Half Year Report 2009

Key figures

€ million	YTD 09	YTD 08	Change
Revenues	463.3	483.1	-19.8
Operating expenses	556.5	468.6	87.9
EBITDA[1)]	-93.2	14.5	-107.7
Depreciation and amortisation[2)]	26.2	25.3	0.9
Amortisation of subscriber base	24.4	24.4	0.0
Amortisation of trademark	331.6	0.0	331.6
EBIT[3)]	-475.5	-35.2	-440.3
Financial result	-24.4	-16.0	-8.4
Profit/(loss) before taxes	-499.8	-51.2	-448.6
Income taxes	54.0	-13.7	67.8
Earnings from continuing operations	-445.8	-64.9	-380.9
Earnings from discontinued operations	0.0	-1.0	1.0
Result for the period	-445.8	-65.9	-379.9
Program ARPU[4)] (in €, monthly)	24,97	23,86	1,11
Subscribers (in '000)	2,364	2,376	-12
Employees	1,088	1,171	-83

1) Earnings before interest, taxes, depreciation and amortisation (excluding EBITDA of Home of Hardware)
2) Excluding depreciation and amortisation of Home of Hardware
3) Earnings before interest and taxes (excluding EBIT of Home of Hardware)
4) Program ARPU is defined as direct program revenues for a given period divided by the average number of direct subscribers in that period

Explanatory notes on the key figures
The quarterly financial statements of Sky Deutschland Group are drawn up on the basis of International Financial Reporting Standards (IFRS), with due regard to the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). Due to the totaling of individual items, the table may contain rounding differences.

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Sky is all about entertaining, exciting and inspiring customers. The Sky brand stands for the best choice of television entertainment available, giving customers high-quality programming that they cannot find elsewhere, putting innovative services into their homes and improving satisfaction with strong customer service at great value.

Subscription pay-TV is Sky's core business. Sky offers a wide range of programming in Germany and Austria, including feature films, new series and live sports, especially the Bundesliga, DFB Cup and the UEFA Champions League. Sky sets a new standard with its HDTV service, which currently comprises seven HD channels. The company also offers its subscribers attractive films, live sports programming and adult entertainment on a pay-per-view basis. Sky distributes its pay-TV digital channel bouquet primarily via cable and satellite with a technical reach of approximately 95 percent in Germany and of 85 percent in Austria. In addition to conventional broadcasting via satellite and cable, Sky also offers some of its programming via Internet.

Sky Deutschland AG – formerly Premiere AG –, which bundles all the business activities of the Sky Group, acts on behalf of the Group companies. The most important parts of the operating business are primarily assigned to Sky Deutschland Fernsehen GmbH & Co. KG and its subsidiaries. Unterföhring is the main location of Sky and is the registered office of Sky Deutschland AG and Sky Deutschland Fernsehen GmbH & Co. KG.

Employees

As of June 30, 2009, Sky employed 1,088 full-time workers. Compared to the same quarter last year, the number of employees decreased by 7.1 percent (June 30, 2008: 1,171). In 2008, total employees included 77 employees of the Home of Hardware Verwaltungs GmbH and Home of Hardware GmbH & Co. KG, which were sold in December 2008.

Key events

Successful re-capitalisation

Under the new financing arrangement, which was agreed in December 2008, replacement debt facilities of €525 million were conditional upon Sky raising new equity in the amount of €450 million. News Corp supported the refinancing and committed to backstop the required €450 million equity subject to certain conditions. The most important of these conditions was an exemption by BaFin from the requirement to submit a mandatory takeover offer in the event News Corp's shareholding in Sky reached or exceeded 30 percent of the voting rights. BaFin granted this exemption to News Corp on January 30, 2009. In order to satisfy Sky's funding needs until the long-term financing was fully in place, the company undertook a capital increase in January 2009. Total gross proceeds of the rights issue from authorised capital amounted to €38.44 million. Together with a short-term bridge loan provided by the bank syndicate, total cash inflow in January was €50 million. Following the approval by shareholders at the extraordinary shareholders´ meeting on February 26, 2009, Sky completed a second capital increase in April. The rights offering comprised 367,463,508 new shares at a subscription price of €1.12 per new share with a ratio of three new shares for each one existing share. Following the registration of the new shares in the commercial register, Sky's registered share capital increased by €367,463,508 from €122,683,636 to €490,147,144. Within the capital increase 69.3 percent of the new shares were subscribed by shareholders other than News Corp and 30.7 percent were acquired by News Adelaide Holdings B.V., an indirect subsidiary of News Corp. As a result, the shareholding of News Corp in Sky increased to 30.5 percent immediately following the capital increase. The capital increase generated gross proceeds of approximately €411.6 million. Sky used the proceeds to repay the existing credit facilities. Following the completion of the offering, Sky has access to new long-term facilities with a total amount of €525 million. Sky's new capital structure is described in detail in the 2008 notes to the consolidated financial statements under Section 2.9.1 ("Borrowings").

Launching Sky

On May 14, 2009, the company announced its intention to launch a new pay TV service in July 2009 under the new brand Sky, replacing all existing Premiere services. As a result of the decision to discontinue the use of the Premiere brand, the carrying amount of the Premiere trademark was fully amortised in Q2 2009. The impact on net income was negative €253.9 million, comprising the amortisation charge of €331.6 million offset by a release of deferred tax liabilities of €77.7 million.

On May 27, 2009, the company announced details of the new TV entertainment service. The new service is targeted to fundamentally improve the experience for customers in order to grow the number of monthly contract subscribers and increase their average revenue or ARPU. It comprises five key elements:

1. Enhancing programming attractiveness

On July 4, 2009, Sky launched a new service with a new structure, a larger variety of quality channels, the best blockbuster and movie selection available on German TV, the most comprehensive football and sports offer, a compelling offer to family and kids and the first comprehensive HDTV offer in Germany and Austria.

An important part of the new offering is Sky Welt, a new expanded general entertainment package. It offers 21 great TV- and 7 audio-channels to all cable and satellite subscribers and covers a wide range of national and international genres from factual and documentary, kids, crime, action, sci fi, popular soaps, erotic and music. Sky Welt Extra adds 18 channels to satellite customers who subscribe to at least one additional premium package. The Sky Welt Extra channels further supplement the depth and breadth of Sky Welt and add a strong argument for satellite customers to take at least one additional premium package.

Sky also launched a new Sky Film package, which offers 10 channels, showing 80 movies a day and approximately 25 blockbuster first releases every month, aired for the first time in German language TV. The package includes eight Sky-branded channels as well as the MGM and Disney Cinemagic channels. On Sky Film, all movies will be broadcast in Dolby Digital, 16:9-format and many in dual language versions. The new channel structure with clear names such as „Sky Action", „Sky Comedy" or „Sky Emotion" makes it easier for customers to find a movie of their taste. Furthermore, flexible scheduling with time-shifted start times as well as multiple replays give subscribers the flexibility to watch movies when they want.

The two new sports packages – Sky Fußball Bundesliga and Sky Sport – provide customers with the most comprehensive live sports packages on German language TV. Sky has secured the most important football rights with the Bundesliga, the DFB Cup, the UEFA Champions League, the new UEFA Europa League as well as the FIFA World Championship 2010. Additionally, Sky will broadcast top games of other European leagues including the English Premier League as well as other international football. In total, Sky will broadcast more than 1,000 live football matches per season. Austrian subscribers can see the exclusive live coverage of Austrian Bundesliga.

Besides football, Sky offers golf coverage in Germany and Austria with exclusive live broadcasts of the US PGA Tour, the European PGA Tour, the Ryder Cup and all Majors. Sky has all top games of the German ice hockey league (DEL), live and exclusive, as well as Formula One, Tennis and many other sports.

Since July 2009, Sky has also been offering the first comprehensive HD package in Germany and Austria. It provides a much wider range of programming for viewers covering a wide range of movies, live sports and high-impact documentaries. Sky Cinema HD and Disney Cinemagic show the latest blockbuster movies in HD. Sky Sport HD will offer live HD coverage at every Bundesliga kick-off time, Champions League on every match night, the top 2nd Division Bundesliga match on Monday nights, golf, ice hockey, Formula1 and other selected major sporting events. The FIFA World Cup 2010 will be available in HD. Furthermore, Eurosport HD will broadcast top sport events like the US Open in HD quality. National Geographic, Discovery and History show high quality documentaries in high definition.

Sky is convinced that high definition TV is a huge market opportunity in Germany and Austria. In Germany, the penetration of HD ready TV sets is growing strongly – with already 11 million households at the end of 2008 and – except some niche offerings – there has been no comprehensive HD service which German households could access.

2. Clear and simple packaging and pricing

The second element of Sky's business strategy is a clear and simple packaging and pricing structure which became effective on July 4, 2009. It is based on a buy-through model where all subscribers first access Sky Welt, and then have access to the additional premium packages.

The new structure provides four price points with the opportunity to add a high definition package to each. The entry point is €16.90 per month for the Sky Welt package. With any of the additional premium packages, it is €32.90, €44.90 for Sky Welt with any two additional premium packages and €54.90 for Sky Welt, including the three additional premium packages. Satellite subscribers have access to the Sky Welt Extra package as well if they subscribe to at least one additional premium package. This structure is expected to reduce complexity and to enable much more effective customer and marketing communications.

3. Redefining customer satisfaction

Sky is overhauling its customer service including expanded call centre capacity, clearer and pre-emptive customer communications, new service points within 15 minutes of almost any home and a new website which enables customers to easily manage their own accounts. A new network of more than 2000 installation field engineers will do home visits, installing, upgrading and repairing equipment for a reasonable charge. Sky has also replaced at the end of July the subscriber management system with a new one customised for pay TV operations which enables much better customer handling, giving Sky more flexibility for marketing initiatives.

4. Improving usability and convenience

The usability and convenience of the service is very important for the success and to retain customers. Sky intends to make the offering more user-friendly and to constantly innovate to increase the convenience of using Sky. For example, Sky designed the channels around genres that viewers want to see, implemented a very convenient movie scheduling system and introduced clear channel names. Sky intends to further modernise the customer-facing technology by introducing user-friendly electronic program guides.

5. Pushing sales and marketing

Sky invests heavily in sales and marketing initiatives, which started with a substantial marketing campaign to introduce the new brand and the new Sky service. The Sky brand already benefits from a high awareness and positive associations in Germany – more than 25 percent of the respondents associate it with pay TV.

Beside the roll-out of the marketing campaign, Sky has started to implement a multitude of sales initiatives to support subscriber and ARPU growth. Sky is expanding the retail sales network, by more than doubling the number of points of sale and increasing the number of sales representatives, to constantly serve top retail stores. Sky also has incentivised retail sales efforts to focus on selling subscriptions rather than hardware. Furthermore Sky intends to continue to develop direct sales channels.

Investments

On February 23, 2009, Sky announced an agreement with all nine minority shareholders in Premiere Star GmbH to acquire all their shares in Premiere Star GmbH (in total 40.2 percent) for deferred consideration. The buyback was carried out due to strategic reasons. Premiere Star channels are valuable components of Sky's overall programming line-up and accordingly are part of Sky's core business. All agreements to purchase equity in Premiere Star GmbH became effective after completion of the rights issue in April 2009. The consideration to be paid by Sky is scheduled over the next four years, from July 2009 to July 2013, with the majority of the consideration payable in 2012 and 2013 (for details see also "Acquisitions of interests in consolidated entities" in the Notes to the condensed interim consolidated financial statements).

On April 22, 2009, Sky announced that it had sold its 44 percent stake in the internet sports platform Spox.com. This decision was part of Sky's strategy to focus on its core business. Future internet activities will be centralised under Sky's direct control.

On June 8, 2009, Sky announced its intention to acquire Creation Club GmbH from Plazamedia GmbH, a subsidiary of Constantin Medien AG. The transaction became effective on July 3, 2009. Since then, the Creation Club GmbH has been a hundred percent subsidiary of Sky. The company acquired Creation Club for deferred consideration with the purchase price payable in instalments over the five years to 2013, secured by a bank guarantee. The Creation Club GmbH is one of the leading companies specialised in audio-visual communication and TV formats.

Management

On May 13, 2009, the supervisory board appointed Pietro Maranzana as Chief Financial Officer with effect from June 1, 2009. He took over this responsibility from CEO Mark Williams who acted as CFO on a provisional basis. Pietro Maranzana joined the company in November 2008 as Senior Vice President responsible for Finance and played a critical role in the financial restructuring. 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 was responsible for strategic and operational planning and various key projects.

On June 15, 2009, Dr. Hans-Jürgen Croissant joined Sky as a Senior Vice President Communications. The newly created senior management position emphasises the importance the company places on communications. Dr. Hans-Jürgen Croissant joined Sky from Pleon, where he was a Managing Partner and responsible for the Munich office.

Changes in composition of the supervisory board

Dr. Hans M. Seiler was commissioned as a new supervisory board member on February 5, 2009, replacing Mark Williams, whose seat in the supervisory board had been inactive since he joined the Company's management board on September 10, 2008. On February 3, 2009, Rainer Großkopf resigned as Chairman of the supervisory board due to health reasons with immediate effect. Richard Roy took over the responsibilities of Chairman on an interim basis. On March 18, 2009, Markus Tellenbach was appointed to the position of Chairman of the Supervisory Board of Sky Deutschland AG. The supervisory board comprised the new Chairman Markus Tellenbach, Richard Roy, Dr. Stefan Jentzsch, Thomas Mockridge, and Dr. Hans Seiler up until the Annual General Meeting on July 9, 2009 (see also "Subsequent events").

Business environment

The business environment declined in the first quarter 2009, but improved during Q2 2009. The Ifo Business Climate Index, considered the most important early indicator for industry and trade in Germany, climbed to 85.9 points in June. In July, the index improved further to 87.3 points.

Subscribers

in '000	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
Direct subscribers[1] at beginning	2,450	2,376	2,411	2,399	2,371
Additions	58	138	153	112	117
Churn	-132	-103	-165	-140	-123
Net change	-74	35	-12	-28	-7
Direct subscribers at end	**2,376**	**2,411**	**2,399**	**2,371**	**2,364**
of which Flex	113	118	85	68	38
Direct program revenues (in €m)	172.9	171.8	172.2	177.8	179.0
Program ARPU[2] (in €, monthly)	23.89	23.92	23.86	24.85	25.20
Churn rate[3] (12 months rolling)	22.2%	21.4%	23.1%	22.4%	22.4%
Wholesale subscribers at end	792	704	691	710	334

1) Direct subscribers comprise monthly contract subscribers (residential customers, sportsbars and hotel rooms) to at least one of Sky's channel packages and subscribers who purchased pay-per-view and other ad hoc-services on a prepaid basis via the Flex range of products

2) Program ARPU is defined as direct program revenues for a given period divided by the average number of direct subscribers in that period

3) The churn rate for a given period is defined as the number of direct subscribers that terminated their subscription during the course of that period divided by the average number of direct subscribers in that period

On October 2, 2008, a new classification of subscribers was adopted. For this reason, all reported data rearding subscriber and the ARPU for 2008 are not comparable to the information that was provided in the management report for the 2nd quarter 2008.

Earnings, financial and net asset position

Revenues and earnings

Preliminary note

In December 2008, Sky sold its interest in the business of Home of Hardware Verwaltungs GmbH and Home of Hardware GmbH & Co. KG. The business of both companies was different from the other activities of the Sky group and, due to its materiality, had been classified as discontinued operations in accordance with IFRS 5. Therefore revenues and expenses of the Home of Hardware companies for the 1st half year 2008 were included under earnings from discontinued operations and are not part of the individual line items of the statement of comprehensive loss.

Revenues

Total revenues decreased to €463.3 million (2008: €483.1 million). One-time license revenues, caused by the sale of rights for the FIFA World Cup 2010 in 2008 are mainly responsible for the higher level in 2008. Program revenues (subscriptions and pay-per-view) decreased marginally to €390.7 million (2008: €391.7 million). Magazine and advertising revenues fell to €9.3 million (2008: €15.8 million), but receiver sales/rental revenues, mainly driven by a one-time receiver sale to a cable network operator, went up by €7.9 million to €27.6 million (2008: €19.8 million). Other revenues, including mainly revenues from transmission and production relating to the transmission services of Bundesliga in IPTV and revenues from the sublicensing of the Champions League, as well as the sale of the rights for the FIFA World Cup 2010 in 2008, decreased to €35.6 million (2008: €55.8 million).

Costs

Cost of sales totaled €478.7 million (2008: €457.5 million). Programming costs increased to €358.9 million (2008: €347.2 million) due to higher costs for sport licenses mainly for broadcasting the Bundesliga and for the first time the DFB Cup. Sky has secured the broadcasting rights for the DFB Cup from the beginning of the 2008/2009 season until the end of the 2011/2012 season. In the previous period the position included losses on the valuation of USD foreign currency hedges (see also financial result). Transmission costs increased to €65.2 million (2008: €59.9 million) due to higher encryption fees. Customer service costs decreased to €24.7 million (2008: €26.4 million) due to a lower volume of calls. Receiver costs rose to €30.0 million (2008: €24.0 million) mainly due to the receiver sale to a cable network provider.

Selling expenses rose to €58.1 million (2008: €43.0 million) as a result of increased sales and marketing initiatives, mainly driven by preparing the relaunch. General administrative costs increased to €41.5 million (2008: €30.8 million), mainly due to expenses relating to organisational restructuring and increased IT expenses, in particular higher amortisation of investments in software.

Other operating income fell to €5.3 million (2008: €40.7 million). The 2008 other operating income included proceeds from the sale of interests in Premiere Star GmbH of €22.5 million. Following the extraordinary General Meeting on February 26, 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 €4.5 million were recognised in other operating expenses. According to this other operating expenses increased to €9.7 million (2008: €3.3 million).

Due to the decision to discontinue the use of the Premiere brand, the carrying amount of the Premiere trademark was fully amortised in Q2 2009 in the amount of €331.6 million (2008: €0.0 million). Amortisation of subscriber base amounted to €24.4 million (2008: 24.4 million).

Operating result

	First-half 2009	First-half 2008	Change (absolute)	Change (%)
Revenues (in € million)	463.3	483.1	-19.8	-4.1
Operating costs (in € million)	556.5	468.6	87.9	18.8
EBITDA (in € million)[1]	**-93.2**	**14.5**	**-107.7**	**n.a**
EBITDA margin (in %)[4]	-20.1	3.0	-23.1	n.a
Depreciation and amortisation[2]	26.2	25.3	0.9	3.7
Amortisation of subscriber base	24.4	24.4	0.0	0.0
Amortisation of trademark	331.6	0.0	331.6	n.a
EBIT (in € million)[3]	**-475.5**	**-35.2**	**-440.3**	**n.a**
EBIT margin (in %)[4]	-102.6	-7.3	-95.3	n.a
EBITDA Home of Hardware	0.0	-0.5	0.5	n.a
EBIT Home of Hardware	0.0	-0.6	0.6	n.a

1) Earnings before interest, taxes, depreciation and amortisation (excluding EBITDA of Home of Hardware)

2) Excluding depreciation and amortisation of Home of Hardware

3) Earnings before interest and taxes (excluding EBIT of Home of Hardware)

4) Ratio of EBITDA/EBIT to revenues

Financial result

The financial result was negative €24.4 million (2008: negative €16.0 million). Interest expense due to the utilisation of debt financing that was replaced in April 2009 was €19.8 million (2008: €19.6 million). The financial result also included losses of €2.6 million (2008: €0.0 million) on fair value changes of foreign currency hedges. Furthermore expenses in the amount of €3.4 million (2008: €0.0 million) from the measurement of a virtual stock option granted to a former shareholder in Premiere Star GmbH in connection with buyback of all shares in Premiere Star GmbH are shown in the financial result.

In the second quarter 2009, Sky entered into new foreign currency forwards which are used to mitigate the risk of having to settle payment obligations denominated in US dollars for the purchase of various sports and movie programming licences in the future. In contrast to previous periods, these hedging instruments are accounted for under the provisions of IAS 39 for cash flow hedges as the conditions for hedge accounting have been satisfied. 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. Other comprehensive income as a component of equity comprises gains and losses that are not recognised in the statement of operations (for details see also under "Adoption of hedge accounting policy" in the Notes to the condensed interim consolidated financial statements). The gains and losses recognised in other comprehensive income are released to the statement of operations when the licenses purchased are expensed.

Consolidated net earnings

For the 1st half year 2009 earnings before taxes was negative €499.8 million (2008: negative €51.2 million). Income taxes comprise deferred tax income in the amount of €54.0 million (2008: deferred tax expense €13.7 million) mainly due to a decrease of deferred tax liabilities as a result of the amortisation of the trademark in Q2 2009 (see also "Assets and financial position"). The consolidated net loss after taxes was €445.8 million (2008: €65.9 million). The net loss for the period corresponds to the earnings from continuing operations in the amount of negative €445.8 million (2008: negative €64.9 million). The net loss in the comparative period includes earnings from discontinued operations in the amount of negative €1.0 million, with respect to the Home of Hardware companies.

Basic/diluted earnings per share was negative €1.70 (2008: negative €0.60).

Assets and financial position

Trade receivables decreased to €58.4 million (2008: €85.8 million) primarily due to a reduction in retailer receivables. Film assets and advance payments for sports and film rights decreased to €123.2 million (2008: €170.4 million) mainly due to a decrease in advance payments for the broadcasting rights to the Bundesliga, the DFB Cup and the UEFA Champions League because of the end of the football season in May. Inventories decreased to €24.0 million (2008: €33.4 million) due to the sale of receivers to a cable network operator. Intangible assets decreased to €732.8 million (2008: €1,102.0 million). As a result of the decision to discontinue the use of the Premiere brand, the carrying amount of the Premiere trademark was fully amortised in Q2 2009 in the amount of €331.6 million. The balance sheet items "receivers" and "property, plant and equipment" dropped, mainly on account of depreciation. Deferred tax assets were also lower and amounted to €6.2 million (2008: €25.0 million). Deferred tax assets recognised on the arena transaction in 2007 were reversed over the course of the period for which the Bundesliga rights have been acquired. Other assets increased to €56.2 million (2008: €35.3 million) as a result of higher deferred financing costs in connection with the new long-term facilities and deferred costs regarding sales and marketing initiatives to introduce the new brand and the new Sky service. Assets related to Roombase Networks Limited and the international operations of Sky Hotel Entertainment GmbH are classified as held-for-sale. Sky has the intention to sell these activities and expects the closing of the transaction in the fourth quarter 2009.

Despite the capital increase the loss for the period caused equity to decrease by €76.4 million to €695.2 million (2008: €771.7 million). Furthermore the buyback of all shares in Premiere Star GmbH is treated as an equity transaction with a negative impact on equity. Under the revised IAS 27 the difference between the acquisition costs and the acquired interest in the net assets of Premiere Star GmbH in the amount of €58.0 million is recognised as a reduction of equity. At the end of the 1st half year, the ratio of equity to total assets was 65.1 percent (2008: 49.2 percent).

Total liabilities decreased to €372.8 million (2008: €797.9 million) and were affected by the following developments. Financial liabilities fell to €16.6 million (2008: €385.3 million), as Sky used the proceeds of the capital increase to repay the existing credit facilities. At the end of 2008 net financial liabilities (financial liabilities less cash) amounted to €318.1 million. Trade payables were also reduced to €179.8 million (2008: €218.8 million). Other liabilities rose to €116.3 million (2008: €63.0 million), mainly caused by consideration to be paid by Sky for the buyback of all shares in Premiere Star GmbH. In contrast to the IFRS financial statements, trademark and goodwill are amortised for tax purposes. As a result deferred tax liabilities were recognised. Due to the decision to discontinue the use of the Premiere brand, the carrying amount of the Premiere trademark was fully amortised in Q2 2009. As a result deferred tax liabilities fell to €40.8 million (2008: €113.7 million). Liabilities related to Roombase Networks Limited and the international operations of Sky Hotel Entertainment GmbH are classified as held-for-sale.

Liquidity and cash flow

Cash flow from operating activities for the 1st half year 2009 amounted to negative €52.6 million (2008: negative €35.1 million), which resulted primarily from the negative operating result. The outflow of funds caused by the negative operating result was partially compensated by the inflow of funds, mainly due to less advanced payments for sport- and filmrights, resulting from the changes in working capital.

Cash flow from investment activities was negative €11.5 million (2008: positive €9.7 million). Payments for investments in intangible assets, property, plant and equipment primarily concerned the acquisition of naming rights and the implementation of the new subscriber management system. Prior year proceeds mainly resulted from the sale of shares in the subsidiary Premiere Star GmbH.

Cash flow from financing activities increased to €18.9 million (2008: negative €21.6 million). The inflow of funds as a result of the capital increase exceeded the outflow of funds for repayment of existing credit facilities, interest payments as well as payments for transaction costs in connection with the new financing structure.

At the end of the 1st half year 2009, Sky had at its disposal liquid funds in the total amount of €21.9 million (2008: €68.1 million).

Opportunities and risks

To be able to continue as a going concern, Sky negotiated new credit facilities to replace the existing ones. The new credit facilities were signed on December 22, 2008. Drawdowns under the new facilities, however, were subject to the closing of the intended second capital increase. In April 2009, Sky successfully undertook the second capital increase (see also “Key events”, Successful re-capitalisation).

Sky is required to comply with a number of operational and financial covenants contained in its new credit facilities. In particular, Sky must on a quarterly basis, starting with March 31, 2010 and ending on June 30, 2011, ensure that its EBITDA for the immediately preceding twelve month-period reach specified thresholds. In addition, Sky must on a quarterly basis, starting with June 30, 2011 and ending with the maturity of the facilities, maintain specified relationships between its EBITDA and its net finance result and between its net debt and its EBITDA. Finally, starting on December 31, 2011, Sky must for each quarter maintain a specified relationship of its cash flow to its 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 adopted a comprehensive restructuring plan aimed at increasing the number of Sky’s direct subscribers and its monthly average subscription revenues per direct subscriber. There can, however, be no assurance that Sky will be able to successfully implement the restructuring plan and achieve the desired results. If one or several components of the restructuring plan fails or cannot be implemented in a timely manner, Sky will be at risk of not achieving its EBITDA and cash flow targets, in which case the success of the restructuring plan would be called into question. In this case, Sky’s business, results of operations and financial condition would be materially adversely affected, and Sky could default under the new credit facilities.

Sky is currently being investigated by the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung – “DPR”). The DPR is reviewing the accuracy of Sky’s consolidated and separate financial statements for 2007, its interim consolidated financial statements for the six months ended June 30, 2008 and the corresponding management reports in the light of its ad-hoc release dated October 2, 2008. In this release, Sky 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, in addition to the fact that in the future it would use a different methodology to classify its subscribers to focus on direct subscribers and exclude subscribers who generate only limited revenues. Sky is discussing with the DPR whether it would have been required to point out in its interim management report for the six months ended June 30, 2008 that for the nine months ended September 30, 2008 it was in danger of breaching a financial covenant contained in the former existing credit facilities. Sky is also discussing whether it correctly recognised revenues earned under an agreement by which it sold the free-TV rights to nine of the eighteen matches of the FIFA World Cup 2010 to a free TV broadcaster. Furthermore, Sky and the DPR are discussing certain accounting questions in connection with Sky’s transaction with arena, a subsidiary of Unitymedia. Specifically, the discussions concern whether it was appropriate for Sky to account for the sublicense agreement and related acquisition of certain production assets as a business combination under IFRS 3. The discussions between Sky and the DPR regarding the above matters are still ongoing. Should the DPR take a decision adverse to the Company, this could lead to further investigations by the DPR and other authorities, administrative fines and corrections of its consolidated and separate financial statements, a material decline in Sky’s share price and claims for damages by third parties based on the fact patterns examined by the DPR, each of which could materially adversely affect Sky’s business, results of operations and financial condition.

Aside from this, the opportunities and risks have not changed significantly from the statements in the 2008 Combined Management Report. Sky foresees no further developments at the present time that would jeopardise the Company’s continued existence.

Subsequent events

At the Annual General Meeting on July 9, 2009, shareholders approved the resolution on changing the company name from Premiere AG to Sky Deutschland AG with 99.8 percent of the share capital present.

Also with a significant majority, the candidates proposed by the supervisory board were elected to the supervisory board of the company until end of the 2013 Annual General Meeting: Markus Tellenbach, president of the board of directors of Convers Media Services Ltd., Zurich; Guillaume de Posch, advisor of the Antenna Group, Athens; Dr. Stefan Jentzsch, Perella Weinberg Partners LLC; Thomas Mockridge, CEO of Sky Italia, Milan; Mark Kaner, president of 20th Century Fox Television Distribution, Los Angeles; Steven Silvester Tomsic, Director Corporate Finance and Planning, Europe and Asia, News Corporation, London.

The proposed resolution on the cancellation of the authorised capital 2006 and the creation of an authorised capital 2009 was also approved. The management board is authorised, subject to the consent of the supervisory board, to increase the company’s registered share capital in the period up to 8 July 2014 by up to €147,044,143.00 by issuing in one or several tranches new registered non-par value shares against cash contribution and/or contributions in kind (Authorised Capital 2009).

On July 3, 2009, Sky acquired Creation Club GmbH from Plazamedia GmbH, a subsidiary of Constantin Medien AG.

In June Sky terminated the wholesale distribution agreement for all Sky packages with Deutsche Telekom. Due to an injunction obtained by Deutsche Telekom, the Sky packages will continue to be available via the Deutsche Telekom IPTV network up until September, 25 2009 at the latest..

On August 5, 2009 News Corp announced it has secured additional shares in Sky Deutschland AG, increasing its total stake to 39.96 percent.

With effect on August 28, 2009 Sky has sold its 14.4 percent stake in 1-2-3.tv GmbH to other shareholders of 1-2-3.tv. The estimated gain from this transaction will amount to approximately €2.0 million.

Outlook

The main objective of the new business plan is to achieve profitability by growing the number of monthly contract subscribers and increasing their average revenue or ARPU.

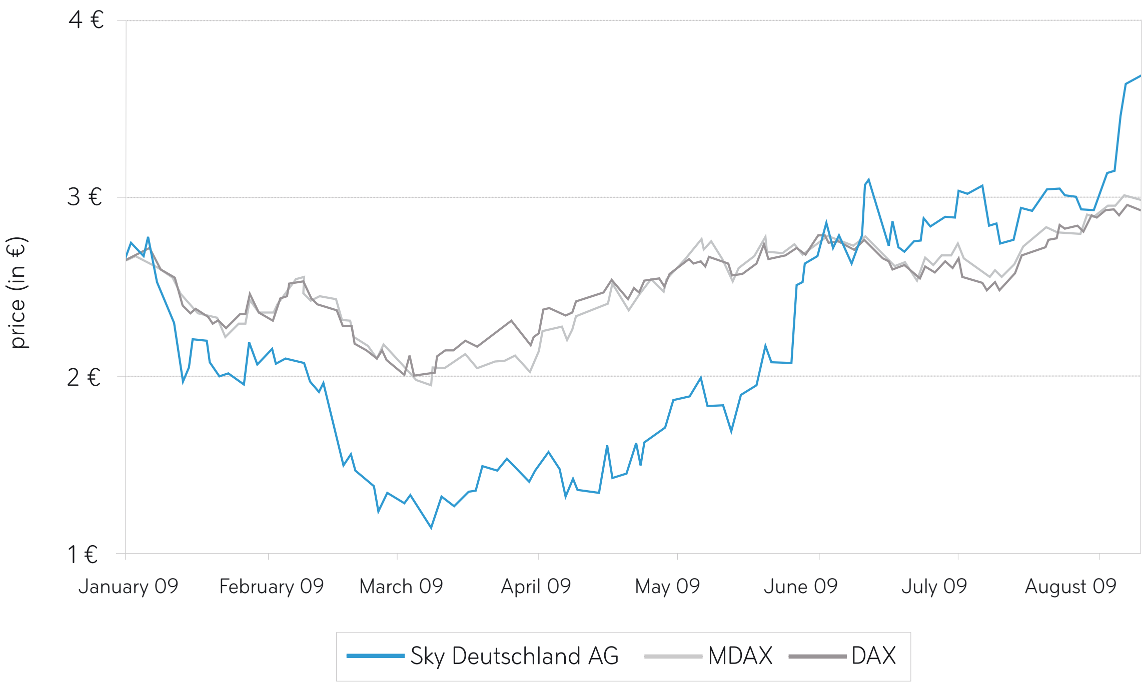
In order to cover operating losses and to make the necessary investments, considerable funds will be required in 2009. Thus Sky expects a negative cash flow from its operating business in the range of €250 million to €275 million and a significant EBITDA loss in 2009.

Sky targets to reach EBITDA and cash flow break-even on a monthly basis during Q4 2010. However, the full year 2010 EBITDA and cash flow will still be significantly negative.

From the 2011 year onwards Sky targets to be profitable.

Share information

Share price development 1 January to 10 August 2009



Performance of Sky share

On 22 April 2009, Sky announced that it had successfully completed the second of two capital increases. Both were part of the new long-term financing structure Sky had agreed on with its bank syndicate and News Corp in December 2008. The first rights issue from authorised capital was completed on 14 January 2009 and comprised 10,223,636 new shares at a subscription price of €3.76 per share with a ratio of 1 new share for each 11 existing shares. The second rights offering comprised 367,463,508 new shares at a subscription price of €1.12 per new share with a ratio of three new shares for each one existing share. Both capital increases generated gross proceeds in total of €450m for Sky.

The performance of Sky shares has been measured by taking into account the dilution effect of the capital increase in April 2009. The adjusted Sky share price at the end of December 2008 was €2.60[1]. At the end of the first quarter on 31 March 2009 the shares closed at €1.45[1] and traded up during the second quarter to a closing price of €2.88 on 30 June 2009. The share price reached its low during the first half year on 9 March 2009 at €1.13[1] and its peak on 12 June 2009, when Sky shares closed at €3.07. For the first half year Sky Deutschland AG shares showed a performance of plus 11 percent versus an increase of 3 percent of MDAX, whereas the DAX remained unchanged. The average daily trading volume for the first half year 2009 was 2,658,294 shares.

After closing at €2.88 on 30 June 2009 Sky's share price traded up moderately during July. When News Corp announced on 5 August 2009 that their shareholding in Sky Deutschland had increased to 39.96 percent, the share price traded up and closed at €3.69 on 10 August 2009. Based on this closing price, Sky Deutschland AG's market capitalisation on 10 August 2009 was €1,809m with a free float market capitalisation of €1,086m.

Inclusion in indices

The Sky stock is part of the MDAX ranked 25th in terms of trading volume and 18th in terms of market capitalisation on 30 June 2009. Sky shares are also included in the MSCI Global Investable Market and the Dow Jones STOXX indices.

1 Adjustment factor for rights issue:

$$= \frac{\text{(existing share x closing price on the day before subscription rights trading, 7 April 2009) + (new shares x subscription price)}}{\text{(existing share + new shares) x closing price on the day before subscription rights trading, 7 April 2009}}$$

$$= \frac{(1 \times 1.87) + (3 \times 1.12)}{(1 + 3) \times 1.87} = 0.699198$$

Shareholder structure

After completion of the first capital increase on 14 January 2009, Sky Deutschland AG's registered share capital increased by €10,223,636 from €112,460,000 and amounted to €122,683,636 or 122,683,636 issued shares as per 31 March 2009.

On 22 April 2009, the second capital increase in 2009 was completed successfully. Sky Deutschland AG's registered share capital increased due to this second rights offering by €367,463,508 from €122,683,636 to €490,147,144 or 490,147,144 issued shares.

69.3 percent of the new shares were subscribed by shareholders other than News Corp, 30.7 percent were acquired by News Adelaide Holdings B.V., an indirect subsidiary of News Corp.

Shares held by News Corp

After the two capital raisings, the shareholding of News Corp in Sky Deutschland increased from 25.0 percent or 28,126,246 shares (notification on 2 June 2008) to 30.5 percent or 149,542,057 shares (notification on 27 April 2009). On 5 August 2009 News Corp stated in a press release that their shareholding in Sky Deutschland has increased to 39.96 percent.

All shares other than those held by News Corp are included in the free float as defined by the standards of the German Stock Exchange.

Institutional investors

The two institutional investors who own shares with voting rights of over 5 percent in Sky Deutschland AG are Odey Asset Management LLP (notification of 30 January 2009, stake of 10.11 percent at the time of notification) and Taube Hodson Stonex Partners LLP (notification of 12 March 2009, stake of 5.08 percent at the time of notification).

The Classic Fund Management Aktiengesellschaft (notification of 16 June 2008, stake of 4.999 percent at the time of notification) owns shares with voting rights in Sky Deutschland AG of over 3 percent.

Shares held by management and members of the supervisory board

On 9 April 2009, Sky announced, that Mark Williams, CEO of Sky Deutschland AG, on that day purchased 550,000 shares in Sky Deutschland AG at a price of €1.407. He purchased an additional 300,000 shares on 28 May 2009 at €2.57851, a further 250,000 shares on 29 May 2009 at €2.59480 and 150,000 shares on 3 June 2009 at a price of €2.88796. Mark Williams therefore now holds a total of 1,250,000 shares in Sky Deutschland AG.

Dr. Holger Enßlin, Chief Officer Legal & Regulatory Affairs, purchased 15,000 Sky shares at a price of €1.447 on 8 April 2009 and now holds 15,000 shares in Sky Deutschland AG in total.

On 6 July 2009, Sky announced that Pietro Maranzana, CFO of Sky Deutschland AG, purchased a total of 5,000 shares in Sky Deutschland AG at €3.01 on 1 and 3 July 2009.

As of 1 January 2009, Carsten Schmidt, Chief Officer Sports, Advertising Sales & Internet, owned 1,000 shares in Sky Deutschland AG. On 15 January 2009, Sky announced that Carsten Schmidt exercised his subscription rights and purchased 90 shares at a subscription price of €3.76. On 9 April 2009, Sky announced, that Carsten Schmidt purchased 23,000 shares at a subscription price of €1.45. Furthermore, Carsten Schmidt exercised subscription rights on 8 April 2009 and purchased 3,270 shares at a subscription price of €1.12, so that his holding in Sky Deutschland AG now totals 27,360 shares.

As of 1 January 2009, Dr. Stefan Jentzsch, member of the Supervisory Board of Sky Deutschland AG, owned 20,000 shares. On 15 April 2009, Sky announced in a Directors' Dealings release, that Dr. Jentzsch fully exercised his subscription rights on 9 April 2009 and purchased 60,000 shares at a subscription price of €1.12, so that his holding in Sky Deutschland AG now totals 80,000 shares.

Financial statements

Consolidated condensed balance sheet

K€	30/06/2009	31/12/2008
Assets		
Current assets		
Cash and cash equivalents	21,911	67,156
Trade receivables	53,750	78,952
Receivables from entities accounted for at equity	170	370
Film assets and advance payments for sports and film rights	91,544	110,477
Inventories	23,997	33,431
Other assets	37,443	28,819
Assets classified as held-for-sale	1,765	0
Total current assets	**230,580**	**319,206**
Non-current assets		
Trade receivables	4,674	6,812
Deferred taxes	6,247	25,004
Film assets and advance payments for sports and film rights	31,694	59,927
Investments and non-current financial assets	226	356
Interests in entities accounted for at equity	65	32
Receivers	36,693	42,537
Property, plant and equipment	6,344	7,155
Intangible assets	732,778	1,102,040
Other assets	18,748	6,445
Total non-current assets	**837,469**	**1,250,308**
Total assets	**1,068,050**	**1,569,514**
Liabilities and equity		
Current liabilities		
Borrowings	10,303	378,469
Trade payables	159,862	196,215
Liabilities to entities accounted for at equity	1,882	1,554
Other provisions	10,340	9,537
Other liabilities	60,070	53,851
Liabilities classified as held-for-sale	1,187	0
Total current liabilities	**243,645**	**639,626**
Non-current liabilities		
Borrowings	6,274	6,814
Trade payables	19,961	22,586
Provisions for pensions and similar obligations	5,649	5,494
Other provisions	277	486
Deferred taxes	40,822	113,660
Other liabilities	56,199	9,192
Total non-current liabilities	**129,183**	**158,232**
Total liabilities	**372,827**	**797,858**
Equity		
Capital stock	490,147	112,460
Additional paid-in capital	1,425,841	1,376,453
Reconciling item for successive share purchases in subsidiaries without change in control	-57,995	0
Accumulated other comprehensive income	501	216
Retained deficit	-1,163,284	-717,789
Equity attributable to stockholders	**695,210**	**771,339**
Minority interest	12	317
Total equity	**695,222**	**771,656**
Total liabilities and equity	**1,068,050**	**1,569,514**

Consolidated statement of total comprehensive loss (YTD)

K€	1/1/ – 30/06/2009	1/1/ – 30/06/2008
Revenues	463,296	483,132
Cost of sales	-478,750	-457,478
Program	-358,886	-347,182
Transmission	-65,191	-59,854
Customer service	-24,664	-26,439
Hardware	-30,008	-24,003
Gross profit	-15,454	25,654
Selling expenses	-58,078	-43,049
General and administrative expenses	-41,460	-30,757
Other operating income	5,269	40,703
Other operating expenses	-9,674	-3,317
Amortisation of trademark	-331,629	0
Amortisation of subscriber base	-24,441	-24,441
Result from operations	**-475,467**	**-35,207**
Gain from entities accounted for at equity	33	114
Interest and similar income	2,145	5,596
Other financial result	-6,240	-1,550
Loss from entities accounted for at equity	-505	-552
Interest and similar expenses	-19,794	-19,616
Earnings before taxes	**-499,828**	**-51,215**
Income taxes	54,028	-13,728
Earnings from continuing operations	-445,800	-64,943
Earnings from discontinued operations (net of income tax)	0	-982
Earnings for the period	**-445,800**	**-65,925**
Other comprehensive income	286	300
Changes in fair value of available-for-sale financial assets (net of tax)	104	300
Changes in fair value of derivatives in cash flow hedges	182	0
Total comprehensive loss	**-445,514**	**-65,625**
Earnings attributable to:		
Stockholders	-445,495	-67,091
Minority interest	-305	1,166
Total comprehensive loss attributable to:		
Stockholders	-445,210	-66,791
Minority interest	-305	1,166
Earnings per share continuing operations (€)		
basic and diluted	-1.70	-0.59
Earnings per share discontinued operations (€)		
basic and diluted	0.00	-0.01
Earnings per share total (€)		
basic and diluted	-1.70	-0.60

Consolidated statement of total comprehensive loss (Q2)

K€	01/04 – 30/06/2009	01/04 – 30/06/2008
Revenues	230,616	252,121
Cost of sales	-251,433	-230,075
Program	-196,913	-175,321
Transmission	-31,230	-30,374
Customer service	-13,259	-12,979
Hardware	-10,030	-11,400
Gross profit	-20,817	22,046
Selling expenses	-35,252	-19,001
General and administrative expenses	-20,077	-15,923
Other operating income	2,829	12,914
Other operating expenses	-1,384	-1,421
Amortisation of trademark	-331,629	0
Amortisation of subscriber base	-12,221	-12,221
Result from operations	**-418,550**	**-13,604**
Gain from entities accounted for at equity	0	63
Interest and similar income	599	3,693
Other financial result	-6,853	-1,550
Loss from entities accounted for at equity	0	-441
Interest and similar expenses	-8,667	-8,136
Earnings before taxes	**-433,470**	**-19,975**
Income taxes	67,701	-17,072
Earnings from continuing operations	-365,769	-37,047
Earnings from discontinued operations (net of income tax)	0	-742
Earnings for the period	**-365,769**	**-37,790**
Other comprehensive income	283	990
Changes in fair value of available-for-sale financial assets (net of tax)	102	990
Changes in fair value of derivatives in cash flow hedges	182	0
Total comprehensive loss	**-365,486**	**-36,800**
Earnings attributable to:		
Stockholders	-365,760	-38,570
Minority interest	-9	781
Total comprehensive loss attributable to:		
Stockholders	-365,477	-37,580
Minority interest	-9	781
Earnings per share continuing operations (€)		
basic and diluted	-0.91	-0.34
Earnings per share discontinued operations (€)		
basic and diluted	0.00	-0.01
Earnings per share total (€)		
basic and diluted	-0.91	-0.34

Consolidated statement of cash flows

K€	01/01 – 30/06/2009	01/01 – 30/06/2008
Result for the period before income tax	-499,828	-52,298
Net interest expense	17,649	14,495
Depreciation, amortisation and impairment losses/reversal of impairment losses on property, plant and equipment, intangible assets and financial assets	26,197	26,934
Amortisation of subscriber base	24,441	24,441
Amortisation of trademark	331,629	0
Gain on sale of interests of subsidiaries	0	-22,485
Other non-cash income and expenses	-2,519	-685
Changes in other provisions	-1,033	2,423
Gains/losses on disposal of intangible assets, property, plant and equipment and receivers	-366	15
Changes in inventories, trade receivables and other assets	75,427	4,291
Changes in trade payables and other liabilities	-25,809	-35,161
Interest received	1,571	2,956
Net cash used by operating activities	**-52,641**	**-35,075**
Proceeds from sale of intangible assets, property, plant and equipment and receivers	984	315
Proceeds from sale of interests in entities	0	22,494
Payments for acquisition of entities, net of cash acquired	0	9
Payments for investments in intangible assets and property, plant and equipment	-12,499	-13,050
Investments in financial assets	0	-21
Net cash used by/provided by investing activities	**-11,514**	**9,747**
Net proceeds from increase in capital by stockholders/net proceeds from stock issues	427,075	0
Proceeds from increase in capital of Premiere Star GmbH	0	25
Proceeds from the granting of borrowings	270	3,095
Repayment of finance lease liabilities	-2,098	-1,926
Repayment of borrowings	-373,836	-6,426
Payments for transaction costs in connection with new debt financing	-14,619	0
Interest paid	-17,883	-16,362
Net cash provided/used by financing activities	**18,909**	**-21,594**
Net decrease in cash and cash equivalents	**-45,246**	**-46,922**
Cash and cash equivalents at beginning of period	67,156	115,032
Cash and cash equivalents at end of period	21,911	68,110

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
Balance as of 1/1/08	**112,460**	**1,376,804**	**-448,531**	**0**
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
Sale of 15.1 % of Premiere Star GmbH	0	0	0	0
Increase in capital of Premiere Star GmbH	0	0	0	0
Total transactions with stockholders	0	-352	0	0
Total comprehensive loss	0	0	-66,791	0
Balance as of 30/06/08	**112,460**	**1,376,453**	**-515,322**	**0**
Balance as of 1/1/09	**112,460**	**1,376,453**	**-717,789**	**0**
Increase in capital for contribution in cash (less capital procurement costs)	10,224	26,680	0	0
Increase in capital for contribution in cash (less capital procurement costs)	367,464	22,708	0	0
Repurchase of 40.2 % of shares in Premiere Star GmbH	0	0	0	-57,995
Total transactions with stockholders	377,687	49,388	0	-57,995
Total comprehensive loss	0	0	-445,495	0
Balance as of 30/06/09	**490,147**	**1,425,841**	**-1,163,284**	**-57,995**

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
0	-300	-300	1,040,433	21	1,040,454
0	0	0	-352	0	-352
0	0	0	0	9	9
0	0	0	0	25	25
0	0	0	-352	34	-318
0	0	0	-66,791	1,166	-65,625
0	-300	-300	973,291	1,220	974,511
0	216	216	771,339	317	771,656
0	0	0	36,903	0	36,903
0	0	0	390,172	0	390,172
0	0	0	-57,995	0	-57,995
0	0	0	369,080	0	369,080
182	104	286	-445,210	-305	-445,514
182	320	501	695,210	12	695,222

Notes (selected explanatory notes)

General information and basis of presentation

Sky Deutschland AG (formerly Premiere AG, also referred to as “the Company” or “Sky”) has prepared the consolidated interim financial statements in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The accompanying consolidated interim financial statements have been prepared in compliance with International Accounting Standard (IAS) 34 under additional consideration of the provisions stipulated in Sec. 37w WpHG. In accordance with IAS 34.10, Sky publishes condensed interim consolidated financial statements and selected explanatory notes in its interim consolidated financial statements.

The accounting policies applied for Sky’s consolidated interim financial statements correspond with the policies described in the Company’s IFRS consolidated financial statements as of December 31, 2008. The consolidated interim financial statements as of June 30, 2009 shall therefore be read together with the consolidated financial statements as of December 31, 2008.

The following Standards were adopted by Sky for the first time in the condensed interim consolidated financial statements as of June 30, 2009:

IAS 1	Presentation of Financial Statements
IFRS 3	Business Combinations
IAS 23	Borrowing Costs
IFRS 8	Operating Segments
IFRS 2	Share-based Payments: Vesting Conditions and Cancellations
Amendment to IAS 27	Consolidated and Separate Financial Statements
Amendment to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IAS 39 and IFRS 7	Reclassification of Financial Instruments
Amendment to IFRS 1	First-time Adoption of IFRS
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate
Omnibus Standards	Annual Improvements Project 2008
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programs
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

With the exception of IAS 1, IFRS 3/IAS 27 and IAS 38 the aforementioned amendments 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 June 30, 2009.

The adoption of the amended IAS 1 affected the presentation of the consolidated financial statements, in particular with respect to the combined presentation of income and expenses recognized in profit and loss and in equity in the statement of comprehensive income.

Other comprehensive income as a component of equity comprises gains and losses that are not recognised in the statement of operations. Due to the amended IAS 1 which is effective for financial years starting January 1, 2009 such gains and losses are recognised in the statement of comprehensive loss expanding the statement of operation previously reported.

In its consolidated interim financial statements as of June 30, 2009, Sky made an early adoption of the revised IFRS 3 and IAS 27. As a result of this early adoption, all business combinations and disposals of interest in consolidated companies that occurred after January 1, 2009, were retrospectively accounted for under the provisions of the revised IFRS 3 and IAS 27. From February to April 2009, Sky acquired all minority interest in Premiere Star. Whereas these acquisitions were accounted for in the consolidated interim financial statements as of March 31, 2009 in accordance with the provisions of IFRS 3 (revised 2004) requiring a purchase price allocation for the interests acquired, the early adoption of the revised IFRS 3 and IAS 27 triggered by the endorsement of the revised standards by the European Union in June 2009 resulted in an accounting treatment as equity transactions.

Under the amendment of IAS 38 as part of the annual improvements project 2008, 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 following Standards and Interpretations issued by the IASB and the IFRIC do not have to be applied by Sky with obligatory effect as of June 30, 2009 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:

IFRIC 15	Agreements for Construction of Real Estate
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
Revised IFRS 1	First Time Adoption of IFRS
Amendment to IAS 39	Financial Instruments: Recognition and Measurement - Eligible Hedged Items
Amendment to IAS 39	Reclassification of Financial Assets: Effective Date and Transition
Amendments to IFRS 2	Group Cash-settled Share based Payment Transactions
Amendment to IFRS 7	Improving Disclosures about Financial Instruments
Amendments to IFRIC 9 and IAS 39	Embedded Derivates
Omnibus Standard	Annual Improvements Project 2007-2009

The management board assumes that no significant adjustments will be required when the Standards and Interpretations referred to are applied with obligatory effect.

Change in firm

At the Annual General Meeting of Sky Deutschland AG on July 9, 2009, shareholders approved the resolution on changing the company name to Sky Deutschland AG.

On July 4, 2009 the new Sky TV entertainment service was launched. The new service replaced the existing Premiere service at launch.

Change in stockholder structure

Since May 2008 News Corp held a stake of more than 25 percent in Sky Deutschland AG. On February 6, 2009, News Corp reported in its quarterly report, that as of January 31, 2009 it indirectly held approximately 29 percent of the Company's share capital. Immediately following the capital increase carried out on April 22, 2009, News Corp held a stake of 30.5 percent.

Acquisitions of interests in consolidated entities

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 rights issue on April 22, 2009.

The consideration to be paid by Sky is scheduled 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 comprises a variable purchase price component, which entitles GL to exercise virtual options, each one of them representing one virtual Sky Deutschland AG share. In the event of an exercise of the Sky Deutschland AG virtual options, the fair value of these virtual shares will determine the payment obligation of Sky subject to a cap at a certain amount.

The transactions are treated as an equity transaction. Under the revised IAS 27 the difference between the acquisition costs and the acquired interest in the net assets of Premiere Star of K€57,995 is recognised as a reduction of equity.

Disposal of business entities

On April 22, 2009 Sky has sold its 44 percent stake in the internet sports platform Spox.com. This decision was part of Sky's strategy to focus on its core business.

Adoption of hedge accounting policy

In the second quarter of 2009 the company decided to implement a hedge accounting strategy. The overall objective is to mitigate the risk of having to settle payment obligations denominated in US dollar for the purchase of various sports and movie programming licences by using foreign exchange hedge contracts.

These derivatives are designated as hedging instruments and qualify as part of a cash flow hedge under IAS 39. The effective portion of the gain or loss on the changes in the fair value of these derivatives is recognised directly in other comprehensive income, net of any tax effect and not impacting earnings for the period.

When the underlying transaction occurs, the accumulated changes in the fair value of the derivative recognised in equity (in accumulated other comprehensive income) will be 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.

Significant influences on the consolidated interim financial statements

Changes in the balance sheet

Intangible assets

As a result of the decision by the management board with the approval of the supervisory board to discontinue the use of the Premiere brand in the pay-TV operation, the carrying amount of the Premiere trademark was fully amortised. The impact on net income was negative €253.9 million, comprising the amortisation of the trademark in the amount of €331.6 million offset by a release of deferred tax liabilities of €77.7 million.

Inventories

The carrying amount of the inventories recognised at net realisable value amounts to K€10,262. Impairment losses of K€253 on receivers were recognised as expense in the reporting period of 2009.

The decrease in inventories results primarily from the sale of 100,000 receivers. The resultant receivable was not paid in cash but rather offset against payables of the buyer, which resulted in a decrease.

Borrowings

The decrease in current bank debt from K€372,522 as of December 31, 2008 to K€6,702 as of June 30, 2009 primarily results from the repayment of both the bridge and the revolving facilities.

On April 23, 2009 Sky received the net proceeds of the 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 replaced debt facilities 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.

As of June 30, 2009 Sky has not drawn any amount under the facilities.

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 December 31, 2013. As of June 30, 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.

Other liabilities

The increase in other liabilities is mainly due to the repurchase of all shares in Premiere Star (please refer also to Acquisitions of interests in fully consolidated entities). The agreement with GL Europe International Luxembourg S.à.r.l., Luxembourg comprises a variable purchase price component. Contingent on the future development of the Sky share price, an additional debt of up to K€1,046 could arise.

Equity

The Company's agreement on the new long-term financing structure with the bank syndicate and News Corp included two capital increases. Sky has been given long-term credit commitments of €525 million, on condition that the Company received new equity of €450 million.

In the course of 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 January 14, 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 February 26, 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 April 5, 2009, with a backstop from News Corp on the capital increase subject to certain conditions. After completion of the offer, on April 22, 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 €411.6million. Less capital transaction costs of K€21,387 the additional paid-in capital was increased by K€22,708 from K€1,403,132 to K€1,425,841.

The authorisation granted to the management board by the Annual General Meeting of May 17, 2006 was cancelled in the Annual General Meeting on July 9, 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).

Non-current assets held for sale

The assets and liabilities related to Roombase Networks Limited and to the international operations of Sky Hotel Entertainment have been classified as held for sale following the intention of the group's management to sell these activities. The completion date for the transaction is expected to occur in the fourth quarter 2009.

Non-current assets classified as held for sale	30/06/09
Cash and cash equivalents	62
Inventories	3
Trade receivables	2,237
Property, plant and equipment	757
Intangible assets	374
Impairment in accordance with IFRS 5.15	-1,669
Total	1,765

Non-current liabilities classified as held for sale	30/06/09
Trade payables	564
Other current liabilities	506
Other non-current liabilities	117
Total	1,187

Statement of operations

Revenues

Revenues consist primarily of program revenues K€390,722 (1/1/08 – 30/6/08: K€391,748) and revenues from hardware K€27,647 (1/1/08 – 30/6/08: K€19,785). The program revenues include revenues with direct subscribers in a total amount of K€356,803 (1/1/08 – 30/6/08: K€351,446).

Selling expenses

The significant increase in the selling expenses mainly results from the sales project to implement the new packages and to advertise the new trademark "Sky".

General and administrative expenses

During the first half, Sky was engaged in a corporate restructuring process. Accordingly, Sky recognised additional personnel and reorganisation costs of K€2,439 in the general and administrative expenses. Furthermore, the change of IT systems for the implementation of the subscriber management system caused additional costs.

Other operating expenses

Following the Extraordinary General Meeting as of February 26, 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 shareholder's costs resulting from these agreements. These additional costs of K€4,551 were recognised in other operating expenses.

Financial result

As of June 30, 2009, the Company shows an expense in the amount €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 buy-back of shares in Premiere Star in the financial result.

Earnings per share

Basic earnings per share are calculated as the ratio of the Group earnings attributable to the Company's stockholders and the weighted average number of shares outstanding during the first half of 2009.

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 April 22, 2009 Sky had fully placed the second planned capital increase. In the course of this capital increase, the subscribed capital was increased by K€367,464 from K€122,684 to K€490,147. For the half year the capital increase resulted in a weighted average of 261,975,631 registered shares.

	First Half		Second Quarter	
	2009	2008	2009	2008
Earnings attributable to stockholders of Sky Deutschland AG (K€)	-445,495	-67,091	-365,760	-38,570
Weighted average number of outstanding shares (K)	261,976	112,460	401,310	112,460
Basic and diluted earnings per share (€)	-1.70	-0.60	-0.91	-0.34

Other explanatory comments

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 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 the terms and conditions normal in the market as also customary with non-related third parties.

During the reporting period, the Company has supplies and services with the following companies:

K€	Revenues from sales and services	Income from recharging personnel expenses	Other income	Expense from service received	Net	Payables	Receivables
Loxxess GmbH	0	66	110	-5,161	-4,986	218	164
Spox Media GmbH	0	0	419	-91	328	0	0
Premium Media Solutions GmbH	19	0	0	-1,967	-1,948	3	760
Total of affiliates	**19**	**66**	**528**	**-7,220**	**-6,606**	**221**	**925**
20th Century Fox	0	0	0	-24,105	-24,105	3,710	0
NDS Technologies France	0	0	0	-2,144	-2,144	18	0
NDS Limited	225	0	0	-121	104	25	0
Fox International Channels Germany GmbH	0	0	0	-3,156	-3,156	1,104	0
Sky Italia S.r.l.	0	0	0	-2,201	-2,201	2,140	8
News Adelaide Holdings B.V.	0	0	0	0	0	0	0
British Sky Broadcasting Ltd.	0	0	0	-135	-135	135	0
News International Ltd.	0	0	0	-249	-249	249	0
Total of companies with significant influence above the company	**225**	**0**	**0**	**-32,111**	**-31,886**	**7,380**	**8**
1-2-3.tv GmbH	0	0	14	0	14	0	374
X-Online GmbH	0	0	0	0	0	0	0
CreateCtrl AG	0	0	0	0	0	0	0
Wolfram Winter	0	0	0	-250	-250	179	0
Michael Börnicke	0	0	0	-46	-46	0	0
Total of other related parties	**0**	**0**	**14**	**-296**	**-282**	**179**	**374**
Total	**245**	**66**	**542**	**-39,627**	**-38,774**	**7,780**	**1,307**

BSkyB and Sky entered into a trade mark license agreement, to allow Sky the opportunity to use the Sky brand. The contract has a licence period from July 1, 2009 to June 30, 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.

Other financial commitments

Other financial commitments as of the reporting date are as follows:

K€	Total 30/06/2009	Total 31/12/2008
Film licenses	276,683	295,251
Sport licenses	1,281,796	1,407,905
Partner channels	377,500	205,591
Purchase commitments for receivers	48,865	16,639
Miscellaneous	479,429	555,218
Total	**2,464,273**	**2,480,605**

Future commitments under non-cancellable operating leases are as follows:

K€	Total 30/06/2009	Total 31/12/2008
Network operators and transponder rent	643,204	681,762
Office buildings	100,348	103,943
Motor vehicles	2,999	2,750
Technical office equipment	141	127
Total	**746,693**	**788,582**

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

At the Annual General Meeting the candidates proposed by the supervisory board were elected to the supervisory board of the company until end of the 2013 Annual General Meeting: Markus Tellenbach, Guillaume de Posch, Dr. Stefan Jentzsch, Thomas Mockridge, Mark Kaner and Steven Silvester Tomsic.

On May 13, 2009 the supervisory board of Sky Deutschland AG has 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 temporary basis.

On March 18, 2009, Markus Tellenbach was appointed to the position of Chairman of the supervisory board of Sky Deutschland AG.

On February 5, 2009, Dr. Hans M. Seiler was appointed to the supervisory board of Sky Deutschland AG. Dr. Seiler is substituting Mark Williams in the supervisory board who having become CEO has been inactive as a member of the supervisory board.

On February 3, 2009, Rainer Großkopf resigned from his office as Chairman of the supervisory board and Member of the supervisory board of Sky Deutschland AG.

Events after the balance sheet date

In July 2009 Sky acquired Creation Club GmbH from Plazamedia GmbH, a subsidiary of Constantin Medien AG. Thus, the Creation Club GmbH has become a hundred percent subsidiary of Sky Deutschland Fernsehen GmbH & Co. KG. The agreed base purchase price amounts to €15.25 million (with deferred payments until 2013). In addition to this purchase price both companies agreed market standard working capital adjustments.

The Creation Club GmbH is one of the leading companies specialised in audio-visual communication and TV formats.

On August 5, 2009, News Corporation announced it has secured additional shares in Sky Deutschland AG, increasing its total stake to 39.96 percent from 30.5 percent.

With effect to August 28, 2009 Sky has sold its 14.4 percent stake in 1-2-3.tv GmbH to other shareholders of 1-2-3.tv. The estimated gain from this transaction will amount to approximately € 2.0 million.

Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group."

Unterföhring, 14 August 2009

The management board

Review report

To Sky Deutschland AG, Unterföhring

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, the consolidated statement 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 (formerly Premiere AG), Unterföhring, for the period from January 1 to June 30, 2009, 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 conduct 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, 14 August 2009

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