

# 1998-2003 Five years of Sky digital

7 million  
subscribers:  
ahead of  
schedule

sky

Digital is the  
future of  
TV in Britain  
and it started  
five years  
ago at Sky

Digital  
growth

For BSkyB, this was the commercial equation: greater viewing choice and control plus genuinely useful interactive innovation equals increased subscriptions, better demographics and higher revenues.

Our main targets have been to reach 7 million subscribers by the end of 2003 and to increase annual revenue per user (ARPU) to £400 by the end of 2005.

Five years on, we have already hit one of our key targets ahead of schedule: in September 2003, subscriptions to Sky Digital passed the 7 million mark. And we are on track to achieve our ARPU target.

By investing over £2 billion in digital services and infrastructure, we have created the biggest revolution in UK TV history. With the digital platform firmly established, we are already delivering the future of TV in Britain.

**A vision fulfilled.**

Five years ago, when we launched the UK's first digital TV service, we took a calculated risk.

We challenged ourselves, from a standing start, to develop a platform that would give our customers access to hundreds of channels, providing an unprecedented degree of viewing choice.

Beyond this explosion of channel choice, we wanted to use the interactive power of the digital service to enhance the viewing experience.

In our vision, a Sky subscription would not only enable customers to control how they watched the content, but also to use the interactivity to respond to it.

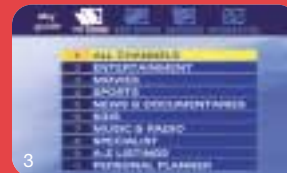
1998-2003  
Five years of  
Sky digital

Subscription TV is a demanding environment. Unless our viewers believe we are delivering good value for money, they would not stay with us. But every year for the past five years we have succeeded in building a stronger customer base.

Technical innovation, shrewd promotions, targeted marketing and advertising have all played their part in this growth. But the most important factor is content. We promised to give our viewers the best movies, the top sports events, and the best news and entertainment. Our strong subscriber growth

represents clear evidence that we have delivered on our promise.

By providing more channel choice, we have raised the reach of our programming – which in turn is raising the socio-demographic profile of our customer base. Advertisers now recognise that because we can give them a sizeable proportion of the key 16-34 age group and AB audiences, we are an attractive route to their markets.



1. Subscriber growth – driven by greater viewing choice and control combined with interactive innovation
2. Sky continues to enhance its games offering with the Sky Gamepad
3. The Sky Guide sorts the listings by channel, start-time or genre for maximum convenience

# Digital subscriber growth from zero to 7 million

Subscriber numbers as at 30 September

1998  
Zero  
subscribers

1999  
1.3 million  
subscribers

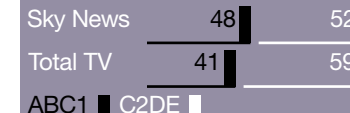
2000  
4.1 million  
subscribers

2001  
5.5 million  
subscribers

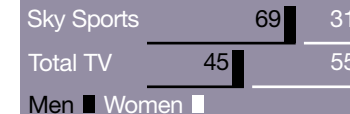
2002  
6.3 million  
subscribers

2003  
7 million  
subscribers

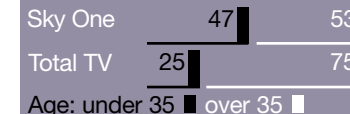
Sky News audience profile (%)  
Q4 2002-2003



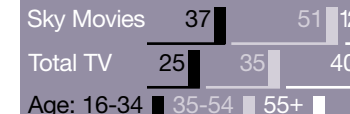
Sky Sports audience profile (%)  
Q4 2002-2003



Sky One audience profile (%)  
Q4 2002-2003



Sky Movies audience profile (%)  
Q4 2002-2003



Source: BARB

1998-2003  
Five years of  
Sky digital

**Making the business work.**  
Under the old analogue regime, ways of generating revenue from the service were restricted. But conversion to digital has opened up a range of new opportunities for increasing our turnover.

Subscriber numbers are still the mainstay of revenue generation. But interactivity has the capacity to multiply subscriber spend.

The launch of Sky Box Office, for example, has given us a set of premier channels to show blockbuster films and events for which many of our customers are happy to pay a premium.

Our betting, shopping, voting and game-playing ventures have also been highly successful as customers recognise the convenience and excitement that interactivity can bring.

By backing our content delivery with outstanding customer service, we have achieved the lowest rates of subscription lapse – which we call churn – of any pay-TV service in the world... and satisfied customers are likely to buy more of our services.

We set ourselves the objective of reaching an ARPU figure of £400 by the end of 2005. We have already hit £366 and we are confident of achieving our target.



1. May 1999, Sky introduces free digibox and dish as a way of getting into people's homes
2. Every week, Sky viewers are playing games, betting, voting, banking, shopping, emailing and responding to interactive advertisements – all through their TV
3. Sky operates one of the largest call centres in Scotland to meet increasing customer demand

# Digital ARPU growth from zero to £366 per subscriber

Annualised ARPU for quarter ending 30 June

1998  
ARPU: zero  
Digital launch

1999  
ARPU: £269  
Free digibox and minidish offer

Interactivity launched with Sky Sports Active and Open

2000  
ARPU: £290  
Sky offers TV betting

Sky News Active and digital text launched

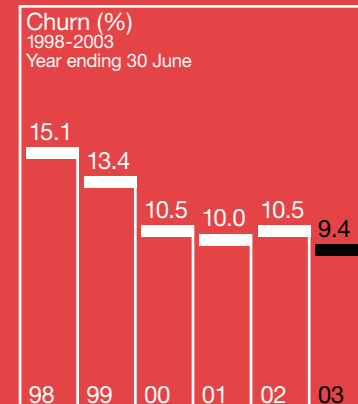
2001  
ARPU: £313  
Sky+ and second set-top box offer introduced

Premiership Plus brings unprecedented coverage of the FA Premier League

Analogue switch-off achieved ahead of schedule

2002  
ARPU: £347  
Sky Active launched in Ireland

2003  
ARPU: £366  
New pricing to accelerate Sky+ rollout



1998-2003  
Five years of  
Sky digital

Choice enhanced by interactivity. By constantly striving to deliver outstanding content enhanced by interactivity, we now have 7 million subscribers watching Sky.

We lead the way in movies. Sky digital enables viewers to choose which blockbuster they want to watch, and when they want to watch it.

We lead the way in sport. Through interactive innovation, we have substantially enhanced the armchair sports fan's viewing experience.

We lead the way in news. Thanks to digital, viewers can select which news event they want to watch, and they can take part in the rolling news debate.

We lead the way in entertainment. We have used our interactive capability to give viewers the opportunity to vote for their favourite programme – and then we have shown it.

With over 400 channels now on the Sky platform, we have massively expanded overall choice, and given a national voice to minority and specialist channels.



1. Live and interactive on Sky Sports
2. Family entertainment with Dynotopia on Sky One
3. The latest up to date news on Sky News
4. Something for everyone showing on Sky Movies

# Digital channel growth from 140 to 403 channels

1998  
140 channels

1999  
175 channels

2000  
265 channels

2001  
330 channels

2002  
382 channels

2003  
403 channels

Digital channel line-up:  
60 Entertainment channels  
26 News and documentary channels  
18 Kids channels  
79 Movie channels  
16 Sports channels  
25 Music channels  
67 Radio channels  
78 Specialist channels  
31 Adult channels  
03 Customer channels

# Pause

Re-live the  
most memorable  
moments  
from our first  
five years



October 1998

Digital enables Sky Movies to launch a multiplex of movie channels.

Sky Movies

## MEN IN BLACK II

Aliens beware! The boys are back!  
Win great prizes! Press SELECT.

- 1 TOP MOVIES ON SKY
- 2 MORE SKY MOVIES
- 3 CINEMA REVIEWS
- 4 LATEST MOVIE NEWS

Press **sky** to return to programmes or press **help** for more information

  
Buy DVDs

  
Cinema

  
Sky Box Office

  
Quiz

  
Ringtones



1998-2003  
Five years of  
Sky digital

October 1998

Sky Sports News,  
Europe's first  
dedicated sports  
news channel,  
launches.

Sky Sports



**SKY SPORTS NEWS**

## PREMIERSHIP

TOP		PL	PTS
1	ARSENAL	5	13
2	MAN UTD	5	12
3	MAN CITY	5	10
4	CHELSEA	4	10
5	PORTSM	5	9
6	SO'TON	5	9
7	LIVERPOOL	5	8
8	B'HAM	4	8
9	FULHAM	4	7
10	BLACKBURN	5	5

**BAYERN MUNICH V CELTIC**

**ARSENAL V INTER MILAN**

**JUVENTUS V GALATASARY**

**DAVID BECKHAM WILL LINE UP ALONGSIDE; ZIDANE, FIGO,  
RONALDO AND RAUL FOR REAL MADRID THIS WEEKEND**

**SEPT 17**

**10:44AM**

<b>ARSENAL</b>	<b>1</b>	<b>52:28</b>
<b>MAN UTD</b>	<b>0</b>	

**SKY SPORTS**  
**ACTIVE**

**ARSENAL 5 - 4 MAN UTD    CORNERS WON: ARSENAL 3 - 1 MAN UTD**



**ANGLE    HIGHLIGHTS    REPLAY    STATS**  
**PRESS '0' FOR MASTER VIEW OR 'SKY' TO EXIT**

August 1999

Arsenal versus Manchester United – the world's first live interactive football match.

Sky Sports

1998-2003  
Five years of  
Sky digital



March 2001

Sky Movies is the first TV service in the world to show the whole of the original Star Wars trilogy.

Sky Movies

## Recount in Dorset Mid



June 2001

Three million viewers voted interactively during Sky News' 2001 Election coverage.

Sky News

SEDGEFIELD

1.31

Con

Lab

LDem

Parties

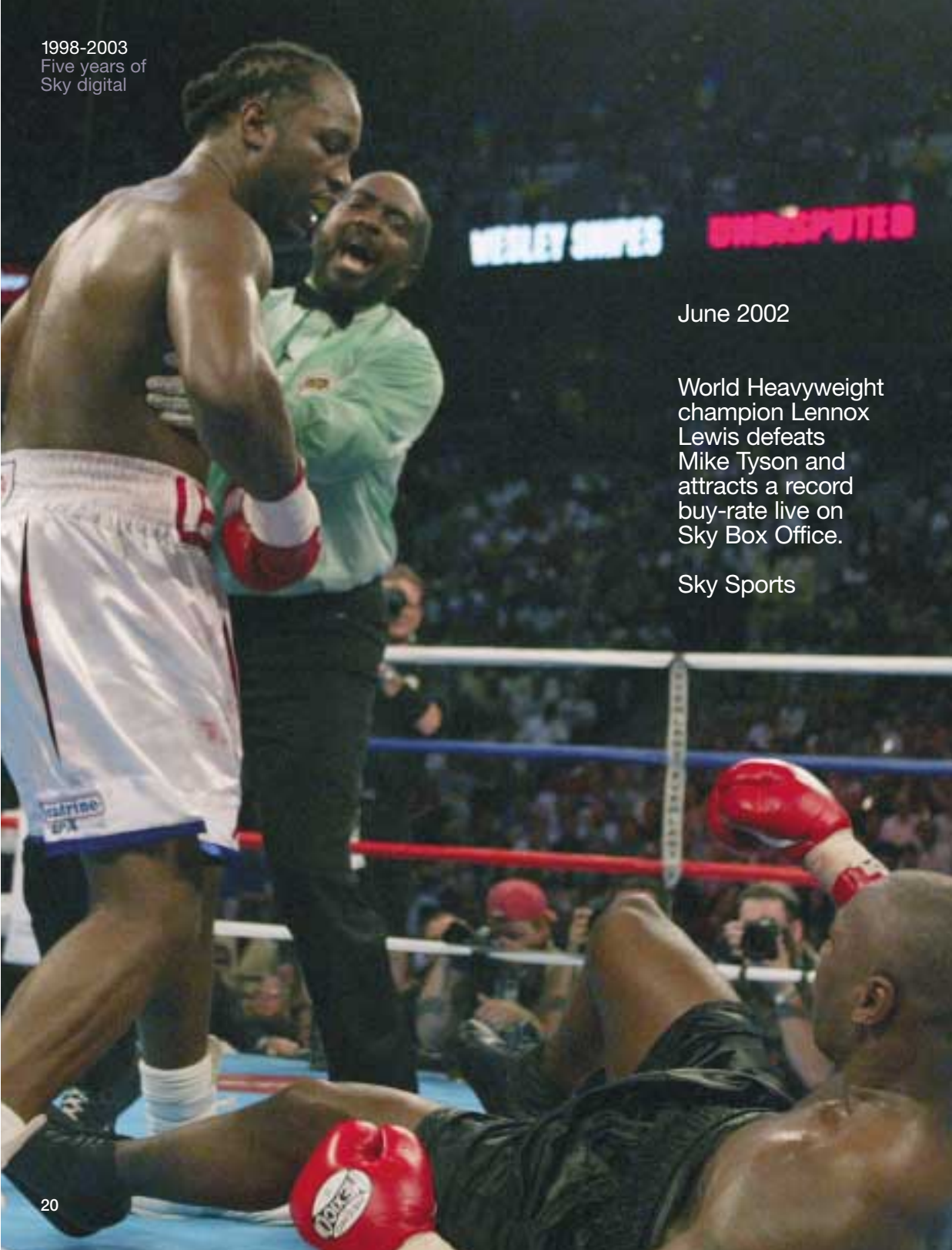
Highlights

Vote

sky news active



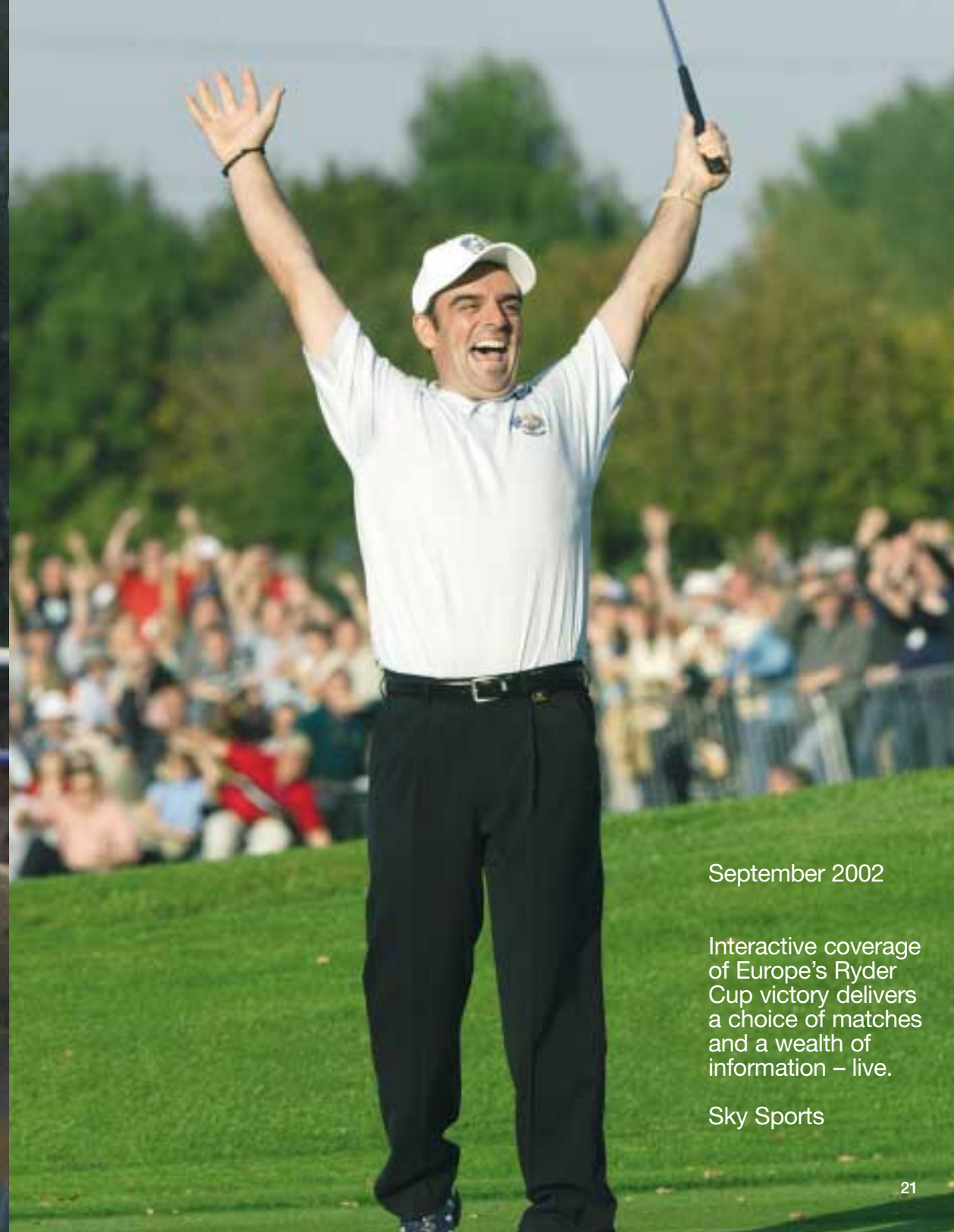
and 'Select



June 2002

World Heavyweight  
champion Lennox  
Lewis defeats  
Mike Tyson and  
attracts a record  
buy-rate live on  
Sky Box Office.

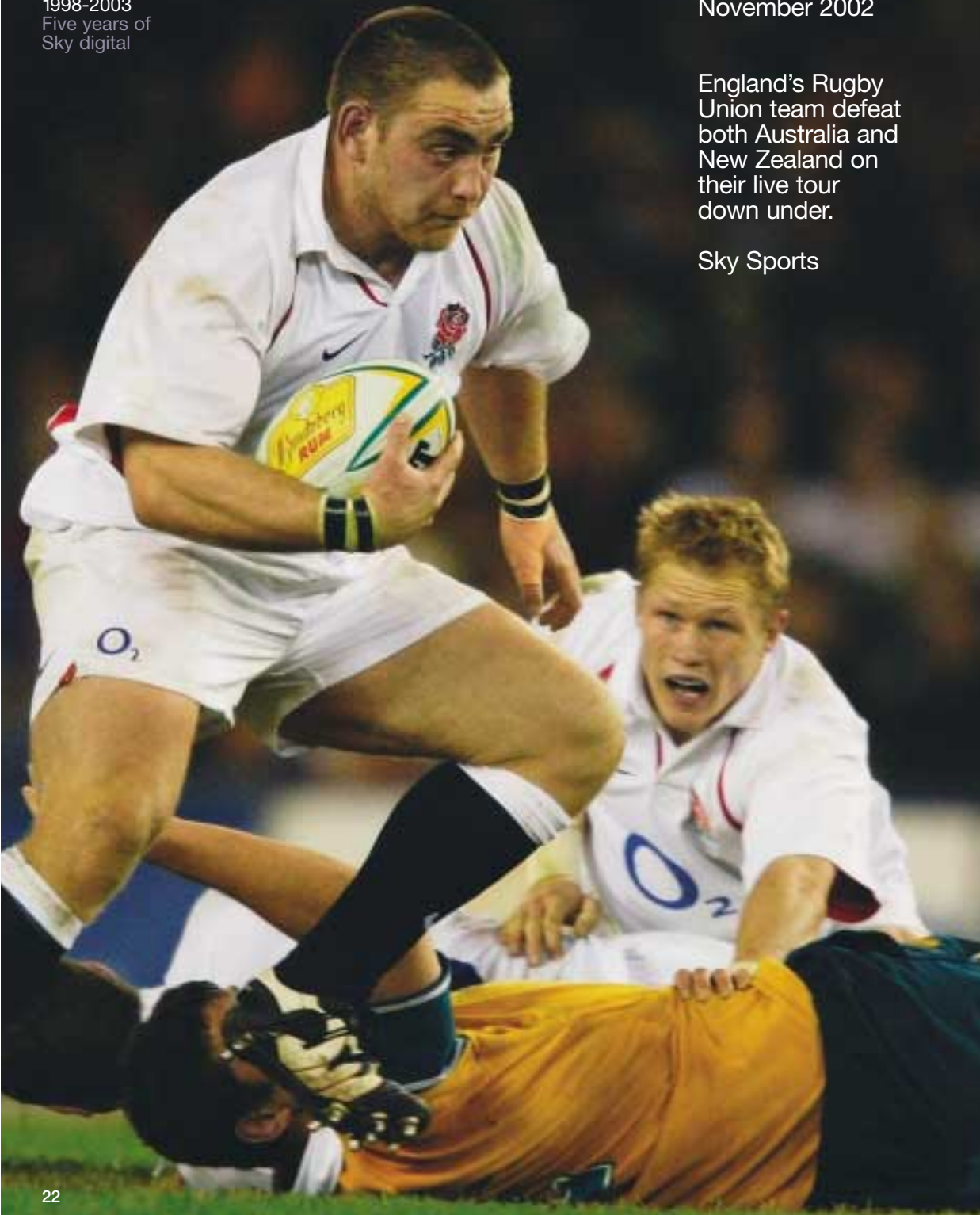
Sky Sports



September 2002

Interactive coverage  
of Europe's Ryder  
Cup victory delivers  
a choice of matches  
and a wealth of  
information – live.

Sky Sports



November 2002

England's Rugby Union team defeat both Australia and New Zealand on their live tour down under.

Sky Sports



December 2002

Sky One Mix launches giving viewers an extra opportunity to watch their favourite shows such as Mile High, which has the best ever rating for an original drama series on Sky.

Sky One

SKY news 5:08

ACTIVE

**LIVE  
BAGHDAD**

April 2003

David Chater breaks the news of the first bombing of Baghdad at the start of the Iraq war.

Sky News



**SKY NEWS  
FLASH**

**BREAKING NEWS**

**ARTILLERY FIRE BEING HEARD  
NEAR IRAQ-KUWAIT BORDER**

BROADCASTS TO IRAQ ON STATE RADIO WAVELENGTH

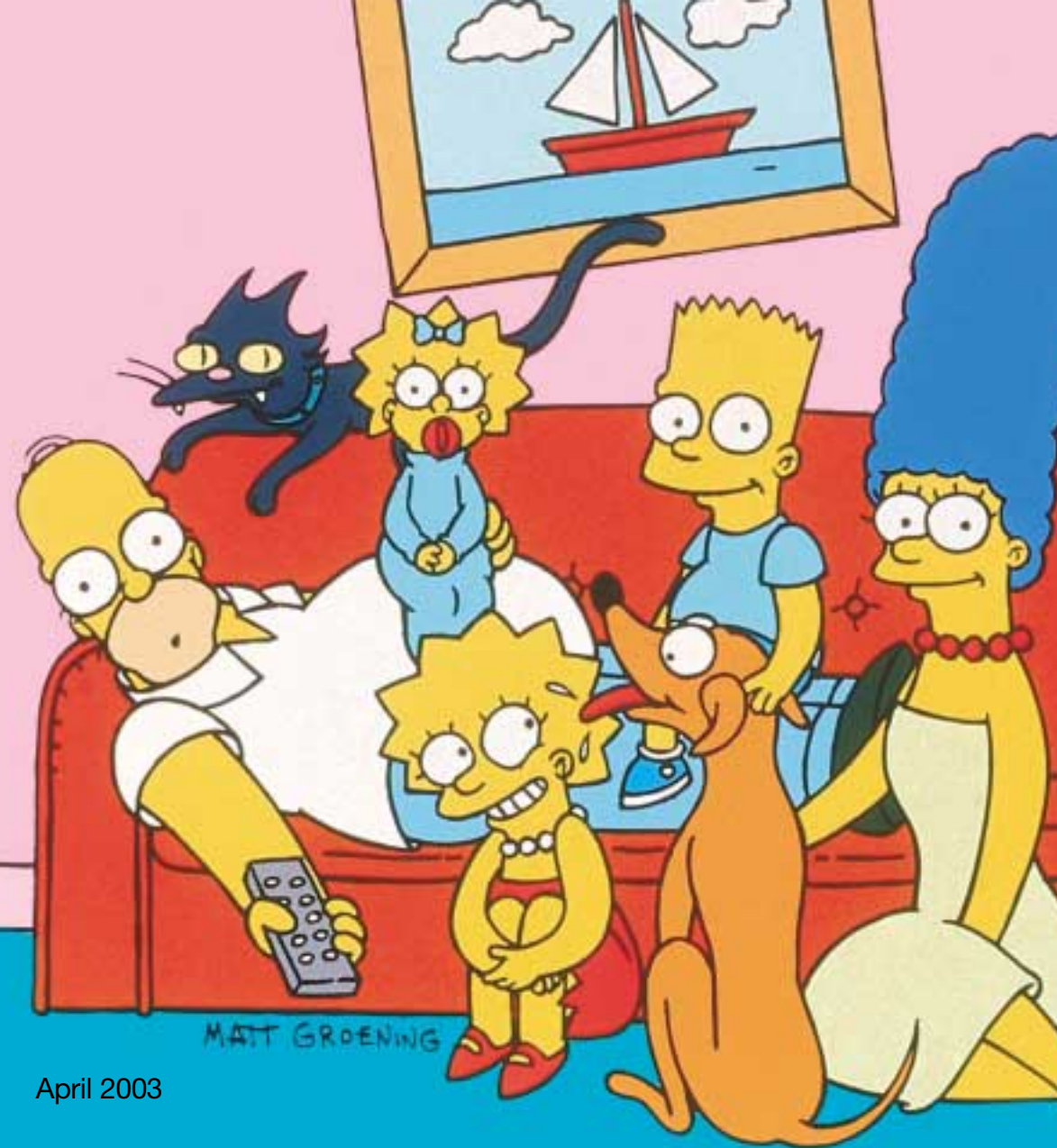
SKY news

THIS IS

April 2003

The launch of three  
new music channels  
which enable viewers  
to vote interactively  
for their favourite  
video on the play list.

Scuzz, Flaunt &  
the Amp



April 2003

Viewers used  
interactivity to vote  
for their favourite  
Simpsons episode –  
and we showed  
the top 10 episodes  
back-to-back.

Sky One

July 2003

Sky News expands to offer 8 full screens of the latest news coverage.

Sky News

 <p>SKY NEWS</p>	 <p>HEADLINES</p>	 <p>FORECASTS</p>	 <p>SKY CENTRE</p>
 <p>TOP STORY</p>	 <p>BUSINESS</p>	 <p>SHOWBIZ</p>	 <p>SPORT</p>

- 1 VIDEO MENU
- 2 STORIES
- 3 SPORT
- 4 SHOWBIZ
- 5 MONEY
- 6 WEATHER

<b>Vote Now</b>	Who is responsible for the current mideast crisis?
 Sharon	 Bush
 Arafat	 The UN
Press 0 for full screen, SKY to exit	



July 2003

Broadband service replicates Sky News Active's content online – adding extra features.

Sky News



August 2003

David Beckham joins Real Madrid, live on Sky Sports News.

Sky Sports

<b>1</b> BAYERN CELTIC 2 1	<b>2</b> ARSENAL INTER 0 3	<b>3</b> JUVENTUS GALATAS 2 1	<b>4</b> PSV EIND MONACO 1 2
			
<b>5</b> REAL SOC OLYM 1 0	<b>6</b> ATHENS DEPORTIVO 1 1	<b>7</b> LYON ANDERL.. 1 0	<b>8</b> D. KIEV L. MOSCOW 2 0
			

September 2003

Live and exclusive:  
a choice of up to  
8 simultaneous live  
matches for the  
UEFA Champions  
League.

Sky Sports

 **STATS**



 **SERVICES**

 **LATEST**

**PRESS 'SKY' TO EXIT**



The BBC, E4, MTV  
and ITV take advantage  
of the Sky platform's  
interactive capacity  
to extend coverage  
of major events such as  
Wimbledon, Big Brother,  
the MTV Europe Music  
Awards and Pop Idol.



BBC Wimbledon launched June 2001



MTV Europe Music Awards launched November 2001



E4 Big Brother launched May 2001



ITV Pop Idol launched August 2003

Fast  
forward

# The future of digital TV in Britain



Create  
Discover  
Experience

Target: 300,000 Sky+ subscriptions by end of June 2004.



Sky+ gives users the opportunity to record one channel whilst watching another, pause and rewind live TV or automatically record all episodes of their favourite programmes.

Sky+ is the future of TV in Britain. With a Sky subscription, viewers have access to the ever-expanding world of Sky, with an unparalleled variety of channels to suit every taste. Now, with Sky+, the viewing experience is even better, because it enables every Sky digital household to create its own customised TV channel. It gives people complete control over what they watch and when they watch it, all via the Sky+ programme planner.

Using this unique system, viewers can automatically record and store their favourite TV programmes to be watched at a time that suits them.

Because Sky+ can pause and rewind live TV events, interruptions never need to spoil their viewing pleasure again.

Programme clashes are a thing of the past because Sky+ can record not just one but two programmes whilst the viewer is watching another which has been previously recorded.

This combination of benefits gives Sky+ subscribers a degree of control that is unmatched by any other UK TV platform and confirms our commitment to deliver innovation and choice to our customers.



# Future targets

**Subscribers**  
8 million by 2005

**ARPU**  
£400 by year-end 2005

## Digital timeline 1998/2003

**1998**  
**225,000 subscribers**  
**(December 1998)**  
Sky Digital, the UK's first digital TV service, launches on 1 October, offering 140 channels. More than 100,000 digiboxes are sold in the first 30 days.

**1999**  
**1.3m subscribers**  
Free digiboxes and minidishes help Sky digital become the fastest growing digital platform in the world, acquiring 1.2m subscribers in just 10 months. Sky pioneers interactive services such as Sky Sports Active.

**2000**  
**4.1m subscribers**  
The first interactive advertising campaigns are screened. Sky is awarded honours from the Royal TV Society for outstanding services to TV and for innovations in sports coverage. Sky News Active launches the world's first interactive TV news service.

**2001**  
**5.5m subscribers**  
Sky reaches its target of 5m subscribers and switches off its analogue signal – both ahead of schedule. Sky+, a fully integrated personal video recorder, launches and Sky buys out its partners' stakes in Open and forms Sky Active. Terrestrial broadcasters, including the BBC and Channel Four, work with Sky to unleash the potential of interactivity on their channels broadcast on the Sky platform.

**2002**  
**6.3m subscribers**  
Having completed a substantial investment programme, BSkyB starts to generate positive free cash flow. Average revenue per user (ARPU) is now £347, on track to meet the target of £400 by the end of 2005. Royal Television Society honours Sky with award for technical innovation.

**2003**  
**Sky hits 7 million target**  
Three months ahead of schedule. Churn was down to 9.4%. Major promotion launched to boost sales of Sky+ and the extra digibox. BSkyB makes its first profit since its investment in digital.

Keep watching...



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