press release

2 November 2001

BRITISH SKY BROADCASTING GROUP PLC
Results for the three months ended 30 September 2001

Strong growth in revenue and operating profit

- Revenue increases by 24% to £643 million
- EBITDA increases by 32% to £65 million
- Operating profit before goodwill increases by 23% to £45 million
- Net digital DTH subscriber growth of 190,000
- Net DTH subscriber growth of 45,000 following one-off effect of analogue switch-off
- ARPU up 8% to £317, including interactive ARPU of £13
- Sky is now a fully digital service – Analogue switch-off achieved ahead of target

Tony Ball, Chief Executive of British Sky Broadcasting Group plc, said:

"We have achieved our goal of becoming a fully digital service. Sky continues to attract high quality subscribers and to deliver strong revenue and profit growth despite the difficult advertising market. This is the sixth successive quarter in which we have increased year on year profitability and we remain on track to deliver positive free cashflow for the second half of the financial year."

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A conference call for analysts will be held at 8.30 a.m. (GMT) today. To register for this, please contact Diane Bate at Portland PR on +44 20 7404 5351. In addition, a live webcast of the call will be available on Sky's corporate website (www.sky.com/corporate).

There will be a separate conference call for US analysts at 10.00 a.m. (EST) today. Details of this call have been sent to US institutions and can be obtained from Patrick Lyon at Taylor Rafferty on +1 212 889 4350.

BUSINESS REVIEW

Operational

At 30 September 2001 the total number of direct-to-home ("DTH") subscribers was 5,498,000, all of whom were digital subscribers. Net growth in digital subscribers of 190,000 was achieved in the three months to 30 September 2001 ("the quarter"). Total subscribers to Sky's channels increased by 148,000 in the quarter to 10,192,000.

On 27 September 2001, Sky ceased broadcasting its analogue DTH service. On that date, there were 77,000 remaining subscribers to the service. The company expects a proportion of these subscribers to take up Sky's offer to transition to a digital service over the remainder of the fiscal year.

Digital churn for the year to date (annualised) stands at 10.4%.

The quarterly annualised average revenue per DTH subscriber (ARPU) at 30 September 2001 was £317, an increase of 8% over the three months ended 30 September 2000 ("the comparable period").

In the quarter, Sky continued to diversify its distribution channels. Direct sales and other non-retail channels accounted for 54% of new subscriber additions.

Sky channels' share of viewing in all UK homes was 6.0% in the quarter, up from 5.8% on the comparable period. During the quarter, non-terrestrial channels as a whole achieved their highest ever weekly share of viewing in all UK homes (22.5%), while the major terrestrial stations ITV1 and BBC1 achieved their lowest ever weekly shares (24.2% and 24.5% respectively). Sky Sports achieved record audiences for the opening fixtures of the new Premier League season, demonstrating that demand for high quality sports coverage remains strong.

Sky Sales has recently won the airtime sales contracts for the Discovery channels and Emap's portfolio of six digital music channels. These new contracts mean that Sky Sales now sells advertising on behalf of 34 channel brands and is the biggest supplier of commercial impacts to the majority of audiences after ITV and Channel Four.

Sky and Warner Bros., a division of Time Warner Entertainment Company L.P., have recently exercised their rights under the existing pay-TV output contract to extend the contract for a number of years, on terms similar to those which are currently prevailing.

On 1 October 2001, Sky launched the Sky Active service which combines all Sky's existing interactive applications with the services previously offered by Open… The Sky Active Menu offers faster interactive services and simple access, by pressing the red button on the Sky remote while watching a Sky channel or via the interactive button.

Financial

Sky continues to increase its profitability year on year. Operating profit before goodwill for the quarter increased to £45 million, an increase of 23% compared with £36 million for the comparable period.

DTH revenues increased by £91 million to £438 million as a result of a 19% increase in the average number of DTH subscribers, and a 7% increase in core ARPU to £304.

An increase in the average number of digital terrestrial ("DTT") subscribers was partly offset by a 4% decrease in average cable subscribers and the continued decline in the average number of premium channels taken by both cable and DTT subscribers. Consequently cable and DTT revenue increased by £3 million in the quarter to £76 million.

The Group's advertising revenue fell by 6% on the comparable period to £54 million. Sky continues to grow its advertising market share, but the overall decrease reflects the severe downturn in the advertising market as a whole.

Interactive revenues for the quarter were £47 million, of which £27 million related to betting via the telephone, the internet and interactive television. Interactive ARPU was £13, an increase of 44% on the comparable period.

Programming costs for the quarter increased by £51 million to £303 million, principally as a result of higher sports rights costs following the start of the new Premier League contract and higher third party channel costs as a result of the higher number of subscribers.

Other operating costs for the quarter increased by £63 million to £295 million due to the increased cost of subscriber management, reflecting the higher number of subscribers, the consolidation of interactive costs and higher gaming costs in line with increased gaming revenues.

Included in other operating costs are marketing costs of £100 million. Although marketing costs now include BiB's set top box subsidy, which was not consolidated in the comparable period, the Group reduced marketing costs by £5 million from £105 million in the comparable period. This reduction was primarily achieved through a combination of lower set top box costs and reductions in above-the-line spending. As a result, subscriber acquisition cost has fallen to £237 from approximately £250 (on a like-for-like basis) in the comparable period. The Group expects subscriber acquisition costs to continue to fall in the course of the rest of the financial year.

EBITDA for the quarter before exceptional items increased by 32% from £49 million to £65 million.

The Group's share of the operating losses of joint ventures was reduced from £37 million in the comparable period to £31 million in the quarter. KirchPayTV accounted for £29 million of these losses.

After its share of the results of joint ventures, the Group made a loss before taxation of £89 million. The loss after tax in the quarter was £95 million.

The Group's operating cash outflow was £47 million in the quarter, compared to an operating cash outflow of £172 million in the comparable period. This included increases in working capital (principally related to the timing of payments to sports bodies) of £97 million. After capital expenditure of £26 million, net interest payments of £54 million and other net outflows of £6 million, net debt increased by £133 million to £1,680 million.

KirchPayTV

Since the consideration by the Group of the business plan of KirchPayTV in July, there have been a number of strategic, operational and management changes which KirchPayTV have undertaken or plan to undertake in the future. The Group is currently seeking information from KirchPayTV to evaluate the financial effects of these changes on KirchPayTV. The carrying value of the Group's investment in KirchPayTV may be adversely affected by such changes and in these circumstances the Group's right to exercise a put option in respect of its stake in KirchPayTV may need to be taken into consideration.

The put option becomes exercisable from 1 October 2002, if no initial public offering of KirchPayTV has occurred before then. If the put option is exercised, Kirch Holding would be required to pay in cash an amount equal to the cost of acquisition at the time the Group entered into the investment agreement, plus interest. Both Kirch Holding and Dr Leo Kirch are subject to contractually binding terms which preclude assets being transferred out of Kirch Holding on less than arm's length terms. However, there is no certainty that the resources of Kirch Holding will be sufficient to satisfy the put option if exercised.

Corporate

David Evans was appointed as an Independent Non-Executive Director of the Company on 21 September 2001. Mr Evans is President and Chief Executive Officer of Crown Media Holdings Inc., previously known as Hallmark Entertainment Networks Inc.

On 25 September 2001, Vivendi announced that it would enter into a monetisation agreement connected to its BSkyB investment. On 11 October 2001, Sky received a notification that Deutsche Bank AG London held a notifiable interest in 448,190,847 ordinary shares of the company (23.72% of the issued share capital).

On 16 October 2001, Sky and Ladbrokes, the betting and gaming division of Hilton Group plc, announced they had discontinued negotiations relating to a proposed joint venture to offer a fixed odds betting service on Sky Sports channels and other media. As a result, the provision for loss on disposal of subsidiary has been written-back, resulting in a non-cash exceptional profit of £10 million, accounted for below operating profit. Sky continues to operate and develop its interactive TV betting service through its wholly-owned bookmaker, Surrey Sports.

Appendix 1

Subscribers to Sky Channels

	Prior Year Q1 2000/01 as at 30/9/00	Q4 2000/01 as at 30/6/01	Q1 2001/02 as at 30/9/01	Net change in the quarter
DTH				
Digital	4,083,000	5,308,000	5,498,000	+190,000
Analogue	640,000	145,000	–	-145,000[2]
Total DTH	**4,723,000**	**5,453,000**	**5,498,000**	**+45,000**
Cable	3,052,000	2,865,000	2,914,000	+49,000
DTT	846,000	1,105,000	1,178,000	+73,000
Total UK	**8,621,000**	**9,423,000**	**9,590,000**	**+167,000**
Cable - Eire	617,000	621,000	602,000	-19,000
Total UK & Eire	**9,238,000**	**10,044,000**	**10,192,000**	**+148,000**
DTH Churn rate for year to date (annualised)	9.8%	10.0%	10.4%[1]	

1: Excludes analogue churn up to 27 September 2001 and the effect of the termination of the analogue service on 27 September 2001. Total churn including analogue churn and the termination of the analogue service was 18.4%.

2: Represents the aggregate of: (i) subscribers who transitioned to the digital service during the quarter, (ii) analogue churn up to 27 September and (iii) the 77,000 subscribers whose contracts terminated on 27 September.

Consolidated Profit and Loss Account for the three months ended 30 September 2001

	Notes	Before goodwill and exceptional items £m (unaudited)	Goodwill and exceptional items £m (unaudited)	2001/2002 Three months ended 30 September Total £m (unaudited)	2000/2001 Three months ended 30 September* Total £m (unaudited)
Turnover: Group and share of joint ventures		**688.2**	**-**	**688.2**	563.6
Less: share of joint ventures' turnover		**(45.5)**	**-**	**(45.5)**	(43.3)
Group turnover	1	**642.7**	**-**	**642.7**	520.3
Operating expenses, net	2	**(598.1)**	**(29.7)**	**(627.8)**	(489.5)
EBITDA		**64.5**	**-**	**64.5**	48.9
Depreciation		**(19.9)**	**-**	**(19.9)**	(12.7)
Amortisation		**-**	**(29.7)**	**(29.7)**	(5.4)
Operating profit (loss)		**44.6**	**(29.7)**	**14.9**	30.8
Share of operating results of joint ventures	3	**(30.9)**	**-**	**(30.9)**	(37.3)
Joint ventures' goodwill amortisation		**-**	**(49.2)**	**(49.2)**	(16.8)
Profit on sale of fixed asset investment		**-**	**2.3**	**2.3**	-
Share of joint venture's exceptional loss on sale of fixed asset investment		**-**	**-**	**-**	(69.5)
Release of provision for loss on disposal of subsidiary		**-**	**10.0**	**10.0**	-
Profit (loss) on ordinary activities before interest and taxation		**13.7**	**(66.6)**	**(52.9)**	(92.8)
Interest receivable and similar income		**4.1**	**-**	**4.1**	6.2
Interest payable and similar charges		**(40.4)**	**-**	**(40.4)**	(37.0)
Loss on ordinary activities before taxation		**(22.6)**	**(66.6)**	**(89.2)**	(123.6)
Taxation charge		**(5.6)**	**-**	**(5.6)**	(5.3)
Loss on ordinary activities after taxation		**(28.2)**	**(66.6)**	**(94.8)**	(128.9)
Equity dividends – paid and proposed				**-**	-
Retained loss				**(94.8)**	(128.9)
Loss per share – basic and diluted		**(1.5p)**	**(3.5p)**	**(5.0p)**	(7.0p)

*As restated, following the adoption of FRS 19, Deferred taxation.

Notes:

1. Turnover

	2001/2002 Three months ended 30 September £m (unaudited)	2000/2001 Three months ended 30 September £m (unaudited)
Direct-To-Home subscribers	**437.9**	347.2
Cable and DTT subscribers	**75.6**	72.8
Advertising	**53.6**	56.8
Interactive*	**47.3**	16.3
Other	**28.3**	27.2
	642.7	520.3

* Interactive income includes income from gaming, online advertising, internet, e-commerce, interconnect, text services and Sky Interactive set-top box subsidy recovery.

2. Operating expenses, net

	Before goodwill and exceptional items £m (unaudited)	**Goodwill and exceptional items £m (unaudited)**	**2001/2002 Three months ended 30 September Total £m (unaudited)**	2000/2001 Three months ended 30 September Total £m (unaudited)
Programming [(i)]	**302.6**	**-**	**302.6**	251.6
Transmission and related functions [(i)]	**43.9**	**-**	**43.9**	28.2
Marketing	**100.2**	**-**	**100.2**	105.0
Subscriber management	**73.8**	**-**	**73.8**	46.3
Administration	**51.9**	**29.7**	**81.6**	43.8
Gaming	**25.7**	**-**	**25.7**	14.6
	598.1	**29.7**	**627.8**	489.5

[(i)] The amounts shown are net of £1.8 million (2000/2001 three months ended 30 September: £1.5 million) receivable from the disposal of programming rights not acquired for use by the Group, and £7.7 million (2000/2001 three months ended 30 September: £14.2 million) in respect of the provision to third party broadcasters of spare transponder capacity.

3. Share of operating results of joint ventures

	2001/2002 Three months ended 30 September £m (unaudited)	2000/2001 Three months ended 30 September £m (unaudited)
Joint ventures:		
KirchPayTV	**28.7**	21.6
BiB	**-**	13.0
Programming joint ventures, net	**2.2**	2.7
	30.9	37.3

This relates to the Group's equity share of the operating results of the Group's joint ventures.

The Group recognised 32.5% of the results of BiB up until November 2000. From this date, to 9 May 2001, 100% of BiB's losses were recognised due to the arrangement dated 17 July 2000, under which the Group agreed to provide 100% of BiB's funding after existing funding had been utilised. From 9 May 2001, the Group fully consolidated BiB as a subsidiary.