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Premiere announces results for full year 2008 and Q4 2008

2008 key results (excluding Home of Hardware*):

- Revenues of €941.1m (2007: €937.2m)
- EBITDA negative €57.0m (2007: positive €83.6m)

Q4 2008 key results (excluding Home of Hardware*):

- Revenues of €236.1m (Q4 2007: €261.3m)
- EBITDA negative €44.5m (Q4 2007: positive €13.5m)
- 2.399m subscribers as of 31 December (Q3 2008: 2.411m)

Net loss (including Home of Hardware, discontinued operations)

- Full year 2008: net loss of €269.4m (2007: €51.6m)
- Q4 2008: net loss of €114.3m (Q4 2007: €23.5m)

Net debt of €318.1m as of 31/12/2008 (30/9/2008: €307.0m)

Outlook:

- Subscriber base expected to be broadly flat in the first half of 2009 and growth to commence in Q3 2009 after relaunch and new marketing initiatives
- In 2009, negative cash flow in a range of €250m to €275m and significant EBITDA loss expected
- Targeted EBITDA and cash flow break-even on a monthly basis during Q4 2010 but negative for full year 2010
- Premiere targets to be net income and cash flow positive for the 2011 year and onwards

Munich, 16 February 2009. Full year 2008 revenues of Premiere increased slightly to €941.1m (2007: €937.2m). Including Home of Hardware, total revenues were €1,017.1m, consistent with guidance given in November 2008 of at least €1,015m. Operating expenses rose to €998.1m (2007: €853.6m), mainly due to higher programming costs for the Bundesliga, higher expenses for transmission and lower other operating income compared to 2007. EBITDA was negative €57.0m (2007: positive €83.6m) excluding Home of Hardware and negative €59.5m if included.

* Premiere sold its stake in Home of Hardware (HoH) in December 2008. HoH has been classified as a discontinued operation in accordance with IFRS 5. Therefore revenues and expenses of HoH are not part of the statement of operations and have been excluded.

The financial result was negative €59.5m (2007: negative €39.5m), income taxes rose to €48.8m (2007: €2.2m), mainly comprising deferred taxes. As a result, net income - including Home of Hardware (discontinued operations) - was negative €269.4m (2007: negative €51.6m). Cash flow from operating activities amounted to negative €108.1m (2007: negative €34.4m). Net debt at the end of Q4 2008 was €318.1m (Q3 2008: €307.0m). Results for 2008 were negatively impacted by the security breach in the Nagravision encryption system, which was not finally resolved until 10 November 2008, and the uncertainty as to whether Premiere would have the rights to broadcast Bundesliga from the 2009/2010 season onwards - which was confirmed on 28 November 2008.

In Q4 2008, Premiere posted total revenues of €236.1m (Q4 2007: €261.3m). Operating costs rose to €280.5m (Q4 2007: €247.8m). EBITDA was negative €44.5m (Q4 2007: positive €13.5m). Net income was negative €114.3m (Q4 2007: negative €23.5m). Operating cash-flow in the fourth quarter 2008 was negative €9.8m (Q4 2007: positive €24.3m).

Premiere had a total of 2.399m direct subscribers at the end of Q4 2008 (31/12/2007: 2.534m). Compared to Q3 2008 (2.411m), the subscriber base has declined by 12k, with net growth of 21k in monthly contract subscribers more than offset by 33k net loss of Flex subscribers. Premiere added 153k new direct subscribers during Q4 2008, 25 percent more than Q4 2007. Of the 153k additions, 147k were monthly contract subscribers, up 56k or 60 percent versus Q4 2007, and 6k were Flex and prepaid additions. Due to the non-renewal of Flex offers, churn for Q4 2008 at 23.1 percent was up compared to Q3 2008 (21.4 percent). ARPU in Q4 2008 was €23.86, down slightly compared to Q3 2008 (€23.92). At year end 2008, Premiere had 691k wholesale subscribers (Q4 2007: 790k). The historical view of subscribers is as follows:

in '000	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08
Direct subscribers at beginning	2,535	2,534	2,450	2,376	2,411
Additions	122	86	58	138	153
Churn	-123	-171	-132	-103	-165
Net change	-1	-85	-74	35	-12
Direct subscribers at end	2,534	2,450	2,376	2,411	2,399
of which Flex	201	164	113	118	85
Direct program revenues (€m)	179.0	178.5	172.9	171.8	172.2
Program ARPU (€ monthly)	23.53	23.88	23.89	23.92	23.86
Churn rate (12 months rolling)	25.9%	22.9%	22.2%	21.4%	23.1%
Wholesale subscribers at end ('000)	790	797	792	704	691

Mark Williams, CEO of Premiere AG: "2008 was a very difficult year, during which we suffered a large financial loss and a liquidity crisis which threatened the company's existence. The long-term financing structure agreed in December with News Corp and our bank syndicate was key to our survival. The most critical step now is the approval of the required capital increase by shareholders at the extraordinary general meeting on 26 February and the completion of the rights issue expected during the first half 2009. For the first half of this year we are focused on developing detailed operational plans for an aggressive push in the second half."

Outlook

Premiere expects the subscriber base to be broadly flat in the first half of 2009 and growth to commence in Q3 2009 following relaunch and new marketing initiatives.

The increase in program revenues in 2009 is expected to be limited to approximately €50m because growth initiatives cannot commence until the second half of the year after the capital raising is completed. Total revenue will grow by less than €50m in 2009 because one time revenues in 2008 - such as the sale of FIFA Worldcup 2010 rights - are not expected to recur in 2009. Additional expenditure in 2009 will comprise additional costs of Bundesliga and sports programming, an increase in other programming costs, additional sales and marketing costs and higher transmission and other costs. No significant other income is expected in 2009. As a result, the company expects a negative cash flow in the range of €250m to €275m and a significant EBITDA loss in 2009.

Premiere targets to achieve EBITDA and cash flow break even on a monthly basis during Q4 2010 but for the full year both figures are expected to be negative. Premiere targets to be net income and cash flow positive for the 2011 year and onwards.

This press release is available on the Internet at info.premiere.de.

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Results 2008 vs 2007

in €m	FY 08	FY 07	Change
Revenues	941.1	937.2	4.0
Operating expenses	998.1	853.6	144.5
EBITDA	-57.0	83.6	-140.5
Depreciation and amortization	50.3	45.5	4.9
Amortization of subscriber base	48.9	48.3	0.6
EBIT	-156.2	-10.2	-146.0
Financial result	-59.5	-39.5	-20.1
Profit/(loss) before taxes	-215.7	-49.6	-166.1
Income taxes	-48.8	-2.2	-46.6
Result from continuing operations	-264.5	-51.9	-212.6
Result from discontinued operations	-4.9	0.3	-5.2
Result for the period	-269.4	-51.6	-217.8

Results Q4 2008 vs Q4 2007

in €m	Q4 08	Q4 07	Change
Revenues	236.1	261.3	-25.2
Operating expenses	280.5	247.8	32.8
EBITDA	-44.5	13.5	-58.0
Depreciation and amortization	12.7	12.7	-0.1
Amortization of subscriber base	12.2	12.1	0.2
EBIT	-69.3	-11.3	-58.1
Financial result	-27.5	-8.4	-19.1
Profit/(loss) before taxes	-96.8	-19.7	-77.1
Income taxes	-15.5	-3.4	-12.1
Result from continuing operations	-112.4	-23.1	-89.2
Result from discontinued operations	-2.0	-0.4	-1.6
Result for the period	-114.3	-23.5	-90.8

Revenues and costs 2008 vs 2007

in €m	FY 08	FY 07	Change
Revenues			
Program	769.8	755.3	14.6
Advertising	31.0	52.0	-21.0
Hardware	47.5	61.4	-13.9
Other	92.8	68.6	24.2
Total	941.1	937.2	4.0
Costs (including depreciation)			
Program	640.0	563.2	76.8
Transmission	125.2	89.4	35.8
Customer service	52.0	64.6	-12.7
Hardware	67.0	87.2	-20.2
Selling expenses	114.3	126.7	-12.4
General and administrative expenses	69.6	58.8	10.8
Other operating expenses/(income)	-19.7	-90.9	71.2
Total	1,048.4	899.1	149.3
Depreciation included	50.3	45.5	4.9
Costs (excluding depreciation)	998.1	853.6	144.5
EBITDA	-57.0	83.6	-140.5

Revenues and costs Q4 2008 vs Q4 2007

in €m	Q4 08	Q4 07	Change
Revenues			
Program	188.8	199.3	-10.5
Advertising	8.5	25.1	-16.5
Hardware	14.7	15.3	-0.5
Other	24.0	21.7	2.3
Total	236.1	261.3	-25.2
Costs (including depreciation)			
Program	159.4	165.0	-5.6
Transmission	33.5	23.1	10.4
Customer service	10.8	17.2	-6.3
Hardware	17.2	20.1	-2.9
Selling expenses	34.8	43.4	-8.6
General and administrative expenses	20.8	16.1	4.7
Other operating expenses/(income)	16.7	-24.3	41.0
Total	293.2	260.5	32.7
Depreciation included	12.7	12.7	-0.1
Costs (excluding depreciation)	280.5	247.8	32.8
EBITDA	-44.5	13.5	-58.0

Subscribers 2008 vs 2007

in '000	FY 08	FY 07	Change
Direct subscribers at beginning	2,534	2,696	-162
Additions	435	516	-80
Churn	-571	-677	107
Net change	-135	-162	27
Direct subscribers at end	2,399	2,534	-135
of which Flex	85	201	-116
Direct program revenues (in €m)	695.4	705.4	-9.9
Program ARPU (in €, monthly)	23.49	22.48	1.02
Churn rate (12 months rolling)	23.1%	25.9%	-2.8
Churn rate excl. Flex (12 months rolling)	17.9%	27.0%	-9.1
Wholesale subscribers at end	691	790	-99

Subscribers Q4 2008 vs Q4 2007

in '000	Q4 08	Q4 07	Change
Direct subscribers at beginning	2,411	2,535	-124
Additions	153	122	31
Churn	-165	-123	-42
Net change	-12	-1	-11
Direct subscribers at end	2,399	2,534	-135
of which Flex	85	201	-116
Direct program revenues (in €m)	172.2	179.0	-6.8
Program ARPU (in €, monthly)	23.86	23.53	0.33
Churn rate (12 months rolling)	23.1%	25.9%	-2.8
Churn rate excl. Flex (12 months rolling)	17.9%	27.0%	-9.1
Wholesale subscribers at end	691	790	-99