ProSiebenSat.1 Media AG

Annual Report 2005

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

»The ProSiebenSat.1 Group logged record results for 2005. In spite of the slack market, we were able to strengthen our core business, television, even further. But our new activities in the Diversification division and the acquisition of 9Live also contributed their share to the Group's growth.«

Guillaume de Posch, Chief Executive Officerr

Content

Key Figures

Key Figures for the ProSiebenSat.1 Group

Key balance sheet figures for the ProSiebenSat.1 Group

		12/31/2005	12/31/2004	Change
Total assets	[EUR m]	2,016.6	2,059.2	-2%
Shareholders' equity	[EUR m]	1,187.7	1,004.1	18%
Liabilities	[EUR m]	772.2	995.7	-22%
Equity ratio		59%	49%	20%
Pre-tax return on equity		30%	22%	36%
Programming assets	[EUR m]	1,057.5	1,109.9	-5%
Programming assets of total assets		52%	54%	-4%
Net financial debt incl. bond	[EUR m]	227.2	278.7	-18%

Key cash flow figures for the ProSiebenSat.1 Group

		2005	2004	Change
Cash flow	[EUR m]	1,210.2	1,114.8	9%
Cash flow from operating activities	[EUR m]	1,165.8	1,056.4	10%
Cash flow from investing activities	[EUR m]	-1,095.7	-933.7	-17%
Free cash flow	[EUR m]	70.1	122.8	-43%
Cash flow from financing activities	[EUR m]	-252.6	110.1	-329%

Key figures for ProSiebenSat.1 Group

		2005	2004	Change
Revenues	[EUR m]	1,989.6	1,834.6	8%
Gross profit	[EUR m]	714.4	569.1	26%
Operating profit	[EUR m]	383.7	286.2	34%
Financial loss	[EUR m]	-33.0	-68.7	52%
Pre-tax profit	[EUR m]	350.7	217.5	61%
Consolidated profit for the year	[EUR m]	220.9	133.6	65%
EBITDA	[EUR m]	418.5	321.3	30%
EBIT	[EUR m]	382.7	285.2	34%
EBITDA margin		21%	18%	17%
Pre-tax profit margin		18%	12%	50%
Programming investments	[EUR m]	907.3	923.4	-2%
Depreciation and amortization of intangible assets and property, plant and equipment	[EUR m]	34.8	35.1	-1%
Personnel expenses	[EUR m]	212.6	200.6	6%
Employees*		2,788	2,699	3%

* Averaging full-time equivalent jobs

Key Figures for the ProSiebenSat.1 Group

		2005	2004	Change
Segment Free TV				
Total revenues	[EUR m]	1,860.0	1,757.1	6%
External revenues	[EUR m]	1,811.1	1,721.9	5%
Operating profit	[EUR m]	353.6	267.0	32%
EBITDA	[EUR m]	379.0	299.0	27%
Employees*		2,473	2,438	1%
Key figures by station				
Sat.1				
Total revenues	[EUR m]	830.9	773.9	7%
Pre-tax profit	[EUR m]	161.0	89.7	79%
EBITDA	[EUR m]	161.3	97.8	65%
Employees*		224	223	- / -
ProSieben				
Total revenues	[EUR m]	751.7	749.9	- / -
Pre-tax profit	[EUR m]	167.1	175.1	-5%
EBITDA	[EUR m]	165.6	175.5	-6%
Employees*		259	252	3%
kabel eins				
Total revenues	[EUR m]	223.3	192.9	16%
Pre-tax profit	[EUR m]	47.0	27.3	72%
EBITDA	[EUR m]	46.6	26.5	76%
Employees*		47	46	2%
N24				
Total revenues	[EUR m]	83.0	73.2	13%
Pre-tax profit	[EUR m]	9.4	1.8	422%
EBITDA	[EUR m]	10.0	2.8	257%
Employees*		161	155	4%
Key figures for Diversification				
Segment Transaction TV (June to December)				
Total revenues	[EUR m]	54.9	- / -	- / -
External revenues	[EUR m]	54.0	- / -	- / -
Operating profit	[EUR m]	8.0	- / -	- / -
EBITDA	[EUR m]	14.0	- / -	- / -
Employees*		64	- / -	- / -
Segment Other Diversification				
Total revenues	[EUR m]	135.0	119.2	13%
External revenues	[EUR m]	124.5	112.7	10%
Operating profit	[EUR m]	21.5	18.8	14%
EBITDA	[EUR m]	25.1	22.1	14%
Employees*		251	261	-4%

* Averaging full-time equivalent jobs

2005 at a Glance

ProSiebenSat.1 Media AG launches new Web site
ProSiebenSat.1 Media AG took its new Web site online on January 12. At www.prosiebensat1.com, interested readers can find out anything worth knowing about the Group – facts and figures about the Company and its subsidiaries, press releases, photos and even a corporate trailer. A clear structure and user-friendly navigation make it easy for journalists, analysts, shareholders and anybody else who's interested to find out what they want to know.

ProSiebenSat.1 Welt – "Welcome home"
On February 22, Bavarian Minister-President Edmund Stoiber pushed the button for "ProSiebenSat.1 Welt," launching the world's first German commercial TV station for viewers outside Germany. Pay TV channel ProSiebenSat.1 Welt is available in the United States via satellite platform Dish Networks. It shows current news from Germany, films, series, comedies, magazine shows and variety shows from the German family of stations – not to mention two live Bundesliga soccer matches every week. The station targets the roughly one million German-speaking viewers who live in the USA. Its two managing directors are Hans Fink and Jan Frouman.

ProSiebenSat.1 TV also available on cell phones and computers
In March the Group joined a variety of partners for a large-scale advance into mobile television. In a new cooperative venture with Vodafone, SevenOne Intermedia, the Group's multimedia subsidiary, took to the UMTS waves with Sat.1 mobile, ProSieben mobile, N24, a weather channel and "Verliebt in Berlin." Five mobile TV channels are on the air via T-Mobile – ProSieben, Sat.1, Best of Comedy, weather, and "Verliebt in Berlin."

In yet another strategic cooperative venture, the "We Love To Entertain You" cell phone was developed with O2. This innovative device, including an exclusive mobile entertainment package from ProSieben, has been available since November.

ProSiebenSat.1 Group programming is also available on DSL. T-Online offers a large number of in-house productions from ProSiebenSat.1 for downloading via video on demand.

Annual Shareholders' Meeting
The Annual Meeting of the shareholders of ProSiebenSat.1 Media AG was held on May 13. All resolutions moved were carried unanimously. 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 re-elected Vice-Chairman. Tony Ball and Steven Rattner resigned their seats on the Board and were succeeded by new members Joshua Steiner and Arieh Saban.

Takeover of Euvia Media AG & Co. KG
Effective June 1, ProSiebenSat.1 Media AG took over full ownership of Euvia Media AG. For this it acquired the remaining 51.6 percent of the company from H.O.T. Networks GmbH i. L. and Christiane zu Salm. Euvia Media AG operated as a management and investment holding company for transaction television. It ran the interactive entertainment channels 9Live, Germany's first quiz channel, and sonnenklar TV, which specializes in travel sales. Quiz station 9Live was subsequently integrated into ProSiebenSat.1 Media AG's Diversification segment. Because it had so little synergy with the rest of the Group, travel station sonnenklar TV was sold as of October 1 to BigXtra Touristik GmbH, a low-cost tour operator.

"Verliebt in Berlin" was 2005's most successful telenovela on German television, with viewership still rising steeply. An average of 5.03 million "ViB" fans over the age of 3 agonized along with the soap opera's heroine. Viewers will be able to fret until late summer 2006 about whether David (M. Künzler) and Lisa (A. Neldel) will finally get together as a couple.

Tender offer by Axel Springer AG

On August 5, Axel Springer AG and P7S1 Holding L.P., the majority shareholder of ProSiebenSat.1 Media AG, signed a share purchase agreement for the acquisition of all common and preferred stock of ProSiebenSat.1 Media AG held directly or indirectly by P7S1 Holding. The takeover was planed to boost Axel Springer AG's indirect stake in ProSiebenSat.1 Media AG to 100 percent of the voting common stock, and 25 percent of the nonvoting preferred stock. Additionally, on September 16, Springer made a voluntary public cash tender offer to preferred shareholders of ProSiebenSat.1 Media AG, at EUR 14.11 per preferred share. The acquisition of a majority interest by Axel Springer AG was subject to approval by antitrust and media regulators. On February 1, 2006, Axel Springer AG cancelled the intended takeover of ProSiebenSat.1 Group.

HDTV launched at Medientage München 2005

On October 26, as part of the Medientage München media event in Munich, Bavarian Minister-President Edmund Stoiber launched the new HDTV television standard in Europe. The ProSiebenSat.1 Group is the continent's first TV corporation to use the new high-resolution broadband format, and its two channels Sat.1 HD and ProSieben HD will be broadcasting in HDTV alongside the previous standard format. The new standard has twice the lines of resolution of conventional analog or digital TV, making picture quality so vivid that the image on the screen seems almost three-dimensional. Both HD stations are available via the ASTRA satellite system.

ProSieben gets new Chief Executive

In December, Andreas Bartl, 42, was named the new managing director of ProSieben. He succeeded Dejan Jocic, 33, who left the Company. Bartl had been in charge at kabel eins since October 2000, and the station had performed extremely well under his guidance. His goal is to strengthen and develop even further ProSieben's unique position as the premium brand for young entertainment.

Record audience share in 2005

In 2005 the Group's four stations earned their best audience shares in five years. Sat.1, ProSieben, kabel eins and N24 earned a combined 30.3 percent share in the 14 to 49 key target group, compared to 29.4 the year before.

Dear Shareholders,

There was not a great deal of movement in the German TV advertising market in 2005. German consumers chose to save rather than spend money. So consumer spending, one of the most important engines of the German economy, stagnated. This may well have been why companies' net expenses for television advertising also grew little or not at all from the year before.

Despite these adverse economic conditions, I am pleased to announce the best results the ProSiebenSat.1 Group has ever achieved. Let me briefly list the main features of our business performance in 2005.

- EBITDA was up 30 percent, to EUR 418.5 million, while costs remained almost stable.
- Our pre-tax profit was up 61 percent, to EUR 350.7 million, due in part to the increase in revenues, but also to an improvement in net financial expenses.
- Revenue grew 8.4 percent, to EUR 1.99 billion. Contributions here came from both the core business in television and our Diversification division. The acquisition of full ownership of quiz channel 9Live also shows up here. The station has been fully consolidated since June 1, 2005.
- EBITDA margin was 21.0 percent, up 3.5 percentage points from the previous year.
- Earnings per preferred share climbed 59 percent, to EUR 1.02.
- The price of our preferred stock was up 21.0 percent from a year earlier. At year's end, ProSiebenSat.1 stock was listed at EUR 16.35.

These successes would have been impossible without the dedication and creativity of ProSiebenSat.1 Group staff. On behalf of the Executive Board, I want to thank our employees warmly for their achievements last year.

In February, Axel Springer AG announced that they were abandoning their plans to acquire a majority interest in the ProSiebenSat.1 Group. Axel Springer would have been a good solution for our Group. But we are also superbly positioned to succeed on our own, as is confirmed not least of all by the figures from 2005. The ProSiebenSat.1 Group will continue to evolve and take advantage of growth opportunities on its own steam.

Our core business is and will still be free-to-air television. Last year's above-average revenue performance in the core business is a direct consequence of our stations' increasing popularity. Sat.1, ProSieben, kabel eins and N24 closed out the year with a combined share of 30.3 percent of the 14-to-49 key demographic – a five-year record high.

In 2005 we generated about 91 percent of our revenues in the television business. The 2004 figure was 95 percent. And though we do want to increase other business activities over the long term, our core business will still be our main focus of attention. We can be very happy with the overall performance of our stations in 2005 – though not with the individual performance of ProSieben. For that reason, at the end of last year we appointed a new management at ProSieben, to strengthen the station's position as a premium brand for top entertainment. We expect that the channel's audience shares will begin rising in the foreseeable future.

We will also draw on our innovative strength in 2006. Our aim is always to provide viewers with the best entertainment and the latest information. Our stations have adopted the ambitious goal of earning an audience share of about 30 percent, even though public television will be carrying the Winter Olympics and the soccer World Cup. We have many new programming ideas for this year, and I'm confident we'll succeed.

Last year we grew not only in our core business in television, but also in our Diversification division. This is

Guillaume de Posch
CEO of ProSiebenSat.1 Media AG

where we pool all business models that do not have to do directly with TV advertising. We achieved organic growth through activities in new media like the Internet, through mobile services and added-value telephone services, and through proceeds from the sale of ancillary rights in licensing and merchandising. Our principle is to make the most of the strengths of television as a mass medium, and of our strong Free TV brands, to provide a springboard for new services. Acquisitions, most importantly the acquisition of the transaction TV station 9Live, also strengthened this line of business.

The contribution that 9Live was able to make toward revenues and Group profits for 2005 has already demonstrated the wisdom of our decision to make the acquisition. Besides being independent from advertising, 9Live also operates as the Group's center of competence for call TV, and thus generates additional revenues for the other stations.

Our goal is for the Diversification division to generate about 15 percent of our revenues by 2007. We will support organic growth with further acquisitions. There are two strategic reasons behind the expansion of our new business models. First, they will make the ProSiebenSat.1 Group less dependent on the TV advertising market. Second, we must make the most of the opportunities offered by digital development, and serve new usage habits, especially among the younger generations. In the future, we will be more than just a provider of television – we'll be an electronic media firm that distributes content over all available channels.

The evolution of the digital environment is a substantial growth opportunity for the ProSiebenSat.1 Group. But to make use of it, our Company must be attuned to the new structures that are in the process of evolving even now. We worked carefully on this last year.

Early in the year, we signed agreements with the major cable operators so that our channels are now available in both digital and analog format nationwide. Agreements with DSL providers like Telefónica and T-Online ensure that our stations can reach viewers through these channels as well. The "maxdome" video-on-demand portal that we will offer jointly with United Internet will provide access to our content anywhere, anytime.

In the future we will have to serve a very wide variety of expectations: those of TV viewers, who expect attractive programming from Sat.1, ProSieben, kabel eins and N24, and those of the "new" consumers who want to be able to call up entertainment and information wherever and whenever they like.

We're already well equipped for that. We hope very much that you'll keep us company on the way toward the television of tomorrow.

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 enhancing the Company's value.
Management views responsible governance as a prerequisite for meeting the Company's obligations to shareholders, clients, employees, creditors and the public at large.
ProSiebenSat.1 Media AG fulfills nearly all of the recommendations of the German Corporate Governance Code.

Lothar Lanz
Chief Financial Officer, Legal Affairs
& Human Resources

»The ProSiebenSat.1 Group's profitability improved substantially last year – and without cost-cutting. Despite the 9Live acquisition, net financial debt is at a record low. We have moved ahead on our own power, even without help from the economy in general.«

Haim Saban
Chairman of the Supervisory Board

Report of the Supervisory Board

Ladies and Gentlemen,

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

Supervising and advising the Executive Board

During the year, the Supervisory Board performed the duties incumbent upon us under the laws, the Articles of Incorporation and the Rules of Procedure, and the German Corporate Governance Code. We took a detailed interest in the Company's affairs, and supervised and advised the Executive Board on an ongoing basis.

In performing its supervisory duties, the Supervisory Board essentially makes use of a reporting system designed to its specifications, as well as a list of actions that cannot be taken without the prior consent of the Supervisory Board or one of its committees. This approach ensures that the Supervisory Board is kept fully informed of the Company's affairs with regular, timely reports, and is always included in decisions of particular importance.

The core of the reporting system is a monthly written report prepared by the Executive Board. In addition to detailed figures on the business position and financial condition of ProSiebenSat.1 Media AG and its subsidiaries, the report also includes such information as a current analysis of the early warning indicators that are continuously recorded and analyzed as part of the risk management system. The Executive Board also reports in detail at the periodic meetings of the Supervisory Board, at which the Supervisory Board and the Executive Board discuss business performance, planning and corporate strategy at regular intervals. Wherever necessary, in addition to its monthly reports the Executive Board also reports to the Supervisory Board about current events or projects in the intervals between meetings. For actions that the Executive Board must submit for the Supervisory Board's approval, in addition to its oral explanations the Executive Board also prepares written background materials for resolutions, providing the necessary information for a decision by the Supervisory Board. As the Chairman of the Supervisory Board, I was also constantly in contact with the Executive Board, and thus kept current on the business picture and important projects. I then informed the Supervisory Board about them on a regular basis. Apart from the documentation provided to the Supervisory Board in the course of the Executive Board's reporting activities, there was no need for the Supervisory Board to examine the Company's books and other records during the year.

Decisions of the Supervisory Board and its committees are made at meetings, or, whenever necessary, outside regular meetings by conference calls or written correspondence. During the year, the Supervisory Board and its committees made decisions outside regular meetings in a total of seventeen cases. In these cases, decisions adopted by correspondence were as a rule discussed and deliberated in advance, either at a regular meeting of the Supervisory Board, or in a conference call.

Supervisory Board meetings

The Supervisory Board held four formal meetings and numerous telephone conferences during the year. Discussions focused chiefly on taking over full ownership of Euvia Media AG & Co. KG, the planned transaction with Axel Springer AG, and further ways and means of optimizing costs and pursuing new growth opportunities for the Company. At several meetings we dealt in depth with how to increase the Company's revenues from lines of business outside commercial television. In addition to diversification, discussions also addressed the positioning of the ProSiebenSat.1 Group in the digital environment.

The principal focus at the March 23 meeting was the financial statements for the AG and the Group for fiscal 2004. We discussed the Declaration of Compliance, the efficiency of the work of the Supervisory Board, long-term succession planning for management, and the compensation of the Executive Board, along with the reporting of that compensation. The takeover of full ownership of Euvia Media AG & Co. KG was another topic of discussion.

The Supervisory Board held the first meeting of its new term immediately after the Annual Shareholders' Meeting on May 13, 2005. Committee memberships were reassigned. This meeting reelected me as Chairman, and reconfirmed Adam Chesnoff as Vice-Chairman. The other principal item of discussion at the meeting was the integration of Euvia Media AG & Co. KG.

The meeting of September 28 dealt in detail with the planned takeover of a majority of ProSiebenSat.1 Media AG by Axel Springer AG, together with the prospects for a joint corporation.

The meeting of December 7 dealt with the 2006 budget and the regulatory proceedings concerning the planned Axel Springer transaction from the viewpoints of antitrust and media-concentration law.

Stephen Pagliuca participated in less than half of the meetings of the Supervisory Board for private reasons.

Conflicts of interest

In advance of the meeting of October 12, 2004, Albert Dobron Jr. informed me that Providence Equity Partners had taken over an indirect interest in Kabel Deutschland GmbH (KDG). Providence holds an indirect interest in our Company, and Mr. Dobron is a principal of Providence. This situation was still unchanged in 2005. Because ProSiebenSat.1 Media AG has business relations with KDG, Mr. Dobron recused himself from any deliberations of the Supervisory Board regarding the technical distribution of ProSiebenSat.1 Media AG programs via cable or satellite, and regarding negotiations with the various operators. Mr. Dobron also received no documents on these subjects. Nor did Mr. Dobron participate in ProSiebenSat.1 Media AG's discussions and decisions regarding an offer for First Bundesliga soccer broadcast rights; KDG was also a bidder on those rights.

As part of the complete takeover of Euvia Media AG & Co. KG, ProSiebenSat.1 Media AG acquired, in particular, the interest in Euvia Media AG & Co. KG indirectly held by IAC/InterActiveCorp. When the Supervisory Board first discussed the transaction, Steven Rattner expressly pointed out that he is also a member of the Board of Directors of IAC/InterActiveCorp. and, thereafter, until execution of the respective contracts in March 2005, he did not actively participate in the consultations of the Supervisory Board regarding the transaction.

Before the Supervisory Board meeting of December 7, Greg Dyke informed me that he had a potential conflict of interest as a consultant for Apax, one of KDG's shareholders. He did not participate in any deliberations on distribution matters or Bundesliga soccer, and also received no documentation.

Before the Supervisory Board addressed cooperation agreements or license agreements with MGM and Warner in March and May 2005, members John Connaughton, Albert Dobron Jr., Seth Lawry, Stephen Pagliuca, Scott Sperling and Steven Rattner informed me that the companies they represent hold interests in Warner or MGM. Bain Capital, Quadrangle, Providence, and Thomas H. Lee hold indirect interests in ProSiebenSat.1 and in the other potential contract partners. These individuals received no documentation on the planned transactions, and did not participate in either the deliberations or the decisions.

To avert potential conflicts of interest in the Supervisory Board's reasoned opinion on Axel Springer AG's tender offer, the Supervisory Board formed a Reasoned Opinion Committee consisting of three members to discuss and adopt a decision on the opinion. Conflicts of interest possibly would have resulted from various Board members' connections with Axel Springer AG or its contract partner, P7S1 Holding L.P. The Reasoned Opinion Committee comprised Greg Dyke, Ynon Kreiz and Arieh Saban.

The work of the Committees

The Supervisory Board had four committees during the year: the Presiding Committee, the Audit and Finance Committee, and a new Distribution Committee, as well as the simply temporarily established Reasoned Opinion Committee for the resolution of the reasoned opinion on Axel Springer AG's tender offer.

The Presiding Committee comprises the Chairman and Vice-Chairman of the Supervisory Board and six more members. This Committee is chaired by the Chairman of the Supervisory Board. Its brief is to prepare and coordinate meetings of the Supervisory Board, and it also serves as a personnel committee. It additionally deals with acquiring programming rights and other matters of particular business significance that are subject to its consent. The Committee met four times in 2005. It dealt primarily with the remuneration of the Executive Board and other personnel matters, as well as the acquisition of programming rights.

The Audit and Finance Committee deals specifically with matters of accounting and risk management, the requisite independence of the independent auditor, engaging the independent auditor's services, identifying points of emphasis for audits, and agreeing on fees with the independent auditor. Additionally, its consent is also required for certain management measures. The Audit and Finance Committee met five times during the year, has four members, and is chaired by the Vice-Chairman of the Supervisory Board.

The Distribution Committee has three members. It is chaired by the Chairman of the Supervisory Board, and advises the Supervisory Board on matters concerning the technical distribution of programming, besides preparing for the Supervisory Board's decisions in this area. There was no need for this committee to meet in 2005.

The three-member Reasoned Opinion Committee for the resolution of the Supervisory Board's reasoned opinion on Axel Springer AG's tender offer met once.

The Supervisory Board was informed about the Committees' work regularly and in full, at its plenary sessions.

Corporate governance and Declaration of Compliance

In accordance with Item 3.10 of the German Corporate Governance Code, this Annual Report includes a report from the Executive Board and Supervisory Board on corporate governance at ProSiebenSat.1 Media AG during fiscal 2005. We issued our latest joint Declaration of Compliance pursuant to Sec. 161 of the German Stock Corporations Act (AktG) in March 2006. The Declaration is made permanently available to shareholders on the Company's Web site.

Audit of the AG and Group financial statements

The 2005 financial statements of ProSiebenSat.1 Media AG and the consolidated financial statements of the Group, together with the management report 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 consolidated financial statements and consolidated management report meet the requirements for exemption from the obligation to prepare financial statements under the German Commercial Code. The independent auditor has confirmed that the Executive Board has introduced 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, following its own examination, also 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, as well as the management reports for both the parent company and the consolidated Group. The annual financial statements were thereby adopted. We have furthermore reviewed and concur with the Executive Board's proposal for the utilization of profits. The proposal, to be submitted to the Annual Meeting, suggests a dividend of EUR 0.44 per share of preferred stock, and EUR 0.42 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 relationships with affiliated enterprises during fiscal 2005. 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 in the report is accurate,
2. In the legal transactions mentioned in the report, the consideration paid by the Company was not inappropriately high."

The Supervisory Board's own review of the report likewise revealed no cause for objection. The Supervisory Board concurs therefore with the results of the auditor's review. In accordance 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 the report on relationships with affiliated enterprises.

Members of the Supervisory Board

Anthony Ball resigned from the Supervisory Board as of April 23, 2005. Steven Rattner resigned as of the end of the Annual Shareholders' Meeting on May 13, 2005. The Shareholders' Meeting on that date elected Joshua Steiner and Arieh Saban as new members.

On behalf of the Supervisory Board, I would like to thank all of the Board's members who left us during the year. I also want to thank the Executive Board of the ProSiebenSat.1 Group, the management of our subsidiaries, and all of our employees for this successful year and for their extraordinary commitment to this Company.

Unterföhring, March 2006

On behalf of the Supervisory Board

Haim Saban

Corporate Governance Report of ProSiebenSat.1 Media AG

Corporate management and compliance structure

During the year, the Company dealt in detail with the implications of the Corporate Governance Guidelines for management and for communications with the capital market. The Compliance Officer saw that regulations were implemented.

Cooperation between the Executive Board and Supervisory Board

The Executive Board works closely with the Supervisory Board, and in particular informs the latter board regularly, promptly and comprehensively on all relevant matters of strategy, planning, business performance, financial condition, earnings and risk management. Major decisions by the Executive Board are subject to the approval of the Supervisory Board. The Supervisory Board met formally four times in 2005. It also held a number of telephone conferences.

Declaration of Compliance

In March 2006, ProSiebenSat.1 Media AG issued its latest Declaration of Compliance in conformity with Sec. 161 of the Stock Corporations Act, regarding the recommendations of the German Corporate Governance Code.

Thus, since the latest Declaration of Compliance dated March 2005, ProSiebenSat.1 Media AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code, in its version dated May 21, 2003, resp. as of its validity in its version dated June 2, 2005, with the following exceptions:

- The Executive Board has abstained from publishing all documents which had to be made available on the occasion of the ordinary Annual Shareholders' Meeting of the Company in May 2005, also on the company's Internet site (Item 2.3.1). Due to the volume of the documents and reports which had to be made available in connection with the various company agreements with affiliated companies, only the invitation to the Annual Shareholders' Meeting and the business report, including the imprinted documents related to the annual statement, have also been published on the Company's Internet site.

- The Executive Board of the Company has not appointed a proxy to exercise the shareholders' voting rights as directed (Item 2.3.3). There is no need for such a proxy at present because of the current shareholder structure and the small number of voting shareholders.

- The D&O insurance policies the Company has taken out for the Executive Board and the Supervisory Board do not provide for a deduction (Item 3.8), since agreeing to a deductible would not materially reduce the insurance premiums. Furthermore, by virtue of their offices, the Executive Board and the Supervisory Board are already acting responsibly and in the Company's best interest. They do not regard a deductible as an effective way of enhancing board members' motivation or sense of responsibility.

- The Company has decided not to publish the compensation of the members of the Executive Board in an individualized manner (Item 4.2.4). ProSiebenSat.1 Media AG feels that disclosing these individuals' salaries would intrude upon their personal rights 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 to benefit from the expertise of experienced Supervisory Board members.

- The stock option plan approved by the Annual Shareholders' Meeting in May 2005 as part of the authorization for the acquisition of treasury stock provides only for incentive targets relating to the stock trading price of the Company. Additional comparison parameters relating to Company key figures (Item 4.2.3.) have not been included since comparable domestic or foreign companies currently do not exist due to the specific conditions of the German TV advertising market.

- Due to the first-time consolidation of Euvia Media AG & Co. KG as of June 1, 2005, the publication of the interim report 2005 exceptionally took place only after expiration of the time limit set by the German Corporate Governance Code (Item 7.1.2.).

Subject to the above provisos, ProSiebenSat.1 Media AG intends to continue complying with the recommendations of the Government Commission of the German Corporate Governance Code in its version dated June 2, 2005, in the future; furthermore, henceforth also the recommendation of Item 2.3.1 and Item 7.1.2 shall be complied with.

All previous Declarations of Compliance are available at the company's Web site under Corporate Governance.

Compensation structure for the Executive Board

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 Board members' rights and duties, including their compensation. The current compensation system (status March 2006) for the members of the Executive Board of ProSiebenSat.1 Media AG includes the following fixed salary components and variable components dependent on the attainment of certain results.

- 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.
- Following approval by the Shareholders' Meeting on May 13, 2005, the Company adopted a stock option plan with a long-term incentive effect (the Long-term Incentive Plan) for members of the Executive Board and other management. Thus ProSiebenSat.1 Media AG can provide the Executive Board members with an additional incentive to enhance the shareholder value of the ProSiebenSat.1 Group. Under the stock option plan, a total of up to 7.5 million options are to be issued in several annual segments to beneficiaries, among them the members of the Executive Board. In May 2005 a total of 710,061 stock options were issued to the members of the Executive Board under the stock option plan. Note (39) provides the details of the stock option plan.
- The Supervisory Board has also signed pension benefits agreements with the members of the Executive Board.

The compensation system is designed in such a way that the compensation paid to each Board member is appropriate for their own area of work and responsibility, and is also competitive with respect to the compensation paid to the senior executives of other companies, including non-German companies. It is designed to ensure that the Company will remain competitive, 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 paid to each member of the Executive Board. However, as before, 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. Information about the compensation structure is published on the Company's Web site.

Expenses for the Supervisory Board

Expenses for the Supervisory Board of ProSiebenSat.1 Media AG came to EUR 842 thousand in the year under review (previous year: EUR 261 thousand). 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 842 thousand for the Supervisory Board included a variable component of EUR 356 thousand. The compensation paid individually to current and former members of the Supervisory Board is as follows:

Former members of the Supervisory Board

in EUR k	Fixed components	Variable components	Total
Ball, Anthony F.E.	4	16	20
Hartmann, Wolfgang	- / -	9	9
Jaffé, Dr. Michael	- / -	20	20
Meyer-Burckhardt, Hubertus	- / -	9	9
Rattner, Steven G.	5	16	21

Current members of the Supervisory Board

in EUR k	Fixed components	Variable components	Total
Saban, Haim	42	50	92
Chesnoff, Adam	43	38	81
Connaughton, John P.	50	25	75
Dobron jr., Albert J.	35	16	51
Döpfner, Dr. Mathias	21	25	46
Dyke, Greg	19	16	35
Healy, Patrick J.	34	25	59
Kreiz, Ynon	19	5	24
Lawry, Seth W.	53	25	78
Nienhaus, Christian	23	16	39
Pagliuca, Stephen G.	28	16	44
Powers, Brian M.	35	16	51
Saban, Arieh	11	- / -	11
Sperling, Scott	42	16	58
Steiner, Joshua	19	- / -	19

Transparent communication with the capital market

At the Company's Web site at www.ProSiebenSat1.com, investors can find all important information about the Company's 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 will be published for the Annual Shareholders' Meeting. The Corporate Governance section of the Web site offers an up-to-date overview of the Company's implementation of the Corporate Governance Code.

Corporate Sponsorship

Act, don't protract

ProSiebenSat.1 Media AG pursues all its corporate sponsorship activities under the slogan "Act, don't protract." The objective is to encourage personal initiative and knowledge transfers. The Group sponsors projects in social welfare, culture and education. Its individual stations and subsidiaries conduct their own sponsoring projects under their own brands.

Red Nose Day 2005

Held every other year for almost 20 years, Red Nose Day has been the United Kingdom's most successful charity drive, in which millions of participants invent fun and funny ways to raise money for worthy causes. ProSieben brought the idea to Germany, and sponsored it for the third time in 2005. A TV show with a high-powered cast, combined with sales of customized merchandise, raised more than EUR 3 million. The proceeds went to Kindernothilfe e.V., Children for a better World e.V., and Offroadkids e.V. in Germany, as well as Comic Relief in the UK. Total donations for the first three years have come to more than EUR 7 million.

Sat.1: EUR 10.5 million for tsunami victims

On December 26, 2004, a huge tidal wave devastated large areas of South India, Sri Lanka and Southeast Asia. Hundreds of thousands died. Within a few days, Sat.1 had organized the "Deutschland hilft" charitable gala, which was held on January 4, 2005, and brought in the most donations in German television history up to that date: more than EUR 10 million.

"Sat.1 Talents"

Sat.1 is also involved in other sponsoring projects. Aside from the "Building Hope" program for the children's charity SOS-Kinderdörfer, the station has also taken a strong interest in encouraging talented young people. The "Sat.1 Talents" program covers comedy, screenwriting, directing, acting and producing. In fact the "First Steps" director's prize, co-sponsored with Mercedes-Benz, Constantin Film, Spiegel TV and teamWorxs, has become known as the "German Oscar" for the upcoming generation of media professionals.

"startsocial – Hilfe braucht Helfer"

Since 2001, ProSiebenSat.1 Media AG has cooperated with the consulting firm McKinsey & Company and other partners from the business community to conduct the "startsocial – Hilfe braucht Helfer" project. The project's patron in 2005 was German Chancellor Gerhard Schröder.

This is a competition based on the idea that every social welfare project has a need for management know-how. Social welfare projects are eligible to enter. The prize is professional coaching from experts from the business community. In this way, business can make a constructive and credible contribution toward the evolution of civil society in Germany.

Now in its fifth year, the competition attracted more than 550 applicants, showing yet another significant rise in interest. The prize will be awarded in Berlin early in 2006.

"Du bist Deutschland"

The "Du bist Deutschland" campaign was launched on September 26, 2005 – the largest social marketing campaign in the Federal Republic's history. ProSiebenSat.1 Media AG and other media corporations supported the campaign with donated media services worth more than EUR 30 million. The citizenship campaign has the goal of establishing a new mood of confidence among the German public.

Television can carry this message with special credibility and emotional impact. ProSieben comic Oliver Pocher was among the 30 celebrities from culture, sports, the media and society who provided testimonials. The campaign was launched with a unique TV event: A two-minute TV spot was shown almost simultaneously on the stations of every participating media corporation.

Group Management Report of ProSiebenSat.1 Media AG

Business Report

The ProSiebenSat.1 Group had a very successful fiscal 2005. In spite of a slow TV advertising market and plans for a takeover by Axel Springer, the Company was still able to keep its focus on doing business: revenues rose and profits set a new record.

The first season of the Emmy Award-winning premium series "Desperate Housewives" attracted as many as 2.9 million viewers in the key demographic (ages 14 to 49). What happens next on "Desperate Housewives"? Viewers can find out when the second season opens on ProSieben in fall 2006.

The ProSiebenSat.1 Share

A dynamic year for the stock markets in 2005

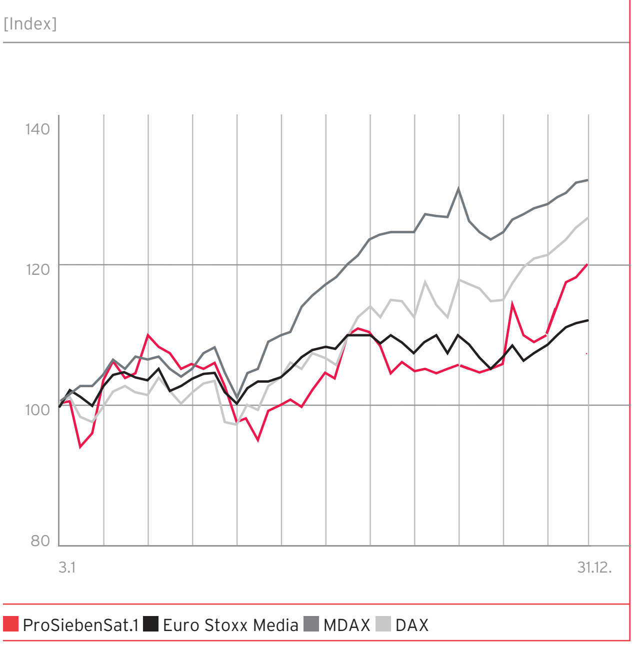
The stock market picked up momentum vigorously over the course of the year. Stock price charts reflected good corporate earnings, positive prospects for exports because of the lower euro price, and a slowly regaining economic outlook. On December 30, 2005, the DAX closed at 5,408, up approximately 27.1 percent from 4,256 at the end of 2004. The MDAX closed out the year at 7,311 points, up 36.0 points from December 30, 2004. The Euro Stoxx Media index gained only 13.3 percent.

ProSiebenSat.1 stock significantly outperformed the Euro Stoxx Media, gaining 21.1 percent against the last trading day of 2004. The stock had dipped briefly to slightly less than EUR 13 in May after the announcement of first-quarter results, and because of lower expectations for the TV advertising market overall in 2005. But then takeover speculation caused it to revive in June 2005, and it closed out the first half at EUR 14.23. In August and September the price was largely determined by the August 5 announcement of the planned takeover by Axel Springer AG, and by the cash tender offer of EUR 14.11 per preferred share. The uptrend in the advertising market in the second half and a successful third quarter for the Group, as well as a positive outlook for the fourth quarter, helped push the price up even higher at the end of the trading year, and the stock closed at EUR 16.35 in Xetra trading on December 30.

ProSiebenSat.1 stock: Key figures

		2005	2004
Share capital	EUR	218,797,200	218,797,200
Number of preferred shares at reporting date	Units	109,398,600	109,398,600
Number of common shares at reporting date (unlisted)	EUR	109,398,600	109,398,600
Market capitalization at end of fiscal year (incl. common shares)	EUR m	3,577	2,954
Close (XETRA)	EUR	16.35	13.50
High (closing price XETRA)	EUR	16.35	17.10
Low (closing price XETRA)	EUR	12.80	12.19
Dividend per preferred share	EUR	0.44	0.30
Total dividends	EUR m	94.1	63.5
Dividend yield on basis of closing price	Percent	2.7	2.2
Trading volume in Germany (average shares per day)	Units	442,330	570,212

ProSiebenSat.1 share: Price performance in 2005



Basis: Xetra closing quotes. An index of 100 = January 3, 2005.
Source: Bloomberg

During the period under review, a total of 113.7 million shares of ProSiebenSat.1 Media AG were traded over the Xetra trading system – equivalent to an average trading volume of about 442,330 shares per day.

In-depth contact with investors and analysts

ProSiebenSat.1 Media AG views Investor Relations as a tool for establishing a fair valuation of the Company on the capital market. The key factor is to provide investors and analysts with all necessary information professionally.

In 2005 the ProSiebenSat.1 Group again expanded its investor communications efforts. The Company presented at 14 international investor conferences. In 14 road shows in Europe and the United States, institutional investors had an opportunity to pose questions to the Executive Board and the Investor Relations team at almost 200 meetings. The Executive Board and the IR team reported on current developments at the ProSiebenSat.1 Group in just under 80 additional investor meetings, some 40 analysts' meetings and a large number of conference calls. In addition to regionally oriented activities emphasizing the United Kingdom, the United States and Germany, the Company expanded on its contacts in Switzerland and Scandinavia.

See: www.prosiebensat1.com/investor_relations/

»The new management has in the last two years been able to restructure the company successfully and regain advertising market share.«

Filippo Lo Franco, Exane BNP Paribas

ProSiebenSat.1 stock: Basic information

Name	ProSiebenSat.1 Media AG
Type of stock	No-par bearer shares of preferred stock
Trading segment	Prime Standard/Official Trading
Sector	Media
ISIN	DE0007771172
Xetra symbol	PSM
Reuters	PSM_p.F
Bloomberg	PSM3_GR
Designated Sponsors	Deutsche Bank, BHF-Bank AG

Management's Proposed Allocation of Profits

At the Annual Shareholders' Meeting, 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 333.9 million, the Board will propose to pay a dividend of EUR 0.42 per no-par common share and EUR 0.44 per no-par preferred share. This is equivalent to a total distribution of EUR 94.1 million, or a payout ratio of 49.5 percent of the year's net profit of ProSiebenSat.1 Media AG. Referred to the price of EUR 16.35 per preferred share on December 31, 2005, this is equivalent to a dividend yield of 2.7 percent.

ProSiebenSat.1 Stock: Index figures

[Index]	Weighting (December, 31, 2005)
Euro Stoxx Media	1.03%
MDAX	1.3936%
MIDCAP	1.1361%
PRIMEALL	0.1472%
CLASSICALLSHARE	0.9533%
CDAX	0.1483%
HDAX	0.1546%

Ownership Structure of ProSiebenSat.1 Media AG

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, directly or indirectly holds 88.0 percent of the Company's common stock and 13 percent of the preferred stock. It holds 50.5 percent of the share capital. Axel Springer AG holds 12.0 percent of the share capital. 37.5 percent of the share capital is free float.

Third-party Transactions

In the year under review, ProSiebenSat.1 Media AG did not engage in any legal transactions involving third parties initiated by or in the interest of German Media Partners L.P., or any businesses affiliated with that company. No measures subject to reporting under Sec. 312 of the Stock Corporations Act were either taken or omitted. In each legal transaction entered into with its subsidiaries during the year, ProSiebenSat.1 Media AG agreed upon fair consideration within the meaning of Sec. 312 of the Stock Corporations Act, and also received such consideration insofar as performance was required during the year under review.

Planned Takeover of the ProSiebenSat.1 Group by Axel Springer AG Canceled

On August 5, 2005, Axel Springer AG announced to the public that it would be taking over ProSiebenSat.1 Media AG. Axel Springer AG signed an agreement with P7S1 Holding L.P., the current majority shareholder of ProSiebenSat.1 Media AG, for the acquisition of all common and preferred stock of ProSiebenSat.1 Media AG held directly or indirectly by P7S1 Holding. After the agreement was consummated, Axel Springer AG would have held all common stock of ProSiebenSat.1 Media AG, and 25 percent of the nonvoting preferred stock. In all, Axel Springer AG would then have held 62.5 percent of ProSiebenSat.1 Media AG's share capital, plus any shares brought in through the tender offer. The contract was subject to approval of the transaction by the antitrust authorities and media regulators.

Axel Springer AG and P7S1 Holding agreed on a price of EUR 23.37 for common stock.

Tender offer by Axel Springer AG

Under Germany's Securities Acquisition and Takeover Act (WpÜG), Axel Springer AG was obligated to make a public cash tender offer to the shareholders of ProSiebenSat.1 Media AG. In a voluntary public tender offer, the corporation offered the minimum price required by law, EUR 14.11 per preferred share (WKN 777117, ISIN DE0007771172) in cash, with two acceptance periods (September 16 through October 14, 2005, and October 21 through November 3, 2005). This amount was equivalent to the preferred stock's weighted average trading price of the three months prior to August 5, 2005.

Ownership structure of ProSiebenSat.1 Media AG

Axel Springer AG	P7S1 Holding L.P.	Streubesitz
12.0 % Common stock	88.0 % Common stock	0.0 % Common stock
12.0 % Preferred stock	13.0 % Preferred stock	75.0 % Preferred stock
12.0 % Share capital	**50.5 % Share capital**	**37.5 % Share capital**

100 %

German Media Partners L.P.			
Saban-Companies	Alpine Equity Partners	Bain Capital Investors	Hellman & Friedman
Providence Equity Partners	Putnam Investments	Quadrangle Group	Thomas H. Lee Partners

Sat.1 clearly ruled the air, as well as the airwaves, in November: 31 percent of the audience between ages 14 and 49 tuned in to watch the Sat.1 event movie "Die Luftbrücke – Nur der Himmel war frei," starring Heino Ferch, Bettina Zimmermann, Ulrich Noethen and Ulrich Tukur.

Axel Springer AG announced its decision to make the tender offer on this day. It published the tender offer on September 16, 2005.

On September 30, as prescribed by law, the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG released their respective reasoned opinions on the September 16 tender offer by Axel Springer AG, in compliance with Sec. 27 of the Securities Acquisition and Takeover Act.

In its reasoned opinion, the Executive Board concluded that the offer price of EUR 14.11 per preferred share, in cash, met the requirements of law for the minimum consideration to be offered by the offeror. In its own opinion statement, the Supervisory Board concurred in this finding. Irrespective of satisfaction of the legal requirements, however, both the Executive Board and the Supervisory Board found that the offer price was not equivalent to the full value of ProSiebenSat.1 preferred shares. Neither the Executive Board nor the Supervisory Board made a recommendation whether shareholders should accept or decline the offer.

As of the last acceptance date for the tender offer, November 3, 2005, the offer was accepted for 31.2 million preferred shares, equivalent to 28.5 percent of the preferred capital and just under 14.3 percent of the share capital of ProSiebenSat.1 Media AG. However, by November 16, 2005, preferred shareholders holding 12.8 million shares had withdrawn their acceptance of the offer. Thus, for the time being, 18.4 million preferred shares of ProSiebenSat.1 had been offered in response to Axel Springer's tender. This represented 16.8 percent of all outstanding preferred shares, and 8.4 percent of the share capital of ProSiebenSat.1 Media AG.

The tender offer was likewise subject to approval of the transaction by the antitrust authorities and media regulators.

Plans to merge ProSiebenSat.1 Media AG and Axel Springer AG

Once Axel Springer AG was to have completed its majority takeover of ProSiebenSat.1 Media AG and the tender offer had been closed, the new majority owner planned to merge the two companies. The merger would have resulted in Germany's only listed media corporation that operates in both print and TV.

The Executive Board of the ProSiebenSat.1 Group had announced its support for the project in principle. It would have opened up new strategic prospects for the Group. The two companies together would have been well positioned to assume a strong competitive position, even internationally, over the long term and to take advantage of growth opportunities, especially in the Diversification segment.

As part of the merger between ProSiebenSat.1 Media AG and Axel Springer AG, the preferred shareholders of ProSiebenSat.1 Media AG who had not accepted Axel Springer's cash tender offer would have received preferred stock in the merged company.

Axel Springer AG canceled these plans on February 1, 2005, because of problems with the antitrust authorities and media regulators.

See: Events subsequent to the reporting date, p. 50

Business Conditions

The economy: 2005 another sluggish year in Germany

The German economy saw no rebound in 2005; indeed, it did not even achieve the 1.2 percent growth rate originally projected by the IFO Institute at the beginning of the year. According to calculations from the Federal Statistical Office, real growth in gross domestic product (GDP) came to 0.9 percent, compared to 1.6 percent in 2004. After adjusting for differences caused by the calendar, the growth rate was at the same low level of 1.1 percent for both years. But the economy did pick up speed over the course of 2005. After an outright negative first quarter, conditions recovered in later quarters.

Most of the growth was generated by strong foreign demand: 0.7 percentage points of the total gain was attributable to foreign trade. Consumer spending, which accounts for some 60 percent of the German GDP and is the most important parameter for the ProSiebenSat.1 Group, stagnated in 2005, after a slight gain of 0.6 percent the year before. A sharp rise in oil prices and consumer wariness were the most critical damping factors for spending.

The industry

Small net gain in the advertising market overall

The net advertising market reflected the sluggish economy again in 2005. Germany's national advertising association, the ZAW, assumes that growth in 2005 came to 1.0 percent, following 1.6 percent in 2004. But the ZAW will not release the figures for the media's 2005 net advertising revenues until May 2006.

Net TV advertising market grows slightly

The TV market also probably showed at least a small net gain in advertising revenues for the year, thanks to a positive second half and, even more, a surprisingly strong fourth quarter. The first half of the year saw declining TV advertising revenues, but the second half made up for them. Thus 2005 is the second year of consolidation in a row for the TV advertising market. Following the crisis of 2001 through 2003, the situation at least stabilized in 2004, when the market grew 1.3 percent net, compared to a 3.7 percent net decline in 2003.

Gross statistics: TV the largest advertising medium

The gross figures from Nielsen Media Research offer no real foothold for direct conclusions about broadcasters' actual advertising revenues, since the values include not only bulk discounts and self-promotion but agency commissions as well. But these were the only figures available at press time, since the ZAW's net figures will not be released until May.

According to Nielsen Media Research, gross advertising revenues for all conventional media rose 5.3 percent in 2005, to EUR 19.1 billion. The growth rate for the fourth quarter even reached 6.9 percent, with EUR 5.8 billion.

According to the gross figures, television is the largest conventional advertising medium, with a 42 percent share. Daily newspapers, at 26 percent, are the second largest, and general-interest periodicals are third, at 20 percent. Radio accounts for 6 percent, and billboards for 3 percent. Special-interest periodicals brought in 2 percent.

Food the biggest buyer: EUR 1.5 million gross for TV advertising

At EUR 8.0 billion in gross advertising revenues, television gained 4.2 percent in 2005 against 2004. The most important industry for TV advertising was the food industry, with gross TV advertising spending of EUR 1.5 billion. Toiletries and cosmetics was second, at EUR 940 million. Gross spending on TV advertising was EUR 673 million for the beverages industry, and EUR 661 million for automotive. The biggest growth drivers were the services industry, up 20 percent, and beverages, up 8.8 percent. Office/IT/communications gained just under 6 percent, and the cleaning industry gained just under 10 percent.

The newspaper sector generated EUR 5.0 billion, up 9.9 percent. General-interest magazines were down 0.6 percent. Radio stations achieved the fastest growth rate in the advertising market overall, at 15.7 percent.

ProSiebenSat.1 Group gains additional share of the TV advertising market

The ProSiebenSat.1 Group's four channels – Sat.1, ProSieben, kabel eins and N24 – earned a combined share of 43.5 percent of the gross TV advertising market, compared to the previous year's 42.5 percent. Thus SevenOne Media, the Group's TV marketing company, was able to pick up a full percentage point. IP Deutschland, the marketer for the stations RTL, Vox, Super RTL and n-tv, brought in 37.3 percent, and thus lost 0.4 percentage points. RTL II earned 6.2 percent, losing 0.3 percentage points against the year before.

The ProSiebenSat.1 Group's gross advertising revenues were EUR 3.502 billion, up 6.7 percent. Among all German TV broadcasters, stations Sat.1 (20.1%) and ProSieben (17.2%) held the second- and third-largest shares of the television advertising market. Sat.1 in particular expanded its share of the advertising market substantially against the year before, adding 1.5 percentage points. The Group's fourth quarter was especially successful. In that quarter alone, all four stations together brought in EUR 1.140 billion, a gain of 12.3 percent.

Riding the wave of success: Largest audience shares in five years

The ProSiebenSat.1 Group's four stations earned a combined audience share of 30.3 percent in 2005. This figure places the Group 0.9 percentage points ahead of the year before, giving it the best result in five years (2004: 29.4%; 2003: 28.9%; 2002: 28.1%; 2001: 30.1%). The stations' fourth-quarter share was 30.0 percent (Q4 2004: 30.1%).

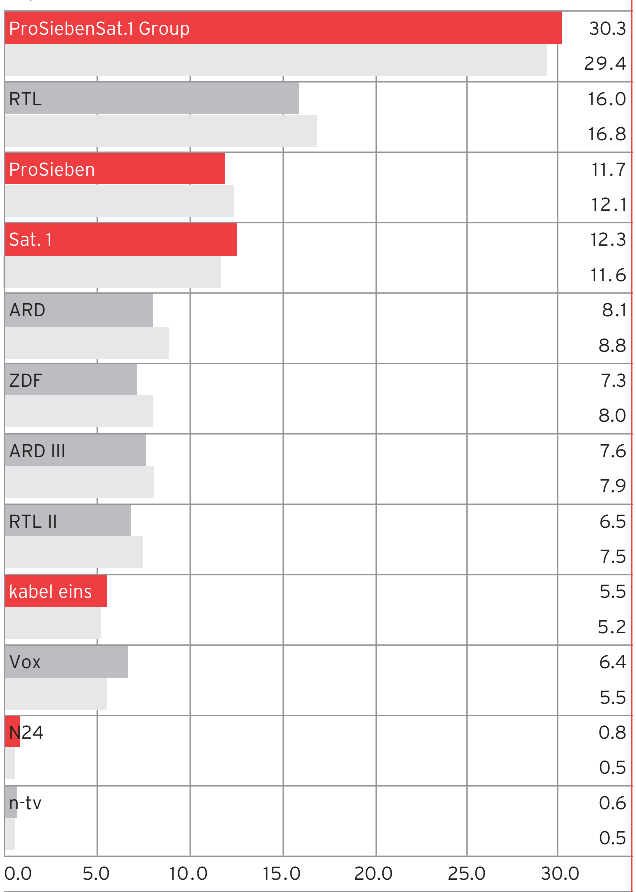
With a 0.7 percentage point leap to 12.3 percent of the 14-to-49 audience, Sat.1 showed the strongest growth of any Group station in 2005 (2004: 11.6%), and achieved its best share in six years. No other major German TV station earned such a significant increase. ProSieben had an 11.7 percent share of the 14-to-49 audience in 2005 (2004: 12.1%). The year was a complete success at kabel eins, which earned the best result since its founding. The station gained 0.3 percentage points among the target demographic, raising its audience share to 5.5 percent (2004: 5.2%). News station N24 made further substantial gains in audience share during 2005, picking up 0.3 percentage points to reach 0.8 percent of the key demographic (2004: 0.5%). Thus N24 has been the unchallenged market leader among German news stations since the end of 2004.

Station RTL finished out 2005 down 0.8 percentage points (2004: 16.8%). Vox earned a 6.4 percent share (2004: 5.5%). Super RTL earned a share of 2.7 percent (2004: 2.5%) for the year, and news station n-tv earned 0.6%, following 0.5% in 2004. RTL II, at 6.5 percent, lost 1.0 percentage point in 2005 against the year before (2004: 7.5%).

See also: Station pages beginning on page 36

2005: Audience share, viewers age 14 to 49

[in percent]



2005 2004

Basis: All households using TV (panel D+EU), viewers age 14-49

Source: AGF/GFK Fernsehforschung/pc#tv aktuell/SevenOne Media

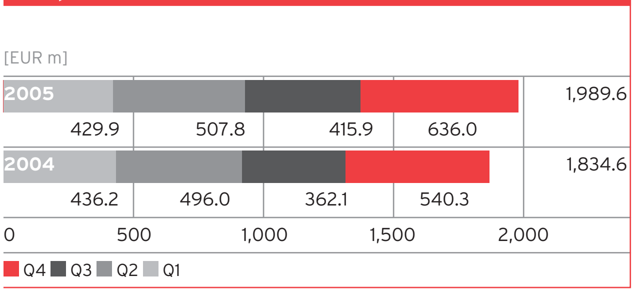
As IMF agent Ethan Hunt in the ProSieben blockbuster "Mission Impossible II," Tom Cruise stops a gang of terrorists who aim to throw the whole world into chaos.

Group Performance

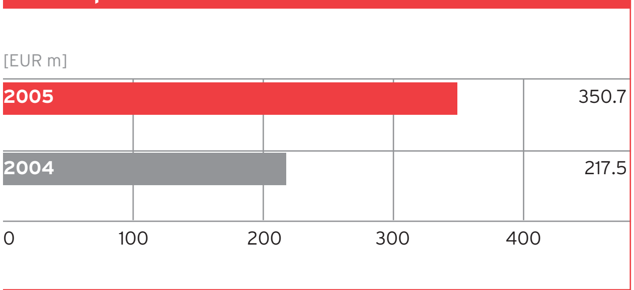
Fiscal 2005: Organic growth and acquisitions boost revenues

The ProSiebenSat.1 Group closed out 2005 very successfully. Germany's largest television corporation boosted revenues and topped its own expectations for 2005. One important reason for this success was higher advertising revenues in the second half, especially in the fourth quarter. Advertising revenues also benefited from gains in the Group stations' performance. Another important factor in the Group's revenue growth was higher revenues from Diversification operations. Alongside organic growth, here the first full consolidation of the Euvia Group as of June 1, 2005, was particularly apparent.

Group revenues



Pre-tax profit



The Group generated revenues of EUR 1.990 billion, following EUR 1.835 billion for the previous year. This represents an increase of 8.4 percent, or EUR 155.0 million. The contribution to revenues from 9Live came to EUR 54.0 million.

Best earnings in Company history

The Group's EBITDA was EUR 418.5 million, a gain of EUR 97.2 million, or 30.3 percent, against 2004. Profits before taxes were also up substantially from the previous year, by 61.2 percent. At EUR 350.7 million, the figure was EUR 133.2 million higher than the previous year's EUR 217.5 million. The consolidated net profit for the year was EUR 220.9 million, compared to the prior year's EUR 133.6 million – a 65.3 percent gain. Earnings per share of preferred stock came to EUR 1.02, compared to the previous year's EUR 0.64. Thus the ProSiebenSat.1 Group showed the best EBITDA, profits before taxes and net profit in its history.

Apart from the increase in revenues, lower net financial expenses also played a role in the achievement. Lower interest expenses, one-time income from a purchase price hedge for the Euvia Group acquisition, and significantly lower other finance charges all had a positive impact.

Profitability up substantially

The ProSiebenSat.1 Group has improved its profitability substantially. The EBITDA margin came to 21.0 percent, against 17.5 percent in 2004. The return on revenues (pre-tax profit/revenues) grew from 11.9 percent to 17.6 percent.

»In view of the relaxed cost situation, ProSiebenSat.1 will succeed in increasing its sales and earnings ... A rally in the advertising business climate ... will open up considerable earnings potential.«

Harald Heider, DZ Bank

Acquisiton of 9Live raises overall costs slightly

The ProSiebenSat.1 Group's operating costs rose 2.7 percent last year, from EUR 1.577 billion to EUR 1.620 billion. After adjustment for the costs of 9Live, total costs for the Group held to the same level as the year before.

The Group's cost of sales was up slightly for the year, by 0.8 percent, from EUR 1.265 billion to EUR 1.275 billion. Consumption of programming assets accounted for EUR 947.2 million of this figure, following the previous year's EUR 957.6 million. Scheduled consumption for the year was EUR 870.8 million, compared to EUR 892.3 million in 2004. Unscheduled consumption grew EUR 11.2 million, to EUR 76.4 million. Selling expenses came to EUR 210.1 million, and administrative expenses were EUR 135.0 million, compared to EUR 184.0 million and EUR 127.4 million a year earlier. Selling expenses were thus up 14.2 percent and administrative expenses were up 6.0 percent. The substantial increase in selling expenses came from higher transmission fees, advertising expenditures and personnel expenses, especially in connection with the full acquisition of the Euvia Group. Personnel, consulting and IT expenses were responsible for the rise in administrative expenses.

Cash and equivalents, and cash flow

Cash and equivalents as of December 31, 2005, were EUR 157.6 million, compared to EUR 294.7 million as of December 31, 2004. Most of the decline in cash was the result of the reduction of interest-bearing debt, the dividend payment in May 2005, and the acquisition of the rest of the Euvia Group. The cash flow from operating activities rose from EUR 1.056 billion to EUR 1.166 billion in 2005. This change particularly reflects improved results of operations.

Cash flow from investing activities in 2005 was EUR 1.096 billion, up EUR 162.0 million from the previous year. Most of the change resulted from the acquisition of the Euvia Group. Therefore, the free cash flow is reduced by 42.9 percent, from EUR 122.8 million to EUR 70.1 million. Investments in programming assets for 2005 were down 1.7 percent, to EUR 907.3 million.

Improved balance sheet ratios

The ProSiebenSat.1 Group's total assets decreased slightly against the prior year, to EUR 2.017 billion as of December 31, 2005. The assets side of the balance sheet reflects the first consolidation of the Euvia Group. Intangible assets in particular were up by EUR 266.9 million, to EUR 329.8 million. The change results largely from the goodwill acquired in the first consolidation of the Euvia Group, together with intangible assets of the Euvia Group that were identified in the step-up for the Euvia purchase and capitalized at fair value.

Financial assets decreased from EUR 152.5 million to EUR 3.9 million, because of the removal of Euvia's equity value and the elimination of the loan to Euvia as part of the Euvia consolidation. Receivables and other current assets increased 52.3 percent, to EUR 222.0 million, mostly as a result of higher advance payments on taxes and higher trade receivables.

Equity as of December 31, 2005, grew 18.3 percent against a year earlier, to EUR 1.188 billion. This gives the Group an equity ratio of 58.9 percent. The equity ratio a year earlier was 48.8 percent. Additionally, long-term liabilities decreased from EUR 591.0 million to EUR 512.7 million, and short-term liabilities decreased from EUR 464.0 million to EUR 316.0 million, mostly as a consequence of the retirement of interest-bearing debt.

Top notch entertainment for the whole family on Sat.1: In "Snow Dogs," successful Miami dentist Ted (Cuba Gooding Jr.) is leading the life of Riley when suddenly meets with a dose of cold reality – his mother in snowy Alaska leaves him a rowdy pack of sled dogs.

Net financial debt down further

Despite the year's dividend payment and the acquisition of the Euvia Group, net financial debt was down again. The figure as of December 31, 2005, was EUR 227.2 million, compared to EUR 278.7 million a year earlier. Financial debt overall decreased from EUR 573.9 million to EUR 387.2 million.

The first bond issue of the former ProSieben Media AG, from 1998, was repaid by the issuer's legal successor, ProSiebenSat.1 Media AG, in March 2005. The bond issue's par value was DM 250 million (equivalent to EUR 127.8 million). Additionally, the EUR 40.1 million outstanding at the end of 2004 on a bond issue that was originally to mature in March 2006 was repaid early and in full, in compliance with the bond terms. The bond, which carried an interest rate of 5.875 percent, was paid back at par.

See: Appendix on p. 72

Credit rating being watched

In conjunction with the announcement of Axel Springer AG's acquisition of shares of ProSiebenSat.1 Media AG on August 5, 2005, on August 9 Moody's revised the outlook for its rating of ProSiebenSat.1 from Ba1 stable to Ba1 "review for possible downgrade." On August 8 and August 19, Fitch Ratings downgraded the outlook from BBB stable to BBB "rating watch negative." However, this rating was revised after the takeover was canceled.

See: Events subsequent to the reporting date on p. 50

ProSiebenSat.1 Media AG acquires additional shares of wetter.com

SevenOne Intermedia, a ProSiebenSat.1 subsidiary, acquired additional shares of wetter.com in August 2005. In all, SevenOne Intermedia now holds 55 percent of wetter.com, which operates the wetter.com platform. Founded in 2000, this is one of the most popular weather Web sites in Germany. The company also runs a digital TV weather channel that is distributed via cable. wetter.com plans to expand its activities further, for example on the weather portal of ProSiebenSat.1 Networld or with digital services on TV.

ProSiebenSat.1 Media AG sells sonnenklar TV

As part of its acquisition of all of the Euvia Group, ProSiebenSat.1 Media AG also acquired the travel marketing channel sonnenklar TV, part of the EUVIA TRAVEL GmbH, which it ultimately decided to sell because there were too few opportunities for synergy with the rest of the Group. In September, EUVIA TRAVEL and thus sonnenklar TV was sold to Munich tourism corporation BigXtra, which took over the station economically effective October 1, 2005. The transaction was consummated on October 12.

Employees

Group has 2,788 employees
The ProSiebenSat.1 Group had a workforce averaging 2,788 employees in 2005 (vs. 2,699 in 2004). This was a rise of 3.3 percent against the year before. Most of the gain came from the takeover of the Euvia Group. Personnel expenses for the Group as a whole were up from EUR 200.6 million to EUR 212.6 million, an increase of 6 percent.

"Das große Tanzturnier," hosted by Oliver Pocher (foreground), earned a 19.2 share of the key demographic, making it the day's most successful broadcast.

The workforce at Sat.1 grew by one employee during the year, to 224. ProSieben had an average of 259 employees (vs. 252 in 2004); kabel eins had 47 employees for the year (vs. 46 in 2004). The staff at N24 increased from 155 to 161. The staff at ProSiebenSat.1 Produktion (including ProSieben Information Services GmbH), which has the largest workforce of any Group subsidiary, grew from 950 for 2004 to 978 for 2005. The holding company itself had 338 employees for the year, a decline of 3.4 percent (2004: 350). The Diversification division had 315 employees (vs. 261), as a consequence of the division's strategic expansion and the full takeover of the Euvia Group as of June 1. Staff at the marketing company SevenOne Media grew from 306 to 314 employees.

Groupwide personnel strategy

The Group has established several human resources development programs to support its segments and subsidiaries in their personnel work. Particular areas of emphasis here were executive development and training the next generation of employees.

PROFI: Executive development at the ProSiebenSat.1 Group
The ProSiebenSat.1 Group has its own executive development program, which 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 that ProSiebenSat.1 Group executives attend together not only teach skills, but help develop a close-knit network that has significantly improved cooperation within the Group.

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 2005, the Company added 22 trainees in formal apprenticeship programs, 8 other trainees and 21 volunteers. In all, the Group had 69 trainees in formal programs, 9 other trainees and 63 volunteers. Volunteer positions are available for journalists and PR editors, as are formal apprenticeships in computer science, sound and image media design, media and information services, and audiovisual media sales.

In 2005 the Group expanded its media sales training program, creating 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
The ProSiebenSat.1 Group 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. But 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.

"Querdenker" – Idea management at the ProSiebenSat.1 Group
In mid-2005, ProSiebenSat.1 Media AG introduced a Groupwide idea management program entitled "Lateral Thinkers." The program encourages people to try new pathways, and rewards innovative thought and action. Each idea that reaches implementation is acknow-


Christoph Maria Herbst (right) earned the 2005 German Comedy Prize for Best Actor with his role as "Stromberg," the sarcastic department manager at Capitol Insurance.

ledged with a bonus. Thus "Lateral Thinkers" not only motivates ProSiebenSat.1 Group employees to participate in a continuous process of development and improvement for the Company, but makes coworkers into co-entrepreneurs.

Job and family: Family-friendliness pays off

The ProSiebenSat.1 Group's personnel policies actively support employees in reconciling job life with family life. A family-friendly corporate culture is an important prerequisite for contented, motivated employees. And it saves on the cost of advertising job openings and of selecting and training new staff. For that reason, several years ago now, 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.

Nine of the year's 15 biggest ratings successes with the key demographic appeared on ProSieben. The most successful was "Spiderman," with a 36.8 percent share.

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.

ProSiebenSat.1 Group: one of the U.S. studios' most important partners in Europe

The ProSiebenSat.1 Group buys its licensed programming centrally for all its stations. Strategic programming yields synergies for programming procurement. Licensed programming is obtained either directly from the owner of the rights, or indirectly through rights traders. As a rule, the Company maintains direct business relationships with the major production studios in the United States. ProSiebenSat.1 Media AG is one of the Hollywood studios' most important business partners in Europe.

New film deals with Spyglass, Constantin Film and Pixar

The Group has long-term contracts with such organizations as Paramount Pictures, Sony Pictures Television International (Columbia), Warner Brothers Entertainment and DreamWorks. In January 2005 the Group signed a contract with Hollywood production company Spyglass Entertainment, 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, productive independent studios. Additionally, in February 2005 the Group obtained the exclusive Free TV broadcast rights for theatrical film releases from Constantin Film. The contract essentially covers productions from 2004 through 2006, and includes some 30 German and international feature films. In April 2005, the Group obtained the Free TV rights to feature films from the Pixar animation studio. The multi-year contract includes such blockbusters as "Finding Nemo" and "Monsters, Inc."

As of December 31, 2005, the Group had a total of 47,538 hours of programming under contract, including 19,692 hours of international feature films and 17,610 hours of international series. 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 the most important at ProSiebenSat.1 Group

Most of the ProSiebenSat.1 Group's capital expenditures are for programming assets. In 2005, the Group invested EUR 907.3 million in programming rights, compared to EUR 923.4 million in 2004. Programming purchases are paid for 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.

Low-cost in-house productions score a success: In her first TV lead, Jeanette Biedermann and her costar Jan Sosniok drew 5.65 million viewers over age 3 for Sat.1's movie "Liebe ohne Rückfahrschein."

In-house productions and commissioned productions: More than half of programming produced in-house

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 2005, Sat.1, ProSieben, kabel eins und N24 together aired 20,687 hours of in-house or commissioned productions, so that 59 percent of the stations' programming was produced under the Group's own auspices (2004: 57 percent). For several years now, the schedules of the ProSiebenSat.1 Group's stations have had a constant percentage of such productions.

Programming and Format Development: New ideas reach the screen faster

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

Last year Sat.1 and ProSieben commissioned 366 scripts and produced 21 pilot films. Sat.1 commissioned 254 scripts and 3 pilots, and ProSieben commissioned 112 scripts and 18 pilots. New programming development was a very high priority during the year. Costs for commissioning pilots and scripts came to EUR 13.7 million.

Programming assets

Total programming assets reported on the balance sheet of the ProSiebenSat.1 Group came to EUR 1.057 billion as of December 31, 2005. This item is explained in further detail in the Notes. 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 1.672 billion in 2005.

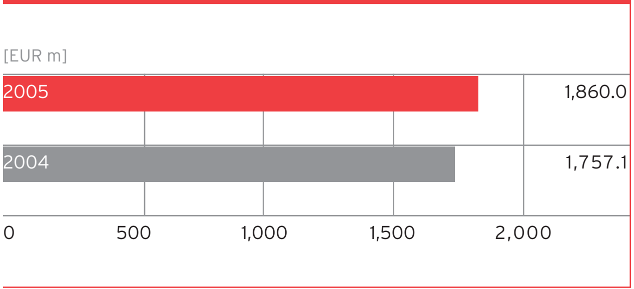
A dream of a wedding in Spain: 23.4 percent of the audience between 14 and 49 stood witness on ProSieben as Sarah Connor and Marc Terenzi exchanged vows on the beach at Altafulla.

Free TV Segment

The Free TV segment consolidates the four Group stations (Sat.1, ProSieben, kabel eins and N24), the Sat.1 regional companies, marketing company SevenOne Media, the subsidiaries in Austria and Switzerland as well as the subsidiary ProSiebenSat.1 Produktion. Free TV is the principal line of business of ProSiebenSat.1 Media AG.

The segment performed very well in 2005. Revenues were up 5.9 percent, from EUR 1.757 billion to EUR 1.860 billion. EBITDA reached EUR 379.0 million, following EUR 299.0 million the previous year. The segment's operating earnings grew from EUR 267.0 million to EUR 353.6 million, primarily as a consequence of the improvement in advertising revenues.

Free TV segment: Revenue development



Free TV segment: EBITDA

ProSiebenSat.1 Produktion

ProSiebenSat.1 Produktion is the ProSiebenSat.1 Group's technical service provider. The company's range of services includes studio production, post-production, and distributing more than 10 television programs. ProSiebenSat.1 Produktion owns all the Group's production and broadcasting facilities. Its responsibilities also include planning and servicing for the entire Group's IT infrastructure.

Additionally, ProSiebenSat.1 Produktion is responsible for the stations' on-air design and on-air promotion. This includes such activities as producing trailers and developing image campaigns. ProSiebenSat.1 Produktion is one of the largest audiovisual production companies in Germany.

During 2005 it enjoyed successes in three core areas of operation: production, creation and technology.

- In May it produced live coverage of the UEFA Champions League Finals for Sat.1, the only station in Europe to broadcast the match in both HDTV and conventional formats.
- In mid-year it won several Promax and BDA International Awards in New York, once again demonstrating its creative strength.
- In October, using the technological infrastructure provided by this production subsidiary, ProSiebenSat.1 Media AG launched the nation's first two HDTV stations – Sat.1 HD and ProSieben HD.

As part of the UEFA CL on Sat.1, marketing subsidiaries SevenOne Media and SevenOne Interactive organized an extensive networked contest for car manufacturer Ford. As part of the launch of the new Ford Focus Turnier, viewers had to guess how many Champions League balls would fit inside the new model.

Marketing Company

SevenOne Media: The Group's marketing subsidiary

SevenOne Media is responsible for marketing operations for all the Group's stations. The complementary positioning of Sat.1, ProSieben, kabel eins and N25 enables the Company to offer its clients the broadest range of target audiences in the entire German TV advertising market.

SevenOne Media's core business is selling conventional spots and special forms of TV advertising, and developing integrated and networked communication solutions. In networking, SevenOne Media works closely with SevenOne Interactive, the Diversification division's convergence marketing company. The two subsidiaries' portfolio ranges from TV – the medium with the strongest reach – to the interactive Internet, teletext and mobile platforms, to other forms like events, direct marketing and merchandising. Thus it covers the ProSiebenSat.1 Group's entire value chain.

All programming research activities for Sat.1, ProSieben, kabel eins, N24 and 9Live are also pooled at SevenOne Media. The subsidiary additionally 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 remained adverse, SevenOne Media and SevenOne Interactive still had a successful 2005. The German advertising market now particularly counts the two marketing subsidiaries as innovation leaders and opinion shapers in special forms of advertising and in networked and integrated communication solutions. Last year alone, they implemented a total of 151 networked concepts for such clients as Ford, the German Postbank, Wrigley's, TUI and Bahlsen – more than twice as many as just a year earlier (2004: 68).

On top of marketing, SevenOne Media focuses on market and advertising research. SevenOne Media and SevenOne Interactive consider themselves service providers who can support their clients in deciding whether and how to spend on television and online advertising. Their 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 the main activities are television research through and for the AGF and GfK research entities, market and sector analyses, long-term studies of media use, and studies of special forms of advertising. Formerly there was a shortage of well-documented evidence on the impact of networked advertising campaigns. For that reason, SevenOne Media has also founded its own research unit to conduct basic research on cross-media marketing and to track the impact of networked campaigns.

Hostess Cordula Stratmann (far right) and comics like Oliver Pocher, Bernhard Hoëcker, Annette Frier and Michael Kessler (left to right) are drawing ever-larger audiences with their improvised gags. "Schillerstraße" on Sat.1 is more and more commonly Thursday's highest-reach prime-time broadcast.

Sat.1

Sat.1: An excellent year for the station

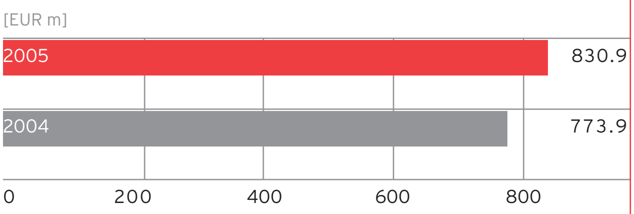
Sat.1 closed out the year in fine form. The station's revenue rose from the EUR 773.9 million of 2004 to EUR 830.9 million, a 7.4 percent gain. EBITDA reached EUR 161.3 million, compared to EUR 97.8 million in 2004. Profits before taxes leaped 79.5 percent, from EUR 89.7 million to EUR 161.0 million. This more than proportional increase resulted in part from higher revenues, but even more from substantial cost cuts and a lower net financial expense.

The station, which did not get into the black until 2003, boosted its profitability substantially. The return on revenues rose from 11.6 percent to 19.4 percent over the year, placing Sat.1 among Germany's most profitable TV stations.

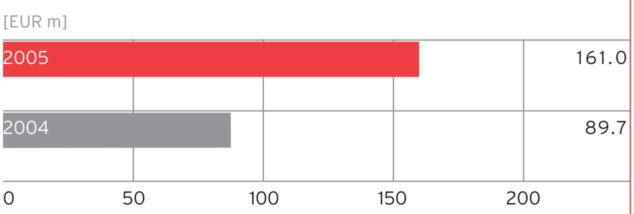
Again number two in audience share

Sat.1 was the only major station in the German TV market to increase its audience share significantly last year. Earning an average of 12.3 percent among the target audience between 14 and 49 that advertisers prize, it gained 0.7 percentage points against 2004. So Sat.1 not only improved its performance for the third time in a row, but closed out the year as number two in the key demographic for the first time since 1995.

Sat.1: Revenue development



Sat.1: Pre-tax profit



»Sat.1 has the best family programming in Germany – terrific series, films, crime documentaries and shows. Keep it up!«

Petra H. from Erding

Sat.1's in-house production of "The Canterville Ghost" earned an audience share of more than 26 percent (ages 14 to 49), making it one of the station's top five broadcasts.

Top five programs on Sat.1 in 2005	
Verliebt in Berlin	up to 26.4%
Die Luftbrücke	up to 31.0%
Schillerstraße	up to 24.0%
Das Gespenst von Canterville	26.1%
Promi ärgere Dich nicht	21.9%

Viewers age 14 to 49 (Source: AGF/GfK-Fernsehforschung/SevenOne Media)

»Sat.1 was indisputably the most innovative broadcaster in 2005. The fact that our courage to innovate has been rewarded by viewers with increasing market shares is the best form of recognition that we can receive.«

Roger Schawinski, Managing Director Sat.1

"Verliebt in Berlin": A super success

Sat.1 made major gains in the prime access period, thanks most of all to its telenovela "Verliebt in Berlin" (up to 26.4 percent) and the investigative series "K 11 – Kommissare im Einsatz" (up to 19.5 percent), not to mention its strong informational lineup. The entirely new Thursday evening schedule also made a very successful showing, with the improv comedy "Schillerstrasse" (up to 24.0 percent), the U.S. crime series "Navy CIS" (up to 18.8 percent), and the informational magazine "Akte 05" (up to 18.7 percent).

Other rating highlights included "Die Luftbrücke – Nur der Himmel war frei" (up to 31.0 percent), live coverage of the UEFA Champions League (up to 37.6 percent), TV movies like "The Canterville Ghost" (26.1 percent), feature films like "Shrek" (23.7 percent), comedies like "Pastewka" (up to 20.0 percent), and event shows like "MegaClever!" (19.8 percent), "Promi ärgere Dich nicht" (21.9 percent) and "Urmel aus dem Eis" (up to 18.9 percent).

But Sat.1 also scored with critics in 2005. "Schillerstrasse" picked up three of the industry's most important awards, with the Rose d'Or, the German Television Prize, and the German Comedy Prize. "Verliebt in Berlin" and "Clever – Die Show, die Wissen schafft" also both won the German Television Prize.

"Das große TV total Turmspringen – Part 2" proved that Stefan Raab hasn't lost his creative knack for sports events. Pole vaulters Danny Ecker (right) and Lars Börgeling (left) shone again in the synchronized competition.

ProSieben

ProSieben is the Group's most profitable station

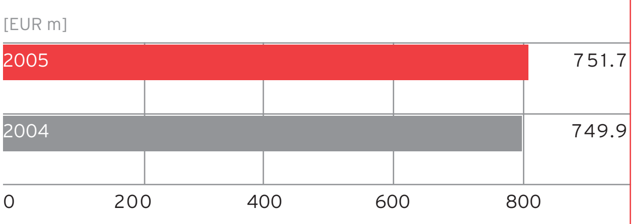
ProSieben held firm to the previous year's high level of revenues, and in fact even increased them by 0.2 percent, from EUR 749.9 million to EUR 751.7 million. But this revenue growth resulted almost entirely from larger programming sales. After adjustment, revenues were down, reflecting the performance of the station's audience share. Thanks to its cost structure, the station was able to keep EBITDA at EUR 165.6 million, compared to EUR 175.5 million the year before. Profits before taxes were EUR 167.1 million, following EUR 175.1 million the previous year. Nevertheless, the station reached 22.2 percent return on revenues. ProSieben is still the Group's most profitable station in 2005.

ProSieben closed out the year with an average share of 11.7 percent of the 14-to-49 key demographic. And among the younger target audience (age 14-29) it actually earned a 17.2 percent share.

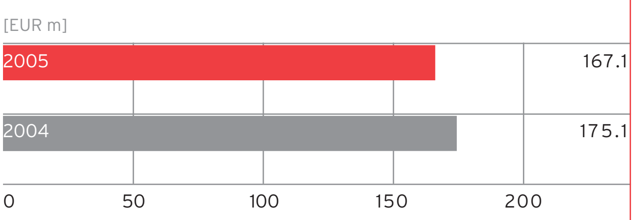
ProSieben carries the year's most successful blockbusters

Last year, ProSieben showed 9 out of the 15 programs that scored highest with the key demographic. Among the top scorers were "Spider-Man" (36.8 percent) and "Men in Black II" (32.3 percent). International premium series like "Lost" (up to 20.2 percent) and "Desperate Housewives" (up to 23.1 percent) also earned top ratings.

ProSieben: Revenue development



ProSieben: Pre-tax profit



»ProSieben is the most youthful station, with the best programming! It's great how they really live up to their slogan 'We love to entertain you.'«

Peter M. from Cologne

Only "Spiderman" outdrew "Men in Black II" in 2005. An audience of 5.39 million viewers between 14 and 49 watched cool alien-hunters Will Smith and Tommy Lee Jones do their stuff on ProSieben.

Top five programs on ProSieben in 2005	
Spiderman	36.8%
Men in Black II	32.3%
Desperate Housewives	up to 23.1%
Das große TV total Turmspringen	26.5%
Galileo Special: Tsunami	27.0%

Viewers age 14 to 49 (Source: AGF/GfK-Fernsehforschung/SevenOne Media)

Expanding knowledge with ProSieben: Extended "Galileo" still a success

Another big success with the 14-to-49 audience: the mixture of documentary and fiction in productions like "Supervulkan" (24.7 percent) and "Tsunami" (26.5 percent). Audiences appreciated expanding their knowledge – large numbers of them tuned in to the extended format of "Galileo" and even gave its single-theme special edition in prime time a share of up to 27.0 percent. "Galileo Extra" earned 13.8 percent, and the weekday edition of "Galileo" earned as much as 15.1 percent.

Being right there with ProSieben: TV events with Stefan Raab and Sarah Connor

ProSieben scored with audiences in light entertainment as well: The 2005 Wok Racing World Championships (25.8%), "Das grosse TV total Turmspringen 2005" (26.5%), "Das grosse ProSieben Tanzturnier" (19.2%) and "Sarah & Marc in Love – Die Hochzeit des Jahres" (up to 23.7%) were big audience favorites in 2005.

ProSieben carried a very special event in 2005 with the second season of "Stromberg," about the meanest boss of all time. Up to 16.9 percent tuned in to Stromberg's world in its new Sunday slot.

»You can describe our 2006 programming strategy in a single phrase: ProSieben Reloaded. We'll be expanding and heightening ProSieben's classic core competences.«

Andreas Bartl, Managing Director ProSieben

"Crime Friday" – with the series "Cold Case," "Without a Trace" and "Missing" – is one of the top draws on kabel eins.

kabel eins

kabel eins: Profitability up substantially

In 2005, kabel eins generated revenues of EUR 223.3 million – a gain of EUR 30.4 million, or 15.8 percent, from the year before. The revenue growth came mainly from better station performance. EBITDA was up 75.8 percent, to EUR 46.6 million. Pre-tax earnings were EUR 47.0 million, following EUR 27.3 million the previous year. The return on revenues climbed 47.9 percent, from 14.2 percent to 21.0 percent.

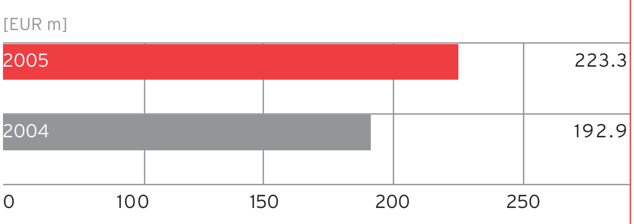
kabel eins: Best annual audience share in history

The station closed out the year with a 5.5 share of the 14-to-49 demographic, a 0.3 percentage point gain against the year before and the highest audience share in its history. The station also earned a 5.5 percent share of its core audience between ages 30 and 49.

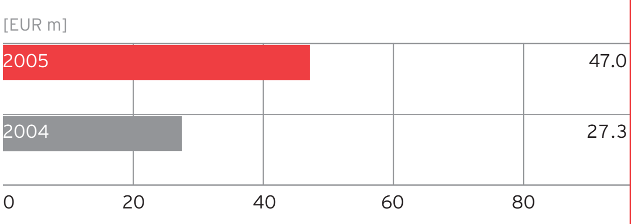
Among the share highlights were feature films in the "Best Films of All Time" series, including "Highlander" (10.9 percent), "A Few Good Men" (11.1 percent), and "The Name of the Rose" (9.8 percent). But successful series and events like "Al Bundy Nacht" (up to 19.8 percent), "Nostradamus" (9.8 percent) and the ABBA event, with up to 9.0 percent, also helped spark viewer interest.

"Crime Friday" regularly attracted above-average shares with the series "Cold Case" (up to 8.8 percent), "Without a Trace" (up to 10.0 percent) and "Missing" (up to 10.0 percent).

kabel eins: Revenue development



kabel eins: Pre-tax profit



»The reporting on kabel eins is absolutely absorbing. And the kabel eins home page is very, very good. Major compliments to the team.«

Steffi P. from Hamburg


ABBA – their music has become a cult phenomenon, their personal appearances drove millions wild, and they're just as up-to-date today as they were 25 years ago. Viewers were thrilled when kabel eins dedicated an ABBA Event Evening to the Swedish band.

Top five programs on kabel eins in 2005	
Eine Frage der Ehre	11.1%
Al Bundy-Nacht	10.2%
Spurlos verschwunden - Without a Trace	up to 10.0%
Die besten Filmsongs aller Zeiten	7.3%
Leuchtturmbau	up to 9.1%

Viewers age 14 to 49 (Source: AGF/GfK-Fernsehforschung/SevenOne Media)

Strong demand for entertainment and information shows

The station's light-entertainment and information shows also earned consistently high audience shares. Enthusiastic audiences tuned in for "Werbung! Das Beste aus aller Welt" with Steven Gätjen (up to 8.7 percent), "Reklame! Top 10" with Roland Baisch (up to 9.1 percent), "Best of Formel Eins" (up to 7.9 percent) and the major prime time show "Die besten Filmsongs aller Zeiten" (7.3 percent). "Abenteuer Leben," with Christian Mürau, averaged a 6.9 share for the year – a gain of 0.7 percentage points from 2004. K1 Info Thursday ("K1 Magazin," "K1 Reportage," K1 Doku") drew an average share of 6.8 percent.

»kabel eins closed out 2005 with the best audience share since its founding. Which proves that our programming strategy – a high-quality mix of classic TV, recent series, innovative variety shows, events and documentaries – is still on the right track.«

Guido Bolten, Managing Director kabel eins

N24 offers strong opinions, provocative concepts, challenging ideas. As demonstrated by host Claus Strunz when he grills outstanding figures from business, politics and social affairs on "Was erlauben Strunz" every Monday night at 11:30.

N24

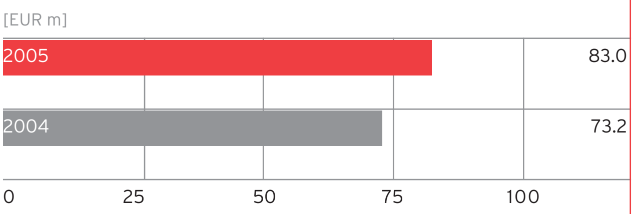
N24: In the black with substantial growth in revenues and earnings

News station N24 remained on track for success in fiscal 2005. The station's revenues were up 13.4 percent against the year before. In all, N24 generated EUR 83.0 million, compared to EUR 73.2 million a year earlier. EBITDA rose to EUR 10.0 million from the previous year's EUR 2.8 million. Profits before taxes rose from EUR 1.8 million to EUR 9.4 million, and the return on sales climbed to 11.3 percent, compared to the previous year's 2.5 percent. This change mainly reflected the station's lower selling expenses and its ability to hold costs down to the same level as a year earlier, making a crucial contribution to the improvement in results.

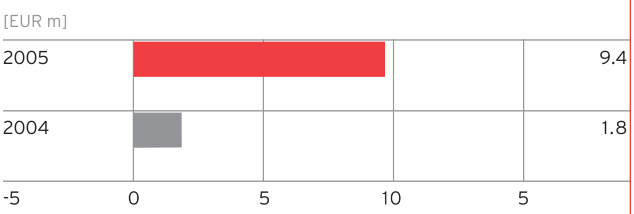
Best news station of 2005

As Germany's leading news station, N24 significantly increased its audience share during the year. It earned an average 0.8 percent of the 14-to-49 key demographic for the year, an increase of 0.3 percentage points from the year before. The higher shares helped the station draw new groups of clients who were attracted by N24's high-end target audience. Sectors that made particularly strong contributions to the station's growth include telecommunications, travel, IT, automotive, pharmaceuticals/health care, and banking and insurance.

N24: Revenue development



N24: Pre-tax profit



»N24's really fun ... Young, smart, capable, credible, honest ... a super, A-1 news station!«

Stefan G. from Leipzig

Chief anchorman Alexander Privitera is very pleased at N24's substantial rise in the ratings. The ProSiebenSat.1 Group's news station established itself this year as the leading news channel in the German TV market.

Top five programs on N24 in 2005

Live coverage of Discovery landing	4.6%
Live coverage of Michael Jackson verdict	3.3%
Special report of Rudolph Moshammer murder	3.7%
N24 Tsunami Special	2.3%
Kronzuckers Kosmos	up to 6.0%

Viewers age 14 to 49 (Source: AGF/GfK-Fernsehforschung/SevenOne Media)

But the station did more than expand its lead in the key demographic. In the fourth quarter it also overtook n-tv among the group over age 14 and among all viewers above age 3. These are the best audience share results in the station's history, and represent a further expansion of its lead over its main competitor.

It was a year of major events – catastrophes like the tsunami in Southeast Asia; the death of the pope and the papal election; the hurricane in New Orleans; the early Bundestag elections and the subsequent coalition negotiations and formation of a new government; and the abduction of German citizen Susanne Osthoff in Iraq, just to name a few outstanding news stories of an extraordinary year.

The station drew exceptionally high shares, as high as 4.6 percent, with its coverage of national and international events, including the verdict in the trial of pop star Michael Jackson, the press conference on the murder of fashion doyen Rudolf Moshammer, and the landing of Space Shuttle Discovery.

And N24 also expanded its news coverage during the year, especially in the morning: its "Frühreport" and "Morgenreport" programs have shown very positive audience figures. Social-policy talk shows like "Was erlauben Strunz" and "Studio Friedman" have also become well established. The high-quality magazine shows and documentaries in the "Kronzuckers Welt" series have also been earning steadily rising audience shares.

»We had an extraordinarily eventful news year in 2005 that placed exceptional demands on all of N24's employees. Their dedication and hard work paid off. N24 proved that its news coverage was up-to-the-minute, fast, and highly capable. Today, N24 is Germany's leading news station.«

Dr. Torsten Rossmann, Managing Director, N24

On "Geld oder Risiko," 9Live host Max Schradin offers viewers the choice between a safe envelope of money and a "risk" that can range from a jackpot to zilch.

Diversification

Diversification, a strategic division within the Group

The ProSiebenSat.1 Group has pooled all its operations that do not depend on the TV advertising market in the Diversification division (formerly the Diversification segment). The major revenue drivers here are transaction TV and operations in multimedia and merchandising. Organic growth in Diversification and the takeover of the Euvia Group enabled the Group to diversify its revenue sources further in 2005, and thus to reduce its dependency on the advertising market still further.

Transaction TV Segment

9Live: Wholly owned subsidiary since June

ProSiebenSat.1 Media AG's takeover of the Euvia Group on June 1, 2005, also represented the founding of the Transaction TV segment. The takeover of the remaining 51.6 percent of Euvia Media AG & Co. KG also means that the Euvia Group will be included in the ProSiebenSat.1 Group's consolidated financial statements for the first time. The segment's revenue engine is 9Live, Germany's first quiz station, which generates most of its revenues from telephone calls. For the period from June through December of 2005, 9Live contributed EUR 54.0 million to the Group's total revenues. Apart from regular quiz station operations, revenues stem primarily from an increase in commissioned productions and the launch of the 9Live bonus program, which had 400,000 registered members at year's end. There have also been successful launches of new shows like "Geld oder Risiko," "Werd Reich," and the "Cash-Koffer." Group EBITDA benefited from a contribution of EUR 18.6 million from 9Live. The Transaction TV segment as a whole had revenues of EUR 54.9 million, and an EBITDA of EUR 14 million. First-time consolidation effects lowered the segment's EBITDA by EUR 4.6 million from 9Live's contribution to consolidated EBITDA.

Other Diversification Segment

The Other Diversification segment consolidates all companies in the Diversification division other than 9Live, such as Seven One Intermedia, MM Merchandising Media, SevenOne International, and ProSiebenSat.1 Welt. The segment's total revenues were up 13.3 percent in 2005, from EUR 119.2 million to EUR 135.0 million. The increase in EBITDA, at 13.6 percent, was even better. EBITDA was EUR 25.1 million, following EUR 22.1 million in 2004. Operating earnings came to EUR 21.5 million, a 14.4 percent gain on the previous year. The segment's established multimedia operations made a particularly strong contribution to its higher earnings.

SevenOne Intermedia

SevenOne Intermedia, the ProSiebenSat.1 Group's multimedia subsidiary, conducted a large number of projects in 2005 in all aspects of multimedia platforms, mobile services, and digital and interactive TV. In mobile services, it especially advanced its projects in mobile TV with O2, Vodafone, T-Mobile, Swisscom Mobile and

The ProSiebenSat.1 Group is making the most of the full value chain for "Verliebt in Berlin." The daily Sat.1 telenovela is available as video on demand over the Internet, and also on cell phones via the "O2 Active Portal." It's also available as part of a steadily growing DVD collection.

VoxMobile. It also worked with O2 to put a "We Love To Entertain You" cell phone on the market, featuring an exclusive range of mobile entertainment. SevenOne Intermedia also pushed its video-on-demand concepts ahead. One step in this direction was signing a cooperation agreement with T-Online.

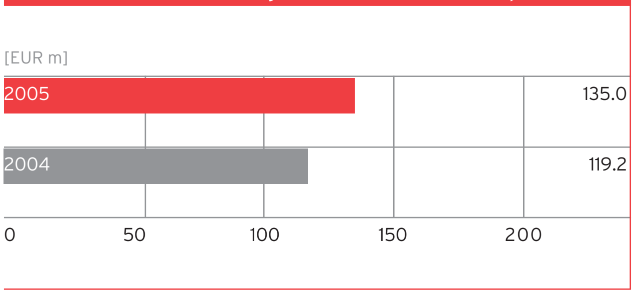
MM Merchandising Media

During 2005 the ProSiebenSat.1 Group's merchandising subsidiary concentrated mainly on marketing licenses for well-known TV brands like "Galileo," "Clever!," "Cartoon Network" and "Verliebt in Berlin." The "Verliebt in Berlin" merchandising linked up successfully with the station's program and the entire cross-promotion value chain, in a closely intermeshed combination of licensing and music with the Internet, video on demand, mobile services, teletext and Audiotex. The Group is also expanding its music business further so as to tap additional cross-marketing opportunities. Among the steps here was the founding of the starwatch music label as a subsidiary of MM Merchandising Media, in collaboration with Warner Music Germany.

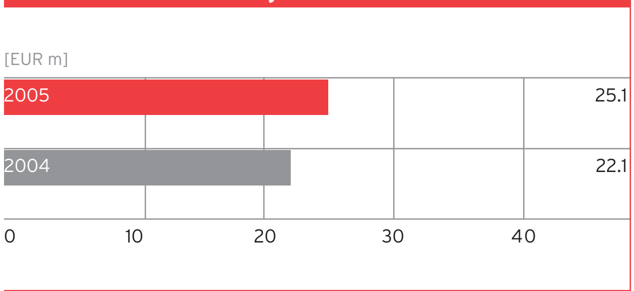
SevenOne International

SevenOne International markets the broadcasting rights for ProSiebenSat.1 Media AG's TV productions worldwide, tapping the global market for the Group's TV programming. In its first year, this subsidiary already logged some important successes. It increased European revenues substantially, and established itself as an important programming partner in the global market. SevenOne International also tapped the global market for German entertainment programming for the first time.

Other Diversification Segment: Revenue development



Other Diversification Segment: EBITDA



ProSiebenSat.1 Welt

The Group's launch of ProSiebenSat.1 Welt in February 2005 put the world's first commercial German-language station for foreign viewing on the air. 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. The station acquired 10,000 subscribers in the United States during the year, and the figure is expected to rise further.

Cooperation with Vodafone: TV on the cell phone via UMTS – with attractive programming from Sat.1 and ProSieben – is becoming more and more common and will be an important market in the future. The Research and Development department is responsible for pursuing such projects.

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 market, and document performance for advertising clients. The Group's expenditures for market research in fiscal 2005, at EUR 13.6 million, remained at a high level.

TV ratings: A management instrument and a 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.

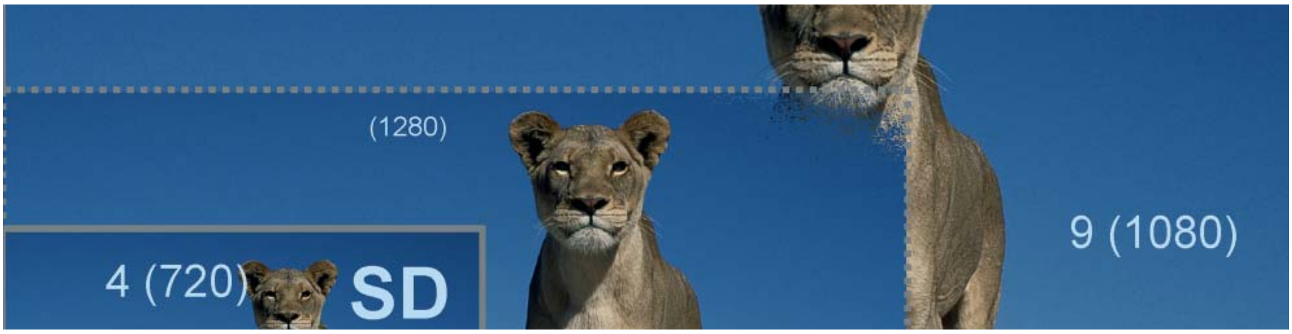
Not only do research results provide relevant information about the success of programming and marketing campaigns, but the advertising industry uses these detailed analyses as an important source of information for media scheduling. As a service, the ProSiebenSat.1 Group offers its advertising clients not only conventional analyses for media scheduling and for monitoring individual campaigns, but also extensive qualitative studies. These include, for example, studies and sets of tools for TV and target audience scheduling, resources for studying advertising impact, ad hoc analyses of the impact of new forms of advertising, industry-specific media reports and qualitative programming research tools.

The development of new, integrated forms of advertising has also intensified demand for information about specific use patterns in new media. To detect the latest developments, the ProSiebenSat.1 Group inaugurated the "@facts" survey – Germany's largest, methodologically most ambitious Internet study. In March 2005, the "@facts" study was renamed the "Internet Facts," and is now being issued by Arbeitsgemeinschaft Onlineforschung e. V. (AGOF), in conjunction with additional partners.

TV anywhere: ProSieben and Sat.1 go live on the cell phone

The ProSiebenSat.1 Group is working hard to advance the development of a digital infrastructure in Germany. The Group's goal is to make content available via every electronic medium. Working with partners from the telecommunications industry, the ProSiebenSat.1 Group has also taken a role in developing mobile moving pictures.

At CeBIT 2005, SevenOne Intermedia, the Group's multimedia firm, expanded the cooperative venture with Vodafone for mobile television via UMTS. The original services, including N24 mobile, have been broadened to include Sat.1 mobile and ProSieben mobile. Sat.1 mobile offers "Verliebt in Berlin," magazine shows and "Sat.1 FilmFilm." ProSieben mobile presents selected movies, general-interest magazine shows, advice shows and comedies. And five mobile TV channels are available via T-Mobile – ProSieben, Sat.1, Best of Comedy, weather, and Verliebt in Berlin.



Via Sat.1 HD and ProSieben HD, the ProSiebenSat.1 Group now offers both of its main Free TV channels on high-resolution HDTV, in parallel with the original broadcast format. The new format went on the air October 26, 2005, for the Munich Media Days.

Video on demand with T-Online

The goal of making content available to viewers via every electronic medium also applies to DSL. Here too, there was significant progress during fiscal 2005. SevenOne Intermedia has had a cooperative arrangement with T-Online since March 2005. T-Online customers can now download a large number of in-house productions from ProSiebenSat.1 via video on demand. In other words, T-Online services have been expanded to include television, making it possible to offer TV content to a large target audience in a setting with strong technical quality.

The "Connected Home"

SevenOne Intermedia has also been working with leading international IT companies to explore upcoming developments in networking to create an all-around "Connected Home." Here the ProSiebenSat.1 subsidiary is mainly responsible for Home Entertainment. The project, which is studying potential use behaviors within a fully networked household, is being assisted by the German Ministry of the Economy.

HDTV at the ProSiebenSat.1 Group

The ProSiebenSat.1 Group is the first television corporation to begin regular operations in the HDTV format. To advance the new standard further, the Group has decided to offer both of its main full-service channels, Sat.1 and ProSieben, in HDTV alongside their original broadcast format. The launch of Sat.1 HD and ProSieben HD in fall 2005 was also the debut of HDTV in Europe. Whenever available, shows will be broadcast in the new high-resolution wide-screen format; all other programming will be upconverted to at least DVD quality. HDTV represents a significant improvement in TV picture.

A member of the research community

To stay in constant dialogue with all relevant research institutions and maintain an active role in developments, the ProSiebenSat.1 Group is vigorously 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).

Hubertus Meyer-Burckhardt
Executive Board Member for Corporate Development, Media Policy and Regulatory Affairs

»The German television market has decisive changes ahead. New players are thronging into the market, and traditional roles are changing. That also means that the legal basis has to be adapted accordingly. Media policy has to think toward the future.«

Events Subsequent to the Reporting Date

The ProSiebenSat.1 Group has continued to pursue its three strategic goals during the current year, and has already been able to report a number of early successes.

1. The core business in television is to be strengthened still further: All ProSiebenSat.1 Group stations got off to a strong start for the new year.
2. Diversification of revenue sources: The ProSiebenSat.1 Group will launch two new Pay TV channels in the second quarter. Sat.1 Comedy and kabel eins Classics will carry the Company into a new line of business.
3. Preparing for the digital world: At the beginning of the year, the Group signed contracts with Germany's three largest cable operators for the digital distribution of its channels. Contracts with DSL providers have also expanded the Group's technical reach.

Events Subsequent to the Reporting Date

Axel Springer AG withdraws takeover offer

On February 1, 2006, Axel Springer AG officially announced that it had agreed with P7S1 Holding L.P. to stop pursuing its plans to take over ProSiebenSat.1 Media AG. Both parties had reached the conclusion that the many legal and business uncertainties would pose unreasonable risks for all involved. Consequently neither the August 5 share purchase agreement between Axel Springer AG and P7S1 Holding L.P. nor the September 16 voluntary public tender offer by Axel Springer AG to the shareholders of ProSiebenSat.1 Media AG will be consummated.

Credit rating again positive after takeover cancellation

In conjunction with the cancellation of Axel Springer AG's planned takeover of ProSiebenSat.1 Media AG, on February 1, 2006, the Moody's rating agency upgraded its ProSiebenSat.1 rating outlook from Ba1 "Review for Possible Downgrade" to Ba1 "Outlook Developing." On the same date, Fitch Ratings raised its rating from BBB "Rating Watch Negative" to BBB "Outlook Positive."

Group's market share grows significantly in January

ProSiebenSat.1 Group stations kicked off the new year with a substantial gain in audience share. All together, Sat.1, ProSieben, kabel eins, N24 and 9Live picked up 0.7 percentage points against the prior month, to earn 30.6 percent. This was the Group's best January result in five years. In February, as expected, the Group's family of stations felt the impact of the Winter Olympics in Turin, whose Free TV rights were held by ARD and ZDF. The audience share for the month was 29.1 percent, compared to 30.1 percent in February 2005. But the stations' combined share for the period from January 1 to February 28, 2006, was almost stable at 29.9 percent, despite the major sports event (January-February 2005: 30.0 percent). All figures refer to the 14-to-49 key demographic.

Group signs digital distribution agreements with Unity Media, Kabel BW and Kabel Deutschland

At the beginning of the year, the ProSiebenSat.1 Group signed contracts with Germany's three largest cable operators for digital feeds of the Group's programming onto their cable networks. The agreement with the Unity Media group (ish, iesy and Tele Columbus) means that Sat.1, ProSieben, kabel eins, N24 and 9Live will be available on cable in both analog and digital formats in North Rhine-Westphalia and Hesse. The contract with Kabel BW covers digital and analog distribution of programming in Baden-Württemberg. Kabel BW also carries the Group's two HD channels.

After lengthy negotiations, the ProSiebenSat.1 Group also reached an agreement with Kabel Deutschland (KDG), which will make ProSiebenSat.1 Group stations available digitally nationwide. In addition to the Group's five Free TV channels, KDG and Unity Media will also carry the two new Pay TV channels.

ProSiebenSat.1 Group announces two new Pay TV channels

With its two new Pay TV channels, the ProSiebenSat.1 Group is embarking on a new line of business. A new feature-film channel and a new comedy channel will go on the air in the second quarter of 2006. Sat.1 Comedy and kabel eins Classics will amplify the range of Pay TV programming on Unity Media and Kabel Deutschland.

Group signs DSL distribution agreements

One of the ProSiebenSat.1 Group's strategic goals is to distribute its content in as many different ways as possible, taking advantage of the opportunities offered by digitization. To build up distribution via DSL, the Group has already signed agreements with providers Telefonica and T-Online, and is in negotiations with additional providers.

Satellite operator SES Astra announced on March 1, 2006, that it would be setting up a digital infrastructure for Free TV, Pay TV and interactive TV that it will make available to all broadcasters. ProSiebenSat.1 Media AG will examine to what extent this infrastructure is an option for the Group's stations.

New managing director at kabel eins

In January, ProSiebenSat.1 Media AG appointed Guido Bolten, 44, as the new managing director of kabel eins. Bolten succeeded Andreas Bartl, who moved over to head kabel eins affiliate ProSieben in December 2005. Bolten was previously editor-in-chief of Information and Magazines at ProSieben. He will continue to expand kabel eins as a recognized quality brand in the German TV market.

Changes in the Executive Board

As of June 30, 2006, Hubertus Meyer-Burckhardt, 49, will be leaving the Executive Board of ProSiebenSat.1 Media AG to take over as CEO of the Polyphon Group, a subsidiary of Studio Hamburg. At the ProSiebenSat.1 Group he is in charge of corporate development, media policy and regulatory affairs.

Two rights packages acquired from Tele München Group

In mid-January the ProSiebenSat.1 Group signed a contract for an attractive package of film rights with Tele München Group (TMG). Among the Free TV rights covered are the U.S. blockbusters "Harry Potter and the Prisoner of Azkaban," and "Harry Potter and the Chamber of Secrets." The agreement also includes such high-quality TV movies as "Ocean's Twelve," "Charlie and the Chocolate Factory," "Miss Congeniality 2" and "The Polar Express," along with hit new U.S. series like "Invasion," "Supernatural," and new seasons of "The King of Queens." These represent yet another expansion of the Group's outstanding programming supply.

Risk Report

ProSiebenSat.1 Media Group has a high-performance risk management system.
Its risk management and risk reporting are based on the principle of giving every segment and every subsidiary a responsible role in surveillance.

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 full process.

The decentralized risk managers are responsible for detecting and reporting risks. Risk identification is founded on a uniform, Groupwide 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 audience share and the advertising market, the profitability and appeal of the program inventory, human resources development, development of available 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. These data measure 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 in the economy as a whole and the advertising industry in particular.

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. Licensed programming accounts for a large portion of the Group's broadcasting schedule. From the mid-nineties until 2000, prices rose considerably in the programming market, which is extremely competitive. 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, 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 their 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

With three full-service stations in complementary positions, offering mutually complementary programming, plus one news station and one quiz show station, the ProSiebenSat.1 Group is able to benefit from synergies in the process of buying and using programming.

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 2005, the programming supplier list included more than 180 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 (UPS). As soon as a voltage drop occurs, the UPS, which is battery powered, takes over. The UPS 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 thus are 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 Company 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 from outsiders.

Organizational Risks

Personnel risks

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 Company'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 97.5 percent of Germany's 34.83 million households using television. ProSieben reaches 97.2 percent and kabel eins reaches 97.0 percent. News channel N24 reaches 86.7 percent of households using television. The quiz station 9Live can reach 80.4 percent of all German TV households.

Nationwide broadcasting licenses for Sat.1, ProSieben, kabel eins, N24 and 9Live

In order to go on the air, broadcasters must have a broadcasting license or broadcasting 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-Palatinate. ProSieben's broadcasting license, granted by the joint regulatory agency of the states of Berlin and Brandenburg, runs until February 28, 2010. The regulatory agency in Bavaria has granted kabel eins a license until February 29, 2012, and N24 a license until June 17, 2007. It has also granted 9Live a license until April 30, 2011. 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.

During the summer of 2005, ProSiebenSat.1 Media AG applied to the joint regulatory agency of Berlin and Brandenburg for nationwide licenses to broadcast four special-interest channels on pay TV. However, as of press time, the Commission on Concentration in the Media (KEK) had not yet made a decision on these applications from the viewpoint of concentration of media resources.

Television Directive

After extensive consultation with the potentially affected industries regarding the need to amend the Television Directive, in December 2005 the European Commission submitted its draft for an amended Directive. ProSiebenSat.1 AG has always taken an active part in the debate over amending the Directive. In its present form, the Television Directive governs regulations to protect children and teenagers, as well as setting the maximum duration of advertising breaks. It contains detailed requirements for the insertion of advertising, and sets quotas for programming of European origin and programming from independent producers. It also imposes prohibitions and other restrictions on advertising breaks in certain kinds of programming.

The Commission's draft would eliminate certain restrictions on advertising insertions and allow product placement under certain conditions. However, interruptions in children's programs and news programs would be restricted slightly further. Nevertheless, the potential financial impact of this change on ProSiebenSat.1 Media AG can be considered rather minimal.

The Commission draft must be approved within the next few months by the European Parliament and the European Council, both of which may make extensive changes. It is possible that the liberalization the Commission proposes may be reversed, and that certain requirements might even be tightened further. For example, bans on high-calorie food advertisements directed to children are now under discussion. Such new advertising bans and other restrictive regulations might cause a reduction in revenues. Hence Sat.1 Media AG is taking an active part in the ongoing debate, and maintains close contact on this matter with the European Parliament, the German government, the German state governments and the state regulatory agencies for broadcasting.

ANGA complaint against support for DVB-T

In response to a 2002 complaint from ANGA, an association of private cable operators in Germany, the European Commission reviewed government support for the conversion to DVB-T (digital video broadcasting – terrestrial) in Berlin-Brandenburg. A decision of November 9, 2005, upheld the earlier finding that this constituted impermissible aid from the government. In accordance with European law on government aid, in its decision the Commission has now also ordered the German government to recover assistance funds that have already been paid to the beneficiaries. Such a demand from the MABB, the state media authority, is expected shortly. Because this support has been lost, there is no longer any reason for existing contracts with the infrastructure provider T-Systems. Given this situation, ProSiebenSat.1 will negotiate with T-Systems to reduce distribution charges.

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. Since the treaty went into force in April 2005, regional programming windows have been subject to a separate license, which is to be granted only to companies that are not dependent on established broadcasters. The North German regional programming windows in Sat.1's schedule are produced by a wholly owned subsidiary, Sat.1 Norddeutschland GmbH. In October 2005, Sat.1 Norddeutschland GmbH petitioned the appropriate state media agencies for a license of its own. According to the current state of information, three of the four licensing agencies are not planning to hold a public bidding procedure; they have already approved the applications and forwarded them to the KEK for review. The agency in Schleswig-Holstein will presumably decide on the application after a hearing, which is expected early in 2006. 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 taking an active role 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.

Section 47 (3) of the Saarland Media Act, as last amended on March 31, 2004, requires that so far as is technically possible, statewide programming windows must 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 must be financed by the broadcasters of the nationwide channels. On this basis, the Saarland state media agency has issued a Window Programming Ordinance, which it plans to implement in April 2006. In ongoing discussions at the highest political level, ProSiebenSat.1 Media AG is arguing that this charter should not be implemented. Additionally, ProSiebenSat.1 Media AG is examining options for legal action against the charter if it is implemented, and for getting clarification of whether the applicable provisions of both state law and the interstate treaty on broadcasting are permissible. 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 part to counteract an expansion of further regional TV requirements.

Gambling Tax Act

While this report was being prepared, the Bundesrat submitted a bill for a new federal "Gambling Tax Act" (Spieleinsatzsteuergesetz) to the Bundestag for final debate and adoption. The draft law establishes a special new tax, most particularly to combat abusive schemes for tax evasion involving gaming machines and bookmaking. As originally debated at the state level, the original language of the drafts included provisions that would have had repercussions for the media. But in the form now submitted to the Bundestag, the bill has made it clear that interactive contests and games of skill carried in the media, and especially those on television and radio programs, will not be subject to the new tax even if they fall within the purview of the new

Act, as long as the compensation received cannot be subdivided into a bet amount and an amount for other services, but rather is for undivided telecommunications services and as such is subject to value-added tax. Since 9Live meets this standard, accordingly the bill no longer poses a threat to 9Live's business model.

Regulatory Risks

Development of the cable market

The liberalization of the cable market is extremely important for the ProSiebenSat.1 Group. 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 Group's stations Sat.1, ProSieben, kabel eins, N24 and 9Live must still be assured in making the transition from the analog to the digital age.

The ProSiebenSat.1 Group is confident that its 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 the digital distribution of programming is normally subject to written consent from the originating broadcaster. ProSiebenSat.1 Media AG has been in ongoing negotiations with cable operators for digital and analog feeds during the year 2005. 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 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 stations of the ProSiebenSat.1 Group would still be able to maintain their competitive positions in the Free TV sector. Quite 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.

ProSiebenSat.1 Media AG expects cable operators to provide an unbundled offer for analog and digital feeds, a changeover scenario that makes reasonable sense for all parties, and a commitment to treatment on an equal footing with public broadcasters.

see: Events Subsequent to the Reporting Date page 50

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, when companies merge 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 brought 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 Wirtschaftsprüfungs- und Steuerberatungsgesellschaft 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, or if so, in what amount. A first hearing was held before Munich Regional Court I on April 5, 2001. In substance, it discussed the choice of the appraiser to be appointed by the court, and the scope of any requisite appraisal. Subsequently to the hearing, the court appointed Prof. Dr. Friedhelm Sahner, of Warth & Klein Wirtschaftsprüfungsgesellschaft mbH, Düsseldorf, as the expert appraiser. Prof. 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 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 originally participated in the merger (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 Group's net assets and financial position.

However, on the basis of the current state of information, the Company does not expect the court to 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 these experts' opinion that the calculation method used by Warth & Klein to address the difference in capital-structure risk was methodologically flawed, among other reasons because it takes listed corporations as its basis, while in the present case SAT.1 Holding GmbH was a private, unlisted company and should be evaluated as such. Moreover, the experts reconfirm that the valuation on which the merger was based complies with the principles of proper corporate valuation.

The court ordered its appointed experts to present a supplementary opinion, in part to present their position on the expert evaluation the Company had submitted. The Company has now received this supplementary opinion.

The original and supplementary opinions from the court-appointed experts Warth & Klein were addressed in a second hearing on November 10, 2005. After reviewing the supplementary opinion and discussing the original Warth & Klein opinion at that hearing, the Company continues to assume that the court will not order an additional cash payment founded on the Warth & Klein appraisal.

Finance Risks

Currency risks

The ProSiebenSat.1 Group signs a substantial number of its license agreements with production studios in the United States. As a rule, the Group meets its financial obligations deriving from these programming rights purchases in U.S. dollars. 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 predominantly 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 favorable 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, 2005, 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 instruments were employed for interest rates as of December 31, 2005.

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 13.5 million as of December 31, 2005.

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, 2005, no use had been made of this syndicated line of credit.

Peter Christmann
Executive Board Member for Sales and Marketing

»Classic advertising will still be the way brands are made. Brands are a creation of the collective consciousness. The crucial trick in the future will be to combine mass communications with an individualized, interactive appeal to the consumer. What medium does that better than television?«

Report of Anticipated Developments

The ProSiebenSat.1 Group will improve its revenues and earnings still further in fiscal 2006. Higher revenues will result in part from the growth of the TV market. But the expansion of the Group's activities in the Diversification division will also contribute, as will the consolidation of 9Live for the full year.

"It's a goal!" on Sat.1: Sönke Wortmann's "Wunder von Bern" brings the legend to life.

Outlook

Economic expectations for 2006

The German economy will pick up at least slightly this year. German economic research institutes project that gross domestic product will grow between 1.4 and 1.7 percent in 2006. The IFO Institute, whose projection of 1.7 percent is at the upper end of the range of growth rate expectations, calculates that after adjustments for calendar-induced differences, the gross domestic product will actually gain 1.9 percent. In that case Germany would approach the average for the Euro Zone, which the IFO Institute projects at 2.0 percent for the year.

The German economy will still be driven by foreign demand and the dynamic global economy, and exports will remain its main pillar. Despite the advance-buying effects ahead of the VAT increase planned for 2007, consumer spending is expected to revive only slightly. Economic researchers expect private consumer spending to increase 0.3 percent.

The mood in the German economy is brighter than the economic researchers' projections imply. In January 2006, the IFO business climate index reached its highest value since 1994. The ZEW's economic expectations and the GfK consumer climate were also up again in January 2006. However, the year is still too young to say with any certainty whether the rise in the indexes will be followed by an actual improvement in the economy, and whether the country's booming exports will begin to be reflected in domestic conditions. For that reason, the German government's annual economic report of January 23, 2006, still assumes that gross domestic product will rise 1.4 percent.

The general advertising market in Germany: Slight growth in 2006

Overall, the advertising market in Germany is expected to grow slightly during the year, consistently with the macroeconomic conditions. The ZAW, the German advertising industry association, assumes there will be a net gain of 2 percent; the World Advertising Research Center projects a 2.6 percent rise; ZenithOptimedia expects the increase to be 1.8 percent.

Because advertising clients book on short notice, it is difficult to arrive at any reliable projection for the TV advertising market in Germany. The World Advertising Research Center calculates that the German television advertising market will grow 3.1 percent net in 2006, and thus faster than the advertising market as a whole. ZenithOptimedia expects net TV revenues to rise 1.3 percent.

ProSiebenSat.1 Group expects 2 percent growth in TV advertising market

The ProSiebenSat.1 Group assumes that the gradual recovery of the economy as a whole, and the mild revival in consumer spending, will have a positive impact on the TV advertising market. The soccer World Cup and the value-added tax effect may play a role as growth factors during the second half. The Group expects the German TV advertising market to grow about 2 percent net in 2006.

A new hit series on ProSieben: "Grey's Anatomy" attracted an average of 18 million viewers in the U.S.. The season finale drew more than 22 million. It was 2005's most successful new series in the U.S. market.

Company projection: Revenue and earnings up again

Despite the major sports events of 2006, the ProSiebenSat.1 Group aims to outperform the TV market as a whole. The public broadcasters hold the rights to the Winter Olympics in Turin in February, and for the soccer World Cup in Germany in June and July. Coverage on ARD and ZDF will cut into the audience shares of Germany's commercial broadcasters, including the ProSiebenSat.1 Group.

The Group's goal is for its stations to earn a combined audience share of around 30 percent of the 14-to-49 key demographic, despite the year's major sports events.

In all, the ProSiebenSat.1 Group will improve its revenues and earnings still further in fiscal 2006. Higher revenues will result in part from the growth of the TV market. But the expansion of the Group's activities in the Diversification division will also contribute, as will the consolidation of 9Live for the full year. The Company assumes that costs will be up only slightly, so that the increased revenues will be reflected in earnings. Higher expenditures are particularly expected for programming.

Diversification of revenue sources

Last year, the Free TV segment generated 91 percent of the ProSiebenSat.1 Group's revenues. The Company is planning to increase the share of revenue not generated by the Free TV segment to 15 percent by 2007. This year, about 12 percent of total revenues will be generated by the Diversification division.

Two new lines of business will contribute to organic growth in the Diversification division. During the year, the ProSiebenSat.1 Group will offer Pay TV for the first time, with two new channels. A digital movie channel and a comedy channel will be launched on the Unity Media and Kabel Deutschland cable networks in the second quarter. As a second innovation, distribution of programming via DSL is expected to tap further sources of revenue.

See: Events subsequent to..., starting on p. xx

»Congratulations to ProSieben! Your schedule is top-notch. Series like 'The O.C.' and 'Desperate Housewives' are just knockouts!«

Julia K. from Berlin

Telly Savalas earned worldwide fame as cop Theo Kojak. His "Manhattan assignment" became one of the world's most popular series, earning him an Emmy and two Golden Globes. No less than 118 episodes of Kojak will begin showing on kabel eins at the end of January.

Programming outlook

Sat.1: Variety, feeling and excitement

After its successful 2005, Sat.1 will turn up the heat in 2006 with a large number of innovative shows in all categories. Ralf Schmitz and Anke Engelke will be launching their new shows "Schmitz komm raus" and "Ladyland" in 2006. Major hits like "MegaClever" and "Der grosse Haustiertest" will go into their second seasons. In-house fiction productions at Sat.1 will include new series like "Freunde für immer – Das Leben ist rund' from star director Sönke Wortmann, the family series "Unter den Linden," the two crime series "Dem Mörder auf der Spur" and "Stadt, Land, Mord," and "Allein unter Bauern" from the makers of "Edel & Starck."

The "Der große Sat.1-Film" series on Tuesdays and Saturdays promises to be packed with feeling and excitement. Evenings later this summer will see the debut of a new Sat.1 telenovela in the 7:15 slot, with Raphael Vogt starring. The station's sports highlight will come on May 17, when the station will carry the UEFA Champions League finals live from Paris.

Theatrical film hits like "Das Wunder von Bern," "Manhattan Love Story," "Kick It Like Beckham," "The Others" and "Anger Management" are additional schedule highlights for 2006. Besides the third season of the hit U.S. series "Navy CIS," Sat.1 will also be showing last season's most successful new series from U.S. network to German TV: "Criminal Minds."

ProSieben in 2006: Blockbuster double features on Sundays

ProSieben will focus more sharply on the core of its brand in 2006 – it will build further on its classic successes in feature films, U.S. series, knowledge, comedy and event shows.

The station has an excellent supply of blockbusters for 2006. Sundays it will regularly be showing a film double feature. The schedule includes "Pirates of the Caribbean," "(T)Raumschiff Surprise – Periode 1," "Bad Boys 2," "Kill Bill: Volume 1," "Last Samurai," "Matrix Revolutions" and "Der Wixxer."

In the fall, the hit series "Desperate Housewives" will be back in a whole new season. And the station will prove it hasn't lost its touch for mysteries on Mondays, with the new U.S. series "The 4400," "Surface," "Invasion," and the second season of "Lost."

Knowledge shows and documentaries will be expanded even further. "Galileo" host Aiman Abdallah will be heading more prime-time "Galileo" specials. And the station will also be showing new co-productions made with documentary powerhouse BBC.

In prime access starting at the end of March, ProSieben will be offering the new telenovela "Lotta in Love."
The best comics will be back evoking guffaws again in 2006. Stefan Raab, Oliver Pocher, Bully Herbig, Christoph Maria Herbst and Thomas Hermanns have a number of new shows in store for their fans.

Saturday evenings, viewers will be seeing ProSieben special shows more often, including both familiar and new events with Stefan Raab.

ProSieben 2006: We Love To Entertain You.

Arabella Kiesbauer is back. Since January 2006 she's had her own new social affairs talk show "Arabella Kiesbauer" on N24, where she talks with celebrity guests about topics that all of Germany wants to know about.

kabel eins: Top films and hit series from the sixties to today

Popular series, innovative shows and events will launch 2006 at kabel eins. And those looking for "the best films of all time" will be right at home again here this year. They'll be able to see such films as "Fight Club," two James Bond classics, "Cop Land," "The Firm," "Dangerous Minds," and "The Man in the Iron Mask." The station's series lineup is full of modern classics. It will carry the German Free TV premiere of "Medium" with Emmy Award-winner Patricia Arquette, and the German premiere of the U.S. mystery series "Ghost Whisperer." Crime Friday will continue its hit lineup in 2006: fans can catch the first German broadcasts of new seasons of "Cold Case," "Without a Trace," and "Missing." And the station will pay tribute to cult series from the seventies and eighties when "Kojak" and "Miami Vice" return to the airwaves in January.

Among the highlight shows for the first half will be "ClipCharts" with "polar bear" Eddie Cool, "Quiz Taxi" with Thomas Hackenberg, and "Best of Queen." In informational programming, host Jan Stecker will persuade people to do more than just watch. They can participate themselves in "Abenteuer Auto," and in "4 Flügel, Küche, Bad!," which will debut in April.

N24: Arabella Kiesbauer covers topics that all of Germany wants to know about

In January 2006, Arabella Kiesbauer celebrated her return to German television with a weekly social affairs talk show on N24. With Claus Strunz and Michel Friedman, she makes the channel's third celebrity talk show host.

In February, N24 launched a new magazine show hosted by Claudia Eberl, entitled "Studio 24." The show, in the prime access slot, presents reports and articles from all over Germany on current topics about the country.

In 2006, N24 will also expand its line of stock market programming with an additional show. "Make Money" (the working title) will combine a stock market format with call-in components.

»Dear kabel eins Team: About your selection of cult series and other really entertaining programs – it's just the right mix. You make TV fun!«

Günther K. from Frankfurt

Auditor's Report

We have audited the consolidated financial statements prepared by ProSiebenSat.1 Media AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, March 8, 2006

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

signed: Hoyos	signed: Gaeb
Auditor	Auditor

Financial Statements

Consolidated income statement for ProSiebenSat.1 Media AG

EUR k			2005	2004	Change	Change in %
1.	Revenues	[7]	1,989,597	1,834,582	155,015	8%
2.	Cost of sales	[8]	-1,275,224	-1,265,465	9,759	1%
3.	**Gross profit**		714,373	569,117	145,256	26%
4.	Selling expenses	[9]	-210,105	-183,985	26,120	14%
5.	Administrative expenses	[10]	-134,960	-127,417	7,543	6%
6.	Other operating income	[11]	14,383	28,484	-14,101	-50%
7.	**Operating profit**		383,691	286,199	97,492	34%
8.	Result from equity interests	[12]	4,318	5,149	-831	-16%
9.	Net interest and similar income	[13]	3,603	3,543	60	2%
10.	Net interest and other expenses	[13]	-50,111	-61,371	-11,260	-18%
11.	Income from financial instruments		9,213	- / -	9,213	- / -
12.	Other financial result	[14]	2,642	6,733	-4,091	-61%
13.	Other financial expenses	[15]	-2,678	-22,735	-20,057	-88%
14.	**Financial loss**		-33,013	-68,681	35,668	52%
15.	**Income from ordinary business activities**		350,678	217,518	133,160	61%
16.	Income taxes	[16]	-129,069	-83,857	45,212	54%
17.	**Consolidated profit for the year**		221,609	133,661	87,948	66%
	thereof: minority interests		670	31	639	- / -
	Basic and diluted earnings per share of common stock according to IAS 33	[17]	1.00	0.62	0.38	61%
	Basic and diluted earnings per share of preferred stock according to IAS 33	[17]	1.02	0.64	0.38	59%

Consolidated balance sheet of ProSiebenSat.1 Media AG

ASSETS

EUR k		12/31/2005	12/31/2004	Change
A. Noncurrent assets				
I. Intangible assets	[19]	329,772	62,919	266,853
II. Property, plant and equipment	[20]	235,664	242,538	-6,874
III. Financial assets	[21]	3,864	152,520	-148,656
IV. Programming assets	[22]	253,596	207,403	46,193
V. Accounts receivable and other long-term assets	[24]	3,298	8,976	-5,678
VI. Deferred taxes	[16]	- / -	36,365	-36,365
		826,194	**710,721**	**115,473**
B. Current assets				
I. Programming assets	[22]	803,888	902,460	-98,572
II. Inventories	[23]	4,473	4,963	-490
III. Accounts receivable and other short-term assets	[24]	222,019	145,807	76,212
IV. Marketable securities	[25]	2,446	491	1,955
V. Cash, cash at bank	[25]	157,556	294,735	-137,179
		1,190,382	**1,348,456**	**-158,074**
Total assets		**2,016,576**	**2,059,177**	**-42,601**

LIABILITIES AND SHAREHOLDERS' EQUITY

EUR k		12/31/2005	12/31/2004	Change
A. Shareholders' equity	[26]			
I. Subscribed capital		218,797	218,797	- / -
II. Capital reserves		579,965	578,421	1,544
III. Group equity generated		386,678	229,190	157,488
IV. Accumulated other Group equity		4,224	-23,639	27,863
V. Minority interests	[30]	-1,915	1,334	-3,249
		1,187,749	**1,004,103**	**183,646**
B. Noncurrent liabilities				
I. Long-term financial liabilities	[33]	382,658	438,430	-55,772
II. Provisions	[31, 32]	6,521	21,252	-14,731
III. Other liabilities	[33]	123,046	131,357	-8,311
IV. Deferred taxes	[16]	450	- / -	450
		512,675	**591,039**	**-78,364**
C. Current liabilities				
I. Short-term financial liabilities	[33]	4,577	135,501	-130,924
II. Provisions	[32]	49,701	38,150	11,551
III. Other liabilities	[33]	261,874	290,384	-28,510
		316,152	**464,035**	**-147,883**
Total liabilities and shareholders' equity		**2,016,576**	**2,059,177**	**-42,601**

ProSiebenSat.1 Group cash flow statement

EUR k	2005	2004
Consolidated profit for the year	**220,939**	**133,630**
Depreciation, amortization and impairment/write-ups of noncurrent and current assets	35,881	36,076
Consumption/write-ups of programming assets	937,370	949,936
Change in tax provisions (incl. change in deferred tax assets)	22,089	11,474
Change in other provisions	-659	-2,680
Result from equity accounting and other noncash relevant changes within financial assets	-6,877	-14,321
Result from sale of fixed assets	-52	680
Result from sale of programming assets	-2	- / -
Other noncash income/expenses	1,544	- / -
Cash flow	**1,210,233**	**1,114,795**
Change in inventories	516	814
Change in non-interest-bearing receivables and other assets	-26,882	18,059
Change in non-interest-bearing liabilities	-18,050	-77,225
Cash flow from operating activities	**1,165,817**	**1,056,443**
Proceeds from disposal of noncurrent assets	2,535	7,139
Expenditures for intangible assets and property, plant and equipment	-26,639	-22,176
Expenditures for purchase of financial assets	-963	-282
Proceeds from disposal of programming assets	10,126	4,237
Expenditures for programming assets	-907,261	-923,400
Effects of changes in scope of consolidation and other changes in equity	-173,466	808
Cash flow from investing activities	**-1,095,668**	**-933,674**
Free cash flow	**70,149**	**122,769**
Dividend	-63,451	-1,945
Change of interest-bearing liabilities	-189,153	-168,364
Net admission from capital increase	- / -	280,413
Cash flow from financing activities	**-252,604**	**110,104**
Change in cash and cash equivalents	**-182,455**	**232,873**
Change in scope of consolidation in cash and cash equivalents	45,276	- / -
Cash and cash equivalents at beginning of year	294,735	61,862
Cash and cash equivalents as of December 31	**157,556**	**294,735**
The cash flow from operating activities includes the following receipts and payments according to IAS 7		
Cash flow from income taxes	-130,335	-60,906
Cash flow from interest expenses	-47,357	-63,513
Cash flow from interest income	3,164	2,912

Statement of changes in equity of the ProSiebenSat.1 Group for 2004

EUR k	Subscribed capital	Capital reserves	Group equity generated	Accumulated other Group equity: Foreign currency translation adjustment	Accumulated other Group equity: Valuation from cash flow hedges	Minority interests	Share-holders' equity
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
December 31, 2004	**218,797**	**578,421**	**229,190**	**-135**	**-23,504**	**1,334**	**1,004,103**

Statement of changes in equity of the ProSiebenSat.1 Group for 2005

EUR k	Subscribed capital	Capital reserves	Group equity generated	Accumulated other Group equity: Foreign currency translation adjustment	Accumulated other Group equity: Valuation from cash flow hedges	Minority interests	Share-holders' equity
December 31, 2004	218,797	578,421	229,190	-135	-23,504	1,334	1,004,103
Dividends paid	- / -	- / -	-63,451	- / -	- / -	- / -	-63,451
Changes in scope of consolidation	- / -	- / -	- / -	- / -	- / -	-3,919	-3,919
Other changes	- / -	1,544	- / -	-115	27,978	- / -	29,407
Consolidated profit for the year	- / -	- / -	220,939	- / -	- / -	670	221,609
December 31, 2005	**218,797**	**579,965**	**386,678**	**-250**	**4,474**	**-1,915**	**1,187,749**

Notes: 2005 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 2005 were prepared in compliance with the International Financial Reporting Standards of the International Accounting Standards Board (IASB) that were in effect and applicable for the EU and the additional requirements of German commercial law pursuant to § 315a (1) HGB on the reporting date, December 31, 2005. All applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for fiscal 2005 have been applied. Moreover, the consolidated financial statements for ProSiebenSat.1 Media AG have applied the new IAS 1 ("Presentation of Financial Statements") since fiscal 2004, even though the application of IAS 1 was not mandatory until the first reporting period of the fiscal year beginning on or after January 1, 2005.

ProSiebenSat.1 Media AG has previously released quarterly financial statements and its 2004 consolidated annual financial statements in accordance with IFRS, 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.

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 2005:

	Domestic market	Foreign market	Total
Including 12/31/2004	32	3	35
Newly founded/consolidated companies	5	1	6
Merged/final consolidated companies	-5	- / -	-5
Including 12/31/2005	**32**	**4**	**36**

ProSiebenSat.1 Media AG directly or indirectly holds a majority of voting rights in these companies. Six (previous year: eight) associated companies are consolidated by the equity method.

Affiliated companies are listed on pages 101 and 102, 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.

Euvia Group acquisition

The Group acquired the remainder of Euvia Media Verwaltungs AG and Euvia Media AG & Co. KG as of June 1, 2005. As a result of the acquisition, the following companies became wholly owned subsidiaries of the ProSiebenSat.1 Group:

Euvia Media Verwaltungs AG
Euvia Media AG & Co. KG
NEUN LIVE Fernsehen Geschäftsführungs GmbH
NEUN LIVE Fernsehen GmbH & Co. KG
NEUN LIVE Musikverlag GmbH
EUVIA TRAVEL GmbH

EUVIA TRAVEL was sold in October 2005 to the tourism firm BigXtra Touristik GmbH.

In the corporate restructuring process, NEUN LIVE Fernsehen Geschäftsführungs GmbH was merged into Euvia Media AG & Co. KG. In the merger, the assets of NEUN LIVE Fernsehen GmbH & Co. KG were pooled with those of Euvia Media AG & Co. KG, which was then itself renamed 9Live Fernsehen GmbH & Co. KG. The managing partner of 9Live Fernsehen AG & Co. KG is the former Euvia Media Verwaltungs AG, which has been renamed 9Live Fernsehen Verwaltungs GmbH. The total cost of acquisition for the 51.6 percent purchase came to EUR 148.8 million, including costs of EUR 0.6 million directly associated with the purchase. The assets and liabilities of the ProSiebenSat.1 Group reflect the Euvia Group acquisition as follows:

Euvia: Fair Value

EUR m	Euvia Group	Step-up	Fair Value
Intangible assets	2.1	39.2	41.3
Goodwill	-/-	223.9	223.9
Noncurrent assets excl. deferred taxes	1.9	-/-	1.9
Current assets incl. deferred taxes	67.3	15.6	82.9
Provisions and liabilities	-127.9	-/-	-127.9
Total			222.1
Purchase price of Euvia Group			148.8
Equity book value for Euvia as of 05/31/2005			73.3
Total			222.1

The step-up (purchase price allocation) takes account of the differences between the residual book values on the seller's books and the fair value carried by the seller.

The step-up identified not only intangible assets to be capitalized, but also assets that cannot be measured separately from goodwill. This may be the case, for example, when the goods involved are not scarce, or if no future benefit can be expected, or if the capitalized value already reflects the fair value, or if capitalization is out of the question because of the asset's minor value. Among the assets that were identified but not separated from goodwill are broadcasting licenses, land and satellite transmission channels, relationships with advertising clients, Internet domains, patents, and unpatented technologies.

Acquisition of wetter.com

Effective July 1, 2005, the Group's ownership interest in wetter.com AG was increased by 10.97 percent, to 54.97 percent. The total purchase price for the added ownership interest was EUR 1.058 million, including costs of EUR 71 thousand directly associated with the purchase. The company was fully consolidated into the consolidated financial statements of ProSiebenSat.1 Media AG for the first time as of July 1, 2005. As its principal activities, wetter.com AG develops, builds and operates Web sites and digital television channels dealing with weather and travel. The assets and liabilities of the ProSiebenSat.1 Group reflect the wetter.com AG acquisition as follows:

wetter.com AG: Fair Value

EUR k	wetter.com AG	Step-up	Fair Value
Intangible assets	88	1,001	1,089
Goodwill	-/-	453	453
Noncurrent assets	71	-/-	71
Current assets	1,475	-/-	1,475
Provisions and liabilities	-451	-/-	-451
Total			2,637
Purchase price of wetter.com AG			1,058
Equity book value of wetter.com AG as of 06/31/2005			1,046
minority interests			533
Total			2,637

The step-up identified not only intangible assets to be capitalized, but also assets that cannot be measured separately from goodwill. These include software licenses, relationships with advertising clients, domain names, and unpatented technologies.

In accordance with IFRS 3, additional information must be provided regarding the revenue and earnings performance of acquired companies. The following table provides this information for the Euvia Group and wetter.com AG.

EUR k	EUVIA Group	wetter.com
Revenues 2005	98,646	3,173
Loss for the year 2005	-23,248	-562
Loss for the year 2005 since acquisition	-16,254	-510

The large loss at the Euvia Group resulted from a one-time interest expense of EUR 49.5 million as part of a loan repayment to ProSiebenSat.1 Media AG, and from a reduction in the loan term. This in-Group effect is eliminated in the consolidated financial statements of ProSiebenSat.1 Media AG, and thus has no impact on the Group's profit or loss.

In the course of the purchase of the Euvia Group, the ProSiebenSat.1 Group generated proceeds of EUR 9.213 million on a foreign-exchange hedge transaction for the Euvia purchase price.

[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 significant influence (associated companies) are measured using the equity method under IAS 28 ("Investments in Associates"). Equity interests held in associated companies are reported at a figure equivalent to the proportion of the adjusted equity held in each such company. There is no price quoted on any active market for the companies measured using the equity method. Any difference from the acquisition cost of the equity interest is recognized using the purchase 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. Where individual companies' financial statements applied write-downs or write-offs on intra-Group receivables, such changes have been canceled in the consolidated financial statements of ProSiebenSat.1 Media AG.

[4] Foreign currency conversion

The annual financial statements for SevenOne Media (Schweiz) AG, of Zurich, Switzerland, and Sat.1 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 both companies operate autonomously in financial, economic and organizational terms, here the functional currency is identical to the companies' 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. For practicality's sake, they were not converted at the rate at the date of the transaction, since these financial statements are exclusively in Swiss francs, a currency that is not subject to widely fluctuating exchange rates. 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 currencies using the rate as of the reporting date, and payables in foreign currencies using either 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 524 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	
	12/31/2005	12/31/2004	2005	2004
Swiss Francs	1.56	1.54	1.55	1.54

[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. Subsequently 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" at 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, 2005.

[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. 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, call revenues from transaction television, 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 when the service is requested or when the expense is otherwise incurred. Interest is recognized as an expense for the period.

Impairment of assets
In accordance with IAS 36 ("Impairment of Assets"), a company must assess at each reporting date whether there is indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset must be estimated. Whether or not there is any indication of impairment, each year a company must also review for impairment any intangible assets with an indefinite useful life, any intangible asset not yet available for use, and goodwill acquired in business combinations. An asset is impaired when its carrying amount exceeds its 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. If the recoverable amount is below the carrying amount, the difference represents the impairment, which must normally be reported as an expense in the income statement, unless it relates to a revalued asset where the value changes are recognized directly in equity. A company must assess at each reporting date whether an impairment still exists. If there is no longer any reason for such an impairment, the impairment loss must be reversed. The reversal cannot result in an amount greater than the amount that would have been reported if no impairment had been recognized. Normally, the reversal is recognized as income in the income statement, unless it relates to a revalued asset where the value changes are recognized directly in equity. Impairment losses for goodwill cannot be reversed.

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. Based on the pattern of benefits, scheduled amortization is recognized 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. Based on the pattern of benefits, scheduled depreciation is recognized 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 companies and other equity interests are reported at cost or at the present value of future benefits, whichever is lower.

Investments in associated companies are reported under IAS 28 ("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 if a production has been commissioned but is not pursued further. 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, on the basis of objective evidence and values developed through experience, to cover known risks by valuation adjustments 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 when 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.

Stock Option Plan
The management Stock Option Plan is measured on the basis of actuarial methods using option price models. The options are measured at market value as of the date on which they are accorded. The resulting option value is charged to the income statement as a personnel expense, spread over the vesting period.

Provisions

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

In measuring pension provisions, obligations from direct pension commitments are calculated by determining the present value of expected future payments, adjusted for future compensation and changes in benefits. The service cost for beneficiaries results from the planned performance of the plan assets. The service cost for those entitled to future pension benefits is derived from the increase in the present value of a defined-benefit obligation that applies to the benefits provided to beneficiaries during the reporting period.

	2005
Actuarial interest rate	4.25 %
Rate of payments	3.0 %
Rate of pension progression	1.0 %

All commitments were made in 2005. Pension obligations were measured using the biometric calculation data provided in 2005G guideline tables prepared by Prof. Dr. Klaus Heubeck.

Provisions for contingent losses are formed largely for programming assets whose license term begins after December 31, 2005, 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 fair 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 fair value; other liabilities are recognized at par value.

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, on a straight-line basis.

Under IFRS, a number of leases taken out by the ProSiebenSat.1 Group have been classified as finance leases. The leased assets and lease liabilities under these leases are reported in the balance sheet under "property, plant and equipment" or under "other liabilities."

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, discounting of long-term low-interest loans, and the possibility of realizing future tax advantages. Both the initial measurement and subsequent valuations of programming assets are based on estimated earnings potential. This earnings potential reflects various scenarios for the use of programming assets (see Note 32, "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 when further knowledge is received.

Notes to the Income Statement

[7] Revenues

EUR k	2005	2004
Advertising revenues	1,836,082	1,750,949
Barter deals	26,294	14,569
Other revenues	127,221	69,064
Total	**1,989,597**	**1,834,582**

The ProSiebenSat.1 Group's revenues of EUR 1,989.597 million derive mainly from advertising, and are earned almost entirely within the Federal Republic of Germany.

Group revenues grew by EUR 155.015 million, or 8 percent, from EUR 1,834.582 million in fiscal 2004 to EUR 1,989.597 million in fiscal 2005. The increase was the result of rising demand for advertising in the German television market during fiscal 2005, and to the first-time consolidation of 9Live Fernsehen AG & Co. KG as of June 1, 2005.

Overall, the Group's conventional advertising revenues were up EUR 85.133 million, from EUR 1,750.949 million to EUR 1,836.082 million – a gain of 5 percent.

[8] 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	2005	2004
Scheduled consumption of programming assets	870,789	892,346
Unscheduled consumption of programming assets	66,634	57,589
Additions to provisions for contigent losses	9,742	7,617
Total	**947,165**	**957,552**

Despite lower consumption of programming assets, the cost of sales rose EUR 9.759 million in all, from EUR 1,265.465 million in 2004 to EUR 1,275.224 million in 2005. Most of the increase came from the first-time consolidation of the Euvia Group and Sat.1 Schweiz AG.

[9] Selling expenses

Selling expenses are mainly broadcasting expenses, transmission fees and advertising expenses. In all, selling expenses rose EUR 26.120 million against the year before, from EUR 183.985 million in fiscal 2004 to EUR 210.105 million in fiscal 2005. The change is essentially a result of higher advertising expenses. Additional factors behind the increase included higher personnel expenses for selling, write-downs of intangible assets capitalized as part of the step-up for the Euvia Group, and higher transmission fees resulting from the first-time consolidation of 9Live Fernsehen AG & Co. KG.

[10] Administrative expenses

This item represents all costs of general administration activities. These include personnel expenses, expenses for the IT and legal departments, and rental and lease expenses. Administrative expenses rose from EUR 127.417 million in fiscal 2004 to EUR 134.960 million in fiscal 2005. Most of the EUR 7.543 million increase resulted from higher personnel expenses and higher legal and consulting expenses than for the prior year.

[11] Other operating income

Other operating income receded EUR 14.101 million, or 50 percent, from EUR 28.484 million in fiscal 2004 to EUR 14.383 million in fiscal 2005. Most of the decrease came from a divergence from the prior year in the presentation of income from reversals of provisions; because of their materiality these are not shown individually for 2005, but instead are offset directly against expenses. In 2004, other operating income included EUR 5.559 million from reversals of provisions.

The other operating income primarily includes costs passed on elsewhere, and income from the reversal of a badwill.

[12] Income from equity investments

EUR k	2005	2004
Income from equity interests	- / -	51
Expenses due to transfer of loss	-1,066	- / -
Income from equity interests in associated companies	5,384	5,098
Total	**4,318**	**5,149**

Income from companies in which an equity investment is held came to EUR 4.318 million in fiscal 2005. The income for the previous year was EUR 5.149 million. The new figure represents a decline of EUR 831 thousand.

[13] Net interest

EUR k	2005	2004
Other interest and similar income	3,603	3,543
Interest and similar expenses	-50,111	-61,371
Total	**-46,508**	**-57,828**

The net interest expense narrowed substantially to EUR -46.508 million in fiscal 2005, following the previous year's EUR -57.828 million.

Total interest expenses shrank from EUR 61.371 million to EUR 50.111 million. Most of the EUR 11.260 million decrease resulted from the repayment of two bond issues with a total par value of EUR 167.948 million. Additionally, the refinancing plan implemented in May 2004 had its first full-year effects in 2005.

The largest single item of interest income was the interest income of EUR 2.465 million from time deposits. The primary interest expense items pertain to interest on bond issues and finance leases, and interest paid on loans. Interest expenses also include an interest component of EUR 42 thousand for allocations to pension provisions.

[14] Other financial income

EUR k	2005	2004
Income from securities and loans of financial assets	3,679	7,754
Write-downs of financial assets and current securities	-1,037	-1,021
Total	**2,642**	**6,733**

Income from other securities and loans of noncurrent financial assets decreased to EUR 3.679 million during the year, following EUR 7.754 million in 2004. Most of this figure is interest income from a corporate loan to Euvia Media AG & Co. KG until May, 31, 2005. The substantial decrease results from the first full consolidation of the Euvia Group as of June 1, 2005.

[15] Other financial expenses

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

[16] Income taxes

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

Taxes on income comprise the following:

EUR k	2005	2004
Current income tax expenses	113,795	70,119
Deferred tax expenses	15,274	13,738
Total	**129,069**	**83,857**

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 38.0 percent used here (vs. 38.0 percent) comprises a corporate income tax rate of 25.0 percent (vs. 25.0 percent), the German reunification surtax of 5.5 percent, and an average basis factor of 380 percent for the assessment of local business income tax. Tax rates for Group companies abroad are between 20.0 and 25.0 percent.

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

EUR k	2005	2004
Consolidated pre-tax profit	350,678	217,518
Statutory tax rate	38.00%	38.00%
Expected tax expenditure	133,258	82,657
Differences in tax rate		
Tax results due to tax rate changes	- / -	- / -
Tax results referring to differences in foreign tax rates	-3,279	-1,545
At equity valuation	-896	-2,104
Tax results referring to differences in taxable base		
Amortization of goodwill with no tax impact	- / -	- / -
Permanent differences	539	3,953
Other tax-free revenues	-491	-19
Approach and valuation of active deferred taxes		
Provisions against deferred taxes	-2,328	39
Aperiodic effects		
Current and deferred taxes previous years [partially from tax audits]	3,109	761
Others	-843	115
Actual total tax expenditure	**129,069**	**83,857**

As of December 31, 2005, the Group still had 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	2005		2004	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	7,234	5,906	4,692	824
Tangible assets	- / -	47,284	8	48,130
Financial assets	4,810	100	23,340	8,369
Inventories and other assets	1,737	5,681	1,744	5,974
Programming assets	2,330	4,133	2,330	3,902
Pension provisions	- / -	328	- / -	- / -
Provisions	4,753	414	10,334	414
Liabilities	47,050	10,666	61,977	5,034
Transfer of losses	5,561	- / -	4,587	- / -
Stock option plan	587	- / -	- / -	- / -
Balancing	-74,062	-74,062	-72,647	-72,647
Total	**- / -**	**450**	**36,365**	**- / -**

Deferred tax assets for tax loss carry-forwards increased EUR 974 thousand against the year before. Most of the increase came from capitalization of deferred tax assets for losses carried forward at Sat.1 Schweiz 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 10.983 million as of December 31, 2005, compared to the previous year's EUR 12.263 million.

Deferred tax liabilities included in equity, with no impact on earnings, came to EUR 7.136 million compared to the previous year's EUR 14.406 million in deferred tax assets. They pertain not only to currency derivatives, but to deferred taxes resulting from the first consolidation of the Euvia Group and Sat.1 Schweiz AG.

[17] 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.

		2005	2004
Consolidated profit after minority interests	EUR k	220,939	133,630
Weighted average number of shares outstanding		218,797,200	210,959,292
Profit contribution of common stock	EUR k	109,376	65,760
Profit contribution of preferred stock	EUR k	111,563	67,870
Weighted average number of shares of common stock outstanding		109,398,600	105,479,646
Weighted average number of shares of preferred stock outstanding		109,398,600	105,479,646
Basic [=diluted] earnings per share of common stock	EUR	1.00	0.62
Basic [=diluted] earnings per share of preferred stock	EUR	1.02	0.64

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.

[18] Other information

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

EUR k	2005	2004
Wages and salaries	183,662	173,864
thereof expenses for the stock option plan	1,544	- / -
Social security contributions and expenses for pensions and other employee benefits	28,952	26,739
thereof pension provisions	994	-/-
Total	**212,614**	**200,603**

Personnel expenses rose 6 percent against the previous year, from EUR 200.603 million in fiscal 2004 to EUR 212.614 million in 2005. The increase resulted from the growth of the Group's workforce. Employer contributions to the public retirement insurance system totaled EUR 13.514 million in fiscal 2005.

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

	2005	2004
Employees	2,788	2,699
Trainees and interns	302	219
Total	**3,090**	**2,918**

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 are included under cost of sales, selling expenses and administrative expenses:

EUR k	2005	2004
Scheduled amortization of intangible assets	12,013	5,895
Scheduled depreciation of tangible assets	22,709	27,649
Unscheduled amortization of intangible assets	60	1,511
Unscheduled depreciation of tangible assets	65	-/ -
Total	**34,847**	**35,055**

Amortization of intangible noncurrent assets and depreciation of property, plant and equipment was down from EUR 35.055 million for the previous period to EUR 34.847 million for the period under review. This represents a decline of EUR 208 thousand, or 0.6 percent.

Notes to the Balance Sheet

[19] Intangible assets

EUR k	Licenses, trademarks and patents as well as licenses to such assets and rights	Goodwill	Advances paid on intangible assets	Total
Acquisition cost				
Initial inventory 01/01/2005	49,026	126,655	2,039	177,720
Changes in scope of consolidation	44,053	224,380	200	268.633
Additions	7,726	- / -	4,394	12,120
Reclassifications	1,271	- / -	-1,102	169
Disposals	2,624	- / -	- / -	2,624
Final inventory 12/31/2005	**99,452**	**351,035**	**5,531**	**456,018**
Depreciation and amortization				
Initial inventory 01/01/2005	29,491	85,310	- / -	114,801
Changes in scope of consolidation	1,884	-/ -	-/ -	1,884
Additions *]	12,073	- / -	- / -	12,073
Disposals	2,512	- / -	- / -	2,512
Final inventory 12/31/2005	**40,936**	**85,310**	**- / -**	**126,246**
Book value 12/31/2005	**58,516**	**265,725**	**5,531**	**329,772**
Book value 12/31/2004	19,535	41,345	2,039	62,919

*] unscheduled amortization of EUR 34 thousand is shown in selling expenses and EUR 26 thousand 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 265.725 million, primarily comprises three items: EUR 223.927 million from the first-time consolidation of the Euvia Group in fiscal 2005; 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 266.853 million, from EUR 62.919 million on December 31, 2004, to EUR 329.772 million on December 31, 2005. This amount results almost entirely from the first consolidation of the Euvia Group.

[20] 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
Acquisition cost					
Initial inventory 01/01/2005	305,741	122,673	63,599	2,007	494,020
Exchange rate differences	- / -	-3	-3	- / -	-6
Changes in scope of consolidation	20	1,881	2,030	- / -	3,931
Additions	500	11,926	1,512	581	14,519
Reclassifications	- / -	1,226	- / -	-1,395	-169
Disposals	284	2,165	4,743	- / -	7,192
Final inventory 12/31/2005	**305,977**	**135,538**	**62,395**	**1,193**	**505,103**
Depreciation and amortization					
Initial inventory 01/01/2005	90,610	108,339	52,533	- / -	251,482
Exchange rate differences	- / -	-3	-3	- / -	-6
Changes in scope of consolidation	4	532	1,468	- / -	2,004
Additions	9,572	10,112	3,090	- / -	22,774
Disposals	210	1,992	4,613	- / -	6,815
Final inventory 12/31/2005	**99,976**	**116,988**	**52,475**	**- / -**	**269,439**
Book value 12/31/2005	**206,001**	**18,550**	**9,920**	**1,193**	**235,664**
Book value 12/31/2004	215,131	14,334	11,066	2,007	242,538

*] unscheduled depreciation of EUR 65 thousand is shown in administrative expenses.

The value of property, plant and equipment declined from EUR 242.538 million on December 31, 2004, to EUR 235.664 million as of December 31, 2005. Most of the reduction of EUR 6.874 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 124.428 million (vs. EUR 126.659 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.

There is also an agreement between 9Live Fernsehen AG & Co. KG and an external service provider for providing and using an IT platform. This is also treated as a finance lease under IFRS. On the basis of this lease, EUR 944 thousand was capitalized as property, plant and equipment as of December 31, 2005.

In 2004 there was a lease for technical facilities and machinery, which likewise qualified as a finance lease under IFRS with the Group as the beneficial owner. This lease expired on September 30, 2004.

The interest expense on finance leases for fiscal 2005 was EUR 6.816 million (vs. EUR 7.369 million) and the associated depreciation was EUR 2.798 million (vs. EUR 6.381 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 12/31/2005	Total 12/31/2004
Property, plant and equipment					
Minimum lease payment	10,226	38,997	92,166	141,389	150,661
Share of interest ref. to minimum lease payment	6,632	24,444	39,197	70,273	77,088
Present value of minimum lease payment	3,594	14,553	52,969	71,116	73,573

[21] Financial assets

EUR k	Interests in group companies	Interests in associated companies	Other interests	Loans to entities	Investment securities	Other loans	Total
Acquisition cost							
Initial inventory 01/01/2005	88	79,047	3,316	78,987	9	1,385	162,832
Changes in scope of consolidation	- / -	-75,740	- / -	-80,746	-/ -	1,052	-155,434
Additions	- / -	4,360	- / -	2.517	- / -	964	7,841
Disposals	- / -	1,913	2,495	502	- / -	75	4,985
Final inventory 12/31/2005	**88**	**5,754**	**821**	**256**	**9**	**3,326**	**10,254**
Depreciation and amortization							
Initial inventory 01/01/2005	- / -	5,144	3,085	756	- / -	1,327	10,312
Changes in scope of consolidation	- / -	-1,945	- / -	- / -	- / -	- / -	-1,945
Additions	- / -	- / -	- / -	- / -	- / -	1,018	1,018
Disposals	- / -	- / -	2,495	500	- / -	- / -	2,995
Final inventory 12/31/2005	**- / -**	**3,199**	**590**	**256**	**- / -**	**2,345**	**6,390**
Book value 12/31/2005	**88**	**2,555**	**231**	**-/ -**	**9**	**981**	**3,864**
Book value 12/31/2004	88	73,903	231	78,231	9	58	152,520

Interests in group 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	12/31/2005	12/31/2004
Sat.1 Privatrundfunk und Programmgesellschaft mbH	2,142	2,457
Privatfernsehen in Bayern GmbH & Co. KG	199	- / -
VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH	189	189
Privatfernsehen in Bayern Verwaltungs-GmbH	25	- / -
Euvia Media AG & Co. KG [Group]	- / -	70,519
wetter.com AG	- / -	706
Euvia Media Verwaltungs AG	- / -	32
Total	**2,555**	**73,903**

Loans to associated companies reported in 2004 came to EUR 78.231 million, and had been made almost entirely to Euvia Media AG & Co. KG.

[22] Programming assets

EUR k	12/31/2005	12/31/2004
Licenses	687,029	724,914
Commissioned productions	370,455	384,949
Total	**1,057,484**	**1,109,863**

The value of programming assets declined from EUR 1,109.863 million at December 31, 2004, to EUR 1,057.484 million at December 31, 2005. Most of the decrease of EUR 52.379 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 contingent losses, came to EUR 76.376 million (vs. EUR 65.206 million) for the Group.

[23] Inventories

EUR k	12/31/2005	12/31/2004
Raw materials and supplies	306	195
Work in process	- / -	90
Finished goods and merchandise	4,167	4,678
Total	**4,473**	**4,963**

[24] Receivables and other current assets

EUR k	12/31/2005	12/31/2004
Trade accounts receivable	155,077	108,203
[amounts due after more than one year]	[760]	[1,471]
Receivables from entities in which the Company holds interests of 20% or more	20,864	24,348
[amounts due after more than one year]	- / -	[3,880]
Other assets	49,376	22,232
[amounts due after more than one year]	[2,538]	[3,625]
Total	**225,317**	**154,783**
[thereof long-term]	[3,298]	[8,976]
[thereof short-term]	[222,019]	[145,807]

Receivables and other current assets increased EUR 70.534 million, or 46 percent, from EUR 154.783 million at the beginning of the year to EUR 225.317 million at year's end. Most of this large increase resulted from the first inclusion of the Euvia Group in the consolidated financial statements of ProSiebenSat.1 Media AG. The value of trade accounts receivable, at EUR 155.077 million as of December 31, 2005, was up by EUR 46.874 million from the previous year's figure.

Receivables from entities to which the Company is linked through interests of 20 percent or more pertain to VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH, of Berlin, IP Multimedia (Schweiz) AG, of Zurich, Switzerland, and Privatfernsehen in Bayern GmbH & Co. KG, of Munich.

Other current assets comprise the following:

EUR k	12/31/2005	12/31/2004
Derivatives	13,477	574
Prepaid expenses	10,753	9,632
Prepaid income	5,688	7,697
Tax receivables	3,001	1,383
Other	16,457	2,946
Total	**49,376**	**22,232**

Most of the increase in other current assets derives from the receivable for the purchase price of EUVIA TRAVEL. EUVIA TRAVEL was sold to third parties in 2005 after the acquisition of the Euvia Group.

[25] 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.

[26] Shareholders' equity

Shareholders' equity grew EUR 183.646 million, or 18 percent, from EUR 1,004.103 million at the beginning of the fiscal year to EUR 1,187.749 million at year's end. The reason for the growth was the improvement in the ProSiebenSat.1 Group's earnings position during the past fiscal year.

At year's end, the subscribed capital of ProSiebenSat.1 Media AG amounted to EUR 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. Thus, as of December 31, 2005, the number of shares outstanding was 218,797,200.

Capital reserves came to EUR 579.965 million, compared to EUR 578.421 million on December 31, 2004. The increase of EUR 1.544 million results from the Long-term Incentive Plan introduced on May 13, 2005, and the associated recognition of the value of the accorded stock options.

The Group equity generated of EUR 386.678 million comprises retained earnings (EUR 229.180 million) and the profit from the period (EUR 220.939 million), less the dividend paid during the year (EUR 63.451 million).

The other earnings reserves of ProSiebenSat.1 Media AG, in the amount of EUR 89.000 million, were written back in full and applied to the distributable net profit.

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.

[27] Allocation of profits

Last fiscal year, under a resolution of the shareholders' meeting of May 13, 2005, a dividend of EUR 63.451 million was paid out to holders of preferred and common stock, out of ProSiebenSat.1 Media AG's 2004 distributable net profit of EUR 118.145 million. This figure represents a payout of EUR 0.30 per bearer share of preferred stock, and EUR 0.28 per registered share of common 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 333.863 million for fiscal 2005 should be allocated as follows:

Euro	
Distribution of a dividend of EUR 0.44 per preferred bearer share	48,135,384.00
Distribution of a dividend of EUR 0.42 per common share	45,947,412.00
Balance to be carried forward to the new accounting period	239,780,327.92
Distributable net profit	**333,863,123.92**

[28] Authorized capital

By a resolution of the Shareholders' Meeting 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 Shareholders' Meeting 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.

[29] Repurchase of own stock

At the Shareholders' Meeting of May 13, 2005, the shareholders of ProSiebenSat.1 Media AG authorized the Company to buy back its own stock. On or before November 12, 2006, the Company is authorized to acquire its own common and/or preferred stock having a prorated value of up to 10 percent of the Company's share capital at the time of the authorization. The May 13, 2005, authorization may be exercised by the Executive Board for any legal purpose, especially in pursuit of the objectives stated in the authorization resolution itself. This authorization has not been exercised by the Company, nor by any company dependent upon it or in which it holds a majority interest, nor by any other party acting on behalf of the Company or on behalf of a company dependent upon it or in which it holds a majority interest.

[30] Minority interests

Minority interests pertain mainly to third-party holdings in the subsidiaries Sat.1 Schweiz AG, of Zurich, Switzerland, and wetter.com AG, of Singen, Germany, which have been consolidated for the first time for fiscal 2005.

[31] Provisions for pensions and similar obligations

EUR k	12/31/2005	12/31/2004
Provisions for supply duties	1,387	- / -

Pension provisions were formed for obligations to provide future benefits for active members of the Executive Board of ProSiebenSat.1 Media AG and their survivors.

In calculating pension expenses, ProSiebenSat.1 Media AG takes account of the expected service cost and the accrued interest on the pension obligation. The change in the present value of the future benefits is calculated as follows:

EUR k	12/31/2005	12/31/2004
Present value of obligation 01/01/2005	- / -	- / -
Deferred compensation	351	- / -
Service cost	994	- / -
Interest cost	42	- / -
Actuarial gains (-) losses (+)	- / -	- / -
Pensions paid	- / -	- / -
Present value of obligation 12/31/2005	1,387	- / -
Unrecognized past service cost	- / -	- / -
Unrecognized actuarial losses	- / -	- / -
Book value	**1,387**	**- / -**

The interest expense for pension obligations is reported as part of the net interest expense. The measurement date for the present value of obligations is December 31. The parameters and assumptions indicated in Note 6, "Accounting policies," were employed for this purpose. These parameters will also apply for measuring the interest cost and service cost for the current year.

The expected contribution payments for 2006 for performance-based pension plans are EUR 852 thousand. No pension payments were made in fiscal 2005, and none are expected for 2006.

[32] Provisions

Provisions comprise long-term provisions of EUR 5.135 million (vs. EUR 21.252 million), all of which are set aside for contingent losses, and short-term provisions of EUR 49.713 million (vs. 38.150 million).

EUR k	01/01/2005	Exchange rate differences	Increase first-time consolidation	Increase	Consumptions	Release	12/31/2005
Tax provisions	27,291	-27	14,756	9,841	16,969	1,013	33,879
Provisions for contingent losses	27,193	- / -	- / -	9,909	22,819	2,283	12,000
Other miscellaneous provisions	4,918	- / -	- / -	8,631	3,124	1,469	8,956
Total	**59,402**	**-27**	**14,756**	**28,381**	**42,912**	**4,765**	**54,835**

Provisions were down EUR 4.567 million, from EUR 59.402 million on December 31, 2004, to EUR 54.835 million on December 31, 2005. The decrease resulted almost entirely from a reduction in provisions for contingent losses. These were countered by an increase of EUR 6.588 million in tax provisions, as a consequence of the substantial improvement in the ProSiebenSat.1 Group's earnings position and the first consolidation of the Euvia Group.

The tax provisions were formed primarily for corporate income tax and local business income taxes.

Provisions for contingent losses are formed almost exclusively for programming assets whose license term begins after December 31, 2005, 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	01/01/2005	Increase	Consumptions	Release	12/31/2005
Provisions from operation business	2,518	6,458	2,074	383	6,519
Provisions for litigation costs	1,244	470	755	402	557
Provisions for restructuring	780	157	205	575	157
Other provisions	376	1,546	90	109	1,723
Total	**4,918**	**8,631**	**3,124**	**1,469**	**8,956**

[33] Liabilities

EUR k	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term over 5 years	Total 12/31/2005
Bonds	- / -	341,722	- / -	341,722
Liabilities to banks	4,577	8,096	32,840	45,513
Total financial liabilities	**4,577**	**349,818**	**32,840**	**387,235**
Deposits received	2,151	- / -	- / -	2,151
Trade accounts payable	163,922	5,054	15	168,991
Liabilities to Group companies	1	- / -	- / -	1
Liabilities to entities in which the Company holds interests of 20% or more	1,508	- / -	- / -	1,508
Other liabilities	94,292	14,617	103,360	212,269
Total other liabilities	**261,874**	**19,671**	**103,375**	**384,920**
Total	**266,451**	**369,489**	**136,215**	**772,155**
[amouts secured by real estate charges]				[45,513]

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
Total financial liabilities	**135,501**	**390,404**	**48,026**	**573,931**
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
Total other liabilities	**290,384**	**24,021**	**107,336**	**421,741**
Total	**425,885**	**414,425**	**155,362**	**995,672**
[amounts secured by real estate charges]				[66,395]

Financial liabilities
Financial liabilities comprise all interest-bearing liabilities not included under finance lease liabilities. As of December 31, 2005, the ProSiebenSat.1 Group had financial liabilities totaling EUR 387.235 million. Of this figure, EUR 4.577 million was short-term liabilities with terms of less than one year, and EUR 382.658 million was long-term liabilities. In addition, as of December 31, 2005, the ProSiebenSat.1 Group had a credit line 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 is a revolving line of credit for operating funds made available to ProSiebenSat.1 Media AG by a syndicate of banks, under which up to EUR 325 million (or the equivalent in U.S. dollars or other currency) is currently available. 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 margin. This margin depends on the current ratio of the ProSiebenSat.1 Group's net debt to its EBITDA for the past 12 months ending at the end of the relevant quarter.

In the event that control of the Company changes, each bank independently may cancel its commitment under 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 ability to offer current or future assets as collateral, to sell major assets, to grant credits or provide guaranties, indemnities, liabilities 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, each as defined under the contract).
Additionally, it includes a number of customary default clauses, 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.

Sat.1 mortgage loan
Liabilities to banks comprise an annuity loan taken out by Sat.1 Satelliten Fernsehen GmbH, using mortgage liens as collateral. The term of the loan runs to July 2021. Liabilities of EUR 45.5 million under this loan existed as of December 31, 2005.

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 prohibit the Company and its major subsidiaries from undertaking certain transactions or making certain distributions under certain conditions. For example, the total 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.

Prior to the ultimate maturity date 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 from July 31, 2006, at 102.8125 percent of par from July 31, 2007, and at 100 percent of par from 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 default clauses 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 in the amount of 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 prohibit the Company and its major subsidiaries from undertaking certain transactions or making certain distributions under certain conditions. For example, the total payout amount 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 default clauses 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 in the amount of EUR 25 million or more for default.

Bonds repaid in 2005

The first bond issue (the 1998-2005 bond) of the former ProSieben Media AG was repaid on March 4, 2005. The bond's term ran from 1998 to 2005, and its total par value was EUR 127.8 million. The coupon was 5.5 percent.

On March 29, 2005, ProSiebenSat.1 Media AG exercised its right of repurchase for the 2001-2006 bond that was originally to mature in March 2006, and paid back the outstanding par value of EUR 40.1 million. This bond was issued in March 2001 for a total par value of EUR 400 million. As part of the issue process for the 2002-2009 bond that matures in July 2009, the Company had already 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 public repurchase offer issued 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 100 percent of par value. The bond carries a 5.875 percent coupon.

EUR k	Coupon in %	Nominal value	Book value 12/31/2005	Book value 12/31/2004
1998-2005 bond	5.500	127,823	- / -	128,053
2001-2006 bond*]	5.875	40,125	- / -	40,053
2002-2009 bond	11.250	200,000	193,259	191,419
2004-2009 bond	6.250	150,000	148,463	148,011
Total		517,948	**341,722**	**507,536**

*] In March, 2005 ProSiebenSat.1 Media AG exercised its right of repurchase

The way in which bond liabilities are reported under IFRS results in differences between fair 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 interest rate method. The carrying value of the 1998-2005 bond additionally incorporated a redemption commission payable upon maturity in addition to the par value.

Other liabilities

Other liabilities comprise the following:

EUR k	12/31/2005	12/31/2004
Liabilities from finance leasing	121,507	123,964
[thereof long-term]	[117,913]	[121,030]
Liabilities from taxes	36,536	31,624
Liabilities from bond interests	10,573	18,175
Liabilities from fees and toward employees	7,153	5,024
Amount due for social security	5,488	5,170
Liabilities from unused vacation	5,371	4,808
Liabilities from derivatives	2,793	38,944
Others	22,848	14,413
Total	**212,269**	**242,122**

Additional Notes

[34] 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 70.

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	2005	2004
Payout received	- / -	51
Cash flow resulting from income tax	-130,335	-60,906
Cash flow resulting from interest expenses	-47,357	-63,513
Cash flow resulting from interest income	3,164	2,912

Changes in balance sheet items as a consequence of foreign exchange rates came to EUR –48 thousand in 2005 (vs. –401 thousand the year before). This figure includes changes in cash and equivalents of EUR 127 thousand for the current fiscal year as a consequence of changes in foreign exchange rates (vs. EUR –120 thousand for the previous year).

[35] Contingent liabilities

EUR k	12/31/2005	12/31/2004
Liabilities from guaranties	-/-	8

[36] Other financial liabilities

EUR k	Remaining term 1 year or less	Remaining term 2 to 5 years	Remaining term over 5 years	Total
Programming assets	666,220	950,605	54,709	1,671,534
Royalties	75,091	135,746	11,823	222,660
Leasing and long-term rental committments	11,570	21,408	19,204	52,182
Other liabilities	55,240	16,285	26	71,551
Total	**808,121**	**1,124,044**	**85,762**	**2,017,927**

Other financial liabilities exist in addition to provisions, debt and contingent liabilities. These derive from contractual agreements entered into before December 31, 2005, and pertain to payment obligations due from January 1, 2006. The agreements have remaining terms of between 1 and 16 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 2005 were EUR 17.069 million, following the previous year's EUR 16.780 million.

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

[37] 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 signs a substantial number of its license agreements with production studios in the United States. As a rule, the Group meets its fi-

nancial obligations deriving from programming rights purchases 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. The profit or loss of the ProSiebenSat.1 Group may be affected as a consequence. 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
	2006 USD k	2007-2010 USD k	from 2011 USD k	as of 12/31/2005 USD k	as of 12/31/2005 EUR k
Currency forwards	240,738	220,026	- / -	460,764	4,590
[thereof within cash flow hedges]	233,738	220,026	- / -	453,764	4,596
Currency options	115,395	101,200	- / -	216,595	6,094
[thereof within cash flow hedges]	115,395	101,200	- / -	216,595	6,094

Forwards are unconditional contractual agreements to exchange two currencies. The total par value, exchange rate and maturity date are specified when the contract is entered into. As of December 31, 2005, ProSiebenSat.1 Media AG had forwards worth a par value of USD 461 million in its portfolio. As of the same date, it had options for the purchase of dollars covering a total nominal value of USD 217 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 so-called "hedge books" if the hedging relationship qualifies as a hedge under IAS 39.88 and hedge accounting can be applied. As of December 31, 2005, there were 11 hedge books covering a total of USD 874 million in pending license payments. Equity as of December 31, 2005, included EUR 7 million for hedge accounting. In fiscal 2005, EUR 3.2 million was removed from equity and applied directly to the purchase cost of the underlying license agreement. The average hedge ratio as of December 31, 2005, allowing for internal limit systems, was 75 percent, but this figure varies from one hedge book to another. As a rule the total hedge ratio is between 60 and 80 percent. A separate hedging strategy is developed 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 a favorable change 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, 2005, 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 12/31/2005
2002-2009 bond	07/31/2009	12.29%	200,000
2004-2009 bond	05/15/2009	6.50%	150,000
Mortgage loan	01/31/2006	6.24%	45,513

The mortgage loan taken out by Sat.1 is composed of several tranches, for each of which the interest rate lock-up period ends on a different date. The date indicated in the table is the next ending date for the interest rate lock-up period, for a total of EUR 2.8 million.

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, 2005.

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 having a positive market value was EUR 13.5 million as of December 31, 2005. The largest share of these derivatives with a positive market value, 27 percent, was entered into with a single partner, which has a credit rating of Aa2 from the 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.

[38] Segment reporting

Explanatory notes regarding segment reporting
In accordance with IAS 14 ("Segment Reporting"), certain figures in the annual financial statements must be presented separately by business segments and geographical segments. The basis of segmentation is to be the company's own internal reporting, which permits a reliable assessment of the group's risks and earnings. Segmentation is intended to provide transparency as to the profitability and prospects for success of the group's individual activities. Consistently with its internal management practices, the ProSiebenSat.1 Group adopts business segments as the basis for its primary segment reporting. Because the ProSiebenSat.1 Group generates almost all of its revenues in the Federal Republic of Germany and its foreign activities are negligible, the Group does not present a secondary report by geographical segment.

In addition to the Free TV segment, the ProSiebenSat.1 Group subdivides its Diversification division into two business segments, Transaction TV and Other Diversification.

The Free TV segment essentially comprises the Group's four stations (ProSieben, Sat.1, kabel eins and N24), the advertising time marketing company SevenOne Media, the technical service provider ProSiebenSat.1 Produktion, and the holding-company activities of ProSiebenSat.1 Media AG.

Transaction TV comprises the station 9Live, which was acquired as of June 1, 2005, under review and which operates largely independently from advertising revenues as Germany's first quiz channel.

The Other Diversification segment primarily embraces all of the ProSiebenSat.1 Group's merchandising and multimedia activities. These include such media services as teletext, Internet, mobile services and Audiotex, as well as digital and interactive television.

Segment information
Segment information normally applies the same accounting policies as the consolidated financial statements.

Internal revenues reflect revenue relationships between Group companies, and in-Group revenues are offset at the usual market prices.

Operating profit results from segment revenues less segment expenses, and these expenses relate solely to the segment's own operating activities.

Segment assets comprise all assets used for operating activities. These include both intangible assets and property, plant and equipment, as well as current assets less income tax receivables, deferred tax credits, marketable securities, and cash and cash equivalents.

Segment liabilities comprise all short-term and long-term debts and provisions resulting from operating activities. They do not include bonds, liabilities to banks, lease liabilities and income tax liabilities.

Segment investments relate to intangible assets including purchased goodwill, and property, plant and equipment.

Depreciation and amortization apply to the segment assets allocated to each segment, except for amortization of financial investments and marketable securities.

Noncash expenses largely comprise consumption of programming assets, allocations to provisions, expenses for the valuation of option premiums, and write-downs of receivables.

Inter-segment receivables and payables, provisions, income and expenses, and profits are eliminated in the reconciliations.

EUR k	Free TV	Transaction TV	Other Diversification	Transitions	Total consolidated financial statement 12/31/2005
Revenues	1,859,986	54,941	134,969	-60,299	1,989,597
External revenues	1,811,070	53,979	124,548	- / -	1,989,597
Internal revenues	48,916	962	10,421	-60,299	- / -
Operating profit	353,649	7,968	21,488	586	383,691
EBITDA	378,978	14,007	25,101	453	418,539
Segment assets	1,502,830	251,280	99,857	-3,923	1,850,044
Segment debts	271,495	66,128	23,206	-42,702	318,126
Segment investments	24,849	406	1,384	- / -	26,639
Depreciation and amortization	25,286	6,039	3,655	-133	34,847
Noncash expenses	965,249	3,308	1,828	-1,521	968,864
Income from associated companies	5,044	- / -	340	- / -	5,384
Interests in associated companies	2,366	- / -	189	- / -	2,555

EUR k	Free TV	Transaction TV	Other Diversification	Transitions	Total consolidated financial statement 12/31/2004
Revenues	1,757,074	- / -	119,191	-41,683	1,834,582
External revenues	1,721,901	- / -	112,681	- / -	1,834,582
Internal revenues	35,173	- / -	6,510	-41,683	- / -
Operating profit	267,036	- / -	18,782	381	286,199
EBITDA	298,991	- / -	22,051	212	321,254
Segment assets	1,510,362	- / -	76,851	-13,529	1,573,684
Segment debts	355,668	- / -	16,413	-15,221	356,860
Segment investments	21,706	- / -	810	-347	22,169
Depreciation and amortization	31,955	- / -	3,269	-169	35,055
Noncash expenses	992,601	- / -	3,426	-1,058	994,969
Income from associated companies	4,994	- / -	104	- / -	5,098
Interests in associated companies	73,008	- / -	895	- / -	73,903

[39] Stock option plan

After receiving the consent of the Shareholders' Meeting of May 13, 2005, ProSiebenSat.1 Media AG introduced a Long-term Incentive Plan. These stock options are intended exclusively for purchase by members of the Executive Board of ProSiebenSat.1 Media AG, members of other upper management and other selected executives of ProSiebenSat.1 Media AG and its dependent Group companies. The individual beneficiaries and the number of stock options to be granted to them will be decided by the Executive Board of ProSiebenSat.1 Media AG or – where the Executive Board members themselves are concerned – by the Supervisory Board.

The stock option plan involves issuing a total of not more than 7.5 million options carrying the right to subscribe for stock of ProSiebenSat.1 Media AG. The options will be issued in several annual segments. A total of 1,098,342 options were issued in fiscal 2005. Of these, 580,488 were issued to active members of the Executive Board. Stock options are to be issued between January 1 and March 16 of each issue year. The last issue is to take place in fiscal 2007. In 2005, the issue of stock options took place within three months after the Shareholders' Meeting on May 13.

The options are subject to a vesting period of two years for the first third of the options issued in any given segment, and three years for the remaining two-thirds. This vesting period is to commence on January 1 of the year in which the pertinent stock options are issued. Furthermore, the statutory lock-up period of two years from the issue date of the options must have expired at the time of exercise. If unexercised, stock options will expire without compensation six years after the January 1 of the year in which they were issued. The options may be exercised only during the 20 days of trading on the Frankfurt Stock Exchange subsequent to the publication of interim reports or the annual financial statements of ProSiebenSat.1 Media AG.
Each stock option carries the right to purchase one preferred share of ProSiebenSat.1 Media AG stock in return for payment of a "strike price." The strike price is the weighted average closing auction price of ProSiebenSat.1 preferred stock in trading on the XETRA system over the past 30 days of trading on the Frankfurt Stock Exchange prior to January 1 of the year in which the stock option is issued. In the event that the weighted average closing auction price of ProSiebenSat.1 preferred stock in trading on the XETRA system over the past 30 days of trading on the Frankfurt Stock Exchange prior to the exercise date exceeds the strike price by more than 200 percent, the strike price is to be increased by the amount in excess of 200 percent ("maximum exercise gain").
As its incentive target, the Long-term Incentive Plan specifies that the stock's trading price at the time of exercise of the stock options must exceed the strike price by at least 30 percent ("absolute threshold"). The deciding figure for this purpose is the weighted average closing auction price of ProSiebenSat.1 preferred stock in trading on the XETRA system over the past 30 days of trading on the Frankfurt Stock Exchange prior to the exercise date of the option.
The following table provides all necessary information about the ProSiebenSat.1 Media AG stock option program:

Stock option plan 2005

EUR k	Part 1	Part 2
Outstanding stock options at the beginning of the year	-/-	-/-
Granted stock options	366,114	732,228
Outstanding stock options at the end of the year	366,114	732,228
Strike price	12.82	12.82
Absolute threshold	16.67	16.67
Maximum exercise gain	25.64	25.64
Exercisable stock options to the end of the year	not yet exercisable	not yet exercisable
End of queue time	5/13/2007	12/31/2007
Risk-free interest rate	2.8%	2.8%
Expected dividend yield	2.2%	2.2%
Expected volatility	35%	35%
Current value pro rights issues	3.66	3.58

ProSiebenSat.1 Media AG uses the trinomial model to calculate the actuarial values of stock options. This is a further development of the binomial model of Cox, Ross and Rubenstein (1979). The expected volatility is calculated from historical volatilities over as much as 400 days. The expected volatility of 35 percent is also consistent with the capital markets' own estimates. Those estimates are based on the implicit volatilities of traded warrants for ProSiebenSat.1 stock. Other factors taken into account in calculating the value of options are the value of the underlying instruments, the strike price, the exercise threshold, the maximum exercise gain, suboptimal premature exercise, the dividend yield, the basis interest rate, the exercise windows, the contractual time periods, graduated waiting periods, and turnover among beneficiaries.
The expense for fiscal 2005 came to EUR 1.544 million, and is included under personnel expenses.

[40] Executive Board and Supervisory Board

The members of the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG are listed on pages 104 and 105 of this report.

In addition to their positions on the Board, the members of the Executive Board of ProSiebenSat.1 Media AG also have contractual relationships 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 compensation system for ProSiebenSat.1 Media AG Executive Board members includes 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.
- With the consent of the Shareholders' Meeting of May 13, 2005, ProSiebenSat.1 Media AG has introduced a Long-term Incentive Plan. The Supervisory Board is to decide on any stock options to be granted to Executive Board members.

The compensation system 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.

In the year under review, expenses for compensation paid to active members of the Executive Board of ProSiebenSat.1 Media AG totaled EUR 4.372 million (previous year: EUR 3.670 million). ProSiebenSat.1 Media AG has set aside pension provisions of EUR 1.387 million for pension commitments to members of the Executive Board. Funds have been endowed to safeguard these pension provisions. No payments were made to former members of the Executive Board in fiscal 2005 (previous year: EUR 1.013 million). The Board's compensation included a variable component totaling EUR 1.868 million.

The Company has not granted loans to members of the Executive Board, nor has it undertaken suretyships or guarantees on their behalf.

Expenses for the Supervisory Board of ProSiebenSat.1 Media AG came to EUR 842 thousand in the year under review (previous year: 261 thousand). 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 842 thousand for the Supervisory Board included a variable component of EUR 359 thousand. The compensation paid individually to current and former members of the Supervisory Board is as follows:

Current Members of the Supervisory Board

EUR k	Fixed components	Variable components	Total
Saban, Haim	42	50	92
Chesnoff, Adam	43	38	81
Connaughton, John P.	50	25	75
Dobron jr., Albert J.	35	16	51
Döpfner, Dr. Mathias	21	25	46
Dyke, Greg	19	16	35
Healy, Patrick J.	34	25	59
Kreiz, Ynon	19	5	24
Lawry, Seth W.	53	25	78
Nienhaus, Christian	23	16	39
Pagliuca, Stephen G.	28	16	44
Powers, Brian M.	35	16	51
Saban, Arieh	11	- / -	11
Sperling, Scott	42	16	58
Steiner, Josh	19	- / -	19

Former Members of the Supervisory Board

EUR k	Fixed components	Variable components	Total
Ball, Anthony F.E.	- / -	20	20
Hartmann, Wolfgang	- / -	9	9
Jaffé, Dr. Michael	- / -	20	20
Meyer-Burckhardt, Hubertus	- / -	9	9
Rattner, Steven G.	5	16	21

Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during fiscal 2005. Altogether, 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, 2005. This is equivalent to 0.00366 percent of the Company's share capital.

[41] 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 March 2005 the Executive Board and Supervisory Board issued a Declaration of Compliance, which has been made permanently available on the Internet at www.prosiebensat1.com.

[42] 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 101 and 102, 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 2005, the wife of Executive Board member Peter Christmann provided services to various companies in the ProSiebenSat.1 Group for a charge of EUR 118 thousand. These were training and coaching services for on-air personalities. Mr. Manfred Klemann, CEO of wetter.com AG, is the owner of Unterwegs-Verlag, a publishing house. During the year, Unterwegs-Verlag performed services for SevenOne Intermedia GmbH in the amount of EUR 45 thousand. The above services were provided under contract on prevailing market terms. As of December 31, 2005, there was no amount outstanding for these services. There were no other reportable transactions with related parties under IAS 24 in fiscal 2005.

Employer contributions to the public health insurance system for members of the Executive Board of ProSiebenSat.1 Media AG, top management of other Group companies, and other members of upper management totaled EUR 128 thousand for fiscal 2005.

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 2005, no transactions were reported to ProSiebenSat.1 Media AG in which members of the Executive Board or their family members acquired or sold shares of ProSiebenSat.1 Media AG.

[43] 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 July 9, 2005, the following report was published in the Börsenzeitung; it can also be found on the Company's Web site (www.prosiebensat1.com).

Disclosure in Compliance with § 25 (1) Sentence 1 of the German Securities Trading Act

I. In compliance with Sec. 21 ff. of the Securities Trading Act, Ms. Friede Springer, a resident of Germany, notified ProSiebenSat.1 Media AG that on September 22, 2004, she exceeded the thresholds of 5 percent and 10 percent of the voting rights in ProSiebenSat.1 Media AG, and that she is to be allocated 12.00 percent of the voting rights in compliance with Sec. 21 (1) Sentence 1, Sec. 22 (1) Sentence 1 No. 2 and Sentence 2, and Sec. 22 (2) of the Securities Trading Act.
II. In compliance with Sec. 21 ff. of the Securities Trading Act, Axel Springer Gesellschaft für Publizistik GmbH & Co., having its registered office and principal place of business in Berlin, notified ProSiebenSat.1 Me-

dia AG that on September 22, 2004, it exceeded the thresholds of 5 percent and 10 percent of the voting rights in ProSiebenSat.1 Media AG, and that it is to be allocated 12.00 percent of the voting rights in compliance with Sec. 21 (1) Sentence 1, Sec. 22 (1) Sentence 1 No. 2 and Sentence 2, and Sec. 22 (2) of the Securities Trading Act.

III. In compliance with Sec. 21 ff. of the Securities Trading Act, Axel Springer AG, having its registered office and principal place of business in Berlin, notified ProSiebenSat.1 Media AG that on September 22, 2004, it exceeded the thresholds of 5 percent and 10 percent of the voting rights in ProSiebenSat.1 Media AG, and that it is to be allocated 12.00 percent of the voting rights in compliance with Sec. 21 (1) Sentence 1, Sec. 22 (1) Sentence 1 No. 1 and 2 and Sentence 2, and Sec. 22 (2) of the Securities Trading Act.

IV. In compliance with Sec. 21 ff. of the Securities Trading Act, AKTUELL Presse-Fernsehen GmbH & Co. KG, having its registered office and principal place of business in Hamburg, notified ProSiebenSat.1 Media AG that on September 22, 2004, it exceeded the thresholds of 5 percent and 10 percent of the voting rights in ProSiebenSat.1 Media AG, and that it is to be allocated 12.00 percent of the voting rights in compliance with Sec. 21 (1) Sentence 1, Sec. 22 (1) Sentence 1 No. 2 and Sentence 2, and Sec. 22 (2) of the Securities Trading Act.

Furthermore, with regard to the voting rights indicated under Items III and IV above, Axel Springer AG and AKTUELL Presse-Fernsehen GmbH & Co. KG each notified the Company of the following:

"The stock of ProSiebenSat.1 Media AG is held directly by Sat.1 Beteiligungs GmbH. Among the shareholders of Sat.1 Beteiligungs GmbH, a consortium agreement has been signed and took effect on September 22, 2004. This agreement provides that the aforesaid shares will be booked to a sub-account at Sat.1 Beteiligungs GmbH, and that the managing director of Sat.1 Beteiligungs GmbH jointly appointed by Axel Springer Aktiengesellschaft and AKTUELL Presse-Fernsehen GmbH & Co. KG will decide on the exercise of the voting rights attached to the shares of ProSiebenSat.1 Media AG held in that sub-account. The transfer of the aforesaid shares of ProSiebenSat.1 Media AG to a sub-account was carried out on May 6, 2005."

Unterföhring, July 2005
The Executive Board

Further reports of equity holdings dating from December 4, 2004, September 29, 2004, May 6, 2004, November 28, 2003, August 23, 2003 and August 20, 2003, 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 www.prosiebensat1.com.

[44] Professional fees of the independent auditor

The professional fees for the services of the Group's independent auditor, KPMG, totaled EUR 1.322 million for fiscal 2005. The figure for 2004 was EUR 1.471 million. Of the total, EUR 885 thousand was for audit fees (vs. EUR 824 thousand in 2004), EUR 240 thousand was for audit-related fees (vs. EUR 560 thousand), EUR 162 thousand was for tax consulting services (vs. EUR 58 thousand), and EUR 35 thousand was for other fees (vs. EUR 29 thousand).

[45] Events subsequent to the reporting date

Release date for publication
The Supervisory Board will release the consolidated financial statements for publication on March 15, 2006.

Breakdown of Shareholdings

ProSiebenSat.1 Group as of December, 31, 2005

No.	Company	Location	Country	Interest in percent	via No.
	Affiliated companies				
1	ProSiebenSat.1 Media Aktiengesellschaft	Unterföhring	Germany		
2	9Live Fernsehen AG & Co. KG	Ismaning	Germany	100	1
3	9Live Fernsehen Verwaltungs GmbH	Ismaning	Germany	100	1
4	ArtMerchandising & Media AG	Unterföhring	Germany	100	7
5	Buchagentur Intermedien-GmbH	Unterföhring	Germany	100	7
6	Kabel 1 K1 Fernsehen GmbH	Unterföhring	Germany	100	1[1]
7	MM MerchandisingMedia GmbH	Unterföhring	Germany	100	1[1]
8	N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH	Unterföhring	Germany	100	1[1]
9	NEUN LIVE Musikverlag GmbH	Unterföhring	Germany	100	4
10	Producers at work GmbH	Berlin	Germany	67	1
11	ProSieben Austria GmbH	Vienna	Austria	100	29
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	Unterföhring	Germany	100	1[1]
15	ProSieben Television GmbH	Unterföhring	Germany	100	1[1]
16	ProSiebenSat.1 Produktion GmbH	Unterföhring	Germany	100	1[1]
17	ProSiebenSat.1 Welt GmbH	Unterföhring	Germany	100	1
18	Sat.1 Bayern GmbH	Unterföhring	Germany	100	36
19	Sat.1 Berlin Regional GmbH & Co. KG	Berlin	Germany	100	23
20	Sat.1 Berlin Regional Verwaltungs GmbH	Berlin	Germany	100	23
21	Sat.1 Boulevard TV GmbH	Berlin	Germany	100	23[1]
22	Sat.1 Norddeutschland GmbH	Hannover	Germany	100	23
23	Sat.1 Satelliten Fernsehen GmbH	Berlin	Germany	100	1[1]
24	Sat.1 Schweiz AG	Zurich	Switzerland	50	23
25	Seven Scores Musikverlag GmbH	Unterföhring	Germany	100	1
26	SevenOne Interactive GmbH	Unterföhring	Germany	100	27
27	SevenOne Intermedia GmbH	Unterföhring	Germany	100	13[1]
28	SevenOne International GmbH	Unterföhring	Germany	100	1
29	SevenOne Media Austria GmbH	Vienna	Austria	100	30
30	SevenOne Media GmbH	Unterföhring	Germany	100	1[1]
31	SevenOne Media [Schweiz] AG	Zurich	Switzerland	100	13
32	SevenPictures Film GmbH	Unterföhring	Germany	100	1
33	SevenSenses GmbH	Unterföhring	Germany	100	1
34	Starwatch Music GmbH	Unterföhring	Germany	100	7

ProSiebenSat.1 Group as of December, 31, 2005					
No.	**Company**	**Location**	**Country**	**Interest in percent**	**via No.**
35	Teledirekt Vermarktungsgesellschaft für Fernsehempfang mbH	Unterföhring	Germany	100	1
36	tv-weiß-blau Rundfunkprogrammanbieter GmbH	Munich	Germany	100	23
37	wetter.com AG	Singen	Germany	54.97	27
	Affiliated companies, not consolidated				
38	Merchandising Prag spol. s r.o.	Prague	Czech Rep.	100	7
39	PM&S Software GmbH	Minsk	Belarus	60	14
	Affiliated companies - at equity -				
40	IP Multimedia [Schweiz] AG	Küsnacht	Switzerland	23	31
41	MAGIC MEDIA COMPANY TV-Produktionsgesellschaft mbH	Hürth	Germany	25.4	1
42	Privatfernsehen in Bayern GmbH & Co. KG	Munich	Germany	49.9	36
43	Privatfernsehen in Bayern Verwaltungs-GmbH	Munich	Germany	49.9	36
44	Sat.1 Privatrundfunk und -programmgesellschaft m.b.H	Vienna	Austria	33.3	23
45	VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH	Berlin	Germany	50	13
	Other equity interests				
46	AFK Aus- und Fortbildungs GmbH für elektronische Medien	Munich	Germany	11	1
47	Berliner Pool TV Produktionsgesellschaft mbH	Berlin	Germany	50	8
48	Deutscher Fernsehpreis GmbH	Cologne	Germany	25	1
49	Forvita GmbH	Cologne	Germany	25	27
50	OBIS Gesellschaft für Online-Buchungs- und Informationssysteme mbH	Unterföhring	Germany	30	30

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

As of December 31, 2005

Guillaume de Posch
CEO of ProSiebenSat.1 Media AG

»In the future we will have to serve a very wide variety of expectations: those of TV viewers, who expect attractive programming from Sat.1, ProSieben, kabel eins and N24, and those of the "new" consumers who want to be able to call up entertainment and information wherever and whenever they like.«

Supervisory Board and Executive Board

Positions held on Supervisory Boards and other comparable supervisory bodies pursuant to Sec. 125 [1] Sentence 3 of the German Stock Corporation Act.

Supervisory Board

Haim Saban [Chairman]
Chairman and Chief Executive Officer of KSF Corp. (dba Saban Capital Group, Inc.), Los Angeles/CA/USA
GT Brands Holdings LLC, DE/USA – Member of the Board of Managers (until February 2005)
Télévision Francaise 1 SA, Paris/France – Member of the Board of Directors
The DirecTV Group, Inc, New York/NY/USA – Member of the Board of Directors
KSF Corp. (dba Saban Capital Group, Inc.), Los Angeles/CA/USA - Member of the Board of Directors

Adam Chesnoff [Vice-Chairman]
President and Chief Operating Officer of KSF Corp. (dba Saban Capital Group, Inc.), Los Angeles/CA/USA
GT Brands Holdings LLC, DE/USA – Member of the Board of Managers (until February 2005)
KSF Corp. (dba Saban Capital Group Inc.), Los Angeles/CA/USA - Member of the Board of Directors
Bezeq The Israel Telecommunication Corp., Ltd., Tel Aviv/Israel - Member of the Board of Directors (since October 2005)

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
M/C Acquisition Corp., Boston/MA/USA – Member of the Board of Directors
Shopping.com, Ltd., Burlingame/CA/USA – Member of the Board of Directors (until February 2005)
Stericycle, Inc., Lake Forest/IL/USA – Member of the Board of Directors (until April 2005)
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
Warner Chilcott Holdings Co. Ltd., Rockaway/NJ/USA - Member of the Board of Directors (since January 2005)
Loews Cineplex Entertainment Corp. Fund, New York/NY/USA - Member of the Board of Directors
Sungard Data Systems Inc., Wayne/PA/USA (since August 2005) - Member of the Board of Directors

Albert J. Dobron Jr.
Private Equity Investor of Providence Equity Partners Inc., Barrington/RI/USA
Blue Stone Television, LLC., DE/USA – Chairman of the Board of Manager Representatives
Bustos Media Enterprises, LLC., DE/USA – Member of the Board of Managers
CC3 Holdings LLC., DE/USA – Member of the Board of Managers
Surebridge, Inc., DE/USA – Member of the Board of Directors

Dr. Mathias Döpfner
Chief Executive Officer of Axel Springer AG, Potsdam/Germany
AKTUELL Presse-Fernsehen GmbH & Co. KG, Hamburg/Germany – Member of the Supervisory Board
Bayerische Hypo- und Vereinsbank AG, Munich/Germany – Member of the Supervisory Board (until November 2005)
dpa Deutsche Presse Agentur GmbH, Hamburg/Germany – Member of the Supervisory Board
Leipziger Verlags- und Druckereigesellschaft mbH & Co. KG, Leipzig/Germany – Member of the Advisory Board
Schering AG, Berlin/Germany – Member of the Supervisory Board

Greg Dyke
Author, Chairman of HIT Entertainment Ltd., 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
HIT Entertainment Ltd., London/GB - Chairman of the Board of Directors (since June 2005)

Patrick J. Healy
Managing Director of Hellman & Friedman Europe, Ltd. London/GB
Mondrian Investment Partners, Ltd., London/GB – Member of the Board of Directors
The NASDAQ Stock Market Inc., Rockland/MA/USA- Member of the Board of Directors
DoubleClick, Inc., New York/NY/USA - Member of the Board of Directors

Ynon Kreiz
General Partner of Benchmark Capital, London/GB]
Smartjog S.A., Paris/France - Member of the Board of Directors (since January 2005)
PlayerX, London/GB - Member of the Board of Directors (since August 2005)
Codemasters Group Ltd., Leamington Spa/GB - Member of the Board of Directors (since March 2005)
NASN Ltd., Dublin/Ireland - Member of the Board of Directors (since March 2005)
Drive Diagnostics Ltd., Moshav Mazor/Israel - Member of the Board of Directors (since December 2005)
Setana Sport Holdings Ltd., Dublin/Ireland - Member of the Board of Directors (since December 2005)

Seth W. Lawry
Managing Director of Thomas H. Lee Partners, L.P. 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
Warner Music Group Inc., Wilmington/DE/USA – Member of the Board of Directors
Fidelity National Information Services, Inc., Jacksonville/FL/USA - Member of the Board of Directors (since March 2005)

Christian Nienhaus
Managing Director, BILD Newspaper Group, Eschbach/Germany
Bild.T-Online.de AG & Co. KG, Berlin/Germany – Member of the Supervisory Board

Stephen G. Pagliuca
Managing Director of Bain Capital Partners, LLC Weston/MA/USA,
Ameritrade Holding Co., Omaha/NE/USA – Member of the Board of Directors (since January 2005)
Burger King Holdings Inc., DE/USA – Member of the Board of Directors
Burger King Corp., Florida/USA – Member of the Board of Directors
Epoch Senior Living, Inc., DE/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 (since June 2005)

Brian M. Powers
Chief Executive Officer of Hellman & Friedman LLC, San Francisco/CA/USA
Axel Springer AG, Berlin/Germany – Member of the Supervisory Board
Bambino Holdings Ltd., London/GB – Member of the Board of Directors
SLEC Holdings Ltd., London/GB – Member of the Board of Directors

Arieh Saban [since May 13, 2005]
Consultant, Herzelia, Israel
Keshet Broadcasting Ltd., Tel Aviv/Israel - Member of the Board of Directors
Bezeq The Israel Telecommunication Corp., Ltd., Tel Aviv/Israel - Member of the Board of Directors (since October 2005)

Scott Sperling
Co-President of Thomas H. Lee Partners, L.P., 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
Vertis Inc., Wilmington/DE/USA – Member of the Board of Directors
Warner Music Group Inc. Wilmington/DE/USA – Member of the Board of Directors
Wyndham International, Inc., Wilmington/DE/USA – Member of the Board of Directors (since September 2005)

Joshua Steiner [since May 13, 2005]
Managing Principal of Quadrangle Group LLC, New York/NY/USA
Datanet Communications Group, Inc., Newburgh/NY/USA - Member of the Board of Directors
Pathfire, Inc., Roswell/GA/USA - Member of the Board of Directors
Viziqor Solutions, Inc., Boca Raton/FL/USA - Member of the Board of Directors (since May 2005)
Grupo Corporativo Ono, S.A., Madrid/Spain - Member of the Board of Directors (since November 2005)

Executive Board

Guillaume de Posch
Chief Executive Officer, Television & Operations
Euvia Media Verwaltungs AG, Ismaning/Germany – Member of the Supervisory Board and Chairman of the Supervisory Board (June 2005 to December 2005)

Lothar Lanz
Executive Officer Finance, Legal Affairs & Human Resources
Siltronic AG, Munich/Germany - Member of the Supervisory Board

Peter Christmann
Executive Officer Sales & Marketing
IP Multimedia (Swiss) AG, Kuesnacht/Switzerland – Member of the Executive Board
Sat.1 (Swiss) AG, Zurich/Switzerland – Chief Executive Officer (since January 2005)
Sat.1 Privatrundfunk und -programmgesellschaft m.b.H., Vienna/Austria - Member of the Advisory Board
SevenOne Media (Swiss) AG, Kuesnacht/Switzerland – Chief Executive Board

Hubertus Meyer-Burckhardt
Executive Officer Corporate Development, Media Policy & Regulatory Affairs
Bild.T-Online.de AG & Co. KG, Berlin/Germany – Member of the Supervisory Board

Former Members of the Supervisory Board

Anthony F.E. Ball [until April 23, 2005]
Consultant, Barcelona/Spain
Kabel Deutschland GmbH, Unterfoehring/Germany - Chairman of the Advisory Board (since May 2005)
BAA plc, London/GB - Member of the Board of Directors
Sky Italia s.r.l., Rome/Italy - Member of the Board of Directors

Steven Rattner [until May 13, 2005]
Managing Principle of Quadrangle Group LLC, New York/NY/USA
Access Spectrum LLC, Bethesda/MD/USA – Member of the Management Committee
Cablevision Systems Corp., Bethpage/NY/USA – Member of the Board of Directors (until March 2005)
Global Energy Decisions LLC, Boulder/CO/USA – Member of the Management Committee
GT Brands Holdings LLC, DE/USA – Member of the Board of Managers
InterActive Corp., New York/NY/USA – Member of the Board of Directors
Ntelos Holdings Corp., Waynesboro/VA/USA - Member of the Board of Directors (since May 2005)
Protection One Inc., Wichita/KS/USA - Member of the Board of Directors (since February 2005)
Dice Holdings, Inc., New York/NY/USA (since August 2005)

ProSiebenSat.1 Media AG
Executive Board

Unterföhring, March, 3, 2006

Financial Calendar

February 21, 2006
Press Conference/IR Conference
Preliminary Figures 2005

May 11, 2006
Quarterly Report January to March 2006

Tentatively in June 2006
Annual Shareholders' Meeting

August 4, 2006
Interim Report January to June 2006

November 9, 2006
Nine-Month Report January to September 2006

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