ProSiebenSat.1 Media AG Annual Report 2003

Programmed for Success

Key Figures for the ProSiebenSat.1 Group

Balance Sheet Key Figures			Dec. 31, 2003	Dec. 31, 2002	Change
Total assets		[EUR m]	1,791	1,756	2%
Shareholders' equity		[EUR m]	657	617	6%
Liabilities		[EUR m]	1,034	1,056	-2%
Equity ratio			37%	35%	6%
Pre-tax return on equity			9%	3%	200%
Programming assets		[EUR m]	1,148	1,060	8%
Programming assets/Total assets			64%	60%	7%
Programming investment		[EUR m]	1,109	926	20%
Net financial debt		[EUR m]	676	754	-10%
Cash Flow Key Figures for the ProSiebenSat.1 Group			**2003**	**2002**	**Change**
Cash flow calculated according to DVFA/SG		[EUR m]	1,121	1,147	-2%
Cash flow from operating activities		[EUR m]	1,187	1,151	3%
Cash flow from investing activities		[EUR m]	-1,108	-979	-13%
Cash flow from financing activities		[EUR m]	-85	-212	60%
Key Figures for the ProSiebenSat.1 Group					
Revenues		[EUR m]	1,807	1,895	-5%
Total revenues and other operating income		[EUR m]	1,856	2,011	-8%
Operating profit		[EUR m]	160	108	48%
Financial profit/loss		[EUR m]	-57	-51	-12%
Extraordinary expense		[EUR m]	-45	-36	-25%
Pre-tax profit		[EUR m]	57	21	171%
Net profit for the year		[EUR m]	45	15	200%
Other operating income		[EUR m]	49	116	-58%
Pre-tax profit margin			3%	1%	200%
EBITDA		[EUR m]	196	170	15%
EBIT		[EUR m]	158	108	46%
Earnings per share in accordance with DVFA/SG		[EUR]	0.40	0.08	400%
Employees*			2,781	3,072	-9%
Sat.1	Total revenues	[EUR m]	776	777	0%
	Pre-tax profit/loss	[EUR m]	5	-98	105%
	EBITDA	[EUR m]	38	-77	149%
	Employees*		216	183	18%
ProSieben	Total revenues	[EUR m]	687	778	-12%
	Pre-tax profit	[EUR m]	135	206	-34%
	EBITDA	[EUR m]	133	202	-34%
	Employees*		265	303	-13%
Kabel 1	Total revenues	[EUR m]	190	196	-3%
	Pre-tax profit	[EUR m]	18	12	50%
	EBITDA	[EUR m]	18	14	29%
	Employees*		49	50	-2%
N24	Total revenues	[EUR m]	71	95	-25%
	Pre-tax loss	[EUR m]	-11	-24	54%
	EBITDA	[EUR m]	-9	-22	59%
	Employees*		155	265	-42%
SevenOne Intermedia	Total revenues	[EUR m]	60	46	30%
	Pre-tax profit	[EUR m]	10	11	-9%
	EBITDA	[EUR m]	14	2	600%
	Employees*		100	131	-24%
Merchandising	External revenues	[EUR m]	60	66	-9%
	Total revenues	[EUR m]	68	73	-7%
	Operating profit	[EUR m]	14	17	-18%
	EBITDA	[EUR m]	14	18	-22%
	Employees*		102	119	-14%

* Full-time equivalent jobs as of December 31

+171%

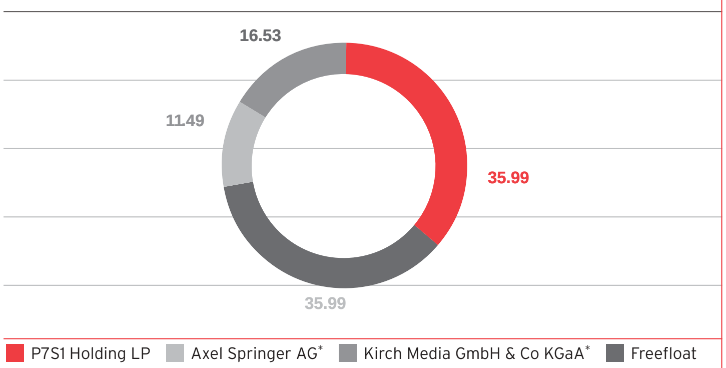
Even though the advertising market was down, the ProSiebenSat.1 Group boosted profitability significantly, pushing its pre-tax profit up 171 percent. A sustained reduction in the cost base, more efficient corporate and management structures, and a larger combined audience share for its stations strengthened the Group's market position.

At a Glance

ProSiebenSat.1 is a listed stock corporation registered in the commercial register of the local court of Munich under HRB 124169 with its seat in Unterföhring. The ProSiebenSat.1 preferred shares are traded on the main segment [Amtlicher Markt] of the Frankfurt Stock Exchange and on the over-the-counter market [Freiverkehr] of the Düsseldorf, Stuttgart, Munich, Berlin-Bremen, Hannover and Hamburg stock exchanges.

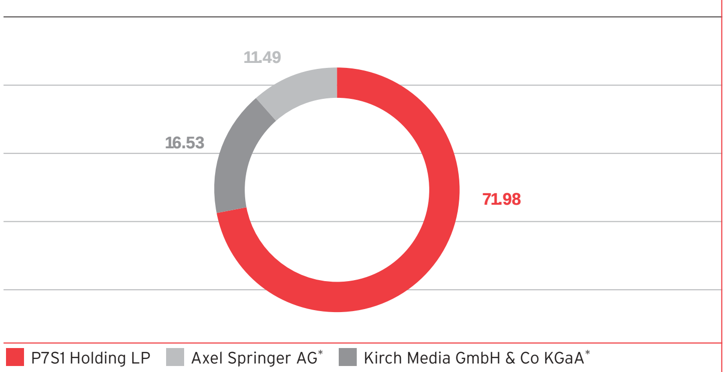
Allocation of Share Capital

[Percent]



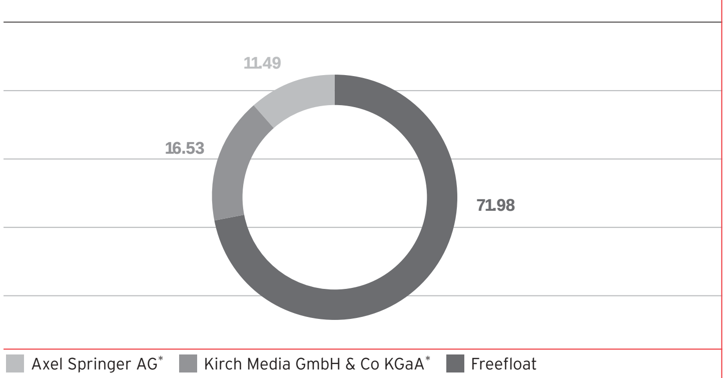
Allocation of Common Stock

[Percent]



Allocation of Preferred Stock

[Percent]



As of March 2004

* after adjustment for other equity interests

Executive Board

Urs Rohner [CEO]
Born 1959 in Zurich, Switzerland
Management segment: Television and Merchandising

Peter Christmann
Born 1964 in Wiesbaden
Management segment: Marketing and Sales

Jürgen Doetz
Born 1944 in Heidelberg
Management segment: Media Policy and Regulation

Lothar Lanz
Born 1948 in Bihlafingen
Management segment: Finance and Services

Guillaume de Posch
Born 1958 in Arlon, Belgium
Chief Operating Officer

Supervisory Board

Haim Saban [Chairman]
Chairman and Chief Executive Officer of Saban Capital Group, Inc., Los Angeles

Adam Chesnoff [Vice-Chairman]
President and Chief Operating Officer of Saban Capital Group, Inc., Los Angeles

John Connaughton
Managing Director of Bain Capital Partners LLC, Boston

Dr. Mathias Döpfner
Chairman of the Executive Board of Axel Springer AG, Berlin

Wolfgang Hartmann
Member of the Executive Board of Commerzbank AG, Frankfurt am Main

Patrick Healy
Managing Director of Hellman & Friedman LLC, San Francisco

Dr. Michael Jaffé
Attorney-at-law and Insolvency Administrator of Kirch Media GmbH & Co. KGaA i. IN, Munich

Seth Lawry
Managing Director of Thomas H. Lee Partners LP, New York

Hubertus Meyer-Burckhardt
Member of the Executive Board of Axel Springer AG, Berlin

»We significantly strengthened the company's market position in 2003. And, in doing so, we've laid the groundwork for the Group to perform better than average in the years to come.« Urs Rohner, Chairman of the Executive Board

Left to right: Urs Rohner, Guillaume de Posch, Lothar Lanz, Jürgen Doetz, Peter Christmann

Corporate History

January 1984 Sat.1 is the first German commercial television station to go on air

January 1989 ProSieben goes on air

February 1992 Kabel 1 goes on air

July 1992 Formation of the sales company MediaGruppe München

January 1993 Formation of SZM Studios

March 1996 ProSieben takes over MM MerchandisingMedia [former MM MerchandisingMünchen]

July 1997 IPO of ProSieben Media AG

August 1999 Formation of the Sat.1 sales company Media 1

January 2000 N24 goes on air

October 2000 Formation of ProSiebenSat.1 Media AG [Merger of Sat.1 and ProSieben]

November 2000 SevenOne Media originates from the merger between MediaGruppe München and Media 1

May 2001 ProSiebenSat.1 Media AG acquires 48.4 percent of Euvia Media AG & Co. KG

September 2002 Takeover of all shares in the multimedia company SevenOne Intermedia [former Kirch Intermedia]

July 2003 Formation of MerchandisingMedia GmbH [Merger of SevenOne Club & Shop and MM MerchandisingMünchen]

August 2003 The Saban Capital Group – through its subsidiary – acquires 36 percent of the share capital of ProSiebenSat.1 Media AG

January 2004 20 years of Sat.1

Dear Shareholders,

Without a doubt, 2003 was one of the most difficult years ever for ProSiebenSat.1 Media AG, and for the entire media industry as well. The sluggish German economy, suffering the longest phase of stagnation in postwar German history, held advertising markets down. Consumers reacted to the economic uncertainties with a clear reluctance to spend, which was reinforced even further by the debate about pending political reforms.

Amid this setting, companies spent even less on TV advertising than they had the year before. The German TV advertising market shrank for the third year in a row. At the same time, following the insolvency of its principal shareholder Kirch Media, the ProSiebenSat.1 Group had to cope with a complex sale process that not only tied up considerable management resources, but also repeatedly left our business partners in doubt about where the Company would be heading in the future.

Despite these extremely difficult conditions, the Group significantly boosted its profitability last year. In fiscal 2003, your Company generated pre-tax profits of EUR 57 million [vs. EUR 21 million the year before]. And we achieved this 171 percent gain in the face of declining revenues. EBITDA at the Group level grew EUR 26 million, to reach EUR 196 million, a 15 percent increase. The consolidated net profit was EUR 45 million, triple the previous year's EUR 15 million. Although adverse advertising conditions pulled down revenues 5 percent, from EUR 1.895 billion to EUR 1.807 billion, we more than made up for the difference with massive savings on costs in every segment.

Our earnings prove the success of our measures to organize the ProSiebenSat.1 Group as efficiently as possible. Those results would have been impossible without the extraordinary good will and discipline of our employees. On behalf of the Executive Board, I want to offer every member of our staff our warm thanks for their dedication and hard work during this difficult phase.

We made use of the past fiscal year to pare back the Group's cost base in a sustainable way, and to optimize our corporate structures. Additionally, since Saban Capital Group became involved in late summer, along with the investors Alpine Equity, Bain Capital, Hellman & Friedman, Providence Equity, Putnam Investments, Quadrangle Group, and Thomas H. Lee, we have been able to profit from a stable ownership that has allowed us to go back to concentrating on our business operations. Last year we not only improved our market position significantly, but laid the groundwork for the Group to perform better than average in the years to come.

We did this by optimizing a great many processes. We shed marginal activities, and outsourced or cut back services and redundant resources, especially in production. Those changes lowered fixed costs in every department. The steps we took will also keep on saving us costs in the future.

Last fiscal year the ProSiebenSat.1 Group also took strides in safeguarding its long-term programming supply. Contracts with nearly every major US studio have given the Group the best supply of high-quality Hollywood feature films and series in its history. Additionally, the ProSiebenSat.1 Group signed a ten-year volume deal with Kirch Media, covering more than 2,000 high-quality feature films and some 130 series. The deal safeguarded our access to Europe's largest film library, while also significantly reducing financial risk through an innovative revenue-sharing plan. With the Champions League, we have the most attractive soccer rights on German TV. In their very first season, they've regularly brought in top ratings for station Sat.1.

Our projects for 2003 bore consistent fruit not just in cutting costs and protecting our programming supply, but also in our stations' performance. The Group's audience share grew from 28.1 percent to 28.9 percent of the 14-to-49 target group that is so important to advertisers. In the fourth quarter, the Group's combined share of 29.9 percent actually outperformed the target we had set ourselves for 2003.

Even though the poor economy caused spending for TV advertising to shrink again, all three full-service stations showed a profit. With a pre-tax profit of EUR 5 million, compared to the previous year's loss of EUR 98 million, Sat.1 made it into the black. Despite a considerable drop in revenues, ProSieben remains the Group's most profitable station, with a high profit margin. Kabel 1 is likewise running in the black, and improved its earnings significantly. Station N24 took a giant step toward breaking even, not only improving its ratings substantially but boosting its earnings 54 percent.

Urs Rohner, Chairman of the Executive Board
Born 1959, studied law in Zurich from 1978 to 1983, admitted to the bar of the Canton of Zurich in 1986. Chairman of the Executive Board of ProSieben Media AG in 2000 and of ProSiebenSat.1 Media AG the same year, after the merger with Sat.1.

We enjoyed above-average growth rates in revenues from sources other than conventional TV advertising. The ProSiebenSat.1 Group's non-TV revenues were up 43 percent from the year before. In other words, revenues from merchandising, licensing, teletext, the Internet, mobile services, added-value telephone services and e-commerce applications bucked the downtrend in the advertising market.

The progress our Company has made is also reflected in the price of our stock. With a gain of more than 100 percent on the year in 2003, the stock of ProSiebenSat.1 Media AG clearly outperformed the MDAX and DAX indexes. And no comparable media stock in Europe did anywhere nearly as well as ProSiebenSat.1.

It's still more than difficult to give an outlook for the current fiscal year. As long as there are no reliable indications that consumer confidence will improve, we cannot expect the advertising market to grow. Given this situation, the ProSiebenSat.1 Group is assuming that the market will remain stable this year.

Our most important ambition is to strengthen our Company's position even further. So we have set ourselves four goals for 2004: We will improve our earnings significantly even if the TV market does not grow. We will improve our capitalization as planned, which in turn will give the Group greater maneuverability against the competition and lay the foundation for new growth. And we have set ourselves the goal of being the leader in both the advertising market and audience share.

The Group's stronger position in the market will offer lasting future benefits. With its four channels, the ProSiebenSat.1 Group has the only real family of stations in one of the largest – but also one of the most competitive – TV markets in the world. Our stations' strategic positioning, our more efficient use of programming and programming rights, and our many different opportunities for marketing will place the Company in a strong competitive position.

Our stations are the heart of the Company. Its future depends on their strength and their viability. So strengthening our stations' brands even further is another core component of the Company's strategic orientation.

Another of our top priorities is to bring the ProSiebenSat.1 Group into the digital age, safeguarding and further expanding the strong position of both the Group and its stations. The ProSiebenSat.1 Group's ambition is to be the leading TV corporation in the German market – today and in the future. With our clear brand orientation, we believe the Group is well equipped for that future.

As you may know, I have decided to leave the ProSiebenSat.1 Group as of April 30, 2004. I will be handing over the management of the Company to Guillaume de Posch, currently our Chief Operating Officer. At the end of my tenure here, please allow me a personal word. After more than four years heading Germany's largest television corporation, it is not easy to leave. But I am convinced that the ProSiebenSat.1 Group is superbly positioned to master the challenges of the future. I wish Guillaume de Posch, the management, and the entire staff of the ProSiebenSat.1 Group every success and fortune in completing the challenging tasks ahead.

I will remain associated with the Company, both as a shareholder, and a friend.

Sincerely,

Urs Rohner
Chairman of the Executive Board

»The ProSiebenSat.1 Group has unique strengths.«

Interview: Guillaume de Posch

The crisis in the advertising market set in three years ago, largely without warning. What was the situation last year?

Certainly 2003 was the hardest of the past three years. Our estimate is that TV advertising expenditures dropped another 4 to 6 percent net. That would mean that since 2000, the TV market has lost about a billion euros net – or 20 percent. Keeping a company on course while the market contracts by a fifth is quite a challenge for everybody involved. I have to give full credit to Urs Rohner who was able, together with the Management Board, to successfully steer the Group through this very tough market environment. For a third year in a row, we've been able to make up for lower revenues by keeping a stringent eye on costs. And we did more than just keep the Company profitable last year – we actually made it significantly more profitable. That's an accomplishment that would never have been possible without the discipline and stamina of the ProSiebenSat.1 Group's employees. And we are proud of both it and them.

Has the situation bottomed out now, or do you expect TV advertising spending to be off again this year?

The advertising industry depends heavily on the economic situation in general. It's hard to interpret the current signals reliably and figure out whether consumers' mood will brighten as the economy picks up. At the moment there is no reliable indication that consumer confidence will improve. Given that situation, our projections for 2004 assume that the market will remain stable. But even though we assume there will be no market growth, we plan to improve our earnings significantly this year.

You don't assume advertising revenues will rise, yet you announce earnings will improve. How do you plan to manage that?

Last year we carefully analyzed every process that goes on in our Company. Wherever appropriate, we've made changes to increase the Group's efficiency. Many of the steps we took have longer-term effects and will save us even more on costs. We'll profit from that. Then too, we've set ourselves the clear goal of boosting our stations' audience share. We've been on a distinctly encouraging track with that since last winter. And the change is also likely to be reflected in a larger share of the advertising market.

ProSiebenSat.1 Media AG has had a new principal shareholder since last year. Has that affected the company's strategy?

The Saban Capital Group and its private equity associates took a very close look at our Company. And after the comprehensive review that such a takeover involves, they had no reservations about the Group's basic orientation. Which not only reconfirmed the Group's strategy, but has also strengthened our commitment to the course we have chosen for the future. What was important was that with the ownership issues resolved, the Group can go back to concentrating on its daily operations. And the uptrends at our stations prove that our work is already beginning to pay off.

Of course there is another major broadcasting group in the German market besides ProSiebenSat.1. What strategic advantage do you think your group has?

The ProSiebenSat.1 Group has unique strengths. There's no other example of a family of four stations that are all wholly owned by the same company, and coordinated in such a way that they complement each other in every aspect of programming, rights acquisitions and central functions like advertising sales or finance. The German television market, with its wide range of stations, is one of the toughest in the world. In a market like this, our Group's structure is a competitive advantage that you simply can't overstate. We're the only TV corporation that runs a true family of stations, and we'll be able to put that advantage to even better use in the future.

You operate in the third-largest television market in the world, and the largest one in Europe. What's your vision for the group?

Our vision is very simple. Free TV is our core business, and our first aim is to expand the foundations for that business. We're the leading TV Group in the country, and today and in the future we're going to make television programs that are an essential part of Germans' everyday life, programs that are relevant to their lives.

Guillaume de Posch
Designated Chairman of the Executive Board of the ProSiebenSat.1 Media AG

Last year, Sat.1 was your group's third full-service channel to get into the black. But N24 is still operating in the red. Can an all-news station really be economically justified for the long run?

N24 is a relatively young station. Its financing rests on two main pillars. First, it generates income from advertising, and second, it serves as the news service provider for the entire Group. We're convinced this is the only viable model for a news station in the German market. Last year N24 performed positively in terms of its audience share and its share of the advertising market. We expect that the station will break even on schedule in 2005.

What's your long-term strategy?

Our strategy is centered around three sets of action: We need to reinforce our core business, we also need to develop non TV revenues by expanding our brands so that they also cover merchandising, teletext, internet, mobile services and added-value telephone services. This meets the changing needs of advertisers, who have to build consumer confidence in their brands differently today than just a few years ago. Finally we need to position ourselves in the digital world.

What impact will digital technology have on your company's future development?

The digital age will open up new business prospects for the ProSiebenSat.1 Group. Innovative services like T-commerce and new theme channels are strategic options that represent the logical next step in the value chain for a media company like the ProSiebenSat.1 Group. We're carefully watching every development in that sector, and we're working on new business models. We certainly won't overlook any chances that open up – of course only if they reinforce the position of our existing channels and if they create value to the Group.

Digital technology will increase the range of viewing options. Aren't you worried that your free stations will lose significance?

Television is the most fascinating and direct of all media to effectively reach the consumer market. Surveys regularly call it the most important medium – and that specifically means the free TV-channels. Over the past ten years, Germans have been watching more television every year. We're firmly convinced that strong station brands with high quality general entertainment programming will become even more important in the digital world, because they offer a focal point for the viewer in the midst of the more extensive choice of options. That is the reason why we think it's essential to strengthen our stations' brands. They're the foundation of our business today, and will be in the future, too.

9.5 Mi

11.

The made-for-TV movie "The Miracle of Lengede" ["Das Wunder von Lengede"] proved to be a ratings miracle as well. The exciting film of a 1963 mine disaster drew 9.5 million viewers to Sat.1 in November 2003. The two-part drama was the most successful in-house TV event production in the history of German commercial television.

WE LOVE TO ENTERTAIN YOU.

In 2003 the ProSiebenSat.1 Group acquired Free TV broadcast rights for 2,475 feature films. ProSieben stands to benefit the most. In the next few years, Germany's No. 1 feature film station will have access to such Hollywood blockbusters as "The Matrix Reloaded", "The Matrix Revolutions", "The Last Samurai" or "Spider-Man". Not to mention 3,400 episodes of series.

2,475


1.4 Mi

11.

On Kabel 1 on the evening of September 27, 2003, Robert Redford broke the hearts of about 1.4 million German women [about 700,000 men were tuned in as well]. They were all watching "Out of Africa", just one of the many dramatic "Best Films of All Time" viewers enjoyed on Kabel 1 last year.

N24

Werden Sie Augenzeuge.

On the scene: N24's clear-cut information policy is obviously welcome to audiences. In 2003 the news station added 215 percent to its share of the critical 14-to-49 target audience. For more and more people, N24 is the first place to look for information.

215%

+149%

Sat.1's EBITDA reached EUR 38 million in 2003. After a loss of EUR 77 million the year before, the station's earnings were up 149 percent, pushing it into the black. One of the most important factors in the improvement was giving up Bundesliga soccer. The Champions League has regularly brought in ratings far above average for Sat.1 since last season.

Management Report and Group Management Report

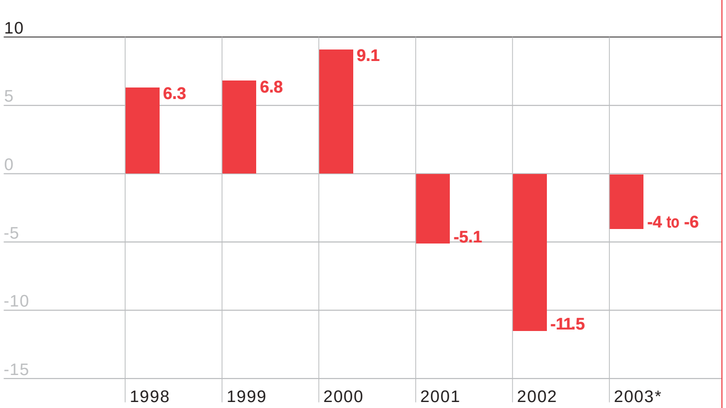
The Economic Situation

Economic crisis weighs on advertising market

The year 2003 marked the low point in the German economy's longest slump since World War II. Preliminary figures from the Federal Statistical Office indicate that gross domestic product [GDP] fell 0.1 percent in 2003. The German economy thus recorded its first recession in a decade. The year continued the weak economic performance from the previous two years, when real GDP grew a sluggish 0.2 percent [2002] and 0.8 percent [2001]. The advertising industry was hit particularly hard by the adverse conditions of 2003. The war in Iraq, the economic slump and the debate about political reforms all sapped consumer confidence and reinforced the general reluctance to spend. With the third negative year in a row, the German advertising industry remained mired in the longest recessive phase in its history.

Net advertising spending

[Change from previous year in percent]



Source: ZAW | * ProSiebenSat.1 Media AG estimates

TV advertising market down 4 to 6 percent from previous year

No precise figure is available yet for the German advertising market's revenue decline in 2003. The ZAW, Germany's national advertising association, will not publish the media's net advertising revenues until May 2004. These figures are based on voluntary reporting by the various companies. The television broadcasters' figures reflect advertising revenues before deducting discounts for cash but after deducting agency commissions and bulk discounts. The ZAW expects to find that advertising expenditures declined 2 percent for the advertising industry as a whole. The ProSiebenSat.1 Group assumes that the German television advertising market shrank 4 to 6 percent. Net spending on television advertising in Germany thus fell for the third year in a row. This market had already receded 5.1 percent in 2001 and 11.5 percent in 2002. A 5 percent decline in 2003 would mean the German TV market has lost net revenues of roughly one billion euros since 2000 – a drop of 20 percent in just the past three years.

Gross advertising spending not indicative

Gross figures from Nielsen Media Research would seem to indicate that the German advertising market closed out the past year on the up side. However, gross figures on advertising spending offer no real foothold for direct conclusions about actual advertising revenues, since the gross figures include not only bulk discounts and self-promotion, but also agency commissions. The ZAW and other industry watchers are convinced the gross figures do not reflect the market's real situation in 2003. Nielsen Media Research says companies in Germany spent more on advertising for the first time since 2000. Its figures indicate that gross advertising spending climbed 3.3 percent in 2003, to EUR 17.2 billion. Among conventional media, television generated by far the highest gross advertising revenues, EUR 7.4 billion. With a gain of 2.7 percent, the television business made only a very slightly worse showing than the market as a whole, by comparison with the other media. In all, according to Nielsen, television advertising accounted for 43.4 percent of gross advertising expenditures.

before, from EUR 170 million to EUR 196 million. EBIT likewise grew substantially, to EUR 158 million – a 46 percent gain from the previous year. Pre-tax income improved 171 percent, from EUR 21 million to EUR 57 million. The consolidated net profit was EUR 45 million, triple the previous year's EUR 15 million. 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 up 400 percent to EUR 0.40, following the previous year's EUR 0.08. The Group's tax rate was 22 percent.

Rigorous cost management pares back Group's cost base

This improvement in earnings performance was primarily a consequence of the Company's rigorous cost management. The Group reduced its cost base by 11 percent. In all, earnings improved EUR 36 million, despite the revenue loss of EUR 88 million.

Programming and material costs were down EUR 129 million, or 9 percent, from the prior year, to EUR 1.249 billion. Scheduled depreciation of programming assets was down 8 percent, to EUR 921 million. Unscheduled depreciation of programming assets, including allocations to accruals for anticipated losses, rose slightly by EUR 3 million, to EUR 92 million. In all, this category of depreciation was 7 percent below the 2002 figure, at EUR 1.013 billion. Depreciation of capitalized programming assets due to broadcast use is a major component of the item for programming and materials that appears in the statement of income. This item also includes expenses for licenses, transmission fees and materials, as well as production costs.

ProSiebenSat.1 Group holds 42.7 percent market share

The ProSiebenSat.1 Group's four channels – Sat.1, ProSieben, Kabel 1 and N24 – earned a combined share of 42.7 percent of the gross TV advertising market, compared to previous year's 45.4 percent. Among all German TV broadcasters, stations Sat.1 [18.9 percent] and ProSieben [18.1 percent] held the second and third largest shares of the television advertising market. Kabel 1 increased its advertising market share 1.9 percent, to 5.2 percent. N24 earned a 0.5 percent market share in 2003, gaining significantly on its main competitor, n-tv, which earned 0.8 percent. RTL and Vox, the RTL Group fully consolidated stations, earned a gross advertising market share of 35.9 percent. Stations RTL, Vox, Super RTL, RTL II and n-tv, which were marketed by IP Deutschland in 2003, earned a combined share of 45.0 percent.

ProSiebenSat.1 Group profits grow in tough ad year

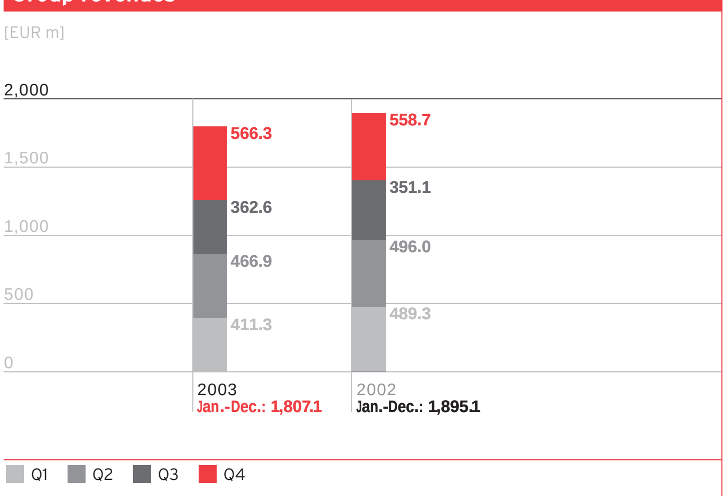
The ongoing crisis in the advertising market also adversely affected the ProSiebenSat.1 Group's business performance in 2003. Group revenues were EUR 1.807 billion, 4.6 percent below the previous year's EUR 1.895 billion. Despite the lower revenues, Germany's leading television corporation significantly improved its operating results in fiscal 2003: EBITDA at the Group level improved EUR 26 million against the year

Expenses cut in advertising, travel and IT

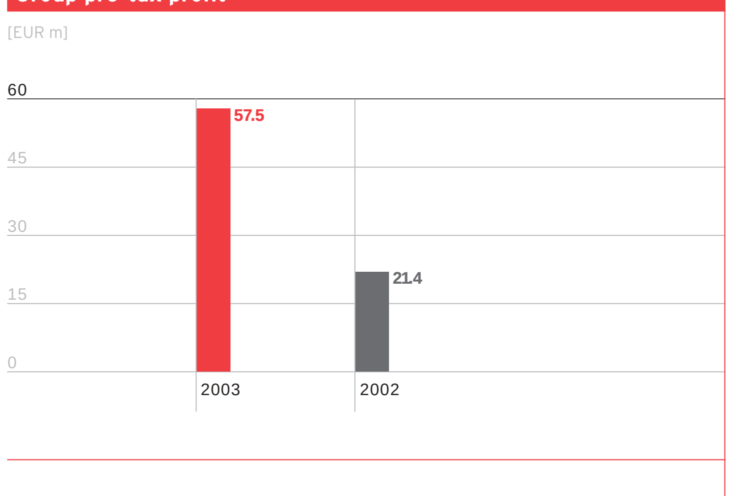
Savings also showed up among the other operating expenses. These were cut EUR 41 million, or 17 percent, to EUR 205 million. The reduction resulted largely from lower advertising expenses, travel expenses and IT expenses. It also results in part from lower individual item adjustments of EUR 9 million, and lower expenditures for equipment leases, at EUR 5 million.

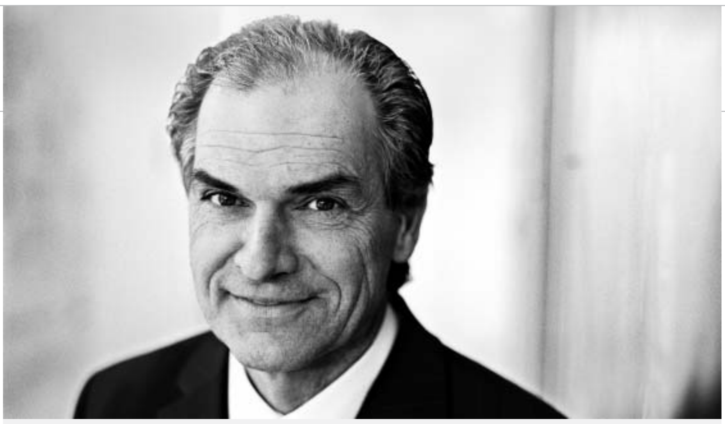
Other operating income was EUR 49 million, down 58 percent from the prior year, because of lower write-ups of programming assets and the deconsolidation of CM Community Media, together with the write-back of the consolidation difference on the equity and liabilities side that resulted from the 2002 acquisition of SevenOne Intermedia.

Group revenues



Group pre-tax profit





»We'll improve our capital structure significantly in 2004. The capital increase will help cut net financial debt. That will give the Group greater maneuverability against the competition and reinforce the foundation for new growth.«

Lothar Lanz, Executive Board Member, Finances and Services
Lothar Lanz, 55, oversaw Germany's first television-company IPO in 1996 as CFO of ProSieben Media AG. The banker had recently joined the TV corporation's management from the managing board of a savings bank, Nassauische Sparkasse Wiesbaden. He studied business administration, and worked for many years as a manager with various branches of Bayerische Hypotheken- und Wechselbank AG. In 1991 he was appointed to the managing board of HSB HYPO Service-Bank AG. He has been a member of the Executive Board of ProSiebenSat.1 Media AG since 2000.

Depreciation and amortization down 42 percent

The 42 percent decrease in depreciation and amortization, to EUR 36 million, had a positive impact on the income statement. This reduction came mainly from the elimination of write-downs on receivables, resulting from the abandonment of claims against the ddp news agency, and also from a decrease in scheduled depreciation of tangible assets.

The net interest expense grew 18 percent year on year, to EUR -63 million. The crucial factor here was higher financing costs that resulted from the placement of a high-yield bond in July 2002; these costs have been recognized in full in the interest expense for fiscal 2003.

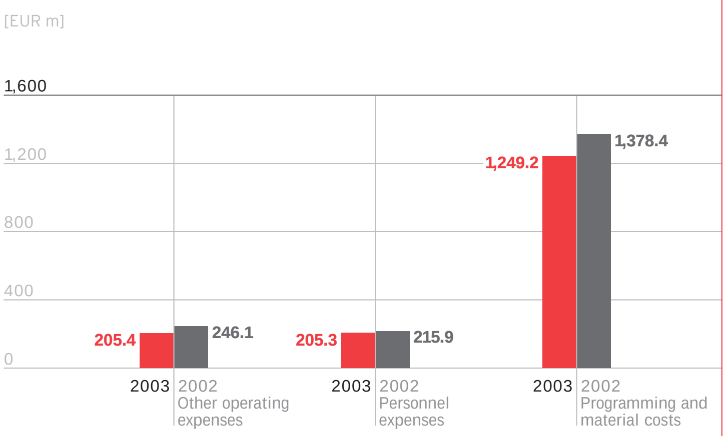
Extraordinary expenses for fiscal 2003 were EUR -45 million, compared to the previous year's EUR -36 million. This figure is composed entirely of costs associated with renegotiating the EM.TV Junior agreement, restructuring charges, and costs for the borrowings of ProSiebenSat.1 Media AG.

Personnel expenses pared 5 percent

Personnel expenses were cut 5 percent from the year before, to EUR 205 million. The reduction was achieved through restructuring measures – for example, by merging subsidiaries SevenOne Club & Shop and MM MerchandisingMünchen to form MM MerchandisingMedia – and also by cutting back programming production and reorganizing the Group's technical services subsidiary SZM Studios. Wherever possible, staff changes were handled through natural attrition.

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 also offers attractive positions at its merchandising and multimedia subsidiaries. As an average for the year, the ProSiebenSat.1 Group had a staff of 2,899 employees [not including volunteers and interns]. That figure is down 5 percent from the year before. Station Sat.1 had an average of 229 employees, compared with the previous year's average of 186. This 23 percent gain is mainly the consequence of production transfer of "Sat.1 Frühstücksfernsehen" and "24-Stunden-Reportage" from N24 to Sat.1. As a countermove, staff at news and information station N24 decreased 36 percent, to an average of 175. Station ProSieben had 282 employees, 6 percent below the previous

Development of major expense items



year's figure; Kabel 1 had 49 employees. Advertising-time marketer SevenOne Media, including its Swiss and Austrian subsidiaries and online marketer SevenOne Interactive, had 374 employees. Multimedia subsidiary SevenOne Intermedia had an average of 107 employees for the year. The figure for the Merchandising segment was down from 115 to 109 employees. The ProSiebenSat.1 Group is largely training its own next generation of journalists and technicians. In 2003 the Group had 823 interns, 60 trainees, 45 apprentices and 3 trainee managers. The average age of all employees in the ProSiebenSat.1 Group was 34.

Executive Board reorganized

Changes took place in the Executive Board of ProSiebenSat.1 Media AG during fiscal 2003. CEO Urs Rohner's contract was extended to the end of 2006, and CFO Lothar Lanz's contract was extended to October of the same year. On September 17, 2003, the Supervisory Board appointed Guillaume de Posch to the Executive Board. In the new position of Chief Operating Officer [COO], he will be in charge of daily operations at the ProSiebenSat.1 Group.

Effective November 4, 2003, Dr. Ludwig Bauer resigned from the Executive Board. After his departure, his former specific charge – Television – was eliminated as a separate area of responsibility on the Board. Since then, the managing directors of stations Sat.1, ProSieben, Kabel 1 and N24 have reported directly to the CEO. Claus Larass left the Company as of December 1, 2003. After Mr. Larass's departure, his former position on the Board was also eliminated. A new manager was appointed in Mr. Larass's place to head news station N24.

In January 2004, Peter Christmann was appointed to the Executive Board of ProSiebenSat.1 Media AG. As the Board member in charge of marketing and sales, he will be responsible for all the ProSiebenSat.1 Group's marketing activities. He holds this office in addition to his position as managing director of SevenOne Media, the ProSiebenSat.1 Group's TV marketing subsidiary.

Net Assets, Financial Position and Operating Results

Programming assets EUR 1.148 billion

As of the December 31, 2003, reporting date, the ProSiebenSat.1 Media Group's total assets had grown to EUR 1.791 billion from EUR 1.756 billion, a 2 percent gain.

On the assets side of the balance sheet, the expansion was due largely to an increase of 4.6 percent in current assets. This gain came largely from growth of EUR 88 million in programming assets. As of the December 31, 2003, reporting date, programming assets were listed at EUR 1.148 billion, an 8 percent gain. At 64 percent of total assets, programming is the most important asset item in the ProSiebenSat.1 Group's balance sheet. Programming investments with an impact on the balance sheet amounted to EUR 1.109 billion in 2003, and were thus EUR 183 million above the previous year's figure of EUR 926 million.

The ProSiebenSat.1 Group'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. During fiscal 2003, the ProSiebenSat.1 Group signed a great many programming agreements with nearly every major US studio. It thus has the best supply of high-quality Hollywood feature films and series in its history. Among the Company's programming suppliers are Warner Bros., Disney, Touchstone, Miramax, Dimension, Lucasfilm, Paramount Pictures, Senator, Epsilon, Highlight, Constantin, Tobis and Sony Pictures Entertainment. As of December 31, 2003, the programming inventory under contract comprised 50,994 hours of broadcasting rights, including 16,226 hours of international feature films, 22,283 hours of international series, 2,244 hours of cartoons, 4,298 hours of German series, and 1,506 hours of German TV films.

Additionally, the ProSiebenSat.1 Group signed a ten-year volume deal with Kirch Media, covering 2,015 high-quality feature films and some 130 series from the Kirch film library.

The revenue potential of these programming assets by way of airings on Sat.1, ProSieben and Kabel 1 is around EUR 4.6 billion.

Receivables and other current assets were down to EUR 175 million in fiscal 2003, from EUR 198 million for the previous year. This is equivalent to a 12 percent reduction. The primary cause was that tax credits were EUR 22 million lower.

Amounts due from Group companies were down by EUR 5 million. Receivables from entities with which the Company is linked through interests of 20 percent or more were up 14 percent, to EUR 25 million, due to higher amounts receivable in connection with the commercial use of neighboring rights associated with copyrights.

Distributable net profit up 140 percent

On the equity and liabilities side, the balance sheet grew primarily because of a substantially larger distributable net profit. This figure was up EUR 40 million from the previous year's reporting date, or 140 percent. The consequent growth in equity was 6 percent, to EUR 657 million. The increase in the distributable net profit likewise increased the equity ratio, from 35 percent to 37 percent.

The ProSiebenSat.1 Group reduced its net financial debt to EUR 676 million in fiscal 2003. This figure is down 10 percent from 2002. Bank debt was slashed 53 percent, to EUR 73 million. The previous year's equivalent figure was still EUR 156 million. Bonds remained unchanged at the previous year's EUR 666 million. In addition to its planned capital increase by the end of April 2004, the Company also plans in 2004 to refinance the syndicated credit line that expires at the beginning of December, currently amounting to EUR 380 million, with a new multi-year credit agreement for an amount still to be determined.

In all, the ProSiebenSat.1 Group's liabilities, at EUR 1.034 billion, were down 2 percent from the previous year's EUR 1.056 billion. Other liabilities grew 11 percent, to EUR 82 million, largely as a consequence of higher tax liabilities.

Accruals were up 21 percent, to EUR 99 million, because of higher tax accruals and higher accruals for anticipated losses.

»I've come to know television companies in many different countries during my career.
The concept of a real family of stations, with four programming brands in complementary specialties, is unique in the industry.
That model will serve the ProSiebenSat.1 Group even better in the future.«

Guillaume de Posch, Chief Operating Officer
Guillaume de Posch, 46, has been Chief Operating Officer [COO] since September 2003, in charge of daily operations at the ProSiebenSat.1 Group. A TV manager with international experience, he joins the Group from France's Pay TV firm TPS, where he was Vice-General Manager and Programming Director. The Belgian MBA began his career in 1984 with Tractebel S.A., the international energy and services conglomerate, for whose Engineering Division he ultimately served as Vice President Far East in Hong Kong. He joined McKinsey & Company in Belgium in 1990. From 1993 to 1997 he worked at CLT in Luxembourg, where he was in charge of TV operations in French-speaking countries.

Television

Iraq war and advertising crisis dominate the year

The year 2003 represents a further low-tide mark in the history of German commercial television. The ongoing crisis in the advertising market also adversely affected the business performance of the stations in the ProSiebenSat.1 Group. Changes in the television sector were driven largely by events in the economy as a whole. The greatest slump in advertising spending occurred during the first quarter, in response to the war in Iraq. The mood brightened somewhat in the second half, and the fourth quarter in particular actually showed an uptrend. But it was not enough to change the picture for the year as a whole.

In television, 2003 was a year without the kind of major events that shaped 2002, such as the Olympics or the soccer World Cup. Yet Germans spent even more time watching TV. In 2003, the audience between the ages of 14 and 49 watched five minutes more per day on the average, spending an average of 182 minutes a day in front of the TV. Among the general population, meaning viewers over age three, the increase was two minutes. The average for the entire German population is three hours and 23 minutes per day.

ProSiebenSat.1 Group strengthens market position

The ProSiebenSat.1 Group was able to strengthen its market position further in 2003. With a gain of 0.8 percentage points, Sat.1, ProSieben, Kabel 1 and N24 earned a combined share of 28.9 percent of the 14-to-49 audience, following 28.1 percent for the previous year. ARD and ZDF combined earned 16.3 percent. Stations RTL, Vox, RTL II, Super RTL and n-tv, which are marketed by IP Deutschland, earned a combined share of 33.2 percent of the 14-to-49 audience that advertisers covet.

The ProSiebenSat.1 Group generated some 92 percent of its revenues from its four stations Sat.1, ProSieben, Kabel 1 and N24. The Group's capitalization rate – the ratio of audience share to advertising market share – was significantly higher than that of their competitor. The

ProSiebenSat.1 Group had an index value of 174 in 2003, while the RTL Group capitalized its audience share at an index of 147.

Sat.1 reaches profitability

Successfully established new programs, a significant improvement in prime access performance, and TV events in a variety of programming segments enabled Sat.1 to achieve turnaround in audience share during 2003. The station improved its share of the crucial group of viewers age 14 to 49 by 0.4 percentage points from the previous year, earning an 11.5 percent share. Apart from successful new program launches, time-tested Sat.1 series, TV movies and comedy programs, the station's broad-based prime-time TV event strategy proved particularly successful. The station's two-part "Das Wunder von Lengede" [Part 1: 34.2 percent; Part 2: 38.5 percent] was the most successful in-house event production in the history of German commercial television. Equally satisfying successes came from "Star Search" [up to 36.2 percent] and the UEFA Champions League broadcasts [up to 28.4 percent]. In the prime access slot, Sat.1 improved its audience share significantly. The crime series "Lenssen & Partner" and "Niedrig und Kuhnt" gained ground steadily after their debuts. In all, Sat.1 added 1.5 percentage points to its share of the 14-to-49 audience during prime access.

Sat.1's revenues for fiscal 2003 were EUR 776 million, holding steady at the previous year's level. EBITDA was a positive EUR 38 million, compared to EUR –77 million the year before. With a pre-tax profit of EUR 5 million, compared to the previous year's loss of EUR 98 million, the station not only vastly improved its net results, but passed the break-even point. The most important factors in this change were giving up Bundesliga soccer rights, eliminating the high cost of the soccer World Cup and maintaining rigorous cost management.

ProSieben still the Group's strongest, most profitable station

Despite a significant reduction in revenues ProSieben held its own as No. 2 in the TV market during 2003, averaging a 12.0 percent share of the important 14-to-49 age group. Thus ProSieben remains the Group's strongest station in this crucial audience group. Among its factors for success in 2003 were three blockbusters: "Independence Day" [34.9 percent], "Meet the Parents" [30.8 percent], and "Charlie's Angels" [30.0 percent]. Other ratings highlights were series such as "Sex and the City" [up to 20.4 percent] and "Friends" [up to 20.1 percent], along with TV events like "Popstars – Das Duell" [up to 22.4 percent] and the 2003 "First Official Wok Racing World Championship", with Stefan Raab [29.6 percent].

With its clear positioning as a station for young entertainment, ProSieben will continue to benefit from the Group's outstanding programming supply in the years to come. Feature film agreements with Hollywood's most important studios ensure that the station will have access to such films as "The Matrix Reloaded" or "The Matrix Revolutions", "Final Destination 2" and "The Last Samurai".

ProSieben remains the Group's most profitable station, with a high profit margin. In fiscal 2003, the station reported revenues of EUR 687 million, following the previous year's EUR 778 million. EBITDA was EUR 133 million, following EUR 202 million in 2002. Pre-tax income was EUR 135 million, and the profit margin was 20 percent. Thanks to rigorous cost management, the station's earnings were down only EUR 71 million, significantly less than the revenue loss of EUR 91 million.

Sat.1: A strong brand for everyone

2003 key figures:	Revenues: EUR 776 million Pre-tax profit: EUR 5 million Employees: 229
Legal form:	GmbH
Management:	Jürgen Doetz, Dr. Roger Schawinski
Address:	Oberwallstraße 6, 10117 Berlin, Germany Tel. +49 [30] 20 90-0, Fax +49 [30] 20 90-20 90 www.Sat1.de
Positioning:	Target audience: Viewers age 14 to 49; main focus: Age 25-49. Station carries top-notch TV events, successful TV movies and German series, trend-setting variety shows and comedies. Station with top-class soccer: The UEFA Champions League.
Goal:	Further strengthening of market position. Sat.1 is an essential part of the Group's growth strategy.

ProSieben: Lead brand as station for young entertainment

2003 key figures:	Revenues: EUR 687 million Pre-tax profit: EUR 135 million Employees: 282
Legal form:	GmbH
Management:	Nicolas Paalzow
Address:	Medienallee 7, 85774 Unterföhring, Germany Tel. +49 [89] 95 07-10, Fax +49 [89] 95 07-11 22 www.ProSieben.de
Positioning:	Target audience: Viewers age 14 to 49; main focus: Age 14-39. Station with premium positioning and a clear focus on entertainment, based on US blockbusters and international feature films, TV movies targeting a youthful audience, and "made by ProSieben" series, along with comedy and music variety shows.
Goal:	ProSieben will enhance its profitability still further and increasingly assume the role of a trend-setter.

Kabel 1: The classic quality brand

2003 key figures:	Revenues: EUR 190 million Pre-tax profit: EUR 18 million Employees: 49
Legal form:	GmbH
Management:	Andreas Bartl
Address:	Gutenbergstraße 1, 85774 Unterföhring, Germany Tel. +49 [89] 95 07-21 00, Fax +49 [89] 95 07-21 58 www.Kabel1.de
Positioning:	Target audience: Viewers age 14 to 49, with main focus on those over 30. The channel with the best feature films and series from the past five decades. Up-to-date information programming, magazines, special reports and game shows round out Kabel 1's profile.
Goal:	Kabel 1 will realize further growth potential and boost profitability.

N24: TV's leading brand for information

2003 key figures:	Revenues: EUR 71 million Pre-tax profit: EUR -11 million Employees: 175
Legal form:	GmbH
Management:	Dr. Torsten Rossmann
Address:	Oberwallstraße 6, 10117 Berlin, Germany +49 [30] 20 90-0, Fax. +49 [30] 20 90-20 90, Gutenbergstraße 1, 85774 Unterföhring, +49 [89] 95 07-24 24, Fax. +49 [89] 95 07-24 00 www.N24.de
Positioning:	Target audience: Viewers age 14-49, significantly younger than main competitor n-tv. A news and information station with unmistakable profile in content and viewpoint. N24 reports around the clock on major topics in business, politics and technology.
Goal:	N24 will improve its position in the advertising- and viewers market even further; break even planned 2005.

»I think the new season of the ›Edel und Starck‹ series is especially cool. Both actors get better and better, more charming and wittier. A real highlight of the week.«

Thomas Helfferich, Trierweiler, e-mail to the programming editors

Kabel 1 earnings much better

In 2003, Kabel 1 earned a share of 4.9 percent of the 14 to 49-year-old target audience, compared to 5.0 percent the year before. The leading audience share winners in 2003 were "Die besten Filme aller Zeiten" and other feature films like "Out of Africa" [8.2 percent], "Dances with Wolves" [9.4 percent], and "Twelve Angry Men" [9.2 percent]. Two series of films – the "Dirty Harry" sequence [up to 10.4 percent] and the "Police Academy" films [up to 9.5 percent] – also sparked strong audience interest. Further successes were the series "Little House on the Prairie" [up to 11.0 percent], "Star Trek – The Next Generation" [up to 10.3 percent] and "Bonanza" [up to 8.5 percent]. The station's own magazine shows and special reports also regularly earned above-average ratings.

Kabel 1 generated revenues of EUR 190 million in fiscal 2003 – a decline of EUR 6 million, or 3 percent, from the year before. Despite the lower revenues, EBITDA gained 29 percent, to reach EUR 18 million.

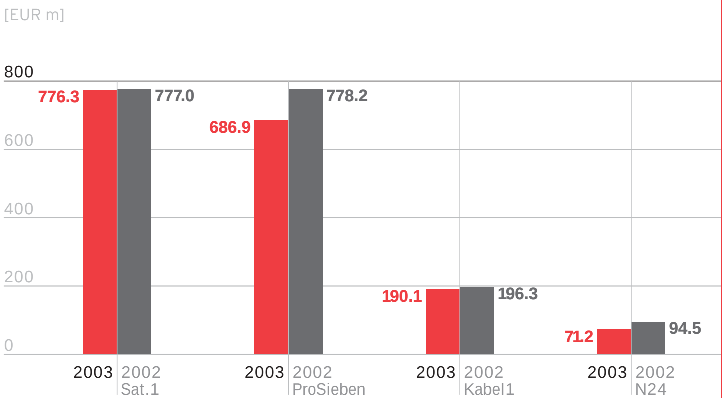
Earnings up significantly at N24

News channel N24 unquestionably performed positively in 2003. The station, whose audience share has been reported by the AGF/GfK television research institute only since January 2003, increased its ratings substantially during the year to an average of 0.5 percent, placing it hot on the heels of competitor n-tv, whose share was 0.6 percent. N24 now has a technical reach of 77 percent. Where genuine competition exists – in other words, in viewing households able to receive both news stations – N24 had a 0.7 percent share of the relevant 14-to-49 audience, putting it on a par with n-tv.

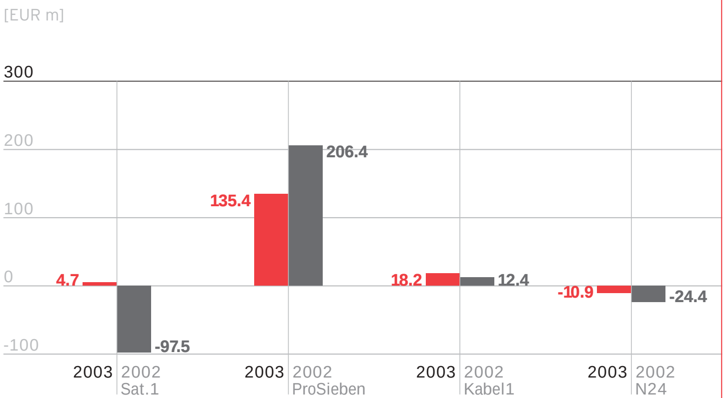
In January 2004 N24 inaugurated a new cooperative arrangement with leading international business station CNBC Europe for reporting on finances and the stock market. This was just one of the steps that have further strengthened N24's information capabilities, lending it an unmistakable profile against its competitors.

The new channel's revenues in 2003 were EUR 71 million. This figure represents a 25 percent decline from the year before. N24 is the central news service provider for all ProSiebenSat.1 Group stations, and is thus also in charge of news programming for Sat.1, ProSieben and Kabel 1. The decline in revenues for the entire reporting period resulted from considerable cost cuts throughout the ProSiebenSat.1 Group's news operations, which yielded lower internally generated revenues at N24. Nevertheless, EBITDA improved 59 percent, so that N24 was able

Development of station revenues



Development of station income



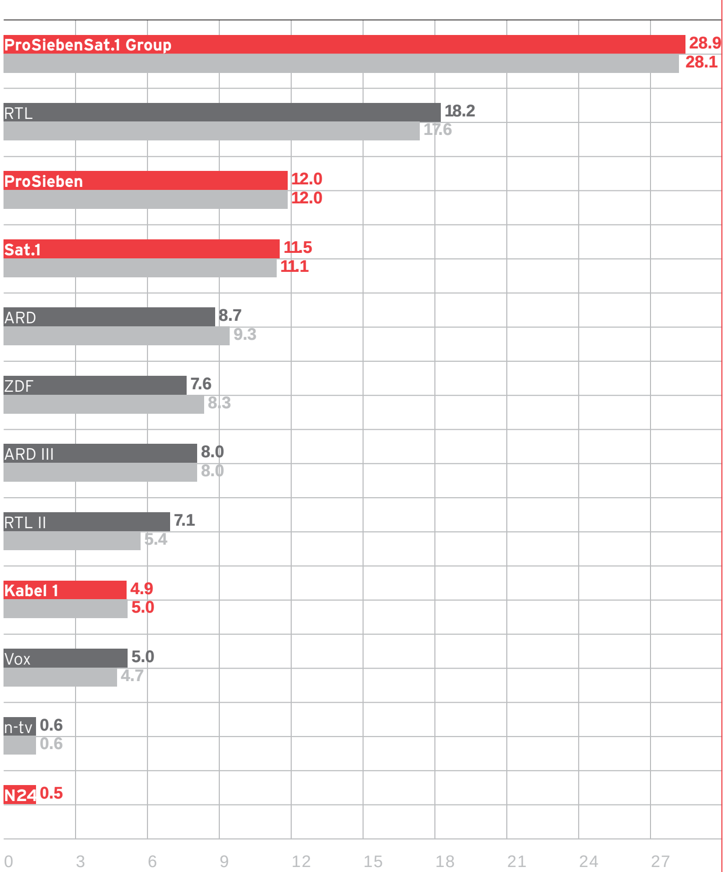
»I'm just watching ›Das Büro‹ on ProSieben, and I'm completely caught up, just as I am every week. Finally, another series with terrific characters and a really nice mix.«

Johannes Schubert, Berlin, e-mail to the programming editors

to boost its earnings significantly in fiscal 2003. The pre-tax result for 2003 was EUR -9 million, compared to the previous year's EUR -22 million. This improvement was a consequence of rigorous cost management at the station.

Television in 2003: Audience share, viewers age 14 to 49

[in percent]



2003 2002

Basis: All television households [Panel D + EU];
Source: AGF/GfK Fernsehforschung/pc#tv aktuell/SevenOne Media

Other Activities

Transaction television: Euvia Media AG & Co. KG enjoys double-digit growth

ProSiebenSat.1 Media AG holds 48.4 percent of Euvia Media AG & Co. KG, which operates 9Live [Germany's first quiz station] and sonnenklar TV, the country's leading travel shopping station. Both stations are largely independent from advertising revenues. Fiscal 2003 was a year of dynamic growth in all operations at Euvia Media AG & Co. KG. Preliminary figures indicate that the company's consolidated revenues for 2003 were up 46 percent from the previous year, to EUR 92 million. Its consolidated EBITDA also rose sharply, from EUR 0.3 million in 2002 to EUR 22 million in 2003.

Boosting revenues 30 percent to EUR 79 million, 9Live underscored its lead in interactive television. The station nearly tripled its EUR 10 million 2002 EBITDA to EUR 29 million in 2003 [plus 196 percent]. Euvía Travel GmbH, which operates and produces sonnenklar TV, also showed vigorous growth. Its revenues more than doubled to EUR 17 million in 2003, compared to EUR 9 million in 2002. Its negative EBITDA narrowed in 2003 to EUR -5 million [2002: EUR -8 million].

SevenOne Intermedia – new media services bring in higher revenues

Subsidiary SevenOne Intermedia is in charge of all new media services, including teletext, Internet, mobile services, added-value telephone services, and e-commerce applications. As a multimedia center of competence, SevenOne Intermedia handles a broad range of digital and interactive platforms. It conducts marketing in cooperation with convergence marketer SevenOne Interactive in media sales, and with MM MerchandisingMedia in e-commerce.

ProSiebenSat.1 Group revenues in this segment grew from EUR 46 million to EUR 60 million in fiscal 2003, equivalent to a growth rate of 30 percent. EBITDA rose to EUR 14 million from the previous year's EUR 2 million. The revenue gain was primarily brought in by higher advertising revenues for teletext and the Internet, which defied the advertising market's general trend by growing in 2003. Another important contribution came from new sources of revenue, such as added-value telephone services and mobile services.

Merchandising achieves 21 percent EBITDA margin

Since 2003, the ProSiebenSat.1 Group's merchandising activities have been pooled at MM MerchandisingMedia GmbH. The company was formed by merging the two former merchandising companies, MM MerchandisingMünchen and SevenOne Club & Shop GmbH, with economic effect as of the beginning of July 2003. MM MerchandisingMedia covers the full value chain in merchandising – from acquiring ancillary licensing rights to selling products and services for consumers and viewers. The Company also operates in the international marketing of art rights through its 86.5 percent stake in ArtMerchandising & Media AG. The market for merchandising and licenses was rougher than expected in 2003. These conditions also affected the Merchandising segment. Cooperating partners in the music industry in particular cut budgets and avoided new investments. Despite rising revenues, business in the fourth quarter was affected by a general retail slump that was especially evident in the Christmas shopping season. In all, total revenues for 2003 came to EUR 68 million, compared to EUR 73 million the year before. This is represents a 7 percent decline. Externally generated revenues were off 9 percent, to EUR 60 million. EBITDA was down from EUR 18 million to EUR 14 million. All the same, the Merchandising segment showed an EBITDA margin of just under 21 percent in 2003.

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 Fernsehforschung], 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 EGTA [European Group of Television Advertising], the FGM [Fördergesellschaft Marketing e. V. an der Uni München], the GfK [Gesellschaft für Konsumforschung Nürnberg e. V.], the IVW [Informationsgemeinschaft zur Feststellung der Verbreitung von Werbeträgern e. V.], InfOnline, 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 2003, at EUR 14.1 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 audience 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 audience 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 for media scheduling and for monitoring 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.

The development of new, integrated forms of advertising has also intensified demand for information about specific use patterns in new media. To detect the latest developments, the ProSiebenSat.1 Group conducts the "@facts" survey – Germany's largest, methodologically most ambitious Internet study. The ProSiebenSat.1 Group is one of the prime movers in establishing a common measure of user traffic for the Internet, and contributes @facts to the expanded data system.

Investment in developing new programming

Developing new types of programming remained a high priority in 2003. The ProSiebenSat.1 Group's development costs for new programming were EUR 10 million, following the previous year's EUR 14 million.

»It's hard to forecast which way the TV advertising market will go. What's important is for consumers to regain their confidence in brands. The conditions for market growth won't be in place until consumer attitudes improve.«

Peter Christmann, Executive Board Member, Marketing and Sales
ProSiebenSat.1 Media AG has reinforced its sales and marketing operations by appointing Peter Christmann, 39, to the Executive Board. He has been in charge of all marketing activities for the Group since January 2004.
He studied communications and business administration. After working for TV marketers Publitalia in Milan and Publipolska in Warsaw, joined what was then known as MediaGruppe München in 1996, where he became managing director in November 1999. Since the founding of SevenOne Media in November 2000, he has been managing director of the ProSiebenSat.1 Group's TV marketing subsidiary.

In 2003, the four channels Sat.1, ProSieben, Kabel 1 und N24 together aired 19,099 program hours of in-house or commissioned productions. These included news, magazine shows, special reports, talk shows, comedy shows, made-for-TV films, series and trailers. In all, some 55 percent of the programming hours shown were produced in-house or on commission for the station. The ProSiebenSat.1 Group is constantly at work developing new programs. Last year the stations Sat.1 and ProSieben commissioned 287 scripts, and produced 41 pilot films. Sat.1 commissioned 186 scripts and 23 pilots, and ProSieben commissioned 101 scripts and 18 pilots.

Innovative developments for new media services

With iText, the ProSiebenSat.1 Group has been able to establish an automated link between teletext and television. An icon alerts the viewer that additional information is available on teletext. This technology is already in successful use at ProSiebenSat.1 Group stations, both for advertising spots and in editorial programming.

The first mobile Internet portals were launched in 2003 for ProSieben, Sat.1 and N24. Availability on a mobile phone is part of the ProSiebenSat.1 Group's strategy for keeping its stations' brands available at all times on every medium that uses a screen display. Viewer loyalty and interaction are also the goals of added-value telephone services – Audiotex and Premium-SMS – which were increasingly incorporated into Group stations' programming during 2003.

Multimedia subsidiary SevenOne Intermedia developed a digital television portal for ProSieben, based on the MHP [Multimedia Home Platform] standard. This digital television portal was receivable in 2003 via satellite and MHP box for the duration of the CeBit trade show and for the IFA international radio exhibition, carrying an interactive additional service that was transmitted in parallel with current programming. The iTV portal will be the foundation for further developments of future digital services at the ProSiebenSat.1 Group.

»ProSiebenSat.1 has been the second-best performer in the European media sector, rising an absolute 104 % over 2003.«

Paul Reynolds, Kai Korschelt, Deutsche Bank, January 15, 2004

ProSiebenSat.1 Shares

The stock market and the performance of ProSiebenSat.1 stock

For the first time in three years, the DAX German stock index closed out the year on a vigorous uptrend in 2003. At the beginning of 2003, the DAX was at 2,893, and at first continued to trend downward. Uncertainty about where the Iraq conflict would lead, the SARS epidemic in Asia, shrinking corporate profits and rampant oil prices soured investors' mood and pushed stock prices to new lows until mid-March. But the market's mood improved after the DAX bottomed out at 2,189. The end of the war in Iraq, positive economic news from the United States with associated hopes for a revival of the world economy, and good news from companies further supported the market's turnaround. On December 30, 2003, the DAX closed at 3,965, up approximately 37 percent on the year. The MDAX, where ProSiebenSat.1 is listed, started out 2003 at 3,025 and likewise bottomed out in March. On December 30, the MDAX closed at 4,469, accomplishing a gain of about 48 percent.

ProSiebenSat.1 stock was trading at EUR 6.40 per share at the beginning of the year. By May 30, 2003 – as a consequence of the ongoing weakness of the advertising market and uncertainty about the Company's ownership structure – the stock had dropped to a new all-time low of EUR 4.03. The ownership of ProSiebenSat.1 was finally clarified in early August, to the obvious satisfaction of the capital market. Investors' positive attitude about the stock consolidated from that point on. On December 3, the stock reached its high for fiscal 2003, at EUR 14.30. It closed at EUR 12.85 on December 30. With a gain of roughly 100 percent as of that date, ProSiebenSat.1 stock significantly outperformed both the DAX and the MDAX.

ProSiebenSat.1 stock also outperformed the average for the European sector as a whole. Comparable media stocks did not perform nearly as well up to December 30, 2003. The sector's European index, MSCI Europe Media, gained 13.3 percent in 2003. TF1 stock was up 5.5 percent; Mediaset was trading up around 28 percent.

Dividend payment on preferred stock

The Executive Board of ProSiebenSat.1 Media AG will recommend a dividend payment on preferred stock. Out of the distributable net profit of EUR 34 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 EUR 2 million.

ProSiebenSat.1 stock listed in Prime Standard segment

As of January 1, 2003, the German stock market has been under new regulations, and the Frankfurt Stock Exchange has a new segment structure, composed of Prime Standard and General Standard. In comparison to General Standard, Prime Standard stocks must satisfy additional, international transparency requirements. ProSiebenSat.1 Media AG meets these exacting requirements and was admitted to the Prime Standard segment on January 1, 2003.

Since March 24, 2003, Deutsche Börse, which administers the Frankfurt Exchange, has distinguished three main indexes: the DAX, the MDAX and the TecDAX. Membership in the Prime Standard segment is a prerequisite for inclusion in any of these indexes. As before, the DAX comprises 30 companies. The MDAX has 50 companies, and the new TecDAX has an additional 30 companies. The MDAX's industry index to which ProSiebenSat.1 Media AG belongs is now known as Prime Media.

New shareholder structure

ProSiebenSat.1 Media AG has had a new majority shareholder since August 8, 2003. Saban Capital Group, through P7S1 Holding, holds approximately 72 percent of the voting rights, and thus approximately 36 percent of the capital stock of Germany's leading private television corporation. Saban Capital Group receives financial backing from investors Alpine Equity Partners LP, Bain Capital Investors LLC, Hellman & Friedman LLC, Providence Equity Partners, Inc., Putnam Investments LLC, Quadrangle Group LLC, and Thomas H. Lee Partners LP. Thus, following the insolvency of Kirch Media GmbH & Co. KGaA, ProSiebenSat.1 Media AG again has a clear, stable shareholder structure.

»Given the Group's high operational gearing and the potential of a margin recovery ahead of our expectations, we regard ProSiebenSat.1 as one of the most interesting stocks in the sector.«

Sarah Schmitz, Commerzbank Securities, January 16, 2004

»ProSiebenSat.1 has significantly higher earning potential than its peer group.«

Harald Heider, DZ Bank AG, January 15, 2004

ProSiebenSat.1 stock: Price performance in fiscal 2003

[Index]

Basis: Xetra closing prices, Index 100 = 1/3/2003, Source: Bloomberg

ProSiebenSat.1 stock: Basic information

Type of stock/Denomination	No-par bearer preferred shares
Trading segment	Prime Standard
Sector	Media
German Securities ID No. [WKN]	777117
ISIN	DE0007771172
Symbol	PSM
Reuters	PSMG_p.F
Bloomberg	PSM3 GR
Designated Sponsors	Deutsche Bank AG
	ING BHF-Bank AG

ProSiebenSat.1 stock: Key figures

		2003	2002
Share capital	[EUR]	194,486,400	194,486,400
No. of preferred shares at reporting date	[Units]	97,243,200	97,243,200
No. of common shares at reporting date	[Units]	97,243,200	97,243,200
Market capitalization at end of fiscal year	[EUR b]	2.499	1.264
Close [XETRA]	[EUR]	12.85	6.50
High [XETRA]	[EUR]	14.30	12.00
Low [XETRA]	[EUR]	4.03	4.50
Dividend per share of preferred stock	[EUR]	0.02	0.02
Total dividends	[EUR m]	1.94	1.94
Dividend yield on basis of closing price	[Percent]	0.16	0.31
Trading volume in Germany [average shares per day]	[Units]	424,695	308,034

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 German Media Partners LP, 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 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.

»N24's schedule has been an especially pleasant surprise lately.
I particularly like that you expanded the morning schedule to include business coverage.«

Katrin Gründer, Gammelsdorf, Austria, e-mail to the programming editors

Events Subsequent to the Reporting Date

Audience share grows

At the beginning of the new fiscal year, the ProSiebenSat.1 Group's audience share was steadily on the rise. In January, the Group's stations picked up 0.6 percentage points against the previous year, attracting a combined share of 29.3 percent of the crucial 14 to 49-year-old target audience. The gain from the month before was 0.7 percentage points. Audience share rose further in February, to 30.7 percent – a gain of 1.4 percentage points over the previous month and 2.0 percentage points over February of 2003.

In some cases the Group's individual stations' shares were up significantly against December 2003. Among 14 to 49-year-olds, ProSieben gained 0.5 percentage points in January, to earn a 12.0 percent share. It picked up another 0.6 percentage points in February, to reach 12.6 percent. Kabel 1 expanded its share of the same target audience by 0.4 percentage points in January, to 5.2 percent. Sat.1 closed out January with an 11.6 percent audience share. The station picked up another full percentage point in February, to earn 12.6 percent. News and information station N24 earned a share of 0.5 percent of the 14-to-49 audience in both January and February 2004, staying hot on the heels of competitor n-tv. The group of stations marketed by IP Deutschland [RTL, Vox, Super RTL and n-tv] wound up with a combined share of 27.4 percent in January and 25.1 percent in February. RTL closed out January at 19.5 percent and February at 17.1 percent. Vox's figures were 4.8 percent and 5.1 percent; Super RTL's were 2.5 percent and 2.4 percent; and n-tv's were 0.6 percent and 0.5 percent. RTL II earned 7.0 percent in January, and 7.1 percent in February.

ProSiebenSat.1 Group holds lead in the advertising market

On the basis of gross advertising spending – in other words, including volume discounts, self-promotion and agency commissions – the ProSiebenSat.1 Group had the lead in the television advertising market in January and February, with a share of 42.9 percent respectively 44.5 percent. The stations jointly marketed by IP Deutschland – RTL, Vox, Super RTL and n-tv – earned a share of 37.9 percent and 35.8 percent of the advertising market, putting them in second place. News channel N24 continued its hot pursuit of competitor n-tv, boosting gross advertising revenues about 131 percent in January and February while its competitor lost 7 percent.

Future financial statements under IFRS

Beginning with 2004, the ProSiebenSat.1 Group will prepare its financial statements under IFRS. The IFRS figures will be released for the first time in the report on the first quarter of 2004. The ProSiebenSat.1 Group thus complies with the criteria of the German Corporate Governance Code and Deutsche Börse's Prime Standard, and acknowledges the standards of the international capital market.

German accounting principles differ in some regards from IFRS/IAS. Differences for the ProSiebenSat.1 Group will appear, for example, in the reporting of leased assets and deferred taxes.

More efficient organizational structure

The ProSiebenSat.1 Group is constantly at work on further optimizing its organizational structure, to keep the Company running as efficiently as possible. Among the current restructuring measures is combining the creative departments of subsidiaries SZM Studios and SevenSenses as of April 1, 2004. The new unit's duties will be standard and high-end promotion, advertising, on-air design and audio design. The former duplicate structures in creative and production operations will be eliminated, and work procedures will be standardized. The integration will save the Group a figure in the low single-digit millions.

Risk Report

A high-performance risk management system

ProSiebenSat.1 Media AG has a high-performance risk management system. The particular focus here is on the Group's TV channels, which contribute by far the largest 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, and more frequent alerts when needed, 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 having to do with media policy and other legal issues.

Detailed audience and advertising market analysis

The ProSiebenSat.1 Group is Germany's largest television corporation, with 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 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.

Centralized foreign-exchange management to minimize exchange risks

The ProSiebenSat.1 Group obtains significant portions of its licensed programming directly from suppliers who bill largely in US dollars. For that reason, the Group uses dollars to pay a large share of its financial obligations for the acquisition of programming assets. Consequently fluctuations in the exchange rate between the euro and the dollar may adversely affect ProSiebenSat.1 Group profits. To minimize such risks, the Group therefore uses centralized foreign-exchange management, which primarily employs derivative financial instruments.

Nationwide broadcasting license for Sat.1, ProSieben, Kabel 1 and N24

In order to broadcast, broadcasters must have a broadcasting license or permit from the regulatory agency for broadcasting of one of Germany's federal states. Once it has such an authorization, a TV broadcaster can show its programming nationwide. Sat.1 has received a broadcasting license, valid until May 31, 2010, from the regulatory agency of the state of Rhineland-Palatinate. ProSieben's broadcasting license, granted by the joint regulatory agency of the states of Berlin and Brandenburg, runs until February 28, 2010. The regulatory agency in Bavaria has granted Kabel 1 a license until February 29, 2012, and N24 a license until June 17, 2007. All broadcasting licenses can be extended for another seven to ten years after their initial expiration. They can generally be extended as long as the broadcasters continue to meet the licensing requirements and remain within certain limits on audience share.

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 stations have high technical reaches. Via cable, satellite and antenna, Sat.1 reaches 98 percent of Germany's roughly 34.54 million television households. ProSieben reaches 96 percent and Kabel 1 reaches 94 percent. New channel N24 reaches roughly 77 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 in making 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 recognition 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. Plans among some cable companies and Pay TV providers to install proprietary decoder systems that would tie subscribers to their own programming would deny viewers access to future freely available TV programming, and shut them out from important developments. ProSiebenSat.1 Media AG has taken an active, broad-based role in this social, media-policy and legal debate, to combat these restrictions on television viewers.

Kirch Media insolvency has no direct impact

On April 8, 2002, Kirch Media GmbH & Co. KGaA – at the time, the principal shareholder of ProSiebenSat.1 Media AG – filed to initiate insolvency proceedings in Munich district court. Until August 2003, Kirch Media was the Group's majority shareholder, holding 52.52 percent of its capital stock after adjustment for other equity interests. The court's decision of June 14, 2002, ordered formal insolvency proceedings against Kirch Media'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 Kirch Media insolvency.

During the insolvency proceedings for Kirch Media GmbH & Co. KGaA, the ProSiebenSat.1 Group arranged for a detailed legal analysis of its program licensing and supply agreements with Kirch Media. In fiscal 2003, as in previous years, Kirch Media was the ProSiebenSat.1 Group's most important supplier of programming. On the basis of the legal review, the Group assumes that the insolvency will have at most a limited

»Settling the ownership structure is a great help to us in recovering a clear picture of the broadcasting group, and also in getting a better sense of its strengths in the future.«

Jürgen Blomenkamp, CEO MediaCom Germany

impact on the rights it has acquired from Kirch Media. Toward the end of 2002, and in 2003, Kirch Media signed settlement agreements with all major film studios, under which the studios reconfirmed the validity of their grants for any rights Kirch Media had passed on to ProSiebenSat.1.

85 percent of licensed programming needs covered to 2006

The ProSiebenSat.1 Group has long-standing business relations with many different intermediaries and film studios. In fiscal 2003, the Group's programming supplier list included more than 140 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 85 percent of the ProSiebenSat.1 Group's needs for licensed programming on its full-service Sat.1, ProSieben, Kabel 1 and N24 stations until the year 2006.

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.

Guarantee to Universal invalid

In February 2000, Universal sued Kirch Media, and a number of other companies associated with Kirch Media, 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 Kirch Media. 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 also has still 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 well-known law firm in California to represent it against Universal's demands.

Again in 2003, Universal submitted no documentation of any kind to indicate that the Executive Board had authorized Dr. Leo Kirch to issue a guarantee declaration, or that Dr. Kirch's actions had been authorized or approved. Nor are there any indications of the existence of even an apparent legal authority. Hence Universal is currently working hard to bring about a settlement. The Company will accept a settlement if it entails no economic disadvantage for the Group.

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. Such proceedings have also been filed against ProSiebenSat.1 Media AG. 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 conducted by the former Wirtschaftsprüfungs- und Steuerberatungsgesellschaft Arthur Andersen 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 and if so, in what amount. A first hearing was held before Munich Regional Court I on April 5, 2001. In substance, it discussed the choice of the appraiser to be appointed by the court, and the scope of any requisite appraisal. Subsequent to the hearing, the court appointed Prof. Dr. Friedhelm Sahner, of Warth & Klein, Düsseldorf, as the expert appraiser. Warth & Klein conducted its appraisal in cooperation with Prof. Dr. Sieben of the University of Cologne's Institute of Broadcasting Economics.

The court-appointed experts have now submitted their appraisal, which reconfirms the projections underlying the valuations of Sat.1 Holding GmbH and ProSieben Media AG. However, Warth & Klein used a different method to address the differences in capital-structure risk between ProSieben Media AG and Sat.1 Holding GmbH than was used by the auditors who participated in the merger [the former Arthur Andersen, as the expert appraiser, and BDO as the merger auditor]. The calculation method used by Warth & Klein to acknowledge the difference in capital-structure risk would result in a change of the original exchange ratio. This change on the basis of the Warth & Klein appraisal might result in an additional payment of EUR 1.54 for each share issued to former ProSieben Media shareholders at the time of the merger [a total of 140 million shares]. Such a payment might have a substantial impact on the Company's net assets, financial position and operating results.

However, on the basis of the current state of information, the Company does not expect that the court will order an additional cash payment based on the Warth & Klein appraisal. This opinion is shared by experts whom the Company has engaged to review and evaluate the Warth & Klein document. It is these experts' opinion that the calculation method used by Warth & Klein to address the difference in capital-structure risk was methodologically flawed, among other reasons because it takes listed corporations as its basis, while in the present case Sat.1 Holding GmbH was a private, unlisted company and should be evaluated as such. Moreover, the experts reconfirm that the valuation on which the merger was based complies with the principles of proper corporate valuation.

Calculation of maximum allowable advertising time in Germany

Because of alleged violations of advertising laws by various German broadcasters, among them ProSieben and Sat.1, the European Commission has addressed an initial letter of formal notice to the German government. One factor that led to the charges was that the Commission assumes a method of calculating maximum advertising time per hour that differs from the common practice in Germany.

Under current legislation, private television stations may use up to 15 percent of total daily broadcasting time for spot advertising, and the broadcasting time for advertising and teleshopping spots must not exceed 12 minutes per hour. The total duration of advertising is limited to 20 percent of daily broadcasting time. There are also prohibitions and other restrictions on advertising interruptions in certain kinds of programming, such as religious services, children's programming and informational broadcasts.

In Germany, maximum advertising time can be calculated on the basis of what is known as the "adapted hour", meaning that the maximum allowable duration of advertising time per hour can be calculated as of a time that the broadcaster can set variably for each day. The ProSiebenSat.1 Group's stations have been using this calculation method for years without complaints. The compatibility of this German practice with the European Directive was explicitly reconfirmed in a 1998 letter from the European Commission. Nevertheless, the Commission is now contemplating opening formal proceedings against the Federal Republic of Germany for breach of treaty, so as to get this practice changed within the medium term. The consequence might be revenue losses in a few years. Hence the ProSiebenSat.1 Group is working actively to maintain the "adapted hour", and is in constant close contact on this matter with the European Commission, the German government, the German state governments and the state regulatory agencies for broadcasting. According to prevailing opinion in Germany, the "adapted hour" is a national regulation compatible with the applicable European Directive. In the event that the supervisory practices of the state regulatory agencies change under pressure from the Commission, the ProSiebenSat.1 Group would pursue legal recourse, and ultimately seek a resolution of the matter before the European Court of Justice.

The Cable and Satellite Directive

In 2002, in the Report on the Application of Directive 93/83/EEC [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 feed-ins and further distribution.

At the moment there appears to be no expectation that the European Commission will amend the Cable and Satellite Directive anytime soon.

»The new ownership structures will usher in a calmer environment where the company can focus on its programming and business.«

Uwe Becker, Media Director Unilever Deutschland

»The ProSiebenSat.1 Group's portfolio gives it a strong position in almost every target audience of relevance for the market, and its position has expanded with its successful renovations of the past few months. The Group is well equipped for the future.«

David Linn, Managing Director Buying, Aegis Media Central Services

»The political climate is more favorable than in previous years. The public broadcasters are on the defensive. Politicians have picked up on many of our positions in the debate on broadcast fees and the industry's structure.«

Jürgen Doetz, Executive Board Member, Media Policy and Regulatory Affairs
Jürgen Doetz, 59, has been representing the interests of German private broadcasters in the media-policy debate for 14 years, as President of the Verband Privater Rundfunk und Telekommunikation. He was Sat.1's Managing Director from its inception in 1983, and has been a member of the ProSiebenSat.1 Media AG Executive Board since 2000. He studied political science, history and sociology. Also a trained journalist, he began his career at the "Pfälzer Tagblatt" newspaper. From there he joined the Ministry of Culture of the state of Rhineland-Palatinate as a press spokesman, and moved on to become deputy spokesman for the Rhineland-Palatinate state government.

Outlook

Capital and financing structure to be optimized further

By the end of April 2004, ProSiebenSat.1 Media AG plans to carry out a EUR 280 million capital increase. The new stock issue will add equal proportions of new registered shares of common stock and new bearer shares of preferred stock. The new shares will carry the entitlement to participate in dividends as of the beginning of fiscal 2004. The proceeds from the capital increase are to be used primarily to reduce net financial debt. The shareholders' meeting on June 16, 2003, authorized the Executive Board to increase the Company's capital stock on one or more occasions by June 15, 2008, by a total of as much as EUR 97.2 million, in return for cash contributions, by issuing new shares of common stock and preferred stock.

In addition to the capital increase, the Company plans to refinance or find new financing for the existing syndicated EUR 380 million Euroloan, which expires at the beginning of December 2004. The existing credit facility is to be replaced before its final due date by a new, multi-year credit agreement with a number of different banks, for an amount yet to be determined. Like the capital increase, this measure will serve to optimize the Company's financing structure further, and expand the Group's maneuverability against the competition.

Economic institutes expect recovery in 2004

The leading economic institutes expect a limited recovery of the German economy in 2004. Their joint assessment assumes that gross domestic product will grow 1.7 percent. The 2004 base projection by Germany's Council of Economic Experts anticipates that GDP will grow 1.5 percent.

Some experts also expect a recovery in the advertising market. Both ZenithOptimedia and the World Advertising Research Center [WARC] project a worldwide increase in advertising spending during 2004, and expect at least slight growth in Germany. ZenithOptimedia's researchers expect TV advertising spending to rise 2.7 percent. WARC estimates the increase in the German TV advertising market at 3.5 percent. The propelling factors they cite are such major events as the European Cup in soccer and the Olympics. The ZAW anticipates that total advertising expenditures will grow between 1 and 2 percent for the advertising industry as a whole.

The ProSiebenSat.1 Group: Significant improvement in earnings in a stable advertising market

Despite the positive projections for the economy as a whole, the performance of the German television advertising market this year is still very difficult to forecast. It is especially unclear whether the increase in GDP will also lead to an increase in private consumer spending. At the moment there are no reliable indications that consumer confidence will improve. Given this situation, the ProSiebenSat.1 Group's projections for the current year assume that the television advertising market will remain stable. The Group's primary goal in 2004 is to enhance earnings substantially further, even though the Group does not expect growth in the TV advertising market.

Further strengthening of station brands

A core component of the Group's corporate strategy is to strengthen its stations' brands even further. Sat.1 still has immense growth potential as a broad, mass-market brand. One of the Group's most important tasks will be to mine these reserves at Sat.1 and raise the station to a new audience share level. ProSieben is the Group's lead brand. As a station for young entertainment, it will strengthen its unique position in the German television market still further, and enhance its profitability. The range of stations is filled out by Kabel 1 as a classic quality brand, and N24, which is to become the leading brand in television news and information.

ProSiebenSat.1 Group management considers it a top priority to bring the Group into the digital age, safeguarding and further expanding the position of the Company and its stations. The ProSiebenSat.1 Group's ambition is to be the leading TV corporation in the German market – today and in the future.

Corporate Governance in the ProSiebenSat.1 Group

Ongoing review of standards and structures

ProSiebenSat.1 Media AG welcomes the German Corporate Governance Code, and views voluntary compliance as a positive signal to the capital market that can enhance credibility and strengthen confidence. The German Corporate Governance Code was released by the Government Commission on the German Corporate Governance Code on February 26, 2002, and was most recently amended on May 21, 2003. From the viewpoint of ProSiebenSat.1 Media AG, the key aspects of good corporate governance include efficient cooperation between the Executive Board and the Supervisory Board, a concern for shareholders' interests, and openness and transparency in corporate communications. For that reason, the Company regularly reviews existing standards and structures to see whether there is any need for amendments or adjustments. During the year under review, the Executive Board and Supervisory Board dealt extensively with this subject at their joint meeting on December 10, 2003.

2003 Declaration of Compliance

The Declaration of Compliance with the recommendations of the German Corporate Governance Code in the version of May 21, 2003, has been available on the Internet at www.ProSiebenSat1.com since December 2003, and can also be found in the Notes to this annual report. On June 16, 2003, the shareholders' meeting amended the Articles of Incorporation to eliminate the deviation from Item 5.4.5 of the Code [remuneration that acknowledges chairing and sitting on Board committees] that was reported in the 2002 Declaration of Compliance.

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. It is presided over by the chairman of the Supervisory Board, or by another member of the Supervisory Board appointed by either the chairman of the Supervisory Board or the remaining members 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 likewise 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 Company's Executive Board has seen no need to appoint a proxy bound 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

In obedience to the Articles of Incorporation, the Supervisory Board currently comprises nine members. It supervises and advises the Executive Board in the latter's management of the Company's business. At regular intervals, the Supervisory Board discusses business developments, planning, strategy, and implementation. It adopts 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 in both cases. 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.

Committees of the Supervisory Board

The by-laws of the Supervisory Board currently call for three committees: a Presiding Committee, an Audit and Finance Committee, and a Programming and Operational Committee. No members have been appointed as yet to the Presiding Committee or the Audit and Finance Committee, in view of a pending possible expansion of the Board, which can take place only with the approval of the shareholders' meeting. Hitherto all issues have been discussed and dealt with in detail at the meetings of the Board itself. After the shareholders' meeting, the Presiding Committee will handle preparations for the meetings of the full Board.

The following areas of responsibility have been established for the Committees:

Once its members have been appointed, the Presiding Committee will comprise the chairman and vice-chairman of the Supervisory Board, and up to three additional members. It is to deal especially with preparing and coordinating the meetings of the full Board. It will also perform the functions of a Personnel Committee, for example by nominating appointees for the Executive Board. The Presiding Committee will also be the body that consents on the Board's behalf to important business transactions.

The Audit and Finance Committee will deal 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. This committee cannot be chaired by either the chairman of the Supervisory Board or any former member of the Company's Executive Board. Certain important business transactions will be subject to the approval of the Audit and Finance Committee.

Once its members have been appointed, the Programming and Operational Committee will deal with the acquisition of programming rights and other matters of significance for the Company's operations. It is to have up to five members. Its duties include preparing for the Supervisory Board's meetings that address costs and licenses for programming, especially those meetings at which the Supervisory Board adopts the plans and projections for the year. This Committee is to be chaired by the chairman of the Supervisory Board. This Committee too will be responsible for approving certain types of important transactions.

Duties of the Executive Board

The Executive Board of ProSiebenSat.1 Media AG is the Group's managing body. Members of the Executive Board should be no older than 60 as of the end of their term of appointment. 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, preparing the annual financial statements, and monitoring the management of the individual units.

Remuneration structure for the Executive Board

Under the amended Corporate Governance Code of May 21, 2003, disclosing the remuneration of the individual members of the Executive Board is no longer a suggestion but a recommendation. ProSiebenSat.1 Media AG has decided not to disclose the individual remuneration of Executive Board members. But as before, the Notes to the financial statements still break down the Executive Board's collective salaries into fixed and variable components. ProSiebenSat.1 Media AG feels that disclosing these individuals' salaries would intrude upon their personal rights without affording any significant gain in information.

Information on the salary structure was released on the Web in December 2003, along with the Declaration of Compliance. The system of remuneration is set up so that members of the Executive Board are remunerated fairly both in view of their own area of work and responsibility, and in comparison with how third parties are remunerated internationally. It ensures that the Company will remain competitive, by providing incentives and motivation for international top managers. The current remuneration system for ProSiebenSat.1 Media AG Executive Board members has both a fixed component and a component that varies as a function of the Company's success. The fixed base salary is oriented to the individual Board member's own area of responsibility. The variable component is paid as an annual bonus, which is decided by the Supervisory Board or the Chairman of the Supervisory Board, as the case may be, after the formal adoption of each year's annual financial statements. The Company is currently weighing the possibility of introducing a stock option plan or similar management profit-sharing program. No final decision has been reached on this matter. It is up to the Supervisory Board to decide the details of any profit-sharing by the members of the Executive Board. For the Chairman of the Executive Board, any rewards under the management profit-sharing plan would replace the annual bonus.

Cooperation between the Executive Board and 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 responsibility and in the Company's best interest.

Transparent communication with the capital market

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 German Securities Trading Act [Wertpapierhandelsgesetz, or WpHG]. 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 purchases and sales of stock by members of the Executive Board or Supervisory Board ["directors' dealings" under Sec. 15a of the act]. At the same time, ProSiebenSat.1 Media AG's Web site offers 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. As a rule, consolidated financial statements are released to the public within 90 days after the end of the fiscal year, and 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, is available to the general public over the Internet. Until the end of 2003, the Group financial statements and the Company's interim reports were still being prepared under the accounting principles of the German Commercial Code [Item 7.1.1 of the Corporate Governance Code]. As of 2004, the Company is making the transition to International Financial Reporting Standards [IFRS]. Its first quarterly report under IFRS will be released on May 12. The consolidated annual financial statements are audited by an independent auditor.

85%

In the next few years, ProSiebenSat.1 Group stations will enjoy the best programming supply in the Company's history – 85 percent of the four channels' needs for feature films and series are covered to 2006.

Audit Opinion

ProSiebenSat.1 Media AG and ProSiebenSat.1 Group

We have audited the annual financial statements, together with the bookkeeping system, of the ProSiebenSat.1 Media Aktiengesellschaft, Unterföhring, as well as the consolidated financial statements comprising the balance sheet, the income statement, cash flows, changes in shareholders' equity and the notes and its report on the position of the Company and the Group prepared by the Company for the business year from January 1 to December 31, 2003. The preparation of these documents in accordance with German commercial law is 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 HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual and the consolidated financial statements and the cash flows in 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 consolidated financial statements and the report on the position of the Company and the Group; it does not include examining the contents of the declaration of compliance to be prepared in accordance with Sec. 161 AktG, which is 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 the Company and the Group and the cash flows for the year of 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, February 27, 2004

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Früh
Wirtschaftsprüfer

Gaeb
Wirtschaftsprüfer

Consolidated Financial Statements

Consolidated Balance Sheet of ProSiebenSat.1 Media AG

Assets			
[EUR k]		Dec. 31, 2003	Dec. 31, 2002
A. Fixed assets	[1]		
I. Intangible assets		57,205	65,232
II. Tangible assets		125,600	143,982
III. Financial assets		197,472	193,091
		380,277	402,305
B. Current assets			
I. Programming assets	[2]	1,148,177	1,059,866
II. Inventories	[3]	5,777	4,958
III. Receivables and other current assets	[4]	175,466	198,109
IV. Securities		921	828
V. Cash, credit balances with banks		61,862	67,291
		1,392,203	1,331,052
C. Prepaid and deferred items	[5]	10,984	12,735
D. Deferred taxes	[6]	7,195	10,050
Total assets		**1,790,659**	**1,756,142**

Liabilities and shareholders' equity			
[EUR k]		Dec. 31, 2003	Dec. 31, 2002
A. Shareholders' equity	[7]		
I. Subscribed capital		194,486	194,486
II. Capital reserves		322,319	322,319
III. Revenue reserves		72,713	73,245
IV. Difference resulting from capital consolidation		228	228
V. Balance sheet profit		68,550	28,554
VI. Minority interests from equity		-1,617	-1,399
		656,679	617,433
B. Accruals	[10]	99,272	81,681
C. Liabilities	[11]	1,033,864	1,056,210
D. Deferred liabilities		844	818
Total liabilities and equity		**1,790,659**	**1,756,142**

Consolidated Statement of Income for ProSiebenSat.1 Media AG

[EUR k]		2003	2002
1. Revenues	[14]	1,807,122	1,895,093
2. Increase/decrease in work-in-process history		-10	-11
3. Other operating income	[15]	48,593	115,707
4. **Total**		1,855,705	2,010,789
5. Programming and material costs	[16]	-1,249,202	-1,378,361
6. Personnel expenses	[17]	-205,283	-215,926
7. Depreciation and amortization	[18]	-35,647	-61,913
8. Other operating expense	[19]	-205,438	-246,105
9. **Operating profit**		160,135	108,484
10. Result from equity interests	[20]	1,769	-2,264
11. Net interest result	[21]	-62,732	-53,258
12. Other financial income/expense	[22]	3,657	4,410
13. **Financial loss**		-57,306	-51,112
14. **Income from ordinary business activities**		102,829	57,372
15. Extraordinary expense	[23]	-45,374	-35,951
16. **Pre-tax profit**		57,455	21,421
17. Income taxes	[24]	-12,247	-8,046
18. Other taxes		-415	-791
19. **Net income for the year**		44,793	12,584
20. Minority interests		218	2,417
21. **Consolidated net income for the year**		45,011	15,001
22. Accumulated profit brought forward from prior year		23,539	3,553
23. Withdrawal from revenue reserves		- / -	10,000
24. Balance sheet profit		**68,550**	**28,554**

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

[EUR k]					Acquisition cost	Depreciation and amortization			Book value
	Jan. 1, 2003	Additions	Reclassific.	Disposals	Dec. 31, 2003	Fiscal year	Cumulative	Dec. 31, 2003	Dec. 31, 2002
I. Intangible assets									
1. Licenses, trademarks and patents as well as licenses to such assets and rights	22,368	2,089	652	4,185	20,924	3,063	17,064	3,860	4,526
2. Goodwill	203,923	- / -	- / -	3,987	199,936	6,554	147,245	52,691	59,495
3. Advances paid on intangible assets	1,211	95	-652	- / -	654	- / -	- / -	654	1,211
Total	227,502	2,184	- / -	8,172	221,514	9,617	164,309	57,205	65,232
II. Tangible assets									
1. Buildings on property owned by others	164,736	249	138	4,079	161,044	7,817	66,901	94,143	101,814
2. Technical equipment and machinery	94,971	4,144	-478	2,171	96,466	14,340	81,327	15,139	25,486
3. Other equipment, office furniture and equipment	70,345	1,170	491	9,010	62,996	3,873	49,869	13,127	16,083
4. Advances paid on tangible assets and assets under construction	599	2,788	-151	45	3,191	- / -	- / -	3,191	599
Total	330,651	8,351	- / -	15,305	323,697	26,030	198,097	125,600	143,982
III. Financial assets									
1. Interests in group companies	88	35	12	- / -	135	- / -	- / -	135	88
2. Equity interests in associated companies	70,165	2,430	2,572	2,269	72,898	610	5,647	67,251	66,923
3. Interests in entities in which the Company holds interests of 20% or more	6,285	- / -	-2,584	125	3,576	- / -	3,242	334	1,123
4. Loans to entities in which the Company holds interests of 20% or more	125,961	4,840	- / -	1,750	129,051	- / -	756	128,295	123,511
5. Investment securities	8,104	- / -	- / -	8,095	9	- / -	- / -	9	809
6. Other loans	1,087	866	- / -	55	1,898	- / -	450	1,448	637
Total	211,690	8,171	- / -	12,294	207,567	610	10,095	197,472	193,091
Total fixed assets	**769,843**	**18,706**	**- / -**	**35,771**	**752,778**	**36,257**	**372,501**	**380,277**	**402,305**

Financial Statements

Balance Sheet of ProSiebenSat.1 Media AG

Assets

[EUR k]		Dec. 31, 2003	Dec. 31, 2002
A. Fixed assets	[1]		
I. Intangible assets		4,628	5,219
II. Tangible assets		33,421	36,503
III. Financial assets		1,215,704	1,209,855
		1,253,753	1,251,577
B. Current assets			
I. Inventories	[3]	65	81
II. Recievables and other current assets	[4]	302,607	302,856
III. Cash, credit balances at banks		57,476	55,046
		360,148	357,983
C. Prepaid and deferred items	[5]	7,253	7,142
Total assets		**1,621,154**	**1,616,702**

Liabilities and shareholders' equity

[EUR k]		Dec. 31, 2003	Dec. 31, 2002
A. Shareholders' equity	[7]		
I. Subscribed capital		194,486	194,486
II. Capital reserve		322,319	322,319
III. Revenue reserve		73,000	73,000
IV. Balance sheet profit		34,098	2,473
		623,903	592,278
B. Accruals	[10]	30,555	14,457
C. Liabilities	[11]	966,427	1,009,470
D. Deferred liabilities		269	497
Total liabilities and equity		**1,621,154**	**1,616,702**

Statement of Income for ProSiebenSat.1 Media AG

[EUR k]		2003	2002
1. Other operating income	[15]	66,308	78,924
2. Personnel expenses	[17]	-32,457	-34,798
3. Depreciation and amortization	[18]	-5,717	-12,019
4. Other operating expenses	[19]	-98,831	-109,483
5. **Operating loss**		-70,697	-77,376
6. Result from equity interests	[20]	174,040	109,773
7. Interest expense	[21]	-52,691	-33,361
8. Other financial income/expenses	[22]	4,213	4,407
9. **Financial profit**		125,562	80,819
10. **Income from ordinary business activities**		54,865	3,443
11. Extraordinary expenses	[23]	-17,711	-35,044
12. **Pre-tax profit/loss**		37,154	-31,601
13. Income taxes	[24]	-3,388	17
14. Other taxes		-196	-571
15. **Net income for the year**		33,570	-32,155
16. Accumulated profit brought forward from prior year		528	24,628
17. Withdrawal from revenue reserves		- / -	10,000
18. **Balance sheet profit**		**34,098**	**2,473**

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

[EUR k]					Acquisition cost	Depreciation and amortization			Book value
	Jan. 1, 2003	Additions	Reclassific.	Disposals	Dec. 31, 2003	Fiscal year	Cumulative	Dec. 31, 2003	Dec. 31, 2002
I. Intangible assets									
1. Licenses, trademarks and patents as well as licenses to such rights and assets	10,993	1,221	271	3,326	9,159	2,187	7,362	1,797	3,791
2. Advances paid on intangible assets	1,428	1,777	-271	103	2,831	- / -	- / -	2,831	1,428
Total	12,421	2,998	- / -	3,429	11,990	2,187	7,362	4,628	5,219
II. Tangible assets									
1. Buildings on property owned by others	62,202	251	- / -	- / -	62,453	2,802	31,134	31,319	33,870
2. Technical equipment and machinery	1,347	- / -	-431	916	- / -	14	- / -	- / -	306
3. Other equipment, office furniture and equipment	8,262	344	431	1,053	7,984	714	6,256	1,728	2,327
4. Advances paid on tangible assets and assets under construction	- / -	374	- / -	- / -	374	- / -	- / -	374	- / -
Total	71,811	969	- / -	1,969	70,811	3,530	37,390	33,421	36,503
III. Financial assets									
1. Interests in group companies	1,027,337	307	- / -	549	1,027,095	- / -	1,851	1,025,244	1,023,690
2. Equity interests	69,883	- / -	- / -	- / -	69,883	- / -	2,797	67,086	67,086
3. Loans to entities in which the Company holds interests of 20% or more	119,756	4,146	- / -	1,301	122,601	- / -	- / -	122,601	118,511
4. Other loans	568	216	- / -	11	773	- / -	- / -	773	568
Total	1,217,544	4,669	- / -	1,861	1,220,352	- / -	4,648	1,215,704	1,209,855
Total fixed assets	**1,301,776**	**8,636**	**- / -**	**7,259**	**1,303,153**	**5,717**	**49,400**	**1,253,753**	**1,251,577**

Group Cash Flow Statement

[EUR k]

	2003	2002	Change
Income for the period before extraordinary items	90,385	50,952	39,433
Depreciation and amortization/appreciation of fixed assets	36,191	42,200	-6,009
Depreciation of programming assets, including appreciations	983,227	1,049,864	-66,637
Change in accruals for anticipated losses on programming assets	10,702	3,484	7,218
Cash flow calculated according to DVFA/SG	1,120,505	1,146,500	-25,995
Gain on disposal of fixed assets	-1,021	-354	-667
Gain on disposal of programming assets	-593	-801	208
Loss on disposal of fixed assets	412	2,376	-1,964
Loss on disposal of programming assets	6,914	3,117	3,797
Disposal of programming assets not affecting payments	12,983	2,621	10,362
Changes in other accruals	6,889	-26,890	33,779
Increase/decrease in inventories, accounts receivable and other assets not associated with investing or financing activities	26,337	93,657	-67,320
Increase/decrease in accounts payable and other liabilities not associated with investing or financing activities	60,307	-32,938	93,245
Expenditures for extraordinary items	-45,374	-35,951	-9,423
Cash flow from operating activities	1,187,359	1,151,337	36,022
Proceeds from disposal of intangible assets	313	503	-190
Proceeds from disposal of tangible assets	288	343	-55
Proceeds from disposal of financial assets	4,124	6,132	-2,008
Proceeds from disposal of programming assets	17,742	17,386	356
Expenditures for intangible assets	-2,183	-3,042	859
Expenditures for tangible assets	-8,351	-8,851	500
Expenditures for programming assets	-1,108,584	-925,849	-182,735
Effects of changes in scope of consolidation	-3,394	-53,573	50,179
Expenditures for purchase of equity interests	-8,171	-11,747	3,576
Cash flow from investing activities	-1,108,216	-978,698	-129,518
Proceeds from loans taken out and repayments of financial debt [net] and repayments of financial debt [net]	-82,627	-321,355	238,728
Proceeds from bond issue	- / -	138,120	-138,120
Dividend	-1,945	-29,173	27,228
Cash flow from financing activities	-84,572	-212,408	127,836
Change in cash and cash equivalents not affecting payments	-5,429	-39,769	34,340
Cash and cash equivalents at beginning of year	67,291	107,060	-39,769
Cash and cash equivalents as of December 31, 2003	61,862	67,291	-5,429

Cash and cash equivalents for the ProSiebenSat.1 Group totaled EUR 61.862 million at the end of the year. The figure for the prior year was EUR 67.291 million. This item includes cash on hand and bank deposits as of the reporting date for the year.

Despite lower advertising revenues, cash generated by operating activities in 2003 totaled EUR 1,187.359 million. The comparable value from the year before was EUR 1,151.337 million. The increase of EUR 36.022 million was largely the consequence of higher trade accounts payable and tax accruals, combined with lower accounts receivable, especially for tax credits.

Cash used in investing activities was EUR 1,108.216 million for fiscal 2003. The previous year's figure was EUR 978.698 million. The rise of EUR 129.518 million occurred mainly because investments in programming assets substantially exceeded depreciation. Group expenditures for programming assets were up EUR 182.735 million, from EUR 925.849 million in the previous year to EUR 1,108.584 million in fiscal 2003. By contrast, the impact of changes in the scope of consolidation was EUR 50.179 million less in fiscal 2003.

Proceeds from the disposal of programming assets were EUR 17.742 million for fiscal 2003. The figure for the previous year was EUR 17.386 million.

Cash used in financing activities was EUR 84.572 million for fiscal 2003. In the previous year, cash used in financing activities was EUR 212.408 million. Liabilities to banks primarily comprise a mortgage loan of EUR 72.771 million for Sat.1. On December 31, 2003, no cash had been drawn under the revolving credit facility. Cash drawn under the revolving credit facility was EUR 80.000 million for the previous year.

Changes in Shareholders' Equity

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 trans-actions 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	-620	-971
Consolidated profit/loss for the year	- / -	- / -	- / -	15,001	- / -	- / -	15,001	-2,417	12,584
Dec. 31, 2002	**97,243**	**97,243**	**322,319**	**101,851**	**-42**	**218**	**618,832**	**-1,399**	**617,433**

Statements of Changes in Shareholders' Equity of the ProSiebenSat.1 Group for Fiscal 2003

[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 trans-actions with no effect			
Dec 31, 2002	97,243	97,243	322,319	101,851	-42	218	618,832	-1,399	617,433
Dividends paid	- / -	- / -	- / -	-1,945	- / -	- / -	-1,945	- / -	-1,945
Changes in scope of consolidation	- / -	- / -	- / -	-3,616	- / -	- / -	-3,616	- / -	-3,616
Other changes	- / -	- / -	- / -		186	-172	14	- / -	14
Consolidated profit/loss for the year	- / -	- / -	- / -	45,011	- / -	- / -	45,011	-218	44,793
Dec. 31, 2003	**97,243**	**97,243**	**322,319**	**141,301**	**144**	**46**	**658,296**	**-1,617**	**656,679**

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. 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, 2003.

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.

Scope of consolidation

In addition to ProSiebenSat.1 Media AG, the consolidated financial statements include 32 domestic affiliated companies [previous year: 34] and two foreign affiliated companies [previous year: three] in which ProSiebenSat.1 Media AG directly or indirectly holds a majority of voting rights, or which are under its unified control. Four subsidiaries [previous year: two] 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 of operations, or because they are being held only for resale.

ArtMerchandising & Media Inc., New York/USA, was sold during the year and has therefore been deconsolidated. The resulting net impact on earnings was a gain of EUR 717 thousand. This change in the scope of consolidation had no material influence overall on the Group's net assets, financial position and results of operations.

Eight [previous year: six] associated companies are consolidated by the equity method. VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH and wetter.com AG were reported at equity for the first time in the consolidated financial statements.

Affiliated companies are listed on page 60, 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 commercial register of the 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], which prescribes reporting under the purchase method.

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. When VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH was reported at equity for the first time in the consolidated financial statements, the result was a negative difference of

EUR 189 thousand. This amount was netted out in full during the year, with an impact on earnings. The first consolidation of wetter.com AG yielded goodwill of EUR 701 thousand. 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 the 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 Zurich, Switzerland, were audited by Göldi Grimm Meier & Partner Treuhandgesellschaft, Küsnacht, Switzerland. Those of SevenOne Media Austria GmbH, of Vienna, Austria, were audited by KPMG Alpen-Treuhand Gesellschaft mbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, Austria.

Foreign currency conversion

The annual financial statements for SevenOne Media [Schweiz] AG, of Zurich, 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.

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 42 and 43. 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 with an original value of EUR 122.409 million resulting from the first consolidation of Kabel 1 K1 Fernsehen GmbH in fiscal 1995. Purchased software is amortized over three years, as a general rule. 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. The goodwill resulting from the first consolidation of Kabel 1 K1 Fernsehen GmbH in fiscal 1995 is amortized 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 runs until February 29, 2012. In the year under review, unscheduled amortization of intangible fixed assets amounted to EUR 1 thousand.

The value of intangible assets declined EUR 8.027 million, from EUR 65.232 million on December 31, 2002, to EUR 57.205 million on December 31, 2003. The reduction was caused primarily by goodwill amortization of EUR 6.554 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 electronic 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 422 thousand.

The value of tangible assets declined from EUR 143.982 million on December 31, 2002, to EUR 125.600 million as of December 31, 2003. The reduction of EUR 18.382 million is substantially the result of smaller expenditures on this category of assets, in comparison to the depreciation taken. 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; Merchandising Prag spol. s.r.o., of Prague, Czech Republic; ProSieben Rundfunk und Medienproduktion GmbH, of Vienna, Austria; and SevenX Filmverleih GmbH, of Unterföhring, Germany.

The carrying value of associated companies, at EUR 67.251 million, includes goodwill of EUR 879 thousand. Negative equity values in the ProSiebenSat.1 Group, which are carried for statistical reasons, total EUR 16.803 million. The most significant associated company is Euvia Media AG & Co. KG, with equity valued at EUR 64.120 million as of December 31, 2003.

Balance sheet and statement of income for Euvia Media AG & Co. KG

Assets

[EUR k]

	Dec. 31, 2002
Fixed assets	211,312
Current assets	21,472
Prepaid and deferred items	7
Total assets	**232,791**

Liabilities and Shareholders' Equity

[EUR k]

	Dec. 31, 2002
Shareholders' equity	94,121
Accruals	356
Liabilities	138,314
Total liabilities and equity	**232,791**

Consolidated Statement of Income

[EUR k]

	2002
Other operating income	1,753
Personnel expenses	-1,321
Amortization of intangible assets	-36
Other operating expenses	-2,537
Financial loss	-1,358
Net loss of the year	**-3,499**

Other financial assets are valued at their acquisition cost or the applicable lower value as of the year's end. Financial assets, at EUR 197.472 million as of the reporting date, are slightly above the previous year's level. This figure represents a gain of EUR 4.381 million, or 2 percent, over fiscal 2002.

[2] Programming assets

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Licenses	749.183	658.491	- / -	- / -
Comissioned productions	398.994	401.375	- / -	- / -
Total	**1.148.177**	**1.059.866**	**- / -**	**- / -**

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 or planned, as the case may be. 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 the past, in view of their future economic benefits. Such appreciation is reported under other operating income.

The value of programming assets rose from EUR 1,059.866 million on December 31, 2002, to EUR 1,148.177 million as of December 31, 2003. The rise of EUR 88.311 million results substantially from higher expenditures in licenses.

During the year under review, unscheduled depreciation of programming assets, including allocations to provisions for anticipated losses, amounted to EUR 92.351 million [previous year: 89.188 million] for the Group. These amounts are offset against appreciation of EUR 7.004 million [previous year: EUR 30.264 million] in the single-entity financial statements.

[3] Inventories

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Raw materials and supplies	227	272	45	59
Work in process	- / -	10	- / -	- / -
Finished goods and merchandise	5,550	4,676	20	22
Total	**5,777**	**4,958**	**65**	**81**

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

[4] Receivables and other current assets

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Trade accounts receivable	118,768	118,721	851	730
[amounts due after more than one year]	[1,453]	[3,647]	- / -	- / -
Amounts due from Group companies	66	4,998	59,933	262,486
[amounts due after more than one year]	- / -	- / -	- / -	- / -
Receivables from entities in which the Company holds interests of 20% or more	25,014	21,879	3	58
[amounts due after more than one year]	- / -	- / -	- / -	- / -
Other assets	31,618	52,511	241,820	39,582
[amounts due after more than one year]	- / -	- / -	- / -	- / -
Total	**175,466**	**198,109**	**302,607**	**302,856**
[amounts due after more than one year]	[1,453]	[3,647]	- / -	- / -

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 22.643 million, or 11 percent, from EUR 198.109 million at the beginning of the fiscal year to EUR 175.466 million at year's end. Other current assets were down EUR 20.893 million, primarily as a result of approximately EUR 21.705 million in refunds for corporate income tax and local business taxes. The value of trade accounts receivable, at EUR 118.768 million on December 31, 2003, was virtually unchanged from the previous year's figure of EUR 118.721 million.

Amounts owed by members of the ProSiebenSat.1 Group, at EUR 66 thousand, pertain exclusively to receivables from SevenX Filmverleih GmbH. The reduction of EUR 4.932 million in amounts owed by Group companies resulted from the sale of the common stock held by Kirch Media GmbH & Co. KGaA i.IN. in ProSiebenSat.1 Media AG. Consequently amounts owed by Kirch Media GmbH & Co. KGaA i.IN. and other former Kirch Group companies are reported as trade accounts receivable in the consolidated financial statements of ProSiebenSat.1 Media AG for fiscal 2003. In the 2003 financial statements of ProSiebenSat.1 Media AG, receivables from Kirch Media GmbH & Co. KGaA i.IN. are mainly reported as other assets.

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, and SevenOne Intermedia GmbH. Receivables from entities with which the Company is linked through interests of 25 percent or more pertain almost exclusively to VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH, Sat.1 Schweiz AG, of Zurich, Switzerland, and IP Multimedia [Schweiz] AG, of Zurich, Switzerland.

The other current assets mainly comprise advance payments made and option premiums paid.

[5] Prepaid and deferred items

The 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 2004 or beyond. The discount for the bond issue amounts to EUR 5.851 million. For ProSiebenSat.1 Media AG, this figure pertains primarily to the bond discount of EUR 5.851 million.

[6] Deferred taxes

Deferred taxes are computed in compliance with Sec. 306 of the German Commercial Code. They have been capitalized as a consequence of consolidation measures affecting net income. 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

Shareholders' equity grew EUR 39.246 million, or 6 percent, from EUR 617.433 million at the beginning of the fiscal year to EUR 656.679 million at year's end. The principal reason for the growth was the improvement in the ProSiebenSat.1 Group's 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 shares of common stock 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 72.713 million for the ProSiebenSat.1 Media AG Group and EUR 73.000 million in the single-entity financial statements of ProSiebenSat.1 Media AG. They consist entirely of other revenue reserves. Retained earnings for fiscal 2003 amount to EUR 23.539 million for the ProSiebenSat.1 Media AG Group, and EUR 528 thousand for ProSiebenSat.1 Media AG individually.

[8] Allocation of profits

Last fiscal year, under a resolution of the shareholders' meeting of June 16, 2003, a distribution of EUR 1.945 million was paid out to holders of preferred stock, out of ProSiebenSat.1 Media AG's distributable net profit of EUR 2.473 million.

The Executive Board of ProSiebenSat.1 Media AG proposes that the distributable net profit of EUR 34.098 million for fiscal 2003 should be allocated as follows:

[EUR]	
Distribution of a dividend of EUR 0.02 per preferred bearer share	1,944,864.00
Allocation to other revenue reserves	16,000,000.00
Balance to be carried forward to the new accounting period	16,152,851.55
Distributable net profit	**34,097,715.55**

[9] Authorized capital

By a unanimous resolution of the meeting of the shareholders of ProSiebenSat.1 Media AG on June 16, 2003, the Executive Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's capital stock on one or more occasions on or before June 15, 2008, by a total of up to EUR 97,243,200.00, by issuing new registered shares of common stock and new bearer shares of preferred stock in return for cash contributions, in the same proportion as exists between the two categories of stock at the time of the new issue in question. The new shares are to carry an entitlement to participate in profits as of the beginning of the fiscal year in which they are issued.

[10] Accruals

[EUR k]	**ProSiebenSat.1 Group**		**ProSiebenSat.1 Media AG**	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Accrued taxes	23,065	3,135	19,270	- / -
Accruals for anticipated losses	19,304	8,602	1,422	336
Accruals for outstanding invoices	31,639	45,101	2,159	8,085
Other accruals	25,264	24,843	7,704	6,036
Total	**99,272**	**81,681**	**30,555**	**14,457**

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

This figure grew EUR 17.591 million, from EUR 81.681 million on December 31, 2002, to EUR 99.272 million on December 31, 2003. The increase was almost entirely the consequence of accrued taxes, which gained EUR 19.930 million compared to the same time the year before.

Tax accruals were formed primarily for corporate income tax and local business income taxes.

The remaining other accruals for the ProSiebenSat.1 Group particularly include provisions for unused vacation, bonuses and severance payments, litigation costs, and the cost of preparing the annual financial statements.

The largest single items at ProSiebenSat.1 Media AG were provisions for bonuses and severance payments, for restructuring, for unused vacation, and for the cost of preparing annual financial statements.

[11] Liabilities

ProSiebenSat.1 Group as of Dec. 31, 2003

[EUR k]

	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term > 5 years	Total Dec. 31, 2003	Total Dec. 31, 2002
Bonds	- / -	465,943	200,000	665,943	665,943
Liabilities to banks	2,826	16,168	54,245	73,239	155,866
Total financial liabilities	2,826	482,111	254,245	739,182	821,809
Deposits received	224	- / -	- / -	224	427
Trade accounts payable	197,466	14,275	- / -	211,741	88,921
Liabilities to Group companies	5	- / -	- / -	5	71,044
Liabilities to entities in which the Company holds interests of 20% or more	718	- / -	- / -	718	298
Other liabilities	81,994	- / -	- / -	81,994	73,711
[amounts due for taxes]	[33,954]			[33,954]	[25,720]
[amounts due for social security]	[4,561]			[4,561]	[4,900]
Total	**283,233**	**496,386**	**254,245**	**1,033,864**	**1,056,210**
[amounts secured by real estate charges]				[72,771]	[74,986]

ProSiebenSat.1 Media AG as of Dec. 31, 2003

[EUR k]

	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term > 5 years	Total Dec. 31, 2003	Total Dec. 31, 2002
Bonds	- / -	465,943	200,000	665,943	665,943
Liabilities to banks	8	- / -	- / -	8	80,052
Total financial liabilities	8	465,943	200,000	665,951	745,995
Deposits received	37,921	- / -	- / -	37,921	2,812
Trade accounts payable	201,879	- / -	- / -	201,879	207,478
Liabilities to entities in which the Company holds interests of 20% or more	1	- / -	- / -	1	1
Other liabilities	60,675	- / -	- / -	60,675	53,184
[amounts due for taxes]	[27,717]			[27,717]	[20,212]
[amounts due for social security]	[599]			[599]	[734]
Total	**300,484**	**465,943**	**200,000**	**966,427**	**1,009,470**
[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 22.346 million, or 2 percent, from EUR 1,056.210 million on December 31, 2002, to EUR 1,033.864 million on December 31, 2003. Total financial liabilities decreased from EUR 821.809 million at the beginning of the year to EUR 739.182 million at year's end. The decrease of EUR 82.627 million is largely the result of ProSiebenSat.1 Media AG's forbearing to draw on its revolving credit facility. Liabilities to banks comprise EUR 72.771 million for a building loan to Sat.1, and other bank debt of EUR 468 thousand. Real estate charges fall entirely under liabilities to banks.

Because liabilities to Kirch Media GmbH & Co. KGaA i.IN. and other companies of the former Kirch Group are now reported as trade accounts payable, and because of varying outpayments, trade accounts payable grew EUR 122.820 million, from EUR 88.921 million on December 31, 2002, to EUR 211.741 million on December 31, 2003.

Largely because liabilities to Kirch Media companies are now reported under liabilities to third parties, as just mentioned, liabilities to Group companies dropped EUR 71.039 million, from EUR 71.044 million on December 31, 2002, to EUR 5 thousand on December 31, 2003.

Liabilities to affiliated companies in the financial statements of ProSiebenSat.1 Media AG pertain mainly to ProSieben Television GmbH, Sat.1 SatellitenFernsehen GmbH, Kabel 1 K1 Fernsehen GmbH and SevenOne Media Austria GmbH. Other liabilities are for the most part tax liabilities and liabilities relating to the deferral and accrual of interest.

[12] Contigent liabilities

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Contingent liabilities from guarantees	17,900	21,351	19,095	22,546
[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.

[13] Other financial liabilities

ProSiebenSat.1 Group

[EUR k]

	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term > 5 years	Total
Programming assets	507,779	1,073,745	1,255,749	2,837,273
Royalties	60,484	109,964	652	171,100
Leasing and long-term rental committments	33,078	83,765	161,362	278,205
Other liabilities	53,932	10,040	1,187	65,159
Total	**655,273**	**1,277,514**	**1,418,950**	**3,351,737**

ProSiebenSat.1 Media AG

[EUR k]

	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term > 5 years	Total
Programming assets	268,513	882,156	1,150,669	2,301,338
Leasing and long-term rental committments	15,770	55,173	153,853	224,796
Total	**284,283**	**937,329**	**1,304,522**	**2,526,134**

Other financial liabilities exist in addition to accruals, debt and contingent liabilities. These derive from contractual agreements entered into before December 31, 2003, and pertain to payment obligations due after January 1, 2004.

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.

[14] Revenues

[EUR k]

	ProSiebenSat.1 Group 2003	ProSiebenSat.1 Group 2002	ProSiebenSat.1 Media AG 2003	ProSiebenSat.1 Media AG 2002
Advertising revenues	1,750,200	1,803,414	- / -	- / -
Other revenues	56,922	91,679	- / -	- / -
Total	**1,807,122**	**1,895,093**	**- / -**	**- / -**

The ProSiebenSat.1 Group's revenues of EUR 1,807.122 million derive mainly from advertising, and are earned almost entirely within the Federal Republic of Germany. Consequently no breakdown of revenues by line of business or specific geographic market has been provided.

Group revenues declined EUR 87.971 million, or 5 percent, from EUR 1,895.093 million in fiscal 2002 to EUR 1,807.122 million in fiscal 2003. The decline was the result of ongoing weak demand for advertising in the German television market during fiscal 2003. Overall, the Group's advertising revenues were down EUR 53.214 million, from EUR 1,803.414 million to EUR 1,750.200 million – a 3 percent reduction.

[15] Other operating income

[EUR k]

	ProSiebenSat.1 Group 2003	ProSiebenSat.1 Group 2002	ProSiebenSat.1 Media AG 2003	ProSiebenSat.1 Media AG 2002
Income relating to other periods	30,697	65,243	4,453	2,324
Other operating income	17,896	50,464	61,855	76,600
Total	**48,593**	**115,707**	**66,308**	**78,924**

Other operating income receded EUR 67.114 million, or 58.0 percent, from EUR 115.707 million in fiscal 2002 to EUR 48.593 million in fiscal 2003.
The substantial drop of EUR 34.546 million in income relating to other periods is mostly the consequence of lower income from write-ups of programming assets [EUR 7.592 million compared to the previous year's EUR 30.429 million], and lower income from the deconsolidation of affiliated companies. The deconsolidation of ArtMerchandising & Media Inc. generated proceeds of EUR 934 thousand in fiscal 2003. In fiscal 2002, by contrast, deconsolidating CM Community Media GmbH & Co. KG generated EUR 14.425 million.
Another major single item of income relating to other periods was income from the write-back of provisions [EUR 11.977 million, compared to EUR 11.976 million].
The decline in other operating income was a consequence of the July 2002 early redemption of Eurobonds with an original maturity of 2006. This generated a gain of EUR 10.108 million. Additionally, the previous year's figure included EUR 20.385 million derived from the acquisition

of Kirch Intermedia GmbH and its subsidiaries. This income 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 for fiscal 2003 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 comprises income from services charged to other Group companies.

[16] Programming expenses

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	2003	2002	2003	2002
Depreciation of programming assets	1,013,488	1,086,175	- / -	- / -
Licenses, transmission fees and materials	126,523	131,916	- / -	- / -
Purchased services and goods	109,191	160,270	- / -	- / -
Total	**1,249,202**	**1,378,361**	**- / -**	**- / -**

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, and broadcasting and production costs. Expenses for purchased services and goods mainly comprise production costs, royalties and professional fees.

Programming and material costs were down EUR 129.159 million, or 9 percent, from EUR 1,378.361 million in fiscal 2002 to EUR 1,249.202 million for fiscal 2003. Depreciation of EUR 1,013.488 million [previous year: EUR 1,086.175 million] on programming assets comprises depreciation of EUR 921.137 million [vs. EUR 996.987 million] for broadcast showings, and unscheduled depreciation [including allocations to provisions for anticipated losses] of EUR 92.351 million [vs. EUR 89.188 million].

[17] Personnel expenses

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	2003	2002	2003	2002
Wages and salaries	176,885	188,076	28,596	30,736
Social security contributions and expenses for pensions and other employee benefits	28,398	27,850	3,861	4,062
Total	**205,283**	**215,926**	**32,457**	**34,798**

Personnel expenses declined 5 percent against the previous year, from EUR 215.926 million in fiscal 2002 to EUR 205.283 million in 2003. The decrease resulted from staff reductions and from a fundamental freeze on salary increases in fiscal 2003 as part of the ProSiebenSat.1 Group's cost-cutting program.

[18] Depreciation

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	2003	2002	2003	2002
Scheduled amortization of intangible assets	9,616	9,793	2,187	2,078
Scheduled depreciation of tangible assets	25,608	29,965	3,195	3,570
Unscheduled amortization of intangible assets	1	502	- / -	- / -
Unscheduled amortization of tangible assets	422	1,660	335	- / -
Write-downs of current assets	- / -	19,993	- / -	6,371
Totals	**35,647**	**61,913**	**5,717**	**12,019**

Depreciation and amortization was down from EUR 41.920 million for the previous period to EUR 35.647 million for the period under review. This represents a decline of EUR 6.273 million, or 15.0 percent. At the Group level these amounts include goodwill amortization of EUR 6.554 million [previous year: EUR 5.991 million].

The fiscal 2002 write-downs of EUR 19.993 million on current assets resulted from write-downs or waivers of outstanding principal and interest payments on loans taken out by ddp Nachrichtenagentur GmbH. The principal and interest payments owed by ddp Nachrichtenagentur were entirely written off in 2002.

[19] Other operating expenses

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	2003	2002	2003	2002
Expenses relating to other periods	11,027	8,281	755	3,520
Maintenance expenses	4,464	5,518	1,692	1,967
Administrative expenses	29,681	38,311	33,608	36,031
Selling expenses	107,840	133,552	15,347	21,537
Other operating expenses	52,426	60,443	47,429	46,428
Total	**205,438**	**246,105**	**98,831**	**109,483**

Other operating expenses were down significantly, by EUR 40.667 million, or 16.5 percent, from EUR 246.105 million in fiscal 2002 to EUR 205.438 million in the fiscal year just past. This change is essentially the result of the continuing pursuit of rigorous cost management in fiscal 2003.

The largest single items included under administrative expenses are EDP expenses, legal and consultancy fees, and general administrative expenses. Selling expenses mainly comprise advertising expenses, market research expenses, travel expenses, and expenses for allocations to single-item corrections on receivables. 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 donations and gifts.

The decrease in operating expenses at ProSiebenSat.1 Media AG is largely the consequence of lower expenses for write-downs of individual values for receivables, lower advertising expenses, and lower losses on the disposal of fixed financial assets.

[20] Income from equity investments

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	2003	2002	2003	2002
Income from equity interests	52	40	700	- / -
Income/expense from equity interests in associated companies	1,717	-2,304	- / -	- / -
Income from transfer of earnings	- / -	- / -	185,238	236,019
Income from loss absorption	- / -	- / -	-11,898	-126,246
Total	**1,769**	**-2,264**	**174,040**	**109,773**

Income from equity investments in fiscal 2003 was EUR 1.769 million. The loss for the previous year was EUR -2.264 million. The 2003 figure represents a rise of EUR 4.033 million, and is primarily a consequence of the positive performance of Euvia Media AG & Co. KG, which is reported at equity in the consolidated financial statements.

[21] Net interest

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	2003	2002	2003	2002
Other interest and similiar income	4,769	9,742	14,519	31,493
Interest and similiar expenses	-67,501	-63,000	-67,210	-64,854
Total	**-62,732**	**-53,258**	**-52,691**	**-33,361**

The net interest expense expanded to EUR -62.732 million in fiscal 2003, following the previous year's EUR -53.258 million.

Interest expenses grew from EUR 63.000 million to EUR 67.501 million. The increase of EUR 4.501 million derives from higher financing charges for the July 2002 high-yield bond issue that matures in 2009. The largest single item of interest income was the interest income of EUR 2.383 million from the tax refund. The primary interest expense items 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.

[22] Other financial income

[EUR k]

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	2003	2002	2003	2002
Income from other securities and loans of fixed financial assets	5,547	4,410	4,213	4,407
Write-downs of financial assets and marketable securities	-1,890	- / -	- / -	- / -
Total	**3,657**	**4,410**	**4,213**	**4,407**

Income from other securities and loans of fixed financial assets grew to EUR 5.547 million during the year, following EUR 4.410 million in 2002. 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 fiscal 2002 to parallel the 2003 figure of EUR 1.890 million.

[23] Extraordinary income/expense

The extraordinary expense for the ProSiebenSat.1 Group in fiscal 2003 amounted to EUR 45.374 million, following EUR 35.951 million for the year before. This represents an increase of EUR 9.423 million, or 26.2 percent. The Group's extraordinary expense for fiscal 2003 is composed entirely of costs associated with renegotiating the EM.TV Junior agreement, restructuring charges, and costs for the borrowings of ProSiebenSat.1 Media AG.

The extraordinary expense for ProSiebenSat.1 Media AG was EUR 17.711 million, and pertains entirely to restructuring expenses and costs of borrowing.

[24] Income taxes

Income taxes for the ProSiebenSat.1 Group rose EUR 4.201 million, or 52.2 percent, from EUR 8.046 million in fiscal 2002 to EUR 12.247 million in fiscal 2003. The tax rate at the Group level fell to 22.0 percent, following the previous year's 41.3 percent.

Other Information

[25] Average number of employees during the year

	ProSiebenSat.1 Group		ProSiebenSat.1 Media AG	
	2003	2002	2003	2002
Employees	2,899	3,054	411	466
Trainees and interns	223	241	21	32
Total	**3,122**	**3,295**	**432**	**498**

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

[26] Executive Board and Supervisory Board

The members of the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG are listed on page 61 of this report. In addition to their positions on the Board, the members of the Executive Board also have a contractual relationship with the Company. Contracts between ProSiebenSat.1 Media AG and its Executive Board members have a maximum term of five years. They specify the Board members' rights and duties, and also govern such matters as their remuneration.
The current remuneration system for ProSiebenSat.1 Media AG Executive Board members has both a fixed component and a component that varies with the Company's results. Specifically, these components are:

- A fixed base salary oriented to the individual Board member's own area of responsibility.
- A variable performance-based annual bonus. The amount is determined by the Supervisory Board or the Chairman of the Supervisory Board, as the case may be, after each year's annual financial statements have been formally adopted.
- The Company is currently weighing the possibility of introducing a stock option plan or similar management profit-sharing program. No final decision has been reached on this matter. It is up to the Supervisory Board to determine the details of any profit-sharing by the members of the Executive Board. For the Chairman of the Executive Board, any rewards under the management profit-sharing plan would replace the annual bonus.

The system of remuneration is set up so that members of the Executive Board are remunerated fairly both in view of their own area of work and responsibility, and in comparison with how third parties are remunerated internationally. It ensures that the Company will remain competitive by providing incentives and motivation for international top managers. The Company has not granted loans to members of the Executive Board, nor has it undertaken guarantees on their behalf. In the year under review, expenses for remuneration paid to active members of the Executive Board of ProSiebenSat.1 Media AG totaled EUR 2.554 million [previous year: EUR 3.613 million]. The expense for former members of the Executive Board was EUR 4.674 million in fiscal 2003. The Board's remuneration includes a variable component of EUR 450 thousand.
Expenses for the Supervisory Board of ProSiebenSat.1 Media AG amounted to EUR 215 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 215 thousand for the Supervisory Board include no variable component, since no dividend will be paid out to holders of common stock for fiscal 2003. The remuneration paid individually to current and former members of the Supervisory Board is as follows:

Current Members of the Supervisory Board

[remuneration in EUR k]

Haim Saban	11
Adam Chesnoff	13
John P. Connaughton	1
Dr. Mathias Döpfner	18
Wolfgang Hartmann	30
Patrick J. Healy	1
Dr. Michael Jaffé	16
Seth Lawry	1
Hubertus Meyer-Burckhardt	5

Former Members of the Supervisory Board

[remuneration in EUR k]

Wolfgang van Betteray	18
Norbert Deigner	7
Dr. Gerhard Gribkowsky	5
Ron Kenan	7
Fred Kogel	17
Ynon Kreiz	7
Alfred H. Lehner	7
Prof. Dr. jur. Hans-Joachim Mertens	10
Hans Reischl	7
Arieh Saban	5
Gisela Schmitt	7
Thomas Welte	5
Dr. Oliver Wilken	3
Hans-Joachim Ziems	15

Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during fiscal 2003.
All together, the current members of the Executive Board and Supervisory Board held 26,600 shares of preferred stock in ProSiebenSat.1 Media AG as of December 31, 2003. This is equivalent to 0.0137 percent of the Company's share capital. Including the members of the Executive Board and Supervisory Board who resigned during the year, the percentage of share capital is 0.0279 percent.

[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, in December 2003 the Executive Board and Supervisory Board issued a Declaration of Compliance, which has been made permanently available on the Internet at www.ProSiebenSat1.com/1/5/1/index.html.

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]. 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 the Supervisory Board do not provide for deductible [Item 3.8], since agreeing to a deductible would not materially reduce the insurance premiums. Furthermore, by virtue of their offices, the Executive Board and the 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 company has decided not to publish the compensation of the members of the Management Board in an individualized manner [Item 4.2.4].
- The Supervisory Board's Rules of Procedure provide for a committee, which shall prepare Supervisory Board meetings. However, this committee is not yet functioning [Item 5.2].
- No age limit has been set for members of the Supervisory Board [Item 5.4.1.] because the Company wishes to continue to benefit from the expertise of experienced Supervisory Board Members.
- At present the Group 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]. But the Company intends to convert to International Financial Reporting Standards [IFRS] in 2004.
- The Consolidated Financial Statements and the interim reports of the company are generally publicly accessible within the time limits recommended by Item 7.1.2. However, the annual report for the year 2002 was publicly accessible a few days after the recommended 90-day period in order to take into account the first signing by the Saban group of the acquisition of a majority interest in ProSiebenSat.1 Media AG.

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

[28] Related-party transactions

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 60, along with the percentage interest held. This list has been filed with the Companies Registration Office of Munich District Court, under No. HRB 124169.

No material reportable transactions under DRS 11 were conducted with related parties during fiscal 2003.

[29] Group affiliation per Secs. 21, 22 of the Securities Trading Act

Sections 21 ff. of the German Securities Trading Act require listed companies to provide the public with detailed information about the makeup of their shareholder structure. These disclosure requirements are intended to encourage transparency in securities trading. On November 28, 2003, the following report was published in the Börsenzeitung, and can also be found on the Company's Web site [www.ProSiebenSat1.com].

The individuals and companies listed in the following table have notified ProSiebenSat.1 Media AG in compliance with Sec. 21, 22 of the Securities Trading Act [WpHG] that their respective shares of the voting rights in ProSiebenSat.1 Media AG as of November 10, 2003, in the case of the companies listed under Item I, and as of November 11, 2003, in the case of the persons and companies listed under Item II, were each above 5 percent of the votes, and that they now hold the following shares of the voting rights in ProSiebenSat.1 Media AG.

I. More than 5 Percent of Voting Rights on November 10, 2003

[Percent]

Reporting party	Address	Direct voting rights held per Sec. 21 [1] WpHG	Attributable voting rights under Sec. 22 [1] Sentence 1 No. 1 WpHG	Attributable voting rights under Sec. 22 [2] WpHG	Total share of voting rights
HFCP IV [Bermuda], LP	Cedar House 41, Cedar Avenue, Hamilton HM 11, Bermuda	0.0002	71.98	-	71.98
H&F International Partners IV-A [Bermuda], LP	Cedar House 41, Cedar Avenue, Hamilton HM 11, Bermuda	0.00003	71.98	-	71.98
H&F International Partners IV-B [Bermuda], LP	Cedar House 41, Cedar Avenue, Hamilton HM 11, Bermuda	0.000008	71.98	-	71.98
H&F Executive Fund IV [Bermuda], LP	Cedar House 41, Cedar Avenue, Hamilton HM 11, Bermuda	0.000004	71.98	-	71.98
H&F Investors IV [Bermuda], LP	Cedar House 41, Cedar Avenue, Hamilton HM 11, Bermuda	-	71.98	-	71.98
H&F Corporate Investors IV [Bermuda] Ltd.	Cedar House 41, Cedar Avenue, Hamilton HM 11, Bermuda	-	71.98	-	71.98

II. More than 5 Percent of Voting Rights on November 11, 2003

[Percent]

Reporting party	Address	Direct voting rights held per Sec. 21 [1] WpHG	Attributable voting rights under Sec. 22 [1] Sentence 1 No. 1 WpHG	Attributable voting rights under Sec. 22 [2] WpHG	Total share of voting rights
Alpine P7 LLC	1700 Broadway, 17th Floor, New York, NY 10019, USA	0.00001	71.98	-	71.98
Alpine Equity Partners LP	1700 Broadway, 17th Floor, New York, NY 10019, USA	-	71.98	-	71.98
Alpine Equity Partners LLC	1700 Broadway, 17th Floor, New York, NY 10019, USA	-	71.98	-	71.98
BCIP Trust Associates III	c/o Bain Capital Investors, LLC, 111 Huntington Avenue, Boston, MA 02199	0.000001	71.98	-	71.98
BCIP Trust Associates III-B	c/o Bain Capital Investors, LLC, 111 Huntington Avenue, Boston, MA 02199	0.000001	71.98	-	71.98
Bain Capital Integral	c/o Bain Capital Investors, LLC, 111 Huntington Avenue, Boston, MA 02199	0.0002	71.98	-	71.98
Bain Capital Investors, LLC	c/o Bain Capital Investors, LLC, 111 Huntington Avenue, Boston, MA 02199	-	71.98	-	71.98
Providence Equity Operating Partners IV LP	50 Kennedy Plaza, 18th Floor, Providence, RI 02903, USA	0.000001	71.98	0.0001	71.98
Providence Equity Offshore Partners IV LP	50 Kennedy Plaza, 18th Floor, Providence, RI 02903, USA	0.0001	71.98	0.000001	71.98
Providence Equity Offshore GP IV LP	50 Kennedy Plaza, 18th Floor, Providence, RI 02903, USA	-	71.98	-	71.98
Providence Equity Partners [Cayman] IV Ltd.	50 Kennedy Plaza, 18th Floor, Providence, RI 02903, USA	-	71.98	-	71.98
Providence Equity Partners IV LLC	50 Kennedy Plaza, 18th Floor, Providence, RI 02903, USA	-	71.98	-	71.98
Providence Equity GP IV LP	50 Kennedy Plaza, 18th Floor, Providence, RI 02903, USA	-	71.98	-	71.98
Putnam Investments Employees' Securities Company I LLC	One Post Office Square, Boston, MA 02109, USA	0.000001	71.98	-	71.98
Putnam Investments Employees' Securities Company II LLC	One Post Office Square, Boston, MA 02109, USA	0.000001	71.98	-	71.98
Putnam Investments Holdings, LLC	One Post Office Square, Boston, MA 02109, USA	0.000001	71.98	-	71.98
Marsh & McLennan Companies	1166 Avenue of the Americas, New York, NY 10036, USA	-	71.98	-	71.98
Putnam Investments Trusts	One Post Office Square, Boston, MA 02109, USA	-	71.98	-	71.98
Putnam, LLC	One Post Office Square, Boston, MA 02109, USA	-	71.98	-	71.98
Putnam Investments Trusts II	One Post Office Square, Boston, MA 02109, USA	-	71.98	-	71.98
Putnam Investments, LLC	One Post Office Square, Boston, MA 02109, USA	-	71.98	-	71.98
Quadrangle Select Partners LP	375 Park Avenue, New York, NY 10152, USA	0.000002	71.98	-	71.98
Quadrangle Capital Partners-A LP	375 Park Avenue, New York, NY 10152, USA	0.00002	71.98	-	71.98
Quadrangle [KM] Capital Partners LP	375 Park Avenue, New York, NY 10152, USA	0.00004	71.98	-	71.98
Quadrangle GP Investors LLC	375 Park Avenue, New York, NY 10152, USA	-	71.98	-	71.98
Quadrangle GP Investors LP	375 Park Avenue, New York, NY 10152, USA	-	71.98	-	71.98
SCG Investments I Corp.	10100 Santa Monica Blvd., Los Angeles, CA 90067, USA	0.0003	71.98	-	71.98
Titanium Acquisition Corp.	10100 Santa Monica Blvd., Los Angeles, CA 90067, USA	-	71.98	-	71.98
Thomas H. Lee [Alternative] Cayman Fund V, LP	Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands	0.000001	71.98	0.000001	71.98
Thomas H. Lee [Alternative] Fund V, LP	Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands	0.000001	71.98	0.000001	71.98
Thomas H. Lee [Alternative] Parallel Fund V, LP	Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands	0.000001	71.98	0.000001	71.98
Thomas H. Lee Advisors [Alternative] V Limited, LDC	Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands	-	71.98	-	71.98
THL Advisors [Alternative] V, LP	Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands	-	71.98	-	71.98
Thomas H. Lee Investors Limited Partnership	75 State Street, Boston, MA 02109, USA	0.000001	71.98	0.0002	71.98
THL Investment Management Corp.	75 State Street, Boston, MA 02109, USA	-	71.98	-	71.98
Thomas H. Lee	75 State Street, Boston, MA 02109, USA	-	71.98	-	71.98

Further reports of equity holdings dating from August 23, 2003, August 20, 2003, and April 30, 2002, have been published previously by ProSiebenSat.1 Media AG in an interregional authorized journal for stock market announcements, in compliance with Sec. 25 [1] of the Securities Trading Act, and are available on the ProSiebenSat.1 Media AG Web site at [http://www.ProSiebenSat1.com/3/4/5/index.html].

[30] International accounting

On June 6, 2002, the Council of the European Union adopted the Regulation of the European Parliament and of the Council on the Application of International Accounting Standards [the "EU Regulation"]. This regulation requires all capital market-oriented companies headquartered in the European Union to prepare their consolidated financial statements under International Financial Reporting Standards [IFRS] for fiscal years beginning after December 31, 2004.

ProSiebenSat.1 Media AG will meet this requirement early, releasing the Group's quarterly financial statements under IFRS as of March 31, 2004. The transition to International Financial Reporting Standards from German accounting practices under the German Commercial Code will result in certain changes in the consolidated financial statements of ProSiebenSat.1 Media AG. The most significant difference, apart from capitalizing deferred tax credits, is the capitalization of leased assets. The balance sheet will be expanded both by capitalizing leased assets and by reporting the associated debt on the equity and liabilities side. Under Exposure Draft 3, "Business Combinations", goodwill amortization will be lower for the ProSiebenSat.1 Group. The exposure draft indicates that goodwill with an indeterminate useful life is not to be amortized, but instead must be reviewed annually for impairment [impairment test]. Further changes will result from the reporting of financial derivatives under IAS 32/39. The cost of equity and of borrowed capital is also treated differently under IFRS and the German Commercial Code, so that changes should be expected in this regard as well. Under IFRS, the cost of raising equity does not count as an expense; instead, it is deducted from equity with no net effect on income. The cost of borrowings is distributed over the term of the loan, under IFRS, with an impact on expenses; under the German Commercial Code it is applied in full as expenses for the year in which the loan was taken out. The treatment of provisions and the valuation of receivables and payables in foreign currencies will cause further changes in the consolidated financial statements of ProSiebenSat.1 Media AG.

Major Subsidiaries and Associated Companies

ProSiebenSat.1 Group as of December 31, 2003

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

[1] In excercise of the disclosure exemption option under Sec. 264 [3] of the German Commercial Code

As of December 31, 2003

Supervisory Board and Executive Board

Supervisory Board

Haim Saban [Chairman, as of August 21, 2003]
Chairman and Chief Executive Officer of Saban Capital Group, Inc., Beverly Hills/CA/USA
Télévision Française 1 SA, Paris/France – Member of the Board of Directors | GT Brands Holdings LLC, New York/NY/USA – Member of the Board of Directors | University of California, Los Angeles/CA/USA – Member of the Board of Regents

Adam Chesnoff [Vice Chairman, as of August 21, 2003]
President and Chief Operating Officer of Saban Capital Group, Inc., Los Angeles/CA/USA
GT Brands Holdings LLC, New York/NY/USA – Member of the Board of Directors

John P. Connaughton [as of December 14, 2003]
Managing Director of Bain Capital Partners LLC, West Newton/MA/USA
Stericycle, Inc., Lake Forest/IL/USA – Member of the Board of Directors | Epoch Senior Living, Inc., Waltham/MA/USA – Member of the Board of Directors | Shopping.com, Inc., Brisbane/CA/USA – Member of the Board of Directors | The Boston Celtics, Boston Basketball Partners LLC, Boston/ MA/USA – Member of the Board of Directors | Vivra, Inc., Burlingame/CA/USA – Member of the Board of the Directors

Dr. Mathias Döpfner
Chairman of the Executive Board of Axel Springer AG, Potsdam
Media 1 Beteiligungs GmbH, Berlin – Member of the Supervisory Board [until July 23, 2003] | dpa Deutsche Presse Agentur GmbH, Hamburg – Member of the Supervisory Board | Sat.1 Beteiligungs GmbH, Berlin and Mainz – Member of the Supervisory Board | AKTUELL Presse-Fernsehen GmbH & Co. KG, Hamburg – Member of the Supervisory Board | Leipziger Verlags- und Druckereigesellschaft mbH & Co. KG, Leipzig – Member of the Advisory Board | Schering AG, Berlin – Member of the Supervisory Board

Wolfgang Hartmann
Member of the Executive Board of Commerzbank AG, Frankfurt am Main
Vaillant GmbH, Remscheid – Member of the Supervisory Board | Commerz Grundbesitzgesellschaft mbH, Wiesbaden – Chairman of the Supervisory Board | Commerz Grundbesitz-Spezialfondgesellschaft mbH, Wiesbaden – Chairman of the Supervisory Board | Commerz Grundbesitz-Investmentgesellschaft mbH, Wiesbaden – Chairman of the Supervisory Board | CommerzLeasing und Immobilien AG, Düsseldorf – Chairman of the Supervisory Board | Commerzbank [Nederland] N.V., Amsterdam/Netherlands – Chairman of the Supervisory Board [until January 30, 2004] | Adolf Ahlers AG, Herford-Elverdissen – Member of the Supervisory Board [until November 8, 2003] | Viterra AG, Essen – Member of the Supervisory Board [until July 15, 2003] | ILV Immobilien-Leasing Verwaltungsgesellschaft Düsseldorf mbh, Düsseldorf – Member of the Shareholders Committee [until September 15, 2003] | Commerzbank Belgium S.A., Brussels/Belgium – Chairman of the Supervisory Board [until May 28, 2003]

Patrick J. Healy [as of December 14, 2003]
Managing Director of Hellman & Friedman LLC, San Francisco/CA/USA
Digitas, Inc., Boston/MA/USA – Member of the Board of Directors

Dr. Michael Jaffé [as of June 16, 2003]
Attorney-at-law and insolvency Administrator of Kirch Media GmbH & Co. KGaA i. IN, Munich

Seth W. Lawry [as of December 14, 2003]
Managing Director of Thomas H. Lee Partners LP, Weston/MA/USA
Houghton Mifflin Company Corp., Boston/MA/USA – Member of the Board of Directors | WMG Acquisition Corp., New York/NY/USA – Member of the Board of Directors [as of March 2004]

Hubertus Meyer-Burckhardt [as of August 21, 2003]
Member of the Executive Board of Axel Springer AG, Hamburg
Bild.T-Online.de AG & Co. KG, Berlin – Member of the Supervisory Board

Former Members of the Supervisory Board

Wolfgang van Betteray [until August 21, 2003]
Tax consultant, Düsseldorf
Lloyd Werft Bremerhaven GmbH, Bremerhaven – Chairman of the Supervisory Board and Chairman of the Shareholders Committee | LTU Lufttransportunternehmen GmbH, Düsseldorf – Member of the Supervisory Board | Volksbank Düsseldorf Neuss eG, Düsseldorf – Member of the Supervisory Board | SSW Fähr- und Spezialschiffbau GmbH, Bremerhaven – Member of the Advisory Board and Chairman of the Shareholders Committee [until December 1, 2003]

Norbert Deigner [until June 16, 2003]
Managing Director of Beta Film GmbH, Ottobrunn

Dr. Gerhard Gribkowsky [from June 16 to August 21, 2003]
Member of the Executive Board of Bayerische Landesbank, Munich
debis AirFinance B.V., Amsterdam/Netherlands – Vice Chairman of the Supervisory Board | Formula One Administration Ltd., London/UK – Member of the Supervisory Board | Formula One Management Ltd., London /UK – Member of the Supervisory Board

Ron Kenan [from August 21 to December 14, 2003]
President of Saban Music Group, Inc., Los Angeles/CA/USA

Fred Kogel [until June 16, 2003]
Chairman of the Executive Board of Constantin Film AG, Munich
Constantin Film AG, Munich – Chairman of the Supervisory Board [until March 27, 2003]

Ynon Kreiz [from August 21 to December 14, 2003]
Media professional, London/UK

Alfred H. Lehner [until June 16, 2003]
Former Chairman of the Executive Board of Bayerische Landesbank Girozentrale AG, Munich
Bayerische Brauholding AG, Munich – Member of the Supervisory Board | Deutsche Hausbau AG, Munich – Deputy Chairman of the Supervisory Board | Walter Bau AG, Augsburg – Member of the Supervisory Board | AERO Lloyd Flugreisen GmbH & Co. Luftverkehrs KG, Oberursel – Member of the Advisory Board | 1860 München KGaA, Munich – Chairman of the Supervisory Board

Prof. Dr. Hans-Joachim Mertens [until August 21, 2003]
Professor at Johann Wolfgang Goethe University, Frankfurt
SCA Hygiene Products AG, Munich – Member of the Supervisory Board

Hans Reischl [until June 16, 2003]
Chairman of the Executive Board of REWE-Zentral AG, Cologne
MAXDATA AG, Marl – Member of the Supervisory Board | R+V Allgemeine Versicherung AG, Wiesbaden – Member of the Supervisory Board | RWE Umwelt AG, Essen – Member of the Supervisory Board | Zürich Beteiligungs-AG, Frankfurt – Member of the Supervisory Board | Allgemeine Kredit Coface Holding AG, Mainz – Member of the Advisory Board | Commerzbank AG, Frankfurt – Member of the Advisory Board | Deichmann Schuhe GmbH & Co. Vertriebs KG, Essen – Member of the Advisory Board | REWE Austria AG, Wiener Neudorf/Austria – Chairman of the Supervisory Board | LTU Lufttransport-Unternehmen GmbH, Düsseldorf – Chairman of the Supervisory Board | Deutscher Genossenschafts- und Raiffeisenverband e.V., Berlin – Member of the Presiding Committee | Wissenschaftsfonds der DZ Bank AG, Frankfurt – Member of the Board of Trustees | Kirch Media GmbH & Co. KGaA, Unterföhring – Member of the Supervisory Board [until April 7, 2003]

Arieh Saban [from August 21 to December 14, 2003]
Media professional, Tel-Aviv/Israel

Gisela Schmitt [until June 16, 2003]
Member of the Executive Board of REWE-Zentral AG, Cologne

Thomas Welte [from June 16 to August 21, 2003]
Certified public accountant and tax consultant, Grünwald

Dr. Oliver Wilken [from June 16 to August 21, 2003]
Attorney-at-law, Cologne
Operator Telekommunikation International AG, Düsseldorf – Chairman of the Supervisory Board | Regensburger Vermögensverwaltungs AG, Regensburg – Member of the Supervisory Board

Hans-Joachim Ziems [from June 16 to August 21, 2003]
Corporate Consultant, Bergisch-Gladbach
DEAG-Deutsche Entertainment AG, Berlin – Member of the Supervisory Board | RWTC Entwicklungs- und Beteiligungs AG, Cologne – Chairman of the Supervisory Board | Kirch Media WM AG, Zug/Switzerland – Chairman of the Board of Directors [until February 13, 2003] | KirchSport AG, Zug/Switzerland – Member of the Board of Directors [until February 13, 2003]

Executive Board

Urs Rohner [Chairman]
Management segment: Television and Merchandising
Sat.1 [Schweiz] AG, Zurich/Switzerland - Member of the Board of Directors | Swiss International Air Lines Ltd., Basel/Switzerland - Member of the Board of Directors | IP Multimedia [Schweiz] AG, Küsnacht/Switzerland - Member of the Board of Directors [until May 21, 2003] | Euvia Media Verwaltungs AG, Ismaning - Member of the Supervisory Board

Peter Christmann [as of January 1, 2004]
Management segment: Marketing and Sales
IP Multimedia [Schweiz] AG, Küsnacht/Switzerland - Member of the Board of Directors [as of May 21, 2003]

Jürgen Doetz
Management segment: Media Policy and Regulation
Sat.1 Privatfunk und -programmgesellschaft m.b.H., Vienna/Austria – Member of the Advisory Board | WestNet AG, Bonn – Member of the Supervisory Board [until December 1, 2003]

Lothar Lanz
Management segment: Finance and Services
Magic Media Company TV-Produktionsgesellschaft mbH, Hürth – Member of the Advisory Board | ArtMerchandising & Media AG, Unterföhring – Chairman of the Supervisory Board [until August 13, 2003]

Guillaume de Posch [as of September 17, 2003]
Chief Operating Officer

Former Members of the Executive Board

Dr. Ludwig Bauer [until November 4, 2003]
former management segment: Television

Claus Larass [until December 1, 2003]
former management segment: Information, News and Political Programs, Journalist
Lufthansa CityLine GmbH, Cologne – Member of the Supervisory Board | MDS – M. Du Mont Schauberg Verlag GmbH & Co. KG, Cologne – Member of the Supervisory Board

Grey:
Positions held on supervisory boards and comparable supervision authorities pursuant to Sec. 125 (1) para. 3 of the German Stock Corporation Act

Report of the Supervisory Board

Ladies and Gentlemen,
The ProSiebenSat.1 Group has had an eventful fiscal 2003. The Company had to contend not only with the ongoing crisis in the German television advertising market, but also with the reorganization of its ownership, which was still unresolved as the year began. Against this background, ProSiebenSat.1 Media AG was able to make a good showing for the year.

During this time the Supervisory Board performed the duties incumbent upon it under the law, the Articles of Incorporation, and the German Corporate Governance Code, and monitored and advised the Executive Board in the latter's work. The Executive Board regularly provided the Supervisory Board with oral and written accounts of all events of relevance for business policy, and the two boards discussed these events thoroughly together. In connection with potential investors' acquisition of the stake held by Kirch Media GmbH & Co. KGaA i. IN, the Executive Board also regularly informed the Supervisory Board as to all aspects that were of relevance to the Company. The Supervisory Board held meetings with the Executive Board present on March 20, June 15, July 9, September 17, and December 10. Accordingly, including June 16 when it first convened with its new members, the Supervisory Board met six times during the year.

The Executive Board and the Supervisory Board thoroughly discussed all relevant decisions and issues regarding the Company's management and strategy. The discussions included the development of measures for optimizing the processes and the cost base, as well as the ProSiebenSat.1 Group's current positioning in the television advertising market.

At their joint meeting of December 10, the two boards discussed in detail the implications of the German Corporate Governance Code for the activities of the Company's governing bodies, and also reviewed the efficiency of the Supervisory Board's work. The declaration of conformity with the recommendations of the German Corporate Governance Code was updated to take account of the new recommendations. It is available on the Internet at www.ProSiebenSat1.com, and can also be found in the Notes to this annual report.

The Supervisory Board originally formed three committees in fiscal 2003. In addition to two committees dealing with personnel and programming matters, an Audit Committee was established. The Audit Committee especially dealt with questions of accounting, risk management and auditing. The Personnel Committee met once in fiscal 2003, and the Programming Committee met three times. The Audit Committee met twice in fiscal 2003.

As of September 17, 2003, the new by-laws of the Supervisory Board require the formation of three somewhat different committees: a Presiding Committee, an Audit and Finance Committee, and a Programming and Operational Committee. Only the Audit and Finance Committee has begun its work since the new by-laws took effect. It held one meeting in fiscal 2003. No members have been assigned to the other committees as yet.

The 2003 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 a timely manner. 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 prepared by the Executive Board and audited by the auditor, as well as the consolidated financial statements. The annual financial statements have thereby been 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 Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, examined the report of the Executive Board on relationships with affiliated businesses as of December 31, 2003. 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 of ProSiebenSat.1 Media AG underwent changes in its membership during fiscal 2003. To allow for the prospective possibility of involvement by the Saban Group, eight members of the Supervisory Board resigned their memberships as a precautionary measure, as of the conclusion of the annual meeting of the shareholders of ProSiebenSat.1 Media AG on June 16, 2003. Thereupon the shareholders elected a new Supervisory Board. Mr. Wolfgang van Betteray, Mr. Wolfgang Hartmann, and Prof. Dr. Hans-Joachim Mertens were reelected to the Board, and several new members were elected: Dr. Gerhard Gribkowsky, Dr. Michael Jaffé, Mr. Thomas Welte, Dr. Oliver Wilken, and Mr. Hans-Joachim Ziems. Additionally, Dr. Mathias Döpfner remained a member of the Board, as before. Messrs. Norbert Deigner, Fred Kogel, Alfred Lehner and Hans Reischl left the Board, as did Ms. Gisela Schmitt. At its first meeting, on June 16, 2003, the new Supervisory Board of ProSiebenSat.1 Media AG elected Dr. Michael Jaffé as Chair, and Mr. Hartmann as Vice-Chair.

Further changes in the Board resulted after the Saban Group acquired 36 percent of ProSiebenSat.1 Media AG's capital stock under the contract of August 8, 2003. Except for Dr. Döpfner and Dr. Jaffé, who gave one month's notice for their resignations, all members of the Supervisory Board resigned as of the effective date of the decision of the court of competent jurisdiction appointing new members of the Supervisory Board. Effective August 21, 2003, Munich District Court appointed Messrs. Haim Saban, Adam Chesnoff, Ynon Kreiz, Arieh Saban, Ron Kenan, Wolfgang Hartmann and Hubertus Meyer-Burckhardt as new members of the Supervisory Board. The term of their appointment is limited until the conclusion of the next shareholders' meeting. The same applies to the terms of office of Supervisory Board members Dr. Döpfner and Dr. Jaffé, who were reappointed to their seats by Munich District Court as of September 9, 2003. The Board elected Haim Saban as its Chair and Adam Chesnoff as Vice-Chair.

Finally, Supervisory Board members Ron Kenan, Ynon Kreiz and Arieh Saban resigned in November 2003 in connection with the involvement as of November 11 of Private Equity Investors in German Media Partners LP, which indirectly holds 71.98 percent of the Company's common stock through P7S1 Holding LP. Their resignations each observed the one month's notice prescribed by the Articles of Incorporation. Effective December 14, 2003, Munich District Court appointed Messrs. John Connaughton, Patrick Healy and Seth Lawry as new members of the Company's Supervisory Board.

The Supervisory Board wishes to thank all the members who left its ranks during fiscal 2003 for their hard work on behalf of the Company.

Haim Saban
Chairman of the Supervisory Board

Changes were also made in the Executive Board during the year. The appointment of ProSiebenSat.1 Media AG CEO Urs Rohner to the Executive Board was extended by two years, to the end of 2006. On September 17, 2003, the Supervisory Board furthermore appointed Mr. Guillaume de Posch as a member of the ProSiebenSat.1 Media AG Executive Board. He is in charge of the Company's daily operations.

With the Supervisory Board's consent, Dr. Ludwig Bauer and Mr. Claus Larass resigned from the Executive Board. After Mr. Larass's departure, his former position on the Board was eliminated. The Supervisory Board wishes to thank both gentlemen for their many years of valuable contributions toward the success of the ProSiebenSat.1 Group.

The Supervisory Board would also like to thank the Company's entire management team and all employees for their strong personal dedication and successful work during the past fiscal year.

Unterföhring, February 2004
On behalf of the Supervisory Board

Haim Saban, Chairman

Five Year Summary

Consolidated Balance Sheet of ProSiebenSat.1 Media AG

Assets	Dec. 31, 2003	Change y/y	Dec. 31, 2002	Change y/y	Dec. 31, 2001	Change y/y	Dec. 31, 2000	Change y/y	Dec. 31, 1999 Pro-forma
[EUR k]									
A. Fixed assets									
I. Intangible assets	57,205	-12%	65,232	66%	39,201	-38%	62,839	-25%	83,410
II. Tangible assets	125,600	-13%	143,982	-14%	167,823	1%	165,536	- / -	165,810
III. Financial assets	197,472	2%	193,091	3%	187,421	1,520%	11,572	-25%	15,427
	380,277	-5%	402,305	2%	394,445	64%	239,947	-9%	264,647
B. Current assets									
I. Programming assets	1,148,177	8%	1,059,866	-12%	1,206,204	5%	1,146,741	-7%	1,238,821
II. Inventories	5,777	17%	4,958	29%	3,842	24%	3,100	41%	2,200
III. Receivables and other current assets	175,466	-11%	198,109	-33%	293,589	24%	236,121	3%	228,512
IV. Securities	921	11%	828	-25%	1,100	3,974%	27	-67%	81
V. Cash, credit balances at banks	61,862	-8%	67,291	-37%	107,060	300%	26,753	-14%	31,281
	1,392,203	5%	1,331,052	-17%	1,611,795	14%	1,412,742	-6%	1,500,895
C. Prepaid and deferred items	10,984	-14%	12,735	37%	9,315	24%	7,501	96%	3,821
D. Deferred taxes	7,195	-28%	10,050	-20%	12,491	41%	8,831	4%	8,452
Total assets	**1,790,659**	**2%**	**1,756,142**	**-13%**	**2,028,046**	**22%**	**1,669,021**	**-6%**	**1,777,815**

Liabilities and shareholders' equity	Dec. 31, 2003	Change y/y	Dec. 31, 2002	Change y/y	Dec. 31, 2001	Change y/y	Dec. 31, 2000	Change y/y	Dec. 31, 1999 Pro-forma
[EUR k]									
A. Shareholders' equity									
I. Subscribed capital	194,486	- / -	194,486	- / -	194,486	- / -	194,486	1%	192,234
II. Capital reserves	322,319	- / -	322,319	- / -	322,319	- / -	322,319	30%	247,925
III. Revenue reserves	72,713	-1%	73,245	16%	63,356	22,367%	282	-99%	40,344
IV. Difference resulting from capital consolidation	228	- / -	228	- / -	- / -	- / -	- / -	- / -	- / -
V. Balance sheet profit	68,550	140%	28,554	-61%	72,671	-44%	130,835	16%	113,235
VI. Minority interests	-1,617	-16%	-1,399	54%	-3,074	-348%	-686	-302%	340
	656,679	6%	617,433	-5%	649,758	- / -	647,236	9%	594,078
B. Accruals	99,272	22%	81,681	-22%	105,087	-32%	154,980	-15%	183,146
C. Liabilities	1,033,864	-2%	1,056,210	-17%	1,272,207	47%	865,499	-13%	998,604
D. Deferred liabilities	844	3%	818	-18%	994	-24%	1,306	-34%	1,987
Total liabilities and equity	**1,790,659**	**2%**	**1,756,142**	**-13%**	**2,028,046**	**22%**	**1,669,021**	**-6%**	**1,777,815**

Consolidated Statement of Income for ProSiebenSat.1 Media AG

[EUR k]	2003	Change y/y	2002	Change y/y	2001	Change y/y	2000	Change y/y	1999 Pro-forma
1. Revenues	1,807,122	-5%	1,895,093	-6%	2,014,786	-7%	2,155,218	7%	2,018,208
2. Increase/decrease in work-in-process history	-10	-9%	-11	90%	-112	-349%	45	157%	-79
3. Operating income	48,593	-58%	115,707	48%	78,239	17%	66,927	-25%	89,274
4. **Total**	1,855,705	-8%	2,010,789	-4%	2,092,913	-6%	2,222,190	5%	2,107,403
5. Programming and material costs	-1,249,202	-9%	-1,378,361	-1%	-1,399,264	1%	-1,380,050	- / -	-1,385,967
6. Personnel expenses	-205,283	-5%	-215,926	3%	-209,041	-5%	-219,570	18%	-185,943
7. Depreciation and amortization	-35,647	-42%	-61,913	11%	-55,979	-11%	-63,014	20%	-52,494
8. Other operating expenses	-205,438	-17%	-246,105	1%	-244,361	-7%	-263,282	10%	-239,171
Total lines 5 through 8	**-1,695,570**	**-11%**	**-1,902,305**	**- / -**	**-1,908,645**	**-1%**	**-1,925,916**	**3%**	**-1,863,575**
9. **Operating profit**	160,135	48%	108,484	-41%	184,268	-38%	296,274	22%	243,828
10. Result from equity interests	1,769	178%	-2,264	-164%	-857	16%	-1,015	-370%	-216
11. Net interest result	-62,732	-18%	-53,258	-5%	-50,538	-31%	-38,559	9%	-42,222
12. Other financial income/expenses	3,657	-17%	4,410	136%	-12,116	49%	-23,918	-705%	-2,971
13. **Financial loss**	-57,306	-12%	-51,112	20%	-63,511	- / -	-63,492	-40%	-45,409
14. **Income from ordinary business activities**	102,829	79%	57,372	-52%	120,757	-48%	232,782	17%	198,419
15. Extraordinary expenses	-45,374	-26%	-35,951	-137%	-15,139	45%	-27,384	- / -	- / -
16. **Pre-tax profit**	57,455	168%	21,421	-80%	105,618	-49%	205,398	4%	198,419
17. Income taxes	-12,247	52%	-8,046	-79%	-39,075	-66%	-113,958	21%	-94,277
18. Other taxes	-415	-48%	-791	-17%	-957	76%	-543	-91%	-5,778
19. Minority interest expenses	- / -	- / -	- / -	- / -	- / -	- / -	- / -	100%	-18,216
20. **Net income for the year**	44,793	256%	12,584	-81%	65,586	-28%	90,897	13%	80,148
21. Minority interests	218	-91%	2,417	-7%	2,596	51%	1,721	90%	905
22. **Consolidated net income for the year**	**45,011**	**200%**	**15,001**	**-78%**	**68,182**	**-26%**	**92,618**	**14%**	**81,053**
23. Accumulated profit brought forward from prior year	23,539	563%	3,553	-21%	4,489	-88%	38,217	19%	32,182
24. Withdrawal from revenue reserves	- / -	-100%	10,000	- / -	- / -	- / -	- / -	- / -	- / -
25. Balance sheet profit	**68,550**	**140%**	**28,554**	**-61%**	**72,671**	**-44%**	**130,835**	**16%**	**113,235**

Financial Calendar

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February 20, 2004
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May 7, 2004
Annual Meeting

May 8, 2004
Dividend Payment

May 12, 2004
Quarterly Report Q1

August 10, 2004
Quarterly Report Q1-Q2

November 11, 2004
Quarterly Report Q1-Q3

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