements include, without limitation, those that express forecasts, expectations and projections with respect to the potential for growth of free-to-air and pay television, advertising growth, DTH subscriber growth and Multiroom and Sky+ penetration, DTH revenue, profitability and margin growth, cashflow generation, SAC and marketing expenditure, capital expenditure programmes and proposals for rewarding shareholders.

These statements (and all other forward-looking statements contained in this document) are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the Group's control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward-looking statements. These factors include, but are not limited to, the fact that the Group operates in a highly competitive environment, the effects of government regulation upon the Group's activities, its ability to continue to obtain exclusive rights to movies, sports events and other programming content, risks inherent in the implementation of large-scale capital expenditure projects, the Group's ability to continue to communicate and market its services effectively, and the risks associated with the Group's operation of digital television transmission in the UK and Ireland.

Information on some risks and uncertainties are described in the "Risk Factors" section of Sky's Annual Report on Form 20-F for the year ended 30 June 2003. Copies of the Annual Report on Form 20-F are available on request from British Sky Broadcasting Group plc, Grant Way, Isleworth TW7 5QD. All forward-looking statements in this document are based on information known to the Group on the date hereof. The Group undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



Our goal

to maximise value for
shareholders by focusing on
profitable subscriber growth



Results highlights

- Quarterly DTH subscriber growth of 81,000 to 7.4 million
- Total revenue up 15% to £3,656 million
- Operating profit before goodwill and exceptional items up 65% to £600 million
- EPS before goodwill and exceptional items increases to 18.3 pence
- Proposed final dividend 3.25 pence per share



DTH subscriber growth

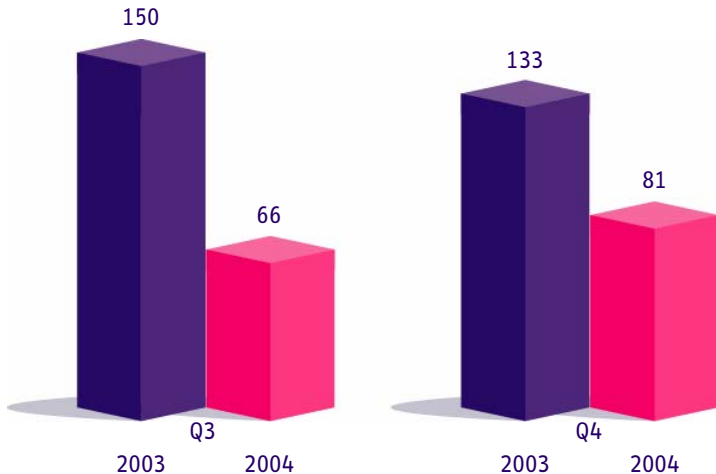


Subscribers '000 as at 30 June

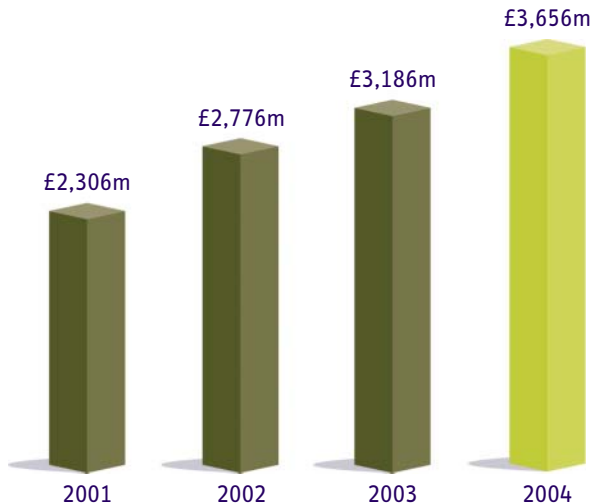


DTH subscriber growth

Quarterly net subscriber additions (000)



Revenue growth



Total revenue for twelve months ended 30 June



Turnover

£m	June 03	June 04	% +/-
DTH	2,341	2,660	+14%
Wholesale	202	215	+6%
Advertising	284	312	+10%
Interactive	218	307	+41%
Other	141	162	+15%
Total	3,186	3,656	+15%

Twelve months ended 30 June



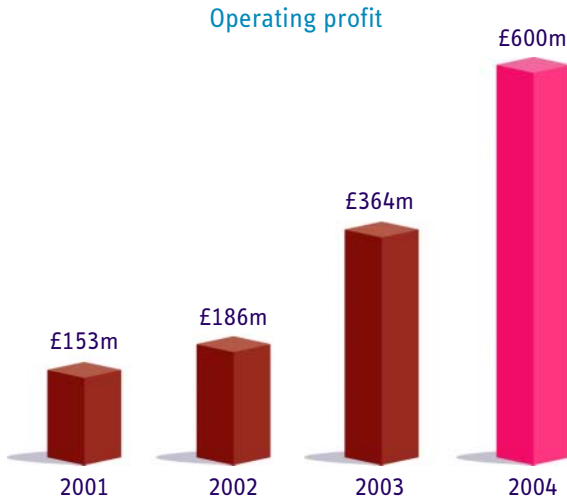
Programming costs

£m	June 03	June 04	% +/-
Sports	723	803	+11%
Movies	397	393	-1%
Third party channels	351	360	+3%
Entertainment & News	133	155	+17%
Total	1,604	1,711	+7%
Gross margin	50%	53%	+3% pts

Twelve months ended 30 June



Strong operating profit growth



Note: operating profit before goodwill and exceptional items
Twelve months ended 30 June



Continued progression in operating margin

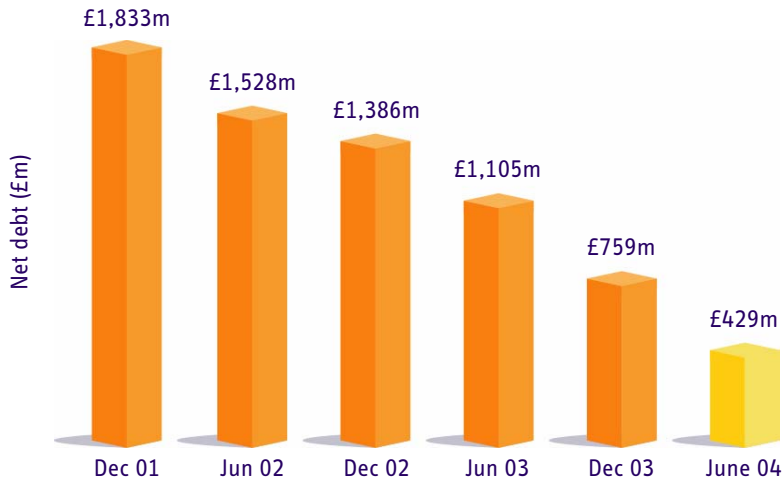
Operating profit margin



Note: operating profit margin before goodwill and exceptional items
Twelve months ended 30 June



Net debt



Financial summary

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



The next phase of growth

- The market is large
- Strategies for growth
- Investing in long-term value



Sky in 2010

- Over 10 million DTH subscribers in 2010
- Over 25% Sky⁺ penetration
- Over 30% multiroom penetration
- Significant cashflow generation



The market is large

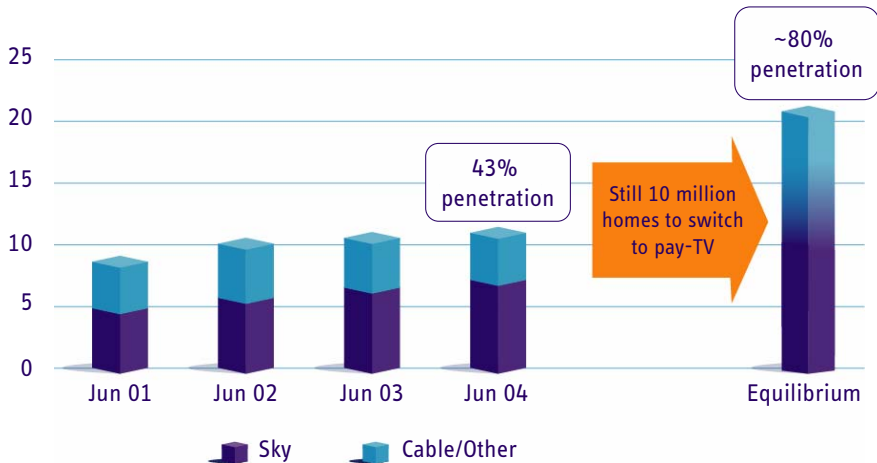


We've only scratched
the surface



Significant growth potential

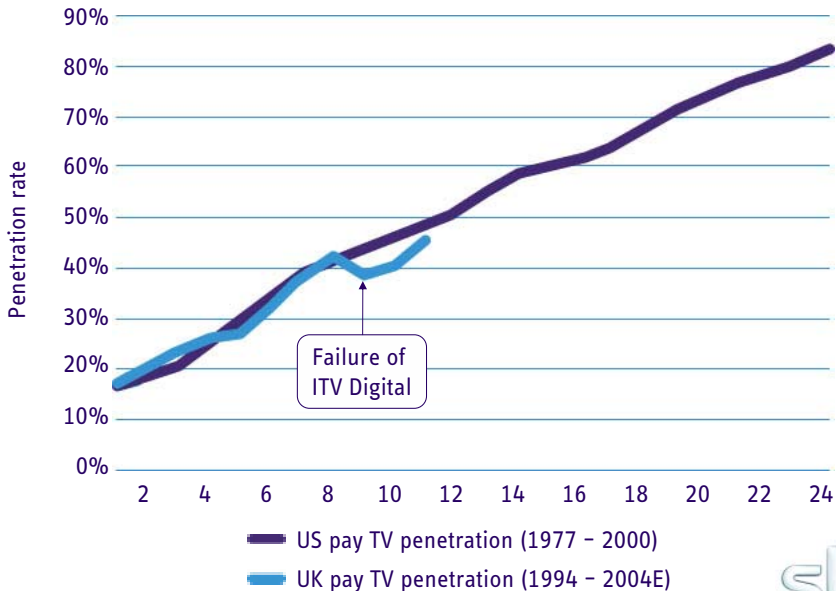
UK and Ireland pay TV homes (millions)



Source: Sky, BARB, as at 30 June



UK pay TV penetration is relatively immature

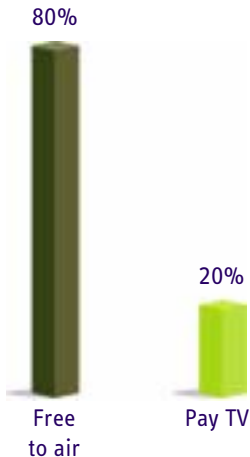


Source: UBS May 2004



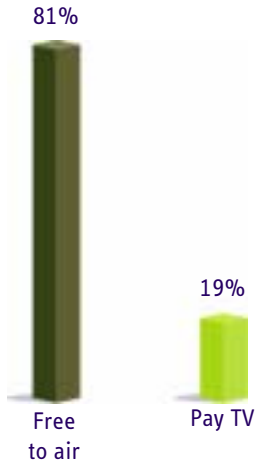
UK viewers value pay TV

US 1989
50% pay TV penetration



Share of viewing in US homes

UK 2004
43% pay TV penetration



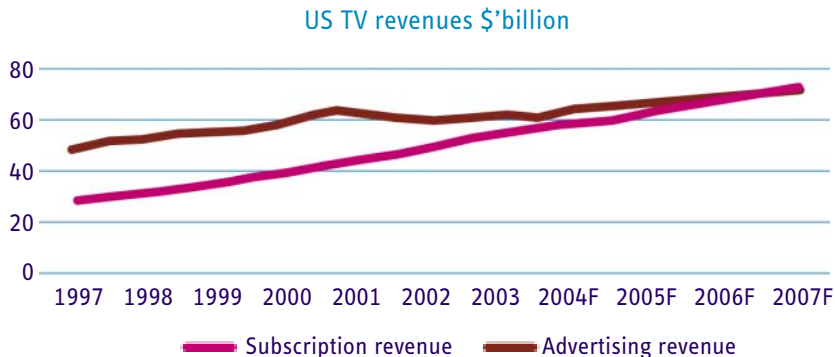
Share of viewing in UK homes

Source: Veronis Suhler 2000, BARB (March to June 2004)



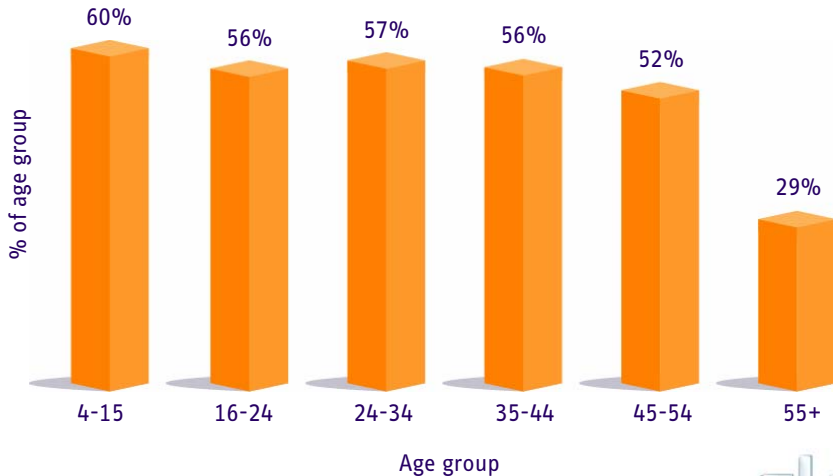
Long-term progression of advertising funded TV

- Narrowing of the range of programming shown on the main advertising funded TV networks
- 'Ad skipping' has major implications for advertising funded channels



Generational effect

Percentage of UK population with access to pay TV

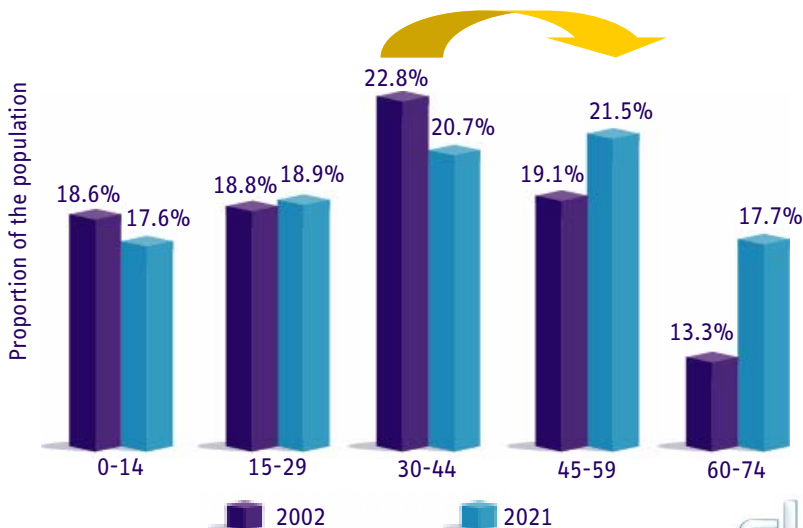


Source: BARB June 2004



Generational effect amplified

Baby Boom generation move to the next life stage



Source: Population projections by the Government Actuary's Department
(2002-based principal projection)



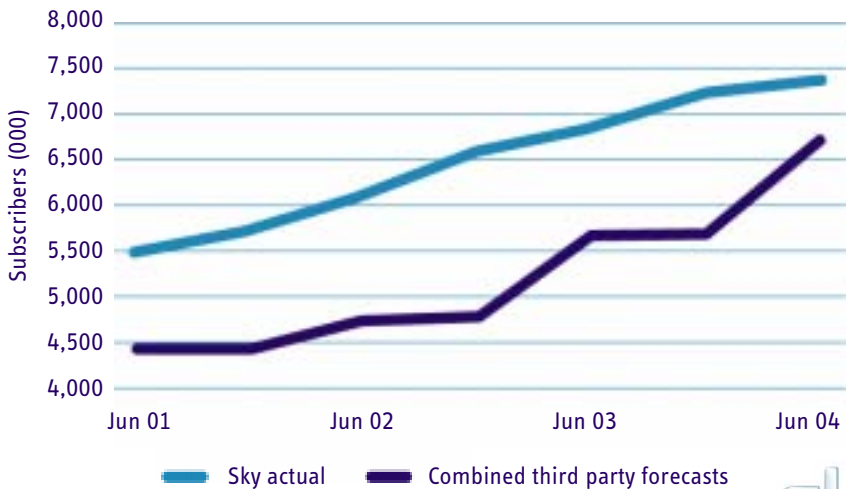
Additional catalysts

- Government-backed analogue switch-off
- Basic tier packages
- Technological advances
 - Digital television, delivering greatly increased channel choice
 - Advanced programme guide
 - Interactive services
 - PVRs
 - HDTV



Growth consistently underestimated

Rolling t+ 3 years DTH subscribers forecast vs actual



Source: Sky, Third party forecasts

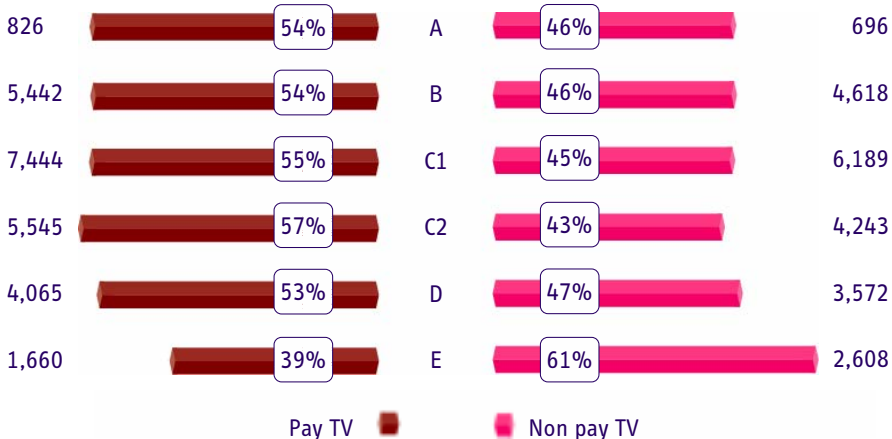


Good quality potential customers

UK population by social grade*

People (000)

People (000)



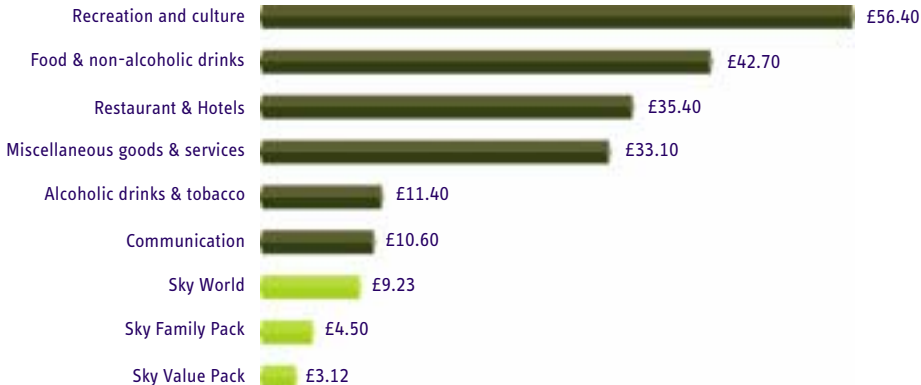
*Includes adults only (age 15+)

Source: TGI April 2003 - March 2004



Affordability

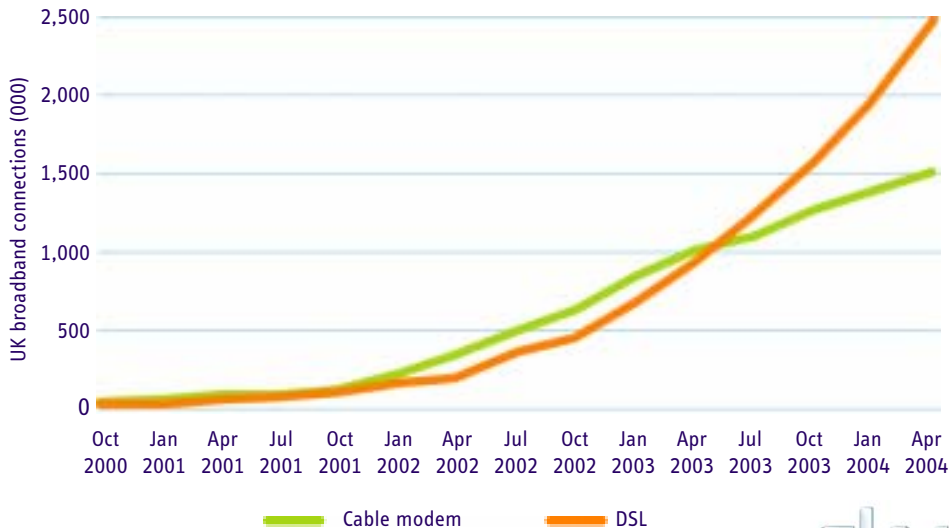
Average weekly household expenditure



Source: National Statistics - Family Spending 2003, Sky



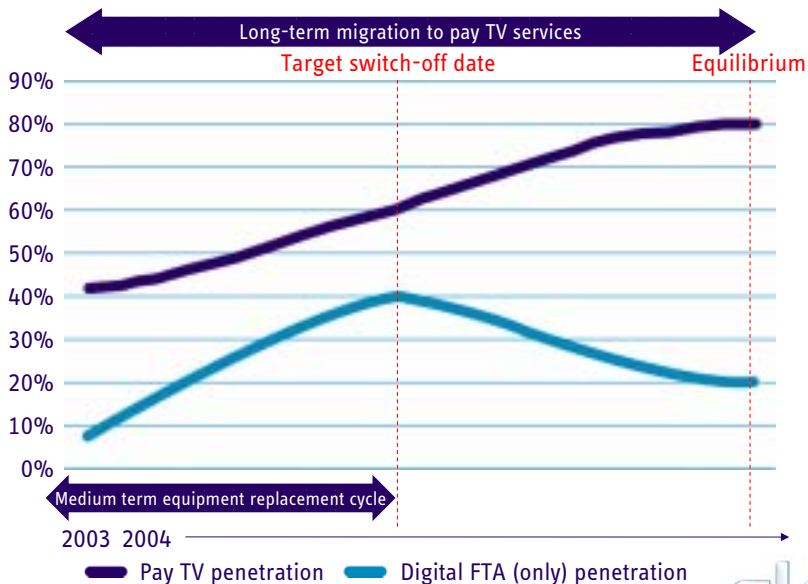
Diminishing uniqueness of cable



Source: OFCOM



Evolution of Free to air



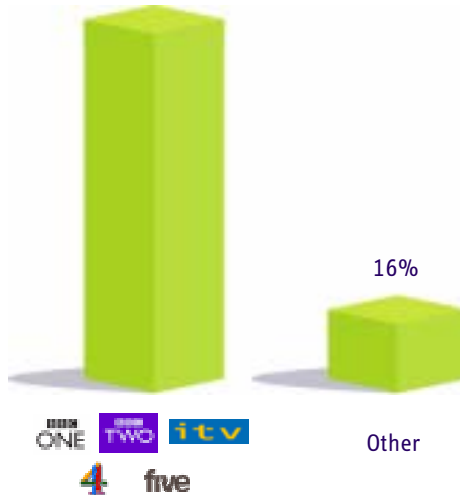
Digital FTA and analogue FTA are very similar

% viewing share in digital FTA homes

84%

- Only a marginal shift in viewing
- Move to pay TV over the long-term

16%



Other

sky

Free Satellite offering

- Provides single call, instant upgrade path to Sky packages
- 196 channels
- £150 for set top box, satellite dish, viewing card, cabling and standard installation
 - Full access to 7 day programme guide and regional channels
 - Access to interactive services including Government Direct
 - Multiroom options will be available
 - Launch October 2004



Sky's EPG



Sky News Active



UK Online



Universal coverage of satellite

Free Satellite offering



99% household
coverage*

Freeview



73% household
coverage*

*Note: current line of sight estimates only

Source: ITC, NAO June 2004

sky

No aerial upgrade required

**Free Satellite
offering**



**99% household
coverage***

Freeview



**48% household
coverage***

*Note: current line of sight estimates only

Source: ITC, NAO June 2004

sky

There's a lot to play for

- Equilibrium will be ~80% penetration
- Potential customers abound across demographic groups
- Digital FTA and analogue FTA are very similar
- Free Satellite offering will be an important route for future Sky customers



The prospects couldn't
be better

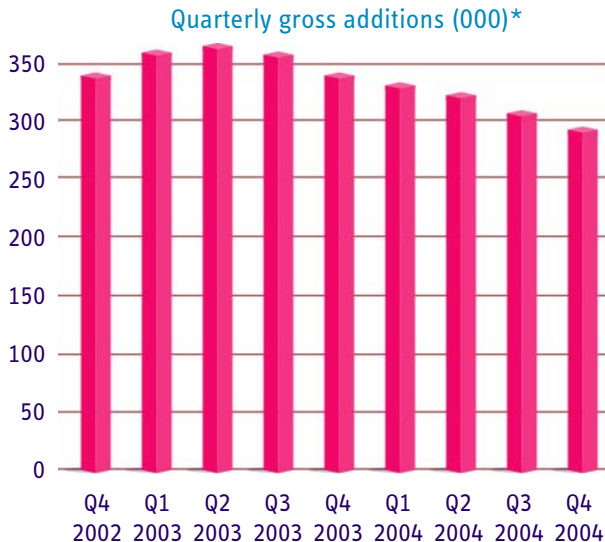
Sky couldn't be better placed



Strategies for growth



The run rate of gross additions is declining



- Diminishing return on Top Tier focused marketing

* = Four quarter rolling average



Barriers to subscription

Focus on knocking down key barriers

- “It **costs** too much”
- “Pay TV is just about **sports and movies**, I’m not interested in those”
- “Hundreds of channels of **rubbish**”
- “They **make you pay for channels** we would never watch”
- “There are too many **repeats**”
- “You get **cheap calls with cable**”
- “With a **12 month subscription**, it’s a **big commitment**”



What we're doing about it

A lot of the challenge centres on marketing

- Re-introducing the brand
- Emphasizing the range of entry points
- Segmentation
- Prospects database
- Continued investment in “must-see” programming
- New pricing and packaging
- New technologies



Those who don't get
Sky, don't 'get' Sky

And those who buy Sky,
value the product more
than the brand



It's time to
re-introduce Sky



and invite people to
join in



To reappraise Sky

I didn't know Sky did that.

That Sky could be like that.

That's different.

I want it.



Less

Sell Sell Sell



BEST EVER INSTALLATION OFFER

FREE SKY

FREE MINIDISH • FREE DIGIBOX • FREE INSTALLATION

STANDARD INSTALLATION FREE WHEN YOU SELECT A SKY WORLD PACKAGE

ENDS JUNE 21

WORTH
£229

Call 08705 215 215
see your local electrical retailer or visit sky.com

sky

Free minidish and digibox offer: You do not have to subscribe to Sky Digital. You must enter into an Interactive Standard Contract (ISC). Your digibox must be connected to a land telephone line for 12 months from installation. Offer limited to one per household. You can only claim if you have entered into an ISC or your household has benefited from one. Sky selects your equipment. Installation offer: When you take up the free installation offer, standard installation costs £150 if you select a Sky World package (Options 1A-6A) - see the Contracts Booklet, £150 if you select any other package or £100 if you don't subscribe to Sky Digital. Extra costs may apply for non-standard installation. You must get any consents required (e.g. landlord's) before you can claim. Offer only applies to brand new Sky digital subscribers taking up their equipment after installation may be subject to delay. Sky digital subscription: Minimum subscription 12 months. Sky World £10-£40 per month. You must be 18 or over. Prices, channels/programmes subject to change. Information only applies to residential customers in the UK. Cheapest bundle as part of Max. £229 based on Sky World standard installation £200 + standard digibox £150. Correct as printed May 2006.

More

Surprise
Show
Seduce





Less

Utility





sky

More

It's fun
It's good
Join in

sky



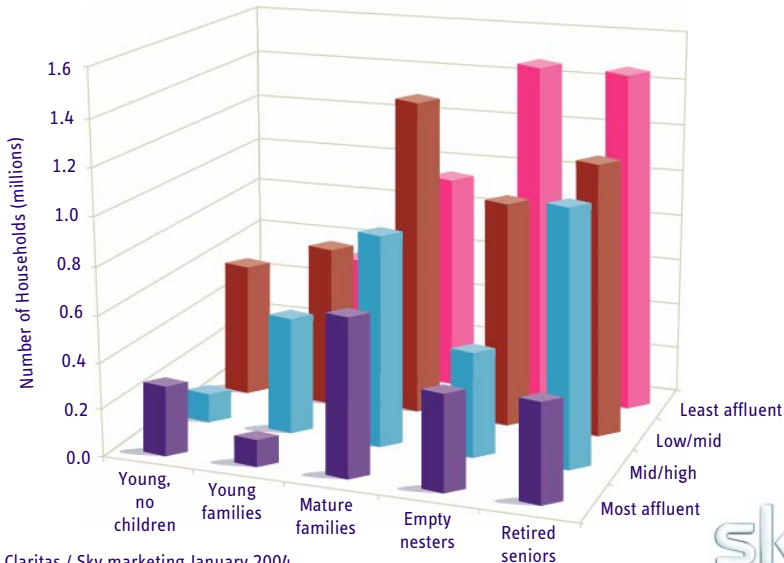
Investing in future growth

- 40-50% increase in above the line expenditure in 2005
- Marginal growth in short-term SAC
- 10% increase in SAC in medium-term



Segmentation

Profile of non-pay TV homes



Source: Claritas / Sky marketing January 2004



Segmentation

	Young Singles		Couples							Older & Retired Singles			
	Female	Male	No Kids	Nursery Kids	Primary Kids	Secondary Kids	Adult Kids	Empty Nesters	Retired	Older Male	Retired Male	Older Female	Retired Female
Top Potential:													
Excess Viewing Concerns													
Don't Watch Enough TV													
Anti Paying for More TV													
Financially Constrained													
Can't Agree Priority													
Unconstrained													
Marginals:													
Excess Viewing Concerns													
Don't Watch Enough TV													
Anti Paying for More TV													
Financially Constrained													
Can't Agree Priority													
Unconstrained													
Remainder:													
Excess Viewing Concerns													
Don't Watch Enough TV													
Anti Paying for More TV													
Financially Constrained													
Can't Agree Priority													
Unconstrained													

Illustrative only

Source: Simpson Carpenter / Sky marketing January 2004



Actions

Increasingly effective and targeted marketing

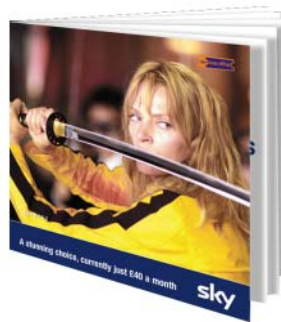
- Strengthening expertise
- Prospect database built by 2005
- Profile all 14 million non-subscribing households
- Augmented with Sky's own past marketing knowledge
- Test and learn starts 2005



Segmentation

We've already started

- Young affluent families
- 45+ single affluent males
- Nursery families



sky

Short term DTH subscriber growth profile

Quarterly net additions



Illustrative only



Must-see programming



sky

Must-see programming

Disciplined on-screen investment an important component of success

- 10-20% increase in Sky One programming budget in 2005
- 5-10% saving in sports and movie costs in 2005
- Continued focus on third party channel renewals

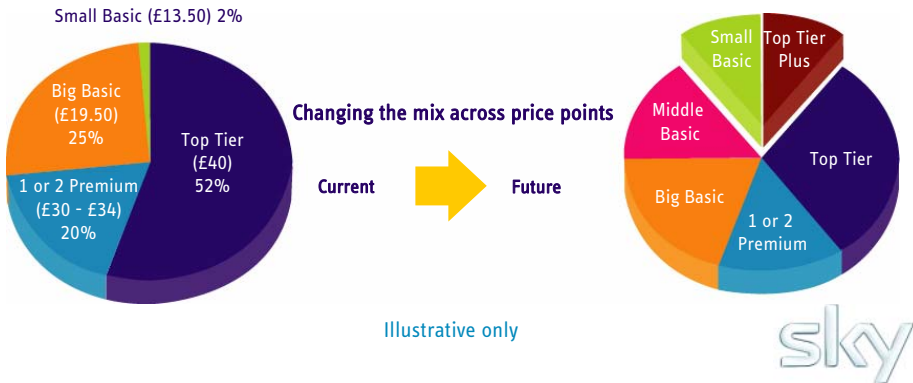


Pricing + Packaging

Goal of new package structures

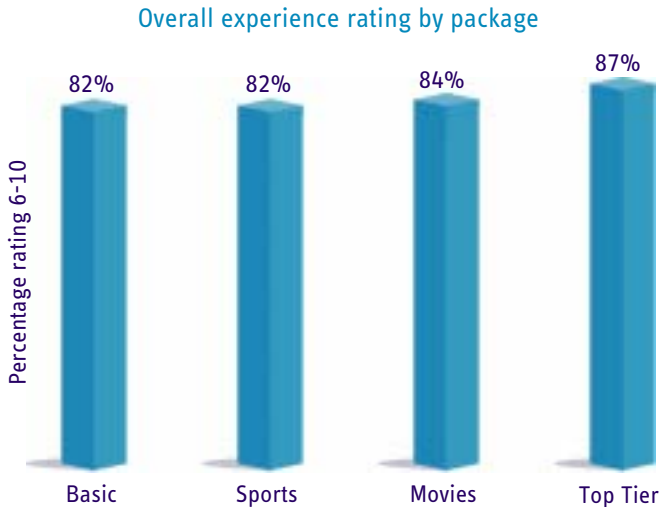
- attract subscribers at very profitable levels of subscription
- facilitate greater flexibility for consumers to select an appropriate package
- increase control over viewing, supplemented by enhanced parental controls
- promote high quality documentary and arts programming

Long-term evolution from current packages, no revolution



Overstated risk of spin down

Satisfaction consistent across tiers



Source: Sky monthly tracker May 2004



ARPU progression

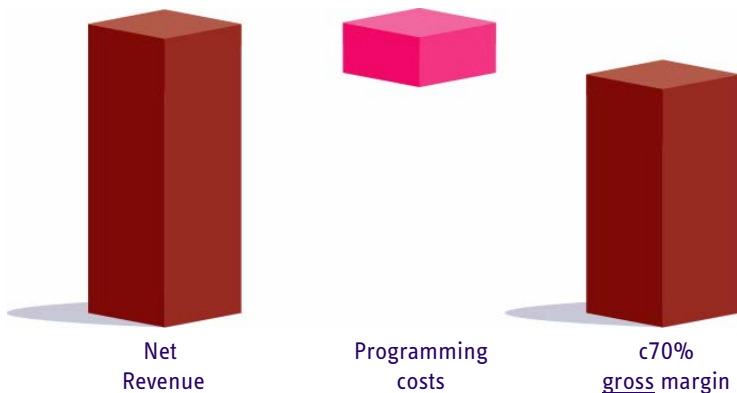
- £380 now
- Achieve £400 by December 2005
- Profitability, not ARPU, will be key



Profitability, not ARPU, will be key

Subscribers at many levels are worth having

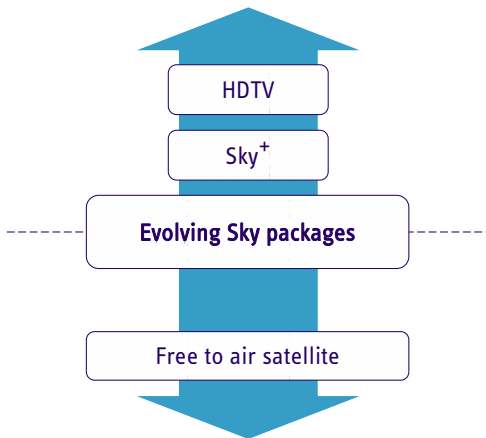
Economics of the Sky Family Pack



New products strategy

More new products, faster

New range of high end, niche services



Low entry, sub-subscription offer







Over 25% penetration in 2010

Quarterly net additions (households 000)



Source: Sky



Sky⁺ 160



Image shown is for illustrative purposes only and does not represent the final version

- Availability October 2004
- Pricing £399
- Hard Disk Size 160 gigabytes
- Extra Connectivity 2 x USB Ports



Multiroom

- 293,000 multiroom households
- High satisfaction levels
- Over 80% purchase direct
- High margin subscription
- 26% of multiroom subscribers were new to Sky
- Significant opportunity
 - an average of 2.9 TV sets in Sky digital homes

CLOONEY & ROONEY

With such a great choice of viewing on Sky digital, you'll sometimes find that not everyone in the house can agree on what to watch. The kids may be not on watching a cartoon, but what about a film you want to see? Well there's a simpler way to keep everyone happy.

Get an extra box and extra Sky digital subscription for another TV in your home, and you and your family can watch two different satellite channels at the same time in different rooms. You can also combine an extra Sky digital subscription with Sky TV.

To find out more, call 0800 424 196, or visit sky.com

sky

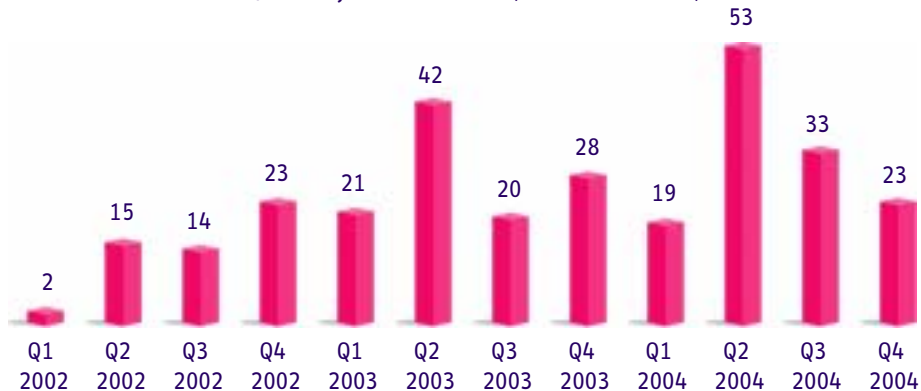
skymultiroom
Same time, different channels

sky

Multiroom

Over 30% penetration in 2010

Quarterly net additions (Households 000)



Source: Sky



Benefits of HDTV

- The ultimate TV experience
- Higher customer satisfaction and lower churn
- Underlines Sky's leadership in technology
- Incremental subscription revenue opportunities from niche segments
- Launch in 2006



Strategies for growth

Conclusion

- Focus on barriers to subscription
- Re-introduce the brand
- Better segmentation
- Disciplined on screen investment
- Pricing and packaging evolving
- New technologies

Over 10 million customers in 2010

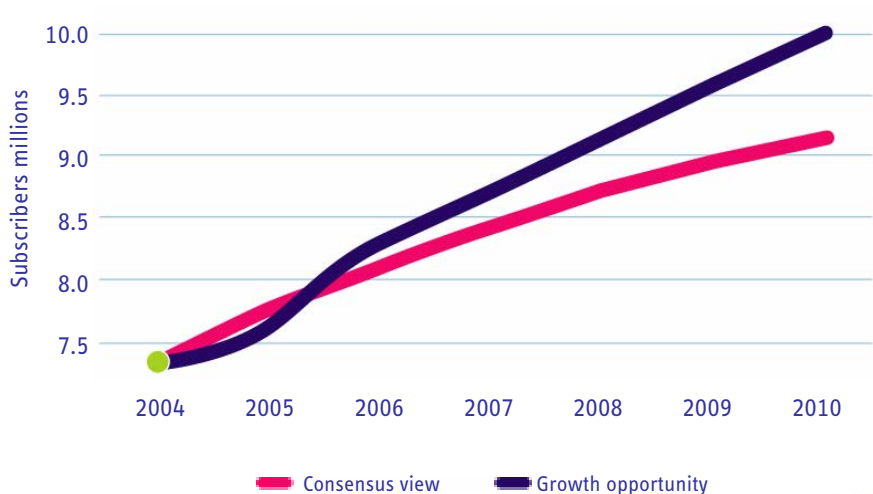


**Investing in
long-term value**



Long-term value

DTH subscriber growth



Illustrative only



Infrastructure to support over 10 million subscribers

- Customer Relationship Management (CRM)
- Property
- Advanced Technology Centre
- New projects



Capital investment - CRM

Fundamental to the future of the business

- Increased demands
- Capacity constraints
- Leading edge system
- Serve customers better
- Work to date
- c£50m over next 4 years



Capital investment - Property

Flexibility and efficiency

- Contained site
- Flexibility with potential for growth/reduction
- Efficiency of building stock
- Quality of working environment
- Access and parking
- Health and safety compliance
- c£300m over next 4 years



Capital investment – Advanced Technology Centre

Operational continuity programme

- Purpose built for business continuity
- Mirror image of broadcast platform
- Remove single points of failure
- c£50m over next 2 years



Capital investment – New projects

Build upon first class customer service

- Training facility
 - Centre for recruitment, operational training and management development
- Increased contact centre capacity
 - Meet long-term significant demand for pay TV
 - Improve flexibility
- Current estimates c£50m over next 4 years



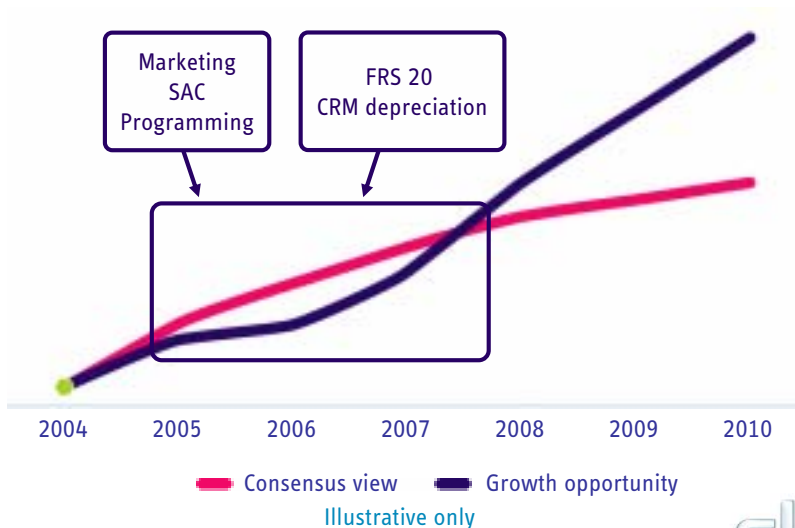
Infrastructure investment

- Maintain core on-going capex of £100 million p.a.
- Five one-off projects require up to an additional £450 million over the next four years
- Estimated peak financial year 2005



Long-term value

Operating profit



Note: Prepared on a consistent basis with current UK GAAP and has not been adjusted for IFRS



Capital structure



Capital structure

- Financing structure – legacy of digital investment
- Strong cashflow generation
- Credit profile continues to improve
- Comfortably able to support a BBB rating
- Intention to return surplus capital to shareholders



Returning cash to shareholders

- Ordinary dividend
 - Proposed final dividend of 3.25p
 - Total of 6p for 2004 – 3.1x covered
 - 2005 dividend to grow in line with earnings
- Share buy-back
 - Programme to begin after AGM, subject to shareholder approval
- Developing proposals to overcome distributable reserves constraints



Conclusion



Conclusion

- Significant market opportunity
- Drive subscriber growth, profitably
- Investing in long-term value
- Intention to return surplus cash to shareholders



