Sky Deutschland AG
Q3 Report 2013

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Key Figures 9M 2013 versus 9M 2012

	9M 2013	9M 2012	Change (absolute)	Change (%)
Subscribers				
Direct subscribers[1] at beginning	3,363	3,012	351	11.6%
Gross additions[2]	454	467	–13	–2.8%
Churn[3]	–288	–267	–21	–7.7%
Net growth	166	200	–34	–16.9%
Direct subscribers at end	3,529	3,212	317	9.9%
Sky Welt HD subscribers (in '000)	2,572	2,055	518	25.2%
Premium HD subscribers[4] (in '000)	1,752	1.337	415	31.0%
Premium HD penetration rate[5] (in %)	49.6%	41.6%	8.0%	–
Sky+ subscribers[6] (in '000)	1,296	730	566	77.6%
Sky+ penetration[7] (in %)	36.7%	22.7%	14.0%	–
Second smartcard subscribers[8] (in '000)	410	293	117	39.9%
Second smartcard penetration[9] (in %)	11.6%	9.1%	2.5%	–
Subscription ARPU[10] (in €, monthly)	33.54	32.03	1.52	4.7%
Churn rate[11] (in %, annualized)	11.1%	11.5%	–0.3%	–
Churn rate[11] (in %, 12 months rolling)	11.8%	11.8%	0.0%	–
Wholesale subscribers (in '000)	280	126	154	>100%
Financials (in € million)				
Revenues	1,132.1	976.4	155.8	16.0%
Operating expenses	1,060.4	975.3	85.0	8.7%
EBITDA	71.8	1.0	70.7	>100%
Depreciation and amortization	64.3	50.6	13.7	27.1%
Amortization of subscriber base	1.0	1.0	0.0	–0.3%
EBIT	6.4	–50.6	57.0	>100%
Financial result	–54.7	–50.8	–3.9	–7.7%
Income taxes	–4.4	–1.9	–2.5	>–100%
Result for the period	–52.7	–103.3	50.6	48.9%

	30 Sep 2013	31 Dec 2012	Change (absolute)	Change (%)
Consolidated balance sheet (in € million)				
Total assets	1,371.5	1,148.0	223.5	19.5%
Shareholders' equity	412.0	42.0	369.9	>100%
Net debt	350.4	611.0	–260.6	–42.7%
Employees				
Full-time employees	2,037	1,939	98	5.1%

Key Figures Q3 2013 versus Q3 2012

	Q3 2013	Q3 2012	Change (absolute)	Change (%)
Subscribers				
Direct subscribers[1] at beginning	3,453	3,132	321	10.2%
Gross additions[2]	185	188	–3	–1.6%
Churn[3]	–109	–108	–1	–0.9%
Net growth	76	80	–4	–5.0%
Direct subscribers at end	3,529	3,212	317	9.9%
Sky Welt HD subscribers (in '000)	2,572	2,055	518	25.2%
Premium HD subscribers[4] (in '000)	1,752	1,337	415	31.0%
Premium HD penetration rate[5] (in %)	49.6%	41.6%	8.0%	–
Sky+ subscribers[6] (in '000)	1,296	730	566	77.6%
Sky+ penetration[7] (in %)	36.7%	22.7%	14.0%	–
Second smartcard subscribers[8] (in '000)	410	293	117	39.9%
Second smartcard penetration[9] (in %)	11.6%	9.1%	2.5%	–
Subscription ARPU[10] (in €, monthly)	34.07	32.22	1.85	5.7%
Churn rate[11] (in %, annualized)	12.5%	13.7%	–1.1%	–
Churn rate[11] (in %, 12 months rolling)	11.8%	11.8%	0.0%	–
Wholesale subscribers (in '000)	280	126	154	>100%
Financials (in € million)				
Revenues	392.7	331.3	61.4	18.5%
Operating expenses	363.5	312.7	50.8	16.3%
EBITDA	29.2	18.6	10.6	57.1%
Depreciation and amortization	22.6	18.1	4.4	24.4%
Amortization of subscriber base	0.3	0.3	0.0	0.0%
EBIT	6.3	0.1	6.2	>100%
Financial result	–18.8	–15.3	–3.4	–22.4%
Income taxes	–1.7	–1.2	–0.5	–38.3%
Result for the period	–14.2	–16.5	2.3	13.7%

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) 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) Sky+ subscribers receive Sky's programming and Sky's video-on-demand service with an HD-capable hard disk receiver.
7) Sky+ penetration is defined as the relation of Sky+ subscribers to the total number of direct subscribers at the end of that period.
8) Second smartcard subscribers comprise subscribers who have subscribed to a second smartcard. The respective revenue contribution of second smartcard subscribers is included in ARPU.
9) 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.
10) 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. 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 recognised 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.
11) 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.

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.

Content

The third quarter of 2013 at a glance

Sky Deutschland delivered another quarter of strong financial and operating performance.

Substantial financial improvements

- Q3 Revenues: €392.7m (+€61.4m; +19% yoy)
- Q3 EBITDA: positive €29.2m (+€10.6m; +57% yoy)
- Q3 ARPU: €34.07 (+€1.85; +6% yoy)
- 9M Revenues: €1,132.1m (+€155.8m; +16% yoy)
- 9M EBITDA: positive €71.8m (+€70.7m yoy)

Continued customer growth

- Direct subscribers: up 76,000 to 3,529,000
- Wholesale subscribers: up 155,800 to 280,000, including Deutsche Telekom's former Ligatotal IPTV and mobile customers
- Sky+ customers: up 125,400 to 1,296,000
- Sky Premium HD customers: up 109,100 to 1,869,400, inclusive of HD free-visions
- Second smartcard customers: up 17,000 to 410,000
- Sky Go customer sessions: 18.1m (Q3 2012: 8.2m, +122% yoy)

Entering a new season

- All Bundesliga matches now in HD; new Sky HD Fan Zone; live Bundesliga now via 3G/4G/IPTV
- Record Q3 viewership with 11.5 million unique viewers
- Sky's comprehensive HD selection expanded to 71 channels
- Sky Sport News HD app for Android launched
- Cooperation agreement with Samsung to promote Ultra HD
- New multi-year, multi-platform agreements with DreamWorks Animation and TMG
- Full Sky offering available soon to all A1 TV customers
- Sky Home: customizable home screen for Sky receivers to be introduced this year
- ProSieben Fun HD to launch on Sky in January 2014
- Sky awarded Service Champion 2013 – for the second consecutive year

Confirming outlook

- Full year 2013 EBITDA expected to be positive, and to grow strongly thereafter

Sky has kicked off the new football season with a greatly enhanced Bundesliga offering, which now also includes IPTV and mobile rights as well as a significantly expanded HD coverage, and with a slate of innovative products and services. In a mixed economic environment Sky's financial performance puts the Company right on track to deliver Sky's first ever positive full-year EBITDA. Today its outstanding entertainment offering is accessible to more customers than ever before, serving as a great platform for further growth.

Interim Group Management Report

Business and strategy

Business operations

Sky is the leading pay-TV service in Germany and Austria with more than 3.5 million subscribers. Since the launch of the Sky brand in July 2009, the Company has significantly expanded the depth and breadth of its program offering, introduced numerous innovations and enhanced its customer service. The results can be seen in the Company's operational and financial progress, as well as improvements in viewer ratings, value-for-money scores, customer recommendations and high satisfaction levels.

Sky is available via 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. The combination of rights renewals and extensions with key programming partners, marketing cooperation agreements with major cable and IPTV network providers, as well as the implementation of the new financing structure at the beginning of 2013, provide Sky with a solid long-term perspective and enhanced opportunities for growth and innovation.

Great value – the Sky offering

Sky starts at €12.90 a month with the Sky Starter package, offering a wide variety of programs at a favorable price with 21 channels from the Sky Welt package. Customers can then upgrade to the Sky Welt package to access the Sky HD channels and to have access to 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. Up to 71 HD channels[2] are available, including one 3D channel.

Sky Welt

Sky Welt provides viewers with a diverse selection of more than 50 channels from all categories, with up to 16 HD channels[3]. The program offering includes popular films, 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 into the viewer's living room. Movie fans have access to around 20 TV premieres every month, airing on ten film channels up to one year before debuting on free-to-air TV. The Film package presents 80 films a day – from recent blockbusters to movie classics. All films 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 fans of TV series, Sky Atlantic HD is also included in the package for film customers with the premium HD option, offering critically acclaimed productions from HBO, the most successful premium channel in the US.

Die wunderbare Welt von Oz: © Disney Enterprises, Inc. All rights reserved. Hell on Wheels, Staffel 2: © Frank Ockenfels/AMC.

1) SES Satellite Monitor, 2013
2) Including pay-TV, free-to-air and HD+ channels
3) As of 30 September 2013

Fussball Bundesliga package

Only with the Fussball Bundesliga package can football fans enjoy all Bundesliga and 2nd Bundesliga matches - on up to ten channels at the same time and all live and in HD. Sky shows all 612 matches per season live and combines it 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.

Sport package

Sky is the home of live sports, with a comprehensive portfolio of sports 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 live broadcasts of all DFB-Pokal matches – also in HD. In addition, the Sport package includes all 125 matches of the UEFA Champions League live and in HD – including 110 exclusive matches – 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 third party channels, such as Sport1 + HD, Sport1 US HD and Eurosport 2 HD.

Comprehensive HD offering

With up to 71 HD channels, TV entertainment on Sky is a diversified and exciting experience with crisp picture quality and brilliant colors. Viewers simply need an HD-capable television set – Sky provides the rest: a 3D-ready HD receiver and unique HD programming. 85 percent of Sky's subscribers[4] own HD television sets, ten percent more than the country-wide average in Germany and Austria.

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 on the iPad, iPhone, iPod touch and the Xbox 360 as well as on the internet.

Total control of your TV time: Sky+

Sky puts its customers in the driver's seat with Sky+, an all-in-one HD receiver and hard disk recorder that enables viewers to create the exact 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 their favorite 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 booked packages – also available on Sky Anytime.

Strategy

"Customers deserve better" was the basic principle that was laid 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 innovations and outstanding customer service.

4) Establishment Survey, Infratest 2012

High-quality exclusive programming

Sky provides a broad selection of high-quality and exclusive programs spanning live sports, films, 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 invest selectively to deliver high-quality programming for customers, including the expansion of its HD service. As a special service for TV series fans, Sky customers can watch US hit series such as "Breaking Bad" or "Mad Men" on Sky Go and Sky Anytime with the English original soundtrack only a few hours after their US premiere.

Cutting-edge innovations

Over the past 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 people are constantly working to improve the quality of service. This includes faster shipping and more reliable 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 higher 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.

Business development

Sky began the new Bundesliga season with a greatly enhanced Fussball Bundesliga offering, which now includes IPTV and mobile rights, expanded HD coverage, and a slate of innovative products and services. EBITDA was positive for the third quarter in a row. The total number of customers increased to 3,528,973 at the end of the quarter. Sky premium HD, Sky+, Sky Go and Sky Zweitkarte also recorded continued increases in customer numbers, and Sky's comprehensive HD selection grew to up to 71 channels. The new Fussball Bundesliga season started with a record high in viewer ratings. Great new products include the HD multifeed service, which now offers almost all live football matches and conferences in HD, as well as the new HD multiscreen service, named Sky HD Fan Zone, which enables customers to follow multiple matches at the same time from one screen. Sky Go functionality continues to develop: customers can now access Fussball Bundesliga matches via 3G and 4G, and the Sky Sport News HD datacenter has been extended to include iPhone access. The brand new free Sky Sport News HD app offers breaking news and stories from all across the world of sports, as well as a live video stream option of Sky Sport News HD with an in-app purchase. Customers can look forward to more great movies as Sky has renewed its contract with Tele München Group. Sky's reach in Austria will be boosted after an agreement with Telekom Austria's A1 TV, making all packages available to their customers.

Business highlights

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. So far in 2013, nine additional HD channels have been made available: Syfy HD, 13th Street HD, E! Entertainment HD, and Universal Channel HD for Sky Welt customers, Sky Bundesliga HD 2 for Sky Fussball Bundesliga HD customers, Eurosport 2 HD and Sport1 US HD for subscribers of the Sky Sport and Sky Fussball Bundesliga HD channels and the MGM HD Channel for subscribers of the Sky Film package. Additionally, viewers in Austria are able to watch ATV HD. On 1 August, Eurosport 2 HD launched exclusively on Sky, and Sport1 US HD exclusively to Sky's satellite customers. Eurosport 2 HD also includes the five optional and temporary HD channels that are united under the name Eurosport 360. Universal Channel HD began airing on 5 September and is the most recent addition to Sky's growing HD portfolio.

Q3 2013
Sky premium HD subscribers: 1,751,595
Sky premium HD penetration: 49.6 percent

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, 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 on the Sky platform and at the points-of-sale.

The 2013/14 Fussball Bundesliga season on Sky
To mark the start of the new Fussball Bundesliga season, Sky is introducing a series of new products and services. In addition to conference mode, Sky now also broadcasts all individual Fussball Bundesliga matches live in brilliant HD quality. With the Sky HD Fan Zone, Sky allows viewers the option of watching multiple matches in parallel on one screen. In addition, Sky customers with access to the mobile service Sky Go can now receive the Fussball Bundesliga on the iPhone and iPad via 3G/4G. And IPTV and mobile customers from Deutsche Telekom and Vodafone can now also access Sky's award-winning live coverage.


VfB Stuttgart vs Leverkusen 04
© Sky/Matthias Hangst
FC Bayer München vs Borussia Mönchengladbach
© Sky/Thomas Eisenhuth
Borussia Dortmund vs Werder Bremen
© Sky/Thomas Eisenhuth

All matches and all goals – for the first time all in HD
To celebrate the start of the 2013/14 football season, Sky launched its brand-new HD Sport Multifeed service and extended its HD offering by broadcasting all Fussball Bundesliga and UEFA Champions League matches live and in their entirety in true HD. Since July, Sky has been broadcasting all 2nd Bundesliga and DFB-Pokal matches in brilliant HD quality, in addition to Sky HD Conference presentations of all four competitions. Sky also shows all matches featuring German and Austrian clubs in the UEFA Europa League live in HD. This allows fans of all 36 Bundesliga and 2nd Bundesliga clubs to enjoy every match and every goal of their favorite teams – live and in true HD.

Sky HD Fan Zone
Since August 2013, the new Sky HD Fan Zone has allowed customers to watch, navigate and keep track of multiple matches all at the same time, all on one screen and all in HD. In addition, this service – which is a great new feature enhancing Sky's award winning sports coverage – offers constantly updated live statistics and social media feeds.

Subtitles for hearing impaired customers
In addition to the offering of subtitled films for hearing impaired customers, Sky now offers the Sky Conference as well as 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.

Always in the front row of great entertainment
Sky recently concluded a new multi-year contract with DreamWorks Animation, to deliver blockbuster animated movies such as "The Croods", "Turbo", "How To Train Your Dragon 2" and "Kung Fu Panda 3" to Sky customers via all platforms including 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 films for Germany and Austria for the coming years. The long-term agreement includes exclusive pay-TV and VoD first broadcast rights across all platforms – satellite, cable, internet, IPTV and mobile – as well as on Sky Anytime and Sky Go.

In July, 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 films. Through this agreement, Sky secured exclusive pay-TV and SVOD rights, including Sky Anytime and Sky Go. The partnership also includes an exclusive long-term carriage renewal agreement for the MGM HD Channel on the Sky platform in Germany and Austria.

In addition, Sky expanded its agreement with the Tele München Group (TMG), one of the most important independent distributors in Germany, securing an exclusive film package which includes blockbuster hits such as "Iron Man 3" and "RED 2", as well as well as several art house hits such as Bille August's "Night Train to Lisbon" and Felix Fuchssteiner's "Rubinrot" ("Ruby Red"). The expansion of the agreement also includes the rights for Sky Anytime and Sky Go.

For the first time in its history, Sky will co-produce original content, thus securing comprehensive long-term rights before the start of production. The fictional series, named "100 Code", will be realized in cooperation with production company Red Arrow and is scheduled for telecast in early 2015. This international crime series will be written and produced by the Oscar Award winning writer and producer, Bobby Moresco. The co-production agreement will provide Sky all exclusive pay- and free-TV rights via all platforms, including distribution via mobile and on-demand.

As a highlight for fans of quality TV series, Sky Atlantic HD, the home of HBO, will premiere in December the fourth season of the Martin Scorsese masterpiece, "Boardwalk Empire". Along with this exclusive new season premiere, Sky will present all 36 episodes of the first three seasons of the series on-demand for Sky Film HD subscribers. In the new year, Sky will also launch the second season of the highly acclaimed production "House of Cards", starring Kevin Spacey, confirming Sky's position as the number 1 destination for the best in quality series.

Sky is also the exclusive home of German "king of late-night" Harald Schmidt. In September the second season of the "Harald Schmidt Show" continued to air exclusively on Sky. After the successful first two seasons of the in-house format "Im Leben von ..." ("In the Life of ...") on Sky Krimi, the third season of the interview series began in October 2013, providing a unique insight into celebrity personalities.

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 receiver, ordering is as easy as pressing a button on the Sky remote control.

Sky Sport News HD on the go

Just in time for the start of the new Fussball Bundesliga season, Sky launched the brand-new free 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 sport 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. Both can be watched via in-app purchases – for €4.49 per month. Since October 2013, an extended version of the Sky Sport News HD App is also available for a selection of Samsung Android devices – which will include a special section for breaking news and stories from the upcoming Winter Olympics.

Sky Go: Bundesliga now available via 3G/4G

With the start of the 2013/2014 season, all Fussball Bundesliga matches are also available on Sky Go via mobile networks, giving Sky Go subscribers the opportunity to follow their favorite football team live on their iPhone at a backyard barbeque, or on their iPad at the train station.

Sky Home: customizable home screen for Sky receivers

Sky will be introducing a smart home screen for Sky receivers, bringing more accessibility controls to customers. After turning on the receiver, the Sky home screen will appear with viewing suggestions, helping customers to select their favorite programs in a way that's even faster and smarter than before. It will also be customizable according to individual interests and viewing preferences, and providing support for customers as they tap into the tremendous depth and breadth of Sky's entertainment offering.

Sky+ 2TB now available for virtually all cable customers

Sky+, including the new 2-terabyte option, is now available for virtually all cable networks. This option was successfully launched for satellite customers in March 2013, and since June 2013, cable customers have also been able to enjoy the freedom and flexibility of a personal recording capacity of up to 600 hours of programming in Standard Definition or 200 hours of High-Definition programming. It also significantly enhances the capacity of Sky Anytime, the exclusive video-on-demand service on Sky+.

Since February 2013, Sky Guide, the intuitive and innovative electronic programming guide from Sky, has also been available for Sky Go via the iPhone, iPad, iPod touch and the internet, enabling a whole host of new functions, such as 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 through social networks at the push of a button. The remote record function has also been available on cable networks since July 2013.

Q3 2013
Sky+ subscribers: 1,296,024
Sky+ penetration: 36.7 percent

Der Grüne Punkt – Duales System Deutschland GmbH

In August 2013, Sky was awarded the “Green Dot environmental certificate” for climate-friendly recycling of its receiver packaging. For more than a year now, Sky has replaced sending its receivers in separate gift and packaging cartons, with a single, ready for shipping, receiver box.

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. The Company extended its rights to three majors – the US Open, The Open and the PGA Championship – which are among the most important events in the golf calendar.

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. Sky Media Network, a subsidiary of Sky, markets the highest-ranking German beach volleyball tournament series exclusively. Beach volleyball is one of the most attractive new sports in Germany. Marketing for the “smart beach tour” was carried out by the new Commercial Marketing department at Sky Media Network, which is responsible for the targeted branding and production of live events.

Top viewer ratings
Viewing figures[5] continue to rise, underscoring the growing appeal of Sky's programming. In the third quarter 2013, 11.5 million unique viewers watched the entertainment line-up across all Sky channels and Sky reached an average market share of 27.6 percent among all individuals in Sky households (target group: Sky individuals age 3 and up).

Sky recorded excellent viewer ratings at the start of the new Bundesliga season: 3.3 million viewers (3+) watched the first weekend of the season on Sky. Of these, 1.8 million were men between the ages of 14 and 59. The largest average viewership was achieved by the Bundesliga conference, with almost 1.1 million people tuning in. This equates to a market share of 10.3 percent. Among men between the ages of 14 and 59, this share increases to 19.1 percent. As with the previous season, Sky was the clear market leader in this target group on Saturday afternoon. These numbers do not include viewership by guests who watched in Sky sports bars nor those subscribers who watched the opening Fussball Bundesliga match day via Sky Go.

Marketing and Sales

On 19 February 2013, Sky showed live football in six free-to-air TV advertising spots by broadcasting the UEFA Champions League match between FC Arsenal and FC Bayern München. Viewers even had the chance to witness a goal being scored during one of the live advertising spots. Sky earned various industry awards in recognition of this innovative 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".

The brand campaign, with the message "You know you want it", was launched in April 2013. The guiding theme: Sky is the only choice for those who don't want to watch just anything. For example, instead of diving off a one-meter board, you would rather dive off a cliff; instead of ordering a salad, you'd rather bite into a tasty burger. This euphoric feeling is then connected with the appeal of a great television experience.

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

Sky scaled back its use of outbound telesales channel at the beginning of this year which was implemented in order to enhance the quality of the subscriber base.

From September 2013 onwards, Sky adapted the pricing structure for Sky sports bars. The new rate card – in addition to the size of the Sky sports bar - now also allows for factors such as population density, regional purchasing power and sports affinity. With up to five million viewers following this year's UEFA Champions League final as well as the four semi-finals in Sky sportsbars, Sky's offering for sportsbars showed outstanding success. Sky continuously enhances its offering for sportsbars with new channels such as Sky Sport News HD as well as a significantly expanded pre- and post-match coverage.

Boosting advertising sales: Sky Media Network
Sky Media Network, a 100% subsidiary of Sky, is the exclusive advertising marketer for Sky in Germany and Austria, and aims to become the leading sports-marketer within Germany. Innovative marketing ideas – for example opening Sky Anytime and Sky Go for advertising - and continuous expansion into new business areas – such as promoting events like the official beach volleyball series – have delivered strong growth in advertising sales. In Q3 2013, the subsidiary was responsible for new and expanded cooperation agreements with partners that included Kia, Turkish Airlines, and Smart.

Sky's offering now available on IPTV and mobile

Since July 2013, customers of Deutsche Telekom's Entertain platform have been able to access the full depth and breadth of Sky packages and its premium HD offering, as well as the flexibility of Sky Go. For former Liga total! customers the following applies: Until the end of the 2013/14 season, they have the option to receive Sky Fussball Bundesliga in accordance with the previously applicable Liga total! conditions or enter into a standard Sky contract. From the start of the 2014/15 season, these customers will need a direct Sky subscription to continue to watch live matches of the Bundesliga. Telekom mobile subscribers are able to follow Sky Fussball Bundesliga live via the mobile TV offering of Telekom.

5) Source: AGF 2013

In addition, since August 2013, and in time for the new Fussball Bundesliga season, Vodafone IPTV customers have also been able to subscribe to Sky packages. The offering began with a wide selection of Sky's top quality, exclusive channels, including those from Sky's HD line-up. It will be extended in the near future. Vodafone mobile subscribers are able to follow Sky Fussball Bundesliga live via the mobile TV offering of Vodafone. These agreements mark the conclusion of marketing and distribution partnerships with all major cable and IPTV network providers.

Austria: all Sky packages for A1 TV customers

Still to come in 2013, the entire range of Sky – including all packages – will be made available to customers of A1 TV, one of Austria's leading communications companies. This agreement, which was finalized in September 2013, 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 customer service agents with expanded training and improved availability. Once again these measures earned the Company awards in 2013 and are a key contributor to increasing levels of customer satisfaction. Sky continues to invest in technology, processes and people to ensure its customers receive high-quality service.

Service center in Teltow

Among other initiatives, Sky opened a new service center in Teltow together with service provider Serco Services GmbH in October 2012 to further expand its award-winning customer service. Since then, more than 225[6] new jobs have been created in Teltow.

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"

Based on a broad-based survey conducted by ServiceValue and Deutschland Test in May 2013, Sky was recognized as "Fairest Premium TV Provider" for the second consecutive year. Sky was rated the overall leader, ahead of competitors including Telekom Entertain, Unitymedia Kabel BW, Vodafone TV and Kabel Deutschland. Furthermore, Sky was the only pay-TV company that received the top grade "excellent" in each of the three categories "product offering", "service quality" and "customer communication".

"Service-Champion 2013"

In October 2013, Sky was named Service Champion among the premium TV providers in Germany for the second time in a row. In Germany's largest service ranking conducted by cooperation partners ServiceValue GmbH, Goethe-Institute Frankfurt am Main and newspaper Die Welt, Sky came out on top of 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" in TV 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".

6) As of 30 September 2013

General conditions and economic environment

Economic environment

Economy continues to recover, outlook inconsistent

According to German Institute for Economic Research (DIW), the recovery of the German economy continues, but at a slower pace. Consumer confidence is improving with moderately rising economic expectations and an increased willingness to buy. However, in an uncertain economic environment, retail sales will remain inconsistent, as income expectations of consumers – according to the Society for consumer research (GfK) – declined in the third quarter 2013.

Televisions and tablets

Television is still the largest part of the total market for consumer electronics. After peak values in the past years, sales in 2013 have declined from €5.9 billion to around €5 billion, according to estimates from the industry association Bitkom.

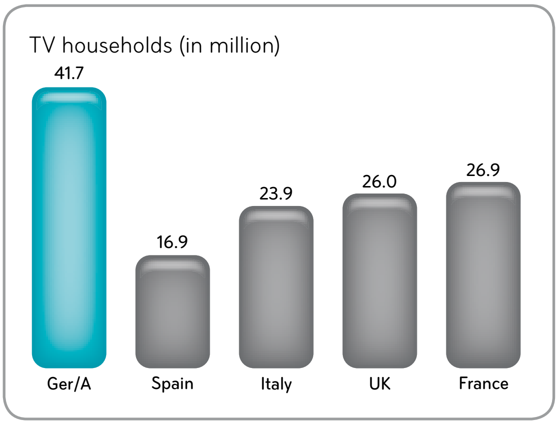
The trend in television is moving toward ever larger screens. More than every fourth TV set sold this year features at least a 46 inch screen. According to Bitkom, the upcoming Ultra HD television standard will drive even more demand for ever larger televisions. More than three quarters of television sales this year came from networked models, also known as smart TVs.

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

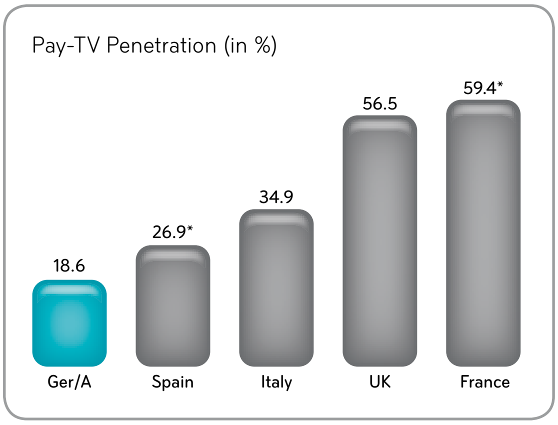
Strong industry growth

Pay-TV is currently the fastest-growing segment in the German television market. In the upcoming year, the Association of Private Broadcasting and Tele-media (VPRT) expects sustained positive development. According to the association's most recent prognosis (October 2013), an ever increasing number of Germans are willing to pay for television. This year, pay-TV revenues are expected to grow by over eleven percent to more than two billion euros. According to VPRT, technical progress as well as a significantly larger offering are the main drivers of this business. Increasing demand for video-on-demand and internet-based services also drove growth. Pay-broadcasters are significantly outpacing advertising-financed channels this year because income from television spots will only increase by a little more than one percent to €4.1 billion, according to the association's estimates.

Large market, low penetration



Source: SES, Satellite Monitor, Year End 2012



Source: © IHS, www.ihs.com, April 2013 (*April 2012).
All rights reserved; annual reports of the providers; press releases

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

Pay-TV growth
VPRT study of the German pay-TV market in 2012:
- Pay-TV sales: €1.8 billion in Germany
- Subscribers: 6.1 million in Germany
- Usage: almost 10 million viewers daily
- Programming selection, quality and strong innovation are the drivers of these positive developments

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, e.g. films, 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
The currently ongoing political debate on the protection of network neutrality is also a European issue. In September 2013, the European Commission published a draft on the creation of a domestic market for electronic communication. The draft by the Commission entitles network providers to enter into agreements with content providers which include data volumes and transfer speeds, and prohibits blocking, throttling, impairing or penalizing offers while at the same time allowing the implementation of a suitable traffic management system. Regulatory authorities are to monitor whether sufficient access is granted and whether negative developments are being noticed on the market. European Parliament and the Council of the European Union are expected to discuss the draft this fall.

At the beginning of August 2013, the previous federal government published a second draft regulation regarding the „protection of network neutrality". The new draft addresses the subject of „Managed Services" in particular. If Managed Services do not impair the open internet, they can be offered and shall not be discriminated against. Contrary to expectations, no special status was introduced for broadcasting offerings on the internet. The debate on network neutrality is expected to continue after the formation of the new German parliament and the new German government.

At the moment it is unclear when another attempt at developing this network regulation will take place and what impact the eventual outcome might have. Sky continues to carefully monitor and analyze this process.

The deadline for submitting opinions on the „Green Paper on Preparing for a Fully Converged Audiovisual World: Growth, Creation and Values" to the European Commission expired at the end of September. Sky has had an in-depth look at the regulatory issues and introduced its view on various associations that are operating on national and European levels.

Capital development

On 14 January 2013, Sky, its new bank syndicate, 21st Century Fox Adelaide Holdings B.V. (at the time News Adelaide Holdings B.V.) and Twenty-First Century Fox, Inc. (at the time, 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 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.

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 News America Incorporated. They mature five years from the closing of the transaction 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 News America Incorporated. 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.

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 authorised 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 Authorised 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 six 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 in the Annual General Meeting on 3 April 2012 remains unchanged.

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.

With a resolution passed at the general assembly dated 28 June 2013, the de-merger by acquisition of assets by Sky Österreich GmbH, Vienna into Premiere Star Österreich GmbH, Vienna was concluded.

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 Wien 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.

Employees
As of 30 September 2013, the Sky Group had 2,037 full-time employees. In comparison to the previous year, the number of employees rose by 9.3 percent (30 September 2013: 1,865 employees).

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.

Remuneration of the Management Board
The long-term incentive plan for the financial year 2013 (LTIP 2013) has been resolved in the Supervisory Board meeting on 27 February 2013. On the basis of existing binding commitments, 1,645,393 virtual shares were granted to members of the Management Board and Senior Executives (thereof 977,845 shares to the members of the Management Board). Including the long-term incentive plans concluded in 2011 and 2012, a total of 5,373,211 virtual shares were granted (thereof 2,619,991 shares to the members of the Management Board). The fair value of the virtual shares as of 30 September 2013 amounts to €32.9 million (30 September 2012: €10.1 million) of which €16.2 million relate to members of the Management Board (30 September 2012: €4.4 million). For the nine-month period of 2013 an expense in the amount of €12.9 million (30 September 2012: €2.9 million) was incurred, of which €6.9 million relate to members of the Management Board (30 September 2012: €1.3 million).

In connection with both the stock option plan and the share-based compensation program concluded with Brian Sullivan, an expense in the amount of €2.3 million (30 September 2012: expense for the stock option plan: €2.3 million) has been recognized in the nine-month period of 2013. The stock option plan includes a grant of phantom shares in the amount of the then existing fair value of the Sky share which enabled Brian Sullivan to receive payments in 2012 and 2013 if certain performance targets in particular with respect to the increase in subscriber numbers were met. In April 2013, a payment in the amount of €4.0 million (payment first tranche 2012: €1.8 million) was made to the Chief Executive Officer in connection with the second tranche of the stock option plan falling due. With this payment, the stock option plan is concluded and no further payments are due from this plan. In terms of the share-based compensation program, a one-off payment on the basis of 500,000 shares will become due on 2 January 2015 if the vesting conditions are met.

The employment contracts of Dr. Holger Enßlin, Carsten Schmidt and Steven Tomsic were 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. The majority of the variable components are of a long-term nature. In addition, Dr. Holger Enßlin, Carsten Schmidt and Steven Tomsic are entitled to participate in the LTIP 2013.

In respect of the accounting treatment of the share-based payments, full target achievement has been assumed.

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 report directly to Chief Executive Officer Brian Sullivan until a successor for Maggioni is found.

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 July 16, 2010. Chase Carey will remain a member of the Supervisory Board.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board regulated in section 12 of the Articles of Association was amended by 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 revised provisions governing remuneration were applied with effect from the beginning of the current financial year. The current members of the Supervisory Board explicitly agreed to the retroactive revision of the provisions governing their remuneration. The corresponding amendment to the Company's Articles of Association has meanwhile been entered into the commercial register.

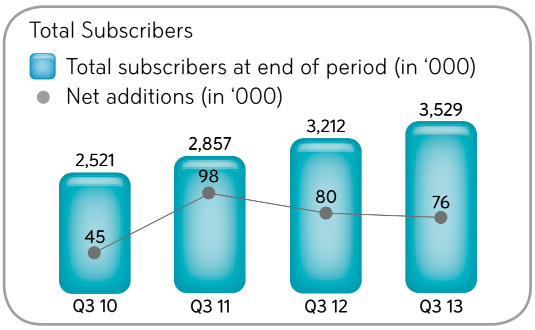
Key metrics and quarterly trends

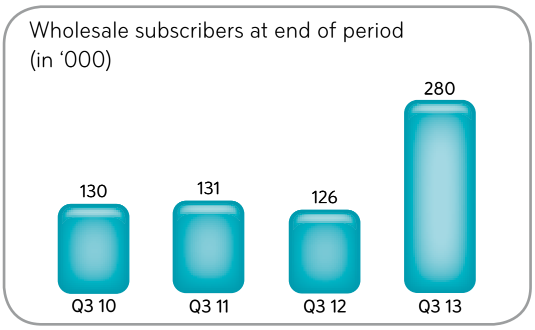
('000)	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12
Direct subscribers[1] at beginning	3,453	3,405	3,363	3,212	3,132
Gross additions[2]	185	131	137	260	188
Churn[3]	–109	–84	–95	–109	–108
Net growth	76	48	42	151	80
Direct subscribers at end	3,529	3,453	3,405	3,363	3,212
Sky Welt HD subscribers (in'000)	2,572	2,477	2,403	2,249	2,055
Premium HD subscribers[4] (in '000)	1,752	1,697	1,613	1,514	1,337
Premium HD penetration rate[5] (in %)	49.6	49.1	47.4	45.0	41.6
Sky+ subscribers[6] (in '000)	1,296	1,171	1,065	929	730
Sky+ penetration[7] (in %)	36.7	33.9	31.3	27.6	22.7
Second smartcard subscribers[8] (in '000)	410	393	375	346	293
Second smartcard penetration[9] (in %)	11.6	11.4	11.0	10.3	9.1
Subscription ARPU[10] (in €, monthly)	34.07	33.74	33.15	32.77	32.22
Churn rate[11] (in %, annualized)	12.5	9.7	11.3	13.3	13.7
Churn rate[11] (in %, 12 months rolling)	11.8	12.0	12.0	11.8	11.8
Wholesale subscribers (in '000)	280	124	125	125	126

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) 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) Sky+ subscribers receive Sky's programming and Sky's video-on-demand service with an HD-capable hard disk receiver.
7) Sky+ penetration is defined as the relation of Sky+ subscribers to the total number of direct subscribers at the end of that period.
8) Second smartcard subscribers comprise subscribers who have subscribed to a second smartcard. The respective revenue contribution of second smartcard subscribers is included in ARPU.
9) 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.
10) 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. 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.
11) 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.

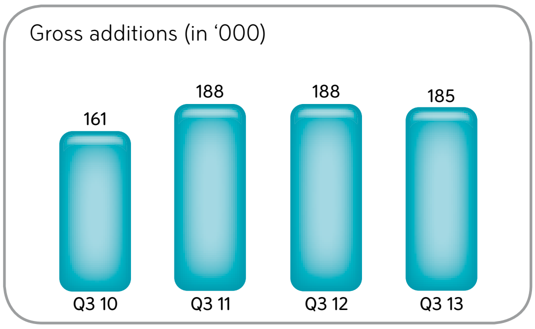
Due to the totalling of individual items, the table may contain rounding differences.

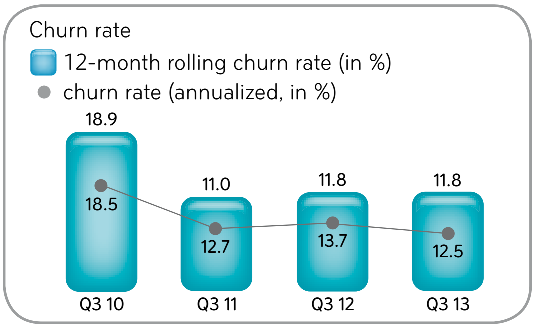
Q3 2013 has been another quarter of solid financial and operational growth. Virtually all key metrics continued to improve. Sky's customer base grew by 75,951 (Q3 2012: 79,930) to 3,528,973 customers (Q3 2012: 3,211,965) by the end of September. The increase also includes direct subscribers who have subscribed to Sky via the IPTV platforms of Deutsche Telekom and Vodafone. The number of wholesale subscribers increased by 154,110 in the quarter to 279,961 (Q3 2012: 125,851). The increase was mainly due to the cooperation agreement with Deutsche Telekom and comprises partly former Liga total! IPTV customers and partly Telekom mobile customers, who have ordered the Bundesliga service via the mobile TV offering of Deutsche Telekom.





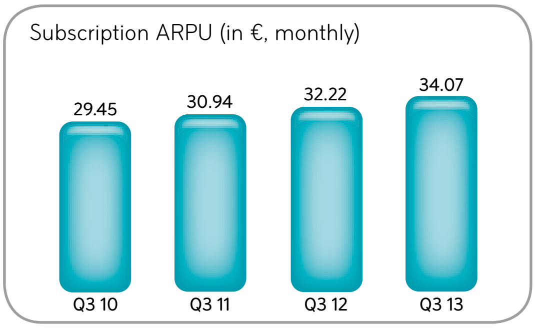
Gross additions were 185,130 (Q3 2012: 188,181), reflecting robust underlying demand levels when considering recent quality initiatives which include the ramp-down of Sky's outbound telesales channel at the beginning of this year. Customer loyalty was also strong with the quarterly annualized churn rate improving to 12.5 percent (Q3 2012: 13.7 percent) and a 12-month rolling churn rate of 11.8 percent (Q3 2012: 11.8 percent).

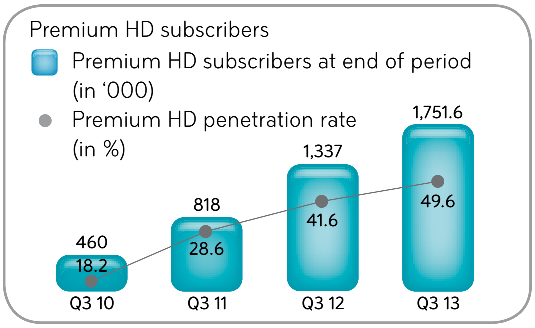




The Average Revenue Per User (ARPU) increased by €1.85 to €34.07 (Q3 2012: €32.22)

Sky's premium HD offering saw continued demand, with the number of customers growing by 54,608 in the quarter to 1,751,595 (Q3 2012: 1,336,754). The outstanding success of Sky's comprehensive HD offering – which now includes up to 71 channels – is reflected in the premium HD penetration: almost every second Sky subscriber (49.6 percent (Q3 2012: 41.6 percent)) now subscribes to one or more premium HD packages.

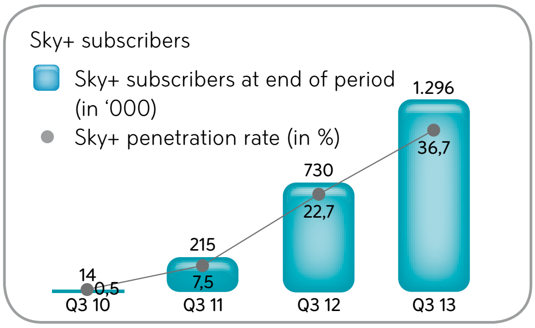


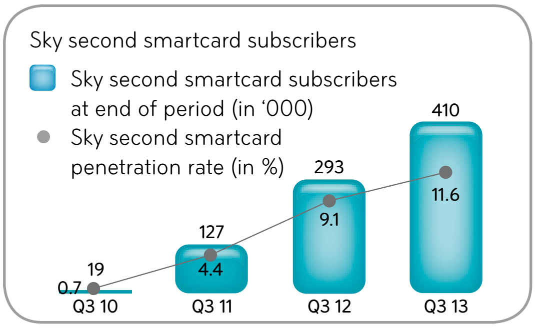


Sky+ also generated strong demand with the number of Sky+ customers growing by 125,417 in the quarter to 1,296,024 (Q3 2012: 729,639). By quarter's end, approximately 36.7 percent of Sky subscribers were benefiting from the great convenience of a Sky+ receiver in their home (Q3 2012: 22.7 percent).

Sky Zweitkarte (second smartcard) customers increased strongly up 39.9 percent year-on-year to 410,044 (Q3 2012: 293,022), as a growing number of families look to enjoy Sky's outstanding entertainment line-up in different rooms at the same time.

Sky Go – Germany and Austria's leading over-the-top pay-TV service – recorded a substantial increase in usage in Q3 2013 with 18.1 million customer sessions versus 8.2 million for the same period last year. The most recent expansion of this offering has been an original language option for selected movies, shows and events on Sky Go.





Earnings, Financial and Net Asset Position

Revenues and earnings

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

Revenues

Total revenues increased to €1,132.1 million (2012: €976.4 million), driven by an increase in subscription revenues of €143.4 million to €1,040.3 million (2012: €897.0 million) due to both a larger number of monthly 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 management and broadcasting of beach volleyball, to €27.2 million (2012: €17.9 million). Hardware revenues decreased to €25.2 million (2012: €32.8 million) mainly due to lower income from activation fees. Wholesale revenues amounted to €13.7 million (2012: €9.9 million). The increase was mainly due to the cooperation agreement with Deutsche Telekom and comprises partly former Liga total! IPTV customers and partly Telekom mobile customers, who have ordered the Bundesliga service via the mobile TV offering of Deutsche Telekom. Other revenues increased to €25.7 million (2012: €18.7 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 film rights. Other revenues also include revenues from Vodafone mobile subscribers.

Costs

Cost of sales totaled €869.4 million (2012: €790.5 million). Programming costs increased to €613.4 million (2012: €558.8 million), mainly driven by higher Bundesliga license costs as well as higher costs for film licenses. Technology amounted to €124.0 million (2012: €124.8 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 €7.8 million were completely 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 €69.1 million (2012: €61.7 million) mainly due to retention and advertising activities. Hardware costs increased to €63.0 million (2012: €45.1 million). The increase is due to higher depreciation in connection with the increased volumes of receivers recognized under non-current assets.

Selling expenses increased by €1.9 million to €164.4 million (2012: €162.5 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 – among others in connection with ramping down outbound telesales – as well as lower marketing costs. General and administrative expenses increased to €97.8 million (2012: €79.7 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 expenses increased to €3.3 million (2012: €0.3 million) mainly in connection with the provision for potential proceedings as well as the derecognition of receivables relating to prior years. Other operating income increased to €10.2 million (2012: €7.0 million) mainly due to an agreement with a network provider.

Operating result	9M 2013	9M 2012	Change	Change (%)
Revenues (in € million)	**1,132.1**	**976.4**	**155.7**	**15.9**
Operating costs (in € million)	1,060.3	975.4	84.9	8.7
EBITDA (in € million) 1)	**71.8**	**1.0**	**70.8**	**>100**
EBITDA margin (in %)3)	6.3	0.1	6.2	
Depreciation and amortization (in € million)	64.3	50.6	13.7	27.1
Amortization of subscriber base (in € million)	1.0	1.0	0.0	0.0
EBIT (in € million)2	**6.4**	**–50.6**	**57.0**	**>100**
EBIT margin (in %)3	0.6	–5.2	5.7	

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 15.9 percent to €1,132.1 million (2012: €976.4 million) while costs excluding depreciation were up 8.7 percent to €1,060.3 million (2012: €975.4 million).

Financial result

The financial result was negative €54.7 million (2012: negative €50.8 million) including interest expense in the amount of €11.1 million (2012: €25.4 million) relating to the debt financing with the banking syndicate. With regard to the shareholder financing by 21st Century Fox Adelaide Holdings B.V. and Twenty-First Century Fox, Inc., interest and similar expenses were incurred in the amount of €50.0 million (2012: €18.9 million). The year-on-year increase in interest expense is mainly due to guarantee fees payable to Twenty-First Century Fox, Inc. in the amount of €19.3 million.

Consolidated net earnings

For the period ending 30 September 2013, earnings before taxes were negative €48.3 million (2012: negative €101.4 million). Income taxes comprise deferred tax expenses in the amount of €4.4 million (2012: €1.9 million). The consolidated net income after taxes was negative €52.7 million (2012: negative €103.3 million). Total comprehensive income was negative €53.2 million (2012: negative €103.8 million).

Basic/diluted earnings per share were negative €0.06 (2012: negative €0.13).

Net asset position

The following figures refer to the reporting date 30 September 2013 and in relation to the past financial year to the reporting date 31 December 2012.

Trade receivables decreased by €10.3 million to €75.6 million (2012: €85.9 million), mainly deriving from a reduction in other receivables in the amount of €12.3 million resulting from the netting of receivables and payables from a barter deal as well as a €5.6 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 €7.9 million. Other financial assets increased slightly to €3.5 million (2012: €2.8 million). The increase in film assets and advance payments for sports and film rights to €154.2 million (2012: €84.8 million) was mainly due to an increase in advance payments for sports rights in the amount of €54.0 million and an increase in film assets in the amount of €15.4 million in connection with the purchase of film licenses. Due to the purchase of new receivers, inventories increased to €29.4 million (2012: €19.4 million). Intangible assets amounted to €712.7 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 €27.7 million (2012: €30.9 million). The carrying amount of receivers, recognized under non-current assets, increased to €189.4 million (2012: €165.3 million) and includes leasing hardware components (receivers, external hard-discs and CI+ modules) in the amount of €32.8 million. Other assets decreased to €36.6 million (2012: €47.8 million) mainly due to a change in restricted cash in the amount of €12.7 million.

Shareholders' equity increased by €370.0 million to €412.0 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 the nine-month period of 2013, the ratio of equity to total assets was 30.0 percent (2012: 3.7 percent).

Total liabilities decreased to €959.5 million (2012: €1,106.0 million) and were affected by the following developments: Borrowings decreased to €492.6 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 an increase in connection with the above-mentioned hardware leasing. Net financial liabilities (financial liabilities less cash) amounted to €350.4 million (2012: €611.0 million). Trade payables decreased by €9.2 million to €267.9 million (2012: €277.1 million). The main reason was a decline in other trade payables resulting from lower liabilities from receiver purchases as well as from the netting of receivables and payables from a barter deal described above. The decrease was partly offset by an increase in liabilities for film licenses. Other financial liabilities decreased to €50.2 million (2012: €71.6 million), 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. This was mainly offset by an increase in liabilities for share-based payments in the amount of €11.2 million. Other provisions amounted to €12.8 million (2012: €15.6 million). Higher provisions for potential proceedings were overcompensated by the release of a provision for a potential payment obligation. Following conclusion of an agreement with a network provider, the reason for the provision no longer existed. Other liabilities increased to €65.5 million (2012: €60.3 million), primarily due to higher prepayments received.

Deferred tax liabilities amounted to €59.4 million (2012: €55.2 million) and relate primarily to the different amortization methods for intangible assets that are applied for tax purposes.

Financial position

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

Cash flow from operating activities amounted to positive €47.8 million (2012: negative €22.9 million). Cash inflows resulted from the positive EBITDA in the amount of €71.8 million (2012: positive €1.0 million) adjusted by non-cash expenses in the amount of €6.9 million (2012: €7.3 million) as well as cash outflows due to changes in working capital in the amount of €30.6 million (2012: €29.0 million).

Cash flow from investing activities was negative €117.8 million (2012: negative €102.8 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 connected with the buyback of all shares in Premiere Star GmbH and Creation Club GmbH 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 €207.9 million (2012: €75.1 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 financing measures.

At the end of the nine-month period 2013, Sky had at its disposal liquid funds of €142.3 million (year end 2012: €4.3 million). The existing financing facilities (excluding guarantees and capitalized interests) were utilized in the amount of €447.6 million (year end 2012: €594.6 million). Thereof, €31.3 million were classified as equity according to IAS 32. The undrawn credit facilities amounted to €120.7 million as of the balance sheet date (thereof €75.0 million from the bank financing).

Opportunities and Risks

Legal risks

Shareholder Claims

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

So far, thirteen actions for damages have been filed against Sky. All actions were 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 instalments. All instalments have since been paid.

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 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.

There are no outstanding obligations relating to damage claims in the consolidated interim financial statements as of 30 September 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

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 counterclaim with a ruling dated 20 March 2013. The plaintiff has meanwhile appealed the decision.

Accounting risks

Investigation by 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 the 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 the 2008 business year were allegedly incorrect.

For further details on the findings of BaFin, please refer to the respective description in the Combined Management Report for the 2010 financial year.

The findings of BaFin have no direct effect on the financial reporting at this time. Sky Deutschland AG filed an objection against BaFin's decision. When it was rejected, Sky appealed against the decision to the Higher Regional Court of Frankfurt on 14 October 2013. The Company does not expect a decision before 2014.

Should the findings of BaFin become legally binding, Sky Deutschland AG would potentially adjust its financial statements starting with the 2007 financial year. In addition, fines could be imposed and claims for damages could be asserted by third parties.

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 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. 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.

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 News America Incorporated. 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 (especially free cash flow, overall growth, interest rates, subscriber growth and growth of ARPU) fail or cannot be implemented in a timely manner, Sky will be at risk of not achieving its EBITDA and cash flow targets, in which case the net assets, financial position and results of operations of Sky would be materially adversely affected.

With regard to the conclusion of interest rate hedges in July 2013, reference is made to the statements in the notes to the interim consolidated financial statements.

Apart from this, the opportunities and risks have not changed significantly from the statements in the 2012 Combined Management Report.

Outlook

The growth that Sky delivered in the first half-year 2013 continued into the third quarter 2013. The constant 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 a record-level ARPU, confirm that an increasing number of German and Austrian customers recognize the quality and value of Sky's product and service offering.

Looking ahead, 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 across additional devices and platforms. The strategic focus remains on growth and achieving sustainable profitability.

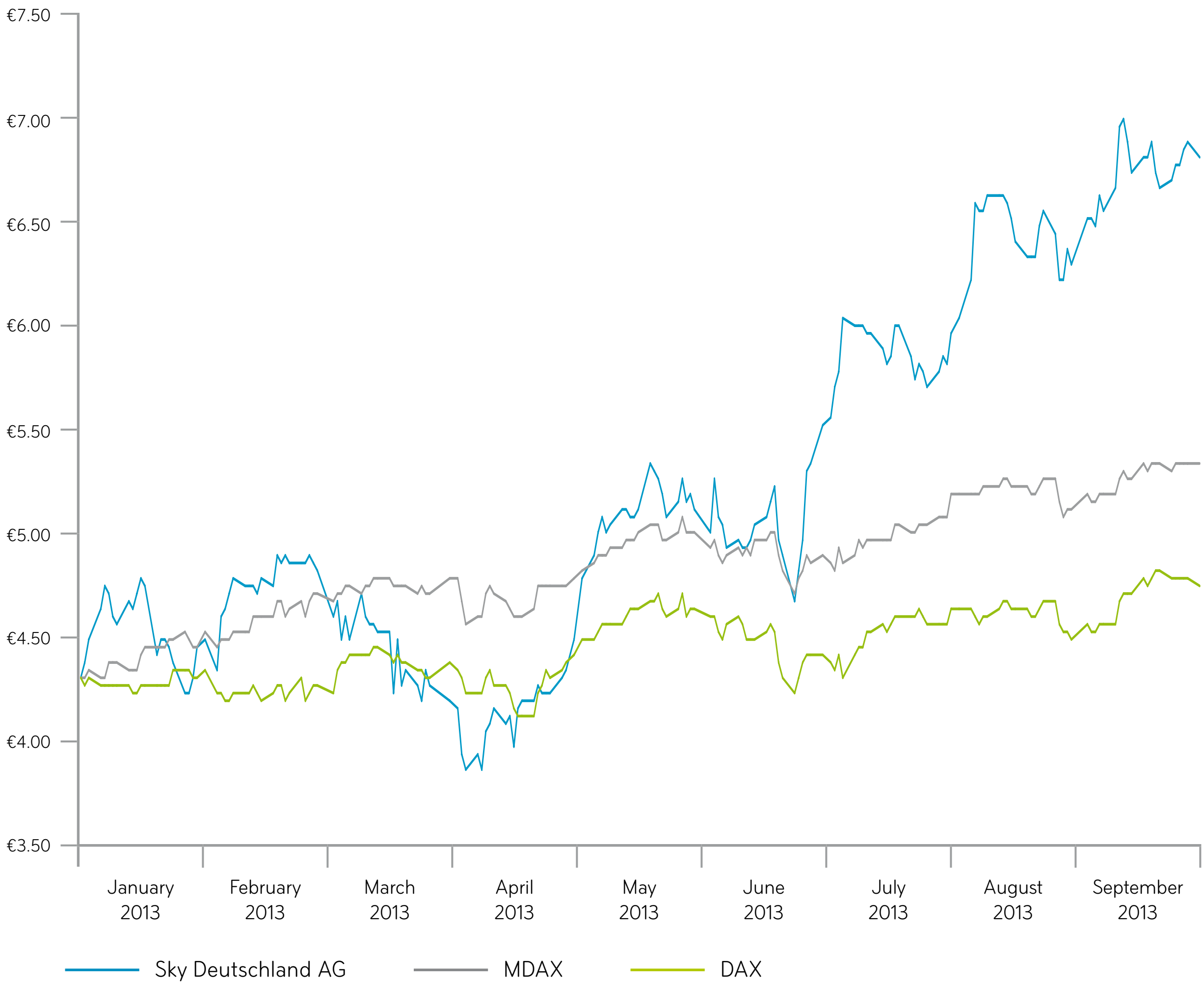
Sky expects the positive operational and financial trends, primarily increasing subscriber numbers and revenue growth, to continue in 2013 and afterwards. The management believes EBITDA will be positive on a full year basis in 2013 and will grow strongly thereafter.

Unterföhring, 4 November 2013

The Management Board

Share information

Share price development
1 January 2013 to 30 September 2013



Sky's share price[1] started at €4.33 on 2 January and closed at €6.80 at the end of September as shown in the chart above.

This development represents an increase by 57.08 percent over the course of the first nine months of 2013. In the same period, the DAX increased by 10.5 percent and the MDAX increased by 23.7 percent.

Based on the closing price, Sky Deutschland AG's market capitalization on 30 September 2013 was €5,964 million with a free float market capitalization of €2,696 million.

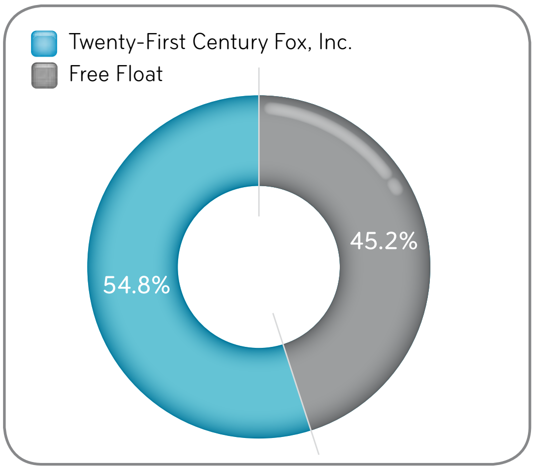
The average daily trading volume in the first nine months of 2013 was 1,891,040 shares.

Inclusion in indices
The Sky stock is part of the MDAX and was ranked 12th in terms of trading volume and 13th in terms of market capitalization on 30 September 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 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 Februrary 5, 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.

Shares held by institutional investors

Institutional investors who exceed notifiable thresholds of voting rights in Sky Deutschland AG as of 30 June 2013 are:

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

- Baillie Gifford & Co (notification of September 10, 2013, stake of 3.03 percent).

Shares held by Management

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

Harald Rösch, member of the Supervisory Board of Sky Deutschland AG, held 29,750 Sky shares on 30 September 2013.

Interim consolidated financial statements

Consolidated balance sheet

'000	30 Sep 2013	31 Dec 2012 (adjusted)
Assets		
Current assets		
Cash and cash equivalents	142,263	4,294
Trade receivables	75,474	85,726
Other financial assets	3,522	2,795
Film assets and advanced payments for sport and film rights	132,011	67,461
Inventories	29,415	19,358
Other assets	25,532	39,656
Total current assets	**408,217**	**219,291**
Non-current assets		
Trade receivables	106	197
Other financial assets	25	–
Deferred taxes	42	35
Film assets and advanced payments for sport and film rights	22,200	17,322
Receivers	189,401	165,318
Property, plant and equipment	27,674	30,867
Intangible assets	712,680	706,806
Other assets	11,115	8,132
Total non-current assets	**963,242**	**928,677**
Total assets	**1,371,459**	**1,147,968**
Liabilities and equity		
Current liabilities		
Borrowings	16,712	399,524
Trade payables	255,932	266,203
Other financial liabilities	34,513	67,512
Other provisions	12,841	10,871
Other liabilities	64,115	58,679
Total current liabilities	**384,113**	**802,789**
Non-current liabilities		
Borrowings	475,911	215,730
Trade payables	11,921	10,915
Other financial liabilities	15,662	4,095
Deferred taxes	59,397	55,161
Provisions for pensions and similar obligations	11,137	10,861
Other provisions	–	4,742
Other liabilities	1,364	1,662
Total non-current liabilities	**575,391**	**303,165**
Total liabilities	**959,504**	**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	–3,353	–2,845
Retained deficit	–2,324,497	–2,271,689
Equity attributable to stockholders	**411,955**	**42,075**
Non-controlling interest	–	–61
Total equity	**411,955**	**42,014**
Total liabilities and equity	**1,371,459**	**1,147,968**

Consolidated statement of total comprehensive loss (9M)

‘000	1 Jan – 30 Sep 2013	1 Jan – 30 Sep 2012
Revenues	**1,132,132**	**976,358**
Cost of sales	**–869,383**	**–790,464**
Program	–613,358	–558,842
Technology	–123,960	–124,814
Hardware	–63,006	–45,114
Customer service and other cost of sales	–69,058	–61,693
Gross profit	262,749	185,894
Selling expenses	–164,414	–162,472
General and administrative expenses	–97,765	–79,682
Other operating income	10,164	7,023
Other operating expenses	–3,283	–337
Amortization of subscriber base	–1,041	–1,044
Result from operations	**6,410**	**–50,617**
Interest and similar income	818	1,219
Other financial result	–1,028	–3,548
Interest and similar expenses	–54,526	–48,486
Result before taxes	–48,327	–101,433
Income taxes	–4,421	–1,883
Result for the period	**–52,747**	**–103,316**
Other comprehensive income	**–508**	**–466**
thereof items that may be reclassified subsequently to profit and loss	–508	–466
Changes in fair value of available-for-sale financial assets	–	–109
Changes in fair value of derivatives in cash flow hedges (net of tax)	–508	–357
Total comprehensive loss	**–53,255**	**–103,782**
Earnings attributable to:		
Stockholders	–52,747	–103,311
Non-controlling interest	–	–5
Total comprehensive loss attributable to:		
Stockholders	–53,255	–103,777
Non-controlling interest	–	–5
Earnings per share total (€) basic/diluted	–0.06	-0.13

Consolidated statement of total comprehensive loss (Q3)

'000	1 Jul – 30 Sep 2013	1 Jul – 30 Sep 2012
Revenues	**392,729**	**331,294**
Cost of sales	**–294,016**	**–250,921**
Program	–205,445	–169,144
Technology	–40,796	–43,805
Hardware	–22,059	–16,262
Customer service and other cost of sales	–25,716	–21,710
Gross profit	98,713	80,372
Selling expenses	–61,134	–56,129
General and administrative expenses	–34,911	–26,345
Other operating income	4,936	2,651
Other operating expenses	–997	–117
Amortization of subscriber base	–347	–347
Result from operations	**6,260**	**85**
Interest and similar income	262	267
Other financial result	–1,788	598
Interest and similar expenses	–17,262	–16,214
Result before taxes	–12,527	–15,264
Income taxes	–1,713	–1,239
Result for the period	**–14,240**	**–16,503**
Other comprehensive income	**–805**	**–526**
thereof items that may be reclassified subsequently to profit and loss	–805	–526
Changes in fair value of available-for-sale financial assets	–	–
Changes in fair value of derivatives in cash flow hedges (net of tax)	–805	–526
Total comprehensive loss	**–15,045**	**–17,030**
Earnings attributable to:		
Stockholders	–14,233	–16,501
Non-controlling interest	–	–2
Total comprehensive loss attributable to:		
Stockholders	–15,037	–17,028
Non-controlling interest	–	–2
Earnings per share total (€) basic/diluted	–0.02	–0.02

Consolidated statement of cash flows

'000	1 Jan – 30 Sep 2013	1 Jan – 30 Sep 2012
Result for the period before income tax	–48,327	–101,433
Net interest expense	53,708	47,267
Depreciation, amortization and impairment losses/reversal of impairment losses on property, plant and equipment, receivers, intangible assets and financial assets	64,309	50,585
Amortization of subscriber bases	1,041	1,044
Other non-cash income and expenses	6,932	7,341
Changes in other provisions	–2,771	–1,251
Losses on disposal of intangible assets and property, plant and equipment	0	7
Changes in inventories, trade receivables and other assets	–68,861	–85,311
Changes in trade payables and other liabilities	41,005	57,579
Interest received	804	1,232
Net cash provided/used by operating activities	**47,840**	**–22,940**
Proceeds from sale of intangible assets and property, plant and equipment	1	49
Payments for acquisition of entities, net of cash acquired	–28,722	–26,267
Payments for investments in intangible assets, property, plant and equipment and receivers	–89,034	–76,596
Net cash used by investing activities	**–117,755**	**–102,814**
Proceeds from increase in capital by stockholders	438,378	155,782
Proceeds from the granting of borrowings	225,000	43,718
Repayment of finance lease liabilities	–3,543	–3,059
Repayment of borrowings	–391,157	–90,225
Payments for transaction costs in connection with financing	–34,032	–4,133
Interest paid	–26,762	–26,964
Net cash provided by financing activities	**207,883**	**75,118**
Net decrease/increase in cash and cash equivalents	**137,969**	**–50,636**
Cash and cash equivalents at beginning of period	4,294	54,783
Cash and cash equivalents at end of period	142,263	4,148

Consolidated statement of changes in equity

'000	Subscribed capital	Additional paid-in capital	Retained deficit	Reconciling item for shareholder transactions without change in control	Accumulated changes in fair value of derivatives in cash flow hedges (net of tax)
Balance as of 1 Jan 2012	**708,100**	**1,517,186**	**–2,079,084**	**–58,245**	**1,019**
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	–	–	–103,311	–	–357
thereof items that may be reclassified subsequently to profit and loss	–	–	–	–	–357
thereof items that will not be reclassified to profit and loss	–	–	–	–	–
Balance as of 30 Sep 2012	**778,910**	**1,595,944**	**–2,182,396**	**–58,245**	**662**

'000	Subscribed capital	Additional paid-in capital	Retained deficit	Reconciling item for shareholder transactions without change in control	Accumulated changes in fair value of derivatives in cash flow hedges (net of tax)
Balance as of 1 Jan 2013	**778,910**	**1,595,944**	**–2,274,268**	**–58,245**	**–266**
Retroactive adjustment arising from the change to IAS 19 (2011 revised)	–	–	2,579	–	–
Balance as of 1 Jan 2013 (adjusted)	**778,910**	**1,595,944**	**–2,271,689**	**–58,245**	**–266**
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	–	–	–52,747	–	–508
thereof items that may be reclassified subsequently to profit and loss	–	–	–	–	–508
thereof items that will not be reclassified to profit and loss	–	–	–	–	–
Balance as of 30 Sep 2013	**877,201**	**1,920,850**	**–2,324,497**	**–58,245**	**–774**

Accumulated changes in fair value of available-for-sale financial assets	Accumulated changes in defined benefit obligations (IAS 19 (2011 revised)) (net of tax)	Accumulated other comprehensive income	Equity attributable to stockholders	Non-controlling interests	Total
109	–	1,128	89,084	–52	89,033
–	–	–	149,569	–	149,569
–	–	–	149,569	–	149,569
–109	–	–466	–103,777	–5	–103,782
–109	–	–466	–466	–	–466
–	–	–	–	–	–
–	–	662	134,876	–56	134,819

–	–	–266	42,075	–61	42,014
–	–2,579	–2,579	–	–	–
–	–2,579	–2,845	42,075	–61	42,014
–	–	–	337,259	–	337,259
–	–	–	85,938	–	85,938
–	–	–	–61	61	–
–	–	–	423,135	61	423,196
–	–	–508	–53,255	–	–53,255
–	–	–508	–508	–	–508
–	–	–	–	–	–
–	–2,579	–3,353	411,955	–	411,955

Notes to the interim consolidated financial statements (selected explanatory notes)

General information and basis of preparation

General information about the group

Sky Deutschland AG (also referred to as "Company" or "Sky") has prepared its interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The accompanying interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34). In accordance with IAS 34.10, Sky publishes condensed explanatory notes in its interim consolidated financial statements. Due to the totalling of individual items, rounding differences may occur in the tables provided.

Changes in the stockholder structure

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. Among other things, it comprises of the issuance of new equity in the amount of €438.4 million (gross proceeds) via the combination of a private placement and a rights issue.

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 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. 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.

Conclusion of new contracts

In 2013, 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, until 30 September 2013 the assets were capitalized as property, plant and equipment amounting to K€34,994 (30 June 2013: K€27,397) in total and 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.

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 further receive 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.

Revenues from these cooperations are disclosed under subscription revenues, wholesale revenues and other revenues.

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€960,187 as of 30 September 2013.

On 30 July 2013, Sky announced a cooperation with Sport1 GmbH, Ismaning, to market the channel Sport1 US HD. Since August 2013, Sky offers its subscribers access to sports events from various US leagues via satellite.

Conclusion of interest rate hedges

One component of the 2013 refinancing included 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 June 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 (30 September 2013: negative K€642). 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.

Extension of contracts with Management and Supervisory Board

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.

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. In addition Dr. Holger Enßlin, Carsten Schmidt and Steven Tomsic are entitled to participate in the Long Term Incentive Plan 2013 (LTIP 2013).

The remuneration of the Supervisory Board regulated in section 12 of the Articles of Association was amended by 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 revised provisions on the remuneration were applied with effect as of the beginning of the current financial year. The current members of the Supervisory Board explicitly agreed to the retroactive revised provisions on their remuneration.

The corresponding registration of the amendment of the Company's statutes into the Commercial Register has been effected.

Sky Hotel Entertainment GmbH, Unterföhring

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.

Corporate restructuring of Austrian subsidiaries

With resolution passed at the general assembly dated 28 June 2013, the de-merger by acquisition of assets by Sky Österreich GmbH, Vienna, into Premiere Star Österreich GmbH, Vienna, was concluded.

Based on this general assembly resolution 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 business in Austria is pooled under Sky Österreich Fernsehen GmbH, Vienna.

Application of the Amendment to IAS 19

The amendments to IAS 19 require Sky as of 1 January 2013 to recognize actuarial gains and losses in connection with the valuation of pensions and similar obligations that were previously recognized in profit and loss directly in equity in other comprehensive income. In this connection the comparative information as of 1 January 2013 included in the consolidated financial statements relating to accumulated other comprehensive income and retained deficit was net of tax adjusted by negative K€2,579.

Accounting policies

The accounting policies applied for Sky's interim consolidated financial statements as of 30 September 2013 correspond with the policies described in the Company's IFRS consolidated financial statements as of 31 December 2012. For further information, we refer to the consolidated financial statements as of 31 December 2012.

The following standards are adopted with obligatory effect for the first time in the ongoing fiscal year:

Amendment to IAS 1	Presentation of Items of Other Comprehensive Income
Amendment to IAS 12	Deferred Tax: Recovery of Underlying Assets
Amendment to IAS 19	Employee Benefits
Amendment to IAS 27	Consolidated and Separate Financial Statements
Amendment to IAS 28	Investments in Associates and Joint Ventures
Amendment to IFRS 1	First-time Adoption of International Financial Reporting Standards – Government Loans
Amendment to IFRS 7	Disclosures: Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements

IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IFRS 13	Fair Value Measurement
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Omnibus Standard	Annual Improvements Project 2009–2011

The interim financial statements as of 30 September 2013 reflect the amendments to IAS 1, IAS 12, IAS 19, IFRS 7 and IFRS 13. Regarding the impact of the application of the amendment to IAS 19 on Sky's interim financial statements, please refer to the section Application of the Amendment to IAS 19.

The following standards and amendments issued by the IASB do not have to be applied by Sky with obligatory effect as of 30 September 2013 either because they have not yet been adopted by the EU or because the date of first-time application in the EU has not yet been reached:

Amendment to IAS 27 (Investment Entities)	Consolidated and Separate Financial Statements
Amendment to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendment to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRS 9	Financial Instruments
Amendment to IFRS 10 (Investment Entities)	Consolidated Financial Statements
Amendment to IFRS 11 (Investment Entities)	Joint Arrangements
Amendment to IFRS 12 (Investment Entities)	Disclosure of Interest in Other Entities
IFRIC 21	Levies
Omnibus Standard	Annual Improvements Project 2012–2014

The Management Board is currently in the process of evaluating the potential effects the adoption of the aforementioned standards and amendments might have on its consolidated financial statements.

Significant influences on the consolidated interim financial statements

Changes in the balance sheet

Cash and cash equivalents

Cash and cash equivalents include cash at bank with a maturity of up to three months as of the acquisition date as well as cash on hand. Cash and cash equivalents increased by K€137,969 from K€4,294 as of 31 December 2012 to K€142,263 as of 30 September 2013.

Cash flow from operating activities amounted to positive K€47,840 (2012: negative K€22,940). Cash inflows resulted from the positive EBITDA in the amount of K€71,760 (2012: positive K€1,032) adjusted by non-cash expenses in the amount of K€6,932 (2012: K€7,341) as well as cash outflows due to changes in working capital in the amount of K€30,627 (2012: K€28,983).

Cash flow from investing activities was negative K€117,755 (2012: negative K€102,814). 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€207,883 (2012: K€75,118). 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€447,615 (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€120,700 as of the balance sheet date (thereof K€75,000 resulting from the bank financing).

Film assets and advanced payments for sport and film rights

The carrying amount of film assets and advanced payments for sport and film rights as of 30 September 2013 amounts to K€154,211 (31 December 2012: K€84,783). This development was due to an increase in advance payments for sports rights in the amount of K€54,044 and film assets in the amount of K€15,384 in connection with the purchase of film licenses.

Inventories

The carrying amount of the inventories as of 30 September 2013 amounts to K€29,415 (31 December 2012: K€19,358), of which K€74 are recognized at net realisable value (31 December 2012: K€120).

Other assets

The carrying amount of other assets as of 30 September 2013 amounts to K€36,647 (31 December 2012: K€47,788). The decline is mainly due to a change in restricted cash in the amount of K€12,677.

Trade payables

Trade payables decreased from K€277,117 as of 31 December 2012 to K€267,853 as of 30 September 2013. The main reason was a decline in other trade payables resulting from lower liabilities from receiver purchases as well as from the netting of receivables and payables from a barter deal. The decrease was partly offset by an increase in liabilities for film licenses.

Borrowings

The decrease in borrowings from K€615,254 as of 31 December 2012 to K€492,623 as of 30 September 2013 is mainly due to the 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 increase in finance lease liabilities in the amount of K€33,360 (please refer to the comments under Conclusion of new contracts) and the build-up of interest and transaction cost liabilities for the shareholder financing in the amount of K€12,338.

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. and its subsidiary News America Incorporated. They mature on 20 February 2018 and allow for substantial flexibility for Sky with no 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 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 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 50.0 percent of the annual license fee for each season, which reflects the guarantee requirement for the 2013/14 season. Per 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 50.0 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. 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 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 News America Incorporated. 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. is subject to certain customary conditions such as the absence of a material adverse change 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 in kind at the maturity date.

Other financial liabilities

Other financial liabilities amount to K€50,175 as of 30 September 2013 (31 December 2012: K€71,606). The decrease 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. This is mainly offset by an increase in liabilities for share-based payments in the amount of K€11,241 from K€9,437 as of 31 December 2012 to K€20,679 as of 30 September 2013 (please refer to the comments under Share-based payments).

Other provisions

Other provisions amount to K€12,841 (31 December 2012: K€15,612). Additions to provisions for potential proceedings were overcompensated by the release of a non-current provision for a potential payment obligation. Due to the conclusion of an agreement with a network provider, the reason for the provision no longer exists.

Equity

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 of the issuance 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 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. 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.

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 until 2 April 2017, once or in partial amounts, to issue 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 shares) in Sky Deutschland AG with a pro rata amount of the registered share capital of up to €335,538,696 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 is 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 in the Annual General Meeting on 3 April 2012 remains unchanged.

At the Annual General Meeting on 18 April 2013, the Management Board has furthermore been 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 of new registered no-par value shares against cash contribution (Authorized Capital 2013). The Authorized Capital 2012 granted to the Management Board in 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 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 has been effected.

Consolidated statement of total comprehensive loss

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

Revenues

Revenues primarily consisted of subscription revenues in the amount of K€1,040,344 (2012: K€896,985) and revenues from hardware of K€25,170 (2012: K€32,839). Wholesale revenues amount to K€13,742 (2012: K€9,910). Advertising and other revenues amounted to K€52,876 (2012: K€36,623).

Revenues for the third quarter of 2013 amounted to K€392,729 as compared to revenues in the amount of K€375,356 for the second quarter of 2013. This increase primarily resulted from higher subscription revenues as well as higher wholesale revenues. The increase in subscription revenues is due to both a growth in direct subscribers and a higher ARPU. The increase in wholesale revenues is mainly due to the cooperation agreement with Deutsche Telekom and comprises both former Liga-total! IPTV customers and Telekom mobile customers, who ordered the Sky Bundesliga service via the mobile TV offering of Deutsche Telekom.

Cost of sales

Cost of sales totalled K€869,383 (2012: K€790,464). Programming costs increased to K€613,358 (2012: K€558,842), mainly driven by higher license costs for sport events and film assets. The decrease in technology costs by K€854 to K€123,960 (2012: K€124,814) was primarily the result of an increase in costs for cable broadcasting, additional transponder capacities and playout services, (mainly driven by an increased number of HD channels) in the amount of K€7,804, which was overcompensated 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 K€69,058 (2012: K€61,693), mainly due to the increased customer correspondence associated with the higher subscriber base. Hardware costs increased to K€63,006 (2012: K€45,114). The increase is due to higher depreciation in connection with increased volumes of receivers recognized under non-current assets.

Cost of sales for the third quarter of 2013 amounted to K€294,016 as compared to cost of sales in the amount of K€276,008 for the second quarter of 2013. Licence costs for sport events, which are utilized based on the allocation of events during the relevant license period, were the main reason for the increase in programming costs.

Selling expenses

Selling expenses increased by K€1,942 to K€164,414 (2012: K€162,472). The increase is primarily due to an addition to allowances recorded against receivables from subscribers in the amount of K€5,012. These receivables relate to certain promotional offers and are subject to dunning procedures. This was opposed by decreasing commissions – among others in connection with ramping down outbound telesales - as well as lower marketing costs.

General and administrative expenses

General and administrative expenses increased by K€18,083 to K€97,765 (2012: K€79,682). This increase was primarily the result of higher IT expenses as well as higher personnel expenses, particularly related to the share-based compensation programs.

Other operating income

Other operating income totalled K€10,164 (2012: K€7,023). The increase is mainly due to an agreement with a network provider.

Other operating expenses

Other operating expenses increased to K€3,283 (2012: K€337) mainly in connection with the provision for potential proceedings as well as the derecognition of receivables relating to prior years.

Interest and similar expenses

Interest and similar expenses increased by K€6,041 to K€54,526 (2012: K€48,486). 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 in the nine-month period 2013.

Earnings per share

	1 Jan –30 Sep	
	2013	2012
Net income attributable to stockholders of Sky Deutschland AG (K€)	–52,747	–103.311
Weighted average number of outstanding shares (K)	870,442	767,797
Basic earnings per share (€)	**–0.06**	**–0.13**

Basic earnings per share are calculated as the ratio of the Group net income attributable to the Company's shareholders and the weighted average number of shares outstanding during the applicable period.

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 nine-month period 2013, the capital increases resulted in a weighted average of 870,441,509 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 Contingent Capital.

Upon conversion of the bond into ordinary registered shares, the weighted average number of outstanding shares would have increased to 924,355,691. Due to the consolidated loss incurred in the nine-month period of 2013, the diluted earnings per share correspond to the basic earnings per share.

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.

(K€)	Valuation	Disclosed in the balance sheet under	30 Sep 2013 Fair value	30 Sep 2013 Carrying amount	31 Dec 2012 Fair value	31 Dec 2012 Carrying amount
Assets						
Cash and cash equivalents	n/a	Cash and cash equivalents	142,263	142,263	4,294	4,294
Loans and receivables	Amortized cost	Trade receivables, other financial assets	78,685	78,685	88,031	88,031
Receivables accounted for in accordance with IAS 17	Amortized cost	Trade receivables	265	310	662	686
Available-for-sale financial assets	Amortized cost	Other financial assets	8	8	–	–
Derivative financial assets	Fair value	Other financial assets	124	124	1	1
- Derivatives in connection with cash flow hedges	Fair value through equity	Other financial assets	108	108	0	0
- Derivatives without hedge relation	Fair value through profit and loss	Other financial assets	16	16	1	1
Liabilities						
Financial liabilities at amortized cost	Amortized cost	Borrowings, trade payables, other financial liabilities	746,126	746,292	946,503	946,603
Financial liabilities accounted for in accordance with IAS 17	Amortized cost	Borrowings	40,804	40,844	7,171	7,485
Other non-derivative financial liabilities accounted for in accordance with IFRS 2	Fair value	Other financial liabilities	20,679	20,679	9,437	9,437
Derivative financial liabilities	Fair value	Other financial liabilities	2,836	2,836	453	453
- Derivatives in connection with cash flow hedges	Fair value through equity	Other financial liabilities	1,174	1,174	367	367
- Derivatives without hedge relation	Fair value through profit and loss	Other financial liabilities	1,662	1,662	86	86

Loans and receivables primarily have short maturities, so that 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, 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.

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 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.

Trade payables and other borrowings mainly have short maturities, so that 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.

The carrying amount of the other non-derivative financial liabilities comprises the obligations for 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)

30 Sep 2013 (K€)	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets	–	124	–	124
- Derivatives in connection with cash flow hedges	–	108	–	108
- Derivatives without hedge relation	–	16	–	16
Liabilities				
Derivative financial liabilities	–	2,836	–	2,836
- Derivatives in connection with cash flow hedges	–	1,174	–	1,174
- Derivatives without hedge relation	–	1,662	–	1,662

31 Dec 2013 (K€)	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets	–	1	–	1
- Derivatives in connection with cash flow hedges	–	0	–	0
- Derivatives without hedge relation	–	1	–	1
Liabilities				
Derivative financial liabilities	–	453	–	453
- Derivatives in connection with cash flow hedges	–	367	–	367
- Derivatives without hedge relation	–	86	–	86

The following tables show the potential effects of existing netting arrangements on Sky's financial position.

30 Sep 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	–	–	–	–779	–	–779
- concluded with Bayerischen Landesbank	124	–	124	–1,173	–	–1,049
- concluded with Bank of America Merrill Lynch	–	–	–	–280	–	–280
- concluded with UniCredit Bank	–	–	–	–280	–	–280
- concluded with J.P. Morgan Securities plc.	–	–	–	–323	–	–323
Total	124	–	124	–2,836	–	–2,712

30 Sep 2013 (K€)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the balance sheet	Net amounts of financial liabilities 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	–779	–	–779	–	–	–779
- concluded with Bayerischen Landesbank	–1,173	–	–1,173	124	–	–1,049
- concluded with Bank of America Merrill Lynch	–280	–	–280	–	–	–280
- concluded with UniCredit Bank	–280	–	–280	–	–	–280
- concluded with J.P. Morgan Securities plc.	–323	–	–323	–	–	–323
Total	–2,836	–	–2,836	124	–	–2,712

Other explanatory comments

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 in a legally binding manner, 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 instalments. All instalments 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.

There are no outstanding obligations relating to damage claims in the consolidated interim financial statements recorded as of 30 September 2013.

For further information, please refer to the notes to the consolidated financial statements as of 31 December 2012.

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.

For further details on the findings of BaFin, please refer to the respective description in the notes to the consolidated financial statements for the 2010 financial year. 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 was 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 2014.

Should the findings of BaFin become legally binding, Sky Deutschland AG would potentially have to adjust its financial statements from the 2007 financial year onwards. In addition, fines could be imposed and claims for damages could be asserted by third parties.

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 a 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. In regard to further disclosures, the Group makes use of the exemptions provided by IAS 37.92.

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. 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. In the meantime, the Düsseldorf District Court has dismissed the claim and fully granted Sky's counterclaim, with a ruling dated 20 March 2013. The plaintiff has appealed the decision.

Share-based payments

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

On the basis of existing binding commitments, 1,661,366 virtual shares were granted to members of the Management Board and Senior Executives (thereof 977,845 shares to the members of the Management Board).

Including the long-term incentive plans concluded in 2011 and 2012, a total of 5,389,184 virtual shares were granted to members of the Management Board and Senior Executives (thereof 2,619,991 shares to the members of the Management Board). The fair value of the virtual shares as of 30 September 2013 amounts to K€32,883 (30 September 2012: K€10,109) of which K€16,160 relate to members of the Management Board (30 September 2012: K€4,354). For the nine-month period 2013, an expense in the amount of K€12,879 (30 September 2012: K€2,911) was incurred, of which K€6,913 relate to members of the Management Board (30 September 2012: K€1,291).

The calculation was based on the following parameters:

	30 Sep 2013	30 Sep 2012
Risk free interest rate		
-LTIP 2011	0.02%	–0.03%
-LTIP 2012	0.09%	0.02%
-LTIP 2013*	0.17%	–
Dividend yield	0.00%	0.00%
Volatility	58.60%	74.92%
Price of Sky share	6.81 €	3.12 €
Fluctuation rate employees	5.00%	10.00%

* For the LTIP 2013 concluded with Brian Sullivan, the risk free interest rate amounts to 0.05 percent.

In light of the business developments, the Supervisory Board decided by resolution of 4 October 2012 to increase the target values concerning the agreed Company performance indicators for the LTIPs 2011 and 2012, which compared to the previous assumptions corresponds to lower payments to the eligible persons in case of target achievement.

With respect to the accounting treatment of the share-based payments, full target achievement has been assumed.

In connection with both the stock option plan and the share-based compensation program concluded with Brian Sullivan, an expense in the amount of K€2,320 (30 September 2012: expense for the stock option plan K€2,314) has been recognized in the nine-month period 2013. The stock option plan included a grant of phantom shares in the amount of the then existing fair value of the Sky share, which enabled Brian Sullivan to receive payments in 2012 and 2013 if certain performance targets in particular with respect to the increase in subscriber numbers were met. In 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. With this payment, the stock option plan is concluded and no further payments are due from this plan. In terms of the share-based compensation program, a one-off payment on the basis of 500,000 shares will become due on 2 January 2015, if the vesting conditions are met.

Related party transactions

Related parties are persons or companies on which the Company can exert significant influence or which can exercise significant influence on the Company. In addition to the members of the Company's Management and Supervisory Board, they also include family members and the partners of the persons affected.

For share-based compensation programs granted to members of the Management Board, an expense in the amount of K€9,233 was recognized in the nine-month period 2013 (30 September 2012: K€3,605).

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 nine-month period 2013 (30 September 2012: K€0).

The table provided below includes an interest expense in the amount of K€21,546 for shareholder financing with 21st Century Fox Adelaide Holdings B.V. and an interest expense in the amount of K€19,363 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 a partner channel remain ongoing. This resulted in the release of accruals in the amount of K€3,342.

The scope of transactions with affiliated companies described in the consolidated financial statements as of 31 December 2012, remains unchanged. In the course of the normal business activities, all delivery and service transactions with related parties are carried out under the terms and conditions normal in the market that would also apply to non-related third parties.

(K€)	Revenues from sales and services	Personnel expenses	Other income	Expenses from services received	Net	Payables	Receivables
Total of companies with significant influence on the company	575	–279	3	–77,878	–77,578	–247,157	585
Total of other related parties	–	–14,385	–	–259	–14,645	–13,126	4
Total	**575**	**–14,664**	**3**	**–78,137**	**–92,223**	**–260,283**	**589**

Other financial commitments

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

(K€)	30 Sep 2013	31 Dec 2012
Film licenses	545,689	578,949
Sport licenses	2,007,988	2,315,043
Partner channels	265,816	328,684
Purchase commitments for receivers	44,689	38,269
Miscellaneous	393,121	404,764
Total	**3,257,303**	**3,665,709**

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

(K€)	30 Sep 2013	31 Dec 2012
Network operators and transponder rents	960,187	893,897
Office buildings	79,922	84,736
Motor vehicles	3,691	4,163
Technical office equipment	66	65
Total	**1,043,865**	**982,861**

The declining development of other financial commitments is mainly explained by decreasing terms of existing agreements, in particular sport licenses. Offsetting effects due to new agreements, in particular in regard to network operators and transponder rents do not fully offset this.

Segment reporting

The business activities of the Sky group focus 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. Insofar, Sky does not have different operating segments in accordance with IFRS 8.

Supervisory Board changes

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 July 16, 2010. Chase Carey will remain a member of the Supervisory Board.

Events after the balance sheet date

Apart from the transactions disclosed under the individual captions of these notes, no other significant transactions have occurred since the balance sheet date.

Unterföhring, 4 November 2013

The Management Board

Further Information

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