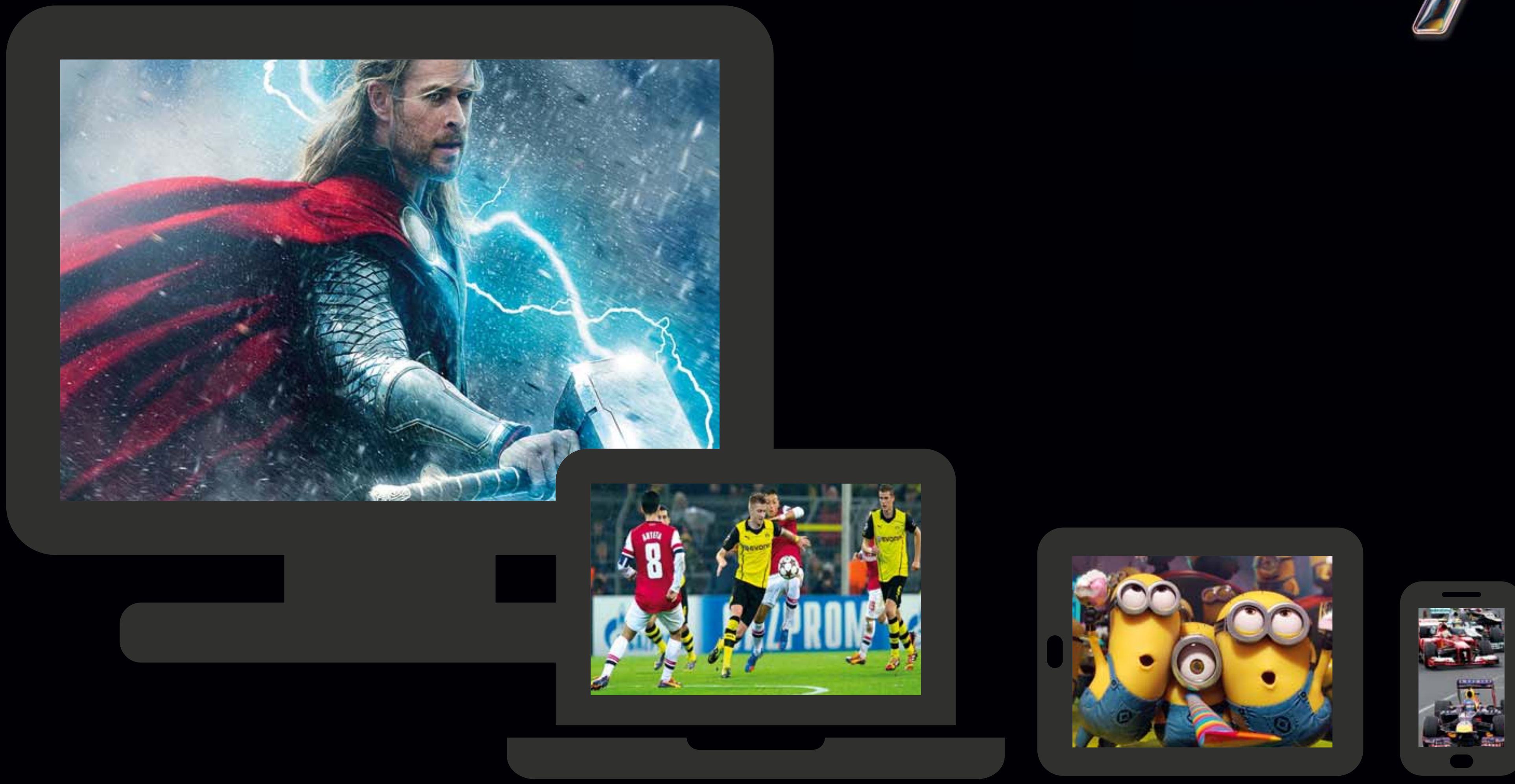


Sky Deutschland AG
Annual Report 2013

Sky Deutschland AG
Annual Report 2013

Key Figures 2013 versus 2012

	2013	2012 (adjusted)*	Change (absolute)	Change (in %)
Subscribers				
Direct subscribers at beginning[1] (in '000)	3,363	3,012	351	11.6%
Gross additions[2]	698	728	-30	-4.1%
Churn[3]	-394	-377	-17	-4.6%
Net growth	304	351	-47	-13.4%
Direct subscribers at end (in '000)	3,667	3,363	304	9.0%
Sky Welt HD subscribers (in '000)	2,713	2,249	464	20.6%
Premium HD subscribers[4] (in '000)	1,799	1,514	285	18.8%
Premium HD penetration rate[5] (in %)	49.1	45.0	4.0	-
Premium HD subscribers including HD free-visions at end of period[6] (in '000)	2,025	1,598	427	26.7%
Premium HD penetration rate including HD free-visions[7] (in %)	55.2	47.5	7.7	–
Sky+ subscribers[8] (in '000)	1,480	929	551	59.4%
Sky+ penetration[9] (in %)	40.4	27.6	12.7	–
Second smartcard subscribers[10] (in '000)	429	346	83	23.9%
Second smartcard penetration[11] (in %)	11.7	10.3	1.4	–
Subscription ARPU[12] (in €, monthly)	33.51	31.90	1.61	5.0%
Churn rate[13] (in %, 12 months rolling)	11.2	11.8	–0.6	–
Wholesale subscribers (in '000)	268	125	143	>100%
Financials (in € million)				
Revenues	1,546.4	1,333.2	213.2	16.0%
Operating expenses	1,511.7	1,380.7	131.0	9.5%
EBITDA	34.7	–47.5	82.2	>100%
Depreciation and amortization	86.9	72.3	14.6	20.2%
Amortization of subscriber base	1.4	1.4	0.0	–0.2%
EBIT	–53.5	–121.1	67.6	55.8%
Financial result	–73.6	–65.4	–8.2	–12.6%
Income taxes	–6.0	–6.1	0.1	1.0%
Net income	–133.1	–192.5	59.4	30.9%

	31 Dec 2013	31 Dec 2012 (adjusted)*	Change (absolute)	Change (in %)
Consolidated balance sheet (in € million)				
Total assets	1,386.9	1,148.0	238.9	20.8%
Shareholders' equity	331.2	42.0	289.2	>100%
Net debt	354.7	611.0	–256.2	–41.9%
Employees				
Full-time employees	2,084	1,939	146	7.5%

Explanatory notes on the key figures.
The 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 Commitee (IFRIC). Due to the totalling of individual items, the table may contain rounding differences.

* Retroactive adjustment of 2012 financial figures due to change to IAS 19R.

Key Figures Q4 2013 versus Q4 2012

	Q4 2013	Q4 2012 (adjusted)*	Change (absolute)	Change (in %)
Subscribers				
Direct subscribers at beginning[1] (in '000)	3,529	3,212	317	9.9%
Gross additions[2]	244	260	–17	–6.3%
Churn[3]	–106	–109	3	3.0%
Net growth	138	151	–13	–8.7%
Direct subscribers at end (in '000)	**3,667**	**3,363**	**304**	**9.0%**
Sky Welt HD subscribers (in '000)	2,713	2,249	464	20.6%
Premium HD subscribers[4] (in '000)	1,799	1,514	285	18.8%
Premium HD penetration rate[5] (in %)	49.1	45.0	4.0	–
Premium HD subscribers including HD free-visions at end of period[6] (in '000)	2,025	1,598	427	26.7%
Premium HD penetration rate including HD free-visions[7] (in %)	55.2	47.5	7.7	–
Sky+ subscribers[8] (in '000)	1,480	929	551	59.4%
Sky+ penetration[9] (in %)	40.4	27.6	12.7	–
Second smartcard subscribers[10] (in '000)	429	346	83	23.9%
Second smartcard penetration[11] (in %)	11.7	10.3	1.4	–
Subscription ARPU[12] (in €, monthly)	34.56	32.77	1.79	5.5%
Churn rate[13] (in %, annualized)	11.8	13.3	–1.5	–
Churn rate[13] (in %, 12 months rolling)	11.2	11.8	–0.6	–
Wholesale subscribers (in '000)	268	125	143	>100%
Financials (in € million)				
Revenues	414.3	356.8	57.5	16.1%
Operating expenses	451.3	405.3	46.0	11.3%
EBITDA	**–37.0**	**–48.5**	**11.5**	**23.7%**
Depreciation and amortization	22.6	21.7	0.9	4.1%
Amortization of subscriber base	0.3	0.3	0.0	0.0%
EBIT	**–59.9**	**–70.5**	**10.6**	**15.0%**
Financial result	–18.8	–14.5	–4.3	–29.7%
Income taxes	–1.6	–4.2	2.6	62.3%
Net income	–80.4	–89.2	8.9	9.9%

1) Direct subscribers comprise monthly contract subscribers (residential customers and commercial subscriptions (e.g., bars, hotel rooms – including hotel rooms served by distribution partners – and other public venues)) to at least one of Sky's channel packages and/or subscribers who purchased pay-per-view. Direct subscribers also include subscribers in the context of cooperation arrangements (e.g., triple-play offers). In the context of the activation of new contracts and the termination of existing contracts transitional periods exist.
2) Gross additions consist of all new direct subscribers with an activated smartcard in a given period. New direct subscribers who had an active subscription within the last 12 months and have been disconnected are not included; these subscribers are classified as reconnections from former subscribers.
3) Churn for a given period is defined as the number of direct subscribers who terminated their subscriptions, or who have not paid their bill and had their subscriptions terminated after the end of the Company's dunning process, or who have left their contract for other reasons (e.g., deceased), less the number of reconnections from former subscribers (as described in footnote (2)).
4) Premium HD subscribers comprise subscribers who have subscribed to Sky's Premium HD channels. The respective revenue contribution of Premium HD subscribers is included in ARPU.
5) Premium HD penetration is defined as the relation of Premium HD subscribers to the total number of subscribers at the end of the respective period.
6) Premium HD subscribers including HD free-visions comprise subscribers who have either subscribed or have free access to Sky's Premium HD channels. The respective revenue contribution of Premium HD subscribers is included in ARPU.
7) Premium HD penetration including HD free-visions is defined as the relation of subscribers who have either subscribed or have free access to Sky's Premium HD channels to the total number of subscribers at the end of the respective period.
8) Sky+ subscribers receive Sky's programming and Sky's video-on demand service with an HD-capable hard disk receiver.
9) Sky+ penetration is defined as the relation of Sky+ subscribers to the total number of direct subscribers at the end of that period.
10) Second smartcard subscribers comprise subscribers who have subscribed to a second smartcard. The respective revenue contribution of second smartcard subscribers is included in ARPU.
11) Second smartcard penetration is defined as the relation of second smartcard subscribers to the total number of direct subscribers at the end of that period.
12) ARPU is defined as monthly average subscription revenues (including pay-per-view) for a given period divided by the average number of direct subscribers in such period. Among others, Sky uses ARPU as a measure of its operating performance. Sky believes that ARPU is a useful measure of the extent to which Sky's direct subscribers opt for the range of its programming. However, ARPU is not recognized as a measure under IFRS and should not be considered a substitute for any income statement data as determined in accordance with IFRS or viewed as a measure of profitability. Because not all companies calculate ARPU in the same way, Sky's presentation of ARPU is not necessarily comparable to similarly titled measures used by other companies.
13) The churn rate for a given period is defined as the number of direct subscribers who churned their subscriptions during the course of a given period, divided by the average number of direct subscribers in that period (calculated by dividing the sum of the number of direct subscribers on the first day of that period and on the last day of that period by two) and multiplied by four when referring to a quarterly period, by two when referring to a half-year period and by one when referring to a full-year period.

This is Sky

Fantastic TV entertainment wherever, whenever and however viewers want to watch it – Sky captivates its subscribers day in, day out, and is attracting an ever larger audience. Already, approximately 3.7 million customers are enjoying the television of tomorrow today, as Sky continuously reinvents the TV experience.

Exclusive programming, broadcast in the very best quality

The unique selection of programs promises top-class entertainment for the whole family, featuring live sports, the latest movies, award-winning series, children's programs, documentaries, and much, much more – all without commercial breaks and in the very best quality, of course. Sky broadcasts its programs in unbelievable clarity and vivid color on more than 80 HD channels, including one 3-D channel, meaning conventional television pales in comparison.,

Groundbreaking innovations

Sky is one of Germany and Austria's most innovative media companies and sees itself as a driver of new technologies focusing on digital television. Sky subscribers can select from a unique range of high-quality programming and decide for themselves, where, when and on which device they want to watch TV.

Sky Go, Sky Anytime, and Snap, Sky's new online media library, these are just some of the innovations that offer viewers fantastic flexibility, making Sky accessible at any time, on the go, and on demand.

Outstanding customer service

All of Sky's efforts are focused on its customers – Sky's primary mission is to inspire them again and again with exclusive, high-quality programming, exciting innovations and outstanding customer service.

Content

Highlights 2013

First positive full year EBITDA under the Sky brand:

(+€82m yoy) +€35m

Direct subscribers:

up 304,000 to 3,667,000

Wholesale subscribers:

up 143,000 to 268,000

Revenues:
€1,546.4m
(+€213.2m yoy)

More than
25
awards for Sky

ARPU (Q4 2013):
€34.56 (+€1.79 yoy)

Increasing loyalty:
12-month rolling churn rate improving
to 11.2%

Sky on 3 new platforms:
Deutsche Telekom, Vodafone, A1 TV

The Sky Story: Exclusive programming, groundbreaking innovations and excellent customer service

2009

07/09 Launch of Sky in Germany

2010

03/10

1st Bundesliga match live in 3D

05/10 Launch of HD DVR in Germany and Austria

6 HD channels

06/10 Launch Second Smartcard

09/10

UEFA Champions League Match Tracker

10/10 1st TV stream for the iPad – Sky Sport App

sky 3D

1st HD stream for the iPad

2011

04/11 Launch sky go

Sky Guide

08/11 Launch of Sky Anytime All your favourite content on-demand

10/11 Sky Go 3.0 Movies on the iPad

12/11 XBOX 360 Sky Go on the Xbox 360

2012

1st 24 hours sports news channel in HD

05/12 Launch sky ATLANTIC HD

08/12

Sky Go sport datacenter launched


New Sky Guide on Sky Go with
Mobile Record
03/13
2013
Introduction of the
Sky HD Fan Zone
08/13
Sky Sport News HD App
10/13
Sky Sport News HD App for Android
01/14
Sky Home –
Introduction of a customizable home screen
More to come
Sky Go Kids
12/12
Sky+ 2 TB
02/13
Bundesliga
also on Sky Go via
3G/4G
07/13
sky ULTRA HD
09/13
The new online videothek from Sky
12/13
snap by sky
2014
over
80
HD channels
HD

“Die Biene Maja”
on Junior

Big TV – small price

The Sky Starter package introduces viewers to Sky with 20 channels. At a low price, customers can experience the range of programming at a completely new level of quality and without commercial interruptions. This includes major television brands such as Discovery Channel, National Geographic, Syfy, TNT Serie and Sky Sport News*.

- 20 selected channels for the entire family from the Sky Welt package
- Series, music, sports, documentaries and children's programming for every age
- A variety of high quality programming with no commercial interruptions
- Up-to-date sport news – 24 hours a day, seven days a week, on Sky Sport News*

* Available in HD in connection with other program packages

Sky Sport News HD, 24-hour live sports news channel in HD

A world of entertainment

The Sky Welt package includes access to the extensive world of Sky programming through about 50 high-quality channels – with 16 broadcast in HD – featuring a stunningly diverse range of programs ranging from series and documentaries, to sports and children's programs, to lifestyle and entertainment. Popular German soaps and German TV premieres of international hit series are on offer, alongside award-winning documentaries focusing on nature, the environment, science and technology. Sports fans can enjoy highlights from tennis, cycling or winter sports, for example, on Eurosport HD and Motorvision TV. Sky Sport News HD broadcasts sports news 24/7. Sky's six children's channels broadcast educational entertainment that is free of violence and suitable for all ages. The child safety PIN makes sure children can only access programs that are suitable for them.

- A selection of about 50 channels for every taste
- 16 HD channels with series, documentaries, sports and music
- Six channels for children, featuring educational entertainment
- Many of the programs in the original language and as German TV premieres
- Up-to-date sport news – 24 hours a day, seven days a week, on Sky Sport News HD

"Vegas" on Fox HD

You love series? So do we.

- TV premieres of German and international series, many of which are also available in their original language, and in HD
- Thrilling crime series – unabridged and around the clock
- Popular series also broadcast in marathon format

Sports from across the world.

- Sky Sport News HD: 24-hour sport news, live and in HD, 7 days a week
- Popular sport highlights – including cycling, tennis and winter sports
- For motor sport fans: NASCAR

Tennis on Eurosport HD

"Der ultimative Spiderman" on Disney XD

Big shows for little kids.

- Six channels for children, featuring high-quality educational entertainment
- Television for kids of all ages – from pre-school to channels for teens
- Popular heroes from childhood, classic cartoons and modern animation series

Television for explorers.

- Popular top-quality documentary channels airing around the clock – also in HD
- Prize-winning shows about nature, the environment, history, science and technology
- Renowned television brands like Discovery, National Geographic and Spiegel Geschichte

"Unser Kosmos: Die Reise geht weiter" on Nat Geo HD

"Füreinander Bestimmt – Kismat Konnection" on passion

For film lovers.

- Hit German and international films from the cinema and television, broadcast 24 hours a day
- Broad selection from all genres: action, comedy, crime, romance and children's films
- Special interest broadcasts and events such as the Academy Awards or events honoring film stars

Lifestyles from across the world.

- Colorful entertainment for every mood
- Interesting for everyone: travel, cooking, music, beauty and fashion
- Also featuring cartoons, Japanese anime and interesting lifestyle series

"Jamie und Jimmy's Food Fight Club" on RTL Living

“Der große Gatsby”
on Sky Cinema HD

Great movies every day

Sky's movie programming makes your living room feel like a movie theater. Film fans can look forward to around 20 TV premieres every month. Recent blockbusters are screened on ten movie channels, as early as one year ahead of their release on free TV. The Film package offers 80 movies a day, including new blockbusters, cinema classics, dramas and family movies. In addition, customers can enjoy the outstanding TV series highlights from HBO on Sky Atlantic. There is something to suit all tastes – from comedy or romance to action, drama or science fiction. All movies are shown without commercial breaks and many can be watched in the original language.

- Ten channels with over 80 films a day for every taste – including HD and 3D
- Additionally, Sky Atlantic with outstanding HBO series as exclusive TV premieres
- Around 20 TV premieres each month, up to a year before debuting on free-to-air TV
- All films and series without commercial interruption and many available in the original language
- Digital video and sound quality with Dolby Digital Sound and 16:9 aspect ratio
- Time shifting on several channels

Film fans can get even closer to the action as a part of the “Dein Sky Film” community on Facebook.

Award-winning series

For the first time, with Sky Atlantic Film package, subscribers can watch the latest hit series from celebrated US quality broadcaster HBO on German television, as well as award-winning cult classics from the no.1 network for hit series. Sky Atlantic also airs HBO movies, documentaries and unique productions from other top studios – all in a choice of German or the original language. And, of course, all in HD for Premium-HD customers.

- The latest hit series from HBO, the Home of Entertainment
- The complete schedule in a choice of German or original language
- On demand on Sky Go and Sky Anytime

Series fans can get even closer to the action as a part of the “Deine Sky Serien” community on Facebook.

sky ATLANTIC HD

"Masters of Sex" on Sky Atlantic HD

"True Blood" on Sky Atlantic HD

"Boardwalk Empire"
on Sky Atlantic HD

Formula 1
on Sky Sport HD

The home of live sports

Sky offers sport fans the most comprehensive programming with a diverse range of sporting events across up to 15 channels, including HD. Those who love football will be a part of the game with all matches of the UEFA Champions League and the DFB-Pokal as well as top matches of the UEFA Europa League and the Premier League. Formula One drivers also hit the pedal to the metal on Sky with an exclusive Grand Prix Weekend live and in HD. Golf fans can look forward to the highlights of the golf year, including all events from the European Tour and the US PGA Tour. In addition, Sport1+ HD features tennis from the best ATP tournaments, along with top-class international football from Serie A and Ligue 1. US sports on Sport1 US HD round off the offering.

- All 125 matches of the UEFA Champions League live
- All 63 matches of the DFB-Pokal live
- Top matches of the UEFA Europa League and the Premier League live
- All 360 matches of the Austrian Bundesliga and the Erste Liga live
- Formula 1 with an exclusive Grand Prix Weekend live and in HD
- Golf highlights including all events from the European Tour and the US PGA Tour live
- Live tennis from the best ATP tournaments
- US sports
- Live beach volleyball

Sports fans can post their comments in the “Dein Sky Sport” community on Facebook and Twitter.

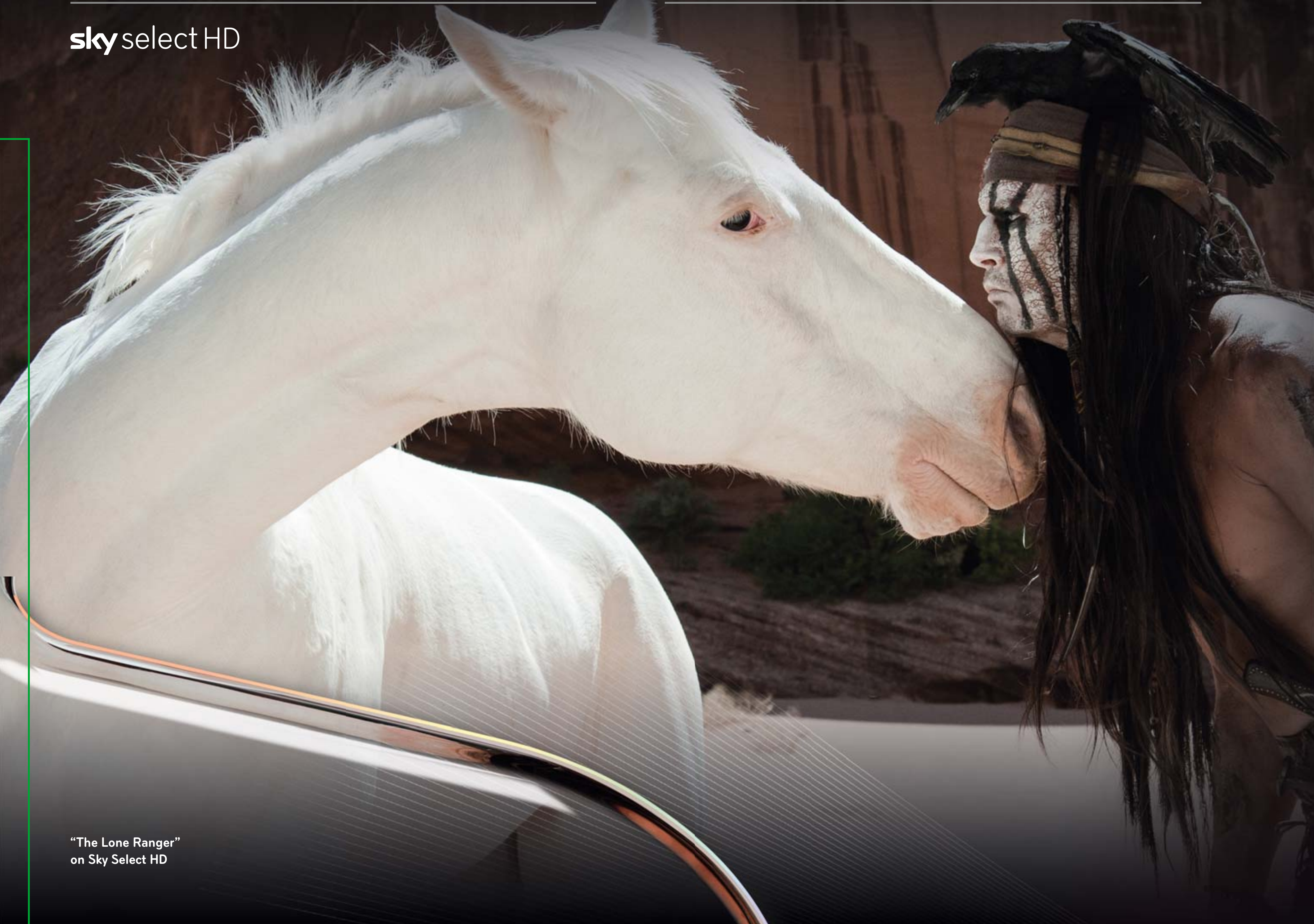
Complete Bundesliga
on Sky Bundesliga

Made for real fans

With Sky, football fans can enjoy all Fußball Bundesliga and second Bundesliga matches, which air live on up to ten channels at the same time. Football on Sky is a one-of-a-kind experience with 612 live matches per season and prize-winning coverage from Sky's Sports Editorial department. Extensive pre- and post-match analyses as well as exclusive interviews and background reports take fans deeper into every match. All matches and the Bundesliga conference are broadcast in HD. Some games are also shown in 3D. Matchday analysis and coverage is presented on the shows “Mein Stadion”, “Samstag LIVE!” and “Sky90”.

- All 612 matches of the Bundesliga and the second Bundesliga live – including individual matches or the Sky conference – on up to ten channels
- All matches and the Bundesliga conference also available in HD and selected matches in 3D
- Highlights after each match
- Extensive pre- and post-match coverage with exclusive interviews and background reporting
- Three exclusive football shows: “Mein Stadion”, “Samstag LIVE!” and “Sky90”
- Prize-winning reporting from Sky's Sports Editorial department

Fans can post their live football comments in the “Dein Sky Sport” community on Facebook and Twitter.



"The Lone Ranger"
on Sky Select HD

Favorite programming on demand

With Sky Select, customers can watch brand new films, live football and concerts at selectable start times independent of their booked packages – also available on Sky Anytime.

- New hit movies available as early as four months after premiering in cinemas, often simultaneous to the DVD release
- All movies available when the user wants them, many in the original language
- Selected highlights in HD or 3D
- Individual days of Bundesliga football live and selected matches in HD or 3D
- Specific match days of the UEFA Champions League, the UEFA Europa League and the DFB-Pokal are available on an individual basis
- Great concerts for music fans

"Life of Pi – Schiffbruch mit Tiger"
on Sky Cinema HD

Richly detailed and vivid

A captivating TV experience that looks good enough to touch: Sky customers benefit from unbelievable picture clarity on up to more than 80 HD channels. The selection includes blockbusters, documentaries, gripping live sports, and all Bundesliga and UEFA Champions League matches in HD. All viewers need is an HD-ready television. Programming and a 3-D-ready HD receiver are taken care of by Sky.

- Comprehensive selection of HD programming on up to more than 80 channels
- Five time higher resolution than SD provides a sharp, high-contrast video in brilliant colors
- The newest blockbusters, exciting documentaries, thrilling live sports as well as Bundesliga football in the HD offering of premium packages
- Sky 3D: A dedicated channel offering documentaries, films and one top Bundesliga match every month in a whole new dimension
- Germany’s first 24-hour sport news channel: Sky Sport News HD
- New hit series air directly after their US premiere on Sky Atlantic HD


HOUSE of CARDS
House of Cards, 2. season
from March
Alvin und die Chipmunks –
Der Film
Schlussmacher
from March
The Last Samurai
Hello Ladies
from March
OK
GUIDE
TV
RADIO
REC
2TB

Total control of TV-time

Sky+ is an HD receiver and hard disk recorder all-in-one, that enables viewers to create their TV experience according to their wishes. They create their own program schedule and are free to decide whether to watch the current program right away, to pause or to record for later viewing. Favorite shows can be easily recorded and archived with the push of a button. The Sky+ receiver is also available with a two-terabyte hard disk, offering enough storage space for up to 600 hours of programming (in SD) or 200 hours of HD programming and over 400 program offerings on Sky Anytime.

Sky Anytime presents the best movies and a large selection of outstanding entertainment and sports programming, as well as hit series, directly on the Sky+ receiver, on demand and at no extra cost. New programming highlights in HD quality are loaded to the Sky+ receiver over night and can be viewed instantly.

- Pause, rewind or record and archive the ongoing program at any time simply at the push of a button
- Experience a show live and in brilliant HD quality while simultaneously recording another one
- Up to 600 hours of recorded programming (in SD) or 200 hours of HD programming and 400 program offerings on Sky Anytime with the Sky+ 2TB
- The best of subscribed packages from Sky on demand at no additional cost on Sky Anytime


sky+
Home
sky anytime
Merkliste
Meine Lieblingssender
Highlights des Tages
True Detective
Tipps der Redaktion
Fast & Furious 6
Ab 12 Jahren, Action, 2013, 130 Min.
Nach ihrem großen Rio-Coup haben sich
Dominic Toretto, Brian O'Conner und ihre
Crew über die ganze Welt verstreut. Durch
die erbeuteten 100 Millionen Dollar sind sie
sky Zum TV
OK Auswählen
C Einstellungen
GUIDE TV Guide

Innovative and individual: Sky Home

Sky Home is the innovative program overview on the Sky receiver. With Sky Home, customers will never miss their favorite programs again. The top highlights of the day and the week, recommendations by the editorial teams and the individually customizable channel list “My Favorite Channels” will help subscribers finding their favorite programs in an even faster and more comfortable way.

Customers with a Sky+ receiver can also add titles from the large on demand portfolio on Sky Anytime to their personal watchlist and enjoy them whenever they want.

- Discovering the best the TV program has to offer every time switching on the TV
- Sky Home shows all top highlights of the day, recommendations from the editorial team as well as a comfortable schedule overview of the customers’ favorite channels
- Simple and intuitive access to Sky’s unique entertainment offering
- Sky Anytime watchlist for Sky+ customers: Sky Home enables customers to record films, individual series episodes or entire seasons directly from their landing pages

Your entertainment everywhere

Sky Go makes programs available wherever customers want them: on the internet, iPad, iPhone, iPod touch or Xbox 360. Whether on the go or at home, Sky Go offers hundreds of movies on demand at no extra cost, together with the best series of Sky Atlantic HD right after their US launch, some of which can be watched in the original language. A separate area is provided for children with added child safety features. Live sports in the shape of the Bundesliga, international football competitions, all Formula 1 Grand Prix races, golf and tennis can be watched on Sky Go.

Sky Go on the Web, iPad, iPhone & iPod touch

- All Bundesliga and second Bundesliga matches on the Fußball Bundesliga channels
- Live football from the UEFA Champions League, UEFA Europa League, the DFB-Pokal, the Premier League as well as other sports, including Formula 1, golf, tennis and much more
- Up-to-date sport news around the clock with Sky Sport News HD
- Hundreds of movies on demand
- The best US series on demand and in HD
- A dedicated kids' zone with selected series and films for viewers between the ages of 3 and 12

Download Sky Go:

Sky Go on the Xbox 360

- With Kinect for the Xbox 360, it's possible to navigate programming with simple hand gestures
- Up-to-date sport news around the clock with Sky Sport News HD
- All live sport events from the Sport package and the Fußball Bundesliga package
- Hundreds of movies from the Sky film channels on demand
- The best US series on demand and in HD
- A dedicated kids' zone with selected series and films for viewers between the ages of 3 and 12

Twice as much fun

World-class football or cinema moments to remember? With the Sky second smartcard, customers can enjoy their favorite programs at the same time and in different rooms.

- Double the return of a subscription at a reasonable price
- Watch two different Sky channels in separate rooms at the same time
- All channels and programming that are available on the first smartcard are also available on the second smartcard


sky HD FAN ZONE
DORTMUND 1:0 HOFFENHEIM
HAMBURG 0:0 LEVERKUSEN
GLADBACH 3:2 FC BAYERN
FRANKFURT 0:1 WOLFSBURG
NÜRNBERG 0:1 BREMEN
1:0
#MichaelW Was ich über Bremen sagen kann: ihre offensive Spielweise finde ich ansprechend. #fcn
BUNDESLIGA
• • DIE BESTE LIGA EUROPAS IN DER 51. SAISON • • • DIE BESTE LIGA EUROPAS
Spiel auswählen
OK Zum Vollbild


sky HD FAN ZONE
FC BAYERN 3:0 ZSKA MOSKAU
MAN UNITED 4:2 LEVERKUSEN
GALATASARAY 1:6 REAL MADRID
PILSEN 0:3 MAN CITY
REAL SOCIEDAD 0:2 DONEZK
FC KOPENHAGEN 1:1 JUVENTUS
BENFICA 2:0 ANDERLECHT
PIRÄUS 1:4 PARIS SG
3:0
#BenS Wenn der #FCB genauso spielt wie in der letzten CL Saison, stehen sie wieder im #Finale
UEFA CHAMPIONS LEAGUE
AUFTAKT DER NEUEN UEFA CHAMPIONS LEAGUE SAISON
Spiel auswählen
OK Zum Vollbild

The best seats in the house for real fans

The Sky HD Fan Zone adds even more spice to the football season as fans can follow up to nine top Bundesliga or UEFA Champions League matches simultaneously on a single screen. And what makes the experience even more special: Sky Sport News HD runs a live ticker right in the Fan Zone to report on the very latest sports news.

- Up to nine matches simultaneously on a single screen
- Use the remote control to hop from one stadium to the next
- Choose the sound from a specific match
- Choose which match to watch full screen

snap by sky


snap by sky
HOME FILME SERIEN KIDS MERKLISTE EINSTELLUNGEN
FILME
Die Chroniken von Narnia
Arielle, die Meerjungfrau
Russendisko
SERIEN
24 | Staffel 1-8
Game of Thrones | Staffel 1
Sex and the City | Staffel 1-6
Suche
zurück
Samsung SMART TV

The new online media library

More flexibility than ever before: Snap is Sky's new online media library housing thousands of titles in both German and the original language from the Sky Collection. Snap guarantees even more entertainment, featuring fabulous movies, complete season box-sets of award-winning series together with a huge choice of children's programs, including exclusive Disney highlights. Subscribing to Snap grants users complete flexibility with a monthly contract. For example, as many as four appliances (on the Web, iPad, iPhone, iPod touch and Samsung Smart TVs) can be registered, and programs can be watched on up to two appliances simultaneously. As such, it is the perfect complement for Sky customers, and is even available without conventional subscription.

- Unlimited access to top movies, complete seasons of series, and children's programs – featuring exclusive Disney highlights
- Available in both German and the original language
- Comprehensive license deals with Hollywood studios and many independents – including exclusive expansion of partnerships with HBO and Disney
- Everything on demand: no matter when, where or how often, on the web, iPad, iPhone and iPod touch
- Download for offline viewing of selected content
- Even more convenience with AirPlay via Apple TV
- Also available on connected TVs: as an extension of a comprehensive partnership snap is exclusively available on Samsung Smart TVs until the end of 2014

Service at Sky – personalized and convenient

Sky TV makes you feel good – not only in front of the screen. Sky offers its customers not only their favorite programs in first-rate quality, but also helpful and outstanding service.

At the customers' service, right from the start: Sky's on-site help

Customers who don't want to sort out their receiver connection themselves can request a service engineer who will perform the necessary work on site, including initial set-up, subscription activation, and instructions on how to operate the system. If requested, Sky engineers can also install or adjust satellite systems.

Information, service and assistance, 24/7: the online customer center

Customers can take matters into their own hands – if they want to. Subscribers can view and amend their personal details at any time, and manage their subscription at sky.de/kundencenter.

Personal advice whenever you need it: the service center

Anyone who has questions regarding their Sky subscription or technology can obtain competent advice by calling the service center staff or receive quick and convenient help by e-mail. It's up to you.

The full range of programs at a glance: the Sky Guide on Sky Go

The interactive Sky Guide on Sky Go is Sky's electronic program guide that helps its customers keep track of what is on offer - even on the go. The Guide is child's play to operate and shows at a glance what is being aired and when. Customers can see a 14-day preview of the programs on offer on all Sky channels. Customers can take advantage of the fact that they can use the mobile Sky Guide when on the go to conveniently program recordings on the Sky+ hard disk recorder via the internet on their computers, or via an iPad, iPhone or iPod touch.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06/2013
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Kundenurteil . freiwillige Prüfung
01/2013 Nr. 1915
Service tested
DIE WELT
Service-Champions
im erlebten Kundenservice
sky
Nr. 1 der Premium-TV-Anbieter
3 Premium-TV-Anbieter
10|2013
ServiceValue
GOETHE UNIVERSITÄT
www.Service-Champions.de

The entire channel variety of Sky at a glance:

Sky Welt Package – A diverse range of around 50 channels

- Discovery Channel: Exciting documentaries on adventure, technology, nature and science.
- National Geographic Channel: Television for explorers with exciting documentaries.
- Nat Geo Wild: Fascinating and compelling documentaries about nature and wildlife.
- Spiegel Geschichte: Documentaries about German and international history.
- Motorvision.TV: Entertaining coverage on cars and motor sports.
- Sky Krimi: Non-stop hunt for criminals with Germany's most popular police investigators.
- RTL Crime: German and international crime series and documentaries.
- 13th Street: High-tension excitement with international crime series and thrillers.
- Syfy: Series and films for fans of adventure, mystery, fantasy and science fiction.
- FOX: TV premieres of international series and popular classics for series fans.
- TNT Serie: Top international series, including many German TV premieres for series fans.
- Passion: Pure emotions. Series and films about love and passion.
- Heimatkanal: Television with entertainment for the entire family: popular German "Heimatfilme" and series.
- Disney XD: The channel for cool kids with plenty of excitement, action and fun.
- Disney Junior: Age-appropriate channel for preschoolers.
- Junior: Entertainment for the entire family with children's classics.
- GoldStarTV: The channel for oldies fans with the biggest hits, concerts and interviews.
- Unitel Classica: Concerts, opera and ballet at world-class level.
- beate-uhse.tv: Sexy TV with tantalizing eroticism.
- Sky Sport News: 24 hour sport news from around the world.

Sky Starter Package – A wide range of programming at a low price with 20 channels from the Sky Welt Package

Including 16 HD channels

- Discovery HD: Exciting documentaries on adventure, technology, nature and science in HD.[1]
- National Geographic Channel HD: Television for explorers with exciting documentaries in HD.[1]
- Nat Geo Wild HD: Fascinating and compelling documentaries about nature and wildlife in HD.[1]
- History HD: Documentaries on historical events from throughout the ages in HD.[1]
- Syfy HD: Series and films for fans of adventure, mystery, fantasy and science fiction in HD.[1]
- 13th Street HD: High-tension excitement with international crime series and thrillers in HD.[1]
- TNT Serie HD: Top international series, including many German TV premieres for series fans in HD.[1]
- FOX HD: TV premieres of international series and popular classics for series fans in HD.[1]
- MTV Live HD: MTV cult-classics and exclusive premieres without commercial breaks in HD.[1]
- Sky Sport News HD: 24 hour sport news from around the world live and in HD.[1]
- Eurosport HD: Top international sports live: winter sports, tennis, cycling and track and field in HD.[1]
- MTV Live HD: Music television in HD – with live music, clips and documentaries.[1]
- AXN HD: HD movies and series that are packed with action and excitement.[1]
- ProSieben Fun HD: The HD channel for young audiences, featuring crooked TV series and action sports.[2]
- E! HD: The most popular stars up close and personal – E! Entertainment is reporting in HD 24/7 from the world of showbiz.[1]
- Universal Channel HD: 100% character. Extraordinary entertainment featuring exclusive series and fascinating characters in HD.[1]
- Disney Junior HD (from 15.4.): Age-appropriate entertainment for preschool children in brilliant HD quality.[1]
- Spiegel Geschichte HD (from 1.4.): Documentaries on German and international history in brilliant HD quality.[1]
- TNT Glitz HD (from 1.4.): The channel for young women featuring international hit series, films, lifestyle formats, documentaries and in-house productions.[1]

3D event channel

Sky 3D

Experience live sporting events, select Bundesliga matches, exciting movie highlights and fascinating documentaries in 3D.[4]

HD+ channels available for 12 months at no cost[5] with satellite reception

HD+ program package

16 of the most important private TV channels in HD quality.

Additional channels available via satellite:

- AXN: Movies and series that are packed with action and excitement.[2]
- Sony Entertainment Television emotions: Television with emotion – popular German soaps and TV events.[2]
- TNT Film: A cinema experience with hit Hollywood movies from recent decades.[2]
- Classics: The largest selection of classic movies from the 40s to the 2000s.[2]
- Kinowelt TV: European arthouse cinema for true film fans.[2]
- Romance TV: Time to let your feelings run free with TV movies and series.[2]
- Nicktoons: The best entertainment for kids of all ages.[2]
- Boomerang: The greatest cartoon stars of all time and outstanding family cinema.[2]
- Cartoon Network: Children's entertainment packed with adventure and action.[2]
- bio. The Biography Channel: Documentaries about real-life stories and biographies.[2]
- RTL Living: Inspiration for home and garden, cooking and lifestyle, travel and relaxation.[2]
- Animax: Entertainment with the world's most popular anime productions.[2]

Fußball Bundesliga Package

The classic for football fans: all matches from the Bundesliga and the second Bundesliga.

Event-Based Sport Channels

Sky Bundesliga 2–10: Additional optional channels for parallel live Bundesliga matches.

Sport Package

Top national and international football.

Top sports, including golf, tennis and much more.

Live sports from Austria.[1]

Event-Based Sport Channels

Sky Sport 3–11: Additional optional channels for parallel live sporting events.

Film Package

Your private cinema with some 20 German TV premieres every month.

Too late? A thing of the past. Watch everything from Sky Cinema an hour later.

Watch everything from Sky Cinema again the next day.

Outstanding HBO series as exclusive TV premieres.

Brace yourself for extreme excitement: with action, horror and sci-fi.

Not to be taken seriously: Sky Comedy shows the best and funniest comedies.

Great emotions from the cinema, day after day.

Movie classics from the 30s to the 70s.

The best movies of recent decades.

Family film channel with beloved classics and new hits from Disney.

Movie classics from Hollywood, where dreams are made.

Last revised: February 2014

Premium Bundesliga HD channels[5]

The classic for football fans: all matches from the Bundesliga and the second Bundesliga in HD.[1]

Top international sports live and in HD.[1]

Top international sports live and in HD.[1]

Thrilling sports live and in HD, including the ATP World Tour, top international football, motor sports, handball and the ice-hockey world championships.[1]

Event-Based Sport Channels

Sky Bundesliga HD 2–10: Additional optional channels in HD for parallel live Bundesliga matches.[6]

Sky HD Fan Zone: Up to nine Bundesliga matches on one screen.[6]

Eurosport360HD 1–7: More live sports on up to 7 optional channels in HD.[6]

Sport1 US HD1: Additional optional channel in HD for parallel American live sporting events.[6]

Premium Sport HD Channels[5]

Top football in the best HD quality.[1]

Even more live sports, including tennis and golf, in brilliant HD quality.[1]

Top international sports live and in HD.[1]

Top international sports live and in HD.[1]

Thrilling sports live and in HD, including the ATP World Tour, top international football, motor sports, handball and the ice-hockey world championships.[1]

Event-Based Sport Channels

Sky Sport HD 3–11: Additional optional channels in HD for parallel live sporting events.[6]

Sky HD Fan Zone: Up to eight UEFA Champions League matches on one screen.[6]

Eurosport360HD 1–7: More live sports on up to 7 optional channels in HD.[6]

Sport1 US HD1: Additional optional channel in HD for parallel American live sporting events.[6]

Premium Film HD Channels[5]

Your private cinema in HD quality with some 20 German TV premieres every month.[1]

Outstanding HBO series in HD as exclusive TV premieres.[1]

Brace yourself for extreme excitement: with action, horror and sci-fi in HD.[1]

The best movies of recent decades in HD.[1]

Family film channel with beloved classics and new hits from Disney in HD.[1]

Movie classics in HD from Hollywood, where dreams are made.[1]

1) Available via satellite and in the cable/IPTV network depending on respective provider. More information can be found at sky.de/senderempfang
2) Only available via satellite
3) The HD+ channels will be activated for new HD+ customers for twelve months free of charge. New HD+ customers are solely subscribers without a registered cost-free activation of HD+ channels in their households or under their bank account number for themselves or third parties or where such cost free activation did not exist up to three months prior to entering a new subscription. Afterwards, the HD channels can be booked additionally against payment of a service fee and with a term of at least 12 months. The HD PLUS GmbH is the contract partner for HD+.
4) Sky 3D can be activated for an additional one-time fee. In order to receive 3D, you will need a “suitable for Sky” HD receiver, a 3D-capable television and special 3D glasses. Sky 3D is only available via satellite and some cable networks.
5) The HD channels that can be booked with a subscription depend on the booked packages and the type of reception.
6) More information about technical reception of optional channels can be found at sky.de/senderempfang

High-quality exclusive entertainment

268 **film premieres** on Sky Cinema in 2013, 100% in HD

731 films & series and 2,351 trailers reviewed by the protection of minors department

Viewership record: 1.86 million viewers in subscriber homes for an individual Bundesliga match

From 6 to over 80 **HD** HD channels in 5 years

At least 20 films for hearing-impaired are available on Sky Go at all times over 80 movies every day,

approx. 20 first runs every month,
12 months before free-to-air

UEFA Champions League final and semi-finals:

5.5 million
viewers in subscriber households

5 million
in Sky sportsbars

5,800 hours
of live sports programming
per year

116
TV series & new seasons
started on Sky in 2013

Dear shareholders,

2013 was an important milestone year for Sky. We have delivered on our promise and achieved our first positive full year EBITDA under the Sky brand. Continued customer growth and a rising average revenue per customer, which grew at the fastest year-on-year rate in three years, led to this strong financial performance.

Our customer base further expanded with the number of direct subscribers growing to 3.67 million. In addition, as a result of our partnership with Deutsche Telekom, the number of wholesale subscribers increased to 268,000.

To deliver for our customers and to attract more people to Sky, we keep on moving forward. That means getting better on screen, and providing great entertainment that is worth paying for. It also means making it easy for our customers to access Sky content, easy to watch it when and where it suits them.

- In 2013, we advanced our leadership position in over-the-top pay-TV services by significantly enhancing Sky Go. The service delivered a new record performance with a doubling in the number of our customer sessions. All live Bundesliga matches, in addition to the live matches of all other major football competitions, are now accessible via 3G and 4G. Further new blockbuster movies and high-quality series have also been added to Sky Go's unique content portfolio.

- As a perfect extension for Sky customers and also available for those without a Sky subscription, we launched Snap by Sky, our new on-demand over-the-top service. It provides a constantly expanding addition to Sky Go with thousands of titles including an extensive HBO catalogue and exclusive highlights from the world of Disney.

As customers join Sky for a better choice of TV, we continue to bring together the very best content and deliver it in the most exciting way.

- For Sky customers, the new Bundesliga season began with great new products and services, such as the new HD Multifeed and the Sky HD Fan Zone. Record viewership levels underscore the continuing and growing attractiveness of our Bundesliga coverage.

- We extended and enhanced our live broadcasting rights for the UEFA Champions League in Germany and Austria for the seasons through 2018, remaining the only place where football fans can see all the best players in Europe and all the outstanding moments of the Champions League live and in HD.

- We also secured our position as the "Home of Disney" in a landmark agreement, covering all platforms. In addition, we extended and expanded agreements with other key partners, such as DreamWorks Animation, MGM Television, Tele München Group and NBCUniversal.

- Over the course of 2013, we further increased our HD selection, which is undoubtedly the best and most exclusive HD offering across Germany and Austria, and now includes over 80 channels.

- For cable customers, we made our Sky+ hard disk receiver available for virtually all cable networks. This also includes a two terabyte hard disk version which was introduced last year.

- The most recent innovation launched is Sky Home, an interactive and customizable home screen with daily recommendations from Sky's editorial team, providing for a next generation viewing experience.

2013 was a great year. We delivered for our customers and shareholders alike. Our strong operational and financial performance reflects the excellent progress we are making. We expect 2014 to be even better – with accelerating subscriber net growth, as well as increasing revenues and improving profitablities.

On behalf of the Board of Sky, I would like to thank our customers and viewers for their strong loyalty, our shareholders for their ongoing support, and our whole team for their hard work and enthusiasm over the last year.

Yours sincerely,

Brian Sullivan

Members of the Management Board (from left to right)

Steven Tomsic
Chief Financial Officer
- born 1969
- entered the Company in December 2010 as Deputy Chief Financial Officer
- comprehensive media industry and corporate finance experience gained across multiple international markets
- Chief Financial Officer since February 2011

Brian Sullivan
Chief Executive Officer (CEO)
- born 1962
- entered the Company as Deputy CEO in January 2010
- more than 20 years of pay-TV experience in the US and Europe
- Chief Executive Officer since April 2010

Dr. Holger Enßlin
Chief Officer Legal, Regulatory & Distribution
- born 1967
- entered the Company in October 2003
- long-term experience as a lawyer and as General Counsel of the Company
- Member of the Management Board since 1 December 2008

Carsten Schmidt
Chief Officer Sports, Advertising Sales & Internet
- born 1963
- entered the Company in July 1999
- more than 20 years experience in sports television, digital media and media sales
- Member of the Management Board since March 2006

Share information

Development of share capital

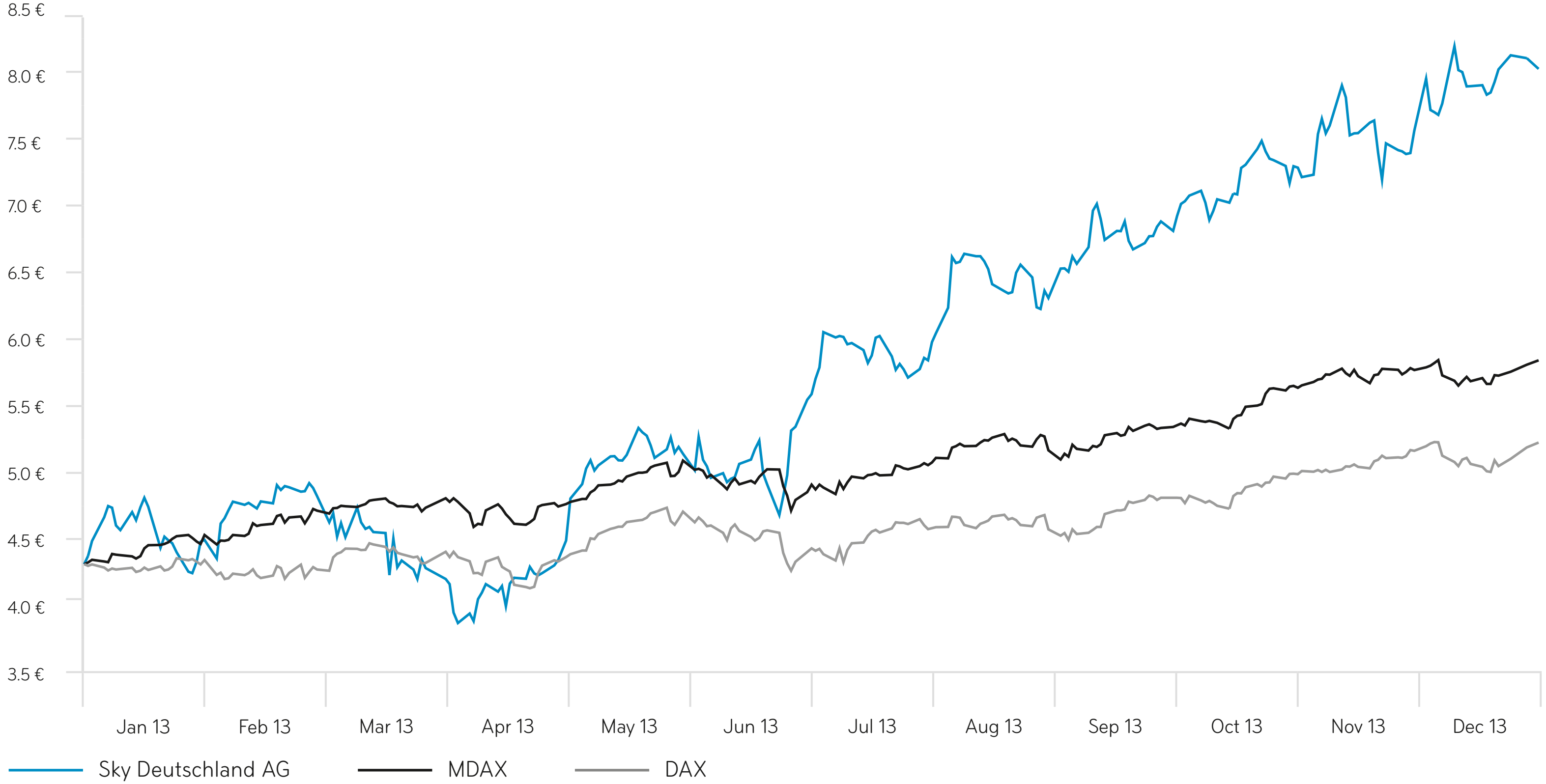
As of 31 December 2012, Sky Deutschland AG's share capital amounted to €778,909,762 with 778,909,762 issued shares. Sky Deutschland AG announced on 26 January 2011 that the Company had placed a convertible bond to 21st Century Fox Adelaide Holdings B.V. (formerly News Adelaide Holdings B.V.). This bond can be converted into 53,914,182 ordinary registered shares stemming from contingent capital. The convertible bond has a four year maturity and the conversion price has been set at €3,053.

On 14 January 2013, Sky Deutschland, its new bank syndicate, 21st Century Fox Adelaide Holdings B.V. (formerly News Adelaide Holdings B.V.) and Twenty-First Century Fox, Inc. (formerly News Corporation) agreed on a new comprehensive long-term financing structure for Sky Deutschland. It comprises five-year bank credit facilities of €300 million guaranteed by Twenty-First Century Fox, Inc. and its subsidiary News America Incorporated, a Bundesliga guarantee provided by Twenty-First Century Fox, Inc., the extension of the existing shareholder loans, as well as the issuance of new equity of €438 million (gross proceeds) via the combination of a private placement and a rights issue. The convertible bond remains unchanged. As of 7 February 2013, Sky Deutschland AG's share capital amounted to €877,200,755 with 877,200,755 issued shares.

Sky share information (as of 1 January 2014)	
ISIN	DE000SKYD000
Stock category	Ordinary registered shares
Stock segment	Frankfurt Official Market
Market segment	Prime Standard

Key Figures for the Sky share	2013	2012
Year-end closing price (in €)	8.00	4.13
High (in €)	8.17	4.17
Low (in €)	3.89	1.41
Number of shares at 31 December	877,200,755	778,909,762
Market capitalization at year-end (in € million)	7,017	3,219
Earnings per share (in €)	–0.15	–0.25

Share price development



Sky's share price[1] started at €4.33 on 2 January 2013 and closed at €8.00 at the end of December as shown in the chart above.

This development represents an increase by 84.8 percent over the course of 2013. In the same period, the DAX increased by 22.8 percent and the MDAX increased by 36.4 percent.

Based on the closing price, Sky Deutschland AG's market capitalization on 31 December 2013 was €7,017 million with a free float market capitalization of €3,171 million.

The average daily trading volume in 2013 was 2,440,350 shares.

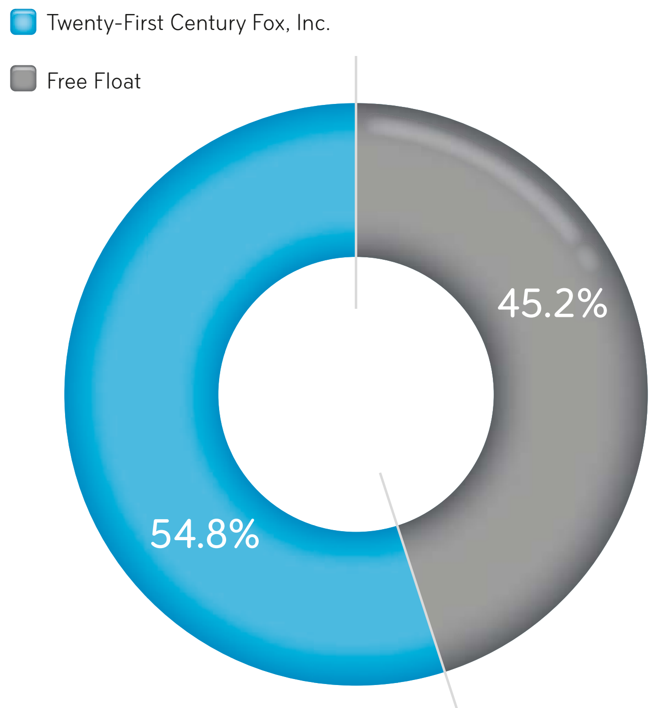
Inclusion in indices

The Sky stock is part of the MDAX and was ranked 4th in terms of trading volume and 12th in terms of market capitalization on 31 December 2013. In addition to being represented in other indices of the DAX family such as DAXsector Media, Sky shares are also included in the MSCI Global Investable Market, like e.g. the MSCI Europe, and the Dow Jones STOXX indices.

1) The stated share prices are based on the daily XETRA closing prices of the German Stock Exchange

Shareholder structure

Sky Deutschland AG's share capital currently amounts to €877,200,755 with 877,200,755 issued shares.



Shares held by Twenty-First Century Fox, Inc. (formerly News Corporation)

21st Century Fox Adelaide Holdings B.V., a fully-owned indirect subsidiary of Twenty-First Century Fox, Inc., currently holds 480,988,260 shares in Sky Deutschland AG. This equates to 54.83 percent (ad hoc release as of 5 February 2013).

All shares other than those held by Twenty-First Century Fox, Inc. are included in the free float as defined by the standards of the German Stock Exchange.

Institutional investors

Institutional investors who exceed notifiable thresholds of voting rights in Sky Deutschland AG as of 31 December 2013 are:

Odey Asset Management LLP (notification of 30 July 2013 stake of 10.07 percent). The voting rights of Odey Investment Funds plc (notification of 11 June 2013, stake 3.04 percent) are to be attributed to Odey Asset Management LLP[2].

Shares held by Management

Brian Sullivan, CEO, held 30,000 shares of Sky Deutschland AG on 31 December 2013.

Shares held by members of the Supervisory Board

Dr. Stefan Jentzsch, member of the Supervisory Board of Sky Deutschland AG, held 120,000 Sky shares of Sky Deutschland AG on 31 December 2013.

Harald Rösch, member of the Supervisory Board of Sky Deutschland AG, held 29,750 Sky shares of Sky Deutschland AG on 31 December 2013.

2) According to notification of 14 January 2014 Odey Asset Management LLP decreased below the threshold of 10 percent and now holds 8.94 percent.

Cutting-edge TV innovation

Over 15,000 hours of unique content on Sky Go

Sky Premium HD customers, incl. HD free-visions: 2,025,000

Sky Go: More than 600 blockbuster movies, 1,000 series episodes, 90 complete box-sets, 700 kids shows, 3,000 live sports events

Sky HD Fan Zone:

Up to 9 parallel football matches on 1 screen

Sky+ 2TB: 600h recording capacity

REC

3 weeks of nonstop watching

429,000 second smartcard customers

Approx. 5,000 on-demand programs pushed on the **Sky+ 2TB receiver** in 2013

More than 1,300,000 Sky Go customer sessions for "Game of Thrones"

snap by sky

More than 4,000 titles on Snap by Sky

Sky+ customers: 1,480,000

sky+

Combined Management Report

This report combines the management report of the Sky group as well as the management report of Sky Deutschland AG. Unless indicated otherwise the following information applies to both the Sky group and Sky Deutschland AG.

Fundamental information about the group

Business model

Sky is the leading pay-TV service in Germany and Austria with approximately 3.7 million subscribers. Since the launch of the Sky brand in 2009, the Company has significantly expanded the depth and breadth of its program offering while launching numerous innovations and significantly enhancing customer service. The results can be seen in continuous operational and financial progress, higher viewer ratings and value-for-money scores as well as strong customer satisfaction and improved customer loyalty.

With exclusive live broadcasting rights for the Bundesliga and other major football competitions plus a high-quality exclusive selection of top block-buster movies, Sky customers enjoy an unparalleled portfolio of program-ming. The growing demand for mobile and on-demand viewing combined with high-quality programming supports Sky's pay-TV business model.

Sky is available on all platforms: satellite, cable, IPTV, the internet and mobile networks. Technically, Sky reaches almost every household in Germany and over 95 percent[1] of all households in Austria. Viewers in Switzerland can also receive Sky via Teleclub. Compared to the rest of Europe, the pay-TV markets in Germany and Austria are still underpenetrated.

Great value – the Sky offering

Sky starts at €12.90 a month with the Sky Starter package, which features 20 channels from the Sky Welt package, offering a wide variety of programs at a favorable price. Customers can then upgrade to the Sky Welt package to add the Sky HD thematic channels and access one or more of the three premium packages: the Film package, the Fußball Bundesliga package and the Sport package. For each of the premium packages, Sky also offers an HD option, Sky premium HD, at an additional fee. Over 80 HD channels are available including one 3D channel.

Sky Welt

Sky Welt provides viewers with a diverse selection of nearly 50 channels from all categories, with up to 16 HD channels[3]. The program offering includes popular movies, comedy, TV series, documentaries, music and programs for children. Many programs are German language TV premieres, which are often available exclusively on Sky. The package also includes Sky Sport News HD, Germany and Austria's first 24/7 sports news channel.

Film package

The Film package brings the cinema right to the viewer's living room. Each month, movie fans have access to around 20 TV premieres airing on more than ten movie channels up to one year before their debut on free-to-air TV. The Film package presents 80 movies a day – from recent blockbusters to movie classics. All movies are shown without commercial breaks and many can be watched in the original language. Features such as HD, 3D, 16:9 format, and Dolby Digital Sound ensure brilliant image and sound quality. As a highlight for TV series fans, Sky Atlantic (available in SD and HD) is also included in the Film package. This channel offers critically acclaimed productions from HBO, the most successful premium channel in the US.

Fußball Bundesliga package

Only with the Fußball Bundesliga package can football fans enjoy all Bundesliga and second Bundesliga matches – on up to ten channels and on the new Sky HD Fan Zone at the same time, all live and in HD. Sky shows all 612 matches per season live and combines them with the award-winning coverage from Sky's Sports Editorial department. Extensive pre and post match analyses as well as interviews and background reports get the fans even more involved with every match.

1) SES Satellite Monitor, 2013
2) Including pay-TV, free-to-air and HD+ channels (as of 1 February 2014)
3) As of 1 February 2014

Sport package

Sky is the home of live sports with a full portfolio beyond football. Sky offers exclusive programming for fans with diverse interests including all major golf tournaments, tennis, Formula 1 racing, and beach volleyball. The Sport package also offers HD live broadcasts of all DFB-Pokal matches. It includes all matches of the UEFA Champions League live and in HD as well as all UEFA Europa League matches involving German and Austrian teams – also live and in HD. This unique offering is complemented by selected English Premier League matches. The Sky Sport Austria channel is also part of this package, offering live HD broadcasts of all Austrian football league matches. Additionally, the HD-option for the Sport package includes partner channels, such as Sport1+ HD, Sport1 US HD and Eurosport 2 HD.

Comprehensive HD offering

With over 80 HD channels, TV entertainment on Sky is a diversified and exciting experience with crisp picture quality and brilliant colors. To access the HD offering, viewers simply need an HD-capable television set. Sky provides the rest: a 3D-ready HD receiver and unique HD programming. 88 percent of Sky's subscribers[4] own HD television sets, seven percent more than the country-wide average in Germany.

Leading OTT service Sky Go

Sky Go, the leading over-the-top (OTT) pay-TV service in Germany and Austria, is another great success, as more and more customers are accessing Sky's exclusive high-quality entertainment on a variety of devices whenever and wherever they want. Sky Go customers can access a constantly updated selection of top blockbuster movies, high-quality series from Sky Atlantic HD, Sky Sport News HD, live Fußball Bundesliga and other live sports as well as great programs for kids via the web, on an iPad, iPhone, iPod touch and Xbox 360.

Snap by Sky– the new Sky online media library

Snap is an online media library for Sky customers, providing an addition to the market leading offering already available via the Sky Go service. It is also available for customers without a fixed-term Sky subscription. Snap by Sky offers thousands of titles, from complete season box-sets of award-winning series, to big hits from the HBO library, great movies of the last decades, and a large selection of children's programs, including exclusive program highlights from the world of Disney.

Total control of your TV time: Sky+

Sky puts its customers in the driver's seat with Sky+, an all-in-one HD and 3D receiver and hard disk recorder that enables viewers to create exactly the TV experience they want. Sky+ is easy and convenient to use: viewers can stop and rewind live TV and record their favorite TV events at the push of a button. They can record programs while at home or away via the Sky Guide on Sky Go. With the "Series link" function, Sky+ makes it easy for fans of TV series to automatically record entire seasons of their favorite shows on Sky. Sky Anytime, the exclusive video-on-demand service on Sky+, presents the best movies and a large selection of entertainment and sports programming, as well as hit series, documentaries and children's programming at no extra cost.

Twice as much fun with the second smartcard: Sky Zweitkarte

Many customers want to be able to watch different programs simultaneously on multiple TV sets in their home and the Sky Zweitkarte (second smartcard) service allows them to do just that.

Favorite programming on demand: Sky Select

Sky Select offers customers the latest movies, live football, wrestling and concerts on a pay-per-view basis at selectable start times independent of their subscribed packages. Sky Select is also available on Sky Anytime.

Objectives and strategies

"Customers deserve better" was the basic principle set down when the Company was relaunched and rebranded as Sky in July 2009. This statement is driven by the conviction that customers throughout Germany and Austria deserve better television entertainment, better technology and innovation, and better service. To accomplish this, Sky's strategic focus is on high-quality exclusive programming, cutting-edge innovation and outstanding customer service.

High-quality exclusive programming

Sky provides a broad selection of high-quality and exclusive programs spanning live sports, movies, series, documentaries, children's programs, and much more. Sky also offers a large selection of HD channels as well as an exclusive 3D channel. To ensure its ability to continue offering great high-quality entertainment, Sky continues to make selective investments in high-quality programming for customers, including the expansion of its HD service.

4) © IHS, www.ihs.com, 3 January 2014

Cutting-edge innovation

Over the past few years, Sky's innovative products and services have changed the way people watch TV while contributing to the sustained growth of the business. Sky intends to continue investing in cutting-edge services and products in order to give customers more innovative ways to enjoy Sky and to deliver an experience that is truly smart, seamless and social.

Outstanding customer service

At Sky, customer satisfaction is the top priority, and its staff is constantly working to improve the quality of service. This includes faster shipping and high quality hardware as well as increased availability and better trained customer service agents. The measures Sky has taken so far have already earned the Company numerous awards and are a key contributor to the high level of customer satisfaction. Sky will keep investing in people, technology and processes to ensure its customers continue to receive the high-quality service they expect.

Internal management system

Sky is controlled according to the principles of value-oriented management. The strategy described above focuses on growth and achieving sustainable profitability, with the long-term increase in company value being its main objective.

The most important key performance indicators (KPIs) in this context used for internal management purposes are EBITDA, total direct subscribers and total revenues. Management believes that earnings before interest, taxes, depreciation and amortization (EBITDA) is a good indicator of profitability of the Company irrespective of its financial structure and tax burden. A growing subscriber base is the basis for further operational and financial growth. Total revenues reflect the Company's earning power. They gained crucial relevance for internal management purposes as Sky is attracting new groups of customer via OTT services which drive profitability not only on a subscriber level. Therefore, ARPU (average revenues per subscriber) has become less important than total revenues. Current figures are constantly compared with target figures so that deviations in the KPIs specified above can be identified and analyzed promptly and proactive steps can be initiated.

The variable management remuneration is also linked to the achievement of targets set with respect to the KPIs specified above. It comprises a system applicable to members of the Management Board and a system applicable to managers and employees with variable compensation components.

Management Board members have the opportunity to increase their compensation by at least half of their base salary through a performance-related component. The performance-related component is split between a predominantly long term component (long term incentive over three years) and a short term component (annual bonus). The objectives for the short term variable component are established by the Supervisory Board at the beginning of the year. At the end of the year, the Supervisory Board conducts a review of performance against objectives for each Management Board member and determines the short term variable compensation of each Management Board member. The target achievement for 2013 is expected to be decided on in the Supervisory Board meeting on 25 February 2014.

The variable compensation for Executive Vice Presidents is based 80 percent on company goals and 20 percent on achieving individual goals. For Senior Vice Presidents/Vice Presidents, the bonus is composed of 60 percent from achieving company objectives and 40 percent from achieving department-specific or personal goals. For middle and lower management levels the proportion of personal goals increases to 50 and 60 percent respectively, whereas all other staff with a variable bonus as part of their compensation generally have their bonus split 30 percent based on company performance and 70 percent based on personal goals.

For all managers and employees with variable compensation, qualitative as well as specific quantitative metrics are identified as individual targets, reflecting their contributions to the business development.

Sky's value-oriented management also includes a Risk Management system (see also "Risk report", Risk management system), in compliance with the German Corporate Governance Code.

As Sky Deutschland AG serves as a holding company and its development is closely tied to the developments of the Group, the principles of the internal management system described above as well as the principles of the Risk Management system together with the associated risks apply to both the Sky Group as well as to Sky Deutschland AG.

Research and development

Pioneering Ultra HD in Germany

As HD technology evolves, Sky continues to invest in its innovation leadership. In December 2012, the Company made German TV history, filming the country's first ever football match in Ultra HD. This was followed by additional test recordings and a presentation to the public in September 2013 at both the IFA (Internationale Funkausstellung) and IBC (International Broadcasting Convention) fairs.

Ultra HD offers outstanding picture quality, even more realistic TV images and innovative features such as the Super-Zoom function. At the UEFA Champions League match between Schalke and Chelsea in Gelsenkirchen in October 2013, Sky integrated Ultra HD recordings into its live HD broadcast, providing brilliantly sharp and detailed close-up views. To advance Ultra HD in Germany, Sky and Samsung Electronics agreed on a strategic partnership in September 2013, which includes a comprehensive joint marketing cooperation.

Report on economic position

Macroeconomic and sector-specific environment

Economic environment

German economy recovering

According to the German Institute for Economic Research (DIW), the recovery of the German economy continued in 2013. However, based on the weak start to the year, the Institute – as well as the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung) – expect full-year 2013 gross domestic product (GDP) to rise moderately, by approximately 0.4 percent. The council projects economic growth of 1.6 percent for 2014.

According to the Society for Consumer Research (GfK), real private consumer spending increased by around 1 percent in 2013, outpacing the growth in gross domestic product and providing considerable support to the German economy in 2013. According to GfK, robust employment conditions will continue to support the contribution of private consumption to overall economic development in 2014. The study "GfK Purchasing Power in Germany 2014" shows that Germans will have an additional 1.1 percent in nominal terms available for private consumption in 2014 versus 2013.

Consumer electronics – smartphones and tablets show strong growth

Televisions are still the largest part of the total market for consumer electronics. After peaking in the past few years, sales in 2013 declined from €5.9 billion to around €5 billion, according to estimates from the industry association Bitkom. The trend in televisions is moving toward ever larger screens. More than every fourth TV set sold in 2013 features at least a 46-inch screen – according to Bitkom. The association believes that the upcoming Ultra HD television standard will drive even more demand for ever larger televisions. More than three quarters of television sales in 2013 came from networked models, also known as smart TVs.

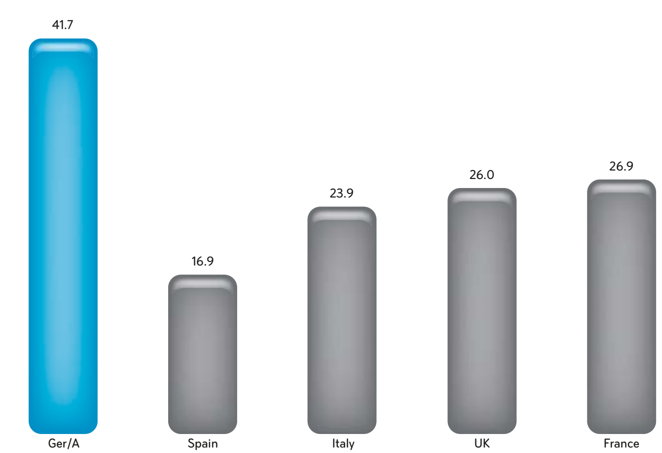
Sales of smartphones and tablets remain strong with 26 million smartphones sold in 2013, up from 22 million in the previous year. This is a new record. Tablet computer growth is even stronger in 2013. An estimated 8 million devices have been sold in Germany in 2013. By comparison, 5 million were sold in 2012, and only 2 million in 2011.

Strong industry growth

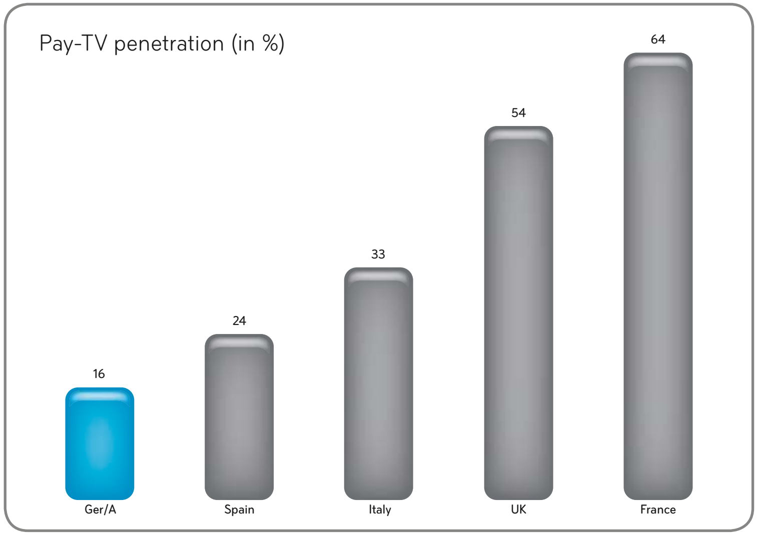
Pay-TV is currently the fastest-growing segment in the German television market according to the Association of Private Broadcasting and Telemedia (VPRT). The association's most recent prognosis (October 2013) sees an ever increasing number of Germans are willing to pay for television. For 2013 pay-TV revenues are expected to grow by about 12 percent to more than €2 billion. According to VPRT, technical progress as well as a significantly larger offering are the main drivers of this activity. Increasing demand for video-on-demand and internet-based services also drive growth. Pay-TV broadcasters have significantly outpaced advertising financed channels in 2013 with income from television spots only increasing by an estimated one percent to €4.1 billion, according to the association's estimates. In 2014, the association also anticipates continued positive market development for pay-TV and paid-video-on-demand services.

According to VPRT, the pay-TV and paid video-on-demand (VoD) segment recorded sales of €1.84 billion in Germany and around €2 billion across all German-speaking regions in 2012. The number of pay-TV subscribers grew to 6.1 million in Germany and over approximately 6.8 million in German-speaking regions. In addition, usage reached a new all-time high with almost 10 million daily viewers of German pay-TV alone.

TV households (in million)



Source: SES, Satellite Monitor, Year End 2012



Source: VPRT: Pay-TV in Deutschland 2013, Ofcom International Communications Market Report, Dec. 2013

Competition

Sky competes with a number of media and entertainment companies to secure the supply of attractive programming for its customers. As a provider of TV entertainment, Sky faces competition from free-to-air (FTA) services, among others. In Germany and Austria, FTA channels operated by public and private broadcasters – in particular ARD, ZDF, ORF, RTL and ProSiebenSat.1 – offer competitive programming including movies, series and live sports. Furthermore, Sky competes with platform operators offering both pay-TV packages and VoD services. Sky also competes with over-the-top players who provide video-on-demand and subscription-video-on-demand entertainment via the internet. Besides its core subscription business, Sky competes with other media and entertainment companies for advertising sales. To set itself apart from the competition, Sky focuses on the promise of delivering a unique entertainment experience through the combination of exclusive high-quality programming, innovation leadership and great customer service.

Political and legal environment

In April 2013, Deutsche Telekom (DT) announced that it would throttle internet surfing speeds after 75 GB of data usage and in this context introduce new rates for its end consumers in 2016. DT planned to exempt from this limit the traffic generated by its own IPTV service Entertain and content providers that would pay for unthrottling their offers. Due to public pressure, DT revised its plans. Furthermore, the district court of Cologne ruled that the company would not be allowed to name throttled offers “flat rate”. The former federal government reacted to DT’s throttling plan by drafting a regulation to ensure net neutrality however this was not decided on by the Bundestag.

The new government also commits to the principle of net neutrality in accordance with the coalition agreement and in this context suggests new provisions for the German Telecommunications Law. The agreement explicitly demands a non-discrimination principle which would prohibit unequal treatment of data packages on the open internet. More specifically, the agreement outlines that its own offers or partner content should not be favored. However, the draft also grants the possibility of so-called “managed services”. Even though net neutrality will remain one of the major topics on the digital agenda it is still unclear if the new government will take the direction of the previous government. Sky is actively monitoring the debate as audiovisual content is distributed more and more over the open internet.

According to the coalition agreement, the coalition plans to adjust the Copyright Law to the digital age and intends to particularly increase the liability and responsibility of providers, and simplify the legal enforcement towards the platforms.

Regarding the case of the private movie website “kino.to”, the Austrian Supreme Court referred the procedure to the European Court of Justice (ECJ). The ECJ is to determine whether a legal ordinance consistent with European laws can oblige internet providers to block access to copyright infringing websites with illegally acquired content. In the majority of cases the ECJ follows the opinions of the Advocate General. The ruling of the ECJ is expected in 2014. As a consequence, it is possible that German courts could proceed to oblige internet providers to block access to websites like kino.to, as it is already common in other EU countries.

On 13 January 2014, the European Commission opened an investigation concerning certain cross-border provisions in the licensing agreements between major US movie studios (Twentieth Century Fox, Warner Bros., Sony Pictures, NBCUniversal and Paramount Pictures) and leading European pay-TV operators (Sky Deutschland, BSkyB, Canal+, Sky Italia and DTS). The focus is on contractual clauses that require the pay-TV operators to comply with an “absolute territorial exclusivity.” As far as provisions in these agreements prevent access to services outside the licensed territories, according to the EU Commission such provisions may violate EU Competition Laws. However, the EC explicitly states that the question of the legality of granting territorial licenses within the EU is not an issue in this investigation.

In the second half of 2013, the Vodafone Group Plc acquired cable operator Kabel Deutschland AG. Sky has commercial relationships with both companies. The market impact of the merger remains to be seen.

The new German interstate gambling treaty took effect in July 2013. A so-called advertising guideline specifies the conditions for advertising on TV and the internet in the sports betting market. Although the treaty provides that 20 sports betting licenses may be granted, the Hessian administration which is in charge of the procedure has not yet provided any sports betting licenses. According to the state administration, so far applicants did not meet minimum requirements necessary to be granted a license.

To the extent the issues described above could materially adversely affect the results of operations and financial condition of Sky they are described in the risk report.

Course of business

Business development

2013 was a milestone year for Sky, with the Company delivering its first positive full-year EBITDA under the Sky brand. Continuous growth in customer numbers and increasing revenues have led to this positive result and reflect the growing appeal of Sky as well as the ever rising demand for its expanding range of products and services. The total number of direct subscribers grew by 303,800 to 3,666,851 at year’s end. As a consequence of the inclusion of Deutsche Telekom’s former Liga total! IPTV and mobile customers, the number of wholesale subscribers increased to 267,778 in this period. Customer growth was strong especially in light of the various initiatives to enhance the quality of its subscriber and revenue growth, which have been implemented at the beginning of 2013. Sky premium HD, Sky+, Sky Anytime, Sky Go and Sky Zweitkarte built on their earlier success and also recorded further strong growth in customer numbers. New services and many product extensions have been made available to further enhance the entertainment experience. The acquisition of production company Plazamedia GmbH TV- und Film-Produktion will allow Sky to accelerate innovation on-screen. The new Bundesliga season with full exclusivity resonates well with customers, which is underscored by viewership records.

A growing number of HD channels

Sky pioneered the introduction of High Definition TV in Germany and Austria and continues to expand its comprehensive HD offering. In 2013, multiple additional HD channels were added, among them Sky Bundesliga HD 2 for Sky Fußball Bundesliga HD customers, and the MGM HD Channel for subscribers to the Sky Film package. The most recent additions were ProSieben Fun HD, MTV Germany HD and History HD which launched on Sky in January 2014.

2013

- Sky premium HD subscribers: 1,798,704
- Sky premium HD subscriber additions: 284,668
- Sky premium HD customers, including HD free-visions: 2,025,485
- Sky premium HD subscriber additions, including HD free-visions: 427,407

All football matches in HD

To celebrate the start of the 2013/14 football season, Sky launched its brand-new HD Multifeed service and significantly extended its HD offering by broadcasting all live matches of the Fußball Bundesliga and the second Bundesliga, the UEFA Champions League and the DFB-Pokal matches as well as the Sky HD Conference. This also includes all live matches of the UEFA Europa League featuring German and Austrian clubs. For fans, this means that they can enjoy every match and every goal of their favorite teams live and in true HD.

New channel: Sky HD Fan Zone

The new Sky HD Fan Zone allows viewers to watch multiple Fußball Bundesliga or UEFA Champions League matches in parallel on one screen and all in HD. Via their remote control, viewers decide which match they want to see in full-screen mode, switch from stadium to stadium and select between different audio tracks. The live ticker from Sky Sport News HD is integrated directly into the Fan Zone to keep viewers informed with the latest sports news. In addition, this new service – an enhancement to Sky’s award winning sports coverage – offers continuously updated live statistics and social media feeds.

Bundesliga and Sky Sport News HD now available via 3G/4G and IPTV

Since the start of the 2013/2014 season, all Fußball Bundesliga matches are also available on Sky Go via 3G/4G mobile networks, giving customers the ability to watch their favorite football team live on their iPhone or on their iPad. Sky's award-winning live football coverage is now also available for IPTV customers of Deutsche Telekom and Vodafone. Additionally, Sky Go customers can watch Germany and Austria's first 24/7 sports news channel, Sky Sport News HD, via 3G/4G.

Sky Sport News HD on the go

In time for the start of the new Fußball Bundesliga season, Sky launched the Sky Sport News HD app. It offers breaking news and stories from all across the world of sports, including extensive background information, a selection of "video clips of the day", and live statistics from the innovative Sky Sport News HD data center. And for those who want to stay truly tuned-in to the world of sports 24/7, a live video stream of Sky Sport News HD is available and enhanced by an extensive archive of video clips, which is updated continuously. Since October 2013, an extended version of the Sky Sport News HD App is also available on selected Samsung Galaxy Android smartphones.

UEFA Champions League through 2018

With the extension of the broadcasting rights for the UEFA Champions League in Germany and Austria, Sky remains the only place where football fans can see all matches and every goal across all platforms live and in HD, with the choice of either individual matches or the original Sky Conference. In December 2013, Sky extended the broadcasting rights, including the UEFA Super Cup, for the seasons 2015/16 through 2017/18, and will show 146 live matches per season, 128 of them exclusively. With these new contracts for Germany and Austria, Sky continues its position as the top football broadcaster in both countries. Besides the UEFA Champions League, Sky also broadcasts all live matches of the Bundesliga, second Bundesliga, the Austrian Bundesliga, the DFB-Pokal, as well as all matches of the UEFA Europe League involving German and Austrian teams and selected matches of the English Premier League.

Most successful UEFA Champions League season for Sky

With the outstanding performance of German teams throughout the competition, the 2012/2013 UEFA Champions League season was the most successful ever on Sky. The final between two German teams, Bayern München and Borussia Dortmund, in May 2013 as well as the four semi-finals resulted in an 80 percent increase in average ratings compared to last year, delivering 5.52 million viewers in subscriber households (individuals age 3 and up). In addition, about 5 million viewers followed the final as well as the four semi-finals in Sky sports bars.

New Bundesliga viewership records

The new Bundesliga season also provided for new all-time highs in measured ratings. The average viewership of the top match on the 13th match day in November 2013 set a new record for a broadcast of an individual Bundesliga match and was watched by 1.86 million viewers (individuals age 3 and up) on home TV sets. With an average viewership of 0.75 million viewers (individuals 18 to 65 years old)[5] in Sky sports bars, Sky also recorded strong out-of-home ratings of the live broadcast. With total contacts of 4.69 million among viewers over the age of 3, the 13th match day also recorded a new record across all kick-off times for AGF's ratings of a match day in this season.[6]

Sky customers – always in pole position

In February 2013, Sky and Formula One Management extended their successful long-term partnership. Grand Prix fans can continue to follow the entire racing weekend from the first free practice to the finish of the race live and in HD, without advertising breaks and from several optional camera perspectives. To ensure that customers don't miss a second while on the go, all Formula One races are available via Sky Go.

Germany and Austria's number one golf broadcaster

Sky remains Germany and Austria's number one golf broadcaster. In 2013, Sky extended its rights to three majors: the US Open, The Open and the PGA Championship. These three are among the most important events in the golf calendar worldwide.

5) Source: Sky Out-of-Home-Viewing-Panel/IPSOS 22-24 November 2013
6) Source: AGF in cooperation with GfK 22-24 November 2013

Beach volleyball successfully established

Sky has successfully established the "smart beach tour" – the largest official beach volleyball tournament series in Europe and the third-largest worldwide. Beach volleyball is one of the most appealing new sports in Germany. Sky Media Network, a subsidiary of Sky, markets the highest-ranking German beach volleyball tournament series exclusively. Marketing for the "smart beach tour" was handled by the new Commercial Marketing department, which is responsible for the targeted branding and production of live events.

Always in the front row of great entertainment

In 2013, Sky extended and expanded various agreements with key content partners to also include the rights for Sky Go as well as Sky Anytime. This includes the comprehensive long-term agreement with Disney which was concluded in December 2013. It ensures that Sky remains the "Home of Disney." The four Disney pay TV channels, Disney Junior, Disney XD, Disney Cinemagic and Disney Cinemagic HD, will be received exclusively on Sky for the next few years. In addition, Sky secured the far-reaching pay-TV and SVOD premiere broadcasting rights for movies distributed by Disney including future titles from Lucasfilm, Marvel Studios and DisneyPixar. In addition to the linear broadcasting on Sky's movie channels, these titles will also be available on demand via the innovative services Sky Go and Sky Anytime.

Also in the fourth quarter 2013, Sky achieved an agreement with its distribution partner Twentieth Century Fox for long-term exclusive first run pay-TV and SVOD rights for DreamWorks Animation SKG, including distribution via the services of Sky Go and Sky Anytime.

With the extension of the license agreement with NBCUniversal International TV Distribution in January 2013, Sky secured rights to top quality movies across all platforms for the coming years. In July 2013, Sky and MGM Television expanded their partnership with the extension of a long-term output agreement granting Sky the rights to continue to air MGM's current blockbuster movies via all platforms including Sky Anytime and Sky Go. In addition, Sky expanded its agreement with Tele München Group (TMG), securing an exclusive movie package which includes blockbuster hits such as "Iron Man 3" and "RED 2", as well as several arthouse hits. The expansion of the agreement also includes the rights for Sky Anytime and Sky Go.

Sky will also co-produce original content, thus securing comprehensive long-term rights before the start of production. The fictional series, named "100 Code", is scheduled for telecast in the first half of 2015.

Sky Atlantic HD

Sky Atlantic HD offers critically acclaimed productions from HBO, the most successful premium channel in the US. In December 2013, the channel was made available also in standard definition which significantly expanded its reach. Many of the top series of 2013 were broadcast exclusively on Sky Atlantic HD, including the fourth season of Martin Scorsese's masterpiece "Boardwalk Empire", "Game of Thrones", "Masters of Sex", "Banshee", "The Newsroom", "Veep", "The White Queen" and "Magic City". All series are available in both German and the original English language option. In addition, selected content can be ordered on demand and watched across a range of platforms whenever and wherever the customer desires through the Sky+ receiver or with Sky Go on the iPad, iPhone, iPod touch, Xbox 360 or online.

Sky Go – the leading OTT pay-TV service

Sky Go also saw significant enhancements in 2013: Customers can now access live Fußball Bundesliga matches via 3G and 4G, and the Sky Go Sport Datacenter has been extended to include access via the iPhone. The Sky Guide, Sky's intuitive and innovative electronic programming guide, has also been available for Sky Go via the iPhone, iPad, iPod touch and the internet, enabling a wide range of new functions such as the on-the-go remote programming of the Sky+ hard disk receiver via the Mobile Record function. Customers can initiate recordings and recommend their favorite shows to friends over social networks with the push of a button. Since December, customers can choose whether they want to watch many of the titles in German or in the original English language.

Snap by Sky

Sky Guide

Snap by Sky – the new Sky online media library

In December 2013, Sky expanded its on-demand offering with the launch of Snap. This new online media library from Sky provides an addition to the market-leading offer already available to Sky customers via the Sky Go service. Snap is also available for customers without a conventional Sky subscription. Snap by Sky offers customers a variety of additional programs, with complete season box-sets of award-winning series, the greatest movies from the last decade and a large selection of top-quality children's programs. The new service is available on demand via the web, iPad, iPhone, iPod touch and Samsung Smart TVs. For even more flexibility, many programs can be downloaded on the iPad and iPhone to watch them offline. Movies and series can also be watched via the Samsung Smart TV app, or can be transferred directly from the iPad or iPhone to the TV set via AirPlay on Apple TV.

Sky+ with new features

Since March 2013, the Sky+ hard disk receiver has been available with a two-terabyte hard disk option, offering enough storage space for up to 600 hours of programming in SD or 200 hours in HD covering over 400 programs on Sky Anytime. Sky Anytime is the exclusive on-demand service on Sky+ and presents the best movies and a large selection of entertainment and sports programming, as well as hit series, directly on the Sky+ receiver, at no extra cost. New programming highlights are loaded automatically onto the Sky+ receiver overnight and can be viewed without delay. Sky+, including the new 2-terabyte option, is now available for virtually all cable networks.

2013
Sky+ subscribers: 1,480,014
Sky+ additions: 551,272

Sky Home: innovative home screen for Sky receivers

Recently, Sky introduced Sky Home, an interactive and customizable home screen for Sky receivers, which automatically appears when the Sky receiver is turned on. With this innovative service, Sky customers always have a full overview of the outstanding, high quality program line-up. It shows all the day's and week's best programs at a glance – across all linear Sky channels, as well as the Sky Anytime and Sky Select on-demand services, which are accessible via the Sky+ hard disk receiver. Programs on Sky Home can be bookmarked, recorded or started immediately, and through the combination of editorial recommendations and the customizable channel list in the category "My Favorite Channels", Sky customers are now able to find what's most relevant and appealing to them even more quickly. In the "Kids TV" area, users can see what's currently running and what's coming up next on a range of pre-selected kid's channels.

Sky Home initially launched on selected DTH (direct-to-home) Sky receivers will soon become available to the other Sky receivers, including the cable networks.

Sky Select at the touch of a button

Since May 2013, customers of Sky's pay-per-view services have been enjoying even greater convenience when ordering their blockbuster movies and sports events. After activating the backchannel on their Sky receiver, ordering is as easy as pressing a button on the Sky remote control.

Subtitles for hearing impaired customers

In addition to the offering of subtitled movies for hearing impaired customers, Sky now offers the Sky Conference of the Fußball Bundesliga and the match of the week with German subtitles. The service is available to all satellite and cable subscribers of the Sky Fußball Bundesliga package at no extra charge.

Most successful football season ever

The 50th Bundesliga season provided a major boost to both viewer numbers and advertising revenues for Sky's Bundesliga coverage. At its peak, the market share of the Sky conference on Saturday, as measured by the AGF, reached 26.2 percent (season average: 17.3 percent) among male viewers between 14 and 49 years of age. And the success continued with the start of the 2013/2014 season. Sky recorded excellent viewer ratings: 3.3 million viewers (individuals age 3 and up) watched the first weekend of the season live on Sky. These numbers do not include guests who watched in Sky sports bars, nor the subscribers who watched the opening Fußball Bundesliga match day via Sky Go.

Marketing and Sales

World premiere: TV spots broadcasting a live football match

On 19 February 2013, Sky showed live football in six free-to-air TV advertising spots by broadcasting the UEFA Champions League match between Arsenal FC and FC Bayern München. Viewers even had the chance to witness a goal being scored during one of the live advertising spots. Sky received several industry awards in recognition of this innovative marketing idea. The awards included three Lions in Cannes (one Gold, two Bronze) as well as the SPONSORs "Innovation Award for the Sports Media Industry 2013".

Brand campaign: "You know you want it"

Sky continues to challenge the status quo of TV in Germany and Austria. From April 2013, with the launch of the campaign line "you know you want it too" the message has provided a platform for showing not only how Sky offers a better TV experience in every way, but also as a complement to a variety of product superiority claims and a call to action to subscribe. The Christmas campaign saw the line being brought into communication in a more disruptive, playful and deliberate way, aligning it with the promise of better TV all year round.

Sky Sport News HD in train stations

Since February 2013, Sky Sport News HD – the first 24/7 sports news channel in Germany and Austria –has also provided exclusive sports news on 283 digital large screen TVs shopping malls and in highly frequented train stations across 18 major German cities.

Sky sports bars: new pricing structure

In September 2013, Sky adjusted the pricing structure for Sky sports bars. The new rate card is based on factors such as population density, regional purchasing power and sports affinity, in addition to the size of the Sky sports bar. With about five million viewers following the 2013 UEFA Champions League final as well as the four semi-finals in Sky sports bars, Sky's sports bar service proved extremely successful. Sky is continuously expanding its offer for sports bars with new channels such as Sky Sport News HD as well as significantly extended pre and post match coverage.

Enhancing the partnership with the hotel and catering sector

In order to strengthen its partnership with the hotel and catering sector, Sky signed a comprehensive cooperation agreement with the German Hotel and Restaurant Association (DEHOGA) in December 2013.

Boosting advertising sales: Sky Media Network

Sky Media Network, a fully-owned subsidiary of Sky, is the exclusive advertising marketer for Sky in Germany and Austria and positions itself as the leading sports-marketer within Germany. Innovative marketing ideas and continuous expansion into new business areas have delivered strong growth in advertising sales. This growth is driven by providing new ways for advertisers to reach their target audience such as opening Sky Anytime and Sky Go for advertising and event promotion including the official beach volleyball series.

Distribution

Sky's offering now available on IPTV and mobile

Since July 2013, customers of Deutsche Telekom's Entertain platform can access the full depth and breadth of Sky packages and comprehensive premium HD range, as well as the flexibility of Sky Go. All customers of Deutsche Telekom's former Liga total! package have the option of switching to a direct Sky subscription at any time, or of viewing Sky Bundesliga under their existing terms until the end of the 2013/2014 season. Mobile customers may also watch Sky Bundesliga live via Deutsche Telekom's mobile TV offering. Sky is now also available to Vodafone's IPTV customers including the Sky HD channels, while Vodafone mobile subscribers can watch Sky Bundesliga live on the Vodafone mobile TV application.

Austria: all Sky packages for A1 TV customers

In 2013, Sky's entire range of packages, was made available to customers of A1 TV, one of Austria's leading communications companies. This agreement enables Sky to boost its technical reach to over 95 percent of all Austrian TV households.

Outstanding customer service

At Sky, customer satisfaction is the top priority and Sky works constantly to improve the quality of its service. This includes faster shipping, more reliable hardware, as well as better trained and more readily accessible customer service agents. Once again these measures earned the Company awards in 2013 and are a key contributor to the high level of customer satisfaction. Sky continues to invest in technology, processes and people to ensure its customers receive high-quality service.

Numerous awards for Sky

"Excellent" TÜV-rating

In January 2013, TÜV Saarland awarded the Sky on-site service an "excellent" rating – their top mark. Nine out of ten customers would recommend the Sky on-site service, which assists subscribers with connecting, activating and configuring their Sky receivers.

"Fairest Premium TV Provider"

Following a broad-based survey conducted by ServiceValue and Deutschland Test in May 2013, Sky was recognized as "Fairest Premium TV Provider" for the second year in a row. Furthermore, Sky was the only pay-TV company that received the top grade "excellent" in each of the three categories of product offering, service quality and customer communication.

"Service Champion 2013"

In October 2013, Sky was also named Service Champion among the premium TV providers in Germany for the second consecutive year. In Germany's largest service ranking conducted jointly by ServiceValue GmbH, Goethe-University Frankfurt am Main and the newspaper Die Welt, Sky came out on top among all its competitors and once again managed to improve its ranking significantly compared to last year.

"Best HDTV Provider".

For the third time in a row, Sky received the Auerbach Reader's choice Award as "Best HDTV Provider".

"Outstanding Achievement" for innovation

Sky Go was the major winner at the 2013 Connected TV Awards in London, which underscores the outstanding innovative power of Sky to deliver cutting-edge products and services for its customers. In recognition of its performance, Sky won prizes in the categories "Best Use of OTT by a Pay TV Operator" and "Outstanding Achievement in Connected TV".

Best sport broadcast: the Sky Bundesliga conference

For the first time, the Herbert Award for the best sports broadcast went to Sky's Bundesliga conference in 2013, recognizing a format that transports the excitement and above all, emotions of the Bundesliga directly to fans' living rooms.

Econ Award 2013: Special Award for Social Media

For the efficient use of social media as part of the marketing campaign "Fan in Dir" ("The Fan in You"), Sky received the prestigious Econ Award in the Special Award category for corporate communication in 2013 for the second time in a row.

Corporate functions

Group structure

Sky Deutschland AG controls all business activities of the Sky Group. Core operations are performed by 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.

The de-merger by acquisition of assets by Sky Österreich GmbH, Vienna into Premiere Star Österreich GmbH, Vienna was concluded with a resolution passed at the general meeting on 28 June 2013.

Based on this resolution both companies were renamed in Sky Österreich Verwaltung GmbH (former Sky Österreich GmbH) and Sky Österreich Fernsehen GmbH (former Premiere Star Österreich GmbH). The de-merger and change in company names were entered into the commercial register Vienna on 17 September 2013.

Investments

Effective 11 April 2013, Sky bought the remaining 2.5 percent of shares in Sky Hotel Entertainment GmbH, Unterföhring. Following the transaction, Sky became the sole shareholder in Sky Hotel Entertainment GmbH. The shares were transferred with retroactive effect as of 1 January 2013.

On 5 December 2013, Sky entered into an agreement with Constantin Sport Holding GmbH to acquire 100 percent of the production company Plazamedia GmbH TV- und Film-Produktion as well as a 25.1 percent equity stake in Sport1 GmbH and Constantin Sport Marketing GmbH. The total purchase price will amount to around €57.5 million on a cash and debt-free basis. Sky is in discussions with members of the existing bank syndicate to finance the purchase price with new credit facilities guaranteed by its majority shareholder, 21st Century Fox. Should the intended bank financing not be concluded, 21st Century Fox has committed to provide an unsecured shareholder loan. The transaction, which is expected to be concluded in the first half of 2014, is subject to certain conditions as well as approval by the competition and media regulatory. The approval of the transaction was granted by the German cartel authorities on 12 February 2014.

Extension of management contracts

By resolution dated 27 February 2013, the Company's Supervisory Board extended the employment contracts of Dr. Holger Enßlin and Steven Tomsic as members of the Management Board until 31 December 2015.

By resolution dated 18 March 2013, the employment contract of Carsten Schmidt as a member of the Management Board was extended by the Company's Supervisory Board until 31 December 2017.

Changes in senior management

In October 2013, Marcello Maggioni, Executive Vice President Customer Group, resigned from the Company at his own request. In the last five years he was responsible for the departments Marketing, Sales, Customer Relationship Management, Market & Business Intelligence, Customer Propositions as well as Austria Sales & Marketing. The leaders of these departments now report directly to Chief Executive Officer Brian Sullivan.

Changes in the Supervisory Board

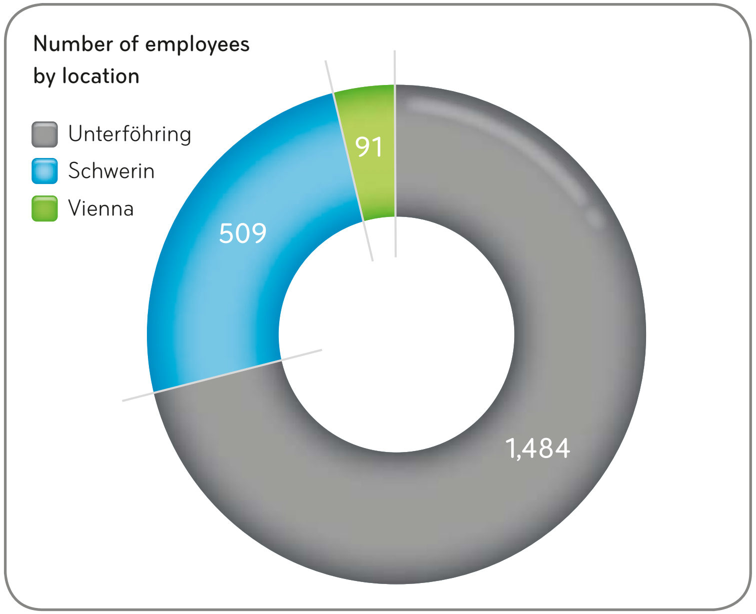
Effective 21 March 2013, Thomas Mockridge resigned as a member of the Supervisory Board of the Company.

During the Annual General Meeting on 18 April 2013, Harald Rösch was elected to succeed Dr. Hans Seiler, and James Murdoch was elected as successor of Thomas Mockridge.

As of 27 September 2013, the Supervisory Board elected James Murdoch as Chairman of the Supervisory Board of Sky Deutschland AG. James Murdoch follows Chase Carey who has served as Chairman since 16 July 2010, Chase Carey will remain a member of the Supervisory Board.

Employees

As of 31 December 2013, the Sky Group had 2,084 full-time employees. In comparison to the previous year, the number of employees rose by 7.5 percent (31 December 2012: 1,939 employees). The increase relates to all business areas.



Remuneration report

Remuneration of the Management Board

The structure of the remuneration system for the Management Board is governed and regularly reviewed by the Supervisory Board. The Supervisory Board is responsible for determining the Management Board compensation, which establishes the appropriate remuneration individually.

Criteria for the appropriateness of the remuneration include the responsibilities of the individual Management Board member, his personal performance, the performance of the entire Management Board and the economic situation, the results and the future outlook of the Company within its competitive environment.

The structure of the remuneration system for the Management Board includes both a fixed base salary paid monthly and a performance-based variable component. The predominant portion of the variable compensation is shaped as long-term compensation with two and three year planning periods that will be paid each year after expiration of the planning period; the remaining portion of the variable compensation will be paid as annual bonus in the respective following year. In addition, members of the Management Board receive further compensation. This additional compensation varies with the individual employment contract of each Management Board member and mainly involves reimbursement for housing costs, school fees, company car, life and health insurance and assumed pension contributions.

The annual bonus will be approved by the Supervisory Board on the basis of achievements of the determined objectives. For this purpose, the objectives of the Management Board members were allocated as follows: 20 percent based upon total revenues, 30 percent on EBITDA, 30 percent on net subscriber growth and 20 percent discretionary based on consideration of the individual contributions to the company's ongoing development. The annual bonus may not exceed a total of 100 percent achievement of objectives.

All members of the Management Board receive a long-term variable compensation based on the company share price in the form of so-called Performance Share Units, which will be distributed within the context of the so-called Long-Term Incentive Plans. This was issued for the first time for the year 2011 (LTIP 2011) and subsequently for the financial years 2012 (LTIP 2012) and 2013 (LTIP 2013). In addition to the Management Board, the higher management levels, including Executive Vice Presidents, Senior Vice Presidents and Vice Presidents, also participated in the Long-Term Incentive Plans. For the three-year period starting 1 January 2014, another Long-Term-Incentive-Plan (LTIP 2014) is planned. A corresponding resolution of the Supervisory Board has not been passed yet. Brian Sullivan is not entitled to participate in the 2014 LTIP program.

Essentially, the cornerstones of all three Long-Term Incentive Plans are arranged similarly. The plan participants are issued so-called Performance Share Units whose value depends both upon the company share price as well as upon key performance indicators that measure the success of the company (net subscriber growth and EBITDA less capital expenditure). After expiration of the performance term of three years the Performance Share Units will be converted into virtual shares in the company according to a conversion factor determined by the degree of achievement of objectives during the overall performance time frame. The degree of achievement of objectives may amount to between 50 percent and 200 percent, though it may not exceed 200 percent. After the conversion into virtual shares, the current company share value of these shares will be paid in cash to the plan participants, whereby the Supervisory Board has the ability to limit the payment amount per virtual share should the share value increase by 300 percent in connection with the time of the allocation of the Performance Share Units. The CEO participates in LTIP 2013 but the degree of target achievement only relates to the results of financials years 2013 and 2014 and the payment will already be made at the beginning of January 2015, provided that he does not leave the company before 30 June 2014.

The planning period of LTIP 2011 expired on 31 December 2013. Based on the assessed achievement of objectives an amount of €4,865,377 will be paid to the Management Board members (while €4,625,493 will be paid to the other plan participants).

In the context of LTIP 2013 977,845 Performance Share Units were distributed to the Management Board (while senior management was initially granted a total of 825,936 Performance Share Units). Including the LTIP 2012 initially a total of 4,000,583 virtual share were granted to members of the Management Board and Senior Executives.

Long-Term Incentive Plans are also mentioned in the notes to the consolidated financial statements (see paragraph 4.8 “Earnings of The Management Board and the Supervisory Board”) as well as in the notes to the separate financial statements (see Paragraph IV. “Other Statements”).

In addition, Brian Sullivan was granted a long-term “Phantom Share Plan” which has since expired. At the start of the contract on 1 January 2010, a total value of €3.87 million was converted into Performance Share Units for the grant. The entitlement to 50 percent of the performance share units vested in April 2012 and the remaining 50 percent vested in April 2013. After the conversion of the performance share units at the effective share price of the Sky share as of the two dates mentioned above, payment depended on the net subscriber growth over the entire performance period of two and three years, respectively. The first tranche was paid in April 2012; the second tranche including the remaining 50 percent of the phantom shares was paid in April 2013 in the amount of €4.0 million.

In the course of a Supervisory Board meeting on 19 December 2012, the employment contract of Brian Sullivan was extended to 31 December 2014 and his employment contract was amended. The new regulation includes an increased fixed monthly basic salary as well as a short-term performance-oriented salary component and an increased share-based long-term component. The majority of the total variable salary is long-term-based. The additional share-based compensation is valued at 500,000 Sky shares payable under certain conditions on 2 January 2015. Upon fulfillment of the conditions necessary for payment, the market value of these shares will be calculated as a volume-weighted share price as of December 2014.

In connection with the extension the employment contracts of Steven Tomsic, Dr. Holger Enßlin and Carsten Schmidt were also amended. The changes include an increased fixed monthly basic salary, and increased short-term performance-oriented as well as increased multi-year, performance-oriented salary components. Carsten Schmidt also received a one-time payment for the extension.

Agreements relating to one-time payments, such as termination payments in the case of non-renewal of employment contracts or a change of control, do not exist. Pension benefits are granted based on individual contracts. In the contracts already concluded, a minimum payment is guaranteed. The financing is carried out through payments to a special pension fund. The contract is secured through the pension insurance association. In the event of death, the fixed remuneration continues to be paid for the month in which death occurs and the following three months to the widow and/or the dependent children. The variable remuneration is paid proportionally through the end of the month of death. No further agreements exist regarding payments to survivors.

In the event of a termination of employment, it is set forth in the employment contracts of the Management Board members that the Company is entitled to cause leave of absence upon the revocation of the appointment as Management Board member, taking into account vacation entitlements and continuation of the fixed remuneration. The termination of the activity is generally governed explicitly on an individual basis in connection with a termination agreement. The termination agreement usually contains comprehensive non-compete obligations and is consistent with the recommendations of lit. 4 of the German Corporate Governance Code.

The individualized remuneration of the members of the Management Board for the 2013 financial year, which is divided in each case into a fixed and performance-based component, as well as other statements regarding the share-based payments, form part of the notes to the consolidated financial statements (see Item 4.8 “Remuneration of the Management Board and the Supervisory Board”) and of the notes to the separate financial statements (see Item IV. “Other disclosures”). In total, the remuneration of the Management Board in accordance with GAS (German Accounting Standard) 17 amounted to €11.1 million (2012: €8.6 million).

Compensation of the Supervisory Board

The compensation of the Supervisory Board is governed by § 12 of the company charter. It was amended by a decision of the general meeting on 18 April 2013, effective at the time of the entry into the commercial registry of companies on 6 June 2013, and with effective date 1 January 2013. The amendment stipulates raising the fixed remuneration, adjusting components payable for committee activities and repealing the current variable remuneration, which was tied to the balance sheet profit per share. The compensation of the Supervisory Board is in accordance with legal requirements and recommendations of the German Corporate Governance Code.

It provides for a fixed compensation as well as an additional compensation for the chairman and committee membership. Simple members of the Supervisory Board receive a fixed annual compensation in the amount of €70,000. The chairman and acting chairman of the Supervisory Board each receive €100,000. In addition, each committee chairman receives €15,000 annually, and every other committee member receives €5,000 annually, however compensation may never exceed €100,000 inclusive of the fixed compensation mentioned above. Partial fiscal year service as a member of the Supervisory Board and respectively chairman or acting chairman of the Supervisory Board or of a committee is compensated proportionally. The compensation is payable at the end of each fiscal year.

In addition, the company reimburses members of the Supervisory Board for expenses incurred in exercising their Supervisory Board mandate as well as any payable sales and/or value added tax added to their compensation and expenses.

The company has arranged and pays the premiums for pecuniary damage liability insurance on behalf of the members of the Supervisory Board (Directors and Officers Insurance) under reasonable and usual market terms (including deductible).

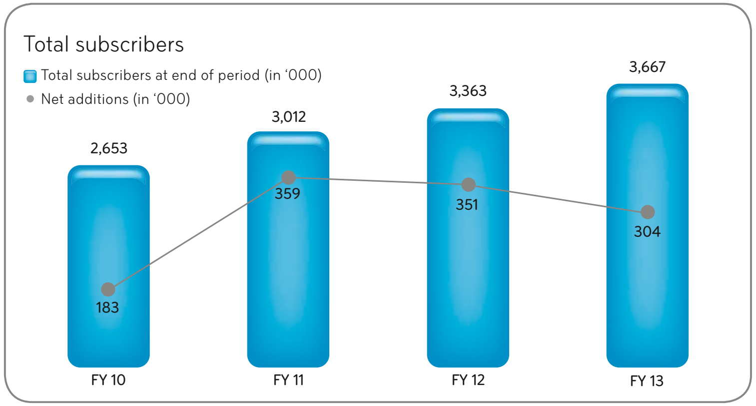
The compensation of the Supervisory Board for the fiscal year 2013, in each case allocated to fixed and components payable for committee activities, is contained in the notes to the consolidated financial statements (see paragraph 4.8 “Earnings of the Management Board and the Supervisory Board”). The compensation of the Supervisory Board for fiscal year 2013 amounted to the sum of €1.0 million (2012: €0.7 million).

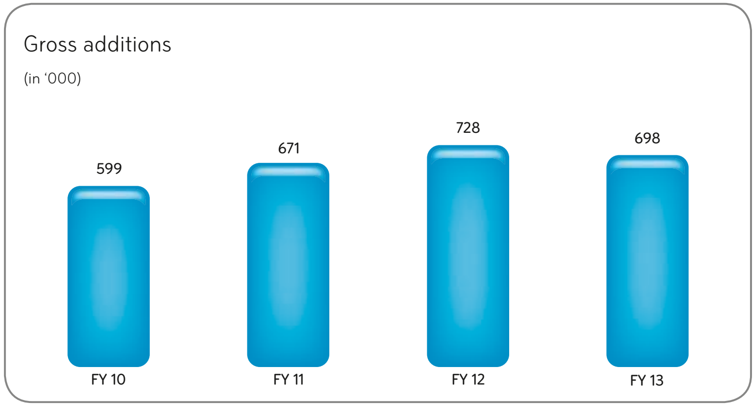
Subscriber metrics and quarterly trends

'000	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Direct subscribers[1] at beginning	3,529	3,453	3,405	3,363	3,212
Gross additions[2]	244	185	131	137	260
Churn[3]	–106	–109	–84	–95	–109
Net growth	138	76	48	42	151
Direct subscribers at end	**3,667**	**3,529**	**3,453**	**3,405**	**3,363**
Sky Welt HD subscribers (in '000)	2,713	2,572	2,477	2,403	2,249
Premium HD subscribers[4] (in '000)	1,799	1,752	1,697	1,613	1,514
Premium HD penetration rate[5] (in %)	49.1	49.6	49.1	47.4	45.0
Premium HD subscribers including HD free-visions at end of period[6] (in '000)	2,025	1,869	1,760	1,680	1,598
Premium HD penetration rate including HD free-visions[7] (in %)	55.2	53.0	51.0	49.3	47.5
Sky+ subscribers[8] (in '000)	1,480	1,296	1,171	1,065	929
Sky+ penetration[9] (in %)	40.4	36.7	33.9	31.3	27.6
Second smartcard subscribers[10] (in '000)	429	410	393	375	346
Second smartcard penetration[11] (in %)	11.7	11.6	11.4	11.0	10.3
Subscription ARPU[12] (in €, monthly)	34.56	34.07	33.74	33.15	32.77
Churn rate[13] (in %, annualized)	11.8	12.5	9.7	11.3	13.3
Churn rate[13] (in %, 12-month rolling)	11.2	11.8	12.0	12.0	11.8
Wholesale subscribers (in '000)	268	280	124	125	125

1) Direct subscribers comprise monthly contract subscribers (residential customers and commercial subscriptions (e.g., bars, hotel rooms – including hotel rooms served by distribution partners – and other public venues)) to at least one of Sky's channel packages and/or subscribers who purchased pay-per-view. Direct subscribers also include subscribers in the context of cooperation arrangements (e.g., triple-play offers). In the context of the activation of new contracts and the termination of existing contracts transitional periods exist.
2) Gross additions consist of all new direct subscribers with an activated smartcard in a given period. New direct subscribers who had an active subscription within the last 12 months and have been disconnected are not included; these subscribers are classified as reconnections from former subscribers.
3) Churn for a given period is defined as the number of direct subscribers who terminated their subscriptions, or who have not paid their bill and had their subscriptions terminated after the end of the Company's dunning process, or who have left their contract for other reasons (e.g., deceased), less the number of reconnections from former subscribers (as described in footnote (2)).
4) Premium HD subscribers comprise subscribers who have subscribed to Sky's Premium HD channels. The respective revenue contribution of Premium HD subscribers is included in ARPU.
5) Premium HD penetration is defined as the relation of Premium HD subscribers to the total number of subscribers at the end of the respective period.
6) Premium HD subscribers including HD free-visions comprise subscribers who have either subscribed or have free access to Sky's Premium HD channels. The respective revenue contribution of Premium HD subscribers is included in ARPU.
7) Premium HD penetration including HD free-visions is defined as the relation of subscribers who have either subscribed or have free access to Sky's Premium HD channels to the total number of subscribers at the end of the respective period.
8) Sky+ subscribers receive Sky's programming and Sky's video-on demand service with an HD-capable hard disk receiver.
9) Sky+ penetration is defined as the relation of Sky+ subscribers to the total number of direct subscribers at the end of that period.
10) Second smartcard subscribers comprise subscribers who have subscribed to a second smartcard. The respective revenue contribution of second smartcard subscribers is included in ARPU.
11) Second smartcard penetration is defined as the relation of second smartcard subscribers to the total number of direct subscribers at the end of that period.
12) ARPU is defined as monthly average subscription revenues (including pay-per-view) for a given period divided by the average number of direct subscribers in such period. Among others, Sky uses ARPU as a measure of its operating performance. Sky believes that ARPU is a useful measure of the extent to which Sky's direct subscribers opt for the range of its programming. However, ARPU is not recognized as a measure under IFRS and should not be considered a substitute for any income statement data as determined in accordance with IFRS or viewed as a measure of profitability. Because not all companies calculate ARPU in the same way, Sky's presentation of ARPU is not necessarily comparable to similarly titled measures used by other companies.
13) The churn rate for a given period is defined as the number of direct subscribers who churned their subscriptions during the course of a given period, divided by the average number of direct subscribers in that period (calculated by dividing the sum of the number of direct subscribers on the first day of that period and on the last day of that period by two) and multiplied by four when referring to a quarterly period, by two when referring to a half-year period and by one when referring to a full-year period.

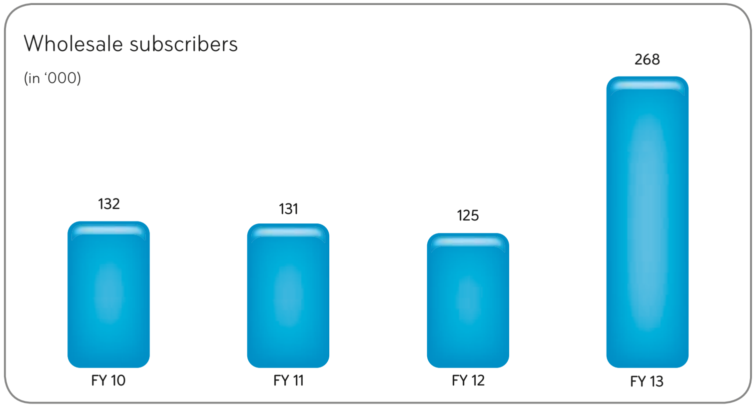
The number of **direct subscribers** grew by 303,800 (2012: 350,848) to 3,666,851 customers at year end (2012: 3,363,051). **Gross additions** amounted to 697,723 (2012: 727,533) and continue to reflect strong underlying demand for Sky subscriptions when considering the initiatives to improve the quality of customer growth, which were introduced at the beginning of 2013.

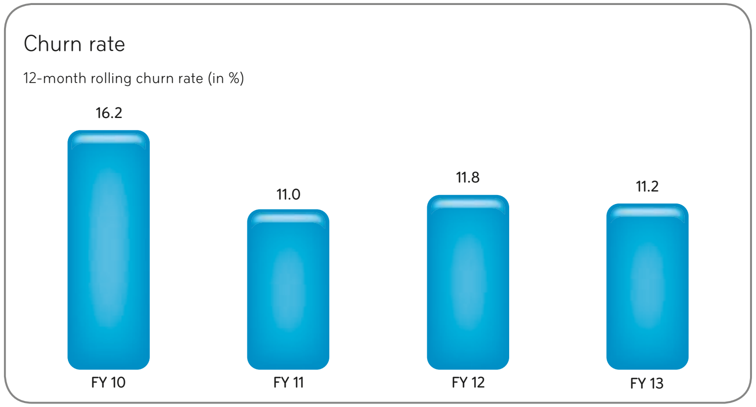




As a consequence of the inclusion of Deutsche Telekom's former Liga total! IPTV and mobile customers, the number of **wholesale subscribers** increased by 142,510 to 267,778 by the end of the year (2012: 125,268). All customers of Deutsche Telekom's former IPTV Liga total! package have the option of choosing a Sky direct package at any time, or of viewing the Sky Fußball Bundesliga as a stand-alone product under the existing terms up a specified period of time after which they will need a direct Sky subscription to continue watching live Bundesliga matches.

Customer loyalty improved with a **12-month rolling churn rate** of 11.2 percent (2012: 11.8 percent).

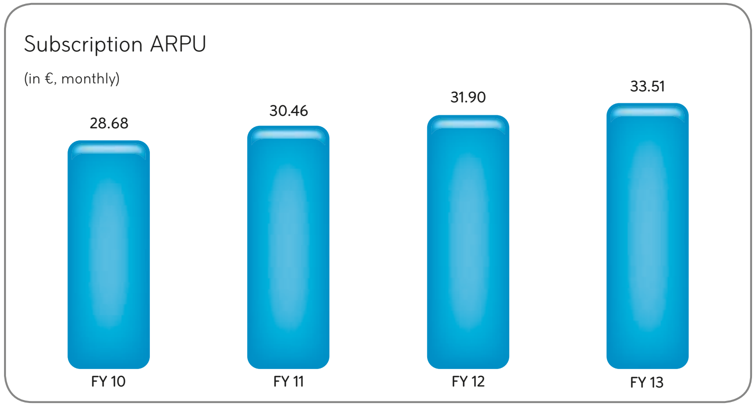


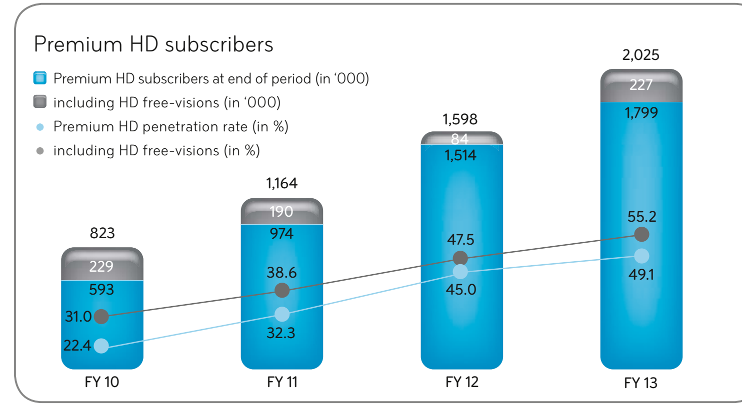


Management Report

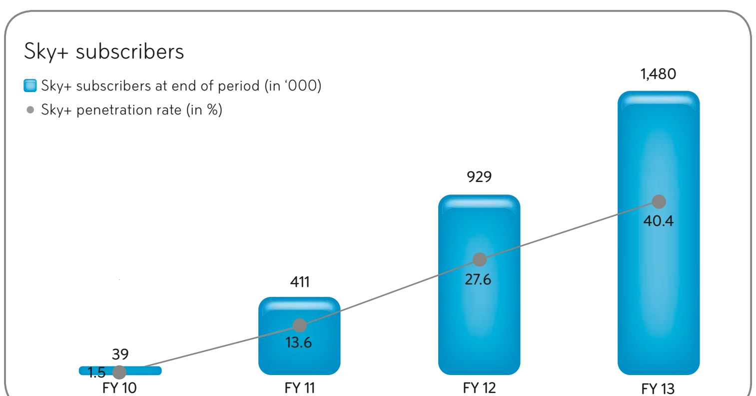
The **Average Revenue Per User (ARPU)** increased to €33.51 for the full year (+ €1.61).

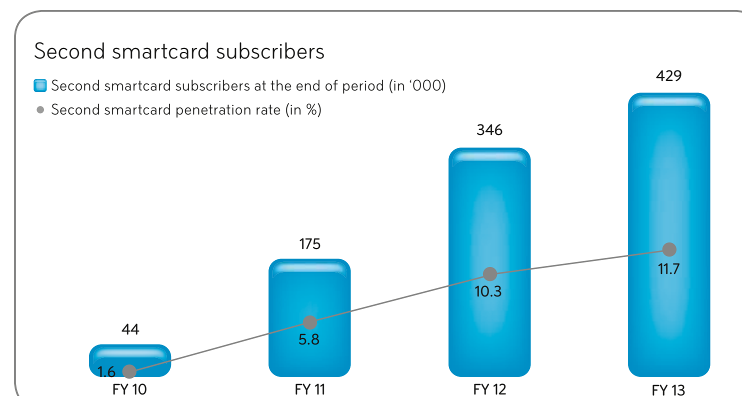
The number of **Sky Premium HD customers** grew by 284,668 (2012: 540,310) to 1,798,704 (2012: 1,514,036), meaning that almost half of Sky customers (49.1 percent; 2012: 45.0 percent) now enjoy the Premium HD package. When including those customers with free access to this package, for example with the first year free as part of a two-year contract, 2013 saw the number of Premium HD customers increase by an additional 142,739, with a total of 2,025,485 (2012: 1,598,078) customers receiving Sky's Premium HD channels, including the free HD promotional offers (55.2 percent; 2012: 47.5 percent).





Sky+ showed continued success with the number of **Sky+ customers** increasing by 551,272 (2012: 517,906) to 1,480,014 (2012: 928,742). At year end, 40.4 percent of Sky customers enjoyed the great convenience of a Sky+ receiver (2012: 27.6 percent). **Sky Zweitkarte (second smartcard) customers** increased by 23.9 percent to 428,920 (2012: 346,260), demonstrating that a growing number of households want to enjoy Sky's great entertainment line-up simultaneously on multiple TV sets in several rooms.





Sky Go, the leading over-the-top (OTT) pay-TV service in Germany and Austria, delivered a new record performance. The number of **customer sessions** more than doubled (+109 percent yoy) to 69.6 million in 2013.

Net assets, financial position and results of operations

Preliminary remark

The IASB issued an amendment to IAS 19 Employee Benefits on 6 June 2011. The revised standard is effective for financial years beginning on or after 1 January 2013. Among others, the revisions in IAS 19R have the effect that, as of 1 January 2013, actuarial gains and losses (remeasurements) in connection with the measurement of provisions for pension and similar obligations as well as termination indemnity obligations to employees of the Austrian subsidiaries, which in the case of Sky were previously recognized in profit or loss, are to be directly recognized in equity in Other Comprehensive Income. In this connection, the respective comparative amounts as of 1 January 2012 and 2013 were adjusted for accumulated other equity and consolidated retained earnings, after taking taxes into account, in the total amount of €2.8 million.

In addition to the equity, the positions general and administrative expenses as well as income taxes are affected by the revision. The respective prior-year figures presented below show the adjusted values. A reconciliation is presented in the respective statements of the notes to the consolidated financial statements.

Results of operations

The following figures relate to the twelve-month period of the respective year, unless indicated otherwise.

Revenues

Total revenues increased to €1,546.4 million (2012: €1,333.2 million), driven by an increase in subscription revenues of €193.2 million to €1,413.4 million (2012: €1,220.2 million) due to both a larger number of fixed-term contract subscribers and increasing ARPU. Subscription revenues also include revenues from direct subscribers who have subscribed to Sky via the IPTV platforms of Deutsche Telekom and Vodafone. Advertising revenues increased, particularly due to higher advertising revenues associated with broadcasting the Fußball Bundesliga and first-time broadcasting of beach volleyball, to €41.3 million (2012: €29.7 million). Hardware revenues decreased to €33.0 million (2012: €42.9 million), mainly due to lower income from activation fees. Wholesale revenues amounted to €20.8 million (2012: €13.3 million). The increase was mainly due to the cooperation agreement with Deutsche Telekom and comprises partly former Liga total! IPTV customers and partly Deutsche Telekom mobile customers, who have ordered the Bundesliga service via the mobile TV offering of Deutsche Telekom. Other revenues increased to €38.1 million (2012: €27.1 million), mainly from granting rights to Deutsche Telekom and Vodafone to distribute and market Sky services as well as higher revenues from sublicensing sports and movie rights. Other revenues also include revenues from Vodafone mobile customers.

Costs

Cost of sales totaled €1,233.7 million (2012: €1,119.7 million). Programming costs increased to €882.6 million (2012: €795.6 million), mainly driven by higher Bundesliga license costs as well as higher costs for film licenses. Technology amounted to €170.1 million (2012: €169.4 million). Increased fees for cable broadcasting, additional transponder capacities and higher playout costs, mainly driven by an increased number of HD channels, in the amount of €8.8 million were almost fully compensated by income from the release of accruals and provisions in connection with the conclusion of agreements with two network providers. Customer service and other cost of sales increased to €95.4 million (2012: €86.1 million) mainly due to the increased customer correspondence associated with a higher subscriber base. Hardware costs increased to €85.6 million (2012: €68.7 million). The increase mainly resulted from higher depreciation for receivers recognized under non-current assets and higher logistics costs

Selling expenses increased by €4.2 million to €234.5 million (2012: €230.3 million). The increase is primarily due to an addition to allowances recorded against receivables from subscribers in the amount of €5.0 million. These receivables relate to certain promotional offers and are subject to dunning procedures. This was offset by decreasing commissions – in connection with ramping down outbound telesales, among others – as well as lower marketing costs. General and administrative expenses increased to €138.6 million (2012: €110.4 million), primarily as a result of higher personnel expenses, particularly relating to the share-based compensation programs and higher IT expenses.

The increase in depreciation and amortization recognized as cost of sales is mainly driven by the higher volume of rented receivers and the corresponding depreciation of the receivers over their expected useful lives.

Other operating result

Other operating income increased to €11.9 million (2012: €8.1 million) mainly due to income from an agreement with a network provider. Other operating expenses increased to €3.6 million (2012: €0.6 million) mainly in connection with the provision for potential legal proceedings as well as the derecognition of receivables relating to previous financial years.

Operating result

	Q1–Q4 2013	Q1–Q4 2012	Change (absolute)	Change (%)
Revenues (in € million)	**1,546.4**	**1,333.2**	**213.3**	**16.0**
Operating costs (in € million)	–1,511.7	–1,380.7	–131.0	9.5
EBITDA (in € million) 1)	**34.7**	**–47.5**	**82.2**	**>100**
EBITDA margin (in %)3)	2.2	–3.6	5.8	
Depreciation and amortization (in € million)	86.9	72.3	14.6	20.2
Amortization of subscriber base (in € million)	1.4	1.4	0.0	0.0
EBIT (in € million)2)	**–53.5**	**–121.1**	**67.6**	**55.8**
EBIT margin (in %)3)	–3.5	–9.1	5.6	

1) Earnings before interest, taxes, depreciation and amortization
2) Earnings before interest and taxes
3) Ratio of EBITDA/EBIT to revenues

The improvement in financial performance was driven by revenues increasing 16.0 percent to €1,546.4 million (2012: €1,333.2 million), while operating costs only increased 9.5 percent to €1,511.7 million (2012: €1,380.7 million).

Financial result

The financial result was negative €73.6 million (2012: negative €65.4 million), including interest expenses in the amount of €13.1 million (2012: €34.2 million) relating to the debt financing arrangement concluded with the banking syndicate. With regard to the shareholder financing by 21st Century Fox Adelaide Holdings B.V. and Twenty-First Century Fox, Inc. total interest and similar expenses were incurred in the amount of €55.7 million (2012: €25.4 million). The year-on-year increase in interest expenses is mainly due to guarantee fees payable to Twenty-First Century Fox, Inc. in the amount of €27.4 million.

Consolidated net earnings

For the period ending 31 December 2013, earnings before taxes were negative €127.1 million (2012: negative €186.5 million). Income taxes comprise deferred tax expenses in the amount of €6.0 million (2012: €6.1 million). The consolidated net income after taxes was negative €133.1 million (2012: negative €192.5 million). Total comprehensive income was negative €134.0 million (2012: negative €196.6 million).

Basic/diluted earnings per share were negative €0.15 (2012: negative €0.25).

Financial position

Capital development

On 14 January 2013, Sky, its new bank syndicate, 21st Century Fox Adelaide Holdings B.V. (formerly News Adelaide Holdings B.V.) and Twenty-First Century Fox, Inc. (formerly News Corporation) agreed on a new comprehensive long-term financing structure for Sky. It comprises of five-year bank credit facilities of €300 million guaranteed by Twenty-First Century Fox, Inc. and its subsidiary 21st Century Fox America, Inc., a Bundesliga guarantee provided by Twenty-First Century Fox, Inc., the extension of the existing shareholder loans, as well as the issuance of new equity of €438 million (gross proceeds) via the combination of a private placement and a rights issue. The convertible bond remains unchanged.

Sky's new credit facilities of €300 million replaced its previous cash bank facilities of €419.1 million (including €19.1 million accrued interest), which were repaid in full in February 2013. The "new equity" of €438 million includes gross proceeds in the amount of €144.2 million raised under the capital measure announced on 2 February 2012. Thus, the financing structure incorporates additional funding of approximately €175 million, which will enhance Sky's financial flexibility for continuous investment in the three core areas (high-quality exclusive programming, cutting-edge innovations, and outstanding customer service) as well as for other business opportunities.

The credit facilities of €300 million provided by the new bank syndicate are fully guaranteed by Twenty-First Century Fox, Inc. and its subsidiary 21st Century Fox America, Inc. They mature on 20 February 2018 and allow for substantial flexibility for Sky with no financial covenants compared to the previous bank debt facilities. Interest on the new credit facilities will be determined on the basis of Euribor plus a margin of between 0.875 percent per annum and 1.5 percent per annum, depending on the credit rating of the guarantor 21st Century Fox America, Inc.. In addition, Sky has to pay a further 6 percent per annum to Twenty-First Century Fox, Inc. for the credit guarantee.

Twenty-First Century Fox, Inc. has also committed to Sky to act as guarantor to the German Football League (DFL) for the new Bundesliga broadcasting license for the 2013/14 to 2016/17 seasons in an amount of up to 50 percent of the annual license fee for each season, which reflects the guarantee requirement for the 2013/14 season. Pursuant to the DFL agreement, the level of guarantee required to be provided by Sky for subsequent seasons will be set latest prior to the start of each season. By arrangement dated 4 October 2013, the guarantee requirement for the seasons 2014/15 and 2015/16 was set at 50 percent of the annual license fee as well. Sky pays a fee of 6 percent per annum to Twenty-First Century Fox, Inc. for the Bundesliga guarantee.

Additionally, 21st Century Fox Adelaide Holdings B.V. extended the term of the €106 million of existing shareholder loans, plus accrued interest, to at least six months after the maturity date of the new credit facilities. The interest rates for the extended shareholder loans remain unchanged at 12 percent per annum and will remain payable in kind. On 20 December 2013, the committed credit line from the second shareholder loan in the amount of €48 million was drawn in full, ahead of the availability period which expired on 31 December 2013.

Registered on 15 January 2013, Sky raised gross proceeds of €347.4 million through a private share placement without subscription rights by issuing 77,890,976 new registered shares from authorized capital to 21st Century Fox Adelaide Holdings B.V. at €4.46 per share. The share price represented a 3 percent discount to the Xetra closing price of €4.60 per Sky share on the Frankfurt Stock Exchange on 11 January 2013. As a result, Sky's total number of issued shares increased to 856,800,738 with 21st Century Fox Adelaide Holdings B.V. holding 54.45 percent.

Sky successfully raised the remaining balance of €90.6 million to complete the equity financing in the amount of €438 million by issuing 20,400,017 new registered shares from Authorized Capital with subscription rights in its rights offering launched on 21 January 2013. The subscription price per share was set at €4.46, which equalled the share price of the private placement of shares to 21st Century Fox Adelaide Holdings B.V. on 15 January 2013. As a result, the total number of issued Sky shares increased from 856,800,738 to 877,200,755. Gross proceeds according to this measure amounted to €91.0 million. The capital increase was registered on 7 February 2013. Public shareholders and other investors exercised subscription rights for approximately 6 million new shares. 21st Century Fox Adelaide Holdings B.V. exercised subscription rights for approximately 11.1 million new shares and additionally acquired approximately 3.3 million new shares not subscribed by other shareholders at the subscription price. As a result, the shareholding of 21st Century Fox Adelaide Holdings B.V. increased from 54.45 percent to 54.83 percent.

The provision of the guarantees and support provided by Twenty-First Century Fox, Inc. is subject to certain customary conditions such as the absence of a material adverse change in Sky's business.

At the Annual General Meeting on 18 April 2013, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's registered share capital in the period up to 17 April 2018 by up to €147,436,489 by issuing in one or several tranches new registered no-par value shares against cash contribution (Authorized Capital 2013).

The Authorized Capital 2012, which initially amounted to €389,454,881, currently amounts to €291,163,888. It is supplemented by the additional new authorized capital (Authorized Capital 2013) for capital increases against contribution in cash with the authorization for exclusion of subscription rights.

The authorization for the exclusion of subscription rights included in the Authorized Capital 2012 with respect to capital increases against cash contributions with an amount of not more than 10.0 percent of the registered share capital pursuant to section 186 (3) sentence 4 of the German Stock Corporation Act (section 4 (3) sentence 4 lit. (b) of the Articles of Association) was used entirely. Therefore, the authorization has become obsolete and was removed from the respective provision in the Articles of Association.

The corresponding registration of the amendment of the Company's statutes into the commercial register was effected in the meantime.

The Contingent Capital 2012 granted at the Annual General Meeting on 3 April 2012 remains unchanged.

Liquidity

Cash flow from operating activities amounted to €92.0 million (2012: negative €30.6 million). Cash inflows from the positive EBITDA in the amount of €34.7 million (2012: outflow €47.5 million), adjusted by non-cash income and expenses in the amount of €8.6 million (2012: €9.8 million) were complemented by changes in working capital in the amount of €49.7 million (2012: €7.6 million). Cash flows from operating activities also include the cash flows in connection with the acquisition of film assets and advance payments for sport and film rights.

Cash flow from investing activities amounted to negative €142.2 million (2012: negative €136.4 million). Payments for investments in intangible assets and property, plant and equipment primarily related to the acquisition of receivers and associated licenses as well as investments in software. Payments for the acquisition of entities were mainly due to payments in connection with the buyback of all shares in Premiere Star GmbH, Unterföhring and Creation Club GmbH, Unterföhring carried out in 2009 in the amount of €29.7 million, of which €1.0 million are shown under interest paid.

Cash flow from financing activities amounted to €242.8 million (2012: €116.5 million). The inflow of funds as a result of the capital increases and the drawdown under the new credit agreement exceeded the outflow of funds for repayment of the existing credit facilities, interest payments as well as payments for transaction costs in connection with the taken financing measures.

At the end of 2013, Sky had at its disposal liquid funds of €196.9 million (year end 2012: €4.3 million) and undrawn credit facilities of €72.7 million (thereof €72.7 million resulting from the bank financing). The existing financing facilities (excluding guarantees and capitalized interest) were utilized in the amount of €495.6 million (31 December 2012: €594.6 million). Thereof, €31.3 million were classified as equity according to IAS 32. Regarding the financing of the purchases of 100 percent of the production company Plazamedia GmbH TV- und Filmproduktion as well as 25.1 percent in each case of Sport1 GmbH and Constantin Sport Marketing GmbH we refer to chapter Corporate functions (Investments).

Net assets

The following figures refer to the reporting date 31 December 2013 and in relation to the past financial year to the reporting date 31 December 2012. Trade receivables decreased by €9.5 million to €76.4 million (2012: €85.9 million), mainly deriving from a reduction in other receivables in the amount of €12.8 million resulting from the netting of receivables and payables from a barter deal as well as a €1.3 million reduction in receivables from subscribers due to allowances and write-offs. The decrease was partially offset by an increase in receivables from cooperation partners, mainly Deutsche Telekom and Vodafone, in the amount of €5.1 million. Other financial assets decreased slightly to €2.3 million (2012: €2.8 million). The increase in film assets and advance payments for sports and film rights to €112.0 million (2012: €84.8 million) was mainly due to an increase in film assets in the amount of €15.0 million in connection with the purchase of film licenses and an increase in advance payments for sports rights in the amount of €12.2 million. Due to the purchase of new receivers, inventories increased to €26.3 million (2012: €19.4 million). Intangible assets amounted to €716.8 million (2012: €706.8 million). The additions from investments in software and receiver licenses were partially compensated by scheduled amortizations. Property, plant and equipment amounted to €26.5 million (2012: €30.9 million). The carrying amount of receivers, recognized under non-current assets, increased to €196.3 million (2012: €165.3 million) and includes leasing hardware components (receivers, external hard-disks and CI+ modules) in the amount of €33.7 million. Other assets decreased to €33.4 million (2012: €47.8 million), mainly due to a reduction in restricted cash shown under this item as well as lower tax receivables. This was partly offset by higher advanced payments on additional transponder capacities and playout services.

Shareholders' equity increased by €289.2 million to €331.2 million (2012: €42.0 million), due to the capital measures registered on 15 January 2013 (private share placement without subscription rights) and 7 February 2013 (issuance of new registered shares with subscription rights from Authorized Capital) respectively. The increase was partially offset by the loss for the period. At the end of 2013, the ratio of equity to total assets was 23.9 percent (2012: 3.7 percent).

Total liabilities decreased to €1,055.7 million (2012: €1,106.0 million) and were affected by the following developments: borrowings decreased to €551.6 million (2012: €615.3 million) after redeeming the previous cash bank facilities of €419.1 million (including €19.1 million accrued interest), which were repaid in full in February 2013 and replaced by new credit facilities for a lower amount. This was partially offset by a partial drawdown of new bank loans in the amount of €225 million, the drawdown of the second shareholder loan in the amount of €48 million and the build-up of interest and transaction cost liabilities in connection with the shareholder financing in the amount of €16.2 million. Finance lease liabilities increased by €40.0 million. The main reason was the abovementioned leasing of hardware components. Net financial liabilities (financial liabilities less cash) amounted to €354.7 million (2012: €611.0 million). Trade payables increased by €11.8 million to €289.0 million (2012: €277.1 million). The main reason was an increase in liabilities for film licenses in the amount of €35.1 million. This was offset by a decline in other liabilities from trade payables in the amount of €21.9 million resulting from lower liabilities from receiver purchases as well as from the netting of receivables and payables from a barter deal described above. Other financial liabilities amounted to €68.9 million (2012: €71.6 million). The decrease was primarily due to payments in connection with the 2009 buyback of all shares in Premiere Star GmbH and Creation Club GmbH totaling €29.7 million, was almost entirely offset by an increase in liabilities to employees, particularly in connection with share-based compensation programs. Other provisions decreased to €13.3 million (2012: €15.6 million). Higher provisions for potential legal proceedings were overcompensated by the release of a provision for potential payment obligations. Following the conclusion of an agreement with a network provider, the reason for creating the provision no longer existed. Other liabilities amounted to €61.0 million (2012: €60.3 million). Lower liabilities to tax authorities were offset by liabilities from prepayments received and reimbursements of costs.

Deferred tax liabilities amounted to €60.8 million (2012: €55.2 million) and relate primarily to the different amortization methods in relation to intangible assets that are applied for tax purposes.

Overall presentation of the economic situation and comparison of forecasts reported in the prior period and actual business development

In 2013, Sky continued to deliver strong operational and financial growth. The constant focus on high-quality exclusive content, cutting-edge innovation and outstanding customer service resulted in a further significant improvement in all key metrics compared to the prior year.

EBITDA was positive for the full year 2013 amounting to €34.7 million (2012: negative €47.5 million). Total direct subscribers increased by 303,800 to 3,666,851 (2012: 3,363,051). Total revenues showed a growth of 16 percent and amounted to €1,546.4 million (2012: €1,333.2 million). As a result, the development of the most important KPIs was in line with the qualitative statements forecast in the 2012 combined management report.

The award of the UEFA Champions League rights until 2018 as well as the acquisition and extension of other exclusive sports and film rights together with the investments in the areas of HD, the enhancements or the launch of cutting edge services like Sky Go and, Snap form the basis for further growth and to achieve sustainable profitability. Therefore, also in 2013, Sky was able to make significant progress with regard to the successful implementation of the strategy pursued.

Sky Deutschland AG

Revenues and earnings

Revenues amounted to €16.4 million (2012: €16.6 million) and primarily relate to management services of Sky Deutschland AG delivered to its subsidiaries during 2013. Other operating income decreased to €10.0 million (2012: €356.8 million). The decrease resulted primarily from the write-up of the interest in Sky Deutschland Fernsehen GmbH & Co. KG (Sky Deutschland KG) in the amount of €348.0 million, which was included in prior years' other operating income.

Personnel expenses increased during the reporting period to €52.7 million (2012: €35.1 million). The increase is mainly driven by higher share-based compensation particularly as a result of the higher Sky Deutschland AG stock price. Total depreciation and amortization in the amount of €2.0 million (2012: €1.9 million) remained virtually at the same level as the prior year. Compared to the prior year, other operating in the amount of €28.7 million (2012: €28.9 million) also remained almost at prior year's level.

The financial result increased to €23.9 million (2012: €7.8 million). Income from loans, included in financial assets, which resulted from the granting of loans to Sky Deutschland KG, increased to €79.1 million (2012: €56.2 million). This rise was driven by the increase of loans granted to Sky Deutschland KG in the financial year. This increase was partly compensated by an increase in interest expenses to €55.5 million (2012: €48.5 million), primarily resulting from the utilization of existing financing.

Taxes on income and earnings included deferred tax expense in the amount of €2.8 million (2012: €43.2 million). Of this, €22.0 million was included in 2012 due to the tax effect of the write-up of the interests in Sky Deutschland KG.

The profit and loss statement at the end of the financial year showed a net loss in the amount of €35.9 million (2012: net income in the amount of €272.2 million). The net income of the prior year was mainly affected by the write-up of the interests in Sky Deutschland KG. The accumulated loss of Sky Deutschland AG at year end amounted to €266.7 million (2012: €230.7 million).

Net asset position

Property, plant and equipment decreased to €10.5 million (2012: €11.7 million), primarily due to scheduled amortizations. Interests in affiliated companies comprised primarily the investment in Sky Deutschland KG and remained at €1,941.2 million. Loans to affiliated companies related to a loan that was issued to Sky Deutschland KG. During 2013, loans to affiliated companies increased to €1,153.9 million (2012: €870.9 million). This resulted primarily from an additional utilization of loans by Sky Deutschland KG in the amount of €285.0 million. Receivables from affiliated companies increased to €88.1 million (2012: €20.4 million), primarily due to higher receivables for interest payments from loans and for management services rendered to Sky Deutschland KG and other cost allocations. Other assets decreased primarily due to the payment of a refund claim of withholding tax arising from the retroactive tax exemption of interest payments on the convertible bond. Cash and cash equivalents rose to €69.1 million (2012: €0.5 million), which mainly resulted from the utilization of the second Shareholder Loan issued by 21st Century Fox Adelaide Holdings B.V. in the amount of €48.0 million on 20 December 2013. Prepaid expenses, mainly relating to the upfront fee recognized in connection with the issuance of the convertible bond, decreased to €16.8 million (2012: €26.3 million).

Due to the net loss for the year and the equity measures undertaken in 2013, shareholders' equity increased to €2,577.9 million (2012: €2,175.5 million). This was offset by the net loss generated in 2013 in the amount of €35.9 million. Provisions increased to €39.3 million (2012: €22.6 million), in particular due to higher provisions for variable salaries. Liabilities relating to the convertible bond issued in 2011 remained at €166.2 million. Liabilities to banks decreased to €225.3 million (2012: €295.3 million) and mainly comprised the newly structured debt financing in the fiscal year. Trade payables decreased slightly to €4.4 million (2012: €4.9 million) and consisted mainly of obligations for the rental of the business premises. 21st Century Fox Adelaide Holdings B.V. holding of Sky Deutschland AG share capital increased to 54.83 percent. As a result, liabilities to Twenty-First Century Fox, Inc. and its affiliated companies, which in 2012 were primarily shown under the balance sheet item "liabilities to associated companies" (2012: €73.7 million), are now shown under the balance sheet item "liabilities to affiliated companies". Liabilities to affiliated companies increased to €126.4 million (2012: €0.1 million) and comprised the two Shareholder Loans of 21st Century Fox Adelaide Holdings B.V. including interest and the arrangement fee for the second Shareholder Loan. Other liabilities slightly increased to €6.0 million (2012: €5.7 million). Deferred tax liabilities amounted to €134.3 million (2012: €131.5 million) and are primarily due to the difference between the commercial law equity investment and the tax capital account for Sky Deutschland KG. Deferred tax assets on tax losses were deducted from the recognized deferred tax liabilities.

Financial position

Cash flow from operating activities amounted to negative €53.0 million (2012: negative €51.5 million). Cash outflows were due to the negative EBITDA in the amount of negative €53.3 million (2012: negative €38.8 million) and the changes in working capital in the amount of €0.3 million (2012: negative €12.7 million).

Cash flows from investing activities amounted to negative €252.2 million (2012: negative €123.4 million). Cash outflows due to the increase of loans granted to Sky Deutschland KG in the amount of €285.0 million (2012: €0.0 million) exceeded cash inflows of €33.5 million (2012: €32.6 million) from interest received. In 2012 Sky Deutschland AG made payments into the capital reserves of Sky Deutschland KG in the amount of €155.0 million. In addition, further investments led to cash outflows of €0.7 million (2012: €1.0 million).

Cash flow from financing activities amounted to €373.8 million (2012: €130.5 million). The considerably higher cash inflows were comprised of the proceeds from the capital increases in the amount of €438.4 million and new loans in the amount of €273.0 million. In contrast, cash outflows resulted from the redemption of a loan in the amount of €294.1 million and additional interest payments.

The balance of liquid funds at the balance sheet date amounted to €69.1 million (2012: €0.5 million).

Overall presentation of the economic situation

As the internal management system of Sky Deutschland AG is closely tied to the business development and the respective internal management system of the Sky group we refer to the statements under chapter "Overall presentation of the economic situation and comparison of forecasts reported in the prior period and actual business development" with regard to the Sky group above.

Report on post-balance sheet date events

Apart from the transactions disclosed under the individual sections of this management report, no other post-balance sheet date events occurred.

Report on expected developments and on opportunities and risks

Report on expected developments

Sky delivered strong growth in 2013. The constant strategic focus on high-quality exclusive content, cutting-edge innovation and outstanding customer service is continuing to deliver results. Continuous solid growth in net subscriber additions and low churn rates, combined with record-level revenues confirm that an increasing number of German and Austrian customers recognize the quality and value of Sky's product and service offering.

The expected business development is based on the assumptions that Sky intends to increase the market penetration of its Sky+ receiver, expand its HD offering, deliver new services and extend the availability of its programming. The strategic focus remains on growth and achieving sustainable profitability.

Sky expects the positive operational and financial trends to continue in 2014. Primarily the management expects a net subscriber growth of 400k to 450k, and full year EBITDA in a range of €70m to €90m, supported by a continued strong increase in total revenues.

Sky Deutschland AG controls all business activities of the Sky Group. Core operations are performed by its subsidiaries. The future business development of the holding company therefore depends crucially on the development and success of its subsidiaries and in particular affects the valuation of the investments and the financial result.

The risks and opportunities presented below could affect the expected business developments.

Risk report

Risk management system

Objectives

Sky believes that good corporate governance and the process of identifying business opportunities and taking on their associated risks in a controlled manner results in sustainable increases in enterprise value.

In applying this principle, the Management Board has installed a Risk Management System. The objective of this system is to identify risks at an early stage, evaluate them quickly and where appropriate, initiate the appropriate measures to mitigate or eliminate the relevant risks.

The development of Sky's business is primarily affected by the competitive environment in which Sky operates, the economic environment and disposable income of TV households, changes in the market prices for broadcasting rights, the legal and regulatory environment and the availability of financing. Sky maintains a continuous and comprehensive risk inventory, with all risks documented systematically and evaluated on the basis of probability of occurrence and in terms of their potential impact on the business. The effectiveness of the existing Risk Management System is continuously reviewed to reduce the possible exposure and, if necessary, to take appropriate countermeasures. Nevertheless even a suitable and functioning Risk Management System cannot guarantee the identification and management of all risks.

Risk management functions

The Management Board is responsible for Sky Group's risk management, for defining the risk management policy and deciding on the extent that risks are borne by Sky and their subsequent management.

The Management Board has installed a Risk Committee to analyze and discuss selected group-wide strategic and operational risks and to assess whether Sky's current risk profile is adequate or whether further risk mitigating measures need to be implemented. The duties of the Risk Committee also include discussing suggestions for risk reduction measures and deciding whether they should be continued and/or implemented. The Risk Committee consists of the members of the Management Board, the Executive Vice Presidents (EVPs) and the Risk Manager.

The Risk Manager's main responsibility is to facilitate and monitor the Risk Management Process. This includes ensuring that all relevant information regarding risks is provided in an appropriate quality from all Risk Responsibles and Risk Owners across the business. The Risk Owners are the members of the Management Board, the EVPs and all direct reports to the CEO. The Risk Responsibles are in general all managers who directly report to members of the Management Board or the EVPs. To get an overview of the risk profile, the Risk Manager also aggregates similar risks. The consolidated risks as well as the individual source risks are reported to the Management Board, Risk Committee and Supervisory Board. The Risk Manager organizes and participates in the Risk Committee. The Risk Manager serves as the internal and external contact person on risk management issues.

The Corporate Audit Department is engaged to audit the accuracy, reliability and efficiency of the business processes and organizational procedures within the group on an annual basis.

Additionally, the key processes of the risk early warning system, which is a component of the Risk Management System, are audited by the external auditor in accordance with Section 317(4), German Commercial Code (HGB), as to whether these processes are able to identify risks that may threaten Sky's ability to continue as a going concern.

Structures and processes

Risks are defined as conditions or events that can negatively impact the achievement of Sky's business objectives or long-term strategic goals, cause business interruptions or threaten the existence of the company. The risk definition includes the non-occurrence of an expected positive development as well as the occurrence of a negative development, which both might have a negative impact on Sky's results or reputation. Conditions or events have to be uncertain regarding their likelihood of occurrence or their impact on the business.

According to the abovementioned definition, the Risk Responsibles identify all possible risks on the basis of Sky's strategy and the tasks and objectives of each business division. The Risk Owners verify the completeness and approve the risk profile of their respective area. The Risk Manager supports this process. In order to ensure that all risks have been identified, all business divisions and subsidiaries are included systematically.

After risks have been identified by the Risk Responsibles, they evaluate them within the Risk Management Process on a quarterly basis or ad hoc, if deemed necessary. The evaluation process is generally based on a qualitative assessment, e.g. expert knowledge, historic data or forward-looking information and usually not on quantitative calculations, simulation techniques or sensitivity analyses. The goal of the risk evaluation is to get an adequate assessment of the importance of the risks on the basis of factors like failure to achieve business objectives, reputational damage or the ability to tie up management resources and to create a risk ranking. To visualize which risks pose the highest threat to the viability of the company, they are classified within a grid as "marginal", "minor", "moderate", "significant" and "major" in terms of the likelihood of their occurrence and their potential impact on the business. Risk Owners and the Risk Committee verify the risk evaluation of company-wide risks in the context of the whole organization.

Risk evaluation is followed by risk reporting and risk monitoring. The regular reporting process is initiated on a quarterly basis after the Risk Responsibles and Risk Owners have updated their respective risks. Afterwards, the Risk Manager presents the entire risk profile of the company to the Management Board, the finance and compliance departments as well as to Corporate Audit and the external auditors. In the risk report the qualitative classification of risks is added by quantitative benchmarks which serve as a reference only. To embed the Risk Management System in the overall Corporate Governance structure, an information exchange between Risk Management, Corporate Audit, Internal Control System (ICS) and Compliance takes place in the form of a quarterly meeting where participants share their views on topics such as recent business developments, risk management process outcomes or audit findings which may be important for the other parties. Furthermore, the risk profile is presented to the Risk Committee and to the Audit Committee of the Supervisory Board annually. Risk management also encompasses an early risk recognition system to identify risks as early as possible. Irrespective of the quarterly update of the risk profile, Risk Responsibles and Risk Owners are instructed to inform the Risk Manager immediately when significant new risks have been identified or when significant negative developments of existing risks occur. To ensure risk awareness as well as quality and completeness of identified risks and risk mitigating measures the Risk Manager conducts meetings with the Risk Responsibles at least once a year.

Risk monitoring is an ongoing process which aims to continuously check the effectiveness of the overall risk management system and if the risk management system corresponds to the actual process. At Sky, the identified risks and the risk mitigating measures are derived from the corporate strategy and the business objectives. The risk management system may have to be adapted as a result of any changes to the corporate strategy and the business objectives. Monitoring also includes the ongoing review of any changes to the business to identify and constantly update Sky's risk profile to ensure the completeness and accuracy of identified risks and their corresponding risk mitigating measures and to ensure and control that the risk mitigating measures are conducted and are still adequate and effective for managing the risk. As part of the monitoring phase the Risk Manager makes a reasonable review of the appropriateness of implemented risk mitigation measures and verifies if the measures exist, are plausible and are performed as described. In addition, Corporate Audit reviews the effectiveness of the risk management system and the risk management process. Any identified gaps in the risk management system will be communicated to the Risk Manager in order to further develop and improve the system.

The whole risk management process is supported by a risk management software program. The software is used to consolidate and archive all relevant information and to generate the risk reports. The software enables the Risk Manager to verify whether all risks within the risk management process have been updated by the Risk Responsibles and approved by the Risk Owners on time.

The risk management system focuses on risks only. It does not assess or analyze business opportunities.

Risks

Sky's business, results of operations and financial condition could be materially adversely affected by risks that are currently unknown. In the following section major risk factors are described.

Market, and competition and content risks

TV companies in Germany and Austria face a significant degree of competition, both from each other and from providers of other entertainment options. Sky's principal competitors are the German and Austrian free-TV stations.

Sky also competes with the public broadcasters in Germany and Austria which offer some of their programming without commercial breaks. The public broadcasters are financed through broadcasting license fees, which limit the average household budget for other forms of entertainment.

Sky's ability to increase the revenue it generates from its existing subscribers and to attract new subscribers depends on consumers' price sensitivity as well as on the disposable incomes available for media spending. In case of a drop in household incomes, it is possible that the demand for media and entertainment products, including pay-TV, could substantially decline.

To a certain extent, Sky also competes with cable network operators such as Unitymedia, Kabel Deutschland, Kabel BW and Tele Columbus as well as with operators of IPTV platforms such as Deutsche Telekom. It is possible that the cable network operators might extend their pay-TV offerings in the future, which could lead to more intense competition in the pay-TV market. As a result, the number of companies bidding for sporting events, movies and TV series and other high profile content may increase, which could restrict Sky's access to such content or raise the license fees it must pay to gain access to the desired content.

Another competing offering is the HD+ service by HD Plus GmbH, a subsidiary of satellite operator SES ASTRA. The HD+ package offers access to a number of TV channels in HD quality. While the HD+ service does not offer any exclusive pay-TV content, it could nevertheless be regarded by some consumers as an alternative to Sky's HD offering.

In addition, Sky competes with a variety of alternative distribution channels for movies and other audiovisual content, such as DVD sales and rentals, websites, internet service providers, free and pay video-on demand (TVoD and SVoD) and other entertainment options available to consumers. Even though some of these other entertainment options may currently still suffer from a limited market acceptance, they may become more important in the future.

As a premium pay-TV provider, Sky is dependent on being able to offer its programming in appealing formats such as high quality HD in combination with attractive mobile viewing options and technologically advanced receivers involving digital recording functions with a large storage capacity, in order to differentiate itself from competing entertainment offerings. If Sky fails to adopt trends in TV entertainment at an early stage, existing and potential subscribers may opt for competitors' offerings or reduce their spending on Sky's products.

Sky is critically dependent on exclusive access to attractive content on commercially reasonable terms. The centerpiece of Sky's offering is the live broadcast of the German Bundesliga and second Bundesliga matches. In addition, Sky holds extensive rights, many of which are exclusive, to other types of premium sporting, as well as movies, TV series and programs that are broadcast in HD.

All of Sky's licenses are for a limited period of time and require periodic renewals. There can be no assurance that Sky will be able to renew its licenses on commercially reasonable terms. Even if Sky is given the opportunity to bid for a license that comes up for renewal, there can be no assurance that it will have the necessary funds or be willing to match a competitor's bid.

Sky intends to finance the license fees payable to its content providers with the funds available to it under its long-term financing structure agreed on 14 January 2013 and, increasingly, with cash generated in the ordinary course of its business. If the business plan fails to result in sufficient improvements in the amount of cash generated in the ordinary course of its business over time, Sky may be unable to pay these fees, in which case its content providers may terminate Sky's licenses and claim damages.

Furthermore, several of the contracts with Hollywood studios, the UEFA, the DFL, as well as several partner channel agreements contain change of control clauses that entitle the relevant counterparties to terminate the agreements in the event a major competitor acquires the majority of shares or otherwise gains control over Sky. Given that Twenty-First Century Fox, Inc. controls the entity that owns the FOX studios and given that Twenty-First Century Fox, Inc. (at the time, News Corporation), since 7 February 2013, indirectly holds 54.83 percent of the outstanding shares of Sky, termination rights under these change of control clauses may already have been triggered. Until the end of the preparation period no such termination occurred.

In the event Sky fails to compete effectively and efficiently with other TV companies or if consumer demand moves from TV to alternative distribution channels or other entertainment options mentioned above, Sky's net assets, financial position and results of operations could be materially adversely affected. Therefore, the impact of the presented risks, should they occur, was classified as significant.

Customer and sales-specific risks

Sky depends on discretionary consumer spending. Consumer spending is influenced by general economic conditions and the availability of discretionary income, which typically declines in times of economic instability. This may also have an effect on Sky's revenues. An economic downturn or increased economic uncertainty may affect Sky's ability to attract new subscribers and to retain its existing subscribers. It may also impact Sky's ability to maintain or increase revenues by upselling premium subscription packages and services, implementing price increases and decreasing promotions and discounts to subscribers. In case of declining confidence in the economy and the job market, it is possible that German and Austrian consumers will choose to limit their discretionary spending on pay-TV and Sky may be forced to increase marketing spending to maintain revenue growth, which in turn would negatively impact profitability. Overall, the impact of the presented risk, should it occur, was classified as major.

Operational, technical and security risks

Because Sky's business model is based on the provision of access to electronic content for payment, Sky is critically dependent on its ability to protect its content against unauthorized access from third parties. In addition, many of Sky's licenses contain clauses that require it to secure its licensed content and provide for termination rights and the payment of damages in the event of breaches.

In 2008, Sky put new encryption systems in place that rely on two separate encryption technologies: Sky implemented a new version of the Nagravision system and Videoguard, a system developed by NDS. Sky is dependent on the capabilities and skills of these two technology manufacturers to develop and to deploy updates in relation to the software as well as new versions of smartcards at regular intervals or if required in order to reduce the likelihood of future security breaches and, when a security breach occurs, to remedy this breach before a large number of people gain unauthorized access to Sky's programming.

With regard to cable customers, cable network operators are responsible for the encryption of Sky's signals during transmission via their cable networks. If any of the operators' encryption systems were to be circumvented, Sky could suffer substantial damage but would not have the ability to take direct action in order to remedy the security breaches. Sky agreed that such breaches shall be solved as soon as possible by cable operators, but is particularly dependent on the cable operators' capabilities to agree with their technology partners to remedy such breaches as soon as possible.

In addition, Sky monitors developments with respect to piracy, such as the unauthorized streaming of Sky content via anonymous websites or the unauthorized use of Sky channels via card-sharing. Sky performs operational and legal measures to restrict the potential for abuse.

Sky does not have a distribution network of its own to disseminate its programming to subscribers and thus depends on transmission agreements with cable, satellite and IPTV network operators. If Sky fails to extend its transmission agreements with cable, satellite and IPTV network operators when they expire or these operators terminate their agreements with Sky, it could lose access to a substantial number of its subscribers or be forced to accept commercially unreasonable terms. Furthermore, Sky depends on its ability to secure access to other distribution channels that may emerge in the future.

Sky has entered into various contracts for the provision of services. It is not possible to guarantee that these partners will meet their contractual obligations, i.e. provide their services in a satisfactory manner. In particular Sky is exposed to the risk of operational disruptions as a result of failures in its IT systems and websites, and to the risk of hacker attacks impacting the integrity or availability of its customer data. Since this could ultimately lead to interferences in Sky's business operations, Sky is attempting to reduce this risk by selecting service providers according to the most important criteria such as reliability, proven market experience and quality.

The presented risks could adversely affect the company result and – in the case of hacker attacks, impacting the integrity or availability of its customer data – the reputation. They were classified as significant.

Performance and process-oriented risks

In March 2012, the EU Regulation No. 260/2012 came into force, establishing technical and business requirements for non-cash euro money transfers in the Single European Payment Area ("SEPA"). The new regulation introduces rules for processing bank/credit transfers and direct and electronic direct debits. Sky processes the majority of its subscription fees payable by its subscribers via direct debit arrangements. In January 2014, the European Commission adopted a proposal to give an extra transition period of six months to minimize possible failures to national and international payment transactions. However, the proposal did not change the formal deadline for migration of 1 February 2014. Sky was able to adjust the payment process in due time.

Knowledge or staff-oriented risks

Sky staff and their qualifications are of fundamental importance for the future success of the Company. A substantial risk could occur if Sky is not able to recruit or retain suitable employees for the specific requirements of the Group. In addition, any dependence on individual employees could pose a risk. Sky limits these risks with competitive remuneration, long-term career opportunities and targeted training resulting in a moderate risk classification.

Reputational, legal and compliance risks

Broadcasting and trademark licenses

Sky holds various broadcasting licenses in Germany and one in Austria, which are set to expire in 2019 (Austria), 2014 (renewal requested), 2015, 2017, 2018 and 2019. There is a risk of broadcast licenses not being extended or withdrawn should Sky breach media law or other laws or regulations, including the protection of minors.

Sky employs a unique technological solution based on its own control facilities. Minors are not only protected by providing later broadcasting times, but programs unsuitable for children or minors are also blocked in advance. The advance blocking system is currently regarded as the most effective protection measure for minors in TV.

In order to protect minors, Sky stringently observes the adherence to additional measures for the full adult entertainment programming of Blue Movie. Only persons who can prove they are older than 18, either by showing a valid identity card onsite in the shop or using the PostIdent procedure in writing, can become Blue Movie customers. Once accepted, they receive a personal Blue Movie PIN directly from the shop or by registered mail, which they must have on hand when placing an order.

Based on the existing control facilities the risk was classified as moderate.

The trademark license agreement with a company of the BSkyB Group contains a change of control clause which entitles the company to terminate the agreement under certain circumstances. Such termination however requires that

(a) any legal person (other than already existing shareholders with more than 15 percent of the shares in Sky Deutschland AG) acquires direct or indirect control of Sky (which shall in particular be the case if such legal person acquires any further interest to a direct or indirect interest in Sky of more than 49 percent); and

(b) the acquiring person is a substantial competitor of the BSkyB Group, or the association of the acquiring person with the trademark or with Sky would damage the Sky brand or the reputation of the BSkyB Group more than to an immaterial extent in any territory where the Sky brand is used.

Such termination shall be effective either 48 months from the date on which it is given or the regular end of the term of the trademark license agreement, whichever is earlier. In case the termination is based on damage to the Sky brand or the reputation of the BSkyB Group, the above 48-months period is reduced to twelve months.

Based on the current shareholder structure the risk was classified as moderate.

Shareholder Claims

Sky Deutschland AG is facing damage claims by shareholders with respect to public information on its subscriber numbers.

So far, 13 actions for damages have been filed against Sky. All actions were terminated legally binding, either by way of dismissal of the claim, withdrawal of the action or settlement agreements. The total settlement payments amounted to K€122.

Furthermore, out-of-court claims totaling K€60 have been served on the Company, partially through a mediation proceeding. The Company has rejected the claims and declined to enter into the mediation proceeding.

In the past further claims for damages had been asserted out of court, mostly by institutional investors ("the Funds") by way of mediation proceedings. The Company entered into a settlement agreement in October 2010 according to which the Funds' claims are finally and absolutely settled upon payment of €14.5 million in installments. All installments have been paid in the meantime.

The Company believes that the total amount of the settlements as well as any associated cost – in particular legal costs – will be covered by existing insurance policies (prospectus insurance for the 2007 Prospectus and D&O insurance). However, the prospectus insurer on 13 March 2012 declined to cover. The provider of the D&O insurance, which applies in case claims are raised against former board members, is to the Company's knowledge still in the evaluating process. Extrajudicial claims that have been raised against former board members have been rejected by them. The Company therefore filed a recourse action aiming for a compensation of all damages incurred against the prospectus insurer and former board members at the District Court of Munich. According to current assessments, Sky expects a decision in Q2 2014.

There are no outstanding obligations relating to damage claims in the consolidated financial statements recorded as of 31 December 2013.

In connection with the public information on the subscriber numbers, to the Company's knowledge the criminal investigations against the persons who served at that time at the Company's Management Board are continuing.

Other legal risks

With its decision on 8 September 2011, the Regional Court of Hamburg admitted the claim of a telecommunications provider to require Sky to supply Sky programming in the provider's network until at least 30 September 2011 and to determine compensating damages. Sky has filed an appeal against the decision and is of the opinion that the admittance of the claim will not have a significant impact on the net assets, financial position and results of operations of the group. The parties are in the process of filing a compromise agreement which eliminates the risk described above.

At the end of June 2012, Sky received a claim due to the potential infringement of a trademark. The subject of the claim is the omission of labeling digital receivers with "Sky" and/or "Sky+" in the German territory. In the meantime, the Düsseldorf District Court has dismissed the claim and fully granted Sky's counter-claim with a ruling dated 20 March 2013. The plaintiff has appealed the decision. Due to the fact that the prospects of success are considered high for the Company, Sky does not expect a significant impact on the net assets, financial position and results of operations and therefore the risk was classified as minor.

Sky imports devices and storage media which are subject to royalty payments when imported to or distributed in Germany according to German ownership law ("UrhG"). The German collecting society ZPÜ was founded to collect these payments. After a comprehensive amendment, ZPÜ has introduced fees for devices and storage media which are subject to royalty payments when imported to or distributed in Germany since 1 January 2008 and also publishes them in the German Federal Gazette. The basis for the calculation of the respective royalty payments is the actual utilization of the affected devices and storage media for private multiplication of works that are protected by rights of ownership. Among others, ZPÜ has set-up the following fees for these particular devices and storage media:

- Fee for STBs with integrated hard disks/TV-receivers with integrated hard disks ("PVR") amounting to €34 per device.
- The fee for STBs without integrated hard disks/TV receivers without integrated hard disks but with a recording function for external hard disks has been set at €13.
- The fee for external hard disks with a storage capacity of up to 1TB has been set at €7 per device and at €9 per device for devices with storage capacities above 1TB.

The trade association ZVEI (central association for the electric engineering and electronics industries/registered association) has initiated proceedings for entering into a master agreement against ZPÜ at the arbitration board of the German Patent and Trademark Office. On 11 October 2010, the arbitration board issued a settlement offer for a master agreement for the time after 1 January 2008. It includes a €12.73 fee per PVR. With judgment from 11 July 2013, this fee was confirmed by the Higher Regional Court Munich (OLG München). This outcome will be reviewed by the Federal Supreme Court (BGH). A decision is expected within the next two years.

Sky recognized the legal requirements resulting from the right of ownership on the basis of the settlement offer presented to the arbitration board of the German Patent and Trademark Office dated 11 October 2010 and the affirmative OLG Munich judgment as a liability.

Starting in November 2013, Sky received complaints from customers who were prompted by unknown callers to participate in a sweepstake that was followed by the sale of magazine subscriptions. The callers had pretended to be Sky or purported to have sourced the contact data from Sky. After knowledge of a potential data leak, Sky immediately initiated countermeasures to clarify the incidents as fast as possible. The competent data security authorities were informed and all measures are closely coordinated. Furthermore, the issue was reported to the police with Sky supporting the investigations to its full extend. Based on the current state of knowledge, only a limited number of customers were affected. The affected customers were informed about the issue. Furthermore, they received a guideline regarding the protection of their digital identity. Investigations are currently ongoing.

A general risk exists that the competent authority might impose a fine against Sky. As Sky did not infringe data security rules deliberately, informed the affected customers immediately and has established a regular exchange with the regulatory authority, the risk of a fine was classified as marginal.

Accounting risks

Goodwill

The goodwill recognized in Sky's consolidated financial statements might have to be written down in the future if the value declines. The review of the goodwill is based on the financial outlook in the business plan (value in use) as well as the fair value less costs to sell. Sensitivity analyses regarding the business plan in the 2013 financial year have not revealed a significant impact resulting from possible target shortfalls (e.g., revenue growth, subscriber growth and EBITDA). A write-down of the intangible assets in the future cannot be excluded.

Investment in Sky Deutschland Fernsehen GmbH & Co. KG

The financial assets of Sky Deutschland AG comprise the interests in Sky Deutschland Fernsehen GmbH & Co. KG. The review of the goodwill is based on a discounted cash flow method according IDW accounting standard RS HFA 10. Regarding financial year 2013, calculations did not reveal a need for impairment. A write-down in the future cannot be excluded.

Investigation of the Federal Financial Supervisory Authority

In connection with an audit according to Sections 37n ff. of the German Securities Trading Act (WpHG), the Federal Financial Supervisory Authority ("BaFin") determined that the financial statements and consolidated financial statements as of 31 December 2007 and the management report and group management report for 2007 of former Premiere AG (now: "Sky Deutschland AG") as well as the condensed interim consolidated financial statements as of 30 June 2008 and the interim report for the first six months of 2008 were allegedly incorrect.

Sky Deutschland AG has filed an objection against the decision of the BaFin. The objection has been rejected by the BaFin in September 2013. Sky therefore filed a complaint against the decision with the Higher Regional Court of Frankfurt on 14 October 2013. The Company does not expect a decision before the end of the first quarter of 2014.

The complaint is aimed at revising the decision of BaFin insofar as BaFin has ruled that the financial statements and consolidated financial statements as of 31 December 2007 of Premiere AG, Unterföhring, (now: Sky Deutschland AG) and the management report and group management report for 2007 as well as the condensed interim consolidated financial statements as of 30 June 2008 are considered incorrect pursuant to Sec. 37q para 1 German Trade Securities Act (WpHG).

The decisions of BaFin at which the objection is aimed refer to (i) the amount of the consideration paid by Premiere for the Bundesliga sub-license in 2007, (ii) the description of the risks associated with the intended acquisition of the Bundesliga rights for seasons 2009/2010 until 2011/2012 in 2008, (iii) the goodwill as shown in the 2007 group financial statements which is considered too high by €248.8 million and by €251.9 million with regard to the financial statements as of 30 June 2008, as – according to BaFin – no such goodwill exists due to the lack of a business combination (iv) the profit situation that allegedly has been described too positively by at least €10 million due to wrongly calculated acquisition costs regarding resold free-TV rights, and, (v) the omission of risk reporting relating to a potential covenant breach considered possible by the company and a potential subsequent termination of the credit facilities resulting in a higher risk for the financial situation of the group.

The objections aim at the alleged findings under aforementioned (i) to (v). The objection therefore does not aim at the alleged finding regarding subscriber classification in financial statements of the company or the rejected objection in that regard.

Should the findings of BaFin become legally binding, Sky Deutschland AG might have to correct the findings regarding the balance sheet (goodwill, free-TV rights) within the ongoing reporting period of the group with no effect on the income statement and would might have to describe and correct the findings regarding the reporting within the ongoing reporting period of the group and Sky Deutschland AG. In addition, fines could be imposed and claims for damages could be asserted by third parties.

Tax risks

On 31 December 2013, Sky had accrued tax loss carried forwards originated and usable in Germany (see Item 3.9 ("Income taxes") in the notes to the consolidated financial statements). In case of share acquisitions (greater than 25 percent, greater than 50 percent by an acquirer/acquirer's group) the German tax law determines loss use restrictions (§ 8c Corporate Income Tax Act (KStG)). The investment of Twenty-First Century Fox, Inc. (at the time, News Corporation) in 2008 in Sky Deutschland AG can be seen as a harmful acquisition. The loss use restrictions can be overruled in its effect by the exceptions "coverage by hidden reserves" and "turnaround clause".

Based on a restructuring expert opinion, the tax authorities confirmed in a binding declaration in November 2009 that Sky meets the requirements for restructuring exemption under Section 8c Corporate Income Tax Act (KStG). On 26 January 2011 the EU commission decided that the restructuring clause represents a government subsidy that is in conflict with European law. In defense of its own legal opinion, Sky lodged a complaint in due time on 2 December 2011 with the European Court against the EU Commission for the annulment of the abovementioned decision.

In November 2012, Sky received an advanced ruling from the Munich tax authorities granting approval on the general technical approach regarding the application of the hidden reserve clause of the Corporate Income Tax Act (Körperschaftsteuergesetz) to protect German tax losses and tax loss carry-forwards in the event of certain changes to the Company's shareholder structure. While the Munich tax authorities did only issue comments on the methodology for the determination of hidden reserves and did not comment on valuation results, management believes that pursuant to this ruling the Company should be able to retain a significant part of its current German tax losses and tax loss carry-forwards in the event of relevant changes to the Company's shareholder structure.

Financial risks

On 14 January 2013, Sky, its new bank syndicate, 21st Century Fox Adelaide Holdings B.V. and Twenty-First Century Fox, Inc. agreed to a new comprehensive long-term financing structure for Sky. It comprises of five-year bank credit facilities of €300 million guaranteed by Twenty-First Century Fox, Inc. and its subsidiary 21st Century Fox America, Inc., a Bundesliga guarantee provided by Twenty-First Century Fox, Inc., the extension of the existing shareholder loans, as well as the issuance of new equity of €438 million (gross proceeds) via the combination of a private placement and a rights issue. The convertible bond remains unchanged. Sky's new credit facilities of €300 million replaced its previous cash bank facilities of €419.1 million (inclusive of €19.1 million accrued interest), which were repaid in full in February 2013. The "new equity" of €438 million (see chapter Capital development) includes the outstanding €144.2 million of equity under the capital measures announced on 2 February 2012. Thus, the financing structure incorporates additional funding of approximately €175 million which will enhance Sky's financial flexibility for continued investment in the three core areas (high-quality exclusive programming, cutting-edge innovations, and outstanding customer service) as well as for other business opportunities. In addition, Sky intends to finance planned investments increasingly, with cash generated in the ordinary course of its business.

The new credit facilities do not provide for any financial covenants. However, the new credit facilities contain a number of operational undertakings that restrict Sky's ability to, among other things, conduct any mergers and other fundamental changes, sales and other dispositions of all or all substantial assets, obtain other debt and grant certain liens. Moreover, the lenders under the new credit facility agreement are entitled to terminate the new credit facility agreement upon the occurrence of certain events of default caused by the guarantors Twenty-First Century Fox, Inc. and 21st Century Fox America, Inc.. The lenders are also entitled to accelerate the repayment of the credit facilities in the event of a change of control.

If one or several of the main components of the business plan (e.g. revenue and subscriber growth) fail or cannot be implemented in a timely manner, and therefore not enough cash can be generated in the ordinary course of business and measures taken by the management in this regard fail, Sky will be at risk of not achieving its EBITDA and cash flow targets, in which case the net assets, financial position and results of operations of Sky would be materially adversely affected.

The principles and aims of the financial risk management with respect to existing currency, interest rate, price change, liquidity and credit risks as well as the status of forward currency and interest swap transactions is described in detail in the notes to the consolidated financial statements under Item 4.1 ("Financial risk management").

Assessment of the overall risk

Sky foresees no development in the risk area at the present time that would jeopardize the Company's continued existence.

Report on opportunities

Sky is well positioned to tap the potential of the under-penetrated German and Austrian pay-TV markets. Increasing consumer demand for pay-TV as well as opportunities that come with the technological changes bode well for sustained subscriber and revenue growth.

Exclusive and high-quality program offering

As more pay-TV channels emerge, the importance of exclusive premium content is likely to increase further as providers attempt to differentiate themselves from their competitors. Sky offers the most exclusive high-quality programming in Germany and Austria including premium sport events, blockbuster movies, many exclusive series, and a comprehensive HD selection.

Sky is the home of football with the most comprehensive football offering on German and Austrian TV – all live and all in HD. It includes all matches of the Fußball Bundesliga and 2. Bundesliga, the UEFA Champions League, the UEFA Europa League matches involving German and Austrian teams, the DFB-Pokal, and all live matches of the Austrian Bundesliga. Other live sports include programming for fans with diverse interests including all major golf tournaments exclusively, Wimbledon exclusively, Formula 1 racing, and beach volleyball exclusively.

Movie fans enjoy around 20 TV premieres every month which air on ten movie channels up to one year before debuting on free-to-air TV. All movies are shown without commercial interruption and many of them with the option to view in the original language. Features like HD and 3D, 16:9 format, Dolby Digital Sound, ensure brilliant video and sound quality. As a highlight for TV series fans, Sky Atlantic HD offers the critically acclaimed productions from HBO.

Cutting-edge innovations and outstanding customer service

The way in which customers consume TV is changing rapidly. As TV consumption grows, so does the demand for choice, quality entertainment, control and convenience. With Sky Go, Sky+, Sky Anytime, and Sky Home, Sky has developed services that help customers to enjoy their favorite programs in flexible ways. The integration of Plazamedia GmbH TV- und Film-Produktion will allow Sky to accelerate innovation on-screen, and leverage future technology developments, such as Ultra HD.

Since the introduction of the Sky brand in Germany and Austria in 2009, Sky has launched many cutting-edge products which change the way people watch TV and deliver great value for customers. Among them were a couple of world firsts: the first broadcast of a Bundesliga match live and in 3D and the world's first live sports streaming service for the iPad. These innovations not only enhance the entertainment experience for customers, but also support customer satisfaction scores.

Subscriber base with an attractive demographic structure

A growing number of currently 3.7 million[7] direct subscribers in Germany and Austria makes Sky an attractive partner for film studios and right holders of key sports events. Sky also benefits from the composition of the subscriber base: the majority of subscribers are households with more than two individuals, who tend to be interested in a wide variety of programs.

Market with significant growth potential

Sky operates in Germany and Austria, which together form Western Europe's largest television market comprising a total of 42 million TV households. The low level of pay-TV penetration in these TV markets compared with other European markets indicates significant growth potential for pay-TV.

Pay-TV is currently the fastest-growing segment in the German television market according to the Association of Private Broadcasting and Telemedia. The association's prognosis[8] sees an ever increasing number of Germans are willing to pay for television.

7) As of 31 December 2013
8) As of October 2013

Internal control and risk management system relevant for the financial reporting process

In accordance with Section 289 (5) and Section 315 (2) No. 5 German Commercial Code (HGB), Sky is obliged to describe the material characteristics of the internal control and risk management system relevant for the separate as well as the consolidated financial reporting process in the management report and group management report respectively. The following paragraph does not only include this statutory information but also the explanations pertaining thereto pursuant to Section 175 (2) sentence 1, German Stock Corporation Act (AktG):

The accounting-related internal control and risk management system is designed to ensure that all events and transactions are correctly reflected in the accounts and are correctly recognized and measured in the financial reporting of Sky Deutschland AG and their subsidiaries in compliance with statutory and contractual requirements as well as internal guidelines. To comply with statutory and internal rules and regulations is a prerequisite for this. The scope and the focus of the implemented systems have been designed by the Management Board based on Sky's specific requirements. The systems are regularly reviewed and updated if necessary. However, despite appropriate and functional systems the identification and the management of risks cannot be completely guaranteed.

The accounting processes within the Sky Group are centralized in the accounting department in Unterföhring as the main location of Sky. This enables the utilization of standard and uniform processes and the application of standardized tools and systems in the accounting processes.

The accounting department prepares the consolidated financial statements for the Sky Group as well as the individual financial statements for all Group companies and reports the consolidated financial information on a monthly basis to the Management Board. Accounting impacts of complex issues are assessed with the support of external advisors. Furthermore, the principle of double-checking each other's work is applied throughout in all accounting processes as a general rule.

The controlling department regularly verifies the completeness and accuracy of the information considered in the financial statements as well as possible deviations from the business plan and reports the results within a standardized reporting on a monthly basis to the Management Board. Furthermore, the controlling department reports possible deviations of the forecasted revenues and expenses from the business plan in a standardized form on a monthly basis to the Management Board.

In addition, the process independent Corporate Audit Department audits the propriety, reliability and efficiency of the accounting-related processes and organisational procedures and also reports the results to the Management Board.

Sky has issued an appropriate system of internal guidelines that cover compliance issues, contract and purchase order authorization, invoice authorization and internal accounting guidelines. The internal accounting guidelines comprise guidelines such as a group-wide standardized table of accounts and a group-wide standardized internal reporting for consolidation purposes to ensure uniform financial reporting within the Sky Group. The main accounting processes are documented in terms of flow charts and include a description of the process integrated controlling measures. These guidelines and documentation are regularly updated. Due to the centralized accounting department, Sky has not issued an accounting manual.

Sky uses SAP R/3 as the ERP system. In addition, data which are derived from other IT systems are monitored with respect to their correct transfer and processing in SAP R/3. The IT systems which are employed within the financial reporting process are secured against unauthorized access. Sky has an authorisation policy in place that is regularly updated and monitored.

In addition, the Supervisory Board is engaged in key aspects of financial reporting and the corresponding internal control and risk management system on a regular basis.

Risk reporting relating to the use of financial instruments

With respect to the derivative financial instruments utilized by the Company, reference is made to the Item 1.6.1.7 (“Derivative financial instruments”) in the notes to the consolidated financial statements as well as to item 1.9.3 (“Derivative financial instruments”) in the notes of Sky Deutschland AG.

Takeover-related disclosures

Sky Deutschland AG is a listed company, the shares of which bear voting rights and are listed on an organized market within the meaning of Section 2 (7) of the German Takeover Act (WpÜG); as such, it is obliged to include in the management and group management report the information as further set out in Section 289 (4) and Section 315 (4), German Commercial Code (HGB). That information aims to enable a third person who is interested in taking over a listed company to assess the company, its structure and potential takeover obstacles. The following paragraph does not only include this statutory information but also the explanations pertaining thereto pursuant to Section 176 (1) sentence 1 German Stock Corporation Act (AktG):

Composition of the registered share capital

As of 31 December 2013 the share capital of Sky Deutschland AG amounted to €877,200,755. It is divided into 877,200,755 registered no-par value shares with a pro-rata share capital amount of €1.00 each. All shares bear the same rights and obligations; various classes of shares do not exist. Each share in Sky Deutschland AG has one vote at the General Shareholders' meeting and an equal share of the profits.

Restrictions with regard to the voting rights or the transfer of shares

The Management Board does not have any information about potential voting right restrictions or restrictions with regard to the transferability of shares.

Shareholdings in the capital that exceed 10 percent of the voting rights

According to a voting rights notification dated 24 April 2009, 21st Century Fox Adelaide Holdings B.V., Amsterdam, Netherlands (formerly News Adelaide Holdings B.V.), on 23 April 2009 directly held 30.5 percent of the share capital and the voting rights of Sky Deutschland AG. Through 21st Century Fox Adelaide Holdings B.V., the Star Europe Holdings B.V., Amsterdam, Netherlands (formerly News Netherlands B.V., Naarden), Twenty-First Century Fox Europe, Inc New York, USA (formerly News Corporation Europe), 21st Century Fox America, Inc. New York, USA, and Twenty-First Century Fox, Inc. (formerly News Corporation) have indirect holdings in Sky Deutschland AG. In the course of the capital increases at Sky Deutschland AG implemented in September 2010, the shareholdings in Sky Deutschland AG of 21st Century Fox Adelaide Holdings B.V. and the aforementioned companies, which hold indirect shareholdings in Sky Deutschland AG through 21st Century Fox Adelaide Holdings B.V., increased to 49.9 percent of the share capital and the voting rights of Sky Deutschland AG per 30 September 2010. In the course of the capital increases registered on 15 January and 7 February 2013, the shareholdings in Sky Deutschland AG of 21st Century Fox Adelaide Holdings B.V. and the aforementioned companies, which hold indirect shareholdings in Sky Deutschland AG through 21st Century Fox Adelaide Holdings B.V., increased to 54.83 percent of the share capital and the voting rights of Sky Deutschland AG on that date.

According to a voting rights notification dated 30 July 2013, Odey Asset Management LLP, London, United Kingdom, on 26 July 2013 indirectly held 10.07 percent of the share capital and the voting rights of Sky Deutschland AG. According to a voting rights notification dated 14 January 2014, Odey Asset Management LLP, London, United Kingdom, decreased below the threshold of 10 percent of the share capital and the voting rights of Sky Deutschland AG again on 14 January 2014.

The Management Board is not aware of further shareholdings in Sky Deutschland AG which exceed 10 percent of the voting rights.

Shares with special rights that grant power of control

No shares have been issued with special rights conferring controlling powers.

Voting rights control with regard to the shareholdings of employees

There is no control over voting rights in the event that employees hold a share in the share capital of Sky Deutschland AG and do not directly exercise their control rights.

Appointment and removal of members of the Management Board; amendments of the Articles of Association

The Management Board of Sky Deutschland AG, pursuant to Section 6 (1) sentence 1 of the Company's Articles of Association, consists of more than one person; the exact number, pursuant to Section 6 (1) sentence 2 of the

Articles of Association, is determined by the Supervisory Board. Pursuant to Section 84 AktG, the appointment and removal of Management Board members generally is conducted by the Supervisory Board. Based hereupon, Management Board members are appointed for a maximum time period of five years. Reappointments, each for a maximum of five years, are allowed. Management Board members can be prematurely removed by the Supervisory Board for an important reason. The appointment and removal of Management Board members requires the simple majority of all votes cast in the Supervisory Board; in case of a tie, the vote of the Chairman of the Supervisory Board shall prevail (Section 11 (4) of the Articles of Association of the Company). If the Management Board is lacking a required Management Board member, in urgent cases, the court must appoint a member on request of an interested party (Section 85 (1) sentence 1 AktG).

Generally, the Annual General Meeting resolves on amendments of the Articles of Association (Section 179 (1) sentence 1 AktG). A resolution of the General Meeting on the amendment of the Articles of Association, in the case of Sky Deutschland AG, requires the simple majority of the votes cast and of the capital present at the time the resolution is passed (Section 179 (2) AktG in connection with Section 18 (1) of the Articles of Association), unless mandatory statutory law requires a higher majority. This, for example, is the case with regard to changing the purpose of the company (Gegenstand des Unternehmens) (Section 179 (2) sentence 2 AktG) and the creation of authorized capital (Section 202 (2) sentence 2 and 3 AktG) or contingent capital (Section 193 (1) sentence 1 and 2 AktG); all these measures require a majority of at least three quarters of the capital represented at the time the resolution is passed. The Supervisory Board is authorized to resolve upon changes to the Articles of association that affect only the wording (Section 179 (1) sentence 2 AktG in connection with Section 18 (2) of the Articles of Association of the Company).

Competences of the Management Board to issue or buy back shares

Based on the resolution of the Annual General Meeting on 18 April 2013, the Management Board is authorized, subject to the consent of the Supervisory Board and in accordance with the German Stock Corporation Act, to increase the Company's registered share capital on one or more occasions on or before 17 April 2018 by issuing new registered no-par value shares against contribution in cash by a total amount of up to €147,436,489 (Authorized Capital 2013). As a rule, the shareholders are to be granted the statutory subscription rights to the new shares. However, the Management Board is authorized, subject to the consent of the Supervisory Board and in certain cases as further set out in the Authorized Capital 2013, completely or partially to exclude the shareholders' subscription rights The Management Board is authorized, with consent of the Supervisory Board, to define the further contents of the share rights and the terms of the stock issuance. Use of the Authorized Capital 2013 can also be made in such manner that the issuance of shares from the Authorized Capital 2013 can be combined with the issuance of shares from the Authorized Capital 2012 to a single capital increase.

Based on the resolution of the Annual General Meeting on 3 April 2012, the Management Board is authorized, with consent of the Supervisory Board, to increase the share capital of Sky Deutschland AG until 2 April 2017 by issuing up to 389,454,881 new registered no-par value shares on one or more occasions against cash or in-kind contributions by up to €389,454,881 (Authorized Capital 2012). The Management Board is authorized, with consent of the Supervisory Board, to define the further contents of the share rights and the terms of the stock issuance. When new shares are issued, as a rule, the shareholders are entitled to subscription rights; however, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the subscription rights completely or partially in certain cases as further set out in the Authorized Capital 2012, 77,890,976 new shares were issued as part of the capital increase registered on 15 January 2013. 20,400,017 new shares were issued as part of the capital increase registered on 7 February 2013. The authorization, included in the Authorized Capital 2012, for the exclusion of subscription rights with respect to capital increases against cash contributions with an amount of not more than 10 percent of the registered share capital pursuant to section 186 (3) sentence 4 of the German Stock Corporation Act (section 4 (3) sentence 4 lit. (b) of the Articles of Association) was used entirely. Therefore, the authorization has become obsolete and shall be removed from the respective provision in the Articles of Association. The Authorized Capital 2012 now amounts to €291,163,888.

In the Annual General Meeting of 23 April 2010 the Management Board was authorized, with approval of the Supervisory Board, to issue until 22 April 2015, once or several times, bearer or registered convertible bonds and/or bonds with warrants in the total amount of up to €500,000,000 with a limited or unlimited term and to offer subscriptions to the owners, or creditors, of bonds conversion or exercise rights for up to 53,916,185 new registered no-par value shares (no-par shares) of Sky Deutschland AG with a proportional amount of the share capital of up to €53,916,185 in total in accordance with the respective bond or warrant conditions. As a rule, the shareholders are entitled to subscription rights to the convertible and option bonds; the Management Board, however, is authorized with the consent of the Supervisory Board to completely or partially exclude the subscription rights in certain cases as further set out in the resolution of the General Meeting. For servicing these convertible bonds and/or bonds with warrants by the Company, the General Shareholders' Meeting on 23 April 2010 established a contingent capital in the amount of €53,916,185 (Contingent Capital 2010). With the issuance of a convertible bond to 21st Century Fox Adelaide Holdings B.V. (formerly News Adelaide Holdings B.V.) on 25 January 2011, conversion rights were granted for the purchase of up to 53,914,182 new registered no-par value shares.

By resolution of the Annual General Meeting of 3 April 2012, the Management Board, furthermore, was authorized, subject to the consent of the Supervisory Board, to issue bearer or registered convertible and/or option bonds with a total nominal value of up to €1,500,000.000 with a limited or unlimited term, on one or more occasions on or before 2 April 2017 and, subject to the more detailed terms and conditions of the convertible or option bonds, to grant to the holders or creditors, respectively, of bonds conversion or options rights, respectively, for subscription of up to 335,538,696 new registered no-par value common shares (shares without a par value) in Sky Deutschland AG with a total pro rata share capital amount of up to €335,538,696. The shareholders generally are entitled to subscription rights for the convertible and option bonds; however, the Management Board is authorized, with the consent of the Supervisory Board, to completely or partially exclude the subscription rights in certain cases as further set out in the resolution of the General Meeting. Following the capital increase registered on 15 January 2013, the authorization to completely or partially exclude the subscription rights in certain cases may no longer be used.

The Annual General Meeting on 23 April 2010 authorized Sky Deutschland AG's Management Board to buy back up to 10 percent of the share capital that existed at the time the resolution was passed until 22 April 2015. The repurchased shares together with the other treasury shares whose owners are to be treated in accordance with Sections 71d and 71e AktG are not permitted at any time to exceed 10 percent of the share capital. The authorization can be exercised in full or in partial amounts, on one or several occasions, in the pursuit of one or several purposes, by the Company, by its group companies or by a third party acting on its behalf. The shares can be acquired at the stock exchange or by way of a public tender offer directed at all shareholders and/or by way of a public request for submitting selling offers. Acquired treasury shares can be resold or, without additional resolution of the General Meeting, drawn. The Management Board is authorized, when treasury shares are resold, with the consent of the Supervisory Board to completely or partially exclude the shareholders' subscription rights in certain cases as further set out in the resolution of the General Meeting.

Material Agreements that are contingent on a change of control following a takeover offer

With regard to the new credit facilities, Sky is subject to various obligations and conditions. Under the new credit facilities a change of control is defined as the direct or indirect ownership, beneficially or of record, by any person or group of persons acting in concert, other than Twenty-First Century Fox, Inc. and its affiliates, of voting stock representing more than the greater of (i) 30 percent of the aggregate outstanding voting stock of Sky and (ii) the percentage of the aggregate outstanding voting stock of Sky owned directly or indirectly, beneficially or of record, by Twenty-First Century Fox, Inc. and its affiliates. A change of Control entitles the lenders to cancel the credit facilities.

Sky Deutschland AG has not entered into other agreements that are subject to the alteration or termination upon a change of control. However, subsidiaries of Sky Deutschland AG have entered into agreements with major Hollywood studios, the UEFA, the DFL and several third party channels that entitle the relevant counterparties to terminate the agreements under certain conditions if a change of control occurs at Sky Deutschland AG. Furthermore, a subsidiary of Sky Deutschland AG has entered into a trademark license agreement with a company of the BSkyB Group that entitles the company to terminate the agreement under certain conditions if a change of control occurs at Sky Deutschland AG.

Compensation agreements of the Company which were entered into with Management Board members or employees for the case of a takeover offer

Sky Deutschland AG has not entered into any compensation agreements with the members of the Management Board or employees relating to the eventuality of a takeover bid.

Closing statement in accordance with § 312 (3) German Stock Corporation Act (AktG)

Pursuant to Section 312 of the German Stock Corporation Act (AktG) the Management Board of Sky Deutschland AG has prepared a dependent company report on relations with all affiliated companies for the period from 1 January 2013 to 31 December 2013.

The report concludes with the following statement made by the Management Board: “Sky Deutschland AG received adequate compensation for the legal transactions listed in the report on relations with affiliated companies under the circumstances known to the Management Board at the time such legal transactions were undertaken. No measures were taken or omitted at the instance of or in the interest of the controlling company or one of its affiliated companies.”

Corporate governance declaration

In this declaration, the Management Board reports on corporate governance pursuant to Section 289a (1) German Commercial Code (HGB).

I. Declaration of conformity with the German Corporate Governance Code pursuant to § 161 German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of Sky Deutschland AG adopted the following declaration of conformity with the German Corporate Governance Code on 20 November 2013:

“The Management Board and the Supervisory Board herewith declare that the recommendations of the Government Commission German Corporate Governance Code in the version dated of 13 May 2013 published by the Federal Ministry of Justice in the official section of the Federal Gazette on 10 June 2013 (Code) have been complied with since their publication and will be complied with in the future, both subject to the following deviations:

1. The remuneration of the Management Board does not provide for a hard pre-defined cap amount with respect to the variable, stock price related remuneration components and with respect to ancillary payments; therefore, it does also not provide for a cap amount for the overall remuneration of the Management Board (deviation from number 4.2.3 sentence 7 of the Code). The Company will, therefore, also not indicate maximum amounts in the model tables (deviation from number 4.2.5 sentence 5 and sentence 6 of the Code). The Supervisory Board has the view that, with respect to stock price related remuneration components, a fixed pre-defined cap amount, in compliance with statutory requirements, is not necessary. With respect to ancillary payments, a limitation of the value of fringe benefits, even though there is no fixed cap amount, is achieved by the determination of the items of fringe benefits.

2. In deviation from number 4.2.3 sentence 9 of the Code, the terms and conditions of the Longterm Incentive Plan 2011 and the Longterm Incentive Plan 2012 of the Company both provide for the possibility of adjusting the performance targets retroactively. This had the purpose, when these plans were introduced, to ensure flexibility to address extraordinary developments during the respective term of the plan. Implementing the afore-mentioned recommendation, already the terms and conditions of the Longterm Incentive Plan 2013, however, do not provide for such a possibility any more; also in the future, the Company intends to comply with the recommendation of number 4.2.3 sentence 9 of the Code. The above mentioned plans are stock price related, variable remuneration instruments for members of the Management Board and selected employees of the Sky Group; the respective performance targets are tied to the development of stipulated corporate key figures during the three-year term of each plan.

3. A nomination committee pursuant to number 5.3.3 of the Code has not been established. As no co-determination rules apply and the Supervisory Board is exclusively constituted with shareholder representatives, and taking into account efficiency considerations, the implementation of a nomination committee seems not to be appropriate.

4. In deviation from the recommendation of number 5.4.1 sentence 2 of the Code, the Supervisory Board abstains from determining a specific number of independent members of the Supervisory Board as target number with regard to the composition of the Supervisory Board. The Supervisory Board does not consider such a formalized target with respect to the number of independent members of the Supervisory Board as necessary since, also absent such a target, its proposals with respect to the election or appointment of Supervisory Board members has been and will be in accordance with the interest of the Company; insofar, the Supervisory Board does not want to restrict its discretion by any concrete target numbers.

   Furthermore, the Management Board and the Supervisory Board, with respect to the time period since the last declaration of conformity dated 8 November 2012 until the publication of the recommendations of the Government Commission German Corporate Governance Code in the version of 13 May 2013 in the Federal Gazette on 10 June 2013, declare that, subject to the deviations declared under 2. to 4. above and further subject to the following deviation, the recommendations of the Government Commission German Corporate Governance Code in the version of 15 May 2012 published by the Federal Ministry of Justice in the official section of the Federal Gazette on 15 June 2012 (Code) have been complied with.

5. The remuneration of members of the Supervisory Board deviated from the recommendations in number 5.4.6 sentence 3 and number 5.4.6. sentence 5 of the Code until its revision on the basis of the resolution of the Annual General Meeting on 18 April 2013, which became effective upon registration of the respective provision in the articles of association in the Company's commercial register on 6 June 2013:

   With regard to the remuneration of members of the Supervisory Board, the chairmanship in committees of the Supervisory Board was taken into account, but in deviation from number 5.4.6 sentence 3 of the Code not the mere membership in committees of the Supervisory Board. The Management Board and the Supervisory Board took the view that the willingness to do work in a committee as a regular committee member was already appropriately compensated with the other Supervisory Board remuneration. Furthermore, the remuneration, in deviation from the recommendation in number 5.4.6 sentence 5 of the Code, pursuant to which a performance-based remuneration which was promised to the Supervisory Board members shall be oriented towards a sustainable business development, included a fixed remuneration as well as a short-term remuneration component which was to be paid annually and which depended on the profit per share in the relevant financial year.

   In compliance with the aforementioned recommendations, the new remuneration provision now provides for a fixed remuneration only; furthermore, an additional remuneration is paid not only for the chairmanship but also for the mere membership in a committee.

This declaration is available at info.sky.de."

The declaration of conformity dated 20 November 2013 as well as previous declarations of conformity are available on the Company's website at info.sky.de/corporategovernance. Further information relating to corporate governance at Sky Deutschland AG is included in the Corporate Governance Report.

II. Information on corporate governance practices

Special codified corporate governance practices – that are applied in addition to the statutory requirements or the recommendations and suggestions of the German Corporate Governance Code – are not applied.

III. Operation of the Management Board and the Supervisory Board

As a German stock corporation, with its Management Board and Supervisory Board, Sky Deutschland AG has the two-tier management and control structure typical in Germany. The Management Board is responsible for independently managing the enterprise. The Supervisory Board appoints, advises and supervises the Management Board. The Management Board and the Supervisory Board of Sky Deutschland AG cooperate closely to the benefit of the Company.

1. Management Board

The number of Management Board members is determined by the Supervisory Board. The Management Board of Sky Deutschland AG consists of four members. In financial year 2013, the Management Board consisted of Brian Sullivan (Chief Executive Officer), Steven Tomsic (Chief Financial Officer), Dr. Holger Enßlin (Chief Officer Legal, Regulatory & Distribution) and Carsten Schmidt (Chief Officer Sports, Advertising Sales & Internet). There were no changes in the Management Board in financial year 2013.

The Management Board manages the Company's business in accordance with the law, the Articles of Association and its Rules of Procedure; it also takes into account the recommendations of the German Corporate Governance Code. Every member of the Management Board is fully responsible for their division at the Company as laid out in the respective organizational chart, within the framework of the Rules of Procedure for the Management Board of Sky Deutschland AG and the resolutions of the Management Board. The organizational chart is drawn up by the Management Board and requires the approval of the Management Board.

The members of the Management Board bear joint responsibility for the overall management of the Company. For this purpose, the members of the Management board must keep each other mutually informed about all essential procedures and transactions. The Chairman of the Management Board can, at any time, require information from the members of the Management Board about individual matters of their departments and stipulate that he shall be informed in advance about certain types of transactions. A resolution of the Management Board is required for all decisions and measures of a fundamental nature or of essential financial importance for the Company. The Rules of Procedure of the Management Board list examples of individual transactions of fundamental significance or of essential financial importance.

The resolutions of the Management Board shall be passed in meetings by a simple majority of votes cast. Management Board meetings shall take place at regular intervals, weekly if possible. Minutes shall be prepared on the meetings of the Management Board. By order of the Chairman of the Management Board, resolutions can also be passed outside of meetings, particularly in writing, by fax or by telephone.

Externally, the Company is represented by two Management Board members jointly or by one Management Board member together with a procuration officer (Prokurist).

2. Supervisory Board

According to the Company's Articles of Association, the Supervisory Board of Sky Deutschland AG consists of nine members.

As of 31 December 2013, James Murdoch (Chairman), Chase Carey, Markus Tellenbach (Deputy Chairman), Dr. Stefan Jentzsch, Mark Kaner, Jan Koeppen, Miriam Kraus, Harald Rösch and Katrin Wehr-Seiter were members of the Supervisory Board.

By letter of 21 February 2013, Thomas Mockridge had resigned from his office as a member of the Supervisory Board with effect as of 21 March 2013.

By resolution of the AGM on 18 April 2013, Harald Rösch, who had already previously been appointed to the Supervisory Board by decision of the Local Court of Munich of 16 October 2012 with effect as of 22 October 2012, was elected as a member of the Supervisory Board. Furthermore, the AGM on 18 April 2013 elected James Murdoch as a new member of the Supervisory Board. With effect as of 27 September 2013, he was elected chairman of the Supervisory Board succeeding Chase Carey who resigned from his office as chairman of the Supervisory Board with effect as of the end of 26 September 2013 but continued to be a member of the Supervisory Board.

The term of office for Supervisory Board members Dr. Stefan Jentzsch, Mark Kaner, James Murdoch, Harald Rösch and Markus Tellenbach concludes at the end of the AGM, which decides on the discharge of the respective Supervisory Board members for the financial year 2013. The term of office for Supervisory Board members Chase Carey, Jan Koeppen, Miriam Kraus and Katrin Wehr-Seiter concludes at the end of the AGM, which decides on the discharge of the respective Supervisory Board members for the financial year 2014.

The Supervisory Board advises and supervises the Management Board in the management of the Company. It is involved in strategy and planning as well as in all issues of fundamental significance for the Company.

In addition to the Articles of Association, the operation of the Supervisory Board is determined by the Rules of Procedure of the Supervisory Board that it established for itself. The Chairman of the Supervisory Board coordinates the work within the Supervisory Board, chairs its meetings and attends to the affairs of the Board externally. Invitations to the meetings are sent by the Chairman of the Supervisory Board. A meeting of the Supervisory Board must be called at least twice per calendar half-year. The invitation shall be submitted in writing or in text format, comply with a two-week notice period, and shall indicate the individual items on the agenda. In urgent cases, the Chairman can also issue invitations by telephone, and the notice period for calling the meeting can be shortened. Documents for the meeting are sent to the Supervisory Board in due time prior to every meeting.

The Supervisory Board shall have a quorum if at least five members are involved in the taking of a decision–making process. Unless specified otherwise in the mandatory statutory provisions, resolutions of the Supervisory Board are adopted by a simple majority of votes cast. In the event of a tie, the Chairman's vote shall be the deciding vote. Minutes shall be prepared on the meetings and resolutions of the Supervisory Board. By direction of the Chairman of the Supervisory Board, resolutions may also be passed outside of meetings in writing, by telefax or via email or other comparable form. Declarations of intent of the Supervisory Board shall be issued by the Chairman on behalf of the Supervisory Board or, in the event that he is hindered from doing so, such declarations shall be issued by the Chairman's deputy.

The Supervisory Board shall examine the efficiency of its activities once per year. Along with the qualitative criteria to be specified by the Supervisory Board, the examination of efficiency shall cover, in particular, the procedures within the Supervisory Board as well as the timely and sufficient supply of information to the Supervisory Board.

3. Cooperation between Management Board and Supervisory Board

The joint aim of the Management and Supervisory Boards is to achieve a sustained increase in corporate value. The Management Board has regularly, closely and comprehensively reported to the Supervisory Board, in and outside of meetings, about the strategy, the planning, the business development, the risk situation, risk management and about compliance issues of the Company. Deviations in the course of business from prepared planning and targets are explained and justified and the Management Board and the Supervisory Board also confer on Sky Deutschland AG's strategic focus. Reports by the Management Board to the Supervisory Board are rendered verbally or in text format. For further details please refer to the report of the Supervisory Board for the financial year 2013.

The specific tasks and obligations of the Management Board in relation to the Supervisory Board are regulated in Rules of Procedure adopted by the Supervisory Board for the Management Board. These Rules of Procedure, in particular, determine Management Board information and reporting obligations. They also define transactions of fundamental importance, such as larger acquisitions, disinvestments and financial measures, which are subject to approval by the Supervisory Board. The Chairman of the Management Board is responsible for communicating with the Supervisory Board and its members.

IV. Composition and operation of Supervisory Board committees

The Supervisory Board, in accordance with its Rules of Procedure, has set up the Presidential Committee and the Audit Committee as permanent committees. Since 2011, there also exists a committee which deals with sports rights. Furthermore, the Supervisory Board forms committees, if and insofar they serve to increase the efficiency of the Supervisory Board's work and the handling of complex issues (for example the "Capital Increase Committee" in the context of the capital increases in January and in February 2013).

The key rules on the committees' operation are set forth in the Rules of Procedure of the Supervisory Board. The committees themselves have not established their own rules of procedure. The provisions of the Articles of Association applicable to the Supervisory Board and the Rules of Procedure of the Supervisory Board apply mutatis mutandis to the committees within the scope of statutory provisions. The Supervisory Board generally elects committee members by a simple majority of votes cast. Committee members are elected for their duration of office as a Supervisory Board member, unless a shorter term is specified at the time of election. Committees shall have a quorum if at least three members are involved in the taking of a decision. Committees report to the full Board on their work at regular intervals.

1. Presidential Committee

Under the Rules of Procedure of the Supervisory Board, the Presidential Committee is composed of the Chairman of the Supervisory Board and the Deputy Chairman as well as a third elected member. Accordingly, in the financial year 2013, the Presidential Committee was comprised of Markus Tellenbach (Deputy Chairman) and Katrin Wehr-Seiter as well as – until 26 September 2013 Chase Carey as the former Supervisory Board Chairman and – from 27 September 2013 on of the current Supervisory Board Chairman James Murdoch.

The Presidential Committee prepares the meetings of the Supervisory Board and monitors the implementation of resolutions passed by the Supervisory Board or its committees. It also prepares for resolution by the plenum of the Supervisory Board personnel matters to be dealt with by the Supervisory Board (in particular, appointment and removal of Management Board members and their remuneration) In accordance with the recommendation in number 5.2 sentence 2 of the German Corporate Governance Code in the version of 15 May 2012, which, however, was removed in the context of the latest amendment of the Code, the respective chairman of the Supervisory Board is also chairman of the Presidential Committee.

2. Audit Committee

In financial year 2013, the Audit Committee consisted of the Supervisory Board members Dr. Stefan Jentzsch (Chairman), Mark Kaner, Jan Koeppen and Miriam Kraus.

The Chairman of the Audit Committee, Dr. Stefan Jentzsch, is an independent financial expert; from work in his field he has acquired specialist knowledge and experience with regard to the application of accounting principles and internal control systems.

As recommended by the German Corporate Governance Code and in accordance with the law, the Audit Committee, in particular, oversees questions of accounting, risk management, the internal control and audit system and compliance and deals with the required independence of the auditors, with the engagement of the external auditor, with the determination of the focuses of the audits as well as with the agreement on the auditor's fees. Together with the external auditor, the Audit Committee reviews the Company's annual financial statements as prepared by the Management Board. Based on the external auditor's report on the annual financial statements, the Audit Committee makes proposals to the Supervisory Board on adopting the annual financial statements. The internal auditors and the Compliance Officer report to the Audit Committee with regard to the effectiveness of the internal risk management, the internal control system as well as the internal audit and compliance systems. The Audit Committee may determine the scope and focal points of the audits. In this regard, the risk management, internal audit and compliance system are being developed on an ongoing basis and aligned to the changing framework conditions. For further information on Sky Deutschland AG's control and risk management system, please refer to the management report.

3. Sport Rights Committee

The Sport Rights Committee in financial year 2013 first was comprised of the Supervisory Board members Thomas Mockridge, Markus Tellenbach and Jan Koeppen. Due to the resignation of Thomas Mockridge as a member of the Supervisory Board effective at the end of 21 March 2013, James Murdoch was appointed member of the Sport Rights Committee on 2 July as his successor with immediate effect. The Sport Rights Committee consults and monitors the Management Board with respect to tender procedures concerning distribution rights, for example, of the UEFA Champions League, DFB Cup, the Formula One and the Fussball Bundesliga.

Unterföhring, 19 February 2014

The Management Board

Brian Sullivan

Steven Tomsic

Dr. Holger Enßlin

Carsten Schmidt

An unbeatable service

More than **90%** program satisfaction

36% of new customers subscribe to Sky via the web

Sky social media community:
1.3m user touchpoints

An average of **2.4** persons live in each Sky household vs. 2.0 persons in average German households

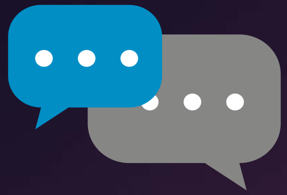
62% of Sky households **own several TVs**

88% of Sky households **own an HD TV**

The **average Sky customer** is 41, while the average new Sky customer is

35 years old

140,504 interactive chats with potential **subscribers on sky.de**



Rising appeal: Share of subscribers with an **ARPU above €50**

increased by 23%

About **24,000** amateur sports teams are equipped with **Sky jerseys**

Over **60%** of new subscribers take **2 year contracts**

Consolidated financial statements

Consolidated balance sheet

K€	31 Dec 2013	31 Dec 2012 (adjusted)
Assets		
Current assets		
Cash and cash equivalents	196,898	4,294
Trade receivables	76,324	85,726
Other financial assets	2,260	2,795
Film assets and advanced payments for sport and film rights	87,045	67,461
Inventories	26,329	19,358
Other assets	24,461	39,656
Total current assets	**413,317**	**219,291**
Non-current assets		
Trade receivables	70	197
Other financial assets	11	–
Deferred taxes	50	35
Film assets and advanced payments for sport and film rights	24,939	17,322
Receivers	196,276	165,318
Property, plant and equipment	26,549	30,867
Intangible assets	716,762	706,806
Other assets	8,944	8,132
Total non-current assets	**973,601**	**928,677**
Total assets	**1,386,917**	**1,147,968**

K€	31 Dec 2013	31 Dec 2012 (adjusted)
Liabilities and equity		
Current liabilities		
Borrowings	18,707	399,524
Trade payables	277,254	266,203
Other financial liabilities	46,648	67,512
Other provisions	13,338	10,871
Other liabilities	54,439	58,679
Total current liabilities	**410,386**	**802,789**
Non-current liabilities		
Borrowings	532,906	215,730
Trade payables	11,721	10,915
Other financial liabilities	22,304	4,095
Deferred taxes	60,814	55,161
Provisions for pensions and similar obligations	11,000	10,861
Other provisions	–	4,742
Other liabilities	6,586	1,662
Total non-current liabilities	**645,331**	**303,165**
Total liabilities	**1,055,718**	**1,105,954**
Equity		
Subscribed capital	877,201	778,910
Additional paid-in capital	1,920,850	1,595,944
Reconciling item for shareholder transactions without change in control	–58,245	–58,245
Accumulated other comprehensive income	–3,993	–3,087
Retained deficit	–2,404,612	–2,271,447
Equity attributable to stockholders	**331,200**	**42,075**
Non-controlling interest	–	–61
Total equity	**331,200**	**42,014**
Total liabilities and equity	**1,386,917**	**1,147,968**

Consolidated statement of total comprehensive loss

K€	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012 (adjusted)
Revenues	1,546,450	1,333,201
Cost of sales	–1,233,678	–1,119,704
Program	–882,609	–795,556
Technology	–170,128	–169,383
Hardware	–85,591	–68,653
Customer service and other cost of sales	–95,350	–86,112
Gross profit	312,771	213,497
Selling expenses	–234,528	–230,286
General and administrative expenses	–138,601	–110,423
Other operating income	11,862	8,074
Other operating expenses	–3,645	–613
Amortization of subscriber base	–1,388	–1,390
Result from operations	–53,528	–121,141
Interest and similar income	1,076	1,457
Other financial result	–1,963	–2,065
Interest and similar expenses	–72,697	–64,742
Result before taxes	–127,112	–186,491
Income taxes	–5,992	–6,054
Result for the period	**–133,104**	**–192,546**
Other comprehensive income	**–906**	**–4,042**
thereof items that may be reclassified subsequently to profit and loss	–1,023	–1,394
Changes in fair value of available-for-sale financial assets	–	–109
Changes in fair value of derivatives in cash flow hedges (net of tax)	–1,023	–1,285
thereof items that will not be reclassified to profit and loss	117	–2,647
Remeasurements in accordance with IAS 19R (net of tax)	117	–2,647
Total comprehensive loss	**–134,011**	**–196,587**
Earnings attributable to:		
Stockholders	–133,104	–192,536
Non-controlling interest	–	–9
Total comprehensive loss attributable to:		
Stockholders	–134,011	–196,578
Non-controlling interest	–	–9
Result per share total (€)		
basic/diluted	–0,15	–0,25

Consolidated statement of cash flows

K€	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012 (adjusted)
Result for the period before income tax	–127,112	–186,491
Net interest expense	71,621	63,285
Depreciation, amortization and impairment losses/reversal of impairment losses on property, plant and equipment, receivers, intangible assets and financial assets	86,878	72,263
Amortization of subscriber bases	1,388	1,390
Other non-cash income and expenses	8,613	9,834
Changes in other provisions	–2,274	3,777
Losses/gains on disposal of intangible assets and property, plant and equipment	–102	27
Changes in inventories, trade receivables and other assets	–20,851	–45,237
Changes in trade payables and other liabilities	72,808	49,046
Interest received	1,056	1,475
Net cash provided/used by operating activities	**92,025**	**–30,630**
Proceeds from sale of intangible assets and property, plant and equipment	102	28
Payments for acquisition of entities, net of cash acquired	–28,722	–26,316
Payments for investments in intangible assets, property, plant and equipment and receivers	–113,600	–110,083
Net cash used by investing activities	**–142,220**	**–136,371**
Proceeds from increase in capital by stockholders	438,378	155,782
Proceeds from the granting of borrowings	225,000	97,030
Repayment of finance lease liabilities	–5,693	–5,542
Repayment of borrowings	–391,157	–90,225
Proceeds from the granting of shareholder loans	48,000	–
Payments for transaction costs in connection with financing	–34,032	–4,835
Interest paid	–37,697	–35,698
Net cash provided by financing activities	**242,799**	**116,511**
Net decrease/increase in cash and cash equivalents	**192,604**	**–50,489**
Cash and cash equivalents at beginning of period	4,294	54,783
Cash and cash equivalents at end of period	196,898	4,294

Consolidated statement of changes in equity

K€	Subscribed capital	Additional paid-in capital	Retained deficit	Reconciling item for shareholder transactions without change in control
Balance as of 1 Jan 2012 (reported)	**708,100**	**1,517,186**	**–2,079,084**	**–58,245**
Retroactive adjustment arising from the change to IAS 19R	**–**	**–**	**174**	**–**
Balance as of 1 Jan 2012 (adjusted)	**708,100**	**1,517,186**	**–2,078,910**	**–58,245**
Increase in capital for contribution in cash on 13 February 2012 (less transaction costs)	70,810	78,759	–	–
Total transactions with stockholders	**70,810**	**78,759**	**–**	**–**
Total comprehensive loss	–	–	–192,536	–
thereof items that may be reclassified subsequently to profit and loss	–	–	–	–
thereof items that will not be reclassified to profit and loss	–	–	–	–
Balance as of 31 Dec 2012 (reported)	**778,910**	**1,595,944**	**–2,274,268**	**–58,245**
Retroactive adjustment arising from the change to IAS 19R	**–**	**–**	**2,821**	**–**
Balance as of 31 Dec 2012 (adjusted)	**778,910**	**1,595,944**	**–2,271,447**	**–58,245**
Balance as of 1 Jan 2013 (reported)	**778,910**	**1,595,944**	**–2,274,268**	**–58,245**
Retroactive adjustment arising from the change to IAS 19R	**–**	**–**	**2,821**	**–**
Balance as of 1 Jan 2013 (adjusted)	**778,910**	**1,595,944**	**–2,271,447**	**–58,245**
Increase in capital for contribution in cash on 15 January 2013 (less transaction costs)	77,891	259,368	–	–
Increase in capital for contribution in cash on 7 February 2013 (less transaction costs)	20,400	65,537	–	–
Changes in ownership interests in the Sky Hotel Entertainment GmbH, Unterföhring on 11 April 2013	–	–	–61	–
Total transactions with stockholders	**98,291**	**324,905**	**–61**	**–**
Total comprehensive loss	–	–	–133,104	–
thereof items that may be reclassified subsequently to profit and loss	–	–	–	–
thereof items that will not be reclassified to profit and loss	–	–	–	–
Balance as of 31 Dec 2013	**877,201**	**1,920,850**	**–2,404,612**	**–58,245**

Accumulated changes in fair value of derivatives in cash flow hedges (net of tax)	Accumulated changes in fair value of available-for-sale financial assets	Remeasurements in accordance with IAS 19R (net of tax)	Accumulated other comprehensive income	Equity attributable to stockholders	Non-controlling interests	Total
1,019	109	–	1,128	89,084	–52	89,033
–	–	–174	–174	–	–	–
1,019	109	–174	954	89,084	–52	89,033
–	–	–	–	149,569	–	149,569
–	–	–	–	149,569	–	149,569
–1,285	–109	–2,647	–4,042	–196,578	–9	–196,587
–1,285	–109	–	–1,394	–1,394	–	–1,394
–	–	–2,647	–2,647	–2,647	–	–2,647
–266	–	–	–266	42,075	–61	42,014
–	–	–2,821	–2,821	–	–	–
–266	–	–2,821	–3,087	42,075	–61	42,014
–266	–	–	–266	42,075	–61	42,014
–	–	–2,821	–2,821	–	–	–
–266	–	–2,821	–3,087	42,075	–61	42,014
–	–	–	–	337,259	–	337,259
–	–	–	–	85,938	–	85,938
–	–	–	–	–61	61	–
–	–	–	–	423,135	61	423,196
–1,023	–	117	–906	–134,011	–	–134,011
–1,023	–	–	–1,023	–1,023	–	–1,023
–	–	117	117	117	–	117
–1,289	–	–2,704	–3,993	331,200	–	331,200

Notes to the Financial Year 2013

1. General information and basis of preparation

1.1 General information about the Group

Sky Deutschland AG and its subsidiaries (referred to as “Sky”, “Company”, “Group” or “Sky Group”) operate a pay-TV business in Germany and Austria under the Sky trademark. The Sky Group is also engaged in the purchase, sale and distribution of rights to films, series and TV productions, the acquisition, sale and distribution of broadcasting rights for public events, the arrangement of program magazine subscriptions, and other activities associated with the operation of the pay-TV business.

Sky Deutschland AG’s registered office is at Medienallee 26, 85774 Unterföhring, Germany, and it is entered in the Commercial Register at the Munich Municipal Court under the number HRB 154549.

Sky Deutschland AG, as the Group holding company, manages all of the business activities of the Sky Group.

1.2 Basis of preparation of the consolidated financial statements

In accordance with § 315a (1) HGB (German Commercial Code) in conjunction with Article 4 of the Regulation No. 1606/2002 of the European Parliament and the Council dated 19 July 2002, Sky prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union taking into account the additional disclosures required by § 315a (1) HGB.

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards and its interpretations effective as of 31 December 2013 as adopted by the European Union.

The consolidated financial statements are prepared and published in euros (€), as the functional and the reporting currency of the Group. Amounts are generally reported in the notes to the consolidated financial statements in thousands of euros (K€), unless otherwise stated.

All Group companies prepare their financial statements for financial years ending 31 December with the financial year representing the calendar year.

The consolidated financial statements are generally prepared on the basis of the measurement of assets and liabilities at cost or amortized cost. Excepted from this are non-derivative available-for-sale financial assets and derivative financial instruments, which are respectively recognized at fair value as of the balance sheet date.

The consolidated balance sheet presents assets and liabilities classified by their maturities. Assets that are expected to be sold within twelve months or are consumed or settled in connection with normal operations are classified as current. Liabilities are classified as current if they are required to be settled in cash or other financial assets within twelve months of the balance sheet date.

The consolidated statement of operations as a component of the consolidated statement of total comprehensive loss is prepared in accordance with the cost of sales method.

To provide a clearer picture, certain items have been combined in the consolidated statement of total comprehensive loss and the consolidated balance sheet, with specific explanations provided in the notes.

The Management Board prepared the consolidated financial statements and authorized them for issuance within the meaning of IAS 10 on 19 February 2014.

1.3 Consolidation

Subsidiaries

Sky Deutschland AG, seven (2012: eight) domestic and two (2012: two) foreign subsidiaries are consolidated in these financial statements. All subsidiaries that are under the control of Sky Deutschland AG are included in the consolidated financial statements. They are fully consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date when the ability to control ceases. Control is presumed if the parent owns, either directly or indirectly through a subsidiary, more than one half of the voting power. Control also exists if the parent company has the power to govern the financial and operating policies of the entity under a statute or an agreement. The existence and impact of potential voting rights that can currently be exercised will be taken into consideration when determining whether a controlling influence exists.

Effective 11 April 2013, Sky bought the remaining 2.5 percent of shares in Sky Hotel Entertainment GmbH, Unterföhring at a purchase price of €1.00. Upon closing the transaction, Sky is the sole shareholder in Sky Hotel Entertainment GmbH. The shares were transferred with retroactive effect as of 1 January 2013.

With resolutions passed at the general assemblies of Sky Österreich GmbH, Vienna and Premiere Star Österreich GmbH, Vienna dated 28 June 2013 the de-merger by acquisition of assets by Sky Österreich Österreich GmbH, Vienna, into Premiere Star GmbH, Vienna, was concluded with retroactive effect as at the end of 31 December 2012.

Based on these resolutions both companies were renamed Sky Österreich Verwaltung GmbH (former Sky Österreich GmbH) and Sky Österreich Fernsehen GmbH (former Premiere Star Österreich GmbH). The de-merger and change in company names were entered into the commercial register Wien on 17 September 2013. Both entities are still located in Vienna.

As a result the operating pay-TV business in Austria is pooled under Sky Österreich Fernsehen GmbH, Vienna.

Transactions between affiliated companies are carried out under local regulations at individual financial statement level.

The liquidation of GIGA Digital Television GmbH, Unterföhring, was completed in the financial year. Assets and liabilities were transferred to Sky Deutschland KG as of 25 November 2013. The registration of the liquidation into the commercial register was effected on 3 December 2013.

Name	Registered office	Investment holding on 31 Dec 2013	Investment holding on 31 Dec 2012
Sky Deutschland Fernsehen GmbH & Co. KG (Sky Deutschland KG)	Unterföhring	100.0%	100.0%
Sky Deutschland Verwaltungs-GmbH (Sky Deutschland Verwaltung)	Unterföhring	100.0%	100.0%
Sky Österreich Verwaltung GmbH (Sky Österreich Verwaltung)*	Vienna, Austria	100.0%	100.0%
Sky Deutschland Service Center GmbH (Sky Deutschland Service Center Schwerin)	Schwerin	100.0%	100.0%
SCAS Satellite CA Services GmbH (SCAS)	Unterföhring	100.0%	100.0%
Premiere WIN Fernsehen GmbH (Premiere WIN Fernsehen)	Unterföhring	100.0%	100.0%
GIGA Digital Television GmbH i. L. (GIGA)**	Unterföhring	0.0%	100.0%
Sky Österreich Fernsehen GmbH (Sky Österreich Fernsehen)***	Vienna, Austria	100.0%	100.0%
Sky Media Network GmbH (Sky Media Network)	Unterföhring	100.0%	100.0%
Sky Hotel Entertainment GmbH (Sky Hotel Entertainment)	Unterföhring	100.0%	97.5%

* In the financial year 2013, Sky Österreich GmbH was renamed Sky Österreich Verwaltung GmbH.
** In the financial year 2013, GIGA Digital Television GmbH i.L., was liquidated on 25 November 2013.
*** In the financial year 2013, Premiere Star Österreich GmbH was renamed Sky Österreich Fernsehen GmbH.

The assets and liabilities of the domestic and foreign entities included in the consolidated financial statements are accounted for in accordance with the uniform accounting policies applicable for the Group.

Intra-group transactions are eliminated. Receivables and liabilities and expenses and income between consolidated entities are eliminated against one another. Intra-group gains and losses did not arise during the financial year.

Deferred income tax effects arising from consolidation measures are taken into account if they are expected to reverse in future financial years. Deferred tax assets and deferred tax liabilities are offset if the tax debtor and the tax creditor are identical and current taxes would be offset.

Capital is consolidated by eliminating the carrying amount of the investments against the proportionate share of equity held in the subsidiary. In accordance with IFRS 3, all business combinations shall be accounted for using the acquisition method. The purchase price of the acquired subsidiary is allocated to the acquired assets, liabilities and contingent liabilities. Incidental acquisition costs will be directly expensed to profit and loss. This allocation is based on the fair values of the assets, liabilities and contingent liabilities prevailing at the time at which control over the subsidiary is obtained. Assets held for sale within the meaning of IFRS 5 are measured at fair value less costs to sell. Any remaining excess of the purchase price over the fair value of the net assets is recognized as goodwill. Subsequent measurement of the fair values is carried out according to the nature of the assets and liabilities. Sky exercises the option to account for non-controlling interests individually for each business combination.

1.4 Acquisition of companies

In the financial year 2013, no acquisitions of companies were carried out.

On 5 December 2013 Sky Deutschland KG agreed with Constantin Sport Holding GmbH, Ismaning to acquire 100 percent of its production company Plazamedia GmbH TV- und Film-Produktion, Ismaning as well as a 25.1 percent equity stake in Sport1 GmbH, Ismaning and Constantin Sport Marketing GmbH, Ismaning. The total purchase price will amount to around €57.5 million on a cash and debt free basis. The approval of the transaction was granted by the German cartel authorities on 12 February 2014.

The transaction, which is expected to be closed in the first half of 2014, is subject to certain conditions as well as regulatory approvals.

The acquisition of Plazamedia will significantly enhance Sky's production capacities, enabling greater flexibility and system continuity. The acquisition of a minority stake in Sport1 and Constantin Sport Marketing allows for an investment in what will be an important business partner of Plazamedia. Beside its television channel business, Sport1 and Constantin Sport Marketing also operates the German online sports portal SPORT1.de, as well as an advertising sales business.

1.5 Translation of foreign currencies

Foreign-currency transactions are translated at the relevant middle rate of selling and buying rate of the foreign currencies at the transaction date. On the balance sheet, financial assets and liabilities in foreign currencies are translated at the middle rate as of the balance sheet date and are revalued accordingly in subsequent periods. The resulting gains or losses are recognized in profit or loss.

The following table shows the most significant applicable exchange rates for currency translations:

		Middle rate of selling and buying rate	
Exchange rate: 1 Euro equals		2013	2012
US-Dollar	USD	1.38	1.32
Pound sterling	GBP	0.83	0.82

1.6 Accounting policies

1.6.1 Financial instruments

1.6.1.1 Summary

Purchases and sales of financial instruments are recognized on the trade date, i.e. on the date on which the Group commits to buy or sell an asset or liability.

The Company holds financial instruments in the form of cash and cash equivalents, receivables, available-for-sale financial assets, financial liabilities and loans, and derivatives in the form of foreign exchange forward contracts and interest swap contracts.

Financial assets are initially recognized at their fair values including directly attributable transaction costs. They are measured subsequently at fair value or at amortized cost, applying the effective interest method.

Fair value corresponds to the market or quoted prices, where available. A market or quoted price can be identified in particular for available-for-sale financial assets. If a market or quoted price is not available, fair value is determined in accordance with recognized valuation procedures.

In the case of current receivables and liabilities, amortized cost corresponds to the notional value or the settlement amount.

The Company derecognizes financial assets either if the contractual rights to the cash flows cease or these rights are transferred by the Company to a third party in such a way that the criteria for derecognition pursuant to IAS 39 are fulfilled.

Financial liabilities are derecognized when they have been redeemed, i.e. when the contractual obligations have been settled or cancelled or have expired or the criteria for derecognition in accordance with IAS 39 have been fulfilled. Financial liabilities are also derecognized if the amendment of significant conditions causes a significant change in the cash flows associated with the redemptions or interest. When the change becomes effective, a new financial liability is recognized at fair value. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the earnings of the period on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when Sky currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Transaction costs in connection with debt financing measures are treated in accordance with IAS 39. As far as the Company has already drawn amounts under the new facilities, a portion of the transaction costs is deducted from the carrying amount of the financial liability and amortized over the term of the liability using the effective interest method. For undrawn facilities, the allocated transaction costs are reported under other assets and amortized to profit and loss over the term of the facility using the effective interest method.

If, in the case of revolving credit lines, a reduction in the amount or an adjustment of the terms results in a reduction in the available credit capacity, the transaction costs related to the revolving credit line are released to profit or loss in proportion to the reduction in the credit capacity.

1.6.1.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash balances and term deposits with a total maturity of less than three months from the date of acquisition. They are recognized at notional value, with foreign currencies being translated at the middle rate of selling and buying rate as of the balance sheet date.

Restricted cash was reclassified by the Company to other assets. This primarily consists of accounts pledged to suppliers, rental guarantees and guarantees for payment obligations lodged with banks and other accounts (please refer to 2.1 Cash and cash equivalents and 2.5 Other assets).

1.6.1.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as trade receivables. After initial recognition at fair value, loans and receivables are subsequently carried at amortized cost using the effective interest method less any impairment losses.

Impairments of trade receivables are largely reflected by applying allowance accounts. The decision as to whether a credit risk shall be taken into account by means of an allowance account or a direct reduction of a receivable depends on how reliably the risk situation can be assessed.

An allowance is recorded if there is objective evidence that the receivable is impaired. A significant indication of impairment is that the receivable is included in dunning procedures. The allowance represents the difference between the carrying amount and the present value of the expected cash receipts.

1.6.1.4 Financial assets

Financial assets are initially recognized at their fair value, which normally corresponds to their acquisition cost. Subsequent measurement is at amortized cost, using the effective interest method. Identified specific risks are reflected by corresponding valuation allowances (specific allowances).

Reimbursement rights relating to liabilities incurred by the Sky Group are only recognized when it is virtually certain that the reimbursement will be received.

1.6.1.5 Available-for-sale financial assets

The available-for-sale financial assets category includes financial assets that cannot be allocated to any other measurement category. Mainly, securities and investments are reported here.

By purchase agreement dated 27 November 2012 and upon abolition of the suspensive effect by approval of the Federal Cartel Office on 7 February 2013, Sky Media Network GmbH, Unterföhring acquired a share in the amount of 6.25 percent in Wirkstoff TV Gattungsmarketing GmbH, Berlin.

Unquoted equity instruments are measured at cost, since no market for these assets exists and a fair value cannot be determined by other reliable measurement methods. Interests in companies over which Sky is unable to exert control, joint control or significant influence are accounted for as equity instruments.

Changes in fair value of other available-for-sale financial assets are recognized directly in other comprehensive income. In the cases in which fair value is significant and other than temporarily below cost, the impairment is recognized in profit or loss. If fair value adjustments were previously recognized directly in equity and the written-down fair value is lower than the original cost of the asset, the portion of the impairment loss corresponding to the fair value gain previously recognized in equity is reversed through equity. Any further decrease in value is recognized in profit or loss as an expense for the period.

If the circumstances that resulted in impairment cease to exist in subsequent periods, the impairment loss on debt securities previously charged to profit or loss is reversed through profit and loss. The reversal of the impairment of equity investments is recognized in equity.

1.6.1.6 Financial liabilities

Financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method.

1.6.1.7 Derivative financial instruments

The derivatives used by the Company are foreign exchange forward and interest swap contracts. Foreign exchange forward contracts are used to economically hedge the risks of fluctuations in the exchange rates of the US dollar and the pound sterling, since the Company has material payment obligations denominated in those currencies to be met in connection with operating activities. In July 2013 the company concluded interest rate swap agreements to fully hedge the potential interest rate risk for a loan with variable interest rates to hedge the resulting interest rate risk.

All financial derivatives used in the Group are measured at their fair values according to IFRS 13 and are recognized as assets or liabilities. The fair values of the derivatives are reported with positive market values under other financial assets and with negative market values under other financial liabilities. Their classification as current and non-current is based on the maturities of the expected cash flows or the maturities of the corresponding derivatives. Default risks were taken into account when determining the fair values.

1.6.1.8 Foreign exchange forward contracts

The Company applies hedge accounting with respect to its US dollar and pound sterling exposure. The overall objective of Sky's hedging strategy is to mitigate the risk of having to settle payment obligations denominated in US dollars and pound sterling for the purchase of sports programming and movie licenses as well as for other licenses by using forward exchange transactions.

A part of these derivatives is designated as hedging instruments in qualifying cash flow hedges in accordance with IAS 39 to hedge the exposure to variability in cash flows denominated in foreign currencies. The valuation result of these derivatives is broken down into an effective and an ineffective portion. Until realization of the underlying transaction, the effective portion of changes in the fair value of these derivatives is recognized directly in other comprehensive income, net of income tax. The ineffective portion is reported in profit and loss immediately. Upon realization of the underlying transaction, the accumulated changes in the fair values of the derivatives recognized in other comprehensive income as part of equity is then capitalized as part of the carrying amount of advanced payments for sport and film rights and will be released to profit and loss based on the contractual conditions of the underlying transactions.

If the hedge no longer meets the criteria for hedge accounting, the gain or loss on the hedging instrument that has been recognized in equity from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs. When the forecasted transaction occurs, the cumulative gain or loss on the hedging instrument is reclassified to profit and loss.

If the hedge relationships in which the derivatives are used do not fulfill the criteria of IAS 39 for hedge accounting, changes in fair value are recognized directly in profit or loss.

Hedging instruments in qualifying cash flow hedges currently have a maximum term of twelve months.

1.6.1.9 Interest swap contracts

One component of the 2013 refinancing includes a K€225,000 term loan. The interest rate for the loan is based on the variable Euribor plus a margin. To fully hedge the potential interest rate risk from the variable component Sky has concluded interest rate swap agreements in the amount of K€225,000 in July 2013. As a result of these interest rate swaps Sky will pay fixed interest rates within a range of 0.8035 to 0.8250 percent plus margin from May 2014 until February 2017.

These derivatives are designated as hedging instruments in qualifying cash flow hedges in accordance with IAS 39. The effective portion of changes in the fair value of these derivatives is recognized directly in other comprehensive income, net of income tax (31 December 2013: negative K€1,200). The ineffective portion is reported in profit and loss.

When the underlying transaction occurs, the accumulated changes in the fair value of the derivatives recognized in accumulated other comprehensive income as part of equity are reclassified to profit and loss as interest and similar expenses.

If the hedges no longer meet the criteria for hedge accounting, the cumulative gain or loss on the hedging instruments that have been recognized in equity from the period when the hedges were effective, shall remain separately in equity until the forecasted transaction occurs.

If the hedge relationships in which the derivatives are used do not fulfil the criteria of IAS 39 for hedge accounting, changes in fair value are recognized directly in profit and loss.

1.6.2 Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to sell. Rebates, bonuses and cash discounts are deducted from cost. Measurement is based on moving average prices.

1.6.3 Property, plant and equipment

Property, plant and equipment is measured at cost, less depreciation and, to the extent necessary, impairment losses. Cost comprises the purchase price, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operation in a manner intended by management. Rebates, bonuses and cash discounts are deducted from the purchase price.

Subsequent expenditure relating to an item of property, plant and equipment that has already been taken to use is added to the carrying amount of the asset or, where appropriate, recognized as a separate asset, if it is probable that future economic benefits will flow to the entity and the purchase costs of the asset can be reliably determined. All other subsequent expenditure is recognized as an expense in the period in which it is incurred. Subsequent expenditure that would otherwise be capitalized, which exceeds the recoverable amount of the respective asset, is recognized immediately in profit or loss.

Expenditure on repairs and maintenance which does not include any replacement or spare parts is recognized immediately in profit or loss. Replacement or spare parts are capitalized at the time of operational readiness, while the replaced parts are derecognized.

In general, receivers are at first capitalized under inventories. Receivers that are leased to subscribers are transferred from inventories to property, plant and equipment upon delivery to the subscriber.

Property, plant and equipment are depreciated over their expected useful lives using the straight-line pro rata temporis method.

Depreciation is based on the following useful lives:

	Useful lives (years)
Buildings	30
Receivers	5–7
Technical equipment and machines	1.5–7
Leasehold improvements	5–10
Operational and office equipment	3–7

1.6.4 Intangible assets

1.6.4.1 Film assets and advance payments for sport and film rights

Film assets comprise broadcasting licenses and on demand licenses acquired from film studios and TV program providers, a film library that was acquired in 2006 and advance payments on sport and film rights.

The broadcasting licenses are acquired for exploitation in a term depended subscription. These licenses are recognized at their costs at the time they become available or with the license start respectively. In the case of purchases of these licenses from film studios, costs include minimum guarantees and expected additional payments that depend on the number of subscribers (“overages”), which are estimated at the time of initial recognition, plus other directly attributable costs. In the case of purchases of licenses from TV program providers acquisition costs are capitalized at the fixed, contractually agreed costs.

Utilization of the broadcasting licenses is based on the actual transmissions during the financial year in relation to the expected total number of transmissions during the license period. If it is expected that unused transmissions will be outstanding at the end of the license period, an impairment loss is recognized immediately in full for such transmissions.

On-demand licenses are acquired for two different types of exploitation. On the one hand for exploitation in a term depended subscription, where the subscriber pays per view (Pay-per-View / Transactional-Video-on-Demand).

On the other hand on demand licenses are acquired for exploitation within a flexible, monthly cancellable contract, where the customer pays a monthly charge (Subscription-Video-on-Demand). These licenses are recognized at their costs at the time they become available or with the license start respectively. In the case of purchase of these licenses from film studios and TV program providers, costs include fixed contractual agreed license fees, additional fixed payments that depend on the number of customers and other directly attributable costs.

The on-demand licenses acquired for exploitation within a flexible, monthly cancellable contract are amortized straight-line over a useful life according to the license agreement.

The program library was capitalized at its purchase price. The licenses of the program library are amortized straight-line over a useful life of between two and fifteen years.

With respect to the live pay-TV rights including those currently held across satellite, cable and web, and adds IPTV and mobile for all Fußball-Bundesliga and 2nd Fußball-Bundesliga matches in Germany, Austria, Switzerland, Liechtenstein and Luxembourg from the season 2013/2014 to 2016/2017, the utilization is based on the allocation of match days per season, taking into account the increasing license fees payable to the DFL Deutsche Fußball Liga GmbH over the four seasons. Utilization of other sport rights is also based on the allocation of events during the relevant license period.

The classification of film assets as non-current and current occurs on license start and depends on whether they are expected to be used within twelve months.

Payments on account for rights already agreed by contract are recognized as advance payments on sport and film rights in accordance with the timetable set forth in the agreements.

1.6.4.2 Goodwill

Goodwill is recognized at cost and is subjected at least once a year (as of 30 September) to an impairment test. Goodwill is not amortized. If indications of impairment are identified during the year, an additional impairment test is carried out. (Please also refer to 1.6.5 Impairment losses and reversals of impairment losses).

1.6.4.3 Other intangible assets

Other intangible assets comprise purchased software, software licenses, rights to names, trademarks and subscriber bases. Software, purchased software licenses and rights to names are measured at the time of their acquisition at cost plus other directly attributable costs and subsequently at cost less accumulated amortization and impairment losses.

The subscriber bases were initially measured at fair value or at cost at the time of their acquisition and are being amortized over the expected average subscription period.

The following useful lives are applied for intangible assets that are subject to scheduled amortization:

	Useful lives (years)
Subscriber bases	8
Software/software licenses	3–5
Rights to names	1–5

1.6.5 Impairment losses and reversals of impairment losses

Impairment losses are recognized as of the balance sheet date on property, plant and equipment and intangible assets (including the subscriber bases) if the recoverable amount of the asset has fallen below its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

Goodwill is not amortized, but is in accordance with IAS 36 tested for impairment on the basis of the recoverable amount of the cash-generating unit to which the goodwill is allocated. Due to the nature of Sky's operations, goodwill is allocated to the cash-generating unit "pay-TV business" which includes all of the Group's operating activities and corresponds to the level within the Group at which goodwill is monitored for internal management purposes.

In performing the impairment testing, the Company first uses the value in use which corresponds to the present value of the future net cash flows of the cash-generating unit.

In addition, the Company assesses the fair value less expected cost to sell for the cash-generating unit "pay-TV business", which is derived from the quoted price of the Sky share.

If the recoverable amount is lower than the carrying amount of the cash-generating unit, the goodwill is written down first. Any amount remaining after writing down the goodwill to zero is allocated proportionately to other non-current assets of the cash-generating unit based on the carrying amounts of each individual asset or group of assets. It is examined at every balance sheet date as to whether the reasons for impairment losses recognized in previous periods still exist. Reversal of impairment losses is mandatory if the recoverable amount of an asset or a group of assets has increased. The upper limit for reversal of an impairment loss is cost less the cumulative depreciation or amortization that would have arisen if no impairment losses had been recognized in prior periods. Reversals of impairment losses are recorded in the consolidated statement of comprehensive loss in the respective line items or reported separately. Impairment losses on goodwill cannot be reversed in a subsequent period.

1.6.6 Other assets

Other assets are measured at amortized cost. Identified specific risks are reflected by corresponding valuation allowances (specific allowances).

1.6.7 Leasing

1.6.7.1 Company as lessee

Provided substantially all of the risks and rewards incidental to ownership of a leased asset can be attributed to the Company as the lessee, the leased asset is capitalized as property, plant and equipment or intangible asset, and a corresponding finance lease liability is recorded at the same amount (finance lease). The asset and the corresponding liability are recognized at inception of the lease at the fair value of the leased asset or the present value of the minimum lease payments, if lower. The lease liability is amortized and rolled forward in subsequent periods in accordance with the effective interest method.

If, on the other hand, substantially all of the risks and rewards incidental to ownership of a leased asset cannot be attributed to the Company, the lease payments are recognized as expense on a straight-line basis over the period of the lease (operating lease).

In 2012, a contract for leasing hardware components (receivers, external hard disks and CI+ modules) was concluded. The contract is classified as a finance lease because the purchase price at the end of the lease is lower than the fair value of the asset at the date the option becomes exercisable. Accordingly, additions in the amount of K€34,994 (31 December 2012: K€0) were capitalized as property, plant and equipment in 2013 and receivers already delivered to subscribers are depreciated straight-line over the useful economic life of 60 months.

In addition, a contract was concluded for automatic testing and refurbishment services of receivers. The contract comprises in addition to certain services both hardware and software components that were classified as finance leases. According to the criteria of IAS 17 ownership of the assets is transferred to Sky at the end of the term of the leasing agreement. Accordingly, the assets were capitalized as property, plant and equipment and other intangible assets amounting to K€996 in total and are depreciated straight-line over the useful economic life of 60 months.

In the reporting period a contract for the supply of a test-and-development system for receivers was concluded. In addition to certain services, the contract comprises hardware as well as software components that were classified as finance lease because the purchase price at the end of lease is lower than the fair value of the asset at the date the option becomes exercisable. Accordingly, the assets were capitalized as property, plant and equipment and other intangible assets amounting to K€380 in total and are depreciated straight-line over the useful economic life of 60 months.

In 2009, the Sky Group entered into a service contract regarding the operation of a new subscriber management system ("SMS"), which Sky has been using since July 2009 for the purpose of subscriber administration and billing. Based on the economic arrangement of the contracts, the hardware and software components of the contract are allocated to the Sky Group. In this respect software licenses have been recognized as intangible assets and hardware components as equipment. Amortization and depreciation were carried out over the economic useful life of five years. A corresponding financial liability was recognized at the inception of the contract for the payments to be made by the Sky Group. In July and December 2012, the contractual relationship was amended by new agreements regarding duration and cost allocation. Therefore, these changes were considered as a "renewal" of the lease according to IAS 17.13. As a result, the corresponding assets in the amount of K€4,859 and liabilities in the amount of K€4,174 of the original contract were derecognized and led to a negative effect of K€685 in general and administrative expenses as well as a new finance lease contract was recorded on the balance sheet in the amount of K€5,672, as the leasing term broadly corresponds to the economic useful life. The components of the new finance lease contract are depreciated straight-line over the economic useful life of 12 to 39 months.

In 2012, an IT service contract for call center operations was concluded. The contract comprises both hardware and software components that were classified as finance leases because the leasing term broadly corresponds to the economic useful life. Accordingly, the assets were capitalized as property, plant and equipment and other intangible assets amounting to K€1,895 in total and are depreciated straight-line over the economic useful life of 39 months.

Furthermore, a service contract for running the business of a call center was concluded in 2012. The contract comprises property, plant and equipment components that were classified as finance leases because the leasing term broadly corresponds to the economic useful life. Accordingly, the assets were capitalized as property, plant and equipment amounting to K€207 in total and are depreciated straight-line over the economic useful life of 60 months. In light of the new guidance under IFRS 10, Sky reassessed this issue and came to the conclusion that no change in accounting is called for, which means that no special purpose entity is to be included.

In 2011, a contract for services regarding outdoor productions in connection with the Sky Sports News HD channel was concluded. The contract comprises production equipment that was classified as a finance lease because the leasing term broadly corresponds to the economic useful life. Accordingly, the production equipment in the amount of K€2,335 was capitalized in property, plant and equipment and is depreciated straight-line over the economic useful life of 60 months.

The existing lease contracts for pay-TV equipment, TVs and accessories for hotels ("pay-TV equipment") were classified as finance leases, because the present value of the minimum lease payments at inception of the lease largely corresponded in each case to the present value of the leased assets. Accordingly, the pay-TV equipment was recognized in property, plant and equipment under technical equipment and machines from finance leases. Pay-TV equipment in leases concluded from 2006 onwards (new agreements) is depreciated straight-line over the economic useful life (84 months).

Some of the finance leases grant the lessee the right to purchase the leased asset at the end of the lease term. The purchase price on exercise of this option is almost always the carrying amount applying straight-line depreciation in accordance with the depreciation tables used for tax purposes ("AfA tables") or the lower fair value at the time of sale.

Due to the strategic realignment of the hotel business within the Sky-Group, it was decided in 2010 to no longer conclude new lease contracts for the refinancing of pay-TV equipment and the relevant components and let existing contracts expire. In accordance with the underlying agreements, the last leasing contracts expired in 2013 with no more pay-TV equipment reported under technical equipment and receivers under finance leases in property, plant and equipment.

The Company leases office buildings, motor vehicles and other technical equipment under operating leases.

1.6.7.2 Company as lessor

The receivers recognized in property, plant and equipment are leased to subscribers under operating leases. Receivers are to be distinguished between the following categories: d-boxes, zapping receivers, HD-receivers, hard-disc receivers, HD hard-disc receivers, interactive receivers, external hard-discs (for the upgrading of HD receivers) and CI+ modules.

The term of the leases is 6, 12, 24 or 36 months. Purchase options on the part of the subscribers (lessees) do exist at Sky Österreich Fernsehen. Apart from that, subscribers do not hold any purchase options or similar rights and Sky does not hold any put options or similar rights at the end of the lease. The receivers remain in the economic ownership of the Company for the term of the lease. With regard to the rental income from existing operating leases, please refer to the disclosures under item 2.6 Property, plant and equipment including receivers.

The pay-TV equipment is almost entirely leased to hotels under finance leases. The term of the leases is up to 84 months. These are regarded as finance leases because the Company transfers most of the risks and rewards associated with ownership of the leased asset to the lessees. Leased assets under finance leases are recognized by the lessee. The lessor recognizes a receivable that is measured at the net investment in the lease. Please refer to 2.3.3 Finance lease receivables with regard to the calculation of the net investment in the lease. Unguaranteed residual values do not exist because of the full amortization of the finance leases. Gains on disposal resulting from the leases are recognized immediately in profit or loss.

1.6.8 Provisions

1.6.8.1 Provisions for pensions and similar obligations

The actuarial measurement of the defined benefit obligations for pensions and similar obligations is based on the projected unit credit method. The projected unit credit method measures the liability by assuming that each period of service gives rise to an additional unit of benefit entitlement. Assumptions are made in measuring the liability about expected increases in salaries and pensions. The pension obligations are determined on the basis of an actuarial valuation.

Until 31 December 2012, actuarial gains and losses were recognized in full in profit or loss in general administrative expenses. The interest portion of the pension costs was reported in the financial result.

The amendments to IAS 19 (2011 revised), which were endorsed in European law on 5 June 2012 and which are effective for financial years beginning on or after 1 January 2013 were adopted for the first time in the consolidated financial statements as of 31 December 2013. The amendments to IAS 19 (2011 revised) result in the recognition of actuarial gains and losses in connection with the valuation of pensions and similar obligations directly in equity in accumulated other comprehensive income. In this context the comparative information relating to accumulated other comprehensive income and retained deficit as of 1 January 2013 and 1 January 2012 were adjusted by a total of K€2,821 net of tax (please refer to 1.7 New accounting standards issued by the IASB for further details). Likewise to these reclassifications any future effects from the valuation will not be recycled through profit and loss in subsequent periods. Both current service cost and interest cost will continue to be recognized in general administrative expenses and financial result as part of profit and loss respectively.

1.6.8.2 Other provisions

Provisions are recognized if a present legal or constructive obligation to a third party arises from past events, the settlement of which is expected to result in a probable outflow of future economic benefits and whose amount can be reliably estimated.

Provisions that will not result in an outflow of resources already in the following year are recognized at their settlement amount, discounted to the balance sheet date. The discount rate is based on market interest rates. The amount required to settle the obligation also includes future cost increases.

1.6.9 Income taxes

Current taxes are recorded for the income taxes owed by Group entities at the time they arise.

Deferred taxes are generally recorded for all temporary differences between the tax bases and the carrying amounts of the assets and liabilities in the consolidated balance sheet ("liability method"). An exception arises for differences relating to the first-time recognition of non-taxable goodwill and that do not result in the recognition of deferred taxes. Deferred taxes are also recorded for tax losses and deductible temporary differences, provided sufficient taxable income will be generated in the future against which these tax losses can be utilized or will exist at the time that these differences reverse.

Deferred tax assets and deferred tax liabilities are calculated using the tax rate that is applicable to the period when the temporary differences reverse. Future changes in tax rates are only taken into account to the extent that these have been enacted or substantially enacted as of the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if the tax debtor and the tax creditor are identical and current taxes would be offset.

1.6.10 Revenue recognition

Subscription revenues are recorded in the period in which performance takes place. Advance cash receipts from subscribers are deferred as liabilities and recognized as revenue primarily on a straight-line basis over the term of the subscription.

Pay-per-view revenues, resulting from the subscriber selecting a specific program title, are recorded in the consolidated statement of comprehensive loss at the time of transmission.

Hardware revenues comprise revenues from renting and selling receivers, activation fees from new subscribers, revenues generated by technical services and revenues from installation services. The majority of receivers will be made available to new subscribers as part of leasing agreements. Defective and untested receivers are sold to a disposer. If a subscription is offered as part of a multiple element arrangement, the revenues from this arrangement are allocated to the individual components based on their relative fair values (i.e. the relative fair value of each of the accounting units to the aggregated fair value of the bundled deliverables). If the fair value of the delivered elements (receiver) cannot be determined reliably, but the fair value of the undelivered elements (subscription) can be determined reliably, the residual value method is used to allocate the arrangement consideration. Revenues from the sale of receivers (primarily to large customers in individual cases) are recorded upon the legal transfer of risk concerning the receiver (e.g. loss or destruction). Revenues from technical and installation services are recorded when the service is provided. Activation fees are recognized in profit and loss over the period of the subscription.

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

Revenues from agency business are generally recognized when performance has taken place.

Upon transfer of the subscriber lists for the teleservice “Blue Movie” in 2011, billing takes place in Sky’s own name and on its own account. The revenue is realized at the time the service is rendered.

Advertising revenues include proceeds from the marketing of advertising times and space in TV, magazine and other media platforms (e.g. online). Revenues are recognized when the advertising has been carried out.

Wholesale revenues include revenues from supplying cable providers with Sky content, telecommunications provider, as well as revenues from other wholesale agreements. The revenues are recorded at the time when the service is provided.

Other revenues mainly comprise revenues from transmission services, commissions for placement services and sublicensing revenues. Depending on character, revenues from cooperation with Deutsche Telekom and Vodafone are disclosed under subscription revenues, wholesale revenues and other revenues.

Since July 2013, customers of Deutsche Telekom’s Entertain platform have full access to the Sky packages and its HD offering and Sky Go. Former Liga total! customers have the option to receive Sky Fußball Bundesliga in accordance with the previously applicable LIGA total! conditions or enter into a standard Sky contract until the end of the 2013/14 season. From the start of the 2014/15 season, these customers will need a direct Sky subscription to continue receiving live broadcasts of games from the Bundesliga. Telekom mobile subscribers are able to follow Sky Fußball Bundesliga via the mobile TV offering of Telekom.

In addition, since August 2013 Vodafone IPTV customers have also been able to subscribe to a wide range of Sky packages. It will be extended in the near future. Vodafone mobile subscribers are able to access Sky Fussball Bundesliga via the mobile TV offering of Vodafone.

1.6.11 Interest expense and income

Interest expense and income are recognized when incurred using the effective interest method.

1.6.12 Expenses and income from changes in estimates

Expenses and income from changes in estimates are reported in profit or loss in the same item in which the original entry was made.

1.6.13 Share-based payments

In 2010, Sky granted phantom shares to the Chief Executive Officer of the Group, which entitled him to obtain payments upon expiry of the vesting period in April 2012 and April 2013, if certain subscriber growth targets were reached. The amount payable was determined by the then existing fair value of the Sky share. The stock option plan is concluded and no further payments are due from this plan. In addition, a share-based compensation component was concluded with Brian Sullivan, which will result in a one-off payment on the basis of 500,000 shares. This payment will be determined by the volume-weighted average market price of the Sky share for December 2014 and will become due on 2 January 2015 if the vesting conditions are met.

In 2011, 2012 and 2013, the Company introduced long-term incentive plans (LTIPs) for members of the Management Board and the first two Management levels. Under the program, a certain number of virtual shares are assigned to the eligible persons. The virtual shares entitle the persons to receive under certain conditions a payment which is based on the volume-weighted average market price of the Sky share for December 2013, December 2014 and December 2015 respectively. The entitlement to the payment is generally dependent on the persons being in active employment with the Sky Group on 31 December during the years 2013, 2014 and 2015 respectively. In addition, the amount of the payment is adjusted with a factor that is determined based on the performance of the Sky Group with respect to net subscriber growth and EBITDA less capital expenditure over the three-year period until 31 December during the years 2013, 2014 and 2015 respectively. The targets for both performance indicators were set by the Supervisory Board using the business plan projections of the Sky Group. For further details, please refer to the Remuneration Report in the consolidated Management Report.

For the three-year period from 1 January 2014 another Long-Term-Incentive-Plan (LTIP 2014) is planned. A corresponding resolution of the Supervisory Board has not yet been passed.

These programs are classified as cash-settled share based compensation in accordance with IFRS 2. Any changes in the fair value of the virtual shares are recognized in profit and loss over the vesting period. The fair value is determined using the Black-Scholes-model.

1.6.14 Estimates and judgments

The preparation of the consolidated financial statements under IFRS requires that assumptions are made that affect the amounts recognized in the Group's balance sheet and consolidated statement of comprehensive loss and the disclosures of contingent assets and liabilities. Actual results in later periods could differ from these estimates.

Changes in payments based on the number of subscribers in conjunction with the recognition of film licenses are recorded as changes in accounting estimates. Accordingly, the residual carrying amount is increased or reduced at the time of the change in accounting estimates. The resulting amount is amortized as profit or loss over the period of the remaining transmissions (prospective method).

For information on the impairment test on goodwill of the cash-generating unit pay-TV business please refer to the note under 2.7.2 Goodwill.

In accordance with historical experience, an average membership period of eight years for subscribers was assumed for the amortization of the subscriber bases (see also 2.7.3 Other intangible assets).

The amount recognized for pension provisions (see also item 2.8.6 Provisions for pensions) is based on actuarial reports. Adjustments to the provisions for actuarial gains and losses according to actuarial reports are recognized in other comprehensive income as part of the consolidated statement of total comprehensive loss. Employee turnover rates used in determining the pension provisions are based on historical experience. Besides, assumptions are made as to both salary and pension growth rates.

The fair value of the virtual shares granted in connection with incentive programs is dependent on certain parameters such as the volatility and the current interest level. Besides, estimates regarding the expected subscriber growth and the expected EBITDA less capital expenditure will also affect the amount to be expensed.

Under IFRS, revenue shall be measured in accordance with the fair value of the consideration received or receivable. The recognition criteria are generally applied separately to each transaction. However, in certain circumstances it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction, in order to reflect the substance of the transaction correctly. The Group generally applies the relative fair value method to allocate the total contractual amount. Under this method, the total contractual amount has to be allocated in proportion to the fair value of the individual elements. If the fair value of the delivered elements (receiver) cannot be determined reliably, but the fair value of the undelivered elements (subscription) can be determined reliably, the residual value method is used to allocate the arrangement consideration.

Deferred tax assets on temporary differences and tax losses are recognized up to the amount for which it appears probable that future taxable income will be available.

1.6.15 Segment reporting

The business activities of the Group concentrate on the operation of a pay-TV business in Germany and Austria under the Sky brand name and related activities.

Accordingly, the internal reporting to the Management Board of the Company provides information on the combined operation of the pay-TV business in both countries. In addition, the allocation of resources follows this internal reporting structure. Hence, Sky does not have different operating segments in accordance with IFRS 8.

1.7 New accounting standards issued by the IASB

The following standards and interpretations were required to be adopted for the first time in 2013:

- On 20 December 2010, the IASB published amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards concerning the elimination of fixed dates as well as severe hyperinflation. The reference to 1 January 2004 used to date as the fixed date of transition was replaced by more general wording. In addition, this standard for the first time provides guidance for cases in which an entity was unable to comply with IFRS rules for a period prior to the date of transition because its functional currency was subject to severe hyperinflation. The amendment is effective at the latest at the start of the first financial year beginning on, or subsequent to, the effective date of the amendment. The amendment was adopted by the EU on 11 December 2012.

- On 3 March 2012, the IASB published an amendment to IFRS 1 Government Loans. The amendment aligns IFRS 1 with the provisions of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance (after its revision in 2008). This requires that government loans which were issued with a below-market rate of interest shall be measured at fair value. As a transitional provision, IFRS users are allowed to apply this measurement provision prospectively. Since a respective transitional provision for first-time IFRS users was previously lacking, such users, due to the general provision under IFRS 1 for a comprehensive retrospective application of all IFRS as of the transition date, were required to determine the fair value of government loans existing at the date of transition retroactively, where applicable. As a result of the amendment to IFRS 1, a new exception has been added to the standard, whereby first-time IFRS users are permitted to use their carrying amount determined under previous accounting standards for such loans in their IFRS opening balance sheet. The exception, however, applies to recognition and measurement only. The amendments are effective for financial years beginning on or after 1 January 2013 and were adopted by the EU on 4 March 2013.

- On 16 December 2011, an amendment to IFRS 7 Disclosures: Offsetting Financial Assets and Financial Liabilities was issued by the IASB. The amendments require more extensive disclosures than those previously required under IFRS. The disclosures specifically include quantitative information on recognized financial instruments, which have been offset on the balance sheet, as well as on financial instruments, which are subject to netting agreements, regardless of whether or not these have been offset. The amendments are effective for financial years beginning on or after 1 January 2013 and were adopted by the EU on 13 December 2012.

- IFRS 13 Fair Value Measurement was issued by the IASB on 12 May 2011. IFRS 13 sets out uniform criteria for measuring fair value under all standards and, among others, defines and presents which methods are to be considered for determining it. In addition, IFRS 13 expands the disclosures required in connection with a measurement at fair value. The standard is effective for financial years beginning on or after 1 January 2013 and was adopted by the EU on 11 December 2012.

- On 16 June 2011, the IASB issued an amendment to IAS 1 Presentation of Items of Other Comprehensive Income, according to which the presentation of items of other comprehensive income in the statement of total comprehensive income is revised. Pursuant to the amendment, entities are required to present items of other comprehensive income divided into two categories, depending on whether or not they will be subsequently reclassified to profit and loss. The standard is effective for financial years beginning on or after 1 July 2012. The amendment was adopted by the EU on 5 June 2012.

- On 20 December 2010, the IASB issued an amendment to IAS 12 Deferred Tax: Recovery of Underlying Assets. According to IAS 12, the measurement of deferred taxes depends on whether the reversal of the temporary difference occurs through the use or the sale of the asset. In cases where the measurement is performed at fair value pursuant to IAS 40 “Investment Property”, a rebuttable assumption is introduced that the reversal will occur through a sale. The standard is effective for financial years beginning on or after 1 January 2013 and was adopted by the EU on 11 December 2012.

- The IASB issued an amendment to IAS 19 Employee Benefits on 16 June 2011. The revised standard is effective for financial years beginning on or after 1 January 2013. The amendment was adopted by the EU on 5 June 2012. This amendment affects the recognition and measurement of the expense for defined benefit pension plans and of termination benefits, as well the disclosures regarding employee benefits. In addition to the elimination of the corridor method, actuarial gains and losses have been renamed as remeasurements. The revisions in IAS 19 (revised 2011) have the effect that as of 1 January 2013, actuarial gains and losses (remeasurements) in connection with the measurement of provisions for pensions and similar obligations as well as termination indemnity obligations to employees of the Austrian subsidiaries which in Sky's case were previously recognized in profit or loss, are to be directly recognized in equity in other comprehensive income. In this connection, the respective comparative amounts as of 1 January 2012 and 2013 for accumulated other comprehensive income as well as retained deficit were adjusted, after tax, in the total amount of K€2,821.

The reconciliation is shown in the following tables:

Impact of first-time adoption of IAS 19 (revised 2011) as of 1 Jan 2012	
Remeasurements of the previous year	–239
Deferred tax income	66
Reclassification from retained deficit to accumulated other comprehensive income	**–174**

Impact of first-time adoption of IAS 19 (revised 2011) as of 1 Jan 2013	
Remeasurements of the previous year	–3,645
Deferred tax income	998
Reclassification from retained deficit to accumulated other comprehensive income	**–2,647**

For reasons of immateriality, the presentation of a third balance sheet as of the opening balance sheet date of the comparative period in connection with the first-time application of IAS 19 (revised 2011), consistent with adjustments in connection with the Annual Improvements Project 2009-2011, has been omitted.

- On 19 October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. The interpretation was developed by the IFRS Interpretations Committee and deals with accounting for stripping costs which are incurred in the development stage of a surface mine. Due to different treatment in practice, the Committee was asked to take a position on the circumstances under which stripping costs are to be recognized as an asset and how the initial and subsequent valuations are to be performed. The interpretation is effective for financial years beginning on or after 1 January 2013 and was adopted by the EU on 11 December 2012.

- On 17 May 2012, the IASB published the final amendments and clarifications in connection with the Annual Improvements Project 2009-2011, which resulted from issues discussed in this cycle. These amendments essentially relate directly to IFRS 1 First-time adoption of International Financial Reporting Standards, IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 32 Financial Instruments: Presentation and IAS 34 Interim Financial Reporting. The amendments are effective for reporting periods beginning on or after 1 January 2013 and were adopted by the EU on 27 March 2013.

Application of the following standards and interpretations, which were published by the IASB or the IFRIC, is not yet mandatory, because they have not yet been adopted by the EU or because the date they are to be used for the first time is in the future. Where they have already been adopted by the EU, Sky has not applied them early.

- The most recent version of IFRS 9 Financial Instruments was issued by the IASB on 20 November 2013. It is the IASB's intention to replace IAS 39 Financial Instruments: Recognition and Measurement with IFRS 9. The core content of this IASB project is the recognition, classification and measurement of financial assets and financial liabilities, which represents a comprehensive reappraisal of the accounting rules for financial instruments. This project results, above all, in a significant decrease in the complexity and the currently perceived difficulties in the application of the existing rules. An effective date for the new standard is no longer included in the published version of IFRS 9, since the completion of the outstanding project phases is still awaited. An effective date for the application before 1 January 2017 is precluded and the amendment has not yet been adopted by the EU.

- IFRS 10 Consolidated Financial Statements was issued on 12 May 2011. This statement replaces the consolidation guidelines in the previous IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. The main focus of IFRS 10 is the introduction of a uniform consolidation model for all entities, which is based on the control of the subsidiary by the parent company. IFRS 10 is applicable to parent/subsidiary relationships which are based on voting rights, as well as those which result from contractual agreements. In connection with the adoption of IFRS 10, amendments were made to both IAS 27 and IAS 28 Investments in associates, which in future are only to be applied for the accounting of interests in subsidiaries, associates and joint ventures in the single-entity financial statements. The standard is effective for financial years beginning on or after 1 January 2014 and was adopted by the EU on 11 December 2012.

- On 12 May 2011, IFRS 11 Joint Arrangements was also issued. This standard replaces IAS 31 Interests in Joint Ventures and eliminates the previous possibility of applying proportional consolidation of joint ventures. It now requires the mandatory application of the equity method. The standard is effective for financial years beginning on or after 1 January 2014 and was adopted by the EU on 11 December 2012.

- With IFRS 12 Disclosures of Interests in Other Entities, a standard was issued by the IASB on 12 May 2011 which combines the revised disclosure requirements regarding IAS 27, IAS 28, IFRS 10 and IFRS 11 in a single standard. The standard is effective for financial years beginning on or after 1 January 2014 and was adopted by the EU on 11 December 2012.

- On 28 June 2012, the IASB issued IFRS 10-12 Transitional Guidance, which clarifies through the amendments the transitional guidelines in IFRS 10 and provides additional relief with respect to all three standards. This includes, in particular, the limitation of the disclosure of adjusted comparative figures on the first-time application to the immediately preceding period. The amendment shall apply to financial years beginning on or after 1 January 2014 and was adopted by the EU on 4 April 2013.

- IAS 19 (revised 2011) Employee Contributions was supplemented by the IASB on 21 November 2013 with a clarification of the attribution of contributions from employees or contributions to third parties in connection with the respective service period and a simplification provision was created in cases where the amount of the contributions is not dependent on the number of the years of service. The standard shall be effective for reporting periods beginning on or after 1 July 2014 and has not yet been adopted by the EU.

- IAS 27 Separate Financial Statements (revised 2011) sets forth the accounting and disclosure requirements for "separate financial statements", which are prepared by a parent company or a shareholder having joint control or significant influence over an associate company and in which the shares are carried at acquisition cost or in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. The accounting for dividends is also presented in the standard and various disclosure requirements are set out. The standard was issued by the IASB on 12 May 2011 and was adopted by the EU on 11 December 2012. IAS 27 (revised 2011) shall be effective for reporting periods beginning on or after 1 January 2014. It replaces IAS 27 Consolidated and Separate Financial Statements from this date. The requirements for separate financial statements shall remain unchanged as part of the amended IAS 27. The remaining portions of IAS 27 are replaced by IFRS 10 Consolidated Financial Statements.

- In IAS 28 Investments in Associates and Joint Ventures (revised 2011) shows, with certain limited exceptions, how the equity method is to be applied to shares in associated companies and joint ventures. In addition, the standard defines an associated company by the concept of "significant influence", which requires the opportunity to participate in financial and operational policy-making decisions of the associated company but not the control or joint control over the decision-making processes. IAS 28 was re-issued on 12 May 2011, was adopted by the EU on 11 December 2012 and shall be effective for reporting periods beginning on or after 1 January 2014.

- On 16 December 2011, the IASB issued an amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities". The changes to IAS 32 clarify that the right to offset must currently exist – meaning that this right cannot be dependent on a future event. In addition, the claim must be legally enforceable for all contracting parties in the normal course of business in the event of default, insolvency or inability to pay. The standard is effective for financial years beginning on or after 1 January 2014 and was adopted by the EU on 13 December 2012.

- In IAS 36 Recoverable Amount Disclosures for Non-Financial Assets the IASB revised some of the disclosure requirements relating to the measurement of the recoverable amount of impaired assets as of 29 May 2013 as part of the consequential amendments to IFRS 13 Fair Value Measurement. According to this amendment, an entity must disclose the discount rate which was applied in connection with the current and prior valuations if the valuation is based on the fair value less costs to sell under application of a present value method. This is intended to harmonize the disclosure requirements. These amendments are to be applied retrospectively for reporting periods beginning on or after 1 January 2014. Earlier application is permitted – however, only in reporting periods (including comparative information) in which IFRS 13 is also applied. The amendment was adopted by the EU on 19 December 2013.

- In order to improve the transparency and regulatory oversight of over-the-counter (OTC) derivatives, on 27 June 2013 extensive legislative changes were introduced by the IASB. As a result, in order to reduce the risk of default, companies are converting derivatives to central counterparties (CCP) (novation). According to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting, the accounting of derivatives as hedging instruments in a hedge-accounting relationship is to be terminated if the original derivative no longer remains in existence. Due to the effects on the accounting, which result from novation due to the legal or regulatory requirements, the IASB has concerns. Thus, the IASB added an exemption provision to IAS 39, whereby terminating hedge accounting is not necessary if the novation of a hedging instrument with a central counterparty fulfils certain criteria. A similar simplification provision is included in IFRS 9 Financial Instruments. The standard is effective for financial years beginning on or after 1 January 2014. The amendment was adopted by the EU on 19 December 2013.

- On 20 May 2013, the IASB issued IFRIC 21 Levies. IFRIC 21 provides guidance on when a liability for a levy imposed by a government is to be recognized. The interpretation applies both to levies that are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as well as to levies for which the settlement date and amount are known. IFRIC 21 shall apply for financial years beginning on or after 1 January 2014. Adoption by the EU is still outstanding.

With respect to the adoption of, and/or amendment to, standards that do not as yet have to be applied, Sky is constantly in the process of evaluating potential quantitative effects on the consolidated financial statements. Sky has appraised both the service contract for running the business of a call center concluded in 2012 and the impending purchase of the production company Plazamedia GmbH TV- und Film-Produktion GmbH, Ismaning under the new regulations of IFRS 10. At the current time, no statements can be made regarding the potential effects of other standards.

2. Notes to the consolidated balance sheet

2.1 Cash and cash equivalents

The cash and cash equivalents include cash in bank with a maturity of up to three months as of the acquisition date as well as cash on hand.

(K€)	31 Dec 2013	31 Dec 2012
Bank and cash balances	96,898	4,294
Term deposits	100,000	–
Total	**196,898**	**4,294**

Restricted cash is shown under other assets. These primarily consist of accounts pledged to suppliers, rental guarantees and guarantees for payment obligations lodged with banks and other accounts (please refer to 2.5 Other assets). As of the balance sheet date of 31 December 2013 restricted cash amounted to K€2,410 (2012: K€15,087). For further information on the development of cash and cash equivalents we refer to the explanations in 4.3 Cash flow statement.

2.2 Inventories

Inventories are made up as follows:

(K€)	31 Dec 2013	31 Dec 2012
Receivers	24,486	17,385
Other inventories	1,842	1,973
Total	**26,329**	**19,358**

Receivers are intended to be provided to subscribers. The sale of receivers in connection with a subscription is made in the name of and on behalf of Sky by the distributor. Accordingly, they are stored both in the central warehouse in Bor (Czech Republic) and in the secondary warehouse in Ebermannsdorf (Germany) and on a decentralized basis at sales partners in Germany and Austria.

In general, receivers are at first capitalized under inventories. Receivers that are leased to subscribers are transferred from inventories to property, plant and equipment upon delivery to the subscriber.

The carrying amount of the inventories recognized at net realizable value amounts to K€74 (2012: K€120). In the financial year, inventories in the amount of K€3,624 were recognized as expense (2012: K€4,806). This includes impairment losses in the amount of K€171 (2012: K€1,140) which are shown under cost of sales (hardware).

2.3 Trade receivables

2.3.1 Overview

Trade receivables developed as follows on a balance sheet comparison:

(K€)	31 Dec 2013	31 Dec 2012
Trade receivables (before allowances)	139,691	132,715
Allowances	–72,319	–52,934
Trade receivables (after allowances)	67,373	79,781
Damage claims	9,022	6,143
Total (after allowances)	**76,395**	**85,924**

Trade receivables are made up as follows:

(K€)	31 Dec 2013	of which non-current	31 Dec 2012	of which non-current
Receivables from subscribers	50,921	–	52,190	–
Receivables from dealers	10,934	–	5,872	–
Receivables from finance leases	212	70	686	197
Other	14,328	–	27,175	–
Total (after allowances)	**76,395**	**70**	**85,924**	**197**

The following table shows an aging analysis of trade receivables that are past due but not impaired as of the reporting date.

(K€)	31 Dec 2013	31 Dec 2012
Trade receivables (after allowances)	76,395	85,924
of which neither past due nor impaired at balance sheet date	16,504	37,379
of which not impaired at balance sheet date but past due in the following time ranges	4,492	7,262
less than 30 days	2,290	3,672
between 31 and 60 days	690	1,356
between 61 and 90 days	333	215
between 91 and 180 days	381	279
between 181 and 360 days	84	409
more than 360 days	713	1,332

There are no indications as of the balance sheet date with regard to the balances of trade receivables, which are past due but not impaired that the debtors will not meet their payment obligations.

As of the balance sheet date there are no receivables the terms of which have been renegotiated and which would otherwise have been past due or impaired (2012: K€0). There is no significant concentration of risk in the trade receivables on account of the diversified customer structure of the Sky Group.

The allowances recorded against receivables from subscribers, dealers and other trade receivables from finance lease receivables developed as follows:

(K€)	2013	2012
Balance as of 1 Jan	52,934	47,401
Derecognition of receivables	–352	–9,419
Amount recognized as expense or income in the reporting period	19,736	14,951
Balance as of 31 Dec	72,319	52,934

The derecognizing of receivables relates entirely to receivables from prior years that have been provided in full and are irrecoverable.

2.3.2 Receivables from subscribers, dealers and other trade receivables

Receivables from subscribers, dealers and other trade receivables are reported net of allowances. Expenses for allowances recorded against these receivables in the financial year amounted to K€19,757 (2012: K€14,985). Of this total amount, an expense in the amount of K€20,326 (2012: K€14,607) is recorded against receivables from subscribers and an income of K€445 (2012: expense in the amount of K€210) is recorded against receivables from dealers. An income in the amount of K€124 (2012: expense in the amount of K€168) is recorded against other receivables.

In the event of early termination of the contract, Sky bills subscribers with damages in the amount of the subscription fees for the remaining term of the contract discounted to the termination date, in addition to receivables that have already been accumulated for subscription fees. Claims for damages are recognized at their fair value based on expected cash inflows. Receivables are only derecognized when it is finally established that they are not recoverable.

The Company uses several collection agencies to recover the receivables. The receivables are generally not sold to the collection agencies. Therefore, the risk of default on the receivables remains with the Company. Allowances on receivables that have been passed on to the collection agencies for recovery are recorded on the basis of historical experience.

Other trade receivables include a large number of individual items.

2.3.3 Finance lease receivables

Finance lease receivables result from lease contracts concluded with hotels for pay-TV equipment, TVs and accessories.

Finance lease receivables of K€212 are reported in the balance sheet as of 31 December 2013 (2012: K€686), of which K€141 (2012: K€489) are current and K€71 (2012: K€197) are non-current. The decrease results from the expiry of finance lease contracts.

Income from the reversal of allowances in 2013 amounted to K€21 (2012: K€33).

The following table reconciles the gross investment in the leases to the net investment in the leases:

(K€)	31 Dec 2013	31 Dec 2012
Gross investment in the leases (minimum lease payments receivable)	223	743
less: unearned finance income	–11	–36
less: accumulated allowance for uncollectible minimum lease payments receivable	–	–21
Net investment in the leases (present value of minimum lease payments receivable)	212	686

The gross and net investments in the leases are due as follows:

(K€)	31 Dec 2013	31 Dec 2012
Gross investment in the leases	**223**	**743**
< 1 year	150	528
1–5 years	72	216
Net investment in the leases	**212**	**686**
< 1 year	143	489
1–5 years	69	197

2.4 Other financial assets

Other financial assets comprise the following:

(K€)	Total 31 Dec 2013	of which non-current	Total 31 Dec 2012	of which non-current
Creditor accounts with debit balances	1,256	–	1,921	–
Derivatives	418	2	1	–
Available-for-sale financial assets	8	8	–	–
Miscellaneous	588	–	873	–
Total	**2,270**	**11**	**2,795**	**–**

By purchase agreement dated 27 November 2012 and upon abolition of the suspensive effect by approval of the Federal Cartel Office on 7 February 2013, Sky Media Network GmbH, Unterföhring acquired a share in the amount of 6.25 percent in Wirkstoff TV Gattungsmarketing GmbH, Berlin. The investment is disclosed under non-current available-for-sale financial assets.

As of the balance sheet date, the derivatives include the positive fair values from foreign exchange forward transactions. For further information, please refer to 1.6.1.7 Derivative financial instruments and 4.1.2 Disclosures on derivatives.

2.5 Other assets

Other assets are made up as follows:

(K€)	Total 31 Dec 2013	of which non-current	Total 31 Dec 2012	of which non-current
Playout costs and Transmission fees	11,015	1	56	17
Financing costs	6,943	5,042	9,748	1,045
Advance payments on playout services	3,388	3,388	6,499	6,499
Restricted cash	2,410	–	15,087	–
Advance payments on advertising services	2,384	–	3,143	–
Tax receivables	1,893	–	6,717	–
Advance payments on service operations	1,572	–	1,298	–
Advance payments to creditors	1,181	–	1,104	–
Salary advances	8	–	22	–
Miscellaneous	2,610	513	4,114	571
Total	**33,405**	**8,944**	**47,788**	**8,132**

Higher advanced payments on additional transponder capacities and playout service costs led to an increase in the position playout costs and transmission fees.

The line item financing costs comprizes deferred transaction costs in connection with debt financing measures. As far as the Company has already drawn amounts under the new facilities, a portion of the transaction costs is deducted from the carrying amount of the financial liability and amortized over the term of the liability using the effective interest method. For undrawn facilities, the allocated transaction costs are reported under other assets and amortized to profit and loss over the term of the facility using the effective interest method.

Restricted cash mainly comprises accounts pledged to suppliers, rental guarantees and guarantees for payment obligations lodged with banks as well as other accounts and were credited with an average interest of 0.13 percent per annum (please refer to 2.1 Cash and cash equivalents).

Miscellaneous other assets primarily comprise guarantee commissions paid, fees, insurance premiums, software maintenance agreements and film promotion contributions.

2.6 Property, plant and equipment including receivers

(K€)	Land and buildings	Own technical equipment	Technical equipment and receivers under finance leases	Own receivers	Other operational and office equipment	Advance payments	Total
Cost							
Balance as of 1 Jan 2013	15,071	10,080	5,860	275,910	30,212	217	337,350
Additions for the year	330	131	35,720	55,414	4,124	–	95,720
Disposals for the year	219	4,495	47	31,337	1,180	–	37,279
Reclassifications	–	–	–	–	216	–216	–
Balance as of 31 Dec 2013	15,183	5,716	41,532	299,987	33,371	1	395,791
Depreciation							
Balance as of 1 Jan 2013	3,239	5,696	1,572	110,592	20,067	–	141,165
Depreciation for the year	1,490	1,291	3,123	48,991	5,088	–	59,983
Disposals for the year	219	4,561	47	23,510	1,159	–	29,497
Impairment losses	–	–	–	1,307	7	–	1,315
Balance as of 31 Dec 2013	4,511	2,425	4,648	137,380	24,003	–	172,966
Carrying amount as of 31 Dec 2013	10,672	3,291	36,885	162,607	9,369	1	222,825
Cost							
Balance as of 1 Jan 2012	14,125	9,592	8,756	198,912	26,335	1	257,721
Additions for the year	948	1,001	3,035	90,033	4,660	816	100,492
Disposals for the year	2	1,112	5,931	13,035	783	–	20,862
Reclassifications	–	600	–	–	–	–600	–
Balance as of 31 Dec 2012	15,071	10,080	5,860	275,910	30,212	217	337,350
Depreciation							
Balance as of 1 Jan 2012	1,799	4,456	3,000	79,769	16,204	–	105,228
Depreciation for the year	1,440	1,363	1,987	36,091	4,574	–	45,456
Disposals for the year	–	124	3,416	7,056	711	–	11,307
Impairment losses	–	–	–	1,788	–	–	1,788
Reclassifications	–	0	–0	–	–	–	–
Balance as of 31 Dec 2012	3,239	5,696	1,572	110,592	20,067	–	141,165
Carrying amount as of 31 Dec 2012	11,832	4,384	4,288	165,318	10,145	217	196,185

Purchases of receivers are recognized initially in inventories. Receivers from inventories leased to subscribers are transferred to property, plant and equipment and amortized on a straight-line basis over their expected useful lives.

The additions of K€55,414 (2012: K€90,033) to own receivers mainly related to HD receivers and external hard disks.

Regarding the additions to technical equipment and receivers under finance leases, please refer to 1.6.7.1 Company as lessee.

The carrying amount of own non-leased receivers amounts to K€13,430 (2012: K€16,653). The carrying amount of own receivers leased to subscribers amounts to K€149,177 (2012: K€148,665).

The carrying amount of non-leased leasing stock receivers amounts to K€14,402 (2012: K€0). The carrying amount of leasing stock receivers leased to subscribers amounts to K€19,267 (2012: K€0).

The impairment loss of K€1,307 (2012: K€1,788) on HD receivers without Sky EPG was included in cost of sales (hardware). These receivers were written-down to fair value less cost to sell as a future economic benefit from marketing these receivers to subscribers is no longer expected.

Expected minimum lease payments from operating leases for receivers existing at the balance sheet date amount to K€1,695 (2012: K€2,193). The remaining weighted average contractual term of these leases is approximately seven months (2012: approximately seven months).

Property, plant and equipment includes technical equipment (pay-TV equipment), which is integrated in hotel operations. As of 31 December 2013, the carrying amount of this equipment amounts to a total of K€245 (2012: K€410), of which K€0 (2012: K€90) relates to pay-TV equipment capitalized under finance leases and K€245 (2012: K€321) to own pay-TV equipment. Only those receivers, which are used for this purpose, are amortized over a period of seven years.

The carrying amount of technical equipment and receivers under finance leases comprises the following:

(K€)	2013	2012
Receivers	33,669	–
Production equipment	1,910	1,829
Hardware for new subscriber management system	600	1,233
Hardware for call center system	706	1,136
Pay-TV equipment	–	90
Total	36,885	4,288

2.7 Intangible assets

2.7.1 Film assets and advance payments for sport and film rights

The carrying amounts of the film assets and advance payments for sport and film rights developed as follows:

(K€)	Ending balance as of 31 Dec 2013	of which non-current	Ending balance as of 31 Dec 2012	of which non-current
Film assets	71,782	24,843	56,755	17,322
Advance payments for sport rights	40,201	96	28,027	–
Total	111,984	24,939	84,783	17,322

The film assets reported in this item mainly comprise broadcasting rights purchased from film studios and TV program providers and a program library acquired in 2006.

The film assets and advance payments for film rights developed as follows:

(K€)	Film licenses and advance payments for film rights	Program library	Total
Cost			
Balance as of 1 Jan 2013	151,801	4,900	156,701
Additions for the year	152,442	–	152,442
Disposals	124,222	–	124,222
Reclassifications	–	–	–
Balance as of 31 Dec 2013	180,021	4,900	184,921
Utilization/amortization			
Balance as of 1 Jan 2013	96,923	3,022	99,946
Utilization/Amortization for the year	137,052	327	137,378
Disposals	124,222	–	124,222
Impairment losses	37	–	37
Balance as of 31 Dec 2013	109,790	3,349	113,138
Ending balance as of 31 Dec 2013	**70,231**	**1,551**	**71,782**
of which non-current	23,292	1,551	24,843

The cost of the purchased film rights was increased by K€1,004 (2012 increased by K€2,166) in conjunction with the contractually agreed determination of the actual number of subscribers.

The film assets and advance payments for film rights developed as follows in the previous year:

(K€)	Film licenses and advance payments for film rights	Program library	Total
Cost			
Balance as of 1 Jan 2012	132,433	4,900	137,333
Additions for the year	127,974	–	127,974
Disposals	108,606	–	108,606
Reclassifications	–	–	–
Balance as of 31 Dec 2012	151,801	4,900	156,701
Utilization/Amortization			
Balance as of 1 Jan 2012	83,497	2,696	86,193
Utilization/Amortization for the year	122,013	327	122,340
Disposals	108,606	–	108,606
Impairment losses	19	–	19
Balance as of 31 Dec 2012	96,923	3,022	99,946
Ending balance as of 31 Dec 2012	**54,878**	**1,878**	**56,755**
of which non-current	15,444	1,878	17,322

The impairment losses resulted from derecognizing unused transmission slots. Utilization and amortization are recorded in cost of sales.

The advance payments for sport rights developed as follows:

(K€)	1 Jan 2013	Additions	Utilization	31 Dec 2013
Advance payment for sport rights	28,027	454,521	442,347	40,201
of which non-current	–	96	–	96

(K€)	1 Jan 2012	Additions	Utilization	31 Dec 2012
Advance payment for sport rights	25,235	403,063	400,271	28,027
of which non-current	–	–	–	–

2.7.2 Goodwill

(K€)	2013	2012
Cost		
Balance as of 1 Jan	640,650	640,650
Disposals for the year	–	–
Balance as of 31 Dec	**640,650**	**640,650**
Impairment		
Balance as of 1 Jan	1,296	1,296
Disposals for the year	–	–
Balance as of 31 Dec	**1,296**	**1,296**
Carrying amount as of 31 Dec	**639,353**	**639,353**

The goodwill in the cash generating unit “pay-TV business” was subject to an impairment test as of 30 September 2013. The recoverable amount was determined by referring to the fair value less cost to sell approach. The amount was derived from the quoted price of the Sky share as of 30 September 2013 considering expected cost to sell.

The impairment test revealed no need for any write-downs.

In addition, the value in use was calculated on the basis of the free cash flows defined in the business plan (planning period from 2013 to 2018 for the impairment test as of 30 September 2013). The key assumptions, with respect to the free cash flows used, relate to the number of subscribers and the ARPU. As of 30 September 2013, a pre-tax-discount rate of 11.7 percent per annum (2012: 11.0 percent per annum) and a growth factor after the planning period of 0.5 percent per annum (2012: 0.5 percent per annum) were applied in the calculations for the cash-generating unit.

The result of the impairment test was confirmed by the calculated value in use.

2.7.3 Other intangible assets

(K€)	Trademarks	Subscriber bases	Other intangible assets	Other intangible assets under finance lease	Internally generated intangible assets	Advance payments	Total
Cost							
Balance as of 1 Jan 2013	333,429	397,326	165,771	4,759	2,645	4,057	907,988
Additions for the year	–	–	32,463	434	–	4,733	37,630
Disposals for the year	1,800	–	12,863	–	–	–	14,663
Reclassifications	–	–	3,809	–	–	–3,809	–
Balance as of 31 Dec 2013	331,629	397,326	189,180	5,193	2,645	4,981	930,955
Amortization							
Balance as of 1 Jan 2013	333,429	391,110	112,158	1,193	2,645	–	840,535
Amortization for the year	–	1,388	24,085	1,147	–	–	26,620
Disposals for the year	1,800	–	11,809	–	–	–	13,609
Balance as of 31 Dec 2013	331,629	392,498	124,434	2,340	2,645	–	853,546
Carrying amount as of 31 Dec 2013	–	4,828	64,746	2,854	–	4,981	77,409

(K€)	Trademarks	Subscriber bases	Other intangible assets	Other intangible assets under finance lease	Internally generated intangible assets	Advance payments	Total
Cost							
Balance as of 1 Jan 2012	333,429	397,443	136,022	5,816	2,645	3,504	878,861
Additions for the year	–	–	29,211	4,759	–	3,889	37,858
Disposals for the year	–	117	2,198	5,816	–	600	8,731
Reclassifications	–	–	2,736	–	–	–2,736	–
Balance as of 31 Dec 2012	333,429	397,326	165,771	4,759	2,645	4,057	907,988
Amortization							
Balance as of 1 Jan 2012	333,429	389,793	89,784	2,876	2,645	–	818,528
Amortization for the year	–	1,390	22,911	1,782	–	–	26,083
Disposals for the year	–	74	538	3,464	–	–	4,076
Balance as of 31 Dec 2012	333,429	391,110	112,158	1,193	2,645	–	840,535
Carrying amount as of 31 Dec 2012	–	6,216	53,614	3,566	–	4,057	67,453

The subscriber base is amortized on a straight-line basis over the useful life based on historical experience. It was not necessary to recognize any impairment losses.

Other intangible assets mainly comprise purchased software, software licenses and the costs for the rights to use names. Amortization expense is recognized in various line items of the consolidated statement of total comprehensive loss.

For further information on the development of other intangible assets under finance leases please refer to 1.6.7.1 Company as lessee.

2.8 Liabilities

The liabilities are made up as follows:

(K€)	31 Dec 2013 < 1 year	31 Dec 2013 1–5 years	31 Dec 2013 > 5 years	Total 31 Dec 2013	31 Dec 2012 < 1 year	31 Dec 2012 1–5 years	31 Dec 2012 > 5 years	Total 31 Dec 2012
Borrowings	18,707	532,906	–	551,613	399,524	215,730	–	615,254
Trade payables	277,254	9,054	2,668	288,976	266,203	7,781	3,134	277,117
Other financial liabilities	46,648	21,357	946	68,951	67,512	3,311	784	71,606
Other liabilities	54,439	6,586	–	61,025	58,679	1,662	–	60,341
Deferred taxes	–	60,814	–	60,814	–	55,161	–	55,161
Provisions for pensions and similar obligations	–	–	11,000	11,000	–	–	10,861	10,861
Other provisions	13,338	–	–	13,338	10,871	4,742	–	15,612
Total	**410,386**	**630,717**	**14,614**	**1,055,718**	**802,789**	**288,387**	**14,779**	**1,105,954**

2.8.1 Borrowings

The Company is reporting the following borrowings, broken down by maturities:

(K€)	31 Dec 2013 < 1 year	31 Dec 2013 1–5 years	Total 31 Dec 2013	31 Dec 2012 < 1 year	31 Dec 2012 1–5 years	Total 31 Dec 2012
Loans	8,272	495,840	504,111	395,716	212,053	607,769
Finance lease liabilities	10,435	37,067	47,502	3,808	3,677	7,485
Total	**18,707**	**532,906**	**551,613**	**399,524**	**215,730**	**615,254**

The carrying amount of the borrowings broadly corresponds to their fair value.

Loans

The decrease in loans from K€607,769 as of 31 December 2012 to K€504,111 as of 31 December 2013 is mainly due to the full repayment of the replaced syndicated credit financing in the amount of K€391,157 offset by the partial drawdown of new bank loans in the amount of K€225,000, the drawdown of a shareholder loan with 21st Century Fox Adelaide Holdings B.V. (former News Adelaide Holdings B.V.) in the amount of K€48,000 and the build-up of interest and transaction cost liabilities for the shareholder financing in the amount of K€16,167.

In connection with replacing the previous credit financing, deferred transaction costs in the amount of K€4,127 were released and recognized in interest expenses.

The credit facilities of €300 million provided by the new bank syndicate are fully guaranteed by Twenty-First Century Fox, Inc. (former News Corporation) and its subsidiary 21st Century Fox America, Inc. (former News America Incorporated). They mature on 20 February 2018 and give Sky substantial flexibility with no obligation to maintain certain financial covenants compared to the replaced bank debt facilities. Interest on the new credit facilities is based on the Euribor plus an annual credit margin in the range of 0.875 percent up to 1.5 percent, depending on the credit rating of the new guarantor News America Incorporated. In addition, Sky has to pay a further 6.0 percent per annum to Twenty-First Century Fox, Inc. for the credit guarantee.

Twenty-First Century Fox, Inc. has also undertaken to act as guarantor to the German Football League (DFL) for the new Bundesliga broadcasting license for the 2013/14 to 2016/17 seasons in an amount of up to 50.0 percent of the annual license fee for each season, which reflects the guarantee requirement for the 2013/14 season. According to the agreement with DFL, the level of guarantee required to be provided by Sky for subsequent seasons will be set latest prior to the start of each season. By arrangement dated 4 October 2013 the guarantee requirement for the seasons 2014/15 and 2015/16 was likewise set at 50.0 percent of the annual license fee as well. Sky pays a fee of 6.0 percent per annum to Twenty-First Century Fox, Inc. for the Bundesliga guarantee.

The new credit facilities do not provide for any financial covenants for Sky. However, the new credit facilities contain a number of operational undertakings that restrict Sky's ability to, among other things, conduct any mergers, dispose of essential assets, obtain additional debt and grant certain liens. Moreover, the lenders under the New Credit Facility Agreement will be entitled to terminate the New Credit Facility Agreement in the event of any infringement of the credit terms by the guarantors Twenty-First Century Fox, Inc. and 21st Century Fox America, Inc. The lenders are also entitled to accelerate the repayment of the credit facilities in the event of a change of control.

The provision of the guarantees and support provided by Twenty-First Century Fox, Inc. are subject to certain customary conditions such as the absence of material adverse changes in Sky's business.

21st Century Fox Adelaide Holdings B.V. has extended the term of the €106 million of existing shareholder loans, plus accrued interest, to at least six months after the maturity date of the new credit facilities. The interest rates for the extended shareholder loans remain unchanged at 12.0 percent per annum and will remain payable until the maturity date.

Finance lease liabilities

The following minimum lease payments are due under the finance leases:

(K€)	< 1 year	1–5 years	Total 2013
Minimum lease payments	12,786	40,270	53,056
Discount amounts	–2,350	–3,204	–5,554
Present values	**10,435**	**37,067**	**47,502**

(K€)	< 1 year	1–5 years	Total 2012
Minimum lease payments	3,867	4,120	7,987
Discount amounts	–59	–443	–502
Present values	**3,808**	**3,677**	**7,485**

The weighted average interest rate for finance lease liabilities with fixed lease payments was 7.04 percent per annum (2012: 5.9 percent per annum). For further details please refer to 1.6.7.1 Company as lessee.

2.8.2 Trade payables

Trade payables are made up as follows:

(K€)	31 Dec 2013 < 1 year	31 Dec 2013 1–5 years	31 Dec 2013 > 5 years	Total 31 Dec 2013	31 Dec 2012 < 1 year	31 Dec 2012 1–5 years	31 Dec 2012 > 5 years	Total 31 Dec 2012
Liabilities to film studios for the purchase of film licenses	145,813	820	–	146,633	111,483	3	–	111,487
Liabilities to subscribers for security deposits	2,081	3,557	2,668	8,306	2,428	4,179	3,134	9,740
Other trade payables	129,360	4,677	–	134,036	152,291	3,599	–	155,890
Total	**277,254**	**9,054**	**2,668**	**288,976**	**266,203**	**7,781**	**3,134**	**277,117**

The carrying amounts correspond to the fair values. A variety of individually items is accumulated under the item “Other trade payables”.

2.8.3 Other financial liabilities

(K€)	31 Dec 2013 < 1 year	31 Dec 2013 1–5 years	31 Dec 2013 > 5 years	Total 31 Dec 2013	31 Dec 2012 < 1 year	31 Dec 2012 1–5 years	31 Dec 2012 > 5 years	Total 31 Dec 2012
Liabilities to employees (including Management bonuses)	25,842	18,798	–	44,640	19,637	2,597	–	22,234
Debtor accounts with credit balances	16,700	–	–	16,700	16,941	–	–	16,941
Derivatives	2,985	2,179	–	5,164	453	–	–	453
Severance payments	378	380	–	758	195	318	–	514
Purchase price payables	–	–	–	–	29,280	–	–	29,280
Miscellaneous	744	0	946	1,690	1,005	396	784	2,184
Total	**46,648**	**21,357**	**946**	**68,951**	**67,512**	**3,311**	**784**	**71,606**

With the exception of the purchase price payables the fair values correspond to the reported carrying amounts (please refer to 2.9 Additional disclosures on financial instruments).

Liabilities to employees comprise obligations under share-based compensation programs, outstanding bonus payments and the variable compensation of the Management Board.

The decrease of the purchase price payables is primarily due to payments made in connection with the buyback in 2009 of all shares in Premiere Star GmbH and Creation Club GmbH in a total amount of K€29,714, of which K€992 are shown under interest paid in the consolidated statement of cash flows.

Regarding the negative fair value of derivative financial instruments we refer to 1.6.1.7 Derivative financial instruments and 4.1.2 Disclosures on derivatives.

On 19 December 2012, Sky concluded a share-based compensation component with Brian Sullivan, which will result in a one-off payment on the basis of 500,000 shares. This payment will be determined by the volume-weighted average market price of the Sky share for December 2014 and will become due on 2 January 2015 if the vesting conditions are met.

The fair value of the stock appreciation rights as of 31 December 2013 was determined by means of the Black-Scholes-model and amounts to K€4,000. In the financial year 2013, an expense in the amount of K€2,666 (2012: K€0) has been incurred. This expense corresponds to the liability recorded on the balance sheet as of 31 December 2013. The volatility was calculated on the basis of the monthly closing price of the share in accordance with the residual term of the options.

The calculation was based on the following parameters:

	31 Dec 2013	31 Dec 2012
Risk free interest rate	0.06%	–0.07%
Dividend yield	–	–
Volatility	54.65%	72.53%
Price of the Sky share	8.00€	4.13€

The stock option plan agreed with the chief executive officer of the Sky Group on 1 January 2010 included the granting of virtual shares in the amount of the then existing fair value of the Sky share, which entitled Brian Sullivan to receive payments in 2012 and 2013 if certain performance targets in particular with respect to the increase in subscribers were met. The fair value of the stock appreciation rights as of 1 April 2013 was determined by means of the Black-Scholes-model. At the end of April 2013, a payment in the amount of K€3,957 (payment first tranche 2012: K€1,812) was made to the Chief Executive Officer in connection with the second tranche of the stock option plan falling due when the target was met in full. With this payment the stock option plan is concluded and no further payments are due from this plan.

As of 31 December 2013, stock appreciation rights no longer exist (fair value as of 31 December 2012: K€3,618). In the financial year 2013, an expense in the amount of K€618 (2012: K€3,342) has been incurred. The volatility was calculated on the basis of the monthly closing price of the share in accordance with the residual term of the options.

The calculation was based on the following parameters:

	March 2013	31 Dec 2012
Risk free interest rate		
Tranche due on 1 April 2012	–	–
Tranche due on 1 April 2013	–	–0.01%
Dividend yield	–	–
Volatility	–	72.53%
Price of the Sky share	4.52€*	4.13€

*volume weighted share price of the Sky share of March 2013 (redemption price)

The long-term incentive plan for the financial year 2013 was resolved at the Supervisory Board meeting on 27 February 2013 (LTIP 2013).

On the basis of this decision, existing binding commitments 1,729,293 virtual shares were granted to members of the Management Board and Senior Executives (including 977,845 shares to the members of the Management Board).

Including the long-term incentive plans introduced in 2011 and 2012, a total of 5,328,016 virtual shares were granted to members of the Management Board and Senior Executives (including 2,619,991 shares to the members of the Management Board). The fair value of the virtual shares as of 31 December 2013 amounts to K€37,472 (2012: K€13,392) of which K€18,686 relate to members of the Board (2012 K€5,768). The accrued liability as of the balance sheet date amounts to K€25,117 (2012: K€6,098).

For the financial year 2013 for the long-term performance-related compensation, an expense in the amount of K€22,304 was recognized, of which K€13,763 related to members of the Board, thereof Brian Sullivan K€10,337, Steven Tomsic K€1,332, Dr. Holger Enßlin K€1,031, Carsten Schmidt K€1,063. In the previous year this expense amounted to K€8,784, of which K€5,758 related to members of the Board, thereof Brian Sullivan K€4,685, Steven Tomsic K€429, Dr. Holger Enßlin K€322, Carsten Schmidt K€322.

The volatility was calculated on the basis of the monthly closing price of the share in accordance with the residual term of the options.

At 31 December 2013, the calculation was based on the following parameters:

	LTIP 2011	LTIP 2012	LTIP 2013
Risk free interest rate*	–	0.13%	0.24%
Dividend yield	–	–	–
Volatility	–	54.65%	54.65%
Price of the Sky share	7.91€	8.00€	8.00€
Churn rate employees*	–	5.00%	5.00%

*For the LTIP 2013 concluded with Brian Sullivan the risk free interest amounts to 0.6% percent. The churn rate amounts to zero percent.

The LTIP 2011 expired on 31 December 2013 and entitles members of the Management Board and Senior Executives to receive payments in 2014. The calculation of the fair value of this plan was based on a total of 1,517,673 virtual shares, of which 759,793 shares were granted to the Management Board and the volume-weighted average price of the Sky share in December 2013.

For the three-year period from 1 January 2014 another Long-Term-Incentive-Plan (LTIP 2014) is planned. A corresponding resolution of the Supervisory Board has not yet been passed.

In the previous year, the following parameters were applied:

	LTIP 2011	LTIP 2012	LTIP 2013
Risk free interest rate	–0.04%	–0.04%	–
Dividend yield	–	–	–
Volatility	72.53%	72.53%	–
Price of the Sky share	4.13€	4.13€	–
Churn rate employees	5.00%	5.00%	–

2.8.4 Other liabilities

Other liabilities are made up as follows:

(K€)	31 Dec 2013 < 1 year	31 Dec 2013 1–5 years	Total 31 Dec 2013	31 Dec 2012 < 1 year	31 Dec 2012 1–5 years	Total 31 Dec 2012
Advance payments from subscribers	22,382	4,740	27,123	21,413	–	21,413
Liabilities to tax authorities	11,540	–	11,540	20,743	–	20,743
Advance payments on orders	3,760	–	3,760	3,679	–	3,679
Social security liabilities	4,846	–	4,846	3,229	–	3,229
Fees for encryption systems	175	570	745	175	745	920
Reimbursement of costs	2,080	–	2,080	–	–	–
Miscellaneous	9,656	1,276	10,932	9,439	917	10,357
Total	**54,439**	**6,586**	**61,025**	**58,679**	**1,662**	**60,341**

The advance payments from subscribers relate to the deferral of revenues from subscription components sold with terms going beyond the balance sheet date.

The decrease in liabilities to tax authorities is the result of higher current tax assets for deliveries and other services received and conversely, the build-up of value added tax prepayments as a result of increased subscription revenues.

2.8.5 Other provisions

(K€)	Receivers	Other taxes	Litigation costs	Onerous contracts	Warranties	Total
Balance as of 1 Jan 2013	437	6	10,420	4,742	7	15,612
Additions	–	17	4,006	0	–	4,023
Utilization	–	–	–707	0	–6	–713
Reversals	–437	–6	–399	–4,742	–	–5,584
Balance as of 31 Dec 2013	**–**	**17**	**13,320**	**0**	**1**	**13,338**
of which current	–	17	13,320	0	1	13,338
of which non-current	–	–	–	–	–	–

(K€)	Receivers	Other taxes	Litigation costs	Onerous contracts	Warranties	Total
Balance as of 1 Jan 2012	894	1,066	10,857	0	10	12,828
Additions	209	431	1,062	4,741	–	6,443
Utilization	–	–920	–619	–	–	–1,539
Reversals	–665	–570	–880	–	–3	–2,119
Balance as of 31 Dec 2012	**437**	**6**	**10,420**	**4,742**	**7**	**15,612**
of which current	437	6	10,420	0	7	10,871
of which non-current	–	–	–	4,742	–	4,742

The provisions have been recognized on the basis of the expected cash outflows.

Provisions for litigation costs have been set up for expected risks from lawsuits and costs for lawyers' and other court fees on pending legal disputes. With regard to disclosures on further proceedings, please refer to 4.6 Litigation.

Provisions for onerous contracts are recognized if the costs involved with fulfilling the terms and conditions of the contract are higher than the expected amount of economic benefit received. The reversal of the financial year relates to an agreement concluded with a network operator, which was based on contractually fixed subscriber numbers. Following the conclusion of an agreement with a network provider, the reason for creating the provision no longer existed.

2.8.6 Provisions for pensions

Defined benefit plans

The Group operates unfunded final salary defined benefit pension plans that are not covered by plan assets. The amount of the pension entitlement depends on the salary of the respective employee at the time of retirement. In addition to retirement pensions, the pension liability also covers an entitlement to widows', orphans' and disability pensions. Currently, there are no new additions to the defined benefit pension plans.

The total obligation is distributed to the beneficiary groups as follows:

(K€)	2013	2012
Current employees	2,708	2,923
Vested pension rights of former employees	6,132	5,949
Pensioners	2,160	1,989
Total defined benefit obligation	**11,000**	**10,861**

The valuation of the pension obligations is based on the projected unit credit method using actuarial principles in accordance with the modified guidance tables 2005 G from Heubeck as adjusted in full in 2010. The calculation of the pension liability was based on the following assumptions:

	31 Dec 2013	31 Dec 2012
Discount rate	3.51%	3.49%
Pension growth rate	2.00%	2.00%
Salary growth rate	for 2014: 3.50%	
	for subsequent years: 2.50%	2.50%
Fluctuation rate employees	7.00%	8.30%

The following amounts were recognized in the financial year:

(K€)	2013	2012
Current service cost	–122	–94
Interest cost	–377	–383
Pension expense	**–499**	**–477**
Remeasurement losses (–)/gains (+)	228	–3,551
thereof relating to experience adjustments	207	–89
thereof relating to changes in financial assumptions	25	–3,462
thereof relating to changes in demographic assumptions	–4	–
Other comprehensive income	**228**	**–3,551**
Total	**–271**	**–4,028**

Of the total pension expense in the amount of K€271 (2012: K€4,028), K€499 (2012: K€477) were recognized in profit and loss with current service cost reported under general and administrative expenses and interest cost from pension obligations under interest and other expenses. In addition, gains from remeasurements of the net obligation in the amount of K€228 (2012: losses in the amount of K€3,551) are included in other comprehensive income.

Since there are no plan assets as defined by IAS 19 (revised 2011) and all actuarial gains and losses are recognized when incurred, the present value of the defined benefit obligation (DBO) of the pension obligations and the obligations similar to pensions is equivalent to the provision recognized on the balance sheet.

The DBO which corresponds to the pension obligations recognized on the balance sheet has developed as follows:

(K€)	2013	2012
Defined benefit obligation as of 1 Jan	10,861	6,950
Pension expense	271	4,028
Pension payments	–131	–117
Defined benefit obligation as of 31 Dec	**11,000**	**10,861**

Assuming all other assumptions remain unchanged, an increase or decrease of the material actuarial parameters would impact the DBO as follows:

(K€) 31 Dec 2013	Base scenario	Scenario I*	Scenario II**
Discount rate (–/+0.5 percent)	11,000	12,144	10,002
Salary growth rate (+/–0.5 percent)	11,000	11,067	10,937
Pension growth rate (+/–0.25 percent)	11,000	11,384	10,635
Life expectancy (+/–1 year)	11,000	11,355	10,636

*Decrease of discount rate and increase of other assumptions respectively
**Increase of discount rate and decrease of other assumptions respectively

(K€) 31 Dec 2012	Base scenario	Scenario I*	Scenario II**
Discount rate (–/+0.5 percent)	10,861	12,031	9,843
Salary growth rate (+/–0.5 percent)	10,861	10,946	10,780
Pension growth rate (+/–0.25 percent)	10,861	11,242	10,498
Life expectancy (+/–1 year)	10,861	11,208	10,504

*Decrease of discount rate and increase of other assumptions respectively
**Increase of discount rate and decrease of other assumptions respectively

When calculating the sensitivity of the DBO to significant actuarial assumptions, the same method (Projected Unit Credit Method) has been applied as when calculating the DBO itself. Increases and decreases in the discount rate, salary and pension growth rate as well as life expectancy, which are used in determining the DBO, do not have a symmetrical effect on the DBO primarily due to the compound interest effect created when determining the net present value of the future benefit. If more than one of the assumptions are changed simultaneously, the combined impact due to the changes would not necessarily be the same as the sum of the individual effects due to the changes in assumptions.

The weighted average maturity of the defined benefit obligation ("duration") corresponds to 20.01 years as of the balance sheet date (2012: 20.76 years).

Expected pension payments in 2014 amount to K€153 (2013: K€143).

Defined benefit plans

The measurement of the contributions payable resulting from termination indemnity obligations to employees of the Austrian subsidiaries resulted in an expense of K€36 (2012: K€32). In addition, actuarial losses in accordance with IAS 19 (revised 2011) in the amount of K€67 (2012: K€94) were recognized in other comprehensive income.

Defined contribution plans

Due to a commitment made to members of the Management Board. K€167 were paid into a pension fund in the last financial year (2012: K€121).

Contributions to the statutory pension insurance scheme in the past financial year amounted to K€16,182 (2012: K€14,780).

2.9 Additional disclosures on financial instruments

The following table shows the carrying amounts by measurement categories in accordance with IAS 39 and the fair values by classes of financial assets and financial liabilities.

			31 Dec 2013		31 Dec 2012	
(K€)	Valuation	Disclosed in the balance sheet under	Fair value	Carrying amount	Fair value	Carrying amount
Assets						
Cash and cash equivalents	n/a	Cash and cash equivalents	196,898	196,898	4,294	4,294
Loans and receivables	Amortized cost	Trade receivables, other financial assets	78,026	78,026	88,031	88,031
Receivables accounted for in accordance with IAS 17	Amortized cost	Trade receivables	201	212	662	686
Available-for-sale financial assets	Amortized cost	Other financial assets	8	8	–	–
Derivative financial assets	Fair value	Other financial assets	418	418	1	1
Derivatives in connection with cash flow hedges	Fair value through equity	Other financial assets	128	128	0	0
Derivatives without hedge relation	Fair value through profit and loss	Other financial assets	290	290	1	1
Liabilities						
Financial liabilities at amortized cost	Amortized cost	Borrowings, trade payables, other financial liabilities	828,881	829,091	946,503	946,603
Financial liabilities accounted for in accordance with IAS 17	Amortized cost	Borrowings	47,455	47,502	7,171	7,485
Other non-derivative financial liabilities accounted for in accordance with IFRS 2	Fair value	Other financial liabilities	27,784	27,784	9,437	9,437
Derivative financial liabilities	Fair value	Other financial liabilities	5,164	5,164	453	453
Derivatives in connection with cash flow hedges	Fair value through equity	Other financial liabilities	1,903	1,903	367	367
Derivatives without hedge relation	Fair value through profit and loss	Other financial liabilities	3,261	3,261	86	86

A separate class has to be established for cash and cash equivalents. An allocation to financial instruments measured at amortized cost or to financial instruments measured at fair value is not appropriate, since they are reported at nominal value, whereby foreign currency balances are converted at the average exchange rate. The measurement of cash and cash equivalents is therefore not connected with a category in IAS 39, therefore no disclosure is required of the carrying amount by measurement category.

Loans and receivables primarily have short maturities; therefore their carrying amounts as of the balance sheet date correspond to the fair values. The fair values of the receivables accounted for in accordance with IAS 17, but which do not constitute financial instruments as defined by IFRS7, are determined with reference to the discounted expected future cash flows on the basis of the contractual terms. Please refer to 1.6.1.3 Loans and receivables for further information on the measurement of the fair values.

In the case of available-for-sale financial assets, the market value in an active market, where this exists, is applied as the fair value.

The market values of the foreign exchange forward contracts are determined based on the forward rates. The market values of interest swaps are determined by discounting the expected future cash flows over the residual term of the contracts on the basis of current market interest rates and the interest structure trend. The determination of the fair value includes the own default risk and the counterparty's default risk respectively, which is calculated using both maturity-linked CDS spreads observable on the market and credit risk assessments which are obtained from the market data provider Bloomberg Finance L.P., Frankfurt (head office New York).

The requirements of IFRS 13 regarding the exposure to credit risks were taken into account in the valuations. For further details please refer to 4.1.2 Disclosures on derivatives.

In accordance with the requirements of IFRS 13 the fair values of the financial liabilities are determined as the present values of the payments associated with the liabilities, applying the respective applicable interest structure trend.

The fair values of the financial instruments measured at amortized cost under IAS 39 are allocated to valuation level 3 in total.

Trade payables and other borrowings mainly have short maturities; therefore their carrying amounts approximate the fair values. The fair values of the financial liabilities accounted for in accordance with IAS 17, which do not constitute financial instruments in accordance with IFRS 7, are determined with reference to the discounted expected future cash flows on the basis of the contractual terms. Please refer to 1.6.1.3 Loans and receivables for further information on the measurement of the fair values.

The carrying amount of the other non-derivative financial liabilities comprises the obligations arising from share-based payments, which are accounted for pursuant to IFRS 2 and as such do not constitute financial instruments according to IFRS 7.

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2013 (K€)	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets	–	418	–	418
thereof Derivatives in connection with cash flow hedges	–	128	–	128
thereof Derivatives without hedge relation	–	290	–	290
Available-for-sale financial assets	–	–	–	–
Liabilities				
Derivative financial liabilities	–	5,164	–	5,164
thereof Derivatives in connection with cash flow hedges	–	1,903	–	1,903
thereof Derivatives without hedge relation	–	3,261	–	3,261

2012 (K€)	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets	–	1	–	1
thereof Derivatives in connection with cash flow hedges	–	0	–	0
thereof Derivatives without hedge relation	–	1	–	1
Available-for-sale financial assets	–	–	–	–
Liabilities				
Derivative financial liabilities	–	453	–	453
thereof Derivatives in connection with cash flow hedges	–	367	–	367
thereof Derivatives without hedge relation	–	86	–	86

The following tables show the potential effects of existing netting arrangements on Sky's financial position.

31 Dec 2013 (K€)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral deposited	
Derivative financial instruments						
concluded with HypoVereinsbank	32	–	32	–714	–	–681
concluded with Bayerische Landesbank	386	–	386	–2,797	–	–2,411
concluded with Bank of America Merrill Lynch	–	–	–	–537	–	–537
concluded with UniCredit Bank	–	–	–	–536	–	–536
concluded with J.P. Morgan Securities plc	–	–	–	–580	–	–580
Total derivative financial instruments	**418**	**–**	**418**	**–5,164**	**–**	**–4,745**
Non-derivative financial instruments	–	–	–	–	–	–
Financial claims	–	–	–	–		–
Total non-derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**–**
Total	**418**	**–**	**418**	**–5,164**	**–**	**–4,745**

31 Dec 2013 (K€)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Financial instruments	Cash collateral deposited	
Derivative financial instruments						
concluded with HypoVereinsbank	–714	–	–714	32	–	–681
concluded with Bayerische Landesbank	–2,797	–	–2,797	386	–	–2,411
concluded with Bank of America Merrill Lynch	–537	–	–537	–	–	–537
concluded with UniCredit Bank	–536	–	–536	–	–	–536
concluded with J.P. Morgan Securities plc	–580	–	–580	–	–	–580
	–5,164	**–**	**–5,164**	**418**	**–**	**–4,745**
Non-derivative financial instruments	–	–	–	–	–	–
Financial claims	–	–	–	–		–
Total non-derivative financial instruments	**–**	**–**	**–**	**–**	**–**	**–**
Total	**–5,164**	**–**	**–5,164**	**418**	**–**	**–4,745**

The application of IFRS 13 has not led to further requirements for the presentation of assets and liabilities in accordance with the fair value hierarchy.

2.10 Equity

2.10.1 General comments

Sky Deutschland AG's subscribed capital amounts to €877,200,755 (2012: €778,909,762). It is divided into 877,200,755 (2012: 778,909,762) registered shares with no par value. €1.00 of the share capital is apportionable to each no-par-value share.

The capital has been fully paid in.

As of the balance sheet date additional paid-in capital amounted to K€1,920,850 (2012: K€1,595,944) of which K€1,382,623 (2012: K€1,042,536) is not available for distribution.

On 14 January 2013, Sky, its new bank syndicate, 21st Century Fox Adelaide Holdings B.V. and Twenty-First Century Fox, Inc. agreed on a new comprehensive long-term financing structure for Sky. Among other things, it comprises the issue of new equity in the amount of €438.4 million (gross proceeds) via the combination of a private placement and a rights issue. The convertible bond remains unchanged.

Sky raised gross proceeds of €347.4 million through a private share placement without subscription rights, which was registered in the commercial register on 15 January 2013, by issuing 77,890,976 new registered shares from Authorized Capital to 21st Century Fox Adelaide Holdings B.V. at €4.46 per share. The share price represented a 3.0 percent discount to the Xetra closing price of €4.60 per Sky share on the Frankfurt Stock Exchange on 11 January 2013. As a result, Sky's total number of shares outstanding increased to 856,800,738 with 21st Century Fox Adelaide Holdings B.V. holding 54.45 percent. Less the transaction costs in the amount of K€10,135, the additional paid-in capital increased by K€259,368, from K€1,595,944 to K€1,855,312.

To raise the remaining balance of €90.6 million after registration of the private share placement without subscription rights on 15 January 2013, Sky successfully issued 20,400,017 new registered shares from Authorized Capital with subscription rights in its rights offering launched on 21 January 2013. The subscription price per share was set at €4.46, which equalled the share price on which the private placement of shares to 21st Century Fox Adelaide Holdings B.V. on 15 January 2013 was based. As a result, the total number of shares issued by Sky increased from 856,800,738 to 877,200,755. Gross proceeds according to this measure amounted to €91.0 million. Less the transaction costs in the amount of K€5,047, the additional paid-in capital increased by K€65,538, from K€1,855,312 to K€1,920,850. The capital increase was registered on 7 February 2013. Public shareholders and other investors exercised subscription rights for approximately six million new shares. 21st Century Fox Adelaide Holdings B.V. exercised subscription rights for approximately 11.1 million new shares and additionally acquired at the subscription price approximately 3.3 million new shares not subscribed by other shareholders. As a result, the shareholding of 21st Century Fox Adelaide Holdings B.V. increased from 54.45 percent to 54.83 percent.

The Company has no treasury stock as of 31 December 2013.

2.10.2 Authorized Capital

At the Annual General Meeting on 18 April 2013, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's registered share capital in the period up to 17 April 2018 by up to €147,436,489 in total by issuing in one or more tranches of new registered no-par value shares against cash contribution (Authorized Capital 2013). The Authorized Capital 2012 granted to the Management Board at the Annual General Meeting on 3 April 2012 remains unchanged.

The Authorized Capital 2012 which initially amounted to €389,454,881, therefore amounts to €291,163,888.

The authorization, included in the Authorized Capital 2012, for the exclusion of subscription rights with respect to capital increases against cash contributions with an amount of not more than 10.0 percent of the registered share capital pursuant to section 186(3) sentence 4 of the German Stock Corporation Act (section 4(3) sentence 4b) of the Articles of Association) was used in full. Therefore, the authorization has become obsolete and was removed from the respective provision in the Articles of Association.

The amendment of the Company's statutes was accordingly entered in the Commercial Register.

2.10.3 Contingent Capital

With resolution of the Annual General Meeting on 3 April 2012, the Management Board, with the consent of the Supervisory Board, has been authorized, in the period up to 2 April 2017, to issue once or in installments registered and/or bearer convertible bonds and/or notes with warrants ("bonds") in an aggregate nominal amount of up to €1,500,000,000 of limited or unlimited term and to grant conversion or option rights to subscribe up to 335,538,696 new registered no-par value ordinary shares (no-par-value shares) in Sky Deutschland AG with a pro rata amount of the registered share capital of up to €335,538,696 in total to the holders and/or creditors of bonds as more closely defined in the terms and conditions for the convertible bonds or notes with warrants (Authorization 2012).

The Annual General Meeting further resolved that the registered share capital of the company be contingently increased by up to €335,538,696 by issuing up to 335,538,696 new registered ordinary shares (no-par-value shares) (Contingent Capital 2012).

The Contingent Capital 2012 granted at the Annual General Meeting on 3 April 2012 remains unchanged.

2.10.4 Accumulated other comprehensive income

Available-for-sale financial securities are measured at fair value. Changes in fair value are recognized directly in other comprehensive income. In the cases in which fair value is significant and other-than-temporarily below cost, the impairment in the amount of the difference is recognized in profit or loss. If fair value adjustments were previously made and recognized directly in equity and the written-down fair value is lower than the original cost of the asset, the portion of the impairment loss corresponding to the fair value gain previously recognized in equity is reversed through equity. Any further decrease in value is recognized in profit or loss as an expense for the period.

In accordance with IAS 39, the foreign currency forwards and interest rate swaps 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 recognized directly in accumulated other comprehensive income, net of any tax effect. In accordance with IFRS 13, credit risk adjustments have been reflected in determining the fair values.

The amendments to IAS 19 (2011 revised) were adopted for the first time in the consolidated financial statements as of 31 December 2013. The amendments to IAS 19 (2011 revised) result in the recognition of actuarial gains and losses in connection with the valuation of pensions and similar obligations directly in equity in accumulated other comprehensive income. In this context the comparative information relating to accumulated other comprehensive income and retained deficit as of 1 January 2013 and 1 January 2012 were adjusted by a total of K€2,821 net of tax (please refer to 1.7 New accounting standards issued by the IASB for further details). Likewise to these reclassifications any future effects from the valuation will not be recycled through profit and loss in subsequent periods. Both current service cost and interest cost will continue to be recognized in general administrative expenses and financial result as part of profit and loss respectively.

3. Notes to the consolidated statement of comprehensive loss

3.1 Revenues

(K€)	2013	2012
Subscriptions	1,413,393	1,220,188
Hardware	32,950	42,896
Advertising revenues	41,254	29,673
Wholesale	20,754	13,321
Other revenues	38,100	27,123
Total	**1,546,450**	**1,333,201**

Revenues increased by K€213,249 from K€1,333,201 in 2012 to K€1,546,450 in 2013.

The higher subscription revenues (2013: K€1,413,393, 2012: K€1,220,188) resulted from both a growth in the number of direct subscribers and a growth in ARPU. Subscription revenues also comprise revenues from direct subscribers, who subscribed to Sky programs via the IPTV platforms of Deutsche Telekom and Vodafone.

Hardware revenues decreased by K€9,947 from K€42,896 in 2012 to K€32,950 in 2013, mainly due to lower revenues from activation fees for receivers. The decrease in revenues is mainly driven by the effects of the transition in the subscription terms from 12 to 24 months in 2013.

Advertising revenues increased overall by K€11,581 from K€29,673 in 2012 to K€41,254 in 2013. This increase was mainly due to higher advertising revenues associated with broadcasting the German Football League as well as broadcasting beach volleyball for the first time.

Wholesale revenues increased overall by K€7,433 from K€13,321 in 2012 to K€20,754 in 2013. The increase was mainly due to the cooperation agreement with Deutsche Telekom and comprises partly former Liga total! IPTV customers and partly Deutsche Telekom mobile customers, who have ordered the Bundesliga service via the mobile TV offering of Deutsche Telekom.

The increase in other revenues (2013: K€38,100, 2012: K€27,123) is mainly related to revenues generated through the granting of rights to distribute and market Sky services through Deutsche Telekom and Vodafone as well as higher revenues from sublicensing sport and film rights. Other revenues also comprise revenues with Vodafone mobile customers.

In total, sales revenues from the Austrian business in the amount of K€137,303 (2012: K€126,667) are included.

3.2 Cost of sales

(K€)	2013	2012
Program	–882,609	–795,556
Technology	–170,128	–169,383
Customer service and other cost of sales	–95,350	–86,112
Hardware	–85,591	–68,653
Total	**–1,233,678**	**–1,119,704**

Cost of sales increased by K€113,974 from K€1,119,704 in 2012 to K€1,233,678 in 2013.

Programming costs increased by K€87,053, mainly driven by higher license costs for sport events and third-party channels.

The slight increase in technology costs by K€745 was primarily the result of an increase in costs for cable broadcasting, additional transponder capacities as well as playout and other services in the amount of K€8,801, which was largely offset by income from the release of accruals and provisions in connection with the conclusion of agreements with two network providers.

Customer service and other costs of sales increased to K€95,350 (2012: K€86,112), mainly due to the increased customer contacts associated with the higher subscriber base.

The increase in hardware costs by K€16,938 mainly resulted from higher depreciation for receivers recognized under non-current assets and higher logistics costs.

3.3 Selling and general and administrative expenses

The selling and general and administrative expenses are made up as follows:

(K€)	2013	2012
Marketing	–103,855	–104,319
Sales	–55,309	–48,084
Dealer commissions	–28,774	–38,850
Bad debts	–20,336	–14,817
Other selling expenses	–26,253	–24,214
Selling expenses	**–234,528**	**–230,286**
IT	–54,101	–49,389
Personnel, incl. termination benefits	–60,718	–40,483
Legal, consulting and administrative expenses	–12,341	–10,324
Facilities	–8,065	–7,456
Other	–3,375	–2,770
General and administrative expenses	**–138,601**	**–110,423**

The comparative information for the previous financial year relating to general administrative expenses was adjusted to reflect that actuarial losses (remeasurements) in connection with the measurement of provisions for pension and similar obligations as well as termination indemnity obligations to employees of the Austrian subsidiaries in the amount of K€3,645 had been transferred directly from general and administrative expenses to other comprehensive income (for further information please refer to 1.7 New accounting standards issued by the IASB).

Selling expenses increased by K€4,242 to K€234,528 (2012: K€230,286). The increase is primarily due to an addition to allowances recorded against receivables from subscribers in the amount of K€4,981. These receivables relate to certain promotional offers and are subject to dunning procedures. This was offset by decreasing commissions – among others, in connection with ramping down outbound telesales – as well as lower marketing costs.

General administrative expenses increased by K€28,178 from K€110,423 in 2012 to K€138,601 in 2013. This increase was primarily a result of higher IT expenses and higher personnel expenses, particularly relating to the share-based compensation programs.

3.4 Other operating income

(K€)	2013	2012
Income from compensation	7,500	6,244
Income due to an agreement with a network provider	2,500	–
Miscellaneous	1,861	1,830
Total	**11,862**	**8,074**

A variety of individually immaterial items is accumulated under the item "Miscellaneous".

3.5 Other operating expenses

Other operating expenses are made up as follows:

(K€)	2013	2012
Loss on sale of property and equipment	–58	–31
Allocation to allowances for doubtful receivables	258	9
Expense prior years	–1,016	–
Damage claims	–2,239	–
Miscellaneous	–589	–591
Total	**–3,645**	**–613**

A variety of individually immaterial items is accumulated under the item "Miscellaneous".

3.6 Personnel expenses and depreciation and amortization on intangible assets and property, plant and equipment

Personnel expenses and depreciation and amortization of fixed assets were charged to operating profit.

(K€)	2013	2012 (adjusted)
Wages and salaries	–143,844	–114,262
Social security	–21,895	–20,140
Other personnel expenses (incl. anniversary expense)	–7,583	–6,014
Termination benefits	–1,271	–914
Pension expense and similar expense	–302	–217
Personnel expenses	**–174,895**	**–141,547**
Amortization of subscriber bases	–1,388	–1,390
Depreciation of property, plant and equipment, including impairment losses	–61,298	–47,243
Amortization of other intangible assets	–25,253	–24,693
Amortization of program library	–327	–327
Depreciation and amortization	**–88,265**	**–73,653**

In addition to higher expenses in connection with shared-based compensation programs (2013: K€22,304, 2012: K€8,784) the year-on-year increase in personnel expenses is primarily driven by increased personnel expenses associated with the expansion of the business.

The increase in scheduled and unscheduled amortization and impairments on property, plant and equipment recognized as cost of sales is mainly driven by the higher volume of rented receivers and the corresponding amortization of the receivers over their useful lives of five to seven years.

In the past financial year, an amortization expense in the amount of K€21 (2012: K€21) was recognized on financial assets.

3.7 Financial result

(K€)	2013	2012
Interest income from interest rate swaps	–	–
Other interest income	1,076	1,457
Financial income	**1,076**	**1,457**
Interest expenses from interest rate swaps	–	–14
Other interest expense	–72,697	–64,729
Financial expenses	**–72,697**	**–64,742**
Other financial result	–1,963	–2,065
Total	**–73,584**	**–65,351**

Other interest income mainly comprises current account interest and interest on the collection of receivables.

Other interest expenses comprise primarily interest for the corporate financing.

In connection with the shareholder financing by 21st Century Fox Adelaide Holdings B.V. an interest expense in the amount of K€27,090 (2012: K€25,376) was incurred, of which K€18,428 (2012: K€17,334) relate to the convertible bond based on an effective interest rate of 12.0 percent per annum and K€8,662 (2012: K€8,042) to the shareholder loans.

Including interest on the guarantees provided by Twenty-First Century Fox, Inc. and its subsidiary 21st Century Fox America, Inc. for the credit financing, interest in the amount of K€41,682 was incurred in 2013 (2012: K€34,241) in connection with the bank financing and was recognized in profit and loss. Of this interest expense, an amount of K€27,534 was paid (2012: K€26,821). As of the balance sheet date K€8,352 (2012: K€2,071) was recognized as accrued interest payable and K€0 (2012: K€19,128) was added to the loan volume.

The interest expense for the past financial year includes interest expenses of K€29,130 (2012: K€29,518) calculated in accordance with the effective interest method.

3.8 Net gains/losses by measurement categories

(K€)	Net gains/losses 2013	Net gains/losses 2012
Loans and receivables	–19,736	–14,951
Financial assets or liabilities held for trading		
Gains or losses on changes in fair value recognized in equity	–1,023	–1,285
Gains or losses on disposal and measurement recognized in profit or loss	–3,078	–372
Available-for-sale financial assets		
Gains or losses on changes in fair value recognized in equity	–	–109
Gains or losses on disposal and measurement recognized in profit or loss	–40	–120
Financial liabilities measured at amortized cost	1,363	–1,450
Total	**–22,515**	**–18,289**

Net gains or losses by measurement categories of financial instruments are influenced by changes in fair value, impairments, fluctuations in exchange rates and derecognizing.

The net gains or losses on financial assets and liabilities held for trading relate to the gains or losses on the disposal and the subsequent measurement of these financial instruments (2013: losses of K€3,078; 2012: losses of K€372). Interest effects are reported in the interest result (please refer to 3.7 Financial result), whereas the valuation of certain foreign exchange forward contracts that have not been designated for hedge accounting is shown in other financial result (please refer to 1.6.1.7 Derivative financial instruments).

3.9 Income taxes

Income tax expense comprises the following:

(K€)	2013	2012
Current tax income (+)/expense (–)	–13	803
Deferred tax expense	–5,980	–6,857
Total	**–5,992**	**–6,054**

The comparative information for the previous financial year relating to deferred tax expense was adjusted to reflect that deferred tax income on actuarial losses (remeasurements) in connection with the measurement of provisions for pension and similar obligations as well as termination indemnity obligations to employees of the Austrian subsidiaries in the amount of K€998 were reclassified from income taxes to other comprehensive income (please refer to 1.7 New accounting standards issued by the IASB for further information).

Deferred tax expense within income taxes substantially results from changes in temporary differences. Deferred tax liabilities recognized as of the balance sheet date indicate commitments which will lead to current tax expenses in future periods.

Deferred taxes are measured based on a tax rate of 27.38 percent (2012: 27.38 percent), taking into account, in addition to corporate income tax of 15.0 percent (2012: 15.0 percent), the solidarity surcharge at 5.5 percent (2012: 5.5 percent) on the corporate income tax and the trade tax on income of 11.55 percent (2012: 11.55 percent).

Differences in recognition and measurement result in the following recognized deferred tax assets and liabilities:

(K€)	31 Dec 2013 Deferred tax assets	31 Dec 2013 Deferred tax liabilities	31 Dec 2012 Deferred tax assets	31 Dec 2012 Deferred tax liabilities
Trade receivables	–	–	46	–
Finance lease receivables	–	16	–	72
Finance leases	–	236	–	25
Property, plant and equipment	–	–	24	–
Intangible assets	32	60,839	117	55,126
Other assets and other financial assets	75	191	–	988
Borrowings	–	432	32	524
Trade payables	39	5	–	196
Provisions for pensions	366	–	585	–
Other provisions	–	31	–	194
Other liabilities and other financial liabilities	474	–	1,194	–
Total	**986**	**61,750**	**1,998**	**57,125**
of which current	380	307	969	1,661
of which non-current	606	61,443	1,029	55,464
Offset	–937	–937	–1,963	–1,963
Per balance sheet	**50**	**60,814**	**35**	**55,161**

Recognition of deferred tax liabilities primarily results from the difference in subsequent valuation of goodwill in the consolidated statements and its tax base.

Deductible temporary differences in the amount of K€10,903 (2012: K€11,157) as well as related deferred tax assets in the amount of K€2,985 (2012: K€3,054) were not recognized as of the balance sheet date mainly because of the history of losses of the Company. This also applies to corporate and trade tax loss carry-forwards as well as interest carry-forward described in more detail below.

As of the balance sheet date deferred tax assets recognized directly in other comprehensive income amount to K€1,505 (2012: K€1,164). This results from both the valuation of foreign exchange forward contracts and interest rate swaps designated for hedge accounting in the amount of K€486 (2012: K€100) and the recognition of remeasurements in accordance with IAS 19 (2011 revised) in the amount of K€1,019 (2012: K€1,063). For further information regarding the first-time application of IAS 19 (2011 revised) please refer to 1.7 New accounting standards issued by the IASB and 2.8.6 Provisions for pensions.

Deferred tax assets and liabilities are offset provided they are with the same tax authority and current taxes are offset.

The reported tax expense differs from the expected tax expense that would have arisen if the nominal tax rate of 27.38 percent (2012: 27.38 percent) had been applied to the IFRS pre-tax earnings.

The reconciliation of the differences is shown below:

(K€)	2013	2012
Loss before taxes	–127,112	–186,491
Expected tax benefit	**34,797**	**51,052**
Reconciliation		
Change in non-recognition of deferred taxes	–38,468	–55,177
Non-deductible expenses	–2,011	–2,447
Other	–310	518
Tax expense	**–5,992**	**–6,054**

The line item Other includes current income tax for prior years in the amount of K€0 (2012: K€722)

The line item Change in non-recognition of deferred taxes consists of changes in tax loss carry-forwards, the interest carry-forward and deductible temporary differences of the financial year 2013.

As of the balance sheet date the Company has accumulated corporate tax losses of K€2,573,090 (2012: K€2,456,111), of which K€248,742 (2012: K€244,372) relate to the Austrian subsidiaries. Besides, Sky has accumulated trade tax losses in the amount of K€2,428,533 (2012: K€2,309,274). In addition, there is an interest carry-forward of K€189,864 (2012: K€180,879) (§ 8a Corporate Income Tax Act).

On the basis of the existing law in 2008 the Company lost corporate tax loss carry forwards in the amount of K€225,917 and trade tax loss carry forwards in the amount of K€16,461 due to the acquisition of 25.01 percent of the share capital of the Sky Deutschland AG by the Twenty-First Century Fox, Inc..

In 2009 the German Parliament passed a "turnaround clause" (Sanierungsklausel) regarding tax loss and interest carry forwards ("§ 8c Corporate Income Tax Act") with retrospective effect for the tax assessment period 2008. Based on an examination, the EU Commission decided on 26 January 2011 that the turnaround clause is considered to entail state aid. In defense of its own legal opinion, Sky lodged a complaint in due time on 2 December 2011 with the European Court against the EU Commission for the annulment of the above mentioned decision.

In November 2012, Sky received an advanced ruling from the Munich tax authorities granting approval on the general technical approach regarding the application of the hidden reserve clause of the German Corporate Tax Act (Körperschaftsteuergesetz) to protect German tax losses and tax loss carry-forwards in the event of certain changes to the Company's shareholder structure (e.g., increase of the shareholding of 21st Century Fox Adelaide Holdings B.V. to 54.45 percent on 15 January 2013). While the Munich tax authorities did only issue comments on the methodology for the determination of hidden reserves and did not comment on valuation results, management believes that pursuant to this ruling the Company should be able to retain a significant part of its current German tax losses and tax loss carry-forwards in the event of relevant changes to the Company's shareholder structure. The valuation will be checked for the first time by the relevant tax authorities in the course of the tax assessment for fiscal year 2013.

3.10 Earnings per share

Basic earnings per share are calculated as the ratio of the Group earnings and the weighted average number of ordinary shares outstanding during the year.

	1 Jan – 31 Dec	
	2013	2012 adjusted
Earnings attributable to stockholders of Sky Deutschland AG (K€)	–133,104	–192,536
Weighted average number of outstanding shares (thousand)	872,145	770,591
Basic earnings per share total (€)	**–0.15**	**–0.25**

Upon completion of the capital raisings entered into the commercial register on 15 January and 7 February 2013 respectively, the number of shares issued by Sky Deutschland AG amounts to 877,200,755 shares. For the financial year 2013, the capital increases resulted in a weighted average of 872,145,209 registered shares.

In 2011, Sky issued a convertible bond to 21st Century Fox Adelaide Holdings B.V. through a private placement. The bond can be converted into 53,914,182 ordinary registered shares sourced from the Contingent Capital.

Upon conversion of the bond into ordinary registered shares, the weighted average number of outstanding shares would have increased to 926,059,391.

Due to the consolidated loss incurred in the financial year 2013, the diluted earnings per share correspond to the basic earnings per share.

4. Other explanatory comments

4.1 Financial risk management

4.1.1 Financial risk factors

The Group is exposed in particular to interest and foreign currency risks in connection with its operating activities. It is the Group's policy to avert or restrict these risks through hedging transactions. All hedging measures are coordinated, carried out and monitored on a centralized basis by the Group's Treasury & Corporate Finance department.

4.1.1.1 Foreign currency risk

Fluctuations in exchange rates could result in unforeseeable volatility in earnings and cash flows. Sky concludes foreign currency forward contracts to hedge the foreign currency risk. These transactions are related to the hedging of cash flows in foreign currencies in connection with the purchase of film and other licenses.

Fair value gains or losses from the remeasurement of foreign currency forward contracts as of the balance sheet date are recognized in profit or loss only in the case that they had not been designated for hedge accounting pursuant to IAS 39. The requirements of IFRS 13 regarding the exposure to credit risks were taken into account in the valuation of the foreign currency forward contracts. For further details please refer to 4.1.2 Disclosures on derivatives.

Of the total payments in US dollars and pound sterling, K€83,545 were hedged during the past financial year (2012: K€60,761) using foreign currency forward contracts.

The total trade payables of K€288,976 (2012: K€277,117) include K€35,808 (2012: K€32,741) in foreign currency.

Foreign currency sensitivity is determined firstly by aggregating both the net positions of the operating business denominated in foreign currency and all foreign currency forward contracts which are not designated for hedge accounting. The foreign currency risk is arrived at by multiplying the non-hedged foreign currency position by a 10.0 percent mark-up or devaluation of the US dollar and the pound sterling respectively compared with the euro.

	31 Dec 2013			31 Dec 2012		
(K€)	Carrying amount	Impact from depreciation of 10%	Impact from appreciation of 10%	Carrying amount	Impact from depreciation of 10%	Impact from appreciation of 10%
Financial liabilities in foreign currencies	35,808	3,580	–3,580	32,741	3,271	–3,271
Foreign currency forward contracts not designated for hedge accounting	–2,970	–8,158	8,158	–86	–2,119	2,119
Effect on earnings		**–4,578**	**4,578**		**1,152**	**–1,152**

A 10.0 percent depreciation of the US dollar and the pound sterling respectively compared with the euro would result in a negative effect from the foreign currency forward contracts at the same time as a positive effect from the US dollar and pound sterling denominated financial liabilities, so that a net negative effect of altogether K€4,578 on the earnings for the past financial year would result from this (2012: a net positive effect in the amount of K€1,152). A 10.0 percent appreciation of the US dollar and the pound sterling respectively compared with the euro would have a total positive effect in the amount of K€4,578 on earnings for the financial year (2012: a negative effect in the amount of K€1,152).

(K€)	31 Dec 2013 Carrying amount	Impact from depreciation of 10%	Impact from appreciation of 10%	31 Dec 2012 Carrying amount	Impact from depreciation of 10%	Impact from appreciation of 10%
Accumulated other comprehensive income (foreign currency forward contracts designated for hedge accounting)	–122	–4,589	4,589	–366	–4,690	4,690
Deferred taxes	33	1,256	–1,256	100	1,284	–1,284
Effect on other comprehensive income		**–3,333**	**3,333**		**–3,406**	**3,406**

A 10.0 percent depreciation of the US dollar and the pound sterling respectively compared with the euro would result in a negative effect from foreign currency forward contracts designated for hedge accounting with due consideration of deferred taxes in the amount of K€3,333 (2012: a negative effect in the amount of K€3,406) on other comprehensive income for the financial year. A 10.0 percent appreciation of the US dollar and the pound sterling respectively compared with the euro would have a total positive effect in the amount of K€3,333 on other comprehensive income for the financial year (2012: a positive effect in the amount of K€3,406).

4.1.1.2 Interest rate risk

The Company is exposed to interest rate risks as a result of its variable interest rate liabilities. Sky entered into interest rate swap agreements with several banks in July 2013 to fully hedge the potential interest rate risk for a loan with variable interest rates.

The total borrowings of K€551,613 (2012: K€615,254) include K€226,767 (2012: K€391,157) with variable interest rates.

In accordance with IFRS 7, interest rate risks are presented by means of sensitivity analyses. These present the effects of changes in market rates of interest on profit or loss or on equity. In accordance with IFRS 13, credit risk adjustments have been reflected in the valuation of interest rate swap agreements for the first time in the financial year 2013. For further details please refer to 4.1.2 Disclosures on derivatives.

In particular, changes in market interest rates of non-derivative variable interest rate financial instruments have an effect on earnings for the financial year.

(K€)	Interest rate	31 Dec 2013 Balance as of balance sheet date	Valuation +1 percentage point	Valuation –1 percentage point	31 Dec 2012 Balance as of balance sheet date	Valuation +1 percentage point	Valuation –1 percentage point
Cash and cash equivalents*	variable	196,898	1,969	–19	4,294	43	–43
Liabilities to banks	variable	225,000	–2,250	2,250	391,157	–3,912	3,912
Liabilities from interest rate swaps**	variable	1,653	4,264	–5,108	0	0	0
Net Exposure		**29,755**	**45**	**–2,839**	**386,863**	**–3,955**	**3,955**

* With respect to cash and cash equivalents, the absolute values of the sensitivities differ in that lowering the interest rate was suspended at the level of zero percent.
** With respect to liabilities from interest rate swaps, the absolute values of the sensitivities differ in that lowering the yield curve was suspended at the level of zero percent.

On an assumed increase of 1.0 percentage point in the market interest rate, the total comprehensive loss for the period would have reduced by K€45 (2012: K€3,955). On an assumed decrease of 1.0 percentage point in the market interest rate, the total comprehensive loss for the period would have increased by K€2,839 (2012: K€3,955). The calculation for the non-derivative variable interest rate financial instruments is based on the balances as of 31 December 2013.

4.1.1.3 Price risk

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

Significant portions of Sky's film licensing are linked to the actual number of subscribers ("overages"). Some of the contracts with owners of program rights also include guaranteed minimum subscriber numbers ("minimum guarantees"). If the minimum subscriber numbers are not achieved, a higher portion of Sky's revenues is necessary to cover this cost basis.

Price increases, minimum guarantees and the mitigation of expected inflation-related increases over the terms are partially taken into account when concluding long-term license and service agreements in the areas of technology and administration.

4.1.1.4 Liquidity risk

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

Financial planning instruments are utilized in order to identify liquidity shortages on a timely basis. In this connection, the liquidity requirement is updated on a regular basis. The Company's planning horizon for the operational cash planning is one year. The Company hedges future cash flows by means of derivatives based on a planning horizon up to 22 months for foreign exchange forward contracts.

The following tables show all contractually defined interest and principal payments as of 31 December 2013 and 31 December 2012 on recognized financial liabilities, including derivatives with a negative market value. The market values are disclosed for the foreign currency forward and interest swap contracts, while the undiscounted cash flows for the following financial years are shown for the remaining liabilities.

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

As of 31 December 2013

(K€)	2014	2015	2016 to 2018	2019 and later
Non-derivative financial liabilities				
Loans	18,982	166,882	432,090	–
Trade payables	277,270	6,430	2,668	2,668
Other financial liabilities	34,209	72	180	2,176
Derivative financial liabilities				
Currency derivatives in connection with cash flow hedges	250	–	–	–
Currency derivatives without a hedging relationship	2,734	526	–	–

Following is the corresponding presentation for 2012:

As of 31 December 2012 (K€)	2013	2014	2015 to 2017	2018 and later
Non-derivative financial liabilities				
Loans	410,119	86,076	166,882	–
Trade payables	266,207	4,655	3,134	3,134
Other financial liabilities	60,681	57	142	2,068
Derivative financial liabilities				
Currency derivatives in connection with cash flow hedges	367	–	–	–
Currency derivatives without a hedging relationship	86	–	–	–

Sky does not provide disclosures on contractually fixed payments relating to financial assets including derivative financial instruments with positive fair values, as these assets are not being held for the purpose of managing liquidity risks.

4.1.1.5 Credit risk

The default risk on the financial assets represents the danger of the default of a contractual partner and is therefore limited to the carrying amounts of the respective assets.

In accordance with IFRS 13, credit risk adjustments have been reflected in the valuation of derivative financial instruments for the first time in the financial year 2013.

In order to avoid payment defaults, credit reports are obtained on the contractual partners or historical data is used from earlier business relationships, particularly on payment behavior. Adequate allowances are set up against the receivables for identified risks.

In addition, the Company utilizes the direct debit procedure to ensure the receipt of payments from the subscribers.

Financial transactions are only entered into with contracting parties with solid credit standing, so that the actual default risks are low. There is currently no indication that the Sky Group is threatened by such a risk.

4.1.2 Disclosures on derivatives

Other financial assets and other financial liabilities include the following derivatives:

(K€)	2013	2012
Positive fair values		
Market value interest swap contracts	–	–
Credit risk interest swap contracts	–	–
Total interest swap contracts	**–**	**–**
Market value foreign exchange forward contracts	427	1
Credit risk foreign exchange forward contracts	–8	–
Total foreign exchange forward contracts	**418**	**1**
Total positive fair values	**418**	**1**
Negative fair values		
Market value interest swap contracts	1,709	–
Credit risk interest swap contracts	–56	–
Total interest swap contracts	**1,653**	**–**
Market value foreign exchange forward contracts	3,619	453
Credit risk foreign exchange forward contracts	–108	–
Total foreign exchange forward contracts	**3,511**	**453**
Total negative fair values	**5,164**	**453**

The notional amounts of the derivatives outstanding as of the balance sheet date are as follows:

(K€)	Maturities < 1 year	Maturities 1–5 years	Total 31 Dec 2013	Maturities < 1 year	Maturities 1–5 years	Total 31 Dec 2012
Foreign exchange forward contracts	72,057	58,509	130,566	68,541	–	68,541
thereof currency derivatives in connection with cash flow hedges	46,014	–	46,014	47,267	–	47,267
thereof currency derivatives without hedging relationship	26,044	58,509	84,552	21,274	–	21,274
Interest swaps	–	225,000	225,000	–	–	–
Total	**72,057**	**283,509**	**355,566**	**68,541**	**–**	**68,541**

In the financial year, losses on US dollar foreign exchange forward contracts in the amount of K€382 (2012: gains in the amount of K€498) and gains on pound sterling foreign exchange forward contracts in the amount of K€128 (2012: gains in the amount of K€126) were recognized in other comprehensive income.

Besides, losses on US dollar foreign exchange forward contracts in the amount of K€373 (2012: gains in the amount of K€2,168) were reclassified from other comprehensive income to advance payments for sport and film rights as reduction of acquisition costs, of which a positive K€295 (2012: positive in the amount of K€461) is shown as utilization in cost of sales and a negative K€10 (2012: positive in the amount of K€33) in other operating result. The valuation effects in the amount of K€125 (2012: gains in the amount of K€225) on pound sterling foreign exchange forward contracts as a hedge of payments for the right to use the brand Sky were reclassified directly from other comprehensive income to marketing expenses and are shown as increase of selling expenses.

In 2014 and subsequent years, losses in the amount of K€270 will be expected in cost of sales (2013: gains in the amount of K€539) and another loss in the amount of K€3 in the other operating result (2013: gains in the amount of K€2).

4.2 Capital management

The following table shows the Group's capital structure as of the balance sheet date:

(K€)	31 Dec 2013	31 Dec 2012
Total assets	1,386,917	1,147,968
Equity	331,200	42,014
Share of total assets (in %)	23.9	3.7
Current borrowings	18,707	399,524
Non-current borrowings	532,906	215,730
Total borrowings	551,613	615,254
Share of total assets (in%)	39.77	53.60
Cash and cash equivalents	196,898	4,294
Net debt	354,715	610,960

Sky's statutes do not subject it to any capital requirements. In particular, the Company has no obligations to sell or otherwise issue shares in connection with existing share-based compensation plans or convertible bonds.

The new credit facilities do not provide for any financial covenants. As such, there are no external nor internal target values regarding the Company's capitalization, that would determine the capital management of the Company. The new credit facilities do not provide for any financial covenants for Sky. However, the new credit facilities contain a number of operational undertakings that restrict Sky's ability to, among other things, conduct any mergers and other fundamental changes, sales and other dispositions of all or all substantial assets obtain other debt and grant certain liens. Moreover, the lenders under the new credit facility agreement are entitled to terminate the new credit facility agreement upon the occurrence of certain events of default caused by the guarantors Twenty-First Century Fox, Inc. and 21st Century Fox America, Inc. The lenders are also entitled to accelerate the repayment of the credit facilities in the event of a change of control.

With regard to the authorized capital and the Contingent Capital we refer to item 2.10 Equity.

4.3 Cash flow statement

In accordance with IAS 7 the consolidated statement of cash flows shows the cash in- and outflows of the reporting period. Both the source and use of funding are presented. Based on the nature of the cash flows, a distinction is made between operating activities, investing activities and financing activities.

At Sky, cash flows from financing and investing activities are determined on the basis of cash payments, whereas the cash flows from operating activities are derived indirectly.

Cash flows from operating activities amounted to K€92,025 (2012: negative K€30,630). Cash inflows from the positive EBITDA in the amount of K€34,737 (2012: outflows K€47,467), adjusted by non-cash expenses in the amount of K€8,613 (2012: K€9,834) were complemented by changes in working capital in the amount of K€49,683 (2012: K€7,586). Cash flows from operating activities also include the cash flows in connection with the acquisition of film assets and advance payments for sport and film rights.

The cash flow from investing activities amounted to negative K€142,220 (2012: negative K€136,371). Payments for investments in intangible assets and property, plant and equipment primarily related to the acquisition of receivers and associated licenses as well as investments in software. Payments for the acquisition of entities were mainly due to payments in connection with the buyback of all shares in Premiere Star GmbH, Unterföhring and Creation Club GmbH, Unterföhring carried out in 2009 in the amount of K€29,714, of which K€992 are shown under interest paid.

Cash flow from financing activities amounted to K€242,799 (2012: K€116,511). The inflow of funds as a result of the capital increases and the drawdown under the new credit agreement exceeded the outflow of funds for repayment of the existing credit facilities, interest payments as well as payments for transaction costs in connection with the taken financing measures.

The existing financing facilities (excluding guarantees and capitalized interest) were utilized in the amount of K€495,615 (31 December 2012: K€594,645). Thereof, K€31,275 were classified as equity according to IAS 32. The undrawn credit facilities amounted to K€72,700 as of the balance sheet date (thereof K€72,700 resulting from the bank financing).

In the financial year 2013, non-cash transactions from new finance lease contracts amounted to K€48,936 (2012: K€5,692).

There were no inflows and outflows of income taxes either in the past financial year or in the previous year.

4.4 Related party transactions

Related parties are persons or companies on which the Group can exercise significant influence or which can exercise significant influence on the Group. In addition to the members of the Company's Management Board and Supervisory Board, these also include family members and the domestic partners of the persons affected.

In the course of the normal business activities, all delivery and service transactions with non-consolidated related entities and persons are carried out under market-standard terms and conditions which are also customary with non-related third parties.

The Company carried out transactions with the following groups of related parties during the past financial year:

(K€)	Total of companies with controlling or significant influence above the company	Total remuneration of Management Board	Total of other related parties	Total
Revenues from sales and services	1,048	–	–	1,048
Income from recharging personnel expenses	–	–	–	–
Other income	3	–	–	3
Expense from service received	–108,153	–	–374	–108,527
Personnel expenses	–279	–20,943	–	–21,222
Result for the period	**–107,381**	**–20,943**	**–374**	**–128,698**
Payables	–303,229	–18,340	–52	–321,620
Receivables	947	1	–	948

The expenses incurred for services received from companies with controlling or significant influence over Sky relate in particular to license payments for film rights and interests. In this connection, companies with significant influence are those that are controlled by Twenty-First Century Fox, Inc., those that are under joint management of Twenty-First Century Fox, Inc. and its partner companies and those over which Twenty-First Century Fox, Inc. can exercise significant influence.

In the financial year 2013, Sky paid interests in the amount of K€9,049 (2012: K€6,669) on the convertible bond to 21st Century Fox Adelaide Holdings B.V.

In connection with financing measures carried out in 2012 and 2013, transaction costs in the amount of K€26,285 were paid to 21st Century Fox Adelaide Holdings B.V. and Twenty-First Century Fox, Inc. in the financial year 2013 (2012: K€0).

The table provided below includes an interest expense in the amount of K€29,122 for the shareholder financing with 21st Century Fox Adelaide Holdings B.V. and an interest expense in the amount of K€27,402 for the debt financing including the Bundesliga guarantee with Twenty-First Century Fox, Inc. shown under expenses from services received.

The existing contract with Fox International Channels Germany GmbH, Unterföhring (Fox) regarding the provision of a partner channel expired in October 2013. The extension option was not exercised by Fox. However, negotiations for the future provision of the partner channel remain ongoing. This resulted in the release of accruals of the current contract in the amount of K€3,342. Negotiations regarding the new conditions of the partner channel from 1 November 2013 onwards are currently in progress.

With regard to the new credit facilities Sky is subject to various obligations and conditions. Under the new credit facilities a change of control is defined as the direct or indirect ownership, beneficially or of record, by any person or group of persons acting in concert, other than Twenty-First Century Fox and its affiliates, of voting stock representing more than the greater of 30 percent of the aggregate outstanding voting stock of Sky and the percentage of the aggregate outstanding voting stock of Sky owned directly or indirectly, beneficially or of record, by Twenty-First Century Fox and its affiliates. A change of Control entitles the lenders to cancel the credit facilities.

On 5 December 2013, Sky Deutschland AG, Sky Deutschland KG, 21st Century Fox Adelaide Holdings B.V., Twenty-First Century Fox, Inc. and 21st Century Fox America, Inc. signed a financial support agreement regarding the purchase of company shares in Plazamedia GmbH TV- und Filmproduktion, in Sport1 GmbH and Constantin Sport Marketing GmbH. Sky Deutschland AG has entered into negotiations with members of the existing bank syndicate about financing the purchase price with a new credit agreement which will be guaranteed by Twenty-First Century Fox, Inc.. In this case, the guarantee interest will be at a rate of 6.0 percent per annum. If the intended signing of the financing by bank agreement should not occur, Twenty-First Century Fox, Inc. obliged itself to providing an unsecured shareholder loan with an interest rate of 14.0 percent per annum.

Sky Deutschland AG has not entered into other agreements that are subject to the alteration or termination upon a change of control. However, subsidiaries of Sky Deutschland AG have entered into agreements with major Hollywood studios, the UEFA, the DFL and several third party channels that entitle the relevant counterparties to terminate the agreements under certain conditions if a change of control occurs at Sky Deutschland AG. Furthermore, Sky Deutschland KG has entered into a trademark license agreement with a company of the BSkyB Group that entitles the company to terminate the agreement under certain conditions if a change of control occurs at Sky Deutschland AG.

BSkyB and Sky Deutschland KG entered into a trademark license agreement in 2009, which allows Sky to use the Sky brand name. The contract has a license period from 1 July 2009 to 30 June 2016 (initial term) and is automatically extended for a further period of seven years (extended term). Thereafter Sky has the option of a single subsequent extension of three years. The agreement comprises license fees at arm's-length, which are based on the stipulated revenues and are capped in the first seven years. In the fiscal year 2012 the agreement was transferred to Sky International AG, Zug, Switzerland. A total of K€3,948 (2012: K€3,214) in selling expenses were recognized.

Sky Italia S.r.l. and Sky Deutschland KG entered in 2009 into a service agreement. Sky Italia is committed to supply certain IT facilities, including management, maintenance and consultancy services with regard to the start-up of the IT infrastructure operations of the new subscriber management system ("SMS"). This contract including its amendments run until June 2012 with total payments of K€18,044. In July and December new agreements amended the contract duration until June 2013 and include new payments of K€11,382. In August another agreement amended the contract duration until December 2013 and include new payments of K€2,373. After the balance sheet date on 6 February 2014, another agreement amended the contract duration until June 2014. For further information please refer to 1.6.7.1 Company as lessee.

In connection with outstanding receivables from service agreements with Sky Italia S.r.l. and BSkyB, allowances in the amount of K€279 were recognized in the financial year, which are included in expenses from services received in the table above.

For detailed information regarding the compensation of the Management Board and the Supervisory Board, please refer to point 4.8 Compensation of the Management Board and the Supervisory Board.

The Sky Group is included in the consolidated financial statements of Twenty-First Century Fox, Inc., New York, United States of America. An amount of K€175 is included in receivables with companies with controlling or significant influence above the company from Twenty-First Century Fox, Inc.

4.5 Contingent liabilities and assets pledged as security

The existing debt financing is not secured by assets of the Sky group. The credit facilities of €300 million provided are fully guaranteed by Twenty-First Century Fox, Inc. and its subsidiary 21st Century Fox America, Inc.. The new credit facilities do not provide for any financial covenants but contain a number of operational undertakings that restrict Sky's ability to, among other things, conduct any mergers and other fundamental changes, sales and other dispositions of all or substantially all assets, obtain other debt and grant certain liens. Moreover, the lenders under the New Credit Facility Agreement will be entitled to terminate the New Credit Facility Agreement upon the occurrence of certain events of default caused by the guarantors Twenty-First Century Fox, Inc. and 21st Century Fox America, Inc.. The lenders are also entitled to accelerate the repayment of the credit facilities in the event of a change of control.

4.6 Litigation

The following sections refer to the current material litigations.

Shareholder claims

Sky Deutschland AG is facing damage claims by shareholders with respect to public information on its subscriber numbers.

So far, 13 actions for damages have been filed against Sky. All actions were terminated legally binding, either by way of dismissal of the claim, withdrawal of the action or settlement agreements. The total settlement payments amounted to K€122.

Furthermore, out-of-court claims totalling K€60 have been served on the Company, partially through a mediation proceeding. The Company has rejected the claims and declined to enter into the mediation proceeding.

In the past further claims for damages had been asserted out of court, mostly by institutional investors ("the Funds") by way of mediation proceedings. The Company entered into a settlement agreement in October 2010 according to which the Funds' claims are finally and absolutely settled upon payment of €14.5 million in installments. All installments have been paid in the meantime.

The Company believes that the total amount of the settlements as well as any associated cost – in particular legal costs – will be covered by existing insurance policies (prospectus insurance for the 2007 Prospectus and D&O insurance). However, the prospectus insurer on 13 March 2012 declined to cover. The provider of the D&O insurance, which applies in case claims are raised against former board members, is to the Company's knowledge still in the evaluating process. Extrajudicial claims that have been raised against former board members have been rejected by them. The Company therefore filed a recourse action aiming for a compensation of all damages incurred against the prospectus insurer and former board members at the District Court of Munich. According to current assessments, Sky expects a decision in the second quarter 2014.

There are no outstanding obligations relating to damage claims in the consolidated interim financial statements recorded as of 31 December 2013.

In connection with the public information on the subscriber numbers, the criminal investigations against the persons who served at that time at the Company's management board are continuing.

Investigation of the Federal Financial Supervisory Authority

In connection with an audit according to Sections 37n ff. of the German Securities Trading Act (WpHG), the Federal Financial Supervisory Authority ("BaFin") determined that the financial statements and consolidated financial statements as of 31 December 2007 and the management report and group management report for 2007 of former Premiere AG (now: "Sky Deutschland AG") as well as the condensed interim consolidated financial statements as of 30 June 2008 and the interim report for the first six months of 2008 were allegedly incorrect.

The findings of BaFin have no direct effects on the financial reporting at this time.

Sky Deutschland AG has filed an objection against the decision of the BaFin. The objection has been rejected by the BaFin in September 2013. Sky therefore filed a complaint against the decision with the Higher Regional Court of Frankfurt on 14 October 2013. The Company does not expect a decision before the end of the first quarter of 2014.

The complaint is aimed at revising the decision of BaFin insofar as BaFin has ruled that the financial statements and consolidated financial statements as of 31 December 2007 of Premiere AG, Unterföhring, (now: Sky Deutschland AG) and the management report and group management report for 2007 as well as the condensed interim consolidated financial statements as of 30 June 2008 are considered incorrect pursuant to Sec. 37q para 1 German Trade Securities Act (WpHG).

The decisions of BaFin at which the objection is aimed refer to (i) the amount of the consideration paid by Premiere for the Bundesliga sub-license in 2007, (ii) the description of the risks associated with the intended acquisition of the Bundesliga rights for seasons 2009/2010 until 2011/2012 in 2008, (iii) the good will as shown in the 2007 group financial statements which is considered too high by €248.8 million and by €251.9 million with regard to the financial statements as of 30 June 2008, as – according to BaFin – no such good will exists due to the lack of a business combination (iv) the profit situation that allegedly has been described too positively by at least €10 million due to wrongly calculated acquisition costs regarding resold free-TV rights, and, (v) the omission of risk reporting relating to a potential covenant breach considered possible by the company and a potential subsequent termination of the credit facilities resulting in a higher risk for the financial situation of the group.

The objections aim at the alleged findings under aforementioned (i) to (v). The objection therefore does not aim at the alleged finding regarding subscriber classification in financial statements of the company or the rejected objection in that regard.

Should the findings of BaFin become legally binding, Sky Deutschland AG might have to correct the findings regarding the balance sheet (Goodwill, Free-TV rights) within the ongoing reporting period of the group with no effect on the income statement and would might have to describe and correct the findings regarding the reporting within the ongoing reporting period of the group and Sky Deutschland AG. In addition, fines could be imposed and claims for damages could be asserted by third parties.

Procedure trade association ZVEI (central association for the electric engineering and electronics industries/registered association)

Sky imports devices and storage media which are subject to royalty payments when imported to or distributed in Germany according to German ownership law ("UrhG"). The German collecting society ZPÜ was founded to collect these payments. After a comprehensive amendment, ZPÜ has introduced fees for devices and storage media which are subject to royalty payments when imported to or distributed in Germany since 1 January 2008 and also publishes them in the German Federal Gazette. The basis for the calculation of the respective royalty payments is the actual utilization of the affected devices and storage media for private multiplication of works that are protected by rights of ownership. Among others, ZPÜ has set-up the following fees for these particular devices and storage media:

- Fee for STBs with integrated hard disks/TV-receivers with integrated hard disks ("PVR") amounting to €34 per device.
- The fee for STBs without integrated hard disks/TV receivers without integrated hard disks but with a recording function for external hard disks has been set at €13.
- The fee for external hard disks with a storage capacity of up to 1TB has been set at €7 per device and at €9 per device for devices with storage capacities above 1TB.

The trade association ZVEI (central association for the electric engineering and electronics industries/registered association) has initiated proceedings for entering into a master agreement against ZPÜ at the arbitration board of the German Patent and Trademark Office. On 11 October 2010, the arbitration board issued a settlement offer for a master agreement for the time after 1 January 2008. It includes a €12.73 fee per PVR. With judgment from 11 July 2013, this fee was confirmed by the Higher Regional Court Munich (OLG München). This outcome will be reviewed by the Federal Supreme Court (BGH). A decision is expected within the next two years.

Sky recognized the legal requirements resulting from the right of ownership on the basis of the settlement offer presented to the arbitration board of the German Patent and Trademark Office dated 11 October 2010 and the affirmative OLG Munich judgement from 11 July 2013 as a liability.

Investigation of the Financial Reporting Enforcement Panel (FREP)

With a letter dated 20 September 2013, the FREP has announced the initiation of a regular random investigation pursuant to Sec. 342b para. 2 sentence 3 German Commercial Code (HGB) concerning the consolidated financial statements and group management report as of 31 December 2012 as well as the management report as of 31 December 2012.

Claim by telecommunications provider

With its decision on 8 September 2011, the Regional Court of Hamburg admitted the first instance claim of a telecommunications provider which required Sky to supply Sky programming in the provider's network until at least 30 September 2011 and to determine compensating claims on its own merits. Sky has filed an appeal against the decision and is of the opinion that the admittance of the claim will not have a significant impact on the financial position, financial performance and cash flows of the Group. The parties are in the process of filing a compromise agreement which eliminates the risk described above.

Legal action taken due to potential infringement of a trademark

At the end of June 2012, Sky received a claim due to the potential infringement of a trademark. The subject of the claim is the omission of labeling digital receivers with "Sky" and/or "Sky+" in the German territory. In the meantime, the Düsseldorf District Court has dismissed the claim and fully granted Sky's counter-claim with a ruling dated 20 March 2013. The plaintiff has appealed the decision. Due to the fact that the prospects of success are considered high for the Company, Sky does not expect a significant impact on the net assets, financial position and results of operations and therefore the risk was classified as minor.

Investigation of a possible data leak

Starting in November 2013, Sky received complaints from customers who were prompted by unknown callers to participate in a sweepstake that was followed by the sale of magazine subscriptions. The callers had purported to be Sky or said they sourced the contact data from Sky. After knowledge of a potential data leak, Sky immediately initiated countermeasures to clarify the incidents as fast as possible. The competent data security authorities were informed and all measures are closely coordinated. Furthermore, the issue was reported to the police with Sky supporting the investigations to its full extent. Based on the current state of knowledge, only a limited number of customers were affected. The affected customers were informed about the issue. Furthermore, they received a guideline regarding the protection of their digital identity. Investigations are currently ongoing.

A general risk exists that the competent authority might impose a fine against Sky. As Sky did not infringe data security rules deliberately, informed the affected customers immediately and has established a regular exchange with the regulatory authority, the risk of a fine was classified as marginal.

4.7 Other financial commitments

The Group's other financial commitments to purchase goods or services in the future as of 31 December 2013 were as follows:

(K€)	due in 2014	due in 2015–2018	due from 2019	Total 31 Dec 2013
Film licenses	156,465	414,476	5,197	576,138
Sport licenses	548,865	1,565,483	–	2,114,348
Partner channels	95,075	234,644	2,721	332,440
Purchase commitments for receivers	27,065	125	–	27,190
Miscellaneous	122,248	249,464	–	371,712
Total	**949,717**	**2,464,192**	**7,918**	**3,421,828**

Following is the corresponding presentation for the financial year 2012.

(K€)	due in 2013	due in 2014–2017	due from 2018	Total 31 Dec 2012
Film licenses	140,933	438,016	–	578,949
Sport licenses	455,664	1,859,379	–	2,315,043
Partner channels	107,637	197,571	23,476	328,684
Purchase commitments for receivers	38,044	225	–	38,269
Miscellaneous	104,535	300,229	–	404,764
Total	**846,814**	**2,795,420**	**23,476**	**3,665,709**

The financial commitments for the purchases of sport and film licenses and for the partner channels result from medium and long-term contracts. The declining development is mainly explained by decreasing terms of existing agreements, in particular sport licenses.

Miscellaneous other financial commitments comprise agreed future selling and administration costs and obligations for sport fees and sport productions.

Future commitments for network operators and transponder rents as well as under non-cancellable operating leases are as follows:

(K€)	due in 2014	due in 2015–2018	due from 2019	Total 31 Dec 2013
Network operators and transponder rents	187,637	567,782	163,246	918,665
Office buildings	7,484	23,341	47,517	78,343
Motor vehicles	2,185	1,123	–	3,308
Technical office equipment	21	40	–	61
Total	**197,327**	**592,286**	**210,764**	**1,000,377**

Future commitments for network operators and transponder rents as well as under non-cancellable operating leases as of 31 December 2012 were as follows:

(K€)	due in 2013	due in 2014–2017	due from 2018	Total 31 Dec 2012
Network operators and transponder rents	181,441	557,031	155,425	893,897
Office buildings	6,474	23,489	54,773	84,736
Motor vehicles	2,212	1,951	–	4,163
Technical office equipment	19	47	–	65
Total	**190,146**	**582,517**	**210,198**	**982,861**

The commitments for network operators and transponder rentals reflect the future payments for transmission costs. Transmission costs comprise fees paid to cable operators for broadcasting Sky's programming, transponder costs, encrypted access and satellite uplink costs, as well as all other transmission costs. Satellite transponder costs are generally fixed and payable in monthly installments. Transmission fees paid to cable operators are generally fixed and in some cases also have variable elements that vary with the revenues generated from subscribers. Encrypted access costs are based on the number of subscribers.

On 1 July 2013, Sky reached agreements with a network provider in connection with the provision of additional transponder capacities as well as the distribution of HD content. The agreements are the main reason for the increase in other financial commitments for network operators and transponder rent from K€893,897 as of 31 December 2012 to K€918,665 as of 31 December 2013.

The expenses recognized in the consolidated statement of comprehensive loss for network operators and transponder rents amount to K€162,997 (2012: K€162,700) and for operating leases to K€12,595 (2012: K€10,882).

4.8 Compensation of the Management Board and the Supervisory Board

The following table shows the compensation of the Management Board in accordance with § 314 German Commercial Code in conjunction with German Accounting Standard 17 (GAS 17) for the remuneration report.

Under the standard, share-based payments are included in the remuneration report with the fair value at the grant date, notwithstanding these share based payments only become eligible for payment over the course of the next two to three years. Therefore, the above table includes all 977,845 performance share units granted to the Management Board (2012: 882,353) in 2013 with a grant date fair value of K€3,938 (2012: K€3,436). Taking into consideration the fair value of all performance share units at the date of issuance, the total remuneration of the Management Board in the accordance with GAS 17 in 2013 amounts to K€11,119 (2012: K€8,565).

The target achievement for 2013 is expected to be decided on in the Supervisory Board meeting on 25 February 2014.

With a resolution dated 27 February 2013, the Company's Supervisory Board extended the employment contracts of Dr. Holger Enßlin and Steven Tomsic as members of the Management Board until 31 December 2015.

With a resolution dated 18 March 2013, the employment contract of Carsten Schmidt as a member of the Management Board was extended by the Company's Supervisory Board until 31 December 2017.

For the extension of his services, Carsten Schmidt received a fixed one-time payment in the amount of K€200. The one-time payment was disbursed on 30 April 2013 and has been recognized as an expense in the 2013 financial year.

The employment contracts of Dr. Holger Enßlin, Carsten Schmidt and Steven Tomsic were amended. The changes include an increased monthly fixed salary, and increased short-term performance-oriented as well as increased multi-year, performance-oriented salary components. The majority of the variable components are of a long-term nature.

Management Board compensation 2013 (K€)	Fixed compensation*	Short-term performance-related compensation*	Other compensation*	Long-term performance-related compensation	Pension commitments*	Total 2013
Management Board						
Brian Sullivan	1,300	1,499	550	2,788	104	6,241
Steven Tomsic	700	350	333	400	63	1,846
Carsten Schmidt	850	300	211	400	–	1,761
Dr. Holger Enßlin	600	300	22	350	–	1,272
Total Management Board	**3,450**	**2,448**	**1,116**	**3,938**	**167**	**11,119**

*These items are the same as expensed

Management Board compensation 2012 (K€)	Fixed compensation	Short-term performance-related compensation	Other compensation	Long-term performance-related compensation	Pension commitments	Total 2012
Management Board						
Brian Sullivan	925	825	1,008	2,836	74	5,668
Steven Tomsic	520	160	263	240	47	1,230
Carsten Schmidt	600	120	11	180	–	911
Dr. Holger Enßlin	440	120	16	180	–	756
Total Management Board	**2,485**	**1,225**	**1,298**	**3,436**	**121**	**8,565**

The following table shows the payments made to each member of the Management Board:

Management Board compensation	Brian Sullivan		Steven Tomsic		Carsten Schmidt		Dr. Holger Enßlin		Total	
K€	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Fixed compensation	925	1,300	520	700	600	850	440	600	2,485	3,450
Other compensation	468	1,090	263	333	11	211	16	22	758	1,656
Total	**1,393**	**2,390**	**783**	**1,033**	**611**	**1,061**	**456**	**622**	**3,243**	**5,106**
Short-term performance-related compensation	972	795	188	154	141	116	141	116	1,443	1,181
Long-term performance-related compensation										
LTIP 2011 (1 Jan 2011 to 31 Dec 2013)	–	–	–	–	–	–	–	–	–	–
LTIP 2012 (1 Jan 2012 to 31 Dec 2014)	–	–	–	–	–	–	–	–	–	–
LTIP 2013 (1 Jan 2013 to 31 Dec 2015)	–	–	–	–	–	–	–	–	–	–
Phantom Shares Tranche I	1,812	–	–	–	–	–	–	–	1,812	–
Phantom Shares Tranche II	–	3,957	–	–	–	–	–	–	–	3,957
Other	–	–	–	–	–	–	–	–	–	–
Total	**2,784**	**4,753**	**188**	**154**	**141**	**116**	**141**	**116**	**3,255**	**5,138**
Pension commitments	74	104	47	63	–	–	–	–	121	167
Total compensation	**4,251**	**7,247**	**1,018**	**1,251**	**752**	**1,177**	**597**	**738**	**6,619**	**10,412**

Fixed compensation includes the monthly paid salaries. Short term performance related compensation is an annual variable bonus and other compensations are benefits like medical insurance, cost reimbursement of housing and schooling, paid monthly in 2013. The other compensation is not performance-related. Pension commitments are insurance premiums paid by the Company and are not performance-related.

The expense for the year 2013 of the fixed compensation amounted to K€3,450 (2012: K€2,485), the short term performance-related compensation to K€2,448 (2012: K€1,225), other compensation to K€1,116 (2012: K€1,298) and share based performance related compensation amount to K€13,762 (2012: K€5,758). In addition commitments to pensions were incurred in the amount of K€167 (2012: K€121). The expensed amounts differ from the paid remuneration of the year due to valuation effects, linearization of costs and payment terms. For further information please refer to 2.8.3 Other financial liabilities

Another LTIP beginning with the financial year 2014 is planned (LTIP 2014). A corresponding resolution of the Supervisory Board has not yet been passed.

The following tables show the individualized Performance Share Units (PSU's) as granted and as accrued/expensed:

	Grant Date	Number of PSUs granted	Vesting Date	Number of PSU's accrued/expensed as of 31 Dec 2013*
Brian Sullivan				
LTIP 2011	9 Dec 2010	422,107	31 Dec 2013	341,939
LTIP 2012	16 Feb 2012	490,196	31 Dec 2014	277,778
LTIP 2013	27 Feb 2013	692,308	30 Jun 2014	461,539
Phantom Shares Tranche II	2 Dec 2009	875,566	31 Mar 2013	875,566
Share based compensation	19 Dec 2012	500,000	30 Jun 2014	333,333
Total		**2,980,177**		**2,290,155**
Steven Tomsic				
LTIP 2011	9 Dec 2010	135,074	31 Dec 2013	109,420
LTIP 2012	16 Feb 2012	156,863	31 Dec 2014	88,889
LTIP 2013	27 Feb 2013	99,317	31 Dec 2015	33,106
Total		**391,254**		**231,415**
Carsten Schmidt				
LTIP 2011	9 Dec 2010	101,306	31 Dec 2013	82,066
LTIP 2012	16 Feb 2012	117,647	31 Dec 2014	66,667
LTIP 2013	27 Feb 2013	99,317	31 Dec 2015	33,106
Total		**318,270**		**181,839**
Dr. Holger Enßlin				
LTIP 2011	9 Dec 2010	101,306	31 Dec 2013	82,066
LTIP 2012	16 Feb 2012	117,647	31 Dec 2014	66,667
LTIP 2013	27 Feb 2013	86,903	31 Dec 2015	28,968
Total		**305,856**		**177,701**

* LTIP 2011 vested on 31 December 2013 at 81 percent of grant level. All other LTIP units are presented pro-rata based on the time lapsed between granting and vesting and under consideration of target achievements.

The remuneration of the Supervisory Board is regulated in section 12 of the Articles of Association. By resolution of the Annual General Meeting on 18 April 2013 and with effect as of 1 January 2013, the compensation was amended by raising the fixed remuneration, adjusting components payable for committee activities and by repealing the current variable remuneration which had been tied to the balance sheet profit per share. The current members of the Supervisory Board explicitly agreed to the revised provisions on their remuneration. The corresponding amendment of the Company's Articles of Association became effective with its registration into the Commercial Register on 6 June 2013.

The fixed compensation of the Supervisory Board comprises fixed elements and a compensation component for the work in the specific committees. The other Supervisory Board compensation comprises travel expenses.

For further information regarding the share-based compensation, please refer to the remuneration report as part of the combined management report.

For the members of Supervisory Board, the following compensation was incurred and expensed for the financial year in accordance with IFRS:

Supervisory Board compensation 2013 (K€)	Fixed compensation	Other compensation	Total 2013
Supervisory Board			
Chase Carey	100	40	140
Markus Tellenbach	100	40	140
Dr. Stefan Jentzsch	85	10	95
Jan Koeppen	80	40	120
Katrin Wehr-Seiter	75	10	85
Mark Kaner	75	40	115
Miriam Kraus	75	10	85
Harald Rösch	70	10	80
James Murdoch	64	20	84
Thomas Mockridge	16	–	16
Total Supervisory Board	**741**	**220**	**961**

The compensation in the previous year was as follows:

Supervisory Board compensation 2012 (K€)	Fixed compensation	Other compensation	Total 2012
Supervisory Board			
Chase Carey	90	30	120
Dr. Stefan Jentzsch	75	10	85
Markus Tellenbach	75	20	95
Thomas Mockridge	60	30	90
Katrin Wehr-Seiter	60	10	70
Miriam Kraus	60	10	70
Jan Koeppen	60	10	70
Mark Kaner	45	20	65
Dr. Hans M. Seiler	33	6	39
Harald Rösch	12	2	14
Guillaume de Posch	1	–	1
Total Supervisory Board	**571**	**147**	**718**

Harald Rösch and James Murdoch were both elected members of the Supervisory Board at the Annual General Meeting on 18 April 2013 until the end of the Annual General Meeting that resolves on the formal approval of the activities of the respective Supervisory Board member in the financial year 2013.

On 21 February 2013, Thomas Mockridge stepped down as member of the Supervisory Board with effect as of 21 March 2013.

As of 27 September 2013, the Supervisory Board elected James Murdoch as Chairman of the Supervisory Board of Sky Deutschland AG. James Murdoch follows Chase Carey who has served as Chairman since 16 July 2010. Chase Carey will remain a member of the Supervisory Board.

Supervisory Board	Function
James Murdoch	Chairman of the Supervisory Board (with effect from 27 September 2013) Chairman of the Presidential Comitee (with effect from 27 September 2013) Member of Sport Rights Committee (with effect from 2 July 2013) Member of the Supervisory Board (with effect from 18 April 2013 until 26 September 2013)
Chase Carey	Member of the Supervisory Board (with effect from 27 September 2013) Chairman of the Presidential Comitee (until 26 September 2013) Chairman of the Supervisory Board (until 26 September 2013)
Markus Tellenbach	Deputy Chairman of the Supervisory Board Member of the Presidential Committee Member of Sport Rights Committee
Thomas Mockridge	Member of Sport Rights Committee (until 21 March 2013) Member of the Supervisory Board (until 21 March 2013)
Dr. Stefan Jentzsch	Chairman of the Audit Committee
Mark Kaner	Member of the Audit Committee
Katrin Wehr-Seiter	Member of the Presidential Committee
Miriam Kraus	Member of the Audit Committee
Jan Koeppen	Member of the Audit Committee Member of Sport Rights Committee
Harald Rösch	Member of the Supervisory Board

4.9 Number of employees

The average number of employees broken down by functional areas is as follows:

	2013	2012
Sales/Marketing/Communications	720	664
Service Center	502	491
Program/Sport production	327	281
Management/Administration	265	233
IT	84	60
Technology	125	115
Other	1	2
Total	**2,024**	**1,845**

On average, the Group had 2,024 full-time employees in 2013 (2012: 1,845). In comparison to the previous year, the average number of employees rose by 179 (2012: 262).

4.10 Fees for external auditors

Fees of K€1,090 (2012: K€995), which were made up as follows, were incurred and recorded as expense in the financial year:

(K€)	2013	2012
Audit of financial statements	401	308
Other certifying and valuation services	385	339
Tax consultancy services	207	103
Review of quarterly financial statements	94	97
Other services	3	148
Total	**1,090**	**995**

Additional to the fees for the annual audit in the fiscal year the position audit of the financial statements also includes the expenses.

4.11 Declaration of compliance with the German Corporate Governance Code in accordance with § 161 AktG (German Stock Corporation Act)

Pursuant to Section 161 of German Stock Corporation Act, the Management Board and Supervisory Board of a company listed on the stock exchange are obliged to declare once a year whether and to what extent the German Corporate Governance Code has been and is complied with and which of the recommendations were not and are not being applied.

The declaration of compliance according to Section 161 of the German Stock Corporation Act was issued by the Management Board and the Supervisory Board on 20 November 2013 and was made available permanently to all stockholders on Sky Deutschland AG's website (www.info.sky.de).

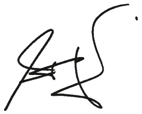
4.12 Events after the balance sheet date

Apart from the transactions disclosed under the individual captions of these notes, other significant transactions have not occurred since the balance sheet date.

The Management Board
Unterföhring, 19 February 2014

Brian Sullivan

Carsten Schmidt



Steven Tomsic

Dr. Holger Enßlin

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 material opportunities and risks associated with the expected development of the group.

Unterföhring, 19 February 2014

The Management Board

Auditor's Report

We have audited the consolidated financial statements prepared by Sky Deutschland AG, Unterföhring, comprising the consolidated statement of comprehensive loss, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the Management Board of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 24 February 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Kreher	Kaltenegger
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

The best team for the best customers

36 nations

are working hand in hand at Sky

More than

500 employees

in the Sky service center in Schwerin

691 participants

on 165 days in Sky Academy training sessions

The average age of Sky employees is

37 years

In 2013, Sky received

10,800

job applications

Sky employees supported non-profit organizations as

volunteers on 113 donated work days

44 % female,

56 % male employees

Report by the Supervisory Board of Sky Deutschland AG for the financial year 2013

Dear shareholders,
Below we describe the composition of the Supervisory Board of Sky Deutschland AG. Furthermore, we report on the activities of the Supervisory Board and its committees. We subsequently address the review of the annual financial statements and the consolidated financial statements as well as any conflicts of interest that arose. Following a note on the subject of Corporate Governance, we inform you on the composition of the Management Board. Finally, we provide our view of the financial year 2013 and give an outlook for the financial year 2014.

I. Composition of the Supervisory Board

Pursuant to Articles of Association, the Supervisory Board of Sky Deutschland AG consists of nine members.

As of 31 December 2013, James Murdoch (Chairman), Markus Tellenbach (Deputy Chairman), Chase Carey, Dr. Stefan Jentzsch, Mark Kaner, Jan Koeppen, Miriam Kraus, Harald Rösch and Katrin Wehr-Seiter were members of the Supervisory Board.

By letter of 21 February 2013, Thomas Mockridge had resigned from his office as a member of the Supervisory Board with effect as of 21 March 2013.

With resolution of the AGM ("AGM") on 18 April 2013, Harald Rösch, who had already been appointed to the Supervisory Board by decision of the Local Court of Munich on 16 October 2012 with effect as of 22 October 2012, was elected as a member of the Supervisory Board. Furthermore, the AGM on 18 April 2013 elected James Murdoch as a new member of the Supervisory Board. With effect as of 27 September 2013, he was elected chairman of the Supervisory Board succeeding Chase Carey who resigned from his office as chairman of the Supervisory Board with effect as of the end of 26 September 2013, but continued to be a member of the Supervisory Board.

The term of office for Supervisory Board members Dr. Stefan Jentzsch, Mark Kaner, James Murdoch, Harald Rösch and Markus Tellenbach expires at the end of the AGM, which resolves on the discharge of the respective Supervisory Board members for the financial year 2013. The term of office for Supervisory Board members Chase Carey, Jan Koeppen, Miriam Kraus and Katrin Wehr-Seiter expires at the end of the AGM, which resolves on the discharge of the respective Supervisory Board members for the financial year 2014.

The Supervisory Board is composed in such a way that its members as a whole possess the essential knowledge, skills and professional experiences for the proper fulfilment of the position's duties. Each Supervisory Board member supports, respectively, the work of the full Supervisory Board through his or her individual experiences.

II. Activities of the Supervisory Board

Also in the past financial year, the Supervisory Board and its Committees observed its duties according to the law, the Articles of Association, and the Rules of Procedure and also took into account the recommendations of the German Corporate Governance Code. The Supervisory Board carefully and regularly supervised and also provided advice to the Management Board.

The Management Board has regularly, in due time and comprehensively reported to the Supervisory Board, in and outside of meetings, about the strategy, the planning, the business development, the risk situation, risk management and compliance issues. The before-mentioned periodic reports were accompanied by the legally-required quarterly reports. Furthermore, in particular, the chairmen of both the Management Board and the Supervisory Board are in contact on a regular basis; with respect to important events that are of essential importance for the assessment of the situation and the development as well as the management of the company, the chairman of the Supervisory Board is informed by the Management Board without undue delay. Deviations of the course of business from the specified plans and targets are explained by also stating the reasons. In this way, the Supervisory Board constantly had a meaningful picture of the earnings situation, net asset position and financial situation of Sky Deutschland AG.

In the Rules of Procedure for the Management Board, the Supervisory Board has specified the obligation of the Management Board to provide information and reports. According to the Rules of Procedure, certain business operations can only be carried out with the approval of the Supervisory Board. With this, it is ensured that the Supervisory Board is involved with decisions of fundamental significance for the Company and informed at all times about the dealings and business transactions of Sky Deutschland which have – or can have – a significant influence on the earnings situation, profitability or liquidity of the Company. An inspection of the books and written documents of the Company by the Supervisory Board which exceeded the scope of the documents that were submitted by the

Management Board in the context of its regular reporting was not necessary in the reporting year.

During the financial year 2013, the Supervisory Board came together for four meetings, namely on 27 February, 18 April, 2 July and 20 November. Besides the meetings in person, the Supervisory Board also held conference calls if necessary, particularly on 13 January, 29 January and 26 September. Furthermore, the Supervisory Board passed a circular resolution on 18 March 2013.

The above-mentioned periodic reports were always an agenda item of the Supervisory Board and committee meetings. In addition, the Supervisory Board covered the following topics in its meetings and telephone conferences, among others.

1. Telephone conference on 13 January 2013

On 13 January, the Supervisory Board in a conference call approved the conclusion of a new Financial Support Agreement between Sky Deutschland and 21st Century Fox (formerly: News Corporation), in which 21st Century Fox provided support of the new comprehensive long-term financing structure. The financing structure comprises a five-year bank credit facilities of €300 million guaranteed by 21st Century Fox, a Bundesliga guarantee provided by 21st Century Fox, the extension of the existing shareholder loans, as well as the issuance of new equity of €438 million (gross proceeds) via the combination of a private placement and a rights issue, which was implemented by the private placement in January 2013 and the issuance of new shares from the authorized capital with subscription rights in January/February 2013.

The Supervisory Board granted its approval to exercising the authorized capital for implementing a capital increase against cash contributions with exclusion of the shareholders' subscription rights in the amount of 10 percent of the share capital by issuing new registered non-par value shares to 21st Century Fox. By 21st Century Fox a total of 77,890,776 new shares for an issue share price of €4.46 were subscribed and taken. The implementation of the capital increase was registered in the commercial register on 15 January 2013.

Finally, the Supervisory Board in general approved another capital increase from authorized capital against cash contributions by way of a subscription offer. The resolution regarding the details of the capital increase by the Supervisory Board was transferred to a committee ("Capital Increase Committee") which was also formed for this capital increase and consisted of four members. Members were Dr. Stefan Jentzsch, Jan Koeppen, Markus Tellenbach and Katrin Wehr-Seiter.

2. Telephone conference on 29 January 2013

On 29 January 2013, the Supervisory Board in a conference call approved of the budget for the financial year 2013 as well as the extension of the partnership with Formula 1 for three years until (including) the season 2015.

3. Meeting on 27 February 2013

On 27 February, the Supervisory Board approved of the annual financial statements and the consolidated financial statements for the financial year 2012 and the agenda for the AGM 2013. Furthermore, at that meeting, the Supervisory Board extended the appointments and service agreements of Management Board members Steven Tomsic and Dr. Holger Enßlin, until 31 December 2015 and passed a resolution on the Management Board compensation.

4. Circular resolution of 18 March 2013

Per circular resolution of 18 March 2013, the Supervisory Board extended the appointment and service agreement of Management Board member Carsten Schmidt until 31 December 2017.

5. Meeting on 18 April 2013

On 18 April, the Supervisory Board elected the chairman and his deputy for the AGM which was held later on the same day.

6. Meeting on 2 July 2013

On 2 July, the Supervisory Board appointed James Murdoch as a member of the Sport Rights Committee with immediate effect. He succeeds Thomas Mockridge who resigned from his office as Supervisory Board member in March 2013.

7. Conference Call on 26 September 2013

On 26 September, the Supervisory Board approved the extension of the cooperation with Disney and elected James Murdoch as new Chairman of the Supervisory Board, after Chase Carey had resigned from his office as Chairman with effect as of the end of 26 September.

8. Meeting on 20 November 2013

In addition to reporting on the Company's business developments, the primary subject of the meeting on 20 November was the discussion of the provisional 2014 budget.

Furthermore, at this meeting, the Supervisory Board reviewed the efficiency of its activities with regard to the past financial year and the overall result was positive.

Moreover, the Supervisory Board dealt with the recommendations and suggestions of the German Corporate Governance Code in its version of 13 May 2013 and resolved on the annual declaration of conformity.

Finally, the Supervisory Board approved Sky Deutschland Fernsehen GmbH & Co. KG's acquisition of 100 percent of the shares in the production company PLAZAMEDIA GmbH TV- und Film-Produktion as well as a 25.1% equity stake in Sport1 GmbH and Constantin Sport Marketing GmbH and approved the conclusion of a Financial Support Agreement with 21st Century Fox for the purpose of securing the financing of the purchase price.

9. Material consultation matters after expiration of the reporting period

Besides the dealing with the annual financial statements in its balance sheet meeting on 25 February 2014 (see item IV. below), the Supervisory Board approved the 2014 Budget after expiration of the reporting period on 30 January 2014.

10. Participation in the meetings

The Supervisory Board members took part in the meetings with the following exceptions:

Thomas Mockridge was unable to participate in the conference call on 29 January 2013 and at the meeting on 27 February 2013. Markus Tellenbach was unable to participate in the meetings on 27 February 2013 and on 30 January 2014. Dr. Stefan Jentzsch was unable to participate at the meetings on 18 April 2013 and 2 July 2013. However, after receiving information about the content of each meeting or conference call, respectively, Thomas Mockridge and Markus Tellenbach (with regard to the resolutions passed on 29 January 2013, 27 February 2013) and on 30 January 2014 as well as Dr. Stefan Jentzsch (with regard to the resolutions passed at the meeting on 18 April 2013) submitted their vote via email.

III. Activities of the committees

In order to increase the efficiency of the Supervisory Board's activities and the handling of complex matters, the Supervisory Board (in addition to the above mentioned and in the context of the capital increases in January and February 2013 temporarily established Capital Increase Committee) has formed three committees which consist of members of the supervisory board. The plenum of the Supervisory Board was informed about the activities of the committees in every meeting.

1. The Audit Committee

The Supervisory Board established an Audit Committee among its members in order to account for the ever-increasing demands with regard to accounting, internal control and risk management as well as the need for more efficient cooperation between the auditor and the Supervisory Board.

The Audit Committee has been assigned with the following tasks: Preparatory review of the annual financial statements of Sky Deutschland AG, the consolidated financial statements and the combined management report in cooperation with the auditor; supervision of the accounting processes, of the effectiveness of the internal control systems, the risk management system and the internal revision systems; supervision of the audit, in particular, of the required independence of the auditor and the additional services rendered by the auditor; retaining the auditor for the audit, the determination of the audit focal points and entering into a fee-agreement with the auditor; preparation of the resolution of the Supervisory Board regarding the Supervisory Board's proposal to the AGM for the election of the auditor and provision of a recommendation to the Supervisory Board; supervision of the implementation and application of a functioning compliance system.

In financial year 2013, the Audit Committee consisted of the Supervisory Board members Dr. Stefan Jentzsch (Chairman), Mark Kaner, Jan Koeppen and Miriam Kraus.

During financial year 2013, the Audit Committee met on 27 February, on 2 July and on 19 November. In addition, the Audit Committee held three telephone conferences in the past financial year, namely on 19 February, 5 August and 4 November and passed a circular resolution on 14 May.

In the telephone conference on 19 February, the Audit Committee preliminarily audited the annual financial statements as well as the consolidated financial statements and the combined management report of Sky Deutschland AG for the financial year 2012 for the Supervisory Board and discussed them with the auditor. In the scope of the circular resolution and during additional telephone conferences and meetings, the Audit Committee discussed the quarterly financial reports and the half year financial report with the Management Board. The Audit Committee also reported the status of the internal audit and corporate governance (including compliance and risk management) at Sky Deutschland in regular intervals. At the meeting on 2 July, the Audit Committee was informed by the auditor on the status of the implementation of the 2012 Management Letter recommendations.

At the meeting on 19 November, the Audit Committee was informed about the schedule for the establishment, evaluation and adoption of the annual financial statements and the consolidated annual financial statements of Sky Deutschland AG as of 31 December 2013 as well as the intended approach with respect to the audit focal points specified by the Audit Committee before at the same meeting. Moreover, the Audit Committee at this meeting discussed a change of the Company's fiscal year from the calendar year to a period from 1 July to 30 June of the respective following year.

2. Presidential Committee

The Supervisory Board also established the Presidential Committee as another permanent committee; it is entrusted with preparing the Supervisory Board meetings and monitoring the implementation of the resolutions passed by the Supervisory Board or its committees. Furthermore, the Supervisory Board prepares for resolution by the plenum of the Supervisory Board personnel matters to be dealt with by the Supervisory Board (in particular, appointment and removal of members of the Management Board and their remuneration).

Under the Rules of Procedure of the Supervisory Board, the Presidential Committee is composed of the Chairman of the Supervisory Board and the Deputy Chairman as well as a third elected member. Accordingly, in the financial year 2013, the Presidential Committee was comprised of Markus Tellenbach (Deputy Chairman) and Katrin Wehr-Seiter as well as – until 26 September 2013 Chase Carey as the former Supervisory Board Chairman and – from 27 September 2013 on of the current Supervisory Board Chairman James Murdoch.

In the financial year 2013, the Presidential Committee held a conference call on 21 February, to discuss the Management Board compensations and to propose to the AGM an adjustment of Supervisory Board's compensation to the recommendations of the German Corporate Governance Code in its version of 15 May 2012, and to come to a resolution regarding this matter.

3. Sport Rights Committee

The Sport Rights Committee in financial year 2013 first was comprised of the Supervisory Board members Thomas Mockridge, Markus Tellenbach and Jan Koeppen. Due to the resignation of Thomas Mockridge as a member of the Supervisory Board effective on the end of 21 March, James Murdoch was appointed member of the Sport Rights Committee as his successor with immediate effect on 2 July. This committee consults and monitors with the supervision of the tender procedures concerning audiovisual distribution rights, for example, of the UEFA Champions League, the DFB Cup, the Formula One and the German Football League (Bundesliga). In the financial year 2013, the Sport Rights Committee dealt with the acquisition of the broadcasting rights for the UEFA Champions League for the 2015/2016 to 2017/2018 seasons and also held conference calls on this subject on 20 November and 25 November.

4. Capital Increase Committee

On 20 January 2013, the Capital Increase Committee held a meeting by way of a telephone conference and approved the issue of up to 20,400,017 new registered shares from authorized capital with an indirect subscription ratio of 42:1 for an issue share price of €4.46. The subscription period was set up from 22 January 2013 to 4 February 2013. All new 20,400,017 new shares were placed within the subscription period. The implementation of the capital increase was registered in the commercial register on 7 February 2013.

IV. Audit of the annual financial statements and consolidated financial statements

At the AGM on 18 April 2013, the shareholders elected Munich-based KPMG AG Wirtschaftsprüfungsgesellschaft (hereinafter referred to as "KPMG" or "auditor") as statutory auditor of the annual financial statements, statutory auditor of the consolidated financial statements, auditor for the review of the half-year financial statement and the quarterly financial statements for financial year 2013 and auditor for the review of the half-year financial statement and the quarterly financial statements for financial year 2014 prepared prior to the AGM in financial year 2014. KPMG audited the annual financial statements and consolidated financial statements of Sky Deutschland AG for financial year 2013 including the combined management report. The audit did not result in any objections. The auditor granted a certificate without restrictions both for the annual financial statements and the consolidated financial statements.

Draft copies of the consolidated financial statements and annual financial statements for Sky Deutschland AG and the combined management report for the financial year 2013 were sent to the Audit Committee on 14 February 2014 and discussed by the Management Board during a conference call on 18 February 2014 which was also attended by KPMG, the Company's auditor. The final documents to be audited (annual financial statements, consolidated financial statements, combined management report, including the auditor's audit reports) were sent to the members of the Supervisory Board on 21 February 2014.

During the balance sheet meeting on 25 February 2014, which dealt with auditing the annual financial statements and consolidated financial statements in particular, the Supervisory Board extensively examined the documents to be audited. The auditor participated in the meeting and reported on the essential results of the audit. Weaknesses of the internal control- and risk management with regard to the accounting process were not found. Furthermore, during the balance-sheet meeting, the auditor explained the audit reports in detail and responded to questions posed by the members of the Supervisory Board. Circumstances which might cause the auditor to be biased did not exist. Furthermore, the auditor did not provide additional services apart from the auditing. This was confirmed by the auditor pursuant to an independence statement pursuant to section 321 paragraph 4a German Commercial Code (HGB) and number 7.2.1 of the German Corporate Governance Code.

The Supervisory Board approved of the reports of the auditor. There is no doubt as to the independence of the auditor. The Supervisory Board completely agreed with the results provided by the auditor. After extensive examination, the Supervisory Board declared that there are no objections to be raised against the annual financial statements and consolidated financial statements prepared by the Management Board as well as the combined management report.

Therefore, based on the recommendation of the Audit Committee, the Supervisory Board approved the annual financial statements and the consolidated financial statements of Sky Deutschland AG as well as the combined management report for the company and the group at its meeting on 25 February 2014. In this way, the annual financial statements for Sky Deutschland AG are established.

In addition and in accordance with § 312 of the AktG, the Management Board prepared a report on relations with affiliated companies for the financial year 2013. The auditor reviewed this report and reported in writing to the Supervisory Board as to the outcome of the audit, as well as orally during the meeting of the Supervisory Board on 25 February 2014, and issued the following unrestricted opinion:

"On the basis of our diligent examination and judgement we hereby confirm that

1. the factual statements in the report are accurate,
2. the consideration given by the Company for the transactions specified in the report was not unreasonably high,
3. no circumstances for a substantially different assessment than the one made by the Management Board exist for the measures specified in the report."

The Supervisory Board has examined the report on the relations with affiliated companies regarding its completeness and accuracy and discussed the findings of the auditor. The examination by the Supervisory Board showed that there was no reason for any objections. The Supervisory Board therefore declared that after the concluding review there are no objections to be raised against the final declaration of the Management Board in its report in accordance with § 312 of the AktG and has – at the recommendation of the Audit Committee – agreed with the findings of the auditor.

V. Conflicts of interest

Markus Tellenbach abstained from voting when he was elected chairman for the AGM on 18 April 2013 and Dr. Stefan Jentzsch abstained from voting when he was elected deputy chairman of the AGM.

In order to avoid conflicts of interest, Chase Carey, due to his position as a legal representative of 21st Century Fox, refrained from voting when the Supervisory Board resolved on the approval of the conclusion of the new Financial Support Agreement and the exercising of the authorized capital by issuing shares to 21st Century Fox with exclusion of the shareholders' subscription rights on 13 January 2013.

No other conflicts of interest were recorded in financial year 2013 and in the context of the afore-mentioned subject matters of consultation during the current fiscal year.

VI. Corporate Governance

The Management Board and Supervisory Board have prepared a separate report on the subject of corporate governance, which has been printed in the annual report and which is referred to here.

VII. Composition of the Management Board

In the financial year 2013, the Management Board of Sky Deutschland AG had the following four members: Brian Sullivan (Chief Executive Officer), Steven Tomsic (Chief Financial Officer), Dr. Holger Enßlin (Chief Officer Legal, Regulatory & Distribution) and Carsten Schmidt (Chief Officer Sports, Advertising Sales & Internet). There were no changes in the Management Board in financial year 2013.

VIII. Appraisal of financial year 2013 and the prospects for financial year 2014

In view of Sky's strong growth, the Supervisory Board considers the fiscal year 2013 to be a successful one. The Company is on the right track with its constant focus on high-quality exclusive content, cutting-edge innovation and outstanding customer service. The Supervisory Board believes that the results in terms of net subscriber additions, churn rate and total revenues confirm that an increasing number of customers in Germany and Austria recognize the quality and value of Sky's product and service offering.

Given Sky's intention to increase the future market penetration of its Sky+ receiver, expand its HD offering, deliver new services and extend the availability of its quality programming, we think Sky has a good chance of realizing its strategic focus on growth and achieving sustainable profitability.

The management expects a net subscriber growth of 400k to 450k, and full year EBITDA in the range of €70m to €90m, supported by a continued strong increase in total revenues. We are confident that, given the above-mentioned conditions, Sky can achieve its goals set for 2014 and continue to see positive operational and financial trends.

Unterföhring, 25 February 2014
The Supervisory Board of Sky Deutschland AG

James Murdoch
(Chairman of the Supervisory Board)

Corporate Governance Report of Sky Deutschland AG for the financial year 2013

Corporate Governance at Sky Deutschland AG

The Management Board and Supervisory Board of Sky Deutschland AG are committed to creating sustainable profitability and to ensuring continuance of the business by means of responsible, transparent and long-term-oriented corporate management. In doing so, Sky Deutschland AG has adhered to nationally and internationally recognised standards for proper and responsible corporate management. Sky Deutschland AG acknowledges the trust that its national and international investors, customers, business partners, staff and the public have shown and intends to continue to develop the good Corporate Governance within this enterprise. At Sky Deutschland AG, Corporate Governance extends to every division of the company.

In the 2013 financial year, the Management Board and Supervisory Board of Sky Deutschland AG have thoroughly dealt with the recommendations of the German Corporate Governance Code in its current version, dated 13 May 2013. Based on the consultations in this respect, on 20 November 2013, the following current declaration of conformity was resolved upon, according to which Sky Deutschland AG, subject to the below-mentioned exceptions, has complied with all recommendations of the German Corporate Governance Code:

"The Management Board and the Supervisory Board herewith declare that the recommendations of the Government Commission German Corporate Governance Code in the version dated of 13 May 2013 published by the Federal Ministry of Justice in the official section of the Federal Gazette on 10 June 2013 (Code) have been complied with since their publication and will be complied with in the future, both subject to the following deviations:

1. The remuneration of the Management Board does not provide for a hard pre-defined cap amount with respect to the variable, stock price related remuneration components and with respect to ancillary payments; therefore, it does also not provide for a cap amount for the overall remuneration of the Management Board (deviation from number 4.2.3 sentence 7 of the Code). The Company will, therefore, also not indicate maximum amounts in the model tables (deviation from number 4.2.5 sentence 5 and sentence 6 of the Code). The Supervisory Board has the view that, with respect to stock price related remuneration components, a fixed pre-defined cap amount, in compliance with statutory requirements, is not necessary. With respect to ancillary payments, a limitation of the value of frin ge benefits, even though there is no fixed cap amount, is achieved by the determination of the items of fringe benefits.

2. In deviation from number 4.2.3 sentence 9 of the Code, the terms and conditions of the Longterm Incentive Plan 2011 and the Longterm Incentive Plan 2012 of the Company both provide for the possibility of adjusting the performance targets retroactively. This had the purpose, when these plans were introduced, to ensure flexibility to address extraordinary developments during the respective term of the plan. Implementing the aforementioned recommendation, already the terms and conditions of the Longterm Incentive Plan 2013, however, do not provide for such a possibility any more; also in the future, the Company intends to comply with the recommendation of number 4.2.3 sentence 9 of the Code. The above-mentioned plans are stock price related, variable remuneration instruments for members of the Management Board and selected employees of the Sky Group; the respective performance targets are tied to the development of stipulated corporate key figures during the three-year term of each plan.

3. A nomination committee pursuant to number 5.3.3 of the Code has not been established. As no co-determination rules apply and the Supervisory Board is exclusively constituted with shareholder representatives, and taking into account efficiency considerations, the implementation of a nomination committee seems not to be appropriate.

4. In deviation from the recommendation of number 5.4.1 sentence 2 of the Code, the Supervisory Board abstains from determining a specific number of independent members of the Supervisory Board as target number with regard to the composition of the Supervisory Board. The Supervisory Board does not consider such a formalized target with respect to the number of independent members of the Supervisory Board as necessary since, also absent such a target, its proposals with respect to the election or appointment of Supervisory Board members has been and will be in accordance with the interest of the Company; insofar, the Supervisory Board does not want to restrict its discretion by any concrete target numbers.

   Furthermore, the Management Board and the Supervisory Board, with respect to the time period since the last declaration of conformity dated 8 November 2012 until the publication of the recommendations of the Government Commission German Corporate Governance Code in the version of 13 May 2013 in the Federal Gazette on 10 June 2013, declare that, subject to the deviations declared under 2. to 4. above and further subject to the following deviation, the recommendations of the Government Commission German Corporate Governance Code in the version of 15 May 2012 published by the Federal Ministry of Justice in the official section of the Federal Gazette on 15 June 2012 (Code) have been complied with.

5. The remuneration of members of the Supervisory Board deviated from the recommendations in number 5.4.6 sentence 3 and number 5.4.6. sentence 5 of the Code until its revision on the basis of the resolution of the Annual General Meeting on 18 April 2013, which became effective upon registration of the respective provision in the articles of association in the Company's commercial register on 6 June 2013:

   With regard to the remuneration of members of the Supervisory Board, the chairmanship in committees of the Supervisory Board was taken into account, but in deviation from number 5.4.6 sentence 3 of the Code not the mere membership in committees of the Supervisory Board. The Management Board and the Supervisory Board took the view that the willingness to do work in a committee as a regular committee member was already appropriately compensated with the other Supervisory Board remuneration. Furthermore, the remuneration, in deviation from the recommendation in number 5.4.6 sentence 5 of the Code, pursuant to which a performance-based remuneration which was promised to the Supervisory Board members shall be oriented towards a sustainable business development, included a fixed remuneration as well as a short-term remuneration component which was to be paid annually and which depended on the profit per share in the relevant financial year.

   In compliance with the aforementioned recommendations, the new remuneration provision now provides for a fixed remuneration only; furthermore, an additional remuneration is paid not only for the chairmanship but also for the mere membership in a committee.

This declaration is available at info.sky.de. "

Information about compliance with each of the individual recommendations and/or suggestions is provided on Sky Deutschland AG's website at: info.sky.de/corporategovernance. The current declaration of conformity as well as previous declarations of conformity are also available there.

I. Shareholders and the Annual General Meeting

Sky Deutschland AG's shareholders can exercise their rights and in particular cast their votes at the An-nual General Meeting ("AGM"). Each share in Sky Deutschland AG grants one vote. There are no shares with multiple voting rights, no preferred stock ("golden shares") and no maximum voting rights.

The AGM is chaired by the chairman of the Supervisory Board, unless the Supervisory Board elects another member of the Supervisory Board as chairman of the AGM (section 17 paragraph 1 of the Articles of Association). Since Chase Carey, who was the chairman of the Supervisory Board at the time of the AGM, did not have a sufficient command of the German language, the AGM on 18 April 2013 was chaired by the vice chairman of the Supervisory Board, Markus Tellenbach with the approval of the Supervisory Board. The Chair of the AGM ensures the expeditious conduct of the general meeting and is guided thereby by the suggestion of the German Corporate Governance Code that an ordinary general meeting should be concluded after four to six hours at the latest.

AGMs of Sky Deutschland AG are organised and conducted with the stipulation that all shareholders are provided with up-to-date and extensive information before and during the meeting to facilitate registering for the AGM as well as exercising shareholder's rights. The annual financial report provides the AGM shareholders with comprehensive information on the past financial year in due time prior to the AGM. The invitation to the relevant AGM specifies the individual items on the agenda as well as the conditions for participation.

To make it easier for shareholders to exercise their rights and to enable them to prepare for the AGM, all reports and documents which are to be made available in the context of the AGM – prior to the AGM, respectively – are made available on Sky Deutschland AG's website. The documents will also be sent electronically or by mail to shareholders, financial service providers and shareholder associations at request. Admission tickets can be ordered and proxies can be issued (including to the proxy holders of the Company) and instructions for the exercise of voting rights at the AGM can be given on the website of Sky Deutschland AG. A list of the participants as well as the voting results will be published on the Internet after the AGM. This will facilitate and support the exchange of information between Sky Deutschland AG and its shareholders.

At the AGM, shareholders have the opportunity to exercise their voting rights themselves or have them exercised by a proxy of their choice or by a proxy holder designated by the Company who has to vote in accordance with the respective shareholder's instructions. These proxy holders will also be contactable during the AGM. Furthermore, pursuant to the Articles of Association the Management Board is authorized to grant the shareholders the possibility of casting their votes in writing or by electronic communication without personally attending the AGM or attending through a representative (postal voting, section 16 paragraph 3 of the Articles of Association). Any use of this procedure as well as the related provisions must be announced in the course of convening of the general meeting.

In addition, the Company's Articles of Association permit the Management Board to allow the AGM to be followed via electronic audio and video media. The AGM held on 18 April 2013 was broadcast live on the internet up to the beginning of the general debate. The statements of the shareholders were not broadcast in order to protect the personal privacy of the speakers.

II. Cooperation between the Management Board and the Supervisory Board

Sky Deutschland AG's Management Board and Supervisory Board work closely together for the benefit of the Company. Their common objective is to ensure the continuance of the Company and sustainable profitability and business development.

In accordance with legal regulations, there is a dual management system at Sky Deutschland AG, characterised by the fact that the Management Board and the Supervisory Board have different members. The Management Board conducts the business of the Company on its own responsibility and in the interest of the Company, develops the strategy of the Company and coordinates it with the Supervisory Board while ensuring that it is properly implemented. The Management Board manages the Company's business in accordance with the law, the Articles of Association and its Rules of Procedure. It also takes into account the recommendations of the German Corporate Governance Code. The Supervisory Board reviews and advises the Management Board and is directly involved in decisions that are of fundamental importance for the Company.

To this end, the Management Board has regularly, closely and comprehensively reported to the Supervisory Board, in and outside of meetings, about the strategy, the planning, the business development, the risk situation, risk management and about compliance issues of the Company. Deviations in the course of business from prepared planning and targets are explained and justified and the Management Board and the Supervisory Board also confer on Sky Deutschland AG's strategic focus.

Documents for the meeting are sent to the Supervisory Board in due time prior to every meeting. Reports by the Management Board to the Supervisory Board are rendered verbally or in text format. For further details please refer to the report of the Supervisory Board for the financial year 2013.

The specific tasks and obligations of the Management Board in relation to the Supervisory Board are regulated in Rules of Procedure adopted by the Supervisory Board for the Management Board. These Rules of Procedure, in particular, determine Management Board information and reporting obligations. They also define transactions of fundamental importance, such as larger acquisitions, disinvestments and financial measures, which are subject to approval by the Supervisory Board.

Members of the Management Board and the Supervisory Board respectively observe the duty of a diligent and careful manager or supervisory board member. They would be liable to pay damages to the Company in the event of culpable violation of their incumbent duty of care. In order to protect its management and for the benefit of the Company who gains a solvent debtor in the event of culpable violation of duties by the management, Sky Deutschland AG has taken out a Directors' and Officers' (D&O) Liability Insurance for the Management Board as well as for the Supervisory Board. Each member of the Management Board is subject to a deductible of at least 10 percent of the loss up to a maximum of one and a half times the respective board member's fixed annual compensation. The D&O insurance taken out by the Company for the members of the Supervisory Board in accordance with the recommendation in number 3.8 of the German Corporate Governance Code also includes a corresponding deductible.

The Company did not grant any loans to members of the Supervisory Board or the Management Board during the past financial year.

III. The Management Board

1. Duties and responsibilities

The Management Board of Sky Deutschland AG conducts the business activities of the Company in its own responsibility with the objective of achieving sustainable profitability and business development and of acting in the best interests of the Company. It takes into consideration the interests of the Company's shareholders, its employees and of any other groups associated with the Company ("stakeholders").

Every member of the Management Board is fully responsible for their division at the Company as laid out in the respective organisational chart, within the framework of the Rules of Procedure for the Management Board of Sky Deutschland AG and the resolutions of the Management Board. The organisational chart, subject to the approval of the Supervisory Board, is adopted by the Management Board. The members of the Management Board are jointly responsible for the overall management of the Company.

When filling management positions in the Company, the Management Board pays attention to diversity and, in particular, aims for an appropriate consideration of women at managerial levels in the Company. Insofar the Company, for example, offers a mentoring program for female leaders, by that, the Management Board hopes to successively fill key positions in the Company with female leaders.

2. Composition of the Management Board

In financial year 2013, the Management Board of Sky Deutschland AG had the following four members: Brian Sullivan (Chief Executive Officer), Steven Tomsic (Chief Financial Officer), Dr. Holger Enßlin (Chief Officer Legal, Regulatory & Distribution) and Carsten Schmidt (Chief Officer Sports, Advertising Sales & Internet). There were no changes in the Management Board in financial year 2013.

The functions of the Chief Executive Officer, as well as the responsibilities of the remaining members of the Management Board have been defined in the Rules of Procedure for the Management Board of Sky Deutschland AG and in the organisational chart. The Rules of Procedure also define those decisions and measures of a fundamental nature or of significant financial importance for Sky Deutschland AG and the group companies that require a decision by the entire Management Board and stipulate when a majority is required for decisions made by the Management Board. Further explanations with regard to the activities of the Management Board are contained in the declaration of company management.

3. Remuneration

The remuneration system for the Management Board is explained in the Remuneration Report, which is part of the combined Management Report. The individual Management Board remuneration, divided into fixed and variable remuneration components, is set out in the Notes.

4. Conflict of Interest

Members of the Management Board must disclose conflicts of interest to the Supervisory Board without delay and must inform the other members of the Management Board as well. The Management Board members are subject to a broad non-competition clause for the time they are active for Sky Deutschland. Furthermore, members of the Management Board may only accept secondary positions, particularly on supervisory boards, in non-group companies, with the approval of the Supervisory Board. Contracts concluded with the Company, for instance by a related party (spouse, registered life-partner, relative in the first degree) of a member of the Management Board or by a business entity, on which the member of the Management Board or a related party can exercise significant control, must be approved by the Supervisory Board. Such contracts did not exist in the reporting period.

No member of the Management Board holds more than three external seats on supervisory boards in non-group companies with similar requirements. In the reporting year, there were no conflicts of interest of the Management Board members.

IV. The Supervisory Board

1. Duties and responsibilities

The Supervisory Board advises and reviews the Management Board in conducting the Company's business activities. In doing so, the Supervisory Board, inter alia, uses the annual budget as approved for the respective financial year as a basis. At regular intervals, the Supervisory Board examines business developments and planning as well as the Company's strategy and its implementation. In this context, the Supervisory Board regularly receives reports from the Management Board, in particular on significant individual measures implemented by the Company. Furthermore, the chairmen of both the Management Board and the Supervisory Board are in contact on a regular basis also outside of meetings; with respect to important events that are of material importance for the assessment of the situation and the development as well as the management of the Company, the chairman of the Supervisory Board will be informed by the Management Board without undue delay. Moreover, during the fiscal year the Supervisory Board discusses the half-year financial reports as well as the quarterly reports with the Management Board. It, furthermore, reviews and approves the annual financial statements of Sky Deutschland AG and the consolidated financial statements, taking into consideration the reports of the external auditor and the findings of the Audit Committee.

The Supervisory Board decides on appointing and removing members of the Management Board. The Supervisory Board takes diversity into account when determining the composition of the Management Board and, in particular, seeks for an appropriate consideration of women. In addition, the Supervisory Board has set an age limit of 65 years for the members of the Management Board. In case of first appointment, the Supervisory Board considers the suggestion of the German Corporate Governance Code which states that the maximum possible appointment period of five years should not be the norm. Together with the Management Board the Supervisory Board prepares a long-term succession plan for the members of the Management Board.

The Supervisory Board has put in place Rules of Procedure that define the duties, obligations and procedures of the Supervisory Board and its committees. Such Rules of Procedure also include further details on non-disclosure requirements and dealing with conflicts of interests. Further explanations on the activities of the Supervisory Board are contained in the declaration of company management included in the annual financial report.

2. Composition

According to the Company's Articles of Association, the Supervisory Board of Sky Deutschland AG consists of nine members.

As of 31 December 2013, James Murdoch (Chairman), Markus Tellenbach (Deputy Chairman), Chase Carey, Dr. Stefan Jentzsch, Mark Kaner, Jan Koeppen, Miriam Kraus, Harald Rösch and Katrin Wehr-Seiter were members of the Supervisory Board.

By letter of 21 February 2013, Thomas Mockridge had resigned from his office as a member of the Supervisory Board with effect as of 21 March 2013.

By resolution of the AGM on 18 April 2013, Harald Rösch, who had previously been appointed to the Supervisory Board by decision of the Local Court of Munich on 16 October 2012 with effect as of 22 October 2012, was elected as a member of the Supervisory Board. Furthermore, the AGM on 18 April 2013 elected James Murdoch as a new member of the Supervisory Board. With effect as of 27 September 2013, he was elected chairman of the Supervisory Board succeeding Chase Carey who resigned from his office as chairman of the Supervisory Board with effect as of the end 26 September 2013, but continued to be a member of the Supervisory Board.

The term of office for Supervisory Board members Dr. Stefan Jentzsch, Mark Kaner, James Murdoch, Harald Rösch and Markus Tellenbach concludes at the end of the AGM, which decides on the discharge of the respective Supervisory Board member for the financial year 2013. The term of office for Supervisory Board members Chase Carey, Jan Koeppen, Miriam Kraus and Katrin Wehr-Seiter concludes at the end of the AGM, which decides on the discharge of the respective Supervisory Board member for the financial year 2014.

None of the Supervisory Board members is a former member of the Management Board of the Company in its present or former legal form. No Supervisory Board member exercises an executive function, supervisory function or consultative function at a significant competitor of the Company. No Supervisory Board member has concluded any consulting agreements or contracts for work and services with the Company.

The current Supervisory Board members Dr. Stefan Jentzsch, Miriam Kraus, Markus Tellenbach, Harald Rösch and Katrin Wehr-Seiter, furthermore, are independent within the meaning of number 5.4.2 of the German Corporate Governance Code. They do not have any business or personal relationship with the Company, its corporate bodies, a controlling shareholder or a company affiliated with such controlling shareholder. The Supervisory Board, therefore, includes a number of independent members which, according to the Supervisory Board's assessment, is appropriate.

The Supervisory Board has specified concrete objectives regarding its composition: With respect to the proposals for the election of members of the Supervisory Board, care is taken that the Supervisory Board only includes members who possess the knowledge, ability and expert experience required to properly fulfil the duties. Furthermore, attention is also focussed on the international activities of the Company and on potential conflicts of interest. All members of the Supervisory Board are either experienced foreign managers or have a wealth of international experience. Furthermore, diversity and an appropriate degree of female representation are deemed important. By taking into account the specifics of the enterprise and the expiration of the terms of office of the current Supervisory Board members, the Supervisory Boards intention was that, already in 2014, at least 30 percent of the Supervisory Board members should be female. Presumably, this objective will not be met in 2014; however, for the rest, the Supervisory Board confirms the aforementioned objective. Already now, the women's quota in the Supervisory Board is at 22 percent. Finally, a person who would complete 69 years of age during the intended term of office shall not be proposed to the AGM for election as member of the Supervisory Board.

In deviation from the recommendation of number 5.4.1 sentence 1 of the German Corporate Governance Code, the Supervisory Board has abstained from determining a specific number of independent members of the Supervisory Board as target number with regard to the composition of the Supervisory Board. The Supervisory Board does not consider it necessary to define a formalized target with respect to the number of independent members of the Supervisory Board. Also absent such a specific target, the Supervisory Board will ensure that its proposals with respect to the election or appointment of Supervisory Board members will be in accordance with the interest of the Company. Furthermore, in its election proposals to the AGM, the Supervisory Board will disclose the personal and business relations of each individual candidate to the Company, the corporate bodies of the Company and a shareholder holding a material interest in the Company.

Since the Codetermination Act is not applicable to Sky Deutschland AG, only persons elected by the shareholders can serve on the Supervisory Board.

3. Formation of Committees

The Supervisory Board, in accordance with its Rules of Procedure, has set up the Presidential Committee and the Audit Committee as permanent committees. A committee which deals with sports rights has been introduced in 2011. Furthermore, the Supervisory Board forms committees, if and insofar they serve to increase the efficiency of the Supervisory Board's work and the handling of complex issues (for example the "Capital Increase Committee" in the context of the capital increases in January and February 2013).

The Presidential Committee prepares the meetings of the Supervisory Board and monitors the implementation of resolutions passed by the Supervisory Board or its committees. It also prepares resolutions of the plenum of the Supervisory Board personnel matters to be dealt with by the Supervisory Board (in particular, appointment and removal of members of the Management Board and determination of their remuneration). In accordance with the recommendation in number 5.2 sentence 2 of the German Corporate Governance Code in the version of 15 May 2012, which, however, was removed in the context of the latest amendment of the Code, the respective chairman of the Supervisory Board is also chairman of the Presidential Committee.

As recommended by the German Corporate Governance Code and in accordance with the law, the Audit Committee oversees questions of accounting, risk management, the internal control and audit system and compliance and deals with the required independence of the auditors, the engagement of the external auditor, the definition of the focus areas of the audits as well as the agreement on the auditor's fees. Together with the external auditor, the Audit Committee reviews the Company's annual financial statements as prepared by the Management Board. Based on the external auditor's report on the annual financial statements, the Audit Committee makes proposals to the Supervisory Board on adopting the annual financial statements. The internal auditors and the Compliance Officer report to the Audit Committee with regard to the effectiveness of the internal risk management, the internal control system as well as the internal audit and compliance systems. Together with the Audit Committee, the scope and focal points of the audits for the respective following fiscal year are determined. In this regard, the risk management, internal audit and compliance system are being further developed on an ongoing basis and aligned to the changing framework conditions. For essential features of Sky Deutschland AG's control and risk management system, reference is made to the management report.

As former executive director of several banks and currently as partner at Perella Weinberg Partners LP, the Chairman of the Audit Committee, Dr. Stefan Jentzsch, is distinguished by his particular experience in the financial field and has special expertise in the fields of accounting and auditing. He can also be considered independent as he has, in particular, no business or personal relationship to the Company, its corporate bodies, a controlling shareholder or a company affiliated with such a controlling shareholder. He thus meets all requirements of an independent financial expert in accordance with section 100 paragraph 5 German Stock Corporation Act (AktG) and number 5.3.2 of the German Corporate Governance Code.

The Sport Rights Committee advises and monitors the Management Board with respect to tender procedures concerning distribution rights, for example, of the UEFA Champions League, DFB-Pokal, the Formula One and the Fußball Bundesliga.

The abovementioned "Capital Increase Committee" dealt with the capital increased implemented in January and February 2013.

As regards the composition and the activities of the committees in financial year 2013, reference is made to the report of the Supervisory Board.

Against the background that all members of the Supervisory Board are shareholder representatives, the Company, in deviation from the recommendation in number 5.3.3 of the German Corporate Governance Code, did not form a nomination committee.

4. Compensation

The remuneration system for the Supervisory Board is explained in the Remuneration Report which is part of the combined management report. The individual Supervisory Board remuneration, divided into its components, is set out in the Notes.

5. Conflict of interest

Any member of the Supervisory Board has to disclose conflicts of interest, in particular, those that might arise due to a position as consultant for, or, member of a corporate body of clients, suppliers, creditors or any other third parties, to the Supervisory Board. With regard to conflicts of interest that arose in the reporting period and the question how they were dealt with, reference is made to the report of the Supervisory Board.

6. Efficiency

At its meeting on 20 November 2013, the Supervisory Board reviewed the efficiency of its activities with regard to the past financial year and the result was positive. The review was carried out with the help of a control sheet, which had been answered by the members of the Supervisory Board before the meeting. The Chairman of the Supervisory Board documented the evaluation in a presentation which was then discussed by the Supervisory Board at the meeting.

V. Transparency

To ensure the greatest possible level of transparency, Sky Deutschland AG's Management Board pursues an information policy which aims for an open and timely information of shareholders, financial analysts, investors, the media and the interested general public with regard to the general situation and significant business-related changes in the Company.

Sky Deutschland AG's investor relations activities include publication of all periodical information which must be published, such as the interim and annual reports, as well as telephone conferences and a large number of events with journalists, financial analysts and national and international investors. Sky Deutschland AG intends to inform all capital market participants comprehensively, equally and in due time; for this purpose Sky Deutschland AG also uses the internet as well as other available communication channels, such as press- and ad-hoc releases. All of Sky Deutschland AG's press releases and ad-hoc publications are also published on the Company's website. Furthermore, all required financial reports, in particular, annual financial reports; annual and interim financial statements as well as interim reports are available on the internet. Finally, the Articles of Association of the Company and detailed information on the implementation of the recommendations and suggestions of the German Corporate Governance Code are also available on the Company's website.

A financial calendar informs shareholders about all significant recurring dates, e.g. the date of the AGM or the dates of publication of annual reports and interim reports. The financial calendar is published in the annual report and is also available on the Company's website.

Sky Deutschland AG immediately publishes any insider information that directly affects the Company, even if they occur outside the regular reporting cycle. This occurs in accordance with relevant legal provisions (ad-hoc publicity).

In addition, Sky Deutschland AG will also immediately provide information in accordance with legal provisions following notification that someone has attained, exceeded or fallen below 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent of the voting rights in Sky Deutschland AG by acquisition or disposal or in any other way.

Pursuant to Section 15a of the German Securities Trading Act (WpHG), persons with managerial responsibilities within the Company are legally obliged to disclose their own dealings with shares in Sky Deutschland AG or financial instruments pertaining thereto and to notify the Company and the Federal Agency for Financial Services Supervision except in the case that the total sum of the transactions made by a person with managerial responsibilities and persons closely related to him/her does not reach the sum of €5,000 within a calendar year. Sky Deutschland AG discloses relevant notifications (directors' dealings) upon reception without undue delay. Such information can also be called up in accordance with legal provisions on the Company's website.

The legal provisions in section 15a of the German Securities Trading Act (WpHG) have been supplemented by an internal guideline with respect to preventing insider trading defining, for example, clear trading windows in which trading in the Company's own shares is permitted.

All significant disclosures are always made in German and English.

Shares in the Company owned by members of the Management and Supervisory Boards are regularly updated on the Company's website and are stated on the reporting dates in the annual and interim reports. The information is presented in individualized form.

On 31 December 2013, Management Board member Brian Sullivan held a total of 30,000 shares.

Furthermore, on 31 December 2013, Dr. Stefan Jentzsch, member of the Supervisory Board, held 120,000 shares and Harald Rösch, member of the Supervisory Board, held 29,750 shares in Sky Deutschland AG.

VI. Accounting and Auditing

The consolidated financial statements and the group financial review of the Sky Deutschland Group are prepared in accordance with International Financial Reporting Standards (IFRS), as applied in the European Union. The statutory, and for dividend payments relevant, individual financial statements of Sky Deutschland AG are prepared in accordance with the German Commercial Code (HGB) and the supplementary provisions in the Articles of Association.

Shareholders and third parties are kept informed, in particular, through the annual report and the group management report, as well as by means of the half-year financial report and quarterly financial reports. The latter are discussed – prior to its publication – between the Audit Committee and the Management Board. According to the recommendation of the German Corporate Governance Code the Company publishes the consolidated financial statements within 90 days after the end of the financial year and the interim financial reports within 45 days after the end of the reporting period.

At the AGM on 18 April 2013, the shareholders – based on a corresponding recommendation of the Audit Committee – elected Munich based KPMG AG Wirtschaftsprüfungsgesellschaft as statutory auditor of the annual financial statements, statutory auditor of the consolidated financial statements, auditor for the review of the half-year financial statement and the quarterly financial statements for financial year 2013 and auditor for the review of the half-year financial statement and the quarterly financial statements for financial year 2014 which are prepared prior to the AGM in financial year 2014. The Audit Committee took note of the declaration of independence that was submitted. The external auditors participated in the consultations of the Audit Committee and the Supervisory Board on the annual and consolidated financial statements for 2013 on 25 February 2014 and reported to the Supervisory Board on the results of the audit of the annual financial statements of Sky Deutschland AG as of 31 December 2013 and the management report (German Commercial Code – HGB) and the consolidated financial statements for the Sky Deutschland Group as of 31 December 2013 and the group management report (IFRS). It has been agreed with the external auditor of Sky Deutschland AG that the chairman of the Supervisory Board or of the Audit Committee will be informed immediately about possible reasons for exclusion and partiality, so far as these cannot be remedied immediately. It has furthermore been agreed that the external auditors will immediately report all findings and occurrences of significance for the work of the Supervisory Board that come to light during the audit. The external auditors must notify the Supervisory Board or comment in the audit report if they discover any facts during the performance of the audit of the financial statements that indicate that the declaration of conformity with respect to the German Corporate Governance Code according to Article 161 of the German Stock Corporation Act (AktG) made by the Management Board and the Supervisory Board is not correct.

Unterföhring, 25 February 2014

The Management Board

Brian Sullivan
(Chief Executive Officer)

The Supervisory Board

James Murdoch
(Chairman of the Supervisory Board)

Corporate Responsibility

Credibility, transparency and business sustainability are the central values of Sky's corporate culture. This is why social responsibility stands alongside economic growth as an essential part of the identity of Sky.

As a media company with a broad public perception, we are active on various levels – working on behalf of employees, children, media professionals and the environment.

Employee and youth development

Professional opportunities for women

Sky is actively involved in supporting women in business. The measures taken include the "Female Mentoring Program" at Sky, which was introduced in 2011. The program promotes women in management positions and has the goal of supporting them on an individual basis in their professional development. Participating women work closely with mentors from the top levels of management, who assist them in their day-to-day professional duties and career planning. The program also includes networking events and training seminars that focus on specific topics.

Together with Sport Bild, Sky launched the casting project "We want your voice" in 2012 to find the first female Bundesliga commentator in Germany. The initiative, which was closely followed in the media, was successful in its objective of triggering a discussion about opening up more opportunities for female commentators in sports reporting. Over 1,200 candidates answered the call. In the end, Christina Graf was selected as the winner. In February 2013, during the 20th matchday of the second Bundesliga, the 27-year-old became the first woman to commentate live for 90 minutes during a Bundesliga match on German television. In the course of last year, Christina Graf has become a regular member of Sky's second Bundesliga and DFB-Pokal commentator team.

In order to raise the level of interest for the media industry among young, talented females, Sky took part in "Girls' Day", the nationwide professional orientation day for girls in the fifth grade and up. A total of 25 female students took advantage of the opportunity and received a close look at the world of Sky.

Founding of Sky Academy

Sky has underscored its commitment to long-term personnel development by founding the Sky Academy, an internal division with the principal objective of using workshops and training sessions to prepare employees for current and future challenges faced by the Company. The training sessions also intend to address the cultural changes within the Company.

Entry opportunities for young talent

Sky is also active in promoting young talent in the media industry. Partnering with AFK GmbH, which deals with training and continuing education in electronic media, Sky supports the training of future journalists, directors and producers. The Munich-based institution gives practical instruction about the fundamentals of the television craft. And since December 2012, Sky has been a member of the MedienCampus Bayern e.V., an association devoted to promoting media education and training in Bavaria.

In 2012, Sky launched "Talents@Sky", a new trainee program for qualified college graduates. The program is focused on young leaders in the media industry by providing broad, Interdepartmental training over a span of 14 months. All participants who completed the program in 2013 received a permanent employment contract.

Content and cooperations

Programming

Since September 2012, Sky has served viewers with hearing impairments by offering an up-to-date selection of subtitled films from its Film Paket through Sky Anytime and Sky Go. Each month, up to ten films with subtitles are available on-demand in weekly rotation on Sky Anytime. On Sky Go, at least 20 films for the hearing impaired are provided at any one time.

At the start of the 2013/14 Bundesliga season, Sky once more expanded its barrier-free offering: For the first time on German TV, Sky allows access to Bundesliga live broadcasts including subtitles for hearing-impaired viewers since 10 August 2013. Live subtitles are provided during the Sky conference every Saturday from 3:30pm as well as the "Bwin Top Match of the Week" from 6:30pm, including half-time coverage.

In December 2013, 24/7 sports news channel Sky Sport News HD received the "German Paralympic Media Award" in the category TV/radio for its documentary on a hearing-impaired referee. Every year, this award is presented for the best journalistic work on the topic "sports for the disabled". The award-winning report portrays hearing-impaired referee Ricardo Scheuerer and sheds light on his extraordinary career.

Minor protection

As a modern television provider, Sky relies on technical minor protection standards in connection with broadcast time regulation in order to support parents in media education.

The minor protection team at Sky consists of six experts who check all programs that are broadcast on air or via the internet. Every program is then allocated a reliable age recommendation which is shown on the online EPG. These age recommendations are to help parents with finding suitable programs for their children.

Shows that are not suitable for children or young people are provided with blocking technology that disables the playback of video and sound from the channel. The show can be unlocked by entering a four-digit individual PIN code. Because it uses the blocking technology, Sky is legally allowed to show movies and series with an FSK 18 rating beginning at 8pm, while content with an FSK 16 rating can be shown at any time. Sky has also developed its own area for kids using its Sky Go service with over 100 selected shows. This allows children to watch their favourite shows on the iPad, iPhone, iPod Touch, Xbox 360 or online whenever they want, on-demand and commercial-free. The Sky Go Kids zone is a secure and closed environment in which parents can allow their children to discover the abundant content and explore the unique user interface without any risks or extra costs via the iPhone, iPad, and iPod touch.

As a part of its commitment to minor protection, Sky has been a charta partner of the initiative “Online safety – minor protection on the internet” since 2012. The initiative brings the federal and state government together with the business community to create better minor protection standards to help parents in media education and to support them by creating a safe place for children to surf the internet. As a part of the partnership, all internet presences of Sky including the website sky.de, skysnap.de, and skygo.de were provided with the certified age identification technology which is automatically recognized by the minor protection program in order to show or block individual websites according to the user’s age. In addition, with the cross-platform broadcasting of TV spots for the initiative, Sky is committed to the broad distribution of the campaign’s message. The spot was used both on air and online during all of 2013.

You can find comprehensive information on minor protection on the page sky.de/jugendschutz.

Sponsoring and cooperations

In Schwerin and Munich, Sky’s corporate responsibility also manifests in the form of event cooperations.

At the start of May 2012, Sky supported the “Filmkunstfest Mecklenburg-Vorpommern”. As a part of the “Sky TV series evening” at the festival, Sky presented exclusive previews of the series highlights “Game of Thrones”, “Banshee – Small Town. Big Secrets.” and “Enlightened”. In addition, Sky endowed the prize for best acting and Sky presenter Aline von Drateln hosted the award ceremony.

Sky Deutschland supported the DOK.fest in Munich between 8 May and 15 May 2013 and presented the main prize of €10,000 which was awarded in the scope of the DOK. international competition. Sky showed the documentaries “Christiane F. – Ein deutsches Drama” by Spiegel Geschichte and “The Art of Diving” in 3D.

In summer 2013, Sky sponsored “Filmfest München” for the first time as main sponsor. As a part of the cooperation, Sky was represented with branding measures as well as ads and spots in the Filmfest magazine, cinemas, as well as the media and guest center. Sky also presented the “series special” between 29 June and 6 July and showed an exclusive premier of a TV series or a new series season in cooperation with Filmfest München. The Sky cinema magazine “Kinopolis” and the “Sky Magazin” filmed on location and presented the renowned festival guests as well as the diverse range of the presented films and events in the course of several episodes.

In March 2013, Sky was the presenting partner of the “Krimifestival München”. At the event, Sky organized the “CSI reality check” at the BMW Welt in Munich together with RTL Crime. At the event, Munich-based homicide investigator Josef Wilfling and forensic scientist Prof. Dr. Markus Rothschild showed the 700 invited guests the differences between “real” crimes and the ones shown on TV.

Environmental protection

Efficient allocation of resources in all business activities

Sky places a great value on contributing to the protection of the environment. In the planning and construction of Sky’s company headquarters in Unterföhring near Munich, special attention was shown to energy efficiency and environmental consciousness. For example, Sky focuses on geothermal energy for temperature regulation, and thus generates no carbon dioxide emissions through fossil fuels such as oil or gas. The building is cooled through concrete core activation. Water that has cooled down in concrete during the night due to lower outside temperatures is circulated through pipes in the ceiling, contributing to a pleasant room climate during the day. In addition, the building is equipped with a heat-insulating composite façade as well as exterior blinds which significantly reduce the heat during the summer and support the existing passive cooling system.

Lighting throughout the entire building is connected to motion sensors, which significantly reduce energy consumption. The building is also equipped with a “green roof”, which positively affects the local climate. The Sky building is cleaned with biodegradable products. Furthermore, employees are requested to use valuable resources such as paper sparingly and to carry out communication and business correspondence electronically whenever possible. Accordingly, after moving to the new, modern company headquarters, shared office devices were centralised. The new multifunction printers have a power-saver mode and brief warm-up times.

For the acquisition of new company cars, the Company has set an upper limit on the emissions of eligible vehicles.

In 2012, Sky introduced new receiver packaging with a practical inlay. In addition to its usability, it is also manufactured to provide greater environmental benefit. In 2013, Sky received the environment certification “Grüner Punkt” for the climate-friendly recycling of its receiver packaging. The certificate considers the positive impact of package recycling on the climate and the environment on the basis of the five categories greenhouse effect, fossil resources, over-fertilization, acidification and primary energy consumption. With this, Sky saved approximately 120 tons of CO_2 equivalents in the year 2013. Working with DHL, Sky uses carbon-neutral shipping of receivers and letters. The CO_2 emission calculation from DHL is carried out according to a certified process. Carbon management was verified and is evaluated each year by the independent certification company SGS.

“Green” partnerships

Sky also emphasizes sustainability and environmental consciousness when selecting business partners and service providers.

The receiver manufacturer PACE is a member of the EICC (Electronic Industry Citizenship Coalition), which has developed a code of conduct for improved working and environmental conditions in electronics logistics services across the world. The receiver manufacturer HUMAX is certified ISO 9001 and ISO 14001 across the complete supply chain. For its CO_2 saving measures in the past year, Humax received the CO_2 Saver Certificate, which is given out annually by the ALBA Group.

The recycling of receiver packaging is carried out through “Dual System Deutschland (DSD)/Grüner Punkt”. DSD was founded by a group of companies that are active in the German grocery and packing industries. The disposal of receivers that are no longer in use, as well as empty batteries (such as those used in remote controls), is carried out by a certified disposal company.

Social commitment

The Sky Foundation

Like no other German TV broadcaster, Sky stands for top quality sports coverage and high sports competency. Sky also embodies this extensive know-how and passion for sports in its commitment to social engagement. The Company established the Sky foundation in 2008 to show kids and teenagers from different social and cultural backgrounds new perspectives by the means of sports. With the support of prominent athletes and artists such as Franziska van Almsick, Amelie Kober, Jonas Reckermann, Carl-Uwe Steeb and Guildo Horn as well as notable scholars, the Sky Foundation promotes charitable sports projects that encourage boys and girls to get involved with athletic activities.

In 2013, the Sky Foundation added three new projects to its portfolio, thus making it possible for more children and young people to take part in sports programs.

The social work climbing project “Neue Wege” commits itself to boys and girls in difficult life situations. Here, the focus is on communicating social values such as team spirit, social responsibility and integration. In 2013, the Sky Foundation provided monetary support for this project.

The creativity and education center “Gelbe Villa” supports kids and teenagers between 6 and 16 – independent of their cultural, religious, or social background. Since August 2013, four physical activities for groups of ten children per week were included in the curriculum of “Gelbe Villa”.

In 2013, the Sky Foundation committed itself together with Jonas Reckermann to establishing the “Kinderbewegungsabzeichen or Kibaz” (kids’ activity badge) of the sports federation of North Rhine Westphalia. The Kibaz consists of several activity stations the kids complete as part of a parcour and which can for example be set up in nurseries or family centers. The focus on the program is not on performance assessment but rather on introducing the kids to movement and athletics as well as a personal feeling of success.

For years, the Sky Foundation has supported the projects “buntkicktgut”, “Clean Winners” and “Kids auf Schwimmkurs” as well as the organization “Special Olympics Deutschland” with funding. In total, the Sky Foundation donated more than €130,000 to these projects in 2013.

Apart from long-term project engagement, the Sky Foundation also provided help on short notice: In the scope of the 100-year flood in early summer, the Sky Foundation decided to provide €30,000 for the renovation of the gymnasium of the school “Altstadschule” in Passau. The flood had almost completely destroyed the gymnasium which is used integrative and also used by children from special schools, a day nursery and popular sports. The donation enables the school to buy new pieces of sports equipment and put it back in full use in the course of the year 2014.

Charity auctions

Over the course of the year, Sky has held several charity events and auctions. In September, prominent figures from the worlds of sports, business and society came together for the annual Sky Business Golf Trophy in Kitzbühel, which raised funds for the Sky Foundation.

Together with Germany's largest charity auction portal, United Charity, Sky also held several internet auctions, offering special experiences and collectors' items, which were not available on the regular market. The highlights included tickets for the European premier of "The Hobbit – The Desolation of Smaug" and the new Matthias Schweighöfer film "Vaterfreuden" (Joy of fatherhood), entrance tickets for the 2014 UEFA Champions League final in Lisbon or an acrobatic flight with Red Bull air race pilot Matthias Dolderer.

With the help of all Sky charity auctions, events, donations and promotions, it was possible to raise a total of almost €190,000 for the Sky Foundation in 2013.

Corporate Volunteering

Sky supported the 2013 Special Olympics and the regional games in Passau as a part of the Sky volunteering program "helping hands". Sky donated a total of 113 work days of its employees for a good cause.

Imprint and Financial Calendar

Imprint

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Financial Calendar 2014

10 April 2014	Annual General Meeting
7 May 2014	Quarterly figures Q1 2014
6 August 2014	Quarterly figures Q2 2014
5 November 2014	Quarterly figures Q3 2014

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