



# Annual Report 2004



Executive Board of ProSiebenSat.1 Media AG [from left to right]: Peter Christmann [Sales & Marketing], Guillaume de Posch [CEO], Lothar Lanz [Finances, Legal Affairs & Human Resources], Hubertus Meyer-Burckhardt [Corporate Development, Media Policy & Regulatory Affairs]

»ProSiebenSat.1 Media AG can look back on a very successful fiscal year. In 2004 the Group earned its best pre-tax profit ever, and boosted profitability to a new high. In 2005 we intend to improve our performance even further and take some key steps toward the digital future.«

Guillaume de Posch, CEO

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# Key Figures

## Key figures for the ProSiebenSat.1 Group

### Key balance sheet figures for the ProSiebenSat.1 Group

		12/31/2004	12/31/2003	Change
Total assets	[EUR m]	2,059.2	1,897.9	8%
Shareholders equity	[EUR m]	1,004.1	601.8	67%
Liabilities	[EUR m]	995.7	1,230.7	-19%
Equity ratio		49%	32%	53%
Pre-tax return on equity		22%	10%	120%
Programming assets	[EUR m]	1,109.9	1,148.2	-3%
Programming assets of total assets		54%	60%	-10%
Net financial debt incl. bond	[EUR m]	278.7	664.8	-58%

### Key cash flow figures for the ProSiebenSat.1 Group

		2004	2003	Change
Cash flow	[EUR m]	1,114.8	1,115.3	-/ -
Cash flow from operating activities	[EUR m]	1,056.4	1,184.3	-11%
Cash flow from investing activities	[EUR m]	-933.7	-1,099.6	15%
Cash flow from financing activities	[EUR m]	110.1	-90.2	222%

### Key figures for the ProSiebenSat.1 Group

		2004	2003	Change
Revenues	[EUR m]	1,834.6	1,807.1	2%
Gross profit	[EUR m]	569.1	442.7	29%
Operating profit	[EUR m]	286.2	130.8	119%
Financial loss	[EUR m]	-68.7	-69.7	1%
Pre-tax profit	[EUR m]	217.5	61.1	256%
Consolidated profit for the year	[EUR m]	133.6	39.4	239%
EBITDA	[EUR m]	321.3	188.7	70%
EBIT	[EUR m]	285.2	128.9	121%
Pre-tax profit margin		12%	3%	300%
Programming investments	[EUR m]	923.4	1,108.6	-17%
Depreciation and amortization of intangible assets, property, plant and equipment and current assets	[EUR m]	35.1	57.9	-39%
Personnel expenses	[EUR m]	200.6	212.5	-6%
Employees*		2,699	2,899	-7%

\* Averaging full-time equivalent jobs

Key figures for the ProSiebenSat.1 Group				
Key figures by stations				
		12/31/2004	12/31/2003	Change
<b>Sat.1</b>				
Total revenues	[EUR m]	773.9	776.3	-/-
Pre-tax profit	[EUR m]	89.7	4.1	-/-
EBITDA	[EUR m]	97.8	35.6	175%
Employees*		223	229	-3%
<b>ProSieben</b>				
Total revenues	[EUR m]	749.9	686.9	9%
Pre-tax profit	[EUR m]	175.1	135.4	29%
EBITDA	[EUR m]	175.5	133.3	32%
Employees*		252	282	-11%
<b>Kabel 1</b>				
Total revenues	[EUR m]	192.9	190.1	1%
Pre-tax profit	[EUR m]	27.3	18.2	50%
EBITDA	[EUR m]	26.5	17.6	51%
Employees*		46	49	-6%
<b>N24</b>				
Total revenues	[EUR m]	73.2	71.2	3%
Pre-tax profit	[EUR m]	1.8	-10.9	117%
EBITDA	[EUR m]	2.8	-9.0	131%
Employees*		155	175	-11%
<b>Key figures for SevenOne Intermedia</b>				
Total revenues	[EUR m]	64.3	59.9	7%
Pre-tax profit	[EUR m]	11.0	9.9	11%
EBITDA	[EUR m]	11.3	10.4	9%
Employees*		107	107	0%
<b>Key figures for Merchandising</b>				
Total revenues	[EUR m]	51.3	67.6	-24%
Operating profit	[EUR m]	4.4	7.0	-37%
EBITDA	[EUR m]	6.0	7.3	-18%
Employees*		92	109	-16%

\* Averaging full-time equivalent jobs

# 2004 at a Glance

## **Private TV celebrates 20 years in business**

At 9:58 a.m. on January 1, 1984, PKS [the forerunner of Sat.1] went on the air as part of the Ludwigshafen pilot project for cable. It was the birth of private television in Germany. To celebrate the 20-year anniversary, private broadcasters and other media companies gathered at the place where it all began. At the invitation of the VPRT [the Association of Private Broadcasting and Telecommunications], the LPR [Rhineland-Palatinate State Office for Private Broadcasters], and the ALM [the State Media Regulatory Agency Task force], a festive crowd assembled at the Chancellery in Mainz on June 16, 2004, with numerous celebrities on hand from politics, business, and the media. The keynote speaker was Chancellor Gerhard Schröder.

## **Contract with Warner Brothers International Television Distribution**

In January 2004, the ProSiebenSat.1 Group acquired the Free TV broadcast rights to a large number of blockbuster films and top series from Hollywood studio Warner Brothers International Television Distribution. Among the film hits are "The Matrix Reloaded," which attracted 4.6 million theatergoers in Germany, and the current release "The Matrix Revolutions," which has already drawn an audience of 2.2 million to German box offices. Germany's largest television corporation also acquired the broadcast rights to "The O.C." - currently one of the most successful new series in the United States - and other extremely attractive series like "Cold Case" and "Two and a Half Men." The contract is the ProSiebenSat.1 Group's first large programming buy to be signed directly with Warner Bros.

## **Annual meeting**

The annual meeting of the shareholders of ProSiebenSat.1 Media AG was held on May 7, 2004. All resolutions were carried unanimously by the roughly 350 shareholders who attended. Among the approved measures was an expansion of the Supervisory Board from nine to 15 members. Convening in the first meeting of its new term, the Supervisory Board of ProSiebenSat.1 Media AG reelected Haim Saban, Chairman and Chief Executive Officer of Saban Capital Group, as its Chairman. Adam Chesnoff, President and Chief Operating Officer of Saban Capital Group, was reelected Vice Chairman.

## **Changes in the Executive Board**

The Executive Board of ProSiebenSat.1 Media AG underwent changes during fiscal 2004. Peter Christmann was appointed to the Board in January, to head Sales & Marketing. Effective April 30, 2004, the former CEO, Urs Rohner, resigned from the ProSiebenSat.1 Group. His successor is Guillaume de Posch, who is now the Board member responsible for Television and Operations. On July 1, Hubertus Meyer-Burckhardt was appointed as the Board member heading Corporate Development. In October, he also assumed responsibility for Media Policy and Regulatory Affairs from Jürgen Doetz.



The ProSieben broadcast of "Der Schuh des Manitu" not only proved to be the most successful film in German TV history, but also earned the station its best audience share ever: 51.9%.

### **Diversification segment**

On September 16, the ProSiebenSat.1 Group established its new Diversification segment. The new segment aims to double "diversification" revenues - the revenues the Group does not generate directly from TV advertising. The new segment combines the activities of the two subsidiaries SevenOne Intermedia and MM Merchandising Media, and is headed by Dr. Marcus Englert.

### **SevenOne International**

On September 20, 2004, ProSiebenSat.1 founded its new subsidiary SevenOne International. The company will market the Group's TV broadcasts worldwide. Besides representing in-house productions, SevenOne International also acts as a service provider for outside partners who want to market their productions internationally. SevenOne International is headed by Jens Richter.

### **ProSiebenSat.1 Welt**

On November 16, the Group founded the German-language channel ProSiebenSat.1 Welt. The station, which airs programming from the ProSiebenSat.1 family of networks, was launched February 22nd in the United States where it targets the roughly one million German-speaking viewers who live across the USA. Included in the programming are current news from Germany, films, series, comedies, magazine shows, and variety shows. Broadcasting is scheduled and conducted by ProSiebenSat.1 Production in Unterföhring, which transmits the programming via fiber-optic cable to satellite operator Dish Networks in the U.S. The station's two managing directors are Hans Fink and Jan Frouman.

# Dear Shareholders,

Your Company can look back on a very successful year. In 2004, ProSiebenSat.1 Media AG not only earned its best pre-tax profit in history, but also set a record in profitability – all in the midst of a still difficult economic environment.

The German economy generated no sustainable momentum during the year, and private consumption receded for the third time in a row. As a consequence, advertisers managed their budgets very conservatively.

The year's seesawing dynamics surprised us in both directions. After an unexpectedly good revenue performance in the first half, we took for granted that the second half would taper off significantly. Yet even so, the fourth quarter, and especially December, lagged behind our expectations. For the year as a whole, we assume that there was no movement in the German TV market during 2004.

Nevertheless, the ProSiebenSat.1 Group boosted its revenues. After the three-year crisis in the advertising industry, last year we returned to revenue growth.

We do, however, ascribe only part of our positive fiscal results to revenue growth; cost cutting within the Group also played a very important role. We would never have been able to pare back expenses and enhance our efficiency without our employees' dedicated hard work. On behalf of the Executive Board, I want to thank every member of our staff for their commitment to the Group.

Most of our revenue growth resulted from the improvement in our stations' performances. Sat.1, ProSieben, Kabel 1 and N24 were able to add another 0.5 percentage points to their combined market share in the key demographic between ages 14 and 49, to reach 29.4 percent. This was the Group's best showing in three years.

Our stations are also on a more solid business footing than ever before. All four are in the black, and have increased their profitability. Sat.1 showed the best results in its 20-year history. N24 showed a pre-tax profit, breaking even a year ahead of schedule.

One of the goals we had set ourselves for last year was to discover more innovative, promising programming ideas, implement them, and get them on the screen faster. Our stations followed through, and earned satisfying successes with such programs as "Schillerstrasse" and "Mein dicker peinlicher Verlobter" on Sat.1, or "Die Alm", "Stromberg", and "The Swan" on ProSieben. We substantially improved our image in just a year. It's now the ProSiebenSat.1 Group that sets the programming trends in the German television market.

To help achieve this, last year we established a new Group-wide Format Development department. This unit scouts TV ideas and programming formats worldwide to see whether they might be successful on the German market.

Our across-the-board resources also help out our stations in acquiring rights. Centralized program purchasing enables the ProSiebenSat.1 Group to acquire an all-inclusive range of licenses. Last year, we enhanced our outstanding long-term programming supply still further with contracts for high-quality movies and series from studios like DreamWorks.

We also laid the groundwork for a rigorous pursuit of our diversification goals. Since the fall of 2004, our merchandising and multimedia activities have been pooled in our new Diversification segment. It has given us a framework for diversifying our income sources. Thus reducing our dependency on the advertising market.



**Guillaume de Posch**  
CEO of ProSiebenSat.1 Media AG



- 1.5 percent revenue gain – first in three years
- EBITDA up 70 percent to EUR 321.3 million
- Consolidated profit leaps 239 percent to EUR 133.6 million
- All four stations in the black
- N24 breaks even a year early
- Earnings up significantly at Sat.1 and Kabel 1
- ProSieben is one of the most profitable stations in the German TV market
- Group's channels show significant gains in audience share from 28.9 to 29.4 percent

Looking back on the past fiscal year, we can say that we achieved every goal we set for ourselves for 2004:

- We significantly expanded the Group's business leeway with a capital increase and a fully implemented refinancing plan, and significantly reduced financial debt at the same time.
- We improved our position in the advertising market, on a net basis.
- We boosted our audience share and improved our earnings.

In other words, the ProSiebenSat.1 Group was able to expand its position in a difficult market environment, and increased its profitability significantly.

Unfortunately, our stations' strong performance and our profitability were not directly reflected in the price of our stock. ProSiebenSat.1 stock was unable to pull free of the market's trends in 2004. I want to extend our warmest thanks to you, our shareholders, for the confidence you have shown in your Company.

The current year's developments in the television advertising market are hard to forecast. At the moment, economic experts expect gross domestic product to rise only slightly. So far, the ProSiebenSat.1 Group has seen no indications that domestic demand will improve to any substantial degree. As long as demand remains weak, we will hold to a very cautious appraisal of the TV market. We do not, however, expect the market to shrink significantly.

Our goal is to enhance our stations' performance even further. We also intend to keep costs stable. The combination of our stations' enhanced performance and stable costs will help increase both our revenues and our earnings for the current year.

**Strengthening our core business is one of the goals we will concentrate on this year.** Our main focus will be to hone our station brands and expand our audience share even further. We're already well equipped for that.

Sat.1's telenovela "Verliebt in Berlin", launched at the end of February, has achieved an extraordinary success in the indispensable primetime access segment. The series has earned ratings far above average, not only expanding the station's overall audience share, but attracting greater attention to its prime-access and prime-time schedules. The European Soccer Competition and such major TV events as "Die Luftbrücke" will strengthen Sat.1's position even further.

In 2005, ProSieben will be better supplied with Hollywood blockbusters than ever before. The schedule includes "Spider Man," "Star Wars: Episode II," "Men in Black II," "A Beautiful Mind," and "Minority Report," to name just a few. Top series from the USA also promise good ratings: "Desperate Housewives," the new "Sex and the City," and "Lost." Stefan Raab will be hosting a number of new TV Total events like the "Bundesvision Song Contest" and the Wok Racing Championships, regularly ensuring not just high ratings, but wide recognition among viewers and critics.

Kabel 1 will be expanding its event evenings and special-theme evenings, and will continue to present a quality range of modern classics like "Cold Case" and "Missing." N24 will steadily expand its reporting on business and politics. I am convinced that this range of programming will increase the Group's audience share further this year.

As for our second strategic goal, our Diversification segment is taking its first concrete steps since its internal reorganization. **Revenues in the Diversification segment must rise, and will rise.** Part of the gain will be through organic growth by expanding existing activities, such as Internet services or mobile services. Another part will be through acquisitions. The takeover of the remaining shares of Euvia Media AG & Co. KG allows us to fully consolidate the company in which we until now held only a minority stake. Thereby, we anticipate significantly increased revenues and profits for the ProSiebenSat.1 Group. Euvia Media, a highly profitable company, operates the two TV stations 9Live and sonnenklar TV. It is the major player in transaction TV, a new market that we expect will grow substantially in the future.

We have signed an agreement to take over a larger share of wetter.com, so that we will hold a majority interest in that company from now on as well. We are also examining other companies with promising, innovative business ideas, to be integrated into our diversification strategy.

Our cooperations with companies such as T-Online or Vodafone open up numerous possibilities to distribute our products. At the CeBIT in March, we launched a new video-on-demand service with T-Online that allows one to download movies, shows, or TV series broadcast by ProSiebenSat.1 Group directly via DSL. Since March of this year, in cooperation with Vodafone, we are now able to offer our contents live on mobile phone.

We will also continue working with new concepts in music that will allow us to operate in that industry without actually going directly into the music business – in other words, without incurring too great a risk.

We assume that Diversification's share of total Group revenues will climb from last year's 7 percent to reach approximately 10 percent this year. That figure will carry us a considerable step ahead toward our goal of boosting Diversification's share to 15 percent by 2007.

**Our third strategic goal is to prepare our Company for the digital future.** Here we are guided by three fundamental considerations. We know that we must retain comprehensive control over how our content is distributed to viewers or other customers. It's also our opinion that we should not have to pay for our content to be distributed digitally to distributors; instead, it is the distributors – especially the cable operators – who should be paying us. Thirdly we are entirely convinced that we must be sure to expand our digital infrastructure in a sustainable way – in other words, in a way that will not harm our interests or our business model, but rather protect them.

We need a strategic answer to the challenges that digital technology poses for us. We intend to help shape the transition from the analog world to the digital world, and to make the most of the new opportunities that will arise. Developments in the music industry in particular have shown that when technical paradigms change, what really counts is to maintain control over one's own content.

Signal protections for digital broadcasting of Free TV programming will ensure that our business model will not be jeopardized by new technical functions like ad skipping, ad blocking and easy copying. Rights holders in particular are increasingly expecting us to protect their copyrights with effective digital rights management.

The ProSiebenSat.1 Group will find 2005 a strategically significant year. This is the year when we will make decisions that will set the course for the Group's future in key ways.

My colleagues on the Executive Board and I will do our utmost to make sure your Company moves ahead. We very much hope we can count on your support.

Sincerely,



Guillaume de Posch

# Corporate Responsibility

The Executive Board and Supervisory Board of ProSiebenSat.1 Media AG are committed to the joint goal of permanently increasing the value of the Company. By pursuing this goal, the Company meets its obligations toward shareholders, customers, employees, creditors, and the public at large.

ProSiebenSat.1 Media AG maintains a system of corporate governance that fulfills the requirements of law, as well as nearly all of the recommendations of the German Corporate Governance Code.

## Corporate Governance at ProSiebenSat.1 Media AG

### Corporate governance and compliance structure

During the course of 2004, the Company dealt extensively with the consequences of the Investor Protection Improvement Act for the management of the Company and its communication with the capital markets. The Compliance Officer bears responsibility for ensuring that the new regulations are implemented within the Company. The Executive Board, Supervisory Board, and all employees were informed of the new rules applicable to the treatment of insider knowledge.

### Cooperation between the Executive Board and the Supervisory Board

The Executive Board works closely together with the Supervisory Board and provides prompt, regular, and extensive information to the Supervisory Board on all relevant matters of the Company's strategy, planning, business development, financial condition, earnings, and business risks. Important resolutions of the Executive Board require the approval of the Supervisory Board. The Supervisory Board held four meetings in 2004.

### Declaration of Compliance for 2004

In December 2003, ProSiebenSat.1 Media AG issued its last Declaration of Compliance pursuant to Section 161 of the German Stock Corporations Act [AktG] regarding the recommendations of the German Corporate Governance Code in its version dated May 21, 2003.

The exceptions declared in this Declaration of Compliance regarding Item 5.2 [appointment of a committee to make preparations for Supervisory Board meetings], Item 7.1.1 [international accounting principles applied in the Group's financial statements and the Company's interim reports], Item 7.1.2 [time period for public access to the Group's financial statements and the Company's interim reports] are no longer applicable. Therefore, the following Declaration of Compliance can be issued:

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 according to the instructions given [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 a deduction [Item 3.8], because such a deductible would not materially reduce the insurance premiums. Furthermore, the members of the Executive Board and Supervisory Board are expected to act responsibly and in the Company's best interest by virtue of their offices. They do not need a deductible as an effective means of enhancing their motivation or sense of responsibility.
- The Company has chosen not to disclose the individual compensation amounts paid to each member of the Executive Board [Item 4.2.4]. ProSiebenSat.1 Media AG believes that such a disclosure would intrude upon the personal rights of the board members without affording any significant gain in information.
- No age limit has been set for members of the Supervisory Board [Item 5.4.1] because the Company wishes to continue benefiting from the expertise of experienced Supervisory Board members.

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

## Compensation structure of the Executive Board

Information about the compensation structure was published together with the Declaration of Compliance on the Internet in December 2004. In addition to their function as directors and officers of the Company, the members of the Executive Board of ProSiebenSat.1 Media AG also have contractual relationships with the Company. The contracts between ProSiebenSat.1 Media AG and the members of its Executive Board have a maximum term of five years. These contracts establish the rights and obligations of the Executive Board members, including their compensation. The current compensation system of the Executive Board members of ProSiebenSat.1 Media AG includes fixed salary components and variable components dependent on the attainment of certain results. These components are detailed below:

- A fixed base salary, determined with reference to the specific area of responsibility of the Executive Board member.
- A results-dependent variable compensation component in the form of an annual bonus, which is determined by the Supervisory Board after ratification of the annual financial statements.
- The Company will also introduce a long-term incentive plan, which will be submitted to the shareholders as a draft resolution at the Annual Meeting of May 13, 2005. By this means, ProSiebenSat.1 Media AG would like to provide an additional incentive to the Executive Board members to boost the shareholder value of the ProSiebenSat.1 Group. The details governing the participation of the Executive Board in the Long Term Incentive Plan shall be determined at the discretion of the Supervisory Board.

The compensation system is designed in such a way that the compensation paid to each board member is appropriate for his or her area of activity and responsibility and also competitive with respect to the compensation paid to the senior executives of other companies, including non-German companies. It is designed to assure the competitiveness of the Company by providing appropriate incentives and motivation for top-quality international executives.

The Company has extended neither loans nor guaranties or warranties to the members of the Executive Board.

ProSiebenSat.1 Media AG has chosen not to disclose the individual compensation amounts paid to each member of the Executive Board. In the notes to the financial statements, the compensation paid to the members of the Executive Board is broken down by fixed and variable components.

## Committees of the Supervisory Board

The bylaws of the Supervisory Board currently call for two committees: a Presiding Committee and an Audit and Finance Committee.

The Presiding Committee is composed of the Chairman and Vice Chairman of the Supervisory Board and six other members. The business of this committee is to prepare and coordinate the meetings of the Supervisory Board. It also performs the function of a Personnel Committee. The committee also deals with the acquisition of programming rights and other matters that are of particular importance to the business of the Company. This committee held one meeting in 2004.

The Audit and Finance Committee deals in particular with matters of accounting and risk management, the required independence of the auditor of the annual financial statements, the terms of engagement of said auditor, the determination of priority topics for the audit, and the professional fees of the auditor. Neither the Chairman of the Supervisory Board nor any former member of the Executive Board of the Company holds the chairmanship of the Audit and Finance Committee. Certain important transactions of the Company require the approval of the Audit and Finance Committee. This committee has four members and held five meetings in 2004.

## Transparent communication with the capital markets

At the Company's website [www.ProSiebenSat1.com](http://www.ProSiebenSat1.com), investors will find all important information about the Company, including key figures, up-to-date share price charts, analyses, financial reporting dates, annual reports and interim reports, presentations, and facts on the subject of Investor Relations. Special pages have been published for the Annual Shareholders Meeting. In the "Corporate Governance" section of its website, ProSiebenSat.1 Media AG provides an up-to-date overview of the Company's situation with respect to compliance with the Corporate Governance Code.

**Lothar Lanz**

Chief Financial Officer of ProSiebenSat.1 Media AG



»Last year's capital increase reduced our net financial debt significantly. Our all-around refinancing has opened up new leeway for business options. We'll be taking advantage of that flexibility to tap new lines of business and ensure growth.«

## Corporate Sponsorship

### "Get in on the act!"

The central philosophy of the corporate sponsorship activities of ProSiebenSat.1 Media AG is expressed by the slogan "Get in on the act!" The goal of these activities is to encourage others to take the initiative and ideally act as a catalyst for positive change.

### Sat.1: "Germany helps"

On December 26, 2004, a devastating tsunami struck large parts of southern India, Sri Lanka, and South-east Asia, causing well more than a hundred thousand deaths. Reacting quickly to this tragedy, Sat.1 organized a charity drive under the name "Germany helps," which aired on January 4, 2005. It raised more than ten million euros, the biggest amount ever raised by a German TV show to date.

### Red Nose Day 2004

ProSieben first broadcast the charity event known as "Red Nose Day" in 2003. This event has been Britain's most successful charity drive for almost 20 years. Millions of Britons participate, using humor to raise money for worthy causes.

ProSieben brought this idea to Germany. In 2004, the second year ProSieben sponsored the event, the TV show itself and sales of merchandising articles raised more than EUR 2.2 million, which was donated to the charitable organizations Kindernothilfe e.V., Children for a better World e.V., Offroadkids e.V. in Germany, and Comic Relief in Great Britain.

### "startsocial - Helpers Needed"

With the goal of promoting independent social initiatives on the part of private individuals and businesses, ProSiebenSat.1 Media AG, in cooperation with the consulting firm McKinsey & Company and other partners from the business community, launched the project "startsocial - Helpers Needed" in 2001. The project's patron is German Federal Chancellor Gerhard Schröder.

Under this initiative, which is modeled on the example of other successful contests for business start-up ideas and business plans, contestants are invited to submit ideas for social welfare projects. Selected candidates are then provided with professional coaching by members of the business community and volunteers, to bring their project to fruition. In this way, the business community makes a constructive and credible contribution to the realization of a humane society in Germany.

The prize for the winner of the 2003/2004 contest was awarded in the Office of the German Federal Chancellor on July 5, 2004.

### "Sat. 1 Talents"

Sat.1 actively supports other causes as well, including the program "Building Hope" for the children's charity SOS-Kinderdörfer. Another prime example of the TV station's sponsorship activities is the project "Sat. 1 Talents," which is dedicated to promoting talented young media professionals in the areas of comedy, screenwriting, directing, acting, and producing.

The director's prize "First Steps," which is co-sponsored by Mercedes-Benz, Constantin Film, SPIEGEL TV, and teamWorxs, has become known as the "German Oscar" for talented young media professionals. The German prize for the best graduation film project at a German-speaking film studies institute was awarded for the fifth time on August 24, 2004. The prize, which comes with EUR 72,000, is considered an important first step for setting young directors on a successful career.

### "Don't write yourself off - Learn how to read and write"

There are about 4.5 million adults in Germany who are unable to read and write. To address this problem, ProSiebenSat.1 Media AG, in cooperation with the media agency GREY Worldwide and the German literacy promotion association known as Bundesverband Alphabetisierung, developed a campaign to publicize adult literacy programs that are available to all citizens. ProSiebenSat.1 Media AG set aside a media budget worth millions of euros to promote this campaign.

The campaign has been a clear success. In response to the growing demand for such courses, the number of available slots in Germany has risen from 12,000 to more than 20,000. This impressive result, achieved without legislative changes or political pressure, shows that TV advertising really works.



**Haim Saban**

Chairman of the Supervisory Board



## Report of the Supervisory Board

### Ladies and Gentlemen,

ProSiebenSat.1 Media AG has completed a successful year. After three years of hard work, the company has achieved a turnaround and redefined its future course in important new ways.

As the Chairman of the Supervisory Board, I have the duty of reporting here on the Board's work.

During 2004, the Supervisory Board performed the duties incumbent upon it under the law, the Company's articles of incorporation, and the German Corporate Governance Code. We supervised and advised the Executive Board in its management of the Company's business. The Executive Board informed the Supervisory Board about all decisions that were of relevance to the Company. We discussed business developments, planning, strategy, and the implementation of strategy with the Executive Board at regular intervals. The Executive Board kept us fully informed through timely oral and written reports about all relevant issues, the business performance and situation of the Group, and the risks of its business. As the Chairman of the Supervisory Board, I myself was in regular contact with the Executive Board and kept current on the latest developments and important projects. Members of the Supervisory Board were kept informed at all times between meetings. Whenever necessary, we made decisions outside regular meetings by written correspondence or conference calls.

### The work of the Supervisory Board

The Supervisory Board met four times during the year. In our deliberations, we focused in particular on ways to optimize costs further and create new opportunities for the Company to grow. At several meetings, we dealt intensively with the question of how to diversify our activities so as to increase revenues from lines of business outside commercial television. Another point we regularly considered was the positioning of the ProSiebenSat.1 Group in the digital environment. For personal reasons, Mr. Greg Dyke was unable to attend two of the Board's meetings.

The principal focus of the March 23 meeting was the financial statements of the AG and the Group for fiscal 2003. The Supervisory Board also held detailed discussions with the Executive Board about the pending capital increase - which has since been successfully completed - and prepared the necessary resolutions.

At the meeting held directly after the annual shareholders' meeting of May 7, the Supervisory Board welcomed new members, elected officers, and reassigned committee memberships. I was elected Chairman of the Board and Mr. Adam Chesnoff was elected Vice Chairman. Given the staff changes in the Executive Board, we also discussed the reorganization of responsibilities within the Executive Board and the possibility of introducing a management incentive program at this meeting.

At the committee meeting of October 12, we dealt extensively with strategies for the Group's future development. We also addressed the upcoming changes in German law resulting from the new Investor Protection Improvement Act [Anlegerschutzverbesserungsgesetz].

The main focus of the meeting of December 9 was the budget for 2005. At this meeting, we also deliberated and adopted resolutions on the subject of various stra-

tegic projects for positioning our Company in the digital environment and for diversifying our income sources. Another point of discussion was the evolution of corporate governance. We reviewed the remuneration of the Executive Board and issued the Declaration of Compliance with the recommendations of the German Corporate Governance Code, as required by law. This declaration is available for inspection on the Internet at [www.prosiebensat1.com](http://www.prosiebensat1.com). On this occasion, we also reviewed the efficiency of our own work on the Supervisory Board. I encouraged all members to bring up any inefficiencies whenever they noticed them, either during the meetings or in the time between meetings.

## Conflicts of interest

In advance of the October 12 meeting, Supervisory Board member Albert Dobron Jr. informed me that Providence Equity Partners, which holds an indirect interest in our Company and of which he is a Principal, had acquired an indirect interest in Kabel Deutschland GmbH [KDG]. Because ProSiebenSat.1 Media AG conducts business with KDG, Mr. Dobron recused himself from any deliberations of the Supervisory Board regarding the technical distribution of ProSiebenSat.1 Media AG programming via cable and satellite, and any negotiations with the various operators. Mr. Dobron also received no documents on these subjects.

## The work of the committees

The Supervisory Board has established two committees: the Audit and Finance Committee and the Presiding Committee. The Presiding Committee is chaired by me and the Audit and Finance Committee is chaired by Mr. Chesnoff.

In June of last year, we amended the bylaws of the Supervisory Board to reassign to the Presiding Committee the responsibilities of the Programming and Operational Committee formerly established under those bylaws. At that time, the Supervisory Board also elected the members of the Presiding Committee. The Presiding Committee commenced its work with the preparations for the Board meeting of December 9 and held one meeting during the period under review.

The Audit and Finance Committee met five times during the year. The main emphasis was on the annual financial statements and the quarterly reports of the parent company and the Group. The committee issued the order engaging the independent auditor to perform

the audit, defined the principal points of the audit and established the amount of the auditor's remuneration. The committee also addressed the changeover of the Company's accounting to IFRS.

## Corporate Governance and Declaration of Compliance

In accordance with Item 3.10 of the German Corporate Governance Code, this Annual Report includes a report by the Executive Board and Supervisory Board on corporate governance at ProSiebenSat.1 Media AG. We issued our Declaration of Compliance pursuant to Sec. 161 of the Stock Corporations Act in December 2004 and have made it permanently available on the Internet at the Company's website.

## Audit of the AG and Group financial statements

The 2004 financial statements of ProSiebenSat.1 Media AG, and the consolidated financial statements of the Group, together with the management reports for ProSiebenSat.1 Media AG and the Group, were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, which issued an unqualified audit opinion in both cases. The consolidated financial statements were prepared in accordance with IFRS and have been audited by the independent auditor. The auditor confirmed that the Group financial statements and the Group management report met the requirements for exemption from the obligation to prepare financial statements under the German Commercial Code and that the Executive Board has implemented an effective risk management system, as required by law.

The Supervisory Board 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 Supervisory Board in good time. These documents were discussed in detail in the Audit and Finance 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 parent company financial statements and consolidated financial statements prepared by the Executive Board and audited by the auditor. The annual financial statements were thereby adopted. The

Supervisory Board has reviewed and concurs with the proposal of the Executive Board for the utilization of profits. The proposal, to be submitted to the Annual Meeting, calls for a dividend of EUR 0.30 per share of preferred stock and for a dividend of EUR 0.28 per share of common stock.

In its capacity as auditor of the financial statements, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, also reviewed the report of the Executive Board on the relationships with affiliated companies as of December 31, 2004. The auditor's review revealed no cause for objection. The auditor has issued the following unqualified opinion:

"Based on the results of our audit, performed in accordance with our professional duties, we confirm that

1. the factual information contained in the report is correct;
2. in the legal transactions mentioned in the report, the consideration paid by the Company was not inappropriately high, or else any disadvantages were compensated."

The Supervisory Board's own examination of the report also revealed no cause for objection. The Supervisory Board concurs with the results of the auditor's review. Accordingly, and in conformity with the final results of its own review, the Supervisory Board has no objections to raise with regard to the declaration of the Executive Board at the conclusion of its report on the relationships with affiliated companies.

## Members of the Supervisory Board and Executive Board

Several staff changes occurred during the year, both on the Supervisory Board and the Executive Board.

It was resolved at the annual shareholders' meeting of ProSiebenSat.1 Media AG of May 7, 2004, to expand the Supervisory Board from nine to 15 members. Anthony Ball, Albert J. Dobron Jr., Stephen G. Pagliuca, Brian M. Powers, Steven Rattner, and Scott Sperling were appointed as new members of the Board.

Other new members appointed to the Supervisory Board were Mr. Christian Nienhaus and Mr. Greg Dyke, who replaced the former Board members Mr. Hubertus

Meyer-Burckhardt and Mr. Wolfgang Hartmann when their terms of office expired on May 7, 2004.

In autumn 2004, the bankruptcy administrator Dr. Michael Jaffé resigned from the Supervisory Board after KirchMedia sold its remaining stake in ProSiebenSat.1 Media AG. His successor is Mr. Ynon Kreiz, who had been elected at the annual shareholders' meeting of May 7, 2004, as an alternate to succeed members of the Supervisory Board who left office prior to the expiration of their terms.

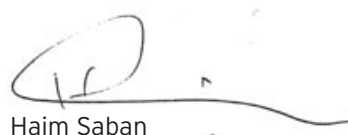
Staff changes also occurred on the Executive Board. After more than four years at the head of ProSieben Media AG and ProSiebenSat.1 Media AG, Mr. Urs Rohner asked us to release him from his obligations as CEO as of April 30, 2004. As his successor, we were able to recruit Mr. Guillaume de Posch, formerly the Chief Operating Officer of ProSiebenSat.1 Media AG. I was very pleased that we were able to find such an acknowledged and esteemed international media expert as Mr. de Posch. In yet another change, Mr. Jürgen Doetz resigned from the Executive Board effective October 9, 2004.

In connection with the staff changes on the Executive Board, the areas of responsibility were also reassigned. Mr. de Posch assumed responsibility for Television and Operations and Mr. Lothar Lanz will head up Finance, Legal Affairs, and Human Resources. Mr. Peter Christmann took charge of Sales & Marketing as of January 1, 2004, and Mr. Hubertus Meyer-Burckhardt took over Corporate Development as of July 1, 2004, and after Jürgen Doetz' resignation, he also took charge of Media Policy and Regulation on October 9, 2004.

On behalf of the Supervisory Board, I would like to take this opportunity to thank not just the members of the Executive Board and Supervisory Board who left us this past year, but a great many other people to whom we owe the year's successes, including the Executive Board, the management of our subsidiaries, and all our employees, for their vision, imagination, dedication, and courage to make things happen.

Unterföhring, February 2004

On behalf of the Supervisory Board



Haim Saban

# Group Management Report of ProSiebenSat.1 Media AG

## Business Report

The stock market saw little sustained momentum in 2004. This was in line with observers' expectations for modest performance in the wake of the markets' comeback in 2003.

## ProSiebenSat.1 Shares

### Modest market performance in 2004

The DAX, Germany's leading index, closed out the year at 4,256.08 on December 30, 2004, gaining 7.3 percent against the year before. Performance was similar on the world's other leading indexes, such as the Dow Jones, which gained 3.6 percent, and the Dow Jones Euro Stoxx, which closed out the year with a gain of 6.9 percent.

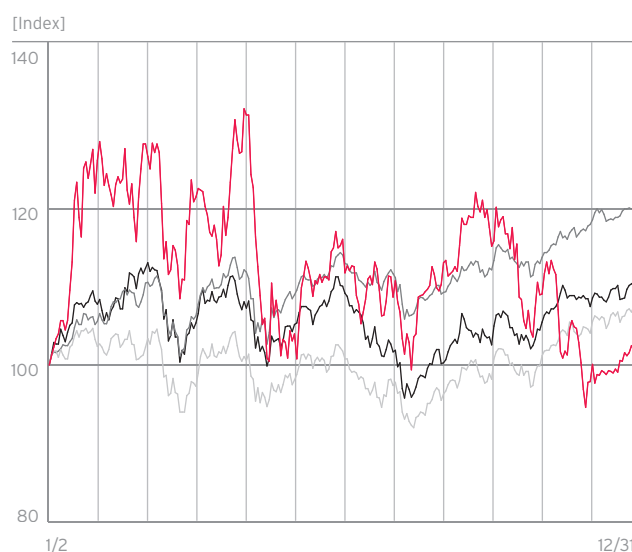
The MDAX finished the year with a considerably better showing than the DAX. This index of the 50 largest listed companies after the DAX companies climbed 20.3 percent year on year, to close at 5,375.74. Observers attribute the midcap stocks' disproportionately strong growth to the stability of these securities. The Dow Jones Euro Stoxx Media index, which covers Europe's most important media stocks, finished the year with a gain of 10.3 percent from where it had begun.

The upswing from 2003 continued into the first part of 2004. The terrorist attack in Madrid and increasing doubts about sustainable economic recovery began, however, pulling stocks down again in March 2004. There was no major movement in the markets until late summer. The stability declined once again in the second half. Oil prices, American interest-rate policies, and a lack of economic impetus provoked general uncertainty. Not until year's end did most German stocks recover and turn distinctly toward the upside.

### ProSiebenSat.1 stock up 4.8 percent against prior year

In 2003, ProSiebenSat.1 stock performed far better than any of the indexes. Its trading price doubled. The stock was unfortunately unable to pull free of the market's trends in 2004. The stock's performance reflected conditions in both the economy in general and the advertising market in particular. In the first half, the surprising dynamism of the advertising market inspired a good deal of optimism. In response to the first quarter's good results and the ProSiebenSat.1 Group's successful capital increase, on May 3, 2004, the stock reached its high of EUR 17.10 for the year. The advertising market slackened significantly in the second half, and the stock began performing significantly less dynamically in the fourth quarter. It reached its low for the year on November 26, 2004, at EUR 12.19.

#### ProSiebenSat.1 stock: Price performance in fiscal 2004



■ ProSiebenSat.1 ■ Stoxx Media ■ MDAX ■ DAX

Basis: Xetra closing prices, Index 100 = 01/02/2004; Source: Bloomberg

The stock performed better in December to end on the upside for the year as a whole, and closed at EUR 13.50 – a gain of 4.8 percent against the beginning of the year. XETRA, Deutsche Börse AG's electronic trading system, showed an average of 570,212 shares of ProSiebenSat.1 traded per day. The peak was much higher: 1.9 million. The average trading volume for 2004 was thus around 34.3 percent higher than a year earlier [2003 daily average: 424,695], indicating that the stock is attracting significantly more attention.

»Management has done, and continues to do, an incredible job in turning around the company with dramatic efficiency improvements while growing revenue and audience shares at the same time.«

Kai Korschelt, Deutsche Bank AG, 11.11.2004

## Allocation of Corporate Profits: Dividend Payment on Common and Preferred Stock

At the annual meeting of the shareholders, the Executive Board of ProSiebenSat.1 Media AG will recommend a dividend payment on common and preferred stock. Out of the distributable net profit of EUR 118.1 million, the Board will propose to pay a dividend of EUR 0.28 per no-par common share and EUR 0.30 per no-par preferred share. This is equivalent to a total distribution of EUR 63.5 million, or a payout ratio of 53.7 percent of the net profit of ProSiebenSat.1 Media AG. Referred to the price of EUR 13.50 per preferred share as of December 31, 2004, the dividend ratio is 2.2 percent.

## Successful capital increase in Q2 2004

At the beginning of the second quarter, ProSiebenSat.1 Media AG successfully placed 24,310,800 new shares on the market, out of authorized capital. The cash capital increase caused the number of outstanding shares of ProSiebenSat.1 Media AG to rise from 194,486,400 to 218,797,200. Half of the new shares are listed as preferred stock, and half are unlisted as common stock. The gross proceeds from the capital increase were EUR 282 million.

In keeping with the approved preemptive subscription rights, shareholders were free to buy one new share of ProSiebenSat.1 for each eight existing shares of the Company, at a price of EUR 11.60 per share. Preferred and common stock were sold at the same price. Holders of one category of stock were not able to subscribe for stock in the other category. The new shares carry full dividend rights for fiscal 2004. The new preferred

shares were first listed on the Frankfurt Stock Exchange on April 27, 2004.

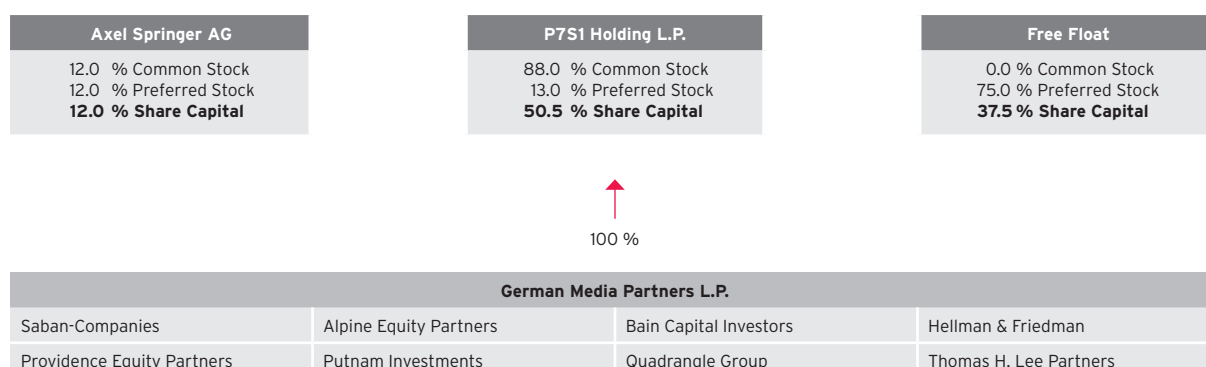
The capital increase was part of a comprehensive refinancing plan aimed at improving the maturity profile of the Company's outstanding financial obligations and strengthening the balance sheet of ProSiebenSat.1 Media AG.

## New shareholder structure

The capital increase changed the Company's ownership structure. P7S1 Holding L.P. increased its stake from 72.0 to 75.1 percent of the common stock. Its holdings of all capital stock thus rose from 36.0 to 37.6 percent. SAT.1 Beteiligungs GmbH, a subsidiary of KirchMedia GmbH & Co. KGaA, which the latter owns jointly with Axel Springer AG, did not exercise its subscription rights. Consequently its share of the capital stock, uniformly split between preferred and common stock, decreased from 28 percent to 24.9 percent.

The implementation of the insolvency plan for KirchMedia GmbH & Co. KGaA led to a further change in the shareholder structure of ProSiebenSat.1 Media after adjustment for other equity interests. In September 2004, KirchMedia GmbH & Co. KGaA sold its remaining 14.9 percent stake in ProSiebenSat.1 Media to P7S1 Holding L.P. and Axel Springer. P7S1 Holding L.P., which so far as the Company is aware, is wholly owned by German Media Partners L.P., which in turn is owned by the Saban companies and additional private equity funds, consequently increased its share of all the Company's capital stock from 37.6 to 50.5 percent. Axel Springer AG's holdings of capital stock rose from 10.2 percent to 12.0 percent, after adjustment for other equity interests. KirchMedia GmbH & Co. KGaA no longer holds an

## Shareholder structure ProSiebenSat.1 Media AG



interest in ProSiebenSat.1 Media AG. The free float has remained unchanged at 37.5 percent.

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 Partner L.P. 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. For every legal transaction entered into between ProSiebenSat.1 Media AG and one of its subsidiaries during the year, 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.

### In-depth contact with investors and analysts

Investor Relations at ProSiebenSat.1 takes a straightforward view of its role: to ensure that the Company gets a fair valuation in the market. The paramount goal is to meet investors' and analysts' need for information quickly and professionally.

This year the ProSiebenSat.1 Group again expanded its investor communications efforts. The Company presented at eight international investor conferences. At eleven road shows in Europe and the United States, more than 167 institutional investors had an opportunity to pose questions to the Executive Board and the Investor Relations team. The Executive Board or the IR team reported on current developments at the ProSiebenSat.1 Group in just under 70 additional investor meetings, some 60 analysts' meetings, and a large number of conference calls. In addition to regionally oriented activities emphasizing Great Britain, the United States, and Germany, the Company made new contacts in Switzerland and Scandinavia. To provide IR services for all investors under one roof, the Investor Relations team at ProSiebenSat.1 Media AG now also handles bond investors, bond analysts, and private investors, all of whom had formerly been served separately.

### A whole new look on the Web

Over the years, ProSiebenSat.1 Media AG's financial communications have adapted to the rising demand for information. One important element in the Company's communications is its website, which was renovated at the end of 2004. Since January 2005, the ProSiebenSat.1 Media AG website has had a whole new look. At

ProSiebenSat.1.com, journalists, analysts, private and institutional investors, and anyone else who is interested can find more detailed information on the Company than ever before. A clear structure and user-friendly navigation emphasize the site's objective, service-oriented approach, and quickly lead users wherever they want to go. The Investor Relations area provides a comprehensive view of corporate governance and the Company's stock and bonds, as well as a clearly organized survey of key financial figures, financial reports, ownership structure, shareholders' meetings, investor conferences, and financial press conferences. Users can also compare ProSiebenSat.1 stock with all the other important European media stocks.



## ProSiebenSat.1 stock listed in Prime Standard segment

PSM is the stock-exchange symbol for the first television stock to be issued in Germany. The company known today as ProSiebenSat.1 Media AG was founded in 2000. By that time, its forerunner, ProSieben Media AG, had already been in the capital market for some time. ProSieben Media AG went public on July 7, 1997 – the first German television company to be listed on a stock exchange. A few months later, in March 1998, ProSieben Media AG became the first media stock to be included in the MDAX, Germany's second-most-important index. The stock is also included in the Dow Jones Euro Stoxx Media index, the Prime All Share index, and the Prime Media index.

ProSiebenSat.1 stock has been listed in the Prime Standard segment since 2003. This market segment of the German Stock Exchange requires companies to meet standards of transparency that are among the highest in Europe.

## The Economic Situation

### The economy: No clear recovery in the German economy

After three years, the German economy broke out of its phase of stagnation in 2004. According to the Federal Statistical Office, gross domestic product [GDP] rose 1.6 percent in real terms. This upswing, however, was entirely the product of strong export demand, which gained 8.2 percent in 2004 alone. Real net exports theoretically contributed an economic growth rate of 1.1 percent. Domestic demand sat tight at 0.5 percent, thus remaining the German economy's greatest weakness. Consumer spending was especially disappointing. Private consumption, which accounts for some 60 percent of German GDP and is the most important parameter for the ProSiebenSat.1 Group, actually shrank in real terms over the past three years. Consumer spending for 2004 was down 0.3 percent from the year before – something hitherto unseen in the history of the Federal Republic. The German economy as a whole was very vulnerable during the year. After a considerable recovery up to mid-year, the third quarter saw a surprising growth slump, although the fourth quarter made up for it to a certain degree.

### The industry

#### Little substantial movement in the advertising market overall

The weak economy of the past few years has also been reflected in the advertising market. The media's net advertising revenues fell EUR 4.1 billion between 2000 and 2003, to a total of EUR 19.3 billion. In other words, the market lost just less than one-fifth of its total revenues in three years. This decline slowed somewhat in 2003. Although the media did lose net revenues again that year, the loss – at 4.3 percent, or EUR 858 million – was only about half as great as it had been in the two previous years. In 2004, at least, the advertising market stabilized. The ZAW – the German advertising association – estimates that net advertising revenues reached EUR 19.4 billion for the year, a gain of 0.8 percent from 2003.

#### TV advertising market stable in 2004

After the crises of 2001, 2002 and 2003, the German TV advertising market stabilized last year. In 2003 it had lost 3.7 percent net against the year before; even so, it had performed somewhat better than the advertising market as a whole, and significantly better than it had in 2002, when the drop had been 11.5 percent. Nielsen Media Research found a gain of 3.7 percent in gross TV advertising expenditures for 2004. Most observers assume that although net advertising revenues may not have receded further, they did not grow either. The ZAW, Germany's national advertising association, will not release figures for the media's net advertising revenues until May.

Changes were driven largely by events in the economy as a whole. The first half saw surprising growth in revenues in the TV advertising market. But persistently weak consumption, however, caused the situation to deteriorate appreciably in the second half.

#### Gross figures for advertising market show brighter picture

The gross advertising revenue figures gathered by Nielsen Media Research give a somewhat different picture of the advertising market than the net figures do. The gross figures for the advertising market as a whole – meaning revenues for the conventional media [television, daily newspapers, general-interest magazines, special-interest magazines, radio and billboards] – picked up 3.3 percent in 2003 against the year before. The trend continued in the first six months of 2004, when gross advertising spending grew 6.5 percent. Growth slowed somewhat in the second half. In all, Nielsen Media Research found a gain of 5.8 percent for the total advertising market in 2004.

TV advertising went through the same shifts as the advertising market in general. After growth of 4.2 percent in the first six months, the gain in gross advertising spending on television came to 3.7 percent for the full year. In other words, the gross figures for all of 2004 came out on the upside, especially thanks to the strong first half. 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 agency commissions.

**Peter Christmann**

Chief Sales Officer of ProSiebenSat.1 Media AG



»The economic environment for the TV advertising market is still difficult. All the more reason why we have to provide our own momentum and stimulate demand - especially with networked communication solutions and innovative forms of advertising.«

### TV the strongest conventional advertising medium

The gross figures indicate that with advertising investments of EUR 7.7 billion in 2004, television was the strongest conventional advertising medium. The food industry, at EUR 1.5 billion, was the biggest spender on TV advertising. Toiletries and cosmetics, and the media themselves, came in second and third, respectively spending EUR 933 million and EUR 729 million on TV advertising. Transportation and automotive came in fourth, and the beverage industry was fifth.

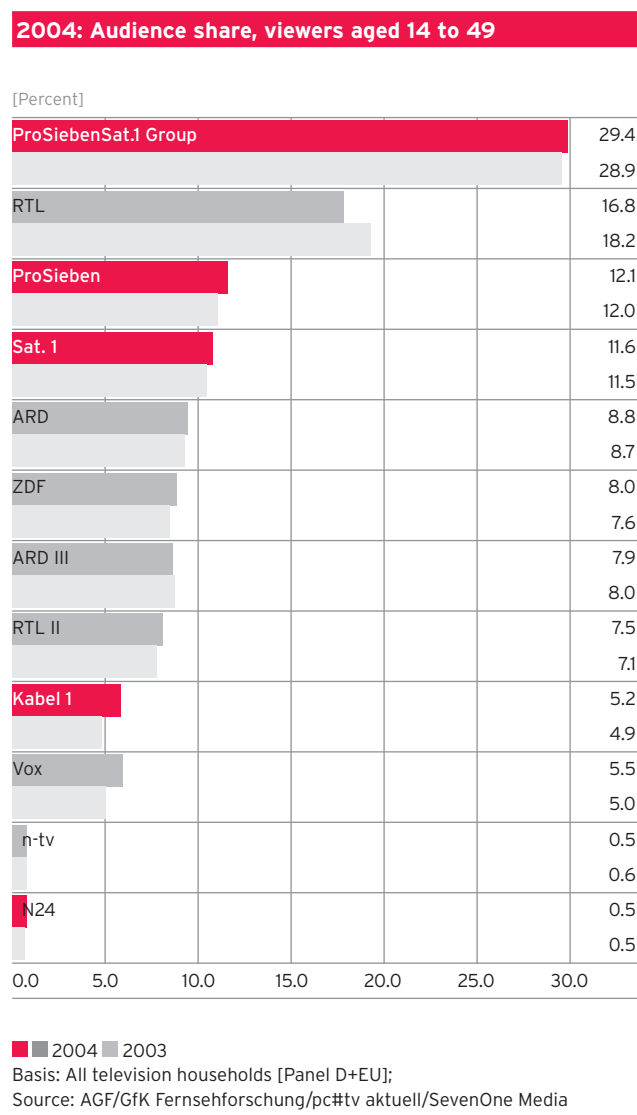
### Gross advertising market: ProSiebenSat.1 Group captures more than 40 percent of total market

The ProSiebenSat.1 Group's four channels - Sat.1, ProSieben, Kabel 1 and N24 - earned a combined share of 42.5 percent of the gross TV advertising market, compared to the previous year's 42.7 percent. Among all German TV broadcasters, stations Sat.1 [18.7%] and ProSieben [18.2%] held the second and third largest shares of the television advertising market. ProSieben added 0.1 percentage point to its share. Kabel 1 achieved a 5.0 percent share. News station N24 picked up another 0.1 percentage point to reach 0.6 percent, expanding its share of the advertising market once again. RTL and Vox, the RTL Group's fully consolidated stations, lost 2.1 percentage points to earn a 33.8 percent share, compared to 35.9 percent the year before. The stations marketed by IP Deutschland - RTL, Vox, Super RTL, and n-tv - earned a combined share of 37.7 percent; RTL II's share was 6.5 percent.

### ProSiebenSat.1 Group reaps largest audience shares in three years

The ProSiebenSat.1 Group enjoyed a successful year among audiences as well. Sat.1, ProSieben, Kabel 1, and N24 together picked up 0.5 percentage points to achieve a combined audience share of 29.4 percent of 14 to 49-year-olds. This was the Group's best showing in three years [2003: 28.9%; 2002: 28.1 %], and is all the more impressive because 2004 on television was dominated to a significant degree by coverage of the European Soccer Championships and the Olympics on ARD and ZDF.

In the key demographic between ages 14 and 49, Sat.1 gained 0.1 percentage point to earn an 11.6 percent share. ProSieben likewise picked up 0.1 percentage point to reach 12.1 percent [2003: 12.0 %]. Kabel 1 gained 0.3 percentage points against last year, achieving 5.2 percent [2003: 4.9 %]. N24 held steady at a 0.5 percent share, while its main competitor n-tv lost 0.1 percentage point [2004: 0.5 %; 2003: 0.6 %]. Stations RTL, Vox, Super RTL and n-tv, all marketed by IP, earned a combined share of 25.3 percent compared to 26.1 percent in 2003, and were thus down 0.8 percentage points from the year before.

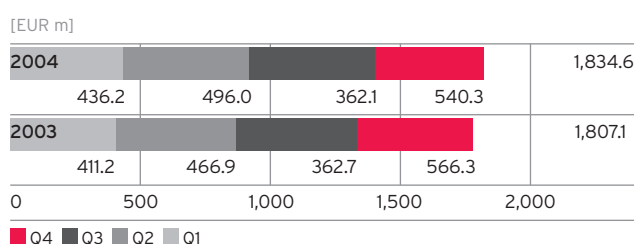


## Business Developments

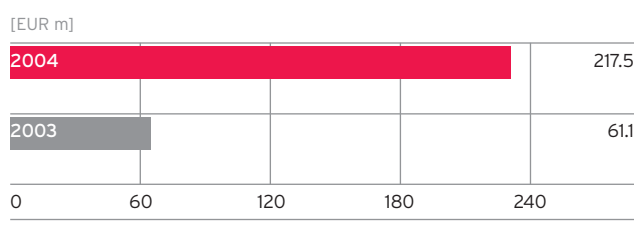
### Fiscal 2004: Best earnings in the Company's history

The ProSiebenSat.1 Group closed out 2004 very successfully. Despite the slackening advertising market in the second half, Germany's largest television corporation boosted its earnings and substantially improved its profitability. This success had two main causes. First, the Group's enhanced performance brought in higher revenues. Second, costs were cut sharply again during the year.

#### Group revenues



#### Pre-tax profit



The Group generated an EBITDA of EUR 321.3 million, a 70 percent gain from the year before. The EBITDA margin was 17.5 percent, against 10.4 percent in 2003. In other words, the ProSiebenSat.1 Group was able to expand its position in a difficult market environment, and increased its profitability significantly.

### Consolidated profit up 239 percent

Gross profits were also up significantly against the year before, rising 29 percent to EUR 569.1 million. EBITDA came to EUR 286.2 million, up 119 percent from the previous year's EUR 130.8 million. Income from ordinary business activities grew 256 percent, from EUR 61.1 mil-

lion to EUR 217.5 million. The consolidated profit on the year leaped 239 percent, to EUR 133.6 million. Earnings per preferred share came to EUR 0.64. The Group's consolidated profit for the prior year was only EUR 39.4 million, and consequently earnings per preferred share were EUR 0.21.

### First revenue growth since 2001

After the three-year crisis in the advertising industry, the ProSiebenSat.1 Group returned to revenue growth last year. At EUR 1.835 billion, Group revenues were up 1.5 percent against the year before. The dynamics were corresponding to the growth of the advertising market in Germany. The Group took advantage of the market's positive dynamics in the first half to pick up 6 percent in revenues. Business slackened noticeably in the second half. The fourth quarter, and especially the month of December, fell particularly short of the Group's expectations.

### Earnings benefit from Group-wide cost optimization

As was the case in previous years, in 2004 the Group cut expenses and thus optimized its cost structure even further. Total costs, at EUR 1.577 billion, were down 8 percent from 2003.

The cost of sales was down 7 percent, from EUR 1.364 billion to EUR 1.265 billion. The largest cost item, consumption of programming assets, shrank 5 percent, from EUR 1.006 billion to EUR 957.6 million. There were considerable savings on production costs and use fees as well.

Other significant savings were achieved in administrative and selling expenses. Selling expenses were down 3 percent to EUR 184.0 million, and administrative expenses were down 20 percent to EUR 127.4 million. Advertising expenses and personnel expenses made a particularly substantial contribution to these savings.

### Financial cover strengthened with strategic debt restructuring

The net interest expense also improved substantially against the year before, narrowing by more than 18 percent to EUR -57.8 million. This substantial decrease was the product of a refinancing program, which was carried out during the year with the goal of both reducing net financial debt and restructuring the maturity

profile for outstanding financial debt. In addition to a capital increase that brought in gross proceeds of some EUR 282 million, the plan also included:

- taking out a syndicated loan with a limit of EUR 325 million,
- a partial buy-back of a bond to mature in 2006, for a total of EUR 298 million [88 percent of the prior par value of EUR 338 million], and
- issuing a new EUR 150 million bond that matures in 2009.

Refinancing expenses were charged directly to the income statement as a financial expense. Other financial expenses rose 23 percent, to EUR 22.7 million. The most important element here was the partial buy-back of the bond due in 2006 and its associated cost of EUR 15.8 million. The financial loss improved by 1 percent against the prior year, from EUR 69.7 million to EUR 68.7 million.

## Total assets rise

As of the December 31, 2004, reporting date, the ProSiebenSat.1 Group's total assets had grown from EUR 1.898 billion to EUR 2.059 billion. This represents an increase of 8 percent.

The refinancing operations associated with the capital increase, and the restructuring of bond debt during 2004, both had a positive impact on the Group's equity structure.

## A solid equity base

Equity grew 67 percent in 2004, to EUR 1.004 billion, thanks to the capital increase and better profitability. The equity ratio was 49 percent. The before-tax return on equity was 22 percent.

The capital reserves were EUR 578.4 million, an increase of 79 percent against the year before, as a result of the capital increase carried out during 2004. This figure is already net of the cost of the capital increase. New stock issues increased the subscribed capital 12 percent, to EUR 218.8 million.

## Net financial debt down substantially

Net financial debt dropped to EUR 278.7 million, compared to EUR 664.8 million the previous year. Total liabilities were cut from EUR 1.231 billion to EUR 995.7

million; here long-term debt was down 34 percent, and short-term debt was down 16 percent.

The significant increase in profitability prompted an 18 percent increase in tax reserves, to EUR 27.3 million. It was also possible to cut other provisions, especially those for anticipated losses, by 24 percent in all, to EUR 32.1 million. The tax rate rose from 32 percent to 39 percent.

## Refinancing injects cash

Current assets grew 12 percent, to EUR 1.556 billion. The most important contribution here came from the increase in cash and cash equivalents as a result of refinancing measures, from the former EUR 61.9 million to EUR 294.7 million.

Programming assets, at EUR 1.110 billion, are the ProSiebenSat.1 Group's most important asset item, representing 54 percent of total assets. The programming assets included in the balance sheet are mainly feature films and series, along with commissioned productions intended for one-time or multiple airings, and advance payments for future productions. The programming assets reported in the balance sheet do not include those feature films and series whose license terms have not yet begun, except for any associated advance payments made. The ProSiebenSat.1 Group has contracts with virtually every major U.S. studio, ensuring an excellent supply of high-quality feature films. Among the company's programming suppliers are Disney, Touchstone, Miramax, Dimension, Lucasfilm, Warner Brothers, Paramount Pictures, Senator, Epsilon, Highlight, Constantin, Tobis, Pixar, Spyglass and Sony Pictures Entertainment. Programming assets were down slightly from the year before, because of lower investment activity. However, the Group had invested heavily in film contracts during prior years. These contracts extend into the present and will ensure an outstanding programming supply for Group stations.

Consumption of programming assets for 2004 was EUR 957.6 million, down 5 percent from the 2003 figure of EUR 1.006 billion. The new figure includes EUR 892.4 million for scheduled consumption and EUR 65.2 million for unscheduled consumption. In all, programming under contract has revenue potential of EUR 4.316 billion for the current fiscal year.

Receivables and other current assets were down 15 percent from the year before. Where this asset item had been EUR 170.9 million in 2003, it came to EUR 145.8 million in 2004.

»Management is doing a good job on audience share and cost cutting. They are just working in a very benign environment. They look set to do well if the German economy picks up.«

Investor Feedback from US-Roadshow, March 2005

Intangible assets, property, plant and equipment, and financial assets were almost the same as for the prior year. The slight decrease came largely from lower expenditures on property, plant, and equipment. These charges shrank from EUR 258.6 million to EUR 242.5 million.

### Rating agencies confirm good credit

Two of the world's leading rating agencies, Moody's Investor Services and Fitch Ratings, have categorized the ProSiebenSat.1 Group as a very reliable credit risk. Fitch rated the Group BB+, outlook positive; Moody's assigned a Ba1 rating, outlook stable.

### Cash and equivalents, and cash flow

As of December 31, 2004, the Group's cash and equivalents came to EUR 294.7 million, compared to EUR 61.9 million the year before. The change was largely the result of the refinancing efforts in the second quarter of 2004.

Although revenues were up, the cash flow for operating activities in 2004 was down to EUR 1.056 billion, compared to the EUR 1.184 billion in 2003. The chief reason for the decline was a decrease in non-interest-bearing liabilities. Trade accounts payable dropped especially sharply.

The cash flow for investing activities was down from EUR 1.100 billion for last year to EUR 933.7 million, because of lower capital expenditures for programming assets. The Group had already signed extensive film contracts in previous years to provide a reliable programming supply, so that its future needs in this regard are covered adequately.

By contrast, cash generated by financing activities grew from EUR -90.2 million to EUR +110.1 million, as a result of the net proceeds from refinancing in 2004. Free cash flow increased 45 percent, from EUR 84.7 million in 2003 to EUR 122.8 million in 2004.





The personnel is the most valuable asset of the ProSiebenSat.1 Group.

## Employees

### Group has 2,699 employees

The ProSiebenSat.1 Group had a workforce averaging 2,699 employees in 2004 [vs. 2,899 in 2003]. The seven-percent decline from a year earlier reflects the Group's efforts to enhance efficiency and cut costs. In all, personnel expenses were down Group-wide from EUR 212.5 million to EUR 200.6 million, equivalent to a 6 percent reduction in costs.

Sat.1 had a staff of 223 in 2004 [vs. 229 in 2003]. ProSieben had an average of 252 employees [vs. 282]. The staff at Kabel 1 numbered 46 for the year [vs. 49]. N24, with 155 employees, was down 20 employees from 2003. At ProSiebenSat.1 Produktion [including Information Services], the subsidiary with the largest workforce, staff decreased from 1,030 to 972 employees. The holding company itself had 350 employees for the year, a decline of 15 percent [2003: 411]. The Diversification segment had 199 employees [vs. 216]. The staff size at the marketing companies [SevenOneMedia and SevenOne Interactive] grew from 374 to 380.

### Group-wide personnel strategy

To support the human resources activities within the Group's segments and subsidiaries, a number of strategic initiatives were launched last year as part of a Group-wide personnel strategy. These efforts were particularly concerned with executive training, building the next generation of employees, and refining both the remuneration system and the performance-based bonus concept.

### PROFI: Executive development at the ProSiebenSat.1 Group

In 2004 the ProSiebenSat.1 Group set up a special professional support and development program for executives. PROFİ is a major component of strategic corporate development. All employees with executive responsibilities participate in an ongoing process of enhancing qualifications, thus expanding their skills both in their chosen fields and as managers. The various events, which are attended by all ProSiebenSat.1 Group executives together, additionally help build close-meshed networks that help simplify management processes and working procedures, and thus enhance efficiency.

### The next generation in the media: Training at the ProSiebenSat.1 Group

Training young people is one of the basic corporate policies of ProSiebenSat.1 Media AG. In fiscal 2004, the Company hired 19 new trainees. The Group had 56 trainees and 62 volunteers in all. Volunteer positions are available, as are formal apprenticeships in computer science, sound and image media design, media and information services, and audiovisual media sales. In 2005, the Group will expand its media sales training program and thus create additional training positions. By encouraging the next generation in our field, the Company not only ensures a supply of skilled personnel for the future, but in the long term also gains employees who are familiar with the Group's business goals and corporate culture.



**TOP Goals: Rewards for entrepreneurial thinking**

ProSiebenSat.1-Group Media AG has a performance-based bonus program. TOP Goals ensures, first of all, that all Group employees are well aware of the Group's paramount objectives and that their own goals help achieve those objectives. TOP Goals is also a way of measuring and evaluating performance according to transparent, understandable criteria. The amount of the year-end bonus depends both on how well the individual achieves his or her own goals, and how well the Company does as a whole.

**Job and family: Helping families pays off**

The ProSiebenSat.1 Group's personnel policies actively support its employees in reconciling job life with family life. A family-friendly corporate culture is an important prerequisite for content, motivated employees. It saves on the cost of advertising job openings and of selecting and training new staff. For that reason, as many as three years ago, the ProSiebenSat.1 Group set up a day care center at the Unterföhring site. At the Berlin site, parents have the option of placing their children in the nearest outside day care center.

**Changes in the Executive Board**

The Executive Board of ProSiebenSat.1 Media AG underwent changes during fiscal 2004. In January 2004, Peter Christmann was appointed to the Executive Board. As the Board member in charge of Sales and Marketing, he is responsible for all the ProSiebenSat.1 Group's marketing activities.

Effective April 30, 2004, the former CEO, Urs Rohner, resigned from the ProSiebenSat.1 Group. His successor is Guillaume de Posch, formerly the Group's Chief Operating Officer.

Jürgen Doetz, the Board member in charge of Media Policy and Regulatory Affairs, handed in his resignation to the Supervisory Board as of October 2004, when he reached the retirement age of 60 as stipulated for the Executive Board. Media Policy and Regulatory Affairs are now handled by Hubertus Meyer-Burckhardt, who had already been appointed the Board member for Corporate Development as of July 1.

The Board's areas of responsibility were redefined in the course of the personnel changes. CEO Guillaume de Posch will be in charge of Television and Operations. Lothar Lanz will handle Finances, Legal Affairs and Human Resources. Peter Christmann is in charge of Sales and Marketing, and Hubertus Meyer-Burckhardt heads Corporate Development.



In-house productions bring success: The audience for Sat.1's big TV event "Die Nibelungen" peaked at 8.8 million viewers.

## Programming

### Programming sources

To maintain its strong market position, ProSiebenSat.1 Media AG needs attractive programming content. As part of a long-term investment strategy, the company has recently acquired programming rights with significant appeal, or developed and produced new ideas itself, whether directly in-house or by commissioning them from other production companies.

### Licensed programming

The ProSiebenSat.1 Group buys licensed programming centrally for all four stations. Strategic programming and a Group-wide purchasing policy create opportunities for considerable synergy. Licensed programming is obtained either directly from the owner of the rights or indirectly through rights traders. As a rule, ever since KirchMedia GmbH & Co. KGaA declared insolvency in 2002, the Group has maintained direct business relations with the major production studios in the United States. ProSiebenSat.1 has contracts with almost every U.S. major studio, and is one of the Hollywood studios' most important business partners in Europe.

In 2004, the ProSiebenSat.1 Group acquired Free TV first-broadcast rights for future productions of the Hollywood studio DreamWorks, as part of a contract that the ProSiebenSat.1 Group extended ahead of schedule with Telepool. The contract covers German Free TV rights for all the renowned studio's film productions, as well as selected TV series, from 2006 through 2010. In January 2005, the Group signed a three-year contract with Hollywood production company Spyglass Enter-

tainment, covering all German TV rights to titles that go into production from 2005 onward. The contract with Spyglass ensures access to the productions from one of Hollywood's most important, and productive independent studios. During 2003, the Group signed agreements with such organizations as Paramount Pictures, Sony Pictures Television International [Columbia], and Warner Brothers Entertainment.

As of December 31, 2004, programming under contract comprised 52,601 hours of broadcasting rights, including 16,577 hours of international feature films, 17,273 hours of international series, 2,848 hours of German series, 2,398 hours of cartoons, and 1,498 hours of German TV films. This repertoire will cover most of the Group's licensed programming needs for the next few years. In addition, in June 2003 the ProSiebenSat.1 Group signed a long-term purchase agreement with the insolvency administrator of KirchMedia GmbH & Co. KGaA, covering the rights for about ten years to more than 2,000 films and more than 120 series from Europe's largest programming library.

### Programming investments

Most of the ProSiebenSat.1 Group's capital expenditures are for programming assets. In 2004, the Group invested EUR 923.4 million in programming rights, compared to EUR 1.109 billion in 2003. Programming purchases are paid for mostly out of operating cash flow. In its spending on programming, the Group places a particular emphasis on quality content. To ensure a supply of attractive programming for the long term, the Group often invests in programming rights that will not be released for broadcast until some years in the future. The Group intends to continue this policy in order to protect and expand its future market position.

## In-house productions and commissioned productions

In-house productions and commissioned productions offer an alternative to licensed programming. In-house productions are made directly by ProSiebenSat.1 Group companies. Commissioned productions are commissioned by Group stations directly from non-Group production companies.

In both types of productions, the Group concentrates mainly on television films, series, light entertainment, information magazines, and news broadcasts. In 2004, the four channels Sat.1, ProSieben, Kabel 1, and N24 together aired 20,202 hours of in-house or commissioned productions, so that 57 percent of the stations' programming was produced under their own auspices [2003: 55%]. For several years now, the ProSiebenSat.1 Group's four stations have had a constant percentage of such productions in their programming.

## Programming and Format Development

The ProSiebenSat.1 Group is constantly at work developing new programs. The Company has set up a special team to seek out new, promising programming ideas. The Format Development department monitors TV markets worldwide, evaluating what programming might be of interest for German audiences and Group stations. Their goal is to get innovative, trendy programming on the air quickly.

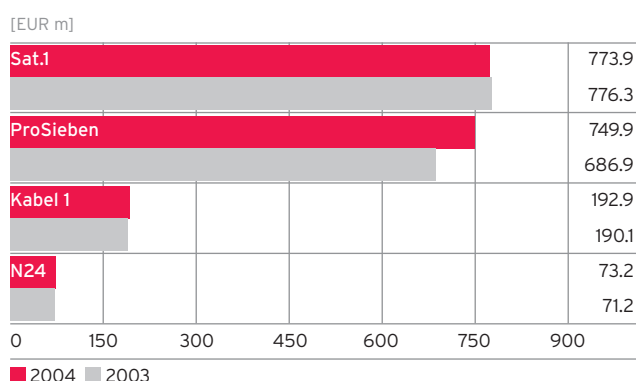
Last year Sat.1, ProSieben, and Kabel 1 commissioned 271 scripts, and produced 40 pilot films. Sat.1 commissioned 217 scripts and 18 pilots, ProSieben commissioned 54 scripts and 17 pilots, and Kabel 1 commissioned 5 pilots. Developing new types of programming remained a high priority in 2004. Costs for commissioning pilots and scripts came to EUR 10.6 million.

## Programming assets

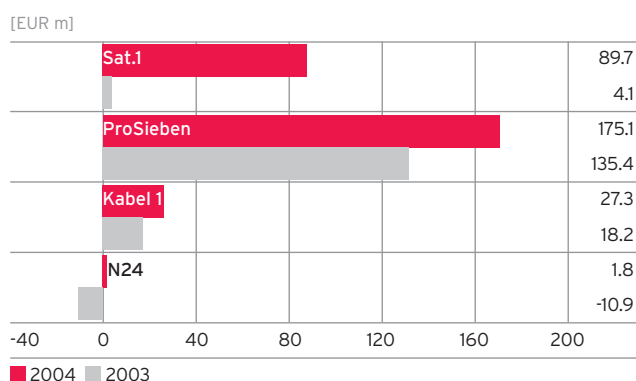
Total programming assets reported on the balance sheet of the ProSiebenSat.1 Group came to approximately EUR 1.110 billion as of December 31, 2004. This important item is explained in further detail in the notes to the balance sheet. Future payment obligations for programming assets already under contract, but whose license period had not yet begun as of the reporting date, and for which no advance payments had been made as of that date, are reported as other financial obligations in the notes to the consolidated financial statements. This item came to EUR 1.498 billion in 2004.

## Our Stations

### Development of station revenues



### Development of station pre-tax profit



## Sat.1: Earnings up significantly, audience shares higher

Sat.1's earnings improved significantly in 2004. EBITDA was EUR 97.8 million, a 175 percent gain from the prior year's EUR 35.6 million. The pre-tax profit grew from EUR 4.1 million in 2003 to EUR 89.7 million in 2004, very significantly improving the station's earnings position. Sat.1's revenues for fiscal 2004 were EUR 773.9 million, meaning that despite the coverage of major sports events on ARD and ZDF, and despite the elimination of Bundesliga soccer from the schedule, the station's revenues still held steady at roughly the same level as last year's EUR 776.3 million. Programming cost structures were more efficient mainly because the station discontinued its Bundesliga soccer coverage, but also because prime-time operations were optimized in animation and fiction.

Sat.1 also expanded its audience share, despite the year's big sports events. In the coveted demographic between ages 14 and 49, Sat.1 picked up 0.1 percentage point to reach 11.6 percent. Sat.1's schedule mix of first-class sports events, high-quality in-house and commissioned productions, and innovative comedy shows proved to be a successful programming strategy. The live broadcasts of UEFA Champions League matches drew audience shares of up to 42.2 percent [for the second half of the Real Madrid - FC Bayern München match] among viewers aged 14 to 49. The two-part event movie "Die Nibelungen" attracted up to 30.3 percent, and the in-house TV movie production "Das Zimmermädchen und der Millionär" drew 24.3 percent. The channel's programming successes also include series like "Der Bulle von Tölz" with Ottfried Fischer and the courtroom series "Edel und Starck." The evening news program "Sat.1 News," anchored by Thomas Kausch, was rescheduled to 6:30. It, as well as the information shows "17.30 live" and "Blitz" all reported substantial gains in 2004, earning their strongest ratings since they went on the air, and boosting Sat.1's performance in the prime access slot [M-F 5:00-8:15 p.m.] by 1.7 percentage points, to 11.8 percent.



TV innovation of the year: The improv comedy "Schillerstrasse" gets its zest from the improvisational skills of the comedians, who follow instructions from director Georg Uecker via earphone.



"The Shameless Three" share Germany's best-known [and funniest] apartment.



"Der Bulle von Tölz" remains one of the most popular productions on German television.

During 2004, Sat.1 again was a pioneer in successful, innovative television programming. With its improv comedy "Schillerstrasse," the station developed a new genre that earned prime time shares of up to 22.5 percent. Other successful shows in the entertainment category were "Mein grosser dicker peinlicher Verlobter" [as high as 23.9 percent], "Die Hit Giganten" [as high as 23.7 percent], and "Genial daneben" [as high as 29.1 percent]. A second weekly edition of "Genial daneben" at 8:15 Friday evenings boosted Sat.1's audience share in this slot by 4.9 percentage points, to an average of 14.8 percent.

»Schillerstrasse is the best show I've seen in a long time. No other show makes me laugh so much. The actors are amazing. Great work – keep it up!«





With "Das grosse TV total Turmspringen," Stefan Raab again proved his knack for inventing quirky sporting events. In the synchronized high dive, pole vaulters Danny Ecker and Lars Börgeling made a splendid showing.



An afternoon success: "Das Geständnis - Heute sage ich alles" with Alida Kurras



An opulent spectacular: the two-part action event "Das Blut der Templer"

## ProSieben still growing, still the most profitable

ProSieben built further on its high revenues from last year, to generate EUR 749.9 million. Revenues for 2003 were EUR 686.9 million. The increase was 9 percent. The station's return on revenues was a particularly splendid performance, at more than 23 percent, making ProSieben by far the most profitable station in the Group, and one of the most profitable stations in the entire German TV market. Pre-tax income was EUR 175.1 million, up 29 percent from the previous year's figure. Part of the EUR 63.0 million gain in revenues was from in-Group sales. EBITDA gained 42.2 percent, to reach EUR 175.5 million.

With its clear focus on entertainment, based on U.S. blockbusters and international feature films, series, TV movies targeting a youthful audience, and comedies, ProSieben positioned itself successfully once again in 2004 as one of the biggest stations in the coveted 14-to-49 demographic, second only to RTL. Last year, ProSieben increased its share of this target audience by 0.1 percentage point, to 12.1 percent. The broadcast of "Der Schuh des Manitu" proved to be not only the most successful film in TV history [at least since audience ratings have been recorded], but also the biggest success since the station went on the air, with a

share of 51.9 percent. The station also brought in high audience shares with Michael Moore's "Fahrenheit 9/11" [33.4%], the blockbuster "Evolution" [33.5%], and "Independence Day" [28.4%]. The final season of the U.S. hit series "Sex and the City" pulled peak shares of up to 26.1 percent. The station proved the innovative strength of the ProSieben brand with event programs like Stefan Raab's "2004 Wok Racing Championships" [33.9%], "Das grosse TV total Turmspringen" [31.5%], and "Die Alm" [up to 21.6%].



Successful comeback: "Best of Formel Eins" with hosts from the '80s hit "Formel Eins" - left to right, Ingolf Lück, Kai Böcking, Stefanie Tücking and Peter Illmann.



Successful Kabel 1 informational programming: "Inside USA" [in the picture: Yellowstone National Park]



"Abenteuer Auto" with Jan Stecker.

## Kabel 1's 2004 strategy immensely efficient

Kabel 1 generated revenues of EUR 192.9 million in fiscal 2004 - a gain of EUR 2.8 million from the year before. Cost optimization and enhanced efficiency improved EBITDA 51 percent, to EUR 26.5 million. The return on revenues climbed 40 percent, from 10 percent to 14 percent.

With a 5.2 percent share among the 14-to-49 group, Kabel 1 gained 0.3 percentage points against the previous year, reporting its best figures for any year since 2001. The station showed gains in almost every time of day. In the important primetime slot from 5:00 to 8:15 p.m. Monday through Friday, it gained 0.6 percentage points. The change shows the impact, for example, of the hit series "King of Queens," which Kabel 1 acquired the year before. The station also improved another 0.3 percentage points in prime time. Some of the contributors to this success were feature films like "Phenomenon" [14.1%], "Top Gun" [13.9%] and the James Bond adventure "Never Say Never" [12.2%].

A more extensive schedule of event programming proved to be a big draw in 2004. The combination of feature films and high-quality documentaries met with a lively reception among the 14-to-49 target audience

that is of such value to advertisers. A Bruce Lee event drew average shares of 9.5 percent, and the Jackie Chan evening came to 8.5 percent. Kabel 1's informational programming also enjoyed significant gains in share during 2004. The knowledge magazine "Abenteuer Leben" picked up 1.2 percentage points to reach 6.2 percent, and "Abenteuer Auto" drew 6.4 percent, compared to 5.9 percent the year before. In entertainment, Kabel 1's "Best of Formel Eins" show drew shares as high as 9.7 percent.



While visiting Germany, former US President Bill Clinton granted an exclusive live interview to N24. Mr. Clinton was interviewed by longtime Washington correspondent Alexander Privitera in Berlin.



Political relevance in Berlin: "Was erlauben Strunz"



"Studio Friedman"

## N24: In the black a year early

News channel N24 celebrated its fifth anniversary on the air by achieving break-even. The pre-tax result was EUR 1.8 million, compared to the previous year's EUR -10.9 million. Thus, the station has shown its first profit a year ahead of schedule. EBITDA was EUR 2.8 million, following EUR -9 million a year earlier. The news station generated revenues of EUR 73.2 million in 2004, a slight improvement over the year before. The profit resulted partly from higher advertising revenues and partly from the station's rigorous cost management. N24's business model rests on two main pillars. First, it is an independent news channel, and second, it serves as the news service provider for the entire Group.

The news station's audience figures for 2004 were exceptionally good. It held steady at the same 0.5 percent average share as the year before, while its main competitor, n-tv, lost 0.1 percentage point, dropping back to 0.5 percent itself. The fourth quarter was an especially good one for N24. From October through December 2004 it earned an average 0.6 percent share among viewers between 14 and 49, placing 0.1 percentage point ahead of n-tv.

After playing catch-up for several years, the station finally passed its main competitor last fall. In prime time, N24 positioned itself as the leading brand for information with a range of news, well-produced magazine and talk shows, and high-quality documentaries.

An extensive reorganization of the schedule strengthened morning news coverage, especially for the early-morning and mid-morning reports. Shows like "Was erlauben Strunz" and "Studio Friedman" enabled N24 in 2004 to establish politico-social discussion as a genre for the first time on German private television. The station's information profile is rounded out by a number of documentaries presented by Dieter Kronzucker.



**Hubertus Meyer-Burckhardt**

Corporate Development, Media Policy &  
Regulatory Affairs



»Twenty years after the introduction of the dual broadcasting system, one thing is clear: Germany has evolved one of the best and most comprehensive ranges of television programming in the world. For the benefit of viewers and broadcasters alike, we have to protect this system from an increasing tendency to throw competition out of balance.«



Anna Heesch spreads the wealth on 9Live, Germany's No. 1 quiz station / Successful merchandising: The "WE LOVE" glamour collection, presented by "Popstars" winners "The Preluders"

## Diversification, a strategic segment within the Group

Since the fall of 2004, the ProSiebenSat.1 Group's merchandising and multimedia activities have been pooled in its new Diversification segment. The aim of the reorganization was to lend added support to one of the Group's most important strategic goals - to diversify its income sources and thus reduce its dependency on the advertising market.

The idea behind combining the two subsidiaries SevenOne Intermedia and MM MerchandisingMedia to form the Diversification segment was to make synergies efficiently usable for the entire Group. The new segment will be targeting the growth segments of merchandising, call TV, added-value telephone services, teleshopping, e-commerce, and mobile applications. Another emphasis will be interactive and digital TV services and the music business. It will also make wider use of intra-Group measures to build viewer loyalty and enhance brands.

Additional subsidiaries were founded in 2004 as part of the Diversification segment. SevenOne International is in charge of marketing broadcasting rights worldwide for the ProSiebenSat.1 Group's TV productions, and establishing an additional home for these products on the global market. With the founding of ProSiebenSat.1 Welt, the ProSiebenSat.1 Group has inaugurated a German-language channel for the United States. It will go on the air in February 2005. ProSiebenSat.1 Welt is a project that will enable the Group's content to be used multiple times for new markets, at a manageable expense.

## In a growth market, Euvia posts double-digit gains in revenues and profits

ProSiebenSat.1 Media AG holds 48.4 percent of the Euvia Group, which operates 9Live [Germany's first quiz station] and sonnenklar TV, the country's leading travel shopping station. These two stations operate largely independently from advertising revenues.

In fiscal 2004, the Euvia Group's two stations expanded the subsidiary's position as a market maker and a market leader in transaction television. In a growth market, the company posted double-digit gains in both revenues and profits. Preliminary figures indicate that the Euvia Group's consolidated revenues for 2004 passed the hundred-million mark for the first time, to reach EUR 102.4 million. The gain against the prior year was 11 percent [2003: EUR 92.3 million].

The Euvia Group also showed a significant increase in earnings before interest, taxes, depreciation, and amortization. Consolidated EBITDA was up 33 percent to EUR 28.2 million [vs. EUR 21.3 million]. The pre-tax profit, at EUR 20.1 million, grew even faster, by 45 percent against the prior year's EUR 13.9 million. The company expects to boost profitability further in 2005. The Euvia Group is valued at equity in the consolidated financial statements of ProSiebenSat.1 Media AG.

## SevenOne Intermedia - The Group's multimedia subsidiary

Our subsidiary SevenOne Intermedia is in charge of media services, including teletext, the Internet, mobile services, audiotex, and digital and interactive television. As a multimedia center of competence, SevenOne Intermedia is responsible for a broad range of digital and interactive platforms. It conducts marketing in collaboration with convergence marketer SevenOne Interac-

tive in media sales, and with MM MerchandisingMedia in e-commerce.

SevenOne Intermedia's revenues grew from the 2003 figure of EUR 59.9 million to EUR 64.3 million in 2004, equivalent to a growth rate of 7.3 percent. EBITDA rose to EUR 11.3 million from the previous year's EUR 10.4 million. The gain of more than 7 percent came primarily from higher revenues for audiotex, at EUR 6.7 million, and mobile services, at EUR 1.1 million. Both of these defied the advertising market's general trend by growing in 2004.

### Merchandising ready for future challenges after restructuring

Since 2003, the ProSiebenSat.1 Group's merchandising activities have been pooled at MM MerchandisingMedia GmbH. Historically, this subsidiary was formed by merging two former merchandising companies, MM Merchandising München and SevenOne Club & Shop GmbH. Since 2004 the segment has also been the sole owner of ArtMerchandising & Media AG. MM MerchandisingMedia covers the full value chain in merchandising - from acquiring ancillary licensing rights to selling products and services for consumers and viewers. It also handles the Group's teleshopping activities. In the course of founding the new Diversification segment, MM MerchandisingMedia was restructured, to put it on optimum footing to meet new challenges.

In 2004, Merchandising generated total revenues of EUR 51.3 million, following EUR 67.6 million the year before. EBITDA came to EUR 6.0 million, following EUR 7.3 million in 2003. The decrease in revenues and earnings can be explained in part by the ongoing difficulties of the music industry, and in part - and to a larger degree - by the company's reorganization program, in which several operations were transferred to other Group segments.

### SevenOne Media & SevenOne Interactive: The Group's marketing subsidiaries

SevenOne Media is responsible for selling advertising time on all the Group's stations. Its core business is in sales of conventional TV spots and special forms of advertising, as well as development of integrated and convergent advertising concepts. Its marketing efforts cover the ProSiebenSat.1 Group's entire value chain, from TV - the medium with the strongest reach - to interactive platforms like the Internet, teletext and

mobile, to other more conventional forms like print, events, direct marketing, and merchandising. In new media, SevenOne Media works closely with teletext and Internet marketer SevenOne Interactive. Apart from marketing proper and research on markets and advertising, SevenOne Media also handles all programming research for Sat.1, ProSieben, Kabel 1, and N24. It also takes care of certain centralized services for the Group, including all media buys for the Group's own advertising campaigns.

Although conditions in the German advertising market were as difficult as ever, SevenOne Media had a successful 2004. According to a current customer satisfaction survey, the company also stands head and shoulders above other German TV marketers in the quality of its services for advertising customers.

Particularly in networked communication's solutions and special forms of advertising, the company is now the opinion and innovation leader in the German advertising market. In 2004 SevenOne Media implemented more than 40 networked advertising concepts, thereby doubling its output.

SevenOne Media views itself as a service provider that supports its clients in deciding on how to invest in television and online advertising. Its assistance is based on extensive research that furnishes all the requisite information about scheduling, monitoring options, and the impact of advertising carried on TV and over the Internet. Among its research resources and services are the results published by the AGF/GfK-Fernsehforschung TV research associations, market and industry studies, long-term studies on media use, and studies of special forms of advertising and networked communication's strategies. In the past, there has been a shortage of good documentation about the impact of networked advertising campaigns. For that reason, SevenOne Media has founded its own research unit to conduct basic research in cross-media and follow-up research on networked campaigns.



A networked campaign for the premiere of "Spider-Man 2"

## Research and Development

Ongoing research and market analysis is a top priority for the ProSiebenSat.1 Group. 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. The Group's expenditures on market research in fiscal 2004, at EUR 12.7 million, remained at a high level.

### TV ratings: A management instrument and record of performance

Ratings themselves 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. The rating system applied in Germany by the AGF/GfK is the most exhaustive and reliable in the world.

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.

### Trend scouting: Successful programming for the Group

The Format Development department, established during 2004, represents the ProSiebenSat.1 Group's reorientation of its national and international monitoring of the competition, and its inter-station programming development. Divided between the Berlin and Munich sites, a seven-member team searches for new, promising TV shows from all over the world. It also carefully monitors and analyzes the activities of our competitors in Germany. Format Development obtains international recordings of shows, searches databases for all topics of relevance for the media, and works out what competing stations will be showing in the next six weeks.

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 Group is one of the prime movers in establishing a common measure of user traffic on the Internet, and contributes @facts to the expanded data system. Beginning in March 2004, the @facts study, renamed the "Internet Facts" study, will be published in cooperation with other partners by the AGOF, a nonprofit association for online research.



"Betty TV" - the beginning of a new era in interactive television / Availability on the cell phone is next on the list for the ProSiebenSat.1 Group brands.

## Innovative developments for new media services

During the year, the ProSiebenSat.1 Group launched an entirely new project in interactive television - "Betty TV." Betty uses existing TV sets, does not need a set-top box, and can be used with both analog and digital TV reception. Via a wireless feedback hookup to the telephone jack, Betty enables viewers to use such added-value services as gaming, voting, shopping, and to call up information. According to a two-month field test that the ProSiebenSat.1 Group ran in conjunction with Betty TV GmbH and the Serviceplan agency group, the most popular content with viewers is general-knowledge quizzes, guessing games, and fast-response games. These games earn participation rates of more than 50 percent. Purely commercial content, such as looking for product information or shopping, also scored high, with response rates of around 30 percent. The average participation rate for all interactive content was 41 percent. Services for a charge [10 percent of content] did almost as well as no-charge content, which accounted for 90 percent of the studied material.

During 2004, the Company refined its mobile Internet portals 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, audiotext, Premium-SMS and Premium-MMS, along with services for downloading ring tones and mobile-phone games. These were increasingly incorporated into Group stations' programming during 2004.

## A member of the research community

To stay in constant dialogue with all relevant research institutions and maintain an active role in shaping devel-

opments, the ProSiebenSat.1 Group is actively involved with a number of industry associations and research institutes. These include 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 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].

# Risk Report

## Organization of risk monitoring and control

ProSiebenSat.1 Media AG has a high-performance risk management system. Its risk management and reporting are based on the principle of giving every segment and every subsidiary a responsible role in surveillance. The Controlling and Corporate Planning segment provides advice and support to each corporate unit, and is in charge of reporting to the Executive Board. As part of its audit plan, Internal Auditing is responsible for auditing the functionality and appropriateness of the integrated risk management system.



## Risk Management System

### Risk monitoring tools

The ProSiebenSat.1 Group's integrated risk management system ensures that potential risks to the Company will be detected early, making it possible to take appropriate mitigating measures in a timely way. Among the individual steps in the process are risk identification, risk assessment, risk control, and risk monitoring. Internal Auditing verifies the procedural correctness, cost-effectiveness and reliability of the entire risk management process on a random basis. A risk management manual has been prepared for the entire process.

The decentralized risk managers are responsible for detecting and reporting risks. Risk identification is founded on a uniform, Group-wide risk classification system. Checklists to identify major risks have been incorporated into standard procedure. Risk assessment evaluates the identified risks' potential implications for the Company's objectives. Risks are assessed as to probability and potential effects. Risk control essentially pursues the goal of keeping the Company's overall risk within acceptable and tolerable bounds.

A major component of the risk monitoring system is the early risk detection system. Early warning indicators have been defined for all measurable and material areas of risk. 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, development of avail-

able credit lines, and developments having to do with media policy and other legal issues. 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. The system ensures that mitigating measures are initiated as soon as any indicator exceeds a specified tolerance limit.

## Economic Risks

The ProSiebenSat.1 Group's operations and profitability depend on the economic conditions in the markets where our advertising clients operate. A general weakening of the economy, resulting in advertising budget cuts, may adversely affect the Group's earnings.

## Selling Risks

### Audience risks

Commercial success depends on whether a television station can plan, acquire, produce, and show programming that conforms to audience tastes and draws high ratings. For that reason, audience share is one of the most important early warning indicators. Audience shares are analyzed in detail daily on the basis of AGF/GfK data. This data measures a given broadcast or broadcaster's viewing time as a percentage of the total

viewing time for all broadcasts or broadcasters within the same time period. The average share of the audience between ages 14 and 49 is of particular interest.

## Advertising market risks

The ProSiebenSat.1 Group's advertising revenues depend on how much clients are willing to invest in advertising. That figure in turn depends on the general condition of the economy.

For that reason, the ProSiebenSat.1 Group is highly attentive to changes in advertising revenues. It employs extensive investigative methods to analyze the volume of incoming orders. 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.

## Programming Procurement Risks

## Total return and revenue potential

The ProSiebenSat.1 Group acquires most of its feature films, TV films and series as licensed programming from third parties. These programs in turn make up the major portion of the Group's programming schedule. From the mid-nineties until 2000, prices rose considerably in the programming market, which is extremely competitive on the demand end. This was particularly the case in Germany, where well-financed public broadcasters also seek licensed programming. Although programming prices have stabilized in the past three years, and have even declined for some content [such as certain sports events], it is not clear that this trend will continue.

As a rule, contracts for program packages, feature films, and series are signed several years before the actual airing dates. Programming rights are capitalized in the amount of the contracted purchase price.

To reduce inventory risk, the revenue potential of broadcasting rights under contract undergoes regular review. One early warning indicator is the total return on programming inventory.

## Programming Coverage

The ProSiebenSat.1 Group's four stations, with their complementary programming and positioning, offer opportunities for synergy in program purchasing and use.

Success in programming policy depends on the chosen programming's appeal and profitability. To determine whether the ProSiebenSat.1 Group has enough attractive, successful films in its portfolio, the number of highlight films acquired by the Group is set in relation to the total number of theatrical film highlights for the same year. This figure serves as an early warning indicator for risk reporting. The ProSiebenSat.1 Group has long-standing business relations with many different intermediaries and film studios. In fiscal 2004, the Group's programming supplier list included more than 140 entries.

## Technical Risks

## Broadcasting equipment and studio operations

The broadcasting process, computer centers, and all relevant components of studio equipment at the ProSiebenSat.1 Group's production facilities at the Berlin and Munich sites are protected with an uninterruptible power supply [USP]. As soon as a voltage drop occurs, the USP, which is battery powered, takes over. The USP batteries, like the auxiliary power unit circuits, are supported by diesel generators.



In tapeless broadcasting, all servers are available to act as a main and backup system in the event that servers running broadcast-critical equipment should fail, thus providing a double safeguard. In addition, all short items like advertising spots and trailers are available on yet another backup system. Moreover, all such items are taped 24 hours in advance, and are thus stored on a physical medium just as films and series are. This means that ProSiebenSat.1 Group stations can go into tape-supported emergency mode if the automation and video server systems fail completely.

In IT operations, the Group has several computer centers maintained at separate locations. If a server fails at one center, another takes over automatically, with no loss of either time or data. A certified emergency program, updated constantly, furthermore ensures that the entire IT infrastructure at ProSiebenSat.1 Media AG is armored against software attack by outsiders.

## Organizational Risks

### Personnel risks

Fierce competition for good employees is the rule in the media industry. To retain its employees, the ProSiebenSat.1 Group has attractive systems of remuneration and offers numerous opportunities for advanced training and continuing education. Employees who come into contact with confidential information or insider information undertake to comply with the appropriate rules, and to handle such information responsibly. Employee turnover is used as an early warning indicator.

## Media Policy Risks

### Technical distribution

For the Group's stations, 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 97.6 percent of Germany's 34.83 million households using television. ProSieben reaches 97.1 percent and Kabel 1 reaches 96.2 percent. News channel N24 reaches roughly 81 percent of households using television.

### 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 broadcasting regulatory agency 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-Pfalz. 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 ProSiebenSat.1 Media AG remains within the audience-share limits that are of relevance under the laws regarding concentration in the media.

### Television Directive

After extensive consultations with the industries involved regarding the need for a revision of the Television Directive, the European Commission has announced that in 2005 it will conclude its investigations and may release a proposal for an amendment. ProSiebenSat.1 Media AG has been an active participant in this dialogue. The Television Directive governs regulations to protect children and teenagers, as well as

setting the maximum duration of advertising breaks. It also contains detailed requirements for advertising insertions and quotas for programming of European origin and programming from independent producers.

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.

Although the Commission's communications to date prompt hopes that advertising regulations may be liberalized, ultimately it is impossible to rule out that the review might also to some extent lead to new prohibitions and further restrictions. For example, a ban on high-calorie food advertisements directed to children is now under general discussion. Such new advertising bans and other restrictive regulations might cause a reduction in revenues. Hence, ProSiebenSat.1 Media AG is participating actively in the ongoing debate, and maintains close contact on this matter with the European Commission, the German government, the German state governments and the state regulatory agencies for broadcasting.

### ANGA complaint against support for DVB-T

ANGA, an association of private cable network operators, has filed protests with the European Commission against the support provided by the applicable regional media regulatory agencies for the development of DVB-T [digital video broadcasting-terrestrial] in Berlin-Brandenburg and Nordrhein-Westfalen. ANGA argues that this support represents impermissible government aid. The Commission is still reviewing the matter. ProSiebenSat.1 Media AG has held intensive discussions with the Commission, the regulatory agencies involved, and the German government, arguing actively that support should be maintained. It has also issued a written position paper on the pending proceedings. In principle, however, it is ultimately not impossible that the support might have to be paid back.

### Regional windows

With the adoption of the Eighth Amended Interstate Treaty on Broadcasting, the governors of Germany's states tightened the requirements for "windows" of regionally oriented programming. If the treaty goes into force as expected, in April 2005, regional programming windows will be subject to a separate license, which

will be granted only to companies that are independent of established broadcasters. The two North German regional programming windows in Sat.1's schedule are produced by a wholly owned subsidiary, Sat.1 Norddeutschland GmbH. In the discussion of the applicability of the interstate treaty, controversial opinions have been stated as to whether a public bidding process would become necessary immediately, and whether Sat.1 Norddeutschland could remain a licensee. If the license is granted to an independent producer, Sat.1 Norddeutschland would lose its reason for doing business. ProSiebenSat.1 Media AG is actively participating in the discussion on the law and on media policy, and firmly argues that Sat.1 Norddeutschland's survival must be protected at least until the current license expires in 2010. Moreover, ProSiebenSat.1 Media AG would take legal action to appeal any decision to the contrary, seeking clarification of whether this provision of the interstate treaty is legally permissible.

Section 47 [3] of the Saarland Media Act, as last amended on March 31, 2004, requires that so far as is technically possible, state wide programming windows should be incorporated at least into the two private nationwide television channels with the greatest technical reach, irrespective of the method by which they are broadcast, and these windows should be financed by the broadcasters of the nationwide channels. On this basis, the Saarland state media regulatory agency is planning to issue an ordinance requiring a regional programming window. A ministerial draft bill has been submitted for review. ProSiebenSat.1 Media AG has taken an active, broad-based role in this social, media-policy, and legal controversy to combat these new restrictions.

There is a further risk that in German states that hitherto have had no requirements for programming windows, demands for similar arrangements may also arise, first in debates on media policy and then, potentially, in new legislation. ProSiebenSat.1 Media AG is carefully reviewing such requirements and alternative models, which aim to support existing regional or local TV programming. In these discussions as well, the Company is taking an active role to counteract an expansion of further regional TV requirements.

### Development of the cable market

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 forward in 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.

The ProSiebenSat.1 Group is confident that its four stations' appeal, high audience acceptance, and contribution to variety will ensure that they will remain available nationwide on analog cable. Furthermore, the German states responsible for broadcasting legislation have also 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. This is all the more so because distribution of programming exclusively by digital means is regularly subject to broadcasters' written consent. ProSiebenSat.1 Media AG is negotiating 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 ProSiebenSat.1 Media AG against the cable network operator PrimaCom AG. The court ruled that cable network operators can rebroadcast programming over analog cable and especially digital cable only after signing a feed agreement with the broadcaster.

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. Aside from 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 with audiences and in the advertising market.

Together 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.

Some cable companies and Pay TV providers have made plans to install proprietary decoder systems that would tie subscribers to those operators' own programming; this would limit 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. In this regard, the Company welcomes the decision by the Federal Cartels Office regarding the proposed merger of Kabel Deutschland GmbH and regional cable companies Kabel Baden-Württemberg, Ish, and lesy. In its warning notice to Kabel Deutschland GmbH, the agency stated that proprietary technical systems and access control by cable operators through the use of an electronic programming guide produced by the cable operator are undesirable.

## Legal Risks

### 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, produced at the time by the accounting firm Arthur Andersen GmbH 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. The first hearing was held before the 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 Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, as the expert appraiser. Prof. Dr. Friedhelm Sahner prepared his appraisal in collaboration with Prof. Dr. Sieben of the University of Cologne's Institute of Broadcasting Economics.

In their appraisal, the court-appointed experts have reconfirmed 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 being 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 and financial position.

However, on the basis of the current state of information, the Company does not expect that the court will order an additional cash payment founded on the Warth & Klein appraisal. This opinion is strengthened by experts whom the Company has engaged to review and evaluate the Warth & Klein document. It is the opinion of the experts 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.

The court has ordered its appointed experts to present a supplementary opinion, in part to present their position on the expert evaluation the Company has submitted. The Company has not yet received this supplementary opinion.

## Finance Risks

### Currency risks

The ProSiebenSat.1 Group obtains significant portions of its licensed programming from suppliers who bill largely in U.S. 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 hedge against fluctuations in exchange rates, the ProSiebenSat.1 Group enters into forward exchange contracts ["forwards"] and currency options.

The future license payments under a hedged license agreement in U.S. dollars, together with the associated hedging instruments, are collected and managed in what are known as "hedge books." The hedge books are constantly monitored under a system of limits, and any applicable open items are closed to stop potential losses or take advantage of advantageous changes in exchange rates.

### Interest-rate risks

Through its financial obligations, the ProSiebenSat.1 Group is exposed to an interest rate risk. An interest-rate risk in the sense of a change in market value is of no relevance here, since ProSiebenSat.1 Media AG's bonds and drafts on credit lines are reported at cost, and thus any change in market value will have no effect on the balance sheet. However, a variable interest-rate risk does arise from amounts drawn under the current syndicated loan agreement. As of December 31, 2004, no use had been made of this credit facility.

Because of the small proportion of liabilities with variable interest-rates and the consequent negligible variable interest-rate risk, no derivative financial interests were employed for interest rates as of December 31, 2004.

### Insolvency risks

In any transaction, the ProSiebenSat.1 Group incurs a risk that the opposite party may become insolvent. To minimize that risk, the ProSiebenSat.1 Group has endeavored to enter into financial transactions and derivative transactions only with parties with good-to-first-class credit ratings. The market value of all derivative financial instruments with a positive market value was EUR 0.6 million as of December 31, 2004.

### Liquidity risks

As part of its liquidity management, the ProSiebenSat.1 Group ensures that adequate cash and equivalents are available at all times, especially given the industry's sharp seasonal fluctuations in revenues. For this purpose, in June 2004 ProSiebenSat.1 Media AG signed a new master credit facility agreement with several banks under which variable amounts up to EUR 325 million may be drawn. The agreement runs until 2009. As of December 31, 2004, no amounts had been drawn under this syndicated line of credit.

# Events Subsequent to the Reporting Date

All four ProSiebenSat.1 Group stations got off to a strong start for the new year. In January, the Group pulled a combined 29.7 share of the 14-to-49 audience, its best January in four years. Sat.1, ProSieben, Kabel 1, and N24 picked up 0.4 percentage points against the year before. The Group's gain against the previous month was 0.7 percentage points. Each of the stations will heighten its programming profile with new schedules and innovative shows, thus strengthening its position among audiences.

### **ProSiebenSat.1 Group signs Contracts with Pixar and Constantin Film**

The ProSiebenSat.1 Group has obtained the German-language Free TV rights to the feature films produced by noted animation studio Pixar, and Germany's leading production house, Constantin Film.

The multi-year contract with Pixar includes the Free TV premieres of the two blockbusters "Finding Nemo" and "Monsters, Inc." Together, the five films in the complete package drew some 21 million theatergoers in Germany alone.

The contract with Constantin Film essentially covers the Free TV broadcast rights for productions from last year and the next two years. The package includes some 30 German and international feature films, including "The Passion of the Christ," "The Grudge," and the international co-production "Pope Joan" based on Donna Cross's best seller.

# Outlook

The evolution of the advertising market - in other words, companies' spending on advertising - depends heavily on the performance of the economy as a whole. Studies show that the correlation factor is close to 1. At present, overall economic conditions are no worse than they were last year. The position of media companies has at least stabilized. The same applies to pricing for advertising in the TV market, which held steady last year - for the most part - after receding steadily in 2001 through 2003. The German television market will not find 2005 an easy year, either. As of the date of this report, despite the weak economic environment, the ProSiebenSat.1 Group expects its own cost controls to result in a good 2005. The technical development and refinement of digital distribution channels will open up new opportunities for TV companies. The Group is preparing to make the most of those opportunities.



## The Economy

The major economic research institutes do not expect any significant new momentum for the economy during 2005. Most experts' projections for GDP growth are around 1.5 percent, compared to 1.6 percent last year. This slack economic growth will once again place Germany at the rear of the pack in Central and Western Europe.

Once again this year, the growth of the German economy will be driven largely by developments in the world economy. Last year private consumption actually declined for the first time, but in 2005 the economic experts expect at least a slight pickup in domestic demand. This estimate has been confirmed by a variety of indicators for the consumer climate. The IFO business climate index, the ZEW economic expectations, and the GfK consumer climate all rose in January for the third time in a row. The slight January improvement in the IFO business climate is the product of more optimistic business expectations for the next six months. However, companies feel themselves in a weaker position at present than they did a month earlier.

## Advertising Market

Despite the mildly positive signals from the consumer climate indicators, business conditions are still difficult for advertising clients, and thus for the ProSiebenSat.1 Group as well. As it did for the economy in general, 2005 got off to quite a sluggish start in the advertising market overall. As yet, there are no signs of a pickup in business or a revival of consumer confidence.

The World Advertising Research Center's projections assume that the German television advertising market will grow 2.7 percent net in 2005. ZenithOptimedia actually expects net TV revenues to rise 3.4 percent. So far, the ProSiebenSat.1 Group has seen no indications that domestic demand will improve substantially, and takes a more muted view of the situation in the TV market. Since the economic environment is likely to remain difficult, the Company's projections assume that a still slack demand will prevent any growth in the market.



Lisa shows 'em all: Sat.1's telenovela "Verliebt in Berlin" is the new sleeper hit in the prime access slot.

## Stations' Performance

The Group's audience share will grow again this year. The target is a 0.5 percentage point gain, to 30.0 percent.

### Sat.1

Again in 2004, Sat.1 will focus systematically on quality and a combination of innovative new TV programs and familiar, popular highlights. Starting February 28, the important prime access period will be strengthened with a new daily program. At 7:15, Sat.1 will be airing the telenovela "Verliebt in Berlin," completely reorganizing the hour leading up to the start of prime time at 8:15. The station will continue its line of successful, high-quality event productions that included "Das Wunder von Lengede" and "Die Nibelungen" by bringing out the new two-part "Die Luftbrücke," starring Heino Ferch and Bettina Zimmermann. The comedy evening on Fridays will continue its successful run. The Sat.1 lineup also includes new entertainment shows with Kai Pflaume, such as "Die Comedy Falle" and "Haustier Test," about twenty in-house TV movie productions in German, and a large number of Free TV feature film premieres, like "Manhattan Love Story" and "Stuart Little 2."

»Congratulations, Verliebt in Berlin is a terrific series, only it's a shame you didn't make it a whole hour long. Keep up the good work, your station is really great.«

Bernd D. from Bremen



They pretend to be perfect housewives, but there's drama behind the scenes: The premium series "Desperate Housewives" debuts on ProSieben in April 2005.

## ProSieben

ProSieben will continue to be Germany's number one broadcaster of feature films. That is guaranteed by the best supply of top international feature films and series since the Company was founded. As a result, the station's core competencies have been enhanced substantially once again. In the first half alone, ProSieben will be showing a large number of Free TV premieres, including "Spider Man," "Men in Black II," "A Beautiful Mind," "Panic Room" and "Star Wars: Episode II." The station also has another lineup of premium series in store, like "Desperate Housewives," "The O.C.," and "Lost." The station's performance will get a further boost in 2005 from an expansion of variety-show programming. On Saturday evenings, ProSieben will be showing a total of 15 extraordinary shows - including Stefan Raab's "Bundesvision Song Contest," which drew an extremely successful 21.2 percent share on February 12 - and "Das grosse Prominenten-Tanzturnier."

## Kabel 1

Kabel 1 will remain the place to go for film classics. Its excellent portfolio of licenses will give the station another strong lineup of film classics in 2005 including "Mrs. Doubtfire," "The English Patient," "Apocalypse Now Redux," "The First Wives Club," and "Scent of a Woman." In light entertainment, Kabel 1 will be continuing its successful "Best of Formel Eins" series and "Die Besten Filme aller Zeiten - Die Show." Exciting, high-quality informational and documentary magazine shows will round out the schedule. As a premium partner of the Discovery Channel, Kabel 1 has privileged access to fascinating documentaries on technology, science, history, adventure and nature. Kabel 1 will be showing 42 Discovery channel documentaries this year.

## N24

Once again in 2005, N24 will emphasize informative programming with diverse, vigorously stated viewpoints. N24 gets to the real point of the news, and provides information in an easy-to-understand format. Last year, N24 gave a clear demonstration of its news capabilities with its coverage of a wide variety of major events, including the U.S. presidential elections and the devastating tsunami in South Asia. N24 has established itself among news stations as the place to go for serious information. It will improve its lead further in 2005.

## Diversification of revenue sources

The ProSiebenSat.1 Group currently generates about 93 percent of its revenues from television advertising. The Company is planning to double its percentage of revenue from sources other than TV advertising by 2007. At the moment, the Group is in negotiations to acquire a majority interest in the Euvia Group. Acquiring the remainder of the company would enable ProSiebenSat.1 Media AG to make the Euvia Group a fully consolidated subsidiary, and promote its expansion into the growth market of transaction television. The addition of the Euvia Group to the ProSiebenSat.1 Group will reinforce the new Diversification segment and increase diversification revenues significantly.

In addition, the Group is planning to acquire a majority interest in the wetter.com weather site, which also offers a digital TV weather service. Consolidating revenues and the multiple options for content use will all have a positive impact.

All told, the ProSiebenSat.1 Group assumes that Diversification's share of Group revenues will reach more than 10 percent this year.

## Getting positioned for the Digital Future

After years of stagnation, digital television is likely to get back in motion this year. The ProSiebenSat.1 Group expects that current discussions with cable operators about distributing the Group's Free TV programming in digital packages will have a successful outcome. This, in turn, may well enhance the appeal of digital television still further, thereby increasing the number of digital households. The ProSiebenSat.1 Group believes that developing a digital infrastructure is an important basis for preserving the competitiveness of the German market and thus German media companies, not only domestically but on the international scale.

## Business Expectations: Revenues and Earnings

With the economic environment still difficult, domestic demand still slack, and the TV market still stagnant, the ProSiebenSat.1 Group expects that at best, advertising revenues will grow only slightly this year. The Company assumes that its revenues will outperform the market. These expectations, however, come with the reservation that in these difficult times, companies have been managing their advertising expenditures very flexibly and on very short notice. Because of this there is no reliable way to project how the advertising market will develop.

The ProSiebenSat.1 Group assumes that the market environment will remain intensely competitive in 2005. It expects its anticipated slight gain in advertising revenues to come from its stations' improved performance. The expansion of Diversification income will also assist revenues, especially through the planned consolidation of the Euvia Group.

In all, the Group aims to improve its profits further in the current year. It plans to keep costs largely stable against last year, so that the expected revenue increases will be reflected directly in net income. But if, contrary to expectations, the TV advertising market takes a downturn, the ProSiebenSat.1 Group will cut costs further to offset any possible revenue declines.

# Auditor's Report

We have audited the consolidated financial statements, comprising the balance sheet, the income statement, and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by ProSiebenSat.1 Media Aktiengesellschaft, Unterföhring, for the business year from January 1 to December 31, 2004. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards [IFRS] are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [IDW]. These standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group, and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations, and cash flows of the Group for the business year, in accordance with International Financial Reporting Standards.

Our audit, which also extends to the group management report prepared by the Company's management for the business year from January 1 to December 31, 2004, has not led to any reservations. In our opinion, on the whole the group management report provides a suitable understanding of the Group's position, and suitably presents the risk of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2004, satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Essen, March 7, 2005

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft



Hoyos  
Wirtschaftsprüfer



Gaeb  
Wirtschaftsprüfer

# Financial Statements

Consolidated income statement for ProSiebenSat.1 Media AG					
EUR k		2004	2003	Change	Change in %
1. Revenues	[8]	1,834,582	1,807,122	27,460	2%
2. Cost of sales	[9]	-1,265,465	-1,364,464	-98,999	-7%
3. <b>Gross profit</b>		569,117	442,658	126,459	29%
4. Selling expenses	[10]	-183,985	-189,738	-5,753	-3%
5. Administrative expenses	[11]	-127,417	-159,135	-31,718	-20%
6. Other operating income	[12]	28,484	36,996	-8,512	-23%
7. <b>Operating profit</b>		286,199	130,781	155,418	119%
8. Result from equity interests	[13]	5,149	6,540	-1,391	-21%
9. Net interest result	[14]	-57,828	-70,835	13,007	18%
10. Other financial result	[15]	6,733	4,847	1,886	39%
11. Other financial expenses	[16]	-22,735	-10,225	12,510	122%
12. <b>Financial loss</b>		-68,681	-69,673	992	1%
13. <b>Income from ordinary business activities</b>		217,518	61,108	156,410	256%
14. Income taxes	[17]	-83,857	-19,707	64,150	326%
15. <b>Profit for the year</b>		133,661	41,401	92,260	223%
16. Minority interests		-31	-2,021	1,990	98%
17. <b>Consolidated profit for the year</b>		<b>133,630</b>	<b>39,380</b>	<b>94,250</b>	<b>239%</b>
Basic and diluted earnings per share of common stock according to IAS 33	[18]	0.62	0.19	0.43	226%
Basic and diluted earnings per share of preferred stock according to IAS 33	[18]	0.64	0.21	0.43	205%

**Consolidated balance sheet of ProSiebenSat.1 Media AG**

<b>ASSETS</b>				<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
EUR k	12/31/2004	12/31/2003	Change	EUR k	12/31/2004	12/31/2003	Change
<b>A. Noncurrent assets</b>				<b>A. Shareholder's equity</b>			
I. Intangible assets [20]	62,919	60,583	2,336	I. Subscribed capital	218,797	194,486	24,311
II. Property, plant and equipment [21]	242,538	258,639	-16,101	II. Capital reserves	578,421	322,319	256,102
III. Financial assets [22]	152,520	145,727	6,793	III. Group equity generated	229,190	97,505	131,685
IV. Accounts receivable and other long-term assets [25]	8,976	1,612	7,364	IV. Accumulated other Group equity	-23,639	-13,160	-10,479
V. Deferred taxes [17]	36,365	43,613	-7,248	V. Minority interests	1,334	625	709
	<b>503,318</b>	<b>510,174</b>	<b>-6,856</b>	[27]	<b>1,004,103</b>	<b>601,775</b>	<b>402,328</b>
<b>B. Current assets</b>				<b>B. Noncurrent liabilities</b>			
I. Programming assets [23]	1,109,863	1,148,177	-38,314	I. Long-term financial liabilities [32]	438,430	724,748	-286,318
II. Inventories [24]	4,963	5,777	-814	II. Provisions [31]	21,252	22,330	-1,078
III. Accounts receivable and other short-term assets [25]	145,807	170,945	-25,138	III. Other liabilities [32]	131,357	138,239	-6,882
IV. Marketable securities [26]	491	921	-430		<b>591,039</b>	<b>885,317</b>	<b>-294,278</b>
V. Cash, cash at bank [26]	294,735	61,862	232,873	<b>C. Current liabilities</b>			
	<b>1,555,859</b>	<b>1,387,682</b>	<b>168,177</b>	I. Short-term financial liabilities [32]	135,501	2,825	132,676
				II. Provisions [31]	38,150	43,067	-4,917
				III. Other liabilities [32]	290,384	364,872	-74,488
					<b>464,035</b>	<b>410,764</b>	<b>53,271</b>
<b>Total assets</b>	<b>2,059,177</b>	<b>1,897,856</b>	<b>161,321</b>	<b>Total liabilities and shareholder's equity</b>	<b>2,059,177</b>	<b>1,897,856</b>	<b>161,321</b>

**ProSiebenSat.1 Group cash flow statement**

EUR k	2004	2003
<b>Consolidated profit for the year</b>	<b>133,630</b>	<b>39,380</b>
Depreciation, amortization and impairment/write-ups of noncurrent and current assets	36,076	60,208
Consumption/write-ups of programming assets	949,936	983,227
Change in tax provisions [incl. change in deferred tax assets]	11,474	22,263
Change in other provisions	-2,680	17,686
Result from equity accounting and other noncash relevant changes within financial assets	-14,321	-12,461
Profit from sale of programming assets	- / -	6,321
Profit from sale of fixed assets	680	-1,285
<b>Cash flow</b>	<b>1,114,795</b>	<b>1,115,339</b>
Change in inventories	814	-819
Change in non-interest-bearing receivables and other assets	18,059	12,473
Change in non-interest-bearing liabilities	-77,225	57,328
<b>Cash flow from operating activities</b>	<b>1,056,443</b>	<b>1,184,321</b>
Proceeds from disposal of noncurrent assets	7,139	4,600
Expenditures for intangible assets and property, plant and equipment	-22,176	-11,064
Expenditures for purchase of financial assets	-282	-686
Proceeds from disposal of programming assets	4,237	17,742
Expenditures for programming assets	-923,400	-1,108,584
Effects of changes in scope of consolidation and other changes in equity	808	-1,605
<b>Cash flow from investing activities</b>	<b>-933,674</b>	<b>-1,099,597</b>
<b>Free cash flow</b>	<b>122,769</b>	<b>84,724</b>
Dividend	-1,945	-1,945
Change of interest-bearing liabilities	-168,364	-88,208
Net admission from capital increase	280,413	- / -
<b>Cash flow from financing activities</b>	<b>110,104</b>	<b>-90,153</b>
<b>Change in cash and cash equivalents</b>	<b>232,873</b>	<b>-5,429</b>
Cash and cash equivalents at beginning of year	61,862	67,291
<b>Cash and cash equivalents as of December 31</b>	<b>294,735</b>	<b>61,862</b>
<b>The cash flow from operating activities includes the following receipts and payments according to IAS 7:</b>		
Cash flow from income taxes	-60,906	40,192
Cash flow from interest expenses	-63,513	-63,406
Cash flow from interest income	2,912	1,274



**Statement of changes in shareholder's equity of the ProSiebenSat.1 Group for 2003**

EUR k	Subscribed capital	Capital reserves	Group equity generated	Accumulated other Group equity		Minority interests	Shareholder's equity
				Foreign currency translation adjustment	Valuation from cash flow-hedges		
December 31, 2002	194,486	322,319	63,238	526	228	-1,717	579,080
Dividends paid	- / -	- / -	-1,945	- / -	- / -	- / -	-1,945
Changes in scope of consolidation	- / -	- / -	-3,168	- / -	- / -	- / -	-3,168
Other changes	- / -	- / -	- / -	-760	-13,154	321	-13,593
Consolidated profit for the year	- / -	- / -	39,380	- / -	- / -	2,021	41,401
<b>December 31, 2003</b>	<b>194,486</b>	<b>322,319</b>	<b>97,505</b>	<b>-234</b>	<b>-12,926</b>	<b>625</b>	<b>601,775</b>

**Statement of changes in shareholder's equity of the ProSiebenSat.1 Group for 2004**

EUR k	Subscribed capital	Capital reserves	Group equity generated	Accumulated other Group equity		Minority interests	Shareholder's equity
				Foreign currency translation adjustment	Valuation from cash flow-hedges		
December 31, 2003	194,486	322,319	97,505	-234	-12,926	625	601,775
Capital increase	24,311	256,102	- / -	- / -	- / -	- / -	280,413
Dividends paid	- / -	- / -	-1,945	- / -	- / -	- / -	-1,945
Other changes	- / -	- / -	- / -	99	-10,578	678	-9,801
Consolidated profit for the year	- / -	- / -	133,630	- / -	- / -	31	133,661
<b>December 31, 2004</b>	<b>218,797</b>	<b>578,421</b>	<b>229,190</b>	<b>-135</b>	<b>-23,504</b>	<b>1,334</b>	<b>1,004,103</b>

# Notes to the 2004 Consolidated Financial Statements ProSiebenSat.1 Group

## Basis and Methodology

### [1] Application of International Financial Reporting Standards [IFRS]

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.

The consolidated financial statements of ProSiebenSat.1 Media AG for fiscal 2004 were prepared in compliance with the International Financial Reporting Standards of the International Accounting Standards Board [IASB] that were in effect on the reporting date, December 31, 2004. All applicable interpretations of the International Financial Reporting Interpretations Committee [IFRIC] for fiscal 2004 have been applied. Moreover, the consolidated financial statements for ProSiebenSat.1 Media AG apply the new IAS 1 ["Presentation of Financial Statements"] as of fiscal 2004, even though the application of IAS 1 is not mandatory until the first reporting period of the fiscal year beginning on or after January 1, 2005.

In preparing the consolidated financial statements under IFRS, the ProSiebenSat.1 Group exercised its option under Sec. 292a of the German Commercial Code to present its financial statements under internationally recognized accounting principles instead of German accounting principles.

ProSiebenSat.1 Media AG has already released quarterly financial statements under IFRS for the Group as of March 31, June 30, and September 30, 2004, applying all International Financial Reporting Standards and all Interpretations of the International Financial Reporting Interpretations Committee that were in effect as of December 31, 2004. The transition to International Financial Reporting Standards from German accounting practices under the German Commercial Code has resulted in certain changes in the consolidated financial statements of ProSiebenSat.1 Media AG. Under IFRS 1 ["First-time Adaption of International Reporting Standards"], a reconciliation must be presented for equity and for the profit or loss on the reporting period. These reconciliations, which can be found under "Additional notes" [figure 38], reflect all changes that resulted from the differences in accounting principles between IFRS and the German Commercial Code [HGB]. The same section includes detailed explanations of the major differences that resulted for the ProSiebenSat.1 Group.

Since fiscal 2004, the income statement has been presented using the cost of sales method. To provide a clearer and more meaningful picture, certain items have been combined in the balance sheet and income statement, while an item-by-item explanation is provided in the notes.

### [2] Scope of consolidation

The number of subsidiaries included in the consolidated financial statements changed as follows in fiscal 2004:

	Domestic market	Foreign market	Total
Including 12/31/2003	32	2	34
Newly founded/consolidated companies	2	1	3
Merged companies	-2	- / -	-2
<b>Including 12/31/2004</b>	<b>32</b>	<b>3</b>	<b>35</b>

ProSiebenSat.1 Media AG directly or indirectly holds a majority of voting rights in these companies. Two subsidiaries [previous year: four] have not been included in the consolidated statements, as they are not of material significance in providing a fair picture of the ProSiebenSat.1 Group's net worth, financial position and results of operations. Eight [previous year: eight] associated companies are consolidated by the equity method. Five subsidiaries in which the Group holds a stake of more than 20 percent are reported at amortized cost; these companies too are not of material significance in providing a fair picture of the ProSiebenSat.1 Group's net worth, financial position, and results of operations.

Affiliated companies are listed on pages 94 and 95, along with the specific percentage of their capital held by the ProSiebenSat.1 Group. Furthermore, a list of shareholdings of the ProSiebenSat.1 Group, stating the details required by law, has been filed with the Companies Registration Office of Munich district court, under registration number HRB 124169.

### [3] Consolidation policies

The financial statements of consolidated affiliated companies were incorporated into the present statements uniformly according to the reporting and valuation principles adopted by ProSiebenSat.1 Media AG.

Capital is consolidated in accordance with IFRS 3 ["Business Combinations"] using the purchase method, in which the acquisition cost of a subsidiary is offset against the fair value of that subsidiary's assets, liabilities and contingent liabilities as of the date of its acquisition. Any excess of the acquisition cost over the net fair value of the acquisition is capitalized under intangible assets, as goodwill. Under IFRS 3, goodwill is tested annually for impairment. Any decrease in value is recognized immediately in the income statement.

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 measured using the equity method under IAS 28 ["Investments in Associates"], 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 the adjusted

equity held in each such company. Any difference from the acquisition cost of the equity interest is recognized using the acquisition method.

All other equity interests are reported at their amortized cost.

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

### [4] Foreign currency conversion

The annual financial statements for SevenOne Media [Schweiz] AG, of Zurich, Switzerland, are in foreign currency and were converted in accordance with IAS 21 ["The Effects of Changes in Foreign Exchange Rates"] on the basis of the functional currency, using a modified reporting date method. As SevenOne Media [Schweiz] AG operates autonomously in financial, economic, and organizational terms, here the functional currency is identical to that company's national currency. Accordingly, equity is converted at historical rates of exchange, while other asset and liability items are converted at the closing rate as of the date of the balance sheet. In the income statement, expenses and income are converted at the average rate for the year. Any currency translation differences resulting from the conversion of financial statements in foreign currencies are added to or charged against equity, with no net effect on profit or loss.

The financial statements of the individual Group companies report receivables in foreign currency using the rate as of the reporting date, and payables in foreign currencies using the rate as of the reporting date or the hedge rate, where applicable. Any foreign-exchange gains or losses as of the reporting date are added or charged to the income statement.

Income of EUR 484 thousand resulting from foreign exchange translation differences was applied to the income statement for the year under review.

The following exchange rates were used in translating foreign currencies within the Group:

EXCHANGE RATE: 1 EUR equals	Reporting date rate		Average rate	
	12/31/2004	12/31/2003	2004	2003
Swiss Francs	1.54	1.56	1.54	1.52

## [5] Derivative financial instruments

To hedge risks posed by changes in interest rates and foreign exchange rates, the ProSiebenSat.1 Group uses derivative financial instruments in the form of interest rate swaps, forward exchange transactions ["forwards"] and currency options. Interest-rate risks result from liabilities carrying variable interest-rates; foreign-currency risks are incurred primarily through license payments denominated in U.S. dollars.

Under IFRS, reporting of derivative financial instruments is governed by IAS 32 ["Financial Instruments: Disclosure and Presentation"] and IAS 39 ["Financial Instruments - Recognition and Measurement"]. These require derivative financial instruments to be reported at fair value, irrespective of the purpose or intent for which the transaction was entered into. The fair value of interest rate swaps is generally zero at the time of their first recognition. Subsequently, interest rate swaps are reported in the balance sheet at their market value, as "other assets" or "other liabilities." The fair value of forwards is likewise generally zero at the time of their first recognition. Therefore, forwards are reported in the balance sheet at their market value, as "other assets" or "other liabilities." Purchased currency options are first capitalized as "other assets" for the amount of their option premium and subsequently capitalized at market value.

Changes in fair value are normally applied to the income statement. Cash flow hedge accounting may be applied under certain narrowly defined conditions. If any hedge transaction qualifies as a cash flow hedge in this sense, the portion of the change in market value that is considered an effective hedge is recognized in equity. The ineffective portion continues to be included in the profit or loss for the period. To hedge currency risks on future license payments, hedge gains or losses accumulated in equity are removed from equity at the inception of the license - i.e., at the moment when the underlying transaction is capitalized - and the acquisition cost is increased or decreased accordingly.

At the inception of a hedge, IAS 39 requires comprehensive documentation of the hedging relationship, including a description of such matters as the associated risk management strategy and objectives in undertaking the hedge. Wherever possible, the ProSiebenSat.1 Group gathers and manages the underlying transactions and hedges in what are known as "hedge books." The effectiveness of the hedging relationship is measured at regular intervals. If a hedging relationship does not meet, or no longer meets, the requirements of IAS 39, the cash flow hedge is no longer recognized. The hedge gains or losses accumulated in equity are not removed from equity until the underlying transaction matures. Future gains and losses on the hedge are reflected in the profit or loss for the period.

The ProSiebenSat.1 Group had no defined fair value hedges as of December 31, 2004.

## [6] Accounting policies

### Recognition of revenues

The ProSiebenSat.1 Group's revenues are mainly advertising revenues derived from the sale of advertising time on television. As they had the year before, advertising revenues represented some 93 percent of total revenues. Advertising revenues are net of cash discounts, agency commissions, volume discounts and value-added tax.

Other revenues besides advertising revenues derive from cooperative media agreements and the sale of Club articles, revenues from the marketing of rights and other merchandising services, revenues from new media services including teletext, Internet, mobile telephony, and added-value telephone services, and revenues from the sale of programming rights and ancillary programming rights.

Revenues are considered realized when the principal risks and opportunities associated with ownership have been transferred to the buyer, the amount of the revenue can be determined reliably, an economic benefit from the sale is probable, the costs associated with the sale can be determined reliably, and the selling company neither has the authority to decide the disposition of the sold items such as would normally be associated with ownership, nor has any lasting power of disposition over the items. Specifically, television advertising revenues are considered realized when advertising spots are broadcast. Revenues from the sale of merchandising licenses are realized at the agreed guarantee amount as of the inception of the license for the

customer. Revenues from the sale of programming assets and ancillary programming rights are considered realized when the license term for the purchaser of the programming has begun and broadcast-ready materials have been delivered to the purchaser.

Revenues from barter transactions are considered realized when goods or services that are not of the same kind are exchanged, and the amount of the proceeds and costs, as well as the economic benefit, can be clearly measured. Revenues are recognized at the market value of the bartered item or service, and may be adjusted with an additional cash payment. Barter transactions at the ProSiebenSat.1 Group are solely trade-off transactions relating to the sale of advertising time.

### Recognition of income and expenses

Other operating income is normally recognized when a service has been performed, the amount of the income can be determined reliably, and the Group is likely to receive the economic benefit.

Operating expenses are recognized at the time the service is requested or the expense is otherwise incurred. Interest is recognized as an expense for the period.

### Impairment of assets

If there is reason to believe that the value of an asset is impaired, this impairment is recognized with an unscheduled write-down. If the recoverable amount of the asset is below its carrying value as of the date of the balance sheet, the asset must be written down to the recoverable amount. The recoverable amount is either the fair value less selling expenses, or the present value of future payment flows expected from the continuing use of the asset, whichever is higher. The need for a write-down is assessed annually for any assets thought to have undergone unscheduled impairment. If there is no longer any reason for such an impairment, the asset is written up.

### Intangible assets

Acquired assets are capitalized under IAS 38 ["Intangible Assets"] if it is probable that the future economic benefits will flow to the Company. These assets are capitalized at the acquisition cost less scheduled amortization and, where applicable, unscheduled write-downs. Also capitalized is internally created software that derives from service relationships among ProSiebenSat.1 Group affiliates and meets the criteria of IAS 38. This software is capitalized at its capitalizable cost. Scheduled amortization is taken on a straight-line basis over the following useful lives:

Purchased software and internally created software is amortized as a rule on a straight-line basis over three to eight years. Licenses and other intellectual property rights are amortized on a straight-line basis over ten years or over the term of the license agreement.

Additionally, goodwill is capitalized in the consolidated financial statements. Under IFRS 3, goodwill and separable intangible assets with an indeterminate useful life expectancy are not to be amortized, but instead must be reviewed annually for impairment, in what is known as the impairment-only approach. If the recoverable amount of the asset [the higher of the net resale value and the present value of future benefits] is below the carrying value, the asset is written down. The ProSiebenSat.1 Group has already applied IFRS 3 retroactively for fiscal 2003.

### Property, plant and equipment

Property, plant and equipment are valued at cost, less scheduled depreciation based on wear and tear and, if necessary, unscheduled depreciation. Minor-value assets are fully depreciated in the year of their acquisition and are reported as disposals. Scheduled depreciation is taken on a straight-line basis over the following useful lives:

Years	
Buildings on land owned by others, fixtures and renovations	5-20
Studio facilities	5
Hardware-Equipment	3
Office furniture and equipment	3-20

### Financial assets

Interests in affiliated, unconsolidated companies and other equity interests are reported at their cost or the present value of future benefits, whichever is lower. Investments in associated companies are reported under IAS 28 ["Accounting for Investments in Associates"] using the equity method, at the share of their equity held.

Securities and granted loans treated as noncurrent assets are reported in keeping with the category of financial assets to which they belong. Loans bearing low or no interest are accordingly discounted at the market interest rate for comparable assets.

**Programming assets**

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.

Consumption 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. Consumption resulting from showings is measured using a declining-balance method according to a standardized matrix.

Commissioned productions intended for only one showing are fully consumed as of their broadcasting. Unscheduled consumption is applied 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 a production is being commissioned but not pursued. Consumption resulting from showings and unscheduled consumption are reported as part of the cost of sales.

Programming assets are written up if unscheduled consumption has caused licensed programs or commissioned productions to be valued too low in the past, in view of their future economic benefits. Write-ups are netted against the cost of sales.

**Inventories**

Inventories are valued at their cost of acquisition or capitalizable cost of creation, as the case may be, or at net resale value if that value is lower.

**Receivables and other current assets**

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.

**Deferred taxes**

Deferred tax items are formed in accordance with IAS 12 ["Income Taxes"] for all temporary differences between the carrying amount of an item and its tax base, and for consolidation measures affecting profits. Goodwill for which amortization cannot be deducted for tax

purposes is excepted. Additionally, entitlements to tax reductions are capitalized where there is an expectation that existing tax loss carry-forwards can be applied in later years. Deferred tax assets and liabilities are calculated on the basis of the tax rates that are expected to apply according to current law at the time the asset is realized or the liability is settled.

Deferred tax assets are netted against tax liabilities, since they are owed by and to the same tax authorities, and the Company is legally entitled to offset current tax refund entitlements and tax liabilities against one another.

**Provisions**

Provisions are formed for liabilities to third parties if settlement is probable and the amount can be determined reliably.

Provisions for potential losses are formed largely for programming assets whose license term begins after December 31, 2004, and which current programming analyses indicate will not generate the originally anticipated future audience shares or revenues. Individual license agreements are measured as a function of the quality and age of the programming, restrictions on use under media laws, and strategic program scheduling.

**Liabilities**

Bond liabilities are measured at par value less the costs associated with the bond issue. These costs are distributed over the term of the bond using the effective interest rate method. Bank liabilities are recognized at par; other liabilities are recognized at par or at their repayment amount, if the latter is higher.

**Leases**

IAS 17 ["Leases"] defines a finance lease as a lease under which substantially all risks and benefits deriving from title to an asset are transferred to the lessee. An operating lease is defined as any lease that is not a finance lease. Under IFRS, lessees must report finance leases, in equal amounts, as both an asset and a liability at the inception of the lease. The amount to be employed is either the fair value of the leased property as of the commencement of the lease, or the net present value of minimum lease payments, if the latter value is lower. "Minimum lease payment" is the IFRS term for the payments the lessee must make for the life of the lease, except for expenses for services. Payments made to exercise an option to purchase at a price that is categorized as substantially lower than the fair value of the item are also included in the minimum lease payments.

Finance leases give rise to a depreciation expense for depreciable assets and a financial expense. The lease payments for an operating lease are reported as an expense in the income statement.

Under IFRS, a number of leases taken out by the ProSiebenSat.1 Group have been classified as finance leases. Accordingly, the ProSiebenSat.1 Group has reported its leased assets and lease liabilities under "property, plant, and equipment" or "other liabilities" in the balance sheet. The depreciation methods and useful life expectancies applied are the same as those for comparable assets.

### Use of estimates

Preparing financial statements in accordance with IFRS necessitates assumptions and estimates that may have an impact on related amounts and information that are reported. The assumptions and estimates apply primarily to the recognition and measurement of programming assets and provisions, to the discount of longterm lowinterest loans and the possibility of realizing future tax advantages.

Both the initial and the subsequent valuation of programming assets are based on estimated earnings potentials. This earnings potential reflects various scenarios of programming assets [see also note 31 'Provisions'].

Although these estimates are made with all due attention to current events and conditions, actual events may deviate from these estimates. Any necessary changes will be recognized, with an impact on the income statement, at the time further knowledge is received.

## [7] Adjustment of the consolidated financial statements from December 31, 2003

Largely because of in-Group restructuring measures [mergers among companies and transfers of operations], the ProSiebenSat.1 Group has made adjustments to the cost of sales, selling expenses, and administrative expenses in the income statement for fiscal 2003. The changes in the reported figures do not affect the operating results or net profit for fiscal 2003. The adjustments resulted in the following changes:

EUR k	2003 unadjusted	Adjustments	2003 adjusted
Cost of sales	-1,329,575	-34,889	-1,364,464
Selling expenses	-205,830	16,092	-189,738
Administrative expenses	-177,932	18,797	-159,135
<b>Total</b>	<b>-1,713,337</b>	<b>- / -</b>	<b>-1,713,337</b>



## Notes to the Income Statement

### [8] Revenues

EUR k	2004	2003
Advertising revenues	1,750,949	1,733,802
Barter deals	14,569	16,397
Other revenues	69,064	56,923
<b>Total</b>	<b>1,834,582</b>	<b>1,807,122</b>

The ProSiebenSat.1 Group's revenues of EUR 1,834.582 million derive mainly from advertising, and are earned almost entirely within the Federal Republic of Germany. Group revenues grew by EUR 27.460 million, or 2 percent, up from EUR 1,807.122 million in fiscal 2003 to EUR 1,835.582 million in fiscal 2004. The increase was the result of a rising demand for advertising in the German television market during fiscal 2004. Overall, the Group's conventional advertising revenues were up EUR 17.147 million, from EUR 1,733.802 million to EUR 1,750.949 million - a gain of 1 percent.

### [9] Cost of sales

Cost of sales primarily comprises consumption of programming assets and expenses for licenses, transmission fees, and materials. Consumption of programming assets breaks down as follows:

EUR k	2004	2003
Scheduled consumption of programming assets	892,346	921,137
Unscheduled consumption of programming assets	57,589	62,082
Additions to provisions for contingent losses	7,617	22,677
<b>Total</b>	<b>957,552</b>	<b>1,005,896</b>

In all, the cost of sales declined EUR 98.999 million, from EUR 1,364.464 million in fiscal 2003 to EUR 1,265.465 million in fiscal 2004. The principal contributor here was the substantial decrease in consumption. There were also considerable savings on production costs. Additionally, the figure for 2003 includes unscheduled costs associated with renegotiating the EM.TV Junior agreement.

### [10] Selling expenses

Selling expenses are mainly broadcasting expenses, transmission fees, and advertising expenses. In all, selling expenses declined EUR 5.753 million against the year before, from EUR 189.738 million in fiscal 2003 to EUR 183.985 million in fiscal 2004. Almost all of this decrease is the consequence of lower advertising expenses.

### [11] Administrative expenses

This item represents all costs of the general administration segment. These include personnel expenses, expenses for the IT and legal departments, and rental and lease expenses. Administrative expenses declined from EUR 159.135 million in fiscal 2003 to EUR 127.417 million in fiscal 2004. Most of the EUR 31.718 million reduction resulted from a substantial decrease in personnel expenses. In addition, the figure for fiscal 2003 included a one-time restructuring charge of EUR 10.8 million.

### [12] Other operating income

Other operating income receded EUR 8.512 million, or 23 percent, from EUR 36.996 million in fiscal 2003 to EUR 28.484 million in fiscal 2004. This item is primarily income from write-backs of reserves, costs passed on elsewhere, and income from write-ups of assets that had been written down previously.

### [13] Income from equity investments

EUR k	2004	2003
Income from equity interests	51	52
Income from equity interests in associated companies	5,098	6,488
<b>Total</b>	<b>5,149</b>	<b>6,540</b>

Income from companies in which an equity investment is held came to EUR 5.149 million in fiscal 2004. The figure for the previous year was EUR 6.540 million, the new figure is thus down EUR 1.391 million.

## [14] Net interest

EUR k	2004	2003
Other interest and similar income	3,543	4,770
Interest and similar expenses	-61,371	-75,605
<b>Total</b>	<b>-57,828</b>	<b>-70,835</b>

The net interest expense narrowed to EUR -57.828 million in fiscal 2004, following the previous year's EUR -70.835 million.

Total interest expenses shrank from EUR 75.605 million to EUR 61.371 million. The EUR 14.234 million reduction results from the lower debt of the ProSiebenSat.1 Group as a consequence of the refinancing plan.

The largest single item of interest income was the interest income of EUR 2.967 million from time deposits. The primary interest expense items pertain to interest on bond issues and finance leases, and interest paid on loans.

## [15] Other financial income

EUR k	2004	2003
Income from securities and loans of financial assets	7,754	6,737
Write-downs of financial assets and current securities	-1,021	-1,890
<b>Total</b>	<b>6,733</b>	<b>4,847</b>

Income from other securities and loans of fixed financial assets grew to EUR 7.754 million during the year, following EUR 6.737 million in 2003. Most of this figure is interest income from a corporate loan to Euvia Media AG & Co. KG.

## [16] Other financial expenses

Other financial expenses consist entirely of the cost of incurred financial debt.

## [17] Income taxes

Income taxes include both taxes paid or owed on income and deferred tax items.

Taxes on income comprise the following:

EUR k	2004	2003
Current income tax expenses	70,119	9,391
Deferred tax expenses	13,738	10,316
<b>Total</b>	<b>83,857</b>	<b>19,707</b>

The principal reason for the growth in current taxes was the improvement in the Group's earnings position during the year. There were no taxes on extraordinary items during the year, nor does the income tax expense include either expenses or income resulting from changes in accounting methods.

Deferred taxes were determined on the basis of the tax rates in effect in Germany. The tax rate of 38 percent used here [vs. 39.3 percent the year before] comprises a corporate income tax rate of 25 percent [vs. 26.5 percent], the German reunification surtax of 5.5 percent, and an average basis factor of 380 percent for the assessment of local business tax. The higher combined tax rate for 2003 resulted from the one-time corporate income tax rate of 26.5 percent that applied under the Act for Solidarity with Flood Victims. Tax rates for Group companies abroad are between 24 and 25 percent.

The anticipated tax expense can be reconciled with the actual tax expense as follows:

EUR k	2004	2003
<b>Consolidated pre-tax profit</b>	217,518	61,108
Statutory tax rate	38.00%	39.33%
Expected tax expenditure	82,657	24,034
<b>Differences in tax rate</b>		
Tax results due to tax rate changes	- / -	-565
Tax results referring to differences in foreign tax rates	-1,545	-1,580
At equity valuation	-2,104	-1,080
<b>Tax results referring to differences in taxable base</b>		
Amortization of goodwill with no tax impact	- / -	540
Permanent differences	3,953	3,418
Other tax-free revenues	-19	-232
<b>Approach and valuation of active deferred taxes</b>		
Provisions against active deferred taxes	39	-658
<b>Aperiodic effects</b>		
Current and deferred taxes previous years [partially from tax audits]	761	-3,720
<b>Others</b>	115	-450
<b>Actual total tax expenditure</b>	<b>83,857</b>	<b>19,707</b>

As of December 31, 2004, the Group still has a corporate income tax credit for dividend payouts of EUR 31.8 million.

The following balance sheet items are included among deferred tax items:

EUR k	2004		2003	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	4,692	824	4,940	- / -
Tangible assets	8	48,130	8,960	59,490
Financial assets	23,340	8,369	19,569	7,673
Inventories and other assets	1,744	5,974	4,971	2,836
Programming assets	2,330	3,902	2,268	- / -
Provisions	10,334	414	13,112	3,547
Liabilities	61,977	5,034	60,740	618
Transfer of losses	4,587	- / -	7,844	4,627
Balancing	-72,647	-72,647	-78,791	-78,791
<b>Total</b>	<b>36,365</b>	<b>- / -</b>	<b>43,613</b>	<b>- / -</b>

Deferred tax assets for tax loss carry-forwards decreased EUR 3.257 million against the year before. Most of this decrease results from the further applica-

tion of loss carry-forwards, especially at ProSiebenSat.1 Media AG.

Safety margins are deducted from deferred tax assets where there are uncertainties about whether these assets can be realized in the future. In all, deductions for tax loss carry-forwards came to EUR 12.263 million as of December 31, 2004, compared to the previous year's EUR 12.438 million.

Deferred tax items included in equity, with no impact on earnings, pertain particularly to currency derivatives, and came to EUR 14.406 million compared to the previous year's EUR 7.922 million.

## [18] Earnings per share

In accordance with IAS 33 ["Earnings per Share"], the earnings per share are calculated by dividing the consolidated profit after minority interests by the average number of shares outstanding during the year.

	2004	2003
Consolidated profit after minority interests EUR k	133,630	39,380
Weighted average number of shares outstanding	210,959,292	194,486,400
Profit contribution of common stock EUR k	65,760	18,718
Profit contribution of preferred stock EUR k	67,870	20,662
Weighted average number of shares of common stock outstanding	105,479,646	97,243,200
Weighted average number of shares of preferred stock outstanding	105,479,646	97,243,200
Basic [=diluted] earnings per share of common stock EUR	<b>0.62</b>	<b>0.19</b>
Basic [=diluted] earnings per share of preferred stock EUR	<b>0.64</b>	<b>0.21</b>

The advance distribution [additional dividend] of EUR 0.02 per preferred share was taken into account in calculating earnings per preferred share. The diluted earnings per share were the same as the basic earnings per share. There were no dilution effects in either the year under review or the comparison period.

## [19] Other information

### Personnel expenses

The personnel component included under cost of sales, selling expenses, and administrative expenses comprises:

EUR k	2004	2003
Wages and salaries	173,864	184,222
Social security contributions and expenses for pensions and other employee benefits	26,739	28,327
<b>Total</b>	<b>200,603</b>	<b>212,549</b>

Personnel expenses declined 6 percent against the previous year, from EUR 212.549 million in fiscal 2003 to EUR 200.603 million in 2004. This cost cut resulted from the decrease in the Group's work force, reflecting the Group's efforts to enhance efficiency and cut costs.

The Group had the following average numbers of employees during the year:

	2004	2003
Employees	2,699	2,899
Trainees and interns	219	223
<b>Total</b>	<b>2,918</b>	<b>3,122</b>

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

### Depreciation and amortization

The following amortization of intangible assets and depreciation of property, plant and equipment and current assets are included under cost of sales, selling expenses, and administrative expenses:

EUR k	2004	2003
Scheduled amortization of intangible assets	5,895	6,912
Scheduled amortization of tangible assets	27,649	33,509
Unscheduled amortization of intangible assets	1,511	- / -
Unscheduled amortization of tangible assets	- / -	422
Write-downs of current assets	- / -	17,098
<b>Total</b>	<b>35,055</b>	<b>57,941</b>

Amortization of intangible noncurrent assets and depreciation of property, plant and equipment was down from EUR 40.843 million for the previous period to EUR 35.055 million for the period under review. This represents a decline of EUR 5.788 million, or 14 percent.

The figure of EUR 1.511 million for unscheduled amortization of intangible assets pertains to several licenses that are no longer usable and software.

Depreciation of EUR 17.098 million on current assets in fiscal 2003 resulted from the renegotiation of the EM-TV Junior agreement.

## Notes to the Balance Sheet

### [20] Intangible assets

	Licenses, trademarks and patents as well as licenses to such assets and rights	Goodwill	Advances paid on intangible assets	Total
EUR k				
<b>Acquisition cost</b>				
Initial inventory 01/01/2004	43,153	126,655	654	170,462
Additions	8,426	- / -	1,480	9,906
Reclassifications	38	- / -	-94	-56
Disposals	2,591	- / -	1	2,592
<b>Final inventory 12/31/2004</b>	<b>49,026</b>	<b>126,655</b>	<b>2,039</b>	<b>177,720</b>
<b>Depreciation and amortization</b>				
Initial inventory 01/01/2004	24,569	85,310	- / -	109,879
Additions *]	7,406	- / -	- / -	7,406
Disposals	2,484	- / -	- / -	2,484
<b>Final inventory 12/31/2004</b>	<b>29,491</b>	<b>85,310</b>	<b>- / -</b>	<b>114,801</b>
<b>Book value 12/31/2004</b>	<b>19,535</b>	<b>41,345</b>	<b>2,039</b>	<b>62,919</b>
Book value 12/31/2003	18,584	41,345	654	60,583
*] extraordinary depreciation and amortization of 1,506 EUR k is shown in selling expenses and 5 EUR k in administrative expenses				

Intangible assets comprise software, intellectual property rights, goodwill and advance payments made on intangible assets. Amortization is shown in the income statement as part of cost of sales, selling expenses, and administrative expenses. Goodwill, totaling EUR 41.345 million, largely comprises two items: EUR 26.087 million from the first-time full consolidation of Kabel 1 K1 Fernsehen GmbH in fiscal 1995, and EUR 14.725 million from the single-entity financial statements of SevenOne Intermedia GmbH.

The value of intangible assets rose EUR 2.336 million, from EUR 60.583 million on December 31, 2003, to EUR 62.919 million on December 31, 2004.

## [21] Property, plant and equipment

EUR k	Buildings on Land owned by others	Technical equipment and machinery	Other equipment, office furniture and equipment	Advances paid on tangible assets	Total
<b>Acquisition cost</b>					
Initial inventory 01/01/2004	306,764	120,463	63,510	3,192	493,929
Exchange rate differences	- / -	3	4	- / -	7
Additions	1,469	9,290	1,212	292	12,263
Reclassifications	508	1,000	- / -	-1,452	56
Disposals	3,000	8,083	1,127	25	12,235
<b>Final inventory 12/31/2004</b>	<b>305,741</b>	<b>122,673</b>	<b>63,599</b>	<b>2,007</b>	<b>494,020</b>
<b>Depreciation and amortization</b>					
Initial inventory 01/01/2004	83,732	101,175	50,383	- / -	235,290
Exchange rate differences	- / -	3	2	- / -	5
Additions	9,333	15,160	3,156	- / -	27,649
Disposals	2,455	7,999	1,008	- / -	11,462
<b>Final inventory 12/31/2004</b>	<b>90,610</b>	<b>108,339</b>	<b>52,533</b>	<b>- / -</b>	<b>251,482</b>
<b>Book value 12/31/2004</b>	<b>215,131</b>	<b>14,334</b>	<b>11,066</b>	<b>2,007</b>	<b>242,538</b>
Book value 12/31/2003	223,032	19,288	13,127	3,192	258,639

The value of property, plant, and equipment declined from EUR 258.639 million on December 31, 2003, to EUR 242.538 million as of December 31, 2004. Most of the reduction of EUR 16.101 million comes from lower expenditures on this category of assets, in comparison to the depreciation taken.

Property, plant and equipment includes leased real estate for a value of EUR 126.659 million [vs. EUR 128.891 million] whose leases qualify as finance leases under IAS 17, and which are therefore reported as assets of which the Group has beneficial ownership. The underlying leases cover land and buildings at the Unterföhring site, and were originally for terms of 22 years each. The earliest expiration is scheduled for 2019, but the interest rate conversion points [the end of the lock-down period for interest rates] may be earlier. The real estate leases were signed on prevailing market terms.

Last year's item for property, plant and equipment included leased technical facilities and machinery for a value of EUR 4.149 million whose leases likewise qualified as finance leases under IAS 17, and which were therefore also reported as assets of which the Group has beneficial ownership. This lease expired on September 30, 2004.

The interest expense on finance leases for fiscal 2004 was EUR 7.369 million [vs. EUR 8.100 million] and the associated depreciation was EUR 6.381 million [vs. EUR 7.764 million].

The minimum lease payments comprise the following:

EUR k	Remaining term 1 year or less	Remaining term 2 to 5 years	Remaining term more than 5 years	Total 12/31/2004	Total 12/31/2003
<b>Property, plant and equipment</b>					
Minimum lease payment	9,749	38,997	101,915	150,661	167,596
Share of interest ref. to minimum lease payment	6,815	25,304	44,969	77,088	84,340
Present value of minimum lease payment	2,934	13,693	56,946	73,573	83,256
<b>Technical facilities and machinery</b>					
Minimum lease payment	- / -	- / -	- / -	- / -	4,640
Share of interest ref. to minimum lease payment	- / -	- / -	- / -	- / -	117
Cash value of minimum lease payment	- / -	- / -	- / -	- / -	4,523

## [22] Financial assets

EUR k	Interests in group companies	Interest in associated companies	Other interests	Loans to entities	Investment securities	Other loans	Total
<b>Acquisition cost</b>							
Initial inventory Jan. 1, 2004	135	71,988	3,576	78,482	9	1,129	155,319
Additions	- / -	8,558	- / -	5,763	- / -	282	14,603
Disposals	47	1,499	260	5,258	- / -	26	7,090
<b>Final inventory 12/31/2004</b>	<b>88</b>	<b>79,047</b>	<b>3,316</b>	<b>78,987</b>	<b>9</b>	<b>1,385</b>	<b>162,832</b>
<b>Depreciation and amortization</b>							
Initial inventory Jan. 1, 2004	- / -	5,144	3,242	756	- / -	450	9,592
Additions	- / -	- / -	- / -	- / -	- / -	877	877
Disposals	- / -	- / -	157	- / -	- / -	- / -	157
<b>Final inventory 12/31/2004</b>	<b>- / -</b>	<b>5,144</b>	<b>3,085</b>	<b>756</b>	<b>- / -</b>	<b>1,327</b>	<b>10,312</b>
<b>Book value 12/31/2004</b>	<b>88</b>	<b>73,903</b>	<b>231</b>	<b>78,231</b>	<b>9</b>	<b>58</b>	<b>152,520</b>
Book value 12/31/2003	135	66,844	334	77,726	9	679	145,727

Interests in affiliated companies refer to Merchandising Prag spol. s.r.o., of Prague, Czech Republic, and PM&S Software GmbH, of Minsk, Belarus.

Interests in associated companies comprise the following:

EUR k	2004	2003
Euvia Media AG & Co. KG [Group]	70,519	63,983
Sat.1 Privatrundfunk und -programmgesellschaft mbH	2,457	2,041
wetter.com AG	706	603
VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH	189	189
Euvia Media Verwaltungs AG	32	28
<b>Total</b>	<b>73,903</b>	<b>66,844</b>



The following figures pertain to the consolidated financial statements of Euvia Media AG & Co. KG as of December 31, 2004.

<b>Euvia Media AG &amp; Co. KG</b>		
EUR k	12/31/2004	12/31/2003
Total assets	213,339	181,644
Liabilities	118,317	105,457
Revenues	102,429	92,292
Profit for the year	13,504	9,908

Loans to entities in which the company holds interests of 20 percent or more, at EUR 78.231 million, refer almost entirely to a loan to Euvia Media AG & Co. KG. This low-interest loan, originally for EUR 112.000 million, was discounted under IFRS.

### [23] Programming assets

EUR k	12/31/2004	12/31/2003
Licenses	732,590	749,183
Commissioned productions	377,273	398,994
<b>Total</b>	<b>1,109,863</b>	<b>1,148,177</b>

The value of programming assets declined from EUR 1,148.177 million on December 31, 2003, to EUR 1,109.863 million as of December 31, 2004. Most of the decrease of EUR 38.314 million resulted from lower investments in licenses during the year and from cost cuts in commissioned productions.

During the year, unscheduled consumption of programming assets, including allocations to provisions for potential losses, came to EUR 65.206 million [vs. EUR 84.759 million] for the Group.

### [24] Inventories

EUR k	12/31/2004	12/31/2003
Raw materials and supplies	195	227
Work in process	90	- / -
Finished goods and merchandise	4,678	5,550
<b>Total</b>	<b>4,963</b>	<b>5,777</b>

### [25] Receivables and other current assets

EUR k	12/31/2004	12/31/2003
Trade accounts receivable	108,203	118,148
[amounts due after more than one year]	[1,471]	[1,453]
Amounts due from Group companies	- / -	66
[amounts due after more than one year]	- / -	- / -
Receivables from entities in which the Company holds interests of 20% or more	24,348	25,014
[amounts due after more than one year]	[3,880]	- / -
Other assets	22,232	29,329
[amounts due after more than one year]	[3,625]	[159]
<b>Total</b>	<b>154,783</b>	<b>172,557</b>
[thereof long-term]	[8,976]	[1,612]
[thereof short-term]	[145,807]	[170,945]

Receivables and other current assets declined EUR 17.774 million, or 10 percent, from EUR 172.557 million at the beginning of the year to EUR 154.783 million at year's end. The value of trade accounts receivable, at EUR 108.203 million as of December 31, 2004, was down by EUR 9.945 million from the previous year's figure.

The prior-year figure for receivables from affiliated companies of the ProSiebenSat.1 Group, at EUR 66 thousand, pertained exclusively to receivables from SevenX Filmverleih GmbH.

Receivables from entities to which the Company is linked through interests of 20 percent or more pertain almost exclusively to VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH, of Berlin, IP Multimedia [Schweiz] AG, of Zurich, Switzerland, and Sat.1 Schweiz AG, of Zurich, Switzerland.

Other current assets comprise the following:

EUR k	12/31/2004	12/31/2003
Prepaid expenses	9,632	12,893
Prepaid income	7,697	5,132
Deferred taxes	1,383	519
Derivatives	574	4,717
Other	2,946	6,068
<b>Total</b>	<b>22,232</b>	<b>29,329</b>

## [26] Securities, cash and cash equivalents

Securities in this category are short-term investments.

Cash and cash equivalents include cash on hand and bank credit balances with terms of three months or less.

## [27] Shareholders' equity

Shareholders' equity grew EUR 402.328 million, or 67 percent, from EUR 601.775 million at the beginning of the fiscal year to EUR 1,004.103 million at year's end. The principal reasons for the growth were the capital increase on April 6, 2004, and 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 218,797,200. This capital is divided into 109,398,600 registered shares of common stock with no par value, and 109,398,600 nonvoting bearer shares of preferred stock with no par value, each share representing a prorated value of EUR 1.00 of the share capital. The capital increase expanded the subscribed capital of EUR 194.486 million by EUR 24.311 million, through the issue of 12,155,400 new registered common shares with no par value, and 12,155,400 new nonvoting bearer preferred shares with no par value, resulting in a total of EUR 218.797 million shares. Consequently, because of the capital increase during the year, the number of outstanding shares of the Company rose from 194,486,400 on December 31, 2003, to 218,797,200 on December 31, 2004.

Capital reserves came to EUR 578.421 million, compared to EUR 322.319 million in December 2003. The increase of EUR 256.102 million results from premiums of EUR 257.869 million from the capital increase, against

which the transaction costs of EUR 1.767 million for the capital increase were netted with no impact on income. These transaction costs comprise costs of EUR 2.850 million for the capital increase netted against actual income taxes of EUR 1.083 million. In addition to the above premiums from the 2004 capital increase net of transaction costs, the capital reserve also includes premiums from a stock issue in fiscal 1997.

The Group equity generated of EUR 229.190 million comprises other earnings reserves [EUR 88.818 million], retained earnings [EUR 8.687 million] and the profit from the period [EUR 133.630 million], less the dividend paid during the year [EUR 1.945 million].

Group earnings reserves for ProSiebenSat.1 Media AG consist entirely of other revenue reserves.

The accumulated other Group equity of ProSiebenSat.1 Media AG results from the measurement of financial instruments, which has no impact on income, and from currency translation differences for the financial statements of subsidiaries outside Germany.

## [28] Allocation of profits

Last fiscal year, under a resolution of the shareholders' meeting of May 7, 2004, a dividend of EUR 1.945 million was paid out to holders of preferred stock, out of ProSiebenSat.1 Media AG's 2003 distributable net profit of EUR 34.098 million. This figure represents a pay-out of EUR 0.02 per bearer share of preferred stock. In accordance with the German Stock Corporation Act, the dividend payable to shareholders depends on the distributable net profit shown in the annual financial statements of ProSiebenSat.1 Media AG. The Executive Board of ProSiebenSat.1 Media AG proposes that the distributable net profit of EUR 118.145 million for fiscal 2004 should be allocated as follows:

EUR	
Distribution of a dividend of EUR 0.30 per preferred bearer share	32,819,580.00
Distribution of a dividend of EUR 0.28 per common share	30,631,608.00
Balance to be carried forward to the new accounting period	54,694,239.10
<b>Distributable net profit</b>	<b>118,145,427.10</b>

## [29] Authorized capital

By a resolution of the meeting of the shareholders on June 16, 2003, the Executive Board was authorized, subject to the approval 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 not more than 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. After exercising this capital authorization in the capital increase registered on April 6, 2004, the Executive Board may still increase the Company's capital stock on one or more occasions on or before June 15, 2008, subject to approval by the Supervisory Board, by a total of not more than EUR 72,932,400.00, in return for cash contributions, by issuing new stock in accordance with the above shareholder resolution.

In order to meet the needs of the Company and the capital market flexibly in the future as well, the Executive Board was authorized by a unanimous resolution of the meeting of the shareholders of ProSiebenSat.1 Media AG on May 7, 2004, after the suspension of the former authorized capital, to increase the Company's share capital on one or more occasions on or before May 6, 2009, subject to the approval of the Supervisory Board, by not more than EUR 97,243,200.00, in return for contributions in cash and/or in kind, by issuing not more than 97,243,200 no-par shares of stock. The new shares will be entitled to participate in profits as of the beginning of the fiscal year in which they are issued. This authorization also includes the authorization to issue new preferred shares that take precedence over or have the same priority as previously issued preferred shares in the distribution of profits or the Company's assets.

## [30] Capital increase

Exercising its powers under Article 4a of the articles of incorporation of ProSiebenSat.1 Media AG, on April 5, 2004, with the consent of the Supervisory Board as of that same date, the Executive Board resolved to increase the Company's capital stock by EUR 24,310,800.00 from EUR 194,486,400.00 to EUR 218,797,200.00, by issuing 12,155,400 new registered shares of no-par common stock and 12,155,400 new bearer shares of non-

voting no-par preferred stock, in return for cash contributions. The new shares are fully entitled to participate in profits as of January 1, 2004. Under Article 4a [2] of the articles of incorporation, holders of shares in one category of stock have no preemptive rights to acquire stock in the other category. Thus holders of common stock have rights to buy only common stock and holders of preferred stock have rights to buy only preferred stock.

Out of the new common stock, 8,750,000 shares were purchased directly on April 6, 2004, by P7S1 Holding L.P., of Georgetown, Cayman Islands, in an 8-to-1 ratio at a price of EUR 11.60 per new share, on the basis of the preemptive rights held by that company and its owners; 3,405,400 shares were purchased on April 6, 2004 by the syndicate banks under a transfer agreement dated April 6, 2004, subject to the proviso that these shares must be offered to the remaining holder of common stock, Sat.1 Beteiligungs GmbH, for purchase in an 8-to-1 ratio at a price of EUR 11.60 per new share. Under contractual obligations undertaken by Sat.1 Beteiligungs GmbH, P7S1 Holding was entitled to acquire all the former company's preemptive rights to a total of 3,405,000 new shares. P7S1 Holding did indeed acquire these preemptive rights as contracted, and subsequently exercised them.

Out of the new preferred stock, 15,371 shares were directly purchased on April 6, 2004, by P7S1 Holding in an 8-to-1 ratio at a price of EUR 11.60 per new share, on the basis of the preemptive rights held by that company; 12,140,029 shares were offered on April 6, 2004, by the syndicate banks under a transfer agreement dated April 6, 2004, to the preferred shareholders of ProSiebenSat.1 Media AG [except P7S1 Holding], for purchase in an 8-to-1 ratio at a price of EUR 11.60 per share.

The consummation of the capital increase was recorded at the Companies Registration Office of Munich district court on April 6, 2004, for all the above new shares of common and preferred stock.

### [31] Provisions

Provisions comprise long-term provisions of EUR 21.252 million [vs. EUR 22.330 million], all of which are set aside for potential losses, and short-term provisions of EUR 38.150 million [vs. EUR 43.067 million].

EUR k	01/01/2004	Exchange rate differences	Increase	Consumptions	Release	12/31/2004
Tax provisions	23,065	27	17,786	11,137	2,450	27,291
Provisions for contingent losses	34,476	- / -	7,401	10,345	4,339	27,193
Other miscellaneous provisions	7,856	1	3,215	4,934	1,220	4,918
<b>Total</b>	<b>65,397</b>	<b>28</b>	<b>28,402</b>	<b>26,416</b>	<b>8,009</b>	<b>59,402</b>

Provisions were down EUR 5.995 million, from EUR 65.397 million on December 31, 2003, to EUR 59.402 million on December 31, 2004. The decrease was caused almost entirely by reductions in provisions for contingent losses and consumption of restructuring provisions. These were countered by an increase of EUR 4.226 million in tax provisions, as a consequence of the substantial improvement in the ProSiebenSat.1 Group's earnings position. The tax provisions were formed primarily for corporate income tax and local business income taxes.

Provisions for contingent losses are formed largely for programming assets whose license term begins after December 31, 2004, and which current programming analyses indicate will not generate the originally anticipated future audience shares or revenues.

Other miscellaneous provisions comprise the following:

EUR k	01/01/2004	Exchange rate differences	Increase	Consumptions	Release	12/31/2004
Provisions from operating business	2,730	- / -	2,383	2,197	437	2,479
Provisions for litigation costs	2,443	1	211	638	773	1,244
Provisions for restructuring	2,468	- / -	350	2,037	1	780
Other provisions	215	- / -	271	62	9	415
<b>Total</b>	<b>7,856</b>	<b>1</b>	<b>3,215</b>	<b>4,934</b>	<b>1,220</b>	<b>4,918</b>

## [32] Liabilities

EUR k	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term over 5 years	Total 12/31/2004
Bonds	128,053	379,483	- / -	507,536
Liabilities to banks	7,448	10,921	48,026	66,395
<b>Total financial liabilities</b>	<b>135,501</b>	<b>390,404</b>	<b>48,026</b>	<b>573,931</b>
Deposits received	1,955	- / -	- / -	1,955
Trade accounts payable	166,964	10,262	- / -	177,226
Liabilities to Group companies	12	- / -	- / -	12
Liabilities to entities in which the Company holds interests of 20% or more	426	- / -	- / -	426
Other liabilities	121,027	13,759	107,336	242,122
<b>Total other liabilities</b>	<b>290,384</b>	<b>24,021</b>	<b>107,336</b>	<b>421,741</b>
<b>Total</b>	<b>425,885</b>	<b>414,425</b>	<b>155,362</b>	<b>995,672</b>
[amounts secured by real estate charges]				[66,395]

EUR k	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term over 5 years	Total 12/31/2003
Bonds	- / -	464,745	189,590	654,335
Liabilities to banks	2,825	16,168	54,245	73,238
<b>Total financial liabilities</b>	<b>2,825</b>	<b>480,913</b>	<b>243,835</b>	<b>727,573</b>
Deposits received	224	- / -	- / -	224
Trade accounts payable	225,973	14,275	- / -	240,248
Liabilities to Group companies	5	- / -	- / -	5
Liabilities to entities in which the Company holds interests of 20% or more	718	- / -	- / -	718
Other liabilities	137,952	12,885	111,079	261,916
<b>Total other liabilities</b>	<b>364,872</b>	<b>27,160</b>	<b>111,079</b>	<b>503,111</b>
<b>Total</b>	<b>367,697</b>	<b>508,073</b>	<b>354,914</b>	<b>1,230,684</b>
[amounts secured by real estate charges]				[72,771]

**Financial liabilities**

Financial liabilities comprise all interest-bearing liabilities not included under finance lease liabilities. As of December 31, 2004, the ProSiebenSat.1 Group had financial liabilities totaling EUR 574 million. Of this figure, EUR 136 million was short-term liabilities with terms of less than one year and EUR 438 million was long-term liabilities. In addition, as of December 31, 2004, the ProSiebenSat.1 Group had an unused line of credit of EUR 325 million available under its syndicated loan agreement.

The principal components of financial liabilities are as follows:

**EUR 325 million syndicated credit facility**

This syndicated credit facility, which was unused as of December 31, 2004, is a revolving line of credit for operating funds made available to the ProSiebenSat.1 Media AG by a syndicate of banks, with a limit of EUR 325 million [or the equivalent in U.S. dollars or other currency]. The Company may draw from this credit facility for various terms, at the Company's discretion, up to one month before the facility's final maturity on April 30, 2009. Drawn amounts accrue variable interest based on the EURIBOR rate [or the LIBOR or other reference bank rates for currencies other than the euro] plus a profit margin. This margin depends on the current ratio of the ProSiebenSat.1 Group's net debt to its EBITDA for the past 12 months as of the end of the quarter.

In the event that control of the Company changes, each bank independently may terminate its participation in the syndicated facility within a specified term and demand repayment of outstanding amounts. The agreement additionally includes a number of standard undertakings with regard to such matters as the ProSiebenSat.1 Group's freedom to offer current or future assets as collateral, to sell major assets, to give credit or furnish guarantees, indemnity bonds, liability bonds or other such guarantees outside the normal course of business, or to incur other financial obligations through its subsidiaries.

The contract furthermore obligates the company to maintain certain key financial figures [the ratio of consolidated net debt to consolidated EBITDA and the ratio of consolidated EBITDA to the consolidated net interest charge].

Additionally, it includes a number of standard grounds for cancellation, for example in the event that the Company's financial liabilities or those of one of its major subsidiaries become liable to be called in early for an amount of EUR 25 million or more. If grounds for cancellation arise and persist, the banks' agent appointed under the agreement is obligated to cancel the facility if so requested by banks holding at least 60 percent of the loan amount outstanding at that time. Such a cancellation automatically entails an obligation to repay all outstanding amounts immediately.

**The 1998-2005 bond for DM 250 million at 5.5 %**

The "1998-2005 bond" that matures in March 2005 incorporates a number of provisions that are standard practice in the German market, and restricts the Company's ability to furnish collateral for other obligations in the capital market. Additionally, the bond terms and conditions incorporate a bondholders' right of cancellation in the event that the Company's credit obligations

are called in for payment prematurely or become liable for cancellation in an amount of EUR 10.23 million or more, or if action is taken against collateral furnished by the Company for claims in this amount.

**The 2001-2006 bond for EUR 40.1 million [originally EUR 400 million] at 5.875%**

The "2001-2006 Bond" that matures in March 2006 was issued for a par total of EUR 400 million. As part of the process for the 2002-2009 bond issue that matures in July 2009, the Company bought back and recalled a portion of the 2001-2006 bond, so that the outstanding total par value of the latter bond as of December 31, 2003, was EUR 338.1 million. A repurchase offer published by the Company on April 6, 2004, led to the reduction of the bond's outstanding total par value to EUR 40.1 million as of May 19, 2004. In this connection, the Company was also accorded the right to repurchase the outstanding total of the 2001-2006 bond prior to maturity, at full par value. Other aspects of the original bond terms have been amended or have lapsed.

**The 2002-2009 bond for EUR 200 million at 11.25%**

The "2002-2009 bond" that matures in July 2009 incorporates a number of provisions that forbid the Company and its major subsidiaries from undertaking certain transactions or making certain distributions under certain conditions. For example, the payout amount for any dividend on the Company's preferred stock is limited to EUR 2 million for any given fiscal year unless the Company meets certain debt and earnings targets and fulfills other conditions.

If control of the Company changes, the Company must make an offer to the holders of the 2002-2009 bond to redeem the bond at 101 percent of its par value, plus interest accrued up to the time of redemption. Under exceptional provisions for the 2002-2009 bond, the change-of-control clause will apply only to changes of control that take place after the takeover by P7S1 Holding and its controlling companies as of the date of P7S1 Holding's acquisition of control.

Prior to the maturity of the 2002-2009 bond on July 31, 2009, the Company may redeem the bond in whole or in part, at 105.625 percent of par after July 31, 2006, at 102.8125 percent of par after July 31, 2007, and at 100 percent of par after July 31, 2008, plus accrued interest in each case. Prior to July 31, 2006, the Company may repurchase the 2002-2009 bond, whether in whole or in part, only at a substantial premium over par [the "make-whole amount"].

Additionally, the terms of the 2002-2009 bond include certain grounds for cancellation that entitle bondholders to call in the bond, or that cause the bond to fall due for payment automatically if certain insolvency events occur. Among these grounds for cancellation is a premature calling in of other liabilities for EUR 25 million or more for default.

#### The 2004-2009 bond for EUR 150 million at 6.25%

The "2004-2009 bond" that matures in May 2009 incorporates a number of provisions that forbid the Company and its major subsidiaries from undertaking certain transactions or making certain distributions under certain conditions. For example, the total payout for any dividend on the Company's preferred stock is limited to EUR 10 million for any given fiscal year unless the Company meets certain debt and earnings targets and fulfills other conditions.

If control of the Company changes and the bond's rating is downgraded by a certain degree at the same time, the Company must make an offer to the holders of the 2004-2009 bond to redeem the bond at 101 percent of par, plus interest accrued up to the time of redemption. Prior to the ultimate maturity date of the 2004-2009 bond on May 15, 2009, the Company may redeem the bond, whether in whole or in part, only at a substantial make-whole amount.

Additionally, the terms of the 2004-2009 bond include certain grounds for cancellation that entitle bondholders to call in the bond, or that cause the bond to fall due for payment automatically if certain insolvency events occur. Among these grounds for cancellation is a premature calling in of other liabilities for EUR 25 million or more for default.

interest rate method. The carrying value of the 1998-2005 bond additionally incorporates a redemption commission upon maturity in addition to the par value.

#### Other liabilities

Other liabilities comprise the following:

EUR k	12/31/2004	12/31/2003
Liabilities from finance leasing	123,964	138,685
[thereof long term]	[121,030]	[123,567]
Liabilities from derivatives	38,944	20,905
Liabilities from taxes	31,624	33,938
Liabilities from bond interests	18,175	30,359
Amount due for social security	5,170	4,546
Liabilities from fees and toward employees	5,024	7,879
Liabilities from unused vacation	4,808	4,919
Others	14,413	20,685
<b>Total</b>	<b>242,122</b>	<b>261,916</b>

EUR k	Coupon in %	Nominal value	Book value 12/31/2004	Book value 12/31/2003
1998-2005 bond	5.500	127,823	128,053	127,720
2001-2006 bond *]	5.875	40,125	40,053	337,024
2002-2009 bond	11.250	200,000	191,419	189,591
2004-2009 bond	6.250	150,000	148,011	- / -
<b>Total</b>			<b>507,536</b>	<b>654,335</b>

\*) Primary total amount issued: EUR 400 million

The way in which bond liabilities are reported under IFRS results in differences between par value and carrying value. Bond liabilities are measured at par less the costs associated with the bond issue and less the issue discount or plus the issue premium. These costs are distributed over the term of the bond using the effective



## Additional Notes

### [33] Notes to the cash flow statement

The Group's cash flow statement is prepared in accordance with IAS 7 ["Cash Flow Statements"]. It shows how cash and equivalents have changed as a result of inflows and outflows during the year, distinguishing between cash flow for operating activities, cash flow for investing activities, and cash flow for financing activities. The cash flow statement appears on page 64.

The funds covered by the cash flow statement include all cash and equivalents and all bank credit balances with terms of not more than three months, as shown in the balance sheet.

The cash flow from operating activities includes the following receipts and payments according to IAS 7:

EUR k	2004	2003
Payout received	51	52
Cash flow resulting from income tax	-60,906	40,192
Cash flow resulting from interest expenses	-63,513	-63,406
Cash flow resulting from interest income	2,912	1,274

Changes in balance sheet items as a consequence of foreign exchange rates came to EUR -401 thousand in 2004 [vs. EUR +204 thousand the year before]. This figure includes changes in cash and equivalents of EUR -120 thousand for the current fiscal year as a consequence of changes in foreign exchange rates [vs. EUR +653 thousand].

### [34] Contingent liabilities

EUR k	12/31/2004	12/31/2003
Liabilities from guaranties	8	50

### [35] Other financial liabilities

EUR k	Due within 1 year	Due between 2 and 5 years	Due later than 5 years	Total
Programming assets	568,709	772,007	157,637	1,498,353
Royalties	65,832	133,007	5	198,844
Leasing and long-term rental commitments	9,313	25,391	47,067	81,771
Other liabilities	61,400	17,367	1,903	80,670
<b>Total</b>	<b>705,254</b>	<b>947,772</b>	<b>206,612</b>	<b>1,859,638</b>

Other financial liabilities exist in addition to provisions, debt and contingent liabilities. These derive from contractual agreements entered into before December 31, 2004, and pertain to payment obligations due after January 1, 2005. The agreements have remaining terms of between 1 and 19 years.

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 under operating leases essentially comprise obligations under leases for motor vehicles, along with rent obligations under building leases. Total expenses for fiscal 2004 were EUR 16.780 million, following the previous year's EUR 18.081 million.

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

### [36] Financial risk management

The ProSiebenSat.1 Group is exposed to a variety of financial risks. The Group's financial risks are managed centrally at ProSiebenSat.1 Media AG. The objective of financial risk management is to employ derivative financial instruments to cushion fluctuations in the Company's net assets, financial position, and results of operations as a consequence of fluctuations in financial risk factors. Derivative financial instruments are used solely to hedge existing risk positions, not for speculation.

#### Currency risks

The ProSiebenSat.1 Group obtains significant portions of its programming assets directly from suppliers who bill in U.S. dollars. By contrast, the Group earns its revenues almost entirely in Germany, and therefore in euros. Fluctuations in the exchange rate between the euro

and the dollar may cause changes in the originally calculated amounts for investments in licensed programming that are denominated in dollars but reported in euros. To hedge against fluctuations in exchange rates, the ProSiebenSat.1 Group enters into forward exchange contracts ["forwards"] and currency options.

	Year of maturity			Nominal amount	Market value
	2005 USD k	2006-2009 USD k	from 2010 USD k	as of 12/31/2004 USD k	as of 12/31/2004 EUR k
Currency forwards	214,797	156,300	- / -	371,097	-38,888
[thereof within cash flow hedges]	198,876	156,300	- / -	355,176	-37,956
Currency options	70,000	96,000	- / -	166,000	517
[thereof within cash flow hedges]	70,000	96,000	- / -	166,000	517

Forwards are unconditional contractual agreements to exchange two currencies on terms which are laid down at the time when the contract is entered into. These terms include total par value, exchange rate, and maturity date. As of December 31, 2004, ProSiebenSat.1 Media AG had forwards worth a par value of USD 371 million in its portfolio. As of the same date, it had options for the purchase of dollars covering a total par value of USD 166 million. As the purchaser of a currency option, ProSiebenSat.1 Media AG has the right, but not the obligation, to buy U.S. dollars for euros in return for paying an option premium. As with a forward, in a currency option the total par value, exchange rate and maturity date are also laid down at the time the contract is made. Market values for forwards are measured using the discounted cash flow method. Market values for currency options are measured using the option pricing formula of Black and Scholes.

License payments on a hedged dollar-denominated license agreement, together with the associated hedging instruments, are gathered and managed in what are known as "hedge books" if the hedging relationship qualifies as a hedge under IAS 39.88 and hedge accounting can be applied. As of December 31, 2004, there were six hedge books covering a total of USD 744 million in pending license payments. Equity as of December 31, 2004, included EUR 38 million for hedge accounting. In fiscal 2004, EUR 8 million was removed from equity and applied directly to the purchase cost of the underlying license agreement. The average hedge rate as of December 31, 2004, allowing for internal limit systems, was 70 percent, but this figure varies from one hedge book to another. As a rule it is between 60 and 80 percent. A separate hedging strategy is devel-

oped for each portfolio on the basis of current market assessments and the overall risk position. The hedge books are constantly monitored under a system of limits, and any applicable open items are closed to stop potential losses or take advantage of advantageous changes in exchange rates.

### Interest-rate risks

Through its financial obligations, the ProSiebenSat.1 Group is exposed to an interest-rate risk. An interest-rate risk in the sense of a change in market value is of no relevance here, since ProSiebenSat.1 Media AG's bonds and drafts on credit lines are reported at cost, and thus any change in market value will have no effect on the balance sheet. However, a variable interest-rate risk does arise from amounts drawn under the current syndicated loan agreement. As of December 31, 2004, no use had been made of this credit facility.

The following table shows the end of the interest-rate lock-up period and the effective interest rate for various categories of financial liabilities:

EUR k	Fixed-interest period	Effective interest return	Nominal value as of 12/31/2004
1998-2005 bond	03/04/2005	5.65%	127,823
2001-2006 bond	03/28/2006	5.90%	40,125
2002-2009 bond	07/31/2009	12.29%	200,000
2004-2009 bond	05/15/2009	6.50%	150,000
Building loan	03/31/2005	6.30%	66,395

Because of the small proportion of liabilities with variable interest rates and the consequent negligible variable interest-rate risk, no derivative financial interests were employed for interest rates as of December 31, 2004.

### Insolvency risks

In any transaction, the ProSiebenSat.1 Group incurs a risk that the opposite party may become insolvent. To minimize that risk, the ProSiebenSat.1 Group has endeavored to enter into financial transactions and derivative transactions only with parties with good to first-class credit ratings. The market value of all derivative financial instruments with a positive market value was EUR 0.6 million as of December 31, 2004. Of these derivatives, 35 percent were entered into with a single partner, which has a credit rating of A3 from Moody's rating agency.

### Liquidity risks

As part of its liquidity management, the ProSiebenSat.1 Group ensures that adequate cash and equivalents are available at all times, especially given the industry's sharp seasonal fluctuations in revenues. For this purpose, in June 2004, ProSiebenSat.1 Media AG signed a new master credit facility agreement with several banks, under which variable amounts up to EUR 325 million may be drawn. The agreement runs until 2009.

## [37] Segment reporting

As the ProSiebenSat.1 Group currently operates in only one field, in which the risks and opportunities are substantially equal, the Group does not provide a segment report.

The ProSiebenSat.1 Group's revenues are earned almost entirely within the Federal Republic of Germany. For that reason, there is no cause to provide a geographical breakdown by market.

## [38] Reporting under IFRS and explanation of major differences from German accounting principles

The consolidated financial statements are prepared in accordance with IFRS. The application of these standards results in deviations from German accounting principles in certain material aspects. The impact of the application of IFRS can be seen in the following tables:

EUR m	12/31/2002
<b>Equity [HGB]</b>	617.4
Discount to Euvia loan	-51.8
Reporting/valuation derivatives	-1.7
Valuation of provisions and liabilities	-16.8
Reporting/valuation bonds	7.8
Leasing	-6.1
At equity valuation Euvia	-4.7
Deferred taxes	35.9
Others	-0.9
<b>Equity [IFRS]</b>	<b>579.1</b>

EUR m	12/31/2003
<b>Equity [HGB]</b>	656.7
Discount to Euvia loan	-50.6
Reporting/valuation derivatives	-29.8
Valuation of provisions and liabilities	-14.6
Reporting/valuation bonds	6.1
Leasing	-5.9
Impairment-only approach goodwill Kabel 1	2.9
Deferred taxes	36.3
Others	0.7
<b>Equity [IFRS]</b>	<b>601.8</b>

EUR m	2003
<b>Consolidated profit for the year [HGB]</b>	45.0
Valuation derivatives	-5.9
Equity valuation Euvia	4.5
Impairment-only approach goodwill Kabel 1	2.9
Reporting/valuation bonds	-1.7
Addition to Euvia loan	1.2
Deferred taxes	-7.5
Others	0.9
<b>Consolidated profit for the year [IFRS]</b>	<b>39.4</b>

Because this is the first year that the Company is reporting under IFRS, the cash flow statement contains certain differences from a cash flow statement prepared under German accounting principles. The most

important differences in the cash flow statement for fiscal 2003 are shown here. For the meaning of their content, the reader is referred to the sections below on differences in recognition, measurement and consolidation principles between IFRS and the German Commercial Code.

Cash generated by operating activities as calculated under IFRS, at EUR 1,184.3 million, is EUR 2.7 million less than the analogous figure under German accounting principles [EUR 1,186.6 million]. The difference has mostly to do with how finance leases are reported under IFRS, and with the differences in the treatment of financial instruments. Cash used in investing activities under IFRS is EUR -1,099.6 million, while the analogous figure under German accounting principles is EUR 2.9 million lower, at EUR -1,102.5 million. The difference is almost entirely the consequence of the different treatment of a long-term loan to Euvia Media AG & Co. KG. Cash used in financing activities under IFRS, at EUR -90.2 million, is EUR 5.6 million more than the analogous figure under German accounting principles [EUR -84.6 million]. This difference results primarily from the reporting of finance leases under IFRS, and from differences in the treatment of borrowing costs.

Below, the recognition, measurement, and consolidation principles under IFRS that deviate from German law are explained in accordance with Sec. 292a [2] No. 4b of the German Commercial Code:

### **Business combinations**

Under German accounting principles, business combinations are generally reported using the purchase method. Under this method, a buyer must distribute the purchase price among assets and liabilities. The amount by which the purchase price exceeds the fair value of the acquired assets and liabilities is reported as goodwill, which the ProSiebenSat.1 Group capitalizes and amortizes on a straight-line basis either over the estimated useful life or over four fiscal years.

Under IFRS 3, goodwill and separable intangible assets with an indeterminate useful life expectancy are not to be amortized, but instead must be reviewed annually for impairment, in what is known as the impairment-only approach. The ProSiebenSat.1 Group has already applied IFRS 3 retroactively for fiscal 2003. By contrast, under the German Commercial Code, goodwill undergoes scheduled amortization over either its useful life expectancy or four years.

### **Leases**

German accounting principles make no provisions for the treatment of leases. As is common practice in German accounting, the ProSiebenSat.1 Group reports its leases in compliance with German tax regulations.

IFRS defines a finance lease as a lease under which substantially all risks and benefits deriving from title to an asset are transferred to the lessee. An operating lease is defined as any lease that is not a finance lease. Under IFRS, lessees must report finance leases, in equal amounts, as both an asset and a liability. The amount to be employed is either the fair value of the leased property as of the commencement of the lease or the net present value of minimum lease payments, if the latter value is lower. Finance leases give rise to a depreciation expense for depreciable assets, and a financial expense. The lease payments for an operating lease are reported as an expense in the income statement. In the treatment of leases under the German Commercial Code, leased property was not capitalized, in accordance with the requirements of German tax regulations. But in obedience to IFRS, a number of existing leases taken by the ProSiebenSat.1 Group have now been classified as finance leases. Accordingly, the ProSiebenSat.1 Group has reported its leased assets and lease liabilities for the most part under "property, plant, and equipment" or "other liabilities." This treatment of finance leases under IFRS has also caused a difference in the way the rent expenses resulting from these leases is treated and reported in the income statement.

### **Long-term loans**

Under German accounting principles, long-term receivables and liabilities at low interest rates are discounted unless the low interest rate is directly countered by other economic advantages or disadvantages.

Under IFRS, at the time they are first reported, financial assets bearing low or no interest are to be discounted at the market interest rate for comparable assets if the discounting effect is material. Economic advantages that counteract low or nil interest rates can be shown as assets in the balance sheet only if they comply with the recognition criteria for an asset. In 2001, the Company made a low-interest loan for an original amount of EUR 112 million to Euvia Media AG & Co. KG. Under IFRS, in contrast to the German Commercial Code, the associated advantages cannot be taken into account in determining the value of this low-interest loan to Euvia Media. For that reason, the loan to Euvia Media AG & Co. KG was discounted under IFRS, at an interest rate of 8 percent.

**Borrowing costs**

Under German accounting principles, costs incurred in connection with borrowings [for example, through bonds or loans] represent an immediate expense for the period in question. Under IFRS, these costs are charged as expenses spread over the life of the borrowing instrument.

**Other provisions**

German accounting principles require provisions to be set aside for doubtful debts and potential losses on pending transactions. Such provisions may also be formed for internal costs – for example, for maintenance costs incurred during the first three months of the subsequent year, or for other defined expenses. Provisions may be recognized under IFRS if a present external obligation exists; if it is probable that an outflow of resources will be necessary in order to fulfill that obligation; and if a reliable estimate can be made of the amount of the obligation. Provisions are formed according to the best-estimate method, and discounted to present value if they are maintained for the long term and if the discounting effect is material. The terms under which the present external obligation may be reduced by income directly or indirectly associated with that obligation may differ under IFRS from the terms under the German Commercial Code.

**Deferred taxes**

Under German accounting principles, a deferred tax item must be formed for differences between the consolidated income statement and income as calculated for tax purposes, if those differences are likely to net out against one another in the future. Under IFRS, deferred tax assets and liabilities are to be recognized for temporary differences between the amount of an asset or liability as carried in the balance sheet and the assessment basis on which that asset or liability will be taxed, except for goodwill [unless amortization of goodwill is tax-deductible] and except for certain transactions that do not affect either the accounting profit or the taxable profit. Additionally, IFRS requires deferred tax assets to be reported for tax loss carry-forwards, if there is an adequate probability that these tax loss carry-forwards will be applied against taxable profit in the future. The differences in carrying values for deferred taxes at the ProSiebenSat.1 Group are largely the consequence of capitalizing deferred taxes that result in part from differences between IFRS and German tax reporting principles, and in part from tax loss carry-forwards.

**Financial instruments**

Under German accounting principles, derivative financial instruments are reported as anticipated transactions in the balance sheet only if their valuation as of the reporting date indicates a potential loss, and if they cannot be allocated to a compensatory valuation unit that combines both the derivative and the underlying transaction, in a procedure that is somewhat equivalent to hedge accounting under IFRS. Unrealized gains do not appear in the income statement, because of the principle that gains are not to be shown until they have been realized through a sale. Under IFRS, reporting for financial instruments is governed by IAS 32 and IAS 39, which require derivatives to be recognized in the balance sheet at their fair value. Changes in fair value are normally applied to the income statement. Hedge accounting may be applied under certain narrowly defined conditions. In those cases, the derivative is re-measured at regular intervals, with no impact on the income statement. The ProSiebenSat.1 Group has hedges against interest-rate risks and foreign-currency risks.

**[39] Executive Board and Supervisory Board**

The members of the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG are listed on page 96 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 component, paid as an annual bonus, that depends on the Company's performance. It is decided by the Supervisory Board after each year's annual financial statements have been formally adopted.
- The Company also intends to introduce an incentive plan with long-term incentive effects, subject to the approval of the shareholders' meeting. It is up to the Supervisory Board to decide the details of any profit-sharing by the members of the Executive Board.

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 suretyships or 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 3.670 million [previous year: EUR 2.554 million]. The expense for former members of the Executive Board was EUR 1.013 million in fiscal 2004. The Board's remuneration includes a variable component totaling EUR 1.732 million. Expenses for the Supervisory Board of ProSiebenSat.1 Media AG came to EUR 261 thousand in the year under review [vs. EUR 215 thousand the year before]. 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 261 thousand for the Supervisory Board include no variable component, since no dividend was 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:	
EUR k	
Saban, Haim	33
Chesnoff, Adam	39
Ball, Anthony F. E.	10
Connaughton, John P.	24
Dobron, Albert J., Jr.	11
Döpfner, Dr. Mathias	17
Dyke, Greg	10
Healy, Patrick J.	17
Kreiz, Ynon	3
Lawry, Seth W.	24
Nienhaus, Christian	10
Pagliuca, Stephen G.	10
Powers, Brian M.	10
Rattner, Steven	11
Sperling, Scott	10

#### Former members of the Supervisory Board:

EUR k	
Hartmann, Wolfgang	5
Jaffé, Dr. Michael	12
Meyer-Burckhardt, Hubertus	5

Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during fiscal 2004. All together, the current members of the Executive Board and Supervisory Board held 8,000 shares of preferred stock in ProSiebenSat.1 Media AG as of December 31, 2004. This is equivalent to 0.00366 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 0.0123 percent.

#### [40] 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 2004 the Executive Board and Supervisory Board issued a Declaration of Compliance, which has been made permanently available on the Internet at <http://en.prosiebensat1.com>.



## [41] 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 IAS 24 ["Related Party Disclosures"] that are controlled by ProSiebenSat.1 Media AG, or over which the Group may exercise a significant influence, are listed among the shareholdings on pages 94 and 95, along with the percentage interest held. This list has been filed with the Companies Registration Office of Munich district court, under No. HRB 124169.

During fiscal 2004, the wife of Executive Board member Peter Christmann provided services to various companies in the ProSiebenSat.1 Group for a charge of EUR 125 thousand. These training and coaching services for on-air personalities were provided under contract on prevailing market terms. As of December 31, 2004, an amount of EUR 15 thousand was outstanding for these services. There were no other reportable transactions with related parties under IAS 24 during fiscal 2004.

Under Sec. 15a of the German Securities Trading Act and Sec. 6.6 of the German Corporate Governance Code, the members of the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG are required to report securities transactions relating to ProSiebenSat.1 stock. They are furthermore required to report securities transactions by family members. In fiscal 2004, a total of four transactions were reported to ProSiebenSat.1 Media AG, in which members of the Executive Board and their family members acquired a total of 12,500 shares of ProSiebenSat.1 Media AG. In compliance with Sec. 15a of the Securities Trading Act, ProSiebenSat.1 Media AG reported each of these transactions immediately on its Web site, <http://en.prosiebensat1.com>. A full list with all details of the reported transactions is available from the database of the Securities Supervision department of the German Federal Financial Services Agency at [www.bafin.de](http://www.bafin.de).

## [42] Group affiliation

The immediate parent company of the Group of ProSiebenSat.1 Media AG is P7S1 Holding L.P., of Georgetown, Cayman Islands.

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 December 4, 2004, the following report was published in the *Börsenzeitung*; it can also be found on the Company's Web site [<http://en.prosiebensat1.com>].

The following companies have provided the following notifications to ProSiebenSat.1 Media AG in compliance with Sections 21 ff. of the Securities Trading Act ["WpHG"]:

- I. On November 17, 2004, the voting rights held by Quadrangle [KM] Capital Partners L.P., having its registered office in New York [address: 375 Park Avenue, New York, NY 10152, USA] fell below the threshold of 75% of the voting rights of ProSiebenSat.1 Media AG. Since that time, Quadrangle [KM] Capital Partners L.P. has held 41 shares carrying voting rights, and therefore holds 0.00004% of the voting rights of ProSiebenSat.1 Media AG.
- II. On November 18, 2004, the voting rights held by Saban Capital Group, having its registered office in Los Angeles [address: 10100 Santa Monica Boulevard, Los Angeles, CA 90067, USA], SCG [P7S1 AG] Corp., having its registered office in Los Angeles [address: 10100 Santa Monica Boulevard, Los Angeles, CA 90067, USA], and SCG Investments I Corp., having its registered office in Los Angeles [address: 10100 Santa Monica Boulevard, Los Angeles, CA 90067, USA], each fell below the threshold of 75% of the voting rights of ProSiebenSat.1 Media AG. Since that time, SCG [P7S1 AG] Corp. and SCG Investments I Corp. have held no voting rights in ProSiebenSat.1 Media AG. Since the same date, Saban Capital Group, Inc., has held one share carrying voting rights, and therefore holds 0.000001% of the voting rights in ProSiebenSat.1 Media AG.
- III. The voting rights held by the companies listed under Items 1 through 4 in the following table exceeded the threshold of 5% of the voting rights in ProSiebenSat.1 Media AG on November 18, 2004, and the voting rights held by the company listed under item 5 of the table exceeded the 5% threshold



on November 17, 2004. Since that time, these companies have held the voting rights in ProSiebenSat.1 Media AG as indicated for each of them below.

Party reporting	Address	Share of voting rights held directly under § 22 [1] of the WpHG	Attributable share of voting rights held under § 22 [1] Sentence 1 No. 1 of the WpHG	Total share of voting rights
1. HSAC Investments L.P.	10100 Santa Monica Bl. Los Angeles, CA 90067 USA	-	100.00% [rounded to two decimal places] less 1,000 shares carrying voting rights held by third parties	100.00% [rounded to two decimal places] less 1,000 shares carrying voting rights held by third parties
2. KSF Corp.	10100 Santa Monica Bl. Los Angeles, CA 90067 USA	-	100.00% [rounded to two decimal places] less 1,000 shares carrying voting rights held by third parties	100.00% [rounded to two decimal places] less 1,000 shares carrying voting rights held by third parties
3. SCG Investments I LLC	10100 Santa Monica Bl. Los Angeles, CA 90067 USA	-	100.00% [rounded to two decimal places] less 1,000 shares carrying voting rights held by third parties	100.00% [rounded to two decimal places] less 1,000 shares carrying voting rights held by third parties
4. SCG P7SI AG LLC	10100 Santa Monica Bl. Los Angeles, CA 90067 USA	-	100.00% [rounded to two decimal places] less 1,000 shares carrying voting rights held by third parties	100.00% [rounded to two decimal places] less 1,000 shares carrying voting rights held by third parties
5. Quadrangle Capital Partners L.P.	375 Park Avenue New York, NY NY 10152 USA	0.000001% [1 share with voting rights]	100.00% [rounded to two decimal places] less 999 shares carrying voting rights held by third parties	100.00% [rounded to two decimal places] less 999 shares carrying voting rights held by third parties

Unterföhring, December 2004  
The Executive Board

Further reports of equity holdings dating from September 29, 2004, May 6, 2004, November 28, 2003, 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://en.prosiebensat1.com>.

### [43] Events subsequent to the reporting date

#### Release date for publication

The Supervisory Board will release the consolidated financial statements for publication on March 23, 2005.

## Major Subsidiaries and Associated Companies

### ProSiebenSat.1 Group as of December 31, 2004

No.	Company	Location	Country	Interest in percent	via No.
<b>Affiliated companies</b>					
1	ProSiebenSat.1 Media Aktiengesellschaft	Unterföhring	Germany		
2	ArtMerchandising & Media AG	Ismaning	Germany	100	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 <sup>(1)</sup>
6	MM MerchandisingMedia GmbH	Ismaning	Germany	100	1 <sup>(1)</sup>
7	N24 Bayern GmbH	Munich	Germany	100	36
8	N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH	Unterföhring	Germany	100	1 <sup>(1)</sup>
9	Privatfernsehen in Bayern GmbH & Co. KG	Munich	Germany	86.5	36
10	Privatfernsehen in Bayern Verwaltungs GmbH	Munich	Germany	53.7	36
11	ProSieben Austria GmbH	Vienna	Austria	100	28
12	ProSieben Home Entertainment GmbH Bild- und Tonträgervertrieb	Unterföhring	Germany	100	1
13	ProSieben Digital Media GmbH	Unterföhring	Germany	100	1
14	ProSieben Information Service GmbH	Ismaning	Germany	100	1
15	ProSiebenSat.1 Produktion GmbH	Unterföhring	Germany	100	1 <sup>(1)</sup>
16	ProSiebenSat.1 Welt GmbH	Unterföhring	Germany	100	1
17	ProSieben Television GmbH	Unterföhring	Germany	100	1 <sup>(1)</sup>
18	Sat.1 Boulevard TV GmbH	Berlin	Germany	100	20
19	Sat.1 Norddeutschland GmbH	Hannover	Germany	100	20
20	Sat.1 Satelliten Fernsehen GmbH	Berlin	Germany	100	1 <sup>(1)</sup>
21	Sat.1 Berlin Regional Verwaltungs GmbH	Berlin	Germany	100	20
22	Sat.1 Berlin Regional GmbH & Co. KG	Berlin	Germany	100	20
23	Seven Scores Musikverlag GmbH	Unterföhring	Germany	100	1
24	SevenOne Interactive GmbH	Unterföhring	Germany	100	25
25	SevenOne Intermedia GmbH	Unterföhring	Germany	100	13 <sup>(1)</sup>
26	SevenOne Intermedia Betriebs GmbH	Unterföhring	Germany	100	25
27	SevenOne International GmbH	Unterföhring	Germany	100	1
28	SevenOne Media Austria GmbH	Vienna	Austria	100	29
29	SevenOne Media GmbH	Unterföhring	Germany	100	1 <sup>(1)</sup>
30	SevenOne Media [Schweiz] AG	Zurich	Switzerland	100	13
31	SevenPictures Film GmbH	Unterföhring	Germany	100	1
32	SevenSenses Agentur für Mediendesign und Marketing GmbH	Unterföhring	Germany	100	1
33	Starwatch Navigation Gesellschaft für interaktive Kommunikation Geschäftsführungs-GmbH	Unterföhring	Germany	100	1
34	Starwatch Navigation Gesellschaft für interaktive Kommunikation GmbH & Co. Produktions KG	Unterföhring	Germany	100	1
35	Teledirekt Vermarktungsgesellschaft für Fernsehempfang mbH	Unterföhring	Germany	100	1
36	tv-weiß-blau Rundfunkprogrammanbieter GmbH	Munich	Germany	100	20

ProSiebenSat.1 Group as of December 31, 2004					
No.	Company	Location	Country	Interest in percent	via No.
Affiliated companies, not consolidated					
37	Merchandising Prag spol. s.r.o.	Prague	Czech Rep.	100	6
38	PM&S Software GmbH	Minsk	Belarus	60	14
Affiliated companies - at equity					
39	Euvia Media Verwaltungs AG	Munich	Germany	48.4	1
40	Euvia Media AG & Co. KG	Munich	Germany	48.4	1
41	IP Multimedia [Schweiz] AG	Zurich	Switzerland	23	30
42	MAGIC MEDIA COMPANY TV-Produktionsgesellschaft mbH	Hürth	Germany	25.4	1
43	Sat.1 Privatrundfunk und -programmgesellschaft m.b.H	Vienna	Austria	33.3	20
44	Sat.1 Schweiz AG	Zurich	Switzerland	50	20
45	VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH	Berlin	Germany	50	13
46	wetter.com AG	Singen	Germany	44	25
Other equity interests					
47	AFK Aus- und Fortbildungs GmbH für elektronische Medien	Munich	Germany	11	1
48	Berliner Pool TV Produktionsgesellschaft mbH	Berlin	Germany	50	8
49	Deutscher Fernsehpreis GmbH	Cologne	Germany	25	1
50	Forvita GmbH	Cologne	Germany	25	25
51	GI Gesellschaft für Informationstechnologie Aktiengesellschaft	Herford	Germany	50	14
52	OBIS Gesellschaft für Online-Buchungs- und Informationssysteme mbH	Unterföhring	Germany	30	29

<sup>(1)</sup>In exercise of the disclosure exemption option under Sec. 264 [3] of the German Commercial Code

As of December 31, 2004

## Supervisory Board and Executive Board

Positions held on supervisory boards and comparable supervision authorities pursuant to Sec. 125 [1] para. 3 of German Stock Corporation Act

### Supervisory Board

#### Haim Saban [Chairman]

**Chairman and Chief Executive Officer of KSF Corp., Los Angeles/CA/USA**

GT Brands Holdings LLC, Delaware/USA - Member of the Board of Managers

Télévision Française 1 SA, Paris/France - Member of the Board of Directors

The DirecTV Group, Inc, New York/NY/USA - Member of the Board of Directors [as of December 2004]

University of California, Los Angeles/CA/USA - Member of the Board of Regents [until September 2004]

#### Adam Chesnoff [Vice Chairman]

**President and Chief Operating Officer of KSF Corp., Los Angeles/CA/USA**

GT Brands Holdings LLC, Delaware/USA - Member of the Board of Managers

#### Anthony F.E. Ball [as of May 18, 2004]

**Consultant, Barcelona/Spain**

BAA plc, London/GB - Member of the Board of Directors [as of May 2004]

Sky Italia s.r.l., Rome/Italy - Member of the Board of Directors

#### John P. Connaughton

**Managing Director of Bain Capital LLC, Boston/MA/USA**

Epoch Senior Living, Inc., Waltham/MA/USA - Member of the Board of Directors

Loews Cineplex Entertainment Corp Fund, New York/NY/USA - Member of the Board of Directors [as of August 2004]

MJC Acquisition Corp., Boston/MA/USA - Member of the Board of Directors

Shopping.com, Ltd., Burlingame/CA/USA - Member of the Board of Directors

Stericycle, Inc., Lake Forest/IL/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 Directors

WMG Acquisition Corp., New York/NY/USA - Member of the Board of Directors [as of February 2004]

Warner Chilcott Holdings Co. Ltd., Rockaway/NJ/USA - Member of the Board of Directors [as of January 2005]

#### Albert J. Dobron, Jr. [as of May 18, 2004]

**Private Equity Investor Providence Equity Partners, Inc., Barrington/RI/USA**

Blue Stone Television, LLC, Delaware/USA - Chairman of the Board of Manager Representatives [as of January 2004]

Bustos Media Enterprises, LLC, Delaware/USA - Member of the Board of Managers [as of August 2004]

CC3 Holdings LLC, Delaware/USA - Member of the Board of Managers

Surebridge, Inc., Delaware/USA - Member of the Board of Directors

#### Dr. Mathias Döpfner

**Chairman of the Executive Board of Axel Springer AG, Berlin**

AKTUELL Presse-Fernsehen GmbH & Co. KG, Hamburg - Member of the Supervisory Board

Bayerische Hypo- und Vereinsbank AG, München - Member of the Supervisory Board [as of April 2004]

dpa Deutsche Presse Agentur GmbH, 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

#### Patrick J. Healy

**Managing Director of Hellman & Friedman LLC, San Francisco/CA/USA**

Digitas, Inc., Boston/MA/USA - Member of the Board of Directors [until February 2004]

Mondrian Investment Partners Ltd., London/GB - Member of the Board of Directors [as of September 2004]

The NASDAQ Stock Market Inc., Rockland/MA/USA - Member of the Board of Directors

#### Seth W. Lawry

**Managing Director of Thomas H. Lee Partners LP, Boston/MA/USA**

Houghton Mifflin 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]

Warner Music Group, Inc., Wilmington/DE/USA - Member of the Board of Directors [as of March 2004]

#### Steven Rattner [as of May 18, 2004]

**Managing Principal of Quadrangle Group LLC, New York/USA**

Access Spectrum LLC, Bethesda/MD/USA - Member of the Management Committee

Cablevision Systems Corp. Bethpage/NY/USA - Member of the Board of Directors

Global Energy Decisions LLC, Boulder/CO/USA - Member of the Management Committee

GT Brands Holdings LLC, Delaware/USA - Member of the Board of Managers

InterActive Corp., New York/NY/USA - Member of the Board of Directors [as of April 2004]

#### Christian Nienhaus [as of May 7, 2004]

**Managing Director Publishing Group Bild, Eschbach**

Bild.T-Online.de AG & Co. KG, Berlin - Chairman of the Supervisory Board

#### Brian M. Powers [as of May 18, 2004]

**Chief Executive Officer of Hellman & Friedman LLC, San Francisco/CA/USA**

Axel Springer AG, Berlin - Member of the Board of Directors

Bambino Holdings Limited, London/GB - Member of the Board of Directors

SLEC Holdings Limited, London/GB - Member of the Board of Directors

#### Scott Sperling [as of May 18, 2004]

**Co-President of Thomas H. Lee Partners, LP, Wayland/MA/USA**

Fisher Scientific International, Inc., Wilmington/DE/USA - Member of the Board of Directors

Houghton Mifflin Corp., Boston/MA/USA - Member of the Board of Directors

LiveWire Systems LLC, Wilmington/DE/USA - Member of the Board of Directors [until November 2004]

Vertis, Inc., Wilmington/DE/USA - Member of the Board of Directors

Warner Music Group, Inc. Wilmington/DE/USA - Member of the Board of Directors [as of March 2004]

Wyndham International, Inc., Wilmington/DE/USA - Member of the Board of Directors

#### Stephen G. Pagliuca [as of May 18, 2004]

**Managing Director of Bain Capital Partners LLC, Weston/MA/USA**

Ameritrade Holding Company, Omaha/NE/USA - Member of the Board of Directors [until February 2005]

Burger King Holdings, Inc., Delaware/USA - Member of the Board of Directors

Burger King Corporation, Florida/USA - Member of the Board of Directors

Epoch Senior Living, Inc., Delaware/USA - Member of the Board of Directors

Gartner, Inc., Stamford/CT/USA - Member of the Board of Directors

Instinet Group, Inc., New York/NY/USA - Member of the Board of Directors

#### Ynon Kreiz [as of October 25, 2004]

**General Partner of Benchmark Capital, London/GB [as of January 2005]**

#### Greg Dyke [as of May 7, 2004]

**Consultant, Twickenham/GB**

DGCC Ltd., London/GB - Chairman of the Board of Directors

Vine Leisure Ltd., London/GB - Chairman of the Board of Directors

Vine Development Ltd., London/GB - Chairman of the Board of Directors

## Former Members of the Supervisory Board

### Wolfgang Hartmann [until May 7, 2004]

#### Member of the Executive Board of Commerzbank AG, Kelkheim

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 2004]

Vaillant GmbH, Remscheid - Member of the Supervisory Board

### Dr. Michael Jaffé [until October 25, 2004]

#### Attorney-at-law and Insolvency Administrator of Kirch Media GmbH & Co. KGaA, München

### Hubertus Meyer-Burckhardt [until May 7, 2004]

#### Member of the Executive Board of Axel Springer AG [until June 30, 2004]

AS Venture GmbH, Berlin - Member of the Supervisory Board [until June 2004]

Bild.T-Online.de AG & Co. KG, Berlin - Member of the Supervisory Board

Sat.1 Beteiligungs GmbH, Mainz and Berlin - Member of the Supervisory Board [until June 2004]

## Executive Board

### Guillaume de Posch

#### Chairman [as of May 1, 2004]

Euvia Media Verwaltungs AG, Ismaning - Member of the Supervisory Board [as of May 2004]

### Lothar Lanz

#### Management segment: Finances, Legal Affairs & Human Resources

Siltronic AG, München, Member of the Supervisory Board [as of May 2004]

### Peter Christmann [as of January 1, 2004]

#### Management segment: Sales & Marketing

IP Multimedia [Schweiz] AG, Küsnacht/Switzerland - Member of the Board of Directors [until March 2004], Associate Member of the Board of Directors [as of April 2004]

Sat.1 [Schweiz] AG, Zürich/Switzerland - Member of the Board of Directors

[as of April 2004], Chairman of the Board of Directors [as of January 2005]

Sat.1 Privatrundfunk und -programmgesellschaft m.b.H., Vienna/Austria - Member of the Advisory Board [as of September 2004]

SevenOne Media [Schweiz] AG, Küsnacht/Switzerland - Chairman of the Board of Directors

### Hubertus Meyer-Burckhardt [as of July 1, 2004]

#### Management segment: Corporate Development, Media Policy & Regulation

AS Venture GmbH, Berlin - Member of the Supervisory Board [until June 2004]

Bild.T-Online.de AG & Co. KG, Berlin - Member of the Supervisory Board

Sat.1 Beteiligungs GmbH, Mainz and Berlin - Member of the Supervisory Board [until June 2004]

## Former Members of the Executive Board

### Urs Rohner [until April 30, 2004]

#### Former Chairman, Management segment: Television & Merchandising

Euvia Media Verwaltungs AG, Ismaning - Member of the Supervisory Board [until April 2004]

Sat.1 [Schweiz] AG, Zürich/Switzerland - Member of the Board of Directors [until April 2004]

Swiss International Air Lines Ltd., Basel/Switzerland - Member of the Board of Directors [until May 2004]

### Jürgen Doetz [until October 9, 2004]

#### Former management segment: Media Policy & Regulation

Sat.1 Privatfunk und -programmgesellschaft m.b.H., Vienna/Austria - Member of the Advisory Board [until October 2004]

## Financial Calendar

### **February 22, 2005**

Press Conference/IR Conference  
Preliminary Figures 2004

### **May 13, 2005**

Annual Meeting and Quarterly Report Q1 2005

### **August 11, 2005**

Quarterly Report Q1-Q2 2005

### **November 10, 2005**

Quarterly Report Q1-Q3 2005

## Index

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