press release

14 November 2003

**BRITISH SKY BROADCASTING GROUP PLC**
**Results for the three months ended 30 September 2003**

- Net DTH subscriber growth of 170,000 in the quarter to 7.0 million
- Total revenue increases by 17% to £850 million
- Operating profit before goodwill and exceptional items doubles to £151 million
- Net operating cash inflow increases by 39% to £135 million
- Profit after tax of £90 million
- Earnings before goodwill and exceptional items increases to 4.8 pence per share

James Murdoch, Chief Executive of British Sky Broadcasting Group plc, said:

"The current financial year has started well and we continue to grow both subscribers and revenues. In particular, the most significant achievements are the doubling of operating profit and the considerable increase in profit margin."

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A conference call for UK and European analysts will be held at 8.30 a.m. (GMT) today. To register for this, please contact Laura Martin at Portland on +44 20 7421 6120. A live webcast of this call will be available on Sky's corporate website (www.sky.com/corporate) and available to replay.

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 John Sutton at Taylor Rafferty on +1 212 889 4350.

OPERATING REVIEW

On 1 October 2003, British Sky Broadcasting Group plc ("the Group" or "Sky") announced the achievement of its target of seven million direct-to-home ("DTH") satellite subscribers by the end of the calendar year 2003, three months early. The Group added 170,000 net new subscribers in the three months to 30 September 2003 ("the quarter"), increasing the total number of DTH subscribers to 7,015,000.

DTH churn (annualised) continues to remain below 10% at 9.6% for the quarter, the same level as the three months to 30 September 2002 ("the comparable period").

The annualised average revenue per DTH subscriber ("ARPU") in the quarter was £366, an increase of £18 over the comparable period and the same as ARPU reported for the quarter to 30 June 2003. ARPU remains on track to reach Sky's target of £400 in 2005. The Group expects the next significant increase in ARPU to take effect from January 2004 as a result of the recently announced changes in UK and Ireland retail pricing. These price changes will therefore be reflected in ARPU from the third quarter of this financial year.

At 30 September 2003, there were 184,000 subscribers to the Extra Digibox and 121,000 subscribers to Sky+, representing increases of 12% and 15% respectively in the quarter. The percentage of Sky+ subscribers taking Sky's top tier package, Sky World, was around 80%. Sky recently announced that, from 1 October 2003, the £10 monthly Sky+ subscription would be waived for those customers who subscribe to two or more Sky premium sports or movie channels, and that this change, together with the recently launched marketing campaign, is expected to increase the take-up of Sky+ and Extra Digibox. Since 1 October 2003, the average number of daily bookings has significantly increased compared to the average over the quarter.

One of the main programming highlights of this quarter has been Sky Sports' coverage of the UEFA Champions League, which commenced in September. Sky's coverage, which includes the interactive service that allows viewers to choose between up to eight live matches simultaneously, has attracted an average cumulative in-home audience for Wednesday nights of 1.9 million viewers. Sky Sports attracted the highest multichannel audience ever recorded, with an in-home peak of 4.2 million viewers, for England's qualifying tie against Turkey for the European Championship Finals in 2004. On 17 October 2003, Sky announced that it had successfully bid for the exclusive live rights to European Rugby Union's Heineken Cup, for three seasons from 2003/04 to 2005/06.

## FINANCIAL REVIEW

Sky has delivered a strong financial performance this quarter. Operating profit before goodwill and exceptional items for the quarter increased by 101% to £151 million and the Group's operating profit margin before goodwill and exceptional items was 18%, up from 10% for the comparable period. The Group made a profit after tax of £90 million, compared to nil in the comparable period.

Total revenues increased by 17% to £850 million.

DTH revenues increased by 17% to £628 million mainly as a result of the 12% increase in the average number of DTH subscribers.

The Group's advertising revenue increased by 7% on the comparable period to £64 million, reflecting Sky's continued outperformance compared with the UK advertising market as a whole, which is estimated to have declined by 2% during the quarter.

The 6% increase in wholesale revenue to £52 million is solely due to the one-off receipt of revenue resulting from an audit of NTL's reporting systems for various periods up to December 2002. Excluding this one-off effect, wholesale revenue was broadly in line with the comparable period.

Interactive revenues were £75 million for the quarter, an increase of 70% on the comparable period. Sky Active revenues increased by 14% on the comparable period to £25 million. The main areas of growth this quarter have been premium rate telephony revenues, third party betting, retail through SkyBuy, and revenue from the operation of our websites. SkyBet revenues increased by 127% on the comparable period to £50 million, mainly as a result of the increased number of interactive and telephone bets.

Programming costs for the period increased by £13 million to £367 million. This reflects contractual increases in sports rights costs, including the addition of the Champions League this season; volume and contractual rate increases in movies, partially offset by savings resulting from the continued weakness of the US dollar; and higher subscriber volumes in third party channel costs. The improvement in terms achieved in the renegotiation of the Viacom channels in August, is reflected in the cost per subscriber this quarter.

Other operating costs before goodwill increased by 12% on the comparable period to £332 million. This was mainly due to the significant rise in betting costs, which is directly related to the increase in SkyBet revenue, administration costs and transmission costs.

Included within operating costs are marketing costs of £98 million, which reduced by 4% on the comparable period mainly as a result of lower digital installs and lower set-top box unit prices. Consequently, subscriber acquisition cost continues to fall and remains comfortably on track to achieve the Group's target of below £200 by 30 June 2004.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") before exceptional items, for the quarter increased by 80% from £97 million to £175 million.

The Group's share of the operating profits of joint ventures increased to £3 million in the quarter and, after deducting net interest payable, the Group made a profit before tax, goodwill and exceptional items of £131 million.

The tax charge for the quarter of £37 million includes a current tax charge of £36 million (based on an effective rate of 30% on profits before tax, goodwill and joint ventures); a deferred tax charge of £3 million; and a joint ventures tax credit of £2 million.

The profit after tax for the quarter was £90 million. With the weighted average number of shares outstanding during the quarter (excluding those shares held in ESOP trust) at 1,935 million, this generates earnings per share before goodwill and exceptional items of 4.8 pence compared to 1.6 pence for the comparable period.

The Group continues to generate significant operating cashflow, with an inflow of £135 million in the quarter, compared to £97 million in the comparable period. This represented the conversion of 90% of operating profit before goodwill and exceptional items to operating cash inflow. Despite seasonal working capital outflows in the quarter relating to payments for sporting rights, including payments totalling over £250 million to the FA Premier League, the Football Association and UEFA, the Group again reduced net debt in the first quarter by £71 million to £1,034 million from £1,105 million at 30 June 2003.

## CORPORATE

On 3 November 2003, the Board of Directors announced the appointment of James Murdoch as Chief Executive Officer. He has replaced the outgoing Chief Executive, Tony Ball, effective November 4. Mr Ball also resigned as a director of the Company with effect from 4 November 2003.

James Murdoch was appointed following the unanimous recommendation of a four-member Nominations Committee of non-executive Board members. The Committee was supported by the Executive Search firm Spencer Stuart.

The Board has invited Lord Rothschild to fill the new role of non-executive Deputy Chairman and he will take up the post on 17 November 2003. As of such date, Lord Rothschild will also assume the role of the Senior Independent Director from Lord St John of Fawsley.

Also on 3 November 2003, the Board announced the appointment of Allan Leighton as Chairman of the Audit Committee. He will take up this position upon the retirement from the Board of the Committee's current Chairman, Philip Bowman, immediately after today's AGM.

Following Philip Bowman's retirement from the Board, the Board has instigated a search for a new Independent non-executive Director.

On 12 August 2003, the Group announced that it had a deficit of £1,120 million on its company-only profit and loss reserve at 30 June 2003. In order to improve the presentation of the Group's balance sheet and give the Group greater flexibility in any future distribution policy, the Directors are proposing a resolution at today's AGM to eliminate the deficit by reducing the Group's share premium account. In order for this to take effect, the reduction will require the subsequent approval of the High Court.

On 7 October 2003, the Group announced that it had sold the whole of its 9.9% shareholding in Manchester United plc. The price per share paid of £2.39 reflected the closing price on 6 October and both the final and special declared dividends. Prior to the sale, the Group held 25,950,827 Manchester United plc shares. The cash received from this sale will be reflected in the cashflow for the second quarter. In accordance with the accounting treatment required by UK GAAP, the £33 million provision held against the Group's investment in Manchester United plc was released at 30 September 2003. Further to this, a profit on disposal of £2 million will be recognised during the second quarter.

sky

**Appendix 1**

Subscribers to Sky Channels

| | Prior Year Q1 2002/03 as at 30/09/02 | Prior Quarter Q4 2002/03 as at 30/06/03 | Q1 2003/04 as at 30/09/03 |
|---|---|---|---|
| **DTH digital homes[1,2]** | **6,318,000** | **6,845,000** | **7,015,000** |
| Total TV homes in the UK and Ireland[3] | 25,911,000 | 26,154,000 | 26,200,000 |
| Total Sky digital homes as a percentage of total UK and Ireland TV homes | 24% | 26% | 27% |
| Cable – UK | 3,405,000 | 3,266,000 | 3,267,000 |
| Cable – Ireland | 594,000 | 605,000 | 584,000 |
| **Total Sky pay homes** | **10,317,000** | **10,716,000** | **10,866,000** |
| DTT – UK [3, 4] | – | 1,510,000 | 1,710,000 |
| **Total Sky homes** | **10,317,000** | **12,226,000** | **12,576,000** |
| Total Sky homes as a percentage of total UK and Ireland TV homes | 40% | 47% | 48% |
| DTH Churn rate for year to date (annualised) | 9.6% | 9.4% | 9.6% |

1: Includes DTH subscribers in Ireland (297,000 as at 30 September 2003, 286,000 at 30 June 2003 and 255,000 at 30 September 2002).
2: DTH subscribers includes only primary subscriptions to Sky (no additional units are counted for Sky+ or Extra Digibox subscriptions).
3: Total UK homes estimated by BARB and taken from the beginning of the following month (latest figures as at October 2003). Total Ireland homes estimated by Nielsen Media Research, conducted on an annual basis in July (latest figures as at July 2003).
4: DTT homes estimated by BARB and taken from the beginning of the following month (latest figures as at October 2003). These figures may include Sky or Cable homes that already take multichannel TV.

**British Sky Broadcasting Group plc**

**Consolidated Profit and Loss Account** for the three months ended 30 September 2003

| | Notes | **Before goodwill and exceptional items £m (unaudited)** | **Goodwill and exceptional items £m (unaudited)** | **2003/2004 Three months ended 30 September 2003 Total £m (unaudited)** | Before goodwill £m (unaudited) | Goodwill £m (unaudited) | 2002/2003 Three months ended 30 September 2002 Total £m (unaudited) |
|---|---|---|---|---|---|---|---|
| Turnover: Group turnover and share of joint ventures' turnover | | **871** | **-** | **871** | 744 | - | 744 |
| Less: share of joint ventures' turnover | | **(21)** | **-** | **(21)** | (18) | - | (18) |
| **Group turnover** | 1 | **850** | **-** | **850** | 726 | - | 726 |
| Operating expenses, net | 2 | **(699)** | **(29)** | **(728)** | (651) | (29) | (680) |
| **EBITDA** | | **175** | **-** | **175** | 97 | - | 97 |
| Depreciation | | **(24)** | **-** | **(24)** | (22) | - | (22) |
| Amortisation | | **-** | **(29)** | **(29)** | - | (29) | (29) |
| **Operating profit (loss)** | | **151** | **(29)** | **122** | 75 | (29) | 46 |
| Share of operating results of joint ventures | | **3** | **-** | **3** | (1) | - | (1) |
| Write back of provision against fixed asset investments, net | 3 | **-** | **25** | **25** | - | - | - |
| **Profit (loss) on ordinary activities before interest and taxation** | | **154** | **(4)** | **150** | 74 | (29) | 45 |
| Interest receivable and similar income | | **1** | **-** | **1** | 1 | - | 1 |
| Interest payable and similar charges | | **(24)** | **-** | **(24)** | (32) | - | (32) |
| **Profit (loss) on ordinary activities before taxation** | | **131** | **(4)** | **127** | 43 | (29) | 14 |
| Tax on profit (loss) on ordinary activities | | **(37)** | **-** | **(37)** | (14) | - | (14) |
| **Profit (loss) on ordinary activities after taxation** | | **94** | **(4)** | **90** | 29 | (29) | - |
| Equity dividends – paid and proposed | | | | **-** | | | - |
| **Retained profit for the financial period** | | | | **90** | | | - |
| **Basic earnings (loss) per share** | | **4.8p** | **(0.2p)** | **4.6p** | 1.6p | (1.6p) | 0.0p |
| **Diluted earnings (loss) per share** | | **4.8p** | **(0.2p)** | **4.6p** | 1.6p | (1.6p) | 0.0p |

**Notes:**

## 1. Turnover

| | **2003/2004 Three months ended 30 September £m (unaudited)** | 2002/2003 Three months ended 30 September £m (unaudited) |
|---|---|---|
| DTH subscribers | **628** | 538 |
| Cable subscribers | **52** | 49 |
| Advertising | **64** | 60 |
| Interactive | **75** | 44 |
| Other | **31** | 35 |
| | **850** | 726 |

## 2. Operating expenses, net

| | **Before goodwill £m (unaudited)** | **Goodwill £m (unaudited)** | **2003/2004 Three months ended 30 September Total £m (unaudited)** | Before goodwill £m (unaudited) | Goodwill £m (unaudited) | 2002/2003 Three months ended 30 September Total £m (unaudited) |
|---|---|---|---|---|---|---|
| Programming (i) | **367** | **-** | **367** | 354 | - | 354 |
| Transmission and related functions (i) | **43** | **-** | **43** | 38 | - | 38 |
| Marketing | **98** | **-** | **98** | 102 | - | 102 |
| Subscriber management | **80** | **-** | **80** | 78 | - | 78 |
| Administration | **64** | **29** | **93** | 58 | 29 | 87 |
| Betting | **47** | **-** | **47** | 21 | - | 21 |
| | **699** | **29** | **728** | 651 | 29 | 680 |

(i) The amounts shown are net of £5 million (2002/2003 three months ended 30 September: £2 million) receivable from the disposal of programming rights not acquired for use by the Group, and £8 million (2002/2003 three months ended 30 September: £6 million) in respect of the provision to third party broadcasters of spare transponder capacity.

## 3. Exceptional items

Effective at 30 September 2003, the Group reduced its provision against its minority equity investments in football clubs by £33 million, following the disposal of its investment in Manchester United plc in October 2003 for £62 million in cash. The Group also increased its provision against its remaining minority equity investments in football clubs by a further £8 million.