

sky

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Fact Book



sky

keep watching...

Digital growth: 1998-2003

1998
225,000
subscribers
As at 31/12/98

The UK's first digital TV service – Sky digital – launches, offering 140 channels. More than 100,000 digiboxes are sold in the first 30 days.

1999
2.1 million
subscribers
As at 31/12/99

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

2000
4.7 million
subscribers
As at 31/12/00

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 as the world's first interactive TV news service.

2001
5.7 million
subscribers
As at 31/12/01

Sky reaches its target of 5 million 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 to form Sky Active. Terrestrial broadcasters, including the BBC and Channel Four, work with Sky to unleash the potential of interactivity on their channels broadcast via Sky digital.

2002-2003
6.3 million
subscribers
As at 30/09/02

Having completed a substantial investment programme, Sky starts to generate positive free cash flow. Average Revenue Per User/Subscriber is now £348 – on track to meet the target of £400 by the end of calendar year 2005. Sky offers three channels as part of the 'Freeview' package, giving Sky the opportunity to increase its visibility with digital terrestrial audiences.



When Sky decided to invest in building a digital TV platform, it was a big step – not just for Sky but for the UK broadcasting industry as a whole. And now the investment is paying off. Sky is continuing to break new ground, delivering a digital service that accelerates the whole concept of home entertainment into the future.

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Business Overview

Sky is one of the most dynamic companies in the UK media industry, and the latest figures show that it is on track to meet its growth targets. Find out more...

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Programming

The finest sports action, the best movies, top-rating entertainment shows and breaking news from around the world: Sky delivers the best programming – first.



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Channel line-up

Sky's digital platform gives subscribers access to a choice of over 380 TV and audio channels.

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Sky Media

Sky offers advertisers an extraordinarily broad range of channels that can be co-ordinated to maximise reach and impact.

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Corporate social responsibility

Sky maintains a dialogue with all its stakeholders, including customers, employees, shareholders, suppliers and the community at large – with a special emphasis on supporting young people in achieving their potential.

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Along with the rest of the UK broadcasting industry, Sky operates in an environment that is regulated by a number of authorities.

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Find what you need – fast.



Sky is now a well established member of the UK broadcasting community. As architects of a technically advanced broadcasting platform, we are leading the industry into the digital age. By making entertaining and popular television for all, we have built up a substantial (and expanding) subscriber base and, as a business, we have been through a period of heavy investment which is delivering significant financial rewards.



Market overview The fundamental key to our success has been our ability to establish a presence in more and more British homes. The facts speak for themselves: a quarter of all homes in the UK and Ireland receive their television via digital satellite. A further 4 million households receive Sky channels via cable. In 2000, penetration of digital TV into UK households reached 28%. As at 30 September 2002, multi-channel and digital penetration reached 45% and 39.5% of UK households respectively (source ITC multi-channel quarterly – December 2002), making the UK the world leader in the take-up of digital television.

But there is still huge potential for audience growth in the field of digital TV. There are 25 million TV homes in the UK and Ireland and approximately 10 million of them currently pay to receive multi-channel TV – which leaves another 15 million to be converted. At Sky we aim to attract an ever increasing share of that potential audience by constantly enhancing the digital service we provide to subscribers.

Sky today The platform is owned by British Sky Broadcasting Group plc, whose shares are listed on the London and New York stock exchanges. Today, Sky is recognised as one of the largest companies in the UK.

During the mid to late 1990s, the Company concentrated on the creation of its digital platform, which involved a significant investment. The launch of digital in 1998 was a watershed. Once the platform was open for business, the race was on to sign up subscribers to Sky digital and to recoup the investment.

Helped by the provision of free digiboxes and minidishes, Sky rapidly became the fastest growing digital platform in the world, acquiring 1.2 million subscribers in just 10 months. Growth has continued, and Sky is starting to reap the rewards of its investment in digital.

Following the demise of ITV Digital in spring 2002, Sky, working in a consortium with the BBC and Crown Castle, launched 'Freeview'. The service includes the five main terrestrial channels as well as versions of Sky Sports News, Sky News and Sky Travel. This opportunity will further increase the awareness of the Sky brand and begin to crystallise the Company's aim to distribute Sky content to every home in the UK.

Sky's share of viewing in multi-channel homes



Source: BARB

Our employees have been the mainspring of the Group's successes to date, and they will continue to be an intrinsic part of its success in the future.



Profit:

Sky's operating profit before goodwill and exceptional items is increasing – a sure sign that our investment in digital is starting to pay off.



No.1:

Our programming is better than ever.
 We're attracting more subscribers.
 We're generating more income.
 And we're spending it on enhancing
 our customer relationships as well as
 the digital service we provide.

Business Overview

The facts and figures
 continued

Total subscriber numbers
 As at Q1 2002/03

6.3m

Average Revenue Per
 User/Subscriber (ARPU)
 As at Q1 2002/03

£348

Churn
 As at Q1 2002/03

9.6%

Subscriber Acquisition Cost (SAC)
 As at Q1 2002/03

£212

Key objective Our overall objective is to increase our revenues by growing subscriber numbers. And to increase subscriber numbers, we strive to improve the service we deliver, by enhancing the quality and diversity of our programming and ancillary services.

Measuring success We continue to measure the Company's progress towards its objectives by three critical factors: growth in subscriber numbers, the quarterly Average Revenue Per User/Subscriber (ARPU), and the number of subscribers who cancel their subscriptions each year (churn). In addition, we closely monitor Subscriber Acquisition Cost (SAC), which quantifies the average amount we are investing to build our subscriber base.

By September 2002, subscriptions to Sky stood at 6.3 million, and we are well on track to hit our target of 7 million by the end of 2003. The Average Revenue Per User/Subscriber stood at £348, and we are confident that we can reach our target ARPU figure of £400 by the end of 2005. We also have one of the lowest rates of churn in the world at around 10%. In other words, the vast majority of our customers believe that the services we provide represent good value for money. Similarly, the trend in Subscriber Acquisition Cost is downwards. By September 2002, SAC was £212, 11% less than in the previous year.

Revenue streams Last year, Sky generated total revenues of over £2.7 billion. The main source of income was subscriptions, which provided around 80% of the total. Advertising contributed approximately 9%, while interactive accounted for around 7%. Other revenues are principally derived from the installation of digital satellite reception equipment (net of any discount given), Sky+ and Sky Set Top Box sale revenues, conditional access fees, service call revenues, warranty revenues, sales commission and customer management service fees.

Costs During the last financial year, the largest component of cost was programming, which accounted for £1,439 million. Sports coverage, which includes the value of our contracts with governing bodies for football, cricket, rugby and other organisations, cost £663 million. The bill for bringing great movies to our subscribers was £360 million, while entertainment programming

cost a further £85 million. We spent £147 million on transmission, which included the cost of capacity on the two satellites we use to broadcast our signal. Other significant costs included marketing (£416 million), subscriber management (£291 million) and administration (£203 million).

Investment and finance To finance the creation of the digital platform, Sky incurred a significant level of debt. As revenues have risen due to the success of the platform, our strong cash flow has enabled us to start reducing the debt. From January 2002, the Company was generating positive free cash flow.

Regulatory issues We are subject to regulation by, among others, the Independent Television Commission (ITC), OFTEL, and the Broadcasting Standards Commission (BSC). The government has created a new regulator, OFCOM, which will take over the responsibilities of these three regulators in 2003. We are active participants in the ongoing debate about the development of broadcasting regulation in the UK.

Corporate social responsibility We recognise that, as a company, we have responsibilities to all our stakeholders – customers, shareholders, employees, suppliers and society as a whole. In 2002, we published reports on our environmental record and on corporate social responsibility for the first time, significantly increasing our accountability.

Outlook We have successfully embarked on a digital future. With an ever-expanding platform, we are appealing to a wider audience than ever before. We are consistently hitting or exceeding our subscriber growth targets, and our efforts have helped to make Britain the world leader in digital TV. Keep watching...



Our future targets:

Total subscriber numbers
By the end of 2003

7m

Average Revenue Per
User/Subscriber (ARPU)
By the end of 2005

£400



The future:

Through the most advanced digital platform in the world, we can continue to delight and entertain our customers. We are committed to staying ahead of the pack and ensuring that our customers keep getting what they want.

Everything you ever
wanted to know about...

Ever wondered how Sky has got into the position of being the number one digital service in the UK and Ireland? Well read on. Today, our customers can pause live TV, send emails, check bank statements, bet and book cinema tickets without leaving their favourite armchair. Tomorrow, we'll be implementing further innovative ideas for the benefit of our customers – ideas that will further push back the frontiers of home entertainment.



Acquiring and keeping customers

Sky's future depends on its ability to retain existing customers and attract new ones.

When the Sky digital platform was launched in 1998, one of its primary purposes was to build the subscriber base. Our growth since then has been remarkable, giving us a clear lead in the multi-channel arena. We have maintained that lead by providing our subscribers with the widest range of choice and quality. Today, the platform offers over 380 channels – and our subscriber base has grown to 6.3 million, three times as many as any other UK multi-channel broadcaster. This page goes some way to explaining how we do it.

Free minidish and digibox offer

To jump-start the take-up of digital, we offered customers the opportunity to have a free minidish and digibox. This promotion was extremely successful and played a major role in popularising our digital service. The offer has proved to be a key driver in the take-up of digital every time the offer has been reintroduced.



2002
(As at 30/9/02)

6.3 million subscribers

2000
(As at 31/12/00)

4.7 million subscribers

2001
(As at 31/12/01)

5.7 million subscribers

Acquiring an ever larger audience

We win new customers by making sure the public knows what we are offering. Subscriptions are available for sale in most of the UK's largest electrical appliance stores, such as Dixons and Comet. We mount direct marketing campaigns that are promoted in the media and via the internet and followed up by our tele-sales staff.

Satellite or cable?

The conventional method for receiving Sky's PayTV services is via our satellite system. However, approximately 4 million households in the UK and Ireland receive Sky's own channels by subscribing to a cable network. This option is only available to people living in an area that is already cabled, whereas satellite transmissions carrying Sky services can be received virtually anywhere in the UK and Ireland.

Programming – central to our offer

The digital satellite platform aims to offer Direct to Home (DTH) customers the broadest possible choice of viewing. From mainstream programming such as sport, news, movies and

entertainment, the choice extends to include sub-genres such as comedy, history, music, children's TV, travel, minority language channels and lifestyle. By casting our net wide, we aim to provide something for everyone.



What you get when you subscribe

When people subscribe to Sky, they are asked to choose which 'package' they would like. The packages consist of various channels selected to suit different broad audience groupings. Altogether, there are 96 individual packages (see page 39 for more information or visit: www.sky.com/skycom/getsky), giving customers the opportunity to select exactly the right one for the needs of their household. The most popular choice (60% of all subscribers) is the Sky World Pack, which delivers 94 digital TV channels and 11 audio channels. At the other end of the spectrum is the £12.50-per-month Basic Value Pack, with five digital TV channels and 11 audio channels. For maximum convenience, subscribers can change their package at any time, just by calling a Sky Customer Contact Centre.



We work hard to make sure the service our customers receive is worth the subscription they pay.

Adding a splash of colour

Sky is constantly looking for new ways to extend and enhance its offer to subscribers. Coloured backs for the Sky remote control are just one of a broad range of accessories and offers available to customers.



Rewarding loyalty

The Sky Rewards Programme, easily accessible on-screen or via Sky The Magazine, enables subscribers to collect points by using the full range of Sky's services – a way of thanking our DTH audience for their loyalty.



According to Mediatel's latest figures, Sky The Magazine has the largest circulation of any monthly magazine in the UK. Between January and June of 2002, its circulation was verified at 5,347,370. With a readership that is predominantly young, male and upmarket, it is very attractive to advertisers keen to promote big-name brands.

5.3m

Sky The Magazine
Growth in circulation

July-Dec 2001	5,000,000
Jan-June 2002	5,347,370

Keeping customers informed – and entertained

Sky The Magazine is distributed free to every subscriber. Carrying an entertaining selection of celebrity interviews and features as well as showbiz news and topical programme information, it helps to sustain customer loyalty. It also keeps subscribers up to date with developments at Sky itself, such as new services and features being added to the Sky platform.



Putting technology to good use

User-friendly technology that genuinely enhances the viewer's experience.



Designed to be the best

Sky Guide, our electronic programme guide, provides viewers with a comprehensive bank of information on channels, schedules and interactive services.



Minidish
The current design of the minidish is the smallest yet, measuring just 530mm x 392mm.

There's no escaping from the fact that the Sky platform relies on highly sophisticated technology. But we believe that the purpose of technology is to make things easier, not more complex. Which is why every part of our system has to justify its presence by proving that it enhances the subscriber's viewing experience.

The Sky remote control: a brand icon

The Sky remote control is a crucial part of the Sky platform, because it represents the key interface between customers and the service they are buying. That's why we have lavished so much attention on creating a perfect balance between design and functionality. It's been ergonomically designed, so it fits perfectly into your hand. The materials were even chosen to withstand the rough and tumble of family life. Its functions have been laid out so that using it becomes intuitive, so customers can make it work from the start.

These four green buttons access most of Sky's main digital features.



The red button, your key to Sky interactivity.

Once you have accessed an interactive service you can use these coloured buttons to do everything from voting to making purchases.

The layout of the number buttons mirror other devices (e.g. telephone) - making it easier for a new user.

Slimline design, can be held in either hand.

20mm



195mm

Infrared window with unique matt finish.



We use a special rubber, which has a uniquely tactile feel.

The digibox: the secret of Sky digital
The Sky digibox, launched in 1998, was designed from scratch by our in-house technical team, specifically to work with the new digital signals. Two of its main functions are to unscramble signals arriving from the satellite, as well as to enable data communication between Sky and each subscriber, using a telephone line. Its design enables us to upgrade and reprogram it without interrupting the subscriber's TV viewing. It has two banks of memory, so when we need to download new software from the satellite, we can use one of the banks, while the other maintains normal digital service. Since launch, the box has been upgraded nine times, sometimes to reconfigure the underlying software, sometimes to implement new features. For example, at launch, viewers had access to a 2-day listing; subsequently, we have upgraded the system to provide 7-day and A-Z listings. Because it's always receiving a broadcast signal, we can make these improvements at any time, day or night, without ever disturbing the subscriber.

Extra digibox and Sky+ success

We have seen substantial uptake of both offerings, well beyond our expectations. Equally important is that the satisfaction ratings are outstanding, demonstrating that we are truly delivering added value to our customers.



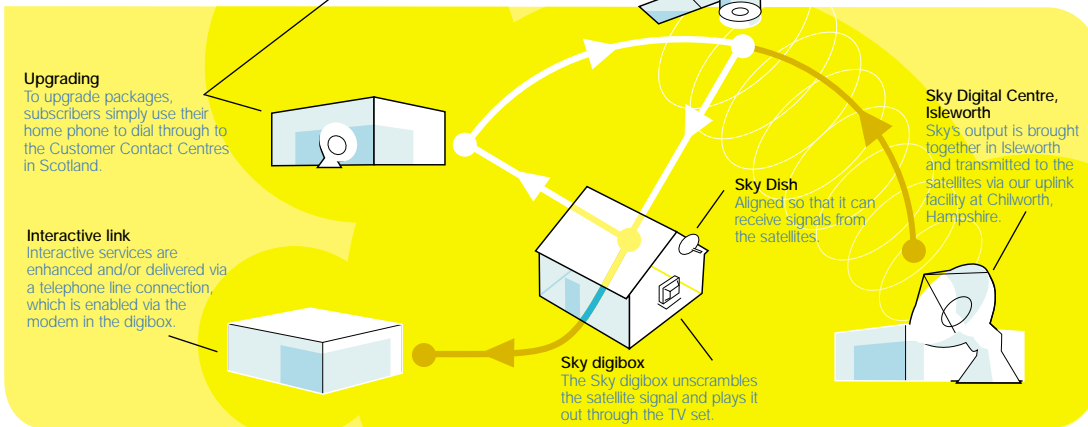
Digibox
Although the digiboxes are made for Sky by a number of companies, they are all identical in terms of their functions - so that every subscriber receives exactly the same service.

Sky's digital network

Ever wondered how it all works? This illustration shows what happens when you turn on your TV, make a call or press a button on your remote control.

A signal is transmitted to the satellites from our call centres and then on to a subscriber's home, enabling their digibox to unscramble the appropriate channel.

Eutelsat and Astra satellites
Signals from Chilworth, Hampshire, are received by satellite, 22,300 miles into space.



Never miss a thing with Sky+

Sky+ has been designed to encourage family viewing. By enabling the capability to record one programme while watching another, and to pause live TV, members of the family can time-shift their own choice of programming and play it back at their leisure. Like many other Sky innovations, our driver was listening to what our customers really wanted.



When we launched the Sky+ personal video recorder in September 2001, we needed an upgraded remote control to accommodate all the new functions. But we recognised that customers who were familiar with the standard Sky remote control wouldn't want to be faced with learning how to use a completely new system. So, instead, we took the standard Sky remote control and extended its capabilities by adding just six buttons. Our logic was: why make it hard for people to enjoy technical enhancements when you can make it easy?

New...
Feedback from users of Gamestar, Sky's popular online games channel, has prompted us to develop the Sky+ Gamepad, a new wireless games controller designed to enable up to four people to participate simultaneously. It also allows viewers to press several buttons at the same time, enhancing gameplay.



Because more and more subscribers want to send text messages via their TV, we are about to launch a combination remote control and keypad. A direct development from the Sky remote control, this device will have a full-function keyboard which can be used for typing messages and transmitting them through the digibox to another Sky customer.

What we do, where we do it

The needs of 6.3 million subscribers are serviced through Sky's extensive infrastructure.



Isleworth: the heart of the operation
Sky's Head Office is at Isleworth, near Twickenham, in Middlesex. The complex houses finance, publicity, commercial, human resources, purchasing and procurement. It is also home to Sky production, with state-of-the-art studio and editing facilities for Sky Sports and Sky News. Programmes made at Isleworth are crafted for transmission in the Sky Digital Centre and sent by landline to Chilworth. In addition to our Isleworth sites, we have offices at Victoria where the media sales team are based. The total combined number of staff for Isleworth and Victoria is approximately 3,500.

To serve our millions of subscribers, we employ over 10,000 people at locations stretching from Hampshire to Dublin and southern Scotland – and every one of them, from technicians to media sales people, from presenters to call centre staff, has a vital role to play. Here, we've chosen to focus mainly on our Isleworth administrative and production HQ, our customer relationship centres in Scotland and our nationwide installation force.

Scotland

Livingston and Dunfermline: The two offices represent our Customer Contact Centres. These are essential to Sky's infrastructure, maintaining the relationship between Sky and its customers.

England

Isleworth: Head Office incorporates many of the main departmental offices, covering Corporate Communications, programming through to Internal Communications and Transmission. (see below for more information).

Victoria: The home of the Media sales team who are responsible for advertising sales, and sponsorship.

Chilworth: Used for the upward transmission of programmes to the satellites.

Fair Oak: Back-up to the main Chilworth site. Comprises four satellite uplinks.

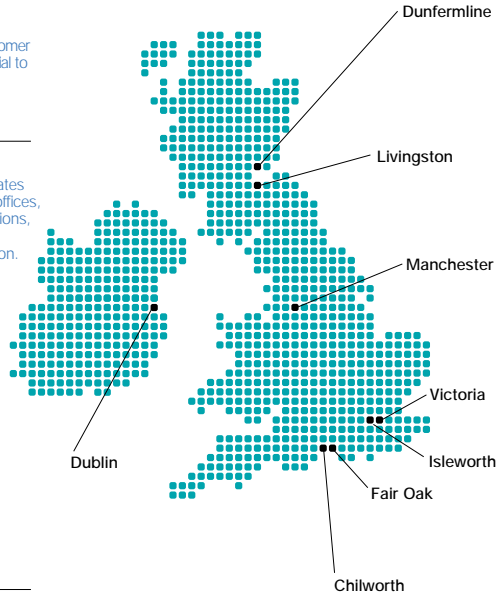
Manchester: Airtime sales to advertisers. Also deals with sponsorship of programmes.

Republic of Ireland

Sky's Dublin office is mainly focused on media sales. As well as TV airtime, the team also sells ad space in the Irish edition of Sky The Magazine to Irish advertisers.

North, South, East and West

Our digital service covers 98% of the UK, making it the number one choice for digital television.



Vision

Sky's employee magazine Vision, goes to every member of staff, 10 times a year.



Internal communications

With 10,000 staff divided between London and Scotland, including 1,000 installers out on the road, we have had to create and maintain a strong network of internal communications, including the following:

- Staff magazines such as Vision and digitaltalk carry news and information throughout the Company.
- A roadshow that tours Sky locations to provide staff with information and training about new developments such as Sky+.
- The Leadership Forum, which enables the top managers to discuss progress, strategy and objectives.
- A global email service that can distribute important messages throughout Sky in minutes.

We view internal communications as a vital part of our success story. The initiatives we undertake effectively help to connect our business together.



Sam says...

Sam is a computer-generated presenter who appears on screens in the foyers of our Scottish contact centres. It is one of the many communication

channels we use to talk to our staff in Scotland. Sam regularly brings them up to date with a myriad of topical and business-related issues.



Training

It takes four weeks to train an installer to the highest possible standards, and training continues on the job when new equipment or services (such as Sky+) come onstream.

Health and safety

We take health and safety issues very seriously and are constantly looking for ways to minimise the risks involved in installing Sky equipment.

Connecting the nation to Sky

We employ 1,000 installers who cover the whole of the UK. Their main role is to install the Sky dish, connect up the digibox, phone line and television set, and show the subscriber how to use the Sky remote control to access and operate the service.



We use Sky-liveried fleet vans which have been chosen specifically for their low-emission engines.



Focus on customer service

We have a major presence in the Scottish towns of Livingston and Dunfermline, where we employ around 4,500 people of whom about 3,500 work in Sky's Customer Contact Centres. This is a key function in the Sky infrastructure because the call centre staff have front-line responsibility for maintaining the relationship between Sky and its DTH customer base. In recognition of this crucial role, we have invested £50 million in the past year to ensure that the Customer Contact Centres are superbly equipped and provide the best possible working environment for staff. In September 2002, we won the Best Design category in the European Call Centre of the Year Awards.

The Contact Centres receive up to 1 million calls a week from customers throughout the UK and Ireland. To promote delivery of outstanding customer service to our 6.3 million DTH subscribers, new call centre staff are put through a thorough training programme, covering the entire range of Sky's products and services, as well as voice coaching and instruction in creating positive relationships with subscribers. To encourage familiarity with the Sky product, every member of staff is provided with a Sky digital system at home.

Sales and technical back-up

When people respond to advertisements, their calls are routed to a specific call centre in Livingston where staff have been trained to explain how they can subscribe. Another call centre in Livingston acts as the nerve centre for our network of installers, arranging distribution of dishes and digiboxes, as well as co-ordinating installation and service calls.



Demand for installations fluctuates during the year, peaking at around 50,000 a week in the run-up to Christmas, with a further 20,000 service calls to update or change hardware.

Giving customers the best – first

One of the ways Sky stays ahead of the competition is by constantly enhancing the quality and immediacy of the programming on its channels.



Movies: big hits for the small screen

Sky subscribers have a huge appetite for movies. In 2002, we showed more than 2,000 titles on our 12 dedicated movie multiplexes and a further 200 on Sky Box Office. But we know that the best way to satisfy our audience consistently is to show the latest blockbusters as early as possible. Interactivity has also improved our service for movie fans. On Sky Movies Active, they can access the latest movie news, reviews and trailers, listings and a database of movie facts and figures. They can even buy cinema tickets. Most of these services are also available on the redesigned and hugely popular skymovies.com website.

Delivering the best all-round entertainment

Sky Box Office enables subscribers to watch major new movies, music and sports events. Sky negotiates with distributors, promoters and organisers to buy the rights to show these premium entertainment features on Sky Box Office. Recent highlights have included concerts from Oasis and Blue.



At Sky we are driven by the desire to keep our customers satisfied. Which means we have to outperform our competitors continuously, by delivering better programming through a broadcasting platform that is constantly being enhanced. In other words, giving our customers the best – first.



Programmes such as Buffy the Vampire Slayer reinforce Sky One's position as the home of the hottest new shows from abroad.



First run entertainment

Sky One's reputation has been built on its ability to spot future ratings winners and buy them for first run UK TV distribution. Programmes such as The X-Files and Buffy the Vampire Slayer have subsequently gone on to achieve both popular and critical acclaim.

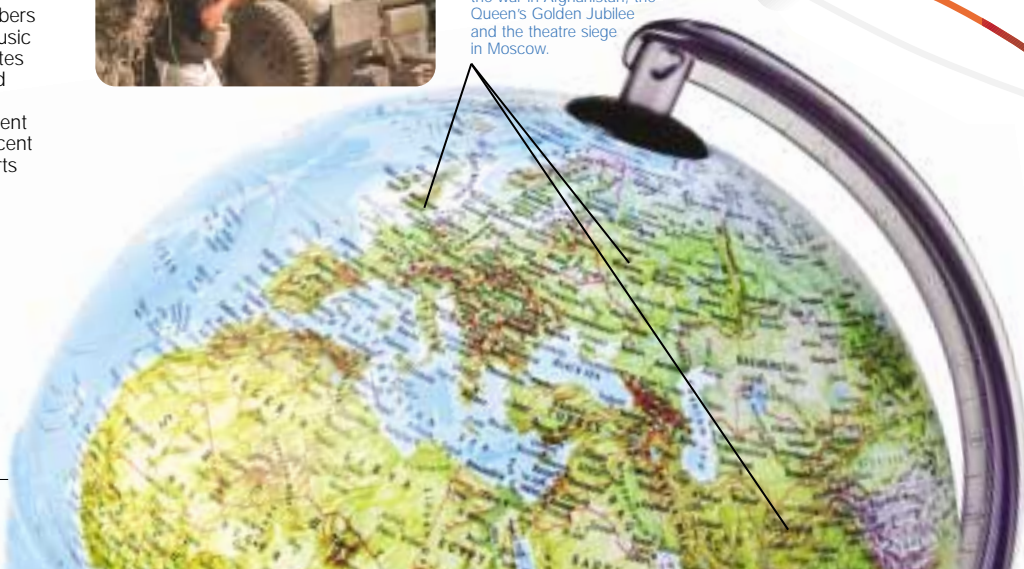


First with the news

Compared to BBC News and ITN with their massive resources, the Sky News operation is both lean and keen. Our ready-for-action approach, combined with a 24-hour presence, makes Sky News channel the natural place for people to turn to when they want early information.



Last year our bureaux around the world enabled us to cover a wide variety of world events such as the war in Afghanistan, the Queen's Golden Jubilee and the theatre siege in Moscow.



Sky Active: maximising consumer convenience

Launched in 1999, Sky Active is an interactive portal that enables subscribers to shop, find jobs, information and entertainment, bank and send/receive emails via their TV. The service now provides 45 live applications and 30 shops. Sky Active is offered to all DTH homes with around half using the service each week.

Sky Active is a secure environment, carrying trusted high street names, with similar functionality to internet-based e-commerce. It is particularly useful for people who do not have online access at home, or who are nervous about purchasing online from a little known brand over the web.

Now that's what we call live sport.

Bringing the best in live sport to our subscribers is a substantial logistical challenge. For instance, a live Premiership football match requires around 150 people, 10 miles of cabling and a fleet of eight trucks. But how does the system transmit the live signal from the stadium to the viewer's TV set – a journey of 50,000 miles – in a fraction of a second?

- 1 Up to 30 cameras and 20 directional microphones are used around the stadium.
- 2 The video and audio signals are fed to the fleet of outside broadcast trucks through miles of cabling.
- 3 From the trucks, signals are sent by landline or satellite via the BT Tower in London, to Sky's West London production centre, where interactive elements are added.
- 4 The signals are transmitted to Chilworth uplink centre in Hampshire.
- 5 The uplink centre beams the signals up to the Astra satellite.
- 6 From the satellite, signals are beamed back down into subscribers' homes.

Capturing the best in sport

Sky Sports 1 was launched in 1991 and Sky Sports 2 and 3 were launched in 1994 and 1996 respectively. These three channels are devoted to live events and in-depth sports coverage every day of the year.

Sky Sports News was the first channel made for digital TV. Launched in autumn 1998, it provides the latest sports news 24-hours a day and is able to break the latest big stories.

Sky Sports Extra is the most recent addition, launched in 1999. It carried the first live interactive football and its hours have been extended to offer a range of further live sports programming, including overseas cricket, NFL American Football, NBA Basketball and a broader range of live football matches.

From the 2003-04 season, Sky will also broadcast live coverage of the UEFA Champions League. Sky digital's interactive technology will be used to offer viewers a menu of up to eight live matches on Wednesday evenings.



The Premiership match between Arsenal and Manchester United in August 1999 was the world's first live interactive football match and since that date the service has continued to evolve.

first



Programming

Sport, movies, entertainment and news are our four pillars of programming. But Sky is taking it further. By delivering the best in sport, personalised through interactivity. By providing a wider choice of movies than on any other platform. By scheduling entertainment shows that people really want to see. By putting viewers on the front line for breaking news around the world. Sky programming is active, fast-paced and popular – and never dull.



Sky One

The UK's leading non-terrestrial entertainment channel.

Sky One – Audience profile
Q4 2001/02



Source: BARB

Programme acquisitions



Source: BARB

- 1 Dream Team
- 2 Fight School
- 3 The Simpsons
- 4 Dinotopia
- 5 Enterprise
- 6 Temptation Island

Sky One is the home of entertainment on the digital platform. Its mix of comedy, drama, reality, science fiction and documentary has also made it the UK's most watched non-terrestrial entertainment channel.

Sky One's success has been built on two key factors: acquiring the best of US programming before any other UK network, and the ability to consistently identify and deliver shows that appeal particularly to the core 16-34 audience, and more broadly across the age range.

Putting the viewers first

The list of programmes first seen on Sky One that have become household names includes The Simpsons, Buffy the Vampire Slayer, The X-Files and Malcolm in the Middle. Sky One is an innovator and its acquired programming has broken the mould in one way or another. All have achieved ratings success.

The channel's ability to identify and deliver top rating shows from across the Atlantic has played a powerful part in maintaining the loyalty of subscribers, who recognise that their Sky subscription gives them access

to eagerly awaited shows long before they appear on terrestrial television.

Last year, popular shows included Enterprise, Scrubs, Close Up, Alias and Dinotopia.

Commissioning

Sky One continues to invest heavily in commissioning shows and new formats from independent European programme makers.

Fight School follows the fortunes of a group of British amateur martial arts aficionados as they train under a Grand Master in China and compete for the title of ultimate champion. The UK version of Fear Factor, in which contestants are challenged to face their worst nightmares, was also commissioned by Sky.

Innovation

Sky One consistently pioneers new ideas, new formats and new

Sky productions for Sky One

- Is Harry on the Boat?
- Kirsty's Home Videos
- Pop Years
- The Real Sex in the City
- Final Score
- Fear Factor
- Football Years
- The Richest
- Fight School
- Behaving Badly
- Temptation Island
- Dream Team

Top 10 programmes on Sky One

(As at Q1 2002/03) millions of viewers

1 Dinotopia	1.43
2 The Simpsons	1.42
3 Enterprise	1.32
4 Buffy the Vampire Slayer	1.21
5 David Beckham... Close Up	1.12
6 Malcolm in the Middle	1.02
7 The X-Files	0.99
8 Futurama	0.96
9 Movie Stars Behaving Badly	0.95
10 David Blaine's Vertigo	0.94

Fact

Dinotopia, new to Sky One, achieved over 1 million viewers for each episode.

production methods. It has introduced block programming (or zoning), in which the channel devotes periods of the schedule to a single theme, such as action or science fiction.

Interactivity

Interactivity aims to create greater engagement with viewers. For example, the channel invited viewers to vote for their favourite Simpsons episode and then showed the top 10 winning episodes back-to-back. The highly successful Temptation Island has also been extended through interactivity. By answering a series of questions, viewers find out whether they are compatible with their partners – mirroring the principle of the show.

Growing audience share

Three years ago, Sky One was competing with 77 channels; today that figure has risen to over 200 channels. Despite the strength of the competition, Sky One grew its year-on-year audience share by 6.5% during 2002. To help it retain its predominance in such a competitive field, Sky One was re-branded and re-focused last year. Initial feedback from viewers has been very positive, confirming the channel's position as the key entertainment strand in the multi-channel environment.

Sky One monitors its own ratings performance very carefully to ensure that it is delivering the programmes that subscribers really want to see. Sky's Customer Service Centres solicit feedback from viewers and feed it back to the programming team, while data from the Broadcasters Audience Research Board (BARB) complete the picture.

Sky One is no longer the niche channel that it once was. It competes head-on with mainstream free-to-air terrestrial channels such as BBC2, Channel 4 and five. With a proven track record in spotting the best from the US, and commissioning the hottest European programming and screening it first in the UK, the channel is set for further growth.

Fact

In July 2002, readers of Cable Guide voted Sky One's Buffy as their favourite fantasy/sci-fi series and The Simpsons as their favourite animated show.



Fact

In the UK, Sky One has pioneered the concept of block programming (or zoning), in which the channel devotes itself to a single theme, such as action or science fiction, for whole evenings.



Fact

Between January and November 2002, Sky One's audience share grew by 6.5% year-on-year – more than any other free-to-air terrestrial channel.

Source: BARB

Sky News

A formidable and innovative service.

Sky News – Audience profile
Q4 2001/02



Sky News



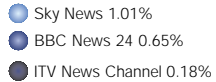
Total TV



Source: BARB

Numbers for individuals in all multi-channel homes (Q3, 2001/02)

Share of viewing



Average weekly reach



Source: BARB

Defining events over the past 13 years that Sky News has covered:

- Fall of Communism in Eastern Europe
- Release of Nelson Mandela
- Bosnia Crisis
- Trial of OJ Simpson
- Trial of Louise Woodward
- Britain's General Election in 1997
- First Labour Government in nearly two decades
- Kosovo Crisis
- September 11 terrorist attacks



Fact

Although based in the UK, Sky News also has seven overseas bureaux in Beijing, Brussels, Jerusalem, Johannesburg, Los Angeles, Moscow and Washington DC which enable it to cover world events as they happen.

News is one of the foundation stones of television, and Sky News has combined traditional values such as speed, accuracy and immediacy with innovations such as audience participation and multi-screen coverage.

When it was launched in 1989, Sky News became Europe's first 24-hour dedicated news channel. Since then, it has established itself as a formidable and innovative force in broadcast journalism, earning its status as Britain's most popular news channel and winning its first BAFTA in 2002.

The main factor behind the continuing success of Sky News is its proven ability to deliver breaking news ahead of its rivals. For example, it was the first UK channel to break the news of the September 11 terrorist attacks and the start of the US/coalition bombing of Afghanistan. Its track record also includes live coverage of some of the defining news events of the past 13 years – the fall of Communism in Eastern Europe, the release of Nelson Mandela, the Bosnia Crisis, the trials of OJ Simpson and Louise Woodward, Britain's General Election in 1997, which saw the first

Fact

When it was launched in 1989, Sky News became Europe's first 24-hour dedicated news channel.



Labour Government in nearly two decades and the Kosovo Crisis.

Sky News has set the pace for how television news is covered in Britain. Sky News is different. It is not the 'voice of the establishment'. It is impartial and authoritative, but it is also sometimes irreverent. One of its key aims is to engage the viewer in the news rather than relying solely on cold hard fact. The pace is fast, with headlines every 15 minutes. As pioneers in the use of 'lives', Sky News helps to bring viewers closer to the news: in effect, they become witnesses to the news as it happens.

On the ground, Sky News uses the latest satellite phone technology, helping to build its reputation for rapid reaction. Unlike other news organisations, it is a dedicated 24-hour news channel, unhampered by the need to service a wide variety of other news outlets.



Talent

The channel's team of reporters, editors and producers are widely regarded as some of the best in the business. When the UK Press Gazette polled political editors to find out who had produced the best coverage of the 2001 election, they chose Sky's Political Editor Adam Boulton – and it is said that there's no higher praise than that of your peers. The ITC, in its Annual Report, gives particular praise to the commercial TV news organisations (ITN, GMTV and Sky) for their response to the events of September 11, adding, "the most comprehensive coverage was on Sky News, a reminder that high quality does not come solely from those channels that are committed to this by their licences."

Interactive

Innovation has always been viewed as a critical factor at Sky News, and the launch of the digital platform has enabled the channel to steal a significant march on its competitors. Sky News Active, launched in 2000, is the world's first interactive television news service, now with eight video screens for viewers to choose from, plus a range of text and graphic services. The sensation of being brought closer to the news has been heightened by the popular Active

voting system. Since this service started in March 2001, over 3 million votes have been cast, with a record 89,000 on a single day in response to the start of US/coalition bombing in Afghanistan.

Other Sky News Active innovations include the live TV Chat service that accompanies the channel's morning show. Sky viewers can 'chat' about a range of events, such as movie launches, celebrity interviews and, of course, breaking news and issues of the day.

Authoritative

The acceptance of Sky News as an authoritative source of world news is spreading into the terrestrial domain. In the autumn of 2002, a version of Sky News was one of the channels (along with Sky Sports News and Sky Travel) launched under the generic brand 'Freeview', on a free-to-air basis via the digital terrestrial platform established by the BBC, Sky and Crown Castle. Sky News is also 'simulcast' on five's breakfast show and also provides the news for Channel 4's breakfast show RI:SE.

Sky News has worked hard to establish itself as an independent, credible and engaging source of world news, and the introduction

of interactivity in Britain has opened the door to new forms of innovation in the future, effectively giving the channel technical leadership in the provision of UK TV news.



Fact

Sky News Active is the world's first interactive news service with eight video screens.



- 1 Jeremy Thompson in Soham – Sky News
- 2 Martin Stanford in front of the Sky News wall
- 3 War in Afghanistan – Sky News
- 4 Sky News Active
- 5 Bali bombing – Sky News

Fact

Recently, Sky News won three major awards for its coverage of news stories: RTS News Channel of the Year, a BAFTA for its coverage of September 11 and GEITF non-terrestrial channel of the year.

Fact

Being first with the news is a habit as our coverage of the death of the Queen Mother, Soham and the resignation of former Education Secretary Estelle Morris proved.



Sky Sports

Quality live sport.

Sky Sports – Audience profile
Q4 2001/02



● Men ● Women

Source: BARB

Interactive sport:

Sky Sports Active has enhanced 10 different sports: football, cricket, rugby union, tennis, snooker, rugby league, golf, pool, NFL American football and Formula One.



Fact

Live interactive football offers eight different views on the match and four different audio options.

Fact

In multi-channel homes, Gillette Soccer Saturday is now the football results show of choice, consistently out-rating both the BBC and ITV.

Sky Sports has been pushing back the boundaries of televised sport ever since its first channel was launched over 10 years ago. It recognised the British public's insatiable hunger for sport, and initiated a viewing revolution that has changed the way sport is watched.

Today, Sky Sports operates five subscription channels, broadcasting around 35,000 hours of sport a year, of which around a third is live programming. The Sky Sports proposition is built, quite simply, on providing quality live sport throughout the year, with excellent production, presented by experts with an intimate knowledge of their sport.

Sky Sports covers a wide range of sports but is focused on the nation's favourites: football, cricket, rugby union, rugby league, boxing, tennis, golf and athletics – all covered live, in depth, throughout the calendar.

However, it is not just major events and the leading leagues that are covered. Sky Sports is also proud to show the grass-roots of each game and developing sports. To support live coverage, a range of original magazine programmes sets out to inform and entertain, including Golf Extra, The Rugby Club and a

different football support show is shown every day of the week.

With all of this, it is no surprise that, from the start, sport has also been a driver of multi-channel TV. Now, with the introduction of interactivity and additional channels, it has helped drive conversion to digital satellite.

Breadth of coverage

In domestic football alone, Sky has invested a substantial amount through TV rights and production. Since its launch, the channel has broadcast over 2,000 live football matches, including more than 600 live Premier League matches and over 100 internationals. It has featured every one of English football's 92 professional clubs, dozens of non-league teams, and youth and women's football.

Cricket has also benefited. England have been seen live on tour every winter and the expansion of airtime



1

Fact
In 2002, Sky Sports News audiences grew by 50% as it delivered the biggest sports stories, including Rio Ferdinand's move to Manchester United.



2



has allowed Sky Sports to cover every Test nation live during the winter months. In fact, in 2002, there were as many live days of cricket broadcast in the winter as in the summer months.

Current broadcast deals include live rights to the Barclaycard Premiership, England's autumn rugby internationals, the next British Lions Rugby Tour, England's domestic and international cricket, golf from the US and European tours plus the next Ryder Cup.

Broadcasting skills

Sky Sports is always looking for new ways to bring the excitement of sport directly to subscribers. Its outside broadcast capability is second to none. For example, at a live Premiership football match, Sky Sports will typically have 120 staff working at the venue and a further 30 back at the studios. As a team, their job is to make sure that the technology takes the viewers to the heart of the action. It is a huge logistical challenge but one that the award-winning Sky Sports production team accepts and delivers week in, week out through over 700 sports outside broadcasts each year.

Expert commentary

Along with the big name events, Sky also delivers the big name experts.

Former star players like Andy Gray (football), David Gower, Ian Botham and Bob Willis (cricket), Stuart Barnes (rugby) and Barry McGuigan (boxing) know what it's like to compete at the top, and now use their experience to provide valuable insight.

Innovation

Right from the start, Sky Sports has always striven to innovate. A number of broadcast techniques have been pioneered by Sky, including super-slow motion replays, multi-camera coverage, virtual graphics and detailed statistical analysis.

The biggest innovation of all has been the introduction of interactivity. Sky Sports Active, available to Sky digital subscribers, allows viewers to choose how they watch sport, to select alternative viewing angles, access a wealth of statistics, replay match highlights – even choose between live matches or place bets through their TV. The Premiership match between Arsenal and Manchester United in August 1999 was the world's first live interactive football match and since that date the service has continued to evolve. During the 2003/04 Champions League, Sky digital viewers will be able to use this technology to choose from up to eight matches on Wednesday nights.



4

Fact
In July 2002, Sky Box Office broadcast Lewis vs Tyson. The world heavyweight fight attracted a record 700,000 buys.



5

Fact
Sky Sports has a network of five channels, broadcasting around 35,000 hours of sport a year. Sky also operates two Sky Box Office channels devoted to sport, offering an extra 40 live Premiership matches and major boxing events.



3



6

Fact
The Ryder Cup in September 2002 attracted a record golf audience for Sky Sports.

- 1 Andy Gray & Richard Keys – Sky Sports
- 2 England vs South Africa – Sky Sports
- 3 Blackburn Rovers vs Arsenal – Sky Sports
- 4 Lewis vs Tyson – Sky Box Office
- 5 Interactive football – Sky Sports Active
- 6 Ryder Cup – Sky Sports



Sky Movies

Turning your home into a multiplex.

Sky Movies – Audience profile
Q4 2001/02



Source: BARB

The core audience for Sky Movies is young families, with 47% of viewers under 34. The gender split across the channels is fairly even at 53% male, 47% female.

Fact
Skymovies.com attracted 1 million hits in its first month, as movie fans flocked to the site for facts, movie clips and information.

People like movies. In the past year UK cinema admissions rose by 8% to 143 million visits, generating £628 million at the UK's box offices. Every year, some 186 million videos are rented, at a total cost of around £425 million. People spend a further £840 million buying videos, while DVD sales raise around £264 million.

The enduring appeal of the movies plays a central role in Sky's strategy of providing subscribers with the kind of programming they would choose for themselves. According to a survey by Media Monitoring Services (MMS), 44% of terrestrial-only homes confirmed that they would switch to Sky digital just for the movies that are available. In business terms, Sky Movies is a key driver of dish sales, and represents an area where Sky is by far the leading service provider.

The central aim of Sky Movies is to satisfy the public's endless thirst for movies on television, by putting choice, quality and convenience at their fingertips. Today, the Sky Movies' offer is better than ever. In fact, it's one of the world's biggest and most successful television movie services, showing over 500 different films each week across its 12 multiplex screens. The viewing experience has been progressively enhanced by the

introduction of innovations such as interactivity, true widescreen capability, Dolby Digital 5.1 sound, and a dedicated Sky Movies website packed with facts for film fans.

Each of the three core Sky Movies channels has a particular focus.

Sky Movies Premier shows the biggest Hollywood blockbusters across five screens – including a dedicated widescreen service. Recent highlights on Premier have included massive box-office hits such as Crouching Tiger, Hidden Dragon, Hannibal and Cast Away. DTH subscribers with the Sky+ service (and an appropriate TV or home cinema system) can watch selected films with Dolby Digital 5.1 surround sound, the ultimate movie watching experience.

Sky Movies Max, with five screens, offers non-stop 24-hour entertainment and excitement, with a line-up that

features the best action, adventure, horror and comedy films as well as regular theme nights. Recent offerings have included cult comedy smash hit Dude, Where's My Car? and a season of horror films – from Scream to Pet Semetary.

Sky Movies Cinema has two screens that showcase the greatest movies from the 1930s to the 1990s and celebrate iconic films from some of the finest directors, featuring themed movie seasons from legendary actors and directors. Classic films recently shown include Ghost, The French Connection and The Sound of Music, demonstrating the breadth of the channel's output.

Besides the three main channels, Sky also offers a range of added value movie services.

Sky Box Office shows around 200 films a year, including nearly all of the top 100 movies shown in UK cinemas the previous year. Big attractions have included Planet of the Apes and The Fast and the Furious. The Box Office button on the Sky remote control provides a guide to movies and events, from which the DTH subscriber can select at will. The digibox registers the selection, enables the relevant channel

and notifies Sky's system that the appropriate charge should be added to the subscriber's next monthly bill.

Sky Movies Active was launched in May 2001. While watching any Sky Movies channel, DTH subscribers can simply press the red button on the remote control and view the latest movie news, reviews and trailers, investigate movie facts and figures as well as buy cinema tickets.

Skymovies.com, redesigned for summer 2002, attracted over 1 million hits in its first month. Whether staying in or going out, it is a one-stop shop for movie fans, with cinema and TV film listings, an encyclopaedic movie database, reviews of over 40,000 films and 1,000 trailers.

The big pictures – first

A key factor in the success of Sky Movies has been its consistent ability to show the big movies – first. In business terms, this achievement is crucial – because it gives Sky subscribers a unique service that is unavailable to analogue terrestrial TV viewers.

Sky's ability to secure first-run movies has been built on close relationships with the major production studios in

Hollywood and elsewhere. The movie industry as a whole recognises that Sky Movies is now an integral part of the business.

Fact
Sky Movies premieres over 365 movies per year.



Fact
Sky Movies' new look has been supported by extensive promotional activity on the ground, including a Sky Movies Roadshow and a public vote to find the 'Greatest Ever Movie Stunt'.



- 1 The Fast and the Furious – Sky Box Office
- 2 X-Men – Sky Movies Premier
- 3 Shrek – Sky Movies Premier
- 4 Harry Potter & the Philosopher's Stone – Sky Box Office
- 5 Crouching Tiger, Hidden Dragon – Sky Movies Premier
- 6 The Sound of Music – Sky Movies Cinema
- 7 Dude, Where's my car? – Sky Movies Max

Channel line-up

All at the touch of a button.

For a full list of our digital channels, see page 37-38.



Sky Travel screens a range of feature programmes and destination reports, giving viewers a taste of the travel experience. The Lifestyle Zone concentrates on culture, food and luxury, and the Adventure and Hot Zones display a more active approach to travel. A version of Sky Travel is now available to DTT viewers under the 'Freeview' brand.

Sky has over 380 television and radio channels. Movies, sport, entertainment, news, public service stations, foreign language channels, kids' programmes, community channels, shopping – it's all just a push of a button away for Sky subscribers. That breadth of choice, backed by a commitment to value and service, explains why Sky is the clear leader in multi-channel TV.

Sky Ventures

As well as our own primary channels, we have financial interests in a number of other channels that broadcast on our platform. These interests are managed by Sky Ventures which was launched as a separate division in 1997 and now manages a portfolio of 11 joint venture partnerships comprising 16 television channels and 40 audio channels.

Sky Ventures represents a significant portfolio of businesses not only because, strategically, it enables us to align ourselves with strong consumer brands such as Nickelodeon, Paramount, National Geographic and The History Channel, but also because it is now financially profitable in its own right. In addition, these ventures help to move BSkyB towards the corporate goals relating to subscriber acquisition, churn and ARPU.

The portfolio of channels in which we have a stake has been constructed to give us a presence in specific content areas where we have the opportunity to be market leaders. Nickelodeon, for example, has been rated the No. 1 children's channel for the past five years.

The History Channel and National Geographic are leading broadcasters in their own factually-based genres and QVC continues to be the UK's leading retail channel.

Our most recent joint venture, attheraces, in which we have a 33.3% stake, typifies the business model that we're currently interested in. Underpinned by its broadcast channel, attheraces seeks to exploit the rights it has acquired to British horseracing through online, interactive and phone betting applications. Similarly, we have recently invested in interactive technology for Sky Travel, so it is now possible to browse holidays and book flights via the Sky remote control.

The focus for Sky Ventures remains very much on the UK market, although National Geographic and Music Choice Europe both operate on a pan-European level. As a partner, we offer a number of high quality resources including advertising sales, cable distribution management, market research, programming, marketing, creative services and management support at board level. (For the full list of Sky Ventures Channels, see page 39).

380+ channels



19

Subscriber services on digital satellite

29

Premium, à la carte and bonus channels retailed by Sky digital

85

Pay per view (PPV) channels on digital satellite

85

Basic channels retailed by Sky digital



4

Free-to-air TV customer channels



96

Free-to-air TV channels on digital satellite

63

Free-to-air radio channels on digital satellite



Sky Media

Creating an attractive and distinctive environment for advertisers.



Mark Chippendale, Deputy Sales Director of BSkyB:
 'Multi-channel's share of TV spend continues to get bigger because growth in its impacts is structural, not cyclical. It's clear from BARB data that the most attractive audiences are those migrating to multi-channel: 56% of 16-to-34s and 50.5% of ABs are multi-channel viewers.'
 Media Week, August 2002.



- 1 Ford, Sky Media's largest advertiser for the fifth year running
- 2 The Domino's Pizza sponsorship of The Simpsons has had a massive positive effect on sales (recent winner of three IPA effectiveness awards)
- 3 BT have embraced interactivity on many of their advertisements

Sky attracts the kind of audiences that advertisers want to target. Compared to the average UK viewer, Sky viewers are 30% more likely to be aged 16-34, and 20% more likely to be in the valuable ABC1 social group. Their average household income is more than 20% above the UK average and they have greater purchasing power than non multi-channel viewers.

A growing audience

Multi-channel penetration continues to grow. Currently over 50% of the UK population has access to more than just the five analogue free-to-air terrestrial channels, and a growing majority of these have Sky. Amongst some key advertising targets, this figure grows significantly. For example, over 60% of children and over 55% of young adults now have multi-channel TV. The relative youth of our audience means that Sky is where advertisers are finding long-term customers.

Moreover, the audience Sky Media sells to has grown hugely, both organically and through new air time sales' deals with The Discovery Channel and Emap Channels. Last year we delivered more than 50% growth in the audience available to advertisers.

Effective targeting

The huge choice of channels on Sky is not only enjoyed by our viewers. It also gives advertisers the opportunity to target specific groups whilst minimising wastage. From targeting young men via Sky Sports through to clubbers via Kiss, Sky enables advertisers to reach their audiences in the most appropriate environment.

Beyond spot advertising

Sky is about much more than just spot advertising. With many powerful media

properties and the best of new broadcasting technology, we offer a range of opportunities across spot, sponsorship, online, text, pub and interactive. Many advertisers are discovering the power of integrating communications across these different channels.

Integrated opportunities

Interactive advertising

Since its launch by Sky Media in March 2000, interactive advertising has proved to be a very successful method of helping advertisers to reach core target audiences via the Sky platform. As well as developing and enhancing relationships, interactive advertising delivers, on average, 10 times the level of the average direct response TV campaign. Typically, advertisers take a spot on a channel that is appropriate to their target audience and incorporate a link encouraging the viewer to activate the red button on their remote control. This action takes the viewer directly to the advertiser's dedicated service. The system satisfies several marketing objectives, ranging from facilitating direct response and impulse-led purchasing to enhancing brand awareness and data capture.

Sponsorship

Sponsorship is becoming an increasingly popular and effective way for advertisers to raise brand profile

Major Advertisers (as at Q1 2002/03)

Advertiser	Spot	Sponsorship	Interactive	Digital Text	Online	Pub TV
Ford Motor Company	•	•	•	•	•	•
Procter & Gamble	•		•			
PSA	•				•	
Unilever	•		•			•
COI Communications	•				•	•
British Telecom	•		•		•	
Coca-Cola UK and Ireland	•				•	
Reckitt Benckiser	•	•	•			
McDonalds Restaurants	•				•	•
Toyota (GB)	•		•			
Scotco	•	•	•		•	•

through association with a programme or content strand that reflects the relevant brand values in front of a specific target audience. In the past five years, Sky has hosted over 110 sponsors, accounting for over 25% of the UK's broadcast sponsorship market.

Pub TV

Over 36,000 outlets nationwide are now receiving the Sky Pub Sports feed. The biggest football fixture last year was Liverpool vs Manchester United, which was watched by 2,326 million people. The profile of Pub TV is heavily biased towards males (76%), but it also reaches a young and upmarket audience – 67% of its viewers are under 45 years old and 54% are ABC1s.

Sky Online

Sky offers a number of opportunities across a portfolio of websites that deliver over 75 million monthly impressions and over 4 million unique users (ABC audited). Skysports.com, for example, has an ABC1 profile of 87% with 65% of its users under 35 years old. Sky News Online also has a very up-market, young and male demographic profile: 91% of users are under 55 years old and 88% are ABC1s. Opportunities include content sponsorships, banner and rich media advertising, e-commerce partnerships and co-branded editorial. In addition, Sky.com can offer targeted advertising opportunities across its mobile WAP service, which includes sports and news content, a TV guide and a pub locator.

Digital Text

Digital Text gives digital subscribers access to over 1,000 pages of constantly updated news, sport, travel,

weather and holiday information, whilst enabling them to carry on watching their favourite programme in quarter screen. This makes it possible, for example, to check on sports results while watching a movie. Banner ads on this service (or TV ads) can carry button codes that enable viewers to jump directly to the advertiser's own text pages, simply by pressing one of the Sky remote control's coloured buttons.

Results taken from the Digital Text Interactive/Text Tracker in September 2002 show that the most popular text service is news, with 67% of all adults in Sky Digital homes having used the service. Other popular services include weather reports (50%) and sports (46%). Research shows that Digital Text appeals to an upmarket young male audience.

Advertising effectiveness

mediaDNA
 Developed and owned by a consortium of Sky, Capital Radio, News International and Zenith Media, mediaDNA is a media analysis tool that enables brand owners to match their products' image and personality with the media (TV, radio, newspapers and magazines) that best fits their profile.

At the heart of mediaDNA is a survey of the views of over 5,000 UK adults towards the country's leading 85 media brands, including national newspapers, consumer magazines, radio stations, television channels and programmes.

Using mediaDNA, a brand or product can be matched against up to 50 separate criteria for 85 of the UK's leading media brands. A best fit can be found against any of these

criteria. Thus a premium product that features a strongly extrovert but sensible personality, which is also seen as a British brand, can be matched with a media brand that shares similar attributes.

Some findings:

- The most entertaining media brands in the UK are imported US television programmes. The top three are: Friends, Stargate SG1 and The X-Files.
- The sexiest media brand is the Sky One series Uncovered (as in Ibiza Uncovered), followed closely by FHM, Vogue and Buffy the Vampire Slayer. Least sexy brands are The Independent and The Guardian.
- The top five most innovative media brands are: The X-Files, Stargate SG1, Discovery, Sky Sports and The Simpsons.
- Three satellite TV channels top the ranking of most informative media brands – The History Channel, Discovery and the National Geographic Channel.
- The Simpsons, The X-Files and Sky Sports are seen to be more trend-setting than fashion magazines such as Cosmopolitan and Elle!
- Sky Sports is the brand that viewers would be most lost without.



Case Study: Gillette Soccer Saturday on Sky Sports

In a competitive and crowded market place, Gillette needed to retain their market position by creating a unique environment for the consumer. Sky Sports enabled Gillette to reach their target demographic audience effectively, with minimum wastage, by sponsoring Soccer Saturday on Sky Sports 1. In parallel with the on-screen sponsorship, Gillette has also developed the brand association with off-screen activity such as the Sky Sport Soccer Saturday website.

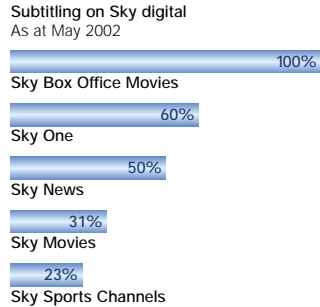
Research commissioned by Sky Media tracked the effectiveness of the five-year sponsorship, with the following key results:

- Approval of the sponsorship is high. 61% of viewers agree the sponsorship is an appropriate fit.
- 64% of viewers feel the sponsorship sets Gillette apart from its competitors, compared with 34% in the first year.
- 50% of Sky viewers use Gillette Mac 3, compared with 32% in the previous year.
- 60% of Sky Sports viewers are aware that Gillette sponsors Soccer Saturday, compared to 38% in 1996.

These results are all attributable to the strong association Gillette has developed with the programme, through extensions to the broadcast sponsorship and the longevity of the association.

Corporate social responsibility

Part of the UK community.



Sky is committed to expanding subtitled programming on its own channels.

Fact
In 2002, Sky produced its first Corporate Responsibility Report which is available online in the corporate section of the www.sky.com website.

Sky is a young company with huge potential for the future. If that potential is to be realised and sustained, we have to demonstrate clearly to society at large that we take our corporate responsibilities seriously, and that this attitude is reflected in our decisions and actions.

Our customers, employees, shareholders, business partners and suppliers will enjoy the spin-off success that comes from working with a dynamic organisation that has a mission to fulfil.

A group of senior Sky executives provides direction, meeting regularly to discuss our progress in the area of corporate responsibility, a clear indication of the importance we attach to it. We have developed a range of initiatives that are designed to deliver benefits to each of our stakeholder groups – customers, employees, the community, young people, suppliers and the environment.

Our efforts on behalf of young people are particularly important to us because, just as we are building our own future in broadcasting, so we want them to have the opportunity to develop their potential and build a positive future for themselves.

Customers

The Sky platform is designed to appeal to a broad spectrum of people. It currently carries 13 non-English language channels, more than any other platform, and we are members of the government-backed Cultural Diversity Network, which champions the interests of minority groups within the broadcasting industry, both on and off-screen. We're also a member of the Broadcasters Disability Network that is committed to increasing the presence of disabled people on air and at work in the industry.

Thanks to our advanced technology, our customers can access a wide range of information about consumer and national/local government services, directly from their TV. For people who are confined to home, our interactive service opens a door to entertainment, communication, information and shopping.

Subtitling and audio-description significantly increase the value of TV to people with hearing difficulties or impaired sight. Our digital platform contains technology that allows users to choose audio-description where provided by the broadcaster, and we are committed to expanding subtitled programming on all our own channels (see chart top left).

Employees

We employ over 10,000 people across the UK. We believe that they will contribute more to the organisation if they are properly trained and rewarded and given a safe and healthy working environment.

We are one of the few companies to provide private medical insurance for all part-time members of staff and their families, and to provide enhanced life assurance cover for all employees. We promote two-way dialogue with our employees and use a variety of

communication channels, including the intranet, video links, live broadcasts and a staff magazine.

Through the Sky Employee Volunteering scheme, employees are encouraged to participate in local community initiatives. We support their charity fund-raising efforts through match-funding money they have raised as well as topping up money donated through payroll giving.

Community

We are committed to making a positive difference to the communities in which we operate, and to the broadcasting industry as a whole.

In Hounslow, close to our West London base, we have supported the local Youth and Community Service with a creative music and dance project. In Scotland, staff-led Community Relations Forums are responsible for managing the Company's contribution to local events, initiatives and causes.

To select the Sky Charity of the Year for 2003, we have asked all employees to vote on a selection of youth orientated charities and are donating £1 to each charity for every nomination received.

We are an integral part of the UK broadcasting industry, and recognise that we have a responsibility to use our influence for good. We were the first platform to carry the Community Channel, the first dedicated charity television and Internet channel. It attracted over 1.5 million viewers in just over a year, generating revenues for good causes.

As part of our commitment to developing future talent for our industry, we offer work-placement opportunities within our wholly-owned channels.

Young people

Because we are a young company with a strong appeal to the youth market, we have chosen to focus our most important community initiative on young people.

Reach For The Sky (RFTS) is designed to help young people aged 11 to 21 to understand and realise their own potential. Currently, there are two strands in place: Reach For The Sky 'On Tour' and Reach For The Sky 'Live'. A third strand around grass roots sports has recently been launched and will be developed further over the coming year.

The 'On Tour' vehicle travels the UK, working with the Learning and Skills Council and Youth Charity, Weston Spirit. It provides young people with the opportunity to improve their basic skills through hands-on activities based around Sky's core disciplines of journalism and entertainment. In the process, they are brought face-to-face with issues such as deadlines, teamwork and decision-making. As well as providing young people with inspiration and stimulus, RFTS 'On Tour' encourages them to recognise that they can build a successful future for themselves.

RFTS 'Live' is a series of two-day residential workshops that run through the summer. It is based around the world of work, focusing on journalism, entertainment and sport. Young people are provided with advice and information at a time when they are making key decisions about their future.

By the end of 2002, RFTS 'On Tour' had visited 14 locations across the UK, attracting over 4,000 young people. A further 5,000 young people have attended RFTS 'Live' workshops. Research from the 2002 RFTS programme revealed that 99% of

parents involved with RFTS 'Live' thought the project was of value to their child. 83% of participants were made aware of careers in the fields of journalism, sport and entertainment. 73% also felt that RFTS 'Live' had shown them how to turn ambitions into a future career.

RFTS 'On Tour' is now travelling around the UK and will have visited another 12 locations (with 3,000 places) by June 2003. RFTS 'Live' will also run again in the summer holidays. Further details of the RFTS sports project which is delivered in partnership with the Youth Sports Trust, a sports based charity for young people, will follow.

Suppliers

Our policy is to buy efficiently, obtaining the best value for money, from the best suppliers, by the most ethical means. This approach optimises our own long-term growth potential and therefore provides a significant economic contribution to our suppliers, their staff and the communities in which they operate. Our intention is always to build long-term relationships with key suppliers and to be transparent and fair in all our transactions.

The environment

Our business has an inherently low environmental impact. However, we have implemented a range of measures that demonstrate our commitment to reducing our impact to minimal levels. These measures include the use of video conferencing to cut down business travel, paper recycling schemes and the use of energy-efficient IT equipment.



Fact
BSkyB is a member of the London Stock Exchange's FTSE4Good Index and the Dow Jones Sustainability Index. Membership of these indices is limited to companies that can prove they are working towards goals such as environmental sustainability and positive stakeholder relationships.



The regulatory context

Digital satellite is an open platform.

Most channels on satellite differ in a number of fundamental ways from traditional Public Service Broadcasters (PSBs). PSBs enjoy access to scarce spectrum allowing universal or near-universal coverage that brings with it the benefit of significant advertising revenues or public subsidy through the licence fee. In comparison, other broadcasters do not receive any government support or concessions and acquire viewers entirely through their own marketing efforts. Typically, non-PSBs command tiny audience shares, and are targeted at niche interests.

Successive UK governments have acknowledged these differences in their approach to regulation.

All broadcasters are, for example, subject to the EU's Television Without Frontiers Directive which requires them 'where practicable' to broadcast a majority of European material. Satellite and cable broadcasters are constantly endeavouring to increase the proportion of EU (and UK) originated material they broadcast, but are allowed to aim to meet the targets progressively over time on the basis of the 'where practicable' clause.

Digital satellite is an open platform, in contrast to cable. Most of the 380+ channels on digital satellite are not owned by Sky, and include over 80 non-subscription channels, including those of the BBC, ITV, Channel 4 and five. Broadcasters can obtain capacity from a relevant satellite operator (SES or Eutelsat) and retail or otherwise provide their own channels independently of Sky's pay TV packages. This is achieved through access being made available to the Sky Guide, the electronic programme guide and, where appropriate, through the provision of conditional access services (encryption, entitlement and regionalisation). Sky is required to provide these services on a fair, reasonable and non-discriminatory basis.

Sky's direct to home broadcasting services are currently licensed and regulated by the ITC (Independent Television Commission). Sky is also regulated by OFTEL, and is subject to the EU competition law regime and to individual national regimes in the countries in which it operates. It is a British public company, employing more than 10,000 people, and has created, directly and indirectly, many thousands of jobs in broadcasting, retailing and manufacturing. Both ITC and OFTEL's responsibilities will be superseded by OFCOM.

Fact

The Broadcasting Standards Commission considers and adjudicates complaints from viewers, and researches and reports on standards on both TV and radio.

Fact

Under the terms of its licences, Sky must comply with the ITC's Codes and Directives. These include the need to provide impartial and accurate news programming and restrictions on the quantity and content of advertisements.

Glossary

A quick reference guide to some of the in-house language at Sky.

Business drivers:

Average Revenue Per User/Subscriber (ARPU)

The amount spent by each of our subscribers per year.

Churn

Sky's term to describe the rate at which customers relinquish their subscription. Sky has one of the lowest rates of churn in pay TV in the world, at around 10%.

Subscriber Acquisition Cost (SAC)

Quantifies the average amount we are investing to build our subscriber base.

Subscribers to Sky*

As at 30 September 2002, the total number of subscribers to Sky channels was 10.3 million. Of these, 6.3 million were direct-to-home digital satellite subscribers. The rest received the channels via cable or digital terrestrial.

*43% of digital subscribers are ABC1



Cable TV

TV broadcasting service that delivers signals to households via a fibre optic cable rather than a conventional aerial or a satellite dish.

Channels:

Sky Channels

Television channels wholly owned by the Group, i.e. the Sky Basic Channels and the Sky Premium Channels.

Sky Basic Channels

Sky One, Sky One Mix, Sky News, Sky Travel, Sky Travel Extra and Sky Sports News.

Sky Premium Channels

The Sky Premium Channels and the Premium Sky Distributed Channels:

Sky Movies Max, Sky Movies Premier, Sky Movies Cinema, Sky Sports 1, Sky Sports 2, Sky Sports 3 and Sky Sports Extra.

Sky Distributed Channels

Television channels owned and broadcast by third parties, marketed by the Group to DTH viewers.

Channel line-up

29

Premium, à la carte and bonus channels retailed by Sky digital

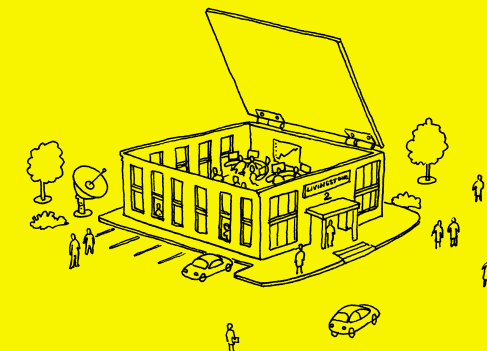
Sky Movies Premier (x 5)
Sky Movies Max (x 5)
Sky Movies Cinema (x 2)
Sky Sports 1
Sky Sports 2
Sky Sports 3
Sky Sports Extra
Artsworld
Disney Channel
Disney Channel (+1 hour)
Toon Disney
Playhouse Disney
FilmFour
FilmFour (+1 hour)
FilmFour Extreme
FilmFour World
MUTV
Star Plus
Star News
Chelsea TV

85

Basic channels retailed by Sky digital

Sky One
Sky One Mix
UK Gold
UK Gold (+1 hour)
UK Gold 2
Living TV
Living TV (+1 hour)
Granada Plus
Challenge
Bravo
Paramount
Sci-Fi
Discovery Home & Leisure
Discovery Home & Leisure (+1 hour)
Men and Motors
Sky Travel
Sky Travel Extra
UK Style
UK Style+

UK Food
UK Drama
Hallmark
Discovery Health
E4
ITV2
CNX
E!
Sky Sports News
British Eurosport
Eurosportnews 24hr
attheraces
MTV
MTV Hits
VH1
VH1 Classic
MTV 2
MTV Base
MTV Dance
TMF
The Box
KISS
Smash Hits
Magic
Q
Kerrang!
The Hits
Music Choice (10 channels)
Sky News
Bloomberg
CNBC
Fox News
Discovery Channel
Discovery Channel (+1 hour)
Travel and Adventure
Discovery Civilisation
Discovery Sci-Trek
Discovery Wings
National Geographic
National Geographic Channel (+1 hour)
Adventure One
History
History (+1 hour)
Biography
UK Horizons
UK Horizons (+1 hour)



Discovery Animal Planet
 Discovery Animal Planet (+1 hour)
 UK History
 Cartoon Network
 Cartoon Network (+1 hour)
 Nickelodeon
 Nick Replay
 Nick Toons TV
 Trouble
 Fox Kids
 Fox Kids (+1 hour)
 Discovery Kids
 Nick Jr.
 QVC
 TV5
 Talksport (UK, NI & Channel Isles)
 Big Blue
 The Saint
 The Villan
 Rampage

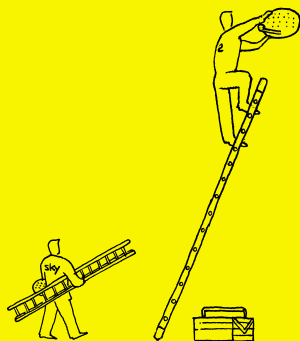
85
Pay per view (PPV) channels on digital satellite
 61 SBO channels
 7 18+ channels
 6 Red Hot adult channels
 11 Other PPV channels

96
Free-to-air TV channels on digital satellite

63
Free-to-air radio channels on digital satellite

4
Free-to-air TV customer channels

Channel line-up
 Sky Welcome
 Sky Customer channel
 Sky Box Office Preview channel



19
Subscriber services on digital satellite

Television X
 Playboy TV and The Adult Channel
 Zee Music
 B4U Movies
 Sony TV Asia
 Zee TV
 Zee Cinema
 Bangla TV
 ARY Digital
 Ekushey TV
 Prime TV
 SouthForYou
 Alpha Punjabi
 Al Jazeera
 ART Music
 ART Movies
 ART Europe
 LBC
 NASN



Conditional access (CA)
 CA is an encryption technology used to control access to digital television services to authorised users.

Customer Contact Centres
 Staffed 24 hours a day, two sites in Scotland – at Livingston and Dunfermline – are in charge of customer management services.

Digital channels
 Our digital platform offers over 380 digital channels. Not all of these are Sky's own: unlike cable or digital, Sky's is an open platform, able to broadcast any digital channel to which a customer has subscribed, directly to his or her digital satellite digibox.

Dish
 Device specifically manufactured to receive TV signals from a satellite, used exclusively by Sky. The required dish size depends on the footprint of the satellite that you wish to receive. Other than in outlying parts of the UK and Ireland, viewers need only a 45cm dish – about twice the size of a dinner plate.

Direct to Home (DTH)
 The transmission of satellite services for reception by a viewer with satellite reception equipment.

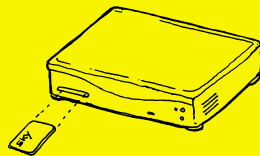
Digital Terrestrial Television (DTT)
 TV channels using digital signals delivered to homes through a conventional aerial, and converted through a digibox. 'Freeview' is now the only DTT operation following the demise of ITV digital.

Encryption
 Sky uses VideoGuard, a proprietary conditional access technology, to control viewers' access to encrypted free-to-air channels and encrypted Pay TV and audio channels broadcast on digital satellite for reception in the UK and Ireland.

Financial calendar Results announcements
 Feb 2003 – Half year results
 May 2003 – Third quarter results
 Aug 2003 – Year end results

Fiscal year
 Refers to the 52-53 week period ending each year on the Sunday nearest to 30 June.

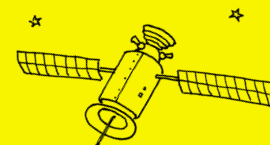
Interactivity
 Interactivity turns television into a two-way communication device. Instead of remaining passive, the viewer becomes an active participant. The introduction of the Sky digital platform opened the way for viewers to shop, vote, bet, play games, conduct financial transactions, send and receive emails, book holidays and cinema tickets and respond to advertising – all through the television. It also enables viewers to choose which camera angles to watch at sports events, to view event statistics, to take part in quizzes, download ringtones, and gives access to a host of other viewer services.



Interactive services
 Digital satellite allows innovative interactive services from both Sky and other broadcasters, such as the BBC, Disney and Channel 4.

Pay-per-view (PPV)
 Some one-off programmes, films and events (e.g. the Lennox Lewis vs Mike Tyson fight) are not covered by the normal Sky subscription, but viewers can receive them by selecting the required item on Sky Guide, our electronic programme guide.

Platform
 A TV distribution service, comprising all the infrastructure (transmitters, dish/cable/aerial, digiboxes, programmes) that is required to deliver TV channels to TV sets in the home.



Satellites
 Sky leases the transponders it uses for digital transmissions from Société Européenne des Satellites S.A. (SES) and Eutelsat, situated at 28.2°E and 28.5°E 22,300 miles into space. We use some of the transponders we lease for Sky's own channels and services. Some transponder capacity is subleased to third parties for the transmission of other channels or services.

Signal
 98% of the UK can receive the Sky satellite signal enabling them to enjoy Sky's services.

Sky channels and investments
 Sky owns a number of channel brands outright, including:
 Sky One
 Sky One Mix
 Sky News
 Sky Travel
 Sky Travel Extra
 Sky Sports 1, 2, 3, Extra & Sky Sports News
 Sky Movies Premier (x5)
 Sky Movies Max (x5)
 Sky Movies Cinema (x2)
 Sky Box Office



Sky subscriber packs
 To maximise choice for subscribers, Sky offers a range of viewing packs to suit every household. The Basic Value pack is available for just £12.50 a month, giving access to five TV channels and 11 audio channels. At the other end of the scale is the Sky World pack which, for £38.00 a month, enables subscribers to enjoy 94 TV channels and 11 audio channels. Research shows that the majority of Sky subscribers choose the top packages.

Sky Ventures
 In addition to its own branded channels, Sky has a financial stake in many other TV channels, all of which are shown on the Sky platform:

attheraces – 33.3%
 National Geographic Channel – 50%
 Adventure One – 50%
 Granada Men & Motors – 49.5%**
 Granada Plus – 49.5%**
 Nickelodeon – 50%
 Nick Jr – 50%
 Nicktoons TV – 50%
 The History Channel – 50%
 Paramount Comedy Channel – 25%
 QVC – 20%
 MUTV – 33.3%
 Music Choice Europe – 49%
 Biography Channel – 50%
 Artsworld – 20%***
 Chelsea TV – 20%

We also have stakes in Chelsea, Sunderland, Manchester City, Leeds United and Manchester United football clubs and manage and maintain the websites of Tottenham Hotspur and West Ham United.

Sky+
 Sky's fully integrated Personal Video Recorder (PVR) and satellite decoder utilises a built in hard disk drive to enable viewers to record without videotapes, pause live TV and record one programme while watching another. The Sky+ digibox and service was launched in September 2001.

Sky Active
 Sky Active is the brand name for Sky's transactional television services. It provides viewers with access to a range of services including email/messaging, games, betting, shopping, banking, travel services and ticket sales.

Sky digital
 Sky Digital was launched on 1 October 1998.

Sky Guide (Electronic programme guide)
 An on-screen TV guide that helps viewers navigate all channels. It contains details of all programmes to be aired over the following seven days.

Sky In-Home Service
 The division that co-ordinates the nationwide installation of digital satellite systems and manages aftercare service. Sky employs 1,000 qualified engineers.

Spectrum (electromagnetic)
 TV signals are transmitted on certain frequencies within the electromagnetic spectrum. Allocation of these frequencies is managed and regulated in the UK by the Radio Communications Agency.

Shareholders
 Breakdown of BSKyB shareholders by location and type as in June 2002.

By type:	%
BSkyB Holdco, Inc.	35.4%
Fund management groups	31.6%
Other	15%
Insurance companies	10%
Miscellaneous banks	5%
Pension funds	3%

By location:	%
BSkyB Holdco, Inc.	35.4%
London	32.6%
Other	10%
USA & Canada	9%
Continental Europe	6%
Scotland	4%
Rest of UK and Ireland	3%

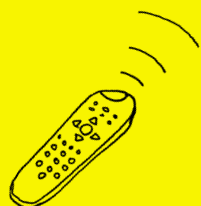
Terrestrial TV
 TV channels that are delivered to households via a conventional aerial. The UK currently only has five terrestrial channels – BBC1, BBC2, ITV, Channel 4 and five.

Transponder
 Sky leases wireless communication control devices called transponders on satellites to bounce signals back to its viewers.

** This represents BSKyB's economic interest. BSKyB has an 80% equity interest in Granada Sky Broadcasting Limited. BSKyB has a 20% equity interest and a 49.5% economic interest in Granada Broadcasting Limited.
 *** BSKyB has an option to take a 20% stake in this company.

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Find what you need – fast



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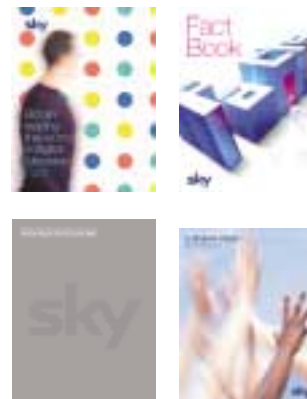
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Communicating with our audiences

Sky recognises the importance of communicating with a broad range of audiences, and produces a comprehensive suite of literature covering virtually every aspect of its operations. Copies of these documents can be obtained from Sky by post or in most cases, downloaded from the Sky website.

Shareholder Services

Share price information
The Company's share price is broadcast on SkyText on the Sky News channel on page 116, BBC Ceefax page 221 and on Channel 4 Teletext page 511, all under the prefix BSKyB. It also appears in the financial columns of the national press.

The latest BSKyB share price is available from the Financial Times Cityline Service, on 0906 843 4816.

Share dealing service
The Company has arranged with NatWest stockbrokers to provide shareholders with a single, low cost method of buying and selling its shares. To take advantage of this service, call 0870 6002050.

For further information on BSKyB as a company, just head for the Sky Corporate website.

The Media Centre enables you to view the latest press releases or search the Media Library.

The Investor Centre contains a wide range of financial information, such as Annual Reports, Interim Results, Management Presentations and the latest share price.

The Corporate Responsibility section contains the current Environmental Report as well as online access to all the facts and figures about ongoing corporate responsibility initiatives.

To visit these areas, go to www.sky.com, click on 'Sky quicklinks', then 'BSkyB Corporate Info', and select 'Sky Corporate'.

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Shares online

Shareholders can also access their shareholdings online and find a range of other services at the Lloyds TSB Registrars Shareholder website, www.shareview.co.uk.

Shareholder enquiries

All administrative enquiries relating to shareholders, such as queries concerning dividend payments, notification of change of address or the loss of a share certificate, should be made to the Company's registrars whose address is given.

Registrars

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Telephone 0870 600 3970

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