

## Interim Report



### **ProSiebenSat.1 Group finds advertising market is bottoming out**

**Advertising crisis has severe impact on Q1 2003 performance**

The ProSiebenSat.1 Group's business performance in the first quarter of 2003 suffered severely from the ongoing advertising crisis. Group revenues were down 15.9 percent from the comparable period last year, to EUR 411.3 million. Deep cost cuts compensated for half of the revenue decline in the year's first three months. Though revenues were off EUR 78.0 million, net income was down only EUR 39.3 million. The Group's pre-tax result declined from the EUR 8.5 million of last year's Q1 to EUR -30.8 million. The ProSiebenSat.1 Group's EBITDA was EUR -4.0 million, as against the comparable period's EUR 43.4 million. EBIT was EUR -13.5 million, compared to EUR 29.7 million. The net loss for the Group totaled EUR -32.8 million, compared to a profit of EUR 5.7 million on the period last year. Cash flow calculated by DVGA/SG principles was EUR 233.5 million, EUR 61.9 million less than the year before.

The first quarter of 2003 was dominated by a sharp slump in the television advertising market, which was most severe in March, at the outbreak of the war in Iraq. As the first quarter of last year was comparatively good, the ProSiebenSat.1 Group suffered more than its share from these conditions in the first few months of 2003. But in April, demand for television advertising was back up significantly, though the market on the whole remains in negative territory. The market very likely bottomed out in March. But any real improvement in the TV advertising market is unlikely until the second half of the year, at the very earliest. Despite the success of its cost control measures, the television corporation is not satisfied with business to date. The revenue drops are not due to the recession in the advertising market alone – they also come in part from weaknesses at Sat.1 and ProSieben. Most of these problems have been corrected, but not quite all. The ProSiebenSat.1 Group finds that its most urgent task at the moment is to optimize the afternoon schedule and some prime-time slots on ProSieben, and the weekend and access prime-time schedules on Sat.1. The ProSiebenSat.1 Group still holds the lead in the television advertising market, with a gross market share of 44.3 percent. The performance of news

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channel N24 has been especially gratifying. It is not only almost neck-and-neck with n-tv in audience share, but is also gradually narrowing n-tv's lead in gross advertising market share.

### **Cost base pruned sharply at Group level**

In the past two years the ProSiebenSat.1 Group has responded to the recession in the advertising market with a strict policy of cost control. Rigorous cost management improved the expense picture at the Group level again in the first quarter of 2003. Programming and material costs were down EUR 30.4 million, or 8.8 percent, from the comparable period last year, to EUR 316.9 million. Other operating expenses were likewise down, from EUR 59.1 million to EUR 56.2 million. This is equivalent to savings of around 5 percent. Other operating income was EUR 11.5 million, off EUR 4 million from the comparable period last year. The decline was mainly the result of lower appreciation of programming assets.

### **Programming assets down slightly**

As of March 31, 2003, the ProSiebenSat.1 Group had total programming assets worth EUR 1,224.9 million, compared to EUR 1,259.0 million for the same period last year. This is equivalent to a reduction of 2.7 percent. With a share of 63.7 percent of total assets, programming is the ProSiebenSat.1 Group's most important asset item. Scheduled depreciation, at EUR 246.1 million, was down 4.1 percent from last year's comparable figure. Programming investments were up from EUR 325.5 million to EUR 434.2 million, after the Group signed several film contracts with major Hollywood studios like Disney, Touchstone, Miramax, Dimension, Lucasfilm and Paramount Pictures. These agreements ensure that the ProSiebenSat.1 Group will have a long-term supply of high-quality, attractive programming.

### **Substantial reduction in net financial debt**

The ProSiebenSat.1 Group reduced its net financial debt from EUR 1,022.5 million to EUR 907.5 million in the first quarter of 2003. Thus the figure is 11.2 percent below the comparable figure for last year. A high-yield bond issue in July 2002 and the retirement of Eurobonds produced a 26.2 percent net increase in bonds from the same quarter last year, to EUR 665.9 million. At the same time, bank loans were reduced 35.1 percent, to EUR 330 million.



Of this figure, EUR 74 million is for a mortgage loan for Sat.1. Largely because of a reduction in tax liabilities, other debt was down by a total of EUR 16.6 million, to EUR 23.7 million. In all, the ProSiebenSat.1 Group's liabilities, at EUR 1,241.7 million, remain at roughly the same level as the previous year's EUR 1,229.5 million. The equity ratio was 30.4 percent.

### **Personnel expenses down to EUR 53.6 million**

As part of its cost-cutting measures, the ProSiebenSat.1 Group has generally foregone any salary increases for 2003. In the first three months of this fiscal year, personnel expenses were EUR 53.6 million, compared to EUR 55.1 million for the same quarter last year. This is equivalent to a reduction of 2.7 percent. Setting aside the integration of SevenOne Intermedia GmbH as of September 1, 2002, personnel expenses would in fact have been 7.4 percent lower than in the first quarter of last year. As of March 31, 2003, the ProSiebenSat.1 Group had 3,023 employees in all, down 1.6 percent from December 31, 2002. The staff has contracted 0.8 percent from March 31, 2002. Again, setting aside the reintegration of SevenOne Intermedia it would have contracted 6 percent.

### **Television: Recession in the TV advertising market keeps building**

The situation in the TV advertising market deteriorated further in the first quarter of 2003. Gross expenditures on television advertising receded faster, at 5.9 percent, than the advertising market as a whole. The gross total losses in the TV advertising market were roughly EUR 100 million. The low point came in March, when the drop expanded to 8.9 percent under the influence of the war in Iraq. The decreases in the TV advertising market had been 2.4 percent in January and 4.8 percent in February. Despite the adverse market conditions, the ProSiebenSat.1 Group was able to maintain its lead in the market. With a gross TV advertising market share of 44.3 percent, the Group defended its lead position in the German TV advertising market against the RTL Group stations, marketed by IP Deutschland.

In the commercially decisive target audience between ages 14 and 49, the ProSiebenSat.1 Group's stations held their own, with a share of 28.9 percent, compared to 29.0 percent in the first quarter of 2002. Among all viewers over the age of three, the Group earned a share of 21.5 percent from



January to March of this year. Figures for station N24 have also been reported by AGF/GfK television research since January 2003.

### **Group generates revenues of EUR 401 million**

The ongoing advertising crisis adversely affected performance in the Television segment. In its core business, the Group generated revenues of EUR 401 million in the first three months of 2003, off EUR 72 million from the comparable quarter last year. This represents a decline of 15 percent. Because of lower revenues, operating income amounted to EUR -32 million, following on EUR 9 million last year.

Sat.1 booked revenues of EUR 177 million, following EUR 196 million for the previous year's first quarter. This is equivalent to a reduction of 9.7 percent. But the station was able to make up for the lower revenues through cost cuts. Pre-tax result even improved from EUR -40.7 million to EUR -13.1 million, a 67.8 percent gain.

ProSieben was the last of the large private stations to feel the full impact of the crisis in the advertising market last year. The station withstood the recession into the first quarter of 2002. So the first three months of 2003 came out all the more disappointing for ProSieben. Against a comparatively stable, high level of revenue in the first quarter of last year, the station brought in revenues of 155 million, a drop of EUR 53 million. Pre-tax income declined from EUR 68.7 million to EUR 15.1 million.

Kabel 1 also suffered from the weak advertising market. The leader among the second generation of Germany's TV stations generated revenues of EUR 46 million in the first three months of 2003, compared to EUR 53 million for the same period last year. Income before taxes was EUR 2.3 million, down EUR 0.2 million from the same period last year.

News channel N24 had an encouraging first quarter in 2003. A new line of documentaries and coverage of the war in Iraq brought N24 considerable gains in audience share during the first three months of 2003. The station's share among viewers age 14 to 49 was 0.6 percent. In TV households that receive both N24 and its main competitor, n-tv - in other words, where genuine competition can exist - N24 is already neck-and-neck with n-tv among this target audience.



Revenue performance at N24, which also serves as the Group's in-house news service provider, was dominated by substantial cost cuts in news operations for the entire Group during the first three months of the year. The consequence was a drop in the news station's in-Group revenues. Consequently N24's total revenues for the first quarter of 2003 were down EUR 10 million, to EUR 15 million. Yet in the same period, albeit at a low level, the station's outside advertising revenues doubled. Because of lower internal revenues and the higher expenses of covering the war in Iraq, pre-tax result declined from EUR -6.9 million to EUR -7.7 million.

#### **Transaction television: Euvía Media generates profit of EUR 6.1 million**

The ProSiebenSat.1 Group's involvement in transaction television continued to perform eminently well in the first quarter of 2003. ProSiebenSat.1 Media AG holds 48.4 percent of Euvía Media AG & Co. KG, which operates the Neun Live station and the travel shopping channel sonnenklar TV. In the first three months of this fiscal year, Euvía Media generated consolidated revenues of EUR 23.5 million, compared to EUR 9.4 million for the same quarter last year. Pre-tax result improved from EUR -7.9 million to EUR +6.1 million. Thus the company is far ahead of original projections.

#### **Merchandising: Revenues off EUR 5 million**

The Merchandising segment combines the activities of MM Merchandising München and SevenOne Club & Shop GmbH. In the first three months of 2003, the two ProSiebenSat.1 Group subsidiaries in this segment generated total revenues of EUR 14 million, down EUR 5 million from the same period last year. Operating income amounted to EUR 3 million, following on EUR 7 million last year. Once again, the weak economy in Germany was responsible for the Merchandising segment's drop in revenues and earnings. Amid the adverse consumer climate, the music industry made significant cutbacks in its cooperative media ventures with MM Merchandising München during the first quarter. But for the year as a whole, the ProSiebenSat.1 Group anticipates that revenues and earnings in the Merchandising segment will grow from last year.

In the future, the ProSiebenSat.1 Group will pool its Merchandising activities in a single company. MM Merchandising Media GmbH will result from the



merger of MM Merchandising München GmbH and SevenOne Club & Shop GmbH. The merger has been in planning since the end of January 2003, and is to take effect at the beginning of June. In addition to synergies in costs, this will also enable the ProSiebenSat.1 Group to generate additional revenue potential in the Merchandising segment.

### **Services: Cost cuts to have an impact**

The Services segment comprises subsidiaries SevenSenses and SZM Studios, and the IT company ProSieben Information Service. This segment derives 94 percent of its business from in-Group orders. Amid such a situation, the ProSiebenSat.1 Group's extensive cost cuts necessarily had an impact on revenues and earnings in the Services sector. From January to March 2003, the segment generated revenues of EUR 36 million, compared to EUR 41 million in the same quarter last year. This represents a decline of five percent. Operating income rose from EUR 1 million to EUR 2 million.

### **Outlook: 2003 to end in the black**

There is still no sign of an economic turnaround in Germany in 2003. Since October 2002, gross domestic product growth projections from economic research institutes, business associations, and the Federal government have all been corrected downward, time after time. Estimates of economic growth in Germany currently fluctuate between 0.3 percent and 0.7 percent. The ongoing weak economy will also continue to pull down the development of the advertising market. Amid these conditions, the ProSiebenSat.1 Group believes that though the television advertising market bottomed out in the first quarter of 2003, the market situation will improve much more slowly than had been anticipated even at the beginning of the year. For 2003 as a whole, the Group therefore expects the television advertising market to keep contracting. Because visibility still remains extremely low, the Group is bracing for another drop of 5 to 10 percent from the year before.

Projections for 2003 anticipate that even in the worst case – if television advertising revenues contract up to 10 percent – the ProSiebenSat.1 Group will still achieve an EBITDA in the triple digit millions. The company will stick systematically to its course of consolidation, and pare back its cost base still further, by more than EUR 200 million from 2002. Earnings will improve especially significantly at Sat.1 and N24 compared to the year before,



although the present market will not allow Sat.1 to achieve an operating profit until next year. Break-even for N24 is still projected for 2005.

Because of the extremely seasonal nature of the television business, the ProSiebenSat.1 Group will presumably also show a loss for the traditionally weak third quarter. But the stronger periods should still prevail in determining total earnings for the year. The Group will show positive net figures for the second and fourth quarters.

#### **Note to the First Quarter 2003 Interim Report of ProSiebenSat.1 Media AG**

The consolidated financial statements of ProSiebenSat.1 Media AG as of December 31, 2002, were prepared in compliance with the requirements of the German Commercial Code and the German Corporations Act. The Company will convert to International Financial Reporting Standards (IFRS) no later than 2005. The Interim Report as of March 31, 2003, was drawn up using the same accounting and valuation methods as in the consolidated financial statements for fiscal 2002 and for the comparable period, the first quarter of 2002. The Interim Report complies with German Accounting Standard No. 6 (DRS 6) – Interim Financial Reporting – issued by the German Accounting Standards Committee (DRSC). Further information about specific accounting and valuation policies is provided in the consolidated financial statements of ProSiebenSat.1 Media AG as of December 31, 2002.



## First Quarter 2003: Key Figures by Business Area

ProSiebenSat.1 Group			March 31, 2003	March 31, 2002	Change
Revenues	[Eur m]	411	489	-	-16%
Pre-tax loss/profit	[Eur m]	-31	9	-	-444%
Net loss/profit for the period	[Eur m]	-33	6	-	-650%
Other operating income	[Eur m]	12	16	-	-25%
EBIT	[Eur m]	-13	30	-	-143%
EBITDA	[Eur m]	-4	43	-	-109%
Liabilities	[Eur m]	1,242	1,230	-	1%
Net financial debts incl. bonds	[Eur m]	908	1,023	-	-11%
Cash-flow calculated according to DVFA/SG	[Eur m]	234	295	-	-21%
Personnel expenses	[Eur m]	54	55	-	-2%
Employees*		3,023	3,047	-	-1%
Business Segments			March 31, 2003	March 31, 2002	Change
TV	External revenues	[Eur m]	397	469	-15%
	Total revenues	[Eur m]	401	473	-15%
	Operating loss/profit	[Eur m]	-32	9	-456%
	Employees*		1,855	1,771	5%
Sat.1	Total revenues	[Eur m]	177	196	-10%
	Pre-tax loss	[Eur m]	-13	-41	68%
	Employees*		240	191	26%
ProSieben	Total revenues	[Eur m]	155	208	-25%
	Pre-tax profit	[Eur m]	15	69	-78%
	Employees*		300	294	2%
Kabel 1	Total revenues	[Eur m]	46	53	-13%
	Pre-tax profit	[Eur m]	2	3	-33%
	Employees*		51	51	0%
N24	Total revenues	[Eur m]	15	25	-40%
	Pre-tax loss	[Eur m]	-8	-7	-14%
	Employees*		182	278	-35%
Merchandising	External revenues	[Eur m]	12	17	-29%
	Total revenues	[Eur m]	14	19	-26%
	Operating profit	[Eur m]	3	7	-57%
	Employees*		117	118	-1%
Dienstleistungen	External revenues	[Eur m]	2	3	-33%
	Total revenues	[Eur m]	36	41	-12%
	Operating profit	[Eur m]	2	1	100%
	Employees*		1,050	1,127	-7%

\* Full-time equivalent jobs as of March 31



## Consolidated Statement of Income for ProSiebenSat.1 Media AG

	Jan. - Mar. 2003 EUR k	Jan. - Mar. 2002 EUR k	Change EUR k
1. Revenues	411,277	489,271	-77,994
2. Other operating income	11,532	15,490	-3,958
<b>3. Total</b>	<b>422,809</b>	<b>504,761</b>	<b>-81,952</b>
4. Programming and material costs	-316,874	-347,251	30,377
5. Personnel expenses	-53,641	-55,088	1,447
6. Depreciation and amortization	-9,235	-12,401	3,166
7. Other operating expenses	-56,212	-59,105	2,893
<b>8. Net operating loss/profit</b>	<b>-13,153</b>	<b>30,916</b>	<b>-44,069</b>
9. Capital investment expense	50	- / -	50
10. Income from loans of fixed financial assets	1,109	1,098	11
11. Income/expense from equity interests in associated companies	-86	-1,088	1,002
12. Depreciation of financial assets and marketable securities	-294	-1,253	959
13. Interest income/expense	-16,878	-13,135	-3,743
<b>14. Net financial loss</b>	<b>-16,099</b>	<b>-14,378</b>	<b>-1,721</b>
<b>15. Income from ordinary business activities</b>	<b>-29,252</b>	<b>16,538</b>	<b>-45,790</b>
16. Extraordinary expense	-1,518	-8,051	6,533
<b>17. Net pre-tax loss/profit</b>	<b>-30,770</b>	<b>8,487</b>	<b>-39,257</b>
18. Income taxes	-2,007	-3,170	1,163
19. Other taxes	-15	-55	40
<b>20. Net loss/profit for the period</b>	<b>-32,792</b>	<b>5,262</b>	<b>-38,054</b>
21. Minority interests	42	407	-365
<b>22. Consolidated net loss/profit for the period</b>	<b>-32,750</b>	<b>5,669</b>	<b>-38,419</b>
23. Accumulated profit brought forward from prior years	28,296	72,743	-44,447
<b>24. Balance sheet loss/profit</b>	<b>-4,454</b>	<b>78,412</b>	<b>-82,866</b>



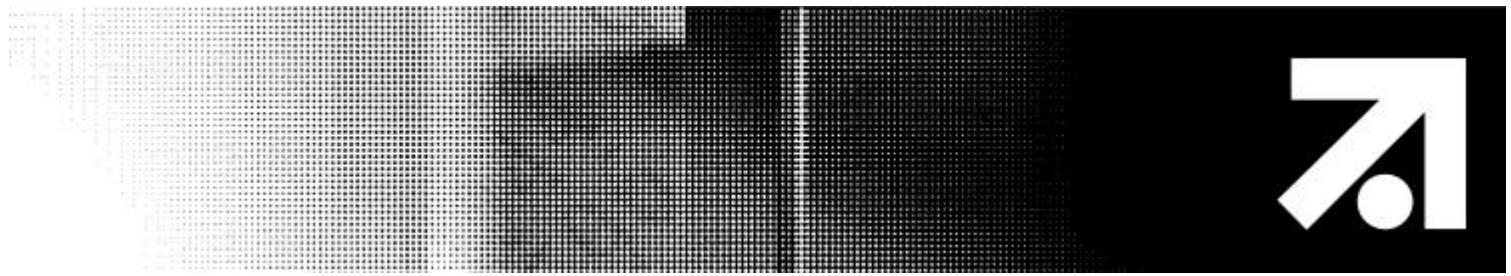
### Statement of changes in shareholders' equity of the ProSiebenSat.1 Group

#### Statement of changes in shareholders' equity of the ProSiebenSat.1 Media Group for January through March 2002

	Subscribed capital		Capital reserves	Group equity generated	Accumulated other Group net income	Other transactions with no effect	Shareholders' equity	Minority interests	Group equity
	Shares of common stock	Shares of preferred stock			Foreign currency translation adjustment				
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Dec. 31, 2001	97,243	97,243	322,319	135,719	89	219	652,832	-3,074	649,758
Dividends paid	-/-	-/-	-/-	-/-	-/-	-/-	-/-	-/-	0
Changes in scope of consolidation	-/-	-/-	-/-	-/-	-/-	-/-	-/-	-/-	0
Other changes	-/-	-/-	-/-	-/-	23	15	38	-520	-482
Consolidated profit / loss for the year	-/-	-/-	-/-	5,669	-/-	-/-	5,669	-407	5,262
<b>March 31, 2002</b>	<b>97,243</b>	<b>97,243</b>	<b>322,319</b>	<b>141,388</b>	<b>112</b>	<b>234</b>	<b>658,539</b>	<b>-4,001</b>	<b>654,538</b>

#### Statement of changes in shareholders' equity of the ProSiebenSat.1 Media Group for January through March 2003

	Subscribed capital		Capital reserves	Group equity generated	Accumulated other Group net income	Other transactions with no effect	Shareholders' equity	Minority interests	Group equity
	Shares of common stock	Shares of preferred stock			Foreign currency translation adjustment				
	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Dec. 31, 2002	97,243	97,243	322,319	101,851	-42	218	618,832	-1,399	617,433
Dividends paid	-/-	-/-	-/-	-/-	-/-	-/-	0	-/-	0
Changes in scope of consolidation	-/-	-/-	-/-	-/-	-/-	-/-	0	-/-	0
Other changes	-/-	-/-	-/-	-/-	-191	-72	-263	-/-	-263
Consolidated profit / loss for the year	-/-	-/-	-/-	-32,750	-/-	-/-	32,750	-42	-32,792
<b>March 31, 2003</b>	<b>97,243</b>	<b>97,243</b>	<b>322,319</b>	<b>69,101</b>	<b>-233</b>	<b>146</b>	<b>585,819</b>	<b>-1,441</b>	<b>584,378</b>



### Consolidated Balance Sheet of ProSiebenSat.1 Media AG

#### Assets

	March 31, 2003	March 31, 2002	Change	Dec. 31, 2002	Change
	EUR k	EUR k	EUR k	EUR k	EUR k
<b>A. Fixed assets</b>					
I. Intangible assets	62,843	35,257	27,586	65,232	-2,389
II. Tangible assets	138,320	163,553	-25,233	143,982	-5,662
III. Financial assets	190,744	185,877	4,867	193,091	-2,347
	391,907	384,687	7,220	402,305	-10,398
<b>B. Current assets</b>					
I. Programming assets	1,224,916	1,259,027	-34,111	1,059,866	165,050
II. Inventories	5,073	4,885	188	4,958	115
III. Receivables and other current assets	169,524	303,089	-133,565	198,109	-28,585
IV. Securities	983	369	614	828	155
V. Cash, credit balances at banks	88,480	15,522	72,958	67,291	21,189
	1,488,976	1,582,892	-93,916	1,331,052	157,924
<b>C. Prepaid and deferred items</b>					
	32,839	18,708	14,131	12,735	20,104
<b>D. Deferred taxes</b>					
	9,634	12,874	-3,240	10,050	-416
<b>Total assets</b>	<b>1,923,356</b>	<b>1,999,161</b>	<b>-75,805</b>	<b>1,756,142</b>	<b>167,214</b>

#### Liabilities and shareholders' equity

	March 31, 2003	March 31, 2002	Change	Dec. 31 2002	Change
	EUR k	EUR k	EUR k	EUR k	EUR k
<b>A. Shareholders' equity</b>					
I. Subscribed capital	194,486	194,486	-/-	194,486	-/-
II. Capital reserves	322,319	322,319	-/-	322,319	-/-
III. Revenue reserves	73,240	63,322	9,918	73,245	-5
IV. Retained earnings	228	-/-	228	228	-/-
V. Consolidated net income for the period	-4,454	78,412	-82,866	28,554	-33,008
VI. Minority interests	-1,441	-4,001	2,560	-1,399	-42
	584,378	654,538	-70,160	617,433	-33,055
<b>B. Accruals</b>					
	95,721	113,328	-17,607	81,681	14,040
<b>C. Liabilities</b>					
	1,241,680	1,229,474	12,206	1,056,210	185,470
<b>D. Deferred liabilities</b>					
	1,577	1,821	-244	818	759
<b>Total liabilities and equity</b>	<b>1,923,356</b>	<b>1,999,161</b>	<b>-75,805</b>	<b>1,756,142</b>	<b>167,214</b>



## ProSiebenSat.1 Group Cash Flow Statement

	1.Q 2003 EUR k	1.Q 2002 EUR k
<b>Income for the period before extraordinary items</b>	<b>-31,232</b>	<b>13,720</b>
Depreciation and amortization / Appreciation of fixed assets	9,522	12,443
Depreciation of programming assets, including appreciations	258,687	267,965
Change in accruals for anticipated losses on programming assets	-3,470	1,262
<b>Cash flow calculated according to DVFA / SG</b>	<b>233,507</b>	<b>295,390</b>
Gain on disposal of fixed assets	-22	-3
Gain on disposal of programming assets	-38	-44
Loss on disposal of fixed assets	92	9
Loss on disposal of programming assets	462	849
Disposal of programming assets not affecting payments	3,236	1,262
Changes in other accruals	17,510	6,979
Increase / decrease in inventories, accounts receivable and other assets not associated with investing or financing activities	8,627	-19,588
Increase / decrease in accounts payable and other liabilities not associated with investing or financing activities	12,075	-74,898
Expenditures for extraordinary items	-1,518	-8,051
<b>Cash flow from operating activities</b>	<b>273,931</b>	<b>201,905</b>
Proceeds from disposal of intangible assets	41	450
Proceeds from disposal of tangible assets	627	- / -
Proceeds from disposal of financial assets	2,040	1,583
Proceeds from disposal of programming assets	6,811	2,629
Expenditures for intangible assets	-221	-1,228
Expenditures for tangible assets	-1,646	-3,415
Expenditures for programming assets	-434,208	-325,484
Effects of changes in scope of consolidation	-305	-888
Expenditures for purchase of equity interests	-35	-82
<b>Cash flow from investing activities</b>	<b>-426,896</b>	<b>-326,435</b>
Proceeds from loans taken out and repayments of financial debt [net]	174,154	32,992
<b>Cash flow from financing activities</b>	<b>174,154</b>	<b>32,992</b>
<b>Change in cash and cash equivalents not affecting payments</b>	<b>21,189</b>	<b>-91,538</b>
Cash and cash equivalents at beginning of year	67,291	107,060
<b>Cash and cash equivalents as of March 31, 2003</b>	<b>88,480</b>	<b>15,522</b>