BRITISH SKY BROADCASTING GROUP PLC
Results for the six months ended 31 December 2006

BSkyB announces record sales and 20% increase in interim dividend; on track for our targets

Operational Highlights

- New customer additions of 432,000 in the second quarter, the highest in six years
- Net customer growth in the second quarter of 183,000 to 8.441 million
- Record growth in Sky+ boxes to 2.13 million, in 1.97 million households
- HD subscribers almost doubled in the second quarter to 184,000, establishing Sky's leadership in HD
- Good progress on Sky Broadband with gross bookings of 343,000 and 259,000 activated customers by 28 January 2007[1]
- Broadband network roll-out ahead of plan, 771 exchanges unbundled, 50% of the U.K.[1]

Financial Highlights

- Revenue increased by 10% to £2,220 million, including £22 million from Sky Broadband and £77 million from Easynet Enterprise
- Adjusted gross margin of 63% up from 60% in the comparable period[2]
- EBITDA of £486 million including losses of £66 million in Sky Broadband and Easynet Enterprise and a net exceptional gain of £59 million
- Operating profit of £395 million including losses of £84 million in Sky Broadband and Easynet Enterprise and a net exceptional gain of £59 million
- Basic EPS of 14.0p (2006: 14.9p) and adjusted EPS of 11.3p (2006: 14.7p)[3]
- Interim dividend increased by 20% to 6.6 pence per share

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[1] Broadband data stated as at 28 January 2007. As at 31 December 2006 gross bookings were 252,000 with 193,000 activated customers

[2] Adjusted gross margin excludes an exceptional gain from a third party channel provider of £65 million, accounted for within programming expenses

[3] Adjusted EPS excludes mark-to-market in derivative financial instruments that do not qualify for hedge accounting, an exceptional gain of £65 million and an exceptional charge of £6 million

James Murdoch, Chief Executive said:

"In the last six months we have achieved a number of important milestones in building our business for the future. Sales of new Sky boxes were the highest for six years, Sky+ broke through the two million barrier and Sky HD almost doubled in size after a strong Christmas sales period. With over one in four of our customers now taking an additional service from Sky, more people are choosing more of our products than ever before.

"At the end of our first full quarter as a broadband provider, benefits are starting to flow through the business. Sky Broadband is attracting new and existing customers with more than two-thirds opting for our faster, paid-for products. The rollout of our all-IP broadband network is progressing ahead of schedule. As a result, we now reach more households than the entire U.K. cable network with our "See, Speak, Surf" combination of TV, telephony and broadband products.

"We are committed to making a difference with energy efficiency and climate change. Sky was recognised recently as a National Energy Efficiency Champion and I want to thank all our staff for making this possible.

"In 2007, we will continue to drive towards our goal of being the leader in entertainment and communications in the U.K. and Ireland. We're on track for our targets and our expansion into broadband and telephony positions us well to take advantage of a growing opportunity in a £20 billion industry."

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There will be a presentation to analysts and investors at 09:30 a.m. (GMT) today at Goldman Sachs, River Court Conference and Training Centre, 7th Floor, 120 Fleet Street, London EC4A 2BB.

A conference call for US analysts and investors will be held at 10:00 a.m. (EST) today. Details of this call have been sent to North American institutions and can be obtained from Dana Johnston at Taylor Rafferty on +1 212 889 4350.

A live webcast of the presentation to analysts and investors, together with this press release, will be available today on Sky's corporate website which may be found at www.sky.com/corporate. Interviews with James Murdoch, CEO and Jeremy Darroch, CFO, in audio / video and transcript will be available from 7:00 a.m. today at www.sky.com/corporate and www.cantos.com.

Overview

We continued to see a strong sales performance in the second quarter. Sales of new Sky subscriptions ("gross additions") were the highest for six years and we surpassed two million Sky+ boxes and six million Sky Sports customers[5] in the run up to Christmas. Our new product launches are proceeding well and over a quarter of our customers now take more than one product from Sky. Sky broadband has made an encouraging start and sales of Sky HD almost doubled in the quarter with 88,000 new customers. Overall net additions were also strong, at 183,000 in the second quarter.

As we indicated at our first quarter results announcement on 3 November 2006, we have moved ahead with our plans to first reduce, and then remove, viewing package discounts in retention and acquisition with a greater use of broadband and telephony. This has resulted in a short-term increase in churn to 11.9%. The Group estimates that around 27,000 customers left Sky's platform during the quarter as a result of this change in policy. Excluding these customers, churn was around 10.6%. We expect this shift in retention and acquisition strategy will deliver valuable benefits in quality and profitability of the business through the second half of the financial year and beyond.

Group operating profit was £395 million. Excluding Sky Broadband, Easynet Enterprise and net exceptional gains, operating profit was £420 million, a year-on-year increase of 1%. Growth was affected by a weaker TV advertising sector, a decline in wholesale revenue, a full half year of CRM depreciation and the high levels of gross additions and upgrades. We expect the second half to benefit from further progress in ARPU, improved marketing efficiencies, a seasonally lighter period of net additions and upgrades and the consequent lower weighting of operating costs.

The Group's expansion into the U.K. broadband and telephony sectors got off to a good start with 259,000 broadband customers by 28 January 2007. In addition, we are beginning to see the initial benefits to the wider business, with around 20% of broadband customers new to Sky and marketing efficiencies leading to lower SAC as we are able to spread our fixed marketing spend per subscriber over a broader base. The mix of our broadband subscribers has exceeded our initial expectations with around 70% of our on-net customers opting for a paid-for product. Finally, the roll-out of our IP-based broadband network has proceeded ahead of plan and we now expect to achieve 70% coverage of the U.K. by the end of June 2007, a full six months ahead of schedule.

The Group took a number of steps throughout 2006 to increase exposure to favourable macro growth trends, particularly online advertising. We announced our world-first partnership with Google which was a strong endorsement of our broadband offering. The acquisitions of 365 Media Group plc, the online sports advertising sales house Aura and MyKindaPlace further increase our exposure and capabilities in this segment.

[5] Six million subscribers across all platforms, including Sky residential, cable and Sky business customers

On 17 November 2006, we acquired a 17.9% minority stake in ITV plc. ITV is one of Europe's premier broadcasting and production businesses, and holds substantial potential for long-term value creation.

During the half year, the Group recognised an exceptional gain of £59 million, consisting of two items: a £65 million one-off payment received from a third party channel provider as a result of a contractual entitlement to a proportion of the value of certain of its channels; and a £6 million charge within other operating expenses as part of our litigation with EDS, an information and technology solutions provider, in relation to work carried out between 2000 and 2002 on our customer relationship management systems.

Outlook

Looking forward to the second half of the financial year, we are confident in the quality and flexibility of our products together with the value that we offer customers at all levels. This positions us well as we enter a potentially more challenging consumer environment with higher interest rates, and higher competitor activity in the near-term. The new year has got off to an encouraging start with good early response rates from our combined *'See, Speak, Surf'* advertising campaign, solidifying our position as a deliverer of real value and quality to consumers.

Our focus in the second half of this financial year is to continue to drive customer demand, accelerate the rate of broadband provisioning to reach over 700,000 customers by the end of June and to extend the roll-out of our broadband network. We also plan to capitalise on the investment in our DTH/DSL platform by introducing a new enhancement, '*Sky Anytime*', giving over a million Sky customers at launch the chance to enjoy a selection of the week's best programmes on-demand.

We will continue with our new acquisition and retention strategy which will result in a short-term impact on churn over the next one to two quarters and we therefore expect net subscriber growth to be in the region of 90,000 to 100,000 over the next six months. This change will deliver valuable benefits to the profitability of the business through the second half of this financial year as well as further growth in ARPU. We remain confident that performance for the full year will be in line with our expectations.

Results highlights

All financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including comparatives.

Customer Metrics

'000s	31-Dec-06	30-Sep-06	Net additions
Total customers(1)(2)(3)	**8,441**	**8,258**	**183**
Additional products:			
Sky+(4)	1,968	1,692	276
Multiroom(5)	1,226	1,093	133
HD	184	96	88
Broadband	193	44	149
Telephony	223	195	28
Other KPI's:			
Churn	11.9%	11.8%	
ARPU	£394	£385	

[1] Includes DTH subscribers in Republic of Ireland. (465,020 as at 31 December 2006, 393,000, as at 31 December 2005.)
[2] DTH subscribers include only primary subscriptions to Sky (no additional units are counted for Sky+ or Multiroom subscriptions). This does not include customers taking Sky's freesat offering or churned customers viewing free-to-air channels.
[3] DTH subscribers include subscribers taking Sky packages via DSL through Kingston Interactive Television and Homechoice.
[4] Sky+ includes HD households
[5] Multiroom includes households subscribing to more than one digibox. (No additional units are counted for the second or any subsequent Multiroom subscriptions within one household.)

Financial Summary (unaudited)

	6 months to Dec-06			6 months to Dec-05
£'millions	**Reported**	**Exceptional(6)**	**Adjusted**	**Reported**
Income statement:				
Revenue	2,220		(7) 2,220	2,016
Gross Profit	1,472	(65)	1,407	1,206
% Margin	*66%*	-	*63%*	*60%*
Operating Profit	395	(59)	(8) 336	414
% Margin	*18%*	-	*15%*	*21%*
Profit for the period	246	(47)	199	274
Cash flow information:				
Cash generated from operations	365	6	371	514
Net debt(9)	1,940	-	1,940	458

Per share information (pence):	**6 months to Dec-06**	**6 months to Dec-05**
EPS - basic	14.0	14.9
EPS - adjusted(10)	11.3	14.7

[6] Exceptional items include a one-off receipt from third party channel provider for £65 million, £6 million charge for litigation costs and £8 million mark-to-market gain on financial derivatives
[7] Revenues include £22 million from Sky Broadband and £77 million from Easynet Enterprise
[8] Operating profit includes net operating loss of £73 million from Sky Broadband and £11 million from Easynet Enterprise
[9] Cash, cash-equivalents, short-term deposits, borrowings and borrowings related financial instruments
[10] Adjusted EPS excludes mark-to-market in derivative financial instruments that do not qualify for hedge accounting, exceptional gain of £65 million and an exceptional charge of £6 million

OPERATIONAL REVIEW

New DTH customers of 432,000 in the quarter are the highest in six years, and our investment in new products is helping to grow demand. During the quarter, nearly a third of Sky+ additions, 15% of HD additions and 18% of broadband additions were new Sky customers. We reached important achievements in content, reaching 6 million Sky Sports customers after 16 years of consistent growth and record ratings for Sky One with Terry Pratchet's 'Hogfather' attracting the channel's highest ever audience for a commissioned programme of 2.8 million.

As previously announced on 3 November 2006, we have moved ahead with our plans to improve price transparency and we began reducing our viewing package discounts in retention and acquisition part-way during the quarter. This has resulted in a short-term increase in churn to 11.9%, up 0.1% from the previous quarter. Excluding the impact of this change in strategy, churn was in line with the second quarter of the 2006 financial year at 10.6%. This impact is expected to correct within one to two quarters; and more importantly will help deliver valuable benefits to the quality and profitability of the business, as well as quarter-on-quarter growth in ARPU and move the business towards our medium-term churn target of 10%.

After net additions in the second quarter of 183,000, total first half customers increased by 265,000 in line with the six months to 31 December 2005 ("comparable period"). Both the mix of products and the balance of packages remain strong: over a quarter of our customers now take more than one product, up from a fifth in the comparable period. We surpassed sales of two million Sky+ boxes in 2006 and by the end of January 2007 we had reached the same level of Sky+ households[6]. Our premium TV product, Sky HD, is our fastest selling new TV product launch with 184,000 subscribers in only seven months. We continue to make good progress with multiroom with 1.2 million subscribers or 15% penetration.

A managed approach to the broadband launch continues to benefit the Group with network roll out ahead of plan, operating losses and capital expenditure in line with guidance and an accelerating rate of customer growth. A total of 771 exchanges were unbundled by 28 January 2006, and we now expect to achieve 70% coverage of U.K. households by the end of this financial year, six months ahead of plan.

[6]No additional units are counted for second or subsequent Sky+ boxes within one household

With the strong demand for our pay TV products in the last quarter, we managed our rate of broadband provisioning accordingly in order to maintain high standards of customer service and delivery over the busy Christmas period. On average around 90% of customers are being connected within 15 working days and our success rates on right-first-time provisioning are seeing further improvement. Initial challenges with our e-sales system meant that the provisioning of broadband lines was slower than we had hoped in the months of November and December. The run-rate of gross bookings has now accelerated to around 28,000 per week in January and we are targeting total broadband customers of more than 700,000 by the end of this financial year.

Gross Sky Broadband bookings reached 343,000 by 28 January 2007 with 259,000 active customers, up from 74,000 at the end of October, and 44,000 at the end of September, with 87% on-net. Of these on-net customers, approximately 70% opted for a paid-for package and although it is still early days in our broadband plan, nearly one in five broadband customers was new to Sky. The Group had a further 33,000 customers registered to UK Online, Easynet's residential broadband service, bringing the total number of broadband customers to 292,000.

In telephony (Sky Talk), the focus for the quarter was enhancing our package offering and migrating the majority of our existing customers to our new packages. Customers reached 223,000, up from 195,000 at the end of September, with further acceleration in the month of January following the launch of our 'See, Speak, Surf' package. There were 236,000 Sky Talk customers by 28 January 2007 and 19% of broadband customers also opted for our Sky Talk package.

The Group continued to make excellent progress in reducing programming costs as a percentage of sales. As a consequence, gross margin increased by three percentage points to 63% (excluding the exceptional gain of £65 million). The value of our content offering was reflected in our record six million Sky Sports subscribers and the highest rating for an individual series on Sky One, with Terry Pratchet's 'Hogfather' attracting the channel's highest ever audience for a commissioned programme of 2.8 million and the first six episodes of 'Lost' attracting an average of 1.9 million viewers.

FINANCIAL SUMMARY

The Group's financial performance for the period reflects the investment in Sky Broadband, operating losses from Easynet Enterprise and net exceptional items. Group revenue of £2,220 million included £22 million from Sky Broadband and £77 million from Easynet Enterprise. Group operating profit of £395 million included net operating losses of £73 million from Sky Broadband, £11 million of losses from Easynet Enterprise and a net exceptional gain of £59 million.

Excluding Sky Broadband, Easynet and exceptional gains, operating profit was £420 million, an increase of 1% on the comparable period. Year-on-year profit growth in the first half was affected by a substantially weaker TV advertising sector, continued decline in cable wholesale revenue, a full half year of CRM depreciation and the high levels of new customers joining Sky and customer upgrades which lead to higher short-term costs. We expect the second half to benefit through growth in ARPU, a seasonally lower level of gross additions and upgrades and further marketing efficiencies in SAC.

The operating loss from Sky Broadband is tracking in line with previous guidance; is expected to break even in the year to 30 June 2010; and has an attractive standalone NPV before wider benefits to the Group.

Revenue

To improve presentation, we have chosen to re-analyse the revenue categories previously reported. For a reconciliation of this re-analysis please refer to Appendix 3. "Retail Subscription" revenue now includes all subscription revenue from residential and business customers including Sky Broadband and Sky Talk. We have introduced a new category for installation, hardware and service revenue. "Other Revenue" now principally includes Easynet Enterprise, Sky Active and technical platform service fees.

Group revenue showed good growth increasing by 10% over the six months ended 31 December 2006 to £2,220 million (2006: £2,016 million), despite the advertising sector downturn and a fall in wholesale revenue. Group revenue included £22 million from Sky Broadband[7] and £77 million from Easynet Enterprise[8].

Retail subscription revenue increased by 5% on the comparable period to £1,638 million (2006: £1,557 million) and included £19 million from Sky Broadband and £2 million from Easynet Enterprise. Growth was primarily driven by a 5% increase in the average number of DTH customers, partially offset by a 1% year-on-year decline in average revenue per customer due to the cumulative impact of previous viewing package discounts to new and existing customers.

ARPU increased by £9 to £394[9] quarter-on-quarter, reflecting the full effect of the 2006 price rise and increased penetration of new products across our customer base. Changes made to our promotional strategy in retention and acquisition during the quarter will lead to benefits in the second half of the year, with further growth in ARPU expected throughout the financial year.

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[7] Sky Broadband revenue includes £19 million of subscription revenue, £2 million of installation, hardware and service revenue and £1 million of other revenue

[8] Easynet Enterprise revenue includes £2 million of subscription revenue and £75 million of other revenue (business subscription and other revenue)

[9] The Group has adjusted its calculation of ARPU to reflect revised contractual arrangements in respect of Sky Talk. Previously, Sky Talk revenues were recognised on a net margin basis, whereas, now, the Group recognises gross telephony revenues in its ARPU calculation. On a like-for-like basis, this adjustment would result in each ARPU figure disclosed during the previous financial year being increased by £3

Wholesale revenue fell by 3% to £109 million and continues to disappoint. Advertising revenue was flat year-on-year at £171 million, significantly outperforming the overall TV advertising sector, which we estimate contracted by 8.6% over the same period. Outperformance was driven by higher advertising share year-on-year, up from an average of 12.7% in six months to December 2005 to 13.9% in the six months to December 2006. We expect U.K. TV advertising will contract further in calendar 2007, but we currently expect to continue to outperform the sector.

Sky Bet revenue was £4 million higher than the prior year with good growth in internet sports betting and TV games.

Installation, Hardware and Service revenue was £119 million (including £2 million of Sky Broadband) up from £70 million in the comparable period. This increase reflects the strong gross additions and customer upgrades, as well as a higher proportion of premium priced hardware sales.

Other revenue was £163 million (2006: £90 million), including £1 million from Sky Broadband and £75 million from Easynet Enterprise. On a like-for-like basis other revenue decreased by £3 million, largely due to a reduction in Sky Active and Sky magazine revenue.

Gross margin

In programming, major investment in sports rights to further improve the quality of our channels, was offset by savings and efficiencies achieved in other areas. Reported programming costs were £748 million, including an exceptional £65 million credit from a third party channel provider. Programming costs excluding this exceptional gain increased by £3 million with a gross margin of 63%. Excluding Sky Broadband and Easynet Enterprise, gross margin increased by two percentage points on the comparable period to 62%.

Sports costs increased by £35 million, driven primarily by one-off events such as the Ryder Cup (which was also transmitted in HD) and ECB cricket, with the first summer of exclusive live coverage of all domestic, international and country cricket. Movie costs fell by £16 million to £143 million principally as a result of favourable contract renewals and £2 million of foreign exchange benefits. News and Entertainment costs were £5 million lower. Excluding the exceptional receipt of £65 million, like-for-like third party costs fell by £11 million to £156 million, reflecting improved distribution agreements and the impact of Film4's re-launch as a subscription free channel.

Profit

Operating profit of £395 million (2006: £414 million) included a net exceptional gain of £59 million, Sky Broadband losses of £73 million and Easynet Enterprise losses of £11 million.

Sky Broadband net operating losses of £73 million comprised revenue of £22 million and operating costs of £95 million; £21 million of which are included in subscriber management; £35 million in transmission; £29 million in marketing; and £10 million administration. Easynet Enterprise net operating losses of £11 million comprised revenue of £77 million and operating costs of £88 million; of which £7 million are included in subscriber management; £54 million in transmission; £2 million in marketing and £25 million in administration.

Operating costs excluding programming were £1,077 million (2006: £792 million). Excluding Sky Broadband and Easynet Enterprise costs of £183 million and an exceptional charge of £6 million, other operating costs increased by £96 million, reflecting strong gross additions, high levels of product upgrades and investment in infrastructure and increased contact centre resources.

Total marketing costs were £375 million (2006: £332 million), up by £12 million on a like-for-like basis, with the costs of strong gross additions and increased product upgrades partially offset by efficiencies in subscriber acquisition costs ("SAC"). SAC fell by £15 versus the second half of the 2006 financial year or by £4 on the comparable period to £246, benefiting from the impact of broadband as we were able to spread our fixed marketing spend per subscriber over a broader base. Other savings were driven by a higher proportion of premium priced HD boxes as well as some supply chain savings.

Total subscriber management costs were £313 million (2006: £219 million), up by £66 million on a like-for-like basis. Half of this growth related directly to increased installation costs (partially offset by installation, hardware and service revenue) and the remainder from higher call-centre costs and depreciation relating to the implementation of new CRM systems.

The remaining other operating expenses totalled £389 million (2006: £241 million) included £124 million of Sky Broadband and Easynet Enterprise costs and included an exceptional charge of £6 million relating to the legal costs of the Group's claim against EDS, which provided services to the Group as part of the Group's investment in customer relationship management systems software and infrastructure. The amount which may be recovered by the Group will not be finally determined until resolution of the claim and we currently expect to incur costs of around £20 million during the current financial year, which will be recognised as an exceptional cost.

After the Group's share of operating profits from joint ventures of £6 million (2006: £7 million) and a net interest charge of £45 million (2006: £31 million) which included positive £8 million mark-to-market movement (2006: £4 million) on the value of non-IFRS hedge accounted derivatives, the Group made a profit before tax in the period of £356 million.

The total tax charge for the period was £110 million (2006: £116 million), at an effective rate of 31%.

Earnings

The Group's profit for the period was £246 million (2006: £274 million), generating basic EPS of 14.0p (2006: 14.9p). Adjusted profit for the period was £199 million (2006: £271 million), generating adjusted earnings per share of 11.3 pence compared to 14.7 pence in the comparable period. The 2005/6 share buyback programme resulted in the number of shares outstanding in the period falling by 4.5% to 1,762 million (2006: 1,845 million).

Exceptional items

The Group reported net exceptional gains of £59 million within operating profit, consisting of two items. Included within third party costs is a £65 million credit resulting from the payment relating to a proportion of the value of certain third party channels. Partially offsetting this was a charge of £6 million recorded within administration expenses relating to the legal costs of the Group's claim against EDS.

Cash flow

Operating profit for the period was £395 million, generating adjusted EBITDA of £493 million, up 5% excluding Easynet Enterprise and Sky Broadband losses and exceptional items. Following a higher working capital outflow of £121 million, the Group generated a cash inflow from operations of £365 million (2006: £514 million).

Working capital was impacted primarily by timing differences on the receipt of an exceptional third party settlement, which was recognised in the income statement for the period, with cash received in January and by earlier payments to suppliers relative to the prior year in order to take advantage of early payment discounts.

Capital expenditure for the period was £158 million, including £91 million investment in Sky Broadband and Easynet Enterprise as well as investment in infrastructure and IT systems.

After acquisition spend of £994 million, relating to the investment in ITV, You Me TV and 365 Media Group plc, interest of £60 million, cash taxes of £39 million and returns to shareholders of £331 million, net debt increased to £1,940 million as at the 31 December 2006.

CORPORATE

Sky announced the purchase of 17.9% of ITV plc on 17 November 2006 for a total consideration of £946 million including fees and taxes. The fair value of these shares was £741 million at the end of December 2006, resulting in a £205 million non-cash fair value adjustment to balance sheet reserves.

On 15 December 2006, the Group made a recommended cash offer for the entire share capital of 365 Media Group plc ("365"). The offer became unconditional in all respects on 23 January 2007 and we are now compulsorily acquiring 365's remaining shares and seeking to delist the company from AIM. Under IFRS, this investment was marked to market at the period end, with the loss of £2 million being taken to reserves.

CORPORATE RESPONSIBILITY

As one of the U.K.'s leading consumer franchises, reputation is a key competitive differentiator. Following the achievement of carbon neutral status in May 2006, the success of Sky's environmental programme, The Bigger Picture, was externally recognised with a number of awards during the quarter. Sky won the National Energy Efficiency award for large businesses and was also named the overall National Champion for Energy Efficiency. The awards were judged on a number of criteria including; demonstrable results, environmental impact, financial and other savings and impact on customers, audiences and end-users. For example, just one element of the improvement programme, installation of oil-less chillers in four Sky buildings, resulted in energy and cost savings of 40% (compared to previous installations) and £280,000 per annum.

Sky also won an inaugural United Nations Environment Programme (UNEP) sponsored Green Award for sustainable business. Sky was commended for a far-reaching programme that had produced tangible results such as achieving Carbon Neutral status and reaching out to employees, business partners and customers.

Use of measures not defined under IFRS

This press release contains certain information on the Group's financial position, results and cash flows that have been derived from measures calculated in accordance with IFRS. This information should not be read in isolation of the related IFRS measures.

Forward-looking statements

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to the Group's financial condition, results of operations and business, and management's strategy, plans and objectives for the Group. These statements include, without limitation, those that express forecasts, expectations and projections with respect to the potential for growth of free-to-air and pay-TV, fixed line telephony, broadband and bandwidth requirements, advertising growth, DTH subscriber growth, Multiroom, Sky+ and other services penetration, churn, DTH and other revenue, profitability and margin growth, cash flow generation, programming and other costs, subscriber acquisition costs and marketing expenditure, capital expenditure programmes and proposals for returning capital to shareholders.

These statements (and all other forward-looking statements contained in this document) are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the Group's control, are difficult to predict and could cause actual results to differ materially from those expressed or implied or forecast in the forward-looking statements. These factors include, but are not limited to, the fact that the Group operates in a highly competitive environment, the effects of laws and government regulation upon the Group's activities, its reliance on technology, which is subject to risk, change and development, failure of key suppliers, its ability to continue to obtain exclusive rights to movies, sports events and other programming content, risks inherent in the implementation of large-scale capital expenditure projects, the Group's ability to continue to communicate and market its services effectively, and the risks associated with the Group's operation of digital television transmission in the U.K. and Ireland.

Information on some of the risks and uncertainties associated with the Group's business are described in the "Review of the Business - Risk Factors" section of Sky's Annual Report on Form 20-F for the year ended 30 June 2006. Copies of the Annual Report on Form 20-F are available on request from British Sky Broadcasting Group plc, Grant Way, Isleworth TW7 5QD or from the British Sky Broadcasting web page at www.sky.com/corporate. All forward-looking statements in this document are based on information known to the Group on the date hereof. Except as required by law, the Group undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Appendix 1 – Subscribers to Sky Channels

	Second quarter as at 31 December 2006	First quarter as at 30 September 2006	Prior year Q2 as at 31 December 2005
DTH homes[1,2 3]	**8,441,000**	**8,258,000**	**8,059,000**
Total TV homes in the U.K. and Ireland[4]	26,766,000	26,764,000	26,585,000
DTH homes as a percentage of total U.K. and Ireland TV homes	32%	31%	30%
Cable – U.K.	3,397,000	3,251,000	3,292,000
Cable – Ireland	605,000	606,000	597,000
Total Sky pay homes	**12,443,000**	**12,115,000**	**11,948,000**
Total Sky pay homes as a percentage of total U.K. and Ireland TV homes	46%	45%	45%
Sky+ homes	1,968,000	1,692,000	1,281,000
Multiroom homes[5]	1,226,000	1,093,000	906,000
HD homes	184,000	96,000	-
Broadband customers	193,000	44,000	-
DTT – U.K.[6]	7,971,000	7,646,000	6,363,000

1 Includes DTH subscribers in Republic of Ireland (465,020, as at 31 December 2006).
2 DTH subscribers includes only primary subscriptions to Sky (no additional units are counted for Sky+ or Multiroom subscriptions). This does not include customers taking Sky's Freesat offering or churned customers viewing free-to-air channels.
3 DTH homes include subscribers taking Sky packages via DSL through Homechoice.
4 Total U.K. homes estimated by BARB and taken from the beginning of the month following the period end (latest figures as at 1 January 2007). Total Ireland homes estimated by Nielsen Media Research, conducted on an annual basis in July with results available in September (latest figures as at July 2006).
5 Multiroom includes households subscribing to more than one digibox. (No additional units are counted for the second or any subsequent Multiroom subscriptions.)
6 DTT homes estimated by BARB and taken from the beginning of the following month (latest figures as at 1 January 2007). These include Sky or Cable homes that already take multi-channel TV.

Appendix 2 - Glossary

Glossary

Useful definitions	**Description**
Adjusted profit for the period	Profit for the period adjusted to remove mark-to-market movements in derivative financial instruments that do not qualify for hedge accounting, exceptional items and any changes in the estimate of recoverable tax assets in respect of prior years.
Adjusted earnings per share	Adjusted profit divided by the weighted average number of ordinary shares during the year.
ARPU	Average Revenue Per User: the amount spent by the Group's residential subscribers in the quarter, divided by the average number of residential subscribers in the quarter, annualised.
Churn	The rate at which subscribers relinquish their subscriptions, expressed as a percentage of total subscribers.
Digibox	Digital satellite reception equipment.
EBITDA	Earnings before interest, taxation, depreciation and amortisation is calculated as operating profit before depreciation and amortisation or impairment of goodwill and intangible assets.
Gross margin	Revenue less programming expenses as a proportion of revenue.
Gross profit	Revenue less programming expense.
Gross Sky broadband bookings	The number of customers that have requested our broadband product, passed pre-sale checks and have been accepted by our booking system and invoiced for any relevant activation fees.
Gross Sky Bet revenue	Gross stakes placed by customers on events taking place in the period and net customer losses in respect of casino, online roulette and similar interactive casino style games.
HD	High Definition.
Like-for-like	Excluding contribution from Sky Broadband and Easynet Enterprise and net exceptional amounts.
Multichannel viewing share	Share of viewers of non-analogue terrestrial television.
Multiroom	Installation of one or more additional Digiboxes in the household of an existing DTH subscriber.
Net debt	Cash, cash-equivalents, short-term deposits, borrowings and borrowings related derivative financial instruments.
On-net	Customers subscribing to our unbundled broadband product.
Sky +	Sky's fully-integrated Personal Video Recorder (PVR) and satellite decoder.
Viewing share	Number of people viewing a channel as a percentage of total viewing audience.

Appendix 3 – Re-analysis of reported revenue by category

To provide a more relevant presentation, management has chosen to re-analyse the revenue categories from those previously reported. Other revenue now principally includes income from Easynet Enterprise, Sky Active and technical platform service revenue.

	2005/06 Half Year As previously reported	Transfer of Sky Active	Separate installation, hardware and service	Other	**2005/06 Half Year Re-analysed**
	£ million	£ million	£ million	£ million	**£ million**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	**(unaudited)**
Retail Subscription	1,554	-	-	3	**1,557**
Wholesale Subscription	112	-	-	-	**112**
Advertising	171	-	-	-	**171**
Sky Bet	16	-	-	-	**16**
Sky Active	46	(46)	-	-	**-**
Installation, Hardware and Service	-	-	70	-	**70**
Other	117	46	(70)	(3)	**90**
	2,016	-	-	-	**2,016**

	2005/06 Full Year As previously reported	Transfer of Sky Active	Separate installation, hardware and service	Other	**2005/06 Full Year Re-analysed**
	£ million	£ million	£ million	£ million	**£ million**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	**(unaudited)**
Retail Subscription	3,154	-	-	3	**3,157**
Wholesale Subscription	224	-	-	-	**224**
Advertising	342	-	-	-	**342**
Sky Bet	37	-	-	-	**37**
Sky Active	91	(91)	-	-	**-**
Installation, Hardware and Service	-	-	131	-	**131**
Other	300	91	(131)	(3)	**257**
	4,148	-	-	-	**4,148**

Consolidated Income Statement for the half year ended 31 December 2006

	Notes	2006/07 Half year £ million (unaudited)	2005/06 Half year £ million (unaudited)	2005/06 Full year £ million (audited)
Revenue	2	**2,220**	2,016	4,148
Operating expense	3	**(1,825)**	(1,602)	(3,271)
Operating profit		**395**	414	877
Share of results of joint ventures and associates		**6**	7	12
Investment income		**24**	20	52
Finance costs		**(69)**	(51)	(143)
Profit before tax		**356**	390	798
Taxation		**(110)**	(116)	(247)
Profit for the period		**246**	274	551
Earnings per share from profit for the period (in pence)				
Basic	4	**14.0p**	14.9p	30.2p
Diluted	4	**14.0p**	14.9p	30.1p

Adjusted earnings per share from profit for the period (in pence)				
Basic	4	**11.3p**	14.7p	30.7p
Diluted	4	**11.3p**	14.7p	30.6p

Consolidated Statement of Recognised Income and Expense for the half year ended 31 December 2006

	2006/07 Half year £ million (unaudited)	**2005/06 Half year £ million (unaudited)**	**2005/06 Full year £ million (audited)**
Profit for the period	**246**	274	551
Loss on available for sale investments	**(207)**	-	-
Net movement in hedging reserve			
Cash flow hedges	**21**	1	(54)
Tax on cash flow hedges	**(6)**	-	16
	15	1	(38)
Total recognised income and expense for the period	**54**	275	513

Consolidated Income Statement for the three months ended 31 December 2006

	2006/07 Three months ended 31 December £ million (unaudited)	2005/06 Three months ended 31 December £ million (unaudited)
Revenue	**1,149**	1,050
Operating expense	**(934)**	(851)
EBITDA	**262**	231
Depreciation and amortisation	**(47)**	(32)
Operating profit	**215**	199
Share of results from joint ventures and associates	**4**	5
Investment income	**10**	12
Finance costs	**(39)**	(26)
Profit before tax	**190**	190
Taxation	**(60)**	(56)
Profit for the quarter	**130**	134
Earnings per share from profit for the quarter (in pence)		
Basic and diluted	**7.4**	7.3
Adjusted	**5.0**	7.1

Consolidated Balance Sheet as at 31 December 2006

	Notes	**31 December 2006 £ million (unaudited)**	31 December 2005 £ million (unaudited)	30 June 2006 £ million (audited)
Non-current assets				
Goodwill		659	417	637
Intangible assets		209	221	218
Property, plant and equipment		593	349	519
Investments in joint ventures and associates		31	29	28
Available for sale investments		771	52	2
Deferred tax assets		79	79	100
Derivative financial assets		-	13	-
		2,342	1,160	1,504
Current assets				
Inventories		609	568	324
Trade and other receivables		568	389	489
Short-term deposits		202	764	647
Cash and cash equivalents		402	889	816
Derivative financial assets		6	29	7
		1,787	2,639	2,283
Total assets		4,129	3,799	3,787
Current liabilities				
Borrowings		548	174	163
Trade and other payables		1,469	1,376	1,247
Current tax liabilities		140	116	82
Provisions		4	6	6
Derivative financial liabilities		36	26	49
		2,197	1,698	1,547
Non-current liabilities				
Borrowings		1,751	1,854	1,825
Other payables		63	23	66
Provisions		18	-	19
Derivative financial liabilities		245	80	209
		2,077	1,957	2,119
Total liabilities		4,274	3,655	3,666
Shareholders' (deficit) equity	6	(145)	144	121
Total liabilities and shareholders' (deficit) equity		4,129	3,799	3,787

Consolidated Cash Flow Statement for the half year ended 31 December 2006

	Notes	**2006/07 Half year £ million (unaudited)**	2005/06 Half year £ million (unaudited)	2005/06 Full year £ million (audited)
Cash flows from operating activities				
Cash generated from operations		**365**	514	1,004
Interest received		**32**	16	43
Taxation paid		**(39)**	(76)	(172)
Net cash from operating activities		**358**	454	875
Cash flows from investing activities				
Dividends received from joint ventures and associates		**4**	3	7
Net funding to joint ventures and associates		**-**	(1)	(2)
Purchase of property, plant and equipment		**(131)**	(58)	(169)
Purchase of intangible assets		**(27)**	(36)	(43)
Purchase of available-for-sale investments		**(975)**	(51)	-
Decrease (increase) in short-term deposits		**445**	(570)	(453)
Purchase of subsidiaries (net of cash and cash equivalents purchased)		**(19)**	-	(209)
Net cash used in investing activities		**(703)**	(713)	(869)
Cash flows from financing activities				
Proceeds from borrowings		**550**	1,014	1,014
Repayment of borrowings		**(191)**	-	-
Proceeds from disposal of shares in Employee Share Ownership Plan (“ESOP”)		**8**	7	13
Purchase of own shares for ESOP		**(13)**	-	(17)
Purchase of own shares for cancellation		**(214)**	(240)	(408)
Interest paid		**(92)**	(44)	(105)
Dividends paid to shareholders		**(117)**	(92)	(191)
Net cash (used in) from financing activities		**(69)**	645	306
Effect of foreign exchange rate movements		**-**	-	1
Net (decrease) increase in cash and cash equivalents		**(414)**	386	313
Cash and cash equivalents at the beginning of the period		**816**	503	503
Cash and cash equivalents at the end of the period		**402**	889	816

Notes to the interim financial statements

1 Basis of preparation

The financial information set out in this press release does not constitute statutory financial statements for the years half year ended 31 December 2006 or 2005, for the purpose of the Companies Act 1985. Statutory financial statements for the year ended 30 June 2006 have been filed with the Registrar of Companies. The Group's auditors have reported on those accounts; their reports were unqualified and did not contain statements under s. 237(2) or (3) Companies Act 1985.

Whilst the financial information included in this press release has been prepared in accordance with International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS.

2 Revenue

	2006/07 Half year £ million (unaudited)	2005/06 Half year £ million (unaudited)	2005/06 Full year £ million (audited)
Retail subscription	**1,638**	1,557	3,157
Wholesale subscription	**109**	112	224
Advertising	**171**	171	342
Sky Bet	**20**	16	37
Installation, hardware and service	**119**	70	131
Other	**163**	90	257
	2,220	2,016	4,148

To provide a more relevant presentation, management has chosen to re-analyse the revenue categories from those previously reported. Other revenue now principally includes income from Easynet Enterprise, Sky Active and technical platform service revenue.

3 Operating expense

	2006/07 Half year £ million (unaudited)	2005/06 Half year £ million (unaudited)	2005/06 Full year £ million (audited)
Programming	**748**	810	1,599
Transmission and related functions	**181**	87	234
Marketing	**375**	332	622
Subscriber management	**313**	219	468
Administration	**208**	154	348
	1,825	1,602	3,271

Included within programming for the half year ended 31 December 2006 is a £65 million credit due to the Group arising from certain contractual rights under one of the Group's channel distribution agreements. This item was previously disclosed as a contingent asset in the Group's June 2006 financial statements.

Included within administration for the half year ended 31 December 2006 is £6 million of expense relating to the legal costs of the Group's claim against EDS (an information and technology solutions provider (see note 8b)).

4 Earnings per share

	2006/07 Half year Millions of shares (unaudited)	2005/06 Half year Millions of shares (unaudited)	2005/06 Full year Millions of shares (audited)
Weighted average number of shares			
Ordinary shares	**1,765**	1,849	1,830
ESOP trust ordinary shares	**(3)**	(4)	(3)
Basic shares	**1,762**	1,845	1,827
Dilutive ordinary shares from share options	**1**	2	5
Diluted shares	**1,763**	1,847	1,832

The calculation of diluted earnings per share excludes 21 million share options (2005/06: half year 34 million; full year 37 million), which could potentially dilute earnings per share in the future. These options do not currently have a dilutive effect as the exercise price of the options exceeds the average market price of ordinary shares during the period.

Basic and diluted earnings per share is calculated by dividing profit for the period into the weighted average number of shares for the period. In order to provide a measure of underlying performance, management have chosen to present an adjusted profit for the year which excludes items that may distort comparability. Such items arise from events or transactions that fall within the ordinary activities of the Group but which management believes should be separately identified to help explain underlying performance.

	2006/07 Half year £ million (unaudited)	2005/06 Half year £ million (unaudited)	2005/06 Full year £ million (audited)
Reconciliation from profit for the period to adjusted profit for the period			
Profit for the period	**246**	274	551
Remeasurement of all derivative financial instruments (not qualifying for hedge accounting)	**(8)**	(4)	14
Amount receivable from channel distribution agreement (see note 2)	**(65)**	-	-
Legal costs relating to claim against EDS (see note 3)	**6**	-	-
Tax effect of above items	**20**	1	(4)
Adjusted profit for the period	**199**	271	561

5 Dividends

	2006/07 Half year £ million (unaudited)	2005/06 Half year £ million (unaudited)	2005/06 Full year £ million (audited)
2005 Final dividend paid: 5.00p per ordinary share	**-**	92	92
2006 Interim dividend paid: 5.50p per ordinary share	**-**	-	99
2006 Final dividend paid: 6.70p per ordinary share	**117**	-	-
	117	92	191
Dividends proposed after the balance sheet date and not recognised as a liability			
2007 Interim dividend proposed: 6.6p per ordinary share	**115**	-	-

6 Reconciliation of movement in shareholders' (deficit) equity

	Share capital £ million	Share premium £ million	ESOP reserve £ million	Hedging reserve £ million	Available for sale reserve £ million	Other reserves £ million	Retained earnings £ million	Total shareholders' (deficit) equity £ million
At 1 July 2005	934	1,437	(32)	(14)	-	273	(2,411)	187
Purchase of own shares for cancellation	(23)	-	-	-	-	23	(240)	(240)
Recognition and transfer of cash flow hedges	-	-	-	1	-	-	-	1
Tax on items taken directly to equity	-	-	-	-	-	-	(2)	(2)
Share-based payment	-	-	15	-	-	-	1	16
Profit for the period	-	-	-	-	-	-	274	274
Dividends	-	-	-	-	-	-	(92)	(92)
At 1 January 2006	**911**	**1,437**	**(17)**	**(13)**	-	**296**	**(2,470)**	**144**
Purchase of own shares for cancellation	(15)	-	-	-	-	15	(168)	(168)
Recognition and transfer of cash flow hedges	-	-	-	(55)	-	-	-	(55)
Tax on items taken directly to equity	-	-	-	16	-	-	4	20
Share-based payment	-	-	(8)	-	-	-	10	2
Profit for the period	-	-	-	-	-	-	277	277
Dividends	-	-	-	-	-	-	(99)	(99)
At 1 July 2006	**896**	**1,437**	**(25)**	**(52)**	-	**311**	**(2,446)**	**121**
Purchase of own shares for cancellation	(19)	-	-	-	-	19	(214)	(214)
Recognition and transfer of cash flow hedges	-	-	-	21	-	-	-	21
Tax on items taken directly to equity	-	-	-	(6)	-	-	(1)	(7)
Revaluation of available for sale investments	-	-	-	-	(207)	-	-	(207)
Share-based payment	-	-	1	-	-	-	11	12
Profit for the period	-	-	-	-	-	-	246	246
Dividends	-	-	-	-	-	-	(117)	(117)
At 31 December 2006	**877**	**1,437**	**(24)**	**(37)**	**(207)**	**330**	**(2,521)**	**(145)**

The periods from 1 July to 31 December are unaudited.

7 Notes to the consolidated cash flow statement

a) Reconciliation of profit before taxation to cash generated from operations

	2006/07 Half year £ million (unaudited)	2005/06 Half year £ million (unaudited)	2005/06 Full year £ million (audited)
Profit before tax	**356**	390	798
Depreciation of property, plant and equipment	**58**	36	89
Amortisation of intangible assets	**33**	20	51
Net finance costs	**45**	31	91
Share of results of joint ventures and associates	**(6)**	(7)	(12)
Increase in trade and other receivables	**(118)**	(54)	(102)
(Increase) decrease in inventories	**(294)**	(211)	31
Increase in trade and other payables	**289**	312	55
Decrease in provisions	**(3)**	(7)	(13)
Decrease in derivative financial instruments	**5**	4	16
Cash generated from operations	**365**	514	1,004

b) Analysis of movements in net debt

	As at 1 July 2005 £ million (audited)	Cash movements £ million (audited)	Non-cash movements £ million (audited)	As at 1 July 2006 £ million (audited)	Cash movements £ million (unaudited)	Non-cash movements £ million (unaudited)	**As at 31 December 2006 £ million (unaudited)**
Current borrowings	-	-	163	163	387	(2)	**548**
Non-current borrowings	982	1,014	(171)	1,825	(1)	(73)	**1,751**
Debt	982	1,014	(8)	1,988	386	(75)	**2,299**
Borrowings-related derivative financial instruments	103	-	133	236	(27)	36	**245**
Cash and cash equivalents	(503)	(312)	(1)	(816)	414	-	**(402)**
Short-term deposits	(194)	(453)	-	(647)	445	-	**(202)**
Net debt	388	249	124	761	1,218	(39)	**1,940**

8 Other matters

a) Contingent liabilities

The Group has contingent liabilities by virtue of its investments in joint ventures and associates that are unlimited companies, or partnerships, which include The History Channel (U.K.), Paramount U.K. and NGC-U.K.. The Group's share of contingent liabilities of its joint ventures and associates incurred jointly with the other investors is nil (2005/06: half year nil; full year nil).

The Directors do not expect any material loss to arise from the above contingent liabilities.

b) Contingent assets

The Group has served a claim for a material amount against EDS (an information and technology solutions provider) which provided services to the Group as part of the Group's investment in customer management systems software and infrastructure. The amount which may be recovered by the Group will not be finally determined until resolution of the claim.

c) Changes in estimates

There have been no material changes in estimates of amounts reported in the six months ended 31 December 2006 or in the year ended 30 June 2006.