PROSPECTUS

for the public offering in Germany and Austria of

269,580,929 registered shares with no par value

from the capital increase against cash contributions from authorized capital with subscription rights for the shareholders of Sky Deutschland AG resolved by the management board on September 12, 2010 with approval of the supervisory board on the same day

and

for admission to trading on the regulated market of the Frankfurt Stock Exchange and the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) on the Frankfurt Stock Exchange of

up to 269,580,929 of such registered shares

— each share with a notional value of €1.00 and entitled to full dividend rights as of January 1, 2010 —

by

Sky Deutschland AG
Unterföhring

International Securities Identification Number (ISIN): DE000SKYD000
German Securities Identification Number (WKN): SKYD00
Common Code: 021138134

September 13, 2010

Joint Global Coordinators and Joint Lead Managers

The Royal Bank of Scotland **UniCredit Bank AG**

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SUMMARY

*This summary should be read as an introduction to this prospectus (the "**Prospectus**"). The information in this summary is supplemented by more detailed information contained elsewhere in this prospectus. Investors should base their investment decision on an examination of this prospectus in its entirety.*

*Sky Deutschland AG ("**Sky Deutschland AG**" or the "**Company**" and, together with its subsidiaries, the "**Group**" or "**Sky Deutschland**"), The Royal Bank of Scotland N.V. (London Branch) ("**The Royal Bank of Scotland**") and UniCredit Bank AG, ("**UniCredit**" and, together with The Royal Bank of Scotland, the "**Underwriters**"), assume responsibility for the contents of this summary pursuant to Section 5 paragraph 2 sentence 3 number 4 of the German Securities Prospectus Act (Wertpapierprospektgesetz). They can be held liable for the contents of the summary, but only if the summary is misleading, incorrect or contradictory when read in conjunction with other sections of the Prospectus. When asserting legal claims based on the information contained in the Prospectus, an investor acting as plaintiff may have to bear the costs of translating the Prospectus prior to commencement of the court case pursuant to the statutes of the individual member states of the European Economic Area.*

Overview

Sky Deutschland believes that it is the leading pay-TV provider in Germany and Austria, with 2.476 million contract subscribers as of June 30, 2010. In its core business, subscription-based pay-TV, which contributes the vast majority of its revenues, Sky Deutschland offers subscribers comprehensive programming in digital quality via up to 61 TV channels, comprising current feature films, new series, live sports and a number of third-party channels, as well as seven digital audio channels, distributing its content via cable, satellite and the internet. The core of Sky Deutschland's subscription-based pay-TV offering consists of the live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*), for which Sky Deutschland holds the exclusive pay-TV rights for Germany (with the exception of IPTV and mobile TV rights), Austria and Switzerland until the end of the 2012/2013 season, Sky Deutschland's high definition television ("**HDTV**") services, the exclusive pay-TV broadcasting rights to the vast majority of movies produced by the major Hollywood studios, and a wide variety of general entertainment programming. To a lesser extent, Sky Deutschland also derives revenues from, among other things, pay-per-view services, commercial subscriptions, the activation and installation of Sky Deutschland receivers and the sale of advertising time. In addition to conventional broadcasting via satellite and cable, Sky Deutschland also offers some of its programming via Web-TV on a pay-per-view basis.

Sky Deutschland offers its subscribers several packages based on a "buy-through" model. Under this model subscribers are offered a basic package, Sky Welt, which contains a broad range of family-focused programming. Subscribers to the basic package then have the option to subscribe to one or more of the three premium packages: Film, Fußball Bundesliga, and Sport. There is also the possibility of subscribing to Sky Deutschland's HDTV option, Sky HD, which currently comprises up to ten channels. On subscribing to any premium package, households with satellite TV receivers also receive Sky Welt Extra, a bonus package with 17 additional TV channels. Sky Deutschland recently launched the Sky+ service, an HDTV digital video recorder and receiver for satellite customers, for easy recording and convenient viewing of Sky Deutschland's programming, and Sky Deutschland's Multiroom service, an option for existing subscribers to order an additional receiver with a second smartcard. Furthermore, Sky Deutschland offers customers a selection of newly released movies, special-interest shows, live sporting events and adult entertainment for on-demand access via cable, satellite and the internet. Sky Deutschland also provides pay-TV services to hotels, sports bars and other public venues.

Starting in the second half of 2008 and following significant financial difficulties, Sky Deutschland adopted a comprehensive restructuring plan, raised several rounds of new capital, negotiated new credit facilities and redeveloped its strategy. The new strategy was aimed at increasing the number of Sky Deutschland's subscribers and its monthly average subscription revenues per subscriber ("**ARPU**") by further enhancing the attractiveness of its programming, improving the usability of its products and services, increasing customer satisfaction and expanding its sales and marketing activities. A major milestone of the new strategy was the July 4, 2009 launch of Sky Deutschland's

current product line-up and new branding under the "SKY" brand. Sky Deutschland AG has since revised and adjusted this strategy, deciding to invest further in order to drive momentum in the business by expanding its HDTV offering, deploying the Sky+ HDTV digital video recorder and receiver, investing in innovations and product extensions, implementing new sales and distribution initiatives and improving customer service. Sky Deutschland believes that its relaunch laid a strong foundation for the growth of the business. Nevertheless, although certain key metrics of the business – such as net subscriber additions, churn, ARPU, HDTV penetration and brand awareness – are moving in the right direction, Sky Deutschland has not fully achieved its own operating targets. To finance the above mentioned growth-enhancing measures and to secure the financial position of the Company and, in particular, to remedy liquidity constraints, Sky Deutschland has therefore decided to raise further capital through this offering and, if applicable the convertible bond and/or the shareholder loan. See "*—Summary of the Offering*".

In the first half of 2010, Sky Deutschland recorded revenues of €470.9 million and a loss of €178.9 million compared to a loss of €445.8 million in the first half of 2009, and expects to incur additional significant losses in the remainder of 2010 and in 2011. Sky Deutschland had 2.476 million contract subscribers as of June 30, 2010 and an ARPU of €28.62 for the second quarter of 2010.

Restructuring and Relaunch of the Company's Business

Sky Deutschland announced its plans to restructure its business at the beginning of October 2008. In its ad-hoc release dated October 2, 2008, in which it forecast a significant EBITDA loss for 2008 and disclosed the fact that it had commenced discussions with its banks regarding a restructuring of its credit facilities, Sky Deutschland also announced that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers and exclude other subscribers who generated only limited or no revenues. The new subscriber classification methodology resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in reported ARPU.

Given the significant EBITDA loss in 2008, on November 15, 2008, Sky Deutschland would, absent a waiver by its lenders, have breached a covenant contained in its then-existing revolving credit facility that required it to maintain a certain relationship between its EBITDA and its net financial result. A breach of this covenant would have entitled the lenders to terminate the then-existing revolving credit facility with immediate effect and, due to contractual linkages between the revolving credit facility and its other credit facilities, would also have entitled them to terminate the then-existing bridge loan and to demand repayment of the outstanding amounts. To refinance its then-existing bank debt, Sky Deutschland negotiated new credit facilities, consisting of two term loans in the aggregate amount of €275 million, a revolving credit facility in the amount of €125 million and a guarantee facility in the amount of €125 million. These credit facilities were entered into on December 23, 2008 and became effective upon, among other things, a capital increase resulting in gross proceeds of €450 million, which Sky Deutschland achieved by increasing its capital in two steps in January and April 2009 by way of rights offerings. These capital increases were guaranteed by the Company's major shareholder, News Adelaide Holdings B.V. ("**News Adelaide**"), an indirect wholly owned subsidiary of News Corporation ("**News Corporation**"), as News Adelaide committed to exercise subscription rights and/or to acquire New Shares that had not been purchased in the rights offerings.

Furthermore, the Company thoroughly reviewed its operations in 2008, launched a new strategy intended to resolve the difficulties it had faced in previous years and decided to relaunch its business. The new strategy was designed to increase the number of Sky Deutschland's monthly contract subscribers as well as its ARPU. The operational measures that made up the strategy affected all aspects of Sky Deutschland's business and were designed to increase the attractiveness of Sky Deutschland's programming, improve the usability of its products and services by making its packaging and pricing structure clearer and simpler, increase customer satisfaction, and expand Sky Deutschland's sales and marketing activities. A major milestone of the new strategy was the launch of Sky Deutschland's current product line-up and new branding on July 4, 2009. Prior to that time, Sky Deutschland had marketed its product offering under the "PREMIERE" brand. Sky Deutschland decided to discontinue the use of its former "PREMIERE" brand, which led to a write-off of the value of the trademarks Sky Deutschland formerly used. This full write-off of the Premiere

trademark amounted to €331.6 million. The write-off generated deferred tax income in the amount of €77.7 million, resulting from the reversal of temporary differences between the carrying amount of the trademark in accordance with IFRS and its tax basis.

To increase its financial flexibility and to be able to invest in further initiatives to support sustained subscriber growth, such as increased direct marketing activities, additional investments in programming and the Sky+ service, and investments in Sky Deutschland's HDTV channels, Sky Deutschland further increased its share capital by 10 per cent in January 2010 by way of a direct placement to News Adelaide, generating proceeds of €110 million. In connection with the capital increase in January 2010, Sky Deutschland negotiated with its bank syndicate a waiver of a clause in its financing agreements requiring that proceeds from equity offerings first be used to repay the credit facilities and an adjustment of the existing financial covenants to reflect the additional investments.

Sky Deutschland believes that its relaunch has provided a strong foundation for the growth of the business. Sky Deutschland has revised and adjusted its strategy and decided to invest further funds to drive momentum in the business by expanding its HDTV offering, deploying Sky+ (an HDTV digital video recorder and receiver), investing in innovations and product extensions, implementing new sales and distribution initiatives, and improving customer service. The key metrics of the business are moving in the right direction – thus Sky Deutschland has been able to record:

- net additions to its subscriber base of 112,002 subscribers within one year of the launch of the "SKY" brand (number of subscribers on June 30, 2009 compared with number of subscribers on June 30, 2010),
- a quarterly annualized churn rate declining from 20.8% in the second quarter of 2009 to 16.3% in the second quarter of 2010 (the quarterly annualized churn rate is defined as the number of direct subscribers that terminated their subscriptions during the course of a quarter, divided by the average number of direct subscribers in that period (calculated by dividing the sum of the number of direct subscribers on the first day of the quarter, *e.g.*, on April 1, 2010, and on the last day of the quarter, *e.g.*, on June 30, 2010 by two) and multiplied by four),
- ARPU increasing from €25.20 in the second quarter of 2009 to €28.62 in the second quarter of 2010,
- an HDTV penetration rate increasing from 8.4% in the second quarter of 2009 to 14.9% in the second quarter of 2010, and
- brand awareness of the "SKY" brand increasing from 36% in June 2009 to 78.4% in August 2010 (*Source: Icon Added Value: Brand- and Advertising Tracker August 2010, a study that was commissioned by Sky Deutschland*).

Nevertheless, the pace of development is not fast enough and Sky Deutschland has not fully achieved its operating targets.

To finance the growth-enhancing measures described above and to secure the financial position of the Company and, in particular, to remedy liquidity constraints, Sky Deutschland has decided to raise further capital. In order to (i) avoid mandatory repayment of the credit facilities from the proceeds of the offering or the other financing measures described in the financial support agreement, (ii) adjust financial covenants and other restriction to reflect the intended use of proceeds and payments in connection with the financing and (iii) avoid a breach of financial covenants that would have occurred at some point in time, which would have entitled the lenders to terminate the credit facilities and demand repayment of the outstanding amounts, Sky Deutschland has agreed on an amendment to the credit facilities with its syndicate banks. The amendment and waiver agreement to the credit facilities was entered into on August 2, 2010 and has partially become effective after the Company entered into a financial support agreement with News Adelaide and News Corporation, under which News Adelaide committed to support the Company in raising financing in an aggregate gross amount of €340 million (the "**Total Funding Amount**"). Certain of these amendments are subject to the condition subsequent that the Company has entered into agreements under which it may draw new financing in the amount of €80 million net by October 31, 2010 and €340 million gross by December 31, 2010. This condition subsequent does not apply if the Company has actually received the amounts prior to the mentioned dates. Further, the actual receipt

of the Total Funding Amount on or before January 31, 2011 is an additional condition subsequent for this amendment and waiver agreement. Upon completion of this offering, the Company expects, assuming placement of all offered shares in full, to receive gross proceeds of €283.1 million; the Company expects to generate the remaining €56.9 million from the direct placement of a convertible bond to News Adelaide or a News Adelaide designee, expected to occur on or before January 28, 2011 and/or the grant of a Shareholder Loan, expected to occur on or before January 31, 2011. See "*—Summary of the Offering—News Adelaide Commitment*" for further information on News Adelaide's commitment to exercise subscription rights and/or to acquire New Shares that have not been purchased.

Summary of Competitive Strengths

Sky Deutschland believes that it has the following competitive strengths, which position it well in its continued efforts to turn around its business and achieve lasting profitability.

- *Exclusive broadcasting rights*.
- *Extensive high definition broadcasts*.
- *Secured access to almost every household in Germany and Austria via the use of various distribution platforms.*
- *Significant and attractive subscriber base*.
- *Widespread and diverse sales network.*
- *Clear and simple product offer and pricing structure.*
- *Experienced management team*.

Summary of Strategy

Sky Deutschland believes that it is well-positioned to build a successful pay-TV business in Germany and Austria. Sky Deutschland believes that the German and Austrian pay-TV markets offer a large potential, which Sky Deutschland aims to exploit.

Sky Deutschland's clear focus is on growing its subscriber base and increasing its total revenues. Sky Deutschland seeks to attract new subscribers and retain existing customers through its product offering and to increase ARPU. Enhancing customer satisfaction so as to reduce churn and improve the basis for acquiring new subscribers through referrals from existing subscribers is part of that strategy. The strategy comprises the key initiatives:

- *Differentiating through HDTV offering, including HD-3D, as well as core content quality and exclusivity.*
- *Promoting Sky+ to stimulate growth and increase customer satisfaction.*
- *Utilizing key innovations to increase convenience and customer satisfaction and attract more subscribers.*
- *Enhancing strategic distribution partnerships.*
- *Enhancing customer satisfaction through improved customer service.*

Summary of Consolidated Financial Data

Basis of Presentation

The tables below present selected consolidated financial data as of and for the years ended December 31, 2007, 2008 and 2009 and selected consolidated financial data as of, and for the six month periods ended, June 30, 2009 and 2010, which have been derived from Sky Deutschland AG's audited consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 and from Sky Deutschland AG's reviewed interim consolidated financial statements as of and for the six month period ended, June 30, 2010. Results for the six month period ended June 30, 2010 are not necessarily indicative of results that may be expected for the entire year. Sky Deutschland AG's

consolidated interim financial statements have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a paragraph 1 HGB.

KPMG audited the consolidated financial statements for Sky Deutschland AG for 2009, 2008 and 2007 and issued in each case an unqualified auditor's report; however, the auditors included an additional paragraph in their 2008 report to the effect that Sky Deutschland may not have been able to continue as a going concern if the offering planned for April 2009 had failed or if Sky Deutschland had been unable to make drawings under its credit facilities. KPMG has performed a review of and issued a review report with respect to the interim consolidated financial statements of Sky Deutschland AG as of, and for the six month period ended, June 30, 2010.

To improve the usability of the reporting and to align internal and external reporting, Sky Deutschland decided to implement a new reporting structure with the beginning of the financial year 2010. Sky Deutschland modified the allocation of certain expenses to the individual expense items in the Group's consolidated statement of comprehensive loss due to the new pricing structure. The reclassification affected cost of sales, selling expenses and general and administrative expenses. In connection with the implementation of its new reporting structure, Sky Deutschland has also changed the allocation of its different types of revenues to the sub-items of the revenues line item and renamed certain sub-items (together the "**New Reporting Structure**"). The New Reporting Structure is reflected in the consolidated interim financial information for the six month period ended June 30, 2010 (including the comparative information for the six month period ended June 30, 2009, contained herein). For the year ended December 31, 2009, the changes that would have to be made to conform the old reporting structure to the New Reporting Structure are presented for illustrative purposes in a separate column in the relevant table.

On May 10, 2007, Sky Deutschland bought 65% of Home of Hardware GmbH & Co KG and Home of Hardware Verwaltungs GmbH (collectively, "**HoH**"), a company engaged in the distribution, sale and marketing of electronic articles, primarily in the entertainment electronics sector, via its own internet portal. The remaining 35% was subject to a put-call agreement. On December 12, 2008, Sky Deutschland sold its entire stake in HoH to a third party. In connection with the sale of Sky Deutschland's stake in HoH, the put-call agreement was also terminated. Because HoH constituted a separate major line of business of Sky Deutschland in the past, Sky Deutschland's 2008 statement of operations, including the 2007 comparative information included therein, shows HoH's results under "Result from discontinued operations". Accordingly, to enhance the comparability of the financial information set forth in this Prospectus across periods, the following discussion focuses on the comparative 2007 information included in Sky Deutschland AG's 2008 audited consolidated financial statements (the "**Adjusted 2007 Statement of Operations Data**").

In the middle of 2007, Sky Deutschland entered into a sublicense agreement with Arena Sport Rechte und Marketing GmbH ("**Arena**"), a subsidiary of Unitymedia GmbH ("**Unitymedia**"), with respect to the cable and satellite pay-TV rights, as well as the broadcasting rights for Sky Sports Bars, to all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) for the 2007/2008 and 2008/2009 seasons. As part of its arrangements with Arena, Sky Deutschland acquired certain contracts related to the TV production of the German football league (*Fußball-Bundesliga*) and related employees (collectively, the "**Arena Transaction**"). The acquisition was treated as a business combination under IFRS 3. In its recent investigation, the German Financial Reporting Enforcement Panel (*Deutsche Prüfstelle für Rechnungslegung*, "**DPR**") objected to this treatment (for further information see the following paragraph). As a result of a change in the assessment of an addendum to the agreements entered into in connection with the Arena Transaction in 2008, Sky Deutschland AG adjusted the goodwill and other financial liabilities positions in its 2008 balance sheet, including the 2007 comparative information included therein, by €3.5 million. To enhance the comparability of the financial information set forth in this Prospectus across balance sheet dates, the tables below set forth not only selected balance sheet data extracted from Sky Deutschland AG's 2007 audited consolidated financial statements (the "**Unadjusted 2007 Balance Sheet Data**") but also the comparative 2007 information included in Sky Deutschland AG's 2008 audited consolidated financial statements (the "**Adjusted 2007 Balance Sheet Data**").

In the fourth quarter of 2008, the DPR initiated an investigation of the Company's consolidated and unconsolidated financial statements for 2007, its interim consolidated financial statements for the

six month period ended June 30, 2008, and its related management reports. In the course of its investigation, the DPR found:

i. that the Company's subscriber figures were reported with insufficient transparency in these financial statements and reports (see "*—Restructuring and Relaunch of the Company's Business*" for a description of Sky Deutschland's current and former subscriber classification methodology);

ii. that the management report of the Company and the Group for 2007 did not comprehensively illustrate the development of the Company's financial position and results of operations and that additional trend disclosures (*Trendaussagen*) should have been made;

iii. that the interim management report of the Company and the Group for the six month period ended June 30, 2008 should have disclosed that for the nine month period ended September 30, 2008 the Company was in danger of breaching a financial covenant contained in its former credit facilities (see "*—Restructuring and Relaunch of the Company's Business*" for a description of the financial difficulties Sky Deutschland experienced in 2008);

iv. that the cost of sales reported in Sky Deutschland's interim consolidated financial statements for the six month period ended June 30, 2008 was understated in the amount of at least €10 million because costs in connection with the licensing of free-TV rights to 18 matches, and of pay-TV rights to all matches, of the FIFA World Cup were not properly allocated between the rights transferred and the free-TV and pay-TV rights retained by Sky Deutschland; and

v. that it was not appropriate for the Company to account for the Arena Transaction as a business combination under IFRS 3. In this context, the DPR also found against the Company's accounting treatment in its unconsolidated German GAAP financial statements of the Bundesliga rights acquired.

On June 10, 2010, Sky Deutschland issued an objection to each of the DPR's conclusions. As a result, the financial accounting and reporting matters referred to above, and the findings of the DPR, are currently the subject of review by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"). Should the BaFin confirm the DPR's findings, and, if applicable, should this confirmation be upheld in any judicial proceedings Sky Deutschland may bring to challenge it, this could lead to administrative fines against the Company, and corrections to both its consolidated and unconsolidated financial statements, as well as to claims for damages by third parties based on the subject matter of the DPR's findings. Any of these developments could materially adversely affect Sky Deutschland's business, results of operations and financial condition and could in turn lead to a material decline in Sky Deutschland's share price. In particular, the unconsolidated financial statements of the Company for 2007 and, if the possible violation of reporting obligations adversely affects the unconsolidated financial statements of the Company for the following years, these financial statements may be declared void. Further, the Company may have to adjust the Group's consolidated financial statements in future years in order to reflect items (iv) and (v) above. The adoption of the interpretation of IFRS as taken by the DPR regarding the allocation of costs in connection with the sub-licensing of free-TV rights for the FIFA World Cup 2010 to RTL Television GmbH would have resulted in an increase of cost of sales in 2008 by at least €10 million, thus resulting in a corresponding increase in gross loss and a corresponding deterioration in results from operations, result before taxes and result for the period in 2008. On the balance sheet, such adoption would have resulted in a corresponding decrease in equity attributable to stockholders and higher trade payables. For the financial statements for the year 2010, such adoption would have had a reverse effect (decrease in cost of sales, decrease in loss). An adoption of the interpretation of IFRS as taken by the DPR regarding the non-recognition of the Arena Transaction as a business combination under IFRS 3 would result in a decrease of the Group's goodwill by €248.4 million, a corresponding increase in the Group's loss and in the Group's negative Other equity including retained deficit, further resulting in a corresponding decrease of the Group's equity attributable to stockholders in the same amount.

The following summary consolidated financial and operating data should be understood as an introduction. Investors should base their investment decision on a review of the complete Prospectus.

Summary consolidated statements of operations data

	For the year ended December 31,*					For the six month period ended June 30,*	
	2007[1]	2007[2]	2008[3]	2009[4]	2009 (adjusted)[5]	2009[6]	2010[6]
	(€ in millions, unless otherwise indicated)						
	(extracted or derived from audited financial statements)				(unaudited)	(extracted or derived from reviewed financial statements)	
Revenues	984.5	937.2	941.1	902.1	902.1	463.3	470.9
Cost of sales[7]	(849.8)	(804.5)	(884.2)	(955.3)	(963.7)	(482.5)	(498.1)
Gross profit/(loss)	**134.7**	**132.7**	**56.9**	**(53.3)**	**(61.6)**	**(19.2)**	**(27.2)**
Selling expenses[8]	(128.8)	(126.7)	(114.3)	(175.7)	(171.1)	(55.3)	(71.7)
General and administrative expenses[9]	(59.1)	(58.8)	(69.6)	(78.5)	(74.7)	(40.5)	(40.2)
Other operating income	98.2	98.0	38.8	11.4	11.4	5.3	8.1
Other operating expenses	(7.3)	(7.1)	(19.1)	(11.3)	(11.3)	(9.7)	(1.8)
Amortization of trademark	—	—	—	(331.6)	(331.6)	(331.6)	—
Amortization of subscriber base	(48.3)	(48.3)	(48.9)	(49.0)	(49.0)	(24.4)	(24.5)
Result from operations	**(10.5)**	**(10.2)**	**(156.2)**	**(688.0)**	**(688.0)**	**(475.5)**	**(157.4)**
Financial result	(40.0)	(39.5)	(59.5)	(38.9)	(38.9)	(24.4)	(19.9)
Result before taxes	**(50.5)**	**(49.6)**	**(215.7)**	**(726.9)**	**(726.9)**	**(499.8)**	**(177.3)**
Income taxes	(1.1)	(2.2)	(48.8)	50.4	50.4	54.0	(1.5)
Result from continuing operations (after income taxes)	**—**	**(51.9)**	**(264.5)**	**(676.5)**	**(676.5)**	**(445.8)**	**(178.9)**
Result from discontinued operations[10] (after income taxes)	—	0.3	(4.9)	0.0	0.0	0.0	0.0
Result for the period	**(51.6)**	**(51.6)**	**(269.4)**	**(676.5)**	**(676.5)**	**(445.8)**	**(178.9)**
Attributable to:							
Stockholders of the parent company	(51.5)	(51.5)	(269.3)	(676.2)	(676.2)	(445.5)	(178.9)
Minority interest	(0.0)	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)	(0.0)
Earnings per share – result from continuing operations (basic and diluted) (€)[11]	—	(0.55)	(2.35)	(1.79)	(1.79)	(1.70)	(0.34)
Earnings per share – result from discontinued operations (basic and diluted) (€)[11]	—	0.00	(0.04)	0.00	0.00	0.00	0.00
Earnings per share – total (basic and diluted) (€)[11]	(0.55)	(0.55)	(2.39)	(1.79)	(1.79)	(1.70)	(0.34)

* Columns may not add due to rounding.

(1) Figures extracted or derived from the Unadjusted 2007 Statements of Operations Data.

(2) Figures extracted or derived from the Adjusted 2007 Statements of Operations Data.

(3) Figures extracted or derived from the 2008 audited consolidated financial statements.

(4) Figures extracted or derived from the 2009 audited consolidated financial statements.

(5) Figures reflect the New Reporting Structure, as if the New Reporting Structure had been applied in 2009, and are prepared by the Company from its accounting records.

(6) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

(7) With the implementation of the New Reporting Structure certain adjustments have been made to the items allocated to cost of sales. Certain items, previously allocated to selling expenses and to general and administrative expenses, are now allocated to cost of sales. In turn, certain items previously allocated to cost of sales are now allocated to selling expenses and general and administrative expenses.

(8) With the implementation of the New Reporting Structure certain adjustments have been made to the items allocated to general and administrative expenses. Certain items, previously allocated to cost of sales, are now allocated to selling expenses and vice versa.

(9) With the implementation of the New Reporting Structure certain adjustments have been made to the items allocated to general and administrative expenses and vice versa.

(10) Reflects the result of HoH and the effect of Sky Deutschland's disposal of its stake in HoH.

(11) Based on the average number of shares outstanding in 2007 (94.00 million shares), 2008 (112.46 million shares) and 2009 (378.03 million shares), respectively.

Summary consolidated balance sheet data

	As of December 31,*				For the six month period ended June 30,*
	2007(1)	2007(2)	2008(3)	2009(4)	2010(5)
	(€ in millions)				
	(extracted or derived from audited financial statements)				(extracted or derived from reviewed financial statements)
Cash and cash equivalents	115.0	115.0	67.2	8.1	36.3
Trade receivables (current)	99.3	99.3	79.0	68.8	85.6
Receivables from entities accounted for at equity	0.4	0.4	0.4	0.2	0.8
Film assets and advance payments for sports and film rights (current)	91.9	91.9	110.5	73.6	66.4
Inventories	62.8	62.8	33.4	36.2	37.4
Total current assets	**401.8**	**401.8**	**319.2**	**212.0**	**265.0**
Deferred taxes	58.1	58.1	25.0	1.4	0.0
Film assets and advance payments for sports and film rights (non-current)	37.1	37.1	59.9	24.1	24.2
Receivers (non-current)	57.0	57.0	42.5	48.1	54.2
Intangible assets	1,166.0	1,169.5	1,102.0	726.0	707.5
Thereof:					
Goodwill	*623.3*	*626.8*	*622.1*	*631.9*	*636.1*
Trademarks	*335.3*	*335.3*	*333.4*	*0.0*	*0.0*
Subscriber base	*151.6*	*151.6*	*107.7*	*58.9*	*34.4*
Total non-current assets	**1,366.5**	**1,370.0**	**1,250.3**	**834.4**	**814.4**
Total assets	**1,768.3**	**1,771.7**	**1,569.5**	**1,046.4**	**1,079.4**
Borrowings (current)	11.1	11.1	378.5	29.6	7.1
Trade payables (current)	177.0	177.0	174.7	196.9	185.6
Other liabilities/other financial liabilities (current)	93.2	93.9	75.4	71.5	62.9
Total current liabilities	**291.9**	**292.6**	**639.6**	**313.2**	**267.9**
Borrowings (non-current)	279.5	279.5	6.8	140.9	283.1
Deferred taxes	97.7	97.7	113.7	39.3	41.9
Other liabilities/other financial liabilities (non-current)	24.6	27.4	9.2	65.5	63.7
Total non-current liabilities	**435.9**	**438.7**	**158.2**	**270.1**	**411.2**
Total liabilities	**727.8**	**731.3**	**797.9**	**583.4**	**679.1**
Total equity	**1,040.5**	**1,040.5**	**771.7**	**463.0**	**400.3**
Total liabilities and equity	**1,768.3**	**1,771.7**	**1,569.5**	**1,046.4**	**1,079.4**

* Columns may not add due to rounding and the omission of certain line items.

(1) Figures extracted or derived from the Unadjusted 2007 Balance Sheet Data.

(2) Figures extracted or derived from the Adjusted 2007 Balance Sheet Data.

(3) Figures extracted or derived from Sky Deutschland AG's 2008 audited consolidated financial statements.

(4) Figures extracted or derived from Sky Deutschland AG's 2009 audited consolidated financial statements.

(5) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

Summary consolidated statements of cash flows data

	For the year ended December 31,			For the six month period ended June 30,	
	2007[1]	2008[2]	2009[3]	2009[4]	2010[4]
	(€ in millions)				
	(extracted or derived from audited financial statements)			(extracted or derived from reviewed financial statements)	
Net cash used in operating activities	(34.4)	(108.1)	(158.4)	(52.6)	(173.8)
Net cash used in investing activities	(23.2)	(7.3)	(53.3)	(11.5)	(18.4)
Net cash provided by financing activities	145.9	67.6	152.7	18.9	220.5

(1) Figures extracted or derived from Sky Deutschland AG's 2007 audited consolidated financial statements.
(2) Figures extracted or derived from Sky Deutschland AG's 2008 audited consolidated financial statements.
(3) Figures extracted for derived from Sky Deutschland AG's 2009 audited consolidated financial statements.
(4) Figures extracted or derived from Sky Deutschland AG's consolidated financial statements for the six month period ended June 30, 2010.

Summary consolidated operational data

	For the year ended December 31*			For the six month period ended June 30,*	
	2007[1]	2008[2]	2009[3]	2009[4]	2010[4]
			(unaudited)		
Subscribers (at the beginning of the year, in thousands)[5]	2,696	2,534	2,399	2,399	2,470
New subscribers (in thousands)[5]	516	435	597	228	230
Subscriber churn (in thousands)[5]	(677)	(571)	(527)	(264)	(223)
Net subscriber reductions (in thousands)[5]	(162)	(135)	70	(35)	7
Subscribers (at the end of the year, in thousands)[5]	2,534	2,399	2,470	2,364	2,476
Average number of subscribers (in thousands)[5][6]	2,615	2,467	2,434	2,382	2,473
Churn rate (in %, 12-months rolling)[5][7]	25.9	23.1	21.6	22.4	20.1
ARPU (€)[5][8]	22.48	23.49	25.46	24.97	28.72
EBITDA (€ in millions)[9][15][16]	83.6	(57.0)	(262.7)	(93.2)	(111.9)
EBITDA margin (%)[10][14][15]	8.9	(6.1)	(29.1)	(20.1)	(23.8)
EBITA (€ in millions)[11][15][16]	38.1	(107.3)	(305.6)	(117.6)	(132.9)
EBITA margin (%)[12][15][16]	4.1	(11.4)	(33.9)	(25.4)	(28.2)
EBIT (€ in millions)[13][15][16]	(10.2)	(156.2)	(688.0)	(475.5)	(157.4)
EBIT margin (%)[14][15][16]	(1.1)	(16.6)	(76.3)	(102.6)	(33.4)

* Columns may not add due to rounding.
(1) To the extent this column contains financial measures (*i.e.*, EBITDA, EBITA, EBIT and their respective margins), the relevant figures have been calculated based on Adjusted 2007 Statements of Operations Data.
(2) To the extent this column contains financial measures (*i.e.*, EBITDA, EBITA, EBIT and their respective margins), the relevant figures have been calculated based on Sky Deutschland AG's 2008 audited consolidated financial statements.
(3) To the extent this column contains financial measures (*i.e.*, EBITDA, EBITA, EBIT and their respective margins), the relevant figures have been calculated based on Sky Deutschland AG's 2009 audited consolidated financial statements.
(4) To the extent this column contains financial measures (*i.e.*, EBITDA, EBITA, EBIT and their respective margins), the relevant figures have been extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.
(5) In its ad-hoc release dated October 2, 2008, Sky Deutschland announced that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers, consisting principally of monthly contract subscribers. This includes individuals who subscribe for one or more pay-TV packages as well as bars, restaurants, hotels and other public venues with commercial subscriptions (each room in one of these hotels or other public venues in which Sky Deutschland is receivable counts as a separate subscriber; subscriptions to Sky Deutschland's Multiroom service do not increase the number of subscribers but result in a higher ARPU per subscriber) and excludes subscribers who generate only limited revenues. Prior to the reclassification, Sky Deutschland also included other types of revenues in the calculation of its ARPU. All subscriber and ARPU numbers set forth in this Prospectus are based on the new subscriber classification methodology. The new subscriber classification methodology resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in its reported ARPU. Because,

following the reclassification, subscribers with short-term contracts, who, in Sky Deutschland's experience, are relatively unlikely to sign up for long-term contracts, are excluded from the calculation, the churn rate under the new subscriber classification methodology tends to be lower than it would have been under the old methodology. The switch in methodology had no effect on Sky Deutschland's financial condition. Investors should note that the DPR recently concluded an investigation into the accuracy of Sky Deutschland AG's consolidated and unconsolidated financial statements for 2007, its interim consolidated financial statements for the six month period ended June 30, 2008 and the corresponding (group) management reports (*(Konzern-)Lageberichte*) with a view to determining whether they provided an appropriate understanding of Sky Deutschland's condition. On June 15, 2010, the DPR issued its final assessment with regard to the aforementioned review, confirming its view that Sky Deutschland violated its reporting obligations with respect to all reviewed accounting matters under the applicable provisions.

(6) The average number of subscribers for a given period is defined as (a) the sum of the number of direct subscribers at the beginning of the period and the number of direct subscribers at the end of the period (b) divided by two. Since the average number of subscribers only reflects the subscriber base at the beginning and the end of each period, it does not account for any intra-period fluctuations.

(7) Is defined as the number of direct subscribers that terminated their subscription during the course of a 12-month period, divided by the average number of direct subscribers in that period.

(8) ARPU is defined as monthly average subscription revenues for a given period divided by the average number of subscribers in such period. Investors should note that in the past Sky Deutschland calculated and published ARPU figures not only with respect to its subscription revenues but also with respect to its total revenues. Therefore, the ARPU figures contained in this Prospectus are not directly comparable with all of the various ARPU figures Sky Deutschland has published in the past. Sky Deutschland uses ARPU as a measure of Sky Deutschland's operating performance. Sky Deutschland believes that ARPU is a useful measure of the extent to which Sky Deutschland's subscribers opt for the range of its programming. However, ARPU is not recognized as a measure under IFRS and should not be considered a substitute for any income statement data as determined in accordance with IFRS or viewed as a measure of profitability. Because not all companies calculate ARPU in the same way, Sky Deutschland's presentation of ARPU is not necessarily comparable to similarly-titled measures used by other companies.

(9) Earnings before interest, tax, depreciation and amortization ("**EBITDA**") is defined as result from continuing operations for a given period before income taxes, interest and similar expenses, other financial result, interest and similar income, gains/losses from entities accounted for at equity, amortization of subscriber base as well as depreciation, amortization and impairment, net of write-ups on property, plant and equipment and on other intangible assets.

(10) EBITDA margin is defined as EBITDA for a given period, expressed as a percentage of revenues for such period.

(11) Earnings before interest, tax and amortization ("**EBITA**") is defined as result from continuing operations for a given period before income taxes, interest and similar expenses, other financial result, interest and similar income, gains/losses from entities accounted for at equity and amortization of subscriber base.

(12) EBITA margin is defined as EBITA for a given period, expressed as a percentage of revenues for such period.

(13) Earnings before interest and tax ("**EBIT**") is defined as result for a given period before result from discontinued operations, income taxes, interest and similar expenses, other financial result, interest and similar income, gains/losses from entities accounted for at equity.

(14) EBIT margin is defined as EBIT for a given period, expressed as a percentage of revenues for such period.

(15) Sky Deutschland uses EBITDA, EBITA and EBIT as measures of operating performance. Sky Deutschland believes that EBITDA, EBITA and EBIT are useful in evaluating Sky Deutschland's operating performance because a number of companies, in particular companies in the European media industry, also publish these figures as key performance indicators. Historically, a substantial portion of management compensation was linked to specific EBITDA targets. However, EBITDA, EBITA and EBIT are not recognized as measures under IFRS and should not be considered as substitutes for figures on result before taxes, net earnings, net cash from/used in operating activities or other income statement or cash flow data, as determined in accordance with IFRS, or as measures of profitability or liquidity. EBITDA, EBITA and EBIT do not necessarily indicate whether cash flow will be sufficient or available for Sky Deutschland's cash requirements, nor whether any such measure is indicative of Sky Deutschland's historical operating results. EBITDA, EBITA and EBIT are not meant to be indicative of future results. Because not all companies calculate EBITDA, EBITA and EBIT in the same way, Sky Deutschland's presentation of EBITDA, EBITA and EBIT is not necessarily comparable with similarly-titled measures used by other companies.

(16) The following table reconciles result for the period to EBITDA, EBITA and EBIT for each of the years indicated:

	For the year ended December 31,*			For the six month period ended June 30,*	
	2007(1)	2008(2)	2009(3)	2009(4)	2010(4)
	(€ in millions)				
	(extracted or derived from audited financial statements)			(extracted or derived from reviewed financial statements)	
Result for the period	(51.6)	(269.4)	(676.5)	(445.8)	(178.9)
Result from discontinued operations(5) (after income taxes)	(0.3)	4.9	0.0	0.0	0.0
Income taxes	2.2	48.8	50.4	54.0	1.5
Interest and similar expenses	47.5	54.0	35.3	19.8	18.1
Other financial result	(0.0)	11.6	6.3	6.2	3.1
Interest and similar income	(8.6)	(7.1)	(3.0)	(2.1)	(0.8)
Gains/losses from entities accounted for at equity	0.6	1.0	0.4	0.5	(0.4)
EBIT	**(10.2)**	**(156.2)**	**(688.0)**	**(475.5)**	**(157.4)**
Amortization of subscriber base	48.3	48.9	49.0	24.4	24.5
Amortization of trademark Premiere and GIGA	0	0	333.4	333.4	0
EBITA	**38.1**	**(107.3)**	**(305.6)**	**(117.6)**	**(132.9)**
Depreciation, amortization and impairment, net of write-ups on property, plant and equipment and on other intangible assets	45.5	50.3	42.9	24.4	21.0
EBITDA	**83.6**	**(57.0)**	**(262.7)**	**(93.2)**	**(111.9)**

* Columns may not add due to rounding.

(1) Figures extracted or derived from the Adjusted 2007 Statements of Operations Data.

(2) Figures extracted or derived from Sky Deutschland AG's 2008 audited consolidated financial statements.

(3) Figures extracted or derived from Sky Deutschland AG's 2009 audited consolidated financial statements.

(4) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

(5) Reflects the result of HoH and the effect of Sky Deutschland's disposal of its stake in HoH.

Summary of the Offering

Rights Offering	The offering consists of an aggregate of 269,580,929 new registered shares with no par value and a notional value of €1.00 per share (the "**New Shares**"). The New Shares originate from a resolution passed by the Management Board on September 12, 2010, with the approval of the Supervisory Board on the same day, to increase the Company's share capital by up to €269,580,929 from €539,161,858 to up to €808,742,787 against contributions in cash by utilizing the Company's authorized capital 2010 through the issue of up to 269,580,929 Shares, with subscription rights for existing shareholders. The New Shares carry dividend rights as of January 1, 2010. A consortium consisting of The Royal Bank of Scotland and UniCredit has entered into an underwriting agreement (the "**Underwriting Agreement**"), pursuant to which the Underwriters have agreed, subject to certain conditions, to subscribe for that number of New Shares as (i) are issuable upon the exercise of subscription rights exercised in the rights offering or (ii) can be placed with investors in the rump placement. The undertaking of the Underwriters does not include New Shares to be subscribed for by News Adelaide or any designee of News Adelaide (the New Shares subscribed for by the Underwriters being the "**Subscribed Shares**"). Pursuant to the Underwriting Agreement, the Underwriters have agreed to offer the New Shares to existing shareholders subject to the terms outlined below under "*—News Adelaide Commitment*" and "*—Important Notices*". The Company and News Adelaide have entered into a subscription agreement pursuant to which News Adelaide has undertaken, subject to certain conditions, to directly subscribe for those New Shares it will acquire in fulfillment of its commitment (see "*—News Adelaide Commitment*"). The implementation of the capital increase is expected to be entered into the commercial register of the Local Court (*Amtsgericht*) of Munich on either September 28 or September 29, 2010. The capital increase will be executed only to the extent that shareholders have exercised their subscription rights or third parties purchased shares not subscribed for. Subscription rights with respect to the New Shares are being held in collective custody accounts at Clearstream Banking AG and will be automatically booked to the securities accounts of the participating banks at the close of business on September 13, 2010.
Exercise of Subscription Rights/Additional Subscription Rights	On publication of the rights offering on or about September 13, 2010, shareholders wishing to exercise their subscription rights with respect to the New Shares will be invited to do so during regular business hours between

	September 14, 2010 and September 27, 2010, through their custodian banks at one of the subscription agents listed below. Subscription rights lapse if they are not exercised within the stipulated period. In addition to the subscription rights granted pursuant to the subscription ratio, Sky Deutschland AG grants an additional subscription right to those shareholders who are entitled to subscription rights. The subscription agents are the German branch offices of UniCredit Bank AG. In accordance with the subscription ratio of 2:1, one New Share may be subscribed for two existing shares of the Company held.
Subscription Price	The Subscription Price per New Share will be €1.05. The Subscription Price must be paid no later than September 27, 2010.
Trade in Subscription Rights	There will be stock exchange trading in the subscription rights in connection with the offering of the New Shares. The subscription rights with respect to the New Shares (ISIN DE000A1EW1S2; WKN A1E W1S) will be traded on the regulated market (floor trading) of the Frankfurt Stock Exchange from September 14, 2010 through September 23, 2010. No application will be made for the subscription rights to be traded on any other stock exchange. The subscription agents are prepared to broker the stock exchange purchase and sale of subscription rights to the extent possible. No consideration will be paid for unexercised subscription rights. Once the subscription period has ended, subscription rights that have not been exercised will lapse and be of no value. As from September 14, 2010, the existing shares of the Company will be quoted on the regulated market of the Frankfurt Stock Exchange ex-subscription rights (*ex Bezugsrecht*). UniCredit may effect transactions to provide liquidity for fair and orderly trading in subscription rights, *e.g.*, through the purchase or sale of subscription rights to New Shares, while reserving the right to effect hedging transactions in shares of the Company or corresponding derivatives. It is not certain that an active market will develop on the Frankfurt Stock Exchange during this time period or that during the period of the trading of the subscription rights the market will be liquid. In accordance with German market practice, the price for the subscription rights will be fixed only once per day. The market price for the subscription rights depends on, among other things, the development of the share price of the Company but may fluctuate more strongly than the share price.
News Adelaide Commitment.	The major shareholder, News Adelaide, an indirect wholly owned subsidiary of News Corporation, has undertaken to the Company and the Underwriters, subject to certain conditions, to exercise subscription rights and/or to acquire all New Shares that have not been purchased, at the

	Subscription Price, provided however, that News Adelaide in no event will be required to acquire New Shares to the extent that this would cause its shareholding in Sky Deutschland to exceed 49.90% following the registration of the capital increase described in this offering. News Adelaide's commitment is guaranteed by News Corporation. In fulfillment of their obligations under the aforementioned undertaking, News Adelaide and News Corporation concluded a backstop agreement with the Underwriters, which was signed by all parties on September 13, 2010 (the "**Backstop Agreement**"). The Backstop Agreement is subject to the conditions precedent that (1) no public takeover offer for the Company by a company not associated with News Corporation is published, (2) the Company has not disposed of assets with a value of over €25 million, (3) no grounds for termination of the Company's credit facilities exist, (4) no other significant disadvantageous change has occurred in the financial and business development of Sky Deutschland (including a loss of the live pay-TV broadcasting rights to the first and second divisions of the German football league (*Fußball-Bundesliga*), and (5) the Company delivers a confirmation to News Adelaide that The Royal Bank of Scotland plc, as the arranger of the Company's bank consortium financing, has confirmed that no grounds for termination of the credit facilities are known or that grounds of this kind have been waived. News Adelaide may waive the requirement to comply with individual conditions.
New Shares Not Subscribed for in the Rights Offering	The Underwriters will offer any New Shares not subscribed for in the rights offering, and not otherwise purchased by News Adelaide under the Backstop Agreement, at the Subscription Price (see "*—News Adelaide Commitment*") to qualified investors in a private placement in Germany and other jurisdictions (to qualified institutional buyers in the United States in accordance with Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act).
Lock-up Agreement	Sky Deutschland AG has agreed with the Underwriters that, to the extent legally permissible, it will not, without the prior approval of the Underwriters, which may not be unreasonably withheld or delayed, for a period of six months following the closing of the offering, directly or indirectly issue, sell, offer, contract to sell, or otherwise transfer or dispose of, pledge or create or grant another security interest in any of the Company's shares. The Company has also agreed not to announce any capital increase from authorized capital or to commence any capital increase measures (with the exception of measures to issue shares (1) to service stock option plans, or (2) in connection with a capital increase against contributions in kind), nor to enter into other transactions (including with respect to derivative

	instruments) the economic effect of which would be similar to that of the measures described above. The aforementioned restriction does not apply to the issuance of convertible bonds, including the Convertible Bond granting rights to receive up to 53,916,185 ordinary registered shares with no par value, each share with a notional value of €1.00, out of the Company's existing contingent capital.
Admission to Trading and Listing	The Company's existing shares have been admitted for trading on the regulated market and the sub-segment of the regulated market with additional post-admission obligations (*Prime Standard*) of the Frankfurt Stock Exchange. The application for admission of the New Shares to trading on the regulated market of the Frankfurt Stock Exchange and the simultaneous admission of the New Shares to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) is expected to be made on September 14, 2010. The Frankfurt Stock Exchange is expected to approve the admission of the Shares to exchange trading on September 29, 2010. The New Shares are expected to begin trading on the Frankfurt Stock Exchange and be included in the existing quotation of Sky Deutschland AG's shares on September 30, 2010.
Share Certificates/Delivery	Delivery of those New Shares with respect to which subscription rights are exercised is expected to take place on September 30, 2010 after the registration of the implementation of the capital increase in the commercial register. The New Shares will be represented by one or more global certificates deposited with Clearstream Banking AG, Neue Börsenstraße 1, 60487 Frankfurt am Main, Germany. Shareholders are not entitled to receive individual share certificates. Purchasers of the New Shares may choose to have shares they acquired in the offering credited to an account for their benefit at Clearstream Banking AG as a bank for the central depository of securities (*Wertpapiersammelbank*) or at a participant in Euroclear Bank S.A./N.V. or Clearstream Banking AG.
International Securities Identification Number (ISIN)	New Shares: DE000SKYD000 Subscription rights: DE000A1EW1S2
German Securities Identification Number (WKN)	New Shares: SKYD00 Subscription rights: A1E W1S
Common Code	021138134
Use of Proceeds	The Company expects net proceeds from this offering of approximately €273.0 million. The net proceeds are to be used to secure the Company's liquidity position and to

	implement the Company's business plan and strategy of investing in the expansion of the HDTV services, the development and accelerated deployment of Sky+ (an HDTV digital video recorder and receiver), innovations and product extensions, new sales and distribution initiatives, and improvements in customer service.
Important Notices	The Underwriters have undertaken, subject to certain conditions, to subscribe for the Subscribed Shares by entering into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriters have agreed, subject to certain conditions, to subscribe for that number of New Shares as (i) are issuable upon the exercise of subscription rights exercised in the rights offering or (ii) can be placed with investors in the rump placement. The undertaking of the Underwriters does not include New Shares to be subscribed for by News Adelaide or any designee of News Adelaide (see "*—News Adelaide Commitment*" and "*—New Shares Not Subscribed for in the Rights Offering*"). There are certain circumstances in which the Underwriters may withdraw from the Underwriting Agreement. A withdrawal right exists if, in particular, one or more conditions of the Backstop Agreement are not met and they are not waived by News Adelaide (see "*—News Adelaide Commitment*") or the capital increase is not registered with the commercial register. In view of the current high volatility of share prices and market environment, shareholders should inform themselves of the current stock exchange price of the Company's shares prior to exercising their subscription rights with respect to the New Shares at the Subscription Price.
Major Shareholder	News Adelaide is the Company's major shareholder and as of May 12, 2010 held 45.42% of the voting rights in Sky Deutschland AG. Due to the obligation of News Adelaide to exercise its subscription rights and/or to acquire all unsubscribed shares upon expiration of the subscription period, (provided however, that News Adelaide in no event will be required to acquire New Shares to the extent that this would cause its shareholding in Sky Deutschland to exceed 49.90% following the registration of the capital increase described in this offering) the holdings of News Adelaide and thus the proportion of the Company attributed to News Corporation will increase if not all shareholders exercise all of their subscription rights.

Other Material Information about the Company

Registered Office and Fiscal Year of the Company

The Company's registered office is in Unterföhring, Germany and its business address is: Sky Deutschland AG, Medienallee 26, 85774 Unterföhring, Germany. The Company is entered into the commercial register of the Local Court (*Amtsgericht*) of Munich under HRB 154549. The fiscal year of Sky Deutschland AG is the calendar year.

Share Capital

As of the date of this Prospectus, Sky Deutschland AG has a share capital of €539,161,858, divided into 539,161,858 registered shares without par value, each with a notional value of €1.00.

Following completion of this offering, Sky Deutschland's share capital will amount to up to €808,742,787, divided into up to 808,742,787 registered shares with no par value, each with a notional value of €1.00.

Management and Supervisory Boards

As of the date of this Prospectus, the Company's Management Board consisted of the following four members: Brian Sullivan as CEO as well as Pietro Maranzana, Dr. Holger Enßlin and Carsten Schmidt.

Pursuant to the Company's Articles of Association, the Supervisory Board of Sky Deutschland AG consists of nine members. The Supervisory Board members are: Charles Carey, Guillaume de Posch, Dr. Stefan Jentzsch, Mark Kaner, Miriam Kraus, Thomas Mockridge, Markus Tellenbach, Steven Tomsic and Katrin Wehr-Seiter. Charles Carey is Chairman of the Supervisory Board; Markus Tellenbach is Deputy Chairman of the Supervisory Board.

Summary of the Risk Factors

Sky Deutschland is exposed to several risks, which individually or collectively could materially adversely affect its business, results of operations and financial condition. Sky Deutschland has so far failed to achieve its own operating targets. In order to achieve profitability, Sky Deutschland depends on the assumptions underlying its revised and adjusted business plan and strategy being accurate and the business plan and strategy themselves being successful. If one or more of these assumptions were to turn out to be inaccurate due to unforeseen circumstances or for any other reason, it is possible that the Company could become insolvent. In such event, investors could lose their entire investment in Sky Deutschland. Therefore, an investment in Sky Deutschland AG's shares may be subject to a higher degree of risk than an investment in shares of other companies. In summary these risks are:

Risks in Connection with Sky Deutschland's Financial Situation

- Sky Deutschland has recorded significant losses and amassed considerable amounts of indebtedness in recent years, and has not achieved its operating targets. The successful implementation of its revised and adjusted business plan and strategy is vital to its survival
- If Sky Deutschland fails to raise a total gross amount of €340 million through this offering, the issuance of a convertible bond and/or a shareholder loan, as, subject to certain conditions, guaranteed by News Corporation, it will not be able to finance its investments, which are necessary to implement the Company's revised and adjusted business plan and strategy and to secure the Company's liquidity position
- The funds received by Sky Deutschland from the offering, the convertible bond and/or the shareholder loan, and the amounts available under its existing credit facilities may not be sufficient to enable it to continue operating until such time as it achieves profitability
- Sky Deutschland must use a substantial portion of future cash flow to service its debt, which limits its operating flexibility
- Sky Deutschland's current credit facilities contain restrictions that limit its financial and operational flexibility, as well as certain covenants, any uncured breach of which would result in an obligation to repay the entire amounts outstanding. This would exceed the Company's financial abilities

General Risks Related to Sky Deutschland's Business

- Sky Deutschland's current business model is critically dependent on exclusive access to attractive content on commercially reasonable terms, in particular on access to live pay-TV broadcasts of the matches of the German football league (*Fußball-Bundesliga*), but also to a range of other sporting events, movies, TV series and high definition television ("HDTV") content
- Sky Deutschland's encryption technologies have been circumvented in the past and may be circumvented in the future
- The markets in which Sky Deutschland operates are extremely competitive and their pay-TV penetration rates may never reach the level required for the profitable operation of Sky Deutschland's business
- In order to distribute its programming to subscribers, Sky Deutschland depends on its ability to enter into transmission agreements with cable and satellite network operators on commercially reasonable terms, and to secure access to other distribution channels that may emerge in the future
- Sky Deutschland currently does not meet minimum subscriber levels under many of its agreements with content providers, which, if the expected increase in the number of subscribers is not achieved, will continue to negatively affect its expenses
- Sky Deutschland intends to invest significant amounts in the marketing and distribution of Sky+, an HDTV digital video recorder and receiver. If Sky+ is unsuccessful, these investments could lose their value

- The widespread adoption of HDTV, on which Sky Deutschland relies as part of its business plan and strategy, will result in additional technological costs, and may progress slower than expected
- Sky Deutschland's operations could be disrupted by technical problems affecting the transmission of TV programs via satellite, cable or the internet
- Sky Deutschland is subject to various risks due to its previous outsourcing of services to external providers. Further, the Company is subject to various risks in connection with the repurchase of formerly outsourced services
- An impairment of Sky Deutschland's goodwill or subscriber base may adversely affect its business, results of operations and financial condition
- Sky Deutschland's performance depends on the quality and reputation of its senior management and other key employees
- Exchange rate fluctuations could adversely affect Sky Deutschland's results of operations and financial condition
- Sky Deutschland's results of operations and financial condition are subject to the risk of interest rate fluctuations
- Sky Deutschland's insurance coverage may be inadequate
- The slow and uncertain recovery from the economic downturn may substantially reduce the demand for pay-TV and adversely affect Sky Deutschland's subscriber recruitment, subscriber retention and ARPU growth targets

Risks Concerning Regulatory Actions and Legal Proceedings

- Sky Deutschland is subject to claims for damages in connection with the 2008 change in the methodology it uses to classify its subscribers
- The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties
- Sky Deutschland is being investigated for possible antitrust violations in connection with its receiver strategy. As an outcome of this investigation, Sky Deutschland could be forced to record impairments on its receiver assets and to make available additional funds to invest in new receivers
- Regulatory authorities could revoke or deny renewal of any of Sky Deutschland's broadcasting licenses
- Certain of Sky Deutschland's direct sales and marketing strategies may be restricted or prohibited as a result of proposed legislative changes regarding direct marketing and the transfer of personal data
- Sky Deutschland is exposed to the risk of lawsuits brought by consumer advocacy organizations and changes in consumer protection laws
- Sky Deutschland may become subject to claims for damages in connection with the infringement of certain patents regarding electronic program guides
- Sky Deutschland is exposed to risks related to tax audits
- Sky Deutschland may, due to a change in its ownership structure, not be able to make use of its current tax losses, tax loss carry-forwards or interest carry-forwards
- Sky Deutschland may not be able to fully deduct its interest expenses for tax purposes

- Sky Deutschland may generate a taxable extraordinary gain in connection with the possible conversion of the Shareholder Loan and/or the Convertible Bond, which could result in a higher tax burden
- Sky Deutschland could be required to repay substantial amounts of reimbursed input tax (VAT) (*Vorsteuer*)

Risks Related to the Offering and Sky Deutschland AG's Shareholder Structure

- Sky Deutschland AG's principal shareholder may exercise significant influence over Sky Deutschland, and its interests may not always be aligned with the interests of other shareholders
- News Adelaide's shareholding in Sky Deutschland AG may cause content providers not to enter into or extend, or to terminate, agreements with Sky Deutschland, or to demand the issuance of shares or, potentially, claim damages
- The market price for Sky Deutschland AG's shares is volatile and the Subscription Price could exceed the market price
- There can be no assurance that a market for the subscription rights (*Bezugsrechte*) will develop or that the subscription rights will not be subject to greater price fluctuations than the shares of Sky Deutschland AG
- The stakes of existing shareholders may be diluted if Sky Deutschland AG issues additional shares or undertakes similar measures in the future or if News Adelaide converts the Convertible Bond and/or the Shareholder Loan to equity
- Future sales of shares by Sky Deutschland AG, News Adelaide or other major shareholders could cause a decline in Sky Deutschland AG's share price or lead to a change of control
- Sky Deutschland AG is a holding company and its ability to pay dividends depends primarily on its receipt of funds from its subsidiaries, which could limit Sky Deutschland AG's ability to pay dividends to its shareholders
- If this offering fails to close or if the share price of Sky Deutschland AG declines, the subscription rights will no longer exist or could become worthless
- The rights of shareholders in a German company may differ from the rights of shareholders in companies organized under the laws of other jurisdictions

GERMAN TRANSLATION OF THE SUMMARY
ZUSAMMENFASSUNG

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt gelesen werden. Die Informationen in dieser Zusammenfassung werden durch ausführlichere Informationen, die an anderer Stelle in diesem Prospekt enthalten sind, ergänzt. Anleger sollten ihre Anlageentscheidung auf eine Prüfung des gesamten Prospekts stützen.

*Die Sky Deutschland AG („**Sky Deutschland AG**" oder die „**Gesellschaft**" und gemeinsam mit ihren Tochtergesellschaften die „**Sky Deutschland**") sowie die The Royal Bank of Scotland N.V. (London Branch) („**The Royal Bank of Scotland**") und die UniCredit Bank AG, („**UniCredit**", gemeinsam die „**Konsortialbanken**") übernehmen gemäß § 5 Abs. 2 Satz 3 Nr. 4 Wertpapierprospektgesetz die Verantwortung für den Inhalt dieser Zusammenfassung. Sie können für den Inhalt der Zusammenfassung haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird. Für den Fall, dass vor einem Gericht Ansprüche aufgrund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung einzelstaatlicher Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben.*

Überblick

Sky Deutschland ist der Überzeugung, dass sie mit 2,476 Mio. Abonnenten zum 30. Juni 2010 die größte Anbieterin von Pay-TV Programmen in Deutschland und Österreich ist. In ihrem Kerngeschäft, dem Pay-TV auf Abonnementbasis, welches einen Großteil der Umsätze von Sky Deutschland ausmacht, bietet die Gesellschaft ihren Abonnenten ein umfangreiches digitales Programm auf bis zu 61 Fernsehkanälen an, auf denen aktuelle Spielfilme, neue Serien, Live Sport-Events, mehrere Programme von Drittanbietern und sieben digitale Radioprogramme über Kabel, Satellit oder Internet ausgestrahlt werden. Das Herzstück von Sky Deutschlands Abonnement-gestütztem Pay-TV Angebot besteht aus den Live-Übertragungen aller Fußballspiele der ersten und zweiten Fußballbundesliga, an denen Sky Deutschland die Pay-TV Exklusivrechte für Deutschland (mit Ausnahme der IPTV-Rechte), Österreich und die Schweiz bis zum Ende der Saison 2012/2013 hält, Sky Deutschlands Angebot an HDTV-Programmen, die Pay-TV Exklusivrechte für die Ausstrahlung der überwiegenden Mehrheit der Filme der bedeutenden Hollywood Studios und einer Vielfalt von allgemeinen Unterhaltungsprogrammen. In einem geringeren Umfang erwirtschaftet Sky Deutschland noch Umsätze durch u.a. ihre Pay-per-View Dienste, gewerbliche Abonnements, die Inbetriebnahme und die Installation von Sky-Deutschland Receivern und den Verkauf von Werbezeit. Neben der konventionellen Fernsehübertragung über Satellit und Kabel bietet Sky Deutschland manche ihrer Programme auch über Web-TV und auf Pay-per-View Basis an.

Sky Deutschland bietet ihren Abonnenten verschiedene Pakete als „Buy-Through"-Modell an. Bei diesem Modell kaufen die Abonnenten ein Basispaket (Sky Welt), welches ein umfangreiches familienorientiertes Programm bietet. Die Abonnenten dieses Basispakets haben dann die Möglichkeit, noch ein oder mehrere Premium-Pakete zu dem Basispaket dazu zu kaufen: Film, Fußball Bundesliga und Sport. Es gibt auch die Möglichkeit, Sky Deutschlands HDTV-Angebot (Sky HD) zu abonnieren, welches im Moment bis zu zehn Kanäle umfasst. Über das Abonnement eines der Premium-Pakete, erhalten Haushalte mit einem Satelliten-Receiver noch zusätzlich Sky Welt Extra, ein Bonus-Paket mit 17 zusätzlichen Fernsehprogrammen. Ferner hat Sky Deutschland vor kurzem ihren Sky+ Service, ein digitaler HDTV-Festplattenrekorder für Kunden, die das Programm über Satellit empfangen, der auf eine einfache Aufnahme und die bequeme Wiedergabe des Sky Deutschland Programms zugeschnitten ist, und den Sky Deutschland Multiroom-Service eingeführt. Bei diesem Service haben bestehende Abonnenten die Möglichkeit, einen zusätzlichen Receiver mit einer zusätzlichen Smartcard zu bestellen. Außerdem bietet Sky Deutschland ihren Kunden eine Auswahl aktueller Spielfilme, Special-Interest Shows, Live Sport-Events und Erotiksendungen als Abrufsendungen per Kabel, Satellit oder Internet. Daneben stellt Sky Deutschland Pay-TV-Dienste für Hotels, Sport Bars und andere öffentlich zugängliche Einrichtungen zur Verfügung.

Im zweiten Halbjahr 2008 hat Sky Deutschland, nach erheblichen finanziellen Schwierigkeiten, einen umfangreichen Restrukturierungsplan umgesetzt, mehrere Male neues Kapital aufgenommen,

neue Kreditlinien ausgehandelt und ihre Strategie überarbeitet. Die neue Strategie war darauf ausgelegt, die Anzahl der Abonnenten von Sky Deutschland und ihren durchschnittlichen monatlichen Erlös pro Kunde („**ARPU**") durch eine Verbesserung der Attraktivität der Programme, der Nutzbarkeit ihrer Produkte und Services und der Kundenzufriedenheit zu erhöhen und ihre Umsätze und Absatztätigkeiten zu vergrößern. Ein bedeutender Meilenstein dieser neuen Strategie war die Markteinführung von Sky Deutschlands neuer Produktpalette und des neuen Logos unter dem Markennamen „SKY" am 4. Juli 2009. Sky Deutschland AG hat diese Strategie seitdem überarbeitet und angepasst und beschlossen, dass weiter investiert werden soll, um das Geschäft in Schwung zu bringen. Dies soll durch den Ausbau des HDTV-Angebots, die Verbreitung des Sky+ HDTV-Festplattenrecorder, weitere Innovationen und den Ausbau der Produktpalette sowie neue Verkaufs- und Vertriebsinitiativen und die Verbesserung des Kundenservice umgesetzt werden. Sky Deutschland ist überzeugt, dass ihr Neustart (Relaunch) eine solide Basis für ihr Geschäftswachstum ist. Obwohl sich die Geschäftskennzahlen – wie z. B. die Abonnenten-Nettozugänge, Kündigungen, ARPU, HDTV Verbreitung und der Bekanntheitsgrad der Marke – in die richtige Richtung bewegen, hat Sky Deutschland ihre selbstgesteckten Ziele noch nicht erreicht. Um die genannten wachstumsfördernden Maßnahmen finanzieren zu können und um die Finanzposition der Gesellschaft zu gewährleisten und insbesondere um finanzielle Engpässe zu beseitigen, hat sich Sky Deutschland entschlossen, noch mehr Kapital durch dieses Aktienangebot und gegebenenfalls durch eine Wandelanleihe und/oder ein Gesellschafterdarlehen aufzunehmen. Siehe hierzu „*—Zusammenfassung des Angebots*".

Im ersten Halbjahr 2010 erwirtschaftete Sky Deutschland Umsatzerlöse von € 470,9 Mio. und einen Verlust von € 178,9 Mio., verglichen mit einem Verlust von € 445,8 Mio. für das erste Halbjahr 2009. Sky Deutschland geht davon aus, dass sie im restlichen Geschäftsjahr 2010 und im Geschäftsjahr 2011 noch erhebliche Verluste erwirtschaften wird. Zum 30. Juni 2010 hatte Sky Deutschland 2,476 Mio. Abonnenten und ein ARPU von € 28,62 für das zweite Viertel des Geschäftsjahrs 2010.

Restrukturierung und Neustart (Relaunch) der Geschäftstätigkeit der Gesellschaft

Anfang Oktober 2008 gab Sky Deutschland bekannt, dass sie ihr Geschäft restrukturieren werde. In ihrer Ad-hoc Mitteilung vom 2. Oktober 2008, in welcher Sky Deutschland einen erheblichen EBITDA-Verlust für das Jahr 2008 ankündigte und bekannt gab, dass sie Beratungen mit ihren Banken bezüglich der Restrukturierung ihrer Kreditlinien aufgenommen hatte, teilte die Gesellschaft ferner mit, dass sie zur Klassifizierung ihrer Abonnenten in Zukunft eine andere Methodik anwenden wird, die auf direkte Abonnenten ausgerichtet ist und Abonnenten, die nur einen begrenzten oder gar keinen Umsatz generieren, von der Zählung auszuschließen. Die neue Abonnenten-Klassifizierungsmethodik führte zu einer Abnahme der Abonnentenzahlen von Sky Deutschland und einem im gleichen Umfang steigenden ARPU.

Aufgrund des EBITDA Verlustes in 2008 hätte Sky Deutschland am 15. November 2008, ohne den Auflagenverzicht ihrer Gläubiger, eine Auflage in ihrer damals existierenden revolvierenden Kreditlinie, die ein bestimmtes Verhältnis zwischen dem EBITDA und dem Netto-Finanzergebnis vorschreibt, verletzt. Ein Bruch dieser Auflage hätte den Kreditgebern das Recht eingeräumt, den damals existierenden revolvierenden Kredit mit sofortiger Wirkung zu kündigen, und durch die vertraglichen Verbindungen zwischen den beiden Kreditlinien hätten sie auch das Überbrückungsdarlehen kündigen und die sofortige Rückzahlung der ausstehenden Beträge fordern können. Sky Deutschland verhandelte neue Kreditlinien, die aus zwei langfristigen Darlehen in Höhe von insgesamt € 275 Mio., einer revolvierenden Kreditlinie in Höhe von € 125 Mio. und einem Avalkredit in Höhe von € 125 Mio. bestehen, um die damals bestehenden Bankschulden zu refinanzieren. Diese Kreditlinien wurden am 23. Dezember 2008 abgeschlossen und traten unter anderem nach Durchführung einer Kapitalerhöhung mit einem Bruttoemissionserlös von € 450 Mio. in Kraft. Diese Kapitalerhöhung wurde in zwei Schritten im Januar und April 2009 mittels Bezugsrechtskapitalerhöhungen durchgeführt. Die Kapitalerhöhungen wurden durch den Großaktionär der Gesellschaft, News Adelaide Holdings B.V. („**News Adelaide**"), die eine indirekte, 100 %ige Tochtergesellschaft von News Corporation ist, garantiert. News Adelaide verpflichtete sich hierbei, Bezugsrechte zu zeichnen und/oder sämtliche Neue Aktien zu erwerben, die nicht im Rahmen des Bezugsrechtsangebots gezeichnet wurden.

Desweiteren überprüfte die Gesellschaft sorgfältig ihre Geschäftstätigkeit in 2008, initiierte eine neue Geschäftsstrategie, um die Schwierigkeiten der vergangenen Jahre zu lösen, und beschloss, ihr Geschäft neu zu starten (Relaunch). Die neue Strategie war darauf ausgerichtet, die monatliche Anzahl der Abonnenten von Sky Deutschland und den ARPU erhöhen. Die operativen Maßnahmen, die zu der Strategie gehören, betrafen alle Aspekte von Sky Deutschlands Geschäftstätigkeit und zielten darauf ab, die Attraktivität von Sky Deutschlands Programminhalten zu steigern, die Nutzbarkeit ihrer Produkte und Dienstleistungen durch eine Vereinfachung und Straffung der Paket- und Preisstruktur zu verbessern, die Kundenzufriedenheit zu erhöhen und Sky Deutschlands Verkaufs- und Marketingaktivitäten auszuweiten. Ein wesentlicher Meilenstein der Strategie war die Einführung von Sky Deutschlands neuer Produktpalette und des neuen Markennamens am 4. Juli 2009. Vor diesem Datum hat Sky Deutschland ihr Produktangebot unter dem Namen „PREMIERE“ angeboten. Sky Deutschland entschied sich, die Marke „PREMIERE“ nicht weiter zu nutzen, was zu einer Abschreibung der von Sky Deutschland zuvor genutzten Marken führte. Diese vollständige Abschreibung der Premiere-Marke belief sich auf € 331,6 Mio. Die Abschreibung generierte eine latente Steuereinnahme von € 77,7 Mio., welche sich aus der Rückbelastung von temporären Abweichungen zwischen dem Buchwert der Marke gemäß IFRS und der Besteuerungsgrundlage ergaben.

Um ihre finanzielle Flexibilität zu erhöhen und um weitere Investitionen in Initiativen tätigen zu können, die ein nachhaltiges Abonnentenwachstum fördern sollen, wie zusätzliche Investitionen in Programminhalte, den Sky+ Service und die HDTV-Kanäle von Sky Deutschland, hat Sky Deutschland ihr Grundkapital im Januar 2010 um weitere zehn Prozent mittels einer Direktplatzierung neuer Aktien an News Adelaide erhöht, was € 110 Mio. einbrachte. Im Zusammenhang mit der Kapitalerhöhung im Januar 2010 hat Sky Deutschland mit ihrem Bankenkonsortium eine Verzichtserklärung bezüglich einer Klausel in ihren Finanzverträgen ausgehandelt, die festlegt, dass Emissionserlöse vorrangig für die Abzahlung der bestehenden Kredite genutzt werden müssen, und ferner eine Anpassung der bestehenden Kreditauflagen an die zusätzlichen Investitionen verhandelt.

Sky Deutschland ist der Ansicht, dass ihr Neustart (Relaunch) eine gute Grundlage für das Wachstum ihres Geschäftes ist. Sky Deutschland hat ihre Strategie überarbeitet und angepasst und beschlossen, weitere Investitionen vorzunehmen, um die Geschäftsentwicklung durch den Ausbau des HDTV-Angebots, die Verbreitung von Sky+ (einem digitalem HDTV-Festplattenrecorder), Investitionen in Innovationen und Produkterweiterungen sowie durch neue Verkaufs- und Vertriebsinitiativen und die Verbesserung des Kundenservice zu beleben. Die Geschäftskennzahlen bewegen sich in die richtige Richtung und Sky Deutschland konnte daraufhin folgendes verzeichnen:

- Nettozuwächse bei ihren Abonnentenzahlen von 112.002 Abonnenten innerhalb eines Jahres nach Einführung des Markennamens „SKY“ (Anzahl der Abonnenten am 30. Juni 2009 verglichen mit der Anzahl der Abonnenten am 30. Juni 2010),
- die quartalsweise annualisierte Kündigungsrate sank von 20,8 % im zweiten Quartal 2009 auf 16,3 % im zweiten Quartal 2010 (Die quartalsweise annualisierte Kündigungsrate ist definiert als das Verhältnis der Anzahl direkter Abonnenten, die ihr Abonnement während des Quartals gekündigt haben, geteilt durch die durchschnittliche Anzahl direkter Abonnenten im Quartal und multipliziert mit vier. Die durchschnittliche Anzahl direkter Abonnenten wird berechnet, indem die Anzahl der direkten Abonnenten am ersten Tag des Quartals, z. B. 1. April 2010, und die Anzahl der direkten Abonnenten am letzten Tag des Quartals, z. B. 30. Juni 2010, addiert werden und das Ergebnis durch 2 geteilt wird),
- der ARPU stieg von € 25,20 im zweiten Quartal 2009 auf € 28,62 im zweiten Quartal 2010,
- die HDTV Verbreitungsrate stieg von 8,4 % im zweiten Quartal 2009 auf 14,9 % im zweiten Quartal 2010, und
- der Bekanntheitsgrad der Marke „SKY“ stieg von 36 % im Juni 2009 auf 78,4 % im August 2010 (*Quelle: Icon Added Value: Brand- and Advertising Tracker August 2010, eine Studie, die Sky Deutschland beauftragt hat*).

Dennoch ist die Geschwindigkeit dieser Entwicklung nicht ausreichend und Sky Deutschland hat ihre Geschäftsziele nicht vollständig erreicht.

Um die genannten wachstumsfördernden Maßnahmen finanzieren zu können und um die Finanzposition von Sky Deutschland zu gewährleisten und insbesondere, um finanzielle Engpässe zu beseitigen, hat die Gesellschaft beschlossen, weiteres Kapital aufzunehmen. Um (i) eine Zwangstilgung ihrer Kredite aus den Erlösen des Angebots zu verhindern, (ii) finanzielle Auflagen und andere Beschränkungen derart anzupassen, dass sie die beabsichtigte Verwendung der Emissionserlöse und anderer Zahlungen im Zusammenhang mit der Finanzierung widerspiegeln und (iii) einen Bruch der finanziellen Auflagen zu verhindern, der zu einem späteren Zeitpunkt eingetreten wäre, was die Gläubiger berechtigt hätte, die Kredite mit sofortiger Wirkung zu kündigen und die Zahlung der ausstehenden Beträge zu verlangen, hat Sky Deutschland mit dem Bankenkonsortium eine Änderung der Kreditlinien vereinbart. Der Änderungs- und Verzichtvertrag zu den Kreditlinien wurde am 2. August 2010 beschlossen und trat teilweise in Kraft nachdem die Gesellschaft mit News Adelaide und News Corporation ein Financial Support Agreement abgeschlossen hatte, in welchem News Adelaide sich verpflichtet, die Gesellschaft bei der Beschaffung von Finanzmitteln in einer Bruttogesamthöhe von € 340 Mio. zu unterstützen („**Gesamtfinanzierungsbetrag**"). Einige dieser Änderungen unterliegen der auflösenden Bedingung, dass die Gesellschaft Verträge geschlossen hat, unter denen sie Zugriff auf weitere Finanzmittel in der Höhe von € 80 Mio. netto bis 31. Oktober 2010 und € 340 Mio. brutto bis 31. Dezember 2010 hat. Diese auflösende Bedingung ist nicht anwendbar, wenn der Gesellschaft die Beträge bereits vor Ablauf der genannten Daten tatsächlich zugeflossen sind. Desweiteren stellt der tatsächliche Erhalt des Gesamtfinanzierungsbetrages durch die Gesellschaft bis zum 31. Januar 2011 eine weitere auflösende Bedingung des Änderungs- und Verzichtvertrages dar. Die Gesellschaft erwartet, unter der Annahme, dass alle angebotenen Aktien vollständig platziert werden können, nach Abschluss dieses Angebots einen Bruttoemissionserlös von € 283,1 Mio. zu erzielen; die Gesellschaft geht davon aus, dass es die restlichen € 56,9 Mio. aus der Direktplatzierung einer Wandelanleihe an News Adelaide oder einem Beauftragten von News Adelaide, welche bis zum 28. Januar 2011 emittiert werden soll, und/oder durch die Bewilligung eines Gesellschafterdarlehens bis zum 31. Januar 2011 erlösen wird. Für weitere Informationen über News Adelaides Verpflichtung, Bezugsrechte auszuüben und/oder Neue Aktien zu erwerben, die nicht anderweitig bezogen wurden siehe „*—Zusammenfassung des Angebots—Verpflichtung der News Adelaide*".

Zusammenfassung – Wettbewerbsstärken

Nach Ansicht der Gesellschaft verfügt Sky Deutschland über die folgenden Wettbewerbsstärken, die sie gut positionieren, um eine Trendwende in ihrem Geschäft zu erreichen und nachhaltig profitabel zu werden:

- *Exklusive Übertragungsrechte.*
- *Umfangreiche Ausstrahlung von hochauflösenden Fernsehübertragungen.*
- *Gesicherter Zugang zu nahezu allen Haushalten in Deutschland und Österreich durch die Nutzung einer Vielzahl von Übermittlungsplattformen.*
- *Signifikanter und attraktiver Abonnentenstamm.*
- *Weit verzweigtes und diversifiziertes Vertriebsnetz.*
- *Klare und einfache Paket- und Preisstruktur.*
- *Erfahrenes Managementteam.*

Zusammenfassung – Strategie

Sky Deutschland sieht sich als gut positioniert, um in Deutschland und Österreich ein erfolgreiches Pay-TV-Geschäft auszubauen. Sky Deutschland ist ebenfalls der Ansicht, dass die Pay-TV Märkte in beiden Ländern ein großes Wachstumspotential bieten und plant, dieses auszuschöpfen.

Der klare Fokus der Strategie von Sky Deutschland ist auf die Erhöhung der Abonnentenanzahl und die Steigerung der Umsatzerlöse gerichtet. Sky Deutschland strebt auf Basis ihres Produktangebots die Gewinnung neuer Abonnenten, die Verbesserung der Bindung bestehender Abonnenten und die Erhöhung des ARPU an. Teil dieser Strategie ist ebenfalls die Verbesserung der Kundenzufriedenheit, um Kündigungsraten zu reduzieren und durch Empfehlungen bestehender

Kunden die Grundlage für die Gewinnung von Neuabonnenten zu verbessern. Die Strategie von Sky Deutschland umfasst folgende Schlüsselelemente:

- *Differenzierung durch HDTV-Angebote, einschließlich HD-3D, sowie Qualität des Kernangebots und Exklusivität.*
- *Verbreitung von Sky+ zur Wachstumsförderung und Steigerung der Kundenzufriedenheit.*
- *Nutzung wichtiger Innovationen zur Steigerung des Komforts und der Kundenzufriedenheit sowie zur Gewinnung weiterer Abonnenten.*
- *Verbesserungen der strategischen Vertriebspartnerschaften.*
- *Steigerung der Kundenzufriedenheit durch einen verbesserten Kundenservice.*

Zusammenfassung der konsolidierten Finanzangaben

Grundlagen der Darstellung

In den nachfolgenden Tabellen sind zusammengefasste Finanzinformationen für die zum 31. Dezember 2007, 2008 und 2009 endenden Geschäftsjahre und für den Sechsmonatszeitraum zum 30. Juni 2009 und 2010 dargestellt, die den geprüften Konzernabschlüssen der Sky Deutschland AG für die zum 31. Dezember 2007, 2008 und 2009 endenden Geschäftsjahre sowie dem prüferisch durchgesehenen Konzernzwischenabschluss der Sky Deutschland AG für den Sechsmonatszeitraum zum 30. Juni 2010 entstammen. Die Ergebnisse für den Sechsmonatszeitraum zum 30. Juni 2010 sind nicht zwangsläufig ein Maßstab für das gesamte Geschäftsjahr. Die Konzern-(zwischen-)abschlüsse der Sky Deutschland AG wurden nach den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind („**IFRS**"), und den zusätzlichen handelsrechtlichen Anforderungen gemäß § 315a Abs. 1 HGB erstellt.

Die Konzernabschlüsse der Sky Deutschland AG für die Geschäftsjahre 2007, 2008 und 2009 hat die KPMG AG Wirtschaftsprüfungsgesellschaft („**KPMG**") geprüft und jeweils mit einem uneingeschränkten Bestätigungsvermerk versehen, jedoch den Bestätigungsvermerk für das Jahr 2008 um den Hinweis ergänzt, dass Sky Deutschland möglicherweise nicht in der Lage gewesen wäre die Gesellschaft fortzuführen, wenn das Aktienangebot für 2009 fehlgeschlagen wäre oder wenn Sky Deutschland nicht in der Lage gewesen wäre, die Kreditlinien in Anspruch zu nehmen. KPMG hat den Konzernzwischenabschluss für den Sechsmonatszeitraum zum 30. Juni 2010 einer prüferischen Durchsicht unterzogen und mit einer Bescheinigung zur prüferischen Durchsicht versehen.

Sky Deutschland beschloss zum Beginn des Geschäftsjahrs 2010 eine neue Berichterstattungsstruktur zu implementieren, um die Nutzbarkeit der Berichterstattung zu verbessern und um die externe an die interne Berichterstattung anzupassen. Sky Deutschland veränderte die Aufgliederung verschiedener Aufwendungen in Bezug auf die jeweilige Aufwandsposition in der Konzernergebnisrechnung aufgrund der neuen Preisstruktur. Die Neustrukturierung betraf die Umsatzkosten, die Vertriebskosten und allgemeine Verwaltungskosten. Im Zusammenhang mit der Einführung der neuen Berichterstattungsstruktur, veränderte Sky Deutschland auch die Zuordnung verschiedener Umsatzerlöse zu den Unterpositionen der Umsatzerlöse und benannte verschiedene Positionen neu (zusammen die „**Neue Berichterstattungsstruktur**"). Die Neue Berichterstattungsstruktur spiegelt sich in dem konsolidierten Konzernzwischenabschluss für das erste Halbjahr 2010 wider (einschließlich der Vergleichsdaten für das erste Halbjahr 2009, welche hier enthalten sind). Für das Geschäftsjahr zum 31. Dezember 2009 finden sich die Änderungen, die vorgenommen werden müssten, um die alte Berichterstattungsstruktur an die Neue Berichterstattungsstruktur anzupassen, zur Illustration in einer separaten Spalte der jeweiligen Tabelle.

Am 10. Mai 2007 erwarb Sky Deutschland jeweils 65 % der Geschäftsanteile an der Home of Hardware GmbH & Co. KG und der Home of Hardware Verwaltungs GmbH (zusammen „**HoH**"). HoH vertreibt, verkauft und vermarktet über ihr eigenes Internetportal Elektronikartikel, vor allem im Unterhaltungselektronikbereich. Die restlichen 35 % der Geschäftsanteile waren Gegenstand einer Put-Call-Vereinbarung. Am 12. Dezember 2008 verkaufte Sky Deutschland ihre gesamte Beteiligung an HoH an einen Dritten. Im Zusammenhang mit der Veräußerung der Beteiligung Sky Deutschlands an HoH wurde die Put-Call-Vereinbarung ebenfalls aufgehoben. Da HoH in der Vergangenheit einen bedeutenden eigenständigen Geschäftszweig von Sky Deutschland bildete, sind die Ergebnisse von HoH in der Gewinn- und Verlustrechnung für das Jahr 2008, einschließlich der

darin enthaltenen Vergleichszahlen für das Jahr 2007, unter „**Ergebnis aus aufgegebenen Geschäftsaktivitäten**“ ausgewiesen.

Mitte 2007 unterzeichnete Sky Deutschland eine Unterlizenzvereinbarung mit Arena Sport Rechte und Marketing GmbH („**Arena**“), einer Tochtergesellschaft der Unitymedia GmbH („**Unitymedia**“), über die Pay-TV-Rechte an allen Spielen der Ersten und Zweiten Fußball-Bundesliga für die Spielzeiten 2007/2008 und 2008/2009 zur Kabel- und Satellitenübertragung sowie zur Ausstrahlung in Sky Sportsbars. Als Teil der Vereinbarung mit Arena erwarb Sky Deutschland bestimmte Verträge im Zusammenhang mit der TV-Produktion der Bundesliga und übernahm dazugehörige Mitarbeiter (zusammen, die „**Arena-Transaktion**“).

Die Transaktion wurde als Unternehmenszusammenschluss gemäß IFRS 3 bilanziert, dies wurde von der DPR in ihrer jüngsten Untersuchung beanstandet (siehe den folgenden Absatz für weitere Informationen). Wegen einer geänderten Beurteilung einer Nachtragsvereinbarung zur Arena-Transaktion im Jahr 2008 hat die Sky Deutschland AG für die in der Konzernbilanz 2008 enthaltenen Zahlen für das Jahr 2008 sowie die Vergleichszahlen für das Jahr 2007 in Bezug auf die Bilanzpositionen Goodwill und sonstige finanzielle Verbindlichkeiten Anpassungen in Höhe von € 3,5 Mio. vorgenommen. Um die stichtagsbezogene Vergleichbarkeit der in diesem Prospekt abgedruckten Finanzinformationen zu verbessern, sind in den nachfolgenden Tabellen nicht nur ausgewählte Informationen der Konzernbilanz aufgeführt, die aus dem geprüften Konzernabschluss 2007 (die „**Nicht angepasste Konzernbilanz 2007**“) der Sky Deutschland AG stammen, sondern auch die zu Vergleichszwecken im geprüften Konzernabschluss von 2008 enthaltenen Informationen für das Jahr 2007 (die „**Angepasste Konzernbilanz 2007**“).

Im vierten Quartal 2008 hat die Deutsche Prüfstelle für Rechnungslegung („**DPR**“) eine Untersuchung bezüglich der Konzernabschlüsse sowie der Einzelabschlüsse für das Geschäftsjahr 2007, dem Konzernzwischenabschluss für den Sechsmonatszeitraum zum 30. Juni 2008 und die entsprechenden Konzernlageberichte eingeleitet. Angesichts dieser Ermittlung hat die DPR festgestellt:

i. dass die Gesellschaft die Berichterstattung zu den Abonnentenzahlen in den Abschlüssen nicht hinreichend transparent angegeben hat (für eine Beschreibung der aktuellen und zuvor verwendeten Methodik zur Klassifizierung ihrer Abonnenten siehe „*—Restrukturierung und Neustart (Relaunch) der Geschäftstätigkeit der Gesellschaft*“);

ii. dass der Konzernlagebericht der Gesellschaft und des Konzerns für das Geschäftsjahr 2007 die Entwicklung der Finanz- und Ertragslage nicht umfassend dargestellt hat und dass weitere Trendaussagen hätten gemacht werden müssen;

iii. dass in dem Zwischenlagebericht für den Sechsmonatszeitraum zum 30. Juni 2008 hätte erwähnt werden müssen, dass die Gesellschaft bezüglich des Neunmonatszeitraums zum 30. September 2008 Gefahr lief, gegen eine Auflage in ihren damaligen Kreditlinien zu verstoßen (für eine Beschreibung der finanziellen Schwierigkeiten von Sky Deutschland in 2008 siehe „*—Restrukturierung und Neustart (Relaunch) der Geschäftstätigkeit der Gesellschaft*“);

iv. dass die Gesellschaft in ihrem Zwischenlagebericht für den Sechsmonatszeitraum zum 30. Juni 2008 ihre Umsatzkosten um mindestens € 10 Mio. zu niedrig ausgewiesen hat, da Kosten, die im Zusammenhang mit der Lizenzierung von Free-TV-Rechten an achtzehn Spielen und Pay-TV-Rechten an allen Spielen der FIFA Fußball-Weltmeisterschaft entstanden, nicht korrekt unter den durch Sky Deutschland übertragenen Free-TV Rechten und den durch Sky Deutschland behaltenen Pay-TV Rechten aufgeteilt wurden; und

v. dass es für die Gesellschaft nicht zulässig war, die Arena-Transaktion als Unternehmenszusammenschluss gemäß IFRS 3 zu bilanzieren. In diesem Zusammenhang befand die DPR gegen die buchhalterische Erfassung der erworbenen Bundesligarechte in Bezug auf den HGB-Einzelabschluss.

Sky Deutschland hat am 10. Juni 2010 gegen die Stellungnahme der DPR Widerspruch eingelegt. Infolgedessen sind die vorgenannten Rechnungslegungs- und Berichterstattungsangelegenheiten sowie die Ergebnisse der DPR Untersuchung derzeit Gegenstand einer Überprüfung durch die Bundesanstalt für Finanzdienstleistungsaufsicht („**BaFin**“). Sollte die BaFin die Auffassung der DPR

bestätigen und sollte die Bestätigung der BaFin in einem etwaigen Gerichtsverfahren Bestand haben, das die Gesellschaft einleiten könnte, könnte dies zur Auferlegung von Bußgeldern und gegebenenfalls zu Korrekturen der Konzernabschlüsse sowie Einzelabschlüsse sowie zu Schadenersatzansprüchen durch Dritte führen, die auf den Schlussfolgerungen der DPR-Ergebnisse beruhen. Jede dieser Entwicklungen kann erhebliche nachteilige Auswirkungen auf die Vermögens-, Finanz- und Ertragslage von Sky Deutschland haben und dies könnte wiederum zu einem deutlichen Rückgang des Aktienkurses von Sky Deutschland führen. Insbesondere wirken sich die Einzelabschlüsse der Gesellschaft für das Geschäftsjahr 2007 und die möglichen Verstöße gegenüber Meldepflichten nachteilig auf die Einzelabschlüsse der Gesellschaft für die folgenden Jahre aus. Diese Abschlüsse könnten für nichtig erklärt werden. Des Weiteren besteht die Möglichkeit, dass die Gesellschaft die Konzernabschlüsse für die künftigen Jahre anpassen muss, um die vorgenannten Punkte (iv) und (v) zu berücksichtigen. Die Anwendung der Auslegung der IFRS, wie durch die DPR vorgenommen, in Bezug auf die Kostenverteilung im Zusammenhang mit der Unterlizenzierung der Free-TV-Rechte für die FIFA Fußball-Weltmeisterschaft 2010 an die RTL Television GmbH, hätte zu einer Erhöhung der Umsatzkosten in 2008 um mindestens € 10 Mio. geführt, was wiederum zu einer entsprechenden Steigerung des Bruttoverlusts sowie einer Verschlechterung des Betriebsergebnisses, Vorsteuerergebnisses und des Periodenergebnisses in 2008 geführt hätte. In der Bilanz hätte die Anwendung dieser Auslegungsweise zu einer entsprechenden Minderung des auf die Aktionäre entfallenden Eigenkapitalanteils und höheren Verbindlichkeiten aus Lieferungen und Leistungen geführt. In dem Konzernabschluss für das Jahr 2010 würde eine Anwendung dieser Auslegungsweise eine umgekehrte Wirkung (Reduzierung der Umsatzkosten, Verminderung der Verluste) haben. Die Anwendung der Auslegungsweise der IFRS wie durch die DPR vorgenommen in Bezug auf die Bilanzierung der Arena-Transaktion als Unternehmenszusammenschluss gemäß IFRS 3 hätte eine Minderung des Goodwill in Höhe von € 248,4 Mio., eine entsprechende Erhöhung des Konzernverlustes und des negativen sonstigen Eigenkapitals inklusive des erwirtschafteten Konzerneigenkapitals zur Folge, was wiederum zu einer Verschlechterung des auf die Aktionäre entfallenden Eigenkapitalanteils in gleicher Höhe führen würde.

Zusammengefasste Informationen der Gewinn- und Verlustrechnung

	Zum 31. Dezember*					Für den Sechsmonatszeitraum zum 30. Juni*	
	2007[1]	2007[2]	2008[3]	2009[4]	2009 (angepasst)[5]	2009[6]	2010[6]
	(in Mio. €, sofern nichts anderes angegeben ist)						
	(geprüften Abschlüssen entnommen)				(ungeprüft)	(dem einer prüferischen Durchsicht unterzogenen Zwischenabschluss entnommen)	
Umsatzerlöse	984,5	937,2	941,1	902,1	902,1	463,3	470,9
Umsatzkosten[7]	(849,8)	(804,5)	(884,2)	(955,3)	(963,7)	(482,5)	(498,1)
Bruttoergebnis vom Umsatz	**134,7**	**132,7**	**56,9**	**(53,3)**	**(61,6)**	**(19,2)**	**(27,2)**
Vertriebskosten[8]	(128,8)	(126,7)	(114,3)	(175,7)	(171,1)	(55,3)	(71,7)
Allgemeine Verwaltungskosten[9]	(59,1)	(58,8)	(69,6)	(78,5)	(74,7)	(40,5)	(40,2)
Sonstige betriebliche Erträge	98,2	98,0	38,8	11,4	11,4	5,3	8,1
Sonstige betriebliche Aufwendungen	(7,3)	(7,1)	(19,1)	(11,3)	(11,3)	(9,7)	(1,8)
Abschreibungen auf Markenzeichen	—	—	—	(331,6)	(331,6)	(331,6)	—
Abschreibung auf Abonnentenstamm	(48,3)	(48,3)	(48,9)	(49,0)	(49,0)	(24,4)	(24,5)
Betriebliches Ergebnis	**(10,5)**	**(10,2)**	**(156,2)**	**(688,0)**	**(688,0)**	**(475,5)**	**(157,4)**
Finanzergebnis	(40,0)	(39,5)	(59,5)	(38,9)	(38,9)	(24,4)	(19,9)
Ergebnis vor Steuern	**(50,5)**	**(49,6)**	**(215,7)**	**(726,9)**	**(726,9)**	**(499,8)**	**(177,3)**
Steuern vom Einkommen und Ertrag	(1,1)	(2,2)	(48,8)	50,4	50,4	54,0	(1,5)
Ergebnis aus fortgeführten Geschäftsaktivitäten (nach Ertragsteuern)	**—**	**(51,9)**	**(264,5)**	**(676,5)**	**(676,5)**	**(445,8)**	**(178,9)**
Ergebnis aus aufgegebenen Geschäftsaktivitäten[10] (nach Ertragsteuern)	—	0,3	(4,9)	0,0	0,0	0,0	0,0
Periodenergebnis	**(51,6)**	**(51,6)**	**(269,4)**	**(676,5)**	**(676,5)**	**(445,8)**	**(178,9)**
Zurechenbar zu:							
Anteilseigner der Muttergesellschaft	(51,5)	(51,5)	(269,3)	(676,2)	(676,2)	(445,5)	(178,9)
Minderheitenanteile	(0,0)	(0,0)	(0,1)	(0,3)	(0,3)	(0,3)	(0,0)
Ergebnis pro Aktie – fortgeführte Geschäftsaktivitäten (unverwässertes/ verwässertes Ergebnis) (€)[11]	—	(0,55)	(2,35)	(1,79)	(1,79)	(1,70)	(0,34)
Ergebnis pro Aktie – aufgegebene Geschäftsaktivitäten (unverwässertes/ verwässertes Ergebnis) (€)[11]	—	0,00	(0,04)	0,00	0,00	0,00	0,00
Ergebnis pro Aktie – Summe (unverwässertes/ verwässertes Ergebnis) (€)[11]	(0,55)	(0,55)	(2,39)	(1,79)	(1,79)	(1,70)	(0,34)

* Abweichungen von der Summe durch Rundungsdifferenzen möglich.

(1) Informationen entstammen der „Nicht angepassten Gewinn- und Verlustrechnung 2007".

(2) Informationen entstammen der „Angepassten Gewinn- und Verlustrechnung 2007".

(3) Informationen entstammen dem geprüften Konzernabschluss für das Jahr 2008.

(4) Informationen entstammen dem geprüften Konzernabschluss für das Jahr 2009.

(5) Informationen spiegeln die Neue Berichterstattungsstruktur wider, als hätte diese in 2009 Anwendung gefunden, und wurden von der Gesellschaft auf Grundlage ihrer Geschäftsbücher erstellt.

(6) Informationen entstammen dem einer prüferischen Durchsicht unterzogenen Konzernzwischenabschluss der Sky Deutschland AG für den Sechsmonatszeitraum endend zum 30. Juni 2010.

(7) Mit Einführung der Neuen Berichterstattungsstruktur wurden einige Veränderungen an Positionen, die unter Umsatzkosten verbucht wurden, vorgenommen. Einige Positionen, die vorher den Vertriebskosten und den Allgemeinen Verwaltungskosten zugeordnet waren, werden jetzt als Umsatzkosten verbucht. Ebenso werden einige Positionen, die vorher den Umsatzkosten zugeordnet waren, jetzt unter den Vertriebskosten oder den Allgemeinen Verwaltungskosten verbucht.

(8) Mit Einführung der Neuen Berichterstattungsstruktur wurden einige Veränderungen an Positionen, die unter Vertriebskosten verbucht wurden, vorgenommen. Einige Positionen, die vorher den Umsatzkosten zugeordnet waren, werden jetzt als Vertriebskosten verbucht und umgekehrt.

(9) Mit Einführung der Neuen Berichterstattungsstruktur wurden einige Veränderungen an Positionen, die unter Allgemeine Verwaltungskosten verbucht wurden, vorgenommen. Einige Positionen, die vorher den Umsatzkosten zugeordnet waren, werden jetzt als Verwaltungskosten verbucht und umgekehrt.

(10) Entspricht dem Ergebnis von HoH sowie den Folgen aus der Veräußerung des Anteils an HoH durch Sky Deutschland.

(11) Basierend auf der durchschnittlichen Anzahl der jeweils ausstehenden Aktien im Jahr 2007 (94,00 Mio. Aktien), 2008 (112,46 Mio. Aktien) und 2009 (378,03 Mio. Aktien).

Zusammengefasste Informationen der Konzernbilanz

	Zum 31. Dezember*				Für den Sechsmonats-zeitraum zum 30. Juni*
	2007[1]	2007[2]	2008[3]	2009[4]	2010[5]
	(in Mio. €)				
	(geprüften Abschlüssen entnommen)				(dem einer prüferischen Durchsicht unterzogenen Zwischenabschluss entnommen)
Zahlungsmittel und Zahlungsmitteläquivalente	115,0	115,0	67,2	8,1	36,3
Forderungen aus Lieferungen und Leistungen (kurzfristig)	99,3	99,3	79,0	68,8	85,6
Forderungen aus at equity bilanzierten Unternehmen	0,4	0,4	0,4	0,2	0,8
Filmvermögen und geleistete Anzahlungen auf Sport- und Filmrechte (kurzfristig)	91,9	91,9	110,5	73,6	66,4
Vorräte	62,8	62,8	33,4	36,2	37,4
Summe kurzfristige Aktiva	**401,8**	**401,8**	**319,2**	**212,0**	**265,0**
Latente Steuern	58,1	58,1	25,0	1,4	0,0
Filmvermögen und geleistete Anzahlungen auf Sport- und Filmrechte (langfristig)	37,1	37,1	59,9	24,1	24,2
Receiver (Anlagevermögen)	57,0	57,0	42,5	48,1	54,2
Immaterielle Vermögenswerte	1.166,0	1.169,5	1.102,0	726,0	707,5
Hiervon:					
Goodwill	*623,3*	*626,8*	*622,1*	*631,9*	*636,1*
Markenzeichen	*335,3*	*335,3*	*333,4*	*0,0*	*0,0*
Abonnentenstamm	*151,6*	*151,6*	*107,7*	*58,9*	*34,4*
Summe langfristige Aktiva	**1.366,5**	**1.370,0**	**1.250,3**	**834,4**	**814,4**
Summe Aktiva	**1.768,3**	**1.771,7**	**1.569,5**	**1.046,4**	**1.079,4**
Finanzverbindlichkeiten (kurzfristig)	11,1	11,1	378,5	29,6	7,1
Verbindlichkeiten aus Lieferungen und Leistungen (kurzfristig)	177,0	177,0	174,7	196,9	185,6
Sonstige Verbindlichkeiten/sonstige Finanzverbindlichkeiten (kurzfristig)	93,2	93,9	75,4	71,5	62,9
Summe kurzfristige Schulden	**291,9**	**292,6**	**639,6**	**313,2**	**267,9**
Finanzverbindlichkeiten (langfristig)	279,5	279,5	6,8	140,9	283,1
Latente Steuern	97,7	97,7	113,7	39,3	41,9
Sonstige Verbindlichkeiten/sonstige Finanzverbindlichkeiten (langfristig)	24,6	27,4	9,2	65,5	63,7
Summe langfristige Schulden	**435,9**	**438,7**	**158,2**	**270,1**	**411,2**
Summe Schulden	**727,8**	**731,3**	**797,9**	**583,4**	**679,1**
Summe Eigenkapital	**1.040,5**	**1.040,5**	**771,7**	**463,0**	**400,3**
Summe Passiva	**1.768,3**	**1.771,7**	**1.569,5**	**1.046,4**	**1.079,4**

* Abweichungen von der Summe durch Rundungsdifferenzen und die Auslassung einzelner Bilanzpositionen möglich.

(1) Informationen entstammen der „Nicht angepassten Konzernbilanz 2007".

(2) Informationen entstammen der „Angepassten Konzernbilanz 2007".

(3) Informationen entstammen dem geprüften Konzernabschluss für das Jahr 2008 der Sky Deutschland AG.

(4) Informationen entstammen dem geprüften Konzernabschluss für das Jahr 2009 der Sky Deutschland AG.

(5) Informationen entstammen dem einer prüferischen Durchsicht unterzogenen Konzernzwischenabschluss für den Sechsmonatszeitraum endend zum 30. Juni 2010 der Sky Deutschland AG.

Zusammengefasste Informationen der Konzernkapitalflussrechnung

	Zum 31. Dezember			Für den Sechsmonatszeitraum zum 30. Juni	
	2007[1]	2008[2]	2009[1]	2009[4]	2010[4]
	(in Mio. €)				
	(geprüften Abschlüssen entnommen)			(dem einer prüferischen Durchsicht unterzogenen Zwischenabschluss entnommen)	
Mittelabfluss aus laufender Geschäftstätigkeit	(34,4)	(108,1)	(158,4)	(52,6)	(173,8)
Mittelabfluss aus Investitionstätigkeit	(23,2)	(7,3)	(53,3)	(11,5)	(18,4)
Mittelzufluss aus Finanzierungstätigkeit	145,9	67,6	152,7	18,9	220,5

(1) Informationen entstammen dem geprüften Konzernabschluss für das Jahr 2007 der Sky Deutschland AG.
(2) Informationen entstammen dem geprüften Konzernabschluss für das Jahr 2008 der Sky Deutschland AG.
(3) Informationen entstammen dem geprüften Konzernabschluss für das Jahr 2009 der Sky Deutschland AG.
(4) Informationen entstammen dem einer prüferischen Durchsicht unterzogenen Konzernzwischenabschluss für den Sechsmonatszeitraum endend zum 30. Juni 2010 der Sky Deutschland AG.

Zusammengefasste Geschäftsinformationen

	Zum 31. Dezember*			Für den Sechsmonatszeitraum zum 30. Juni*	
	2007[1]	2008[2]	2009[3]	2009[4]	2010[4]
			(ungeprüft)		
Abonnenten (Jahresanfangsbestand, in Tausend)[5]	2.696	2.534	2.399	2.399	2.470
Neuabonnenten (in Tausend)[5]	516	435	597	228	230
Kündigungen (in Tausend)[5]	(677)	(571)	(527)	(264)	(223)
Nettorückgang (in Tausend)[5]	(162)	(135)	70	(35)	7
Abonnenten (Jahresendbestand, in Tausend)[5]	2.534	2.399	2.470	2.364	2.476
Durchschnittsbestand (in Tausend)[5][6]	2.615	2.467	2.434	2.382	2.473
Kündigungsquote (in %, letzte 12 Monate rollierend)[5][7]	25,9	23,1	21,6	22,4	20,1
ARPU (€)[5][8]	22,48	23,49	25,46	24,97	28,72
EBITDA (in Mio. €)[9][15][16]	83,6	(57,0)	(262,7)	(93,2)	(111,9)
EBITDA-Marge (%)[10][14][15]	8,9	(6,1)	(29,1)	(20,1)	(23,8)
EBITA (in Mio. €) [11][15][16]	38,1	(107,3)	(305,6)	(117,6)	(132,9)
EBITA-Marge (%)[12][15][16]	4,1	(11,4)	(33,9)	(25,4)	(28,2)
EBIT (in Mio. €) [13][15][16]	(10,2)	(156,2)	(688,0)	(475,5)	(157,4)
EBIT-Marge (%)[14][15][16]	(1,1)	(16,6)	(76,3)	(102,6)	(33,4)

* Abweichungen von der Summe durch Rundungsdifferenzen möglich.
(1) Sofern diese Spalte Finanzkennzahlen (d. h. EBITDA, EBITA, EBIT sowie deren jeweilige Margen) enthält, wurden die relevanten Kennzahlen auf Basis der angepassten Gewinn- und Verlustrechnung der Sky Deutschland AG für das Jahr 2007 berechnet.
(2) Sofern diese Spalte Finanzkennzahlen (d. h. EBITDA, EBITA, EBIT sowie deren jeweilige Margen) enthält, wurden die relevanten Kennzahlen auf Basis des geprüften Konzernabschlusses der Sky Deutschland AG für das Jahr 2008 berechnet.
(3) Sofern diese Spalte Finanzkennzahlen (d. h. EBITDA, EBITA, EBIT sowie deren jeweilige Margen) enthält, wurden die relevanten Kennzahlen auf Basis des geprüften Konzernabschlusses der Sky Deutschland AG für das Jahr 2009 berechnet.
(4) Sofern diese Spalte Finanzkennzahlen (d. h. EBITDA, EBITA, EBIT sowie deren jeweilige Margen) enthält, wurden diese relevanten Kennzahlen auf Basis des, einer prüferischen Durchsicht unterzogenen, Konzernzwischenabschluss für den Sechsmonatszeitraum endend zum 30. Juni 2010 der Sky Deutschland AG berechnet.
(5) In ihrer Ad hoc-Mitteilung vom 2. Oktober 2008 teilte Sky Deutschland mit, dass sie zur Klassifizierung ihrer Abonnenten in Zukunft eine geänderte Methodik anwenden würde, die auf direkte Abonnenten ausgerichtet ist, also in erster Linie Abonnenten, die ein monatlich zahlbares direktes Abonnement mit Sky Deutschland abgeschlossen haben. Dazu zählen Privatpersonen mit einem Abonnement für mindestens ein Pay-TV-Paket sowie Bars, Restaurants, Hotels und andere öffentlich zugängliche Einrichtungen mit gewerblichen Abonnements (wobei jedes Zimmer in diesen Hotels oder den anderen öffentlich zugänglichen Einrichtungen, in denen Sky Deutschland empfangbar ist, als eigenes Abonnement zählt; Abonnements für Sky Deutschlands Multiroom-Service erhöhen im Gegensatz dazu nicht die Anzahl der Abonnenten, resultieren aber in einem höheren ARPU pro Abonnent). Abonnenten, die nur geringe Umsätze generieren, sind von der neuen Methodik ausgeschlossen. Vor der Reklassifizierung ihrer Abonnenten erfasste Sky Deutschland bei der Berechnung des ARPU auch andere Umsatzerlöse. Alle Abonnenten- und

ARPU-Zahlen in diesem Prospekt basieren auf der neuen Abonnentenklassifizierungsmethodik. Die neue Abonnentenklassifizierungsmethodik führte zu einer Abnahme der von Sky Deutschland ausgewiesenen Abonnentenzahlen und einer entsprechenden Zunahme des veröffentlichten ARPU. Da nach der Reklassifizierung Abonnenten, die kurzfristige Verträge haben und bei denen die Wahrscheinlichkeit dafür, dass sie einen langfristigen Vertrag abschließen, nach der Erfahrung von Sky Deutschland eher gering ist, von der Zählung ausgeschlossen sind, ist die Kündigungsquote nach der neuen Abonnentenklassifizierungsmethodik tendenziell geringer als sie nach der alten Methodik gewesen wäre. Die Änderung der Methodik hatte keine Auswirkungen auf Sky Deutschlands Finanzlage. Anleger sollten beachten, dass die DPR kürzlich eine Prüfung des Konzernabschlusses der Sky Deutschland AG für 2007, für den Sechsmonatszeitraum zum 30. Juni 2008 und die entsprechenden (Konzern-)Lageberichte durchgeführt hat, um festzustellen ob diese ein zutreffendes Bild der Lage von Sky Deutschland vermitteln. In ihrer am 15. Juni 2010 der Gesellschaft mitgeteilten abschließenden Beurteilung der vorgenannten Prüfung kommt die DPR zu dem Ergebnis, dass Sky Deutschland ihre Berichterstattungspflichten unter den anwendbaren Bestimmungen hinsichtlich aller überprüften Belange des Finanz- und Rechnungswesens verletzt hat.

(6) Die durchschnittliche Abonnentenzahl ist definiert als (a) die Summe der direkten Abonnenten am Anfang der betreffenden Periode und am Ende der Periode, (b) geteilt durch zwei. Da die durchschnittliche Abonnentenzahl nur an den Abonnentenstamm zum Beginn und zum Ende der Periode anknüpft, berücksichtigt sie keine unterjährigen Schwankungen.

(7) Ist definiert als die Anzahl der direkten Abonnenten, die ihr Abonnement während einer 12-Monatsperiode kündigen, geteilt durch die durchschnittliche Abonnentenzahl in dieser Periode.

(8) ARPU ist definiert als der durchschnittliche monatlicher Umsatz aus Abonnements einer bestimmten Periode geteilt durch die durchschnittliche Abonnentenzahl in dieser Periode. Anleger sollten darauf achten, dass Sky Deutschland in der Vergangenheit ARPU-Zahlen nicht nur in Bezug auf ihre Umsätze aus Abonnements, sondern auch in Bezug auf ihren Gesamterlöse berechnet und veröffentlicht hat. Daher sind die ARPU-Zahlen, die in diesem Prospekt enthalten sind, nicht unmittelbar mit den verschiedenen ARPU-Zahlen, die in der Vergangenheit veröffentlicht worden sind, vergleichbar. Sky Deutschland verwendet ARPU als eine Kennzahl für die betriebliche Leistungsfähigkeit. Die Gesellschaft ist der Ansicht, dass ARPU eine nützliche Kennzahl ist, um einzuschätzen, in welchem Maße sich die Abonnenten von Sky Deutschland für das Programmangebot des Unternehmens entscheiden. Der ARPU ist nach IFRS jedoch nicht als Kennzahl anerkannt und nicht als Ersatz für Informationen aus der Gewinn- und Verlustrechnung, die in Übereinstimmung mit IFRS ermittelt werden, oder als Kriterium für Profitabilität zu verstehen. Da nicht alle Unternehmen den ARPU in der gleichen Weise berechnen, ist die von Sky Deutschland gewählte Darstellung des ARPU mit ähnlich bezeichneten Kennzahlen, die von anderen Unternehmen verwendet werden, nicht notwendigerweise vergleichbar.

(9) Das Ergebnis vor Zinsen, Steuern und Abschreibungen des Anlagevermögens („**EBITDA**“) ist definiert als das Periodenergebnis eines bestimmten Zeitraums aus fortgeführten Geschäftsaktivitäten vor Steuern, Zinsen und ähnlichen Aufwendungen, sonstigem Finanzergebnis, Zinsen und ähnlichen Erträgen, Gewinnen/Verlusten aus at equity bilanzierten Unternehmen, Abschreibung auf den Abonnentenstamm sowie planmäßigen und außerplanmäßigen Abschreibungen abzüglich Zuschreibungen auf Sachanlagen sowie sonstige immaterielle Vermögenswerte.

(10) Die EBITDA-Marge für eine Periode ist definiert als das EBITDA für diese Periode, angegeben in Prozent der Umsatzerlöse dieser Periode.

(11) Das Ergebnis vor Zinsen, Steuern und Abschreibungen („**EBITA**“) ist definiert als das Periodenergebnis eines bestimmten Zeitraums aus fortgeführten Geschäftsaktivitäten vor Steuern, Zinsen und ähnlichen Aufwendungen, sonstigem Finanzergebnis, Zinsen und ähnlichen Erträgen, Gewinnen/Verlusten aus at equity bilanzierten Unternehmen und Abschreibung auf den Abonnentenstamm.

(12) Die EBITA-Marge für eine Periode ist definiert als das EBITA für diese Periode, angegeben in Prozent der Umsatzerlöse dieser Periode.

(13) Das Ergebnis vor Zinsen und Steuern („**EBIT**“) ist definiert als das Periodenergebnis eines bestimmten Zeitraums vor dem Ergebnis aus aufgegebenen Geschäftsanteilen, Steuern, Zinsen und ähnlichen Aufwendungen, sonstigem Finanzergebnis, Zinsen und ähnlichen Erträgen sowie Gewinnen/Verlusten aus at equity bilanzierten Unternehmen.

(14) Die EBIT-Marge für eine Periode ist definiert als das EBIT für diese Periode, angegeben in Prozent der Umsatzerlöse dieser Periode.

(15) Sky Deutschland verwendet EBITDA, EBITA und EBIT als Kennzahlen für das betriebliche Ergebnis. Nach Auffassung der Gesellschaft sind EBITDA, EBITA und EBIT bei der Bewertung des betrieblichen Ergebnisses von Sky Deutschland von Nutzen, da viele Unternehmen, insbesondere Unternehmen, die in der europäischen Medienbranche tätig sind, diese Zahlen ebenfalls als wichtige Ergebnisindikatoren veröffentlichen. In der Vergangenheit war ein wesentlicher Teil der Vorstandsvergütung an das Erreichen bestimmter EBITDA-Ziele gekoppelt. EBITDA, EBITA und EBIT sind jedoch nach IFRS nicht als Kennzahlen anerkannt und keine dieser Kennzahlen ist als Ersatz für die Kennzahlen Ergebnis vor Steuern, Periodenergebnis, Mittelab-/-zufluss aus laufender Geschäftstätigkeit oder für sonstige Kennzahlen aus der Gewinn- und Verlustrechnung oder Kapitalflussrechnung, die in Übereinstimmung mit IFRS ermittelt werden, oder als Kriterium für Profitabilität oder Liquidität zu verstehen. Weder EBITDA noch EBITA noch EBIT geben notwendigerweise an, ob der Cashflow für den Liquiditätsbedarf von Sky Deutschland ausreichend oder verfügbar sein wird und an keiner dieser Kennzahlen sind die historischen betrieblichen Ergebnisse von Sky Deutschland ablesbar. Weder EBITDA noch EBITA noch EBIT ist aussagekräftig für zukünftige Ergebnisse. Da nicht alle Unternehmen EBITDA, EBITA und EBIT in der gleichen Weise berechnen, ist die von Sky Deutschland gewählte Darstellung des EBITDA, EBITA und EBIT mit ähnlich bezeichneten Kennzahlen, die von anderen Unternehmen verwendet werden, nicht notwendigerweise vergleichbar.

(16) In der folgenden Tabelle findet sich eine Überleitung des Periodenergebnisses des jeweils angegebenen Geschäftsjahres zum EBITDA, EBITA und EBIT.

	Für das Jahr endend zum 31. Dezember*			Für den Sechsmonats-zeitraum endend zum 30. Juni*	
	2007[1]	2008[2]	2009[3]	2009[4]	2010[4]
	(in Mio. €)				
	(geprüften Abschlüssen entnommen)			(dem einer prüferischen Durchsicht unterzogenen Zwischenabschluss entnommen)	
Periodenergebnis	(51,6)	(269,4)	(676,5)	(445,8)	(178,9)
Ergebnis aus aufgegebenen Geschäftsaktivitäten[5] (nach Ertragssteuern)	(0,3)	4,9	0,0	0,0	0,0
Steuern vom Einkommen und vom Ertrag	2,2	48,8	50,4	54,0	1,5
Zinsen und ähnliche Aufwendungen	47,5	54,0	35,3	19,8	18,1
Sonstiges Finanzergebnis	(0,0)	11,6	6,3	6,2	3,1
Zinsen und ähnliche Erträge	(8,6)	(7,1)	(3,0)	(2,1)	(0,8)
Gewinne/Verluste aus at equity bilanzierten Unternehmen	0,6	1,0	0,4	0,5	(0,4)
EBIT	**(10,2)**	**(156,2)**	**(688,0)**	**(475,5)**	**(157,4)**
Abschreibung auf Abonnentenstamm	48,3	48,9	49,0	24,4	24,5
Abschreibung auf Markenzeichen Premiere und GIGA	0	0	333,4	333,4	0
EBITA	**38,1**	**(107,3)**	**(305,6)**	**(117,6)**	**(132,9)**
Planmäßige Abschreibungen und außerplanmäßige Abschreibungen abzüglich Zuschreibungen auf Sachanlagen sowie sonstige immaterielle Vermögenswerte	45,5	50,3	42,9	24,4	21,0
EBITDA	**83,6**	**(57,0)**	**(262,7)**	**(93,2)**	**(111,9)**

* Abweichungen von der Summe durch Rundungsdifferenzen möglich.

(1) Informationen entstammen der „Angepassten Gewinn- und Verlustrechnung 2007".

(2) Informationen entstammen dem geprüften Konzernabschluss für das Jahr 2008 der Sky Deutschland AG.

(3) Informationen entstammen dem geprüften Konzernabschluss für das Jahr 2009 der Sky Deutschland AG.

(4) Informationen entstammen dem einer prüferischen Durchsicht unterzogenen Konzernzwischenabschluss für den Sechsmonatszeitraum endend zum 30. Juni 2010 der Sky Deutschland AG.

(5) Entspricht dem Ergebnis von HoH sowie den Folgen aus der Veräußerung des Anteils an HoH durch Sky Deutschland AG.

Zusammenfassung des Angebots

Bezugsangebot	Das Angebot umfasst insgesamt 269.580.929 neue auf den Namen lautende Stückaktien ohne Nennbetrag mit einem rechnerischen Anteil am Grundkapital in Höhe von jeweils € 1,00 je Aktie („**Neue Aktien**"). Die Neuen Aktien stammen aus der Beschlussfassung des Vorstandes vom 12. September 2010 mit der Zustimmung des Aufsichtsrats vom gleichen Tag, das Grundkapital der Gesellschaft von € 539.161.858 um bis zu € 269.580.929 auf bis zu € 808.742.787 durch die Ausgabe von 269.580.929 Neuen Aktien mit Bezugsrechten für bestehende Aktionäre gegen Bareinlage unter voller Ausnutzung des genehmigten Kapitals 2010 zu erhöhen. Die Neuen Aktien sind ab dem 1. Januar 2010 gewinnanteilsberechtigt. Ein Konsortium bestehend aus The Royal Bank of Scotland und UniCredit hat einen Übernahmevertrag (der „**Übernahmevertrag**") abgeschlossen,wonach sich die Konsortialbanken, vorbehaltlich bestimmter Bedingungen, verpflichtet haben, eine solche Anzahl von Neuen Aktien zu zeichnen, die (i) nach Ausübung der Bezugsrechte im Rahmen des Bezugsangebots auszugeben sind, oder (ii) in einem Angebot zur Platzierung nicht bezogener Aktien bei Investoren platziert werden können. Nicht von der Zeichnungsverpflichtung der Konsortialbanken umfasst sind Aktien, die von News Adelaide oder einem Beauftragten von News Adelaide gezeichnet werden (die von den Konsortialbanken zu zeichnenden Neuen Aktien werden als die „**Gezeichneten Aktien**" benannt). Gemäß des Übernahmevertrags haben sich die Konsortialbanken vorbehaltlich bestimmter Bedingungen (siehe „*—Verpflichtung der News Adelaide*" und „*—Wichtige Hinweise*") verpflichtet, die Neue Aktien den Aktionären zum Bezug anzubieten. Die Gesellschaft und News Adelaide haben einen Zeichnungsvertrag abgeschlossen, gemäß dessen sich News Adelaide verpflichtet hat, vorbehaltlich bestimmter Bedingungen, solche Neue Aktien direkt zu zeichnen, zu deren Erwerb News Adelaide in Erfüllung ihrer Verpflichtung verpflichtet ist („*—Verpflichtung der News Adelaide*"). Die Eintragung der Durchführung der Kapitalerhöhung in das Handelsregister des Amtsgerichts München wird voraussichtlich am 28. September oder 29. September 2010 erfolgen. Die Kapitalerhöhung wird nur insoweit durchgeführt, als die Aktionäre Bezugsrechte ausgeübt haben oder Dritte nicht bezogene Aktien erworben haben. Die Bezugsrechte für die Neuen Aktien, die sämtlich in Girosammelverwahrung gehalten werden, werden am 13. September 2010, nach Geschäftsschluss, durch die Clearstream Banking AG bei den Depotbanken automatisch eingebucht.

Ausübung des Bezugsrechts/ Mehrbezugsrechte	Die Aktionäre werden durch Veröffentlichung des Bezugsangebots voraussichtlich am oder um den 13. September 2010 aufgefordert, ihre Bezugsrechte auf die Neuen Aktien zur Vermeidung des Ausschlusses von der Ausübung ihre Bezugsrechte in der Zeit vom 14. September 2010 bis einschließlich 27. September 2010 über ihre Depotbank bei einer der unten genannten Bezugsstellen auszuüben. Nicht fristgemäß ausgeübte Bezugsrechte verfallen. Zusätzlich zu den Bezugsrechten, die nach dem Bezugsverhältnis berechnet werden, gewährt Sky Deutschland AG den Inhabern von Bezugsrechten ein Mehrbezugsrecht. Bezugsstellen sind die inländischen Niederlassungen der UniCredit Bank AG. Entsprechend dem Bezugsrechtsverhältnis von 2:1 kann auf jeweils zwei gehaltene Aktien der Gesellschaft eine Neue Aktie bezogen werden.
Bezugspreis	Der Bezugspreis je Neuer Aktie beträgt € 1,05. Der Bezugspreis ist spätestens am 27. September 2010 zu entrichten.
Bezugsrechtshandel	Im Zusammenhang mit dem Angebot der Neuen Aktien findet ein börslicher Handel der Bezugsrechte statt. Die Bezugsrechte der Neuen Aktien (ISIN DE000A1EW1S2; WKN A1E W1S) werden in der Zeit vom 14. September 2010 bis einschließlich 23. September 2010 im regulierten Markt (Parketthandel) an der Frankfurter Wertpapierbörse gehandelt. Die Bezugsrechte werden an keiner anderen Wertpapierbörse zum Handel angemeldet werden. Die Bezugsstellen sind bereit, den börsenmäßigen An- und Verkauf von Bezugsrechten nach Möglichkeit zu vermitteln. Ein Ausgleich für nicht ausgeübte Bezugsrechte findet nicht statt. Nach Ablauf der Bezugsfrist verfallen die nicht ausgeübten Bezugsrechte und werden wertlos. Vom 14. September 2010 an werden die alten Aktien der Gesellschaft im Regulierten Markt an der Frankfurter Wertpapierbörse „ex Bezugsrecht“ notiert. UniCredit kann geeignete Maßnahmen ergreifen, um für einen geordneten Bezugsrechtshandel Liquidität zur Verfügung zu stellen, wie den Kauf und Verkauf von Bezugsrechten auf Neue Aktien. Dabei behält sich UniCredit vor, Absicherungsgeschäfte in Aktien der Gesellschaft oder entsprechenden Derivaten vorzunehmen. Es kann nicht garantiert werden, dass an der Frankfurter Wertpapierbörse zu diesem Zeitpunkt ein lebhafter Markt entstehen wird oder dass der Markt zu dem Zeitpunkt des Handels mit den Bezugsrechten liquide sein wird. In Übereinstimmung mit der deutschen Marktpraxis wird der Preis für die Bezugsrechte nur einmal am Tag festgelegt. Der Aktienkurs für die Bezugsrechte richtet sich unter anderem nach der Entwicklung des Börsenpreises der Gesellschaft, kann aber

	stärkeren Schwankungen als der Börsenpreis der Gesellschaft unterworfen sein.
Verpflichtung der News Adelaide . .	Der Großaktionär, News Adelaide, eine indirekte 100 %ige Tochtergesellschaft von News Corporation, hat sich gegenüber der Gesellschaft und den Konsortialbanken verpflichtet, unter bestimmten Voraussetzungen Bezugsrechte auszuüben und/oder alle Neuen Aktien, die nicht anderweitig bezogen wurden, zum Bezugspreis zu erwerben, vorausgesetzt, dass News Adelaide in keinem Fall verpflichtet ist, Neue Aktien zu beziehen, wenn hierdurch der Aktienanteil von News Adelaide an Sky Deutschland nach der Eintragung der in diesem Angebot beschriebenen Kapitalerhöhung über 49,90 % steigen würde. News Corporation garantiert News Adelaides Verpflichtung. In Bezug auf die Einhaltung der zuvor genannten Verpflichtung haben News Adelaide und News Corporation ein Backstop Agreement (*Absicherungsvertrag*) mit den Konsortialbanken abgeschlossen. Dieses Backstop Agreement wurde am 13. September 2010 von den Vertragsparteien unterzeichnet (das „**Backstop Agreement**“). Das Backstop Agreement unterliegt den Bedingungen, dass (1) kein öffentliches Übernahmeangebot auf die Gesellschaft durch ein nicht mit der News Corporation verbundenes Unternehmen veröffentlicht wird, (2) die Gesellschaft keine Vermögenswerte mit einem Wert von über € 25 Mio. veräußert, (3) keine Gründe für die Kündigung der Kreditlinien der Gesellschaft bestehen, (4) keine andere wesentlich nachteilige Änderung der Finanz- und Geschäftsentwicklung von Sky Deutschland eingetreten ist (wozu ein Verlust der Live Pay-TV Übertragungsrechte an den Spielen der Ersten und Zweiten Fußball-Bundesliga zählt) und (5) die Gesellschaft eine Bestätigung gegenüber News Adelaide abgibt, dass ihr gegenüber von The Royal Bank of Scotland plc als Arranger des die Gesellschaft finanzierenden Bankenkonsortiums bestätigt wurde, dass kein Kündigungsgrund zur Kündigung der Kreditverträge bekannt ist oder dass auf einen solchen verzichtet wurde. News Adelaide kann auf die Einhaltung einzelner Bedingungen verzichten.
Verwertung nichtbezogener Aktien	Die Konsortialbanken werden alle nicht gezeichneten Neuen Aktien aus dem Bezugsrechtsangebot, die nicht anderweitig von News Adelaide gemäß des Backstop Agreements erworben wurden (siehe hierzu auch „*—Verpflichtung der News Adelaide*“), zum Bezugspreis an qualifizierte Investoren im Rahmen einer Privatplatzierung in Deutschland oder einer anderen Jurisdiktion (an qualifizierte institutionelle Anleger in den Vereinigten Staaten in Übereinstimmung mit Rule 144A des Securities Act und außerhalb der Vereinigten Staaten in Übereinstimmung mit der Regulation S des Securities Act), verkaufen.

Marktschutzvereinbarung (Lock-Up)	Sky Deutschland AG hat sich mit den Konsortialbanken darauf verständigt, soweit dies rechtlich zulässig ist, dass sie nicht ohne vorherige Zustimmung der Konsortialbanken, welche nicht grundlos vorenthalten oder verzögert werden darf, für einen Zeitraum von sechs Monaten nach Beendigung des Angebots, weder direkt noch indirekt Eigenkapitalanteile an der Gesellschaft ausgeben, verkaufen, anbieten, zum Verkauf verpflichten, oder auf eine andere Art und Weise veräußern, verpfänden darf oder neue Eigenkapitalanteile der Gesellschaft emittieren oder genehmigen wird. Die Gesellschaft hat sich auch bereit erklärt, keine Kapitalerhöhung aus genehmigten Kapital oder andere Maßnahmen zur Kapitalerhöhung vorzunehmen (mit Ausnahme der Ausgabe von Aktien (1) um Aktienoptionspläne zu bedienen, oder (2) im Zusammenhang mit Kapitalerhöhung gegen Sacheinlagen), noch andere Transaktionen vorzunehmen (auch im Zusammenhang mit derivativen Instrumenten), deren wirtschaftliche Auswirkungen mit denen der oben beschriebenen Maßnahmen vergleichbar wären. Die beschriebenen Einschränkungen beziehen sich nicht auf die Ausgabe von Wandelanleihen, einschließlich der Wandelanleihe, die den Bezug von Rechten von bis zu 53.916.185 auf den Namen lautende nennwertlose Stückaktien jeweils mit einem anteiligen Betrag am Grundkapital der Gesellschaft von € 1,00, erlaubt.
Börsenzulassung und Notierungsaufnahme	Die derzeit ausgegebenen Stammaktien der Gesellschaft sind im regulierten Markt mit gleichzeitiger Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) an der Frankfurter Wertpapierbörse zugelassen. Die Anmeldung der Zulassung der Neuen Aktien zum regulierten Markt an der Frankfurter Wertpapierbörse sowie die gleichzeitige Zulassung zum Teilbereich des regulierten Markts mit weiteren Zulassungsfolgepflichten (Prime Standard) an der Frankfurter Wertpapierbörse wird voraussichtlich am 14. September 2010 erfolgen. Der Zulassungsbeschluss der Frankfurter Wertpapierbörse wird für den 29. September 2010 erwartet. Es ist vorgesehen, dass die Neuen Aktien am 30. September 2010 in die bestehende Notierung für die Aktien der Sky Deutschland AG einbezogen werden.
Verbriefung/Lieferung	Die Lieferung der bezogenen Neuen Aktien erfolgt erst nach Eintragung der Durchführung der Kapitalerhöhung in das Handelsregister, voraussichtlich am 30. September 2010. Die Neuen Aktien werden in einer oder mehreren Globalurkunden verbrieft, die bei der Clearstream Banking AG, Neue Börsenstraße 1, 60487 Frankfurt am Main, Deutschland, hinterlegt wird bzw. werden. Ein Anspruch der Aktionäre auf Einzelverbriefung ihrer Aktien besteht nicht. Erwerber der Neuen Aktien können wahlweise bestimmen,

	dass von ihnen aufgrund des öffentlichen Angebots erworbene Aktien entweder einem Konto bei der Clearstream Banking AG als Wertpapiersammelbank oder einem Konto eines Euroclear S.A./N.V. oder Clearstream Banking AG Teilnehmers zu ihren Gunsten gutgeschrieben werden.
International Securities Identification Number (ISIN) . . .	Neue Aktien: DE000SKYD000 Bezugsrechte: DE000A1EW1S2
Wertpapierkennnummer	Neue Aktien: SKYD00 Bezugsrechte: A1E W1S
Common Code	021138134
Verwendung des Emissionserlöses	Die Gesellschaft erwartet einen Nettoemissionserlös aus diesem Angebot von ca. € 273,0 Mio. Der Nettoemissionserlös soll zur Stärkung der Liquidität und für die Umsetzung der Geschäftsstrategie, unter anderem für den Ausbau des HD-Angebots, die Entwicklung und beschleunigte Verbreitung des digitalen Sky+ Festplattenrekorders, Innovationen und Produkterweiterungen sowie neue Verkaufs- und Vertriebsinitiativen und die Verbesserung des Kundenservices genutzt werden.
Wichtige Hinweise	Die Konsortialbanken haben, vorbehaltlich bestimmter Bedingungen, sich laut Übernahmevertrag verpflichtet, die Gezeichneten Aktien zu zeichnen. Gemäß den Bestimmungen des Übernahmevertrags haben sich die Konsortialbanken, vorbehaltlich bestimmter Bedingungen, verpflichtet, eine solche Anzahl von Neuen Aktien zu zeichnen, die (i) nach Ausübung der Bezugsrechte im Rahmen des Bezugsangebots auszugeben sind, oder (ii) in einem Angebot zur Platzierung nicht bezogener Aktien bei Investoren platziert werden können. Nicht von der Zeichnungsverpflichtung der Konsortialbanken umfasst sind Neue Aktien, die von News Adelaide oder einem Beauftragten von News Adelaide gezeichnet werden (siehe hierzu auch „*—Verpflichtung der News Adelaide*“ und „*—Verwertung nichtbezogener Neuer Aktien*“). Unter bestimmten Umständen können die Konsortialbanken den Emissionsvertrag kündigen. Ein Kündigungsrecht besteht besonders, wenn eine oder mehrere Bestimmungen des Backstop Agreement nicht erfüllt werden und diese Bestimmungen nicht durch News Adelaide zurückgenommen wurden (siehe hierzu auch „*—Verpflichtung der News Adelaide*“) oder die Kapitalerhöhung nicht im Handelsregister eingetragen wird. In Anbetracht der derzeitigen hohen Volatilität von Aktienkursen im Allgemeinen und des Marktumfelds sollten sich Aktionäre über den aktuellen Börsenkurs der Aktien der Gesellschaft informieren, bevor sie ihre Bezugsrechte zum Erwerb von Neuen Aktien zum Bezugspreis ausüben.
Großaktionär	News Adelaide ist Großaktionär der Gesellschaft und hält zum 12. Mai 2010 45,42 % der Stimmrechte der Sky

Deutschland AG. Aufgrund der Verpflichtung von News Adelaide, die Bezugsrechte auszuüben und/oder alle nicht anderweitig bezogenen Aktien nach Ablauf der Zeichnungsperiode zu zeichnen, vorausgesetzt, dass News Adelaide in keinem Fall verpflichtet ist, Neue Aktien zu beziehen, wenn hierdurch der Aktienanteil von News Adelaide an Sky Deutschland nach der Eintragung der in diesem Angebot beschriebenen Kapitalerhöhung über 49,90 % steigen würde, erhöht sich daher der Aktienanteil von News Adelaide an der Gesellschaft, wenn nicht alle Aktionäre ihre Bezugsrechte ausüben.

Wesentliche Informationen über die Gesellschaft

Sitz und Geschäftsjahr der Gesellschaft

Die Gesellschaft hat ihren Sitz in Unterföhring und die Geschäftsadresse lautet: Sky Deutschland AG, Medienallee 26, 85774 Unterföhring. Die Gesellschaft ist im Handelsregister des Amtsgerichts München unter HRB 154549 eingetragen. Das Geschäftsjahr der Sky Deutschland AG ist das Kalenderjahr.

Grundkapital

Das Grundkapital der Sky Deutschland AG beträgt zum Datum dieses Prospekts € 539.161.858, eingeteilt in 539.161.858 auf den Namen lautende nennwertlose Stückaktien mit einem anteiligen Betrag am Grundkapital von € 1,00.

Nach Vollzug dieses Angebots wird das Grundkapital der Sky Deutschland AG bis zu € 808.742.787 betragen und in bis zu 808.742.787 auf den Namen lautende nennwertlose Stückaktien mit einem anteiligen Betrag am Grundkapital von € 1,00 eingeteilt sein.

Vorstand und Aufsichtsrat

Der Vorstand der Gesellschaft besteht zum Datum dieses Prospekts aus den folgenden vier Mitgliedern: Brian Sullivan als Vorsitzender sowie Pietro Maranzana, Dr. Holger Enßlin und Carsten Schmidt.

Der Satzung nach besteht der Aufsichtsrat der Gesellschaft aus neun Mitgliedern. Die Aufsichtsräte sind: Charles Carey, Guillaume de Posch, Dr. Stefan Jentzsch, Mark Kaner, Miriam Kraus, Thomas Mockridge, Markus Tellenbach, Steven Tomsic und Katrin Wehr-Seiter. Charles Carey ist Vorsitzender des Aufsichtsrats, Markus Tellenbach ist stellvertretender Vorsitzender des Aufsichtsrats.

Zusammenfassung der Risikofaktoren

Sky Deutschland ist verschiedenen Risiken ausgesetzt, die sich einzeln oder insgesamt erheblich negativ auf den Geschäftsbetrieb, die Geschäftsergebnisse und die Finanzlage auswirken könnten. Bisher hat Sky Deutschland ihre betrieblichen Ziele nicht erreicht. Um profitabel zu werden, ist Sky Deutschland darauf angewiesen, dass die Annahmen, die dem überarbeiteten und angepassten Geschäftsplan und der Strategie zu Grunde liegen, zutreffen, und dass der Geschäftsplan und die Strategie erfolgreich sind. Sollten eine oder mehrere dieser Annahmen sich durch unvorhersehbare Umstände oder aus anderen Gründen als nicht zutreffend erweisen, besteht die Möglichkeit einer Insolvenz der Gesellschaft. In solch einem Fall könnten Investoren ihre gesamte Investition in Sky Deutschland verlieren. Daher kann eine Investition in die Aktien der Sky Deutschland AG einem höheren Risiko unterliegen als eine Investition in die Aktien anderer Gesellschaften.

Zusammengefasst sind diese Risiken:

Risiken verbunden mit Sky Deutschlands finanzieller Situation

- Sky Deutschland hat in den vergangenen Jahren erhebliche Verluste verzeichnet, beachtliche Finanzschulden angesammelt und die operativen Ziele nicht verwirklicht. Die erfolgreiche Umsetzung ihres überarbeiteten und angepassten Geschäftsplans und ihrer Strategie ist für das das Weiterbestehen der Gesellschaft entscheidend
- Sollte es Sky Deutschland nicht gelingen, durch diese Kapitalerhöhung, die Ausgabe einer Wandelanleihe und/oder durch ein Gesellschafterdarlehen insgesamt € 340 Mio. brutto zu erhalten, was, vorbehaltlich bestimmter Bedingungen, durch News Corporation garantiert wird, wird Sky Deutschland nicht in der Lage sein, ihre Investitionen, die für die Umsetzung des angepassten und überarbeiteten Geschäftsplans und der Strategie der Gesellschaft notwendig sind, zu finanzieren und die Liquidität der Gesellschaft sicherzustellen
- Der Emissionserlös aus dieser Kapitalerhöhung, der Wandelanleihe oder des Gesellschafterdarlehens und die Sky Deutschland zur Verfügung stehenden Barmittel aus bestehenden Kreditlinien könnten nicht ausreichen, um Sky Deutschland die Fortsetzung ihrer Geschäfte so lange zu ermöglichen, bis diese profitabel werden
- Sky Deutschland muss einen Großteil ihrer zukünftigen Zahlungszuflüsse aufwenden, um ihre Schulden zu bedienen, was ihre Handlungsfähigkeit einschränkt
- Die bestehenden Kreditlinien von Sky Deutschland enthalten Auflagen, die ihre finanzielle und operative Handlungsfähigkeit beschränken sowie verschiedene Auflagen, die die Gesellschaft verpflichten, die ausstehenden Beträge im Falle eines nicht behobenen Verstoßes gegen diese Auflagen in voller Höhe zurückzuzahlen. Dies würde die finanziellen Möglichkeiten der Gesellschaft übersteigen

Risiken in Bezug auf die Geschäftstätigkeit von Sky Deutschland

- Das gegenwärtige Geschäftsmodell der Sky Deutschland ist in hohem Maße davon abhängig, exklusiven Zugang zu attraktiven Inhalten zu wirtschaftlich angemessenen Bedingungen zu erhalten, insbesondere Zugang zu den Live Übertragungen der Spiele der deutschen Fußball-Bundesliga, aber auch zu verschiedenen anderen Sportveranstaltungen, Filmen, Fernsehserien und Sendungen, die in HDTV ausgestrahlt werden
- Die Verschlüsselungssysteme von Sky Deutschland wurden in der Vergangenheit umgangen und könnten wieder umgangen werden
- Die Märkte, in denen Sky Deutschland tätig ist, sind äußerst wettbewerbsintensiv und ihre Pay-TV-Penetrationsraten werden eventuell nicht die benötigte Größe erreichen, die für einen gewinnbringenden Betrieb von Sky Deutschlands Geschäftstätigkeit notwendig ist
- Um ihre Programme ihren Abonnenten zugänglich machen zu können, ist Sky Deutschland darauf angewiesen, Übertragungsvereinbarungen mit Kabel- und Satelliten-Netzbetreibern zu wirtschaftlich vernünftigen Bedingungen abzuschließen und den Zugriff auf andere Vertriebskanäle zu sichern, die sich in der Zukunft entwickeln können

- Sky Deutschland erreicht derzeit nicht die Mindestzahl der in ihren Verträgen mit den Inhaltsanbietern vorgeschriebenen Abonnentenzahlen. Sollte der erwartete Abonnentenzuwachs ausbleiben, wird dies weiterhin die Profitabilität negativ beeinträchtigen
- Sky Deutschland beabsichtigt, bedeutende Investitionen in den Verkauf und Vertrieb von Sky+, einem digitalen HDTV Festplattenrekorder vorzunehmen. Sollte sich Sky+ als erfolglos erweisen, könnten diese Investitionen ihren Wert verlieren
- Die Durchsetzung des HDTV-Standards, auf den Sky Deutschland im Rahmen ihrer Strategie vertraut, wird zusätzliche Technologiekosten verursachen und möglicherweise langsamer fortschreiten als erwartet
- Der Geschäftsbetrieb von Sky Deutschland könnte durch technische Probleme bei der Übertragung ihrer Fernsehprogramme über Satellit, Kabel und Internet beeinträchtigt werden
- Sky Deutschland ist im Zusammenhang mit der früheren Ausgliederung von Dienstleistungen verschiedenen Risiken ausgesetzt. Außerdem ist die Gesellschaft verschiedenen Risiken im Zusammenhang mit dem Wiedererwerb von vorher ausgegliederten Dienstleistungen ausgesetzt
- Eine Wertminderung des Goodwills oder des Abonnentenstamms von Sky Deutschland kann die Vermögens-, Finanz- und Ertragslage nachteilig beeinflussen
- Der Erfolg von Sky Deutschland beruht auf der Qualität und der Reputation ihrer Geschäftsleitung und anderer leitender Angestellter
- Währungsschwankungen könnten nachteilige Auswirkungen auf die Vermögens-, Finanz- und Ertragslage von Sky Deutschland haben
- Die Vermögens-, Finanz- und Ertragslage von Sky Deutschland unterliegt dem Risiko von Zinsschwankungen
- Der Versicherungsschutz von Sky Deutschland könnte sich als unzureichend erweisen
- Die langsame und unsichere Wiederbelebung der Wirtschaft nach der Wirtschaftskrise könnte zu einer erheblichen Verringerung des Bedarfs an Pay-TV Programmen führen und somit die Anwerbung neuer Abonnenten und den Erhalt bestehender Verträge mit Abonnenten und die ARPU-Wachstumsziele negative beeinflussen

Risiken in Bezug auf das regulatorische Umfeld und Rechtsstreitigkeiten

- Sky Deutschland sieht sich mit Schadenersatzforderungen im Zusammenhang mit der im Jahr 2008 vorgenommenen Änderung ihrer Abonnentenklassifzierungsmethodik konfrontiert
- Die DPR hat festgestellt, dass Sky Deutschland ihren Berichterstattungspflichten nicht nachgekommen ist. Eine Bestätigung des DPR-Entscheids durch die Bundesanstalt für Finanzdienstleistungsaufsicht, „BaFin“ oder durch Gerichte könnte zu Berichtigungen der Konzern- und der Einzelabschlüsse der Gesellschaft sowie Verwaltungs-Bußgeldern und Schadenersatzklagen durch Dritte führen
- Gegen Sky Deutschland wird im Zusammenhang mit dem Verstoß gegen kartellrechtliche Bestimmungen in Bezug auf ihre Receiver-Strategie ermittelt. Das Ergebnis dieser Ermittlungen könnte Sky Deutschland dazu zwingen, Abschreibungen in ihrem Receiver Anlagevermögen zu verzeichnen und weitere Mittel für Investitionen in neue Receiver bereitstellen zu müssen.
- Aufsichtsbehörden könnten die Sendeerlaubnisse von Sky Deutschland aufheben oder deren Verlängerung ablehnen
- Einige von Sky Deutschlands Direktverkauf- und Marketing-Strategien könnten durch vorgeschlagene Gesetzesänderungen in Bezug auf den Direktvertrieb und die Übertragung von persönlichen Daten eingeschränkt oder verboten werden
- Sky Deutschland unterliegt dem Risiko von Klagen durch Verbraucherschutz-Organisationen und Änderungen in der Verbraucherschutz-Gesetzgebung
- Sky Deutschland könnte im Zusammenhang mit der Verletzung bestimmter Patentrechte in Bezug auf elektronische Programmführer Schadenersatzforderungen ausgesetzt sein

- Sky Deutschland ist Risiken im Zusammenhang mit Betriebsprüfungen ausgesetzt
- Sky Deutschland könnte auf Grund von Änderungen in ihren Eigentumsverhältnissen nicht in der Lage sein, von ihren aktuellen steuerlichen Verlusten, steuerlichen Verlustvorträgen oder Zinsvorträgen Gebrauch zu machen
- Sky Deutschland könnte nicht in der Lage sein, ihre Zinsaufwendungen voll steuerlich abzusetzen
- Sky Deutschland könnte durch die mögliche Umwandlung des Gesellschafterdarlehens und/oder der Wandelanleihe einen steuerpflichtigen Sondergewinn erzeugen, was zu einer höheren Steuerlast führen könnte
- Sky Deutschland könnte gezwungen sein, größere Beträge an erstatteter Vorsteuer zurückzahlen zu müssen

Risiken im Hinblick auf das Angebot und die Aktionärsstruktur von Sky Deutschland

- Der Hauptaktionär der Sky Deutschland AG könnte erheblichen Einfluss auf Sky Deutschland ausüben und seine Interessen müssen sich nicht zwingend mit den Interessen anderer Aktionäre decken
- Content Provider (Anbieter von Inhalten) könnten sich durch den Beteiligungsbesitz von News Adelaide an der Sky Deutschland AG gegen den Abschluss von neuen Verträgen oder die Verlängerung bestehender Verträge aussprechen oder diese Verträge mit Sky Deutschland kündigen oder die Ausgabe von Aktien fordern oder möglicherweise Schadenersatz verlangen
- Der Marktpreis für Sky Deutschland AGs Aktien ist volatil und der Bezugspreis könnte den Börsenkurs übersteigen
- Es ist nicht sicher, dass sich ein Bezugsrechtshandel entwickelt oder dass die Bezugsrechte nicht stärkeren Kursschwankungen als die Aktien der Sky Deutschland AG unterliegen
- Zukünftige Kapitalmaßnahmen der Sky Deutschland oder die Umwandlung der Wandelanleihe und/oder des Gesellschafterdarlehens in Eigenkapital durch News Adelaide könnten die Beteiligung der Aktionäre verwässern
- Zukünftige Veräußerungen von Aktien der Sky Deutschland AG durch Sky Deutschland, News Adelaide oder andere Großaktionäre könnten einen Rückgang des Aktienkurses der Sky Deutschland AG herbeiführen oder zu einer Kotrolländerung führen
- Die Sky Deutschland AG ist eine Holdinggesellschaft und ihre Fähigkeit zur Dividendenzahlung hängt in erster Linie vom Mittelzufluss von ihren Tochtergesellschaften ab, was ihre Fähigkeit zur Dividendenzahlung beschränken könnte
- Falls das Angebot nicht durchgeführt werden sollte oder der Aktienkurs der Sky Deutschland AG fällt, könnten die Bezugsrechte entfallen oder wertlos werden
- Die Rechte von Aktionären eines deutschen Unternehmens können sich von den Rechten von Aktionären eines nach den Rechten anderer Staaten gegründeten Unternehmens unterscheiden

RISK FACTORS

*In addition to the other information contained in this prospectus (the "**Prospectus**"), investors should closely examine the following risk factors before making a decision regarding an investment in the shares of Sky Deutschland AG (the "**Company**" and, together with its subsidiaries, the "**Group**" or "**Sky Deutschland**"). Sky Deutschland's business, results of operations, financial condition and cash flows could be materially adversely affected by each and every one of these risks. If any of the risks described below were to materialize, the price of Sky Deutschland AG's shares could decline, and investors could lose all or part of their investment. In addition, Sky Deutschland's business, results of operations and financial condition could be materially adversely affected by risks that are currently unknown. The order in which the risks described below are presented is not indicative of their importance or their likelihood of occurrence.*

*Sky Deutschland recorded significant losses in each of the last three years, has a considerable amount of indebtedness and is not expecting to achieve profitability before 2012. In late 2008, Sky Deutschland refinanced its indebtedness and adopted a comprehensive restructuring plan aimed at turning around its business. As Sky Deutschland has so far failed to achieve its own operating targets, it has adjusted its business plan and strategy, and entered into a financial support agreement with its main shareholder, News Adelaide Holdings B.V. ("**News Adelaide**"), an indirect wholly owned subsidiary of News Corporation ("**News Corporation**" and, together with its affiliates the "**News Group**"). In order to achieve profitability, Sky Deutschland depends on the assumptions underlying the revised and adjusted business plan and strategy being accurate and the business plan and strategy themselves being successful. If one or more of these assumptions were to turn out to be inaccurate due to unforeseen circumstances or for any other reason, it is possible that the Company could become insolvent. Therefore, an investment in Sky Deutschland AG's shares may be subject to a higher degree of risk than an investment in shares of other companies.*

Risks in Connection with Sky Deutschland's Financial Situation

Sky Deutschland has recorded significant losses and amassed considerable amounts of indebtedness in recent years, and has not achieved its operating targets. The successful implementation of its revised and adjusted business plan and strategy is vital to its survival

Sky Deutschland has recorded significant losses and significant negative cash flows in each of the past three years and has not achieved its internal operating targets. To secure the liquidity of the Group, Sky Deutschland has implemented several financing measures in the recent past and has restructured its business, beginning in October 2008.

In December 2008, Sky Deutschland negotiated new credit facilities in an aggregate amount of €525 million. These credit facilities became effective upon, among other things, a capital increase resulting in gross proceeds of €450 million, which Sky Deutschland achieved by increasing its capital in two steps in January and April 2009 by way of rights offerings. These capital increases were guaranteed by the Company's major shareholder, News Adelaide, an indirect wholly owned subsidiary of News Corporation, as News Adelaide committed to exercise subscription rights and/or to acquire New Shares that had not been purchased in the rights offerings. In order to fund its operations and pursue further investments, Sky Deutschland further increased its share capital by 10 per cent in January 2010 by way of a direct placement to News Adelaide, generating proceeds of €110 million. In connection with the capital increase in January 2010, Sky Deutschland negotiated with its bank syndicate a waiver of a clause in its financing agreements requiring that proceeds from equity offerings first be used to repay the credit facilities, and an adjustment of existing financial covenants to reflect the additional investments.

Having failed to achieve its operating targets, Sky Deutschland recorded a loss of €676.5 million in 2009 and €178.9 million in the first half of 2010 and expects to incur additional significant losses at least through the end of 2011. In order to reverse this trend by increasing its subscriber numbers and monthly average subscription revenues per subscriber ("**ARPU**"), it has further revised and adjusted its business plan and strategy by increasing investments in the quality, content, and differentiation of its programming, products, and service offerings. To finance these investments, and to secure the financial position of the Company and, in particular, to remedy liquidity constraints, Sky Deutschland requires additional financing and has reached an agreement with its syndicate banks to amend certain covenants contained in its credit facilities, thus avoiding mandatory repayment of the

credit that would have obliged Sky Deutschland to use any proceeds from capital increases, including this offering, to repay its credit facilities. See "*—Sky Deutschland's current credit facilities contain restrictions that limit its financial and operational flexibility, as well as certain covenants, any uncured breach of which would result in an obligation to repay the entire amounts outstanding. This would exceed the Company's financial abilities*". Further, the Company is pursuing the strategy of strengthening its arrangements with its cable network partners and other distribution platforms regarding the co-marketing of Sky Deutschland's programming with the cable network operator's telephony or broadband products. Sky Deutschland is currently in active discussions with several cable network and other platform operators, including Unitymedia and KDG, regarding the possibility of their carrying its programming and intends to continue these negotiations and enter into negotiations with other network operators to achieve further distribution partnerships and further enhance the competitiveness of its programming. However, there can be no assurance that these negotiations will turn out to be successful and what, if any, the regulatory restrictions for implementing any agreement would be.

There can, however, be no assurance that Sky Deutschland will be able to successfully implement the turn-around of its business and achieve the desired results. Sky Deutschland has tried to turn around its business on previous occasions, but to date such attempts have not resulted in lasting profitability. The current business plan and strategy, too, may fall short of the goal of realizing improvements in Sky Deutschland's operating performance sufficient to allow it to achieve profitability on a lasting basis or at all. Even if Sky Deutschland achieves a profit in a future year, Sky Deutschland may slip back into losses in subsequent years. Sky Deutschland's subscriber, ARPU, EBITDA and cash flow targets are subject to a number of risks and uncertainties, including the risks described in this section and, in particular, the risks described below under "*—General Risks Related to Sky Deutschland's Business*", under "*—Risks Concerning Regulatory Actions and Legal Proceedings—Sky Deutschland is subject to claims for damages in connection with the 2008 change in the methodology it uses to classify its subscribers*" and under "*—Risks Concerning Regulatory Actions and Legal Proceedings—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht,"BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*". In particular, it is not known whether Sky Deutschland will be able to attract a sufficient number of subscribers to reach profitability.

If one or several of the components of Sky Deutschland's current business plan and strategy fails or cannot be implemented in a timely manner, Sky Deutschland will be at risk of not achieving its EBITDA and cash flow targets, in which case the success of the entire business plan and strategy would be called into question. In this case, or if other significant risks materialize, Sky Deutschland's business, results of operations, financial condition and cash flows would be materially adversely affected, and Sky Deutschland could default under the amended credit facilities. If Sky Deutschland were to default under any of the covenants contained in such facilities, and such default was not cured or waived, the syndicate banks would be entitled to declare all amounts outstanding under the facilities to become immediately due and payable. In addition, the Company could run out of liquidity, resulting in the Company becoming unable to make payments. In any such case, the Company would have to file for bankruptcy.

If Sky Deutschland fails to raise a total gross amount of €340 million through this offering, the issuance of a Convertible Bond and/or a Shareholder Loan, as, subject to certain conditions, guaranteed by News Corporation, it will not be able to finance its investments, which are necessary to implement the Company's revised and adjusted business plan and strategy and to secure the Company's liquidity position

To finance the investments that are vital to the execution of its business plan and strategy, to secure its liquidity position, and to avoid a default under its existing credit facilities, Sky Deutschland is critically dependent on the successful raising of funds in an aggregate gross amount of €340 million (the "**Total Funding Amount**").

To secure the raising of the Total Funding Amount, Sky Deutschland, News Adelaide and News Corporation concluded a financial support agreement ("**FSA**") on August 2, 2010. Under the FSA, News Adelaide has undertaken, subject to certain conditions, to support the Company in raising

funds in an aggregate amount of the Total Funding Amount. News Adelaide further concluded a backstop agreement with The Royal Bank of Scotland N.V. (London Branch) ("**The Royal Bank of Scotland**") and UniCredit Bank AG ("**UniCredit**" and, together with The Royal Bank of Scotland, the "**Underwriters**") on September 13, 2010 (the "**Backstop Agreement**"), under which News Adelaide is obliged, subject to certain conditions, to exercise its subscription rights and/or to subscribe for, or purchase, New Shares issued in this rights offering, provided however, that its shareholding in Sky Deutschland does not exceed 49.90% of the share capital outstanding following the registration of the capital increase. Because the gross proceeds of this offering fall below the Total Funding Amount, News Adelaide has further undertaken under the FSA, subject to certain conditions, to conclude (i) a bond subscription agreement with the Company on or before January 28, 2011 in pre-agreed form (the "**Bond Subscription Agreement**"), pursuant to which News Adelaide will purchase unsecured and subordinated convertible bonds granting rights to receive up to 53,916,185 ordinary registered shares out of the Company's existing contingent capital against payment of an issue price determined prior to the issuance (the "**Convertible Bond**" and the proceeds generated through the issuance of the Convertible Bond being referred to as the "**Convertible Proceeds**") and/or (ii) a shareholder loan agreement with the Company in pre-agreed form (the "**Shareholder Loan Agreement**"), pursuant to which News Adelaide will make available to the Company by no later than January 31, 2011 an unsecured and subordinated loan (the "**Shareholder Loan**") in the amount required to secure the Total Funding Amount. News Adelaide's commitment to conclude the Bond Subscription Agreement and/or the Shareholder Loan Agreement is subject to certain conditions, in particular that (1) no public takeover offer for the Company by a company not associated with News Corporation is published, (2) the Company has not disposed of assets with a value of over €25 million, (3) no grounds for termination of the Company's credit facilities exist, (4) no other significant disadvantageous change has occurred in the financial and business development of Sky (including a loss of the live pay-TV broadcasting rights to the first and second divisions of the German football league (*Fußball-Bundesliga*)), (5) the Company delivers a confirmation to News Adelaide that The Royal Bank of Scotland plc, as the arranger of the Company's bank consortium financing, has confirmed that no grounds for termination of the credit facilities are known or that grounds of this kind have been waived and, with regard to the Convertible Bond only, (6) the agreed terms of the Convertible Bond are in accordance with the authorization granted by the 2010 General Shareholders' Meeting.

If the FSA or the Backstop Agreement is terminated and the Bond Subscription Agreement and/or the Shareholder Loan Agreement are not executed, or if the Company fails to raise the Total Funding Amount for any other reason, Sky Deutschland would not be in a position to finance the investments that are necessary to implement its revised and adjusted business plan and strategy or to secure the financial position of the Company in particular to remedy liquidity constraints, so as to be in a position to make payments when they become due, such as license payments for the grant of the rights to the matches of the German football league (*Fußball-Bundesliga*) or deferred payments for past acquisitions, which foresee future payments in the aggregate of a double-digit million euro amount. If the Company is not in a position to implement its business plan and strategy, and secure its liquidity, Sky Deutschland would default under the covenants contained in the Company's credit facilities entitling the syndicate banks to demand immediate repayment of the outstanding amounts. In such case, the Company would have to file for bankruptcy.

The funds received by Sky Deutschland from the offering, the Convertible Bond and/or the Shareholder Loan, and the amounts available under its existing credit facilities may not be sufficient to enable it to continue operating until such time as it achieves profitability

There can be no assurance that Sky Deutschland will become profitable. As Sky Deutschland's operating cash flow until such time as it achieves profitability will not be sufficient to cover all of its ongoing cash requirements, it intends to fund these requirements mainly with cash available to it from the proceeds of this offering, the Convertible Bond and/or the Shareholder Loan and, to a lesser extent, with the undrawn amount under its credit facilities. If, however, one or more of the assumptions that form the basis of Sky Deutschland's expectations turns out to be inaccurate, if the implementation of the revised and adjusted business plan and strategy is not successful, or if Sky Deutschland were to encounter unforeseen difficulties in or outside the ordinary course of its business and, as a result, needed more cash than anticipated, these funds may not be sufficient to cover its cash requirements. In such case, Sky Deutschland's business, results of operations, financial condition and cash flows would be materially adversely affected, and Sky Deutschland could breach

covenants under its credit facilities. If Sky Deutschland were to default under any of the operational or financial covenants and such default was not cured or waived, the syndicate banks would be entitled to declare all amounts outstanding under the credit facilities to be immediately due and payable. Such default under the bank financing would also trigger a cross-default under the Shareholder Loan and entitle News Adelaide to reject utilization requests under the Shareholder Loan. In any such case, the Company would have to file for bankruptcy.

Sky Deutschland must use a substantial portion of future cash flow to service its debt, which limits its operating flexibility

At June 30, 2010, Sky Deutschland's borrowings were €290.2 million. The majority of this amount consisted of drawings under Sky Deutschland's current credit facilities. The credit facilities may be drawn in the aggregate amount of up to €525 million over the coming years. Interest on the credit facilities is determined on the basis of EURIBOR plus a margin of 3.75%, which for the term loans increases in two steps to 6.00% in 2012. Therefore, any increase in prevailing interest rates will lead to a corresponding increase in the amount of interest payable by Sky Deutschland on its debt. In addition, if the proceeds of this offering and, if any, the Convertible Proceeds, fall short of the Total Funding Amount, the Company will, subject to certain conditions, enter into the Shareholder Loan Agreement. Assuming no shareholder other than News Adelaide purchases New Shares in this offering, the Company generates net proceeds of €48.2 million and the Convertible Bond is not placed, the Shareholder Loan would amount to €277.1 million, i.e. the borrowings of Sky Deutschland could increase to up to €567.3 million (determined by adjusting borrowings as of June 30, 2010 in the amount of €290.2 million for the maximum amount of the Shareholder Loan). Interest on the Shareholder Loan amounts to 12% of the principal amount. In addition, one of the term loan tranches of the credit facilities and the Shareholder Loan are subject to a payment in kind ("**PIK**") clause. This means that interest accruing during the remaining term of the loan is not paid at the end of each interest period but is instead added to the outstanding principal and paid upon repayment of the loan. The outstanding principal of Sky Deutschland's debt will increase during each period during which a PIK clause applies. For the term loan tranche, the PIK clause falls away as of January 1, 2012; from that day on, interest is paid at the end of each interest period. Accordingly, Sky Deutschland expects to have to dedicate a substantial portion of its future operating cash flow to service its debt, which reduces the funds available to finance its operations and pursue new business opportunities, limits its flexibility in responding to changing business and economic conditions, including technological changes and increased competition, and makes it more vulnerable than its competitors to a future economic downturn. Given Sky Deutschland's tight financial condition and the uncertainty in the economy following the global financial crisis, there can be no assurance that Sky Deutschland will be able to obtain additional credit facilities in the event it needs additional capital.

Sky Deutschland's current credit facilities contain restrictions that limit its financial and operational flexibility, as well as certain covenants, any uncured breach of which would result in an obligation to repay the entire amounts outstanding. This would exceed the Company's financial abilities

Sky Deutschland's current credit facilities stipulate a number of operational covenants that restrict its ability to, among other things: pledge or dispose of any of its assets; enter into any amalgamation, demerger, merger, consolidation or corporate reorganization; invest in or acquire businesses, or sell, transfer or otherwise dispose of any of its assets to a joint venture; and incur or maintain any additional financial indebtedness. Furthermore, the covenants require Sky Deutschland to maintain its current license agreement with DFL Deutsche Fußball Liga GmbH ("**DFL**") with respect to the live pay-TV broadcasting rights to the matches of the German football league (*Fußball-Bundesliga*) until the end of the 2012/2013 season.

In addition, the credit facilities impose a number of financial covenants that require Sky Deutschland to maintain a minimum absolute EBITDA and, starting in June and December, 2011, respectively, maintain specified EBITDA/net finance result, EBITDA/net debt and cash flow/debt service ratios.

These covenants were amended on August 2, 2010, to reflect the financial situation of the Company in order to (i) avoid mandatory repayment of the credit facilities from the proceeds of the offering or

the other financing measures described in the financial support agreement, (ii) adjust financial covenants and other restriction to reflect the intended use of proceeds and payments in connection with the financing and(iii) avoid a breach of financials covenant that would have occurred at some point in time. Certain of these amendments are subject to the condition subsequent that the Company has entered into agreements under which it may draw new financing in the amount of €80 million net by October 31, 2010 and €340 million gross by December 31, 2010. This condition subsequent does not apply if the Company has actually received the amounts prior to the mentioned dates. Further, the actual receipt of the Total Funding Amount on or before January 31, 2011 is an additional condition subsequent for this amendment and waiver agreement.

All of the covenants described above significantly restrict Sky Deutschland's flexibility in operating and financing its business, financing its operations, making strategic acquisitions or engaging in other business activities that may be in its interest.

If Sky Deutschland were to default under any of the operational or financial covenants and such default was not cured or waived, the syndicate banks would be entitled to declare all amounts outstanding under the facilities to be immediately due and payable. Further, the credit facilities can be terminated if the Shareholder Loan is transferred to a third party holding less than 3% of the Company's outstanding share capital or if the participation of the respective shareholder lender in the Company's outstanding share capital falls below 3%. In any such case, the Company would have to file for bankruptcy.

General Risks Related to Sky Deutschland's Business

Sky Deutschland's current business model is critically dependent on exclusive access to attractive content on commercially reasonable terms, in particular on access to live pay-TV broadcasts of the matches of the German football league (Fußball-Bundesliga), but also to a range of other sporting events, movies, TV series and high definition television ("HDTV") content

Sky Deutschland's business and its ability to win new subscribers, retain its existing subscribers and increase its ARPU are dependent on whether it succeeds in providing its subscribers with exclusive access to attractive and high quality content, such as HDTV programming, on commercially reasonable terms.

Sky Deutschland is critically dependent on its ability to offer the live broadcasts of the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) on pay-TV, for which it currently holds exclusive rights in Germany for all formats other than Internet Protocol TV ("**IPTV**") and mobile TV.

Sky Deutschland further depends on retaining its rights to broadcast other types of premium sporting events in Germany and Austria, such as the DFB Cup (*DFB-Pokal*), the UEFA Champions League, the UEFA Europa League and all major golf tournaments, as well as popular movies and TV shows.

The fees for such content are substantial. For example, the license fees for the live pay-TV and other broadcasting rights to the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) for the 2009/2010 through 2012/2013 seasons range from approximately €225 million for the 2009/2010 season to approximately €275 million for the 2012/2013 season, plus an amount equal to 6.5% of the seasonal license fee on account of production costs.

Sky Deutschland intends to finance the license fees payable to its content providers in the coming years with cash generated in the ordinary course of its business, the funds available to it under its credit facilities and the proceeds from this offering. If Sky Deutschland's business plan and strategy fail to result in sufficient improvements in the amount of cash generated in the ordinary course of its business over time, it may be unable to pay these fees, in which case its content providers may terminate Sky Deutschland's licenses and claim damages.

Furthermore, all of Sky Deutschland's licenses are limited in time and require periodic renewals. For example, Sky Deutschland's license with DFL regarding the rights to the matches of the German football league (*Fußball-Bundesliga*) will end with the 2012/2013 season. There can be no assurance that Sky Deutschland will be able to renew this or any of its other licenses on commercially reasonable terms, if at all. Even if Sky Deutschland is given the opportunity to bid for a license that comes up for renewal, there can be no assurance that it will be able or willing to match a competitor's bid. For example, in 2005, Sky Deutschland lost the rights to the matches of the

German football league (*Fußball-Bundesliga*) for the 2006/2007 through 2008/2009 seasons, which had a material adverse effect on its business. Sky Deutschland's competitors may be willing to enter into licenses on terms and conditions that Sky Deutschland would consider to be unfavorable, thereby making it more difficult for Sky Deutschland to resist similar terms and conditions in its own licensing agreements. In addition, agreements with two major Hollywood studios are currently under renegotiation and further agreements will come up for renewal in the following years.

In addition, several of the output agreements with the major Hollywood studios and the Union of European Football Associations (UEFA), and several third-party channel agreements contain change of control clauses (and, in one case, a most favored nation clause) that entitle the relevant counterparties to terminate the agreements in the event a third party or, in some cases, a major competitor acquires the majority of the shares or otherwise gains control over Sky Deutschland. News Corporation controls the entity owning Twentieth Century Fox, Inc. and, given that News Corporation currently indirectly holds approximately 45% of the outstanding shares of Sky Deutschland AG and may subscribe for and acquire a significant number of additional shares in this offering, termination rights under these change of control clauses have been triggered already or may be triggered upon the completion of this offering.

If any of the above risks materializes and Sky Deutschland loses access to critical content on commercially reasonable terms and conditions, its ability to win new subscribers could be adversely affected, and its existing subscribers could decide to terminate their contracts. Any such case would have material adverse effects on Sky Deutschland's business, results of operations and financial condition.

Sky Deutschland's encryption technologies have been circumvented in the past and may be circumvented in the future

Pay-TV companies, such as Sky Deutschland, depend on an effective and secure conditional access system. Sky Deutschland suffered substantial damage when TV receivers capable of circumventing its encryption system became available on the market in 2007, which gave a large number of people unauthorized access to its programming. In response, Sky Deutschland replaced the system with a new encryption system that relies on two separate encryption technologies: a new version of the Nagravision system, which was the target of the piracy attacks, and a separate encryption system developed by NDS Technologies France SAS and NDS Limited (together, "**NDS**"). The migration of Sky Deutschland's subscribers to the new system was completed on November 10, 2008. However, it took Sky Deutschland a considerable amount of time to implement the new system, during which time anyone who owned the necessary equipment had free access to Sky Deutschland's programming. To reduce the likelihood of future security breaches, Sky Deutschland is dependent on its ability to periodically update each of the two encryption technologies currently in use and to remedy security breaches, when they occur, before a large number of people gain unauthorized access to Sky Deutschland's programming.

With regard to cable customers, the relevant cable network operators are responsible for the encryption of Sky Deutschland's signals during transmission via their cable networks. If this or any of the other operators' encryption systems were to be circumvented, Sky Deutschland could suffer substantial damage but would not be able to take direct action in order to remedy the security breaches. Instead, it would have to rely on the respective operator to prevent its customers from gaining unauthorized access to Sky Deutschland's programming.

As is the case for other pay-TV companies, Sky Deutschland expects further attempts to circumvent its encryption system and piracy to remain a threat. Sky Deutschland believes that further threats result from, among other things, the streaming of content mainly via offshore websites, which allows such content to be accessed and downloaded for free, and card sharing, a piracy mechanism granting several persons unauthorized access to Sky Deutschland's programming through the sharing of a "common smartcard" usually via software connected to an offshore webserver. The prevalence of these types of piracy has increased in recent years and may continue to increase in the future.

Because Sky Deutschland's business model is based on the provision of access to electronic content for a fee, Sky Deutschland is critically dependent on its ability to protect its content against unauthorized access by third parties. In addition, many of Sky Deutschland's licenses contain clauses that require it to secure its licensed content and provide for termination rights and the payment of damages in the event of breaches. If, as a result of security breaches, a large number of people gain

unauthorized access to Sky Deutschland's programming without paying subscriber fees, this would materially adversely affect its business, results of operations and its financial condition.

The markets in which Sky Deutschland operates are extremely competitive and their pay-TV penetration rates may never reach the level required for the profitable operation of Sky Deutschland's business

TV content broadcasters in Germany and Austria face intense competition, both from each other and from providers of other entertainment options. Sky Deutschland's principal competitors are the German and Austrian free-TV content broadcasters. In Germany, there are two major public free-TV content broadcasters, ARD and ZDF, which benefit from a large public broadcasting budget. In Austria, there is one public free-TV content broadcaster, ORF. In addition, there are a number of private free-TV content broadcasters, including the RTL group and the ProSiebenSat.1 group. There are also a number of smaller private free-TV broadcasters. In addition, some of the pay-TV content offered by Sky Deutschland is also available on free-TV channels. For example, two German free-TV channels are entitled to show summaries of the matches of the German football league (*Fußball-Bundesliga*) on a time-delayed basis, which dilutes the exclusivity of Sky Deutschland's live broadcasts. The same may apply to future broadcastings of movies, TV series, sporting events and other content, including content broadcast in HDTV quality. Sky Deutschland expects the degree of competition in the provision of HDTV to increase significantly.

To a lesser extent, Sky Deutschland competes with increasingly active pay-TV distributors, including cable network operators that distribute pay-TV content, such as Unitymedia GmbH ("**Unitymedia**"), Kabel Deutschland Holding AG ("**KDG**") and Kabel Baden-Württemberg GmbH & Co. KG ("**KBW**"). Cable network operators may extend their pay-TV offerings in the future, which could lead to more intense competition in the pay-TV market. As a result, the number of companies bidding for the rights to sporting events, movies and TV series, and other high profile content may increase, which could limit Sky Deutschland's access to such content or raise the license fees it must pay to gain access to the desired content.

Sky Deutschland also competes with IPTV providers, such as Deutsche Telekom AG ("**Deutsche Telekom**"), whose "Entertain" package currently includes 70 channels and HDTV content as well live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) through the 2012/2013 season pursuant to Deutsche Telekom's IPTV rights. Deutsche Telekom has launched an extensive marketing campaign to advertise its live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) on IPTV. Although Deutsche Telekom does not report the number of subscribers to this service, the distribution profile of this service has the potential to attract a significant number of subscribers, including potential subscribers who would otherwise be attracted to Sky Deutschland's programming. Further, Deutsche Telekom is currently suing Sky Deutschland, alleging that Sky Deutschland is obligated to make its programming available on Deutsche Telekom's IPTV platform pursuant to a distribution agreement entered into between Deutsche Telekom and Sky Deutschland, which Sky Deutschland terminated extraordinarily. In the event that Sky Deutschland were forced to feed its programming into Deutsche Telekom's IPTV platform, this could further strengthen Deutsche Telekom's competitive position and could be of strategic disadvantage for Sky Deutschland particularly if Deutsche Telekom were able to offer its German football league (*Fußball-Bundesliga*) package in connection with Sky Deutschland's exclusive sports and movie content.

In addition, Sky Deutschland competes with a variety of alternative distribution channels for movies and other audiovisual content, such as DVD sales and rentals, websites, internet service providers, cable network operators, pay-per-view services and other entertainment options available to consumers. Even though some of these other entertainment options may currently still suffer from a limited market acceptance, they may become more important in the future. While Sky Deutschland competes in some of these markets, many of them offer lower margins than Sky Deutschland's core business, and there can be no assurance that any profits Sky Deutschland generates in these markets will be sufficient to offset any associated margin shortfall in its core business.

Further, market statistics show that the penetration rate of pay-TV in Germany and Austria is significantly lower than in other major European TV markets, such as the United Kingdom and Ireland, France or Italy. For example, in 2009, the pay-TV penetration rate was 53.2% in the United Kingdom and Ireland, 42.0% in France and 38.4% in Italy but only 11.0% in Germany and

Austria (*Source: SES-ASTRA Satellite Monitor TNS Infratest 2009*). TV viewers in Germany and Austria may be more reluctant to embrace pay-TV than their peers in these countries. This greater reluctance may be the result of a lower level of general TV consumption in Germany and Austria, the broader range and higher quality of the free-TV offerings in Germany and Austria when compared to other TV markets and the fact that high public broadcasting fees are charged for the reception of TV programming. There can be no assurance that pay-TV penetration rates in Germany will converge with the higher penetration rates characteristic of other major European markets or reach the level required for the profitable operation of a pay-TV business. If the pay-TV penetration rate in Germany and Austria does not increase, Sky Deutschland may not be able to gain sufficient subscribers to become profitable.

In order to distribute its programming to subscribers, Sky Deutschland depends on its ability to enter into transmission agreements with cable and satellite network operators on commercially reasonable terms, and to secure access to other distribution channels that may emerge in the future

Sky Deutschland does not have a satellite or cable network of its own to disseminate its programming to subscribers and thus is dependent on its ability to enter into transmission agreements with cable and satellite network operators on commercially reasonable terms. If Sky Deutschland fails to extend its transmission agreements with cable or satellite network operators when they expire or if these operators terminate their agreements with Sky Deutschland, it could lose access to a substantial number of its current or future subscribers or be forced to accept commercially unreasonable terms. In addition, in executing its plans to increase the number of TV channels offered, Sky Deutschland may be hampered by bandwidth limitations inherent in the currently existing cable networks as limited bandwidth restricts the transmission of HDTV programming. This risk is exacerbated by the fact that some cable network operators, such as Unitymedia, KDG and KBW, offer their customers not only access to their networks but also, increasingly, third-party content via pay-TV. The dual function of these companies as both network operators and content distributors could subject them to conflicts of interest in making allocation decisions that could jeopardize Sky Deutschland's ability to effectively and efficiently deliver its programming to subscribers.

Furthermore, if Sky Deutschland fails to anticipate the future development of distribution platforms and broadcasting technology, it could miss the opportunity to gain new customers and could lose existing subscribers if these were to embrace such new technology or distribution platforms.

If any of these risks were to materialize, Sky Deutschland's business, results of operations and financial condition could be materially adversely affected.

Sky Deutschland currently does not meet minimum subscriber levels under many of its agreements with content providers, which, if the expected increase in the number of subscribers is not achieved, will continue to negatively affect its expenses

Under Sky Deutschland's output agreements with movie studios, especially those with the major Hollywood studios, the license fees payable per movie are calculated as the product of a factor that represents the value of the movie multiplied by the number of subscribers who are entitled to view the movie. Likewise, many of Sky Deutschland's agreements with third-party channel providers contain provisions that tie the license fees to the number of subscribers who are entitled to view the channel. Several of these movie studio and third-party channel agreements stipulate a minimum number of subscribers for which license fees are payable or provide for an increase in fees (and, in one case, for the counterparty to have a termination right) if these minimum thresholds are not met. In most of these output agreements, Sky Deutschland currently does not meet the minimum subscriber requirements and is thus subject to increased fees. Further, most of Sky Deutschland's movie licenses provide for a gradual increase in the designated movie values and minimum subscriber numbers over the course of the license term. Thus, a stagnation or less than proportionate growth in subscriber numbers would make it more difficult for Sky Deutschland to meet the applicable minimum number of subscriber requirements. In each case, Sky Deutschland's business, results of operations and financial condition could be materially adversely affected.

Sky Deutschland intends to invest significant amounts in the marketing and distribution of Sky+, an HDTV digital video recorder and receiver. If Sky+ is unsuccessful, these investments could lose their value

Sky Deutschland intends to expand its offering of Sky+, an HDTV digital video recorder and receiver, by investing significant amounts in this technology. Sky+ receivers allow subscribers to benefit from numerous advantages when watching and recording Sky Deutschland's programming, such as the ability to record programming onto a hard drive and pause live TV. As this technology is not yet widespread in Germany, it is unclear whether Sky Deutschland's current and potential subscribers will make use of this offering. Further, it is not clear whether the service will be successful in growing Sky Deutschland's subscriber base, increasing ARPU and reducing its churn rate.

If Sky+ is unsuccessful, Sky Deutschland's plans to use Sky+ as a means of growing its subscriber base, increasing ARPU and reducing the churn rate would be called into question, which could materially adversely affect its business, results of operations and financial condition.

The widespread adoption of HDTV, on which Sky Deutschland relies as part of its business plan and strategy, will result in additional technological costs, and may progress slower than expected

An important component of Sky Deutschland's business plan and strategy is to offer high-quality HDTV channels. Sky Deutschland currently offers ten HDTV channels. Sky Deutschland is dependent on the technical ability of the cable and satellite network operators to provide sufficient bandwidth for its current and future HDTV channels. In addition, Sky Deutschland must agree to transmission agreements with these operators on commercially reasonable terms and conditions. Because the transmission of HDTV signals requires more bandwidth than normal TV signals, Sky Deutschland may face difficulties in offering its HDTV channels to all its customers while preserving an acceptable transmission quality. For example, only one of Sky Deutschland's HDTV channels is available to subscribers that receive their programming via Unitymedia. Sky Deutschland's HDTV strategy will also likely result in an increase in technological costs due to additional bandwidth and transponders needed to transport the HDTV signal. Accordingly, the transition to HDTV will result in an increase in Sky Deutschland's cost of sales.

Conversely, if the widespread adoption of HDTV is delayed, if Sky fails to convince new subscribers of the quality of its HDTV content in comparison to the offers of other operators, if new HDTV standards emerge that are not compatible with Sky Deutschland's current technological setup, if Sky Deutschland fails to enter into the necessary arrangements with cable or satellite network operators, or if Sky Deutschland's plan to use HDTV as a means of growing its subscriber base and increasing the ARPU is called into question, this could materially adversely affect its business, results of operations and financial condition.

Sky Deutschland's operations could be disrupted by technical problems affecting the transmission of TV programs via satellite, cable or the internet

Sky Deutschland depends on the continuous availability and reliable operation of the satellite, cable and internet infrastructure to provide pay-TV programming to its subscribers. A substantial part of the broadcasting infrastructure belongs to, or is operated by, third parties and therefore cannot be directly controlled by Sky Deutschland. Sky Deutschland has experienced temporary outages in the past and there can be no assurance that temporary or even extended outages will not arise in the future. Such outages may negatively affect the perception of Sky Deutschland as a provider of high-quality TV, will cause customer dissatisfaction and result in the loss of current and potential subscribers, which could materially adversely affect Sky Deutschland's business, results of operations and financial condition.

Sky Deutschland is subject to various risks due to its previous outsourcing of services to external providers. Further, the Company is subject to various risks in connection with the repurchase of formerly outsourced services

In the past, Sky Deutschland has outsourced a range of services to external providers. These services include program production, encryption, cable and satellite transmissions, call center operation, logistics and the sale of advertising time. Sky Deutschland's outsourcing of these services to third

parties can result in it becoming dependent on these service providers, a loss of operational control and flexibility and additional costs. Further, such third-party service providers may perform unsatisfactorily, become unavailable or raise their prices, in which case Sky Deutschland would have to procure those services from an alternative source, which could compromise Sky Deutschland's ability to provide, improve and innovate its own products and services. In some cases, Sky Deutschland depends on a single service provider or a limited number of providers, *e.g.*, the three main network level 3 cable network operators, Unitymedia, KDG and KBW. Due to a revision of this former strategy, Sky Deutschland has recently undertaken purchases of companies to which such functions were outsourced in the past. For example, Sky Deutschland repurchased Premiere Star GmbH in 2009, its logistics service provider, Loxxess Medienlogistik GmbH, in the first quarter of 2010 and a majority stake in its advertising agency, Premium Media Solutions GmbH in August 2010. The repurchase of previously sold companies could result in an increased fixed costs base and could adversely affect the liquidity position of Sky Deutschland, particularly since the purchase agreements foresee deferred payments in the aggregate of a double-digit million euro amount through 2013. If any of these risks materializes, Sky Deutschland's business, results of operations and financial condition could be materially adversely affected.

An impairment of Sky Deutschland's goodwill or subscriber base may adversely affect its business, results of operations and financial condition

Sky Deutschland's consolidated balance sheet as of June 30, 2010, shows goodwill in the amount of €636.1 million and a subscriber base in the amount of €34.4 million. The goodwill figure mainly reflects goodwill arising in connection with Sky Deutschland's acquisition of its predecessor company in 2003 and goodwill arising in connection with the 2007 transaction with Arena Sport Rechte und Marketing GmbH ("**Arena**"), a subsidiary of Unitymedia, as part of which Sky Deutschland acquired a sublicense for the live pay-TV broadcasting rights to matches of the German football league (*Fußball-Bundesliga*) for the 2007/2008 and 2008/2009 seasons and took over certain of the licensee's production processes and employees. Goodwill is not subject to amortization, but instead is subject to impairment tests, carried out annually or more frequently if circumstances indicate that an impairment has occurred. The subscriber base is amortized on a straight-line basis over its expected life; however, circumstances may arise in which, as a result of an impairment test, all or a portion of its value would have to be written down. See "*—Risks Concerning Regulatory Actions and Legal Proceedings—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*" for more information on issues relating to the reporting of the subscriber base. Each of the above cases could materially adversely affect Sky Deutschland's results of operations and financial condition.

Sky Deutschland's performance depends on the quality and reputation of its senior management and other key employees

Sky Deutschland's success depends in large part on the performance of its senior management, particularly the members of its management board (the "**Management Board**"), and other key personnel. Sky Deutschland AG's management team consists of highly experienced managers with extensive experience in the pay-TV industry. There can be no assurance that members of the current management team will remain with Sky Deutschland or that, if any of its members left Sky Deutschland, Sky Deutschland would be in a position to quickly fill the vacant positions with adequately qualified and experienced personnel. Further, if Sky Deutschland had to replace members of its senior management, the senior management would have limited experience in working together as a group. If Sky Deutschland were to lose its senior management or other key employees, or if its senior management is not able to effectively work together as a group, this could materially adversely affect Sky Deutschland's business, results of operations and financial condition.

Exchange rate fluctuations could adversely affect Sky Deutschland's results of operations and financial condition

Because Sky Deutschland sources a significant part of its programming from the United States or under licensing agreements which provide for the payment of licensing fees in U.S. dollars, the bulk

of its movie license costs and a portion of its sports license costs and third-party channel license costs, which together constitute substantial components of Sky Deutschland's programming costs (which in turn form part of Sky Deutschland's cost of sales), are denominated in U.S. dollars. In addition, payments under the trademark license agreement with BSkyB (which constitute part of its selling expenses) are payable in British pounds. Given the geographic focus of its business, Sky Deutschland's revenues are denominated in euros. Accordingly, any increase in the value of the U.S. dollar or the British pound relative to the euro has the effect of increasing Sky Deutschland's reported programming costs and selling expenses when reported in euro, while any decrease has the opposite effect. Exchange rates between the euro, U.S. dollar and British pound have been and are expected to remain volatile. Sky Deutschland has entered into certain hedging transactions to reduce the exposure to exchange rate fluctuations but there is no assurance that these hedging arrangements will be or remain effective in protecting Sky Deutschland from the results of such fluctuations. Since the foreign exchange markets are characterized by a high degree of volatility, exchange rate fluctuations could materially adversely affect Sky Deutschland's business, results of operations and financial conditions in the future.

Sky Deutschland's results of operations and financial condition are subject to the risk of interest rate fluctuations

Sky Deutschland's credit facilities bear interest at floating rates tied to EURIBOR. Therefore, interest rates have had and are likely to continue to have a material effect on Sky Deutschland's results of operations. Sky Deutschland has taken out interest rate swaps to hedge a portion of its interest rate exposure. The unhedged part remains subject to the risk of interest rate fluctuations.

Sky Deutschland's insurance coverage may be inadequate

Sky Deutschland has obtained insurance coverage against various operational risks. There can be no assurance, however, that Sky Deutschland's current insurance policies will be adequate and sufficient to cover all potential losses and liabilities to which it may become subject or that it will be able to obtain adequate insurance coverage on commercially reasonable terms and conditions in the future. A loss or liability in excess of the maximum coverage could materially adversely affect Sky Deutschland's business, results of operations and financial condition.

The slow and uncertain recovery from the economic downturn may substantially reduce the demand for pay-TV and adversely affect Sky Deutschland's subscriber recruitment, subscriber retention and ARPU growth targets

Sky Deutschland's ability to retain its existing subscribers over the long term, increase the revenue it generates from them and attract new subscribers depends in large part on consumers' disposable incomes. It is possible that as a result of the slow and uncertain recovery from the economic downturn in Germany and Austria, Sky Deutschland's most important markets, household incomes and consumer spending may not recover or even worsen and that the demand for entertainment, including pay-TV, may continue to be weak or decline even further. A drawn-out recovery in the economy with negative effects on consumer demand for pay-TV could jeopardize Sky Deutschland's ability to achieve its goals and materially adversely affect its business, results of operations, financial condition and cash flows.

Risks Concerning Regulatory Actions and Legal Proceedings

Sky Deutschland is subject to claims for damages in connection with the 2008 change in the methodology it uses to classify its subscribers

Sky Deutschland is currently facing several damages claims before the District Court (*Landgericht*) of Munich, as well as in out-of-court proceedings, mainly involving institutional investors applying for mediation proceedings (*Güteverfahren*) before a mediator (*Gütestelle*). The aggregate amounts claimed in the court proceedings total approximately €897,000 while the aggregate amounts claimed in the out-of-court proceedings, including before the mediator, total approximately €242.5 million.

The claims raised in both the judicial and the non-judicial proceedings are primarily based on alleged inaccuracies, misstatements and omissions relating to subscriber numbers published in the Company's IPO prospectus of February 21, 2005 (the "**2005 Prospectus**"), its capital increase

prospectus of September 7, 2007 (the "**2007 Prospectus**") and in various press releases issued prior to October 2, 2008. In each of these publications, Sky Deutschland had used a subscriber classification method that included indirect subscribers generating only limited or no revenues in its total subscriber numbers without explicitly differentiating them from other subscribers. This became publicly known when the Company issued an ad-hoc announcement on October 2, 2008 announcing, among other things, a change to its method of classifying subscribers, pursuant to which these indirect subscribers generating only limited or no revenues would no longer be included in the reported subscriber numbers. The new subscriber classification method resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in its reported ARPU. Following the publication of the ad-hoc announcement, the price of the Company's shares decreased significantly. The plaintiffs attribute this price decrease to communication of the new subscriber classification and claim damages based on the financial detriment alleged to result to them. The Company has rejected the claims and is defending against them vigorously.

The 11 proceedings before the District Court (*Landgericht*) of Munich are in various stages of determination. In one case, the court rendered a judgment on December 11, 2009, pursuant to which the claim against the Company was fully dismissed. The plaintiff's appeal against the judgment has been withdrawn, with the result that the court's judgment is now binding.

On May 20, 2010, the court issued a ruling in another proceeding rejecting most of the plaintiff's claims against the Company. The court did, however, find in favor of the plaintiff insofar as the claim was based on the 2007 Prospectus and considered that 10% of the claim of €45,000 was justified. This ruling is not yet legally binding and both the plaintiff and the Company have lodged appeals.

In a third proceeding, the court delivered a preliminary assessment on March 23, 2010 in which it stated that the subscriber numbers in the 2007 Prospectus could be considered misleading. This preliminary assessment was upheld in the course of an oral hearing on August 4, 2010. A further hearing is expected on October 6, 2010.

In five further proceedings, the District Court (*Landgericht*) of Munich issued a judgment dismissing the claims against the Company on August 26, 2010. One other proceeding is ongoing and a judgment is expected for November 11, 2010.

The other two proceedings are still at a preliminary stage.

With regard to the institutional investors' claims, while the relationship of individual claims to particular communications of the Company is not entirely clear from the pleadings (although claims in an amount of €20-25 million are attributed to the 2007 Prospectus), the Company believes they are based on the same alleged facts and legal theories as the judicial claims discussed above. In addition, the plaintiffs could try to make use of the recent determination by the Deutsche Prüfstelle für Rechnungslegung ("**DPR**") that subscriber numbers were not reported transparently enough. See "*—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*". It cannot be ruled out that the institutional investors will commence judicial proceedings in respect of their claims. However, the Company cannot reliably estimate the amount of the risk to which it would be exposed if the plaintiffs in the mediation proceedings were to bring judicial proceedings

The Company has filed third party notices (*Streitverkündungen*) on the relevant current and former members of its Management Board and Supervisory Board. The Company (as well as its current and former Management Board and Supervisory Board members) has an insurance policy against liability risks in respect of the 2007 Prospectus resulting from non-willful breaches of capital market information obligations (*Kapitalmarktinformationspflicht*) up to a total amount of €50 million in place. The Company and its insurer have initiated discussions as to the applicability and extent of coverage under this policy to these pending and threatened proceedings, but have not reached agreement. Accordingly, there can be no assurance that the insurer will agree that the Company's policy in fact covers any such proceedings or, even if it does agree, that the Company's insurance coverage will be sufficient to cover the full amount of damages awarded. In addition, the current and former members of the Company's Management Board and Supervisory Board are beneficiaries

under a D&O insurance policy in respect of claims for damages resulting from grossly negligent breaches of capital market information obligations (*Kapitalmarktinformationspflichten*) up to a total amount of €50 million.

The Company has not made any provisions for these judicial or extrajudicial claims in its consolidated interim financial statements as of June 30, 2010. However, if damages are granted and if the Company's insurance coverage, if any, is insufficient to cover the full amount of damages awarded or if such outcome would constitute an event of default under the Company's existing credit facilities, Sky Deutschland AG could have to file for bankruptcy.

The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties

In the fourth quarter of 2008, the German Financial Reporting Enforcement Panel (DPR) initiated an investigation of the Company's consolidated and unconsolidated financial statements for 2007, its interim consolidated financial statements for the six month period ended June 30, 2008, and its related management reports. In the course of its investigation, the DPR found

- that the Company's subscriber figures were reported with insufficient transparency in these financial statements and reports;
- that the management report of the Company and the Group for 2007 did not comprehensively illustrate the development of the Company's financial position and results of operations and that additional trend disclosures (*Trendaussagen*) should have been made;
- that the interim management report of the Company and the Group for the six month period ended June 30, 2008 should have disclosed that for the nine month period ended September 30, 2008 the Company was in danger of breaching a financial covenant contained in its former credit facilities;
- that the cost of sales reported in Sky Deutschland's interim consolidated financial statements for the six month period ended June 30, 2008 was understated in the amount of at least €10 million because costs in connection with the licensing of free-TV rights to 18 matches, and of pay-TV rights to all matches, of the FIFA World Cup were not properly allocated between the rights transferred and the free-TV and pay-TV rights retained by Sky Deutschland; and
- that it was not appropriate for the Company to account for its sublicense agreement with Arena, a subsidiary of Unitymedia, and the related acquisition of certain production assets and contracts and the transfer of certain employees as a business combination under IFRS 3. In this context, the DPR also found against the Company's accounting treatment in its unconsolidated German GAAP financial statements of the Bundesliga rights acquired.

On June 10, 2010, Sky Deutschland issued an objection to each of the DPR's conclusions. As a result, the financial accounting and reporting matters referred to above, and the findings of the DPR, are currently the subject of review by the BaFin. Should the BaFin confirm the DPR's findings, and, if applicable, should this confirmation be upheld in any judicial proceedings Sky Deutschland may bring to challenge it, this could lead to a material decline in Sky Deutschland's share price, administrative fines against the Company, corrections to its consolidated financial statements, which could result in a reduction of consolidated equity attributable to stockholders by €248.4 million, as well as to claims for damages by third parties based on the subject matter of the DPR's findings. In addition, the Company's unconsolidated financial statements could be declared void. Any of these developments could materially adversely affect Sky Deutschland's business, results of operations and financial condition.

Sky Deutschland is being investigated for possible antitrust violations in connection with its receiver strategy. As an outcome of this investigation, Sky Deutschland could be forced to record impairments on its receiver assets and to make available additional funds to invest in new receivers

The German Federal Cartel Office (*Bundeskartellamt*) is currently investigating an alleged abuse of a dominant market position by Sky Deutschland. The German Federal Cartel Office issued a non-

legally binding statement of objections, announcing that the Federal Cartel Office is considering an injunction, requiring Sky Deutschland to decrypt its content using decoders that support an open Common Interface solution. The German Federal Cartel Office argues that third party channel providers should gain access to end customers via Sky Deutschland's decoders without Sky Deutschland being involved. Although Sky Deutschland believes it has complied with all applicable laws, the German Federal Cartel Office may impose sanctions, including substantial fines, and require Sky Deutschland to mandatorily use decoders supporting a further specified Common Interface module as of a certain point in the future. All of this could lead to an increase in the cost of the decoder infrastructure. Sky Deutschland is in an ongoing dialogue with the German Federal Cartel Office regarding different options for the conclusion of the proceedings and is therefore also considering commitments regarding the introduction of CI+ decoders as of a certain point in the future. It is possible that the Company will reach a settlement with the German Federal Cartel Office in the near future. In such settlement, the German Federal Cartel Office could agree to a sufficient transition period of a few years for the development of such receivers and the re-use of old models. If the German Federal Cartel Office does not agree to a sufficient transition period, Sky Deutschland would be forced to discontinue the use of older receiver models and to replace these receivers with new CI+ decoders. In this case, the Company would have to record impairments on its receiver assets and would be forced to invest in new eligible receivers. In any such case, Sky Deutschland's financial condition and results of operations could be materially adversely affected.

Regulatory authorities could revoke or deny renewal of any of Sky Deutschland's broadcasting licenses

Sky Deutschland holds various broadcasting licenses in Germany and one in Austria, which are set to expire in 2012 (Austria), 2015, 2017 and 2019. Sky Deutschland's licenses are essential for its operations. If Sky Deutschland were to lose any of its licenses, it could find itself unable to continue its pay-TV business. Although Sky Deutschland is not aware of any circumstances that would indicate that this risk could materialize, there can be no assurance that the licenses it currently holds will be renewed when they expire. In addition, its licenses could be revoked if Sky Deutschland failed to comply with applicable laws and regulations and other sanctions could be imposed if Sky Deutschland were to violate applicable regulations governing the protection of minors.

Under the German State Broadcasting Agreement (*Rundfunkstaatsvertrag*), as amended, Sky Deutschland is required to report each change in its ownership structure to the responsible regulatory authorities. If Sky Deutschland fails to do so, it faces a risk of fines. In addition, it is subject to the risk of a revocation of its licenses if any change in its ownership structure is not considered permissible under the applicable media laws. Because Sky Deutschland has no control over its ownership structure, it would be unable to prevent a third-party about which a regulatory authority has reservations from acquiring the Company's shares, thereby exposing it to the risk that its broadcasting licenses might be revoked. If this risk were to materialize, Sky Deutschland's business, results of operations and financial condition could be materially adversely affected.

Certain of Sky Deutschland's direct sales and marketing strategies may be restricted or prohibited as a result of proposed legislative changes regarding direct marketing and the transfer of personal data

As part of its direct sales strategy, Sky Deutschland contacts potential subscribers whose contact information it obtains from companies that professionally engage in data collection services (so-called address traders).

In 2009, an act aimed at combating illegal telephone marketing and improving consumer protection in the context of special distribution arrangements came into effect in Germany. The act contains, among other things, amendments to the German Act Against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb,* "**UWG**"). The amendments provide that telephone marketing vis-à-vis a consumer without the consumer's prior express consent is not permitted and constitutes a regulatory offence punishable by a fine of up to €50,000. Since the amendment came into effect, Sky Deutschland has been fined by the German Federal Network Agency (*Bundesnetzagentur*) in seven cases with a fine of €22,000 per case. Sky Deutschland has filed objections against these fines, arguing that they are unjustified. In 43 further cases of customer complaints the German Federal Network Agency has approached Sky Deutschland and requested a written comment as to the extent to which prior consent has been obtained. It is unknown whether there are further complaints pending with the German Federal Network Agency. In addition, there have been several amendments

to the Federal Data Protection Act (*Bundesdatenschutzgesetz,* "**BDSG**") over recent years, the latest of which came into effect on June 11, 2010. Some of these amendments revised the provisions relevant to direct marketing to customers and the provisions on the handling of personal data for purposes of address trading and postal advertising. Most importantly, the amendments oblige the advertiser to ensure that the targeted customer is informed in the advertising material of how the advertiser obtained his personal data. The aforesaid applies even if advertising material is added that originates from a third party. On the other hand, if the advertiser has bought the personal data of the targeted customer from an address trader, he will be obliged to state in the advertising material how the data was first obtained. To ensure traceability, address traders are obliged to store the information on how the data was first obtained for a period of two years starting from the transmission of the data from the trader to the advertiser. This will most likely raise the costs of address traders and therefore also the price of their product. Only if the targeted customer is already a customer of the advertising party prior to the data collection is no further notification required. Furthermore, the BDSG provides for a transition period without these restrictions until August 31, 2012 for data collected on or before September 1, 2009 for postal marketing.

Together, the amendments to the BDSG and the UWG substantially limit the ways in which Sky Deutschland may use direct marketing to customers as a sales strategy and increase its risk of being fined. This could materially adversely affect Sky Deutschland's business, results of operations and financial condition in the future.

Sky Deutschland is exposed to the risk of lawsuits brought by consumer advocacy organizations and changes in consumer protection laws

Sky Deutschland's subscription agreements qualify as standard terms and conditions (*Allgemeine Geschäftsbedingungen, AGB*) under German and Austrian law and so are subject to an increased degree of legal scrutiny under German and Austrian consumer protection laws. In the past, individual clauses in Sky Deutschland's subscription agreements, such as clauses providing for the automatic renewal of a subscription upon expiry, have been held invalid by German and Austrian courts. While Sky Deutschland believes that the clauses it currently uses comply with applicable legal requirements, there can be no assurance that Sky Deutschland will not become subject to further lawsuits brought by consumer advocacy organizations or customers. If this were to happen, Sky Deutschland would incur substantial legal fees in defending itself, and, if the plaintiffs in any such lawsuits were to prevail on the merits, Sky Deutschland could be required to modify its subscription agreements in ways that are unfavorable to it. Adverse changes to these agreements might also become necessary if consumer protection laws were to change. If any of these risks materialize, Sky Deutschland's business, results of operations and financial condition could be materially adversely affected.

Sky Deutschland may become subject to claims for damages in connection with the infringement of certain patents regarding electronic program guides

In March 2009, Sky Deutschland was informed by Gemstar TV Guide International, Inc. ("**Gemstar**"), a former subsidiary of News Corporation, that Gemstar believes that, by means of distributing receivers, Sky Deutschland infringes certain patents regarding electronic program guides held by Gemstar and, as a result, is claiming damages of an aggregate amount in the low double-digit million euro range. Sky Deutschland believes that the subject matter in dispute is not patentable and the patents are therefore not valid. No lawsuit against Sky Deutschland has been filed in respect of this matter. Furthermore, as far as any potential claim might concern receivers developed for the NDS encryption system, Sky Deutschland has a contractual claim against NDS for indemnification to the extent that any electronic program guide supplied by NDS since July 2008 infringes Gemstar's patents.

Sky Deutschland is exposed to risks related to tax audits

Sky Deutschland is subject to regular audits by the tax authorities. The German tax authorities are currently conducting a tax audit for the assessment periods 2001 to 2003. It is possible that in the course of this audit the tax authorities will determine that tax returns prepared by Sky Deutschland AG or any of its subsidiaries require modification, *e.g.*, the tax authorities may challenge the factual basis on which the tax returns were prepared or may take views that are different from those

reflected in such returns. In any such case, substantial additional tax liabilities could arise and penalties could be imposed on Sky Deutschland, which could materially adversely affect its business, results of operations and financial condition.

Sky Deutschland may, due to a change in its ownership structure, not be able to make use of its current tax losses, tax loss carry-forwards or interest carry-forwards

There is a substantial risk that the current tax losses, tax loss carry-forwards and interest carry-forwards of Sky Deutschland AG and its subsidiaries may be partially or fully unusable. With effect as of January 1, 2008, Section 8c of the German Corporate Income Tax Act (*Körperschaftsteuergesetz,* "**KStG**") provides for a pro-rata loss of current tax losses and tax loss carry-forwards in cases where an individual shareholder or a group of shareholders acting in concert acquires more than 25% and up to 50% of the shares in a corporation within a five-year period or a comparable event occurs, while current tax losses and tax loss carry-forwards are completely lost if more than 50% of the shares in a corporation are acquired within a five-year period. Section 8c KStG applies, *mutatis mutandis,* to interest carry-forwards.

There is a substantial risk that the acquisition by News Adelaide of a 25.01% stake in Sky Deutschland AG in 2008 and the subsequent increase in News Adelaide's shareholding in Sky Deutschland AG to approximately 45.42% in January 2010 has led to a pro-rata loss of the current tax losses, tax loss carry-forwards and interest carry-forwards of Sky Deutschland AG and its subsidiaries for corporate income and trade tax purposes.

Section 8c paragraph 1a KStG contains a "turnaround clause" exemption, providing that current tax losses, tax loss carry-forwards and interest carry-forwards are preserved if a purchaser acquired shares in a corporation with the intent of undertaking a financial restructuring of the corporation and certain other requirements are satisfied.

The tax authorities have issued tax rulings (dated November 8, 2009 and February 5, 2010) stating that the conditions of the turnaround clause were met by Sky Deutschland AG in connection with the increase in News Adelaide's shareholding in Sky Deutschland AG to approximately 45.42% in January 2010. However, the German Federal Ministry of Finance declared on April 30, 2010 that the turnaround clause was not to be applied as a result of an investigation by the European Commission into the incompatibility of the turnaround clause with European state aid provisions. The non-applicability is to last until a final decision by the European Commission on the compatibility of the turnaround clause with European Union law, which may be issued soon. In any event, the turnaround clause may not lead to a preservation of the current tax losses, tax loss carry-forwards and interest carry-forwards of Sky Deutschland AG and its subsidiaries.

Should News Adelaide increase its shareholding in Sky Deutschland AG to more than 50%, all of the current tax losses, tax loss carry-forwards and interest carry-forwards of Sky Deutschland AG and its subsidiaries would be lost completely. Such an increase in News Adelaide's shareholding in Sky Deutschland AG to more than 50% could occur in respect of rights offering if News Adelaide decides to acquire additional shares, the possible conversion of the Convertible Bond and/or the Shareholder Loan into ordinary shares in Sky Deutschland AG. Should News Adelaide increase its shareholding in fulfillment of its commitment under the Financial Support Agreement, but hold less than 50%, the current-tax losses, tax-loss carry-forwards and interest carry forwards of Sky Deutschland AG and its subsidiaries would be lost on a pro-rata basis.

If all or a portion of Sky Deutschland AG's or its subsidiaries' current tax losses, tax loss carry-forwards and interest carry-forwards are lost, they could not be used to reduce Sky Deutschland AG's or its subsidiaries' tax liabilities in any period in which a taxable profit is generated. This might result in a higher future tax burden, which could materially adversely affect Sky Deutschland's business, results of operations and financial condition.

Sky Deutschland may not be able to fully deduct its interest expenses for tax purposes

The interest expenses of Sky Deutschland AG and its subsidiaries may not be fully tax deductible, irrespective of the foregoing tax ruling. The Company Tax Reform Act of 2008 introduced interest barrier rules (*Zinsschranke*), generally with effect as from January 1, 2008. Under these rules, the deduction of a business' net interest expense is generally limited to 30% of its tax-adjusted EBITDA. Any non-deductible amount exceeding the above-stated 30% allowance may only be

carried forward and, subject to certain restrictions, may be deductible in future years. The interest expenses of Sky Deutschland AG and its subsidiaries for the fiscal years 2008 and 2009 exceeded 30% of its tax-adjusted EBITDA. Any limitation on the deductibility of interest payments or the loss of interest carry-forwards due to a change in its ownership structure might result in a higher tax burden for future assessment periods, which could materially adversely affect Sky Deutschland's business, results of operations and financial condition.

Sky Deutschland may generate a taxable extraordinary gain in connection with the possible conversion of the Shareholder Loan and/or the Convertible Bond, which could result in a higher tax burden

There is a risk that if News Adelaide were to convert the unsecured and subordinated Shareholder Loan and/or the Convertible Bond into ordinary shares in Sky Deutschland AG, Sky Deutschland AG could be subject to German corporate income tax and trade tax on a taxable extraordinary gain. The taxable extraordinary gain of Sky Deutschland AG could be the difference between the respective nominal value and the respective fair value of the Shareholder Loan and/or of the Convertible Bond receivable at the time of its possible conversion. This might result in a higher tax burden which could materially adversely affect Sky Deutschland's business, results of operations and financial condition.

Sky Deutschland could be required to repay substantial amounts of reimbursed input VAT (Vorsteuer)

The tax authorities have issued various decrees stating that in the case of promoters of sporting events who produce recordings of these events in-house and commercially exploit the copyright related to these productions, pursuant to Section 12 paragraph 2 number 7 letter c of the German Value Added Tax Act (*Umsatzsteuergesetz*) the reduced VAT rate of currently 7% applies. In the past, Sky Deutschland was billed VAT for these productions partly at the normal rate of currently 19% and claimed reimbursement of input VAT vis-à-vis the tax authorities based on the same rate. In light of the legal position taken by the tax authorities described above, Sky Deutschland could be forced to amend these claims and to repay the corresponding amounts to the tax authorities, potentially including interest. In this case, Sky Deutschland generally would be entitled to demand an amended invoice from the respective promoters and, subject to further analysis, repayment of the excess VAT charged. Sky Deutschland is currently in the process of identifying the business relationships for which this issue might be relevant. A quantification of the potential risk will only be possible after a review of those relationships is completed. Should Sky Deutschland be required to repay substantial amounts of reimbursed input VAT and should it not be able to take full recourse for the amounts, its business, results of operations and financial condition could be materially adversely affected.

Risks Related to the Offering and Sky Deutschland AG's Shareholder Structure

Sky Deutschland AG's principal shareholder may exercise significant influence over Sky Deutschland, and its interests may not always be aligned with the interests of other shareholders

Sky Deutschland AG prepared a dependency report in its capacity as a dependent company of News Adelaide for the periods from December 29 to December 31, 2008 and the year 2009 since News Adelaide has had factual control over the Company from December 29 to February 26, 2009 and as of July 9, 2009 to December 31, 2009 on the basis of shareholders' presence in the Company's shareholders' meetings. Considering other factors it might even be the case that the Company is a dependent company from News Adelaide for the whole year 2009. It is possible that, following the offering, News Adelaide, will hold up to 49.90% of Sky Deutschland AG's shares. In addition, News Group may decide to acquire additional shares in this offering or on the market or from third parties or convert the Convertible Bond or, if legally permissible, the Shareholder Loan to equity. As a result, News Group will likely continue to have or increase such influence as to be able to affect Sky Deutschland's business plan and strategy, and there can be no assurance that its interests will in all cases be aligned with the interests of Sky Deutschland AG's other shareholders. The interests of different shareholders could deviate from each other as well as from those of Sky Deutschland AG.

The Company's articles of association provide that resolutions may be adopted by a simple majority of the votes cast, unless higher thresholds are required by law. Due to the historically low attendance

at shareholders' meetings, it is very likely that News Group will possess a simple majority of the votes cast in most cases, which it could use to adopt resolutions relating to, *e.g.*, the election and removal of Supervisory Board members or the use of the balance sheet profit. In the event News Group manages to direct the voting of 75% of the share capital at a shareholders' meeting, it could adopt significant resolutions on matters such as the conclusion of a domination and profit/loss transfer agreement, the creation of authorized and contingent capital, capital increases with the exclusion of subscription rights, changes in Sky Deutschland AG's corporate objects as well as mergers, demergers and similar matters. In addition, News Group would be in a position to reject any resolution proposed by the Management Board or by other shareholders. If News Adelaide were to acquire at least 95% of the issued shares of Sky Deutschland AG, it could force minority shareholders to sell their shares to News Corporation via a squeeze-out.

Investors should also consider that, given News Adelaide's significant shareholding in Sky Deutschland AG, third parties could potentially be hindered from making a tender offer for the Company, in which case the Company's shareholders would be unable to earn a premium for the shares held by them.

News Adelaide's shareholding in Sky Deutschland AG may cause content providers not to enter into or extend, or to terminate, agreements with Sky Deutschland, or to demand the issuance of shares or, potentially, claim damages

News Corporation is active in many markets and competes with many companies globally, some of which may be affiliated with Sky Deutschland's current or future content providers. Given the significant stake held, in Sky Deutschland AG by News Adelaide and the fact that News Adelaide will potentially acquire additional shares in this offering, some of these content providers may choose not to do business with Sky Deutschland or may impose terms and conditions that are less favorable to Sky Deutschland than they would be if News Corporation did not hold a substantial stake in Sky Deutschland or Sky Deutschland AG. In addition, several output agreements and several third-party channel agreements contain change of control clauses that entitle the respective content provider to terminate the agreement in the event that News Corporation becomes an indirect majority shareholder of Sky Deutschland or Sky Deutschland AG. If any of these risks were to materialize, Sky Deutschland or Sky Deutschland AG may not gain or may lose access to beneficial content or may be able to gain access only on non-commercially viable terms and conditions, which could materially adversely affect its business, operational results and financial condition.

Furthermore, agreements between Sky Deutschland Fernsehen, a wholly-owned subsidiary of Sky Deutschland AG, and one of the major Hollywood studios provide that, if Sky Deutschland Fernsehen offers to issue equity interests to one of the studio's competitors (including its affiliates, such as News Adelaide), it must use best efforts to cause such studio to receive a corresponding offer on identical or better terms. Because this provision by its terms applies only to Sky Deutschland Fernsehen, Sky Deutschland believes the provision was not triggered by any of the past offerings and is not triggered by the proposed issuance of shares of Sky Deutschland AG to News Corporation as part of this offering. The Company draws further comfort from the fact that the studio has not approached Sky Deutschland in the past to claim that this clause had been triggered. However, if the provision were deemed to be implicated by this offering, Sky Deutschland AG would be contractually required to use best efforts to issue shares to the studio on terms comparable to those of this offering, which would result in a substantial dilution of other shareholders and potentially trigger a change of control under the new credit facilities, which in turn would entitle the lenders to terminate the facilities. Sky Deutschland could also become liable to pay damages, which may be substantial.

The market price for Sky Deutschland AG's shares is volatile and the Subscription Price could exceed the market price

In the past, the price of Sky Deutschland AG's shares has been subject to significant fluctuations due to many factors. These factors include Sky Deutschland's loss of the live pay-TV broadcasting rights to the first and second divisions of the German football league (*Fußball-Bundesliga*) in 2005, the acquisition of these rights in 2008 and the ad-hoc release of October 2, 2008, in which Sky Deutschland AG announced, among other things, that it was implementing a new subscriber classification method in the future. Following the ad-hoc release in October 2008, the price of the shares in the Company decreased significantly. Expectations of shareholders and analysts regarding

the prospects of Sky Deutschland's business, differences between these expectations and Sky Deutschland's actual business, financial position and results of operations, changes in general economic conditions and market developments could each lead to volatility in the price of the Company's shares. The continued uncertainty about the future development of Sky Deutschland's business and the success of its revised and adjusted business plan and strategy as well as possible corporate transactions in which Sky Deutschland is involved and market expectations relating to them, may continue to cause high volatility in the share price of Sky Deutschland AG. Furthermore, if the shareholding of News Corporation in Sky Deutschland AG were to increase as a result of this capital increase, causing a reduction in Sky Deutschland AG's free float, this volatility could be amplified. Investors should note that the Subscription Price might exceed the current market price. If investors decide to exercise their subscription rights, they bear the risk that they would pay a higher price for a share than they would pay if they purchase these on the stock exchange.

There can be no assurance that a market for the subscription rights (Bezugsrechte) will develop or that the subscription rights will not be subject to greater price fluctuations than the shares of Sky Deutschland AG

The Company intends for the subscription rights to be traded on the regulated market of the Frankfurt Stock Exchange (floor trading) in the period from September 14, 2010, to September 23, 2010 (both inclusive). No application will be made for the subscription rights to be traded on any other stock exchange. It is not certain that an active market will develop on the Frankfurt Stock Exchange during this time period and that during the period of the trading of the subscription rights the market will be sufficiently liquid. In accordance with German market practice, the price for the subscription rights will be fixed only once per day. The market price for the subscription rights depends on, among other things, the development of the share price of Sky Deutschland AG but may fluctuate more strongly than the share price.

The stakes of existing shareholders may be diluted if Sky Deutschland AG issues additional shares or undertakes similar measures in the future or if News Adelaide converts the Convertible Bond and/or the Shareholder Loan to equity

Under German corporate law, shareholders of Sky Deutschland AG have subscription rights in proportion to their shareholdings in respect to any New Shares, convertible bonds or bonds with warrants to purchase shares issued by Sky Deutschland AG. However, these subscription rights may be excluded, subject to certain conditions. In the case of exclusion, the issuance by Sky Deutschland AG of additional shares, the exercise by holders of convertible bonds, such as the Convertible Bond, or bonds with warrants to purchase shares as well as the purchase by the Company of other enterprises or participations in enterprises in exchange for shares, may lead to a dilution of shareholders' stakes in Sky Deutschland AG. Further, News Adelaide could decide, to the extent legally permissible and following a shareholders meeting's resolution to convert the Shareholder Loan to equity, which could result in a substantial dilution of the other shareholders.

Future sales of shares by Sky Deutschland AG, News Adelaide or other major shareholders could cause a decline in Sky Deutschland AG's share price or lead to a change of control

Sky Deutschland AG has agreed with the Underwriters that, to the extent legally permissible, it will not, without the prior approval of the Underwriters, which may not be unreasonably withheld or delayed, issue, sell, offer, or otherwise transfer, dispose of or grant a security interest in any of the Company's shares for a period of six months following the closing of the offering. The Company has also agreed not to announce any capital increase from authorized capital or to commence any capital increase measures (with the exception of measures to issue shares (1) to service stock option plans, or (2) in connection with a capital increase against contributions in kind), nor to enter into other transactions (including with respect to derivative instruments) of which the economic effect would be similar to that of the measures described above. The aforementioned restrictions do not apply to the issuance of convertible bonds, including the Convertible Bond granting rights to receive up to 53,916,185 ordinary registered shares, with no par value, each share with a notional amount of €1.00 out of the Company's existing contingent capital. Further, the Shareholder Loan may be converted into equity following a resolution by the General Shareholders' Meeting. However, any sales, assignments or dispositions by Sky Deutschland AG of shares prior to the expiration of this lock-up with the consent of the joint global coordinators or thereafter without such consent, could

cause a significant decline in the price of Sky Deutschland AG's shares. In the event of a decline in the share price, it could become difficult for the Company to raise capital through the sale of New Shares.

Following the capital increase, News Adelaide may hold up to 49.90% of the shares of Sky Deutschland AG and could decide to purchase additional New Shares or convert the Convertible Bond or, if legally permissible, the Shareholder Loan to equity. News Adelaide has not entered into a lock-up and may not wish to hold a controlling stake in Sky Deutschland AG in the future. News Adelaide or any such third party, who may not have a strategic interest in Sky Deutschland, could reduce its stake in Sky Deutschland AG at any time after the capital increase by selling shares. Such sales could lead to a significant decline in the share price of Sky Deutschland AG with the consequences described above. Furthermore, if a third party bought shares in Sky Deutschland AG sold by one of its major shareholders and thereby acquired control of Sky Deutschland AG, the syndicate banks would be entitled to demand early repayment of the credit facilities. The same right arises if any person acquires more shares in Sky Deutschland AG than News Adelaide holds, unless such person acquired shares from News Corporation or one of its subsidiaries within six months prior to the date on which it first held more shares of Sky Deutschland than News Group. If the syndicate banks exercised this right, Sky Deutschland AG could be forced to declare bankruptcy.

Sky Deutschland AG is a holding company and its ability to pay dividends depends primarily on its receipt of funds from its subsidiaries, which could limit Sky Deutschland AG's ability to pay dividends to its shareholders

Sky Deutschland AG has, to date, not paid any dividends and does not intend to pay dividends for the foreseeable future. Under German law, Sky Deutschland AG is not permitted to pay dividends unless it has sufficient earnings as calculated in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*). Sky Deutschland AG is a holding company with no significant assets other than direct and indirect interests in the many subsidiaries through which it conducts its operations. Therefore, its ability to pay dividends mainly depends on the receipt of sufficient funds from its subsidiaries. The extent of any such cash flows to Sky Deutschland AG in turn depends on the business, financial condition and results of operations of its subsidiaries. In addition, payments and transfers of funds by these entities may be restricted by the terms of credit facilities entered into by them. In some countries there may be regulations restricting the payment of dividends to foreign shareholders through exchange control regulations, although to Sky Deutschland AG's knowledge, none of its operating subsidiaries is currently subject to such regulations. However, there can be no assurance that such restrictions will not be imposed in the future. These risks could cause any or all subsidiaries to be unable to pay dividends or make other distributions directly or indirectly to Sky Deutschland AG, thereby limiting Sky Deutschland AG's ability to pay dividends to its shareholders.

If this offering fails to close, the subscription rights would become worthless

If the Underwriting Agreement dated September 13, 2010 with respect to the subscription of the New Shares among Sky Deutschland AG on the one hand, and The Royal Bank of Scotland N.V. (London Branch) and UniCredit Bank AG on the other hand or the Subscription Agreement dated September 13, 2010 between News Adelaide and the Company is terminated, the offering will not close and the subscription rights will become worthless. If this happens, investors who purchased subscription rights in the market will incur a loss because trades in subscription rights will not be reversed on the basis that the offering has been canceled. Subscription rights could further become worthless if the share price of the Company's existing shares falls below the Subscription Price.

The rights of shareholders in a German company may differ from the rights of shareholders in companies organized under the laws of other jurisdictions

Sky Deutschland AG is a company organized under the laws of Germany. The rights of shareholders in a German company are based on its articles of association and applicable laws and regulations and may differ from the rights of shareholders of stock corporations organized under the laws of other jurisdictions. As such, it may be difficult or impossible to enforce rights against Sky Deutschland AG that may be common in other jurisdictions.

GENERAL INFORMATION

Responsibility Statement

Sky Deutschland AG, Unterföhring, Germany ("**Sky Deutschland AG**" or the "**Company**" and, together with its subsidiaries, the "**Group**" or "**Sky Deutschland**"), The Royal Bank of Scotland N.V. (London Branch), 135 Bishopsgate, London EC2M 3UR, United Kingdom ("**The Royal Bank of Scotland**") and UniCredit Bank AG, Arabellastraße 12, 81925 Munich, Germany ("**UniCredit**" and, together with The Royal Bank of Scotland, the "**Underwriters**"), have assumed responsibility for the contents of the prospectus (the "**Prospectus**") prepared in connection with the public offering in Germany and Austria dated September 13, 2010, pursuant to Section 5 paragraph 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz,* "**WpPG**") and have declared that, to their knowledge, the information contained in the Prospectus is accurate and that no material facts have been omitted, and that they have exercised the care necessary to ensure that, to their knowledge, the statements made in this Prospectus are correct and that no facts are omitted that would be likely to change the information provided in the Prospectus.

Section 16 of the WpPG notwithstanding, neither the Company nor the Underwriters are under any obligation to update the Prospectus.

If an investor files claims in a court on the basis of the information contained in this Prospectus, the plaintiff investor may be required by the laws of the individual member states of the European Economic Area ("**EEA**") to bear the cost of translating the prospectus before the proceedings begin.

Statutory Auditors

On July 9, 2009, the Company appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Ganghoferstraße 29, 80339 Munich ("**KPMG**"), to audit its financial statements for 2009. KPMG is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*). KPMG audited the consolidated financial statements for Sky Deutschland AG prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") for 2009, 2008 and 2007, as well as the annual financial statements of Sky Deutschland AG prepared in accordance with the German Commercial Code (*Handelsgesetzbuch,* "**HGB**") for fiscal year 2009 and issued in each case an unqualified auditor's report; however, the auditors included an additional paragraph in their 2008 report to the effect that Sky Deutschland may not have been able to continue as a going concern if the offering planned for April 2009 had failed or if Sky Deutschland had been unable to make drawings under its credit facilities. KPMG has performed a review of and issued a review report with respect to the interim consolidated financial statements of Sky Deutschland AG prepared in accordance with IFRS applicable to interim financial statements as of and for the six month period ended, June 30, 2010.

Inspection of Documents

The following documents will be available for inspection during regular business hours at the offices of the Company, Medienallee 26, 85774 Unterföhring, Germany, for the duration of the offering:

- the Articles of Association of Sky Deutschland AG,
- the annual financial statements of Sky Deutschland AG prepared in accordance with the HGB for the fiscal year ended December 31, 2009,
- the consolidated financial statements of Sky Deutschland AG prepared in accordance with IFRS for the fiscal years ended December 31, 2007, 2008 and 2009, and
- the interim consolidated financial statements of Sky Deutschland AG prepared in accordance with IFRS for the six month period ended June 30, 2010.

Subject-Matter of the Prospectus

This Prospectus relates to the public offering in Germany and Austria of 269,580,929, new registered shares with no par value, each with a notional value of €1.00 per share ("**New Shares**") and entitled to full dividend rights as of January 1, 2010, originating from the capital increase with subscription rights for the Company's shareholders against cash contributions, resolved by the

management board of the Company (the "**Management Board**") on September 12, 2010, with approval of the supervisory board of the Company (the "**Supervisory Board**") on the same day, by utilizing the authorized capital of the Company. The New Shares will be offered for purchase by shareholders at a ratio of 2:1 (*i.e.* 2 old share entitles the shareholder to acquire 1 New Share against payment of the Subscription Price) by means of indirect subscription rights. Further, this Prospectus relates to the application for admission to trading on the regulated market of the Frankfurt Stock Exchange and the simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*), of up to 269,580,929 of these New Shares.

Forward-looking Statements

This Prospectus contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events. This applies, in particular, to statements in the Prospectus containing information on future financial results, plans and expectations regarding Sky Deutschland's business and management, its future growth and profitability, general economic and regulatory conditions affecting Sky Deutschland, and other matters. Forward-looking statements can be identified by the use of words such as "should", "may", "will", "believes", "assumes", "expects", "estimates", "plans", "is of the opinion" and similar expressions.

Forward-looking statements are based on current estimates and assumptions made by the Company to the best of its present knowledge. The occurrence or non-occurrence of any number of contingencies could cause actual results, including Sky Deutschland's financial condition and results of operations, to differ materially from, or disappoint expectations expressed or implied by, such forward-looking statements. Sky Deutschland's business activities are subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. Accordingly, investors are strongly advised to read the sections entitled "*Prospectus Summary*", "*Risk Factors*", "*Operating and Financial Review*" and "*Business Description*", which include more detailed descriptions of factors that might have an impact on Sky Deutschland's business development and the markets in which it operates.

In light of the risks, uncertainties and assumptions, it is possible that the future events mentioned in this Prospectus may not occur, and, in addition, that forward-looking estimates and forecasts derived from third-party studies (see "*—Accounting Regulations and Financial Information*" and "*—Information Derived from Third Parties*") may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation:

- Changes in general economic conditions, in particular economic conditions in the core markets of Sky Deutschland,
- Changes in the markets in which Sky Deutschland operates,
- Failure to attract new subscribers and to retain existing subscribers,
- Failure to acquire exclusive content for Sky Deutschland's programming, *e.g.*, sport events or Hollywood movies,
- Changes in the way in which movies or series are distributed or in the presentation of sports events,
- Technological changes affecting interest in Sky Deutschland's program offering,
- Changes affecting currency exchange rates,
- Changes in laws and regulations,
- Occurrence of piracy or other technical problems relevant to securing Sky Deutschland's programming against illegal users.

As a result, neither the Company nor its Management Board, nor the Underwriters can give any assurance regarding the future accuracy of the opinions set forth in this Prospectus or as to the actual occurrence of any predicted developments. Neither the Company nor the Underwriters assume any obligation to update such forward-looking statements or to adjust them to reflect future events

or developments, save as required by law (in particular, their obligation to publish supplements pursuant to Section 16 paragraph 1 of the WpPG).

Accounting Regulations and Financial Information

Unless otherwise indicated, all financial information contained in this Prospectus has been derived from the Company's consolidated financial statements prepared in accordance with IFRS, from the Company's interim consolidated financial statements prepared in accordance with IFRS or from its accounting records. To the extent this Prospectus contains financial information derived from the Company's unconsolidated financial statements prepared in accordance with the HGB, this has been referenced accordingly.

Financial data in thousands, millions or billions, and percentage figures in this Prospectus have been rounded in accordance with commercial accounting principles. Commercially rounded total and sub-total figures in tables may differ marginally from unrounded figures indicated elsewhere in this Prospectus. Moreover, commercially rounded individual figures and percentages may not produce the exact arithmetic totals and sub-totals indicated in the tables or elsewhere in this Prospectus.

All currency figures shown in this Prospectus are in euros, unless otherwise explicitly indicated by a different currency designation or symbol preceding the relevant figure.

Parentheses around any figures in the tables indicate negative values.

Information Derived from Third Parties

This Prospectus contains a number of references to data and studies prepared by third parties on such topics as the development of the television and other markets in which the Company operates, and related matters. The information derived from third-party studies has been correctly reproduced in this Prospectus. To the Company's knowledge and to the extent it can verify third-party studies, no material facts have been omitted that would otherwise prove this information to be incorrect or misleading. Investors are nevertheless advised to consider the information derived from third parties with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Investors should note that estimates of the Company are based on such third-party market studies. Sky Deutschland and the Underwriters have not independently verified the figures, market data or other information on which third parties have based their studies, and therefore accept no liability that the information derived from third parties contained in this Prospectus is correct. Unless a different source is explicitly indicated, all information is derived from internal Company documents.

THE OFFERING

General Information; Timetable

The offering consists of an aggregate of 269,580,929 New Shares to be offered to the Company's shareholders for subscription at a ratio of 2:1. The New Shares originate from a resolution passed by the Management Board on September 12, 2010, with the approval of the Supervisory Board on the same day, to increase the Company's share capital by up to €269,580,929 from €539,161,858 to up to €808,742,787 against contributions in cash by utilizing the Company's authorized capital 2010 through the issue of up to 269,580,929 new registered shares, each with a notional value of €1.00, with subscription rights for existing shareholders. The capital increase is expected to be entered into the commercial register of the Local Court (*Amtsgericht*) of Munich on either September 28 or September 29, 2010. The New Shares carry dividend rights as of January 1, 2010.

The Company's major shareholder, News Adelaide Holdings B.V. ("**News Adelaide**"), an indirect wholly owned subsidiary of News Corporation, has undertaken to support the Company in raising equity or equity-linked capital or to provide a shareholder loan in an aggregate gross amount of €340 million (the "**Total Funding Amount**") by entering into a financial support agreement with the Company on August 2, 2010 (the "**FSA**"). News Adelaide's commitment is guaranteed by News Corporation. In fulfillment of their obligation under the FSA, News Adelaide and News Corporation concluded a backstop agreement with the Underwriters, which was signed by all parties on September 13, 2010 (the "**Backstop Agreement**"). Under the Backstop Agreement, News Adelaide is obliged to exercise subscription rights and/or to acquire all New Shares that have not been purchased at the subscription price (the "**Subscription Price**"), subject to certain conditions (see "*—Rights Offering—New Shares not subscribed for in the rights offering*"), provided however, that News Adelaide in no event will be required to acquire New Shares to the extent that this would cause its shareholding in Sky Deutschland to exceed 49.90% following the registration of the capital increase described in this offering. Because the gross proceeds of this offering, assuming placement of all offered shares in full, of €283.1 million fall below the Total Funding Amount, News Adelaide and News Corporation have undertaken under the FSA, subject to certain conditions, to conclude (i) a bond subscription agreement with the Company on or before January 28, 2011 in pre-agreed form (the "**Bond Subscription Agreement**"), pursuant to which News Adelaide would agree to purchase unsecured and subordinated convertible bonds granting rights to receive up to 53,916,185 ordinary registered shares with no par value, each share with a notional value of €1.00, out of the Company's existing contingent capital against payment of an issue price determined prior to the issuance of the convertible bond in accordance with certain terms agreed in the FSA (the "**Convertible Bond**" and the proceeds generated through the issuance of the Convertible Bond being referred to as the "**Convertible Proceeds**") and/or (ii) a shareholder loan agreement with the Company in pre-agreed form (the "**Shareholder Loan Agreement**") on or before January 31, 2011, pursuant to which News Adelaide would agree to make available to the Company by no later than January 31, 2011 an unsecured and subordinated loan (the "**Shareholder Loan**") in the amount of the difference amount between the Total Funding Amount and the proceeds of this offering and, if any, the Convertible Proceeds (such amount being referred to as the "**Shareholder Loan Amount**"). See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information on News Adelaide's commitment to exercise subscription rights and/or to acquire New Shares that have not been purchased and for further information on News Adelaide's commitment to subscribe for the Convertible Bond and/or to grant the Shareholder Loan.

This offering consists of a public offering in Germany and Austria and private placements in certain jurisdictions outside of Germany and Austria. In the United States, the New Shares will only be offered to so-called "qualified institutional buyers" in accordance with Rule 144A of the Securities Act of 1933, as amended (the "**Securities Act**"). Prospective investors are hereby notified that sellers of the Company's shares, including the Underwriters, may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The offering of the New Shares is based on the underwriting agreement entered into on September 13, 2010 between the Company and the Underwriters (the "**Underwriting Agreement**") and a subscription agreement between the Company and News Adelaide (the "**Subscription Agreement**"). The offering is subject to certain conditions, including the condition that the capital increase is entered into the commercial register of the Local Court (*Amtsgericht*) of Munich, which is expected to take place on either September 28 or September 29, 2010. In addition, the offering

may be withdrawn under certain circumstances, including if the conditions of the Subscription Agreement, implementing the Backstop Agreement are not met and are not waived by News Adelaide. For more information, see "*—Rights Offering—Important notices*".

The anticipated timetable for the offering is as follows:

September 13, 2010	Approval of the Prospectus by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"); publication of the Prospectus on Sky Deutschland's website
September 13, 2010	Notification of the Prospectus to the Austrian Financial Markets Authority (*Finanzmarktaufsicht*, "**FMA**")
September 13, 2010	Publication of the rights offering in the electronic Federal Gazette (*elektronischer Bundesanzeiger*)
September 14, 2010	Publication of the rights offering in the *Frankfurter Allgemeine Zeitung*
September 14, 2010	Book-entry delivery of the subscription rights of Sky Deutschland AG shareholders as of September 13, 2010 (close of business);
	Commencement of the subscription period and trading in the subscription rights
September 14, 2010	Notification of details of the public offering to the Austrian notification office (*Meldestelle*) of Österreichische Kontrollbank
September 23, 2010	End of trading in subscription rights
September 27, 2010	End of the subscription period; last date for payment of the Subscription Price
September 28, 2010	Offer of New Shares not subscribed for in the rights offering to institutional investors
	Announcement of the result of the offering by means of an ad-hoc notice
September 28, 2010/ September 29, 2010	Registration of the capital increase in the commercial register of the Local Court (*Amtsgericht*) of Munich
September 29, 2010	Approval of admission of the New Shares to the Frankfurt Stock Exchange
September 30, 2010	Book-entry delivery of the New Shares subscribed for in the rights offering
September 30, 2010	Inclusion of the New Shares in the existing listing quotation of the Company's shares

The Prospectus will be published on the Company's website (http://info.sky.de) after approval by the BaFin on September 13, 2010. Printed copies of the Prospectus will be available free of charge from Sky Deutschland AG, Medienallee 26, 85774 Unterföhring, Germany, The Royal Bank of Scotland N.V. (London Branch), 135 Bishopsgate, London EC2M 3UR, United Kingdom, and UniCredit Bank AG, Arabellastraße 12, 81925 Munich, Germany.

Rights Offering

Set forth below is an English translation of the rights offering expected to be published in the electronic Federal Gazette (*elektronischer Bundesanzeiger*) on September 13, 2010 and in the *Frankfurter Allgemeine Zeitung* on September 14, 2010:

"Sky Deutschland AG

Unterföhring, Germany

(ISIN DE000SKYD000/German Securities Code (WKN) SKYD00)

On September 12, 2010 the management board of Sky Deutschland AG (the "**Company**" and, together with its subsidiaries, "**Sky Deutschland**") resolved with the approval of the supervisory board of the Company on the same day, to increase the Company's share capital by up to €269,580,929 from €539,161,858 to up to €808,742,787 against contributions in cash by utilizing the Company's authorized capital 2010 through the issue of up to 269,580,929 new registered shares,

each with a notional value of €1.00, with subscription rights for existing shareholders (the "**New Shares**"). The New Shares carry dividend rights as of January 1, 2010.

A consortium consisting of The Royal Bank of Scotland N.V. (London Branch) ("**The Royal Bank of Scotland**") and UniCredit Bank AG ("**UniCredit**" and, together with The Royal Bank of Scotland, the "**Underwriters**") has entered into an underwriting agreement (the "**Underwriting Agreement**"), pursuant to which the Underwriters have agreed, subject to certain conditions, to subscribe for that number of New Shares as (i) are issuable upon the exercise of subscription rights exercised in the rights offering or (ii) can be placed with investors in the rump placement. The undertaking of the Underwriters does not include New Shares to be subscribed for by News Adelaide or any designee of News Adelaide (the New Shares subscribed for by the Underwriters being the "**Subscribed Shares**"). Pursuant to the Underwriting Agreement, the Underwriters have agreed to offer the New Shares to existing shareholders (other than News Adelaide) subject to the terms outlined in the section "*—News Adelaide commitment*" and "*—Important notices*". Further the Company and News Adelaide have entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which News Adelaide has undertaken, subject to certain conditions, to directly subscribe for those New Shares it will acquire in fulfillment of its commitment (see "*—News Adelaide commitment*").

The implementation of the capital increase is expected to be entered into the commercial register of the Local Court (*Amtsgericht*) of Munich on either September 28 or September 29, 2010.

Existing shareholders of the Company have subscription rights (ISIN DE000A1EW1S2/ WKN A1E W1S) with respect to the New Shares. Subscription rights with respect to the New Shares are being held in collective custody accounts at Clearstream Banking AG and will be automatically booked by Clearstream Banking AG to the securities accounts of the participating banks as of the evening of September 13, 2010.

Furthermore, Sky Deutschland AG grants an additional subscription right to holders of subscription rights (see "*—Additional subscription right*").

Shareholders are requested to exercise their subscription rights to purchase New Shares through their custodian bank at one of the subscription agents listed below during regular business hours from September 14, 2010 through September 27, 2010. Subscription rights lapse if they are not exercised within the stipulated period.

The subscription agents are the German branch offices of UniCredit Bank AG.

In accordance with the subscription ratio of 2:1, one New Share may be subscribed for at a subscription price of €1.05 (the "Subscription Price") for two existing shares of the Company held. Shareholders may only subscribe for one share or multiples thereof.

Subscription Price

The Subscription Price per New Share will be €1.05. The Subscription Price must be paid no later than September 27, 2010.

Trade in subscription rights

There will be stock exchange trading in the subscription rights in connection with the offering of the New Shares. The subscription rights with respect to the New Shares (ISIN DE000A1EW1S2/WKN A1E W1S) will be traded on the regulated market (floor trading) of the Frankfurt Stock Exchange from September 14, 2010 through September 23, 2010. No application will be made for the subscription rights to be traded on any other stock exchange. The subscription agents are prepared to broker the stock exchange purchase and sale of subscription rights to the extent possible. No consideration will be paid for unexercised subscription rights. Once the subscription period has ended, subscription rights that have not been exercised will lapse and be of no value. As from September 14, 2010, the existing shares of the Company will be quoted on the regulated market (Prime Standard) of the Frankfurt Stock Exchange ex-subscription rights (*ex Bezugsrecht*).

UniCredit may effect transactions to provide liquidity for fair and orderly trading in subscription rights, *e.g.*, through the purchase or sale of subscription rights to New Shares, while reserving the right to effect hedging transactions in shares of the Company or corresponding derivatives. It is not certain that an active market will develop on the Frankfurt Stock Exchange during this time period or that during the period of the trading of the subscription rights the market will be liquid. In accordance

with German market practice, the price for the subscription rights will be fixed only once per day. The market price for the subscription rights depends on, among other things, the development of the share price of the Company but may fluctuate more strongly than the share price.

News Adelaide commitment

The major shareholder, News Adelaide, an indirect wholly owned subsidiary of News Corporation, has undertaken to the Company and the Underwriters, subject to certain conditions, to exercise subscription rights and/or to acquire all New Shares that have not been purchased, at the Subscription Price, provided however, that News Adelaide in no event will be required to acquire New Shares to the extent that this would cause its shareholding in Sky Deutschland to exceed 49.90% following the registration of the capital increase described in this offering. News Adelaide's commitment is guaranteed by News Corporation. In fulfillment of their undertaking, News Adelaide and News Corporation concluded a backstop agreement with the Underwriters, which was signed by all parties on September 13, 2010 (the "**Backstop Agreement**").

The Backstop Agreement is in particular subject to the conditions precedent that (1) no public takeover offer for the Company by a company not associated with News Corporation is published, (2) the Company has not disposed of assets with a value of over €25 million, (3) no grounds for termination of the Company's credit facilities exist, (4) no other significant disadvantageous change has occurred in the financial and business development of Sky Deutschland (including a loss of the live pay-TV broadcasting rights to the first and second divisions of the German football league (*Fußball-Bundesliga*)), and (5) the Company delivers a confirmation to News Adelaide that The Royal Bank of Scotland plc, as the arranger of the Company's bank consortium financing, has confirmed that no grounds for termination of the credit facilities are known or that grounds of this kind have been waived. News Adelaide may waive the requirement to comply with individual conditions.

Important notices

The Underwriters have undertaken, subject to certain conditions, to subscribe for the Subscribed Shares by entering into the Underwriting Agreement. Pursuant to the Underwriting Agreement, the Underwriters have agreed, subject to certain conditions, to subscribe for that number of New Shares as (i) are issuable upon the exercise of subscription rights exercised in the rights offering or (ii) can be placed with investors in the rump placement. The undertaking of the Underwriters does not include New Shares to be subscribed for by News Adelaide or any designee of News Adelaide (see "*—News Adelaide commitment*" and "*—New Shares not subscribed for in the rights offering*"). There are certain circumstances in which the Underwriters may withdraw from the Underwriting Agreement. A withdrawal right exists if, in particular, one or more conditions of the Backstop Agreement are not met and adherence to the conditions of the Backstop Agreement is not waived by News Adelaide (See "*—News Adelaide commitment*") or when News Adelaide terminates the Subscription Agreement or if the capital increase is not registered with the commercial register.

Other circumstances in which the Underwriters have a right to terminate the Underwriting Agreement include, but are not limited to, (i) changes or prospective changes in the Company's share capital or in the consolidated long term debt of the Company and its subsidiaries (taken as a whole) or any material adverse change in the Company's financial, legal, operational or other condition, or in the earnings, business affairs or prospects of the Company and its subsidiaries (taken as a whole), (ii) suspensions or material limitations of trading on or by the Frankfurt Stock Exchange, the London Stock Exchange or the New York Stock Exchange, (iii) the declaration of a general moratorium on commercial banking activities in Frankfurt am Main, New York or London by authorities or the occurrence of a material disruption in securities settlement, payment or clearance services in Europe or the United States, (iv) the outbreak or escalation of hostilities or any calamity or crisis that could adversely affect the financial markets in Germany, the United Kingdom or the United States, or (v) the occurrence of any adverse change in national or international financial, political or economic conditions or tax laws or currency exchange rates or currency controls.

Shareholders' subscription rights lapse if the Underwriters withdraw from the Underwriting Agreement prior to the registration of the implementation of the capital increase in the commercial register. Since the registration in the commercial register is expected to occur no earlier than one stock exchange business day after the end of the subscription period, *i.e.,* September 28, 2010, the Underwriters may withdraw from the Underwriting Agreement up to

that date, which would extinguish the subscription rights. If, at the time of withdrawal, any sales of New Shares have been made, the seller of the relevant shares bears the risk of not being able to meet its delivery obligation by delivering New Shares. In this case, the agents arranging the trading of the subscription rights will not reverse any subscription rights trades that have occurred. Investors who have purchased subscription rights on a stock exchange would lose their investment. If The Royal Bank of Scotland and UniCredit withdraw from the Underwriting Agreement after registration of the implementation of the capital increase in the commercial register, shareholders who have exercised their subscription rights may purchase New Shares at the Subscription Price.

In view of the current high volatility of share prices and market environment, shareholders should inform themselves of the current stock exchange price of the Company's shares prior to exercising their subscription rights at the Subscription Price of €1.05.

Additional subscription right

Sky Deutschland AG has decided to provide its shareholders with additional subscription rights. Each holder of subscription rights can issue a binding offer for the subscription of additional New Shares, along with exercising the subscription rights in the shares to be distributed to the shareholder in accordance with the subscription ratio ("**Additional Subscription**"). New Shares will only be allocated to holders of subscription rights making binding offers for Additional Subscription to the extent that not all of the subscription rights are exercised during the subscription period. Each holder of subscription rights can make binding offers for Additional Subscription of New Shares through its depositary bank from and including September 14, 2010 up to and including September 27, 2010 to UniCredit Bank AG, within normal banking hours. The holders of subscription rights who wish to make a binding offer to subscribe for additional New Shares are requested to do so using the relevant instruction form provided by the depositary banks. The Subscription Price for Additional Subscription is to be paid by September 27, 2010 at the latest. If it is not possible to transfer to the subscription rights holder all of the additional New Shares he or she would like, the available New Shares will be allocated to the subscription rights holder in proportion to the number of New Shares subscribed for by all subscription rights holders under the Additional Subscription option. Provided, however, that such number of New Shares as is necessary to increase News Adelaide's shareholding to 49.90%, will be allocated preferentially to News Adelaide.

An Additional Subscription is possible only with respect to entire shares or multiples thereof. To the extent that the exercise of Additional Subscription orders would lead to the shareholders having theoretical claims to fractions of shares, the shareholders will have no claim to the delivery of shares relating to the fractional subscription rights thereby created.

Book-entry form, delivery of the New Shares

The New Shares (ISIN DE000SKYD000/WKN SKYD00) will be represented by one or more global certificates deposited with Clearstream Banking AG, Neue Börsenstraße 1, 60487 Frankfurt am Main, Germany. Shareholders are not entitled to receive individual share certificates. New Shares purchased in connection with the offering will be delivered in book-entry form after the registration of the capital increase, and will be made available through a securities account, which is expected to occur on September 30, 2010, unless, for example, the subscription period is extended. The registration of the capital increase will be effected only after the placement of New Shares not subscribed for in this rights offering to News Adelaide (or a designee of News Adelaide) as part of the Backstop Agreement or to other investors (see "*—New Shares not subscribed for in the rights offering*"), so that delivery and payment in connection with the transaction are expected to occur no earlier than three stock exchange business days after completion of the subscription offer.

Commissions

The custodian banks will charge customary bank commissions on the purchase of New Shares.

Stock exchange trading in the New Shares

The application for admission to trading of the New Shares on the regulated market of the Frankfurt Stock Exchange and the simultaneous admission to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) is expected

to be submitted on September 14, 2010, and is expected to be approved on September 29, 2010. The New Shares are expected to be included in the existing quotation of the Company's shares (ISIN DE000SKYD000/WKN SKYD00) for the first time on September 30, 2010.

New Shares not subscribed for in the rights offering

The Underwriters will offer any New Shares not subscribed for in the rights offering, and not otherwise purchased by News Adelaide under the Backstop Agreement, at the Subscription Price (see "*—News Adelaide commitment*"), to qualified investors (to qualified institutional buyers in the United States in accordance with Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act) in a private placement in Germany and other jurisdictions.

Announcement

The securities prospectus relating to the New Shares (the "**Prospectus**") was published on the Company's website (http://info.sky.de) on September 13, 2010. The approved Prospectus was notified by the BaFin to the Austrian Financial Market Authority (FMA). Within Germany and Austria, hard copies of the Prospectus are available free of charge from the Company and the Underwriters.

Selling restrictions

The New Shares, the subscription rights and the additional subscription rights are not and will not be registered pursuant to the provisions of the Securities Act of 1933, as amended (the "**Securities Act**"), nor with the securities supervisory authorities of individual states of the United States. The New Shares, the subscription rights and the additional subscription rights may not be offered or sold in, nor directly or indirectly delivered to, the United States except in reliance on an exemption from the registration requirements of the Securities Act. Consequently, the subscription rights and the additional subscription rights may be exercised only by shareholders outside the United States in accordance with Regulation S under the Securities Act or by certain shareholders who are qualified institutional buyers as defined in Rule 144A under the Securities Act. The New Shares are being offered and sold in the United States only to qualified institutional buyers and outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. Prospective investors are hereby notified that any seller of the New Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The New Shares are not transferable to U.S. persons or into or within the United States except in accordance with certain restrictions.

Stabilization

In connection with the offering of the New Shares, UniCredit, acting as stabilization manager (the "**Stabilization Manager**"), may, including through companies affiliated with it, at its discretion, effect transactions with a view to relieving selling pressure by supporting the market price of the Company's ordinary shares at a level higher than that which might otherwise prevail in the open market ("**Stabilization Measures**").

The Stabilization Manager is under no obligation to undertake Stabilization Measures. No guarantee is therefore given that Stabilization Measures will actually be taken. If Stabilization Measures are taken, they may be discontinued at any time without prior notice.

Stabilization Measures may be commenced at any time following the publication of the Subscription Price and must be terminated no later than the 30th calendar day following the expiration of the subscription period, which is expected to be October 27, 2010 (the "**Stabilization Period**").

Stabilization Measures may lead to a higher trading or market price of the Company's shares than would otherwise prevail. The trading or market price may temporarily attain a level that is not sustainable in the long-term.

Within a week following the expiration of the Stabilization Period, a press release containing the following information will be published: (1) whether Stabilization Measures were actually implemented, (2) the date on which a Stabilization Measure was commenced, (3) the date the last Stabilization Measure was taken, and (4) the price range within which Stabilization Measures were

implemented. This information will be provided in respect of each date on which a Stabilization Measure was taken.

Unterföhring, September 2010

Sky Deutschland AG

The Management Board"

Lock-up Agreement

Sky Deutschland AG has agreed with the Underwriters that, to the extent legally permissible, it will not, without prior approval of the Underwriters, which may not be unreasonably withheld or delayed, for a period of six months following the closing of the offering, directly or indirectly issue, sell, offer, contract to sell, or otherwise transfer or dispose of, pledge or create or grant another security interest in any of the Company's shares. The Company has also agreed not to announce any capital increase from authorized capital or to commence any capital increase measures (with the exception of measures to issue shares (1) to service stock option plans, or (2) in connection with a capital increase against contributions in kind), nor to enter into other transactions (including with respect to derivative instruments) the economic effect of which would be similar to that of the measures described above. The aforementioned restriction does not apply to the issuance of convertible bonds, including the Convertible Bond granting rights to receive up to 53,916,185 ordinary registered shares with no par value, each share with a notional value of €1.00, out of the Company's existing contingent capital (see "*—General Information; Timetable*").

Dilution

Shareholders who exercise their subscription rights with respect to the New Shares will maintain their percentage ownership of the Company's share capital following the offering. Any shareholder who does not exercise his subscription rights will have his shareholding, assuming placement of all offered shares in full, diluted by 33.33%.

The book value of the equity on the balance sheet of the Company according to IFRS as of June 30, 2010, amounted to €0.74 per share (based on 539,161,858 outstanding shares of the Company). Assuming complete placement of the 269,580,929 New Shares from the capital increase resolved by the Company's Management Board on September 12, 2010, with approval of the Supervisory Board on the same day, at a Subscription Price of €1.05 and after deduction of the estimated offering expenses, the adjusted equity of the Company as of June 30, 2010 in accordance with IFRS would amount to €0.83 per share (calculated based on the Company's consolidated interim financial statements as of, and for the six month period ended, June 30, 2010, as adjusted by the effects of the offering assuming that 808,742,787 shares of the Company will be outstanding after completion of the offering). This corresponds to an increase of the Company's equity by €0.09 or 12.1% per share for existing shareholders as a result of this offering and entails an immediate decrease in book value per share for the purchasers of the New Shares of €0.22 or 20.7% per share, since the adjusted equity of the Company is below the Subscription Price per share by this amount or percentage.

Selling Restrictions

The New Shares and the subscription rights are not and will not be registered pursuant to the provisions of the Securities Act nor with the securities supervisory authorities in individual states of the United States, and may not be offered or sold, or delivered directly or indirectly in or into the United States, except pursuant to an exemption from the registration requirements of the Securities Act and in compliance with all other applicable U.S. legal regulations. In the Underwriting Agreement, the Underwriters have agreed (1) to refrain from offering or selling the Company's New Shares and subscription rights in or into the United States except to persons they reasonably believe to be "qualified institutional buyers" in accordance with Rule 144A under the Securities Act, or in accordance with Rule 903 of Regulation S under the Securities Act, and (2) that neither they, nor any third party acting on their behalf, have undertaken or will undertake (x) "directed selling efforts" within the meaning of Regulation S under the Securities Act with regard to the New Shares and subscription rights in the United States, or (y) general advertising or general solicitation, each

within the meaning of Rule 502(c) of Regulation D under the Securities Act, with regard to the New Shares and subscription rights in the United States.

Sky Deutschland AG does not intend to register the offering or any portion thereof in the United States or to conduct a public offering of the New Shares or subscription rights in the United States.

Sales in the United Kingdom are also subject to restrictions.

Each Underwriter severally warrants and represents to, and agrees with, the Company that it, and any of its subsidiaries, or any other person acting on its behalf,

(i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the offering in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(ii) has complied and will comply with all applicable provisions of the FSMA with respect to all activities already undertaken by it or to be undertaken in the future in relation to the New Shares in, from or otherwise involving the United Kingdom.

The Underwriters have also agreed in the Underwriting Agreement that they have not made and will not make an offer of the New Shares to the public in any member state of the European Economic Area (EEA) that has implemented the Prospectus Directive (Directive 2003/71/EC) from the date of implementation of the Prospectus Directive unless (1) an offering memorandum for the New Shares has been published in advance that has been approved by the responsible authorities in the relevant member state or in another member state of the EEA that has implemented the Prospectus Directive, and the responsible authorities in the member state, in which the offering is taking place, have been notified of this fact in compliance with the Prospectus Directive; (2) the offering is directed at legal entities that are licensed to perform financial market activities and are subject to regulation or, if not so licensed or regulated, whose sole business purpose is to invest in securities; (3) the New Shares are offered to companies that meet at least two of the following three requirements according to their most recent annual financial statements or consolidated financial statements: (x) an average of at least 250 employees during the last financial year; (y) a total balance sheet of more than €43,000,000 and (z) a net annual revenue of more than €50,000,000; or (4) the offering is being conducted under circumstances not requiring the publication of a Prospectus by the Company pursuant to Article 3 of the Prospectus Directive.

Underwriters; Underwriting Agreement

The Underwriters of the offering are The Royal Bank of Scotland and UniCredit. The Company entered into the Underwriting Agreement with the Underwriters on September 13, 2010. Pursuant to the Underwriting Agreement, each Underwriter agreed to purchase the number of New Shares set forth below. The Company has agreed to issue and sell to the Underwriters the respective number of shares.

Pursuant to the Underwriting Agreement, the Underwriters agreed to subscribe for those New Shares that have been subscribed or purchased by shareholders or other investors in this offering and to pay the agreed issue price to the Company.

Underwriter	Address	Number of shares[1]
The Royal Bank of Scotland	The Royal Bank of Scotland N.V. (London Branch) 135 Bishopsgate London EC2M 3UR United Kingdom	Up to 73,568,368
UniCredit	UniCredit Bank AG Arabellastraße 12 81925 Munich Germany	Up to 73,568,368

(1) Assuming placement of all New Shares, News Adelaide or a designee of News Adelaide will directly subscribe for a minimum of 122,444,193 New Shares, representing its pro rata share of the Company's share capital.

Pursuant to the Underwriting Agreement, Sky Deutschland AG is obligated to indemnify the Underwriters from certain liabilities, including liabilities under applicable securities laws.

The Underwriting Agreement also provides that the Underwriters' obligations are subject to certain conditions, including that the requirements of the Backstop Agreement are met (see "*—Rights Offering—Important notices*" for further information on the conditions) and that the receipt of customary confirmations and legal opinions is satisfactory to the Underwriters.

Interested Persons Participating in the Offering

The Royal Bank of Scotland and UniCredit, together with other banks, as lenders and the Company as original borrower and guarantor concluded a facility agreement on April 24, 2007 (last amended on August 2, 2010), under which the lenders make available to the Company credit facilities in an aggregate amount of €525 million. The credit facilities are drawn in an amount of €314.4 million (as of August 31, 2010). See "*Operating and Financial Review—Liquidity and Capital Resources—Credit facilities*". This offering, among other things, strengthens the ability of the Company to fulfill its obligations under this facility agreement.

A contractual relationship exists between The Royal Bank of Scotland and UniCredit on the one hand and Sky Deutschland AG on the other hand in connection with the offering and admission of the New Shares to the Frankfurt Stock Exchange. The Royal Bank of Scotland and UniCredit are mandated by the Company as Underwriters. They advise the Company on the rights offering and on the admission of the New Shares to the Frankfurt Stock Exchange and coordinate the structuring and conduct the offering.

On September 13, 2010, News Adelaide entered into a Backstop Agreement with the Underwriters, according to which News Adelaide agreed to assume all New Shares that are not subscribed for in the offering, provided however, that News Adelaide in no event will be required to acquire New Shares to the extent that this would cause its shareholding in Sky Deutschland to exceed 49.90% following the registration of the capital increase described in this offering.

In connection with this rights offering, the Underwriters and News Adelaide will receive fees determined as follows:

- The Underwriters will receive a fixed fee in the amount of €2.00 million plus the Underwriters' share (determined as described below) of an upside fee (calculated as the aggregate of €0.05 per placed New Share less €2,486,500) as well as certain cost reimbursements.
- News Adelaide will receive News Adelaide's share (determined as described below) of the upside fee.

The Underwriters' share of the upside fee is 25% of the total upside fee, capped at €2,245,899, with the result that the Underwriters will receive, depending on the number of shares placed in the rights offering, an aggregate fee between €2,000,000 and €4,245,899. News Adelaide's share of the upside fee is 75% of the total upside fee, capped at the lesser of (i) 2.3% of the aggregate Subscription Price for the New Shares that are subject to News Adelaide's backstop commitment and (ii) €3.55 million. Under no circumstances will the aggregate fee payable to the Underwriters and News Adelaide in connection with this rights offering and the cost reimbursements exceed an amount equal to €0.05 per placed share.

In addition to the fees payable under this arrangement News Adelaide will receive an additional fee in relation to the proposed subscription by it of convertible bonds and the commitment to grant a shareholder loan (see "*Related Party Transactions — Relationship with News Corporation — Financial Support Agreement*").

In addition, The Royal Bank of Scotland plc, the parent company of The Royal Bank of Scotland, performs interest rate and hedging transactions for companies within the Group.

Furthermore, UniCredit, sometimes via subsidiary companies, provides the companies of the Group with various commercial banking accounts and services, including the processing of domestic electronic debiting of subscriber fees, and also engages in the hedging of interest and currency risks for them. In addition, a subsidiary of UniCredit provides Sky Hotel Entertainment GmbH with lease and credit financing. Another subsidiary of the UniCredit Group held a 10% stake in Premiere Star GmbH ("**Premiere Star**"). At December 31, 2008, Sky Deutschland owned approximately 59.8% of the shares of Premiere Star. Sky Deutschland acquired all shares of the nine minority shareholders

of Premiere Star in exchange for deferred consideration. The majority of the consideration is payable in 2012 and 2013. Premiere Star was merged into Sky Deutschland Fernsehen GmbH & Co. KG ("**Sky Deutschland Fernsehen**") on November 23, 2009. This offering, among other things, strengthens the ability of Sky Deutschland to fulfill its deferred compensation obligations.

Additionally, the Underwriters or their affiliates may from time to time enter into business relationships with the Group or render services to it in the ordinary course of business.

Based on the fact that the capital increase is for the purpose of enhancing growth and ensuring liquidity, the other shareholders of Sky Deutschland AG, in particular the major shareholder, have an interest in the offering.

Ultimately, anyone who has a business connection with the Company has a direct or indirect interest in the offering.

GENERAL INFORMATION ABOUT THE SHARES

Legal Basis for the Creation of the New Shares

The provisions of the German Stock Corporation Act (*Aktiengesetz,* "**AktG**") on capital increases by utilizing authorized capital against cash contributions, Sections 202 *et seq.* and Sections 182 *et seq.*, form the legal basis for the issuance of the New Shares. By resolution of the general shareholders' meeting (the "**General Shareholders' Meeting**") of April 23, 2010, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's registered share capital by up to €269,580,929 before April 22, 2015 by issuing in one or more tranches new registered shares with no par value against cash contribution and/or contributions in kind (the "**Authorized Capital 2010**"). The Authorized Capital 2010 was entered into the commercial register of the Local Court (*Amtsgericht*) of Munich on June 7, 2010. By resolution of the Management Board dated September 12, 2010, with approval of the Supervisory Board on the same day, the issued share capital of the Company was increased by up to 269,580,929 new ordinary registered shares, each with no par value and a notional value of €1.00, from €539,161,858, divided into 539,161,858 shares, to a total of up to €808,742,787, divided into up to 808,742,787 shares and set the price per share at €1.05.

Admission to Exchange Trading; ISIN; WKN; Common Code; Stock Exchange Symbol

The application for admission of the New Shares to trading on the regulated market of the Frankfurt Stock Exchange and the simultaneous admission of the New Shares to the sub-segment of the regulated market of the Frankfurt Stock Exchange with additional post-admission obligations (*Prime Standard*) is expected to be made on September 14, 2010. The Frankfurt Stock Exchange is expected to approve the admission of the Shares to exchange trading on September 29, 2010. The New Shares are expected to begin trading on the Frankfurt Stock Exchange and be included in the existing quotation of Sky Deutschland AG's shares on September 30, 2010.

The various security identification numbers are as follows:

International Securities Identification Number (ISIN)	
– for the New Shares	DE000SKYD000
– for the subscription rights to the New Shares	DE000A1EW1S2
German Securities Identification Number (WKN)	
– for the New Shares	SKYD00
– for the subscription rights to the New Shares	A1E W1S
Common Code	021138134
Stock exchange symbol	SKYD

Form; Voting Rights

All of the Company's shares are registered shares with no par value, each with a notional value of €1.00. Each share entitles the owner to one vote at the Company's General Shareholders' Meeting, provided the relevant shareholder is listed in the share register. There are no other restrictions on voting rights.

Profit and Liquidation Participation Rights

The New Shares carry full dividend entitlements from January 1, 2010. The Company is not entitled to any rights with respect to treasury shares held by it, such as the right to dividends. These rights with respect to treasury shares are reactivated, however, when the Company sells treasury shares. The New Shares are entitled to participate in any liquidation proceeds in proportion to their arithmetic share in the share capital.

Transferability

The Company's shares are freely transferable. There are no legal restrictions on the transferability of the shares except as described under "*The Offering—Rights Offering—Selling restrictions*".

Settlement and Delivery

After the end of the subscription period and the latest date for payment of the Subscription Price, which is expected to be September 27, 2010, the purchased New Shares are expected to be delivered in book-entry form on September 30, 2010 and are expected to be included in the existing quotation of Sky Deutschland AG's shares as of September 30, 2010. The New Shares will be represented by one or more global certificates deposited with Clearstream Banking AG, Neue Börsenstraße 1, 60487 Frankfurt am Main, Germany. Shareholders are not entitled to receive individual share certificates. Purchasers of the New Shares may choose to have shares they acquired in the offering credited to an account for their benefit at Clearstream Banking AG as a bank for the central depository of securities (*Wertpapiersammelbank*) or at a participant in Euroclear Bank S.A./N.V. or Clearstream Banking AG.

Announcements

Pursuant to its Articles of Association, Company announcements are published in the electronic Federal Gazette (*elektronischer Bundesanzeiger*). To the extent that the law requires declarations and information to be made available to shareholders without stipulating a specific form, the provision of such information on the Company's website is deemed to be sufficient.

Announcements regarding the shares are published in the electronic Federal Gazette (*elektronischer Bundesanzeiger*). The Company's Articles of Association permit the electronic transmission of information to shareholders. Notifications pursuant to stock exchange rules are published where required (*e.g.*, in the case of interim reports) by the Stock Exchange Admission Regulation (*Börsenzulassungs-Verordnung*) in the electronic Federal Gazette (*elektronischer Bundesanzeiger*).

Announcements relating to the approval of the Prospectus or supplements thereto will be published in the form specified in this Prospectus in compliance with the rules of the WpPG by means of publication on the Company's website (http://info.sky.de). Hard copies of the Prospectus may be obtained free of charge from Sky Deutschland AG, Medienallee 26, 85774 Unterföhring, Germany, The Royal Bank of Scotland N.V. (London Branch), 135 Bishopsgate, London EC2M 3UR, United Kingdom, and UniCredit Bank AG, Arabellastraße 12, 81925 Munich, Germany.

Paying and Registration Agent

UniCredit Bank AG, Arabellastraße 12, 81925 Munich, Germany, is the paying and registration agent for the Company's shares, and is also responsible for making dividend payments and other actions related to the Company's shares.

CAPITALIZATION AND INDEBTEDNESS

Capitalization and Indebtedness

The following tables set forth, in each case on the basis of the reviewed interim consolidated financial information as of, and for the six month period ended, June 30, 2010, an overview of the consolidated capitalization, as well as the net indebtedness of Sky Deutschland as of June 30, 2010, adjusted for the effects of (1) the completion of the offering assuming net proceeds of €273.0 million (based on the issuance of 269,580,929 New Shares at a Subscription Price of €1.05, assuming placement of all offered shares in full), (2) the expected proceeds of the offering of the Convertible Bond and the Shareholder Loan, and (3) as adjusted to reflect the net proceeds of the offering and of the offering of the Convertible Bond and the Shareholder Loan. These tables should be read in conjunction with the reviewed interim consolidated financial statements of the Company as of, and for the six month period ended, June 30, 2010 and the accompanying notes thereto (see "*Operating and Financial Review*").

Capitalization*	Actual as of June 30, 2010	Offering[1]	Convertible Bond and Shareholder Loan[2]	As adjusted to reflect the offering, the Convertible Bond and the Shareholder Loan as of June 30, 2010
	(€ in millions)			
	(extracted from reviewed financial statements)		(unaudited)	
Current financial liabilities	**7.1**	**—**	**—**	**7.1**
Current bank debt	0.3	—	—	0.3
thereof guaranteed by third parties	—	—	—	—
thereof secured by assets of the Company	*0.3*	—	—	*0.3*
thereof unsecured	—	—	—	—
Other current financial liabilities	6.7	—	—	6.7
thereof guaranteed by third parties	—	—	—	—
thereof secured by assets of the Company	*4.9*	—	—	*4.9*
thereof unsecured	*1.8*	—	—	*1.8*
Other current liabilities[3]	**260.8**	**—**	**—**	**260.8**
thereof guaranteed by third parties	—	—	—	—
thereof secured by assets of the Company	—	—	—	—
thereof unsecured	*260.8*	—	—	*260.8*
Non-current financial liabilities	**283.1**	**—**	**52.4**	**335.6**
Non-current bank debt	278.3	—	—	278.3
thereof guaranteed by third parties	—	—	—	—
thereof secured by assets of the Company	*278.3*	—	—	*278.3*
thereof unsecured	—	—	—	—
Other non-current financial liabilities	4.9	—	52.4	57.3
thereof guaranteed by third parties	—	—	—	—
thereof secured by assets of the Company	*4.9*	—	—	*4.9*
thereof unsecured	—	—	*52.4*	*52.4*
Other non-current liabilities[4]	**128.1**	**—**	**—**	**128.1**
thereof guaranteed by third parties	—	—	—	—
thereof secured by assets of the Company	—	—	—	—
thereof unsecured	*128.1*	—	—	*128.1*
Total equity	**400.3**	**273.0**	**—**	**673.3**
Subscribed capital	539.2	269.6	—	808.7
Additional paid-in capital	1,486.4	3.5	—	1,489.9
Other equity including retained deficit	(1,625.3)	—	—	(1,625.3)

* Columns and rows may not add due to rounding.

(1) The adjustment reflects the expected net proceeds from this offering of €273.0 million (based on the issuance of up to 269,580,929 New Shares at a Subscription Price of €1.05, assuming placement of all offered shares in full). The gross proceeds of this offering can be significantly below the expected gross proceeds, as these are based on the assumption that all New Shares will be placed. News

Adelaide is obliged to exercise subscription rights and/or to acquire all New Shares that have not been purchased, at the Subscription Price, subject to certain conditions, thus provided however, that News Adelaide in no event will be required to acquire new shares to the extent that this would cause its shareholding in Sky Deutschland to exceed 49.90% following the registration of the capital increase described in this offering. See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information on News Adelaide's commitment.

(2) The adjustment reflects the expected net proceeds of the offering of the Convertible Bond and/or the Shareholder Loan in the amount of €52.4 million (assuming costs for these financing measures of €4.5 million). As the expected gross proceeds of €283.1 million of this offering fall below the Total Funding Amount (€340 million (gross)), News Adelaide and News Corporation have undertaken under the FSA, subject to certain conditions, to conclude the Bond Subscription Agreement with the Company on or before January 28, 2011 and/or the Shareholder Loan Agreement on or before January 31, 2011. Under the Bond Subscription Agreement, News Adelaide will be obliged to purchase the Convertible Bond, granting rights to receive up to 53,916,185 ordinary registered shares with no par value, each share with a notional amount of €1.00, out of the Company's existing contingent capital. If the proceeds of the Convertible Bond do not suffice to close the gap between the proceeds of this offering and the Total Funding Amount, or if the parties agree not to offer a Convertible Bond at all, the parties will enter into the Shareholder Loan Agreement, under which News Adelaide will grant the Company a loan in an amount, which is equal to the difference between the Total Funding Amount and the sum of the gross proceeds of this offering and the gross proceeds of the offering of the Convertible Bond, if any. See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information on News Adelaide's commitment. The Shareholder Loan and the major part of the Convertible Bond will be recorded under Other non-current financial liabilities. However, the difference between the interest paid on the Convertible Bond and the interest that would be paid if the Convertible Bond were a bank loan will be deducted from the principal of the Convertible Bond recorded under Other non-current financial liabilities and will instead be recorded under Additional paid-in capital.

(3) Other current liabilities comprises current trade payables, current liabilities to entities accounted for at equity, current other financial liabilities, current other provisions and current other liabilities.

(4) Other non-current liabilities comprises non-current trade payables, non-current other financial liabilities, non-current deferred taxes, non-current provisions for pensions and similar obligations, non-current other provisions and non-current other liabilities.

Net financial indebtedness*	Actual as of June 30, 2010	Offering[1]	Convertible Bond and Shareholder Loan[2]	As adjusted to reflect the offering, the Convertible Bond and the Shareholder Loan as of June 30, 2010
	(€ in millions)			
	(extracted from reviewed financial statements)		(unaudited)	
Cash and cash equivalents	**36.3**	**273.0**	**52.4**	**361.8**
Checks, cash on hand, and bank balances	36.2	273.0	52.4	361.7
Current investments	0.1	—	—	0.1
Current financial receivables/current securities	**0.3**	**—**	**—**	**0.3**
Current financial liabilities	**7.1**	**—**	**—**	**7.1**
Current bank debt	0.3	—	—	0.3
Other current financial liabilities	6.7	—	—	6.7
Current net financial indebtedness[3]	**(29.5)**	**(273.0)**	**(52.4)**	**(355.0)**
Non-current financial liabilities	**283.1**	**—**	**52.4**	**335.6**
Non-current bank debt	278.3	—	—	278.3
Bonds	0.0	—	52.4	52.4
Other non-current financial liabilities	4.9	—	—	4.9
Total net financial indebtedness[4]	**253.6**	**(273.0)**	**0**	**(19.4)**
Off-balance sheet positions and contingent liabilities	**2,830.1**	**—**	**—**	**2,830.1**
Future rental payments	929.5	—	—	929.5
Future operating lease payments	3.1	—	—	3.1
Obligations under supply contracts for receivers	76.6	—	—	76.6
Obligations under film licenses	223.8	—	—	223.8
Obligations under sports licenses	960.8	—	—	960.8
Obligations against partner channels	311.6	—	—	311.6
Other contractual obligations	324.7	—	—	324.7

* Columns may not add due to rounding.

(1) The adjustment reflects the expected net proceeds from this offering of €273.0 million (based on the issuance of up to 269,580,929 New Shares at a Subscription Price of €1.05, assuming placement of all offered shares in full). The gross proceeds of this offering can be significantly below the expected gross proceeds, as these are based on the assumption that all New Shares will be placed. News Adelaide is obliged to exercise subscription rights and/or to acquire all New Shares that have not been purchased, at the Subscription Price, subject to certain conditions, thus provided however, that News Adelaide in no event will be required to acquire New Shares to

the extent that this would cause its shareholding in Sky Deutschland to exceed 49.90% following the registration of the capital increase described in this offering. See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information on News Adelaide's commitment.

(2) The adjustment reflects the expected net proceeds of the offering of the Convertible Bond and/or the Shareholder Loan in the amount of €52.4 million (assuming costs for these financing measures of €4.5 million). As the expected gross proceeds of €283.1 million of this offering fall below the Total Funding Amount (€340 million (gross)), News Adelaide and News Corporation have undertaken under the FSA, subject to certain conditions, to conclude the Bond Subscription Agreement with the Company on or before January 28, 2011 and/or the Shareholder Loan Agreement on or before January 31, 2011. Under the Bond Subscription Agreement, News Adelaide will be obliged to purchase the Convertible Bond, granting rights to receive up to 53,916,185 ordinary registered shares with no par value, each share with a notional amount of €1.00, out of the Company's existing contingent capital. If the proceeds of the Convertible Bond do not suffice to close the gap between the proceeds of this offering and the Total Funding Amount, or if the parties agree not to offer a Convertible Bond at all, the parties will enter into the Shareholder Loan Agreement, under which News Adelaide will grant the Company a loan in an amount, which is equal to the difference between the Total Funding Amount and the sum of the gross proceeds of this offering and the gross proceeds of the offering of the Convertible Bond, if any. See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information on News Adelaide's commitment. The Shareholder Loan and the major part of the Convertible Bond will be recorded under Other non-current financial liabilities. However, the difference between the interest paid on the Convertible Bond and the interest that would be paid if the Convertible Bond were a bank loan will be deducted from the principal of the Convertible Bond recorded under Other non-current financial liabilities and will instead be recorded under Additional paid-in capital.

(3) Current net financial indebtedness comprises current financial liabilities less cash and cash equivalents and current financial receivables/current securities. Assuming the placement of all 269,580,929 New Shares and the actual receipt of €52.4 million from the offering of the Convertible Bond and/or the Shareholder Loan, current net financial indebtedness will improve to a negative €355.0 million (a negative figure indicates that the sum of cash and cash equivalents and current financial receivables/current securities exceeds current financial liabilities).

(4) Total net financial indebtedness comprises non-current financial liabilities plus current net financial indebtedness. Assuming the placement of all 269,580,929 New Shares and the actual receipt of €52.4 million from the offering of the Convertible Bond and/or the Shareholder Loan, total net financial indebtedness will improve from a positive €253.6 million to a negative €19.4 million (a negative figure indicates that the sum of cash and cash equivalents and current financial receivables/current securities exceeds the sum of current financial liabilities and non-current financial liabilities). However, if not all New Shares are placed and a larger portion of the Total Funding Amount is contributed by the Convertible Bond and/or the Shareholder Loan, total net financial indebtedness could remain positive, *i.e.*, financial liabilities would exceed the cash positions held by Sky Deutschland.

Working Capital

The Company currently does not have sufficient working capital for the next twelve months. Assuming the Company receives gross proceeds of €340 million from the capital increase, the Convertible Bond and/or the Shareholder Loan by no later than January 31, 2011 (see "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information), the Company believes it will have sufficient working capital to cover its payment obligations for the next twelve months following the publication of this Prospectus.

The Company believes that in order to cover its ongoing liquidity requirements and to finance investments to further develop its business it requires funding in an amount of approximately €340 million (gross) of which funds in an amount of up to €80 million (net) will be required by mid-October 2010. A further significant portion of the required €340 million will be needed in the next twelve months, depending on the time frame in which the planned investments will be implemented.

In order to address the anticipated liquidity shortfall the Company entered into negotiations with its main shareholder News Adelaide and its syndicate banks as a result of which News Adelaide entered into the Financial Support Agreement with Sky Deutschland and undertook to provide the Company with funding in the gross amount of €340 million by way of its participation in the capital increase, the Convertible Bond and/or the Shareholder Loan. See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information. As the Financial Support Agreement constitutes a binding commitment of News Adelaide to support the Company up to the Total Funding Amount of € 340 million, the Company expects to receive the funds committed under the Financial Support Agreement by January 31, 2011.

However, News Adelaide and News Corporation may withdraw from the Financial Support Agreement under certain circumstances (see "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information). Similarly, the Underwriters may terminate the Underwriting Agreement under certain circumstances, in particular if the conditions for the Backstop Agreement are not met and News Adelaide does not waive these conditions (see "*The Offering—Rights Offering—Important notices*" and "*The Offering—Rights Offering—New Shares not subscribed for in the rights offering*").

If the Financial Support Agreement or the Backstop Agreement is terminated, and the Bond Subscription Agreement and/or the Shareholder Loan Agreement is not executed, or if the Company fails to raise the Total Funding Amount for any other reason, Sky Deutschland would not be in a position to finance the investments that are necessary to implement its revised and adjusted business plan and strategy or to secure the financial position of the Company, in particular to remedy liquidity constraints so as to be in a position to make payments when they become due. See "*Risk Factors—Risks in Connection with Sky Deutschland's Financial Situation—If Sky Deutschland fails to raise a total gross amount of €340 million through this offering, the issuance of a Convertible Bond and/or a Shareholder Loan, as, subject to certain conditions, guaranteed by News Corporation, it will not be able to finance its investments, which are necessary to implement the Company's revised and adjusted business plan and strategy and to secure the Company's liquidity position*".

As Sky Deutschland has recorded significant losses and significant negative cash flows in each of the past three years, there can be no assurance that the Company will generate positive operating cashflows in the future to generate sufficient working capital to fund its business operations through its own operations, although the Company believes it will have sufficient working capital to cover its payment obligations for the next twelve months following the publication of this Prospectus upon receipt of gross proceeds in the amount of €340 million from the capital increase, the Convertible Bond and/or the Shareholder Loan by no later than January 31, 2011,. See "*Risk Factors"* and in particular "*Risk Factors—Risks in Connection with Sky Deutschland's Financial Situation—Sky Deutschland has recorded significant losses and amassed considerable amounts of indebtedness in recent years, and has not achieved its operating targets. The successful implementation of its revised and adjusted business plan and strategy is vital to its survival*".

USE OF PROCEEDS

The net proceeds to the Company from the offering result from the gross proceeds less the underwriting commissions and other expenses described below. On the basis of a Subscription Price of €1.05, the Company can generate gross proceeds of €283.1 million, assuming placement of all offered shares in full. The compensation of the Underwriters and News Adelaide, for which the Company is responsible, including the costs to be assumed, amounts to €8.3 million. Other issue costs to be incurred by the Company will be approximately €1.8 million. On this basis, the Company expects net proceeds from this offering of approximately up to €273.0 million.

The net proceeds, as well as the amounts contributable by News Adelaide under the Financial Support Agreement (see "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information) are to be used primarily to secure the Company's liquidity position while putting the Company in a position to implement the Company's revised and adjusted business plan and strategy of investing in the expansion of the high definition television ("**HDTV**") services, the development and accelerated deployment of Sky+ (an HDTV digital video recorder and receiver), innovations and product extensions, additional sales and distribution initiatives, and improvements in customer service (see "*Business Description—Strategy*").

DIVIDEND POLICY AND EARNINGS PER SHARE

The New Shares are fully entitled to dividends of Sky Deutschland AG in the fiscal year commencing on January 1, 2010, and in all subsequent fiscal years. Dividends are proposed jointly by the Management and Supervisory Boards. Dividends for the preceding fiscal years are approved for payment by the shareholders at the next General Shareholders' Meeting following the end of the relevant fiscal year. Dividends resolved by the General Shareholders' Meeting are payable on the first business day following the General Shareholders' Meeting, unless the resolution provides otherwise. Shareholders must hold their shares immediately prior to the payment of the dividends in order to be entitled to the dividends; shares purchased on or after the "ex dividend day" are only entitled to receive dividends as of the Company's following fiscal year. Shares participate in the net profits of the Company proportionally to the number of shares issued. The dividend claim is subject to the regular expiration period of three years. Since all shares are issued in book-entry form, dividends are transferred by the Company's paying agent to the shareholders' accounts with the relevant custodian bank. Details regarding dividends are published in the electronic Federal Gazette (*elektronischer Bundesanzeiger*).

The following table shows the results of the Company and the Group (rounded to two decimal places), the earnings per share of Sky Deutschland AG, as calculated in accordance with the HGB and the consolidated earnings per share as calculated in accordance with IFRS for the fiscal years ended December 31, 2007, 2008 and 2009:

	Fiscal Year as of December 31,		
	2007	2008	2009
	(€ million, apart from earnings per share)		
Net annual profit/loss (HGB)	2.8	0.0	(353.4)
Net loss for the period (IFRS)	(51.6)	(269.4)	(676.5)
Dividends paid	—	—	—
Earnings per share (HGB) (unaudited)[(1)]	0.03	0.0	(0.93)
Consolidated earnings per share (IFRS) (total)	(0.55)	(2.39)	(1.79)

(1) Earnings per share (HGB) were calculated by dividing the net annual profit/loss of Sky Deutschland AG as calculated in accordance with the HGB by the weighted average number of shares as calculated in accordance with IFRS (2007: 94.0 million shares, 2008: 112.46 million shares and 2009 378.03 million shares). The HGB does do not contain any provisions for calculating the earnings per share in the individual financial statements of a stock corporation (*Aktiengesellschaft*). Accordingly, the calculation shown here is based on a decision made by the Company; any calculation of the earnings per share (HGB) using a different number of shares could result in materially different amounts. The Company decided to use this form of calculation to align the calculation of the earnings per share (HGB) to the calculation of the consolidated earnings per share (IFRS). The resulting earnings per share (HGB) may not be consistent with figures calculated by other companies and therefore cannot be compared with those figures.

Dividends may only be paid out of the accumulated profit of the Company recorded in its unconsolidated financial statements prepared in accordance with the HGB. Since there was no accumulated profit for the fiscal year ending December 31, 2009, no dividends were paid out for the fiscal year 2009. The unconsolidated financial statements for the fiscal year ended December 31, 2009 prepared in accordance with the HGB are included in the section "*Financial Information*" of this Prospectus. The accounting principles of the HGB applied in preparing the Company's unconsolidated financial statements differ from the accounting principles of IFRS, on which the Company's consolidated financial statements are based. Dividends may be subject to German and Austrian withholding tax (see "*Taxation in the Federal Republic of Germany—Taxation of Dividends*" and "*Taxation in the Republic of Austria—Taxation of Dividends*"). Sky Deutschland AG has not paid a dividend on its shares to date.

SELECTED FINANCIAL AND OPERATIONAL DATA

Overview

The tables below present selected consolidated financial data as of and for the years ended December 31, 2007, 2008 and 2009 and selected consolidated financial data as of, and for the six month period ended, June 30, 2010, which have been derived from Sky Deutschland AG's audited consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 and from Sky Deutschland AG's reviewed interim consolidated financial statements as of and for the six month period ended, June 30, 2010. Results for the six month period ended June 30, 2010 are not necessarily indicative of results that may be expected for the entire year. Sky Deutschland AG's consolidated financial statements have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a paragraph 1 HGB. For Sky Deutschland AG's audited consolidated financial statements as of, and for the years ended, December 31, 2007, 2008 and 2009, and the consolidated interim financial statements for the six month period ended June 30, 2010, see pages F-1 *et seq*.

KPMG audited the consolidated financial statements for Sky Deutschland AG for 2009, 2008 and 2007 and issued in each case an unqualified auditor's report; however, the auditors included an additional paragraph in their 2008 report to the effect that Sky Deutschland may not have been able to continue as a going concern if the offering planned for April 2009 had failed or if Sky Deutschland had been unable to make drawings under its credit facilities. In this connection, KPMG refers to the section "Financial risks" of the group management report (*Konzernlagebericht*) for the year ended December 31, 2008, which is set forth on page LB-1 (following page F-139) of the Prospectus, as well as to point 1.3 of the notes to the consolidated financial statements for the year ended December 31, 2008, which is set forth on page F-92 *et seq.* of this Prospectus. KPMG has performed a review of and issued a review report with respect to the interim consolidated financial statements of Sky Deutschland AG as of, and for the six month period ended, June 30, 2010.

To improve the usability of the reporting and to align internal and external reporting, Sky Deutschland decided to implement a New Reporting Structure with the beginning of the financial year 2010. Sky Deutschland modified the allocation of certain expenses to the individual expense items in the Group's consolidated statement of comprehensive loss due to the new pricing structure. The reclassification affected cost of sales, selling expenses and general and administrative expenses. In connection with the implementation of its new reporting structure, Sky Deutschland has also changed the allocation of its different types of revenues to the sub-items of the revenues line item and renamed certain sub-items (together the "**New Reporting Structure**"). The New Reporting Structure is reflected in the consolidated interim financial information for the six month period ended June 30, 2010 (including the comparative information for the six month period ended June 30, 2009, contained herein). For the year ended December 31, 2009, the changes that would have to be made to conform the old reporting structure to the New Reporting Structure are presented for illustrative purposes in a separate column in the relevant table. These adjusted figures are not further discussed.

On May 10, 2007, Sky Deutschland bought 65% of Home of Hardware GmbH & Co KG and Home of Hardware Verwaltungs GmbH (collectively, "**HoH**"), a company engaged in the distribution, sale and marketing of electronic articles, primarily in the entertainment electronics sector, via its own internet portal. The remaining 35% was subject to a put-call agreement. On December 12, 2008, Sky Deutschland sold its entire stake in HoH to a third party. In connection with the sale of Sky Deutschland's stake in HoH, the put-call agreement was also terminated. Because HoH constituted a separate major line of business of Sky Deutschland in the past, Sky Deutschland's 2008 statement of operations, including the 2007 comparative information included therein, shows HoH's results under "*Result from discontinued operations*". Accordingly, to enhance the comparability of the financial information set forth in this Prospectus across periods, the following discussion focuses on the comparative 2007 information included in Sky Deutschland AG's 2008 audited consolidated financial statements (the "**Adjusted 2007 Statement of Operations Data**").

In the middle of 2007, Sky Deutschland entered into a sublicense agreement with Arena Sport Rechte und Marketing GmbH ("**Arena**"), a subsidiary of Unitymedia GmbH ("**Unitymedia**"), with respect to the cable and satellite pay-TV rights, as well as the broadcasting rights for Sky Sports Bars, to all matches of the first and second divisions of the German football league (*Fußball-*

Bundesliga) for the 2007/2008 and 2008/2009 seasons. As part of its arrangements with Arena, Sky Deutschland acquired certain contracts related to the TV production of the German football league (*Fußball-Bundesliga*) and related employees (collectively, the "**Arena Transaction**"). The acquisition was treated as a business combination under IFRS 3. In its recent investigation, the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung, "**DPR**") objected to this treatment (for further information see the following paragraph). As a result of a change in the assessment of an addendum to the agreements entered into in connection with the Arena Transaction in 2008, Sky Deutschland AG adjusted the goodwill and other financial liabilities positions in its 2008 balance sheet, including the 2007 comparative information included therein, by €3.5 million. To enhance the comparability of the financial information set forth in this Prospectus across balance sheet dates, the tables below set forth not only selected balance sheet data extracted from Sky Deutschland AG's 2007 audited consolidated financial statements (the "**Unadjusted 2007 Balance Sheet Data**") but also the comparative 2007 information included in Sky Deutschland AG's 2008 audited consolidated financial statements (the "**Adjusted 2007 Balance Sheet Data**").

In the fourth quarter of 2008, DPR initiated an investigation of the Company's consolidated and unconsolidated financial statements for 2007, its interim consolidated financial statements for the six month period ended June 30, 2008, and its related management reports. In the course of its investigation, the DPR found:

i. that the Company's subscriber figures were reported with insufficient transparency in these financial statements and reports (see "*Operating and Financial Review—Key Factors Influencing Sky Deutschland's Results and Operating Performance—Subscriber base & churn rate*" for a description of Sky Deutschland's current and former subscriber classification methodology);

ii. that the management report of the Company and the Group for 2007 did not comprehensively illustrate the development of the Company's financial position and results of operations and that additional trend disclosures (*Trendaussagen*) should have been made;

iii. that the interim management report of the Company and the Group for the six month period ended June 30, 2008 should have disclosed that for the nine month period ended September 30, 2008 the Company was in danger of breaching a financial covenant contained in its former credit facilities (see "*Business Description—Restructuring and Relaunch of the Company's Business*" for a description of the financial difficulties Sky Deutschland experienced in 2008);

iv. that the cost of sales reported in Sky Deutschland's interim consolidated financial statements for the six month period ended June 30, 2008 was understated in the amount of at least €10 million because costs in connection with the licensing of free-TV rights to 18 matches, and of pay-TV rights to all matches, of the FIFA World Cup were not properly allocated between the rights transferred and the free-TV and pay-TV rights retained by Sky Deutschland; and

v. that it was not appropriate for the Company to account for the Arena Transaction as a business combination under IFRS 3. In this context, the DPR also found against the Company 's accounting treatment in its unconsolidated German GAAP financial statements of the Bundesliga rights acquired (see "*Operating and Financial Review—Key Factors Influencing Sky Deutschland's Results and Operating Performance—Sky Deutschland's arrangements with respect to the matches of the German football league (Fußball-Bundesliga)*" for a description of the Arena Transaction).

On June 10, 2010, Sky Deutschland issued an objection to each of the DPR's conclusions. As a result, the financial accounting and reporting matters referred to above, and the findings of the DPR, are currently the subject of review by the BaFin. Should the BaFin confirm the DPR's findings, and, if applicable, should this confirmation be upheld in any judicial proceedings Sky Deutschland may bring to challenge it, this could lead to a material decline in Sky Deutschland's share price, administrative fines against the Company, and corrections to both its consolidated and unconsolidated financial statements, as well as to claims for damages by third parties based on the subject matter of the DPR's findings. Any of these developments could materially adversely affect Sky Deutschland's business, results of operations and financial condition. In particular, the unconsolidated financial statements of the Company for 2007 and, if the possible violation of

reporting obligations adversely affects the unconsolidated financial statements of the Company for the following years, these financial statements may be declared void. Further, the Company may have to adjust the Group's consolidated financial statements in future years in order to reflect items (iv) and (v) above. The adoption of the interpretation of IFRS as taken by the DPR regarding the allocation of costs in connection with the sub-licensing of free-TV rights for the FIFA World Cup 2010 to RTL Television GmbH ("**RTL**") would have resulted in an increase of cost of sales in 2008 by at least €10 million, thus resulting in a corresponding increase in gross loss and a corresponding deterioration in results from operations, result before taxes and result for the period in 2008. On the balance sheet, such adoption would have resulted in a corresponding decrease in equity attributable to stockholders and higher trade payables. For the financial statements for the year 2010, such adoption would have had a reverse effect (decrease in cost of sales, decrease in loss). An adoption of the interpretation of IFRS as taken by the DPR regarding the non-recognition of the Arena Transaction as a business combination under IFRS 3 would result in a decrease of the Group's goodwill by €248.4 million, a corresponding increase in the Group's loss and in the Group's negative Other equity including retained deficit, further resulting in a corresponding decrease of the Group's equity attributable to stockholders in the same amount.

Investors should read this information in conjunction with the section of this Prospectus entitled "*Operating and Financial Review*" as well as Sky Deutschland AG's audited consolidated financial statements, its reviewed interim consolidated financial statements and the other financial information included elsewhere in this Prospectus.

Selected Consolidated Statements of Operations Data

	For the year ended December 31,*					For the six month period ended June 30,*	
	2007[1]	2007[2]	2008[3]	2009[4]	2009 (adjusted)[5]	2009[6]	2010[6]
	(€ in millions, unless otherwise indicated)						
	(extracted or derived from audited financial statements)				(unaudited)	(extracted or derived from reviewed financial statements)	
Revenues	984.5	937.2	941.1	902.1	902.1	463.3	470.9
Thereof:							
Subscriptions and pay-per-view (Direct)/Subscription revenues[7][8]	*705.3*	*705.3*	*695.4*	*749.0*	*743.0*	*356.8*	426.2
Subscription and pay per view (Other than Direct)/Wholesale revenues[7][9]	*49.9*	*49.9*	*74.4*	*39.0*	*39.0*	*30.5*	7.2
Receiver sales & rental revenues/Hardware revenues[7][10]	*108.8*	*61.4*	*47.5*	*41.3*	*47.4*	*31.2*	12.0
Magazine & advertising/Advertising revenues[7][11]	*52.0*	*52.0*	*31.0*	*20.7*	*15.7*	*7.6*	9.0
Other revenues[12]	*68.6*	*68.6*	*92.8*	*52.1*	*56.9*	*37.2*	16.5
Cost of sales	(849.8)	(804.5)	(884.2)	(955.3)	(963.7)	(482.5)	(498.1)
Thereof:							
Programming costs[13]	*(563.2)*	*(563.2)*	*(640.0)*	*(717.0)*	*(720.4)*	*(360.8)*	*(378.0)*
Transmission/Technology costs[7][14]	*(89.4)*	*(89.4)*	*(125.2)*	*(133.9)*	*(133.9)*	*(65.2)*	*(71.2)*
Hardware costs[7][15]	*(132.6)*	*(87.2)*	*(67.0)*	*(53.0)*	*(58.5)*	*(32.2)*	*(18.2)*
Customer service costs[16]	*(64.6)*	*(64.6)*	*(52.0)*	*(51.4)*	*(50.9)*	*(24.2)*	*(30.7)*
Gross profit/(loss)	**134.7**	**132.7**	**56.9**	**(53.3)**	**(61.6)**	**(19.2)**	**(27.2)**
Selling expenses	(128.8)	(126.7)	(114.3)	(175.7)	(171.1)	(55.3)	(71.7)
Thereof:							
Dealer commissions[17]	*(23.2)*	*(22.2)*	*(20.3)*	*(30.8)*	*(31.7)*	*(9.2)*	*(15.8)*
Selling expense for direct sales[18]	*(16.8)*	*(16.2)*	*(18.2)*	*(25.1)*	*(26.2)*	*(11.8)*	*(10.8)*
Marketing expenses[19]	*(48.7)*	*(48.0)*	*(41.5)*	*(73.6)*	*(72.1)*	*(17.5)*	*(28.0)*
Bad debts provisions	*(9.5)*	*(9.5)*	*(9.9)*	*(9.4)*	*(9.4)*	*(4.4)*	*(3.9)*
Other selling expenses[20]	*(30.5)*	*(30.8)*	*(24.4)*	*(36.7)*	*(31.7)*	*(12.5)*	*(13.2)*
General and administrative expenses	(59.1)	(58.8)	(69.6)	(78.5)	(74.7)	(40.5)	(40.2)
Thereof:							
Information technology expenses[21]	*(22.2)*	*(22.2)*	*(28.6)*	*(34.3)*	*(32.6)*	*(15.4)*	*(18.6)*
Legal, consulting and administrative expenses[21]	*(24.4)*	*(24.3)*	*(25.3)*	*(28.4)*	*(30.1)*	*(15.7)*	*(17.0)*
Facility expenses[22]	*(6.3)*	*(6.2)*	*(5.7)*	*(6.9)*	*(6.4)*	*(3.6)*	*(3.7)*
Personnel expenses, incl. termination benefits[21]	*(2.9)*	*(2.9)*	*(6.0)*	*(4.5)*	*(5.5)*	*(4.5)*	*(2.3)*
Other general and administrative expenses[21]	*(3.2)*	*(3.2)*	*(4.1)*	*(4.4)*	*(0.2)*	*(1.3)*	*1.4*
Other operating income	98.2	98.0	38.8	11.4	11.4	5.3	8.1
Other operating expenses	(7.3)	(7.1)	(19.1)	(11.3)	(11.3)	(9.7)	(1.8)
Amortization of trademark	—	—	—	(331.6)	(331.6)	(331.6)	—
Amortization of subscriber base	(48.3)	(48.3)	(48.9)	(49.0)	(49.0)	(24.4)	(24.5)
Result from operations	**(10.5)**	**(10.2)**	**(156.2)**	**(688.0)**	**(688.0)**	**(475.5)**	**(157.4)**
Financial result	(40.0)	(39.5)	(59.5)	(38.9)	(38.9)	(24.4)	(19.9)
Thereof:							
Income from entities accounted for at equity	*0.0*	*0.0*	*0.0*	*0.1*	*0.1*	*0.0*	*0.4*
Interest and similar income	*8.6*	*8.6*	*7.1*	*3.0*	*3.0*	*2.1*	*0.8*
Other financial expense	*0.0*	*0.0*	*(11.6)*	*(6.3)*	*(6.3)*	*(6.2)*	*(3.1)*
Losses from entities accounted for at equity	*(0.6)*	*(0.6)*	*(1.0)*	*(0.5)*	*(0.5)*	*(0.5)*	*0.0*
Interest and similar expenses	*(48.0)*	*(47.5)*	*(54.0)*	*(35.3)*	*(35.3)*	*(19.8)*	*(18.1)*
Result before taxes	**(50.5)**	**(49.6)**	**(215.7)**	**(726.9)**	**(726.9)**	**(499.8)**	**(177.3)**
Income taxes	(1.1)	(2.2)	(48.8)	50.4	50.4	54.0	(1.5)
Result from continuing operations (after income taxes)	—	(51.9)	(264.5)	(676.5)	(676.5)	(445.8)	(178.9)
Result from discontinued operations[23] (after income taxes)	—	0.3	(4.9)	0.0	0.0	0.0	0.0
Result for the period	**(51.6)**	**(51.6)**	**(269.4)**	**(676.5)**	**(676.5)**	**(445.8)**	**(178.9)**
Attributable to:							
Stockholders of the parent company	(51.5)	(51.5)	(269.3)	(676.2)	(676.2)	(445.5)	(178.9)
Minority interest	(0.0)	(0.0)	(0.1)	(0.3)	(0.3)	(0.3)	(0.0)
Earnings per share – result from continuing operations (basic and diluted) (€)[24]	—	(0.55)	(2.35)	(1.79)	(1.79)	(1.70)	(0.34)
Earnings per share – result from discontinued operations (basic and diluted) (€)[24]	—	0.00	(0.04)	0.00	0.00	0.00	0.00
Earnings per share – total (basic and diluted) (€)[24]	(0.55)	(0.55)	(2.39)	(1.79)	(1.79)	(1.70)	(0.34)

[*] Columns may not add due to rounding.

(1) Figures extracted or derived from the Unadjusted 2007 Statements of Operations Data.

(2) Figures extracted or derived from the Adjusted 2007 Statements of Operations Data.

(3) Figures extracted or derived from the 2008 audited consolidated financial statements.

(4) Figures extracted or derived from the 2009 audited consolidated financial statements.

(5) Figures reflect the New Reporting Structure, as if the New Reporting Structure had been applied in 2009, and are prepared by the Company from its accounting records.

(6) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

(7) The first caption relates to the Group's consolidated financial statements for the years 2007 through 2009, the second caption relates to the New Reporting Structure, presented in this table for the year 2009 in the "2009 (adjusted)" column as well as for the six month period ended June 30, 2010 and the comparative data for the six month period ended June 30, 2009.

(8) Prior to the implementation of the New Reporting Structure, subscription and pay-per-view revenues (direct) were reported as a separate sub-component (direct subscribers) of subscription and pay-per-view revenues. Under the New Reporting Structure, the subscription revenues refer to revenues from the sale of digital program subscriptions, for which the subscriber pays a fee as well as revenues from both sportsbar and hotel subscriptions. For an explanation of modifications made under the New Reporting Structure see "*Operating and Financial Review—Results of Operations—Revenues—Subscription Revenues*".

(9) Prior to the implementation of the New Reporting Structure, subscription and pay-per-view (other than direct) revenues comprised all subscription and pay-per-view revenues other than revenues from direct subscribers. The Company communicated that part of the subscription and pay-per-view revenues under the caption wholesale subscription revenues prior to the implementation of the New Reporting Structure. Wholesale revenues refer to revenues generated from supplying cable providers with Sky Deutschland content and other wholesale agreements. For an explanation of modifications made under the New Reporting Structure see "*Operating and Financial Review—Results of Operations—Revenues—Wholesale*".

(10) Hardware revenues comprise revenues from selling and renting receivers, revenues generated by the technical services and revenues from installation services. For an explanation of modifications made under the New Reporting Structure see "*Operating and Financial Review—Results of Operations—Revenues—Hardware*".

(11) Advertising revenues include revenues from advertising on TV, magazine and other media platforms. For an explanation of modifications made under the New Reporting Structure see "*Operating and Financial Review—Results of Operations—Revenues—Advertising*".

(12) Other revenue include sub-licensing and other revenues. For an explanation of modifications made under the New Reporting Structure see "*Operating and Financial Review—Results of Operations—Revenues—Other revenues*"

(13) For an explanation of modifications made under the New Reporting Structure see "*Operating and Financial Review—Cost of sales—Programming costs*".

(14) For an explanation of modifications made under the New Reporting Structure see "*Operating and Financial Review—Cost of sales—Technology costs*".

(15) For an explanation of modifications made under the New Reporting Structure see "*Operating and Financial Review—Cost of sales—Hardware costs*".

(16) For an explanation of modifications made under the New Reporting Structure see "*Operating and Financial Review—Cost of sales—Customer service costs*".

(17) Dealer commissions are commissions paid for retails sales. Under the New Reporting Structure, certain minor adjustments to the allocation of cost items under dealer commissions have been made.

(18) Selling expenses for direct sales comprises expenses for direct sales and advertising on free-TV channels. Under the New Reporting Structure, certain minor adjustments to the allocation of cost items under selling expenses for direct sales have been made.

(19) Marketing expenses mainly include media, online marketing and corporate communication expenses. Under the New Reporting Structure, certain adjustments have been made; in particular costs incurred in connection with the production of TV commercials have been moved to programming costs.

(20) Other selling expenses comprise internal sales-related overhead costs, such as production costs for promotional materials. Under the New Reporting Structure, certain minor adjustments have been made; in particular logistic costs have been moved to hardware costs, whereas costs in connection with the sale of magazine subscriptions, previously reported as part of customer service costs, have been moved to other selling expenses.

(21) For an explanation of modifications made under the New Reporting Structure, see "*Operating and Financial Review—Results of Operations—General and administrative expenses—Modifications under the New Reporting Structure*".

(22) Under the New Reporting Structure, certain adjustments have been made; in particular costs occurred in connection with the production of TV commercials have been moved to programming costs.

(23) Reflects the result of HoH and the effect of Sky Deutschland's disposal of its stake in HoH.

(24) Based on the average number of shares outstanding in 2007 (94.00 million shares), 2008 (112.46 million shares) and 2009 (378.03 million shares), respectively.

Selected Consolidated Balance Sheet Data

	As of December 31,*				For the six month period ended June 30,*
	2007[1]	2007[2]	2008[3]	2009[4]	2010[5]
	(€ in millions)				
	(extracted or derived from audited financial statements)				(extracted or derived from reviewed financial statements)
Cash and cash equivalents	115.0	115.0	67.2	8.1	36.3
Trade receivables (current)	99.3	99.3	79.0	68.8	85.6
Receivables from entities accounted for at equity	0.4	0.4	0.4	0.2	0.8
Film assets and advance payments for sports and film rights (current)	91.9	91.9	110.5	73.6	66.4
Inventories	62.8	62.8	33.4	36.2	37.4
Total current assets	**401.8**	**401.8**	**319.2**	**212.0**	**265.0**
Deferred taxes	58.1	58.1	25.0	1.4	0.0
Film assets and advance payments for sports and film rights (non-current)	37.1	37.1	59.9	24.1	24.2
Receivers (non-current)	57.0	57.0	42.5	48.1	54.2
Intangible assets	1,166.0	1,169.5	1,102.0	726.0	707.5
Thereof:					
Goodwill	*623.3*	*626.8*	*622.1*	*631.9*	*636.1*
Trademarks	*335.3*	*335.3*	*333.4*	*0.0*	*0.0*
Subscriber base	*151.6*	*151.6*	*107.7*	*58.9*	*34.4*
Total non-current assets	**1,366.5**	**1,370.0**	**1,250.3**	**834.4**	**814.4**
Total assets	**1,768.3**	**1,771.7**	**1,569.5**	**1,046.4**	**1,079.4**
Borrowings (current)	11.1	11.1	378.5	29.6	7.1
Trade payables (current)	177.0	177.0	174.7	196.9	185.6
Other liabilities/other financial liabilities (current)	93.2	93.9	75.4	71.5	62.9
Total current liabilities	**291.9**	**292.6**	**639.6**	**313.2**	**267.9**
Borrowings (non-current)	279.5	279.5	6.8	140.9	283.1
Deferred taxes	97.7	97.7	113.7	39.3	41.9
Other liabilities/other financial liabilities (non-current)	24.6	27.4	9.2	65.5	63.7
Total non-current liabilities	**435.9**	**438.7**	**158.2**	**270.1**	**411.2**
Total liabilities	**727.8**	**731.3**	**797.9**	**583.4**	**679.1**
Total equity	**1,040.5**	**1,040.5**	**771.7**	**463.0**	**400.3**
Total liabilities and equity	**1,768.3**	**1,771.7**	**1,569.5**	**1,046.4**	**1,079.4**

* Columns may not add due to rounding and the omission of certain line items.

(1) Figures extracted or derived from the Unadjusted 2007 Balance Sheet Data.

(2) Figures extracted or derived from the Adjusted 2007 Balance Sheet Data.

(3) Figures extracted or derived from Sky Deutschland AG's 2008 audited consolidated financial statements.

(4) Figures extracted or derived from Sky Deutschland AG's 2009 audited consolidated financial statements.

(5) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

Selected Consolidated Statements of Cash Flows Data

	For the year ended December 31,			For the six month period ended June 30,	
	2007[1]	2008[2]	2009[3]	2009[4]	2010[4]
	(€ in millions)				
	(extracted or derived from audited financial statements)			(extracted or derived from reviewed financial statements)	
Net cash used in operating activities	(34.4)	(108.1)	(158.4)	(52.6)	(173.8)
Net cash used in investing activities	(23.2)	(7.3)	(53.3)	(11.5)	(18.4)
Net cash provided by financing activities	145.9	67.6	152.7	18.9	220.5

(1) Figures extracted or derived from Sky Deutschland AG's 2007 audited consolidated financial statements.
(2) Figures extracted or derived from Sky Deutschland AG's 2008 audited consolidated financial statements.
(3) Figures extracted for derived from Sky Deutschland AG's 2009 audited consolidated financial statements.
(4) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

Selected Consolidated Operational Data

	For the year ended December 31*			For the six month period ended June 30,*	
	2007(1)	2008(2)	2009(3)	2009(4)	2010(4)
			(unaudited)		
Subscribers (at the beginning of the year, in thousands)(5)	2,696	2,534	2,399	2,399	2,470
New subscribers (in thousands)(5)	516	435	597	228	230
Subscriber churn (in thousands)(6)	(677)	(571)	(527)	(264)	(223)
Net subscriber reductions (in thousands)(5)	(162)	(135)	70	(35)	7
Subscribers (at the end of the year, in thousands)(5)	2,534	2,399	2,470	2,364	2,476
Average number of subscribers (in thousands)(5)(6)	2,615	2,467	2,434	2,382	2,473
Churn rate (in %, 12-months rolling)(5)(7)	25.9	23.1	21.6	22.4	20.1
ARPU (€)(5)(8)	22.48	23.49	25.46	25.20	28.62
EBITDA (€ in millions)(9)(15)(16)	83.6	(57.0)	(262.7)	(93.2)	(111.9)
EBITDA margin (%)(9)(14)(16)	8.9	(6.1)	(29.1)	(20.1)	(23.8)
EBITA (€ in millions)(11)(15)(16)	38.1	(107.3)	(305.6)	(117.6)	(132.9)
EBITA margin (%)(12)(15)(16)	4.1	(11.4)	(33.9)	(25.4)	(28.2)
EBIT (€ in millions)(13)(15)(16)	(10.2)	(156.2)	(688.0)	(475.5)	(157.4)
EBIT margin (%)(14)(15)(16)	(1.1)	(16.6)	(76.3)	(102.6)	(33.4)

* Columns may not add due to rounding.

(1) To the extent this column contains financial measures (*i.e.*, EBITDA, EBITA, EBIT and their respective margins), the relevant figures have been calculated based on Adjusted 2007 Statements of Operations Data.

(2) To the extent this column contains financial measures (*i.e.*, EBITDA, EBITA, EBIT and their respective margins), the relevant figures have been calculated based on Sky Deutschland AG's 2008 audited consolidated financial statements.

(3) To the extent this column contains financial measures (*i.e.*, EBITDA, EBITA, EBIT and their respective margins), the relevant figures have been calculated based on Sky Deutschland AG's 2009 audited consolidated financial statements.

(4) To the extent this column contains financial measures (*i.e.*, EBITDA, EBITA, EBIT and their respective margins), the relevant figures have been extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

(5) In its ad-hoc release dated October 2, 2008, Sky Deutschland announced that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers, consisting principally of monthly contract subscribers. This includes individuals who subscribe for one or more pay-TV packages as well as bars, restaurants, hotels and other public venues with commercial subscriptions (each room in one of these hotels or other public venues in which Sky Deutschland is receivable counts as a separate subscriber; subscriptions to Sky Deutschland's Multiroom service do not increase the number of subscribers but result in a higher ARPU per subscriber) and excludes subscribers who generate only limited revenues. Prior to the reclassification, Sky Deutschland also included other types of revenues in the calculation of its ARPU. All subscriber and ARPU numbers set forth in this Prospectus are based on the new subscriber classification methodology. The new subscriber classification methodology resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in its reported ARPU. Because, following the reclassification, subscribers with short-term contracts, who, in Sky Deutschland's experience, are relatively unlikely to sign up for long-term contracts, are excluded from the calculation, the churn rate under the new subscriber classification methodology tends to be lower than it would have been under the old methodology. The switch in methodology had no effect on Sky Deutschland's financial condition. Investors should note that the DPR recently concluded an investigation into the accuracy of Sky Deutschland AG's consolidated and unconsolidated financial statements for 2007, its interim consolidated financial statements for the six month period ended June 30, 2008 and the corresponding (group) management reports (*(Konzern-)Lageberichte*) with a view to determining whether they provided an appropriate understanding of Sky Deutschland's condition. On June 15, 2010, the DPR issued its final assessment with regard to the aforementioned review, confirming its view that Sky Deutschland violated its reporting obligations with respect to all reviewed accounting matters under the applicable provisions. See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*" for further information.

(6) The average number of subscribers for a given period is defined as (a) the sum of the number of direct subscribers at the beginning of the period and the number of direct subscribers at the end of the period (b) divided by two. Since the average number of subscribers only reflects the subscriber base at the beginning and the end of each period, it does not account for any intra-period fluctuations.

(7) Is defined as the number of direct subscribers that terminated their subscription during the course of a 12-month period, divided by the average number of direct subscribers in that period.

(8) ARPU is defined as monthly average subscription revenues for a given period divided by the average number of subscribers in such period. Investors should note that in the past Sky Deutschland calculated and published ARPU figures not only with respect to its subscription revenues but also with respect to its total revenues. Therefore, the ARPU figures contained in this Prospectus are not directly comparable with all of the various ARPU figures Sky Deutschland has published in the past. Sky Deutschland uses ARPU as a measure of Sky Deutschland's operating performance. Sky Deutschland believes that ARPU is a useful measure of the extent to which Sky Deutschland's subscribers opt for the range of its programming. However, ARPU is not recognized as a measure under IFRS and should not be considered a substitute for any income statement data as determined in accordance with IFRS or viewed as a measure of profitability. Because not all companies calculate ARPU in the same way, Sky Deutschland's presentation of ARPU is not necessarily comparable to similarly-titled measures used by other companies.

(9) Earnings before interest, tax, depreciation and amortization ("**EBITDA**") is defined as result from continuing operations for a given period before income taxes, interest and similar expenses, other financial result, interest and similar income, gains/losses from entities accounted for at equity, amortization of subscriber base as well as depreciation, amortization and impairment, net of write-ups on property, plant and equipment and on other intangible assets.

(10) EBITDA margin is defined as EBITDA for a given period, expressed as a percentage of revenues for such period.

(11) Earnings before interest, tax and amortization ("**EBITA**") is defined as result from continuing operations for a given period before income taxes, interest and similar expenses, other financial result, interest and similar income, gains/losses from entities accounted for at equity and amortization of subscriber base.

(12) EBITA margin is defined as EBITA for a given period, expressed as a percentage of revenues for such period.

(13) Earnings before interest and tax ("**EBIT**") is defined as result for a given period before result from discontinued operations, income taxes, interest and similar expenses, other financial result, interest and similar income, gains/losses from entities accounted for at equity.

(14) EBIT margin is defined as EBIT for a given period, expressed as a percentage of revenues for such period.

(15) Sky Deutschland uses EBITDA, EBITA and EBIT as measures of operating performance. Sky Deutschland believes that EBITDA, EBITA and EBIT are useful in evaluating Sky Deutschland's operating performance because a number of companies, in particular companies in the European media industry, also publish these figures as key performance indicators. Historically, a substantial portion of management compensation was linked to specific EBITDA targets. See "*Information about Sky Deutschland AG's Corporate Bodies—Management Board—Remuneration, shareholdings*". However, EBITDA, EBITA and EBIT are not recognized as measures under IFRS and should not be considered as substitutes for figures on result before taxes, net earnings, net cash from/used in operating activities or other income statement or cash flow data, as determined in accordance with IFRS, or as measures of profitability or liquidity. EBITDA, EBITA and EBIT do not necessarily indicate whether cash flow will be sufficient or available for Sky Deutschland's cash requirements, nor whether any such measure is indicative of Sky Deutschland's historical operating results. EBITDA, EBITA and EBIT are not meant to be indicative of future results. Because not all companies calculate EBITDA, EBITA and EBIT in the same way, Sky Deutschland's presentation of EBITDA, EBITA and EBIT is not necessarily comparable with similarly-titled measures used by other companies.

(16) The following table reconciles result for the period to EBITDA, EBITA and EBIT for each of the years indicated:

	For the year ended December 31,*			For the six month period ended June 30,*	
	2007(1)	2008(2)	2009(3)	2009(4)	2010(4)
	(€ in millions)				
	(extracted or derived from audited financial statements)			(extracted or derived from reviewed financial statements)	
Result for the period	(51.6)	(269.4)	(676.5)	(445.8)	(178.9)
Result from discontinued operations(5) (after income taxes)	(0.3)	4.9	0.0	0.0	0.0
Income taxes	2.2	48.8	50.4	54.0	1.5
Interest and similar expenses	47.5	54.0	35.3	19.8	18.1
Other financial result	(0.0)	11.6	6.3	6.2	3.1
Interest and similar income	(8.6)	(7.1)	(3.0)	(2.1)	(0.8)
Gains/losses from entities accounted for at equity	0.6	1.0	0.4	0.5	(0.4)
EBIT	**(10.2)**	**(156.2)**	**(688.0)**	**(475.5)**	**(157.4)**
Amortization of subscriber base	48.3	48.9	49.0	24.4	24.5
Amortization of trademark Premiere and GIGA	0	0	333.4	333.4	0
EBITA	**38.1**	**(107.3)**	**(305.6)**	**(117.6)**	**(132.9)**
Depreciation, amortization and impairment, net of write-ups on property, plant and equipment and on other intangible assets	45.5	50.3	42.9	24.4	21.0
EBITDA	**83.6**	**(57.0)**	**(262.7)**	**(93.2)**	**(111.9)**

* Columns may not add due to rounding.

(1) Figures extracted or derived from the Adjusted 2007 Statements of Operations Data.

(2) Figures extracted or derived from Sky Deutschland AG's 2008 audited consolidated financial statements.

(3) Figures extracted or derived from Sky Deutschland AG's 2009 audited consolidated financial statements.

(4) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

(5) Reflects the result of HoH and the effect of Sky Deutschland's disposal of its stake in HoH.

OPERATING AND FINANCIAL REVIEW

Overview

Sky Deutschland believes that it is the leading pay-TV provider in Germany and Austria, with 2.476 million contract subscribers as of June 30, 2010. In its core business, subscription-based pay-TV, which contributes the vast majority of its revenues, Sky Deutschland offers subscribers comprehensive programming in digital quality via up to 61 TV channels, comprising current feature films, new series, live sports and a number of third-party channels, as well as seven digital audio channels, distributing its content via cable, satellite and the internet. The core of Sky Deutschland's subscription-based pay-TV offering consists of the live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*), for which Sky Deutschland owns the exclusive pay-TV rights for Germany (with the exception of IPTV and mobile TV rights), Austria and Switzerland until the end of the 2012/2013 season, Sky Deutschland's high definition television ("**HDTV**") services and the exclusive pay-TV broadcasting rights to the vast majority of movies produced by the major Hollywood studios, and a wide variety of general entertainment programming. To a lesser extent, Sky Deutschland also derives revenues from, among other things, pay-per-view services, commercial subscriptions, the activation and installation of Sky Deutschland receivers and the sale of advertising time. In addition to conventional broadcasting via satellite and cable, Sky Deutschland also offers some of its programming via Web-TV on a pay-per-view basis.

Sky Deutschland offers its subscribers several packages based on a "buy-through" model. Under this model subscribers are offered a basic package, Sky Welt, which contains a broad range of family-focused programming. Subscribers to the basic package then have the option to subscribe to one or more of the three premium packages: Film, Fußball Bundesliga, and Sport. There is also the possibility of subscribing to Sky Deutschland's HDTV option, Sky HD, which currently comprises up to ten channels.

Starting in the second half of 2008 and following significant financial difficulties, Sky Deutschland adopted a comprehensive restructuring plan, raised several rounds of new capital, negotiated new credit facilities and redeveloped its strategy. The new strategy was aimed at increasing the number of Sky Deutschland's subscribers and its ARPU by further enhancing the attractiveness of its programming, improving the usability of its products and services, increasing customer satisfaction and expanding its sales and marketing activities. A major milestone of the strategy was the July 4, 2009 launch of Sky Deutschland's current product line-up and new branding under the "SKY" brand. Sky Deutschland has since revised and adjusted this strategy, deciding to invest further in order to drive momentum in the business by expanding its HDTV offering, investing in innovations and product extensions deploying the Sky+ HDTV digital video recorder and receiver, implementing new sales and distribution initiatives and improving customer service. Sky Deutschland believes that its relaunch laid a strong foundation for the growth of the business. Nevertheless, although certain key metrics of the business – such as net subscriber additions, quarterly annualized churn rate, ARPU, HDTV penetration and brand awareness – are moving in the right direction, Sky Deutschland has not fully achieved its own operating targets. To finance the above mentioned growth-enhancing measures and to secure the financial position of the Company and, in particular, to remedy liquidity constraints, Sky Deutschland has therefore decided to raise further capital through this offering and, if applicable the Convertible Bond and/or the Shareholder Loan.

In the first half of 2010, Sky Deutschland recorded revenues of €470.9 million and a loss of €178.9 million compared to a loss of €445.8 million in the first half of 2009, and expects to incur additional significant losses in the remainder of 2010 and in 2011. Sky Deutschland had 2.476 million contract subscribers as of June 30, 2010 and an ARPU of €28.62 for the second quarter of 2010.

Key Factors Influencing Sky Deutschland's Results and Operating Performance

The vast majority of Sky Deutschland's revenues consist of revenues from subscription-based pay-TV. Sky Deutschland's results are driven by a combination of factors affecting the TV industry as a whole and various operational factors specific to Sky Deutschland's business. Set forth below is an overview of the most important such factors.

- *Subscriber base & churn rate.* As of June 30, 2010, Sky Deutschland had 2.476 million contract subscribers, compared with 2.470 million subscribers as of December 31, 2009, 2.399 million subscribers as of December 31, 2008 and 2.534 million as of December 31, 2007. In its ad-hoc release dated October 2, 2008, Sky Deutschland announced, amongst other things, that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers and exclude subscribers who generated only limited or no revenues. Accordingly, Sky Deutschland excluded approximately 606,000 subscribers represented by vouchers for prepaid contracts granted by Sky Deutschland to companies for promotional purposes. Excluded were a further approximately 334,000 subscribers who had terminated their subscriptions but still held a Sky Deutschland smartcard. Such subscribers had been sponsored by third parties who paid a small subscription fee to convince them during that sponsored subscription period to extend their old subscription or agree upon a new subscription. In case of success, Sky Deutschland would have paid those third parties a commission. Prior to the reclassification, Sky Deutschland also included revenues other than subscription revenues in the calculation of its ARPU. All subscriber and ARPU numbers set forth in this Prospectus are based on the new subscriber classification methodology. The new classification method resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in its reported ARPU. Because, following the reclassification, subscribers with short-term contracts, who in Sky Deutschland's experience are relatively unlikely to sign up for long-term contracts, are excluded from the calculation, the churn rate under the new subscriber classification methodology tends to be lower than it would have been under the old methodology. For a description of the development of subscriber base and churn rate see "*Business Description—Subscribers*".

  The switch in its subscriber classification methodology had no direct impact on Sky Deutschland's financial condition. However, the DPR recently concluded an investigation into the accuracy of Sky Deutschland AG's consolidated and unconsolidated financial statements for 2007, its interim consolidated financial statements for the six month period ended June 30, 2008 and the corresponding (group) management reports (*(Konzern-)Lageberichte*). On June 15, 2010, the DPR issued its final assessment with regard to the aforementioned review, confirming its view that Sky Deutschland violated its reporting obligations with respect to all reviewed accounting and reporting matters under the applicable provisions. Sky Deutschland did not agree with the outcome of the investigation conducted by the DPR and the DPR informed the BaFin about the results of the investigation and the disagreement of Sky Deutschland with these results. Therefore, on July 26, 2010, the BaFin started its own investigations into the accuracy of Sky Deutschland AG's consolidated and unconsolidated financial statements for 2007, its interim consolidated financial statements for the six month period ended June 30, 2008 and its corresponding (group) management reports (*(Konzern-)Lageberichte*). Should the BaFin and possible judicial reviews confirm the DPR decision, this could lead to administrative fines and corrections of Sky Deutschland's consolidated and unconsolidated financial statements as well as claims for damages by third parties based on the fact patterns examined by the DPR. See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*".

- *Packaging and pricing structure.* Starting July 4, 2009, Sky Deutschland implemented a new pricing and packaging structure based on a buy-through model, as has already been successfully introduced in other European pay-TV markets, including the United Kingdom and Italy. Under this model, new subscribers are offered a basic package ("Sky Welt") comprised of channels representative of Sky Deutschland's programming. Unlike under the old packaging structure, premium packages, such as the German football league ("*Fußball-Bundesliga*"), other sport events ("Sport") or the film package ("Film"), may only be elected in combination with the basic package. Under the old model, which is no longer marketed, customers could subscribe to each package separately. Further, Sky Deutschland significantly expanded its content broadcast by means of HDTV quality against payment of an additional fee. The new model and the expanded HDTV offering have resulted in increased subscription revenues and ARPU, and, because they have resulted in significant price increases for customers who had not subscribed

to a premium package under the old model (so-called "Flex" customers), they have also driven the churn rate during the migration period.

- *Sky Deutschland's arrangements with respect to the matches of the German football league (Fußball-Bundesliga).* A key element of Sky Deutschland's pay-TV offering is the live broadcasting of the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*). In the three years ended December 31, 2007, 2008 and 2009 and in the six month period ended June 30, 2010, the contractual basis on which Sky Deutschland broadcasted these sporting events changed materially. In November 2008, DFL Deutsche Fußball Liga GmbH ("**DFL**") awarded Sky Deutschland a direct license for the 2009/2010 through 2012/2013 seasons. In return, Sky Deutschland agreed to pay staggered fees ranging from approximately €225 million for the 2009/2010 season to approximately €275 million for the 2012/2013 season plus an amount equal to 6.5% of the seasonal license fee on account of production costs.

  Through this license, Sky Deutschland reacquired the direct rights to the live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) that it had held prior to the 2006/2007 through 2008/2009 seasons, the rights to which were awarded to Arena (with respect to cable and satellite transmissions) and Deutsche Telekom AG ("**Deutsche Telekom**") (with respect to IPTV transmissions). As a result, Sky Deutschland experienced a large number of cancellations in 2006 and 2007, which reduced the number of its subscribers. In addition, a significant number of subscribers switched to lower-priced packages, which led to a decline in its ARPU. The loss of the Bundesliga license also caused a rise in Sky Deutschland's customer service costs and marketing expenses as it sought to counteract the effects of the loss of the license.

  In 2007, Sky Deutschland entered into a sublicense agreement with Arena with respect to the cable and satellite pay-TV rights, as well as the broadcasting rights for Sky Sports Bars, for all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) for the 2007/2008 and 2008/2009 seasons. As part of its arrangements with Arena, Sky Deutschland acquired certain contracts related to the TV production of the German football league (*Fußball-Bundesliga*) and related employees. The acquisition was treated as a business combination under IFRS 3. The purchase price amounted to €315.1 million and comprised (1) an amount of €288.1 million reflecting the value of 16,400,000 Sky Deutschland AG shares issued to Arena, (2) an amount of €24.4 million reflecting additional cash payments to Arena and (3) other costs of €2.6 million. Of the total amount, €66.7 million was allocated to deferred taxes, with the balance of €248.4 million shown as goodwill. The accounting treatment of the Arena Transaction is currently in dispute, as an investigation conducted by the DPR came to the conclusion that the Arena Transaction may not be accounted for as business combination. See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*". The sublicense fees, which were in the low triple-digit million euro range, were recognized as cost of sales, the deferred tax asset was subject to reversal in accordance with the tax amortization schedule, whereas the goodwill is not amortized but is instead periodically tested for impairment.

- *Piracy.* In 2007 and 2008, Sky Deutschland suffered substantial damage when TV receivers capable of circumventing its encryption system became available on the market, which gave a large number of people the ability to access Sky Deutschland's programming without payment of a subscriber fee. In response, Sky Deutschland replaced the system with a new encryption system that relies on two separate encryption technologies: a new version of the Nagravision system and a separate encryption system developed by NDS Technologies France SAS and NDS Limited (together, "**NDS**"). The migration of Sky Deutschland's subscribers to the new system was completed on November 10, 2008. However, it took Sky Deutschland a considerable amount of time to implement the new system, during which time anyone who owned the necessary equipment had free access to Sky Deutschland's programming. For further information see "*Risk Factors—General Risks Related to Sky Deutschland's Business—*

Sky Deutschland's encryption technologies have been circumvented in the past and may be circumvented in the future".

- *Rebranding of the Company.* In May 2009, the Management Board and Supervisory Board of Sky Deutschland AG decided to re-brand the Company and to operate under the "SKY" brand from thereon. The discontinuation of the former "PREMIERE" brand led to a write-off of the carrying amount of the trademarks Sky Deutschland formerly used including, in particular, of the "PREMIERE" trademark in the amount of €331.6 million. The write-off generated deferred tax income in the amount of €77.7 million, resulting from the reversal of temporary differences between the carrying amount of the trademark in accordance with IFRS and its tax basis. The "SKY" trademark is not owned by Sky Deutschland but licensed from British Sky Broadcasting Group plc ("**BSkyB**"), with which the Company entered into a trademark sub-licensing agreement stipulating license fees, which are recorded as selling expenses. See "*Related Party Transactions—Trademark Sub-Licensing Agreement*" for further information regarding the trademark sub-licensing agreement. In addition, the Company launched a marketing campaign to introduce the "SKY" brand to its current and prospective customers, spending approximately €10 million, and implemented a new subscriber management system, which led to an increase in general and administrative expenses.

- *Financing structure, capital measures and interest rate fluctuations.* Sky Deutschland's results have been and will continue to be materially influenced by the degree of its indebtedness, the terms and conditions of its credit facilities and prevailing interest levels. In 2008, Sky Deutschland negotiated new credit facilities in an aggregate amount of €525 million. These facilities replaced the Company's previous debt facilities. The new facilities include operational and financial covenants, and a breach of any of these covenants would result in an event of default.

  The Company recently entered into a financial support agreement (FSA) with News Adelaide and News Corporation, under which News Adelaide committed to support the Company in raising financing in an aggregate amount of €340 million (gross). See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information on the financial support agreement. Sky Deutschland has agreed on an amendment to the credit facilities with its syndicate banks to (i) avoid mandatory repayment of the credit facilities from the proceeds of the offering or the other financing measures described in the financial support agreement, (ii) adjust financial covenants and other restriction to reflect the intended use of proceeds and payments in connection with the financing and(iii) avoid a breach of financial covenants that would have occurred at some point in time, and which would have entitled the lenders to terminate the credit facilities and demand repayment of the outstanding amounts, Sky Deutschland has agreed on an amendment to the credit facilities with its syndicate banks. The amendment and waiver agreement to the credit facilities was entered into on August 2, 2010 and has partially become effective after the Company entered into the FSA. Certain of these amendments are subject to the condition subsequent that the Company has entered into agreements under which it may draw new financing in the amount of €80 million net by October 31, 2010 and €340 million gross by December 31, 2010. This condition subsequent does not apply if the Company has actually received the amounts prior to the mentioned dates. Further, the actual receipt of the Total Funding Amount on or before January 31, 2011 is an additional condition subsequent for this amendment and waiver agreement. Interest on the amended credit facilities is determined on the basis of EURIBOR plus a margin of 3.75%, which for the term loans increases in two steps to 6.00% in 2012. Therefore, interest rates have had and are likely to continue to have a material effect on Sky Deutschland's results. Sky Deutschland has taken out interest rate swaps to hedge a portion of its interest rate exposure. One of the tranches of the term loan is subject to a payment in kind ("**PIK**") clause; the last capitalization of interest payable on this tranche shall occur on December 31, 2011. A PIK clause means that interest accruing during the remaining term of the loan is not paid at the end of each interest period but is instead added to the outstanding principal and paid upon repayment of the loan. The outstanding principal of Sky Deutschland's debt will increase during each period during which a PIK clause applies. Accordingly, Sky Deutschland expects to have to dedicate a substantial portion of its future operating cash flow to service its debt. For more information, see "*—Liquidity and Capital Resources*". The indebtedness of Sky Deutschland could substantially increase in the near future if the Company and News Adelaide enter into the Shareholder Loan. See "*Related Party Transactions—*

Relationship with News Corporation—Financial Support Agreement" for further information on the Shareholder Loan.

- *Exchange rate fluctuations.* Because Sky Deutschland sources a significant part of its programming from the United States or under licensing agreements which provide that the licensing fees shall be payable in U.S. dollars, the bulk of its movie license costs and a portion of its sports license costs and third-party channel license costs, which together constitute substantial components of Sky Deutschland's programming costs (which in turn form part of Sky Deutschland's cost of sales), are denominated in U.S. dollars. In addition, payments under the trademark sub-licensing agreement with BSkyB (which constitute part of selling expenses) are payable in British pounds. See "*Related Party Transactions—Relationship with News Corporation—Trademark Sub-Licensing Agreement*" for further information regarding the trademark sub-licensing agreement. At the same time, given the geographic focus of its business, Sky Deutschland's revenues are denominated in euros. Accordingly, any increase in the value of the U.S. dollar or the British pound relative to the euro has the effect of increasing Sky Deutschland's reported programming costs and selling expenses, while any decrease has the opposite effect. In 2008, based on the exchange rates published on December 31, 2008, the U.S. dollar strengthened relative to the euro by approximately 5.2% and the British pound weakened relative to the euro by approximately 28.5% (*Source: http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html*). In 2009, based on the exchange rates published on December 31, 2009, the U.S. dollar weakened relative to the euro by approximately 3.9% and the British pound strengthened relative to the euro by approximately 7.6% (*Source: http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html*). In the six month period ended June 30, 2010, based on the exchange rates published on June 30, 2010, the U.S. dollar strengthened relative to the euro by approximately 14.7% and the British pound strengthened relative to the euro by approximately 8.3% (*Source: http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html*). Sky Deutschland has historically used forward currency contracts to hedge its U.S. dollar exposure. However, in October 2008, as part of its efforts to increase its short-term liquidity, Sky Deutschland disposed of almost all of these contracts. Until October 2008, changes in the fair value of these contracts were included in programming costs. Since October 2008, changes in the fair value of these contracts and the gain realized upon their disposition have been included in other financial result. Beginning with the second quarter of 2009, Sky Deutschland has entered into new foreign forward currency contracts with regard to U.S. dollars and British pounds, which have been accounted for using "hedge accounting". The effective portion of changes in the fair value of these derivatives is recognized in other comprehensive income within equity, the ineffective portion is reported in profit and loss.
- *Amortization of subscriber base and other intangible assets.* The subscriber base, which primarily relates to the acquisition of the original Premiere pay-TV business, is being amortized on a pro rata base over a useful life of eight years starting in 2003 in light of the expected cancellation rate and the development of the ARPU. In the past, this has led to yearly amortization of about €49 million and the book value of the subscriber base as of June 30, 2010 amounted to €34.4 million. The customer base is scheduled to be primarily amortized by February 2011. However, circumstances may arise in which, as a result of an impairment test, all of its value would have to be written down before then. In addition, Sky Deutschland has recorded goodwill and other intangible assets in an amount of €707.5 million as of June 30, 2010. Impairment tests are carried out in the Group each year as of September 30 or whenever circumstances exist that indicate that the carrying amount of the goodwill is impaired. Circumstances may arise in which, as a result of an impairment test, all or a portion of the value of goodwill and other intangible assets may have to be written down.
- *Seasonality.* Sky Deutschland typically incurs higher selling and marketing expenses in the fourth quarter of each year, which leads to an increase in revenues and the number of subscribers over a period of several months. Further seasonal fluctuations result from the fact that Sky Deutschland recognizes sports license costs based on when the underlying events occur, resulting in lower costs in months in which fewer events take place.

Basis of Presentation

Sky Deutschland AG's consolidated financial statements have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a

paragraph 1 HGB. See "*Selected Financial and Operational Data*" for a presentation of selected financial data.

To improve the usability of the reporting and to align internal and external reporting, Sky Deutschland decided to implement a New Reporting Structure with the beginning of the financial year 2010. Sky Deutschland modified the allocation of certain expenses to the individual expense items in the Group's consolidated statement of total comprehensive loss due to the new pricing structure. The reclassification affected cost of sales, selling expenses and general and administrative expenses. In connection with the implementation of its New Reporting Structure, Sky has also changed the allocation of its different types of revenues to the sub-items of the revenues line item and renamed certain sub-items. The New Reporting Structure is reflected in the consolidated interim financial information for the six month period ended June 30, 2010 (including the comparative information for the six month period ended June 30, 2009, contained herein). For the year ended December 31, 2009, the changes that would have to be made to conform the old reporting structure to the New Reporting Structure are presented for illustrative purposes in a separate column in the respective table. These adjusted figures are not further discussed.

On May 10, 2007, Sky Deutschland bought 65% of HoH, a company engaged in the distribution, sale and marketing of electronic articles, primarily in the entertainment electronics sector, via its own internet portal. The remaining 35% was subject to a put-call agreement. On December 12, 2008, Sky Deutschland sold its entire stake in HoH to a third party. In connection with the sale of Sky Deutschland's stake in HoH, the put-call agreement was terminated as well. Because HoH constituted a separate major line of business of Sky Deutschland in the past, Sky Deutschland's 2008 statement of operations, including the 2007 comparative information included therein, shows HoH's results under "Result from discontinued operations". Accordingly, to enhance the comparability of the financial information set forth in this Prospectus across periods, the following discussion focuses on the comparative 2007 information included in Sky Deutschland AG's 2008 audited consolidated financial statements (the "**Adjusted 2007 Statement of Operations Data**").

The Group consists of a single segment.

In the fourth quarter of 2008, the DPR initiated an investigation of the Company's consolidated and unconsolidated financial statements for 2007, its interim consolidated financial statements for the six month period ended June 30, 2008, and its related management reports. In the course of its investigation, the DPR found:

i. that the Company's subscriber figures were reported with insufficient transparency in these financial statements and reports (see "*—Key Factors Influencing Sky Deutschland's Results and Operating Performance—Subscriber base & churn rate*" for a description of Sky Deutschland's current and former subscriber classification methodology);

ii. that the management report of the Company and the Group for 2007 did not comprehensively illustrate the development of the Company's financial position and results of operations and that additional trend disclosures (*Trendaussagen*) should have been made;

iii. that the interim management report of the Company and the Group for the six month period ended June 30, 2008 should have disclosed that for the nine month period ended September 30, 2008 the Company was in danger of breaching a financial covenant contained in its former credit facilities (see "*Business Description—Restructuring and Relaunch of the Company's Business*" for a description of the financial difficulties Sky Deutschland experienced in 2008);

iv. that the cost of sales reported in Sky Deutschland's interim consolidated financial statements for the six month period ended June 30, 2008 was understated in the amount of at least €10 million because costs in connection with the licensing of free-TV rights to 18 matches, and of pay-TV rights to all matches, of the FIFA World Cup were not properly allocated between the rights transferred and the free-TV and pay-TV rights retained by Sky Deutschland; and

v. that it was not appropriate for the Company to account for its sublicense agreement with Arena, a subsidiary of Unitymedia, and the related acquisition of certain production assets and contracts and the transfer of certain employees as a business combination under IFRS 3. In this context, the DPR also found against the Company 's accounting treatment in its unconsolidated German GAAP financial statements of the Bundesliga rights acquired (see "*—Key Factors Influencing Sky Deutschland's Results and Operating Performance—Sky Deutschland's*

arrangements with respect to the matches of the German football league (Fußball-Bundesliga)" for a description of the Arena Transaction).

On June 10, 2010, Sky Deutschland issued an objection to each of the DPR's conclusions. As a result, the financial accounting and reporting matters referred to above, and the findings of the DPR, are currently the subject of review by the BaFin. Should the BaFin confirm the DPR's findings, and, if applicable, should this confirmation be upheld in any judicial proceedings Sky Deutschland may bring to challenge it, this could lead to a material decline in Sky Deutschland's share price, administrative fines against the Company, and corrections to both its consolidated and unconsolidated financial statements, as well as to claims for damages by third parties based on the subject matter of the DPR's findings. Any of these developments could materially adversely affect Sky Deutschland's business, results of operations and financial condition. In particular, the unconsolidated financial statements of the Company for 2007 and, if the possible violation of reporting obligations adversely affects the unconsolidated financial statements of the Company for the following years, these financial statements may be declared void. Further, the Company may have to adjust the Group's consolidated financial statements in future years in order to reflect items (iv) and (v) above. The adoption of the interpretation of IFRS as taken by the DPR regarding the allocation of costs in connection with the sub-licensing of free-TV rights for the FIFA World Cup 2010 to RTL would have resulted in an increase of cost of sales in 2008 by at least €10 million, thus resulting in a corresponding increase in gross loss and a corresponding deterioration in results from operations, result before taxes and result for the period in 2008. On the balance sheet, such adoption would have resulted in a corresponding decrease in equity attributable to stockholders and higher trade payables. For the financial statements for the year 2010, such adoption would have had a reverse effect (decrease in cost of sales, decrease in loss). An adoption of the interpretation of IFRS as taken by the DPR regarding the non-recognition of the Arena Transaction as a business combination under IFRS 3 would result in a decrease of the Group's goodwill by €248.4 million, a corresponding increase in the Group's loss and in the Group's retained deficit, further resulting in a corresponding decrease of the Group's equity attributable to stockholders in the same amount.

Results of Operations

Revenues

Overview and Change in Revenue Reporting Structure

The following table provides a breakdown of Sky Deutschland's revenues by type as well as an overview of its average number of subscribers and ARPU for each of the periods indicated.

	2007[1]	2008[2]	2009[3]	2009 (adjusted)[4]	Jan. 1 - June 30 2009[5]	Jan. 1 - June 30 2010[5]
	(€ in millions, unless otherwise indicated)*					
	(extracted or derived from audited financial statements)			(unaudited)	(extracted or derived from reviewed financial statements)	
Subscription and Pay Per View (Direct)/Subscription Revenues[6][7]	705.3	695.4	749.0	743.0	356.8	426.2
Subscription and Pay Per View (Other than Direct)/Wholesale Revenues[6][8]	49.9	74.4	39.0	39.0	30.5	7.2
Receiver Sales & Rental/Hardware Revenues[6][9]	61.4	47.5	41.3	47.4	31.2	12.0
Magazine & Advertising/Advertising revenues[6][10]	52.0	31.0	20.7	15.7	7.6	9.0
Other revenues[11]	68.6	92.8	52.1	56.9	37.2	16.5
Total	**937.2**	**941.1**	**902.1**	**902.1**	**463.3**	**470.9**
Average number of subscribers (in thousands, unaudited)[12][13]	2,615	2,467	2,434	2,434	2,382	2,473
Churn rate (in %, 12-months rolling) (unaudited)[12][14]	25.9	23.1	21.6	21.6	22.4	20.1
Programming ARPU (unaudited)[12][15] (€)	22.48	23.49	25.46	25.46	25.20	28.62

* Columns may not add due to rounding.

(1) Figures extracted or derived from the Adjusted 2007 Statements of Operations Data.
(2) Figures extracted or derived from Sky Deutschland AG's 2008 audited consolidated financial statements.
(3) Figures extracted or derived from Sky Deutschland AG's 2009 audited consolidated financial statements.
(4) Figures reflect the New Reporting Structure, as if the New Reporting Structure had been applied in 2009, and are prepared by the Company from its accounting records.
(5) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.
(6) The first caption relates to the Group's consolidated financial statements for the years 2007 through 2009, the second caption relates to the New Reporting Structure, presented in this table for the year 2009 in the "2009 (adjusted)" column as well as for the six month period ending June 30, 2010 and the comparative data for the same period ending June 30, 2009.
(7) Prior to the implementation of the New Reporting Structure, subscription and pay per view revenues (direct) were reported as a separate sub-component (direct subscribers) of subscription and pay per view revenues. Under the New Reporting Structure, the subscription revenues refer to revenues from the sale of digital program subscriptions, for which the subscriber pays a fee, as well as revenues from both sportsbar and hotel subscriptions. For an explanation of modifications made under the New Reporting Structure, see "*—Subscription Revenues*" below.
(8) Prior to the implementation of the New Reporting Structure, subscription and pay per view (other than direct) revenues comprised all subscription and pay per view revenues other than revenues from direct subscribers. The Company communicated that part of the subscription and pay per view revenues under the caption wholesale subscription revenues prior to the implementation of the New Reporting Structure. Wholesale revenues refer to revenues generated from supplying cable providers with Sky Deutschland content and other wholesale agreements. For an explanation of modifications made under the New Reporting Structure see "*—Wholesale*" below.
(9) Hardware revenues comprise revenues from selling and renting receivers, revenues generated by the technical services and revenues from installation services. For an explanation of modifications made under the New Reporting Structure see "*—Hardware*" below.
(10) Advertising revenues include revenues from advertising on TV, magazine and other media platforms. For an explanation of modifications made under the New Reporting Structure see "*—Advertising*" below.
(11) Other revenues include sub-licensing and other revenues. For an explanation of modifications made under the New Reporting Structure see "*—Other revenues*" below.
(12) In its ad-hoc release dated October 2, 2008, Sky Deutschland announced that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers and exclude other subscribers who generated only limited or no revenues. The new subscriber classification methodology resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in its reported ARPU. See footnote 6 of "*Selected Financial and Operational Data—Selected Consolidated Operational Data*".
(13) The average number of subscribers for a given period is defined as (a) the sum of the number of direct subscribers at the beginning of the period and the number of direct subscribers at the end of the period (b) divided by two. Since the average number of subscribers only reflects the subscriber base at the beginning and the end of each period, it does not account for any intra-period fluctuations.
(14) Is defined as the number of subscribers that terminated their subscription during the course of a 12-month period, divided by the average number of subscribers in that period.
(15) ARPU is defined as monthly average subscription revenues for a given period divided by the average number of direct subscribers in such period. See footnote 8 of "*Selected Financial and Operational Data—Selected Consolidated Operational Data*".

Subscription Revenues

Prior to the implementation of the New Reporting Structure, subscription revenues were reported as a separate sub-component (direct subscribers) of subscription and pay per view revenues. These comprise revenues from subscription-based pay-TV (including sportsbar and hotel subscriptions) and activation fees from new subscribers and, to a lesser extent, revenues from sports and other events. With the implementation of the New Reporting Structure, certain adjustments have been made. Under the New Reporting Structure, the activation fees from new subscribers have been moved to hardware revenues. In turn, revenues generated through direct sales of *tv Digital* magazine subscriptions (in contrast to commissions received for the procurement of new subscribers) have been moved from advertising to subscription revenues.

Advance payments from subscribers are deferred and recognized as revenue on a straight-line basis over the term of the subscription. The revenues from sports and other events are recorded in the period in which the performance of the relevant program takes place. Subscription revenues in any given period are driven primarily by the number of subscribers and ARPU during such period.

Wholesale

Prior to the implementation of the New Reporting Structure, wholesale revenues comprised all subscription and pay per view revenues other than revenues from direct subscribers. The Company communicated that part of the subscription and pay per view revenues under the caption wholesale subscription revenues prior to the implementation of the New Reporting Structure. These revenues comprise revenues from supplying cable providers in Germany, Austria and Switzerland with Sky Deutschland content, such as supplying Arena with the Fußball Bundesliga signal (until June

2009) and Teleclub in Switzerland with Sky Deutschland's programming as well as revenues from other wholesale agreements.

The revenues are shown, when Sky Deutschland provides services to the partners.

Advertising

Prior to the implementation of the New Reporting Structure, advertising revenues were reported as magazine and advertising revenues and comprised (1) commissions received for the procurement of new subscribers to the *tv Digital* magazine under Sky Deutschland's cooperation with Axel Springer AG and the procurement of new subscribers to BLUE MOVIE and related platform and dissemination services under Sky Deutschland's cooperation agreement with tmc Content Group AG ("**tmc**") and (2) revenues from the sale of advertising time for commercials between its programs. Following the implementation of the New Reporting Structure, the commissions referred to under (1) no longer form part of advertising revenues but are allocated to other revenues.

Hardware

Prior to the implementation of the New Reporting Structure, hardware revenues were reported as receiver sales/rental revenues and comprised revenues from the rental and sale of receivers to subscribers as well as revenues generated from technical services. With the implementation of the New Reporting Structure, certain adjustments have been made. Activation fees from new subscribers previously allocated to a sub-component of subscription revenues (direct subscribers) are now allocated to hardware revenues, as are revenues from installation services, which were previously reported in other revenues.

Revenues from the sale of receivers are recorded when the risk is transferred. Revenues from the lease of receivers are classified as revenues from operating leases and recognized on a straight-line basis over the term of the lease. Revenues from technical services and from installation services are recorded when the service is provided. Activation fees are recognized over the period of the subscription. If a subscription is sold together with a receiver, the revenues from the sale of the receiver are determined by deducting the present value of a stand-alone program subscription from the total sales price.

Other revenues

Other revenues include (1) revenues in the amount of €32.5 million in 2007, €32.6 million in 2008 and €16.3 million in 2009 generated under Sky Deutschland's production of the German football league (*Fußball-Bundesliga*) for IPTV broadcasts, (2) revenues in the amount of €22.6 million in 2007, €45.5 million in 2008 and €21.5 million in 2009 relating to (a) the sublicensing of programming rights to other TV companies and (b) in 2008, the assignment of the free-TV rights to certain matches of the FIFA World Cup in South Africa in 2010, which were granted to Sky Deutschland by FIFA in 2005, to RTL, as well as (3) revenues in the amount of €3.2 million in 2007, €3.7 million in 2008 and €3.1 million in 2009 relating to platform and distribution services provided by Sky Deutschland. See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*" for information regarding an investigation by the DPR with respect to the transaction with RTL.

After the implementation of the New Reporting Structure, magazine revenues, which comprise commissions received for the procurement of new subscribers to the *tv Digital* magazine under Sky Deutschland's cooperation with Axel Springer AG and the procurement of new subscribers to BLUE MOVIE and related platform and dissemination services under Sky Deutschland's cooperation agreement with tmc, were added to other revenues. In turn, revenues from installation services were allocated to hardware revenues.

Commissions are realized at the time the amounts to which they relate are billed to subscribers.

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

Revenues increased by 1.6% from €463.3 million in the six month period ended June 30, 2009 to €470.9 million in the six month period ended June 30, 2010, mainly driven by a strong increase in subscription revenues of €69.4 million, or 19.5%, reflecting the increased ARPU (€28.62 in the six month period ended June 30, 2010 compared to €25.20 in the six month period ended June 30, 2009) and, to a lesser extent, the net growth in subscriber numbers. This effect was largely offset by decreasing wholesale, hardware and other revenues. Wholesale revenues dropped by €23.3 million or 76.4% mainly as a result of the end of the cooperation with Arena regarding cable broadcasts of the German football league (*Fußball-Bundesliga*) with the end of the 2008/2009 season. Hardware revenues declined by €19.2 million or 61.6%. This decrease mainly reflects Sky Deutschland's strategy to provide customers with a rental receiver against payment of a one-time activation fee and not to primarily sell these receivers to its subscribers. Other revenues were €20.7 million or 55.7% lower than in the preceding period, mainly driven by the lapse of Sky Deutschland's production of the German football league (*Fußball-Bundesliga*) for IPTV broadcasts.

2009 compared with 2008

Revenues declined by 4.2%, from €941.1 million in 2008 to €902.1 million in 2009, mainly driven by a decrease in other revenues of €40.7 million, a decrease in subscription and pay per view (other than direct) revenues of €35.4 million and, to a lesser extent, a decrease in magazine and advertising revenues of €10.3 million. The decline in other revenues was mainly driven by three factors: (i) one-time license revenues generated in 2008 by the assignment of the free-TV rights to certain matches of the FIFA World Cup in South Africa in 2010 to RTL and no equivalent one-time effects in 2009, (ii) the end of Sky Deutschland's production of the German football league (*Fußball-Bundesliga*) for IPTV broadcasts in mid-2009, whereas these broadcasts generated revenues over the entire year in 2008, and (iii) the end of the sub-licensing of the live broadcasting rights to a selection of the matches of the UEFA Champions League with the end of the 2008/2009 season. The decline in wholesale subscription revenues was mainly driven by (i) the end of the cooperation with Arena regarding cable broadcasts of the German football league (*Fußball-Bundesliga*) with the end of the 2008/2009 season and (ii) the termination of the wholesale agreement with Deutsche Telekom. The decline in magazine and advertising revenues was mainly driven by lower advertising spending on the part of Sky Deutschland's customers as a result of the economic crisis. In addition, receiver sales/rental revenues decreased mainly due to decreased receiver sale revenues resulting from the relaunch of the Group's business in mid-2009 and the strategy to provide customers with a rental receiver against payment of a one-time activation fee and not to primarily sell these receivers to subscribers. The decrease in receiver sales/rental revenues was mitigated by one-time sales revenues due to a receiver sale to a cable network operator in the first quarter of 2009. The negative effects were partly offset by increased revenues from direct subscribers due to the growth in the number of monthly contract subscribers as well as an increase in Sky Deutschland's ARPU from €23.49 to €25.46.

2008 compared with 2007

Revenues increased by 0.4%, from €937.2 million in 2007 to €941.1 million in 2008, driven by an increase in other revenues, mainly resulting from Sky Deutschland's assignment of the free-TV rights to certain matches of the FIFA World Cup in South Africa in 2010 to RTL. The rise also reflected a slight increase in subscription and pay-per-view revenues, resulting exclusively from a rise in wholesale subscription revenues. By contrast, retail subscription and pay-per view revenues declined, as an increase in Sky Deutschland's ARPU, from €22.48 to €23.49 resulting from higher sales of Sky Deutschland's Fußball Bundesliga package, was more than offset by a decrease in its average number of subscribers, from approximately 2.6 million in 2007 to approximately 2.5 million in 2008, due mainly to the impact of piracy. Negative developments resulted from a drop in advertising revenues, reflecting the impact of the economic slowdown that began in 2008 and a decline in receiver sales/rental revenues, driven by lower sales of receivers.

Cost of sales

Overview

The following table provides a breakdown of Sky Deutschland's cost of sales by type for each of the periods indicated.

	2007[1]	2008[2]	2009[3]	2009 (adjusted)[4]	Jan. 1 - June 30 2009[5]	Jan. 1 - June 30 2010[5]
	(€ in millions, unless otherwise indicated)*					
	(extracted or derived from audited financial statements)			(unaudited)	(extracted or derived from reviewed financial statements)	
Programming costs[6]	563.2	640.0	717.0	720.4	360.8	378.0
Transmission/Technology costs[7]	89.4	125.2	133.9	133.9	65.2	71.2
Hardware costs[8]	87.2	67.0	53.0	58.5	32.2	18.2
Customer service costs[9]	64.6	52.0	51.4	50.9	24.2	30.7
Total	**804.5**	**884.2**	**955.3**	**963.7**	**482.5**	**498.1**
Average number of subscribers (in thousands, unaudited)[10][11]	2,615	2,467	2,434	2,434	2,382	2,473
Cost of sales per subscriber (unaudited)[10][12](in €)	308	359	392	396	203	201

* Columns may not add due to rounding.

(1) Figures extracted from the Adjusted 2007 Statements of Operations Data.

(2) Figures extracted from Sky Deutschland AG's 2008 audited consolidated financial statements.

(3) Figures extracted from Sky Deutschland AG's 2009 audited consolidated financial statements.

(4) Figures reflect the New Reporting Structure, as if the New Reporting Structure had been applied in 2009, and are prepared by the Company from its accounting records.

(5) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

(6) For an explanation of modifications made under the New Reporting Structure see "*—Programming costs*" below.

(7) The first caption relates to the Group's consolidated financial statements for the years 2007 through 2009, the second caption relates to the New Reporting Structure, presented in this table for the year 2009 in the "2009 (adjusted)" column as well as for the six month period ending June 30, 2010 and the comparative data for the same period ending June 30, 2009. For an explanation of modifications made under the New Reporting Structure see "*—Technology costs*" below.

(8) For an explanation of modifications made under the New Reporting Structure see "*—Hardware costs*" below.

(9) For an explanation of modifications made under the New Reporting Structure see "*—Customer service costs*" below.

(10) In its ad-hoc release dated October 2, 2008, Sky Deutschland announced that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers and exclude other subscribers who generated only limited or no revenues. The new subscriber classification methodology resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in its reported ARPU. See footnote 6 of "*Selected Financial and Operational Data—Selected Consolidated Operational Data*".

(11) The average number of subscribers for a given period is defined as (a) the sum of the number of direct subscribers at the beginning of the period and the number of direct subscribers at the end of the period (b) divided by two. Since the average number of subscribers only reflects the subscriber base at the beginning and the end of each period, it does not account for any intra-period fluctuations.

(12) Cost of sales per subscriber for a given period is defined as cost of sales for such period divided by the average number of subscribers in that period. The allocation of certain cost item to the respective line items has been modified and resulted in an amendment of the cost of sales position, thus resulting in an amendment of the cost of sales per subscriber.

Programming costs

Prior to the implementation of the New Reporting Structure, programming costs comprised the costs of Sky Deutschland's film, sports and other programming, primarily the costs of sports licenses, movies and third-party channels, together with production costs. Programming costs also include changes in the fair value of the forward currency contracts entered into prior to 2009 to hedge the resulting U.S. dollar exposure. Since October 2008, changes in the fair value of these contracts and the gain realized upon their disposition have been included in other financial result. With the beginning of the second quarter of 2009, the Company has applied hedge accounting with respect to its U.S. dollar and British pound exposure (see "*—Critical Accounting Policies—Derivative financial instruments*" for further information on hedge accounting). With the implementation of the New Reporting Structure certain adjustments have been made. Platform promotion costs for Creation Club (CC) GmbH, which was renamed Sky Creative Services GmbH ("**Sky Creative Services**"),

were previously allocated to expenses for direct sales and other selling expenses as part of selling expenses. Under the New Reporting Structure, they are allocated to programming costs.

Sports license costs typically consist of flat fees irrespective of subscriber numbers, although some licenses provide for the agreed fees to increase over the term of the license. Movie license costs have both fixed and variable components and are driven primarily by subscriber numbers, the number of movies broadcast and the box office success of the relevant movies. Under Sky Deutschland's output agreements with movie studios, especially those with the major Hollywood studios, the license fee payable per movie is generally calculated as the product of a factor that represents the value of the movie multiplied by the number of subscribers who are entitled to view the movie. The designated value of the movie depends on its success at the German box office, with more popular movies being assigned a higher value. Likewise, many of Sky Deutschland's agreements with third-party channel providers contain provisions that tie the license fees to the number of subscribers who are entitled to view the channel. Several of these agreements stipulate a minimum number of subscribers for which Sky Deutschland is required to pay license fees. Sky Deutschland currently does not meet the minimum subscriber requirements in most of its output agreements with the major Hollywood movie studios. Therefore, under these agreements Sky Deutschland must pay an amount per subscriber that is higher than what it would be if the relevant thresholds were met. In addition, in accordance with industry practice, many of Sky Deutschland's licenses provide for a gradual increase in the designated movie values and required minimum number of subscribers over the course of the license term. Sky Deutschland recognizes programming costs in any given period based on a comparison of the actual number of broadcasts during such period with the expected total number of broadcasts over the term of the license. If unused broadcasts are expected to be available at the end of the license period, an impairment loss is recognized immediately in full. The timing of the underlying cash flows may be different. Costs for one-time sports events are recognized when the event is broadcast. A portion of Sky Deutschland's sports license costs and the bulk of its movie license costs are denominated in U.S. dollars.

Technology costs

Prior to the implementation of the New Reporting Structure, technology costs were reported as transmission costs. These costs comprise licensing fees payable to cable network operators for distributing Sky Deutschland's programming, transponder costs, and encryption and satellite uplink costs, together with other transmission costs. The New Reporting Structure did not result in any changes in the composition of technology costs.

Fees paid to cable network operators generally have both fixed and variable elements that depend on the number of subscribers. Encryption costs are determined on the basis of subscriber numbers. Sky Deutschland's contracts generally provide for costs per subscriber to decline as the number of subscribers increases. Satellite transponder costs are generally fixed and payable in monthly installments.

Hardware costs

Prior to the implementation of the New Reporting Structure, hardware costs comprised the cost of sales for receivers, depreciation charges on receivers held as assets and all other receiver-related costs. With the implementation of the New Reporting Structure, logistic costs, primarily relating to service provider Loxxess Medienlogistik GmbH, which were previously allocated to dealer commissions and other selling expenses as part of selling expenses, are allocated to hardware costs, as are repairs at the customer's location, which were previously allocated to customer service costs.

Customer service costs

Prior to the implementation of the New Reporting Structure, customer service costs comprised the costs of service, call center operations, the program guide and customer relations, as well as other customer service costs. With the implementation of the New Reporting Structure, certain adjustments have been made. Telephone costs previously reported under customer service costs are allocated to general and administrative expenses (information technology expenses), whereas personnel costs relating to the management of the service center in Schwerin, Germany, which were previously allocated to general and administrative expenses (personnel, administrative expenses and other general and administrative expenses), are now allocated to customer service costs under the

New Reporting Structure. Repairs at the customer's location as well as magazine costs (editorial articles in the program guide), both previously allocated to customer service costs, are now allocated to hardware costs and other selling expenses, respectively.

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

Cost of sales slightly increased by 3.2% from €482.5 million in the six month period ended June 30, 2009 to €498.1 million in the six month period ended June 30, 2010, mainly due to increases in programming, technology and customer service costs. The increase of these costs was partially offset by decreased hardware costs. Programming costs increased by €17.2 million, mainly driven by increased costs for broadcasting the matches of the German football league (*Fußball-Bundesliga*) under the direct license awarded by the DFL to Sky Deutschland for the 2009/2010 through 2012/2013 seasons as well as by the costs for broadcasting the matches of the FIFA World Cup 2010 in South Africa. The increase in technology costs (€6.0 million) and customer service costs (€6.5 million) reflects the revised and adjusted business plan and strategy of Sky Deutschland to increase its HDTV offering and to improve its customer services. The decrease in hardware costs (€14.0 million) is primarily the result of a one-time effect in 2009 regarding the sale of receivers to a cable network provider.

2009 compared with 2008

Cost of sales increased by 8.0% from €884.2 million in 2008 to €955.3 million in 2009 due primarily to increased programming costs and, to a lesser extent, increased transmission costs (now reported as technology costs). The increase in programming costs was mainly driven by increased costs for broadcasting the matches of the German football league (*Fußball-Bundesliga*) under the direct license awarded by the DFL to Sky Deutschland for the 2009/2010 through 2012/2013 seasons and by first time recognition of license fees for the DFB Cup (*DFB-Pokal*) matches, which Sky Deutschland has been granted for the 2008/2009 season until the end of the 2011/2012 season, for a full year. In addition, Sky Deutschland experienced higher costs for other program licenses. The increase in programming costs in 2009 compared with 2008 was further driven by the absence of gains on the valuation of foreign currency forwards in 2009, which resulted in a decrease in programming costs by €22.4 million in 2008. Transmission costs primarily increased due to (i) higher encryption fees payable after the migration of subscribers to the new encryption system was completed on November 10, 2008 and recognized for a full year for the first time in 2009, and (ii) increased bandwidth costs for the transmission of additional HDTV channels in connection with the relaunch of Sky Deutschland. These effects were partly offset by a decrease in receiver costs. This decrease was mainly driven by two effects: (i) since the relaunch in July 2009, Sky Deutschland has focused more on renting receivers than on selling them, which led to a decrease in the cost of receiver sales compared to 2008 and (ii) in the third quarter of 2008, Sky Deutschland recognized impairment losses of €5.2 million on receivers, which was a one-time effect. Despite the higher costs in connection with the relaunch of Sky Deutschland in 2009, customer services costs remained at almost the same level as in 2008 due to the absence of costs incurred in 2008 to facilitate smartcard replacement.

2008 compared with 2007

Cost of sales increased by 9.9%, from €804.5 million in 2007 to €884.2 million in 2008, mainly on account of higher programming costs, particularly higher sports license costs, which rose from €73.3 million in 2007 to €159.3 million in 2008 as a result of regaining access to the broadcasting rights for all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) in the Arena Transaction. The effect of this increase was partially offset by gains arising from the revaluation of U.S. dollar forward currency contracts. The development also reflects an increase in transmission costs resulting from higher fees charged by cable networks to carry Sky Deutschland's programming. The effects of these developments were partially offset by a decrease in receiver costs due to lower sales of receivers and lower customer service costs reflecting efforts to streamline Sky Deutschland's customer service processes.

Selling expenses

Overview

The following table provides a breakdown of Sky Deutschland's selling expenses by type for each of the periods indicated.

	2007[1]	2008[2]	2009[3]	2009 (adjusted)[4]	Jan. 1 - June 30 2009[5]	Jan. 1 - June 30 2010[5]
	(€ in millions, unless otherwise indicated)*					
	(extracted or derived from audited financial statements)			(unaudited)	(extracted or derived from reviewed financial statements)	
Dealer commissions[6]	22.2	20.3	30.8	31.7	9.2	15.8
Selling expenses for direct sales[7]	16.2	18.2	25.1	26.2	11.8	10.8
Marketing expenses[8]	48.0	41.5	73.6	72.1	17.5	28.0
Bad debt provisions	9.5	9.9	9.4	9.4	4.4	3.9
Other selling expenses[9]	30.8	24.4	36.7	31.7	12.5	13.2
Total	**126.7**	**114.3**	**175.7**	**171.1**	**55.3**	**71.7**
New subscribers (in thousands, unaudited)[10]	516	435	597	597	228	230

* Columns may not add due to rounding.

(1) Figures extracted from the Adjusted 2007 Statements of Operations Data

(2) Figures extracted from Sky Deutschland AG's 2008 audited consolidated financial statements.

(3) Figures extracted from Sky Deutschland AG's 2009 audited consolidated financial statements.

(4) Figures reflect the New Reporting Structure, as if the New Reporting Structure had been applied in 2009, and are prepared by the Company from its accounting records.

(5) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

(6) Under the New Reporting Structure, certain minor adjustments to the allocation of cost items under dealer commissions have been made.

(7) Under the New Reporting Structure, certain minor adjustments to the allocation of cost items under selling expenses for direct sales have been made.

(8) Under the New Reporting Structure, certain adjustments have been made; in particular costs occurred in connection with the production of TV commercials have been moved to programming costs.

(9) Other selling expenses comprise internal sales-related overhead costs, such as production costs for promotional materials. Under the New Reporting Structure, certain adjustments have been made; in particular logistic costs have been moved to hardware costs, whereas costs in connection with the sale of magazine subscriptions, previously reported as part of customer service costs, have been moved to other selling expenses.

(10) In its ad-hoc release dated October 2, 2008 Sky Deutschland announced that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers and exclude other subscribers who generated only limited or no revenues. The new subscriber classification methodology resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in its reported ARPU. See footnote 6 of "*Selected Financial and Operational Data—Selected Consolidated Operational Data*".

Dealer commissions are commissions paid for retail sales. Selling expenses for direct sales comprises expenses for direct sales and advertising on free-TV channels. Marketing expenses mainly include media, online marketing and corporate communication expenses. Bad debt provisions comprise expenses relating to defaults by subscribers and other third parties. Other selling expenses include internal sales-related overhead costs, such as production costs for promotional materials.

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

Selling expenses increased significantly by 29.7% from €55.3 million in the six month period ended June 30, 2009 to €71.7 million in the six month period ended June 30, 2010. This increase is mainly a result of increased dealer commissions and marketing spending, resulting from increased activities to win new subscribers and to further enhance awareness of the trademark "SKY".

2009 compared with 2008

Selling expenses rose significantly by 53.8%, from €114.3 million in 2008 to €175.7 million in 2009. The significant increase in selling expenses mainly resulted from the relaunch of Sky Deutschland in mid-2009. The winning of new customers and the migration of existing customers to the new packaging structure led to increased dealer commissions. A sales project to implement the new packaging structure

as well as advertisements on free-TV channels contributed to the increase in selling expenses for direct sales. The significant increase in marketing expenses was primarily driven by the marketing campaign to advertise the new "SKY" trademark. Both the fees for sub-licensing the "SKY" trademark from BSkyB of €0.9 million and additional costs incurred from other sales cooperation are reflected in other selling expenses and contributed to the significant increase in 2009 compared to 2008.

2008 compared with 2007

Selling expenses declined by 9.8%, from €126.7 million in 2007 to €114.3 million in 2008, due to reduced marketing expenses and other selling expenses, driven by a lower level of marketing activity during the time when Sky Deutschland faced the piracy issue in 2008. The effects of this development were partially offset by higher selling expenses for direct sales as a result of an advertising campaign focused on communicating Sky Deutschland's ability to offer its subscribers access to the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) even though it had lost the direct license to broadcast these matches.

General and administrative expenses

Overview

The following table provides a breakdown of Sky Deutschland's general and administrative expenses by type for each of the periods indicated.

	2007[1]	2008[2]	2009[3]	2009 (adjusted)[4]	Jan. 1 - June 30 2009[5]	Jan. 1 - June 30 2010[5]
	(€ in millions, unless otherwise indicated)*					
	(extracted or derived from audited financial statements)			(unaudited)	(extracted or derived from reviewed financial statements)	
Information technology expenses[6]	22.2	28.6	34.3	32.6	15.4	18.6
Legal, consulting and administrative expenses[6]	24.3	25.3	28.4	30.1	15.7	17.0
Facility expenses[7]	6.2	5.7	6.9	6.4	3.6	3.7
Personnel expenses incl. termination benefits[6]	2.9	6.0	4.5	5.5	4.5	2.3
Other general and administrative expenses[6]	3.2	4.1	4.4	0.2	1.3	(1.4)
Total	**58.8**	**69.6**	**78.5**	**74.7**	**40.5**	**40.2**

* Columns may not add due to rounding.

(1) Figures extracted from the Adjusted 2007 Statements of Operations Data.

(2) Figures extracted from Sky Deutschland AG's 2008 audited consolidated financial statements.

(3) Figures extracted from Sky Deutschland AG's 2009 audited consolidated financial statements.

(4) Figures reflect the New Reporting Structure, as if the New Reporting Structure had been applied in 2009, and are prepared by the Company from its accounting records.

(5) Figures extracted or derived from Sky Deutschland AG's reviewed interim consolidated financial statements for the six month period ended June 30, 2010.

(6) For an explanation of modifications made under the New Reporting Structure, see "*—Modifications under the New Reporting Structure*" below.

(7) Under the New Reporting Structure, certain adjustments have been made; in particular costs occurred in connection with the production of TV commercials have been moved to programming costs.

Modifications under the New Reporting Structure

With the implementation of the New Reporting Structure, certain adjustments have been made to general and administrative expenses. Revenues generated through telephone services previously reported under customer service costs are allocated to general and administrative expenses (information technology expenses) whereas personnel costs relating to the management of the service center in Schwerin, Germany, which were previously shown under personnel and other general and administrative expenses as part of general and administrative expenses, are now allocated to customer service costs under the New Reporting Structure. Certain revenues generated through consulting services rendered by the service center in Schwerin, Germany, are under the New Reporting Structure allocated to legal, consulting and administrative expenses (previously shown as part of cost of sales (customer service costs).

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

General and administrative expenses remained almost unchanged at €40.2 million (€40.5 million in the six month period ended June 30, 2009). A slight increase in legal, consulting and administrative expenses (€1.3 million) and a slight increase in information technology expenses (€3.2 million) as part of Sky Deutschland's strategy to improve its customer relationship management system were offset by income from other expenses (€1.4 million compared to expenses of €1.3 million in the preceding period), resulting from income generated through the billing department, such as dunning costs.

2009 compared with 2008

General and administrative expenses rose by 12.7%, from €69.6 million in 2008 to €78.5 million in 2009. This increase was mainly driven by two factors: (i) the corporate restructuring in 2009 which led to increased legal and consulting expenses as well as to increased personnel costs and (ii) the change of IT systems for the implementation of the new subscriber management system that was introduced in connection with the relaunch of Sky Deutschland. The non-recurrence in 2009 of severance payments made to former Management Board members who left Sky Deutschland during 2008 resulted in decreased personnel expenses.

2008 compared with 2007

General and administrative expenses rose by 18.4%, from €58.8 million in 2007 to €69.6 million in 2008, mainly as a result of greater amortization of software-related investments made in 2008 and higher IT maintenance costs. Personnel expenses also rose as a result of severance payments made to former Management Board members who left Sky Deutschland AG in the course of 2008.

Other operating income and expenses

Overview

Other operating income consists of gains from the sale of interests in consolidated entities disposed of to third parties, including the disposal of stakes in Premiere Star and 1-2-3.tv GmbH ("**1-2-3.tv**"), the reversal of tax provisions, gains under certain cooperation agreements and payments by the provider of Sky Deutschland's legacy encryption system to compensate it for the damage it suffered in 2008 when receivers capable of circumventing this system were put on the market.

Other operating expenses consist of write-downs of receivables and a variety of other expense items.

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

Other operating income increased by 52.8% from €5.3 million in the six month period ended June 30, 2009 to €8.1 million in the six month period ended June 30, 2010. On 19 July 2010, the German Institution for Arbitration (*Deutsche Institution für Schiedsgerichtsbarkeit*) rendered a judgment in favor of the Company and imposed on the opposition to pay €4.5 million. The proceedings related to disputes between Sky Deutschland and a cable net provider. The total gain amounted to €5.3 million, of which €3.5 million was recognized under other operating income. The remaining part related to the reversal of a bad debt allowance recognized under selling expenses (€1.0 million), and the reversal of a provision for technology costs and interest expenses (€0.8 million).

Other operating expenses significantly improved by 81.4% from €9.7 million in the six month period ended June 30, 2009 to €1.8 million in the six month period ended June 30, 2010. In the first half of 2009, costs in connection with the settlement of shareholder claims contesting the decision taken by the extraordinary general meeting of the Company in February 2009 as well as the write-off of goodwill and trademarks in connection with GIGA Digital Television GmbH ("**GIGA**") were included in other operating expenses.

2009 compared with 2008

Other operating income decreased significantly by 70.6% from €38.8 million in 2008 to €11.4 million in 2009. This substantial decrease primarily reflects the absence of the gain from the sale of an interest in Premiere Star, which contributed €22.5 million to other operating income in

2008. The sale of a 14.4% stake in 1-2-3.tv generated a gain of €2.1 million in 2009 and thus contributed positively to the operating income.

Other operating expenses improved by 40.8% from €19.1 million in 2008 to €11.3 million in 2009. This improvement was mainly driven by a very sharp decrease in allocation to allowances for doubtful receivables from €12.8 million in 2008 to €0.9 million due to the absence of a one-time effect in 2008 relating to provisions made with respect to receivables from certain cooperation agreements. This effect was partially offset by (i) cost reimbursement payments in an amount of €4.3 million to shareholders appealing the decision taken by the extraordinary general shareholders' meeting (the "**Extraordinary General Shareholders' Meeting**") on February 26, 2009 to increase the Company's share capital and (ii) an impairment of goodwill and trademarks in an amount of €3.1 million as a result of the decision to discontinue the operations of GIGA in 2009.

2008 compared with 2007

Other operating income decreased by 60.4% from €98.0 million in 2007 to €38.8 million in 2008. The principal reason for the decline was that the stake in Premiere Star that Sky Deutschland sold in 2008 was lower than the stake it had sold in 2007, resulting in lower gains upon disposition, and the absence in 2008 of the gain upon the reversal of a tax provision and of one-time gains from SES ASTRA, S.A. ("**SES ASTRA**"), which positively affected the 2007 figure.

Other operating expenses increased by 167.7% from €7.1 million in 2007 to €19.1 million in 2008 due to provisions made with respect to receivables from certain cooperation agreements.

Amortization and impairment

Overview

Most assets on Sky Deutschland's balance sheet are intangible assets, mainly goodwill. Other intangible assets comprise purchased software, licenses and the costs for the rights to use names.

Goodwill stood at €636.1 million at June 30, 2010, compared with €631.9 million at December 31, 2009, €622.1 million at December 31, 2008 and €626.8 million at December 31, 2007 (as adjusted; for further information on the adjustment see the following). €371.6 million of this amount mainly reflects the difference between the purchase price paid by Sky Deutschland AG for the acquisition of its predecessor company in connection with the reorganization of its business in 2003 and the book value of the underlying assets. €248.4 million of this amount relates to the Arena Transaction in 2007. As a result of a change in the assessment of an addendum to the agreements concluded in connection with the Arena Transaction in 2008, Sky Deutschland retroactively adjusted the goodwill by €3.5 million to €251.9 million in 2008. To a lesser extent, the goodwill also reflects goodwill recognized in connection with two other acquisitions made during that year. The additions in 2009 resulted from the acquisition of Sky Creative Services. Under IFRS, goodwill is not subject to amortization, but instead is subject to impairment tests, carried out annually or more frequently if circumstances indicate that an impairment has occurred. See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*" for information regarding an investigation by the DPR with respect to the Arena Transaction.

In 2009, the Management and Supervisory Boards of Sky Deutschland AG decided to relaunch the Group's business, to re-brand the Company and to operate in the future under the "SKY" brand. The Company decided to discontinue the use of its former "PREMIERE" brand, which led to an accelerated amortization of the value of the trademarks Sky Deutschland formerly used. This resulted in a full write-off of the Premiere trademark in the amount of €331.6 million.

The subscriber base primarily reflects the value of the relationships Sky Deutschland's predecessor company had with its subscribers as of the reorganization that took place in 2003. The subscriber base was valued at €34.4 million at June 30, 2010, compared with €58.9 million at December 31, 2009, €107.7 million at December 31, 2008 and €151.6 million at December 31, 2007. The subscriber base acquired by Sky Deutschland in connection with the reorganization in 2003 is amortized on a straight-line basis over its expected life. Based on its experience, Sky Deutschland

assumes a life of eight years, of which approximately seven months remain as of June 30, 2010. However, there could be circumstances in which all or a portion of its value would have to be written down as a result of an impairment test before then.

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

In the absence of the write-off of the "PREMIERE" trademark, the amortization and impairments improved significantly by 88.1% from €382.3 million in the six month period ended June 30, 2009 to €45.5 million in the six month period ended June 30, 2010. In the six month period ended June 30, 2010, Sky Deutschland amortized its subscriber base in the amount of €24.5 million (€24.4 million for the corresponding period in 2009).

2009 compared with 2008

In 2009, the amortization and impairments were characterized by the accelerated amortization of the "PREMIERE" trademark, resulting in the full write-off of the Premiere trademark in the amount of €331.6 million. In addition, Sky Deutschland amortized its subscriber base by nearly the same amount as in 2008 (€49.0 million in 2009 compared to €48.9 million in 2008). The amortization and impairment of other intangible assets decreased from €30.1 million in 2008 to €21.2 million in 2009.

2008 compared with 2007

Sky Deutschland amortized its subscriber base in the amount of €48.9 million in 2008. The slight increase compared with 2007 was a result of higher amortization charges in connection with a transaction with tmc.

Financial result

Overview

The following table provides a breakdown of Sky Deutschland's financial result for each of the periods indicated.

	2007[1]	2008[2]	2009[3]	Jan. 1 - June 30 2009[4]	Jan. 1 - June 30 2010[4]
	(€ in millions)*				
	(extracted or derived from audited financial statements)			(extracted or derived from reviewed financial statements)	
Income from entities accounted for at equity	0.0	0.0	0.1	0.0	0.4
Interest and similar income	8.6	7.1	3.0	2.1	0.8
Other financial expense[5]	0.0	(11.6)	(6.3)	(6.2)	(3.1)
Losses from entities accounted for at equity	(0.6)	(1.0)	(0.5)	(0.5)	0.0
Interest and similar expenses[6]	(47.5)	(54.0)	(35.3)	(19.8)	(18.1)
Total	**(39.5)**	**(59.5)**	**(38.9)**	**(24.4)**	**(19.9)**

* Columns may not add due to rounding.

(1) Figures extracted from the Adjusted 2007 Statements of Operations Data.

(2) Figures extracted from Sky Deutschland AG's 2008 audited consolidated financial statements.

(3) Figures extracted from Sky Deutschland AG's 2009 audited consolidated financial statements.

(4) Figures extracted from Sky Deutschland AG's interim unaudited consolidated financial statements for the period from January 1 to June 30, 2010.

(5) Includes, for 2009, expenses totaling €4.0 million from the measurement of a virtual stock option granted to GL Europe International Luxembourg S.à r.l., Luxembourg in connection with the repurchase of shares in Premiere Star. See "*—Results of Operations—Cash flow—Capital expenditure*" for further information on the repurchase of Premiere Star.

(6) Interest and similar expenses comprise interest incurred with respect to Sky Deutschland's credit facilities, gains and losses on the retirement and measurement of interest swap transactions and current interest on these instruments as well as current account interest and interest on the collection of receivables.

Interest and similar income and expenses comprise interest incurred with respect to Sky Deutschland's credit facilities, gains and losses on the retirement and measurement of interest swap

transactions and current interest on these instruments as well as current account interest and interest on the collection of receivables.

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

Net financial loss improved by 18.4% from €24.4 million in the six month period ended June 30, 2009 to €19.9 million in the six month period ended June 30, 2010. This improvement was primarily driven by lower other financial expenses, which included expenses totaling €3.4 million from the measurement of a virtual stock option granted to GL Europe International Luxembourg S.à r.l., Luxembourg in connection with the repurchase of shares in Premiere Star in the first half of 2009.

2009 compared with 2008

Net financial loss improved substantially by 34.6% from a negative €59.5 million in 2008 to a negative €38.9 million in 2009. This improvement was primarily driven by lower interest expenses in 2009 compared to 2008 as a result of lower expenses for the replaced debt financing in 2009 compared to 2008.

2008 compared with 2007

Net financial loss increased by 50.8%, from a negative €39.5 million in 2007 to a negative €59.5 million in 2008, due primarily to a write-down of a Sky Deutschland's stakes in 1-2-3.tv in the amount of €12.0 million and of tmc in the amount of €6.5 million. The effect of these write-downs was partially offset by gains made by Sky Deutschland since October 2008 as a result of changes in the fair value of forward currency contracts and upon the disposal of almost all of these contracts. The 2008 figure also reflects the recognition of the balance of the transaction costs associated with Sky Deutschland's April 2007 refinancing in an amount of €5.5 million, which had previously been deferred and a gain of €6.9 million on fair value changes of foreign currency forwards and their disposal.

Income taxes

Overview

Income taxes comprise current income tax expenses as well as the net effect of the recognition and reversal of deferred tax assets. Deferred tax assets are recorded to account for temporary differences between the carrying amount of Sky Deutschland's assets and liabilities and its tax base for these assets and liabilities provided it appears probable that future taxable income will be available. Sky Deutschland had deferred tax assets of €0.0 million at June 30, 2010, €1.4 million at December 31, 2009, €25.0 million at December 31, 2008 and €58.1 million at December 31, 2007 and deferred tax liabilities of €41.9 million at June 30, 2010, €39.3 million at December 31, 2009, €113.7 million at December 31, 2008 and €97.7 million at December 31, 2007. In addition, Sky Deutschland had tax loss carry-forwards (in application of turnaround clause) of €1,850.1 million at December 31, 2009, €1,111.4 million at December 31, 2008 and €928.7 million at December 31, 2007. Sky Deutschland has not recognized any deferred tax assets with respect to its tax loss carry-forwards. See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—Sky Deutschland may, due to a change in its ownership structure, not be able to make use of its current tax losses, tax loss carry-forwards or interest carry-forwards*" for further information on the possibility of a reduction of the Company's and its German subsidiaries' tax loss carry-forwards.

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

Income taxes shifted significantly from a positive €54.0 million in the six month period ended June 30, 2009 to a negative €1.5 million in the six month period ended June 30, 2010 mainly as a result of the write-off of the Premiere trademark in the second quarter of 2009, which, as a counter-effect, resulted in the reversal of a deferred tax liability in the amount of €77.7 million.

2009 compared with 2008

Income taxes improved significantly from a negative €48.8 million in 2008 to a positive €50.4 million in 2009, mainly as a result of the one-time effects in 2009 due to the write-off of the

"PREMIERE" trademark which, as a counter-effect, resulted in deferred tax income in the amount of €77.7 million.

2008 compared with 2007

Income taxes declined from a negative €2.2 million in 2007 to a negative €48.8 million in 2008, mainly as a result of the one-time effects in 2007 due to the reduction of the corporate income tax rate in connection with the German Company Tax Reform Act of 2008. The rise reflects a reversal of deferred tax assets, which had been recognized in connection with the Arena Transaction.

Result for the period

Overview

Results for the periods described in this Prospectus are characterized by a constant loss situation. Sky Deutschland recorded losses of €51.6 million in 2007, €269.4 million in 2008, €676.5 million in 2009 and €178.9 million for the six month period ended June 30, 2010. This constant loss is mainly a result of the failure of Sky Deutschland to attract such number of subscribers as is necessary to generate sufficient revenues to cover its costs.

Six month period ended June 30, 2010 compared with six month period ended June 30, 2009

Result for the period improved significantly from a loss of €445.8 million in the six month period ended June 30, 2009 to a loss of €178.9 million in the six month period ended June 30, 2010. This improvement was mainly driven by the absence of the of the write-off of the "PREMIERE" trademark in the six month period ended June 30, 2010, which contributed €253.9 million net of tax to the loss recorded in the previous period. Lower income taxes also contributed to the improvement.

2009 compared with 2008

Result for the period was significantly lower in 2009 (loss of €676.5 million) than in 2008 (loss of €269.4 million). This decline was mainly driven by the write-off of the "PREMIERE" trademark, which contributed €253.9 million net of tax to the loss recorded in 2009. Further Sky Deutschland recorded lower revenues in 2009 (less €39 million) and higher selling expenses (additional €61.4 million).

2008 compared with 2007

Result for the period was significantly lower in 2008 (loss of €269.4 million) than in 2007 (loss of €51.6 million). This decline was mainly driven by higher cost of sales in 2008 (additional €79.7 million), lower other operating income in 2008 (€59.2 million lower) and higher income taxes in 2008 (additional €46.6 million).

Liquidity and Capital Resources

Overview

Sky Deutschland primarily requires liquidity to finance the cost of acquiring new and servicing existing subscribers as well as programming, hardware and transmission costs.

On November 15, 2008, absent a waiver by its lenders, Sky Deutschland would have breached a covenant contained in its then-existing revolving credit facility that required it to maintain a certain relationship between its EBITDA and its net interest result. A breach of this covenant would have entitled the lenders to terminate the revolving credit facility with immediate effect and, due to contractual linkages between the then-existing revolving credit facility and related bridge loan, would also have entitled them to terminate the bridge loan and to demand repayment of the outstanding amounts. To refinance its existing bank debt, Sky Deutschland negotiated new credit facilities, consisting of two term loans in the aggregate amount of €275 million, a revolving credit facility in the amount of €125 million and a guarantee facility in the amount of €125 million. These credit facilities were entered into on December 23, 2008 and became effective upon, among other things, a capital increase resulting in gross proceeds of €450 million, which Sky Deutschland achieved by increasing its capital in two steps in January and April 2009 by way of rights offerings. The credit facilities were amended on February 18, 2010 to reflect the revised and adjusted business

plan and strategy as a result of the capital increase in January 2010 (see "*Description of Sky Deutschland AG's Share Capital—Development of the Share Capital*" for further information on this capital increase).

The Company recently entered into a financial support agreement with News Adelaide and News Corporation, under which News Adelaide committed to support the Company in raising financing in an aggregate amount of €340 million (gross). See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information on the financial support agreement. Sky Deutschland has agreed on an amendment to the credit facilities with its syndicate banks to (i) avoid mandatory prepayment of the credit facilities from the proceeds of the offering or the other financing measures described in the financial support agreement, (ii) adjust financial covenants and other restriction to reflect the intended use of proceeds and payments in connection with the financing and(iii) avoid a breach of financial covenants that would have occurred at some point in time, and which would have entitled the lenders to terminate the credit facilities and demand repayment of the outstanding amounts.

The fees payable in connection with the credit facilities amounted to approximately €9.3 million in 2009, €3.9 million in 2010 as consideration for the amendment of the credit facilities in connection with the January 2010 capital increase and €3.2 million in 2010 as consideration for another amendment of the credit facilities in connection with the financial support agreement (FSA). In addition, Sky Deutschland incurred consulting expenses in devising the restructuring plan in 2009 in the low double-digit million euro range. For accounting purposes, all of these costs have been or are being deferred and are being realized in other financial results over the term of the financing.

The fees payable by Sky Deutschland to the Underwriters, other commitment fees as well as any consultancy fees in connection with this offering, the offering of the Convertible Bond and/or the Shareholder Loan, including the costs to be borne by it, amount to up to €14.6 million. The costs are deducted from the amounts recognized for the individual instruments issued.

Cash flow

Overview

The following table summarizes Sky Deutschland's cash flows for the periods shown.

	2007[1]	2008[2]	2009[3]	Jan. 1 - June 30 2009[4]	Jan. 1 - June 30 2010[4]
	(€ in millions)				
	(extracted or derived from audited financial statements)			(extracted or derived from reviewed financial statements)	
Net cash used in operating activities	(34.4)	(108.1)	(158.4)	(52.6)	(173.8)
Net cash used in investing activities	(23.2)	(7.3)	(53.3)	(11.5)	(18.4)
Net cash provided by financing activities	145.9	67.6	152.7	18.9	220.5
Cash and cash equivalents at year-end	115.0	67.2	8.1	21.9	36.3

(1) Figures extracted from Sky Deutschland AG's 2007 audited consolidated financial statements.
(2) Figures extracted from Sky Deutschland AG's 2008 audited consolidated financial statements.
(3) Figures extracted from Sky Deutschland AG's 2009 audited consolidated financial statements.
(4) Figures extracted from Sky Deutschland AG's reviewed interim consolidated financial statements for the period from January 1 to June 30, 2010.

Six month period ended June 30, 2010

Net cash used in operating activities. Net cash used in operating activities was €173.8 million in the six month period ended June 30, 2010. The figure was due mainly to a negative operating result.

Net cash used in investing activities. Net cash used in investing activities was €18.4 million in the six month period ended June 30, 2010. The investment activities related primarily to investments in name rights, the implementation of a new subscriber management system, in the receiver platform and installment payments in connection with the buyback of all shares in Premiere Star as well as the acquisition of Loxxess Medienlogistik GmbH.

Net cash provided by financing activities. Net cash provided by financing activities was €220.5 million. The figure mainly reflects the proceeds from the capital increase executed in January 2010 as well as drawings and repayments under Sky Deutschland's credit facilities.

2009

Net cash used in operating activities. Net cash used in operating activities was €158.4 million in 2009. The 2009 figure was due mainly to a negative operating result.

Net cash used in investing activities. Net cash used in investing activities was €53.3 million in 2009. The 2009 figure mainly reflects investments in intangible assets and property, plant and equipment. The investment activities related primarily to investments in name rights, the implementation of a new subscriber management system, in the receiver platform, new sales stalls for the stores of Sky Deutschland's retail partners and payments (a first tranche) in connection with the buyback of all shares in Premiere Star as well as the acquisition of Sky Creative Services.

Net cash provided by financing activities. Net cash provided by financing activities was €152.7 million in 2009. The 2009 figure mainly reflects the proceeds from the two capital increases in 2009, partly offset by the repayment of credit facilities.

2008

Net cash used in operating activities. Net cash used in operating activities was €108.1 million in 2008. The 2008 figure was due mainly to a negative operating result.

Net cash used in investing activities. Net cash used in investing activities was €7.3 million in 2008. The 2008 figure mainly reflects investments in name rights and software, the cash effect of which was partially offset by the proceeds of a series of dispositions of shares in Premiere Star.

Net cash provided by financing activities. Net cash provided by financing activities was €67.6 million in 2008. The 2008 figure mainly consists of amounts drawn under Sky Deutschland's credit facilities and the sale of foreign exchange forward contracts. The cash effect of these drawdowns was partially offset by repayments of indebtedness and interest payments.

2007

Net cash used in operating activities. Net cash used in operating activities was €34.4 million in 2007. The 2007 figure is due mainly to negative changes in working capital resulting from an increase in trade receivables and other financial assets and, to a lesser extent, a negative operating result.

Net cash used in investing activities. Net cash used in investing activities was €23.2 million in 2007. The 2007 figure mainly reflects investments in intangible assets and property, plant and equipment in connection with the acquisition of certain name-bearing rights and hard disk receivers as well as the acquisition of a stake in 1-2-3.tv. The cash effect of these transactions was in part offset by the proceeds of a series of dispositions of shares in Premiere Star.

Net cash provided by financing activities. Net cash provided by financing activities was €145.9 million in 2007. The 2007 figure mainly consists of proceeds from an equity rights offering conducted in September 2007 and from the credit facilities concluded in April 2007, which replaced the existing syndicated loan facility. The cash effect of the receipt of the proceeds from these credit facilities was partially offset by the repayment of the previous syndicated loan facility and liabilities relating to finance leasing and interest payments.

Capital expenditures

Sky Deutschland's capital expenditures in the three years ended December 31, 2009 as well as in the six month period ended June 30, 2010, were geographically limited to Germany and Austria. The

following table provides a breakdown of Sky Deutschland's capital expenditures for each of the periods indicated.

	2007	2008	2009	Jan. 1 - June 30 2009	Jan. 1 - June 30 2010
	(€ in millions, unaudited)*				
	(extracted or derived from audited financial statements)			(extracted or derived from reviewed financial statements)	
Technical equipment	0.5	0.3	0.2	0.1	0.4
Receivers	8.5	1.4	16.9	0.1	1.7
Financial assets	13.3	0.0	0.5	0.5	0.0
Investment in subsidiaries	3.2	0.0	11.3	0.0	5.8
Intangible assets	40.5	26.7	21.4	10.1	9.5
Other[(1)]	3.7	2.8	7.8	1.8	1.4
Total	**69.7**	**31.2**	**58.1**	**12.5**	**18.8**

* Columns may not add due to rounding.

(1) Includes other property plant and equipment, fittings and payments made.

In 2007, capital expenditures related mainly to intangible assets, predominantly the purchase of name rights (€23.9 million) and software, as well as two small acquisitions. The purchase of name rights allows Sky Deutschland to brand certain channels obtained from third party providers under the name of such third party (i.e. "Discovery" or "Beate Uhse"). In 2008, the principal capital expenditures related to the purchase of name rights for third-party channels (€15.3 million). In 2009, capital expenditures related mainly to receivers (€16.9 million), name rights (€8.8 million), payments (a first tranche) in connection with the buyback of all shares in Premiere Star as well as a first tranche of the payment for all of the shares of Creation Club (CC) GmbH, which has since been renamed as Sky Creative Services GmbH, and various IT-related projects. In the six month period ended June 30, 2010, capital expenditures related mainly to investments in name rights (€6.9 million), the implementation of a new subscriber management system, in the receiver platform, and installment payments in connection with the buyback of all shares in Premiere Star as well as the acquisition of Loxxess Medienlogistik GmbH, which has been merged in Sky Deutschland KG.

At December 31, 2008, Sky Deutschland owned approximately 59.8% of Premiere Star, the company broadcasting the then-existing Premiere Star package. On February 23, 2009, Sky Deutschland announced that it had reached agreements with all nine minority shareholders to acquire their shares in Premiere Star in exchange for deferred consideration payable over the next four years, with the majority of the consideration payable in 2012 and 2013. Premiere Star was merged to Sky Fernsehen in August 2009.

On June 8, 2009, a subsidiary of the Company entered into a share purchase agreement with Plazamedia GmbH, a subsidiary of Constantin Medien AG, to acquire all shares of Sky Creative Services. Sky Deutschland acquired Sky Creative Services for deferred consideration with the purchase price payable in installments over the period until May 2013, secured by a bank guarantee. Sky Creative Services supplies the Sky Deutschland platform with on-air promotion, video and audio editing, 2D and 3D design and compositing, program development and various other production services.

On March 1, 2010, Sky Deutschland acquired Loxxess Medienlogistik GmbH, a subsidiary of the logistics specialist Loxxess AG. Loxxess Medienlogistik GmbH was founded in August 2006 under the name Premus Logistik und Service GmbH as a subsidiary of Sky Deutschland Fernsehen GmbH & Co. KG. In 2007, it was sold to Loxxess AG. Upon the signing of the contract on March 1, 2010, Sky has completely bought back Loxxess Medienlogistik GmbH, which has then been renamed as Sky Logistic Services GmbH. The consideration is €5.2 million and will be paid in annual installments until 2012. With an agreement dated April 19, 2010, the merger of Sky Logistic Services GmbH to Sky Deutschland Fernsehen GmbH & Co. KG has been concluded. The merger has been entered into the commercial register on April 30, 2010.

The future investments planned concern, among other things, the purchase of receivers, for which fixed orders in the amount of €76.6 million (including accessories) have been made for the second half of 2010, the further development of Sky Deutschland's CRM system and replacement purchases of hardware and software as well as the payment of future installments of the purchase prices for the acquired shares in Premiere Star, Sky Creative Services, Loxxess Medienlogistik GmbH, Premium Media Solutions GmbH and other companies. The investments are expected to be funded with funds from this offering and other funds contributable by News Adelaide under the Financial Support Agreement.

Credit facilities

As discussed above, Sky Deutschland replaced its existing credit facilities with a bridge loan in the amount of €275 million and a revolving credit facility in the amount of €275 million. On November 15, 2008, absent a waiver by its lenders, Sky Deutschland would have breached a covenant contained in its then-existing revolving credit facility that required it to maintain a certain relationship between its EBITDA and its net interest income. A breach of this covenant would have entitled the lenders to terminate the revolving credit facility with immediate effect and, due to contractual linkages between the then-existing revolving credit facility and related bridge loan, would also have entitled them to terminate the bridge loan and to demand repayment of the outstanding amounts. To refinance its existing bank debt, Sky Deutschland negotiated new credit facilities, consisting of two term loans in the aggregate amount of €275 million, a revolving credit facility in the amount of €125 million and a guarantee facility in the amount of €125 million. These credit facilities were entered into on December 23, 2008 and replaced the existing facilities. These credit facilities were entered into on December 23, 2008 and replaced the existing facilities. The credit facilities were amended on February 18, 2010 to reflect the revised and adjusted business plan and strategy as a result of the capital increase in January 2010 (see "*Description of Sky Deutschland AG's Share Capital—Development of the Share Capital*" for further information on this capital increase).

To finance the measures under the revised and amended strategy and business plan of the Company and to secure the liquidity position of the Group, Sky Deutschland has recently decided to raise further capital. See "*Business Description—Restructuring and Relaunch of the Company's Business*". Therefore, the Company has entered into a financial support agreement with News Adelaide and News Corporation, under which News Adelaide committed to support the Company in raising financing in an aggregate amount of €340 million (gross). See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information on the financial support agreement. To (i) avoid mandatory repayment of the credit facilities from the proceeds of the offering or equity linked or debt capital covered by the financial support agreement, (ii) adjust financial covenants and other restriction to reflect the intended use of proceeds and payments in connection with the financing and(iii) avoid a breach of financial covenants that would have occurred at some point in time, and which would have entitled the lenders to terminate the credit facilities and demand repayment of the outstanding amounts, Sky Deutschland has agreed with its syndicate banks to waive the requirement to meet certain financial covenants contained in the credit facilities and to amend the credit facilities. The amendment and waiver agreement to the credit facilities was entered into on August 2, 2010. This waiver will terminate if the transactions set forth in the financial support agreement have not been executed by January 31, 2011. These credit facilities were amended on August 2, 2010 to reflect the current financial position of Sky Deutschland and the revised and amended strategy of the Company. The amendment to the credit facilities has partially become effective upon signing the Financial Support Agreement and will become fully effective upon receipt of the Total Funding Amount (€340 million (gross)) from this offering, the Convertible Bond and/or the Shareholder Loan by January 31, 2011.

The amendment and waiver agreement to the credit facilities was entered into on August 2, 2010 and has partially become effective after the Company entered into a financial support agreement with News Adelaide and News Corporation, under which News Adelaide committed to support the Company in raising the Total Funding Amount. Certain of these amendments are subject to the condition subsequent that the Company has entered into agreements under which it may draw new financing in the amount of €80 million net by October 31, 2010 and €340 million gross by December 31, 2010. This condition subsequent does not apply if the Company has actually received the amounts prior to the mentioned dates. Further, the actual receipt of the Total Funding Amount

on or before January 31, 2011 is an additional condition subsequent for this amendment and waiver agreement.

The amounts drawn under the credit facilities amount to €314.4 million as of August 31, 2010.

Interest on the new credit facilities is determined on the basis of EURIBOR plus a margin of 3.75%, which for the term loans increases in two steps to 6.00% in 2012.

Term loans. Each of the two term loans is in an amount of €137.5 million. The proceeds from the draw-downs of the term loans may be used for general corporate purposes. Amounts drawn down bear interest at a rate equal to EURIBOR plus a specified margin that Sky Deutschland believes is in line with market rates at the time the facilities were concluded. The margins increase over time. Interest provisions on one of the loans are subject to a PIK clause, switching to interest payable in cash from January 1, 2012 until maturity. With respect to each loan, an amount of €25 million must be repaid on June 30, 2013, with the balance being repayable on December 31, 2013.

Revolving credit facility. The revolving credit facility is a multicurrency facility in the amount of €125 million. Upon the Company and News Adelaide having entered into contractual agreements allowing drawings of at least €340 million (gross) by the end of December 2010 in implementing the Financial Support Agreement, which is a condition for the adjustment of the covenants contained in the credit facilities (see below), the amount drawable under the revolving credit facility will be reduced to €62.5 million until the third quarter of 2011. The proceeds from the facility must be used for general corporate purposes. The facility is drawable until May 31, 2013. Amounts drawn down bear interest at a rate equal to EURIBOR (in the case of amounts drawn in euros) or LIBOR (in the case of amounts drawn in other currencies), plus, in each case, a specified margin that Sky Deutschland believes is in line with market rates at the time the facilities were concluded. The facility may be drawn in cash or alternatively in the form of letters of credit or bank guarantees. The facility must be repaid in its entirety on June 30, 2013.

Guarantee facility. The guarantee facility is a revolving facility in the amount of €125 million. It is drawable until May 31, 2013. The facility is available only for the issuance of letters of credit or bank guarantees required for Sky Deutschland's license of the live broadcasting rights to the matches of the German football league (*Fußball-Bundesliga*).

Change of control. The lenders are entitled to accelerate the repayment of the credit facilities in the event of a change of control, which is defined as, among other things, (1) any event that causes more than 50% of the shares or voting rights in Sky Deutschland to be controlled by any person other than companies affiliated with News Corporation (the "**News Group**") and (2) any situation where any shareholder holds more shares or voting rights of Sky Deutschland than News Corporation and its subsidiaries, unless such person acquired shares of Sky Deutschland from News Corporation or one of its subsidiaries within six months prior to the date on which it first held more shares of Sky Deutschland than News Group.

The facilities contain a number of operational undertakings that restrict Sky Deutschland's ability to, among other things: pledge any of its assets as collateral; sell, transfer or otherwise dispose of any of its assets; enter into any amalgamation, demerger, merger, consolidation or corporate reorganization; invest in or acquire any business; invest in, acquire, or sell, transfer or otherwise dispose of any of its assets to a joint venture; grant any loans; issue or maintain any guarantees; make certain payments and incur or maintain any additional financial indebtedness.

In addition, they stipulate a number of financial covenants that require Sky Deutschland to maintain financial metrics at specified levels. Specifically, from December 31, 2010 onwards Sky Deutschland must, on a quarterly basis, ensure that its EBITDA during the immediately preceding twelve months meets certain thresholds specified in the credit facilities. This requirement will be replaced by a requirement to ensure that Sky Deutschland's free cash flow during the immediately preceding twelve month period meets certain thresholds specified in the credit facilities upon receipt of, or upon having entered into contractual agreements allowing drawings of, at least €80 million (net) by October 31, 2010 and of at least €340 million (gross) by the end of December 2010. In addition, from June 30, 2011 to the maturity date of the credit facilities, Sky Deutschland must, on a quarterly basis, maintain specified relationships between its EBITDA and its net finance result and between its net debt and its EBITDA. In each case, the targets to be achieved become more demanding over time, in line with the expected schedule for the implementation of the Company's revised and adjusted business plan and strategy. Finally, starting on December 31, 2012, Sky

Deutschland must, on a quarterly basis, maintain a specified relationship between its cash flow and its debt service. These targets will be adjusted following the completion of the offering, the Convertible Bond and/or the Shareholder Loan. In addition, a default under the credit facilities could occur if the Shareholder Loan (see "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*") is granted by, or transferred to, a person holding from time to time less than 3% of the Company's outstanding share capital.

The facilities are secured by all of Sky Deutschland's material assets. The security interests include, but are not limited to, a pledge over shares in Sky Deutschland Fernsehen, Sky Österreich GmbH and Sky Deutschland Verwaltungs-GmbH, account pledges of Sky Deutschland and a security assignment of broadcasting rights held by Sky Deutschland and intercompany loans granted by Sky Deutschland AG to its subsidiaries as well as global security assignments of Sky Deutschland.

Aside from the credit facilities, Sky Deutschland has only minor free credit facilities on the level of individual subsidiary companies. Accordingly, Sky Deutschland must finance its requirements with the proceeds of this offering and the credit facilities described above, existing cash and cash equivalents and possible future net cash provided by operating activities.

Contractual obligations

The following table shows Sky Deutschland's contractual obligations and commitments as of June 30, 2010, classified by the period in which they are due:

	< 1 year	1-5 years	> 5 years	Total
		(€ in millions)*		
Liabilities vis-à-vis banks	0.3	278.3	—	278.6
Finance lease liabilities	4.9	4.9	—	9.8
Nagravision loan	1.8	0.0	—	1.8
Total financial liabilities	7.1	283.1	—	290.2
Trade payables	185.6	16.1	—	201.7
Liabilities to entities accounted for at equity	0.1	0.0	—	0.1
Other liabilities	75.1	112.0	—	187.1
Total liabilities	260.8	128.1	—	388.9
Operating leases				
Thereof:				
Network operators and transponder rental	*157.9*	*463.8*	*211.4*	*833.1*
Office buildings	*6.4*	*21.7*	*68.3*	*96.4*
Motor vehicles	*1.7*	*1.4*	—	*3.1*
Technical office equipment	*0.0*	*0.0*	—	*0.1*
Film licenses	101.1	122.7	—	223.8
Sports licenses	341.1	619.8	—	960.8
Partner channels	129.5	182.1	—	311.6
Supply contracts for receivers	74.0	2.5	0.1	76.6
Miscellaneous	110.4	207.2	7.0	324.7
Total other contractual obligations	922.1	1,621.2	286.8	2,830.1
Total	**1,190.0**	**2,032.4**	**286.8**	**3,509.2**

* Columns may not add due to rounding.

The debts to banks include amounts arising from the drawdown of Sky Deutschland's existing credit facilities. For information on the amended lending facility, see "*—Liquidity and Capital Resources—Credit facilities*".

Sky Deutschland leases receivers and TV equipment pursuant to several leasing contracts that form part of sale-and-leaseback transactions. The leasing contracts are recorded as finance leases and the leased objects are capitalized as equipment and written off linearly over their useful life. The useful life of receivers is between 60 and 84 months; in the case of the TV equipment, Sky Deutschland applies a term of the underlying lease contract of between 18 and 60 months for all contracts concluded prior to January 1, 2006, whereas contracts concluded after January 1, 2006 are written off linearly over their useful life (84 months). Pursuant to the leasing contracts, the lessor has the right to force the purchase of the equipment at the end of the contract term. If the lessor exercises

this right, Sky Deutschland is obligated to purchase the leased item at a fixed redemption price. Pursuant to the finance lease agreements, Sky Deutschland is obligated to replace any lost or destroyed receivers or TV equipment with a functioning receiver or functioning TV equipment of equivalent type and quality.

Sky Deutschland leases receivers to subscribers under leases with terms of 6, 12 or 24 months and to commercial partners under leases with terms of up to 36 months. For leases with terms of 12 months or 24 months, subscribers provide security deposits to Sky Deutschland. Sky Deutschland records these security deposits as trade payables. Such trade payables totaled €15.7 million as of June 30, 2010. Trade payables as of June 30, 2010 included liabilities to film studios arising from the acquisition of licenses in the amount of €70.3 million as well as other liabilities in the amount of €115.7 million.

The financial obligations relating to film licenses and partner channels are based on the largely long-term contracts with the relevant licensors.

Sports licenses include the obligations arising from the contract concluded with Arena on June 2, 2007 and the agreement with DFL regarding the 2009/2010 through 2012/2013 seasons of the German football league (*Fußball-Bundesliga*). See "*—Key Factors Influencing Sky Deutschland's Results and Operating Performance—Sky Deutschland's arrangements with respect to the matches of the German football league* (*Fußball-Bundesliga*)".

Other financial liabilities include payments relating to long-term marketing, IT advisory and servicing, sales, sports production and administrative blanket agreements.

Equity

Six month period ended June 30, 2010 compared with 2009

In the six month period ended June 30, 2010, stockholders' equity decreased by €62.7 million from €463.0 million at December 31, 2009 to €400.3 million at June 30, 2010, mainly reflecting the negative result for the period in the amount of €178.9 million, which was largely offset by the effects of the capital increase in January 2010, which contributed €110 million. At June 30, 2010, the ratio of equity to total assets was 37.1%, compared with 44.3% at December 31, 2009.

2009 compared with 2008

In 2009, stockholders' equity decreased by €308.7 million from €771.7 million at December 31, 2008 to €463.0 million at December 31, 2009, mainly reflecting the impact of the negative result for the period in the amount of €677.3 million. This effect was partially offset by the two capital increases in 2009, which contributed €427.0 million. At December 31, 2009, the ratio of equity to total assets was 44.3%, compared with 49.2% at December 31, 2008.

2008 compared with 2007

In 2008, stockholders' equity decreased by €268.8 million from €1,040.5 million at December 31, 2007 to €771.7 million at December 31, 2008, mainly reflecting the impact of the negative result for the period in the amount of €269.4 million. At December 31, 2008, the ratio of equity to total assets was 49.2%, compared with 58.7% at December 31, 2007.

Additional Information Regarding Sky Deutschland AG's 2009 Unconsolidated Financial Statements

Sky Deutschland AG's 2009 unconsolidated financial statements have been prepared in accordance with the provisions of the HGB taking into account the additional provisions of the AktG. According to these financial statements, Sky Deutschland AG's shareholder's equity increased from €1,441.9 million at December 31, 2008 to €1,538.5 million at December 31, 2009 mainly due to capital increases executed by the Company in January and April 2009. Provisions decreased from €13.2 million at December 31, 2008 to 9.6 million at December 31, 2009. Liabilities decreased from €321.5 million at December 31, 2008 to €138.2 million at December 31, 2009, mainly due to a repayment of the Company's credit facilities using the proceeds of the aforementioned capital increases. For further information on Sky Deutschland AG's financial statements, see the notes to

Sky Deutschland AG's 2009 financial statements, which are set forth on pages F-21 *et seq.* of this Prospectus.

Quantitative and Qualitative Description of Market Risks

Currency risk

Because Sky Deutschland sources a significant part of its programming from the United States or under licensing agreements which provide that the licensing fees shall be payable in U.S. dollars, the bulk of its movie license costs and a portion of its sports license costs and third-party channel license costs, which together constitute substantial components of Sky Deutschland's programming costs (which in turn form part of Sky Deutschland's cost of sales), are denominated in U.S. dollars. Further, the license fees under the license agreement with BSkyB regarding the "SKY" trademark are denominated in British pounds (see "*Related Party Transactions—Relationship with News Corporation—Trademark Sub-Licensing Agreement*"). At the same time, given the geographic focus of its business, Sky Deutschland's revenues are denominated in euros. Accordingly, any increase in the value of the U.S. dollar or the British pounds relative to the euro has the effect of increasing Sky Deutschland's reported programming costs, while any decrease has the opposite effect. Sky Deutschland engaged in forward currency contracts to hedge its U.S. dollar and British pound foreign currency risk. These contracts were "economic hedges" that were not eligible for "hedge accounting" under IAS 39. In October 2008, as part of its efforts to increase its short-term liquidity, Sky Deutschland disposed of almost all of these contracts. Until October 2008, changes in the fair value of these contracts were included in programming costs. Since October 2008, changes in the fair value of these contracts and the gain realized upon their disposition have been included in other financial result. Beginning with the second quarter of 2009, Sky Deutschland entered into new foreign forward currency contracts with regard to U.S. dollars and British pounds and has applied hedge accounting with respect to these new contracts.

The following table shows Sky Deutschland's derivative financial instruments relating to foreign currencies for the years shown:

	Derivative financial instruments relating to foreign currencies					
	Maturity					
	2010		2011		After 2011	
	$	£	$	£	$	£
	(in millions)					
Foreign exchange forward contracts	118	2	—	2	—	—

A 10% devaluation of the U.S. dollar compared with the euro would result in a negative effect from the foreign exchange forward contracts at the same time as a positive effect from the U.S. dollar denominated programming liabilities, so that the a net negative effect of €0.9 million on the earnings for 2009 would result from this, compared to a negative effect of €1.3 million in 2008.

Interest risk

Sky Deutschland is exposed to interest rate risks, in particular on account of its financial liabilities, since the vast majority of the interest-bearing liabilities are subject to variable interest rates. The total financial liabilities in the amount of €290.2 million as of June 30, 2010 (consisting mainly of the old credit facilities in the amount of €278.6 million and finance leases in the amount of €9.8 million) included €274.2 million at variable interest rates. Sky Deutschland reduces this risk by using interest swaps, through which the variable interest payments are hedged by exchanging them for fixed interest payments.

The following table outlines the interest rate swaps held by Sky Deutschland as of June 30, 2010:

	Financial instruments with interest risk			
	Maturity			
	2010	2011	2012[1]	After 2012
	(€ in millions)			
Variable against fixed interest obligation[2]	0	—	100	—

(1) The financial instruments expire on January 1 and January 2, 2012.

(2) Fixed pay interest rate between 3.91% and 4.08%, variable receive interest rate 3-month EURIBOR.

On an assumed reduction of 100 basis points in the market interest rate as of December 31, 2009, the financial result for 2009 would have been reduced by €3.0 million, compared to a negative effect of €2.5 million in the financial result of 2008.

Price Risk

Some of the long-term contracts concluded with major American film studios include price-change clauses. These clauses provide for average price increases relating to the general cost of living.

Significant portions of Sky Deutschland's film licensing and encryption fees are linked to the actual number of subscribers. Some of the contracts with owners of program rights also include guaranteed minimum subscriber numbers. If the minimum subscriber numbers are not achieved, program license costs must be paid at the minimum subscriber level. See "*—Results of Operations—Cost of sales—Programming costs*" for further information.

Liquidity Risk

The liquidity risk is the risk that the Company could encounter difficulty in meeting its financial obligations, such as interest payments and the redemption of borrowings, the payment of trade payables or finance lease obligations.

Prudent liquidity risk management is required in order to identify liquidity shortages on a timely basis. The liquidity requirement is updated on a regular basis. The Company's planning horizon for the operational cash planning is one year. The Company hedges future cash flows by means of derivatives based on a planning horizon of 18 to 36 months for foreign exchange forward contracts and up to five years for interest swap transactions.

The following tables show all contractually defined interest and principal payments as of December 31, 2009 and December 31, 2008 on recognized financial liabilities, including derivatives with a negative market value. The market values are disclosed for the foreign exchange forward contracts and the net interest payments for the interest swap transactions, while the undiscounted cash flows for the following financial years are shown for the remaining liabilities.

All financial instruments held as of the balance sheet date and for which payments have already been contractually agreed have been included. Plan figures for future new liabilities are not incorporated. Variable interest payments are calculated on the basis of the interest rates fixed in each case as of the balance sheet date. Financial liabilities that are repayable at any time on the request of the lender are always allocated to the earliest period.

Interest and principal payments as of December 31, 2009 and December 31, 2008 on recognized financial liabilities:

as of December 31, 2009	2010	2011	2012 to 2014	2015 and later
		(€ in millions)		
Non-derivative financial liabilities				
Bank debt	19.6	3.5	133.4	—
Financial lease liabilities	6.7	4.5	5.0	—
Other borrowings	1.8	—	—	—
Trade payables	201.0	5.2	8.3	5.4
Liabilities to entities accounted for at equity	2.8	—	—	—
Other financial liabilities	35.1	12.0	56.1	0.3
Derivative financial liabilities				
Currency derivates in connection with cash flow hedges	1.3	0	—	—
Currency derivatives without a hedging relationship	0	—	—	—

The corresponding table for 2008 is:

as of December 31, 2008	2009	2010	2011 to 2013	2014 and later
			(€ in millions)	
Non-derivative financial liabilities				
Bank debt	375.6	0	—	—
Financial lease liabilities	4.9	3.3	2.1	—
Other borrowings	2.0	1.8	—	—
Trade payables	175.0	7.0	10.8	6.2
Liabilities to entities accounted for at equity	1.6	—	—	—
Other financial liabilities	25.7	1.9	1.1	0.3
Derivative financial liabilities				
Currency derivates in connection with cash flow hedges	—	—	—	—
Currency derivatives without a hedging relationship	1.1	—	—	—

Critical Accounting Policies

Sky Deutschland AG's consolidated financial statements are dependent upon and sensitive to the accounting methods, assumptions and estimates that Sky Deutschland AG uses as a basis in preparing them. Sky Deutschland AG has identified the following critical accounting estimates and related assumptions and uncertainties inherent in its accounting policies; the Company believes these estimates and related assumptions and uncertainties are essential to an understanding of the underlying financial reporting risks and the impact that these estimates, assumptions and uncertainties have on Sky Deutschland AG's consolidated financial statements under IFRS.

Goodwill

Sky Deutschland records as goodwill resulting from a business combination the difference between the purchase price and net assets acquired measured at fair value. In subsequent periods, Sky Deutschland tests goodwill for impairment on an annual basis or whenever events or changes in circumstances indicate that goodwill might be impaired. An impairment charge is recorded if the carrying amount of goodwill exceeds its recoverable amount which is the lesser of the value in use and the fair value less cost to sell. The future cash flows used to determine the value in use of goodwill are based on current expectations, particularly regarding ARPU and subscriber numbers, and business plans. The discount rate used reflects a risk-adjusted interest rate. Changes in future projected cash flows, particularly as a result of deviations of ARPU or the development of subscriber numbers, or the risk-adjusted interest rate may lead to an impairment charge in future periods. In addition, the Company assesses the fair value less cost to sell of the cash generating unit pay–TV-business which is derived from the quoted price of the Sky share.

Free cash flow, general growth, risk-free interest rates, the increases in the number of subscribers and ARPU growth are considered in conjunction with the impairment test on goodwill of the cash-generating unit. The following four scenarios were investigated: growth of 0.0% p.a. after the planning period; an increase of 2% p.a. in the risk-free interest rate; a 25% reduction in subscriber growth over the planning period resulting in a reduction of revenues; and a 25% reduction in ARPU growth over the planning period resulting in a reduction of revenues.

Trademark

In 2009, Sky Deutschland decided to discontinue the use of its "PREMIERE" brand, which resulted in a write-off in full. Sky Deutschland currently has no trademarks capitalized. The PREMIERE trademark was treated as an intangible asset with an indefinite useful life. As such, trademark assets are not amortized but tested for impairment annually or whenever facts or circumstances indicate the carrying amount of the trademark might be impaired. Since no independent cash flows could be allocated to the trademark, the trademark is tested for impairment as part of the impairment test for the pay-TV business.

Film assets

Sky Deutschland capitalizes acquired film licenses at their acquisition costs. The acquisition costs comprise guaranteed minimum payments as well as additional payments dependent on the number of

subscribers at a specified point in time ("overages"). Upon acquisition, Sky Deutschland estimates the expected additional payments and amortizes the amount capitalized across the number of transmissions. As soon as the additional payment is determinable, the carrying amount of the film license is adjusted. The resulting amount is amortized over the remaining number of transmissions. If the actual number of subscribers varies from the estimated number of subscribers, the amortization expense may be impacted significantly. The amortization of a program library purchased in 2006 is calculated linearly over the terms of the licenses and reported as an expense under "Programming costs".

Derivative financial instruments

Sky Deutschland uses financial instruments to hedge its interest and currency exchange rate exposure. According to IAS 39, derivative financial instruments are to be recorded at their fair values. Changes in fair values are required to be recorded in the statement of operations unless the requirements for hedge accounting under IAS 39 are met. Sky Deutschland did not meet the strict criteria for hedge accounting for foreign currency exchange rate derivatives entered into prior to 2009 due to the underlying purchase transactions. Beginning in the second quarter of 2009, the Company has applied hedge accounting with respect to its U.S. Dollar and British pound exposure. The overall objective of Sky Deutschland's hedging strategy is to mitigate the risk of having to settle payment obligations denominated in U.S. Dollars and British pounds for the purchase of various sports programming and movie licenses as well as for other licenses by using foreign exchange hedge contracts. These derivatives are designated as hedging instruments in qualifying cash flow hedges in accordance with IAS 39. The effective portion of changes in the fair value of these derivatives is recognized directly in other comprehensive income, net of income tax. The ineffective portion is reported in Other Financial Result. When the underlying transaction occurs, the accumulated changes in the fair value of the derivative recognized in accumulated other comprehensive income as part of equity is capitalized as part of the carrying amount of "Advanced payments for sports and film rights". If the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognized in equity from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs. If the hedge relationships in which the derivatives are used do not fulfill the criteria of IAS 39 for hedge accounting, changes in fair value are recognized directly in profit or loss.

Deferred taxes

Sky Deutschland records deferred taxes for any temporary differences between values in the tax balance sheet and those in the consolidated balance sheet ("Liability Method"). Differences attributable to goodwill with respect to newly acquired assets are an exception to this and do not result in any assessment of deferred taxes. In addition, deferred taxes are recorded as loss carried forward to the extent that sufficient tax surpluses will be generated in the future to enable the utilization of these carry-forwards and Sky Deutschland's future business development is sufficiently certain. Significant assumptions for the formation of deferred taxes therefore include, in particular, the expectation of sufficient future taxable income to realize deferred tax assets recognized on deductible temporary differences and tax losses carried forward. If actual future taxable income differs from the expected income or if changes in current tax laws that would impose restrictions on the realization of the deferred tax assets should occur, an adjustment to the recorded amount of deferred tax assets would affect operating results. Sky Deutschland has recorded significant deferred tax assets relating to loss carry-forwards in the past. In light of the planning uncertainty since the loss of the broadcasting rights to the Bundesliga, these were written down in full for all material companies as of June 30, 2006, resulting in a charge of €90.4 million. No deferred tax assets on loss carry-forwards have been recognized for significant companies starting in 2006 and for all other companies starting in 2007.

Arena Transaction

Pursuant to the agreement dated July 2, 2007, Sky Deutschland acquired a sublicense to the pay-TV rights to the 2007/2008 and 2008/2009 seasons of the German football league (*Fußball-Bundesliga*), together with the rights to broadcast such matches to sportsbars. These rights were formerly held exclusively by Arena. In addition to these aforementioned rights, Sky Deutschland also assumed certain members of staff, business processes and associated contracts. The transfer of the rights,

associated production processes and staff from Arena to Sky Deutschland pursuant to the agreement dated July 2, 2007 was accounted for as a "business combination" under IFRS 3. Under IFRS 3, any such transfer of all assets and processes relating to a particular production or operation qualifies as the purchase of a business. The cost of acquiring the rights and associated production processes and staff is determined by the fair value of the shares to be issued at the time of acquisition plus any associated ancillary acquisition costs. In accounting for the acquisition under IFRS 3, the costs of acquiring the "business" were allocated to the fair value of the acquired assets and liabilities of the "business" at the date of acquisition. Of the total acquisition costs for the business combination in an amount of €315.1 million, comprised of the value of the 16,400,000 shares rendered in an amount of €288.1 million, the present value of additional payments in an amount of €24.4 million over the next two years and costs of the acquisition in an amount of €2.6 million, €66.7 million was allocated to deferred tax assets in the purchase price allocation. The balance of €248.4 million was recognized as goodwill. As a result of a change in the assessment of an addendum to the agreements concluded in connection with the Arena Transaction in 2008, Sky Deutschland adjusted the goodwill and other financial liabilities positions in its 2008 balance sheet, including the 2007 comparative information included therein, by €3.5 million. See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*" for information regarding an investigation by the BaFin with respect to these matters.

Revenue recognition

Subscription revenues are recorded in the period in which performance is delivered. Advance subscription payments by subscribers are recorded as deferred income and recognized as revenue on a linear basis over the period to which they relate. Pay-per-view revenues resulting from a subscriber purchasing a specific program title are recorded in the income statement in the period of transmission. Revenues from the sale of receivers are recorded at the time that substantial risks and rewards are transferred. Receipts from receiver rentals are recognized in the period to which they relate.

If a subscription is offered together with a receiver, the revenues from this transaction are allocated to the individual components based on their relative fair values. Activation fees and installation fees are not considered separate elements as long as these elements do not have a stand-alone value to the subscribers. In those cases, the fees received for such services are allocated to the components that form a unit of accounting with respect to revenue recognition, *i.e.*, the subscription or the receiver. In prior years, the allocation of the revenues in subscription offers with a receiver was performed based on the residual value method since the fair value of the receiver could only be established within a certain range. The impact of the change from the residual method to the fair value method is not material.

Agreements for the rental of pay-TV equipment to hotels that are classified as finance leases are treated in the same way as the sale of hardware, *i.e.*, revenues are recognized in the amount of the leased receivables that are to be capitalized and cost of sales is recognized in the amount of the retirement of the pay-TV equipment at inception of the lease.

Revenues from agency business are generally recognized when performance is affected.

Until June 2009, revenues from magazine subscriptions were recognized on a net basis reflecting the terms of the agreement between Sky Deutschland and the publisher. Since Sky Deutschland acted as an agent for the publisher under the terms of the agreement, revenues were equal to the commission earned by Sky Deutschland. Under the new agreement entered into in July 2009, Sky Deutschland is allowed to sell the TV magazine in its own name and bundles it with its program packages. Such bundles are accounted for as multiple-element arrangements and the revenues allocated to the subscription component is based on the relative fair values. In such cases the cost of delivery is recorded as magazine costs. However, in all other cases, Sky Deutschland acts as an agent for the publisher and, therefore, revenues are recognized in the amount of the commission received.

Revenues from the arrangement of subscriptions in conjunction with the cooperation with tmc are determined on the basis of the revenues generated by the arranged subscription. The revenue is

realized at the time the subscribers are billed. Platform and dissemination services rendered in conjunction with the cooperation are billed and recognized as revenue in the same way.

Revenues from the cooperation with Deutsche Telekom in the 2007/08 and 2008/09 seasons relating to the transmission of Sky Deutschland's programming and the German football league (*Fußball-Bundesliga*) via IPTV were realized at the time of performance and reported in other revenues. Revenues from the marketing of Sky Deutschland's "Fußball Bundesliga" package via Arena's satellite platform and Unitymedia's cable platforms in the 2007/08 and 2008/09 seasons were recorded in the periods in which performance occurred.

Reacquisition of interests in Premiere Star

Sky Deutschland reached an agreement with all nine minority shareholders in Premiere Star to acquire all their shares in Premiere Star for deferred consideration. All agreements became effective following completion of the capital increase by Sky Deutschland in April 2009.

With an early adoption of the provision of IAS 27 (revised 2008), the Company was able to account for these purchases as an equity transaction. Therefore, the difference between the present value of the total consideration and the acquired interest in the net assets of Premiere Star of €58.25 million was recognized as a reduction of equity.

Treatment of fees for the credit facilities

Some of the transaction costs for the credit facilities, which will be deferred over the term of the credit agreement, were payable upfront for the refinancing. Fees incurred in connection with new credit facilities are deducted from the carrying amount of the facilities drawn and amortized over the term of the instrument using the effective interest method. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized in profit and loss in the period of the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the facility. As such, arrangement fees in the amount of €7.9 million, equaling 1.5% of the total commitments, were payable on the closing date of the arrangement.

An exit fee, equivalent of 4.0% of the last 12 months' consolidated EBITDA will be payable on December 31, 2013. As of December 31, 2009, this fee has not been recorded on the balance sheet, given that the amount of the financial obligation cannot be measured reliably at this stage.

Assignment of rights to the FIFA World Cup 2008 to 2010

Within the framework of a public bidding procedure, Sky Deutschland acquired some of the broadcasting rights (or media rights) for all 64 matches of the 2010 World Cup from FIFA (memorandum of agreement of July 14, 2005). A fee of €45 million was agreed for the granting of the broadcasting rights, and this figure was payable by Sky Deutschland in six annual installments. With effect from June 28, 2008, Sky Deutschland transferred the broadcasting rights for nine free-TV matches to RTL for €27.35 million. In this transaction, Sky Deutschland acted like an agent of FIFA. In line with EITF 99-19, the revenues generated as a result of the transfer of rights to RTL, netted with the corresponding costs of sales, were shown in the IFRS consolidated interim financial statements for the period ending June 30, 2008. The corresponding costs of sales were determined on the basis of the breakdown of the fee of €45 million agreed for the rights purchase, on the basis of the ratio between the relative fair values of the acquired pay-TV rights and free-TV rights. The costs of sales calculated in this way (€7.7 million) were deducted from the revenues generated as a result of the sale to RTL.

On December 6, 2009, Sky Deutschland reassigned the free-TV rights for nine games of the FIFA World Cup 2010 to FIFA as part of an agreement to sell the rights to a free-to-air broadcaster. The reassignment was subject to a condition and become effective with the fulfillment of this condition in 2010. In this case Sky Deutschland was released from a license payment to FIFA in the amount of €11.25 million that would have been recognized as an expense when the FIFA World Cup took place. In addition, FIFA paid Sky Deutschland an amount of €0.7 million.

RECENT DEVELOPMENTS AND OUTLOOK

In the third quarter of 2010, up to the date of this Prospectus, Sky Deutschland's overall business has continued the development it has taken through the first half of this year. The business continues to grow on a net subscriber basis, even if net subscriber additions are lower than in the corresponding period in 2009, when subscriber growth was significantly influenced by the migration of former subscribers of Arena and Unitymedia's German Football League (*Fußball Bundesliga*) service to Sky Deutschland after Arena and Unitymedia's license to broadcast German Football League (*Fußball Bundesliga*) matches expired on June 30, 2009. Sky Deutschland's ARPU remained at a level significantly above the comparable level of last year and, as expected, has returned to growth as more former Premiere customers move onto the Sky Deutschland packages and due to successful upselling initiatives. HD penetration has further increased, reflecting the strong demand for Sky Deutschland's HD pay-TV offering in Germany and Austria.

In October 2010, Sky Deutschland intends to launch a new HD-3D service across Germany and Austria. This service will be receivable through any Sky HD-capable set top box and requires a 3D-capable television set (see "*Business Description—Strategy—Differentiating through HDTV offering, including HD-3D, as well as core content quality and exclusivity*").

In the 4th quarter of 2010, Sky Deutschland intends to introduce a new CI+ module, which will allow access to Sky Deutschland's programming via any CI+ capable television set without an additional set top box.

In August 2010, the Management Board decided not to use technically outdated receivers, especially Hard-Disk-Receivers without HD functionality, for business with customers in the future. As a one-time effect, Sky Deutschland recorded an impairment of €5.2 million. The impairment led to a write-off of Sky Deutschland's non-current assets (receivers) in the amount of €3.1 million and to a reduction of Sky Deutschland's current assets (inventories) in the amount of €2.1 million.

The Company expects that EBITDA on a consolidated basis for the full year 2010 will remain significantly negative due to the slower than expected development in subscriber numbers and increased investment in key initiatives following the financing measures. For 2011, the Company expects to achieve an EBITDA on consolidated basis that is significantly better than 2010, but that will still remain negative.

Except for the developments expected for and occurred in 2010 described above, there have been no material changes in Sky Deutschland's trading position, including its financial condition between June 30, 2010 and the date of this Prospectus.

BUSINESS DESCRIPTION

Overview

Sky Deutschland believes that it is the leading pay-TV provider in Germany and Austria, with 2.476 million contract subscribers as of June 30, 2010. In its core business, subscription-based pay-TV, which contributes the vast majority of its revenues, Sky Deutschland offers subscribers comprehensive programming in digital quality via up to 61 TV channels, comprising current feature films, new series, live sports and a number of third-party channels, as well as seven digital audio channels, distributing its content via cable, satellite and the internet. The core of Sky Deutschland's subscription-based pay-TV offering consists of the live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*), for which Sky Deutschland holds the exclusive pay-TV rights for Germany (with the exception of IPTV and mobile TV rights), Austria and Switzerland until the end of the 2012/2013 season, Sky Deutschland's HDTV services and the exclusive pay-TV broadcasting rights to the vast majority of movies produced by the major Hollywood studios, and a wide variety of general entertainment programming. To a lesser extent, Sky Deutschland also derives revenues from, among other things, pay-per-view services, commercial subscriptions, the activation and installation of Sky Deutschland receivers and the sale of advertising time. In addition to conventional broadcasting via satellite and cable, Sky Deutschland also offers some of its programming via Web-TV on a pay-per-view basis.

Sky Deutschland offers its subscribers several packages based on a "buy-through" model. Under this model subscribers are offered a basic package, Sky Welt, which contains a broad range of family-focused programming. Subscribers to the basic package then have the option to subscribe to one or more of the three premium packages: Film, Fußball Bundesliga, and Sport. There is also the possibility of subscribing to Sky Deutschland's HDTV option, Sky HD, which currently comprises up to ten channels. On subscribing to any premium package, households with satellite TV receivers also receive Sky Welt Extra, a bonus package with 17 additional TV channels. Sky Deutschland recently launched the Sky+ service, an HDTV digital video recorder and receiver for satellite customers, for easy recording and convenient viewing of Sky Deutschland's programming, and Sky Deutschland's Multiroom service, an option for existing subscribers to order an additional receiver with a second smartcard. Furthermore, Sky Deutschland offers customers a selection of newly released movies, special-interest shows, live sporting events and adult entertainment for on-demand access via cable, satellite and the internet. Sky Deutschland also provides pay-TV services to hotels, sports bars and other public venues.

Starting in the second half of 2008 and following significant financial difficulties, Sky Deutschland adopted a comprehensive restructuring plan, raised several rounds of new capital, negotiated new credit facilities and redeveloped its strategy. The new strategy is aimed at increasing the number of Sky Deutschland's subscribers and its ARPU by further enhancing the attractiveness of its programming, improving the usability of its products and services, increasing customer satisfaction and expanding its sales and marketing activities. A major milestone of the strategy was the July 4, 2009 launch of Sky Deutschland's current product line-up and new branding under the "SKY" brand. Sky Deutschland has since revised and adjusted this strategy, deciding to invest further in order to drive momentum in the business by expanding its HDTV offering, deploying the Sky+ HDTV digital video recorder and receiver, investing in innovations and product extensions, implementing new sales and distribution initiatives and improving customer service. Sky Deutschland believes that its relaunch laid a strong foundation for the growth of the business. Nevertheless, although certain key metrics of the business – such as net subscriber additions, quarterly annualized churn rate, ARPU, HDTV penetration and brand awareness – are moving in the right direction, Sky Deutschland has not fully achieved its own operating targets. To finance the above mentioned growth-enhancing measures and to secure the financial position of the Company and, in particular, to remedy liquidity constraints, Sky Deutschland has therefore decided to raise further capital through this offering and, if applicable the Convertible Bond and/or the Shareholder Loan. See "*The Offering*".

In the first half of 2010, Sky Deutschland recorded revenues of €470.9 million and a loss of €178.9 million compared to a loss of €445.8 million in the first half of 2009, and expects to incur additional significant losses in the remainder of 2010 and in 2011. Sky Deutschland had 2.476 million contract subscribers as of June 30, 2010 and an ARPU of €28.62 for the second quarter of 2010.

Restructuring and Relaunch of the Company's Business

Sky Deutschland announced its plans to restructure its business at the beginning of October 2008. In its ad-hoc release dated October 2, 2008, in which it forecast a significant EBITDA loss for 2008 and disclosed the fact that it had commenced discussions with its banks regarding a restructuring of its credit facilities, Sky Deutschland also announced that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers and exclude other subscribers who generated only limited or no revenues. The new subscriber classification methodology resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in reported ARPU. See "*—Subscribers*" for further information.

Given the significant EBITDA loss in 2008, on November 15, 2008, Sky Deutschland would, absent a waiver by its lenders, have breached a covenant contained in its then-existing revolving credit facility that required it to maintain a certain relationship between its EBITDA and its net financial result. A breach of this covenant would have entitled the lenders to terminate the then-existing revolving credit facility with immediate effect and, due to contractual linkages between the revolving credit facility and its other credit facilities, would also have entitled them to terminate the then-existing bridge loan and to demand repayment of the outstanding amounts. To refinance its then-existing bank debt, Sky Deutschland negotiated new credit facilities, consisting of two term loans in the aggregate amount of €275 million, a revolving credit facility in the amount of €125 million and a guarantee facility in the amount of €125 million. These credit facilities were entered into on December 23, 2008 and became effective upon, among other things, a capital increase resulting in gross proceeds of €450 million, which Sky Deutschland achieved by increasing its capital in two steps in January and April 2009 by way of rights offerings. These capital increases were guaranteed by the Company's major shareholder, News Adelaide, an indirect wholly owned subsidiary of News Corporation, as News Adelaide committed to exercise subscription rights and/or to acquire New Shares that had not been purchased in the rights offerings.

Furthermore, the Company thoroughly reviewed its operations in 2008, launched a new strategy intended to resolve the difficulties it had faced in previous years and decided to relaunch its business. The new business strategy was designed to increase the number of Sky Deutschland's monthly contract subscribers as well as its ARPU. The operational measures that made up the strategy affected all aspects of Sky Deutschland's business and were designed to increase the attractiveness of Sky Deutschland's programming, improve the usability of its products and services by making its packaging and pricing structure clearer and simpler, increase customer satisfaction, and expand Sky Deutschland's sales and marketing activities. See "*—Products and Services*" for further information on the offered products and services. A major milestone of the new strategy was the launch of Sky Deutschland's current product line-up and new branding on July 4, 2009. Prior to that time, Sky Deutschland had marketed its product offering under the "PREMIERE" brand. Sky Deutschland decided to discontinue the use of its former "PREMIERE" brand, which led to a write-off of the value of the trademarks Sky Deutschland formerly used. This full write-off of the Premiere trademark amounted to €331.6 million. The write-off generated deferred tax income in the amount of €77.7 million, resulting from the reversal of temporary differences between the carrying amount of the trademark in accordance with IFRS and its tax basis. See "*Operating and Financial Review—Key Factors Influencing Sky Deutschland's Results and Operating Performance*" for further information on the impacts of the decision to re-brand the Company.

To increase its financial flexibility and to be able to invest in further initiatives to support sustained subscriber growth, such as increased direct marketing activities, additional investments in programming and the Sky+ service, and investments in Sky Deutschland's HDTV channels, Sky Deutschland further increased its share capital by 10 per cent in January 2010 by way of a direct placement to News Adelaide, generating proceeds of €110 million. In connection with the capital increase in January 2010, Sky Deutschland negotiated with its bank syndicate a waiver of a clause in its financing agreements requiring that proceeds from equity offerings first be used to repay the credit facilities and an adjustment of the existing financial covenants to reflect the additional investments.

Sky Deutschland believes that its relaunch has provided a strong foundation for the growth of the business. Sky Deutschland revised and adjusted its strategy and decided to invest further funds to drive momentum in the business by expanding its HDTV offering, deploying Sky+ (an HDTV digital video recorder and receiver), investing in innovations and product extensions, implementing new

sales and distribution initiatives, and improving customer service. The key metrics of the business are moving in the right direction – thus Sky Deutschland has been able to record:

- net additions to its subscriber base of 112,002 subscribers within one year of the launch of the "SKY" brand (number of subscribers on June 30, 2009 compared with number of subscribers on June 30, 2010),
- a quarterly annualized churn rate declining from 20.8% in the second quarter of 2009 to 16.3% in the second quarter of 2010 (the quarterly annualized churn rate is defined as the number of direct subscribers that terminated their subscriptions during the course of a quarter, divided by the average number of direct subscribers in that period (calculated by dividing the sum of the number of direct subscribers on the first day of the quarter, *e.g.*, on April 1, 2010, and on the last day of the quarter, *e.g.*, on June 30, 2010 by two) and multiplied by four),
- ARPU increasing from €25.20 in the second quarter of 2009 to €28.62 in the second quarter of 2010,
- an HDTV penetration rate increasing from 8.4% in the second quarter of 2009 to 14.9% in the second quarter of 2010, and
- brand awareness of the "SKY" brand increasing from 36% in June 2009 to 78.4% in August 2010 (*Source: Icon Added Value: Brand- and Advertising Tracker August 2010, a study that was commissioned by Sky Deutschland*).

Nevertheless, the pace of development is not fast enough and Sky Deutschland has not fully achieved its operating targets.

To finance the growth-enhancing measures described above and to secure the financial position of the Company and, in particular, to remedy liquidity constraints, Sky Deutschland has decided to raise further capital. In order to (i) avoid mandatory repayment of the credit facilities from the proceeds of the offering or the other financing measures described in the financial support agreement, (ii) adjust financial covenants and other restriction to reflect the intended use of proceeds and payments in connection with the financing and (iii) avoid a breach of financial covenants that would have occurred at some point in time, which would have entitled the lenders to terminate the credit facilities and demand repayment of the outstanding amounts, Sky Deutschland has agreed on an amendment to the credit facilities with its syndicate banks. The amendment and waiver agreement to the credit facilities was entered into on August 2, 2010 and has partially become effective after the Company entered into a financial support agreement (FSA) with News Adelaide and News Corporation, under which News Adelaide committed to support the Company in raising financing in an aggregate gross amount of €340 million (Total Funding Amount). Certain of these amendments are subject to the condition subsequent that the Company has entered into agreements under which it may draw new financing in the amount of €80 million net by October 31, 2010 and €340 million gross by December 31, 2010. This condition subsequent does not apply if the Company has actually received the amounts prior to the mentioned dates. Further, the actual receipt of the Total Funding Amount on or before January 31, 2011 is an additional condition subsequent for this amendment and waiver agreement. Upon completion of this offering, the Company expects, assuming placement of all offered shares in full, to receive gross proceeds of €283.1 million; the Company expects to generate the remaining €56.9 million (gross) from the direct placement of a convertible bond to News Adelaide, expected to occur on or before January 28, 2011 and/or the grant of a Shareholder Loan, expected to occur on or before January 31, 2011. See "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*" for further information on News Adelaide's commitment to exercise subscription rights and/or to acquire New Shares that have not been purchased and for further information on News Adelaide's commitment to subscribe for the Convertible Bond or to grant the Shareholder Loan.

Competitive Strengths

Sky Deutschland believes that it has the following competitive strengths, which position it well in its continued efforts to turn around its business and achieve lasting profitability.

- *Exclusive broadcasting rights.* Sky Deutschland holds exclusive licenses for Germany and Austria for a range of premium sporting events and movies. The centerpiece of Sky Deutschland's offering is the live broadcasting of the matches of the first and second divisions

of the German football league (*Fußball-Bundesliga*). Sky Deutschland has entered into an exclusive license agreement with respect to the 2009/2010 through 2012/2013 seasons with DFL (except for IPTV and mobile TV rights). Sky Deutschland believes that these arrangements position Sky Deutschland well to generate revenues from the marketing of these important sporting events through the 2012/2013 season. Sky Deutschland also holds pay-TV rights to other types of premium sporting events, such as the DFB Cup (*DFB-Pokal*) until the 2011/2012 season and the UEFA Champions League until the 2011/2012 season the Wimbledon grand slam tennis tournament from 2011 to 2013 as well as the Formula One races and all major golf tournaments until the end of 2010. In addition, Sky Deutschland holds exclusive pay-TV rights to the vast majority of movies produced by the major Hollywood studios and selected European studios. Furthermore, Sky Deutschland holds the exclusive rights to a number of third-party channels and exclusive satellite rights to, among other channels, Eurosport HD, the Disney Channel, the FOX Channel and TNT Serie.

- *Extensive high definition broadcasts.* Sky Deutschland believes that it is the leading provider of HDTV broadcasts in Germany. Sky Deutschland focuses on offering most of its HDTV programming with a true HD signal – in contrast to the widely broadcast HD programming with an upscaled resolution. In the view of Sky Deutschland, the use of a true HD signal results in crisper and brighter television pictures than does upscaled resolution. *Screen Digest* forecasts that at the end of 2010, 20.7 million TV sets in 18.3 million TV households in Germany and Austria will be suitable for HDTV (*Source: Screen Digest from August 2010*). With currently ten HDTV channels showing many of the exclusive sport, movies and other programming mentioned above, Sky Deutschland offers to its subscribers a wide variety of HDTV channels, mostly in true HDTV quality.

- *Secured access to almost every household in Germany and Austria via the use of various distribution platforms.* Sky Deutschland's core competences include the acquisition of rights to premium entertainment, the compilation of tailored programming packages and the marketing of these packages to subscribers. Sky Deutschland believes it can benefit from these competences irrespective of whether its programming is broadcast via satellite, cable or other distribution platforms. Because Sky Deutschland has the requisite technical capacity to make use of most available distribution platforms, it can decide on a case-by-case basis which platforms it wishes to use to provide its content to subscribers. Since the various platform operators compete with each other, they have an incentive to enhance the attractiveness of their offering by carrying Sky Deutschland's programming.

- *Significant and attractive subscriber base.* As of June 30, 2010, Sky Deutschland had 2.476 million contract subscribers in Germany and Austria and 133,029 wholesale subscribers, who are subscribers whose contractual relationship is with a platform provider and not directly with Sky Deutschland. Monthly contract subscribers are individuals who subscribed for one or more of Sky Deutschland's pay-TV packages and bars, restaurants, hotels and other public venues with commercial subscriptions (with each room in one of these hotels or other public venues in which Sky Deutschland is receivable counting as a separate subscriber; subscriptions to Sky Deutschland's Multiroom service do not increase the number of subscribers but result in a higher ARPU per subscriber). Sky Deutschland believes this subscriber base makes it an attractive partner for movie studios, promoters of sporting events and other content providers and positions it well for future growth. Based on internal analyses carried out by Sky Deutschland, the majority of its subscribers are households comprising more than two persons. Sky Deutschland believes that these households are more likely to be interested in a wide variety of programming.

- *Widespread and diverse sales network.* Sky Deutschland has access to a widespread and diverse sales network. It relies on retail stores to market its products and services alongside direct acquisition channels such as telesales, web sales and direct mail. At June 30, 2010, Sky Deutschland had sales partners, at approximately 6,000 locations in Germany and approximately 700 locations in Austria. Among the partners in Germany are the electronics and media retail chains "Media Markt" and "Saturn" of Media-Saturn-Holding GmbH, which is a subsidiary of METRO AG, one of Europe's largest wholesale chains. Furthermore, Sky Deutschland has distribution agreements with all the cable network operators, and specific marketing agreements with Kabel BW GmbH & Co KG ("**KBW**"), NetCologne Gesellschaft für Telekommunikation mbH ("**NetCologne**"), Tele Columbus Multimedia GmbH ("**Telecolumbus**") and Versatel Telekabel GmbH ("**Versatel**"). Under these marketing

agreements, Sky Deutschland's programming is offered to the customers of these cable network providers, either as a stand-alone subscription or in combination with telephone and internet flat rate offerings of the cable network provider. Sky Deutschland believes that this widespread and diverse sales network gives the Company access to a large number of potential customers.

- *Clear and simple product offer and pricing structure.* Sky Deutschland has implemented a clear and simple pricing structure. Subscribers may sign up for a basic package ("Sky Welt") that offers a variety of Sky Deutschland's channels. Premium packages, such as the German football league ("*Fußball Bundesliga*"), the movie package ("Film") and sports package ("Sport"), are offered in combination with the basic package. The basic package, Sky Welt, is currently available in the form of a 12-month subscription at a price of €16.90 per month. Each of the premium packages may be subscribed to for an additional €16.00 per month for the first package, €12.00 per month for the second package and €10.00 per month for the third package. Sky HD may be purchased on the same terms as the other packages in combination with any of the packages at a price of €10.00 per month (or €5.00 per month if two or more premium packages are subscribed to). Sky Deutschland believes that this packaging structure creates a richer TV experience for customers and makes it easier for potential customers to choose their preferred package.
- *Experienced management team.* Sky Deutschland has a talented and experienced management team with extensive experience in the pay-TV industry. Prior to joining Sky Deutschland, several management members held leading positions in successful pay-TV companies like News Corporation, BSkyB, SKY Italia S.r.l. ("**SKY Italia**"), a leading Italian pay-TV provider and a subsidiary of News Corporation, and NDS Limited. Each one has a long track record in critical areas of the business, such as day-to-day operations, programming, technology, marketing and sales.

Strategy

Sky Deutschland believes that it is well-positioned to build a successful pay-TV business in Germany and Austria. Sky Deutschland believes that the German and Austrian pay-TV markets offer a large potential, which Sky Deutschland aims to exploit.

Sky Deutschland's clear focus is on growing its subscriber base and increasing its total revenues. Sky Deutschland seeks to attract new subscribers and retain existing customers through its product offering and to increase ARPU. Enhancing customer satisfaction so as to reduce churn and improve the basis for acquiring new subscribers through referrals from existing subscribers is part of that strategy. The strategy comprises the key initiatives:

- *Differentiating through HDTV offering, including HD-3D, as well as core content quality and exclusivity.* Sky Deutschland sees programming as a top priority, believing that the quality and exclusivity of its programming, as well as its variety, are the main factors that will attract new subscribers and retain existing customers. With this in mind, in July 2009, Sky Deutschland launched its new packaging structure, expanding the quality and range of its programming. In particular, Sky Deutschland has focused on sharpening its HDTV offering. In addition, Sky Deutschland focuses on offering most of its HDTV programs with a true HD signal – in contrast to the widely broadcast HD program with an upscaled resolution – which, in the view of Sky Deutschland, results in crisper and brighter television pictures. Since launch of the "SKY" brand, Sky Deutschland believes to have the most comprehensive true HD pay-TV program offering in Germany and Austria. Sky Deutschland intends to continue to capitalize on the uptake of TV sets capable of displaying HDTV content by expanding the number of HDTV channels in its offering from the current ten channels. *Screen Digest* forecasts that at the end of 2010, 20.7 million TV sets in 18.3 million TV households in Germany and Austria will be suitable for HDTV (*Source: Screen Digest from August 2010*). Sky Deutschland is convinced that HDTV is an attractive market opportunity in Germany and Austria. Recent developments in Sky Deutschland's subscriber base support this strategy, as the HDTV penetration in its subscriber base increased to 14.9% in Q2 2010 (Q2 2009: 8.4%).

  Sky Deutschland intends to use HDTV as a key differentiator, particularly when combined with its exclusive content. Sky Deutschland has recently signed agreements with several cable network operators for its HDTV service, has secured additional satellite broadcasting capacity by entering into several agreements with the major satellite operator SES ASTRA and intends to continue expanding the number of cable network operators through which Sky Deutschland's

HDTV service may be accessed. Sky Deutschland also intends to focus more on premium content to which Sky Deutschland holds, or for which it considers acquiring exclusive broadcasting rights. In turn, Sky Deutschland assesses the relevance of the currently licensed content for the success and attractiveness of its programming. If the relevance of the licensed content does not, in Sky Deutschland's view, outweigh the associated costs, Sky Deutschland may refrain from a renewal of these agreements.

Sky Deutschland also intends to launch its HD-3D service in October 2010. This service will broadcast a selection of Sky Deutschland's sports programming, films, documentaries and entertainment in 3D. To view this programming in 3D, subscribers will require a Sky HD-capable set top box and a 3D-capable television set. The service will initially be transmitted only to satellite subscribers and to KBW cable subscribers. Sky Deutschland believes that its HD-3D service will offer subscribers a significantly enhanced viewing experience.

- *Promoting Sky+ to stimulate growth and increase customer satisfaction.* Sky Deutschland intends to use Sky+, an HDTV digital video recorder and receiver, to drive net subscriber and ARPU growth. Sky+ possesses numerous functions that provide flexibility and comfort as well as simple operability. The viewer can easily record shows using the remote control or directly from the electronic program guide. Subscribers may also use the "Series Link" recording function to automatically record all episodes of a selected TV series. Not only will viewers be able to select at anytime from their own personal archive, with time shift, the viewer can also pause live television, proceed to any point in time even before the recording ends, or jump to a particular point in the recording. Sky+ allows Sky Deutschland subscribers to record both HDTV and standard definition programs and simultaneously view another program. Sky+ set-top boxes receive all Sky Deutschland channels as well as the free-to-air channels. Also, Sky+ has the technical capability to accommodate for future HD-3D broadcasts. The Sky+ personal video recorder has a high capacity hard drive that can record up to 50 hours of programming in HDTV quality or up to 100 hours of programming in standard definition. Sky Deutschland believes that the added convenience to the consumer of having the ability to record a program and watch it at any time rather than at the time set by the broadcaster's schedule is highly attractive to consumers and will significantly enhance the viewing experience of its existing subscribers. Sky Deutschland believes that the added convenience will also increase the perception of the value of the services provided to Sky Deutschland's subscribers. Sky Deutschland also believes that the combination of this convenience with the quality and exclusivity of its content will be an important factor distinguishing it from its competitors and will cause more consumers to subscribe to its services and, once they have subscribed, to remain Sky Deutschland customers, thereby significantly reducing churn. Sky Deutschland intends to invest in the development and deployment of its Sky+ service in the near future.

- *Utilizing key innovations to increase convenience and customer satisfaction and attract more subscribers.* Usability and convenience are important aspects of Sky Deutschland's service and its drive to increase customer satisfaction. Management therefore places great value on making Sky Deutschland's product offering more user-friendly and constantly seeks to increase the convenience of using Sky Deutschland and give consumers additional reasons to subscribe or continue subscribing to its services. Sky Deutschland intends to continue launching new and innovative products so as to give consumers more reasons to consider subscribing to its services and to provide additional value to existing customers. Recent innovations include the various elements of the so-called "Anytime, Anywhere" approach, such as the launch of a Sky Sport App for the iPad and Sky Deutschland's Multiroom service, which allows households to watch different Sky Deutschland programming in different rooms. Sky Deutschland intends to use these and future innovations to give value back to existing subscribers and to distinguish itself from its competitors and encourage consumers to consider subscribing to its services.

- *Enhancing strategic distribution partnerships.* Sky Deutschland intends to strengthen its arrangements with its cable network partners and other distribution platforms for the distribution of its programming over their networks. Sky Deutschland has already concluded a number of agreements with cable network operators (including, most recently, with KBW), involving a variety of different marketing arrangements, such as retail partnerships with full control and packages that involve co-marketing Sky Deutschland's programming with the cable network operator's telephony or broadband products. Sky Deutschland is currently in active discussions with several cable network and other platform operators, including Unitymedia and

KDG, regarding the possibility of their carrying its programming and intends to continue these negotiations and enter into negotiations with other network operators to achieve further distribution partnerships and further enhance the competitiveness of its programming. Sky Deutschland is also considering further options for direct distribution of its content to potential subscribers.

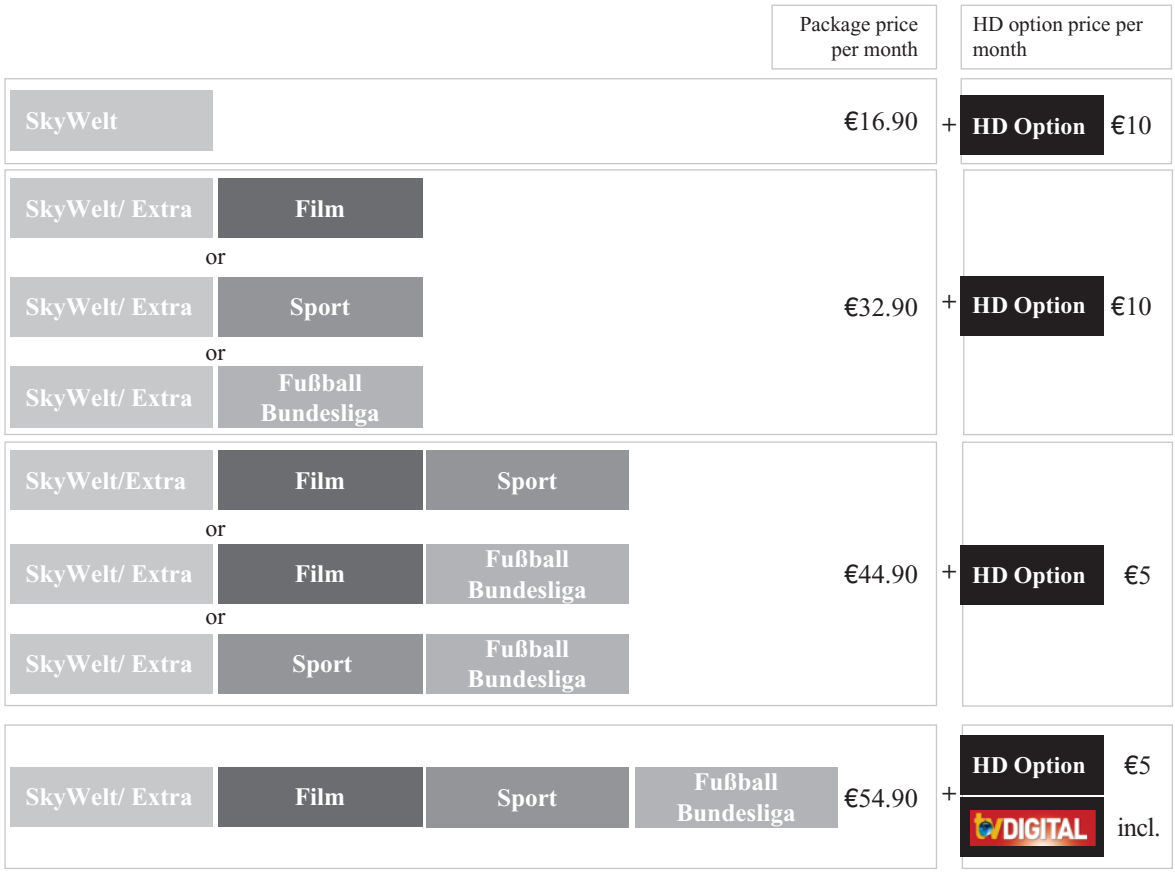
- *Enhancing customer satisfaction through improved customer service.* Sky Deutschland believes that its reputation is based on both the quality and exclusivity of its content and the quality of its customer service. Sky Deutschland plans to enhance customer satisfaction by reducing complexity and improving customer service to further differentiate itself from its competitors. Among other things, Sky Deutschland intends to reduce the time it takes for subscribers calling a support hotline to be connected to a customer service representative as well as the time it takes to resolve the issues raised. Sky Deutschland has already implemented a new customer relation management (CRM) system, expanded its call center capacity and started providing clearer and preemptive customer communication as well as new services and a new website that will enable customers to more easily manage their own accounts. Sky Deutschland plans to refine its customer service systems and processes to focus on even swifter resolutions of problems.

Products and Services

Overview

Sky Deutschland offers customers subscription-based access to attractive pay-TV programming under the commercial name "SKY". Sky Deutschland's programming is structured such that subscribers sign up to a basic package and may then choose from several additional premium packages based on their interests and preferences. There is also the possibility of subscribing to Sky Deutschland's HDTV option, Sky HD, which currently comprises up to ten channels. In addition, Sky Deutschland offers customers a selection of newly released movies, special-interest shows and live sporting events for on-demand access via cable, satellite and the internet. Sky Deutschland also provides pay-TV services to hotels, sports bars and other public venues.

The following chart gives an overview of Sky Deutschland's packaging and pricing structure:



Pay-TV subscriptions

Sky Deutschland's core offering is pay-TV subscriptions, which account for the vast majority of Sky Deutschland's revenues. Sky Deutschland currently offers its subscribers several packages based on a "buy-through" model. Under this model, subscribers are offered a basic package, Sky Welt, which consists of 20 TV and seven digital audio channels offering a broad range of family-focused programming. On subscribing to the basic package, subscribers have the option to subscribe to one or more of the three premium packages: (1) Film, which comprises ten TV channels airing approximately 300 current movies per year on an exclusive basis as well as a wide range of library movies, (2) Fußball Bundesliga, which provides live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) and (3) Sport, which offers a number of other sporting events. Subscribers to any of the packages also have the possibility of subscribing to Sky Deutschland's HDTV option, Sky HD, which currently comprises up to ten channels. Subscribers of Sky HD get access to those channels broadcast in HDTV that correspond to the packages to which they have subscribed. On subscribing to any of the premium packages, households with satellite TV receivers also receive Sky Welt Extra, a bonus package with 17 TV channels. In addition, Sky Deutschland offers customers a selection of newly released movies, special-interest shows, live sporting events and adult entertainment for on-demand access via cable, satellite and the internet. The basic package, Sky Welt, is currently offered in the form of a 12-month subscription at a price of €16.90 per month. Each of the premium packages may be subscribed to for an additional €16.00 per month for the first package, €12.00 per month for the second package and €10.00 per month for the third package. Sky HD may be purchased on the same terms as the other packages in combination with any of the packages at a price of €10.00 per month (or €5.00 per month if two or more premium packages are subscribed to). Effective October 6, 2010, the Sky HD channels corresponding to the channels currently included in the Sky Welt package will be included as part of the Sky Welt package at no extra charge (currently €10.00 per month) and therefore will be available to subscribers of Sky Welt as well. Other "premium HD" channels (*i.e.*, Sky HD channels corresponding to the Sport and Film packages) will remain subject to a monthly fee. Customers subscribing to one or two premium packages will be charged €10.00 (currently €10.00 if one premium package is subscribed to or €5.00 if two premium packages are subscribed to) for the Sky HD channels corresponding to the packages to which they subscribe whilst customers subscribing to three premium packages will continue to be charged €5.00 for the Sky HD channels corresponding to their channels.

Sky Welt. This basic entertainment package provides a wide range of entertainment across 20 TV channels and seven digital audio channels, all of which are produced by third parties. Sky Deutschland believes that many of its subscribers are households consisting of more than two persons with different interests and entertainment preferences. Sky Welt offers a broad spectrum of content that covers these different interests and preferences, including action, drama, mystery, science fiction, soap operas, documentaries, children's programming and music.

Film. This package offers a selection of popular movies and TV series in German and the relevant original language across ten channels, including eight Sky channels, and broadcasts 80 movies a day and around 25 movie premieres per month. For the convenience of subscribers, this package includes two additional channels that broadcast the same programming as is shown on the Sky Cinema channel but with a time delay of one hour and 24 hours respectively. A wide selection of the programming is provided in 16:9 format and Dolby digital surround sound. The package includes blockbuster movies from major Hollywood studios as well as successful European film productions. Each year, over 300 movies and a number of TV series have their German pay-TV debut through the Film package. See "*—Programming Rights—Movies and related entertainment—Movies*" for further information.

Sport. This package offers a number of sporting events (other than the matches of the German football league (*Fußball-Bundesliga*)) and includes live broadcasts of the DFB Cup (*DFB-Pokal*) matches. The Sport package currently also broadcasts all 146 matches of the UEFA Champions League live, matches of German and Austrian teams in the UEFA Europa League, and the top games from the English Premier League. In addition, there are live broadcasts of major golf tournaments, Formula One races (until end of 2010), other motor-sport highlights, ice hockey, wrestling (until the end of 2010), the Wimbledon tennis tournament and other events. The Sky Sport Austria channel is part of this package for live broadcasts of most matches of the Austrian football league. The Sky Sport Austria channel also provides live access to Austrian basketball. Subscribers

getting access to Sky Deutschland's programming via a cable network provider need to pay an extra fee of €10.00 per month to get access to the Sky Sport Austria channel.

Fußball Bundesliga. This package offers live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*), which are extremely popular in Germany and a key part of Sky Deutschland's business model. All matches can be viewed individually or, in some cases, in the form of a conference channel on which Sky Deutschland continuously switches from one match to another to show the highlights of the respective matches live. Sky Deutschland currently licenses these rights directly from DFL, and the current license is due to run through the 2012/2013 season. Under the license, Sky Deutschland has exclusive pay-TV rights for Germany (with the exception of IPTV and mobile TV rights), Austria and Switzerland. See "*—Programming Rights—Sports—German football league (Fußball-Bundesliga)*" for additional details.

Sky HD. This option offers selected Sky Deutschland content in HDTV format. The option currently consists of ten HDTV channels. The programming of Sky Deutschland's HDTV channels includes HDTV versions of movies and TV series as well as selected matches of the German football league (*Fußball-Bundesliga*), the DFB Cup (*DFB-Pokal*) and the UEFA Champions League. The lineup also includes Eurosport HD for HDTV coverage of other sports events, Disney Cinemagic HD, which broadcasts Disney films in HDTV quality, and Discovery HD, National Geographic HD and History HD, which show documentaries in HDTV quality. Subscribers to Sky HD get access to those channels broadcast in HDTV that correspond to the packages to which they have subscribed.

Sky Welt Extra. The Sky Welt Extra package, which is available exclusively via satellite as a bonus package for those subscribing to any of the premium packages, comprises 17 additional third-party channels with content consisting of a variety of popular TV genres, including U.S. sports, popular movies, children's shows, comedy, lifestyle and entertainment. Sky Welt Extra includes well-known TV brands, such as ESPN America, Cartoon Network, TNT Film, Kinowelt and MTV.

Pay-per-view

In addition to the pay-TV packages described above, Sky Deutschland offers programming on a pay-per-view basis through its Sky Select and Sky Select+ platforms via satellite, cable and the internet via its website select.sky.de. Satellite and cable-based pay-per-view is available only to subscribers, whereas internet-based pay-per-view requires only a simple registration and is also available to non-subscribers.

Sky Deutschland's pay-per-view services are aimed at satisfying the demand of subscribers who wish to enjoy an even greater level of exclusivity. The greater exclusivity lies in the earlier release of movies (selected movies may become available on a pay-per-view basis in parallel to their release on video/DVD) and the access to high-profile sports, music or other social events that otherwise would not be accessible.

Under the BLUE MOVIE brand, Sky Deutschland offers access to three adult channels with explicit sexual content. In 2005, Sky Deutschland transferred its BLUE MOVIE platform to tmc and since then has provided its subscribers with access to this platform under a cooperation agreement with tmc.

Sky+

Sky Deutschland recently launched its Sky+ service, an HDTV digital video recorder and receiver for satellite customers, which allows subscribers to record programs onto a hard drive and watch them at their convenience. Subscribers may also use the "Series Link" function to automatically record all episodes of a selected series. The service also allows subscribers to pause and rewind live television and watch other programs while recording to the hard drive. All the functions are fully integrated with Sky Deutschland's Electronic Program Guide. Currently the Sky+ service is only available to satellite subscribers but Sky Deutschland intends to launch a cable version. The activation and installation fee for a Sky+ receiver currently amounts to €249 if the customer subscribes to two or more of Sky Deutschland's packages and €349 if the customer subscribes to only one package.

Multiroom

Sky Deutschland's Multiroom is a service that allows households to watch different Sky Deutschland programming in different rooms at the same time. Sky Deutschland offers its customers the

possibility to use a second smartcard with an additional receiver for a discounted monthly fee of €12.00 (€24.00 when inclusive of Fußball Bundesliga) plus an activation fee of €69.00. The second smartcard allows customers to watch all packages for which they have initially subscribed.

Commercial subscriptions

Sky Sportsbars

Sky Deutschland offers commercial subscriptions to its sports programming to bars and restaurants, which entitle them to show this content to their customers. Bars and restaurants that sign up for these subscriptions are referred to as "Sky Sportsbars". The license fees for the operation of a Sky Sportsbar vary with the size of the establishment. Sky Deutschland believes that Sky Sportsbars are an attractive venue for promoting Sky Deutschland's brand and its sports offering, including the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*), the matches of the UEFA Champions League, the UEFA Europa League, the DFB Cup (*DFB-Pokal*) and the Premier League, and Formula One races, golf tournaments, ice hockey and tennis. Two HDTV sport channels – Sky Sport 1 HD and Sky Sport 2 HD – are also available.

Hotels and other public venues

Sky Deutschland sees significant potential in the distribution to hotels of pay-TV programming as well as technological solutions for in-room-entertainment. One of Sky Deutschland's hotel packages is a so-called pay-to-guest package. This package is designed for hotels that wish to charge their guests for access to Sky Deutschland's programming, including adult entertainment. The other package is a so-called free-to-guest package. This package is designed for hotels that wish to subscribe to all or a portion of Sky Deutschland's programming and offer it to their guests without charging them separately for access to this content. In addition, Sky Deutschland offers attractive packages to other public venues.

Activation and installation of receivers

In addition to its pay-TV programming, Sky Deutschland offers activation and installation of Sky-certified digital receivers. Sky Deutschland pursues a 'rental for free' model, under which Sky Deutschland grants new subscribers access to digital receivers for the duration of their subscription against payment of an upfront activation and installation fee. In addition, Sky Deutschland customers can buy a Sky-certified digital receiver via retail markets. Manufacturers of receivers will continue to have the ability to offer receivers capable of receiving Sky Deutschland's programming directly via the retail market.

Advertising

Sky Deutschland sells advertising time for all of its channels through Premium Media Solutions GmbH ("**Premium Media**"), in which it holds a 75.9% stake and in relation to which it has entered into agreements to cooperate with the minority shareholder.

Other

Sublicensing and production development

Sky Deutschland generates a limited amount of revenue by sublicensing its programming to other TV companies, including Teleclub AG, which airs Sky Deutschland's programming in Switzerland, and from the free-TV rights to the training and qualifying rounds of Formula One races, which RTL has sublicensed to Sky Deutschland and which Sky Deutschland has in turn sublicensed to Sport1 GmbH ("**Sport1**").

tv Digital

Axel Springer AG, with which Sky Deutschland has entered into a marketing cooperation agreement, publishes the fortnightly program magazine *tv Digital,* which includes a comprehensive program listing of all Sky Deutschland channels. Sky Deutschland subscribers have the option of ordering the magazine as part of their subscription; subscribers to the full package receive a *tv Digital* subscription without extra charge. Additionally, the magazine is available through various retail channels. In the first quarter of 2010, *tv Digital* had an aggregate circulation of 1,753,830

copies, of which approximately half were circulated to Sky Deutschland customers (*Source: Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern, Auflagen der Publikumszeitschriften, Auflagenliste 1 Quartal 2010, http://www.daten.ivw.eu*).

Subscribers

Subscriber classification methodology

Sky Deutschland differentiates between two categories of subscribers: monthly contract subscribers and wholesale subscribers. Monthly contract subscribers are individuals who subscribed for one or more of Sky Deutschland's pay-TV packages and bars, restaurants, hotels and other public venues with commercial subscriptions (with each room in one of these hotels or other public venues in which Sky Deutschland is receivable counting as a separate subscriber; subscriptions to Sky Deutschland's Multiroom service do not increase the number of subscribers but result in a higher ARPU per subscriber). Wholesale subscribers are subscribers to Sky Deutschland's programming that have not entered into a direct agreement with Sky Deutschland, but have entered into a contractual relationship with a platform operator (*e.g.*, Teleclub AG in Switzerland) under which they are granted access to Sky Deutschland's programming.

In its ad-hoc release dated October 2, 2008, Sky Deutschland announced that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers and exclude other subscribers who generated only limited or no revenues. Specifically, Sky Deutschland excluded approximately 606,000 subscribers represented by vouchers for prepaid contracts granted by Sky Deutschland to companies for promotional purposes. Also excluded were a further approximately 334,000 subscribers who had terminated their accounts but still held a Sky Deutschland smartcard. Such subscribers had been sponsored by third parties who paid a small subscription fee to convince them during that sponsored subscription period to extend their old subscription agreement or agree upon a new subscription. In cases of success, Sky Deutschland would have paid those third parties a commission. The new subscriber classification methodology resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in the reported ARPU. See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—Sky Deutschland is subject to claims for damages in connection with the 2008 change in the methodology it uses to classify its subscribers*" for a description of risks associated with the ad-hoc release dated October 2, 2008.

Sky Deutschland has historically offered contracts with a variety of terms and a variety of notice periods for termination. Currently, Sky Deutschland generally uses contracts with 12-month terms and two month notice periods for termination, although in its contracts with direct customers receiving programming via cable networks, longer terms are used.

Development of subscriber additions, subscriber retention and churn rates

	2007*	2008*	2009*						2010*		
	FY	FY	*Q1*	*Q2*	HY	*Q3*	*Q4*	FY	*Q1*	*Q2*	HY
			(in thousands, unless otherwise indicated)								
Direct subscribers at the beginning of the period	2,696	2,534	2,399	2,371	2,399	2,364	2,431	2,399	2,470	2,471	2,470
Gross additions	516	435	112	117	228	201	167	597	123	107	230
Churn	(677)	(571)	(140)	(123)	(264)	(135)	(128)	(527)	(122)	(101)	(223)
Net Growth	(162)	(135)	(28)	(7)	(35)	67	39	70	1	6	7
Direct Subscribers at the end of the period	2,534	2,399	2,371	2,364	2,364	2,431	2,470	2,470	2,471	2,476	2,476
HD penetration (%)[1]	3.9	6.4	7.4	8.4	8.4	9.3	10.9	10.9	13.1	14.9	14.9
ARPU (in € per month)	22.48	23.49	24.85	25.20	24.97	25.77	27.45	25.46	28.85	28.62	28.72
Churn rate[2] *(in %, annualized)*	*25.9*	*23.1*	*23.5*	*20.8*	*22.1*	*22.5*	*21.0*	*21.6*	*19.8*	*16.3*	*18.1*
Churn rate[3] *(in %,12-months rolling)*	*25.9*	*23.1*	*22.4*	*22.4*	*22.4*	*23.3*	*21.6*	*21.6*	*21.0*	*20.1*	*20.1*
Wholesale subscribers at the end of each period	790	691	710	334	334	140	131	131	132	133	133

* Columns may not add due to rounding.

(1) HD penetration (%) is defined as relation of direct subscribers which have subscribed for the HD channels in relation to the total number of direct subscribers at the end of that period.

(2) Is defined as the number of direct subscribers that terminated their subscriptions during the course of a given period, divided by the average number of direct subscribers in that period (calculated by dividing the sum of the number of direct subscribers on the first day of that period, *e.g.*, on April 1, 2010, and on the last day that period, *e.g.*, on June 30, 2010 by two) and multiplied by four when referring to a quarterly period, by two when referring to a half-year period and by one when referring to a full-year period.

(3) Is defined as the number of direct subscribers that terminated their subscriptions during the course of a 12-month period, divided by the average number of direct subscribers in that period.

Sky Deutschland experienced an unusually high number of subscription cancellations in 2006 and early 2007 as a result of its loss of the live broadcasting rights to the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) for the 2006/2007 through 2008/2009 seasons. In addition, a significant number of its subscribers switched to lower-priced packages, which led to a decrease in its ARPU. To reverse this trend, Sky Deutschland entered into a sublicense agreement with Arena, a subsidiary of Unitymedia with respect to the cable and satellite pay-TV rights to the matches of the German football league (*Fußball-Bundesliga*) for the 2007/2008 and 2008/2009 seasons. See "*Operating and Financial Review—Critical Accounting Policies—Arena Transaction*" for a discussion of the Arena Transaction. In November 2008, DFL awarded Sky Deutschland the license for the matches of the 2009/2010 through 2012/2013 seasons.

As of June 30, 2010, Sky Deutschland had 2.476 million monthly contract subscribers and 133,000 wholesale subscribers.

The 598,000 gross additions in the first year after the relaunch illustrate the strong demand of subscribers for the new Sky Deutschland services that started on July 4, 2009. Gross additions are subject to seasonality with a strong focus on the second half of the year due to the start of the season of the German football league (*Fußball-Bundesliga*) and other sport events in Q3 and the Christmas season in Q4. In addition, subscriber growth in Q3 2009 was significantly driven by former subscribers of Arena's German football league service, who migrated to Sky Deutschland after Arena's license to broadcast these matches expired on June 30, 2009. The slight reduction in gross additions in Q2 2010 compared with the previous year's quarter was more than compensated by decreased churn. Net subscriber growth has been positive since the introduction of the new Sky Deutschland services. In the second quarter of 2010, net subscriber growth amounted to 6,000 compared to 7,000 net subscriber losses in the second quarter of 2009.

The churn rate in the second half of 2009 was negatively influenced by the phasing out of prepaid and deeply discounted subscribers. See "*—Subscribers—Subscriber classification methodology*" for a description of deeply discounted subscribers. However, as customer retention has improved and most of the deeply discounted subscribers have been phased out, the churn rate in the first half of 2010 has continued to steadily decline. In the second quarter of 2010, Sky Deutschland's quarterly annualized churn rate was 16.3%, compared with 20.8% in the second quarter of 2009. The 12-month rolling churn rate on June 30, 2010 was 20.1%, compared with 22.4% on June 30, 2009. Sky Deutschland is currently increasing its efforts to lower its churn rate by improving the quality and exclusivity of its programming and its HDTV service, rolling-out the Sky+ services, expanding innovations to provide value to customers and by developing a strong customer service thereby aiming to increase subscriber satisfaction.

The penetration of HDTV services to Sky Deutschland subscribers increased by 6.3% points from 8.6% in Q2 2009 to 14.9% in Q2 2010.

As a consequence of the take-up of the new pricing and packaging structure, both by existing subscribers and new additions, and the termination of deeply discounted offers, ARPU has increased to €28.62 in Q2 2010 (Q2 2009: €25.20).

Programming Rights

Sky Deutschland has entered into licensing agreements with terms of several years with respect to a broad spectrum of content.

Movies and related entertainment

Movies

Sky Deutschland has entered into agreements, generally called output agreements, with the major Hollywood studios (including Buena Vista, Columbia Pictures, DreamWorks, MGM, Paramount

Pictures, Universal Pictures, Warner Bros. and 20th Century Fox) for the exclusive pay-TV rights to their movie output over a specified period of time. The movies aired through the Film package so far in 2010 include "Quantum of Solace", "Transporter 3", "Paul Blart: Mall Cop", "Gran Torino", "Inkheart" and "The Day the Earth Stood Still". Under one agreement, the studio has the right to terminate the exclusivity clause in relation to Austria upon six months' notice. The geographic scope of the pay-TV rights granted to Sky Deutschland under these agreements always extends to Germany and Austria and sometimes also extends to all German-speaking territories. The current movies covered by these agreements account for approximately 49% of all first-run movies shown on Sky Deutschland's Film package so far in 2010. Under most agreements, Sky Deutschland is obliged to acquire licenses for all movies produced by the studio each year, subject to certain qualifying performance criteria during the term of the relevant output agreement. Under other, more recently extended and amended agreements, Sky Deutschland has an increased ability to cap the number of movies it licenses each year. Sky Deutschland's agreements with the major Hollywood studios expire on various dates between September 30, 2010 and September 30, 2013. Several of these agreements contain clauses that give the studio the option to renew the agreement for a period of several years. The major Hollywood studios provide for the distribution of their movies in different "windows" according to the following sequence:

- cinema;
- video/DVD;
- pay-per-view and transactional VoD;
- subscription based pay-TV and subscription-based VoD; and
- free-TV and free VoD.

The German video/DVD window opens approximately four to six months after the relevant movie has been released in movie theaters in Germany. The pay-per-view/transactional VoD window opens either simultaneously with, or up to sixty days after, the video/DVD release depending on the studio and/or the movie. The first pay-TV window typically opens six to nine months after the video/DVD release, but in any event no later than 24 months after the theatrical release and, if there is no theatrical release in Germany and Austria, no later than 36 months after the premiere in the United States. In general, the pay-TV window lasts for approximately 12 months and is generally followed by a "black-out period" of one to two months, after which time the movies become available for broadcast on free-TV.

In addition to its output agreements with the major Hollywood studios, Sky Deutschland holds exclusive pay-TV rights for Germany and Austria with respect to a number of movies produced or distributed by smaller studios and independent production companies. These agreements often relate only to specifically listed movies.

Under Sky Deutschland's output agreements with movie studios, especially those with the major Hollywood studios, the license fee payable per movie is generally calculated as the product of a factor that represents the value of the movie multiplied by the number of subscribers who are entitled to view the movie. The designated value of the movie depends on its success at the German box office, with more popular movies being assigned a higher value. Likewise, many of Sky Deutschland's agreements with third-party channel providers contain provisions that tie the license fees to the number of subscribers who are entitled to view to the channel. Several of these movie studio and third-party channel agreements stipulate a minimum number of subscribers for which Sky Deutschland is required to pay license fees. Sky Deutschland currently does not meet the minimum subscriber requirements in most of its output agreements with the major Hollywood movie studios. See "*Risk Factors—General Risks Related to Sky Deutschland's Business—Sky Deutschland currently does not meet minimum subscriber levels under many of its agreements with content providers, which, if the expected increase in the number of subscribers is not achieved, will continue to negatively affect its expenses*".

In addition, some output agreements contain change of control clauses that entitle the relevant studios to terminate their agreements in the event News Corporation becomes a controlling shareholder of Sky Deutschland, which it did for the purposes of the AktG in December 2008. See "*Risk Factors—General Risks Related to Sky Deutschland's Business—Sky Deutschland's current business model is critically dependent on exclusive access to attractive content on commercially*

reasonable terms, in particular on access to live pay-TV broadcasts of the matches of the German football league (Fußball-Bundesliga), but also to a range of other sporting events, movies, TV series and high definition television ("HDTV") content" and "*Risk Factors—Risks Related to the Offering and Sky Deutschland AG's Shareholder Structure—News Adelaide's shareholding in Sky Deutschland AG may cause content providers not to enter into or extend, or to terminate, agreements with Sky Deutschland, or to demand the issuance of shares or, potentially, claim damages*".

With respect to pay-per-view, Sky Deutschland generally enjoys no exclusivity or other competitive advantages. Instead, the licensed movies are typically offered to multiple pay-per-view vendors in a particular territory at the same time. In addition, the licensing fees are generally calculated not as a fixed amount per movie but as a share of the licensee's net proceeds from its pay-per-view sales. Some agreements also provide for a minimum licensing fee per movie payable to the licensor. The minimum fee is usually determined by the box office performance of the relevant movie.

With respect to SVoD, Sky Deutschland generally holds exclusive rights to offer movies to its subscribers during the subscription-based pay-TV window or to hold-back movies from being offered to other providers in this manner. Sky Deutschland is developing the technical means to offer SVoD moves to its subscribers via PCs and set-top boxes.

Made-for-television and direct-to-video/DVD movies

To expand the depth of its programming line-up, Sky Deutschland has acquired movies made specifically for the TV and video/DVD markets from large production and distribution companies in the United States and Europe. The licensing fees for these movies are either calculated in a similar fashion as those described above or consist of a flat fee.

TV series

Sky Deutschland has purchased the rights to several new and classic TV series. The series aired on Sky Deutschland's channels so far in 2010 include "24" and "Dexter". The rights to broadcast these TV series on an exclusive basis are generally limited in time. The license fees are calculated as a fixed fee per episode of a series and are typically accompanied by provisions that give Sky Deutschland the right to broadcast a show a fixed number of times. Pursuant to the output agreements with the major Hollywood studios, Sky Deutschland is often able to choose to broadcast TV series instead of library movies or other forms of non-current movies. Sky Deutschland also has a long-term agreement with Zweites Deutsches Fernsehen ("**ZDF**") for various German crime TV series. TV series are also shown on a number of the third-party theme channels available on Sky Deutschland, such as the FOX Channel, 13th Street and TNT Serie.

Library movies

The term "library movies" refers to older movies that have already been aired on both pay-TV and free-TV or that were produced before TV broadcasting rights were licensed in accordance with current practices. Sky Deutschland shows library movies on the channel Sky Nostalgie as well as on its other channels, including its theme movie channels, Sky Action, Sky Comedy and Sky Emotion. Several of Sky Deutschland's third-party channels, such as MGM and kabel eins classics, also show library movies. All but one of Sky Deutschland's output agreements with the major Hollywood studios include rights to the relevant studio's library movies, but Sky Deutschland also acquires library movies from other distributors. Sky Deutschland may select library movies at its own discretion, provided the overall license fees paid under the agreement meet or exceed a minimum amount specified in the relevant agreement.

Sports

German football league (Fußball-Bundesliga)

A core element of Sky Deutschland's offering is the exclusive live broadcasting of the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) on all pay-TV distribution platforms other than IPTV and mobile TV.

When Sky Deutschland lost the live broadcasting rights to the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) for the 2006/2007 through 2008/2009 seasons to Arena and Deutsche Telekom in December 2005, it experienced a large number of

subscription cancellations. In 2007, Sky Deutschland entered into a sublicense agreement with Arena with respect to the cable and satellite pay-TV rights for the 2007/2008 and 2008/2009 seasons.

In November 2008, Sky Deutschland acquired a direct license for the live broadcasting rights to the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) from DFL for the 2009/2010 through 2012/2013 seasons (with the exception of IPTV rights). In return, Sky Deutschland AG agreed to pay DFL increasing annual license fees ranging from approximately €225.0 million for the 2009/2010 season to approximately €275.0 million for the 2012/2013 season plus, in each case, an annual production costs fee of 6.5% of the respective seasonal license fee.

The license, which offers a higher level of exclusivity than the format under which the German football league (*Fußball-Bundesliga*) was previously broadcast, comprises a total of 612 matches per season. To increase the attractiveness and exclusivity of the live broadcasts of the matches of the first division of the German football league (*Fußball-Bundesliga*), DFL agreed to make certain changes to the structure and presentation of the matches. Since the start of the 2009/2010 season, there is generally one match played on Friday evenings, which is broadcast live exclusively (with the exception of IPTV and mobile TV broadcasts) by Sky Deutschland at 8:30 p.m. On Saturday afternoon, there are generally five matches played, starting at 3:30 p.m. All of these matches are broadcast live exclusively (with the exception of IPTV and mobile TV broadcasts) by Sky Deutschland. Highlights of these matches are aired by the public broadcaster ARD on the "Sportschau" show starting no earlier than 6:30 p.m. The most important change in comparison to previous seasons was the introduction of a "match of the week", which is selected by Sky Deutschland based on specified criteria with the goal of selecting the most attractive match in each week and which is played at 6:30 p.m. on Saturday and broadcast live exclusively (with the exception of IPTV and mobile TV broadcasts) by Sky Deutschland. Highlights of this match are aired by the German public broadcaster ZDF on the "Aktuelles Sportstudio" show no earlier than 10:00 p.m. Altogether, there are at least 23 matches of the week in each season. These changes have afforded Sky Deutschland a greater degree of exclusivity with respect to live broadcasts of matches of the German football league (*Fußball-Bundesliga*).

The Sunday line-up of the two remaining weekly matches at 3:30 p.m. and 5:30 p.m. mainly features teams that also participate in international tournaments. This approach has created attractive line-ups with the outstanding teams on Sunday evening. These matches are also broadcast live exclusively via cable and satellite by Sky Deutschland. Under Sky Deutschland's agreement with DFL, the exact broadcasting times may vary from those described above, depending on the circumstances.

The matches of the second division of the German football league (*Fußball-Bundesliga*) are generally played and broadcast live exclusively (with the exception of IPTV and mobile TV broadcasts) by Sky Deutschland at the following times: on Fridays at 6:00 p.m., on Saturdays at 1:00 p.m., on Sundays at 1:30 p.m. and on Mondays at 8:30 p.m. The only Monday match is broadcast live by Sky Deutschland and is also available on the free-TV channel Sport1. The operator of the Sport1 channel also has the rights to the first free-TV highlights show for the second division matches on Fridays and Sundays, while ARD has a corresponding right with respect to matches taking place on Saturdays.

If Sky Deutschland were to lose access to the matches of the German football league (*Fußball-Bundesliga*), its subscribers would likely become dissatisfied and could terminate or not extend their contracts. Existing subscribers would also likely downgrade their subscriptions, leading to reduced ARPU. Potential customers would also likely be deterred from subscribing to Sky Deutschland. Any of these developments would impair Sky Deutschland's ability to grow its business. See "*Risk Factors—General Risks Related to Sky Deutschland's Business—Sky Deutschland's current business model is critically dependent on exclusive access to attractive content on commercially reasonable terms, in particular on access to live pay-TV broadcasts of the matches of the German football league (Fußball-Bundesliga), but also to a range of other sporting events, movies, TV series and high definition television ("HDTV") content*".

Broadcasting rights with respect to other sporting events

The following section contains a brief discussion of other important sports agreements that Sky Deutschland has entered into.

- *DFB Cup (DFB Pokal).* Sky Deutschland has secured the exclusive pay-TV rights to the broadcasts of DFB Cup matches through the 2011/2012 season for Germany, Austria, Switzerland, Luxembourg, Liechtenstein and the South Tirol region of Italy. These rights include cable, satellite, IPTV, web-TV and mobile, and include all 63 matches per tournament, including the final in Berlin.
- *UEFA Champions League.* In June 2008, Sky Deutschland acquired the pay-TV rights to the UEFA Champions League through the 2011/2012 season for Germany, Austria, Luxembourg and Liechtenstein. The ProSiebenSat.1 group holds a license to broadcast one match of its choice per week on free-TV. The line-up of matches now includes all matches starting with the third qualifying round as well as the UEFA Super Cup.
- *UEFA Europa League.* In July 2009, Sky Deutschland acquired the pay-TV rights to the UEFA Europa League through the 2011/2012 season. The ProSiebenSat.1 group holds a license to broadcast up to two matches per week on free-TV.
- *Matches of the Austrian football league.* In May 2010, Sky Deutschland was successful in its bid for the exclusive pay-TV broadcasting rights in Germany and Austria for the first and second divisions of the Austrian football league (*Österreichische Fußball-Bundesliga*) through the 2012/2013 season. Only one match per match day will not be exclusively live to Sky Deutschland, but will also be shown by the Austrian public broadcaster, ORF.
- *Other European football leagues.* Sky Deutschland holds the live broadcasting rights for Germany and Austria for England's Barclays Premier League through the 2012/2013 season as well as exclusive IPTV and mobile TV rights.
- *Formula One Grand Prix.* Sky Deutschland has acquired the pay-TV rights for Germany and Austria to broadcast all Formula One races and all qualifications through the end of 2010 and is currently considering whether or not to extend these rights.
- *Golf.* Sky Deutschland broadcasts all major golf events. It holds the German and Austrian broadcasting rights with respect to the major golf tournaments, including the Augusta Masters, the British Open, the PGA European Tour, the US PGA Tour, the Champions Tour and the Ryder Cup. The rights to the Augusta Masters, the PGA European Tour and the Ryder Cup expire at the end of 2010.
- *Tennis.* Sky Deutschland has acquired exclusive broadcasting rights for Germany and Austria for the Wimbledon grand slam tennis tournament for 2011 to 2013 for cable, satellite, IPTV, internet and mobile TV.
- *Other.* Sky Deutschland has live broadcasting rights to a number of other popular sporting events, including selected basketball from the NBA in the United States (until the end of 2010) and all matches of the German ice hockey league (*Deutsche Eishockey Liga*). In Austria, Sky Deutschland also holds the broadcasting rights for matches of the Austrian basketball league.

Third-party channels

Sky Deutschland offers a number of third-party channels, which are produced and branded by third parties. The third-party providers are responsible for the programming broadcast on these channels as well as for regulatory compliance. Many of the underlying agreements grant exclusive distribution rights to Sky Deutschland for satellite and, in some cases, cable distribution and limit the volume of content that may be made available on free-TV during the relevant license period. One third-party channel agreement gives Sky Deutschland's counterparty the right to terminate the exclusivity provision from January 2011 if certain thresholds relating to the number of subscribers entitled to view the channel are not met for three consecutive months. Some third-party channel agreements contain a change of control clause that entitles the relevant content providers to terminate the agreement in the event News Corporation becomes a controlling shareholder of Sky Deutschland, which it did for the purposes of the AktG in December 2008. To the knowledge of the Company, as of the date of this Prospectus, no such termination rights have been exercised. See "*Risk Factors—General Risks Related to Sky Deutschland's Business—Sky Deutschland's current business model is critically dependent on exclusive access to attractive content on commercially reasonable terms, in particular on access to live pay-TV broadcasts of the matches of the German football league (Fußball-Bundesliga), but also to a range of other sporting events, movies, TV series and high*

definition television ("HDTV") content" and "*Risk Factors—Risks Related to the Offering and Sky Deutschland AG's Shareholder Structure—News Adelaide's shareholding in Sky Deutschland AG may cause content providers not to enter into or extend, or to terminate, agreements with Sky Deutschland, or to demand the issuance of shares or, potentially, claim damages*".

In addition, in 2009, Sky Deutschland reached an agreement with all nine minority shareholders in Premiere Star, a company providing several channels that are valuable contributors to Sky Deutschland's overall programming strategy and content line-up, to acquire all their shares in Premiere Star for deferred consideration with annual purchase price installments payable until 2013.

Sales and Marketing

Sky Deutschland's sales and marketing strategy is primarily focused on winning new subscribers by positioning Sky Deutschland as a premium TV company with exclusive and attractive pay-TV content that comes at an attractive price, and on winning new subscribers through attractive offers. Sky Deutschland places a special focus on product-based marketing to communicate the quality of, and provide clarity as to, its content proposition across all of its programming. Sky Deutschland uses a combination of focused marketing campaigns on TV, in print and on the internet. In addition, it relies on retail stores to market its products and services alongside direct acquisition channels such as telesales, web sales and direct mail.

Under its new business plan and strategy, Sky Deutschland considerably increased the scope of its marketing and sales activities in 2009, leading to an increase in brand awareness. A major milestone of the new business plan and strategy was the launch of Sky Deutschland's current product line-up and new branding on July 4, 2009. Prior to that time, Sky Deutschland had marketed its product offering under the "PREMIERE" brand. Sky Deutschland intends to continue its marketing activities to improve the image of Sky Deutschland as an exciting and easy-to-use product.

Sales

Sky Deutschland subscriptions may be purchased by telephone, by mail or on Sky Deutschland's website (*www.sky.de*). In addition, Sky Deutschland uses direct telemarketing and face-to-face sales. Sky Deutschland also encourages subscribers to refer new subscribers via its "subscribers recruit subscribers" campaign, which rewards subscribers for referrals that lead to new subscriptions.

In addition to these direct sales channels, Sky Deutschland also relies on indirect channels. As of June 30, 2010, Sky Deutschland had sales partners at approximately 6,000 locations in Germany and approximately 700 locations in Austria. These partners operate as sales representatives of Sky Deutschland. Sky Deutschland's highest-volume retail partners in Germany are the electronics and media retail chains "Media Markt" and "Saturn" of Media-Saturn-Holding GmbH, which is a subsidiary of METRO AG, one of Europe's largest wholesale chains. For every new subscription, Sky Deutschland's sales partners receive a commission, the amount of which depends on the type of subscription sold. Receivers used for viewing Sky Deutschland are also distributed by these retail outlets and are available together with Sky Deutschland subscriptions.

Furthermore, Sky Deutschland has marketing agreements with the following cable operators and is in active negotiations with other cable operators:

- *KBW.* Sky Deutschland recently entered into an agreement with KBW to co-market Sky Deutschland's programming with KBW's internet and telephony services over KBW's cable network. KBW and Sky Deutschland have agreed that each of them will maintain a direct contractual relationship with new customers receiving Sky Deutschland's programming in combination with KBW's services. KBW will provide customer service and billing services, and the hardware, *i.e.*, the set top boxes and the smartcards, for customers subscribing to the offer. Sky Deutschland and KBW have also agreed to co-ordinate their future marketing activities. The agreement has a term until June 30, 2013. KBW is one of the largest cable network operators in Germany, with access to approximately 2.3 million customers (*Source: http://www.kabelbw.de/kabelbw/cms/Unternehmen/*).
- *Tele Columbus.* Sky Deutschland has entered into an agreement with Tele Columbus, a subsidiary of the fourth largest cable network operator in Germany, Tele Columbus GmbH regarding the availability of programming via each other's set-top boxes. Tele Columbus has access to 2.3 million households in Germany (*Source: http://www.unternehmen.telecolumbus.de/*

index.php?id=18). Currently, Sky Deutschland's programming is available on certain set-top boxes provided to Tele Columbus customers whilst Tele Columbus' digital TV package comprising approximately 40 free-TV channels is available on Sky Deutschland-certified set-top boxes and the parties have agreed to increase their technical cooperation. Under the agreement, Tele Columbus and Sky Deutschland maintain a direct contractual relationship with the customers of their services even when received on hardware provided by the other party. In addition, the parties have agreed that Tele Columbus will actively sell subscriptions to the Sky HD package once the "Simulcrypt" encryption system is in place. Further, the parties have agreed to cooperate technically to increase the compatibility of their encryption systems. The agreement has an initial term until December 31, 2014, and will be automatically extended unless terminated upon one year's prior notice.

- *Versatel.* Sky Deutschland has entered into an agreement with Versatel to co-market Sky Deutschland's programming with Versatel's internet and telephony services over Versatel's cable network. Versatel and Sky Deutschland have agreed that each of them will maintain a direct contractual relationship with customers receiving Sky Deutschland's programming via Versatel's network. Versatel has access to approximately 160,000 households in Germany (*Source: http://www.handelsblatt.com/unternehmen/it-medien/versatel-greift-nach-kabelanbieter-orion;2448618*).
- *NetCologne.* Sky Deutschland has entered into an agreement with NetCologne to co-market its programming with NetCologne's internet and telephony services over NetCologne's cable network. NetCologne and Sky Deutschland agreed that each of them will maintain a direct contractual relationship with customers receiving Sky Deutschland's programming via NetCologne's network. NetCologne is a cable network operator in the Cologne and Aachen area with access to approximately 200,000 households (*Source: http://www.netcologne.de/unternehmen/presse/presse-archiv/pressemitteilung.html?tx_ttnews%5Btt_news%5D=360&tx_ttnews%5BbackPid%5D=388*).

Marketing

Sky Deutschland regularly conducts broad marketing campaigns in print, on radio, on TV and online in order to attract new subscribers. In addition, Sky Deutschland promotes itself via direct-response TV.

One of Sky Deutschland's recent advertising campaigns focused on the breadth of Sky Deutschland's programming and its appeal to a wide range of target audiences. The combination of first-class content and tailored advertising is a key element of Sky Deutschland's marketing strategy. In many of its marketing communications, Sky Deutschland seeks to emphasize its ability to provide exclusive access to attractive football content, in particular the German football league (*Fußball-Bundesliga*) and the UEFA Champions League. Given the importance of this content to viewers, Sky Deutschland will continue to communicate and advertise its exclusive ability to broadcast the relevant matches live in HDTV quality, alongside other sports coverage and blockbuster movies, with no commercial interruptions.

Sky Deutschland is also promoted via weekly magazines that list Sky Deutschland's programming schedule. The main such magazine is the fortnightly magazine *tv Digital,* which is deliverable to all regular Sky Deutschland subscribers as an optional part of their subscription. See "*—Products and Services—Other—tv Digital*". Other programming magazines with high circulation, such as *TV 14* and *Hörzu,* also include Sky Deutschland's programming schedule.

Technology and Infrastructure

Sky Deutschland has outsourced most of the technical aspects of broadcasting its programming. Sky Deutschland carefully selects its technology partners and deems the partners it has selected to be leaders in their fields.

Transmission platforms

Overview

Sky Deutschland transmits digital broadcasts via satellite and cable and thus has a technical reach giving access to approximately 90% of all households in Germany and Austria (*Source: Satellite Market & ASTRA Coverage in Germany Year End 2009 / Austria YE 2008*). These broadcasts are

distributed by cable and satellite network operators based on long-term agreements with Sky Deutschland. In addition, Sky Deutschland offers selective programs via a dedicated website (*select.sky.de*).

Sky Deutschland contracts digital playout and uplink services from ASTRA Platform Services GmbH ("**APS**"). Playout and uplink services include the compilation and playout of individual channels as well as encryption and transmission to satellites.

In order to view Sky Deutschland's content via cable or satellite, subscribers need a digital receiver suitable for Sky Deutschland's programming. Many receivers with pay-TV capability that are available in Germany and Austria satisfy this condition. Sky Deutschland has developed and released technical specifications that need to be satisfied in order for a receiver to be suitable for Sky Deutschland.

Satellite

There are approximately 18.04 million households in Germany and Austria with access to satellite TV, approximately 76% of which have a digital satellite dish (*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009*), which enables them to receive Sky Deutschland directly via a Sky Deutschland-certified digital receiver. Owners of analog satellite dishes must upgrade their dishes to digital satellite dishes in order to receive Sky Deutschland.

Both Germany and Austria lie within the satellite footprint of SES-ASTRA, Europe's leading satellite operator. Sky Deutschland currently has long-term lease agreements for seven transponders for the distribution of its standard definition and HDTV channels and has entered into agreements relating to three additional transponders that will become active between 2010 and 2012. These agreements expire between 2011 and 2022. Sky Deutschland therefore believes that it has secured or will be able to secure sufficient transponder capacity on commercially reasonable terms in order to meet its current and future transmission demands, including for HDTV transmissions.

Cable

There are approximately 20.0 million German and Austrian households with a cable connection (*Source: SES-ASTRA Satellite Monitor TNS Infratest, End of Year 2009*).

In Germany, the cable network is divided into two parts: level 3 and level 4. Level 3 is the distribution network carrying TV signals from the broadcaster to a transfer station close to a household, whereas level 4 is the home network carrying the signals from the transfer station into households. The major operators of level 3 networks (Unitymedia, KDG and KBW) also control some, though not all, of the level 4 networks. At the end of 2009, the three major providers of level 3 networks reached approximately 82% of German cable households directly (*Source: Cable network operators' press releases, billing data and coverage reports; Sky customer base*). The remaining approximately 18% of cable households could only be reached via residential property companies and the operators of level 4 networks. Sky Deutschland has leased sufficient bandwidth from the major level 3 cable network operators to enable the transmission of all of the channels currently included in the four principal packages and the HDTV option (with the exception of Unitymedia, whose customers currently can receive only one HDTV channel). Sky Deutschland's transmission agreement with Unitymedia runs until the end of 2013, its agreement with KDG runs until the end of 2012 and its agreement with KBW runs until 2013. Sky Deutschland believes that it will be able to secure sufficient bandwidth in the future. See "*Risk Factors—General Risks Related to Sky Deutschland's Business—To distribute its programming to subscribers, Sky Deutschland depends on its ability to enter into transmission agreements with cable and satellite network operators on commercially reasonable terms*". Sky Deutschland benefits from the fact that cable network operators with a dominant market position can be forced by regulatory authorities to permit access to their network if sufficient bandwidth is available and the access is technically feasible. In addition, Sky Deutschland has secured long-term access to the level 4 cable networks through cable network operators that also operate small level 3 networks under agreements with DNMG Deutsche NetzMarketing GmbH, members of the Fachverband Rundfunkempfangs- und Kabelanlagen e.V. and Tele Columbus, the largest level 4 network cable network operator in Germany.

In Austria, Sky Deutschland has entered into transmission agreements with the major cable network operators LIWEST Kabelmedien GmbH ("**LIWEST**") and UPC Broadband GmbH ("**UPC**") as well

as mid-sized and small cable network operators throughout Austria. Sky Deutschland's transmission agreement with LIWEST runs until June 30, 2012 and will renew automatically every year thereafter if not terminated upon six months' notice. The transmission agreement with UPC expired in June 2009 and is currently being renegotiated. These two large providers reach approximately half of all cable households in Austria directly. The other half of cable households can be reached by mid-sized and small cable network operators. The contracts with these operators renew automatically every two years and can be terminated upon six months' notice. Sky Deutschland believes that it will remain in a position to secure adequate cable network access in Austria with acceptable conditions.

Web-TV

Web-TV offerings include selected current and library movies, German and international series and sporting or other events that are transmitted on an on-demand basis. In Germany and Austria, Sky Deutschland faces a number of competitors in the web-TV market, *e.g.*, Deutsche Telekom via its videoload platform, the ProSiebenSat.1 group via its maxdome platform, and the RTL group via its RTLnow platform. These platforms offer their content either free of charge or on a pay-per-view basis. The public broadcasters offer some of their content free of charge through their so-called "Mediathek" services, which can be accessed via their respective websites. Via its website "select.sky.de", Sky Deutschland offers live sports events such as the UEFA Champions League, the DFB Cup and Formula One races on a pay-per-view basis as well as movies and series. Sky Deutschland has also secured the web-TV rights for the matches of the German football league (*Fußball-Bundesliga*) for four seasons, starting with the 2009/2010 season.

Encryption

Because Sky Deutschland's business model is based on the provision of access to electronic content for a fee, Sky Deutschland is critically dependent on its ability to protect its content against unauthorized access by third parties. Like other pay-TV companies, Sky Deutschland therefore depends on an effective and secure conditional access system. In the recent past, Sky Deutschland suffered substantial damage when TV receivers capable of circumventing its encryption system became available on the market in 2007, which gave a large number of people unauthorized access to its programming. In response, Sky Deutschland replaced the system with a new encryption system that relies on two separate encryption technologies: a new version of the Nagravision system, which was the target of the piracy attacks, and a separate encryption system developed by NDS. The migration of Sky Deutschland's subscribers to the new system was completed on November 10, 2008. To reduce the likelihood of future security breaches, Sky Deutschland is dependent on its ability to periodically update each of the two encryption technologies currently in use and to remedy security breaches, when they occur, before a large number of people gain unauthorized access to Sky Deutschland's programming.

With regard to cable customers, Unitymedia, KDG and KBW are responsible for the encryption of Sky Deutschland's signals during transmission via their cable networks. If this or any of the other operators' encryption systems were to be circumvented, Sky Deutschland could suffer substantial damage but would not be able to take direct action in order to remedy the security breaches. Instead, it would have to rely on the respective operator contractual obligation to prevent its customers from gaining unauthorized access to Sky Deutschland's programming. See "*Risk factors—General Risks Related to Sky Deutschland's Business—Sky Deutschland's encryption technologies have been circumvented in the past and may be circumvented in the future*".

Material Contracts

Sky Deutschland's material contracts are: its license agreement with DFL under which it secured the live broadcasting rights to the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) for the 2009/2010 through 2012/2013 seasons (see "*—Programming Rights—Sports—German football league (Fußball-Bundesliga)*"); the credit facility agreement with its syndicate banks relating to a €275 million term loan, a €125 million revolving facility and a €125 million guarantee facility including amendments thereto (see "*Operating and Financial Review—Liquidity and Capital Resources—Credit facilities*"); the sub-licensing agreement with BSkyB regarding the sub-license of the "SKY" trademark (see "*Related Party Transactions—Relationship with News Corporation—Trademark Sub-Licensing Agreement*") and agreements with NDS and SKY Italia regarding the secondment of executive and consulting personnel (see "*Related*

Party Transactions—Relationship with News Corporation—Consulting team transfer agreements"); and the FSA among Sky Deutschland, News Adelaide and News Corporation, under which the parties agreed upon certain measures to guarantee the raising of €340 million of additional funds (see "*Related Party Transactions—Relationship with News Corporation—Financial Support Agreement*").

Further material contracts of Sky Deutschland include, in particular:

- exclusive license agreements with the major Hollywood studios with respect to movies (see "*—Programming Rights—Movies and related entertainment—Movies*");
- exclusive license agreements for the German and Austrian pay-TV rights to important movies from studios outside Hollywood (see "*—Programming Rights—Movies and related entertainment—Movies*");
- contracts with the major Hollywood studios with respect to TV series (see "*—Programming Rights—Movies and related entertainment—TV series*");
- agreements with third-party channel providers (see "*—Programming Rights—Third-party channels*");
- broadcasting licenses with respect to sporting events (such as UEFA Champions League matches, the DFB Cup, Formula One Grand Prix, ice hockey, golf and other sporting events) (see "*—Programming Rights—Sports*");
- supply agreements with all major satellite and cable network operators in Germany and Austria (see "*—Technology and Infrastructure—Transmission platforms*"); and
- agreements with NDS and Kudelski S.A. relating to the provision of the NDS encryption technology (see "*—Technology and Infrastructure—Encryption*").

Intellectual Property

Sky Deutschland currently sublicenses the "SKY" trademark and various word combinations in which the word "SKY" appears as well as rights to the names of the channels that include the word "SKY" in the channel name from BSkyB (see "*Related Party Transactions—Relationship with News Corporation—Trademark Sub-Licensing Agreement*"). In addition, Sky Deutschland holds several other trademarks. While Sky Deutschland currently conducts its business virtually exclusively under the "SKY" trademark, it does not believe that its business is dependent on any particular trademark, even though a loss of the "SKY" trademark or a decision to replace it would likely require substantial investments in an alternative trademark.

Real Estate and Facilities

Sky Deutschland owns no real estate. All offices and production facilities are leased. Sky Deutschland has business locations in and around Munich, Fürth, Vienna and Schwerin.

Employees

At June 30, 2010, Sky Deutschland had a total of 1,333 full-time employees compared to 1,244 at December 31, 2009 and 1,091 at December 31, 2008. The number of full-time employees of Sky Deutschland as of the date of this Prospectus does not significantly differ from the number as of June 30, 2010.

Sky Deutschland is not a member of any employers' association. It is not bound by any collective bargaining agreements. Sky Deutschland has not been exposed to any labor disputes and believes that it has a good relationship with its employees and the works councils.

As a company exempt from the German Co-Determination Act (*Mitbestimmungsgesetz,* "**MitbestG**"), Sky Deutschland does not have employee representatives on its Supervisory Board.

Insurance

As a matter of policy, Sky Deutschland obtains insurance coverage for third party claims, property damage losses (*e.g.*, fire), business interruptions and other common risks, including damage to and

loss of receivers during transport and storage. Sky Deutschland continuously examines and evaluates its need for insurance coverage and believes that the current insurance package is adequate and that the insurance rates are reasonable. However, there might still be incidents not covered by insurance or that an insurance company will not compensate completely.

Legal and Governmental Proceedings

Except for the proceedings mentioned below, no governmental interventions or investigations, or judicial or arbitration proceedings that were pending or completed during the past twelve months (including those proceedings which, to Sky Deutschland's knowledge, are still pending or could be commenced) has or had a significant effect on Sky Deutschland's financial condition or profitability or could have such an effect in the future.

Claims based on capital markets laws

Sky Deutschland faces a number of damages claims by shareholders alleging that certain of its historical disclosures of subscriber numbers were inaccurate or misleading. These claims take the form of 11 court proceedings before the District Court (*Landgericht*) of Munich, as well as further claims for damages that have been asserted out-of-court, mainly by institutional investors in mediation proceedings (*Güteverfahren*) before a mediator (*Gütestelle*). The aggregate amounts claimed in the court proceedings total approximately €897,000; the aggregate amounts claimed in the out-of-court proceedings, including before the mediator, total approximately €242.5 million.

The claims raised in both the judicial and the non-judicial proceedings are primarily based on alleged inaccuracies, misstatements and omissions relating to subscriber numbers published in the Company's IPO prospectus of February 21, 2005 (the "**2005 Prospectus**"), its capital increase prospectus of September 7, 2007 (the "**2007 Prospectus**") and in various press releases issued prior to October 2, 2008. In each of these publications, Sky Deutschland had used a subscriber classification method that included indirect subscribers generating only limited or no revenues in its total subscriber numbers without explicitly differentiating them from other subscribers. This became publicly known when the Company issued an ad-hoc announcement on October 2, 2008 announcing, among other things, a change to its method of classifying subscribers, pursuant to which these indirect subscribers generating only limited or no revenues would no longer be included in the reported subscriber numbers. The new subscriber classification method resulted in a decrease in Sky Deutschland's reported number of subscribers and a corresponding increase in its reported ARPU. Following the publication of the ad-hoc announcement, the price of the Company's shares decreased significantly. The plaintiffs attribute this price decrease to communication of the new subscriber classification and claim damages based on the financial detriment alleged to result to them. The Company has rejected the claims and is defending against them vigorously.

The 11 proceedings before the District Court (*Landgericht*) of Munich are in various stages of determination. In one case, the court rendered a judgment on December 11, 2009, pursuant to which the claim against the Company was fully dismissed. The plaintiff's appeal against the judgment has been withdrawn, with the result that the court's judgment is now binding.

On May 20, 2010, the court issued a ruling in another proceeding rejecting most of the plaintiff's claims against the Company. The court did, however, find in favor of the plaintiff insofar as the claim was based on the 2007 Prospectus and considered that 10% of the claim of €45,000 was justified. This ruling is not yet legally binding and both the plaintiff and the Company have lodged appeals.

In a third proceeding, the court delivered a preliminary assessment on March 23, 2010 in which it stated that the subscriber numbers in the 2007 Prospectus could be considered misleading. This preliminary assessment was upheld in the course of an oral hearing on August 4, 2010. A further hearing is expected on October 6, 2010.

In five further proceedings, the District Court (*Landgericht*) of Munich issued a judgment dismissing the claims against the Company on August 26, 2010. One other proceeding is ongoing and a judgment is expected for November 11, 2010.

The other two proceedings are still at a preliminary stage.

With regard to the institutional investors' claims, while the relationship of individual claims to particular communications of the Company is not entirely clear from the pleadings (although claims in an amount of €20-25 million are attributed to the 2007 Prospectus), the Company believes they are based on the same alleged facts and legal theories as the judicial claims discussed above. In addition, the plaintiffs could try to make use of the recent determination by the Deutsche Prüfstelle für Rechnungslegung ("**DPR**") that subscriber numbers were not reported transparently enough. See "*—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*". It cannot be ruled out that the institutional investors will commence judicial proceedings in respect of their claims. However, the Company cannot reliably estimate the amount of the risk to which it would be exposed if the plaintiffs in the mediation proceedings were to bring judicial proceedings.

The Company has filed third party notices (*Streitverkündungen*) on the relevant current and former members of its Management Board and Supervisory Board. The Company (as well as its current and former Management Board and Supervisory Board members) has an insurance policy against liability risks in respect of the 2007 Prospectus resulting from non-willful breaches of capital market information obligations (*Kapitalmarktinformationspflichten*) up to a total amount of €50 million in place. The Company and its insurer have initiated discussions as to the applicability and extent of coverage under this policy to these pending and threatened proceedings, but have not reached agreement. Accordingly, there can be no assurance that the insurer will agree that the Company's policy in fact covers any such proceedings or, even if it does agree, that the Company's insurance coverage will be sufficient to cover the full amount of damages awarded. In addition, the current and former members of the Company's Management Board and Supervisory Board are beneficiaries under a D&O insurance policy in respect of claims for damages resulting from grossly negligent breaches of capital market information obligations (*Kapitalmarktinformationspflichten*) up to a total amount of €50 million.

As a consequence of the foregoing, the Company has not made any provisions for these judicial or extrajudicial claims in its consolidated interim financial statements as of June 30, 2010. However, if damages are granted and if the Company's insurance coverage is insufficient to cover the full amount of damages awarded or if such outcome would constitute an event of default under the Company's existing credit facilities, Sky Deutschland AG could have to file for bankruptcy.

Investigation by the DPR and other authorities

In the fourth quarter of 2008, the German Financial Reporting Enforcement Panel (DPR) initiated an investigation of the Company's consolidated and unconsolidated financial statements for 2007, its interim consolidated financial statements for the six month period ended June 30, 2008, and its related management reports. In the course of its investigation, the DPR investigated

- whether the Company's subscriber figures were reported with sufficient transparency in these financial statements and reports;
- whether the management report of the Company and the Group for 2007 comprehensively illustrated the development of the Company's financial position and results of operations or if additional trend disclosures (*Trendaussagen*) should have been made;
- whether the interim management report of the Company and the Group for the six month period ended June 30, 2008 should have disclosed that for the nine month period ended September 30, 2008 the Company was in danger of breaching a financial covenant contained in its former credit facilities;
- whether the cost of sales reported in Sky Deutschland's interim consolidated financial statements for the six month period ended June 30, 2008 were understated in the amount of at least €10 million because costs in connection with the licensing of free-TV rights to 18 matches, and of pay-TV rights to all matches, of the FIFA World Cup were not properly allocated between the rights transferred and the free-TV and pay-TV rights retained by Sky Deutschland; and

- whether it was appropriate for the Company to account for the Arena Transaction as a business combination under IFRS 3. In this context, the DPR also investigated the Company's accounting treatment in its separate German GAAP financial statements of the *Bundesliga* rights acquired.

In its assessment of each of the above-referenced matters, the DPR found against the Company, concluding that the Company's accounting for, or reporting of, these matters had been incorrect. On June 10, 2010, Sky Deutschland issued an objection to each of the DPR's conclusions. As a result, the financial accounting and reporting matters referred to above, and the findings of the DPR, are currently the subject of review by the BaFin. Should the BaFin confirm the DPR's findings, and, if applicable, should this confirmation be upheld in any judicial proceedings Sky Deutschland may bring to challenge it, this could lead to administrative fines against the Company, and corrections to both its consolidated and unconsolidated financial statements, as well as to claims for damages by third parties based on the subject matter of the DPR's findings. Any of these developments could materially adversely affect Sky Deutschland's business, results of operations and financial condition and could in turn lead to a material decline in Sky Deutschland's share price.

See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—The DPR has determined that Sky Deutschland violated its reporting obligations. A confirmation of the DPR decision by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, "BaFin") or by the courts could lead to corrections to both the consolidated and unconsolidated financial statements of the Company, administrative fines and claims for damages by third parties*".

Investigation by the German Federal Cartel Office (Bundeskartellamt)

The German Federal Cartel Office (*Bundeskartellamt*) is currently investigating an alleged abuse of a dominant market position by Sky Deutschland. The German Federal Cartel Office issued a non-legally binding statement of objections, announcing that the Federal Cartel Office is considering an injunction, requiring Sky Deutschland to decrypt its content using decoders that support an open Common Interface solution. The German Federal Cartel Office argues that third party channel providers should gain access to end customers via Sky Deutschland's decoders without Sky Deutschland being involved. Although Sky Deutschland believes it has complied with all applicable laws, the German Federal Cartel Office may impose sanctions, including substantial fines, and require Sky Deutschland to mandatorily use decoders supporting a further specified Common Interface module as of a certain point in the future. All of this could lead to an increase in the cost of the decoder infrastructure. Sky Deutschland is in an ongoing dialogue with the German Federal Cartel Office regarding different options for the conclusion of the proceedings and is therefore also considering commitments regarding the introduction of CI+ decoders as of a certain point in the future. It is possible that the Company will reach a settlement with the German Federal Cartel Office in the near future. In such settlement, the German Federal Cartel Office could agree on a sufficient transition period of a few years for the development of such receivers and the re-use of old models. If the German Federal Cartel Office does not agree to a sufficient transition period, Sky Deutschland would be forced to discontinue the use of older receiver models and to replace these receivers with new CI+ decoders. See "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—Sky Deutschland is being investigated for possible antitrust violations in connection with its receiver strategy. As an outcome of this investigation, Sky Deutschland could be forced to record impairments on its receiver assets and to make available additional funds to invest in new receivers*".

Legal action of Resisto IT GmbH

Resisto IT GmbH has filed a claim against Sky Deutschland with the District Court (*Landgericht*) of Duisburg alleging that certain youth protection codes can be calculated from the customer numbers printed upon the cards Sky Deutschland provides to its subscribers and hence that Sky Deutschland's youth protection code system does not satisfy the applicable legal requirements. See "*Regulation—Regulation in the Federal Republic of Germany—Protection of minors*".

On May 4, 2010, the District Court (*Landgericht*) of Duisburg issued a preliminary injunction against Sky Deutschland, thereby enjoining Sky Deutschland from broadcasting programming that has a harmful effect on children or young people under the age of 16 or 18 outside of the restrictive

time slots described in "*Regulation—Regulation in the Federal Republic of Germany—Protection of minors*", unless it ensures that its customer code system is sufficient. The injunction was confirmed by the court in a ruling dated June 30, 2010. Sky Deutschland appealed against the preliminary injunction before the Higher Regional Court (*Oberlandesgericht*) of Düsseldorf. On July 12, 2010, the Higher Regional Court issued a first decision suspending the enforcement of the injunction and stating that Sky Deutschland's appeal is likely to be successful. The oral hearing is scheduled for September 28, 2010. Despite the decision of July 12, 2010, there is still a risk that the Higher Regional Court will eventually find against Sky Deutschland. Sky Deutschland is of the opinion that it is complying with the applicable legal requirements for customer code systems. The members of the Company's Management Board and Supervisory Board have also been threatened with direct claims in connection with these proceedings.

Possible claim by Gemstar TV Guide International, Inc. regarding patent infringement

In March 2009, Sky Deutschland was informed by Gemstar TV Guide International, Inc. ("**Gemstar**"), a former subsidiary of News Corporation, that Gemstar believes that, by means of distributing receivers, Sky Deutschland infringes certain patents regarding electronic program guides held by Gemstar and, as a result, is claiming damages of an aggregate amount in the low double-digit million euro range. Sky Deutschland believes that the subject matter in dispute is not patentable and the patents are therefore not valid. No lawsuit against Sky Deutschland has been filed in respect of this matter. Furthermore, as far as any potential claim might concern receivers developed for the NDS encryption system, Sky Deutschland has a contractual claim against NDS for indemnification to the extent that any electronic program guide supplied by NDS since July 2008 infringes Gemstar's patents.

Shareholder actions at the 2010 General Shareholders' Meeting

Four shareholders have filed actions for rescission (*Anfechtungsklagen*) against the discharge (*Entlastung*) of Sky Deutschland's Management Board and Supervisory Board that was granted at the 2010 General Shareholders' Meeting. The shareholders alleged that certain settlements the Company had entered into with other shareholders in relation to various claims brought against the Company were unlawful. On September 2, 2010, the judge issued a ruling, noting that the settlements were lawful but that he would nevertheless find in favor of the plaintiff shareholders because the Company had breached its informational duties at the 2010 General Shareholders' Meeting. This ruling does not hinder any capital measures.

Arbitration with Nagravision

In December 2009, Nagravision filed a claim against Sky Deutschland for €4.6 million arising out of late or non-payment of invoices in connection with the contractual relationship between Nagravision and Sky Deutschland regarding the provision of a conditional access system ("**CAS**") to secure the content of Sky Deutschland's programming and the lease of smartcards to Sky Deutschland in return for the payment of a rental fee. Nagravision has applied for arbitration which is governed by the rules of the International Chamber of Commerce.

Sky Deutschland is counter-claiming the amount of €1.5 million as an indemnity for amounts it paid to KDG to compensate KDG for payments made by KDG to Nagravision relating to the non-return of smartcards. Sky Deutschland is also asserting a set-off in the amount of €7.5 million, which KDG has assigned to Sky Deutschland and which arose out of the fact that unauthorized access was gained to the CAS.

The arbitral tribunal has already been constituted and the parties have agreed on Basel, Switzerland as the place of arbitration. The first hearing is expected in the second half of 2010.

Possible claim by a network operator

Sky Deutschland is party to an agreement with a network operator. In connection with this agreement, Sky Deutschland undertook to pay the network operator an amount in the mid single-digit million range as soon as the number of Sky Deutschland's subscribers exceeded certain thresholds. Since these thresholds were exceeded in the past, the amount may have become payable in whole or in part and Sky Deutschland could be liable to pay it.

Arbitration with Arena/Unitymedia

In August 2009, Sky Deutschland initiated arbitration proceedings against Arena, Unitymedia NRW GmbH and Unitymedia Hessen GmbH & Co. KG, two subsidiaries of Unitymedia (together, the "**Unitymedia Defendants**") claiming a total amount of €35 million.

Sky Deutschland asserted a claim of €30 million against Arena for its failure to ensure that Sky Deutschland's German football league (*Fußball-Bundesliga*) programming package, which was called "Premiere Bundesliga" at the relevant time, was distributed only to those of its customers that ensured the package was broadcast to end-users in an encrypted form. The claim arose out of Arena's distribution of the package to KBW, which broadcast the Friday evening match of the German football league (*Fußball-Bundesliga*) in an unencrypted form. The license fee Arena was obligated to pay under the license agreement with Sky Deutschland was calculated on the basis of the number of end-users subscribing for the "Premiere Bundesliga" package. Since certain end-users were able to watch some of the content without subscribing for the package as a result of Arena's breach of the license agreement, Sky Deutschland claimed the amount that would have been due to it had they done so and, alternatively, compensation for the breach of its intellectual property rights arising out of the distribution of the "Premiere Bundesliga" package to KBW.

Sky Deutschland also filed two claims against the Unitymedia Defendants in an aggregate amount of €5 million. The first claim was based on the distribution of program packages other than "Premiere Bundesliga" after the termination of the relevant distribution agreement for those program packages. The second claim was based upon incorrect invoicing on the part of Unitymedia as a result of its under-reporting the number of subscribers to Sky Deutschland's programming.

These claims were filed in August 2009, with Arena and Unitymedia filing a counter-claim for €1.5 million, alleging that Sky Deutschland permanently exceeded the amount of the bandwidth it had purchased and seeking the return of 97,532 lost or stolen smartcards.

On July 19, 2010, the German Institution for Arbitration (*Deutsche Institution für Schiedsgerichtsbarkeit*) rendered an award in favor of the Company and imposed an obligation to pay €4.5 million on the Unitymedia Defendants.

Kathrein-Werke KG and Heinrich Zehnder GmbH

On October 9, 2008, Sky Deutschland filed a claim in the amount of €26.35 million against Kathrein-Werke KG ("**Kathrein-Werke**"). The background to this lawsuit is that, in August 2003, Sky Deutschland entered into a framework agreement with Kathrein-Werke with regard to the development, production and distribution of DVB receivers capable of receiving Sky Deutschland's programming. Under this agreement, Kathrein-Werke agreed not to promote, develop, manufacture or support receivers capable of circumventing Sky Deutschland's encryption system, thereby granting customers unauthorized access to Sky Deutschland's programming. The agreement provided that violations of this clause were subject to a penalty of up to €50.0 million. Subsequently, a subsidiary of Kathrein-Werke's general partner, Heinrich Zehnder GmbH ("**Heinrich Zehnder**"), imported and promoted patched receivers that enabled purchasers to circumvent Sky Deutschland's encryption system. Sky Deutschland is of the view that Kathrein-Werke is responsible for the distribution of these receivers by Heinrich Zehnder and liable to pay the agreed penalty fee. On May 28, 2009, the District Court (Landgericht) of Munich dismissed the claim. Sky Deutschland lodged an appeal against this judgment and reduced the amount in dispute to €6.4 million. On September 1, 2010, Sky Deutschland and Kathrein-Werke reached a settlement under which Sky Deutschland withdrew the appeal and Kathrein-Werke waived any cost reimbursement claims for legal fee claims it had.

Fines by the German Federal Network Agency (Bundesnetzagentur)

Sky Deutschland has been fined by the German Federal Network Agency (*Bundesnetzagentur*) in connection with a telephone marketing campaign in 2009 in seven cases with a fine of €22,000 per case. Sky Deutschland has filed objections against these fines, arguing that they are unjustified. In 43 further cases of customer complaints the German Federal Network Agency has approached Sky Deutschland and requested a written comment as to the extent to which prior consent has been obtained. It is unknown whether there are further complaints pending with the German Federal Network Agency.

Legal action of Deutsche Telekom

On July 2009, Deutsche Telekom filed a claim against Sky Deutschland before the District Court (*Landgericht*) of Hamburg alleging that Sky Deutschland is obligated to make its programming available on Deutsche Telekom's IPTV platform, pursuant to a distribution agreement entered into between Deutsche Telekom and Sky Deutschland, which was terminated by Sky Deutschland on an extraordinary basis.

In its application for preliminary relief, which is currently before the Hanseatic Higher Regional Court (*Hanseatisches Oberlandesgericht*) Deutsche Telekom limited its claim to the period before September 24, 2009 and the decisive issue will be the lawfulness of Sky Deutschland's termination of the agreement. An oral hearing has been scheduled for November 25, 2010. In its main proceeding, Deutsche Telekom claims that pursuant to the distribution agreement, Sky Deutschland's programming feed should continue to be made available on its IPTV platform until November 2011. The first oral hearing for this claim has been scheduled for October 13, 2010. Sky Deutschland does not expect any significant direct penalty payments; however, the claim could harm Sky Deutschland's competitive position. See "*Risk Factors—General Risks Related to Sky Deutschland's Business—The markets in which Sky Deutschland operates are extremely competitive and their pay-TV penetration rates may never reach the level required for the profitable operation of Sky Deutschland's business*".

MARKET AND COMPETITION

Overview

Sky Deutschland operates a digital pay-TV platform in Germany and Austria. Germany has 37.4 million TV households, while Austria has 3.5 million TV households. Of these 41.0 million TV households, 48.8% receive their TV signals via cable, 44.1% via satellite, 5.4% via terrestrial transmissions and 1.8% via Internet Protocol TV ("**IPTV**"). (*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009*).

Whilst the viewing share of TV in Germany has remained stable over recent years, TV consumption and market volume have increased. Between 2000 and 2009, average TV consumption in Germany increased by 22 minutes per day (from 190 minutes per day to 212 minutes per day), despite a parallel increase in internet usage. (*Source: AGF/GfK Fernsehforschung; TV Scope*). Between 2004 and 2008, consumer expenditures on TV increased at a compound annual growth rate ("**CAGR**") of 1.8%, whereas expenditures on other media, such as books, newspapers and magazines increased at lower CAGRs or even decreased, with expenditures on these media experiencing CAGRs of 1.2%, 1.0% and (0.5)%, respectively. In absolute figures, annual TV expenditures per household, excluding fees for public broadcasting, grew from €145 in 2004 to €167 in 2008. However, given the current economic uncertainty, there can be no assurance that TV expenditures will continue to grow at historical rates or at all (see "*Risk Factors—General Risks Related to Sky Deutschland's Business—The slow and uncertain recovery from the economic downturn may substantially reduce the demand for pay-TV and adversely affect Sky Deutschland's subscriber recruitment, subscriber retention and ARPU growth targets*"). By comparison, over the same time period, expenditures in the related cinema and DVD/Blu-ray market decreased at a CAGR of (2.2)% as a result of falling DVD prices and low visitor numbers between 2005 and 2008. (*Source: German Entertainment and Media Outlook 2009-2013 "Die Entwicklung des deutschen Unterhaltungs- und Medienmarktes", PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, October 2009*).

In common with other European markets, consumers in Germany and Austria are starting to put more emphasis on digital TV, high definition television ("**HDTV**") and interactive TV services, and there has been a high take-up of HDTV-ready TV sets. However, penetration rates of these services are still relatively low in Germany and Austria. With a combined total digital TV penetration rate of approximately 57.5%, the German and Austrian markets lag significantly behind the United Kingdom and Ireland, which have a combined penetration rate of approximately 87.4%. The combined pay-TV penetration rate in Germany and Austria, at approximately 11.0%, is also relatively low. (*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009, © Screen Digest 2010*).

The following table shows key market data relating to the prevalence of pay-TV in Germany, Austria and other key European markets as of December 31, 2009:

	Germany & Austria	United Kingdom & Ireland	France	Italy
TV-households total (million)	41.0	26.9	24.6	23.9
Digital households total (million)	23.6	23.6	17.3	17.1
Digital penetration rate (in percent)	57.5	87.4	71.6	71.6
Pay-TV households (million)	4.5	14.3	10.3	9.2
Pay-TV penetration (in percent)	11.0	53.2	42.0	38.4

(*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009, © Screen Digest 2010*).

The table above suggests that the German and Austrian pay-TV markets are still underdeveloped in comparison to other European pay-TV markets, particularly the United Kingdom and Ireland, France and Italy, and, as a result, may provide untapped growth potential for pay-TV providers such as Sky Deutschland. However, it is also conceivable that TV viewers in Germany and Austria have to date been more reluctant to embrace pay-TV than their peers in these countries as a result of the fact that the free-TV offering in Germany and Austria is broader and of a higher quality than in other European markets, and most of it is available via all distribution platforms.

Sky Deutschland therefore believes that exclusive premium content is key to any pay-TV operator's success. Sky Deutschland's offering includes much exclusive premium content, such as movies and

live sports broadcasts. However, some of the pay-TV content offered by Sky Deutschland is also available on free-TV stations. For example, two German free-TV stations are entitled to show summaries of the matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) on a time-delayed basis. Other premium sporting events, *e.g.*, Formula One races, are broadcast live both on Sky Deutschland and on free-TV. The same may apply to future broadcastings of movies, TV series, sporting events and other content, including content broadcast in HDTV quality. Sky Deutschland expects the degree of competition in the provision of HDTV to increase significantly. Similarly, Sky Deutschland expects the degree of competition from other distribution platforms, such as IPTV, to increase considerably as broadband availability becomes more widespread and bandwidth increases. Furthermore, competitors are increasingly seeking to replicate other parts of Sky Deutschland's product offering, such as its Sky+ personal video recorder ("**PVR**") system. Several cable network operators have introduced their own such systems.

Growing Importance of Premium Content

As more pay-TV providers emerge, Sky Deutschland believes that the importance of exclusive premium content is likely to increase further as providers attempt to differentiate themselves from their competitors. At the same time, TV content broadcasters are increasingly looking to offer their content as part of premium pay-TV services so as to maximize revenues and diversify their risk, reducing exposure to more volatile advertising revenues in the free-TV market. Private free-TV broadcasters are increasingly encrypting some of their content to make it available through pay-TV systems. An example is the RTL group's RTL Crime and RTL Passion channels. Similarly, some TV distribution platform operators, such as cable network operators, are focusing on up-selling pay-TV content to their customers as well as enhanced functions associated therewith, such as "video on demand" ("**VoD**") and interactive TV, as part of their "triple-play" offerings, whereby pay-TV is bundled with other multimedia and telecommunications services.

Premium content also drives technological changes. As consumers learn of the benefits to be gained from watching premium movies, sporting events and other content in HDTV quality, they will increasingly demand the same of all content. Similarly, it is expected that once consumers experience being able to record and watch Sky Deutschland's premium content whenever they want via the Sky+ service, others will also seek to purchase PVR systems. The fact that premium content is the driving force behind technological change is also evident in the case of Deutsche Telekom, whose distribution of the live broadcasts of the first and second divisions of the German football league (*Fußball-Bundesliga*) over IPTV pursuant to its IPTV rights is driving the take-up of its IPTV service.

TV Content Broadcasters

TV programming is broadcast to households by TV content broadcasters. There are many TV content broadcasters in Germany and Austria, operating in a highly competitive market. These TV content broadcasters face intense competition, both from each other and from providers of other entertainment options, such as DVDs, and can be divided into two broad categories: free-TV broadcasters and pay-TV broadcasters.

Free-TV Broadcasters and Distributors

The German and Austrian free-TV market is characterized by a large offering of free-TV channels provided by a number of free-TV content broadcasters, which can be divided into public broadcasters and private broadcasters. Both public and private free-TV broadcasters broadcast their programming by cable, satellite, digital terrestrial reception via antenna ("**DTT**") and, to a lesser extent, IPTV. Sky Deutschland's principal competitors are the German and Austrian free-TV broadcasters. Market statistics show that the penetration rate of pay-TV in Germany and Austria is significantly lower than in other major European TV markets, such as the United Kingdom and Ireland, France or Italy, which may be because of a reluctance on the part of consumers in Germany and Austria to embrace pay-TV as a result of the free-TV offering in Germany and Austria being of a higher quality than in other European markets and available over all distribution platforms.

Public free-TV broadcasters

Public free-TV broadcasters are obligated to provide basic educational and cultural audio-visual information to the public. In addition, they show a range of live sports and highlights of other popular sporting events. They primarily finance themselves through statutory radio and TV broadcasting fees and, to a lesser extent, through TV advertisements. In Germany, there are two major public TV broadcasters, ARD (the so-called "Erste" and various "third" programs) and ZDF, which also operate a number of other channels, including 3Sat, Phoenix, ARTE, and Ki.Ka. These public channels had a combined audience share of 42.9% of the German free-TV market at December 31, 2009 (*Source: http://www.agf.de/daten/zuschauermarkt/marktanteile*). In Austria, there is one public free-TV broadcaster, ORF, which operates two main TV channels with a total audience share of about 39.2% of the Austrian free-TV market as of the same date (*Source: www.agtt.at*). In Germany in 2009, radio and TV broadcasting fees per household amounted to €17.98 per month and the total amount collected was approximately €7.6 billion (*Source: GEZ Geschäftsbericht 2009*). Public free-TV content broadcasters distribute their services in analog, digital standard definition and HDTV quality, and via web-TV through so-called "Mediathek" services. ARD, ZDF and ARTE launched their HDTV channels with the start of the 2010 winter Olympic Games.

Private free-TV broadcasters

Private free-TV broadcasters primarily finance themselves through advertising. The leading private free-TV broadcasters in Germany are the RTL group, which operates several channels, including RTL, RTL 2, Super-RTL, VOX and n-tv, and the ProSiebenSat.1 group, which also operates several channels, including Sat.1, ProSieben, kabel eins, N24 and 9Live. There are also a number of smaller private free-TV broadcasters, operating a number of channels, including Tele 5, Sport1 (formerly DSF), Eurosport, NICK, DMAX, VIVA and Comedy Central. These private channels had a combined audience share of 52.5% of the German free-TV market at December 31, 2009 (*Source: http://www.agf.de/daten/zuschauermarkt/marktanteile*). In addition, there are approximately 25 smaller private national free-TV content broadcasters in Germany that compete in this market. The leading Austrian private free-TV content broadcasters are ATV, Puls4 and Austria 9, which had a combined audience share of approximately 6.2% of the Austrian free-TV market as of December 31, 2009 (*Source: www.agtt.at*). There is also a significant spill-over of German free-TV channels (both public and private) into the Austrian market.

In Germany, the overall net turnover for TV advertising was approximately €3.640 billion in 2009 (*Source: ZAW-Jahrbuch* "*Werbung in Deutschland 2010*"), of which €253.24 million was earned by the public broadcasters (*Source: ZAW-Jahrbuch,* "*Werbung in Deutschland 2010*").

Private free-TV content broadcasters offer their content in analog and digital standard definition. They are also actively introducing HDTV services and new channels. The broadcasting of RTL HD and VOX HD started in November 2009 and the ProSiebenSat.1 Group has started offering its three full channels ProSieben, Sat.1 and kabel eins in HDTV quality. There is also the HD+ service, via which satellite users are able to watch RTL HD, Sat.1 HD, ProSieben HD, VOX HD and kabel eins HD without payment for the first year and thereafter for €50 per year.

Pay-TV and Video on Demand (VoD) broadcasters and distributors

Mainly as a result of the range and quality of the free-TV channels available, the German and Austrian pay-TV markets are still underdeveloped in comparison to other European pay-TV markets, particularly the United Kingdom and Ireland, France and Italy. There are relatively few pay-TV broadcasters in Germany and Austria with most pay-TV offerings being provided by pay-TV content distributors that distribute third-party content.

Pay-TV broadcasters

Sky Deutschland is the leading pay-TV content broadcaster and distributor in Germany and Austria and the only pay-TV content broadcaster and distributor whose programming is available via several distribution platforms, other pay-TV content distributors being limited to their own infrastructure. For a long time, Sky Deutschland was the only pay-TV content broadcaster and distributor in the German market. Now, however, Sky Deutschland competes with several other pay-TV content distributors, of which the most important are cable network operators. In the summer of 2006, a second pay-TV content distributor, Unitymedia, entered the market, distributing pay-TV content via

its subsidiary, Arena. At December 31, 2009, Unitymedia had approximately 491,000 pay-TV subscribers (*Source: www.unitymedia.de, press release of March 17, 2010*). However, on June 15, 2010, Unitymedia announced that it would discontinue distributing pay-TV via Arena on September 30, 2010 in order to concentrate on the distribution of its "3play" offerings. In addition, there are currently two other significant cable pay-TV content distributors in Germany, KDG with approximately 817,000 pay-TV subscribers at March 31, 2010 (*Source*: *Company report, dated June 10, 2010*) and KBW with approximately 200,000 pay-TV subscribers (*Source: KBW press release of April 30, 2010*). Pay-TV content is also distributed by Eutelsat, an operator of a satellite distribution platform, as a wholesale product called "visAvision", which includes international channels and is distributed to cable network operators for onward distribution to their customers. Deutsche Telekom also distributes pay-TV content over its DSL network through its "Entertain" package. In respect of its live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*), Sky Deutschland competes directly with Deutsche Telekom. The latter acquired the IPTV rights for the live broadcasts of all matches of the first and second divisions of the German football league (*Fußball-Bundesliga*) through the 2012/2013 season, and currently distributes them to both TVs and mobile devices through its "LIGA total!" package, which is also available in HDTV quality.

In the Austrian market, there are approximately 170 cable pay-TV distributors. Most are small regional companies with only a few hundred customers. The two largest cable network operators are UPC and LIWEST. Their basic package is comparable to the packages offered by German cable network operators. In addition, however, they give subscribers the option to extend their selection with attractive pay-TV channels, *e.g.*, MGM, 13th Street and SciFi, for an additional fee. UPC offers all Sky Deutschland packages with the exception of Sky Welt.

Video on Demand (VoD) distributors

Sky Deutschland also competes with a variety of providers of VoD services. This is particularly true of Sky Deutschland's pay-per-view offering, which competes with the corresponding offerings of Unitymedia, KDG, KBW and various other vendors, such as the ProSiebenSat.1 group (maxdome), the RTL group (RTLnow), ARD (ARD Mediathek) and ZDF (ZDF Mediathek). These platforms offer their content either free of charge or on a pay-per-view basis. In addition, several internet providers active in Germany, *e.g.*, Apple (iTunes) or Deutsche Telekom (Videoload), offer pay-per-view services to their customers. The leading operator in this segment is Deutsche Telekom with its "Entertain" package, which also offers a VoD service. "Over-the-top" distributors, such as maxdome, offer VoD content over the broadband network of a third party and may also offer set-top boxes for the display of TV content streamed over the internet on a TV set. In Austria, Telekom Austria AG ("**Telekom Austria**") and UPC also offer pay-per-view services. Since Sky Deutschland typically does not hold exclusive rights for pay-per-view broadcasts, competing vendors are able to offer their customers movies in direct competition with Sky Deutschland.

Other distributors (Home video and DVD)

In addition, Sky Deutschland competes with a variety of alternative distribution channels for movies, such as DVD sales and rentals, websites, internet service providers, cable network operators, pay-per-view services and other entertainment options available to consumers. Even though some of these other entertainment options may still suffer from a limited market acceptance, they may become more important in the future. While Sky Deutschland competes in some of these markets, many of them offer lower margins than Sky Deutschland's core business, and there can be no assurance that any profits Sky Deutschland generates in these markets will be sufficient to offset any associated margin shortfall in its core business.

Sky Deutschland's movie selections compete with retail and online home video/DVD services. In 2009, approximately 55.2% of all German TV households had a video recorder, 64.0% had a DVD player and 19.6% had a DVD recorder, whereby there may be some overlap between those with DVD players and DVD recorders (*Source: Media Perspektiven Basisdaten – Daten zur Mediensituation in Deutschland 2009*). Movies usually become available on video/DVD up to six months before they may be broadcast on a pay-per-view basis; the regular pay-TV broadcasting window opens even later. In recent years, many studios have shortened the video/DVD window, and Sky Deutschland expects this trend to continue.

TV Distribution Platforms

Television content is distributed in Germany and Austria over various distribution platforms, including cable, satellite and DTT systems, as well as through broadband internet access technologies such as VDSL or ADSL2+. In both Germany and Austria, cable and satellite are the most important distribution platforms. Cable was the leading television content distribution platform in Germany as of December 31, 2009, with approximately 18.6 million, or 49.6%, of households watching cable TV. Satellite was used by approximately 16.2 million, or 43.3%, of households, followed by DTT, with approximately 2.0 million, or 5.3% of households, and IPTV with approximately 0.7 million, or 1.7%, of households. (*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009*). In Austria, satellite is the leading distribution platform as of December 31, 2009, used by approximately 52.3% of households, followed by cable, which is used by 39.8% of households, DTT, which is used by 5.3% of households and IPTV, which is used was 2.6% of households. (*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009*). IPTV has only recently been introduced in Germany. The main operator is Deutsche Telekom, which launched its service in 2006. In Austria, Telekom Austria launched its IPTV platform, Aon Digital, in 2006. Other IPTV operators in Austria include EDV-System and Pitztalnet. As broadband penetration rates and bandwidth increase, it is likely that distribution of TV content via the internet will become increasingly prevalent.

The following table illustrates the development of the percentage of German and Austrian households that watch TV primarily via cable, satellite, DTT and IPTV for the period from 2005 to 2009. The total percentage exceeds 100% because some households use more than one distribution platform.

Germany	2005	2006	2007	2008	2009
			(in %)		
Cable	50.5	49.8	48.4	49.0	49.6
Satellite	43.8	45.0	45.2	43.0	43.3
Terrestrial/DTT	5.7	5.2	6.3	7.3	5.3
IPTV	—	0.1	0.1	0.7	1.7

Austria	2005	2006	2007	2008	2009
			(in %)		
Cable	37.0	37.0	36.5	38.6	39.8
Satellite	50.6	52.0	55.3	53.4	52.3
Terrestrial/DTT	12.4	11.0	7.2	6.9	5.3
IPTV	—	—	1.0	1.2	2.6

(*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009*).

Across these distribution platforms, 57.5% of German and Austrian television households receive and use digital programming. (*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009*). To receive digital TV signals, consumers require either a set-top box or an integrated digital TV set. Analog terrestrial TV has been switched off and completely replaced by DTT in Germany. TV signals broadcast via satellite are mostly digital, with digital usage at 75.0%. This is significantly higher than for cable, for which digital usage is 34.0%. (*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009*). This is due, among other factors, to the fact that the sale of analog satellite equipment ceased several years ago. However, cable networks are now almost fully digitized with digital signals distributed in parallel to analog ones so that cable users may decide whether to watch digital or analog TV.

Cable

There are approximately 20.0 million German and Austrian households with a cable connection (*Source: SES-ASTRA Satellite Monitor TNS Infratest, End of Year 2009*).

The structure of the German cable network has been strongly influenced by historical factors, the most important of which was the former monopoly on telecommunication services held by Deutsche Telekom and its predecessors until 1996. This monopoly permitted Deutsche Telekom to control the build-out of the cable network in Germany. As a result, the cable network in Germany was divided into different functional levels, the most important of which for Sky Deutschland are level 3 and

level 4. Level 3 is the distribution network carrying TV signals from the TV content broadcaster to a transfer station close to a household. Level 4 is the home network carrying the signals from the transfer station into households. Therefore, in many cases, a TV content broadcaster needs to enter into an agreement only with a level 3 operator in order for its content to be distributed to all the level 4 networks behind that level 3 network. Typically, a cable customer will receive between 32 and 41 analog channels (depending on the cable operator and the region served) and, depending on the cable operator, more than 200 digital free and pay-TV channels.

The major operators of level 3 networks (Unitymedia, KDG and KBW) also control some, though not all, of the level 4 networks. At the end of 2009, the three major providers of level 3 networks reached approximately 82% of German cable households directly (*Source: Cable network operators' press releases billing data and coverage reports; Sky customer base*). The remaining approximately 18% of cable households could only be reached via residential property companies and the operators of level 4 networks.

There are more than 250 cable network operators in Austria, the most important of which are UPC and LIWEST. These two large providers reach approximately half of cable households directly. The other half of cable households can be reached by small cable network operators.

Cable network operators generate revenues principally from relationships with customers who pay subscription fees for the television content they distribute. In addition, cable network operators are paid carriage fees by TV content broadcasters for the transmission and distribution of television and audio signals via their networks.

The cable network operators operate their own encryption for the programming distributed through their networks. These encryption systems vary depending on the operator and include systems provided by NDS, Nagravision and Conax.

Cable network operators have also started offering products that compete with Sky Deutschland's offering, including basic pay-TV, PVRs and pay-per-view services although, unlike Sky Deutschland's programming, which is available on almost all cable networks as well as via satellite, these offerings are limited to the network of the relevant operator. It is possible that the cable network operators may extend their pay-TV offerings in the future, which could lead to more intense competition in the pay-TV market. As a result, the number of companies bidding for sporting events, movies and TV series and other high profile content may increase, which could limit Sky Deutschland's access to such content or raise the license fees it must pay to gain access to the desired content.

Satellite

Both Germany and Austria lie within the satellite footprint of SES-ASTRA, Europe's leading satellite operator and the main satellite provider in Germany and Austria thanks to the high technical reach of its satellites on 19.2° East. Eutelsat is the second operator in Germany and Austria but is less significant. These satellite operators sell transponder capacity to TV content broadcasters via long-term contracts, charging them a fee to distribute both analog and digital signals directly to television viewers, with whom the satellite operators have no relationship. Approximately 40 free analog and more than 300 digital free- and pay-TV channels targeted at the German and Austrian markets are available, along with several hundred international television channels, depending on the location of the satellite transponder. In Austria, ORF provides a digital satellite package with the main content broadcaster being Sky Österreich GmbH.

To receive programming distributed via satellite, viewers need a satellite dish and a satellite receiver, and, for digital channels, a set-top box. Installing the equipment enables users to view a large number of channels without paying subscription fees. However, in order to receive pay-TV programming, subscribers must pay subscription fees directly to a TV content broadcaster, such as Sky Deutschland. Thus, except for the recently introduced HD+ service (see "*—TV content distributors—Private free-TV content distributors*"), satellite operators do not have any relationships with end customers in Germany.

There are approximately 18.04 million households in Germany and Austria with access to satellite TV, approximately 76% of which have a digital satellite dish (*Source: SES-ASTRA Satellite Monitor TNS Infratest, 2009*), which enables them to receive Sky Deutschland programming directly via a

Sky Deutschland-certified digital receiver. Owners of analog satellite dishes must upgrade their dishes to digital satellite dishes in order to receive Sky Deutschland programming.

Playout and uplink services on SES-ASTRA satellites are operated by APS. Playout and uplink services include the compilation and playout of individual channels as well as encryption and transmission to satellites. Sky Deutschland has long-term lease agreements for several satellite transponders and therefore believes that it has secured or will be able to secure sufficient transponder capacity on commercially reasonable terms in order to meet its current and future transmission demands, including for HDTV transmissions. HDTV was introduced early on satellite systems because of the larger bandwidth available.

Digital Terrestrial Television (DTT)

Another television distribution platform is DTT. In Germany, the number of TV channels that can be transmitted via DTT is currently limited to a maximum of 34. However, in the event the technology is upgraded, this could increase the transmission capacity of DTT to at least 55 standard definition channels, and could allow for HDTV offerings as well. The terrestrial transmission infrastructure is owned and operated by Media Broadcast, a subsidiary of the TDF Group. In order to receive DTT, a consumer needs an antenna and a receiver. In general, no subscription fees are paid by the consumer to the operator of a DTT distribution platform. Instead, fees are collected from TV content broadcasters, which pay for their TV channels to be distributed to consumers over DTT. Germany has switched off analog terrestrial broadcasting and all terrestrial broadcasting is now digital.

With the exception of a trial by the RTL Group in Stuttgart and Halle, there are currently no encryption systems operating on DTT and so no pay-TV content is broadcast over the DTT distribution platform in Germany.

The first DTT platform in Austria was launched in 2006. Currently, there are two national multiplexes with seven channels. The multiplexes are operated by ORS and 13 other operators in 16 regional areas. All analog signals are due to be switched off in Austria by the end of 2010.

Sky Deutschland does not distribute its content via DTT.

IPTV

IPTV began relatively late in Germany compared to other European countries. However, as a consequence of improvements in internet access and data transmission technologies, in particular DSL technologies, the internet is increasingly being used as a platform for the distribution of IPTV and VoD services. Deutsche Telekom introduced its IPTV offering for the first time in 2006 and today is the leading operator of IPTV in Germany. Deutsche Telekom and other operators, such as HanseNet, and resellers, such as 1&1 Internet AG, currently offer IPTV services to their customers in areas with broadband speeds of at least 16 Mbit/s. In order to provide IPTV services at a comparable technical quality to cable, satellite and DTT, Deutsche Telekom has rolled out VDSL across 50 cities. (*Source: Deutsche Telekom press release*). Currently, however, the distribution of HDTV services via IPTV is constrained by the bandwidth available on IPTV networks.

Mobile networks

TV content can also be distributed over mobile networks. Currently, Deutsche Telekom and Vodafone offer mobile TV services in Germany. In Austria, mobile terrestrial TV was launched in 2008. Media Broadcast, a subsidiary of the TDF group, has a license to operate a multiplex platform for mobile terrestrial broadcasting for ten years. Broadcasting services are offered by ONE and H3G Austria. There has so far been limited adoption of mobile TV in both Germany and Austria but it has the potential to become more popular as smart phones become more sophisticated and tablet devices with bigger screens, such as the iPad, become more widespread.

As smart phones become more sophisticated and the bandwidth of mobile networks improves, it is possible that such services may increasingly converge with mobile TV so that IPTV can be offered directly to mobile phones.

Current Development of the TV Market

The German and Austrian TV markets are undergoing profound changes, including the following:

- *HDTV.* HDTV technology allows the broadcast of sharper TV images with clearer colors. The technology is particularly attractive for the transmission of content such as Hollywood movies, high-profile sporting events and documentaries. Presently, there are approximately 13.9 million TV households in Germany and Austria that have equipment suitable for HDTV (*Source: Screen Digest, July 2010; sum of HDTV-capable, HDTV-ready and Full HDTV TV sets*). The penetration rate of HDTV sets in the German and Austrian market is expected to reach about 80% by 2014. (*Source: Screen Digest, July 2010*). Sky Deutschland currently offers ten HDTV channels (Sky Cinema HD, Sky Sport HD, Discovery HD, Disney Cinemagic HD, National Geographic HD, History HD, Eurosport HD, Sky Sport 2 HD, Sky Action HD and Sky Cinema Hits HD). Most subscribers are able to receive all HDTV channels. However, subscribers receiving their programming through Unitymedia are currently able to receive only one HDTV channel (Sky Sport HD).

- *PVR functionality.* Traditionally, TV has only been available via predefined programming schedules. In recent years, however, digital receivers and recorders supporting PVR functionality and the ability to pause live TV have become increasingly popular, particularly in the United Kingdom and Ireland, where they have been marketed and supported by pay-TV broadcasters. In addition, the prices of these devices have fallen significantly. As a result, viewers have become less dependent on programming schedules. As of December 31, 2009, approximately 18% of all TV-households in Germany were equipped with a PVR, a figure that has nearly doubled since 2006. (*Source: German Satellite Monitor, YE 2009; including personal video receivers, personal video recorders and DVD recorders*). Moreover, services that provide similar functions are also likely to become more common. For example, on August 6, 2010, the RTL Group and the ProSiebenSat.1 group announced a joint venture to run an open technical platform offering time-shifted retrieval of web-based TV content, which would allow users to watch TV content on-demand for a certain period of time after it was first broadcast (*Source: ProSiebenSat.1 Media AG press release of August, 2010*).

- *TV broadcasts via IPTV.* In recent years, IPTV has emerged as an alternative distribution platform to cable, satellite and terrestrial transmission. Due to the large amounts of data transferred during a broadcast, IPTV requires TV viewers to have a broadband internet connection that uses technology such as ADSL2+ or VDSL. As broadband penetration rates have increased in Germany and Austria, IPTV services have become more viable. Further improvements to the internet infrastructure necessary for IPTV broadcasts are expected to result from the further roll-out of ADSL2+ and VDSL technologies. Deutsche Telekom, the main distributor of TV content over IPTV in Germany, has announced that it had approximately 1.2 million subscribers to its "Entertain" pay-TV package in the first quarter of 2010 (*Source: Q1/10 – Results Presentation. Deutsche Telekom May 12, 2010*), of which about one out of ten have a subscription to the "LIGA total!" package. (*Source: http://www.digitalfernsehen.de/news/news_907309.html*). It is estimated that the total number of subscribers served by Alice (formerly owned by Telecom Italia and now owned by Telefonica) and Arcor, two other IPTV pay-TV providers, was 60,000 at December 31, 2009. (*Source: Source: Screen Digest, July 2010*).

- *Smart phone uptake.* As smart phones become more sophisticated and capable of performing more tasks, they are becoming increasingly popular. Sales of PDAs and smart phones in Germany increased from 1.1 million in 2007 to 1.4 million in 2008 and 2.9 million in 2009 (*Source: GfU, CEMIX 2007, 2008, 2009*). As the sophistication of smart phones and the bandwidth of mobile networks increase, mobile TV is becoming more available. Several TV content distributors have started offering mobile TV as consumers' demand for access to TV content on-the-go has increased. Similarly, the increasing sophistication of tablet devices, such as the iPad, which have bigger screens, makes mobile TV a more pleasurable viewing experience.

- *Start of digital channels.* Since many more digital channels can be broadcast over the same bandwidth as is required for analog channels, the introduction of digital TV saw an increase in the number of channels available and this has increased in recent years as more channels have been launched. For example, the ProSiebenSat.1 group recently launched the Sixx channel for

the female target group. In Austria, the new channel Servus TV was launched by Red Bull Media House GmbH (also in HDTV). However, many of the TV content broadcasters behind these new channels have found it uneconomic to license premium content to be shown on them as the number of viewers of these channels is still relatively small. Thus, because the channels still need to broadcast a full program of content, cheaper content categories have benefited.

- *Political and regulatory environment.* On June 10, 2010, the premiers (*Ministerpräsidenten*) of the states of the Federal Republic of Germany signed the 14th State Broadcasting Amendment Treaty (*14. Rundfunkänderungsstaatsvertrag*). The treaty, which remains subject to ratification by the state parliaments, is scheduled to enter into effect on January 1, 2011. The amendment will lead to changes in the rules on the protection of minors. The planned changes primarily deal with services offered as non-linear services, especially via the internet. The aim is to help parents and guardians of children or young people to block internet content that they view as unsuitable for the children or young people for whom they are responsible. See "*Regulation—Regulation in the Federal Republic of Germany—Protection of minors*". Furthermore, in December 2009 the Commission for Licensing and Supervision (*Kommission für Zulassung und Aufsicht*), after consulting with market participants, issued a proposal, pursuant to which analog satellite broadcasting will be ceased in favor of HDTV digital broadcasting by April 30, 2012 at the latest.

REGULATION

Introduction

Sky Deutschland's pay-TV business in Germany is subject to regulation at the state level, at the national level and at the EU level. These regulations relate, in particular, to media, telecommunications and general antitrust and competition law. In addition, Sky Deutschland's pay-TV business in Austria is subject to Austrian regulation.

Regulation in the Federal Republic of Germany

Overview

Television broadcasting by both public and privately-owned broadcasting stations in Germany is regulated primarily by the German State Broadcasting Treaty (*Rundfunkstaatsvertrag,* "**RStV**"), dated August 31, 1991, as last amended by the 13th State Broadcasting Amendment Treaty (*13. Rundfunkänderungsstaatsvertrag*), which came into effect on April 1, 2010 and was aimed primarily at transposing EU directive 2007/65/EC on "Audio-Visual Media Services" into German law. On June 10, 2010, the 14th State Broadcasting Amendment Treaty (*14. Rundfunkänderungsstaats-vertrag*) was signed but is still subject to ratification. It is planned that this amendment will enter into effect on January 1, 2011. The 14th Broadcasting Amendment Treaty is primarily aimed at advancing the protection of minors, particularly with respect to non-linear media offerings accessible via the internet.

Broadcasters are also subject to the laws of the state that has granted them their broadcasting license, unless the RStV provides otherwise. Independent state media authorities (*Landesmedien-anstalten*) in the form of public law institutions with legal capacity implement the provisions of the RStV and the media laws of the individual federal states.

Broadcasting licenses

Pursuant to the RStV, each of the German television channels operated by Sky Deutschland requires a broadcasting license. This license may be obtained by submitting an application to the competent state media authority (*Landesmedienanstalt*), which in turn submits the application to the Commission for Licensing and Supervision (*Kommission für Zulassung und Aufsicht,* "**ZAK**") and, if necessary, to the Commission on Concentration in the Media (*Kommission zur Ermittlung der Konzentration im Medienbereich,* "**KEK**") for further processing. The ZAK consists of legal representatives from all 14 state media authorities (*Landesmedienanstalten*). Currently, Sky Deutschland Fernsehen, a wholly-owned subsidiary of Sky Deutschland AG, holds nationwide broadcasting licenses for its digital channels from the state media authority (*Landesmedienanstalt*) in Hamburg (formerly *Hamburgische Anstalt für neue Medien,* "**HAM**", which was succeeded in March 1, 2007 by the newly created *Medienanstalt Hamburg/Schleswig-Holstein,* "**MA HSH**") and Bavaria (*Bayerische Landeszentrale für neue Medien,* "**BLM**"). The authorization issued by HAM related to ten digital pay-TV channels, including the HDTV simulcast of some channels (currently Sky Cinema HD), and Sky Deutschland's pay-per-view offering (for up to 20 pay-per-view program units, which could be increased by informing HAM) and was granted for a period of ten years from August 1, 1999. Following an application, these licenses were extended until July 31, 2019. However, an extension application was not required for Sky Deutschland's pay-per view offering because since the 12th State Broadcasting Amendment Treaty (*12. Rundfunkänderungsstaatsvertrag*) came into effect, these offerings are viewed as telemedia services (*Telemediendienste*), which do not require registration or authorization (see "*—Telemedia services (Telemediendienste*"). The licenses granted by BLM cover a total of nine digital broadcasting channels and run until February 25, 2014, March 18, 2015 and September 30, 2017. Sky Deutschland has applied for two additional licenses. Changes to the type of programming offered by Sky Deutschland are subject to the prior approval of MA HSH and BLM. Changes in the ownership of Sky Deutschland are to be reported to the responsible state media authorities before execution. The third-party providers have obtained separate licenses for all theme channels broadcasted by Sky Deutschland.

Quota regulations

In general, television broadcasters such as Sky Deutschland are obligated to make a contribution towards safeguarding German and European film and television production as a cultural asset and as part of the audio-visual legacy and to protect national and European cultural identity. For both public and private broadcasters, this obligation is limited by the scope of the broadcasters' programming and its focus. If specialized programs have no cultural mission whatsoever, they are not covered by this obligation. In order to fulfill this general cultural mission, a dual quota regulation system applies.

The first quota regulation provides that, in order to show diversity in the German-speaking and European region and in order to promote European film and television production, broadcasters must reserve the majority of their broadcasting time allocated to movies, game shows, series, documentaries and comparable productions for European productions in accordance with European law. The regulation also covers Sky Deutschland as a pay-TV provider and relates to comprehensive as well as theme channels, movies, game shows, series, documentaries and comparable productions, but not television channels that are not involved in these types of programming, such as news, music or sports channels. A comprehensive channel is a broadcasting channel with a wide range of content, in which information, culture, advice and entertainment are the major portion of the overall programming. A theme channel deals either with information, culture, advice or entertainment and is not equally weighted between all programming components. For broadcasters, "the majority of their broadcasting time" does not refer to 50% of their overall broadcasting time, but rather to the portion of broadcasting time allocated to the genre in question.

In accordance with the second quota regulation, television channels must ensure that a significant portion of their own productions, as well as of productions ordered or jointly produced, relate to the German-speaking and European region. This obligation applies to providers of comprehensive channels and providers of theme programs only insofar as compliance is possible in accordance with the focus of their content. Both quota regulations are formulated as "target regulation", taking into account the fact that the autonomy of programming is guaranteed in the German constitution and a clear usage order would be exposed to question under constitutional law.

All channels offered by Sky Deutschland are theme channels and meet the quota obligations explained above.

Broadcasting of major events

The television broadcasting of events of significant social importance (major events) in the Federal Republic of Germany in an encrypted form and in exchange for a separate fee is only permitted if the broadcaster or a third party makes it possible under reasonable conditions for the event to be broadcast on at least one freely available and generally accessible television channel in the Federal Republic of Germany at the same time or, if this is not possible because individual events are running in parallel, with a slight time delay. Only a channel that can actually be received by more than two thirds of households is considered a generally accessible television channel.

Major events of this kind include: (1) the winter and summer Olympic Games; (2) all football games at European and World Cups in which Germany is a participant, as well as the opening game, the semi-finals and the finals, irrespective of Germany's participation; (3) the semi-finals and the finals of the DFB Cup; (4) home and away games of the German national football team; and (5) finals of the European club football championships (UEFA Champions League, UEFA Europa League) with German participation. The states may add other sporting events to this list, replace sporting events currently on the list with other events, or remove one or more of the events currently on this list in the future only by amending the RStV.

Accordingly, Sky Deutschland may only secure non-exclusive TV broadcasting rights to these events in order to broadcast them in an encrypted manner.

Protection of minors

In Germany, the protection of minors with regard to audio and video storage devices (video, DVD, CD-ROM, etc.) and media is regulated by the provisions of the German Act for the Protection of Minors (*Jugendschutzgesetz,* "**JuSchG**") and, with regard to linear broadcasting and non-linear telemedia services (*Telemediendienste*), by the provisions of the State Agreement for the Protection of Minors in the Media (*Jugendmedienschutz-Staatsvertrag,* "**JMStV**"). The states established the Commission for the Protection of Minors in the Media (*Kommission für Jugendmedienschutz,* "**KJM**") to ensure that the provisions of the JMStV are applied consistently. The state media authorities (*Landesmedienanstalten*) are bound by decisions of the KJM. The KJM has formally accepted the "Voluntary Self-Regulation of Television" association (*Freiwillige Selbstkontrolle Fernsehen e.V.*), a body that was established by the private German television broadcasters on the principle of regulated self-regulation, as the body supervising the implementation of the provisions of the JMStV and secondary legislation issued by the state media authorities (*Landesmedienanstalten*). Sky Deutschland is a member of this association.

Certain content is generally not permitted, regardless of whether age restrictions are imposed, such as portrayals glorifying war, the use of marks identifying unconstitutional organizations, the downplaying of cruel or other inhuman violence against people, as well as acts of violence relating to the sexual abuse of children or young people or sexual acts between people and animals.

Pornographic broadcasts are also not permitted. This, however, does not apply to telemedia services (*Telemediendienste*) if the provider ensures that they are only made available to adults (closed user group). According to the certificate of non-objection issued by the state media authorities (*Landesmedienanstalten*), the offering of explicit sexual content via BLUE MOVIE is a telemedia service (*Telemediendienst*) (see "*—Telemedia services (Telemediendienste)*"). In addition, the KJM reviewed the age verification system and found it satisfied the legal requirements of a closed user group that ensures minors do not have access to it. Programming is accessible to each user only after prior registration. The registration application implements the identification procedures approved by the KJM, which enable the Company to verify the user's age. In addition, upon each order, the user must pass the authentication procedures approved by the KJM by entering his or her BLUE MOVIE PIN.

In addition to these prohibited offerings, so-called "offerings with a harmful effect on development" are also subject to broadcast limitations. This covers offerings that may have a harmful effect on the development of children or young people into independent personalities that are active members of the community. In distributing such content, providers must ensure that children or young people in the affected age ranges will not normally see them. It is assumed that offerings may be harmful if they are not authorized for children or young people in accordance with the JuSchG. Providers may satisfy their obligation to protect children and young people from offerings that are harmful to development by making it difficult or impossible for children and young people to view such content, whether by technical means or by selecting a broadcasting time when children and young people in the relevant age range will not normally be watching. For offerings that may have a harmful effect on development, broadcasting between 11:00 p.m. and 6:00 a.m. is considered unobjectionable; offerings that affect only children or young people under the age of 16 may be broadcast from 10:00 p.m. to 6:00 a.m.

Sky Deutschland ensures its potentially harmful programming is not accessed by children and young people by broadcasting during those broadcasting time slots stipulated in the JMStV and by requiring entry of a customer code for broadcasts outside of the stipulated broadcasting time slots. By using a customer code system, Sky Deutschland may broadcast content that is classified as having a harmful effect on the development of children or young persons under the age of 18 from 8:00 p.m. to 6:00 a.m. This primarily affects the channel Beate-Uhse.TV. Furthermore, an effective customer code system is a prerequisite for Sky Deutschland being permitted to offer content that is deemed harmful to the development of children under the age of 16 during the whole day. The KJM, which is the competent authority for the issuance of approvals of customer code systems, has cited Sky Deutschland's customer code system as an example of good practice and has expressly stated that the fact that its customer codes may be calculated from customer numbers printed upon the smartcards Sky Deutschland provides to its subscribers does not affect the sufficiency of Sky Deutschland's customer code system. (*Source: http://www.kjm-online.de/de/pub/jugendschutz_im_rundfunk/vorsperre.cfm*). Nevertheless, Sky Deutschland is currently involved in

legal proceedings relating to its broadcasting of material classified as having a harmful effect on the development of children or young people under the age of 16 or 18 outside of the restrictive time limits described above. See "*Business Description—Legal and Governmental Proceedings—Legal action of Resisto IT GmbH*".

Sky Deutschland is also required to comply with certain content requirements for the protection of minors. In particular, Sky Deutschland's broadcasting licenses and applicable law limit the nature and scope of its adult entertainment programs and programs containing violence.

The 14th State Broadcasting Amendment Treaty, which is scheduled to enter into effect on January 1, 2011, will lead to changes in the rules on the protection of minors. The planned changes primarily deal with services offered as non-linear services, especially via the internet. The aim is to help parents and guardians of children or young people to block internet content that they view as unsuitable for the children or young people for whom they are responsible. The measures to be introduced by the 14th State Broadcasting Amendment Treaty include optional age classification-based parental control programs for internet content. Age classifications will serve as filter criteria for software programs that are used to filter content regarded as unsuitable for minors. In addition, optional age classifications for content providers will be introduced. These measures are intended to offer parents and guardians the tools to block unsuitable content from minors but without imposing a legal obligation on parents and guardians to implement such restrictions. Alternatively, content that may have a harmful effect on development or that affects only children and young people under the age of 16 may be made available only during the times described above. Content that affects only children and young people under the age of 16 may be made available separate from content for children. Alternatively, content that may have a harmful effect on the development may be protected by technical means.

Criminal law prohibition on advertising pornography

The German Criminal Code (*Strafgesetzbuch*) contains a prohibition on advertising pornography. The German Federal Supreme Court (*Bundesgerichtshof*) believes, however, that advertising is only of this nature if it is recognizable from the advertisement that the advertised content is pornographic. Sky Deutschland currently advertises the BLUE MOVIE service provided by tmc but believes that the pornographic content of BLUE MOVIE is not explicitly recognizable from the advertisements and that these are therefore permissible. Sky Deutschland is not aware of any investigations in this respect.

Telemedia services (Telemediendienste)

Electronic media services, such as video-on-demand, are regulated by the Telemedia Act (*Telemediengesetz*), and by Section 6 of the RStV, which contains provisions on advertising and sponsoring that require the clear separation of programs and prohibit the use of subliminal techniques. In addition, telemedia featuring journalistic-editorial content must comply with acknowledged journalistic principles, and regulations exist, for example, with regard to legal notice/disclaimer obligations and counterstatements. Under the statute, telemedia services (*Telemediendienste*) do not require authorization or registration.

tmc's BLUE MOVIE service is not transmitted by Sky Deutschland as a broadcast, but as a telemedia service (*Telemediendienst*). In a statement of compliance (*Unbedenklichkeits-bescheinigung*) issued on February 6, 2004, the BLM confirmed that BLUE MOVIE is considered a telemedia service (*Telemediendienst*) and not broadcasting. Consequently, Sky Deutschland is not required to hold a broadcasting license for the BLUE MOVIE service.

The following non-linear services provided by Sky Deutschland are subject to a statement of compliance (*Unbedenklichkeitsbestätigung*): Sky Select as a near-video-on-demand offering and Sky Select +, Sky Deutschland's push video-on-demand service.

Television advertising

Under the RStV, the airtime for commercials and teleshopping spots during any full hour may not exceed 20%. This provision does not apply to product placement and references to sponsoring, *e.g.* within a movie. Furthermore, information about the broadcaster's own programs and additional

material directly derived from such programs are not subject to these limitations. Finally, these restrictions do not apply to channels showing only advertising.

Broadcasting capacity

Sky Deutschland currently delivers its programming via cable (broadband and IPTV) and satellite. While the delivery of analog television programming via cable poses capacity problems, capacity is less of a problem with digital technology.

The RStV includes a so-called "must-carry model" for the allocation of digital platforms. The aim of this concept is to increase the flexibility network operators have in arranging the supply of television programs and non-broadcast services in response to user acceptance, to define broadcast capacity in which the diversity afforded by the constitution is guaranteed and to declare the continued distribution of certain programs as obligatory ("must-carry-rule"). Digital platforms are divided into three areas with different levels of regulation. "Must-carry" channels are programs from public broadcasters (ARD, ZDF and various "third" programs) and, in some cases, a range of private channels (those programs that can customarily be received in an area, together with DVB-T programs). The second area can be referred to as "non-must-carry" or "can-carry". In this area, the platform operator can decide how the cable may be used. In doing so, it must provide for a wide range of programming providers, as well as a broad program offering of full channels within the further broadcasting capacity in an extent equal to the must-carry capacity available for digital distribution, taking into account the interests of the associated participants, including non-fee-bearing programs, specialized programs and foreign language programming, as well as telemedia to an appropriate extent. The use of the balance of the overall capacity available for digital distribution is subject only to compliance with general laws.

Sky Deutschland programs do not have must-carry status. Sky Deutschland believes that the terms of its contractual arrangements with KDG and other cable network operators ensure that Sky Deutschland will continue to have access to sufficient cable capacity. See "*Business Description—Technology and Infrastructure—Transmission platform*". There can be no assurance, however, that regulatory measures will not limit overall cable capacity in the future to such an extent that fewer cable channels might be available to Sky Deutschland under its future contracts.

For satellite distribution of its programming content, Sky Deutschland uses the satellites operated by Société Europeénne des Satellites S.A. ("**SES**") under the Astra brand (see "*Business Description—Technology and Infrastructure—Transmission platform—Satellite*"). The relationship with SES is governed exclusively by private (*i.e.*, contractual) law. Currently, a claim seeking access to digital satellite transmission capacity can only be based on European antitrust regulations and cannot be based on regulations under state broadcasting treaties.

Protection of the diversity of opinions

Notification of changes to the shareholder structure

Pursuant to the RStV, a broadcasting entity must inform the relevant state media authority in advance of any planned changes in its share ownership ratios or other changes of control relating to the broadcasting entity. Minor changes to the shareholder structure do not have to be disclosed. A change is deemed minor under the so-called KEK guideline contained in Section 29 sentence 5 of the RStV if less than 5% of a listed company's capital or voting rights are acquired or sold within a period of twelve months and if the acquirer's interest does not reach, exceed or fall below the threshold values of 25%, 50% or 75%. The relevant state media authority (*Landesmedienanstalt*) may only confirm that such changes are unproblematic if the broadcasting company would be eligible for a broadcasting license even after the change of ownership or control. If the broadcasting entity does not comply with the disclosure obligation, it may be subject to a fine. In addition, it may have its license revoked if it later turns out that a change in the shareholder structure cannot be approved because it results in a predominant influence on public opinion (*vorherrschende Meinungsmacht*).

Sky Deutschland's shares are freely transferable, and Sky Deutschland may not be able to prevent changes in share ownership that could trigger the revocation of its broadcasting license. The practice for listed companies who have a broadcasting license or whose subsidiaries have a broadcasting license is customarily that a disclosure is only made if the share that the shareholder in question has

acquired has been announced by Sky Deutschland in an announcement pursuant to the German Securities Trading Act (*Wertpapierhandelsgesetz,* "**WpHG**") (see "*General Information about Sky Deutschland AG—Disclosure Obligations Relating to Shares with Voting Rights*"). With its notice dated August 16, 2010, Sky Deutschland informed the responsible state media authorities (*Landesmedienanstalten*) of this capital increase and informed them that the shareholding held by News Corporation may increase. Sky Deutschland is of the opinion that this capital increase will not have any effect on its broadcasting licenses.

No predominant influence on public opinion

Under the RStV, a company may directly or indirectly operate an unlimited number of nationwide television channels as long as the company does not acquire a position of predominant influence on public opinion (*vorherrschende Meinungsmacht*) on television as a result. Such a position of predominant influence on public opinion (*vorherrschende Meinungsmacht*) (is presumed if (1) television channels that are operated or deemed to be operated by the same company have a combined average television audience share of at least 30% in any one year, (2) the company has an average television audience share of 25% and also has a dominant market position in a related media market, or (3) its combined activities in the television and related media markets result in an influence on public opinion equivalent to a television audience share of at least 30%.

Program services by other companies are attributed to a company if (1) the company directly holds at least 25% of the share capital or the voting rights of the other company, (2) the other company is an affiliate under the AktG, or (3) the company – even if there is no connection under corporate law (*e.g.*, on the basis of platform agreements) – can exercise a "comparable influence" (*vergleichbarer Einfluss*) on the programming of other broadcasting entities.

The KEK investigates the television audience share over a period of twelve months on behalf of the state media authorities (*Landesmedienanstalten*). All publicly broadcast German-language programs are taken into account when determining a company's television audience share. The television audience share is calculated based on the time a television viewer spends watching the company's programs compared to the total amount of time the viewer spends watching television over the same time period. If a company is found to have a position of predominant influence on public opinion (*vorherrschende Meinungsmacht*), it may not be granted broadcasting licenses for any additional channels or services. Additionally, the state media authorities (*Landesmedienanstalten*) may not consent to additional acquisitions of ownership interests in or control over such other companies. A company is not entitled to compensation for the termination of its broadcast licenses under these circumstances. Sky Deutschland has an audience share of less than 5%, making it far from having a "predominant influence on public opinion" (*vorherrschende Meinungsmacht*) as defined in the provisions of the RStV on plurality of opinion. The connection with News Corporation also results in no significant addition to the share of viewers because, apart from Sky Deutschland, only the shares of viewers of FOX, Sky News and National Geographic are attributable to News Corporation, which, for their part, also have an audience share of significantly less than 5% (*Source: http://www.kek-online.de/kek/medien/beteiligung/028sky.pdf*).

Regulatory requirements with respect to the use of technical services, particularly access restriction systems, application programming interfaces ("APIs") and navigation systems

Under telecommunications law, providers and users of access restriction systems must allow all broadcasters to use their technical services for the purpose of using their systems as well as provide all necessary information on equal, appropriate and non-discriminatory terms and notify this information, including the prices charged for granting access, to the Federal Network Agency (*Bundesnetzagentur*).

The contractual framework governing technical access was amended as part of the 10th State Broadcasting Amendment Treaty (*10. Rundfunkänderungsstaatsvertrag*) dated September 1, 2008. Pursuant to this amendment, to secure plurality of opinion, providers of platforms within the meaning of the RStV must ensure that providers of broadcasts and comparable telemedia, including electronic program guides, are not treated differently from manufacturers of digital receivers or comparable providers and are not unreasonably restricted in their activities, whether directly or indirectly, by (1) access restriction systems, (2) APIs, (3) user interfaces that enable the initial access to the content being offered or (4) other technical requirements in relation to (1) to (3), unless there

is justifiable cause for such different treatment. To further specify the meaning of the term "platform", the state media authorities (*Landesmedienanstalten*) have adopted a charter in which they have determined that Sky Deutschland is to be considered a platform operator but is not subject to any obligation regarding must-carry and can-carry requirements in relation to channel allocations as the aim of securing plurality of opinion is to be covered by the relevant platform operator on the relevant network (*e.g.*, cable, satellite etc.) that is used by Sky Deutschland. Sky Deutschland takes the view that it complies with all present and past legal requirements in this respect. Sky Deutschland is not aware of any investigations or proceedings of the state media authorities (*Landesmedienanstalten*) or the Federal Network Agency (*Bundesnetzagentur*) to the contrary. In Sky Deutschland's opinion, access by third parties is also ensured by the undertakings given in connection with the merger control proceedings before the European Commission (file no.: COMP/M.5121) (see "*—Antitrust law—EU antitrust law*").

Regulatory framework for direct marketing and sales

On March 26, 2009, the German Bundestag passed an act aimed at combating illegal telephone marketing and improving consumer protection in the context of special distribution arrangements. The act, which entered into force on August 3, 2009, contains, among other things, amendments to the German Act Against Unfair Competition (*Gesetz gegen den unlauteren Wettbewerb,* "**UWG**"). The amendments provide that telephone marketing vis-à-vis a consumer without the consumer's prior express consent is not permitted and constitutes a regulatory offence punishable with a fine of up to €50,000.

In addition, there have been several amendments to the Federal Data Protection Act (*Bundesdatenschutzgesetz,* "**BDSG**") over recent years, the latest of which came into effect on June 11, 2010. Some of these amendments revised the provisions relevant to direct marketing to customers and the provisions on the handling of personal data for purposes of address trading and postal advertising. Most importantly, the amendments oblige advertisers to ensure that the targeted customer is informed in the advertising material of how the advertiser obtained his personal data. The aforesaid applies even if advertising material is added that originates from a third party. On the other hand, if the advertiser has bought the personal data of the targeted customer from an address trader, he will be obliged to state in the advertising material how the data was first obtained. To ensure traceability, address traders are obliged to store the information on how the data was first obtained for a period of two years starting from the transmission of the data from the trader to the advertiser. This will most likely raise the costs of address traders and therefore also the price of their product. Only if the targeted customer is already a customer of the advertising party prior to the data collection is no further notification required. Furthermore, the BDSG provides for a transition period without these restrictions until August 31, 2012 for data collected on or before September 1, 2009 for postal marketing.

Hence, the amendments to the BDSG and UWG substantially limit the ways in which Sky Deutschland may use direct marketing to customers as a sales strategy.

Antitrust law

Sky Deutschland is subject to the antitrust laws of the European Union and Germany. These laws are enforced by the European Commission, the European Court of Justice, the German Federal Cartel Office (*Bundeskartellamt*) and the German courts. Under EU and German antitrust laws, parties to anti-competitive agreements and parties who engage in anti-competitive behavior are subject to substantial fines. In addition, anti-competitive agreements are void. The European Commission and German antitrust authorities have investigated competition in the German-speaking television market on several occasions in recent years.

EU antitrust law

European Union law restricts anticompetitive agreements as well as the abuse of dominant market positions through Articles 101 and 102 of the Treaty on the Functioning of the European Union. If, in the view of the European Commission, a breach of Articles 101 or 102 of the Treaty on the Functioning of the European Union is proven to have occurred, it can formally ascertain this breach and require the companies involved in the breach to desist from the ascertained infringements. In addition, it can issue temporary orders and impose fines.

Sky Deutschland's technical platform is operated by APS. In accordance with the agreements between Sky Deutschland and APS, the latter must also grant third parties (*i.e.*, other pay-TV providers) access to the Sky Deutschland platform and the corresponding decoders under certain conditions). As part of the merger control procedure before the European Commission (file no.: COMP/M.5121), News Corporation has committed itself to maintaining the agreements with APS even in the event News Corporation controls Sky Deutschland, so that third parties will still be able to obtain access to the Sky Deutschland platform on the same conditions as in the past. If News Corporation breaches this obligation, the European Commission could re-examine the merger approval given to News Corporation and Sky Deutschland and, if it does so, request undertakings that would exceed News Corporation' previous undertakings and which, if News Corporation agreed to such additional undertakings, might have a greater detrimental effect on Sky Deutschland's business activities than has previously been the case. In the Company's view, Sky Deutschland and APS have entered into all agreements required for the implementation of these undertakings.

The Company is not aware of any antitrust investigations or proceedings pending before the European Commission, the outcome of which could have a material adverse effect on its business, nor has the Company received notice of any civil claim by a third party claiming violation of Articles 101 or 102 of the Treaty on the Functioning of the European Union.

German antitrust law

The German Antitrust Act (*Gesetz gegen Wettbewerbsbeschränkungen,* "**GWB**") addresses horizontal and vertical restraints on competition, abuses of dominant market positions and the review of corporate mergers. The GWB prohibits agreements among competing companies or persons, decisions by associations of companies or persons, and concerted practices that have as their objective or effect the prevention, restriction or distortion of competition. Agreements violating this prohibition are generally void, unless an exception applies. As it is not necessary to obtain an official ruling as to whether the conditions to the availability of such an exception have been fulfilled, companies are responsible for assessing the legality of their behavior themselves.

The German Federal Cartel Office (*Bundeskartellamt*) may prohibit conduct by companies, persons or associations of companies or persons that violates the GWB. In addition, the German Federal Cartel Office (*Bundeskartellamt*) may impose fines for specific violations of the GWB. Third parties may initiate civil proceedings against companies or persons that willfully or negligently violate provisions of the GWB. The same applies to violations of orders issued by the German Federal Cartel Office (*Bundeskartellamt*). Civil proceedings may be instituted to obtain compensation for damages suffered as a result of violations of provisions protecting third parties.

Sky Deutschland is currently under investigation by the German Federal Cartel Office (*Bundeskartellamt*) regarding the extent to which it may have misused its dominant market position by selling receivers that could only be used with Sky Deutschland's smartcards (see "*Risk Factors—Risks Concerning Regulatory Actions and Legal Proceedings—Sky Deutschland is being investigated for possible antitrust violations in connection with its receiver strategy. As an outcome of this investigation, Sky Deutschland could be forced to record impairments on its receiver assets and to make available additional funds to invest in new receivers*").

Regulation in Austria

Wireless and terrestrial television broadcasting (*terrestrisches Fernsehen*) and radio and television broadcasting via cable networks (*Kabelrundfunk*) as well as via satellite (*Satellitenrundfunk*) are regulated by the Austrian Act on Private Television (*Bundesgesetz, mit dem Bestimmungen für privates Fernsehen erlassen werden, Privatfernsehgesetz,* "**PrTV-G**"), dated July 31, 2001, as amended. Pursuant to the PrTV-G, terrestrial television broadcasting and broadcasting via satellite (either radio or television) as well as the transmission of cable radio programs via satellite require broadcasting licenses if the provider is domiciled in Austria.

On April 1, 2001, the Communication Agency Austria (*Kommunikationsbehörde Austria*) was established by the Austrian Act on the Establishment of the Communication Agency Austria (*Bundesgesetz über die Einrichtung einer Kommunikationsbehörde Austria und eines Bundeskommunikationssenates*) as the responsible administrative authority for regulating broadcasting matters. Thus, the Communication Agency Austria assumed the duties and responsibilities of the Private Broadcasting Agency (*Privatrundfunkbehörde*) and the Commission

for the Protection of the Austrian Act on Regional Radios (*Kommission zur Wahrung des Regionalradiogesetzes*). Since then, the Communication Agency Austria (*Kommunikationsbehörde Austria*) has also been responsible for the management of radio frequencies. In connection with the performance of its duties the Communication Agency Austria (*Kommunikationsbehörde Austria*) may use the services of Rundfunk- und Telekomregulierungs-GmbH ("**RTR GmbH**"). 100% of the shares in the "broadcast" division of RTR GmbH are reserved for the Republic of Austria and are managed by the Federal Chancellery in consultation with the Austrian Federal Ministry of Transportation, Innovation and Technology.

The ORF Act (*ORF-Gesetz*) remains unaffected by the provisions of the PrTV-G.

Broadcasting licenses

In Austria, Sky Deutschland holds licenses via the Austrian company Sky Österreich GmbH. The sole shareholder in this company is Sky Deutschland Fernsehen.

Decision dated September 20, 2002

In a decision dated September 20, 2002, the regulatory authority issued a license to Premiere Pay-TV-Programm Service- und Betriebs GmbH, now Sky Österreich GmbH, to broadcast a television program transmitted via the Astra 1 satellite for the duration of ten years beginning on the date on which the decision came into force. The program contains movies, programs for children and teenagers, documentaries, TV series, live sporting reports, proprietary programs and erotic movies (encoded broadcasting for the protection of minors). Most of the content is Austria-related and is broadcast 24 hours per day to subscribers, encoded for several hours (decipherable under the pay-per-view system) and unencoded for the rest of the time. The broadcast area is the territory of the Republic of Austria.

Decision dated April 8, 2004

A decision dated April 8, 2004 amended the decision dated September 20, 2002 granting the license to broadcast satellite TV by extending the existing program to include two further channels beginning April 17, 2004.

Decision dated November 25, 2003

In a decision dated November 25, 2003, the Communication Agency Austria (*Kommunikationsbehörde Austria*) issued a license to Telemediendienst GmbH to broadcast a television program transmitted via the Astra 1 satellite for the duration of ten years from the date on which the decision came into force. On July 30, 2004, the General Meeting of Sky Österreich GmbH resolved to merge Telemediendienst GmbH into Sky Österreich GmbH, with the license being transferred by virtue of this merger.

This license incorporates an erotic program which is broadcast encoded under the pay-per-view system to subscribers 24 hours per day. This service is known as BLUE MOVIE. The broadcast area covers the Republic of Austria.

Forfeiture of a license under the PrTV-G

A license for TV-broadcasting in Austria under the PrTV-G may be rescinded in the following cases (Section 5 paragraph 7 PrTV-G):

- if, after a hearing involving the broadcaster, a regulatory authority declares that the broadcaster has not maintained regular broadcasting services in accordance with the issued license for a continuous period of one year due to reasons that fall within the responsibility of the broadcaster;
- if, after a hearing involving the broadcaster, the regulatory authority declares that the broadcaster, after the expiration of a deadline set in a regulatory sanction, has not ensured the supply of broadcasting services to the covered area specified in the TV-broadcasting license due to reasons that fall within the responsibility of the broadcaster;

- upon written waiver of the licensee;
- upon revocation of the license;
- upon cancellation of the license; and
- upon the demise or expiration of the legal person holding the license, but not in the case of a universal succession under company law.

GENERAL INFORMATION ABOUT SKY DEUTSCHLAND AG

Corporate History

Sky Deutschland AG was originally organized as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) under the name "Blitz 02-134 GmbH". Blitzstart Holding AG, Munich, Bavariaring 29, 80336 Munich, and Blitz Beteiligungs GmbH, Munich, Bavariaring 29, 80336 Munich, were the founding shareholders of the Company. In December 2002, all shares in what is now Sky Deutschland AG were acquired by Fernseh Holding S.à r.l. ("**Fernseh Holding**"), the shareholders' former joint holding company. The shares in Fernseh Holding were held by corporations controlled by Permira-Funds, Bayerische Landesbank, Anstalt des öffentlichen Rechts, München, UniCredit Bank AG (ehemals Bayerische Hypo- und Vereinsbank AG) and BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, Vienna, Austria, as well as by members of the Management Board of Sky Deutschland AG. In the same month, what is now Sky Deutschland AG also directly acquired all of the limited partners' shares in the current Sky Deutschland Fernsehen. Sky Deutschland Fernsehen then subsequently, with effect as of February 20, 2003, acquired all of the limited partners' shares in its predecessor company (*Vorgängergesellschaft*), which had been operating the pay-TV business of the Kirch group under the name Premiere Fernsehen GmbH & Co. KG, from two, now insolvent, Kirch group companies.

Pursuant to a merger agreement in May 2003, the predecessor company was merged into Sky Deutschland Fernsehen as the surviving entity, effective upon the entry into the commercial register for Sky Deutschland Fernsehen on June 18, 2003. As a consequence of the merger, all assets and liabilities of the predecessor company were transferred to Sky Deutschland Fernsehen.

In October 2004, the shareholders' meeting of Blitz 02-134 GmbH resolved the conversion into a stock corporation and the change of its legal name to "Premiere AG". Following the Company's conversion into a stock corporation, the Company went public in March 2005 by issuing 12,000,000 new shares of the Company from a capital increase against contributions in cash. The additional placement of 30,090,000 shares (including over-allotments) from the indirect major shareholders resulted in a free float of more than 50%. Following the completion of a capital increase in 2007 through the issuance of 16,400,000 shares against contribution in kind and an increase in the share capital by 14,060,000 shares by way of a rights offering, News Adelaide, an indirect wholly owned subsidiary of News Corporation, acquired the shares from the 2007 capital increase in January 2008. During the course of 2008, News Adelaide increased its shareholding to 28,126,246 shares. Since December 29, 2008, Sky Deutschland has prepared a dependency report in its capacity as a dependent company of News Adelaide. A company is required to prepare a dependency report if it is a dependent company within the meaning of the AktG and is controlled by a controlling company. In January 2009, Sky Deutschland AG issued 10,223,636 new shares and, subsequent to the acquisition of a portion of these new shares by News Adelaide, News Corporation reported on February 6, 2009, in its quarterly report on Form 10-Q, that as of January 31, 2009 it indirectly held approximately 29% of the Company's share capital. Following another capital increase in April 2009, in the course of which Sky Deutschland AG issued 367,463,508 new shares and News Adelaide acquired 30.7% of such new shares, News Corporation increased its indirect shareholding to approximately 30.5% of the Company's share capital. In July 2009, the Company's General Shareholders' Meeting resolved to change its legal name from "Premiere AG" to "Sky Deutschland AG". The new name was entered into the commercial register of the Local Court (*Amtsgericht*) of Munich on August 14, 2009. During the course of 2009, News Adelaide acquired additional shares in the Company and News Corporation therefore increased its indirect shareholding to approximately 40%. By way of a direct placement of 49,014,714 newly issued shares from Sky Deutschland AG to News Adelaide in January 2010, News Corporation increased its indirect shareholding to approximately 45.42% of the Company's share capital.

Formation, Company Name, Registered Office, Fiscal Year and Duration of the Company

Sky Deutschland AG was established by memorandum of association dated January 9, 2002 under the name "Blitz 02-134 GmbH", as a German limited liability company (*Gesellschaft mit beschränkter Haftung*) with an issued share capital of €25,000. The formation was registered in the commercial register of the Local Court (*Amtsgericht*) of Munich under HRB 143887 on August 12, 2002.

By way of a shareholder resolution dated October 29, 2004, the Company was reorganized as a stock corporation (*Aktiengesellschaft*) under the name "Premiere AG". The transformation was entered into the commercial register at the Local Court (*Amtsgericht*) of Munich on November 9, 2004. Since then, the Company has been listed under the new registration number HRB 154549. By way of a shareholder resolution dated July 9, 2009, the Company was renamed "Sky Deutschland AG". The new name was entered into the commercial register of the Local Court (*Amtsgericht*) of Munich on August 14, 2009.

The Company's registered office is in Unterföhring, Germany. Its business address is: Sky Deutschland AG, Medienallee 26, 85774 Unterföhring, Germany. The Company can be reached by telephone at +49 89 9958-02.

As a stock corporation established under German law, Sky Deutschland AG is subject to German law governing stock corporations. The Company's fiscal year ends on December 31 of each calendar year. The Company was established for an indefinite term.

Corporate Purpose

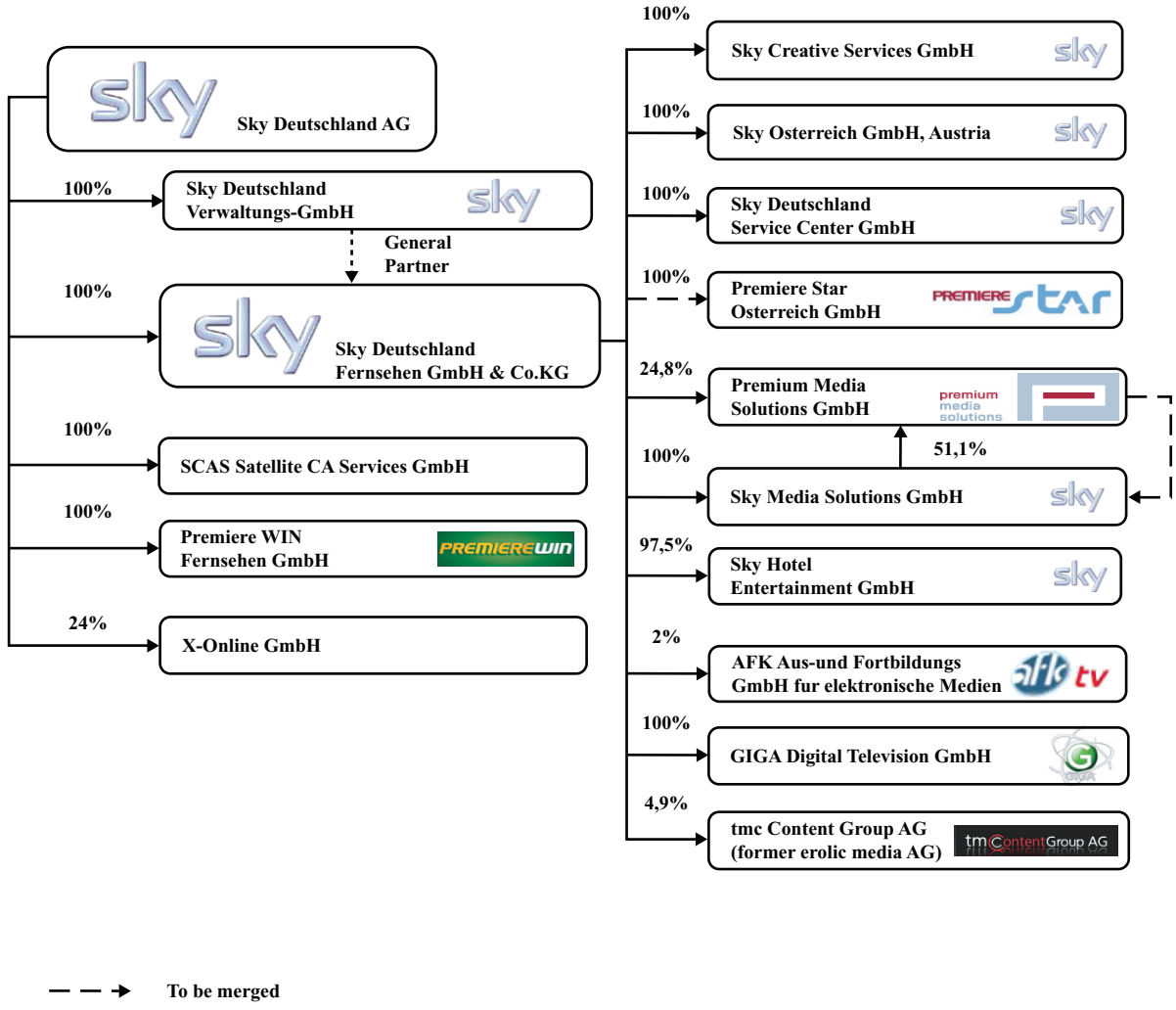
Pursuant to Section 2 of the Articles of Association, the corporate purpose (*Unternehmensgegenstand*) of Sky Deutschland AG is the acquisition, holding and management of interests in and the performance of management, administrative, service and consulting functions for companies which primarily or indirectly engage in the following fields:

- operation of a subscriber television program (television financed by subscriber charges, "**pay TV**") by the acquisition of subscribers in the German-speaking market;
- operation of one or more freely receivable analogue or digital television channels financed by advertising and sponsorship proceeds and by the proceeds of sports events;
- creation and marketing of digital pay TV channels;
- organization of pay-per-view, near video-on demand, video-on-demand and the offering of all manner of other media, television and online services in all transmission media;
- expansion of subscriber television program to a digital program and marketing platform;
- purchase, sale and rental of rights in films, radio and television productions and the acquisition, sale and rental of transmission rights for public events;
- grant of software licenses, management of access to digital satellite platforms and other platforms and management of conditional access systems, and
- sale of program magazines and the arrangement/referral of program magazine subscriptions.

The Company may engage in all forms of business that are conducive to promoting the Company's purpose either directly or indirectly. The Company may participate in other companies of identical or similar type both in Germany and abroad or acquire such companies; it may also set up branches and permanent establishments in both Germany and abroad. The Company may take over companies in which it has a direct or an indirect interest, grant suretyships or loans, take over their liabilities or support them by other means.

Group Structure

The chart below shows Group's structure as of September 1, 2010:



Disclosure Obligations Relating to Shares with Voting Rights

Pursuant to the WpHG, owners of shares with voting rights in a German company that is admitted to trading on a regulated market within the European Union or the European Economic Area, are obligated to notify the company and the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht,* "**BaFin**") in writing promptly, but no later than within four trading days, of their stake in the company if such stake reaches, exceeds or falls below certain thresholds. These thresholds are defined as 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the outstanding voting rights of a company. Sky Deutschland AG must publish this notification promptly, but no later than within three trading days from receipt of the notification, in a national newspaper approved by the stock exchange.

Except for the 3% threshold, corresponding disclosure requirements apply vis-à-vis the company and the BaFin upon reaching, exceeding or falling below the thresholds mentioned above by holding other financial instruments that grant the owner the right to unilaterally acquire, as part of a legally binding agreement, company shares associated with voting rights that have already been issued. Due to the ongoing political debate about the possibility of circumventing the aforementioned disclosure requirements by using special financial instruments, such as, for example cash-settled equity swaps, a draft bill prepared by the Federal Ministry of Finance (*Bundesfinanzministerium*) is currently being discussed, which would include financial or other instruments, whether held directly or indirectly, in the calculation of the disclosure thresholds if, due to their structuring, these instruments grant the holder the possibility to acquire existing shares with voting rights. The BaFin currently maintains that these do not need to be included when calculating the said thresholds; however, should the draft

bill be enacted, such financial instruments would have to be included in the threshold calculations. The draft bill is scheduled to be passed beginning of 2011.

Shareholder voting rights from shares and voting rights that are attributed to the shareholder on the basis of the aforementioned financial instruments are aggregated.

Furthermore, pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz,* "**WpÜG**"), any shareholder whose voting rights equal or exceed 30% of Sky Deutschland AG's shares with voting rights is obligated to disclose this fact, together with the percentage of his or her voting rights, within seven calendar days, and to subsequently submit a mandatory public tender offer to purchase the shares of all Sky Deutschland AG shareholders, unless exempted from this obligation.

The thresholds pursuant to the WpHG and the WpÜG are calculated on the basis of effective, rather than direct, control of the voting rights. For example, the shares held by a third company are attributed to a company if it controls the other company and the same applies to shares held by a third company on behalf of the other company or a company controlled by that other company. Investors who fail to disclose such information are excluded by German law from exercising any rights associated with their shares (especially voting rights and, generally, the right to dividends) until such disclosure is made. In addition, a statutory fine can be imposed for non-compliance with disclosure obligations.

Since May 31, 2009, shareholders must, as soon as they have reached or exceeded 10% (or any higher threshold value) of the voting rights as defined above, communicate to the company their objectives in acquiring these voting rights and the origin of the funds used for the acquisition. Such disclosure must occur within 20 trading days after reaching or exceeding such threshold.

The Company's Articles of Association do not contain any provisions that go beyond the statutory disclosure obligations.

Major Shareholders

As of the date of this Prospectus, the Company had been notified of the following shareholdings that exceed the applicable thresholds:

		Share of voting rights		
Name of shareholder	**Date**	**Held directly**	**Attributed**	**Total**
			(%)	
News Corporation[1]	05/12/2010		45.42	45.42
News Adelaide Holdings B.V.[1]	*05/12/2010*	*45.42*		
Odey Asset Management LLP	05/12/2010		11.26	11.26
Taube Hodson Stonex Partners LLP	05/12/2010		4.99	4.99
BlackRock, Inc.[2]	12/08/2009		3.26	3.26
BlackRock HoldCo 2, Inc.[2]	*12/08/2009*		*3.26*	*3.26*
BlackRock Financial Management Inc.[2]	*12/08/2009*		*3.26*	*3.26*

(1) Based on previously published voting right notifications, the shares are held indirectly by News Corporation and are assigned to the wholly owned companies News Publishing Australia Limited, News America Incorporated, News Corp Europe, Inc., News Netherlands B.V. and News Adelaide Holdings B.V. (in descending order).

(2) BlackRock, Inc. is the parent company of BlackRock HoldCo2, Inc., which is the parent company of BlackRock Financial Management, Inc.

The Company is currently not aware of any other shareholders holding, directly or indirectly, more than 3% of the Company's voting rights.

News Corporation indirectly controls 45.42% of the Company's share capital. Therefore, pursuant to Section 312 AktG, the Management Board of Sky Deutschland AG has prepared a dependent company report on relations with all affiliated companies for the period from January 1, 2009 to December 31, 2009. The report concludes with the following statement made by the Management Board: "Sky Deutschland AG received adequate compensation for the legal transactions listed in the report on relations with affiliated companies under the circumstances known to the Management Board at the time such legal transactions were undertaken. No measures were taken or omitted at the instance of or in the interest of the controlling company or one of its affiliated companies." (see "*Related Party Transactions*").

The equity interests of the shareholders listed above following the completion of the offering will depend on the extent to which they exercise their subscription rights and the extent to which they acquire subscription rights in exchange trading. Due to the obligation of News Adelaide to exercise its subscription rights and/or to acquire all unsubscribed shares upon expiration of the subscription period, provided however, that News Adelaide in no event will be required to acquire New Shares to the extent that this would cause its shareholding in Sky Deutschland to exceed 49.90% following the registration of the capital increase described in this offering, the holdings of News Adelaide and thus of the proportion of the Company attributed to News Corporation will increase if not all shareholders exercise all of their subscription rights. If less than 86.6% of the subscription rights are exercised, the proportion of the Company held by News Adelaide – and thus the proportion of the Company attributed to News Corporation – will increase to 49.90%. News Adelaide may decide to increase its shareholding above 49.90% by acquiring additional shares, converting the Convertible Bond and, if legally permissible, the Shareholder Loan to equity.

DESCRIPTION OF SKY DEUTSCHLAND AG'S SHARE CAPITAL

Issued Share Capital and Shares

As of the date of this Prospectus, Sky Deutschland AG has a share capital of €539,161,858, divided into 539,161,858 registered shares without par value, each with a notional value of €1.00. The issued share capital in the amount of €539,161,858 has been fully paid in. Each share entitles its owner to one vote at the Company's General Shareholders' Meeting, provided the relevant shareholder is listed in the share register. There are no other restrictions on voting rights.

Form, Share Certificates and Transferability of the Shares

The Management Board determines the form and content of share certificates, any dividends and renewal certificates with the approval of the Supervisory Board. The shares are represented by global certificates without dividend coupons, which are deposited with Clearstream Banking AG, Frankfurt am Main. Under Section 5 paragraph 3 of the Company's Articles of Association, shareholders do not have the right to receive individual share certificates to the extent that such exclusion is permissible by law and individual share certificates are not required by the rules of a stock exchange on which the Company's shares are listed. The shares are freely transferable.

Development of the Share Capital

Upon the incorporation of Blitz 02-134 GmbH, the legal predecessor of the Company, in the legal form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*) through the memorandum of association dated January 9, 2002, effective with entry in the commercial register on August 12, 2002, the issued share capital amounted to €25,000. Effective September 16, 2004, the issued share capital of Blitz 02-134 GmbH of €25,000 was increased by €69,975,000 to €70,000,000 against contribution in kind by resolution of the shareholders. The capital increase was entered into the commercial register of the Local Court (*Amtsgericht*) of Munich on September 23, 2004. By way of corporate transformation into a German stock corporation (*Aktiengesellschaft*), the share capital of Blitz 02-134 GmbH in the amount of €70,000,000 became the share capital of Premiere AG (now: Sky Deutschland AG).

By decision of the General Shareholders' Meeting dated February 28, 2005, the issued share capital of the Company was increased by €12,000,000 to €82,000,000, represented by 82,000,000 ordinary registered shares with no par value and a notional value of €1.00 each. The capital increase was entered into the commercial register on March 7, 2005.

By resolution passed by the Management Board on January 25, 2007, and approved by the Supervisory Board on February 7, 2007, the Company's share capital was increased against contribution in kind from authorized capital by €16,400,000 from €82,000,000 to €98,400,000 by issuing 16,400,000 new registered shares (ordinary shares), each with a notional value of €1.00. The capital increase against contribution in kind was entered into the commercial register on February 8, 2007. Arena accepted the shares from this capital increase against contribution in kind in exchange for the right to broadcast and market Arena's football league TV station via satellite throughout Germany up to and including the 2008/2009 season, to distribute the program to sportsbars via cable and satellite and to use the "arena" trademark.

The Management Board passed a resolution on September 6, 2007, which was approved by the Supervisory Board on the same day, to increase the Company's share capital by €14,060,000 to €112,460,000 by utilizing part of the Company's authorized capital through the issue of 14,060,000 ordinary shares, with a notional value of €1.00 each. The capital increase was entered into the commercial register on September 12, 2007.

The Management Board passed a resolution on December 23, 2008, with the approval of the Supervisory Board, to increase the Company's share capital by up to €10,223,636 from €112,460,000 to up to €122,683,636 by utilizing part of the Company's authorized capital through the issue of up to 10,223,636 ordinary shares, each with a notional value of €1.00. The Management Board passed a resolution on January 13, 2009, with the approval of the Supervisory Board, to fix the number of shares to be issued at 10,223,636, thus increasing the share capital to €122,683,636. The capital increase was entered into the commercial register on January 14, 2009.

By resolution of the Extraordinary General Shareholders' Meeting of the Company on February 26, 2009, the issued share capital of the Company was increased by up to €411,559,129 from €122,683,636 to up to €534,242,765 by issuing up to 411,559,129 new registered shares with no par value, each share with a notional value of €1.00. The capital increase resolution was entered into the commercial register on April 3, 2009. On April 5, 2009, the Management Board, with the approval of the Supervisory Board on the same day, resolved to set the price per share at €1.12 and to fix the total number of shares to be issued at 367,463,508. The implementation of the capital increase was entered into the commercial register on April 22, 2009.

The Management Board passed a resolution on January 18, 2010, with the approval of the Supervisory Board on the same day, to increase the Company's share capital by €49,014,714 from €490,147,144 to €539,161,858 against contributions in cash by utilizing part of the Company's authorized capital 2009 through the issue of 49,014,714 new registered shares, each with a notional value of €1.00, excluding the subscription rights of existing shareholders, and to place such new shares against payment of a placement price of €2.25 per new share directly to News Adelaide, an indirect wholly-owned subsidiary of News Corporation. The capital increase was entered into the commercial register on January 21, 2010.

Capital Increase Relating to the New Shares

The New Shares offered by this Prospectus and subject to German law will be issued on the basis of a resolution passed by the Management Board on September 12, 2010, with the approval of the Supervisory Board on the same day, to increase the Company's share capital by up to €269,580,929 from €539,161,858 to up to €808,742,787 against contributions in cash by utilizing the Company's Authorized Capital 2010 (as defined below) through the issue of up to 269,580,929 new registered shares, each with a notional value of €1.00, with subscription rights for existing shareholders, and to set the Subscription Price at €1.05. The capital increase is expected to be entered into the commercial register on either September 28 or September 29, 2010.

General Provisions Concerning an Increase of Share Capital

According to the AktG, the share capital of a stock corporation may be increased by a resolution taken by the general shareholders' meeting. The resolution must be adopted by a majority of at least three quarters of the share capital represented at the meeting, unless the stock corporation's articles of association specify other requirements with regard to majorities. The Articles of Association of Sky Deutschland AG allow the adoption of resolutions with a simple majority unless binding provisions of the AktG state otherwise. A capital increase against cash contribution to be resolved by the general shareholders' meeting thus requires a simple majority for adoption. In addition, the shareholders may create authorized capital. The creation of authorized capital requires a resolution by a majority of three quarters of the share capital represented at the time of the resolution. Pursuant to such a resolution, the management board is authorized to issue shares up to a specific amount within a period not exceeding five years. The nominal amount of the authorized share capital may not exceed one half of the issued share capital available at the time of the authorization.

Additionally, shareholders may resolve to create contingent capital for the purpose of issuing shares (1) to holders of convertible bonds or other securities convertible into new shares of the company, (2) as consideration in connection with a merger with another company, or (3) to executives and employees. A resolution to create contingent capital must be passed by a majority vote of at least three quarters of the issued share capital represented at the general shareholders' meeting convened to pass the resolution. The nominal amount of the contingent capital created for the purpose of share issues to executives and employees may not exceed 10% of the issued share capital available at the time the resolution is passed.

General Provisions Concerning Subscription Rights

According to the AktG, every shareholder is entitled to subscription rights to any new shares that are issued in a capital increase (including any issuance of convertible bonds, warrant-linked bonds, profit-sharing rights or participating bonds). Such subscription rights are freely transferable and may be traded on German stock exchanges within a specified period prior to the expiration of the subscription rights. The general shareholders' meeting may exclude subscription rights by a resolution passed by a majority of at least three quarters of the issued share capital represented at

the general shareholders' meeting convened to pass such resolution. To exclude subscription rights, the management board must make a report available to the shareholders justifying the exclusion and demonstrating that the company's interest in excluding the subscription rights outweighs the shareholders' interest in such rights. Absent such justification, subscription rights may be excluded upon the issue of new shares if all of the following requirements are met:

- the company increases its share capital against cash contributions;
- the amount of the capital increase does not exceed 10% of the existing issued share capital; and
- the offering price of the new shares is not substantially below the stock market price of the shares.

Authorized Capital

By resolution of the General Shareholders' Meeting on April 23, 2010, which was entered into the commercial register on June 7, 2010, the Management Board was authorized, with the approval of the Supervisory Board, to increase the share capital of the Company by up to €269,580,929 in the period until April 22, 2015 by issuing a total of up to 269,580,929 new registered shares, all at once or in several installments, against contributions in cash or kind (the "**Authorized Capital 2010**"). The New Shares offered by this Prospectus stem from the utilization of the Authorized Capital 2010.

In the case of capital increases, shareholders must be granted subscription rights. The Management Board is, however, with the approval of the Supervisory Board, authorized to exclude shareholders' subscription rights from any capital increases against contributions in cash or in kind, provided that the shares issued during the term of this authorization do not in total exceed 20% of the issued share capital, both at the time of effectiveness and at the time the authorization is exercised. In case of a capital increase against contributions in cash, shareholders' subscription rights may only be excluded:

- with respect to a remainder of shares after calculating the subscription ratio;
- to the extent required to protect against dilution in order to grant owners of securities with conversion or option rights issued by the Company or subsidiaries of the Company a subscription right to shares to the extent to which they would be entitled if they were to exercise their conversion rights or options or upon fulfillment of a conversion obligation; or
- if the offering price of the new shares is not significantly lower than the stock exchange price and the shares issued in accordance with Section 186 paragraph 3 sentence 4 AktG against contributions in cash with subscription rights excluded during the term of the authorization do not exceed 10% of the share capital, both at the time of effectiveness and at the time the authorization is exercised. This restriction to 10% of the share capital must take into account (1) treasury stock sold during the term of the authorization under corresponding application of Section 186 paragraph 3 sentence 4 AktG excluding shareholders' subscription rights, and (2) shares issued or to be issued to service bonds with conversion or option rights attached, to the extent that these bonds are issued during the term of the authorization under corresponding application of Section 186 paragraph 3 sentence 4 AktG excluding shareholders' subscription rights.

Contingent Capital

The registered share capital of the Company is conditionally increased by up to €53,916,185 by issuing up to 53,916,185 new registered ordinary shares with no par value (the "**Contingent Capital 2010**"). The contingent capital shall be used exclusively to the extent that (i) the holders or creditors of conversion rights or option certificates attached to the convertible bonds and notes with warrants to be issued by Sky Deutschland AG or its majority-owned direct or indirect subsidiaries in accordance with the enabling resolution of the General Shareholders' Meeting on April 23, 2010 actually exercise their conversion or option rights or (ii) the holders or creditors of the convertible bonds to be issued by Sky Deutschland AG or its majority-owned direct or indirect subsidiaries in accordance with the enabling resolution of the General Shareholders' Meeting on April 23, 2010 in fulfillment of their conversion obligation and insofar as no cash settlement is granted and no treasury shares are used for servicing. The New Shares are to be issued at a conversion price or option price to be stipulated pursuant to the enabling resolution of the General Shareholders'

Meeting on April 23, 2010. The New Shares will participate in the profits of the Company as of the beginning of the financial year in which such shares are created through the exercise of conversion or option rights or through the fulfillment of conversion obligations. The Management Board is authorized to determine the further details of the implementation of the contingent capital increase.

Convertible Bonds and Notes with Warrants

By resolution of the General Shareholders' Meeting on April 23, 2010, the Management Board was authorized, with the approval of the Supervisory Board, to issue on one or more occasions, on or before April 22, 2015, registered convertible bonds or notes with warrants up to an aggregate principal amount of €500,000,000 with or without a fixed maturity, and to grant the owners of such convertible bonds or notes with warrants conversion rights or warrants entitling them to purchase up to 53,916,185 new registered shares with no par value of the Company representing a share of up to €53,916,185 in the share capital in accordance with the terms and conditions of the convertible bonds or notes with warrants. As noted above, the General Shareholders' Meeting on April 23, 2010 created contingent capital in an amount of €53,916,185 to enable the Company to service these conversion rights and warrants.

Purchase of Treasury Stock

The Management Board may acquire treasury stock for the Company in the cases mentioned in Section 71 paragraph 1 number 8 AktG. By resolution of the General Shareholders' Meeting of April 23, 2010, the Company was authorized to acquire treasury stock in an aggregate amount of up to 10% of the share capital existing at the time of the resolution. This authorization may be exercised in whole or part, on one or more occasions, for one or more purposes by the Company, its group members or third parties acting on its or their behalf. The power is valid until April 22, 2015. The Management Board may choose whether to purchase treasury stock on the stock exchange or to submit a public tender offer. The Management Board is authorized to use the Company's shares acquired in connection with this authorization for any legally permissible purpose.

General Provisions Concerning the Exclusion and Departure of Minority Shareholders

According to Sections 327a et seq. AktG regarding squeeze-outs, the general shareholders' meeting of a stock corporation may, at the request of a shareholder holding 95% of the share capital ("**principal shareholder**"), resolve to transfer the shares of the remaining minority shareholders to the principal shareholder in exchange for an appropriate cash settlement. The level of the cash consideration to be paid to the minority shareholders must take account of the company's situation at the time of the resolution by the shareholders' meeting. The level of consideration is based on the full value of the company, which is usually determined using the discounted cash flow method.

In addition, pursuant to the provisions of Sections 39a and 39b WpÜG relating to squeeze-outs following a takeover bid or mandatory public takeover bid, any bidder holding at least 95% of the voting shares in the target company may demand that the remaining voting shares be transferred to the bidder for a reasonable consideration. Consideration offered in the takeover bid or mandatory public takeover bid is deemed to be reasonable if, based on the bid, the bidder has acquired shares representing at least 90% of the share capital affected by the bid. In addition, following a takeover bid or mandatory public takeover bid, shareholders in the target company who rejected the initial bid may accept it within three months of expiry of the acceptance period (sell-out), provided that the bidder is entitled to submit an application for transfer of the outstanding voting shares pursuant to Section 39a WpÜG (Section 39c WpÜG).

In addition to the regulations governing the exclusion of minority shareholders, German stock corporation law also provides for the integration of stock corporations in Sections 319 *et seq.* AktG. Accordingly, the shareholders' meeting of a stock corporation can decide to integrate a company if 95% of the shares of the company to be integrated are owned by the future principal company. The former shareholders of the integrated company are entitled to reasonable consideration, which must take the form of shares in the principal company. The level of this consideration must be determined using the merger value ratio between two companies, *i.e.*, the exchange ratio that would have been deemed reasonable if the two companies had merged. Unlike the regulations governing the exclusion of minority shareholders, integration is possible only if the future principal company is a stock corporation domiciled in Germany.

The draft of the third amendment of the German Transformation Act (*3. Umwandlungsänderungsgesetz*) as resolved by the German Federal Cabinet (*Bundeskabinett*) stipulates that within three months after the signing of a merger agreement between a transferring stock corporation and an acquiring company, a squeeze-out resolution can be adopted at the general shareholders' meeting of the transferring stock corporation at the request of the acquiring company when the minimum shareholding of the acquiring company in the transferring stock corporation amounts to or exceeds 90% of the share capital of the transferring stock corporation.

Shareholdings

The following table lists all companies whose shares are directly or indirectly held by Sky Deutschland AG and that have a book value of at least 10% of the Company's consolidated share capital, that contribute at least 10% of the consolidated annual net income of the Group, or that are material for other reasons, together with important information relating to these companies as of December 31, 2009:

Sky Deutschland Fernsehen GmbH & Co. KG	
Registered Seat	Unterföhring, Germany
Business activity	Pay-TV operator
Limited partner's share of Sky Deutschland AG	100%
Limited partner's capital	€1,500.0
Reserves (in accordance with the HGB)	€1,159.5 million
Loss carried forward	€1,038.6 million
Profit/Loss	€(630.4 million)
Book value at Sky Deutschland AG	€811.5 million
Last fiscal year's earnings from the shares	€0
Debt owed by Sky Deutschland AG	€0
Debt owed to Sky Deutschland AG	€865.4 million
Sky Österreich GmbH (Sky Austria)	
Registered Seat	Vienna, Austria
Business activity	Pay-TV operator
Share of Sky Deutschland in the share capital	100%
Stated capital	€36,336.42
Reserves (in accordance with the HGB)	€197.0
Loss carried forward	€(2123.3 million)
Profit/Loss	€(5.8 million)
Book value at Sky Deutschland Fernsehen	€150.0 million
Last fiscal year's earnings from the shares	€0
Debt owed by Sky Deutschland AG	€0
Debt owed to Sky Deutschland AG	€0.1 million

INFORMATION ABOUT SKY DEUTSCHLAND AG'S CORPORATE BODIES

Overview

The corporate bodies of the Company are the Management Board, the Supervisory Board and the General Shareholders' Meeting. The powers of these bodies are set forth in the AktG, the Articles of Association and the Rules of Procedure of the Management Board and the Supervisory Board.

The Management Board conducts the business of the Company in accordance with relevant laws, the Company's Articles of Association and the Rules of Procedure of the Management Board. The Management Board represents the Company in its dealings with third parties.

The Management Board must ensure that an adequate risk management and risk controlling system is in place within the Group to timely recognize any developments that could jeopardize the ongoing existence of the Company. Furthermore, the Management Board is required to regularly, and at least quarterly, report to the Supervisory Board on current trading, in particular, on revenues and the financial position of the Company and its subsidiaries, as well as – at the last session of the Supervisory Board in any given business year – on the intended business strategy and other fundamental corporate planning issues, and to submit a budget for the following business year as well as a medium-term plan. Moreover, the Management Board must report to the Supervisory Board on all transactions that could be material to the Company's profitability or liquidity with such advance notice that the Supervisory Board has an opportunity to express its views on these transactions before they take place. When important matters arise, the Management Board is required to report them to the Chairman of the Supervisory Board. Important matters include, among other things, any event in an affiliated company that comes to the attention of the Management Board and could have a material influence on the financial position of the Company. Subject to one exception, no one is permitted to be a member of the Management Board and of the Supervisory Board of any stock corporation incorporated under German law at the same time.

The Supervisory Board appoints the members of the Management Board and has the right to dismiss such members for cause. The Supervisory Board advises the Management Board on managing the Company and supervises its business conduct. In accordance with the AktG, the Supervisory Board does not have the right to conduct business itself. However, according to the Rules of Procedures of the Management Board, the Management Board must procure the consent of the Supervisory Board for certain business transactions, usually before carrying out the relevant transaction.

The members of the Management Board and the Supervisory Board have fiduciary duties vis-à-vis the Company. The members of these bodies must work in the interests of a number of parties, in particular the Company itself, its shareholders, its employees and its creditors. In addition, the Management Board must take into consideration the shareholders' right to equal treatment and equal information. Should the Management Board or Supervisory Board members breach their duties, they are jointly and severally liable for any damages towards the Company. A D&O insurance policy, which provides for a deductible pursuant to section 93 paragraph 2 AktG and section 3.8 paragraph 3 of the German Corporate Governance Code, covers the Management Board and Supervisory Board members.

In principle, a shareholder may not sue Management Board or Supervisory Board members if he considers that the member breached his duties towards the Company and, in consequence, caused damage to the Company. Typically, only the Company itself can bring claims for damages suffered by the Company against Management Board or Supervisory Board members. In the event of claims against Supervisory Board members, the Company is represented by the Management Board and vice versa. Pursuant to a decision rendered by the German Federal Supreme Court (*Bundesgerichtshof*), the Supervisory Board has the obligation to assert claims for damages expected to be successfully enforced against the Management Board, unless there are important reasons in the Company's interests not to assert such claims and these reasons outweigh or are at least equivalent to the reasons for asserting the claims. If one of the Boards decides against pursuing a claim, the Company's claims for damages may be raised against the members of the Management Board or the Supervisory Board if the General Shareholders' Meeting adopts a resolution to that effect with a simple majority; and the General Shareholders' Meeting may appoint a special representative to assert these claims. Shareholders, whose shares in total represent one tenth of the authorized share capital or amount to €1,000,000, can also file a petition for a judicial appointment of a special representative to raise a claim for damages. If appointed, such representative becomes responsible for this matter instead of the Company's corporate bodies. In addition, if facts arise that give rise to

a strong suspicion that the Company has suffered a loss due to dishonesty or gross breach of duty, shareholders whose shares in the aggregate represent 1% of the authorized share capital or amount to €100,000 have the option, under certain conditions, to be permitted by a responsible court to raise the Company's claims for damages against the Company's corporate bodies in their own name on behalf of the Company. Such action is not permitted if the Company itself files a claim for damages.

The Company cannot drop any claim for damages against members of its corporate bodies or seek settlement with them until three years after the filing of the claim and may do so only if shareholders adopt a resolution for such action at a General Shareholders' Meeting with a simple majority and only if a minority of shareholders whose shares together represent one tenth of the authorized share capital do not raise an objection as recorded in the minutes.

Under German law, individual shareholders (as well as any other person) are forbidden to influence the Company in order to compel a member of the Management Board or the Supervisory Board to perform an act that is detrimental to the Company. Shareholders with a controlling influence must not use their influence to induce the Company to act against its own interests, unless the resulting detriment is otherwise outweighed. He who uses his influence to cause a member of the Management Board or the Supervisory Board, an authorized signatory or an authorized agent to act to the detriment of the Company or its shareholders, is liable for the resulting damages to the Company or the shareholders. In this case, members of the Management Board and the Supervisory Board are also jointly and severally liable if they act in breach of their duties.

In accordance with Section 245 paragraph 1 of the German Transformation Act (*Umwandlungsgesetz*), Fernseh Holding, having voted in favor of the Company becoming a German stock corporation, is deemed to be the Company's founder.

Management Board

General information

Based on the Company's Articles of Association, the Management Board consists of several members. The Supervisory Board decides the number of the members of the Management Board. The Supervisory Board can appoint a member of the Management Board to be the Chairman and also appoint a Deputy Chairman.

The Supervisory Board appoints the members of the Management Board for a term of up to five years. A repeated appointment or extension of their term of office (in each case for a maximum of five years) is permissible. In making appointments, the Supervisory Board considers the age limit of 65 years set for members of the Management Board. The Supervisory Board can dismiss a member of the Management Board before the expiry of his term of office if an important reason arises, *e.g.*, a gross breach of duty or if the General Shareholders' Meeting withdraws their confidence in the particular member of the Management Board.

Pursuant to the Company's Articles of Association, the Supervisory Board has issued Rules of Procedure for the Management Board, which, among other things, specify the transactions that require prior approval by the Supervisory Board. By its resolution of August 14, 2009, the Supervisory Board adopted Rules of Procedure for the Management Board.

The Company can be represented by two members of the Management Board or by one member of the Management Board together with one authorized signatory.

Members of the Management Board

The following table lists the members of the Company's Management Board and their areas of responsibility:

Name (Age)	Member since	Appointed until	Responsibility
Brian Sullivan (48)	January 1, 2010	March 31, 2013	Chief Executive Officer[(1)]
Pietro Maranzana (38)	June 1, 2009	May 31, 2012	Chief Financial Officer
Dr. Holger Enßlin (42)	December 1, 2008	November 30, 2011	Legal & Regulatory Affairs
Carsten Schmidt (46)	March 1, 2006	February 28, 2014	Sports, Advertising Sales & Internet

(1) From January 1, 2010 until March 31, 2010, Brian Sullivan served as Deputy Chief Executive Officer of the Company.

The members of the Management Board can be reached at the business address of the Company.

- *Brian Sullivan*: Brian Sullivan was appointed to Sky Deutschland AG's Management Board as Deputy Chief Executive Officer with effect from January 1, 2010 and was appointed Chief Executive Officer on April 1, 2010. He is highly experienced in the pay-TV industry, with more than 20 years of experience in the United States and Europe. He joined BSkyB in February 1996 and held a variety of roles at that company, including Channels Marketing, Digital Transition, Retention & Customer Marketing and Product Strategy & Management. Between December 2006 and joining Sky Deutschland, he was Managing Director of BSkyB's Customer Group. Prior to joining BSkyB, he spent most of his career in the pay-TV industry in the United States, including time with Viacom's Showtime Networks. He is a native of Philadelphia, United States, attended Villanova University, and is a Fellow of the Institute of Direct Marketing. Mr. Sullivan is, or within the last five years was, a member of the administrative, management or supervisory bodies, or a partner in, the following entities:

  Ongoing:

  - AVG Technologies CZ (Member of the Supervisory Board)

  Formerly:

  - British Sky Broadcasting Group plc (Managing Director, Customer Group)

- *Pietro Maranzana*: Pietro Maranzana was appointed Chief Financial Officer on June 1, 2009. Prior to that, he was Senior Vice President, Finance, a position he had held since November 2008. Previously, he was in charge of business planning for SKY Italia, which he joined at the beginning of 2005. During his four years at SKY Italia, he developed a thorough understanding of the pay-TV market by developing and implementing business plans for key projects, continuous benchmarking of the business activities of SKY Italia in comparison to leading pay-TV platforms and analyzing the competitive landscape. Prior to joining SKY Italia in 2005, he worked as engagement manager at Value Partners S.p.A. ("**Value Partners**"), a leading Italian business consulting firm, where he assisted key Italian companies both in Italy and abroad on turnaround projects, the implementation of efficiency measures and the development of performance controlling tools. Before joining Value Partners, he worked for Banca Intesa Sanpaolo S.p.A. as a Senior Financial Analyst in Frankfurt. Mr. Maranzana has taken out additional insurance to cover the deductible payable under the D&O insurance policy provided by the Company. During the past five years, Mr. Maranzana has not held any positions in administrative, management or supervisory bodies outside the Company.

- *Dr. Holger Enßlin*: Dr. Holger Enßlin was appointed to the Management Board as Chief Officer Legal & Regulatory Affairs effective December 1, 2008. Before that, starting in November 2003, Dr. Enßlin managed Sky Deutschland's legal department, which he substantially expanded and restructured. Prior to joining Sky Deutschland, Dr. Enßlin worked at the international law firm White & Case LLP, where he eventually became a local partner. He completed his legal studies in Tübingen and Munich. Dr. Enßlin obtained a doctorate in law in Constance and completed a Master of Laws program in Georgia, United States. At Sky Deutschland, Dr. Enßlin, acting together with Carsten Schmidt, was responsible for the purchase of the broadcasting rights for the German football league (*Fußball-Bundesliga*) through the 2012/2013 season. In addition to the D&O insurance provided by the Company, Dr. Enßlin benefits from an indemnity for any losses incurred as a result of activities prior to December 1, 2008. Dr. Enßlin is, or within the last five years was, a member of the administrative, management or supervisory bodies, or a partner in, the following entities:

  Ongoing:

  - Gesellschaft zur Verfolgung von Urheberrechtsverletzungen e.V. (Member of the Management Board)

  Formerly:

  - Verband PrivaterRundfunk- und Telemedien e.V. (Member of the Management Board)

  - TESC Test Solution Center GmbH (Managing Director)

- *Carsten Schmidt*: Effective March 1, 2006, Carsten Schmidt assumed responsibility for the Management Board position of Sports, Advertising Sales & Internet (formerly: Sports & New Business). He has editorial and production responsibility for sports programs and is also responsible for the purchase and sale of sport rights. In addition, Mr. Schmidt's responsibilities include the Company's interactive business, and thus all of its online activities, as well as Sky Austria. Since October 2008, he has been the Management Board member responsible for the sale of commercial broadcasting time. Before joining the Management Board, he was head of sports for Sky Deutschland starting in 1999. During this period, Mr. Schmidt substantially contributed to establishing Sky Deutschland as a premium brand for sports TV. Under his leadership, Sky Deutschland built a versatile and attractive live sports portfolio and set a new quality standard in sports broadcasting. For example, Sky Deutschland received the German TV prize for its football live conference in 2003. Recently, Mr. Schmidt, acting together with Dr. Enßlin, was responsible for the purchase of the broadcasting rights for the German football league (*Fußball-Bundesliga*) through the 2012/2013 season. Between 1992 and 1999, Mr. Schmidt worked for Wige Media AG, one of the leading sports media companies in Germany and Europe, where he occupied various leading positions in the areas of marketing, television and sponsoring. Mr. Schmidt is, or within the last five years was, a member of the administrative, management or supervisory bodies, or a partner in, the following entities:

  Ongoing:

  - Premium Media Solutions GmbH (Managing Director)

Remuneration, shareholdings

The structure of the remuneration system for the Management Board is set and regularly reviewed by the Supervisory Board based on the Governance Committee's proposal. The Governance Committee is responsible for setting the pay of individual Management Board members at an appropriate level. The criteria for determining the appropriate remuneration level include the duties of the relevant Management Board member, his personal performance, the performance of the entire Management Board, the Company's economic situation, its earnings and its future prospects considered in the context of its peer companies. The remuneration of the Management Board members comprises both fixed and performance-based components. Sky Deutschland AG does not have stock option plans or comparable programs for the Management Board and the Supervisory Board, nor for employees or other third parties. Furthermore, there are no other commitments for one-time payments, such as severance packages, change-of-control packages or pension benefit plans.

The fixed annual remuneration is payable in twelve equal monthly payments. The specific terms of the performance-based component vary among the contracts of the individual Management Board members.

Depending on the agreement, bonus payments may amount to up to 100% of the gross annual salary. The amount is decided by the Supervisory Board and depends on the achievement of predefined quantitative and qualitative performance targets set by the Supervisory Board, such as targets based on EBITDA, ARPU and subscriber numbers. In addition, certain members of the Management Board receive a certain number of phantom stocks that vest after a certain period of time and are subject to the fulfillment of certain conditions.

The total compensation for the current and former members of the Management Board amounted to €5 million in 2009. This amount comprises fixed remuneration of €2.4 million, performance-based remuneration of €1.8 million and other payments of €818,000. In addition to his remuneration, Mark Williams was reimbursed for the costs of his accommodation in Munich. It is expected that the total fixed compensation payments for the Management Board in 2010 will exceed the compensation paid in 2009, mainly as a result of the temporary increase in the number of board members, following Brian Sullivan's appointment as Deputy Chief Executive Officer on January 1, 2010.

The following table provides an overview of the remuneration of the individual members of the Management Board in 2009. As Brian Sullivan's appointment to the Management Board became effective on January 1, 2010, information regarding his compensation is not included below:

Management board member	Fixed remuneration	Performance-based remuneration	Compensation payments[1]	Other remuneration[2]	Total
			(in K€)		
Dr. Holger Enßlin	300	101	—	26	427
Pietro Maranzana	140	35	—	122	297
Carsten Schmidt	600	147	—	41	788
Hans Seger[3]	50	—	—	(15)	35
Mark Williams	1,310	1,471	—	644	3,425

(1) Compensation payments include payments for the time from the end of service on the Management Board to the end of the service agreement, including salary payments, severance payments and compensation payments for non-compete agreements.

(2) Other remuneration mainly comprises reimbursement for accommodation expenses, tax equalization payments for company car and accident insurance as well as, in the case of former members of the Management Board, compensation for unused vacation entitlement.

(3) Hans Seger left the Management Board with effect from January 31, 2009.

In addition, payments of €323,000 were made to Michael Börnicke, who resigned as a member of the Management Board in 2008. These payments resulted from a consultancy agreement with Mr. Börnicke, the former Chief Executive Officer of Sky Deutschland AG, which was entered into on November 14, 2008. The term of the contract was from November 1, 2008 to December 31, 2009. For the period from November 1, 2008 to October 31, 2009, Mr. Börnicke also received compensation for a contractual agreement not to compete.

15,000 shares in the Company are currently held by Dr. Holger Enßlin and 5,000 shares in the Company are currently held by Pietro Maranzana. No shares in the Company are currently attributed to the remaining members of the Management Board.

Supervisory Board

General information

As a company that predominantly serves the purpose of journalism or the expression of opinions within the meaning of Section 1 paragraph 4 sentence 1 number 2 of the MitbestG and Section 1 paragraph 2 sentence 1 number 2 letter b of the German Third Party Participation Act (*Drittelbeteiligungsgesetz, "***DrittelbG"**), Sky Deutschland is not subject to employee co-determination. In accordance with the Company's Articles of Association and Sections 95 and 96 AktG, the Supervisory Board consists of nine members, who are elected by the shareholders at the General Shareholders' Meeting. The total number of Supervisory Board members was expanded from six to nine by way of amendment to the Company's Articles of Association resolved at the General Shareholders' Meeting on April 23, 2010, and came into effect with the registration of such amendment to the Articles of Association in the commercial register of the Local Court (*Amtsgericht*) of Munich on June 7, 2010.

Unless the shareholders decide otherwise, pursuant to the Articles of Association, Supervisory Board members are appointed for the period ending with the conclusion of the General Shareholders' Meeting that decides on the approval of the actions of the Supervisory Board for the fourth financial year after the beginning of their term of office excluding the financial year in which the term of office begins. A reelection is possible.

The General Shareholders' Meeting may appoint replacement members who may become Supervisory Board members in accordance with conditions stipulated by the General Shareholders' Meeting, should one of the elected Supervisory Board members leave office before the end of his term. The term of office of the replacement member expires upon the conclusion of the next following General Shareholders' Meeting if a successor is appointed, or otherwise upon the regular expiration of the term of office of the member who left the Supervisory Board.

Any Supervisory Board member can be dismissed by a resolution of the General Shareholders' Meeting, which must be adopted with a majority of three quarters of votes cast. According to the Articles of Association, each Supervisory Board member can also resign from office without cause

by delivering a written statement to the Company, represented by the Management Board, effective the end of the calendar month following the statement.

Pursuant to the provisions of the Articles of Association, the Supervisory Board has a quorum if all of its members have been invited or called upon to participate in making a decision and five Supervisory Board members take part. Pursuant to the Articles of Association, an abstaining member is deemed to have participated in the adoption of a resolution. Unless the law or the Articles of Association provide otherwise, the Supervisory Board adopts resolutions with a simple majority of the votes cast. In case of a tie, the Chairman of the Supervisory Board casts the deciding vote. The Supervisory Board meets at least twice every half-year.

Pursuant to the Company's Articles of Association, the Supervisory Board prepares its own Rules of Procedure in accordance with binding statutory regulations and the Articles of Association. Following a resolution dated October 31, 2008, the Supervisory Board adopted a revised set of Rules of Procedure. The Rules of Procedure provide that the Supervisory Board may form committees consisting of its own members. The Supervisory Board has formed a Presidential Committee and an Audit Committee.

The Presidential Committee is responsible for, among other things, establishing the terms and conditions of, and for representing the Company in, concluding, amending or terminating service contracts with Management Board members. The Audit Committee is responsible for, among other things, preparatory reviews of the Company's unconsolidated and consolidated financial statements, reviewing the Management Board's risk management and various matters regarding the auditors. Dr. Stefan Jentzsch, as a member of the Supervisory Board and Chairman of the Audit Committee, is the independent member with comprehensive knowledge of accounting or auditing required by the AktG. The following table shows the committees in which the various Supervisory Board members are involved:

Supervisory Board member	Member of Presidential Committee[1]	Member of Audit Committee[2]
Charles Carey	Chairman of the committee	– Not a member –
Guillaume de Posch	Member of the committee	– Not a member –
Dr. Stefan Jentzsch	– Not a member –	Chairman of the committee
Mark Kaner	– Not a member –	Member of the committee
Miriam Kraus	– Not a member –	– Not a member –
Thomas Mockridge	– Not a member –	– Not a member –
Markus Tellenbach	Member of the committee	– Not a member –
Steven Tomsic	– Not a member –	Member of the committee
Katrin Wehr-Seiter	– Not a member –	– Not a member –

(1) The Presidential Committee has not elected a Deputy Chairman.
(2) The Audit Committee has not elected a Deputy Chairman.

Members of the Supervisory Board

Pursuant to the Company's Articles of Association, the Supervisory Board of Sky Deutschland AG consists of nine members. Charles Carey is Chairman and Markus Tellenbach is Deputy Chairman of the Supervisory Board.

The following table provides an overview of the Company's Supervisory Board members and, if applicable, their other supervisory board mandates as well as similar positions in domestic and foreign supervisory bodies. The overview also shows former memberships of supervisory board members in administrative, management or supervisory bodies outside of the Group during the past five years.

Name (age)	Primary activity	Board mandates in companies other than Sky Deutschland AG and similar positions in domestic and foreign management, supervisory and administrative bodies
Charles Carey (56)	Deputy Chairman, President and Chief Operating Officer of News Corporation	Ongoing[(1)]: • Benevolus Holdings LLC (Manager – Chairman of the Board of Directors) • News Corp Star US LLC (Manager – President and Chief Executive Officer) • News Florida LLC (President) • News/P+ Holdings, Inc. (Manager – Chairman of the Board of Directors) • Alesia Holdings, Inc. (Director – Chairman of the Board of Directors) • Dow Jones & Company, Inc. (Director) • Dow Jones AER Company, Inc. (Director) • Dow Jones Canada, Inc. (Director – Chief Operating Officer and President) • Generate Canada ULC (Chief Operating Officer and President) • Fox Entertainment Group, Inc. (Director – Chief Operating Officer and President) • iLike, Inc. (Director) • News America Incorporated (Director – Chairman and Chief Executive Officer) • Street Feed Holdings, Inc. (Director – President, Chief Executive Officer and Chairman of the Board) • Flektor, Inc. (Director) • MySpace, Inc. (Director) • MySpace Records, Inc. (Director) Formerly: • Sky Italia S.r.l. (Director) • The DirecTV Group, Inc. (Director – President and Chief Executive Officer) • News Regional Sports Holdings Limited (Director) • News Regional Sports Member Limited (Director) • Photobucket.com, Inc. (Director) • News America DTH Leasing, Inc. (Director) • Dow Jones Trademark Holdings LLC (Manager) • IL Acquisition Corp. (Director)
Guillaume de Posch (52)	Partner of GDP Media sprl	Formerly: • ProSiebenSat.1 Media AG (Chairman of the Management Board)

Name (age)	Primary activity	Board mandates in companies other than Sky Deutschland AG and similar positions in domestic and foreign management, supervisory and administrative bodies
Dr. Stefan Jentzsch (49)	Partner of Perella Weinberg Partners (UK) LLP	Ongoing: • adidas AG (Member of the Supervisory Board) Formerly: • Dresdner Bank AG (Member of the Management Board) • Hypo Vereinsbank AG, Munich (Member of the Management Board) • Infineon Technologies AG (Member of the Supervisory Board)
Mark Kaner (57)	President and Treasurer of Twentieth Century Fox International Television Distribution, Inc.	Ongoing[1]: • Sky Italia S.r.l. (Member of the Board of Directors) • Fox Pay-Per-View Services, Inc. (President, Secretary, Treasurer) • Foxview, Inc. (President, Secretary, Treasurer) • Fox Worldwide Telecommunications L.L.C. (President) • Fox Worldwide Television L.L.C. (President) • LAPTV A Corporation (President, Secretary, Treasurer) • LAPTV B Corporation (President, Secretary, Treasurer) • Twentieth Century Fox Television Limited (Director) • Twentieth Century Fox Film Corporation (Australia) Pty Limited (Director) • Twentieth Century Fox International Television, Inc. (President, Treasurer) • Twentieth Century Fox International Telecommunications Distribution, Inc. (President, Secretary, Treasurer) • Twentieth Century Fox Telecommunications International, Inc. (President, Treasurer) • Twentieth Century Fox/Incendo Television Distribution Inc. (Chairman, Director) • Twentieth Century Fox Pay Television (Australia) Pty Limited (Director) Formerly: • Fox Japan Movie Channels, Inc. (President) • Fox Channels Japan, Inc. (President)
Miriam Kraus (39)	Senior Vice President, Head of Global Governance, Risk and Compliance at SAP AG	Ongoing: • SAP (Beijing) Software System Co. Ltd., (Member of the Board of Directors)

Name (age)	Primary activity	Board mandates in companies other than Sky Deutschland AG and similar positions in domestic and foreign management, supervisory and administrative bodies
Thomas Mockridge (55)	Chief Executive Officer and Member of the Board of Directors of Sky Italia S.r.l.	Ongoing[(1)]: • News Corp Europe, Inc. (Member of the Board of Directors and Senior Vice President) • TeleCare S.r.l., (Chairman of the Board of Directors and Chief Executive Officer) • Telepiù S.r.l., (Chairman of the Board of Directors and Chief Executive Officer) • British Sky Broadcasting Group plc (Member of the Board of Directors) • News Corp Europe, LLC (Member of the Board of Directors and Senior Vice President) • News Netherlands B.V. (Member of the Board of Directors) • Alliance Yapim Limited (Chairman of the Management Board) • Huzur Radyo Televizyon AS (Chairman of the Board of Directors) • News Bulgaria LLC (Senior Vice President) • News Corporation (Chief Executive Officer European Television) Formerly: • Sky TV Italia S.r.l. (Chairman of the Board of Directors and Chief Executive Officer) • Sky News Italia S.r.l. (Chairman of the Board of Directors and Chief Executive Officer) • Atena Servizi S.r.l. (Chairman of the Board of Directors and Chief Executive Officer) • Omega TV S.p.A. (Chairman of the Board of Directors and Chief Executive Officer) • Gamma Televisiva S.p.A. (Chairman of the Board of Directors and Chief Executive Officer) • Channel Digitale S.r.l. (Chairman of the Board of Directors and Chief Executive Officer) • Telepiù Funding S.à r.l. (Member of the Board of Directors) • Balkan News Corporation EAD (Chairman of the Board of Directors) • A/S "Latvijas Neatkarīgā Televīizija" (Member and Vice Chairman of the Supervisory Council) • SIA "TV RĪGA" (Member of the Management Board) • News Bulgaria, Inc. (Senior Vice President) • News Adelaide Holdings B.V. (Member of the Board of Directors)
Markus Tellenbach (49)	Chief Executive Officer of TVN S.A.	Ongoing: • Convers Media Services Ltd. (Member of the Administrative Board) • Grupa Onet.pl SA (Chairman of the Supervisory Board) Formerly: • TVN S.A., Warsaw (Member of the Supervisory Board) • SBS Broadcasting S.A. (Chief Executive Officer and Member of the Board of Directors)

Name (age)	Primary activity	Board mandates in companies other than Sky Deutschland AG and similar positions in domestic and foreign management, supervisory and administrative bodies
Steven Tomsic (40)	Director Corporate Finance and Planning, Europe and Asia at News Corporation	Ongoing[(1)]: • News Corp Europe, Inc. (Vice President) • News Corp Europe, LLC (Vice President) • News Corporation Europe & Asia, Inc. (Vice President) Formerly: • Alliance Yapim Ltd (Director) • A/S "Latvijas Neatkarīgā Televīzija" (Member of the Supervisory Board) • SIA TV Berlin (Director) • SIA "TV RĪGA" (Director) • SIA TV London (Member of the Board of Directors)
Katrin Wehr-Seiter (40)	Self-employed business and investment advisor	Formerly: • ProSiebenSat.1 Media AG (Member of the Supervisory Board) • HUGO BOSS AG (Member of the Supervisory Board) • SBS Broadcasting S.à r.l (Non-Executive Member of the Board of Managers) • SBS Broadcasting Holding I B.V. (Non-Executive Member and Vice Chairman of the Board of Directors)

(1) All positions are held within corporations significantly influenced or controlled by News Corporation.

- *Charles Carey:* Charles Carey has been a member of Sky Deutschland AG's Supervisory Board since June 7, 2010, and has been Chairman of the Supervisory Board since July 16, 2010. He is currently Deputy Chairman, President and Chief Operating Officer of News Corporation, a position he has held since July 1, 2009, and is a Member of its Board of Directors. In addition, he serves as Director or Manager of various subsidiaries of News Corporation. Between December 2003 and February 2008, he served as President and Chief Executive Officer of The DirecTV Group, Inc., a leading provider of direct-to-home digital TV in the United States and Latin America. Prior to that, Mr. Carey spent 15 years as a senior executive at News Corporation, serving in positions including Co-Chief Operating Officer of News Corporation and Chairman and Chief Executive Officer of the Fox Television Group. In addition to former directorships on the boards of subsidiaries of News Corporation and the Fox Entertainment Group, Mr. Carey has served on the boards of NDS, Gemstar-TV Guide and BSkyB.

- *Guillaume de Posch:* Guillaume de Posch has been a member of Sky Deutschland AG's Supervisory Board since July 9, 2009. He is currently a partner at GDP Media sprl, Brussels, Belgium. Mr. de Posch served as the Chairman of the Management Board of ProSiebenSat.1 Media AG between September 2003 and December 31, 2008. Previously, from 1997 to 2003, Mr. de Posch served as Programming Director for TPS, a pay-TV company in France. From 1993 to 1997, he served at Compagnie Luxembourgeoise de Télédiffusion (now the RTL Group). Prior thereto, from 1990 to 1993, Mr. de Posch served at McKinsey & Company in Belgium, and from 1984 to 1990, at Tractebel S.A., an international energy and services conglomerate.

- *Dr. Stefan Jentzsch:* Dr. Stefan Jentzsch has been a member of Sky Deutschland AG's Supervisory Board since March 9, 2005. He is a Partner at Perella Weinberg Partners (UK) LLP, London, United Kingdom and has been since July 2009. Until January 2009, he was a Member of the Management Board of Dresdner Bank AG and was responsible for Corporate and Investment Banking. He began his career with Goldman Sachs Group, Inc. and was a

Member of the Management Board of Bayerische Hypo- und Vereinsbank Aktiengesellschaft (now: UniCredit Bank AG) from May 2001 to November 2005.

- *Mark Kaner:* Mark Kaner has been a member of Sky Deutschland AG's Supervisory Board since July 9, 2009. He is currently President of Twentieth Century Fox Television Distribution, Inc., Los Angeles, United States, and a Member of the Board of Directors of SKY Italia, Milan, Italy. In addition, he holds several other directorships at companies of the Fox Entertainment Group and the 20th Century Fox Group. Mr. Kaner has also served as President of both Fox Japan Movie Channels, Inc. and Fox Channels Japan, Inc.
- *Miriam Kraus:* Miriam Kraus has been a member of Sky Deutschland AG's Supervisory Board since June 7, 2010. She is currently Senior Vice President, Head of Global Governance, Risk and Compliance at SAP AG, Walldorf, Germany.
- *Thomas Mockridge:* Thomas Mockridge has been a member of Sky Deutschland AG's Supervisory Board since June 23, 2008. He is currently Chief Executive Officer of SKY Italia and Chief Executive Officer of European Television at News Corporation. Among other functions, Mr. Mockridge served as Chairman of Sky Network Television Ltd. until June 2002 and has been a Non-Executive Director of BSkyB since February 11, 2009.
- *Markus Tellenbach:* Markus Tellenbach has been a member of Sky Deutschland AG's Supervisory Board since June 23, 2008, and has been Deputy Chairman of the Supervisory Board since July 16, 2010. He is President & Chief Executive Officer of TVN S.A., Warsaw, Poland, a position he has held since September 1, 2009, and has also served as Chief Executive Officer of SBS Group plc and, in the 1990s, Chief Executive Officer of Sky Deutschland. He serves on the Advisory Board of Convers Media Services Ltd and as the Chairman of the Supervisory Board at Onet.pl S.A. Mr. Tellenbach has also served as Chief Executive Officer and President of TVSL S.A., and Chief Executive Officer, President and Chief Operating Officer of SBS Broadcasting S.à r.l. From 1994 to 1999, Mr. Tellenbach served as Managing Director of VOX Fernsehen.
- *Steven Tomsic:* Steven Tomsic has been a member of Sky Deutschland AG's Supervisory Board since July 9, 2009. He is currently Director Corporate Finance and Planning, Europe and Asia at News Corporation, London, United Kingdom and serves as Vice President of several subsidiaries of News Corporation. Mr. Tomsic has previously worked at SKY Italia and Foxtel, the Australian pay-TV platform partially owned by News Corporation.
- *Katrin Wehr-Seiter:* Katrin Wehr-Seiter has been a member of Sky Deutschland AG's Supervisory Board since June 7, 2010. She currently works as an independent business and investment advisor. She has previously served as a Principal at Permira Beteiligungsberatung GmbH. Before, Ms. Wehr-Seiter worked for Siemens AG within Siemens Management Consulting and Siemens Power Generation. She formerly served as a Member of the Supervisory Boards of HUGO BOSS AG and ProSiebenSat.1 Media AG and as a Non-Executive Member of the Board of Managers of SBS Broadcasting S.à r.l.

The term of office of Guillaume de Posch, Stefan Jentzsch, Mark Kaner, Thomas Mockridge, Markus Tellenbach and Steven Tomsic expires with the conclusion of the General Shareholders' Meeting that decides upon the discharge (*Entlastung*) of the members of the Supervisory Board for the 2013 fiscal year. The term of office of Charles Carey, Miriam Kraus and Katrin Wehr-Seiter expires with the conclusion of the General Shareholders' Meeting that decides upon the discharge (*Entlastung*) of the members of the Supervisory Board for the 2014 fiscal year. The Supervisory Board members can be reached at the Company's business address.

Remuneration, shareholdings

The remuneration of the Supervisory Board is set by the Articles of Association. It complies with the recommendations of the German Corporate Governance Code by considering, in particular, the chairmanship and deputy chairmanship in the Supervisory Board and provides for both performance-based and fixed remuneration.

Until April 23, 2010, the members of the Supervisory Board received fixed remuneration in an amount of €25,000 payable after the end of each fiscal year. Moreover, each Supervisory Board member received performance-based remuneration and thus had an interest in the long-term success

of the Company. The performance-based remuneration depended on the development of the earnings per share: for each €0.01 by which earnings per share exceeded €0.10 per share, Supervisory Board members received an additional €100, subject to a maximum of €10,000, which became due on the day of the General Shareholders' Meeting deciding upon the distribution of the balance sheet profit (the "**Old Remuneration**"). The Chairman of the Supervisory Board received twice and the Deputy Chairman one and a half times the Old Remuneration. Each member of the Supervisory Board who was a member of a committee received an additional 25% of the Old Remuneration and an additional 50% of the Old Remuneration was paid to the Chairman of any committee. Such additional remuneration for membership in or Chairmanship of a committee was limited to 100% of the Old Remuneration. Furthermore, for every Supervisory Board meeting they attended, Supervisory Board members received a fixed sum of €1,500. In addition to the aforementioned remuneration, all members of the Supervisory Board were reimbursed for expenses incurred in connection with the exercise of their office (including VAT). A D&O insurance policy in accordance with the market standards was provided by the Company for each of the members of the Supervisory Board.

According to the amended Articles of Association as adopted by the resolution of the General Shareholders' Meeting on April 23, 2010 and registered with the commercial register of the Local Court (*Amtsgericht*) of Munich on June 7, 2010, the remuneration of the members of the Supervisory Board was amended. Starting on April 24, 2010, each member of the Supervisory Board receives fixed remuneration of €60,000 per annum, payable at the end of the financial year. The fixed remuneration of the Chairman of the Supervisory Board includes an additional €30,000 and the fixed remuneration of the Deputy Chairman and each Chairman of a Committee includes an additional €15,000. The overall fixed remuneration is limited to a total amount of €90,000. Moreover, each Supervisory Board member receives performance-based remuneration and thus has an interest in the long-term success of the Company. The performance-based remuneration depends on the development of the earnings per share (defined as the balance sheet profit according to Section 113 paragraph 3 AktG divided by the number of shares at the time of the General Shareholders' Meeting that decides on the distribution of balance sheet profit): for each €0.01 by which earnings per share exceeds €0.10 per share, Supervisory Board members receive an additional €1,000, subject to a maximum of €20,000, which becomes due on the day of the General Shareholders' Meeting that decides upon the distribution of the balance sheet profit. The provision regarding the reimbursement of expenses (including VAT) and insurances provided by the Company remained unchanged, with the exception that a deductible for the D&O insurance was added. This deductible is covered by separate D&O insurance for each member of the Supervisory Board.

For the period from January 1 to December 31, 2009, the Supervisory Board members of Sky Deutschland AG received the following remuneration:

Supervisory Board member	Fixed remuneration[1]	Performance-based remuneration	Director's fees[2]	Total
		(in K€)		
Guillaume de Posch	14	—	8	21
Rainer Großkopf[3]	5	—	1	6
Mark Kaner	14	—	9	23
Dr. Stefan Jentzsch	38	—	18	55
Thomas Mockridge	35	—	8	42
Richard Roy[4]	26	—	8	34
Dr. Hans Seiler[5]	11	—	7	18
Markus Tellenbach	56	—	18	74
Steven Tomsic	14	—	9	23

(1) Fixed remuneration comprises fixed elements and a compensation component for work in the executive and audit committees.

(2) Director's fees comprise attendance fees for the meetings of the Supervisory Board.

(3) Mr. Rainer Großkopf resigned as member of the Supervisory Board on February 3, 2009.

(4) Mr. Richard Roy did not stand for election to the new Supervisory Board at the General Shareholders' Meeting of Sky Deutschland AG on July 9, 2009.

(5) Dr. Hans Seiler was appointed to the Supervisory Board on February 5, 2009 to replace Mark Williams, whose membership became inactive on his becoming CEO and a member of the Management Board. Dr. Hans Seiler did not stand for election to the new Supervisory Board at the General Shareholders' Meeting of Sky Deutschland AG on July 9, 2009.

80,000 shares in the Company are currently held by Dr. Stefan Jentzsch and 5,000 shares in the Company are currently held by a person closely related to Katrin Wehr-Seiter. No shares in the Company are currently attributed to the remaining members of the Company's Supervisory Board.

Senior Management

Members

The senior management of Sky Deutschland AG includes six Senior Vice Presidents responsible for the operational management of the Company reporting directly to the CEO ("**Senior Management**"). The members of the Senior Management can be reached at the business address of the Company. The members of the Senior Management are:

- *Dr. Hans-Jürgen Croissant:* Dr. Hans-Jürgen Croissant was appointed Senior Vice President, Communications on June 15, 2009. He is responsible for the positioning of the Group and its services in the media and functions as company spokesperson. Dr. Croissant joined Sky Deutschland from Pleon GmbH, Germany's largest PR firm, where he was a Managing Director and responsible for the Munich office for just under four years. Prior to this, he was employed for three years as corporate spokesman at the software manufacturer Microsoft Deutschland. Before that, he held various management positions with Accenture and Hubert Burda Media. Dr. Croissant earned a Ph.D. in publicity. During the past five years, Dr. Croissant has not held any positions in administrative, management or supervisory bodies outside the Company.
- *Gerard Duffy:* Gerard Duffy was appointed Senior Vice President, Technology on August 1, 2009 under a contract that is to run until July 31, 2011. Between October 27, 2008 and July 31, 2009, Mr. Duffy worked at Sky Deutschland under a secondment agreement with NDS, an affiliate of News Corporation, in which News Corporation holds a 49% stake. NDS is a market leader for digital pay-TV solutions, including the development and licensing of encryption technology. At Sky Deutschland, Mr. Duffy is responsible for broadcasting technology, including program distribution, signal encryption, consumer devices and user interfaces, as well as the management of Sky Deutschland's service providers and technology partners. Mr. Duffy has spent his entire career in the field of broadcasting technology, having worked in the industry for 23 years. He joined NDS in 1995 and was most recently Vice President responsible for deployment of pay-TV solutions across Europe, including the relaunch of the SKY Italia platform in Italy. He has developed extensive experience covering conditional access, consumer devices, user interfaces and broadcast transmission systems. During the past five years, Mr. Duffy has not held any positions in administrative, management or supervisory bodies outside the Company.
- *Norbert Kireth:* Norbert Kireth has been Senior Vice President, Human Resources & Organization since March 15, 2010. In this position, the studied business economist (MBA) is responsible for the human resources department, along with the organizational development of Sky Deutschland. Mr. Kireth joined Sky Deutschland from Ferrero MSC & Co. based in Frankfurt am Main, Germany where he was the manager of HR & Organization for Central and Eastern Europe. Prior to this, he was responsible for staff on a national and international level in various management positions at Deutsche Telekom. During the past five years, Mr. Kireth has not held any positions in administrative, management or supervisory bodies outside the Company.
- *Marcello Maggioni:* Marcello Maggioni, recently nominated Senior Vice President, Customer Group, has been Senior Vice President, Sales & Marketing since November 1, 2008 having joined Sky Deutschland in October 2008 on secondment from SKY Italia, where he worked for four years beginning his career as head of customer acquisition and subsequently becoming marketing director. Prior to his employment at SKY Italia, he worked as marketing director and later as head of the European marketing strategy at Mars Inc. Previously, he gained professional experience at Kraft Foods, Inc. and Reckitt & Colman plc. He holds a Ph.D. in business administration. During the past five years, Mr. Maggioni has not held any positions in administrative, management or supervisory bodies outside the Company.
- *James Rudder:* James Rudder was appointed Senior Vice President, Broadcast and Operations on July 1, 2009 under a contract that is to run until July 1, 2012 . In this position, Mr. Rudder is responsible for Sky Creative Services, a wholly-owned subsidiary of Sky Deutschland

Fernsehen operating Sky Deutschland's production department, including the development of formats and on-air promotion. Mr. Rudder is building on a 30-year professional career in the area of television production during which he has gained international experience in four countries and spent 20 years at News Group. Mr. Rudder was a part of the launch teams for BSkyB and Sky Italia. Among other things, he was Deputy Director of Sky News UK, Director of Interactive Television at BSkyB, Director of News and Current Affairs at Nine Network Australia and, for the past five years, he has served as Consultant and Project Manager at Sky Italia with an emphasis on sports, sports news and interactive television. During the past five years, Mr. Rudder has not held any positions in administrative, management or supervisory bodies outside the Company.

- *Wolfram Winter:* Wolfram Winter has been Senior Vice President, Distribution Development since August 1, 2009 and is responsible for business development with all German cable network providers and Sky Deutschland's international distribution partners. Mr. Winter is one of the pioneers of German pay-TV: From 1996 to 1998, he was employed as Program Chief for DF 1, the first digital subscription-TV service in Germany. Thereafter, he served for more than eight years as Managing Director of NBC Universal Global Networks Germany. Before becoming a member of Sky Deutschland's Senior Management, Wolfram Winter worked for two years as Managing Director of Premiere Star. Mr. Winter is, or within the last five years was, a member of the administrative, management or supervisory bodies, or a partner in, the following entities:

Ongoing:

- Inverno GmbH (Managing Director)

Formerly:

- NBC Universal Global Networks Deutschland GmbH (Managing Director)
- The History Channel (Germany) Holding GmbH (Member of the Supervisory Board)

Remuneration, shareholdings

The remuneration of the members of the Senior Management is determined by their employment contracts. The salary of the members of the Senior Management consists of both fixed and performance-based remuneration. The performance-based remuneration amounts to, depending on the contract, between 30% and 100% of the base salary and the majority of it is tied to the attainment of defined objectives, such as certain EBITDA targets, subscriber numbers and ARPU development. If these objectives are exceeded, an additional bonus payment is possible. The performance-based remuneration is generally paid semi-annually in January and July.

In addition to receiving remuneration, the members of the Senior Management also receive the costs of appropriate accommodation for, depending on the contract, the term of the contract or a period of three years, as well as flights home, repatriation costs and D&O insurance coverage.

In 2009, the members of the Senior Management collectively received fixed remuneration in the aggregate amount of approximately €1,472,614. In addition, Sky Deutschland paid contractually assured performance-based remuneration in the aggregate amount of approximately €767,825 in 2009. The remuneration related to living and other costs totaled approximately €497,126 in 2009. Norbert Kireth began working as a member of the Senior Management in March 2010 and therefore did not receive remuneration for 2009. Wolfram Winter has entered into a consulting agreement with the Company under which he receives additional payments upon achieving certain targets.

11,249 shares in the Company are currently held by Gerard Duffy and 4,587 shares in the Company are currently held by Wolfram Winter. No shares in the Company are currently attributable to the other members of the Senior Management and such shares are also not designated as a component of performance-based remuneration.

Certain Information about Members of the Management Board, Supervisory Board and Senior Management

During the last five years, no member of the Management Board, the Supervisory Board or the Senior Management has been convicted of any criminal act. No public allegations and/or sanctions

in relation to the Management Board or Supervisory Board members have been made by any statutory or regulatory authority.

During the last five years, no member of the Management Board, the Supervisory Board or the Senior Management has been involved in any insolvency, receivership or liquidation within the scope of his activities as a member of a corporate, management or supervisory body or as a founder of an issuer. No member of the Management Board, the Supervisory Board or the Senior Management has ever been proclaimed by a court as unfit to be a member of a corporate, management or supervisory body of a company, for a management position or to conduct the business of an issuer.

Sky Deutschland has not granted any loans to Management Board or Supervisory Board members or to members of the Senior Management. The members of the two corporate bodies as well as the Senior Management have concluded no transactions with the Company that lie outside Sky Deutschland's normal operating activities.

Other than as mentioned below in relation to those members of the Supervisory Board that are also employed in the management of News Corporation and in relation to those members of the Supervisory Board and Management Board that are involved in the claims against the Company based on capital markets laws (see "*Business Description—Legal and Governmental Proceedings—Claims based on capital markets laws*"), the Management Board and Supervisory Board members as well as Senior Management have no conflicts of interest between their duties to the Company and their private or other interests. No Management Board or Supervisory Board member or member of the Senior Management has concluded any service contract with any of the Group's companies that includes special benefits upon the end of the service. No family relationships exist among the members of the Supervisory Board, the members of the Management Board and the members of the Senior Management nor among Supervisory Board members and members of the Management Board or members of the Senior Management. With regard to potential conflicts of interest between the Management Board, Supervisory Board or Senior Management members' obligations to the Company and their private or other interests, it must be noted that members of the Management Board, the Supervisory Board and the Senior Management (or persons closely related to them) currently hold Company shares, which in total account for less than 0.00022% of all shares issued by Sky Deutschland AG (See "*—Management Board—Remuneration, shareholdings*" and "*—Supervisory Board—Remuneration, shareholdings*"). To the extent that certain members of the Supervisory Board (Charles Carey, Mark Kaner, Thomas Mockridge, and Steven Tomsic) are also employed in the management of News Corporation, which indirectly controls the Company, or affiliates of News Corporation, conflicts of interest may arise from time to time in relation to these members' obligations to the Company and their obligations to News Corporation, in particular in connection with commercial and other agreements entered into between Sky Deutschland and other News Group entities. Further, certain of the members of the Management Board and the Supervisory Board have been served with third party notices (*Streitverkündungen*) in connection with the claims against the Company based on capital markets laws, which may give rise to conflicts between the Company's interests and the interests of these members of the Management Board and Supervisory Board. Any potential conflicts of interest are dealt with pursuant to statutory regulations. Some Sky Deutschland managers are still entitled to certain contractual benefits under their past employment agreements with News Corporation or its affiliates, such as pension entitlements, cost reimbursements and stock options; they also received certain bonus payments resulting from their past service to News Corporation and/or its affiliates. Sky Deutschland Fernsehen entered into a share purchase agreement with Mr. Wolfram Winter, a member of Sky Deutschland's Senior Management, under which Sky Deutschland repurchased a 1.4% stake in Premiere Star from Mr. Winter in February 2009. As consideration, Mr. Winter received a cash payment and a claim for further payment from Sky Deutschland. This claim was set-off against a claim under a loan granted previously to Mr. Winter by Sky Deutschland to finance the purchase of the stake. See "*Operating and Financial Review—Results of Operations—Cash flow—Capital expenditure*" for further information on the Premiere Star transaction.

General Shareholders' Meetings

Pursuant to the Company's Articles of Association, General Shareholders' Meetings are convened by the Management Board, or – in legally prescribed cases – by the Supervisory Board. Depending on the choice of the convening body, General Shareholders' Meetings take place in the Company's

registered office, in the offices of the German Stock Exchange or in a German city with more than 100,000 inhabitants. Each individual share provides one vote at the General Shareholders' Meeting.

Unless binding provisions of the AktG or the Company's Articles of Association state otherwise, General Shareholders' Meeting resolutions are passed with a simple majority of the votes cast. In accordance with the AktG, resolutions of fundamental importance require – in addition to a simple majority of the votes cast – also a majority of at least three quarters of the share capital represented in order to pass such a resolution. Such resolutions of fundamental importance include in particular:

- Changes in the corporate purpose ;
- Share capital increases with exclusion of pre-emptive rights;
- Share capital decreases;
- The establishment of authorized or contingent capital;
- Divisions or split-offs as well as transfers of the entire assets of the Company;
- Conclusions of intercompany agreements (in particular, control agreements and profit and loss transfer agreements);
- Changes in the legal form of the Company; and
- The liquidation of the Company.

The General Shareholders' Meeting can be convened at the behest of the Management Board, the Supervisory Board or shareholders, whose shares together total at least 5% of the share capital. If the best interests of the Company require it, the Supervisory Board must call a General Shareholders' Meeting. The annual ordinary General Shareholders' Meeting takes place within the first eight months of every financial year. In accordance with the Company's Articles of Association, shareholders are permitted to take part in the General Shareholders' Meeting and to exercise their voting rights if they are entered in the Company's share register and their registration is delivered to the Company or to another place indicated in the invitation to the particular General Shareholders' Meeting at least six days prior the General Shareholders' Meeting in writing, by fax or in another manner as indicated by the Management Board in the invitation to the particular General Shareholders' Meeting (*e.g.*, electronically).

Neither German law nor the Company's Articles of Association restrict the right to own shares or to exercise the associated voting rights for German non-residents or for foreign owners of shares.

Corporate Governance

The German Corporate Governance Code ("**Code**") contains recommendations and suggestions regarding the management and supervision of German companies listed on the stock exchange. In doing so, the Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to make the German system of corporate governance and supervision transparent for investors. The Code was adopted by the Government's Commission on the German Corporate Governance Code on February 26, 2002 and first published in the Federal Electronic Gazette on August 20, 2002. Since that time, a number of changes have been adopted, the last of them on May 26, 2010. The current version of the Code was adopted on May 26, 2010 and published in the Federal Electronic Gazette on July 2, 2010.

There exists no legal obligation to comply with the recommendations or suggestions of the Code. Section 161 AktG only obligates the Management Board and the Supervisory Board to either declare, every year, that the recommendations of the Code have been complied with, or to declare which recommendations have not been or are not applied and explain why the Management Board and the Supervisory Board do not comply with such recommendations that have not been or are not applied. This declaration must be made annually and published on the Company's website where it is permanently publicly available. Companies can depart from the suggestions contained in the Code without any specific disclosure or explanation.

The Management Board and the Supervisory Board herewith declare that the recommendations of the "Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the Federal Gazette in the version of July 2, 2010 have been complied with for the financial years 2009 and 2010 with one exception. A nomination

committee pursuant to lit. 5.3.3 German Corporate Governance Code has not been established. As no co-determination rules apply and the Supervisory Board is exclusively constituted with shareholder representatives and taking into account efficiency considerations, the implementation of a nomination committee seems not to be appropriate.

The Management Board and the Supervisory Board herewith further declare that the recommendations of the "Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version of July 2, 2010 will be complied with for the financial years 2009 and 2010 with the exception of establishing a nomination committee pursuant to paragraph 5.3.3 of the German Corporate Governance Code.

The Company considers the formation of a nomination committee, which pursuant to paragraph 5.3.3 of the German Corporate Governance Code may consist only of shareholders, to be superfluous because the Company is not subject to any employee co-determination and, for this reason, Supervisory Board members are in any case working exclusively in the interests of shareholders.

RELATED PARTY TRANSACTIONS

A company's related parties as defined in International Accounting Standard 24 (IAS 24) include those companies with which the Company forms a group or in which it holds a controlling interest, has an interest in the entity that gives it significant influence over the entity or has joint control over the entity. The Company's related parties as defined in IAS 24 include News Corporation and its group companies as well as members of the Management Board and the Supervisory Board, including close members of their families, as well as those companies over which members of the Management Board or Supervisory Board of the Company or close members of their families can exercise significant influence or of which they hold a significant proportion of the voting rights.

Sky Deutschland AG prepared a dependency report (*Abhängigkeitsbericht*) in its capacity as a dependent company of News Adelaide for the periods from December 29 to December 31, 2008 and the year 2009. A company is required to prepare a dependency report (*Abhängigkeitsbericht*) if it is a dependent company within the meaning of the AktG and is controlled by a controlling company. Based on the attendance at previous shareholders' meetings of Sky Deutschland AG, it was assumed that News Adelaide had factual control as a result of the rights offering published on December 29, 2008 until February 26, 2009 and from July 9, 2009 to December 31, 2009 on the basis of shareholders' presence in the Company's shareholders' meetings. Considering other factors it might even be the case that the Company is a dependent company of News Adelaide for the whole year 2009. If, and for so long as, the Company is a dependent company, it is required to prepare a dependency report (*Abhängigkeitsbericht*) annually in accordance with Section 312 AktG. In the dependency report (*Abhängigkeitsbericht*) for 2009, the Company was obligated to report all legal transactions entered into by the Company with News Corporation or one of its affiliated companies or on the orders of or in the interest of these companies in the period from January 1, 2009 to December 31, 2009, as well as all other measures that the Company took or omitted to take in the interest of or on the orders of these companies in the previous fiscal year since the dependency came into existence. With respect to transactions described above, the report must indicate the respective benefit provided and consideration received, with respect to the measures described above that were taken or omitted, the report must indicate the reasons for each measure as well as its benefits and drawbacks for the Company. If drawbacks are to be compensated, it must be individually shown how the compensation was actually effected or which benefits the Company was granted the right to receive. At the end of the report, the Management Board must state for each transaction whether the Company has received appropriate compensation given the circumstances that were known at the time at which the transaction was concluded or the measure was taken or omitted and that the Company was not put at a disadvantage because of the measure taken or omitted. If the Company was put at a disadvantage, the Management Board must state whether the Company has been compensated for the disadvantage.

The auditor must audit the dependency report (*Abhängigkeitsbericht*). If this audit leads to no reservations, the auditor must confirm that the factual information in the report is correct, that the legal transactions listed in the report did not involve an excessive amount of work performed by the Company or that any drawbacks have been compensated, and that the measures stated in the report involve no circumstances that would argue in favor of an evaluation substantially different from that of the Management Board. The Supervisory Board of the Company must itself review the dependency report (*Abhängigkeitsbericht*) and report the results of the review to the shareholders' meeting and comment on the auditor's review report.

In the opinion of the Company, all legal transactions and service relationships with News Corporation and its affiliated companies entered into in the ordinary course of its business activities were conducted on standard market terms and conditions. In the 2009 dependency report (*Abhängigkeitsbericht*), the Management Board of the Company stated that the Company had received appropriate compensation for each service within the meaning of the dependency report (*Abhängigkeitsbericht*) given the circumstances prevailing at the time of the respective transaction. No measures were taken or omitted on the order of or in the interest of News Corporation or its affiliated companies. The auditor of the Company has audited this report and confirmed that the actual information in the 2009 dependency report (*Abhängigkeitsbericht*) is correct and that the legal transactions listed in the report did not involve an excessive amount of work performed by the Company. The audit did not lead to any reservations.

Relationship with News Corporation

News Corporation is a diversified global media company with activities in eight different industry segments: films, television, cable network programming, satellite television, magazines and supplements, newspapers and information services, book publishing and other. News Corporation holds all of the shares of the largest Italian pay-TV company, SKY Italia and is a major shareholder of the company to which Twentieth Century Fox, Inc. belongs.

News Corporation is primarily active in the United States, continental Europe, the United Kingdom, Australia, Asia and Latin America.

As stated in the Company's report for the second quarter of 2010 published on August 13, 2010, News Corporation held approximately 45.42% of the shares of Sky Deutschland AG through subsidiaries as of June 30, 2010. As a result of this offering and the Backstop Agreement, the shareholding could increase to 49.90% or, if News Corporation agrees to purchase further shares or to convert the Convertible Bond or, to the extent legally permissible, the Shareholder Loan to equity, could exceed this threshold. See "*The Offering—Rights Offering—New Shares not subscribed for in the rights offering*", "*—Financial Support Agreement*" and "*General Information about Sky Deutschland AG—Major Shareholders*".

Various contractual relationships exist between the Company and News Corporation, including the following:

Financial Support Agreement

On August 2, 2010, the Company, Sky Deutschland Fernsehen, News Adelaide and News Corporation concluded an agreement on the financial support of the Company (the "**FSA**"). Under the FSA, News Adelaide has undertaken, subject to certain conditions, to support the Company in raising financing in an aggregate gross amount of €340 million (the "**Total Funding Amount**").

In accordance with the FSA, News Adelaide and News Corporation concluded a backstop agreement with the Underwriters on September 13, 2010 (the "**Backstop Agreement**"). Under the Backstop Agreement, News Adelaide is obliged to exercise subscription rights and/or to acquire all New Shares that have not been purchased at the Subscription Price, subject to certain conditions (see "*The Offering—Rights Offering—New Shares not subscribed for in the rights offering*"), provided however, that News Adelaide will in no event be required to acquire or subscribe for New Shares to the extent that this would cause its shareholding in Sky Deutschland to exceed 49.90% following the registration of the capital increase described in this offering. News Adelaide has informed the Company that it currently does not intend to increase its shareholding in the Company above the aforementioned threshold; however News Adelaide may in its sole discretion elect to waive such restriction. News Adelaide has undertaken *vis-à-vis* the Underwriters to directly subscribe for those New Shares.

Because the gross proceeds of this offering ("**Offering Proceeds**"), even if all offered shares are placed (up to €283.1 million) fall below the Total Funding Amount, News Adelaide has undertaken under the FSA, subject to certain conditions, to conclude (i) a bond subscription agreement with the Company on or before January 28, 2011 (the "**Bond Subscription Agreement**"), pursuant to which News Adelaide or a News Adelaide designee would agree to purchase unsecured and subordinated convertible bonds granting rights to receive up to 53,916,185 ordinary registered shares with no par value, each share with a notional value of €1.00, out of the Company's existing contingent capital against payment of an issue price determined prior to the issuance of the convertible bond in accordance with certain terms agreed in the FSA (the "**Convertible Bond**" and the proceeds generated through the issuance of the Convertible Bond being referred to as the "**Convertible Proceeds**") and/or (ii) a shareholder loan agreement with the Company (the "**Shareholder Loan Agreement**") on or before January 31, 2011, pursuant to which News Adelaide would agree to make available to the Company by no later than January 31, 2011 an unsecured and subordinated loan (the "**Shareholder Loan**") in the amount of the difference amount between the Total Funding Amount and the Offering Proceeds and, if any, the Convertible Proceeds (such amount being referred to as the "**Shareholder Loan Amount**"). The FSA provides for certain provisions that allow the Company to draw gross amounts of up to €80 million in mid-October 2010 and up to gross €340 million by the end of December 2010. News Adelaide will receive a commission of up to €7.82 million as consideration for providing the financial support, which commission includes the

backstop fee payable to News Adelaide for their support of this rights offering (see "*The Offering—Interested Persons Participating in the Offering*").

News Adelaide's commitment to conclude the Bond Subscription Agreement and the Shareholder Loan Agreement is subject to the conditions, that, in particular, (1) no public takeover offer for the Company by a company not associated with News Corporation is published, (2) the Company has not disposed of assets with a value of over €25 million, (3) no grounds for termination of the Company's credit facilities exist, (4) no other significant disadvantageous change has occurred in the financial and business development of Sky (which would include a loss of the live pay-TV broadcasting rights to the first and second divisions of the German football league (*Fußball-Bundesliga*)), (5) the Company delivers a confirmation to News Adelaide that The Royal Bank of Scotland plc, as the arranger of the Company's syndicate banks, has confirmed that no grounds for termination of the credit facilities are known or that grounds of this kind have been waived and, with regard to the Convertible Bond only, (6) the agreed terms of the Convertible Bond are in accordance with the authorization granted by the 2010 General Shareholders' Meeting.

The issuance of the unsecured and subordinated Convertible Bond will be excluded from subscription rights and will be offered to News Adelaide or News Adelaide's designees. The Convertible Bond will have a coupon of 5.5 – 6.5% p.a. being convertible 40 days after the issuance at the discretion of the holder. The reference share price will be based on the average closing price during the ten trading days on the Frankfurt Stock Exchange prior to the Management Board resolution on the issuance of the Convertible Bond. The conversion price will amount to the greater of (i) 125–130% of the reference share price, and (ii) a minimum conversion price of €1.00. The Convertible Bond will become due and payable four years after issuance and will contain a clause under which it becomes immediately due and repayable if Sky Deutschland defaults under its existing credit facilities. See "*Operating and Financial Review—Liquidity and Capital Resources—Credit facilities*". If, at the time of the issuance of the Convertible Bond, the terms set forth in this agreement do not allow to determine the issue price such that it does not fall materially below its theoretical market value as required per the authorization granted by the 2010 General Shareholders' Meeting, News Corporation and the Company may mutually agree to amend the terms. The Convertible Bond may only be transferred to third parties if they become party to an intercreditor agreement between the Company, its syndicate banks and News Adelaide.

The unsecured and subordinated Shareholder Loan will be interest bearing with interest of 12% p.a. accruing and will be payable in kind at maturity. The Shareholder Loan will be repayable on March 31, 2014 and will contain a clause under which it becomes immediately due and repayable if Sky Deutschland defaults under its existing credit facilities. (See "*Operating and Financial Review—Liquidity and Capital Resources—Credit facilities*"). At the request of News Corporation, to the extent legally permissible, the Shareholder Loan shall be converted into ordinary shares or convertible bonds by contribution in kind on the basis of a shareholder resolution to be passed in an annual shareholders' meeting or an extraordinary shareholders meeting.

News Corporation has guaranteed these obligations of News Adelaide under the FSA, the Backstop Agreement and the Bond Subscription Agreement. The syndicate banks of Sky Deutschland AG have waived the observance of certain covenants until December 31, 2011. See "*Operating and Financial Review—Liquidity and Capital Resources—Credit facilities*".

Trademark Sub-Licensing Agreement

On April 16, 2010, Sky Deutschland Fernsehen and BSkyB entered into a trademark licensing agreement. Commencing on July 1, 2009, BSkyB granted Sky Deutschland a non-transferable license to operate its pay-TV business under the "SKY" trademark in Germany, Austria, Switzerland, Luxembourg, Liechtenstein and Alto Adige. The initial term of the agreement ends on June 30, 2016 and will automatically be renewed for a further seven years. On the expiration of the extended term, Sky Deutschland has the option to further extend the term of the agreement for one additional three year period. As consideration for the license, Sky Deutschland pays a certain percentage of its revenues as a license fee to BSkyB. During the initial seven-year term of the agreement, the license fee is capped, with the cap being increased from GBP 1.5 million in the first year to GBP 4.5 million in the final year of the initial term. BSkyB may terminate the agreement under certain circumstances if a shareholder other than News Corporation or News Adelaide gains control over the Company.

Disclosure Agreement

On September 16, 2009, the Company entered into an agreement with News Corporation and News Adelaide relating to the exchange of certain information among Sky Deutschland and entities of the News Group for the purposes of financial reporting and planning. Each party is obligated to keep confidential the information received from the other parties. The initial term of the agreement expired on December 31, 2009 but the agreement has been automatically extended for a period of one year and will continue to be automatically extended for one-year periods unless one of the parties terminates the agreement on one month's notice prior to the expiration of the term of the agreement or until the Company ceases to be a dependent company of News Corporation or News Adelaide.

Service Framework Agreement

On March 17, 2010, the Company and NDS Technology France S.A.S. ("**NDS Technology**"), in which News Corporation indirectly holds 49% of the outstanding share capital, entered into a service framework agreement, under which Sky Deutschland may request NDS Technology to provide certain IT-related consultant services. Sky Deutschland has committed to request a minimum contingent of consultant services equivalent to 90 man years over the term of the agreement which results in a minimum fee over the term of the agreement of €16.1 million. The agreement runs from January 1, 2009 for a 42 months period. Sky Deutschland has further entered into certain sub-agreements with NDS Technology, specifying the services to be rendered under the service framework agreement.

NDSTF Mediahighway Agreement

On March 29, 2006, the Company and an affiliate of NDS Group Ltd., in which News Corporation holds indirectly 49% of the outstanding share capital, entered into an integration, supply and license agreement for the NDSTF Mediahighway System, a middleware system Sky Deutschland uses for its set-top boxes. As amended in 2010, Sky Deutschland has agreed to request services under this agreement for a minimum fee volume of €4 million per year. The agreement expires on June 30, 2012.

NDS Indemnity Agreement

On March 17, 2010, the Company and NDS Technologies France SAS entered into an indemnity agreement, under which NDS indemnifies Sky Deutschland against any claim by Gemstar that the use of EPG delivered by NDS after July 2008 and used or deployed by Sky Deutschland infringes any patents held by Gemstar regarding EPG systems.

SMS Service Agreement

On September 17, 2009, Sky Deutschland Fernsehen and SKY Italia entered into a subscriber management system service agreement under which Sky Deutschland outsourced certain services for the IT infrastructure operations of its subscriber management system to SKY Italia. This agreement replaced an earlier start-up consulting agreement. The IT infrastructure operating the subscriber management system is located in Italy and hosted and operated by SKY Italia, having been set-up pursuant to an earlier agreement with SKY Italia. In addition, SKY Italia provides certain services to integrate Sky Deutschland's existing IT systems for customer management, billing and business intelligence (CRM) into this new infrastructure. The agreement has an initial term until June 30, 2012 and can be extended by Sky Deutschland for a further 3 year term. After the expiry of the extended term, Sky Deutschland has the option to extend the agreement for further one-year periods on terms and conditions still to be agreed. The total consideration payable under this agreement until June 2012 amounts to a low double-digit million euro amount. Upon expiry of the agreement, Sky Deutschland is obligated to assume all agreements entered into between SKY Italia and third parties for the performance of the SMS service agreement, and to purchase hardware and software components from SKY Italia to the extent an assumption of contracts is not feasible.

Consulting service and team transfer agreements

In July of 2009, the Company entered into a consulting service agreement with News Corporation for the provision of expertise by News Corporation to Sky Deutschland in relation to the relaunch of

the business. The agreement provides that such services will mainly be rendered by News Corporation through sending employees on business trips to Sky Deutschland from offices in Italy and the United Kingdom. To the extent such employees are sent to Sky Deutschland by affiliates from News Corporation, separate agreements must be entered into between such affiliate and Sky Deutschland. The agreement provides for a flat fee consideration per employee and day of secondment, the amount of which depends on the position of the seconded employee.

In the fourth quarter of 2008 and in 2009, the Company entered into agreements with SKY Italia and NDS on the short- and/or long-term transfer of consultants. These consultants are supporting Sky Deutschland in its restructuring.

Sky Deutschland has entered into a service agreement with SKY Italia. The subject-matter of this agreement, which took retroactive effect from September 2009, is the provision by SKY Italia of consulting services through employees of SKY Italia. The employees have supported Sky Deutschland in various areas in implementing its restructuring plan.

In addition, on December 3, 2008, Sky Deutschland and SKY Italia entered into an agreement regarding the secondment of certain employees of SKY Italia. The employees seconded by SKY Italia to Sky Deutschland continue to have an employment agreement with SKY Italia and are paid by SKY Italia, but receive instructions exclusively from Sky Deutschland. There is no contractual agreement regarding the right of the consultants to give instructions to employees of Sky Deutschland. SKY Italia bills the Company monthly for all costs incurred in connection with the transfer of its employees to Sky Deutschland, in particular, for their compensation and legally required social contributions in Italy. Sky Deutschland itself is responsible for the accommodation and living expenses of the transferred employees. Under the agreement, SKY Italia is obligated to compensate Sky Deutschland for any costs incurred by Sky Deutschland should the transferred consultants or third parties make claims against Sky Deutschland for a violation of the protection provisions of the German Temporary Employee Act (*Arbeitnehmerüberlassungsgesetz*).

The Company has also entered into an agreement with BSkyB with regard to the secondment of certain BSkyB employees to Sky Deutschland. The employees remain employees of BSkyB at all times and Sky Deutschland may not issue instructions to them. The agreement expires on September 14, 2010. However, the parties may agree to extend the term of the agreement. BSkyB continues to pay the employees' remuneration, bonuses, cash allowances (if any) and mandatory social security and insurance contributions. Sky Deutschland is then charged for all reasonable costs in relation to these by BSkyB. In addition, Sky Deutschland reimburses the seconded employees for their additional accommodation in Germany.

Furthermore, a number of other legal transactions were concluded between Sky Deutschland and affiliates of News Corporation providing for the provision of consulting services and delegation of personnel.

Licensing agreements

Sky Deutschland has entered into various licensing agreements with companies affiliated with News Corporation for the transfer of broadcast rights to films and television channels. Sky Deutschland entered into an output agreement, among other agreements, with Twentieth Century Fox Telecommunications International, Inc. in 1997 to acquire the broadcast license for cinema releases produced by Fox (see also "*Business Description—Programming Rights*"). In 2009, Sky Deutschland entered into a platform agreement with Fox International Channels Germany GmbH on the distribution of the pay-TV channel "Fox" in Sky Deutschland's programming package.

On the other hand, Sky Deutschland Fernsehen has sub-licensed the rights to some of its programming, such as the broadcasts of the 2009/2010 season of the German football league (*Fußball-Bundesliga*), to SKY Italia.

Encryption technology

Various agreements exist between Sky Deutschland and NDS covering the use of encryption technologies for Sky Deutschland's programming signal, cooperation relating to software development, the granting of software licenses to Sky Deutschland and the provision of advisory services by NDS. The encryption system "NDS Videoguard" is a technology for access

authorization. This system has been used by Sky Deutschland alongside its previous system "Nagravision" from Kudelski since 2008.

Relationships with Other Unconsolidated Companies

In the ordinary course of its business activities, all supply and service relationships entered into with unconsolidated companies were concluded on standard market terms and conditions that are commonly applied to transactions with non-Group third parties.

Relationships with Related Persons

Related persons comprise persons who can be substantially influenced by the Company or who can exert a substantial influence on the Company. This includes the Management Board, the Supervisory Board and Senior Management of the Company as well as family members and partners of such persons. The legal relationships of the Company with the members of the Management Board, Supervisory Board and Senior Management are described under "*Information about Sky Deutschland AG's Corporate Bodies*".

TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following section "Taxation in the Federal Republic of Germany" contains a short summary of certain important German tax principles that may be or may become relevant with respect to the acquisition, holding, or transfer of shares or subscription rights as well as the exercise of subscription rights. This description does not purport to be exhaustive and does not provide a complete explanation of all possible tax issues in this area that may be relevant to shareholders. This summary is based on German tax law applicable as of the date of this Prospectus, including the provisions of double taxation treaties typically entered into between Germany and other countries. Tax provisions may change, possibly with retroactive effect.

This section cannot replace individualized tax advice provided to individual shareholders. Prospective purchasers of shares or subscription rights are thus advised to consult their tax advisors as to the tax consequences of the acquisition, holding or transfer of shares or subscription rights and as to the procedures that must be followed to receive a refund of German withholding tax (*Kapitalertragsteuer*). Only tax advisors retained on an individual basis are able to consider the specific tax situations of individual shareholders.

Taxation of the Company

Profits earned by German corporations are generally subject to corporate income tax (*Körperschaftsteuer*) at a rate of 15%, plus a solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon (in total: 15.825%).

Dividends or other profit shares received by the Company from domestic or foreign corporations are generally exempt from corporate income tax. 5% of such income is considered nondeductible business expenses and as such is subject to corporate income tax (plus solidarity surcharge of 5.5% thereon). The same applies to profits earned by the Company from the sale of shares in another domestic or foreign corporation.

In addition, German corporations are subject to trade tax (*Gewerbesteuer*) with respect to income from permanent establishments (*Betriebsstätten*) in Germany. Dividends or other profit shares received by the Company from domestic or foreign corporations and capital gains from the sale of shares in other corporations are generally subject to the same treatment for trade tax purposes as for corporate income tax purposes. However, dividends or other profit shares from domestic corporations are 95% exempt from trade tax only if the Company held at least 15% of the issued share capital of the distributing corporation at the beginning of the relevant tax assessment period (trade tax holding privilege). In the case of dividends or other profit shares from qualified shareholdings in corporations domiciled in another (non-German) member state of the European Union within the meaning of Article 2 of the so-called Parent-Subsidiary Directive (EC Directive 90/435 EEC of the Council dated July 23, 1990, as amended), the relevant threshold is 10% at the beginning of the relevant tax assessment period. Subject to additional requirements, the 95% exemption from trade tax may also apply with respect to dividends or other profit shares received from other foreign corporations, if the Company has held 15% of the issued share capital of such corporation continuously since the beginning of the relevant tax assessment period. The effective trade tax rate depends on the municipalities in which the Company maintains permanent establishments. The effective trade tax rate generally amounts to between approximately 10% and 17% of the trade earnings (*Gewerbeertrag*), depending on the local multiplier (*Hebesatz*) of the municipality.

The Company may use tax loss carry-forwards only up to €1.0 million to fully offset positive income that is subject to the corporate income tax or trade tax. If the income or trade earnings exceed this amount, the loss offset is limited to 60% of the exceeding amount. The remaining 40% is subject to tax (so-called minimum taxation, *Mindestbesteuerung*). Unused loss carry-forwards can be carried forward indefinitely, and may be used to offset future taxable income or trade earnings within the limits described above, subject to several loss forfeiture rules.

Unused tax loss carry-forwards of corporations are lost completely if, within a period of five years, more than 50% of the subscribed capital, membership rights, participation rights or voting rights of the entity are transferred directly or indirectly to a purchaser or related party of a purchaser or to a group of purchasers with related interests or if similar circumstances arise. In addition, any losses incurred during the current fiscal year up until such a "harmful acquisition" (*schädlicher*

Beteiligungserwerb) may no longer be used. If more than 25% and up to 50% is transferred, unused loss carry-forwards and losses for the current year are partially forfeited corresponding to the amount of the harmful acquisition. The same applies if due to a capital increase the shareholding of a shareholder exceeds the aforementioned thresholds. Exceptions to the prohibition on the offset of losses exist with respect to certain intra-group transactions. Beyond that, unused loss carry-forwards (and losses for the current year) persist, irrespective of a harmful acquisition, either in the amount of the Company's then existing built-in gains (*stille Reserven*) of the German business assets if more than 50% is transferred, or in the pro-rata amount of these built-in gains if more than 25% and up to 50% is transferred.

The deduction of interest expenses is subject to the interest barrier rules (*Zinsschranke*). Generally, the Company is allowed to deduct interest expense exceeding the amount of interest income (that is, net interest income) only up to 30% of the Company's tax-adjusted EBITDA, if its net interest expense is €3 million or higher per annum and the so-called escape-clause does not apply. Special rules apply in the case of loans from qualified shareholders, a person related thereto, or a third party having recourse against such shareholder or related person. Interest expense that is not deductible in a given year can generally be carried forward within the limits of the interest barrier rules. The principles on the loss of tax loss carry-forwards discussed above apply, *mutatis mutandis*, to interest carry-forwards.

Taxation of Shareholders

In respect of shareholder taxation, a distinction must be made between taxation relating to the holding of shares (taxation of dividends), the sale of shares or the sale or exercise of subscription rights (taxation of capital gains) and the gratuitous transfer of shares (inheritance and gift tax).

Taxation of Dividends

Withholding tax

The Company must generally withhold and remit to the German tax authorities, for the account of its shareholders, a source tax (capital withholding tax (*Kapitalertragsteuer*)) in the amount of 25% on dividends distributed by the Company, plus a solidarity surcharge of 5.5% on the amount of such withholding tax (a total of 26.375% plus church tax, if applicable). The dividend withholding tax base is the amount of dividends approved for distribution by the General Shareholders' Meeting. Dividend withholding tax is generally withheld, regardless of whether and to what extent dividends are tax-exempt at the level of the shareholder and regardless of whether the shareholder is a resident or non-resident of Germany.

Where dividends are distributed to a parent company domiciled in another member state of the European Union within the meaning of Article 3(1)(a) of the so-called Parent-Subsidiary Directive (EU Directive 90/435/EEC of the Council dated July 23, 1990, as amended), an exemption from the withholding may be given or the withholding tax that has been withheld may be refunded upon application, provided that additional requirements are met. The same applies with respect to dividends distributed to a permanent establishment situated in another member state of the European Union of such parent company or of a parent company that is tax resident in Germany, provided in each case the participation in the Company is actually part of the business assets of the permanent establishment.

The withholding tax rate for distributions to non-German resident shareholders may be reduced in accordance with an applicable double taxation treaty, provided that Germany and the shareholder's country of residence have entered into a double taxation treaty, the shareholder is eligible for the benefits under the double taxation treaty and that the shares are not held as part of the business assets of a permanent establishment or fixed base in Germany or as part of the business assets for which a permanent representative in Germany has been appointed. The dividend withholding tax is generally reduced by way of a refund, upon application to the Federal Central Office of Taxation (*Bundeszentralamt für Steuern*, Main Office Bonn-Beuel, An der Küppe 1, 53225 Bonn), of the difference between the total amount withheld, including solidarity surcharge, and the amount of withholding tax actually owed under the applicable double taxation treaty (generally 15%). Forms for the refund procedure may be obtained from the Federal Central Office of Taxation (http://www.bzst.bund.de) as well as at German embassies and consulates.

In the case of dividends received by corporations that are subject to non-resident taxation in Germany and do not have their registered office or place of management in Germany, two-fifths of the withholding tax withheld and remitted to the tax authorities can be refunded, without the requirement that all conditions giving rise to a refund under the Parent-Subsidiary-Directive or double taxation treaties be satisfied and without prejudice to any further reduction the Parent-Subsidiary Directive or double taxation treaties may provide, provided the "substance test" as described below is fulfilled.

In case of dividends received by non-German corporations any reduction (by way of waiver or refund) of German withholding tax requires that the non-German company meets a "substance test" pursuant to the German anti-treaty/parent subsidiary directive shopping rules. According to this test, the foreign company is not entitled to the refund if and to the extent (i) its shareholders would not have been entitled to those benefits if they had received the dividends directly and (ii) either (x) there is no business or relevant other non-tax reason for the interposition of the non-German company or (y) the non-German company does not have adequate economic substance to engage in its commercial activities or (z) the non-German company does not generate more than 10% of its gross income from own business activities. Certain exemptions may apply if the foreign company qualifies as a foreign investment vehicle comparable to a German regulated investment stock corporation or is a foreign stock corporation the shares of which are regularly traded at an authorized stock exchange.

German Resident Shareholders

Taxation of dividend income of shareholders resident in Germany who hold their shares as private assets

Dividend income of individuals who are tax residents of Germany who hold their shares as private assets is, in principle, subject to the so-called flat tax. Regardless of how income tax is assessed, the tax rate on dividends is set at a flat rate of 25% (plus 5.5% solidarity surcharge, for a total of 26.375%, plus church tax, if applicable) of the underlying gross dividends. The deduction of income-related expenses (*Werbungskosten*) is not allowed and is replaced by a lump sum deduction from investment income (*Sparerpauschbetrag*) of €801 (€1,602 for married couples filing jointly), which applies to all investment income.

The withholding of taxes on dividends has an off-setting effect in that it satisfies the personal income tax liability of the investor in that amount. However, investors may apply for their investment income to be assessed at their personal income tax rate if the resulting income tax burden is lower. Even in this case, the relevant gross income less the lump sum deduction from investment income is taken into account and a deduction of the expenses actually incurred would not be allowed. In this case, any dividend tax initially withheld would be included in the income tax assessment.

Taxation of dividend income of shareholders resident in Germany who hold their shares as business assets

If the shares form part of the business assets of a shareholder, the taxation of the dividend income depends upon whether the shareholder is a corporation, sole proprietor, or partnership (*Mitunternehmerschaft*):

Corporations. If the shareholder is a corporation that is subject to domestic taxation, the dividends are in principle exempt from corporate income tax and the solidarity surcharge. However, 5% of dividends are considered non-deductible business expenses and, as such, are subject to corporate income tax (plus solidarity surcharge in the amount of 5.5% thereon). Moreover, actual business expenses directly related to the dividends are generally tax deductible. However, the full amount of any dividends is subject to trade tax, unless the corporation held at least 15% of the Company's issued share capital at the beginning of the relevant tax assessment period (trade tax holding privilege). In the latter case, the dividends are generally not subject to the trade tax; however, the trade tax does apply to the portion of business expenses that is not deductible (in the amount of 5% of the dividends).

Sole proprietors. If a sole proprietor holds the shares as business assets, 60% of the dividends are subject to tax under the applicable progressive income tax rate (plus solidarity surcharge in the

amount of 5.5% thereon plus church tax, if applicable). Only 60% of the business expenses connected with these dividends is tax-deductible (the so-called partial income system (*Teileinkünfteverfahren*)). If the shares form part of a shareholder's permanent establishment maintained in Germany, the full amount of any dividends is subject to trade tax (provided the shareholder is subject to the trade tax), unless the shareholder held at least 15% of the Company's share capital at the beginning of the relevant tax assessment period (trade tax holding privilege (*Gewerbesteuerprivileg*)). Trade tax is generally credited fully or partially against the shareholder's personal income tax liability in accordance with a lump-sum tax credit method.

Partnership. If the shareholder is a partnership, personal income tax or corporate income tax is assessed at the level of each partner of the respective partnership, not at the level of the partnership itself. If the partner is a corporation, dividends are generally effectively 95% exempt from corporate income tax. However, 5% of dividends are considered non-deductible business expenses and, as such, are subject to corporate income tax (plus solidarity surcharge in the amount of 5.5% thereon) (see above under "—*Corporations*"). If the partner is an individual, 60% of dividends are subject to personal income tax (plus solidarity surcharge in the amount of 5.5% thereon plus church tax, if applicable) (see above under "—*Sole proprietors*"). If the shares form part of a permanent establishment maintained in Germany by a business of the partnership, dividends are also subject to trade tax at the level of the partnership, generally at the full rate. However, the dividends are not subject to trade tax if the partnership held at least 15% of the Company's issued share capital at the beginning of the relevant tax assessment period (trade tax holding privilege). In this case, however, 5% of the dividends that are not considered deductible business expenses are subject to the trade tax if corporations have holdings in the partnership. If the partner is an individual, the portion of the trade tax paid by the partnership and attributable to the relevant partner will be credited fully or partially against his personal income tax liability in accordance with a lump-sum tax credit method.

Special rules for financial institutions, financial services providers, financial enterprises and life and health insurance companies and pension funds are described below.

Non-German Resident Shareholders

The scenario described above for shareholders resident in Germany generally also applies to shareholders not resident in Germany (individuals or corporations) who hold the shares through a permanent establishment or fixed base in Germany or as a business asset for which a permanent representative has been appointed in Germany. The withholding tax (including solidarity surcharge) withheld and remitted is credited against their income or corporate income tax liability.

The withholding of the dividend withholding tax (which may be reduced through a double taxation treaty) discharges any German tax obligation if the shareholder holds his shares neither through a permanent establishment or fixed base in Germany nor as part of business assets for which a permanent representative in Germany has been appointed. A refund or exemption is granted only as discussed above (see under "—*Withholding tax*").

Taxation of Capital Gains

Withholding tax

Capital gains from shares acquired after December 31, 2008 and held by an individual as private assets or business assets are generally subject to a withholding tax in the amount of 25% (plus solidarity surcharge in the amount of 5.5% thereon plus church tax, if applicable) if a German paying agent is given, and generally regardless of the amount of the capital gains for which the shareholder has a tax liability and whether he is a resident or non-resident of Germany. A German paying agent is generally a German financial institution, a German financial services institution or a German branch of a foreign financial institution or financial services institution or a German securities trading company or a German securities trading bank that holds or manages the shares and pays out capital gains. The withholding tax is not withheld if the capital gains of a shareholder who is not a resident of Germany are not subject to tax in Germany. The same applies to capital gains from shares held as business assets by corporations that are tax residents of Germany; also under certain circumstances to shares held as business assets by individuals or partnerships.

In the case of the sale of shares, the tax amount withheld is generally calculated based on the difference between the proceeds from the sale (less any expenses directly related to the sale) and the

costs incurred for the acquisition (*Anschaffungskosten*) of the shares. If the shares were not continuously held by the same paying agent under certain circumstances a different basis of calculation equal to 30% of the proceeds from the sale may apply, at the same withholding tax rate.

Capital gains from the sale of subscription rights are subject to the rules on withholding tax described above. In the case of the sale of subscription rights, the acquisition costs of the subscription rights are recorded at €0 and the withholding tax is calculated based on the proceeds from the sale of the subscription rights. The tax authorities take the view that the exercise of subscription rights is not considered a sale, irrespective whether the shares are held as private or business assets.

German Resident Shareholders

Taxation of capital gains of shareholders resident in Germany who hold their shares as private assets

Capital gains of individuals who are tax residents of Germany and hold their shares as private assets are, in principle, subject to the so-called flat tax. Regardless of how income tax is assessed, the tax rate on capital gains from the sale of shares and subscription rights is set at a flat rate of 25% (plus 5.5% solidarity surcharge, for a total of 26.375%, plus church tax, if applicable). The deduction of income-related expenses (*Werbungskosten*) is not allowed and is replaced by a lump sum deduction from investment income (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly), which applies to all investment income.

The withholding of taxes on capital gains has an off-setting effect in that it satisfies the personal income tax liability of the investor in that amount. However, investors may apply for their capital income to be assessed at their personal income tax rate if the resulting income tax burden is lower. Even in latter case, the relevant gross income less the lump sum deduction from investment income is taken into account and a deduction of the expenses actually incurred would not be allowed. In this case, any capital gains tax initially withheld would be included in the income tax assessment.

Various restrictions to the off-setting of capital gains and capital losses recognized in connection with the sale of shares and subscription rights exist.

According to the tax authorities, subscription rights are considered to have been acquired at the time of the existing shares. Pursuant to this view, only if the existing shares underlying the subscription rights were acquired before January 1, 2009, the rules on the taxation of private sales transactions before the 2008 company tax reform continue to apply, and the capital gains from the sale of these subscription rights are subject to taxation if the existing shares were acquired within one year before the sale of the subscription rights. The tax authorities take the view that the exercise of subscription rights is not considered a sale, irrespective whether the shares are held as private or business assets.

If the shareholder or, in the case of gratuitous acquisition, the legal predecessor, held at least 1% of the Company's share capital indirectly or directly at any time during the five years preceding the sale, capital gains from the sale of shares and subscription rights are subject, taking into account the withholding tax withheld, to the so-called partial income system (*Teileinkünfteverfahren*), *i.e.*, 60% of the capital gains are subject to tax under the applicable progressive income tax rate (plus solidarity surcharge in the amount of 5.5% thereon, plus church tax, if applicable). Correspondingly, expenses related to the capital gains are 60% tax deductible.

Taxation of capital gains of shareholders resident in Germany who hold their shares as business assets

If the shares form part of the business assets of a shareholder, the taxation of capital gains from the sale of shares or subscription rights depends upon whether the shareholder is a corporation, sole proprietor, or partnership (*Mitunternehmerschaft*):

Corporations. For German resident corporations, gains from the sale of shares are generally exempt from corporate income (including solidarity surcharge) and trade tax, irrespective of the amount of the investment and for how long the shares have been held. 5% of the capital gains are considered non-deductible business expenses and, as such, are subject to corporate income tax (plus solidarity surcharge in the amount of 5.5% thereon) and trade tax. In return, the deductibility of business expenses incurred in this connection is not affected by the circumstance that the expenses

are related to tax-exempt income. Losses from the sale of shares or any other reductions of profits related to the sold shares generally do not qualify as tax-deductible business expenses. In contrast, the full amount of gains from the sale of subscription rights arising from a capital increase is subject to corporate income tax (plus solidarity surcharge in the amount of 5.5% thereon) and trade tax.

Sole proprietors. If the shares are held as business assets by a sole proprietor (individual) who is a tax resident of Germany, 60% of the capital gains are subject to tax at the applicable progressive income tax rate (plus solidarity surcharge in the amount of 5.5% thereon, plus church tax, if applicable). Likewise, only 60% of the business expenses related to such sales is tax deductible. If the shares form part of a permanent establishment maintained in Germany by a trade or business owned by the shareholder, 60% of the capital gains are also subject to trade tax, if the sole proprietor is liable to trade tax. Trade tax is credited fully or partially against the shareholder's personal income tax liability in accordance with a lump-sum tax credit method. For gains realized from the sale of subscription rights that form part of the business assets of a sole proprietor there is a risk that the full amount of these gains will be subject to income tax (plus solidarity surcharge) and, if applicable, trade tax. The tax authorities take the view that the exercise of subscription rights is not considered a sale, irrespective whether the shares are held as private or business assets.

Partnership. If the shareholder is a partnership, personal income tax or corporate income tax is assessed at the level of each partner of the respective partnership, not at the level of the partnership itself. The taxation depends on whether the partner is a corporation or an individual. If the partner is a corporation, the taxation of the capital gains is based on the rules described above (see above under "—*Corporations*"). If the partner is an individual, the rules described above apply (see above under "—*Sole proprietors*"). If shares form part of a permanent establishment maintained in Germany by the partnership, gains from the sale are also subject to the trade tax at the level of the partnership at the rate of 60% if the partners are individuals and 5% if the partners are corporations. Regarding the deductibility of business expense and losses from sales related to capital gains, the rules described above under "—*Corporations*" apply if the partners are corporations while if the partners are individuals the rules described under "—*Sole Proprietors*" apply. If the partner is an individual, the trade tax is generally credited fully or partially against the personal income tax liability using a lump-sum tax credit method. The full amount of gains realized from the sale of subscription rights is subject to the corporate income tax and the trade tax if the partner is a corporation. If the partner is an individual, there is a risk that the full amount of the gains, as with gains realized by a corporation, will be subject to income tax and, if applicable, trade tax.

Special rules that differ from these principles apply to capital gains realized by companies in the financial and insurance sectors or by pension funds. These rules are described below.

Non-German Resident Shareholders

Capital gains from shares or subscription rights realized by non-resident shareholders who do not hold the shares through a permanent establishment or fixed base in Germany or as a business asset for which a permanent representative has been appointed in Germany are generally only subject to German tax if the shareholder making the sale or, in the case of gratuitous acquisition, the legal predecessor held at least 1% of the Company's share capital indirectly or directly at any time in the five years preceding the sale.

The tax authorities take the view that, in this case, capitals gains on the sale of shares or subscription rights are not subject to withholding tax. In case, that no withholding tax becomes due, generally, 5% of the capital gains are subject to corporate income tax (plus solidarity surcharge in the amount of 5.5% thereon), if the shareholder is a corporation, and in all other cases 60% of capital gains are subject to German tax. However, most double taxation treaties provide for full exemption from German taxation and grant the right of taxation to the shareholder's country of residence.

The rules described above for shareholders resident in Germany apply to gains from the sale of shares that are held through a permanent establishment or fixed base in Germany or as a business asset for which a permanent representative has been appointed in Germany.

Special Rules for Financial Institutions, Financial Services Providers, Financial Enterprises and Life and Health Insurance Companies and Pension Funds

To the extent shares are held or sold by financial institutions and financial services providers, which are allocable to the trading book pursuant to Section 1a of the German Banking Act (*Kreditwesengesetz,* "**KWG**"), the partial income system (see above) and the 95% exemption from corporate income tax and, where applicable, the trade tax (and the related exemption from the solidarity surcharge), will apply neither with regard to dividends nor with regard to capital gains, such dividends and capital gains will be subject to tax in full. The same applies with respect to shares acquired by financial enterprises within the meaning of the KWG for the purpose of deriving gains from short-term proprietary trading and with respect to shares held by financial institutions, financial services providers and financial enterprises that are domiciled in another member state of the European Community or in another country that is a signatory of the Treaty on the European Economic Area in a German branch. Likewise, the tax exemptions do not apply to shares which are held by life and health insurance companies or pension funds and which are deemed capital investments of such companies. Certain exceptions apply to investors subject to corporate income tax who are resident in another EU member state, if the EU Parent-Subsidiary Directive, as amended, is applicable. When financial institutions or financial services providers sell subscription rights, the full amount of the capital gains realized may be subject to the corporate tax and trade tax, regardless of whether the shares underlying the subscription rights are allocable to the trading book.

Inheritance and Gift Tax

The transfer of shares to another person by gift or inheritance is generally subject to German inheritance or gift tax if

(1) the decedent, donor, heir, beneficiary, or any other transferee maintains a residence or has his habitual abode, its place of management, or its registered office, in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years outside Germany without maintaining a residence in Germany, or

(2) the shares were held by the decedent or donor as part of business assets for which a permanent establishment was maintained in Germany or for which a permanent representative in Germany had been appointed, or

(3) the decedent, at the time of accrual of the inheritance, or the donor, at the time of making the gift, either individually or collectively with related parties, held, directly or indirectly, at least 10% of the Company's issued share capital.

The few German double taxation treaties on the avoidance of double taxation with respect to inheritance or gift tax currently in force usually provide that German inheritance or gift tax may be assessed only in cases (1) and, subject to certain limitations, (2). Special rules apply to certain German expatriates and former German citizens.

Other Taxes

No German capital transfer tax (*Kapitalverkehrsteuer*), value added tax (*Umsatzsteuer*), stamp duty (*Stempelsteuer*), or similar taxes are levied on the purchase, sale or other transfer of shares. Provided that certain requirements are met, business owners may, however, opt for the payment of value-added tax on transactions that are otherwise tax-exempt. Wealth tax (*Vermögensteuer*) is not currently levied in Germany.

TAXATION IN THE REPUBLIC OF AUSTRIA

The following is a brief summary of certain Austrian tax considerations relating to an investment in the shares. It does not claim to fully describe all Austrian tax consequences of the acquisition, ownership or disposition of the shares nor does it take into account the Shareholders' individual circumstances or any special tax treatment applicable to the Shareholder. The summary is based upon Austrian tax laws applicable as of the date of this Prospectus. The laws and their interpretation by the tax authorities may change and such changes may also have retroactive effect. It cannot be ruled out that the Austrian tax authorities adopt a view different from that outlined below. This section does only illustrate tax implications relating to investors which are considered resident in Austria for tax purposes and does not address any tax consequences relating to an investment in the shares which may arise under the laws of any other jurisdiction.

The summary is for general information purposes only and does not purport to address all aspects of Austrian taxation that may be relevant for investors and does therefore not purport to be a comprehensive description of all the tax considerations which may be relevant for a decision to invest in, hold or dispose of the shares. The summary is not a substitute for obtaining individual tax advice from a qualified tax advisor. Prospective investors are therefore advised to consult their own tax advisers as to the particular tax consequences and tax refund procedures of their purchasing, holding or disposing of the shares, including the applicability and effect of local, foreign and other tax laws and tax regulations and possible changes in tax law and tax regulations prior to investing since only qualified tax advisors are in the position to evaluate the individual tax situation of investors in light of their particular facts and circumstances.

Also, tax considerations relevant to investors which are subject to a special tax regime such as for example governmental authorities, charities, private foundations (*Privatstiftungen*) or investment or pension funds are not addressed herein.

General

Individuals resident in Austria are subject to Austrian income tax (*Einkommensteuer*) on their worldwide income (unlimited tax liability). Individuals are considered resident in Austria if they have either a permanent domicile (*Wohnsitz*) or their habitual place of abode (*gewöhnlicher Aufenthalt*) in Austria; otherwise they are non-resident. Non-resident individuals are subject to Austrian income tax only on income from a permanent establishment in Austria or from certain Austrian sources (limited tax liability).

Corporations resident in Austria are subject to Austrian corporate income tax (*Körperschaftsteuer*) on their worldwide income (unlimited tax liability). Corporations are considered resident in Austria if their place of effective management (*Ort der Geschäftsleitung*) is in Austria or if they have their legal seat (*Sitz*) in Austria; otherwise they are non-resident. Non-resident corporations are subject to Austrian corporate income tax only on income from a permanent establishment in Austria or from certain Austrian sources (limited tax liability).

Both in case of unlimited and limited tax liability, Austria's right to tax may be influenced by applicable double tax treaties.

Except for Austrian withholding taxes which have to be withheld at source, the responsibility for adherence to obligations under applicable tax legislation is always the responsibility of the relevant investor.

Taxation of Dividends

Resident individuals

Dividends distributed by a foreign corporation such as the Company are generally subject to a 25 per cent withholding tax (*Kapitalertragsteuer*) in Austria if the shares are held by the investor through a securities account with an Austrian bank or with an Austrian branch of a foreign bank. If the shares are held by the investor through a securities account with an Austrian bank or with a domestic branch of a foreign bank, the bank, as withholding agent, will deduct the 25 per cent Austrian withholding tax.

If foreign withholding tax has been levied on the dividend payments (eg. 25 per cent German withholding tax on dividends in case of the shares), a tax credit on Austrian *Kapitalertragsteuer* can be directly considered by the Austrian bank or domestic branch of a foreign bank up to a maximum of 15 per cent of the dividend amount. A partial refund from the German tax authorities of levied German withholding tax, which exceeds the maximum withholding rate according to Double Tax Treaty Austria - Germany and has not been credited against Austrian withholding tax (*Kapitalertagsteuer*) might be possible upon request.

Private property

For resident individuals, the Austrian withholding tax has the effect of final taxation (*Endbesteuerungswirkung*), i.e. finally settling the tax burden of such resident individual meaning that no further Austrian income tax will be payable on such dividend income and that the dividend income is not to be included into such resident individual's income tax return (*Einkommensteuererklärung*) as investment income.

Alternatively, upon request of the individual tax payer in the individual's annual income tax return the appropriate progressive income tax rate will apply for dividends instead of the 25 per cent final withholding tax. If this option for taxation at appropriate progressive income tax rate is exercised, the progressive income tax rate will apply to total investment income (**all** dividends and **all** interest income), the option may not be exercised for single dividend or interest payments only.

If an Austrian resident investor does not hold the shares in a securities account with an Austrian bank or with an Austrian branch of a foreign bank, the resident individual will have to declare his dividend income in his annual income tax return, qualifying for a special tax rate of 25 per cent. The special tax has the effect of final taxation. The option for taxation of total annual investment income at appropriate progressive income tax rate as described above also applies. As described above the German withholding tax on dividends may be credited to Austrian income tax up to a maximum of 15% and a refund of the exceeding amount of the German withholding tax may be requested with the German tax authorities.

The Austrian Minister of Finance may exclude dividends from foreign corporations from the 25 per cent flat income tax rate, if the securities are not held in an Austrian securities account and if the income of the foreign corporation is not subject to a corporate income tax comparable to Austrian corporate income tax. So far, the Austrian Minister of Finance has not made use of this legal possibility.

Expenses incurred by the Shareholder in connection with the shares (including interest expenses) cannot be deducted for tax purposes if the shares are held as private property.

Business property

If the shares are held as business property, dividends are subject to income tax taxed at half of the average income tax rate that applies to such Austrian resident individual (*Hälftesteuersatz*). Austrian withholding tax on dividend income is credited.

Resident partnerships

An Austrian partnership ("*Offene Gesellschaft*" or "*Kommanditgesellschaft*") is treated as transparent for income tax purposes and income tax is levied on the level of the partners. Nevertheless, if the shares are held by an Austrian partnership as business property dividends are included in a separate tax assessment of the partnership's income, which is binding for proportional income taxation on the level of the partner.

Resident corporations

For corporations resident in Austria (*unbeschränkt steuerpflichtige Körperschaft*) dividends derived from a shareholding in a German corporation (*e.g. Aktiengesellschaft*) are exempt from Austrian corporate income tax (*Beteiligungsertragsbefreiung*) regardless of a minimum shareholding.

Apart from interest expenses for financing the acquisition of the shares expenses incurred by the Shareholder directly attributable to the shareholding activities are not deductable for corporate income tax purposes.

German withholding tax on dividends can **not** be credited against Austrian corporate income tax.

Dividends might by exempt from German withholding tax under regulations of the Parent-Subsidiaries Directive or a reduced German withholding tax rate according to the Double Tax Treaty Austria-Germany might apply.

For certain corporate investors such as for example pension funds special tax rules may apply.

Non Resident Individuals, Partnerships and Corporations

For individuals, partnerships and corporations not resident in Austria, dividends from shares in a German corporation are only taxable if the shares are held in an Austrian permanent establishment or if the shares are attributable to Austrian sources of income subject to limited taxation.

Further, taxation may occur in the country of residence of the shareholder.

Taxation of Capital Gains

Capital gains realized by the sale of shares in a German corporation are not subject to Austrian withholding tax by banks, but subject to Austrian income tax.

Resident individuals

Capital gains earned from the sale of shares in a German corporation held as a private asset by an Austrian resident individual are tax exempt if the sale of the shares takes place after one year after their acquisition (minimum holding or speculation period) and if the overall participation is less than 1 per cent (at the time of sale and at any time within the preceding five years). If the holding period between acquisition and sale is one year or less, capital gains are taxable at the standard income tax rate of the Austrian resident individual, irrespective of the percentage of the participation held. After the one year holding period capital gains resulting from the sale of shares in a German corporation held as a private asset by Austrian resident individuals from participations are not subject to Austrian income tax unless the shareholder has held a participation of at least 1 per cent at any time within the last five years prior to the sale. In this case, capital gains are subject to half of the average income tax rate that applies to such Austrian resident individual (*Hälftesteuersatz*). Capital losses from the sale of shares in a German corporation within the one year speculation period are not tax deductible but can be set off against capital gains realized by other speculative transactions in the same calendar year. Capital gains realized from speculative transactions are exempt from income tax if an amount of €440 per year is not exceeded. If the amount of €440 is exceeded, the total amount of capital gains from speculative transactions is subject to income tax.

Capital gains realized by the sale of shares in a German corporation held as a business asset by an Austrian resident individual are always taxable irrespective of the holding period (i.e. regardless of whether the sale takes place within the one year minimum holding period of thereafter). If these shares were sold prior to the end of the one year minimum holding period, the applicable tax rate is the up to 50 per cent progressive income tax rate that applies to such individual investor. If the shares are sold after the end of the one year minimum holding period, the tax rate on the capital gains realized is reduced to half of the average income tax rate that applies to such Austrian resident individual.

According to the Double Tax Treaty Austria-Germany the alienation of shares of an Austrian tax resident is not taxable in Germany, except from capital gains derived from stock and shares in a company, whose assets mainly consist of immovable property located in Germany (in this case the capital gain may be taxed by Germany according to German tax law).

Resident corporations

Capital gains realized by the sale of shares in a German corporation held by an Austrian resident corporation are subject to the 25 per cent corporate income tax rate, unless the international participation exemption applies (minimum holding period one year, minimum percentage of participation 10 per cent). In case the participation qualifies as international participation exemption capital gains are exempt from Austrian corporate income tax.

Capital losses and write downs of participations qualifying for the international participation exemption are basically not tax-deductable for corporate income tax purposes; an option to treat

capital gains and capital losses of shareholdings qualifying for international participation exemption as taxable for Austrian corporate income tax purposes applies.

Resident partnerships

An Austrian partnership is treated as transparent for income tax purposes and income tax is levied on the level of the partners. Nevertheless, if the shares have been business assets of the Austrian partnership prior to sale capital gains and losses are included in a separate binding tax assessment of the partnership's income, which is binding for proportional income taxation on the level of the partners.

Non Resident Individuals, Partnerships and Corporations

For individuals, partnerships and corporations not resident in Austria, capital gains realized upon the sale of shares in a German corporation are only taxable if the shares are held in an Austrian permanent establishment or if the shares are attributable to Austrian sources of income subject to limited taxation.

Further, taxation may occur in the country of residence of the shareholder.

Exit taxation for individuals

If an Austrian resident individual has held a participation of at least 1 per cent in the Company's registered share capital within the last five years as a private asset and takes steps resulting in Austria losing its taxation rights to other countries (for example by transferring his/her residence outside of Austria), a capital gain is recognized amounting to the difference between the acquisition cost of the shares and their fair market value. Upon request of such individual, taxation of the capital gain may be deferred, if such individual moves to an EU Member State or an eligible EEA Member State (at present only Norway). The deferred income tax on capital gains shall then be levied upon actual disposal of the shares as well as upon transfer of the individual's residence for tax purposes to a state other than an EU Member State or Norway.

Where the shares are held as business assets (*Betriebsvermögen*) by an Austrian tax resident individual or by a corporation subject to Austrian corporate income tax, there are also certain circumstances that can trigger exit taxation, especially if the shares are subject to transactions resulting in the loss of Austrian taxation rights.

Due to the complexity of the rules on exit taxation, professional advice should in particular be sought in all cases where there is a potential loss of taxation rights of the Republic of Austria.

Taxation of Subscription Rights

The receipt, exercise and lapse of subscription rights do not generate taxable income to the shareholder. If the shareholder exercises the subscription rights and buys New Shares, the tax basis in the New Shares will be equal to the amount paid as acquisition price.

Gains from the sale of subscription rights held as private asset by an Austrian resident individual are tax exempt if the sale takes place after one year after acquisition of the shares and if the overall participation is less than 1 per cent (at the time of sale and any time within the preceding five years). Otherwise, capital gains are subject to half of the average income tax rate that applies to such Austrian resident individual. Gains realized by the sale of subscription rights held as business asset by an Austrian resident individual are taxable irrespective of the holding period. If these subscription rights were sold prior to the end of the one year minimum holding period, the applicable tax rate is the progressive income tax rate applicable. After the one year minimum holding period, the tax rate is reduced to half of the average income tax rate applicable. Gains realized by the sale of subscription rights held by an Austrian resident corporation are subject to 25 per cent flat corporate income tax rate; the participation exemption for shares (if applicable) should also apply to a sale of subscription rights but the Austrian tax administration has given no clear guidance in that regard.

Inheritance and Gift Tax

Austrian inheritance and gift tax was levied on inheritances, gifts and special purpose donations as defined in the Austrian Inheritance and Gift Tax Act (*Erbschafts- und Schenkungssteuergesetz*).

In its ruling of March 7, 2007, the Austrian Constitutional Court (*Verfassungsgerichtshof,* "**VfGH**") has, however, annulled the key statutory provision to which Austrian inheritance tax was so far linked, the acquisition *mortis causa* provision, for violation of the constitutional principle of equal treatment. Similarly, the VfGH has repealed on June 15, 2007 the key statutory provision to which Austrian gift tax was so far linked, the donation *inter vivos* provision, for violation of the constitutional principle of equal treatment. In both cases, the annulment will only be effective as at July 31, 2008 and the Austrian government had the chance to introduce revised inheritance and/or gift tax provisions which are in compliance with the Austrian constitution.

However, the Austrian government has not introduced an amended inheritance and/or gift tax Act and, accordingly, Austrian inheritance and gift tax has been abolished as of August 1, 2008. As of August 1, 2008, however, the Donation Declaration Act (*Schenkungsmeldegesetz*) has been introduced and, accordingly, donations may have to be declared with the competent Austrian tax office. For private foundations (*Privatstiftungen*) special rules apply. Non-compliance with the declaration duties results in severe penalty payments.

Value Added Tax (VAT)

Sale and purchase of the shares is exempt from VAT in Austria with no right to deduct input VAT for related expenses.

Other Taxes

Basically no Austrian stock exchange transfer tax, capital transfer tax or stamp duty is actually levied on the purchase or sale of the shares.

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Interim Consolidated Financial Statements (IFRS) of Sky Deutschland AG

for the Six Month Period Ending June 30, 2010

Sky Deutschland AG Group
Consolidated condensed balance sheet
K€

	30/06/2010	31/12/2009
Assets		
Current assets		
Cash and cash equivalents	36,320	8,124
Trade receivables	85,573	68,774
Receivables from entities accounted for at equity	829	210
Film assets and advance payments for sport and film rights	66,379	73,586
Inventories	37,361	36,241
Other assets	38,507	24,096
Assets classified as held-for-sale	0	987
Total current assets	**264,969**	**212,016**
Non-current assets		
Trade receivables	2,612	3,862
Deferred taxes	37	1,446
Film assets and advance payments for sport and film rights	24,186	24,136
Investments and non-current financial assets	663	246
Interests in entities accounted for at equity	4	173
Receivers	54,234	48,102
Property, plant and equipment	15,768	16,382
Intangible assets	707,540	725,954
Other assets	9,373	14,092
Total non-current assets	**814,415**	**834,394**
Total assets	**1,079,384**	**1,046,411**
Liabilities and equity		
Current liabilities		
Borrowings	7,075	29,610
Trade payables	185,631	200,980
Liabilities to entities accounted for at equity	54	3,142
Other provisions	12,228	11,559
Other liabilities	62,896	67,443
Liabilities classified as held-for sale	0	488
Total current liabilities	**267,884**	**313,222**
Non-current liabilities		
Borrowings	283,144	140,924
Trade payables	16,084	18,154
Provisions for pensions and similar obligations	6,443	6,274
Deferred taxes	41,860	39,345
Other liabilities	63,682	65,450
Total non-current liabilities	**411,213**	**270,147**
Total liabilities	**679,097**	**583,369**
Equity		
Capital stock	539,162	490,147
Additional paid-in capital	1,486,443	1,425,720
Reconciling item for successive share purchases in subsidiaries without change in control	−58,245	−58,245
Accumulated other comprehensive income	5,810	−581
Retained deficit	−1,572,882	−1,394,011
Equity attributable to stockholders	400,287	463,031
Minority interest	0	11
Total equity	**400,287**	**463,041**
Total liabilities and equity	**1,079,384**	**1,046,411**

Sky Deutschland AG Group
Consolidated statement of total comprehensive loss
K€

	1/1/ - 30/06/2010	1/1/ - 30/06/2009
Revenues	470,854	463,296
Cost of sales	−498,098	−482,473
Program	−378,010	−360,816
Technology	−71,183	−65,199
Hardware	−18,156	−32,224
Customer service and other cost of sales	−30,749	−24,234
Gross profit	−27,244	−19,177
Selling expenses	−71,702	−55,329
General and administrative expenses	−40,225	−40,486
Other operating income	8,068	5,269
Other operating expenses	−1,805	−9,674
Amortisation of trademark	0	−331,629
Amortisation of subscriber base	−24,496	−24,441
Result from operations	−157,405	−475,467
Gain from entities accounted for at equity	449	33
Interest and similar income	780	2,145
Other financial result	−3,067	−6,240
Loss from entities accounted for at equity	−40	−505
Interest and similar expenses	−18,060	−19,794
Earnings before taxes	−177,343	−499,828
Income taxes	−1,540	54,028
Earnings for the period	**−178,882**	**−445,800**
Other comprehensive income	**6,390**	**286**
Changes in fair value of available-for-sale financial assets (net of tax)	70	104
Changes in fair value of derivatives in cash flow hedges (net of tax)	6,320	182
Total comprehensive loss	**−172,492**	**−445,514**
Earnings attributable to:		
Stockholders	−178,872	−445,495
Minority interest	−11	−305
Total comprehensive loss attributable to:		
Stockholders	−172,482	−445,210
Minority interest	−11	−305
Earnings per share total (€) basic and diluted	−0.34	−1.70

Sky Deutschland AG Group
Consolidated statement of total comprehensive loss
K€

	1/4/ - 30/06/10	1/4/ - 30/06/09
Revenues	236,124	230,616
Cost of sales	−240,457	−254,122
Program	−182,701	−198,743
Technology	−34,176	−31,238
Hardware	−9,011	−11,203
Customer service and other cost of sales	−14,569	−12,937
Gross profit	−4,334	−23,506
Selling expenses	−38,774	−32,915
General and administrative expenses	−20,056	−19,723
Other operating income	5,179	2,829
Other operating expenses	−233	−1,384
Amortisation of trademark	0	−331,629
Amortisation of subscriber base	−12,221	−12,221
Result from operations	−70,439	−418,550
Interest and similar income	359	599
Other financial result	−2,563	−6,853
Loss from entities accounted for at equity	−34	0
Interest and similar expenses	−8,566	−8,667
Earnings before taxes	−81,243	−433,470
Income taxes	−680	67,701
Earnings for the period	**−81,923**	**−365,769**
Other comprehensive income	**3,502**	**283**
Changes in fair value of available-for-sale financial assets (net of tax)	0	102
Changes in fair value of derivatives in cash flow hedges (net of tax)	3,502	182
Total comprehensive loss	**−78,421**	**−365,486**
Earnings attributable to:		
Stockholders	−81,923	−365,760
Minority interest	0	−9
Total comprehensive loss attributable to:		
Stockholders	−78,421	−365,477
Minority interest	0	−9
Earnings per share (€) basic and diluted	−0.15	−0.91

Sky Deutschland AG Group
Consolidated statement of changes in equity
K€

	Subscribed capital	Additional paid-in capital	Retained deficit	Reconciling item for successive share purchases in subsidiaries without change in control	Accumulated changes in fair value of derivatives in cash flow hedges	Accumulated changes in fair value of available-for-sale financial assets	Change in translation reserve resulting from the deconsolidation of subsidiaries	Accumulated other comprehensive income	Equity attributable to stockholders	Minority interest	Total
Balance as of 1/1/09	**112,460**	**1,376,453**	**−717,789**	**0**	**0**	**216**	**0**	**216**	**771,339**	**317**	**771,656**
Increase in capital for contribution in cash (less capital procurement costs)	10,224	26,680	0	0	0	0	0	0	36,903	0	36,903
Increase in capital for contribution in cash (less capital procurement costs)	367,464	22,708	0	0	0	0	0	0	390,172	0	390,172
Repurchase of 40.2% of shares in Premiere Star GmbH	0	0	0	−57,995	0	0	0	0	−57,995	0	−57,995
Total transactions with stockholders	**377,687**	**49,388**	**0**	**−57,995**	**0**	**0**	**0**	**0**	**369,080**	**0**	**369,080**
Total comprehensive loss	0	0	−445,495	0	182	104	0	286	−445,210	−305	−445,514
Balance as of 30/06/09	**490,147**	**1,425,841**	**−1,163,284**	**−57,995**	**182**	**320**	**0**	**501**	**695,210**	**12**	**695,222**
Balance as of 1/1/10	**490,147**	**1,425,720**	**−1,394,011**	**−58,245**	**−838**	**258**	**0**	**−581**	**463,031**	**11**	**463,041**
Increase in capital for contribution in cash (less capital procurement costs)	49,015	60,723	0	0	0	0	0	0	109,738	0	109,738
Total transactions with stockholders	**49,015**	**60,723**	**0**	**0**	**0**	**0**	**0**	**0**	**109,738**	**0**	**109,738**
Total comprehensive loss	0	0	−178,872	0	6,320	70	0	6,390	−172,482	−11	−172,492
Balance as of 30/06/10	**539,162**	**1,486,443**	**−1,572,882**	**−58,245**	**5,482**	**328**	**0**	**5,810**	**400,287**	**0**	**400,287**

Sky Deutschland AG Group
Consolidated statement of cash flows
K€

	1/1/ - 30/06/10	1/1/ - 30/06/09
Result for the period before income tax	−177,343	−499,828
Net interest expense	17,280	17,649
Depreciation, amortisation and impairment losses/reversal of impairment losses on property, plant and equipment, intangible assets and financial assets	21,033	26,197
Amortisation of subscriber base	24,496	24,441
Amortisation of trademark	0	331,629
Result from sale of interests in subsidiaries	108	0
Other non-cash income and expenses	2,492	−2,519
Changes in other provisions	−393	−1,033
Losses on disposal of intangible assets, property, plant and equipment and receivers	21	−366
Changes in inventories, trade receivables and other assets	−45,063	75,427
Changes in trade payables and other liabilities	−16,770	−25,809
Interest received	293	1,571
Net cash used by operating activities	**−173,845**	**−52,641**
Proceeds from sale of intangible assets, property, plant and equipment and receivers	313	984
Proceeds from sale of interests in entities	67	0
Payments for the acquisition of entities, net of cash acquired	−5,766	0
Payments for investments in intangible assets and property, plant and equipment	−13,024	−12,499
Net cash used by investing activities	**−18,409**	**−11,514**
Net proceeds from increase in capital by stockholders	110,283	427,075
Proceeds from the granting of borrowings	192,250	270
Repayment of finance lease liabilities	−4,587	−2,098
Repayment of borrowings	−65,164	−373,836
Payments for transaction costs in connection with new debt financing	−4,057	−14,619
Interest paid	−8,275	−17,883
Net cash provided by/ used by financing activities	**220,450**	**18,909**
Net decrease in cash and cash equivalents	**28,196**	**−45,246**
Cash and cash equivalents at beginning of period	8,124	67,156
Cash and cash equivalents at end of period	36,320	21,911

Notes to the Condensed Interim Consolidated Financial Statements of Sky Deutschland AG as of 30 June 2010

(Selected Explanatory Notes)

GENERAL INFORMATION AND BASIS OF PRESENTATION

General information about the group

Sky Deutschland AG (also referred to as "the Company" or "Sky") has prepared its interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The accompanying interim consolidated financial statements have been prepared in compliance with International Accounting Standard (IAS) 34. In accordance with IAS 34.10, Sky publishes condensed interim consolidated financial statements and selected explanatory notes thereon.

New accounting standards issued

The accounting policies applied for Sky's interim consolidated financial statements as of June 2010 correspond with the policies described in the Company's IFRS consolidated financial statements as of 31 December 2009. Therefore for further information we refer to the consolidated financial statements as of 31 December 2009.

The following Standards were adopted by Sky for the first time in the condensed interim consolidated financial statements as of 30 June 2010:

IAS 32	Classification of Rights Issue
IFRS 2	Share-based Payments
Omnibus Standard	Annual Improvements Project 2007-2009

The amendments to the aforementioned standards and interpretations have no relevance for Sky so that their first-time application had no impact on Sky's condensed interim consolidated financial statements as of 30 June 2010.

The following Standards and Interpretations issued by the IASB and the IFRIC do not have to be applied by Sky with obligatory effect as of 30 June 2010 because they have not yet been adopted by the EU or because the date of first-time application in the EU has not yet been reached:

IAS 24	Related Party Disclosures
IFRS 9	Financial Instruments
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Omnibus Standard	Annual Improvements Project 2008-2010

The Management Board believes that no significant adjustments will be required when the Standards and Interpretations referred to are applied with obligatory effect.

The Company is currently in the process of evaluating the potential effects the adoption of IFRS 9 might have on its consolidated financial statements.

Change in reporting structure

With the beginning of the fiscal year 2010, Sky modified the allocation of certain expenses to the individual expense items in its consolidated statement of total comprehensive loss due to the implementation of a new reporting structure. For comparative purposes, the previous year's figures have been adjusted. The reclassification affected cost of revenues, selling expenses and general and administrative expenses as shown in the following table:

(in K€)	01/01 - 30/06/2009 adjusted	01/01 - 30/06/2009	Amounts reclassified
Cost of sales	−482,473	−478,750	−3,723
Program	−360,816	−358,886	−1,930
Technology	−65,199	−65,191	−8
Hardware	−32,224	−30,008	−2,216
Customer service and other cost of sales	−24,234	−24,664	430
Selling expenses	−55,329	−58,078	2,749
General and administrative expenses	−40,486	−41,460	975
Impact on result			0

The implementation of the new reporting structure was done to further improve the usability of the reporting and to align internal and external reporting.

The reclassification primarily affected certain logistic and promotion costs, which had been reclassified from selling expenses to hardware costs and program costs, respectively.

In connection with the implementation of its new reporting structure, Sky has also changed the allocation of its different types of revenues to the following classifications that shall therefore be briefly defined:

Subscription Revenues refer to revenues from the sale of digital program subscriptions, for which the subscriber pays a fee, including revenues from both sportsbar and hotel subscriptions.

Hardware revenues comprise revenues from selling and renting receivers, revenues generated by the technical services and revenues from installation services.

Wholesale revenues refer to revenues generated from supplying cable providers with Sky content and other wholesale agreements.

Advertising revenues include revenues from advertising in TV, magazine and other media platforms (e.g. online).

In connection with the introduction of its new reporting structure, Sky also renamed "transmission cost" to "technology costs".

Change in stockholder structure

Following the capital increase carried out on 21 January 2010, News Corp held a stake of 45.42 percent in Sky Deutschland.

SIGNIFICANT INFLUENCES ON THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Acquisitions of interests in consolidated entities

On 1 March 2010 Sky has acquired Loxxess Medienlogistik GmbH, a subsidiary of the logistics specialist Loxxess AG. Loxxess Medienlogistik GmbH was founded in August 2006 under the name Premus Logistik und Service GmbH as a subsidiary of Sky Deutschland Fernsehen GmbH & Co. KG. In 2007, it was sold to Loxxess AG. The remaining investment of 8.8 percent of the shares was accounted for at equity due to Sky's ongoing influence over their financial and operating policies. As of the signing date of the purchase agreement the fair value of the equity interest amounted to €0.5 million.

Upon the signing of the contract on 1 March 2010, Sky has completely bought back Loxxess Medienlogistik GmbH, which has then been renamed as Sky Logistic Services GmbH. The consideration is € 5.2 million and will be paid in annual instalments until 2012.

With an agreement dated 19 April 2010, the merger of Sky Logistic Services GmbH to Sky Deutschland Fernsehen GmbH & Co. KG has been concluded. The merger has been entered into the commercial register on 30 April 2010.

Sky carried out a purchase price allocation in accordance with IFRS 3 and an assessment of the pre-existing contractual relationships from logistic services between Sky and Loxxess Medienlogistik GmbH. The assessment of the pre-existing contractual relationship resulted in a loss of € 0.3 million, which was recorded in other operating expenses.

As a result of the purchase price allocation, no differences between the carrying amounts and the fair values of the assets and liabilities were identified, resulting in goodwill of € 4.2 million.

Obtaining more control of essential logistic processes as well as cost savings were the principal reasons for the acquisition.

Description of the acquired assets and liabilities assumed:

Loxxess Medienlogistik GmbH

(in K€)	Fair Values	Carrying amounts
Cash and cash equivalents	0	0
Inventories	2	2
Receivables	3,072	3,072
Property, plant and equipment	98	98
Other assets	1,404	1,404
Total assets	**4,576**	**4,576**
Payables	3,089	3,089
Other liabilities	507	507
Total liabilities	**3,596**	**3,596**
Net assets acquired	**980**	
Goodwill	**4,157**	
Cost of acquisition	**5,137**	
less cash acquired	**0**	
less present value of consideration deferred	**−2,519**	
Net cash outflow from the acquisition	**2,618**	

Disposal of business entities

In the second quarter of 2009, the management of Sky took the decision to sell its interest in Roombase Networks Limited, Nikosia, Cyprus. Therefore, the assets and liabilities of this operation had been classified as held for sale according to IFRS 5. The sale occurred on 1 March 2010. Sky has sold its interest in Roombase Networks Limited, Nikosia, Cyprus to Techlive Cyprus Limited. The total consideration received amounted to K€ 67.

Roombase Networks Limited reported the following assets and liabilities at the time of deconsolidation:

Roombase Networks Limited

(in K€)	Carrying amounts
Cash and cash equivalents	68
Receivables	452
Deferred taxes	10
Property, plant and equipment	690
Total assets	**1,220**
Current trade payables	441
Other current liabilities	303
Other non-current liabilities	80
Total liabilities	**824**

Changes in the balance sheet

Inventories

The carrying amount of the inventories recognized at net realizable value amounts to K€ 5,154. No impairment losses were recognized as expense in the reporting period of 2010.

Other provisions

As of 30 June 2010 this position comprises provisions for current civil fine assessed by the Federal Network Agency in the amount of K€ 1,155 due to alleged breach of the Act Against Unfair Competition (Gesetz gegen den unlauteren Wettbewerb – "UWG"). The Company has appealed against the findings of the Federal Network Agency and the fines assessed. In 2009 an amendment

to the UWG came into effect, according to which telephone marketing vis-à-vis a consumer without the consumer's prior express consent is not permitted and constitutes a regulatory offence punishable by a fine. As of the balance sheet date there is no reliable indication as to whether Sky will be held liable for further phone calls performed.

Borrowings

The increase in borrowings from K€ 170,534 as of 31 December 2009 to K€ 290,219 as of 30 June 2010 is primarily due to a full drawdown of the term loans in the amount of € 275 million.

Equity

On 18 January 2010, the Management Board of Sky Deutschland AG, Unterföhring, with the consent of the Supervisory Board, decided to increase the share capital of the Company by € 49,014,714 against contributions in cash by issuing 49,014,714 new registered shares without subscription rights using the authorised capital of the Company. News Adelaide Holdings B.V., a fully owned indirect subsidiary of News Corp, subscribed to the shares. The subscription price per share amounted to € 2.25. The total number of Sky Deutschland's registered shares increased from 490,147,144 shares up to 539,161,858 shares. The Company received gross proceeds of € 110 million. Less capital transaction costs of K€ 545 the additional paid-in capital was increased by K€ 60,723 from K€ 1,425,720 to K€ 1,486,443. The capital increase was entered in the Commercial Register on 21 January 2010.

The Authorised Capital 2009 granted to the Management Board by the Annual General Meeting of 9 July 2009 was cancelled in the Annual General Meeting on 23 April 2010.

At the same time the Management Board has been authorised, subject to the consent of the Supervisory Board, to increase the Company's registered share capital in the period up to 22 April 2015 by up to € 269,580,929 by issuing in one or several tranches new registered non-par value shares against cash contribution and/or contributions in kind (Authorised Capital 2010).

The Contingent Capital 2006 granted by the Annual General Meeting of 17 May 2006 was cancelled in the Annual General Meeting on 23 April 2010.

At the same time the Management Board, with the consent of the Supervisory Board, has been authorised, in the period until 22 April 2015, once or in partial amounts, to issue registered and/or bearer convertible bonds and/or notes with warrants ("bonds") in an aggregate nominal amount of up to € 500,000,000 of limited or unlimited term and to grant conversion or option rights to subscribe up to 53,916,185 new registered non-par value ordinary shares (non par shares) in Sky Deutschland AG with a pro rata amount of the registered share capital of up to € 53,916,185 to the holders and/or creditors of bonds as more closely defined in the terms and conditions for the convertible bonds or notes with warrants (Contingent Capital 2010).

The Annual General Meeting on 23 April 2010 empowered Sky Deutschland AG's Management Board to buy back up to 10 percent of the subscribed capital that existed as of the date of the resolution. The power can be exercised in full or in partial amounts, on one or several occasions, in the pursuit of one or several purposes, by the Company, by its group companies or by a third party acting on its behalf. The power has been granted until 22 April 2015. The Management Board is empowered to utilize stock in the Company that is acquired on account of this power for all legally authorized purposes.

The Company has no treasury stock as of 30 June 2010.

The aforementioned resolutions became effective on 7 June 2010 upon entry of the amendment of the Company's statutes into the commercial register.

Statement of total comprehensive loss

Revenues

Revenues primarily consist of subscription revenues in the amount of K€ 426,182 (2009: K€ 356,799) and revenues from hardware of K€ 11,972 (2009: K€ 31,182). Wholesale revenues amount to K€ 7,193 (2009: K€ 30,517).

Selling expenses

Selling expenses increased from K€ 55,329 in 2009 to K€ 71,702 in 2010. The significant increase in the selling expenses mainly results from increased trade and marketing expenses to further enhance awareness of the trademark "Sky" and for the acquisition of new subscribers.

Other operating expenses

Other operating expenses decreased from K€ 9,674 in 2009 to K€ 1,805 in 2010. In the first half of 2009 costs in connection with the settlement of shareholder claims as well as the write off of goodwill and trademark in connection with GIGA Digital Television GmbH were included in other operating expenses.

Income taxes

Income taxes changed significantly from a positive K€ 54,028 in 2009 to a negative K€ 1,540 in 2010 mainly as a result of the write-off of the Premiere trademark in the second quarter of 2009, which, as a counter-effect, resulted in the reversal of a deferred tax liability in the amount of K€ 77,680.

Earnings per share

Basic earnings per share are calculated as the ratio of the Group earnings attributable to the Company's shareholders and the weighted average number of shares outstanding during the applicable period.

No circumstances resulting in a dilution of earnings per share existed at the balance sheet date, so that the diluted earnings per share correspond with the basic earnings per share.

On 21 January 2010 Sky completed a capital increase resulting in the subscribed capital increasing by K€ 49,015 from K€ 490,147 to K€ 539,162. For the reported period the capital increase resulted in a weighted average of 533,745,868 registered shares.

	1/1/-30/6/		Second Quarter	
	2010	2009	2010	2009
Earnings attributable to stockholders of Sky Deutschland AG (K€)	−178,872	−445,495	−81,923	−365,760
Weighted average number of outstanding shares (K)	533,746	261,976	539,162	401,310
Basic and diluted earnings per share (€)	**−0.34**	**−1.70**	**−0.15**	**−0.91**

OTHER EXPLANATORY COMMENTS

Settlement agreement

On 19 July 2010 the German Institution for Arbitration (Deutsche Institution für Schiedsgerichtsbarkeit) rendered a judgement in favor of the Company and imposed the opposition to pay € 4.5 million. The proceedings related to disputes between the Company and a cable net provider for services rendered in previous years. The total income effect resulting from the arbitration agreement amounted to € 5.3 million, of which € 3.5 million were recognised under other operating income. The remaining part related to the reversal of a bad debt allowance recognised under selling expenses (€ 1.0 million), and the reversal of a provision for technology costs and interest expenses (€ 0.8 million).

Shareholder claims

Sky Deutschland AG is facing damage claims by shareholders with respect to public information on its subscriber numbers. The claims are mainly based on the allegation that the subscriber numbers published in the prospectus dated 21 February 2005 on the occasion of the initial public offering ("2005 Prospectus"), in the prospectus dated 7 September 2007 on the occasion of an increase in share capital ("2007 Prospectus") and in other publications such as press releases were too high.

The basis of such allegation is an ad-hoc announcement of 2 October 2008, in which the Company, in addition to a predicted EBITDA loss for the financial year 2008 and the initialisation of

discussions with the banks with regard to a restructuring of its credit lines, also announced a new method to classify its subscribers in the future, whereby certain subscribers which previously had been accounted for pursuant to the old classification were no longer counted. After this ad-hoc announcement the price of the shares in the Company decreased. The claimants attribute this price decrease to the communication of the new subscriber classification and claim damages based on their alleged financial detriment.

Up until now eleven actions for damages against the Company have been filed with the District Court of Munich. So far, the claims total approximately € 895,000. Further claims for damages have been asserted out of court, mostly by institutional investors which have initiated mediation proceedings (Güteverfahren). The extrajudicial asserted damages add up to approximately € 242.5 million. The Company holds that the published subscriber numbers were correct and rejects all claims. A mediation hearing will take place on 10 August 2010. The parties may continue the mediation proceedings in September 2010.

On 11 December 2009 the District Court of Munich I rendered a first judgement in one of the shareholder actions and fully dismissed the claim against the Company. Following a court advice the appeal has been withdrawn. The action has therefore been legally binding concluded.

In a further proceeding the District Court of Munich on 20 May 2010 has only decided in favour of the claimant insofar, as the claim was based on the 2007 Prospectus and considered 10 percent of the claim of € 45,000 was justified. The ruling is not yet legally binding, and both the plaintiff and the Company have lodged appeals.

In another proceeding the court on 23 March 2010 delivered a preliminary assessment according to which the subscriber numbers in the 2007 Prospectus may be considered misleading. This preliminary assessment was confirmed in the course of an oral hearing on 4 August 2010.

In six further oral hearings the competent chamber for commercial matters at the District Court of Munich delivered a preliminary assessment that the company did not misrepresent the subscriber numbers in the 2007 Prospectus and that there are no damage claims on hand. The company expects claim-rejecting judgements on 26 August 2010.

The remaining proceedings are still at a preliminary stage.

With regard to the institutional investors' claims for damages, while the relationship of individual claims to particular communications of the Company is uncertain from the pleadings, the Company believes they are based on the same alleged facts and legal theories as discussed above. Following the first mediation proceedings on 10 August 2010 the Company still did not gain further clarity with regard to the relationship of individual claims to particular communications of the Company and the concrete amounts allocated thereto. Besides, it is still unclear whether the institutional investors will actually bring legal actions in the respective amounts so far asserted following the mediation proceedings. It is thus not yet possible to make any statements about the actual potential risk to the Company.

In any event, the liability risk of the Company is principally covered through various insurances:

The Company as well as its (former) Management Board and Supervisory Board members are secured under prospectus insurances for the 2007 Prospectus; the coverage is granted for up to a total amount of € 50 million.

Also, the current and former Management Board and Supervisory Board members of the Company are insured under a D&O insurance policy, which grants insurance protection for all claims for damages as a result of grossly negligent breaches of capital market information obligations (Kapitalmarktinformationspflichten). A coverage sum of up to € 50 million is available in this regard as well.

Accordingly, in the condensed consolidated interim financial statements as of 30 June 2010 no provisions were set up for the asserted judicial and extrajudicial claims, because the Company estimates the chances of success of the claimants overall to be low and, should the Company be taken legal actions against, no reliable estimations can currently be made with regard to the amount of the risk which would then exist.

Investigation by the Federal Cartel Office

The German Federal Cartel Office (Bundeskartellamt) is currently investigating an abuse of market dominant position by Sky. The Federal Cartel Office issued a non-legally binding statement of objections announcing that the Federal Cartel Office considers the decryption of Sky content only on receivers which do not support an open Common Interface solution as an abuse of a market dominant position. Such abuse – according to the Federal Cartel Office – can be remedied by decrypting Sky content for new – not existing – subscribers only on receivers which do support open Common Interface.

The reasoning of the Federal Cartel Office is, that third party operators shall gain access to the customer via Sky's receivers without Sky being involved. Although Sky believes to have complied with all applicable laws, the Federal Cartel Office may impose sanctions, including substantial fines, and require Sky to mandatorily use receivers supporting a further specified common-interface module as of a certain point in the future.

All of this could lead to an increase in the cost of the receiver infrastructure. In any such case, Sky's business, results of operations and financial condition could be adversely affected. Sky is in an ongoing dialogue with the Federal Cartel Office regarding different options to terminate the proceeding and is therefore also considering commitments regarding the introduction of CI+ receivers as of a certain point in the future. If the German Federal Cartel Office does not agree to sufficient transition periods for the development of such receivers and the re-use of old models, Sky's financial condition could be adversely affected. Any decision of the Federal Cartel Office is not expected prior to August 2010 and might be subject to court challenge. The outcome of the proceeding and the respective financial impact is at this point in time not yet predictable and particularly depends on the transition periods.

Related party transactions

Related parties are persons or companies on which the Company can exercise significant influence or which can exercise significant influence on the Company. In addition to the members of the Company's Management and Supervisory Boards, they also include family members and the partners of the persons affected.

Based on a stock option plan concluded with Brian Sullivan, an expense in the amount of K€ 728 has been recognized during the reporting period. The stock option plan includes a grant of phantom stock which will enable Brian Sullivan to receive payments in 2012 and/or 2013 if certain performance targets in particular with respect to the increase in subscriber numbers have been met. The fair value of the phantom stock has been established by using an options pricing model.

The described transactions in the consolidated financial statements as of 31/12/2009 with affiliated companies remain unchanged. In the course of the normal business activities, all delivery and service transactions with non-consolidated entities are carried out under the terms and conditions normal in the market as also customary with non-related third parties.

(K€)	Revenues from sales and services	Income from recharging personnel expenses	Personnel expenses	Other income	Expense from service received	Net	Payables	Receivables
Total of affiliates	44	0	0	2	−1,969	−1,923	54	829
Total of companies with significant influence above the company	2,074	0	0	233	−30,679	−28,371	28,772	3,534
Total of other related parties	0	0	−728	0	0	−728	728	6
Total	2,119	0	−728	235	−32,648	−31,022	29,554	4,369

Other financial commitments

Other financial commitments as of the reporting date are as follows:

(K€)	Total 30/06/10	Total 31/12/09
Film licenses	223,755	276,650
Sport licenses	960,847	1,143,523
Partner channels	311,572	319,593
Purchase commitments for receivers	76,607	12,681
Miscellaneous	324,661	443,288
Total	**1,897,443**	**2,195,736**

Future commitments under non-cancellable operating leases are as follows:

(K€)	Total 30/6/10	Total 31/12/09
Network operators and transponder rent	833,059	672,058
Office buildings	96,448	100,458
Motor vehicles	3,069	3,944
Technical office equipment	51	90
Total	**932,627**	**776,550**

Segment reporting

The management reporting of Sky does not have different operating segments in its internal management reporting since the Company operates only in the pay-TV business in Germany and Austria.

Management and Supervisory Board changes

Mark Williams stepped down as Chief Executive Officer on 31 March, 2010. On 2 December, 2009 the Supervisory Board has appointed Brian Sullivan, as Deputy Chief Executive Officer with effect from 1 January, 2010. He worked alongside Williams for three months before taking over as Chief Executive Officer on 1 April 2010.

In the Annual General Meeting on 23 April 2010 the number of members of the Supervisory Board has been increased from six to nine in order to benefit from the expertise of the additional members.

Chase Carey, Miriam Kraus and Katrin Wehr-Seiter have been additionally elected as members of the Supervisory Board until conclusion of the Annual General Meeting resolving on the ratification of the actions of the respective members of the Supervisory Board for financial year 2014.

The aforementioned resolutions have become effective on 7 June 2010 upon entry of the amendment of the Company's statutes into the commercial register.

On 16 July 2010, the Supervisory Board appointed Chase Carey as Chairman of the Supervisory Board of Sky Deutschland AG. Chase Carey replaces Markus Tellenbach, who will take on the role of Deputy Chairman of the Supervisory Board.

Events after the balance sheet date

Sky plans financing measures

Sky plans to initiate financing measures to raise gross proceeds of at least € 340 million through a combination of a rights offering, the issuance of a convertible bond and/or a shareholder loan from News Adelaide Holdings B.V. News Adelaide Holdings, a fully-owned indirect subsidiary of News Corporation, currently holding 45.42 percent of Sky's registered share capital, has agreed to backstop these financing measures to ensure gross proceeds of not less than € 340 million in total. The backstop is subject to certain conditions such as the absence of a material adverse change in Sky's business.

The rights offering is expected to take place in September/October 2010 using Sky's authorized capital, which consists of up to 269,580,929 new registered shares. News Adelaide Holdings is

committed to backstop the rights issue at a price no lower than the legally permissible net minimum price (€ 1) and is committed to backstop the rights issue such that its holding does not exceed a level of 49.9 percent of Sky's share capital after completion of the rights offering.

The terms and the size of the rights offering will be decided shortly before the start of the subscription period and will depend on market conditions. The Royal Bank of Scotland and UniCredit Bank AG will act as Joint Global Coordinators and Joint Lead Managers in such a rights offering.

Depending on the amount raised through the rights offering, and in order to ensure that the overall gross proceeds amount to at least € 340 million, a convertible bond with up to 53,916,185 underlying ordinary registered shares of the company from contingent capital will be issued and/or a shareholder loan will be provided by News Adelaide Holdings by no later than 31 January 2011.

The potential convertible bond would be issued via a private placement to News Adelaide Holdings and/or a News' designee unless otherwise agreed between News Adelaide Holdings and Sky. The bond would be unsecured and subordinated to the existing credit facilities. Subject to market conditions, it would have a four-year maturity with an expected cash pay coupon between 5.50 to 6.50 percent and an initial conversion premium of 25 to 30 percent with a minimum conversion price of € 1. The potential shareholder loan from News Adelaide Holdings would be subordinated to Sky's existing credit facilities, have a maturity up to 31 March 2014 and carry an interest rate of 12 percent per annum, which would accrue and be payable at maturity. The shareholder loan could be converted into equity by News Adelaide Holdings at a later stage. The conversion of the shareholder loan into equity would be subject to the approval of Sky and its shareholders.

Sky has asked its lending bank syndicate to waive mandatory prepayment from the proceeds of the planned capital measures and to adjust financial covenants in its credit facilities to reflect the financing measures and the increased investments. The two largest lenders to Sky have already consented to the waiver and the amendments to the facilities. The formal consent of the full lender group is expected in the next few weeks, prior to the rights issue.

Except for these amendments, the existing credit facilities of € 525 million remain unchanged. Sky's credit facilities consist of two long term loans amounting to € 275 million in aggregate, a revolving credit facility of € 125 million and a guarantee facility of € 125 million.

Buyback of shares in Premium Media Solutions GmbH

Effective 1 August 2010 Sky has bought back 51.1 percent of the shares in Premium Media Solutions GmbH. Sky holds the majority of the shares in its marketing subsidiary at a total of 75.9 percent. The total consideration amounts to € 1.2 million. The primary reasons for the buyback were both the gain of control on the advertising sales generation process in order to secure planned revenue growth and the increase in efficiency by directly managing the advertising sales team and customer access.

Auditor's review report

Review report

To Sky Deutschland AG, Unterföhring

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated condensed balance sheet, the consolidated statements of comprehensive loss, statement of changes in equity, statement of cash flows and selected explanatory notes–together with the interim group management report of Sky Deutschland AG, Unterföhring, for the period from January 1 to June 30, 2010, that are part of the half year financial report according to § 37w WpHG (German Securities Trading Act). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, August 11, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Kreher
Wirtschaftsprüfer

Schmidt
Wirtschaftsprüfer

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Audited Consolidated Financial Statements (IFRS) of Sky Deutschland AG

for the Financial Year Ending December 31, 2009

Sky Deutschland AG Group
Consolidated balance sheet
K€

	Notes	12/31/09	12/31/08
Assets			
Current assets			
Cash and cash equivalents	(2.1)	8,124	67,156
Trade receivables	(2.3)	68,774	78,952
Receivables from entities accounted for at equity		210	370
Other financial assets	(2.4)	4,570	8,024
Film assets and advanced payments for sport and film rights	(2.9.1)	73,586	110,477
Inventories	(2.2)	36,241	33,431
Assets classified as held-for-sale	(2.6)	987	0
Other assets	(2.5)	19,526	20,795
Total current assets		**212,016**	**319,206**
Non-current assets			
Trade receivables	(2.3)	3,862	6,812
Other financial assets	(2.4)	418	5,332
Deferred taxes	(3.9)	1,446	25,004
Film assets and advanced payments for sport and film rights	(2.9.1)	24,136	59,927
Interests in entities accounted for at equity	(2.7)	173	32
Receivers	(2.8)	48,102	42,537
Property, plant and equipment	(2.8)	16,382	7,155
Intangible assets	(2.9)	725,954	1,102,040
Other assets	(2.5)	13,920	1,470
Total non-current assets		**834,394**	**1,250,308**
Total assets		**1,046,411**	**1,569,514**
Liabilities and equity			
Current liabilities			
Borrowings	(2.10.1)	29,610	378,469
Trade payables	(2.10.2)	196,930	174,704
Liabilities to entities accounted for at equity	(2.10)	3,142	1,554
Other financial liabilities	(2.10.3)	35,865	26,489
Other provisions	(2.10.5)	11,559	9,537
Liabilities classified as held-for sale	(2.6)	488	0
Other liabilities	(2.10.4)	35,628	48,872
Total current liabilities		**313,222**	**639,626**
Non-current liabilities			
Borrowings	(2.10.1)	140,924	6,814
Trade payables	(2.10.2)	18,154	22,586
Other financial liabilities	(2.10.3)	62,143	6,575
Deferred taxes	(3.9)	39,345	113,660
Provisions for pensions and similar obligations	(2.10.6)	6,274	5,494
Other provisions	(2.10.5)	0	486
Other liabilities	(2.10.4)	3,307	2,618
Total non-current liabilities		**270,147**	**158,232**
Total liabilities		**583,369**	**797,858**
Equity			
Subscribed capital		490,147	112,460
Additional paid-in capital		1,425,720	1,376,453
Reconciling item for successive share purchases in subsidiaries without change in control		−58,245	0
Accumulated other comprehensive income		−581	216
Retained deficit		−1,394,011	−717,789
Equity attributable to stockholders		**463,031**	**771,339**
Minority interest		11	317
Total equity	(2.12)	**463,041**	**771,656**
Total liabilities and equity		**1,046,411**	**1,569,514**

Sky Deutschland AG Group
Consolidated statement of total comprehensive loss
K€

	Notes	1/1 / - 12/31/09	1/1 / - 12/31/08
Revenues	(3.1)	902,069	941,133
Cost of sales	(3.2)	−955,322	−884,215
Program		−717,036	−640,012
Transmission		−133,883	−125,197
Customer service		−51,356	−51,956
Hardware		−53,046	−67,049
Gross profit		−53,253	56,919
Selling expenses	(3.3)	−175,676	−114,254
General and administrative expenses	(3.3)	−78,507	−69,645
Other operating income	(3.4)	11,388	38,801
Other operating expenses	(3.5)	−11,319	−19,105
Impairment of trademark	(3.6)	−331,629	0
Amortization of subscriber base	(3.6)	−48,993	−48,883
Result from operations		−687,989	−156,166
Gain from entities accounted for at equity	(3.7)	141	27
Interest and similar income	(3.7)	3,035	7,097
Other financial expense	(3.7)	−6,264	−11,586
Loss from entities accounted for at equity	(3.7)	−505	−1,004
Interest and similar expenses	(3.7)	−35,308	−54,046
Result before taxes		−726,889	−215,679
Income taxes	(3.9)	50,361	−48,824
Result from continuing operations		−676,528	−264,503
Result from discontinued operations (net of income tax)	(1.8)	0	−4,857
Result for the period		**−676,528**	**−269,360**
Other comprehensive income		**−796**	**516**
Changes in fair value of available-for-sale financial assets (net of tax)		42	516
Changes in fair value of derivatives in cash flow hedges (net of tax)		−838	0
Total comprehensive loss		**−677,324**	**−268,845**
Earnings attributable to:			
Stockholders		−676,222	−269,258
Minority interest		−306	−102
Total comprehensive loss attributable to:			
Stockholders		−677,018	−268,743
Minority interest		−306	−102
Result per share continuing operations (€) basic and diluted	(3.11)	−1.79	−2.35
Result per share discontinued operations (€) basic and diluted	(3.11)	0.00	−0.04
Result per share total (€) basic and diluted	(3.11)	−1.79	−2.39

Sky Deutschland AG Group
Consolidated statement of changes in equity
K€

	Notes	Subscribed capital	Additional paid-in capital	Retained deficit	Reconciling item for successive share purchases in subsidiaries without change in control	Accumulated changes in fair value of derivatives in cash flow hedges	Accumulated changes in fair value of available-for-sale financial assets	Accumulated other comprehensive income	Equity attributable to stockholders	Minority interest	Total
Balance as of 1/1/08		**112,460**	**1,376,804**	**−448,531**	**0**	**0**	**−300**	**−300**	**1,040,433**	**21**	**1,040,454**
Subsequent capital issuance costs in connection with increase in capital for a contribution in kind per resolution dated September 6, 2007		0	−352	0	0	0	0	0	−352	0	−352
Sale of 15.1% of Premiere Star GmbH		0	0	0	0	0	0	0	0	373	373
Increase in capital of Premiere Star GmbH		0	0	0	0	0	0	0	0	25	25
Total transactions with stockholders		**0**	**−352**	**0**	**0**	**0**	**0**	**0**	**−352**	**399**	**47**
Total comprehensive loss		0	0	−269,258	0	0	516	516	−268,743	−102	−268,845
Balance as of 31/12/08	**(2.12)**	**112,460**	**1,376,453**	**−717,789**	**0**	**0**	**216**	**216**	**771,339**	**317**	**771,656**
Balance as of 1/1/09		**112,460**	**1,376,453**	**−717,789**	**0**	**0**	**216**	**216**	**771,339**	**317**	**771,656**
Increase in capital for contribution in cash carried out on 14 January 2009 (less capital procurement costs)		10,224	26,680	0	0	0	0	0	36,903	0	36,903
Increase in capital for contribution in cash carried out on 22 April 2009 (less capital procurement costs)		367,464	22,682	0	0	0	0	0	390,146	0	390,146
Effect of adjustment in tax rate for deferred taxes		0	−95	0	0	0	0	0	−95	0	−95
Repurchase of 40.2% of shares in Premiere Star GmbH		0	0	0	−58,245	0	0	0	−58,245	0	−58,245
Total transactions with stockholders		**377,687**	**49,267**	**0**	**−58,245**	**0**	**0**	**0**	**368,709**	**0**	**368,709**
Total comprehensive loss		0	0	−676,222	0	−838	42	−796	−677,018	−306	−677,324
Balance as of 31/12/09	**(2.12)**	**490,147**	**1,425,720**	**−1,394,011**	**−58,245**	**−838**	**258**	**−581**	**463,031**	**11**	**463,041**

Sky Deutschland AG Group
Consolidated statement of cash flows
K€

	Notes	1/1/-31/12/09	1/1/-31/12/08
Result for the period before income tax		−726,889	−219,977
Net interest expense		32,273	47,797
Gain on sold foreign exchange forward contracts		−879	−28,519
Depreciation, amortization and impairment losses/reversal of impairment losses on property, plant and equipment, intangible assets and financial assets		44,682	51,275
Amortization of subscriber base	(3.6)	48,993	48,883
Amortization of trademark	(3.6)	331,629	0
Gain on sale of interests of subsidiaries	(3.4)	0	−21,093
Other non-cash income and expenses		4,699	−1,851
Changes in other provisions	(2.10.5)	220	−1,149
Losses on disposal of intangible assets, property, plant and equipment and receivers		309	1,682
Changes in inventories, trade receivables and other assets		78,934	18,133
Changes in trade payables and other liabilities		25,242	−9,408
Interest received		2,369	6,136
Net cash used by operating activities		**−158,419**	**−108,093**
Proceeds from sale of intangible assets, property, plant and equipment and receivers		574	1,657
Proceeds from sale of other non current financial assets		2,083	0
Payments in connection with the disposal of subsidiaries		0	−329
Proceeds from sale of interests in entities		2,161	22,494
Payments for acquisition of interests in entities, net of cash acquired		−11,310	0
Payments for investments in intangible assets and property, plant and equipment	(4.3)	−46,779	−31,135
Investments in financial assets		0	−21
Net cash used by investing activities		**−53,270**	**−7,334**
Net proceeds from increase in capital by stockholders / net proceeds from stock issues	(4.3)	427,049	0
Proceeds from increase in capital of Premiere Star GmbH		0	25
Proceeds from the granting of borrowings	(4.3)	147,317	92,719
Repayment of finance lease liabilities		−5,847	−4,017
Repayment of borrowings	(4.3)	−375,977	−15,723
Proceeds from sale of foreign exchange forward contracts		879	21,864
Payments for transaction costs in connection with new debt financing		−15,948	0
Interest paid		−24,815	−27,316
Net cash provided by financing activities		**152,657**	**67,552**
Net decrease in cash and cash equivalents		**−59,032**	**−47,875**
Cash and cash equivalents at beginning of period		67,156	115,032
Cash and cash equivalents at end of period	(2.1)	8,124	67,156

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Sky Deutschland AG (Group)
Notes

for the Financial Year 2009

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1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1. General information about the Group

Sky Deutschland AG (formerly Premiere AG) and its subsidiaries (referred to as "Sky", "Company" or "Group") operate a pay-TV business in Germany and Austria under the Sky trademark.
The Sky Group is also engaged in the purchase, sale and distribution of rights to films, series and TV productions, the acquisition, sale and distribution of broadcasting rights for public events, the arrangement of programme magazine subscriptions, and other activities associated with the operation of the pay-TV business.

At the Annual General Meeting on 9 July 2009, shareholders approved the resolution to change the company name to Sky Deutschland AG. On 14 August 2009 the new company name Sky Deutschland AG was registered with the Commercial Register, Munich.

Sky Deutschland AG's registered office is at Medienallee 4, 85774 Unterföhring, Germany, and it is entered in the Commercial Register at the Munich Municipal Court under the number HRB 154549.

Sky Deutschland AG, as the Group holding company, manages all of the business activities of the Sky Group.

1.2. Basis of preparation of the consolidated financial statements

In accordance with § 315a (1) HGB (German Commercial Code) in conjunction with Article 4 of the Regulation No. 1606/2002 of the European Parliament and the Council dated 19 July 2002, Sky prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union taking into account the additional disclosures required by § 315a (1) HGB.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards and its interpretations effective as of 31 December 2009 as adopted by the European Union (EU). Certain IFRS have been early adopted, as described under 1.4.

The consolidated financial statements include all information required by IFRS as endorsed by the European Union.

The consolidated financial statements have been prepared in euros (€), as the functional and the reporting currency of the Group. Amounts are generally reported in the notes to the consolidated financial statements in thousands of euros (K€), unless otherwise stated.

All Group companies prepare their financial statements for financial years ending 31 December.

The consolidated financial statements are generally prepared on the basis of the measurement of assets and liabilities at cost or amortised cost except for non-derivative available-for-sale financial assets and derivative financial instruments, which are measured in each case at the fair value as of the balance sheet date.

The balance sheet presents assets and liabilities classified by their maturities. Assets that are expected to be realised or settled are intended for sale or consumption in, the normal operating cycle or are due within twelve months of the balance sheet date are classified as current. Liabilities are classified as current if they are required to be settled within twelve months of the balance sheet date.

The consolidated statement of operations as a component of the consolidated statement of comprehensive loss has been prepared in accordance with the cost of sales method.

The Management Board prepared the consolidated financial statements and authorised them for issuance within the meaning of IAS 10 on 29 January 2010.

1.3. Shareholder claims

Sky Deutschland AG is facing damage claims by shareholders with respect to public information on its subscriber numbers. The claims are mainly based on the allegation that the subscriber numbers published in the prospectus dated 21 February 2005 on the occasion of the initial public offering ("2005 Prospectus"), in the prospectus dated 7 September 2007 on the occasion of an increase in share capital ("2007 Prospectus") and in other publications such as press releases were too high.

The basis of such allegation is an ad-hoc announcement of 2 October 2008, in which the Company, in addition to a predicted EBITDA loss for the financial year 2008 and the initialisation of discussions with the banks with regard to a restructuring of its credit lines, also announced a new method to classify its subscribers in the future, whereby certain subscribers which previously had been accounted for pursuant to the old classification were no longer counted. After this ad-hoc announcement the price of the shares in the Company decreased. The claimants attribute this price decrease to the communication of the new subscriber classification and claim damages based on their alleged financial detriment.

Up until now nine actions for damages against the Company have been filed with the District Court of Munich. The claims total approximately €860,000. Further claims for damages have been asserted out of court, mostly by institutional investors which have initiated mediation proceedings (*Güteverfahren*). The extrajudicial asserted damages add up to approximately €225.2 million. The Company holds that the published subscriber numbers were correct and rejects all claims.

On 11 December 2009 the District Court of Munich rendered a first judgement in one of the shareholder actions and fully dismissed the claim against the Company. The other proceedings are still in their initial phase. However, in one of them the court provided a formal indication that based on its preliminary assessment the Company did not misrepresent the subscriber numbers. First oral hearings have been called for February and April 2010. The Company sees good chances to successfully challenge also these claims.

With regard to the institutional investors' claims for damages, it is still unclear based on the motions in the mediation proceedings on which of the aforementioned capital market information they are allegedly based. Furthermore, it is unclear whether the institutional investors will actually bring legal actions in the respective amounts so far asserted. It is thus currently not yet possible to make any statements about the actual potential risk to the Company.

In any event, the liability risk of the Company is principally covered through various insurances:

The Company as well as its (former) Management Board and Supervisory Board members are secured under prospectus insurance for the 2007 Prospectus; the coverage is granted for up to a total amount of €50 million. Preliminary talks have been held with the insurer in which it has signalled in principal its coverage willingness.

Also, the current and former Management Board and Supervisory Board members of the Company are insured under a D&O insurance policy, which grants insurance protection for all claims for damages as a result of grossly negligent breaches of capital market information obligations (*Kapitalmarktinformationspflichten*) and thus also for any allegedly incorrect information in the 2005 Prospectus or in other publications. A coverage sum of up to €50 million is available in this regard as well.

Accordingly, in the consolidated financial statements as of 31 December 2009 no positions were set up for the asserted judicial and extrajudicial claims, because the Company estimates the chances of success of the claimants overall to be low and, should the Company be claimed against, no reliable estimations can be made with regard to the amount of the risk which would then exist.

1.4 New accounting standards issued by the IASB

The following Standards were adopted by Sky for the first time in 2009:

- In October 2008, the IASB published amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and to IFRS 7 "Financial Instruments: Disclosures", which are intended to reflect the current developments in the financial markets, in that the reclassification of certain financial assets from the "at fair value through profit and loss" measurement category to another measurement category is permitted in exceptional circumstances. In November 2008, the IASB published further explanations on the reclassification of financial instruments in accordance with the amended Standards IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures". The application of these amendments had no impact on the Company's consolidated financial statements.
- In November 2006, the IASB published a new standard on segment reporting called IFRS 8 "Operating Segments". IFRS 8 requires a segment reporting that is based on the internal

reporting structure used in the management of segments (management approach). The application of this standard had no impact on the Company's consolidated financial statements since the Group operates in just one segment.

- In March 2007, the IASB issued an amendment to IAS 23 "Borrowing Costs" which requires the capitalisation of borrowing costs incurred in connection with the acquisition or production of qualifying assets. The amendment had no impact on the Company's consolidated financial statements since qualifying assets do not exist in the Sky Group.

- In September 2007, the IASB published a revision to IAS 1 "Presentation of Financial Statements". The revision changes the composition of the financial statements, in particular including a statement of comprehensive income, in which expenses and income recognised in profit or loss and those recognised in equity are presented. The Company presents all items of income and expense recognised in the period in a single statement of comprehensive income.

- The revision of IFRS 3 "Business Combinations" that was published in January 2008 includes certain changes with respect to the acquisition method for business combinations. Significant revised provisions relate to the measurement of non-controlling interests, the recognition of business combinations achieved in stages and the treatment of contingent purchase price elements and transaction costs. The revised IFRS 3 has been adopted early by the Company and applied to business combinations that have been entered into on or after 1 January 2009. With respect to the impact on the consolidated financial statements please refer to *1.7 Acquisition of entities and interests in entities*.

- The amendments in the revision to IAS 27 "Consolidated and separate financial statements" that were published in January 2008 relate to the reporting of transactions with interests in subsidiaries in which the parent company continues to control the subsidiary and transactions with interests in subsidiaries in which the parent company ceases to control the subsidiary. The revised IAS 27 has been adopted early by the Company and applied to all business combinations that have been entered into on or after 1 January 2009. With respect to the impact on the consolidated financial statements please refer to *1.7 Acquisition of entities and interests in entities*.

- In January 2008, the IASB published an addendum to IFRS 2 "Share-based Payment: Vesting Conditions and Cancellations". The addendum defines that exercise conditions are only service conditions and performance conditions. The amendment had no impact on the Company's consolidated financial statements since share-based payment programs do not exist in the Sky Group.

- In February 2008, the IASB published an amendment to IAS 32 "Financial Instruments: Presentation" und IAS 1 "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation". The amendment relates primarily to the classification of certain kinds of financial instruments as equity or debt. The amendment had no impact on the Company's consolidated financial statements since the Group does not have such financial instruments outstanding at group level.

- In March 2009, the IASB issued Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures) which enhances disclosures about fair value measurements of Financial Instruments. A three-level fair value disclosure hierarchy is introduced, that distinguishes fair value measurements by the significance of the inputs used and reflects the availability of observable market inputs when estimating fair values. Please refer to *2.11 Additional disclosures on financial instruments* and *4.1 Financial risk management* with respect to the disclosures implemented by this amendment.

- In May 2008, the IASB published the first omnibus standard called "Improvements to IFRSs" in order to make minor amendments to 20 existing standards. The first section of the omnibus standard includes amendments that could have an impact on presentation, recognition or measurement. The second section includes changes in wording or editorial changes. The omnibus standard includes an amendment of IAS 38. Under this amendment, goods and services obtained for promotional and advertising activities are expensed when the company has access to these goods or receives the services. Prior to the adoption of the amended IAS 38, goods and services used for promotional and advertising activities were expensed when

consumed. The other amendments had no significant impact on the Company's consolidated financial statements.

- IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement – Embedded Derivatives" (amendments) state that an entity should assess whether an embedded derivative is to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. It does not have any impact on the consolidated financial statements of the Company since the Company does not have any embedded derivatives.
- IFRIC 12 "Service Concession Arrangements" was published in November 2006 and shall be applied for the first time for financial years commencing on or after 29 March 2009. The interpretation regulates the accounting treatment in the financial statements of concession holders of obligations taken over in conjunction with service concessions and rights that have been acquired. The Company has made an early adoption of this interpretation. The application of this interpretation had no impact on the Company's consolidated financial statements since the Group does not enter into such activities.
- In June 2007, the IASB published IFRIC 13 "Customer Loyalty Programs" in order to regulate the accounting for award credits that customers receive on purchasing other goods or services. The application of this interpretation had no impact on the Company's consolidated financial statements since the Group does not offer any customer loyalty programs at the moment.
- Interpretation IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was published in July 2007 and shall be applied for the first time for financial years commencing on or after 1 January 2009. This interpretation includes guidelines for the determination of the maximum amount of the surplus from a defined benefit plan that may be capitalised in accordance with IAS 19 "Employee Benefits". The application of this interpretation had no impact on the Company's consolidated financial statements.
- IFRIC 15 "Agreements for Construction of Real Estate", which includes special regulations on construction contracts for real estate with regard to the application of IAS 11 "Construction Contracts" and IAS 18 "Revenue", was published in July 2008. IFRIC 15 which has been adopted by the EU shall be applied for the first time in the financial year 2009. The application of this interpretation had no impact on the Company's consolidated financial statements since the Group does not enter into such activities.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" was published in July 2008. This Interpretation includes details on the hedging and identification of foreign currency risks. The application of this interpretation had no impact on the Company's consolidated financial statements since the Group does not have any foreign operation with a different functional currency.

Application of the following standards and interpretations, which have been published by the IASB or the IFRIC, is not yet mandatory, because they have not yet been adopted by the EU or because their effective date lies in the future. Where they have already been adopted by the EU, Sky has not applied them early.

- In July 2008, the IASB published an addendum to IAS 39 "Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement", which includes a clarification of the application of hedge accounting. The addendum shall be applied for financial years commencing on or after 1 July 2009. It has been adopted by the EU. The Company is currently in the process of evaluating the potential effects of these pronouncements on its consolidated financial statements and will determine an adoption date.
- In April 2009, the IASB published the second omnibus standard called "Improvements to IFRSs" in order to make minor amendments to 12 existing standards and interpretations. The amendments include changes to IAS 18 "Revenue" providing certain features to be used in the identification of an agency relationship and the resulting implications in the amount of revenues being recognised on such transactions. Unless otherwise stipulated in the respective amendments, the amendments shall be applied in financial years that commence on or after 1 January 2010. The amendments have not yet been adopted by the EU.

- In October 2009, the IASB published an amendment to IAS 32 "Classification of Rights Issue" clarifying the presentation of rights, options and warrants to acquire a fixed number of equity instruments. The amendment is effective for financial years beginning on or after February 1, 2010.
- In November 2009, the IASB issued an amendment to IAS 24 "Related Party Disclosures". The amendment includes a simplification of the definition of a related party and eliminates inconsistencies from the definition. In addition, it provides a partial exemption from the disclosure requirements for government-related entities. The amended standard is effective for financial years beginning on or after January 1, 2011. It has not yet been adopted by the EU.
- IFRS 9 "Financial Instruments" was issued by the IASB in November 2009. It is the IASB Board's intention to replace IAS 39 by IFRS 9 in three phases. As a result of the first phase in this replacement project, the IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets. Under the new provisions, financial assets are classified on the basis of the entity's business model for managing the financial assets and the contractual cash flows. Financial assets are initially measured at fair value and subsequently measured at amortised cost or fair value. The standard is effective for financial years beginning on or after 1 January 2013. It has not yet been adopted by the EU.
- IFRIC 17 "Distribution of Non-cash Assets to Owners". This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation which has been adopted by the EU will be effective for periods beginning on or after 1 November 2009. The Company expects that the application of this interpretation will not have any impact on its consolidated financial statements.
- IFRIC 18 "Transfers of assets from customers" This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets. This interpretation is effective for periods beginning on or after 1 November 2009. The Company expects that the application of this interpretation will not have any impact on its consolidated financial statements.
- In November 2009, the IFRIC published IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments". The interpretation provides the accounting treatment when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The interpretation is effective for financial years beginning on or after 1 July 2010. It has not yet been adopted by the EU.

1.5 Changes in stockholder structure

In May 2008, News Corp acquired a stake of more than 25 percent in Sky Deutschland AG. On 6 February 2009, News Corp reported in its quarterly report that as of 31 January 2009 it indirectly held approximately 29 percent of the Company's share capital. Immediately following the capital increase carried out on 22 April 2009, News Corp held a stake of 30.5 percent. On 5 August 2009, News Corp announced it has secured additional shares in Sky Deutschland AG, increasing its total stake to 39.96 percent.

On January 18, 2010, the Management Board of Sky Deutschland AG, Unterföhring, with the consent of the Supervisory Board, decided to increase the share capital of the Company by €49,014,714 against contributions in cash by issuing 49,014,714 new registered shares without subscription rights using the authorised capital of the Company. News Adelaide Holdings B.V., a fully owned indirect subsidiary of News Corp, subscribed to the shares. As a result News Corp's stake increased from 39.96 percent to 45.42 percent.

1.6 Consolidation

a) Subsidiaries

Sky Deutschland AG, eight domestic and three foreign subsidiaries are consolidated in these financial statements. All subsidiaries that are under the control of Sky Deutschland AG are included in the consolidated financial statements. They are fully consolidated from the date on which control

is transferred to the Group, and are deconsolidated from the date when the ability to control ceases. Control is presumed if the parent owns, either directly or indirectly through a subsidiary, more than one half of the voting power. Control also exists if the parent company has the power to govern the financial and operating policies of the entity under a statute or an agreement.

In 2009, Premiere Star GmbH, Unterföhring, was merged into Sky Deutschland Fernsehen GmbH & Co. KG, Unterföhring, after the reacquisition of all shares in Premiere Star GmbH. In addition, Creation Club GmbH, Unterföhring, which was acquired in July 2009, was merged into Blitz 07-784 GmbH, Unterföhring, which was renamed Sky Creative Services GmbH, Unterföhring, immediately following the merger. The liquidation of Blue Movie Vertriebs GmbH, Vienna, Austria, was completed in 2009.

In addition to Sky Deutschland AG, as the parent company, the following companies are included in the consolidated financial statements:

Name and registered office	Registered office	Investment holding on 12/31/09	Investment holding on 12/31/08
Sky Deutschland Fernsehen GmbH & Co. KG (Sky Deutschland Fernsehen KG) (former Premiere Fernsehen GmbH & Co KG)	Unterföhring	100.0%	100.0%
Sky Deutschland Verwaltungs-GmbH (Sky Deutschland Verwaltung) (former AFV Abonnentenfernsehen Verwaltungs GmbH)	Unterföhring	100.0%	100.0%
Sky Österreich GmbH (Sky Österreich) (former Premiere Fernsehen GmbH)	Vienna, Austria	100.0%	100.0%
Sky Deutschland Service Center GmbH (Sky Deutschland Service Center Schwerin) (former Premiere Service Center Schwerin GmbH)	Schwerin	100.0%	100.0%
SCASSatellite CA Services GmbH (SCAS)	Unterföhring	100.0%	100.0%
Premiere WIN Fernsehen GmbH (Premiere WIN Fernsehen)	Unterföhring	100.0%	100.0%
GIGA Digital Television GmbH (GIGA)	Cologne	100.0%	100.0%
Sky Creative Services GmbH (Sky Creative) (former Blitz 07-784 GmbH)	Unterföhring	100.0%	100.0%
Premiere Star Österreich GmbH (Premiere Star Österreich)	Vienna, Austria	100.0%	59.8%
Sky Hotel Entertainment GmbH (SHE) (former Premiere Hotel Entertainment GmbH)	Fürth	97.5%	97.5%
Roombase Networks Limited (Roombase Zypern)	Nikosia, Cyprus	97.5%	97.5%

The assets and liabilities of the domestic and foreign entities included in the consolidated financial statements are accounted for in accordance with the uniform accounting policies applicable for the Group.

Intra-group transactions are eliminated. Receivables and liabilities and expenses and income between consolidated entities are eliminated against one another. Intra-group gains and losses did not arise during the financial year.

In accordance with IFRS, all business combinations shall be accounted for using the acquisition method. The purchase price of the acquired subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. This is based on the fair values of the assets, liabilities and contingent

liabilities prevailing at the time at which control over the subsidiary is obtained. Assets held for sale within the meaning of IFRS 5 are measured at fair value less costs to sell. Any remaining excess of the purchase price over the fair value of the net assets is recognised as goodwill. Fair value adjustments are rolled forward to subsequent periods as part of the carrying amount of the underlying assets and liabilities.

b) Interests in entities accounted for at equity

These comprise entities that are not subsidiaries, but where Sky has the ability to exert significant influence directly or indirectly over their financial and operating policies (associates). Entities accounted for at equity are recognised in the consolidated financial statements initially at cost. A positive difference at the acquisition date between cost and the fair values of the proportionate share of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill in the carrying amount of the investment.

Name and registered office	Registered office	Investment holding on 12/31/09	Investment holding on 12/31/08	Consolidation method
Spox Media GmbH	Munich	0.0%	40.1%	(At Equity)
Premium Media Solutions GmbH	Unterföhring	24.8%	24.8%	At Equity
Loxxess Medienlogistik GmbH	Unterföhring	8.8%	8.8%	At Equity

Despite holding less than 20 percent of the voting rights, Sky has significant influence on the financial and operating policies of Loxxess Medienlogistik GmbH, on account of certain arrangements in the articles of incorporation.

The carrying amount of entities accounted for at equity is rolled forward in subsequent periods in accordance with the development of the proportionate equity of the associate. For financial information of these companies please refer to *2.7 Interests in entities accounted for at equity.*

In March 2009, the Company has increased its stake in Spox Media GmbH by 3.9 percent from 40.1 percent to total 44 percent by subscribing to a capital increase. However, the investment was written down to 0 €, as defined objectives in the business plan were not achieved. On 22 April 2009, Sky sold its 44 percent stake in Spox Media GmbH as part of Sky's strategy to focus on its core business.

1.7 Acquisition of entities and interests in entities

Creation Club GmbH

On 1 July 2009, Sky Deutschland Fernsehen GmbH & Co. KG acquired from Plazamedia GmbH, a subsidiary of Constantin Medien AG, all shares of the subscribed capital of Creation Club GmbH, Unterföhring. The base consideration is €15.1 million and will be paid in annual instalments until 2013. In addition, the consideration includes different working capital adjustments. Creation Club GmbH, today Sky Creative Services GmbH, is one of the leading companies specialised in audio-visual communication and TV formats. It has provided these services to a significant extent to the Sky Group. The creative potential of the acquired employees, cost savings and more flexible control of essential editing and production facilities were the reasons for the acquisition.

Sky carried out a purchase price allocation in accordance with IFRS 3 and an evaluation of the pre-existing contractual relationships between Sky and Creation Club GmbH. The evaluation of the pre-existing contractual relationship resulted in a loss of €1.2 million, which was recorded in other operating expenses.

As a result of the purchase price allocation, a contractual customer relationship with third parties in the amount of 0.2 million was recognised as an intangible asset. There were no other differences identified between the carrying amounts and the fair values of the assets and liabilities of Creation Club GmbH in the purchase price allocation, resulting in goodwill of €11.1 million.

Description of the acquired assets and liabilities assumed:

Creation Club

(in K€)	Fair Values	Carrying amounts
Cash and cash equivalents	1,042	1,042
Receivables	6,125	6,125
Customer base	165	0
Property, plant and equipment	1,048	1,048
Other assets	350	350
Total assets	**8,730**	**8,565**
Payables	7,014	7,014
Other liabilities	348	348
Total liabilities	**7,361**	**7,361**
Net assets acquired	**1,369**	
Goodwill	**11,060**	
Cost of acquisition	**12,429**	
less cash acquired	**−1,042**	
less present value of consideration deferred	**−6,602**	
Net cash outflow from the acquisition	**4,785**	

Reacquisition of interests in Premiere Star GmbH

Sky reached an agreement with all nine minority shareholders in Premiere Star to acquire all their shares in Premiere Star for deferred consideration. All agreements have become effective following completion of the capital increase by Sky on 22 April 2009.

The Premiere Star channels are valuable contributors to Sky's overall programming strategy and content line-up and accordingly are part of Sky's core business.

The deferred consideration will be paid over the next four years, from July 2009 to July 2013, with the majority of the consideration payable in 2012 and 2013. In addition to a fixed base price, the agreement with GL Europe International Luxembourg S.à.r.l., Luxembourg, comprised a variable component, which entitles GL to exercise virtual options. On 11 August 2009 GL has exercised this option.

The total consideration amounted to K€75,635. Since the transactions were treated as an equity transaction in accordance with IAS 27 (revised 2008), the difference between the present value of the total consideration and the acquired interest in the net assets of Premiere Star of K€58,245 is recognised as a reduction of equity.

1.8 Disposal and discontinuation of business entities

In 2008 Sky sold its 65 percent interest in Home of Hardware GmbH & Co. KG, Westendorf (HoH) and Home of Hardware Verwaltungs GmbH, Westendorf, to SYSNET Computer-Systemvertriebsgesellschaft mbH for €1 with a limited partnership purchase and assignment agreement and a share purchase and assignment agreement dated 12 December 2008. As a result of the put and call options in the purchase agreement, 100 percent of the interests in HoH were attributed to the Group in the IFRS consolidated financial statements until the disposal date.

In connection with this, Sky waived claims, mainly from loan receivables, of K€1,412, and paid €1 million into the capital of Home of Hardware GmbH & Co. KG in order to ensure sufficient liquidity. In return for a payment of K€250 by Sky, the former partners also waived certain claims against Sky resulting from the participation agreement dated 27 April 2007.

Due to the fact that the operating activities of both entities vary significantly from the Group's activities and were material, both entities were shown as discontinued operations pursuant to IFRS 5.

For the previous year, HoH reported the following assets and liabilities at the time of its deconsolidation:

(K€)	Home of Hardware GmbH & Co. KG	Home of Hardware Verwaltungs GmbH
Cash and cash equivalents	749	21
Trade receivables and other assets	4,117	0
Property, plant and equipment	964	0
Goodwill	1,490	0
Trademark	1,869	0
Other intangible assets	441	0
Total assets	**9,630**	**21**
Current trade payables	6,156	0
Other current liabilities	1,635	1
Other non-current liabilities	427	0
Total liabilities	**8,219**	**1**
Net assets	**1,411**	**21**

The following earnings figures of the Home of Hardware companies were included under the result of discontinued operations and were not part of the individual line items of the consolidated statement of comprehensive loss.

(K€)	1/1 - 11/30/2008
Revenue	76,522
Expenses	79,793
Results from operating activities	−3,270
Income tax	−559
Results from operating activities, net of income tax	−3,829
Loss on sale of discontinued operation	−1,028
Income tax on gain on sale of discontinued operation	0
Loss for the period	−4,857
EBITDA	−2,502

The cash flows of HoH were as follows:

(K€)	1/1 - 11/30/2008
Net cash used in operating activities	−153
Net cash used in investing activities	−726
Net cash from financing activities	1,240
Change in cash and cash equivalents	360

1.9 Translation of foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date. Monetary items in the balance sheet denominated in foreign currencies are translated at the selling and buying rate respectively applicable as of the balance sheet date. Unrealised translation gains or losses resulting from this are recognised in profit or loss for the period.

1.10 Accounting policies

1.10.1 Financial instruments

1.10.1.1 Summary

Purchases and sales of financial instruments are recognised on the trade date, i.e. on the date on which the Group commits to buy or sell an asset or liability.

The Company holds financial instruments in the form of cash and cash equivalents, receivables, available-for-sale financial assets, financial liabilities and loans, derivatives in the form of interest swap and foreign exchange forward contracts.

Financial assets are initially recognised at their fair values and, in the case of financial assets not classified at fair value through profit or loss, including directly attributable transaction costs. They are measured subsequently at fair value or at amortised cost, applying the effective interest method.

Fair value corresponds to the market or quoted prices, where available. A market or quoted price can be identified in particular for available-for-sale financial assets. If a market or quoted price is not available, fair value is determined in accordance with recognised measurement procedures.

In the case of current receivables and liabilities, amortised cost approximates the nominal value or the settlement amount.

The Company derecognises financial assets either if the contractual rights to the cash flows cease or these rights are transferred by the Company to a third party in such a way that the criteria for derecognition are fulfilled.

Financial liabilities are derecognised when they have been redeemed, i.e. when the contractual obligations have been settled or cancelled or have expired or the criteria for derecognition in accordance with IAS 39 have been fulfilled. Financial liabilities are also derecognised if the amendment of significant conditions causes a significant change in the cash flows associated with the redemptions or interest. When the change becomes effective, a new financial liability is recognised at fair value. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the earnings of the period on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

If, in the case of revolving credit lines, a reduction in the amount or an adjustment of the terms results in a reduction in the available credit capacity, the transaction costs related to the revolving credit line are released to profit or loss in proportion to the reduction in the credit capacity.

1.10.1.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash balances and term deposits with a total maturity of less than three months from the date of acquisition. They are recognised at nominal value, whereby foreign currencies are translated at the closing rate.

1.10.1.3 Receivables and other financial assets

Receivables and other financial assets are initially recognised at their fair value, which normally corresponds to their cost; subsequent measurement is at amortised cost, using the effective interest method.

Impairments of trade receivables are largely reflected by applying allowance accounts. The decision as to whether a credit risk shall be taken into account by means of an allowance account or a direct reduction of a receivable depends on how reliably the risk situation can be assessed.

An allowance is recorded if there is objective evidence that the receivable is impaired. A significant evidence of impairment is that the receivable is included in dunning procedures. The allowance represents the difference between the carrying amount and the present value of the expected cash receipts.

1.10.1.4 Available-for-sale financial assets

The available-for-sale financial assets category includes financial assets that cannot be allocated to any other measurement category. Mainly, securities and investments are reported here.

Equity instruments are measured at cost if no market for such assets exists and a fair value cannot be determined by other reliable measurement methods. Interests in companies over which Sky is unable to exert either control, joint control or significant influence are accounted for as equity instruments. Changes in fair value are recognised directly in other comprehensive income. In the cases in which fair value is significant and other-than-temporarily below cost, the impairment in the

amount of the difference is recognised in profit or loss. If fair value adjustments were previously recognised directly in equity and the written-down fair value is lower than the original cost of the asset, the portion of the impairment loss corresponding to the fair value gain previously recognised in equity is reversed through equity. Any further decrease in value is recognised in profit or loss as an expense for the period.

If the circumstances that resulted in impairment cease to exist in subsequent periods, the impairment loss on debt securities previously charged to profit or loss is reversed through the profit and loss. The reversal of the impairment of equity investments is recognised in equity.

1.10.1.5 Financial liabilities

Financial liabilities are initially recognised at fair value less directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

1.10.1.6 Derivatives

The derivatives used by the Company are either interest rate swaps or foreign exchange forward contracts. Interest rate swaps are used to hedge the risk of variable interest payments for loans. Foreign exchange forward contracts are used to economically hedge the risks of fluctuations in the exchange rate of the US Dollar, because certain programming licenses are paid for in US dollars.

All financial derivatives used in the Group are measured at their fair values and are recognised as assets or liabilities. The fair values of derivatives are reported under other financial assets or other financial liabilities. Their classification as current and non-current is based on the maturities of the expected cash flows or the maturities of the corresponding derivatives.

Beginning in the second quarter of 2009, the Company has applied hedge accounting with respect to its US Dollar and British Pound exposure. The overall objective of Sky's hedging strategy is to mitigate the risk of having to settle payment obligations denominated in US Dollars and British Pound for the purchase of various sports programming and movie licences as well as for other licenses by using foreign exchange hedge contracts.

These derivatives are designated as hedging instruments in qualifying cash flow hedges in accordance with IAS 39. The effective portion of changes in the fair value of these derivatives is recognised directly in other comprehensive income, net of income tax. The ineffective portion is reported in profit and loss.

When the underlying transaction occurs, the accumulated changes in the fair value of the derivative recognised in accumulated other comprehensive income as part of equity is capitalised as part of the carrying amount of "Advanced payments for sports and film rights".

If the hedge no longer meets the criteria for hedge accounting the cumulative gain or loss on the hedging instrument that has been recognised in equity from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs.

If the hedge relationships in which the derivatives are used do not fulfil the criteria of IAS 39 for hedge accounting, changes in fair value are recognised directly in profit or loss.

1.10.2 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell. Rebates, bonuses and cash discounts are deducted from cost. Measurement is based on the moving average prices.

1.10.3 Property, plant and equipment

Property, plant and equipment are measured at cost, less depreciation and, to the extent necessary, impairment losses. Cost comprises the purchase price, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operation in a manner intended by management. Rebates, bonuses and cash discounts are deducted from the purchase price.

Subsequent expenditure relating to an item of property, plant and equipment that has already been taken to use is added to the carrying amount of the asset or, where appropriate, recognised as a separate asset, if it is probable that future economic benefits will flow to the entity and the purchase costs of the asset can be reliably determined. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Subsequent expenditure that would otherwise be capitalised, which exceeds the recoverable amount of the respective asset, is recognised immediately in profit or loss.

Expenditure on repairs and maintenance which does not include any replacement or spare parts is recognised immediately in profit or loss. Replacement or spare parts are capitalised, while the replaced parts are written off accordingly.

Property, plant and equipment are depreciated over their expected useful lives using the straight-line pro rata temporis method.

Depreciation is based on the following useful lives:

	Useful lives (years)
Buildings	30
Receivers	5-7
Technical equipment and machines	1.5-7
Leasehold improvements	5
Operational and office equipment	3-6

1.10.4 Intangible assets

1.10.4.1 Film assets and advance payments for sport and film rights

These assets comprise broadcasting licenses acquired from film studios, advance payments on sport and film rights and a film library that was acquired in 2006. Licenses are recognised at their cost at the time they become available or on commencement of the license. In the case of purchases from film studios, cost includes minimum guarantees and expected additional payments that depend on the number of subscribers ("overages"), which are estimated at the time of initial recognition, plus other directly attributable costs. The programme library was capitalised at its purchase price.

Utilisation of the broadcasting licenses is based on the actual transmissions during the financial year in relation to the expected total number of transmissions during the license period. If it is expected that unused transmissions will be outstanding at the end of the license period, an impairment loss is recognised immediately in full for such transmissions.

The programme library is amortised straight-line based on the terms of the licenses over a useful life of between two and fifteen years.

The pay-TV rights for the Fußball-Bundesliga and 2nd Fußball-Bundesliga matches in Germany, Austria and Switzerland for the seasons 2007/2008 and 2008/2009 were amortised based on the forecasted revenues generated from these rights. The calculation was adjusted if changes in the forecasted revenues occurred.

With respect to the live pay-TV rights for all Bundesliga and 2nd Bundesliga matches in Germany, Austria and Switzerland from the season 2009/2010 to 2012/2013, the utilisation is based on the allocation of match days per season taking into account the increasing license fees payable to the DFL Deutsche Fußball Liga GmbH over the four seasons.

The classification of film assets as non-current and current depends on whether they are expected to be used in the normal operating cycle. Non-current film assets primarily comprise long-term licenses and library products.

Payments on account for rights already agreed by contract in accordance with the timetable forming the basis for the agreements are recognised as advance payments on sport and film rights.

1.10.4.2 Goodwill

Goodwill is recognised at cost and is subjected at least once a year (30 September) to an impairment test. It is not amortised. If indications of impairment are identified during the year, an additional

impairment test is carried out. (please also refer to *1.10.5 Impairment losses and reversals of impairment losses*).

1.10.4.3 Other intangible assets

Other intangible assets comprise purchased software, licenses, rights to names, trademarks and the subscriber base. Software, purchased licenses and rights to names are measured at the time of their acquisition at cost plus other directly attributable costs and subsequently at cost less accumulated amortisation and impairment losses.

The trademarks and the subscriber base are initially measured at their fair values at the time of acquisition.

Trademarks are not amortised because specific useful lives cannot be identified on the basis of expected asset utilisation. An impairment test is performed for such intangible assets once a year on 30 September. If indications of impairment are identified during the year, an additional impairment test and a reassessment of the useful life are carried out as appropriate during the financial year. If the trademark is no longer used, the carrying amount of the trademark is derecognised.

The subscriber base is amortised based on the expected average subscription period.

The following useful lives are applied for intangible assets that are amortised systematically:

	Useful lives (years)
Subscriber base	8
Software licenses	3
Music titles	3
Rights to names	1-5

1.10.5 Impairment losses and reversals of impairment losses

Impairment losses are recognised as of the balance sheet date on property, plant and equipment and intangible assets (including the subscriber base) if the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

Goodwill and trademarks are not amortised, but are tested for impairment on the basis of the recoverable amount of the cash-generating unit to which the goodwill and the trademarks are allocated. Due to the nature of Sky's operations, goodwill and trademarks are allocated to the cash-generating unit "Pay-TV-Business" which includes all of the Group's operating activities and corresponds to the level within the Group at which goodwill is monitored for internal management purposes.

In performing the impairment testing, the Company generally uses the value in use which corresponds to the present value of the future net cash flows of the cash-generating unit. In addition, the Company assesses the fair value less cost to sell of the cash-generating unit "Pay-TV-Business" which is derived from the quoted price of the Sky share.

If the recoverable amount is lower than the carrying amount of the cash-generating unit, the goodwill is written down first. Any amount remaining after writing down the goodwill to zero is allocated proportionately to the other assets of the cash-generating unit based on the carrying amounts of each individual asset or group of assets. It is examined at every balance sheet date whether the reasons for impairment losses recognised in previous periods still exist. Reversal of impairment losses are mandatory if the recoverable amount of an asset or a group of assets has increased. The upper limit for reversal of an impairment loss is cost less the cumulative depreciation or amortisation that would have arisen if no impairment losses had been recognised in prior periods. Reversals of impairment losses are recorded in the consolidated statement of comprehensive loss in the respective functional areas or reported separately. Impairment losses on goodwill cannot be reversed in a subsequent period.

The reversal of impairment losses on depreciable or amortisable assets results in an adjustment of depreciation or amortisation in order to spread the revised carrying amount on a systematic basis over the remaining useful life.

1.10.6 Other assets

Other assets are measured at amortised cost. Identified specific risks are reflected by corresponding valuation allowances (specific allowances).

1.10.7 Leasing

1.10.7.1 Sky as lessee

Provided substantially all of the risks and rewards incidental to ownership of a leased asset can be attributed to the Company as the lessee, the leased asset is capitalised as property, plant and equipment or intangible asset and a corresponding finance lease liability is recorded of the same amount (finance lease). The asset and the corresponding liability are recognised at inception of the lease at the fair value of the leased asset or the present value of the minimum lease payments, if lower. The lease liability is amortised and rolled forward in subsequent periods in accordance with the effective interest method.

If, on the other hand, substantially all of the risks and rewards incidental to ownership of a leased asset cannot be attributed to the Company, the lease payments are recognised as expense on a straight-line basis over the period of the lease (operate lease).

During the past financial year a contract for hardware and software components regarding the new subscriber management system was concluded. The contract has been classified as a finance lease because the present value of the minimum lease payments at inception of the lease corresponded with the fair value of the leased assets. Accordingly, the hardware is capitalised in property, plant and equipment and the software is capitalised in other intangible assets. Both components are depreciated straight-line over their economic useful life of 60 months.

The existing lease contract for receivers has been classified as a finance lease, because the present value of the minimum lease payments at inception of the lease largely corresponded with the fair value of the leased assets. Accordingly, the receivers are capitalised in property, plant and equipment and depreciated straight-line over their economic useful life of 60 months. In the case of sale-and-leaseback transactions, the gains from these transactions have been deferred as a liability and amortised straight-line over the term of the lease.

The finance lease contract for receivers provides, in the event of the loss or destruction of a receiver, for its replacement by another receiver of the same type and quality (replacement obligation). The Company complies with this obligation in that receivers legally owned by the Company and reported in property, plant and equipment or in inventories are assigned to the respective lease contract. The replacement receiver replaces the lost receiver and results in a retirement from property, plant and equipment or the inventories. A liability to the lessor is reported for the replacement obligations that have not been fulfilled by the balance sheet date.

The existing lease contracts for pay-TV equipment, TVs and accessories ("pay-TV equipment") are classified as finance leases, because the present value of the minimum lease payments at inception of the lease largely corresponded in each case with the present value of the leased assets. Accordingly, the pay-TV equipment is recognised in property, plant and equipment under technical equipment and machines from finance leases. Pay-TV equipment subject to lease agreements concluded before 1 January 2006 (old agreements) is depreciated straight-line over the term of the respective finance lease (18 to 60 months), while the pay-TV equipment in leases concluded from 2006 onwards (new agreements) is depreciated straight-line over the economic useful life (84 months). In the case of sale-and-leaseback transactions, the gains have been deferred as a liability and amortised straight-line over the term of the lease.

The finance leases for pay-TV equipment generally provide in the event of the loss or destruction of the pay-TV equipment (or part thereof) for the lessor to be indemnified by the lessee. The Company complies with this obligation in that commensurate parts that are legally owned by the Company and recognised in property, plant and equipment or the inventories are incorporated in the pay-TV equipment and replace the parts that are lost or destroyed. This results in a retirement from property, plant and equipment or inventories. A liability to the lessor is reported for the replacement obligations that have not been fulfilled by the balance sheet date. Some of the finance leases grant the lessee the right to purchase the leased asset at the end of the lease term. The purchase price on

exercise of this option is almost always the carrying amount applying straight-line depreciation in accordance with the official depreciation tables or the lower fair value at the time of sale.

The Company leases office buildings, motor vehicles and other technical equipment under operating leases.

1.10.7.2 Sky as lessor

The receivers recognised in property, plant and equipment are leased to subscribers under operating leases. The term of the leases is 6, 12, 24 or 36 months. Subscribers (lessees) hold no purchase options or similar rights and Sky hold no put options or similar rights at the end of the lease. The receivers remain in the economic ownership of the Company for the term of the lease. With regard to the rental income from existing operating leases, please refer to the disclosures under *2.8 Property, plant and equipment including receivers.*

The pay-TV equipment is almost entirely leased to hotels under finance leases. The term of the leases is up to 84 months. These are regarded as finance leases because the Company transfers most of the risks and rewards associated with ownership of the leased asset to the lessees. Leased assets under finance leases are recognised by the lessee. They are recognised with the amount that represents the net investment in the lease. Please refer with regard to the calculation of the net investment in the lease to *2.3.3 Finance lease receivables.* Unguaranteed residual values do not exist because of the full amortisation of the finance leases. Gains on disposal resulting from the leases are recognised immediately in profit or loss.

1.10.8 Provisions

1.10.8.1 Provisions for pensions and similar obligations

The actuarial measurement of the defined benefit obligations for pensions and similar obligations is based on the projected unit credit method. The projected unit credit method measures the liability by assuming that each period of service gives rise to an additional unit of benefit entitlement. Assumptions are made in measuring the liability about expected increases in salaries and pensions. The pension obligations have been determined on the basis of an actuarial valuation. The interest portion of the pension costs is reported in the financial result. Actuarial gains and losses are recognised in profit or loss in general administrative expenses in the period in which they arise.

1.10.8.2 Other provisions

Provisions are recognised if a present obligation to a third party arises from past events, the settlement of which is expected to result in a probable outflow of future economic benefits and whose amount can be reliably estimated.

Provisions that will not result in an outflow of resources already in the following year are recognised at their settlement amount, discounted to the balance sheet date. The discount rate is based on market interest rates. The amount required to settle the obligation also includes future cost increases.

1.10.9 Income taxes

Current taxes are recorded for the income taxes owed by Group entities at the time they arise.

Deferred taxes are generally recorded for all temporary differences between tax bases and the carrying amounts of the assets and liabilities in the consolidated balance sheet (“liability method”). An exception arises for differences relating to the first-time recognition of non-taxable goodwill and that do not result in the recognition of deferred taxes. Deferred taxes are also recorded for tax losses and deductible temporary differences, provided sufficient taxable income will be generated in the future against which these tax losses can be utilised or will exist at the time that these differences reverse, and sufficiently reliable information is available with regard to the future course of the business.

Deferred tax assets and deferred tax liabilities are calculated using the tax rate that is applicable to the period when the temporary differences reverse. Future changes in tax rates are only taken into account to the extent that these have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if the tax debtor and the tax creditor and the maturities are identical and current taxes would be offset.

1.10.10 Revenue recognition

Subscription revenues are recorded in the period in which performance takes place. Advance cash receipts from subscribers are deferred as liabilities and recognised as revenue primarily on a straight-line basis over the term of the subscription.

Pay-per-view revenues, resulting from the subscriber selecting a specific programme title, are recorded in the consolidated statement of comprehensive loss at the time of transmission.

Revenues from the sale of receivers are recorded when the risk is transferred. Receipts from leased receivers classified as operating leases are recognised straight-line over the lease term.

If a subscription is offered together with a receiver, the revenues from this transaction are allocated to the individual components based on their relative fair values. Activation fees and installation fees are not considered separate elements as long as these elements do not have a stand-alone value to the subscribers. In those cases, the fees received for such services are allocated to the components that form a unit of accounting with respect to revenue recognition, i.e. the subscription or the receiver. In prior years, the allocation of the revenues in subscription offers with a receiver was performed based on the residual value method since the fair value of the receiver could only be established within a certain range. The impact of the change from the residual method to the fair value method is not material.

Agreements for the rental of pay-TV equipment to hotels that are classified as finance leases are treated in the same way as the sale of hardware, i.e. revenues are recognised in the amount of the leased receivables that are to be capitalised and cost of sales is recognised in the amount of the retirement of the pay-TV equipment at inception of the lease.

Revenues from agency business are generally recognised when performance is affected.

Until June 2009, revenues from magazine subscriptions were recognised on a net basis reflecting the terms of the agreement between Sky and the publisher. Since Sky acted as an agent for the publisher under the terms of the agreement, revenues were equal to the commission earned by Sky. Under the new agreement entered into in July 2009, Sky is allowed to sell the TV magazine in its own name and bundles it with its programme packages. Such bundles are accounted for as multiple-element arrangements and the revenues allocated to the subscription component is based on the relative fair values. In such cases the cost of delivery is recorded as magazine costs. However, in all other cases, Sky acts as an agent for the publisher and, therefore, revenues are recognised in the amount of the commission received.

Revenues from the arrangement of subscriptions in conjunction with the cooperation with tmc Content Group AG, Baar Switzerland (formerly erotic media AG) are determined on the basis of the revenues generated by the arranged subscription. The revenue is realised at the time the subscribers are biled. Platform and dissemination services rendered in conjunction with the cooperation are billed and recognised as revenue in the same way.

Revenues from the cooperation with Deutsche Telekom AG (Telekom) in the 2007/08 and 2008/09 seasons on the transmission of Sky's programming and the Fußball Bundesliga in the IPTV (Internet Protocol TV) broadcasting standard were realised at the time of performance and reported in other revenues. Revenues from the marketing of Sky's Fußball Bundesliga via arena's satellite platform and Unitymedia's cable platforms in the 2007/08 and 2008/09 seasons were recorded in the periods in which performance occurred.

Performance occurred in each of the two aforementioned cases on the respective match day.

Advertising revenues are recognised when the advertising has been carried out. Revenues from the transmission of programs are realised when performance occurs.

1.10.11 Interest expense and income

Interest expense and income are recognised when incurred using the effective interest method.

1.10.12 Assets classified as held for sale

Assets held for sale and associated liabilities are classified as current assets and current liabilities, respectively, if it is highly probable that these assets will be sold within a period of 12 months. Such a sale is highly probable if management has taken the decision to sell these assets and the assets are actively marketed for sale.

Assets held for sale are initially measured at their carrying amount. If the fair value less cost to sell is below the carrying amount, an impairment loss is recognised. Depreciable and amortisable assets are no longer depreciated or amortised once they have been classified as assets held for sale.

1.10.13 Discontinued operations

Discontinued operations are reported separately in the consolidated statement of comprehensive loss when a component of the Group comprising operations and cash flows that can be clearly distinguished – operationally and for financial reporting purposes – from the rest of the Group is held for sale or has been sold or disposed of and if the component represents a separate major line of business. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive loss is represented as if the operation had been classified as a discontinued operation as of the start of the comparative period.

1.10.14 Expenses and income from changes in estimates and the derecognition of liabilities

Expenses and income from changes in estimates and derecognition of liabilities are reported in the profit or loss in the function area in which the original entry was made.

1.10.15 Estimates and judgments

The preparation of consolidated financial statements under IFRS requires that assumptions are made that affect the amounts recognised in the Group's balance sheet and consolidated statement of comprehensive loss and the disclosures of contingent assets and liabilities. Actual results in later periods could differ from these estimates.

Changes in additional payments based on the number of subscribers in conjunction with the recognition of film licenses are recorded as changes in accounting estimates. Accordingly, the residual carrying amount is increased or reduced at the time of the change in accounting estimates. The resultant amount is amortised as profit or loss over the period of the remaining transmissions (prospective method).

Free cash flow, general growth, risk-free interest rates, the increase in the number of subscribers and ARPU (average revenue per user) growth are considered in conjunction with the impairment test on goodwill (see also *2.9.2 Goodwill*) of the cash-generating unit. The following four scenarios were investigated: growth of 0.0 percent p.a. after the planning period; an increase of 2 percent p.a. in the risk-free interest rate; a 25 percent reduction in subscriber growth over the planning period resulting in a reduction of revenues; and a 25 percent reduction in ARPU growth over the planning period resulting in a reduction of revenues. All four scenarios did not result in the recognition of any impairment losses.

In accordance with historical experience, an average membership period of eight years for subscribers was assumed for the amortisation of the subscriber base (see also *2.9.3 Other intangible assets*).

The amount recognised for pension provisions (*2.10.6 Provisions for pensions*) is based on actuarial reports. Adjustments to the provisions based on the actuarial reports and the actuarial gains and losses are recognised immediately in profit or loss. Employee turnover rates used in determining the pension provisions are based on historical experience.

Under IFRS, revenue shall be measured in accordance with the fair value of the consideration received or receivable. The recognition criteria are generally applied separately to each transaction. However, in certain circumstances it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction, in order to reflect the substance of the transaction correctly. The Group generally applies the relative fair value method to allocate the total contractual amount. Under this method, the total contractual amount has to be allocated in proportion to the fair value of the individual elements.

Deferred tax assets and tax losses are recognised up to the amount for which it appears probable that future taxable income will be available.

1.10.16 Segment reporting

The business activities of the Group primarily concentrate on the operation of a pay-TV business in Germany and Austria under the Sky brand name and related activities. Accordingly, the internal reporting to the Management Board of the Company provides information on the combined operation of the pay-TV business in both countries. In addition, the allocation of resources follows this internal reporting structure. Insofar, Sky does not have different operating segments in accordance with IFRS 8.

2 NOTES ON THE CONSOLIDATED BALANCE SHEET

2.1 Cash and cash equivalents

Cash and cash equivalents are made up as follows:

(K€)	12/31/09	12/31/08
Bank and cash balances	8,046	67,080
Term deposits	78	76
Total	**8,124**	**67,156**

Term deposits mainly consist of rental guarantees lodged with banks. The rental guarantees were credited with interest at 1.85 percent p.a. (2008: 4.08 percent p.a.).

2.2 Inventories

Inventories are made up as follows:

(K€)	12/31/09	12/31/08
Receivers	34,712	31,031
Other inventories	1,529	2,399
Total	**36,241**	**33,431**

Receivers are designated to be provided to subscribers. The new distribution model could lead to a sale or lease of receivers in combination with a subscription on behalf of Sky at the point of sale. Therefore a decentralised warehousing is essential which causes a higher level of receiver inventories.

The carrying amount of the inventories recognised at net realisable value amounts to K€3.834 (2008: K€14,368). Impairment losses of K€253 were recognised as expense in the 2009 financial year (2008: K€5,197).

2.3 Trade receivables

2.3.1 Overview

Trade receivables are as follows:

(K€)	12/31/09	12/31/08
Trade receivables (before allowances)	124,152	145,792
Allowances	−54,056	−65,070
Trade receivables (after allowances)	70,096	80,722
Damage claims	2,540	5,043
Total (after allowances)	**72,636**	**85,765**

Trade receivables are made up as follows:

(K€)	12/31/09	of which non-current	12/31/08	of which non-current
Receivables from dealers	6,192	0	27,444	0
Receivables from subscribers	36,306	0	18,632	0
Receivables from finance leases	5,497	3,560	6,759	4,841
Other	24,641	303	32,930	1,972
Total (after allowances)	**72,636**	**3,862**	**85,765**	**6,812**

The increase of receivables from subscribers is due to a prepaid HD offer and receivables of monthly contracted services, not due as of the balance sheet date.

The following table shows an aging analysis of trade receivables that are past due but not impaired as at the reporting date.

(K€)	Carrying amount (after allowances)	of which: neither past due nor impaired at balance sheet date	of which: not impaired at balance sheet date but past due in the following time ranges					
			less than 30 days	between 30 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
12/31/09								
Trade receivables	72,636	19,875	3,413	1,258	3,378	172	2,018	3,418
12/31/08								
Trade receivables	85,765	23,611	7,722	4,063	1,587	838	3,849	6,102

There are no indications as of the balance sheet date with regard to the balances of trade receivables which are past due but not impaired that the debtors will not meet their payment obligations.

The carrying amount of the receivables whose terms have been renegotiated and which would otherwise have been past due or impaired amounted as of the balance sheet date to K€1,195 (2008: K€2,172).

The allowances recorded against trade receivables developed as follows:

(K€)	2009	2008
Balance as of 01/01	65,070	56,305
Derecognition of receivables	−20,422	−12,742
Amount recognised as expense or income in the reporting period	9,283	21,507
Additions for the year from business acquisitions	125	0
Balance as of 12/31	54,056	65,070

The derecognition of receivables relates entirely to receivables from prior years that have been provided in full and are irrecoverable.

2.3.2 Receivables from subscribers, dealers and other trade receivables

Receivables from subscribers, dealers and other trade receivables are reported net of allowances. Allowances recorded against receivables in the 2009 financial year amounted to K€9,283 (2008: K€21,507).

In the event of the early termination of the contract, Sky bills subscribers with damages in the amount of the subscription fees for the remaining term of the contract discounted to the termination date, in addition to receivables that have already been accumulated for subscription fees. Receivables are recognised at their fair value based on expected cash inflows. Receivables are only derecognised when it is finally established that they are not recoverable.

The Group uses several collection agencies to recover the receivables. The receivables are not sold to the collection agencies. Therefore, the risk of default on the receivables remains with the Company. Allowances on receivables that have been passed on to the collection agencies for recovery are recorded on the basis of historical experience.

Other trade receivables include a large number of individual items.

2.3.3 Finance lease receivables

The finance lease receivables result from lease contracts concluded with hotels for pay-TV equipment, TVs and accessories.

Finance lease receivables of K€5,497 are reported in the balance sheet as of 31 December 2009 (2008: K€6,759), of which K€1,937 (2008: K€1,918) are current and K€3,560 (2008: K€4,841) are non-current.

The following table reconciles the gross investment in the leases to the net investment in the leases:

(KEUR)	12/31/09	12/31/08
Gross investment in the leases (minimum lease payments receivable)	**6,386**	**8,056**
Less: unearned finance income	−719	−1,088
Less: accumulated allowance for uncollectible minimum lease payments receivable	−170	−209
Net investment in the leases (present value of minimum lease payments receivable)	**5,497**	**6,759**

The gross and net investments in the leases are due as follows:

(KEUR)	12/31/09	12/31/08
Gross investment in the leases	**6,386**	**8,056**
< 1 year	2,364	2,462
1-5 years	3,924	5,497
> 5 years	97	97
Net investment in the leases	**5,497**	**6,759**
< 1 year	1,937	1,918
1-5 years	3,470	4,807
> 5 years	90	33

2.4 Other financial assets

The other financial assets are made up as follows:

(K€)	Total 12/31/09	of which non-current	Total 12/31/08	of which non-current
Purchase price receivables	1,733	0	8,578	1,680
Derivatives	329	0	1,107	1,107
Creditor accounts with debit balances	2,286	0	1,059	0
Available-for-sale financial assets	246	246	356	356
Miscellaneous	394	172	2,255	2,187
Total	**4,988**	**418**	**13,356**	**5,332**

The purchase price receivables include a receivable from 2005 in the amount of €1 million (2008: €1 million) from tmc, consisting of interests (one million shares) in tmc that are classified as available-for-sale financial assets.

In addition, the purchase price receivables from the sale of interests in Loxxess Medienlogistik GmbH (former Premus Logistik und Service GmbH) are also included here.

Available-for-sale financial assets in the previous year included the 14.4 percent interest in 1-2-3.tv GmbH with registered office in Unterföhring. The interest had been completely written down by K€11,998 in 2008.

On 28 August 2009 Sky sold its 14.4 percent stake in 1-2-3.tv GmbH to other shareholders of 1-2-3.tv GmbH. The gain from this transaction amounted to K€2,083.

The securities included in the available-for-sale financial assets category were recognised as of 31 December 2009 at the fair value of K€240 (2008: K€350).

As of the balance sheet date, the derivatives include the positive fair values from foreign exchange forward transactions. For further information, please refer for further information to *1.10.1.6 Derivatives and 4.1.2 Disclosures on derivatives.*

2.5 Other assets

Other assets are made up as follows:

(K€)	Total 12/31/09	of which non-current	Total 12/31/08	of which non-current
Financing costs	13,846	9,700	7,721	0
Advance payments to creditors	6,187	0	6,836	0
Fees for encryption systems	4,552	2,529	0	0
Tax receivables	3,565	0	3,003	0
Transmission fees	530	273	1,015	545
Signing bonus	11	11	76	76
Salary advances	7	0	9	0
Miscellaneous	4,748	1,407	3,606	850
Total	**33,446**	**13,920**	**22,266**	**1,470**

In connection with the new financing structure, transaction costs of K€13,336 have been recognised. As far as the Company has already drawn amounts under the new facilities, a portion of the transaction costs is deducted from the carrying amount of the financial liability and amortised over the term of the liability using the effective interest method. For undrawn facilities, the allocated transaction costs are reported under other assets and amortised to profit and loss over the term of the facility using the effective interest method.

The miscellaneous other assets primarily comprise guarantee commissions paid, fees, insurance premiums, software maintenance agreements and film promotion contributions.

2.6 Assets classified as held for sale

The assets and liabilities related to Roombase Networks Limited, Nikosia, Cyprus, – as shown in the following tables- have been classified as held for sale following the intention of the Group's management to sell this business. The completion date for the transaction is expected to occur in the second quarter 2010.

Assets classified as held for sale	31/12/09
Cash and cash equivalents	77
Trade receivables	454
Property, plant and equipment	686
Impairment	−231
Total	**987**

Liabilities classified as held for sale	31/12/09
Trade payables	455
Other current liabilities	325
Other non-current liabilities	106
Total	**887**

2.7 Interests in entities accounted for at equity

The following summarised financial information of these companies is disclosed for the entities accounted for at equity (information in K€, unless otherwise stated):

Name	Investment holding on 12/31/09 (in %)	Assets as of 12/31/09	Liabilities as of 12/31/09	Revenues 2009	Annual earnings 2009
Premium Media Solutions GmbH	24.8	1,421	1,239	4,556	227
Loxxess Medienlogistik GmbH	8.8	4,727	3,254	17,082	1,214

At the time these financial statements were prepared, information about Loxxess Medienlogistik GmbH was available only for the financial year 2008.

Name	Investment holding on 12/31/08 (in %)	Assets as of 12/31/08	Liabilities as of 12/31/08	Revenues 2008	Annual earnings 2008
Spox Media GmbH	40.1	1,543	3,128	4,220	−1,793
Premium Media Solutions GmbH	24.8	1,087	955	4,321	110

No information was available about Loxxess Medienlogistik GmbH for the financial year 2008 at the time of preparing the financial statements for 2008.

2.8 Property, plant and equipment including receivers

(K€)	Land and buildings	Own technical equipment	Technical equipment and receiver under finance leases	Own receivers	Other operational and office equipment	Advance payments	Total
Cost							
Balance as of 1/1/09	1,574	5,355	10,238	70,918	21,200	0	**109,285**
Additions from business acquisition	23	1,025	0	0	135	0	**1,182**
Additions for the year	233	410	5,448	23,747	7,336	349	**37,522**
Disposals for the year	360	0	11	5,547	3,164	0	**9,083**
Reclassifications "Non-current assets held for sale"	0	1,242	0	0	4	0	**1,246**
Reclassifications	0	639	−627	0	−13	0	**0**
Balance as of 12/31/09	1,469	6,186	15,049	89,119	25,489	349	**137,661**
Depreciation							
Balance as of 1/1/09	1,312	3,912	4,775	33,472	16,124	0	**59,594**
Depreciation for the year	213	746	2,501	13,507	3,119	0	**20,087**
Disposals for the year	317	45	19	2,975	2,910	0	**6,267**
Impairment losses	65	98	0	87	72	0	**322**
Reclassifications "Non-current assets held for sale"	0	558	0	0	2	0	**560**
Reclassifications	0	632	−627	0	−5	0	**0**
Balance as of 12/31/09	1,273	4,785	6,630	44,091	16,398	0	**73,176**
Carrying amount as of 12/31/09	**197**	**1,401**	**8,419**	**45,028**	**9,092**	**349**	**64,485**

(K€)	Land and buildings	Own technical equipment	Technical equipment and receiver under finance leases	Own receivers	Other operational and office equipment	Advance payments	Total
Cost							
Balance as of 1/1/08	1,551	5,148	10,416	73,282	21,076	0	**111,472**
Additions for the year	12	322	0	4,793	3,210	6	**8,344**
Disposals from sales of entities	11	186	0	0	1,001	6	**1,205**
Disposals for the year	6	107	0	7,157	1,872	0	**9,143**
Reclassifications	28	178	−178	0	−212	0	**−183**
Balance as of 12/31/08	1,574	5,355	10,238	70,918	21,200	0	**109,285**
Depreciation							
Balance as of 1/1/08	1,153	3,175	2,902	23,377	15,410	0	**46,017**
Depreciation for the year	136	628	2,032	14,450	2,900	0	**20,145**
Disposals from sales of entities	1	33	0	0	208	0	**241**
Disposals for the year	5	14	0	4,385	1,775	0	**6,179**
Impairment losses	0	0	0	29	0	0	**29**
Reversal of impairment losses	0	−3	0	0	0	0	**−3**
Reclassifications	28	159	−159	0	−203	0	**−175**
Balance as of 12/31/08	1,312	3,912	4,775	33,472	16,124	0	**59,594**
Carrying amount as of 12/31/08	**262**	**1,442**	**5,464**	**37,447**	**5,076**	**0**	**49,691**

Property, plant and equipment include receivers leased to subscribers under operating leases. A distinction has to be made between the following categories of receivers: d-boxes, zapping receiver, HD receivers, fixed disk receivers, HD fixed disk receivers and interactive receivers. The carrying amount of non-leased receivers amounts to K€8,482 (2008: K€10,377). The carrying amount of receivers leased to subscribers amounts to K€39,620 (2008: K€32,160), of which K€1,793 (2008: K€4,105) relates to receivers capitalised under finance leases and K€37,827 (2008: K€28,055) to own receivers.

The additions of K€23,747 (2008: K€4,793) to own receivers mainly related to HD receivers. All purchases of receivers are recognised initially in inventories. Receiver from inventories which get leased by customers under operating lease arrangements are reclassified to property, plant and equipment and depreciated straight-line over their expected useful lives.

The impairment loss of K€87 (2008: K€29) relates to zapping receivers formerly used in hotels. A future economic benefit is not expected from the use of these receivers anymore.

Expected minimum lease payments from operating leases for receivers existing at the balance sheet date amount to K€9,439 (2008: K€20,633). The remaining weighted average contractual term of these leases is approximately 8 months (2008: approximately 8 months).

Property, plant and equipment includes technical equipment (pay-TV equipment), which is integrated in the hotel operations. As of 31 December 2009, the carrying amount of this equipment amounted to K€1,045 (2008: K€849), of which K€485 (2008: K€374) relates to pay-TV equipment recognised under finance leases and K€560 (2008: K€476) to own pay-TV equipment. Only those receivers, which are used for this purpose, are amortised over a period of seven years.

The carrying amounts of technical equipment and receivers under finance leases consist of the following items.

(K€)	2009	2008
Pay-TV equipment	485	374
Receivers	3,074	5,090
Hardware for new subscriber management system	4,860	0
Total	**8,419**	**5,464**

2.9 Intangible assets

2.9.1 Film assets and advance payments for sport and film rights

The carrying amounts of the film assets and advance payments for sport rights developed as follows:

(KEUR)	Carrying amount as of 12/31/09	of which non-current	Carrying amount as of 12/31/08	of which non-current
Film assets	66,781	23,139	103,840	33,845
Advance payments for sport rights	30,941	998	66,565	26,082
Total	**97,722**	**24,136**	**170,404**	**59,927**

The film assets reported in this caption mainly comprise broadcasting rights purchased from film studios and a programme library acquired in 2006.

The film assets developed as follows:

(K€)	Film licenses	Advance payments for film rights	Program library	Total
Cost				
Balance as of 1/1/09	160,215	13,588	7,900	**181,703**
Additions for the year	104,480	4,098	0	**108,578**
Disposals	132,145	0	0	**132,145**
Reclassifications	9,689	−9,689	0	**0**
Balance as of 12/31/09	142,239	7,997	7,900	**158,136**
Utilisation/amortisation				
Balance as of 1/1/09	74,442	0	3,421	**77,863**
Utilisation/amortisation for the year	144,030	0	992	**145,021**
Disposals	132,145	0	0	**132,145**
Impairment losses	615	0	0	**615**
Balance as of 12/31/09	86,942	0	4,413	**91,355**
Carrying amount as of 12/31/09	**55,297**	**7,997**	**3,487**	**66,781**
of which non-current	15,994	3,657	3,487	**23,139**

The cost of the purchased film rights was adjusted by K€147 (2008: K€67) in conjunction with the contractually agreed determination of the actual number of subscribers.

The film assets developed as follows in the previous year:

(K€)	Film licenses	Advance payments for film rights	Program library	Total
Cost				
Balance as of 1/1/08	153,534	22,225	7,900	**183,659**
Additions for the year	119,144	8,867	0	**128,011**
Disposals	129,967	0	0	**129,967**
Reclassifications	17,504	−17,504	0	**0**
Balance as of 12/31/08	160,215	13,588	7,900	**181,703**
Utilisation/amortisation				
Balance as of 1/1/08	78,417	0	2,383	**80,800**
Utilisation/amortisation for the year	123,956	0	1,038	**124,994**
Disposals	129,967	0	0	**129,967**
Impairment losses	2,036	0	0	**2,036**
Balance as of 12/31/08	74,442	0	3,421	**77,863**
Carrying amount as of 12/31/08	**85,773**	**13,588**	**4,479**	**103,840**
of which non-current	24,677	4,690	4,479	33,845

The impairment losses resulted from derecognition of the unused transmission slots.

Utilisation and amortisation are recorded in cost of sales.

2.9.2 Goodwill

(K€)	2009	2008
Cost		
Balance as of 1/1/	**622,143**	**626,765**
Additions from business combinations	0	131
Additions for the year	11,056	0
Disposals from sales of entities	0	2,185
Disposals for the year	0	2,568
Balance as of 12/31/	**633,199**	**622,143**
Impairment		
Balance as of 1/1/	0	**0**
Impairment for the year	1,296	695
Disposals from sales of entities	0	695
Balance as of 12/31/	**1,296**	**0**
Carrying amount as of 12/31/	**631,903**	**622,143**

The additions in the financial year result from the acquisition of Creation Club GmbH. The impairment in the financial year results from the GIGA goodwill following the decision to close this business.

The impairment test for the cash-generating unit "pay-TV Business" that has to be performed at least once a year, which was carried out on the basis of the financial plans approved by management, revealed no need for any write-downs.

Due to the business development in the second half of 2009 and the capital increase announced at the end of 2009 and implemented in January 2010, the Company performed an additional impairment test as of 31 December 2009. This test also indicated no need for any write-downs.

The recoverable amount was determined by referring to the value in use calculated on the basis of the free cash flow projections in the business plan (planning period from 2010 to 2013 for the impairment test as of 30 September 2009, planning period from 2010 to 2014 for the impairment test as of 31 December 2009). The key assumptions with respect to the projected free cash flows relate to development of the number of subscribers and the ARPU. A discount rate of 9.6 percent p.a. as of 30 September 2009 and 8.75 percent p.a. as of 31 December 2009, (2008: 10.3 percent p.a.) and a growth factor after the five-year planning period of 0.5 percent p.a. as of 30 September 2009 and 31 December 2009, (2008: 0.5 percent p.a.) were applied in the calculations for the cash-generating unit (see also *1.10.15 Estimates and judgments*).

2.9.3 Other intangible assets

(K€)	Trademarks	Subscriber base	Other intangible assets	Other intangible assets under finance lease	Internally generated intangible assets	Advance payments	Total
Cost							
Balance as of 1/1/09	**333,429**	**391,061**	**101,580**	**0**	**2,645**	**535**	**829,251**
Additions from business acquisition	0	165	0	0	0	0	**165**
Additions for the year	0	0	12,929	5,692	0	295	**18,916**
Disposals from sales of entities	0	0	0	0	0	0	**0**
Disposals for the year	0	0	19,461	0	0	484	**19,945**
Reclassifications	0	0	263	0	0	−263	**0**
Balance as of 12/31/09	**333,429**	**391,226**	**95,312**	**5,692**	**2,645**	**83**	**828,388**
Amortisation							
Balance as of 1/1/09	**0**	**283,334**	**63,396**	**0**	**2,624**	**0**	**349,355**
Amortisation for the year	0	48,993	18,984	569	12	0	**68,558**
Disposals from sales of entities	0	0	0	0	0	0	**0**
Disposals for the year	0	0	17,373	0	0	0	**17,373**
Impairment losses	333,429	0	369	0	0	0	**333,798**
Reclassifications	0	0	0	0	0	0	**0**
Balance as of 12/31/09	**333,429**	**332,327**	**65,375**	**569**	**2,636**	**0**	**734,337**
Carrying amount as of 12/31/09	**0**	**58,899**	**29,937**	**5,123**	**9**	**83**	**94,051**

(K€)	Trademarks	Subscriber base	Other intangible assets	Other intangible assets under finance lease	Internally generated intangible assets	Advance payments	Total
Cost							
Balance as of 1/1/08	**335,298**	**386,061**	**95,975**	**0**	**2,645**	**11,084**	**831,063**
Additions for the year	0	0	19,759	0	0	558	**20,317**
Disposals from sales of entities	1,869	0	579	0	0	0	**2,447**
Disposals for the year	0	0	19,495	0	0	371	**19,865**
Reclassifications	0	5,000	5,920	0	0	−10,736	**183**
Balance as of 12/31/08	**333,429**	**391,061**	**101,580**	**0**	**2,645**	**535**	**829,251**
Amortisation							
Balance as of 1/1/08	**0**	**234,452**	**51,629**	**0**	**2,286**	**0**	**288,367**
Amortisation for the year	0	48,883	29,012	0	338	0	**78,232**
Disposals from sales of entities	0	0	137	0	0	0	**137**
Disposals for the year	0	0	17,283	0	0	0	**17,283**
Impairment losses	0	0	0	0	0	0	**0**
Reclassifications	0	0	175	0	0	0	**175**
Balance as of 12/31/08	**0**	**283,334**	**63,396**	**0**	**2,624**	**0**	**349,355**
Carrying amount as of 12/31/08	**333,429**	**107,727**	**38,184**	**0**	**21**	**535**	**479,896**

The trademarks are not amortised as a result of their classification as intangible assets with indefinite useful lives.

In May 2009, the Management Board with the approval of the Supervisory Board decided to discontinue the use of the Premiere brand in its pay-TV operation by the end of the second quarter 2009. Therefore, the carrying amount of the Premiere trademark was written off resulting in an expense of K€331,629.

The subscriber base relates to an acquisition that was carried out in 2003. The subscriber base is amortised on a straight-line basis over the useful life based on historical experience. It was not

necessary to recognise any impairment losses. The remaining residual life of the subscriber base as of the balance sheet date is approximately 1 year (2008: 2 years).

The other intangible assets comprise purchased software, licenses and the costs for the rights to use names. The disposal result comes essentially from the expiration and termination of name rights.

In 2009 Sky changed its subscriber management system. The additions in the other intangible assets under finance lease can be attributed to this.

2.10 Liabilities

The liabilities are made up as follows:

	12/31/09			Total	12/31/08			Total
(K€)	< 1 year	1-5 years	> 5 years	12/31/09	< 1 year	1-5 years	> 5 years	12/31/08
Borrowings	29.610	140.924	0	**170.534**	378.469	6.814	0	**385.283**
Trade payables	196.930	18.154	0	**215.084**	174.704	22.586	0	**197.291**
Other financial liabilities	35.865	62.143	0	**98.008**	26.489	6.575	0	**33.064**
Liabilities to entities accounted for at equity	3.142	0	0	**3.142**	1.554	0	0	**1.554**
Liabilities classified as held-for sale	488	0	0	**488**	0	0	0	**0**
Other liabilities	35.628	3.307	0	**38.935**	48.872	2.618	0	**51.490**
Deferred taxes	0	39.345	0	**39.345**	0	113.660	0	**113.660**
Provisions for pensions and similar obligations	0	0	6.274	**6.274**	0	5.494	0	**5.494**
Other provisions	11.559	0	0	**11.559**	9.537	486	0	**10.023**
Total	**313.222**	**263.873**	**6.274**	**583.369**	**639.625**	**158.232**	**0**	**797.858**

2.10.1 Borrowings

The Company is reporting the following borrowings, broken down by maturities:

	12/31/09			Total	12/31/08			Total
(KEUR)	< 1 year	1-5 years	> 5 years	12/31/09	< 1 year	1-5 years	> 5 years	12/31/08
Bank debt	21.492	132.932	0	**154.424**	372.404	118	0	**372.522**
Finance lease liabilities	6.350	7.992	0	**14.343**	4.248	5.029	0	**9.277**
Loan from Nagravision	1.767	0	0	**1.767**	1.817	1.667	0	**3.483**
Total	**29.610**	**140.924**	**0**	**170.534**	**378.469**	**6.814**	**0**	**385.283**

The carrying amount of the borrowings broadly corresponds to their fair value.

The bank debt reported under borrowings primarily comprises the financing package agreed upon in December 2008 amended in December 2009 with a bank syndicate.

Bank debt

On 23 April 2009 Sky received the net proceeds of a capital increase. At the same time the existing debt facilities were repaid and replaced by new long-term facilities with a total amount of €525 million. The new debt facilities consist of a term loan of €275 million with a duration until December 2013 and a revolving credit as well as guarantee facility of €250 million, with a duration until June 2013. The interest on the new credit lines is determined on the basis of EURIBOR plus a margin of between 3.75 and 4.75 percent, which for the term loan increases to up to 6.00 percent in 2012.

The decrease in bank debt from K€372,522 as of 31 December 2008 to K€154,424 as of 31 December 2009 primarily results from the repayment of both the bridge and the revolving facilities in the amount of K€365,593 and the drawdown of the new facilities in the amount of K€146,488.

Some of the transaction costs, which will be deferred over the term of the credit agreement, were payable upfront for the replaced refinancing. As such, arrangement fees in the amount of

€7.9 million, equalling 1.5 percent of the total commitments, were payable on the closing date of the arrangement.

An exit fee, equivalent of 4.0 percent of the last 12 months consolidated EBITDA will be payable on 31 December 2013. As of 31 December 2009 this fee has not been recorded on the balance sheet, given that the amount of the financial obligation cannot be measured reliably at this stage.

In the course of the direct placement of 49 million shares to News corporation in January 2010 Sky's bank syndicate consented to a waiver and amendment request with regard to a waiver of mandatory prepayment from equity proceeds, an adjustment of the existing financial covenants to reflect the additional investments and an amendment to allow for temporary repayment of a term loan. Sky paid to the banks a waiver fee and consent fee market standard for this type of waiver and amendment agreement. The payment was subject to achievement of certain total consent levels and the individual consent by each bank.

Interest expense of K€23,326 (2008: K€36,080) was incurred for both the replaced and amended financing in 2009 and recognised in profit or loss, of which K€18,133 was paid in 2009 (2008: K€28,976). Interest liabilities of K€2,772 were recognised (2008: K€7,104) and another K€2,420 were capitalized as of the balance sheet date.

Loan from Nagravision

A credit line of K€7,250 was agreed upon in 2003 with Kudelski S.A., Switzerland, (Nagravision). This credit line was taken up in full in February 2004.

The credit line was restructured in 2008. The amount still outstanding of K€1,767 is due on 30 June 2010. The interest rate since 1 July 2008 is 9.0 percent p.a.

Finance lease liabilities

The following minimum lease payments are due under the finance leases:

(KEUR)	< 1 year	1-5 years	2009 Total
Minimum lease payments	6,663	9,532	**16,195**
Discount amounts	−313	−1,540	**−1,852**
Present values	**6,350**	**7,992**	**14,343**

(KEUR)	< 1 year	1-5 years	2008 Total
Minimum lease payments	4,909	5,367	**10,276**
Discount amounts	−661	−338	**−998**
Present values	**4,248**	**5,029**	**9,277**

The weighted average interest rate for finance lease liabilities with fixed lease payments was 9.8 percent p.a. (2008: 10.0 percent p.a.).

2.10.2 Trade payables

Trade payables are made up as follows:

	12/31/09		Total	12/31/08		Total
(K€)	< 1 year	1-5 years	12/31/09	< 1 year	1-5 years	12/31/08
Liabilities to film studios for the purchase of film licenses	56,594	1,554	**58,148**	49,500	0	**49,500**
Liabilities to subscribers for security deposits	4,226	12,702	**16,928**	4,848	14,572	**19,420**
Other trade payables	136,111	3,897	**140,009**	120,356	8,014	**128,370**
Total	**196,930**	**18,154**	**215,084**	**174,704**	**22,586**	**197,291**

The carrying amounts correspond to the fair values.

2.10.3 Other financial liabilities

(K€)	12/31/09 < 1 year	12/31/09 1-5 years	12/31/09 > 5 years	Total 12/31/09	12/31/08 < 1 year	12/31/08 1-5 years	12/31/08 > 5 years	Total 12/31/08
Purchase price payables	11,906	55,767	0	**67,673**	9,548	1,270	0	**10,818**
Derivatives	1,370	4,782	0	**6,152**	1,057	3,593	0	**4,650**
Debtor accounts with credit balances	10,973	0	0	**10,973**	4,427	0	0	**4,427**
Liabilities to employees (including Management bonuses)	7,982	0	0	**7,982**	6,907	0	0	**6,907**
Severance payments	924	173	0	**1,097**	2,314	175	0	**2,489**
Miscellaneous	2,709	1,422	0	**4,131**	2,236	1,537	0	**3,773**
Total	**35,865**	**62,143**	**0**	**98,008**	**26,489**	**6,575**	**0**	**33,064**

The fair values are identical with the reported carrying amounts.

Please refer to 1.10.1.6 Derivatives and *4.1.2 Disclosures on derivatives* with regard to the negative fair values of the derivatives.

The increase in the purchase price liabilities mainly results from the buyback of all shares in Premiere Star GmbH and the acquisition of Creation Club GmbH.

2.10.4 Other liabilities

Other liabilities are made up as follows:

(K€)	12/31/09 < 1 year	12/31/09 1-5 years	12/31/09 > 5 years	Total 12/31/09	12/31/08 < 1 year	12/31/08 1-5 years	12/31/08 > 5 years	Total 12/31/08
Advance payments on orders	4,050	0	0	**4,050**	21,510	0	0	**21,510**
Subscriber payments from prepaid offers	20,901	0	0	**20,901**	17,578	0	0	**17,578**
Liabilities to tax authorities	4,502	1,148	0	**5,650**	5,331	1,148	0	**6,479**
Fees for encryption systems	442	1,448	0	**1,890**	0	631	0	**632**
Social security liabilities	58	0	0	**58**	438	0	0	**438**
Miscellaneous	5,675	711	0	**6,386**	4,014	838	0	**4,853**
Total	**35,628**	**3,307**	**0**	**38,935**	**48,872**	**2,618**	**0**	**51,490**

The subscriber payments from prepaid offers relate to the deferral of revenue from prepaid packages sold with terms going beyond the balance sheet date.

2.10.5 Other provisions

(K€)	Receivers	Other taxes	Litigation costs	Onerous contracts	Warranties	Total
Balance as of 1/1/09	868	7,290	717	1,111	37	**10,024**
Additions	1,066	373	725	972	0	**3,137**
Utilisation	−327	−1	−1	−650	0	**−980**
Reversals	−284	−26	−255	−3	−11	**−580**
Reclassification “assets held for sale”	0	0	−34	0	−7	**−41**
Balance as of 12/31/09	**1,323**	**7,636**	**1,151**	**1,430**	**19**	**11,559**
of which current	1,323	7,636	1,151	1,430	19	**11,559**
of which non-current	0	0	0	0	0	**0**

(K€)	Receivers	Other taxes	Litigation costs	Onerous contracts	Warranties	Total
Balance as of 1/1/08	85	6,769	316	0	21	**7,191**
Additions	858	522	556	1,111	16	**3,062**
Utilisation	−0	0	−44	0	0	**−44**
Reversals	−74	0	−111	0	0	**−185**
Reclassification “assets held for sale”	0	0	0	0	0	**0**
Balance as of 12/31/08	**868**	**7,290**	**717**	**1,111**	**37**	**10,024**
of which current	868	7,290	717	625	37	**9,537**
of which non-current	0	0	0	486	0	**486**

The provisions have been recognised on the basis of the expected outflows.

The provisions for receivers mainly relate to costs for the testing, repair and scrapping of receivers. Utilisation of K€794 (2008: K€521) is expected in the best case.

Provisions for litigation have been set up for expected risks from lawsuits and costs for lawyers’ and other court fees on pending legal disputes.

2.10.6 Provisions for pensions

2.10.6.1 Defined benefit plans

The Group operates unfunded final salary defined benefit pension plans. In addition to retirement pensions, the pension liability also covers widows’, orphans’ and disability pensions.

The following amounts are recognised as expense for the period:

(K€)	2009	2008
Current service cost	−100	−86
Interest cost	−320	−288
Realized actuarial losses/gains	−222	−111
Pension expense/income	**−643**	**−485**

The current service cost and the actuarial gains or losses are reported under administrative expenses and the interest expense on the pension obligations is reported in the financial result.

Since there are no plan assets as defined by IAS 19 and all actuarial gains and losses are recognised in profit and loss when incurred, the present value of the defined benefit obligation (DBO) of the pension obligations and the obligations similar to pensions equals the provision recognised in the balance sheet.

The defined benefit obligation (DBO) has developed as follows:

(K€)	2009	2008
Defined benefit obligation as of 1/1/	5,494	5,086
Addition from business acquisition	220	0
Pension expense/income	643	485
Pension payments	−82	−77
Defined benefit obligation as of 12/31/	**6,274**	**5,494**

The defined benefit obligation and the adjustments to the plan liabilities based on historical experience developed as follows:

(K€)	2009	2008	2007	2006	2005	2004
Defined benefit obligation as of 12/31/	6,274	5,494	5,086	6,114	6,192	6,071
Experience adjustments on plan liabilities 1/1-12/31/	−222	−111	−83	−136	–	–

The calculation of the pension liability was based on the following assumptions:

	12/31/09	12/31/08
Discount rate	5.53%	5.75%
Pension growth rate	2.00%	2.00%
Salary growth rate	2.00%	2.00%
Employee turnover rate	8.30%	8.30%

Expected pension payments in 2010 amount to K€94 (in 2009: K€90).

2.10.6.2 Defined contribution plans

The measurement of the contributions payable resulting from termination indemnity obligations to employees of the Austrian subsidiary resulted in expense of K€14 (2008: K€15).

Contributions to the statutory pension insurance scheme in the past financial year amounted to K€8,854 (2008: K€8,221).

2.11 Additional disclosures on financial instruments

The following table shows the carrying amounts by measurement categories in accordance with IAS 39 and the fair values by classes of financial assets and financial liabilities.

2009 (K€)	(Class of financial instruments according to IFRS 7.6) financial instrument measured at	Fair value 12/31/09	Carrying amount as of 12/31/09	Carrying amount of categories as defined in IAS 39							Carrying amount according to IAS 17
				FVTPL (HfT)	FVTPL (designiert)	Fair Value recognised in equity	AfS	LaR	HtM	FLAC	
Assets											
Cash and cash equivalents	—	—	8,124	0	0	0	0	0	0	0	0
Trade receivables	Amortised cost	72,759	72,636	0	0	0	0	67,139	0	0	5,497
Receivables from entities accounted for at equity	Amortised cost	210	210	0	0	0	0	210	0	0	0
Other non-derivative financial assets	Amortised cost	3,413	3,413	0	0	0	0	3,413	0	0	0
Derivative financial assets	Fair value	329	329	93	0	236	0	0	0	0	0
– Derivatives in connection with Cash-Flow Hedges	Fair value	236	236	0	0	236	0	0	0	0	0
– Derivatives without hedge relation	Fair value	93	93	93	0	0	0	0	0	0	0
Available-for-sale financial assets	At cost	—	6	0	0	0	6	0	0	0	0
Available-for-sale financial assets	Fair value	1,240	1,240	0	0	0	1,240	0	0	0	0
		77,950	**85,958**	**93**	**0**	**236**	**1,246**	**70,762**	**0**	**0**	**5,497**
Liabilities											
Borrowings	Amortised cost	170,943	170,534	0	0	0	0	0	0	156,191	14,343
Trade payables	Amortised cost	215,408	215,084	0	0	0	0	0	0	215,084	0
Liabilities to entities accounted for at equity	Amortised cost	3,142	3,142	0	0	0	0	0	0	3,142	0
Other non-derivative financial liabilities	Amortised cost	93,244	91,856	0	0	0	0	0	0	91,856	0
Derivative financial liabilities	Fair value	6,152	6,152	4,762	0	1,390	0	0	0	0	0
– Derivatives in connection with Cash-Flow Hedges	Fair value	1,390	1,390	0	0	1,390	0	0	0	0	0
– Derivatives without hedge relation	Fair value	4,762	4,762	4,762	0	0	0	0	0	0	0
		488,889	**486,767**	**4,762**	**0**	**1,390**	**0**	**0**	**0**	**466,273**	**14,343**

2008 (K€)	(Class of financial instruments according to IFRS 7.6) financial instrument measured at	Fair value 12/31/08	Carrying amount as of 12/31/08	Carrying amount of categories as defined in IAS 39							Carrying amount according to IAS 17
				FVTPL (HfT)	FVTPL (designated)	Fair Value recognised in equity	AfS	LaR	HtM	FLAC	
Assets											
Cash and cash equivalents	–	0	67,156	0	0	0	0	0	0	0	0
Trade receivables	Amortised cost	85,828	85,765	0	0	0	0	79,006	0	0	6,759
Receivables from entities accounted for at equity	Amortised cost	370	370	0	0	0	0	370	0	0	0
Other non-derivative financial assets	Amortised cost	10,892	10,892	0	0	0	0	10,892	0	0	0
Derivative financial assets	Fair value	1,107	1,107	1,107	0	0	0	0	0	0	0
– Derivatives in connection with Cash-Flow Hedges	Fair value	0	0	0	0	0	0	0	0	0	0
– Derivatives without hedge relation	Fair value	1,107	1,107	1,107	0	0	0	0	0	0	0
Available-for-sale financial assets	At cost	0	6	0	0	0	6	0	0	0	0
Available-for-sale financial assets	Fair value	1,350	1,350	0	0	0	1,350	0	0	0	0
		99,548	**166,647**	**1,107**	**0**	**0**	**1,356**	**90,268**	**0**	**0**	**6,759**
Liabilities											
Borrowings	Amortised cost	385,342	385,283	0	0	0	0	0	0	376,005	9,277
Trade payables	Amortised cost	197,291	197,291	0	0	0	0	0	0	197,291	0
Liabilities to entities accounted for at equity	Amortised cost	1,554	1,554	0	0	0	0	0	0	1,554	0
Other non-derivative financial liabilities	Amortised cost	28,414	28,414	0	0	0	0	0	0	28,414	0
Derivative financial liabilities	Fair value	4,650	4,650	4,650	0	0	0	0	0	0	0
– Derivatives in connection with Cash-Flow Hedges	Fair value	0	0	0	0	0	0	0	0	0	0
– Derivatives without hedge relation	Fair value	4,650	4,650	4,650	0	0	0	0	0	0	0
		617,250	**617,191**	**4,650**	**0**	**0**	**0**	**0**	**0**	**603,263**	**9,277**

Explanation of abbreviations

FVTPL (HfT)	Financial assets/liabilities at fair value through profit or loss classified as held for trading
AfS	Available-for-sale financial assets
LaR	Loans and receivables
FLAC	Financial liabilities measured at amortised cost

A separate class has to be established for cash and cash equivalents. An allocation to financial instruments measured at amortised cost or to financial assets measured at fair value is not appropriate, since they are reported at nominal value, whereby foreign currency balances are translated at the rate for the day. The measurement of cash and cash equivalents is therefore not connected with a category in IAS 39, so that no disclosure is required of the carrying amount by measurement category.

Trade receivables and other financial assets primarily have short maturities, so that their carrying amounts as of the balance sheet date approximate the fair values. The fair values of the finance lease receivables are determined with reference to the discounted expected future cash flows on the basis of the contractual terms.

In the case of available-for-sale financial assets, the market value in an active market, where this exists, is applied as the fair value.

The market values of interest swaps are determined by discounting the expected future cash flows over the residual term of the contracts on the basis of current market interest rates and the interest structure trend. The market values of the foreign exchange forward contracts are determined based on the forward rates.

The fair values of the bank debt reported under the financial liabilities, finance lease liabilities and other borrowings, and the non-current borrowings are determined as the present values of the payments associated with the liabilities, applying the respective applicable interest structure trend.

Trade payables and other borrowings mainly have short maturities, so that their carrying amounts approximate the fair values.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2009 (K€)	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets	0	329	0	329
– Derivatives in connection withCash-Flow Hedges	0	236	0	236
– Derivatives without hedge relation	0	93	0	93
Available-for-sale financial assets	240	1,000	0	1,240
Liabilities				
Derivative financial liabilities	0	6,152	0	6,152
– Derivatives in connection withCash-Flow Hedges	0	1,390	0	1,390
– Derivatives without hedge relation	0	4,762	0	4,762

2.12 Equity

2.12.1 General

Sky Deutschland AG's subscribed capital amounts to K€490,147. It is divided into 490,147,144 registered shares with no par value; each share with no par value has a notional interest of €1.00 in the capital stock.

The capital has been contributed in full.

Additional paid-in capital amounted as of the balance sheet date to K€1,425,815 (2008: K€1,376,453), of which K€856,574 is not available for distribution.

The Company's agreement on the new long-term financing structure with the bank syndicate and News Corp included two capital increases. In the first capital increase, the subscribed capital was increased by K€10,224 from K€112,460 to K€122,684 out of the authorised capital. This was entered in the Commercial Register on 14 January 2009. After taking into account capital transaction costs of K€1,538 the additional paid-in capital was increased by K€26,680, from K€1,376,453 to K€1,403,132.

The second capital increase was resolved upon by Sky's Extraordinary General Meeting on 26 February 2009 and entered into the Commercial Register on April 3, 2009. The Management Board of Sky Deutschland AG, with the Supervisory Board's consent, set the subscription price at €1.12 per new share on 5 April 2009, with a backstop from News Corp on the capital increase subject to certain conditions. After completion of the offer, on 22 April 2009 the subscribed capital increased by K€367,464, from K€122,684 to K€490,147. The second capital increase generated gross proceeds of €411.6 million. Less capital transaction costs of K€21,413 the additional paid-in capital was increased by K€22,682, from K€1,403,132 to K€1,425,815.

On 18 January 2010, the Management Board of Sky Deutschland AG, Unterföhring, with the consent of the Supervisory Board, decided to increase the share capital of the Company by €49,014,714 against contributions in cash by issuing 49,014,714 new registered shares without subscription rights using the authorised capital of the Company. The subscription price per share amounts to €2.25. The total number of Sky Deutschland's registered shares increased from 490,147,144 shares to 539,161,858 shares. The Company received gross proceeds of €110 million. The capital increase was entered in the Commercial Register on 21 January 2010.

2.12.2 Authorised capital (not issued)

The authorised capital 2006 granted to the Management Board by the Annual General Meeting of 17 May 2006 was cancelled in the Annual General Meeting on 9 July 2009.

At the same time the Management Board was authorised, subject to the consent of the Supervisory Board, to increase the Company's registered share capital in the period up to July 8, 2014 by up to €147,044,143 by issuing in one or several tranches new registered non-par value shares against cash contribution and/or contributions in kind (Authorised Capital 2009).

Subsequent to the capital increase carried out in January 2010, the remaining authorised capital (not issued) amounts to K€98,029.

2.12.3 Issuance of convertible or option bonds

On the basis of the resolution of the Annual General Meeting on 17 May 2006, the Management Board is empowered, with the approval of the Supervisory Board, to issue bearer or registered convertible or option bonds with a total nominal value of up to €500,000,000 (five hundred million) up until 16 May 2011 on one or several occasions, with or without any limitations as to their term, and to grant the holders of convertible or option bonds conversion and option rights to subscribe for up to 8,200,000 new registered ordinary shares with no par value in the Company with a proportionate share of the capital stock of up to €8,200,000 ("new shares") in accordance with the convertible bond or option terms. The power can also be exercised in partial amounts. The stockholders shall, as a general rule, be granted the right to subscribe. The Management Board is however empowered, with the approval of the Supervisory Board, to exclude the subscription right of the stockholders when issuing the convertible or option bonds.

On the basis of the resolution of the Annual General Meeting on 17 May 2006, the Company's subscribed capital was increased conditionally by up to €8,200,000 by issuing up to 8,200,000 new registered ordinary shares of no par value. The sole purpose of the conditional capital is to grant new shares to the holders of convertible or option bonds, which are issued, in accordance with the abovementioned empowering resolution, by Sky Deutschland AG or by companies in which Sky Deutschland AG directly or indirectly holds majority investments. The conditional increase in capital will only be carried out to the extent that holders of convertible or option bonds exercise their conversion or option rights or fulfil conversion obligations under such bonds.

Convertible and option bonds have not yet been issued so far.

2.12.4 Accumulated other comprehensive income

Gains and losses on the market valuation of available-for-sale securities resulting from impairment losses have been recognised in profit or loss for the period.

In accordance with IAS 39, the foreign currency forwards are measured at each balance sheet date at their fair value by using the forward rate for the remaining term. The effective portion of the gain or loss resulting from the changes in the fair value of these derivatives is recognised directly in other comprehensive income, net of any tax effect.

3 NOTES ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

3.1 Revenues

(K€)	2009	2008
Subscriptions and pay per view revenues	788,011	769,817
Receiver sales/rental revenues	41,266	47,526
Magazine and advertising revenues	20,722	31,001
Other revenues	52,070	92,790
Total	**902,069**	**941,133**

Programme revenues (subscriptions and pay-per-view) increased due to the growth in the number of monthly contract subscribers as well as a strong increase in ARPU. Program revenues include revenues with direct subscribers in a total amount of €743.9 million (2008: €695.4 million).

Magazine and advertising revenues include K€5,018 (1/1/-12/31/08: K€5,146) for the procurement of customers for the magazines and commissions of K€1,040 (1/1/-12/31/08: K€1,293) for the procurement of subscribers in conjunction with the cooperation agreement with tmc.

Other revenues include production revenues of K€16,298 (1/1/-12/31/08: K€32,289) relating to the transmission of the Fußball Bundesliga in IPTV and revenues of K€3,091 (1/1/-12/31/08: K€3,741) from platform and transmission services under the cooperation agreement with tmc. Other revenues also include license fees of K€21,464 (1/1/-12/31/08: K€45,544). The decrease in license fees compared with the previous year is mainly due to the assignment of rights for the 2010 FIFA World Cup™ in South Africa in 2008.

Revenues in the amount of K€81,537 (1/1/-12/31/08: K€81,036) stem from the Austrian business.

3.2 Cost of sales

(K€)	2009	2008
Programming costs	−717,036	−640,012
Transmission costs	−133,883	−125,197
Receiver costs	−53,046	−67,049
Customer service costs	−51,356	−51,956
Total	**−955,322**	**−884,215**

The programming costs primarily include license and production costs.

The transmission costs reflect in particular the transponder and play-out costs as well as broadcasting fees.

The costs for receivers primarily comprise cost of sold receivers together with depreciation on receivers included in fixed assets.

The costs for customer services, such as service hotlines, service support and customer retention, can be found in the subscription management and service management costs.

3.3 Selling and general and administrative expenses

The selling and general and administrative expenses are made up as follows:

(K€)	2009	2008
Marketing	−73,615	−41,461
Dealer commissions	−30,829	−20,266
Selling expenses for direct sales	−25,122	−18,206
Bad debts	−9,449	−9,914
Other selling expenses	−36,660	−24,407
Selling expenses	**−175,676**	**−114,254**
IT	−34,294	−28,563
Legal, consulting and administrative expenses	−28,388	−25,331
Personnel, incl. termination benefits	−4,484	−6,001
Facilities	−6,894	−5,692
Other	−4,447	−4,058
General and administrative expenses	**−78,507**	**−69,645**

The significant increase in the selling expenses mainly results from the sales project to implement the new packages, to advertise the new trademark “Sky” and to sublicense the trademark “Sky”.

During the first half of 2009, Sky engaged in a corporate restructuring process. Accordingly, Sky recognized additional personnel and reorganization costs in the general and administrative expenses.

Furthermore, the change of IT systems for the implementation of the subscriber management system resulted in additional costs.

3.4 Other operating income

(K€)	2009	2008
Gain from sale of interests in entities	0	22,494
Gain from sale of investments	2,083	0
Income from compensation	2,395	4,089
Miscellaneous	6,910	12,219
Total	**11,388**	**38,801**

During the reporting period Sky sold its 14.4 percent stake in 1-2-3.tv GmbH to other shareholders of 1-2-3.tv GmbH. The gain from this transaction in the amount of K€2,083 was recognised in other operating income.

3.5 Other operating expenses

Other operating expenses are made up as follows:

(K€)	2009	2008
Allocation to allowances for doubtful receivables	−877	−12,757
Allowances of loans	−28	−1,595
Impairment of goodwill and trademark	−3,096	0
Losses on disposal of fixed assets	−243	−1,290
Costs relating to settlement agreement with shareholders	−4,321	0
Miscellaneous	−2,754	−3,463
Total	**− 11,319**	**−19,105**

Following the extraordinary General Meeting on 26 February 2009, several shareholders filed an appeal against the resolution of the General Meeting to increase the Company's capital. In order to dispose of these litigations, Sky entered into settlement agreements with the shareholders according to which Sky agreed to reimburse the shareholders' costs resulting from these agreements. These additional costs of K€4,321 are recognised in other operating expenses.

The impairment of goodwill and trademark results from the decision to discontinue the operations of GIGA.

The allowances for doubtful receivables relating to the previous year mainly related to SES Astra.

3.6 Personnel expenses, depreciation and amortisation

Personnel expenses and depreciation and amortisation of fixed assets were charged to operating profit.

(K€)	2009	2008
Wages and salaries	−62,434	−56,965
Social security	−10,957	−9,869
Termination benefits	−2,889	−3,707
Other personnel expenses	−2,558	−2,827
Pension expense and similar expense	−549	−732
Personnel expenses	**−79,387**	**−74,101**
Impairment of trademark Premiere and GIGA	−333,429	0
Amortisation of subscriber base	−48,993	−48,883
Amortisation of other intangible assets	−21,230	−30,066
Depreciation of property, plant and equipment, including impairment losses	−20,409	−20,172
Amortisation of program library	−992	−1,038
Depreciation and amortisation	**−425,052**	**−100,158**

In May 2009, the Management Board with the approval of the Supervisory Board decided to discontinue the use of the Premiere brand in its pay-TV operation by the end of the second quarter 2009. Therefore, the carrying amount of the Premiere trademark was written off resulting in an expense of K€331,629.

3.7 Financial result

(K€)	2009	2008
Interest income from interest rate swaps	2	1,988
Other interest income	3,033	5,109
Income from entities accounted for at equity	141	27
Financial income	**3,176**	**7,123**
Interest expenses from interest rate swaps	−3,534	−5,754
Other interest expense	−31,773	−48,293
Loss from entities accounted for at equity	−505	−1,004
Financial expenses	**−35,813**	**−55,051**
Other financial expense	−6,264	−11,586
Total	**−38,900**	**−59,513**

Interest income and interest expense from interest derivatives comprise gains and losses on the retirement and measurement of interest swap transactions and current interest on these financial instruments.

Other interest income mainly comprises current account interest and interest on the collection of receivables.

Other interest expense mainly consists of interest on both the replaced and the amended corporate debt financing.

Interest expense of K€10,230 (2008: K€36,080) was incurred for the replaced debt financing, of which K€0 (2008: K€7,104) is recognised as interest liabilities as of the balance sheet date. For the amended debt financing, interest expense in the amount of K€13,096 has been incurred during the financial year, of which K€2,772 were recognised as interest liabilities and K€2,420 were capitalized.

The interest expense for the past financial year includes interest expense of K€9,038 (2008: K€12,581) calculated in accordance with the effective interest method.

The item Other financial expense includes expenses totalling €4.0 million from the measurement of a virtual stock option granted to GL Europe International Luxembourg S.à.r.l., Luxembourg, in connection with the buy-back of shares in Premiere Star.

3.8 Net gains/losses by measurement categories

	Net gains/losses	
(K€)	2009	2008
Loans and receivables	11,004	−18,648
Financial assets or liabilities held for trading	−2,992	24,106
Available-for-sale financial assets		
– Gains or losses on changes in fair value recognised in equity	40	600
– Gains or losses on disposal and measurement recognised in profit or loss	1,912	−18,469
Financial liabilities measured at amortised cost	−4,910	99
Total	**5,054**	**−12,312**

Net gains or losses by measurement categories of financial instruments are influenced by changes in fair value, impairments, fluctuations in exchange rates and derecognitions.

The net gains or losses on financial assets and liabilities held for trading relate to the gains or losses on the disposal and the subsequent measurement of these financial instruments (loss of K€2,992; 2008: gain of K€24,106). Interest effects are reported in the interest result (see also *3.7 Financial result),* while the valuation of certain foreign exchange forward contracts that have not been designated for hedge accounting is shown in other financial result (see also *1.10.1.6 Derivatives)*.

3.9 Income taxes

Income taxes are as follows:

(K€)	2009	2008
Current tax expense	−136	−953
Deferred tax income / expense	50,497	−47,871
Total	**50,361**	**−48,824**

The Management Board, with the approval of the Supervisory Board, decided to discontinue the use of the Premiere brand in its pay-TV operation at the end of the second quarter 2009. The fully write off of the trademark results in a reversal of deferred tax liabilities in the amount of K€77,680 (see also *2.9.3 Other intangible assets*).

Income tax expense attributable to discontinued business activities are addressed in *1.8 Disposal and discontinuation of business entities*.

Deferred taxes are measured based on a tax rate of 27.38 percent (previous year 28.08 percent), taking into account, in addition to corporate income tax of 15 percent, the solidarity surcharge at 5.5 percent on the corporate income tax and trade tax on income of 11.55 percent (2008: 12.25 percent).

Deferred taxes assets on temporary differences and tax losses are recognised up to the amount for which it appears probable that future taxable income will be available.

As of 31 December 2009, Sky had accumulated tax losses of K€1,850,088 (2008: K€1,111,361), of which K€216,328 (2008: K€210,518) related to Sky Austria. In addition, there is an interest carry forward of K€73,073 (2008: K€39,888) (§ 8a Corporate Income Tax Act). No deferred tax assets have been set up for recoverability reasons either on the tax losses or on the interest carry forward (2008: K€0).

On the basis of the existing law in 2008 the Company lost tax loss carry forwards in the amount of K€219,097 due to the acquisition of 25.01 percent of the share capital of the Sky Deutschland AG by the News Corp.

In the course of the financial year 2009 the Citizens Relief Act had been passed by the German Parliament by which inter alia Sec. 8 c of the Corporate Income Tax Act ("§ 8c KStG") was amended by introducing a "turnaround clause" with retrospective effect for the tax assessment period 2008. The Citizens Relief Act stipulates that tax losses and tax loss carry forwards are preserved in the event of a purchase of shares if an acquirer acquires the shares of the Company with the intent of undertaking a financial restructuring of the Company.

Based on the Company's financial restructuring report which had been drafted for the purpose of securing the Group's long-term financing, the tax authorities issued an advance ruling in November 2009 by which the authorities confirmed that the conditions of the turnaround clause in Sec. 8c para. 1a had been met. This referred to both the Financial Restructuring Exception (Sec. 8c para. 1a line 1 and line 2 of the Corporate Income Tax Act) and the Company's works council agreement on the preservation of jobs which complies with Sec. 8c para. 1a line 3 of the Corporate Income Tax Act.

For this reason, the proportionate lapse of tax loss carry forwards in 2008 amounting to K€219,097 was reversed in the financial year 2009, so that as of the balance sheet date the full accumulated tax loss carry forwards will be available for offset against future taxable profits.

Deferred tax asset (2008 deferred tax liability) recognised directly in other comprehensive income amounts to K€234 (2008: K€-84). These effects result from both unrealised gains on available-for-sale securities as well as the valuation of foreign exchange forward contracts designated for hedge accounting.

Differences in recognition and measurement and tax losses result in the following recognised deferred tax assets and liabilities:

(K€)	12/31/09 Deferred tax assets	12/31/09 Deferred tax liabilities	12/31/08 Deferred tax assets	12/31/08 Deferred tax liabilities
Trade receivables	25	0	0	603
Finance lease receivables	0	960	0	1,145
Inventories	0	0	0	0
Investments and long-term financial assets	2	0	0	0
Finance leases	0	974	6	1,534
Property, plant and equipment	348	81	224	0
Intangible assets	2,072	41,677	21,491	113,992
Other assets and other financial assets	27	1,292	53	2,419
Borrowings	935	551	2,027	232
Trade payables	264	1,120	161	504
Provisions for pensions	494	0	357	0
Other provisions	2,426	0	1,981	0
Other liabilities and other financial liabilities	2,163	0	5,473	0
Tax loss carried forward	0	0	0	0
Total	**8,755**	**46,655**	**31,774**	**120,430**
of which current	3,557	2,396	23,853	3,554
of which non-current	5,199	44,259	7,920	116,876
Offset	−7,310	−7,310	−6,769	−6,769
Per balance sheet	**1,446**	**39,345**	**25,004**	**113,660**

Deferred tax assets and liabilities are offset provided they are with the same tax authority and current taxes are offset.

The reported tax expense including the income tax relating to discontinued operations differs from the expected tax expense that would have arisen if the nominal tax rate of 27.38 percent (2008: 28.08 percent) had been applied to the IFRS pre-tax earnings.

The reconciliation resulting from the differences is shown in the following table.

(K€)	2009	2008
Loss before taxes	−726,889	−219,977
Expected tax benefit	**198,986**	**61,759**
Reconciliation:		
Change in non-recognition of deferred taxes	−142,448	−109,104
Non-deductible expenses	−6,641	−9,099
Tax-free gains on disposals of investments	542	6,754
Change in German tax rate	2,313	0
Other	−2,391	307
Tax income / expense	**50,361**	**−49,383**

The difference between the tax expenses in the consolidated statement of comprehensive loss and the tax expenses in the reconciliation results from the tax expenses of Home of Hardware, which were recognised in the previous year in the result from discontinued operations.

3.10 Discontinued operations

In 2008 Sky sold its interest in Home of Hardware GmbH & Co KG which constituted a discontinued operation in accordance with IFRS 5. The issue reported in discontinued operations for the previous year is described under *1.8 Disposal and discontinuation of business entities.*

3.11 Earnings per share

Basic earnings per share are calculated as the ratio of the Group earnings and the weighted average number of ordinary shares outstanding during the year.

	2009	2008
Earnings attributable to stockholders of Sky Deutschland AG (K€)	−676,222	−269,258
Weighted average number of outstanding shares (thousand)	378,034	112,460
Basic earnings per share total (€)	**−1.79**	**−2.39**

No circumstances existed either at the current balance sheet date or in the previous year that would have resulted in the dilution of earnings per share.

On 18 January 2010, the Management Board of Sky Deutschland AG, Unterföhring, with the consent of the Supervisory Board, decided to increase the share capital of the Company by 49,014,714 against contributions in cash by issuing 49,014,714 new registered shares without subscription rights using the authorised capital of the Company. The subscription price per share amounts to €2.25. The total number of Sky Deutschland's registered shares will increase from 490,147,144 shares up to 539,161,858 shares. The Company received gross proceeds of €110 million. The capital increase was entered in the Commercial Register on 21 January 2010.

4 OTHER EXPLANATORY COMMENTS

4.1 Financial risk management

4.1.1 Financial risk factors

The Group is exposed in particular to interest and foreign currency risks in connection with its operating activities. It is the Group's policy to avert or restrict these risks through hedging transactions. All hedging measures are coordinated or carried out on a centralised basis by the Group's Treasury & Corporate Finance department.

4.1.1.1 Foreign currency risk

Fluctuations in exchange rates could result in unforeseeable volatility in earnings and cash flows. Sky uses foreign exchange forward contracts to hedge the foreign currency risk. These transactions are related to the hedging of cash flows in foreign currencies in connection with the purchase of film licenses.

Fair value gains or losses from re-measurement of foreign exchange forward contracts as of the balance sheet date were recognised in profit or loss only in case they had not been designated for hedge accounting.

Of the total payments in US dollars, K€58,500 were hedged during the past financial year (2008: K€81,927).

The total trade payables of K€215,084 (2008: K€197,291) include K€17,040 (2008: K€13,287) in foreign currency.

Foreign currency sensitivity is determined firstly by aggregating the net positions of the operating business denominated in foreign currency (mainly liabilities from the purchase of film licenses in US dollars). The foreign currency risk is arrived at by multiplying the unhedged foreign currency position by a 10 percent mark-up or devaluation of the US dollar compared with the euro.

In addition, all foreign exchange forward contracts which are not designated for hedge accounting are subjected to a currency sensitivity analysis as changes in the exchange rate of the US dollar on which the transactions are based would affect profit and loss (gain or loss on the adjustment of the fair value). For the purpose of the sensitivity analysis, Sky only looks at the negative scenario.

A 10 percent devaluation of the US dollar compared with the euro would result in a negative effect from the foreign exchange forward contracts at the same time as a positive effect from the US dollar denominated programming liabilities, so that a net negative effect of altogether K€928 on the earnings for the past financial year would result from this (2008: K€1,309).

4.1.1.2 Interest rate risk

The Company is exposed to interest rate risks as a result of its variable interest rate liabilities. Sky reduces this risk by using interest swaps, through which the variable interest payments are hedged by exchanging them for fixed interest payments. The total borrowings of K€170,534 (2008: K€385,283) include K€155,419 (2008: K€371,871) with variable interest rates. Interest swap transactions have been entered into at a total nominal value of K€100,056 (2008: K€100,278), spread over various maturities, to hedge the interest rate risk. The fixed interest rates during the financial year were between 3.22 percent and 4.08 percent p.a. (2008: between 3.22 percent and 4.08 percent).

In accordance with IFRS 7, interest rate risks are presented by means of sensitivity analyses. These present the effects of changes in market rates of interest on profit or loss or on equity. Sky only looks at the negative scenario of interest rate risk for the purpose of the sensitivity analysis.

Interest swaps have an effect on the financial result (gains and losses on re-measuring financial instruments at fair value), because they are not integrated in a hedge relationship in accordance with IAS 39 and are therefore taken into account in the interest sensitivity analysis.

Changes in market rates of interest have an effect in the case of primary variable interest rate financial instruments on the future interest payments, but not on the earnings for the financial year and do not therefore have to be included in the interest sensitivity analysis in accordance with IFRS 7.

On an assumed reduction of 100 basis points in the market interest rate as of the balance sheet date, the financial result for the period would have been reduced by K€3,009 (2008: K€2,501).

4.1.1.3 Price risk

Some of the long-term contracts concluded with major American film studios include price-change clauses. These price-change clauses cover the average price increases relating to the general cost of living.

Significant portions of Sky's film licensing and encryption fees are linked to the actual number of subscribers. Some of the contracts with owners of programme rights also include guaranteed minimum subscriber numbers. If the minimum subscriber numbers are not achieved, programme license costs must be paid at the minimum subscriber level.

4.1.1.4 Liquidity risk

The liquidity risk is the risk that the Company could encounter difficulty in meeting its financial obligations, such as interest payments and the redemption of borrowings, the payment of trade payables or finance lease obligations.

Prudent liquidity risk management is required in order to identify liquidity shortages on a timely basis. The liquidity requirement is updated on a regular basis. The Company's planning horizon for the operational cash planning is one year. The Company hedges future cash flows by means of derivatives based on a planning horizon of 18 to 36 months for foreign exchange forward contracts and up to five years for interest swap transactions.

The following tables show all contractually defined interest and principal payments as of 31 December 2009 and 31 December 2008 on recognised financial liabilities, including derivatives with a negative market value. The market values are disclosed for the foreign exchange forward contracts and the net interest payments for the interest swap transactions, while the undiscounted cash flows for the following financial years are shown for the remaining liabilities.

All financial instruments held as of the balance sheet date and for which payments have already been contractually agreed have been included. Plan figures for future new liabilities are not incorporated. Variable interest payments are calculated on the basis of the interest rates fixed in each

case as of the balance sheet date. Financial liabilities that are repayable at any time on the request of the lender are always allocated to the earliest period.

As of 31 December 2009 (K€)	2010	2011	2012 to 2014	2015 and later
Non-derivative financial liabilities				
Bank debt	19,626	3,471	133,420	0
Finance lease liabilities	6,663	4,539	4,993	0
Other borrowings	1,817	0	0	0
Trade payables	200,962	5,225	8,256	5,444
Liabilities to entities accounted for at equity	2,756	0	0	0
Other financial liabilities	35,127	12,043	56,130	317
Derivative financial liabilities				
Currency derivatives in connection with cash flow hedges	1,331	59	0	0
Currency derivatives without a hedging relationship	38	0	0	0

The corresponding table for 2008 is:

As of 31 December 2008 (K€)	2009	2010	2011 to 2013	2014 and later
Non-derivative financial liabilities				
Bank debt	375,564	63	0	0
Finance lease liabilities	4,909	3,261	2,107	0
Other borrowings	1,967	1,817	0	0
Trade payables	174,950	6,976	10,777	6,245
Liabilities to entities accounted for at equity	1,554	0	0	0
Other financial liabilities	25,656	1,862	1,086	263
Derivative financial liabilities				
Currency derivatives in connection with cash flow hedges	0	0	0	0
Currency derivatives without a hedging relationship	1,057	0	0	0
Interest rate swaps	0	0	0	0

4.1.1.5 Credit risk

The default risk on the financial assets represents the danger of the default of a contractual partner and is therefore limited to the carrying amounts of the respective assets.

In order to avoid payment defaults, credit reports are obtained on the contractual partners or historical data is used from earlier business relationships, particularly on payment behaviour. Adequate allowances are set up against the receivables for identified risks.

In addition, the Company utilises the direct debit procedure to ensure the receipt of payments from the subscribers.

Financial transactions are only entered into with contracting parties with best credit standing, so that the actual default risks are low. There is currently no indication that the Sky Group is threatened by such a risk.

4.1.2 Disclosures on derivatives

Other assets and other liabilities include the following derivatives:

(K€)	2009	2008
Positive fair values		
Interest swaps	0	0
Foreign exchange forward contracts	329	1,107
Total	**329**	**1,107**
Negative fair values		
Interest swaps	4,723	3,593
Foreign exchange forward contracts	1,428	1,057
Total	**6,152**	**4,650**

The notional amounts of the derivatives outstanding as of the balance sheet date are as follows:

	Maturities			Total	Maturities			Total
(K€)	< 1 year	1-5 years	> 5 years	12/31/09	< 1 year	1-5 years	> 5 years	12/31/08
Foreign exchange forward contracts	84,716	2,305	0	**87,021**	15,451	13,511	0	**28,962**
– Currency derivatives in connection with cash flow hedges	77,789	2,305	0	**80,094**	0	0	0	**0**
– Currency derivatives without hedging relationship	6,927	0	0	**6,927**	15,451	13,511	0	**28,962**
Interest swaps	56	100,000	0	**100,056**	0	100,278	0	**100,278**
Total	84,772	102,305	0	**187,077**	15,451	113,789	0	**129,240**

In the financial year, an amount of K€685 (2008: K€0) had been derecognised from other comprehensive income to advance payments for sport and film rights as additional acquisition costs, of which K€118 (2008: K€0) are shown as utilisation in cost of sales. In 2010 an amount of K€561 will be expensed as cost of sales and in 2011 another K€6.

4.2 Capital management

Sky's capital management is aimed primarily at sustaining its financial flexibility. The Company's financial profile is characterised by a more conservative capital structure.

The following table shows equity, total assets, the equity ratio and net borrowings.

(K€)	12/31/09	12/31/08
Total assets	1,046,411	1,569,514
Shareholders' equity	463,041	771,656
Equity ratio (in %)	44.3	49.2
Net debt	162,410	318,126

Under the new financing arrangement, which was agreed upon in December 2008, new credit facilities of €525 million were conditional upon Sky raising new equity in the amount of €450 million. Following the completion of the capital raisings in January and April 2009, Sky has access to these new credit facilities consisting of two term loans in the aggregate amount of €275 million, a revolving credit facility in the amount of €125 million and a guarantee facility in the amount of €125 million. The new credit facilities include customary operational and financial covenants. The operational covenants restrict Sky's ability to, among other things: pledge any of its assets as collateral; sell, transfer or otherwise dispose of any of its assets; enter into any amalgamation, demerger, merger, consolidation or corporate reorganisation; invest in or acquire businesses; invest in, acquire, or sell, transfer or otherwise dispose any of its assets to a joint venture; grant any loans; issue or maintain any guarantees; and incur or maintain any additional financial indebtedness. Furthermore, the covenants require Sky to maintain its current license agreement with DFL Deutsche Fußball Liga GmbH ("DFL") with respect to the live broadcasting rights to the matches of the German football league (Fußball-Bundesliga) until the end of the 2012/2013 season. The new credit facilities also foresee obligatory redemptions on the occurrence of certain events, which also include the acquisition of more than 50 percent of the shares or the voting

rights in Sky Deutschland AG by a third party (apart from entities in the News Corporation Group). In addition, the facilities impose a number of financial covenants that require Sky to meet specified financial measures.

To expand its financial flexibility and to be able to invest in further initiatives, particularly in marketing, sales and programming, to support sustained subscriber growth, Sky undertook a capital increase, completed on 21 January 2010 with gross proceeds of €110 million. Sky is required to comply with a number of operational and financial covenants contained in its credit facilities. With regard to the capital increase executed on 21 January 2010, Sky requested the banking consortium to consent to a waiver of a mandatory prepayment from equity proceeds and to adjust the financial covenants to reflect the additional investments and ensure significant headroom under the revised business plan. The formal consent of the bank consortium occurred on 14 January 2010.

Consequently, on a quarterly basis, starting with 31 March 2010 and ending on 30 June 2012 (instead of 30 June 2011 with regard to the financial covenants before amendment), Sky must ensure that it's EBITDA for the immediately-preceding twelve month period reach specified thresholds. In addition, on a quarterly basis, starting with 30 June 2012 (instead of 30 June 2011 with regard to the existing financial covenants before amendment) and ending with the maturity of the facilities, Sky must maintain specified relationships between EBITDA and net finance result and between net debt and EBITDA. Finally, starting on 31 December 2012 (instead of 31 December 31 2011 with regard to the financial covenants before amendment), Sky must for each quarter maintain a specified relationship of cash flow to debt service.

If Sky were to default under any of the operational or financial covenants and such default was not cured or waived, the financing banks would be entitled to declare all amounts outstanding under the facilities to become immediately due and payable. In any such case, Sky would have to file for insolvency.

Sky's statutes do not subject it to any capital requirements. In particular, the Company has no obligations to sell or otherwise issue shares in connection with existing share-based compensation plans or convertible bonds. With regard to the authorised capital and the conditional capital we refer to *2.12 Equity.*

4.3 Cash flow statement

Cash flow from operating activities also includes the cash flows in connection with the film assets and the advance payments for sport and film rights.

The following non-cash transactions were carried out during the past financial year:

(in K€)	2009	2008
Conclusion of finance lease contracts	11,092	48
Acquisition of entities and interests in entities with deferred considerations	77,480	0
Total	**88,572**	**48**

There were no inflows and outflows of income taxes either in the past financial year or in the previous year.

The finance cash flow is influenced by the finance restructuring, with the two capital increases (see also *2.12 Equity*) and the restructuring of the bank debt in the first half year in 2009 (see also *2.10.1 Borrowings*).

From the two capital increases the Company generated in total K€427,049.

Sky repayed K€375,977 debts to banks and received new cash in the amount of K€147,317 from the new bank debt facilities.

Investments in the receiver platform in the amount of K€16,894 due to the new offer structure resulted in a cash out.

4.4 Related party transactions

Related parties are persons or companies on which the Group can exercise significant influence or which can exercise significant influence on the Group. In addition to the members of the Company's

Management Board and Supervisory Board, these also include family members and the domestic partners of the persons affected.

In the course of the normal business activities, all delivery and service transactions with non-consolidated entities are carried out under terms and conditions which are also customary with non-related third parties.

The Company generated revenues with the following persons and companies during the past financial year:

(K€)	Revenues from sales and services	Income from recharging personnel expenses	Other income	Expense from service received	Net	Payables	Receivables
Associated companies	60	122	259	−18,270	−17,828	65	969
Companies with significant influence above the company	3,887	0	0	−66,696	−62,809	28,574	3,265
Other related parties	0	5	77	−298	−216	0	6
Total	**3,948**	**127**	**336**	**−85,264**	**−80,853**	**28,639**	**4,240**

The services received from associated companies relate to logistic services provided to Sky.

The expenses incurred for services received from companies with significant influence over Sky relate in particular to licence payments for film rights and encryption services. Companies with significant influence are entities over which News Corp has control, joint control or can exert significant influence.

BSkyB, accounted for under the equity method by News Corp according to their annual report in 2009, and Sky Deutschland Fernsehen KG entered into a trademark license agreement, which allows Sky to use the Sky brand name. The contract has a licence period from 1 July 2009 to 30 June 2016 (initial term) and is automatically extended for a further period of 7 years (extended term). Thereafter Sky has the option of a single subsequent extension of 3 years. The agreement comprises licence fees at arm's-length, which are based on the stipulated revenues and are capped in the first 7 years. In the fiscal year 2009 a total of K€869 were recognised in selling expenses.

Sky Italia S.r.l. and Sky Deutschland Fernsehen KG entered into a service agreement. Sky Italia is committed to supply certain IT facilities, including management, maintenance and consultancy services with regard to the start-up of the IT infrastructure operations of the new subscriber management system. The contract will run until June 2012 with total payments of K€17.129.

Please refer with regard to the compensation of the Management Board and the Supervisory Board to *4.8 Compensation of the Management Board and the Supervisory Board*.

4.5 Contingent liabilities and assets pledged as security

The debt financing is secured by all significant assets of Sky Deutschland AG and Sky Deutschland Fernsehen KG, especially by all the limited partners' interests in Sky Deutschland Fernsehen KG, the interests in Sky Austria, bank accounts of Sky Deutschland AG and Sky Deutschland Fernsehen KG, the entire trade receivables, especially the subscriber receivables and the sales proceeds for the subscriber base and the marketing rights for the entire current and future film assets.

In order to secure open receivables under finance leases for receivers, the claims against the subscribers relating to the receivers, especially the rights of recovery of the receivers from the subscribers and the rentals for provision of the receivers have been assigned to the lessors.

In order to secure open receivables under finance leases for pay-TV equipment, the future revenues from the provision of the pay-TV equipment have generally been assigned to the lessors.

4.6 Litigation

Regarding shareholder claims please refer to *1.3 Shareholder claims.*

Neither Sky Deutschland AG nor any of its subsidiaries are currently engaged in any other pending court or arbitration proceedings that could have a significant negative impact on the financial position or results of operations of the Group.

4.7 Other financial commitments

The Group's other financial commitments to purchase goods or services in the future as of 31 December 2009 were as follows:

(K€)	due in 2010	due in 2011-2014	due from 2015	Total 12/31/09
Film licenses	99,609	177,041	0	**276,650**
Sport licenses	361,855	781,668	0	**1,143,523**
Partner channels	122,634	196,960	0	**319,593**
Purchase commitments for receivers	5,460	6,597	625	**12,681**
Miscellaneous	142,840	285,331	15,116	**443,288**
Total	**732,398**	**1,447,597**	**15,741**	**2,195,736**

The Group's other financial commitments to purchase goods or services in the future as of 31 December 2008 were as follows:

(K€)	due in 2009	due in 2010-2013	due from 2014	Total 12/31/08
Film licenses	108,794	186,457	0	**295,251**
Sport licenses	300,911	1,106,995	0	**1,407,905**
Partner channels	90,504	115,087	0	**205,591**
Purchase commitments for receivers	5,407	10,332	900	**16,639**
Miscellaneous	156,929	379,684	18,605	**555,218**
Total	**662,545**	**1,798,555**	**19,505**	**2,480,605**

The financial commitments for the purchases of sport and film licenses and for the partner channels result from medium and long-term contracts.

The miscellaneous other financial commitments comprise agreed future selling and administration costs and obligations for sport fees and sport productions.

On 6 December 2009, Sky reassigned the free-TV rights for nine games of the FIFA World Cup 2010 to FIFA as part of an agreement to sell the rights to a free to air broadcaster. The reassignment is subject to a condition and become effective with the fulfillment of this condition in 2010. In this case Sky will be released from a license payment to the FIFA in the amount of €11.25 million that would have been recognised as an expense when the FIFA World Cup takes place. In addition, the FIFA will pay Sky an amount of €0.7 million.

Future commitments under non-cancellable operating leases are as follows:

(K€)	due in 2010	due in 2011-2014	due from 2015	Total 12/31/09
Network operators and transponder rents	137,965	432,373	101,721	**672,058**
Office buildings	7,240	21,942	71,275	**100,458**
Motor vehicles	1,808	2,135	0	**3,944**
Technical office equipment	56	34	0	**90**
Total	**147,070**	**456,484**	**172,995**	**776,550**

Future commitments under non-cancellable operating leases as of 31 December 2008 were as follows:

(K€)	due in 2009	due in 2010-2013	due from 2014	Total 12/31/08
Network operators and transponder rents	121,710	457,870	102,182	**681,762**
Office buildings	6,239	22,380	75,324	**103,943**
Motor vehicles	1,352	1,398	0	**2,750**
Technical office equipment	73	54	0	**127**
Total	**129,374**	**481,702**	**177,506**	**788,582**

The commitments for network operators and transponder rentals reflect the future payments for transmission costs. Transmission costs comprise fees paid to cable operators for broadcasting Sky's programming, transponder costs, encrypted access and satellite uplink costs, as well as all other transmission costs. Satellite transponder costs are generally fixed, and payable in monthly instalments. Transmission fees paid to cable operators are generally fixed and in some cases also have variable elements that vary with the revenues generated from subscribers. Encrypted access costs are based on the number of subscribers.

The expenses recognised in the consolidated statement of comprehensive loss for operating leases amount to K€64,501 (2008: K€74,771).

4.8 Compensation of the management board and the supervisory board

The members of the Management Board and the Supervisory Board received the following compensation for the past financial year:

(K€)	Fixed compensation	Performance-related compensation	Other compensation	Total 2009
Management board				
Mark Williams	1,310	1,471	644	3,425
Dr. Holger Enßlin	300	101	26	427
Carsten Schmidt	600	147	41	788
Hans Seger	50	0	−15	35
Pietro Maranzana	140	35	122	297
Total management board	**2,400**	**1,754**	**818**	**4,972**
Supervisory board				
Rainer Großkopf	5	0	1	6
Richard Roy	26	0	8	34
Dr. Stefan Jentzsch	38	0	18	55
Thomas Mockridge	35	0	8	42
Hans Seiler	11	0	7	18
Guillaume de Posch	14	0	8	21
Mark Kaner	14	0	9	23
Steven Tomsic	14	0	9	23
Markus Tellenbach	56	0	18	74
Total supervisory board	**211**	**0**	**85**	**297**
Total	**2,611**	**1,754**	**904**	**5,269**

The compensation in the previous year was as follows:

(K€)	Fixed compensation	Performance-related compensation	Other compensation	Total 2008
Management board				
Mark Williams	404	0	0	404
Carsten Schmidt	600	0	8	608
Hans Seger	600	0	496	1,096
Dr. Holger Enßlin	25	0	1	26
Michael Börnicke	694	0	965	1,659
Oliver Kaltner	88	0	753	841
Alexander Teschner	302	0	125	428
Total management board	**2,714**	**0**	**2,348**	**5,062**
Supervisory board				
Rainer Großkopf	66	0	11	77
Richard Roy	53	0	11	63
Dr. Stefan Jentzsch	38	0	11	48
Thomas Mockridge	16	0	8	23
Mark Williams	6	0	5	10
Markus Tellenbach	16	0	8	23
Total supervisory board	**194**	**0**	**51**	**245**
Total	**2,908**	**0**	**2,399**	**5,307**

All Management Board and Supervisory Board compensation is of a short-term nature and includes allowances and ancillary services.

The fixed compensation of the Supervisory Board comprises fixed elements and a compensation component for the work in the executive and audit committees. The other Supervisory Board compensation comprises attendance fees for the meetings of the Supervisory Board.

Mark Williams is to step down as Chief Executive Officer on 31 March 2010. On 2 December 2009 the Supervisory Board has appointed Brian Sullivan, as Deputy Chief Executive Officer with effect from 1 January 2010. He will work alongside Williams for three months before taking over as Chief Executive Officer on 1 April 2010.

On 13 May 2009 the Supervisory Board of Sky Deutschland AG appointed Pietro Maranzana as Chief Financial Officer with effect from 1 June 2009. He took over this responsibility from CEO Mark Williams who acted as CFO on a provisional basis.

In the financial year severance payments in the amount of K€323 have been made to Michael Börnicke, who resigned as member of the Management Board in 2008.

At the Annual General Meeting on July 9, 2009 the following candidates proposed by the Supervisory Board were elected to the Supervisory Board of the Company until the end of the 2013 Annual General Meeting: Markus Tellenbach, Guillaume de Posch, Dr. Stefan Jentzsch, Thomas Mockridge, Mark Kaner and Steven Tomsic.

Supervisory board	Function
Markus Tellenbach	Chairman of the Supervisory Board Chairman of the Presidential Committee
Guillaume de Posch	Member of the Presidential Committee
Thomas Mockridge	Deputy Chairman of the Supervisory Board Member of the Presidential Committee
Dr. Stefan Jentzsch	Chairman of the Audit Committee
Mark Kaner	Member of the Audit Committee
Steven Tomsic	Member of the Audit Committee

On 18 March 2009, Markus Tellenbach was appointed to the position of Chairman of the Supervisory Board of Sky Deutschland AG.

On 5 February 2009, Dr. Hans M. Seiler was appointed to the Supervisory Board of Sky Deutschland AG. Dr. Seiler was substituting Mark Williams in the Supervisory Board, who having become CEO has been inactive as a member of the Supervisory Board.

On 3 February 2009, Rainer Großkopf resigned from his office as Chairman of the Supervisory Board and member of the Supervisory Board of Sky Deutschland AG.

Richard Roy and Dr. Hans M. Seiler did not stand for election to the new Supervisory Board at the Annual General Meeting of the Sky Deutschland AG on 9 July 2009.

4.9 Number of employees

The average number of employees broken down by functional areas is as follows:

	2009	2008
Service Center	344	301
Sales/Marketing/Communications	400	419
Programm/Sport production	166	178
Management/Administration	202	214
Technical	23	24
IT	23	16
Other	2	2
Total	**1,160**	**1,154**

In July 2009, Sky Deutschland Fernsehen GmbH & Co KG acquired all of the subscribed capital of Creation Club GmbH with a total of 137 employees. The number of employees has been converted to full-time equivalents.

In December 2008 Sky sold its interests in HoH. HoH staff of 67 were included in the 2008 average staff number.

4.10 Fees of the external auditors

Fees of K€823, which were made up as follows, were incurred and recorded as expense in the financial year:

(in K€)	2009	2008
Audit of financial statements	298	268
Other assurance or valuation services	208	154
Tax consultancy services	136	278
Other services	181	96
Total	**823**	**796**

4.11 Declaration of compliance with the German Corporate Governance Code in accordance with § 161 AktG (German Stock Corporation Act)

The declaration of compliance dated 17 November 2009 was made available permanently to all stockholders on Sky Deutschland AG's website (www.info.sky.de).

4.12 Events after the balance sheet date

Apart from the transactions disclosed under the individual captions of these notes, other significant transactions have not occurred since the balance sheet date.

Prepared by the Management Board

Unterföhring, 29 January 2010

Mark Andrew Williams	Brian Sullivan	
Carsten Schmidt	Pietro Maranzana	Dr. Holger Enßlin

Auditor's report

We have audited the consolidated financial statements prepared by Sky Deutschland AG (until August 13, 2009: Premiere AG), Unterföhring, – comprising the consolidated statement of comprehensive loss, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements – together with the report on the position of the Company and the Group for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a (1) HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, January 29, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Kreher	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
[Chartered Accountant]	[Chartered Accountant]

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Audited Consolidated Financial Statements (IFRS) of Premiere AG for the Financial Year Ending December 31, 2008

Premiere AG Group
Consolidated balance sheet
K€

	Notes	12/31/08	12/31/07
Assets			
Current assets			
Cash and cash equivalents	(2.1)	67,156	115,032
Trade receivables	(2.3)	78,952	99,256
Receivables from entities accounted for at equity		370	410
Other financial assets	(2.4)	8,024	19,479
Film assets and advanced payments for sport and film rights	(2.8.1)	110,477	91,893
Inventories	(2.2)	33,431	62,836
Other assets	(2.5)	20,795	12,865
Total current assets		**319,206**	**401,771**
Non-current assets			
Trade receivables	(2.3)	6,812	7,183
Other financial assets	(2.4)	5,332	24,550
Deferred taxes	(3.9)	25,004	58,130
Film assets and advanced payments for sport and film rights	(2.8.1)	59,927	37,131
Interests in entities accounted for at equity	(2.6)	32	1,098
Receivers	(2.7)	42,537	57,010
Property, plant and equipment	(2.7)	7,155	8,445
Intangible assets	(2.8.2) + (2.8.3)	1,102,040	1,169,461
Other assets	(2.5)	1,470	6,944
Total non-current assets		**1,250,308**	**1,369,952**
Total assets		**1,569,514**	**1,771,723**
Liabilities and equity			
Current liabilities			
Borrowings	(2.9.1)	378,469	11,065
Trade payables	(2.9.2)	174,704	177,045
Liabilities to entities accounted for at equity	(2.9)	1,554	3,390
Other financial liabilities	(2.9.3)	26,489	39,894
Other provisions	(2.9.5)	9,537	7,191
Other liabilities	(2.9.4)	48,872	53,982
Total current liabilities		**639,626**	**292,568**
Non-current liabilities			
Borrowings	(2.9.1)	6,814	279,516
Trade payables	(2.9.2)	22,586	29,041
Other financial liabilities	(2.9.3)	6,575	25,117
Deferred taxes	(3.9)	113,660	97,654
Provisions for pensions and similar obligations	(2.9.6)	5,494	5,086
Other provisions	(2.9.5)	486	0
Other liabilities	(2.9.4)	2,618	2,287
Total non-current liabilities		**158,232**	**438,701**
Total liabilities	**(2.9)**	**797,858**	**731,269**
Equity			
Subscribed capital	(2.11)	112,460	112,460
Additional paid-in capital	(2.11)	1,376,453	1,376,804
Accumulated other comprehensive income	(2.11)	216	−300
Retained deficit	(2.11)	−717,789	−448,531
Equity attributable to stockholders		**771,339**	**1,040,433**
Minority interest	(2.11)	317	21
Total equity		**771,656**	**1,040,454**
Total liabilities and equity		**1,569,514**	**1,771,723**

Premiere AG Group
Consolidated statement of operations
K€

	Notes	1/1/ - 12/31/08	1/1/ - 12/31/07
Revenues	(3.1)	941,133	937,164
Cost of sales	(3.2)	−884,215	−804,485
Programming costs		−640,012	−563,195
Transmission costs		−125,197	−89,423
Customer service costs		−51,956	−64,632
Receiver costs		−67,049	−87,236
Gross profit		56,919	132,679
Selling expenses	(3.3)	−114,254	−126,673
General and administrative expenses	(3.3)	−69,645	−58,818
Other operating income	(3.4)	38,801	98,036
Other operating expenses	(3.5)	−19,105	−7,136
Amortization of subscriber base	(3.6)	−48,883	−48,258
Result from operations		−156,166	−10,170
Gain from entities accounted for at equity	(3.7)	27	0
Interest and similar income	(3.7)	7,097	8,585
Other financial expense	(3.7)	−11,586	0
Loss from entities accounted for at equity	(3.7)	−1,004	−565
Interest and similar expenses	(3.7)	−54,046	−47,477
Result before taxes		−215,679	−49,627
Income taxes	(3.9)	−48,824	−2,231
Result from continuing operations		−264,503	−51,858
Result from discontinued operations (net of income tax)	(1.7)	−4,857	293
Result for the period		**−269,360**	**−51,565**
Attributable to:			
Stockholders		−269,258	−51,528
Minority interest		−102	−37
Earnings per share continuing operations (€) basic and diluted	(3.10)	−2.35	−0.55
Earnings per share continuing operations (€) basic and diluted	(3.10)	−0.04	0.00
Earnings per share total (€) basic and diluted	(3.10)	−2.39	−0.55

Premiere AG Group
Consolidated statement of changes in equity
K€

	Notes	Subscribed capital	Additional paid-in capital	Accumulated other comprehensive income	Retained deficit	Equity attributable to stockholders	Minority interest	Total
Balance as of 1/1/07		**82,000**	**951,596**	**10**	**−397,003**	**636,603**	**28**	**636,631**
Capital increase by contribution in kind (less transaction costs)		16,400	270,781	0	0	287,181	0	287,181
Capital increase by contribution in cash (less transaction costs)		14,060	155,680	0	0	169,740	0	169,740
Sale of 25,2% of Premiere Star GmbH (formerly Premiere Sky GmbH) and sale of 88,0% of Premus Logistik und Service GmbH		0	0	0	0	0	29	29
Adjustment of the tax rate for deferred taxes in connection with the Corporate Tax Reform 2008		0	−1,253	0	0	−1,253	0	−1,253
Total transactions with stockholders		30,460	425,208	0	0	455,668	29	455,697
Changes in fair value of available for sale financial assets		0	0	−310	0	−310	0	−310
Total losses recognized directly in equity		0	0	−310	0	−310	0	−310
Result for the period		0	0	0	−51,528	−51,528	−37	−51,565
Total recognized result for the period		0	0	−310	−51,528	−51,838	−37	−51,875
Balance as of 12/31/07	**(2.11)**	**112,460**	**1,376,804**	**−300**	**−448,531**	**1,040,433**	**21**	**1,040,454**
Balance as of 1/1/08		**112,460**	**1,376,804**	**−300**	**−448,531**	**1,040,433**	**21**	**1,040,454**
Subsequent capital procurement costs in connection with increase in capital for a contribution in kind per resolution dated September 6, 2007		0	−352	0	0	−352	0	−352
Sale of 15,1% of the Premiere Star GmbH		0	0	0	0	0	373	373
Increase in capital of the Premiere Star GmbH		0	0	0	0	0	25	25
Total transactions with stockholders		0	−352	0	0	−352	399	47
Change in translation reserve resulting from the translation of foreign currency financial statements		0	0	0	0	0	0	0
Derecognition of gains and losses previously recognized in equity on account of impairment of available-for-sale financial assets		0	0	300	0	300	0	300
Reversal recognized in equity of an impairment loss on available-for-sale financial assets that was recognized through profit or loss		0	0	216	0	216	0	216
Total gains recognized directly in equity		0	0	516	0	516	0	516
Result for the period		0	0	0	−269,258	−269,258	−102	−269,360
Total recognized result for the period		0	0	516	−269,258	−268,743	−102	−268,845
Balance as of 12/31/08	**(2.11)**	**112,460**	**1,376,453**	**216**	**−717,789**	**771,339**	**317**	**771,656**

Premiere AG Group
Consolidated statement of cash flows
K€

	Notes	1/1/-12/31/08	1/1/-12/31/07
Result for the period before income tax		−219,977	−50,509
Net interest expense		47,797	39,459
Gain on sold foreign exchange forward contracts		−28,519	0
Depreciation, amortization and impairment losses/reversal of impairment losses on property, plant and equipment, intangible assets and financial assets		51,275	45,588
Amortization of subscriber base	(3.6)	48,883	48,258
Gain on sale of interests of subsidiaries	(3.4)	−21,093	−46,299
Other non-cash income and expenses		−1,851	−3,714
Changes in other provisions	(2.9.5)	−1,149	−17,405
Gains / losses on disposal of intangible assets, property, plant and equipment and receivers		1,682	−205
Changes in inventories, trade receivables and other assets		18,133	−63,858
Changes in trade payables and other liabilities		−9,408	6,998
Interest received		6,136	7,337
Net cash used by operating activities		**−108,093**	**−34,352**
Proceeds from sale of intangible assets, property, plant and equipment and receivers		1,657	4,218
Proceeds from sale of other non current financial assets		0	1,565
Payments / proceeds in connection with the disposal of subsidiaries		−329	9,714
Proceeds from sale of interests in entities		22,494	31,077
Payments for acquisition of entities, net of cash acquired		0	−3,222
Payments for investments in intangible assets and property, plant and equipment	(4.3)	−31,135	−53,202
Investments in financial assets		−21	−13,319
Net cash used by investing activities		**−7,334**	**−23,169**
Net proceeds from increase in capital by stockholders / net proceeds from stock issues		0	168,773
Proceeds from increase in capital of Premiere Star GmbH		25	0
Proceeds from the granting of borrowings	(4.3)	92,719	373,007
Repayment of finance lease liabilities		−4,017	−4,858
Repayment of borrowings	(4.3)	−15,723	−358,525
Procceds from sale of foreign exchange forward contracts		21,864	0
Interest paid		−27,316	−32,497
Net cash provided by financing activities		**67,552**	**145,901**
Net decrease/ increase in cash and cash equivalents		**−47,875**	**88,380**
Cash and cash equivalents at beginning of period		115,032	26,652
Cash and cash equivalents at end of period		67,156	115,032

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Premiere AG
Notes
for the Financial Year 2008

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1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information about the Group

Premiere AG and its subsidiaries (referred to as "Premiere", "the Company" or "the "Premiere Group") operate the pay-TV business in Germany and Austria under the Premiere trademark. The Premiere Group is also engaged in the purchase, sale and distribution of rights to films, series and TV productions, the acquisition, sale and distribution of broadcasting rights for public events, the arrangement of program magazine subscriptions, and carrying out other activities associated with the operation of the pay-TV business.

The business activities of Home of Hardware ("HoH"), which was acquired in April 2007 and sold in December 2008 (see *1.7 Disposal and discontinuation of business entities*), differ from those of the remaining Group subsidiaries in that its primary business objective is the distribution, sale and marketing of electronic equipment, primarily in the entertainment electronics sector, via its own Internet portal.

Premiere AG's registered office is at Medienallee 4, 85774 Unterföhring, Germany, and it is entered in the Commercial Register at the Munich Municipal Court under the number HRB 154549.

Premiere AG, as the Group parent company, bundles all of the business activities of the Premiere Group.

1.2 Basis of preparation of the consolidated financial statements

Premiere AG is obliged in accordance with § 315a (1) HGB (German Commercial Code) in conjunction with Article 4 of the Regulation No. 1606/2002 of the European Parliament and the Council dated July 19, 2002 to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, taking into account the additional disclosures and explanations required by § 315a (1) HGB.

All IFRSs published by the International Accounting Standards Board (IASB), which were applicable at the time of preparation of the accompanying consolidated financial statements and which had been adopted by the European Union, have been taken into account.

The consolidated financial statements have been prepared in euros (€), as the functional and the reporting currency. Amounts are generally reported in the notes to the consolidated financial statements in thousands of euros (K€), unless otherwise stated.

All group companies prepare their financial statements for annual periods ending December 31.

The consolidated financial statements are generally prepared on the basis of the recognition of the assets and liabilities at amortized cost. Excepted from this are non-derivative available-for-sale financial assets and derivative financial instruments, which are recognised in each case at the fair value as of the balance sheet date.

The balance sheet presents assets and liabilities classified by their maturities. Assets that are expected to be realized or settled in, or are intended for sale or consumption in, the normal operating cycle or are due within twelve months of the balance sheet date are classified as current. Liabilities are classified as current if they have to be settled within twelve months of the balance sheet date.

The statement of operations has been prepared in accordance with the cost of sales method.

The management board prepared the consolidated financial statements and thereby authorized them for issuance within the meaning of IAS 10 on January 28, 2009.

1.3 Going concern

Under the external debt financing that is still in place, Premiere is subject to various obligations and covenants (see also *2.9.1 Borrowings*). In the event of non-compliance with these conditions, the lenders could cancel the bridge facility of €275 million and the revolving facility with a credit line of €275 million and demand immediate repayment of the existing facilities.

Due to the expected operating result for the financial year 2008 and in view of its imminent non-compliance with the loan agreements, Premiere started a restructuring process in the fourth quarter, in which a new business plan was approved and a revised company financing was agreed.

On December 22, 2008, Premiere agreed with its bank syndicate and News Corporation, USA (hereinafter referred to as News Corp), as the main stockholder in Premiere AG, on a new long-term financing structure to enable it to implement the new business plan. Since the financing is dependent on the conditions described below, a going concern risk will accordingly prevail until the new long-term agreement has been completely implemented.

The granting of the newly negotiated credit lines of €525 million is dependent in particular on the provision of new equity of €450 million, which is to be carried out through two increases in capital and is backstopped by News Corp. In connection with this, it will be necessary for the BaFin (Federal Financial Supervisory Authority) to release News Corp from the obligation to submit a mandatory takeover offer to the remaining stockholders in the event that New Corp's shareholding reaches or exceeds 30 percent. For this purpose, an external expert has confirmed the need for the restructuring of Premiere and has furthermore confirmed the feasibility of the restructuring of Premiere on the basis of its new business plan, taking into account the new financing.

The first capital increase, which is intended to satisfy short-term funding needs, is structured as a rights offering and involves the issue of up to 10,223,636 shares of authorized capital and is expected to raise at least €25 million. News Corp has agreed to take up such number of shares at a minimum subscription price of €3.19 to ensure gross proceeds of not less than €25 million, at the same time without increasing New Corp's shareholding in Premiere following the increase in capital above 29.9 percent. The bank syndicate also agreed to provide up to an additional €25 million short-term bridge funding in January 2009. If the proceeds of the first capital increase exceed €25 million, the bank loan will be reduced by this difference. The purpose of these two financing measures of together €50 million is to satisfy the short-term funding needs until completion of the second capital increase.

The first increase in capital was completed on January 13, 2009 and resulted in an increase in the subscribed capital from K€112,460 to K€122,684 and an increase in the additional paid-in capital from K€1,376,453 to K€1,403,132.

The second capital increase is similarly structured as a rights issue. The number of shares issued will be furnished in such a way that new equity of altogether €450 million would flow into Premiere from the two increases in capital. News Corp has also agreed to backstop the second capital increase by issuing a firm commitment for subscription and an underwriting guarantee. News Corp's commitment is subject to certain conditions.

The conditions include in particular the availability of the new bank facilities and the exemption by BaFin from the requirement to submit a mandatory takeover offer in the event News Corp's shareholding in Premiere reaches or exceeds 30 percent in the course of the second capital increase. News Corp's guarantee is further subject to the absence of a material adverse change in the Group's business and the subscription price being at €1, the legally required minimum price or a higher price agreed between Premiere and News Corp prior to the second rights offering. Premiere has called an extraordinary general meeting on February 26, 2009, so that the stockholders can vote on the resolutions that are necessary for the second capital increase. News Corp will agree to the capital increase under certain conditions. Premiere expects to receive the funds from the second capital increase in the second quarter of 2009.

The new financing structure furthermore foresees the replacement of the existing debt lines by new long-term credit facilities of €525 million, consisting of a long-term loan ("Term Loan") of €275 million with a duration until December 31, 2013, and a revolving credit and guarantee facility ("Revolving Facility") of €250 million with a duration until June 30, 2013.

Until the preconditions for the new financing structure have been fulfilled, the Company is continuing to use the existing facilities including the aforementioned short-term bridging loan that will be taken up in the amount of K€13,097, and the net proceeds of K€36,903 from the first capital increase that were received on January 15, 2009.

1.4 New accounting standards issued by the IASB

The following Standards had to be adopted by Premiere for the first time in 2008 with obligatory effect:

- In October 2008, the IASB published amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and to IFRS 7 "Financial Instruments: Disclosures", which are intended to reflect the current developments in the financial markets, in that the reclassification of certain financial assets from the "at fair value through profit and loss" measurement category to another measurement category is permitted in exceptional circumstances. The changes were adopted by the EU in October 2008 and can be applied retrospectively from July 1, 2008 onwards.
- In November 2008, the IASB published further explanations on the reclassification of financial instruments in accordance with the amended Standards IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures". The amendments shall be applied retrospectively from July 1, 2008 onwards. The amendment has not yet been adopted by the EU.
- Interpretation IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" was published in July 2007 and shall be applied for the first time for financial years commencing on or after January 1, 2008. This Interpretation includes guidelines for the determination of the maximum amount of the surplus from a defined benefit plan that may be capitalized in accordance with IAS 19 "Employee Benefits". The Interpretation was adopted by the EU in December 2008.

The aforementioned amendments and Interpretations have no relevance for Premiere, so that their first-time application had no impact on Premiere's consolidated financial statements.

Application of the following Standards and Interpretations, which have been published by the IASB or the IFRIC, is not yet mandatory, because they have not yet been adopted by the EU or because their effective date lies in the future. Where they have already been adopted by the EU, Premiere has not applied them early.

- In November 2006, the IASB published a new standard on segment reporting called IFRS 8 "Operating Segments", which will replace the existing IAS 14. IFRS 8 requires segment reporting that is based on the internal reporting structure for the management of reportable segments (management approach). IFRS 8 shall be applied for reporting periods commencing on or after January 1, 2009 and was adopted by the EU in November 2007.
- IFRIC 12 "Service Concession Arrangements" was published in November 2006 and shall be applied for the first time for financial years commencing on or after January 1, 2008. The interpretation regulates the accounting treatment in the financial statements of concession holders of obligations taken over in conjunction with service concessions and rights that have been acquired. The interpretation has not yet been adopted by the EU and accordingly is not mandatory for consolidated financial statements prepared in accordance with § 315a HGB.
- In March 2007, an amendment was published to IAS 23 "Borrowing Costs", which cancels the option for the immediate recognition in profit or loss of borrowing costs incurred in connection with the acquisition of qualifying assets. Such borrowing costs will therefore have to be capitalized. The amendment to IAS 23 shall be applied for the first time for the financial year 2009. The amendments were adopted by the EU in December 2008.
- In September 2007, the IASB published a revision to IAS 1 "Presentation of Financial Statements". According to the revised standard, consolidated financial statements shall in future include a statement of comprehensive income, in which not only both expenses and income recognised in profit or loss but also those recognised in equity shall be presented. The statement of changes in equity will in future only report total comprehensive income for the year and the transactions with stockholders. The amendments shall be applied for the first time in the financial year 2009. It was adopted by the EU in December 2008.
- The revision of IFRS 3 "Business Combinations" that was published in January 2008 newly regulates the application of the purchase method for business combinations. Significant new features related to the measurement of minority interests, the reporting of business

combinations achieved in stages and the treatment of contingent purchase price elements and transaction costs. The revised standard shall be applied for financial years commencing on or after July 1, 2009. The amendments have not yet been adopted by the EU.

- The amendments in the revision to IAS 27 "Consolidated and separate financial statements" that were published in January 2008 relate to the reporting of transactions with interests in subsidiaries in which the parent company continues to maintain control and transactions with interests in subsidiaries in which the parent company loses control. The revised standard shall be applied for financial years commencing on or after July 1, 2009. The amendments have not yet been adopted by the EU.
- In January 2008, the IASB published an addendum to IFRS 2 "Share based Payment: Vesting Conditions and Cancellations". The addendum defines clearly that exercise conditions are only service conditions and performance conditions. The addendum shall be applied for the first time in the financial year 2009. The addendum was adopted by the EU in December 2008.
- In February 2008, the IASB published an amendment to IAS 32 "Financial Instruments: Presentation" und IAS 1 "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation". The amendment relates primarily to the classification of certain kinds of financial instruments as equity or debt. Furthermore, additional note disclosures for the financial instruments affected by the regulations are required. The amendment shall be applied from the financial year 2009 onwards. It was adopted by the EU in January 2009.
- In May 2008, IASB published amendments to IFRS 1 "First Time Adoption of IFRS" on account of the revision of IAS 27 that shall be applied for the first time from the financial year 2009 onwards. As a result of the amendment, an entity is granted an option on first time adoption of IFRS of recognizing the carrying amount of the investment in subsidiaries, joint ventures and associates in the IFRS opening balance sheet in the separate financial statements either with the fair value of the investment or with the carrying amount of the investment resulting from the previous accounting principles in each case as of the date of transition to IFRS. The EU adopted the amendment in January 2009.
- In July 2008, the IASB published an addendum to IAS 39 "Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement", which includes a clarification of the application of hedge accounting. The addendum shall be applied for financial years commencing on or after July 1, 2009. It has not yet been adopted by the EU.
- In May 2008, the IASB published the first omnibus standard called "Improvements to IFRSs" in order to make minor amendments to 20 existing standards. The first section of the omnibus standard includes amendments that could have an impact on presentation, recognition or measurement. The second section includes changes in wording or editorial changes. Unless otherwise regulated in the respective Standard, the amendments shall be applied in financial years that commence on or after January 1, 2009. The amendments were adopted by the EU in January 2009.
- In November 2008, the IASB published a revised IFRS 1 "First Time Adoption of IFRS" that shall be applied for the first time in financial years from 2009 onwards. The amendments merely relate to the structure of the standard. It does not include any amendments to the subject matter or amendments of a technical nature. The revised standard shall be applied for the first time in the financial year 2009. It has not yet been adopted by the EU.
- In June 2007, the IASB published IFRIC 13 "Customer Loyalty Programs" in order to regulate the accounting for award credits that customers receive on purchasing other goods or services. IFRIC 13 shall be applied in financial years commencing on or after July 1, 2008. It was adopted by the EU in December 2008.
- IFRIC 15 "Agreements for Construction of Real Estate", which includes special regulations on construction contracts for real estate with regard to the application of IAS 11 "Construction Contracts" and IAS 18 "Revenues", was published in July 2008. IFRIC 15 shall be applied for the first time in the financial year 2009. The interpretation has not yet been adopted by the EU.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" was published in July 2008. This Interpretation includes details on the hedging and identification of foreign currency risks.

IFRIC 16 shall be applied in financial years commencing on or after October 1, 2008. The interpretation has not yet been adopted by the EU.

- IFRIC 17 „Distribution of Non-cash Assets to Owners", which among other things includes regulations on the measurement of non-monetary dividend distributions, was published in November 2008. IFRIC 17 shall be applied in financial years commencing on or after July 1, 2008. The interpretation has not yet been adopted by the EU.

The new IFRS 8 and the amendments to IAS 1 and IFRS 1 relate to note disclosures and the presentation of the financial statements. Their first-time adoption will not have any impact on the net assets, financial position and results of operations of the Group, apart from the amended presentation of certain elements of the financial statements. The first-time adoption of the amended IAS 1 will affect the presentation of the consolidated financial statements, in particular as a result of the combination of income and expenses recognised in profit or loss and in equity in the statement of comprehensive income. The impact of the mandatory capitalization of borrowing costs in accordance with the amended IAS 23 is still being investigated. The impact of the amendments to IAS 27 and IFRS 3 on the net assets, financial position and results of operations of the Group will depend in particular on the acquisition of entities or the disposal of interests in entities carried out at Premiere after the date of application of these two standards. Since they are not relevant, the amendments or addenda to IFRS 1, IFRS 2, IAS 32 and IAS 39 will not have any impact on the presentation of the financial statements. No significant impact on the presentation of Premiere's consolidated financial statements is expected from the omnibus standard, which amends several existing Standards.

The aforementioned interpretations have no relevance for Premiere and will therefore have no impact on the presentation of the financial statements on first-time application.

1.5 Changes in stockholder structure

In a press release dated January 7, 2008, News Armenia B.V., (now News Adelaide Holdings B.V., Amsterdam) Amsterdam, Netherlands, a subsidiary of News Corp, announced that it had acquired a 14.58 percent interest in Premiere AG from Unitymedia as of January 7, 2008. On February 27, 2008, News Armenia B.V. announced that it had increased its interest in Premiere AG as of February 26, 2008 to 19.90 percent. In a further press release dated April 4, 2008, News Armenia B.V reported that it held a 20.54 percent interest in Premiere AG as of March 31, 2008. On May 28, 2008, News Armenia B.V announced that it had increased its interest in Premiere AG as of May 21, 2008 to 25.01 percent.

The EU Commission approved the stock acquisitions by News Adelaide Holdings B.V under antitrust aspects on June 25, 2008.

1.6 Consolidation

a) Subsidiaries

Premiere AG, ten domestic and four foreign subsidiaries are consolidated in these financial statements. All subsidiaries that are under the control of Premiere AG are included in the consolidated financial statements. They are fully consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date when the ability to control ceases. Control is presumed if the parent owns, either directly or indirectly through a subsidiary, more than one half of the voting power. Control also exists if the parent company has the power to govern the financial and operating policies of the entity under a statute or an agreement.

As of April 30, 2008, Premiere On Demand GmbH, Unterföhring, Premiere Interactive GmbH, Unterföhring, PR Beteiligungsgesellschaft München GmbH, Unterföhring and Primus Sport Verwaltungs-GmbH, Unterföhring were merged into Premiere Fernsehen GmbH & Co. KG, Unterföhring by means of a merger by absorption (§ 2 No. 1 Corporate Transformation Act).

The entire assets and liabilities of Primus Sport GmbH & Co. KG were merged into Premiere AG by accretions during the financial year.

The liquidations of Roombase Beteiligungsgesellschaft I GmbH i.L., Unterföhring and Roombase Beteiligungsgesellschaft II GmbH i.L., Unterföhring were completed in 2008.

In addition to Premiere AG, as the parent company, the following companies are included in the consolidated financial statements:

Name and registered office	Registered office	Investment holding on 12/31/08	Investment holding on 12/31/07	Consolidation method
Premiere Fernsehen GmbH & Co. KG (Premiere Fernsehen KG)	Unterföhring	100,0%	100,0%	Full consolidation
AFV Abonnementfernsehen Verwaltungs-GmbH (AFV)	Unterföhring	100,0%	100,0%	Full consolidation
Premiere Fernsehen GmbH (Premiere Austria)	Vienna, Austria	100,0%	100,0%	Full consolidation
Premiere Service Center Schwerin GmbH (Service Center Schwerin)	Schwerin	100,0%	100,0%	Full consolidation
SCAS Satellite CA Services GmbH (SCAS)	Unterföhring	100,0%	100,0%	Full consolidation
BLUE MOVIE Vertriebs GmbH in Liquidation (Blue Movie)	Vienna, Austria	100,0%	100,0%	Full consolidation
Premiere WIN Fernsehen GmbH (Premiere WIN Fernsehen)	Unterföhring	100,0%	100,0%	Full consolidation
Roombase Beteiligungs Holding GmbH (Roombase Holding)	Unterföhring	100,0%	100,0%	Full consolidation
GIGA Digital Television GmbH (GIGA)	Cologne	100,0%	100,0%	Full consolidation
Blitz 07-784 GmbH (Blitz)	Munich	100,0%	100,0%	Full consolidation
Premiere Hotel Entertainment GmbH (PHE)	Fürth	97,5%	97,5%	Full consolidation
Roombase Networks Limited (Roombase Cyprus)	Nikosia, Cyprus	97,5%	97,5%	Full consolidation
Premiere Star GmbH (Premiere Star)	Unterföhring	59,8%	74,8%	Full consolidation
Premiere Star Österreich GmbH (Premiere Star Austria)	Vienna, Austria	59,8%	74,8%	Full consolidation
Home of Hardware GmbH & Co. KG (HoH KG)	Westendorf	0,0%	100,0%	Full consolidated up to 11/30/08
Home of Hardware Verwaltungs GmbH (HoH GmbH)	Westendorf	0,0%	100,0%	Full consolidated up to 11/30/09

The assets and liabilities of the domestic and foreign entities included in the consolidated financial statements are accounted for in accordance with the uniform accounting policies applicable for the Group.

The impact of intra-group transactions is eliminated. Receivables and liabilities and expenses and income between consolidated entities are eliminated against one another. Intra-group gains and losses did not arise during the financial year.

In accordance with IFRS, all business combinations shall be accounted for by the purchase method. The purchase price of the acquired subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. This is based on the values prevailing at the time at which control over the subsidiary is obtained. The recognizable assets and the liabilities and contingent liabilities taken over are measured in full at their fair values, irrespective of the amount of the investment. Assets held for sale within the meaning of IFRS 5 are measured at fair value less costs to sell. Any remaining excess of the purchase price over the fair value of the net assets is recognised as goodwill. Fair value adjustments are rolled forward to subsequent periods as part of the carrying amount of the underlying assets and liabilities.

HoH was included in the consolidated financial statements of the Group until November 30, 2008 (see *1.7 Disposal and discontinuation of business entities*).

b) Interests in entities accounted for at equity

These comprise entities that are not subsidiaries; Premiere can however exert significant influence directly or indirectly over their financial and operating policies (associates). Entities accounted for at equity are recognised in the consolidated financial statements initially at cost. A positive difference at the acquisition date between cost and the fair values of the proportionate share of the identifiable assets, liabilities and contingent liabilities is recognised and reported as goodwill in the carrying amount of the investment.

Name and registered office	Registered office	Investment holding on 12/31/08	Investment holding on 12/31/07	Consolidation method
Spox Media GmbH	Munich	40.1%	40.1%	At Equity
Premium Media Solutions GmbH	Unterföhring	24.8%	24.8%	At Equity
Loxxess Medienlogistik GmbH	Unterföhring	8.8%	8.8%	At Equity

Despite holding less than 20 percent of the voting rights, Premiere has a significant influence on the financial and operating policies of Loxxess Medienlogistik GmbH, on account of certain arrangements in the articles of incorporation.

The carrying amount of entities accounted for at equity is rolled forward in subsequent years in accordance with the development of the proportionate reported equity.

1.7 Disposal and discontinuation of business entities

Premiere reports a disposal and therefore a gain or loss on deconsolidation, when the Company no longer exerts a controlling influence.

Premiere sold its 65 percent interests in Home of Hardware GmbH & Co. KG, Westendorf (HoH) and Home of Hardware Verwaltungs GmbH, Westendorf, to SYSNET Computer-Systemvertriebsgesellschaft mbH for €1 with a limited partnership purchase and assignment agreement and a share purchase and assignment agreement dated December 12, 2008. As a result of the put and call options in the purchase agreement, 100 percent of the interests in HoH were attributed to the Group in the IFRS consolidated financial statements until the disposal date.

In this connection, Premiere waived claims, mainly from loan receivables, of K€1,412, and paid €1 million into the capital of Home of Hardware GmbH & Co. KG in order to ensure sufficient liquidity. In return for a payment of K€250 by Premiere, the old partners for their part waived certain claims against Premiere resulting from the participation agreement dated April 27, 2007.

Due to the fact that the operating activities of both entities vary significantly from the Group's activities and are material, both entities are shown as discontinued operations pursuant to IFRS 5. HoH reported the following assets and liabilities at the time of its deconsolidation:

(K€)	Home of Hardware GmbH & Co. KG	Home of Hardware Verwaltungs GmbH
Cash and cash equivalents	749	21
Trade receivables and other assets	4,117	0
Property, plant and equipment	964	0
Goodwill	1,490	0
Trademark	1,869	0
Other intangible assets	441	0
Total assets	**9,630**	**21**
Current trade payables	6,156	0
Other current liabilities	1,635	1
Other non-current liabilities	427	0
Total liabilities	**8,219**	**1**
Net assets	**1,411**	**21**

The following earnings figures of the Home of Hardware companies are included under the result of discontinued operations and are not part of the individual line items of the statement of operations.

(K€)	1/1-11/30/2008	5/1-12/31/2007
Revenue	76,522	48,318
Expenses	79,793	49,200
Results from operating activities	−3,270	−882
Income tax	−559	1,175
Results from operating activities, net of income tax	−3,829	293
Loss on sale of discontinued operation	−1,028	—
Income tax on gain on sale of discontinued operation	0	0
Loss for the period	−4,857	293
EBITDA	−2,502	−191

The cash flows of HoH are as follows:

(K€)	1/1-11/30/2008	5/1-12/31/2007
Net cash used in operating activities	−153	−58
Net cash used in investing activities	−726	−747
Net cash from financing activities	1,240	214
Change in cash and cash equivalents	360	−591

1.8 Translation of foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date. Monetary items in the balance sheet denominated in foreign currencies are translated at the selling and buying rate respectively applicable as of the balance sheet date. Unrealized translation gains or losses resulting from this are recognised in profit or loss for the period.

1.9 Accounting policies

1.9.1 Financial instruments

1.9.1.1 Summary

Purchases and sales of financial instruments are recognised on the trade date, i.e. on the date on which the Group commits to buy or sell an asset or liability.

The Company holds financial instruments in the form of cash and cash equivalents, receivables, available-for-sale financial assets, financial liabilities and loans, and derivatives in the form of interest swap and foreign exchange forward contracts. As in the previous year, the foreign exchange forward contracts and interest swaps did not fulfill the strict criteria for hedge accounting in 2008.

Financial assets are initially recognised at their fair values and, in the case of financial assets not classified at fair value through profit or loss, including directly attributable transaction costs. They are measured subsequently at fair value or at amortized cost, applying the effective interest method.

Fair value corresponds to the market or stock exchange value, where available. A market or stock exchange value can be identified in particular for available-for-sale financial assets. If a market or stock exchange value is not available, fair value is determined in accordance with recognised measurement procedures.

In the case of current receivables and liabilities, amortized cost approximates the nominal value or the settlement amount.

The Company derecognises financial assets either if the contractual rights to the cash flows cease or these rights are transferred by the Company to a third party in such a way that the criteria for derecognition are fulfilled.

Financial liabilities are derecognised when they have been redeemed, i.e. when the contractual obligations have been settled or cancelled or have expired or the criteria for derecognition in accordance with IAS 39 have been fulfilled. Financial liabilities are also derecognised if the amendment of significant conditions causes a significant change in the cash flows associated with the redemptions or the interest charges. When the change becomes effective, a new financial liability is recognised at fair value, taking into account the transaction costs that are directly attributable to the financial liability. Differences to the carrying amount of the liability that is to be derecognised are recorded in profit or loss.

If, in the case of revolving credit lines, a reduction in the amount or an adjustment of the terms results in a reduction in the available credit capacity, the transaction costs related to the revolving credit line are released to profit or loss in proportion to the reduction in the credit capacity.

Premiere has not made use of the possibility to designate financial assets or liabilities at the time of their initial recognition as financial assets or liabilities at fair value through profit or loss.

1.9.1.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash balances and term deposits with a total maturity of less than three months. They are recognised at nominal value, whereby foreign currencies are translated at the closing rate.

1.9.1.3 Receivables and other financial assets

Receivables and other financial assets are initially recognised at their fair value, which normally corresponds to their cost; subsequent measurement is at amortized cost, using the effective interest method.

Impairments of trade receivables are largely reflected by applying allowance accounts. The decision as to whether a credit risk shall be taken into account by means of an allowance account or a direct reduction of a receivable depends on how reliably the risk situation can be assessed.

An allowance is recorded if there is objective evidence that the receivable is impaired. A significant evidence of impairment is that the receivable is included in dunning procedures. The allowance represents the difference between the carrying amount and the present value of the expected cash receipts.

1.9.1.4 Available-for-sale financial assets

The available-for-sale financial assets category represents a residual amount for financial assets that cannot be recorded in any other measurement category. Mainly securities and investments are reported here.

Investments are measured at cost, because no market for these assets exists and a fair value cannot be determined by other reliable measurement methods. Interests in companies on which Premiere is unable to exert either a controlling, joint controlling or a significant influence are accounted for as investments.

Securities are measured at fair value. Changes in fair value are recognised directly in equity. In the cases in which fair value is significant and other-than-temporarity below cost, the impairment loss in the amount of the difference is recognised in profit or loss. If fair value gains were previously recognised directly in equity, and the written-down fair value is lower than the original cost of the asset, the portion of the impairment loss corresponding to the fair value gain previously recognised in equity is reversed through equity. Any further decrease in value is recognised in the statement of operations as an expense for the period.

If the circumstances that resulted in impairment cease to exist in subsequent periods, the impairment loss on debt securities previously charged to profit or loss is reversed through the statement of operations. The reversal of the impairment of equity investments is recognised in equity.

1.9.1.5 Financial liabilities

Financial liabilities are initially recognised at fair value less directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method.

1.9.1.6 Derivatives

The derivatives used by the Company are either interest swaps or foreign exchange forward contracts. Interest swaps are used to hedge the risk of variable interest payments for loans. Foreign exchange forward contracts are used to economically hedge the risks of fluctuations in the exchange rate of the US dollar, because most of the film licenses are paid for in US dollars.

All financial derivatives used in the Group are measured at their fair values and are recognised as assets or liabilities. Since the hedge relationships in which the derivatives are used do not fulfill the criteria of IAS 39 for hedge accounting, changes in fair value are recognised directly in profit or loss.

During the fourth quarter of the financial year, most of the foreign exchange forward contracts that were "in the money" were sold to generate short term liquidity. These foreign exchange forward contracts were initially entered into to hedge future cash flows in US dollars and were marked to market each month, with the resulting net gain or loss recorded in the profit and loss as part of programming expense, up until the decision was made to sell them. Changes in fair value between the date of the decision to sell them and the date of their sale are accordingly no longer reported in the operating profit but in the financial result.

The fair values of derivatives are reported under the other financial assets or the other financial liabilities. Their classification as current and non-current is based on the maturities of the expected cash flows or the maturities of the corresponding derivatives.

1.9.2 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to sell. Borrowing costs are not capitalized. Rebates, bonuses and cash discounts are deducted from cost. Measurement is based on the moving average prices. Inventories also include items to be awarded to customers as a reward for a successful introduction of a new subscriber. The awarded items reported in the inventories are expensed following the successful placement of a new subscriber, when the contract with a new subscriber is concluded.

1.9.3 Property, plant and equipment

Property, plant and equipment are measured at cost, less depreciation and, to the extent necessary, impairment losses. Cost comprises the purchase price, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operation in a manner intended by management. Borrowing costs are not capitalized. Rebates, bonuses and cash discounts are deducted from the purchase price.

Subsequent expenditure relating to an item of property, plant and equipment that has already been taken to use is added to the carrying amount of the asset or, where appropriate, recognised as a separate asset, if it is probable that future economic benefits will flow to the entity and the purchase costs of the asset can be reliably determined. All other subsequent expenditure is recognised as an expense in the period in which it is incurred. Subsequent expenditure that would otherwise be capitalized, which exceeds the recoverable amount of the respective asset, is recognised immediately in profit or loss.

Expenditure on repairs and maintenance, which does not include any replacement or spare parts, is recognised immediately in profit or loss. Replacement or spare parts are capitalized, while the replaced parts are written off accordingly. Borrowing costs are not capitalized.

Property, plant and equipment are depreciated over their expected useful lives using the straight-line pro rata temporis method.

Systematic depreciation is based on the following useful lives:

	Useful lives (years)
Buildings	30
Receivers	5-7
Technical equipment and machines	1.5-7
Leasehold improvements	5
Operational and office equipment	3-6

1.9.4 Intangible assets

1.9.4.1 Film assets and advance payments for sport and film rights

This asset comprises broadcasting licenses acquired from film studios, advance payments on sport and film rights and a film library that was acquired in 2006. The licenses are recognised with their cost at the time they become available or on commencement of the license. In the case of purchases from film studios, cost includes minimum guarantees and expected additional payments that depend on the number of subscribers ("overages"), which are estimated at the time of initial recognition, plus other directly attributable costs. The program library was capitalized at its purchase price.

Utilization of the broadcasting licenses is based on the actual transmissions during the financial year in relation to the expected total number of transmissions during the license period. If it is expected that unused transmissions will be outstanding at the end of the license period, an impairment loss is recognised immediately in full for such transmissions.

The program library is amortized straight-line based on the terms of the licenses over a useful life of between two and fifteen years.

Utilization of the exclusive sublicense for the pay-TV rights for the first and second divisions of the German soccer Bundesliga for the 2007/2008 and 2008/2009 seasons is calculated on the basis of the attributable revenues. The calculation of the utilization was adjusted as of April 1, 2008 and October 1, 2008 on account of the amendments to the revenue forecast. The impact of the adjustments is immaterial compared with the total utilization.

The classification of film assets as non-current and current depends on whether they are expected to be used in the normal operating cycle. Non-current film assets primarily comprise long-term licenses and library products.

Payments on account for rights already agreed by contract in accordance with the timetable forming the basis for the agreements are recognised as advance payments on sport and film rights.

1.9.4.2 Goodwill

Goodwill is recognised at cost and is subjected at least once a year (September 30) to an impairment test. It is not amortized systematically. If indications of impairment are identified during the year, an additional impairment test is carried out in an interim period (please refer also to *1.9.5 Impairment losses and reversals of impairment losses*).

1.9.4.3 Other intangible assets

Other intangible assets comprise purchased software, licenses, rights to names, trademarks and the subscriber base. Software and purchased licenses are measured at the time of their acquisition at cost plus other directly attributable costs and subsequently at cost less accumulated amortization and impairment losses.

The trademarks and the subscriber base were initially measured at their fair values at the time of acquisition in conjunction with various business combinations.

Trademarks are not systematically amortized because specific useful lives cannot be identified on the basis of expected asset erosion. Regular amortization of the trademarks does not reflect the expected development of the value of these assets. An impairment test is performed once a year on September 30. If indications of impairment are identified during the year, an additional impairment test and a reassessment of the useful life are carried out as appropriate during the financial year.

The subscriber base is amortized systematically.

The following useful lives are applied for intangible assets that are amortized systematically:

	Useful lives (years)
Subscriber base	8
Software licenses	3
Music titles	3
Rights to names	1-5

1.9.5 Impairment losses and reversals of impairment losses

Impairment losses are recognised as of the balance sheet date on property, plant and equipment and intangible assets (including the subscriber base), if the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

Goodwill and trademarks are not systematically amortized, but are tested for impairment on the basis of the recoverable amount of the cash generating units to which the goodwill and the trademarks are allocated. For this purpose, the present value of the future net cash flows of the cash generating unit is compared with the carrying amount of all of the assets, including goodwill. If the present value is lower than these carrying amounts, the goodwill is written down first. Any amount remaining after writing down the goodwill to zero is allocated proportionately to the other assets of the cash generating unit based on the carrying amounts of each individual asset or group of assets. It is examined at every balance sheet date whether the reasons for impairment losses recognised in previous periods still exist. Reversal of the impairment loss is mandatory, if the recoverable amount of an asset or a group of assets has increased. The upper limit for reversal of an impairment loss is cost less the cumulative depreciation or amortization that would have arisen if no impairment losses had been recognised in prior periods. The reversal of the impairment loss is recorded in the statement of operations in the respective functional areas or reported separately. Impairment losses on goodwill cannot be reversed in a subsequent period.

The reversal of impairment losses on assets subject to consumption leads to a new calculation of depreciation or amortization in order to spread the revised carrying amount on a systematic basis over the remaining useful life.

1.9.6 Other assets

Other assets are measured at amortized cost. Identified specific risks are reflected by corresponding valuation allowances (specific allowances).

1.9.7 Leasing

1.9.7.1 Premiere as lessee

Provided substantially all of the risks and rewards incidental to ownership of a leased asset can be attributed to the Company as the lessee, the leased asset is capitalized as property, plant and equipment and a corresponding finance lease liability is recorded of the same amount (financing lease). The asset and the corresponding liability are recognised at inception of the lease at the fair value of the leased asset or the present value of the minimum lease payments, if lower. The lease liability is amortized and rolled forward in subsequent periods in accordance with the effective interest method.

If, on the other hand, substantially all of the risks and rewards incidental to ownership of a leased asset cannot be attributed to the Company, the lease payments are recognised as current expense on a straight-line basis over the period of the lease (operating leases).

The existing lease contract for receivers has been classified as a finance lease, because the present value of the minimum lease payments at inception of the lease largely corresponded with the fair value of the leased assets. Accordingly, the receivers are capitalized in property, plant and equipment and depreciated straight-line over their economic useful life of 60 months. The gain on the

sale-and-leaseback transaction is deferred as a liability and amortized straight-line over the term of the lease.

The finance lease contract for receivers provides, in the event of the loss or destruction of a receiver, for its replacement by another functioning receiver of the same type and quality (replacement obligation). The Company complies with this obligation in that receivers legally owned by the Company and reported in property, plant and equipment or in inventories are assigned to the respective lease contract. The replacement receiver replaces the lost receiver and results in a retirement from property, plant and equipment or the inventories. A liability to the lessor is reported for the replacement obligations that have not been fulfilled by the balance sheet date.

The existing lease contracts for pay-TV equipment, TVs and accessories ("pay-TV equipment") are classified as finance leases, because the present value of the minimum lease payments at inception of the lease largely corresponded in each case with the present value of the leased assets. Accordingly, the pay-TV equipment is recognised in property, plant and equipment under technical equipment and machines from finance leases. Pay-TV equipment in leases concluded before January 1, 2006 (old agreements) is depreciated straight-line over the term of the respective finance lease (18 to 60 months), while the pay-TV equipment in leases concluded from 2006 onwards (new agreements) is depreciated straight-line over the economic useful life (84 months). The gains resulting from the sale-and-leaseback transactions are deferred as a liability and amortized straight-line over the term of the lease.

The finance leases for pay-TV equipment generally provide in the event of the loss or destruction of the pay-TV equipment (or part thereof) for the lessor to be indemnified by the lessee. The Company complies with this obligation in that commensurate parts that are legally owned by the Company and recognised in property, plant and equipment or the inventories are incorporated in the pay-TV equipment and replace the parts that are lost or destroyed. This results in a retirement from property, plant and equipment or the inventories. A liability to the lessor is reported for the replacement obligations that have not been fulfilled by the balance sheet date. Some of the finance leases grant the lessee the right to purchase the leased asset at the end of the lease term. The purchase price on exercise of this option is almost always the carrying amount applying straight-line depreciation in accordance with the official depreciation tables or the lower fair value at the time of sale.

The Company leases office buildings, motor vehicles and other technical equipment under operating leases.

1.9.7.2 Premiere as lessor

The receivers recognised in property, plant and equipment are leased to subscribers under operating leases. The term of the leases is 6, 12, 24 or 36 months. There are no purchase options on the part of the subscribers, lessors' put options or similar rights at the end of the lease. The receivers remain in the economic ownership of the Company for the term of the lease. Please refer with regard to the rental income from existing operating leases to the disclosures under *2.7 Property, plant and equipment including receivers.*

The pay-TV equipment is almost entirely leased to hotels under finance leases. The term of the leases is up to 84 months. These are regarded as finance leases because the Company transfers most of the risks and rewards associated with ownership of the leased asset to the lessees. Leased assets under finance leases are recognised by the lessee. They are recognised with the amount that represents the net investment in the lease. Please refer with regard to the calculation of the net investment in the lease to *2.3.3 Finance lease receivables.* Unguaranteed residual values do not exist because of the full amortization of the finance leases. Gains on disposal resulting from the leases are recognised immediately in profit or loss.

1.9.8 Provisions

1.9.8.1 Provisions for pensions and similar obligations

The actuarial measurement of the defined benefit obligations for pensions and similar obligations is based on the projected unit credit method. The projected unit credit method measures the liability by assuming that each period of service gives rise to an additional unit of benefit entitlement. Assumptions are made in measuring the liability about expected increases in salaries and pensions. The pension obligations have been determined on the basis of an actuarial valuation. The interest

portion of the pension costs is reported in the financial result. Actuarial gains and losses are recognised in profit or loss in the general and administrative expenses in the period in which they arise.

1.9.8.2 Other provisions

Provisions are recognised if a present obligation to a third party arises from past events, the settlement of which is expected to result in a probable outflow of resources embodying economic benefits and whose amount can be reliably estimated.

Provisions that will not result in an outflow of resources already in the following year are recognised at their settlement amount, discounted to the balance sheet date. The discount rate is based on market rates of interest. The amount required to settle the obligation also includes future cost increases.

1.9.9 Income taxes

Current taxes are recorded for the income taxes owed by Group entities at the time they arise.

Deferred taxes are generally recorded for all temporary differences between tax bases and the carrying amounts of the assets and liabilities in the consolidated balance sheet ("liability method"). An exception arises for differences relating to the first-time recognition of goodwill and that do not result in the recognition of deferred taxes. Deferred taxes are also recorded for tax losses and deductible temporary differences, provided sufficient taxable income will be generated in the future against which these tax losses can be utilized or will exist at the time that these differences reverse, and sufficiently reliable information is available with regard to the future course of the business.

Deferred tax assets and deferred tax liabilities are calculated using the tax rate that is applicable to the period when the temporary differences reverse. Future changes in tax rates are only taken into account to the extent that these have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if the tax debtor and the tax creditor and the maturities are identical and current taxes would be offset.

1.9.10 Revenue recognition

Subscription revenues are recorded in the period in which performance takes place. Advance cash receipts from subscribers are deferred as liabilities and recognised as revenue primarily on a straight-line basis over the term of the subscription.

Pay-per-view revenues, resulting from the subscriber selecting a specific program title, are recorded in the statement of operations at the time of transmission.

Revenues from the sale of receivers are recorded when the risk is transferred. Receipts from leasing receivers classified as operating leases are recognised straight-line over the lease term.

If a subscription is sold together with a receiver, the revenues from this transaction would have to be allocated on the basis of the relative fair values of the components. Since a uniform fair value cannot be determined for the receivers, but merely a range of possible sales prices is identifiable, the allocation is performed based on the so-called residual value method, provided a fair value can be allocated to the components still to be delivered. In this case, the fair value of the subscription that represents the regular revenues from the sale of a pure program subscription is deducted from the total selling price. The remaining amount is allocated to the receiver.

Agreements for the rental of pay-TV equipment to hotels that are classified as finance leases are treated in the same way the sale of hardware, i.e. revenues are recognised in the amount of the leasing receivables that are to be capitalized and cost of sales is recognised in the amount of the retirement of the pay-TV equipment at inception of the lease.

Revenues from agency business are generally recognised when performance is effected.

Revenues from the arrangement of magazine subscriptions are recognised in each case in accordance with the term agreed between Premiere and the publishers as the respective subscription period of the customer.

Revenues from the arrangement of subscriptions in conjunction with the cooperation with tmc Content Group AG, Baar Switzerland (tmc, formerly erotic media ag) are determined on the basis of the revenues generated by the arranged subscription. The revenue is realized at the time of billing to the subscribers. Platform and dissemination services rendered in conjunction with the cooperation are billed and recognised as revenue in the same way.

Revenues from the cooperation with Deutsche Telekom AG (Telekom) on the transmission of Premiere's programming and the soccer Bundesliga in the new IPTV (Internet Protocol TV) broadcasting standard are realized at the time of performance and reported in other revenues. Revenues from the marketing of Premiere's soccer Bundesliga via arena's satellite platform and Unitymedia's cable platforms are recorded in the periods in which performance occurs.

Performance occurs in each of the two aforementioned cases on the respective match day.

Advertising revenues are recognised when the advertising has been carried out. Revenues from the transmission of programs are realized when performance occurs.

1.9.11 Interest expense and income

Interest expense and income are recognised on a time proportion basis, using the effective interest method. According to the alternatives granted by IAS 23, borrowing costs are not capitalized in the Premiere Group.

1.9.12 Discontinued operations

Discontinued operations are reported separately in the statement of operations when a component of the group comprising operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the group is held for disposal or has been disposed of if the component represents a separate major line of business. When an operation is classified as a discontinued operation, the comparative statement of operations is re-presented as if the operation had been classified as a discontinued operation as of the start of the comparative period.

1.9.13 Expenses and income from changes in estimates and the derecognition of liabilities

Expenses and income from changes in estimates and derecognition of liabilities are reported in the statement of operations in the function area in which the original entry was made.

1.9.14 Estimates and judgments

The preparation of consolidated financial statements under IFRS requires that assumptions are made that affect the amounts recognised in the Group's balance sheet and statement of operations and the disclosures of contingent assets and liabilities. Actual results in later periods could differ from these estimates.

Changes in additional payments based on the number of subscribers in conjunction with the recognition of film licenses are recorded as changes in accounting estimates. Accordingly, the residual carrying amount is raised or lowered at the time of the change in accounting estimates. The resultant amount is amortized as profit or loss over the period of the remaining transmissions (prospective method).

The utilization of the exclusive sublicense for the pay-TV rights for the first and second divisions of the German soccer Bundesliga for the 2007/2008 and 2008/2009 is being calculated depending on the revenues. The basis for the calculations was the forecast revenues from marketing the sublicense. Future changes have to be anticipated in accordance with their impact. The amortization of the rights was recalculated as of April 1, 2008 and October 1, 2008 on account of reassessments by management of the forecasted revenues.

Free cash flow, general growth, risk-free interest rates, the increase in the number of subscribers and ARPU (average revenue per user) growth are considered in conjunction with the impairment test on goodwill (see also *2.8.2 Goodwill*) of the cash generating unit. The following four scenarios were investigated: growth of 0.0 percent p.a. after the planning period; an increase of 2 percent p.a. in the risk-free interest rate; a 25 percent reduction in subscriber growth over the planning period resulting in a reduction of revenues; and a 25 percent reduction in ARPU growth over the planning period

resulting in a reduction of revenues . All four scenarios did not result in the recognition of any impairment losses.

In accordance with historical experience, an average membership period of eight years for subscribers was assumed for the amortization of the subscriber base (see also *2.8.3 Other intangible assets*).

The amount recognised for pension provisions (*2.9.6 Provisions for pensions*) is based on actuarial reports. Adjustments to the provisions based on the actuarial reports and the actuarial gains and losses are recognised immediately in profit or loss. Employee turnover rates used in determining the pension provisions are based on historical experience.

Under IFRS, revenue shall be measured in accordance with the fair value of the consideration received or receivable. The recognition criteria are generally applied separately to each transaction. However, in certain circumstances it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction, in order to reflect the substance of the transaction correctly. The Group generally applies the relative fair value method to allocate the total contractual amount. Under this method, the total contractual amount has to be allocated in proportion to the fair value of the individual elements. In the event that not all of the components of fair value can be determined to a sufficiently precise degree, the Group uses the residual value method for the recognition of the revenues on subscriptions in connection with receivers, if the fair value for the elements that still have to be delivered can be determined. Under this residual method, the fair value for the elements still to be delivered is determined, and the remaining difference compared with the total contractual amount is allocated to the elements that have already been delivered.

With regard to the recognition of deferred tax assets on tax losses, it is currently assumed on account of the Company's history of losses that the generation of sufficient taxable income is not probable.

1.9.15 Segment reporting

The business activities of Premiere AG primarily concentrate on the operation of a pay-TV business in Germany and Austria under the Premiere brand name and related activities. The acquisition of HoH in 2007 resulted in the expansion of the Group's business activities by the distribution, sale and marketing of electronic articles via an Internet portal.

The Company sold all interests in HoH during the past business period (see also *1.7 Disposal and discontinuation of business entities*), so that it only had one segment as of the reporting date.

Geographical segments with different risks and returns do not exist, on account of the orientation of the business activities to Germany and Austria.

2 NOTES TO THE CONSOLIDATED BALANCE SHEET

2.1 Cash and cash equivalents

Cash and cash equivalents are made up as follows:

(K€)	12/31/08	12/31/07
Bank and cash balances	67,080	114,332
Term deposits	76	700
Total	**67,156**	**115,032**

Term deposits mainly consist of rental guarantees lodged with banks. The rental guarantees were credited with interest at 4.08 percent p.a. (2007: 3.00 percent p.a.).

2.2 Inventories

Inventories are made up as follows:

(K€)	12/31/08	12/31/07
Receivers	31,031	56,258
Other inventories	2,399	6,578
Total	**33,431**	**62,836**

The receivers are intended for sale to dealers, business associates and subscribers. The decrease in the inventories of receivers compared with the previous year results in particular from the sale of interactive receivers.

The decline in other inventories mainly results from the sale of HoH (see *1.7 Disposal and discontinuation of business entities).*

The carrying amount of the inventories recognised at net realizable value amounts to K€14,368 (2007: K€22,177). Impairment losses of K€5,197 were recognised as expense in the 2008 financial year (2007: K€3,866).

2.3 Trade receivables

2.3.1 Overview

Trade receivables developed year-on-year as follows:

(K€)	12/31/08	12/31/07
Trade receivables (before allowances)	229,066	240,504
Allowances	−143,302	−134,065
Total (after allowances)	**85,765**	**106,439**

Trade receivables are made up as follows:

(K€)	12/31/08	of which non-current	12/31/07	of which non-current
Receivables from dealers	27,444	0	38,595	0
Receivables from subscribers	18,632	0	16,576	0
Receivables from finance leases	6,759	4,841	5,937	4,402
Other	32,930	1,972	45,332	2,781
Total (after allowances)	**85,765**	**6,812**	**106,439**	**7,183**

The following table shows an aging analysis of trade receivables that are past due but not impaired as at the reporting date.

(K€)	Carrying amount (after allowances)	of which: neither past due nor impaired at balance sheet date	of which: not impaired at balance sheet date but past due in the following time ranges					
			less than 30 days	between 30 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
12/31/08								
Trade receivables	85,765	23,611	7,722	4,063	1,587	838	3,849	6,102
12/31/07								
Trade receivables	106,439	61,722	8,692	4,739	1,187	1,229	866	63

There are no signs as of the balance sheet date with regard to the balances of trade receivables which are past due but not impaired that the debtors will not meet their payment obligations.

The carrying amount of the receivables whose terms have been renegotiated and which would otherwise have been past due or impaired amounted as of the balance sheet date to K€2,172 (2007: K€3,353).

The allowances recorded against trade receivables developed as follows:

(K€)	2008	2007
Balance as of 01/01	134,065	166,725
Derecognition of receivables	−28,271	−53,176
Amount recognized as expense or income in reporting period	37,508	20,515
Balance as of 12/31	143,302	134,065

The derecognition of receivables relates entirely to receivables from prior years that have been provided in full and are irrecoverable.

2.3.2 Receivables from subscribers, dealers and other trade receivables

Receivables from subscribers, dealers and other trade receivables are reported net of allowances. Allowances recorded against receivables in the 2008 financial year amounted to K€37,482 (2007: K€20,500).

In the event of the early termination of the contract, Premiere bills subscribers with damages in the amount of the subscription fees for the remaining term of the contract discounted to the termination date, in addition to receivables that have already accumulated for subscription fees. Receivables are recognised at their fair value based on expected cash inflows. Receivables are only derecognised when it is finally established that they are not recoverable.

The Group uses several collection agencies to recover the receivables. The receivables are not sold to the collection agencies, so that the risk of default on the receivables remains with the Company. Allowances on receivables that have been passed on to the collection agencies for recovery are recorded on the basis of historical experience.

Other trade receivables include a large number of individual items.

2.3.3 Finance lease receivables

The finance lease receivables result from lease contracts concluded with hotels for pay-TV equipment, TVs and accessories.

Finance lease receivables of K€6,759 are reported in the balance sheet as of December 31, 2008 (2007: K€5,937), of which K€1,918 (2007: K€1,535) are current and K€4,841(2007: K€4,402) are non-current.

The following table reconciles the gross investment in the leases to the net investment in the leases:

(K€)	12/31/08	12/31/07
Gross investment in the leases (minimum lease payments receivable)	**8,056**	**7,179**
Less: unearned finance income	−1,088	−1,058
Less: accumulated allowance for uncollectible minimum lease payments receivable	−209	−184
Net investment in the leases (present value of minimum lease payments receivable)	**6,759**	**5,937**

The gross and net investments in the leases are due as follows:

(K€)	12/31/08	12/31/07
Gross investment in the leases	**8,056**	**7,179**
< 1 year	2,462	2,015
1-5 years	5,497	4,976
> 5 years	97	188
Net investment in the leases	**6,759**	**5,937**
< 1 year	1,918	1,535
1-5 years	4,807	4,344
> 5 years	33	58

2.4 Other financial assets

The other financial assets are made up as follows:

(K€)	Total 12/31/08	of which non-current	Total 12/31/07	of which non-current
Purchase price receivables	8,578	1,680	25,596	8,788
Derivatives	1,107	1,107	2,163	1,557
Credit or accounts with debit balances	1,059	0	1,624	0
Other available-for-sale financial assets	356	356	14,204	14,204
Miscellaneous	2,255	2,187	441	0
Total	**13,356**	**5,332**	**44,028**	**24,549**

The decrease in the purchase price receivables is mainly related to the allowance of the receivable from the assignment of the utilization and marketing rights to the receiver platform to SES Astra. A cooperation agreement was concluded between Premiere and SES Astra for this purpose at the end of March 2007. An allowance of €10 million was recorded against this receivable in 2008.

The purchase price receivables include a receivable from 2005 in the amount of €1 million (2007: € 5 million) from tmc, consisting of interests (one million shares) in tmc that are classified as available-for-sale financial assets. As of September 30, 2008, the shares were written down by € 4.3 million and the write-down was reversed by K€300 through equity as of December 31, 2008 in conjunction with a restructuring of all the business relationships on account of the newly defined option value of one euro per share. This item furthermore includes a receivable of €2 million from tmc in connection with the services agreed under the platform and service agreement.

In addition, the purchase price receivables from the sale of interests in Premus Logistik und Service GmbH are also included here.

The other available-for-sale financial assets in the previous year included the 14.4 percent interest in 1-2-3.tv GmbH with registered office in Unterföhring. The interest was written down by K€11,998 in the past financial year. The impairment loss was recognised on account of significant shortfalls compared with the planning and because no improvement in the future financial situation of the company is foreseeable.

The securities included in this item were recognised as of December 31, 2008 at the fair value of K€350 (2007: €2.2 million). This resulted in an impairment of K€1,850 which was recognised in profit or loss. Furthermore, the losses of K€300 from the adjustment of the fair value recognised as of December 31, 2007 in accumulated other comprehensive income were reversed through profit or loss in 2008.

As of the balance sheet date, the derivatives include the positive fair values from foreign exchange forward transactions. In the previous year, this item also included, in addition to the positive fair values from interest swap transactions, current interest deferrals. Please refer for further information to *1.9.1.6 Derivatives* and *4.1.2 Disclosures on derivatives.*

Premiere acquired a 15.0 percent interest in Born Germany GmbH, Ismaning, with a share purchase and assignment agreement dated August 18, 2008. The transfer of the interests is subject to the condition precedent of the payment of the purchase price. No purchase price payments had been made by the balance sheet date. In October 2008, Premiere decided to withdraw from the share purchase and assignment contract.

2.5 Other assets

Other assets are made up as follows:

(K€)	Total 12/31/08	of which non-current	Total 12/31/07	of which non-current
Financing costs	7,721	0	5,574	5,574
Advance payments to creditors	6,836	0	5,765	0
Tax receivables	3,003	0	4,285	0
Transmission fees	1,015	545	1,580	1,117
Signing bonus	76	76	141	141
Salary advances	9	0	0	0
Miscellaneous	3,606	850	2,464	112
Total	**22,266**	**1,470**	**19,809**	**6,944**

The financing costs include transaction costs of K€7,372 in connection with the new financing structure, which are deducted from the resultant capital contributions or the bank debt on carrying out the equity or debt transactions.

The miscellaneous other assets primarily comprise guarantee commissions paid, fees, insurance premiums, software maintenance agreements and film promotion contributions.

The non-current miscellaneous assets amongst others consist of transmission fees of K€545 (2007: K€1,117) paid to cable network operators and a signing bonus of K€76 (2007: K€141) paid for a long-term license agreement.

2.6 Interests in entities accounted for at equity

The following key ratios are disclosed for the entities accounted for at equity (information in K€, unless otherwise stated):

Name	Investment holding on 12/31/08 (in %)	Assets as of 12/31/08	Liabilities as of 12/31/08	Revenues 2008	Annual earnings 2008
Spox Media GmbH	40.1	1,543	3,128	4,220	−1,793
Premium Media Solutions GmbH	24.8	1,087	955	4,321	110

Name	Investment holding on 12/31/07 (in %)	Assets as of 12/31/07	Liabilities as of 12/31/07	Revenues 2007	Annual earnings 2007
Spox Media GmbH	40.1	1,488	1,252	684	−1,294
Premium Media Solutions GmbH	24.8	818	795	4,760	7
Loxxess Medienlogistik GmbH	8.8	4,533	3,268	17,199	1,241

No information was available about Loxxess Medienlogistik GmbH for the financial year 2008 at the time of preparing these financial statements, so that estimated amounts have been used to measure it. Dividends of K€88 were received from the company in the past financial year.

On account of objective indicators, the carrying amount of the investment in Spox Media GmbH was written down below the at-equity amount to €0.

2.7 Property, plant and equipment including receivers

(K€)	Land and buildings	Own technical equipment	Technical equipment under finance leases	Own receivers	Receivers under finance leases	Other operational and office equipment	Advance payments	Total
Cost								
Balance as of 1/1/08	1,551	5,148	338	73,282	10,077	21,076	0	**111,472**
Additions for the year	12	322	0	4,793	0	3,210	6	**8,344**
Disposals from sales of entities	11	186	0	0	0	1,001	6	**1,205**
Disposals for the year	6	107	0	7,157	0	1,872	0	**9,143**
Reclassifications	28	178	−178	0	0	−212	0	**−183**
Balance as of 12/31/08	1,574	5,355	160	70,918	10,078	21,200	0	**109,285**
Depreciation								
Balance as of 1/1/08	1,153	3,175	-71	23,377	2,972	15,410	0	**46,017**
Depreciation for the year	136	628	16	14,450	2,016	2,900	0	**20,145**
Disposals from sales of entities	1	33	0	0	0	208	0	**241**
Disposals for the year	5	14	0	4,385	0	1,775	0	**6,179**
Impairment losses	0	0	0	29	0	0	0	**29**
Reversal of impairment losses	0	−3	0	0	0	0	0	**−3**
Reclassifications	28	159	−159	0	0	−203	0	**−175**
Balance as of 12/31/08	1,312	3,912	−213	33,472	4,988	16,124	0	**59,594**
Carrying amount as of 12/31/08	**262**	**1,442**	**374**	**37,447**	**5,090**	**5,076**	**0**	**49,691**

(K€)	Land and buildings	Own technical equipment	Technical equipment under finance leases	Own receivers	Receivers under finance leases	Other Operational and office equipment	Advance payments	Total
Cost								
Balance as of 1/1/07	1,342	4,506	361	62,462	10,744	18,138	32	**97,585**
Additions from business combinations	114	268	0	0	0	350	0	**732**
Additions for the year	95	490	547	22,611	0	3,488	0	**27,231**
Disposals from sales of entities	0	0	0	0	0	23	0	**23**
Disposals for the year	0	351	355	12,458	0	877	0	**14,041**
Reclassifications	0	235	−215	667	−667	0	−32	**−12**
Balance as of 12/31/07	1,551	5,148	338	73,282	10,077	21,076	0	**111,472**
Depreciation								
Balance as of 1/1/07	1,043	1,903	18	21,561	1,494	13,211	0	**39,230**
Depreciation for the year	110	742	130	11,990	2,024	2,932	0	**17,928**
Disposals from sales of entities	0	0	0	0	0	8	0	**8**
Disposals for the year	0	−316	4	10,720	0	725	0	**11,133**
Reclassifications	0	215	−215	546	−546	0	0	**0**
Balance as of 12/31/07	1,153	3,175	−71	23,377	2,972	15,410	0	**46,017**
Carrying amount as of 12/31/07	**398**	**1,973**	**409**	**49,905**	**7,105**	**5,666**	**0**	**65,455**

Property, plant and equipment include receivers leased to subscribers under operating leases. A distinction has to be made between the following categories of receivers: d-boxes, third party receivers, HD receivers, fixed disk receivers, HD fixed disk receivers and interactive receivers. The carrying amount of non-leased receivers amounts to K€10,377 (2007: K€16,922). The carrying amount of receivers leased to subscribers amounts to K€32,160 (2007: K€40,089), of which K€4,105 (2007: K€5,683) relates to receivers capitalized under finance leases and K€28,055 (2007: K€34,405) to own receivers.

The additions of K€4,793 (2007: K€22,611) to own receivers mainly related to fixed disk receivers. All purchases of receivables are recognised initially in inventories. Receivers that are foreseen for leasing to subscribers are reclassified from inventories to property, plant and equipment and depreciated straight-line over their expected useful lives.

Disposals during the financial year of K€1,620 relate to reclassifications of interactive receivables to the inventories. These receivers are used to cover the operative transactions and for special campaigns.

The impairment loss of K€29 (2007: K€0) relates to interactive receivers. The receivers are measured at fair value less costs to sell.

Expected minimum lease payments from operating leases for receivers existing at the balance sheet date amount to K€20,633 (2007: K€24,118). The remaining weighted average contractual term of these leases is approximately 8 months (2007: approximately 10 months).

Property, plant and equipment includes technical equipment (pay-TV equipment), which is integrated in the hotel operations. The carrying amount of this equipment amounted as of December 31, 2008 to altogether K€849 (2007: K€1,229), of which K€374 (2007: K€409) relates to pay-TV equipment recognised under finance leases and K€476 (2007: K€820) to own pay-TV equipment.

2.8 Intangible assets

2.8.1 Film assets and advance payments for sport and film rights

The carrying amounts of the film assets and advance payments for sport rights developed as follows:

(K€)	Carrying amount as of 12/31/08	of which non-current	Carrying amount as of 12/31/08	of which non-current
Film assets	103,840	33,845	102,859	25,881
Advance payments for sport rights	66,565	26,082	26,164	11,250
Total	**170,404**	**59,927**	**129,024**	**37,131**

The film assets reported in this caption mainly comprise broadcasting rights purchased from film studios and a program library acquired in 2006.

The film assets developed as follows:

(K€)	Film licenses	Advance payments for film rights	Program library	Total
Cost				
Balance as of 1/1/08	153,534	22,225	7,900	**183,659**
Additions for the year	119,144	8,867	0	**128,011**
Disposals	129,967	0	0	**129,967**
Reclassifications	17,504	−17,504	0	**0**
Balance as of 12/31/08	160,215	13,588	7,900	**181,703**
Utilization/amortization				
Balance as of 1/1/08	78,417	0	2,383	**80,800**
Utilization/amortization for the year	123,956	0	1,038	**124,994**
Disposals	129,967	0	0	**129,967**
Impairment losses	2,036	0	0	**2,036**
Balance as of 12/31/08	74,442	0	3,421	**77,863**
Carrying amount as of 12/31/08	**85,773**	**13,588**	**4,479**	**103,840**
of which non-current	24,677	4,690	4,479	33,845

The cost of the purchased film rights was adjusted by K€67 (2007: K€294) in conjunction with the contractually agreed determination of the actual number of subscribers.

The film assets developed as follows in the previous year:

(K€)	Film licenses	Advance payments for film rights	Program library	Total
Cost				
Balance as of 1/1/07	157,468	18,710	7,900	**184,078**
Additions for the year	114,653	19,299	0	**133,952**
Disposals	134,371	0	0	**134,371**
Reclassifications	15,784	−15,784	0	**0**
Balance as of 12/31/07	153,534	22,225	7,900	**183,659**
Utilization/amortization				
Balance as of 1/1/07	84,999	0	1,269	**86,268**
Utilization/amortization for the year	126,657	0	1,114	**127,771**
Disposals	134,371	0	0	**134,371**
Impairment losses	1,132	0	0	**1,132**
Balance as of 12/31/07	78,417	0	2,383	**80,800**
Carrying amount as of 12/31/07	**75,117**	**22,225**	**5,517**	**102,859**
of which non-current	15,473	4,891	5,517	25,881

The impairment losses resulted from derecognition of the unused transmission slots.

Utilization and amortization are recorded in cost of sales.

2.8.2 Goodwill

(K€)	2008	2007
Cost		
Balance as of 1/1/	**626,765**	**368,953**
Additions from business combinations	131	257,812
Disposals from sales of entities	2,185	0
Disposals for the year	2,568	0
Balance as of 12/31/	622,143	626,765
Amortization		
Balance as of 1/1/	0	0
Amortization for the year	695	0
Disposals from sales of entities	695	0
Disposals for the year	0	0
Balance as of 12/31/	0	0
Carrying amount as of 12/31/	**622,143**	**626,765**

The additions in the financial year result primarily from the adjustment of the purchase price allocation of GIGA in accordance with IFRS 3.62.

As a result of a different assessment of an addendum to the contracts in connection with the arena transaction, the comparative information as of December 31, 2007 included in the consolidated balance sheet relating to goodwill and other (financial) liabilities was adjusted by K€3,462 in the first quarter of 2008.

As of September 30, 2008, a reassessment was made of the outstanding purchase price obligation related to the acquisition of HoH in 2007, which was dependent on defined earnings figures. The reassessment resulted in an adjustment of K€2,564 to the recognised purchase price liability, which led to a corresponding reduction in the goodwill recognised in 2007 on the acquisition of HoH. In addition, an impairment test was carried out on the goodwill of HoH. This resulted in an impairment loss of K€695 as of September 30, 2008, which was recognised in the result from discontinued operations. Furthermore, the goodwill from the transaction was derecognised as a consequence of the sale of the interests in HOH in December 2008.

The impairment test for the remaining cash generating unit that has to be performed at least once a year, which was carried out on the basis of the financial plans approved by management, revealed no need for any write-downs.

The recoverable amount was determined by referring to the value in use calculated on the basis of the free cash flow in the business plan (planning period from 2009 to 2013). The main bases for the free cash flow applied in this connection are the number of subscribers and ARPU. A discounting factor of 10.3 percent p.a. (2007: 8.9 percent p.a.) and a growth factor after the five-year planning period of 0.5 percent p.a. (2007: 1.5 percent p.a.) were assumed in the calculations for the cash-generating unit (see also *1.9.14 Estimates and judgments*).

2.8.3 Other intangible assets

(K€)	Trademarks	Subscriber base	Other intangible assets	Internally generated intangible assets	Advance payments	Total
Cost						
Balance as of 1/1/08	**335,298**	**386,061**	**95,975**	**2,645**	**11,084**	**831,063**
Additions for the year	0	0	19,759	0	558	**20,317**
Disposals from sales of entities	1,869	0	579	0	0	**2,447**
Disposals for the year	0	0	19,495	0	371	**19,865**
Reclassifications	0	5,000	5,920	0	−10,736	**183**
Balance as of 12/31/08	**333,429**	**391,061**	**101,580**	**2,645**	**535**	**829,251**
Amortization						
Balance as of 1/1/08	**0**	**234,452**	**51,629**	**2,286**	**0**	**288,367**
Amortization for the year	0	48,883	29,012	338	0	**78,232**
Disposals from sales of entities	0	0	137	0	0	**137**
Disposals for the year	0	0	17,283	0	0	**17,283**
Reclassifications	0	0	175	0	0	**175**
Balance as of 12/31/08	**0**	**283,334**	**63,396**	**2,624**	**0**	**349,355**
Carrying amount as of 12/31/08	**333,429**	**107,727**	**38,184**	**21**	**535**	**479,896**

(K€)	Trademarks	Subscriber base	Other intangible assets	Internally generated intangible assets	Advance payments	Total
Cost						
Balance as of 1/1/07	**331,629**	**386,061**	**103,749**	**2,645**	**4,883**	**828,967**
Additions from business combinations	3,669	0	55	0	0	**3,724**
Additions for the year	0	0	23,182	0	10,038	**33,220**
Disposals from sales of entities	0	0	66	0	0	**66**
Disposals for the year	0	0	31,974	0	2,821	**34,795**
Reclassifications	0	0	1,029	0	−1,016	**13**
Balance as of 12/31/07	**335,298**	**386,061**	**95,975**	**2,645**	**11,084**	**831,063**
Amortization						
Balance as of 1/1/07	0	186,194	57,813	1,649	0	**245,656**
Amortization for the year	0	48,258	25,802	637	0	**74,697**
Disposals from sales of entities	0	0	16	0	0	**16**
Disposals for the year	0	0	31,970	0	0	**31,970**
Balance as of 12/31/07	**0**	**234,452**	**51,629**	**2,286**	**0**	**288,367**
Carrying amount as of 12/31/07	**335,298**	**151,609**	**44,346**	**359**	**11,084**	**542,696**

The trademarks are not amortized as a result of their classification as intangible assets with indefinite useful lives.

The "Premiere" and "HoH" trademarks were tested for impairment in the financial year as part of the impairment test of the cash generating units since no independent cash flows can be attributed to the trademarks.

The disposal of the HoH trademark results from the sale of HoH on December 12, 2008.

The subscriber base relates to the relationships with the subscribers at the time of the business acquisition in 2003. The subscriber base is amortized on a straight-line basis over the useful life based on historical experience. It was not necessary to recognise any impairment losses. The remaining residual life of the subscriber base as of the balance sheet date is approximately 2 years (in the previous year approximately 3 years).

The other intangible assets comprise purchased software, licenses and the costs for the rights to use names. The additions and disposals during the year are made up of a large number of individual items.

2.9 Liabilities

The liabilities are made up as follows:

	12/31/08			12/31/07			
(K€)	< 1 year	1-5 years	Total 12/31/08	< 1 year	1-5 years	> 5 years	Total 12/31/07
Borrowings	378,469	6,814	**385,283**	11,065	7,019	272,497	**290,581**
Trade payables	174,704	22,586	**197,291**	177,045	29,041	0	**206,086**
Other financial liabilities	26,489	6,575	**33,064**	39,894	25,117	0	**65,011**
Liabilities to entities accounted for at equity	1,554	0	**1,554**	3,390	0	0	**3,390**
Other liabilities	48,872	2,618	**51,490**	53,982	2,287	0	**56,269**
Deferred taxes	0	113,660	**113,660**	0	97,654	0	**97,654**
Provisions for pensions and similar obligations	0	5,494	**5,494**	0	5,086	0	**5,086**
Other provisions	9,537	486	**10,023**	7,191	0	0	**7,191**
Total	**639,625**	**158,232**	**797,858**	**292,568**	**166,203**	**272,497**	**731,269**

2.9.1 Borrowings

The Company is reporting the following borrowings, broken down by maturities:

	12/31/08				12/31/07			
(K€)	< 1 year	1-5 years	> 5 years	Total 12/31/08	< 1 year	1-5 years	> 5 years	Total 12/31/07
Bank debt	372,404	118	0	**372,522**	1,909	−370	272,497	**274,036**
Finance lease liabilities	4,248	5,029	0	**9,277**	3,853	7,389	0	**11,242**
Loan from Nagravision	1,817	1,667	0	**3,483**	5,303	0	0	**5,303**
Total	**378,469**	**6,814**	**0**	**385,283**	**11,065**	**7,019**	**272,497**	**290,581**

The carrying amount of the borrowings broadly corresponds to their fair value.

The bank debt reported under the borrowings mainly comprises the financing package agreed in April 2007 with a bank syndicate headed by The Royal Bank of Scotland plc. Please refer with regard to the details relating to this financing package to the comments that follow.

Bank debt

Premiere concluded long-term debt financing in April 2007, consisting of a loan of €275 million ("Bridge Facility") and a revolving credit line of €275 million ("Revolving Facility").

Both facilities incur variable interest (Euribor plus a margin). In the case of the Bridge Facility, a fixed margin is agreed, while the margin for the Revolving Facility is based on the net total leverage (ratio of consolidated net borrowings to consolidated EBITDA).

The Bridge Facility has a term of a maximum of seven years and had been taken up in full as of December 31, 2008.

The Revolving Facility is available to Premiere for five years from the conclusion of the facility agreement. Premiere can make use of amounts under the Revolving Facility not only in cash but also in the form of guarantees, as well as in the form of an overdraft of up to €90 million. During this period, amounts that have been paid back can be redrawn.

The financing agreements include normal market terms and conditions. In this regard, specific financial ratios were defined, which entitle the financing banks to terminate the facility immediately if they are not complied with. These include the maintenance of defined relationships between total borrowings and EBITDA, between liabilities that rank equally or higher with regard to the loan security and EBITDA, and between EBITDA and net interest expense.

Due to the expected operating result for the financial year 2008 and in view of its imminent non-compliance with the loan agreements, Premiere started negotiations on refinancing in the fourth

quarter of 2008, which resulted on December 22, 2008 in the agreement of a new financing structure (see also *1.3 Going concern*). As an element of these negotiations, the cash utilization of the Revolving Facility was limited to €90 million and the utilization in the form of guarantees was limited to €35 million, in October 2008 in conjunction with a waiver-agreement with the bank syndicate. In connection with the reduction of the amounts available under the Revolving Facility, the transaction costs that had previously been deferred were released proportionately and recognised in profit or loss. Utilization of the Revolving Facility in cash amounted as of December 31, 2008 to K€90,593 and in the form of guarantees to K€29,780.

Interest of K€36,080 (2007: K€22,798) was incurred for the financing in 2008 and recognised in profit or loss, of which K€28,976 was paid in 2008 (2007: K€21,508). Interest liabilities of K€7,104 were recognised as of the balance sheet date (2007: K€1,290).

On December 22, 2008, Premiere, the bank syndicate and News Corp agreed a new, long-term financing structure, to secure Premiere's capital requirements. The new financing structure foresees that the existing credit lines will be replaced by new, long-term credit facilities of €525 million, on condition that new equity of €450 million is made available to Premiere through two capital increases (see also *1.3 Going concern*).

The first capital increase in January 2009 resulted in proceeds of K€36,903 after deduction of costs. Together with a short-term loan of K€13,097 made available by the bank syndicate in conjunction with the existing Revolving Facility, Premiere therefore received a total of €50 million additional funds with the objective of providing sufficient funding until the 2nd capital increase is completed.

The new credit lines of €525 million agreed on December 22, 2008 comprise a long-term loan ("Term Loan") of €275 million divided into two tranches (with a duration until December 31, 2013), and a credit line ("Revolving Facility") and a guarantee line ("Guarantee Facility") together totaling €250 million with a duration until June 30, 2013 (see also *4.2 Capital management*). The interest on the new credit lines is determined on the basis of EURIBOR plus a margin of between 3.75 and 4.75 percent, which for the Term Loan increases to 6.00 percent in 2012.

Loan from Nagravision

A credit line of K€7,250 was agreed in 2003 with Kudelski S.A., Switzerland, (Nagravision). This credit line was taken up in full in February 2004.

The credit line was restructured in 2008. The amount still outstanding of €5 million is due in three installments on June 30, 2008, 2009 and 2010. The interest rate since July 1, 2008 is 9.0 percent p.a.

Finance lease liabilities

The following minimum lease payments are due under the finance leases:

(K€)	< 1 year	1-5 years	2008 Total
Minimum lease payments	4,909	5,367	**10,276**
Discount amounts	−661	−338	**−998**
Present values	**4,248**	**5,029**	**9,277**

(K€)	< 1 year	1-5 years	2007 Total
Minimum lease payments	4,872	8,106	**12,978**
Discount amounts	−1,019	−717	**−1,737**
Present values	**3,853**	**7,389**	**11,242**

The weighted average interest rate for finance lease liabilities with fixed lease payments was 10.0 percent p.a. (2007: 11.5 percent p.a.).

2.9.2 Trade payables

Trade payables are made up as follows:

(K€)	12/31/08 < 1 year	12/31/08 1-5 years	Total 12/31/08	12/31/07 < 1 year	12/31/07 1-5 years	Total 12/31/07
Liabilities to film studios for the purchase of film licenses	49,500	0	**49,500**	41,766	0	**41,766**
Liabilities to subscribers for security deposits	4,848	14,572	**19,420**	4,965	14,898	**19,863**
Other trade payables	120,356	8,014	**128,370**	130,314	14,143	**144,157**
Total	**174,704**	**22,586**	**197,291**	**177,045**	**29,041**	**206,086**

The carrying amounts correspond to the fair values.

2.9.3 Other financial liabilities

(K€)	12/31/08 < 1 year	12/31/08 1-5 years	Total 12/31/08	12/31/07 < 1 year	12/31/07 1-5 years	Total 12/31/07
Purchase price payables	9,548	1,270	**10,818**	15,634	15,868	**31,502**
Derivatives	1,057	3,593	**4,650**	11,454	7,888	**19,342**
Debt or accounts with credit balances	4,427	0	**4,427**	4,318	0	**4,318**
Liabilities to employees	3,629	0	**3,629**	2,033	0	**2,033**
Management bonuses	3,278	0	**3,278**	4,649	0	**4,649**
Severance payments	2,314	175	**2,489**	852	141	**993**
Miscellaneous	2,236	1,537	**3,773**	953	1,221	**2,174**
Total	**26,489**	**6,575**	**33,064**	**39,894**	**25,117**	**65,011**

The fair values are identical with the reported carrying amounts.

Please refer to *1.9.1.6 Derivatives* and *4.1.2 Disclosures on derivatives* with regard to the negative fair values of the derivatives.

The decline in purchase price payables results from the settlement in the sale agreement of HoH (see also *1.7 Disposal and discontinuation of business entities*) and the decline in the purchase price payable from the business combination of Bundesliga rights from arena in the previous year.

In 2008 liabilities to employees have been shown as other financial liabilities for the first time. The prior year figures have been adjusted accordingly. They were reported in 2007 under “Other liabilities”.

2.9.4 Other liabilities

Other liabilities are made up as follows:

(K€)	12/31/08 < 1 year	12/31/08 1-5 years	Total 12/31/08	12/31/07 < 1 year	12/31/07 1-5 years	Total 12/31/07
Advance payments on orders	21,510	0	**21,510**	17,795	0	**17,795**
Subscriber payments from prepaid offers	17,578	0	**17,578**	15,027	0	**15,027**
Liabilities to tax authorities	5,331	1,148	**6,479**	15,347	1,148	**16,495**
Fees for encryption systems	0	631	**632**	0	0	**0**
Social security liabilities	438	0	**438**	54	0	**54**
Miscellaneous	4,014	838	**4,853**	5,759	1,139	**6,898**
Total	**48,872**	**2,618**	**51,490**	**53,982**	**2,287**	**56,269**

The subscriber payments from prepaid offers relate to the deferral of revenue from prepaid packages sold with terms going beyond the balance sheet date.

2.9.5 Other provisions

(K€)	Receivers	Other taxes	Litigation costs	Onerous contracts	Warranties	Total
Balance as of 1/1/08	85	6,769	316	0	21	**7,191**
Additions	858	522	556	1,111	16	**3,062**
Utilization	−0	0	−44	0	0	**−44**
Reversals	−74	0	−111	0	0	**−185**
Balance as of 12/31/08	**868**	**7,290**	**717**	**1,111**	**37**	**10,024**
of which current	868	7,290	717	625	37	9,537
of which non-current	0	0	0	486	0	486

The provisions have been recognised on the basis of the expected outflows.

The provisions for receivers mainly relate to costs for the testing, repair and scrapping of receivers. Utilization of K€521 (2007: K€51) is expected in the best case.

Provisions for litigation have been set up for expected risks from lawsuits and for lawyers' and other court fees on pending legal disputes. Costs of K€350 (2007: K€158) are expected in the best case.

2.9.6 Provisions for pensions

2.9.6.1 Defined benefit plans

The Group operates unfunded final salary defined benefit pension plans. In addition to retirement pensions, the pension liability also covers widows', orphans' and disability pensions.

The following amounts are recognised as expense for the period:

(K€)	2008	2007
Current service cost	−86	−128
Past service cost	0	78
Interest cost	−288	−270
Realized actuarial losses/gains	−111	1,287
Pension expense/income	**−485**	**967**

The current service cost and the actuarial gains or losses are reported under administrative expenses and the interest expense on the pension obligations is reported in the financial result.

Since there are no plan assets as defined by IAS 19 and all actuarial gains and losses are recorded as soon as they arise, the present value of the defined benefit obligation (DBO) of the pension obligations and the obligations similar to pensions equals the provision recognised in the balance sheet.

The defined benefit obligation (DBO) developed as follows:

(K€)	2008	2007
Defined benefit obligation as of 1/1/	5,086	6,114
Pension expense/income	485	−967
Pension payments	−77	−61
Defined benefit obligation as of 12/31/	**5,494**	**5,086**

The defined benefit obligation and the adjustments to the plan liabilities based on historical experience developed as follows:

(K€)	2008	2007	2006	2005	2004	2003
Defined benefit obligation as of 12/31/	5,494	5,086	6,114	6,192	6,071	4,918
Experience adjustments on plan liabilities 1/1/-12/31/	−111	−83	−136	—	—	—

The calculation of the pension liability was based on the following assumptions:

	12/31/08	12/31/07
Discount rate	5.75%	5.71%
Pension growth rate	2.00%	1.75%
Salary growth rate	2.00%	2.00%
Employee turnover rate	8.30%	8.30%

Expected pension payments in 2009 amount to K€90 (in 2008: K€82).

2.9.6.2 Defined contribution plans

The measurement of the contributions payable on account of the termination indemnity obligations to employees of the Austrian subsidiary resulted in expense of K€15 (2007: K€19).

Contributions to the statutory pension insurance scheme in the past financial year amounted to K€8,221 (2007: K€9,121).

2.10 Additional disclosures on financial instruments

The following table shows the carrying amounts by measurement categories in accordance with IAS 39 and the fair values by classes of financial assets and financial liabilities.

2008 (K€)	(Class of financial instruments according to IFRS 7.6) financial instrument measured at	Fair value 12/31/08	Carrying amount as of 12/31/08	Carrying amount of categories as defined in IAS 39						Carrying amount according to IAS 17
				FVTPL (HfT)	FVTPL (designated)	AfS	LaR	HtM	FLAC	
Assets										
Cash and cash equivalents	—	—	67,156							
Trade receivables	Amortized cost	85,828	85,765				79,006			6,759
Receivables from entities accounted for at equity	Amortized cost	370	370				370			
Other non-derivative financial assets	Amortized cost	10,892	10,892				10,892			
Derivative financial assets	Fair value	1,107	1,107	1,107						
Available-for-sale financial assets	At cost	—	6			6				
Available-for-sale financial assets	Fair value	1,350	1,350			1,350				
		99,548	**166,647**	**1,107**		**1,356**	**90,268**			**6,759**
Liabilities										
Borrowings	Amortized cost	385,342	385,283						376,005	9,277
Trade payables	Amortized cost	197,291	197,291						197,291	
Liabilities to entities accounted for at equity	Amortized cost	1,554	1,554						1,554	
Other non-derivative financial liabilities	Amortized cost	28,414	28,414						28,414	
Derivative financial liabilities	Fair value	4,650	4,650	4,650						
		617,250	**617,191**	**4,650**					**603,263**	**9,277**

2007 (K€)	(Class of financial instruments according to IFRS 7.6) financial instrument measured at	Fair value 12/31/07	Carrying amount as of 12/31/07	Carrying amount of categories as defined in IAS 39						Carrying amount according to IAS 17
				FVTPL (HfT)	FVTPL (designated)	AfS	LaR	HtM	FLAC	
Assets										
Cash and cash equivalents	—	—	115,032							
Trade receivables	Amortized cost	106,513	106,439				100,502			5,937
Receivables from entities accounted for at equity	Amortized cost	410	410				410			
Other non-derivative financial assets	Amortized cost	22,661	22,661				22,661			
Derivative financial assets	Fair value	2,163	2,163	2,163						
Available-for-sale financial assets	At cost	—	12,004			12,004				
Available-for-sale financial assets	Fair value	7,200	7,200			7,200				
		138,948	**265,910**	**2,163**		**19,204**	**123,574**			**5,937**
Liabilities										
Borrowings	Amortized cost	291,008	290,581						279,340	11,242
Trade payables	Amortized cost	206,086	206,086						206,086	
Liabilities to entities accounted for at equity	Amortized cost	3,390	3,390						3,390	
Other non-derivative financial liabilities	Amortized cost	39,537	39,537						39,537	
Derivative financial liabilities	Fair value	19,342	19,342	19,342						
		559,363	**558,937**	**19,342**					**528,354**	**11,242**

Explanation of abbreviations

FVTPL (HfT)	Financial assets/liabilities at fair value through profit or loss classified as held for trading
AfS	Available-for-sale financial assets
LaR	Loans and receivables
FLAC	Financial liabilities measured at amortised cost

A separate class has to be established for cash and cash equivalents. An allocation to financial instruments measured at amortized cost or to financial assets measured at fair value is not appropriate, since they are reported at nominal value, whereby foreign currency balances are translated at the rate for the day. The measurement of cash and cash equivalents is therefore not connected with a category in IAS 39, so that no disclosure is required of the carrying amount by measurement category.

Trade receivables and other financial assets primarily have short maturities, so that their carrying amounts as of the balance sheet date approximate the fair values. The fair values of the finance lease receivables are determined with reference to the discounted expected future cash flows on the basis of the contractual terms.

In the case of available-for-sale financial assets, the market value in an active market, where this exists, is applied as the fair value.

The market values of interest swaps are determined by discounting the expected future cash flows over the residual term of the contracts on the basis of current market interest rates and the interest structure trend. The market values of the foreign exchange forward contracts are determined based on the forward rates.

The fair values of the bank debt reported under the financial liabilities, finance lease liabilities and other borrowings, and the non-current borrowings are determined as the present values of the payments associated with the liabilities, applying the respective applicable interest structure trend.

Trade payables and other borrowings mainly have short maturities, so that their carrying amounts approximate the fair values.

The balance sheet item "Other financial liabilities" includes in 2007 contingent considerations from a business combination of K€6,132 in connection with the acquisition of HoH.

2.11 Equity

2.11.1 General

Premiere AG's subscribed capital amounts to K€112,460. It is divided into 112,460,000 registered shares with no par value; each share with no par value has a notional interest of €1.00 in the capital stock.

Additional paid-in capital amounted as of the balance sheet date to K€1,376,453 (2007: K€1,376,804), of which K€784,261 is not available for distribution.

The capital has been contributed in full.

2.11.2 Authorized capital (not issued)

On the basis of the resolution of the Annual General Meeting on May 17, 2006, the management board was empowered, with the approval of the supervisory board, to increase Premiere AG's subscribed capital by up to €41,000,000 (forty-one million) up until May 16, 2011 by issuing, on one or several occasions, up to 41,000,000 new registered shares with no par value in return for contributions in cash or in kind.

On February 7, 2007, the authorized capital was used to increase the subscribed capital by €16,400,000 to €98,400,000 in return for a contribution in kind. The premium defined in connection with the increase in capital amounted to K€270,781, after taking into account capital transaction costs of K€967. The increase in capital for a contribution in kind was entered in the Commercial Register on February 8, 2007.

Premiere AG's management board resolved on September 6, 2007, with the approval of the supervisory board, to increase the subscribed capital of €98,400,000 by a nominal amount of €14,060,000 out of the authorized capital. The increase in capital was carried out by issuing new shares, whereby existing Premiere stockholders were granted a subscription right. The premium from the issuance of the new shares after taking into account capital transaction costs of K€6,429 amounted to K€155,680 and was allocated to the additional paid-in capital.

The agreement on the new long-term financing structure with the bank syndicate and News Corp includes two capital increases. Premiere has been given long-term credit commitments of €525 million, on condition that the Company receives with new equity of €450 million (please refer also to *1.3 Going concern* and *2.9.1 Borrowings*).

In the course of the first capital increase, the subscribed capital was increased by €10,223,636 from €112,460,000 to €122,683,636 out of the authorized capital. This was entered in the Commercial Register on January 14, 2009. The additional paid-in capital was increased by K€26,679 from K€1,376,453 to K€1,403,132.

Existing Premiere stockholders were given a subscription right and could purchase one new share for every 11 old shares. The price for the purchase of a new share was €3.76.

The subscription offer was published on December 29, 2008. The subscription period for the stockholders commenced on December 30, 2008 and ended on January 12, 2009. The subscription offer was addressed exclusively to stockholders of Premiere, and no rights trading took place. The new shares were included from January 16, 2009 in the pricing for the shares of Premiere AG on the Frankfurt Stock Exchange.

The new shares are entitled to participate in the profits from January 1, 2008.

The authorized capital (not issued) remaining after the increase in capital amounts to K€316.

2.11.3 Issuance of convertible or option bonds

On the basis of the resolution of the Annual General Meeting on May 17, 2006, the management board is empowered, with the approval of the supervisory board, to issue bearer or registered convertible or option bonds with a total nominal value of up to €500,000,000 (five hundred million)

up until May 16, 2011 on one or several occasions, with or without any limitations as to their term, and to grant the holders of convertible or option bonds conversion and option rights to subscribe for up to 8,200,000 new registered ordinary shares with no par value in the Company with a proportionate share of the capital stock of up to €8,200,000 ("new shares") in accordance with the convertible bond or option terms. The power can also be exercised in partial amounts. The stockholders shall, as a general rule, be granted the right to subscribe. The management board is however empowered, with the approval of the supervisory board, to exclude the subscription right of the stockholders when issuing the convertible or option bonds.

On the basis of the resolution of the Annual General Meeting on May 17, 2006, the Company's subscribed capital was increased conditionally by up to €8,200,000 by issuing up to 8,200,000 new registered ordinary shares of no par value. The sole purpose of the conditional capital is to grant new shares to the holders of convertible or option bonds, which are issued, in accordance with the above-mentioned empowering resolution, by Premiere AG or by companies in which Premiere AG directly or indirectly holds majority investments. The conditional increase in capital will only be carried out to the extent that holders of convertible or option bonds exercise their conversion or option rights or fulfill conversion obligations under such bonds.

Convertible and option bonds have not so far been issued.

2.11.4 Purchase and sale of treasury stock

The Annual General Meeting on June 12, 2008 empowered Premiere AG's management board to buy back up to 10 percent of the subscribed capital that existed as of the date of the resolution. The power can be exercised in full or in partial amounts, on one or several occasions, in the pursuit of one or several purposes, by the Company, by its group companies or by a third party acting on its behalf. The power has been granted until December 11, 2009. The management board is empowered to utilize stock in the Company that is acquired on account of this power for all legally authorized purposes.

The company has no treasury stock as of December 31, 2008.

2.11.5 Accumulated other comprehensive income

Gains and losses on the market valuation of available-for-sale securities resulting from impairment losses have been recognised in profit or loss for the period, whereas they were recognised in the previous year in equity (2007: - K€300).

In the third quarter of 2008, an impairment loss of €4.3 million was recognised on a financial receivable from tmc from shares reported under the other financial assets (see *2.4 Other financial assets*). The impairment was caused by the development of the price of interests in the debtor and associated assessments of the credit standing. As a result of a new contractual arrangement that set the value of the shares at an amount of at least €1 million, the impairment loss was reversed in December 2008 by K€300, which is recognised directly in equity in accumulated other comprehensive income, net of deferred taxes of K€84.

3 NOTES TO THE CONSOLIDATED STATEMENT OF OPERATIONS

3.1 Revenues

(K€)	2008	2007
Subscriptions and pay per view revenues	769,817	755,253
Receiver sales/rental revenues	47,526	61,390
Magazine and advertising revenues	31,001	51,967
Other revenues	92,790	68,554
Total	**941,133**	**937,164**

The magazine and advertising revenues include revenues of K€5,146 (1/1/-12/31/07: K€13,048) for the procurement of customers for the magazines and commissions of K€1,293 (1/1/-12/31/07: K€3,153) for the procurement of subscribers in conjunction with the cooperation agreement with tmc.

Other revenues include production revenues of K€32,289 (1/1/-12/31/07: K€32,477) relating to the transmission of the soccer Bundesliga in IPTV and revenues of K€3,741 (1/1/-12/31/07: K€3,231)

from platform and transmission services under the cooperation agreement with tmc. Other revenues also include license fees of K€45,544 (1/1/-12/31/07: K€22,633). The increase in license fees compared with the previous year is mainly due to the assignment of rights for the 2010 FIFA World Cup™ in South Africa.

3.2 Cost of sales

(K€)	2008	2007
Programming costs	−640,012	−563,195
Transmission costs	−125,197	−89,423
Receiver costs	−67,049	−87,236
Customer service costs	−51,956	−64,632
Total	**−884,215**	**−804,485**

The programming costs mainly include license and production costs.

The transmission costs reflect in particular the transponder and play-out costs as well as broadcasting fees.

The costs for receiver mainly comprise cost of sold receivers together with depreciation on receivers included in fixed assets.

The costs for customer services, such as service hotlines, service support and customer retention, can be found in the subscription management and service management costs.

3.3 Selling and general administrative expenses

The selling and general administrative expenses are made up as follows:

(K€)	2008	2007
Marketing	−41,461	−48,015
Dealer commissions	−20,266	−22,177
Selling expenses for direct sales	−18,206	−16,168
Bad debts	−9,914	−9,488
Other selling expenses	−24,407	−30,825
Selling expenses	**−114,254**	**−126,673**
IT	−28,563	−22,247
Legal, consulting and administrative expenses	−25,331	−24,267
Personnel, incl. termination benefits	−6,001	−2,898
Facilities	−5,692	−6,216
Other	−4,058	−3,191
General and administrative expenses	**−69,645**	**−58,818**

3.4 Other operating income

(K€)	2008	2007
Gain from sale of interests in entities	22,494	47,336
Income from compensation	4,089	3,779
Reversal of tax provision	0	16,296
Income from cooperation agreement with SES Astra	0	16,000
Conditional purchase price payment for APS ASTRA Platform Services GmbH (APS)	0	763
Miscellaneous	12,219	13,862
Total	**38,801**	**98,036**

During the reporting period, Premiere sold in total 15.1 percent of its interest in Premiere Star GmbH, Unterföhring. Premiere generated a gain of altogether K€22,494 from these transactions.

Premiere is entitled to so-called conditional purchase price payments based on the financial ratios for the financial years from 2005 through 2008 from the sale of APS (formerly DPC Digital Playout Center GmbH) in 2004. Amounts for the financial years 2005 to 2007 have been recorded to date

based on the company's annual earnings. No data was available for 2008 at the time of preparation of the financial statements, so that no income has been recorded.

3.5 Other operating expenses

Other operating expenses are made up as follows:

(K€)	2008	2007
Allocation to allowances for doubtful receivables	−12,757	−681
Allowances of loans	−1,595	0
Losses on disposal of fixed assets	−1,290	−138
Liability to pay compensation	0	−1,512
Loss on sale of interests in entities	0	−1,037
Expenses for tax audits	0	−64
Miscellaneous	−3,463	−3,704
Total	**−19,105**	**−7,136**

The allowances for doubtful receivables mainly relate to SES Astra (see *2.4 Other financial assets*).

The loans for Spox Media GmbH were written down completely in 2008.

3.6 Personnel expenses, depreciation and amortization

The personnel expenses and depreciation and amortization of fixed assets were charged to the operating profit and the result of discontinued operations.

(K€)	2008	2007
Wages and salaries	−56,965	−56,613
Social security	−9,869	−9,671
Termination benefits	−3,707	−1,674
Other personnel expenses	−2,827	−2,779
Pension expense	−732	1,120
Personnel expenses	**−74,101**	**−69,616**
Amortization of subscriber base	−48,883	−48,258
Amortization of other intangible assets	−30,066	−26,439
Depreciation of property, plant and equipment, including impairment losses	−20,172	−17,928
Amortization of program library	−1,038	−1,114
Depreciation and amortization	**−100,158**	**−93,739**

Depreciation and amortization include K€949 (2007: K€125) expenses relating to discontinued operations.

3.7 Financial result

(K€)	2008	2007
Interest income from interest rate swaps	1,988	3,045
Other interest income	5,109	5,540
Income from entities accounted for at equity	27	0
Interest and similar income	**7,123**	**8,585**
Interest expenses from interest rate swaps	−5,754	−1,052
Other interest expense	−48,293	−46,425
Loss from entities accounted for at equity	−1,004	−565
Interest and similar expenses	**−55,051**	**−48,042**
Other financial expense	−11,586	0
Total	**−59,513**	**−39,457**

Interest income and interest expense from interest derivatives comprise gains and losses on the retirement and measurement of interest swap transactions and current interest on these financial instruments.

Other interest income mainly comprises current account interest and interest on the collection of receivables.

Other interest expense mainly consists of interest on the corporate financing that was replaced 2007 and the new corporate financing that was taken up in 2007.

In connection with the reduction in October 2008 of the revolving credit line that had been made available (see also *2.9.1 Borrowings*), the proportionate transaction costs of K€5,477 relating to the reduction in the credit capacity were released to profit or loss as other interest expense. In the previous year, deferred transaction costs of K€9,078 were recorded for the financing that existed at that time.

Interest expense of K€36,080 (2007: K€22,798) was incurred for the existing debt financing concluded in the past financial year, of which K€7,104 (2007: K€1,290) is recognised as interest liabilities.

The interest expense for the past financial year includes interest expense of K€12,581 (2007: K€5,843) calculated in accordance with the effective interest method.

On account of the cancellation of the economic hedge relationship for future payment obligations in US dollars, the Company is for the first time reporting in other financial result losses and gains from changes in the fair values of foreign exchange forward contracts (see *1.9.1.6 Derivatives*). Losses of K€2,186 on changes in fair value were recorded from the re-designation date for forwards that are still outstanding. For derivatives that were sold during the fourth quarter, gains of K€9,048 are included in the other financial result, which comprise changes in fair value between the date of cancellation of the hedge relationship and the date of sale, and the gain or loss on sale.

This item furthermore includes a write-down of K€11,998 on the interests in 1-2-3.tv GmbH and a write-down of K€6,450 on the tmc shares.

3.8 Net gains/losses by measurement categories

	Net gains/losses	
(K€)	2008	2007
Loans and receivables	−18,648	−8,333
Financial assets or liabilities held for trading	24,106	−17,161
Available-for-sale financial assets		
– Gains or losses on changes in value recognized in equity	600	−300
– Gains or losses on disposal and measurement recognized in profit or loss	−18,469	88
Financial liabilities measured at amortized cost	99	531
Total	**−12,312**	**−25,175**

Net gains or losses by measurement categories of financial instruments are influenced by changes in fair value, impairments, fluctuations in exchange rates and derecognitions.

The net gains or losses on financial assets and liabilities held for trading relate to the gains or losses on the disposal and the subsequent measurement of these financial instruments (gain of K€24,106; 2007: loss of K€17,161). Both interest and foreign currency influences go into the net gains or losses. Interest effects are reported in the interest result (see also *3.7 Financial result),* while the foreign currency effects are recorded in the programming costs or other financial result (see also *1.9.1.6 Derivatives)*.

3.9 Income taxes

Income taxes are made up as follows:

(K€)	2008	2007
Current tax expense/income	−953	−741
Deferred tax expense	−47,871	−1,490
Total	**−48,824**	**−2,231**

With respect to income taxes relating to the discontinued operation, see *1.7 Disposal and discontinuation of business entities*.

Deferred taxes are measured based on a tax rate of 28.08 percent (previous year 28.08 percent), taking into account, in addition to corporate income tax of 15 percent, the solidarity surcharge at 5.5 percent on the corporate income tax and trade tax on income of 12.25 percent.

Deferred taxes assets on temporary differences and tax losses are recognised up to the amount for which it appears probable that future taxable income will be available.

As of December 31, 2008, Premiere had accumulated tax losses of K€1,111,361 (2007: K€928,676), of which K€210,518 (2007: K€210,375) related to Premiere Austria. In addition, there is an interest carryforward of K€39,888 (§ 8a Corporate Income Tax Act). No deferred tax assets have been set up for recoverability reasons either on the tax losses or on the interest carryfoward (2007: K€0).

As a result of the acquisition of 25.01 percent of Premiere AG's shares by News Corporation, 25.01 percent of the tax losses accumulated at the time of the acquisition on May 19, 2008 in the amount of K€219,097 are no longer available for offset against future taxable profits. Premiere has not recognised any deferred tax assets on the tax losses, so that the lapse of the proportionate tax losses has no impact on the recognition of deferred tax assets. The accumulated tax loss at December 31, 2008, of K€1,111,361 is after reduction of this amount of K€219,097.

If News Corp exceeds 50,0 percent voting rights all accumulated tax losses at this time, with the exception of Austria, would be lost. If a shareholder unrelated to News Corp exceeds 25 percent voting rights, accumulated tax losses, with the exception of Austria, would be partly lost.

Deferred tax effects recognised directly in equity amount to K€84 (2007: K€6). These effects result from unrealized gains on available-for-sale securities.

Differences in recognition and measurement and tax losses result in the following recognised deferred tax assets and liabilities:

	12/31/08		12/31/07	
(K€)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	0	603	0	0
Finance lease receivables	0	1,145	0	1,163
Inventories	0	0	37	27
Investments and long-term financial assets	0	0	0	0
Finance leases	6	1,534	14	2,110
Property, plant and equipment	224	0	318	25
Intangible assets	21,491	113,992	46,076	100,972
Other assets and other financial assets	53	2,419	53	2,347
Borrowings	2,027	232	3,637	0
Trade payables	161	504	3,292	149
Provisions for pensions	357	0	312	0
Other provisions	1,981	0	1,505	0
Other liabilities and other financial liabilities	5,473	0	12,053	27
Tax loss carried forward	0	0	0	0
Total	**31,774**	**120,430**	**67,297**	**106,820**
of which current	23,853	3,554	58,829	699
of which non-current	7,920	116,876	8,468	106,121
Offset	−6,769	−6,769	−9,167	−9,167
Per balance sheet	**25,004**	**113,660**	**58,130**	**97,653**

Deferred tax assets and liabilities are offset provided they are with the same tax authority and current taxes are offset.

The reported tax expense including the income tax relating to discontinued operations differs from the expected tax expense that would have arisen if the nominal tax rate of 28.08 percent (2007: 28.08 percent) had been applied to the IFRS pre-tax earnings. As a result of the prevailing loss situation, a future tax rate of 28.08 percent was already applied in the previous year, because the mainly deferred tax effects are already calculated with this rate and tax income/expense based on this rate would consequently also have to be expected.

The reconciliation resulting from the differences is shown in the following table.

(K€)	2008	2007
Loss before taxes	−219,977	−50,509
Expected tax benefit	**61,759**	**14,183**
Reconciliation:		
Change in non-recognition of deferred taxes	−109,104	−34,828
Non-deductible expenses	−9,099	−4,163
Tax-free gains on disposals of investments	6,754	12,656
Change in German tax rate	0	10,542
Differences in tax rates	0	−184
Other	307	738
Tax expense	**−49,383**	**−1,056**

3.10 Earnings per share

Basic earnings per share are calculated as the ratio of the Group earnings and the weighted average number of ordinary shares outstanding during the year.

	2008	2007
Earnings attributable to stockholders of Premiere AG (K€)	−269,256	−51,528
Weighted average number of outstanding shares (thousand)	112,460	93,997
Basic earnings per share total (€)	**−2.39**	**−0.55**

No circumstances existed either at the current balance sheet date or in the previous year that would have resulted in the dilution of earnings per share.

The first capital increase (see also *1.3 Going concern*), in which 10,223,636 new shares were issued out of the authorized capital, was resolved in January 2009.

4 OTHER EXPLANATORY COMMENTS

4.1 Financial risk management

4.1.1 Financial risks factors

The Group is exposed in particular to interest and foreign currency risks in connection with its operating activities. It is the Group's policy to avert or restrict these risks through hedging transactions. All hedging measures are coordinated or carried out on a centralized basis by the Group's Treasury & Corporate Finance department.

4.1.1.1 Foreign currency risk

Fluctuations in exchange rates could result in unforeseeable volatility in earnings and cash flows. Premiere uses foreign exchange forward contracts to hedge the foreign currency risk. These transactions are related to the hedging of cash flows in foreign currencies in connection with the purchase of film licenses. In this connection, the Company hedges a certain proportion of the expected cash flows in foreign currencies. Hedging through foreign exchange forward contracts relates exclusively to the US dollar, and is carried out for a period of up to 36 months in advance. The foreign exchange forward transactions did not qualify for hedge accounting in the 2008 year. Fair value gains or losses from re-measurement of foreign exchange forward contracts as of the balance sheet date are recognised in profit or loss. As a result of the optimization of the short-term liquidity management, the Company sold most of its foreign exchange forward contracts during the fourth quarter (see also *1.9.1.6 Derivatives*). The Company does not expect any material impact in the short term from unhedged cash flows, or will utilize the remaining contracts.

Of the total payments in US dollars, K€81,927 was hedged during the past financial year (2007: K€103,856).

The total trade payables of K€197,291 (2007: K€206,086) include K€13,287 (2007: K€13,593) in foreign currency.

Foreign currency sensitivity is determined firstly by aggregating the net positions of the operating business denominated in foreign currency (mainly liabilities from the purchase of film licenses in US dollars). The foreign currency risk is arrived at by multiplying the unhedged foreign currency position by a 10 percent mark-up or devaluation of the US dollar compared with the euro.

In addition, all foreign exchange forward contracts have been subjected to a currency sensitivity analysis because they are not integrated in a hedge relationship in accordance with IAS 39 and changes in the exchange rate of the US dollar on which the transactions are based would impact the operative earnings (gain or loss on the adjustment of the fair value). For the purpose of the sensitivity analysis, Premiere only looks at the negative scenario.

A 10 percent devaluation of the US dollar compared with the euro would result in a negative effect from the foreign exchange forward contracts at the same time as a positive effect from the US dollar denominated programming liabilities, so that a net negative effect of altogether K€1,309 on the earnings for the past financial year would result from this (2007: K€18,670).

4.1.1.2 Interest rate risk

The Company is exposed to interest rate risks as a result of its variable interest rate liabilities. Premiere reduces this risk by using interest swaps, through which the variable interest payments are hedged by exchanging them for fixed interest payments.

The total borrowings of K€385,283 (2007: K€290,581) include K€371,871 (2007: K€274,036) with variable interest rates. Interest swap transactions have been entered into at a total nominal value of K€100,278 (2007: K€180,500), spread over various maturities, to hedge the interest rate risk. The fixed interest rates during the financial year were between 3.22 percent and 4.08 percent p.a. (2007: between 3.43 percent and 4.08 percent).

In accordance with IFRS 7, interest rate risks are presented by means of sensitivity analyses. These present the effects of changes in market rates of interest on profit or loss or on equity. Premiere only looks at the negative scenario of interest rate risk for the purpose of the sensitivity analysis.

Interest swaps have an effect on the financial result (gains and losses on re-measuring financial instruments at fair value), because they are not integrated in a hedge relationship in accordance with IAS 39 and are therefore taken into account in the interest sensitivity analysis.

Changes in market rates of interest have an effect in the case of primary variable interest rate financial instruments on the future interest payments, but not on the earnings for the financial year and do not therefore have to be included in the interest sensitivity analysis in accordance with IFRS 7.

On an assumed reduction of 100 basis points in the market interest rate as of the balance sheet date, the financial result for the period would have been reduced by K€2,501 (2007: K€3,957).

4.1.1.3 Price risk

Some of the long-term contracts concluded with major American film studios include price-change clauses. These price-change clauses cover the average price increases relating to the general cost of living.

Significant portions of Premiere's film licensing and encryption fees are linked to the actual number of subscribers. Some of the contracts with owners of program rights also include guaranteed minimum subscriber numbers. If the minimum subscriber numbers are not achieved, program license costs must be paid at the minimum subscriber level.

4.1.1.4 Liquidity risk

The liquidity risk is the risk that the Company could encounter difficulty in meeting its financial obligations, such as interest payments and the redemption of borrowings, the payment of trade payables or finance lease obligations.

Prudent liquidity risk management is required in order to identify liquidity shortages on a timely basis. The liquidity requirement is updated on a regular basis. The Company's planning horizon for the operational cash planning is one year. The Company hedges future cash flows by means of

derivatives based on a planning horizon of 18 to 36 months for foreign exchange forward contracts and up to five years for interest swap transactions.

In December 2008, Premiere, the bank syndicate and News Corp agreed a new, long-term financing structure, to secure Premiere's capital requirements. The new financing structure foresees the replacement of the existing credit lines with new, long-term credit facilities of €525 million, on condition that new equity of altogether €450 million is made available to Premiere through two capital increases (see also *1.3 Going concern*).

The following tables show all contractually defined interest and principal payments as of December 31, 2008 and December 31, 2007 on recognised financial liabilities, including derivatives with a negative market value. The market values are disclosed for the foreign exchange forward contracts and the net interest payments for the interest swap transactions, while the undiscounted cash flows for the following financial years are shown for the remaining liabilities.

All financial instruments held as of the balance sheet date and for which payments have already been contractually agreed have been included. Plan figures for future new liabilities are not incorporated. Variable interest payments are calculated on the basis of the interest rates fixed in each case as of the balance sheet date. Financial liabilities that are repayable at any time on the request of the lender are always allocated to the earliest period.

2008 (K€)	2009	2010	2011 to 2013	2014 and later
Non-derivative financial liabilities				
Bank debt	375,564	63	0	0
Finance lease liabilities	4,909	3,261	2,107	0
Other borrowings	1,967	1,817	0	0
Trade payables	174,950	6,976	10,777	6,245
Liabilities to entities accounted for at equity	1,554	0	0	0
Other financial liabilities	25,656	1,862	1,086	263
Derivative financial liabilities				
Foreign exchange forward contracts	1,057	0	0	0

2007 (K€)	2008	2009	2010 to 2012	2013 and later
Non-derivative financial liabilities				
Bank debt	28,378	27,243	81,066	311,692
Finance lease liabilities	4,928	4,421	3,630	0
Other borrowings	5,303	0	0	0
Trade payables	177,366	11,270	12,865	6,385
Liabilities to entities accounted for at equity	3,390	0	0	0
Other financial liabilities	20,247	8,630	320	12
Derivative financial liabilities				
Foreign exchange forward contracts	11,454	5,368	2,520	0

4.1.1.5 Credit risk

The default risk on the financial assets represents the danger of the default of a contractual partner and is therefore limited to the carrying amounts of the respective assets.

In order to avoid payment defaults, credit reports are obtained on the contractual partners or historical data from earlier business relationships, particularly on payment behavior, is used. Adequate allowances are set up against the receivables for identified risks.

In addition, the Company utilizes the direct debit procedure to ensure the receipt of payments from the subscribers.

Financial transactions are only entered into with contracting parties with first class credit standing, so that the actual default risks are low. There is currently no indication that the Premiere Group is threatened by such a risk.

4.1.2 Disclosures on derivatives

Other assets and other liabilities include the following derivatives:

(K€)	2008	2007
Positive fair values		
Interest swaps	0	2,163
Foreign exchange forward contracts	1,107	0
Total	**1,107**	**2,163**
Negative fair values		
Interest swaps	3,593	0
Foreign exchange forward contracts	1,057	19,342
Total	**4,650**	**19,342**

The notional amounts of the derivatives outstanding as of the balance sheet date are as follows:

	Maturities		Total	Maturities		Total
(K€)	< 1 year	1-5 years	12/31/08	< 1 year	1-5 years	12/31/07
Foreign exchange forward contracts	15,451	13,511	**28,962**	93,016	145,074	**238,090**
Interest swaps	0	100,278	**100,278**	60,000	120,500	**180,500**
Total	15,451	113,789	**129,240**	153,016	265,574	**418,590**

4.2 Capital management

Premiere's capital management is aimed primarily at sustaining its financial flexibility. The Company's financial profile is characterized by a somewhat conservative capital structure.

The following table shows equity, the balance sheet total, the equity ratio and net borrowings.

(K€)	12/31/08	12/31/07
Total assets	1,569,514	1,771,723
Shareholders' equity	771,656	1,040,454
Equity ratio (in %)	49.2	58.7
Net debt	318,126	175,550

In 2007, Premiere concluded new facility agreements with a syndicate led by The Royal Bank of Scotland plc that completely replaced and refinanced the previous bank financing. The new financing consists of a loan of €275 million ("Bridge Facility") and a credit line of €275 million ("Revolving Facility").

In December 2008, Premiere, the bank syndicate and News Corp agreed a new financing structure in order to secure Premiere's capital requirements. The new financing structure foresees that the existing credit lines will be replaced by new, long-term credit facilities of €525 million, on condition that new equity of €450 million is made available to Premiere by two capital increases. Until these capital increases have been successfully carried out, the maximum utilization under the Revolving Facility is limited to €150 million (including the bridging loan of a maximum of €25 million). Premiere can take up from this up to €115 million in the form of cash funds and €35 million in the form of guarantees.

Until all the conditions for the utilization of the new financing structure have been fulfilled, Premiere is only allowed under the new Bridge Facility to take up further loans in the future if it complies with a certain ratio of (i) consolidated total borrowings to consolidated EBITDA and (ii) consolidated liabilities, which rank equally or higher with regard to the loan security compared with the Bridge Facility, to consolidated EBITDA. In conjunction with the Revolving Facility, the raising of loans is limited by a contractual maximum amount. In conjunction with the new long-term credit facilities of €525 million, Premiere must comply with certain financial ratios. These are (i) a certain accumulated EBITDA, (ii) a certain ratio of consolidated EBITDA to consolidated net interest expense, (iii) a certain ratio of consolidated total borrowings to consolidated EBITDA and (iv) a certain ratio of consolidated cash flow to consolidated net interest expense. In addition, a monetary limit will apply to the amount of loans that can possibly be taken up in addition to the long-term credit facilities. A definition set out in the credit agreement provides the basis for the calculation of the respective EBITDA, net interest expense and cash flow.

In addition, the Bridge Facility, the Revolving Facility and the credit instruments available in conjunction with the new financing structure impose certain operative restrictions on Premiere. These restrictions include restructuring measures such as mergers, the disposal of parts of the entity and the encumbrance of assets. The Bridge Facility and the Revolving Facility foresee obligatory redemptions on the occurrence of certain events, which also include the acquisition of more than 50 percent of the shares or the voting rights in Premiere AG by a third party (apart from entities in the News Corporation Group).

Premiere's statutes do not subject it to any capital requirements. In particular, the Company has no obligations to sell or otherwise issue shares in connection with existing share-based compensation plans or convertible bonds. Please refer with regard to the authorized capital and the conditional capital to *2.11 Equity.*

4.3 Cash flow statement

Cash flow from operating activities also includes the cash flows in connection with the film assets and the advance payments for sport and film rights.

The considerably reduced outflow for investing activities results in particular from reduced payments for investments in rights to names and investments in property, plant and equipment for interactive receivers.

The reduction in inflows from financing activities is mainly explained by the corporate financing concluded in the previous year.

The following non-cash transactions were carried out during the past financial year:

(in K€)	2008	2007
Conclusion of finance lease contracts	48	547
Acquisition of assets in return for issuance or assignment of shares	0	4,000
Acquisition of assets in return for offset of receivables	0	1,000
Business acquisitions in return for issuance of shares	0	292,148
Total	**48**	**297,695**

There were no inflows and outflows of income taxes either in the past financial year or the previous year.

4.4 Related party transactions

Related parties are persons or companies on which the Group can exercise significant influence or which can exercise significant influence on the Group. In addition to the members of the Company's management board and supervisory board, these also include family members and the domestic partners of the persons affected.

In the course of the normal business activities, all delivery and service transactions with non-consolidated entities are carried out under terms and conditions which are also customary with non-related third parties.

The Company generated revenues with the following persons and companies during the past financial year:

(K€)	Revenues from sales and services	Income from recharging personnel expenses	Other income	Reimbursement	Expense from services received	Net	Payables	Provisions	Receivables
Loxxess GmbH	62	741	248	0	−12,607	−11,556	924	0	344
Spox Media GmbH	0	0	95	0	−68	27	0	0	1,595
Premium Media Solution GmbH	77	0	16	0	−4,016	−3,923	726	0	38
Total of affiliates	**139**	**741**	**359**	**0**	**−16,691**	**−15,452**	**1,650**	**0**	**1,977**
20th Century Fox	0	0	0	0	−25,097	−25,097	5,875	0	0
NDS Technologies France	0	0	0	0	−468	−468	0	0	0
NDS Limited	0	0	5,000	8,379	0	13,379	1,621	0	0
Sky Italia S.r.l.	0	0	0	0	−774	−774	0	774	0
Fox International Channels	0	0	0	0	−1,558	−1,558	0	1,558	0
News Adelaide Holdings B.V.	0	0	0	626	0	626	0	0	626
Total of companies with significant influence above the company	**0**	**0**	**5,000**	**9,005**	**−27,897**	**−13,892**	**7,496**	**2,332**	**626**
1-2-3.tv GmbH	758	0	13	0	−5	766	0	0	360
X-Online GmbH	0	5	0	0	0	5	0	0	6
CreateCtrl AG	0	0	5	0	−389	−384	108	0	0
Wolfram Winter	0	0	61	0	−150	−89	0	0	2,007
Michael Börnicke	0	0	0	0	−8	−8	0	0	0
Total of other related parties	**758**	**5**	**79**	**0**	**−552**	**289**	**108**	**0**	**2,373**
Total	**896**	**746**	**5,438**	**9,005**	**−45,140**	**−29,054**	**9,254**	**2,332**	**4,976**

Since 2008, Premiere has been using an encryption system from NDS Technologies France.

In connection with the implementation of the new encryption system, Premiere received from NDS a fixed reimbursement for all costs incurred in the amount of €10 million.

In addition Premiere received a fee of €5 million from NDS for services provided on the implementation of the new encryption system at a cable network provider.

Please refer with regard to the compensation of the management board and the supervisory board to *4.8 Compensation of the Management Board and the Supervisory Board*.

4.5 Contingent liabilities and assets pledged as security

The debt financing is secured by all significant assets of Premiere AG and Premiere Fernsehen KG, especially by all the limited partners' interests in Premiere Fernsehen KG, the interests in Premiere Austria, bank accounts of Premiere AG and Premiere Fernsehen KG, the entire trade receivables, especially the subscriber receivables and the sales proceeds for the subscriber base, the rights to the trademarks of Premiere and the marketing rights for the entire current and future film assets.

In order to secure open receivables under finance leases for receivers, the claims against the subscribers relating to the receivers, especially the rights of recovery of the receivers from the subscribers and the rentals for provision of the receivers, have been assigned to the lessors.

In order to secure open receivables under finance leases for pay-TV equipment, the future revenues from the provision of the pay-TV equipment have generally been assigned to the lessors.

4.6 Litigation

Neither Premiere AG nor any of its subsidiaries are currently engaged in pending court or arbitration proceedings that could have a significant negative impact on the financial position or results of operations of the Group.

4.7 Other financial commitments

The Group's other financial commitments to purchase goods or services in the future as of December 31, 2008 were as follows:

(K€)	due in 2009	due in 2010-2013	due from 2014	Total 12/31/08
Film licenses	108,794	186,457	0	**295,251**
Sport licenses	300,911	1,106,995	0	**1,407,905**
Partner channels	90,504	115,087	0	**205,591**
Purchase commitments for receivers	5,407	10,332	900	**16,639**
Miscellaneous	156,929	379,684	18,605	**555,218**
Total	**662,545**	**1,798,555**	**19,505**	**2,480,605**

The Group's other financial commitments to purchase goods or services in the future as of December 31, 2007 were as follows:

(K€)	due in 2008	due in 2009-2012	due from 2013	Total 12/31/07
Film licenses	121,787	128,992	0	250,779
Sport licenses	335,818	228,958	0	564,776
Partner channels	104,376	145,130	0	249,506
Purchase commitments for receivers	3,016	13,673	800	17,488
Miscellaneous	121,194	356,768	67,669	545,631
Total	**686,190**	**873,521**	**68,469**	**1,628,180**

The financial commitments for the purchases of sport and film licenses and for the partner channels result from medium and long-term contracts.

The miscellaneous other financial commitments comprise agreed future selling and administration costs and obligations for sport fees and sport productions.

Future commitments under non-cancelable operating leases are as follows:

(K€)	due in 2009	due in 2010-2013	due from 2014	Total 12/31/08
Network operators and transponder rents	121,710	457,870	102,182	681,762
Office buildings	6,239	22,380	75,324	103,943
Motor vehicles	1,352	1,398	0	2,750
Technical office equipment	73	54	0	127
Total	**129,374**	**481,702**	**177,506**	**788,582**

Future commitments under non-cancelable operating leases as of December 31, 2007 were as follows:

(K€)	due in 2008	due in 2009-2012	due from 2013	Total 12/31/07
Network operators and transponder rents	87,782	320,505	127,840	536,127
Office buildings	6,143	20,962	74,577	101,683
Motor vehicles	915	943	0	1,858
Technical office equipment	90	59	0	149
Total	**94,931**	**342,470**	**202,417**	**639,817**

The commitments for network operators and transponder rents reflect the future payments for transmission costs. Transmission costs comprise fees paid to cable operators for broadcasting Premiere's programming, transponder costs, encrypted access and satellite uplink costs, as well as all other transmission costs. Satellite transponder costs are generally fixed, and payable in monthly installments. Transmission fees paid to cable operators generally have both fixed and variable elements that vary with the revenues generated with the subscribers. Encrypted access costs are based on the number of subscribers.

The expenses recognised in the consolidated statement of operations for operating leases amount to K€74,771 (1/1/-12/31/07: K€51,056).

4.8 Compensation of the management board and the supervisory board

The members of the management board and the supervisory board received the following compensation for the past financial year:

(K€)	Fixed compensation	Other compensation	Total 2008
Management board			
Mark Williams	404	0	404
Carsten Schmidt	600	8	608
Hans Seger	600	496	1,096
Dr. Holger Enßlin	25	1	26
Michael Börnicke	694	965	1,659
Oliver Kaltner	88	753	841
Alexander Teschner	302	125	428
Total management board	**2,714**	**2,348**	**5,062**
Supervisory board			
Rainer Großkopf	66	11	77
Richard Roy	53	11	63
Dr. Stefan Jentzsch	38	11	48
Thomas Mockridge	16	8	23
Mark Williams	6	5	10
Markus Tellenbach	16	8	23
Total supervisory board	**194**	**51**	**245**
Total	**2,908**	**2,399**	**5,307**

The compensation in the previous year was as follows:

(K€)	Fixed compensation	Other compensation	Total 2007
Management board			
Dr. Georg Kofler	1,000	10	1,010
Michael Börnicke	743	38	781
Carsten Schmidt	500	8	508
Hans Seger	493	3	497
Alexander Teschner	133	3	136
Total management board	**2,870**	**62**	**2,932**
Supervisory board			
Rainer Großkopf	69	11	79
Richard Roy	56	11	67
Dr. Stefan Jentzsch	38	11	48
Total supervisory board	**163**	**32**	**194**
Total	**3,032**	**93**	**3,126**

All management board and supervisory board compensation is of a short-term nature.

No performance-related compensation was paid to the management or supervisory board for the financial year.

The fixed compensation of the supervisory board comprises fixed elements and a compensation component for the work in the presidial and audit committees. The other supervisory board compensation comprises attendance fees for the meetings of the supervisory board.

Michael Börnicke left the executive board by mutual consent as of September 10, 2008, and Mark Williams was appointed CEO with immediate effect.

Alexander Teschner resigned with effect from October 2, 2008. Mark Williams has taken over the CFO responsibilities until a successor has been found.

Oliver Kaltner resigned as Chief Marketing & Sales Officer with effect from October 8, 2008.

In 2008 Michael Börnicke, Alexander Teschner and Oliver Kaltner resigned as members of the executive board. Severance payments in the amount of K€936, K€109 and K€750 respectively have been agreed upon.

As of the balance sheet date, an amount of K€667 has not yet been paid to Michael Börnicke.

For Hans Seger, who will leave Premiere on January 31, 2009, indemnity payments in the amount of K€476 have been agreed upon, which have not yet become due as of the balance sheet date.

During the reporting period, Premiere AG increased the number of members of its supervisory board from three to six. At the Annual General Meeting on June 12, 2008, in addition to the previous members:

Mr. Rainer Großkopf, Hamburg, Germany

Mr. Richard Roy, Dreieich, Germany

Dr. Stefan Jentzsch, Kronberg, Germany

the following persons were elected to the Company's supervisory board:

Mr. Thomas Mockridge, Milan, Italy

Mr. Mark Williams, London, United Kingdom

(his seat on the supervisory board has been suspended since September 10, 2008)

Mr. Markus Tellenbach, Zollikon, Switzerland

4.9 Number of employees

The average number of employees broken down by functional areas is as follows:

	2008	2007
Service Center	301	321
Sales/Marketing/communications	419	436
Programm/Sport production	178	155
Management/Administration	214	190
Technical	24	27
IT	16	17
Other	2	2
Total	**1,154**	**1,148**

The number of employees has been converted to full-time equivalents. In average HoH had 67 employees in 2008

4.10 Fees of the external auditors

Fees of K€796, which were made up as follows, were incurred and recorded as expense in the financial year:

Audit of financial statements	K€268
Other assurance or valuation services	K€154
Tax consultancy services	K€278
Other services	K€96

4.11 Declaration of compliance with the German Corporate Governance Code in accordance with § 161 AktG (German Stock Corporation Act)

The declaration of compliance dated October 31, 2008 was made available permanently to all stockholders on Premiere AG's website (www.info.premiere.de).

4.12 Events after the balance sheet date

Apart from the transactions disclosed under the individual captions of these notes, other significant transactions have not occurred since the balance sheet date.

Prepared by the Management Board

Unterföhring, January 28, 2009

Mark Andrew Williams
Hans Seger
Carsten Schmidt
Dr. Holger Enßlin

Auditor's report

We have issued the following unqualified auditor's report:

"Auditor's Report

We have audited the consolidated financial statements prepared by Premiere AG, Unterföhring, – comprising the consolidated statement of operations, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements— together with the report on the position of the Company and the Group for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Article 315a (1) HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the discussion by the Company's Management Board in item 1.3 "Going concern" of the notes to the consolidated financial statements and in the section "Financial risks" in the group management report. It is stated there that the Company's ability to continue as a going concern is dependent on the successful execution of the planned financing and liquidity-securing measures."

Munich, January 28, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Dr. Kreher
Wirtschaftsprüfer

Schmidt
Wirtschaftsprüfer

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Excerpt from the Management and Group Management Report for 2008

Set forth below is an excerpt from the combined management and group management report for the financial year 2008.

"Financial Risks

To be able to continue as a going concern, Premiere negotiated new credit facilities to replace existing ones (see also "Strategy", New financing structure). The new credit facilities were signed on December 22, 2008. Drawdowns under the new facilities, however, are subject to the closing of the intended second capital increase. As with the current credit facilities, the new credit facilities include customary financial covenants (regarding the definition of the covenants, see also Section 4.2 "Capital management" in the notes to the consolidated financial statements) that require Premiere to meet specified profitability and cash flow targets. A breach of any of these covenants would result in an event of default. Within the agreements from December 22, 2008, Premiere was granted a waiver with respect to the covenants under the old financing structure. Compliance with the covenants of the new financing structure is required for the first time at the end of the first quarter 2010.

The success of the intended second capital increase is guaranteed by News Corp by issuing a firm commitment for subscription and an underwriting guarantee ("backstop"). The commitment is subject to various conditions (see also "Strategy", New financing structure) which, if not fulfilled, entitle News Corp to terminate its commitment. If the commitment is terminated, Premiere would be unable to fulfil its repayment obligations under the existing credit facilities, which would in turn cause a default and Premiere's ability to continue as a going concern would be at risk.

The principles and objectives of financial risk management in relation to existing currency, interest, price change, liquidity and credit risks, and the status of USD foreign exchange hedge contracts and interest swaps are described in detail in the notes to the consolidated financial statements under Section 4.1 ("Financial risk management"). With respect to the derivatives used by the Company, please also refer to the notes to the consolidated financial statements under Section 1.9.1.6 ("Derivatives")." *(Source: Combined Management Report and Consolidated Financial Statements 2008, page 16.)*

"New financing structure

On December 22, 2008, Premiere achieved another important milestone to secure the future of the Company. Premiere, its bank syndicate and News Corp agreed on a new financing structure to secure Premiere's funding needs. The financing structure will enable Premiere to implement its new business plan, which is targeted at securing the future of the Company by growing the number of monthly contract subscribers and increasing their average program revenue (ARPU) to achieve sustained profitability.

Under the new financing structure, the existing debt facilities will be replaced by new long-term facilities with a total amount of €525 million. The replacement debt facilities of €525 million consist of a term loan of €275 million, with a duration until December 2013, and a revolving credit and guarantee facility of €250 million, with a duration until June 2013.

The new facilities are conditional upon two capital increases, which will provide Premiere with new equity in the amount of €450 million. The net proceeds of the first capital increase from authorized capital in January 2009 of €36.90 million (gross proceeds of €38.44 million less fees of €1.54 million) combined with additional short-term bridge funding of €13.10 million provided by the bank syndicate of Premiere totalled €50 million. Both measures are targeted to satisfy short-term funding needs of the Company until the second capital increase.

The second capital increase is intended to raise €411.56 million such that when combined with the €38.44 million gross proceeds of the first capital increase, a total of €450 million new equity will be raised. News Corp has agreed to backstop the second capital increase by issuing a firm commitment for subscription and an underwriting guarantee. This commitment is subject to certain conditions, in particular the availability of the new long-term bank facilities and an exemption from the requirement to submit a mandatory takeover offer by BaFin in the event News Corp's shareholding in Premiere reaches or exceeds 30 percent. News Corp's commitment is further subject to the absence of a material adverse change in Premiere's business and the subscription price being at €1, the legally required minimum price or a higher price agreed between Premiere and News Corp prior to the second rights offering. The second capital increase will require the approval of an extraordinary shareholders' meeting, which will be held on February 26, 2009. News Corp has agreed, subject to certain conditions, to vote in favour of the capital increase. Premiere expects to receive the funds from the second capital increase in the second quarter of 2009. Premiere's capital structure and the principles and objectives of its financial risk management are described in detail in the notes to the consolidated financial statements under Section 2.9.1 ("Borrowings"), Section 4.1 ("Financial risk management") and Section 4.2 ("Capital management")." *(Source: Combined Management Report and Consolidated Financial Statements 2008, page 4 et seq.)*

Audited Consolidated Financial Statements (IFRS) of Premiere AG

for the Financial Year Ending December 31, 2007

Premiere AG Group
Consolidated balance sheet
KEUR

	Notes	12/31/07	12/31/06
Assets			
Current assets			
Cash and cash equivalents	(2.1)	115,032	26,652
Trade receivables	(2.3)	99,256	63,775
Receivables from entities accounted for at equity		410	0
Other financial assets	(2.4)	19,479	4,341
Film assets and advanced payments for sport and film rights	(2.8.1)	91,893	90,516
Inventories	(2.2)	62,836	80,019
Other assets	(2.5)	12,865	12,519
Total current assets		**401,771**	**277,823**
Non-current assets			
Trade receivables	(2.3)	7,183	7,055
Other financial assets	(2.4)	24,550	17,802
Deferred taxes	(3.9)	58,130	3,542
Film assets and advanced payments for sport and film rights	(2.8.1)	37,131	28,596
Interests in entities accounted for at equity	(2.6)	1,098	0
Receivers	(2.7)	57,010	50,151
Property, plant and equipment	(2.7)	8,445	8,204
Intangible assets	(2.8.2) + (2.8.3)	1,166,000	952,264
Other assets	(2.5)	6,944	5,179
Total non-current assets		**1,366,490**	**1,072,793**
Total assets		**1,768,261**	**1,350,616**
Liabilities and stockholders' equity			
Current liabilities			
Borrowings	(2.9.1)	11,065	129,522
Trade payables	(2.9.2)	177,045	221,036
Liabilities to entities accounted for at equity	(2.9)	3,390	0
Other financial liabilities	(2.9.3)	31,731	9,920
Other provisions	(2.10)	7,191	24,266
Other liabilities	(2.9.4)	61,517	35,237
Total current liabilities		**291,940**	**419,981**
Non-current liabilities			
Borrowings	(2.9.1)	279,516	137,557
Trade payables	(2.9.2)	29,041	33,648
Other financial liabilities	(2.9.3)	21,607	5,173
Deferred taxes	(3.9)	97,654	107,693
Provisions for pensions and similar obligations	(2.11)	5,086	6,114
Other liabilities	(2.9.4)	2,963	3,818
Total non-current liabilities		**435,867**	**294,004**
Total liabilities		**727,807**	**713,985**
Stockholders' equity			
Capital stock	(2.13)	112,460	82,000
Additional paid-in capital	(2.13)	1,376,804	951,596
Accumulated other comprehensive income	(2.13)	−300	10
Retained deficit	(2.13)	−448,531	−397,003
Equity attributable to stockholders		**1,040,433**	**636,603**
Minority interest	(2.13)	21	28
Total equity		**1,040,454**	**636,631**
Total liabilities and equity		**1,768,261**	**1,350,616**

Premiere AG Group
Consolidated statement of operations
KEUR

	Notes	1/1/ - 12/31/07	1/1/ - 12/31/06
Revenues	(3.1)	984,520	1,055,377
Cost of sales	(3.2)	−849,840	−889,234
Programm		−563,195	−618,681
Transmission		−89,423	−95,650
Customer service		−64,627	−84,401
Hardware		−132,595	−90,503
Gross profit		134,681	166,142
Selling expenses	(3.3)	−128,753	−124,245
General and administrative expenses	(3.3)	−59,075	−60,966
Other operating income	(3.4)	98,186	31,093
Other operating expenses	(3.5)	−7,267	−4,455
Amortization of subscriber base	(3.6)	−48,258	−48,258
Result from operations		−10,485	−40,688
Gain from entities accounted for at equity	(3.7)	0	88
Interest and similar income	(3.7)	8,588	6,028
Other financial income	(3.7)	0	51
Loss Expenses from entities accounted for at equity	(3.7)	−565	0
Interest and similar expenses	(3.7)	−48,047	−20,022
Earnings before taxes		−50,509	−54,543
Income taxes	(3.9)	−1,056	−106,919
Earnings for the period		**−51,565**	**−161,462**
Attributable to:			
Stockholders		−51,528	−161,497
Minority interest		−37	35
Earnings per share basic and diluted	(3.10)	−0.55	−1.97

Premiere AG Group
Statements of changes in equity
KEUR

	Notes	Capital stock	Additional paid-in capital	Accumulated other comprehensive income	Retained deficit	Equity attributable to stockholders	Minority interest	Total
Balance as of 1/1/06		**82,000**	**951,596**	**−1**	**−235,505**	**798,089**	**11**	**798,100**
Acquisition of further 2.5% of Premiere Hotel Entertainment GmbH (former Roombase Networks GmbH)		0	0	0	0	0	−2	−2
Sale of 3.2% of Premus Logistik und Service GmbH		0	0	0	0	0	−16	−16
Total transactions with stockholders		0	0	0	0	0	−18	−18
Change in fair value of available-for-sale financial assets		0	0	11	0	11	0	11
Total gains recognized directly in equity		0	0	11	0	11	0	11
Earnings for the period		0	0	0	−161,497	−161,497	35	−161,462
Total recognized income for the period		0	0	11	−161,497	−161,486	35	−161,451
Balance as of 12/31/06		**82,000**	**951,596**	**10**	**−397,003**	**636,603**	**28**	**636,631**
Balance as of 1/1/07		**82,000**	**951,596**	**10**	**−397,003**	**636,603**	**28**	**636,631**
Increase in capital for contribution in kind (less account capital transaction costs)		16,400	270,781	0	0	287,181	0	287,181
Increase in capital for contribution in cash (less account capital transaction costs)		14,060	155,680	0	0	169,740	0	169,740
Sale of 25.2% of Premiere Star GmbH and 88.0% of Premus Logistik und Service GmbH		0	0	0	0	0	29	29
Effect of adjustment of tax rate for deferred taxes in connection with the 2008 Corporate Tax Reform Act		0	−1,253	0	0	−1,253	0	−1,253
Total transactions with stockholders		30,460	425,208	0	0	455,668	29	455,697
Change in fair value of available-for-sale financial assets		0	0	−310	0	−310	0	−310
Total losses recognized directly in equity		0	0	−310	0	−310	0	−310
Earnings for the period		0	0	0	−51,528	−51,528	−37	−51,565
Total recognized income for the period		0	0	−310	−51,528	−51,838	−37	−51,875
Balance as of 12/31/07	**(2.13)**	**112,460**	**1,376,804**	**−300**	**−448,531**	**1,040,433**	**21**	**1,040,454**

Premiere AG Group
Statements of cash flows
KEUR

	Notes	1/1/ - 12/31/07	1/1/ - 12/31/06
Earnings for the period before income tax		−50,509	−54,543
Net interest expense	(3.7)	39,459	13,994
Depreciation, amortization and impairment losses/reversal of impairment losses on property, plant and equipment and intangible assets		45,588	40,366
Amortization of subscriber base	(3.6)	48,258	48,258
Gain on disposal of interests in entities	(3.4)	−46,299	−5,015
Other non-cash income and expenses		−3,714	−3,709
Changes in other provisions		−17,405	65
Gains / losses on disposal of intangible assets, property, plant and equipment and receivers		−205	−909
Changes in inventories, trade receivables and other assets		−63,858	−48,635
Changes in trade payables and other liabilities		6,998	−37,604
Interest received		7,337	2,206
Net cash used in operating activities		**−34,352**	**−45,527**
Proceeds from sale of intangible assets, property, plant and equipment and receivers		4,218	1,123
Proceeds from sale of available-for-sale assets		1,565	5,186
Proceeds from sale of entities		40,791	110
Payments for acquisition of entities, net of cash acquired		−3,222	−115
Payments for investments in intangible assets and property, plant and equipment	(4.3)	−53,202	−74,128
Payments for investments in available-for-sale assets		−13,319	−5,561
Net cash used by investing activities		**−23,169**	**−73,385**
Net proceeds from increase in capital by stockholders / net proceeds from stock issues		168,773	0
Proceeds from the granting of borrowings	(4.3)	373,007	156,730
Payments of finance lease liabilities		−4,858	−7,693
Repayment of borrowings	(4.3)	−358,525	−10,000
Interest paid		−32,497	−19,143
Net cash provided by financing activities		**145,901**	**119,894**
Net increased in cash and cash equivalents		**88,380**	**982**
Cash and cash equivalents at beginning of period		26,652	25,669
Cash and cash equivalents at end of period		115,032	26,652

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Premiere AG
Notes
for the Financial Year 2007

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1 GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information about the Group

Premiere AG and its subsidiaries (referred to as "Premiere" or "the Group") operate the leading pay-TV program in Germany and Austria under the Premiere trademark. The Company is also engaged in the purchase, sale and distribution of rights to films, series and TV productions, the acquisition, sale and distribution of broadcasting rights for public events, the arrangement of program magazine subscriptions, and carrying out other activities associated with the operation of the pay-TV program.

The business activities of Home of Hardware ("HoH"), which was acquired on April 27, 2007, differ from those of the remaining Group subsidiaries in that its primary business objective is the distribution, sale and marketing of electronic articles, primarily in the entertainment electronics sector, via its own Internet portal.

Premiere AG's registered office is located at Medienallee 4, 85774 Unterföhring, Germany, and it is entered in the Commercial Register at the Munich Municipal Court under the number HRB 154549.

Premiere AG, as the Group's parent company, bundles all of the entrepreneurial activities of the Premiere Group. As the managing holding company, Premiere AG is especially dependent on the development of the companies in which it holds investments, and in particular here the development of Premiere Fernsehen GmbH & Co. KG (Premiere Fernsehen KG).

1.2 Basis of preparation of the consolidated financial statements

Premiere AG is obliged in accordance with § 315a (1) HGB in conjunction with Article 4 of the Regulation No. 1606/2002 of the European Parliament and the Council dated July 19, 2002 to prepare its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, taking into account the additional disclosures and explanations required by § 315a (1) HGB.

All IFRSs published by the International Accounting Standards Board (IASB), which were applicable at the time of preparation of the accompanying consolidated financial statements and which had been adopted by the European Union, have been taken into account. The prior year figures were determined in accordance with the Standards that were applicable as of December 31, 2006, taking into account the transitional provisions in the Standards to be applied since then.

The following Standards had to be adopted by Premiere for the first time in 2007 with obligatory effect:

Amendment to IAS 1	Capital Disclosures
IFRS 7	Financial Instruments Disclosures
IFRIC 7	Applying the Restatement Approach under IAS 29
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions

The adoption of IFRS 7 necessitates comprehensive disclosures on the significance of financial instruments for the Company's net assets, financial position and earnings and qualitative and quantitative disclosures on the nature and scope of the risks associated with financial instruments. The disclosure obligations under IAS 32, Financial Instruments: Disclosure and Presentation and IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions have been combined and augmented by new disclosure requirements. Premiere applied IFRS 7 for the first time for the financial year 2007 and is also presenting the comparative information for the previous year in accordance with IFRS 7. In addition, IFRS 7 was taken into account in defining the structure of the balance sheet, and the prior year comparative figures were adjusted accordingly.

The following Standards, which have been published by the IASB or the IFRIC, were not yet applied by Premiere in the IFRS consolidated financial statements as of December 31, 2007, because they have not yet been adopted by the EU:

Amendment to IAS 23	Borrowing Costs
IAS 1 (2007)	Presentation of Financial Statement
Amendment to IAS 27 (2008)	Consolidated and Separate Financial Statements
Amendment to IFRS 2 (2008)	Share-based Payment: Vesting Conditions and Cancellations
IFRS 3 (2008)	Business Combinations
IFRS 8	Operating Segments
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The management board assumes that, apart from the application of the amendments to IAS 27 and IFRS 3, no significant adjustments are to be expected when application of the Standards and Interpretations referred to becomes mandatory. The impact of the amendments to IAS 27 and IFRS 3 on the Group's net assets, financial position and results of operations will depend in particular on business acquisitions or disposals of interests carried out by Premiere following the application of these two Standards.

The consolidated financial statements have been prepared in euros (EUR), as the functional and the reporting currency.

Amounts in the consolidated financial statements are generally presented in thousands of euros (KEUR), unless indicated otherwise.

All group companies prepare their financial statements for annual periods ending December 31. The financial year is the calendar year. HoH, which was acquired during the financial year, closed its financial year 2007 as an abbreviated financial year. A commensurate adjustment was made for group accounting purposes.

The consolidated financial statements are generally prepared on the basis of the recognition of the assets and liabilities at amortized cost. Excepted from this are non-derivative available-for-sale financial assets and derivative financial instruments, which are recognized in each case at the fair value as of the balance sheet date.

The balance sheet presents assets and liabilities classified by their maturities. Assets and liabilities that are expected to be realized or settled in, or are intended for sale or consumption in, the normal operating cycle or are due within twelve months of the balance sheet date are classified as current. Liabilities are classified as current if they have to be settled within twelve months of the balance sheet date.

The statement of operations has been prepared in accordance with the cost of sales method.

The management board prepared the consolidated financial statements and thereby authorized them for issuance within the meaning of IAS 10 on February 5, 2008.

1.3 Consolidation

a) Subsidiaries

Premiere AG, nineteen domestic and four foreign subsidiaries are consolidated in these financial statements. All subsidiaries that are under the control of Premiere AG are included in the consolidated financial statements. They are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date when the ability to control ceases. Control is presumed if the parent owns, either directly or indirectly through a subsidiary, more than one half of the voting power. Control also exists if the parent company has the power to govern the financial and operating policies of the entity under a statute or an agreement.

In addition to Premiere AG, as the parent company, the following companies (including entities accounted for at equity) are included in the consolidated financial statements:

Name and registered office	Investment holding on 12/31/07	Investment holding on 12/31/06	Consolidation method
Premiere Fernsehen GmbH & Co. KG, Unterföhring	100%	100%	Full consolidation
AFV Abonnementfernsehen Verwaltungs-GmbH, Unterföhring	100%	100%	Full consolidation
Premiere Fernsehen GmbH, Vienna, Austria	100%	100%	Full consolidation
Premiere Service Center Schwerin GmbH, Schwerin	100%	100%	Full consolidation
SCAS Satellite CA Services GmbH, Unterföhring	100%	100%	Full consolidation
BLUE MOVIE Vertriebs GmbH in Liquidation, Vienna, Austria	100%	100%	Full consolidation
Premiere WIN Fernsehen GmbH, Unterföhring	100%	100%	Full consolidation
Primus Sport GmbH & Co. KG, Unterföhring	100%	100%	Full consolidation
Primus Sport Verwaltungs-GmbH, Unterföhring	100%	100%	Full consolidation
Roombase Beteiligungs Holding GmbH, Unterföhring	100%	100%	Full consolidation
Roombase Beteiligungsgesellschaft I mbH in Liquidation, Unterföhring	100%	100%	Full consolidation
Roombase Beteiligungsgesellschaft II mbH in Liquidation, Unterföhring	100%	100%	Full consolidation
PR Beteiligungsgesellschaft München GmbH, Munich	100%	100%	Full consolidation
Premiere Interactive GmbH, Unterföhring	100%	100%	Full consolidation
Premiere on Demand GmbH, Unterföhring	100%	—	Full consolidation
GIGA Digital Television GmbH, Cologne	100%	—	Full consolidation
Blitz 07-784 GmbH, Munich	100%	—	Full consolidation
Premiere Hotel Entertainment GmbH, Fürth	97,5%	97,5%	Full consolidation
Roombase Networks Limited, Nikosia, Zypern	97.5%	97.5%	Full consolidation
Premiere Star GmbH, Unterföhring	74.8%	—	Full consolidation
Premiere Star Österreich GmbH Vienna, Austria	74.8%	—	Full consolidation
Home of Hardware GmbH & Co KG, Westendorf	65.0%	—	Full consolidation
Home of Hardware GmbH, Westendorf	65.0%	—	Full consolidation
Spox Media GmbH, Munich	40.1%	—	At Equity
Premium Media Solutions GmbH, Unterföhring	24.8%	100%	At Equity
Premus Logistik und Service GmbH, Unterföhring	8.8%	96.8%	At Equity

The assets and liabilities of the domestic and foreign entities included in the consolidated financial statements are accounted for in accordance with the uniform accounting policies applicable for the Group.

The impact of intra-group transactions is eliminated. Receivables and liabilities and expenses and revenues between consolidated entities are eliminated against one another. Intra-group gains and losses did not arise during the financial year.

In accordance with IFRS, all business combinations shall be accounted for by the purchase method. The purchase price of the acquired subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. This is based on the values prevailing at the time at which control over the subsidiary is obtained. The recognizable assets and the liabilities and contingent liabilities taken over are measured in full at their fair values, irrespective of the amount of the investment. Assets held for sale within the meaning of IFRS 5 are measured at fair value less costs to sell. Any remaining asset-side surplus is recognized as goodwill. Fair value adjustments are rolled forward to subsequent periods as part of the carrying amount of the underlying assets and liabilities.

b) Interests in entities accounted for at equity

These comprise entities that are not subsidiaries; Premiere can however exert a direct influence directly or indirectly over their financial and operating policies (associates and joint ventures). Entities accounted for at equity are recognized in the consolidated financial statements initially at cost. A difference at the acquisition date between cost and the fair values of the proportionate share of the identifiable assets, liabilities and contingent liabilities is recognized and reported as goodwill in the carrying amount of the investment.

The carrying amount of entities accounted for at equity is rolled forward in subsequent years in accordance with the development of the proportionate reported equity.

1.4 Company formations and acquisitions

The following companies or business activities were acquired in 2007:

arena

The transfer of various rights and business activities was agreed between Premiere and arena with a contract dated February 7, 2007, which among other things allows Premiere to use the rights to the "arena" and "arena live" trademarks and the distribution rights to the arena program, especially in the satellite area.

As consideration for the rights and business activities transferred, Premiere granted arena 16,400,000 registered no-par-value shares each with an imputed interest of EUR 1 in the Company's capital stock. On the basis of the resolution of the Annual General Meeting on May 17, 2006, the authorized capital was used through a resolution of the management board and the supervisory board dated February 7, 2007 to increase the capital stock by EUR 16,400,000 to EUR 98,400,000 in return for a contribution in kind. After taking into account capital transaction costs of KEUR 967, the premium in conjunction with the increase in capital amounted to KEUR 270,781. The increase in capital for a contribution in kind was entered in the Commercial Register on February 8, 2007.

Following discussions with the Federal Cartel Office, the parties concluded a new agreement on the transfer of the rights and business activities, which they signed on July 2, 2007. The Federal Cartel Office declared on July 18, 2007 that it would tolerate the agreement.

Under the new agreement dated July 2, 2007, Premiere acquired from arena, as the previous owner of the rights, the exclusive sublicense for the pay-TV rights to the first and second divisions of the German soccer Bundesliga for the 2007/2008 and 2008/2009 seasons. The Bundesliga broadcasting rights in sports bars were also transferred exclusively to Premiere. In addition to the rights described above, employees, business processes and the contracts in connection therewith are also being taken over. The German Football League (DFL) has agreed to this transaction.

Premiere also took over the TV rights previously held by arena for the Spanish Primera División and the English Premier League. The sublicensing of the Bundesliga rights is the centerpiece of a comprehensive agreement between Premiere, arena and Unitymedia, which was modified over the last few months following discussions with the Federal Cartel Office. The shares that were issued in conjunction with the contribution in kind will continue to be managed by the Swiss financial institution, Pictet & Cie. As a result of the agreement that has been concluded, arena cannot exercise the voting rights.

The acquisition of the rights and the associated production processes and certain arena employees in accordance with the agreement dated July 2, 2007 has been defined as a business combination within the meaning of IFRS 3. Cost was measured in accordance with IFRS 3 at the fair value of the issued shares as of the transfer date of the rights and business activities, the present value of the purchase price installments payable in the next two years following the acquisition date (July 2, 2007) and the transaction costs.

This was accounted for based on the following purchase price allocation:

(KEUR)	Fair Value
Deferred tax asset	66,694
Goodwill	248,437
Total acquisition cost	**315,131**
thereof issuance of shares	288,148
thereof costs attributable to the acquisition	2,577
thereof remaining purchase price liability	24,406

The deferred tax assets result from deductible temporary differences in connection with the capitalization of an intangible asset in the tax balance sheet.

Pro-forma information could not be calculated due to the absence of historical financial information on the rights, business activities and processes that have been acquired.

With the new deal, Premiere has also extended the carriage agreements with Unitymedia until the end of 2013. The current bandwidth of five cable channels each of 8 MHz will remain available for the transmission of all Premiere programming for a further six years. The carriage of Premiere HD will also be made possible. All existing Premiere pay-per-view and video-on-demand services will also continue to be offered. Premiere will retain its direct customer relationships on Unitymedia's cable networks and service the customers directly.

Home of Hardware (HoH)

With a purchase agreement dated April 27, 2007 and closing protocol dated May 10, 2007, Premiere acquired a 65 percent limited partnership interest in Home of Hardware GmbH & Co KG, Westendorf (HoH). The acquisition of the remaining 35 percent of the partnership interests is stipulated by a put-call agreement. On account of the relevant IFRS accounting regulations, these partnership interests are regarded in the consolidated financial statements as having already been acquired.

The purchase price of KEUR 6,784 is made up of various components, some of which are dependent on the earnings, which are due, depending on the achievement of defined earnings figures or the time of exercise of the options, by 2010.

The following assets and liabilities of HoH were acquired:

	HoH	
(KEUR)	Fair Values	Carrying amounts
Cash and cash equivalents	995	995
Inventories	2,584	2,584
Trade receivables	656	656
Trademark	1,869	0
Other assets	584	448
Total assets	**6,688**	**4,683**
Trade payables	3,799	3,799
Other liabilities	854	854
Total liabilities	**4,653**	**4,653**
Purchase price	**6,784**	
Goodwill from purchase	**4,749**	

The GmbH that acts as the general partner, which has also been acquired, does not own any significant assets and liabilities.

GIGA Digital Television GmbH

A 100 percent interest in GIGA Digital Television GmbH with registered office in Cologne (GIGA) was acquired with a purchase agreement dated December 18, 2007. The business purpose of GIGA is the operation of a digital TV station with the main program emphases on Lifestyle, Games and eSports.

The purchase price of KEUR 4,000, which was settled by selling 2.2 percent of the interests in Premiere Star, was allocated on the basis of the following provisional allocation of the purchase price:

	GIGA	
(KEUR)	Fair Values	Carrying amounts
Cash and cash equivalents	1,118	1,118
Inventories	0	0
Trade receivables	416	416
Trademark	1,800	0
Property, plant and equipment	576	576
Other assets	118	118
Total assets	**4,029**	**2,229**
Trade payables	518	518
Other liabilities	170	170
Total liabilities	**1,193**	**688**
Purchase price	**4,000**	
Goodwill from purchase	**1,165**	

Other

Premiere acquired three shell companies during the reporting period each for KEUR 27, which by the end of the financial year had changed their names to Premiere On Demand GmbH and Premiere Star GmbH (formerly Premiere Sky GmbH), both with registered offices in Unterföhring, and Blitz 07-784 GmbH with registered office in Munich.

In addition, Premiere Star Österreich GmbH with registered office in Vienna was formed during the financial year.

The business purpose of Premiere On Demand GmbH is the conception and marketing and the development and operation of program call-off services through various distribution channels and terminals, including the provision and operation of a platform for these call-off services. The business purpose of Premiere Star GmbH and Premiere Star Österreich GmbH is in each case the marketing and sale of digital pay-TV stations, primarily via satellite, and the provision of transmission-related services.

As a result of the acquisition of Premiere on Demand GmbH, Premiere Star GmbH and Blitz 07-784 GmbH, exclusively assets in the form of liquid funds and subscribed capital were acquired.

In the financial year 2007, the acquired entities (ignoring the rights, agreements and processes acquired from arena) contributed altogether KEUR 47,631 to the revenues and minus KEUR 333 to the annual earnings, in each case from the date of initial consolidation. If the entities had been acquired as of January 1, 2007, they would have contributed altogether KEUR 68,962 to the revenues and minus KEUR 4,352 to the annual earnings. Earnings per share on inclusion of the entities from January 1, 2007 would have amounted to minus EUR 0.59.

Acquisition of interests in SPOX Media GmbH

Premiere acquired a 40.1 percent interest in SPOX Media GmbH, Munich, and the option of a majority investment with a participation and company agreement dated July 11, 2007. The company's objects are the operation of internet, news and entertainment portals. The intention is that this novel Internet sport offering will bundle information, interaction and live sport reporting. SPOX Media GmbH is included in the consolidated financial statements as an associate at equity. The purchase price allocation resulted in goodwill of KEUR 886, which is included in the carrying amount of the investment according to the equity method.

1.5 Disposal and discontinuation of entities

Premiere reports a disposal or a discontinuation, and therefore a gain or loss on deconsolidation, when substantially all of the risks and rewards are transferred to the purchaser and the latter acquires unlimited control.

With a share purchase and assignment agreement dated March 9, 2007, 0.8 percent of Premus Logistik und Service GmbH, Unterföhring, was sold to a member of the management team of the Premus Logistik und Service GmbH. The sale price amounted to KEUR 27.

A further 87.2 percent of Premus Logistik und Service GmbH was sold with a share purchase agreement dated November 20, 2007 to Loxxess AG. The sale price amounted altogether to KEUR 7,848. The gain on deconsolidation in connection with this transaction is reported under "other operating income". A call-put agreement was concluded between Loxxess AG and Premiere on the remaining 8.8 percent of the interests, which cannot however be exercised until 2010. Notwithstanding the remaining investment of only 8.8 percent, Premiere exercises a significant influence, because, in accordance with the articles of association, certain business and financial decisions in the shareholders' meeting require a voting majority of 95 percent. Premus Logistik und Service GmbH is now accounted for at equity.

Altogether 25.2 percent of the interests in Premiere Star GmbH were sold during the financial year. HVB Capital Partners AG acquired a 10 percent interest with effect from June 29, 2007. In addition, a contingent purchase price installment at a maximum of KEUR 2,500 exists, depending on the EBITDA in 2008 and 2009. Further interests of 5 percent in each case were sold to EM.Sport Media AG, Ismaning, and Medienengagement East GmbH, Dresden, with share purchase and assignment agreements dated respectively September 24, 2007 and September 27, 2007. Erotic media ag acquired a further 3 percent of Premiere Star GmbH on December 17, 2007, and the remaining 2.2 percent was sold on December 18, 2007 to Wellington Partners Ventures Technology Fund L.P., Channel Islands, and Atlas Venture Fund L.P., Delaware.

The gain on this transaction is similarly reported under "other operating income".

As part of a comprehensive arrangement as of July 30, 2007, the remaining interests in TESC Test Solution Center GmbH, Unterföhring, were sold, in addition to the shares in this company that were sold in December 2006, to Kudelski S.A., Chesaux, Switzerland (Nagravision).

With a share purchase and assignment agreement dated December 28, 2007, 75.2 percent of the interests in Premium Media Solutions GmbH were sold to CU TV-Medien Beteiligungsgesellschaft mbH. As a result of the remaining 24.8 percent interest, certain decisions at the shareholders' meeting require the agreement of Premiere, so that Premiere can exercise a significant interest here. The company is included in the consolidated financial statements as of the balance sheet date at equity.

Premus Logistik und Service GmbH and Premium Media Solutions GmbH reported the following assets and liabilities at the time of their deconsolidation:

(in KEUR)	Premus Logistik und Service GmbH	Premium Media Solutions GmbH
Cash and cash equivalents	1,496	503
Trade receivables and other assets	3,867	249
Property, plant and equipment	59	15
Intangible assets	2	51
Total assets	**5,424**	**818**
Current trade payables	2,452	539
Other current liabilities	1,158	250
Other non-current liabilities	27	6
Total liabilities	**3,636**	**795**
Net assets	**1,788**	**22**

The transactions described above resulted in 2007 in a gain of KEUR 46,299 on the discontinuation and disposal of entities.

1.6 Translation of foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date. Monetary items in the balance sheet denominated in foreign currencies are translated at the selling and buying rate respectively applicable as of the balance sheet date. Unrealized translation gains or losses resulting from this are recognized in profit or loss for the period. Foreign exchange losses of altogether KEUR 16,924 were incurred in the financial year (1/1/-12/31/06: KEUR 17,084).

1.7 Accounting policies

1.7.1 Financial instruments

1.7.1.1 Summary

Purchases and sales of financial instruments are recognized on the trade date, i.e. on the date on which the Group commits to buy or sell an asset or liability.

The Company holds financial instruments in the form of cash and cash equivalents, receivables, available-for-sale financial assets, financial liabilities and loans, and derivatives in the form of interest swap and foreign exchange forward contracts. As in the previous year, the foreign exchange forward contracts and interest swaps did not fulfill the strict criteria for hedge accounting in 2007.

Financial assets are initially recognized at their fair values and, in the case of financial assets not classified at fair value through profit or loss, including directly attributable transaction costs. They are measured subsequently at fair value or at amortized cost, applying the effective interest method.

Fair value corresponds to the market or stock exchange value, where available. A market or stock exchange value can be identified in particular for derivatives and available-for-sale financial assets.

In the case of current receivables and liabilities, amortized cost approximates the nominal value or the settlement amount.

The Company derecognizes financial assets either if the contractual rights to the cash flows cease or these rights are transferred by the Company to a third party in such a way that the criteria for derecognition are fulfilled.

Financial liabilities are derecognized when they have been redeemed, i.e. when the contractual obligations have been settled or cancelled or have expired or the criteria for derecognition in accordance with IAS 39 have been fulfilled.

Premiere has not to date made use of the possibility to designate financial assets or liabilities at the time of their initial recognition as financial assets or liabilities at fair value through profit or loss.

1.7.1.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash balances and time and term deposits with a total maturity of less than three months. They are recognized at nominal value, whereby foreign currencies are translated at the closing rate.

1.7.1.3 Receivables and other financial assets

Receivables and other financial assets are initially recognized at their fair value, which normally corresponds to their cost; subsequent measurement is at amortized cost, using the effective interest method.

Impairments of trade receivables are largely reflected by applying allowance accounts. The decision as to whether a credit risk shall be taken into account by means of an allowance account or a direct reduction of a receivable depends on how reliably the risk situation can be assessed.

An allowance is recorded if there is objective evidence that the receivable is impaired. A significant evidence of impairment is that the receivable is included in delinquency procedures. The allowance represents the difference, by which the carrying amount exceeds the present value of the expected cash receipts.

1.7.1.4 Available-for-sale financial assets

The available-for-sale assets category at the Company represents a residual amount for financial assets that cannot be recorded in any other measurement category. Mainly securities and investments are reported here.

Investments are measured at cost, because no market for these assets exists and a fair value cannot be determined by other reliable measurement methods.

Securities are measured at fair value. Changes in fair value are recognized directly in equity. In the cases in which fair value is material and lies permanently below cost, the impairment loss in the amount of the difference is recognized in profit or loss. If fair value gains were previously recognized directly in equity, and the written-down fair value is lower than the original cost of the asset, the portion of the impairment loss corresponding to the fair value gain previously recognized in equity is reversed through equity. Any further decrease in value is recognized in the statement of operations as an expense for the period.

If the circumstances that resulted in impairment cease to exist in subsequent periods, the impairment loss on debt securities previously charged to profit or loss is reversed through the statement of operations. The reversal of the impairment of equity investments is recognized in equity.

1.7.1.5 Financial liabilities

Financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method.

1.7.1.6 Derivatives

The derivatives used by the Company are either interest swaps or foreign exchange forward contracts. Interest swaps are used to hedge the risk of variable interest payments for loans. Foreign exchange forward contracts are used to economically hedge the risks of fluctuations in the exchange rate of the US dollar, because most of the film licenses are paid for in US dollars.

All financial derivatives used in the Group are measured and recorded in the balance sheet at their fair values. Since the hedge relationships in which the derivatives are used do not fulfill the criteria of IAS 39 for hedge accounting, changes in fair value are recognized directly in profit or loss.

The fair values of derivatives are reported under other financial assets or other financial liabilities. Their classification as current and non-current is based on the maturities of the expected cash flows.

1.7.2 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Borrowing costs are not capitalized. Rebates, bonuses and cash discounts are deducted from cost. Measurement is based on the moving average prices. Inventories also include items to be awarded to customers as a reward for a successful introduction of a new subscriber. The awarded items are expensed when the contract with a new subscriber is concluded.

1.7.3 Property, plant and equipment

Property, plant and equipment are measured at cost, less depreciation and, to the extent necessary, impairment losses. Cost comprises the purchase price, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operation in a manner intended by management. Borrowing costs are not capitalized. Rebates, bonuses and cash discounts are deducted from the purchase price.

Subsequent expenditure relating to an item of property, plant and equipment that has already been taken to use is added to the carrying amount of the asset or, where appropriate, recognized as a separate asset, if it is probable that future economic benefits will flow to the entity and the purchase costs of the asset can be reliably determined. All other subsequent expenditure is recognized as an expense in the period in which it is incurred. Subsequent expenditure that would otherwise be capitalized, which exceeds the recoverable amount of the respective asset, is recognized immediately in profit or loss.

Expenditure on repairs and maintenance, which does not include any replacement or spare parts, is recognized immediately in profit or loss. Replacement or spare parts are capitalized, while the replaced parts are written off accordingly. Borrowing costs are not capitalized.

Property, plant and equipment are depreciated over their expected useful lives using the straight-line pro rata temporis method.

Systematic depreciation is based on the following useful lives:

	Useful lives (years)
Buildings	30
Receivers	5-7
Technical equipment and machines	1.5-7
Leasehold improvements	5
Operational and office equipment	3-6

1.7.4 Intangible assets

1.7.4.1 Film assets and sport rights

Film assets comprise broadcasting licenses acquired from film studios, advance payments on sport and film rights and a film library that was acquired during the previous financial year. The licenses are recognized with their cost at the time they become available or on commencement of the license. In the case of purchases from film studios, cost includes minimum guarantees and expected additional payments that depend on the number of subscribers ("overages"), which are estimated at the time of initial recognition, plus other directly attributable costs. The program library was capitalized at its purchase price.

Utilization of the broadcasting licenses is based on the actual transmissions during the financial year in relation to the expected total number of transmissions during the license period. If it is expected that unused transmissions will be outstanding at the end of the license period, an impairment loss is recognized immediately in full for such transmissions.

The program library is amortized straight-line based on the terms of the licenses over a useful life of between two and fifteen years.

The amortization of the exclusive sublicense for the pay-TV rights for the first and second divisions of the German soccer Bundesliga for the 2007/2008 and 2008/2009 seasons is being calculated on the basis of the revenues.

The classification of film assets as non-current and current depends on whether they are expected to be used in the normal operating cycle. Non-current film assets primarily comprise long-term licenses and library products.

Payments on account for rights already agreed by contract in accordance with the timetable forming the basis for the agreements are recognized as advance payments on sport and film rights.

1.7.4.2 Goodwill

Goodwill is recognized at cost and is subjected at least once a year to an impairment test. It is not amortized systematically. If indications of impairment are identified during the year, an additional impairment test is carried out in an interim period (please refer also to *Note 1.7.5 Impairment losses and reversals of impairment losses*).

1.7.4.3 Other intangible assets

Other intangible assets comprise purchased software, licenses, rights to names, trademarks and the subscriber base. Software and purchased licenses are measured at the time of their acquisition at cost plus other directly attributable costs and subsequently at original cost less accumulated amortization and impairment losses. The trademarks and the subscriber base were initially measured at their fair values at the time of acquisition in conjunction with various business combinations. For purposes of subsequent measurement, these assets are distinguished between intangible assets with finite and indefinite useful lives.

Trademarks are not systematically amortized because specific useful lives cannot be identified. This is based on the continuous increase in the value of the trademarks in the past. Regular amortization of the trademarks does not reflect the expected development of the value of these assets. Accordingly, an impairment test is performed at least once a year on September 30. If indications of impairment are identified during the year, an additional impairment test is performed as appropriate during the financial year.

Intangible assets with finite useful lives are amortized systematically over the following useful lives:

	Useful lives (years)
Subscriber base	8
Software licenses	3
Music titles	3
Rights to names	1-5

1.7.5 Impairment losses and reversals of impairment losses

Impairment losses are recognized as of the balance sheet date on property, plant and equipment and intangible assets, if the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the expected value in use.

Goodwill and trademarks are not systematically amortized, but are tested for impairment on the basis of the recoverable amount of the cash generating units to which the goodwill and the trademarks are allocated. For this purpose, the present value of the future net cash flows of the cash generating unit is compared with the carrying amount of all of the assets, including goodwill. If the present value is lower than these carrying amounts, the goodwill is written down first. Any amount remaining after writing down the goodwill to zero is allocated proportionately to the other assets of the cash generating unit based on the carrying amounts of each individual asset or group of assets. It is investigated at every balance sheet date whether the reasons for impairment losses recognized in previous periods still exist. Reversal of the impairment loss is mandatory, if the recoverable amount of an asset or a group of assets has increased. The upper limit for reversal of an impairment loss is cost less the cumulative amortization that would have arisen if no impairment losses had been recognized in prior periods. The reversal of the impairment loss is recorded in the statement of operations in the respective functional areas or in the amortization of subscriber base. Impairment losses on goodwill cannot be reversed in a subsequent period.

The reversal of impairment losses on assets subject to wear and tear leads to a new calculation of depreciation or amortization in order to spread the revised carrying amount on a systematic basis over the remaining useful life.

1.7.6 Other assets

Other assets are measured at amortized cost. Identified specific risks are reflected by corresponding valuation allowances (specific allowances).

1.7.7 Leasing

1.7.7.1 Premiere as lessee

If substantially all of the risks and rewards incidental to ownership of a leased asset can be attributed to the Company as the lessee, the leased asset is capitalized as property, plant and equipment and a corresponding finance lease liability is recorded of the same amount (finance leases). The asset and the corresponding liability are recognized at inception of the lease at the fair value of the leased asset or the present value of the minimum lease payments, if lower. The lease liability is amortized and rolled forward in subsequent periods in accordance with the effective interest method.

If, on the other hand, substantially all of the risks and rewards incidental to ownership of a leased asset cannot be attributed to the Company, the lease payments are recognized as current expense on a straight-line basis over the period of the lease (operating leases).

The existing lease for receivers was classified as a finance lease, because the present value of the minimum lease payments at inception of the lease largely corresponded with the fair value of the leased assets. Accordingly, the receivers are capitalized in property, plant and equipment and depreciated straight-line over their economic useful life of 60 months (fixed disk receivers). The gain on the sale-and-leaseback transaction is deferred on the liabilities side and amortized straight-line over the term of the lease.

The finance lease for receivers provides, in the event of the loss or destruction of a receiver, for its replacement by another functioning receiver of the same type and quality (replacement obligation). The Company complies with this obligation in that receivers legally owned by the Company and reported in property, plant and equipment or in inventories are assigned to the respective lease. The replacement receiver replaces the lost receiver and results in a retirement from property, plant and equipment or the inventories. A liability to the lessor is reported for the replacement obligations that have not been fulfilled by the balance sheet date. The liability is measured at the residual carrying amount of the receiver that was loss or destroyed.

The existing leases for pay-TV equipment, TVs and accessories ("pay-TV equipment") are classified as finance leases, because the present value of the minimum lease payments at inception of the lease largely corresponded in each case with the present value of the leased assets. Accordingly, the pay-TV equipment is recognized in property, plant and equipment under technical equipment and machines from finance leases. Leases concluded before January 1, 2006 (old agreements) are depreciated straight-line over the term of the respective finance lease (18 to 60 months), while the leases concluded in 2006 and 2007 (new agreements) are depreciated straight-line over the economic useful life (84 months). The gains resulting from the sale-and-leaseback transactions are deferred on the liabilities side and amortized straight-line over the term of the lease.

The finance leases for pay-TV equipment generally provide in the event of the loss or destruction of the pay-TV equipment (or part thereof) for the lessor to be indemnified by the lessee. The Company complies with this obligation in that commensurate parts that are legally owned by the Company and recognized in property, plant and equipment or the inventories are incorporated in the pay-TV equipment and replace the parts that are lost or destroyed. This results in a retirement from property, plant and equipment or the inventories. A liability to the lessor is reported for the replacement obligations that have not been fulfilled by the balance sheet date. The liability is measured at the residual carrying amount of the part that is lost or destroyed. Some of the finance leases grant the lessee the right to purchase the leased asset at the end of the lease term. The purchase price on exercise of this option is almost always the carrying amount applying straight-line depreciation in accordance with the official depreciation tables or the lower fair value at the time of sale.

The Company leases office buildings, motor vehicles and other technical equipment under operating leases.

1.7.7.2 Premiere as lessor

The receivers recognized in property, plant and equipment are leased to subscribers under operating leases. Terms of the leases are 12, 24 or 36 months. There are no purchase options on the part of the subscribers, lessors' put options or similar rights at the end of the lease. The receivers remain in the economic ownership of the Company for the term of the lease. Please refer with regard to the rental income from existing operating leases to the disclosures in *Note 2.7 Property, plant and equipment including receivers.*

The pay-TV equipment is almost entirely leased to hotels under finance leases. The term of the leases is up to 84 months. These are regarded as finance leases because the Company transfers most of the risks and rewards associated with ownership of the leased asset to the lessees. Leased assets under finance leases are recognized by the lessee. They are recognized with the amount that represents the net investment in the lease. Please refer with regard to the calculation of the net investment in the lease to *Note 2.3.3 Finance lease receivables*.

Existing leases with hotels for pay-TV equipment are classified as financing leases because the present value of the minimum lease payments at inception of the lease largely corresponded with the

fair value of the leased asset. Unguaranteed residual values do not exist because of the full amortization of the finance leases. Gains on disposal resulting from the leases are recognized immediately in profit or loss.

1.7.8 Provisions

1.7.8.1 Provisions for pensions and similar obligations

The actuarial measurement of the defined benefit obligations for pensions and similar obligations is based on the projected unit credit method. The projected unit credit method measures the liability by assuming that each period of service gives rise to an additional unit of benefit entitlement. Assumptions are made in measuring the liability about expected increases in salaries and pensions. The pension obligations have been determined on the basis of an actuarial valuation. The interest portion of the pension costs is reported in the financial result. Actuarial gains and losses are recognized in profit or loss in the period in which they arise.

1.7.8.2 Other provisions

Provisions are recognized if a present obligation to a third party arises from past events, the settlement of which is expected to result in a probable outflow of resources embodying economic benefits and whose amount can be reliably estimated.

Provisions that will not result in an outflow of resources already in the following year are recognized at their settlement amount, discounted to the balance sheet date. The discount rate is based on market rates of interest. The amount required to settle the obligation also includes future cost increases.

1.7.9 Income tax

Current taxes recorded for the income taxes owed by Group entities at the time they arise.

Deferred taxes are generally recorded for all temporary differences between tax bases and the carrying amounts of the assets and liabilities in the consolidated balance sheet (“liability method”). An exception arises for differences relating to the first-time recognition of goodwill and that do not result in the recognition of deferred taxes. Deferred taxes are also recorded for tax losses and deductible temporary differences, provided enough taxable profits will be generated in the future against which these tax losses can be utilized or will exist at the time that these differences reverse, and sufficiently reliable information is available with regard to the future course of the business.

Deferred tax assets and deferred tax liabilities are calculated using the tax rate that is applicable to the period when the temporary differences reverse. Future changes in tax rates are only taken into account to the extent that these have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if the tax debtor and the tax creditor and the maturities are identical and current taxes would be offset.

1.7.10 Revenue recognition

Subscription revenues are recorded in the period in which performance takes place. Advance cash receipts from subscribers are deferred on the liabilities side and recognized as revenue on a straight-line basis over the term of the subscription.

Pay-per-view revenues, resulting from the subscriber selecting a specific program title, are recorded in the statement of operations at the time of transmission.

Revenues from the sale of receivers are recorded when the risk is transferred. Receipts from leasing receivers classified as operating leases are recognized straight-line over the lease term.

If a subscription is sold together with a receiver, the revenues from this transaction would have to be allocated on the basis of the relative fair values of the components. Since a uniform fair value cannot be determined for the receivers, but merely a range of possible sales prices is identifiable, the allocation is performed based on the so-called residual value method, provided a fair value can be allocated to the components still to be delivered. In this case, the fair value of the subscription

that represents the regular revenues from the sale of a pure program subscription is deducted from the total selling price. The remaining amount is allocated to the receiver.

Revenues from agency business are generally recognized when performance is affected.

Revenues from the arrangement of magazine subscriptions are recognized in each case in accordance with the term agreed between premiere and the publishers as the respective subscription period of the customer.

Revenues from the arrangement of subscriptions in conjunction with the cooperation with erotic media ag are determined on the basis of the revenues generated by the arranged subscription. The revenue is realized at the time of billing to the subscribers. Platform and dissemination services rendered in conjunction with the cooperation are billed and recognized as revenue in the same way.

Revenues from the cooperation with Deutsche Telekom AG (Telekom) on the transmission of Premiere's programming and the soccer Bundesliga in the new broadcasting standard, IPTV (Internet Protocol TV), are realized at the time of performance and reported in other revenues.

Revenues from the marketing of Premiere's soccer Bundesliga via arena's satellite platform and the cable platforms of Unitymedia are recorded in the periods in which performance occurs.

Advertising revenues are recognized when the advertising has been carried out. Revenues from the transmission of programs are realized when performance occurs.

1.7.11 Interest expense and income

Interest expense and income are recognized on a time proportion basis, using the effective interest method. According to the alternatives granted by IAS 23 borrowing costs are not capitalized in the Premiere Group.

1.7.12 Expenses and income from changes in estimates and the derecognition of liabilities

Expenses and income from changes in estimates and derecognition of liabilities are reported in the statement of operations in the functional area in which the original entry was made.

1.7.13 Estimates and judgments

The preparation of consolidated financial statements under IFRS requires that assumptions are made that affect the amounts recognized in the Group's balance sheet and statement of operations and the disclosures of contingent assets and contingent liabilities. Actual results in later periods could differ from these estimates.

Changes in additional payments based on the number of subscribers in conjunction with the recognition of film licenses are recorded as changes in accounting estimates. Accordingly, the residual carrying amount is raised or lowered at the time of the change in accounting estimates. The resultant amount is amortized as profit or loss over the period of the remaining transmissions (prospective method).

The amortization of the exclusive sublicense for the pay-TV rights for the first and second divisions of the German soccer Bundesliga for the 2007/2008 and 2008/2009 is being calculated depending on the revenues. The basis for the calculations was the forecast revenues from marketing the sublicense. Future changes have to be anticipated in accordance with their impact.

The impairment tests for the goodwill of the cash generating units (*Note 2.8.2 Goodwill*) took into account the free cash flow, general growth and the interest rates. Reduced growth of 1.5 percent p.a. and an increase of 2 percent p.a. in interest rates were assumed for all the periods considered in a scenario calculation. This worst case scenario would not result in any impairment losses.

The fair value of the trademarks *(Note 2.8.3 Other intangible assets*) at the time of acquisition of the entity was calculated on the basis of fictitious royalty rates.

In accordance with historical experience, an average membership period of eight years for subscribers was assumed for the amortization of the subscriber base *(Note 2.8.3 Other intangible assets)*.

The amount recognized for pension provisions (*Note 2.11 Provisions for pensions*) is based on actuarial reports. Adjustments to the provisions based on the actuarial reports and the actuarial gains and losses are recognized immediately in profit or loss. Employee turnover rates used in determining the pension provisions are based on historical experience.

Under IFRS, revenue shall be measured in accordance with the fair value of the consideration received or receivable. The recognition criteria are generally applied separately to each transaction. However, in certain circumstances it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction, in order to reflect the substance of the transaction correctly. The Group generally applies the relative fair value method to allocate the total contractual amount. Under this method, the total contractual amount has to be allocated in proportion to the fair value of the individual elements. In the event that not all of the components of fair value can be determined to a sufficiently precise degree, the Group uses the residual value method for the recognition of the revenues, if the fair value for the elements that still have to be delivered can be determined. Under this residual method, the fair value for the elements still to be delivered is determined, and the remaining difference compared with the total contractual amount is allocated to the elements that have already been delivered.

1.7.14 Segment reporting

The business activities of Premiere AG primarily concentrate on the operation of a pay-TV program in Germany and Austria under the Premiere brand name and related activities. The acquisition of HoH in 2007 resulted in the expansion of the Group's business activities by the distribution, sale and marketing of electronic articles via an Internet portal.

Two segments therefore exist because of the different risks and returns. No obligation however arises in 2007 to present segment reporting based on the divergent business activities, because the business activities attributable to HoH do not exceed the materiality limits defined in IAS 14.

Geographical segments with different risks and returns do not exist, on account of the orientation of the business activities to Germany and Austria.

2 NOTES TO THE BALANCE SHEET

2.1 Cash and cash equivalents

Cash and cash equivalents are made up as follows:

(KEUR)	12/31/07	12/31/06
Cash balances	114,332	25,938
Time and term deposits	700	714
Total	**115,032**	**26,652**

The increase in cash balances in the financial year results primarily from the inflow of liquid funds from the increase in capital in the third quarter of 2007.

Time and term deposits mainly consist of rental guarantees lodged with banks. The rental guarantees were credited with interest at 3.00 percent p.a. (2006: 2.27 percent p.a.).

2.2 Inventories

Inventories are made up as follows:

(KEUR)	12/31/07	12/31/06
Receivers	56,258	77,509
Other inventories	6,578	2,510
Total	**62,836**	**80,019**

The receivers are intended for sale to dealers, business associates and subscribers. The decline in receiver inventories compared with the previous year results primarily from the sale of interactive receivers.

The increase in other inventories is mainly due to the inclusion of the merchandise of the HoH online shop since May 2007.

The carrying amount of the inventories recognized at net realizable value amounts to KEUR 22,177 (2006: KEUR 23,547). Impairment losses of KEUR 3,866 were recognized as expense in the financial year (2006: KEUR 6,353).

2.3 Trade receivables

2.3.1 Overview

Trade receivables are made up as follows:

(KEUR)	12/31/07	of which non-current	12/31/06	of which non-current
Receivables from subscribers	16,576	0	20,158	0
Receivables from dealers	38,595	0	13,128	0
Receivables from finance leases	5,937	4,402	5,633	4,214
Other	45,332	2,781	31,912	2,841
Total (after allowances)	**106,439**	**7,183**	**70,831**	**7,055**

The following table shows an aging analysis of trade receivables which are past due as at the reporting date but not impaired.

			of which: not impaired at balance sheet date but past due in the following time ranges					
(KEUR)	Carrying amount	of which: neither past due nor impaired at balance sheet date	less than 30 days	between 30 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
12/31/07								
Trade receivables	106,439	61,722	8,692	4,739	1,187	1,229	866	63
12/31/06								
Trade receivables	70,831	26,084	17,296	1,342	831	2,291	2,071	1,770

There are no signs as of the balance sheet date with regard to the balances of trade receivables which are neither past due nor impaired that the debtors will not meet their payment obligations.

The carrying amount of the receivables whose terms have been renegotiated and which would otherwise have been past due or impaired amounted as of the balance sheet date to KEUR 3,353 (2006: KEUR 7,936).

The allowances recorded against trade receivables developed as follows:

(KEUR)	2007	2006
Balance as of 01/01	166,725	136,418
Derecognition of receivables	−53,176	−3,676
Amount recognized as expense or income in reporting period	20,515	33,982
Balance as of 12/31	134,065	166,725

The derecognition of receivables relates entirely to receivables from prior years that have been provided in full and are irrecoverable.

2.3.2 Receivables from subscribers and dealers and other trade receivables

Trade receivables are reported net of allowances. Allowances recorded against receivables in the financial year amounted to KEUR 9,512 (2006: KEUR 15,117).

In the event of the early termination of the contract, Premiere bills subscribers with damages in the amount of the subscription fees for the remaining term of the contract discounted to the termination date, in addition to receivables that have already accumulated for subscription fees. Receivables are recognized at their fair value based on expected cash inflows. Receivables are only derecognized when it is finally established that they are not recoverable.

The Group uses a number of collection agencies to recover the receivables. The receivables are not sold to the collection agencies, so that the risk of default on the receivables remains with the

Company. Allowances on the receivables passed on to the collection agencies for recovery are recorded on the basis of historical experience.

Other trade receivables include a large number of individual items.

2.3.3 Finance lease receivables

The finance lease receivables result from leases concluded with hotels for pay-TV equipment, TVs and accessories.

Finance lease receivables of KEUR 5,937 are reported in the balance sheet as of December 31, 2007 (2006: KEUR 5,633), of which KEUR 1,535 (2006: KEUR 1,419) are current and KEUR 4,402 (2006: KEUR 4,214) are non-current.

The following table reconciles the gross investment in the leases to the net investment in the leases:

(KEUR)	12/31/07	12/31/06
Gross investment in the leases (minimum lease payments receivable)	**7,179**	**6,680**
Less: unearned finance income	−1,058	−1,088
Less: accumulated allowance for uncollectible minimum lease payments receivable	−184	−168
Net investment in the leases (present value of minimum lease payments receivable)	**5,937**	**5,424**
Plus: value added tax	**0**	**209**
Receivable	**5,937**	**5,633**

The gross and net investments in the leases are due as follows:

(KEUR)	12/31/07	12/31/06
Gross investment in the leases	**7,179**	**6,680**
< 1 year	2,015	1,795
1-5 years	4,976	4,492
> 5 years	188	393
Net investment in the leases	**5,937**	**5,424**
< 1 year	1,535	1,358
1-5 years	4,344	3,710
> 5 years	58	356

2.4 Other financial assets

The other financial assets are made up as follows:

(KEUR)	Total 12/31/07	of which non-current	Total 12/31/06	of which non-current
Purchase price receivables	25,596	8,788	17,703	15,200
Other available-for-sale financial assets	14,204	14,204	1,560	1,560
Derivatives	2,166	1,557	2,257	1,042
Creditor accounts with debit balances	1,624	0	586	0
Miscellaneous	438	0	37	0
Total	**44,028**	**24,549**	**22,143**	**17,802**

The purchase price receivables comprise among other things the receivables from the assignment of the utilization and marketing rights to the receiver platform to SES Astra. A comprehensive cooperation agreement was concluded between Premiere and SES Astra for this purpose at the end of March 2007. The receivables from the sale of business entities in 2005 include a receivable of KEUR 5,000 from erotic media ag, consisting of shares in erotic media ag that are classified as available-for-sale financial assets. These represent a receivable, because Premiere has not yet taken over the risks and rewards from these interests. In addition, this item includes a receivable of KEUR 4,000 from erotic media ag in connection with services agreed under the platform and service agreement, which has been converted into a loan. During the financial year, an amount of KEUR 1,000 was offset in conjunction with a business transaction with erotic media ag against the original purchase price receivable of KEUR 5,000. In addition, the purchase price receivables from the sale of interests in Premus Logistik und Service GmbH and Premium Media Solutions GmbH are also included here.

As of the balance sheet date, the derivatives include, in addition to the positive fair values from interest swap transactions, the current deferrals of interest for these financial instruments. In the previous year, this item furthermore also included positive fair values for foreign exchange forward contracts. Please refer for further information to *Note 4.1.2 Disclosures on derivatives*.

The other available-for-sale financial assets as of the balance sheet date include the 14.4 percent interest in 1-2-3.tv GmbH with registered office in Unterföhring and securities of KEUR 2,200. The unrealized loss resulting from the valuation of the securities, which was recognized directly in equity, amounts as of the balance sheet date to KEUR 300 (2006: gain of KEUR 18). The average return on the securities amounts to 5.1 percent p.a. (2006: 5.1 percent p.a.).

There were no signs of significant or sustained impairment at the balance sheet date.

2.5 Other assets

Other assets are made up as follows:

(KEUR)	Total 12/31/07	of which non-current	Total 12/31/06	of which non-current
Advance payments to creditors	5,765	0	7,308	0
Credit financing costs	5,574	5,574	5,248	3,546
Tax receivables	4,285	0	727	0
Transmission fees	1,580	1,117	1,883	1,428
Signing bonus	141	141	205	205
Salary advances	0	0	13	0
Miscellaneous	2,464	112	2,314	0
Total	**19,809**	**6,944**	**17,698**	**5,179**

The miscellaneous other assets primarily comprise guarantee commissions paid, fees, insurance premiums, software maintenance agreements and film promotion contributions.

The non-current miscellaneous assets amongst others consist of transaction costs in connection with the refinancing of KEUR 5,574 (2006: KEUR 3,546), transmission fees of KEUR 1,117 (2006: KEUR 1,428) paid to cable network operators and a signing bonus of KEUR 141 (2006: KEUR 205) paid for a long-term license agreement.

2.6 Interests in entities accounted for at equity

The addition in the financial year to the entities accounted for at equity results from the acquisition of the interests in SPOX Media GmbH and X-Online GmbH. With a share purchase and assignment agreement dated September 28, 2007 Premiere sold 55 percent of the interests in X-Online GmbH to erotic media ag, Baar, Switzerland. On December 17, 2007, a further 21 percent interest was sold to erotic media ag, which accounts for the disposal of the investment included at equity. The interests remaining after the sale in the amount of KEUR 6 were reclassified to the available-for-sale financial assets.

The following key ratios are disclosed for the entities accounted for at equity (information in KEUR, unless otherwise stated):

Name	Investment holding on 12/31/07 (%)	Assets as of 12/31/07	Liabilities as of 12/31/07	Revenues 2007	Annual earnings 2007
Spox Media GmbH	40.1	1,488	1,252	684	−1,294
Premium Media Solutions GmbH	24.8	818	795	4,760	7
Premus Logistik und Service GmbH	8.8	4,533	3,268	17,199	1,241

2.7 Property, plant and equipment including receivers

(KEUR)	Land and buildings	Own technical equipment	Technical equipment under finance leases	Own receivers	Receivers under finance leases	Other operational and office equipment	Advance payments	Total
Cost								
Balance as of 1/1/07	1,342	4,506	361	62,462	10,744	18,138	32	**97,585**
Additions from business acquisition	114	268	0	0	0	350	0	**732**
Additions for the year	95	490	547	22,611	0	3,488	0	**27,231**
Disposals from sales of entities	0	0	0	0	0	23	0	**23**
Disposals for the year	0	351	355	12,458	0	877	0	**14,041**
Reclassifications	0	235	−215	667	−667	0	−32	**−12**
Balance as of 12/31/07	1,551	5,148	338	73,282	10,077	21,076	0	**111,472**
Depreciation								
Balance as of 1/1/07	1,043	1,903	18	21,561	1,494	13,211	0	**39,230**
Depreciation for the year	110	742	130	11,990	2,024	2,932	0	**17,928**
Disposals from sales of entities	0	0	0	0	0	8	0	**8**
Disposals	0	−316	4	10,720	0	725	0	**11,133**
Reclassifications	0	215	−215	546	−546	0	0	**0**
Balance as of 12/31/07	1,153	3,176	−71	23,377	2,972	15,410	0	**46,017**
Carrying amount as of 12/31/07	**398**	**1,972**	**409**	**49,905**	**7,105**	**5,666**	**0**	**65,455**

(KEUR)	Land and buildings	Own technical equipment	Technical equipment under finance leases	Own receivers	Receivers under finance leases	Other operational and office equipment	Advance payments	Total
Cost								
Balance as of 1/1/06	3,649	2,772	4,133	34,321	2,595	16,427	82	**63,979**
Additions for the year	24	1,271	2,964	45,697	0	3,450	19	**53,425**
Disposals	2,331	2,319	4,023	9,407	0	1,740	0	**19,819**
Reclassifications	0	2,782	−2,713	−8,149	8,149	0	−69	**0**
Balance as of 12/31/06	1,342	4,506	361	62,462	10,744	18,138	32	**97,585**
Depreciation								
Balance as of 1/1/06	2,791	63	233	23,711	1,709	11,180	0	**39,687**
Depreciation for the year	565	1,316	2,033	6,234	147	3,520	0	**13,814**
Disposals	2,313	827	897	8,810	0	1,489	0	**14,336**
Impairment losses	0	0	0	44	20	0	0	**65**
Reclassifications	0	1,351	−1,351	382	−382	0	0	**0**
Balance as of 12/31/06	1,043	1,903	18	21,561	1,494	13,211	0	**39,230**
Carrying amount as of 12/31/06	**299**	**2,603**	**343**	**40,901**	**9,250**	**4,927**	**32**	**58,355**

Property, plant and equipment include receivers leased to subscribers under operating leases. A distinction should be made between the following categories of receivers: d-boxes, third party receivers, HD receivers, hard disk receivers and interactive receivers. The carrying amount of the leased receivers amounts to KEUR 40,089 (2006: KEUR 29,232) of which KEUR 5,683 (2006: KEUR 7,545) relates to receivers capitalized under finance leases and KEUR 34,405 (2006: KEUR 21,687) to own receivers.

The additions of KEUR 22,611 (2006: KEUR 45,697) to receivers mainly relate to hard disk receivers. All purchases of receivables are recognized initially in inventories. Receivers that are foreseen for leasing to subscribers are reclassified from inventories to property, plant and equipment and depreciated straight-line over their expected useful lives.

Impairment losses on receivers can arise if subscribers terminate their leases for receivers. The receiver is measured at fair value less costs of disposal, because the value in use is regarded as zero on account of the termination by the subscriber.

Reversals of impairment losses on receivers are recorded if inventories on hand that have been written down can be ascribed a value in use when leased to subscribers that exceeds the fair value less the costs of disposal. The reversal of an impairment loss recognized for the period in cost of sales is recorded up to the original cost less cumulative depreciation calculated assuming no prior impairment.

One finance lease came to an end as scheduled during the reporting period. The receivers, which were previously leased, were bought back on expiry of the lease. This resulted in the reclassification of KEUR 121, comprising cost of KEUR 667 and accumulated depreciation of KEUR 546, from receivers under finance leases to own receivers.

Expected minimum lease payments from operating leases amount to KEUR 24,118 (2006: KEUR 22,527). The remaining weighted average contractual term of these leases is approximately 10 months (2006: approximately 12 months).

Property, plant and equipment includes technical equipment (pay-TV equipment), which is integrated in the hotel operations. The carrying amount of this equipment amounted as of December 31, 2007 to altogether KEUR 1,229 (2006: KEUR 2,946), of which KEUR 409 (2006: KEUR 343) related to pay-TV equipment recognized under finance leases and KEUR 820 (2006: KEUR 2,603) to own pay-TV equipment. The decline compared with the previous year mainly results from the reclassification of leases with hotels as finance leases.

2.8 Intangible assets

2.8.1 Film assets and advance payments for sport and film rights

The film assets reported in this caption mainly comprise broadcasting rights purchased from film studios and a program library acquired during the previous financial year.

The film assets developed as follows:

(KEUR)	Film licenses	Advance payments for film rights	Program library	Total
Cost				
Balance as of 1/1/07	157,468	18,710	7,900	**184,078**
Additions for the year	114,653	19,299	0	**133,952**
Disposals	134,371	0	0	**134,371**
Reclassifications	15,784	−15,784	0	**0**
Balance as of 12/31/07	153,534	22,225	7,900	**183,659**
Utilization/amortization				
Balance as of 1/1/07	84,999	0	1,269	**86,268**
Utilization/amortization for the year	126,657	0	1,114	**127,771**
Disposals	134,371	0	0	**134,371**
Impairment losses	1,132	0	0	**1,132**
Balance as of 12/31/07	78,417	0	2,383	**80,800**
Carrying amount as of 12/31/07	**75,117**	**22,225**	**5,517**	**102,859**
of which non-current	15,473	4,891	5,517	25,881

The cost of the purchased film rights was adjusted by KEUR 294 (2006: KEUR 18) in conjunction with the contractually agreed determination of the actual number of subscribers.

The film assets developed as follows in the previous year:

(KEUR)	Film licenses	Advance payments for film rights	Program library	Total
Cost				
Balance as of 1/1/06	136,295	18,466	0	**154,761**
Additions for the year	123,727	16,303	7,900	**147,930**
Disposals	118,613	0	0	**118,613**
Reclassifications	16,059	−16,059	0	**0**
Balance as of 12/31/06	157,468	18,710	7,900	**184,078**
Utilization/amortization				
Balance as of 1/1/06	85,268	0	0	**85,268**
Utilization/amortization for the year	117,852	0	1,269	**119,121**
Disposals	118,613	0	0	**118,613**
Impairment losses	492	0	0	**492**
Balance as of 12/31/06	84,999	0	1,269	**86,268**
Carrying amount as of 12/31/06	**72,469**	**18,710**	**6,631**	**97,810**
of which non-current	12,489	2,725	6,631	21,845

The impairment losses resulted from the derecognition of unused transmission slots.

Advance payments on sport licenses amounted as of December 31, 2007 to KEUR 26,164 (2006: KEUR 21,302), of which KEUR 14,914 (2006: KEUR 14,552) is of a short-term nature and KEUR 11,250 (2006: KEUR 6,750) is of a long-term nature.

Utilization and amortization are recorded in cost of sales.

2.8.2 Goodwill

(KEUR)	2007	2006
Cost		
Balance as of 1/1/	**368,953**	**368,840**
Additions for the year from business acquisitions	254,351	113
Balance as of 12/31/	623,304	368,953
Amortization		
Balance as of 1/1/	**0**	**0**
Amortization for the year	0	0
Disposals	0	0
Impairment losses	0	0
Balance as of 12/31/	0	0
Carrying amount as of 12/31/	**623,304**	**368,953**

The addition in the financial year results primarily from the purchase from arena of the exclusive sublicense for the broadcasting rights for the German soccer Bundesliga for the 2007/2008 and 2008/2009 seasons. The sublicensing of the broadcasting rights and the takeover of the production processes in connection with this is treated, on account of its classification as a “business”, for accounting purposes as a business combination in accordance with IFRS 3. The provisional allocation of the purchase price results in a difference of KEUR 248,437, which is recognized as goodwill (see *Note 1.4 Company formations and acquisitions*).

Furthermore, the additions during the financial year result from the acquisition of HoH and GIGA.

The impairment test for the cash generating unit that has to be performed at least once a year, which was carried out on the basis of the financial plans approved by management, revealed no need for any write-downs.

The recoverable amount was determined by referring to the value in use calculated on the basis of the free cash flow in the business plan. A discounting factor of 8.9 percent and 15.4 percent p.a. (2006: 10.4 percent p.a.) and a growth factor of 1.5 percent p.a. (2006: 1.5 percent p.a.) were assumed in the calculations.

2.8.3 Other intangible assets

(KEUR)	Trademark	Subscriber base	Other intangible assets	Internally generated intangible assets	Advance payments	Total
Cost						
Balance as of 1/1/07	**331,629**	**386,061**	**103,749**	**2,645**	**4,883**	**828,967**
Additions from business acquisition	3,669	0	55	0	0	**3,724**
Additions for the year	0	0	23,182	0	10,038	**33,220**
Disposals from sales of entities	0	0	66	0	0	**66**
Disposals for the year	0	0	31,974	0	2,821	**34,795**
Reclassifications	0	0	1,029	0	−1,016	**13**
Balance as of 12/31/07	**335,298**	**386,061**	**95,975**	**2,645**	**11,084**	**831,063**
Amortization						
Balance as of 1/1/07	0	186,194	57,813	1,649	0	**245,656**
Amortization for the year	0	48,258	25,802	637	0	**74,697**
Disposals from sales of entities	0	0	16	0	0	**16**
Disposals for the year	0	0	31,970	0	0	**31,970**
Balance as of 12/31/07	**0**	**234,452**	**51,629**	**2,286**	**0**	**288,367**
Carrying amount as of 12/31/07	**335,298**	**151,609**	**44,346**	**359**	**11,084**	**542,696**

(KEUR)	Trademark	Subscriber base	Other intangible assets	Internally generated intangible assets	Advance payments	Total
Cost						
Balance as of 1/1/06	**331,629**	**386,061**	**57,516**	**2,605**	**1,484**	**779,295**
Additions for the year	0	0	46,524	0	3,709	**50,233**
Disposals for the year	0	0	560	0	1	**561**
Reclassifications	0	0	269	40	−309	**0**
Balance as of 12/31/06	**331,629**	**386,061**	**103,749**	**2,645**	**4,883**	**828,967**
Amortization						
Balance as of 1/1/06	0	137,936	33,675	796	0	**172,407**
Amortization for the year	0	48,258	24,366	853	0	**73,477**
Disposals for the year	0	0	228	0	0	**228**
Balance as of 12/31/06	**0**	**186,194**	**57,813**	**1,649**	**0**	**245,656**
Carrying amount as of 12/31/06	**331,629**	**199,867**	**45,936**	**996**	**4,883**	**583,311**

The trademarks are not amortized as a result of their classification as intangible assets with indefinite useful lives.

The additions during the financial year result from purchase price allocations in conjunction with the acquisitions of HoH and GIGA.

The “Premiere” and “HoH” trademarks were tested for impairment in the financial year. In this connection, the recoverable amount was determined as the capital value of the royalties saved in the future that would have been incurred if a fee had been payable to a third party for the utilization of the trademarks. The underlying data is based management’s historical experience and expectations regarding the future development of the market. The impairment test, which has to be performed at least once a year, did not reveal any need for a write-down.

The subscriber base relates to the relationships with the subscribers at the time of the business acquisition. The subscriber base is amortized on a straight-line basis over a useful life based on historical experience. It was not necessary to recognize any impairment losses. The remaining residual life of the subscriber base as of the balance sheet date is approximately 3 years (in the previous year approximately 4 years).

The other intangible assets comprise purchased software, licenses and the costs for the rights to use names. The additions and disposals during the year are made up of a large number of individual items.

2.9 Liabilities

The liabilities are made up as follows:

(KEUR)	12/31/07 < 1 year	12/31/07 1-5 years	12/31/07 > 5 years	Total 12/31/07	12/31/06 < 1 year	12/31/06 1-5 years	12/31/06 > 5 years	Total 12/31/06
Trade payables	177,045	29,041	0	**206,086**	221,036	33,648	0	**254,684**
Borrowings	11,065	7,019	272,497	**290,581**	129,522	137,557	0	**267,079**
Liabilities to entities accounted for at equity	3,390	0	0	**3,390**	0	0	0	**0**
Other financial liabilities	31,731	21,607	0	**53,339**	9,920	5,173	0	**15,093**
Other liabilities	61,517	2,963	0	**64,480**	35,237	3,818	0	**39,055**
Total	**284,749**	**60,630**	**272,497**	**617,877**	**395,715**	**180,197**	**0**	**575,912**

2.9.1 Borrowings

The Company is reporting the following borrowings, broken down by maturities:

(KEUR)	12/31/07 < 1 year	12/31/07 1-5 years	12/31/07 > 5 years	Total 12/31/07	12/31/06 < 1 year	12/31/06 1-5 years	12/31/06 > 5 years	Total 12/31/06
Bank debt	1,909	−370	272,497	**274,036**	117,104	128,342	0	**245,446**
Loan from Nagravision	5,303	0	0	**5,303**	7,685	0	0	**7,685**
Finance lease liabilities	3,853	7,389	0	**11,242**	4,633	9,215	0	**13,848**
Other borrowings	0	0	0	**0**	100	0	0	**100**
Total	**11,065**	**7,019**	**272,497**	**290,581**	**129,522**	**137,557**	**0**	**267,079**

The carrying amount of the borrowings broadly corresponds to their fair value. The contractual terms and conditions were in line with market conditions at the time of concluding the agreements. This assessment was unchanged as of the balance sheet date.

The bank debt reported under the borrowings comprises the refinancing by a bank consortium headed by The Royal Bank of Scotland plc. Please refer with regard to the maturities and interest rates to the comments that follow.

Bank debt

Premiere concluded new extended, long-term debt financing during the financial year in place of the existing syndicated line. The new financing consists of a loan of KEUR 275,000 (“Bridge Facility”) and a credit line of KEUR 275,000 (“Revolving Facility”). Both elements are charged with variable interest (Euribor plus a margin). In the case of the Bridge Facility, the margins are agreed, while the margin for the Revolving Facility is based on the net total leverage (ratio of consolidated net borrowings to consolidated EBITDA). The Bridge Facility has been taken up in full and will run for a maximum of seven years. Premiere can make use of amounts under the Revolving Facility not only in cash but also in the form of suretyships and guarantees, as well as in the form of overdrafts of up to KEUR 90,000. The Revolving Facility is available to Premiere for five years from the conclusion of the facility agreement. During this period, amounts that have been paid back can be called off again.

Utilization of the Bridge Facility as of December 31, 2007 amounted to KEUR 275,000, while the Revolving Facility was not made use of in cash.

Interest of KEUR 22,798 was incurred for the new financing and recognized in profit or loss in 2007 (2006: KEUR 0), of which KEUR 21,508 was paid in 2007 (2006: KEUR 0). Interest liabilities of KEUR 1,290 were recognized as of the balance sheet date (2006: KEUR 0).

Transaction costs, which have been deferred over the term of the credit agreement, were payable for the entire refinancing.

The current bank debt has been furnished with normal market agreements and terms. In this connection, specific financial ratios were defined, which entitle the financing banks to terminate the facility immediately if they are fallen short of or exceeded. These include the maintenance of defined relationships between total borrowings and EBITDA, between liabilities that are equally

ranking or prior ranking as regards the collateral and EBITDA, and between EBITDA and net interest expense.

Loan from Nagravision

A credit line of KEUR 7,250 was agreed during the financial year 2003 with Kudelski S.A., Switzerland, (Nagravision). This credit line was taken up in full in February 2004. The amount reported is due within a year. The loan is charged with interest at 6.0 percent p.a.

Finance lease liabilities

The following minimum lease payments are due under the finance leases:

(KEUR)	< 1 year	1-5 years	2007 Total
Minimum lease payments	4,872	8,106	**12,978**
Discount amounts	−1,019	−717	−1,737
Present values	**3,853**	**7,389**	**11,242**

(KEUR)	< 1 year	1-5 years	2006 Total
Minimum lease payments	5,909	10,664	**16,573**
Discount amounts	−1,276	−1,449	−2,725
Present values	**4,633**	**9,215**	**13,848**

The weighted average interest rate for finance lease liabilities with fixed lease payments was 11.5 percent p.a. (2006: 11.2 percent p.a.).

2.9.2 Trade payables

	12/31/07		Total	12/31/06		Total
(KEUR)	< 1 year	1-5 years	12/31/07	< 1 year	1-5 years	12/31/06
License payments to film studios for the purchase of film licenses	41,766	0	**41,766**	54,018	0	**54,018**
Liabilities to subscribers for security deposits	4,965	14,898	**19,863**	4,473	13,418	**17,891**
Other trade payables	130,314	14,143	**144,457**	162,545	20,230	**182,775**
Total	**177,045**	**29,041**	**206,086**	**221,036**	**33,648**	**254,684**

The decline in other trade payables is due in particular to the decrease in liabilities for receivers.

The carrying amounts correspond to the fair values.

2.9.3 Other financial liabilities

	12/31/07		Total	12/31/06		Total
(KEUR)	< 1 year	1-5 years	12/31/07	< 1 year	1-5 years	12/31/06
Purchase price payables	15,006	13,035	**28,041**	0	0	**0**
Liabilities under foreign exchange forward contracts	11,454	7,888	**19,342**	4,177	4,608	**8,785**
Debtor or accounts with credit balances	4,318	0	**4,318**	5,189	0	**5,189**
Miscellaneous	953	684	**1,638**	554	565	**1,119**
Total	**31,731**	**21,607**	**53,339**	**9,920**	**5,173**	**15,093**

The fair values are identical with the reported carrying amounts.

Please refer to *Note 4.1.2 Disclosures on derivatives* with regard to the negative fair values of the derivatives (liabilities under foreign exchange forward contracts and liabilities under interest swaps).

The increase in other financial liabilities results primarily from the long and short-term purchase price liabilities respectively from the acquisition of HoH and the arena transaction (see *Note 1.4 Company formations and acquisitions*).

2.9.4 Other liabilities

Other liabilities are made up as follows:

(KEUR)	12/31/07 < 1 year	12/31/07 1-5 years	Total 12/31/07	12/31/06 < 1 year	12/31/06 1-5 years	Total 12/31/06
Advance payments on orders	17,795	0	**17,795**	4,921	0	**4,921**
Liabilities to the tax authorities	15,347	1,148	**16,495**	4,850	2,250	**7,100**
Subscriber payments from prepaid offers	15,027	0	**15,027**	9,820	0	**9,820**
Management bonuses	4,649	0	**4,649**	4,422	0	**4,422**
Vacation entitlement	2,152	0	**2,152**	2,232	0	**2,232**
Liabilities to employees	933	0	**933**	749	0	**749**
Termination benefits	852	0	**852**	1,882	234	**2,116**
Social security liabilities	54	0	**54**	1,691	0	**1,691**
Fees for encryption systems	0	0	**0**	2,824	0	**2,824**
Miscellaneous	4,708	1,815	**6,523**	1,846	1,334	**3,180**
Total	**61,517**	**2,963**	**64,480**	**35,237**	**3,818**	**39,055**

The subscriber payments relate to the deferral of sold prepaid packages with terms going beyond the balance sheet date.

In the previous year, the other liabilities included encryption charges of KEUR 2,824. Premiere Fernsehen KG received fees of EUR 12.0 million for encryption systems based on a contract concluded in 2003 with Mediaservices GmbH (MSG). They were released to income over the period from October 1, 2003 to December 31, 2007.

2.10 Other provisions

(KEUR)	Receivers	Taxes	Litigation costs	Warranties	Total
Balance as of 1/1/07	1,284	22,744	210	28	**24,266**
Additions	7	1,497	260	0	**1,764**
Utilization	−1,079	−1,169	−46	−7	−2,301
Reversals	−127	−16,303	−108	0	−16,538
Balance as of 12/31/07	**85**	**6,769**	**316**	**21**	**7,191**
of which current	85	6,769	316	21	7,191

The provisions have been recognized on the basis of the expected outflows to settle the obligations.

The provisions for receivers mainly relate to costs of returns to the manufacturers. Utilization of KEUR 51 (2006: KEUR 1,096) is expected in the best case.

A significant portion of the tax provision set up in 2002 for the possible non-recognition by the tax authorities of the deduction on input-VAT of KEUR 16,296 was released in the financial year.

Provisions for litigation have been set up for expected risks from lawsuits and for lawyers' and other court fees on pending legal disputes. Costs of KEUR 158 (2006: KEUR 105) are expected in the best case.

2.11 Provisions for pensions

2.11.1 Defined benefit plans

The Group operates final salary defined benefit pension plans. In addition to retirement pensions, the pension liability also covers widows', orphans' and disability pensions.

The following amounts are recognized as expense for the period:

(KEUR)	2007	2006
Current service cost	−128	−173
Past service cost	78	0
Interest cost	−270	−262
Realized actuarial gains	1,287	466
Pension expense	**967**	**31**

The current service cost and the actuarial gains or losses are reported under the administrative expenses, and the interest expense on the pension obligations is reported in the financial result.

Past service cost results from the gradual raising of the normal pension age due to the changes in the statutory pension scheme resulting from the Pension Insurance Amendment Act dated April 20, 2007.

Since there are no plan assets as defined by IAS 19 and all actuarial gains and losses are recorded as soon as they arise, the present value of the defined benefit obligation (DBO) of the pension obligations and the obligations similar to pensions equals the pension liability recognized in the balance sheet.

The defined benefit obligation (DBO) developed as follows:

(KEUR)	2007	2006
Defined benefit obligation as of 1/1/	6,114	6,192
Pension expense	−967	−31
Pension payments	−61	−47
Defined benefit obligation as of 12/31/	**5,086**	**6,114**

The defined benefit obligation and the adjustments to the plan liabilities based on historical experience developed as follows:

(KEUR)	2007	2006	2005	2004	2003
Defined benefit obligation as of 12/31/	5,086	6,114	6,192	6,071	4,918
Experience adjustments on plan liabilities 1/1/-12/31/	−83	−136	—	—	—

The calculation of the pension liability was based on the following assumptions:

	12/31/07	12/31/06
Discount rate	5.71%	4.50%
Pension growth rate	1.75%	1.50%
Salary growth rate	2.00%	2.00%
Employee turnover rate	8.30%	8.30%

2.11.2 Defined contribution plans

The measurement of the contributions payable on account of the termination indemnity obligations to employees of the Austrian subsidiary resulted in income of KEUR 19 (2006: expense of KEUR 278).

Contributions to the statutory pension insurance scheme in the financial year amounted to KEUR 9,121 (2006: KEUR 9,529).

2.12 Additional disclosures on financial instruments

The following table shows the carrying amounts by measurement categories in accordance with IAS 39 and the fair values by classes of financial assets and financial liabilities.

2007 (KEUR)	(Class of financial instruments according to IFRS 7.6) financial instrument measured at	Fair value 12/31/07	Carrying amount as of 12/31/07	Carrying amount of categories as defined in IAS 39				Carrying amount according to IAS 17
				FVTPL (HfT)	AfS	LaR	FLAC	
Assets								
Cash and cash equivalents	—	—	115,032					
Trade receivables	Amortised cost	106,513	106,439			100,502		5,937
Receivables from entities accounted for at equity	Amortised cost	410	410			410		
Other non-derivative financial assets	Amortised cost	22,661	22,661			22,661		
Derivative financial assets	Fair value	2,163	2,163	2,163				
Available-for-sale financial assets	Amortised cost*	—	17,004		17,004			
Available-for-sale financial assets	Fair value	2,200	2,200		2,200			
		133,948	**265,910**	**2,163**	**19,204**	**123,574**		**5,937**
Liabilities								
Borrowings	Amortised cost	291,008	290,581				279,340	11,242
Trade payables	Amortised cost	206,086	206,086				206,086	
Liabilities to entities accounted for at equity	Amortised cost	3,390	3,390				3,390	
Other non-derivative financial liabilities	Amortised cost	27,865	27,865				27,865	
Derivative financial liabilities	Fair value	19,342	19,342	19,342				
		547,691	**547,265**	**19,342**			**516,681**	**11,242**

2006 (KEUR)	(Class of financial instruments according to IFRS 7.6) financial instrument measured at	Fair value 12/31/06	Carrying amount as of 12/31/07	Carrying amount of categories as defined in IAS 39				Carrying amount according to IAS 17
				FVTPL (HfT)	AfS	LaR	FLAC	
Assets								
Cash and cash equivalents	—	—	26,652					
Trade receivables	Amortised cost	70,910	70,831			65,197		5,633
Other non-derivative financial assets	Amortised cost	13,388	13,388			13,388		
Derivative financial assets	Fair value	2,196	2,196	2,196				
Available-for-sale financial assets	Amortised cost*	—	5,172		5,172			
Available-for-sale financial assets	Fair value	1,388	1,388		1,388			
		87,882	**119,626**	**2,196**	**6,560**	**78,585**		**5,633**
Liabilities								
Borrowings	Amortised cost	267,887	267,079				253,232	13,848
Trade payables	Amortised cost	254,684	254,684				254,684	
Other non-derivative financial liabilities	Amortised cost	6,308	6,308				6,308	
Derivative financial liabilities	Fair value	8,785	8,785	8,785				
		537,664	**536,857**	**8,785**			**514,224**	**13,848**

* This position comprises available-for-sale financial assets whose fair value cannot be reliably determined, which are measured at cost.

Explanation of abbreviations

FVTPL (HfT)	Financial assets/liabilities at fair value through profit or loss classified as held for trading
AfS	Available-for-sale financial assets
LaR	Loans and receivables
FLAC	Financial liabilities measured at amortised cost

A separate class has to be established for cash and cash equivalents. Arbitrary allocation to financial instruments measured at amortized cost or to financial assets measured at fair value is not correct, since they are reported at nominal value, whereby foreign currencies are translated at the rate for the day. The measurement of cash and cash equivalents is therefore not connected with a category in IAS 39, so that no disclosure is required of the carrying amount by measurement category.

Trade receivables and other financial assets primarily have short maturities, so that their carrying amounts as of the balance sheet date approximate the fair values. The fair values of the finance lease receivables are determined referring to the discounted expected future cash flows on the basis of the contractual terms.

In the case of available-for-sale financial assets, the market value in an active market, where this exists, is applied as the fair value.

The market values of interest swaps are determined by discounting the expected future cash flows over the residual term of the contracts on the basis of current market interest rates and the interest structure trend. The market values of the foreign exchange forward contracts are determined based on the forward rates.

The fair values of the bank debt reported under the financial liabilities, finance lease liabilities and other borrowings, and the non-current borrowings are determined as the present values of the payments associated with the liabilities, applying the respective applicable interest structure trend.

Trade payables and other borrowings mainly have short maturities, so that their carrying amounts approximate the fair values.

The balance sheet item Other financial liabilities includes contingent considerations from a business combination of KEUR 6,132 (2006: KEUR 0) in connection with the acquisition of HoH.

2.13 Equity

2.13.1 General

Premiere AG's capital stock amounts to KEUR 112,460. It is divided into 112,460,000 registered shares with no par value; each share with no par value has a notional interest of EUR 1.00 in the capital stock.

Additional paid-in capital amounted as of the balance sheet date to KEUR 1,376,804 (2006: KEUR 951,596), of which KEUR 784,261 is not available for distribution.

Changes of minus KEUR 300 (2006: plus KEUR 18) in the market value of the available-for-sale securities have been recognized in accumulated other comprehensive income. The amounts recognized include deferred tax effects of KEUR 6 (2006: KEUR 7).

The following resolutions relating to an increase in capital were passed at the Annual General Meeting on May 17, 2006 and the statutes were amended accordingly. No use was made in the financial year of the powers granted.

2.13.2 Authorized capital

On the basis of the resolution of the Annual General Meeting on May 17, 2006, the management board is empowered, with the approval of the supervisory board, to increase Premiere AG's capital stock by up to EUR 41,000,000 (forty-one million) through May 16, 2011 by issuing, on one or several occasions, up to 41,000,000 new registered shares with no par value in return for contributions in cash or in kind ("authorized capital 2006").

On February 7, 2007, the authorized capital was used to increase the capital stock by EUR 16,400,000 to EUR 98,400,000 in return for a contribution in kind. The premium defined in connection with the increase in capital amounted to KEUR 270,781, after taking into account capital transaction costs of KEUR 967. The increase in capital for a contribution in kind was entered in the Commercial Register on February 8, 2007.

Premiere AG's management board resolved on September 6, 2007, with the approval of the supervisory board, to increase the capital stock of EUR 98,400,000 by a nominal amount of EUR 14,060,000 out of the authorized capital. The increase in capital was carried out by issuing new shares, whereby existing Premiere stockholders were granted a subscription right. The premium from the issuance of the new shares after taking into account capital transaction costs of KEUR 6,429 amounted to KEUR 155,680 and was allocated to the additional paid-in capital.

The authorized but not yet issued capital remaining following the increases in capital amounts to KEUR 10,540.

2.13.3 Issuance of convertible or option bonds

On the basis of the resolution of the Annual General Meeting on May 17, 2006, the management board is empowered, with the approval of the supervisory board, to issue bearer or registered convertible or option bonds with a total nominal value of up to EUR 500,000,000 (five hundred million) through May 16, 2011 on one or several occasions, with or without any limitations as to their term, and to grant the holders of convertible or option bonds conversion and option rights to subscribe for up to 8,200,000 new registered ordinary shares with no par value in the Company with a proportionate share of the capital stock of up to EUR 8,200,000 ("new shares") in accordance with the convertible bond or option terms. The power can also be exercised in partial amounts. The stockholders shall, as a general rule, be granted the right to subscribe. The management board is however empowered, with the approval of the supervisory board, to exclude the subscription right of the stockholders when issuing the convertible or option bonds.

On the basis of the resolution of the Annual General Meeting on May 17, 2006, the Company's capital stock was increased conditionally by up to EUR 8,200,000 by issuing up to 8,200,000 new registered ordinary shares of no par value. The sole purpose of the conditional capital is to grant new shares to the holders of convertible or option bonds, which are issued, in accordance with the

above-mentioned empowering resolution, by Premiere AG or by companies in which Premiere AG directly or indirectly holds majority investments. The conditional increase in capital will only be carried out to the extent that holders of convertible or option bonds exercise their conversion or option rights or fulfill conversion obligations under such bonds.

2.13.4 Purchase and sale of treasury stock

The stockholders of Premiere AG granted the Company the power to purchase treasury stock in the amount of up to 10 percent of the capital stock existing at the time of passing the resolution. The power can be exercised in full or in partial amounts, on one or several occasions, in the pursuit of one or several purposes, by the Company, by its group companies or by a third party acting on its behalf. The power was granted until November 16, 2007 and was not exercised by the Company.

3 NOTES TO THE STATEMENT OF OPERATIONS

3.1 Revenues

(KEUR)	2007	2006
Program subscriptions	743,253	881,605
Pay-per-view	11,936	13,604
Magazine and advertising revenues	51,967	59,985
Hardware	108,799	68,126
Other revenues	68,565	32,056
Total	**984,520**	**1,055,377**

Pay-per-view revenues comprise KEUR 7,358 (1/1/-12/31/06: KEUR 7,738) generated in the film area, KEUR 3,061 (1/1/-12/31/06: KEUR 4,195) generated in the sport area and KEUR 1,517 (1/1/-12/31/06: KEUR 1,672) for various events.

The magazine and advertising revenues include revenues of KEUR 13,048 (1/1/-12/31/06: KEUR 17,475) for the procurement of customers for the magazines and commissions of KEUR 3,153 (1/1/-12/31/06: KEUR 3,318) for the procurement of subscribers in conjunction with the cooperation agreement with erotic media ag.

Since May 2007, the hardware revenues include the revenues of HoH, which explains the increase here compared with the previous year.

Other revenues include production revenues of KEUR 32,477 (1/1/-12/31/06: KEUR 15,911) under the cooperation agreement with Telekom relating to the transmission of the soccer Bundesliga in IPTV and revenues from platform and transmission services of KEUR 3,231 (1/1/-12/31/06: KEUR 4,041) under the cooperation agreement with erotic media ag.

3.2 Cost of sales

(KEUR)	2007	2006
Program	−563,195	−618,681
Transmission	−89,423	−95,650
Subscriber service	−64,627	−84,401
Hardware	−132,595	−90,503
Total	**−849,840**	**−889,234**

The programming costs include in particular license and production costs.

The transmission costs reflect in particular the transponder and play-out costs as well as broadcasting fees.

The costs for looking after the subscribers, such as service hotlines, service support and customer retention, can be found in the subscription management and service management costs.

The costs for hardware mainly comprise depreciation on the receivers included in the fixed assets and the cost of sold receivers. The increase in the costs compared with the previous year is mainly due to the inclusion of HoH since May 2007.

Cost of sales in the financial year includes income of KEUR 7,446 (1/1/-12/31/06: KEUR 9,041) relating to other periods.

3.3 Selling and general and administrative expenses

The selling and general and administrative expenses are made up as follows:

(KEUR)	2007	2006
Dealer commissions	−23,198	−25,237
Expenses for direct sales	−16,830	−19,755
Marketing	−48,699	−37,017
Bad debts	−9,512	−15,117
Other selling expenses	−30,514	−27,118
Selling expenses	**−128,753**	**−124,245**
IT	−22,247	−19,321
Legal, consulting and administrative expenses	−24,434	−21,402
Facility	−6,284	−6,936
Personnel, incl. termination benefits	−2,916	−9,205
Other	−3,194	−4,102
General and administrative expenses	**−59,075**	**−60,966**

Income relating to other periods of KEUR 4,814 (1/1/-12/31/06: KEUR 4,971) and KEUR 2,561 (1/1/-12/31/06: KEUR 3,303) is included respectively in the selling expenses and the administrative expenses.

3.4 Other operating income

(KEUR)	2007	2006
Gain on deconsolidation from sale of parts of business entities	47,336	5,015
Reversal of tax provision	16,296	0
Income from cooperation agreement with SES Astra	16,000	0
Income from compensation	3,779	5,173
Conditional purchase price payment for APS ASTRA Platform Services GmbH (APS)	763	838
Cooperation services	0	13,000
Miscellaneous	14,013	7,067
Total	**98,186**	**31,093**

The transactions described in *Note 1.5 Disposal and discontinuation of entities* resulted in a gain on deconsolidation of KEUR 47,336 (1/1/-12/31/06: KEUR 5,015).

A significant portion of the tax provision set up in 2002 for the possible non-recognition by the tax authorities of the deduction on input-VAT of KEUR 16,296 was reversed in the financial year.

At the end of March 2007, Premiere concluded a wide-ranging cooperation and marketing agreement with SES Astra. In conjunction with the cooperation agreement, Premiere is transferring a utilization right and the marketing right for the receiver platform to SES for an indefinite period. The purchase price is dependent on the occurrence of certain performance parameters described in the contract.

Premiere is entitled to so-called conditional purchase price payments based on the financial ratios for the financial years from 2005 through 2008 from the sale of APS (formerly DPC Digital Playout Center GmbH) in 2004. Amounts for the financial years 2005 to 2007 have been recorded to date based on the company's annual earnings.

The income from cooperation services in the previous year related to services rendered in connection with transmissions of the German and Austrian soccer leagues.

3.5 Other operating expenses

Other operating expenses are made up as follows:

(KEUR)	2007	2006
Liability to pay compensation	−1,512	0
Loss on deconsolidation from sale of parts of business entities	−1,037	0
Allocation to allowances for doubtful receivables	−681	−1,416
Losses on disposal of fixed assets	−138	−542
Expenses for tax audits	−64	−203
Miscellaneous	−3,834	−2,294
Total	**−7,267**	**−4,455**

3.6 Personnel expenses, depreciation and amortization

The personnel expenses and depreciation and amortization of fixed assets were charged to the operating profit.

(KEUR)	2007	2006
Wages and salaries	−57,392	−60,618
Social security	−9,835	−10,803
Termination benefits	−1,674	−7,130
Staff anniversary and other personnel expenses	−2,779	−3,504
Pension expense	1,098	109
Personnel expenses	**−70,581**	**−81,946**
Amortization of subscriber base	−48,258	−48,258
Amortization of other intangible assets	−26,440	−25,219
Depreciation of property, plant and equipment, including impairment losses	−17,928	−13,878
Depreciation of other long-term financial assets	−106	0
Amortization of program library	−1,114	−1,269
Depreciation and amortization	**−93,845**	**−88,624**

3.7 Financial result

(KEUR)	2007	2006
Interest income from interest rate swaps	3,045	3,821
Other interest income	5,543	2,206
Total interest income	**8,588**	**6,028**
Income from entities accounted for at equity	0	88
Income from other securities and loans reported under investments and long-term financial assets	0	51
Total financial income	**8,588**	**6,166**
Interest expenses from interest rate swaps	−1,052	−927
Other interest expense	−46,996	−19,095
Total interest expense	**−48,047**	**−20,022**
Expenses from entities accounted for at equity	−565	0
Total financial expenses	**−48,612**	**−20,022**
Total	**−40,024**	**−13,856**

The interest income and interest expense from interest derivatives comprise gains and losses on the retirement and measurement of interest swap transactions and current interest on these financial instruments.

Other interest income mainly comprises current account interest and interest on the collection of receivables.

Other interest expense mainly consists of interest on the corporate financing that was replaced and the new corporate financing that was taken up during the financial year. The increase compared

with the previous year is due in particular to the greater utilization during the financial year of the agreed credit lines.

Deferred transaction costs of KEUR 9,078 for Premiere's previous financing were released in conjunction with the new financing.

Interest expense of KEUR 22,798 was incurred for the new, extended debt financing concluded during the financial year, of which KEUR 1,290 is recognized as a liability as interest payable.

Interest expense for the financial year includes interest expense of KEUR 5,843 (1/1/-12/31/06: KEUR 1,123) calculated in accordance with the effective interest method.

3.8 Net gains or net losses by categories of financial instruments

	Net gains/losses	
(KEUR)	2007	2006
Loans and receivables	−8,333	−15,117
Financial assets or liabilities held for trading	−17,161	−13,942
Available-for-sale financial assets		
– Gains or losses on changes in value recognized in equity	−300	18
– Gains or losses on disposal and measurement recognized in profit or loss	88	0
Financial liabilities measured at amortized cost	531	679
Total	**−25,175**	**−28,362**

Net gains or net losses by categories of financial instruments are influenced by changes in fair value, impairments, fluctuations in exchange rates and derecognitions.

The net gains or losses on financial assets and liabilities held for trading relate to the gains or losses on the disposal and the subsequent measurement of these financial instruments (losses of KEUR 17,161; 2006 KEUR 13,942). Both interest and foreign currency influences go into the net gains or losses. The interest effects are reported in the interest result (see *Note 3.7 Financial result*), while the foreign currency effects are recorded in the programming costs.

3.9 Income taxes

Income taxes are made up as follows:

(KEUR)	2007	2006
Current tax expense / income	−741	34
Deferred tax expense	−315	−106,953
Total	**−1,056**	**−106,919**

Deferred taxes for Germany are measured based on a tax rate of 28.08 percent (previous year 37.34 percent), taking into account, in addition to corporate income tax of 15 percent, the solidarity surcharge at 5.5 percent on the corporate income tax and the rate for trade tax on income.

The 2008 Corporate Tax Reform Act that was passed in July 2007 makes necessary an adjustment of the measurement of deferred tax assets and liabilities in view of the future underlying income tax rate. The change in the tax rate results in tax income of KEUR 10,542. Furthermore, the lower tax rate results in a reduction of KEUR 1,253 in the deferred tax assets recognized directly in equity on capital transaction costs.

Deferred taxes assets on temporary differences and tax losses are recognized, taking into account the minimum taxation, up to the amount for which it appears probable that future taxable income will be available. As a result, no deferred tax assets have been recognized on temporary differences of KEUR 41,197.

The Company has tax losses of KEUR 928,676 (2006: KEUR 715,849), for which no deferred tax assets have been recognized (2006: KEUR 708,256).

The deferred tax effects recognized directly in equity amount to KEUR 6 (2006: minus KEUR 7). These effects result from the disposal of securities and unrealized losses on available-for-sale securities.

Differences in recognition and measurement and tax losses result in the following recognized deferred tax assets and liabilities:

(KEUR)	12/31/07 Deferred tax assets	12/31/07 Deferred tax liabilities	12/31/06 Deferred tax assets	12/31/06 Deferred tax liabilities
Trade receivables	0	0	800	0
Finance lease receivables	0	1,163	0	1,040
Inventories	37	27	0	146
Investments and long-term financial assets	0	0	0	6
Finance leases	14	2,110	0	3,599
Property, plant and equipment	318	25	324	0
Intangible assets	46,076	100,972	0	111,215
Other assets and other financial assets	53	2,347	74	3,895
Borrowings	3,637	0	6,550	0
Trade payables	3,292	149	188	0
Provisions for pensions	312	0	864	0
Other provisions	1,505	0	0	507
Other liabilities and other financial liabilities	12,053	27	4,596	0
Tax loss carried forward	0	0	2,860	0
Total	**67,297**	**106,820**	**16,256**	**120,407**
Offset	−9,167	−9,167	−12,714	−12,714
Per balance sheet	**58,130**	**97,653**	**3,542**	**107,693**

Deferred tax assets and liabilities are offset provided they are with the same tax authority and current taxes are offset.

The reported tax expense differs from the expected tax expense that would have arisen if the nominal tax rate of 28.08 percent (2006: 37.34 percent) had been applied to the IFRS pre-tax earnings. As a result of the prevailing loss situation, a future tax rate of 28.08 percent is already applied, because the mainly deferred tax effects are already calculated with this rate and tax income based on this rate would consequently also have to be expected.

The following table provides a reconciliation.

(KEUR)	2007	2006
Loss before taxes	−50,509	−54,543
Expected tax income	**14,183**	**20,367**
Reconciliation:		
Change in non-recognition of deferred taxes	−34,828	−125,585
Tax-free gains on disposals of investments	12,656	2,274
Change in German tax rate	10,542	0
Non-deductible expenses	−4,163	−2,858
Differences in tax rates	−184	−356
Other	738	−762
Reported tax expense	**−1,056**	**−106,919**

3.10 Earnings per share

Basic earnings per share are calculated as the ratio of the Group earnings and the weighted average number of ordinary shares outstanding during the year.

	2007	2006
Earnings attributable to stockholders of Premiere AG (KEUR)	−51,528	−161,497
Weighted average number of outstanding shares (thousand)	93,997	82,000
Basic earnings per share (EUR)	**−0.55**	**−1.97**

The Group did not have any potentially dilutive instruments in 2007 or in the previous year.

4 OTHER EXPLANATORY COMMENTS

4.1 Financial risk management

4.1.1 Financial risk factors

The Group is exposed in particular to interest and foreign currency risks in connection with its operating activities. It is Group's policy to avert or restrict these risks through hedging transactions. All hedging measures are coordinated or carried out on a centralized basis by the Group's Treasury & Corporate Finance department.

4.1.1.1 Currency risk

Fluctuations in exchange rates could result in undesirable and unforeseeable volatility of the earnings and cash flows. Foreign exchange forward contracts are used to hedge the foreign exchange risk. These transactions are related to the hedging of cash flows in foreign currencies in connection with the purchase of film licenses. In this connection, the Company hedges a certain proportion of the expected cash flows in foreign currencies. Hedging through foreign exchange forward contracts relates exclusively to the US dollar, and is carried out for a period of up to 36 months in advance. These economic hedges did not qualify for hedge accounting. Fair value gains or losses from re-measurement of foreign exchange forward contracts are recognized in profit or loss.

Of the total payments in US dollars, KEUR 103,856 (2006: KEUR 106,745) was hedged during the financial year.

The total trade payables of KEUR 206,086 (2006: KEUR 254,684) include KEUR 13,593 (2006: KEUR 12,058) in foreign currency.

Foreign currency sensitivity is determined firstly by aggregating the net positions of the financial instruments from the operating business denominated in foreign currency (mainly liabilities from the purchase of film licenses in US dollars). The foreign currency risk is arrived at by multiplying the unhedged foreign currency position by a 10 percent mark-up or devaluation of the US dollar compared with the euro.

In addition, all foreign exchange forward contracts have been subjected to a currency sensitivity analysis because they are not integrated in a hedge relationship in accordance with IAS 39 and changes in the exchange rate of the US dollar on which the transactions are based would impact the operative earnings (gain or loss on the adjustment of the fair value). Premiere only considers the negative scenario for the purpose of the sensitivity analysis.

A 10 percent devaluation of the US dollar compared with the euro would result in a negative effect from the foreign exchange forward contracts at the same time as a positive effect from the primary financial instruments, so that a negative effect of altogether KEUR 18,670 on the earnings for the financial year would result (2006: KEUR 20,015).

4.1.1.2 Interest rate risk

The Company is exposed to interest rate risks as a result of its variable interest rate liabilities. Premiere reduces this risk by using interest swaps, through which the variable interest payments are hedged by exchanging them for fixed interest payments of 3.43 percent to 4.08 percent p.a. (2006: 2.94 percent to 3.91 percent).

The total borrowings of KEUR 290,581 (2006: KEUR 267,079) include KEUR 275,000 (2006: KEUR 247,450) with variable interest rates. Interest swap transactions have been entered into at a total nominal value of KEUR 180,500 (2006: KEUR 270,000), spread over various maturities, to hedge the interest rate risk.

In accordance with IFRS 7, interest rate risks are presented by means of sensitivity analyses. These present the effects of changes in market interest rates on profit or loss or on equity. Premiere only considers the negative scenario for the purpose of the sensitivity analysis.

Interest swaps have an effect on the financial result (gains and losses on re-measuring financial instruments at fair value), because they are not integrated in a hedge relationship in accordance with IAS 39 and are therefore taken into account in the interest sensitivity analysis.

Changes in market rates of interest have an effect in the case of primary variable interest rate financial instruments on the future interest payments, but not on the earnings for the financial year and do not therefore have to be included in the interest sensitivity analysis in accordance with IFRS 7.

On an assumed reduction of 100 basis points in the market interest rate as of the balance sheet date, the earnings for the period would have been reduced by KEUR 3,957 (2006: KEUR 4,471).

4.1.1.3 Price risk

Some of the long-term contracts concluded with major American film studios include price-change clauses. These price-change clauses cover the average price increases relating to the general cost of living. Future price increases can be planned with the help of these clauses.

Significant portions of Premiere's film licensing and encryption fees are linked to the actual number of subscribers. Most of the contracts with owners of program rights also include guaranteed minimum subscriber numbers. If the minimum subscriber numbers are not achieved, a higher share of Premiere's revenues will be required to cover this cost base.

4.1.1.4 Liquidity risk

The liquidity risk is the risk that the Company could encounter difficulty in meeting its financial obligations, such as interest payments and the redemption of borrowings, the payment of trade payables or finance lease obligations.

Prudent liquidity risk management is required in order to identify liquidity shortages on a timely basis. The liquidity requirement is updated on a regular basis. The Company's planning horizon for the operational cash planning is one year. The Company hedges future cash flows by means of derivatives based on a planning horizon of 18 to 36 months for foreign exchange forward contracts and up to five years for interest swap transactions.

A credit facility of KEUR 250,000 ("Revolving Facility") is available to the Company under the new long-term debt financing agreed in April 2007 with The Royal Bank of Scotland plc. The Revolving Facility was increased by KEUR 25,000 as a result of the admission of a further bank to the agreement in October 2007. Premiere can make use of amounts under the Revolving Facility not only in cash but also in the form of suretyships and guarantees. The Revolving Facility is available for five years from the conclusion of the facility agreement. During this period, amounts that have been paid back can be called off again. Apart from the Revolving Facility, Premiere only has minor free credit facilities at the level of some of its subsidiaries. The liquidity requirement must therefore be covered out of the available cash and cash equivalents and as appropriate by future cash flows from operating activities. As of December 31, 2007, Premiere held cash and cash equivalents of altogether KEUR 115,032 (2006: KEUR 26,652). The Revolving Facility was not being used in cash as of the balance sheet date.

The following tables show all contractually defined interest and principal payments as of December 31, 2007 and December 31, 2006 on recognized borrowings, including derivatives with a negative market value. The market values are disclosed for the foreign exchange forward contracts and the net interest payments for the interest swap transactions, while the undiscounted cash flows for the following financial years are shown for the remaining liabilities.

All financial instruments held as of the balance sheet date and for which payments have already been contractually agreed have been included. Plan figures for future new liabilities are not incorporated. Variable interest payments are calculated on the basis of the interest rates fixed in each case as of the balance sheet date. Borrowings that are repayable at any time on the request of the lender are always allocated to the earliest period.

2007 (KEUR)	2008	2009	2010 to 2012	2013 and later
Non-derivative financial liabilities				
Bank debt	28,378	27,243	81,066	311,692
Finance lease liabilities	4,928	4,421	3,630	0
Other borrowings	5,303	0	0	0
Trade payables	177,366	11,270	12,865	6,385
Liabilities to entities accounted for at equity	3,390	0	0	0
Other financial liabilities	20,247	8,630	320	12
Derivative financial liabilities				
Foreign exchange forward contracts	11,454	5,368	2,520	0

2006 (KEUR)	2007	2008	2009 to 2011	2012 and later
Non-derivative financial liabilities				
Bank debt	80,309	47,079	156,282	0
Finance lease liabilities	5,868	4,315	6,350	0
Other borrowings	2,786	5,302	0	0
Trade payables	222,453	10,774	18,873	5,750
Other financial liabilities	5,768	281	334	40
Derivative financial liabilities				
Foreign exchange forward contracts	4,177	3,472	1,135	0

4.1.1.5 Credit risk

The default risk on the financial assets represents the danger of the default of a contractual partner and is therefore limited to the carrying amounts of the respective assets.

In order to avoid payment defaults, credit reports are obtained on the contractual partners or historical data from earlier business relationships, particularly on payment behavior, is used. Adequate allowances are set up against the receivables for identified risks.

In addition, the Company utilizes the direct debit procedure to ensure the receipt of payments from the subscribers.

Financial transactions are only entered into with contracting parties with first class credit standing, so that the actual default risks are low.

4.1.2 Disclosures on derivatives

Other assets and other liabilities include the following derivatives:

(KEUR)	2007	2006
Positive fair values		
Interest swaps	2,163	1,851
Foreign exchange forward contracts	0	345
Total	**2,163**	**2,196**
Negative fair values		
Interest swaps	0	0
Foreign exchange forward contracts	19,342	8,785
Total	**19,342**	**8,785**

The notional amounts of the derivatives outstanding as of the balance sheet date are as follows:

	Maturities			Total	Maturities			Total
(KEUR)	< 1 year	1-5 years	> 5 years	12/31/07	< 1 year	1-5 years	> 5 years	12/31/06
Foreign exchange forward contracts	74,736	137,187	0	**211,922**	90,524	134,142	0	**224,666**
Interest swaps	60,000	120,500	0	**180,500**	140,000	80,000	50,000	**270,000**
Total	134,736	257,687	0	**392,422**	230,524	214,142	50,000	**494,666**

4.2 Capital management

Premiere's capital management is aimed primarily at sustaining its financial flexibility. The Company's financial profile is characterized by a somewhat conservative capital structure.

The following table shows equity, the balance sheet total, the equity ratio and net borrowings.

(KEUR)	12/31/07	12/31/06
Total assets	1,768,261	1,350,616
Shareholders'equity	1,040,454	636,631
Equity ratio (in %)	58.8	47.1
Net debt	175,550	240,428

During the financial year, Premiere concluded new facility agreements with The Royal Bank of Scotland plc that completely replaced and refinanced the previous bank financing. The new financing consists of a loan of KEUR 275,000 ("Bridge Facility") and a credit line of KEUR 275,000 ("Revolving Facility"). Under the Bridge Facility, Premiere will only be allowed to take up further credit in the future if it complies with a certain relationship between (i) consolidated total liabilities and consolidated EBITDA and (ii) consolidated liabilities, which with regard to the loan security rank equally or higher compared with the Bridge Facility, and consolidated EBITDA. As long as Premiere's long-term debt does not have a rating from Standard & Poor's Rating Services and Moody's Investor Services of at least BBB and Baa2 respectively, Premiere has to ensure under the Revolving Facility that a certain ratio is maintained between consolidated EBITDA and consolidated net interest expense. EBITDA is determined in each case applying a definition agreed in the facility agreement.

In addition, both the Bridge Facility and the Revolving Facility impose certain operative restrictions on Premiere. These restrictions include restructuring measures such as mergers, the disposal of parts of the entity and the encumbrance of assets. The Bridge Facility and the Revolving Facility foresee obligatory redemptions on the occurrence of certain events, which also include the acquisition of more than 50 percent of the shares or the voting rights in Premiere AG by a third party.

Premiere's statutes do not subject it to any capital requirements. In particular, the Company has no obligations to sell or otherwise issue shares in connection with existing share-based compensation plans or convertible bonds. Please refer with regard to the capital authorized but not yet issued and the conditional capital to *Note 2.13 Equity.*

4.3 Cash flow statement

The considerably reduced outflow from investing activities compared with the previous year results in particular from proceeds from the sale of parts of the entity. In addition, payments for investments in fixed assets, especially for interactive receivers, were lower. This was slightly compensated by the investments in financial assets during the financial year.

The increase in capital for a contribution in cash in the financial year resulted in a considerable inflow of cash from financing activities. In addition, the Company replaced the existing debt financing by new, extended financing.

The following non-cash transactions were carried out in the financial year:

(in KEUR)	2007	2006
Conclusion of finance lease contracts	547	2,030
Acquisition of assets in return for issuance or assignment of interests	4,000	0
Acquisition of assets in return for offset of receivables	1,000	0
Business acquisitions in return for issuance of shares	292,148	0
Acquisition of assets in return for loans	0	24,152
Total	**297,695**	**26,181**

The Company is reporting for the first time in the cash flow statement interest received in conjunction with the operating activities. The prior year figures were adjusted accordingly.

4.4 Related party transactions

Related parties are persons or companies on which the Group can exercise significant influence or which can exercise significant influence on the Group. In addition to the members of the Company's management board and supervisory board, these also include family members and the domestic partners of the persons affected.

A complete list of entities related to the Group in accordance with IAS 24 is provided in *Note 4.12 List of investments.*

In the course of the normal business activities, all delivery and service transactions with non-consolidated entities are carried out under the terms and conditions normal in the market as also customary with non-related third parties.

The Company generated revenues with the following companies during the financial year:

Name (KEUR)	Revenues from sales and services	Income from recharging personnel expenses	Other income	Expense from services received	Net
Premus Logistik & Service GmbH	0	87	11	−1,483	−1,385
X-Online GmbH	0	5	0	0	5
Spox Media GmbH	1	0	4	−35	−30
Total	**1**	**92**	**15**	**−1,517**	**−1,410**

Please refer with regard to the compensation of the management board and the supervisory board to *Note 4.8 Compensation of the Management Board and the Supervisory Board.*

4.5 Contingent liabilities and assets pledged as security

The new debt financing is secured by all significant assets of Premiere AG and Premiere Fernsehen KG, especially by all the limited partners' interests in Premiere Fernsehen KG, the interests in Premiere Austria, bank accounts of Premiere AG and Premiere Fernsehen KG, the entire trade receivables, especially the subscriber receivables and the sales proceeds for the subscriber base, the rights to the trademarks of Premiere and the marketing rights for the entire current and future film assets.

In order to secure open receivables under finance leases for receivers, the claims against the subscribers relating to the receivers, especially the rights of recovery of the receivers from the subscribers and the rentals for provision of the receivers, have been assigned to the lessors.

In order to secure open receivables under finance leases for pay-TV equipment, the future revenues from the provision of the pay-TV equipment have generally been assigned to the lessors.

4.6 Litigation

Neither Premiere AG nor any of its subsidiaries are currently engaged in a pending court or arbitration proceedings that could have a significant impact on the financial position or results of operations of the Group.

4.7 Other financial commitments

The Group's other contractual commitments to purchase goods or services in the future as of December 31, 2007 were as follows:

(KEUR)	due in 2008	due in 2009-2012	due from 2013	Total 12/31/07
Film licenses	121,787	128,992	0	**250,779**
Sport licenses	335,818	228,958	0	**564,776**
Partner channels	104,376	145,130	0	**249,506**
Purchase commitments for receivers	3,016	13,673	800	**17,488**
Miscellaneous	121,194	356,768	67,669	**545,631**
Total	**686,190**	**873,521**	**68,469**	**1,628,180**

The Group's other contractual commitments to purchase goods or services in the future as of December 31, 2006 were as follows:

(KEUR)	due in 2007	due in 2008-2011	due from 2012	Total 12/31/06
Film licenses	119,698	215,264	7,525	**342,487**
Sport licenses	186,304	276,723	0	**463,027**
Partner channels	104,328	170,607	10,031	**284,966**
Purchase commitments for receivers	52,560	11,626	5,400	**69,586**
Miscellaneous	65,832	172,511	44,554	**282,897**
Total	**528,722**	**846,731**	**67,510**	**1,442,963**

The other financial commitments for purchase sport and film licenses and for the partner channels result from medium and long-term contracts.

The miscellaneous other financial commitments comprise agreed future purchases for administration or sales, agreed fees for marketing services and obligations for sport fees and sport productions.

Future commitments under non-cancelable operating leases are as follows:

(KEUR)	due in 2008	due in 2009-2012	due from 2013	Total 12/31/07
Network operators and transponder rents	87,782	320,505	127,840	**536,127**
Office buildings	6,143	20,962	74,577	**101,683**
Motor vehicles	915	943	0	**1,858**
Technical office equipment	90	59	0	**149**
Total	**94,931**	**342,470**	**202,417**	**639,817**

The future commitments under non-cancelable operating leases as of December 31, 2006 were as follows:

(KEUR)	due in 2007	due in 2008-2011	due from 2012	Total 12/31/06
Network operators and transponder rents	99,452	238,928	153,049	**491,429**
Office buildings	5,737	16,384	0	**22,121**
Motor vehicles	869	550	0	**1,419**
Technical office equipment	63	38	0	**101**
Total	**106,121**	**255,900**	**153,049**	**515,070**

The commitments for network operators and transponder rents reflect the future payments for transmission costs. Transmission costs comprise fees paid to cable operators for broadcasting Premiere's programming, transponder costs, encrypted access and satellite uplink costs, as well as all other transmission costs. Satellite transponder costs are generally fixed, and payable in monthly installments. Transmission fees paid to cable operators generally have both fixed and variable elements that vary with the revenues generated with the subscribers. Encrypted access costs are based on the number of subscribers.

The expenses recognized in the statement of operations for operating leases amount to KEUR 51,056 (1/1/-12/31/06: KEUR 46,123).

4.8 Compensation of the management board and the supervisory board

The members of the management board and the supervisory board received the following compensation for the financial year:

(KEUR)	Fixed compensation	Performance-related compensation	Other compensation	Total 2007
Management board				
Dr. Georg Kofler	1,000	0	10	1,010
Michael Börnicke	743	0	38	781
Carsten Schmidt	500	0	8	508
Hans Seger	493	0	3	497
Alexander Teschner	133	0	3	136
Total management board	**2,870**	**0**	**62**	**2,932**
Supervisory board				
Rainer Großkopf	69	0	11	79
Richard Roy	56	0	11	67
Dr. Stefan Jentzsch	38	0	11	48
Total supervisory board	163	0	32	194
Total	**3,032**	**0**	**93**	**3,126**

The compensation in the previous year was as follows:

(KEUR)	Fixed compensation	Performance-related compensation	Other compensation	Total 2006
Management board				
Dr. Georg Kofler	1,500	0	12	1,512
Michael Börnicke	615	0	33	648
Carsten Schmidt	375	0	9	384
Hans Seger	440	0	17	457
Markus Schmid	204	0	1,439	1,643
Hans Mahr	92	0	2,217	2,309
Total management board	**3,226**	**0**	**3,727**	**6,953**
Supervisory board				
Rainer Großkopf	41	0	11	52
Richard Roy	34	0	11	44
Dr. Stefan Jentzsch	23	0	9	32
Total supervisory board	98	0	30	128
Total	**3,324**	**0**	**3,757**	**7,081**

All management board and supervisory board compensation is of a short-term nature.

No performance-related compensation was paid to the management board for the financial year.

The other management board compensation for the previous year included termination benefits of KEUR 3,642 paid to members of the management board. The termination agreements contained comprehensive non-competition clauses. The non-competition clause for one member of the management board was partially rescinded during the financial year and the agreed severance payment was reduced by KEUR 300 in connection with this. No termination benefits were granted during the financial year. The remaining other management board compensation mainly comprises benefits in kind and payments in lieu of vacation.

Pension promises to members or former members of the management board do not generally exist. A pension promise exists for Mr. Alexander Teschner, which is however not being continued following his appointment to the management board. The vested pension expectancy earned by him until then has been frozen.

The fixed compensation of the supervisory board comprises fixed elements and a compensation component for the work in the presidial and audit committees. The other supervisory board compensation comprises attendance fees for the meetings of the supervisory board.

Dr. Georg Kofler's appointment to the management board was terminated amicably as of August 31, 2007. The former CFO, Michael Börnicke, was appointed CEO with effect from September 1, 2007. Similarly with effect from September 1, 2007, Alexander Teschner joined the board as the new CFO for a term of three years.

4.9 Number of employees

The average number of employees broken down by functional areas is as follows:

	2007	2006
Service Center	321	323
Sales/Marketing/Communications	436	388
Service	0	63
Programm/ Sport production	155	150
Management/Administration	190	181
Technical	27	33
IT	17	20
Other	2	10
Total	**1,148**	**1,168**

The number of employees has been converted to full-time equivalents.

4.10 Fees of the external auditors

Fees of KEUR 977, which were made up as follows, were incurred and recorded as expense in the financial year:

Audit of financial statements	KEUR 330
Other assurance or valuation services	KEUR 294
Tax consultancy services	KEUR 252
Other services	KEUR 101

4.11 Declaration of compliance with the German Corporate Governance Code in accordance with § 161 AktG

The declaration of compliance dated March 1, 2007 was made available to all stockholders on Premiere AG's website (www.info.premiere.de).

4.12 List of investments

In addition to the parent company, the following companies have been included in the consolidated financial statements. The disclosures on equity and annual earnings have been determined in accordance with German GAAP.

Name	Registered office	Equity at 12/31/07 (KEUR)	Annual earnings 2007 (KEUR)	Investment holding (%)
1. Subsidiaries				
Premiere Fernsehen GmbH & Co. KG	Unterföhring	374,368	−220,519	100
AFV Abonnementfernsehen Verwaltungs-GmbH	Unterföhring	4	1	100
Premiere WIN Fernsehen GmbH	Unterföhring	−2,246	74	100
SCAS Satellite CA Services GmbH	Unterföhring	18	0	100
Premiere Fernsehen GmbH	Vienna, Austria	−15,169	−1,368	100
BLUE MOVIE Vertriebs GmbH i.L.	Vienna, Austria	32	−3	100
Premiere Service Center Schwerin GmbH	Schwerin	171	0	100
Primus Sport GmbH & Co. KG	Unterföhring	14	−10	100
Primus Sport Verwaltungs-GmbH	Unterföhring	−5	−8	100
Roombase Beteiligungs Holding GmbH	Unterföhring	−137	−62	100
Roombase Beteiligungsgesellschaft I mbH i.L.	Unterföhring	79	−1	100
Roombase Beteiligungsgesellschaft II mbH i.L	Unterföhring	447	7	100
Roombase Networks Limited	Nicosia, Cyprus	164	47	97.5
PR Beteiligungsgesellschaft München GmbH	Munich	805	55	100
Premiere Interactive GmbH	Unterföhring	11	−5	100
GIGA Digital Television GmbH	Cologne	1,540	−4,071*	100
Premiere on Demand GmbH	Unterföhring	12	−12	100
Blitz 07-784 GmbH	Munich	24	−1	100
Premiere Hotel Entertainment GmbH	Fürth	−662	−940	97.5
Premiere Star GmbH	Unterföhring	56	31	74.8
Premiere Star Österreich GmbH i. G.	Vienna, Austria	12	−23	74.8
Home of Hardware GmbH & Co KG	Westendorf	−226	−284*,[1]	65.0
Home of Hardware GmbH	Westendorf	22	−3	65.0
2. Investments accounted for at equity and other investments				
Spox Media GmbH	Munich	236	−1,294*	40.1
Premium Media Solutions GmbH	Unterföhring	22	7	24.8
Premus Logistik und Service GmbH	Unterföhring	1,264	1,241*	8.8
X-Online GmbH.	Unterföhring	11	−14	24.0
1.2.3.tv GmbH	Unterföhring	7,132	−1,530*	14.4
AFK Aus- und Fortbildungs GmbH für elektronische Medien[2]	Munich	1,372	−966	2.0

* Preliminary

[1] Relates to the abbreviated financial year of HoH from from July 1 to December 31, 2007

[2] The equity and the annual earnings of AFK Aus- und Fortbildungs GmbH für elektronische Medien are taken from that company's financial statements as of December 31, 2005.

4.13 Events after the balance sheet date

On January 7, 2008, the News Corporation Group acquired 14.58 percent of the capital stock of Premiere AG from Pictet & Cie., Banquiers, Geneva, Switzerland. According to the voting rights notification dated January 7, 2008, this interest is held indirectly by News Corporation, New York, USA, News Publishing Australia Limited, New York, USA, News America Incorporated, New York, USA, News Corp. Europe, Inc., New York, USA, and News Netherlands B.V., Naarden, Netherlands.

Prepared by the Management Board

Unterföhring, February 29, 2008

Michael Börnicke	Hans Seger
Carsten Schmidt	Alexander Teschner

Auditor's Report

We have issued the following unqualified auditor's report:

"Auditor's Report

We have audited the consolidated financial statements prepared by Premiere AG, Unterföhring, comprising the balance sheet, statement of operations, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, 6 February 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Kreher	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer

Audited financial statements (HGB) of Premiere AG for the financial year ending December 31, 2009

Sky Deutschland AG, Unterföhring
Balance sheet as of December 31, 2009

	31/12/09	31/12/08
	€	€
Assets		
A. Fixed assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets, and licenses for such rights and assets	0.00	1,304,640.00
2. Goodwill	2,853.14	3,203.66
	2,853.14	1,307,843.66
II. Property, plant and equipment		
1. Land, rights similar to land, and buildings, including buildings on land owned by others	5,213.00	31,720.00
2. Other plant, operational and office equipment	142,819.00	180,450.00
3. Advance payments and construction in progress	348,704.28	0.00
	496,736.28	212,170.00
III. Financial assets		
1. Interests in affiliated companies	811,554,000.00	975,154,000.00
2. Loans to affiliated companies	853,378,713.80	702,160,000.00
3. Investments	6,480.00	6,480.00
	1,664,939,193.80	1,677,320,480.00
	1,665,438,783.22	**1,678,840,493.66**
B. Current assets		
I. Film assets		
Advance payments made for sport rights	0.00	74,755,716.84
II. Receivables and other assets		
1. Trade receivables	1,170.53	9,383.39
2. Receivables from affiliated companies	12,371,982.08	19,695,495.00
3. Receivables from companies in which investments held	5,950.00	632,373.00
4. Other assets	735,609.19	385,668.89
	13,114,711.80	20,722,920.28
IV. Cash in hand and at banks	1,651,726.64	1,924,603.98
	14,766,438.44	**97,403,241.10**
C. Prepaid expenses	**6,188,613.56**	**295,642.66**
	1,686,393,835.22	**1,776,539,377.42**

	31/12/09	31/12/08
	€	€
Stockholders' equity and liabilities		
A. Stockholders' equity		
I. Subscribed Capital	490,147,144.00	112,460,000.00
II. Additional paid-in capital	1,492,649,942.25	1,420,337,085.93
III. Accumulated loss	−444,284,350.92	−90,891,464.47
	1,538,512,735.33	**1,441,905,621.46**
B. Provisions		
1. Provision for pensions and similar obligations	542,744.00	325,148.00
2. Other provisions	9,095,051.96	12,839,445.64
	9,637,795.96	**13,164,593.64**
C. Liabilities		
1. Bank loans and overdrafts	136,684,538.23	281,656,833.31
of which with a remaining term of over five years €133,419,950.04 (12/31/08: €0.00)		
of which with a remaining term of up to one year €3,264,588.19 (12/31/08: €281,656,833.31)		
2. Trade payables	282,579.91	4,660,041.86
of which with a remaining term of up to one year €282,579.91 (12/31/08: €4,660,041.86)		
3. Liabilities to affiliated companies	9,390.02	31,727,018.30
of which with a remaining term of up to one year €9,390.02 (12/31/08: €31,727,018.30)		
4. Other liabilities	1,266,795.77	3,425,268.85
of which with a remaining term of up to one year €1,266,795.77 (12/31/08: €3,425,268.85)		
of which taxes €1,243,245.77 (12/31/08: €3,405,719.80)		
of which social security €0 (12/31/08: €2,372.34)		
	138,243,303.93	**321,469,162.32**
	1,686,393,835.22	**1,776,539,377.42**

Sky Deutschland AG, Unterföhring
Statement of operations
for the year ended 31 December 2009

	2009	2008
	€	€
1. Revenues	185,336,139.55	353,861,436.01
2. Other operating income	1,084,781.03	2,844,876.47
	186,420,920.58	356,706,312.48
3. Cost of materials (Purchased services)	−164,762,739.13	−329,525,478.58
4. Personnel expenses		
a) Wages and salaries	−18,922,147.54	−17,277,852.47
b) Social security, pension and other benefit expenses	−2,401,754.50	−1,886,733.60
− of which for pensions €74,909.63 (2008: €69,201.22)		
	−186,086,641.17	−348,690,064.65
5. Amortisation and depreciation on intangible assets and property, plant and equipment	−1,413,884.04	−2,775,658.95
6. Other operating expenses	−38,080,364.58	−26,527,377.35
7. Income from loans reported under fixed assets of which from affiliated companies €47,353,943.00 (2008: €50,401,754.46)	47,353,943.00	50,401,754.46
8. Other interest and similar income of which from affiliated companies €62,896.69 (2008: €127,613.49)	330,746.00	416,297.21
9. Write-downs on financial assets of which affiliated companies €348,000,000.00 (2008: €0)	−348,000,000.00	0.00
10. Expenses for absorption of losses	−9,390.02	−9,061.25
11. Interest and similar expenses	−13,908,216.22	−29,513,480.21
12. Net loss for the year (2008: net income for the year)	**−353,392,886.45**	**8,721.74**
13. Loss brought forward	−90,891,464.47	−90,900,186.21
13. Accumulated loss	**−444,284,350.92**	**−90,891,464.47**

Sky Deutschland AG, Unterföhring

Notes to the financial statements for the financial year 2009

I. General information

The financial statements of Sky Deutschland AG, Unterföhring, (formerly Premiere AG; hereinafter referred to as "Sky AG"), as of 31 December, 2009 have been prepared in accordance with Section 264 (1) HGB [German Commercial Code] in conjunction with Section 267 (3) HGB on the basis of the regulations in the HGB on the accounting of large corporations, and the German Stock Companies Act.

The Company changed its name to Sky Deutschland AG by means of a resolution of the Annual General Meeting on 9 July 2009 (entered in the Commercial Register on 14 August 2009).

The Company was admitted for trading on the regulated market in the Prime Standard segment of the Frankfurt Stock Exchange with the commencement of trading in the Company's shares on 9 March 2005.

The presentation of the statement of operations follows the type of expenditure format in accordance with Section 275 (2) HGB.

The Company is responsible, as the managing holding company, for the strategic management of the Group, and is engaged in planning, consultative and management tasks and the purchase, sale and lending of transmission rights.

II. Accounting policies

Intangible assets are measured at cost and are amortised straight-line over their expected useful lives. The assets are amortised pro rata temporis in the year of acquisition.

Goodwill is amortised over an estimated useful life, which corresponds with the useful life of 15 years allowable for German tax purposes.

Items of **property, plant and equipment** are recognised at cost plus ancillary purchase costs, after allowances and discounts, less depreciation.

The straight-line method is generally used for the depreciation of moveable fixed assets over the expected useful life and is applied pro rata temporis in the acquisition or disposal year.

Minor value assets costing individually up to and including €150.00 are recorded directly as expense in the year acquired. Assets costing individually between €150.00 and €1,000.00 have accumulated since 1 January 2008 in an omnibus item and depreciated straight-line over five years

Interests in affiliated companies, loans to affiliated companies and investments are recognized under the **financial assets** at cost, taking into account necessary write-downs.

Film assets, which consist entirely of sport licenses, are recognised at cost plus ancillary acquisition costs. The utilisation of the rights is calculated straight-line, based on the actual number of days on which matches are transmitted during the financial year in relation to the total number of days on which matches are transmitted during the license period.

Receivables and other assets are measured at nominal value, whereby foreseeable specific risks are reflected by individual allowances.

Cash and cash equivalents are measured at nominal value.

Prepaid expenses are set up exclusively as prescribed by Section 250 HGB.

The **accruals for pension obligations** are based on the calculations of the present values in accordance with Section 6a German Income Tax Act, which were made following actuarial principles, taking into account the Heubeck "2005 G Mortality Tables" and a discounting rate of 6 percent p.a.

Other provisions are recognised at the amounts deemed necessary in accordance with business prudence. All foreseeable risks and uncertain obligations are taken into account.

Liabilities are recognised at their settlement amounts.

If the financial statements include amounts that are denominated in currency other than the euro, such amounts are valued in accordance with the prudence principle, in the case of liabilities at the exchange rate recorded in the books or the higher buying rate as of the balance sheet date and in the case of assets at the exchange rate recorded in the books or the lower selling rate as of the balance sheet date.

III. Explanatory comments on the individual captions in the balance sheet and statement of operations

(1) Balance sheet

(1.1) Fixed assets

The development of the fixed assets is presented separately on pages 17 and 18 of Appendix III.

Financial assets in accordance with § 285 No. 11 HGB	Holding	Equity as of 31/12/09	Annual earnings in 2009
	%	K€	K€
Direct holdings			
Sky Deutschland Fernsehen GmbH & Co. KG, Unterföhring*	100.0	−509,507	−630,364
Premiere WIN Fernsehen GmbH, Unterföhring*	100.0	−35	−2,262
Sky Deutschland Verwaltungs-GmbH, Unterföhring* (formerly AFV Abonnementfernsehen Verwaltungs-GmbH)	100.0	7	2
SCAS Satellite CA Services GmbH, Unterföhring**	100.0	18	0
X-Online GmbH, Unterföhring	24.0	5	−9
Indirect holdings			
Sky Österreich GmbH, Vienna/Austria* (formerly Premiere Fernsehen GmbH)	100.0	−21,124	−5,812
Sky Deutschland Service Center GmbH, Schwerin*** (formerly Premiere Service Center Schwerin GmbH)	100.0	171	0
Sky Creative Services GmbH, Munich***	100.0	5,125	0
GIGA Digital Television GmbH, Cologne*	100.0	−4,411	−2,802
Premiere Star Österreich GmbH, Vienna/Austria*	100.0	591	64
Sky Hotel Entertainment GmbH, Fürth* (formerly Premiere Hotel Entertainment GmbH)	97.5	−887	−803
Roombase Networks Limited, Nicosia/Cyprus*	97.5	368	141
Premium Media Solutions GmbH, Unterföhring*	24.8	176	154

* Earnings only provisional at time of preparing the notes

** After transfer of profits or losses to Sky AG

*** This company has concluded a profit and loss transfer agreement with Sky KG

Loans	Nominal amount 31/12/09	Nominal amount 31/12/08
	K€	K€
Sky Deutschland Fernsehen GmbH & Co. KG, Unterföhring	853,379	702,160

The investment in Sky Deutschland Fernsehen GmbH & Co. KG, Unterföhring, (formerly Premiere Fernsehen GmbH Co. KG, hereinafter referred to as Sky KG) was written down by K€348,000 (2008: K€0) to the lower market value under consideration of the prudence principle.

Sky AG is the sole limited partner in Sky KG and the sole stockholder of its general partner, Sky Deutschland Verwaltungs-GmbH, Unterföhring, (formerly AFV Abonnementfernsehen Verwaltungs-GmbH; hereinafter referred to as "Sky Verwaltung").

Furthermore, Sky AG is the sole stockholder in SCAS Satellite CA Services GmbH, Unterföhring (SCAS) and the sole stockholder in Premiere WIN Fernsehen GmbH, Unterföhring (Premiere WIN Fernsehen).

The loans comprise the interest-bearing loan granted on 11 March 2005 with addendums dated 13 December 2007 and 4 June 2009 to Sky KG, which has been used by the latter in an amount of K€549,698 (31/12/08: K€427,160). The loan was agreed for a fixed term of five years and will be extended in each case for six months if not terminated by giving two weeks' notice. In addition, the

loans comprise an interest-bearing loan of K€303,681 (31/12/08: K€275,000) granted in connection with the Bridge Facility.

(1.2) Film assets

The license rights to the first and second divisions of the German soccer Bundesliga for the 2008/2009 season and other sport rights were reported in the previous year in film assets (K€0; 31/12/08: K€74,756). The reduction is due to the expiration of the agreement dated 2 July 2007 with Arena Sport Rechte und Markting GmbH, Cologne, of the exclusive sublicense for the pay-TV rights to the first and second divisions of the German football Bundesliga for the 2007/2008 and 2008/2009 seasons and other rights at the end of season 2008/2009.

(1.3) Receivables and other assets

Receivables from affiliated companies primarily comprise short-term receivables of K€9,192 (31/12/08: K€15,044) from the loans granted to Sky KG, receivables of K€2.869 (31/12/08: K€3,704) primarily for management services rendered to Sky KG and receivables of K€311 (31/12/08: K€944) primarily for management services rendered to various other subsidiaries.

Other assets mainly consist of withholding tax receivables of K€340 (31/12/08: K€334), receivables of K€222 (31/12/08: K€0) for insurance benefits and creditor accounts with debit balances of K€85 (31/12/08: K€33).

The receivables and other assets have a remaining term of up to one year.

(1.4) Cash in hand and at banks

Cash in hand and at banks of K€1,652 (31/12/08: K€1,925) mainly comprises the credit balance of K€1.643 (31/12/08: K€1,916) at Bayerische Hypo- und Vereinsbank AG, Munich (HypoVereinsbank).

(1.5) Prepaid expenses

The prepaid expenses of K€6,189 (31/12/08: K€296) mainly relate to the deferral of an arrangement fee, structuring fee and waiver fee of K€5,837 (31/12/08: K€0) in connection with the loan agreement dated 22 December 2008 and amendments to the loan agreement in December 2009, and prepaid insurance premiums of K€285 (31/12/08: K€132).

(1.6) Stockholders' equity

(1.6.1) Changes in equity

The Company's equity developed during the year ended 31 December 2009 as follows:

	31/12/08	Increase in capital	Net loss for the year	31/12/09
	K€	K€	K€	K€
Subscribed capital	112,460	377,687		490,147
Additional paid-in capital	1,420,337	72,313		1,492,650
Accumulated loss	−90,891		−353,393	−444,284
Total stockholders' equity	1,441,906	450,000	−353,393	1,538,513

(1.6.2) General comments

Sky AG's subscribed capital on 31 December amounts to K€490,147. It is divided into 490,147,144 registered shares with no par value; each share of no par value has an interest of €1.00 in the capital stock.

Additional paid-in capital amounts as of the balance sheet date to K€1,492,650 (31/12/08: K€1,420,337), of which K€856,574 (31/12/08: K€784,261) is not available for distribution.

(1.6.2.1) Equity measures in 2009

	Subscribed capital	Additional paid-in capital
	K€	K€
Increase in capital on 14 January 2009	10,224	28,217
Increase in capital on 22 April 2009	367,463	44,096
	377,687	72,313

An integral part of the agreement with regard to a new financing structure with the banking syndicate and News Corporation were two capital increases. Sky AG and Sky KG received a long-term credit facility of €525 million, on condition that new equity of €450 million was injected into the company through these capital increases.

The first capital increase was carried out on 14 January 2009 through the issuance of 10,223,636 registered no-par-value shares, each with an imputed interest in the subscribed capital of €1.00, for a contribution in cash, whereby Sky stockholders were granted a subscription right. The shares were placed at a price of €3.76 per share. The proceeds from the capital increase amounted to K€38,441.

The second capital increase was resolved by the stockholders of Sky AG at the extraordinary general meeting on 26 February 2009 and was entered in the Commercial Register on 3 April 2009. The management board of Sky AG set the subscription price for the new shares with the approval of the supervisory board on 5 April 2009 at €1.12. For this price, News Corp had promised its support for the capital increase by issuing a placement guarantee, to which certain conditions are attached.

The second capital increase was carried out on 22 April 2009 through the issuance of 367,463,508 registered no-par-value shares, each with an imputed interest in the subscribed capital of €1.00, for a contribution in cash, whereby Sky stockholders were granted a subscription right. The shares were placed at a price of €1.12. The proceeds from the capital increase amounted to K€411,559.

(1.6.2.2) Authorised capital (not issued)

Following the capital increase on 14 January 2009, the authorised capital granted in the amount of K€41,000 on the basis of the resolution of the Annual General Meeting on 17 May 2006 remained at K€316.

The authorised capital 2006 authorised to the management board at the Annual General Meeting on 17 May 2006 was revoked at the Annual General Meeting on 9 July 2009.

At the same time, the management board was empowered to increase the company's subscribed capital by up to K€147,044 with the approval of the supervisory board through 8 July 2014 by issuing new registered shares with no par value on one or several occasions in return for contributions in cash or in kind (authorised capital 2009).

Under the date of 18 January 2010, the management board of Sky AG resolved with the approval of the supervisory board a capital increase of up to K€49,015 in return for contributions in cash by issuing up to 49,014,714 new registered shares excluding subscription rights to the stockholders.

The capital increase was carried out and entered in the Commercial Register on 21 January 2010 by issuing 49,014,714 registered shares with no par value each with an imputed interest in the subscribed capital of €1.00 in return for a contribution in cash. The shares were placed at a price of €2.25 per share. The proceeds from the capital increase amounted to K€110,283.

The shares were subscribed entirely by News Adelaide Holdings B.V., Amsterdam, Netherlands, which accordingly increased its interest from 39.96 percent to 45.42 percent.

Following the aforementioned capital increase, the remaining authorised capital on the basis of the resolution of the Annual General Meeting on 9 July 2009 of K€147,044 amountes to K€98,029.

(1.6.2.3) Conditional capital

On the basis of a resolution of the Annual General Meeting on 17 May 2006, the Company's capital stock was increased conditionally by up to K€8,200 by issuing up to 8,200,000 new registered ordinary shares of no par value. The sole purpose of the conditional capital is to grant new shares to the holders of convertible or option bonds, which are issued, in accordance with the above-

mentioned empowering resolution, by Sky AG or by companies in which Sky AG holds direct or indirect majority investments. The conditional capital increase will only be carried out to the extent that the holders of convertible or option bonds exercise their conversion or option rights or fulfill conversion obligations under such bonds.

(1.6.2.3) Purchase and sale of treasury stock

The Annual General Meeting on 12 June 2008 empowered Sky AG's management board to buy back up to 10 percent of the subscribed capital that existed at the time of the resolution. The power could be exercised in full or in partial amounts, on one or several occasions, in the pursuit of one or several purposes, by the Company, by its group companies or by a third party acting on its behalf. The power was granted until 11 December 2009.

(1.6.3) Reportable investment holdings in accordance with Section 21 (1) Securities Trading Act and Section 20 (1) German Stock Companies Act

Sky AG receives a notification in accordance with Section 21 Securities Trading Act if a notifying party reaches, exceeds or falls below the thresholds of 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights in Sky AG. Sky AG received the following notifications during the past financial year:

Notifying party	Date achieved, exceeded or fallen below	Threshold achieved, exceeded or fallen below
FIL Investment Management Limited, Hildenborough, Kent, England / FIL Limited, Hamilton HMCX, Bermuda / FIL Investments International, Hildenborough, Kent, England	14 January 2009	< 3 percent to 2.81 percent
Odey Asset Management LLP, London, Great Britain	21 January 2009	> 10 percent to 10.11 percent
Odey European Inc., George Town, Grand Cayman, Cayman Islands	21 January 2009	> 3 percent to 4.43 percent
Taube Hodson Stonex Partners Limited, London, Great Britain / THSP Limited, London, Great Britain	31 March 2009	< 3 and 5 percent to 0.00 percent
Taube Hodson Stonex Partners LLP., London, Great Britain	31 March 2009	> 3 and 5 percent to 5.08 percent
Eton Park Overseas Fund, Ltd., Grand Cayman, Cayman Islands / Eton Park Master Fund, Ltd., Grand Cayman, Cayman Islands	7 April 2009	< 3 percent to 2.41 percent
News Adelaide Holdings B.V., Amsterdam, Netherlands / News Corporation, New York, USA / News Publishing Australia Limited, New York, USA / News America Incorporated, New York, USA / News Corp. Europe, Inc., New York, USA / News Netherlands B.V., Naarden, Netherlands	23 April 2009	> 30 percent to 30.50 percent
Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, Germany / UniCredit S.p.A., Rome, Italy	22 April 2009	> 3, 5, 10, 15, 20 and 30 percent to 37.50 percent
Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, Germany / UniCredit S.p.A., Rome, Italy	23 April 2009	< 3, 5, 10, 15, 20 and 30 percent to 0.01 percent
The Royal Bank of Scotland Group plc, Edinburgh, Great Britain / RFS Holdings B.V., Amsterdam, Netherlands / ABN AMRO Holding N.V., Amsterdam, Netherlands / ABN AMRO Bank N.V., Amsterdam, Netherlands	22 April 2009	> 3, 5, 10, 15, 20 and 30 percent to 37.49 percent
The Royal Bank of Scotland Group plc, Edinburgh, Great Britain / RFS Holdings B.V., Amsterdam, Netherlands / ABN AMRO Holding N.V., Amsterdam, Netherlands / ABN AMRO Bank N.V., Amsterdam, Netherlands	23 April 2009	< 3, 5, 10, 15, 20 and 30 percent to 0.00 percent
Fininvest S.p.A., Rome, Italy / Mr Silvio Berlusconi, Italy / Holding Italiana Prima S.p.A., Milan, Italy / Holding Italiana Seconda S.p.A., Milan, Italy / Holding Italiana Terza S.p.A., Milan, Italy / Holding Italiana Ottava S.p.A., Milan, Italy	22 April 2009	< 3 percent to 2.517 percent
Eric M. Mindich, USA / Eton Park Capital Management, L.L.C., New York, USA / Eton Park Capital Management, L.P., New York, USA / Eton Park Capital Limited, London, Great Britain / Eton Park International LLP, London, Great Britain	20 May 2009	< 3 percent to 2.54 percent

Notifying party	Date achieved, exceeded or fallen below	Threshold achieved, exceeded or fallen below
Classic Fund Management Aktiengesellschaft, Vaduz, Duchy of Liechtenstein	11 August 2009	< 3 percent to 2.99 percent
Taube Hodson Stonex Partners LLP, London, Great Britain	1 September 2009	< 5 percent to 4.73 percent
Taube Hodson Stonex Partners LLP, London, Great Britain	16 October 2009	> 5 percent to 5.02 percent
db x-trackers SICAV, Luxembourg, Luxembourg	19 October 2009	> 3 percent to 3.009 percent
db x-trackers SICAV, Luxembourg, Luxembourg	6 November 2009	< 3 percent to 0.997 percent
Threadneedle Asset Management Limited, London, Great Britain / Threadneedle Asset Management Holdings Limited, London, Great Britain / Threadneedle Asset Management Holdings SARL, London, Great Britain /Ameriprise Financial Inc., Minneapolis, USA	6 November 2009	> 3 percent to 3.0091 percent
BlackRock Financial Management, Inc., New York, USA / BlackRock Holdco 2, Inc., New York, USA / BlackRock, Inc., New York, USA	1 December 2009	> 3 percent to 3.26 percent
Threadneedle Asset Management Limited, London, Great Britain / Threadneedle Asset Management Holdings Limited, London, Great Britain / Threadneedle Asset Management Holdings SARL, London, Great Britain /Ameriprise Financial Inc., Minneapolis, USA	3 December 2009	< 3 percent to 2.911 percent
Taube Hodson Stonex Partners LLP, London, Great Britain	8 December 2009	< 5 percent to 4.93 percent
Threadneedle Asset Management Limited, London, Great Britain / Threadneedle Asset Management Holdings Limited, London, Great Britain / Threadneedle Asset Management Holdings SARL, London, Great Britain /Ameriprise Financial Inc., Minneapolis, USA	9 December 2009	> 3 percent to 3.444 percent
Taube Hodson Stonex Partners LLP., London, Great Britain	11 December 2009	> 5 percent to 5.01 percent

(1.6.4) Accumulated loss

This caption includes the loss brought forward of K€90,891 (31/12/08: K€90,900) from the years from 2003 through 2008. The 2009 net loss of K€353,393 (31/12/08: net income of K€9) was reclassified to accumulated loss.

(1.7) Provisions

The provision for pensions are based on the calculations of present value in accordance with Section 6a German Income Tax Act, which were made following actuarial principles, taking into account the Heubeck "2005 G Mortality Tables" and a discounting rate of 6 percent p.a. These calculations resulted in an provision of K€543 in the reporting period (31/12/08: K€325).

Other provisons are made up as follows:

	31/12/09 K€	31/12/08 K€
Outstanding invoices	4,783	9,695
Special payments/bonuses	1,710	973
Sport licenses	1,367	0
Outstanding vacation	528	537
Other employee-related provisions	707	1,634
	9,095	12,839

(1.8) Liabilities

	Total 31/12/09	Remaining term		Total 31/12/08
		< 1 year	1 to 5 years	
	K€	K€	K€	K€
Bank loans and overdrafts	136,685	3,265	133,420	281,657
Trade payables	282	282	0	4,660
Liabilities to affiliated companies	9	9	0	31,727
Other liabilities	1,267	1,267	0	3,425
	138,243	4,823	133,420	321,469

The reduction in bank loans and overdrafts from K€281,657 as of 31 December 2008 to K€136,685 as of 31 December 2009 is due primarily to the repayment of the Bridge Facility including the capitalized interest (through 22 April 2009) of K€288,887 and from taking up the new financing of K€131,000.

The trade payables of K€282 (31/12/08: K€4,660) primarily comprise consulting fees. In the previous year, they included K€2,500 for naming rights.

Liabilities to affiliated companies of K€9 (31/12/08: K€31,727) comprise a liability under the control and profit and loss transfer agreement dated 4 February 2005 with SCAS. In the previous year, the advance payment of KEUR 31,723 received by Sky KG for the German soccer Bundesliga rights and other sport rights were reported under this caption.

Other liabilities comprise tax liabilities for value added tax of K€682 (31/12/08: K€2,992) and wage tax of K€561 (31/12/08: K€414).

(1.9) Other contingent liabilities and other financial commitments

(1.9.1) Pledge of interests in companies and limited partnerships and other assets

The corporate financing is secured by the pledging of the interests in Sky Verwaltung, the limited partnership interests in Sky KG, the pledging of Sky AG's bank account, and the assignment of loans to group companies.

(1.9.2) Other financial commitments

As of 31 December 2009, other financial commitments relate in particular to leases, financing costs and leasing agreements for company cars:

	31/12/09	31/12/08
	K€	K€
Rents (office building)	92,803	91,716
Financing costs	11,272	15,477
Leasing agreements	975	850
Sport licenses	0	92,507
Other	23	91
	105,073	200,641
(of which payable to affiliated companies)	2,013	2,989

Of the total amount, K€3,344 is due in 2010.

An exit fee of 4.0 percent of the positive consolidated EBITDA in accordance with IFRS for the financial year 2013 that is due at the end of the loan financing term on 31 December 2013 was not recognised as of 31 December 2009 because the obligation cannot be determined sufficiently reliably at the present time.

(1.9.3) Other contingent liabilities

In a letter of comfort dated 20 December 2006, Sky AG promised to provide Sky Hotel Entertainment GmbH, Fürth, (formerly Premiere Hotel Entertainment GmbH; hereinafter referred to as "Sky Hotel") with adequate funds at all times.

In a further letter of comfort dated 9 February 2006, Sky AG promised to provide Premiere WIN Fernsehen with adequate funds at all times.

Furthermore, Sky AG subordinated its receivables from Premiere WIN Fernsehen up to the amount of the loan of K€1,241 granted to that company, with a subordination agreement dated 11 January 2007.

(2) Statement of operations

(2.1) Revenues

The revenues mainly comprise income of K€167,963 (2008: K€335,927) from sport licenses and of K€17,363 (2008: K€17,925) for management services billed by Sky AG to its subsidiaries.

(2.2) Other operating income

	2009	2008
	K€	K€
Proceeds from the release of provisions	761	430
Income from reimbursement of costs	222	1,059
Income from prior years	57	1,110
Sundry income	45	246
	1,085	2,845

(2.3) Cost of materials

Cost of materials comprises the cost of K€164,763 (2008: K€329,525) for the sport licenses.

(2.4) Personnel expenses

	2009	2008
	K€	K€
Wages and salaries	18,922	17,278
Social security	2,327	1,818
Pension expenses	75	69
	21,324	19,165

(2.5) Amortisation and depreciation on intangible assets and property, plant and equipment

	2009	2008
	K€	K€
Amortisation on intangible assets	1,305	2,629
Depreciation on property, plant and equipment	99	134
Write-off of minor value assets	10	13
	1,414	2,776

(2.6) Other operating expenses

	2009	2008
	K€	K€
Bank commissions	18,762	0
Legal and professional fees	13,535	14,836
Facility costs	1,472	1,452
Traveling and out-of-pocket expenses	1,004	775
Advertising expenses and other services	928	1,007
Prior period expenses	454	1,829
Other personnel expenses	447	609
Loss on disposal of financial assets	0	4,564
Sundry operating expenses	1,478	1,455
	38,080	26,527

(2.7) Income from loans reported under financial assets

The income of K€47,354 (2008: K€50,402) from loans comprises interest on the loan to Sky KG.

(2.8) Other interest and similar income

The interest income of K€331 (2008: K€416) mainly comprises interest of K€246 (2008: K€0) on delayed payments.

(2.9) Write-downs on financial assets

The investment in Sky KG was written down by K€348,000 (2008: K€0) to the lower market value under consideration of the prudence principle.

(2.10) Expenses for absorption of losses

A loss of K€9 (2008: K€9) was taken over from SCAS as a result of the control and profit and loss transfer agreement dated 4 February 2005.

(2.11) Interest and similar expenses

The interest expense for the past financial year of K€13,908 (2008: K€29,513) mainly relates to interest of K€13.905 (2008: K€29,511) on the long-term corporate financing.

(2.12) Prior period items

	2009	2008
	K€	K€
Prior period income		
Proceeds from the release of other provisions	761	430
Other income from prior years	57	1,110
	818	1,540
Prior period expenses		
Other expenses for prior years	−454	−1,829
Prior period items	364	−289

IV. Other disclosures

(1) Average number of employees

The Company had an average of 192 employees during the past financial year (2008: 195), of whom 176 (2008: 185) were in the management / administration area and 16 (2008: 10) were in sales / marketing / communications. The number of employees has been converted to full-time equivalents.

(2) Management board

The members of the management board during the past financial year were:

Mark Williams, Chairman of the board, Chief Executive Officer (CEO), London, Great Britain;
Mark Williams is a member of the following further controlling bodies:
Non-executive director of SKY Italia S.r.l., Rome, Italy.

Dr. Holger Enßlin, Chief Legal & Regulatory Affairs Officer, Deisenhofen;
Dr. Holger Enßlin is a member of the following further controlling bodies:
Member of the management board of GVU Gesellschaft zur Verfolgung von Urheberrechtsverletzungen e.V., Berlin.

Pietro Maranzana, Chief Financial Officer, Munich;
Since 1 June, 2009 (entered in the Commercial Register on 23 June 2009).

Carsten Schmidt, Chief Sports & New Business Officer, Munich.

Hans Seger, Chief Fiction & Special Interest Officer, Esslingen
until 31 January 2009 (entered in the Commercial Register on 9 February 2009).

Mark Williams has resigned as chairman of the management board as of 31 March 2010 for personal reasons. On 2 December 2009, the supervisory board appointed Brian Sullivan deputy chairman of the management board with effect from 1 January 2010. Brian Sullivan will work initially in this function for three months alongside Mark Williams, before becoming the new chairman of Sky AG's management board with effect from 1 April 2010.

Management board compensation	Fixed compensation	Performance-related compensation	Other compensation	Total for 2009
	K€	K€	K€	K€
Mark Williams	1,310	1,471	644	3,425
Dr. Holger Enßlin	300	101	26	427
Pietro Maranzana	140	35	122	297
Carsten Schmidt	600	147	41	788
Hans Seger	50	0	−15	35
	2,400	1,754	818	4,972

All compensation of the management board is short-term. Other compensation also includes fringe benefits. No components with a long-term incentive effect within the meaning of § 285 No. 9a Sentence 5 HGB were granted for the past financial year.

An amount of K€344 could be released to income in 2009 from the provison for management board compensation as of 31 December 2008 for Michael Börnicke.

Please refer for further details on the compensation system to the management report.

(3) Supervisory board

The members of the supervisory board during the financial year were as follows:

Markus Tellenbach, businessman, (since 18 March 2009 chairman);
Markus Tellenbach is a member of the following further controlling bodies:
Board of directors of Convers Media Services Ltd., Zurich, Switzerland;
President and CEO of TVN S.A, Warsaw, Poland (since September 2009).

Thomas Mockridge, businessman, (since 9 July 2009 deputy chairman);
Thomas Mockridge is a member of the following further controlling bodies:
Board of Directors of News Corporation Europe Inc., Delaware, USA;
Board of Directors (CEO) of SKY Italia S.r.l., Rome, Italy;
Board of Directors (Chairman and CEO) of TeleCare S.r.l., Rome, Italy;
Board of Directors (Chairman and CEO) of Telepiù S.r.l., Rome, Italy;
Board of Directors (Chairman) of Balkan News Corporation EAD, Sofia, Bulgaria,
Supervisory Council (Chairman) of AS "Latvijas Neatkariga Televizija", Riga, Latvia,
Management Board (Chairman) of SIA "TV RIGA", Riga, Latvia,
Board of Directors of News Netherlands B.V., Amsterdam, Netherlands,
Board of Directors News Adelaide Holdings B.V., Amsterdam, Netherlands,
Management Board (CEO) of Alliance Yapim Limited Sirketi, Istanbul, Turkey (CEO since August 2009)
Board of Directors of British Sky Broadcasting Group plc, Middlesex, Great Britain, (since February 2009),
Board of Directors (Chairman) of Huzur Radyo TV Anonim Sirketi, Istanbul, Turkey, (since February 2009).

Dr. Stefan Jentzsch, Partner in Perella Weinberg Partners LLP, London, Great Britain;

Dr. Stefan Jentzsch is a member of the following further controlling bodies:
Member of the supervisory board of adidas AG, Herzogenaurach.

The following new members were elected to the supervisory board until the end of the 2013 Annual General Meeting, in addition to the confirmed persons, at the Annual General Meeting of Sky AG on 9 July 2009:

Mark Kaner, President of 20th Century Fox Television Distribution Los Angeles, USA

Mark Kaner is a member of the following further controlling bodies:
Board of Directors (CEO) of SKY Italia S.r.l., Rome, Italy;

Guillaume de Posch, Consultant to Antenna TV SA, Athens, Greece;

Steven Tomsic, Head of Corporate Financing and Planning, Europe and Asia, News Corporation, London, Great Britain

The following members resigned from the supervisory board during the reporting period:
Rainer Großkopf, management consultant (resigned with effect from 3 February 2009), (from 1 January to 3 February chairman);

Hans Seiler (from 5 February to 9 July 2009);

Richard Roy, management consultant (resigned with effect from 9 July 2009),
(from 1 January to 4 February and from 18 March to 9 July 2009 deputy chairman);

Mark Williams (his seat on the supervisory board has been suspended since 10 September 2008)

The compensation of the supervisory board in the past financial year amounted to K€297 (2008: K€245).

(4) Fees of the external auditors

Fees of K€501 (2008: K€370) were incurred and recorded as expense in the past financial year, which were made up as follows:

- Audit of the financial statements: K€106
- Other assurance or valuation services: K€208
- Tax consultancy services: K€29
- Other services: K€158

(5) Declaration of compliance with the Corporate Governance Codex in accordance with Section 161 Stock Companies Act

The management board and supervisory board of Sky AG declare in accordance with Section 161 Stock Companies Act that the recommendations of the Government Commission on the German Corporate Governance Codex that were published in the official section of the Electronic Federal Gazette in the version dated 18 June 2009 have been and will be adhered to. The declaration of compliance has been made available to the stockholders on a permanent basis in accordance with Section 285 No. 16 HGB on the internet page.

(6) Membership of a group

Sky AG (HR B 154549 at the Municipal and Register Court in Munich), as the parent company, prepares consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and a group management report, in which it includes all subsidiaries that have to be consolidated. These consolidated financial statements fulfill the requirements of Section 315a (1) HGB.

The consolidated financial statements and the group management report of Sky AG for the financial year 2009 will be filed with the operator of the Electronic Federal Gazette and will be available via the German Companies Register's internet page.

Unterföhring, 29 January 2010

Mark Williams	Brian Sullivan
Dr. Holger Enßlin	Pietro Maranzana
Carsten Schmidt	

Sky Deutschland AG, Unterföhring

Development of the fixed assets in 2009

	Cost				Amortisation, depreciation and write-downs				Residual book values	
	1/1/09	Additions	Disposals	31/12/09	1/1/09	Additions	Disposals	31/12/09	31/12/09	31/12/08
	€	€	€	€	€	€	€	€	€	€
I. *Intangible assets*										
1. Industrial property rights and similar rights and assets, and licenses for such rights and assets	5,142,680.56	0.00	5,000,000.00	142,680.56	3,838,040.56	1,304,640.00	5,000,000.00	142,680.56	0.00	1,304,640.00
2. Goodwill	5,406.04	0.00	0.00	5,406.04	2,202.38	350.52	0.00	2,552.90	2,853.14	3,203.66
	5,148,086.60	0.00	5,000,000.00	148,086.60	3,840,242.94	1,304,990.52	5,000,000.00	145,233.46	2,853.14	1,307,843.66
II. *Property, plant and equipment*										
1. Land, rights similar to land, and buildings, including buildings on land owned by others	245,688.25	0.00	0.00	245,688.25	213,968.25	26,507.00	0.00	240,475.25	5,213.00	31,720.00
2. Other plant, operational and office equipment	642,730.01	44,947.52	5,461.00	682,216.53	462,280.01	82,386.52	5,269.00	539,397.53	142,819.00	180,450.00
3. Advance payments and construction in progress	0.00	348,704.28	0.00	348,704.28	0.00	0.00	0.00	0.00	348,704.28	0.00
	888,418.26	393,651.80	5,461.00	1,276,609.06	676,248.26	108,893.52	5,269.00	779,872.78	496,736.28	212,170.00
III. *Financial assets*										
1. Interests in affiliated companies										
Sky Deutschland Verwaltungs-GmbH	27,000.00	0.00	0.00	27,000.00	0.00	0.00	0.00	0.00	27,000.00	27,000.00
Sky Deutschland Fernsehen GmbH & Co. KG	975,100,000.00	184,400,000.00	0.00	1,159,500,000.00	0.00	348,000,000.00	0.00	348,000,000.00	811,500,000.00	975,100,000.00
SCAS Satellite CA Services GmbH	27,000.00	0.00	0.00	27,000.00	0.00	0.00	0.00	0.00	27,000.00	27,000.00
Premiere WIN Fernsehen GmbH	5,052,000.00	0.00	0.00	5,052,000.00	5,052,000.00	0.00	0.00	5,052,000.00	0.00	0.00
	980,206,000.00	184,400,000.00	0.00	1,164,606,000.00	5,052,000.00	348,000,000.00	0.00	353,052,000.00	811,554,000.00	975,154,000.00
2. Loans to affiliated companies										
Sky Deutschland Fernsehen GmbH & Co. KG	702,160,000.00	428,081,213.80	276,862,500.00	853,378,713.80	0.00	0.00	0.00	0.00	853,378,713.80	702,160,000.00
	702,160,000.00	428,081,213.80	276,862,500.00	853,378,713.80	0.00	0.00	0.00	0.00	853,378,713.80	702,160,000.00
3. Investments										
X-Online GmbH	6,480.00	0.00	0.00	6,480.00	0.00	0.00	0.00	0.00	6,480.00	6,480.00
	6,480.00	0.00	0.00	6,480.00	0.00	0.00	0.00	0.00	6,480.00	6,480.00
	1,682,372,480.00	612,481,213.80	276,862,500.00	2,017,991,193.80	5,052,000.00	348,000,000.00	0.00	353,052,000.00	1,664,939,193.80	1,677,320,480.00
	1,688,408,984.86	**612,874,865.60**	**281,867,961.00**	**2,019,415,889.46**	**9,568,491.20**	**349,413,884.04**	**5,005,269.00**	**353,977,106.24**	**1,665,438,783.22**	**1,678,840,493.66**

Auditor's report

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes to the financial statements – together with the bookkeeping system of Sky Deutschland AG (until August 13, 2009: Premiere AG), Unterföhring, and its report on the position of the Company and the Group for the business year from January 1 to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Management Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § [Article] 317 HGB ["Handelsgesetzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, January 29, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Kreher
Wirtschaftsprüfer
[Chartered Accountant]

Schmidt
Wirtschaftsprüfer
[Chartered Accountant]

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GLOSSARY

ADSL	Asymmetric Digital Subscriber Line (ADSL). ADSL is currently the most-used broadband internet access method. It is called "asymmetric" because the data transfer rates differ by direction: 12 Mbit/s downstream and 3 Mbit/s upstream. In the future, network providers will offer the faster ADSL2+ connection.
ADSL2+	Extended Bandwidth Asymmetric Digital Subscriber Line 2 (ADSL2+). ADSL2+ is an improved version of the widespread ADSL technology. It improves both bandwidth and coverage distance over ADSL. Bandwidth is increased to up to 25 Mbit/s downstream and 3.5 Mbit/s upstream. Improved effective distance enables network providers to reach a greater number of potential customers. It is possible to offer services such as HDTV over the internet.
Annualized Quarterly Churn Rate	Is defined as the number of direct subscribers that terminated their subscriptions during the course of a quarter, divided by the average number of direct subscribers in that period (calculated by dividing the sum of the number of direct subscribers on the first day of the quarter, e.g., on April 1, 2010, and on the last day of the quarter, e.g., on June 30, 2010 by two) and multiplied by four.
ARPU	Average revenue per user. Sky Deutschland defines ARPU as monthly average subscription revenues for a given period divided by the number of subscribers in such period.
Average Churn Rate	Number of direct subscribers who cancel their subscription during the year divided by the average number of subscribers in that year.
BSkyB	British Sky Broadcasting Group plc
Common Interface	Common Interface is an interconnectivity standard used in digital television broadcasting that enables content decryption to be separated from content reception and display through a hardware unit (a CI Module). A CI Module can be used in combination with a set top box or television set that contains a CI slot.
Common Interface Plus	Common Interface Plus is a specification defined by a consortium of "interested parties" that extends the CI standard by adding a method to enable and enforce the protection of minors/parental controls and copy protection through a separate module. The CI+ specification has specific implementation requirements for modules and reception devices, which could be set top boxes or television sets with an integrated CI+ slot.
CRM	Customer Relationship Management. CRM is a holistic approach to management. It integrates and optimizes cross-departmental customer-related processes in marketing, sales, customer service and research & development based on a database with corresponding software for market development and based on a previously defined sales process. The objective of CRM is to increase value for the customer and supplier side in the context of business relations.
Digital Receiver	A digital receiver is a device that receives encrypted or unencrypted digital TV signals, decrypts them, if necessary, and converts them into a format that can be displayed on an analog TV or display as necessary. There is an input interface to a satellite or cable connection and an output interface with a video recorder or TV. A

	telephone connection is also available for feedback channels, pay-per-view, and other special services.
DFL	Deutsche Fußball Liga GmbH. DFL is a wholly owned operating subsidiary of Die Liga—Fußballverband e.V. and operates the first and second divisions of the German football leagues (*Fußball-Bundesligen*) together with the German Football Association (*Deutschen Fußball-Bund*—"**DFB**").
Downlink	In satellite telecommunication, a downlink is the link from a satellite down to one or more ground stations or receivers.
DTT	Digital Terrestrial Television (DTT). DTT involves television signals being broadcast in digital standard over the terrestrial infrastructure such that they may be received via an antenna attached to a digital receiver.
DVB	Digital Video Broadcasting (DVB). DVB is a body that develops television broadcasting standards for Europe. In terms of technology, DVB is an umbrella term for the digital broadcast of images, sound and data. The transmission method is designated by further letter (e.g., DVB-S stands for satellite).
FSA	Financial Support Agreement (FSA). The FSA is an agreement entered into among News Adelaide Holdings B.V., News Corporation and Sky Deutschland. Pursuant to this agreement, News Adelaide Holdings B.V. is required to provide financing to Sky Deutschland up to €340 million (gross).
HD by upscaled resolution	HD by upscaled resolution involves the enhancement of standard definition television signals by increasing their resolution. However, this does not provide quality of the same level as is provided by True HD television signals because the upscaling is done by algorithmic means only.
HDTV	High-definition television (HDTV). Compared to the conventional PAL system, which is also called SDTV (Standard definition television) to differentiate it from HDTV, HDTV has twice the horizontal and vertical resolution. The result is a high resolution, extremely sharp and jitter-free picture, in near-movie quality.
HDTV digital video recorder and receiver	See description under Sky+.
HoH	Home of Hardware GmbH & Co. KG and Home of Hardware Verwaltungs GmbH (HoH). HoH is a German online retailer of information technology, telecommunications and home entertainment equipment.
IFRS	International Financial Reporting Standards as adopted by the European Union
Interactive Receiver	An interactive receiver makes it possible to use remote controls to react to interactive services through a feedback channel.
IPTV	Internet Protocol Television (IPTV). IPTV refers to the distribution of digital television services over a closed, packet switched digital data network. Data transmission is accomplished based on the Internet Protocol (IP) which is also the standard operating protocol for the internet. The network operator is able to deliver a guaranteed quality of service (QoS) to the consumer. A digital set-top box is

	generally required to access and decode the video content. The difference between IPTV and Web TV is that Web TV is available anywhere where broadband internet can be accessed.
Multiroom	Sky Deutschland's Multiroom is a service that allows households to watch different Sky Deutschland programming in different rooms at the same time. Sky Deutschland offers its customers the possibility to use a second smartcard with an additional receiver for a discounted additional monthly fee plus an activation fee. The second smartcard allows customers to watch all packages for which they have initially subscribed.
Network Level 3	Network Level 3 is, in today's usage, the term for regional broadband cable networks, particularly those networks that transmit and distribute signals to private properties within a particular locality.
Network Level 4	Network Level 4 refers to the part of the cable network that carries the signal to properties and buildings. For this reason the level 4 networks are sometimes called the "last mile" to the customer or user of the cable connection.
Pay-per-view	Pay-per-View (PPV). PPV designates programs that can be purchased for a single viewing; this includes exclusive films as well as sporting, music, and cultural events. Charges are assessed individually on the monthly bill.
Pay-TV	Pay-TV involves fee-based TV. Customers can pay for one or more programs for either the duration of a subscription or for an individual broadcast (pay-per-view). For decrypting the individual programs, the digital receiver must support the relevant conditional access system. The encrypted television signal is decrypted by using a smartcard.
Playout	Playout refers to the transmission of television channels or radio stations from the sender into the cable or satellite network, which then carries the signal to the customer.
PVR	Personal Video Recorder (PVR). A PVR is a video recorder with a hard drive that stores the user's program preferences. Personal video recorders typically come with a digital satellite or cable receiver as well as two tuners (twin tuners), which makes it possible to view one program, while simultaneously recording another.
Receiver	There are different receivers for the reception of cable and satellite services. A cable receiver is suitable only for the reception of (generally digital) cable programs. A satellite receiver (SAT-receiver) is suitable only for the reception of satellite programs. Since providers are increasingly offering digital programming, a majority of receivers on the market are digital.
Sky+	Sky + is a HDTV digital video recorder and receiver. The viewer can record shows or programs directly from the electronic program guide. Sky+ offers a unique Series Link recording function with which all episodes of a desired series can be recorded automatically. Sky+ also provides a time shift function with which live television can be paused and continued at any point in time or the viewer can jump to a determined point in a recording. Sky+ allows subscribers to record both HDTV and SD program and simultaneously view

	another show. Sky+ set-top boxes receive all Sky Deutschland channels as well as the free-to-air channels. Sky+ is also already prepared for future HD-3D broadcasts and has a high capacity hard drive that can record up to 50 hours in HDTV quality or up to 100 hours in standard definition. Sky+ is initially only available for satellite reception; a cable variation is planned.
Smartcard	A smartcard is a credit card-sized chip card that needs to be inserted into the digital receiver to enable the decryption of Sky Deutschland's TV signals.
Stream	A stream is the continual transfer of data.
Transponder	A transponder is a wireless communications device usually attached to a satellite that picks up and automatically responds to an incoming signal. It receives a microwave signal from earth (uplink), amplifies it and retransmits it back to earth at a different frequency (downlink). A satellite has several transponders. The term is a contraction of the words transmitter and responder.
True HD	True HD is a television display technology that surpasses the video quality and sharpness of the original high-definition television (HDTV) technology, providing an image resolution of 1920 by 1080 pixels.
Uplink	An uplink designates the "upward" flow of data in a telecommunication network. The opposite is a downlink. In the area of satellite communications, the term "uplink" refers to communication away from the terrestrial station to the satellite.
VDSL	Very High Speed Digital Subscriber Line VDSL is a further DSL technology in addition to ADSL and ADSL2+. VDSL can achieve data transfer speeds of between 25 and 50 Mbit/s downstream and between 5 and 10 Mbit/s upstream.
Web TV	Web TV (internet television) means the distribution of digital television services over the public internet. Data transmission is accomplished by using the Internet Protocol (IP). Web TV is available anywhere where broadband internet access is available.

SIGNATURE PAGE

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