



Annual Report 02

Corporate



The ProSiebenSat.1 Group is Germany's prime location for Hollywood blockbusters. With "Independence Day," ProSieben scheduled TV's most successful feature film of 2002. The Group has secured its future as Germany's leading television company for high-quality Hollywood productions. In 2002, ProSiebenSat.1 Media AG signed long-term contracts with many film studios. For example, the Group has exclusive rights to film productions from the Hollywood studios Disney, Touchstone, Miramax and Dimension.

Fiscal Year



Business in 2002 was influenced not just by the collapse of the advertising market but by the insolvency of the ProSiebenSat.1 Group's majority shareholder and most important programming supplier, KirchMedia GmbH & Co. KGaA. Massive cost cuts partly made up for the revenues lost through the slump in television advertising spending. Good marketing performance enabled the Group to maintain its lead in the television advertising market again in 2002.

Figures



The ProSiebenSat.1 Group responded to declining advertising revenues in 2002 with rigorous, systematic cost management. Group revenues were EUR 1.895 billion, compared to the previous year's EUR 2.015 billion. EBITDA was EUR 134 million, compared to EUR 225 million a year ago. The Group's pre-tax income amounted to EUR 21 million, following on EUR 106 million the year before.

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Key Figures

Consolidated Financial Statements		2002	2001	Change
Revenues	(EUR m)	1,895	2,015	-6%
Pre-tax profit	(EUR m)	21	106	-80%
Net profit for the year	(EUR m)	15	68	-78%
EBIT	(EUR m)	73	154	-53%
EBITDA	(EUR m)	134	225	-40%
Cash flow in accordance with DVFA/SG	(EUR m)	1,147	1,253	-8%
Earnings per share in accordance with DVFA/SG	(EUR)	0.08	0.34	-76%
Total assets	(EUR m)	1,756	2,028	-13%
Shareholders' equity	(EUR m)	617	650	-5%
Equity ratio		35%	32%	9%
Pre-tax return on equity		3%	16%	81%
Pre-tax profit margin		1%	5%	-80%
Programming assets	(EUR m)	1,060	1,206	-12%
Programming assets/Total assets		60%	59%	2%
Programming investment	(EUR m)	926	1,180	-22%
Net financial debt	(EUR m)	754	897	-16%
Dividend*	(EUR)	0.02	0.16	-88%
Dividend yield		0.31%	2.78%	-89%
Tax rate ProSiebenSat.1 Group		41%	38%	-8%
Employees**		3,072	3,029	1%

* Dividend per share of preferred stock
** Full-time equivalent jobs as of December 31

Key Figures by Business Area

			2002	2001	Change
TV	External revenues	(EUR m)	1,816	1,942	-6%
	Total revenues	(EUR m)	1,837	1,961	-6%
	Operating profit	(EUR m)	62	137	-55%
	Employees*		1,909	1,772	8%
Sat.1	Total revenues	(EUR m)	777	831	-6%
	Pre-tax loss	(EUR m)	-98	-77	-27%
	Employees*		183	194	-6%
ProSieben	Total revenues	(EUR m)	778	860	-10%
	Pre-tax profit	(EUR m)	206	262	-21%
	Employees*		303	298	2%
Kabel 1	Total revenues	(EUR m)	196	215	-9%
	Pre-tax profit	(EUR m)	12	34	-65%
	Employees*		50	48	4%
N24	Total revenues	(EUR m)	95	67	42%
	Pre-tax loss	(EUR m)	-24	-38	37%
	Employees*		265	274	-3%
Merchandising	External revenues	(EUR m)	66	59	12%
	Total revenues	(EUR m)	73	66	11%
	Operating profit	(EUR m)	17	15	13%
	Employees*		119	110	8%
Services	External revenues	(EUR m)	13	11	18%
	Total revenues	(EUR m)	154	172	-10%
	Operating profit / loss	(EUR m)	-3	8	-138%
	Employees*		1,044	1,112	-6%

* Full-time equivalent jobs as of December 31

Group Structure

Business Areas	Activities	Key Subsidiaries
Television	<ul style="list-style-type: none">• Commercial Television• Foreign Advertising Windows• Television Advertising Sales• Transaction Television• Internet, Teletext	<ul style="list-style-type: none">• Sat.1 (100%)• ProSieben (100%)• Kabel 1 (100%)• N24 (100%)• SevenOne Media (100%)• Euvía Media (48.4%)• SevenOne Intermedia (100%)
Merchandising	<ul style="list-style-type: none">• Merchandising• Viewers' Club• E-Commerce• Dialog-, Direct and Crossmarketing	<ul style="list-style-type: none">• MM Merchandising München (100%)• ArtMerchandising & Media (86.5%)• SevenOne Club & Shop (100%)
Services	<ul style="list-style-type: none">• Creative Design• Production, Broadcasting Services, Technology• IT Development	<ul style="list-style-type: none">• SevenSenses (100%)• SZM Studios (100%)• ProSieben Information Service (100%)

Corporate

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ProSiebenSat.1 Media AG 2002 Annual Report



“Good programming is the cornerstone”



Urs Rohner, Chairman of the Executive Board of ProSiebenSat.1 Media AG, answers questions about the impact of the weak economy and the Company's prospects for 2003. A recovery of the TV advertising market can be expected in the second half of the year, at the very earliest. The ProSiebenSat.1 Group is focusing on its core business, which is commercial television, and closely related activities like merchandising and multimedia.

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“Outmoded advertising regulations”



Jürgen Doetz, the member of the ProSiebenSat.1 Media AG Executive Board in charge of media policy and regulation, argues in an interview for deregulation of the European advertising scene. He also opposes demands for advertising bans on certain products. The ProSiebenSat.1 Group's position in this policy debate: Every product that can be freely sold on the market must also be able to advertise.

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Corporate Governance



The Corporate Governance Code gives Germany its first specific standards of conduct for the executive boards and supervisory boards of companies listed on the stock exchange. ProSiebenSat.1 Media AG views the Code as an important step in the further development of corporate management and control. The Company has taken the release of the Code as an opportunity to address in detail its own procedures for management and supervision.

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Startsocial



The ProSiebenSat.1 Group's involvement in corporate sponsorship follows the maxim “Act, don't protract.” In joint projects with partners from business, politics and society at large, the Company puts its media to work in the service of good causes. Again in 2002, the major project was “startsocial,” a business plan competition for social ideas that has set nationwide standards.

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ProSieben

The extraterrestrial invaders from “Independence Day” made ProSieben the high flyer of the 2002 broadcast year. Even though it was on its third showing, Roland Emmerich's science fiction thriller was the year's most successful feature film, drawing an audience of 8.34 million viewers.



Dear Shareholders,

Chairman

The year 2002 represents the low point to date in the nearly twenty-year history of German private television. Amid a persistently weak German economy, net spending on television advertising in 2002 may well have dropped a further 8 to 10 percent. The advertising crisis worsened further after the previous year's sharp drop. Experts assume that since its record year in 2000, the television advertising market has contracted by a total of EUR 600 to 700 million. Today's market is below the 1998 level - and will not approach the 2000 record again until 2005 at the earliest. To put it bluntly: Even after two years of recession, the advertising market has not bottomed out yet. The industry is now projecting that an upswing may arrive in the second half of 2003. But at the moment, no one can say for sure whether that will really be the case. Visibility in this market remains as low as ever.

As expected, the contracting German TV advertising market also adversely affected the ProSiebenSat.1 Group's business performance in 2002. Group revenues were EUR 1.895 billion, after the EUR 2.015 billion of 2001 - a 6 percent drop. Income before taxes was EUR 21 million. The previous year's figure was EUR 106 million. We responded to declining revenues with massive cost cuts throughout the Company. And with considerable success: Despite a number of one-time extraordinary charges - such as the World Cup in Japan and South Korea, which cost EUR 54 million - our earnings were down only EUR 85 million, compared to the total revenue drop of EUR 120 million. EBITDA reached EUR 134 million, following EUR 225 million the previous year. However sobering the figures for 2002 may be, we should also point out that the cost base for the entire Company has been pared back significantly. We'll profit a good deal from that in the future.

Nevertheless, we cannot be satisfied with the trend of business as a whole in 2002. Apart from a difficult advertising market, during the year we also had to contend with internal weaknesses, especially at ProSieben and Sat.1, that we were not able to correct properly until the last four months of the year. Since then, both of these stations have made substantial recoveries in market position. All the same, for 2002 as a whole, the combined market share of stations Sat.1, ProSieben and Kabel 1 declined from 30.1 percent to 28.1 percent among the 14 to 49-year-old target audience that is crucial for advertising. Yet gross advertising market share remained high and almost stable, at 45.4 percent, compared to the previous year's 45.6 percent. This means the ProSiebenSat.1 Group remains the clear Number One in the German TV advertising market. Good sales performance helped make up almost completely for the losses in market share among viewers. But our top priority is still to gain significant ground once again for the ProSiebenSat.1 Group in the audience market. We've already made good headway in this regard. The 2003 trend figures (until March 15, 2003) show that our family of stations managed

to increase its combined market share among the 14-to-49 group by 0.7 percentage points from the previous year, to 28.8 percent. News channel N24 made a particularly good showing, earning a 0.4 share among this audience. It now trails the market leader, n-tv, by just one-tenth of a percentage point.

There's no doubt that the competitive climate in the television market has grown harsher over the past twelve months. As spending on television advertising sank, not only has every broadcaster watched the gap widen between gross and net advertising revenues, but for the first time ever, we're seeing deflationary prices in the television market. Yet cost pressure on broadcasters has also intensified considerably. In 2003 we face the difficult challenge of once again adjusting our cost structures to the market's realities, while at the same time expanding our market position. We can thank the employees of the ProSiebenSat.1 Group that we've really been able to do quite well so far. I'd like to express the heartfelt gratitude of the Executive Board to them here, for their exceptional willingness to achieve and their discipline in dealing with costs. All the more so because as part of our cost-cutting measures we had to make a number of difficult, unpopular decisions - certainly one of the foremost among them, a general freeze on salary increases for 2003.

But our rigorous cost management is paying off. For example, in other operating expenses alone, we were able to save around EUR 11 million compared to the year before, after excluding exceptional one-time effects like single-item adjustments or losses on the disposal of financial assets. The 2002 annual report you have before you also represents a savings. Its unusual, yet - as we hope - highly innovative and appealing format has saved us around 25 percent on production and design costs from the year before.

We can also report major advances in optimizing our organization. We decentralized the sales structure at our advertising-time marketer SevenOne Media, to be as close to our clients as possible. At the same time, we can now serve both advertisers and agencies from a single source. That allows us not only to work more effectively with our clients, but to bring into focus the integrated communications that cover the ProSiebenSat.1 Group's entire portfolio. After taking over all of Kirch Intermedia GmbH as of September 1, 2002, we integrated this multimedia company into the ProSiebenSat.1 Group under the new name SevenOne Intermedia. We've tied it closely into our stations' branding structure. We also plan to merge our two merchandising companies, MM Merchandising München and SevenOne Club & Shop. We expect the new unit not only to tap new revenue potential in the Merchandising business, but to further simplify the process of communication and coordination with our business partners and clients. One step toward optimizing processes in our technical operations was to create the new position of a Director of Operations, combining

markt

responsibilities for all technical service companies in the ProSiebenSat.1 Group. Among the operations involved here are SZM Studios, the IT company ProSieben Information Service, and the broadcast technology company Teledirekt.

For the ProSiebenSat.1 Group, fiscal 2002 represents a sharp break with our Company's prior history in every regard. We had to contend not only with yet another severe slump in the advertising market, but the insolvency of KirchMedia GmbH & Co. KGaA - our group's majority shareholder and most important programming supplier. As a listed and independently financed company, we have never been involved in the insolvency proceedings, but of course KirchMedia's insolvency created additional tasks for us on top of our normal operating work load. Among these were a detailed clarification of the resulting risks to our programming supply and to the financial position of the ProSiebenSat.1 Group. A detailed legal review leads us to view these risks as extremely slight. We also played a major role in the process of selling KirchMedia's stake in ProSiebenSat.1 Media AG, by enabling potential investors to conduct due diligence reviews of our Group under confidentiality agreements, with the aim of restoring a stable ownership structure as quickly as possible, in our Company's own best interest. That's why we're especially glad that the negotiations with the Saban Group came to a successful conclusion on March 17, 2003. In US media entrepreneur Haim Saban, we have a new principal shareholder who enjoys long-established relations with the international film and television business. Our Company will soon be benefiting substantially from this new association.

Regardless of the KirchMedia insolvency, in 2002 and early 2003 we signed a great many contracts that will ensure our stations a long-term supply of programming that includes the best and highest-quality Hollywood films and series. For example, the ProSiebenSat.1 Group procured exclusive rights to productions from the US studios Disney, Touchstone, Miramax and Dimension over the next few years. Other agreements, some of them long-term, were also signed with Lucasfilm, Paramount Pictures, Senator, Epsilon, Highlight, Constantin and Tobis. These are carefully focused investments in our programming's appeal, and in further strengthening our position as the German television market's leading provider of feature films and series. Cost pressures or not, we will never cut back on quality programming for our stations.

It's already quite clear that 2003 will be just as hard as the year before. The television advertising market contracted still further in the first months of the year. There are still no signs of an overall economic recovery. It is also unclear what consequences the war in Iraq will have for the German economy and German consumer confidence. So at the moment there is no way of arriving at

a firm projection of how the advertising market will perform. The outlook for the full year remains uncertain. It's our goal that our Group revenues will perform better than the market as a whole. Systematic cost management will enable us to further improve our cost structures substantially this year.

Despite the cool economy, we have every reason to be confident about the future. The ProSiebenSat.1 Group has proved its profitability once again, even under the extremely difficult conditions of 2002. The measures we have inaugurated to cut costs are taking hold already. We'll keep them up consistently in the months to come. Our stations' complementary positioning with audiences and in the advertising market has also proved its worth. So we have all the necessary materials to improve our performance substantially during fiscal 2003 and subsequent years. I can assure you that the management and staff of the ProSiebenSat.1 Group will all work hard toward this goal in the months ahead, with both dedication and creativity.

Sincerely,



Urs Rohner
Chairman of the Executive Board

Urs Rohner
Chairman of the Executive Board







“Star Wars: Episode I - The Phantom Menace”

ProSieben’s lineup of Hollywood blockbusters dominated the ratings charts for feature films in 2002. The first showing of “Star Wars: Episode I - The Phantom Menace” earned the second-highest audience share of the year, attracting 39.7 percent of the group between 14 and 49. Additional excursions into the ratings heights are a sure thing, now that the station has acquired the broadcast rights for the hit sequel, “Star Wars: Episode II - Attack of the Clones.”

»Good Programming Is the Cornerstone of Our Business«

Interview: Urs Rohner



Urs Rohner, born in 1959, studied Law in Zurich, Switzerland, between 1978 and 1983 and was called to the Bar in 1986 in the canton of Zurich. Between 1983 and 1999, the former competitive sportsman (hurdles) worked as a lawyer, specializing in media and entertainment law, capital markets and fair trading law. In addition, Supervisory Board Member at a number of Swiss companies. Appointed Chairman of the Executive Board at ProSieben Media AG in 2000 and following the merger with Sat.1 was elected Chairman of the Executive Board at ProSiebenSat.1 Media AG. Management segments: Sales and Merchandising.

The television advertising market has been suffering from a severe recession for two years now. Is this just a persistent crisis in business conditions, or something more deep-rooted? It's simply a problem of business conditions. Unlike earlier years, obviously this time the television advertising market can't disconnect itself from general economic developments. On the contrary - the persistently weak economy is having a particularly damaging impact on the advertising market. Germany's logjam in political reforms is reinforcing the negative trend. While advertising spending has gradually begun expanding again in other European countries and the United States, Germany has not hit bottom yet. The market is now below 1998 levels. Private television companies like the ProSiebenSat.1 Group have a hard time finding ways to counter this situation, because comparatively high fixed costs, especially for programming and materials, are a basic characteristic of the television business. Unlike other sectors, personnel expenses, for example, are a relatively minor consideration, at roughly eleven percent of total expenses. But unlimited savings on programming are not an option. Good programming is the cornerstone of our business.

How will the advertising industry's spending for television evolve in 2003? Nobody can give any meaningful prediction at this point. Visibility in the television advertising market remains as low as ever. Clients are booking on shorter and shorter notice. You have to fight hard for every euro in revenues. The only clear thing is that the first quarter of 2003 will certainly be even worse than the first three months of 2002. The industry is now projecting that an upswing may gradually set in during the second quarter of 2003. But a real recovery is probably unlikely until the second half, at the very earliest. The outlook for the full year remains uncertain. It's especially hard to judge how the war in Iraq will affect the German economy and consumer confidence. We've worked out worst-case scenarios if it becomes clear during the first half that the downtrend in the television advertising market will keep up again this year.

Can cost cuts make up at all for further revenue losses if the advertising market contracts again in 2003? Our rigorous cost management will enable us to make up - at least in part - for further revenue losses caused by a weak market. But I also have to say that we have less leeway than before. In the last two years we've responded to the recession in the advertising market with a rigid policy on costs. Today we can see that we changed course relatively early, even if the full effects of the cost-cutting measures we adopted don't always show up right away because of the long lead time in the programming and television business. Back in 2001, we already cut costs by around EUR 150 million compared to our original multi-year plans. After adjusting for exceptional effects, we pared back our entire cost base by another roughly EUR 54 million in 2002. A number of structural measures - like integrating the SevenOne Intermedia multimedia firm, our plans to merge the merchandising companies MM Merchandising München and SevenOne Club & Shop, or combining all service companies under a single Director of Operations - will enhance our organization's efficiency still further. So in that sense, the ProSiebenSat.1 Group's expenses will be down significantly again in 2003.

The ProSiebenSat.1 Group still generates over 95 percent of its revenues from television advertising. Are you planning to expand other lines of business strategically to reduce dependency on advertising money? Our strategy is clear - we're concentrating on our core business, which is commercial television, and closely related activities like merchandising and multimedia. We also hold a major stake in Euvía Media AG & Co. KG, whose Neun Live and sonnenklar TV stations have established two very successful transaction TV channels in Germany. For the time being we see no need to add other emphases to our lines of business, despite the current weakness in the advertising market. But there certainly will be additions to our business. All the same, commercial television is basically still a highly attractive and promising business, even if the days of double-digit growth percentages are probably a thing of the past. Once the current advertising crisis is over, in fact, our considerably smaller cost base will enable us to improve the ProSiebenSat.1 Group's profitability considerably over our former results.

The ProSiebenSat.1 Group's family of stations lost audience share in 2002. What's your strategy for helping your stations regain ground in the market? Sat.1 and ProSieben did in fact fall behind our performance expectations for part of last year. There are a variety of reasons. In the case of ProSieben, audiences lost interest in afternoon daytime programming and repeats of international series in prime time. At Sat.1, prime access and weekend prime time programming was unsatisfactory. Additionally, Sat.1's highlights coverage of the World Cup in Japan and South Korea drew only moderate ratings because far more viewers than expected were watching the live broadcasts of the games on ARD and ZDF in the morning. It also turned out to be difficult to recover lost audience share points quickly. But we're on the right track. Both stations' performance has improved significantly since last fall. In 2003, we'll especially focus on further optimizing prime access on Sat.1 and afternoons on ProSieben. Both stations are now very stable in prime time. Additionally, Sat.1 will focus even more than before on the core audience between ages 25 and 49, while ProSieben has been attracting especially strong acceptance among 14 to 29-year-olds. The systematic, complementary positioning of our two flagship stations will safeguard our lead in the advertising market.

What was the impact of the KirchMedia insolvency on the ProSiebenSat.1 Group and on the programming supply for Sat.1, ProSieben and Kabel 1? The past few months since KirchMedia filed for insolvency in April 2002 have certainly not been easy for us, either, even though ProSiebenSat.1 Media AG is a listed, independently financed company and not involved in the insolvency proceedings. Business went on pretty much as usual, but of course we had to deal not only with normal operations but with the potential risks the insolvency posed for us, along with the bidding procedure for the sale of KirchMedia's stake in ProSiebenSat.1 Media AG. Our risk review focused mainly on whether we could in fact make use of the programming rights we had acquired from KirchMedia. But our attorneys assure us that the rights should be secure. Additionally, in 2002 we signed several three-way programming rights agreements directly with US film studios and KirchMedia, so that even if KirchMedia were to cease payments in the future we could still use the rights.

Has the long search for a new principal shareholder adversely affected the ProSiebenSat.1 Group? We realized from the start that given the overall circumstances, the process of searching for a new majority shareholder wouldn't be a short one. It was also clear that the faster we got back to a stable shareholder structure, the better it would be for the ProSiebenSat.1 Group. For that reason, we did all we could to support the process of selling our stock to potential investors. Under confidentiality agreements, for example, we gave potential buyers a chance to carry out a comprehensive due diligence analysis of the ProSiebenSat.1 Group. We were also available to answer investors' questions. That's why we're especially glad that on March 17 of this year, the Saban Group signed to acquire 36 percent of our capital stock, thus bringing the selling process to an end. The agreement is supposed to be put into effect within two months.

What do you expect from the involvement of US media entrepreneur Haim Saban in ProSiebenSat.1 Media AG? As far as we're concerned, the Saban Group is a very welcome partner. In Haim Saban, we have a strong majority shareholder who has lots of experience with television and excellent relations with the international film and television industry.

Two of your stations, Sat.1 and N24, are currently running at a loss. What's the outlook for those two companies? Station Sat.1 has the Group's greatest potential for enhanced profitability. In the past two years we've cut its cost base back significantly - around EUR 73 million. We'll be continuing that work this year. If the television advertising market doesn't deteriorate further in 2003, Sat.1 will return to profitability at the operations level, which all by itself is likely to improve the Group's results by around EUR 100 million. But frankly, at the moment we can't be sure the market will behave that way. The situation at N24 is a bit different. The station has only been on the air for three years, and is evolving roughly as expected. But the television advertising market has changed fundamentally since we decided to found N24. In 1999 and 2000, financial service providers, telecommunications companies and IPOs - which preferred to advertise in news and business contexts - were still the biggest growth drivers in the TV advertising market. Today they've lost importance. Audiences are also less interested in broad-based coverage of the stock markets and business news. We responded to that in December 2002 by introducing a documentary line of programming at N24. The change was a success. It not only sharply improved the station's performance among the important 14-to-49 audience segment, but offers the advertising industry an additional attractive setting, and one that's much in demand, alongside news and business. So we assume that N24 will achieve operating profitability in 2005.

Corporate Governance in the ProSiebenSat.1 Group

Government commission issues Corporate Governance Code

As of 2002, German law has included a number of new requirements for listed companies. These new regulations emphasize “corporate governance,” a term for a company’s entire system of internal and external mechanisms of review and supervision. In the narrower sense, corporate governance stands for conscientious management and supervision of companies, oriented to long-term added value. Among the major aspects of good corporate governance are efficient cooperation between the managing board and the supervisory board, a concern for shareholders’ interests, and openness and transparency in corporate communications.

The German Corporate Governance Code was released on February 26, 2002, by the Government Commission on the German Corporate Governance Code. For the first time ever, the code prescribes specific standards of conduct for the managing boards and supervisory boards of listed companies. ProSiebenSat.1 AG Media AG explicitly welcomes this development, and has taken it as an opportunity to address in detail its own procedures for management and supervision. The Executive Board and Supervisory Board dealt extensively with the subject at three joint meetings. On the basis of the German Corporate Governance Code and Sec. 161 of the German Corporations Act, which requires companies to issue a Declaration of Compliance, on December 11, 2002, the Executive Board and Supervisory Board decided to implement the commission’s recommendations, with few exceptions. This Declaration of Compliance was published on the Company’s Web site that month, at www.ProSiebenSat1.com. It will be submitted to the Commercial Register along with the financial statements for the past year. The Declaration of Compliance is also included in the Notes to this annual report (page 53).

Further developments in the management and supervision of listed companies

ProSiebenSat.1 Media AG views the German Corporate Governance Code as an important step in the further development of the management and supervision of listed companies in compliance with German and international standards. Among the first steps taken by the Company to improve its corporate governance was the appointment of a Compliance Officer on September 24, 2002. The goal was to ensure proper, careful compliance with all relevant requirements of the laws governing the capital markets. Among the Compliance Officer’s duties are to monitor compliance with the regulations on insider trading, ad hoc disclosures, the publication and disclosure of directors’ dealings under Sec. 15a of Germany’s Securities Trading Act, and the Company’s public disclosure obligations under Sec. 25 of that act. The by-laws governing the Executive Board were also amended, and new by-laws were adopted for the Supervisory Board. It is also intended to propose changes in the Articles of Incorporation at the annual meeting, to bring the Company into better compliance with the Corporate Governance Code.

Shareholders and annual meeting

ProSiebenSat.1 Media AG views itself as a trustee for its shareholders’ capital. The annual meeting of the shareholders is held during the first eight months of the fiscal year. As a rule, it is chaired by the chairman of the Supervisory Board. The annual meeting decides on all matters placed under its authority by law. These include the allocation of profits and the ratification of the actions of the Executive Board and Supervisory Board. Changes in the Articles of Incorporation and capital modifications can be adopted only by the shareholders’ meeting. ProSiebenSat.1 Media AG endeavors to make it easier for shareholders to participate in the annual meeting, for example by issuing invitations on time and providing the necessary documentation (invitation, agenda items, Articles of Incorporation and annual report) on special pages on the Internet. But thus far, the Executive Board of the Company has not appointed a representative to exercise the shareholders’ voting rights as directed, because of the current shareholder structure and the small number of voting shareholders.

Duties of the Supervisory Board

The Supervisory Board comprises nine members. It supervises and advises the Executive Board in the latter’s management of the Company’s business. No age limit has been set for members of the Supervisory Board because the Company wishes to continue to benefit from the expertise of experienced Supervisory Board members. At regular intervals, the Supervisory Board discusses business developments, planning, strategy, and implementation. It enacts the plans and projections for the year, and ratifies the annual financial statements of ProSiebenSat.1 Media AG and the Group, taking the independent auditor’s audit reports into account. The Board’s duties also include appointing the members of the Executive Board. The Executive Board’s major decisions are contingent on the approval of the Supervisory Board. The Supervisory Board makes its decisions by simple majority, unless mandatorily prescribed otherwise by law. In the event of a tie, the chairman of the Supervisory Board has the deciding vote.

The Supervisory Board has formed three committees of its members. Two of these committees deal with personnel and programming matters; the third is a four-member Audit Committee, chaired by Wolfgang Hartmann, Member of the Executive Board of Commerzbank AG. The Audit Committee deals specifically with matters of accounting and risk management, the requisite independence of the independent auditor, engaging the independent auditor’s services, identifying points of emphasis for audits, and agreeing on fees. The Supervisory Board does not regard it as feasible to maintain a committee to prepare for the Board’s meetings, and has therefore not appointed such a committee. The remuneration of Supervisory Board members has hitherto not acknowledged chairing and belonging to Board committees. However, the Board intends to propose to the annual meeting that the shareholders should include a provision in the Articles of Incorporation to acknowledge chairing of and membership in Supervisory Board committees.

Duties of the Executive Board

The five-member Executive Board of ProSiebenSat.1 Media AG is the Group’s managing body. The Executive Board is required to pursue the Company’s best interests, and orients its work to the criteria of efficiency and productivity. Business operations focus on sustainable, long-term enhancement of the Company’s value. Among the Executive Board’s duties are defining the Company’s strategic orientation, allocating resources, and monitoring the management of the individual units. The Executive Board is in charge of preparing quarterly, annual and consolidated annual financial statements, and of filling key staff positions. Members of the Executive Board should be no older than 60 as of the end of their term of appointment.

Cooperation between the Executive Board and the Supervisory Board

The Executive Board works closely with the Supervisory Board, and in particular informs the latter board regularly, promptly and comprehensively regarding all issues of strategy, planning, business performance, financial and earnings positions, and risk management that are of relevance to the Company. Major decisions by the Executive Board are subject to the approval of the Supervisory Board. The D&O insurance policies the Company has taken out for the Executive Board and Supervisory Board do not provide for a deductible, since agreeing to a deductible would not materially reduce the insurance premiums. Nor does a deductible seem an effective way of enhancing board members' motivation or sense of responsibility, since by virtue of their offices, the Executive Board and Supervisory Board are already acting responsibly and in the Company's best interest.

Transparent communication with the capital market

ProSiebenSat.1 Media AG has been admitted to Deutsche Börse's Prime Standard segment. This new market segment requires companies to meet Europe's highest standards of transparency. ProSiebenSat.1 Media AG set itself the goal of satisfying these requirements. On the Web at www.ProSiebenSat1.com, investors, bond holders and other interested parties can find material company figures, up-to-date price charts, analyses, upcoming financial events, annual and interim reports, presentations and facts of general relevance to investor relations. The "share/bonds" area of the Web site is where ProSiebenSat.1 Media AG publishes all disclosures required under the Securities Trading Act. These include announcements and disclosures of facts that may affect the stock's price (under Sec. 15 of the act), changes in the Company's ownership structure (Sec. 21 ff. and 41 of the act), and sales of stock by members of the Executive and Supervisory Boards ("directors' dealings" under Sec. 15a of the act). At the same time, ProSiebenSat.1 Media AG's Web sites offer a survey of the Company's specific implementation of the Corporate Governance Code.

Accounting and auditing of the annual financial statements

Transparency, both in-house and to the outside world, is an important requirement in managing a listed company like the ProSiebenSat.1 Group. ProSiebenSat.1 Media AG has all the necessary tools. The consolidated financial statements are generally released to the public within 90 days after the end of the fiscal year. Interim reports are released within 45 days after the end of the reporting period. Important information about the reports, including downloadable recordings of conference calls with journalists and analysts, are available to the general public over the Internet. Hitherto, ProSiebenSat.1 Media AG's annual financial statements have been prepared in compliance with the German Commercial Code. As of the current year, intensive preparations have been under way for converting the Company's reporting from the German system to IAS/IFRS principles (International Accounting Standards/International Financial Reporting Standards). The changeover is planned for fiscal 2004. Listed companies are required to report under these rules no later than 2005. The consolidated financial statements are audited by an independent auditor. Quarterly reports will also be reviewed by the auditor as of 2003.

Other information on corporate governance in the annual report

The Notes to the Financial Statements in the annual report include additional information about the Executive Board and Supervisory Board. The remuneration paid to members of the Supervisory Board and Executive Board is divided into fixed and variable components. Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting or agency services, during fiscal 2002. The shareholdings of the individual members of both boards are considerably less than one percent of the capital stock. For 2002, ProSiebenSat.1 Media AG has also published a list of third-party enterprises in which it holds an interest that is not of minor importance to the Company. The list with the required information has been filed with the Commercial Register of Munich district court, under No. HRB 124169. Additionally, all companies that can be considered related parties under German Accounting Standard 11 (DRS 11) and that are controlled by ProSiebenSat.1 Media AG, or over which the Group may exercise a significant influence, are listed among the shareholdings on page 54 of the annual report, along with the percentage interest held. The Notes to the Consolidated Financial Statements also provide details on individuals who are considered related parties. The Financial Statements include no specific information about stock option plans, since ProSiebenSat.1 Media AG has no such securities-oriented incentive systems.

ProSiebenSat.1 Group Employees

Working in a Dynamic Market Environment

ProSiebenSat.1 Group as an employer

In a dynamic market environment, the ProSiebenSat.1 Group counts on employees who think entrepreneurially and act with a sense of personal responsibility. Only a proper mix of creative and analytical thinkers makes it possible to achieve outstanding performance under extreme conditions. The advertising crisis of 2002 made the intense competition in the television market even worse. The challenges to the staff's professionalism and stamina were all the greater. Among the key features of working at the ProSiebenSat.1 Group are not only flat hierarchies, but a close intermeshing of extremely varied disciplines and a use of the latest technologies. To top it all off, creativity and enthusiasm are indispensable if the Company is to hold its own against competitors. Anyone who wants to try new ways and implement new ideas gets active encouragement at the ProSiebenSat.1 Group. Rapid decision-making processes and pragmatic support make it possible to carry out innovative approaches as quickly as possible, in the Company's best interest.

The ProSiebenSat.1 Group is one of the most important employers in the German media market. In addition to its four stations - Sat.1, ProSieben, Kabel 1 and N24 - it offers attractive positions at subsidiaries in merchandising and services - for everyone from editors and producers, camera operators, graphic artists and software developers, to marketing and PR executives, sales consultants and lawyers. In the media business, it is essential for a company to be able to adapt swiftly to changing market conditions. And the Company needs this same kind of flexibility from its employees. In return, the ProSiebenSat.1 Group offers very good working conditions, with performance-based pay and attractive opportunities for advanced training. In all, the Group's companies employed a workforce of 3,072 as of December 31, 2002. Their average age was 34.

Ambitious training for a demanding profession

The ProSiebenSat.1 Group is largely training its own next generation of journalists and technicians. In 2002, 85 editorial trainees held a variety of posts at the Group's stations. Most of them are now applying their new knowledge as employees on the editorial staff at Sat.1, ProSieben, Kabel 1 or N24. SZM Studios specially prepared 33 trainees for the high-tech end of the television business. A new addition in September 2002 was training as a certified businessperson in audiovisual media. For this profession, trainees go through all departments that have a commercial impact on the added-value process in the media. By offering these specialized courses of training itself, the Company ensures that the ProSiebenSat.1 Group will have qualified new staff in the future.

Additionally, the Group's two marketing companies, SevenOne Media and SevenOne Interactive, are continuing to cooperate with Focus and Mediaplus in the Master of Media program, a course of training that offers media planners in the print, online and television business a chance to get acquainted with how their own field works with its specific content at all participating companies, and thus to acquire a comprehensive knowledge of media planning in general. Working with the Steinbeis Hochschule in Berlin, SevenOne Media is also involved with the course of training for a Media MBA, to make sure the industry has future generations of executives. Here employees who show high potential receive continuing international academic training, impressively proving their stamina by combining their studies with their regular job.

Group-wide management development and management succession programs are currently being planned. These steps will enable the ProSiebenSat.1 Group to enhance its future attraction as an employer - and thus its competitiveness - still further.

A commitment to the next generation in the media

Separately from its own continuing education programs, ProSiebenSat.1 Media AG also supports the Bayerische Akademie für Fernsehen (a television academy), the Bayerische Akademie für Werbung und Marketing e.V. (an academy for advertising and marketing), the Gründerzentrum für neue Medien GmbH (a new-media center for small business owners) in Unterföhring, AFK Aus- und Fortbildungs-GmbH (an electronic media training center) in Munich, the Deutsche Journalistenschule in Munich (a training center for journalists), and the Fernsehakademie (a television academy) in Saxony. As in previous years, in 2002 the ProSiebenSat.1 Group again supported the SOS children's villages with a cooperative training effort in which ten trainees had a chance to earn certificates as media designers for visuals and sound.

Employees take part in cost management

The Group continued its rigorous cost management in every department in fiscal 2002. Employees played an active role here. Task forces analyzed potential savings and checked the efficiency of the Group's working procedures - from the disposition of transmission equipment to the coordination of sales operations and communications, to procedures at the Company's travel office. Within a few months ways to save millions were found.

Additionally, for the first time in its history, the ProSiebenSat.1 Group held an idea contest, intended to reward suggestions for further cost cuts that will enhance the Company's efficiency. With support from the works committees in Munich and Berlin, the three-month contest was developed during 2002, and was launched in December. The success of the "Economic Miracle Weeks" speaks for itself: Some 250 ideas came in within the first four weeks alone. By the end of the contest period in February 2003, an impressive 500 ideas had accumulated. Implementing the submissions, most of which focus on increasing efficiency and simplifying procedures, will save several hundred thousand euros this fiscal year.

» Break Free from Outmoded Advertising Regulations«

The new version of the EU’s “Television without Borders” Directive is currently under debate at the European level. What’s your position – do you want “advertising without borders”? “Advertising without borders” rings hollow to me. We don’t want to expose viewers to an endless flood of advertising. What we want from a new Directive is to finally break free from outmoded advertising regulations that can no longer be coordinated with today’s production and planning processes. These include not only the rigid figure for the number of minutes of advertising, but the matter of how often per hour we can interrupt our programming for advertising. It makes no sense to interrupt the most dramatic moment of a movie just so we can comply with the rigid special rules for advertising breaks in feature films. And finally, it’s also important to us to be able to try out other forms of advertising. If Europe sees value in being able to watch in-house productions and co-productions in the future, we need the requisite framework to refinance those productions. Here the European Union has to take a critical look at how sensible the existing regulations really are, and to get rid of them where necessary.

Aside from the matter of the quantitative regulation of advertising, Brussels is currently also debating bans on advertising for some products. What’s your view? We have to take these initiatives from a variety of European member states seriously. There’s already a ban on tobacco advertising, of course, which we hope the German government will appeal in court with the support of the involved parties. But that’s been in effect for television broadcasters since 1973. On top of that, there are initiatives in Brussels for a ban on alcohol advertising – and we can probably expect some EU member states to try for bans on advertising for cars, sweets and even children’s toys. These initiatives aren’t always aimed primarily at consumer protection – often they also serve the very tangible economic interests of certain industries in such countries. We stand for a clear principle in these debates: Every product that can be freely sold on the market must also be able to advertise. The EU Commissioner for audiovisual media, Viviane Reding, is thinking along the same lines, and others are, too – but unfortunately, that’s not true of all EU Commissioners. Because of that, we’re also actively involved in the debate on the tobacco ban, as a way of addressing the roots of the problem.

After long negotiations and antitrust problems, Deutsche Telekom’s six remaining regional cable networks were sold early in 2003. Hardly anybody is talking any more today about expanding cable for new digital services, and many of Germany’s states have adopted more liberal usage regulations for cable network operators. Doesn’t that development pose a threat to the distribution of your programming? A lot of cable operators have had to realize they couldn’t refinance their expansion plans. Now it does in fact look as though there will be no expansion to the 862 MHz bandwidth, but rather that cable will gradually go digital. For television providers, that means the analog range over which our programming is carried will narrow year by year. So “distribution battles” over ever-shrinking analog capacity are a foregone conclusion. Though we can fully understand the cable operators’ financial motivations, we think the current plans to cut back analog cable step by step are on the wrong track.

What alternatives do you see for the digitization of cable networks? One example might be to take an entire network digital. As soon as a network in a city or a part of a city is ready for digital broadcasting, every station could switch over to digital within a short period of maybe six months – and after that, be available only digitally. That would reduce the cost of simulcasting – in other words, simultaneous analog and digital transmission – and there would be no arguments over shrinking analog capacity. But in that case all cable households in town would have to get a digital decoder. And that would certainly be a problem for the cable network operator. But it’s not an insoluble one – as we found from our experience with a pilot project in Berlin on changing from analog to digital terrestrial transmission.

Surveys have shown that ProSieben has a clear lead over competing public broadcasters in German audiences’ perception as the station with the best science shows. So at the beginning of the new school year, ProSieben inaugurated the first “ProSieben Knowledge Prize.” The topic was “Everyday Life in Space.” Students from German schools that lead onward to higher-education curricula were encouraged to develop ideas that would make life easier for astronauts. The prize enjoys the patronage of Bavarian premier Dr. Edmund Stoiber, and was awarded in February 2003.

In Germany, television meets the needs of the hearing-impaired to a lesser extent than in other countries. As of October, Kabel 1 has been the second German private broadcaster – after ProSieben – to offer titling for the hearing-impaired on the teletext board. The titling began with the nine-part “Winnnetou” Western series. Selected high-quality feature films will be titled about once a week thereafter.

Jürgen Doetz
Born in 1944, trained at the daily newspaper ‘Pfälzer Tageblatt’ and visited the Deutsche Journalistenschule in Munich. National service with the Federal Armed Forces between 1964 and 1966, left as a Lieutenant of the Reserves. Studied Political Sciences, History and Sociology between 1966 and 1971; in 1970 also worked as a political reporter at the ‘Pfälzer Tageblatt’. Between 1971 and 1976 he was Press Officer for the Minister for Education and Cultural Affairs in Rhineland-Palatinate and between 1976 and 1982 Deputy Spokesperson for the government of Rhineland-Palatinate. Between 1982 and 1992 General Manager at PKS Programgesellschaft für Kabel- und Satellitenrundfunk mbH in Frankfurt; from 1985 General Manager at Sat.1 SatellitenFernsehen GmbH. Between 1985 and 1990 he was Chairman of Bundesverband Kabel und Satellit e.V. in Bonn (national association of cable and satellite). In 1990, he was appointed Executive Vice President of Verband Privater Rundfunk und Telekommunikation e.V. (German association of commercial broadcasting and telecommunications) in Bonn and was made President in 1996. Member of the Executive Board at ProSiebenSat.1 Media AG since 2000.

Act, don’t protract

ProSiebenSat.1 Media AG pursues all its corporate sponsorship activities under the slogan “Act, don’t protract.” Here we set the emphasis on a well-conceived use of a variety of media to promote organizations and initiatives for social action. The common feature of all our projects is that they focus on cooperative activity, and are not merely supported by financial grants. Our “Act, don’t protract” motto is also intended to encourage the entities we sponsor to develop initiatives of their own, and to profit from a knowledge transfer by media experts. In all, during fiscal 2002 the ProSiebenSat.1 Group spent more than EUR 5 million in funding, services and media budgets for corporate sponsorships.

“startsocial” 2002

The “startsocial” business plan competition for social initiatives began its second round in 2002. Under the patronage of Chancellor Gerhard Schröder, four companies – Gerling, McKinsey, Siemens Business Services and ProSiebenSat.1 Media AG – joined together to build on the successful concept from the year before. This year’s media partner was the “Bild am Sonntag” newspaper.

Instead of all participants being watched through several rounds, as before, this year 100 consulting stipends were disbursed, providing three months of intensive support for participants from a two-person team of coaches and experts. The “startsocial” events, held in a variety of German cities from August through October, were a forum for interchanges. The high point was the stipend holders’ meeting on September 28 in Berlin, where all stipend recipients, coaches, experts, specialized counselors and assistants met to network and talk shop. The “Social Days” pursued the same agenda at the regional level, and were open to all participants. In addition to formal events, stipend recipients and coaching teams could also dialogue anytime via an on-line platform, the startsocial network.

The final event of this year’s “startsocial” competition was held in Berlin on December 18, 2002. Seven national prizes and one special Chancellor’s Prize, worth a combined total of EUR 40,000, were awarded by Renate Schmidt, Germany’s Minister for Family, Seniors, Women and Youth, and by the CEOs of the program’s main sponsors.

The excellent projects ranged from “Wellcome,” a Hamburg initiative to support young families in the days immediately after a birth; to “Deacons’ Home Communities,” a concept for integrated, socially supportive community living for the able and disabled; or the “Pirna Civil Courage” action, in which a nonpartisan group of young people between 15 and 25 very actively intervenes to educate the public about right-wing extremism and to assist and counsel victims.

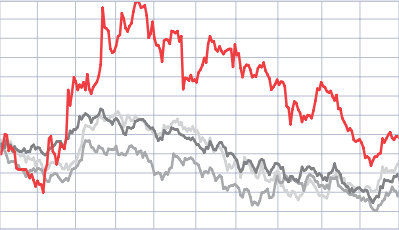

Television helps

The ProSiebenSat.1 Media AG stations also continued showing their commitment to social and educational causes in 2002.

Sat.1 systematically expanded and evolved its “Talents” program. On August 26, 2002, the station joined Constantin Film, Mercedes-Benz, teamWorX and Spiegel TV for the third time to award the “First Steps” young filmmakers’ prize for the best graduating film at a German-language film school. The prize has a total endowment of EUR 72,000, and is considered an important step to help directing talent on its way to success.

Page 14 Part I: Corporate		ProSiebenSat.1 Media AG 2002 Annual Report
At a Glance/Corporate History		
At a Glance		“The Sixth Sense”
<h2>ProSiebenSat.1 Media AG</h2> <p>Share capital: EUR 194,486,400 (194,486,400 shares of no par value)</p> <h3>Allocation of share capital</h3> <p>Common stock* (WKN 575 465) 97,243,200 restricted registered shares of no par value Subscribed capital per share: EUR 1.00 Allocation: KirchMedia GmbH & Co. KGaA 88.52%, Axel Springer Verlag AG 11.48%</p> <p>Preferred stock* (WKN 777 117) 97,243,200 bearer shares of no par value Subscribed capital per share: EUR 1.00 Allocation: KirchMedia GmbH & Co. KGaA 16.52%, Axel Springer Verlag AG 11.48%, Free Float 72%</p> <h3>Executive Board</h3> <p>Urs Rohner (Chairman) Born 1959 in Zurich, Switzerland Management segment: Sales and Merchandising</p> <p>Dr. Ludwig Bauer Born 1957 in Freyung Management segment: Television</p> <p>Jürgen Doetz Born 1944 in Heidelberg Management segment: Media Policy and Regulation</p> <p>Lothar Lanz Born 1948 in Bihlavingen Management segment: Finance and Services</p> <p>Claus Larass Born 1944 in Jüterborg Management segment: Information, News and Political Programs</p> <h3>Supervisory Board</h3> <p>Wolfgang van Betteray (Chairman) Member of the management of KirchMedia GmbH & Co. KGaA, Unterföhring</p> <p>Wolfgang Hartmann (Deputy Chairman) Member of the Executive Board of Commerzbank AG, Frankfurt am Main</p> <p>Norbert Deigner Authorized company representative of KirchMedia Beteiligungs- Verwaltungs GmbH, Ismaning</p> <p>Dr. Mathias Döpfner Chairman of the Executive Board of Axel Springer Verlag AG, Berlin</p> <p>Fred Kogel Former Member of the management of KirchMedia GmbH & Co. KGaA, Unterföhring</p> <p>Alfred H. Lehner Former Chairman of the Executive Board of Bayerische Landesbank Girozentrale AG, Munich</p> <p>Prof. Dr. Hans-Joachim Mertens Professor at Johann Wolfgang Goethe-Universität, Frankfurt am Main</p> <p>Hans Reischl Chairman of the Executive Board of REWE-Zentral AG, Cologne</p> <p>Gisela Schmitt Member of the Executive Board of REWE-Zentral AG, Cologne</p>		<h2>Corporate History</h2> <p>January 1984 Sat.1 is the first German commercial television company to go on air</p> <p>August 1988 Launch of Sat.1 Text</p> <p>January 1989 ProSieben goes on air</p> <p>February 1992 Kabel 1 goes on air, ProSieben holds 45 percent of the shares</p> <p>July 1992 Formation of the sales company MediaGruppe München</p> <p>January 1993 Formation of SZM Studios</p> <p>July 1994 Launch of ProSieben Text</p> <p>November 1995 ProSieben acquires the remaining 55 percent of shares in Kabel 1</p> <p>December 1995 ProSieben is transformed into a stock corporation</p> <p>March 1996 ProSieben takes over MM Merchandising München</p> <p>April 1996 Formation of ProSieben Digital Media and launch of ProSieben Online</p> <p>September 1996 Launch of Sat.1 Online</p> <p>July 1997 ProSieben is listed on the stock exchange</p> <p>August 1997 Launch of Kabel 1 Text and Kabel 1 Online</p> <p>April 1999 Formation of the creative agency SevenSenses</p> <p>August 1999 Formation of the Sat.1 sales company Media 1</p> <p>January 2000 N24 goes on air, launch of N24 Text and N24 Online</p> <p>October 2000 Formation of ProSiebenSat.1 Media AG</p> <p>November 2000 SevenOne Media originates from the merger between MediaGruppe München and Media 1</p> <p>May 2001 ProSiebenSat.1 Media AG acquires 48.4 percent of Euvía Media AG & Co. KG</p> <p>July 2001 N24 partially moves from Munich to Berlin</p> <p>September 2002 Takeover of all shares in the multimedia company SevenOne Intermedia (former Kirch Intermedia)</p>
* See glossary		



A tough year on the stock markets  <p>For the European exchanges, 2002 was the worst year in decades. Never before in postwar history had the markets closed out the year on a loss three times in a row. Media companies additionally suffered from the second weak advertising year in succession. Yet ProSiebenSat.1 stock still outperformed comparable companies in the sector.</p> <p>(page 18)</p>	"Adapting cost structures"  <p>Lothar Lanz, the Executive Board member in charge of finance and services at ProSiebenSat.1 Media AG, discusses cost-cutting potential, corporate governance and the planned changeover to International Financial Reporting Standards (IFRS). ProSiebenSat.1 Media AG has been admitted to the new Prime Standard segment of the German stock exchange, and expects to be reporting exclusively under IFRS by 2004.</p> <p>(page 21)</p>	"No cuts on programming quality"  <p>Dr. Ludwig Bauer, the Executive Board member in charge of television at ProSiebenSat.1 Media AG, talks about costs, competitors and future trends in the television business. The Group's concept for 2003: series, in-house productions, international feature films, and great, emotional TV entertainment.</p> <p>(page 37)</p>	"Unique new position in the market"  <p>Claus Larass, the Executive Board member in charge of information, news and political programs at ProSiebenSat.1 Media AG, talks in an interview about N24's strategic role and future prospects. News channel N24 has been on the air for three years. With three main programming pillars - news, business and knowledge - the ProSiebenSat.1 Group's central information service provider is on a growth track.</p> <p>(page 41)</p>
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High recognition

Since fall, the “Entertainment XXL” campaign has generated high recognition. A Forsa study found that more than 60 percent of viewers between the ages of 14 and 49 recognized the campaign that has become the trademark for great TV entertainment.

ProSiebenSat.1 Shares in Fiscal 2002

Bucking the Industry Trend

Stock market 2002: Third year of losses in a row

Stock market activity in 2002 was characterized by negative news from businesses and a further dwindling of investor confidence. The European exchanges in particular went through the worst year in decades. Never before in postwar history had the markets closed out the year on a loss three times in a row.

The stock markets were still looking relatively stable in the first few months of 2002. The downtrend set in early in the summer, when it became clear that neither the American nor the European economy would recover quickly. Apart from the weak economy, the markets were further pulled down in the fall by the threatened military conflict in Iraq. Investor anxiety was reflected in a plunging DAX index. The DAX recorded the worst drop of any international stock index, losing 44 percent on the year. The MDAX, which represented Germany's 70 largest second-tier stocks, fell from 4,319 points to 3,025 points within a year - a 30 percent drop.

The weak economy and declining corporate profits led companies to cut their advertising budgets in 2002 for the second year in a row. These savings had consequences for all media. The performance of every European media stock felt the impact. The sector's European index, MSCI Europe Media, lost some 46 percent of its value during 2002. The broader-based Dow Jones Stoxx 600 Media index ended 2002 down 44 percent.

ProSiebenSat.1 stock: Bucking the industry trend

During the first four months of 2002, ProSiebenSat.1 stock recovered from the previous year's low closing. On April 17, 2002, the stock reached the year's high, at EUR 12 per share. This was a gain of roughly 100 percent from the closing price on January 2, 2002. Up to that point, comparable media stocks had been performing significantly worse. The European industry indicator, the MSCI Europe Media index, was down around 7 percent. TF1 stock was up 24 percent; Mediaset was trading up around 21 percent.

But over the rest of the year, ProSiebenSat.1 stock was unable to escape the general downtrend. The price lost considerable ground. Even so, the closing price of EUR 6.50 on December 30, 2002, was still about 8 percent above the year's first day of trading. In other words, ProSiebenSat.1 stock outperformed comparable European media stocks in 2002: The price for TF1 dropped from EUR 28.50 to EUR 25.46 from January to December 2002, and Mediaset stock lost about 10 percent over the same period.

Merger project affects market price

In the first half of 2002, the trading price for ProSiebenSat.1 Media AG stock was significantly affected by the projected merger with the majority shareholder, KirchMedia. When the two companies announced on February 22, 2002 that they had postponed their merger plans, the price of ProSiebenSat.1 stock soared more than 30 percent in a single day. When the merger was finally canceled on March 20, 2002, the price jumped again by more than 20 percent, to EUR 11.71.

The insolvency of KirchMedia GmbH & Co. KGaA, the principal shareholder of ProSiebenSat.1 Media AG, had no significant effect on the trading price of ProSiebenSat.1 Media AG stock. ProSiebenSat.1 Media AG was and is not involved in the KirchMedia insolvency proceedings. For months beforehand, there had already been speculation that the Kirch Group was in financial difficulties. Amid this setting, ProSiebenSat.1 Media stock reacted with only a slight 3 percent dip when KirchMedia filed for insolvency on April 8, 2002. In contrast, the stock's price did suffer when the proposal to convert preferred stock into common stock was removed from the agenda of the shareholders' annual meeting, despite the proposal's support from the Executive Board and Supervisory Board. The stock lost 20 percent after the obligatory announcement on May 21, 2002, that the Company's principal shareholder

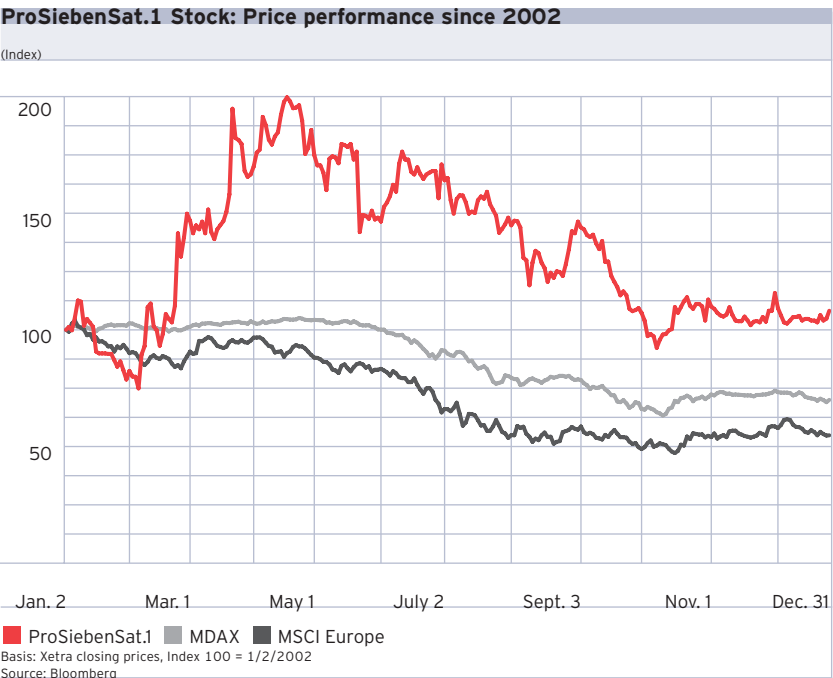
would not be able to consent to any resolution on converting preferred to common stock because of KirchMedia's insolvency proceedings.

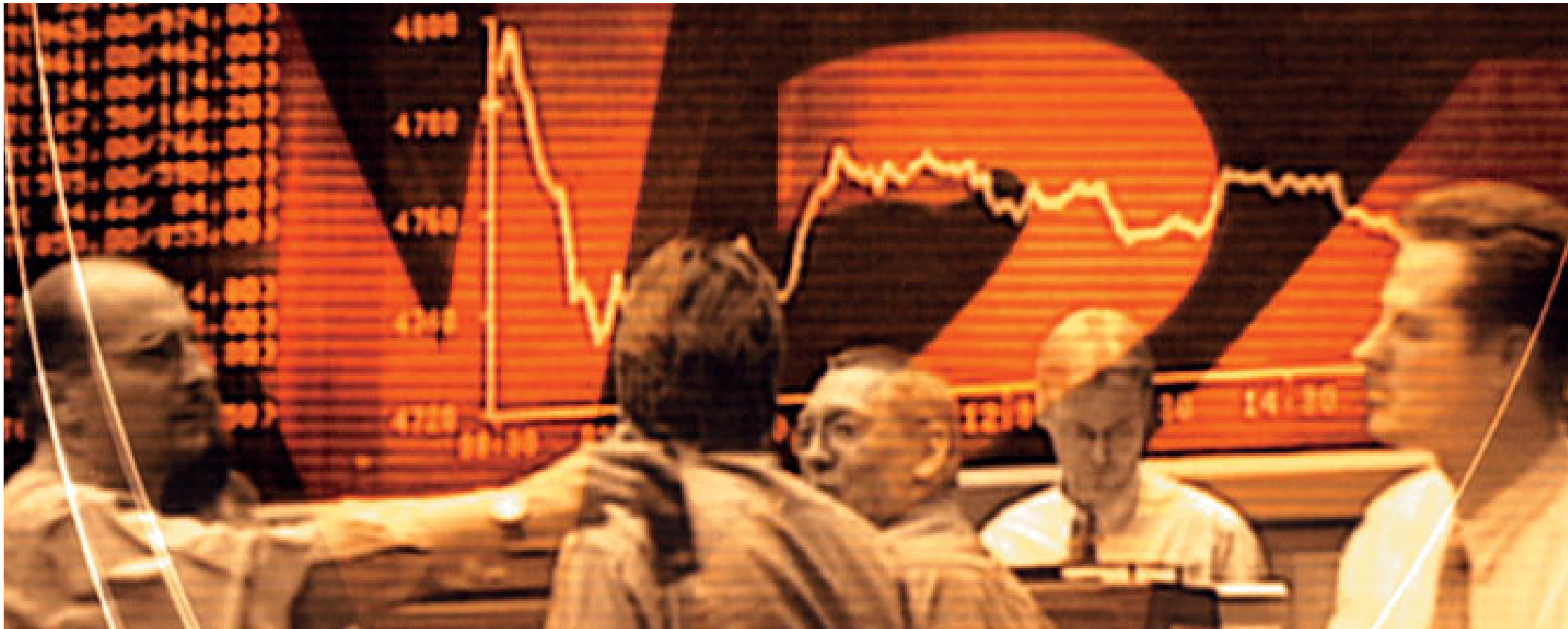
Dividend payment on preferred stock

Despite the deterioration in earnings, the Executive Board of ProSiebenSat.1 Media AG will recommend a dividend payment on preferred stock. Out of the distributable net profit of roughly EUR 2.5 million, the Board will propose to pay a dividend of EUR 0.02 per no-par preferred share. This is equivalent to a total distribution of some EUR 2 million.

High trading volume in ProSiebenSat.1 shares

Order-book trading volume in ProSiebenSat.1 stock during 2002 totaled around 69 million shares. From January to December 2002, an average of 308,034 shares of ProSiebenSat.1 were traded each day. Some 89 percent of this volume was traded over the Xetra electronic trading system, 10 percent was traded on the Deutsche Börse in Frankfurt, and 1 percent was traded on other German stock exchanges. In the United States, ProSiebenSat.1 stock is traded over the counter as an ADR (American Depositary Receipts) security under Rule 144(a) of the U.S. Securities Act. ADR securities are depositary receipts representing stocks from outside the United States.





Active dialogue with the capital market

ProSiebenSat.1 Media AG pursues innovative, committed, transparent communication with the capital market. It intensified its investor relations activities again in 2002. Aside from the presentation of interim reports, the Company held a great many group meetings, road shows and conference calls with analysts and investors. In nearly 300 one-on-one meetings, the ProSiebenSat.1 Group presented its strategic orientation, financial position and business performance. The regional emphases for investor relations activities were in the United States, Great Britain and continental Europe.

The award-winning corporate Web site provides constant, up-to-date information about current developments within the ProSiebenSat.1 Group. At www.ProSiebenSat1.com, anyone interested can find Company figures, current stock price charts, analyses, upcoming financial events, current corporate presentations, annual and interim reports, and facts of general relevance to investor relations. They can also chart comparisons against other stocks, a peer group, and the major indices. With an average of 130,000 hits per

month, the ProSiebenSat.1 Web site is one of the most heavily visited German corporate sites on the Internet.

Strong involvement of Anglo-American investors

Large portions of the listed preferred stock are in the hands of institutional investors. In all, around 40 percent of ProSiebenSat.1 stock is probably held by investors outside Germany. The number of private shareholders is between 20 and 30 percent, and thus complies with the Best Practice standard of the National Investor Relations Institute (NIRI) in the US. The latest study by ProSiebenSat.1 Media AG, in December 2002, showed a particularly strong involvement in ProSiebenSat.1 stock among institutional investors from the United States and Great Britain.

Bucking the industry trend

ProSiebenSat.1 Media AG could not escape the stock market's general down-trend in 2002. But the stock still outperformed comparable companies in the sector.

ProSiebenSat.1 Shares: Key figures			
		2002	2001
Total dividends	(EUR m)	1.94	29.17
Dividend per share of preferred stock	(EUR)	0.02	0.16
Number of shares	(million)	194.49	194.49
— Preferred stock	(million)	97.24	97.24
— Common stock	(million)	97.24	97.24
DVFA earnings per share	(EUR)	0.08	0.34
Cash flow per share	(EUR)	5.89	6.44
Close	(EUR)	6.50	5.75
Low	(EUR)	4.50	3.75
High	(EUR)	12.00	39.75
Market capitalization	(EUR bn)	1.264	1.118
Daily trading volume		308.034	253.056
Price-earnings ratio as of Dec. 31		81.25	16.91
Price-cash flow ratio as of Dec. 31		1.10	0.89
Dividend yield as of Dec. 31	(percent)	0.31	2.78

Management Report and Group Management Report

The Economic Situation

Advertising industry affected by weak economy

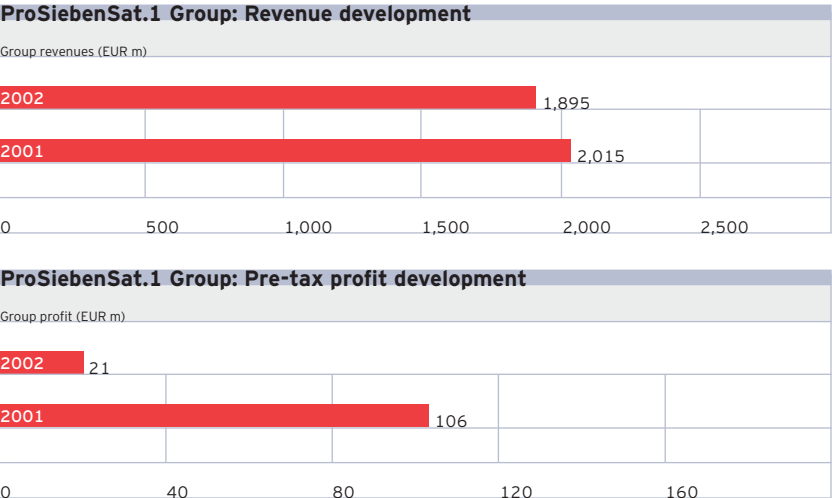
On the whole, 2002 proved an unsatisfying business year for the ProSiebenSat.1 Group. The advertising industry suffered more than almost any other from the economy's slow growth. According to preliminary official data from the Federal Statistical Office, gross domestic product grew 0.2 percent in real terms in 2002 - the smallest gain since 1993. In 2001, the growth of the German economy was already down to 0.6 percent. This growth rate, too, was well below the ten-year average of 1.3 percent. The advertising industry was unable to escape the effects of the downtrend. In fact, in the face of the economic slump, crises in various sectors and the bear market for stocks, slack domestic demand had an especially profound effect on conditions in the advertising market during 2002, causing an all-time low in the nearly twenty-year history of German private television.

TV advertising market down 8 to 10 percent in 2002

No precise figure is available yet for the actual size of the slippage in the German advertising market. The ZAW, Germany's national advertising association, will not publish television broadcasters' net advertising revenues until May 2003. These figures are based on information provided voluntarily by the broadcasters themselves, and reflect advertising revenues before deducting cash discounts but after deducting agency commissions and bulk discounts. A study by the Prognos Institute calculates a decline in advertising expenditures of roughly 7.4 percent for the advertising industry as a whole. Because the economy has cooled so significantly, the ProSiebenSat.1 Group assumes that the German TV advertising market receded by 8 to 10 percent. This makes 2002 even worse than 2001, when the decline was 7.3 percent. For the first time, net spending on television advertising in Germany dropped for two years in succession. Since its year-2000 peak, the television advertising market has very likely contracted by EUR 600 to 700 million, and is now at levels below 1998.

Television in line with market as a whole

Virtually every media category showed a decline on the basis of gross advertising spending, as well. But these gross figures offer no real foothold for direct conclusions about actual advertising revenues, since the values include not only bulk discounts but agency commissions and self-promotion. The gross figures indicate that the market as a whole was down 4.1 percent against 2001. General-readership magazines showed the biggest loss of any medium, dropping 7.2 percent. With a decline of 4.2 percent, the television business made a very slightly worse showing than the market as a whole. Among conventional media, television generated by far the highest gross advertising revenues, EUR 7.2 billion. This means that 43.6 percent of all gross advertising spending in 2002 went for television advertising - a decline of 0.1 percentage points from 2001.



ProSiebenSat.1 Group consolidates lead in advertising market

Despite slack demand for television advertising, the ProSiebenSat.1 Group stations held their lead in the TV advertising market, with a gross advertising market share of 45.4 percent. Although the combined market share of stations Sat.1, ProSieben and Kabel 1 was off for 2002 as a whole - from 30.1 percent to 28.1 percent among the commercially decisive 14 to 49-year-old target group - sales almost entirely compensated for the losses in market share. This accomplishment demonstrates the good sales performance of SevenOne Media, the ProSiebenSat.1 Group's marketing company. The stations jointly marketed by IP Deutschland - RTL, RTL II, Vox and Super RTL - earned a share of 41.9 percent of the advertising market, putting them in second place.

ProSiebenSat.1 Group: EBITDA 2002		
EUR m	2002	2001
Pre-tax profit	21	106
+ Depreciation	62	56
- Income from loans of fixed financial assets	4	3
- Interest income	10	4
+ Losses from associated companies	2	1
+ Write-downs of financial assets and marketable securities	-/-	15
+ Interest expenses	63	54
EBITDA	134	225

In all, for 2002 the television advertising market suffered gross revenue losses of just less than EUR 320 million against the year before. The sectors that cut their television advertising budgets most sharply were retail and shipping (-27.3%), finance (-17.2%) and telecommunications (-22.4%). Important consumer-goods sectors also cut their spending on TV advertising: food (-6.6%) and beverages (-7.7%). The automotive sector made a positive showing, with TV budgets up 6.5 percent, as did makers of cosmetics and toiletries (+19.1%). Significant increases in spending by still further sectors - tourism (+14.7%), cleaning (+19.4%), audio & video (+15.3%) and textiles & apparel (+25.4%) - were unable to make up in full for the other sectors' cutbacks, whether in the advertising market as a whole or in the television advertising market in particular.

Advertising crisis hampers business performance

The crisis in the German TV advertising market adversely affected ProSiebenSat.1 Group stations' business performance in 2002. Group revenues were EUR 1.895 billion, 6 percent below the previous year's figure of EUR 2.015 billion. Pre-tax income amounted to EUR 21 million, following on EUR 106 million the year before. Earnings per share, calculated according to the criteria of the German Society of Financial Analysts and Asset Managers (the DVFA) and the Schmalenbach Society for Business Administration (the SG), were EUR 0.08, following the previous year's EUR 0.34. EBIT was EUR 73 million, down EUR 81 million from 2001. EBITDA reached EUR 134 million, following EUR 225 million the previous year. The consolidated net profit was EUR 15 million, after EUR 68 million the previous year. The Group's tax rate was 41 percent.

Member of the Executive Board,
Finance and Services

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Rigorous cost management partially compensated for the substantial drop in revenues, although a number of exceptional factors also cut into profits, including the costs for broadcasting the World Cup and for the planned merger with KirchMedia, which was canceled in March. In all, earnings were down EUR 85 million, compared to revenue losses of EUR 120 million.

Cost optimization was also evident in programming and materials. Although World Cup coverage cost EUR 54 million in 2002, programming and materials costs were 2 percent less than the year before, at EUR 1.378 billion. Scheduled depreciation of programming assets was also down 2 percent, at EUR 997 million. Unscheduled depreciation of programming assets, including allocations to provisions for anticipated losses, was pared back 3 percent to EUR 89 million. In all, this category of depreciation was 2 percent below last year, at EUR 1.086 billion. Depreciation of capitalized programming assets due to broadcast use is a major component of the item for cost of programming and materials that appears in our statement of income. This item also includes expenses for licenses, broadcasting fees and materials, as well as production costs.

Expenses slashed in advertising, travel and IT

Savings also showed up in other operating expenses. Advertising expenses, travel expenses and IT expenses were cut back a combined total of EUR 12 million. Even after individual item adjustments and losses on the disposal of financial assets, other operating expenses were still only EUR 246 million, barely 1 percent above the previous year's level. Without these one-time effects, other operating expenses were down 5 percent, or around EUR 11 million, from the previous year.

The 49 percent gain in other operating income, to EUR 116 million, had a positive impact on the income statement. This rise was mainly the result of larger write-ups of programming assets, together with the consolidation effects from the acquisition of the former Kirch Intermedia GmbH. This multimedia company, which handles the Web sites for the entire broadcasting family, was taken over as of September 1, 2002, and has been integrated into the Television segment under the new name SevenOne Intermedia. The ownership reorganization became necessary after KirchMedia and KirchPay-TV declared insolvency. Partial early retirement of the Eurobonds due to mature in 2006 also helped increase other operating income.

Personnel expenses up only slightly

Personnel expenses rose only a slight 3 percent against the year before, to EUR 216 million. The increase was mostly the result of taking over 179 employees of SevenOne Intermedia GmbH and its subsidiaries as of September 1, 2002. Leaving out SevenOne Intermedia, personnel expenses were up 1 percent from the year before - largely as a result of an average 2 percent increase in wages and salaries as of January 1, 2002.

In 2002, the ProSiebenSat.1 Group's staff averaged 3,054 employees (not including trainees and interns). This represents a 2 percent gain from the year before. The change is essentially a result of the integration of SevenOne Intermedia. The 4 percent increase in the number of employees in the Television segment, to 1,821, resulted from the same cause. The staff increase of 8 percent in the Merchandising segment, to 115 employees, reflects the expansion of viewer loyalty builders and e-commerce activities. The year's average number of employees in the Services segment rose 0.4 percent to 1,102. The average age of all ProSiebenSat.1 Group personnel was 34.

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You're still preparing the consolidated financial statements and interim reports under the accounting principles of the German Commercial Code. But the Corporate Governance Code calls for the application of internationally accepted accounting principles. When will you be converting to International Financial Reporting Standards (IFRS)? A changeover to International Financial Reporting Standards isn't just a requirement of the German Code - it will be required by law as of 2005. It's also a requirement of Deutsche Börse, which has been setting high international transparency standards for its new Prime Standard segment as of January 1 of this year. A Prime Standard listing is a necessity if a company is to remain in the selected indexes like the DAX or MDAX. We've applied for and received Prime Standard approval. For us, that means reporting one more time under the German Commercial Code for 2003, plus preparing accounts under IFRS for internal use that year. The final changeover is scheduled for 2004. At that point we'll be preparing both our annual financial statements and our interim reports exclusively under IFRS.

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Expenses slashed in advertising, travel and IT

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You placed a EUR 200 million high-yield bond issue in July 2002. What was the reason? With the decline in spending on television advertising, the ProSiebenSat.1 Group has been contending with an adverse market environment since 2001. In this situation we needed to optimize our financing structure further. That's what we accomplished with the successful international placement of our EUR 200 million bond issue. The high-yield bond has a seven-year maturity, with a nominal interest rate of 11.25 percent. The revenues from the bond issue mainly allowed us to reduce short-term bilateral financial debt to a variety of banks, and adopt a longer-term financial instrument instead. That improved the reliability of our financial planning.

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You've already carried out a number of cost cutting measures. Do you foresee any further potential savings? The television advertising market is still in a recession, and the industry hasn't bottomed out yet. In a situation like this, one of our duties is to adapt the ProSiebenSat.1 Group's cost structures further to the income situation. That applies to every department and cost center in the Company. There are no taboos, except for programming quality in the major advertising time segments – we can't cut back there without jeopardizing our competitive position. There is certainly further savings potential in technical operations, especially. To optimize our technical processes, as of February 1 of this year we combined all our technical services companies into a single new area of responsibility. The new position of Director of Operations combines operating responsibilities for our television production company SZM Studios, the ProSieben Information Service (an IT company), Teledirekt (a broadcasting technology company) and the DokuCenter, a department acting as central service provider for text, photo, music and audiovisual content editing and delivery.

Lower amortization of intangible assets

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Total write-downs were up 11 percent, to EUR 62 million. This is entirely the result of a waiver of payables due from the ddp news agency. Amortization of intangible fixed assets and depreciation of tangible fixed assets, by contrast, were cut 25 percent, to EUR 42 million. This sharp decrease is attributable to the prospective extension of Kabel 1's broadcasting license, and the resulting extension of its goodwill amortization to 2012.

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The net interest expense grew roughly 4 percent year-to-year, to EUR -53 million. The crucial factors here were higher financing costs that resulted from the placement of a high-yield bond in July 2002, a revolving credit facility, and higher average financial debt. Higher interest expenses were partially offset by interest income on tax refunds.

Extraordinary expenses for 2002 include costs of EUR 11 million for the planned merger with KirchMedia, which was canceled in March. Charges for the July 2002 restructuring of borrowings were the main reason for an extraordinary expense of EUR 36 million, compared to the previous year's EUR 15 million.

Lothar Lanz
Born in 1948, studied Business Administration between 1969 and 1974 and completed his course with a Master of Commerce. Initially worked as assistant auditor at a firm of certified public accountants and tax consultants and in 1977 made the move to Bayerische Hypotheken- und Wechselbank AG, Munich, where he managed a succession of the bank's branches between 1983 and 1990. In 1991, he was elected a Member of the Executive Board at HSB Hypo Service-Bank AG, Munich. In 1996, he was appointed Member of the Executive Board at the trustee savings bank Nassauische Sparkasse in Wiesbaden. In the same year, he moved to ProSieben Media AG as Member of the Executive Board and Chief Financial Officer. Member of the Executive Board at ProSiebenSat.1 Media AG since 2000.

Net Assets, Financial Position and Results of Operations

Programming assets EUR 1.980 billion

As of the December 31, 2002, reporting date, ProSiebenSat.1 Media AG's total assets had declined from EUR 2.028 billion to EUR 1.756 billion. This is equivalent to a reduction of 13 percent.

On the assets side, the lower total is the result of a decrease in current as-sets. With a share of 60 percent of total assets, programming is the ProSiebenSat.1 Group's most important asset item. It was valued at EUR 1.060 billion as of the reporting date - equivalent to a decline of 12 percent. Programming investments with an impact on the balance sheet amounted to EUR 926 million in 2002, and were thus down EUR 254 million from the previous year's figure of EUR 1.180 billion.

The ProSiebenSat.1 Group's on-balance-sheet programming assets are main-ly feature films and series, along with commissioned productions intended for one-time or multiple airings. Feature films and series are included here as of the beginning of their license term; commissioned productions are cap-italized as showable programming assets as of their completion. The ProSiebenSat.1 Group has further programming assets worth EUR 920 mil-lion that have not yet been capitalized. Thus total programming assets under contract for Sat.1, ProSieben, Kabel 1 and N24 amounted to EUR 1.980 billion as of December 31, 2002. This programming inventory comprised 35,307 hours of broadcasting rights under contract, including 15,056 hours of international feature films, 8,646 hours of international series, 2,765 hours of cartoons, 4,137 hours of German series, and 1,690 hours of Ger-man TV movies. The revenue potential of these programming assets by way of airings on Sat.1, ProSieben and Kabel 1 is around EUR 2.9 billion.

ProSiebenSat.1 Group: Balance sheet structure				
EUR m.	2001	2002	Change	Percentage in 2002
Assets				
Fixed Assets	394	402	2%	23%
Current assets	1,612	1,331	-17%	76%
of which programming assets	1,206	1,060	-12%	60%
Prepaid and deferred items*	22	23	5%	1%
Total assets	2,028	1,756	-13%	100%
Liabilities and shareholders' equity				
Shareholders' equity	650	617	-5%	35%
Accruals	105	82	-22%	5%
Liabilities	1,272	1,056	-17%	60%
Deferred items	1	1	-/-	-/-
Total liabilities and shareholders' equity	2,028	1,756	-13%	100%

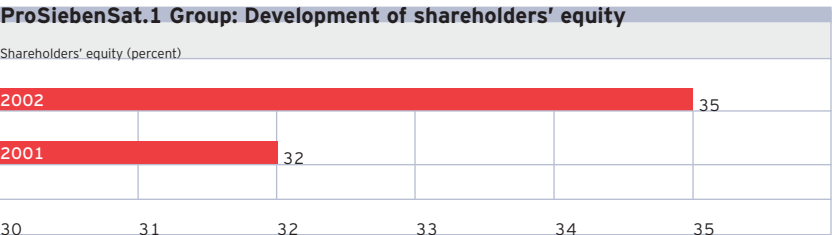
* Including deferred taxes

The decrease in current assets was also a consequence of a lower figure for accounts receivable. Receivables and other current assets, at EUR 198 mil-lion, were down 33 percent from the figure at the end of 2001. The pri-mary cause was tax refunds of roughly EUR 52 million. Additionally, the drop of EUR 35 million in trade accounts receivable had a particularly marked effect at Sat.1 and ProSieben. The effects of a first-time consolidation re-duced the amounts due from Group companies by roughly EUR 24 million, as a consequence of the takeover of full ownership of SevenOne Intermedia. Only the receivables from entities in which the Company is linked through interests of 20 percent or more were up, due to amounts receivable in con-nection with the commercial use of neighboring rights associated with copy-rights.

Liabilities down 17 percent

The total on the liabilities and equity side was down chiefly as a consequence of a 17 percent reduction in liabilities, to EUR 1.056 billion. Net financial debt was cut EUR 143 million, or 16 percent, to EUR 754 million.

Financial debt was down 18 percent, to EUR 822 million. The successful in-ternational placement of a EUR 200 million high-yield bond issue in July 2002 optimized the Group's financing structure in the direction of longer-term funding. While bank debt was cut 67 percent, to EUR 156 million, bonds rose 26 percent on balance - that is to say, after the retirement of EUR 62 million in Eurobonds before maturity - to EUR 666 million. Other liabilities were down primarily as a result of varying inpayments.



As a result of the lower balance sheet total, the equity ratio increased from 32 percent to 35 percent. In all, equity was 5 percent below the previous year's value, at EUR 617 million, because of the poor earnings position.

Accruals were down 22 percent, to roughly EUR 82 million. This sharp drop was almost entirely the result of reduced tax accruals.

ProSiebenSat.1 stock: Bucking the industry trend

In the first half of 2002, the market price for ProSiebenSat.1 Media AG stock was significantly affected by the projected merger with KirchMedia. When the two companies announced on February 22, 2002, that they had postponed their merger plans, the price of ProSiebenSat.1 stock surged 33 percent in a single day. When the merger was finally canceled on March 20, 2002, the price jumped again by more than 20 percent, to EUR 11.71. On April 17, 2002, ProSiebenSat.1 stock reached the year's high, at EUR 12.00 per share. The Executive Board and Supervisory Board had advocated converting preferred stock into common stock; but the decision not to put this proposal on the agenda of the shareholders' annual meeting had an adverse affect on the stock's price: it lost 20 percent after the obligatory announcement on May 21, 2002, that the Company's principal shareholder, KirchMedia, would not be able to consent to any resolution on converting preferred to common stock because of KirchMedia's insolvency proceedings. For the remainder of the year, ProSiebenSat.1 stock was unable to escape the downtrend on the in-ternational stock markets. It closed out the 2002 trading year on December 30, at EUR 6.50. Yet this was still around 8 percent above the opening price on the first trading day of 2002.

Dividend payment on preferred stock

Despite the deterioration in earnings, the Executive Board of ProSiebenSat.1 Media AG will recommend a dividend payment on preferred stock. Lower advertising revenues and the transfer of certain losses, for example from Sat.1, will lead ProSiebenSat.1 Media AG to declare a net loss of EUR 32 million for 2002. Out of the balance sheet profit of roughly EUR 2.5 million, the Executive Board of ProSiebenSat.1 Media AG will propose to pay a dividend of EUR 0.02 per no-par preferred share. This is equivalent to a total distribution of some EUR 2 million. Approximately EUR 0.5 million will be carried forward to the next accounting period.

Television

Sports and an advertising crisis dominate the year

The year 2002 represents the low point to date in the development of Ger-man private television. As expected, the contracting advertising market af-fected the ProSiebenSat.1 Group stations' business performance. Exceptional events added to the burden. For example, the broadcast of the World Cup failed to meet expectations, putting significant pressure on profits at Sat.1. Apart from the difficulties in the advertising market, ProSieben and Sat.1 showed weak spots over the course of the year that were only remedied in autumn 2002. In all, television in 2002 was dominated by major sporting events. Live coverage of the Winter Olympics and the World Cup in Japan and South Korea brought gains in market share primarily for the public broad-casters. The ProSiebenSat.1 Group's three full-service channels achieved a combined market share of 28.1 percent among the commercially decisive 14 to 49-year-old audience, compared to the previous year's 30.1 percent. Among all viewers above the age of three, Sat.1, ProSieben and Kabel 1 achieved a market share of 21.5 percent, following 23.1 percent in 2001. Other broadcasters - RTL, RTL II, Vox and Super RTL - lost ground as well. Their combined market share among all viewers was 24.2 percent, follow-ing the previous year's 24.7 percent.

Despite sharp cost cuts, operating earnings in the Television segment were EUR 62 million, well down from the previous year's EUR 137 million. Total revenues in the Television segment were EUR 1.837 billion, equivalent to a 6 percent reduction. Thus it appears that the ProSiebenSat.1 Group per-formed significantly better than the market as a whole. According to cur-rent industry estimates for 2002, the total television advertising market was down between 8 and 10 percent.

The ProSiebenSat.1 Group generates some 96 percent of its revenues from its four stations Sat.1, ProSieben, Kabel 1 and N24. These revenues also include multimedia activities, which are closely linked with the stations' brands. The Online and New Media business activities have been combined into a separate company, SevenOne Intermedia. This company was integrat-ed into the ProSiebenSat.1 Group as of September 1, 2002, after the Group acquired full ownership. As a multimedia center of competence, SevenOne Intermedia covers the entire value chain in production, marketing, and the economic utilization of available rights for the Group's stations on interac-tive platforms: online, teletext, added-value telephone services, mobile serv-ices and iTV. This first-time consolidation means that the Television segment

includes revenue contributions only from September through December 2002. For 2002 as a whole, SevenOne Intermedia - not including its equity interests in the multimedia sector - generated total revenues of roughly EUR 50 million, and showed a profit.

Sat.1: World Cup broadcast falls short of expectations

Among the commercially decisive 14 to 49-year-old audience, Sat.1 achieved a market share of 11.1 percent in the first six months of 2002, compared to the previous year's 11.6 percent. Among all viewers over the age of three, the station earned a 9.9 percent share, almost matching the previous year's 10.1 percent.

Fiscal 2002 revenues at Sat.1 were EUR 777 million, following EUR 831 million the year before. This is equivalent to a 6 percent reduction. Pre-tax income was EUR -98 million, following the previous year's EUR -77 million. Apart from the adverse advertising environment, this change was primarily the consequence of a hefty charge of EUR 54 million for the rights to the soccer World Cup and the associated production costs. Because the advertising market is so weak, the World Cup generated revenues of only around EUR 29 million - significantly less than had been expected when the rights were purchased the year before. But aside from the expensive World Cup, the station's cost structure has improved by roughly EUR 73 million since 2000. A further adverse impact on Sat.1 profits has come from the hitherto high cost of the rights for Germany's Bundesliga soccer league.

ProSieben: Rigorous cost management in 2002

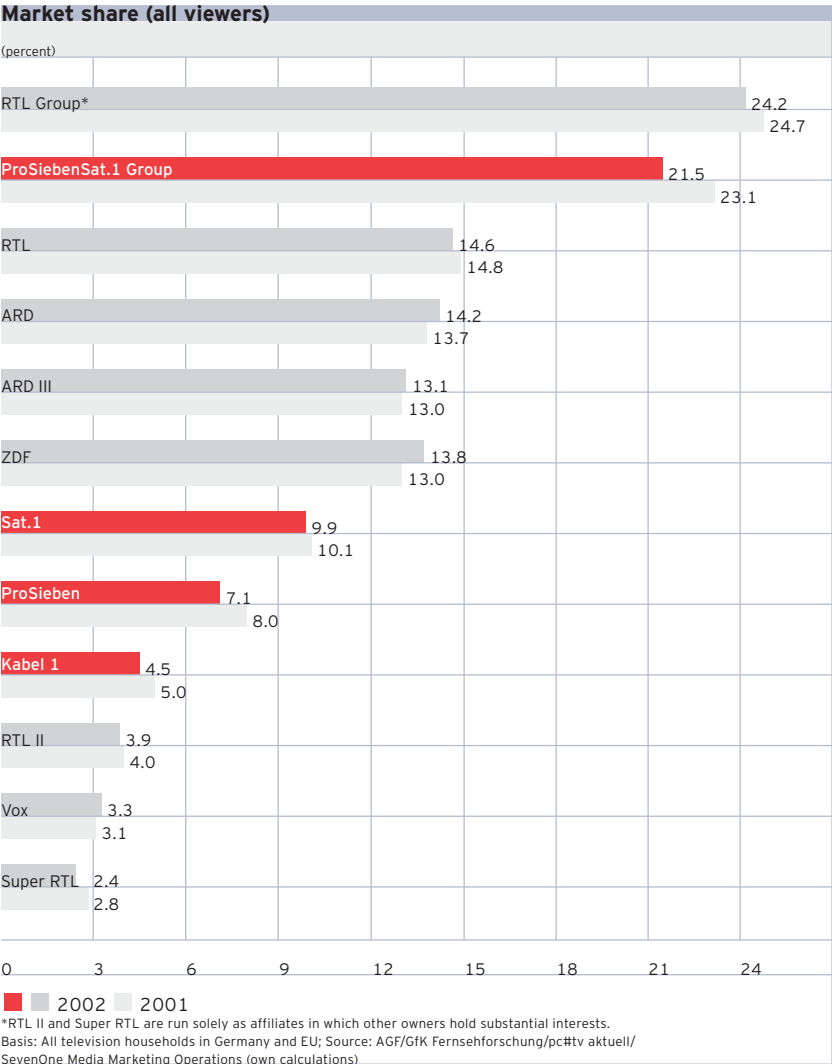
In a year of contracting expenditures on advertising, ProSieben held an average market share of 12.0 percent in the commercially crucial target audience between the ages of 14 and 49, compared to 13.3 percent in 2001. Among all viewers over the age of three, ProSieben earned a 7.1 percent share, following the previous year's 8.0 percent.

In fiscal 2002, the station generated revenues of EUR 778 million, compared to EUR 860 million. Pre-tax income was EUR 206 million; the previous year's figure was EUR 262 million. The return on revenues was 26 percent. Thanks to rigorous cost management, the station's earnings were down only EUR 56 million, significantly less than the revenue loss of EUR 82 million.

Kabel 1: Holding the market lead among second-generation broadcasters

In 2002, Kabel 1 maintained its lead among Germany's second-generation broadcasters. With a market share of 4.5 percent among all viewers over the age of three, following 5.0 percent the year before, the station was well ahead of competitors Vox (3.3%) and RTL II (3.9%). In the important viewer group between ages 14 and 49, Kabel 1 earned a market share of 5.0 percent, as compared to the previous year's 5.2 percent.

Kabel 1 generated revenues of EUR 196 million in fiscal 2002 - a decline of EUR 19 million, or 9 percent, from the year before. Pre-tax income was



EUR 12 million, down from the previous year's EUR 34 million, because of the advertising crisis and the higher programming costs that resulted from programming purchases made in previous years.

N24: New documentary programming accelerates performance growth

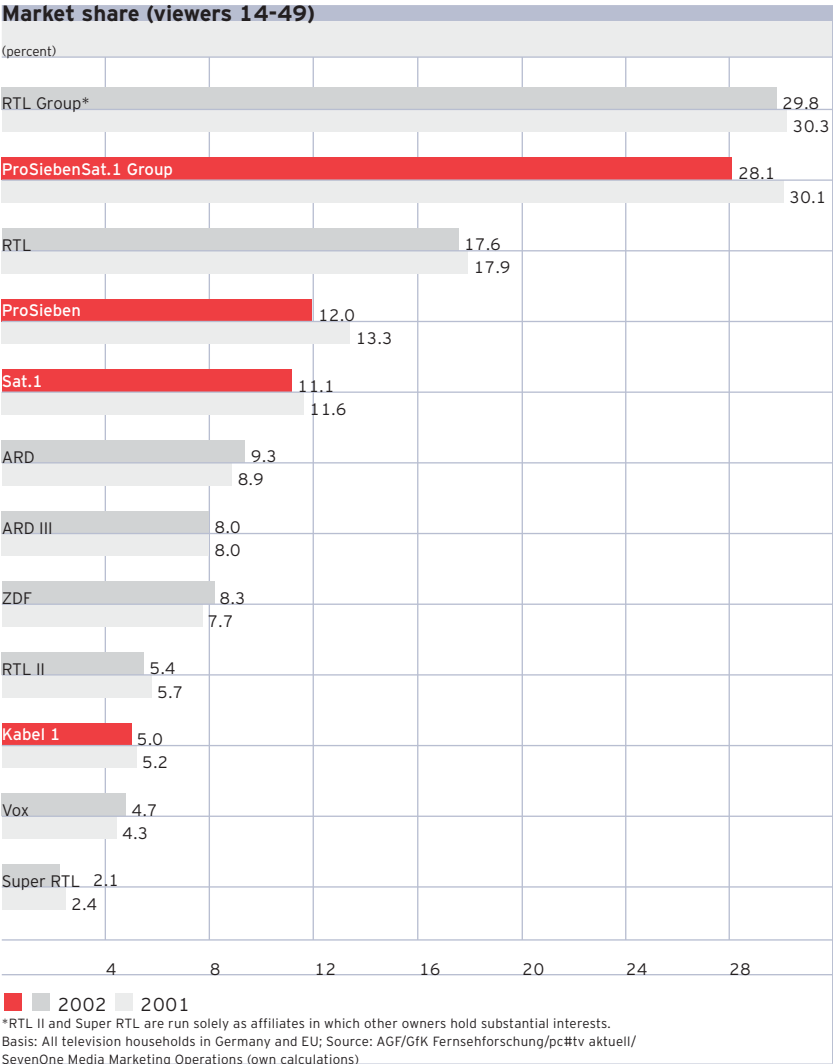
News channel N24 further expanded its position in the German television market during 2002. A positive influence on performance growth was a new line of documentary programming introduced at year's end. In December, N24 increased its market share 55 percent from the previous month, to 0.3 percent of the 14-to-49 target audience. According to data reported since January 1, 2003, by the GfK television research institute, the youngest of the Group's stations has now achieved a technical reach of 67 percent of all German television households. The potential technical reach is now more than 70 percent.

The news channel's revenues were up 42 percent during 2002, to EUR 95 million. Pre-tax income improved 37 percent, or EUR 14 million, to EUR -24 million. The growth in both revenues and earnings is due quite significantly to N24's increased importance as the central news service provider for all ProSiebenSat.1 Group stations.

Transaction television: Neun Live profitable at operations level

The ProSiebenSat.1 Group's involvement in transaction television has turned out extremely well. The ProSiebenSat.1 Group holds 48.4 percent of Euvia Media AG & Co. KG, which operates the Neun Live station and the travel shopping channel sonnenklar TV. In 2002, sonnenklar TV's travel bookings were worth a total of EUR 90 million. This is equivalent to a 195 percent increase from the year before, when gross travel revenues were EUR 30 million.

According to preliminary figures, Neun Live generated total revenues of EUR 61 million in 2002. This is equivalent to a gain of 187 percent against the year before. While operating costs remained almost stable year-to-year at EUR 47 million, Neun Live achieved a positive EBITDA of EUR 14 million, following the previous year's EUR -26 million. Thus the station has significantly outperformed original projections. In spring 2002 the station was still expecting total revenues of just over EUR 40 million, and a negative EBITDA of less than EUR -10 million.





Merchandising and Services

Merchandising: Double-digit growth in revenues and earnings

The Merchandising segment combines the activities of MM Merchandising München, ArtMerchandising & Media and SevenOne Club & Shop. Here the ProSiebenSat.1 Group increased its total revenues in 2002 by 11 percent, to EUR 73 million. Externally generated revenues were up 12 percent, to EUR 66 million. Operating income in Merchandising rose 13 percent, to EUR 17 million.

Aside from the further growth of Merchandising activities, the expansion of viewer loyalty builders promoted by SevenOne Club & Shop also had a positive impact on business.

Services: Cost cuts affect revenues

The Services segment comprises subsidiaries SevenSenses and SZM Studios, and the IT company ProSieben Information Service. Over 90 percent of this segment's business derives from in-Group orders. As a consequence, cost cutting – especially by the Group's television stations – also had an impact on revenues in the Services segment. The segment's total revenues were down 10 percent, to EUR 154 million. Operating income declined EUR 11 million, to EUR -3 million.

Research and Development

Market research still a high priority

Ongoing research and market analysis is a top priority for the ProSiebenSat.1 Group. For that reason, the Group is an active member of a wide variety of industry associations and research institutions, including the ACT (Association of Commercial Television), the AGF (Arbeitsgemeinschaft Fernseh-forschung), ag.ma (Arbeitsgemeinschaft Media Analyse e. V.), the AGOF (Arbeitsgemeinschaft Onlineforschung e. V.), the BVM (Bundesverband Deutscher Markt- und Sozialforscher e. V.), the DIHK (Deutsche Industrie- und Handelskammertag), the dmmv (Deutscher Multimedia Verband), the FGM (Fördergesellschaft Marketing e. V. an der Uni München), the GfK (Gesellschaft für Konsum- Markt- und Absatzforschung e. V.), the IVW (Informations-

gemeinschaft zur Feststellung der Verbreitung von Werbeträgern e. V.), Inf-Online, which measures online visits and page impressions under IVW standards, NEON (Network Online Research), the VPRT (Verband Privater Rundfunk und Telekommunikation e. V.) and the ZAW (Zentralverband der Deutschen Werbewirtschaft).

The Group's expenditures on market research in fiscal 2002, at roughly EUR 17 million, remained at a high level. There is virtually no other industry where success and failure can be measured as quickly as in the television market. Every day, detailed analyses of audience reach and market share are available the morning after a program is aired. These figures ensure constant transparency in the television market, and document performance for advertising clients. The market share figures are the most important management tool for broadcasters' programming executives. Ratings are determined by the GfK, a consumer research association, by measuring viewing patterns among a representative panel of viewers. The research is commissioned by the AGF, a television research federation whose membership includes all major commercial television stations and the public stations. The AGF/GfK ratings are used to calculate advertising prices and check the efficacy of advertising campaigns.

Not only do research results provide relevant information about the success of programming and marketing campaigns, but the advertising industry uses these detailed analyses as an important source of information for media scheduling. As a service, the ProSiebenSat.1 Group offers its advertising clients not only conventional analyses to monitor media performance and individual campaigns, but also extensive qualitative studies. These include, for example, studies and sets of tools for TV and target audience scheduling, resources for studying advertising impact, ad-hoc analyses of the impact of new forms of advertising, industry-specific media reports and qualitative programming research tools. On commission from ProSiebenSat.1 Media AG, Prognos AG produces what is thus far the market's only study of medium to long-term advertising market trends. The 2002 Prognos study also included Austria and Switzerland, along with Germany, so that it gives a comprehensive view of developments in the advertising market throughout German-speaking Europe. The development of new, integrated forms of advertising has also intensified demand for information about user exposure in the electronic media. The ProSiebenSat.1 Group conducts its quarterly “@facts”



survey to detect the latest developments. This is Germany's and Europe's largest and methodologically most sophisticated Internet study, interviewing 120,000 people a year about their use of New Media.

Large investment in developing new programming

In 2002, the four channels Sat.1, ProSieben, Kabel 1 and N24 together aired 19,869 program hours of in-house or commissioned productions. These include news, magazine shows, special reports, talk shows, comedy shows, made-for-TV films, series and trailers. In all, some 57 percent of the programming hours shown were produced in-house or on commission for the stations. The stations' profile is defined by their own programming, like "Für alle Fälle Stefanie," "taff." and "Abenteuer Leben." Unlike programming shown on license, these shows can be produced daily or weekly over extended periods.

The ProSiebenSat.1 Group is constantly at work developing new programs. Development editors draw on ideas from in-house and suggestions from outside, and develop projects over a period of several months, from pilot to ready-to-air product - often in cooperation with outside producers. In 2002 they developed around 42 pilot projects, from talk shows to event films to magazine shows. Production commissions were issued for 207 shooting scripts. Developing new types of programming was an especially high priority in 2002. As a consequence, the ProSiebenSat.1 Group's development costs for new programming grew from EUR 8 million the year before to more than EUR 14 million.

Events Subsequent to the Reporting Date

Audience share grows

The ProSiebenSat.1 Group achieved a substantial gain in audience market share in the first two and a half months of 2003. As a trend for 2003 up to March 15, the four stations attracted a combined market share of 28.8 percent among the 14 to 49-year-old target group. This represents a gain of 0.7 percentage points from the year before. Among all viewers over the age of three, the Group's four channels repeated the year's average from 2002, 21.5 percent. The GfK television research institute has been reporting shares for news channel N24 for the first time as of the beginning of 2003. In the

first ten weeks of the year, N24 earned a 0.4 percent share among the 14-to-49 group, and is thus nearly even with its competitor n-tv, which achieved 0.5 percent in same period.

An optimized organizational structure

Early in 2003, the ProSiebenSat.1 Group made additional preparations to optimize its organizational structure still further. The two merchandising companies, MM Merchandising München and SevenOne Club & Shop, will be merged. In the future, the new Merchandising unit will offer its partners the Group's full marketing and services portfolio from a single source, thus tapping additional revenue potential. Preparations for integrating the two companies are to be completed by March 31, 2003.

To optimize technical processes, moreover, all technical service companies have been combined under a single Director of Operations. Among the operations involved here are SZM Studios, the IT company ProSieben Information Service, and Teledirekt, a company responsible for technical distribution channels.

Reorganization of shareholder structure

One consequence of the insolvency of KirchMedia GmbH & Co. KGaA is that KirchMedia's stake in ProSiebenSat.1 Media AG has been up for sale since 2002. ProSiebenSat.1 Media AG is not only well-informed about the selling process, but actually played an important role in it by way of the associated due diligence procedures. The Company accorded due diligence access to selected potential investors, under confidentiality agreements. In the interest of the Company, its shareholders, and its employees, ProSiebenSat.1 Media AG will welcome the earliest possible completion of negotiations and a stabilization of ownership structure.

In the latest phase, KirchMedia was in advanced negotiations with a consortium comprising Heinrich Bauer Verlag and HypoVereinsbank, and with a second investor group composed of US media entrepreneur Haim Saban and French television station TF1. On March 12, 2003, Heinrich Bauer Verlag declared that though it remained interested in principle in taking over KirchMedia and its stake in ProSiebenSat.1 Media AG, it had no desire to participate in a bidding process. Negotiations with the Saban consortium were continued successfully and the contract was signed on March 17, 2003. Saban Group is a private investment group that specializes in the media and entertainment industry. Their experience in television covers production, marketing of children's and family programs and film rights and, not least, operating broadcasting stations.

Financing

The crisis in the television advertising market continued in the first quarter of 2003. The advertising industry's cuts in television spending have continued to be a burden for the ProSiebenSat.1 Group's performance in the new year. Although the situation in the television advertising market remains difficult, the Group enjoys secure financing and adequate liquidity. Part of the reason is the Company's refinancing in 2002 by way of a EUR 200 million high-yield bond issue. Additionally, lending banks have agreed in principle to continue financing the Company for the medium term, even if - contrary to expectations - no investor takes over KirchMedia's stake in ProSiebenSat.1 Media AG soon. In that case, KirchMedia's insolvency administrator in accordance with the board of creditors has agreed to provide ProSiebenSat.1 Media AG with shareholders' funds for the Company's financing.

Risk Report

A high-performance risk management system

During fiscal 2002, ProSiebenSat.1 Media AG further optimized its risk management system. The particular focus here has been on the Group's TV channels, which contribute by far the biggest share of revenues and earnings. The ProSiebenSat.1 Group's risk management system ensures that potential risks to the Company will be detected early, making it possible to take appropriate mitigating measures. Early warning indicators have been defined for all measurable and material areas of risk. These indicators are used as a basis for monthly reports to the Executive Board on the evolution of the risk picture. Specific staff members have been assigned the responsibility for monitoring identified risk areas. In addition, a monitoring system ensures that mitigating measures are initiated as soon as any indicator exceeds a specified tolerance limit.

The monitoring system's early warning indicators primarily cover the ProSiebenSat.1 Group's performance in the audience and advertising market, the profitability and appeal of the program inventory, human resources development and developments in media policy and media law.

"Das Jesus Video"

ProSieben set new standards in December with one of the most successful TV productions of the last few years. An average of 5.04 million viewers watched the two-part "Das Jesus Video." Among 14 to 29-year-olds, the film adaptation of Andreas Eschbach's sci-fi best seller earned an average share of 27 percent.

Detailed audience and advertising market analysis

The ProSiebenSat.1 Group is Germany's largest television corporation, with its four stations Sat.1, ProSieben, Kabel 1 and N24. Its position in the audience market is analyzed daily in detail, on the basis of AGF/GfK data. Audience market share is the most important early warning indicator of changes in television use.

The ProSiebenSat.1 Group uses comprehensive analytical methods to monitor trends in advertising revenues. Revenues for the year as a whole are projected on the basis of bookings for advertising spots. Monthly reports submitted to the Executive Board list actual and projected values as well as the previous year's figures, and provide a detailed picture of revenue developments. The analysis also covers the position of competitors and developments within the economy and the advertising industry.

Unclear effects of the war in Iraq

Despite the wide variety of early-warning indicators, visibility in the TV advertising market has been very low since the recession began in 2001. Competitive pressure has increased considerably. In the absence of an economic turnaround, all market participants are forced to contend with more intense pressure on costs. Additionally, not only did the gap between gross and net advertising revenues widen for all stations in 2002, but for the first time in the history of the German TV advertising market, deflationary prices started to appear.

At the moment it remains unclear what consequences the war in Iraq will have for the German economy, and especially for the TV advertising market. If the economy slackens still further, it would presumably also delay the recovery of the German advertising market accordingly. Market participants do not expect conditions for advertising to improve until after the first quarter of 2003, at the earliest. In any event, the ProSiebenSat.1 Group had early on made all the necessary programming preparations that enable it to provide up-to-date reporting on the war in Iraq. The additional costs have already been budgeted, especially for news channel N24.

Changes among German cable operators

For the broadcasters in the ProSiebenSat.1 Group, lasting success in the advertising market depends most significantly on high audience reaches. Apart from programming appeal, this reach depends mainly on the geographical range the stations can cover. The Group's three full-service stations, Sat.1, ProSieben and Kabel 1, have high technical reaches. Via cable, satellite and antenna, Sat.1 reaches 97 percent of Germany's roughly 34 million television households. ProSieben reaches 95 percent, and Kabel 1 reaches 92 percent. The N24 news channel reaches roughly 67 percent of TV households.

The liberalization of the cable market is extremely important for the ProSiebenSat.1 Group. Now that Deutsche Telekom AG's six remaining cable companies have been sold to an investor consortium comprising Goldman Sachs, Apax Partners and Providence Equity, ProSiebenSat.1 expects major steps in the direction of modernizing cable networks to fit the market. Among the cable operators are new players whose business policy includes digitizing their networks. The changeover from analog to digital broadcasting will again vastly amplify the capacity available for carrying television programming, opening up new business prospects for the ProSiebenSat.1 Group. However, the reach of the four stations Sat.1, ProSieben, Kabel 1 and N24 must still be assured amid the transition from the analog to the digital age. For that reason, in the next few years the ProSiebenSat.1 Group will make arrangements for simulcasting - the simultaneous analog and digital distribution of its programming.

Looking at the prospect of feeds into digital cable networks, the ProSiebenSat.1 Group is confident that its four stations' appeal, high audience acceptance and contribution to variety will gain them cable slots even where the Group has no direct legal claim to be shown. Finally, the German states responsible for broadcasting legislation have made it clear that digitization is by no means intended to result in the availability of fewer stations on digital cable than on analog cable. ProSiebenSat.1 Media AG will negotiate with all major cable network operators for analog and digital feeds of its programming. Broadcasters' position in the matter of digital feeds was further strengthened in November 2002 by a decision of the Dresden Higher Regional Court in a suit brought by ProSieben against the cable network operator PrimaCom AG. The court ruled that cable providers can digitally feed in programming only with the originating television companies' consent.

In the future, the number of channels available on cable could increase significantly as digitization advances. Yet even in a more heavily fragmented television market, the four stations of the ProSiebenSat.1 Group would still be able to maintain their competitive positions in the Free TV sector. Regardless of the essentially high barriers against any new provider's entry into the market, the Group's standing will be particularly assured by the widespread recog-

nition of its station brands, its long-term contracts for broadcasting rights, and its strong position within the audience and advertising markets.

In concert with all German broadcasters, the European Commission and the German state regulatory agencies for broadcasting, ProSiebenSat.1 Media AG has argued for the use of open interfaces and decoder systems based on the MHP standard. Some cable companies' plans to install proprietary decoder systems that would tie subscribers to their own programming would restrict viewers from having access to future TV programming and shut them out from important developments. ProSiebenSat.1 Media AG has taken an active, broad-based role in this social debate, to combat these restrictions on television viewers.

KirchMedia insolvency to have no direct impact

On April 8, 2002, KirchMedia GmbH & Co. KGaA - the principal shareholder of ProSiebenSat.1 Media AG - filed to initiate insolvency proceedings in Munich Local Court. That court's decision of June 14, 2002, ordered formal insolvency proceedings against KirchMedia's assets, under in-Company administration. ProSiebenSat.1 Media AG and its subsidiaries are an autonomously financed corporate group. They had no involvement in the insolvency proceedings at any time, and thus felt no immediate impact from the KirchMedia insolvency. However, KirchMedia is the Group's majority shareholder, with a holding of 52.52 percent after adjustment for other equity interests. It is also the Group's most important supplier of programming.

Additionally, the Group had a service agreement with Beta Digital, a subsidiary of KirchPay-TV, which likewise filed for insolvency on April 8, 2002. This agreement concerns analog and digital satellite uplinks, and thus the technical broadcasting operations of Sat.1, ProSieben, Kabel 1 and N24. Effective December 20, 2002, Premiere took over full ownership of this technical service provider. Transmission channels were spun off from Beta Digital's operations and pooled in a separate company, Digital Playout Center GmbH (DPC). As this risk report was going to press, ProSiebenSat.1 Media AG was in negotiations with DPC on continuing the contract. Offers from other service providers are also available for review, if needed.

During the insolvency proceedings for KirchMedia GmbH & Co. KGaA, the ProSiebenSat.1 Group arranged for a detailed legal analysis of its program licensing and supply agreements with KirchMedia. The ProSiebenSat.1 Group obtained 42 percent of the programming shown in fiscal 2002 from the Kirch Group. On the basis of the legal review, the ProSiebenSat.1 Group assumes that the rights it has acquired can be used as planned. In the second half of 2002 and during the first months of 2003, KirchMedia reached settlement agreements with a number of different film studios. In return, the studios reconfirmed the validity of the Free TV rights they had granted KirchMedia.

61 percent of licensed programming for Sat.1, ProSieben and Kabel 1 covered to 2005

KirchMedia is the ProSiebenSat.1 Group's most important programming supplier, but by no means the only one. ProSiebenSat.1 has long-standing business relations with many other intermediaries and film studios. In fiscal 2002, the Group's programming supplier list included more than 120 entries. In acquiring programming, the Group applies criteria of both profitability and appeal. The programming rights it has under contract to date will cover roughly 61 percent of the ProSiebenSat.1 Group's needs for licensed programming on its full-service stations Sat.1, ProSieben and Kabel 1 until the year 2005.

In fiscal 2002, ProSiebenSat.1 Media AG signed a number of agreements to safeguard its stations' programming supply despite the KirchMedia insolvency. In several cases, the ProSiebenSat.1 Group also signed three-way agreements with KirchMedia and US film studios, under which the US studios can grant the programming rights in question to the ProSiebenSat.1 Group directly if KirchMedia should cease payments in the future. In this way, the Group procured exclusive rights to Hollywood productions from Disney, Touchstone, Miramax and Dimension over the next few years. These are covered by a package deal for 20 to 30 feature films a year, a selection of TV movies, and three to four series a year. Additionally, in December 2002 the Group signed several film agreements for a total value in the triple-digit millions. These license agreements with e.g. Senator, Epsilon, Highlight, Constantin and Tobis cover some 100 top feature films and series, and partly extend beyond the year 2010. The Group also signed agreements regarding productions of Lucasfilm Ltd. and Paramount Pictures, for a total in the double-digit millions. The Lucasfilm agreement ensures that the ProSiebenSat.1 Group will continue to have long-term exclusive rights to the "Star Wars" films of director George Lucas, including the Free TV premiere of the blockbuster "Star Wars: Episode II - Attack of the Clones." Additional agreements set up extensive cooperative arrangements with the station ProSieben for future film launches. An agreement covering Paramount productions will furthermore provide the ProSiebenSat.1 Group stations with 14 top feature films and TV movies until beyond 2010, along with six new series.



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As a rule, contracts for program packages, feature films and series are signed several years before the actual airing dates. To reduce investment risk, the revenue potential of broadcasting rights under contract undergoes regular review. One early warning indicator is the total return on programming inventory. Another critical factor in a television company's success is the profitability and appeal of its programming inventory. The ProSiebenSat.1 Group's four stations, with their complementary programming and positioning, offer extensive synergies in program purchasing and use.

Validity of guarantee to Universal denied

In February 2000, Universal sued KirchMedia, and a number of other companies associated with KirchMedia, for license fees and damages because of an alleged failure to pay royalties. The former ProSieben Media AG was named among the defendants. The claim was supposedly founded on a guarantee declaration furnished to Universal by Kirch Group founder Dr. Leo Kirch on behalf of companies associated with KirchMedia. The amount of the alleged outstanding payments and damages has not been clarified as yet. But after review by its attorneys, ProSiebenSat.1 Media AG assumes that the suit will be rejected because Dr. Leo Kirch was never authorized to act as the legal agent of ProSiebenSat.1 Media AG or any of its legal predecessors. In the proceedings, now pending in California, Universal has also not stated or explained how Dr. Kirch could have signed agreements validly for ProSiebenSat.1, in contravention of the legal rules governing representation. ProSiebenSat.1 Media AG has engaged a renowned law firm in California to represent it against Universal's claims.

Post-merger appraisal proceedings

The merger of Sat.1 Holding GmbH and ProSieben Media AG to form ProSiebenSat.1 Media AG in fiscal 2000 led to a court case for an appraisal. The holders of voting common stock unanimously approved the merger at a special meeting of the shareholders on August 22, 2000. At the separate meeting of the preferred shareholders on the same day, a clear majority also voted in favor of the transaction: 99.43 percent of the preferred capital present approved the merger.

Nevertheless, it has now become common practice for shareholders to attempt to improve the exchange ratio by instituting appraisal proceedings in the courts. ProSiebenSat.1 Media AG must now likewise contend with such proceedings. Eleven holders of preferred stock in the former ProSieben Media AG have filed a demand for an additional cash payment. As grounds, they claim that the valuation ratio between the two companies was unfairly weighted in favor of shareholders of Sat.1 Holding GmbH - notwithstanding the fact that the corporate valuations were based on an independent appraisal, produced by the Andersen accounting firm and confirmed by the court-appointed merger auditors, BDO Deutsche Warentreuhand Aktiengesellschaft.

It is not yet clear whether the appraisal proceedings will result in financial charges. After a first hearing of the parties before Munich Regional Court I in April 2001, the court-appointed appraisers began reviewing the matter. ProSiebenSat.1 Media AG has already provided the appraisers with extensive documentation, and has made itself available to them for any consultations needed. The appraisal is currently expected to be completed during the first half of 2003.

Taking an active part in the political opinion-shaping process in Germany and in Europe

At all levels, the ProSiebenSat.1 Group is actively engaged in the process of helping shape public opinion on media policy, advocating a liberalization of the legal framework and opposing potential restrictions. Moreover, the dual system of public and private broadcasters is becoming dangerously skewed as spending on television advertising declines. Since 2000, public broadcasters have been able to report roughly EUR 600 million more in income from user fees, while the television advertising market contracted some EUR 600 to 700 million during the same period. Thus in only two years, the already large gap between the public and private broadcasters widened by another EUR 1.2 to 1.3 billion in favor of ARD and ZDF, the public broadcasters.

Thus debate has arisen both in Germany and at the European level about how the equilibrium between public and private broadcasting can quickly be restored. Among the main suggestions are a liberalization of outmoded and sometimes unnecessary restrictions on advertising, and the expansion of the refinancing base for private broadcasting by making optimum use of the options available under European and German law. Another is to continue working against bans on advertising for certain products at the European and national level. To survive successfully amid the generally poor economy, and to refinance their programming, private broadcasters need greater leeway in advertising placement and in new forms of advertising. Here ProSiebenSat.1 Media AG is trying to convince legislators and supervisory authorities to allow the introduction of new, integrated, convergent communications concepts, enabling the Group to attract additional advertising clients who would reach their target audiences via all audiovisual media included in the ProSiebenSat.1 Group.

Fundamentally, the ProSiebenSat.1 Group's position is that public and private broadcasting should be placed under uniform supervision, for example in regard to their compliance with regulations on advertising and the protection of minors.

The debate over media policy also extends to the European regulatory framework governing television. When it released its evaluation report on the application of the "Television Without Borders" directive, the European Com-

"Charlie's Angels"

In 2002, the ProSiebenSat.1 Group signed film agreements regarding productions of all major Hollywood studios, ensuring a long-term supply of top-notch international feature films. One of this summer's highlights on ProSieben will be "Charlie's Angels," with Lucy Liu, Cameron Diaz and Drew Barrymore.

mission also published a working program for reviewing and revising the existing television directive. As part of the planned review, discussion will extend not only to the general scope of application of the directive and of regulations for film promotion at the European level, but also the directive's provisions on advertising. From today's vantage point, there appears to be no reason to expect that the European directive will be made more stringent.

The Cable and Satellite Directive

On July 26, 2002, in the Report on the Application of Directive 93/83/EWG (the Cable and Satellite Directive), the European Commission examined whether the directive had been adequately implemented in national laws, and whether individual provisions should be concretized or modified.

As part of this process, at meetings in Brussels and in written position papers, ProSiebenSat.1 Media AG has argued that freedom of contract must still take priority, and that cable network operators should acquire distribution rights by contract from rights agencies and broadcasters. Moreover, the "broadcasting state" principle, which is indispensable for broadcasters, must be preserved, as must broadcasters' rights to permit or prohibit feeds and further distribution.

At the moment it can be assumed that the European Commission can be convinced not to alter the Cable and Satellite Directive.

Changes in protection of minors

In the fall of 2002, the Interstate Treaty on Protecting Minors from Unsuitable Media Content was signed by the premiers of Germany's Federal states. The new regulations will take effect on April 1, 2003. Fundamentally, the ProSiebenSat.1 Group takes a positive view of the new legislation, not least of all because for the first time it officially acknowledges the private television industry's voluntary self-regulation organizations as a regulatory authority. The main problem for the immediate future will now be how to implement and carry out the new rules in practice. In this context, careful attention must be given to how the relationship between the supervisory authorities and the self-regulation organizations actually evolves. In this regard, ProSiebenSat.1 Media AG, the Verband Privater Rundfunk und Telekommunikation (VPRT) and the Freiwillige Selbstkontrolle Fernsehen (FSF) are in constant dialogue with the state regulatory authorities for broadcasting. All three advocates share the position that the FSF's legally acknowledged discretionary latitude should not be infringed with a multitude of official guidelines.

Reform of German film subsidies

With the planned reform of German film subsidies as of January 1, 2004, the Federal government intends to improve the environment for the production and exploitation of theatrical films in Germany. In this context, back in 2001 the government presented a "Film Policy Concept" that is supposed to be continued even though a different minister is now in charge. Among other changes, the concept calls for shortening the license terms for broadcasting rights to subsidized films in favor of the film producers (and to the disadvantage of broadcasters), and for increasing TV broadcasters' contributions to the Filmförderungsanstalt (FFA). Both changes would raise costs for ProSiebenSat.1 Media AG. All involved are engaged in intensive discussions within the "Alliance for Film" to achieve a result that will be in the broadcasters' interest.

Relations with Affiliated Companies

In compliance with Sec. 312 of the German Stock Corporation Act, ProSiebenSat.1 Media AG has prepared a report on the Company's relationships with affiliated businesses, which concludes with the following statement: "In the year under review ProSiebenSat.1 Media AG did not engage in any legal transactions involving third parties initiated by or in the interest of TaurusHolding GmbH & Co. KG, or any businesses affiliated with that company. No measures subject to reporting under Sec. 312 of the Stock Corporation Act were either taken or omitted. In each legal transaction entered into with TaurusHolding GmbH & Co. KG and affiliated businesses during the year under review, ProSiebenSat.1 Media AG agreed upon fair consideration within the meaning of Sec. 312 of the Stock Corporation Act, and also received such consideration insofar as performance was required during the year under review."

Outlook

Subdued outlook for the German economy

There are no signs as yet of any economic turnaround for Germany in 2003. Yet the available data permits no clear conclusions about future overall economic performance. However, the leading economics institutes are in agreement that no substantial upswing can be expected in 2003. The various projections call for growth between 0.6 and 1.1 percent. But the experts' estimates take no account of the possible repercussions of the war in Iraq which could place considerable further stress on a world economy that is already far less than robust. Trading losses on the stock markets and an abrupt devaluation of the dollar could have a further adverse impact on the economy.

In evaluating the overall economic situation, the German government's council of economic experts thinks growth of 1 percent is probable. But this feeble upswing will have to depend on a favorable world economic environment, unless domestic demand can pick up a momentum of its own. According to Germany's ifo index of business confidence, a highly-regarded forward indicator of economic performance, the mood of West German businesses has stabilized at a low level. In January 2003, the index saw its first slight improvement since May 2002. But this can hardly be regarded as a turnaround.

Low visibility in the advertising market

Given the difficult economic environment, visibility in the advertising market remains cloudy for 2003. For the current fiscal year, the Zentralverband der deutschen Werbewirtschaft (ZAW) anticipates that total advertising spending will gain 1 percent, to EUR 30.3 billion. This projection is based on a survey of companies, agencies and media involved in the advertising business. A study by the Prognos research institute, commissioned by the ProSiebenSat.1 Group, projects that advertising revenues will rise 2 percent this year. For the European TV advertising market as a whole, the international advertising agency Zenith Optimedia anticipates growth of 2.5 percent in 2003. Advertising Climate Study I/2003, by the business weekly GfK-WirtschaftsWoche, anticipates an upswing in the German advertising business no later than the middle of next year.

Uncertain prospects for the year as a whole

Given the adverse economic conditions, ProSiebenSat.1 Media AG expects the television advertising market to keep contracting sharply in the first quarter of 2003. No real revival can be expected before the second half of 2003 - if then. The outlook for the full year remains uncertain. It is also unclear what consequences the war in Iraq will have for the German economy and German consumer confidence. For the time being, then, it is impossible to make detailed projections about the course of business in 2003.

Against this background, the Group will continue its rigorous cost management. This approach will further reduce total costs at the Group level by a figure in the high double-digit millions. One positive factor for the Company's income statement will be the absence of the expense of the World Cup, which added a total of EUR 54 million to programming and material costs in 2002. In its core business, Television, the ProSiebenSat.1 Group will concentrate primarily on the ongoing restructuring of station Sat.1. This station has the Group's greatest potential for enhanced profitability. News station N24, which produces news programming within the Group, is expected to get into the black by 2005. This development will be helped by a cost-cutting program that will already achieve further savings in the double-digit millions this year throughout the ProSiebenSat.1 Group's news operations.

Highlights 2003: ProSieben Mission: Impossible II. American Beauty. The Patriot. Charlie’s Angels. The Talented Mr. Ripley. Bedazzled. Les Rivières Pourpres. Mission to Mars. Hollow Man. U-571. Meet the Parents. Keeping the Faith. Galaxy Quest. Double Jeopardy. 15 Minutes. Final Destination. Chill Factor. The Watcher. The Bachelor. Frequency. Traffic. Walking with Cavemen. Terraluna. Zacherl – Einfach kochen. Avenzio – Schöner leben! Walking with Dinosaurs. Alias. Scrubs. Sex and the City. Friends. Without a Trace. Special Unit 2. ER. Buffy the Vampire Slayer. Angel. Charmed. American Campus. The Simpsons. Futurama. Red Nose Day. Kalkofes Mattscheibe. Rent a Pocher. Wilde Jungs. Geheimnisvolle Freundinnen. Männer häppchenweise. Seventeen. Schule. 100 Pro. Eiskalte Freunde. **Sat.1** Edel & Starck. Das Wunder von Lengede. Show des Monats. Was guckst Du?! Wolffs Revier. Traumprinz in Farbe. Lenßen & Partner. Genial daneben – Die Comedy Arena. Die Harald Schmidt Show. Die Liebe kommt als Untermieter. Ladykracher. Die dreisten Drei – Die Comedy WG. Stuart Little. Körner & Köter. Der Elefant – Mord verjährt nie. Kommissar Rex. Hausmeister Krause. SK Kölsch. alphateam. Für alle Fälle Stephanie. Mit Herz und Handschellen. Alt & Durchgeknallt. Schuldig? – Schicksale vor Gericht. Broti & Pacek. The Insider. Der Auftrag – Mordfall in der Heimat. Bewegte Männer. Spurlos – Ein Baby verschwindet. Vier Küsse und eine E-Mail. Franklin – Deine Chance um 11. Vera am Mittag. Richter Alexander Hold. Danke Anke! Nur die Liebe zählt. Axel! Aufgelegt! Mensch Markus. Otto – Der Katastrofenfilm. Casanova – Ich liebe alle Frauen. Blond: Eva Blond. Inspektor Rolle. What Ever Happened to Baby Jane? Sleepy Hollow. I Dreamed of Africa. 28 Days. Girl, Interrupted. Für immer verloren. Aus Liebe zu Tom. Antonia – Tränen im Paradies. Dienstreise – Was für eine Nacht. Richterin Barbara Salesch. Der Bulle von Tölz. **Kabel 1** Dances with Wolves. Amistad. The Color Purple. Regarding Henry. Once Upon a Time in the West. Big. Das fliegende Auge. Little Man Tate. The Witches of Eastwick. Operation Petticoat. Outland. A River Runs Through It. Diabolique. The Ten Commandments. The Goonies. The Indian in the Cupboard. The Witches. Twilight. Jaguar. Mr. Holland’s Opus. Shadow Conspiracy. The Real McCoy. Winnetou. Twin Peaks. Seven Days. Moonlighting.

“Otto – Der Katastrofenfilm”



Otto goes seafaring: a recipe for disaster. The boisterous comedy from Germany’s most popular comic is one of the highlights of the Sat.1 spring schedule.

“Traffic”



Catherine Zeta-Jones and Michael Douglas star in an Oscar-winning masterpiece about drugs, politics and corruption. On ProSieben in fall 2003.

“Amistad”



Steven Spielberg’s opulent historical drama, with Morgan Freeman and a large cast of other Hollywood stars, is one of the high points of Kabel 1’s fall 2003 schedule.

Documentaries on N24



Since December 2002, high-quality documentaries have joined news and business as the third pillar of the N24 schedule. A new license agreement has given the station access to more than 1,600 hours of programming in science, nature, travel, medicine, culture and space.



Core Business: Television

Advertising Crisis Affects Stations’ Performance

Group maintains lead in advertising market

Commercial television is the ProSiebenSat.1 Group’s core business. The Company’s four stations – Sat.1, ProSieben, Kabel 1 and N24 – generate 96 per cent of its revenues. Last year the market was dominated by the ongoing recession in advertising. For the first time in modern German history, the advertising industry’s revenues were down for two years in a row. As expected, our stations felt the impact. Nevertheless, the ProSiebenSat.1 Group reconfirmed its lead in the advertising market in 2002. With a gross advertising market share of 45.4 percent, the Group is Germany’s clear Number One in television advertising. Stations RTL, RTL II, Vox and Super RTL achieved a combined gross advertising market share of 41.9 percent.

Alongside lower spending for television advertising, television in 2002 was also influenced by major sporting events. Live coverage of the Winter Olympics and the World Cup brought significant gains in audience share for the public broadcasters ARD and ZDF. By contrast, ProSieben and Sat.1 developed weak spots over the course of the year that could not be remedied until the fall. The ProSiebenSat.1 Group’s three full-service channels achieved a combined share of 28.1 percent in 2002 among the commercially decisive 14 to 49-year-old audience, compared to the previous year’s 30.1 percent. Among all viewers above the age of three, Sat.1, ProSieben and Kabel 1 achieved a share of 21.5 percent, following 23.1 percent in 2001. RTL, RTL II, Vox and Super RTL lost ground as well. Their combined share of all viewers was 24.2 percent, following the previous year’s 24.7 percent.

Despite sharp cost cuts, operating earnings in the Television segment were EUR 62 million, well down from the previous year’s EUR 137 million. Total revenues in Television were EUR 1.837 billion, equivalent to a 6 percent reduction. Thus it appears that the ProSiebenSat.1 Group outperformed the market as a whole: according to current industry estimates for 2002, the total television advertising market was down between 8 and 10 percent.

SevenOne Intermedia: The ProSiebenSat.1 Group’s multimedia center of competence

Apart from the four stations and the marketing company SevenOne Media, the Television segment also includes multimedia provider SevenOne Intermedia. This company has combined all the ProSiebenSat.1 Group’s multimedia operations since the fall of 2002. As a multimedia center of competence, SevenOne Intermedia handles a broad range of digital and interactive platforms, from online and teletext, through added-value telephone services, to mobile phoning and iTV. The former Kirch Intermedia GmbH became a wholly-owned subsidiary of ProSiebenSat.1 Media AG retroactively to September 1, 2002. As of that date, the ProSiebenSat.1 Group took over the stakes of all other shareholders – the 30.1 percent held by KirchMedia GmbH & Co. KGaA, and the 20 percent held by Kirch Pay-TV GmbH & Co. KGaA. The ownership reorganization became necessary after KirchMedia and Kirch Pay-TV declared insolvency. Kirch Intermedia was formed in 2001 by a merger of Kirch New Media AG with ProSieben Digital Media GmbH.

Despite the rough climate for the advertising market, the Company achieved economic turnaround in 2002. With a consistent course of consolidation, and by concentrating on the Group’s Web sites and teletext pages, the Company generated total revenues of nearly EUR 50 million (not counting income from equity interests), and showed a profit. According to standard measurements by the German advertising association IVW, in 2002 the ProSiebenSat.1 Group’s Web sites – Sat1.de, ProSieben.de, Kabel1.de, N24.de, Sport1.de, wetter.com and oktoberfest.de – logged a total of 2.76 billion page impressions, and 192 million visits. This represented a gain of 106 percent from 2001’s 1.34 billion page impressions. Since IVW has changed its method of measuring visits, no comparison is possible for these. After the 2002 relaunches of the ProSieben.de, N24.de and Kabel1.de Web sites, and the

optimization of graphics on Sat.1.de, the online marketer SevenOne Interactive capitalized even better on the sites’ improved reaches. Despite poor business conditions in the Internet sector, marketing results were above the industry average.

SevenOne Media: A success even in hard times

SevenOne Media is responsible for marketing advertising time on all the Group’s stations. Last fiscal year, the marketer consistently expanded the range of available interlinked communication concepts, and further optimized its selling structure. These moves helped SevenOne Media successfully counter the difficult conditions in the advertising market, and further enhanced its market performance. SevenOne Media’s good marketing performance almost completely made up for the stations’ losses in audience share. Working with affiliates SevenOne Interactive, SevenOne Intermedia and SevenOne Club & Shop, the Company made the most of the strategic advantages of an integrated media company to offer its clients the full range of audiovisual and interactive platforms.

Last year’s restructuring of the selling organization improved the efficiency of modern, integrated marketing. SevenOne Media can now serve both advertisers and agencies from a single source. This allows it to put complex, integrated communication concepts into action faster and more effectively, through optimized coordination among agencies, business owners and the marketer. Every salesperson now represents the full SevenOne Media product portfolio. On-location salespeople in each region ensure that the Company is as close to the clientele as possible. Lines of communication are shorter and working procedures have been optimized. To push ahead with finding new business, a separate unit was set up to acquire clients who have not advertised on television before.

SevenOne Media views itself as a service provider. With extensive research activity, it prepares all necessary facts and reports to help its clients make investment decisions about advertising online and on television. The elaborate Adtrend study provides well-supported data for planning campaigns and monitoring their success. The results of this fundamental study give clients valuable information on how effective TV advertising has been in their market. Single-source studies in cooperation with Nielsen Media Research also provide concrete figures about the impact of TV advertising on sales. With Emnid’s semiometry system, and now that Germany’s top television research system, AGF/GfK, has included Sinus milieu target-audience information in its television data, SevenOne Media can also offer clients the latest tools for qualitative target-audience planning.

“Alias”

“Alias” is a series with spectacular, movie-theater-quality action. The hit from the United States, with rising star Jennifer Garner, made its debut on ProSieben on February 18, 2003.

SevenOne Media



Peter Christmann, Managing Director

»The advertising industry had another tough year in 2002. Yet we still held on to our clear lead in the advertising market. Our optimized selling structure will reinforce SevenOne Media’s position even further. I’d say we’re well equipped for the future.«

Company: SevenOne Media
Legal form: GmbH
Founded: 2000 by merger
MediaGruppe München: 1992
Media 1: 1999
Interest held: 100%
Type of business: Advertising air time marketer
Main activities: Marketing advertising space on electronic media, research services
Management: Peter Christmann
Address: Medienallee 9
D-85774 Unterföhring
Tel. +49 (89) 950 04-0
Fax +49 (89) 950 04-399
www.sevenonemedia.de

Company: SevenOne Intermedia
Legal form: GmbH
Founded: 2002 by taking over stakes from other shareholders
Interest held: 100%
Type of business: Multimedia services
Main activities: Production and support of digital and interactive platforms
Management: Dr. Marcus Englert
Address: Freisinger Landstraße 74
D-80939 München
Tel. +49 (89) 321 96-0
Fax +49 (89) 321 96-578
www.sevenoneintermedia.de

Sat.1

» Powered by Emotion «

The Economic Situation

Sat.1 consolidates position in advertising market

With a 0.1 percentage-point increase in gross advertising market share to 19.8 percent, in fiscal 2002 Sat.1 was one of the three most successful stations in the German television advertising market. The other two were ProSieben, with a market share of 20.1 percent, and RTL, with 29.4 percent.

Audience market dominated by sporting events in 2002

For television viewers, 2002 was a year of major sporting events like the Winter Olympics and the World Cup, both of which were carried by the public stations ARD and ZDF. Among the commercially decisive 14 to 49-year-old target group, Sat.1 achieved an average share of 11.1 percent, compared to the previous year's 11.6 percent. Among all viewers over the age of three, the station earned a 9.9 percent share, almost matching the previous year's 10.1 percent.

Sat.1 - Television with emotion

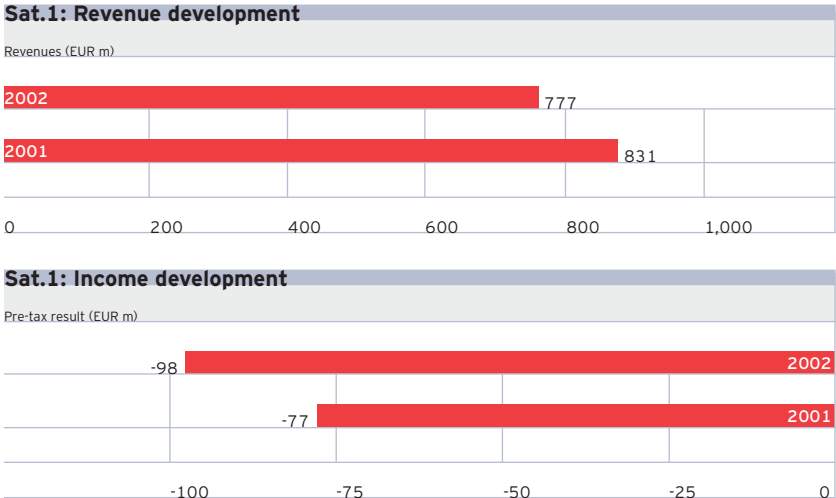
Sat.1 is positioned as television for today's family, focusing primarily on viewers between the ages of 25 and 49. Image studies conducted in November 2002 by the Monheimer Institute and SevenOne Media showed Sat.1 is considered a likable station for the whole family, with emotionally powerful broadcasts. The claim "powered by emotion" has become well known, and is considered a fitting description of the channel's programming. Strong program brands, especially in in-house fiction productions in German, give the station an unmistakable profile. Other pillars of the schedule are TV events, comedy and light entertainment programs, and sports coverage.

Sat.1 won several German Television Prizes last year. Among the awards were best TV film ("Der Tanz mit dem Teufel"), best series ("Edel & Starck"), best comedy ("Ladykracher") and best daily show ("Richterin Barbara Salesch"). A survey commissioned by SevenOne Media from the Forsa institute in fall 2002 gave Sat.1 the highest scores for late-night shows, breakfast TV, court shows, soccer reporting, and doctor and hospital series.

Successful, high-quality in-house productions

Over the past few years, high-quality in-house and commissioned productions have become a Sat.1 trademark. "Der große Sat.1-Film," with first-run TV movies, earned an average 2002 share of 16.1 percent among viewers between 14 and 49.

The station's event productions set standards again in 2002. The two-part "The Mists of Avalon" earned a share of 23.3 percent among viewers age 14 to 49. The Sat.1 productions "Wambo" and "Der Tanz mit dem Teufel - Die Entführung des Richard Oetker" additionally won the Grimme Prize and the German Television Prize - more evidence of the program's quality.



Among series and other recurring productions, the new programs "Edel & Starck," "Broti & Pacek," and "Blond: Eva Blond!" did well, achieving prime time shares between 13.8 and 16.3 percent of the 14-to-49 audience. "Edel & Starck" won the German Television Prize for best series, and Christoph M. Ohrt was honored as best actor in a series. "Der Bulle von Tölz," "Kommis-sar Rex" with a new cast, and "Wolffs Revier" were also premiere broad-casts that earned shares of up to 21.6 percent of the audience group ad-vertisers covet most.

Innovative comedy was another of the station's trademarks again in 2002. New programs like Anke Engelke's "Ladykracher," "Mensch Markus" with Markus Maria Profitlich, and "Axell" with Axel Stein achieved average shares of 11.7 to 18.2 percent of the 14-to-49 audience, and won the German Com-edy Prize for 2002. "Ladykracher" also won the German Television Prize for best comedy. The "Harald Schmidt Show" won the Adolf Grimme Prize, and also attracted some 250,000 new regular viewers over the course of the year. With an average audience of 1.26 million, this late-night show achieved the broadest viewer reach since it first aired in December 1995.

Sports coverage also enjoyed a good image. In a Forsa study, 45.2 percent of those surveyed between ages 14 and 49 put "ran - Sat.1-Bundesliga" soc-cer coverage in first place.

In daytime TV, the talk shows "Franklin - Deine Chance um 11," "Vera am Mit-tag," and "Britt - Der Talk um Eins" remained stable in the market. Both Sat.1's court shows and its psychological advice show "Zwei bei Kalwass" are originals that have set afternoon trends on German TV. "Zwei bei Kallwass" and "Richter Alexander Hold" achieved convincing market shares - 16.8 and 20.9 percent - in the key target audience for advertising. "Richterin Barbara Salesch" gained further ground against 2001, earning an average share of 23.6 percent of the commercially decisive 14-to-49 age group in 2002.

Net Assets, Financial Position and Results of Operations

World cup pulls down earnings

The sharply contracting TV advertising market adversely affected Sat.1's business performance in 2002. The problem was exacerbated by excep-tional effects like the soccer World Cup. Coverage of the World Cup on Sat.1 failed to measure up to expectations. Rights and production costs generat-ed charges of EUR 54 million for this major sporting event, but it brought in revenues of only EUR 29 million because of the weak advertising market. A further adverse impact on Sat.1 profits has come from the hitherto high cost of the rights for Germany's Bundesliga soccer league. In all, fiscal 2002 revenues at Sat.1 were EUR 777 million, following EUR 831 million the year before. This is equivalent to a 6 percent reduction. Pre-tax income was EUR -98 million, following the previous year's EUR -77 million.

In all, earnings were down EUR 21 million, compared to revenue losses of EUR 54 million. The substantial drop in revenues was partially compensated with rigorous cost management. In fact, setting aside the expensive World Cup, the station's cost structure has improved overall by a substantial EUR 73 million since 2000. Cost optimization was also evident in broadcasting expenses and purchased services. After adjustment for the exceptional effects of the World Cup, this item was down 5 percent from the previous year's figure.

Sat.1's item for programming and materials costs rose 2 percent to EUR 803 million. The World Cup pushed depreciation of programming assets up from the previous year's EUR 660 million to EUR 675 million. The amount of un-scheduled depreciation included in this figure was up 14 percent, to EUR 49 million. Unscheduled depreciation is taken for feature films, series and commissioned productions if their costs can presumably not be covered by

Sat.1



Martin Hoffmann, Managing Director

»Our hard programming work on Sat.1's profile over the past two years is beginning to pay off. Today the station is earning its highest market shares among viewers age 30 to 49, and plays an important role in the ProSiebenSat.1 Group's portfolio of target audiences. Sat.1 thinks of itself as television 'powered by emotion' for today's family. In the afternoon slots, our trend-setting court shows have taken over the market lead. Award-winning hits like "Edel & Starck," "Haus-meister Krause" and "Ladykracher" prove that Sat.1 is on the right track in series and comedy. In 2003 we'll continue building methodically on what makes Sat.1 unique and indispensable: German fiction, comedy for broad audiences, shows for the whole family, and block-buster-quality Free TV pre-mieres of feature films.«

Company: Sat.1
Legal form: GmbH
Founded: 1984
Interest held: 100%
Type of business: Television broadcaster
Main activities: Organizing and broadcasting a commercial full-service television schedule
Management: Jürgen Doetz, Martin Hoffmann
Address: Jägerstraße 32
D-10117 Berlin
Tel. +49 (30) 20 90-0
Fax +49 (30) 20 90-20 90
www.Sat1.de



future revenues. Depreciation of programming assets is a major component of the item for programming and material costs that appears in the statement of income. This item also includes expenses for licenses, transmission fees and materials, as well as production costs.

Earnings relating to other periods were EUR 21 million in 2002, up considerably from the previous year's EUR 5.7 million. The increase was mainly the result of write-ups on programming assets. This gain is reported as part of other operating income, which rose 32 percent over the year before, to EUR 58 million. Programming assets are written up if licensed programs or commissioned productions have been valued too low in regard to their future economic benefits. These write-ups are required under German law. The net loss for the year was made up by ProSiebenSat.1 Media AG under a profit and loss transfer agreement.

Staff down 30 percent

Sat.1 SatellitenFernsehen GmbH employed an average of 186 staff members in 2002. This is equivalent to a reduction of 30 percent. Personnel expenses were down 22 percent, to EUR 16 million. The change is essentially a result of the pooling of news programming at N24. "Information and magazine" operations had been transferred to N24 back in July 2001. N24 is the central news service provider for all ProSiebenSat.1 Group stations, and produces the news programming for Sat.1, ProSieben and Kabel 1. The transfer was not fully reflected in the average staff figures until 2002.

The average age of all Sat.1 personnel in 2002 was 37. In its editorial operations, the station had five trainees over the course of the year. There were 84 individuals on internships.

Receivables down considerably

Sat.1's total assets were down 16 percent from the year before, to EUR 701 million. On the assets side, the lower total is the result of a decrease in current assets. Current assets represented 87 percent of total assets at the end of 2002.

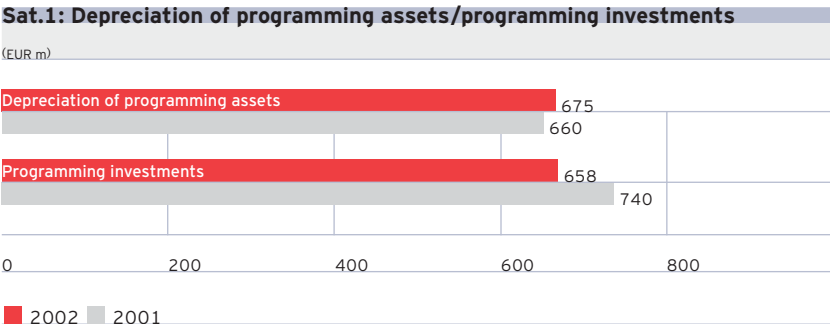
The decrease in current assets was largely a consequence of a lower figure for accounts receivable. Receivables and other current assets, at EUR 97 mil-

lion, were down a total of 51 percent, or EUR 103 million, from the figure at the end of 2001. The principal factor here was the reduction of EUR 70 million in amounts due from Group companies, resulting in a total of EUR 47 million. This figure principally includes amounts due from and owed to other Group companies, and especially from or to ProSiebenSat.1 Media AG - an item reported in the present form for the first time. In contrast to the previous year, the total includes net amounts due from or owed to not only the Sat.1 Group, but the entire ProSiebenSat.1 Group. It also includes profits and losses transferred from Sat.1 to its parent company. Lower trade accounts receivable and a decline in other current assets were other factors that contributed to reducing total receivables.

Programming the most important asset item

Representing 73 percent of total assets, programming is Sat.1's most important asset item. It was valued at EUR 513 million as of the December 31, 2002, reporting date - a decline of 5 percent. Sat.1 programming investments amounted to EUR 658 million, and were thus down EUR 82 million from the previous year's figure of EUR 740 million.

Sat.1's on-balance-sheet programming assets are mainly feature films and series, along with commissioned productions intended for one-time or multiple airings. Additionally, the station has programming inventory under contract that has not been capitalized as yet, comprising exclusive broadcasting rights worth a total of EUR 491 million. Thus total programming assets under contract for Sat.1 amounted to EUR 1.004 billion as of December 31, 2002.



"Edel & Starck"

Proof that TV entertainment can combine high quality with ratings success: "Edel & Starck," recipient of the German Television Prize, is earning shares as high as 19.4 percent among viewers age 14 to 49.

These rights cover 7,851 hours of programming in all - feature films, series, entertainment and magazine shows. A large portion of this programming is suitable for airing in the prime access or prime time periods - i.e., the evening hours between 05:00 and 11:00, the time of day with the greatest reaches and the highest advertising revenues. The total revenue potential of the programming stock is around EUR 1.3 billion. The programming rights the station had under contract up to December 31, 2002, will cover roughly 64 percent of its needs for licensed programming in the heaviest-revenue time periods until the year 2005. Thus Sat.1 has an extremely solid programming base.

Equity capitalization improved

The equities and liabilities side of the balance sheet reflects an improvement in Sat.1's equity capitalization. A shareholder resolution added EUR 360 million to capital reserves. This change boosted the equity ratio from 10 percent to 63 percent as of December 31, 2002. Total equity was EUR 444 million, thus giving Sat.1 an extremely solid equity base.

The improvement in equity capitalization made it possible to reduce total debt by 67 percent, to EUR 237 million. Thus the level of debt relative to total liabilities and equity dropped from 86 percent at the end of 2001 to 34 percent. Amounts owed to other Group companies, and especially to ProSiebenSat.1 Media AG, declined from EUR 603 million to EUR 133 million.

Research and Development

“Back-door pilots” - an established programming innovation

There is virtually no other industry where success and failure can be measured as quickly as in the television market. Detailed data on audience reach and market share for programs and commercial breaks are available from the GfK television research service the morning after a program is aired. These figures are the most important management tool for programming directors, and at the same time serve to document performance for advertising clients.

Research on audiences, programming and advertising is a high priority at Sat.1. Primary and secondary research for the entire ProSiebenSat.1 Group are handled centrally at SevenOne Media GmbH. On commission from the stations, this company prepares programming and show analyses ranging from focus groups to studio tests to creative workshops, Sinus milieu studies, and rounds of psychologically based discussions that take account of group dynamics. The results provide a base for important conclusions about the stations' programming, marketing and communications strategies, and about marketing practices.

High-quality in-house productions are a key feature of the station's programming profile and belong to its core competence. Developing new and innovative programs is a very important activity at Sat.1. Sat.1 has the largest share of in-house and commissioned broadcasts of any German commercial station - 76 percent in 2002, or 6,672 hours of programming aired. The channel invests extensively in new shows, and sets the standard for production quality on German television. Last year it commissioned 178 scripts, and produced six pilot films. In all, Sat.1 spent more than EUR 10 million on new programming development. Development costs for the previous year had been around EUR 5 million. The rise was due to the introduction of “back-door pilots.” With this innovative programming idea, audiences decide what programs should go into series production. In 2002, the majority of viewers voted for three series to go into production: “Körner und Köter,” “Der Elefant - Mord verjährt nie” and “Mit Herz und Handschellen.”

Events Subsequent to the Reporting Date

Successful new launches of comedy shows

Sat.1 expanded its market position at the beginning of the new year. Among all viewers over the age of three, the station reached a market share of 9.8 percent in the first two and a half months (until March 15, 2003). Among 14 to 49-year-olds, Sat.1 earned 11.0 percent. The station launched successful new shows in the first few months of 2003: The sketch comedy “Die

Dreisten Drei - Die Comedy WG” reached an average market share of 19.4 percent in the commercially decisive target group in the 10:15 time slot on Friday evenings. Hugo Egon Balder's star-studded comedy show “Genial daneben - Die Comedy Arena” has already grabbed a share of up to 16.6 percent on Saturday evenings. The second seasons of “Ladykracher” and “Mensch Markus” picked up seamlessly on the series' earlier successes, respectively earning shares of 23.1 and 16.5 percent in the 14-to-49 age group. Especially successful was the March 10, 2003, launch of the access prime format “Lenßen & Partner.” The show airs Monday to Friday at 06:00 in the evening and already reaches market shares of over 16 percent with the 14-49 target audience.

Still interested in Bundesliga soccer

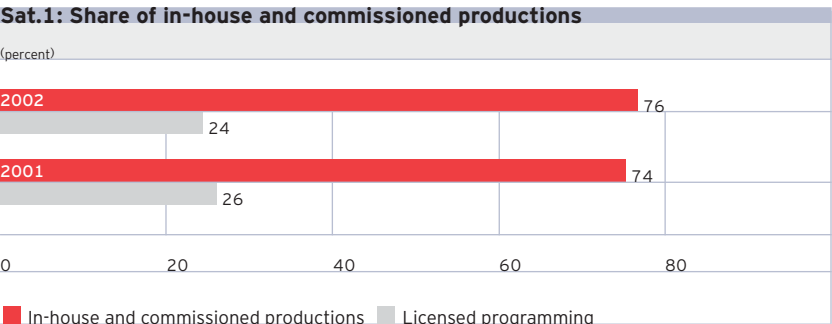
At the end of January 2003, Sat.1 let lapse an option to acquire Free TV rights to the next season of Germany's soccer Bundesliga. Picking up the option would not have made economic sense. But the station is still interested in showing Bundesliga soccer, which it regards as a strategic product. The owner of the rights, the Swiss marketing company Infront, was notified that Sat.1 would prefer a longer-term arrangement in the future, and would like to negotiate a three-year agreement on Bundesliga rights. Sat.1 is currently preparing alternative programming against the possibility that the rights might be picked up by another station.

Outlook

Sat.1 has set itself the goal of getting into the black at the operating level in 2003. But that will be possible only if the market environment remains stable. Yet so far there are no signs of a turnaround for the advertising market in Germany. Amid this setting, Sat.1 will continue its rigorous cost management, especially in programming expenses. One positive factor in this regard will be the absence of the expense of the World Cup, which added a total of EUR 54 million to broadcasting costs in 2002. Programming investments will be reinforced further for the times of day that are of particular importance for the advertising market.

Broadcasting performance to rise

The top priority is to improve broadcasting performance. Sat.1 is showing new sequences of proven programs like “Edel & Starck,” “Der Bulle von Tölz” and “Blond: Eva Blond!” The station will be presenting the “Star Trek” prequel series “Enterprise” as a German prime time TV premiere. Other German Free TV premieres for the whole family will be “Sleepy Hollow,” “Stuart Little,” “Insider,” “28 Days,” “Girl, Interrupted” and “I Dreamed of Africa.” Sat.1 has also scheduled high-grade German TV films again in 2003, including the event productions “Für immer verloren” with Veronica Ferres and Walter Sitler, “Das Wunder von Lengede,” with a cast including Heino Ferch, Jan Josef Liefers and Heike Makatsch, and a great number of other TV movies. The comedy slots are filled with new sequences of “Axell” and “Hausmeister Krause - Ordnung muss sein,” along with “Sechserpack,” “Bewegte Männer” and the already launched sketch comedies. In sports reporting, Sat.1 sets the pace with “ran” in Bundesliga soccer, along with the best from the world of basketball and football.



ProSieben

»Entertainment XXL«

The Economic Situation

ProSieben consolidates lead in advertising market

Even though demand for TV advertising waned, ProSieben was able to consolidate its standing in the market during fiscal 2002. Its gross advertising market share was 20.1 percent, following 20.2 percent the year before. This makes the station the second-largest advertising medium in Germany, in terms of gross advertising revenues.

ProSieben partly compensates for drop in audience share

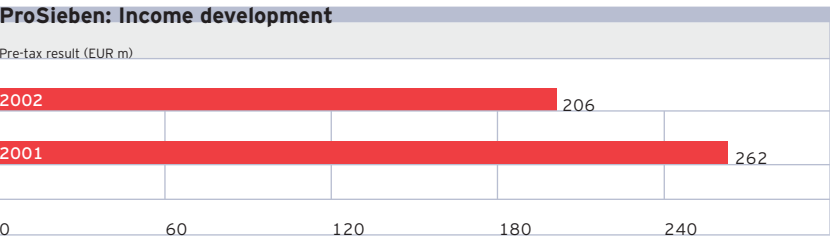
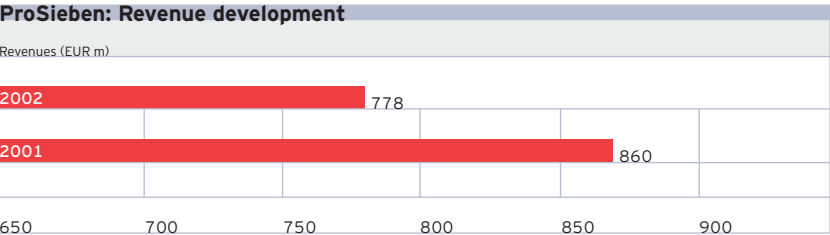
In a year of further contraction in expenditures on advertising, ProSieben earned an average share of 12.0 percent in the commercially crucial target audience between the ages of 14 and 49, compared to 13.3 percent in 2001. Thus despite losses in market share in its target audience, especially in the first six months of the year, the station still held second place among all TV stations. By year's end, ProSieben was also able to make up some of the ground it lost in the first half.

ProSieben enjoys an excellent image among the commercially decisive target audience. As studies by the Forsa institute show, it remains ahead of all other television stations as people's favorite station, and as the station with the best feature films, the best light entertainment, the best comedy, and the best science shows.

Germany's Number One broadcaster of feature films

ProSieben is still Germany's Number One television broadcaster of feature films. Hollywood blockbusters dominated the program schedule again in 2002. With more than 200 Free TV premieres and 400 top features from the past four years, last year the station reinforced its core competence in feature films. Blockbusters like "Star Wars: Episode I - The Phantom Menace," "Independence Day" and "Men in Black" earned shares between 37.1 percent and 41.0 percent in the 14-to-49 target audience. But there were also successes with the expanded in-house production of TV movies for young audiences. Productions like "Das beste Stück" and "Das Jesus Video" earned an above-average share of up to 31.2 percent of the audience advertisers covet. The TV movie "Ratten - sie werden dich kriegern" even earned the station a 2002 Bavarian Television Prize.

Young comedy shows were also among the most important pillars of the ProSieben schedule in 2002. New shows like "headnut.tv" with German hit duo Erkan and Stefan, "popclub" with Thomas Hermanns, and the Brit comedy "League of Gentlemen" - which won the Rose of Montreux award - spotlighted the station in comedy programming. Michael Mittermeier's stage program "Back to Life!," the cult show "bullyparade," and Stefan Raab's "TV total" are other important success factors on the schedule.



Top international series in prime time are another ProSieben trademark. Premium series like "ER" and "Sex and the City" achieved above-average performance with shares as high as 17.2 percent.

The science magazines "Galileo" and "Welt der Wunder" did very well in 2002. In November 2002, "Galileo" earned a share of 21.2 among the target audience, the highest share since the magazine was launched in 1998. The ProSieben special report "Einsatz für den Flugzeugträger: Leben auf der USS-Roosevelt" won a 2002 Bavarian Television Prize, further underscoring ProSieben's competence in information programming.

Rigorous cost management makes up for revenue losses

ProSieben generated 2002 pre-tax income of EUR 206 million, following EUR 262 million the year before. The return on revenues was 26 percent. The station brought in revenues of EUR 778 million, following EUR 860 million the previous year. Other revenues were boosted EUR 17 million by income from copyrights and related rights. Thanks to rigorous cost management, the station's earnings were down only EUR 56 million, significantly less than the revenue loss of EUR 82 million.

In all, the cost of programming and materials declined 7 percent, to EUR 497 million. Depreciation of programming assets decreased 7 percent, to EUR 421 million. This figure appears in the statement of income under the item for programming and materials costs. This item also includes expenses for licenses, transmission fees and materials, as well as production costs. The reduction in depreciation is a direct result of successful cost management. Unscheduled depreciation of programming assets in 2002 was EUR 32 million, after the previous year's EUR 46 million. Expenses for licenses, transmission fees and materials, as well as purchased services were down 3 percent, to EUR 76 million.

Net Assets, Financial Position and Results of Operations

Programming assets of EUR 493 million the most important asset item

Total assets dropped from EUR 638 million a year ago to EUR 550 million, a reduction of 14 percent.

On the assets side of the balance sheet, the reduction in total assets is the result of a decrease in current assets. With a share of 90 percent of total assets, programming is ProSieben's most important asset item. ProSieben's on-balance-sheet programming assets are mainly feature films and series, along with commissioned productions intended for one-time or multiple airings. Feature films and series are included here as of the beginning of their license term; commissioned productions are capitalized as showable programming assets as of their completion. Lower expenditures reduced programming assets 16 percent, to EUR 493 million. Programming investments with an impact on the balance sheet were down EUR 177 million to EUR 367 million.

ProSieben Television GmbH has further programming assets worth EUR 480 million that cannot be capitalized yet. Thus the total programming inventory under contract amounted to EUR 973 million as of December 31, 2002.

The revenue potential of these programming assets by way of airings on ProSieben is around EUR 1.4 billion. They comprise 17,271 hours of broadcasting rights under contract, including 6,495 hours of feature films, 6,120 hours of series and 2,765 hours of cartoons. The programming rights ProSieben has under contract so far will cover roughly 75 percent of its needs for licensed programming until the year 2005.

“Men in Black”



An audience of 7.7 million pushed "Men in Black" to the top of the February 2002 ratings charts, making the science fiction comedy on ProSieben the second-most-successful feature film of the 2002 broadcast year.

“Walking with Beasts”



The latest digital animation techniques bring long-extinct giants back to life. As many as six million viewers watched the spectacular BBC documentary series on ProSieben in January.

ProSieben



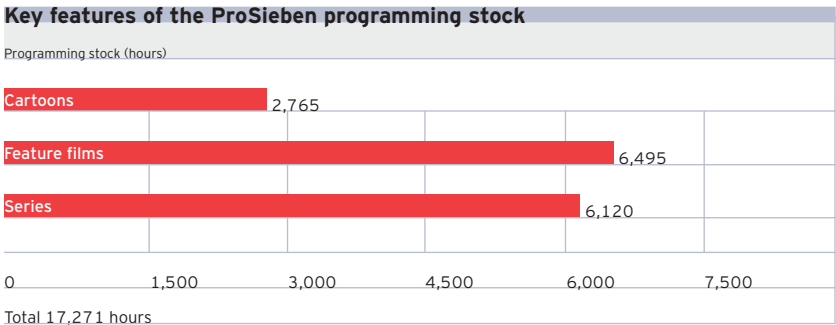
Nicolas Paalzow, Managing Director

»ProSieben became well established long ago with both viewers and advertisers as a brand for young entertainment, with clear quality standards. Without abandoning its unique core competence in international blockbusters, the Number One Station for feature films has been able to build up other important, successful lines of programming over the past few years. Apart from top American series and comedy for the young, a large portion of the programming is now science magazines like "Galileo" and "Welt der Wunder." Expanding these lines successfully and reinforcing our core competence is our goal for 2003 - Entertainment XXL.«

Company: ProSieben
Legal form: GmbH
Founded: 1988
Interest held: 100%
Type of business: Television broadcaster
Main activities: Organizing and broadcasting a commercial full-service television schedule
Management: Nicolas Paalzow
Address: Medienallee 7
D-85774 Unterföhring
Tel. +49 (89) 95 07-10
Fax +49 (89) 95 07-11 22
www.ProSieben.de



© DreamWorks



Receivables and other current assets, at EUR 55 million, were up just short of 5 percent from the 2001 figure. This item includes supplies, trade accounts receivable, receivables from Group companies, and other assets. Total trade accounts receivable decreased 11 percent, to EUR 44 million.

By contrast, receivables from Group companies rose to EUR 8 million. Other current assets, which gained about EUR 2 million from the year before, are primarily input taxes that cannot be deducted yet, and refunds due from GEMA for overpayments.

Liabilities down 48 percent

On the liabilities and equity side, the reduction of debt was the key factor in reducing the total. As of the December 31 , 2002, reporting date, liabilities were EUR 89 million, roughly 48 percent below the previous year’s figure. Trade accounts payable were down EUR 13 million, and amounts owed to other Group companies were down EUR 71 million.

Accruals, at EUR 10 million, were down 42 percent from the previous year. Accruals for outstanding invoices dropped especially significantly from the year before.

Equity, at EUR 451 million, remained at exactly the same level as the year before. Under a profit and loss transfer agreement, the year’s profit was transferred directly to ProSiebenSat.1 Media AG. The lower figure for total liabilities and equity increased the equity ratio from 71 percent a year ago to 82 percent. Thus ProSieben has very strong equity capitalization.

New programming increases personnel

The ProSieben staff averaged 300 employees in 2002. This is a gain of around 4 percent, primarily as a consequence of the extension of the “taff.” time slot (already inaugurated in 2001) and the expansion of the “Abenteuer Leben” editorial team. “Abenteuer Leben” is a Kabel 1 magazine that is partly also staffed by ProSieben because of synergies in the editorial process.

ProSieben’s personnel expenses were up roughly 2 percent overall, to EUR 22 million.

The average age of all ProSieben personnel in 2002 was 31. In its editorial operations, the station had 48 trainees. There were 232 individuals on professional or training internships.

Research and Development

EUR 3 million invested in developing new shows

Research on audiences, programming and advertising is a high priority at ProSieben. The results provide a base for important conclusions about the stations’ programming, marketing and communications strategies, and about marketing practices. Primary and secondary research for the entire ProSiebenSat.1 Group are handled centrally at SevenOne Media GmbH. On commission from the stations, this company prepares programming and show analyses ranging from focus groups to studio tests to creative workshops, Sinus milieu studies, and rounds of psychologically based discussions that take account of group dynamics.

In 2002 ProSieben showed a total of 3,515 hours of programming it had commissioned or produced itself. The programs included news, magazine shows, special reports, talk shows, comedy shows, made-for-TV films and series. This means some 40 percent of the programming hours shown were produced in-house or on commission. ProSieben’s in-house productions like “taff.” and the “Galileo” science magazine have defined its profile among viewers and advertising clients. In 2002, ProSieben invested around EUR 3 million in developing new programming. It developed 29 pilot shows and 29 scripts.

Events Subsequent to the Reporting Date

2003 programming year off to a successful start

ProSieben got off to an encouraging start in the new fiscal year. In the first two and a half months of 2003 (until March 15, 2003), the station improved its share of the crucial 14 to 49-year-old target audience by 0.4 percentage points, to 12.4 percent, compared to the year 2002. Among all viewers over the age of three, ProSieben was up 0.1 percentage points to 7.2 percent. Blockbuster films were especially successful at the beginning of 2003. “Saving Private Ryan” earned a share of 26.9 percent among the 14-to-49 age group, and “Cider House Rules” and “Godzilla” earned 20.1 percent with viewers aged 14 to 49.

“American Beauty”

Sitting pretty in a bed of roses, “American Beauty” celebrated successes at the box office, among critics and at the Oscars. The winner of five Academy Awards will be one of ProSieben’s schedule highlights this spring.



Member of the Executive Board,
Television

Has the concept of a broadcasting family proved itself, despite the crisis in the advertising market? It's precisely in this difficult market environment that the concept of our family of stations has proved its worth. With a gross advertising market share of more than 45 percent, we hold the lead in the world's most attractive television market after the United States. That was one of the most important strategic objectives in merging the former ProSieben Group with Sat.1. Ever since, we've been offering the advertising industry Germany's most fully differentiated portfolio of target audiences, all from a single source. It's a simple concept. Kabel 1 is timeless, high-quality television directed to viewers over age 30, and Sat.1 - with its emphasis on in-house productions of German fiction, entertainment and comedy - addresses broader audience groups between 25 and 50. Within the 14-to-49 target audience, ProSieben concentrates on younger viewers, especially with major international feature films and series. The consistently complementary programming of our three full-service stations enables us to serve the needs of the public and our advertisers better than any other TV company.

What's the RTL Group stations' role in competing with your stations? The RTL Group follows a completely different strategy from ours. RTL operates as a single big station that tries to cover as many segments of the TV market as possible, all by itself. The smaller stations, like Vox, RTL II and Super RTL, are sidecars for special segments. They may be marketed alongside RTL, but except for Vox, they can't be controlled strategically under a single concept because their ownership structures vary. In that sense, you can't call the RTL Group a real family of stations. RTL II especially is run very autonomously and independently, so that even before now you couldn't really consider it part of the RTL Group. Besides that, starting in 2004, RTL II will be seceding from the group's joint marketing arrangement with IP Deutschland, and will be selling its advertising time on its own. That will cause another significant shift in the balance in the TV advertising market.

The ProSiebenSat.1 Group has cut programming costs significantly in the past two years. Won't that affect programming quality? It would be wrong to save by cutting our program quality. In spite of the cost pressure, our stations will still be showing major programming highlights. Where we have the greatest leverage to cut costs is in the programming mix, which we're constantly optimizing to satisfy economic criteria. That allows us to save money in the more marginal time slots especially. We'll make the fewest cuts where attractive programming is the most important: prime time and prime access. But we're also producing more efficiently today than we used to. As a family of stations, we can offer producers better production conditions, so we can get the same production quality at a lower price. On top of that, over the past two years we've seen prices for film and sports rights drop for the first time ever. Common sense gradually seems to be reasserting itself in the market. That's all to our advantage.

You dropped the option on extending the broadcast rights for the German Bundesliga at the beginning of 2002. Will you stop carrying Bundesliga soccer on Sat.1? Bundesliga coverage is a very attractive product for Sat.1, but it's no longer as important as it once was. We're still interested in the Bundesliga, but we're no longer willing to pay just any price. Bundesliga soccer has been a loss-leader for Sat.1 so far. So picking up the option again on comparable terms wouldn't have made sense. Our goal now is to negotiate with the rights holders for a long-term cooperation until the 2006 World Cup. A longer contract would not only improve our refinancing options but make our planning more reliable. We're confident Sat.1 will still be showing Bundesliga soccer in the future.

What TV trends do you expect in 2003? The same concepts as before still promise to be successful: series, in-house productions, international feature films, and great, emotional TV entertainment. We see special added growth potential in high-quality documentaries and nonfiction programming, for example in ProSieben's magazine shows like "Galileo" and "Terraluna." What matters to us is that we want our stations to fill these niches with high-quality offerings - and preferably be the first to get there.

There are no signs as yet of any turnaround for the advertising market in Ger-

There are no signs as yet of any turnaround for the advertising market in Germany in 2003. Amid this setting, ProSieben will continue its rigorous cost management and optimize its use of programming inventory. ProSieben will reinforce programming investments in 2003 for the major advertising time segments, and intensify its development of new programming. Its goal is to improve its performance significantly. It has already launched four new prime time series in 2003: "Alias," "Special Unit 2," "Scrubs" and "Without a Trace." New seasons of "ER" and "Sex and the City" round out the range of series.

Exclusive programming agreements with Hollywood studios - Disney, Touch-

Exclusive programming agreements with Hollywood studios - Disney, Touchstone, Miramax and Dimension - as well as other agreements with Senator, Epsilon, Highlight, Constantin, Tobis and Paramount, and a supply agreement with the TeleMünchen Group, will ensure that ProSieben has a good supply of programming beyond the year 2003. Exclusive Free TV rights to the "Star Wars" films, including the Free TV premiere of "Star Wars: Episode II - Attack of the Clones," underscore ProSieben's position as the station with the best feature films and international series. In 2003 and subsequent years, the station will also ensure its "Entertainment XXL" standing with such titles as "Mission Impossible II," "Charlie's Angels," "Minority Report," "A Beautiful Mind," "My Big Fat Greek Wedding," and "Gangs of New York."

German productions will fill more than 50 time slots a week in 2003. And the station's "ProSieben First Cut" project provides assistance to selected members of the up-and-coming generation of filmmakers. In 2003, ProSieben is showing young comedies and thrillers from talented newcomers, including "Männer häppchenweise" and "Geheimnisvolle Freundinnen."

The station is also developing new shows in the light entertainment segment.

The station is also developing new shows in the light entertainment segment. Aside from comedy series like the sketch show "Geht's noch?" and Oliver Pocher in "Rent a Pocher," Anke Engelke will attend the Golden Rose of Montreux awards. Oliver Kalkofe is reviving his cult show "Kalkofes Mattscheibe," and "TV total" will celebrate its fifth season with an extraordinary carnival program, among other events. With "Red Nose Day," ProSieben has imported Britain's most successful charity event into Germany: With the motto "Do something crazy and collect money," on "Red Nose Day," March 14, 2003, ProSieben kicked off the biggest charity campaign of the year.

The new "sciencetainment" show "Terraluna," which has a slot in prime time, supplements ProSieben's established science magazines "Galileo" and "Welt der Wunder." In daytime TV, ProSieben is counting on more "service-tainment," with Germany's youngest star cook in "Zacherl - Einfach kochen!" And since March 2003, Daniela Fuß offers all kinds of tips about living, health and wellness every weekday on "Avenzio - Schöner leben!"

Born in 1957, studied German and English Language and Literature in Munich between 1977 and 1984, and in between worked at the Bayerische Rundfunk (Bavarian Broadcasting & Radio) as a freelance journalist. In 1986, he was awarded a research grant and doctorate by the Bavarian Graduation Fund. Between 1986 and 1991 he was co-publisher of two film and media sciences publishing series. Following his PhD in 1991, he worked as a freelance contributor with Bayerisches Fernsehen (Bavarian Television) and as a lecturer in film history and media sciences. He joined Kabel 1 in 1992 as Head of Program Research and in the same year was promoted to Director of Programs. In 1995, he moved to ProSieben as Deputy Director of Programs and Head of Program Planning. He was appointed General Manager of Kabel 1 in 1996 and Member of the Executive Board at ProSieben Media AG in 1999. Member of the Executive Board at ProSiebenSat.1 Media AG since 2000.

Kabel 1

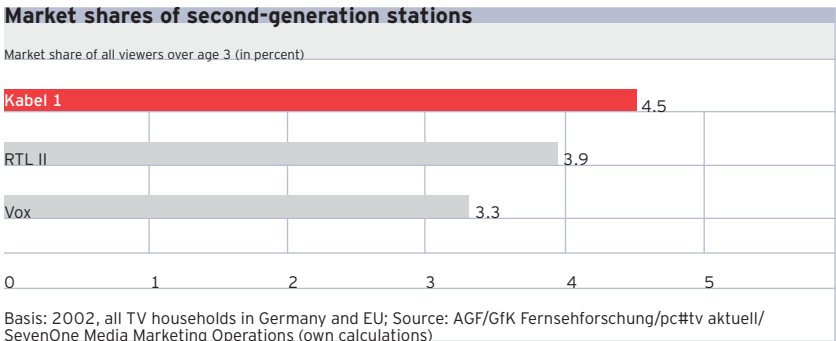
» Best of TV«

The Economic Situation

Kabel 1 leads the second generation of broadcasters

Again in 2002, Kabel 1 led Germany’s second-generation broadcasters. With a market share of 4.5 percent among all viewers over the age of three, following 5.0 percent in 2001, in the year of its tenth anniversary the station was well ahead of competitors Vox (3.3%) and RTL II (3.9%). In the commercially decisive target group of viewers age 14 to 49, Kabel 1 earned a share of 5.0 percent, compared to the previous year’s 5.2 percent. In the same group, RTL II reached 5.4 percent and Vox 4.7 percent.

Kabel 1’s gross advertising market share in 2002 was 5.2 percent, following the previous year’s 5.5 percent. RTL II reached a share of 5.4 percent and Vox 4.7 percent.



Kabel 1’s profile as a station is defined by the “Best of TV” from the past five decades, successfully combined with up-to-date information programming. The station appeals to the media generation above the age of 30. According to a current study commissioned by SevenOne Media from the Forsa research institute, Kabel 1 is the most popular provider of “classic TV” on German television. With the “best films of all time” and timeless series, it brings beloved programs back to the screen. Kabel 1 also offers classic light-entertainment shows combined with new programming that fits in with the station’s philosophy.

Highlights of 2002

With its programming highlights in 2002, Kabel 1 was very successful in the market of 14 to 49-year-old viewers. In this, the most important target audience for the advertising industry, “Firefox” achieved a share of 11.0 percent. “The Santa Clause,” at 10.6 percent, and “Blade Runner,” at 10.2 percent, brought in record ratings at Kabel 1. Among all viewers, “The Enemy Below,” with a reach of 2.74 million viewers, was the most successful film of 2002.

Kabel 1’s lineup of news and information programs also had an obvious appeal for audiences in 2002. “Abenteuer Leben,” “K1 Extra,” “K1 Das Maga-

zin,” “K1 Die Reportage,” and “Abenteuer Auto” were joined by the new shows “Abenteuer Ferne” and “Abenteuer Natur” to achieve a combined average share of 5.5 percent among 14 to 49-year-olds. “Was bin ich?” also proved a reliable guarantee of reach. An average of 1.94 million viewers watched the Thursday evening show.

Pre-tax profit EUR 12 million

Kabel 1’s revenue performance suffered from the ongoing advertising crisis again in 2002. The station generated revenues of EUR 196 million – down EUR 19 million from the year before. Pre-tax profit was EUR 12 million, likewise down from the previous year’s EUR 34 million. Apart from the drop in advertising revenues, another primary cause was the scheduled depreciation of programming assets.

Net Assets, Financial Position and Results of Operations

Optimum utilization of programming resources

In all, the cost of programming and materials at Kabel 1 rose 4 percent, to EUR 155 million. Depreciation of programming assets – the major component of programming and material costs – was EUR 128 million at Kabel 1 in 2002. This is an 8 percent increase from the previous year’s EUR 119 million, primarily as a result of depreciation due to showings. Unscheduled depreciation, at roughly EUR 3 million, was only slightly above the previous year’s good level.

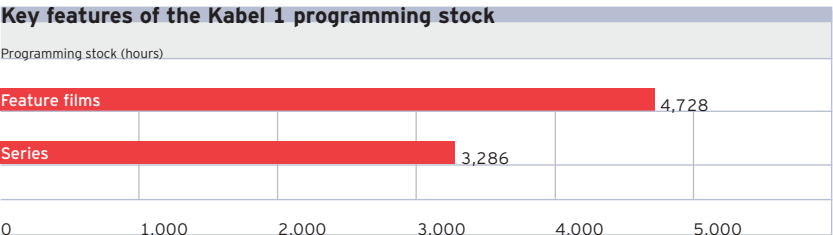
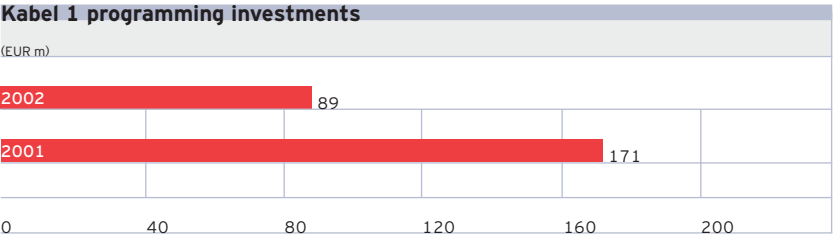
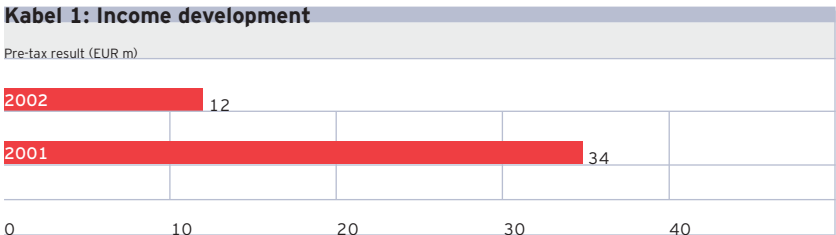
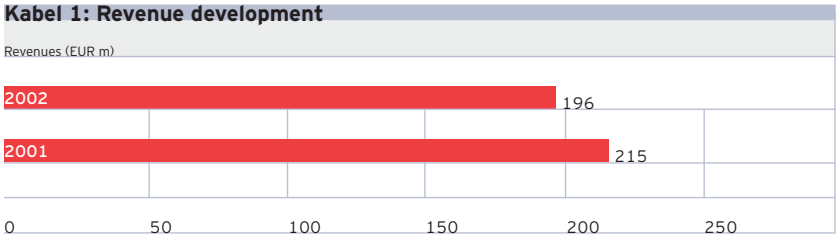
Expenses for licenses, transmission fees and materials, at EUR 17 million, were below the previous year’s EUR 19 million. Expenses for purchased services and goods, largely made up of production costs and professional fees, were pared down from the previous year’s EUR 11 million to EUR 10 million.

An expected rise in scheduled depreciation of programming assets, a small increase in unscheduled depreciation, and lower expenditures for licenses, transmission fees, materials, and purchased goods and services, all added up to show that Kabel 1 made optimum use of its programming resources again in 2002.

Net assets and financial position remain stable

Kabel 1’s total assets were down 26 percent from the year before, to EUR 117 million.

On the assets side of the balance sheet, the lower figure for total assets is the result of a decrease in current assets, which were off 25 percent from the previous year. Cutbacks in programming assets were the main factor responsible for this change. On-balance-sheet programming assets were down from EUR 142 million to EUR 102 million. Programming investments with an impact on the balance sheet amounted to EUR 89 million in 2002, com-



		Page 39
<p>pared to the previous year’s EUR 171 million. The acquisition of additional attractive programming rights over the past two years will ensure high-quality programming at Kabel 1 in the future.</p> <p>Kabel 1’s on-balance-sheet programming assets are mainly feature films and series, along with commissioned productions intended for one-time or multiple airings. Feature films and series are included here as of the beginning of their license term; commissioned productions are capitalized as showable programming assets as of their completion. Kabel 1 has further programming assets worth EUR 33 million that have not yet been capitalized. Programming assets under contract totaled EUR 135 million as of December 31, 2002.</p> <p>Kabel 1’s programming stock comprises 8,454 hours of broadcasting rights under contract. Of this total, 6,818 hours are feature films. Within the ProSiebenSat.1 Group, Kabel 1 is positioned as the station that shows film classics from the past five decades. A second focus of its programming is series. Here Kabel 1 has a programming inventory of 1,636 hours. The total revenue potential of its broadcasting rights is around EUR 212 million. The programming rights the station had under contract as of December 31, 2002, will cover roughly 51 percent of its needs for licensed programming until the year 2005. Thus Kabel 1 continues to enjoy a solid programming base.</p> <p>On the liabilities and shareholders’ equity side of the balance sheet, equity capitalization improved. A shareholder resolution boosted capital reserves by EUR 75 million, to EUR 80 million. At the same time, liabilities to affiliated companies were slashed from EUR 144 million to EUR 30 million, mainly by the redemption of an intercompany loan from ProSiebenSat.1 Media AG. The decline in debt to Group companies is the main factor responsible for the lower total liabilities and equity.</p> <p>Paying off the intercompany loan from ProSiebenSat.1 Media AG, together with lower liabilities to affiliated companies, improved the net interest expense in the income statement, shaving EUR 2 million from the previous year’s figure, to leave EUR -2 million.</p> <p>Under a profit and loss transfer agreement, the year’s net profit of EUR 12 million was transferred directly to ProSiebenSat.1 Media AG.</p> <p>New programming increases personnel slightly</p> <p>Kabel 1 K1 Fernsehen GmbH had an average of 51 employees for the past year. This represents an increase of 8 percent from the year before. The new employees were hired to build up the editorial teams for the new Kabel 1 programs. The larger staff, in turn, increased personnel expenses slightly, to roughly EUR 4 million.</p> <p>The average age of all Kabel 1 personnel in 2002 was 34. Kabel 1 employed a total of five interns in 2002.</p> <p>Research and Development</p> <p>New programming developed</p> <p>There is virtually no other industry where success and failure can be measured as quickly as in the television market. Detailed data on audience reach and market share for programs and commercial breaks are available from the GfK television research service the morning after a program is aired. These figures are the most important management tool for programming directors, and at the same time serve to document performance for advertising clients.</p> <p>Research on audiences, programming and advertising is a high priority at Kabel 1. Primary and secondary research for the entire ProSiebenSat.1 Group are handled centrally at SevenOne Media GmbH. On commission from the stations, this company prepares programming and show analyses ranging from focus groups to studio tests to creative workshops, Sinus milieu studies, and rounds of psychologically based discussions that take account of group dynamics. The results provide a base for important conclusions about marketing practices, and about the stations’ programming, marketing and communications strategies.</p> <p>Developing innovative programs is a very important activity at Kabel 1. Among the key features of the station’s profile are its high-quality in-house productions, such as the new Kabel 1 magazines and exciting light-entertainment shows, alongside licensed programming. In 2002, the station developed a new magazine, together with a pilot broadcast of a further magazine, “Inside USA.” Three new shows were developed in the light entertainment segment. In all, Kabel 1 invested more than EUR 0.5 million in new programming development.</p>		
<p>Events Subsequent to the Reporting Date</p> <p>Holding the lead among second-generation broadcasters</p> <p>At the beginning of 2003, Kabel 1 reconfirmed its lead among Germany’s second-generation broadcasters. Among all viewers over the age of three, Kabel 1 reached a market share of 4.2 percent in the first two and a half months of 2003 (until March 15, 2003). This puts the station well ahead of its competitors RTL II (4.1%) and Vox (3.4%). In the important viewer group between ages 14 and 49, Kabel 1 reached a market share of 5.0 percent, matching the annual average in 2002.</p> <p>Outlook</p> <p>There are no signs as yet of any turnaround for the advertising market in Germany in 2003. Amid this setting, Kabel 1 will continue its rigorous cost management. The goal for the current year is to further optimize both programming costs and the use of programming inventory, and to improve the station’s position in the audience market. Kabel 1 has laid the necessary groundwork to achieve its goal.</p> <p>High-quality expansion of feature-film and series portfolio</p> <p>Kabel 1 expanded its film portfolio again in 2002, with feature films and series from the eighties and nineties. A number of blockbusters are on the 2003 schedule, including “Dances with Wolves,” “Thelma and Louise” and “Little Man Tate.” Film classics like “Once upon a Time in the West” and the “Godfather” trilogy will also guarantee high programming quality at Kabel 1 in 2003.</p> <p>In series, in 2003 Kabel 1 will continue to offer timeless, high-quality series from the past five decades. Besides its established “Classic Sunday” with such favorites as “The Avengers,” “Laurel and Hardy,” “The Addams Family,” and “Star Trek,” Kabel 1 will also expand its range of original series on weekdays. Besides “Little House on the Prairie” and “Married with Children,” there are also classics from the eighties and nineties like “Dallas,” “The X-Files” and “Twin Peaks.”</p> <p>This year Kabel 1 will keep expanding on the earlier successes of its news and information schedule. Making its debut with the new year, “K1 Journal” is the market’s first weekday information magazine, with topics from and about Germany. Since March, “Abenteuer Leben” gives Tuesday prime-time viewers a detailed, knowledgeable view of worthwhile subjects from nature, technology, research and medicine. The successful docu-magazine “K1 Extra” will be switching to prime time, at 10:15 Saturday evenings. Starting in June, Kabel 1 will be showing its own documentary series, “Inside USA.” Kabel 1 news and information shows have been gaining popularity among young viewers in particular, earning an average audience share of 5.5 percent among the 14-to-49 age group.</p> <p>A new feature in 2003 is the late-night talk show “Was macht eigentlich ...?” with Thomas Koschwitz. From the end of March onward, the well-versed host will be visiting every week with people who made television history from the seventies to the nineties. The list of expected guests includes Hans-Dietrich Genscher, Peggy March, Ingrid van Bergen and Harry Valérien.</p>		<p>Best of TV</p>  <p>Kabel 1 is Germany’s most popular presenter of “Classic TV.” The station led the country’s second-generation broadcasters again in 2002.</p> <p>Kabel 1</p>  <p>Andreas Bartl, Managing Director</p> <p>» I’m cautiously optimistic about 2003. Kabel 1 is a healthy company that can hold its own against the competition even in inclement economic weather, thanks to its long-standing, ingrained efficiency and its high-quality programming inventory. We’ll be expanding our range of top films and original series with highlights from the nineties, including “Dances with Wolves” and the hit series “The X-Files.” I have no doubt that the “Best of TV” from the past five decades, plus up-to-date, high-credibility information programming, will reinforce Kabel 1’s unique market position still further in 2003. The station’s performance will certainly profit from that.«</p> <p>Company: Kabel 1 Legal form: GmbH Founded: 1992 Interest held: 100% Type of business: Television broadcaster Main activities: Organizing and broadcasting a commercial full-service television schedule Management: Andreas Bartl Address: Gutenbergstraße 1 D-85774 Unterföhring Tel. +49 (89) 95 07-21 00 Fax +49 (89) 95 07-21 58 www.Kabel1.de</p>

N24

» Be an Eyewitness«

The Economic Situation

N24 a central information service provider

N24 is positioned as the central information service provider for the ProSiebenSat.1 Group. The station carries round-the-clock news coverage of politics, business and current events, along with several high-quality documentaries each day. As the news service provider for all other Group stations, N24 also produces up-to-the-minute news programming for Sat.1, ProSieben and Kabel 1. All Group stations have benefited from this expanded capability in news and information. For example, in 2002 the four ProSiebenSat.1 Group stations covered such events as the deadly rampage in Erfurt, the catastrophic floods in Germany, the TV debates in advance of the nation's parliamentary elections, and the Moscow hostage drama. Until the end of 2002, N24 also produced the "Frühstücksfernsehen" program and "24-Stunden-Reportage" for Sat.1. Sat.1 has taken over direct responsibility for these shows as of 2003, allowing N24 to concentrate further on its core competence as the ProSiebenSat.1 Group's central service provider for information and political coverage.

N24 adds documentaries to schedule

In December 2002, N24 looked to the future, adding a third pillar to its schedule, alongside news and business. Including all associated broadcasting rights, a new license agreement has given the station access to more than 1,600 hours of programming in science, technology, nature, travel, medicine, culture and space. The 18-month license ensures that N24 will have a supply of first-class - and in some cases, even award-winning - documentary films into 2004. The purchase also gave N24 an option on a second programming package of the same size.

N24's new documentaries are a good fit for the news station's information-oriented target audience, and represent a high-quality addition to the market portfolio.

Net Assets, Financial Position and Results of Operations

Revenues and earnings improve

N24's rising important as the Group's central information service provider improved the station's revenues and earnings last year. Revenues were EUR 95 million, compared to EUR 67 million the year before. This represents a gain of 42 percent. Pre-tax result improved from EUR -38 million to EUR -24 million - a gain of 37 percent, or EUR 14 million. Since May 1999, ProSiebenSat.1 Media AG has absorbed N24's net results under a profit and loss transfer agreement.



Balance sheet total

The station's good performance is also reflected in the balance sheet of N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH. Balance sheet total was down from the 2001 figure of EUR 56 million to EUR 32 million, a decline of roughly 43 percent.

On the liabilities and equity side, liabilities to Group companies were down from EUR 42 million to EUR 21 million. That represents a drop of EUR 21 million, or 50 percent, from a year earlier. Trade accounts payable amounted to EUR 2.2 million, after the previous year's EUR 2.9 million. Accruals were down from EUR 9.5 million to EUR 7.6 million. Equity remained unchanged at EUR 25,000.

The main change on the assets side of the balance sheet was a decline in amounts receivable from Group companies. This figure dropped from EUR 45 million to EUR 24 million. At the same time, trade accounts receivable decreased from around EUR 2.9 million to EUR 1 million. Fixed assets, at EUR 2.8 million, remained approximately the same. Current assets are the largest asset item, accounting for 81 percent of total assets. This item was down from EUR 48 million to EUR 26 million. Current assets include N24's on-balance-sheet programming assets. These assets are mainly documentaries and special reports intended for one-time or multiple airings. For a news station, programming assets inherently play a less central role than they do for full-service stations like ProSieben or Sat.1. As of December 31, 2002, on-balance-sheet programming assets amounted to EUR 0.13 million, following on EUR 0.34 million the year before. Off-balance-sheet programming assets amounted to EUR 0.46 million. Thus total programming assets under contract and available for airing on N24 are worth roughly EUR 0.59 million.

The N24 programming stock includes approximately 1,730 hours of documentaries and special reports. The programming rights N24 has under contract today will cover roughly 33 percent of its needs for licensed programming until the year 2005. Including the option N24 holds on an additional licensing package, the level of coverage increases to 67 percent until 2005.

Capitalized programming assets are subject to scheduled depreciation as of the start of their first airing. This depreciation appears in the statement of income under programming and material costs. The amount, EUR 0.75 for 2002, was almost the same as the previous year's EUR 0.76 million. At the same time, other expenses for transmission fees and materials were down from EUR 14 million to EUR 13 million. But expenses for third-party services rose from EUR 57 million to EUR 67 million. In all, the item for programming and materials costs rose from EUR 72 million to EUR 81 million in 2002, a gain of about 13 percent. The higher expense resulted from the increase in productions for Group stations, including "24-Stunden Reportage," "Frühstücksfernsehen" and Sat.1 news since July 1, 2001. Programming investments with an impact on the balance sheet amounted to EUR 0.53 million in 2002, and were thus down 47 percent from the previous year's figure of EUR 1 million.

N24 had larger staff in 2002

In 2002, N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH had an average of 272 employees, following the previous year's 204. The reason for the increase was the transfer of around 140 employees from Sat.1's "Information and Magazines" department to N24 as of July 1, 2001. The transfer was not fully reflected in the average staff figures until 2002. The larger staff pushed up personnel expenses from EUR 16 million to EUR 21 million.

The average age of all N24 personnel in 2002 was 35. In its editorial operations, the station had 24 trainees and 104 interns last year.

Up to date, around the clock



The latest news from politics, business and current events, around the clock. N24 has an excellent position, close on the heels of market leader n-tv.

Information



Following the outbreak of the war in Iraq, special correspondent Dieter Kronzucker and the N24 news team delivered round-the-clock news and background information on the latest developments in the Gulf. When the US ultimatum to Iraq expired, all ProSiebenSat.1 stations broadcast the news station's special reporting.

Documentaries



Award-winning, high-quality documentaries are the third pillar of the N24 schedule.

Company: N24
Legal form: GmbH
Founded: 1999
Interest held: 100%
Type of business: Television broadcaster
Main activities: Organizing and broadcasting a commercial niche television schedule for information
Management: Claus Larass
Address: Gutenbergstraße 1
D-85774 Unterföhring
Tel.: +49 (89) 95 07-24 24
Fax: +49 (89) 95 07-24 00
www: N24.de



Member of the Executive Board,
News, Information and Political Programs

What's your final assessment of 2002 as a news year for the ProSiebenSat.1 Group? The news in 2002 was dominated by the German parliamentary elections. For the first time, the Chancellor and his challenger met in two TV debates immediately before the election. We carried one on Sat.1, jointly with RTL; the other was on ARD and ZDF. More than 30 million viewers for the two debates served to emphasize not only people's immense desire for information, but that private stations can now offer the same quality and skill in news coverage as the public channels. The N24 team demonstrated high levels of dedication and professionalism in its coverage before and during the parliamentary elections. But unforeseen events – like the deadly rampage in Erfurt, the catastrophic floods in Germany or the hostage situation in the Moscow theater – were also tough journalistic tests that N24 handled with panache in 2002. In the first months of 2003, the dominant theme has been the war in Iraq. We're well prepared for such journalistic challenges. Since the military intervention in Iraq, we've been carrying up-to-the minute reporting about developments in the Gulf on N24, on the Group's regular news programs and in special reports around the clock.

What's the strategic role of expanding the line of documentary programs? Late in the fall of 2002 we bought a large package of high-quality documentary programming. Now we're able to show fascinating shows on science, technology, nature and culture several times a day. That puts N24 on a solid three-way foundation of news, business and knowledge. For a news channel, that's a unique new position in the market. For our information-oriented target audience, N24 offers an extremely attractive programming mix that includes additional viewer and marketing potential. This strategy helped N24 double its market share within just a few weeks. With a 0.4 percent market share in the commercially crucial 14-to-49 target audience, N24 is already almost neck-and-neck with n-tv in the year 2003 trend - and n-tv has been on the air for not just three, but a full ten years.

Is the process of integrating the ProSiebenSat.1 Group's news operations at the Berlin site complete? After moving most N24 departments from Munich to Berlin in summer 2001, we can now say that the integration process is complete. N24 is the central information service provider for our broadcasting group. News programming production for Sat.1, ProSieben and Kabel 1 is running smoothly. In-house structures have been streamlined to take greater advantage of synergies. This has cut expenses substantially, and we intend to keep on optimizing our costs. With N24 as its center of competence, the Group's information department is lean, efficient, and turning out high-quality journalism. Today, as a part of the ProSiebenSat.1 Group, N24 has everything it needs to become Germany's leading news station.

How has the recession in the advertising market affected N24's success? Obviously the situation in the TV advertising market has changed fundamentally since N24 was founded. Spending on television advertising is dropping off. Three or four years ago, telecommunications, financial services and IPOs were still the real growth drivers that preferred news and business contexts for their advertising messages. Things are different today. Today it's a zero-sum competition. You can only bring in advertising revenues by taking them away from other stations. N24 is getting better at that every month. Plus there's the fact that N24's business model is not based on advertising revenues alone - a large part of it is in-house income from producing news programming for our three full-service stations. That's why I'm confident that despite the ongoing advertising crisis, N24 will become established as the market's leading news station. It should get into the black at the operating level by 2005.

The most important indicator for changes in television use, and for a station's success, is audience share. N24's shares have not been reported until now, because valid data can be collected only above a certain technical reach. Since January 1, 2003, N24's audience shares have been analyzed daily in detail, on the basis of AGF/GfK data. The available figures provide the first clear idea of N24's position in the television market, and thus also represent an important basis for marketing its schedule.

The new line of documentary programming helped the news station expand its position in the audience market substantially. In the first two and a half months after the start of official reporting by the AGF/GfK television research system (until March 15, 2003), the ProSiebenSat.1 Group's news station earned a share of 0.4 percent of the commercially decisive target group of viewers age 14 to 49. Thus in the news television segment the station is close behind the market leader n-tv which reached a market share of 0.5 percent. In the target audience between ages 14 and 29, N24 is already on the same level as n-tv, with a 0.4 percent share.

There are no signs as yet of any economic turnaround for Germany in 2003. The news station is expected to get into the black at the operating level by 2005. This development will be helped by a cost-cutting program that will already achieve further savings in the double-digit millions this year throughout the ProSiebenSat.1 Group's news operations. Aside from restructuring the editorial staff, further process optimization measures have been initiated for 2003 and subsequent years. The remote studios in Brussels, London and Moscow will no longer be maintained in their present form. To ensure that solid reporting continues, the central editorial staff will be reinforced with roving reporters worldwide. The station is also seeking cooperative arrangements with other television channels. If necessary, it will fall back on a pool of freelance correspondents.

Claus Larass
Born in 1944, trainee reporter at the newspaper 'Fränkischer Anzeiger' between 1966 and 1968; initially worked as a reporter for the regional newspapers 'Kölnischer Stadtanzeiger' and 'Donaukurier'. Appointed Section Head at the 'Welt' newspaper in 1973 and later at the Sunday equivalent 'Welt am Sonntag'. In 1980 he started working as a freelance author and in 1985 was appointed Deputy Editor-in-Chief at the Sunday paper 'Bild am Sonntag'. Between 1988 and 1991 he was Deputy Editor-in-Chief at the magazine 'Bunte'. From 1991 Editor-in-Chief of 'BZ' and 'BZ am Sonntag'. Appointed Editor-in-Chief of the daily newspaper 'Bild' in 1992, and from 1996 onward also publisher of 'Bild' and 'Bildwoche'. In 1998 appointed Deputy Chairman of the Executive Board at the publishing house Axel Springer Verlag AG. Member of the Executive Board at ProSiebenSat.1 Media AG since 2000.

Merchandising

Additional Revenue Potential

Double-digit growth in revenues and earnings

By systematically expanding its Merchandising business area, the ProSiebenSat.1 Group has added an attractive additional source of revenue. The Company can now cover the full value chain in merchandising – from acquiring ancillary licensing rights to selling products and services for consumers and viewers. The Merchandising area includes subsidiaries MM Merchandising München, ArtMerchandising & Media and SevenOne Club & Shop. It works closely with the stations, and has had double-digit growth percentages in revenues and earnings for years. In 2002 alone, the unit's total revenues were up from EUR 66 million to EUR 73 million – an 11 percent gain. Revenues from external sales reached EUR 66 million, after EUR 59 million the previous year. The Merchandising segment's operating income rose 13 percent, to EUR 17 million. Gains in the double-digit percentages are expected again in 2003.

The Merchandising business will pick up additional momentum from the merger of MM Merchandising München GmbH and SevenOne Club & Shop GmbH, planned for the first half of 2003. The new Merchandising unit is intended not only to offer merchandising partners the ProSiebenSat.1 Group's full marketing and services portfolio from a single source, but to tap additional revenue potential and further simplify communications and coordination with customers.

Winning with an image

In Merchandising, the ProSiebenSat.1 Group goes a step further than other television companies. It not only markets its own rights, but acts as an independent licensing and service agency through MM Merchandising München. Here the Company has a broad range of services, from focused marketing of appropriate licensed matter in a variety of sectors and media, to the strategic development of new brands for licensing, to product designs by the in-house creative team. The long-standing classics of MM Merchandising München include Ellis Kaut's "Pumuckl" stories, "Mr. Bean," and "The Smurfs," as well as a great many promising new rights to the use of cartoons, reality TV and brands. In all, MM Merchandising München currently markets 60 different rights properties, used in more than 3,000 licensed products that were put on the market last year. The client base includes some 11,000 companies.

ArtMerchandising & Media, founded in 1999 as a subsidiary of MM Merchandising München, has specialized in merchandising ancillary rights in works of art. ArtMerchandising & Media AG's portfolio includes selected categories of products and rights in art works from a great many world-renowned artists, including Keith Haring, Salvador Dalí, Vincent van Gogh and Claude Monet. The ProSiebenSat.1 Group's two licensing agencies turn classic cartoon characters, celebrities, works of art and station brands into attractive, high-value products for trading.

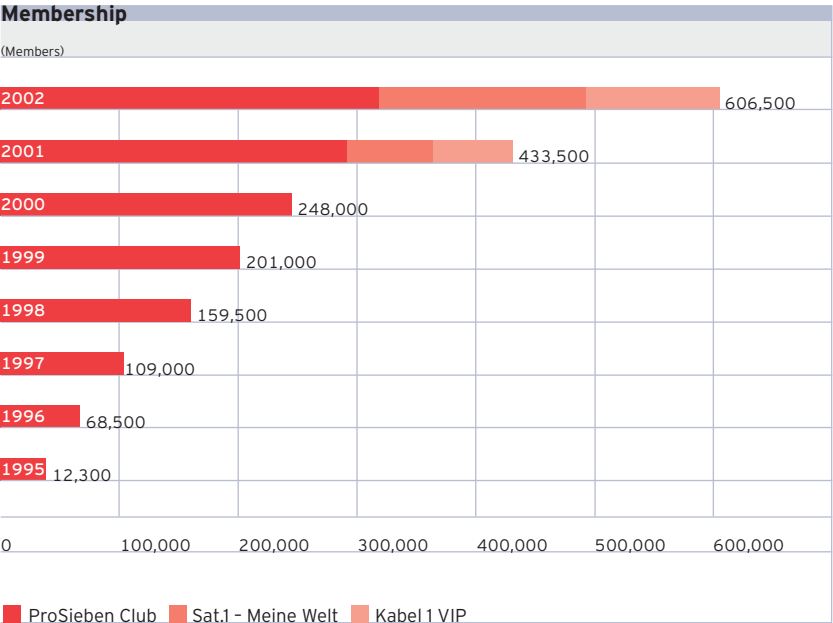
A success with new customers

A good portfolio has to include appropriate customer service. Committed employees with extensive experience and knowledge in their fields offer complete solutions – from concepts through designs to precise execution. This broad range of services won a great many new clients for product management in 2002, and successfully expanded the range of services offered by the Sports Merchandising and Product Sourcing unit. Clients now include BMW Motorsport (BMW Williams F1 Team), BMW Yachtsport (Oracle BMW Racing Team) and BMW Golfsport. Deutsche Lufthansa AG is one of the prominent new clients of ArtMerchandising & Media, which has assumed responsibility for diversifying the word-and-image Lufthansa mark into appropriate products, and then marketing these products.

In dialogue with the viewer

The ProSiebenSat.1 Group's range of merchandising services is rounded out by SevenOne Club & Shop GmbH, which is responsible for all the Group's viewer loyalty builders and direct-sales activities. Since 2002, the Company has also conducted the Group's e-commerce activities. SevenOne Club & Shop opens up the entire world of ProSiebenSat.1 Group brands for clients and co-operating partners. It also offers integrated cross-marketing concepts and makes use of the Group's family of stations to put a client's image across. Clients and cooperating partners not only benefit from an image transfer and our own distribution channels, but get a ready-made integrated concept for communications that interconnects all options on TV, on the Internet and in print. Here SevenOne Club & Shop works closely with the Group's two marketing companies, SevenOne Media and SevenOne Interactive.

For below-the-line activities, SevenOne Club & Shop can draw on years of experience in viewer dialogue. The "ProSieben Club" was founded back in 1995. Today, with more than 330,000 members, it is the largest and best-known viewer club in Germany. After two years of operation, the open "Sat.1 – Meine Welt" viewer club now numbers some 164,000 members. "Kabel 1 VIP," another open club, has around 112,000 members. These make SevenOne Club & Shop Europe's leading provider of viewer clubs. With closed and open viewer loyalty building systems, the Company now has access to around four million addresses. They are a valuable resource for dialogue marketing and direct marketing – an indispensable component of integrated cross-marketing concepts. In fiscal 2002, SevenOne Club & Shop proved repeatedly how such concepts, based on a knowledge of a brand, the market, and the target audience, can pay off. It especially set new standards in event communications, with "Sex and the City" parties, "Kabel 1 Movie Night," the "Welt der Stars" with Radeberger beer, and the "Trend-Lounge-Tour" with Nissan.



Company: SevenOne Club & Shop Legal form: GmbH Founded: 1995 Interest held: 100% Type of business: Direct marketing specialist Main activities: Viewer clubs and viewer loyalty builders, direct marketing of products and services Management: Marcus Hintzen Address: Steinheilstraße 10 D- 85734 Ismaning Tel. +49 (89) 9507-1971 Fax +49 (89) 9507-1882 www.ProSiebenClub.de www.Sat1-MeineWelt.de www.Kabel1-VIP.de
Company: MM Merchandising München Legal form: GmbH Founded: 1971 Interest held: 100% (since 1996) Type of business: Licensing rights agency Main activities: Brokering and marketing licensed subject matter Management: Marcus Hintzen, Bettina Köckler Address: Münchener Straße 20 D-85774 Unterföhring Tel. +49 (89) 9507-8600 Fax +49 (89) 9507-8701 www.merchandising.de
Company: ArtMerchandising & Media Legal form: AG Founded: 1999 Interest held: 86.5% Type of business: Copyright agency Main activities: International marketing of ancillary rights in works of art Management: Bettina Köckler (CEO), Marilyn Goldberg Address: Münchener Straße 20 D-85774 Unterföhring Tel. +49 (89) 9507-8660 Fax +49 (89) 9507-8760 www.artmm-ag.de

Services

ProSiebenSat.1 Group Benefits from Internal Service Providers

Cost cutting to have an impact

The ProSiebenSat.1 Group's operations enjoy the benefit of skilled, reliable in-Group service providers who also do a limited amount of work for outside clients. The Services segment comprises subsidiaries SevenSenses and SZM Studios, and the IT company ProSieben Information Service. In on-air design, production facilities and software development, they give ProSiebenSat.1 Media AG access to three companies that are among the leaders in their fields internationally. The Services area derives 90 percent of its business from in-Group orders. As a consequence, cost cutting – especially by the Group's television stations – also had an impact on Services' revenues. Total revenues were down 10 percent, to EUR 154 million. Operating result declined EUR 11 million, to EUR -3 million.

SZM Studios

Specialists in production and broadcasting technology

SZM Studios, the ProSiebenSat.1 Group's largest service company, is one of Europe's most important full-service providers for audiovisual media, and has around 900 employees. Creative and technical staff work together closely at the Munich and Berlin sites. The range of services includes studio, film and video production, post-production and multimedia production, and transmitting television programs. SZM Studios is especially well known for high-quality conventional and virtual productions, including "ran," "Richter Alexander Hold," "Galileo," "Quiz Show," "sam" and "taff." In 2002 alone, the SZM experts developed, produced and aired 18,500 productions, 10,000 trailers and 20,200 reporting segments. Broadcast specialists transmit TV signals via cable and satellite, keeping eleven television stations reliably and efficiently on the air and receivable in Germany, Austria and Switzerland.

SZM Studios is also responsible for planning and operating the Group's IT infrastructure, and for all the Group's technical facilities for production and broadcasting. The Company ensures that the ProSiebenSat.1 Group's roughly 3,000 employees can work smoothly. It tends some 200 data servers, 730 Internet domains and 3,000 PC workstations.

ProSieben Information Service

Top IT management for media

As the central IT service provider for the ProSiebenSat.1 Group, ProSieben Information Service has focused on the information needs of the media landscape, and adjusted its portfolio to advancing digitization and technological innovation. The Company modifies business procedures and helps make corporate processes more efficient.

As a wholly-owned subsidiary of ProSiebenSat.1 Media AG, ProSieben Information Service develops software solutions for the entire ProSiebenSat.1 Group. Following the success of the ProNews news editing system in "Computerwoche" magazine's Application of the Year competition, last year ProSieben Information Service also worked at high speed on innovative developments. Since the end of 2002, the new ProComm editing system has been the foundation of the new Internet Press Lounge for the four channels Sat.1, ProSieben, Kabel 1 and N24. ProComm enriches existing informational material with background and updated reports from the stations' programming and press offices, yielding a wealth of textual and visual information for registered users to call up online. ProMamS – a media asset management system with an SAP interface – is one of the ProSieben Information Service's latest developments. ProMamS is for filing and managing commercial information, costs, content and rights.

SevenSenses

The most successful TV design and promotion agency

The SevenSenses creative agency, formed in 1999 out of station ProSieben's creative departments and expanded in 2001 with Sat.1's design and promotion unit, sets new standards for TV communications at the Munich and Berlin sites. Its 120 employees develop innovative concepts for on-air design and promotion, advertising and audio design. SevenSenses acts as a skilled service provider in communications strategy, design and production. As a wholly-owned subsidiary of ProSiebenSat.1 Media AG, SevenSenses serves both in-Group and outside customers, including Sat.1, ProSieben, Kabel 1, N24, DSF, ARD, MDR, Senator Film and the History Channel in New York.

SevenSenses' innovative ideas and execution have already won many awards over the past few years. In 2002 the Company impressively maintained its lead among creative agencies. At the world's most important competition for TV creativity – the BDA/PROMAX International Awards – SevenSenses defended its 2001 title as the world's most successful agency in TV design and promotion. A full 16 projects received awards at the ceremony in Los Angeles. Among them were Gold Awards for the ProSieben "Absolut Schlegel" print campaign, the "Mensch Markus" design for Sat.1, and the "2Attack" opener for SevenOne Media at the Telemesse trade show.

For Sat.1's coverage of the 2002 World Cup, it developed the design for the "ran WM Fieber" show, and also carried viewers into the future – on "Planet Fußball 3000." In addition to the new logo, it created an opener and an extensive design package. "Entertainment XXL," ProSieben's biggest campaign in 2002, was also a SevenSenses product – and met with an outstanding reception. Every part of the campaign, from concept to implementation, was the creative agency's brainchild. The setting was the fully-imagined ProSieben City. The "Entertainment XXL" spring campaign – also conceived and executed by SevenSenses – hit the airwaves on ProSieben in March 2003.

Company: SZM Studios
Legal form: GmbH
Founded: 1993
Interest held: 100%
Type of business: Film-, TV-, multimedia-production house; IT service provider
Main activities: Specialist in studio- and post-production, broadcasting and IT
Management: Peter Grab, Dejan Jovic
Address: Gutenbergstraße 4
D-85774 Unterföhring
Tel. +49 (89) 95 07-60
Fax +49 (89) 95 07-6100
www.szm-studios.de

Company: ProSieben Information Service
Legal form: GmbH
Founded: 1996
Interest held: 100%
Type of business: IT service provider
Main activities: Software development for the media industry
Management: Uwe Fritz
Address: Reichenbachstraße 2
D-85737 Ismaning
Tel. +49 (89) 95 07-50
Fax +49 (89) 95 07-5190
www.ProSieben-Software.de

Company: SevenSenses
Legal form: GmbH
Founded: 1999
Interest held: 100%
Type of business: Media design and marketing agency
Main activities: On-air design and promotion, advertising and audio design
Management: Markus Schmidt
Address: Steinheilstraße 10
D-85737 Ismaning
Tel. +49 (89) 95 07-18 00
Fax +49 (89) 95 07-18 18
www.SevenSenses.de

"Das Wunder von Lengede"

Sat.1 films the story of a dramatic rescue



A dozen stars, a 110-person staff, 1,600 extras and 300,000 liters of water: Sat.1's biggest production of the year shoots at the original locations in Lower Saxony

Goslar, February 2003. On the giant sound stage at ultramodern Waterfall Studios, director Kaspar Heidelbach gives the signal, and within 60 seconds the technicians are blasting 300,000 liters of water through a perfect replica of a mine tunnel. The waves sweep up the stunt men in the tunnel - who float like straws in the 300 tons of water. Their nerves have to be as sturdy as the net that catches them at the tunnel's end.

It's something special the Zeitsprung production company is filming for Sat.1 these days, at original locations in Lower Saxony: a story with all the elements of a Greek tragedy, combined with the most nerve-wracking moments of such theatrical blockbusters as "Das Boot" and "Titanic." Plus, it really happened.

On the morning of October 24, 1963, Settling Pond 12 collapsed into the iron mine at Lengede. For 21 miners who took shelter from the flood in a mined-out tunnel, it was the start of an unimaginable ordeal. Fourteen days of darkness and hunger, wetness and pain. Fourteen days of being afraid the ceiling would fall in on them in their sleep. Fourteen days of uncertainty, but also fourteen days of hope. After 2 weeks, 11 survivors were retrieved from the depths. Television carried images of their rescue around the world.

Sat.1 is filming the story of this amazing rescue as a two-parter, with a cast that includes a dozen of Germany's best actors: Heino Ferch, Jan Josef Liefers, Heike Makatsch, Nadja Uhl, Jürgen Schornagel, Axel Prahl, Uwe and Armin Rohde, Benjamin Sadler, Christian Kahrmann, Thomas Heinze, Sylvester Groth and Günther Maria Halmer.

Producer Michael Souvignier is appropriately enthusiastic: "Yes, the film has a large action component, but we're really focusing on the drama. The way we're playing it, the connection between up top and down below builds up incredible suspense and emotion. And unlike the live TV broadcast in 1963, this time we can show both worlds in parallel - the miners' frightened wives above ground, and the desperate miners below."

Despite the elaborate logistics - a 110-person team behind the cameras, more than 1,600 extras and 73 speaking roles in front of them, plus masses of equipment and technology to produce a convincing replay of the catastrophe - everything has been going according to plan. A miracle? No, just topnotch professionalism at work. Sat.1 will show "Das Wunder von Lengede" in time for the event's 40th anniversary in the fall of 2003.

Awards: "Entertainment XXL" an international success
High recognition guaranteed. ProSieben's "Entertainment XXL" won a New York Festivals award in the "Entertainment Program Promo" category. Creative agency SevenSenses developed "ProSieben City" for the successful marketing concept, and incorporated the "Entertainment XXL" claim into the spots. Following the successful fall and winter campaign, new XXL themes will show up on ProSieben starting Easter 2003.



ProSieben has totted up a success with "Red Nose Day." In five weeks, the effort raised more than EUR 1.5 million in pledged donations. The high point of the comedy charity event was the big live gala on March 14, 2003, with such top stars as Michael "Bully" Herbig, Anke Engelke, Stefan Raab, Sonja Kraus, Veronika Ferres, Ben, Nena and many more. The concept - "Do something crazy and raise money!" - comes from England, where the Red Nose Day has been a successful event for the past 18 years. The donated funds are shared among selected projects, including the German children's aid associations Kindernothilfe e.V., PowerChild e.V. and Deutsche Kinder- und Jugendstiftung, as well as Comic Relief UK.

"Always spend less than you earn"

Sat.1 late-night talker Harald Schmidt comments on the stock market in 2002



What type of investor are you?
Conservative. Always spend less than you earn.

Do you pick investments on the basis of research, or more by feeling?
My contract says I have to be "powered by emotion."

Any investor gets constant tips from the experts. What piece of advice has really helped you so far?
Stick your money in a certificate of deposit and be glad if you get four percent.

What event in the capital markets impressed you most in 2002?
That little dip in Allianz stock-which isn't exactly a "new economy" listing.

Who do you think is to blame for the current bear market?
Everybody who sold.

Some economists claim saving is bad for the economy. What do you think of that, as a native Swabian?
I've never been interested in the economy. I'm only interested in my savings account.

As an optimist, how would you encourage disappointed investors who have rejected stocks?
Running around barefoot in the woods and talking to animals made St. Francis famous, too.

Why didn't you ever take your Bonito production company public?
I didn't want to end up sweeping floors at VIVA.

The language of the market includes gems like "never grab a falling knife by the blade." What are your favorite market clichés?
"The market seems to have bottomed out" and "in the market, nobody rings a bell to tell you when it's time to act."

Will 2003 be a good year for the market?
President Bush can give you the best answer to that. One way or the other.

Harald Schmidt's expertise ranges from witticisms to securities. Pointed commentary on economic events is one of the long-standing trademarks of his late-night show.

Record-setting charisma

ProSieben sponsors the top musical event of the year



Robbie Williams is getting set to break records. His upcoming European tour this summer is thought to be the most elaborate, most expensive production ever staged by a British solo artist.

Media reports peg the expenditure by Europe's current most popular entertainer at EUR 30 million for the 19 concerts in 13 European cities.

From June 28 to August 9, 2003, Williams will be zipping from Stockholm to Paris to Vienna with his new "Escapology" album in his luggage. Germany alone will have seven concerts in July. Even the record prices for the tickets - between EUR 45 and 70 - haven't muted the Robbie mania. All shows were totally sold out within a week.

The main sponsors of the biggest tour event of the year are Microsoft, Smart and ProSieben. Since November, the broadcaster and Robbie Williams' recording company, EMI, have been conducting an extensive media cooperation on all aspects of the "Escapology" hit album. The kickoff was the German premiere of the video of the single "Feels" during prime time on November 8, 2002. The release date was the occasion for a "Robbie Williams Day" on ProSieben, on December 9, 2002. Robbie fans tuned in: "taff." host Miriam Pielhau's exclusive interview with the superstar earned a share of 18.1 percent among viewers between 14 and 29, and the "Robbie Williams Show" earned a 20.1 percent share of the same group.

Market research has made it official: "the pop world's best entertainer" (Süddeutsche Zeitung) and ProSieben are a good match. Williams' charisma and outgoing personality appeal to a young public - the station's core target audience. So there's a tradition behind the joint effort. ProSieben and Williams have been a successful act together for three years now. Their earlier successes include the previous hits "Sing when you're winning" and "Swing when you're winning."

Williams himself says his new "Escapology" album is the best he's ever produced. Fans of the former "Take That" star, who won the Brit Award for the 14th time this year, apparently take the same view. "Escapology" has already sold more than a million copies in Germany alone. More than five million have been sold in all of Europe.

"(T)Raumschiff Surprise - Periode 1"



Following the success of "Der Schuh des Manitu," Michael "Bully" Herbig is now aiming for the stars. Filming for the Star Trek send-up "(T)Raumschiff Surprise - Periode 1" begins in early summer 2003. The film is scheduled for theatrical release in summer 2004. Along with the chaotic trio from "bullyparade," the cast also includes Anja Kling and Til Schweiger in starring roles. Herbig will also direct. His company herbX Film is producing, in cooperation with ProSieben. The predecessor, "Der Schuh des Manitu," drew a theatrical audience of more than eleven million, making it the most successful German theatrical film of all time.

Telemesse 2003 to be held in July
For the first time, Telemesse will be held in July this year. On July 30 and 31, the advertising industry will flock to Europe's biggest television trade show, at the Coloneum in Cologne. The suburb of Cologne-Ossendorf is expecting more than 5,000 trade visitors again this year - attendance at last year's Telemesse totaled 5,500 advertising professionals. The majority of them voted the joint screening of Sat.1, ProSieben and Kabel 1 the best presentation, ahead of Vox (25%) and RTL (12%). The event is organized by Telemesse GbR, a joint company of SevenOne Media and IP Deutschland.

Germany's youngest TV stars
ProSiebenSat.1 Media AG was the first German television corporation to open its own childcare center. Since July 21, 2002, "TeleZwerge" have been supervised by six trained educators while their parents produce top-quality programming for the public.

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02

Consolidated Financial Statements of ProSiebenSat.1 Media AG

Consolidated Balance Sheet of ProSiebenSat.1 Media AG

Assets			Liabilities and shareholders' equity				
EUR k*		Dec. 31, 2002	Dec. 31, 2001	EUR k		Dec. 31, 2002	Dec. 31, 2001
A. Fixed assets	(1)			A. Shareholders' equity	(7)		
I. Intangible assets		65,232	39,201	I. Subscribed capital		194,486	194,486
II. Tangible assets		143,982	167,823	II. Capital reserves		322,319	322,319
III. Financial assets		193,091	187,421	III. Revenue reserves		73,245	63,356
		402,305	394,445	IV. Retained earnings		228	-/-
B. Current assets				V. Consolidated net income for the year		28,554	72,671
I. Programming assets	(2)	1,059,866	1,206,204	VI. Minority interests		-1,399	-3,074
II. Inventories	(3)	4,958	3,842			617,433	649,758
III. Receivables and other current assets	(4)	198,109	293,589	B. Accruals	(8)	81,681	105,087
IV. Securities		828	1,100	C. Liabilities	(9)	1,056,210	1,272,207
V. Cash, credit balances at banks		67,291	107,060	D. Deferred liabilities		818	994
		1,331,052	1,611,795				
C. Prepaid and deferred items	(5)	12,735	9,315				
D. Deferred taxes	(6)	10,050	12,491				
Total assets		1,756,142	2,028,046	Total liabilities and equity		1,756,142	2,028,046

Consolidated Statement of Income for ProSiebenSat.1 Media AG

EUR k		2002	2001
1. Revenues	(12)	1,895,093	2,014,786
2. Increase / decrease in work-in-process history		-11	-112
3. Other operating income	(13)	115,707	78,239
4. Total		2,010,789	2,092,913
5. Programming and material costs	(14)	-1,378,361	-1,399,264
6. Personnel expenses	(15)	-215,926	-209,041
7. Depreciation and amortization	(16)	-61,913	-55,979
8. Other operating expenses	(17)	-246,105	-244,361
9. Net operating profit		108,484	184,268
10. Capital investment expense	(18)	-2,264	-857
11. Interest income expense	(19)	-53,258	-50,538
12. Other financial income / expenses	(20)	4,410	-12,116
13. Net financial loss		-51,112	-63,511
14. Income from ordinary business activities		57,372	120,757
15. Extraordinary expense	(21)	-35,951	-15,139
16. Net pre-tax profit		21,421	105,618
17. Income taxes	(22)	-8,046	-39,075
18. Other taxes		-791	-957
19. Net income for the year		12,584	65,586
20. Minority interests		2,417	2,596
21. Consolidated net income for the year		15,001	68,182
22. Accumulated profit brought forward from prior year		3,553	4,489
23. Withdrawal from revenue reserves		10,000	-/-
24. Balance sheet profit		28,554	72,671

Statement of Changes in Consolidated Fixed Assets of ProSiebenSat.1 Media AG

	Acquisition or production cost				Depreciation and amortization			Book value	
EUR k	Jan. 1, 2002	Additions	Reclassifications	Disposals	Dec. 31, 2002	for fiscal year	cumulative	Dec. 31, 2002	Dec. 31, 2001
I. Intangible assets									
1. Licenses, trademarks and patents as well as licenses to such rights and assets	19,990	6,802	1,103	5,527	22,368	4,304	17,842	4,526	4,916
2. Goodwill	167,110	36,813	-/-	-/-	203,923	5,991	144,428	59,495	32,763
3. Advances paid on intangible assets	1,522	567	-804	74	1,211	-/-	-/-	1,211	1,522
Total	188,622	44,182	299	5,601	227,502	10,295	162,270	65,232	39,201
II. Tangible assets									
1. Buildings on property owned by others	162,938	1,442	451	95	164,736	7,530	62,922	101,814	108,391
2. Technical equipment and machinery	100,628	6,032	-264	11,425	94,971	17,958	69,485	25,486	37,560
3. Other equipment, office furniture and equipment	73,140	5,472	71	8,338	70,345	6,137	54,262	16,083	20,456
4. Advances paid on tangible assets and assets under construction	1,416	-/-	-557	260	599	-/-	-/-	599	1,416
Total	338,122	12,946	-299	20,118	330,651	31,625	186,669	143,982	167,823
III. Financial assets									
1. Interests in group companies	156	-/-	-39	29	88	-/-	-/-	88	41
2. Equity interests in associated companies	76,162	2,435	-2,652	5,780	70,165	344	3,242	66,923	69,942
3. Participating interests	28,609	3,067	2,691	28,082	6,285	-/-	5,162	1,123	2,537
4. Loans to entities in which the Company holds interests of 20% or more	121,474	9,317	-/-	4,830	125,961	-/-	2,450	123,511	114,450
5. Investment securities	-/-	8,104	-/-	-/-	8,104	-/-	7,295	809	-/-
6. Other loans	901	232	-/-	46	1,087	-/-	450	637	451
Total	227,302	23,155	-/-	38,767	211,690	344	18,599	193,091	187,421
Total fixed assets	754,046	80,283	-/-	64,486	769,843	42,264	367,538	402,305	394,445

* For presentation of the financial figures in these notes, the abbreviation "EUR k" has been used to represent "thousands of euros."

Balance Sheet of ProSiebenSat.1 Media AG

Assets		
EUR k	Dec. 31, 2002	Dec. 31, 2001
A. Fixed assets (1)		
I. Intangible assets	5,219	3,902
II. Tangible assets	36,503	39,282
III. Financial assets	1,209,855	764,097
	1,251,577	807,281
B. Current assets		
I. Inventories (3)	81	61
II. Receivables and other current assets (4)	302,856	899,914
III. Securities	-/-	1,080
IV. Cash, credit balances at banks	55,046	97,010
	357,983	998,065
C. Prepaid and deferred items (5)	7,142	793
Total assets	1,616,702	1,806,139

Liabilities and shareholders' equity		
EUR k	Dec. 31, 2002	Dec. 31, 2001
A. Shareholders' equity (7)		
I. Subscribed capital	194,486	194,486
II. Capital reserve	322,319	322,319
III. Revenue reserve	73,000	63,000
IV. Net income	2,473	73,801
	592,278	653,606
B. Accruals (8)	14,457	20,842
C. Liabilities (9)	1,009,470	1,130,966
D. Deferred Liabilities	497	725
Total liabilities and equity	1,616,702	1,806,139

Statement of Income for ProSiebenSat.1 Media AG

EUR k		2002	2001
1. Other operating Income	(13)	78,924	72,159
2. Personnel expenses	(15)	-34,798	-35,722
3. Depreciation and amortization	(16)	-12,019	-6,291
4. Other operating expenses	(17)	-109,483	-96,317
5. Net operating loss		-77,376	-66,171
6. Capital investment income	(18)	109,773	206,070
7. Interest expense	(19)	-33,361	-14,001
8. Other financial income / expenses	(20)	4,407	-11,363
9. Net financial profit		80,819	180,706
10. Income from ordinary business activities		3,443	114,535
11. Extraordinary expenses	(21)	-35,044	-10,523
12. Net pre-tax profit / loss		-31,601	104,012
13. Income taxes		17	-37,372
14. Other taxes		-571	-489
15. Net income for the year		-32,155	66,151
16. Accumulated profit brought forward from prior year		24,628	7,650
17. Withdrawal from revenue reserves		10,000	-/-
18. Balance sheet profit		2,473	73,801

Statement of Changes in Fixed Assets of ProSiebenSat.1 Media AG

	Acquisition or production cost				Depreciation and amortization		Book value		
EUR k	Jan. 1, 2002	Additions	Reclassifications	Disposals	Dec. 31, 2002	for fiscal year	cumulative	Dec. 31, 2002	Dec. 31, 2001
I. Intangible assets									
1. Licenses, trademarks and patents as well as licenses to such rights and assets	10,624	2,304	593	2,528	10,993	2,078	7,202	3,791	2,972
2. Advances paid on intangible assets	930	1,384	-593	293	1,428	-/-	-/-	1,428	930
Total	11,554	3,688	-/-	2,821	12,421	2,078	7,202	5,219	3,902
II. Tangible assets									
1. Buildings on property owend by others	61,008	748	446	-/-	62,202	2,456	28,332	33,870	35,132
2. Technical equipment and machinery	1,647	-/-	-/-	300	1,347	221	1,041	306	596
3. Other equipment, office furniture and equipment	9,847	307	-/-	1,892	8,262	893	5,935	2,327	3,108
4. Advances paid on tangible assets and assets under construction	446	-/-	-446	-/-	-/-	-/-	-/-	-/-	446
Total	72,948	1,055	-/-	2,192	71,811	3,570	35,308	36,503	39,282
III. Financial assets									
1. Interests in group companies	583,614	444,377	-/-	654	1,027,337	-/-	3,647	1,023,690	579,967
2. Equity interests	97,953	-/-	-/-	28,070	69,883	-/-	2,797	67,086	69,287
3. Loans to entities in which the Company holds interests of 20% or more	116,183	4,061	-/-	488	119,756	-/-	1,245	118,511	114,450
4. Other loans	393	185	-/-	10	568	-/-	-/-	568	393
Total	798,143	448,623	-/-	29,222	1,217,544	-/-	7,689	1,209,855	764,097
Total fixed assets	882,645	453,366	-/-	34,235	1,301,776	5,648	50,199	1,251,577	807,288

Notes to the Financial Statements

The ProSiebenSat.1 Group and ProSiebenSat.1 Media AG

Except where specifically stated otherwise, the following notes and the explanations they contain pertain to both the consolidated financial statements and the financial statements for ProSiebenSat.1 Media AG.

Basis and methodology

The financial statements for ProSiebenSat.1 Media AG and the ProSiebenSat.1 Group have been prepared in compliance with the requirements of the German Commercial Code and the Stock Corporation Act. As standard procedure, the annual financial statements for all companies included in the ProSiebenSat.1 consolidated financial statements were prepared under uniform reporting and valuation principles. The fiscal year for the individual financial statements of these consolidated companies ended on December 31, 2002.

For greater clarity, certain items have been combined in the balance sheet and statement of income, while an item-by-item explanation is provided in the notes.

Conversion to the euro

The consolidated financial statements and the financial statements of ProSiebenSat.1 Media AG are prepared and reported in euros. The companies of the former ProSieben Group made the transition to the euro as of January 1, 2000, and the financial statements of the individual companies of the former Sat.1 Group did so as of January 1, 2002, using the euro-to-DM conversion rate of 1:1.95583 established by the Council of the European Union under Article 109 I (4) sentence 1 of the EC Treaty.

Scope of consolidation

In addition to ProSiebenSat.1 Media AG, the consolidated financial statements include 34 domestic affiliated companies (last year: 33) and three foreign affiliated companies (last year: four) in which ProSiebenSat.1 Media AG directly or indirectly holds a majority of voting rights, or which are under its unified control. Two subsidiaries (last year: four) were not included in the consolidated statements, either because they are not of material significance in providing a fair picture of the ProSiebenSat.1 Group's net assets, financial position and results from operations, or because they are being held only for resale.

During the year, CM Community Media GmbH & Co. KG and CM Community Media Verwaltungs GmbH were removed from the scope of consolidation because they were sold. The resulting net impact on earnings was a gain of EUR 6.279 million. This change in the scope of consolidation had no material influence overall on the Group's net assets, financial position and results from operations.

Six (last year: nine) associated companies are consolidated according to the equity method. The remainder of Kirch Intermedia GmbH was acquired as of September 1, 2002, so that this company is no longer reported at equity but fully consolidated into the consolidated financial statements of ProSiebenSat.1 Media AG. The subsidiaries of Kirch Intermedia GmbH – namely Kirch Intermedia Betriebs GmbH and SevenOne Interactive GmbH – were likewise fully consolidated for the first time.

Affiliated companies are listed on page 54, along with the specific percentage of their capital held by the ProSiebenSat.1 Group. Furthermore, a list of shareholdings of the ProSiebenSat.1 Group and of ProSiebenSat.1 Media AG, stating the details required by law, has been filed with the Companies Registration Office of Munich district court, under registration number HRB 124169.

Consolidation policies

Capital is consolidated by the book value method, in which acquisition costs for a subsidiary are offset against a prorated share of that subsidiary's equity as of the date of its acquisition or first consolidation. Any difference between current market value and book value is allocated to the subsidiary's assets or liabilities. If the difference represents goodwill, this goodwill is capitalized as an intangible asset and amortized at 25 percent per year, or over the investment's useful life expectancy. The legal option taken here under Sec. 301(1) of the German Commercial Code deviates from German Accounting Standard DRS 4 of the German Standardization Committee (DRSC).

Where stakes held in Group companies have already been amortized in these companies' individual financial statements, such amounts are recaptured in the consolidated financial statements.

Interests held in companies over whose business policies the Group has a controlling influence (associated companies) are valued at equity by the book method in the consolidated financial statements, unless they are not of material significance for the Group. Equity interests held in associated companies are reported at a figure equivalent to the proportion of equity held in each such company. Goodwill is amortized according to the same principles as are used for capital consolidation.

Receivables, accruals, liabilities, expenses and income between consolidated companies, as well as interim results incorporated into current assets and fixed assets, have been eliminated wherever such amounts were of material significance. Where individual companies' financial statements applied adjustments or amortization on intra-Group receivables, such changes have been reversed and applied to consolidated net profit for the year.

Valuation and auditing of annual financial statements included in scope of consolidation

The financial statements of consolidated affiliated companies were prepared uniformly according to the reporting and valuation principles adopted by ProSiebenSat.1 Media AG. Where local law requires foreign companies to apply other reporting or valuation principles, appropriate adjustments have been made in the consolidated financial statements. Conservative principles have been applied in the valuation of asset and liability items.

Without exception, all domestic financial statements included in the consolidated financial statements have been audited by the Group's independent auditor, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen. The annual financial statements of SevenOne Media (Schweiz) AG, of Küsnacht, Switzerland, were audited by KPMG Fides Peat, Zurich, Switzerland; those of SevenOne Media Austria GmbH, of Vienna, Austria, were audited by KPMG Alpen-Treuhand Gesellschaft mbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, Austria; and those of ArtMerchandising & Media, Inc., of New York, USA, were audited by KPMG Deutsche Treuhand-Gesellschaft German Practice, New York, USA.

Foreign currency conversion

The annual financial statements for SevenOne Media (Schweiz) AG, of Küsnacht, Switzerland, and ArtMerchandising & Media, Inc., of New York, USA, are in foreign currency and were converted using a modified current date method. By this method, equity is converted at historical rates of exchange, while other asset and liability items are converted at the year-end exchange rate. Any resulting currency translation differences are added to or charged against other revenue reserves, with no net effect on profit or loss.

SevenOne Media Austria GmbH, of Vienna, Austria, made the change to the euro as of January 1, 2000.

In the statement of income, expenses and income are converted at the average rate for the year, while appropriated net income is converted at the year-end exchange rate. Any difference is reflected in other operating expenses or other operating income.

Receivables in foreign currency are converted at the selling rate on the booking date or the year-end rate, if the latter is lower. Liabilities in foreign currency are converted at the buying rate on the booking date or the selling rate at year's end, if the latter is higher.

Notes to the Balance Sheet and Statement of Income

(1) Fixed assets

Details of changes in fixed assets of both the Group and ProSiebenSat.1 Media AG are given in the statements of changes in fixed assets on pages 46 and 47.

Acquired intangible assets are capitalized at the acquisition cost less scheduled amortization and, where applicable, unscheduled amortization. The intangible assets comprise software, intellectual property rights and advance payments made on intangible assets. Additionally, goodwill is capitalized in the consolidated financial statements. The goodwill here is primarily an amount of EUR 122.409 million resulting from the first-time consolidation of Kabel 1 K1 Fernsehen GmbH in fiscal 1995. Purchased software is amortized over three years. Licenses and other intellectual property rights are amortized over ten years or over the term of any license agreement that applies. Goodwill is amortized 25 percent each year, or over the useful life expectancy. After discussions held in December 2002 with the Bavarian Authority for New Media (BLM) about the extension of Kabel 1's broadcasting license for another eight years, the goodwill resulting from the first consolidation of Kabel 1 K1 Fernsehen GmbH in fiscal 1995 will now be amortized on a straight-line basis over 17 years and two months. This amortization was first applied in the year of capitalization. The amortization period is based on the term of the broadcasting license of Kabel 1 K1 Fernsehen GmbH, which is now expected to run until February 29, 2012. In the year under review, unscheduled amortization of intangible fixed assets amounted to EUR 502 thousand.

The value of intangible assets rose EUR 26.031 million, from EUR 39.201 million on December 31, 2001, to EUR 65.232 million on December 31, 2002. The change resulted from the first consolidation of Kirch Intermedia Betriebs GmbH, which increased intangible assets by EUR 34.072 million. This figure is countered by goodwill amortization of EUR 5.991 million, on goodwill of EUR 65.486 million.

Tangible fixed assets are valued at the acquisition or production cost, less scheduled depreciation based on wear and tear and, if necessary, unscheduled depreciation. The full amount of depreciation for the year is taken on movable assets added in the first half of the year; one-half of the year's amount is taken for those assets added in the second half. Buildings on land not owned by the Group, as well as fixtures and renovations, are depreciated over their normal useful life or, if shorter, the term of the lease. Studio facilities are depreciated over five years, and hardware over three years. Office furniture and equipment is depreciated over a term of three to 20 years, depending on the item in question. Minor-value assets are fully depreciated in the year of their acquisition and are reported as disposals.

Unscheduled depreciation of tangible fixed assets is taken if a permanent impairment of value can be expected. In the year under review, unscheduled depreciation of tangible assets amounted to EUR 1.660 million.

The value of tangible assets declined from EUR 167.823 million on December 31, 2001, to EUR 143.982 million as of December 31, 2002. The reduction of EUR 23.841 million is substantially the result of smaller expenditures on this category of assets.

Interests in affiliated, unconsolidated companies and other equity interests are reported at their acquisition cost or the lower applicable value. Interests in the following Group companies are included in the consolidated balance sheet: PM&S Software GmbH, of Minsk, Belarus, and Merchandising Prag spol. s.r.o., of Prague, Czech Republic.

The carrying value of associated companies, at EUR 66.923 million, includes goodwill of EUR 697 thousand. Negative equity values in the ProSiebenSat.1 Group, which are carried for statistical reasons, total EUR 10.734 million. The most significant associated company is EUVÍA Media AG & Co. KG, with equity valued at EUR 63.848 million as of December 31, 2002.

Balance Sheet and statement of income for EUVÍA Media AG & Co. KG

Assets		Liability and shareholders' equity	
EUR k	Dec. 31, 2001	EUR k	Dec. 31, 2001
Outstanding contributions	300	Shareholders' equity	97,620
Fixed assets	211,287	Accruals	43
Current assets	8,859	Liabilities	122,788
Prepaid and deferred items	5		
Total assets	220,451	Total assets	220,451

Consolidated statement of income	
EUR k	2001
Other operating income	7,531
Personnel expenses	330
Amortization of intangible assets	3
Other operating expenses	1,183
Financial loss	-8,465
Nett loss for the year	-2,450

A significant disposal from among equity interests was the sale of LetsBuyIt.com N.V., of Amsterdam, Netherlands. The stock sale yielded a loss of EUR 1.475 million on asset disposals. Other financial assets are valued at acquisition cost or the applicable lower value as of the year's end.

Financial assets, at EUR 193.091 million as of the reporting date, are slightly above the previous year's figure. This figure represents a gain of EUR 5.670 million, or 3 percent, over fiscal 2001.

(2) Programming assets

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Licenses	658,491	841,413	-/-	-/-
Commissioned productions	401,375	364,791	-/-	-/-
Total	1,059,866	1,206,204	-/-	-/-

Programming assets comprise feature films, series and commissioned productions, as well as advance payments made. Feature films and series are capitalized as of the beginning of the license term; commissioned productions are capitalized as showable programming assets as of their completion, which is deemed to coincide with the date of acceptance.

Depreciation of licenses and of commissioned productions intended for multiple showings begins with the first broadcast, and depends on the number of showings permitted. Scheduled depreciation uses a declining-balance method according to a standardized depreciation matrix. Commissioned productions intended for only one showing are fully depreciated as of their broadcasting. Unscheduled depreciation is taken for feature films, series and commissioned productions if their costs can presumably not be covered by future revenues. Among the reasons for this assumption might be changes in the advertising environment, changing audience tastes, media-law restrictions on the usability of films, licenses that expire prior to broadcasting, or if a production was commissioned but not pursued. Scheduled and unscheduled depreciation is reported as part of programming and material costs.

Programming assets are written up if unscheduled depreciation has caused licensed programs or commissioned productions to be valued too low in view of their future economic benefits. Such appreciation is reported as part of operating income.

The value of programming assets declined from EUR 1,206.204 million on December 31, 2001, to EUR 1,059.866 million as of December 31, 2002. The reduction of EUR 146.338 million is substantially the result of smaller investments in programming assets.

During the year under review, unscheduled depreciation of programming assets amounted to EUR 83.306 million (previous year: EUR 88.453 million) for the Group. These amounts are offset against appreciation of EUR 30.264 million (previous year: EUR 6.022 million) in the individual financial statements.

(3) Inventories

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Raw materials and supplies	272	349	59	61
Work in process	10	21	-/-	-/-
Finished goods and merchandise	4,676	3,472	22	-/-
Total	4,958	3,842	81	61

Inventories are valued at the acquisition cost or at the minimum production cost specified by law.

(4) Receivables and other current assets

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Trade accounts receivable	118,721	153,252	730	179
(amounts due after more than one year)	(3,647)	(2,027)	-/-	-/-
Amounts due from Group companies	4,998	28,828	262,486	825,147
(amounts due after more than one year)	-/-	-/-	-/-	-/-
Receivables from entities in which the Company holds				
interests of 20% or more	21,879	11,368	58	-/-
(amounts due after more than one year)	-/-	-/-	-/-	-/-
Other assets	52,511	100,141	39,582	74,588
(amounts due after more than one year)	-/-	-/-	-/-	-/-
Total	198,109	293,589	302,856	899,914
(amounts due after more than one year)	(3,647)	(2,027)	-/-	-/-

In the valuation of receivables and other current assets, adequate allowances have been made to cover known risks through individual valuation adjustments and general provisions for doubtful debts.

Receivables and other current assets declined EUR 95.480 million, or 32.5 percent, from EUR 293.589 million at the beginning of the fiscal year to EUR 198.109 million at year's end. Other current assets were down EUR 47.630 million, primarily as a result of approximately EUR 52.363 million in refunds for corporate income tax and local business taxes. The value of trade accounts receivable was down EUR 34.531 million, from EUR 153.252 million on December 31, 2001, to EUR 118.721 million on December 31, 2002.

By contrast, amounts owed by members of the ProSiebenSat.1 Group largely comprised receivables from Beta License GmbH, Media 1 Beteiligung GmbH and Premiere Fernsehen GmbH & Co. KG. The reduction of EUR 23.830 million in amounts owed by Group companies resulted from the first-time full consolidation of Kirch Intermedia GmbH, SevenOne Interactive GmbH and Kirch Intermedia Betriebs GmbH into the ProSiebenSat.1 Group.

Receivables from affiliated companies shown in the financial statements of ProSiebenSat.1 Media AG are due primarily from Sat.1 SatellitenFernsehen GmbH, SZM Studios Film-, TV- und Multimedia-Produktions GmbH, N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH, Kirch Intermedia GmbH and ProSieben Digital Media GmbH. Receivables from affiliated companies additionally include advance payments made to Kirch-Media GmbH & Co. KGaA for programming assets.

Receivables from entities in which the Company is linked through interests of 20 percent or more pertain almost exclusively to VG Media Gesellschaft zur Verwertung der Leistungsschutzrechte von Medienunternehmen mbH, SAT.1 Schweiz AG, of Zurich, Switzerland, and IP Multimedia (Schweiz) AG, of Küsnacht, Switzerland.

The other current assets mainly comprise advance payments made and tax credits.

(5) Prepaid and deferred items

These prepaid and deferred items primarily comprise the discount for the Company's bond issue, satellite rental charges, use fees, paid rent and insurance expenses, all of which will not be expensed until fiscal 2003 or beyond. The discount for the bond issue amounts to EUR 6.978 million.

For ProSiebenSat.1 Media AG, this figure pertains almost exclusively to the bond discount of EUR 6.978 million.

(6) Deferred taxes

As a consequence of consolidation measures affecting net income, deferred taxes have been capitalized. They are calculated on the basis of projected average income tax charges for the Group. Tax accruals and deferrals are created only if the difference is expected to average out in later years. Deferred tax liabilities are offset against this item.

(7) Shareholders' equity

Statement of changes in shareholders' equity of the ProSiebenSat.1 Group for fiscal 2001									
EUR k	Subscribed Capital		Capital reserves	Group equity generated	Accumulated other Group net income		Shareholders' equity	Minority interests	Group equity
	Shares of common stock	Shares of preferred Stock			Foreign currency translation adjustment	Other transactions with no effect			
Dec. 31, 2000	97,243	97,243	322,319	130,911	114	92	647,922	-686	647,236
Dividends paid	-/-	-/-	-/-	-56,401	-/-	-/-	-56,401	-/-	-56,401
Changes in scope of consolidation	-/-	-/-	-/-	-6,973	-/-	-/-	-6,973	208	-6,765
Other changes	-/-	-/-	-/-	-/-	-25	127	102	-/-	102
Consolidated profit for the year	-/-	-/-	-/-	68,182	-/-	-/-	68,182	-2,596	65,586
Dec. 31, 2001	97,243	97,243	322,319	135,719	89	219	652,832	-3,074	649,758

Statement of changes in shareholders' equity of the ProSiebenSat.1 Group for fiscal 2002									
EUR k	Subscribed Capital		Capital reserves	Group equity generated	Accumulated other Group net income		Shareholders' equity	Minority interests	Group equity
	Shares of common stock	Shares of preferred stock			Foreign currency translation adjustment	Other transactions with no effect			
Dec. 31, 2001	97,243	97,243	322,319	135,719	89	219	652,832	-3,074	649,758
Dividends paid	- / -	- / -	- / -	-29,173	- / -	- / -	-29,173	- / -	-29,173
Changes in scope of consolidation	- / -	- / -	- / -	-19,696	- / -	219	-19,477	4,712	-14,765
Other changes	- / -	- / -	- / -	- / -	-131	-220	-351	-621	-972
Consolidated profit for the year	- / -	- / -	- / -	15,001	- / -	- / -	15,001	-2,416	12,585
Dec. 31, 2002	97,243	97,243	322,319	101,851	-42	218	618,832	-1,399	617,433

Shareholders' equity declined EUR 32.325 million, or 5 percent, from EUR 649.758 million at the beginning of the fiscal year to EUR 617.433 million at year's end. The principal reason for the decline was the ProSiebenSat.1 Group's less auspicious earnings position during the past fiscal year.

At year's end, the subscribed capital of ProSiebenSat.1 Media AG amounted to EUR 194.486 million. This capital is divided into 97,243,200 registered common shares with no par value, and 97,243,200 nonvoting bearer shares of preferred stock with no par value, each representing a prorated per-share capital stock contribution of EUR 1.00.

Capital reserves amount to EUR 322.319 million. Revenue reserves amount to EUR 73.245 million for the ProSiebenSat.1 Group and EUR 73.000 million in the single-entity financial statements of ProSiebenSat.1 Media AG, and consist entirely of other revenue reserves. Under a resolution of the shareholders' meeting of July 9, 2002, last fiscal year EUR 20.000 million was placed in the other revenue reserves and EUR 29.173 million was distributed to shareholders, out of the balance sheet profit of EUR 73.801 million. Retained earnings for fiscal 2002 amount to EUR 3.553 million for the ProSiebenSat.1 Group, and EUR 24.628 million for ProSiebenSat.1 Media AG individually.

In the preparation of the financial statements, and with the consent of the Supervisory Board, the Executive Board of ProSiebenSat.1 Media AG wrote back EUR 10.000 million from other revenue reserves. The year-2002 balance sheet profit for ProSiebenSat.1 Media AG amounted to EUR 2.473 million, out of which the Executive Board of ProSiebenSat.1 Media AG will propose to pay a dividend of EUR 0.02 per no-par share of preferred stock, equivalent to EUR 1.945 million. EUR 528 thousand will be carried forward to the new accounting period.

(8) Accruals

EUR k	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Accrued taxes	3,135	24,566	-/-	1,157
Accruals for anticipated losses	8,602	5,118	336	-/-
Accruals for outstanding invoices	45,101	47,183	8,085	10,740
Other accruals	24,843	28,220	6,036	8,945
Total	81,681	105,087	14,457	20,842

Accruals were created in the amounts deemed necessary in compliance with prudent business practices.

This figure was down EUR 23.406 million, from EUR 105.087 million on December 31, 2001, to EUR 81.681 million on December 31, 2002. The sharp decrease was almost entirely the consequence of a smaller item for accrued taxes, which were down EUR 21.431 million compared to the same time the year before.

Tax accruals were formed primarily for corporate income tax and municipal trade taxes on income.

The remaining other accruals for the ProSiebenSat.1 Group particularly include provisions for unclaimed vacation, litigation costs, bonuses and severance settlements, damages and fines.

The largest single items at ProSiebenSat.1 Media AG were provisions for damages and fines, for unclaimed vacation, and for bonuses and severance settlements.

(9) Liabilities

ProSiebenSat.1 Group as of Dec. 31, 2002					
EUR k	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term more than 5 years	Total Dec. 31, 2002	Total Dec. 31, 2001
Bonds	-/-	465,943	200,000	665,943	527,823
Liabilities to banks	83,095	15,497	57,274	155,866	477,222
Total financial liabilities	83,095	481,440	257,274	821,809	1,005,045
Deposits received	427	-/-	-/-	427	1,443
Trade accounts payable	88,108	813	-/-	88,921	114,665
Liabilities to Group companies	71,044	-/-	-/-	71,044	73,108
Liabilities to entities in which the Company					
holds interests of 20% or more	298	-/-	-/-	298	672
Other liabilities	73,573	138	-/-	73,711	77,274
(amounts due for taxes)	(25,720)			(25,720)	(31,611)
(amounts due for social security)	(4,900)			(4,900)	(4,770)
Total	316,545	482,391	257,274	1,056,210	1,272,207
(amounts secured by real estate charges)				(74,986)	(77,076)

ProSiebenSat.1 Media AG as of Dec. 31, 2002					
EUR k	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term more than 5 years	Total Dec. 31, 2002	Total Dec. 31, 2001
Bonds	-/-	465,943	200,000	665,943	527,823
Liabilities to banks	80,052	-/-	-/-	80,052	400,147
Total financial liabilities	80,052	465,943	200,000	745,995	927,970
Trade accounts payable	2,812	-/-	-/-	2,812	6,067
Liabilities to Group companies	207,478	-/-	-/-	207,478	145,399
Liabilities to entities in which the Company holds					
interests of 20% or more	1	-/-	-/-	1	-/-
Other liabilities	53,184	-/-	-/-	53,184	51,530
(amounts due for taxes)	(20,212)			(20,212)	(25,400)
(amounts due for social security)	(734)			(734)	(676)
Total	343,527	465,943	200,000	1,009,470	1,130,966
(amounts secured by real estate charges or other charges)				(-/-)	(-/-)

Liabilities are reported at their nominal value, or at the appropriate higher repayment value.

This figure was down EUR 215.997 million, or 17.0 percent, from EUR 1,272.207 million on December 31, 2001, to EUR 1,056.210 million on December 31, 2002. Total financial liabilities decreased from EUR 1,005.045 million at the beginning of the year to EUR 821.809 million at year's end. The share of bonds among the financial liabilities rose EUR 138.120 million, due to a EUR 200.000 million high-yield bond issue in July 2002, and the simultaneous redemption of Eurobonds with a nominal volume of EUR 61.880 million. Liabilities to banks comprise EUR 74.986 million for a building loan to Sat.1, and EUR 80.000 million in short-term availments by ProSiebenSat.1 Media AG under a revolving credit facility, as well as other bank debt of EUR 880 thousand. More limited use of the revolving credit facility as of December 31, 2002, reduced bank debt by EUR 320.000 million from the year before. Real estate charges fall entirely under liabilities to banks.

Trade accounts payable were down EUR 25.744 million, from EUR 114.665 million on December 31, 2001, to EUR 88.921 million on December 31, 2002, because of varying outpayments. Liabilities to Group companies, mostly comprising liabilities to Kirch Group companies, were down EUR 2.064 million, from EUR 73.108 million on December 31, 2001, to EUR 71.044 million on December 31, 2002, chiefly because of varying outpayments.

Liabilities to affiliated companies pertain mainly to Kirch Media GmbH & Co. KGaA, Plaza Media GmbH Film + TV Production and Filmproduktion Janus GmbH.

Liabilities to affiliated companies in the financial statements of ProSiebenSat.1 Media AG pertain mainly to ProSieben Television GmbH, Sat.1 SatellitenFernsehen GmbH and N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH.

Other liabilities are for the most part tax liabilities and liabilities relating to the deferral and accrual of interest.

(10) Contingent liabilities

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001
Contingent liabilities from guarantees	21,351	24,909	22,546	25,951
(amounts due to Group companies)	-/-	-/-	1,195	1,195

Contingent liabilities from guarantees pertain mainly to initial rental obligations for Magic Media Company TV-Produktionsgesellschaft mbH, Hürth.

(11) Other financial liabilities

ProSiebenSat.1 Group				
EUR k	Due within 1 year	Due within 2 to 5 years	Due in more than 5 years	Total
Programming assets	577,153	262,532	80,451	920,136
Royalties	62,576	115,522	20,751	198,849
Leasing and long-term rental commitments	32,690	90,440	173,956	297,086
Other liabilities	67,866	15,889	1,055	84,810
Total	740,285	484,383	276,213	1,500,881

ProSiebenSat.1 Media AG				
EUR k	Due within 1 year	Due within 2 to 5 years	Due in more than 5 years	Total
Programming assets	249,353	90,661	-/-	340,014
Leasing and long-term rental commitments	15,087	55,187	171,222	241,496
Total	264,440	145,848	171,222	581,510

Other financial liabilities exist in addition to accruals, debt and contingent liabilities. These derive from contractual agreements entered into before December 31, 2002, and pertain to payment obligations due after January 1, 2003.

Use fees include financial obligations for satellite rental, obligations under contracts for terrestrial transmission facilities, and cable feed charges.

Leasing and long-term rental obligations essentially comprise obligations from leases for buildings, technical equipment, computer equipment, and motor vehicles, along with obligations under building leases.

Other liabilities essentially comprise GEMA payments, professional fees and other services.

(12) Revenues

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	2002	2001	2002	2001
Advertising revenues	1,803,414	1,951,796	-/-	-/-
Other revenues	91,679	62,990	-/-	-/-
Total	1,895,093	2,014,786	-/-	-/-

The ProSiebenSat.1 Group's revenues of EUR 1,895.093 million derive mainly from advertising, and are earned almost entirely within Germany. Consequently no breakdown of revenues by line of business or specific geographic market has been provided.

Group revenues declined EUR 119.693 million, or 5.9 percent, from EUR 2,014.786 million in fiscal 2001 to EUR 1,895.093 million in fiscal 2002. The decline was the result of weak demand for advertising in the German television market during fiscal 2002. Overall, the Group's advertising revenues were down EUR 148.382 million, from EUR 1,951.796 million to EUR 1,803.414 million – a reduction of 7.6 percent.

(13) Other operating income

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	2002	2001	2002	2001
Income relating to other periods	65,243	41,317	2,324	2,669
Other operating income	50,464	36,922	76,600	69,490
Total	115,707	78,239	78,924	72,159

Other operating income rose EUR 37.468 million, or 47.9 percent, from EUR 78.239 million in fiscal 2001 to EUR 115.707 million in fiscal 2002.

The increase of EUR 23.926 million in income relating to other periods is mostly income from write-ups of EUR 30.429 million in programming assets (previous year: EUR 7.664 million), and income of EUR 14.425 million from the June 2002 deconsolidation of CM Community Media GmbH & Co. KG. Income from the deconsolidation of affiliated companies in 2001 was EUR 7.158 million. By contrast, income from the sale of programming assets was down substantially. Where the figure for 2001 was EUR 8.378 million, the fiscal 2002 figure was only EUR 801 thousand. Another major single item of income relating to other periods was income from the write-back of provisions in the amount of EUR 11.976 million (previous year: EUR 12.394 million).

The increase in other operating income resulted from the early redemption in July 2002 of Eurobonds with an original maturity of 2006. This generated a gain of EUR 10.108 million. Further income of EUR 20.385 million derived from the acquisition of Kirch Intermedia GmbH and its subsidiaries. Income of EUR 20.385 million resulted from the write-back (with a net impact on earnings) of a consolidation difference on the equity and liabilities side, originating from the first consolidation of Kirch Intermedia GmbH. Another major single item in other operating income was income from costs passed on to Group companies and third parties.

In the financial statements of ProSiebenSat.1 Media AG, other operating income mainly includes additional income from services charged to other Group companies and income from the early redemption of Eurobonds.

(14) Programming and material costs

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	2002	2001	2002	2001
Depreciation of programming assets	1,086,175	1,109,465	-/-	-/-
Licenses, transmission fees and materials	131,916	148,269	-/-	-/-
Purchased services and goods	160,270	141,530	-/-	-/-
Total	1,378,361	1,399,264	-/-	-/-

Depreciation of programming assets comprises depreciation due to broadcast showings and unscheduled depreciation, as well as allocations to provisions for anticipated losses.

Expenses for licenses, transmission fees and materials specifically comprise transmission costs, broadcasting and production costs. Expenses for purchased services and goods mainly derive from production costs, professional fees and royalties. Despite total expenditures of approximately EUR 54 million for the World Cup in 2002 and the associated production costs, which were already recognized in the second quarter, costs for programming and materials were down EUR 20.903 million, or 1.5 percent, from EUR 1,399.264 million in fiscal 2001 to EUR 1,378.361 million in fiscal 2002. Depreciation of EUR 1,086.175 million (previous year: EUR 1,109.465 million) on programming assets comprises depreciation of EUR 996.987 million (previous year: EUR 1,017.893 million) for broadcast showings, unscheduled depreciation of EUR 83.306 million (previous year: EUR 88.453 million), and allocations to provisions for anticipated losses of EUR 5.882 million (previous year: EUR 3.119 million).

Adjustments in programming and material costs at Sat.1 SatellitenFernsehen GmbH to bring them into line with uniform Group reporting practices have caused shifts in comparison to last year among expenses for licenses, transmission fees, materials, and purchased services.

(15) Personnel expenses

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	2002	2001	2002	2001
Wages and salaries	188,076	182,955	30,736	31,848
Social security contributions and expenses for pensions and other employee benefits	27,850	26,086	4,062	3,874
Total	215,926	209,041	34,798	35,722

Personnel expenses rose only slightly from the previous year, by 3.3 percent, from EUR 209.041 million in 2001 to EUR 215.926 million in 2002. The increase was mainly the result of taking over 179 employees of Kirch Intermedia GmbH and SevenOne Interactive GmbH as of September 1, 2002.

(16) Depreciation and amortization

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	2002	2001	2002	2001
Scheduled amortization of intangible assets	9,793	23,184	2,078	2,736
Scheduled depreciation of tangible assets	29,965	30,921	3,570	3,555
Unscheduled amortization of intangible assets	502	1,705	-/-	-/-
Unscheduled amortization of tangible assets	1,660	169	-/-	-/-
Write downs of current assets	19,993	-/-	6,371	-/-
Totals	61,913	55,979	12,019	6,291

Depreciation and amortization was down from EUR 55.979 million for the previous period to EUR 41.920 million for the period under review. This is equivalent to a decline of EUR 14.059 million, or 25.1 percent. At the Group level these amounts include goodwill amortization of EUR 5.991 million (previous year: EUR 21.017 million). The substantial decrease results from an extension of the goodwill amortization period resulting from the first consolidation of Kabel 1 K1 Fernsehen GmbH in fiscal 1995. The new, longer period is founded on the December 2002 discussions with the Bavarian Authority for New Media (BLM) to extend the broadcasting license of Kabel 1 K1 Fernsehen GmbH for an additional eight years. Amortization of goodwill resulting from valuation at equity is reported under income from equity investments.

Write-downs of EUR 19.993 million on current assets result from a waiver of loan principal and interest payments owed by ddp Nachrichtenagentur GmbH. Adjustments have been taken to fully reflect the loans outstanding to ddp Nachrichtenagentur.

(17) Other operating expenses

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	2002	2001	2002	2001
Expenses relating to other periods	8,281	6,178	3,520	387
Maintenance expenses	5,518	8,824	1,967	3,053
Administrative expenses	38,311	46,181	36,031	28,210
Selling expenses	133,552	128,412	21,537	20,130
Other operating expenses	60,443	54,766	46,428	44,537
Total	246,105	244,361	109,483	96,317

Other operating expenses were up slightly by EUR 1.744 million, or 0.7 percent, from EUR 244.361 mil- lion in fiscal 2001 to EUR 246.105 million in fiscal 2002. Allowing for an additional EUR 11.651 million in allocations for single-item corrections compared to the year before, and the losses of EUR 1.475 million from the sale of LetsBuyIt.com N.V., of Amsterdam, Netherlands, operating expenses declined EUR 11.382 million. The change is essentially the result of rigorous cost management in fiscal 2002.

The largest single items included under administrative expenses are EDP expenses, rental and lease expenses for technical equipment, and legal and consultancy fees. Selling expenses mainly comprise advertising ex- penses, expenses for allocations to single-item corrections on receivables, market research expenses and travel expenses. Additionally, selling expenses reported in the financial statements for ProSiebenSat.1 Media AG include business services procured from affiliated companies.

Material single items included under other operating expenses are rent expenses, leasing expenses, office space expenses, and film promotion.

The rise in operating expenses at ProSiebenSat.1 Media AG is almost entirely the consequence of rising in- Group reallocations that are eliminated at the Group level.

(18) Income from equity investments

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	2002	2001	2002	2001
Income from equity interests	40	53	-/-	-/-
Income / expense from equity interests in associated companies	-2,304	-910	-/-	-/-
Income from transfer of earnings	-/-	-/-	236,019	321,633
Income from loss absorption	-/-	-/-	-126,246	-115,563
Total	-2,264	-857	109,773	206,070

Income from equity investments last fiscal year was EUR -2.264 million. The result for the previous year was EUR -857 thousand. This represents a decline of EUR 1.407 million.

(19) Net interest result

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	2002	2001	2002	2001
Other interest and similar income	9,742	3,835	31,493	37,485
Interest and similar expenses	-63,000	-54,373	-64,854	-51,486
Total	-53,258	-50,538	-33,361	-14,001

The net interest expense expanded to EUR -53.258 million in fiscal 2002, following the previous year's EUR -50.538 million.

Interest expenses grew from EUR 54.373 million to EUR 63.000 million. The increase of EUR 8.627 mil- lion derives from higher average borrowings and higher financing charges for the July 2002 high-yield bond issue that matures in 2009, together with the change in the Company's revolving credit facility.

The largest single item of interest income was the interest income of EUR 5.989 million from the tax re- fund. The primary interest expense items for the ProSiebenSat.1 Group pertain to interest on the bond issue and interest paid on loans.

Interest income for ProSiebenSat.1 Media AG was mainly received from affiliated companies.

(20) Other financial income / expense

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
EUR k	2002	2001	2002	2001
Income from loans of fixed financial assets	4,410	2,876	4,407	2,826
Write-down of financial assets and marketable securities	-/-	-14,992	-/-	-14,189
Total	4,410	-12,116	4,407	-11,363

Income from loans of fixed financial assets grew to EUR 4.410 million during the year, following EUR 2.876 million in 2001. This figure is primarily interest income from a corporate loan to EUVIA Media AG & Co. KG.

There are no write downs of financial assets and marketable securities for 2002 to parallel the 2001 fig- ure of EUR 14.992 million. The 2001 write downs of financial assets and marketable securities primarily comprises write downs of EUR 11.089 million on the Group's equity interest in LetsBuyIt.com N.V., of Am- sterdam, Netherlands.

(21) Extraordinary income / expense

The extraordinary expense for the ProSiebenSat.1 Group in fiscal 2002 amounted to EUR 35.951 million, following EUR 15.139 million for the year before. This is equivalent to a change of EUR -20.812 million, or -137.5 percent. The Group's extraordinary expense for fiscal 2002 comprises costs associated with re- structuring the borrowings of ProSiebenSat.1 (EUR 22.469 million), costs for the projected merger with KirchMedia, which was canceled in March (EUR 10.777 million), and integration expenses for the merger of ProSieben and Sat.1 (EUR 2.705 million).

The extraordinary expense for ProSiebenSat.1 Media AG was EUR 35.044 million.

(22) Income taxes

Income taxes for the ProSiebenSat.1 Group declined EUR 31.029 million, or 79.4 percent, from EUR 39.075 million in 2001 to EUR 8.046 million in 2002. The tax rate at the Group level was 41.3 percent, following the previous year's 37.9 percent.

Other Information

(23) Group Cash Flow Statement

	2002	2001
EUR k	2002	2001
Income for the period before extraordinary items	50,952	83,321
Depreciation and amortization / Apprecitation of fixed assets	42,200	68,835
Depreciation of programming assets, including appreciations	1,049,864	1,098,682
Change in accruals for anticipated losses on programming assets	3,484	2,500
Cash flow calculated according to DVFA / SG	1,146,500	1,253,338
Gain on disposal of fixed assets	-354	-85
Gain on disposal of programming assets	-801	-8,378
Loss on disposal of fixed assets	2,376	530
Loss on disposal of programming assets	3,117	1,594
Disposal of programming assets not affecting payments	2,621	550
Changes in other accruals	-26,890	-52,393
Increase / decrease in inventories, accounts receivable and other assets not associated with investing or financing activities	93,657	-64,757
Increase / decrease in accounts payable and other liabilities not associated with investing or financing activities	-32,938	-22,612
Expenditures for extraordinary items	-35,951	-15,139
Cash flow from operating activities	1,151,337	1,092,648
Proceeds from disposal of intangible assets	503	2,106
Proceeds from disposal of tangible assets	343	662
Proceeds from disposal of financial assets	6,132	11,507
Proceeds from disposal of programming assets	17,386	28,019
Expenditures for intangible assets	-3,042	-3,736
Expenditures for tangible assets	-8,851	-35,668
Expenditures for programming assets	-925,849	-1,179,930
Effects of changes in scope of consolidation	-53,573	-15,493
Expenditures for purchase of equity interests	-11,747	-192,415
Cash flow from investing activities	-978,698	-1,384,948
Proceeds from loans taken out and repayments of financial debt (net)	-321,355	29,008
Proceeds from bond issue / bond retirement	138,120	400,000
Dividend for 2001	-29,173	-56,401
Cash flow from financing activities	-212,408	372,607
Change in cash and cash equivalents not affecting payments	-39,769	80,307
Cash and cash equivalents at beginning of year	107,060	26,753
Cash and cash equivalents as of December 31, 2002	67,291	107,060

Cash and cash equivalents for the ProSiebenSat.1 Group totaled EUR 67.291 million at the end of the year. The figure for last year was EUR 107.060 million. It includes cash on hand and bank deposits as of the re- porting date for the year.

Despite lower advertising revenues, cash inflow in 2002 totaled EUR 1,151.337 million. The comparable value from the year before was EUR 1,092.648 million. The increase of EUR 58.689 million was largely the consequence of a significantly smaller item for accounts receivable and a reduction in accrued taxes.

Cash used in investing activities was EUR 978.698 million for fiscal 2002. The previous year's figure was EUR 1,384.948 million. The substantial reduction is largely the consequence of lower expenditures for programming assets and for the purchase of equity interests. Group expenditures for programming assets declined to EUR 925.849 million in fiscal 2002, following the previous year's EUR 1,179.930 million. Expenditures for the purchase of equity interests receded EUR 180.668 million, primarily because the 2001 figure includes the Group's capital investment in EUVÍA Media AG & Co. KG and a corporate loan of EUR 181.450 million to that company. Proceeds from the disposal of programming assets were EUR 17.386 million for fiscal 2002. The figure for the previous year was EUR 28.019 million.

Cash used in financing activities was EUR 212.408 million for fiscal 2002. In the previous year, financing activities generated cash of EUR 372.607 million. In July 2002, ProSiebenSat.1 Media AG issued a high-yield bond with a nominal volume of EUR 200.000 million. At the same time, the Company retired Eurobonds with a total nominal volume of EUR 61.880 million, whose original maturity was 2006. Liabilities to banks are primarily drawings under ProSiebenSat.1 Media AG's revolving credit facility, and a mortgage loan of EUR 74.986 million for Sat.1. On December 31, 2002, EUR 80.000 million had been drawn under the revolving credit facility. The comparable figure for the previous year was EUR 400.000 million.

(24) Segment reporting

The Company omits segment reporting here because the television business segment accounts for more than 90 percent of all items for the entire Group that would be of interest for such a report. The various markets of the ProSiebenSat.1 Group are discussed in detail in the management's discussion and analysis.

(25) Average number of employees during the year

Part-time positions are reported here as an equivalent number of full-time positions.

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	2002	2001	2002	2001
Employees	3,054	3,001	466	459
Trainees and interns	241	221	32	24
Total	3,295	3,222	498	483

(26) Executive Board and Supervisory Board

The members of the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG are listed on page 55 of this report.

In the year under review, expenses for remuneration paid to current members of the Executive Board of ProSiebenSat.1 Media AG totaled EUR 3.613 million (previous year: EUR 4.868 million). This figure includes a variable component of EUR 300 thousand.

Expenses for the Supervisory Board of ProSiebenSat.1 Media AG amounted to EUR 166 thousand in the year under review. Under the Articles of Incorporation of ProSiebenSat.1 Media AG, the members of the Supervisory Board receive a variable remuneration of EUR 1 thousand for every cent of dividends in excess of three cents paid to holders of common stock. The expenses of EUR 166 thousand for the Supervisory Board include no variable component, since no dividend will be paid out to holders of common stock for fiscal 2002. Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during fiscal 2002.

The members of the Executive Board and Supervisory Board together held 57,100 shares of preferred stock in ProSiebenSat.1 Media AG as of December 31, 2002. This is equivalent to 0.0294 percent of the Company's share capital.

(27) Corporate Governance

On the basis of the recommendations of the Government Commission on the German Corporate Governance Code and the applicable terms of law under Sec. 161 of the Stock Corporation Act, on December 11, 2002, the Executive Board and Supervisory Board issued the following Declaration of Compliance, which was made available over the Internet:

ProSiebenSat.1 Media AG complies with the recommendations of the Government Commission on the German Corporate Governance Code, with the following exceptions:

- The Executive Board of the Company has not appointed a proxy to exercise the shareholders' voting rights as directed (Item 2.3.3 of the Corporate Governance Code). There is no need for such a proxy at present because of the current shareholder structure and the small number of voting shareholders.
- The D&O insurance policies the Company has taken out for the Executive Board and Supervisory Board do not provide for a deductible (Item 3.8 of the Corporate Governance Code), since agreeing to a deductible would not materially reduce the insurance premiums. Furthermore, by virtue of their offices, the Executive Board and Supervisory Board are already acting responsibly and in the Company's best interest. They do not regard a deductible as an effective way of enhancing Board members' motivation or sense of responsibility.
- The Supervisory Board does not regard it as feasible to maintain a committee to prepare for the Board's meetings, and therefore has not appointed such a committee (Item 5.2 of the Corporate Governance Code).
- No age limit has been set for members of the Supervisory Board (Item 5.4.1 of the Corporate Governance Code) because the Company wishes to continue to benefit from the expertise of experienced Supervisory Board members.
- The remuneration of Supervisory Board members has hitherto not acknowledged chairing and belonging to Board committees (Item 5.4.5 of the Corporate Governance Code). However, it is intended to propose at the next annual meeting that the shareholders should incorporate a provision into the Articles of Incorporation to remunerate chairing and belonging to Supervisory Board committees.

- The Group's annual financial statements and the Company's interim reports are currently still prepared under the accounting principles of the German Commercial Code (Item 7.1.1 of the Corporate Governance Code). The Company will convert to International Financial Reporting Standards (IFRS) no later than 2005.

Subject to the above provisos, ProSiebenSat.1 Media AG intends to continue complying with the recommendations in the future.

(28) Relationships with affiliated businesses

Apart from the subsidiaries included in the consolidated financial statements, in the course of its normal business operations ProSiebenSat.1 Media AG conducts transactions directly or indirectly with affiliated unconsolidated companies and associated companies. In ordinary business activities, all transactions with companies not included in the scope of consolidation were conducted on normal market terms and conditions, such as are also customary with third parties unrelated to the Group. All related parties under DRS 11 that are controlled by ProSiebenSat.1 Media AG, or over which the Group may exercise a significant influence, are listed among the shareholdings on page 54, along with the percentage interest held. This list has been filed with the Companies Registration Office of Munich district court, under No. HRB 124169.

As defined under Sec. 16 of Germany's Stock Corporation Act, KirchMedia GmbH & Co. KGaA currently holds a share of 52.5 percent of the capital of ProSiebenSat.1 Media AG, and 88.5 percent of the voting rights. KirchMedia GmbH & Co. KGaA is the ProSiebenSat.1 Group's largest supplier of programming rights and licenses. ProSiebenSat.1 Group stations obtained around 36 percent of their programming shown during fiscal 2002 from this source.

Additionally, BetaDigital Gesellschaft für digitale Fernsehdienste mbH, a wholly owned subsidiary of Kirch Pay-TV & Co. KGaA, is a service provider to the Group for analog and digital satellite uplinks.

Furthermore, a leasehold agreement exists between the ProSiebenSat.1 Group and Medienzentrum Mitte GmbH, a company of Kirch Beteiligungs GmbH & Co. KG, under which the Group is able to use its buildings in Berlin. However, so far as is known today, the insolvency of Kirch Beteiligungs GmbH & Co. KG will have no adverse impact on the ProSiebenSat.1 Group by way of the joint leasehold agreement.

The companies KirchMedia GmbH & Co. KGaA, Kirch Pay-TV & Co. KGaA, Kirch Beteiligungs GmbH & Co. KG, BetaDigital Gesellschaft für digitale Fernsehdienste mbH and Taurus Holding GmbH & Co. KG are at present all involved in insolvency proceedings. On this point we refer the reader to the risk report section of the Management Report.

(29) Group affiliation

The main shareholder of ProSiebenSat.1 Media AG has notified the Company in compliance with Sec. 21(1, 1a) of the German Securities Trading Act that under the terms of Sec. 16 of the German Stock Corporation Act and the Securities Trading Act, KirchMedia GmbH & Co. KGaA indirectly and directly holds 100 percent (after adjustment for other equity interests, 88.52 percent) of voting common stock of ProSiebenSat.1 Media AG, which was first admitted for official trading on the Frankfurt Stock Exchange on October 4, 2000.

The consolidated financial statements of ProSiebenSat.1 Media AG are included in the consolidated financial statements of KirchMedia GmbH & Co. KGaA (No. HRB 126210 in the Companies Registration Office of Munich district court), based in Unterföhring. The parent company of KirchMedia GmbH & Co. KGaA within the meaning of Sec. 290 (1) of the German Commercial Code is TaurusHolding GmbH & Co. KG, based in Ismaning.

Major Subsidiaries and Associated Companies

Auditor's Opinion

ProSiebenSat.1 Group as of Dec. 31, 2002				
No.	Company	Location	Country	Interest % via No.
Affiliated companies				
1	ProSiebenSat.1 Media Aktiengesellschaft	Unterföhring	Germany	
2	ArtMerchandising & Media AG	Unterföhring	Germany	66.25 10
3	ArtMerchandising & Media Inc.	New York	USA	100 2
4	Buchagentur Intermedien-GmbH	Unterföhring	Germany	100 10
5	Buchagentur Intermedien-GmbH & Co. Marketing KG	Unterföhring	Germany	100 10
6	KABEL 1 K1 Fernsehen GmbH	Unterföhring	Germany	100 1 ⁽¹⁾
7	Kirch Intermedia GmbH	Munich	Germany	100 16 ⁽¹⁾
8	Kirch Intermedia Betriebs GmbH	Munich	Germany	100 7
9	MediaGruppe München Werbeforschung und -vermarktung Verwaltungsgesellschaft mbH	Unterföhring	Germany	100 1
10	MM Merchandising München GmbH	Unterföhring	Germany	100 1 ⁽¹⁾
11	N24 Bayern GmbH	Munich	Germany	100 38
12	N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH	Unterföhring	Germany	100 1 ⁽¹⁾
13	Privatfernsehen in Bayern GmbH & Co. KG	Munich	Germany	86.5 38
14	Privatfernsehen in Bayern Verwaltungs GmbH	Munich	Germany	53.7 38
15	PRO SIEBEN Home Entertainment GmbH Bild- und Tonträgervertrieb	Unterföhring	Germany	100 1
16	ProSieben Digital Media GmbH	Unterföhring	Germany	100 1
17	ProSieben Information Service GmbH	Ismaning	Germany	100 1
18	ProSieben Television GmbH	Unterföhring	Germany	100 1 ⁽¹⁾
19	SAT.1 Boulevard TV GmbH	Berlin	Germany	100 21
20	SAT.1 Norddeutschland GmbH	Hannover	Germany	100 21
21	SAT.1 SatellitenFernsehen GmbH	Mainz/Berlin	Germany	100 1 ⁽¹⁾
22	SAT.1 Privatfernsehen Baden-Württemberg GmbH	Stuttgart	Germany	100 21
23	SAT.1 und Radio HUNDERT,6 Medien Beteiligungs GmbH	Berlin	Germany	100 21
24	SAT.1 und Radio HUNDERT,6 Medien Beteiligungs GmbH Berlin & Co. Betriebs KG	Berlin	Germany	100 21
25	SELCO Service-Gesellschaft für elektronische Kommunikation mbH	Unterföhring	Germany	100 37 ⁽²⁾
26	Seven Scores Musikverlag GmbH	Unterföhring	Germany	100 1
27	SevenOne Club & Shop GmbH	Unterföhring	Germany	100 1
28	SevenOne Interactive GmbH	Unterföhring	Germany	100 7
29	SevenOne Media Austria GmbH	Vienna	Austria	100 30
30	SevenOne Media GmbH	Unterföhring	Germany	100 1 ⁽¹⁾
31	SevenOne Media (Schweiz) AG	Küsnacht	Switzerland	100 16
32	SevenPictures Film GmbH	Unterföhring	Germany	100 1
33	SevenSenses Agentur für Mediendesign und Marketing GmbH	Unterföhring	Germany	100 1
34	STARWATCH Navigation Gesellschaft für interaktive Kommunikation Geschäftsführungs-GmbH	Unterföhring	Germany	100 1
35	STARWATCH Navigation Gesellschaft für interaktive Kommunikation GmbH & Co. Produktions KG	Unterföhring	Germany	100 1
36	SZM Studios Film-, TV- und Multimedia-Produktions GmbH	Unterföhring	Germany	100 1 ⁽¹⁾
37	TELEDIREKT Vermarktungsgesellschaft für Fernsehempfang mbH	Unterföhring	Germany	100 1
38	tv-weiß-blau Rundfunkprogrammanbieter GmbH	Munich	Germany	100 21 ⁽³⁾
Affiliated companies, not consolidated				
39	Merchandising Prag spol. s.r.o.	Prague	Czech Republic	100 11
40	PM&S Software GmbH	Minsk	Belarus	60 18
Associated companies - at equity				
41	EUVÍA Media Verwaltungs AG	Munich	Germany	48.4 1
42	EUVÍA Media AG & Co. KG	Munich	Germany	48.4 1
43	IP Multimedia (Schweiz) AG	Küsnacht	Switzerland	23 31
44	MAGIC MEDIA COMPANY TV-Produktionsgesellschaft mbH	Hürth	Germany	25.4 1
45	SAT.1 Privatrundfunk und -programmgesellschaft m.b.H.	Vienna	Austria	33.3 21
46	SAT.1 Schweiz AG	Zurich	Switzerland	50 21
Other equity interests				
47	AFK Aus- und Fortbildungs GmbH für elektronische Medien	Munich	Germany	11 1
48	Berliner Pool TV Produktionsgesellschaft mbH	Berlin	Germany	33.3 13
49	Deutscher Fernsehpreis GmbH	Cologne	Germany	25 1
50	EPS Programm Service AG	Dübendorf	Switzerland	20 35
51	Forvita GmbH	Cologne	Germany	25 7
52	GI Gesellschaft für Informationstechnologie Aktiengesellschaft	Herford	Germany	50 17
53	OBIS Gesellschaft für Online-Buchungs- und Informationssysteme mbH	Unterföhring	Germany	30 30
54	RTL/ProSieben Schweiz Fernseh AG	Zurich	Switzerland	25 1
55	SevenX Filmverleih GmbH	Unterföhring	Germany	50 32
56	VG Media Gesellschaft zur Verwertung der Leistungsschutzrechte von Sendeunternehmen mbH	Berlin	Germany	50 16
57	wetter.com AG	Singen	Germany	44 7

(1) In exercise of the disclosure exemption option under Sec. 264 (3) of the German Commercial Code
(2) ProSiebenSat.1 Media AG holds 100% of SELCO GmbH as a silent shareholder
(3) SAT.1 SatellitenFernsehen GmbH holds 100% of tv-weiß-blau Rundfunkprogrammanbieter GmbH as a silent shareholder

ProSiebenSat.1 Media AG and ProSiebenSat.1 Group

We have audited the annual financial statements, together with the bookkeeping system, of the ProSieben-Sat.1 Media Aktiengesellschaft, Unterföhring, as well as the consolidated financial statements and its report on the position of the Company and the Group prepared by the Company for the business year from January 1, 2002 to December 31, 2002. The preparation of these documents in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, as well as on the consolidated financial statements and the report on the position of the Company and the Group based on our audit.

We conducted our audit of the annual and consolidated financial statements in accordance with Sec. 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of German Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual and the consolidated financial statements in accordance with German principles of proper accounting and in the report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual and consolidated financial statements and the report on the position of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual and the consolidated financial statements and the report on the position of the Company and the Group. It does not include auditing the contents of the Declaration of Compliance under Sec. 161 of the German Stock Corporation Act (AktG), included in the notes to the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of ProSiebenSat.1 Media Aktiengesellschaft, Unterföhring, and the Group, respectively, in accordance with German principles of proper accounting. On the whole the report on the position of the Company and the Group provides a suitable understanding of the Company's and the Group's position and suitably presents the risks of future development.

Essen, March 31, 2003
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

H.-J. Früh
(German Public Auditor)

A. Gaeb
(German Public Auditor)

<p>Wolfgang van Betteray (Chairman, as of July 9, 2002), Member of the Management of KirchMedia GmbH & Co. KGaA, Unterföhring</p> <p>Volsbank Düsseldorf Neuss eG, Düsseldorf</p> <p>Lloyd Werft Bremerhaven GmbH, Bremerhaven</p> <p>SSW Fähr- und Spezialschiffbau GmbH, Bremerhaven</p>	<p>Alfred H. Lehner, Former Chairman of the Executive Board of Bayerische Landesbank Girozentrale AG, Munich</p> <p>Bayerische Brauholding AG, Munich</p> <p>Deutsche Hausbau AG, Munich</p> <p>Walter Bau AG, Augsburg</p> <p>BAWAG, Bank für Arbeit und Wirtschaft, Vienna,</p>
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Prof. Dr. Hans-Joachim Mertens, Professor at Johann Wolfgang Goethe-Universität, Frankfurt am Main
SCA Hygiene Products AG, Munich

Urs Rohner (Chairman) Management segment: Sales and Merchandising BK Vision AG, Zurich/Switzerland IP Multimedia (Schweiz) AG, Küsnacht/Switzerland Sat.1 Schweiz AG, Zurich/Switzerland Swiss International Air Lines Ltd., Basel/ Switzerland	Jürgen Doetz Management segment: Media Policy and Regulation Verband Privater Rundfunk und Telekommuni- kation e.V., Berlin Zentralverband der deutschen Werbewirtschaft e.V., Bonn Deutscher Werberat, Bonn
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Lothar Lanz
Management segment: Finance and Services
MAGIC MEDIA COMPANY TV-Produktionsgesell-
schaft mbH, Hürth
ArtMerchandising & Media AG, Unterföhring
Lets BuyIT.com N.V., Amsterdam/Netherlands

* EBITDA adjusted for extraordinary expenses

Report of the Supervisory Board



Wolfgang van Betteray,
Chairman of the Supervisory Board

Ladies and Gentlemen,

The ProSiebenSat.1 Group has an exceptionally difficult fiscal 2002 behind it. We had to contend not only with the ongoing recession in the German television advertising market, but the insolvency of KirchMedia GmbH & Co. KGaA – our Group’s majority shareholder and most important programming supplier. The ProSiebenSat.1 Group is listed on the stock exchange, and its finances are independent from the Kirch Group. At no time has it had a role in the KirchMedia insolvency proceedings. Nevertheless, the insolvency and its consequences sometimes added significantly to the everyday workload of both management and staff. The most obvious concern was to clarify any risk to programming rights acquired from KirchMedia. There was also the ProSiebenSat.1 Group’s cooperation in due diligence procedures, offered under confidentiality agreements to selected potential investors in the process of selling KirchMedia. The Executive Board regularly informed the Supervisory Board of ProSiebenSat.1 Media AG as to all aspects of the KirchMedia insolvency that were of relevance to the Company.

The KirchMedia insolvency proceedings also resulted in changes in the Supervisory Board of ProSiebenSat.1 Media AG. Effective June 21, 2002, Dr. Dieter Hahn, the Chairman of the Supervisory Board, Vice-Chairman Thomas Kirch, Jan Mojto, and Dr. Klaus Piette, all resigned from their seats on the Board. The Supervisory Board wishes to thank these gentlemen for their work on behalf of the Company. At the annual general meeting on July 9, 2002, Wolfgang van Betteray, Wolfgang Hartmann, Norbert Deigner and Fred Kogel were elected new members of the Supervisory Board. The Board elected Mr. van Betteray as its Chair and Mr. Hartmann as Vice-Chair.

In accordance with its duties under the law and Articles of Incorporation, the Supervisory Board monitored and advised the Executive Board in its work during fiscal 2002. Because of the difficult business conditions in the television advertising market and the insolvency of KirchMedia, the Supervisory Board held eight ordinary meetings so that it could keep informed of business developments on a regular basis and in great detail. The Executive Board provided the Supervisory Board with detailed oral and written accounts of all events of relevance for business policy, and the two boards discussed these events thoroughly together. The two boards also thoroughly discussed all relevant decisions and issues concerning the Company’s management and strategy, including a high-yield bond issue in July 2002 to optimize the Company’s financing structure.

After KirchMedia filed for insolvency, the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG were informed that the Company’s majority shareholder, KirchMedia, would not support the conversion of preferred stock to common stock that the two boards had advocated and planned, because KirchMedia’s own future ownership structure was now uncertain in light of the insolvency. For that reason, the Supervisory Board decided not to include the conversion proposal on the agenda for the annual shareholders’ meeting on July 9, 2002. At the same time, the Executive Board and Supervisory Board resolved to hold firm to their plans to convert preferred stock to common stock at the earliest possible date.

The Supervisory Board expressly welcomed the release of the German Corporate Governance Code on February 26, 2002, by the Government Commission on the German Corporate Governance Code. At three meetings, the Board dedicated detailed discussion to the Commission’s recommendations on further refining the management and control of listed corporations. The Board took the release of the Code as an occasion to review the cooperation between the Executive Board and Supervisory Board, along with all the Company’s own mechanisms for management and control, and to optimize them where necessary. For example, the by-laws governing the Executive Board were amended, and new by-laws for the Supervisory Board were adopted for the first time. Plans also call for proposing a number of changes in the Articles of Incorporation at the annual general meeting, to bring the Company into better compliance with the Corporate Governance Code’s recommendations. It was amid this setting that the Supervisory Board formed three committees in fiscal 2002. Two of these committees deal with personnel and programming matters; the third is a four-member Audit Committee, chaired by Wolfgang Hartmann. This committee especially deals with questions of accounting, risk management and auditing. The Programming Committee and the Audit Committee each met once in fiscal 2002. The Executive Board and Supervisory Board issued a Declaration of Compliance to the Corporate Governance Code on December 11, 2002.

The 2002 financial statements of ProSiebenSat.1 Media AG, the consolidated financial statements, which were prepared in accordance with German reporting regulations, and the combined management report prepared for ProSiebenSat.1 Media AG and the Group, were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, and received the auditor’s unqualified approval. The Supervisory Board likewise thoroughly reviewed these documents. All documents relating to the financial statements, as well as the KPMG audit reports, were made available to the members of the Audit Committee and Supervisory Board in good time. The documents were discussed in detail in the Audit Committee and at the financial review meeting of the Supervisory Board, in the presence of the auditor. The Supervisory Board has noted with approval the results of the auditor’s examination of the financial statements, and for its own part, finds no cause for objection. The Supervisory Board has approved the annual financial statements and the consolidated financial statements prepared by the Executive Board and audited by the auditor. The annual financial statements were thus adopted. The Supervisory Board has examined the Executive Board’s proposed allocation of profits, which calls for a dividend of EUR 0.02 per share of preferred stock, and concurs in this recommendation to be made to the annual meeting.

Furthermore, in its capacity as auditor of the financial statements, KPMG examined the report of the Executive Board on relationships with affiliated businesses as of December 31, 2002. The auditor’s examination revealed no cause for objection. The auditor has granted the following unqualified auditor’s opinion:

- “After our conscientious audit, we confirm that
1. The factual information in the report is accurate,
 2. In the legal transactions mentioned in the report, the consideration paid by the Company was not disproportionately high, or else any disadvantage was compensated.”

The Supervisory Board’s own examination of the report likewise revealed no cause for objection. The Supervisory Board concurs in the results of the auditor’s audit. Accordingly, and in conformity with the final results of its own examination, the Supervisory Board has no objections to the declaration of the Executive Board at the conclusion of the report on relationships with affiliated businesses.

The Supervisory Board would like to thank the Company’s management and all employees for their hard work and strong personal commitment during the past fiscal year. Every employee’s support for the extremely rigorous cost management played an important role in helping the ProSiebenSat.1 Group hold its own relatively well again in 2002, even under the most difficult market conditions.

Unterföhring, April 2003

Wolfgang van Betteray, Chairman

Five Year Summary

Consolidated Balance Sheet of ProSiebenSat.1 Media AG

Assets									
EUR k	Dec. 31, 2002	Change y/y	Dec. 31, 2001	Change y/y	Dec. 31, 2000	Change y/y	Dec. 31, 1999 pro forma	Change y/y	Dec. 31, 1998 pro forma
A. Fixed assets									
I. Intangible assets	65,232	66%	39,201	-38%	62,839	-25%	83,410	4%	79,962
II. Tangible assets	143,982	-14%	167,823	1%	165,536	-/-	165,810	20%	137,968
III. Financial assets	193,091	3%	187,421	1,520%	11,572	-25%	15,427	24%	12,403
	402,305	2%	394,445	64%	239,947	-9%	264,647	15%	230,333
B. Current assets									
I. Programming assets	1,059,866	-12%	1,206,204	5%	1,146,741	-7%	1,238,821	-6%	1,315,380
II. Inventories	4,958	29%	3,842	24%	3,100	41%	2,200	-70%	7,435
III. Receivables and other current assets	198,109	-33%	293,589	24%	236,121	3%	228,512	107%	110,238
IV. Securities	828	-25%	1,100	3,974%	27	-67%	81	-/-	-/-
V. Cash, credit balances at banks	67,291	-37%	107,060	300%	26,753	-14%	31,281	42%	21,961
	1,331,052	-17%	1,611,795	14%	1,412,742	-6%	1,500,895	3%	1,455,014
C. Prepaid and deferred items	12,735	37%	9,315	24%	7,501	96%	3,821	22%	3,143
D. Deferred taxes	10,050	-20%	12,491	41%	8,831	4%	8,452	-19%	10,420
Total assets	1,756,142	-13%	2,028,046	22%	1,669,021	-6%	1,777,815	5%	1,698,910
Liabilities and shareholders' equity									
EUR k	Dec. 31, 2002	Change y/y	Dec. 31, 2001	Change y/y	Dec. 31, 2000	Change y/y	Dec. 31, 1999 pro forma	Change y/y	Dec. 31, 1998 pro forma
A. Shareholders' equity									
I. Subscribed capital	194,486	-/-	194,486	-/-	194,486	1%	192,234	-/-	191,734
II. Capital reserves	322,319	-/-	322,319	-/-	322,319	30%	247,925	-/-	247,925
III. Revenue reserves	73,245	16%	63,356	22,367%	282	-99%	40,344	-/-	-/-
IV. Difference resulting from capital consolidation	228	-/-	-/-	-/-	-/-	-/-	-/-	-/-	39
V. Balance sheet profit	28,554	-61%	72,671	-44%	130,835	16%	113,235	6%	107,087
VI. Minority interests	-1,399	54%	-3,074	-348%	-686	-302%	340	201%	-335
	617,433	-5%	649,758	-/-	647,236	9%	594,078	9%	546,450
B. Accruals	81,681	-22%	105,087	-32%	154,980	-15%	183,146	72%	106,211
C. Liabilities	1,056,210	-17%	1,272,207	47%	865,499	-13%	998,604	-4%	1,044,094
D. Deferred liabilities	818	-18%	994	-24%	1,306	-34%	1,987	-8%	2,155
Total liabilities and equity	1,756,142	-13%	2,028,046	22%	1,669,021	-6%	1,777,815	5%	1,698,910

Consolidated Statement of Income for ProSiebenSat.1 Media AG

EUR k	2002	Change y/y	2001	Change y/y	2000	Change y/y	1999 pro forma	Change y/y	1998 pro forma
1. Revenues	1,895,093	-6%	2,014,786	-7%	2,155,218	7%	2,018,208	7%	1,894,007
2. Changes in inventory	-11	90%	-112	-349%	45	157%	-79	-316%	-19
3. Other operating income	115,707	48%	78,239	17%	66,927	-25%	89,274	75%	50,888
4. Total	2,010,789	-4%	2,092,913	-6%	2,222,190	5%	2,107,403	8%	1,944,876
5. Programming and material costs	-1,378,361	-1%	-1,399,264	1%	-1,380,050	-/-	-1,385,967	8%	-1,280,607
6. Personnel expenses	-215,926	3%	-209,041	-5%	-219,570	18%	-185,943	10%	-168,418
7. Depreciation and amortization	-61,913	11%	-55,979	-11%	-63,014	20%	-52,494	14%	-46,133
8. Other operating expenses	-246,105	1%	-244,361	-7%	-263,282	10%	-239,171	4%	-229,451
Total lines 5 through 8	-1,902,305	-/-	-1,908,645	-1%	-1,925,916	3%	-1,863,575	8%	-1,724,609
9. Net operating profit	108,484	-41%	184,268	-38%	296,274	22%	243,828	11%	220,267
10. Capital investment expense	-2,264	-164%	-857	16%	-1,015	-370%	-216	53%	-459
11. Interest expenses	-53,258	-5%	-50,538	-31%	-38,559	9%	-42,222	7%	-45,377
12. Other financial income / expenses	4,410	136%	-12,116	49%	-23,918	-705%	-2,971	-133%	-1,276
13. Net financial loss	-51,112	20%	-63,511	-/-	-63,492	-40%	-45,409	4%	-47,112
14. Income from ordinary business activities	57,372	-52%	120,757	-48%	232,782	17%	198,419	15%	173,155
15. Extraordinary expenses	-35,951	-137%	-15,139	45%	-27,384	-/-	-/-	-/-	-/-
16. Net pre-tax profit	21,421	-80%	105,618	-49%	205,398	4%	198,419	15%	173,155
17. Income taxes	-8,046	-79%	-39,075	-66%	-113,958	21%	-94,277	10%	-85,669
18. Other taxes	-791	-17%	-957	76%	-543	-91%	-5,778	3,078%	194
19. Minority interest expenses	-/-	-/-	-/-	-/-	-/-	-/-	-18,216	148%	-7,357
20. Net income for the year	12,584	-81%	65,586	-28%	90,897	13%	80,148	-/-	80,323
21. Amount attributable to minority interests	2,417	-7%	2,596	51%	1,721	90%	905	90,600%	-1
22. Consolidated net income for the year	15,001	-78%	68,182	-26%	92,618	14%	81,053	1%	80,322
23. Accumulated profit brought forward from prior year	3,553	-21%	4,489	-88%	38,217	19%	32,182	20%	26,765
24. Withdrawal from revenue reserves	10,000	-/-	-/-	-/-	-/-	-/-	-/-	-/-	-/-
25. Net income	28,554	-61%	72,671	-44%	130,835	16%	113,235	6%	107,087

Glossary and Index

For quick orientation, here we list a number of important concepts and proper names, along with selected references to page numbers in the report. We also include brief explanations of some terms.

A
A.C. Nielsen S+P 31
An American market research institute with a German branch in Frankfurt am Main; specializes in commercial research. The Hamburg subsidiary, Nielsen Media Research (formerly ACNielsen Werbeforschung S+P) monitors the advertising market. It calculates and reports gross advertising revenues for the most important types of advertising and advertising media (television, general-readership and trade magazines, radio, billboards), broken down by business sector and product group, and by company and brand.

Accruals 22, 36, 40, 46, 48ff, 57

AGF 23f, 26, 31, 38, 41
The Arbeitsgemeinschaft Fernsehforschung is a television research federation (members: ARD, ProSiebenSat.1 Media AG, RTL, ZDF and the stations they represent) that has commissioned GfK Fernsehforschung to gather data on television usage in Germany. The advertising market recognizes this data as the standard for TV planning. The AGF licenses its data to other stations, agencies, advertisers and other data analysis organizations (e. g., Media Control). For further information (in German), see www.agf.de.

Annual general meeting 10, 18, 22, 53, 56, 59

ArtMerchandising & Media 2, 42, 48, 54, 55

B
BLM (Bavarian Authority for New Media) 48, 51

C
Cash flow, Cash flow per share 2, 19, 50, 52, 55
Cash flow indicates the financial surplus generated from ongoing business activities. It incorporates net income for the year, asset movements, and changes in accruals. To get cash flow per share, the cash flow is divided by the number of shares.

Common stock 18, 22, 27, 53, 56
Within the meaning of Sec. 139 of the Stock Corporation Act, stock that carries voting rights (` preferred stock). At present there are two holders of common stock in ProSiebenSat.1 Media AG: KirchMedia GmbH & Co. KGaA and Axel Springer Verlag AG.

Corporate Governance 10f, 21, 53, 56
As of 2002, German law has included a number of new provisions for listed companies. These new regulations emphasize "corporate governance," a term for a company's entire system of internal and external mechanisms of review and supervision.

Corporate sponsorship 13
An effective way for companies to show their social commitment. The ProSiebenSat.1 Group pursues all its corporate sponsorship activities under the slogan "Act, don't protract." The top priority is on sponsorship to help develop media skills.

Cross media marketing
The interlinking of content from different communication tools, such as sponsoring, telepromotion, the Internet, teletext and event marketing, to create a unified brand presentation that generates added communication value for the brand.
Current assets 22, 33, 35f, 38, 40, 46f, 48f, 51f, 57

D
Declaration of Compliance 10, 53, 54, 56
The draft Transparency and Disclosures Act, adopted by the German government on February 6, 2002, implements recommendations from the Government Commission on Corporate Governance in the laws pertaining to stock corporations and financial reporting. The core of the new regulation is that it enacts as law the German code of conduct for the executive boards and supervisory boards of companies listed on the stock exchange. Accordingly, the executive board and supervisory board of any listed company will have to issue an annual "Declaration of Compliance" under Sec. 161 of the Corporations Act, reporting the extent to which the Company adheres to the terms of the German Code. Any deviations from the code declarations must be explained to the public.

Deferred taxes 22, 46, 48, 57

Depreciation and amortization 20f, 32f, 35, 38, 40, 46f, 51f, 57, 55

Depreciation of programming assets 21, 32f, 35, 38, 49f, 55
Each original showing of a program on television causes the asset involved to depreciate. "Unscheduled" depreciation of this type covers such assets as broadcasting rights to programs that are not shown.

Digital television 13, 20f, 53
Digital transmission technology enables images to be transmitted in highly compressed form, exactly like computer data. As a result, six to ten TV programs can be transmitted simultaneously over one digital channel, instead of the analog technique's limit of one program per analog channel. The viewer needs a decoder to receive digital broadcasts. Digital television is not Pay TV. The German government has ordered all television technology in Germany to be converted from analog to digital by 2010.

Dividend 2, 18f, 22, 50, 52f, 56, 59
The earnings a stock corporation pays out for each share. Dividends are proposed by the ` Executive Board and ` Supervisory Board, and are approved by the shareholders at the annual general meeting.

Dividend yield 2, 19
The dividend yield is obtained by dividing the ` dividend by the price per share, and then multiplying by 100. It represents the dividend payout as a percentage of a stock's market price.

DVFA/SG 2, 19f, 52
A key figure developed by the Deutsche Vereinigung für Finanzanalyse und Assetmanagement, or DVFA (the German Association of Financial Analysts and Asset Managers), and the Schmalenbach Gesellschaft - Gesellschaft für Betriebswirtschaft, or SG (a German association for business administration). It is intended to furnish as accurate a comparison between companies as possible. DVFA/SG earnings are based on net income for the year after adjustment for exceptional factors, and are usually expressed as an amount per share. In its figures, ProSiebenSat.1 Media AG uses the latest calculation method specified by the DVFA/SG methods commission.

E
EBIT 2, 20
Earnings before interest and taxes. A ratio commonly used in the United States.

EBITDA (Earnings before interests, taxes, depreciation and amortization) 2, 4, 20, 23, 55
Earnings before interest and taxes (EBIT) plus depreciation of fixed assets, and amortization of intangible assets and of current assets if the latter changes exceed normal levels. By adding depreciation and amortization an operative cash flow is calculated that renders a picture of the Company's earning power.

Employees 2, 4, 12, 51, 53, 56

Equity 2, 22f, 26, 31, 34, 36, 39, 40, 46f, 48f, 54, 55, 57

Equity ratio 2, 22, 36

EU Television Directive
The EU Television Directive of October 3, 1989, last amended in June 1997, defines the minimum standards for regulations governing German commercial television. It especially defines the terms pertaining to advertising in the State Broadcasting Treaty, such as regulations on maximum time used for showing advertising or the number and placement of commercial breaks. German legislation may narrow the directive's terms or make them more precise, but not liberalize them.

Eurobond 21f, 50, 53
The ProSiebenSat.1 Eurobond was issued internationally in March 2001, for a total of EUR 400 million.

Euvía Media 2, 9, 14, 48, 52f, 54
Through the acquisition of 48.4 percent of Euvía Media AG & Co. KG, since 2001 the ProSiebenSat.1 Group's business portfolio has included the transaction television segment. A further 48.5 percent of Euvía Media AG is held by H.O.T. Networks, and the remaining three percent belongs to Euvía's CEO, Christiane zu Salm. Euvía holds full ownership of the Neun Live and sonnenklar TV stations. ` Neun Live.

Executive Board 4f, 8, 10f, 13f, 18, 21f, 25f, 50, 53, 54, 55, 56

F
Fixed assets 21f, 40, 46f, 48, 53, 57

Free TV 26, 34f, 37
In contrast to Pay TV or public broadcasters, television programming that is available unencrypted, with no requirement for decoders or usage fees.

FSF 12, 28
Freiwillige Selbstkontrolle Fernsehen e.V., the German television industry's voluntary self-monitoring association, in Berlin. An organization founded in 1993 for the purpose of providing appropriate and insightful monitoring of programming, usually before it is aired, so as to protect children and teenagers from the risk of endangerment, adverse influence, or social and/or ethical disorientation.

G
GfK Fernsehforschung 23ff, 28, 31, 34, 38f, 41
A television research subsidiary of the consumer research association, GfK Gesellschaft für Konsumforschung. Since 1985, GfK has used electronic measuring units to study television usage in German television households. With 5,200 panel households in Germany - equivalent to about 71.67 million individuals over the age of three in television households - and usage measurements tailored to individual viewers, this is the largest and most accurate television audience research panel in Europe. Since 2001 the panel includes viewers from other EU countries.

Gross advertising spending 20, 31f, 35, 38
Gross advertising spending refers to what advertisers spend to show their advertising, including agency commissions and bulk discounts. Production costs are not included. Gross advertising spending in Germany is surveyed by ` A.C. Nielsen, and is calculated from the number of spots placed times the list prices per showing.

Group Cash Flow Statement 52

Group revenues 5, 20, 51

H
High-yield bond 21f, 25, 52, 56
In July 2002, ProSiebenSat.1 Media AG issued a high-yield bond on the international market. The issue total was EUR 200 million.

K
Kabel 12, 4, 9, 12f, 14, 20ff, 31, 34, 36f, 38f, 40ff, 48, 51, 54, 59

Kirch Intermedia 2, 4, 14, 21, 31, 48f, 51, 54 ` SevenOne Intermedia

KirchMedia 5, 9, 14, 18, 21ff, 31, 52f, 55, 56

M
Market capitalization 19
Market capitalization is the term for what a stock company is worth on the stock exchange, and is calculated by multiplying the current market price per share times the number of shares.

Market share, TV 4, 20, 22ff, 26, 31f, 24f, 37, 38f, 41
In television, the viewing time for a station or broadcast expressed as a percentage of total viewing time, either for all viewers or for specific target groups, during a specified period. TV market shares in Germany are calculated by the ` GfK Fernsehforschung television research service.

MDAX 18, 21
As of January 1, 2003, the German stock market has been under new regulations, with a new indexing system and new a segment structure. Below the DAX index, the Frankfurt exchange's operator, Deutsche Börse, now categorizes stocks into conventional sectors and technology sectors. The MDAX is for conventional sectors, and includes 50 companies. For inclusion in the MDAX a company must comply with the stricter transparency requirements for the Prime Standard segment, and achieve certain levels of market capitalization and trading volume. ProSiebenSat.1 Media AG remained a member of the MDAX after the new indexing system was introduced on March 24, 2003.

Merchandising 2, 4, 8f, 12, 14, 21, 24f, 42, 48, 54, 55
In the film business, merchandising means the selling of products linked thematically to television or film productions. Merchandising products typically include textiles, books, video cassettes or DVDs, and sound recordings. Merchandising also includes trading in licensing rights - the sale of the rights to use programs and protected brand names, symbols, characters or logos.

Merger 8, 14, 18, 21f, 27, 31, 52
The financial and legal amalgamation of two or more companies to form a single unit. Essentially, in a merger either one company absorbs another, or an entirely new company is founded to contain the merging entities.

MHP (Multimedia Home Platform) 26
A technical standard for the reception of digital programming, agreed upon by public and private broadcasters and the state media authorities in September 2001. Viewers can use MHP decoders to receive all digital television channels, call up interactive applications associated with a channel, surf the Internet over the TV, and send e-mail.

MM Merchandising München 14, 24f, 28, 42, 54

N
N24 2, 4, 9, 12, 14, 22f, 25f, 28, 31, 33, 40f, 43, 49, 51, 54, 59

Net advertising spending 8
Net advertising spending represents the actual revenues collected by the media. The figures are published in May of each year by the ZAW (German Advertising Association), and are based on information provided by the stations. To calculate net advertising spending, agency commissions and bulk discounts are deducted from gross advertising spending.

Net financial debt 2, 21f, 52
The interest-bearing debt to banks or shareholders under loans, bonds or other debt instruments, less cash, bank deposits, short-term marketable securities, etc.

Net income for the year 46, 55, 57

Neun Live 9, 23
Neun Live, operated by Neun Live Fernsehen GmbH & Co. KG, is wholly owned by Euvía Media AG & Co. KG. Neun Live grew out of channel tm3, and is a niche channel for live entertainment with interactive viewer participation.

O
Ordinary shares ` common stock

P
PCFR (price to cash flow ratio) 19
The PCFR is obtained by dividing a stock's market price per share by the ` cash flow per share.

PER (price-earnings ratio) 19
A stock's price per share divided by its earnings per share. The PER represents a stock's market price as a multiple of DVFA/SG earnings, or in other words, how many times the earnings of a stock will fit into its price per share.

Personnel expense 4, 8, 21, 36, 39f, 46f, 49, 51, 55, 57 ` Wages and salaries

Preference shares ` Preferred stock

Preferred stock 2, 18f, 22, 37, 53, 56
Within the meaning of Sec. 139 of the Stock Corporation Act, preferred stock comes with special preferential rights, such as the right to a higher ` dividend. Voting rights are not normally granted. The Articles of Incorporation of ProSiebenSat.1 Media AG require that each share of preferred stock must receive a dividend distribution of EUR 0.02 more than a share of common stock.

Prime time 9, 34, 35, 37, 39, 44
The principal viewing period for the TV market. Prime time in Germany is generally between 08:00 and 11:00 PM.

Prime Standard 4
On November 19, 2002, the board of the Frankfurt Securities Exchange adopted a new stock-market segmenting structure for that exchange. The restructuring, which took effect on January 1, 2003, established two segments for stocks and certificates taking the place of stocks. The General Standard segment comprises all stocks that meet the minimum legal requirements for the "official" or "regulated" market. The new Prime Standard segment carries uniform additional obligations. Admission to the Prime Standard segment entails meeting the following transparency requirements: quarterly reporting; compliance with international accounting standards, either IAS or US GAAP; release of a corporate calendar of financial events; at least one analysts' conference per year; ad hoc disclosures in both German and English.

Profit margin 2

Programming investment 2

Programming assets 2, 21f, 32f, 35, 38ff, 46, 49, 51ff, 55, 57
Programming assets comprise feature films, series and commissioned productions, as well as advance payments made. Feature films and series are considered programming assets as of the beginning of the license term; commissioned productions are capitalized as showable programming assets as of their completion, which is deemed to coincide with the date of acceptance.

ProSieben 2, 4, 9, 12ff, 22f, 25f, 31ff, 35ff, 39, 40ff 43f, 48, 52, 54, 59

R
Restricted registered shares 14
Shares registered by name that can be transferred only with the company's consent. In compliance with German media law, the ` common stock of ProSiebenSat.1 Media AG is restricted and registered.

Financial Calendar and Publication Information

Revenues 2, 4f, 8f, 46, 49, 51, 53, 55, 57
↳ Group revenues

Revolving credit facility 21, 50, 52f
A loan agreement, generally entered into with multiple banks (a consortium), that grants a credit line for a fixed term that can be availed on a revolving basis.

Sat.1 2, 4, 9, 12ff, 22f, 25f, 28, 31, 32ff, 37, 40ff, 43, 48ff, 53, 54, 55, 59

Semiometry 31
A method for the qualitative description of target audiences. It is based on the assumption that people's values can be mapped through the way they rate certain terms. The employed indicators are 210 words drawn from the analysis of fundamental texts, and covering the spectrum of human feelings.

SevenOne Club & Shop 2, 4, 8, 24f, 31, 42, 54

SevenOne Intermedia 4, 8, 12, 14, 21ff, 31, 42, 51
SevenOne Intermedia GmbH - formerly Kirch Intermedia GmbH - is the ProSiebenSat.1 Group's Multimedia Center of Competence. It covers the entire value chain in production, marketing, and the economic utilization of available rights for the ProSiebenSat.1 Group's station brands on all interactive platforms, including online, teletext, added-value telephone services, mobile phones and iTV.
↳ Kirch Intermedia

SevenOne Media 2, 4, 12, 14, 20, 23, 31f, 24, 36, 38f, 42ff, 54

SevenOne Media Austria 48, 54

SevenOne Media (Schweiz) 48, 54

SevenSenses 2, 14, 50, 53

Share capital 14, 50, 53

Share price 18

Sponsoring 13
A cooperative arrangement, usually between advertisers and the media. In television, sponsoring is a special form of advertising, an independent way of directly or indirectly financing a broadcast. At the beginning and/or end of every sponsored broadcast, a mention of financing by the sponsor must be presented for a reasonable length of time (for example, "this show brought to you by ..."). Unlike other special forms of advertising, sponsoring is subject to no time limits under German broadcast regulations. But program sponsoring is subject to its own set of regulations under the Interstate Treaty and the advertising guidelines of the state regulatory agencies for broadcasting.

State regulatory agency for broadcasting 26, 28
Each state in Germany has a supervisory authority that oversees all private radio and TV stations. The 15 state regulatory agencies for broadcasting license private broadcasters and monitor compliance with programming principles.

Statement of Income 21, 33, 35, 46f, 48f, 57

Supervisory Board 10f, 14, 18, 21f, 24f, 50, 53, 55, 56

SZM Studios 2, 5, 12, 14, 21, 43, 49, 54

Target audience 4, 23, 27, 31f, 34, 35ff, 40ff
A segment of the population, chosen for specific characteristics, to whom a program or an advertising campaign is directed. The most commonly used criteria are socio-demographic: gender, age, education and income.

Tax rate 2, 20, 52

Technical reach 23, 26, 41
The percentage of households that can receive a given channel. Television programs can be broadcast via antenna, by cable, or by satellite.
↳ Transmission channels

Total assets 2, 22, 33, 35, 38, 40, 46f, 49, 57

Transmission channels 26
Television programs can be broadcast via antenna, by cable, or by satellite.
- Antenna: This classic, "terrestrial" form of reception is still used by barely seven percent of television households, and the trend is falling (figures as of March 1, 2003, source: AGF/GfK Fernsehforschung).
- Cable: Some 56 percent of television households are now connected to the cable network. The "head end" receives stations' signals via satellite and feeds them into the network.
- Satellite: The third and youngest transmission channel, using satellite dishes, reaches around 37 percent of all television households in Germany, with a rising trend.
The major communications satellites for television signal transmission in Europe are those of the ASTRA Group, Eutelsat and Kopernikus.

Visit 24, 31, 39
In Internet terminology, a user's visit to the pages of a web site provider. A visit comprises all the different pages the user has viewed in immediate succession. It is the definition of a media contact for online services. The German advertising industry has agreed that a visit is considered over if no further access has occurred for the past 30 minutes.

Wages and salaries 21, 51
↳ Personnel expense

ZAW 20, 24, 38
The main federation of the German advertising industry: the Zentralverband der deutschen Werbewirtschaft e.V. in Bonn. As an umbrella federation of associations whose members are engaged in commercial advertising, the ZAW pools the industry's interests, represents them to the outside world, and annually compiles the net advertising spending figures for all forms of media. The association is concerned with all aspects of commercial advertising, with the intention of eliminating any need for government regulation of the advertising industry.

Financial calendar
May 13, 2003
Business figures for January through March

June 16, 2003
Annual General Meeting

June 17, 2003
Dividend payment

August 7, 2003
Interim report, January through June

November 6, 2003
Business figures for January through September

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HRB 124 169 AG München

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Information current to
March 31, 2003

Auditor's opinion
March 31, 2003

Design
KMS Team

Photos
Thomas Mayfried

Lithos
Foag & Lemkau GmbH, Munich

Druck
Mediahaus Biering GmbH,
Munich

Printed in Germany

You will find an online version of the annual report on the Internet at www.ProSiebenSat1.com.



ProSiebenSat.1 Media AG is a member of D.I.R.K.



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