



press release
7 February 2001

BRITISH SKY BROADCASTING GROUP PLC
Results for the six months ended 31 December 2000

**BSkyB achieves 5 million DTH subscriber target early
as the company reports 5,051,000 DTH subscribers as at 31 December 2000**

HIGHLIGHTS

- 5.25 million DTH sales as at 6 February 2001
- Record H1 net DTH subscriber growth of 538,000
- DTH revenues increase 33% to £715 million; H1 total revenue exceeds £1bn
- Advertising revenues increase by 18% as Sky's viewing share rises
- EBITDA before exceptionals increases 55% to £78 million
- Successful launch of Sky digital text and television betting

Tony Ball, Chief Executive of British Sky Broadcasting Group plc, said:

"The success of Sky digital has been underlined by our record digital growth over the past six months and the early achievement of our target of 5 million DTH subscribers by the end of 2000.

We are continuing to innovate with the launch of new interactive services that will increase our revenues and maintain low churn. Sky customers now benefit from the world's most developed interactive television service."

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There will be a presentation to analysts and investors at 9:30 a.m. today at The Gibson Hall, 13 Bishopsgate, London, EC2 and to press at 11.00 a.m. at the same venue.

A conference call for analysts will be held at 2.00 p.m. (GMT) / 9.00 a.m. (EST) today. To register for this, please contact Emma Kent at Bell Pottinger Financial on +44 20 7353 9203 (UK & Europe) or Patrick Lyon at Taylor Rafferty on +1 212 889 4350 (US & Asia).

A webcast of the analyst presentation, together with this press release will be available from 3.00 p.m. today on Sky's corporate website which may be found at <http://www.sky.com/corporate/> and, to subscribing institutions only, via the Raw Communications network.

Further information may be found at www.sky.com/corporate

OPERATING REVIEW

Total UK and Eire subscribers to Sky's channels increased by 512,000 to 9,750,000 in the three months to 31 December 2000 ("the quarter"). The total number of DTH subscribers increased by 328,000 to 5,051,000 in the quarter, resulting in BSkyB ("the Group") exceeding its target of 5 million DTH subscribers by 31 December 2000.

A record first half net DTH subscriber growth of 538,000 was achieved in the six months to 31 December 2000 ("the period"). At 31 December 2000 the total number of digital subscribers was 4,669,000, representing 92% of the DTH subscriber base. The number of cable subscribers taking Sky channels at 31 December 2000 was 3,724,000, a reduction of 187,000 on the comparable period.

The average revenue per DTH subscriber in the quarter was £286, consistent with the previous quarter, and an increase from £281 in the comparable period. The top tier DTH Sky World package continues to be taken by 59% of all Sky digital subscribers.

Annualised quarterly DTH churn remained flat on the previous quarter at 9.8% representing a 0.4 percentage point reduction on the comparable period.

The penetration of Sky channels grew by 5.1 percentage points to 36.2% of UK television homes compared to the same period in the prior year. This contributed to the 18% growth in advertising revenues in the period.

Sky's audience share continued to rise as that of terrestrial channels declined. Sky channels' share of viewing in all UK homes for the quarter increased by 26% on the comparable period, from 4.5% to 5.7%. Multi-channel television has more than doubled its share of the commercial audience since 1995 to reach 19.2% of commercial impacts in 2000, reflecting the rapid take-up of Sky digital in the past 12 months.

The Group remains at the forefront of delivering the most innovative and attractive programming, both original and acquired. The recent premiere of Temptation Island on Sky One achieved a 7.2% share of audience in multi-channel homes. Six of the top ten rating non-terrestrial entertainment programmes in Sky digital homes are on Sky One.

Sky Sports signed up its 5 millionth subscriber in December 2000. During the next six months Sky Sports will be showing England's cricket tour of Sri Lanka and exclusive coverage of the British Lions rugby tour of Australia.

Interactive Services

The Group continues to add depth and breadth to its interactive services, and to generate an encouraging level of usage.

The period also included the 500th live FA Premier League match shown on Sky Sports and the first Rugby League match ever to be available interactively on Sky Sports Extra.

Sky One also led with pioneering interactive firsts including The Corrs in Concert, allowing viewers to choose between camera angles, and Harrods at Christmas, which allied a broadcast on Sky One with a commerce opportunity through Open.

Two thirds of digital satellite subscribers used Open, making over 30 million individual connections to the Open service, during the period. In addition there are now 1.3 million registered e-mail accounts. These on-line connections resulted in 655,000 retail orders being placed.

Open had 37 interactive retail, betting and banking content providers at 31 December 2000. A further 6 content providers have signed agreements and are expected to launch in the current half year. Open Extra, the service that provides smaller, more specialist retailers with an interactive presence, was launched in the period and as at 31 December 2000 there were 47 Open Extra content providers, bringing the total number of content providers to 84.

Sky digital text was launched in December 2000 offering more than 1,200 pages of news, sport, entertainment and information as well as on-screen interactive television betting. Around 15,000 betting accounts have been registered via the television, with new accounts being opened every day.

Sky Ventures

During the period, the History Channel joint venture launched a new channel, The Biography Channel. Artsworld, a channel in which Sky Ventures has an option to acquire an interest, also launched during the period. The Nickelodeon Channel (in which Sky has a 50% shareholding) was once again ranked, by BARB, as the top UK children's channel rated by viewing share in its hours of transmission.

KirchPayTV

The Group's share of KirchPayTV's pre-exceptional operating loss for the period was £46 million. At 31 December 2000 KirchPayTV had 2.3 million subscribers of which 1.9 million were digital; 83% of the digital subscribers were taking one of the top tier packages. KirchPayTV remains well placed for long term success in Europe's largest television market and Sky continues to work closely with the new senior management team.

Corporate

Eric Licoys, a BSB Holdings Ltd representative on the Board of Directors, resigned as a non-executive Director of the Company on 31 January 2001.

Schroder Salomon Smith Barney/Citibank N.A. and Toronto-Dominion Securities, the Arrangers of the Group's existing £750 million revolving credit facility, have recently provided an underwritten commitment to the Group for a further £250 million revolving credit facility. This will provide the Group with credit facilities of £1 billion in aggregate, and therefore further financial flexibility and increased headroom.

FINANCIAL REVIEW

Operating profit before exceptional items and goodwill for the six months ending 31 December 2000 increased to £51 million, an improvement of 82% on the comparable period.

Revenues increased by £236 million to £1,086 million, up 28% on the comparable period. The increase in revenues was partially offset by a £214 million increase in costs to £1,035 million as the Group invested in new subscribers and programming. Goodwill amortisation of £18 million, relating to the acquisition of Sports Internet Group, was included for the first time this period.

After the Group's increased share in the losses of British Interactive Broadcasting Holdings Limited ("BiB") and KirchPayTV, included for the first time, the loss before tax was £260 million. The loss after tax was £260 million and resulted in a loss of 14.1 pence per share compared to a loss of 2.8 pence per share in the same period last year.

Revenue

Total subscriber revenues increased by £177 million (26%), on the same period last year, to £861 million. DTH revenues increased by £179 million (33%) to £715 million following a 2% increase in average revenue per subscriber and a 29% increase in the average number of subscribers. Sky Box Office ("SBO") income increased £15 million to £35 million as a result of an increase in the average number of subscribers of 1.1 million. This was partly offset by a reduction in buy rates together with fewer boxing and musical events in this period.

Wholesale revenue from cable fell by £11 million in the period to £121 million due to a 3% fall in the average number of cable subscribers and a 4% fall in the average revenue per cable subscriber. Wholesale revenue from DTT increased by £9 million, to £25 million reflecting the higher average number of subscribers.

Advertising revenue increased by £20 million (18%) to £134 million, primarily driven by a 5.1 percentage point increase in Sky channels' penetration of UK TV homes to 36.2%.

Included within Sky Interactive revenues of £37 million for the period are betting revenues of £33 million.

Costs

Operating costs increased by £214 million (26%) to £1,035 million.

Programming costs increased by £103 million (24%) to £535 million for the period. Movie costs rose £33 million to £160 million, due to a 20% increase in the average number of movie subscribers and increased SBO costs which in turn reflect increased volumes of SBO purchases.

Sports costs have increased by £13 million (7%) to £193 million primarily as a result of a contractual increase in the F.A. Premier League costs.

Sky Interactive costs for the period were £49 million which included betting and operating costs.

Marketing costs increased £33 million (18%) to £212 million in the period due mainly to the substantial cost (£134 million) of acquiring new subscribers. All up-front subscriber acquisition costs are expensed immediately to the profit and loss account.

Subscriber management related costs increased £18 million (18%) to £118 million, mainly due to the 29% increase in the average DTH subscriber base in the period.

Joint Ventures

BiB's revenues for the period were £36 million and operating expenditure was £152 million, of which £88 million related to set top box subsidies. BiB's operating loss for the period was £116 million of which the Group's share was £52 million. The Group accounted for BiB as a 32.5% joint venture until 1 November 2000 from which date 100% of BiB's losses have been recognised.

The Group's share of losses in Sky Ventures for the 6 months to 31 December 2000 reduced by £5 million to £0.2 million. All of the channels and partnerships within Sky Ventures are expected to be profitable within the next 12 months.

Exceptional items

As part of a re-appraisal of investments the Group decided to make a general provision against the portfolio of new media companies. This has led to a non-cash exceptional charge of £25 million that is accounted for below operating profit.

As disclosed in the results to 30 September 2000 there was a £70 million non-cash exceptional charge in the period relating to KirchPayTV's disposal of its remaining B SkyB shares.

Goodwill

Amortisation of £36 million of joint ventures' goodwill primarily relates to the acquisition of the shareholding in KirchPayTV. This amortisation charge follows the accounting treatment of KirchPayTV as a joint venture and is shown below operating profit as joint venture's goodwill amortisation.

Goodwill of £18 million included in operating profit is the amortisation of the goodwill arising on the acquisition of Sports Internet Group.

Net debt and interest

An operating cash outflow of £86 million, capital expenditure of £47 million, joint venture funding of £74 million and net interest payment of £55 million resulted in net debt increasing by £295 million to £1,440 million. The net interest charge increased by £28 million to £64 million reflecting increased average borrowings in the period, the Group's share of KirchPayTV interest which was not in the comparable period, and an increased share of BiB's interest expense.

Appendix 1

Subscribers to Sky Channels

	Prior Year Q2 1999/00 As at 31/12/99	Opening Q4 1999/00 As at 30/6/00	Q1 2000/01 As at 30/9/00	Q2 2000/01 As at 31/12/00
<u>DTH</u>				
Digital	2,065,000	3,583,000	4,083,000	4,669,000
Analogue	<u>1,901,000</u>	<u>930,000</u>	<u>640,000</u>	<u>382,000</u>
Total DTH	3,966,000	4,513,000	4,723,000	5,051,000
Cable	3,306,000	3,122,000	3,052,000	3,093,000
DTT	<u>527,000</u>	<u>740,000</u>	<u>846,000</u>	<u>975,000</u>
Total UK	7,799,000	8,375,000	8,621,000	9,119,000
Cable - Eire	<u>605,000</u>	<u>613,000</u>	<u>617,000</u>	<u>631,000</u>
Total UK & Eire	<u>8,404,000</u>	<u>8,988,000</u>	<u>9,238,000</u>	<u>9,750,000</u>
DTH Churn rate for quarter (annualised)	10.2%	10.5%	9.8%	9.8%

Consolidated profit and loss account for the half year ended 31 December 2000

		Before goodwill and exceptional items	Goodwill and exceptional items	2000/2001 Half year Total	1999/2000 0 Half year Total	1999/2000 Full year Total
	Notes	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (audited)
Turnover: Group and share of joint ventures		1,188.0	-	1,188.0	874.6	1,934.7
Less: share of joint ventures' turnover		(102.0)	-	(102.0)	(24.9)	(87.7)
Group turnover	2	1,086.0	-	1,086.0	849.7	1,847.0
Operating expenses, net	3	(1,035.4)	(17.9)	(1,053.3)	(821.9)	(1,866.7)
Operating profit (loss)		50.6	(17.9)	32.7	27.8	(19.7)
Share of operating results of joint ventures	4	(98.6)	-	(98.6)	(51.9)	(121.3)
Joint ventures' goodwill amortisation		-	(36.2)	(36.2)	-	(14.4)
Loss on sale of fixed asset investments		-	-	-	(1.4)	(1.4)
Share of joint venture's loss on sale of fixed asset investment	9	-	(69.5)	(69.5)	-	(14.0)
Amounts written off investments	9	-	(24.5)	(24.5)	-	-
Loss on ordinary activities before interest and taxation		(48.0)	(148.1)	(196.1)	(25.5)	(170.8)
Interest receivable and similar income		10.0	-	10.0	5.4	10.7
Interest payable and similar charges		(74.1)	-	(74.1)	(41.4)	(102.6)
Loss on ordinary activities before taxation		(112.1)	(148.1)	(260.2)	(61.5)	(262.7)
Taxation	5	0.1	-	0.1	12.9	(8.8)
Loss on ordinary activities after taxation		(112.0)	(148.1)	(260.1)	(48.6)	(271.5)
Equity dividends - paid and proposed	6	-	-	-	-	-
Retained loss	11	(112.0)	(148.1)	(260.1)	(48.6)	(271.5)
Loss per share - basic and diluted	7	(6.1p)	(8.0p)	(14.1p)	(2.8p)	(15.6p)
EBITDA (before exceptional items)	13	77.7			50.0	137.2

Consolidated statement of total recognised gains and losses for the half year ended 31 December 2000

	2000/2001 Half year £m	1999/2000 Half year £m	1999/2000 Full year £m
Notes	(unaudited)	(unaudited)	(audited)

Loss for the period	11	(260.1)	(48.6)	(271.5)
Net loss on deemed disposals	11	(20.6)	-	-
Translation differences on foreign currency net investment	11	3.2	-	4.1
Total gains and losses relating to the year		(277.5)	(48.6)	(267.4)

The accompanying notes are an integral part of this consolidated profit and loss account and consolidated statement of total recognised gains and losses.

Consolidated profit and loss account for the three months ended 31 December 2000

	2000/2001 3 months ended 31 December Total €m (unaudited)	1999/2000 3 months ended 31 December Total €m (unaudited)
Turnover: Group and share of joint ventures	624.4	473.2
Less: share of joint ventures' turnover	<u>(58.7)</u>	<u>(14.6)</u>
Group turnover	565.7	458.6
Operating expenses, net	<u>(551.3)</u>	<u>(457.3)</u>
Operating profit before goodwill	14.4	1.3
Goodwill amortisation	<u>(12.5)</u>	<u>-</u>
Operating profit after goodwill	1.9	1.3
Share of operating results of joint ventures	(61.3)	(29.5)
Joint ventures' goodwill amortisation	(19.4)	-
Loss on sale of fixed asset investments	-	(1.4)
Amounts written off investments	<u>(24.5)</u>	<u>-</u>
Loss on ordinary activities before interest and taxation	(103.3)	(29.6)
Interest receivable and similar income	6.4	2.9
Interest payable and similar charges	<u>(39.7)</u>	<u>(21.2)</u>
Loss on ordinary activities before taxation	(136.6)	(47.9)
Taxation	(0.1)	11.4
Loss on ordinary activities after taxation	<u>(136.7)</u>	<u>(36.5)</u>
Equity dividends - paid and proposed	-	-
Retained loss	<u>(136.7)</u>	<u>(36.5)</u>
Loss per share - basic and diluted	(7.4p)	(2.1p)

Consolidated balance sheet as at 31 December 2000

		31 December 2000 £m (unaudited)	31 December 1999 £m (unaudited)	30 June 2000 £m (audited)
	Notes			
Fixed assets				
Intangible assets	8	256.6	-	-
Tangible assets		247.2	218.8	224.9
Investments	9	1,483.8	143.4	1,660.6
		<u>1,987.6</u>	<u>362.2</u>	<u>1,885.5</u>
Current assets				
Stocks		483.2	450.1	358.2
Debtors: Amounts falling due within one year		456.3	345.5	301.5
Debtors: Amounts falling due after more than one year		288.5	174.5	302.6
Cash at bank and in hand		42.4	245.3	281.2
		<u>1,270.4</u>	<u>1,215.4</u>	<u>1,243.5</u>
Creditors: Amounts falling due within one year				
- short-term borrowings		(0.1)	(0.1)	(13.8)
- other creditors		(994.9)	(852.8)	(808.9)
		<u>(995.0)</u>	<u>(852.9)</u>	<u>(822.7)</u>
Net current assets		<u>275.4</u>	<u>362.5</u>	<u>420.8</u>
Total assets less current liabilities				
		2,263.0	724.7	2,306.3
Creditors: Amounts falling due after more than one year				
- long-term borrowings		(1,482.2)	(1,077.4)	(1,412.4)
- other creditors		(17.1)	(27.5)	(22.0)
		<u>(1,499.3)</u>	<u>(1,104.9)</u>	<u>(1,434.4)</u>
Provisions for liabilities and charges	10	(123.2)	(285.1)	(225.5)
		<u>640.5</u>	<u>(665.3)</u>	<u>646.4</u>
Capital and reserves - equity				
Called-up share capital	11	924.2	863.8	912.9
Share premium	11	2,217.7	713.9	2,209.9
Merger reserve	11	240.0	-	-
Profit and loss account	11	(2,741.4)	(2,243.0)	(2,476.4)
		<u>640.5</u>	<u>(665.3)</u>	<u>646.4</u>

The accompanying notes are an integral part of this consolidated balance sheet.

Consolidated cash flow statement for the half year ended 31 December 2000

		2000/2001	1999/2000	1999/2000
		Half year	Half year	Full year
		£m	£m	£m
	Notes	(unaudited)	(unaudited)	(audited)
Net cash outflow from operating activities	12a	(86.0)	(70.8)	(232.5)
Returns on investments and servicing of finance				
Interest received and similar income		8.2		9.8
Interest paid and similar charges on external financing		(62.7)	4.8	(73.9)
Interest element of finance lease payments		(0.5)	(28.4)	(0.8)
			(0.4)	
Net cash outflow from returns on investments and servicing of finance		<u>(55.0)</u>	<u>(24.0)</u>	<u>(64.9)</u>
Taxation				
Consortium relief paid		(16.2)	-	(23.6)
UK corporation tax received		-	2.5	-
Net cash (outflow) inflow from taxation		<u>(16.2)</u>	<u>2.5</u>	<u>(23.6)</u>
Capital expenditure and financial investment				
Payments to acquire tangible fixed assets		(46.5)		(57.9)
			(22.0)	
Payments to acquire fixed asset investments		(25.0)	(26.6)	(48.0)
Receipt from sales of fixed asset investments		-	5.3	5.3
Receipt of government grants		-	-	0.6
Net cash outflow from capital expenditure and financial investment		<u>(71.5)</u>	<u>(43.3)</u>	<u>(100.0)</u>
Acquisitions and disposals				
Funding to joint ventures		(74.1)		(79.9)
			(39.9)	
Repayments of funding from joint ventures		-	-	1.7
Payments made in the acquisition of joint ventures		-	-	(333.0)
Net cash acquired with subsidiary		5.0	-	-
Net cash outflow from acquisitions and disposals		<u>(69.1)</u>	<u>(39.9)</u>	<u>(411.2)</u>
Net cash outflow before management of liquid resources and financing		<u>(297.8)</u>	<u>(175.5)</u>	<u>(832.2)</u>
Management of liquid resources				
Decrease (increase) in short-term deposits	12b	155.0	(175.0)	(155.0)
Financing				
Proceeds from issue of ordinary shares		4.3		359.8
			8.2	
Payments made on the issue of ordinary shares		(1.4)	-	(7.7)
Net increase in total debt	12b			697.4

Net cash inflow from financing		<u>69.8</u>	<u>362.4</u>	<u>1,049.5</u>
		72.7	370.6	
(Decrease) increase in cash	12b	<u>(70.1)</u>	<u>20.1</u>	<u>62.3</u>
Increase in net debt	12b	<u>(294.9)</u>	<u>(167.3)</u>	<u>(480.1)</u>

The accompanying notes are an integral part of this consolidated cash flow statement.

1. Basis of preparation

The interim accounts for the half year ended 31 December 2000 have been prepared in accordance with accounting policies consistent with those applied in the accounts for the year ended 30 June 2000, which were approved by the Directors on 25 July 2000. The interim accounts do not constitute statutory accounts and are unaudited, but have been formally reviewed by the auditors.

The financial information for the 1999/2000 full year is extracted from the accounts for that year which have been filed with the Registrar of Companies and on which the auditors gave an unqualified report.

2. Turnover

The Group's turnover, whilst deriving from one class of business, has been analysed as follows:

	2000/2001	1999/2000	1999/2000
	Half year	Half year	Full year
	£m	£m	£m
	(unaudited)	(unaudited)	(unaudited)
Direct-to-home subscribers	714.7	535.8	1,189.0
Cable and DTT subscribers	146.1	147.9	303.0
Advertising	133.7	113.5	242.3
Interactive *	36.6	1.8	4.6
Other	54.9	50.7	108.1
	<u>1,086.0</u>	<u>849.7</u>	<u>1,847.0</u>

* Interactive income includes income from internet, e-commerce, betting, telephony and text services.

3. Operating expenses, net

	2000/2001	1999/2000	1999/2000
	Half year	Half year	Full year
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Programming**	534.5	431.9	935.2
Transmission and related functions**	52.4	52.0	105.2
Marketing	211.6	179.0	381.3
Subscriber management	117.6	99.9	199.9
Administration	69.9	55.3	129.7
Interactive	49.4	3.8	10.4
	<u>1,035.4</u>	<u>821.9</u>	<u>1,761.7</u>
Goodwill amortisation***	17.9	-	-
Exceptional operating items	-	-	105.0
	<u>1,053.3</u>	<u>821.9</u>	<u>1,866.7</u>

** The amounts shown are net of £6.0 million (1999/2000: half year £7.9 million; full year £51.3 million) receivable from the disposal of programming rights not acquired for use by the Group, and £28.7 million (1999/2000: half year £30.7 million; full year £61.3 million) in respect of the provision to third party broadcasters of spare transponder capacity.

*** Amortisation of goodwill arising on the acquisition of Sports Internet Group (see Note 8).

4. Share of operating results of joint ventures

This relates to the Group's equity share of the operating results of joint ventures.

	2000/2001	1999/2000	1999/2000
	Half year	Half year	Full year
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
KirchPayTV	46.4	-	11.0
British Interactive Broadcasting ("BiB")	52.0	46.7	99.1
Programming joint ventures, net	0.2	5.2	11.2
	<u>98.6</u>	<u>51.9</u>	<u>121.3</u>

In the absence to date of results for KirchPayTV for the period from 1 July 2000 to 31 December 2000, the results for a similar period, to 30 September 2000, have been used.

5. Taxation

The taxation credit for the period of £0.1 million relates to the Group's share of joint ventures' tax credit of £0.1 million.

There is no mainstream UK corporation tax charge for the Group due to the use of brought forward losses.

Cumulative Advance Corporation Tax ("ACT") of £71.3 million (1999/2000: £71.3 million) has been written off and has not yet been recovered.

6. Dividends

No interim dividend is proposed (1999/2000: nil).

7. Loss per share

Basic and diluted loss per share represents the loss attributable to the equity shareholders divided by the weighted average number of Ordinary Shares in issue during the period of 1,839,868,141 (1999/2000: half year 1,721,627,646; full year 1,744,379,069).

8. Intangible assets

The movement in the year is as follows:

	Goodwill	Other	Total
	£m	£m	£m
	(unaudited)	(unaudited)	(unaudited)
As at 1 July 2000	-	-	-
Additions	272.4	2.1	274.5
Amortisation	(17.9)	-	(17.9)
As at 31 December 2000	<u>254.5</u>	<u>2.1</u>	<u>256.6</u>

Provisional goodwill of £272.4 million arising on the acquisition of Sports Internet Group is being amortised over a period of 7 years on a straight line basis.

9. Fixed asset investments

	31 December 2000	31 December 1999	30 June 2000
	£m (unaudited)	£m (unaudited)	£m (audited)
Joint ventures			
- KirchPayTV	1,283.5	-	1,479.9
- British Interactive Broadcasting	20.0	12.2	17.7
- Programming joint ventures	23.9	15.9	14.7
	<u>1,327.4</u>	<u>28.1</u>	<u>1,512.3</u>
Investment in own shares	19.1	27.5	27.5
Other investments	137.3	87.8	120.8
	<u>1,483.8</u>	<u>143.4</u>	<u>1,660.6</u>

KirchPayTV

On 31 August 2000, KirchPayTV disposed of their remaining 58 million holding of BSKyB shares. The Group's share of the loss on disposal was £69.5 million. The loss is calculated as BSKyB's share of the difference between the balance sheet value of the 58 million shares at £15.21 per share (based on the value of the shares at the date of acquisition of 24% of KirchPayTV by BSKyB) and the net proceeds realised by KirchPayTV of £10.05 per share.

British Interactive Broadcasting

The Group has recognised 32.5% of the results of BiB up until November 2000, from which date 100% of BiB's losses have been recognised due to the agreement dated 17 July 2000, under which the Group agreed to provide 100% of BiB's funding after existing funding had been utilised.

Investment in own shares

At 31 December 2000, the ESOP held 3.35 million Ordinary Shares in the Company at an average value of £5.68 per share, primarily to hedge the obligations of the Group then outstanding under various share option schemes against further increases in the Company's share price.

Other investments

On 3 March 2000, the Group entered into arrangements with Chelsea Village Plc group ("Chelsea Village") to subscribe for ordinary and preference shares in Chelsea Village and to become their exclusive media agent, for total consideration of £40 million. The £40 million consideration includes £25 million which was paid on completion on 14 July 2000. Shares acquired in Chelsea Village Plc represent 9.9% of its enlarged share capital.

At 31 December 2000 £24.5 million has been provided against minority investments in new media companies of which £24.0 million relates to investments held by the Group and £0.5 million relates to investments held by the BiB joint venture.

10. Provisions for liabilities and charges

	Analogue termination provision	Transition provision	Sky In-Home Services Limited reorganisation provision	31 December 2000 Total	31 December 1999 Total	30 June 2000 Total
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (audited)
At the beginning of the period	30.7	192.9	1.9	225.5	405.4	405.4
Charged to the profit and loss account	-	-	-	-	-	90.9
Utilised in period	(5.9)	(95.1)	(1.3)	(102.3)	(120.3)	(270.8)
At the end of the period	24.8	97.8	0.6	123.2	285.1	225.5

The transition provision utilised during the period of £95.1 million (1999/2000 half year £120.3 million; full year £270.8 million) is net of £14.1 million (1999/2000 half year £21.6 million; full year £50.1 million) of installation income received from subscribers. The transition provision costs comprise the cost of the set-top box, installation costs, BiB subsidy costs and various other costs to be incurred to enable a subscriber to use the digital service, less any upfront income received from the subscriber.

Analogue provision costs principally comprise the cost of early termination of analogue transponder leases and various other costs to be incurred to terminate the Group's analogue operations.

The Sky In Home Service Limited reorganisation provision principally comprises the costs of staff redundancies.

11. Reconciliation of movements in shareholders' funds

	Share capital	Share premium	Merger reserve	Profit and loss account	Total Shareholders' funds
	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)	£m (unaudited)
As at 1 July 2000	912.9	2,209.9	-	(2,476.4)	646.4
Issue of share capital	11.3	9.2	-	(5.4)	273.0
Share issue costs	-	(1.4)	257.9	-	(1.4)
Loss for the period	-	-	-	(260.1)	(260.1)
Net loss on deemed disposals	-	-	-	(20.6)	(20.6)
Transfer to merger reserve (Note 3)	-	-	(17.9)	17.9	-
Exchange adjustments	-	-	-	3.2	3.2
As at 31 December 2000	924.2	2,217.7	240.0	(2,741.4)	640.5

During the period the Company issued shares with a market value of £9.7 million in respect of the exercise of options awarded under various share option schemes, with £4.3 million received from employees.

A merger reserve has been created in relation to 21.6 million shares issued during the period as consideration for the acquisition of 100% of Sports Internet Group.

Deemed disposals arose on the dilution of our equity stakes in KirchPayTV and Music Choice Europe. Our equity stake in KirchPayTV was diluted from 24.0% to 22.03%, following further third party equity investment, resulting in a loss of £37.3 million. Our equity stake in Music Choice Europe was diluted from 49.0% to 36.5%, following an IPO of 25.5% of the business, resulting in a gain of £16.7 million.

12a. Reconciliation of operating profit to operating cash flows

	2000/2001 Half year £m (unaudited)	1999/2000 Half year £m (unaudited)	1999/2000 Full year £m (audited)
Operating profit (loss)	32.7		
Depreciation	27.1	27.8	(19.7)
Goodwill amortisation	17.9	22.2	52.0
Increase in working capital	(73.8)	-	-
Provisions utilised, net	(89.9)	(0.5)	(84.9)
		(120.3)	(179.9)
Net cash outflow from operating activities	(86.0)	(70.8)	(232.5)

12b. Analysis of changes in net debt

	As at 1 July 2000 £m (unaudited)	Cash flow £m (unaudited)	As at 31 December 2000 £m (unaudited)
Overnight deposits	47.1	(38.7)	8.4
Other cash	79.1	(45.1)	34.0
Bank overdrafts	(13.7)	13.7	-
	112.5	(70.1)	42.4
Short term deposits	155.0	(155.0)	-
Cash at bank and in hand less bank overdrafts	267.5	(225.1)	42.4
Debt due after more than one year	(1,404.3)	(69.9)	(1,474.2)
Finance leases	(8.2)	0.1	(8.1)
Total debt	(1,412.5)	(69.8)	(1,482.3)
Total net debt	(1,145.0)	(294.9)	(1,439.9)

13. EBITDA before exceptional items.

EBITDA (Earnings before interest, tax, depreciation and amortisation) is calculated as operating profit before depreciation, amortisation of goodwill and intangible assets, and exceptional items.