

Annual General Meeting of Premiere AG

# Speeches of Mark Williams, CEO, and Pietro Maranzana, CFO

Munich, 9 July 2009

Check against delivery.

Dear shareholders,

shareholders' representatives,

ladies and gentlemen,

Good morning and welcome to our annual general meeting. I am Mark Williams, the CEO of Premiere since 10th September 2008.

Now, I would like to review the year 2008, present what we have done up until today, our targets, and of course how we intend to achieve them. Pietro Maranzana, our CFO will then review the 2008 financials.

2008 was a very difficult year for Premiere. We suffered a very large net loss of €269.4m and the existence of the company was threatened by a liquidity crisis in the 4th quarter.

A major risk faced by Premiere during 2008 was the potential breach of debt covenants on 15 November 2008, which was temporarily waived by our bank syndicate.

The negotiations with News Corp and our bank syndicate were critical to the survival of Premiere and came to a successful conclusion on 22 December 2008.

Under the new financing arrangement, the replacement debt facilities of €525m were conditional upon new equity in the amount of €450m. News Corp supported the refinancing and had committed to backstop the required €450m equity subject to certain conditions. The most important of which was an exemption by BaFin from the requirement to submit a mandatory takeover offer in the event News Corp's shareholding in Premiere exceeded 30 percent of the voting rights. BaFin granted this exemption to News Corp on 30 January 2009.

In order to satisfy our funding needs until the long-term financing was fully in place, we undertook a capital raising in January 2009 using existing authorised capital. The rights issue from authorised capital comprised approximately 10.2m new shares at a subscription price of €3.76 per share. Total proceeds of the capital increase amounted to €38.44m and, together with a short-term bridge loan provided by our bank syndicate, we had a total cash inflow of €50m in January, to satisfy our short-term funding needs.

Following the 99.6 percent approval by our shareholders at the extraordinary shareholders' meeting on 26 February 2009, we completed a second capital increase in April, raising the remaining amount of approximately €412m.

Now that the financing is in place, we are able to invest in initiatives that are targeted at building a successful pay-TV business.

In 2008, we achieved some important operational milestones for future growth and profitability. Of great importance was closing the security gap in November 2008. The security gap had been a cause for the decline in subscribers throughout most of the year and negatively impacted 2008 financial results. Our 2008 performance was also negatively affected by uncertainty as to whether Premiere would have the rights to broadcast the Bundesliga from this season onwards. This was confirmed at the end of November when we secured the live pay-TV rights for all Bundesliga and 2nd division games for Germany, Austria and Switzerland for four years from the season 2009/2010 to 2012/2013 with significantly enhanced coverage.

The decision to focus on monthly contract subscribers led to the phasing out of all prepaid and other offers that were in the market.

We have furthermore aligned our portfolio by disposing of some non-core assets such as our stake in online-hardware retailer Home of Hardware and online sports platform Spox.com. In this year, we re-integrated assets which are critical to the business such as Premiere Star, and the production company Creation Club.

A major step in Q4 2008 was the engagement of a new senior management team, drawing on pay-TV expertise from Sky Italia, News Corp, BSkyB in the UK and the encryption specialist NDS. Premiere now has a management team with a track record in all critical areas of the business, including programming, sales, marketing, operations, finance and technology.

Germany is Western Europe's largest television market with 37.2m TV-households. Together with Austria, our core market comprises approximately 41 million homes. Compared to other European markets, the level of pay TV penetration of just over 13 percent is still low in Germany – and the Austrian rate is similar.

I cannot see any inherent structural or market reasons for this but rather an inability thus far to effectively exploit the potential. This underlines my firm belief that it is possible to build a successful pay TV business in Germany and Austria.

Delivering a much more attractive consumer proposition and improving Premiere's overall operational performance are vital to unlocking the marketplace's potential.

Before I outline how we plan to do it, I'll ask Pietro Maranzana, our Chief Financial Officer, to review the financials of 2008.

Ladies and gentlemen,

As the new Chief Financial Officer, I would like to welcome you to our Annual General Meeting. Before I will guide you through our results for 2008 and Q1 2009, I would like to introduce myself.

My name is Pietro Maranzana and I am CFO since 1<sup>st</sup> of June this year. I took over this responsibility from Mark Williams, who acted as CFO on a provisional basis.

My first priority as I came to Premiere last September was to support preventing a liquidity crisis and to secure the financing. In addition I have been involved from the beginning in preparing our business plan.

Before being here, I worked for Sky Italia in the Business Planning department where I was responsible for strategic and operational planning and various other key projects.

I will guide you through a review of our 2008 financials. Before continuing, I would like to point out that in December we have sold our stake in Home of Hardware and therefore we have excluded the revenues and expenses of Home of Hardware from the results.

The July 2007, acquisition of a sublicense from arena to broadcast the games of the Bundesliga and 2nd division of the German football league led to increased operating costs in 2008 compared to 2007. However, corresponding revenues did not increase as expected. Two factors that had a negative impact on revenue in 2008 were piracy and the lack of clarity about the awarding of broadcasting rights for the Bundesliga. Accordingly, our full year EBITDA went down by €140.5m to negative 57.0m and EBIT fell by €146m to negative 156.2m.

The financial result of negative €59.5m increased by €20.1m mainly due to a write down of minority investments as well as to an increase in interest expenses, partly compensated by a gain from fair value changes in foreign currency hedge contracts and their disposal.

Income taxes mainly comprise deferred tax expenses in the amount of €47.9 million due to a decrease of deferred tax assets and an increase of deferred tax liabilities.

For the year ended 31<sup>st</sup> December net loss after taxes was €269.4m including the €4.9m loss of discontinued operations as Home of Hardware.

Total revenues of 2008 remained almost stable at €941.1 million.

Program revenues – which came mainly from subscriptions – increased to €769.8 million. This increase was due mainly to increased subscription revenues.

Premiere's magazine and advertising revenues fell by €21.0 million to €31.0 million. Due to a decrease in receiver sales in the financial year 2008, receiver sales/rental revenues were reduced by €13.9 million to €47.5 million.

Other revenues generated during the reporting period totaled €92.8 million, of which €45.5 million came from licensing. This increase is mainly driven by the sublicensing of rights for the 2010 FIFA World Cup. The remaining revenues include mainly revenues from transmission and production relating to the transmission services of the Bundesliga in IPTV.

Cost of sales totaled €884.2 million, an increase of 9.9 percent or €79.7 million. This development is mainly due to an increase in programming costs of €76.8 million to €640.0 million – predominantly for sublicense fees to broadcast the games of the Bundesliga and 2nd division of the German football league in the amount of €159.3 million. The higher programming costs were partly compensated by gains on the valuation of USD foreign exchange hedge contracts in the amount of €22.4 million.

Transmission costs rose to €125.2 million due in part to higher fees charged by cable networks to carry Premiere programming. Customer service costs fell to €52.0 million due to a lower volume of calls. Receiver costs totaled €67.0 million due to a lower volume of receiver sales. Selling expenses were reduced to €114.3 million mainly as a result of decreased media spending in the amount of €6.5 million. General administrative costs rose by €10.8 million during the reporting period to €69.6 million, mainly due to increased amortization of last year's investments in software and increased IT maintenance costs.

Net other operating income and expenses declined by €71.2 million to €19.7 million. This decline is mainly due to the lack of one time effects which oc-

curred in 2007 as the release of tax accruals. Furthermore, the gain from sales of stakes in Premiere Star has been lower in 2008 than in the year before.

Cash flow from operating activities for the year amounted to negative €108.1 million, which resulted primarily from the negative operating result. Cash flow from investment activities was negative €7.3 million. Proceeds from the sale of interests in entities resulted from the sale of shares in Premiere Star. Payments for investments in intangible assets, property, plant and equipment primarily concerned the acquisition of naming rights and software.

Cash flow from financing activities dropped to €67.6 million. The inflow of funds as a result of drawing on existing loans and the sale of USD foreign exchange hedge contracts was €114,5m. It was partially offset by an outflow of funds for loan and interest payments. Last year's high inflow of funds was mainly due to the capital increase undertaken.

At the end of 2008, Premiere had at its disposal liquid funds in the total amount of €67.2 million.

Net debt – which is financial liabilities less cash – amounted to €318.1 million. As of today, we are debt free and we have not drawn the existing debt facilities except for the Bundesliga guarantee.

Our equity ratio at the end of 2008 was 49.2 percent.

An immediate outcome of the strategic review was the decision to focus on monthly contract subscribers. This is why we adopted a new subscriber classification in October 2008.

Using the new classification at the end of December 2008, Premiere had a total of 2.399 million direct subscribers, comprising 2.314 million monthly subscribers to at least one of Premiere's channel packages and 85,000 subscribers who purchased pay-per-view and other ad-hoc services on a prepaid basis via the Flex service. The 2.314 million monthly contract subscribers include residential customers, sportsbars and hotel rooms.

Compared with the end of 2007, the number of direct subscribers has fallen. Piracy as well as the uncertainty of the result of the Bundesliga rights auction had a major negative impact on subscriber figures.

At the end of 2008, Premiere had 691k wholesale subscribers, 473k of which through arena respectively Unitymedia.

The churn rate for 2008 went down to 23.1 percent and our average monthly revenue per user (ARPU) increased by approximately 1 Euro to €23.49. This

has been an effect from the regaining of the Bundesliga in 2007.

Now, I will give you a short update on our Q1-key metrics:

During this year's first quarter, subscriber changes were as expected:

- the subscriber base reduced by 28,000, comprising 17,000 discontinued Flex subscribers and only 11,000 monthly contract subscribers and
- ARPU increased by approximately 1 Euro per month to €24.85 as a result of our policy of not renewing deeply discounted offers.

We expect subscriber growth starting this quarter with the launch of comprehensive programming, sales, marketing and customer service initiatives.

Before turning back to Mark Williams, I would like to speak quickly about topic 7 on today's agenda.

In order to continue to give the management board and the supervisory board sufficient financial flexibility, we are asking the annual general meeting to approve the creation of new authorized capital. We are suggesting to increase the company's registered share capital in the period up to 8 July 2014 by up to 147,044,143 shares.

I will now hand over to Mark for the outlook and our business plan.

Vielen Dank!

The main objective of our new business plan is to achieve profitability by

growing the number of monthly contract subscribers and

increasing their average revenue or ARPU.

We are targeting to reach EBITDA and cash flow break-even on a monthly basis during Q4 2010 at an expected level of 3.0 to 3.4 million monthly contract subscribers. However, the full year 2010 EBITDA and cash flow will still be significantly negative.

From the 2011 year onwards we are targeting to be net income and cash flow positive.

Our business plan to achieve this comprises five key elements:

1. Enhancing programming attractiveness
2. A clear and simple packaging and pricing
3. Redefining customer satisfaction
4. Improving usability and convenience
5. Pushing sales and marketing

I'll start with the first ... "Enhancing programming attractiveness"

A broad and compelling offer is key to attract and retain subscribers.

Last Saturday, we launched our new Sky service – with a new structure, a large 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.

I am convinced that this offer will attract many new subscribers.

"Sky Welt" is the name of our new general entertainment or basic 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.

Six channels are completely new: National Geographic Channel, NatGeo Wild, Spiegel Geschichte, Motorvision TV, The Biography Channel and History.

In addition, Fox, Sky Krimi, and the Disney Channel – which were previously part of the film package – are now a core part of our general entertainment package.

Sky Welt Extra adds 18 channels to our 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.

We have also launched our new Sky Film package, which offers 10 channels, showing 80 movies a day and 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 always find a movie of their taste.

We also included flexible scheduling with time-shifted start times as well as multiple replays to give subscribers the flexibility to watch every movie when they want.

With our two new sports packages – Sky Fußball Bundesliga and Sky Sport – our customers can choose from the most comprehensive live sports packages on German language TV!

24 hours a day, 7 days a week, sports fans can enjoy the broadest range of world-class sports coverage.

For the coming 4 years, we have secured the Bundesliga rights for Germany, Austria and Switzerland with all 1st and 2nd league matches live and exclusive via cable and satellite. Furthermore we have secured the rights to live stream the matches via the internet. And as Official Partner of the Bundesliga, Sky is closer to the Bundesliga than anybody else.

Just recently, we secured the rights for all matches of the UEFA Europa League - the former UEFA Cup. And now, with the Bundesliga, the DFB Cup, the UEFA Champions League, the new Europa League as well as the FIFA World Championship 2010, we secured the most important football rights for our customers for the coming years.

Additionally, we will broadcast top games of other European leagues including the English Premier League as well as other international football. In total, we will broadcast more than 1,000 live football matches per season. Our Austrian subscribers can see the exclusive live coverage of Austrian Bundesliga.

Besides football, we offer the best 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. We have all top games of the German ice hockey league (DEL), live and exclusive, as well as Formula One, Tennis and many other sports.

For sports fans, this offer is a must-have!

Finally, we are offering the first comprehensive HD package in Germany and Austria.

We are very excited about it as it provides a much wider range of programming for our viewers and is a really strong selling point covering a wide range of movies, live sports and high-impact documentaries. And everything with sharp HD resolution, brilliant colors and Dolby-Digital-Surround-Sound.

Sky Cinema HD and Disney Cinemagic will 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, hockey, Formula 1 and other selected major sporting events. All games from the FIFA World Cup 2010 will also be broadcast in HD. Furthermore, Eurosport HD will broadcast top sport events in HD quality. In the coming weeks, Sky subscribers can look forward to the Tour de France, the World Championships and the US Open from New York.

National Geographic, Discovery and History will be even more impactful in high definition.

We are 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. I am very confident that our initial 7 channel package, which we launched last weekend, will appeal strongly to HD ready households.

The second element of our business strategy is a clear and simple packaging and pricing structure which became effective since 4 July.

The new packaging and pricing structure 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 4 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 3 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 model has proven to be successful in other markets and for Germany we are confident that this will lead to an increased number of subscribers and

higher ARPUs. This structure is expected to reduce complexity – and very importantly – enable much more effective customer and marketing communications.

A new standard of customer service lies at the heart of the Sky offering.

We have many projects under way to overhaul our customer service including expanded call centre capacity, clearer and preemptive customer communications, new service points within 15 minutes of almost any home and a new website which enables our customers to easily manage their own accounts.

I would like to highlight our brand new network of more than 2000 installation field engineers who will make home visits installing, upgrading and repairing equipment for a reasonable charge. This is brand new and it underlines our focus on customer service and satisfaction.

Improvements have already been made or are now coming on line: for example our call center is available 24/7 now – we have introduced it on 1<sup>st</sup> July.

Furthermore, we have replaced the subscriber management system – which is more than 10 years old – with a system customized for pay TV operations which enables much better customer handling and give us more flexibility for marketing initiatives.

Reducing complexity and simplifying technology to eliminate the need for service calls and to minimize average call time remain key priorities.

The usability and convenience of the current service still provides significant room for improvement. And it is key for the success of our service and to retain our customers.

We are making our offering more user-friendly and we will constantly innovate to increase the convenience of using Sky.

Among other things, we have ...

- designed the channels around genres that viewers want to see,

- we've implemented a very convenient movie scheduling system and we have

- introduced clear channel names,

and we will further modernize our customer-facing technology, such as electronic program guides. For example: we will simplify menu structures to make it easier for subscribers to quickly navigate through the channels and we will introduce user-friendly HD receivers with recording capabilities.

And finally I will speak about our planned sales and marketing initiatives.

We are investing heavily in aggressive sales and marketing initiatives which began a few days ago with a substantial marketing campaign.

Today, we estimate that at least 50 percent of all Germans should have seen our 89 second launch commercial at least twice. After two weeks we expect to reach at least 95 percent of Germans.

We are building on a promising platform. Even before any marketing activity, 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.

But this is only one part of the story.

Beside the roll-out of our marketing campaign, we have started to implement a multitude of sales initiatives to support subscriber and ARPU growth.

We have incentivized retail sales efforts to focus on selling subscriptions rather than hardware.

We will also continue to develop our direct sales channels, for example, by expanding our direct mailing and web-based activities.

And, we boosted our retail sales network, by more than doubling the number of points of sale and tripling the number of sales representatives, to constantly serve top retail stores.

This chart illustrates very well what we mean by that. A dense retail sales network is one important prerequisite for increasing our number of subscribers.

Here is an example of a flagship point of sale with the full opportunity to sample the Sky viewing experience on a Premium high definition TV.

There will be 12 flagship stores.

The single unit in the right hand corner has an interactive touch-screen which will be present in approximately 1400 stores. These units are networked to give us real-time feedback on traffic levels and inquiry patterns by region and by store – enabling us to manage our sales efforts on a very detailed level.

We have set up a Sky lounge in the lobby. Please feel free to experience it by yourself there.

The five elements of the business plan which I have just presented to you, make very clear that the new brand is about far more than a simple change of name: it is a signal that everything has and will improve.

Furthermore, our extensive market research demonstrated a clear need to adopt a new name to support the launch of the new service. Our analysis clearly showed that launching with a new name could be done much more quickly and cost-effectively than again attempting to re-launch the Premiere brand.

It also demonstrated - as I said before - that the Sky brand already benefits from 25 percent awareness – which is considerable.

In addition, our license of the Sky name from BSkyB in the UK gives us access to a vast and proven range of tools and marketing experience which has enabled us to develop the brand quickly and very effectively in Germany and Austria.

So, it is only consequent to ask you, to approve changing the company name to “Sky Deutschland AG”.

When we started in September 2008, we were on the edge of illiquidity. Last Saturday we launched an almost entirely new service – with fully overhauled customer service and all new sales initiatives.

Even though Germany has a challenging media environment I am convinced that we will set a new standard for TV entertainment in Germany and Austria.

And I am sure that our customers will appreciate quality, choice, convenience and exclusivity from Germany’s and Austria’s best TV entertainment platform.

Thank you very much!