

## 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 regard to the potential for growth of free-to-air and pay-TV, fixed line telephony, broadband growth and bandwidth requirements, advertising growth, DTH subscriber growth and Multiroom and Sky® penetration, revenue, earnings, profitability and margin growth, cash flow generation, return on capital employed, operating costs, marketing expenditure and customer management costs, capital expenditure programmes and proposals for returning capital to 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 reliance on technology, which is subject to risk, change and development, 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 Interim Report on form 6-K for the period ended 31 December 2005. 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.

uploads / downloads / save loads



3

## Summary

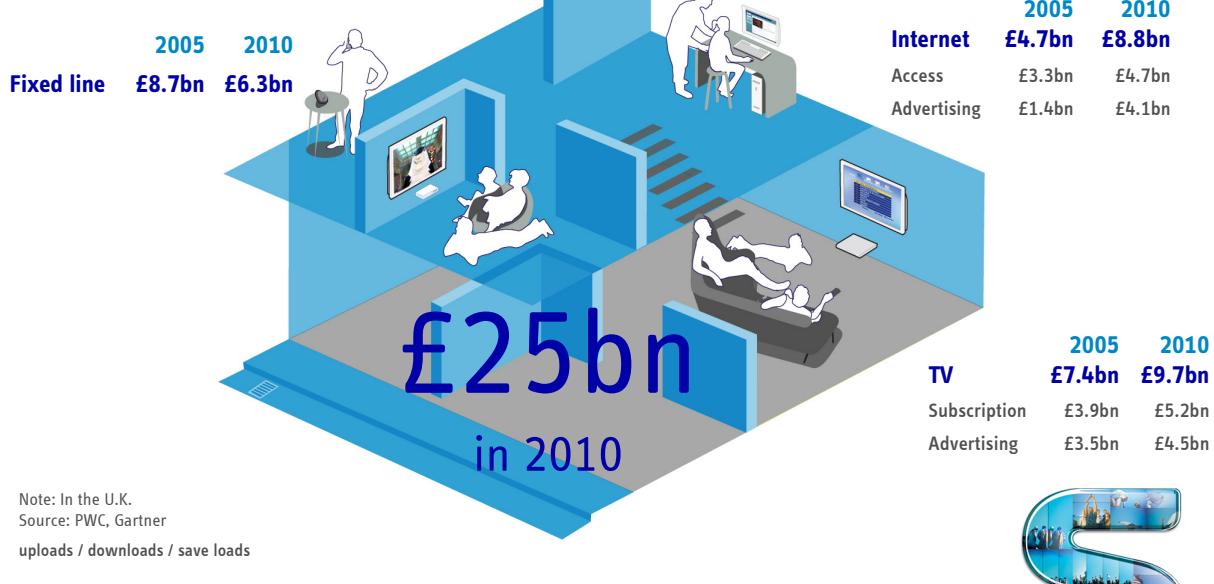
- A larger market for Sky
- Sky is uniquely equipped
- Compelling for our customers
- Financial value for shareholders
  - £400m impact to operating profit over three years
  - Faster top-line growth
  - EPS enhancing in the year to 30 June 2010
  - Maintaining progressive dividend policy

uploads / downloads / save loads



4

## Opportunity



## Opportunity

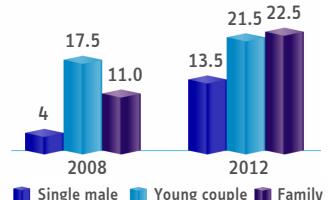
- Future of broadband very different from broadband today
  - Ubiquity**
    - Household penetration expected to exceed 80% by 2010
    - Broadband sector to double over next four years
  - Bandwidth intense**
    - New consumption patterns require more bandwidth
    - Demand expected to double approximately every five years
    - Key point of differentiation between providers
  - Reliable and easy to use**
    - Mass market requires a service led proposition
  - Economics**
    - Market conditions attractive to new entrants

uploads / downloads / save loads

### Increasing Bandwidth



### Max Downstream Bandwidth (Mbits/s)

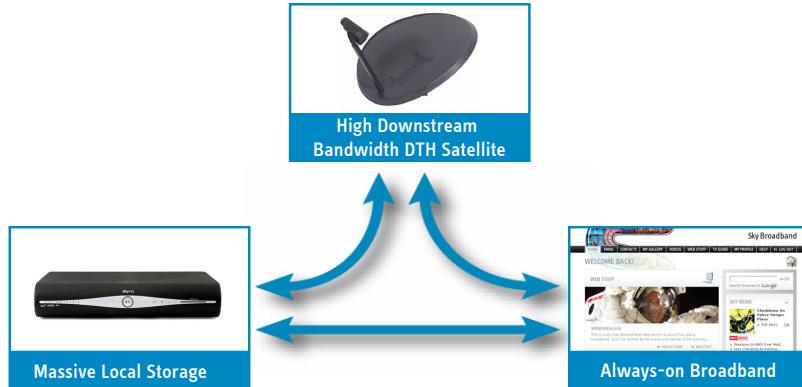


Source: Broadband Stakeholder Group May 2006, Green Paper "Predicting U.K. Future Residential Bandwidth Requirements"



6

## Platform Differentiation



**Our platform of the future will successfully integrate satellite delivery, massive local storage and always-on broadband**

uploads / downloads / save loads

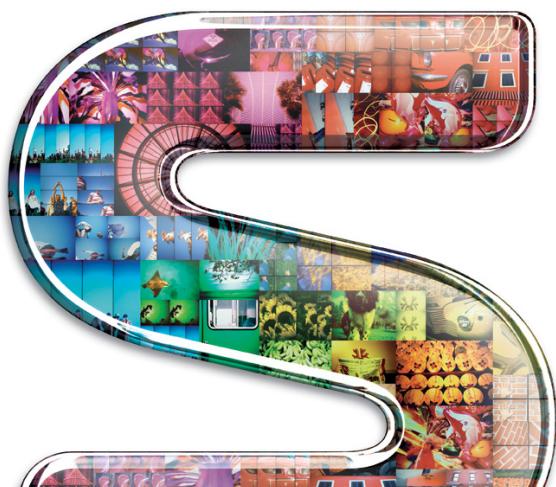


7

## Platform Differentiation

- Sky Broadband at the heart of future integration
- Sky is already Europe's largest legal video download service
- Control
  - Remote record, pull VOD
- Personalisation
  - Single identity across all platforms
- Connectivity
  - Wired or wireless connectivity for all devices

uploads / downloads / save loads



## A Unique Challenger

- 8.1 million customers have chosen Sky
- One in five already choose an additional product
- Deliver content our customers want
- Trusted by customers to deliver products that work at the press of a button
- Have an infrastructure in place to install and serve them

uploads / downloads / save loads



9

## Sky Broadband For Sky Customers

- For over 8 million Sky customers
  - Simple
  - Flexible
  - High quality
  - Great value



10

## Simple

- Every Sky TV customer is eligible
- Plug and play set-up with Get Set CD
- Hassle-free professional home installation
- One login across all Sky on-line products
- Desktop security centre included in set-up



uploads / downloads / save loads

11

## Flexible

- Choice of products to suit usage needs

	Max	Mid	Base
Download speed options <sup>(1)</sup>	16 Mb	8 Mb	2 Mb
Monthly usage options	Unlimited	40 GB	2 GB

- Optional Sky Talk package
  - Unlimited anytime UK calls<sup>(2)</sup>
- No hidden charges or 18 month contract
- Wireless within the home

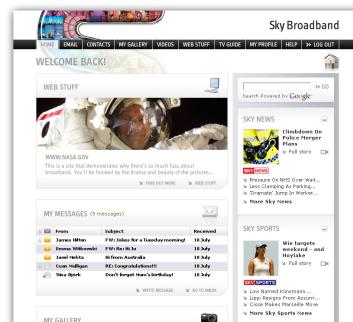
Note: (1)Up to (2)Anytime national landline  
uploads / downloads / save loads



12

## Quality

- Professional **Sky** home installation
- Wireless router from **Netgear**
- **McAfee** security suite
- Exclusive **Sky Broadband** portal
- Technical helpline



Note: For full product details see appendix  
uploads / downloads / save loads

13

## Value

	Max	Mid	Base
Speed	Up to 16Mb	Up to 8Mb	Up to 2 Mb
Usage	Unlimited <sup>(1)</sup>	40 GB	2 GB
Wireless router	Free	Free	Free
Security suite	Free	Free	Free
Professional home installation	Free	£50	£50
Connection fee	Free	£20	£40
<b>Monthly broadband</b>	<b>£10</b>	<b>£5</b>	<b>Free</b>
<b>Optional monthly calls package + line rental<sup>(2)</sup></b>	<b>£14</b>	<b>£14</b>	<b>£14</b>

(1)Subject to fair usage policy

(2)£5 call package available now, £9 line rental available Q4 2006

uploads / downloads / save loads



14

## Value For Sky Customers

Sunita	Paul	Tim and Jackie	Dave and Family
<b>BT</b>	<b>orange</b>	<b>ntl:</b>	<b>BT</b>
Total Broadband Option 1*	Max*	TV, including sports and movies + 10Mb broadband + Talk 24	Total Broadband Option 3*
<b>£175 saving</b>	<b>£215 saving</b>	<b>£227 saving</b>	<b>£231 saving</b>

Note: All year one savings. On-going savings different for Sunita (£215 p.a.) and Dave & Family (£263 p.a.) \*Customers take broadband only - additional savings of £138 p.a. with Sky Talk line rental (£9 p.m.) and unlimited UK landline calls (£5 p.m.) compared to BT Together Option 3 uploads / downloads / save loads



15

**Sky Broadband**

HOME | EMAIL | CONTACTS | MY GALLERY | VIDEOS | WEB STUFF | TV GUIDE | MY PROFILE | HELP | >> LOG OUT

WELCOME BACK!

**WEB STUFF**

[WWW.NASA.GOV](#)  
This is a site that demonstrates why there's so much fuss about broadband. You'll be hooked by the drama and beauty of the pictures... [FIND OUT MORE](#) [WEB STUFF](#)

**MY MESSAGES (5 messages)**

From	Subject	Received
James Hilton	FW: Jokes for a Tuesday morning!	18 July
Emma Witkowski	FW: Re: Hi Jo	18 July
Jasen Mehta	Hi from Australia	18 July
Cuan Mulligan	RE: Congratulations!!!	18 July
Tina Björk	Don't forget Mum's birthday!	18 July

[WRITE MESSAGE](#) [GO TO INBOX](#)

**SKY NEWS**

[Climbdown On Police Merger Plans](#) [Full story](#) [More Sky News](#)

**SKY SPORTS**

[Wie targets weekend - and Hoylake](#) [Full story](#) [More Sky Sports](#)



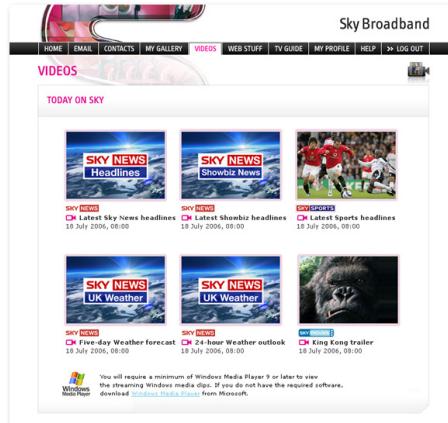
16

## Unique Line-up Of Content Rights

### Enhanced Distribution Of Sky's Content

- **Sky Sports**
  - Live FAPL from 2007 to 2010
  - Live Champions League until 2009
  - All domestic English cricket live until 2009
  - European PGA Tour and The Ryder Cup
- **Sky Movies**
  - Bonus subscription VOD service for Sky Movies customers
  - Additional services including rental VOD and Electronic Retail
- **Entertainment**
  - Aggregator of choice for VOD in the U.K.
  - The best comedy, drama, lifestyle, kids, and factual content

uploads / downloads / save loads



17

## Building Broadband To Scale

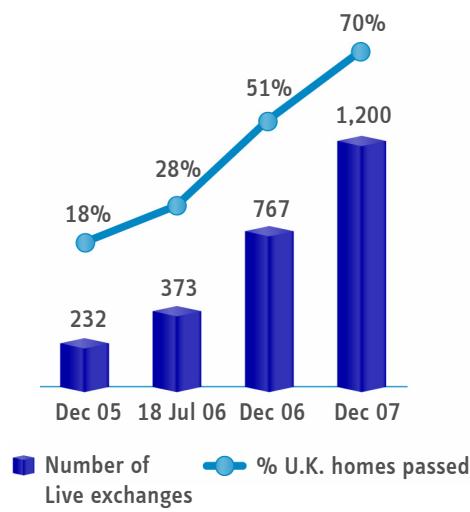
- Over 8 million customers today
  - Free message generating early momentum
  - Strong appetite for additional services
  - Experience in delivering new products to market
- Differentiated product
- Using Easynet expertise in rapid exchange roll out

uploads / downloads / save loads



18

## Local Loop Build Out



- Currently unbundling 30 exchanges a week
- Focus on urban areas and Sky customers
- Initial focus on partial unbundling (providing the broadband connection)
- Replacement of customers' BT voice line
  - Undergo testing in 2006 to ensure service quality
  - Offered to new customers from early 2007



19

## Network Quality Is Fundamental



- Largest fibre optic-all IP-21CN network in the U.K.
- Enterprise class reliability
- 'Fit for purpose' today with significant headroom
- Durability to meet customers' future needs

→ Ownership of Easynet network  
a major competitive advantage



20

## Customer Service

### From Launch Day To Install

Personalised customer letters



1,000,000 line checks per hour



>6,000



Emails and letters sent informing customer of available package



>3,700



Direct or ESales



uploads / downloads / save loads

21

## Summary

- An **easy choice** for millions of Sky **customers**
  - Unprecedented value
  - Super fast-download speeds
  - Free wireless router for everyone
  - Security suite free for 12 months
  - Hassle-free installation
  - No hidden catches

uploads / downloads / save loads



22



**Jeremy Darroch**

Chief Financial Officer

23

## A Unique Challenger

- Top line growth
- Gross margin expansion
- Investing in subscriber growth
- Widening operating margins
- Strong conversion from profit to cash
- Strong balance sheet
- Dividend progression
- Clear investment priorities

uploads / downloads / save loads



24

## Reaffirming Pay-TV Goals

- Over 10 million Pay-TV subscribers in 2010
- Acceleration of new products rollout and penetration
  - Over 30% Multiroom penetration in 2010
  - Over 25% Sky<sup>+</sup> penetration in 2010
- Pay-TV operating margin growing to 25%-29% in 2010

uploads / downloads / save loads



25

## A New Profitable Business And Pay-TV Benefits

- Opportunity in broadband
  - New revenues
  - Increase rate of Group sales growth
  - Profitable business
  - Attractive return on investment
- Benefits to Pay-TV business
  - Loyalty
  - Growth

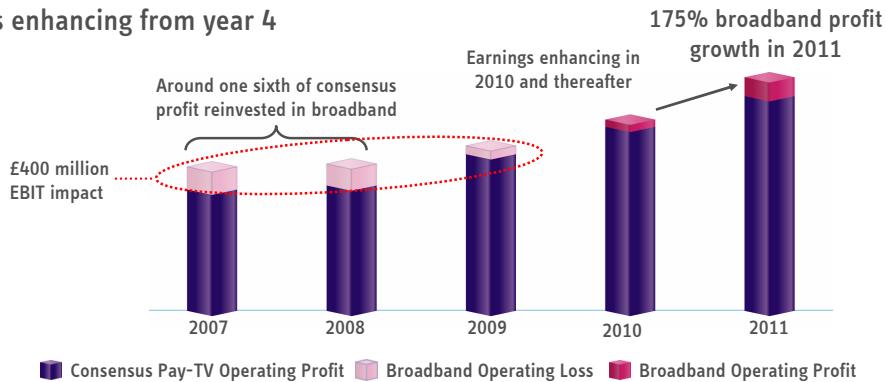
uploads / downloads / save loads



26

## Financial Summary

- £400 million operating profit impact over next three years
- Accelerates growth
- Earnings enhancing from year 4

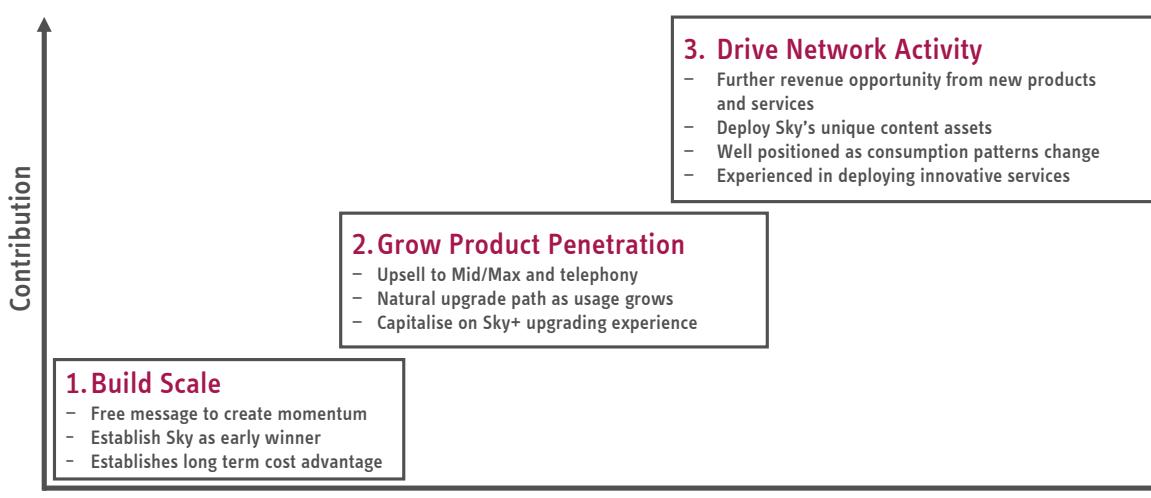


Note: Illustrative chart. Not to scale. Year ending 30 June. 2007 consensus EBIT £992 million  
uploads / downloads / save loads



27

## Broadband Business Model



uploads / downloads / save loads



28

## Revenue Model

- **Broadband Subscription**
  - Around 30% of Sky customers taking broadband in 2010
  - Increasing demand for bandwidth drives mix
- **Line Rental and Call Package**
  - Grow penetration to around 50% of broadband base
- **Services Revenue**
  - Content distribution
  - Search and advertising
  - Security

uploads / downloads / save loads



29

## Operating Expenditure

- **Customer service**

- Increased call handling and home service capacity
  - 1,500 new call centre staff

- **Network operations**

- Scaling up for future volumes
  - High bandwidth products for our customers
  - Not cutting corners

Results in £160 – £170 million  
impact on EBIT in 2007

- **Subscriber Acquisition Cost**

- Average of £80 per Sky customer
  - Fully expensed on install
  - Includes all marketing costs and wireless router

- **Administration and depreciation**

uploads / downloads / save loads



30

## Customer Economics

- Year 3 economics
  - Potential for additional growth

	<b>Base</b>	<b>Mid</b>	<b>Max</b>	<b>Offnet<sup>(2)</sup></b>
<b>Revenue<sup>(1)</sup></b>	£147	£198	£249	£320
<b>Contribution</b> (after cost of sales and customer service)	£38	£89	£140	£20
<i>Contribution %</i>	26%	45%	56%	6%
<b>SAC</b>	£59	£76	£114	£59
<b>Contribution Payback</b>	19 months	10 months	10 months	35 months
<b>Typical customer for each package</b>	<b>Sunita</b>	<b>Dave and Family</b>	<b>Paul</b>	<b>BT Customer</b>
Household access ongoing saving p.a.	£215	£263	£215	£79

(1) Revenue includes broadband subscription, average telephony revenues and services revenue

(2) Offnet = Sky Broadband "Connect" - £17 per month, up to 8mb with a 40 Gb usage cap, free installation and 12 months free. After 12 months it's £17.99 inc. BT Service Fee.

wireless router and 12 months free



31

## Capital Expenditure

2 Year Capex Outlook

(2006/7 + 2007/8)

- |  |                               |
|--|-------------------------------|
| • <b>Unbundling exchanges</b>  | <b>£35 million</b>            |
| - c1,200 total exchanges by December 2007  |                               |
| - Average of £40,000 per exchange for installation of racks, power supply and backhaul |                               |
| • <b>Network investment</b>  | <b>£55 million</b>            |
| - Additional capacity to satisfy growing customer bandwidth demand                     |                               |
| • <b>Customer Service</b>  | <b>£40 million</b>            |
| - Integrated online fulfillment system   |                               |
| - New products and services  |                               |
| • <b>Variable Capex</b>  | <b>Subtotal: £130 million</b> |
| - £50 per customer for line card, DSLAM chassis and installation                       | <b>c£120 million</b>          |
| - Unbundled telephony subscribers require additional cost of £25                       |                               |

---

**Subtotal: £130 million**

c£120 million

Total: £250 million



32

[uploads / downloads / save loads](#)

## Financial Summary

### Investment

- £400 million operating profit impact over next three years
- Capex estimate £250 million
  - Fixed capex around £130 million
  - Variable capex around £120 million

### Returns

- Higher top line growth
- Enhanced earnings
  - EPS enhancing in 2010
- Positive per subscriber economics
  - Contribution payback between 10 and 35 months
- Attractive returns on capital
  - 15% return on incremental capital employed in 2011
  - IRR > 16% before any benefit to TV business

uploads / downloads / save loads



33

## Further Benefits

- Broadband benefits to Pay-TV
  - Growth
    - Major marketing tool
    - Potential upside to existing targets
  - Loyalty
    - Savings in on-going retention spend
    - Greater customer satisfaction
- Pay-TV benefits to broadband
  - Customer base and service infrastructure
  - Marketing reach and brand benefits

uploads / downloads / save loads



34

## Balance Sheet Strength

- Strong underlying earnings growth
  - Group continues to generate significant underlying free cashflow
  - Potential to increase Pay TV penetration
- Invest in broadband **growth opportunity** using existing financial resource
  - Funded from operating cashflow
- Consistent with stated uses of capital
  - Investment in broadband is a capital priority following completion of the current buyback

uploads / downloads / save loads



35

## Dividend

- 2006 dividend payout ratio of 40%
- Dividend progression
  - Maintain a progressive dividend policy throughout the broadband investment phase
  - Reflect underlying growth in earnings

uploads / downloads / save loads



36

## A Strong and Profitable Business

- **Pay TV**
  - On track to meet all targets
  - Increasing penetration
  - Driving top line growth
  - Strong cash generation
- **Broadband**
  - Investing for growth
  - EPS enhancing in 2010
  - Delivering standalone return
  - Reinforcing Pay TV ambition

uploads / downloads / save loads



37

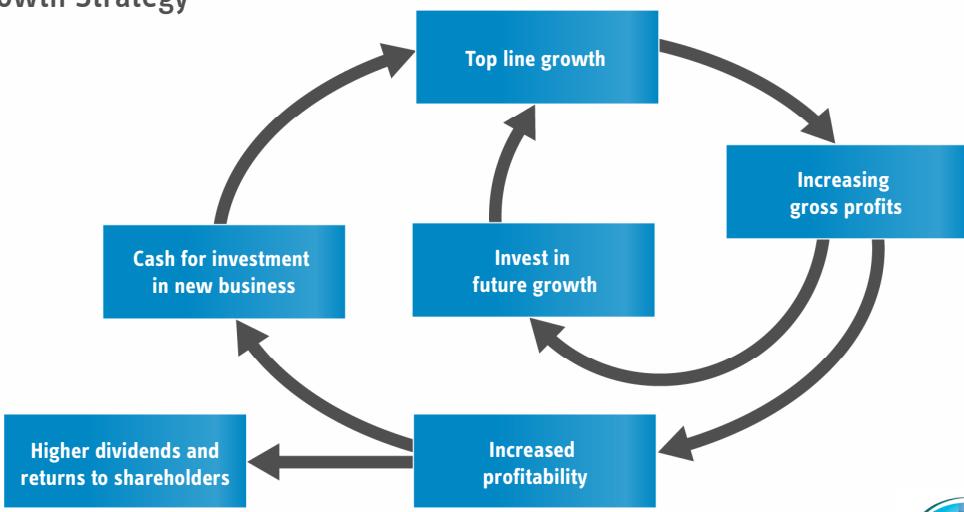
**James Murdoch**  
Chief Executive Officer

38

## The Big Picture

### Our Growth Strategy

uploads / downloads / save loads



## Summary

- Compelling customer proposition designed to achieve scale quickly
- Investment in customer service and fulfilment infrastructure to manage capacity
- Investment of around one sixth of Pay-TV operating profit<sup>(1)</sup> in the first two years
- Double digit IRR
- Short term cash investment from within existing resources
- Continued progressive dividend – with medium term enhanced cash generation providing higher returns potential

(1)Consensus  
uploads / downloads / save loads

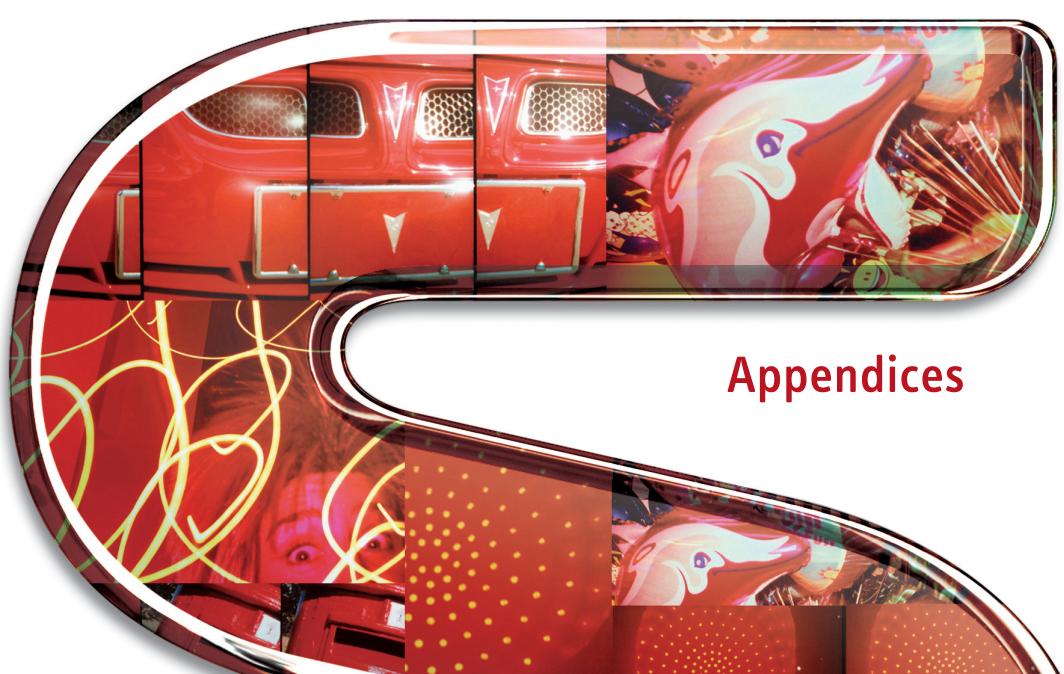


40



## Questions and Answers

41



## Appendices

42

## Sunita



uploads / downloads / save loads

### BT Total Broadband

Sunita pays £17.99 a month on Total Broadband Option 1

This costs her £215.88 per year and she gets:

- ✓ 8 Mb download speed
- ✓ 2 Gb usage allowance
- ✓ Free connection
- ✓ USB modem

### Base

Sunita could pay a one-off £40 connection fee for Sky Broadband Base

This saves her £175.88 in the first year and £215.88 p.a. thereafter. She gets:

- ✓ 2 Mb download speed
- ✓ 2 Gb usage allowance
- ✓ Free security for 12 months
- ✓ Free wireless router
- ✓ Optional home install



43

## Paul



uploads / downloads / save loads

### Orange Max

Paul pays £27.99 a month on Orange Max

This costs him £335.88 per year and he gets:

- ✓ 8 Mb download speed
- ✓ Unlimited usage allowance
- ✓ Free wireless router

### Sky Broadband

### Max

Paul could get a free connection to Sky Broadband Max and pay £10 a month

This saves him £215.88 per year and he gets:

- ✓ 16 Mb download speed
- ✓ Unlimited usage allowance
- ✓ Free wireless router
- ✓ 12 months free security
- ✓ Free home install



44

## Tim and Jackie



uploads / downloads / save loads

## Sky Broadband

### Max

Tim and Jackie get a free connection to Sky Broadband Max, Sky Talk and Sky digital

This saves them £227.88 per year and they get:

- ✓ Sky+ and all TV channels
- ✓ 16 Mb download speed
- ✓ Unlimited usage allowance
- ✓ 12 months free security
- ✓ Free professional home install
- ✓ Unlimited U.K. landline calls



45

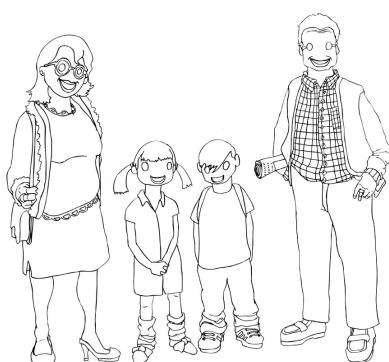
### NTL

Tim and Jackie pay £87.49 a month

This costs them £1,049.88 per year and they get:

- ✓ TV Drive and all TV channels
- ✓ 10 Mb download speed
- ✓ Unlimited usage allowance
- ✓ Unlimited U.K. landline calls

## Dave And Family



uploads / downloads / save loads

## Sky Broadband

### Mid

Dave could pay a one off £20 connection fee for Sky Broadband Mid and £5 per month.

This saves him £231.88 in the first year and £263.88 thereafter

- ✓ 8 Mb download speed
- ✓ 40 Gb usage allowance
- ✓ Free security
- ✓ Free wireless router
- ✓ Optional home install



46

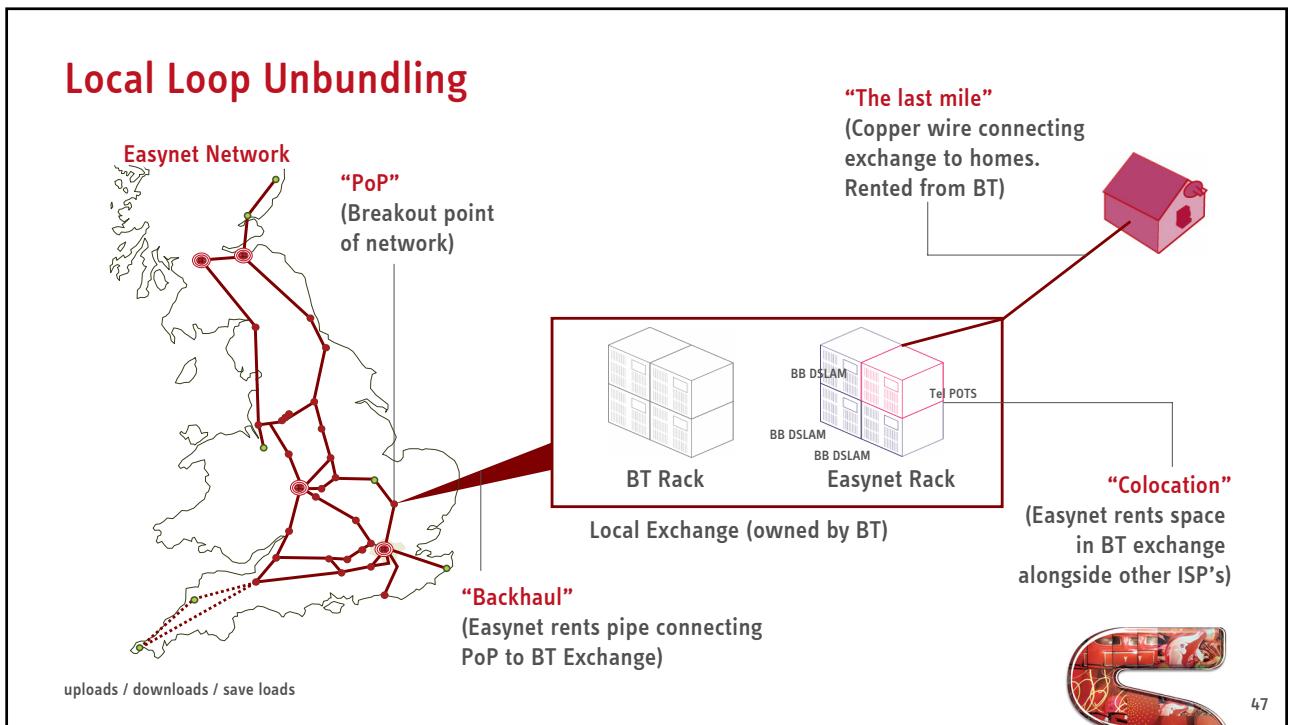
### BT Total Broadband

Currently paying £26.99 a month to BT for Option 3 (up to 8 Mb broadband)

Option to switch to Total Broadband Option 3 - £22.99 for 3 months, £26.99 thereafter - total year one cost of £311.88

- ✓ 8 Mb download speed
- ✓ 40 Gb usage allowance
- ✓ Free security
- ✓ Free wireless router

## Local Loop Unbundling



47