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Results Q2 2010

13 August 2010

Q2 2010 Results

- Subscription revenues up 18.7% year on year
- ARPU of €28.62 (Q2 2009: €25.20), up €3.42 year on year
- EBITDA of negative €47.4m (Q2 2009: negative €63.4m), an improvement of €16m
- Subscriber net growth of 6,000 (Q2 2009: negative 7,000) to 2.476m subscribers
- 107,000 subscriber gross additions (Q2 2009: 117,000)
- Quarterly annualized churn rate down to 16.3% (Q2 2009: 20.8%), the lowest level in four years
- HD penetration increased to 14.9% (Q2 2009: 8.4%), almost doubled year on year



Operational Achievements

- Three new and exclusive Sky HD channels announced
- Sky Sport HD 2, Sky Action HD and Sky Cinema Hits HD starting 13 August 2010
- Sky HD is already the most comprehensive HD service in Germany and Austria
- Further expanding the Sky HD service to ten HD channels
- Targeting more than 18 million HD-ready flat screen TV sets* in Germany and Austria



* ScreenDigest 2010

Operational Achievements

- Innovation initiative to increase continually the quality, value and convenience of Sky TV
 - Sky+ HDTV digital video recorder/receiver
 - New Sky Multiroom offer
 - Launch of Sky's live sport app on iPad
 - Sky Services on Mobile Devices
 - FIFA World Cup with two sound options – reduced vuvuzela



Operational Achievements

- Strategic cable partnerships:
 - Agreements with NetCologne, Versatel, TeleColumbus and Kabel Baden-Württemberg in place
 - Retail partnership with full control
 - Combination with broadband and telephony products
 - Pure distribution options remain in place in all cases

KabelBW
Einfach clever.

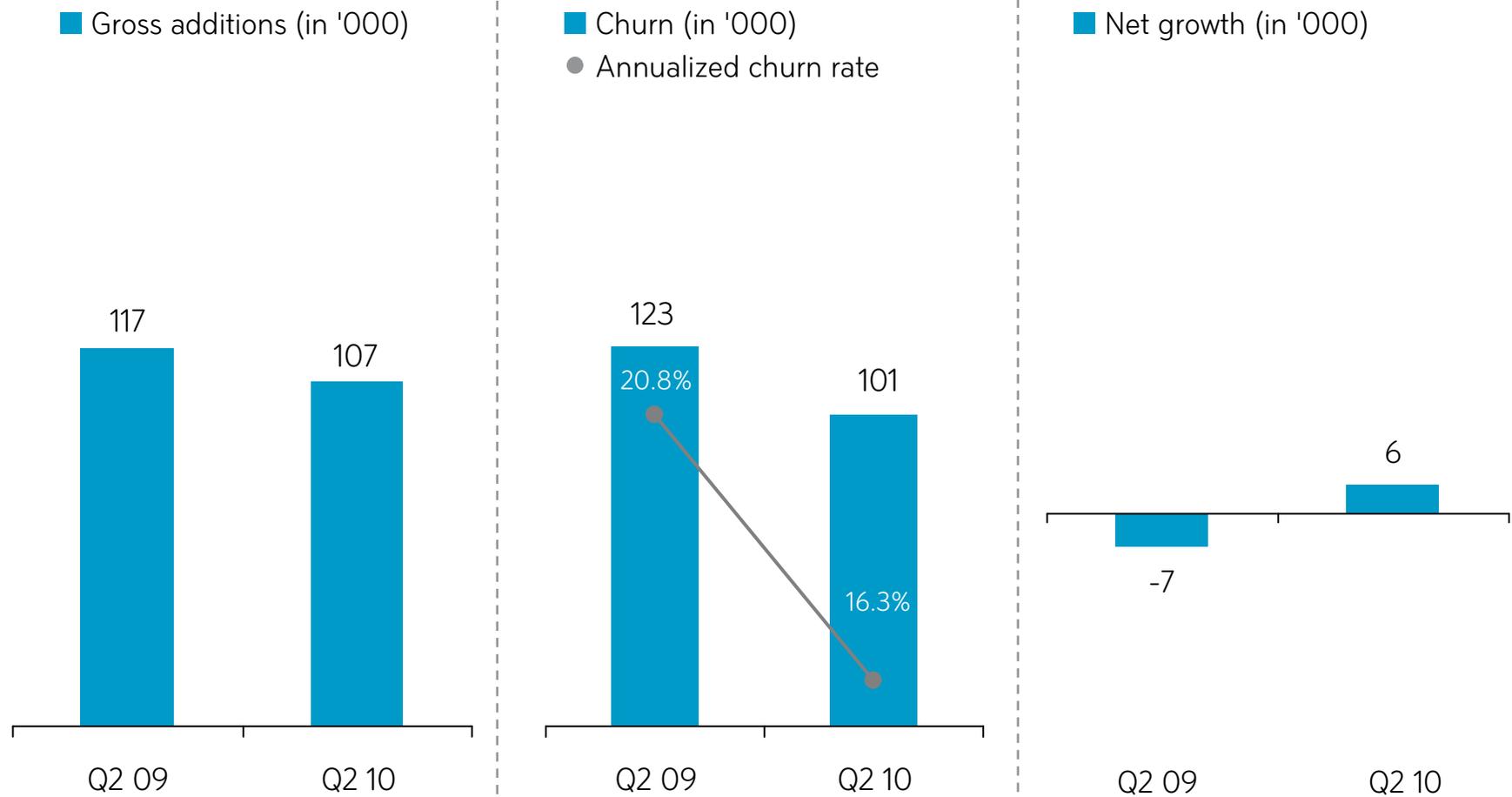
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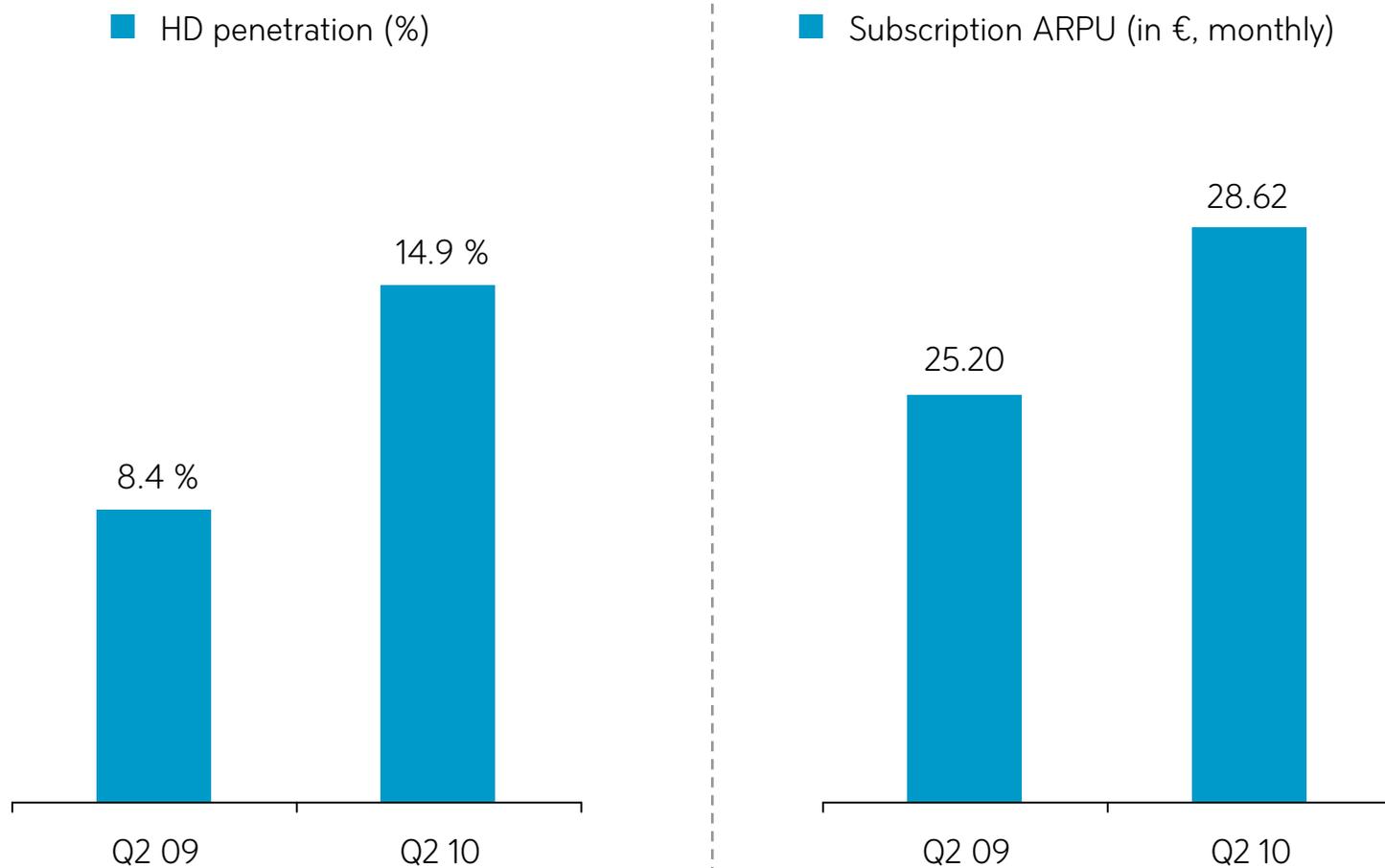
versatel

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Subscriber Development



HD Penetration & Subscription ARPU



Subscribers and Key Metrics

'000	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10
Direct subscribers at beginning	2,371	2,364	2,431	2,470	2,471
Gross additions	117	201	167	123	107
Churn	-123	-135	-128	-122	-101
Net growth	-7	67	39	1	6
Direct subscribers at end	2,364	2,431	2,470	2,471	2,476
of which Flex	38	12	3	1	0
HD penetration (%)	8.4	9.3	10.9	13.1	14.9
Subscription ARPU (in €, monthly)	25.20	25.77	27.45	28.85	28.62
Churn rate (in %, quarterly annualized)	20.8	22.5	21.0	19.8	16.3
Churn rate (in %, 12 months rolling)	22.4	23.3	21.6	21.0	20.1
Wholesale subscribers at end	334	140	131	132	133



Revenues and Costs

in €m	Q2 10	Q2 09	Change (absolute)	Change (in %)	YTD 10	YTD 09	Change (absolute)	Change (in %)
Revenues								
Subscription	212.4	179.0	33.4	18.7	426.2	356.8	69.4	19.4
Hardware	5.4	10.9	-5.5	-50.5	12.0	31.2	-19.2	-61.6
Wholesale	3.8	14.0	-10.2	-72.8	7.2	30.5	-23.3	-76.4
Advertising	5.6	4.5	1.1	24.3	9.0	7.6	1.4	18.4
Other	8.9	22.2	-13.3	-59.8	16.5	37.2	-20.7	-55.7
Total	236.1	230.6	5.5	2.4	470.9	463.3	7.6	1.6
Costs (including depreciation)								
Program	182.7	198.7	-16.0	-8.1	378.0	360.8	17.2	4.8
Technology	34.2	31.2	2.9	9.4	71.2	65.2	6.0	9.2
Hardware	9.0	11.2	-2.2	-19.6	18.2	32.2	-14.1	-43.7
Customer service and other cost of sales	14.6	12.9	1.6	12.6	30.7	24.2	6.5	26.9
Selling expenses	38.8	32.9	5.9	17.8	71.7	55.3	16.4	29.6
General and administrative expenses	20.1	19.7	0.3	1.7	40.2	40.5	-0.3	-0.6
Other operating expenses/income	-4.9	-1.4	-3.5	>-100	-6.3	4.4	-10.7	>-100
Total	294.3	305.3	-11.0	-3.6	603.8	582.7	21.1	3.6
Depreciation included	10.8	11.3	-0.5	-4.2	21.0	26.2	-5.2	-19.7
Costs (excluding depreciation)	283.5	294.0	-10.5	-3.6	582.7	556.5	26.2	4.7
EBITDA	-47.4	-63.4	16.0	25.2	-111.9	-93.2	-18.7	-20.0



Results

in €m	Q2 10	Q2 09	Change (absolute)	Change (in %)	YTD 10	YTD 09	Change (absolute)	Change (in %)
Revenues	236.1	230.6	5.5	2.4	470.9	463.3	7.6	1.6
Operating expenses	283.5	294.0	-10.5	-3.6	582.7	556.5	26.2	4.7
EBITDA	-47.4	-63.4	16.0	25.2	-111.9	-93.2	-18.7	-20.0
Depreciation and amortization	10.8	11.3	-0.5	-4.2	21.0	26.2	-5.2	-19.7
Amortization of subscriber base/trademark	12.2	343.8	-331.6	-96.4	24.5	356.1	-331.6	-93.1
EBIT	-70.4	-418.5	348.1	83.2	-157.4	-475.5	318.1	66.9
Financial result	-10.8	-14.9	4.1	27.6	-19.9	-24.4	4.4	18.2
Result before taxes	-81.2	-433.5	352.2	81.3	-177.3	-499.8	322.5	64.5
Income taxes	-0.7	67.7	-68.4	>-100	-1.5	54.0	-55.6	>-100
Result for the period	-81.9	-365.8	283.8	77.6	-178.9	-445.8	266.9	59.9



Cash Flow and Net Debt

in €m	Q2 10	Q2 09	YTD 10	YTD 09
Cash flow from operating activities	-111.5	-38.4	-173.8	-52.6
Cash flow from investing activities	-1.1	-5.3	-18.4	-11.5
Cash flow from financing activities	144.0	53.0	220.5	18.9
Cash flow	31.4	9.4	28.2	-45.2

in €m	30.06.10	31.12.09
Cash and cash equivalents	36.3	8.1
Net debt	253.9	162.4



Focus on 5 key investment areas

1. Differentiate through sharper HD and core content quality and exclusivity
2. Accelerate net growth through PVR deployment
3. Differentiate and expand through key innovations and product extensions
4. Expand distribution
5. Continue to develop market-leading customer service



Outlook

- Full year 2010 EBITDA will remain negative and will be significantly lower than previously indicated, due to the slower than expected subscriber development and increased investment in key initiatives following the financing measures.
- Full year 2011 EBITDA is expected to be significantly better than 2010, but will still remain negative.



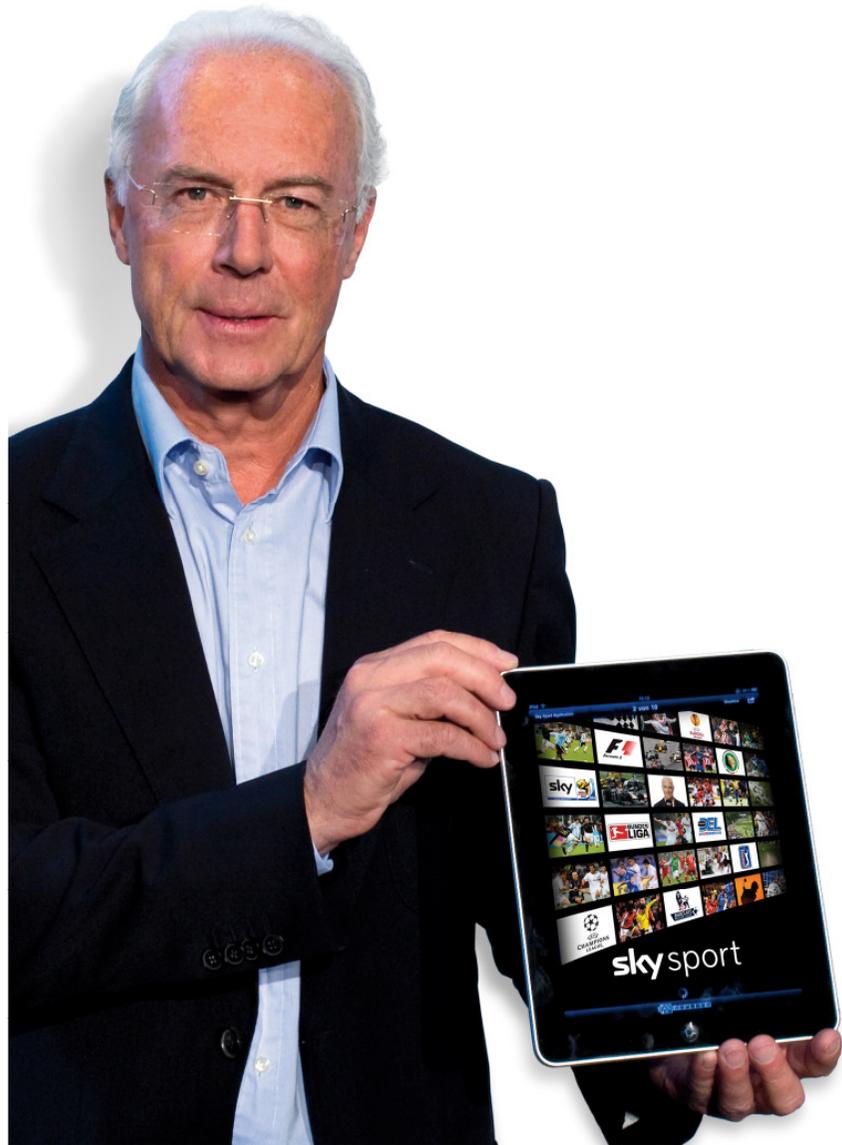
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