ProSiebenSat.1 Media AG

The ProSiebenSat.1 Group

The power of television

The ProSiebenSat.1 Media AG is the leading electronic media group in Germany. We provide people with first-class entertainment and comprehensive information - whenever they need it, wherever they are.

Unit Free TV

Free TV Segment

Free TV Stations	Marketing	Production
Sat.1	SevenOne Media	ProSiebenSat.1 Produktion
ProSieben	Sat.1 Schweiz	Producers at Work
kabel eins		
N24		

Unit Diversification

Transaction TV Segment	Other Diversification Segment			
Transaction TV	Multimedia	Pay TV	Merchandising/ Licensing	International Distribution
9Live	SevenOne Intermedia	SevenSenses	MM Merchandising Media	SevenOne International
	SevenOne Interactive	ProSieben Sat.1 Welt	Art Merchandising & Media AG	
		Wetter Fernsehen	starwatch music	

The power of television

Annual Report 2006

The power of television: to create stars. 5186 applicants wanted to get into the new POP-STARS band on ProSieben. Bahar, Mandy and Senna finally made it. They are the girl band Monrose and are under contract at starwatch, the ProSiebenSat.1 Group's music label. Their first single „Shame" rose from zero to number one on the Media Control Top 100 single charts in 2006. The secret of starwatch's success: the label uses the reach of the Groups's TV channels to promote its artists.

Key Figures

Key Figures for the ProSiebenSat.1 Group

Key balance sheet figures	12/31/2006	12/31/2005	Change
	EUR m	EUR m	
Total assets	1,932.1	2,016.6	-4%
Shareholders' equity	1,240.5	1,187.7	4%
Liabilities	591.5	772.2	-23%
Equity ratio	64%	59%	8%
Pre-tax return on equity	31%	30%	3%
Programming assets	1,056.3	1,057.5	- / -
Programming assets of total assets	55%	52%	4%
Net financial debt	121.8	227.2	-46%
Key cash flow figures	**2006**	**2005**	**Change**
Cash flow	1,273.2	1,210.2	5%
Cash flow from operating activities	1,272.0	1,165.8	9%
Cash flow from investing activities	-979.6	-1,095.7	11%
Free cash flow	292.4	70.1	317%
Cash flow from financing activities	-386.4	-252.6	-53%
Key figures	**2006**	**2005**	**Change**
Revenues	2,104.6	1,989.6	6%
Gross profit	803.5	714.4	12%
Operating profit	444.3	383.7	16%
Financial loss	-57.5	-33.0	-74%
Pre-tax profit	386.7	350.7	10%
Consolidated profit	240.7	220.9	9%
Earnings per preference share (IFRS) (in EUR)	1.11		9%
EBITDA	484.3	418.5	16%
EBIT	444.3	382.7	16%
EBITDA margin	23%	21%	10%
Pre-tax profit margin	18%	18%	- / -
Programming investments	955.0	907.3	5%
Depreciation and amortization of intangible assets and property, plant and equipment	40.0	34.8	15%
Personnel expenses	235.5	212.6	11%
Employees*	2,976	2,788	7%

Key Figures for the ProSiebenSat.1 Group

	2006	2005	Change
	EUR m	EUR m	
Free TV Segment			
Total revenues	1,932.2	1,860.0	4%
External revenues	1,866.5	1,811.1	3%
Operating profit	401.3	353.6	13%
EBITDA	429.1	379.0	13%
Employees*	2,598	2,473	5%
Stations			
Sat.1			
Total revenues	855.5	830.9	3%
Pre-tax profit	204.6	161.0	27%
EBITDA	205.4	161.3	27%
Employees*	246	224	10%
ProSieben			
Total revenues	736.8	751.7	-2%
Pre-tax profit	147.9	167.1	-11%
EBITDA	147.6	165.6	-11%
Employees*	263	259	2%
kabel eins			
Total revenues	255.2	223.3	14%
Pre-tax profit	69.7	47.0	48%
EBITDA	69.7	46.6	50%
Employees*	51	47	9%
N24			
Total revenues	89.4	83.0	8%
Pre-tax profit	13.1	9.4	39%
EBITDA	13.3	10.0	33%
Employees*	167	161	4%
Diversification			
Transaction TV Segment**			
Total revenues	95.8	54.9	74%
External revenues	94.1	54.0	74%
Operating profit	24.6	8.0	208%
EBITDA	26.5	14.0	89%
Employees* / ***	100	64	56%
Other Diversification Segment			
Total revenues	165.7	135.0	23%
External revenues	144.0	124.5	16%
Operating profit	25.2	21.5	17%
EBITDA	29.1	25.1	16%
Employees*	278	251	11%

* Averaging full-time equivalent jobs
** Consolidation of 9Live since June 1, 2005
*** 2005: Average Q1-Q4

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2006

January

ProSiebenSat.1 Group signs contracts

The ProSiebenSat.1 Group pursued its strategic goal of providing content via a number of pathways, so that viewers can select from the Group's portfolio of programming according to their own preferences.

Effective January 2006, free TV programming from Sat.1, ProSieben, kabel eins and N24 became available via digital cable. This was secured by contract with the Unity Media corporation. Analog broadcasts of all programs from the family of television stations continue to be available via cable.

The Group sees opportunity in the use of digital infrastructures, such as broadcasting via DSL. In January 2006, it signed a contract with T-Online for the DSL delivery of its free TV programming; shortly beforehand, the Group entered into a similar agreement with the provider Telefónica.

February

No takeover of ProSiebenSat.1 Media AG by Axel Springer AG

Axel Springer AG and P7S1 Holding L.P. mutually agreed to terminate plans for Springer to acquire ProSiebenSat.1 Media AG, due to legal complications surrounding antitrust and media oversight issues.

Additional contracts for digital feed

In February 2006, the ProSiebenSat.1 Group signed contracts with Kabel Deutschland and Baden-Württemberg cable operator Kabel BW to feed the broadcasting corporation's programming into each company's digital cable networks. Both KDG and BW networks now offer digital and analog reception of Sat.1, ProSieben, kabel eins, N24 and 9Live.

March

SevenOne International distributes global Call TV productions for 9Live

SevenOne International, the global program distributor for the ProSiebenSat.1 Group, now offers international quiz broadcaster 9Live's complete call TV solutions. Target groups are TV stations seeking to optimize their programming time slots through innovative call TV windows, to maximize revenues and to expand viewer loyalty through interactive call broadcasts.

May

ProSiebenSat.1 Group and HanseNet sign IPTV contract

The ProSiebenSat.1-Group expanded its programming coverage through a contract with HanseNet. This means the Group's free and pay TV stations are now carried over the telecommunications provider's DSL cable networks, which goes under the „Alice" brand name.

Hubertus Meyer-Burckhardt leaves Executive Board of ProSiebenSat.1 Media AG

Hubertus Meyer-Burckhardt left ProSiebenSat.1 Media AG on March 31, 2006. As a member of the Executive Board, he was responsible for Corporate Development, Media Policy and Regulatory Affairs.

June

ProSiebenSat.1 Media AG announces dividends proposal

The Executive Board and the Supervisory Board of ProSiebenSat.1 Media AG decided to recommend a dividend of EUR 0.84 per preferred share and EUR 0.82 per common share at the Annual Shareholders' Meeting.

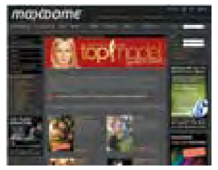
ProSiebenSat.1 Group expands its pay TV portfolio

On June 1, 2006, the ProSiebenSat.1 Group launched two new pay TV stations, Sat.1 Comedy and kabel eins classics. The comedy channel and the classic movies station are available through the pay TV packages of cable network providers. Besides WetterFernsehen, these are the Group's first pay TV programs

July

Start of video-on-demand portal "maxdome"

The ProSiebenSat.1 Group and United Internet launched the new video-on-demand portal "maxdome" on July 27, 2006. The portal offers a comprehensive portfolio of films, comedy and series. The program features successful formats from the family of stations, in addition to Hollywood favorites.



The Big Picture 2006 presents more than 50 new programs

At The Big Picture 2006 in Düsseldorf, an event where German television programs debut, the ProSiebenSat.1 Group and its marketer, SevenOne Media, presented programs from Sat.1, ProSieben, kabel eins and N24 for the 2006/2007 TV season.

ProSiebenSat.1 Media AG redeems EUR m 200 notes prior to maturity

ProSiebenSat.1 Media AG redeemed notes in excess of EUR m 200 on July 31, 2006. The Group took the first opportunity to repay the bond in advance of its actual 2009 maturity date. This advanced repayment further reduced the Group's net financial obligations.

August

Dr. Marcus Englert heads Diversification on Executive Board

Dr. Marcus Englert was appointed to the Executive Board of ProSiebenSat.1 Media AG on August 1, 2006, and has assumed responsibility for all of the Group's new lines of business. The Executive Board's portfolio reflects the increasing importance of the new business and revenue model that is bundled with the Diversification unit.

Annual Shareholders' Meeting 2006

ProSiebenSat.1 Media AG's Annual Shareholders Meeting took place on August 2, 2006. The proposed resolutions requiring shareholder approval were unanimously approved with 100% of votes cast.

UEFA Cup and UEFA Super Cup at ProSiebenSat.1

The ProSiebenSat.1 Group acquired the free TV rights to the UEFA Cup and the UEFA Super Cup. The agreement is valid for the next three years, and comprises annually up to six UEFA Cup games each year, from the quarterfinals to the finals.

August

Video-on-demand rights acquired for "Lost" and "Desperate Housewives"

The ProSiebenSat.1 Group signed a contract with Disney's Buena Vista International Television for video-on-demand rights to the series „Lost" and „Desperate Housewives." The currently available episodes can be accessed a week prior to their free TV broadcast via maxdome.

September

ProSiebenSat.1 Group acquires stake in MyVideo

The ProSiebenSat.1 Group purchased 30 percent of Germany's largest video community, MyVideo. This acquisition means the Group now offers user generated content and the German equivalent of "YouTube."

Appraisal proceedings decision in favor of ProSiebenSat.1 Media AG

The Regional Court Munich I decided in September 2006 against the applications made in the appraisal proceedings for additional cash payments by ProSiebenSat.1 Media AG. The appraisal proceedings had been initiated as a result of the 2000 merger of ProSieben Media AG and Sat.1 Holding GmbH into today's ProSiebenSat.1 Media AG.

ProSiebenSat.1 Group achieves year's highest audience share

The market share for the ProSiebenSat.1 Group in September again clearly exceeded the 30 percent mark. With a 31.0 percent among the key 14-49-year-old demographic, the family of stations reached its highest level for the year.

October

ProSiebenSat.1 Group acquires free TV rights to latest James Bond Film, "Casino Royale"

The ProSiebenSat.1 Group entered into a broad agreement with MGM International. The Group acquired the free TV debut broadcast rights for the new James Bond "Casino Royale" along with the rights to all Bond films produced to date.

Investment in "lokalisten" social network

The ProSiebenSat.1 Group acquired a 30 percent interest in lokalisten media GmbH, there-by expanding further on the Internet. With lokalisten.de,the Company will be operating one of the leading German social networks.

First full-service mobile TV program launched in Germany

In October 2006, the ProSiebenSat.1 Group launched the first full-service mobile TV program in Germany. ProSiebenSat.1 Mobile was designed for cellphone reception via DMB (Digital Multimedia Broadcasting). This makes the ProSiebenSat.1 Group the largest provider of mobile television in Germany.

November

ProSiebenSat.1 Group extends Constantin deal another two years

The ProSiebenSat.1 Group secured the German free TV rights to all international and domestic in-house productions and co-productions from Constantin Film AG for the next two years, in an extension of its February 2005 broadcast rights agreement for film production from Germany's leading production house.

SevenOne Intermedia signs deal over Blue-com-cooperation with SES ASTRA

SevenOne Intermedia, the ProSiebenSat.1 Group's multimedia subsidiary, signed a contract with SES ASTRA on the use of Blucom. The Blucom technology suggests not only conventional TV content on mobile phones but also enables interactive features such as votings, downloads or chats.

Roger Schawinski to leave Sat.1

The new Managing Director at Sat.1, effective January 1, 2007, will be Matthias Alberti. Dr. Roger Schawinski announced that he would leave Sat.1 at the end of the year.

December

Lavena Holding 4 GmbH to be new majority shareholder of ProSiebenSat.1 Media AG

Lavena Holding 4 GmbH, a holding company controlled by funds advised by KKR and Permira, has signed a share purchase agreement for the acquisition of German Media Partners LP's majority stake in ProSiebenSat.1 Media AG on December 14, 2006.

2006 in TV: ProSiebenSat.1 Group's audience share reaches 29.6

In 2006, the ProSiebenSat.1 Group stations - despite the Winter Olympics and Soccer World Cup - achieved a 29.6 percent combined audience share. Once the World Cup was past, the Group's stations were able to raise their combined audience share considerably, and achieved an audience share of 29.9 percent in the second half of the year.

Members of the Supervisory Board of the ProSiebenSat.1 Media AG

Götz Mäuser
Chairman

Partner, Permira Beteiligungsberatung GmbH

Lord Clive Hollick
Vice Chairman

Partner, Kohlberg Kravis Roberts & Co.

Robin Bell-Jones
Principal, Permira Advisors LLP

Dr. Mathias Döpfner
Chief Executive Officer, Axel Springer AG

Greg Dyke
Consultant

Philipp Freise
Principal, Kohlberg Kravis Roberts & Co.

Ulrich Gasse
Investment Professional, Permira

Reinhard Gorenflos
Partner, Kohlberg Kravis Roberts & Co.

Representatives of the new majority shareholders

Johannes Huth

Partner, Kohlberg Kravis Roberts & Co. and
Head of Europe

Thomas Krenz

Partner, Permira Beteiligungsberatung GmbH and
Head of Germany

Christian Neuss
Principal, Permira

Christian Nienhaus
Managing Director, BILD Newspaper Group

Silke Scheiber
Principal, Kohlberg Kravis Roberts & Co.

Harry Sloan
Chairman and CEO, Metro-Goldwyn-Mayer

Prof. Dr. Harald Wiedmann
President of the Accounting Standards Committee
of Germany

The Executive Board of ProSiebenSat.1 Media AG

Guillaume de Posch
CEO

Member of the Executive Board since October 2003
CEO since June 2004
Management Segments: TV & Operations

Lothar Lanz

Member of the Executive Board since October 2000
Management Segments: CFO, Legal Affairs & Human Resources

Peter Christmann

Member of the Executive Board since January 2004
Management Segments: Sales & Marketing

Dr. Marcus Englert

Member of the Executive Board since August 2006
Management Segment: Diversification

Reports from Executive Board & Supervisory Board

Letter from the CEO

Dear Shareholders,

The ProSiebenSat.1 Group had a very successful fiscal 2006. Our Company reported record earnings for the third time in a row. Both of the Group's units – Free TV, financed through advertising, and Diversification, where we pool all our new activities – contributed to this growth.

In Free TV, we took advantage of the economic upswing to increase our TV advertising revenues. It is especially gratifying that we further improved the Group's profitability. With EBITDA margins of 24 percent and 27 percent, Sat.1 and kabel eins have now joined our traditionally highest-margin free TV station, ProSieben, among the ranks of the most profitable TV stations in the German market.

Under new management following the ratings slump of 2005, ProSieben has returned to the premium class, although both revenues and profits, which always show a time lag, were still affected by the underperformance of 2005. N24 can count 2006 as another year of success. The station expanded its lead as Germany's leading news channel with a new record audience share.

Our new lines of business sped up the pace of growth at the Group still further. Total Group revenues grew 5.8 percent in 2006. Externally generated revenues at the Diversification unit grew 33 percent. Even after adjustment for the effects of the consolidation of 9Live, the gain was still 16 percent, far above average.

These growth rates provide further confirmation for the validity of our strategy of tapping the growth potential of new markets for the ProSiebenSat.1 Group. All in all, last year we generated 11.3 percent of our revenues through our new business models – far more than in 2004, when only 6.1 percent of revenues came from new sources.

We've also accomplished a great deal strategically. In 2006 we at last took the step into the digital future. We ensured that our programming will have digital distribution, and we put new services on the market, like our two pay TV channels – Sat.1 Comedy and kabel eins classics. Though we are only a newcomer in call TV, mobile TV and video on demand, we are already the largest provider in Germany. As I see it, 2006 left us well positioned for the digital future.

The Company's success is the product of the joint efforts and deep dedication of all ProSiebenSat.1 Group employees. For that I would like to thank each of them individually.

Last year's gratifying business performance is also reflected in the performance of ProSiebenSat.1 stock. On December 29, the stock closed at EUR 24.85, its highest level since March 2001. With a 52 percent gain against the prior year, ProSiebenSat.1 stock significantly outperformed the relevant stock indexes.

Dear shareholders, at the Annual Meeting we intend to propose a dividend of EUR 0.89 per share of preferred stock, and EUR 0.87 per share of common stock. This proposal takes account of not only the performance of operating profits and cash flow, but the outlook for the current year.

We can look ahead with confidence. Given advertising clients' habit of booking on short notice, long-term projections for the TV advertising market are always subject to reservations, but we assume that the German TV advertising market will benefit from the impetus provided by the economy, and will grow two to three percent in 2007.

We intend to outperform the growth of the TV advertising market in 2007, and to expand our lead even further – assuming of course that our family of stations earns the projected audience shares. Television is and will always be our core business. And despite all the talk about new user habits, people will continue to look at television as the most important medium. According to a Forsa survey, television is the only conventional medium that will continue to gain even more importance in the future.

German citizens believe that the only other media to become more important will be the new ones – like the Internet, cell phones, PC games or DVDs. These are our new growth fields, and we're already active there. In the expansion of our Diversification unit the Internet plays a key role. Even last year, the ProSiebenSat.1 Group had already become one of the largest Internet providers – and we intend to keep growing.

After its years of restructuring and expanding its lines of business, the ProSiebenSat.1 Group now enjoys an excellent position. It's high time to find new prospects for the Group, and to choose new directions for a successful future.

These new prospects will open up with our new majority shareholder, Lavena Holding 4 GmbH – an investment company controlled by funds advised by KKR and Permira. This year the combination with SBS Broadcasting Group intends to turn the ProSiebenSat.1 Group into an electronic media corporation operating throughout Europe. This is one of the largest, most exciting projects in the history of the media. We'll approach the challenge of making ProSiebenSat.1 a European corporation with all determination, in everyone's best interest. I'd be glad to have you along.

Guillaume de Posch

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 345.2 million, the Board will propose to pay a dividend of EUR 0.87 per no-par common share and EUR 0.89 per no-par preferred share. This is equivalent to a total distribution of EUR 192.5 million, or a payout ratio of 80 percent of the year's consolidated net profit of ProSiebenSat.1 Media AG. Referred to the price of EUR 24.85 per preferred share on December 31, 2006, this is equivalent to a dividend yield of 3.6 percent.

Supervisory Board Report

Ladies and Gentlemen,

subsequent to my appointment as member of the Supervisory Board I had been elected Chairman of the Supervisory Board in March 2007. In this function, 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 it under the laws, the articles of incorporation, the rules of procedure, and the German Corporate Governance Code. Within that context the Supervisory Board 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 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. The Chairman of the Supervisory Board was also constantly in contact with the Executive Board, and thus kept current on the business picture and important projects. He 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 attended by the members in person, via conference calls, or, whenever necessary, by written correspondence in the intervals between meetings. During the year, the Supervisory Board and its committees made decisions outside personal meetings in a total of eleven cases. In these cases, decisions adopted by correspondence were as a rule discussed and deliberated in advance, either at a meeting attended by the members of the Supervisory Board in person or in a conference call.

Supervisory Board meetings

The Supervisory Board held five regularly scheduled meetings and one specially scheduled meeting during the year. Five of these meetings in all were held via conference call. Topics of discussion included creating and filling a new position on the Executive Board for the head of the Diversification unit, strategic issues about the technical distribution of ProSiebenSat.1 programming, and various projects for acquisitions in the Diversification unit. Here the Executive Board and the Supervisory Board made a decision to expand the Group's online business further by acquiring an interest in the MyVideo and lokalisten.de Internet portals. The Supervisory Board also dealt with special issues, particularly the takeover of ProSiebenSat.1 Media AG by Lavena Holding 4 GmbH, which was announced in December 2006 and completed on March 6, 2007, after the end of the year under review. Lavena Holding 4 GmbH is backed by a consortium of investment funds who are advised in part by the private equity firm Kohlberg Kravis Roberts & Co. L.P., and in part by the private equity firm Permira Beteiligungsberatung GmbH.

At its meeting of January 10, 2006, the Supervisory Board's discussion focused on the signing of distribution agreements intended to safeguard the long-term technical distribution of the Group's services via cable and DSL.

On March 15, 2006, the Supervisory Board held its meeting to discuss the financial statements for fiscal 2005. Besides addressing the financial statements for fiscal 2005, at this meeting the Supervisory Board approved the Corporate Governance report from the Executive Board and Supervisory Board, and the Declaration of Compliance with the recommendations of the German Corporate Governance Code for fiscal 2005. Other topics of discussion included reviewing the efficiency of the Supervisory Board's work, long-term succession planning for management, and the regularly scheduled review of compensation for the Executive Board. At this meeting the Supervisory Board also approved various amendments to the rules of procedure for the Executive Board and Supervisory Board, with the aim of enhancing the efficiency of both boards and their work together.

The meeting of the Supervisory Board on May 30, 2006, concerned creating a new position on the Executive Board for the head of the Diversification unit, and appointing Dr. Marcus Englert to that position. Another matter for discussion was the organization and continuation of the stock option plan (the Long-term Incentive Plan) that had been set up the year before. Topics relating to operations included issues in the distribu-tion of programming via satellite and a vari-ety of initiatives for diversification.

The work of the May 30, 2006 meeting was continued at a special meeting of the Supervisory Board called for June 6, 2006. The main focus of the discussion was the agenda and the recommended resolutions for the 2006 Annual Shareholders' Meeting.

A further meeting of the Supervisory Board was held on August 2, 2006, following the 2006 annual shareholders' meeting. Here the Board discussed corporate governance, and adopted jointly with the Executive Board an updated Declaration of Compliance in response to recommendations included in the recently amended German Corporate Governance Code. The discussion also concerned additional plans and projects for the Diversification unit.

The final Supervisory Board meeting of the year was held on December 22, 2006. On December 14, Lavena Holding 4 GmbH had announced that it had signed a share purchase agreement with German Media Partners L.P., to acquire the latter's indirect holding of about 88 percent of the common stock and about 13 percent of the preferred stock of ProSiebenSat.1 Media AG, after adjustment for other equity interests. Lavena Holding 4 GmbH had also announced a tender offer to the shareholders of ProSiebenSat.1 Media AG. The meeting of the Supervisory Board focused on information about this tender offer, and on the effects and strategic opportunities that would result from the new majority shareholder's involvement in ProSiebenSat.1-Media AG. Other topics included budget planning for fiscal 2007 and acquisition projects in the Diversification unit (www.wer-weiss-was.de).

Because of scheduling conflicts, Supervisory Board member Arieh Saban was unable to attend more than half of the meetings of the Supervisory Board.

The work of the Committees

The Supervisory Board had two standing committees during the year, the Presiding Committee and the Audit and Finance Committee. The Distribution Committee was disbanded and did not meet during the year. It was not necessary to form other committees during the year.

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 2006, and adopted resolutions four additional times by written correspondence. It dealt primarily with the remuneration and staffing 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 Supervisory Board was informed about the Committees' work regularly and in full, at its plenary sessions.

Conflicts of interest

At its meeting on January 10, 2006, the Supervisory Board dealt with the signing of long-term cable and DSL feed contracts, including with Kabel Deutschland GmbH (KDG). Indirect interests in Kabel Deutschland GmbH are held not only by investment funds advised by the private equity firm Providence Equity Partners Inc., but also by investment funds advised by the private equity firm Apax Partners Ltd. Supervisory Board member Albert J. Dobron, Jr., holds a management position at Providence Equity Partners Inc., and Supervisory Board member Greg Dyke served at the time in an advisory capacity for Apax Partners Ltd. Both gentlemen recused themselves from the discussions and decisions of the Supervisory Board on this agenda item.

For the same reason, Mr. Dobron recused himself from the Supervisory Board's dis-cussion of corporate strategy in satellite distribution at the meeting of May 30, 2006. In the meantime, Mr. Dyke had terminated his advisory services for Apax Partners Ltd., so that there were no reservations about his participating in these deliberations.

Investment funds advised by Providence Equity Partners Inc. and by Quadrangle Group LLC also hold interests in MGM Studios. For that reason, both Mr. Dobron and Supervisory Board member Joshua Steiner, who serves in a management capacity at Quandrangle Group LLC, refrained from participating in the discussions and decisions of the Presiding Committee on signing a programming license agreement with MGM International Television Distribution.

At its August 2 meeting, the Presiding Committee dealt with the signing of a programming license agreement with Warner Bros. International Television Distribution Inc. In view of his appointment to the Board of Directors of Time Warner Inc., Supervi-sory Board member Dr. Mathias Döpfner refrained from participating in the Presiding Committee's discussion and decisions on that agreement.

Corporate Governance and Declaration of Compliance

In accordance with Item 3.10 of the German Corporate Governance Code, the Annual Report includes a detailed report from the Executive Board and Supervisory Board on corporate governance at ProSiebenSat.1 Media AG during fiscal 2006. That corporate governance report also includes the current Declaration of Compliance from the Executive Board and Supervisory Board for fiscal 2006 pursuant to Sec. 161 of the German Stock Corporations Act (AktG). The Declara-tion of Compliance is kept permanently available to shareholders on the Company's Web site.

Audit of the AG and Group financial statements

The 2006 financial statements of ProSiebenSat.1 Media AG and the consolidated financial statements of the Group, together with the management reports for ProSiebenSat.1 Media AG and the Group, were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, which issued an unqualified audit opinion in both cases. As required by law, the consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The independent auditor has confirmed that the Executive Board maintains 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 approved the financial statements and the consolidated financial statements of the company prepared by the Executive Board and audited by the auditor, as well as the management reports for both the Company and the 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.

In its capacity as auditor of the financial statements, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, also reviewed the report of the Executive Board on relationships with affiliated enterprises during fiscal 2006. The auditor's examination revealed no cause for objection. The auditor has issued the following unqualified opinion:

"On the basis of our diligent examination and judgment we hereby confirm that

1. the factual statements in the report are accurate,
2. the consideration given by the Company for the transactions specified in the report was not unreasonably high and any disadvantages incurred have been compensated. "

The Supervisory Board's own review of the report likewise revealed no cause for objection. The Supervisory Board therefore concurs with the results of the auditor's review. In accordance with the final results of its own examination, the Supervisory Board has no objections to the declaration of the Executive Board at the conclusion of the report on relationships with affiliated businesses.

Members of the Boards

The following changes took place in the composition of the Executive Board during the year: Hubertus Meyer-Burckhardt resigned from the ProSiebenSat.1 Media AG Executive Board as of May 31, 2006. He had been the board member responsible for the Company's corporate development, media policy and regulatory affairs since July 2004.

Effective August 1, 2006, Dr. Marcus Englert was appointed to a new seat on the Executive Board to oversee the diversification operations of ProSiebenSat.1 Media AG. Dr. Englert has been managing director at SevenOne Intermedia GmbH since 2001, and additionally the ProSiebenSat.1 Group's Diversification Director since 2004. He holds his Executive Board position while still remaining managing director of SevenOne Intermedia GmbH.

In addition, the composition of the Supervisory Board changed after the end of the year, as follows:

In conjunction with the change of the principal shareholder of ProSiebenSat.1 Media AG as a consequence of the consummation of the share purchase agreement between Lavena Holding 4 GmbH and German Media Partners L.P. on March 6, 2007, the fol-lowing members of the Supervisory Board have resigned from the Supervisory Board, effective March 6, 2007: Haim Saban (formerly Chairman of the Supervisory Board), Adam Chesnoff (formerly Vice-Chairman of the Supervisory Board), John Connaughton, Albert J. Dobron Jr., Patrick J. Healy, Ynon Kreiz, Seth W. Laury, Stephen G. Pagliuca, Brian M. Powers, Arieh Saban, Scott Sperling and Joshua Steiner.

By a decision of March 7, 2007, Munich Dis-trict Court appointed the following individu-als to the Supervisory Board: Götz Mäuser, Lord Clive Hollick, Robin Bell-Jones, Philipp Freise, Ulrich Gasse, Reinhard Gorenflos, Johannes Huth, Thomas Krenz, Christian Neuss, Silke Scheiber, Harry Sloan, Prof. Dr. Harald Wiedmann.

Following this change in the membership of the Supervisory Board, the newly constituted Board elected Götz Mäuser as its new Chairman and Clive Hollick as Vice Chairman.

Furthermore, Dr. Mathias Döpfner, Greg Dyke and Christian Nienhaus continue to be members of the Supervisory Board.

On behalf of the Supervisory Board, I would like to thank the members of the Executive Board, all members of management, and all our employees for their achievements and their personal dedication.

Unterföhring, March 2007
On behalf of the Supervisory Board Götz Mäuser

Members of the Supervisory Board in fiscal 2006

Haim Saban, Chairman
Chairman and Chief Executive Officer, Saban Capital Group

Adam Chesnoff, Vice Chairman
President and Chief Operating Officer, Saban Capital Group

John Connaughton
Managing Director, Bain Capital Partners

Albert J. Dobron Jr.
Principal, Providence Equity Partners

Dr. Mathias Döpfner
Chief Executive Officer of Axel Springer AG

Greg Dyke
TV manager

Patrick Healy
Managing Director, Hellman & Friedman

Ynon Kreiz
General Partner of Benchmark Capital

Seth Lawry
Managing Director, Thomas H. Lee Partners

Christian Nienhaus
Managing Director, BILD Newspaper Group

Stephen G. Pagliuca
Managing Director, Bain Capital Partners

Brian Powers
Chief Executive Officer, Hellman & Friedman

Arieh Saban
Consultant

Scott Sperling
Managing Director, Thomas H. Lee Partners

Joshua Steiner
Managing Principal, Quadrangle Group

Corporate Governance Report

Corporate management and compliance structure

Corporate governance refers to the way in which a company is managed and supervised. As the foundation for management decision-making and oversight processes oriented to enhancing corporate value for the long term, corporate governance has been a high priority at ProSiebenSat.1 Media AG

The German Corporate Governance Code has drawn upon nationally and internationally recognized standards for managing and overseeing companies listed on the stock exchange. The Executive Board and Supervisory Board of ProSiebenSat.1 Media AG are staunch advocates of the German Corporate Governance Code. The Code's objectives are consistent with our own objectives of continuously reassuring investors, clients, employees and the public at large that their trust in us is well-founded, and of further improving the performance of the ProSiebenSat.1 Group. The principal prerequisites here are responsible corporate management and a well-developed compliance structure, smooth cooperation between the Executive Board and the Supervisory Board, and transparent communications with the capital market. Once again this year, the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG aimed to refine corporate governance procedures further, and to implement the terms of the Code in ways that enhance value. The compliance officer is in charge of implementing the principles of corporate governance, monitoring compliance with the requirements of law, and documenting these processes. The officer's duties also include keeping up to date on changes in the laws, and tracking the relevant public discussions.

Each year, the Executive Board and Supervisory Board issue a Declaration of Compliance in which they state that the recommendations of the current version of the German Corporate Governance Code have been adopted, or explain any exceptions. These Declarations of Compliance are kept permanently available to shareholders on the Company's Web site. The current Declaration of Compliance for fiscal 2006 is an integral part of this Corporate Governance Report. ↗

↗ Declaration of Compliance

The most recent Declaration of Compliance was issued by the Executive Board and Supervisory Board in August 2006, to update the declaration for the prior year in response to an amendment made to the German Corporate Governance Code in June 2006.

Active, transparent communication with the capital market

We inform shareholders, investors and analysts comprehensively about all new facts, and at the same time generally make such new information available to media representatives and the public at large. Here we take account of the international interest in our Corporation by publishing most of our news in English as well. To guarantee the greatest possible transparency and make sure that information is released promptly both in Germany and elsewhere, we particularly make use of the Internet as a communication channel.

Our home page at www.prosiebensat1.com carries all relevant news about the Company's situation and major business developments. You can view current stock and bond price charts, analyses, annual reports and interim reports, presentations, and miscellaneous facts about our work in investor relations. The Corporate Governance section of the Web site offers an up-to-date overview of the ProSiebenSat.1 Media AG's specific implementation of the Corporate Governance Code, along with an archive of the Declarations of Compliance from past years and the Company's articles of incorporation. Special pages are also posted for the annual shareholders' meeting. Well before the date of the event, the invitation to the meeting notifies shareholders about the various agenda items and the resolutions that the Executive Board and Supervisory Board will be submitting for approval. The remarks of the CEO and the results of votes are also posted on the Company's Web site after the meeting.

http://en.prosiebensat1.com/investor_relations/hauptversammlung

In its annual and quarterly reports, ProSiebenSat.1 Media AG explains to shareholders four times a year about how business has performed, and about the Company's financial position and operating results. The financial calendar announces the dates of these publications well in advance, along with other important dates such as the date of the annual shareholders' meeting. The calendar can be downloaded from our Web site, and is also published in our financial reports. All matters potentially relating to insider transactions are also publicized in ad hoc disclosures as they occur, and are made available immediately on the Internet. A list of all ad hoc disclosures for a given year can be downloaded in an annual document at. As soon as they are received, ProSiebenSat.1 Media AG also publishes directors' dealings disclosures under Sec. 15a of the German Securities Trading Act (WpHG), and reports of equity holdings under Sections 21 and 25 of that Act.

http://en.prosiebensat1.com
http://en.prosiebensat1.com/finanzkalender/
http://en.prosiebensat1.com/investor_relations/meldungen/

ProSiebenSat.1 Media AG welcomes the implementation of the new European Transparency Directive as German law. It requires future mandatory publications to be distributed via electronic media throughout Europe. For purposes of fair communication, the switch to electronic channels of publication facilitates access to corporate data, and ensures that all investors and interested parties in all countries are notified simultaneously.

Cooperation between the Executive Board and Supervisory Board

The Executive Board and Supervisory Board work together closely for the Company's benefit. The Executive Board informs the Supervisory Board regularly, promptly and comprehensively on all relevant matters of strategy, planning, business performance, net assets, financial condition, results of operations, and risk management. All transactions and decisions that are of fundamental importance to the Corporation are handled in close coordination with the Supervisory Board. Between meetings, the Executive Board also keeps the Supervisory Board informed about current projects and plans through detailed written reports. Efficient cooperation between these boards is governed by the Executive Board's bylaws. The requirements imposed by these bylaws on the Executive Board conform to the requirements of the German Corporate Governance Code, and in particular include binding provisions regarding the Executive Board's obligations to inform and report to the Supervisory Board. The Executive Board's bylaws also specify that major business transactions are subject to the approval of the Supervisory Board. Further information on cooperation between the Executive Board and Supervisory Board is provided in the Report of the Supervisory Board.

Report of the Supervisory Board

Compensation of the Executive Board

Under their employment contracts, all Executive Board members receive a fixed base salary determined with reference to the individual member's area of responsibilities. In addition to this base component, each member also receives a performance-based variable component in the form of an annual bonus. The specific terms of this annual bonus vary among the contracts of the individual board members. Its amount is decided in part by the Supervisory Board, and in part depends on the achievement of predefined performance targets. One compensation component oriented to the long-term enhancement of the Company's value is the ProSiebenSat.1 Media AG Long-term Incentive Plan, a stock option plan in which the Executive Board members participate. The Company also has pension benefits contracts with the board members.

Thus the compensation system is set up in such a way that the compensation paid to each Board member is appropriate to their own area of work and responsibility, and is also competitive with respect to the compensation paid to senior executives of other companies, including non-German companies. It ensures that the Company will remain competitive by providing appropriate incentives and motivation for top-quality international executives. The Supervisory Board regularly reviews the basic elements of the compensation system for the Executive Board.

A resolution by the shareholders' meeting of August 2, 2006, released ProSiebenSat.1 Media AG from the obligation to disclose the individual compensation of Executive Board members for a period of five years. The total compensation paid to members of the Executive Board, broken down by fixed and variable components, appears in the Notes to the consolidated financial statements, along with further details of the ProSiebenSat.1 Media AG stock option plan.

Notes

Compensation of the Supervisory Board

The compensation of the Supervisory Board of ProSiebenSat.1 Media AG is made up of a fixed component and a variable component that depends on the amount of the dividend for the year. Furthermore, in accordance with the recommendations of the German Corporate Governance Code, the compensation paid takes account of members' service as Chairman or Vice-Chairman of the Supervisory Board and their activities on committees of the Supervisory Board. The details of this compensation system are laid down in Sec. 12 of the Company's articles of incorporation, which are available for examination on the Company's Web site.

http://en.prosiebensat1.com/investor_relations/cg_ueberblick/

Expenses for the Supervisory Board of ProSiebenSat.1 Media AG came to EUR 3,182 thousand in the year under review. This figure includes EUR 1,570 thousand in allocations to the reserve for the variable component of Supervisory Board remuneration. This amount is based on the distribution of dividends in fiscal 2006 as had been proposed by the Executive Board. In the expenses of EUR 1,612 thousand for the current and former members of the Supervisory Board is a variable component of EUR 1,261 thousand included.

The following table provides an individualized breakdown of the compensation paid to current and former members of the Supervisory Board:

Members of the Supervisory Board as of December 31, 2006

EUR k	Fixed components	Variable components	Total
Saban, Haim	42	156	**198**
Chesnoff, Adam	44	117	**161**
Connaughton, John P.	29	78	**107**
Dobron jr., Albert J.	21	78	**99**
Döpfner, Dr. Mathias	24	79	**103**
Dyke, Greg	19	79	**98**
Healy, Patrick J.	21	78	**99**
Kreiz, Ynon	15	80	**95**
Lawry, Seth W.	29	78	**107**
Nienhaus, Christian	26	79	**105**
Pagliuca. Stephen G.	15	78	**93**
Powers, Brian M.	15	78	**93**
Saban, Arieh	15	50	**65**
Sperling, Scott	15	78	**93**
Steiner, Josh	21	50	**71**

Former members of the Supervisory Board

EUR k	Fixed components	Variable components	Total
Ball, Anthony F.E.	./.	25	**25**

Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during fiscal 2006.

Stock option plan

Following approval by the shareholders' meeting on May 13, 2005, ProSiebenSat.1 Media AG adopted a stock option plan with a long-term incentive effect (the Long-term Incentive Plan) for members of the Executive Board and selected other members of management of the ProSiebenSat.1 Group. The plan was renewed by resolution of the shareholders' meeting on August 2, 2006. Under the Long-term Incentive Plan, a total of up to 7.5 million options for the purchase of one share of preferred stock each may to be issued to beneficiaries, in several annual segments; up to 4.65 million of these options are set aside for the members of the Executive Board. Within the second cycle of the Company's stock option plan, a total of 1,204,000 options were issued in fiscal 2006, thereof 665,000 stock options to members of the Executive Board and 539,000 stock options to other selected executives of the ProSiebenSat.1 Group. The options will be serviced with treasury stock, which the Company can purchase under an authorization most recently granted at the shareholders' meeting of August 2, 2006. For more details on the Long-term Incentive Plan, see the Notes to the consolidated financial statements.

Notes

Directors' dealings in fiscal 2006

During the year, management personnel and parties related to them reported to ProSiebenSat.1 Media AG, in compliance with Sec. 15a of the German Securities Trading Act, the following transactions in Company stock or financial instruments relating to Company stock by management personnel and by persons related to them. The transactions were published on the Internet as soon as the reports were received.

http://en.prosiebensat1.com/investor_relations/directors_dealings

Last name, first name	Reason for notice	Purchase/ Sale	Date/ Place	Units	Price	Total transaction
Lanz, Dominik	Related to management	Sale of preferred stock	February 9, 2006, Xetra/Frankfurt	750	EUR 20.90	EUR 15,675.00
Lanz, Andrea	Related to management	Sale of preferred stock	February 9, 2006, Xetra/Frankfurt	750	EUR 20.90	EUR 15,675.00
Lanz, Susanne	Related to management	Purchase of preferred stock	June 13, 2006, Xetra/Frankfurt	750	EUR 18.00	EUR 13,500.00
Lanz, Dominik	Related to management	Purchase of preferred stock	June 13, 2006, Xetra/Frankfurt	750	EUR 18.00	EUR 13,500.00
Lanz, Andrea	Related to management	Purchase of preferred stock	June 13, 2006, Xetra/Frankfurt	431	EUR 18.00	EUR 7,758.00
Lanz, Andrea	Related to management	Purchase of preferred stock	June 13, 2006, Xetra/Frankfurt	319	EUR 17.99	EUR 5,738.81
Christmann, Peter	Member of management	Purchase of preferred stock	June 14, 2006, Xetra/Frankfurt	600	EUR 17.32	EUR 10,932.00
Christmann, Peter	Member of management	Purchase of preferred stock	June 19, 2006, Xetra/Frankfurt	1.100	EUR 17.60	EUR 19,360.00

Shareholdings of the Executive Board and Supervisory Board

As of December 31, 2006, members of the Executive Board held a total of 9,700 shares of preferred stock of ProSiebenSat.1 Media AG, and a total of 1,274,756 options under the ProSiebenSat.1 Media AG stock option plan (the Long-term Incentive Plan), each of which options confers the right to purchase one share of preferred stock of ProSiebenSat.1 Media AG.

As of December 31, 2006, members of the Supervisory Board directly held no stock of ProSiebenSat.1 Media AG, and no financial instruments based on that stock. However, the following shares of ProSiebenSat.1 Media AG, which are held indirectly by German Media Partners L.P., are to be attributed to the Chairman of the Supervisory Board, Haim Saban, through his interest in German Media Partners L.P., which he holds together with other financial investors:

- 82,155,400 shares of common stock (approximately 75.1 percent of all common stock) and 138,343 shares of preferred stock (approximately 0.1 percent of all preferred stock) held directly by P7S1 Holding II S.à.r.l.; and

- 27,243,200 shares of common stock (approximately 24.9 percent of all common stock) and 27,243,200 shares of preferred stock (approximately 24.9 percent of all preferred stock) held directly by SAT.1 Beteiligungs GmbH.

German Media Partners L.P., which is owned by Haim Saban jointly with other investors, indirectly held 100 percent of P7S1 Holding II S.à.r.l. and 51.81 percent of SAT.1 Beteiligungs GmbH. After adjustment for other equity interests, the stake held by German Media Partners L.P. in ProSiebenSat.1 Media AG therefore represents approximately 88 percent of the total common stock and approximately 13 percent of the total preferred stock of ProSiebenSat.1 Media AG.

Declaration of Compliance by the Executive Board and Supervisory Board in accordance with Sec. 161 of the Stock Corporation Act

The Executive Board and Supervisory Board declare that during fiscal 2006, ProSiebenSat.1 Media AG complied, and continues to comply, with the recommendations of the Government Commission on the German Corporate Governance Code in its version of June 2, 2005, and, as of its date of validity, the version of June 12, 2006, with the following exceptions:

- The Executive Board decided that all documents that were to be made available at the annual shareholders' meeting of the Company in August 2006 would not be published on the Company's Web site as well (Item 2.3.1). Because of the volume of the documents and reports to be made available at the meeting in connection with various intercompany agreements with subsidiaries, only the invitation to the annual shareholders' meeting and the annual report, including the documentation it contains regarding the annual financial statements, were made available on the Company's Web site. All documents made available at the shareholders' meeting were sent to the shareholders on request.
- 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 deductible (Item 3.8), since agreeing to a deductible would not materially reduce the insurance premiums. Further more, 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 amounts of compensation paid individually to each member of the Executive Board (former Item 4.2.4 of the version of the Corporate Governance Code of June 2, 2005). A resolution by the shareholders' meeting of August 2006 released the Company for five years from the obligation to disclose the individual compensation of Executive Board members under the Executive Board Compensation Disclosure Act of August 3, 2005. 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 first approved at the annual shareholders' meeting in May 2005 as part of the authorization to acquire treasury stock, and renewed by resolution of the meeting of August 2006, provides only for incentive targets relating to the trading price of the Company's stock. Additional comparison parameters relating to corporate key figures (Item 4.2.3) were not included, since the particular conditions of the German TV advertising market mean that no comparable German or foreign companies exist.

At the next Annual Shareholders' Meeting, the Executive Board and the Supervisory Board will recommend the passing of a resolution that aims to adjust the compensation of the Supervisory Board by omitting the performance-based variable component depending on the amount of the dividend for the year (Item 5.4.7), valid up to now. The Corporation believes that an adequate fixed remuneration is more suitable for the Supervisory Board, which exercises its control function regardless of the Company's performance. Subject to the exceptions stated above, ProSiebenSat.1 Media AG intends in the future to continue complying with the recommendations of the Government Commission on the German Corporate Governance Code in the version of June 12, 2006.

March 2007

The Executive Board and Supervisory Board of ProSiebenSat.1 Media AG

The Power of Television

The best Hollywood has to offer

During the year, the Group's stations showed a strong lineup of highly successful blockbusters and other feature films. ProSieben's "Pirates of the Caribbean: The Curse of the Black Pearl," at a 40.0 percent audience share, was the most watched theatrical film on any German TV station. "(T)Raumschiff Surprise – Periode 1," at 34.1 percent, was likewise one of the absolute audience favorites. And those were only two of many highlights. To make sure our audiences will still be able to count on us to provide the best that Hollywood and German filmmakers have to offer, in 2006 the ProSiebenSat.1 Group again acquired rights to a large number of major productions, ensuring that Group stations will continue to have a supply of attractive programming for years to come.

The ProSiebenSat.1 Group is one of the most important European business partners for international programming rights holders and production studios. It has had close business relationships for years with such U.S. majors as Sony Entertainment, Paramount, Disney, Warner Bros., Dreamworks, Lucasfilm, MGM, Universal and 20th Century Fox. The Group has its own centralized license acquisition unit, which maintains constant contact with international and domestic licensors so as to stay in touch with new productions and trends. It purchases licensed programming for all the Group's stations. The resulting extensive package purchases strengthen the Group's negotiating position with rights holders.

A magical film: "Harry Potter and the Prisoner of Azkaban"

Anyone who wants to keep posted on the heroes of the cinema will be sure to stay tuned to ProSiebenSat.1 Group stations. Early in 2006, the Group negotiated a purchase from the Tele München Group for a package of high-grade Hollywood blockbusters that include "Harry Potter and the Prisoner of Azkaban," "Harry Potter and the Chamber of Secrets," and "Ocean's Twelve." In April, ProSiebenSat.1 Media AG signed an agreement for CBS and Paramount film highlights like "Mission: Impossible 3." Additionally, this year the Group bought one of the most spectacular series of films in the history of cinema: "Star Wars." The package from Lucasfilm includes not only the most successful theatrical film production of 2005, – "Star Wars: Episode III – Revenge of the Sith," but rights to all the other "Star Wars" episodes, giving the Group the German free TV rights for the entire "Star Wars" series.

The Queen's top secret agent: ProSiebenSat.1 buys "Casino Royale"

The name says it all: James Bond stands for top-notch entertainment and thrill-laden action. Now 007's entire career will be available for viewing on ProSiebenSat.1 Group stations. In October the company signed a contract with MGM to acquire all James Bond films produced to date – including the new "Casino Royale," the most successful James Bond film of all time, which reached theaters in November.

Quality from Germany: Partnership with Constantin Film

In November, the Group agreed on an early extension of its 2005 contract with Constantin Film AG. The Group locked in the German free TV rights for all international and domestic in-house productions and co-productions from Constantin for the next two years, including such box-office successes as "Perfume: The Story of a Murderer," "Hui Buh – The Castle Ghost" and "Resident Evil: Apocalypse."

Made by ProSiebenSat.1: In-house and contract productions

The ProSiebenSat.1 Group invests roughly a billion euros in its TV programming each year. The Group makes sure to balance out its schedule of licensed productions with in-house and contract productions. It maintains close contacts with every major producer in Germany, and can thus get fast, direct access to new developments from outside providers. Additionally, Sat.1, ProSieben and kabel eins have their own editorial departments for entertainment, where staff constantly watch new trends and develop new programming for these free TV stations.

Top-notch soccer for real fans

In addition to its attractive film packages, the ProSiebenSat.1 Group has also acquired exclusive free TV rights from the UEFA for the UEFA Cup and UEFA Super Cup. The three-year agreement covers up to six UEFA Cup matches each year, from the quarter-finals to the finals. ProSiebenSat.1 will also carry other top matches, including the UEFA Super Cup, which is held annually between the UEFA Champions League winners and the UEFA Cup winners.

Programming innovations in 2006

In 2006, the ProSiebenSat.1 Group broadcast some of the year's most innovative programming ideas. On "Die ProSieben Märchenstunde," popular comedians parodied Grimm's fairy tales. This ProSieben show, unlike anything any station had carried before, offered more than a surprising concept – it drew enthusiastic audiences with high-quality, elaborate production values. A whole village was lovingly reconstructed on a 1.25-acre set near Prague, including more than half an acre of fairytale forest. On "Schlag den Raab," ProSieben also brought out a successful innovation in light entertainment, which at a single stroke became private TV's rival to public TV's hit "Wetten, dass ... ." For the first time in TV history, contestants competed for at least half a million Euros against their host – in this case, Stefan Raab. And the channel's "Extreme Activity" proves that social games are hardly collecting dust, either. The Munich broadcaster brought the popular board game to TV in 2006. Celebrities throw themselves bodily into explaining concepts like "fatal hazard" or "headlock" to team members, using words, in charades, or with a marker pen. Sat.1 had its own share of TV innovations, including "You can dance" and "Jetzt geht's um die Eier." Since 2006, kabel eins has had "Quiz Taxi" – the first mobile quiz show, and so far the only one in Germany. The station also brought out the hit infotainment show "Mein neues Leben" in 2006 – the first TV reportage series that regularly tracks emigrant families as they begin their new lives. In "Make Money – Die Markus Frick Show," news station N24 brought a new kind of stock market show to the airwaves: market expert and professional stock trader Markus Frick shows viewers how to invest their money profitably. Viewers can call in or send e-mails during the show about stocks or investment strategies, and Frick answers right away and live.

In-house productions: News and magazine shows

In 2006, the Group's own editorial departments produced more than 50,000 magazine and news segments for Sat.1, ProSieben, kabel eins and N24. The Corporation has more than 600 full-time editorial staff members. They produce news and magazine segments for such first-rate information and entertainment programs as "Galileo," "SAM," "taff," "Blitz," "Talk, Talk, Talk," and "Sat.1 Frühstücksfernsehen." "Galileo" was the highest-reach daily knowledge magazine show on German TV in 2006. "SAM" has been one of the most popular general-interest magazine shows for years. And no other station's morning programming audience between 6:00 and 10:00 tops "Sat.1 Frühstücksfernsehen." The programs are produced by a Group subsidiary, ProSiebenSat.1 Produktion. It has up-to-date studios at both of the Corporation's locations. There its staff handles all production aspects of complete broadcasts and broadcast segments, from filming to direction and editing to post-processing and voice recording.

ProSiebenSat.1 worldwide

"Made by ProSiebenSat.1" became a TV seal of approval in 2006 for non-German TV stations and producers. Popular programs and television faces from the German family of stations became major attractions worldwide. One example of how TV made in Germany is not just entertaining but educational came from a Danish adaptation of a Sat.1 show: "Clever! – Die Show die Wissen schafft" has been reaping audience shares of up to 47 percent in Denmark since January of 2006 (demographic: ages 21-50). A Sat.1 concept was also one of the ratings highlights of the year on Czech TV. Private broadcaster Nova TV carried the improv comedy "Schillerstrasse," retitled "Zvo te dvakrát!," and earned audience shares as high as 30 percent (demographic: ages 15-54). Lisa Plenske has been the new ratings star in France since January 2007. Channel TF1 obtained the rights to her telenovela in 2006, and it's now showing with audience shares as high as 52.9 percent (demographic: up to age 50). Over the past two years SevenOne International, the ProSiebenSat.1 Group's programming sales company, has sold light entertainment, event productions, TV movies, series and telenovelas to more than 100 countries. Which only goes to show that foreign TV stations and producers trust in the quality of ProSiebenSat.1 programming. More and more often, they have been buying rights to special-event productions like "Tornado" or "The Hunt for Troy" in the concept or script stage. Even before it made its debut on ProSieben in September 2006, the two-part TV event "Tornado" was already an international success, with advance sales in more than 20 countries – including France, Spain and China. The two-part miniseries "The Hunt for Troy," to be shown on Sat.1 in 2007, has also been bought by over 20 broadcasters worldwide.

Strong brands online

The show goes on: productions like "POPSTARS" or "Germany's Next Topmodel" are successful not only on TV but also online: Sat.1, ProSieben, kabel eins and N24 are four strong brands, each with a strong Internet presence. Each station's Web site contains information and background stories about stars, series, shows, films, magazine and comedy programs. On top of that, ProSieben.de and Sat1.de offer a fun-filled and entertaining variety of PC games. Knowledge is also a big theme: kabeleins.de offers an extensive online film encyclopedia for film aficionados. At N24.de, users get – just like on TV– the latest news from all around the world, 24/7.

The ProSiebenSat.1 Networld is one of the leading online networks in the German market and drew more than 1.8 million visits (IVW figures) in December 2006. Last year the group expanded its attractive Web 2.0 services by acquiring stakes in the online communities MyVideo and lokalisten.de. MyVideo is Germany's largest video community on the Internet, offering user-generated content. Users can upload homemade video clips. lokalisten.de is one of Germany's leading social networking sites. The Networld also comprises the popular sites Oktoberfest.de and wetter.com.

Mobile TV

Television has always moved people, and put them in motion. Now in more places than ever. All over the world. With more than ten mobile TV channels on UMTS (Universal Mobile Telecommunications) and two channels on DMB (Digital Multimedia Broadcasting), the ProSiebenSat.1 Group is Germany's leading content provider for mobile TV. Mobile TV offers an opportunity for the Group's brands and stations to reach viewers anywhere, anytime – thus opening doors for new marketing opportunities and innovative cross-media campaigns.

The ProSiebenSat.1 Group has a unique variety of programming for cell phones: news from N24, general-interest and lifestyle magazines like "SAM," "taff" and "Blitz," knowledge shows like "Galileo" and "Clever! – Die Show, die Wissen schafft." Additionally, since the start of routine operations on March 31 of 2006, two ProSiebenSat.1 Group channels have been available mobile and live via the DMB digital standard. Besides all programming from N24, viewers can also call up ProSiebenSat.1 Mobile – Germany's first full-service TV channel specially conceived to be picked up on cell phones. TV means movement – and the ProSiebenSat.1 Group keeps moving right along with it.

Pay TV channels

Laugh till it hurts, around the clock, without breaks – that's the mission of Sat.1 Comedy, the Group's new pay TV channel. Sat.1 Comedy shows high-quality feature-film comedies from Hollywood and Europe, the best sitcoms from the United States, award-winning British comedy, and successful comedy shows from ProSiebenSat.1 Group stations. It also carries new commissioned productions like the "Nils Ruf Show." On June 1, 2006, the Group put two pay TV channels on the air – Sat.1 Comedy and kabel eins classics, which presents feature films from every genre, dating from the forties to the early nineties. The schedule is filled out with selected film highlights from Hollywood studios, high-quality European productions, and classic series. The comedy channel and the film channel are available as a part of digital pay TV packages from network operators Kabel Deutschland and Unity Media. Both pay TV channels are available 24 hours a day. The Group's pay TV portfolio also includes Deutsches Wetter Fernsehen, Germany's only weather channel. Deutsches Wetter Fernsehen reports current weather around the clock, with interesting documentaries about weather and up-to-date anchored news broadcasts about every aspect of the weather.

DWF is available on Kabel Deutschland's "Kabel Digital Home", and also via ish, iesy and Kabel BW.

Kickoff in Oklahoma

Bundesliga soccer games kick off on TV each Saturday – and not just in German living rooms. Fans of Germany's top teams can track their favorites live in the United States and Canada as well. In 2006, ProSiebenSat.1 Welt, the Group's station for regions outside Germany, again tied down international Bundesliga pay TV rights for North America. ProSiebenSat.1 Welt presents major matches from the First Bundesliga, with German commentary. Ex-national trainer – and subscriber – Jürgen Klinsmann chips in live from his home in the U.S.A. when our soccer heroes battle for the cup. Besides soccer, ProSiebenSat.1 Welt offers subscribers the best of Sat.1, ProSieben, kabel eins and N24 every day. And N24 carries two news broadcasts daily that are specially tailored for viewers in the United States and Canada.

maxdome: Entertainment on demand

Since July 2006, the ProSiebenSat.1 Group offers entertainment on demand with maxdome. At www.maxdome.de, videos can be accessed at any time via DSL and be watched on television or PC. More than 4000 theatrical films, TV series, comedy and 150,000 active users (at least one stream/week) make it Germany's biggest video-on-demand provider after only six months. maxdome's on-demand content not only includes the best of all ProSiebenSat.1 stations but also Hollywood's Big Screen highlights and premium series like "Mission Impossible", "Million Dollar Baby", "Blade" or "Desperate Housewives". Videos can be purchased by subscriptions as well as by a pay-per-view option.

Stars on demand

maxdome offers stars and entertainment on demand. More than 4,000 theatrical films, TV series and comedy make it Germany's biggest video-on-demand service. With maxdome, theatrical movies and premium series like "Mission Impossible" and "Desperate Housewives" are just a mouse-click away.

Awards

SAT.1

Show	Award	Category
Die Luftbrücke	German Television Prize	Ulrich Noethen - Best supporting actor
	Bavarian Television Prize	Special award for producer Nico Hofmann (for "Die Luftbrücke" among other productions)
	Golden Camera	Best German Television Film
	Golden Camera	Ulrich Noethen - Best German film for television (for "Die Luftbrücke" among other productions)
Pastewka	German Television Prize	Best sitcom
	German Comedy Prize	Best comedy series
	Rose d'Or	Bastian Pastewka - Best actor, sitcom Press award - Most innovative program
That's life	Rose d'Or	Best soap opera Alexandra Neldel - Best actress in a soap opera
Genial daneben - Die Comedy Arena	German Comedy Prize	Best comedy show
Mensch Markus	German Comedy Prize	Best sketch show
Ladyland	German Comedy Prize	Best comedy
Der Bulle von Tölz	Romy	Ruth Drexel - Most popular female star in a series
Schillerstraße	Romy	Best program concept
	German Comedy Prize	Hella von Sinnen - Best female comedian
	Golden Camera	Hugo Egon Balder - Best television entertainment

Show	Award	Category
Stromberg	Adolf Grimme Award	Christoph Maria Herbst - Best actor in a series
	Adolf Grimme Award	Ralf Husmann and otheres for best screenplay
	German Comedy Prize	Christoph Maria Herbst - Best actor
Meine verrückte türkische Hochzeit	Baden-Baden Television Film Award	Best German film of the year
	Baden-Baden Television Film Award	3sat audience award
	German Television Prize	Best editing
Galileo	Ludwig Bölkow Journalism Prize	Television
	Bronze Dragon of the Beijing International Science Film Festival	Science magazines
Extreme Activity	Adolf Grimme Award	Best Entertainment Show

N24

Show	Award	Category
Good News Award	German PR Award	Events
2006 image campaign	Eyes & Ears Award	Best print ad

ProSiebenSat.1 Produktion

Show	Award	Category
Sat.1 christmas campaign 2005	Promax World Gold Award	Holiday Image Campaign
ProSieben jingle "WE LOVE TO ENTERTAIN YOU"	Promax World Gold Award	Music Package/Post Score or Instrumental Theme With or Without Vocals
Sat.1 "Die Luftbrücke"	Promax World Silver Award	Outdoor/Environmental/ Transit Advertisement
ProSieben "STAR-FORCE"-Campaign	BDA World Gold Award	Image On-Air and Print Combination
ProSieben "BRAVO TV"	BDA World Gold Award	On Air Illustration
N24 Morning Report	BDA World Silver Award	Topical Publication Advertising Campaign - Color
Sat.1 "That's life"	BDA World Bronze Award	Logo creation

The ProSiebenSat.1 Share: Trading price up 52 percent in 2006

The stock markets had a very good year in 2006. Although the first half still had its ups and downs, performance in the second half was quite positive. Stock prices were buoyed by rising corporate profits and merger and takeover rumors, leading to a dynamic rally at year's end. The DAX index set a new multi-year high of 6,611.81 points on December 28; it closed out the year at 6,596.92, up 22 percent from the last trading day of 2005. The German mid-cap index (MDAX), where ProSiebenSat.1 is listed, performed even better, closing out the year at 9,404.89 points, up 28.6 percent. The Euro STOXX Media index, the relevant sector index for European stocks, rose over the year, but its performance, at 236.26 points (up 7.3 percent), was significantly less strong than the German stock indexes.

The year was also a very successful one for ProSiebenSat.1 stock. Early in the year, the stock's performance was significantly influenced by Axel Springer AG's planned takeover, which was canceled at the beginning of February. In subsequent months, the stock's price was particularly lifted by an improvement in the advertising and business climate. The stock felt no adverse effects from the market's cautious attitude through the summer – good business figures for the second half led the stock to substantially outperform the DAX, the MDAX and the Euro STOXX Media. Speculation in the last few weeks of 2006 about a sale of ProSiebenSat.1 Media AG had no significant effect on the stock's price. Instead, its performance at year's end was driven by persistently positive sentiment among German business and an improved outlook for 2007. The market welcomed the announcement on December 14 that Lavena Holding 4 GmbH, a holding company controlled by funds advised by KKR and Permira, would take over 50.5 percent of ProSiebenSat.1 Media AG, thus becoming the new principal shareholder. On December 29, the stock closed at EUR 24.85, its highest level since March 2001. With a 52 percent gain against the prior year, ProSiebenSat.1 stock significantly outperformed the relevant stock indexes.

During the period a total of 140,420,765 shares were traded over the Xetra trading system, equivalent to an average trading volume of about 550,670 shares per day.

ProSiebenSat.1 stock: Key figures

		2006	2005
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)	Units	109,398,600	109,398,600
Market capitalization at the end of fiscal year (incl. common stock)	EUR m	5,437	3,577
Close (XETRA)	EUR	24.85	16.35
High close (XETRA)	EUR	24.85	16.35
Low close (XETRA)	EUR	16.02	12.80
Dividend per preferred stock	EUR	0.89	0.84
Total dividends	EUR m	192.5	181.6
Dividend yield on basis of closing price	Percent	3.6	5.1
XETRA trading (average daily volume)	Units	550,670	442,330

Additional capital market tools of ProSiebenSat.1 Media AG ↗

↗ http://en.prosiebensat1.com

ProSiebenSat.1 Media AG currently has one corporate bond issue on the market. The bond has a fixed yield of 6.25 percent and is due for repayment in May 2009. The bond was placed internationally in May 2004, for a total of EUR 150 million.

A EUR 200 million bond issue that ProSiebenSat.1 Media AG had placed in July 2002 was redeemed early on July 31, 2006. That bond had a fixed yield of 11.25 percent and was originally due for repayment in July 2009. On June 27, 2006, ProSiebenSat.1 Media AG announced it would exercise its early redemption right. Under the bond terms and conditions, the redemption price for retirement of the bonds on July 31, 2006, was 105.625 percent of the principal amount.

Basic data on the outstanding bond:

Amount outstanding	05/18/2004	150,000,000.00 EUR
Coupon	Fixed return	6.250%
Interest payments	Semiannual	May 15 and Nov. 15
Issue date		05/18/2004
Issue price		100.000%
Maturity		05/15/2009
Redemption price		100.000%
German Security ID No. (WKN)		A0BNFH
ISIN		XS0192644911
Listed of trading		Luxembourg

2006 Shareholders' Meeting: Dividend up significantly from previous year

The Annual Meeting of the shareholders of ProSiebenSat.1 Media AG for fiscal 2005 was held in Munich on August 2, 2006. All motions by the Executive Board and Supervisory Board for decisions requiring shareholder consent were carried unanimously. With about 250 shareholders attending (vs. about 300 the year before), some 63 percent of the Company's registered capital stock was represented at the 2006 meeting in Munich's Wappenhalle. A full 100 percent of the voting common stock was represented, and about 27 percent of the preferred stock (number of shares outstanding: 218,797,200).

Shareholders renewed the authorization for the Company to acquire its own stock, and approved a proposal to amend the Company's articles of incorporation in compliance with the Act on Corporate Integrity and Modernization of Shareholders' Rights of Appeal (UMAG). They also unanimously approved the motion for allocation of the distributable net profit, and authorized a dividend of EUR 0.84 per share of preferred stock, and EUR 0.82 per share of common stock. Thus the total distribution increased to EUR 181.6 million, or 82 percent of the consolidated net profit for fiscal 2005. The distribution was carried out on the day after the meeting, August 3, 2006. Shareholders had received a dividend of EUR 0.30 per share of preferred stock for fiscal 2004, and EUR 0.28 per share of common stock.

Full information about the 2006 annual meeting is available from the special page at our Web site.

http://en.prosiebensat1.com/investor_relations/hauptversammlung

Investor relations activities

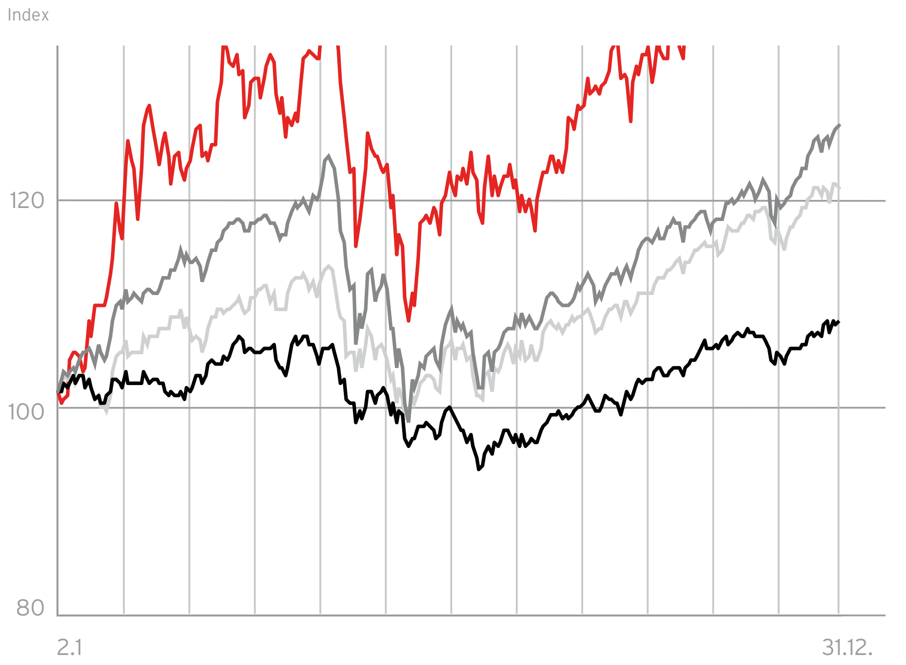
The Group's intensive investor relations work continued with numerous activities in 2006. The Company presented at seven international investor conferences. In nine road shows in Europe and the United States, institutional investors had an opportunity to put questions to the Executive Board and the Investor Relations team at 98 meetings. The Executive Board and the IR team reported on current developments at the ProSiebenSat.1 Group in 136 additional investor meetings, 26 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 its contacts in Italy.

The high quality of the Group's investor relations work was also evident from the rankings in the Thomson Extel Pan-European Survey for 2006: out of 62 media firms, the ProSiebenSat.1 Media AG investor relations team ranked an outstanding sixth, and first among free TV corporations. Still further motivation for the team to continue its in-depth dialogue with investors and analysts. During 2006, around 25 well-known brokerage firms and banks published studies on ProSiebenSat.1 stock.

More information is available in the Investor Relations segment of ProSiebenSat.1 Media AG's Web site.

http://en.prosiebensat1.com/investor_relations/

ProSiebenSat.1 share: Price performance



ProSiebenSat.1 Euro Stoxx Media MDAX DAX
Basis: Xetra closing quotes. An Index 100 = January 2, 2006; Source: Bloomberg

Employees

Many people work to produce the success of ProSiebenSat.1 Media AG. The creativity, initiative and motivation of some 3,000 employees are the lifeline of the Company.

Additional training positions created

Training young people is one of the fundamental corporate policies of ProSiebenSat.1 Media AG. By encouraging the next generation, 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 objectives and corporate culture. In fiscal 2006, the Company further expanded its support for the next generation of well-trained employees.

In 2006 the ProSiebenSat.1 Group had a total of 65 apprentices, 9 trainees and 54 volunteers working at its Munich and Berlin sites. In addition to volunteer openings in TV, PR and online services, the Group also offers a marketing trainee program. Budding lawyers have an opportunity to complete the elective segment of their post-graduation training in the Group's Legal Affairs unit. The Group also trains apprentices in computer science, sound and image media design, media and information services, and audiovisual media sales. The new apprenticeship in event sales, established during 2006, represents a further expansion of the Group's support for the next generation. Additionally, ProSiebenSat.1 Media AG also offers internships for the TV workers of tomorrow in practically every one of its units.

Strategic continuing education

The ProSiebenSat.1 Group has focused its continuing education program on its strategic goals. The content of the internal and external seminars it offers is closely tied to corporate performance. As far back as 2004, the Group initiated the PROFI management development program. Since that time, all employees with management responsibilities have participated in a multi-stage qualification process. Besides conveying professional and personal skills, the program also helps establish a shared understanding of management's duties within the ProSiebenSat.1 Group.

Success through participation

The ProSiebenSat.1 Group offers employees clear structures, binding and understandable targets, and payment consistent with performance. In "TOP Ziele," the Company has a performance-based bonus model. "Querdenker" – roughly, "Lateral Thinkers" – is a Groupwide idea management program that rewards innovative action. It gives every ProSiebenSat.1 Group employee a chance to participate actively in the Company's development.

Dialoge with employees: Internal communications

The ProSiebenSat.1 Group informs its employees regularly about relevant events within the Corporation. Additionally, the Groupwide intranet offers a central communications platform that provides not only current news from every Group unit, but many different forms of content and other options to simplify work flows and make everyday job life easier.

Short communication channels between colleagues are another important factor in the success of the ProSiebenSat.1 Group. That's why the company offers both formal and informal events to promote networking, giving employees a chance to get to know one another and exchange ideas across departmental boundaries. "Networking Days" are held regularly for new employees.

For job applicants, the Group's Web site offers an extensive survey of the Company. According to an independent study from the University of the Saarland, of all the major German media firms www.ProSiebenSat1.com offers the most effective Web site for informing interested individuals about the Company and about how to get involved with it.

Employee responsibility

The ProSiebenSat.1 Group's stations reach a great many people. The Company is well aware of the responsibility that this entails. Editorial staff helps shape public opinion with carefully researched, fair journalism. Independence is one of the cornerstones of their work. With its "Guidelines to Safeguard Journalistic Independence" and the "Guidelines for Separating Advertising and Programming," the ProSiebenSat.1 Group has developed its own binding code of conduct for editorial staff within the Corporation. Both guidelines are published on the Group's Web site.

Protecting children and young persons

As a television corporation, the Group has a particular responsibility toward young viewers. That's why independent youth protection officers make sure that the stations offer programming appropriate for young people and comply with the requirements of law. With its programs and initiatives to strengthen media skills, the ProSiebenSat.1 Group encourages young viewers to handle electronic media responsibly on their own.

Responsibility for employees

The Group supports its employees in the effort to strike the right balance between job life and personal life. It offers staff a number of services to help make life easier both on and off the job. It provides extensive support for its employees to protect their own futures with additional private safeguards under many different retirement plans. In December 2006, the Company again expanded staff options in direct insurance, pension funding, capital formation benefits, and disability insurance. Additionally, it pursues a health-conscious, family-friendly human resources policy. Employees can consult Company doctors at no charge. To make it easier to reconcile job and family, the Munich site has had a Company child care facility since as far back as 2002, with 25 full-day and half-day places. At the Berlin site, employees have the option of placing their children in the nearest outside day care center. Under some conditions, parents of children below school age can also receive child care allowances.

Market Research

Most research at the ProSiebenSat.1 Group is pooled at the Research department of the Group's advertising sales company, SevenOne Media. This department constantly studies and evaluates the latest developments in the audience and advertising markets.

Programming research and audience research

No other medium can measure responses to its presentations as promptly and precisely as television can. At 8:30 every morning, extensive data is available on every broadcast from the day before. These analyses are an important tool for editors and programming managers to monitor results, and they serve as documentation of performance for the advertising industry.

The data is gathered by the Gesellschaft für Konsumforschung (GfK), a consumer research company that measures television viewing around the clock in a representative sample of 5,400 selected panel households that comprise about 12,000 individuals in all. Ratings are the quantitative indicator for the success of ProSiebenSat.1 stations. But qualitative feedback is just as important for those who make TV. That's why again in 2006, programming research worked closely with a number of different research institutions. For example, it contracted them to conduct more than 120,000 telephone interviews with viewers. This gives stations direct feedback from their audience, to help them constantly optimize and refine their programming.

Programming research work begins long before a show goes on the air. Marketing researchers track the development of new programs for ProSiebenSat.1 stations from the initial concept onward. Future films, light entertainment and magazine shows are tested by a wide variety of methods even in the script or concept phase. One frequently used tool is the real-time response test (RTR). This test is used when there are already initial visuals or a pilot episode for a new TV show. At previews, test subjects use a kind of remote control to document their feelings and responses, in real time, with down-to-the-second precision. This makes it possible to measure intuitive, spontaneous reactions without requiring participants to verbalize their impressions at the very first stage.

So that the test setting can mirror natural response conditions even better, as long ago as 2000 SevenOne Media worked with the Forsa market research institute to develop an innovative test method. The Forsa.omninet and Forsa.omnivision techniques make it possible to survey a panel of about 10,000 households at home, in their familiar surroundings, about trailers, logos, advertising spots and TV broadcasts, either directly at the TV or at the PC. In 2006, Forsa worked with the programming research unit at SevenOne Media to refine the tool so that real time response tests are now possible as well. SevenOne Media is making extensive use of the new tool for programming research, to test newly developed and current TV broadcasts for audience appeal.

Advertising impact research: AdTrend at age ten

Television is the most important medium for the advertising industry. No other medium reaches so many people. Yet it's important to prove what kind of effect TV advertising has. SevenOne Media's Advertising Research department continually studies how effective TV advertising is, and what differences may exist, for example, in individual industries and product sectors. The results help the Company improve and expand its range of services all the time, and they serve as documentation of performance for the advertising industry.

With AdTrend, each year SevenOne Media publishes the market's largest, most significant advertising impact study. AdTrend has existed for ten years in 2006. SevenOne Media took the occasion to publish an extensive study with generalized results on advertising impact. AdTrend studies campaign impact for more than 60 brands each year, from about 20 merchandise groups. For twelve months, it conducts 300 computer-assisted telephone interviews a week, gathering data about campaigns' effects. The interviewees are asked about brand familiarity, a campaign's appeal, and their interest in buying and using the products. AdTrend allows SevenOne Media to offer clients up-to-date, reliable data each year about the efficiency of TV ad campaigns, making it one of the industry's most important publications for clients, agencies and brand-name producers.

Market analysis: Internal knowledge management

For TV advertising time marketer SevenOne Media to be a success, its sales employees have to have extensive knowledge of the advertising market, various industries, trends, consumers and target groups. For that reason, the marketing firm's research unit has a separate department to deal in depth with analyses of business sectors and business conditions. The Market Analysis department produces a steady stream of studies, so that sales can work with a broad base of background knowledge. SevenOne Media aims to develop an ideal range of programming and services for each client. This aim forms the basis for the close interconnection between sales and research. Only a detailed knowledge of target groups, business sectors and the advertising market, combined with product and media expertise, enables salespeople to provide clients with the best possible advice and the best possible range of services.

Corporate Responsibility

Act Don't Protract

ProSiebenSat.1 Media AG pursues all its corporate sponsorship activities under the slogan "Act don't protract." The Group sponsors projects in social welfare, culture and education. Here we set the emphasis on a well-conceived use of a variety of media to promote organizations and initiatives for social action. The common feature of all our projects is that they focus on cooperative activity, and are not merely supported by financial grants. The "Act don't protract" slogan is intended as an incentive to make the most of knowledge transfer, and to promote personal initiative.

startsocial

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 – Helpers Needed" project. Under this banner, startsocial promotes knowledge transfer between businesses and social initiatives. startsocial is under the patronage of German Chancellor Angela Merkel. It's an annual competition, based on the idea that every social welfare project has a need for management know-how. Social initiatives are supported through individual consultation, and tied into networks with various companies. In this way, business can make a constructive and credible contribution toward the evolution of civil society in Germany. The many participating partners include such companies as Siemens, McKinsey and o2. In its sixth year, as in the years before, the competition received more than 500 applications. ProSiebenSat.1 Media AG employees again served as volunteer jurors and coaches. The seven most persuasive concepts and team achievements will be honored with prizes of EUR 5,000 each in a festive concluding ceremony at the Chancellor's office.

Sat.1 Talents

Sat.1 is also involved in a variety of sponsoring projects. The Berlin station has taken a particular interest in helping the next generation. The "Sat.1 Talents" project provides support for newcomers in comedy, screenwriting, directing, acting and producing. The "First Steps" director's prize in particular, co-sponsored with Mercedes-Benz, Constantin Film, Spiegel TV and teamWorx, has become known as the "German Oscar" for the upcoming generation of media professionals.

Red Nose Day 2006

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 in 2003, and sponsored it for the fourth time in 2006. Total donations for the first four years have come to more than EUR 8 million.

SOS Children's Villages

For a number of years now, ProSiebenSat.1 Produktion in Berlin has been working with the SOS Children's Villages. Each year the company trains two young people from one of the villages. Sat.1 has been one of the organization's sponsors since as far back as 1993.

GROUP MANAGEMENT REPORT

Group & Business Conditions

The ProSiebenSat.1 Group

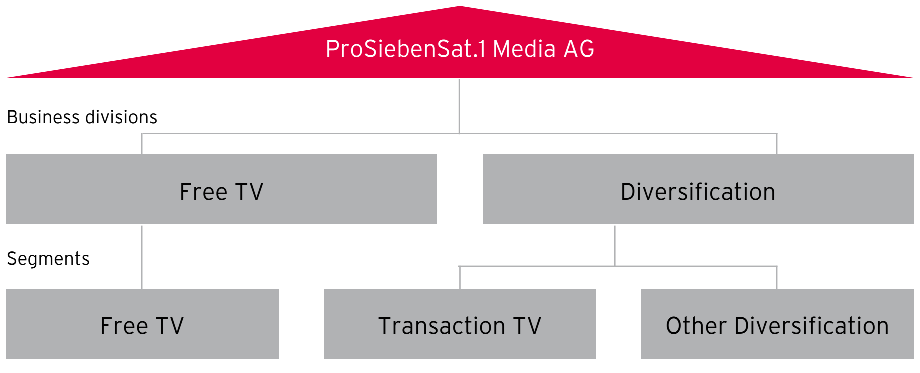
Business units and organizational structure

The ProSiebenSat.1 Group is the leading commercial electronic media house in the German-speaking world. It was created in 2000 by the merger of SAT.1 Holding GmbH and ProSieben Media AG. The Group has around 3,000 employees at its locations in Munich and Berlin.

Television financed by advertising is the core business of the Group. With the channels Sat.1, ProSieben, kabel eins and N24, the company is the leader in the German TV advertising market. The channels of the ProSiebenSat.1 Group are the only genuine family of broadcasters in Germany: Four strong free TV brands, which serve different audiences through their complementary positioning: Sat.1 as the strong brand for a wide public, ProSieben as the lead brand for young entertainment, kabel eins as the brand for classical quality and N24 as the leading brand for information.

In addition, the Group is the market leader in the Call TV segment and the largest provider of mobile TV. The pay TV channels kabel eins classics, Sat.1 Comedy, Wetter Fernsehen and ProSiebenSat.1 Welt, the video-on-demand platform maxdome, and interests in innovative Internet offerings like MyVideo and lokalisten.de are some of the activities with which the ProSiebenSat.1 Group is increasingly diversifying its sources of revenue.

How the Group is organized



Legal and organizational structure
ProSiebenSat.1 Media AG is a stock corporation under German law, with its headquarters in Unterföhring near Munich. Under the umbrella of the stock corporation, the diverse activities of the Group are clustered in the two segments "Free TV" and "Diversification."

The ProSiebenSat.1 Group is managed centrally. At the same time, the individual subsidiary companies have a large measure of autonomy, so that decisions can be made quickly and the subsidiaries can respond flexibly to the needs of their target audiences and markets.

The central functions of the holding company include for example license procurement, accounting, controlling, corporate planning, human resources, finance, investor relations, legal affairs and corporate communications. Risk management and Groupwide implementation of the rules of corporate governance also come under the purview of the holding company.

The Group has various subsidiary companies in Germany, Austria and Switzerland. The direct and indirect substantial equity holdings and locations of the Group are shown in the list of shareholdings in the Notes. ↗

↗ Notes

Overview of the segments of the Group
With the increasing diversification of the revenue sources of the ProSiebenSat.1 Group, the Diversification unit was further subdivided. In 2005 reporting in three segments was introduced. The Free TV segment comprises the four free TV channels Sat.1, ProSieben, kabel eins and N24, as well as the Sat.1 regional companies, the marketing company SevenOne Media, the technical service provider ProSiebenSat.1 Produktion, the holding activities of ProSiebenSat.1 Media AG and the subsidiaries in Austria and Switzerland, as well as other components.

The Diversification segment includes the two segments Transaction TV and Other Diversification. The Transaction TV segment shows the quiz channel 9Live, which generates revenues primarily from telephone calls. The channel was acquired in its entirety by the ProSiebenSat.1 Group as of June 1, 2005 and integrated into the Group.

With the exception of 9Live, all of the subsidiaries of ProSiebenSat.1 Media AG that do not generate their sales revenues directly from classic TV advertising belong to the Other Diversification segment. These include in particular SevenOne Intermedia, MM MerchandisingMedia, SevenOne International, ProSiebenSat.1 Welt and SevenSenses.

Units	Activities	Important shares
Free TV	- Free TV	- Sat.1 [100%] - ProSieben [100%] - kabel eins [100%] - N24 [100%]
	- Marketing	- SevenOne Media [100%] - SevenOne Media Österreich [100%] - SevenOne Media Schweiz [100%] - Sat.1 Schweiz [50%]
	- Production - Broadcasting Service - Technology	- ProSiebenSat.1 Produktion [100%] - Producers at Work [67%]
Diversification	- Transaction TV	- 9Live [100%]
	- Pay TV	- SevenSenses [100%] - ProSiebenSat.1 Welt [100%] - Wetter Fernsehen - Meteos [100%]
	- Internet - Teletext - Mobile Services	- SevenOne Intermedia [100%] - SevenOne Interactive [100%]
	- Merchandising/Licensing	- MM MerchandisingMedia [100%] - Art Merchandising & Media [100%] - starwatch music [100%]
	- Distribution	- SevenOne International [100%]

Continuing development of the Group structure
Since August 2006, the Diversification segment has been a separate unit under the Executive Board. All of the activities and revenue models that are not directly connected with TV advertising are subsumed here. Since August 1, 2006 Dr. Marcus Englert has functioned as Director of Diversification at ProSiebenSat.1 Media AG. The newly created Board division reflects the strategic significance accorded to expanding the sources of revenue for the ProSiebenSat.1 Group.

In the course of the expansion of the Diversification division, SevenSenses GmbH began operations in 2006. SevenSenses is responsible for the video-on-demand, IPTV and pay TV services of the Group and is a wholly-owned subsidiary of ProSiebenSat.1 Media AG, based in Unterföhring. In addition, the ProSiebenSat.1 Group has expanded its online business and has acquired 30 percent of both of the Internet portals MyVideo and lokalisten.de.

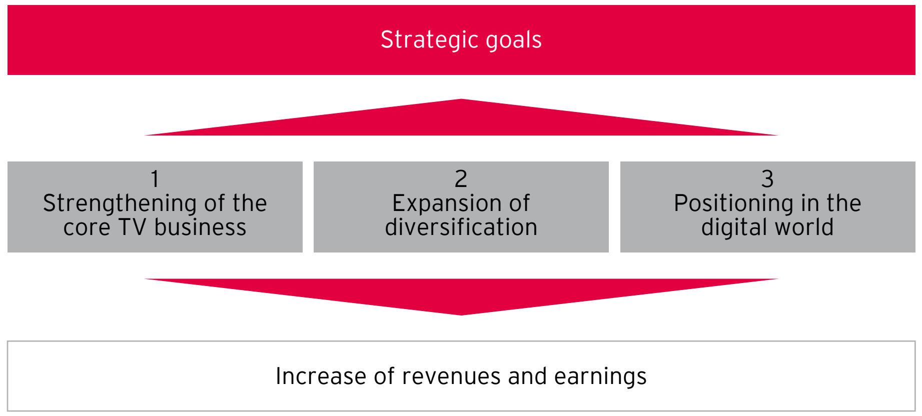
Management and control functions

ProSiebenSat.1 Media AG is bound to the dual management system by German corporate law, which prescribes a clear separation between the governing body and the supervisory body. According to this system, the Executive Board is the governing body of the Group, while the Supervisory Board appoints, supervises and advises the Executive Board. The basic order for administering and managing ProSiebenSat.1 Media AG is set down in its articles of incorporation. According to the articles of incorporation, the number of members of the Executive Board is set by the Supervisory Board. In fiscal 2006 the Executive Board had three members, and part of the time four. According to the articles of incorporation, the Supervisory Board consists of 15 members.

An appropriate system of corporate governance determines the business behavior of the ProSiebenSat.1 Group. In the ProSiebenSat.1 Group, corporate governance stands for openness and transparency, respect for the interests of the shareholders, and efficient cooperation between Executive Board and Supervisory Board as essential preconditions for responsible company management oriented toward long-term creation of value.

Strategic Orientation & Management Control

Corporate strategy



The strategy of the ProSiebenSat.1 Group has as its objective to continuously strengthen the leadership role of the enterprise and to generate additional growth in sales and profits. The strategic goals define the orientation of the Group and of its divisions:

1. Strengthening the core business Free TV
The most important goal is additional growth in the core business Free TV. Strong, clearly-positioned free TV brands complement and reinforce each other within a family of channels. The complementary programming of the channels and the large bandwidth of the target groups give the ProSiebenSat.1 Group competitive advantages in the German TV market. At the same time, the strong free TV brands form the basis for expanding the value-added chain.

2. Increasing diversification
The ProSiebenSat.1 Group is pursuing a strategy of focused diversification. By expanding into new business areas and widening its sources of revenue, the Group is optimizing its opportunity and risk profile. The company can make much more efficient use of its existing resources through repeated utilization of its content. Developing new distribution channels and new markets simultaneously reduces dependency on the market for TV advertising.

3. Positioning for the digital world

Setting up the Group for the digital world is seen as a substantial task. At the same time, the growth in digitization offers a content provider like the ProSiebenSat.1 Group far more opportunities than risks. The rise of new distribution channels and new usage habits creates growth opportunities for the Group. The Group is pursuing the goal of delivering its content to the consumer in as many ways as possible: The best entertainment and up-to-date information, whenever and wherever it is wanted.

ProSiebenSat.1 Media AG also realized measures for long-term safeguarding of the necessary financial resources for operations and for implementing the financing strategy for the Group in the 2006 fiscal year. For example, through early retirement of a bond the Group lowered the costs of financing the outstanding financial obligations, further optimizing the solid overall structure of the balance sheet.

In-house management and control system

Management by Objectives

The employees of the ProSiebenSat.1 Group are managed according to the principle of Management by Objectives. Formulating, agreeing upon and monitoring annual goals guarantees that all employees are actively involved in implementing the strategic goals of the Group. The control principle is based on a result-dependent incentive system for all levels, which enables performance-dependent compensation according to objective measurement criteria. In this way goal-oriented practices are anchored in the various units, dialogue between managers and employees is promoted, and entrepreneurial thinking is encouraged. At the same time, means and resources are utilized with maximum efficiency.

The TOP Objectives target agreement system for managers and employees defines and substantiates the primary goals of the company, by breaking them down systematically into objectives for the segment, the department and the individual employee. The TOP Objectives system is linked to a special performance-dependent bonus model. The amount of the bonus depends in part on attainment of the individual goals. It is also based on achievement of the company target, which is determined on the basis of the EBITDA margin. Compensation of the Executive Board members is also based on a result-oriented bonus model, and consists of fixed and variable components. The variable earnings are made up of a cash component and stock options. The stock option plan produces a long-horizon management participation system and creates incentives for promoting shareholder value in the ProSiebenSat.1 Group.

A detailed description of the stock option plan for members of the Executive Board, managing directors and other managerial staff of the ProSiebenSat.1 Group can be found in the Notes. The principles of compensation for the Executive Board are described in the Compensation report.

Notes
Compensation Report

Control through key figures

The ProSiebenSat.1 Group is pursuing a strategy of profitable, sustained growth. The goal is to increase the value of the company systematically, and to strengthen its strong competitive position by concentrating on those business areas that offer the best opportunities for development. As part of corporate planning, key figures have been defined for all relevant target variables. In addition to these success-measuring values, integrated and synchronized controlling and planning processes are components of the control system.

Central financial control variables within the Group-wide controlling and planning systems are the EBITDA, the EBITDA margin and the free cash flow.

EBITDA stands for earnings before interest, taxes, depreciation and amortization, and is calculated as follows:

Net income before minorities
+ Taxes
+/- Financial result
+ Depreciation and Amortization

= EBITDA

The EBITDA margin shows the ratio of EBITDA to revenues. In recent years the ProSiebenSat.1 Group has consistently proved its high earnings power by doubling the EBITDA margin. Today the ProSiebenSat.1 Group is Germany's most profitable TV company.

These figures permit a meaningful assessment of the development of operations and make it easier to compare the profitability of companies internationally, since national taxes and effects of depreciation are excluded.

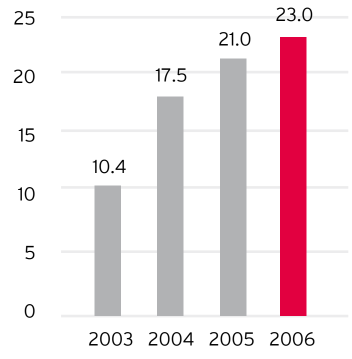
The ProSiebenSat.1 Group defines free cash flow as the balance of cash flow from operating activities and cash flow from investment activities.

The free cash flow shows the surplus of inpayments in a period, and can be interpreted as the financial surplus which is available for servicing equity capital and debt.

Even factors which are not financial measures can be important metrics which serve as key performance indicators. The major non-financial performance indicators include in particular the viewer statistics of the channels. Market shares and reach are determined daily by AGF/GfK-Fernsehforschung by measuring viewing behavior in a representative viewer panel. The ratings are also crucial to the advertising industry, as they give evidence of the performance of the programs.

The AGF/GfK ratings are the crucial measurements of the success of the free TV broadcasters. The most important criterion in controlling the quiz channel 9Live is the number of calls. For online business, page impressions and visits are regarded as

EBITDA margin
In percent



Further Increase in Profitability
Cash and Cash Equivalents, and Cash Flow

the central control variables. The number of subscribers serves as the performance test for the offerings in the pay TV and video-on-demand segment.

A significant contribution to the success of the ProSiebenSat.1 Group comes from the professionalism, innovation and commitment of its employees. The company considers it crucial to promote long-term employee loyalty. Important control characteristics in the human resource area are therefore average employment longevity and the employee turnover rate. Both figures continued to improve in the 2006 fiscal year. Central controlling variables for employee retention and loyalty include increasing employee motivation and promoting teamwork. Additional information can be found in the section on Risk Management under the topic Organizational Risks.

Employees

Organizational Risks

The ProSiebenSat.1 Group has set down its principles in a company model which summarizes the goals and self-concept of the Group in brief axioms. The company model has been used as the basis for defining management guidelines that describe the target profile of the most important common values and behavioral elements of the management culture. Both guidelines define how the Group operates with entrepreneurial responsibility, and provide basic values for efficient cooperation.

http://en.prosiebensat1.com/unternehmen/leitbild/

Coordinated system of planning and control

The planning of the ProSiebenSat.1 Group is based on the company's strategic and operational goals. As explained earlier, the focus of the planning and control processes is on EBITDA, EBITDA margin and free cash flow. The profitability planning of the ProSiebenSat.1 Group includes the long-term corporate plan (five-year plan), the operational plan (budget) and the interim budget updates (forecasts), with the individual elements building on each other. This systematically coordinated and time-scheduled process guarantees continual planning in the ProSiebenSat.1 Group. The continuity of the process is of fundamental importance for effective control of the defined targets, but also for assessing opportunities and risks throughout the Group.

Control through Key Figures

Details of the planning process will be described below. Planning and control are closely intermeshed.

The five-year plan on an annualized basis

The five-year corporate plan is prepared annually for a period of five years. The five-year plan is approved by the Executive Board and the Supervisory Board, and defines the long-term goals of the ProSiebenSat.1 Group. The responsibility for this Groupwide profitability planning rests with Controlling and Corporate Planning. The long-term plan incorporates in particular the volume and price plan (sales), the program plan (license procurement), the program inventory assessment (program controlling), changes in the various cost items, and the free cash flow estimation as a derivative of these.

Annual operational plan (budget plan)

The starting point for the five-year plan is the operational plan (budget plan), which portrays the budget for the following fiscal year on a monthly basis for all of the companies in the Group and for the consolidated group as a whole. It is prepared at the end of each fiscal year.

Interim budget updates (forecasts)

The forecast, which is analogous to the annual operational plan, is prepared once a year. In this Groupwide budget update, the present earnings situation for the current year is shown and compared to the budget figures. This makes it possible to take appropriate and timely countermeasures as needed.

Monthly earnings prognoses

In the monthly earnings prognosis, the anticipated trends in sales and results for the entire year are presented and analyzed in comparison to the budget and the interim forecast. It is an additional instrument of control, since it can help in quickly countering any negative trends. The prognosis is furnished to the Executive Board and the Supervisory Board monthly in a separate report.

Reporting

Potential risks are reported to the Executive Board by the decentralized risk managers in conjunction with monthly reports. In addition to reporting on legal and technical risks, the reports document current market share data, advertising revenue postings, employee turnover, financing and liquidity figures, program statistics and the current earnings situation for each company in the Group and for the consolidated group as a whole.

Risk Report

Compensation Report

Structure of compensation for the Executive Board

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:

- Under their employment contracts, all Executive Board members receive a fixed base salary which is based on the area of responsibility of the respective Board member.
- Along with this base salary, the individual Board members receive a variable component paid as an annual bonus, that depends on the Company's performance. The specific terms of this annual bonus vary among the contracts of the individual board members. The amount is decided in part by the Supervisory Board, and depends in part on the achievement of predefined performance targets.

- After receiving the approval of the shareholders' meeting of May 13, 2005, the company also introduced a stock option plan intended as a long-term incentive (Long-term Incentive Plan) for the members of the Executive Board and other selected managers of the ProSiebenSat.1 Group. ProSiebenSat.1 Media AG thereby created an additional incentive for promoting shareholder value in the ProSiebenSat.1 Group. The stock option plan involves issuing a total of not more than 7.5 million options; these carry the right to subscribe for one share of preferred stock, and can be issued in several yearly tranches. Up to 4.65 million of these options are intended for issuing to members of the Executive Board. In the years 2005 and 2006 a total of 1,274,756 options were issued under the stock option plan to the members of the Executive Board at that time.
- The Company has also entered into pension benefits agreements with the members of the Executive Board.

Notes

The Notes contain a breakdown of the Executive Board salaries into fixed and variable components, as well as additional information about the stock option plan of ProSiebenSat.1 Media AG.

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

The compensation structure is based on the recommendations of the German Corporate Governance Codex on result-based compensation of executive board members. By resolution of the shareholders' meeting of August 2, 2006 the Company is exempted for a period of five years from the legal requirement of individualized disclosure of executive board compensation, which was newly introduced by the Executive Board Compensation Disclosure Act of August 3, 2005. It is the opinion of the Executive Board and the Supervisory Board that presenting the compensation of the individual Executive Board members will not provide any additional information about personal performance. It is essential to examine the Executive Board in its entirety, since it acts as a collegial body.

Structure of compensation for the Supervisory Board

The compensation of the Supervisory Board of ProSiebenSat.1 Media AG is made up of a fixed component and a variable component that depends on the amount of the dividend issued. The compensation model for the Supervisory Board is established in the articles of incorporation. Additional information about the compensation of the Supervisory Board members can be found in the Notes.

Notes

Legal Environment

Media policy environment: 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. The agency's boards have already approved an extension of N24's license for another eight years – in other words, to 2015. The agency 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. Since the spring of 2006, through its subsidiary SevenSenses GmbH, ProSiebenSat.1 Media AG has held four nationwide licenses to broadcast special-interest pay TV channels (expiration April 30, 2013). And through its subsidiary ProSiebenSat.1 Erste Verwaltungsgesellschaft mbH, it holds approvals for five special-interest free TV channels (expiration December 31, 2013). There are no circumstances that might result in a withdrawal of these licenses or a refusal to extend them.

Composition of subscribed share capital

The subscribed share capital of ProSiebenSat.1 Media AG comes to EUR 218,797,200, divided into 109,398,600 registered no-par shares of common stock and 109,398,600 bearer shares of non-voting, no-par preferred stock. There are no shares that carry special rights that confer control.

Each no-par share has a notional value of EUR 1.00 of the share capital. Thus all shares of common stock combined, and all shares of preferred stock combined, each total a notional value of EUR 109,398,600.00 of the share capital, or 50 percent of the share capital each.

Only shares of common stock carry voting rights. Each share of common stock confers one vote at the shareholders' meeting. Otherwise no special rights are associated with these common shares.

Except as mandatorily prescribed by law, shares of preferred stock do not carry voting rights. Under Article 19 of the articles of incorporation of ProSiebenSat.1 Media AG, these shares are given preferential treatment in the distribution of profits, receiving a priority payment of EUR 0.02 per share more from the annual distributable net profit than do common shares, and no less than EUR 0.02 per share in any case. If the distributable net profit for one or more fiscal years is not sufficient to cover this priority payment, the deficiencies are made up retrospectively out of the distributable net profit from the subsequent fiscal year. This makeup payment must be made before other shares of profits are distributed to preferred stock or common stock for the new fiscal year.

http://en.prosiebensat1.com/investor_relations/satzung

Preferred shares of ProSiebenSat.1 Media AG are listed for trading in the Prime Standard segment of the Frankfurt Stock Exchange. The company must meet additional follow-up obligations to maintain this listing. Common shares are not listed for trading.

Restrictions on transfer of stock

Under Article 5 (4) of the articles of incorporation, the registered common shares of ProSiebenSat.1 Media AG stock may be transferred only with the Company's consent, which is to be decided upon by the Executive Board. The Board must give that consent unless the transfer would establish a stake in the Company that would exceed the bounds prescribed by media regulations.

There are no consent requirements for transfers of the bearer shares of non-voting preferred stock.

Shareholder structure

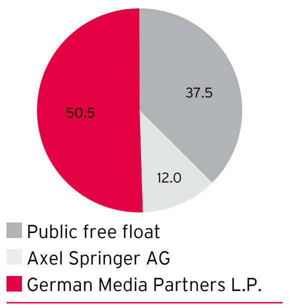
Subsequent Events

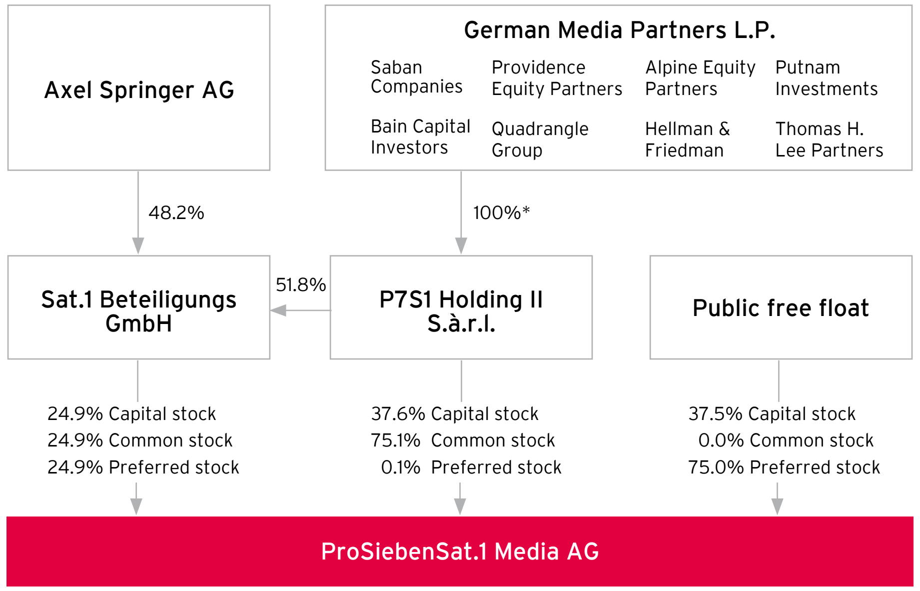
On December 31, 2006, the principal shareholder of ProSiebenSat.1 Media AG was German Media Partners L.P., with a holding of about 88.0 percent of common stock and 13.0 percent of preferred stock held indirectly via P7S1 Holding II S.à.r.l., Luxembourg, after adjustment for other equity interests. Axel Springer AG indirectly held an interest of about 12 percent of common stock and 12 percent of preferred stock of ProSiebenSat.1 Media AG, after adjustment for other equity interests. The remaining 75.0 percent of the preferred stock was in free float

German Media Partners L.P., in its turn, is jointly held by a consortium of financial investors, consisting of various companies controlled by Haim Saban and investment funds advised by Alpine Equity Partners L.P., Bain Capital Investors LLC, Hellman & Friedman LLC, Providence Equity Partners, Inc., Putnam Investment Holdings LLC, Quadrangle Group LLC, and Thomas H. Lee Partners L.P.

In simplified form, therefore, the ownership ratios for ProSiebenSat.1 Media AG as of December 31, 2006, may be graphed as follows:

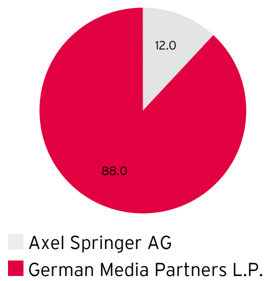
Split of capital stock
In percent





*indirectly held

Split of common stock
In percent



Report on transactions with related parties

In compliance with Sec. 312 of the German Corporations Act, ProSiebenSat.1 Media AG has prepared a report on its relationships with affiliated enterprises, which concludes with the following statement by the Executive Board:

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.

Economic Environment & the industry

Business Climate

The German economy performed significantly better in 2006 than had originally been assumed. Economists revised their growth projections upwards several times over the course of the year. At 2.7 percent, the German gross domestic product grew faster than at any time since the boom of 2000. A particularly encouraging sign was that while economic growth had been driven mainly by exports in past years, domestic demand – a crucial factor for the advertising market – also recovered momentum in 2006. Companies invested massively in machinery and equipment. Construction spending likewise began to rise, following a multi-year slump. The upswing has also produced a substantial revival in the job market. Unemployment was down by 597,000 in December from a year earlier, and employment was up 492,000 from the prior year. In contrast to past years, the majority of the increase this time was not in "mini-jobs" and "one-euro" jobs, but in full-fledged positions covered by social security.

Rising employment also expanded disposable income, and thus the basis for consumer spending, which accounts for about 60 percent of economic output in Germany. At the same time, people were putting less money into savings. The savings rate declined slightly for the first time since 2000. After adjustment for inflation, consumer spending was up 0.8 percent – the first noteworthy gain in five years. Confidence also rose substantially among both business and consumers over the year. The Ifo business climate, one of the most important leading indicators for the German economy, reached its highest point in more than 15 years in December. The consumer climate indicator calculated by GfK rose significantly during the year, most importantly because of a sharp surge in propensity to buy. In other words, growth is now broader-based, and there is a stronger chance for a longer-lasting, self-sustaining upswing.

Advertising market

The positive performance of the economy and the consumer climate was also evident in the advertising market. According to initial estimates from the ZAW – Germany's national advertising association – total advertising expenditures (media revenues, production costs, fees) rose nearly 2 percent in 2006, to more than EUR 30 billion net. The ZAW estimates that media revenues, which account for roughly two-thirds of total advertising expenditures, closed out the year with a one percent gain. Thus the advertising market still lagged behind the economy as a whole, but at least showed some growth. The ZAW will publish its final results in May 2007.

The ZAW does not publish an estimate for the net TV advertising market. The World Advertising Research Center assumes that the German TV advertising market grew 1.7 percent last year; ZenithOptimedia calculates a 1.6 percent gain.

Gross advertising market

The data gathered on the gross advertising market by the Nielsen Media Research institute offers no real foothold for conclusions about the media's actual advertising revenues, since the values include not only self-promotion but bulk discounts and agency commissions. But the gross figures at least provide an indication of the performance of the various media and the advertising industry.

According to the gross figures, advertising revenues in conventional media grew 5.1 percent in 2006, to EUR 20.1 billion. By far the most important medium is television, with a 41.2 percent share of the total advertising market. Daily newspapers are the second-strongest medium, at 26.4 percent, followed by general-interest periodicals, at 20.7 percent. Radio had a 6.1 percent share, and billboards 3.4 percent. Special-interest periodicals had 2.2 percent of the advertising market.

The TV advertising market performed better in 2006 than had been expected at the beginning of the year. With gross advertising revenues of EUR 8.3 billion, the German TV stations' bookings were up 3.1 percent against the year before. Advertising clients' booking trends were heavily influenced by the soccer World Cup. The German advertising industry's tactic was to steer clear of that major event as much as possible. The TV market showed its strongest gains in April (13.0 percent) and May (15.3 percent). During the tourney itself, advertising revenues declined (down 12.0 percent in June and 6.4 percent in July). Once the World Cup was past, performance was steadily positive for the rest of the year. The main sources of growth in the TV market for 2006 were toiletries and cosmetics (EUR +148.4 million), office equipment, computer equipment and communications (EUR +111.0 million), food (EUR +64.2 million), pharmaceuticals (EUR +59.1 million), and retail and shipping (EUR +49.1 million).

Daily newspapers gained 6.3 percent in 2006, to reach EUR 5.3 billion. General-interest periodicals gained 7.2 percent, to EUR 4.2 billion, and special-interest periodicals gained 9.2 percent, to EUR 441 million. Radio advertising grew 4.5 percent. Billboards grew 5.8 percent. Online advertising, which is not included in the statistics for the conventional advertising market, enjoyed lively demand in 2006 and gained 65.5 percent.

Gross advertising revenues at the ProSiebenSat.1 Group

SevenOne Media, the ProSiebenSat.1 Group's TV sales company, generated gross revenues of EUR 3.568 billion for the Group's stations in 2006. This is equivalent to a 43.0 percent share of the TV advertising market. The stations marketed by IP Deutschland – RTL, Vox, Super RTL and n-tv – generated EUR 3.179 billion for the year, a market share of 38.3 percent. El Cartel, which markets RTL2, had a 5.5 percent share, or EUR 454 million.

Gross advertising revenues expanded against the prior year at every ProSiebenSat.1 Group station. Particularly strong performers here were kabel eins (+6.3 percent) and N24 (+14.7 percent). Advertising revenues at Sat.1 were up 0.2 percent from 2005. ProSieben launched an impressive comeback in the last third of the year, booking double-digit monthly growth rates to close out the year with a 0.4 percent gain. The figures placed Sat.1 and ProSieben, with 19.6 percent and 16.7 percent shares, respectively, in second and third places in the advertising market. The share at kabel eins gained 0.2 percentage points from a year earlier, placing the station fifth in the market, with 5.6 percent. N24 improved by 0.1 percentage point, giving it a 0.9 percent share of the advertising market. The Nielsen statistics have tracked 9Live since January 2006; the station's share of the advertising market is 0.2 percent.

Audience share

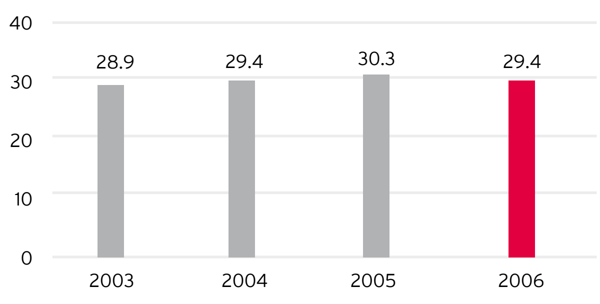
Television in 2006 was dominated by two major sports events: the Winter Olympics in February and the soccer World Cup in June and July. Audience shares were influenced most significantly by the summer's soccer mania. The broadcast rights were held by ARD, ZDF and RTL – so that as expected, the ProSiebenSat.1 Group's audience shares felt the impact. Yet despite the year's focus on sports, the Group's stations held their ground at a high 29.4 percent (2005: 30.3%). Once the World Cup was over, the stations dug in to catch up, and recovered audience shares. Sat.1, ProSieben, kabel eins and N24 earned a combined share of 29.7 percent for the second half, which still remained deep in the shadow of the World Cup in July (H2 2005: 30.1 percent). Fourth-quarter audience share was 29.8 percent (Q4 2005: 30.0 percent).

ProSieben's share for 2006 was 11.6 percent (2005: 11.7 percent), Sat.1 had 11.3 percent (2005: 12.3 percent), and kabel eins had 5.4 percent (2005: 5.5 percent). N24 strengthened its position as the leading news station: it gained 0.3 percentage points to reach 1.1 percent of the 14-to-49 demographic.

Although RTL carried World Cup matches and thus benefited from World Cup fever, the Cologne station lost audience share in 2006 (2006: 15.6 percent; 2005: 16.0 percent). Super RTL's share was down 0.2 percentage points, to 2.5 percent (2005: 2.7 percent). Audience share at Vox was 7.1 percent, following 6.4 percent the year before. News station n-tv again had a 0.6 percent share of viewers age 14 to 49 (2005: 0.6 percent). RTL2's 2006 share was 6.0 percent, compared to 6.5 percent in 2005. ARD had an 8.6 percent share in 2006 (2005: 8.1 percent), and ZDF drew shares of 7.8 percent (2005: 7.3 percent).

All figures for audience share refer to the key demographic between the ages of 14 and 49.

Audience shares of ProSiebenSat.1 Group*
In percent



*Sat.1, ProSieben, kabel eins and N24

Earnings, Financial Position & Net Worth

Overall assessment of the business situation

ProSiebenSat.1 Media AG continued its successful business performance in 2006. The Group increased its revenues and pre-tax profits considerably once again. The same applies to EBITDA and cash flow performance. The early redemption of a bond issue on July 31, 2006, reduced financial liabilities, and further optimized the Group's already-solid balance-sheet ratios.

The reviving economy had a favorable impact on the TV advertising market. The economy's good performance enabled the ProSiebenSat.1 Group to strengthen its lead in the TV advertising market during 2006, and to push revenues up significantly in its core business, advertising-financed television. In addition to higher advertising revenues in the TV core business, the expansion of Diversification activities also contributed to the Group's profitable growth. The Diversification unit, which basically does not generate revenues from conventional TV advertising, owes its success in part to organic growth, but it also drew strength from carefully chosen acquisitions and the full consolidation of 9Live for the entire 2006 fiscal year.

Consolidated income statement for ProSiebenSat.1 Media AG

EUR k		2006	2005	Change	Change in %
1.	Revenues	2,104,556	1,989,597	114,959	6%
2.	Cost of sales	-1,301,011	-1,275,224	25,787	2%
3.	Selling expenses	-223,658	-210,105	13,553	6%
4.	Administrative expenses	-147,734	-134,960	12,774	9%
5.	Other operating income	12,120	14,383	-2,263	-16%
6.	**Operating profit**	444,273	383,691	60,582	16%
7.	**Financial loss**	-57,538	-33,013	-24,525	-74%
8.	**Income from ordinary business activities**	386,735	350,678	36,057	10%
9.	Income taxes	-142,879	-129,069	13,810	11%
10.	**Consolidated profit for the year**	243,856	221,609	22,247	10%

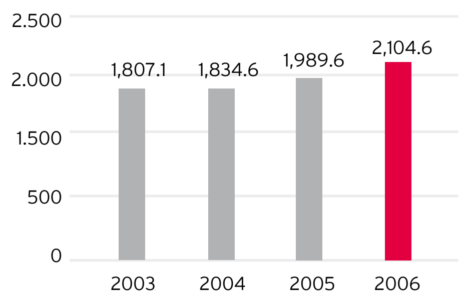
Earnings Situation

Group revenue performance

The ProSiebenSat.1 Group's total revenues for the year were EUR 2.105 billion, up 5.8 percent against the year before (2005: EUR 1.990 billion). All segments contributed to this growth.

Segment Report

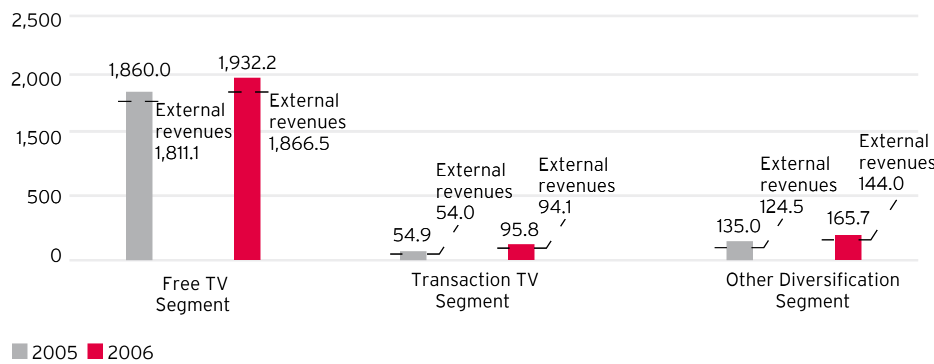
Revenues
In EUR m



The considerable revival in the TV advertising market lent added impetus to the Group's core business in 2006. The Free TV segment's revenues grew more than had been expected at the beginning of the year. At the same time, the Diversification unit grew stronger, by expanding existing activities, by tapping new revenue potential, and through strategic investments. Thus the Group achieved its goal of expanding its core business while at the same time significantly increasing the Diversification unit's share of Group revenues. External revenues in the advertising-financed TV segment grew from EUR 1.811 billion to EUR 1.866 billion. The contributions to revenues from the Transaction TV and Other Diversification segments totaled EUR 238.1 million for 2006. This is equivalent to an 11.3 percent share of Group revenues. The contribution for fiscal 2005 was 9.0 percent, or EUR 178.5 million.

Economic Environment and Industry

Total revenues
In EUR m



9Live fully consolidated since June 1, 2005.

Performance of operating costs

The ProSiebenSat.1 Group's operating costs rose EUR 52.1 million in fiscal 2006, to EUR 1.672 billion. This moderate 3.2 percent cost increase is largely the result of the consolidation of 9Live for the full year. The ProSiebenSat.1 Group acquired the station on June 1, 2005, and consolidated it only from June to December of that fiscal year. The station contributed EUR 24.6 million to operating costs in the first five months of fiscal 2006. Apart from these consolidation effects, expenses for personnel and materials (included as part of administrative expenses, cost of sales, and selling expenses) led to an overall increase in costs. Personnel expenses came to EUR 235.5 million, up EUR 22.9 million, or 10.8 percent, against the prior-year equivalent. Personnel expenses grew because of the consolidation of 9Live in fiscal 2006, new hires and also because of the second cycle of the stock option plan approved by the shareholders' meeting in August 2006. Additionally, depreciation and amortization, which are also included under cost of sales, selling expenses and administrative expenses, were up 14.9 percent, to EUR 40.0 million (2005: EUR 34.8 million).

Employees

The Group's cost of sales rose slightly in fiscal 2006, by EUR 25.8 million or 2.0 percent, to EUR 1.301 billion. The increase in personnel expenses was a particularly important factor here. Consumption of programming assets declined slightly. The 0.1 percent decrease resulted from lower scheduled consumption of programming assets, which came to EUR 862.9 million, down EUR 7.9 million from the year before. By contrast, unscheduled consumption grew EUR 6.6 million, to EUR 83.0 million. Total consumption of programming assets was EUR 946.0 million, compared to EUR 947.2 million the year before.

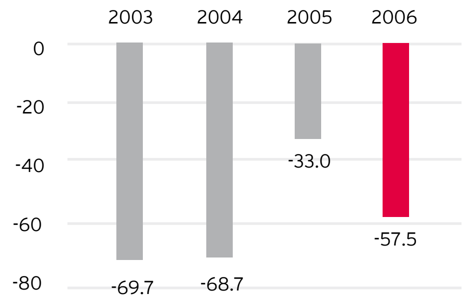
Selling expenses rose 6.5 percent, to EUR 223.7 million (2005: EUR 210.1 million), primarily as a result of higher broadcasting expenses and transmission fees. Administrative expenses also grew against the year before, to EUR 147.7 million, up 9.4 percent against the prior-year figure (2005: EUR 135.0 million). Higher personnel expenses due to, amongst others, the second cycle of the stock option plan, contributed to this increase.

Financial loss affected by one-off impact of bond redemption

In fiscal 2006, ProSiebenSat.1 Media AG repurchased a EUR 200 million bond issue at a redemption price of 105.625 percent of principal amount. In addition to the early redemption of the bond, the former EUR 325 million revolving credit facility was replaced with a new EUR 500 million revolving credit facility. Both of these changes had a significant impact on the financial loss for the period. They increased Other financial expenses for the year by EUR 16.1 million, to EUR 18.8 million. Consequently the financial loss grew by EUR 24.5 million, to minus EUR 57.5 million.

These exceptional effects were amplified by the fact that the financial result for fiscal 2005 had enjoyed the positive impact of the full takeover of Euvia. The 2005 figure included income of EUR 9.2 million from a purchase price hedge agreement relating to the Euvia acquisition. Since 9Live was fully consolidated only from June 2005 onward, the full-year reporting period also included EUR 1.5 million more in income from associated companies than for 2006. The full acquisition of 9Live also reduced income from loans to affiliates against fiscal 2005, to EUR 0.3 million, down EUR 3.4 million from the comparable figure a year earlier.

Financial profit
In EUR m

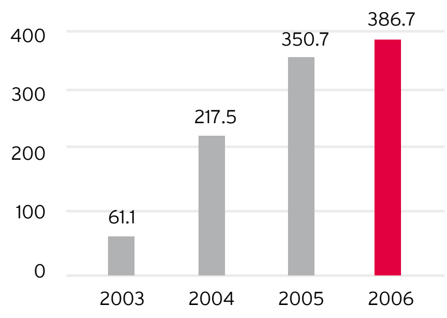


Further increase in profitability

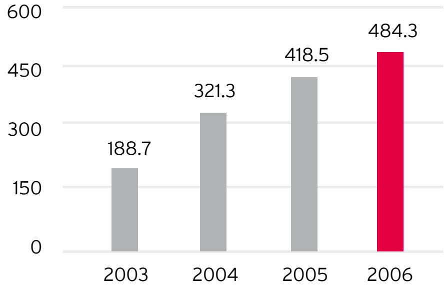
Although the Group's operating costs and financial loss both increased, pre-tax profit grew EUR 10.3 percent, to EUR 386.7 million (2005: EUR 350.7 million). The substantial improvement in earnings came from the growth in sales, which also had a positive influence on EBITDA. The Group's EBITDA gained EUR 65.8 million, or 15.7 percent, against the prior year, to reach EUR 484.3 million.

In-house Management and Control Systems

Pre-tax profit
In EUR m



EBITDA
In EUR m



Consolidated profit for the year was up 9.0 percent, to EUR 240.7 million (2005: EUR 220.9 million). Earnings per preferred share were thus EUR 1.11, compared to EUR 1.02 for fiscal 2005. Earnings per common share came to EUR 1.09 (2005: EUR 1.00).

The profitability figures reflected the Group's improved earnings by climbing on to a high level. The EBITDA margin (EBITDA/revenues) rose to 23.0 percent (2005: 21.0 percent). Pre-tax profit margin (pre-tax profit/revenues) came to 18.4 percent, compared to 17.6 percent in 2005.

Financial Position & Net Worth

Asset and capital ratios

The consolidated total assets were down 4.2 percent from the figure on December 31, 2005, to EUR 1.932 billion (2005: EUR 2.017 billion). The change particularly resulted from the use of cash to redeem a bond. The retirement of the bond as of July 31, 2006, reduced the Group's financing costs on outstanding financial liabilities, and optimized its overall balance-sheet ratios still further.

Noncurrent and current assets

The ProSiebenSat.1 Group's on-balance-sheet programming assets were down slightly as of December 31, 2006, to EUR 1.056 billion, compared to EUR 1.057 billion the year before. The programming assets included in the balance sheet are mainly feature films and series, along with commissioned productions intended for single or multiple airings, and advance payments for future productions. The details of this important ProSiebenSat.1 Group asset item are explained in the Notes to the consolidated financial statements. 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 payments were to be made as of that date, are reported as Other financial liabilities in the Notes to the consolidated financial statements.

Notes

The aforementioned redemption of a corporate bond caused a substantial decrease in cash and cash equivalents (cash on hand, bank account credit balances), to EUR 63.5 million, compared to EUR 157.6 million on December 31, 2005.

Shareholders' equity

On the equity and liabilities side, consolidated equity came to EUR 1.241 billion, compared to EUR 1.188 billion. The Group's better earnings situation particularly strengthened its solid equity base, increasing it by 4.4 percent. On the other hand, the higher dividend distribution caused a decrease in equity. In August 2006, a dividend totaling EUR 181.6 million was paid out, compared to EUR 63.5 million the year before. The equity ratio reflects the Group's capital strength, growing to 64 percent as of December 31, 2006, compared to 59 percent the year before.

Noncurrent and current liabilities

Long-term liabilities were down by EUR 205.1 million from the previous year's figure, to EUR 307.6 million. The redemption of the bond caused a particularly substantial decrease in long-term financial liabilities, to EUR 184.0 million, down EUR 198.7 million from the comparable figure on December 31, 2005.

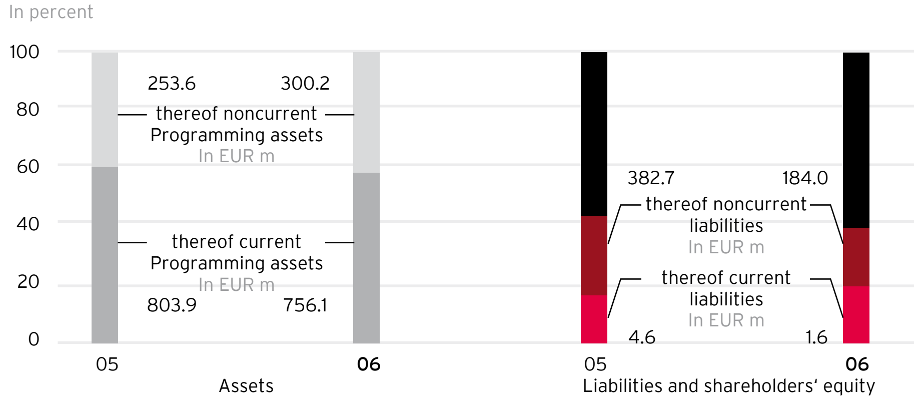
Short-term financial liabilities decreased slightly, by EUR 3.0 million, to EUR 1.6 million. The on-balance-sheet figure for short-term provisions grew EUR 43.6 million, to EUR 93.3 million. The higher allocation as of December 31, 2006, resulted primarily from higher tax reserves.

Principles and objectives of financial management

To safeguard its financial stability and flexibility, the ProSiebenSat.1 Group aims for a balanced relationship between equity and liabilities. Besides increasing financial strength and safeguarding liquidity, another primary objective of financial management is to optimize financial risk. One tool that the ProSiebenSat.1 Group applies to limit these risks is derivative financial instruments. Detailed information on managing these risks is provided in the Notes to the financial statements and under Financial Risks in the Risk Report.

Financial Risks

Consolidated balance sheet per 12/31/2006



Activities related to Financing in fiscal 2006

Last fiscal year, the ProSiebenSat.1 Group carried out several financing projects to achieve a sustained optimization of its borrowing structure.

In July 2006, ProSiebenSat.1 Media AG fully redeemed a corporate bond with a nominal value of EUR 200 million and a fixed interest rate of 11.25 percent. Under the bond terms and conditions, the redemption price for early retirement of the bonds on July 31, 2006, was 105.625 percent of the principal amount.

Then, in August 2006, the Group agreed with a consortium of banks on a syndicated credit facility with a facility amount of EUR 500 million. The maturity of the agreement is five years, and ProSiebenSat.1 Media AG has a right to request an extension of the maturity of up to two years. Each of the syndicate banks can decide at its own discretion whether to participate in such an extension or not. The syndicated credit facility replaces a credit facility dating from 2004 with a facility amount of EUR 325 million.

The financing projects described above yielded a substantial reduction in financing charges, and improved the maturity profile of the Group's liabilities. Details of the financing instruments both existing and redeemed during the year are provided in the Notes to the consolidated financial statements.

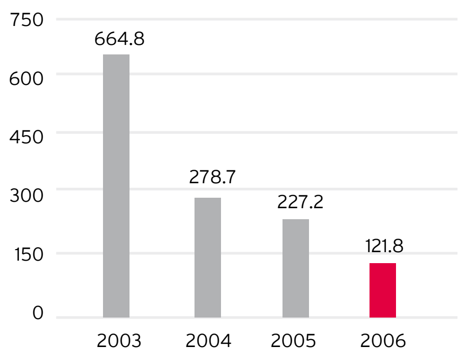
Notes

Liabilities

Net financial debt

Net financial debt is the total of bonds and bank liabilities, less cash and cash equivalents and current securities. Net debt as of December 31, 2006, were EUR 121.8 million, compared to EUR 227.2 million a year earlier. The substantial reduction in the net

Net financial debt
In EUR m



financial debt, achieved despite the higher dividend, is a result of the positive development of free cash flow in fiscal 2006.

Financial liabilities

As of the end of fiscal 2006, ProSiebenSat.1 Media AG had one corporate bond issue outstanding. The amount of this current bond issue, which must be reported on the balance sheet under IFRS, changed only slightly during the period. As of December 31, 2006, it came to EUR 148.9 million, compared to EUR 148.5 million a year earlier. The bond carries a fixed yield of 6.25 percent, and was issued in May 2004 at a par value of EUR 150 million, with a maturity in May 2009.

The financial liabilities shown in the consolidated balance sheet include short-term and long-term bank liabilities in addition to the bond issue. As of December 31, 2006, bank liabilities totaled EUR 36.6 million, compared to EUR 45.5 the year before. Out of this figure, EUR 1.6 million was short-term financial liabilities with a remaining term of less than one year (2005: EUR 4.6 million).

Credit facilities

As of December 31, 2006, the Group had unused credit facilities of EUR 500 million.

Leases

For property it uses at the Unterföhring site, ProSiebenSat.1 Media AG has signed leases that qualify as finance leases under IAS 17. The properties in question are included under property, plant and equipment, hence the resulting leases are shown under "other liabilities".The earliest expiration of these leases is scheduled for 2019, but the interest rate conversion dates (the end of the current fixed-interest period for interest rates) may be earlier.

Off-balance-sheet financial instruments

The ProSiebenSat.1 Group had no off-balance-sheet financial instruments during the year.

Credit rating

ProSiebenSat.1 Media AG has been rated regularly since 2001 by Moody's Investors Service and Fitch Ratings.

Current ratings

In conjunction with the takeover, announced on December 14, 2006, of the majority of votes in ProSiebenSat.1 Media AG by the investment company Lavena Holding 4 GmbH, controlled by the two private equity companies KKR and Permira, Moody's put ProSiebenSat.1's "Ba1 rating, stable outlook" on review for possible downgrade on December 15, 2006. FitchRatings likewise responded to the announced takeover, reducing the outlook for its BBB rating from "stable" to "negative". There has been no further change in ratings since then.

http://en.prosiebensat1.com/investor_relations/ratings/

Investments and acquisitions

Programming purchases and expenditures for programming assets

Most of the ProSiebenSat.1 Group's capital expenditures are for programming assets. In 2006, the Group invested EUR 955.0 million in programming rights, compared to EUR 907.3 million in 2005. Programming purchases are paid for out of operating cash flow.

In its spending on programming, the Corporation 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. House productions and commissioned productions offer an alternative to licensed programming.

The ProSiebenSat.1 Group buys its licensed programming centrally for all its stations. Strategic programming yields synergies for programming procurement. Programming is obtained either directly from the owner of the rights, or indirectly through

Non-Financial Performance Indicators

rights traders. As part of its long-term capital expenditures strategy, the ProSiebenSat.1 Group recently acquired the following programming rights:

Early in 2006, the Group negotiated a purchase from the Tele München Group for a package of high-grade Hollywood blockbusters that include "Harry Potter and the Prisoner of Azkaban," "Harry Potter and the Chamber of Secrets," and "Ocean's Twelve." In April, it signed an agreement for CBS and Paramount films like "Mission: Impossible 3." In 2006 the Group also acquired an extensive package from Lucasfilm that includes the rights to the entire "Star Wars" series, including the latest episode, "Star Wars: Episode III – Revenge of the Sith." In October the company signed a contract with MGM to acquire all James Bond films produced to date – including the new "Casino Royale." In November, the Group agreed on an early extension of its 2005 contract with Constantin Film AG. This allowed the group to lock in the German free TV rights for all international and domestic in-house productions and co-productions from Constantin for the next two years, including such box-office successes as "Perfume: The Story of a Murderer" and "Resident Evil: Apocalypse."

As of December 31, 2006, the Group had a total of 53,684 hours of programming under contract, including 21,942 hours of international feature films and 21,942 hours of international series. This repertoire will cover most of the Group's licensed programming needs for the next few years. The Group has long-term contracts with such organizations as CBS/Paramount, Sony Pictures Television International (Columbia), Warner Brothers Entertainment, Disney and DreamWorks. Since 2003 the ProSiebenSat.1 Group has had a long-term purchase agreement with the insolvency administrator of KirchMedia GmbH & Co. KGaA, covering the rights to more than 2,000 films and more than 120 series from Europe's largest programming library.

In-house productions come directly from ProSiebenSat.1 Group companies. Commissioned productions are ordered by the Group's stations directly from outside production houses. In both types of productions, the Corporation concentrates mainly on television films, series, light entertainment, information magazines and news broadcasts. In 2006, Sat.1, ProSieben, kabel eins und N24 together aired 20,419 hours of in-house or commissioned productions, so that 58 percent of the stations' programming was produced under their own auspices (2005: 59 percent). For several years now, the schedules of the ProSiebenSat.1 Group's stations have had a constant percentage of such productions.

The Corporation has set up a special team to find and develop fresh and promising new programming concepts at an early stage. The Format Development department monitors TV markets worldwide, evaluating what programming might be of interest for German audiences and Group stations. In 2006, Sat.1, ProSieben and kabel eins commissioned 124 scripts and produced 27 pilot films. Sat.1 commissioned 56 scripts and 3 pilots, ProSieben commissioned 68 scripts and 17 pilots, and kabel eins commissioned 7 pilots. Costs for commissioning pilots and scripts totaled EUR 8.4 million (2005: EUR 13.7 million).

Equity investments in fiscal 2006

During the year the Group strengthened the strategic position of the Diversification unit with strategically chosen acquisitions.

In September 2006 the Corporation acquired an indirect interest in MyVideo, the largest German-speaking video community on the Internet. The ProSiebenSat.1 Group acquired 30 percent of the company, with an option to take over full ownership at a later date. MyVideo is considered one of the most interesting Web sites on the Internet. At www.myvideo.de, private individuals swap their homemade short films, music clips and vacation videos.

Following the acquisition of MyVideo as a platform for user-generated content, in October the Group continued its expansion on the Internet by acquiring 30 percent of lokalisten Media GmbH, which operates "lokalisten.de," one of Germany's leading social networks. Social networks are Internet platforms where users can pick up information, swap ideas, make new contacts or publish text, images, music and videos.

Interactive online platforms like MyVideo and lokalisten.de ↗ offer the Group new distribution channels for its content, permitting it to address new user habits and target audiences. Additionally, the Web sites offer innovative marketing opportunities.

↗ Other Diversification Segment

During the year the Group also acquired an additional stake in wetter.com AG, of which it now holds 73 percent (2005: 55 percent). wetter.com is the operator of the wetter.com platform, which was founded in 2000 and is one of the most popular weather Web sites in Germany. wetter.com AG is a subsidiary of SevenOne Intermedia, and itself acquired Wetter Fernsehen – Meteos last year. Wetter Fernsehen – Meteos has been fully consolidated since November 2006.

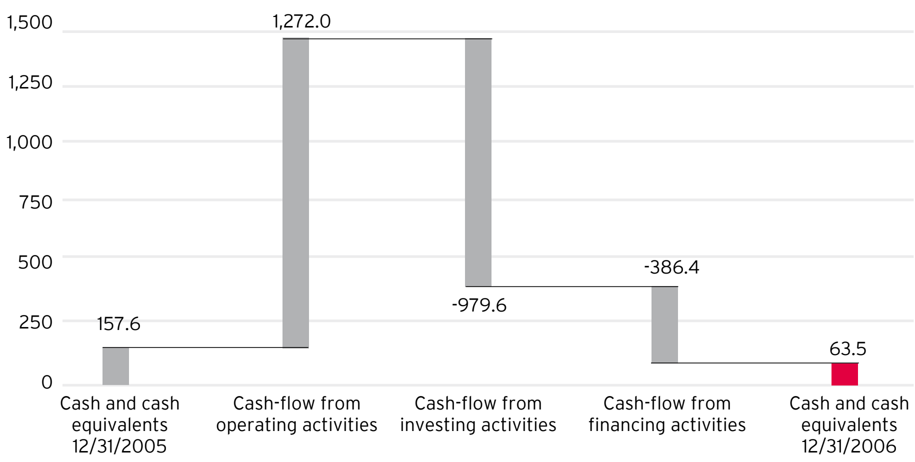
Cash and cash equivalents, and cash flow

The Group's cash flow statement shows the origin and use of cash flows during fiscal 2006. It distinguishes among cash flows used or generated in operating activities, investing activities and financing activities. The cash flow from operating activities is derived indirectly, on the basis of the Group's profit for the year. The cash and cash equivalents indicated in the cash flow statement are equivalent to the cash and cash equivalents shown in the balance sheet.

The cash flow from operating activities was up EUR 106.2 million against the year before, to EUR 1.272 billion. One contributor here was the improvement in the Group's earnings. The smaller rise in working capital (non-interest-bearing receivables less non-interest-bearing liabilities) also played a role in the higher operating cash flow.

By contrast, there was also a greater cash outflow than the year before for capital investments in property, plant and equipment and in intangible assets; this figure came to EUR 28.9 million (2005: EUR 26.6 million). Spending for programming assets also increased, to EUR 955.0 million, compared to EUR 907.3 million as of December 31, 2005. Cash flow for investing activities included expenditures for corporate acquisitions or the acquisitions of equity interests. These pertain to the acquisition of stakes in MyVideo and lokalisten Media GmbH, and of an additional stake in wetter.com AG. All in all, the Group spent EUR 979.6 million for investing activities. The previous year's high figure of EUR 1.096 million for cash flow from investing activities was conditioned by the acquisition of 9Live in June 2005.

Change in cash and cash equivalents
In EUR m



In-house Management and Control Systems

Free cash flow is an indicator of a company's financial strength. The ProSiebenSat.1 Group's free cash flow improved significantly against the year before, reaching EUR 292.4 million compared to EUR 70.1 million in 2005. The prior year's low value was primarily affected by the acquisition of 9Live.

Financing activities yielded a net outflow of EUR 386.4 million as of December 31, 2006, compared to EUR 252.6 million a year earlier. The larger cash outflow for financing activities was mainly the result of the dividend distribution for fiscal 2005 (EUR 181.6 million). Other cash outflows in financing activities were related to the bond redemption.

The changes in the separate cash flow categories yielded a decrease of EUR 94.1 million in cash and cash equivalents as of December 31, 2006, to EUR 63.5 million.

Non-Financial Performance Indicators Highly Significant

The ProSiebenSat.1 Group is managed and operated using a management system based on key performance indicators. The management system's most important key financial indicators are EBITDA, EBITDA margin, and free cash flow. Along with these factors, there are also non-financial performance indicators that can be monitored and controlled on the basis of suitable key figures. You can find more information about the Group's management approach on page 78.

In-house Management and Control Systems

The ProSiebenSat.1 Group's most important asset is the strong brands of its family of stations. Sat.1, ProSieben, kabel eins and N24 are among the best-known brands in Germany. It is their popularity that forms the basis for the Group's success in television, its core business. At the same time, their free TV brands also provide the anchor for the expansion of Diversification operations. The most important management tools in this connection are the stations' audience shares and audience reaches. Other non-financial performance indicators at the ProSiebenSat.1 Group are its many years of experience in the TV and advertising markets, and its strong relationships with clients and business partners. The ProSiebenSat.1 Group maintains close business contacts with all the major U.S. studios and every one of the most important independents in Hollywood. The Group is one of Europe's largest and most important business partners for U.S. programming providers. It also maintains excellent relations with German and European production companies. This wide network of close relationships safeguards the Group's supply of high-quality programming, and offers an important foundation for future license negotiations. Stable relationships with advertising clients and a profound understanding of markets and competitors are of particular value to the Corporation, especially in light of the dynamic changeability of the media world and the seasonal nature of the TV advertising market.

Programming Acquisitions
Investments and Acquisitions

The ProSiebenSat.1 Group is the leader in the German TV advertising market. This strong position has inspired the Company with the ambition to be a leader in innovation and in shaping opinions as well. Employee skills are a major priority in this connection. Innovative concepts can be developed only through expertise and by maintaining an edge in knowledge. We ensure that our staff is highly skilled and highly capable through systematic training and continuing education programs that take account of not just what's needed from the individual now, but what the market may need in the future. The Group has also set up a company suggestion program. Our ability to innovate is a very important factor in staying competitive. The Corporation invests in its present and future ability to add value by maintaining a Groupwide system for staff advancement and development.

Employees

The ProSiebenSat.1 Group operates in an atmosphere of frankness and open-mindedness. Transparent communications with the media and with the capital and financial markets shape our image with the public, and build investor confidence in our Company. These factors are reflected in the performance of ProSiebenSat.1 stock, which had a highly successful year on the market in 2006. ProSiebenSat.1 shares reached EUR 24.85 on the year's last day of trading, December 29. With a 52 percent gain over the last trading day of 2005, they outperformed all the relevant stock indexes – the DAX, MDAX and Euro STOXX Media – and hit their highest level since March 2001.

The Group's image is also affected by its social involvement. As a leading media corporation, the Group is well aware of its social responsibility, and supports a variety of social and cultural projects, such as the nationwide startsocial competition. With Federal Chancellor Angela Merkel as its patron, startsocial promotes knowledge transfer between business and social services.

http://en.prosiebensat1.com/unternehmen/corporate_sponsorship

Employees

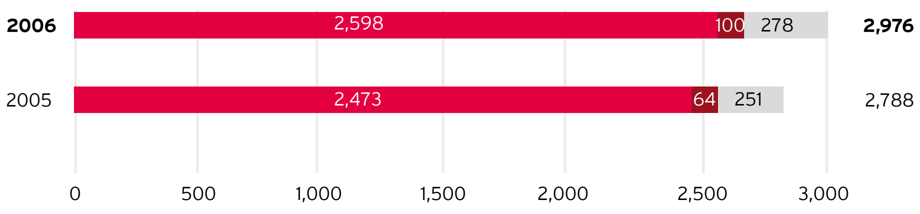
Number of employees

The ProSiebenSat.1 Group as a whole had 2,976 employees in fiscal 2006, 188 more than a year earlier (average full-time equivalents).

Most of the 6.7 percent increase came from larger staffing for the Free TV segment. As part of the expansion of business, the team particularly grew at Producers at work and at ProSiebenSat.1 Produktion.

The larger number of employees also reflects the expansion of the Diversification unit. Hiring was especially lively at SevenSenses. Another factor contributing to the increase was the full consolidation of Wetter Fernsehen – Meteos for fiscal 2006.

Number of employees by segment



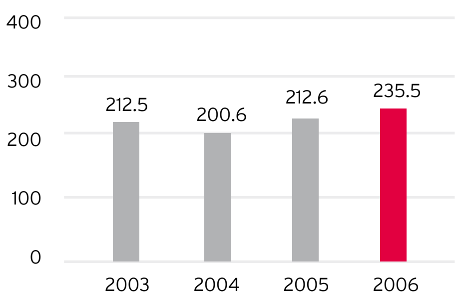
Free TV Segment | Transaction TV Segment | Other Diversification Segment

Averaging full-time equivalent jobs

Staff fluctuation at the ProSiebenSat.1 Group remained low in fiscal 2006. Average time with the Company rose to 4.7 years (2005: 4.3 years). For more information on this topic, see the section on internal management and the Risk Report

In-house Management and Control Systems
Organizational Risks

Personnel expenses
In EUR m



Personnel expenses were up EUR 22.9 million against the year before, to EUR 235.5 million.

Performance of Operating Costs

Extensive training

To prepare employees to meet constantly more rigorous requirements, and improve their qualifications, the ProSiebenSat.1 Group systematically invests in ongoing training programs to fit staffing needs.

The Company offers a broad range of continuing education events. It organized 85 seminars in fiscal 2006, focusing on communication, work equipment, and data and information processing. There were also language courses, and special seminars for management.

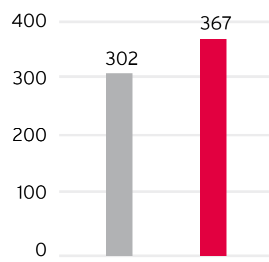
Additional training positions created

One of the key tasks of any company that has an eye to the future is to attract and integrate qualified employees at an early stage. That's why the ProSiebenSat.1 Group trains a large number of apprentices, volunteers and trainees every year. The range of training for beginners also includes internships.

Sixty people began training at the ProSiebenSat.1 Group in 2006: 26 apprentices, 28 volunteers and 6 trainees. At year's end the Group had 65 apprentices (2005: 54), 54 volunteers (2005: 46) and 9 trainees (2005: 8) in its various units. In the course of 2006, the Company hired 65 individuals on completion of their training – in other words, most of those who went through the program.

The total training ratio – apprentices, volunteers, trainees and interns as a percentage of total employees – rose against the year before, to 11.0 percent (2005: 9.8 percent).

Number of individuals in training*



2005 | 2006

* Apprentices, volonteers, trainees and interns

Research & Development

The ProSiebenSat.1 Group conducts extensive market research in every area in which it does business and in every area where it foresees growth potential. These efforts particularly include audience and programming research, as well as analyses of industry segments and business conditions. Other focuses include research on advertising impact, and studies of media use and innovative TV technologies. Expenditures for market research in fiscal 2006 came to EUR 13.3 million, compared to EUR 13.6 million the year before.

Market research activities do not fit the definition of research and development under IAS 38.8. Because the ProSiebenSat.1 Group, as a media corporation, does not conduct research and development activities in the narrow sense, the above information is not included in the Management Report.

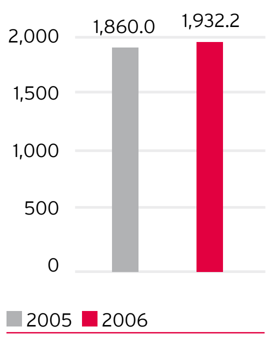
Segment Report

Free TV Segment

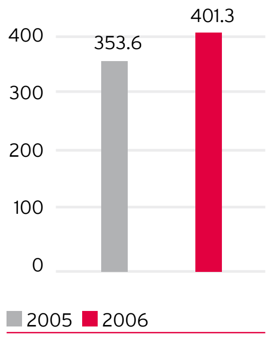
Recovery of TV advertising market brings substantial revenue gain

The ProSiebenSat.1 Group generated a substantial revenue gain and a further improvement in earnings in the Free TV segment. Higher advertising revenues were the main growth driver. The year's total revenues for the segment climbed to EUR 1.932 billion, a gain of EUR 72.2 million, or 3.9 percent, against the same period last year. External revenues increased 3.1 percent, to reach EUR 1.866 billion (2005: EUR 1.811 billion). The operating profit came to EUR 401.3 million, up by EUR 47.7 million or 13.5 percent from the prior year's level. EBITDA likewise grew even faster than revenues in 2006, to reach EUR 429.1 million – up 13.2 percent from last year's EUR 379.0 million.

Free TV
Revenue development
In EUR m



Free TV
Pre-tax profit
In EUR m



Sports events define audience shares in 2006

In 2006 Sat.1, ProSieben, kabel eins and N24 earned a combined audience share of 29.4 percent (2005: 30.3 percent). The TV ratings picture in 2006 was dominated by major sports events – the Winter Olympics in February and the soccer World Cup in the summer. The broadcast rights for these events were held by ARD, ZDF and RTL.

Audience Share

Sat.1

Sat.1 profitability rises on high level

Revenues and earnings were both up again at Sat.1 for fiscal 2006. Revenues rose to EUR 855.5 million, up 3.0 percent from the prior-year figure (2005: EUR 830.9 million). Pre-tax profit was EUR 204.6 million, up 27.1 percent against the previous year (2005: EUR 161.0 million). The rise in EBITDA was comparable, to EUR 205.4 million, an increase of EUR 44.1 million or 27.3 percent. This vigorous growth in earnings results not only from positive revenue performance, but especially also from improved cost management. The increase in the station's EBITDA yielded an increase in EBITDA margin from 19.4 percent to 24.0 percent. This now makes Sat.1 one of the most profitable TV stations in the German market.

Sat.1 "Series Sunday" a success

Sat.1's 2006 audience share was 11.3 percent (2005: 12.3 percent). One of the year's most successful programs was the telenovela "Verliebt in Berlin," which brought in as high as 38.6 percent of viewers between the ages of 14 and 49. Sat.1 also drew an enthusiastic following with special-event co-productions like "Das Wunder von Bern" (27.0 percent). The Berlin station has built a solid audience base for itself against strong competition on Sunday evenings, with the two licensed U.S. series "Navy CIS" (up to 22.2 percent) and "Criminal Minds" (up to 19.3 percent). Light entertainment was also a strong point, with the improve comedy "Schillerstrasse" (up to 22.0 percent), "Nur die Liebe zählt" (up to 19.6 percent), "Jetzt wird eingelocht!" (15.5 percent) and "Mega clever! Die NKL-Show" (up to 15.0 percent).

Company	Sat.1
Location	Berlin
Founded	1984
Share held	100%
Type of company	Free TV station
Positioning	Core target audience: 25-49 - A strong brand for everyone
Key facts 2006	- Matthias Alberti becomes managing director at Sat.1 in January 2007, after Dr. Roger Schawinski announces resignation at the end of 2006 - Sat.1 is the first German station to establish two series successfully in Sunday prime time: "NCIS" and "Criminal Minds" - Telenovela "Verliebt in Berlin" draws audience shares of up to 38.6 percent

ProSieben

ProSieben also among the most profitable German stations in 2006

Revenues at ProSieben for fiscal 2006 were down slightly from the high level of the year before. Most of the 2.0 percent decrease to EUR 736.8 million (2005: EUR 751.7 million) resulted from lower advertising revenues. At the beginning of the year, especially in the first quarter, advertising revenues were still down because of the station's weak ratings in fiscal 2005. But as its audience share grew, by the fourth quarter the station was able to generate substantially higher TV advertising revenues than in the comparable quarter a year earlier. Another reason for the decrease in revenues was lower internal programming sales. This figure was down EUR 9.5 million against the year before, to EUR 37.6 million. The slight decline in revenues for fiscal 2006 also kept pre-tax profit and EBITDA below the prior-year figures. Pre-tax profit was EUR 147.9 million (2005: EUR 167.1 million) and EBITDA was EUR 147.6 million (2005: 165.6 million). Although the EBITDA margin was down as well, it still maintained the prior year's high quality. At an EBITDA margin of 20.0 percent (2005: 22.0 percent), ProSieben was also in 2006 one of Germany's most profitable TV stations.

ProSieben's films, shows and comedy a success

ProSieben had an 11.6 percent share of the 14-to-49 audience in 2006 (2005: 11.7 percent). The station was able to increase its audience share substantially as the year advanced, and outperformed the prior year in the fourth quarter by 1.2 percentage points to reach 12.4 percent (Q4 2005: 11.2 percent). ProSieben drew loyal audiences in 2006 with blockbuster films, innovative comedy and major light entertainment events. One of these in the first quarter was Heidi Klum's "Germany's next Topmodel," which averaged a 16.2 percent share. The finals drew 24.0 percent of the 14-to-49 audience. Stefan Raab's event shows drew strong ratings again in 2006. "Schlag den Raab" hit the airwaves in the fall with shares of up to 29.5 percent. Another light entertainment highlight was "POPSTARS," which drew up to 30.0 percent. ProSieben was the TV place to go for great Hollywood films again in 2006: "Pirates of the Caribbean: The Curse of the Black Pearl" earned a sizzling 40.0 percent share, making it the most successful feature film on any German TV station. "Harry Potter and the Chamber of Secrets" earned a 30.5 percent share. But ProSieben also delivered entertainment for the young in spirit with German feature films and its own stars: Bully Herbig's "(T)Raumschiff Surprise – Periode 1" drew a strong 34.1 percent of the key demographic. The station also had successes with innovative programming like "Die ProSieben Märchenstunde" (up to 28.7 percent).

Company	ProSieben
Location	Unterföhring
Founded	1988
Share held	100%
Type of company	Free TV station
Positioning	Core target audience: 14-39 - Leading brand for young entertainment
Key facts 2006	- ProSieben puts some of the most innovative TV shows of 2006 on the air: "ProSieben Märchenstunde," "Extreme Activity" and "Schlag den Raab" - "Pirates of the Caribbean: The Curse of the Black Pearl" is the most successful feature film on German TV, with a 40 percent share - ProSieben shows the most successful Popstars episode of all time

kabel eins

TV advertising revenues up substantially at kabel eins

Revenue and profitability continued to rise at kabel eins during 2006. The station's increasingly strong programming performance, along with its good market acceptance, provided the momentum for a substantial increase in advertising revenues in fiscal 2006. Revenues were up 14.3 percent from a year earlier, totaling EUR 255.2 million (2005: EUR 223.3 million). Pre-tax profit was up to EUR 69.7 million, a gain of EUR 22.7 million, or 48.3 percent, against the year before. Although costs increased so as to improve programming quality, EBITDA grew disproportionately, rising to EUR 69.7 million – an outperformance of EUR 23.1 million or 49.6 percent beyond the previous year's figure. The profitable growth of kabel eins is reflected in the EBITDA margin, which rose from an already high 20.9 percent to 27.3 percent.

Magazine shows, series and TV classics draw enthusiastic audiences

Feature films and international series, up-to-date information and entertainment programming all earned kabel eins a 5.4 percent share (2005: 5.5 percent) of the 14-to-49 audience in 2006. Once again in 2006, the station carried the "Best Films of All Time," "All Time Favorites," and "Modern Classics" from the past four decades of TV. "Star Trek V: The Final Frontier" (12.0 percent), "Beverly Hills Cop III" (11.7 percent), and "Fight Club" (9.3 percent) all generated above-average shares. But the German premiere seasons of international series also struck a chord: "Ghost Whisperer" earned shares of up to 11.8 percent, and "King of Queens" earned up to 10.2 percent. Special events like the "Queen-Abend" (10.1 percent) and "Tornado" (8.1 percent) also attracted top ratings. One ratings star in the light vein was the access prime "Quiz-Taxi," with shares as high as 9.4 percent. In information, kabel eins added new magazine shows and first-hand reporting to its established lineup: the year saw the debuts of "Abenteuer Leben – täglich Wissen" (up to 9.4 percent), the emigrant documentary "Mein neues Leben" (up to 9.1 percent), and "BIZZ," with up to 10.1 percent of the key demographic.

Company	kabel eins
Location	Unterföhring
Founded	1992
Share held	100%
Type of company	Free TV station
Positioning	Core target audience: 30-49 - Classic quality brand
Key facts 2006	- Guido Bolten becomes new managing director in January 2006 - In January 2006 kabel eins earns 5.9 percent audience share, best since launch - Prime-access show "Quiz-Taxi" becomes ratings star in light entertainment

N24

High revenues and record audience shares at N24

N24 closed out 2006 very successfully. The station's revenues reached EUR 89.4 million, up EUR 6.4 million or 7.7 percent from the prior-year figure. Higher advertising revenues provided the main impetus for growth. The earnings situation improved at the same time. Pre-tax profit leaped 39.4 percent, to EUR 13.1 million (2005: EUR 9.4 million). EBITDA also made strong gains to reach EUR 13.3 million, compared to EUR 10.0 million in the fiscal 2005 – a 33.0 percent increase. The EBITDA margin rose from 12.0 percent to 14.9 percent.

N24 Germany's most successful news station

News station N24 strengthened its lead among German information stations still further in 2006. With an average share of 1.1 percent of the key demographic between age 14 and 49, N24 increased its audience share 0.3 percentage points against the year before, while its competitor n-tv stagnated at its prior-year level. N24 also increased its net reach and length of viewing, and had the most viewers, with the longest viewing times, of any German news station in 2006. It proved its skill with live coverage again in 2006 as it handled events like the release of the German hostages in Iraq, the soccer World Cup at home, the war in Lebanon and the Pope's visit to Bavaria. Its experienced team delivered up-to-date, informative reports right from the scene. With such shows as "Arabella Kiesbauer," "Links-Rechts" and "Make Money – Die Markus Frick Show," N24 has also heightened its profile as an innovative news station where personalities don't mince words.

Company	N24
Location	Berlin
Founded	2000
Share held	100%
Type of company	Free TV station
Positioning	Core target audience: 14-49 - Leading brand for information
Key facts 2006	- N24 further expands its market lead, earns strongest annual audience share in its history, 1.1 percent - "N24 Good News Award" wins German PR Prize (in "Event" category)

Company	SevenOne Media
Location	Unterföhring
Founded	2000
Share held	100%
Type of company	Marketer of advertising time
Key facts 2006	- SevenOne Media publishes the tenth edition of AdTrend, Germany's biggest advertising impact study - SevenOne Media takes over marketing for digital pay TV channels Sat.1 Comedy and kabel eins classics - Maxdome video-on-demand portal marketed, with new advertising form, "advertising on demand"

Company	ProSiebenSat.1 Produktion
Location	Unterföhring und Berlin
Founded	1993
Share held	100%
Type of company	Full service provider in production, creation, broadcasting services and technology
Key facts 2006	- On-air and off-air campaigns receive renowned prizes like the Promax & BDA Awards and Eyes & Ears Awards - Sat.1 HD and ProSieben HD start regular operation - Elimination of the conventional barrier between broadcasting technology and information technology

Transaction TV Segment

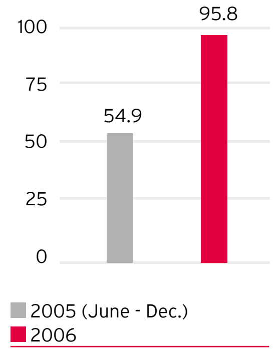
Revenue and earnings performance

The Transaction TV segment consists of quiz station 9Live, which generates its revenues mainly through telephone calls. The station also earns revenues by producing call TV programming on contract, and by providing services in organizing game shows.

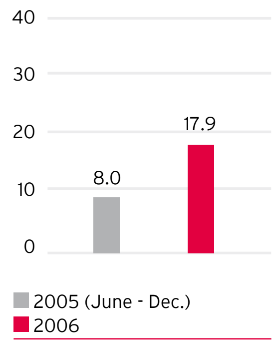
The ProSiebenSat.1 Group took over full ownership of 9Live on June 1, 2005, when the station was consolidated into the Group. In 2006, the station moved to Unterföhring, where the Group is headquartered. This integration makes it possible to take even greater advantage of potentials for synergy and to use resources Groupwide more efficiently.

The Transaction TV segment generated revenues of EUR 95.8 million in fiscal 2006. Most of the substantial rise in revenues resulted from effects of the full consolidation of 9Live for the full year. In 2005, the station was consolidated only for June to December. The segment's revenues for that period were EUR 54.9 million. In fiscal 2006, 9Live's contribution to Group revenues was EUR 94.1 million, compared to EUR 54.0 million the year before (June to December). Consolidation also affected earnings performance. The segment's operating profit grew to EUR 17.9 million in 2006 (June-December 2005: EUR 8.0 million). EBITDA increased to EUR 26.5 million (June-December 2005: EUR 14.0 million).

Transaction TV
Revenue development
In EUR m



Transaction TV
Pre-tax profit
In EUR m



9Live: The leading brand for interactive TV

9Live is Germany's leading brand for interactive TV. It particularly stands out from its competitors with its innovative programming concepts. In 2006 it expanded its range of programming with prime-time light entertainment like "Wahl der Qual," "Bitte freimachen" and the "Koffershow." It also established a successful event strategy in 2006, presenting shows whose interactive concept was based on specific events. Some of these TV events had their own theme – like 9Live's fifth birthday. Other interactive shows drew on programming from other ProSiebenSat.1 Group stations. For example, "Stock Car Challenge," which runs live, is linked with a "TV total" event on ProSieben.

Another factor in 9Live's success is its viewer loyalty. To build viewer loyalty for the long term, the "9Live Gold" viewer club was founded in 2005. By the end of 2006 the organization had roughly 528,000 members, making it one of the largest viewer clubs on German free TV. The members of this TV community can collect points for each call, and eventually trade them in for awards. As part of the redesign of the 9Live Web site in October 2006, the viewer club was integrated with a number of user privileges, including an awards shop and an awards point inquiries service.

The audience share at 9Live held steady in 2006. The quiz station had a 0.2 percent share of viewers age 14- to- 49 (2005: 0.2 percent).

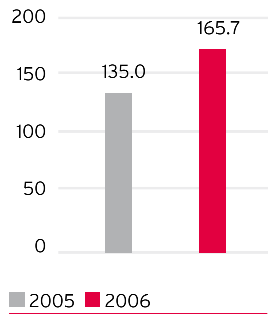
Company	9Live
Location	Unterföhring
Founded	2001
Share held	100%
Type of company	Transaction television - Germany's first quiz station
Key facts 2006	- 9Live Gold audience loyalty club numbers about 528,000 members at year's end - Relaunch of Web site with extensive new services, including prize shop for 9Live Gold customers - 9Live relocates from Ismaning to corporate headquarters in Unterföhring

Other Diversification Segment

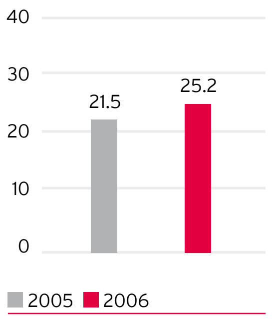
Revenue and earnings performance

Both revenues and earnings grew very well in the Other Diversification segment in fiscal 2006. The segment's total revenues were up 22.7 percent, to EUR 165.7 million (2005: EUR 135.0 million). External revenues also registered a significant increase. In fiscal 2006 the segment contributed EUR 144.0 million to Group revenues, up EUR 19.5 million, or 15.7 percent, against the prior-year figure. The rapid increase in revenues also had a positive effect on earnings. The operating profit increased 17.2 percent to EUR 25.2 million (2005: EUR 21.5 million). EBITDA climbed 15.9 percent against the same quarter last year, to EUR 29.1 million (2005: EUR 25.1 million).

Other Diversification
Revenue development
In EUR m



Other Diversification
Pre-tax profit
In EUR m



Most of the growth in the Other Diversification segment was driven by the established multimedia services of SevenOne Intermedia. Other major contributors to the revenue gain were the international programming marketer SevenOne International and, in the second half, the new digital services offered by SevenSenses. SevenSenses is in charge of such operations as the two pay TV stations kabel eins classics and Sat.1 Comedy, as well as the maxdome video-on-demand portal. Alongside organic growth, external growth through acquisitions and equity investments also strengthened the segment. During the year the ProSiebenSat.1 Group acquired stakes in the online communities MyVideo.de and lokalisten.de, and increased its stake in wetter.com AG.

Investments and Acquisitions

Company	SevenOne Intermedia
Location	Unterföhring
Founded	2000
Share held	100%
Type of company	Multimedia company
Key facts 2006	- Managing director Marcus Englert appointed Executive Board Member for Diversification - Acquisition of interests in MyVideo.de and lokalisten.de - ProSiebenSat.1 Networld logs 1.8 billion page impressions in December - Games segment expanded, including launch of Sat1Spiele.de

Company	SevenOne Interactive
Location	Unterföhring
Founded	1997
Share held	100%
Type of company	Multimedia marketer
Key facts 2006	- SevenOne Interactive takes over marketing for MyVideo.de and lokalisten.de - In-game advertising: new form of advertising integrates advertisements into online games

Company	SevenSenses
Location	Unterföhring
Founded	2006
Share held	100%
Type of company	Digital TV, video on demand, pay TV and mobile TV
Key facts 2006	- Launch of Maxdome video-on-demand portal and pay TV channels Sat.1 Comedy and kabel eins classics - Launch of ProSiebenSat.1 Mobile, first full-service channel for mobile TV

Company	SevenOne International
Location	Unterföhring
Founded	2004
Share held	100%
Type of company	International sales of TV productions
Key facts 2006	- SevenOne International makes sales of ProSiebenSat.1 Group TV programming in more than 100 countries worldwide - "Clever! - Die Show die Wissen schafft" earns audience shares of up to 47 percent in Denmark, "Schillerstrasse" earns up to 30.2 percent in the Czech Republic - "Verliebt in Berlin" debuts in seven countries, "Galileo" makes debut in China

Other Diversification, a growth field

The segment's positive performance in 2006 shows that the Group has been able to take advantage of the opportunities offered by digital developments, and to tap additional sources of revenue by diversifying its operations. Among the Group's accomplishments in 2006 was a significant expansion in pay TV services. In June 2006, kabel eins classics and Sat.1 Comedy put two new pay TV channels on the German airwaves. The comedy channel and the film channel are available via digital cable and on DSL. At the beginning of the year, the ProSiebenSat.1 Group reached agreements with cable operators Kabel Deutschland (KDG), Kabel BW and Unity Media on digital feeds of the Group's free and pay TV stations. Similar agreements followed in midyear with DSL providers Deutsche Telekom (T-Home) and Hansenet (Alice homeTV).

Another new development is that as of the second quarter of 2006 ProSiebenSat.1 Welt, the Group's international pay TV channel, has been available to audiences in Canada. The German-language channel has been available in the United States since 2005. During the third quarter, ProSiebenSat.1 Welt expanded its soccer coverage for the USA and Canada, and acquired additional international pay TV rights for Bundesliga matches.

Company	ProSiebenSat.1 Welt
Location	Unterföhring
Founded	2004
Share held	100%
Type of company	International channel (pay TV in USA and Canada)
Key facts 2006	- ProSiebenSat.1 Welt becomes available in Canada - ProSiebenSat.1 Welt acquires North American pay TV rights to Bundesliga soccer for three years

Another growth area is music. In cooperation with Warner Music, the ProSiebenSat.1 Group has operated the starwatch music label since 2005. starwatch music GmbH is a wholly-owned subsidiary of MM MerchandisingMedia Holding GmbH. The cooperative venture has the aim of identifying, marketing and providing media support for its own roster of artists, while making better use of music-relevant programming on ProSiebenSat.1 Group stations. One example of the strategy's success is Monrose, a Girl band that grew out of the "POPSTARS" show on ProSieben. Monrose's song "Shame" rose from zero to number one on the Media Control Top 100 single charts in 2006. German swing singer Roger Cicero is also under contract to starwatch music. His album "Männersachen," with the song "Zieh die Schuh aus," went platinum in 2006. After the album's release, his appearance on Sat.1's "Nur die Liebe zählt" helped get the ball rolling.

Company	MM MerchandisingMedia
Location	Unterföhring
Founded	2003
Share held	100%
Type of company	Merchandising agency
Key facts 2006	- Hans Fink joins Sabine Eckhardt as managing director - starwatch music, the joint recording label of MM MerchandisingMedia and Warner Music, produces successful artists like Monrose and Roger Cicero - ProSiebenSat.1 Group's home entertainment activities expand, DVD revenues double

The ProSiebenSat.1 Group develops innovative multimedia products, and is Germany's leading provider of mobile TV, whether for the UMTS standard or the new DMB and DVB-H standards. The Group expanded its range of mobile TV services in October 2006 by launching Germany's first full-service mobile TV channel, entertainment station ProSiebenSat.1-Mobile. The channel is specially conceived to be picked up on mobile phones via DMB, and is tailored to the viewing habits of mobile TV audiences. Unlike conventional TV, for example, prime-access and prime-time content is broadcast with a time delay in the afternoon, rather than in the evening.

Other product novelties during the period included the maxdome video-on-demand portal. Since July, SevenSenses has offered a broad range of top-notch feature films, comedy and series at www.maxdome.de. In addition to Hollywood hits, Web users can download other films, comedy shows, series and other programming from the Sat.1, ProSieben, kabel eins and N24 lineups. User responses have been very positive, especially since maxdome has been expanding constantly by acquiring additional licenses, and service is being enhanced all the time with additional features, such as an archive and previews. Shortly before maxdome was launched in the third quarter, the ProSiebenSat.1 Group signed an agreement with Disney distributor Buena Vista International Television on video-on-demand rights to the current hit series "Lost" and "Desperate Housewives." Since September 2006, both top series have been available for downloading as video on demand a whole week before they appear on free TV. By year's end maxdome was already Germany's biggest video-on-demand service.

Since October 2006, maxdome has also had the capability to show advertising blocks. At the moment three different advertising packages are available: "Premium Content," "Movie Flat" and "Advertising on Demand." The market launch of advertising on demand is a logical next step in the evolution of advertising in the electronic media. It gives advertisers a way to offer viewers such content as test reports, corporate films, short subjects and image films at the touch of a button, while providing sharply focused placement for advertising messages aimed at particular target audiences.

Through strategic investments, the Group also expanded its online services with innovative platforms and strengthened its digital presence in 2006. In September and October, it acquired interests in both MyVideo and lokalisten Media GmbH. This link with online communities offers the Corporation new opportunities to distribute programming content, and also opens up new channels to reach target audiences and conduct marketing. MyVideo and lokalisten.de are interactive Web portals for user-generated content. At www.myvideo.de, private individuals can swap their home-made short films, music clips and vacation videos. Founded in May 2005, lokalisten.de is an Internet community that, like MyVideo, has become a heavily visited German-language Web site within a very short time. At the www.lokalisten.de Web site, users can find out information, communicate with each other, make new contacts or publish their own content (e.g. texts). Page impressions at MyVideo have quadrupled since the ProSiebenSat.1 Group acquired its stake in September 2006. As of December 31, 2006, the portal had numbered more than 1.8 billion page impressions and 81 million visits. lokalisten.de is also growing dynamically. Since its April 2005 launch, the Web portal had logged more than 769 million page impressions and 19 million visits by the end of 2006.

Equity Investments in Fiscal 2006

Subsequent Events

New majority shareholder of ProSiebenSat.1 Media AG

On December 14, 2006, Lavena Holding 4 GmbH, which is controlled by funds advised by KKR (Kohlberg Kravis Roberts) and Permira (Permira Beteiligungs GmbH), signed a share purchase agreement for the acquisition of German Media Partners L.P.'s majority stake in ProSiebenSat.1 Media AG. The parties have agreed on a price of 28.71 Euro per common share and of 22.40 Euro per preference share.

On January 30, 2007, Lavena Holding 4 GmbH released the documents for a voluntary public takeover offer to the shareholders of ProSiebenSat.1 Media AG. The Executive Board and Supervisory Board of ProSiebenSat.1 Media AG published their legally mandated position statements on the tender offer on February 6, 2007.

The completion of the share purchase agreement was subject to antitrust clearances from national as well as European authorities. Approval by the European Commission was granted on February 22, 2007. The German Commission on Concentration in the Media (KEK) gave its regulatory approval on February 6, 2007.

The share purchase agreement between German Media Partners and Lavena Holding 4 GmbH closed on March 6, 2007. Hence Lavena Holding 4 GmbH acquired approximately 88 per cent of the voting common shares and approximately 13 per cent of the non-voting preference shares in ProSiebenSat.1 Media AG. With approximately 50.5 per cent of the registered share capital, Lavena 4 Holding now is the majority shareholder of ProSiebenSat.1 Media AG.

Ownership Structure

ProSiebenSat.1 Group acquires stake in solute GmbH

The ProSiebenSat.1 Group pursued its expansion on the Internet even further in the first quarter of 2007. In February, the Group acquired a majority stake in solute GmbH, which operates the second largest German pricing search engines on the Internet at www.billiger.de. Along with stakes in MyVideo as a platform for user-generated content, acquired in August 2006, and lokalisten.de, a social networking site acquired in October 2006, the ProSiebenSat.1 Group now has a stake in a price comparison service as well.

ProSiebenSat.1 Networld scores over two billion page impressions

The Group's Internet services are becoming more and more popular. In January 2007 the ProSiebenSat.1 Networld online network scored more than two billion page impressions for the first time. Standardized measurements by the IVW indicated that Sat1.de, ProSieben.de, kabeleins.de, N24.de, wetter.com, MyVideo.de, maxdome.de, lokalisten.de and Oktoberfest.de achieved a combined 2.1 billion page impressions and 230.9 million visits during the month. The IVW is Germany's circulation verification association for advertising services, and calculates the number of visits and page impressions for German Web sites. MyVideo.de placed fourth among the ten most heavily visited Web sites, ProSieben.de placed seventh, and lokalisten.de placed ninth, putting ProSiebenSat.1 Networld second among all networks, according to the standardized measurements.

ProSiebenSat.1 Group pools iTV activities

Since January 2007, all the ProSiebenSat.1 Group's activities having to do with contests and games, as well as all telephone-based interactive TV services (iTV), have been pooled at 9Live. These include not only call TV programming windows on Sat.1, ProSieben and kabel eins, but games and voting contests in which viewers can participate by phone, premium SMS, e-mail or postcard. Hitherto these operations have been a part of SevenOne Intermedia. Integrating them with 9Live makes the transaction TV station the central interactive service provider for the entire Corporation, and creates an efficient structure for all the Group's iTV activities.

Stations expand HDTV broadcasting

Sat.1 HD and ProSieben HD, the ProSiebenSat.1 Group's two HDTV stations, have also been available via Deutsche Telekom's T-Home IPTV service since the end of January 2007. This represents a further expansion of the Group's high definition programming, which was already available via the ASTRA satellite system and the Kabel BW network. Both stations show parallel high-definition versions of their programming in the high-resolution broadband format. HDTV offers up to five times greater resolution and fidelity to detail than conventional PAL broadcasting.

Interactive remote control launched

In February 2007, the ProSiebenSat.1 Group joined with Betty TV AG to launch the Betty interactive remote control on the German market. At the press of a button, viewers can participate directly in interactive TV programming like game shows or voting contests, without switching media. Until now, they had to use separate services, such as a telephone or the Internet. Betty builds on the existing TV infrastructure, working in both analog and digital formats without a set-top box. It is marketed by SevenOne Media, the ProSiebenSat.1 Group's advertising time sales company. Betty was already launched in Switzerland last year.

Dresden Higher Regional Court upholds verdict against Netlantic and Shift TV

A decision by the Dresden Higher Regional Court forbids service providers of any kind from using programming signals from the ProSiebenSat.1 Group without the Group's prior consent. On January 16, 2007, the court upheld the Leipzig Regional Court decision of May 12, 2006, against Netlantic GmbH and its Shift TV service. Netlantic's appeal was denied. The Higher Regional Court's decision also forbids the Shift TV online video recording service from storing programming for transfer to third parties. Though not yet beyond appeal, the Dresden appellate court's decision concurs in the Leipzig court's view that such activities are an infringement of copyright and an unauthorized reproduction. Netlantic GmbH has appealed the decision to the German Supreme Court.

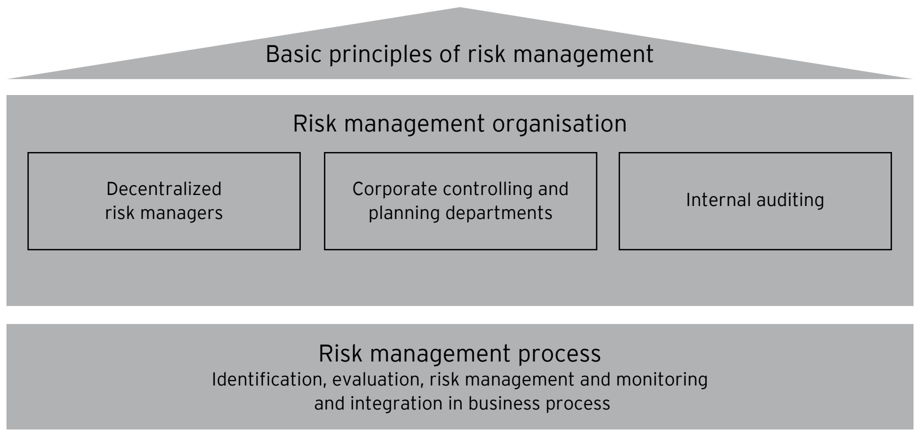
Risk Report

Risk & opportunity management system

Risk and opportunity management means targeting and managing existing and future potential areas of success or danger. The system focuses on safeguarding the Group's financial independence, strengthening its market lead for the long term, and thus enhancing corporate value sustainably.

Management at ProSiebenSat.1 Media AG has installed an efficient risk and opportunity management system. Clear organizational structures and an unambiguous allocation of duties and responsibilities are fundamental to managing risk properly, and to identifying and making the most of opportunities. Uniform guidelines ensure a methodical approach, and are indispensable for Groupwide process control. The risk and opportunity management system is tailored to the special circumstances of the ProSiebenSat.1 Group, and is based on the principle of including every segment and every subsidiary in the process.

Decentralized risk managers at the various corporate units are responsible for detecting and reporting risks. These risk managers are supported by the corporate controlling and planning departments. Controlling is also responsible for reporting to the Executive Board each month. When new opportunities or risks arise, or individual indicators change significantly, the Executive Board and Supervisory Board are notified at once, irrespective of the regular reporting intervals. This enables management to recognize adverse developments early, before they can cause harm, and to take appropriate measures to mitigate them. It also allows management to recognize opportunities and make the most of them. Internal Auditing reviews the efficiency and proper conduct of these processes on the basis of a risk management manual that summarizes the legal context and basic principles of risk management.



Identifying and managing risks and opportunities

Managing risks and opportunities is not a process that takes place in isolation. As an integral part of the Group-wide decision-making process, risk management is embedded in the Group's value-oriented management and planning system. Given the dynamism of the media sector and the increasing variety of lines of business in which the PrioSiebenSat.1 Group operates, the process must be flexible enough to respond appropriately to new situations at any time. The major phases of the opportunity and risk management process are explained below.

The process begins with a systematic identification of material risks. This includes analyzing their causes and their potential interactions with opportunities. Risks are identified and categorized on the basis of specific checklists, as well as planning and controlling data.
The next step is to evaluate the identified risks. Their importance, likelihood and potential effects are assessed. Early warning indicators have been defined for all measurable and material areas of risk. These early warning indicators primarily cover the ProSiebenSat.1 Group's performance in terms of audience share and advertising market share, the profitability and appeal of the program inventory, the evolution of available lines of credit, and human resources development. As soon as an indicator reaches a certain tolerance limit, steps are taken to avert trouble.

This approach means that the Group's overall risk position is always kept within tolerable bounds, and the opportunity-to-risk ratio is optimized overall. Methods applied in assessing risk include both qualitative estimates and a quantitative evaluation as part of Controlling's reports on early-warning indicators. Finally, in a fourth step, risk is monitored and reported.

Overall risk of the ProSiebenSat.1 Group

Business at the ProSiebenSat.1 Group is largely influenced by market risks, especially risks in the TV advertising market. In 2006, the German economy grew faster than had originally been expected. TV advertising investments grew steadily during the year, showing notable gains for the first time since the recessive phases between 2001 and 2003. The upswing in the TV advertising market led to further profitable growth in the Group's core business, free TV, during the year. At the same time, by expanding the value chain outward from all aspects of the core business, in fiscal 2006 the Group tapped new revenue sources and markets, and thus made itself more independent from fluctuations in the TV advertising business. The Diversification unit's share of revenues has grown steadily.

The ProSiebenSat.1 Group views technological change and the more intense competition generated by digital developments as less of a risk than an opportunity to tap additional growth and revenue potential. The Group systematically made the most of these opportunities during fiscal 2006, with new services in the online, pay TV and video-on-demand sectors. It tapped new customer groups and markets, and thus ex-

Opportunity Report

panded its presence in the digital world. You can find more information in the Opportunity Report.

The Group's overall risk position remains limited and manageable. Its risk and opportunity profile was optimized further in 2006. At present there are no apparent risks, whether by themselves or combined, that might pose a threat to the survival of the ProSiebenSat.1 Group. In fact, the Executive Board assumes that with the current products and programming, and those now under development, the Group is well positioned for the future, and will be able to achieve its strategic and operating objectives. No events or identifiable risks arose after the reporting period that might change this assessment of the risk position.

Evolution of risk groups

The following risks groups describe individual factors that might adversely affect the Group's net assets, financial position or results of operations. They are not necessarily the only risks to which the Group is exposed. Risks that are currently unknown, or risks that appear minor at present, might still have adverse effects on business activities. Keeping a close watch on current developments will remain a top priority at the ProSiebenSat.1 Group.

1. General external risks and risks from business sectors

Media policy risks

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 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. At the first reading, the European Parliament made amendments to the Commission's draft, further weakening the Commission's proposal on product placement. At the same time, it slightly loosened the restrictions on breaks in theatrical-release films and TV films. However, at roughly EUR 5 to 8 million in anticipated additional revenues, the potential financial impact of this change on ProSiebenSat.1 Media AG can be considered rather minimal. Yet the new wording has eliminated permissions to interrupt series that have been compiled together as theatrical-release films. This change could reduce revenues by an estimated EUR 5 million.

The legislative process is not over yet. It is still not out of the question that the liberalization the Commission proposes may be reversed, or that certain requirements might even be tightened further. For example, currently under debate are prohibitions on advertising for high-calorie foodstuffs directed to children. New advertising bans and other restrictive regulations might cause as-yet unquantifiable reductions in revenues. The amendments to the Directive are expected to be adopted at the end of 2007. But because the amendments must still be implemented in national law, in practical terms they are not expected to take effect until 2009-2010.
ProSiebenSat.1 Media AG is actively involved in the current legislative process, and maintains constant contact with the European Parliament, the European Commission, the German state and federal governments, and the state media regulatory agencies.

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. The new treaty requires regional programming windows to obtain 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. At the end of 2006, the petition was amended, so that it now requests a term until mid-2008. In all cases, the Commission on Concentration in Broadcasting has held consultations and advocated granting the license. The ultimate decision lies with the state media regulatory agencies in Bremen, Hamburg, Lower Saxony and Schleswig-Holstein. The license for Lower Saxony is still pending, but is expected to be granted in February 2007.

Section 47 (3) of the Saarland Media Act, as last amended on March 31, 2004, requires that so far as is technically possible, state-wide programming windows 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 and implemented a Window Programming Ordinance, and has now handed down an initial decision against Sat.1. ProSiebenSat.1 Media AG and Sat.1 have taken legal action to contest the obligation to provide Saarland window programming. At the end of 2006 they filed suit for a declaratory judgment on the permissibility of the applicable provisions of the interstate broadcasting treaty and state law, and of the associated Ordinance, as well as the administrative action issued on that basis. ProSiebenSat.1 Media AG is taking 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. The financing to be provided by Sat.1 or ProSiebenSat.1 Media AG for a new regional window is estimated at roughly EUR 5 million per year.

Interstate Treaty on Gaming

In a decision of March 28, 2006, the Federal Constitutional Court laid out two ways in which the betting market can be organized – either with a systematic organization of the state monopoly on gambling, while simultaneously ensuring that the monopoly serves to combat addiction, rather than the fiscal interests of the state; or through standardized, controlled licensing of private betting firms. The court ordered for new legal arrangements to be set up in Germany by the end of 2007. In December 2006, the prime ministers of the various states approved a draft of an interstate treaty on the gaming system in Germany. This draft is currently working its way through the state parliaments, and has been submitted to the EU Commission for notification.

The current draft of the Interstate Treaty on Gaming affects three areas of ProSiebenSat.1 Group operations:

1. Call-in programming: The treaty is expected to maintain the status quo, but includes wording that is subject to misunderstanding and that might mean that no-charge alternative playing options would have to be created for all call-in programs offered by 9live and the Group's free TV stations. This would cause revenue losses.

2. The stations would not be able to offer their own contests, because the current treaty makes licensing mandatory for gaming, including contests. Licenses can be granted only to public broadcasters, and this would further strengthen the state monopoly on gaming.

3. The draft also includes a comprehensive ban on advertising for gaming programs on TV and the Internet. Once this provision takes effect, there would be a risk of revenue losses.

From the viewpoint of ProSiebenSat.1 Media AG, the current draft of the interstate treaty is unconstitutional on many points, and contradictory to basic principles of European law. The ProSiebenSat.1 Group is participating both directly and indirectly, through the Betting Task Force and the Association of Private Broadcasters and Telecommunications (VPRTO), in the political debate and in forming opinion among chancelleries, state parliaments and the European Commission. The goal is to keep the current draft of the interstate treaty from taking effect, and to arrive at an alternative arrangement that would except call-in programming from the treaty, provide positive regulation for private contests, and limit the content of advertising rather than banning it entirely.

Distribution risks and regulatory risks

Stations' reaches

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 97.8 percent of Germany's 34.98 million households using television. ProSieben reaches 97.6 percent and kabel eins reaches 97.4 percent. News channel N24 reaches 88.2 percent of households using TV. The quiz station 9Live can be received by 80.1 percent of all German TV households. This broad reach was safeguarded further with long-term distribution and cooperation agreements signed in 2006 with T-Systems, SES Astra, the "big" broadband operators Kabel Deutschland, Unity Media and Kabel Baden-Württemberg, and additional broadband operators from network levels 3 and 4. There are also distribution agreements with Deutsche Telekom AG's T-Online unit, Hansenet, and other providers, which carry programming signals over telephone channels.

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. Signing long-term distribution agreements has ensured that the reach of the Group's stations Sat.1, ProSieben, kabel eins, N24 and 9Live will still be assured as the transition from the analog to the digital age advances.

Digitization has produced a significant increase in the number of channels available on cable. Irrespective of the distribution agreements it signed in 2006, 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 and digital cable. Even in a still 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 high barriers against any new provider's entry into the market, the Group's standing will be particularly ensured 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.

Other legal risks

Preliminary proceedings before the ECJ

At the time of preparation of this report, the Austrian Federal Communications Board had asked the European Court of Justice (ECJ) for a preliminary ruling on whether call TV services are not in fact broadcasting, but rather teleshopping or possibly advertising. If the ECJ decides that call TV is indeed teleshopping or advertising, it might establish a precedent that would also govern the legal categorization of 9Live's programming in Germany. It cannot be foreseen as yet when the preliminary proceedings will conclude, or how the ECJ will rule.

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, even though the holders of common stock had unanimously approved the merger at the special shareholders' meeting 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. Several holders of preferred stock in the former ProSieben Media AG filed a demand for an additional cash payment, citing as ground that the valuation ratio between the two companies was unfairly weighted in favor of shareholders of SAT.1 Holding GmbH.

In a decision of September 8, 2006, Munich Regional Court I decided in favor of ProSiebenSat.1 Media AG, and rejected all claims for a cash settlement. In their appraisal, the court-appointed experts had already reconfirmed the projections underlying the valuations of SAT.1 Holding GmbH and ProSieben Media AG. Because of the differences in capital structure risks between ProSieben Media AG and SAT.1 Holding GmbH, the court-appointed appraisers had decided that these risks should have been taken into account differently than the accountants involved in the merger had done. The court's experts preferred a procedure to account for these differences in capital structure risks that would have altered the original exchange ratio. That change in the exchange ratio would have resulted 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 could have had a substantial impact on the Group's net assets and financial position. But in its September 8 decision, the Munich court found that the exchange ratio calculated by the accountants at the time was fair even in light of the differences in capital structure risks, and that no cash settlement was payable to the former shareholders of ProSieben Media AG.

Six of the former petitioners have appealed that decision. The appeal proceedings are being heard in Munich Higher Regional Court, under Docket No. 31 Wx 087/06. These proceedings are still in such an early stage that it is not clear whether or to what extent the appeal will result in financial charges for ProSiebenSat.1 Media AG. But the Company assumes that the Munich Higher Regional Court will uphold the September 8 decision of Munich Regional Court I, and that no cash payments will have to be made.

Business climate

The ProSiebenSat.1 Group's business operations depend to a large degree on business conditions in the advertising industry, and thus on the performance of the economy in general and developments in the markets where our advertising clients operate. Slackening consumer and investor confidence in Germany can also have adverse effects on the results of the ProSiebenSat.1 Group.

As the economic upswing has stabilized, economic risks have decreased significantly over the past few months. But economic projections are always subject to certain making certain assumptions, and thus also to certain risks.

In general, expectations call for world economic growth to slow somewhat in the coming year, especially because the U.S. economy – which has been the principal draft horse to date – is losing momentum. The economic projections have already taken this cooldown into account. But an unexpectedly sharp decline in the global economy would have disproportionately severe effects on the German economy because of Germany's heavy dependence on exports. However, since domestic demand has picked up and now offers a second support for the economy as a whole, a decline in exports as a driving force would have a less drastic impact than in past years. The advertising market is propelled mainly by domestic demand, and would be affected only indirectly by such developments. Hence the world economy poses a manageable risk for conditions in the advertising industry.

There are also certain risks for domestic conditions. The largest of these for the current fiscal year is the increase in the value-added tax. Although the majority of the economic research institutes assume that the economy will slow only briefly, a three percentage-point VAT hike is unique in history. There are no precedents from which to estimate its adverse impact on consumer and corporate spending. Apart from the burden of tax policy on budgets, other factors also represent sources of uncertainty for consumer spending. For example, the current optimistic predictions about consumer spending are founded mainly on the assumption of an increase in disposable income because of rising employment. If the labor market does not perform as positively as the economists expect, there would be adverse repercussions on consumer spending. Unexpected increases in the price of oil would also put a further burden on private households' purchasing power, and might weaken consumer spending.

As the advertising crisis of the recent past has shown, negative consumer sentiment can have a substantial impact on the advertising market as well. Thus if domestic demand were to slump, the advertising market could conceivably suffer adverse effects, and so too would the ProSiebenSat.1 Group.

Technological change

A further potential risk lies in misreading the dynamic evolution of such distribution channels as DSL and broadband cable. Such risks might be realized if projections proved mistaken or if providers change their business models.

A possible postponement of such technological innovations as DVB-H because of regulatory restrictions might also inhibit growth. Changes in competitive conditions because of national or European laws, for example in advertising, technology or protection of young people, might likewise have adverse effects on business models.

The lack of a standard for interactivity is an additional risk factor, because the wide variety of digital products and services and the non-standardized structure of receiver boxes could slow the spread of new products and services.

2. Performance risks

Sales risks

Audience share

The Group's commercial success depends significantly on whether its programming is what audiences want, and thus can earn 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 analyses pay particular attention to the average share of the target demographic between the ages of 14 and 49, which is the audience the advertising industry particularly prizes.

Advertising market

The ProSiebenSat.1 Group's performance is also significantly affected by the performance of the TV advertising market. For that reason, constantly analyzing and evaluating the orders book is another important component of risk management. Total orders are analyzed by a method that extrapolates advertising revenues for the year from the level of advertising bookings. 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.

Risks from programming inventory and programming procurement

Programming inventory

Success in programming policy depends on the chosen programming's appeal and profitability. To ensure that the ProSiebenSat.1 Group has the largest possible number of 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. The resulting percentage offers an early warning indicator for risk reporting. A further early warning indicator is the total return on programming inventory.

As a rule, programming contracts are signed several years ahead of the broadcast date. 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.

In fiscal 2006, the programming supplier list included more than 194 entries.

License acquisitions

The ProSiebenSat.1 Group acquires the majority of its feature films, TV films and series as licensed programming from third parties. Although the programming market has stabilized over the past few years, some increase in prices must be expected for the future as well. For U.S. series in particular, these programs' current success may entail higher costs.

Nevertheless, the ProSiebenSat.1 Group can generally keep price risks relatively low because of its strong position as a licensee. The Group is one of the largest, most important licensees in the European market, and has long-standing, close business relationships with every major U.S. studio, and the main independents as well. It also has long-term contractual arrangements with the major German providers and licensors, including Constantin, Tobis, Kinowelt, Tele München and Telepool.

Apart from stable business relationships, the Group's large purchasing volume also strengthens its negotiating position with the studios. The centralized organization of license purchasing, along with the complementary positioning of its full-service stations, also gives the ProSiebenSat.1 Group synergies in programming use, on top of its advantages in program purchasing.

Commissioned productions

The Group has its own approval procedure, with databank support, for all TV productions it commissions. Such productions are conducted in manageable quantities, or as single projects with limited terms. Any commissioning of planned programming is reviewed at an early stage. Major control variables in this context are cost-effectiveness (volume, cost, revenues, potential residual carrying value), anticipated success with audiences, marketing value and value to the Group's image.

Technical risks

Broadcasting equipment and studio operations

The broadcasting process, computer centers, and all material 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 USP, which is battery-powered, takes over.

In tapeless broadcasting, all servers – not only programming and advertising servers, but servers that run broadcast-relevant equipment – are available to act as a main and backup system, thus providing a double safeguard. The main and backup systems run constantly in parallel, so that operations can switch between them with no effects on program broadcasts. It is also possible to switch over seamlessly to a parallel time-coded tape kept running alongside. All short programming components, such as advertising spots and trailers, are protected with an additional backup server. Additionally, all such items are taped 24 hours in advance, and thus are stored on a physical medium just like films, series, variety shows or pre-produced current-events magazine shows. These arrangements provide a full foundation for emergency operation to start up in a different room or a different building. In addion to the backup systems, there is also a disaster recovery procedure available that makes it possible to access all devices that are of relevance for broadcasting a program. In other words, with certain limitations, broadcasting can resume within 10 to 30 minutes after a total crash of broadcasting service.

For all live broadcasts, broadcast handling includes an emergency program that has been chosen from the stations' programming schedule and can be inserted to bridge the gap. A team of specialists is available to troubleshoot around the clock. This means that ProSiebenSat.1 Group stations can go into tape-supported emergency mode if the video-server and automation systems fail completely.

Information technology and projects

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 by outsiders.

The ProSiebenSat.1 Group has adopted the strategic objective of pursuing technical development towards the digital world. This choice implies technological challenges. Different locations, systems, corporate units and corporate processes must be networked more thoroughly and effectively in order to add value with the greatest possible levels of synergy. Consequently the Group is increasingly dependent on electronic systems and communications technologies. Projects for innovation and capital investment are steadily increasing in complexity. Major risks in information technology come from malfunctions and disruptions of operation, virus attacks, intrusions by hackers, and data espionage. When these occur, they may result in losses or changes of data, theft of information, failure of business-critical applications, or programming interruptions.

These risks are recognized and mitigated with extensive security rules and techniques that are decentralized, and where necessary multiply redundant. They include, for example, defining early warning indicators, narrow tolerances, and high availability commitments. All safety precautions undergo constant improvement, and are adjusted to reflect the latest know-how and developments. The safety rules refer not just to how hardware and software systems are laid out technically, but also include functional security structures and organizational precautions.

Currently the ProSiebenSat.1 Group has a number of technological projects in progress. They have been overseen since July 1, 2006, by a Groupwide Technology Board. This approach helps prevent developments that do not make good technological or business sense, and encourages coordination among different projects. That coordination is also significant in light of the growing convergence between IT and broadcast technology. The most important projects for software development, software customization and software integration are summarized in a "Consolidated Milestone Plan" (CMP), which makes these projects' interdependencies transparent.

3. Financial risks

The ProSiebenSat.1 Group is exposed to a variety of financial risks through its business operations. These risks are managed centrally as a part of financial risk management. The principles, duties and responsibilities of financial risk management are governed by the internal corporate financial guidelines of the ProSiebenSat.1 Group. The objective of financial risk management is to minimize the adverse effects that fluctuations in financial risk factors may have on the Group's net assets, financial position and results of operations. Derivative financial instruments employed for this purpose aim solely to hedge existing risk positions and are not used for speculative purposes.

Currency risks

The ProSiebenSat.1 Group contracts a substantial number of its license agreements with production studios in the United States. Generally, 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's financial position and results of operations. License payments of a hedged dollar-denominated license agreement, together with the associated hedging instruments, are subsumed and managed in what are known as "hedge books" provided the hedged item qualifies as a hedge under IAS 39.88 and hedge accounting can be applied. As of December 31, 2006, there were 12 hedge books covering a total of USD 997 million in pending license payments. These obligations extend into the year 2016. The prior year's obligations came to USD 874 million.

To hedge against fluctuations in exchange rates, the ProSiebenSat.1 Group enters into forward exchange contracts ("forwards") and currency options. The average hedge ratio at December 31, 2006, allowing for internal limit systems, was 76 percent.

Most of the future license payments under a hedged license agreement in U.S. dollars, together with the associated hedging instruments, are recorded and managed in these "hedge books". The hedge books are constantly monitored under a system of limits, and any applicable open items are eventually closed to stop potential losses or take advantage of favorable changes in exchange rates. A detailed description of hedging instruments is provided in the Notes to the financial statements.

Notes

Interest rate risks

Through its financial liabilities, 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's bond and its borrowings under any credit facilities 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 credit facility. As of December 31, 2006, the syndicated facility had not been drawn.

Because of the small proportion of liabilities with variable interest rates and therefore the consequent negligible variable interest rate risk, no derivative financial instruments were employed for interest rate risks as of December 31, 2006.

Liquidity risks

As part of its liquidity management, the ProSiebenSat.1 Group ensures that adequate cash and cash equivalents are available at all times, in spite of the industry's significant seasonal fluctuations in revenues. For this purpose, in August 2006 ProSiebenSat.1 Media AG signed a new credit facility agreement with several banks, under which amounts up to EUR 500 million may be drawn. The facility agreement matures in 2011. The agreement gives ProSiebenSat.1 Media AG a right, within certain time limits, to request an extension of the term of the agreement by up to two years in all. Each of the syndicate banks can decide at its own discretion whether to participate in such an extension or not. As of December 31, 2006, the facility had not been drawn.

4. Organizational risks

Strategic risks

One major objective of the Group's corporate strategy is to expand the Diversification unit. In addition to organic growth, revenues are to be increased further through carefully selected acquisitions. Acquisitions and investments may involve risk, since they entail uncertainties about the integration of staff, processes, technologies and products. If the integration of an acquired business is unsuccessful, or if the business performs poorly after the integration, the Group will incur an additional need for financing. This need may adversely affect the corporation's indebtedness and the borrowing structure for the entire Group. Additionally, corporate acquisitions may significantly increase long-term assets, including goodwill. Unforeseen business developments may lead to unscheduled write-downs of such assets, which could pull down profits significantly.

In fiscal 2006, the ProSiebenSat.1 Group took systematic advantage of strategic opportunities. To do so, it was also necessary to invest in the Diversification unit through portfolio changes, including acquisitions and restructuring measures resulting from equity investments. During 2006, the Group acquired a 30 percent interest in both MyVideo.de and Lokalisten Media GmbH. Quiz station 9Live, which was acquired and consolidated in full in 2005, moved in fiscal 2006 to the Group's headquarters location in Unterföhring. This integration, which is now also geographical, has given rise to additional synergy.

Corporate governance

Corporate governance risks arise from violations of statutory reporting obligations and from insufficient transparency in corporate management and corporate communications. The Corporation limits these risks with a Groupwide compliance structure. The ProSiebenSat.1 Group's compliance officer is responsible for seeing that reporting obligations are met, and especially that potential insider information is treated as required by law. A breach here can cause the Company significant loss or injury, and may have criminal consequences for any employee involved. To prevent violations, employees who have access to confidential information that may affect trading prices are informed of ad hoc disclosure obligations, and are made aware of the need to treat the corresponding insider information sensitively. All employees who have access to insider information undertake in writing to comply with the appropriate rules, and to handle such information responsibly. The appropriate group of personnel is recorded in insider lists as required by law.

The Group further limits corporate governance risks with open communications, both in-house and with the world at large, and with a corporate culture founded on trust. It has explicitly declared, and systematically pursues, the corporate objective of making employees aware of potential risks and establishing an appropriately risk-aware culture. Corporate management informs staff of major news through a system of informational e-mails. The Groupwide intranet includes extensive documentation on all important issues. Outsiders interested in the Group are quickly and effectively brought up to date with corporate reports and press releases. The Group's Web site, www.ProSiebenSat1.com, offers all relevant information for the press and shareholders.

Legislative proceedings that make changes in corporate governance and that would impose recommendations or requirements are watched carefully. The Executive Board, the Supervisory Board, and the Company employees involved are regularly kept informed of new developments, and practical implementation and compliance are monitored carefully. Corporate governance is supplemented with regular checks to ensure that particularly relevant corporate units are complying with all requirements of law.

Personnel

The ProSiebenSat.1 Group presents itself as an attractive employer to its own employees and to the job market at large. The latest management tools and appropriate incentive systems, both cash and non-cash, ensure that employees are highly motivated.

The Company identifies personnel risks through employee surveys and appropriate early warning indicators. One quantitative parameter, for example, is staff turnover. Potential risks deriving from conflicts of interest or breaches of internal or external regulations are managed with written guidelines and organizational instructions. These include, for example, the insider trading rules that have already been mentioned above. These risks are also limited by a strict separation between management and auditing functions. Risks from personnel as a whole remained low, just as they did the year before. ↗

↗ Employees

5. Other risks

The ProSiebenSat.1 Group protects itself against further potential risks with outside insurance. These potential risks – which are unlikely but could be destructive – include such matters as damage to buildings.

Research & Development

As a media corporation, the ProSiebenSat.1 Group does not conduct research and development in the strict sense, so that there are no material risks to report in this area.

Outlook Report

General Information on Projections

The statements made in this section are based on ProSiebenSat.1 Media AG's operating projections for 2007 and 2008. Those projections are based both on the estimates by German economic research institutes about overall economic conditions in the projection period, and on the Group's own estimates about business conditions in the TV advertising market and the other markets where the Company is active.

By pursuing its strategic goals, the Company foresees further substantial growth opportunities in the years ahead, which will provide a basis for additional growth in revenues and earnings. Strengthening the core business in free TV will remain the most important strategic objective in the future.

The major opportunities and expectations for future business growth are described in detail below.

Opportunity Report

To identify business opportunities and make the most of them, the ProSiebenSat.1 Group conducts market research in every relevant field, and constantly monitors new technical developments. Efficient risk management serves as an early warning system for all units. Recognizing risks and opportunities is an integral part of all planning and decision-making processes.

Risk Report

The ProSiebenSat.1 Group will derive major operating opportunities from its stations' enhanced performance, from product innovations, and by optimizing its processes. Opportunities to enhance efficiency are also available from the systematic use of available potential for synergy within the production network and in supply chain management. Below we describe some of the major areas of potential and the corporate-strategy opportunities that future conditions will offer for the ProSiebenSat.1 Group.

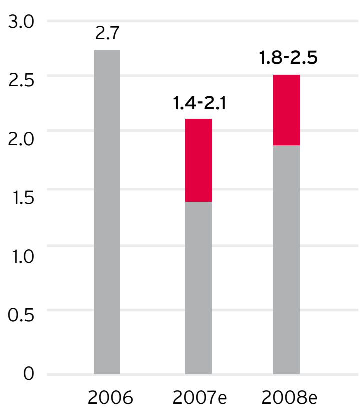
Future environment and market opportunities

Business climate

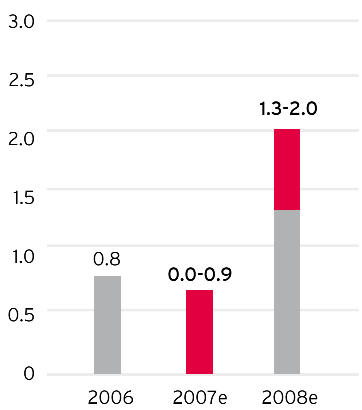
Economic experts are increasingly optimistic about 2007. While many economic research institutes were still worried at the beginning of the current year that the increase in the value-added tax would seriously weaken the economy, now more and more of them are assuming that even though the economy will slow temporarily in the first quarter, it will return to last year's dynamism from then on. Accordingly, they have increased their economic projections for 2007 several times. The majority of experts now expect real gross domestic product to grow by 1.4 to 2.1 percent. Due to the surprisingly high GDP growth in the fourth quarter, as revealed in February, it now is likely that within the upcoming weeks, research institutes will increase expectations even further. German businesses also believe that the economic upswing will continue, as indicated by the Ifo index on business climate, which has soared in the course of last year, reaching a record level by the end of 2006.At the beginning of the year, the economic mood in Germany was somewhat darker. Although still convinced of a very good business situation, interviewed businesses, especially retailers, were less optimistic than in December due to the VAT increase. However, despite retreating indicators in January and February, general business confidence still remains at a high level.The majority of consumers also appears to be generally optimistic, as is evident from the monthly consumer confidence survey by the Gesellschaft für Konsumforschung (GfK). As expected, the consumer climate indicator reached its peak value at the end of the year. The projected March value was 4.4 points, compared to 4.9 points in February. But this decline is solely the result of "propensity to buy" – i.e., consumers' willingness to make major purchases in the near future. This decline had already been predicted, since the preceding sharp rise in this subindicator had been seriously exaggerated as a consequence of the pending increase in the value-added tax. Yet at the same time, consumers' income expectations improved in January and February, and economic expectations even exceeded their December peak. Because of the lasting improvement in the job market, the GfK foresees a good chance that consumer confidence will quickly return to a solid growth course. The economic institutes project that consumer spending will increase further in the coming year; the latest projections are between +0.0 and +0.9 percent, compared to 0.8 percent in 2006.

In all likelihood, the upswing will continue in 2008. The economic research institutes' projections published to date assume economic growth of between 1.8 and 2.5 percent. Consumer spending, with growth rates of between 1.3 and 2.0 percent, will be one of the most important engines driving growth.

Real GDP
In percent



Private Consumption
In percent



Source: Federal Statistical Office
2007/2008: Projection Economic institutes and OECD

Advertising market

The advertising market depends to a large degree on the general economic picture. Yet at the same time, the traditional parallels between the economy as a whole and the advertising market are no longer valid without exception. An advertising boom triggered by unusual conditions in 2000 was followed by a dramatic slump in the advertising business in subsequent years – one that cannot be explained by the weak economy alone. While the advertising market lost nearly a fifth of its net revenues over the course of three years, the nominal gross domestic product was still growing. Net advertising spends as a percentage of gross domestic product – known as advertising intensity – consequently dropped from their high of 1.13 percent in 2000 to 0.88 in 2005, even lower than the 1991 figure.

The overall economy has lost some relevance as indicator for the changes in the advertising market. One reason is that, in the past few years, economic growth has been based primarily on booming exports, while the performance of domestic demand, which is the crucial factor for the advertising market, was thoroughly lackluster. Additionally, visibility in the advertising market is clouded by the trend toward planning advertising budgets for shorter terms and more flexibility. Today, businesses react to changes in market situations or other factors by revising their marketing expenditures on short notice. This behavior makes it difficult to develop reliable projections of what the advertising market will do. Analyses of GDP alone are no longer an adequate basis for projecting the performance of the advertising market. Instead, greater account must be taken the current situation and business sentiment, as well as consumer confidence within Germany.

Domestic business conditions are now moving along briskly, consumer spending is rising, and companies' attitudes remain positive, while consumer confidence has slackened only slightly; so there are good prospects that the advertising industry will profit from the economic upswing again this year. The experts do not expect the increase in the value-added tax to have too severe an impact on the advertising market.

According to current projections, growth in the advertising market will continue to net out in the low single digits. The ZAW, the German advertising industry association, assumes there will be a net gain of between 1 and 2 percent in total advertising spends in 2007; the World Advertising Research Center (WARC) projects a 1.5 percent rise in the net advertising market in Germany; the ZenithOptimedia agency expects the increase to be 1.6 percent. WARC expects the net TV advertising market in Germany to grow 1.2 percent, while ZenithOptimedia forecasts a 1.3 percent gain.

ZenithOptimedia projects growth of 1.4 percent for the total advertising market in 2008, and of 1.0 percent in the TV advertising market. According to WARC estimates, the total advertising market will grow 1.5 percent, whereas the TV advertising market is expected to increase by 1.1 percent.

Media usage and the audience market

Digitization is leading to new distribution channels and terminal equipment, and to shifts in conventional media usage. But television is not one of the media that will suffer. Conventional television remains the most heavily used medium in Germany. Daily TV usage has risen 16 percent over the past 10 years (viewers over age three). Last year every German over the age of three watched 212 minutes of TV a day (1996: 183 minutes; 2005: 211 minutes). In other words, viewers did not cut back on their time budgeted for TV in order to use new electronic media like the Internet.

A representative Forsa survey commissioned by ProSiebenSat.1 sales company SevenOne Media indicated that television will continue to gain in importance over the next ten years, and will expand its lead among conventional media still further – which makes TV the only conventional medium whose significance is expected to grow alongside the new media over the next ten years.

Germans between 14 and 49 almost unanimously believe new media like the Internet and mobile phones have very good prospects for the future. 96 percent expect the Internet to gain further importance as a medium; 87 percent think the same of cell phones; 66 percent for PC and video games. Almost one out of every two expects DVDs to become more important in the future, despite new competition from video on demand (VoD) in the next few years.

Opportunities in corporate strategy

The ProSiebenSat.1 Group is Germany's largest and most successful commercial television corporation. With its four advertising-financed free TV stations – Sat.1, ProSieben, kabel eins and N24 – it is the number one broadcasting group in the German TV advertising market. The ProSiebenSat.1 Group is Germany's only genuine family of television stations. This arrangement of four strong station brands with clearly distinguished positioning is unique in Europe. The stations' complementary schedules yield synergies for the purchase and use of programming.

The company has long-term contracts with virtually every major Hollywood studio, and with the major European film production companies. The programming portfolio was expanded during 2006 with purchases and contract extensions. The Group also has access to the most attractive titles in KirchMedia's extensive film library. These agreements and access rights ensure that the Group's stations will continue to enjoy an excellent supply of programming, and thus remain popular with audiences. Conversely, the Group itself is also involved in programming sales. The expansion of SevenOne International, the Group's international programming sales company for its own programming rights, will allow the Group not only to tap new sources of revenue, but to build new business contacts worldwide.

Another competitive advantage that the Corporation enjoys is stable relationships with its advertisers. The ProSiebenSat.1 marketing company, SevenOne Media, can draw on many years of extensive expertise in the TV market. Jointly with online marketer SevenOne Interactive, SevenOne Media has systematically built skills in convergence marketing over the past few years. This gives the Group a chance to combine its established free TV brands with new media brands in cross-media advertising concepts.

Like all free TV broadcasters, ProSiebenSat.1 Group stations' revenues depend significantly on what happens in the TV advertising market. Since advertisers have been booking on shorter and shorter notice, it is difficult to produce any reliable long-term projection for the German TV advertising market. The media corporation is seeking to diversify its business and revenue models into all aspects relating to its core business, so as to reduce its dependence on the conventional TV advertising market. Through a systematic diversification of its operations, during the year the Group optimized its risk-opportunity profile further, and tapped additional sources of revenue. Alongside organic growth, external growth through equity investments and acquisitions strengthened the Diversification unit again in 2006.

Digitization is producing a permanent change in the German media landscape. It has yielded new opportunities for digital TV, and provided crucial momentum for the development of new TV technologies and forms of advertising. At the same time, people's use of media is changing. The younger generation in particular, with its affinity for the Internet and mobile phones, has been generating greater demand for interactive additional services, leading media use to become more customized. Digital development is a substantial growth opportunity for the ProSiebenSat.1 Group, and the Group plans to take systematic advantage of it. The goal is to optimize programming quality steadily, and to distribute existing content on as many platforms and devices as possible. The Group is developing innovative services for the latest distribution channels, so as to serve new viewing habits and tap additional user and audience groups. At the same time, the new opportunities will help develop innovative concepts for the advertising industry.

Details of the strategy that the Corporation applied to take advantage of opportunities in fiscal 2006, and that it will use to make the most of opportunities in the future. ↗

↗ Strategy of the Corporation

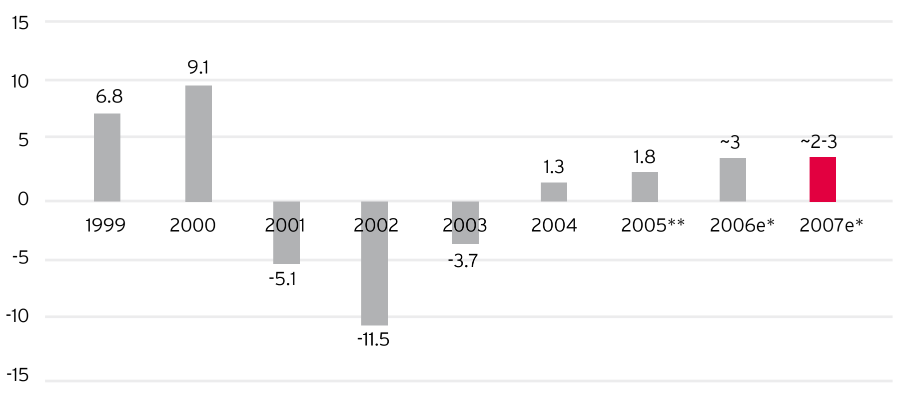
Company Outlook

Free TV segment

A variety of indicators suggest that the upswing in the German economy is likely to continue, and that the advertising market will profit from the recovery. The increase in the value-added tax seems to be having less of an influence than had been expected just a few months ago. Given these circumstances, we believe a net growth rate of the German TV advertising market of two to three percent is realistic. Based on current bookings, we expect to increase our advertising revenues again in fiscal 2007. The ProSiebenSat.1 Group projects that it can achieve above-average growth in TV advertising revenues, and can thus expand its lead in the German TV market, provided that the family of stations will achieve the planned ratings.

Sports events like the Olympics, the European Soccer Championships and the next Soccer World Cup foretell a good impetus for the advertising market in 2008 and 2010 that is also likely to benefit the TV market. But given advertising clients' habit of booking at short notice, long-term projections for the TV advertising market are always subject to reservations. We assume growth could similar to 2007.

Net TV Advertising
In percent



*ProSiebenSat.1 estimates
**ZAW - data for 2005 is not comparable due to the change of the assessment basis from the previous year. ProSiebenSat.1 Media AG therefore calculates with adjusted data and assumes an actual growth rate of 0.5%.

We will be developing new ideas and programming again this year and next, and will improve Group stations' programming quality still further by obtaining exclusive licenses. Our aim is to build our audience share among the key 14-to-49 demographic even further from its already high level of around 30 percent.

Transaction TV and Other Diversification segments

The ProSiebenSat.1 Group's objective is to make the most of new distribution channels to expand its services. The Group will especially serve the new usage habits of the generations that have grown up with the Internet and mobile phones. This approach carried us forward both strategically and operationally during 2006. In maxdome, last year we launched the largest video-on-demand portal in the German market. And we are planning to broaden our activities in this market – a new one to us – by expanding our services there. Pay TV is an additional new market that we entered last year, with two new channels. Here we are evaluating how additional pay TV services might strengthen our family of brands.

In ProSiebenSat.1 Networld, the ProSiebenSat.1 Group provides one of the largest online networks in the German market. Last year we expanded our involvement in the attractive Internet growth market by acquiring a stake in the online communities MyVideo and lokalisten.de. Our strategy is to grow in this sector both organically and with further equity investments or acquisitions.

Subsequent Events

The ProSiebenSat.1 Group is now Germany's largest provider of content for mobile TV. The Group views cell phones as an attractive distribution channel for moving-picture content, and is planning to expand its position in this market still further. We have applied for broadcasting licenses on the DVB-H network. We are in the process of developing new programming especially for mobile TV. And in "mobisodes" – short series of episodes lasting only a few minutes, shown on the cell phone – we will be presenting new products in the next few months. Mobile TV on the cell phone allows us to reach viewers anywhere, anytime. And cell phones also offer a way to post content on the Internet from any situation. We plan to make the most of these technical capabilities with innovative, bundled services. For example, in 2007 the MyVideo community will become accessible via mobile phone. Beginning in January, clips from MyVideo were already being shown on ProSiebenSat.1 Mobile. Then up to five new videos will be shown up to 40 times every day, rotating among the programming blocks on mobile TV. This will offer viewers a selection of the best, most heavily viewed videos that have been posted on MyVideo. No matter what the time or place, viewers can upload and download videos, and at the same time post their opinions of other clips. We will also be integrating lokalisten.de more fully into our operations during 2007.

The ProSiebenSat.1 Group is pursuing new paths in advertising as well. With innovative concepts like the Betty interactive remote control, advertising-on-demand on maxdome, and user-generated advertising on MyVideo, the company offers advertisers new options for reaching customers and marketing their products.

Another innovation in conventional advertising is VisibleWorld, which is slated to be launched in a three-month test phase for six clients in the first quarter of 2007. As a first phase, it will offer dynamic TV spots. A second step is planned for 2008 – regionalization of TV advertising. This advertising concept will provide a competitive advantage for the ProSiebenSat.1 Group, because through VisibleWorld, the Group will be the first TV corporation to offer a kind of modularized system with which TV spots can be tailored to specific situations and specific regions.

Other aspects that will increase in importance are the digital distribution of entertainment content, and the concept of in-game advertising. The first gaming portal, Sat.1Spiele.de, was launched in the fall of 2006. The SevenGames.de portal has followed in February 2007. Additionally, the first quarter of 2007 will see the launch of the new In-Game Advertising marketing unit.

We expect the Transaction TV segment to perform well also. In fiscal 2007, 9Live will highlight its core competence as a leading provider of call-TV programming, with an events strategy and by developing new light-entertainment formats. Each month, it plans to offer an event covered by a specific theme slogan, and offering the opportunity for especially high winnings. The quiz station will also stand out even more clearly from its competitors through innovative TV programming. Organizationally, 9Live will become the Group's central service provider for all telephone-based interactive applications. As part of this change, as of January 1, 2007, the iTV segment, formerly a part of SevenOne Intermedia, has been integrated into 9Live.

The iTV unit handles all the stations' Audiotex and premium added-value business, the call TV windows on ProSieben, Sat.1, and kabel eins, and the cooperative projects with Betty and Blucom. Pooling activities at 9Live will make it possible to develop and implement innovative technical applications even more effectively for the domestic and international market. 9Live will offer its profound technical know-how and expertise in game development not just to the Group, but to third parties.

Expected Group results of operations, financial position and net assets

Profitable growth at the ProSiebenSat.1 Group will be supported primarily by our main line of business, advertising-financed television. Additionally, the further expansion of activities in the Diversification unit will have a positive impact on the Group's revenues and earnings. We assume that services in transaction TV and our Internet, teletext and merchandising operations will contribute to growth. Additionally, our latest pay TV and video-on-demand services will also help increase the Group's revenues and earnings. We particularly foresee additional revenue potential in the mobile TV sector.

Given these conditions, and with the reinforcement provided by the uptrends in the TV advertising market, we expect Group revenues and earnings to rise in 2007. Additionally, we will systematically further pursue programs to enhance efficiency in all areas. Such projects as the relocation of 9Live to headquarters in Unterföhring and the shared use of studios yielded closer cooperation and a better utilization of resources in fiscal 2006.

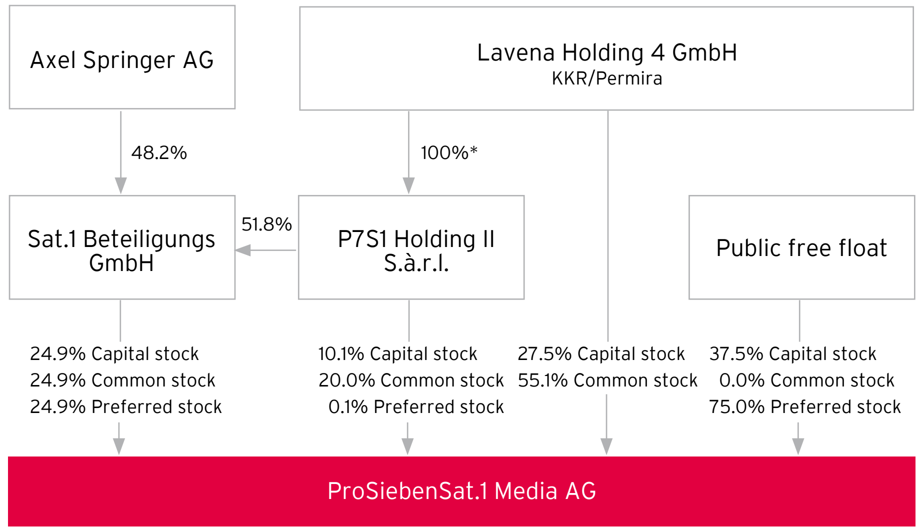
Stake in solute GmbH

If our expectations about economic conditions are realized, the Diversification unit will contribute up to 15 percent to Group revenues for the current year. Apart from organic growth, external growth from carefully chosen equity investments and acquisitions will strengthen the Diversification unit still further.

We will vigorously pursue our strategic objectives. We expect revenues and earnings to improve still further in both units in 2008. Apart from careful cost control, the increasing networking of our activities, in tandem with knowledge transfers within the Group, will generate synergies and further improve the Group's operating results.

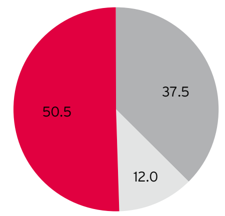
The early redemption of our high-interest bond issue in July 2006 has reduced financial costs for the long term. The syndicated credit facility for EUR 500 million, together with our EUR 150 million corporate bond, has secures the liquidity of the ProSiebenSat.1 Group for the long term. The Group will continue to ensure a solid capital structure in the future. We plan to continue our previous dividend policy so that our shareholders can enjoy the benefits of our good business performance.

New ownership structure



*indirectly held

Split of capital stock
In percent

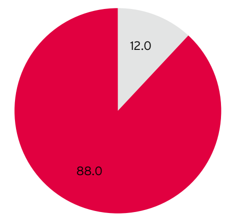


Public free float
Axel Springer AG
Lavena Holding 4 GmbH

Lavena Holding 4 GmbH, which is controlled by funds advised by KKR (Kohlberg Kravis Roberts) and Permira (Permira Beteiligungs GmbH), has announced in December 2006 that it will be taking over all shares in our Group held by German Media Partners. The completion of the share purchase agreement was subject to antitrust and media regulatory clearances. Approval was granted in February 2007. After completion of the transaction on March 6, 2007, Lavena Holding 4 GmbH holds 50.5 percent of the share capital of ProSiebenSat.1 Media AG and is thus the new principal shareholder.

Subsequent Events

Split of common stock
In percent



Axel Springer AG
Lavena Holding 4 GmbH

A matter of particular importance to us is that KKR and Permira fully support our current strategy of strengthening the core business in free TV, diversifying our sources of revenue, and preparing the Group for the digital world. In addition, our new principal shareholder will open up additional strategic prospects for our Corporation. KKR/Permira is considering a business combination of the ProSiebenSat.1 Group with the SBS Broadcasting Group to create a European TV corporation. SBS, a portfolio company owned by KKR and Permira, is a leading integrated pan-European TV group. As the core of a new European TV corporation, we would be able to pursue our successful corporate strategy still further and expand it on an international level.

Programming Outlook

ProSieben: TV for the young media generation

New variety shows and series, crime shows and magazine shows, TV movies and first-rate Hollywood blockbusters – they'll all be on ProSieben in 2007. At the end of January, a contestant beat Stefan Raab for the first time on his show "Schlag den Raab," and happily carried EUR 1.5 million home with him to Augsburg. Raab will have a chance for a rematch in April. Beginning in early March, Heidi Klum will continue her search for the next generation of fashion models on "Germany's Next Topmodel." And Oliver Welke will offer a very special kind of competition on "Besserwisser – Die große Show des unnützen Wissens," where celebrities like Oliver Kalkofe have to answer questions about subtle points of useless knowledge. The "ProSieben Märchenstunde," with its cast of celebrities, will provide light entertainment in the first half. And serial comedy will be available from the cult hits "Switch Reloaded," a dark satire on TV, and "Stromberg," now in its third season, which will focus intently on the mysterious female sex. A newcomer to ProSieben will be "Dr. Psycho," with Christian Ulmen – a crime series with a twist. Aiman Abdallah has been exploring the mysteries of our world since early 2007 on "Galileo Mystery." Each week he sets out to track down some of the great mysteries of history. To celebrate the 20th birthday of "The Simpsons," Marge is getting dubbed by a new actress – Anke Engelke. It goes without saying that fans of blockbusters and TV movies will also have a field day on ProSieben again in 2007. Highlights of the first few months will include "Million Dollar Baby," "Spider-Man 2," "Shrek 2," "13 Going on 30," "The Passion of the Christ," "Starsky & Hutch," and "Finding Nemo."

Sat.1: New series, major in-house productions, and top-notch entertainment for the whole family

Sat.1 continues to meet the public's demand for new, exciting and entertaining programming in 2007. New programs include up-to-date domestically produced shows like "GSG 9," about a five-man German special police squad, and "R.I.S. – Die Sprache der Toten," about an investigative team that tracks down killers using the latest scientific methods. Ottfried Fischer, who plays a cop in „Der Bulle von Tölz," returns at the end of February with new cases and a new partner Katharina Abt. Viewer favorite Cristoph M. Ohrt plays a prominent politician who ends up a small town in the new Sat.1 series "Allein unter Bauern." Domestic TV movies premiering on Sat.1 include „Unter Mordverdacht - Ich kämpfe um uns," „Mord auf Rezept" and „Wie küsst man einen Millionär?". In the tradition of major Sat.1 miniseries events, "Der geheimnisvolle Schatz von Troja" starring Heino Ferch and Mélanie Doutey will run in March on Sat.1. The new comedy "Deutschland ist schön – Die Allstar Comedy" presented by Jürgen von der Lippe starts in February, there will be a new variety show called „SASHA - DIE SHOW," and telenovela fans can look forward to Lisa Plenske's return as Alexandra Neldel in „Verliebt in Berlin" starting in April. Other promising new shows in the first half of 2007 are the elaborately produced U.S. series „Ugly Betty," winner of two Golden Globes, as well as the comedy series „Hilfe Hochzeit! Die schlimmste Woche meines Lebens" starring Christoph Maria Herbst.

kabel eins: Premium-quality television events

In its fifteenth year, kabel eins continues to bring viewers high quality television events in all programming segments. In early February there was the highly successful German premiere of the BBC series "Life on Mars." Fans of "The King of Queens" can look forward to seeing the ninth season of the popular sitcom, which has its German premiere in 2007. Likewise premiering on German TV are the second seasons of the mystery series "Medium" and "Ghost Whisperer." Following the success of "FALCO – die Show" in February, more major evening events are scheduled featuring James Bond as well as the Beatles. "Funday Monday" is the slogan for an intense entertainment lineup on Monday nights: In February Mike Krüger will lure the unaware into hilarious traps in "Der Comedy-Flüsterer," followed by Lou Richter giving his hapless victims 24 hours they'll never forget in "Mein schlimmster Tag". In the information segment, kabel eins will show new episodes of the successful news series "Mein neues Leben": new episodes will also be broadcast in a two-hour slot on Sunday at 8:15 p.m. Due to the success of "Abenteuer Leben – Täglich Wissen," it will be expanded to one hour starting at the end of February. In addition, host Christian Mürau goes in search of the perfect meal in four primetime broadcasts of "Abenteuer Leben Spezial – So isst Deutschland." But the core of the programming remains "the best films of all time," including "American Beauty," "Four Weddings and a Funeral," "Anatomie," "As Good As It Gets," "While You Were Sleeping" and "Goldfinger."

N24: Fast, clear, expert

In 2007 N24 will increase its business and stock market reporting. With new shows like "Börse am Mittag" and "Börse am Abend," N24 is expanding its reporting of business news, and meeting the increasing demand for coverage of the stock market. In cooperation with Europe's leading financial network CNBC Europe, N24 offers viewers interested in financial news the exclusive analyses of Europe's best stock market reporters. Moreover, N24 has managed to get prominent host Bärbel Schäfer to take over for Arabella Kiesbauer. Since mid-January she has hosted the program "Talk ohne Show," discussing the latest topics of the week with two guests every Tuesday. Thus N24 has added another well-known personality with proven talk-show expertise to its series of 11:30 p.m. talk shows. Dieter Kronzucker will host "Menschen und Mythen" in 2007, a new magazine series on N24. Reporter Kronzucker shows fascinating pieces from the realm of legend and provides intriguing insights into their historical contexts. Astrid Frohloff, for many years anchor of the main Sat.1 news broadcast "18:30," returns to the TV screen. The well-known TV moderator will present the magazine "N24 Wissen" starting March 1, 2007. This magazine is one of N24's most successful shows, offering in-depth background reports about science and technology.

ProSiebenSat.1 Media AG
Executive Board

Unterföhring, March 7, 2007

FINANCIAL STATEMENTS

Auditor's Report

We have audited the consolidated financial statements prepared by ProSiebenSat.1 Media AG, Unterföhring, 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 fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a, para. 1 HGB are the responsibility of the parent company`s legal representatives. 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 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 the 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 IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a, para. 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.

Munich, March 7, 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Hoyos	Richardt
Auditor	Auditor

Annual Financial Statements

Consolidated income statement for ProSiebenSat.1 Media AG

EUR k			2006	2005	Change	Change in %
1.	Revenues	[7]	2,104,556	1,989,597	114,959	6%
2.	Cost of sales	[8]	-1,301,011	-1,275,224	25,787	2%
3.	**Gross profit**		803,545	714,373	89,172	12%
4.	Selling expenses	[9]	-223,658	-210,105	13,553	6%
5.	Administrative expenses	[10]	-147,734	-134,960	12,774	9%
6.	Other operating income	[11]	12,120	14,383	-2,263	-16%
7.	**Operating profit**		444,273	383,691	60,582	16%
8.	Result from equity interests	[12]	3,995	4,318	-323	-7%
9.	Net interest and similar income	[13]	3,931	3,603	328	9%
10.	Net interest and other expenses	[13]	-46,873	-50,111	-3,238	-6%
11.	Income from financial instruments		- / -	9,213	-9,213	-100%
12.	Income from securities and loans of financial assets	[14]	257	2,642	-2,385	-90%
13.	Other financial expenses	[15]	-18,848	-2,678	16,170	604%
14.	**Financial loss**		-57,538	-33,013	-24,525	-74%
15.	**Income from ordinary business activities**		386,735	350,678	36,057	10%
16.	Income taxes	[16]	-142,879	-129,069	13,810	11%
17.	**Consolidated profit for the year**		243,856	221,609	22,247	10%
	attributable to					
	Shareholders of ProSiebenSat.1 Media AG		240,667	220,939	19,728	9%
	Minorities		3,189	670	2,519	376%
EUR						
	Basic and diluted earnings per share of common stock according to IAS 33	[17]	1.09	1.00	0.09	9%
	Basic and diluted earnings per share of preferred stock according to IAS 33	[17]	1.11	1.02	0.09	9%

Consolidated balance sheet of ProSiebenSat.1 Media AG

ASSETS

EUR k			12/31/2006	12/31/2005	Change
A.	**Noncurrent assets**				
I.	Intangible assets	[19]	327,557	329,772	-2,215
II.	Property, plant and equipment	[20]	228,646	235,664	-7,018
III.	Financial assets	[21]	13,348	3,864	9,484
IV.	Programming assets	[22]	300,196	253,596	46,600
V.	Accounts receivable and other long-term assets	[24]	1,560	3,298	-1,738
			871,307	**826,194**	**45,113**
B.	**Current assets**				
I.	Programming assets	[22]	756,121	803,888	-47,767
II.	Inventories	[23]	4,306	4,473	-167
III.	Accounts receivable and other short-term assets	[24]	236,615	222,019	14,596
IV.	Marketable securities	[25]	252	2,446	-2,194
V.	Cash, cash at bank	[25]	63,540	157,556	-94,016
			1,060,834	**1,190,382**	**-129,548**
	Total assets		**1,932,141**	**2,016,576**	**-84,435**

LIABILITIES AND SHAREHOLDERS' EQUITY

EUR k			12/31/2006	12/31/2005	Change
A.	**Shareholders' equity**	[26]			
I.	Subscribed capital		218,797	218,797	- / -
II.	Capital reserves		584,537	579,965	4,572
III.	Group equity generated		445,743	386,678	59,065
IV.	Accumulated other Group equity		-9,602	4,224	-13,826
V.	Minority interests	[30]	1,049	-1,915	2,964
			1,240,524	**1,187,749**	**52,775**
B.	**Noncurrent liabilities**				
I.	Long-term financial liabilities	[33]	183,959	382,658	-198,699
II.	Provisions	[31,32]	5,970	6,521	-561
III.	Other liabilities	[33]	116,875	123,046	-6,171
IV.	Deferred taxes	[16]	789	450	339
			307,593	**512,675**	**-205,092**
C.	**Current liabilities**				
I.	Short-term financial liabilities	[33]	1,602	4,577	-2,975
II.	Provisions	[32]	93,349	49,701	43,658
III.	Other liabilities	[33]	289,073	261,874	27,199
			384,024	**316,152**	**67,875**
	Total liabilities and shareholders' equity		**1,932,141**	**2,016,576**	**-84,435**

ProSiebenSat.1 Group cash flow statement

EUR k	2006	2005
Consolidated profit	**240,667**	**220,939**
Depreciation, amortization and impairment/write-ups of noncurrent and current assets	40,044	35,881
Consumption/write-ups of programming assets	938,089	937,370
Change in tax provisions (incl. change in deferred taxes)	29,955	22,089
Change in other provisions	22,119	-659
Result from equity accounting and other noncash relevant changes within financial assets	-2,363	-6,877
Result from sale of fixed assets	74	-52
Result from sale of programming assets	- / -	-2
Other noncash income/expenses	4,572	1,544
Cash flow	**1,273,157**	**1,210,233**
Change in inventories	167	516
Change in non-interest-bearing receivables and other assets	-10,198	-26,882
Change in non-interest-bearing liabilities	8,845	-18,050
Cash flow from operating activities	**1,271,971**	**1,165,817**
Proceeds from disposal of noncurrent assets	4,033	2,535
Expenditures for intangible assets and property, plant and equipment	-28,872	-26,639
Expenditures for purchase of financial assets	-3,848	-963
Proceeds from disposal of programming assets	9,428	10,126
Expenditures for programming assets	-954,987	-907,261
Effects of changes in scope of consolidation	-8,320	-174,022
Other changes in equity	3,013	556
Cash flow from investing activities	**-979,553**	**-1,095,668**
Free cash flow	**292,418**	**70,149**
Dividend	-181,602	-63,451
Change of interest-bearing liabilities	-204,832	-189,153
Cash flow from financing activities	**-386,434**	**-252,604**
Change in cash and cash equivalents	**-94,016**	**-182,455**
Change in scope of consolidation in cash and cash equivalents	- / -	45,276
Cash and cash equivalents at beginning of year	157,556	294,735
Cash and cash equivalents as of December 31	**63,540**	**157,556**

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

EUR k	Subscribed capital	Capital reserves	Group equity generated	Accumulated other Group equity		Minority interests	Shareholders' equity
				Foreign currency translation adjustment	Valuation from cash flow hedges		
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
Stock option plan	- / -	1,544	- / -	- / -	- / -	- / -	1,544
Statement of recognised income and expense	- / -	- / -	- / -	-115	27,978	- / -	27,863
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**

Statement of changes in shareholders' equity of the ProSiebenSat.1 Group for 2006

EUR k	Subscribed capital	Capital reserves	Group equity generated	Accumulated other Group equity		Minority interests	Shareholders' equity
				Foreign currency translation adjustment	Valuation from cash flow hedges		
December 31, 2005	218,797	579,965	386,678	-250	4,474	-1,915	1,187,749
Dividends paid	- / -	- / -	-181,602	- / -	- / -	- / -	-181,602
Changes in scope of consolidation	- / -	- / -	- / -	- / -	- / -	-258	-258
Stock option plan	- / -	4,572	- / -	- / -	- / -	- / -	4,572
Statement of recognised income and expense	- / -	- / -	- / -	-208	-13,618	33	-13,793
Consolidated profit for the year	- / -	- / -	240,667	- / -	- / -	3,189	243,856
December 31, 2006	**218,797**	**584,537**	**445,743**	**-458**	**-9,144**	**1,049**	**1,240,524**

Statement of recognised income and expense

EUR k	2006	2005
Consolidated profit for the year	**243,856**	**221,609**
Cash-flow hedges	-21,965	45,127
Deferred taxes	8,347	-17,149
Change in foreign currency translation adjustments	-208	-115
Minority Interests	33	- / -
Total income and expense recognized in equity	**-13,793**	**27,863**
Total income and expense for the period	**230,063**	**249,472**
attributable to:		
Shareholders of ProSiebenSat.1 Media AG	226,841	248,802
Minorities	3,222	670

Notes: 2006 Consolidated Financial Statements ProSiebenSat.1 Group

Basis and Methodology

[1] Application of International Financial Reporting Standards (IFRS)

The consolidated financial statements of ProSiebenSat.1 Media AG for fiscal 2006 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 on the reporting date, December 31, 2006, as well as the supplemental provisions of German commercial law under Sec. 315a (1) of the German Commercial Code. All applicable interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for fiscal 2006 have been applied.

The following standards and/or interpretations have been added, revised or supplemented by the IASB. Their application was not yet mandatory for the period under review, and they have not been applied early.

- IFRS 7 ("Financial Instruments: Disclosures") and the amendment of IAS 1 ("Presentation of Financial Statements: Capital Disclosures")
- IFRIC 7 ("Applying the Restatement Approach under IAS 29: Financial Reporting in Hyperinflationary Economies")
- IFRIC 8 ("Scope of IFRS 2: Share-based Payment")
- IFRIC 9 ("Reassessment of Embedded Derivatives")
- IFRIC 10 ("Interim Financial Reporting and Impairment")
- IFRS 8 ("Operating Segments")
- IFRIC 11 ("IFRS 2 - Group and Treasury Share Transactions")
- IFRIC 12 ("Service Concession Arrangements")

IFRS 7 and the associated amendment of IAS 1 are mandatory for fiscal years beginning on or after January 1, 2007. The new standard requires companies to disclose information about the significance of financial instruments for their net assets, financial position and operating results, and also includes new requirements regarding the qualitative and quantitative reporting of risks associated with financial instruments. These new provisions will result in an expansion of the information about financial instruments in the notes to the financial statements.

Application of IFRIC 7 is mandatory for fiscal years beginning on or after March 1, 2006. It contains guidelines on how to apply IAS 29 when hyperinflation is first ascertained. IFRIC 8 clarifies that IFRS 2, "Share-based Payment," is also applicable to transactions in which an entity cannot clearly identify the consideration received in return. It is applicable for fiscal years beginning on or after May 1, 2006. These new interpretations have no implications for the financial statements of the ProSiebenSat.1 Group.

Application of IFRIC 9 is mandatory for fiscal years beginning on or after June 1, 2006. IFRIC 9 is intended to clarify how embedded derivatives under IAS 39 are to be treated in certain circumstances. The ProSiebenSat.1 Group has not yet completed its study of the implications of IFRIC 9, but does not expect IFRIC 9 to have a material impact on future consolidated financial statements.

IFRIC 10 is concerned with the interaction between the provisions of IAS 34, "Interim Financial Reporting," and the provisions for capturing impairments of goodwill (IAS 36) and of certain financial assets (IAS 39). Application of IFRIC 10 is mandatory for fiscal years beginning on or after November 1, 2006. These new provisions will result in an expansion of the ProSiebenSat.1 Group's interim reporting.

IFRS 8 converts segment reporting from the "risk and reward approach" under IAS 14 to the "management" approach. Application of IFRIC 8 is mandatory for fiscal years beginning on or after January 1, 2009. It may be applied earlier. IFRS 8 will have prospectively no impact on the future consolidated financial statements of ProSiebenSat.1 Media AG, because the Company's reporting already uses the management approach.

IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions" is to be applied for fiscal years beginning on or after March 1, 2007. The interpretation is concerned with how Groupwide share-based compensation is to be recognized, what impact transfers of employees within the group will have on reporting, and how share-based payments should be treated when an entity issues its own stock or must buy stock from a third party. IFRIC 11 is not expected to affect the net assets, financial position or operating results of the ProSiebenSat.1 Group.

IFRIC 12, "Service Concession Arrangements", is concerned with accounting for public infrastructure services provided by private companies. The interpretation is mandatory for fiscal years beginning on or after January 1, 2008. It may be applied earlier. IFRIC 12 will have no effects on future consolidated financial statements of the ProSiebenSat.1 Group.

The consolidated financial statements of ProSiebenSat.1 Media AG consist of the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, and the notes to the financial statements. The income statement is 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. Unless specifically indicated otherwise, all amounts are in thousands of euros (EUR k).

The preparation of accounts, valuation, explanations and information about the consolidated financial statements under IFRS for fiscal 2006 are generally based on the same accounting policies as the consolidated financial statements for 2005, except for those accounting standards whose application has been mandatory since January 1, 2006, and accounting standards that have been revised.

The fiscal year of ProSiebenSat.1 Media AG and its consolidated subsidiaries is the same as the calendar year. ProSiebenSat.1 Media AG is entered in the Companies Registration Office of Munich district court, and has its registered office and principal place of business in Unterföhring.

[2] Scope of consolidation

The number of subsidiaries included in the consolidated financial statements changed as follows in fiscal 2006:

	Domestic market	Foreign market	Total
Included at 12/31/2005	32	4	36
Newly founded/consolidated companies	6	1	7
Merged/disconsolidated companies	-2	- / -	-2
Included at 12/31/2006	**36**	**5**	41

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

Affiliated companies are listed on pages 207 and 208, along with the specific percentage of their capital held by the ProSiebenSat.1 Group.

Acquisition of Meteos TV Holding GmbH

Effective November 1, 2006, the Group acquired full ownership of Meteos TV Holding GmbH and its wholly-owned subsidiary Wetter Fernsehen GmbH. In December 2006, Wetter Fernsehen GmbH was renamed Wetter Fernsehen – Meteos GmbH. The total purchase price for the acquired ownership interest was EUR 443 thousand. The company was fully consolidated into the consolidated financial statements of ProSiebenSat.1 Media AG for the first time as of November 1, 2006. Wetter Fernsehen – Meteos GmbH operates a television station that primarily carries weather content; it also produces, sells and distributes weather-related media content on both radio and TV. The assets and liabilities of the ProSiebenSat.1 Group reflect the acquisition of Meteos TV Holding GmbH and Wetter Fernsehen – Meteos GmbH at the following values:

Meteos TV Holding GmbH and Wetter Fernsehen – Meteos GmbH: Fair value			
EUR k	Wetter Fernsehen	Step Up	Fair value
Intangible assets	166	- / -	166
Goodwill	- / -	1,397	1,397
Noncurrent assets excl. deferred taxes	23	- / -	23
Current assets incl. deferred taxes	233	333	566
Provisions and liabilities	-1,709	- / -	-1,709
Total			**443**
Purchase price of Wetter Fernsehen			443

The step-up (purchase price allocation) identified intangible assets that were not 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. These intangible assets are software licenses and relationships with advertising clients.

The revenues of the two acquired companies were EUR 1,568 thousend in 2006, the profit for the year 2006 came to EUR 198 thousand, thereof EUR 718 thousand for the period to that the companies belong to the ProSiebenSat.1 Group.

Acquisition of solute GmbH

After the end of the period under review, and effective February 1, 2007, SevenOne Intermedia GmbH acquired 74.8 percent of solute GmbH, based in Karlsruhe. The purchase price for the acquired ownership interest was EUR 2,800 thousand. solute GmbH is an Internet service provider that operates a price search engine at the Web address billiger.de.

Acquisition of Sat.1 Privatrundfunk und -programmgesellschaft m.b.H.

After the end of the fiscal year, Sat.1 Satelliten Fernsehen GmbH acquired a further 17.7 percent of Sat.1 Privatrundfunk und -programmgesellschaft m.b.H., of Vienna (Austria), effective February 1, 2007. It consequently holds a total of 51.0 percent of the acquired company, which had formerly been reported at equity, but will now be fully consolidated into the consolidated financial statements of ProSiebenSat.1 Media AG as of February 1, 2007. The total purchase price for the additional ownership interest was EUR 3,000 thousand. Sat.1 Privatrundfunk und -programmgesellschaft m.b.H. broadcasts TV programming produced by Sat.1 Satelliten Fernsehen GmbH, as a nationally syndicated schedule in Austria.

[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 at equity) 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, have been eliminated. Where individual companies' financial statements applied write-downs or write-offs on intra-Group receivables, such changes have been eliminated in the consolidated financial statements of ProSiebenSat.1 Media AG.

[4] Foreign currency conversion

The annual financial statements for SevenOne Media (Schweiz) AG, of Küsnacht, Switzerland, Sat.1 Schweiz AG, of Zurich, Switzerland, and ProSieben (Schweiz) AG, of Küsnacht, 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 all three 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 accumulated other 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 840 thousand (vs. an expense of EUR 524 thousand the year before) 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	
	12/31/2006	12/31/2005	2006	2005
Swiss Francs	1.61	1.56	1.58	1.55

[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.

Derivative financial instruments are reported at fair value in the balance sheet, 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 derecognized. The hedge gains or losses accumulated in equity up to that time 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, 2006.

[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 call revenues from transaction television, revenues from the marketing of rights and other merchandising services, revenues from Pay TV activities, the sale of Club articles, 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 sufficiently 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 received bartered item or service, and may be adjusted with an additional cash payment. Barter transactions at the ProSiebenSat.1 Group are primarily 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 sufficiently the economic benefit. Operating expenses are recognized at the time when the service is utilized 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 is 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 has been impaired when its carrying amount exceeds its recoverable value. The recoverable value 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 value 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 and the cost of the asset can be measured reliably. Unless an asset has an indefinite useful life, it undergoes 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 production cost. Based on the pattern of usage, 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 value 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.

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 usage, 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
Technical office 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 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, 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 re-

sulting 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 production.

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

Unless receivables and other current assets are held for trading, they are recognized at their amortized cost as of the balance sheet date. 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.

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, as far as 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 if a present obligation to third parties has arisen as a result of a past event, if payment is probable, and if the amount of the payment can be estimated reliably. Provisions represent uncertain liabilities that are recognized in an amount measured by a best estimate.

In measuring pension provisions, obligations from direct pension commitments are calculated by determining the present value of expected future payments, adjusted for future changes in benefits. 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.

	2006
Actuarial interest rate	4.5 %
Rate of pension progression	1.0 %

All commitments were made in 2005 and 2006 respectively. Pension obligations were measured using the biometric calculation data provided in the 2005G guideline tables prepared by Prof. Dr. Klaus Heubeck.

Provisions for contingent losses are recognized primarily for programming assets whose license term begins after December 31, 2006, 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.

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. Leases that do not qualify as finance leases are considered operating leases. 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 reported 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 listed in IAS 17.4. 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 for the recognized liability. 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" and 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	2006	2005
Advertising revenues	1,876,040	1,836,082
Barter deals	24,002	26,294
Other revenues	204,514	127,221
Total	**2,104,556**	**1,989,597**

The ProSiebenSat.1 Group's revenues of EUR 2,104,556 thousand derive mainly from advertising, and are earned almost entirely within the Federal Republic of Germany.

Group revenues grew by EUR 114,959 thousand, or 6 percent, from EUR 1,989,597 thousand in fiscal 2005 to EUR 2,104,556 thousand in fiscal 2006. The increase was the result of rising demand for advertising in the German television market, and to the consolidation of 9Live Fernsehen GmbH for the full fiscal year in 2006. In 2005, 9Live Fernsehen GmbH was consolidated for the first time as of June 1, and was therefore included only for the period from June through December.

Overall, the Group's conventional advertising revenues were up EUR 39,958 thousand, from EUR 1,836,082 thousand to EUR 1,876,040 thousand – a gain of 2 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	2006	2005
Scheduled consumption of programming assets	862,936	870,789
Unscheduled consumption of programming assets	75,153	66,634
Additions to provisions for contigent losses	7,875	9,742
Total	**945,964**	**947,165**

Despite lower consumption of programming assets, the cost of sales rose EUR 25,787 thousand in all, from EUR 1,275,224 thousand in 2005 to EUR 1,301,011 thousand in 2006. Most of the increase resulted from the full consolidation of 9Live Fernsehen GmbH and the intensified production activity of Producers at work GmbH.

[9] Selling expenses

Selling expenses are mainly broadcasting expenses, distribution fees and advertising expenses. In all, selling expenses rose EUR 13,553 thousand against the year before, from EUR 210,105 thousand in fiscal 2005 to EUR 223,658 thousand in fiscal 2006. Most of the increase was due to higher personnel expenses for selling, write-downs of intangible assets capitalized as part of the step-up for the Euvia Group, and higher broadcasting expenses and transmission fees resulting from the consolidation of 9Live Fernsehen GmbH for the full 2006 fiscal year.

[10] Administrative expenses

This item represents all costs of general administration activities. These include personnel expenses, expenses for the IT and building management. Administrative expenses rose from EUR 134,960 thousand in fiscal 2005 to EUR 147,734 thousand in fiscal 2006. Most of the EUR 12,774 thousand increase resulted from higher personnel expenses.

[11] Other operating income

Other operating income declined EUR 2,263 thousand, or 16 percent, from EUR 14,383 thousand in fiscal 2005 to EUR 12,120 thousand in fiscal 2006. Most of the decrease came from a released badwill in 2005 as a consequence of the first consolidation of Sat.1 Schweiz AG and the subsequent acquisition of Sat.1 Bayern GmbH.

[12] Income from equity investments

EUR k	2006	2005
Income from equity interests	81	- / -
Expenses due to transfer of loss	- / -	-1,066
Income from equity interests in associated companies	3,914	5,384
Total	**3,995**	**4.318**

Income from companies in which an equity investment is held came to EUR 3,995 thousand in fiscal 2006. The income for the previous year was EUR 4,318 thousand. The new figure represents a decline of EUR 323 thousand. Income from associated companies in 2005 included income from the at-equity measurement of the Euvia Group up to the time of that group's first full consolidation as of June 1, 2005.

[13] Net interest

EUR k	2006	2005
Other interest and similiar income	3,931	3,603
Interest and similiar expenses	-46,873	-50,111
Total	**-42,942**	**-46,508**

The net interest expense narrowed to EUR -42,942 thousand in fiscal 2006, following the previous year's EUR -46,508 thousand.

Total interest expenses were down from EUR 50,111 thousand to EUR 46,873 thousand. Most of the EUR 3,238 thousand decrease resulted from the redemption of a bond issue with a total par value of EUR 200,000 thousand. A countering factor was anticipated interest on future tax payments from external tax audits still in progress.

The largest single item of interest income was the interest income of EUR 3,593 thousand from time deposits. The primary interest expense items pertain to interest on bond issues and interest paid on taxes, finance leases and loans.

[14] Other financial income

EUR k	2006	2005
Income from securities and loans of financial assets	258	3,679
Write-downs of financial assets and current securities	-1	-1,037
Total	**257**	**2,642**

Income from other securities and from loans of noncurrent financial assets decreased to EUR 258 thousand during the year, following EUR 3,679 thousand in 2005.

[15] Other financial expenses

Other financial expenses consist entirely of the cost of incurred or retired financial liabilities.

[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	2006	2005
Current Income tax expenses	133,877	113,795
Deferred tax expenses	9,002	15,274
Total	**142,879**	**129,069**

The principal reason for the growth in current taxes was the improvement in the Group's earnings situation during the year. The income tax expense for the year under review includes neither expenses nor income resulting from changes in accounting principles.

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	2006	2005
Consolidated pre-tax profit	386,735	350,678
Statutory tax rate	38,0%	38,0%
Expected tax expenditure	146,959	133,258
Differences in tax rate		
Tax results due to tax rate changes	- / -	- / -
Tax results referring to differences in foreign tax ratse	-4,490	-3,279
At equity valuation	-887	-896
Tax results referring to differences in taxable base		
Amortization of goodwill with no tax impact	- / -	- / -
Permanent differences	5,302	539
Other tax-free revenues	-202	-491
Recognition and measurement of deferred tax assets		
Provisions against deferred taxes	-452	-2,328
Aperiodic effects		
Current and deferred taxes for previous years [partially from tax audits]	20,339	3,109
Corporate tax assets	-23,340	- / -
Others	-350	-843
Actual total tax expenditure	**142,879**	**129,069**

The distribution for 2005 lowered the corporate income tax credit by EUR 2,275 thousand, to EUR 29,587 thousand as of December 31, 2006. A change in the Corporate Income Tax Act means that in the future, corporate income tax credits will be paid out irrespective of distributions.

From 2008 onward, the tax credit will be paid out in ten equal annual installments. The resulting receivable was recognized at present value at December 31, 2006.

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

EUR k	2006		2005	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	8,518	14,849	7,234	5,906
Property, plant and equipment	- / -	46,434	- / -	47,284
Financial assets	3,339	149	4,810	100
Inventories and other assets	3,862	4,260	1,737	5,681
Programming assets	5,602	4,230	2,330	4,133
Pension provisions	- / -	215	- / -	328
Provisions	5,442	152	4,753	414
Liabilities	50,722	4,122	47,050	10,666
Loss carry-forwards	2,761	- / -	5,561	- / -
Stock option plan	2,324	8,948	587	- / -
Netting	-82,570	-82,570	-74,062	-74,062
Total	**- / -**	**789**	**- / -**	**450**

Deferred tax assets for tax loss carry-forwards decreased EUR 2,800 thousand against the year before. Most of the change came from the use of loss carry-forwards at Art-Merchandising & Media AG and 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. No deferred tax assets were formed for loss carry-forwards from periods before a company joined the Group. In all, deductions for tax loss carry-forwards came to EUR 4,087 thousand as of December 31, 2006, compared to the previous year's EUR 10,983 thousand.

In compliance with IAS 12.39, no deferred tax items for outside basis differences were formed for equity investments in subsidiaries and associates, since the reversal of temporary differences can be controlled, and it is not likely that the temporary differences will be reversed in the foreseeable future. No deferred tax items for outside basis differences were formed for companies reported at equity because such amounts were of minor importance. Deferred tax assets included in equity, with no impact on earnings, pertain particularly to currency derivatives, and came to EUR 8,347 thousand, compared to the previous year's deferred tax liabilities of EUR 7,136 thousand.

[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.

		2006	2005
Consolidated profit after minority interests	EUR k	240,667	220,939
Weighted average number of shares outstanding		218,797,200	218,797,200
Share of profits attributable to common stock	EUR k	119,240	109,376
Share of profits attributable to preferred stock	EUR k	121,427	111,563
Weighted average number of shares of common stock outstanding		109,398,600	109,398,600
Weighted average number of shares of preferred stock outstanding		109,398,600	109,398,600
Basic [=diluted] earnings per share of common stock	EUR	1.09	1.00
Basic [=diluted] earnings per share of preferred stock	EUR	1.11	1.02

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	2006	2005
Wages and salaries	204,508	183,662
thereof expenses for the stock option plan	4,572	1,544
Social security contributions and expenses for pensions and other employee benefits	30,964	28,952
thereof pension provisions	1,100	994
Total	**235,472**	**212,614**

Personnel expenses rose 11 percent against the previous year, from EUR 212,614 thousand in fiscal 2005 to EUR 235,472 thousand in 2006. The increase resulted from the growth of the Group's workforce and the first consolidation of 9Live Fernsehen GmbH for a full fiscal year. Another reason was the rise in expenses for the second cycle of the stock option plan at ProSiebenSat.1 Media AG. Employer contributions to the public retirement insurance system totaled EUR 12,955 thousand in fiscal 2006.

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

	2006	2005
Employees	2,976	2,788
Trainees and interns	367	302
Total	**3,343**	**3,090**

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	2006	2005
Scheduled amortization of intangible assets	15,691	12,013
Scheduled depreciation of property, plant and equipment	24,085	22,709
Unscheduled amortization of intangible assets	267	60
Unscheduled depreciation of property, plant and equipment	- / -	65
Total	**40,043**	**34,847**

Amortization of intangible noncurrent assets and depreciation of property, plant and equipment was up from EUR 34,847 thousand for the previous period to EUR 40,043 thousand for the period under review. This represents a rise of EUR 5,196 thousand, or 15 percent. A major factor behind the increase was the amortization of intangible assets found in the step-up for 9Live in fiscal 2005. Because 9Live Fernsehen GmbH was first consolidated as of June 1 of that year, this amortization covered only seven months of 2005.

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 / Initial inventory 01/01/2006	**99,452**	**351,035**	**5,531**	**456,018**
Changes in scope of consolidation	346	3,131	84	3,561
Additions	8,840	- / -	1,713	10,553
Reclassifications	4,148	- / -	-4,239	-91
Disposals	2,580	- / -	84	2,664
Final inventory 12/31/2006	**110,206**	**354,166**	**3,005**	**467,377**
Amortization				
Initial inventory 01/01/2005	**29,491**	**85,310**	**- / -**	**114,801**
Changes in scope of consolidation	1,884	- / -	- / -	1,884
Additions *)	12,073	- / -	- / -	12,703
Disposals	2,512	- / -	- / -	2,512
Final inventory 12/31/2005 / Initial inventory 01/01/2006	**40,936**	**85,310**	**- / -**	**126,246**
Changes in scope of consolidation	195	- / -	70	265
Additions *)	15,958	- / -	- / -	15,958
Disposals	2,579	- / -	70	2,649
Final inventory 12/31/2006	**54,510**	**85,310**	**- / -**	**139,820**
Book value 12/31/2006	**55,696**	**268,856**	**3,005**	**327,557**
Book value 12/31/2005	58,516	265,725	5,531	329,772

*) Unscheduled amortization of EUR 133 thousand (vs. EUR 34 thousand) is shown in administrative expenses and EUR 134 thousand (vs. EUR 26 thousand) in cost of sales.

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.

For purposes of testing impairment, goodwill, as well as brands and other rights with unlimited useful lives, are allocated to cash-generating units (CGUs). The following table shows the principal goodwill and brands of the ProSiebenSat.1 Group that are allocated to CGUs:

EUR k	12/31/2006		12/31/2005	
Cash generating unit	Brands	Goodwill	Brands	Goodwill
9Live	11,185	223,927	11,185	223,927
kabel eins	- / -	26,087	- / -	26,087
Multimedia activities	1,001	18,842	1,001	15,711

The recoverable value of a CGU is determined by calculating the present value of its future benefits. Goodwill, brands and other rights with an indeterminate useful life are tested for impairment on the basis of future estimated cash flows derived from budget projections. The projections are based on a financial planning horizon of five years. To determine the value added for the terminal value (value added from fiscal 2012 onward), sustained cash flows with a growth rate of 1.5 percent and 2 percent are assumed, as applicable. The growth rate reflects the long-term expectation for each CGU. The discount rates are calculated on the basis of the weighted cost of capital for the Group, with due allowance for characteristics specific to the CGUs in question. The impairment tests resulted in no unscheduled write-downs of goodwill, brands, or other rights with an indeterminate useful life.

The value of intangible assets declined EUR 2,215 thousand, from EUR 329,772 thousand on December 31, 2005, to EUR 327,557 thousand on December 31, 2006.

[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 / Initial inventory 01/01/2006	**305,977**	**135,538**	**62,395**	**1,193**	505,103
Exchange rate differences	- / -	-10	-16	- / -	-26
Changes in scope of consolidation	- / -	- / -	184	- / -	184
Additions	410	14,837	1,730	1,368	18,345
Reclassifications	16	668	91	-684	91
Disposals	48	6,904	2,097	1,093	10,142
Final inventory 12/31/2006	**306,355**	**144,129**	**62,287**	**784**	**513,555**
Depreciation					
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 / Initial inventory 01/01/2006	**99,976**	**116,988**	**52,475**	**- / -**	**269,439**
Exchange rate differences	- / -	-10	-13	- / -	-23
Changes in scope of consolidation	- / -	- / -	161	- / -	161
Additions *)	9,353	11,936	2,798	- / -	24,087
Disposals	39	6,845	1,871	- / -	8,755
Final inventory 12/31/2006	**109,290**	**122,069**	**53,550**	**- / -**	**284,909**
Book value 12/31/2006	**197,065**	**22,060**	**8,737**	**784**	**228,646**
Book value 12/31/2005	206,001	18,550	9,920	1,193	235,664

*) No unscheduled depreciation was taken in fiscal 2006, as against unscheduled depreciation of EUR 65 thousand in 2005, which was shown in administrative expenses.

The value of property, plant and equipment declined from EUR 235,664 thousand on December 31, 2005, to EUR 228,646 thousand as of December 31, 2006. Most of the reduction of EUR 7,018 thousand comes from lower expenditures in this category of assets, in comparison to the depreciation taken. Property, plant and equipment includes leased real estate for a value of EUR 122,196 thousand (vs. EUR 124,428 thousand) whose underlying 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 lockdown 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 GmbH and an external service provider for the provision and use of an IT platform. This is also treated as a finance lease under IFRS. On the basis of this lease, EUR 378 thousand (vs. EUR 944 thousand) was capitalized as property, plant and equipment as of December 31, 2006.

The interest expense on finance leases for fiscal 2006 was EUR 6,632 thousand (vs. EUR 6,816 thousand) and the associated depreciation was EUR 2,798 thousand (vs. EUR 2,798 thousand).

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 12/31/2006	Total 12/31/2005
Property, plant and equipment					
Minimum lease payment	10,191	38,997	82,416	131,604	141,389
Share of interest ref. to minimum lease payment	6,436	23,530	33,675	63,641	70,273
Present value of minimum lease payment	3,755	15,467	48,741	67,963	71,116

[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 / Initial inventory 01/01/2006	**88**	**5,754**	**821**	**256**	**9**	**3,326**	**10,254**
Changes in scope of consolidation	- / -	6,000	- / -	- / -	- / -	- / -	6,000
Additions	- / -	2,386	- / -	- / -	2,729	1,119	6,234
Disposals	- / -	1,617	557	256	- / -	2,535	4,965
Final inventory 12/31/2006	**88**	**12,523**	**264**	**- / -**	**2,738**	**1,910**	**17,523**
Write-downs							
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 / Initial inventory 01/01/2006	**- / -**	**3,199**	**590**	**256**	**- / -**	**2,345**	**6,390**
Changes in scope of consolidation	- / -	- / -	- / -	- / -	- / -	- / -	- / -
Additions	- / -	- / -	- / -	- / -	1	- / -	1
Disposals	- / -	- / -	510	256	- / -	1,450	2,216
Final inventory 12/31/2006	**- / -**	**3,199**	**80**	**- / -**	**1**	**895**	**4,175**
Book value 12/31/2006	**88**	**9,324**	**184**	**- / -**	**2,737**	**1,015**	**13,348**
Book value 12/31/2005	88	2,555	231	- / -	9	981	3,864

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

Interests in associated companies comprise the following:

EUR k	12/31/2006	12/31/2005
MAGIC Internet Holding GmbH	3,000	- / -
lokalisten media GmbH	3,000	- / -
Sat.1 Privatrundfunk und -programmgesellschaft m.b.H.	2,933	2,142
VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH	189	189
Privatfernsehen in Bayern GmbH & Co. KG	176	199
Privatfernsehen in Bayern Verwaltungs-GmbH	26	25
Total	**9,324**	**2,555**

[22] Programming assets

EUR k	Licences Free TV	Commissioned productions Free TV	Licences Pay TV	Advance payments	Total
Book value 01/01/2005	**395,159**	**313,242**	**39**	**401,423**	**1,109,863**
Additions	444,026	374,480	7,870	80,885	907,261
Disposals	8,312	940	122	750	10,124
Reclassifications	150,275	56,748	- / -	-207,023	- / -
Consumption *)	498,699	445,853	343	4,621	949,516
Book value 12/31/2005 / 01/01/2006	**482,449**	**297,677**	**7,444**	**269,914**	**1,057,484**
Additions	436,036	370,686	4,403	143,862	954,987
Disposals	4,444	1,333	- / -	3,651	9,428
Reclassifications	113,670	60,098	- / -	-173,768	- / -
Consumption *)	464,855	473,095	3,048	5,728	946,726
Book value 12/31/2006	**562,856**	**254,033**	**8,799**	**230,629**	**1,056,317**

*) Consumption including utilized provisions for programming assets

The value of programming assets as of December 31, 2006, was EUR 1,056,317 thousand, and was thus approximately on a par with the prior year (EUR 1,057,484 thousand). Investments in programming assets rose EUR 47,726 thousand, from EUR 907,261 thousand in fiscal 2005 to EUR 954,987 thousand in fiscal 2006.

During the year, unscheduled consumption of programming assets, including allocations to provisions for contingent losses, came to EUR 83,028 thousand (vs. EUR 76,376 thousand) for the Group.

[23] Inventories

EUR k	12/31/2006	12/31/2005
Raw materials and supplies	198	306
Finished goods and merchandise	4,108	4,167
Total	**4,306**	**4,473**

[24] Receivables and other current assets

EUR k	12/31/2006	12/31/2005
trade acoounts receivable	168,300	155,077
[amounts due after more than one year]	[298]	[760]
Receivables from Group companies	7	- / -
Receivables from entities in which the Company holds interests of 20% or more	17,022	20,864
Other assets	52,846	49,376
[amounts due after more than one year]	[1,262]	[2,538]
Total	**238,175**	**225,317**
[thereof long-term]	[1,560]	[3,298]
[thereof short-term]	[236,615]	[222,019]

Receivables and other current assets increased EUR 12,858 thousand, or 6 percent, from EUR 225,317 thousand at the beginning of the year to EUR 238,175 thousand at year's end. The value of trade accounts receivable, at EUR 168,300 thousand as of December 31, 2006, was up by EUR 13,223 thousand 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, and IP Multimedia (Schweiz) AG, of Zurich, Switzerland.

Other current assets comprise the following:

EUR k	12/31/2006	12/31/2005
Tax receivables	24,136	3,001
Prepaid income	8,887	10,753
Prepaid expenses	3,707	5,688
Derivatives	1,430	13,477
Other	14,686	16,457
Total	**52,846**	**49,376**

[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 52,775 thousand, or 4 percent, from EUR 1,187,749 thousand at the beginning of the fiscal year to EUR 1,240,524 thousand at year's end. The reason for the growth was the substantial improvement in the ProSiebenSat.1 Group's operating results 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, 2006, the number of shares outstanding was 218,797,200.

Capital reserves came to EUR 584,537 thousand, compared to EUR 579,965 thousand on December 31, 2005. The increase of EUR 4,572 thousand 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 445,743 thousand comprises retained earnings before dividend payment (EUR 386,678 thousand) and the profit from the period (EUR 240,667 thousand), less the dividend paid during the year (EUR 181,602 thousand).

The other earnings reserves of ProSiebenSat.1 Media AG, in the amount of EUR 89,000 thousand, were written back in full during fiscal 2005 and applied to the distributable net profit.

The accumulated other Group equity of ProSiebenSat.1 Media AG, in the amount of EUR –9,602 thousand (vs. EUR 4,224 thousand) 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 August 2, 2006, a dividend of EUR 181,602 thousand was paid out to holders of preferred and common stock, out of ProSiebenSat.1 Media AG's 2005 distributable net profit of EUR 333,863 thousand. This figure represents a payout of EUR 0.84 per bearer share of preferred stock, and EUR 0.82 per registered share of common stock.
In accordance with the German Stock Corporation Act, the dividend payable to shareholders depends on the commercial law 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 345,190 thousand for fiscal 2006 should be allocated as follows:

Euro	
Distribution of a dividend of EUR 0.89 per preferred bearer share	97,364,754.00
Distribution of a dividend of EUR 0.87 per common share	95,176,782.00
Balance to be carried forward to the new accounting period	152,648,330.29
Distributable net profit	**345,189,866.29**

[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 existed between the two categories of stock at the time of the new issue in question. The new shares were to carry an entitlement to participate in profits as of the beginning of the fiscal year in which they were issued. After exercising this capital authorization in the capital increase registered on April 6, 2004, the Executive Board was authorized to 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 for the first time to buy back its own stock. On or before November 12, 2006, the Company was 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 was revoked at the shareholders' meeting of August 2, 2006, and replaced by a new authorization for the Company to acquire its own stock. On or before February 1, 2008, the Company is authorized to acquire its own common and/or preferred stock having a total prorated value of up to 10 percent of the Company's share capital at the time of the authorization. The August 2, 2006, authorization may be exercised by the Executive Board for any legal purpose, especially in pursuit of the objectives stated in the shareholders' meeting of August 2, 2006.. Hitherto 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 to third-party holdings in the equity to be consolidated in the course of capital consolidation, together with the profits and losses to which those third parties are entitled. These interests are held primarily in the following companies:

EUR k	12/31/2006	12/31/2005
Sat.1 Schweiz AG	451	-2,219
Wetter Fernsehen - Meteos GmbH	283	- / -
wetter.com AG	247	303
Other companies	68	1
Total	**1,049**	**-1,915**

[31] Provisions for pensions and similar obligations

EUR k	12/31/2006	12/31/2005
Provisions for benefits obligations	2,574	1,387

Pension provisions were formed for obligations to provide future benefits for active and former 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	12/31/2006	12/31/2005
Present value of obligation 01/01	1,387	- / -
Deferred compensation	- / -	351
Service cost	682	994
Interest cost	87	42
Actuarial gains (-) losses (+)	418	- / -
Present value of obligation 12/31 / Book value	**2,574**	**1,387**

The interest expense for pension obligations is reported as part of the net interest expense. The valuation 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 over the course of the year for assessing the interest expense and service cost for the current year.

The expected contribution expenses for 2007 for defined-benefit pension plans are EUR 702 thousand. No pension payments were made in fiscal 2006, and none are expected for 2007.

[32] Provisions

Provisions comprise long-term provisions of EUR 3,396 thousand (vs. EUR 5,134 thousand), all of which are set aside for contingent losses, and short-term provisions of EUR 93,349 thousand (vs. 49,701 thousand).

EUR k	01/01/2006	Exchange rate differences	Increase	Consumptions	Release	12/31/2006
Tax provisions	33,879	-35	155,447	124,527	1,269	63,495
Provisions for contingent losses	12,000	- / -	8,292	8,486	485	11,321
Other miscellaneous provisions	8,956	-2	20,749	6,321	1,453	21,929
Total	**54,835**	**-37**	**184,488**	**139,334**	**3,207**	**96,745**

Total provisions increased EUR 41,910 thousand, from EUR 54,835 thousand on December 31, 2005, to EUR 96,745 thousand on December 31, 2006. Most of the increase of EUR 29,616 thousand in tax provisions resulted from the

substantial improvement in the ProSiebenSat.1 Group's operating results.
The tax provisions were formed primarily for corporate income tax and local business income taxes.

Provisions for contingent losses are formed exclusively for programming assets whose license term begins after December 31, 2006, 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	01/01/2006	Exchange rate differences	Increase	Consumptions	Release	12/31/2006
Provisions for business operations	6,519	- / -	6,210	5,995	533	6,201
Provisions for litigation costs	557	-2	712	127	265	875
Provisions for restructuring	157	- / -	- / -	157	- / -	- / -
Other provisions	1,723	- / -	13,827	42	655	14,853
Total	**8,956**	**-2**	**20,749**	**6,321**	**1,453**	**21,929**

The other miscellaneous provisions particularly include provisions for interest on future tax payments resulting from outside tax audits still in progress.

[33] Liabilities

EUR k	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term more than 5 years	Total 12/31/2006
Bonds	- / -	148,917	- / -	148,917
Liabilities to banks	1,602	7,483	27,559	36,644
Total financial liabilities	**1,602**	**156,400**	**27,559**	**185,561**
Deposits received	6,579	- / -	- / -	6,579
Trade accounts payable	176,919	2,209	2	179,130
Liabilities to entities in which the Company holds interests of 20% or more	1,284	- / -	- / -	1,284
Other liabilities	104,291	15,532	99,132	218,955
Total other liabilities	**289,073**	**17,741**	**99,134**	**405,948**
Total	**290,675**	**174,141**	**126,693**	**591,509**
[amounts secured by real estate charges]				[36,638]

EUR k	Remaining term 1 year or less	Remaining term 1 to 5 years	Remaining term more than 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**
[amounts secured by real estate charges]				[45,513]

Financial liabilities

Financial liabilities comprise all interest-bearing liabilities not included under finance lease liabilities. As of December 31, 2006, the ProSiebenSat.1 Group had financial liabilities totaling EUR 185,561 thousand. Of this figure, EUR 1,602 thousand were short-term liabilities with terms of less than one year, and EUR 183,959 thousand were long-term liabilities. In addition, as of December 31, 2006, the ProSiebenSat.1 Group had a line of credit of EUR 500 million available under its syndicated credit facility. The principal components of the financial liabilities are as follows:

EUR 500 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 500 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. 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. The syndicated credit facility expires on August 15, 2011, but may be extended by the Company twice for an additional year each time. The syndicated credit facility was accorded in August 2006, and replaces a facility dating from 2004 with a limit of EUR 325 million.
In the event that control of the Company changes, each bank independently may cancel its participation in the syndicated facility within a specified term and demand repayment of outstanding amounts. The agreement additionally includes a number of standard undertakings with regard to such matters as the ProSiebenSat.1 Group's ability to offer current or future assets as collateral, to sell major assets, to give credit or furnish 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 a certain ratio between consolidated net debt and consolidated EBITDA, 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 37.5 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
Obligations to banks primarily 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 36.6 million under this loan existed as of December 31, 2006.

The 2004-2009 bond for EUR 150 million at 6.25 percent
The 2004-2009 bond that matures in May 2009 incorporates a number of provisions that forbid the Company and its major subsidiaries from undertaking certain transactions or making certain distributions under certain conditions. For example, the total payout 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 its par value, 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 repurchase the bond, whether in whole or in part, only at a substantial premium over par (the "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 2006
On July 31, 2006, ProSiebenSat.1 Media AG exercised its right of repurchase and fully retired a corporate bond (the 2002-2009 bond) with a par value of EUR 200 million and carrying a fixed interest rate of 11.25 percent. Under the bond terms and conditions, the redemption price for early retirement of the bonds on July 31, 2006, was 105.625 percent of the par value. The bond was issued in 2002, and was originally due to mature on July 31, 2009.

EUR k	Coupon in %	Nominal value	Book value 12/31/2006	Book value 12/31/2005
2002/2009 bond *)	11.250	200,000	- / -	193,259
2004/2009 bond	6.250	150,000	148,917	148,463
Total		350,000	**148,917**	**341,722**

*) In July, 2006 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 amount. 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.

Other liabilities
Other liabilities comprise the following:

EUR k	12/31/2006	12/31/2005
Liabilities from finance leases	118,355	121,507
[thereof long-term]	[114,600]	[117,913]
Liabilities from taxes	45,691	36,536
Liabilities from derivatives	15,709	2,793
Liabilities from fees and toward employees	9,553	2,817
Liabilities from deferred income	7,802	7,153
Liabilities from unused vacation	5,646	5,371
Liabilities from bond interests	1,198	10,573
Amount due for social security	442	5,488
Others	14,559	20,031
Total	**218,955**	**212,269**

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 cash 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 170.

The funds covered by the cash flow statement include all cash and cash 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	2006	2005
Payout received	81	- / -
Cash flow resulting from income tax	-152,246	-130,335
Cash flow resulting from interest expenses	-36,063	-47,357
Cash flow resulting from interest income	3,735	3,164

The cash flow resulting from income tax includes investment income tax payments of EUR –30,840 thousand (vs. EUR –13,388 thousand) that were withheld and forwarded to the tax office out of the dividend distribution. After adjustment for the withheld investment income tax, the cash flow resulting from income tax was EUR –121,406 thousand (vs. EUR –116,947 thousand the year before). Changes in balance sheet items as a consequence of foreign exchange rates came to EUR 779 thousand in 2006 (vs. EUR –48 thousand the year before). This figure includes changes in cash and cash equivalents of EUR 510 thousand for the current fiscal year as a consequence of changes in foreign exchange rates (vs. EUR 127 thousand).

[35] Contingent liabilities

There were no liabilities from guarantees or other contingent liabilities on either December 31, 2006, or December 31, 2005.

[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	654,060	869,739	177,106	1,700,905
Royalties	75,708	241,855	120,380	437,943
Leasing and long-term rental committments	10,838	20,229	19,280	50,347
Other liabilities	61,802	36,297	26	98,125
Total	**802,408**	**1,168,120**	**316,792**	**2,287,320**

Other financial liabilities exist in addition to provisions, debt and contingent liabilities. These derive from contractual agreements entered into before December 31, 2006, and pertain to payment obligations due on or after January 1, 2007. The agreements have remaining terms of between 1 and 15 years.

Use fees include financial obligations for satellite rental, obligations under contracts for terrestrial transmission facilities, and cable feed charges. Other financial liabilities for use fees grew substantially faster during 2006 than in 2005. The increase resulted mainly from new long-term satellite leases signed in fiscal 2006.

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 2006 were EUR 16,555 thousand, following the previous year's EUR 17,069 thousand.

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 through its business operations. These risks are managed centrally in the ProSiebenSat.1 Group's financial risk management. The principles, duties and responsibilities of financial risk management are governed by the internal corporate financial guidelines of the ProSiebenSat.1 Group. The objective of financial risk management is to cushion the impact of fluctuations in financial risk factors on the Group's net assets, financial position and results of operations. The derivative financial instruments employed for this purpose serve 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 generally meets its financial 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
	2007 Tsd USD	2008-2011 Tsd USD	from 2012 Tsd USD	as of 12/31/2006 USD k	as of 12/31/2006 EUR k
Currency forwards	151,075	369,027	10,000	530,102	-15,129
[thereof within cash flow hedges]	142,708	362,127	10,000	514,835	-14,505
Currency options	148,700	59,500	- / -	208,200	850
[thereof within cash flow hedges]	148,700	59,500	- / -	208,200	850

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, 2006, ProSiebenSat.1 Media AG had forwards worth a par value of USD 530.1 million in its portfolio. As of the same date, it had options for the purchase of dollars covering a total nominal value of USD 208.2 million. As the purchaser of a currency option, ProSiebenSat.1 Media AG has the right, but not the obligation, to buy U.S. dollars for euros in return for paying an option premium. As with a forward, in a currency option the total par value, exchange rate and maturity date are also laid down at the time the contract is made. Market values for forwards are measured using the discounted cash flow method. Market values for currency options are measured using the option pricing formula of Black and Scholes.

License payments on a hedged dollar-denominated license agreement, together with the associated hedging instruments, are gathered and managed in what are known as "hedge books" if the hedging relationship qualifies as a hedge under IAS 39.88 and hedge accounting can be applied. As of December 31, 2006, there were 12 hedge books covering a total of USD 996.7 million in pending license payments. Equity as of December 31, 2006, included EUR 14,748 thousand for hedge accounting. In fiscal 2006, EUR 6,436 thousand was removed from equity and applied directly to the purchase cost of the underlying license agreement. The average hedge ratio as of December 31, 2006, allowing for internal limit systems, was 76 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 net 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 bond 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 credit facility. As of December 31, 2006, 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	End of interestrate lockup	Effective interest return	Nominal value as of 12/31/2006
2004/2009 bond	05/15/2009	6.50%	150,000
Mortgage loan	01/31/2008	6.30%	36,638

The mortgage loan taken out by Sat.1 is composed of several tranches, for each of which the interest-rate lockup period ends on a different date. The date indicated in the table is the next ending date for the interest-rate lockup period, for a total of EUR 3.1 million. 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, 2006.

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 2.3 million as of December 31, 2006. The largest share of these derivatives with a positive market value, 29 percent, was entered into with a single partner, which has a credit rating of Aa1 from the Moody's rating agency.

Liquidity risks

As part of its liquidity management, the ProSiebenSat.1 Group ensures that adequate cash and cash equivalents are available at all times, especially given the industry's sharp seasonal fluctuations in revenues. For this purpose, in August 2006 ProSiebenSat.1 Media AG signed a new master credit facility agreement with several banks, under which variable amounts up to EUR 500 million may be drawn. The agreement runs until 2011. ProSiebenSat.1 Media AG can extend the term twice for an additional year at a time.

[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 other business segments, Transaction TV and Other Diversification.

The Free TV segment essentially comprises four of the Group's stations (Sat.1, ProSieben, 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, and 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. The Other Diversification segment also includes the subsidiary SevenSenses, with its video-on-demand, IPTV and pay TV services.

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.

The 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, current 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 to property, plant and equipment.

Depreciation and amortization apply to the segment assets allocated to each segment, except for amortization of financial investments and current 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	Reconciliations	Total consolidated financial statement 12/31/2006
Revenues	1,932,152	95,795	165,687	-89,078	2,104,556
External revenues	1,866,476	94,121	143,959	- / -	2,104,556
Internal revenues	65,676	1,674	21,728	-89,078	- / -
Operating profit	401,283	17,949	25,199	-158	444,273
EBITDA	429,069	26,461	29,131	-345	484,316
Segment assets	1,467,642	244,989	128,678	-10,186	1,831,123
Segment debts	349,194	24,270	63,405	-49,957	386,912
Segment investments	27,470	165	1,237	- / -	28,872
Depreciation and amortization	27,785	8,512	3,932	-186	40,043
Noncash expenses	968,738	544	7,423	-756	975,949
Income from associated companies	3,914	- / -	- / -	- / -	3,914
Interests in associated companies	3,324	- / -	6,000	- / -	9,324

EUR k	Free TV	Transaction TV	Other Diversification	Reconciliations	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

[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 1,124,000 options were issued in fiscal 2006 (vs. 1,098,342 options in 2005). Thereof account for 2005 and 2006 1,274,756 stock options to active members of the Executive Board. The last issue is to take place in fiscal 2007. The issue of stock options in 2005 and 2006 took place after the shareholders' meetings on May 13, 2005, and August 2, 2006, respectively.

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 lockup period of two years from the issue date of the options must have expired at the time of exercise. After the lockup period, the options do not lapse in principle, but must be exercised within six years after 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 last 30 days of trading on the Frankfurt Stock Exchange prior to January 1 of the year in which the stock option was issued. In the event that the weighted average closing auction price of ProSiebenSat.1 preferred stock in trading on the XETRA system over the last 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 last 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 plan:

1. Cycle Stock option plan

EUR k	SOP 2005	
	Part 1	**Part 2**
Granted stock options	366,114	732.228
Strike price	12.49	12.49
Absolute threshold	16.24	16.24
Maximim exercise gain	24.98	24.98
End of vesting period	5/13/2007	12/31/2007
Outstanding stock options at the beginning of the year	366,114	732,228
Options exercised during the year	n.y.e.*	n.y.e.*
Options expired / forfeited	16,244	38,992
thereof expired during vesting period	16,244	38,992
thereof expired because of performance targets not met	Still in vesting period	Still in vesting period
thereof expired after end of vesting period	Still in vesting period	Still in vesting period
Outstanding stock options at the end of the year	349,870	693,236
Exercisable stock options to the end of the year	n.y.e.*	n.y.e.*

*) not yet exercisable

2. Cycle Stock option plan

EUR k	SOP 2006	
	Part 1	**Part 2**
Granted stock options	374,667	749,333
Strike price	15.37	15.37
Absolute threshold	19.98	19.98
Maximim exercise gain	30.74	30.74
End of vesting period	8/3/2009	12/31/2009
Outstanding stock options at the beginning of the year	374,667	749,333
Options exercised during the year	n.y.e.*	n.y.e.*
Options expired / forfeited	0	0
thereof expired during vesting period	0	0
thereof expired because of performance targets not me	Still in vesting period	Still in vesting period
thereof expired after end of vesting period	Still in vesting period	Still in vesting period
Outstanding stock options at the end of the year	374,667	749,333
Exercisable stock options to the end of the year	n.y.e.*	n.y.e.*

*) not yet exercisable

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 26 percent (vs. 35 percent for the prior year) is also generally 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 maturity periods, graduated vesting periods, and turnover among beneficiaries.

The expense for fiscal 2006 came to EUR 4,572 thousand (vs. EUR 1,544 thousand), 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 210 and 211 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. The specific terms of this component vary among the contracts of the individual board members. The amount of the annual bonus is decided in part by the Supervisory Board, and in part depends on the achievement of pre defined performance targets.
- With the consent of the shareholders' meeting of May 13, 2005, ProSiebenSat.1 Media AG introduced a Long-term Incentive Plan. The Supervisory Board is to decide on any stock options to be granted to Executive Board members.
- The Supervisory Board also approved pension benefit agreements with the members of the Executive Board.

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, including 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 4,715 thousand (vs. EUR 4,372 thousand the previous year). ProSiebenSat.1 Media AG has set aside pension provisions of EUR 2,574 thousand for pension commitments to members of the Executive Board. Funds have been endowed to safeguard these pension provisions. The expense for former members of the Executive Board was EUR 944 thousand in fiscal 2006. The Board's compensation included a variable component totaling EUR 2,691 thousand. Under a resolution of the shareholders' meeting of August 2, 2006, the Company does not disclose the compensation of individual board members.

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 3,182 thousand in the year under review. This figure includes EUR 1,570 thousand in allocations to the reserve for the variable component of Supervisory Board remuneration. The amount of the allocation was based on the dividend payment for fiscal 2006 as proposed by the Executive Board. 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 1,612 thousand for the Supervisory Board included a variable component of EUR 1,261 thousand (vs. 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	156	198
Chesnoff, Adam	44	117	161
Connaughton, John P.	29	78	107
Dobron, Albert J., Jr.	21	78	99
Döpfner, Dr. Mathias	24	79	103
Dyke, Greg	19	79	98
Healy, Patrick J.	21	78	99
Kreiz, Ynon	15	80	95
Lawry, Seth W.	29	78	107
Nienhaus, Christian	26	79	105
Pagliuca, Stephen G.	15	78	93
Powers, Brian M.	15	78	93
Saban, Arieh	15	50	65
Sperling, Scott	15	78	93
Steiner, Josh	21	50	71

Former Members of the Supervisory Board

EUR k	Fixed components	Variable components	Total
Ball, Anthony F.E.	- / -	25	25

Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during fiscal 2006. Altogether, the current members of the Executive Board and Supervisory Board held 9,700 shares of preferred stock in ProSiebenSat.1 Media AG as of December 31, 2006. This is equivalent to 0.00443 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 August 2006 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 207 and 208 , along with the percentage interest held.

During the 2006 reporting period, a license agreement for the exclusive use of artistic and musical performances by an artist was signed between Starwatch Music GmbH and Saban Music Group, founded by Saban Capital Group, whose Chairman and CEO is Haim Saban. An advance payment of EUR 60 thousand was made in this connection. The contract conforms to prevailing market terms. During fiscal 2006, the wife of Executive Board member Peter Christmann provided services to various companies in the ProSiebenSat.1 Group for a charge of EUR 152 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 90 thousand. Mr. Pablo Klemann, the son of Manfred Klemann and the owner of Hohentwielverlag und Internet GmbH, performed services for wetter.com AG in the amount of EUR 175 thousand. The above services were provided under contract at prevailing market terms. As of December 31, 2006, there was no amount outstanding for these services. There were no other reportable transactions with related parties under IAS 24 in fiscal 2006.

Employer contributions to the public pension 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 83 thousand for fiscal 2006.

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 2006, a total of nine transactions were reported to ProSiebenSat.1 Media AG in which members of the Executive Board and their family members acquired a total of 5,881 shares of ProSiebenSat.1 Media AG stock. In compliance with Sec. 15a of the Securities Trading Act, ProSiebenSat.1 Media AG reported each of these transactions immediately on its Web site, www.prosiebensat1.com.

[43] Group affiliation

The immediate parent company of the Group of ProSiebenSat.1 Media AG is P7S1 Holding II S.à.r.l., of Luxembourg.

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 promote transparency in securities trading. On July 20, 2006, the following report was published in the Frankfurter Allgemeine Zeitung:
Disclosure in Compliance with § 25 (1) Sentence 1 of the German Securities Trading Act

I. Through the acquisition of all shares held by its parent company, BCIP Trust Associates III, in German Media Partners L.P. and in its general partner, German Media Partners Management Ltd. on June 28, 2006, the share of voting rights held in ProSiebenSat.1 Media AG by ProSieben BCIP A Ltd., having its registered office in George Town, Grand Cayman, Cayman Islands (address: c/o Walkers SPV Limited, Walker House, P.O. Box 908 GT, George Town, Grand Cayman, Cayman Islands) exceeded the limits of 5%, 10%, 25%, 50% and 75%. On the basis of the interest it holds in German Media Partners L.P., ProSieben BCIP A Ltd. indirectly controls 109,398,600 registered shares of common stock (100% of the voting stock), which are to be attributed to ProSieben BCIP A Ltd. under the terms of Sec. 22 (1) No. 1 of the German Securities Trading Act.

II. Through the acquisition of all shares held by its parent company, BCIP Trust Associates IIIB, in German Media Partners L.P. and in its general partner, German Media Partners Management Ltd. on June 28, 2006, the share of voting rights held by ProSieben BCIP B Ltd., having its registered office in George Town, Grand Cayman, Cayman Islands (address: c/o Walkers SPV Limited, Walker House, P.O. Box 908 GT, George Town, Grand Cayman, Cayman Islands) exceeded the limits of 5%, 10%, 25%, 50% and 75%. On the basis of the interest it holds in German Media Partners L.P., ProSieben BCIP B Ltd. indirectly controls 109,398,600 registered shares of common stock (100% of the voting stock), which are to be attributed to ProSieben BCIP B Ltd. under the terms of Sec. 22 (1) No. 1 of the German Securities Trading Act.

Unterföhring, July 2006
The Executive Board

Further reports of equity holdings dating from July 8, 2006, January 25, 2006, January 20, 2006, January 19, 2006, and January 12, 2006, were 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.

[44] Professional fees of the independent auditor

The professional fees for the services of the Group's independent auditor, KPMG, totaled EUR 1,147 thousand for fiscal 2006. The figure for 2005 was EUR 1,322 thousand. Of the total, EUR 883 thousand was for audit fees (vs. EUR 885 thousand in 2005), EUR 216 thousand was for audit-related fees (vs. EUR 240 thousand), EUR 24 thousand was for tax consulting services (vs. EUR 162 thousand), and EUR 24 thousand was for other fees (vs. EUR 35 thousand).

Breakdown of Shareholdings

ProSiebenSat.1 Group as of December 31, 2006

No.	Company	Location	Country	Interest in percent	via No.
	Affiliated companies				
1	ProSiebenSat.1 Media Aktiengesellschaft	Unterföhring	Germany		
2	9Live Fernsehen GmbH	Unterföhring	Germany	100	1
3	ArtMerchandising & Media AG	Unterföhring	Germany	100	9
4	Buchagentur Intermedien-GmbH	Unterföhring	Germany	100	9
5	Face your Brand! GmbH	Unterföhring	Germany	100	20
6	Kabel 1 K1 Fernsehen GmbH	Unterföhring	Germany	100	1
7	Meteos TV Holding GmbH	Munich	Germany	100	41
8	MM MerchandisingMedia GmbH	Unterföhring	Germany	100	3
9	MM MerchandisingMedia Holding GmbH	Unterföhring	Germany	100	1
10	N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH	Unterföhring	Germany	100	1
11	Producers at work GmbH	Berlin	Germany	67	1
12	ProSieben Austria GmbH	Vienna	Austria	100	33
13	ProSieben Digital Media GmbH	Unterföhring	Germany	100	1
14	ProSieben Television GmbH	Unterföhring	Germany	100	1
15	ProSieben [Schweiz] AG	Küsnacht	Switzerland	100	35
16	ProSiebenSat.1 Erste Verwaltungsgesellschaft	Unterföhring	Germany	100	1
17	ProSiebenSat.1 Produktion GmbH	Unterföhring	Germany	100	1
18	ProSiebenSat.1 Welt GmbH	Unterföhring	Germany	100	1
19	PS Event GmbH	Cologne	Germany	67	20
20	PSH Entertainment GmbH	Unterföhring	Germany	100	1
21	Sat.1 Bayern GmbH	Unterföhring	Germany	100	40
22	Sat.1 Berlin Regional GmbH & Co. KG	Berlin	Germany	100	26
23	Sat.1 Berlin Regional Verwaltungs GmbH	Berlin	Germany	100	26
24	Sat.1 Boulevard TV GmbH	Berlin	Germany	100	26
25	Sat.1 Norddeutschland GmbH	Hannover	Germany	100	26
26	Sat.1 Satelliten Fernsehen GmbH	Berlin	Germany	100	1
27	Sat.1 Schweiz AG	Zurich	Switzerland	50	26
28	Seven Scores Musikverlag GmbH	Unterföhring	Germany	100	1
29	SevenOne Brands GmbH	Unterföhring	Germany	100	1
30	SevenOne Interactive GmbH	Unterföhring	Germany	100	29
31	SevenOne Intermedia GmbH	Unterföhring	Germany	100	13
32	SevenOne International GmbH	Unterföhring	Germany	100	1
33	SevenOne Media Austria GmbH	Vienna	Austria	100	29
34	SevenOne Media GmbH	Unterföhring	Germany	100	29
35	SevenOne Media [Schweiz] AG	Küsnacht	Switzerland	100	29
36	SevenPictures Film GmbH	Unterföhring	Germany	100	1
37	SevenSenses GmbH	Unterföhring	Germany	100	1
38	Starwatch Music GmbH	Unterföhring	Germany	100	9

ProSiebenSat.1 Group as of December 31, 2006					
No.	**Company**	**Location**	**Country**	**Interest in percent**	**via No.**
39	Teledirekt Vermarktungsgesellschaft für Fernsehempfang mbH	Unterföhring	Germany	100	1
40	tv-weiß-blau Rundfunkprogrammanbieter GmbH	Unterföhring	Germany	100	26
41	wetter.com AG	Singen	Germany	72,97	31
42	Wetter Fernsehen - Meteos GmbH	Singen	Germany	100	7
	Affiliated companies, not consolidated				
43	Merchandising Prag spol. s r.o.	Prague	Czech Repub.	100	9
44	PM&S Software GmbH	Minsk	Weißrussland	60	17
	Associated companies - at equity -				
45	IP Multimedia [Schweiz] AG	Küsnacht	Switzerland	23	35
46	lokalisten media GmbH	Munich	Germany	29,8	31
47	MAGIC Internet Holding GmbH	Cologne	Germany	30,1	31
48	MAGIC MEDIA COMPANY TV-Produktionsgesellschaft mbH	Hürth	Germany	25,4	1
49	Privatfernsehen in Bayern Verwaltungs-GmbH	Munich	Germany	49,9	40
50	Privatfernsehen in Bayern GmbH & Co. KG	Munich	Germany	49,9	40
51	Sat.1 Privatrundfunk und -programmgesellschaft m.b.H	Vienna	Austria	33,3	26
52	VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH	Berlin	Germany	50	1
	Other equity interests				
53	AFK Aus- und Fortbildungs GmbH für elektronische Medien	Munich	Germany	11	1
54	Berliner Pool TV Produktionsgesellschaft mbH	Berlin	Germany	50	10
55	Deutscher Fernsehpreis GmbH	Cologne	Germany	25	1

Supervisory Board & Executive Board

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

Supervisory Board

Haim Saban [Chairman]

Chairman und Chief Executive Officer of KSF Corp., (dba Saban Capital Inc.) Los Angeles/CA/USA
German Media Partner L.P. Tortola/British Virgin Islands - Member of the Board of Directors
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 und Chief Operating Officer of KSF Corp., Los Angeles/CA/USA
KSF Corp. (dba Saban Capital Group Inc.), Los Angeles/CA/USA - Member of the Board of Directors
Bezeq-The Israeli Telecommunication Co. – Tel Aviv/Israel - Member of the Board of Directors

John P. Connaughton

Managing Director von 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
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 (Warner Music Group) 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
Marque Holdings, Inc. , Kansas City/MO/USA - Member of the Board of Directors
Sungard Data Systems, Inc., Wayne/PA/USA - Member of the Board of Directors
Hospital Corporation of America, Nashville/TN/USA - Member of the Board of Directors [seit November 2006]
CRC Health Group, Inc., Cupertino/CA/USA - Member of the Board of Directors [seit Februar 2006]
Cumulus Media Partners CMP Susquehanna Holdings Corp., Atlanta/GA/USA - Member of the Board of Directors [since May 2006]

Albert J. Dobron, Jr.

Private Equity Investor Providence Equity Partners, Inc., Barrington/RI/USA
Blue Stone Television, LLC., Delaware/USA - Chairman of the Board of Manager Representatives
Bustos Media Enterprises, LLC., Delaware/USA - Member of the Board of Managers
CC3 Holdings LLC., Delaware/USA - Member of the Board of Managers
Surebridge, Inc., Delaware/USA - Member of the Board of Directors
Affinity Direct, LLC, Delaware/USA - Member of the Board of Directors [since September 2006]

Dr. Mathias Döpfner

Chief Executive Officer of Axel Springer AG, Berlin/Germany
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 [until September 2006]
Deutsche Telekom AG, Bonn - Member of the Supervisory Board [May until October 2006]
Time Warner Inc., New York/NY/USA - Member of the Board of Directors [since August 2006]

Greg Dyke

Author, London/UK
DGCC Ltd., London/UK - Chairman of the Board of Directors
Vine Leisure Ltd., London/UK - Chairman of the Board of Directors
Vine Development Ltd., London/UK - Chairman of the Board of Directors
HIT Entertainment Ltd., London/UK - Chairman of the Board of Directors
Brentford Football Club, Brentford/UK - Chairman of the Board of Directors [since January 2006]

Patrick J. Healy

Senior Managing Director von Hellman & Friedman Europa Ltd, London/UK
Mondrian Investment Partners Ltd., London/UK - 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 - non executive Member
Gartmore Investments plc., London/UK - Member of the Board of Directors [since September 2006]
VNU N.V., Amsterdam/NL - Member of the Board of Directors [since May 2006]

Ynon Kreiz

Partner von Benchmark Capital, London/UK
Smartjog, Paris/France - Member of the Board of Directors
PlayerX, London/UK - Member of the Board of Directors
Codemasters Group Ltd., Leamington Spa/UK - Member of the Board of Directors
NASN Limited, Dublin/Ireland - Member of the Board of Directors
Drive Diagnostics Ltd., Moshav Mazor/Israel - Member of the Board of Directors
Setana Sport Holdings Ltd., Dublin/Ireland - Member of the Board of Directors
Ricall Limited, London/UK - Member of the Board of Directors [since January 2006]

Seth W. Lawry

Managing Director von Thomas H. Lee Partners LP, Boston/MA/USA
Houghton Mifflin Company Corp., Boston/MA/USA - Member of the Board of Directors
WMG Acquisition Corp., New York/NY/USA - Member of the Board of Directors
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 [until May 2006]

Christian Nienhaus

Managing Director, BILD Newspaper Group, Eschbach/Germany
Bild.T-Online.de AG & Co. KG, Berlin/Germany – Member of the Supervisory Board
NFL Europe Services plc, New York/NY/USA - Member of the Advisory Board

Stephen G. Pagliuca

Managing Director von Bain Capital Investors, LLC, Weston, MA/USA
Burger King Holdings, Inc., Delaware/USA - Member of the Board of Directors
Burger King Corporation, Florida/USA - Member of the Board of Directors
Epoch Senior Living, Inc., Delaware/USA - Member of the Board of Directors
Gartner, Inc., Stamford/CT/USA - Member of the Board of Directors
Warner Chilcott Holdings Co. Ltd., Rockaway/NJ/USA - Member of the Board of Directors [since August 2006]

Brian M. Powers

Chief Executive Officer von Hellman & Fiedman LLC, San Francisco/CA/USA
Axel Springer AG, Berlin - Member of the Supervisory Board

Arieh Saban

Consultant, Herzelia, Israel
Keshet Broadcasting Ltd., Tel Aviv/Israel - Member of the Board of Directors
Bezeg The Israel Telecommunication Corp. Ltd., Tel Aviv/Israel - Member of the Board of Directors

Scott Sperling

Co-President von 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

Joshua Steiner

Managing Principal of Quadrangle Group LLC, NewYork/NY/USA
Datanet Communications Group, Inc., Newburgh, New York/USA - Member of the Board of Directors
Pathfire, Inc., Roswell, GA/USA - Member of the Board of Directors
Grupo Corporativo Ono, S.A., Madrid/Spain - Member of the Board of Directors

Executive Board

Guillaume de Posch

Chairman, Management segments: Television & Operations

Lothar Lanz

Management segments: Finances, Legal Affairs & Human Ressources
Siltronic AG, Munich/Germany - Member of the Supervisory Board

Peter Christmann

Management segments: Sales & Marketing
IP Multimedia [Schweiz] AG, Küsnacht/Switzerland - Member of the Advisory Board
Sat.1 [Schweiz] AG, Zurich/Switzerland - Chairman of the Advisory Board
Sat.1 Privatrundfunk und -programmgesellschaft m.b.H., Vienna/Austria - Member of the Advisory Board
SevenOne Media [Schweiz] AG, Küsnacht/Switzerland - Chairman of the Advisory Board

Dr. Marcus Englert [as of August 1, 2006]

Management segment: Diversification
wetter.com AG, Singen/Germany - Member of the Supervisory Board

Former Members of the Executive Board

Hubertus Meyer-Burckhardt [until May 31, 2006]

Management segment: Corporate Development, Media Policy & Regulation
Bild.T-Online.de AG & Co. KG, Berlin/Germany - Member of the Supervisory Board [until March 2006]

ProSiebenSat.1 Media AG
Executive Board

Unterföhring, March 7, 2007

ADDITIONAL INFORMATION

Four-Year-Summary

Consolidated Income statement for ProSiebenSat.1 Media AG

EUR k	2006	Change in %	2005	Change in %	2004	Change in %	2003
1. Revenues	2,104,556	6%	1,989,597	8%	1,834,582	2%	1,807,122
2. Cost of sales	-1,301,011	2%	-1,275,224	1%	-1,265,465	-7%	-1,364,464
3. Gross profit	803,545	12%	714,373	26%	569,117	29%	442,658
4. Selling expenses	-223,658	6%	-210,105	14%	-183,985	-3%	-189,738
5. Administrative expenses	-147,734	9%	-134,960	6%	-127,417	-20%	-159,135
6. Other operating income	12,120	-16%	14,383	-50%	28,484	-23%	36,996
7. Operating profit	444,273	16%	383,691	34%	286,199	119%	130,781
8. Result from equity interests	3,995	-7%	4,318	-16%	5,149	-21%	6,540
9. Net interest and similar income	3,931	9%	3,603	2%	3,543	-26%	4,770
10. Net interest and other expense	-46,873	-6%	-50,111	-18%	-61,371	-19%	-75,605
11. Income from financial instruments	- / -	-100%	9,213	- / -	- / -	- / -	- / -
12. Other financial result	257	-90%	2,642	-61%	6,733	39%	4,847
13. Other financial expenses	-18,848	604%	-2,678	-88%	-22,735	122%	-10,225
14. Financial loss	-57,538	-74%	-33,013	52%	-68,681	1%	-69,673
15. Income from ordinary business activities	386,735	10%	350,678	61%	217,518	256%	61,108
16. Income taxes	-142,879	11%	-129,069	54%	-83,857	326%	-19,707
17. Consolidated profit for the year	243,856	10%	221,609	66%	133,661	223%	41,401
attributable to:							
Shareholders of ProSiebenSat.1 Media AG	240,667	9%	220,939	65%	133,630	239%	39,380
Minorities	3,189	376%	670	- / -	31	-98%	2,021
EUR							
Basic and diluted earnings per share of common stock according to IAS 33	1.09	9%	1.00	61%	0.62	226%	0.19
Basic and diluted earnings per share of preferred stock according to IAS 33	1.11	9%	1.02	59%	0.64	205%	0.21

Consolidated balance sheet of ProSiebenSat.1 Media AG

ASSETS EUR k	12/31/2006	Change in %	12/31/2005	Change in %	12/31/2004	Change in %	12/31/2003
A. Noncurrent assets							
I. Intangible assets	327,557	-1%	329,772	424%	62,919	4%	60,583
II. Property, plant and equipment	228,646	-3%	235,664	-3%	242,538	-6%	258,639
III. Financial assets	13,348	245%	3,864	-97%	152,520	5%	145,727
IV. Programming assets	300,196	18%	253,596	22%	207,403	3%	202,078
V. Accounts receivable and ohter long-term assets	1,560	-53%	3,298	-63%	8,976	457%	1,612
VI. Deferred taxes	- / -	- / -	- / -	-100%	36,365	-17%	43,613
	871,307	**5%**	**826,194**	**16%**	**710,721**	**- / -**	**712,252**
B. Current assets							
I. Programming assets	756,121	-6%	803,888	-11%	902,460	-5%	946,099
II. Inventories	4,306	-4%	4,473	-10%	4,963	-14%	5,777
III. Accounts receivable and ohter short-term assets	236,615	7%	222,019	52%	145,807	-15%	170,945
IV. Marketable securities	252	-90%	2,446	398%	491	-47%	921
V. Cash, cash at bank	63,540	-60%	157,556	-47%	294,735	376%	61,862
	1,060,834	**-11%**	**1,190,382**	**-12%**	**1,348,456**	**14%**	**1,185,604**
Total assets	**1,932,141**	**-4%**	**2,016,576**	**-2%**	**2,059,177**	**9%**	**1,897,856**

LIABILITIES AND SHAREHOLDERS' EQUITY EUR k	12/31/2006	Change in %	12/31/2005	Change in %	12/31/2004	Change in %	12/31/2003
A. Shareholders' equity							
I. Subscribed capital	218,797	- / -	218,797	- / -	218,797	13%	194,486
II. Capital reserves	584,537	1%	579,965	- / -	578,421	79%	322,319
III. Group equity generated	445,743	15%	386,678	69%	229,190	135%	97,505
IV. Accumulated other Group equity	-9,602	-327%	4,224	118%	-23,639	-80%	-13,160
V. Minority interests	1,049	155%	-1,915	-244%	1,334	113%	625
	1,240,524	**4%**	**1,187,749**	**18%**	**1,004,103**	**67%**	**601,775**
B. Noncurrent liabilities							
I. Long-term financial liabilities	183,959	-52%	382,658	-13%	438,430	-40%	724,748
II. Provisions	5,970	-8%	6,521	-69%	21,252	-5%	22,330
III. Other liabilities	116,875	-5%	123,046	-6%	131,357	-5%	138,239
IV. Deferred taxes	789	75%	450	- / -	- / -	- / -	- / -
	307,593	**-40%**	**512,675**	**-13%**	**591,039**	**-33%**	**885,317**
C. Current liabilities							
I. Short-term financial liabilities	1,602	-65%	4,577	-97%	135,501	- / -	2,825
II. Provisions	93,349	88%	49,701	30%	38,150	-11%	43,067
III. Other liabilities	289,073	10%	261,874	-10%	290,384	-20%	364,872
	384,024	**21%**	**316,152**	**-32%**	**464,035**	**13%**	**410,764**
Total liabilities and shareholders' equity	**1,932,141**	**-4%**	**2,016,576**	**-2%**	**2,059,177**	**9%**	**1,897,856**

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Financial Calendar

Press conference / IR conference on preliminary figures for 2006	**February 22, 2007**
2006 Annual Report	**March 30, 2007**
Quarterly Report for Q1 2007	**May 9, 2007**
2007 Annual Meeting	**July 17, 2007**
Quarterly Report for Q2 2007	**August 8, 2007**
Quarterly Report for Q3 2007	**November 7, 2007**