

slay

The Sky Story

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In the beginning

We've come a long way since 1989. A long way from a largely untested analogue satellite TV service, a handful of customers and a staff of a few hundred hardy pioneers.

It is difficult to imagine now, but back then, there were only four TV channels in Britain. Hardly enough to lift 50 million imaginations.

We believed in individual choice. That people deserved more and would demand more.

It's no different today. What we do changes as the world changes. But who we are and what we believe has stayed the same.

We have never stopped working to provide what people ask for. Better choice. Better opportunities. More freedom for more people. We are always ready to challenge conventional wisdom and fight against complacency, because customers expect it of us.

We're always pushing. Sometimes in small ways, sometimes through giant steps forward. We're accountable to our customers. That's why we're always striving to do more for them.

At Sky we believe in better.



Consumers take charge

The communications world is changing, and changing for the better. People – not governments, regulators, or even businesses like us – have more power, more choice and a greater voice than ever before. This is a great thing.

Consumers take charge

How did this communications revolution happen? Because new technology and growing prosperity have given us all the power to access a virtually unlimited wealth of information, to choose what we want from it, to share it with one another, to add our own contribution, to build real communities that ignore all the old geographical and class boundaries – and to grow and develop as societies and citizens.

For many decades, there had been very little choice on our TV screens. While the system had produced some great programmes, its weaknesses were increasingly apparent. Almost no choice of news providers; a handful of blockbuster films but not much else; some mainstream, but little niche, sport. The broadcasting system neither encouraged nor rewarded innovation.

We believed that people deserved better, that British viewers would welcome a greater amount of choice and control, and that competition would drive up quality and standards across the board.

We invested billions of pounds on the back of this vision. Many people thought we would lose the lot. We nearly did.

But our instinct was right. We found that people really want the freedom to choose: to select their personal favourites from a wider range of channels and a variety of programming that suits every kind of taste.

Now our customers have the opportunity to select their personal favourites from over 500 channels. We have moved from a world of a few hours a day of news programming at fixed times, to over a dozen dedicated news channels from a wide variety of sources. Our viewers can watch the sports that they care for, discover the arts that enrich their lives, sit down with their children to learn together – or simply, happily, be entertained.

We are bringing that freedom of choice to other parts of the communications world. Broadband internet access is a gateway to infinite sources of entertainment and information, and



Compelling drama, outstanding arts, quality sports, breaking news on Sky

> 1 in 3

Families in the UK and Ireland
choose Sky today

now almost every family can afford it. We saw the same opportunity to offer choice and value in telephone services.

The world we operate in is fiercely competitive and we have to work hard to stay ahead of our rivals. We do so vigorously and fairly. We believe that competition spurs innovation and choice for consumers, and promotes healthy businesses that provide social benefits in creating wealth and jobs.

We also see the bigger picture and respond to important social issues. We have taken a leadership role on climate change, worked with schools to improve participation, and launched an on-line resource to help children, parents and teachers find programming that will support educational work.

Some are frightened by the speed of change in media and communications. The competition is certainly tough – it's tough for us too. But it's great for customers. Overall take-up of digital TV and broadband is soaring, and we are sharing in that growth. Sky Broadband and Sky Talk are the fastest

growing internet and voice services in the country. People are exercising choice and we are grateful that quite often they choose us.

Now that we've been around for almost two decades, our commercial success in attracting over 8 million customers is acknowledged, and some of the benefits that multichannel television and our broadband and talk services bring to consumers are recognised. But there are still people who question the contribution we have made to life in the UK.

Yes, we shake things up, and that's not always popular. We haven't got it right every time: there have been the bad calls and mistakes along the way that are an essential part of business life. But we are proud of what we have achieved, proud that more than one-third of British and Irish homes choose Sky.



**Sky Broadband and Sky Talk –
the fastest growing internet and
phone services in the UK**

For the record

Sky was born from a simple belief that is just as relevant today as it was in 1989. The belief that people benefit from increased choice. That principle has inspired us ever since. Our first broadcast was on 5 February 1989. Overnight, the number of TV channels available across the UK doubled from four to eight, including Sky News, the country's first 24-hour news channel.





For the record

> 10,000

First run movies shown on Sky Movies since launch

Because it was built from scratch, our business incurred huge start-up costs, and these, combined with initially low viewer numbers, led to massive losses. By the time Sky merged with fellow – and equally loss-making – satellite company BSB in November 1990, the two companies had lost over £1.4 billion between them.

But customers liked the increased programming choice we offered. The response to our coverage of the English cricket team's winter tour of the West Indies in 1990 – the first time an overseas cricket tour had been broadcast live – showed that there was a huge appetite amongst British viewers for high quality live sport. The acquisition of the rights to the newly-formed Premier League in 1992 gave extra impetus to our sports offering. We transformed the way these sports were presented and gave fans a far better viewing experience.

Not just sport. Sky Movies met the previously untapped demand for a wide choice of quality movies every

night. Before we began our service, access to the best in film was limited and late-night – and often interrupted by news breaks and advertising.

In 1993 we launched our Multichannels package, bringing together a range of entertainment, documentary, music and children's channels appealing to the varied tastes of our customers.

By 1995 over three million people had chosen Sky.

Time to relax? Not really.

We saw that the provision of entertainment was moving inexorably towards digital technology, and that we might be able to accelerate the pace of that change.

That meant suspending our dividend, and spending £2 billion developing an entirely new digital platform, underwriting the launch of a fleet of new satellites, and replacing all the boxes we had installed in our customers' homes with new ones.

People liked having better picture and sound quality, they liked being able to pick from more channels via an easy to use on-screen programme guide, and they liked the interactivity that digital offered.

The remainder of the UK will go fully digital only in 2012.

There was more to come.

Sky+, introduced in August 2001, allowed people to pause live TV and record their favourite shows at the touch of a button. It is now in nearly a third of our customers' homes. People who have it, rave about it. They are in charge as never before – choosing not just what, but when they want to watch.

We are now transforming the TV viewing experience yet again through the launch of High Definition. We did so in the face of predictions that HD was a needless luxury. It has since seen the fastest take-up of any of our additional TV services to date.

> **70%**

Broadband network coverage
of UK homes

The world of television has changed immeasurably for the better since 1989. Consumers deserve the same in broadband and telephony. We see an opportunity to deliver huge value to customers in a sector previously characterised by muted competition.

So we are investing almost £1 billion building a state-of-the-art broadband network, challenging the existing telecom providers, and dramatically driving down the prices paid by customers for broadband and phone services.

We have come a long way since setting up shop in a muddy building site in Osterley, to the west of London, with a small team, a large amount of debt, and in the face of near-universal derision from the broadcasting establishment.

The muddy site has become a high-tech campus but we're still here. We are one of the very few British companies to have gone from complete start-up to the top end of the FTSE100 in less than 20 years. Our investments

in television and broadband have increased plurality, driven the use of digital technology, and helped to connect and meet the needs of our more diverse society.

But we never forget that what got us here is the appetite that people have for choice, for quality, for freedom. In the future they will continue to be even more demanding, they are going to want more control and convenience, and they will reward the companies that respond. We don't just want to be one of those companies: we want to be the best of those companies.

“
Sky+ is the single best invention in the past 20 years

”

Jeremy Clarkson



A new customer chooses Sky+ every 30 seconds





Closer to our customers

The key to our success is our commitment to empowering consumers. Whether it is in television, broadband or telephony, our aim has been to give customers more choice and more control over their entertainment and information. That is a principle that we believe is fundamentally good for people and positive for our society.

> 14

Dedicated news services

Closer to our customers

We don't do geeky, or wordy, or tech-speak. Our products don't have complicated instruction manuals. Part of our job is to make complex, cutting-edge technology simple and easy to use for everyday consumers – the sort of innovation that makes their lives easier. The intuitive simplicity of Sky+ is a benchmark for broadcasting innovation. Our Remote Record feature now allows users to set their Sky+ box to record their favourite shows when they are on the move, using their mobile phone.

We also offer our services on the internet through Sky Anytime, allowing subscribers to download their favourite entertainment shows, movies and sports to their computer. In addition we provide news, sports and entertainment services through mobile networks.

Our on-screen Electronic Programme Guide makes it easy for viewers to make their own personal selection from the hundreds of different channels available to them. There are 15 channels dedicated to religion and faith, 27 children's channels, and 47 services for foreign and ethnic audiences.

Around 60% of the UK's ethnic population watches one of these channels on Sky each month. No other platform has the capacity or the motivation to offer such a range of content from so many cultures and communities.

The same goes for news. As well as the familiar Sky News and BBC News, we offer our viewers a diversity of news sources and perspectives from Al-Jazeera to CNN, Bloomberg to Russia Today. There are currently 14 dedicated news channels on the Sky platform, plus news bulletins on mixed-genre channels and foreign language and ethnic services.

We think about our customers as individuals, with individual needs. We provide packages to suit different interests at a wide range of prices. The special remote control for disabled and elderly people we developed in consultation with SCOPE and Age Concern remains unique in the UK. We were the first digital platform to offer audio description for visually impaired people as standard, and Sky channels subtitle over 45,000 hours of television each year, comfortably

exceeding our statutory requirement. We have supplemented extensive on-screen services through a dedicated customer support team, and all 1,700 of our field engineers are trained to understand the special challenges that some of our customers face.

We see that commitment as part of our wider investment in customer service. Our contact centres already handle over 1 million calls from customers a week, and our field engineers make over 3 million home visits a year. Our aspiration is not just to set the benchmark for the best customer experience in our own industry, but the best in any industry. To achieve this goal, we are investing heavily in upgrading our capabilities and adding more front-line staff.

The digital platform also ushered in a new era of interactivity. In August 1999 we broadcast the first interactive football game, allowing viewers to choose their favourite camera angles, and watch highlights during the game. Fans of the UEFA Champions League on Sky Sports now have the opportunity to choose up to eight simultaneous matches via our interactive multi-screen

> 15

Channels dedicated to religion and faith

> 27

Children's channels

> 47

Services for foreign and ethnic audiences

service. The red button has become a familiar and useful feature for viewers in millions of homes.

In broadband we offer up to 16Mb connection speeds and hassle-free wireless connections. We are the fastest-growing internet service provider in the UK and we offer a product which we believe is the best value available. Our customers get easy access to first-class search, email and messaging systems, powered by Google. We have created SkyCast, a new portal for user-generated content, and developed imaginative ways to encourage people to unlock their own creativity.

The combination of a high bandwidth satellite service, massive local storage in the form of the Sky+ box, and broadband connectivity opens up tremendous possibilities for customers. In the future, our on-screen programme guide will provide seamless integration between programmes broadcast by satellite and on-demand broadband content. Another example of putting people, not providers, in charge.

“
We have a positive and long-term relationship with Sky. Their track record working with disabled customers is outstanding

”

Liz Sayce, Chief Executive, RADAR



Sky is the only broadcaster to provide remote controls specially adapted for use by disabled people

skyARTS

Ballet Rocks



Our contribution

Providing a great choice of high quality content has always been at the heart of what we do. We showcase compelling arts and entertainment programming. We started the UK's first 24-hour news channel, Sky News. Our sports broadcasting is widely recognised as exceptional. We have built partnerships with other broadcasters that provide them with the means to create successful businesses and build specialist audiences that value their content. And we are recognised as a company that sees the bigger picture and does things to improve our society and its communities.



> **550**

Hours of arts programming broadcast
by Sky Arts each month

Our contribution

Entertainment and arts

Our own entertainment channels, led by Sky One, have created home-grown productions like Brainiac and Are You Smarter Than a 10 Year Old?, as well as bringing British viewers the best shows from the US including The Simpsons, 24, Lost and Prison Break.

We are investing an increasing amount in original British drama. Sky One's critically-acclaimed adaptation of Terry Pratchett's Hogfather – starring Sir David Jason – was watched by more than 2.9 million viewers, the largest ever audience for a commissioned programme on multichannel television. Next year Sky One viewers will be able to enjoy the second instalment, The Colour of Magic.

Sky Arts, the UK's only dedicated arts channel, offers – without any public funding – the world's finest live performances together with documentaries and film. It showcases opera, dance, classical music, the visual arts, architecture, literature and theatre. Sky Arts broadcasts more hours of arts-related programming each week than all the public service channels do – combined. Every one of its original productions is now shot in HD.

We actively support the arts through partnerships with the English National Opera, the English National Ballet and the Hay Literary Festival. We work with the National Trust, enabling improved access for families to National Trust properties and the chance to

see the Trust's greatest treasures in HD on Sky Arts. Our three-year partnership with children's favourite the Chicken Shed Theatre Company helps bring live inclusive theatre to thousands of British families.

News

Sky News has changed the face of television news in the UK. Started on a shoestring, with only six staff, Sky News now has 500 dedicated staff worldwide. It has won two BAFTAs and has been the Royal Television Society's News Channel of the Year in five out of the last six years.

Sky News is the only British independent 24-hour TV news channel. It offers a comprehensive online and interactive news service, supplies news content to Channel Five and a range of commercial radio stations.

We spend more than £50 million on Sky News every year. It receives no government money and is not provided because of a regulatory requirement or licence obligation. It does not qualify as Public Service Broadcasting, nor would we want it to. We cherish, as do our customers, its integrity and independence.

Sky News has consistently led the way in innovative news coverage. Sky News Active was the world's first interactive television news service, allowing viewers the choice of eight different screens. Now Sky News is available live through Sky Mobile TV and has pioneered the use of content

“
Through support and partnerships with organisations like ours, Sky and Sky Arts are making a major contribution to cultural life in the UK
”

Loretta Tomasi, Chief Executive,
English National Opera



Sky One's adaptation of Terry Pratchett's Hogfather is the highest rated commissioned drama on multichannel television

“
We switched on Sky News as everybody does, to try to get some idea of what is going on
”

Sir Ian Blair, Metropolitan Police Commissioner, describing how his team stayed up to date with news of the London bombings in July 2005

> 40,000

Hours of sports coverage and analysis
a year

provided by its viewers through their mobile phones, notably live reporting and photographs from the London bombings on 7 July 2005, and more recently the floods of 2007.

Sky News prides itself on being the home of breaking news and on its reputation for fleetness of foot, impartiality and accuracy. It is the channel that is trusted by opinion formers.

Sport

One of the things that we are most famous for, and most proud of, is Sky Sports. This year we will broadcast more than 40,000 hours of sports coverage and analysis, including the UK's first dedicated 24-hour sports news channel.

We will show nearly 450 live football matches this season, including 92 Barclays Premier League games, all in HD – a far cry from the handful of live games shown on terrestrial TV in the days before Sky. The investment which has gone into football as a result of our contracts and coverage of the Premier League has helped to create the most exciting league in the world, played in some of the best stadiums.

But it is not just the elite players and clubs that have benefited from our investment. Broadcasting money has indirectly funded much of the work of the Football Foundation – which has invested hundreds of millions of pounds in more than 3,000 projects to help grassroots football in the last

six years. And we have supported the game at all levels, broadcasting thousands of hours of senior, youth and women's matches, as well as top-flight games.

We have brought the same commitment to other sports. We cover live club rugby, which was previously rarely shown on television, and this exposure has helped reinvigorate the game. Our coverage of Ryder Cup golf, British Lions tours, and overseas Test cricket has ensured that people can watch the whole of these events live for the first time. Over the course of more than a decade working with English cricket, we have invested over £300 million in the game.

But Sky Sports is about far more. We show extensive coverage of women's sports, including the Solheim Cup and Netball Superleague. We show a whole host of less mainstream sports which have rarely, if ever, been featured on television before. In 2006 we covered over 150 different sports, including a regular weekly fishing programme, equestrianism live and in HD from Hickstead and every race in the America's Cup live. This diversity is appreciated by viewers and gives many niche sports the opportunity to build their audiences, popularity and participation.

As well as offering more content, we have transformed the way sport is covered. Breakthroughs such as the clock and score on screen, super slow motion, virtual graphics, interactivity

“
ECB is very grateful to Sky for their support in taking cricket coaching to the next level throughout England and Wales
”

David Collier, Chief Executive, England and Wales Cricket Board, at the launch of the Sky Sports Coaching the Coaches scheme



Sky Sports covered every race in the America's Cup live

> £1.6bn

Annual programming spend

Our contribution

and now High Definition have set new benchmarks for the television industry and forced everyone covering sport to raise their standards. It is the fans who have benefited.

The wider creative community

We have helped to build the creative industries, spending £1.6 billion a year on programming – £1.3 billion of this on our own channels, including a substantial investment in original production in news, sport and entertainment. The rest of the multichannel sector, supported by Sky's investment, adds millions more. Thousands of creative people are employed across the UK as a result.

The open digital platform we created and the direct financial support we've given third party broadcasters (through carriage payments and joint venture investments) has enabled them to invest in programming and create dozens of channels catering to every taste and interest. From the UKTV portfolio, based around popular programmes from the BBC's archive, to more niche services like Baby TV, Current TV or Extreme Sports.

Of course we also carry the public service channels from the BBC, ITV, Channel 4 and Five on the platform. These enjoy a privileged position at the top of the Electronic Programme Guide.

Our digital satellite platform leads the world in its technology, and many aspects of it have been widely copied by other services in the UK and overseas. Our conditional access (CA) system allows TV channels to raise subscription revenue with confidence. It offers secure copyright protection, an essential part of the long-term future of the creative industries.

Dozens of channels – like the BBC, C4 and Disney – use the red button functionality to provide interactive services. These enhance the viewing experience and build customer loyalty, as well as generating additional revenue.

Our belief and investment in HD has stimulated UK interest in a standard which represents a fundamental improvement in the TV viewing experience. We put money behind outside broadcast equipment, studios, transmission suites and so on to seed development. Others have seen the success of Sky HD and followed suit, but we showcase a wider choice of HD programming than anyone else – over 5,000 hours a month.

Seeing the bigger picture

We recognise that having a presence in one in three homes is a responsibility, as well as an opportunity to work with our customers to tackle the issues that they care about.

“
Working in partnership with Sky has helped our channels to flourish and develop in the UK. We've been able to co-operate to reach new audiences and introduce new services – and we'll carry on doing so in the future
”

Robert Gilby, MD, Disney Channel UK

> **1/2**

Sky has halved the power consumption of its set top boxes since they were launched

> **100%**

Renewable energy used by Sky at our sites in England and Scotland

Foremost amongst these is the environment.

We recognise that climate change is not an issue that can be pushed on to the agenda of governments and forgotten by everyone else. We all have to play our part.

Our first priority was to put our own house in order. After a great deal of work to reduce our emissions and improve energy efficiency, we became the first media company in the world to become carbon neutral in 2006.

We asked our suppliers to join us on this journey. We share what we have learned with others. And we also know that we have a duty to start a discussion about low-carbon lifestyles with our customers.

We think the issue is so important that it needs to be part of all our communications. So climate change is covered in our customer magazine – which has the largest circulation in the UK – on air, on our websites, in posters. We have halved the energy consumption of our standard set-top boxes and provided our customers with energy-efficient light bulbs. Now we have introduced a world first – automatic stand-by on our boxes, saving 32,000 tonnes of carbon a year.

Another example is education. Because education is critical for our customers and their families, it matters to us too and we can contribute. Our television service offers a range of channels that

provide educational material of real value – Discovery, The History Channel, National Geographic and many more. So we took that a step further and launched Sky Learning.

This includes a search engine that enables students, and their parents and teachers, to look across hundreds of channels on the Sky platform for material relevant to learning. Simply enter the subject and examination and it will suggest scores of programmes to complement what happens in the classroom.

We have also harnessed the power of our brand in sport to achieve positive changes. Our Living for Sport initiative is delivered through an innovative and productive partnership with the Youth Sport Trust, taking elite athletes like Kelly Holmes and Darren Campbell into the classroom and using sport to help young people achieve their potential. We have reached over 600 schools across the UK with this programme and it is having positive results.

In each of these areas we regard what we are doing not as something to be stuck in a box marked corporate responsibility and left there. But as another extension of our central commitment to see the bigger picture, to look after our customers and to do the right thing.

“
The number one media company in the world when it comes to addressing climate change

”
Al Gore



Sky's Living for Sport programme has brought top athletes into the classrooms of over 600 schools throughout the UK

The way we do business

We believe passionately in an approach to business and regulation that puts the real interests of consumers and citizens first, not those of providers or policy makers. We will continue to fight for this, regardless of whether that means challenging powerful incumbents and vested interests. Our job is to get on and try to win customers by offering better quality and value than our rivals.





The way we do business

We compete vigorously, responsibly and fairly. We operate in a highly competitive and dynamic marketplace, challenging public and private sector organisations that are often much larger than we are. We relish fair commercial competition but we challenge unnecessary state or regulatory intervention.

As we have expanded the range of products we offer to our customers over the past 18 months with the launch of Sky Broadband and Sky Talk, we have moved from the £7 billion television sector to competing in a converged £20 billion-plus marketplace for entertainment and communications. We see this as an exciting opportunity to grow our business and at the same time deliver a superior service and increased value for customers.

We have been criticised for some of our business initiatives and the commercial disagreements and disputes that sometimes result. Our answer is simple. A dynamic marketplace is often going to be messy, argumentative and chaotic. That is the way it works. Competition is not something that

ever stops, or should ever stop. The benefits are enjoyed by customers – and by the diverse companies that meet their needs.

We recognise that many of the aims of broadcasting and communications regulation are important and necessary. Protecting children from unsuitable material is essential and common minimum standards of decency are important to society. We willingly block content that might harm vulnerable people or children – indeed the parental control features we have developed are far more extensive than regulation requires – and we accept rules designed to protect fair competition and open markets.

But we should be wary of arguments that push regulation beyond dealing with genuine risk. That can lead to protectionism, restriction of choice and stagnation.

This view is not shared by everyone in our industry. Some established players prefer regulation that stifles competition, not enhances it. Their



Our parental control features allow parents to set their own watershed and block entire channels using the Sky remote control

> 14,500

Sky employees

> 3,000

New jobs created by Sky since 2004

goal is to protect the status quo and limit the impact of change. That is their preference but it is not a road we will ever take. Opposing the interests of consumers is against our core beliefs, and will ultimately lead to failure. Successful businesses care first and foremost about their customers and dedicate their energy to serving them. That is what we do.

Society benefits from competition too. Only the best operations survive and prosper. We employ over 14,500 people directly, and thousands more through outsourced business partners. We are one of the largest private sector employers in central Scotland, and as our business grows, we are creating new jobs – more than 3,000 since 2004. These jobs – and all the economic growth that goes with them – are the result of developing a successful business.



Sky is one of the largest private sector employers in central Scotland. Our customer advisers handle over 1 million calls each week

Believe in better

What next? Exactly what we do will change. The technologies we develop will change too, as will our services and our content. Change is part of the world we do business in.

There are also things that won't change. Being part of the marketplace of ideas is incredibly exciting. Any company that can help expand that opportunity is making a powerful contribution to people's lives. That's what we try to do.

We will continue to celebrate the chance to be part of the entertainment and communications revolution – at the time when power increasingly lies with the people who are most important to us. Our customers.

We will never give up believing that we can do more for them. We will try to think big, to challenge, to innovate, to look ahead. To push ourselves a little bit harder every time.

We always want to offer our customers more quality, more value, more service – and always more choice.

For us, OK is not OK. Good is not good enough.

We believe in better.



THE HISTORY CHANNEL®

Universe



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