



// FASCINATING PEOPLE

ProSiebenSat.1 Group Annual Report 2010

// KEY FIGURES AT A GLANCE

ProSiebenSat.1 Group: Key figures for 2010

EUR m	Q4 2010	Q4 2009	Q4 2008 ⁹⁾	Q4 2007 ⁸⁾	Q4 2006
Revenue	954.1	880.4	876.8	989.3	657.2
Total costs	654.5	651.8	915.8	772.3	471.6
Recurring costs ¹⁾	599.9	576.2	621.6	695.1	460.3
Consumption of programming assets	311.2	290.1	327.5	395.6	264.2
Recurring EBITDA ²⁾	358.6	307.2	279.3	296.9	200.8
Recurring EBITDA margin (in %)	37.6	34.9	31.9	30.0	30.6
EBITDA	338.9	293.0	251.7	281.1	200.2
Non-recurring items ³⁾	-19.7	-14.2	-27.6	-15.8	-0.6
EBIT	304.2	239.2	3.5	222.1	189.4
Financial result	-65.1	-67.3	-133.3	-79.6	-11.0
Profit/loss before income taxes	239.0	171.9	-128.0	142.5	178.4
Consolidated net profit/loss (after non-controlling interests) ⁴⁾	181.5	113.4	-170.0	39.5	113.4
Underlying net income ⁵⁾	194.3	137.1	78.2	75.3	114.4
Investments in programming assets	279.6	267.8	329.3	366.9	261.1

EUR m	2010	2009	2008 ⁹⁾	2007 ⁸⁾	2006
Revenue	3,000.0	2,760.8	3,054.2	2,710.4	2,104.6
Total costs	2,341.7	2,310.7	2,851.0	2,341.9	1,672.4
Recurring costs ¹⁾	2,105.2	2,077.5	2,413.1	2,063.1	1,629.7
Consumption of programming assets	1,077.7	1,068.6	1,247.1	1,145.8	946.0
Recurring EBITDA ²⁾	905.9	696.5	674.5	662.9	487.0
Recurring EBITDA margin (in %)	30.2	25.2	22.1	24.5	23.1
EBITDA	807.6	623.0	618.3	522.3	484.3
Non-recurring items ³⁾	-98.3	-73.5	-56.2	-140.6	-2.7
EBIT	669.6	475.1	263.5	385.3	444.3
Financial result	-240.5	-242.4 ⁷⁾	-334.9	-135.5	-57.6
Profit/loss before income taxes	429.0	233.1 ⁷⁾	-68.4	249.8	386.7
Consolidated net profit/loss (after non-controlling interests) ⁴⁾	312.7	146.6 ⁷⁾	-129.1	89.4	240.7
Underlying net income ⁵⁾	357.2	186.8 ⁷⁾	170.4	272.8	244.8
Investments in programming assets	1,233.5	1,227.2	1,397.0	1,176.7	955.0

EUR m	12/31/2010	12/31/2009	12/31/2008 ⁹⁾	12/31/2007 ⁸⁾	12/31/2006
Programming assets	1,654.6	1,526.5	1,380.0	1,317.7	1,056.3
Equity	1,025.9	607.0 ⁷⁾	506.7 ⁷⁾	1,090.1 ⁷⁾	1,240.5
Equity ratio (in %)	16.2	9.8 ⁷⁾	8.5 ⁷⁾	18.2 ⁷⁾	64.2
Cash and cash equivalents	740.7	737.4	632.9	250.8	63.5
Net financial debt	3,021.0	3,294.6	3,406.7	3,328.4	121.8
Employees ⁶⁾	4,749	4,814	5,450	4,852	2,976

¹⁾ Total costs excl. D&A and non-recurring expenses. ²⁾ EBITDA before non-recurring (exceptional) items. ³⁾ Non-recurring expenses netted against non-recurring income. ⁴⁾ Consolidated net profit attributable to shareholders of ProSiebenSat.1 Media AG. ⁵⁾ Consolidated profit for the period, before the effects of purchase price allocations and non-cash currency valuation effects. The 2008 figure is also adjusted for impairment of EUR 180.0 million for SBS goodwill. ⁶⁾ Full-time equivalent positions as of reporting date. ⁷⁾ After changes in accounting policies according to IAS 8 and corresponding adjustment of previous-year figures. ⁸⁾ Consolidation of SBS Broadcasting Group in July 2007. ⁹⁾ CMore deconsolidated in November 2008.

// A SUCCESSFUL YEAR FOR PROSIEBENSAT.1

// REVENUE

EUR 3.0 billion

The ProSiebenSat.1 Group increased consolidated revenues by 8.7% against 2009.

// RECURRING EBITDA

+30.1%

New record for recurring EBITDA at EUR 905.9 million.

// NET PROFIT FOR THE YEAR DOUBLED

+113.3%

The ProSiebenSat.1 Group generates a high net profit for the year of EUR 312.7 million.

// FREE CASH FLOW

EUR 282.2 million

As one of the most important indicators for the Group's profitability and financial strength, free cash flow increased by 72.5%.

// SHARE PRICE AS OF DECEMBER 31, 2010

+179.2%

The price of the ProSiebenSat.1 share, which is listed in the MDAX, nearly tripled to EUR 22.50 to the end of the year.

// PROSIEBENSAT.1 IN BRIEF

FASCINATING PEOPLE

No medium is more popular than television. Our shows, magazines, series and feature films bring people together. Because we reach millions of people at the same time. Strong brands such as SAT.1 and ProSieben are the key pillars of our success. They are the basis of all our activities - extending well beyond television. Already today, we entertain a mass audience via the Internet, mobile phone or our music activities.

We want to fascinate people with our content. The TV year of 2010 showed we were successful in doing so. Lena won the hearts of Europe, winning the Eurovision Song Contest for Germany. Danni Lowinski managed to make it to the USA and the most successful feature film in German television was broadcast on ProSieben. Just turn the pages to experience how fascinating television can be.



// EVENTS

69 million

What a television moment! After almost 30 years, on May 29, 2010 Lena takes the victory for Germany in the Eurovision Song Contest. With the song "Satellite" and her spontaneity, she generated enthusiasm across Europe. Stefan Raab and the ARD found Lena in the TV show "Unser Star für Oslo". And provided 69 million viewers in 44 countries with a common moment of fascination.





// STARS

5.67 million

We bring Hollywood into the living room. On March 14, 5.67 million ProSieben viewers moved to the underworld to release Johnny Depp alias Captain Jack Sparrow from the world of the dead. "Pirates of the Caribbean: At World's End" was the most successful feature film on German television in 2010. The success will continue in 2011 across all stations, with a large range of stars and new fascinating Hollywood blockbusters.

A group of diverse children, including a young girl with long brown hair, a girl with dark hair in a red sweater, and a boy with blonde hair, are smiling and looking towards the camera. They are surrounded by several large, vibrant red and pink balloons, creating a festive and joyful atmosphere.

10 million

// PUBLIC VALUE

Every day we fascinate millions of viewers with our programs. We leverage our public impact to help people. Every year on "Red Nose Day" TV stars such as Sonya Kraus request donations for selected projects to help children. Since the start in 2003, almost EUR 10 million has been collected in this way. Alongside a range of regular initiatives, we also have a commitment to people who get into difficulties. In 2010, the SAT.1 "ran" team collected EUR 500,000 for victims of the Haiti earthquake. Together with partners, it is now building a football school for 120 children and young people.



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// ADVERTISING

Euro 10.9 billion

Television makes winners out of brands. This is why for years manufacturers have invested the lion's share of their advertising budgets in TV spots. In 2010 alone, roughly EUR 10.9 billion was spent in Germany on television advertising. The reason for this is quite simple. TV spots are fascinating. Because they are emotional and tell a story. Television is at the heart of any successful campaign. Combined with other digital media its impact is unbeatable. We make brands shine for an audience of millions. Television is the Champions League of advertising.

// REPORTS FROM THE EXECUTIVE
BOARD AND SUPERVISORY BOARD



The Executive Board and Supervisory Board of ProSiebenSat.1 Media AG are committed to the principles of good corporate governance. Transparent and responsible management are key prerequisites for the trust of our shareholders, business partners and employees. In this section, the Executive Board and Supervisory Board provide you with information about management tasks and processes as well as important issues in 2010.

15 Letter from the CEO

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Corporate Governance Report

Ladies and Gentlemen, dear Shareholders,

The ProSiebenSat.1 Group looks back on a very successful year. We increased consolidated revenues by 8.7% to EUR 3 billion, and achieved profitable growth in all segments. We doubled our net result to more than EUR 300 million. At EUR 905.9 million, recurring EBITDA was the highest ever reached in the history of the company. We also systematically pressed ahead with reducing the Group's net debt, lowering it by 8.3% to EUR 3.021 billion.

The most important revenue driver is the German Free TV market, where we generated a revenue increase of 9.7%, further expanding our leading market position in advertising. Our strategy of complementary programming is an important success factor here. Due to close coordination within program planning we capitalized well on the ratings of the German TV station family in a growing advertising market environment.

However, our success is not only the result of positive economic conditions. It is a consequence of efficient processes and making the right strategic decisions. Thanks to sustained cost management and our strong position in the TV advertising market in Germany, we achieved an extraordinarily good result in 2010.

In addition, we increased our income by implementing new growth ideas such as the "media-for-revenue-share" scheme, as an excellent example. Under this business model, companies that have not previously advertised on television receive free air time for their spots. In return the ProSiebenSat.1 Group takes a share of the company's revenues. In view of the success of this initiative, we will press forward with this model in 2011. We will take advantage of the lever effect of television in other areas in the coming years as well, to further increase our profitability.

In addition to the core business of TV, we have identified three growth areas:

1. New Media and Distribution: Digitization and new media are changing viewers' lives. But even on these new platforms, people are mainly looking for what they already know from TV: entertainment and information in moving images. Thus, we continue to pursue the goal of systematically expanding and linking our TV content with our online, paid-content and mobile offerings. In this way, we are shaping the future of audio-visual media.

2. Music, Commerce & Ventures: We tap additional revenue potential and extend our value chain into related areas such as music and artist management. In this way, we reduce our dependence on cyclical ups and downs of the advertising market.

3. Content, Production & Global Sales: For a content provider like the ProSiebenSat.1 Group, the digital trend offers substantial growth opportunities, since attractive content is the crucial factor for success in competing for audiences. With Red Arrow we established an international creative and producer network for program content. Besides producing content for our platforms, Red Arrow also offers its expertise to outside customers. This is another way of extending our value chain.

The fascination of television as a medium remains incredibly high. This is because TV tells stories that entertain and move people. SAT.1 alone reaches 21 million viewers a day, while ProSieben has 18 million viewers. But it is not just that television reaches many people as a mass medium. Through the emotional approach and the integration into the program, TV advertising improves people's identification with consumer brands and significantly increases sales for products. Only television can create vast reach for our clients at high speed. In 2010, almost all large companies in the German core market - from fast moving consumer goods to retail - increased their investments in television advertising.

The ProSiebenSat.1 Group is the No. 1 player in the German television advertising market; it also holds a leading position internationally. We are a preferred partner for our clients when it comes to efficient and targeted marketing. This expertise and the appeal of our TV stations will continue to pay off in the future.

To remain at the top, it is important that we offer our employees an environment in which they can develop and implement ideas successfully. Therefore, promoting talent and motivating employees is our top priority. We need people who are fascinated by the media and its possibilities in the future and who also fascinate other people with their ideas.

Accordingly, "FASCINATING PEOPLE" is the slogan of our Annual Report 2010. At ProSiebenSat.1, we are working hard to offer our viewers, users and clients a fascinating and unique television experience every day.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Thomas Ebeling', with a stylized flourish at the end.

Thomas Ebeling (CEO)

Thomas Ebeling (CEO)

CEO
// since March 1, 2009



“As a Media Group we have an outstanding position, enabling us to benefit from the new growth opportunities in the entertainment market on an ongoing basis. Only television has the power and fascination to build up really large brands. They are the basis of our success – on all platforms.”



Andreas Bartl (German Free TV), Thomas Ebeling (CEO), Axel Salzmann (CFO)

Members of the Executive Board

Thomas Ebeling (CEO)

Management segments:

Group Content, International Free TV, Diversification, Human Resources, Corporate Communications, Distribution as well as Governmental Relations & Regulatory Affairs

// CEO since March, 2009

Axel Salzmann (CFO)

Management segments:

Group Operations, Group Controlling, Group Finance and Investor Relations, Legal Affairs, Accounting & Taxes, Internal Audit und Administration

// member of the Executive Board since May 2008,
CFO since July, 2008

Andreas Bartl (German Free TV)

Management segments:

TV Germany

(SAT.1, ProSieben, kabel eins, sixx)

// member of the Executive Board since June, 2008

Highlights 2010

2010 was a very successful year for the ProSiebenSat.1 Group. Here you can find an overview of the most important events.

HDTV - THE TELEVISION OF THE FUTURE HAS ARRIVED.

As of January 31, 2010, SAT.1, ProSieben and kabel eins broadcast their programs in HD+, the female channel sixx since the end of the year. Internationally more and more stations are moving over to HD. In Denmark there are programs from Kanal 5 and 6'eren in high-definition quality. From February 2011, the Swedish Kanal 5 is also broadcasting in HD.

INTERNATIONAL EXPANSION.

In January, ProSiebenSat.1 founded the Red Arrow Entertainment Group to advance expansion in the areas of programming development, production and distribution. The company acquired stakes in numerous production companies and concluded partnerships with top creatives such as Dick de Rijk, whose show "You Deserve It" was sold to the US station ABC at the beginning of 2011.

ADVERTISING CAMPAIGN ACROSS ALL PLATFORMS.

ProSiebenSat.1 subsidiary, SevenOne AdFactory specializes in networked campaigns which use all advertising platforms including TV, online and mobile. The marketing subsidiary developed 360 degree campaigns for customers such as C&A or Procter & Gamble for the new season of "Germany's Next Top Model" in March 2010.

STARWATCH MUSIC WITH A BROADER POSITIONING.

Alongside the music unit, live events are becoming increasingly important. Therefore the company has been named starwatch Entertainment in April. Together with event partners starwatch markets musicals such as Udo Lindenberg's "Hinterm Horizont". In addition, the integration of individual programs is being intensified.

NEW CUSTOMERS FOR SEVENONE MEDIA.

In 2010, the ad sales company gained a total of 427 new customers. As a result SevenOne Media has significantly outperformed its competitors. Its affiliate SevenOne AdFactory also made a contribution to this success, partly with product placement concepts. Since April 2010, this advertising form has been permitted in German commercial television and is particularly attractive for customers who have not yet invested in TV advertising.

NEW STATIONS FOR WOMEN AND MEN.

With the slogan "sixx: I want it too!" German female channel sixx went on air on May 7, 2010. 55% of all households can receive sixx. With FEM3 there has also been a women's station in Hungary since the beginning of 2010. In Norway MAX, a TV station for male viewers, was launched in November. By creating new stations, the ProSiebenSat.1 Group generates additional revenues and reaches target audiences even more precisely.

ATTRACTIVE EMPLOYER.

In May 2010, the Group started the P7S1 Academy and a training campaign across the company. With seminars, workshops, lectures and individual development programs it offers employees the opportunity to develop their strengths on an ongoing basis. According to HR rankings in 2010, ProSiebenSat.1 is one of the most attractive employers in Germany.

01 // JANUARY

03 // MARCH

04 // APRIL

05 // MAY



//01



//03



//04



N24 SOLD – LONG-TERM NEWS SUPPLY AGREEMENT SIGNED.

The ProSiebenSat.1 Group sold its news channel N24 and production company MAZ & More in June 2010. This results in substantial efficiency gains for the ProSiebenSat.1 Group. Both parties agreed that N24 will continue to supply ProSieben, SAT.1 and kabel eins with news to the end of 2016.

TV PROGRAM AS IPAD APP.

In July, as the first Dutch TV magazine, Veronica Magazine launched an iPad version. Last year, the ProSiebenSat.1 Group published a total of 24 apps for various mobile devices in Germany, including twelve iPhone and six iPad apps.

EXECUTIVE BOARD PERSONNEL CHANGE IN THE DIVERSIFICATION SEGMENT.

Daniel Marks, Chief New Media Officer of ProSiebenSat.1 Media AG, left the company at the end of September, for personal reasons. His Executive Board responsibilities were assumed by CEO Thomas Ebeling. In May 2010, Daniel Marks assumed the Executive Board position of Dr. Marcus Englert and was responsible for the further development and coordination of the digital strategy and for the operational management of the Online, Pay TV and VoD business.

TV GROUP LAUNCHES HBBTV.

With ProSieben and SAT.1, ProSiebenSat.1 is the first commercial TV group in Germany to launch live operation of HbbTV (Hybrid Broadcast Broadband Television). HbbTV combines television with the Internet on the TV screen, offering viewers the chance to access additional information, pictures and videos related to a given program.

PROSIEBENSAT.1 GROUP BUYS 100% STAKE IN MAXDOME.

In December, the ProSiebenSat.1 Group bought a 100% stake in the video-on-demand portal maxdome. It offers viewers 35,000 TV, movie and music highlights, making it the largest online video library in Germany. maxdome has been fully consolidated since January 2011 and reported in the Diversification segment.

MYVIDEO - NEXT GENERATION TV.

Alongside user videos, with films, series and music clips, MyVideo offers a wide range of professional content. In 2010 alone, the number of so-called premium videos increased from 75,000 to 125,000. In 2010 MyVideo tripled full episode downloads. In the fourth quarter alone, downloads in the premium area shot up 52%.

TV ADVERTISING FOR REVENUES PARTICIPATION.

With media for revenue share ProSiebenSat.1 developed an innovative business model. Companies which have not previously advertised on television receive TV advertising space for a share of revenues. In 2010, about 40 cooperations were concluded.

06 // JUNE

07 // JULY

09 // SEPTEMBER

12 // DECEMBER

//07



SIXX
Das will ich auch.

//05



MyVideo

//12



Report of the Supervisory Board



Johannes Peter Huth

Chairman of the Supervisory Board
Partner and Head of Europe, Kohlberg
Kravis Roberts & Co. Ltd. (KKR) //
Member of the Supervisory Board
since March 7, 2007

Ladies and Gentlemen,

Once again in 2010, the Supervisory Board of ProSiebenSat.1 Media AG performed the duties incumbent upon it under the law, the articles of incorporation, its own rules of procedure, and the German Corporate Governance Code. It assisted the Executive Board with advice on management and supervised the Executive Board's conduct of business.

In so doing, the Supervisory Board was involved in all decisions of particular importance and, in diligently exercising its duties, it dealt in depth with the development of the ProSiebenSat.1 Group's operations and strategy. Members of the Supervisory Board prepared for decisions requiring its consent on the basis of documentation provided by the Executive Board. Here, they were supported by the competent committees in each case, if applicable, and discussed plans on which decisions were pending with the Executive Board. Supervisory Board meetings were characterized by an intensive and open exchange on the development of business and finances, on fundamental questions of corporate policy and strategy, on personnel and on existing opportunities for development in particularly important growth markets and on investment projects. When business events deviated from plans, the details were explained to the Supervisory Board and discussed with it.

The Executive Board advised the Supervisory Board of the most important economic figures in writing - through monthly reports - and submitted the interim and annual financial reports to it. It also informed the Supervisory Board of particular events between meetings and in objectively justified cases asked it to pass resolutions in writing in consultation with the Chairman of the Supervisory Board. The CEO also maintained a close personal dialogue with the Chairman of the Supervisory Board. On the basis of these regular reports, the Supervisory Board was always thoroughly informed about the Company's condition and pending decisions and was able to perform its tasks in their entirety. There was therefore no need for the Supervisory Board to examine the Company's books and other records for the purposes of Section 111 (2) of the German Stock Corporation Act - apart from the documentation provided to the Supervisory Board in the course of the Executive Board's reporting activities. All matters requiring its consent were submitted to the Supervisory Board promptly for review.

Points of emphasis of the Supervisory Board's advisory and monitoring activities. As part of its advisory and monitoring activities, the Supervisory Board dealt with the following issues in 2010:

- At its extraordinary meeting on March 3, 2010, the Supervisory Board discussed the retirement of the member of the Executive Board, Dr. Marcus Englert, on April 30, 2010. Daniel Marks was appointed as a new member of the Executive Board as of May 1, 2010.
- On March 5, 2010, the Supervisory Board approved the 2010 budget and the multi-year plan in a vote by correspondence. At its ordinary meeting on March 23, 2010, the Supervisory Board adopted the documents of the annual financial statements, the Corporate Governance Report of the Executive Board and Supervisory Board and the Declaration of Compliance for the financial year 2009. Various operating issues and the future strategic focus of N24 were also discussed. During the meeting, the expansion in the existing program to prevent hardship for N24 employees was resolved upon as a precautionary measure. The Supervisory Board also approved the bonus payments and target agreements for the financial year 2010 for members of the Executive Board. In this connection, the Supervisory Board examined the appropriateness of Executive Board compensation in depth.

- By a vote by correspondence on April 9, 2010, the Supervisory Board approved the acceptance of and agreement on a subordinate loan of up to EUR 150 million provided by Lavena 3 S.à r.l. for the purpose of the equity cure under the existing financing agreements.
- By a vote by correspondence on May 17, 2010, the Supervisory Board approved the invitation to the Annual General Meeting, the agenda and the proposed resolutions. In this connection, based on the recommendation of the Audit and Finance Committee, it also approved the appointment of the Munich office of KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) as auditors of the Company and the Group.
- In a further vote by correspondence on May 20, 2010, the Supervisory Board agreed to an amicable settlement with the tax authorities regarding the tax audit for the period from 1997 to 2007 at SevenOne Media GmbH and ProSiebenSat.1 Media AG.
- During an extraordinary meeting on June 11, 2010, the Supervisory Board dealt at length with the offers of potential purchasers of the station N24. The sale of N24 and MAZ & More was approved by vote by correspondence on June 14, 2010.
- On June 28, 2010, the Supervisory Board agreed to an amendment to the proposed resolutions for the Annual General Meeting with regard to disclosure of individual Executive Board members' compensation. The amendment was approved by vote by correspondence. An extension to the exemption from the duty to disclose Executive Board compensation on an individual basis was therefore no longer proposed to the Annual General Meeting for approval in June 2010.
- A further ordinary meeting of the Supervisory Board was held on June 29, 2010. The agenda included various operating issues such as the development of audience share and earnings on the German-speaking market. In this meeting the Supervisory Board also agreed to the launch of the new free TV station "MAX" in Norway.
- On August 5, 2010, the Supervisory Board approved a majority interest of 51% in the US production company Kinetic Content LLC, to expand the ProSiebenSat.1 Group's presence in the world's largest TV market. Agreement was granted by vote by correspondence.
- In its ordinary meeting on September 30, 2010, the Supervisory Board addressed personnel issues, in particular. During the Supervisory Board meeting, targeted succession planning measures and the identification and promotion of talent throughout the Group were discussed. In this meeting the Supervisory Board approved the departure of Daniel Marks from the Executive Board.
- At its last ordinary meeting of the year, on November 25, 2010, the Supervisory Board approved the budget for 2011 as well as the complete takeover of maxdome GmbH & Co. KG. The agenda also included various operating issues such as current business performance in Hungary and in the Netherlands.
- On December 22, 2010, the Supervisory Board agreed by vote by correspondence to amend existing pledge agreements under the pension agreements with former members of the Executive Board and to conclude new pledge agreements with existing members of the Executive Board.

The Supervisory Board held four ordinary plenary meetings and two extraordinary meetings during 2010. All members of the Supervisory Board participated in more than half of the meetings. In 2010, the Supervisory Board and its committees made decisions outside



Compensation report, page 34ff.

personal meetings in 15 cases. Conflicts of interest that have to be disclosed to the Supervisory Board and that the Annual General Meeting has to be informed about did not occur in the reporting period.

Report on the committees' work. So as to conduct its work efficiently, in 2010 the Supervisory Board relied on the assistance of three committees - the Presiding Committee, the Audit and Finance Committee and the Compensation Committee:

- The Presiding Committee prepares for meetings of the Supervisory Board and also deals with matters of particular business significance that are subject to its consent. Such matters include, for example, the acquisition of programming rights. The Presiding Committee furthermore acts as a nominating committee under the German Corporate Governance Code, and suggests suitable candidates to the full Supervisory Board for nomination at the Annual General Meeting. The Presiding Committee met four times in 2010, and adopted one resolution by correspondence.
- The Audit and Finance Committee met five times in 2010 and adopted one resolution by correspondence. The committee deals with matters of risk management and compliance. In accordance with Item 7.1.2 of the German Corporate Governance Code of May 26, 2010, the Audit and Finance Committee also discusses the semi-annual and quarterly financial reports with the Executive Board before those reports are released. It also deals with ensuring the requisite independence of the independent auditor, engaging the independent auditor's services, identifying points of emphasis for audits, and agreeing on the auditors' compensation. Its consent is also required for certain management measures.
- The Compensation Committee makes preparations for resolutions by the full Supervisory Board on such matters as the signing, amendment and termination of service agreements with the members of the Executive Board, and the structure of the Executive Board's compensation. It also prepares the annual review of the Executive Board members' compensation by the full Supervisory Board. The Compensation Committee met four times during the year. It also adopted four resolutions by correspondence.

At its plenary sessions the Supervisory Board was informed about the Committees' work regularly and in full. More detailed information on the composition of the committees can be found in the Management Declaration, starting on page 26.

- **Audit of the AG and Group financial statements.** The 2010 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 the Munich office of KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), which issued an unqualified audit opinion in both cases. The audit paid particular attention to impairment testing of goodwill and other intangible assets under IAS 36, impairment of assets (IAS 36), measurement of programming assets, recognition and measurement of deferred taxes for the Group in compliance with IAS 12, income taxes (IAS 12), completeness and measurement of provisions, including provisions for litigation, determination of revenue in conformity with the requirements of IAS 18, revenue (IAS 18), recognition and measurement of financial instruments, and testing of plausibility of information in the Group management report.

The Supervisory Board extensively 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 presence of the auditor, first within the Audit and Finance Committee and then

at the review meeting of the full Supervisory Board. Here, the auditor reported on the material results of the audit. No weaknesses were identified in the internal control and risk management systems in relation to the reporting process. There were no circumstances that could cause prejudice on the part of the auditor. The Supervisory Board noted with approval the results of the auditor's examination of the financial statements, and for its own part, following its own examination, also found no cause for objection. The Supervisory Board approved the parent company financial statements and the consolidated financial statements prepared by the Executive Board and audited by the auditor, as well as the management reports for both the parent company and the consolidated Group. The annual financial statements were thereby adopted. Finally, the Supervisory Board also reviewed the Executive Board's proposal for the allocation of profits, and concurs in that proposal.

In its capacity as auditor of the financial statements, KPMG also reviewed the report of the Executive Board on relationships with affiliated enterprises during the financial year 2010. The auditor's examination revealed no cause for objection. The auditor issued the following unqualified opinion: "Based on the results of our audit, performed in accordance with our professional duties, we confirm that

1. the factual information in the report is accurate,
2. in the legal transactions mentioned in the report, the consideration paid by the Company was not disproportionately high, or else any disadvantage was compensated."

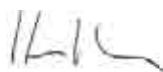
The Supervisory Board's own review of the report likewise revealed no cause for objection. The Supervisory Board therefore concurs in the results of the auditor's review. In accordance with the final results of its own examination, the Supervisory Board has no objections to the declaration of the Executive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

Changes in the membership of the Supervisory Board and the Executive Board.

Dr. Marcus Englert, New Media and Diversification Officer at ProSiebenSat.1 Media AG, resigned from the Executive Board of ProSiebenSat.1 Media AG as of April 30, 2010. His successor Daniel Marks left the Executive Board of ProSiebenSat.1 Media AG as of September 30, 2010. The composition of the Supervisory Board did not change in the course of 2010.

On behalf of the Supervisory Board, I would like to thank all employees as well as the Executive Board for their commitment and their work in the past year. Through it they have supported the successful business performance of the ProSiebenSat.1 Group.

Unterföhring, March 2011
On behalf of the Supervisory Board



Johannes Peter Huth,
Chairman

The Supervisory Board of ProSiebenSat.1 Media AG as of December 31, 2010

Johannes Peter Huth, Chairman of the Supervisory Board	Partner and Head of Europe at Kohlberg Kravis Roberts & Co. Ltd. (KKR)	Member of the Supervisory Board since March 7, 2007
Götz Mäuser, Vice Chairman	Partner, Permira Beteiligungsberatung GmbH (Permira)	Member of the Supervisory Board since March 7, 2007
Robin Bell-Jones	Partner, Permira Advisers LLP	Member of the Supervisory Board since March 7, 2007
Gregory Dyke	Company Chairman	Member of the Supervisory Board since May 7, 2004
Philipp Freise	Director, Kohlberg Kravis Roberts & Co. Ltd.	Member of the Supervisory Board since March 7, 2007
Lord Clive Hollick	Company Director	Member of the Supervisory Board since March 7, 2007
Dr. Jörg Rockenhäuser	Managing Partner, Permira Beteiligungsberatung GmbH	Member of the Supervisory Board since June 4, 2009
Adrianus Johannes Swartjes	CEO Telegraaf Media Groep N.V.	Member of the Supervisory Board since July 17, 2007
Prof. Dr. Harald Wiedmann	German Certified Public Accountant, Attorney at Law, Tax Advisor, Gleiss Lutz Hootz Hirsch Partnerschaftsgesellschaft von Rechtsanwälten, Steuerberatern (Attorneys at Law, Tax Advisors)	Member of the Supervisory Board since March 7, 2007

Proposed Allocation of Profits

The ProSiebenSat.1 Media AG Executive Board will propose the Annual General Meeting the payment of a dividend for common and preference shares. The proposal for the allocation of profits provides for the payment of a dividend of EUR 1.12 per no-par common share and of EUR 1.14 per no-par preference share from the distributable profit of EUR 3,098 million. This represents a total payout of EUR 240.8 million or a payout ratio of 67.4% on underlying net income at ProSiebenSat.1 Media AG. On the basis of the share price of the preference share of EUR 22.50 on December 30, 2010, this equates to a dividend yield of 5.1%.

Management Declaration and Corporate Governance Report

In accordance with Item 3.10 of the German Corporate Governance Code (DCGK), the Executive Board reports - also on behalf of the Supervisory Board - on important aspects of corporate governance at ProSiebenSat.1 Media AG and the compensation paid to the boards. The Executive Board and Supervisory Board report on standards of good management in its Management Declaration.

Management Declaration

The Management Declaration under Section 289a of the German Commercial Code (HGB) provides relevant information about management practices, such as a description of the working procedures of the Executive Board and Supervisory Board and it also comprises the annual Declaration of Compliance under Section 161 of the German Stock Corporation Act (AktG).

Declaration of Compliance of the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act

The Executive Board and Supervisory Board of ProSiebenSat.1 Media AG declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version of June 18, 2009, and, as of its date of validity, since it became applicable the version of May 26, 2010, as published in the official part of the electronic version of the Federal Gazette on July 2, 2010, are complied with in principle and were complied with in the past. Only the following recommendations in the Code were not and shall not be applied:

- The Executive Board of the Company has not appointed a proxy to exercise shareholder voting rights at the Annual General Meeting in accordance with instructions (Item 2.3.3 of the Corporate Governance Code). There is no need for such a proxy at present because of the current shareholder structure and the limited number of shareholders entitled to vote at the Annual General Meeting.
- The D&O insurance policies the Company has taken out for the Executive Board and the Supervisory Board have provided for a deductible for insured members of the Executive Board within the bounds laid down both by law (Section 93 (2) Sentence 3 of the German Stock Corporation Act in conjunction with Section 23 (1) of the Introductory Act to the German Stock Corporation Act) and by the pertinent employment contracts since July 1, 2010. However, neither the Executive Board nor the Supervisory Board regards a deductible as an effective way of enhancing board members' motivation or sense of responsibility. Contrary to the recommendation in item 3.8 of the German Corporate Governance Code, no deductible is agreed in D&O insurance policies for Supervisory Board members.
- The stock option plan (Long-term Incentive Plan) first approved at the Annual General Meeting in May 2005, as part of the authorization to acquire treasury stock, and most recently renewed by resolution of the Annual General Meeting of June 2010, 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 of the Corporate Governance Code) were not included, since due to the particular conditions of the German TV advertising market, no comparable German or foreign companies can be identified. The members of the Executive Board do not participate in the Long Term Incentive Plan 2010 and thus have not received any further stock options in addition to the options already granted.
- The contracts of the Company's Executive Board already existing at the time when the act on Appropriateness of Management Board Compensation (VorstAG) became applicable on August 5, 2009, do not include a "severance pay cap" (Item 4.2.3 of the Corporate Governance Code), as the Company did not consider this as advisable at that time. Insofar as the Company will sign new Executive Board contracts, or amend existing Executive Board contracts in the future, the Company will take care to ensure that payments made to an Executive Board member on premature termination of that member's employment without serious cause, including fringe benefits, do not exceed the value of two years' compensation (severance pay cap) and provide compensation for no more than the remaining term of the contract.
- The Supervisory Board of the Company has abstained from complying with the recommendations of item 5.4.1 para. 2 and 3 of the Corporate Governance Code. Pursuant to item 5.4.1 para. 2 and 3 of the Corporate Governance Code the Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering

the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation. Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.

The Supervisory Board is of the opinion that such formalized procedure regarding the objectives of its composition is not required, in particular, to ensure that these criteria set out by the German Corporate Governance Code are reflected with a view to the composition of the Supervisory Board. The Supervisory Board is rather of the opinion that without such formalized procedure, the composition of the Supervisory Board will be implemented in a way that is in the best interest of the Company as well.

- The members of the Supervisory Board receive only a fixed component of compensation. No additional results-based variable component (Item 5.4.6 of the German Corporate Governance Code) is provided. The Company believes a fair fixed compensation is better suited to the function of the Supervisory Board, which is to provide oversight irrespective of profit to the Company.

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 May 26, 2010, as published in the official part of the electronic version of the Federal Gazette on July 2, 2010.

March 2011

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



[www.prosiebensat1.com/en/
company/corporate-governance/
declaration-of-compliance](http://www.prosiebensat1.com/en/company/corporate-governance/declaration-of-compliance)

Significant disclosures about management practices

The ProSiebenSat.1 Group ensures compliance with rules of conduct, laws and guidelines with a code of conduct that applies throughout the Group. This “Code of Compliance” lays down fundamental principles and the most important guidelines and courses of action for conduct in business life. It is intended to provide valuable assistance to employees and executives of the ProSiebenSat.1 Group, especially in situations of business, legal or ethical conflict. Adherence to the Code of Compliance is carefully monitored. The Group-wide implementation of the Code of Compliance is monitored by the Compliance Officer in close cooperation with the Human Resource Management, Group Controlling, and Legal Affairs departments. The Code of Compliance can be downloaded from the Internet.

Working procedures of the Executive Board and Supervisory Board

The Executive Board of ProSiebenSat.1 Media AG currently has three members. Each member is responsible for his own area of authority and keeps the other Board members continuously up to date on events in that area. In accordance with the articles of incorporation, the Supervisory Board has nine members.

The cooperation and areas of authority of the Executive Board are governed by established rules of procedure. As a rule, the full Executive Board meets weekly. The meetings are chaired by the CEO. These meetings discuss such matters as resolutions about measures and transactions that are subject to the consent of the full Board under the Board’s rules of procedure. For resolutions to be valid, at least half of the members of the Executive Board must participate in the vote. Resolutions of the full Executive Board are adopted by simple majority vote. In the event of a tie, the vote of the CEO decides. When important events occur, any member of the Executive Board may call an extraordinary meeting of the full Executive Board; the Supervisory Board may likewise call such meetings. The Executive Board may also adopt resolutions outside meetings, via an oral, telephone or written vote and by vote in text form. Written minutes are prepared of every meeting of the full Executive Board and of every resolution adopted outside a meeting. The minutes are presented to the full Executive Board for approval at the next meeting and subsequently signed by the CEO. In addition to the meetings of the Executive Board at which important strategic issues are discussed and appropriate measures are adopted, a strategy workshop is held at least once a year. At workshops of this kind, strategic objectives are prioritized and the strategy for the current financial year is developed in cooperation with managing executives from various corporate units.

The Executive Board promptly and fully informs the Supervisory Board in writing, and also at the Supervisory Board’s quarterly meetings, about planning, business performance and the condition of the Company, including risk management and compliance. Where indicated, an extraordinary meeting of the Supervisory Board is called to address important events. The Supervisory Board is involved by the Executive Board in the Company’s strategy and planning, as well as in all matters of fundamental importance to the Company. For significant business decisions – for example, adopting the annual budget, major acquisitions, or investments in programming assets – the rules of procedure for the Executive Board include requirements to obtain the consent of the Supervisory Board. More detailed information on the cooperation between the Executive Board and the Supervisory Board and important issues discussed in the financial year 2010 can be found on pages 22 to 25.

The Supervisory Board has also adopted rules of procedure to govern its work. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings, and also represents the Board’s concerns to outside parties. As a rule, the Supervisory Board adopts its resolutions at meetings. By decision of the Chairman of the Supervisory Board, resolutions may also be adopted in conference calls or in videocon-

ferencing sessions, or also outside a meeting by oral or telephone votes, or by voting in text form. Resolutions may also be adopted by a combination of voting at meetings and voting via other forms. Resolutions of the Supervisory Board are valid if at least half of its members participate in the vote. Resolutions by the Supervisory Board are normally adopted by simple majority of the votes cast, except where a different majority is prescribed by law. In the event of a tie, the vote of the Chairman of the Supervisory Board decides. If the Chairman does not participate, the vote of the Vice Chairman decides. Minutes are kept of the meetings of the Supervisory Board, and are signed by its Chairman. Resolutions adopted outside meetings are also recorded in writing. A copy of the minutes, or of resolutions adopted outside a meeting, is promptly sent to all members of the Supervisory Board. The Board members who participated at the meeting or in the resolution may file written objections against the minutes with the Chairman of the Supervisory Board within one month after the minutes are sent out. Otherwise the minutes, or the resolution, are deemed approved.

Good management of a company requires trusting and efficient cooperation between the Executive Board and Supervisory Board. In keeping with the recommendation of Item 5.6 of the German Corporate Governance Code, the Supervisory Board conducts regular efficiency reviews. For the financial year 2010, this review was conducted as a self-evaluation at the financial review meeting on March 23, 2010. The major points of examination included the Supervisory Board's view of its own mission, the organization of its activities, the independence of its members, the handling of potential conflicts of interest, and the composition of its committees. The Supervisory Board arrived at a positive conclusion.

Committees' composition and working procedures

Members of the Committees come from the Supervisory Board. In choosing committee members, Board members' potential conflicts of interest are taken into account, as are their professional qualifications. The professional qualifications of the committee members are described below:

- **Johannes P. Huth** is Partner at Kohlberg Kravis Roberts & Co. Ltd. (KKR) and is responsible for the operating business in Europe, the Middle East and Africa. He is also a member of the Management Committee as well as various Investment Committees at KKR. Before joining KKR, he was a member of the Investcorp Group Management Committee. From 1986 to 1991, as Vice President he headed the M&A departments of Salomon Brothers in London and New York. Johannes P. Huth accompanied transactions from Wincor Nixdorf, Zumtobel, Demag Holdings, MTU Aero Engines, DSD, Selenia, Kion Group, NXP Semiconductors, ProSiebenSat.1 Media AG, BMG and Wild. Johannes P. Huth completed his studies at the London School of Economics with the degree of Bachelor of Science with honors. He holds a Master of Business Administration from University of Chicago.
- **Götz Mäuser** is a Partner at Permira Beteiligungsberatung GmbH (Permira). He is a member of the Media Team which he established in 2003. Before joining Permira, he was a consultant at McKinsey & Co. in Germany and Brazil. Götz Mäuser holds the German business degree of Diplom-Kaufmann. He holds a Master of Business Administration from New York University, Stern School of Business.
- **Robin Bell-Jones** is a Partner at Permira Advisers LLP in London and in charge of the media sector. Before joining Permira he worked in M&A at Credit Suisse First Boston and at BZW in London and San Francisco. He holds double degrees, a Master of Business Administration from INSEAD in France, and a degree in Modern Languages from the University of Oxford.

- **Philipp Freise** completed his studies at the WHU - Otto Beisheim School of Management in Koblenz. He holds the degree of Diplom-Kaufmann as well as a Master of Business Administration from the McCombs School of Business at the University of Texas. He has been working at KKR since 2001. As Director he heads the European Media Team. Before joining KKR, he founded Venturepark Incubator AG and was a consultant at McKinsey & Co. in Frankfurt am Main and New York.
- **Lord Clive Hollick** holds a Bachelor of Arts and doctorate from Nottingham University in England. He is a founder of the Institute for Public Policy Research and has been a member of the House of Lords since 1991. Before joining KKR he was CEO of United Business Media, Chairman of the SBS Broadcasting Group and the South Bank Centre, and a Director of The Nielsen Company, Logica, Havas and BAe. Lord Clive Hollick was a Senior Advisor at KKR until March 31, 2010.
- **Dr. Jörg Rockenhäuser** is a Managing Partner at Permira Beteiligungsberatung GmbH and a member of all international management bodies of Permira. Before joining Permira, he worked as a Principal at A.T. Kearney. Dr. Jörg Rockenhäuser is a member of the Board of Directors of the American Chamber of Commerce in Germany e.V. He holds the degree of Diplom-Kaufmann of the University of Münster and a PhD of the University of Bochum.
- **Prof. Dr. Harald Wiedmann** studied law at the Universities of Tübingen and Munich, and holds official certifications as an attorney, tax advisor and German certified public accountant. He is Honorary Professor of International Accounting and Auditing at Berlin Technical University and at Johann Wolfgang Goethe University in Frankfurt am Main. Prof. Dr. Harald Wiedmann is of counsel at the law and tax advisory firm of Gleiss Lutz Hootz Hirsch Partnergesellschaft von Rechtsanwälten, Steuerberatern. Until June 2007, Prof. Dr. Harald Wiedmann was President of the Accounting Standards Committee of Germany (DSR). Previously he was Chairman of KPMG Europe and Chairman of KPMG Wirtschaftsprüfungsgesellschaft AG.
- **Gregory Dyke** studied political science at the University of York in England. He is a freelance media consultant for a variety of companies and institutions. He is Chancellor of the University of York, Chairman of HIT Entertainment Ltd., in London, Non-Executive Chairman of Brentford FC and Chairman of the British Film Institute. He formerly headed operations as CEO of Pearson Television and London Weekend Television and was Director General of the BBC.
- **Adrianus Johannes Swartjes** is CEO of Telegraaf Media Groep N.V., of the Netherlands. He previously worked for Reader's Digest and Colgate/Palmolive, among others. He studied business at Erasmus University, Rotterdam.

The committees of the Supervisory Board normally meet quarterly. Committee resolutions are normally adopted by a simple majority vote. In the event of a tie, the vote of the committee Chairman decides. A committee's resolutions are valid if at least half of its members and in no case less than three members participate in the vote. Written minutes are prepared of each committee meeting and are signed by the committee Chairman. Resolutions outside meetings are also recorded in writing. Minutes and resolutions are sent to all members of the committee concerned, and are deemed approved if no committee member who was present at the meeting, or who took part in the resolution, objects to the content within one week after delivery. The committees have been entrusted with making resolutions concerning various tasks of the Supervisory Board and especially have the responsibility for approving certain management measures taken by the Executive Board. The committee Chairmen report to the meetings of the Supervisory Board on the committees' work.

The CFO and the independent auditor regularly participate in the meetings of the Audit and Finance Committee. Additionally, the Chairman of the Audit and Finance Committee may invite in particular executives from finance and reporting units to provide information at meetings as needed. The Audit and Finance Committee meets without the presence of Executive Board members at least once a year. The Supervisory Board has adopted rules of procedure to govern the work of the Audit and Finance Committee.

Committee members as of December 31, 2010

Presiding Committee	Johannes Peter Huth (Co-Chairman) • Götz Mäuser (Co-Chairman) • Robin Bell-Jones • Philipp Freise • Lord Clive Hollick • Dr. Jörg Rockenhäuser
Audit and Finance Committee	Prof. Dr. Harald Wiedmann (Chairman and independent financial expert) • Johannes Peter Huth • Götz Mäuser • Robin Bell-Jones • Philipp Freise
Compensation Committee	Johannes Peter Huth (Chairman) • Götz Mäuser • Gregory Dyke • Adrianus Johannes Swartjes

Corporate Governance Report

Corporate Governance, acting in accordance with the principles of responsible management focused on sustainable added value, is an all-embracing ambition for the ProSiebenSat.1 Group, which includes all corporate units - management focused on the interests of all stakeholders, trusting cooperation, both between the Executive Board and the Supervisory Board and among employees, transparent communication and compliance with existing laws.

The compliance officer of ProSiebenSat.1 Media AG 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.

Fundamentals relating to Corporate Governance

ProSiebenSat.1 Media AG is a listed stock corporation, and is based in Germany. The formal structure for Corporate Governance is therefore derived from German law, in particular, the law governing stock corporations and the capital market, as well as from the articles of incorporation of ProSiebenSat.1 Media AG.

The Company's governing bodies

As a German stock corporation, ProSiebenSat.1 Media AG has three governing bodies: the Annual General Meeting, the Supervisory Board and the Executive Board. Their tasks and powers emerge from the German Stock Corporation Act and the articles of incorporation of ProSiebenSat.1 Media AG.

The shareholders exercise their rights of joint administration and oversight at the **Annual General Meeting**. Each share of common stock confers one vote at the Annual General Meeting; preference shares confer no voting rights, except where prescribed by law. Under Article 19 of the articles of incorporation of ProSiebenSat.1 Media AG, preference shares carry preferential rights in any distribution of profits, as well as an entitlement to a higher dividend. The invitation to the Annual General Meeting notifies the Company's shareholders about the various agenda items and the resolutions that the Executive Board and Supervisory Board will be submitting for approval. The ProSiebenSat.1 web site sets aside special pages for the Annual General Meeting, containing the agenda as well as important information about organizational and legal matters concerning all aspects of the meeting. Following the meeting, the remarks of the CEO and the results of votes can also be downloaded from the site.

ProSiebenSat.1 Media AG's managing body is its **Executive Board**, which is overseen and advised by the **Supervisory Board**. All transactions and decisions that are of fundamental importance to the Corporation are handled in close coordination between the Executive Board and the Supervisory Board. Here open communication and close cooperation between the boards are especially important. These have already been described in detail above.

Communication with the capital market and reporting principles

- **Transparency:** We aim to strengthen trust among shareholders and lenders, as well as the interested public, through openness and transparency. For that reason, we report regularly on important business developments and changes in the Company. In general, ProSiebenSat.1 Media AG provides this information simultaneously to all shareholders, media representatives and the interested public. In so doing, so as to take due account of the international interest in our Company, we release this information in English as well as in German. To ensure fair communication and prompt disclosure both in Germany and in other countries, the Company particularly makes use of the Internet as a channel for communication.

All relevant corporate information is published and kept available for extended periods at our web site, www.prosiebensat1.com/en. Annual reports, interim reports, current stock price charts, analyses and presentations are available for download there any time. The Corporate Governance section of the web site also offers the current Management Declaration, an up-to-date overview of the Company's own implementation of the Corporate Governance Code, an archive of the management's Declarations of Compliance from past years and the Company's articles of incorporation.

- **Regular reporting and ad hoc disclosures:** Four times a year, as part of the Company's annual and quarterly financial reporting, management discusses the ProSiebenSat.1 Group's business performance, its financial position and its current results of operations. In keeping with the requirements of law, 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 press releases for a given year is available on the Company's web site in the "Annual Document" required under Section 10 of Germany's Securities Prospectus Act (Wertpapierprospektgesetz).
- **Financial calendar.** A financial calendar publishes the release dates of financial reports well in advance, along with other important dates, such as the date of the Annual General Meeting. The calendar is available at the ProSiebenSat.1 web site, and is also reproduced in this annual report.
- **Reports of equity holdings and directors' dealings disclosures.** Reports of equity holdings under Sections 21 et seq. of Germany's Securities Trading Act (WpHG) are released as soon as they are received.



Recent information is available on
[www.prosiebensat1.com/en/
investor-relations/publications/
directors-dealings](http://www.prosiebensat1.com/en/investor-relations/publications/directors-dealings).

Directors' dealings disclosures under Section 15a of the German Securities Trading Act are also published on the Internet immediately after receipt. During the year, management personnel and parties related to them reported to ProSiebenSat.1, in compliance with Sec. 15a of the German Securities Trading Act, the following transactions in Company stock or financial instruments relating to Company stock:

Directors' Dealings announcement

First name, last name	Reason for notification	Purchase/sale	Date/place	Shares	Price	Total amount of transaction
Andreas Bartl	Own management duties	Sale	12/03/2010, Xetra / Frankfurt/M.	29,500	EUR 22.17	EUR 654,028
Thomas Ebeling	Own management duties	Sale	11/19/2010, Xetra / Frankfurt/M.	200,000	EUR 20.513	EUR 4,102,600

- **Shareholdings of the Executive Board and Supervisory Board.** As of December 31, 2010, members of the Executive Board held a total of 1,087,078 preference shares of ProSiebenSat.1 Media AG, and a total of 1,400,000 options under the ProSiebenSat.1 Media AG stock option plan (the Long-Term Incentive Plan), each of which option confers the right to purchase one preference share of ProSiebenSat.1 Media AG if the exercise conditions are satisfied. As of December 31, 2010, members of the Supervisory Board held 11,000 preference shares in ProSiebenSat.1 Media AG. Thus, as of December 31, 2010, no single member of the Executive Board or Supervisory Board held shares, or financial instruments relating to shares, in excess of 1% of the outstanding shares, nor did the holdings of all members of both boards combined exceed that figure.

- **Reporting principles.** The ProSiebenSat.1 Group's financial reporting conforms to IFRS (International Financial Reporting Standards). The annual financial statements of ProSiebenSat.1 Media AG, as the Group's parent company, are prepared under the accounting principles of the German Commercial Code (HGB). Both sets of financial statements are audited and certified by an independent accounting and auditing firm.

Compensation Report

This Compensation Report is an integral part of the audited management report and in line with the relevant legal regulations and the recommendations of the German Corporate Governance Code in the version of May 26, 2010, describes the basis for determining the compensation of the Executive Board and Supervisory Board at ProSiebenSat.1 Media AG and the remuneration level of the individual members of the Executive Board and Supervisory Board.

Compensation system for the Executive Board

In addition to their functions as directors and officers of the Company, the members of the Executive Board of ProSiebenSat.1 Media AG also have contractual relationships with the Company. The Supervisory Board is responsible for making the employment agreements with the members of the Executive Board. The employment agreements between ProSiebenSat.1 Media AG and the members of its Executive Board have a maximum term of five years. They also regulate the Executive Board compensation.

After a proposal by the Compensation Committee, the structure and amount of the Executive Board compensation are defined by the Supervisory Board and regularly reviewed.

The compensation system for the Executive Board of ProSiebenSat.1 Media AG aims for sustainable company performance and is composed of fixed and results-based components. The criteria for appropriate compensation are based in part on the individual Board members' personal performance and areas of work and responsibility and also in terms of amount and structure on the executive board compensation in comparable companies and the Company's business situation.

Last financial year, the compensation of the members of the Executive Board comprised the following:

- In accordance with their employment contracts, all Executive Board members received a fixed base salary, paid monthly, that is determined with reference to the individual member's area of responsibilities. In comparison to the previous year, the level of fixed compensation for the members of the Executive Board was unchanged in 2010.
- In addition to this base component, each member also received a performance-based variable component in the form of an annual bonus. The specific terms of this annual bonus are uniform among the contracts of the individual board members. One portion of the bonus is decided by the Supervisory Board, and depends on the achievement of predefined performance targets composed of Group recurring EBITDA, the Group net debt, and personal goals. The bonus can not exceed 200% of the target amount defined at the beginning of the year. Should targets not be achieved, it is possible that there is no variable compensation at all.
- Additionally, the members of the Executive Board also participate in a ProSiebenSat.1 Media AG **stock option plan** (Long Term Incentive Plan, or LTIP), which was first introduced in 2005 and was most recently renewed in 2010. Selected members of the ProSiebenSat.1 Group's management will participate in the LTIP 2010. Members of the Executive Board are not beneficiaries for the first time. With this stock option plan the Company has created an additional compensation component, focused on the Company's long-term success, so as to cultivate shareholder value. Each option under the LTIP entitles the holder to acquire one share of ProSiebenSat.1 preference shares if the exercise conditions are met - in particular, the expiration of the vesting period and the achievement of performance targets. As of December 31, 2010, the active members of the Executive Board held 300,000 stock options issued in 2008 and 1,100,000 options issued in 2009. In financial year 2010, no stock options were granted to members of the Executive Board. In 2010, 29,500 stock options from the LTIP 2005 (Cycle 2006) were exercised by the members of the Executive Board and 665,000 stock options were bought back from members who left the Executive Board in 2010 and former members of the Executive Board. No stock options from the LTIP 2008 were exercised in 2010. The stock options granted from the LTIP 2008 in 2009 cannot be exercised until July 2011 at the earliest.

The Notes to the consolidated financial statements include further information about the ProSiebenSat.1 Media AG stock option plan.

- Furthermore, the Company has signed pension agreements with all active members of the Executive Board, under which those members are entitled to payment of a retirement pension if they reach age 60 and have left the Company's employment after the vesting period stipulated in the contract of employment has elapsed or permanent disability occurs. The vesting period elapses after three years. The monthly retirement

pension is derived from the actuarially calculated life-long pension as of the time of the entitlement to benefits (defined contribution pension commitment). Instead of a life-long pension, when the entitlement occurs, Executive Board members can demand the payment of the guaranteed capital as a single payment. For the period of the employment relationship with the Executive Board member, the Company pays 20% of the respective fixed annual gross salary into the personal pension account managed by the Company. The respective members of the Executive Board have the right to pay any additional amount onto the pension account in the context of deferred compensation. If the employment relationship ends during a financial year, then the amounts to be paid are reduced pro rata. There are no further payments after the end of the employment relationship. The Company guarantees the paid-in capital and annual interest of two % on the paid-in capital. The guaranteed interest rate is added to the guaranteed capital at the end of each financial year. The amounts paid in are invested on the money and capital markets.

- Finally, the members of the Executive Board receive other compensation in the form of non-cash benefits, including company cars, insurance coverage, and coverage of relocation expenses if they must relocate.
- In the case of the premature termination of the employment relationship, the Executive Board agreements have no express severance payment commitments.

Compensation of Executive Board members for the 2010 financial year. To the end of the 2010 financial year, the following total compensation was determined for Executive Board members employed at the Company:

Compensation of Executive Board members for the 2010 financial year

EUR k		Anual salary			Total	LTIP	Pensions	
		Fixed component	Variable component	Miscellaneous ¹⁾		Expenses from share-based compensation in the financial year	Accrued pension provision ²⁾	Payment entitlement 12/31/2010 ³⁾
Thomas Ebeling	2010	1,000.0	916.7	10.1	1,926.8	314.5	157.1	29.2
	2009 ⁴⁾	833.3	1,050.0	- / -	1,883.3	570.7	142.5	13.4
Axel Salzmann	2010	650.0	470.0	19.4	1,139.4	183.9	98.3	29.7
	2009	650.0	600.0	14.7	1,264.7	332.8	85.2	18.5
Andreas Bartl	2010	650.0	425.0	20.4	1,095.4	168.9	92.7	27.9
	2009	650.0	261.5	15.5	927.0	305.7	82.7	17.1
Total	2010	2,300.0	1,811.7	49.9	4,161.6	667.3	348.1	86.8
	2009	2,133.3	1,911.5	30.2	4,075.0	1,209.2	310.4	49.0

¹⁾ Includes non-cash benefits from use of company car, insurance (excluding D&O) and relocation grants if the individual must relocate. ²⁾ Service costs in line with IFRS for the pension entitlement earned in the financial year. Not including entitlements from the individual's own additional payments. ³⁾ Annual pension on retirement, not including entitlements from the individual's own additional payments (as of December 31, 2010 and December 31, 2009). ⁴⁾ 10-month basis/member of the Executive Board since March 1, 2009.

For the Executive Board members leaving the Company during the 2010 financial year, the following total compensation was determined:

Dr. Marcus Englert was a member of the Company until July 31, 2010, and received total remuneration in cash of EUR 612,500 for his activity in financial year 2010 (previous year: EUR 662,500). This included fixed compensation of EUR 262,500 (previous year: EUR 450,000) and variable remuneration of EUR 116,700 (previous year: EUR 212,500) and a payment for prohibition of competition of EUR 233,300 as well as fringe benefits of EUR 5,300 (previous year: EUR 10,200). To the end of 2010, Dr. Marcus Englert had a claim to an annual pension of EUR 29,200 (previous year: EUR 24,600). In the 2010 financial year, no service cost was recognized for Dr. Marcus Englert in the IFRS consolidated financial statements (previous year: EUR 86,900).

Daniel Marks was a member of the Executive Board from May 1, 2010 to September 30, 2010 and received total remuneration in cash of EUR 1,353,000. This included fixed compensation of EUR 175,000, a settlement of EUR 1,178,300 and fringe benefits of EUR 14,100. There is no pension entitlement.

In the 2010 financial year, for active and former Executive Board members there were additions to pension provisions in line with IFRS amounting to EUR 1.4 million (previous year: EUR 1.3 million). Of this amount, EUR 1.0 million was for personnel expenses (previous year: EUR 0.9 million) and EUR 0.4 million (previous year: EUR 0.4 million) for interest expenses. On the other hand, in the 2010 financial year pension payments were made to former Executive Board members with pension entitlements amounting to EUR 0.3 million (previous year: EUR 0.3 million). As of December 31, 2010 pension provisions for active and former Executive Board members totaled EUR 9.1 million (previous year: EUR 8.0 million).

Additional disclosures on share-based compensation instruments. The stock options held by active members of the Executive Board developed as follows in the 2010 financial year:

Additional disclosures on share-based compensation instruments

Stock options (Long Term Incentive Plan - LTIP)	Shares at the beginning of 2010		Options granted in the reporting period	Options forfeited in the reporting period	Options exercised in the reporting period			Shares at the end of 2010	
	Shares	Market value when granted	Shares		Shares Cycle 2006	Average share price	Exercise price	Shares	Market value when granted
Thomas Ebeling	525,000	EUR 1,208,550	0	0	0			525,000	EUR 1,208,550
Axel Salzmann	450,000	EUR 715,500	0	0	0			450,000	EUR 715,500
Andreas Bartl	454,500	EUR 835,245	0	0	29,500	EUR 22.17	EUR 13.99	425,000	EUR 657,950

At the beginning of 2010, Dr. Marcus Englert held 330,000 stock options. 147,000 of these stock options forfeited without compensation in 2010. A further 120,000 stock options were settled at a price of EUR 7.01 each in the context of a repurchase by the Company. As a result, Dr. Marcus Englert still held 63,000 stock options to the end of the financial year.

The outstanding options at the end of the reporting period relate to Cycle 2008 and Cycle 2009 from the 2008 Long Term Incentive Plan and have an exercise price of EUR 16.00 and EUR 1.58. They forfeit on December 31, 2014, or December 31, 2015, respectively, at the latest. The Notes to the consolidated financial statements include further information about the exercise conditions of the individual tranches.

Daniel Marks was issued no stock options in the Long Term Incentive Plan.

Fringe benefits and other commitments in financial year 2010. The Company has extended neither loans nor guaranties or warranties to the members of the Executive Board.

In the 2010 financial year and in the previous period, members of the Executive Board received no services from third parties which was committed or granted in reference to the activity as Executive Board member.

The Company has a directors and officers group liability insurance, a so-called D&O insurance. The insurance covers the personal liability risk should Executive Board members be made liable for financial losses when exercising their functions. The insurance includes a deductible according to which the Executive Board member against whom a claim is made pays a total of 10% of the claim in each insured event, but on an individual basis not exceeding 150% of the respective fixed annual compensation (deductible) for all insurance events in one insurance year. The relevant figure here is the fixed remuneration in the calendar year in which the infringement of duty occurred.

There is an agreement between the Company and the former Executive Board member Daniel Marks on an assumption of costs in the case of his legal defense by the Company. In this respect no agreement has been made for any active or other former member of the Executive Board.

Total compensation of former Executive Board members for the 2010 financial year

In the 2010 financial year, total compensation (pensions) was paid to former Executive Board members amounting to EUR 0.3 million (previous year: EUR 0.3 million). As of December 31, 2010, pension provisions for former members of the Executive Board in the IFRS consolidated financial statements came to EUR 8.3 million (previous year: EUR 7.5 million).

In the 2010 financial year, 545,000 share options were bought back from former members of the Executive Board. The price per share is calculated on the basis of the difference of the stock's trading price at the time the option is exercised minus the exercise price of EUR 13.99 and was between EUR 6.31 and EUR 7.01.

Compensation paid to the Supervisory Board

Compensation system for the Supervisory Board. The members of the Supervisory Board receive a fixed compensation. The Chairman and Vice Chairman of the Supervisory Board each receive twice the amount of this fixed compensation. Members of the Supervisory Board's committees are compensated with a separate meeting honorarium, payable for participating at each committee meeting. Committee chairs receive twice the standard meeting honorarium. The compensation of the Supervisory Board is set out in the articles of incorporation of ProSiebenSat.1 Media AG.

Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during the financial year 2010 and in the previous period.

Compensation of Supervisory Board members for the 2010 financial year. Compensation of Supervisory Board members for the 2010 financial year was as follows:

Individualized breakdown of the compensation of the Supervisory Board

EUR k		Fixed base compensation	Meeting honoraria Presiding Committee	Meeting honoraria Audit and Finance Committee	Meeting honoraria Compensation Committee	Total
Johannes Peter Huth	2009	100.0	3.0	3.0	21.0	127.0
	2010	100.0	12.0	6.0	9.0	127.0
Götz Mäuser	2009	100.0	3.0	12.0	15.0	130.0
	2010	100.0	12.0	15.0	6.0	133.0
Robin Bell-Jones	2009	50.0	1.5	12.0	0.0	63.5
	2010	50.0	6.0	12.0	0.0	68.0
Gregory Dyke	2009	50.0	0.0	0.0	10.5	60.5
	2010	50.0	0.0	0.0	4.5	54.5
Stefan Dziarski ¹⁾	2009	21.4	0.0	0.0	0.0	21.4
	2010	0.0	0.0	0.0	0.0	0.0
Philipp Freise	2009	50.0	1.5	15.0	0.0	66.5
	2010	50.0	4.5	15.0	0.0	69.5
Reinhard Gorenflos ²⁾	2009	16.8	0.0	3.0	0.0	19.8
	2010	0.0	0.0	0.0	0.0	0.0
Lord Clive Hollick	2009	50.0	1.5	0.0	0.0	51.5
	2010	50.0	4.5	0.0	0.0	54.5
Thomas Krenz ³⁾	2009	21.4	0.0	0.0	0.0	21.4
	2010	0.0	0.0	0.0	0.0	0.0
Dr. Jörg Rockenhäuser ⁴⁾	2009	28.7	0.0	0.0	0.0	28.7
	2010	50.0	4.5	0.0	0.0	54.5
Christoph Röttele ⁵⁾	2009	21.4	1.5	0.0	0.0	22.9
	2010	0.0	0.0	0.0	0.0	0.0
Silke Scheiber ⁶⁾	2009	21.4	0.0	0.0	0.0	21.4
	2010	0.0	0.0	0.0	0.0	0.0
Harry Sloan ⁷⁾	2009	21.4	0.0	0.0	0.0	21.4
	2010	0.0	0.0	0.0	0.0	0.0
Adrianus Johannes Swartjes	2009	50.0	0.0	0.0	12.0	62.0
	2010	50.0	0.0	0.0	6.0	56.0
Marinus Maria Petrus van Lent ⁸⁾	2009	8.2	0.0	0.0	0.0	8.2
	2010	0.0	0.0	0.0	0.0	0.0
Prof. Dr. Harald Wiedmann	2009	50.0	0.0	30.0	0.0	80.0
	2010	50.0	0.0	30.0	0.0	80.0
Total	2009	660.7	12.0	75.0	58.5	806.2
	2010	550.0	43.5	78.0	25.5	697.0

¹⁾ Stefan Dziarski's term of office expired at the end of the Annual General Meeting on June 4, 2009. ²⁾ Reinhard Gorenflos resigned from the Supervisory Board as of April 30, 2009. ³⁾ Thomas Krenz left the Supervisory Board as of the end of the Annual General Meeting on June 4, 2009. ⁴⁾ Dr. Jörg Rockenhäuser was elected to the Supervisory Board at the Annual General Meeting on June 4, 2009. ⁵⁾ Christoph Röttele's term of office expired at the end of the Annual General Meeting on June 4, 2009. ⁶⁾ Silke Scheiber left the Supervisory Board as of the end of the Annual General Meeting on June 4, 2009. ⁷⁾ Harry Sloan also left the Supervisory Board as of the end of the Annual General Meeting on June 4, 2009. ⁸⁾ Marinus van Lent resigned from the Supervisory Board as of March 1, 2009.

The members of the Supervisory Board are reimbursed for all out-of-pocket expenses and for the sales tax levied on their compensation and out-of-pocket expenses. They receive only a fixed component of compensation. No additional results-based variable component is provided. Members of the Supervisory Board do not receive loans from the Company. The Company has a D&O insurance for directors and officers of the Company. The insurance covers the personal liability risk should Supervisory Board members be made liable for financial losses when exercising their functions. No deductible has been agreed for members of the Supervisory Board.



9,000 km

// FORMATS THE WORLD OVER

Fascinating stories inspire people all round the world. At the beginning of 2011, CBS Television Studios bought the production rights for a US remake of the successful SAT.1 series "Danni Lowinski". This was the first time a German series made it to the USA. In the future, Danni Lowinski will be fighting for the rights of ordinary people, also in the USA - 9,000 kilometers from her desk in Cologne. In Germany, the program was one of the most successful launches in 2010. A second season has been running in SAT.1 since March.

// GROUP MANAGEMENT REPORT



// GROUP MANAGEMENT REPORT

In the Group Management Report, we present the business situation at the ProSiebenSat.1 Group in 2010. We report on important events and results, explain the general conditions of our business and provide an outlook on the future operating and strategic development of ProSiebenSat.1.

The auditors have examined the consolidated financial statements and the Group Management report and accorded them an unqualified audit opinion.

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Business Operations and Business Conditions

Overall assessment of business - management view

// The ProSiebenSat.1 Group closed 2010 with a very successful performance. Against the backdrop of the economic recovery, ProSiebenSat.1 increased consolidated revenues by 8.7% to EUR 3.000 billion. Parallel to a considerable revenues upturn in the TV segments, our growth initiatives in the Diversification segment and the expansion of the program production business were successful. Recurring EBITDA, or earnings before interest, taxes, depreciation and amortization after adjustment for non-recurring items, rose 30.1% to EUR 905.9 million. The net result (consolidated profit after taxes and non-controlling interests) doubled to EUR 312.7 million (previous year: EUR 146.6 million).

ProSiebenSat.1 - The Company

ProSiebenSat.1 Media AG was founded in 2000 as Germany's largest television corporation. Today, the Group is an internationally active media company, occupying a leading position in Europe.

Its family of stations - with the brands SAT.1, ProSieben, kabel eins and sixx - is number one in the German TV advertising market. The Group also has strong market positions in Free TV in the Netherlands with Veronica, NET 5 and SBS 6, in Hungary with TV 2, or in Sweden with Kanal 5 and Kanal 9. The ProSiebenSat.1 Group reaches over 78 million TV households in total with its TV programs and is therefore Europe's second-largest broadcasting group. Beyond its core business television financed by advertising (Free TV), the Group includes numerous Internet brands, stakes in radio stations, print and new media companies, as well as activities in music business, live event and artist management in its portfolio.

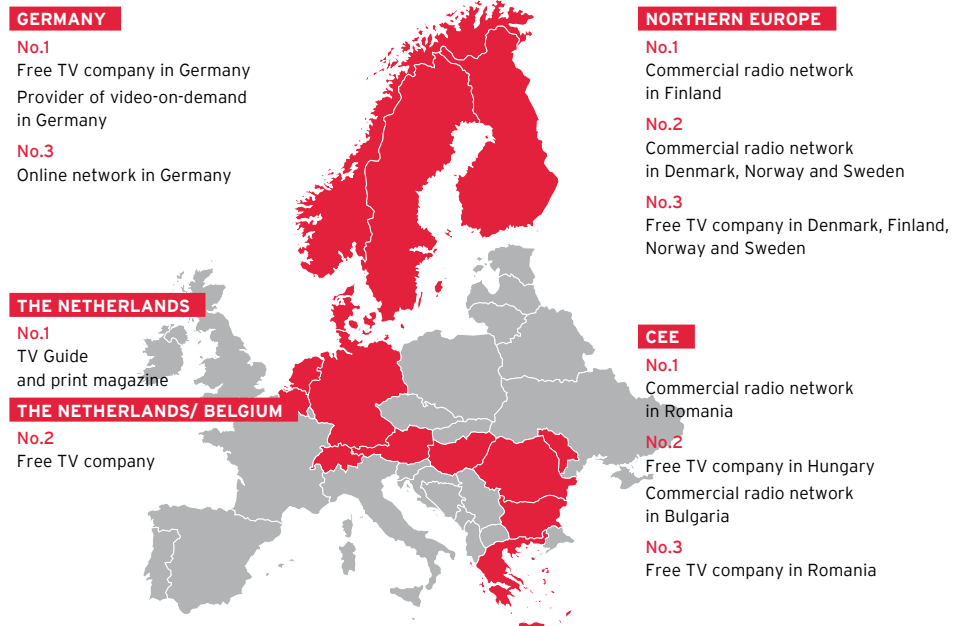
The Company's headquarters and largest site is in Munich/Unterföhring in Germany. The Group generates about 65% of its revenues there. The ProSiebenSat.1 Group employs approximately 5,000 staff throughout Europe.

Business Activities and Markets

The ProSiebenSat.1 Group operates in 14 European countries and also works with companies throughout the world in programming development and production. The Group organizes its business activities in three operating segments: "Free TV German-speaking", "Free TV International" and "Diversification".

- The **Free TV German-speaking segment** (Germany, Austria and Switzerland) includes the stations SAT.1, ProSieben, kabel eins and sixx as well as the sales companies SevenOneMedia and SevenOne AdFactory. The activities in Austria and Switzerland as well as the Red Arrow Entertainment Group with its sales partner SevenOne International are also consolidated here.
- The commercial TV stations in the Benelux countries (Netherlands, Belgium), Northern Europe (Denmark, Finland, Norway, Sweden) and the CEE region (Bulgaria, Hungary, Romania), the vast majority of which are also financed by advertising, constitute the **Free TV International** segment.
- The **Diversification** segment includes all revenue models not directly dependent on the TV advertising market, such as call TV, online, music, commerce, licensing/merchandising or pay TV and video on demand. Print (Netherlands) and radio (Northern Europe and CEE) are also allocated to the Diversification segment.

Competitive situation of the ProSiebenSat.1 Group



In each case based on the number of unique users (online), listeners (radio), print run (print), viewers (TV) // competitive situation of the German TV stations based on gross TV advertising market share // maxdome is the VoD portal with the largest range of content in Germany.

Range of Services and Processes



The ProSiebenSat.1 Group acquires many of its feature films, TV films and series as licensed content from third parties. For more information about investments in programming assets, refer to page 69.

Developing and purchasing programs. The ProSiebenSat.1 Group secures attractive programs through three different channels: the purchase of licensed formats, commissioned productions and the development and implementation of its own ideas. The TV company has a close network of contacts with Hollywood studios as well as producers in the respective national markets. The companies in the Red Arrow Entertainment Group develop and produce their own formats, to which ProSiebenSat.1 has unrestricted broadcasting and licensing rights.

Budgeting and planning programs. The development of ideas for programs follows the calculation of production costs. The "Production Management" unit prepares production plans for the German stations, which ensure that firstly budgets and secondly the high quality standards that are a hallmark of ProSiebenSat.1 productions can be adhered to. At the same time, it checks whether trans-national co-productions are feasible. At this early stage, program scheduling includes the new designs for programs in the transmission schedule for the first time. The aim is to work with controlling to compare target and actual program costs on an ongoing basis. However, the focus is on finding the right slot – a major criterion for successful ratings and the optimal commercial exploitation of TV broadcasts.

Implementing programs and developing additional services. During the conception and production phases, ProSiebenSat.1 program editors from Fiction and Show work closely with internal and external editors. They ensure that the TV formats are implemented in a manner that is appropriate to the brand and the target group for the station. At the same time, the editors develop multimedia concepts for the TV broadcasts with the ProSiebenSat.1 subsidiary SevenOne Intermedia. The aim is to ensure that ProSiebenSat.1 content can be experienced on all platforms, to strengthen the commitment to our TV brands via additional services and to develop new revenue sources with the help of an extended licensing chain. To this end, the ProSiebenSat.1 subsidiary MM MerchandisingMedia develops attractive licensed products as spin-offs of the ProSiebenSat.1 stations' programs with external partners at an early stage and concludes cooperative arrangements with popular pop and rock stars.

Presenting TV programs in the advertising market. The ProSiebenSat.1 ad sales company SevenOne Media presents the individual formats to the stations' advertisers up to six months before the broadcast date. In recent years, the Company has developed many special forms of advertising beyond traditional TV spots, with which the ProSiebenSat.1 Group generates the majority of its revenues. Here, individual concepts have to be worked out jointly with the advertisers far earlier. When using product placement, for instance, advertisers are closely involved while the screenplay is being drafted. In 360 degree concepts, where the consultants from SevenOne Media develop advertising campaigns, which run on up to twelve media from TV to mobile, the marketing of the programs often begins in the conception stage.

Distributing the programs throughout the world. SevenOne International is the ProSiebenSat.1 Group's worldwide programming sales operation. The global marketing of the Group's own formats is the final step in the licensing chain of individual shows. In recent years, SevenOne International has sold the Group's TV formats to more than 100 territories, including important markets such as the United Kingdom or the USA. In almost all cases, work to sell the format begins before the programs are aired by the station that devised it. Many shows are already sold on the basis of the screenplay at international specialist trade fairs. With multi-part TV events, programming sales is also involved in the production, such as in the casting of an international team of presenters, who will simplify global marketing subsequently.

Organization and Group Structure

ProSiebenSat.1 Media AG is the parent company for the ProSiebenSat.1 Group. It is a stock corporation, and is based in Germany. The legal corporate structure did not change in the financial year 2010, the number of consolidated companies in the Group remained virtually unchanged in 2010 compared to the prior year.

ProSiebenSat.1 Media AG is the holding company for the Group. In its role as a cross-functional holding, ProSiebenSat.1 Media AG has no operational role but performs the management tasks of a holding company. These tasks include key functions such as corporate strategy, central financing and risk management.

The ProSiebenSat.1 Group is managed centrally from Munich/Unterföhring. However, heavily localized markets and target group interests demand customer proximity and local flexibility at the same time. This is why the individual subsidiaries of ProSiebenSat.1 Media AG operate autonomously with full responsibility for revenues in the various countries on the basis of central objectives.

No significant change in the scope of consolidation in 2010. In June 16, 2010, the ProSiebenSat.1 Media AG signed a share purchase agreement for the news channel N24 and the production company MAZ & More with a group of bidders led by N24 Managing Director Dr. Torsten Rossmann and the former editor-in-chief of the news magazine "Der Spiegel", Stefan Aust. The companies were deconsolidated as of June 30, 2010. Aside from this sale, the scope of consolidation of the ProSiebenSat.1 Group did not change significantly in 2010. The present consolidated financial statements include ProSiebenSat.1 Media AG and all significant subsidiaries – meaning entities in which ProSiebenSat.1 Media AG directly or indirectly holds a majority of voting rights, or over whose activities it can otherwise exercise a controlling influence.



Details of the scope of consolidation can be found in the list of shareholdings in the Notes on page 179 to 183.

// GROUP STRUCTURE AND LOCATIONS

One of the most important direct subsidiaries of ProSiebenSat.1 Media AG is ProSiebenSat.1 TV Deutschland GmbH, headquartered in Unterföhring. It bundles the Group companies that operate Free TV stations in Germany, Austria and Switzerland. These companies include not only the family of German stations SAT.1, ProSieben, kabel eins and sixx, but also SAT.1 equity holdings in Austria and Switzerland. The sales companies for the core market, Germany – SevenOne Media GmbH and SevenOne AdFactory GmbH – are wholly owned subsidiaries of SevenOne Brands GmbH. The marketing subsidiaries for Austria and Switzerland as well as the Austrian Free TV station PULS 4 also fall within its ambit.

P7S1 Erste SBS Holding GmbH and P7S1 Zweite SBS Holding GmbH, likewise headquartered in Unterföhring, combine the companies of the former SBS Broadcasting Group. These include the ProSiebenSat.1 Group’s international print and radio services in addition to the TV stations financed by advertising in the Benelux countries, Northern and Eastern Europe.

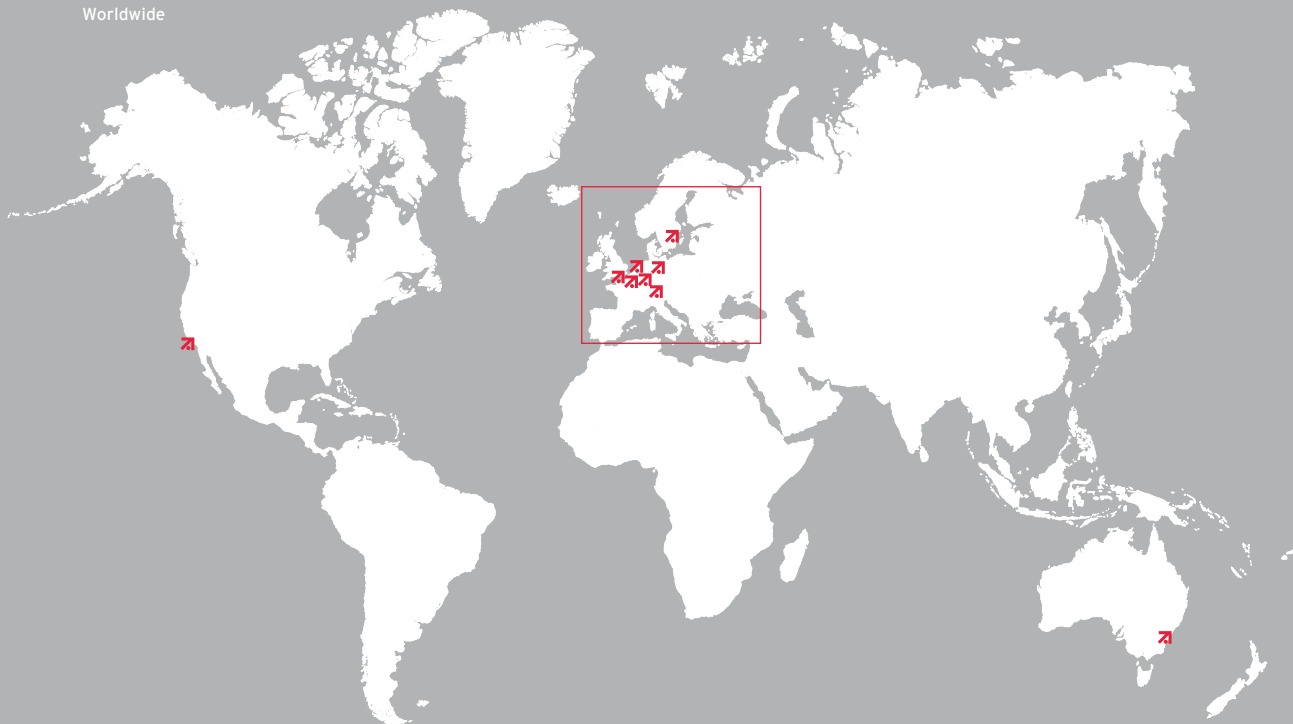
// GROUP STRUCTURE OF PROSIEBENSAT.1 MEDIA AG

ProSiebenSat.1 TV Deutschland GmbH*					SevenOne Brands GmbH			
100 %					100 %			
sixx GmbH	Sat.1 Satelliten Fernsehen GmbH	ProSieben Television GmbH	kabel eins Fernsehen GmbH	SevenPictures Film GmbH	SevenOne Media GmbH	SevenOne Media Austria GmbH	SevenOne Media (Schweiz) AG	SevenOne AdFactory GmbH
100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
						Puls 4 TV GmbH		
						100 %		

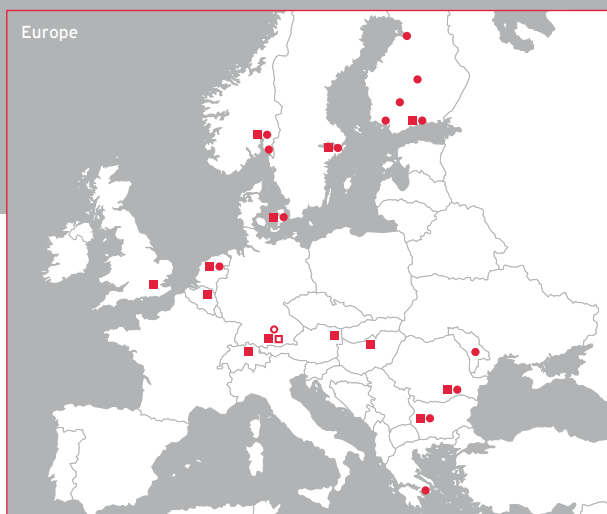
* Formerly: German Free TV GmbH

CONTENT PRODUCTION & DISTRIBUTION

Worldwide



Europe



- TV / SALES
- RADIO / PRINT
- ▣ DIGITAL PLATFORMS
- MUSIC / COMMERCE

Red Arrow Entertainment Group GmbH 100 %	ProSiebenSat.1 Welt GmbH 100 %	P7S1 Erste SBS Holding GmbH 100 %	P7S1 Zweite SBS Holding GmbH 100 %	9Live Fernsehen GmbH 100 %	SevenSenses GmbH 100 %	ProSieben Digital Media GmbH 100 %	MM Merchandising Media Holding GmbH 100 %
		P7S1 Broadcasting S.à r.l. 80 % 20 %			maxdome GmbH & Co. KG 50 %	SevenOne Intermedia GmbH 100 %	Starwatch Entertainment GmbH 100 %
		SBS Broadcasting Holding I B.V. 100 %					

Managing and monitoring powers split between individuals. A stock corporation under German law has three principal governing bodies: the Executive Board, the Supervisory Board and the Annual General Meeting. The governing bodies' decision-making powers are strictly demarcated from each other.



Reports of the Executive Board and Supervisory Board, page 15ff.

The **Executive Board** is responsible for the ProSiebenSat.1 Group's overall performance, and has both professional and disciplinary authority over the managers of the various business segments and holding company units. The **Supervisory Board** monitors and advises the Executive Board in its conduct of business, and is thus directly involved in all corporate decisions of major importance. The basic rules for this dual management system are defined in the articles of incorporation and in the rules of procedure for the Executive Board and Supervisory Board. The articles of incorporation also define the scope of business activity. According to Section 179 of the German Stock Corporation Act (AktG), they may only be amended by a majority resolution of the Annual General Meeting. The cooperation between the boards is explained in the section entitled Reports from the Executive Board and Supervisory Board. The three members of the current Executive Board team are also presented there and their departmental responsibilities are shown.

The shareholders of ProSiebenSat.1 Media AG exercise their rights of joint administration and oversight at the **Annual General Meeting**. Each share of common stock confers one vote at the Annual General Meeting; preference shares confer no voting rights, except where prescribed by law. Under Article 19 of the articles of incorporation of ProSiebenSat.1 Media AG, preference shares carry preferential rights in any distribution of profits, as well as an entitlement to a higher dividend.

Intragroup Management System

The Executive Board manages the Group and the operating segments of the ProSiebenSat.1 Group by setting strategic targets and monitoring a number of key performance indicators. The internal management system is primarily made up of the following components:



Risk and Opportunity Management, page 89.
Management by objectives, page 76.

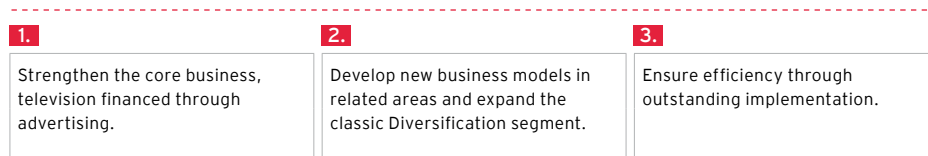
- A strategy-setting process
- Financial and operational parameters
- An integrated budgeting and planning system
- Monthly reporting to the Supervisory Board and Executive Board
- Ongoing risk and opportunity management
- Management by objectives at all levels of the Company

Corporate strategy

The Executive Board of the ProSiebenSat.1 Media AG decides the corporate strategy, and as a consequence the short-term and long-term operational planning targets for the Group and its segments. The objectives are highlighted twice a year in the strategy meeting. Comprehensive SWOT analyses in which market conditions and competitive positions are systematically evaluated are part of the **strategy development**. To this end, factors for success are defined, risks assessed, opportunities prioritized, and steps decided that will accomplish strategic corporate goals.

Strategic planning is firmly integrated in the operating processes. The budget preparation process for the next twelve months follows from the definition of the strategic goals at the end of each financial year, as does the multi-year plan. All employees are required - regardless of the formal process - to deal sensibly with potential risks and to analyze any opportunities that arise.

Three strategic fields of action defined. Our guiding principle is “Fascinating People”. We inspire people with first-class entertainment and up-to-the-minute information – any time, anywhere. We develop individual, cross-media advertising concepts for our advertisers. Our paramount goal is to achieve sustainable, profitable growth in so doing and to extend our value chain into promising growth areas. To achieve that goal, the ProSiebenSat.1 Group has defined three strategic focuses for action:



The crucial factors for success in setting ourselves apart from our competitors in the market for viewers are **fascinating TV content, outstanding brands** and well-known faces supported by our stations programming in a way that is appropriate to our target groups. Through the launch of new stations – such as stations specially tailored to women, namely sixx in Germany or FEM3 in Hungary, in 2010, we are catering for more viewers. Depending on the core target group of the individual stations, we focus on an individual mix of licensed programs from Hollywood, that is often aired for the first time on European free TV by our stations, and programming concepts, which are designed specially for individual stations. Commissioned and own productions not only hone the station's profile, however, they also help to improve cost-efficiency and to leverage synergies throughout the Group.




New clients, page 84.

Successful programs put us in a position to market our advertising spaces at appropriate prices. In addition to high-performance sales structures, our ambition is to distinguish ourselves from our competitors through our customer focus and ground-breaking sales concepts. As a specialist in networked concepts, SevenOne AdFactory markets sixx for example and appeals to new TV customers, in particular, with creative communication solutions.


Our **diversification strategy** allows us to respond to different customs in media use and offer our advertising clients individual communication solutions from a single source – from TV, online, mobile and licensing to testimonials and events. However, for ProSiebenSat.1 as a company the expansion in the portfolio also offers additional potential for sustained growth in revenues and earnings. By extending our brands into related areas, we can reduce dependency on individual markets and offset cyclical fluctuations.

It is also important for our profitable growth that we optimize utilization of existing capacity. For us, as a media group, that means making the best possible use of available advertising space and the existing programming assets. We can capitalize available advertising capacity through creative marketing models such as the principle of getting a share of companies' revenues in return for advertising time. By broadcasting our TV content over different platforms and extending our brands onto the Internet or offering content in return for user fees, we generate additional revenues. Apart from this cross-media use of content, the ProSiebenSat.1 Group is developing additional revenue sources through the international marketing of formats and the production of our own programs. The ProSiebenSat.1 Group has extended the programming value chain with the establishment of the Red Arrow Entertainment Group in January 2010.

Another factor crucial to our economic success is our ability to develop, produce, license and sell attractive content in **processes** that show above-average **efficiency**. Recessionary periods such as that experienced in 2009 are associated with particularly substantial demands on corporate operating capacity. In 2009, the ProSiebenSat.1 Group implemented structural measures to redesign its processes and reacted to the economic situation with a comprehensive program to increase efficiency. Since mid-2009, for example, all German TV stations have been working together in a cross-function matrix organization run by ProSiebenSat.1 TV Deutschland GmbH. The Group's recurring costs have been permanently reduced through the associated relocation of SAT.1 to Munich and the bundling of resources in Human Resources, Accounting and Communication at the Munich site. The ProSiebenSat.1 Group improved its cost structure further in 2010 by spinning off its news production. At the same time, the Group entered into a contractual agreement to secure long-term access to high-quality news programming for its stations.

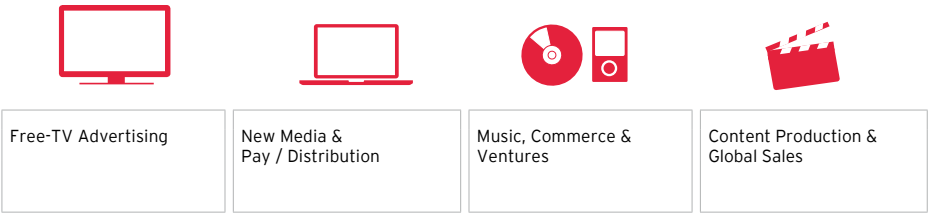
 PRIME stands for Process and ICS Management Excellence and forms part of the internal control system described in the Risk Report on page 97.

In future an awareness of costs and efficiency achieved through lean processes will also be required to rank among the leading media groups in Europe. The establishment of a **"best practice organization"** will therefore constitute an important strategic task in future. Regular meetings, best-practice-sharing days will encourage networking between all the different departments and a systematic transfer of knowledge throughout the Group. The establishment of a standard process management system is also a key component in achieving this goal. This was started as part of the PRIME project. The process management system supports a focus on customers within the Group, an increase in transparency and the parallel optimization of efficiency and effectiveness. PRIME includes the management of the internal control system as a second component. Within PRIME, the potential risks for each process are identified and controls formalized. These can be allocated to the categories described in the Risk Report: compliance risks, financial risks and operating risks.

 Employees, page 75.

A culture of top performance in addition to efficient processes and structures are a prerequisite for "outstanding implementation". High-performing and motivated employees, guided by a common sense of mission, are the heart of a best practice organization. The ProSiebenSat.1 Group therefore intensified its personnel development measures in 2010 and enhanced its incentive system. The goal of this program, which was started at the beginning of 2010 under the name "Performance Development", is to improve staff member contributions to performance throughout the company, and to encourage talent systematically. For more information, please refer to the section entitled "Employees".

Four pillar growth strategy of the ProSiebenSat.1 Group



Management system based on key performance indicators

The ProSiebenSat.1 Executive Board manages the Group, its segments and its operating units by a number of key performance indicators. These key performance indicators are derived from the ProSiebenSat.1 Group's long-term strategic goals and encompass operating indicators in addition to financial parameters. The financial parameters used are based on the interests and requirements of the lenders:

- **Earnings management.** Recurring EBITDA or recurring EBITDA margin is used as an earnings benchmark at Group and segment level and for the individual subsidiaries. Recurring EBITDA, or earnings before interest, taxes, depreciation and amortization, adjusted for non-recurring items, reflects operating profitability. Since it eliminates the influence of taxes and depreciation, as well as the structure of the Company's financing, recurring EBITDA also allows a meaningful assessment of profitability internationally.
- **Financial planning.** Free cash flow is the surplus cash generated. It is calculated as total cash and cash equivalents generated in operating business less the balance of cash used and generated in the context of investing activities. It expresses how much liquidity is available to providers of equity and lenders from the business in one period.



Other operating early warning indicators are described in the Risk Report on page 89 onwards.

Leverage is another parameter used in planning the capital structure at Group level. It indicates how high net debt is in relation to LTM recurring EBITDA, which the ProSiebenSat.1 Group has generated in the last twelve months.

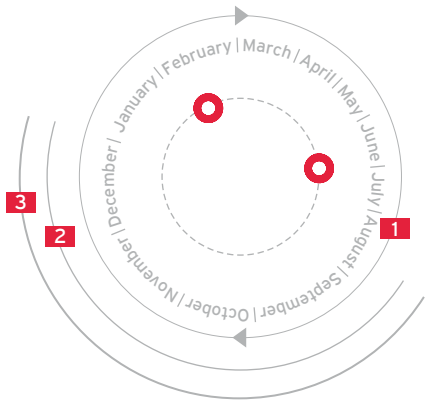
The audience share of free TV stations is one of the most important **operating parameters**. They are indicators for the quality of TV station programs and their brand value and are consequently an important means of documenting performance for the advertising industry. Deviations in actual ratings from anticipated planning figures are assessed as part of early risk detection. Parameters in the Diversification segment include the number of unique users in the online business or the number of calls in the call TV business.

In addition to these internal performance indicators, the Group-wide management and planning process includes **external indicators**. Current economic data, such as the trend in private consumption or gross domestic product serve, for example, as important indicators for the advertising industry's willingness to invest.

An integrated budgeting and planning system

The ProSiebenSat.1 Group’s planning is based on strategic and operating objectives. Internal targets are defined for the indicators explained above for the individual subsidiaries of the Group, for the segments and for the Group as a whole. The individual planning processes – the budget and the multi-year plan – are coordinated systematically. This is a matter of fundamental importance for effective management of the target figures and the assessment of risks and opportunities.

Planning process



<div>1</div> Budget (operating plan for the year on a monthly basis)	The operating plan for the year is prepared on a bottom-up basis. This means that company-specific data relating to individual subsidiaries is aggregated at segment and Group level via the income statement, the preparation of the statement of financial position and the cash flow statement. Here, particular account is taken of projections about volumes and prices, program scheduling, costs and investment planning, and staffing plans. The budget is prepared at the end of a financial year for the following year and contains target figures on a monthly basis.
<div>2</div> Multi-year plan (long-term corporate plan on a quarterly basis)	The budget is the foundation of the multi-year plan: target figures are set on a quarterly basis for the financial and operating management indicators. Like the budget, these target figures for the next five years are calculated from the bottom up and adopted by the Executive Board and Supervisory Board.
<div>3</div> Monthly reporting (trend projections)	<p>Deviations from planned target figures can be recognized rapidly with the help of trend projections during the year, meaning that any negative developments can be rapidly countered. To this end, the expected development of revenues, earnings and cash flows for the current year is calculated on the basis of actual figures and analyzed in comparison to the budget.</p> <p>Apart from this monthly reporting to the Executive Board and the Supervisory Board, potential risks are reported to the Group Risk and Compliance Officer as part of the quarterly reporting process. Any changes to the previously mentioned early warning indicators over time are analyzed in particular here, so that suitable management measures can be instigated timely.</p>
<div></div> Strategy meeting	Strategic objectives are highlighted in the strategy meeting.

Legal Environment

ProSiebenSat.1 Media AG has to comply with a large number of legal requirements. In addition to these general legal requirements, there are also significant journalistic and media policy principles to be observed. As a German stock corporation, it is subject in particular to German laws that govern corporations, employee co-determination, and the capital markets, and it is bound by the German Corporate Governance Code. Important reporting obligations that result from the legal requirements for this management report are met below:

- **Disclosures regarding corporate acquisitions under Section 315 (4) of the German Commercial Code (HGB) and their explanations under Sections 124 a Sentence 1 No. 3 and 176 (1) Sentence 1 of the German Stock Corporation Act (AktG).** The nonvoting bearer preference shares of ProSiebenSat.1 Media AG are listed for trading in the regulated Prime Standard segment of the Frankfurt Stock Exchange.

By contrast, the Company's registered, common stock is not traded on an organized market within the meaning of Section 2 (7) of the German Securities Acquisitions and Takeover Act (WpÜG). It is not listed for trading on any stock exchange and, according to the articles of incorporation of ProSiebenSat.1 Media AG, may only be transferred with the Company's consent. Against this background, there is no requirement for disclosures regarding corporate acquisitions under Section 289 (4) of the German Commercial Code and under Section 315 (4) of the German Commercial Code in the parent company and Group management reports of ProSiebenSat.1 Media AG respectively. A report by the Executive Board explaining these disclosures pursuant to Sections 124 a Sentence 1 No. 3, 176 (1) Sentence 1 of the German Stock Corporation Act is therefore not necessary either.

- **Report on relations with affiliated companies.** In compliance with Section 312 of the German Stock Corporation Act, the Executive Board of ProSiebenSat.1 Media AG has prepared a report on relationships with affiliated companies for the financial year 2010.
- **Statement by the Executive Board under Section 312 (3) of the German Stock Corporation Act:** For every legal transaction entered into between ProSiebenSat.1 Media AG and Lavena 1 S.à r.l. or its affiliated entities during the year under review, ProSiebenSat.1 Media AG contractually promised appropriate compensation within the meaning of Section 312 AktG and received performance in return for such compensation insofar as performance was due during the year under review.
- **Management Declaration under Section 289a of the German Commercial Code.** The Company has published its Management Declaration on its website.

In addition, in the Annual Report the Executive Board and Supervisory Board report each year on the corporate governance of the ProSiebenSat.1 Group. The Group auditor has critically reviewed the Corporate Governance Report in accordance with the IDW auditing standard.

- **Description of the key features of the internal control and risk management systems in regard to the reporting process pursuant to Section 315 (2) No. 5 of the German Commercial Code.** The information about internal controlling and risk management systems - according to Section 315 (2) No. 5 of the German Commercial Code - in regard to the consolidated reporting process, is included in the Risk Report.

- **Compensation report under Section 315 (2) No. 4 of the German Commercial Code.** The disclosures required under Section 315 (2) No. 4 of the German Commercial Code are included in the compensation report, which is part of the Corporate Governance Report. The compensation report is an integral part of the audited Group management report.



Composition of subscribed capital,
page 80.



[http://www.prosiebensat1.com/en/
company/corporate-governance/
management-declaration](http://www.prosiebensat1.com/en/company/corporate-governance/management-declaration).



Corporate Governance Report,
page 32ff.



Compensation Report, page 34ff.

Economic and Industry Environment

Overall economic environment.

Following the recession in 2009, the global economy made an astoundingly quick transition to the path to recovery in the year under review. As expected, the swift speed of expansion slowed somewhat in the second half of the year after the direct recovery effects subsided. The International Monetary Fund is currently reporting real growth of 5% for 2010. However, performance was mixed in the individual markets of the world. While economic output in the major developing countries was already far above the pre-crisis level at the end of 2010, the growth curve of the developed economies was flatter. In the Euro Zone the upturn in gross domestic product of 1.7% was rather modest.

The German economy proved surprisingly strong. The Federal Statistical Office reported an upturn of 3.6% - the highest increase since reunification. The first half of 2010 in particular was extremely lively, driven by strong demand from abroad. The pace abated in the second half of the year as a result of the falling demand from developing and industrialized nations, although the upward trend continued with an increasingly positive investment climate. The favorable state of the labor market among private consumers also served to create good sentiment. At 0.4%, development in the final quarter was slightly more sedate than in the previous quarter, but this was probably mainly due to the early and harsh onset of winter and a corresponding decline in construction investment. By contrast, positive impetus was provided by exports and domestic demand.

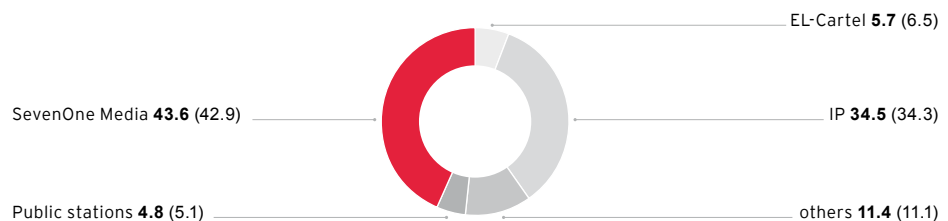
Development of the advertising market

Strong growth on core German market. There is a strong correlation between TV advertising markets and macroeconomic conditions. Accordingly, the gross numbers for the German TV advertising market published by Nielsen Media Research were quite positive. At EUR 10.91 billion, TV advertising spending in 2010 was 16.2% higher than the corresponding previous-year figure of EUR 9.39 billion. The fourth quarter of 2010 especially contributed to the growth of gross advertising investment (up 14.9% to EUR 3.62 billion). The distribution of advertising budgets to the individual media types reflects the positive trend: on the basis of Nielsen figures, television expanded its share on the gross advertising market most strongly, rising by 2.0 percentage points to 43.6%. This is a clear indicator for the appeal and effectiveness of the medium as an advertising platform.

With a gross market share of 43.6%, SevenOne Media GmbH, the sales company of ProSiebenSat.1 Group for the German market, expanded its competitive position on its most important revenue market (previous year: 42.9%). The Company benefited from the dynamic market environment and capitalized its ratings successfully.

German gross TV advertising market share

in percent // 2009 figures in parentheses



Source: Nielsen Media Research. SevenOneMedia incl. N24.



Media use, page 88.

The ProSiebenSat.1 Group also continued its growth course in the German online advertising market. The company's ranking among sales companies, as measured by the online research institute AGOF, improved from fourth place to third place. According to Nielsen Media Research, the Group increased its gross online advertising revenues by 14.0% to EUR 125.5 million in 2010 (previous year: EUR 110.1 million). Revenues for the gross online advertising market itself expanded by 35.5% to EUR 2.37 billion (previous year: EUR 1.75 billion).

Positive trend in most international markets. The improved economic conditions also had a positive effect on the booking behavior of advertisers in most of the international TV markets in which ProSiebenSat.1 Group operates. Especially in the Scandinavian countries, net TV advertising spending increased substantially. In Eastern European markets of Hungary and Romania, TV advertising expenditure was below those of the previous year due to a continuingly weak economy.

Development of the TV advertising market in the ProSiebenSat.1 Group's major TV markets

	Q4 2010 Change from previous year, in %	2010 Change from previous year, in %
Germany	14.9	16.2
Austria	7.42	7.44
Switzerland	10.8	12.8
Netherlands	16.5	11.7
Belgium	-1.0	3.1
Norway	9.0	9.1
Sweden	19.0	19.3
Denmark	18.1	12.3
Finland	18.3	12.1
Hungary	-4.2	-3.1
Romania	-25.3	-16.3

It should be noted that some of the data presented above are based on gross figures and therefore provide only a limited idea of what the associated net figures will prove to be. **Germany:** gross, Nielsen Media Research. **Austria:** gross, Media Focus. **Switzerland:** gross, Media Focus. **Netherlands:** net, SPOT Organisation. **Belgium:** net, CIM MDB, Q4 2010 based on expectations. **Norway:** net, IRM, Q4 2010 based on expectations. **Sweden:** net, IRM, Q4 2010 based on expectations. **Denmark:** net, DRRB, Q4 2010 based on expectations. **Finland:** net, TNS Media Intelligence. **Hungary:** net, own calculations. **Romania:** net, own calculations.

// 10 REASONS WHY TV IS THE MOST IMPORTANT ADVERTISING MEDIUM

1

// TV REACHES MILLIONS

Television is a mass medium. SAT.1 reaches 21 million viewers per day, ProSieben 18 million. This means that each advertising message is seen by an audience of millions of potential consumers within a very short space of time.

2

// TV ADVERTISING REACHES THE HEART AND THE HEAD

TV advertising is perceived by multiple senses, and images, sound and movement contribute to this. At the same time, products are presented with emotion and placed in everyday situations. This means that the advertising message is much more intense than with other media, as consumers are more likely to remember products that they have seen on television.

// VIEWERS WITH HIGH BRAND CONSCIOUSNESS ARE BEST REACHED THROUGH TV

3

Television is the most important cornerstone of brand communication. 48% of TV viewers say that branded items are of better quality than non-branded goods. As a comparison, the figure is only 24% for readers of magazines and 14% for moviegoers.

4

// TV ADVERTISING TELLS A STORY

The benefits of a product can be conveyed in a concise and easy-to-understand manner via television advertising. At the same time, products can be presented in an interesting light by means of short stories in spots.

5

// TV HOLDS ATTENTION THE LONGEST

The length of spots alone means that consumers are most likely to investigate products from TV advertising. Whereas a 30-second spot provides an opportunity for viewers to engage with an advertising message, magazine readers generally divert their attention from an advertisement after just two seconds.

6

// TELEVISION ADVERTISING AFFECTS SALES VOLUMES

Studies show that TV spots have an immediate effect on the number of products sold. The effect is particularly strong in the first few days after a spot is broadcasted.

7

// VIEWERS HAVE A POSITIVE ATTITUDE TO TV ADVERTISING

More than half (52.0%) of 14 to 49-year-old viewers like advertising, with only 19.3% disliking them. These figures confirm studies in which viewers describe TV advertising as particularly entertaining, visually appealing and original.

8

// ADVERTISING IS A USEFUL SOURCE OF INFORMATION

More than half of consumers find advertising helpful. According to a survey, approximately 61% agreed with the statement that advertising provides useful information about new products. This value has increased continuously in recent years.

9

// INCREASING USE OF ADVERTISING FOR YOUNG ADULTS

TV advertising is the ideal tool for reaching affluent target groups with high purchasing power at working age. Between 2002 and 2009, the viewing time for advertisements increased by approximately 23% among 20 to 29-year-old viewers and around 22% among 30 to 39-year-olds.

10

// THE DECISION-MAKING ELITE WATCHES TELEVISION

The advertising medium of TV reaches an especially high number of highly qualified people. Television plays a significant role for 49% of viewers who work in a management position.

Development of the audience market

The ProSiebenSat.1 Group's TV stations extended their market position in almost all countries in 2010, gaining ground with the audience especially in the fourth quarter:

ProSiebenSat.1 Free TV stations' audience share by country

In percent	Q4 2010	Q4 2009	2010	2009
Germany ¹⁾	28.3	30.5	28.5	28.8
Austria	19.9	17.8	19.3	17.3
Switzerland ²⁾	18.3	16.2	17.6	16.2
Netherlands	22.7	26.6	24.0	27.3
Belgium	16.4	15.9	16.5	16.2
Norway	15.4	12.7	14.4	12.9
Sweden	15.6	16.0	14.5	15.1
Denmark	15.7	15.3	16.7	15.3
Finland	4.0	2.4	3.3	2.3
Hungary	25.0	20.5	22.5	22.1
Romania	7.4	7.2	7.3	7.3

Figures for Germany, Austria and Switzerland are based on 24 hours (Mon-Sun). Audience shares in the other countries are based on extended prime time (NL, RO, FI: 6 pm to midnight/BE, SE, NO, DK, HU: 5 pm to midnight). **Germany:** SAT.1, ProSieben and kabel eins (Q4 2009 and 2009 figures without N24); key demographic age 14-49 without 9Live. **Austria:** SAT.1 Österreich, ProSieben Austria, kabel eins Austria and PULS 4 (from Jan. 28, 2008); key demographic age 12-49. **Switzerland:** SAT.1 Switzerland, ProSieben Switzerland, kabel eins Switzerland; key demographic age 15-49. **Netherlands:** SBS6, Net5, Veronica; key demographic age 20-49. **Belgium:** VT4, vijfTV; key demographic age 15-44. Belgian figures refer to the region of Flanders. **Norway:** TV Norge, FEM, The Voice and in 2010 MAX; key demographic age 12-44. **Sweden:** Kanal 5, Kanal 9; key demographic age 15-44. **Denmark:** Kanal 4, Kanal 5, 6'eren, The Voice; key demographic age 15-50, based on 14 advertising-financed TV stations. **Finland:** The Voice/TV Viisi; key demographic age 15-44. **Hungary:** TV2 and in 2010 including FEM3; key demographic age 18-49. **Romania:** Prima TV, Kiss TV; key demographic age 15-44. Romanian figures are based on the urban population. 1) Without N24: N24 achieved an audience share of 1.2% in the fourth quarter of 2009. In 2009 N24 achieved a market share of 1.3%. 2) **Switzerland:** Audience figures up to December 31, 2009 are based on the "substitution method" of audience measurement; all data since January 1, 2010 are based on the internationally used "daily weighting." Because of additional revisions in the Telecontrol Panel as of January 2010, audience figures for 2010 may not be compared with data from previous years, according to Publica Data AG.

In Germany, SAT.1, ProSieben and kabel eins achieved a combined market share of 28.5% for the audience between 14 and 49 years old (excluding N24). In a competitive market environment that included other stations' coverage of the Winter Olympics at the start of the year and the Soccer World Cup in June and July 2010, the German TV stations sustained their position quite well. In 2009, the market share excluding N24 was 28.8%. As a result of the Soccer World Cup, the German stations lost 0.4 percentage points in 2010. In the Netherlands, the combined market share of the TV stations Veronica, SBS6 and Net5 declined by 3.3 percentage points to 24.0% in 2010. This was impacted by the two big sporting events and new highly popular programs from the competition. In Sweden, reporting on the election and broadcasting of the Royal Wedding impacted market share. In this situation, Kanal 5 and Kanal 9 together lost 0.6 percentage points.

The ProSiebenSat.1 stations have held their position very well in a competitive market, also due to their complementary programming and the "multi-station strategy". The goal of this strategy is to access further target audiences by launching new stations. In 2009, the 6'eren channel in Denmark was founded, aligned specifically to a male audience. In 2010, several ProSiebenSat.1 countries followed this example. In Germany, sixx, the German female station, went on air in May. In November, the Norwegian station group launched the male station MAX. Since January 2011, there has also been a station in Hungary for a male audience - PRO4. This followed FEM3 a station for female viewers which has been on air in Hungary since January 2010. Alongside sharpening the station profiles by coordinating programming schedules to fit target audience, the aim is to leverage program assets effectively. Within the ProSiebenSat.1 Group the individual stations focus on a mix of regional original and commissioned productions, as well as international licensed formats, generally from the USA.

// TV HIGHLIGHTS 2010

ProSiebenSat.1 provides an exciting mix of licensed content and high quality of original and commissioned productions.

FLANDERS AT ITS BEST.

Belgians between 15 and 44 love docutainment. With Flemish programs such as the cooking show **"Komen Eten"** (average 21.0%), VT4 produced a convincing early evening program. But this was only one reason for the success of the station, which posted its best result of the last twelve years and a market share of 12.3%.



EACH SERIES A HIT.

For the fifth time, the Hungarian casting show **"Megasztar"** has headed the rankings at TV2 with audience rating figures of up to 50.6% for all viewers.



COMEDY FOR PRIME TIME.

Funny Tuesdays on ProSieben: The successful US series **"Two and a half Men"** (up to 22.3%) and the **"Simpsons"** (up to 17.3%) were some of the most popular programs of the TV season.

SUCCESS MADE IN GERMANY.

"Danni Lowinski", the SAT.1 series became a popular hit in 2010 (up to 17.7%) and received numerous awards. It was the first German television series successfully sold to the USA.



All market shares refer to the key demographic group.

Germany: age 14-49, Belgium: age 15-44, Norway: age 12-44, Denmark: age 15-50, Hungary: age 18-49.



KNOWLEDGE IS FUN.

"Galileo" has been a benchmark across the industry. In exciting reports, the ProSieben magazine gets to the heart of day-to-day mysteries. In 2010, with an annual average of 13.9%, "Galileo" achieved its highest market share since 2002.



HOMICIDAL DUET.

The crime series "NAVY CIS" (up to 19.4%) offers SAT.1 viewers a new case every week. Smart Patrik Jane from "The Mentalist" (up to 18.6%) is also highly rated by TV audiences.



STRONG IN-HOUSE PRODUCTIONS.

In 2010, SAT.1 took two global bestsellers onto television. The four-part "The Pillars of the Earth" (up to 28.5%) and "The Whore" (32.4%) were among the most successful SAT.1 productions in 2010.



CULTURE SHOCK.

In "Alt for Norge" ten Americans get to know their Norwegian roots. The prize is a meeting with as yet unknown ancestors. There were average ratings of 30.5% on TVNorge for this exciting search for forebears.

DENMARK PARADES ITS BEAUTY.

In 2010, Kanal 4 looked for a top model for the first time. "Danmarks naeste topmodel" was a great success, with average audience ratings of 9.3%. Host and chief judge was the former baroness and Denmark's top star Caroline Fleming. She has been working for many years as a model herself.



Business Performance in 2010

Assessment of actual and projected business development

// Our expectations in respect to revenues and recurring EBITDA development were exceeded in 2010. After strong revenue and earnings growth in the first three quarters of 2010, in its most important fourth quarter, the Group also improved profitability against the previous year. The advertising market environment recovered more quickly during the year than originally expected. Primarily, TV advertising revenues in the German core market showed a steady upward trend with increasing momentum since the fourth quarter of 2009.

In the first three quarters of 2010, revenues and profit development were already clearly above analyst expectations. When publishing its nine-month figures on November 11, 2010, the ProSiebenSat.1 Group had provided a more detailed earnings forecast for 2010. In a conference call, the Executive Board had forecasted recurring EBITDA for 2010 of at least EUR 850 million on the basis of continued efficient cost management. At year end, recurring costs totaled EUR 2.105 billion (previous year: EUR 2.078 billion). Recurring EBITDA was EUR 905.9 million (previous year: EUR 696.5 million).

Major Events and Key Features of the Business

Disposal of the news segment completed. The ProSiebenSat.1 Group sold N24 und MAZ & More in 2010. By spinning off its news production the Group optimized its cost structure further. At the same time, the Group entered into a contractual agreement to secure long-term access to high-quality news programming for its stations. N24 Media GmbH will continue to produce all news programs for SAT.1, ProSieben and kabel eins until the end of 2016. SAT.1-Frühstücksfernsehen and SAT.1-Magazin will also be produced by the new company at least until mid-2014. The share purchase agreement was closed at the end of June 2010. The revenues, earnings and cash flow contributions of both companies are presented in the income statement and in the cash flow statement of the ProSiebenSat.1 Group until the deconsolidation date of June 30, 2010.



Deconsolidation of N24 and MAZ & More, see Notes, page 120.

There was no significant impact on the comparability of the financial figures caused by the deconsolidation of N24 and MAZ & More. Aside from this, the scope of consolidation of the ProSiebenSat.1 Group did not change significantly in 2010. Furthermore, there were no other events that would have been of material significance for the Group's organizational structure or its financial position and performance.

Positive sentiment on advertising market drives growth. The general economic conditions had the following key effects on the business performance of the ProSiebenSat.1 Group:

- The economy recovered considerably in 2010. This also benefited TV advertising markets. In this context, the ProSiebenSat.1 Group increased its revenues from TV advertising in nearly all markets and especially in its core market it capitalized the audience performance of the TV stations in all four quarters. Higher distribution income, also driven by additional agreements with cable network operators, furthermore drove revenue growth in the international TV business.
- The ProSiebenSat.1 Group generates most of its revenues in the Eurozone. However, in its Northern and Eastern European markets, the revenue and earnings performance of the Group and its segments is also impacted by fluctuations of the respective domestic currency against the Group currency, the euro. Compared to the corresponding prior-year period, the Swedish krona in particular appreciated against the euro and thus positively influenced the level of revenues.

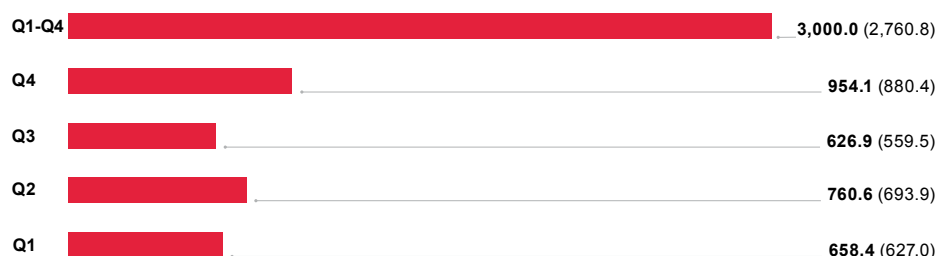
Portfolio measures and capital expenditure

Free TV German-speaking segment	<p>Foundation of Red Arrow Entertainment Group in January 2010, the holding company for production, programming sales and format development:</p> <ul style="list-style-type: none"> • SevenOne International becomes part of the Red Arrow Entertainment Group • Red Arrow Entertainment Group acquires a majority interest in the Belgian production company Sultan Sushi CVBA (March) and in the US producer Kinetic Content LLC (September) • Setting up a further location of the production company Sultan Sushi B.V. in the Netherlands (June) and Snowman Productions AB in Sweden (October) <p>Launch of the new German free TV station sixx GmbH in May 2010</p> <p>Sale of the news station N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH and the production company MAZ & More TV-Produktion GmbH</p> <ul style="list-style-type: none"> • Deconsolidation in June 2010
Free TV International segment	<p>Launch of new free TV station in Hungary (FEM3 in January), and in Norway (MAX in November)</p>
Diversification segment	<p>Contract concluded for the full acquisition of the video-on-demand platform max-dome in December 2010</p> <ul style="list-style-type: none"> • Full consolidation with completion of the contract of purchase from January 2011

- **Q4 is the most important quarter for revenues.** Seasonal fluctuations in the TV business are largely reflected in audience share - i.e. the reach of TV programs and thus of their advertising spots. Since both television use and propensity to spend rise during the Christmas season, the ProSiebenSat.1 Group generates a large share of its TV advertising revenues in the fourth quarter. Every year a total of about 30% of revenues, and about 40% of recurring EBITDA, are typically generated in the fourth quarter.

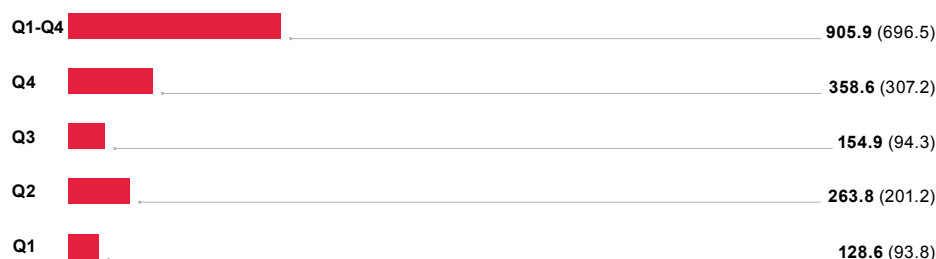
Revenue by quarter

EUR m // 2009 figures in parentheses



Recurring EBITDA by quarter

EUR m // 2009 figures in parentheses



Explanatory Notes on Reporting

Recurring EBITDA, free cash flow and net financial debt are key financial indicators for the ProSiebenSat.1 Group. In addition, investors and analysts often refer to operating costs and underlying net income in their estimates. Therefore, the development of these key financial indicators is described in the following presentation of the Group's financial position and performance and in the outlook report.

Key Figures

EUR m	Q4 2010	Q4 2009	2010	2009
Revenue	954.1	880.4	3,000.0	2,760.8
Total costs	-654.5	-651.8	-2,341.7	-2,310.7
Cost of sales	-464.3	-450.2	-1,608.0	-1,605.2
Selling expenses	-112.6	-116.2	-391.0	-395.9
Administrative expenses	-77.6	-85.4	-342.7	-309.6
Recurring costs	-599.9	-576.2	-2,105.2	-2,077.5
Consumption of programming assets	-311.2	-290.1	-1,077.7	-1,068.6
Recurring EBITDA ¹⁾	358.6	307.2	905.9	696.5
Non-recurring items (net) ²⁾	19.7	14.2	98.3	73.5
EBITDA	338.9	293.0	807.6	623.0
Consolidated net profit ³⁾	181.5	113.4	312.7	146.6
Underlying net income	194.3	137.1	357.2	186.8

¹⁾ Recurring EBITDA: EBITDA before non-recurring items. ²⁾ Non-recurring expenses netted against non-recurring income. Non-recurring expenses Q4 2010: EUR 19.8 million (Q4 2009: EUR 21.8 million), 2010: EUR 98.4 million (2009: EUR 85.7 million). Non-recurring income Q4 2010: EUR 0.1 million (Q4 2009: EUR 7.6 million), 2010: EUR 0.1 million (2009: EUR 12.2 million). ³⁾ Consolidated net profit after non-controlling interests.

In so-called program screenings, the ProSiebenSat.1 Group informs its customers about the direction of the station planning. Advertising customers use this preview as an important basis for making decisions about their advertising investments for the subsequent year. The price level is primarily based on the factors of audience share, reach, broadcast time, demand and number of available advertising inventory. However, as is customary in this business, the final budgets are sometimes only confirmed on a short-term, month-by-month basis. Only then is the revenues level transparent. Furthermore, additional advertising budgets are granted at short notice towards the end of the year. For these reasons, ProSiebenSat.1 does not report on the basis of order volumes.

Group Earnings

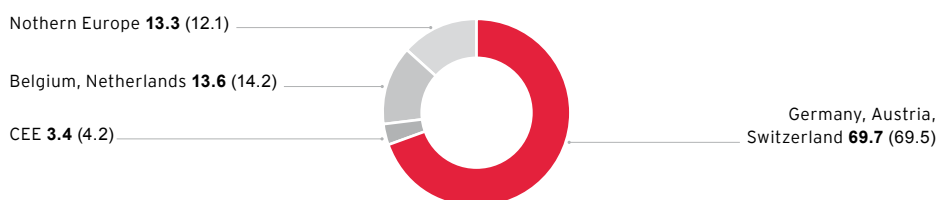
Revenue performance

In 2010, consolidated revenue rose by 8.7% or EUR 239.2 million to EUR 3.000 billion. In the important fourth quarter, the ProSiebenSat.1 Group generated revenue growth of 8.4% or EUR 73.7 million to EUR 954.1 million.

Revenue upturn primarily in the core market and Northern Europe. The ProSiebenSat.1 Group increased its revenues in nearly all its TV markets, especially due to strong gains in ad sales in the German core market and the Northern European TV stations. In the Diversification segment too, which includes all revenue models that are not directly dependent on the TV advertising market, revenues increased against the previous year. In 2010, the ProSiebenSat.1 Group generated 87.6% (previous year: 87.0%) of its consolidated revenues with advertising-financed Free TV. Thus, the proportion of revenue sources (ratio of Free TV German and Free TV International to Diversification) shifted slightly in favor of the core TV business.

Revenue by region

in percent // 2009 figures in parentheses



There was no significant change in the regional breakdown of revenues. The revenues generated from business activities in the German-speaking region, which includes Austria and Switzerland, in addition to the Group's most important revenue market of Germany, accounted for 69.7% (previous year: 69.5%) of total revenues. The second-biggest region for revenues is represented by the Netherlands and Belgium, which accounted for 13.6% (previous year: 14.2%) of total revenues, followed by the Scandinavian markets of Denmark, Norway, Sweden and Finland with a revenues contribution of 13.3% (previous year: 12.1%).

Income and expenses

Other operating income came to EUR 11.2 million, compared to EUR 25.4 million in 2009. The high figure from the previous year mainly comprised non-recurring income from the sale of leasehold improvements at the Berlin site in connection with the SAT.1 relocation to Munich. There was also income of EUR 5.1 million from the disposal of solute GmbH.

Total costs of the Group - comprising cost of sales, selling expenses and administrative expenses, were up a total of 1.3% or EUR 31.0 million to EUR 2.342 billion (previous year: EUR 2.311 billion).

The increase of **administrative expenses** by EUR 33.1 million to EUR 342.7 million (up 10.7% year-on-year) was due to non-recurring expenses in connection with the sale of N24 and MAZ & More. In connection with the disposal of the news segment, non-recurring expenses and impairments of EUR 54.9 million were incurred, which are recognized in administrative expenses. Of that amount, EUR 41.3 million resulted from the assumption of costs for restructuring measures for the sold companies, and EUR 13.6 million resulted from impairments of non-current assets and other charges.



Market research expenses,
page 87.



Personnel expenses,
page 75.

The consumption of programming assets included in the cost of sales, which is usually the Group's biggest cost item, rose against the previous year by 0.9% to EUR 1.078 billion (previous year: EUR 1.069 billion). Overall the **cost of sales** amounted to EUR 1.608 billion. Despite a considerable revenues upturn, this figure was almost at the level of the corresponding prior-year figure of EUR 1.605 billion (up 0.2% year-on-year). **Selling expenses** declined slightly and came to EUR 391.0 million (down 1.2% year-on-year or minus EUR 4.9 million).

Sustainable cost management. Adjusted for non-recurring expenses totaling EUR 98.4 million (previous year: EUR 85.7 million) and depreciation and amortization in the amount of EUR 138.1 million (previous year: EUR 147.5 million), the Group's **total operating costs** amounted to EUR 2.105 billion. The ProSiebenSat.1 Group thus kept its operating costs at nearly the same level as the previous year at EUR 2.078 billion (+1.3%). In recent months, the company has optimized its operating cost structure and in 2010 continued its efficient cost management. The relocation of further parts of the Berlin operations to Munich completed in 2009 impacted the cost structure positively in the reporting period. By selling the news channel N24 and the production company MAZ & More in June 2010, the ProSiebenSat.1 Group took another important step towards improving its profitability.

Operating costs (recurring costs)

EUR m

2010	1,563.0	333.7	208.5	2,105.2
2009	1,559.5	326.8	191.2	2,077.5

■ Cost of sales ■ Selling expenses ■ Administrative expenses

Recurring EBITDA

Increased revenues, coupled with effective cost control, led to a considerable earnings improvement in 2010. The ProSiebenSat.1 Group thus increased recurring EBITDA by 30.1% to EUR 905.9 million (previous year: EUR 696.5 million). The increase in recurring EBITDA was accompanied by a rise in the recurring operating profit margin to 30.2% (previous year: 25.2%). EBITDA (earnings before interest, taxes, depreciation and amortization, including non-recurring items) increased by 29.6% to EUR 807.6 million (previous year: EUR 623.0 million). In 2010, non-recurring items totaled to EUR 98.3 million. Alongside the N24 transaction which constituted the largest element in non-recurring expenses (roughly EUR 50 million), there were also expenses for finalizing national and international projects which had commenced before 2010 as well as measures to strengthen the strategy of the entire Group going forward. This included costs for consultancy mandates and settlement payments. The reconciliation of EBITDA before non-recurring items with EBITDA after non-recurring items is presented in the table below:

Reconciliation of recurring EBITDA

EUR m

	2010	2009
Profit before income taxes	429.0	233.1
Financial result	240.5	242.4
Operating profit	669.5	475.5
Depreciation and amortization ¹⁾	138.1	147.5
thereof from purchase price allocations	54.4	64.6
EBITDA	807.6	623.0
Non-recurring items (net) ²⁾	98.3	73.5
Recurring EBITDA	905.9	696.5

¹⁾ Amortization of intangible assets and depreciation of property, plant and equipment. ²⁾ Non-recurring expenses of EUR 98.4 million (previous year: EUR 85.7 million) less non-recurring income of EUR 0.1 million (previous year EUR 12.1 million)



Other financial result: The other financial result comprises various expenses and income for the Group's financing activity. Changes in accounting policies are described in the Notes, on page 122 onwards.

Financial result

The financial result comprises the net interest result, other financial expenses and the profit or loss from investments accounted for using the equity method. In 2010, these amounted to minus EUR 240.5 million, slightly up on the previous-year figure of minus EUR 242.4 million. This increase is due particularly to repayment of financial liabilities and the interest rate level which was lower over the whole year. In this context, the net interest expenses improved by 4.8% or EUR 11.0 million to minus EUR 219.6 million (previous year: minus EUR 230.6 million). The other financial result of minus EUR 9.6 million was EUR 2.5 million lower than the prior-year figure.

Consolidated net profit

In 2010, the Group significantly increased its profit before income taxes. At EUR 429.0 million, it was EUR 195.9 million or 84.0% higher than the corresponding figure for the previous year. Income taxes for financial year 2010 amounted to EUR 110.7 million (previous year: EUR 80.8 million). In the reporting year, the tax rate was 25.8% (previous year: 34.7%).

Consolidated profit after taxes and after non-controlling interests rose by 113.3% to EUR 312.7 million (previous year: EUR 146.6 million). Earnings per diluted preference share were thus EUR 1.48 (previous year: EUR 0.69) while earnings per diluted common share were EUR 1.46 (previous year: EUR 0.67). Underlying consolidated net income amounted to EUR 357.2 million (previous year: EUR 186.8 million). Underlying earnings per preference share were EUR 1.69 (previous year: EUR 0.88) while underlying earnings per common share were EUR 1.67 (previous year: EUR 0.86).

Reconciliation of underlying net income

EUR m	2010	2009
Consolidated net profit (after non-controlling interests)	312.7	146.6
Non-cash currency valuation / Other	- / -	-10.0
Amortization from purchase price allocations (after tax) ¹⁾	44.5	50.2
Underlying net income	357.2	186.8

¹⁾ Amortization from purchase price allocations before tax: EUR 54.4 million (previous year: EUR 64.6 million)

Group Financial Position and Performance

Principles and objectives of financial management

Risk control and the centralized management are key principles underpinning the ProSiebenSat.1 Group's financial management. Financial management is centrally managed by the Group Finance & Treasury department at ProSiebenSat.1 Media AG. This department manages the Group's financing activities and is the central contact for the managing directors responsible for finance and the employees at the level of the international subsidiaries. The prevailing objectives of our financial management are:

- to ensure that the entire ProSiebenSat.1 Group remains solvent by managing its liquidity efficiently across the organization;
- to secure its financial flexibility and stability, in other words, maintaining and optimizing its ability to obtain funding;
- to manage its financial risks by using derivative financial instruments.

The Group financial management covers the capital structure management and corporate funding, cash and liquidity management, and the management of market price risks, counterparty risks and credit default risks:



Leverage, page 68.

- The aim of **capital structure management** is to optimize the way in which the Group's capital structure and funding are organized by employing a range of financial instruments. These include equity or equity-like instruments as well as debt instruments. The choice of funding instruments used takes into account the level of market receptivity, terms and conditions, flexibility or restrictions, diversification of the investor base and maturity profiles. The ProSiebenSat.1 Group raises and manages its debt funding on a centralized basis. This enables the Group to obtain economies of scale and optimize its cost of capital. Managing leverage is an important part of the work of capital structure management at the ProSiebenSat.1 Group.
- In the context of **cash and liquidity management** the cash flows within the Group are optimized and centralized and Group liquidity secured. An important tool is cash pooling. As part of the liquidity management process it uses rolling, Group-wide liquidity planning to capture and forecast both operating cash flows and cash flows from non-operating activities and to identify any liquidity surpluses or shortages. Liquidity requirements are covered either by existing cash positions or the revolving credit facility (RCF).
- The **management of market price risks** comprises interest rate and currency management. It is conducted and coordinated centrally and has the task of mitigating the impact of interest volatility on the profitability of the Group and its operating entities. To this end it uses cash instruments as well as derivatives such as conditional and unconditional forward transactions. However, these instruments are used only for hedging purposes.
- The **management of counterparty and credit default risks** centers on trading relationships and creditor exposure to financial institutions. When entering into trading transactions, attention is paid to ensuring that business is widely diversified involving counterparties of sufficiently high credit quality. For this purpose tools such as external ratings supplied by international agencies are used. The Group's credit risk with respect to financial institutions primarily arises from its investment of cash and cash equivalents and from its use of derivatives as part of its interest-rate and currency management activities.



Financial risks, page 95ff.

Debt financing and financing structure

As of December 31, 2010, financial liabilities declined to 83.8% of the balance sheet total (December 31, 2009: 90.2%). As of the reporting date, the financial debt of the ProSiebenSat.1 Group comprised 66.7% non-current loans and borrowings (December 31, 2009: 63.5%) and 4.4% current loans and borrowings (December 31, 2009: 8.9%).



Rating of the ProSiebenSat.1 Group: Credit ratings represent an independent assessment of a company's creditworthiness. The rating agencies do not take the ProSiebenSat.1 Group's term loans into account in their credit ratings. Consequently there are no official ratings at present.

An essential part of the ProSiebenSat.1 Group's funding comprises various secured term loans with maturities in July 2014 (**Term Loan B**) and July 2015 (**Term Loan C**) and a total volume currently of EUR 3.560 billion (originally EUR 3.600 billion). In addition, the secured syndicated facilities agreement includes a revolving credit facility (RCF) with maturities in July 2014 and a facility amount of currently EUR 581.8 million (originally EUR 600.0 million).

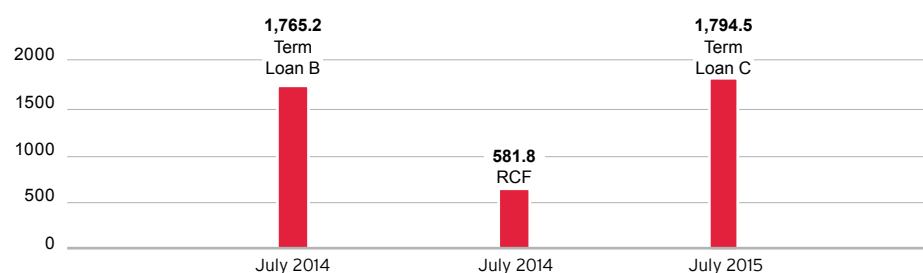


Operate Leasing, page 125.

Furthermore, the ProSiebenSat.1 Group has concluded **lease contracts** for property it uses at the Unterföhring site. In line with IFRS, these are classified as finance leases. This real estate is capitalized as property, plant and equipment and the respective leasing obligations are recognized as other financial liabilities. Although these leases are not due to expire until at least 2019, the relevant interest-rate conversion dates may be earlier. In addition, the Company has leased equipment for smaller amounts that are also classified as finance leases. The ProSiebenSat.1 Group reported liabilities under finance leases totaling EUR 109.6 million as finance leases as of December 31, 2010 (previous year: EUR 126.6 million). There were no other significant off-balance sheet financing instruments during the reporting period.

Debt financing and maturities

EUR m



Group financing with secured syndicated facilities agreement. The ProSiebenSat.1 Group entered into the secured syndicated facilities agreement for an original total of EUR 4.200 billion in connection with financing the SBS acquisition in June 2007. As of December 31, 2010, the available credit facility totaled EUR 4.142 billion:

- In financial period 2010, EUR 10.9 million term loans with bullet maturity were repaid in line with contractual conditions (previous year: EUR 0.0 million). Term Loan C was reduced by a EUR 5.5 million partial repayment to EUR 1.795 billion.

In the fourth quarter of 2009, a portion of the Term Loan B was redenominated from Swedish krona to euro, thus permanently reducing the total amount of Term Loan B from the original EUR 1.800 billion to EUR 1.771 billion. This amount was further reduced by a EUR 5.4 million partial repayment in 2010 to EUR 1.765 billion.

- The default of certain lenders due to the financial crisis reduced the available facility amount of the RCF from EUR 600.0 million as of the fall of 2008 to EUR 581.8 million (December 31, 2009: EUR 594.7 million).

Partial repayment of RCF in 2010. Under the existing revolving credit facility, the Group can draw varying amounts in various currencies for general corporate purposes. These include cash borrowings of EUR 230.0 million (previous year: EUR 497.2 million) for necessary capital expenditure as well as bank guarantees for advance payments and warranties. All borrowings to date have been drawn solely in euro. Including bank guarantees totaling EUR 26.5 million (previous year: EUR 30.8 million), EUR 256.5 million of the revolving credit facility had been drawn as of December 31, 2010. As of December 31, 2009, it had been EUR 528.0 million.

Borrowing costs hedged with derivative financial instruments. The interest rates payable on the unhedged term loans and on the amounts drawn under the RCF are variable and are based on Euribor money market rates plus an additional credit margin. The additional margin payable to the lenders in 2010 amounted to 1.875% per annum for Term Loan C. A provision in the credit facilities agreement states a reduction in the margin for Term Loan B and the RCF if the net financial debt / EBITDA ratio improves to a specific level. As a result, the credit margin declined during 2010 from the original figure of 1.75% per annum to 1.5% per annum.

Risks from the change of variable interest rates are hedged on the basis of derivative financial transactions in the form of interest rate swaps. The hedge ratio is approximately 79% as of December 31, 2010 (previous year: 78%). The average fixed swap rate is roughly 4.6% per annum.

Group-wide corporate financing

The secured syndicated facilities agreement for Term Loans B and C and for the revolving credit facility requires the ProSiebenSat.1 Group to comply with certain financial key ratios ("financial covenants"). Thus the ProSiebenSat.1 Group must maintain a specific ratio of net financial debt to EBITDA. The ratio of consolidated EBITDA to the consolidated net interest result is also defined in the agreement. Compliance with the key financial figures is reviewed quarterly for the respective previous twelve-month period.

The ProSiebenSat.1 Group complied with the contractual conditions in the reporting period. Non-compliance with the contractual financial ratios would give cause for early termination.

In the case of impending or incurred breaches of the key financial covenants, the ProSiebenSat.1 Group's facilities agreement also allows the contribution of equity or equity like funds in the form of subordinated loans within certain periods. Such an addition of equity or equity-like funds - a so-called equity cure - is treated as an increase in consolidated EBITDA (LTM recurring EBITDA) for the purposes of calculating compliance with the financial covenants. For the purposes of an equity cure of the financial ratios, the majority shareholders (through an affiliated company) of ProSiebenSat.1 Media AG made a commitment on April 1, 2010, to make available a loan facility which is subordinated to the syndicated facilities agreement, should this be required for purposes of an equity cure. In such a case, the ProSiebenSat.1 Group would have been able to draw on subordinated loans for up to EUR 150 million until September 2011. ProSiebenSat.1 Media AG did not accept the offer on the subordinated loan facility and terminated it in February 2011. There was no contractual obligation for ProSiebenSat.1 Media AG to make use of this subordinated credit facility.

In the event that ownership control of ProSiebenSat.1 Media AG changes (change of control), the lenders may demand termination of the facilities agreement and repayment of all outstanding amounts within a certain period after the change of control takes place. In addition, the facilities agreement includes a number of standard market obligations which, subject to extensive exceptions and among other elements, limit ProSiebenSat.1 Group's ability to furnish other security interests in its present or future assets, to assume further financial liabilities, to sell assets, to acquire business operations in whole or in part, or to furnish guarantees, declarations of indemnification, or liability declarations outside the normal course of business. The facilities agreement also contains a number of customary default clauses. The default clauses provide that the lenders may demand immediate repayment in full of all amounts outstanding under the facilities agreement if breaches of contract defined in more detail under the agreement occur and if those breaches (assuming they are curable) are not remedied within a specified period.

Financing analysis

Net financial debt reduced. At EUR 3.021 billion, net financial debt (defined as total loans and borrowing minus cash and cash equivalents and current financial assets) was EUR 273.6 million less than the previous-year figure (previous year: EUR 3.295 billion). Improved net financial debt resulted primarily from a decline in financial liabilities as a result of the partial repayment of the revolving credit facility.

Leverage improved. At the end of the 2010 financial year, the ratio of net financial debt to recurring EBITDA of the last twelve months had improved to 3.3, while net financial debt had amounted to 4.7 times recurring EBITDA at the end of 2009. The figure improved as a result of the lower amount of net financial debt and the high earnings growth compared to the prior-year period.

Net debt

EUR bn



¹⁾In June 2007, the ProSiebenSat. 1 Group carried out the acquisition of SBS - the largest acquisition in its history. The transaction was financed entirely out of a secured syndicated credit facilities agreement, which originally totaled EUR 4.2 billion.



Cash and cash equivalents,
page 70.

Analysis of liquidity and capital spending

The ProSiebenSat.1 Group's cash flow statement shows the generation and use of cash flows. It is broken down into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Cash flow from operating activities is derived indirectly from the consolidated profit or loss for the period. The cash and cash equivalents shown in the cash flow statement correspond to the cash and cash equivalents reported on the statement of financial position as at the reporting date.

Cash flow statement

EUR m	Q4 2010	Q4 2009	2010	2009
Consolidated profit/loss for the period	182.4	114.7	318.3	152.3
Cash flow	650.5	575.2	1,922.1	1,682.9
Change in working capital	37.8	35.1	42.8	92.8
Dividend received	-0.2	- / -	2.4	2.7
Income tax paid	-42.2	-8.0	-133.6	-67.6
Interest paid	-64.2	-56.3	-230.2	-238.2
Interest received	1.9	0.8	3.8	4.9
Cash flow from operating activities	583.6	546.8	1,607.3	1,477.5
Cash flow from investing activities	-326.2	-304.8	-1,325.1	-1,313.9
Free cash flow	257.4	242.0	282.2	163.6
Cash flow from financing activities	-264.4	-13.7	-290.4	-62.6
Change in cash funds due to foreign exchange rates	4.3	0.7	11.5	3.5
Change in cash and cash equivalents	-2.7	229.0	3.3	104.5
Cash and cash equivalents at beginning of period	743.4	508.4	737.4	632.9
Cash and cash equivalents at end of reporting period	740.7	737.4	740.7	737.4

Cash flow from operating activities. Cash flow from operating activities generated in 2010 amounted to EUR 1.607 billion and was thus 8.8% or EUR 129.8 million higher than the corresponding prior-year figure. The increase compared to the prior-year period is characterized by opposing effects: The good business performance in nearly all markets resulted in significantly improved consolidated net profit for the period compared to the prior year, which had a positive effect on the cash flow from operating activities. Higher tax payments was one factor partially offsetting this positive development.

Cash flow from investing activities. In 2010, cash flow from investing activities totaled EUR 1.325 billion (previous year: EUR 1.314 billion).

The core area of investing activities within the ProSiebenSat.1 Group involves acquiring programming assets through license purchases as well as investing in commissioned and third-party productions. Cash outflows for programming acquisition in the reporting period totaled EUR 1.234 billion and were thus at the previous-year level of EUR 1.227 billion (previous year: +0.5%). In the current year, the Group entered into a multi-year license agreement with Constantin Film for its German TV stations. For its international TV stations, the Group's activities included the purchase of the Free TV rights for new productions of Warner Brothers International (Belgium: VT4 and VIJFtv) and of Monarchy Enterprises, a subsidiary of Regency (Netherlands: Veronica, Net 5). The Group also invested in the acquisition of sports rights. For example, the Group secured the rights for the Group's Danish stations to carry live coverage of matches from England's Premier League through 2013, and the rights to cover the Dutch Soccer Cup. For its German TV stations, the Group purchased the rights to broadcast two world champion boxing matches each of the boxers Felix Sturm and Robert Stieglitz through 2011.



Additional information on disinvestments and key investment obligations are described in the Notes on page 120 onwards.

In 2010, cash outflows from changes in the scope of consolidation totaled EUR 11.8 million (previous year: EUR 18.8 million). One of the factors driving cash outflows was the successive portfolio extension of the Red Arrow Entertainment Group. In 2010, Red Arrow acquired equity investments in the production companies Kinetic Content (USA) and Sultan Sushi (Belgium). Outgoing payments in the context of disinvestments totaled EUR 37.3 million (previous year: inflows of EUR 5.5 million) which relate to the disposal of N24 and MAZ & More.

Free cash flow. As one of the most important indicators for the Group's profitability and financial strength, free cash flow increased significantly in the reporting period by 72.5% to EUR 282.2 million (previous year: EUR 163.6 million). This was driven primarily by profits for the period.

Cash flow from financing activities. In 2010, cash flow from financing activities amounted to minus EUR 290.4 million, as compared to minus EUR 62.6 million in the last year. The ProSiebenSat.1 Group reduced its financial liabilities by quite a considerable extent in 2010. Especially the repayment of a revolving credit facility in the fourth quarter of 2010 led to a high cash outflow of EUR 267.2 million. In addition, the partial repayment of the existing term loans of EUR 10.9 million contributed to higher outflows. As in the previous year, the dividend payment in June 2010 led to a cash outflow of EUR 2.1 million.

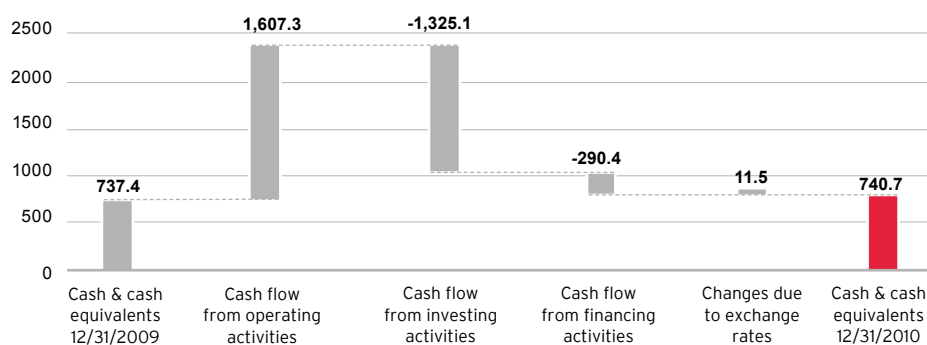


RCF cash utilization, page 67.

Cash and cash equivalents. As a result of the cash flows described, there were cash and cash equivalents of EUR 740.7 million as of December 31, 2010 (previous year: EUR 737.4 million). This means that the ProSiebenSat.1 Group has a comfortable level of liquidity.

Change in cash and cash equivalents

EUR m

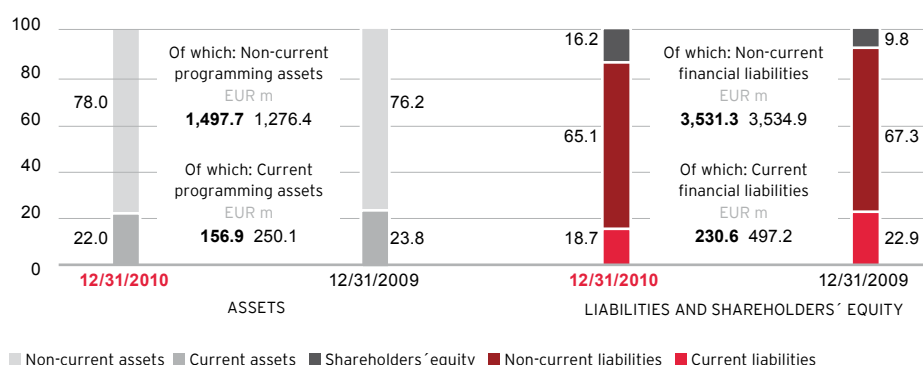


Analysis of assets and capital structure

Against December 31, 2009, total assets increased by 2.3% or EUR 141.6 million to EUR 6.316 billion. On December 31, 2010, there were no material structural changes in the consolidated statement of financial position since the prior-year reporting date. Also no major changes to assets and capital structure resulted from the sale of N24 and MAZ & More.

Balance sheet ratio

in percent



Non-current and current assets and provisions. Total assets were slightly higher, primarily due to the higher level of programming assets. In particular, asset values of the capitalized feature films and series increased. Current and non-current programming assets increased by 8.4% to EUR 1.655 billion (December 31, 2009: EUR 1.527 billion). This corresponds to a share of 26.2% of total assets (December 31, 2009: 24.7%).

Another reason for the increase in total assets was the higher level of other receivables and assets, which at EUR 144.6 million were 14.4% or EUR 18.2 million higher than the corresponding figure as of December 31, 2009. Here the fair value changes of currency hedges had a positive impact.

Cash and cash equivalents totaled EUR 740.7 million (December 31, 2009: EUR 737.4 million). Intangible assets, which represent the most important assets of the Group, along with current and non-current programming assets, amounted to EUR 3.037 billion, also at the level of the previous year (December 31, 2009: EUR 3.015 billion). Their share of total assets was 48.1%, nearly unchanged from the previous year (December 31, 2009: 48.8%). This item includes the goodwill recognized in connection with the SBS acquisition and the intangible assets that were recognized or re-evaluated in connection with the purchase price allocation process, primarily broadcasting licenses and brands.

Shareholders' equity. Against December 31, 2009, shareholders' equity increased by 69.0% or EUR 418.9 million to EUR 1.026 billion. As a result the equity ratio increased from 9.8% to 16.2%. The Group's improved profits situation considerably strengthened the equity basis. A key contribution factor was currency effects, recorded within other comprehensive income.

Non-current and current liabilities and provisions. In 2010, current and non-current liabilities declined to EUR 5.290 billion (December 31, 2009: EUR 5.568 billion). This trend was driven largely by a 6.7% reduction in loans and borrowings to EUR 3.762 billion (December 31, 2009: EUR 4.032 billion). The decline in the loans and borrowings items resulted predominantly from the partial repayment of the revolving credit facility which resulted in a considerable decline in current financial liabilities by EUR 266.6 million to EUR 230.6 million. On the other hand, non-current loans and borrowings of EUR 3.531 billion were at the same level as the previous year (December 31, 2009: EUR 3.535 billion).



Cash flow from financing activities,
page 70.

There were no significant changes, either quantitative or structural, in other financial liabilities and provisions. In connection with the disposal of the news business in the reporting year, provisions were established for restructuring measures for the sold companies. These are included primarily in the other current provisions of EUR 74.3 million (December 31, 2009: EUR 81.3 million) and totaled EUR 14.2 million as of December 31, 2010.

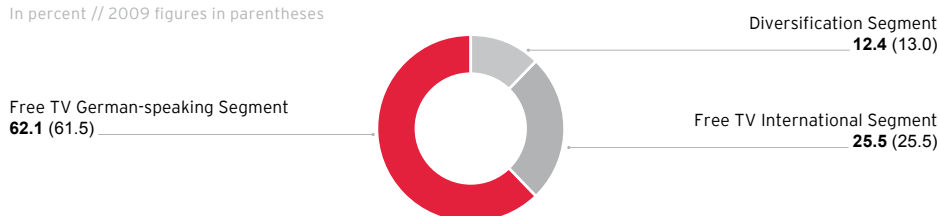
Accounting assumptions and estimates

Preparers of financial statements need to make assumptions and estimates to a certain extent when applying accounting policies and when recognizing income, expenses, assets, and liabilities. Detailed information on the effect of using assumptions and estimates is disclosed under No. 6 of the Notes to the consolidated financial statements.

Segment Reporting

Revenues by segment

In percent // 2009 figures in parentheses



Free TV German-speaking Segment

The ProSiebenSat.1 Group concluded 2010 with considerable earnings growth in its key business area. Organic growth and cost efficiency led to the strong growth in earnings in the Free TV German-speaking segment.

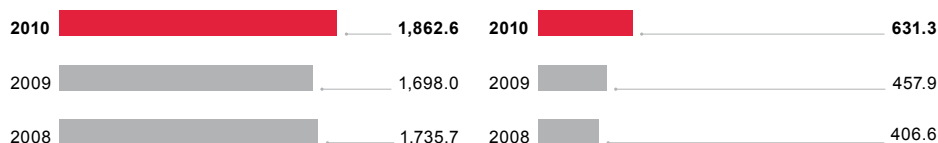
The contribution of the segment to consolidated revenues increased by 9.7% to EUR 1.863 billion (previous year: EUR 1.698 billion). Driven by higher investments of the advertising industry, the TV group capitalized its ratings results and increased revenues from TV advertising in all three regions. In addition, the Red Arrow Entertainment Group, founded in January 2010, provided growth impulses. Red Arrow bundles the production and development of in-house programs and their global marketing under one umbrella.

Recurring EBITDA for the segment rose by 37.9% to EUR 631.3 million (previous year: EUR 457.9 million). Operating earnings before interest, taxes, depreciation and amortization (EBITDA) came to EUR 549.9 million, thus exceeding the previous-year figure by 37.4% or EUR 149.7 million. This figure includes EUR 81.4 million non-recurring items, up EUR 23.7 million on the previous-year figure of EUR 57.7 million. Higher non-recurring items are primarily due to non-recurring expenses in connection with the disposal of N24 and MAZ & More.

Key figures Free TV German-speaking segment

External segment revenue // EUR m

Recurring EBITDA // EUR m

**Free TV International Segment**

External revenues of the Free TV International segment, which includes the Netherlands and Belgium as well as clusters in Northern and Eastern Europe, grew in the reporting period by 8.4% to EUR 764.2 million. The revenue increase of EUR 59.0 million can be attributed to several factors:

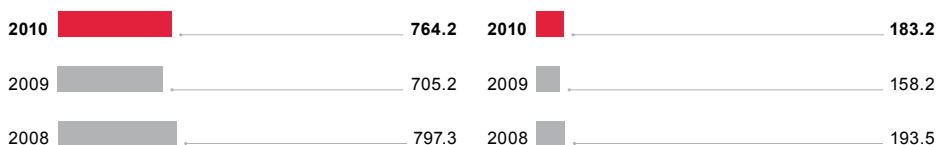
- The ProSiebenSat.1 Group increased its revenues from TV advertising in almost all countries. However due to what is still a recessionary market, advertising revenues were lower than the previous year in Hungary and Romania. In the Netherlands, growth was muted due to weaker ratings.
- In addition to higher TV advertising revenues, the ProSiebenSat.1 stations also raised their distribution income. In contrast to the core market Germany, in which the TV stations are primarily financed by way of advertising revenues, TV stations in Northern Europe, for example, achieve a considerable portion of their revenues in the form of distribution fees in addition to advertising revenues.
- In addition, currency effects, mainly in connection with the translation of Swedish krona into euro, had an additional positive impact.

The segment's positive revenues trend combined with cost control resulted in recurring EBITDA increasing by 15.8% or EUR 25.0 million to EUR 183.2 million. In 2010, EBITDA also showed substantial growth, rising by 22.6% to EUR 179.4 million (previous year: EUR 146.3 million).

Key figures Free TV International segment

External segment revenue // EUR m

Recurring EBITDA // EUR m



Diversification Segment

In 2010, external revenues in the Diversification segment increased to EUR 373.2 million, representing a year-on-year increase of 4.4% or EUR 15.6 million.







The segment's revenue growth was generated by the successful expansion of new business models such as marketing advertising time under the "media for revenue share" scheme and online advertising. In 2010, the Group generated higher online advertising revenues, primarily with video advertising campaigns on MyVideo.de and the Internet portals of the German stations as well as with classical banner advertising. Aside from the commerce and online business, music and mobile drove growth. By contrast, revenues from teletext offers and from the Call TV channel 9Live, which is financed by fees from calls, remained below the level of the prior year. On the international level where the ProSiebenSat.1 Group operates numerous radio stations and print media, overall diversification revenues have grown.

EBITDA reached EUR 78.4 million (previous year: EUR 77.5 million). This figure includes EUR 13.1 million non-recurring items (previous year: EUR 2.9 million). Recurring EBITDA for the segment rose by 13.8% or EUR 11.1 million to EUR 91.5 million. The basis for high operating recurring EBITDA was higher segment revenues combined with lower recurring costs.

Key figures Diversification segment

External segment revenue // EUR m

Recurring EBITDA // EUR m

2010		373.2	2010		91.5
2009		357.6	2009		80.4
2008		521.2	2008		73.9

Deconsolidation of pay TV business CMore in November 2008.

Employees

Key figures on employees. As of December 31, 2010, the ProSiebenSat.1 Group had 4,749 employees (previous year: 4,814 full-time equivalents) The average workforce level in 2010 was 4,694 full-time equivalents after 4,980 in 2009. Of that number, 2,366 (previous year: 2,571) full-time equivalents worked in Germany, Austria and Switzerland, corresponding to 50.4% (previous year: 51.6 %) of the Group's total employees. In 2010, personnel expenses were reduced by 3.9% or EUR 15.1 million to EUR 371.3 million.



Further information about key employee ratios is provided in the Risk Report on page 94.

Due to the sale of the news channel N24 and the production company MAZ & More, 330 full-time equivalent employees are no longer counted as employees of the ProSiebenSat.1 Group as of December 31, 2010. On the other hand, a total of 94 new full-time equivalents were added to the Group as a result of the acquisition of a majority interest in the Belgian production company Sultan Sushi CVBA, the majority interest in Kinetic Content in the USA and the establishment of production companies in the Netherlands and Sweden.

Employees by region

Figures for prior year in parentheses



Women and men at ProSiebenSat.1

Figures for prior year in parentheses / in percent



Diversity Management. We value the diversity which our employees have in terms of personal characteristics, talents and abilities. Our way into the future will be shaped strongly by the way we promote and use the diversity of all employees. A central area of action is the targeted promotion of women so as to achieve an appropriate ratio of men and women in management positions.

There is a very balanced ratio of men and women at the ProSiebenSat.1 Group. In 2010, 52.4% of employees were male (previous year: 51.2%) and 47.6% were female (previous year: 48.8%). For the top management the ProSiebenSat.1 Group is aiming to achieve a female share of 30% within the next five years. It is for this reason that within the context of the Performance Development talent and succession planning process, the ProSiebenSat.1 Group is attaching great importance to identifying female talent and potential managers, promoting the career and development planning of female employees on a sustained basis. In Germany, at management level, the female ratio was 29.3% at the reporting date of December 31, 2010 (previous year: 30.7%).

With its share of female employees and women in management positions, the ProSiebenSat.1 Group is already clearly above the German average. According to a study carried out by the German Institute for Economic Research, in the 200 largest German compa-

nies only 3.2% of the management positions are held by women. In the DAX companies, the share of woman in management positions is 2.2%.

Internal day-care centers extended. As an employer, balancing family and job is an important issue for ProSiebenSat.1. For this reason, the company founded an in-house day-care center in Unterföhring as early as 2002 where employees have been able to take advantage of all-day services for their children. Due to great demand, the company doubled the number of places in 2010. In doing so, the ProSiebenSat.1 Group invested roughly EUR 700,000. This included building an extension. Since August 2010, the company has been offering 74 day care places for children of ProSiebenSat.1 staff on company premises. In 2010, the ProSiebenSat.1 Group invested approximately EUR 600,000 in day care. Of this EUR 240,000 was spent on day-care centers and EUR 360,000 on subsidies paid monthly to parents with pre-school children who receive care outside the home.

ProSiebenSat.1 encourages flexitime models and part-time work. The ProSiebenSat.1 Group has had a flexitime model in place for years. In this way the Company has quite deliberately responded to its employees' varying performance peaks and encouraged staff commitment. Employees also have the option of working on a part-time basis. In 2010, the part time ratio was 12.5% (previous year: 12.9%).

Performance-based compensation guided by objective criteria. The staff and management at ProSiebenSat.1 Media AG are managed on the principle of management by objectives, drawing on a system of goals that puts higher-level corporate objectives into more specific terms for both staff and management by breaking targets down systematically into segment, departmental and individual goals. At annual assessment interviews, employees and their supervisors define personal targets for the financial year. These are intended not only to provide clear goals but also to encourage motivation. Consequently the system of goals is tied to a special, performance-based bonus plan that recognizes individuals' accomplishment of their goals. The maximum amount of the bonus is based in part on recurring EBITDA. Due to the successful financial year, the bonus share based on recurring EBITDA was 130% in 2010. In addition to a performance-based compensation system, the Group offers employees an attractive package of social benefits. This includes offers for private pensions as well as extra vacation for specific personal events.

Performance and talent promotion introduced. The ProSiebenSat.1 Group rewards top performance and offers a perspective to talented employees. To achieve this, the Performance Development talent management program was initiated for managers and potential managers in 2010. Employees with very good performance and above-average potential receive an individual development plan designed on a long-term basis. Participants receive regular feedback. Key factors include behavior as a manager, a media entrepreneur and business activity. The goal of the program is to boost staff contributions to performance throughout the company. The program is linked to a bonus system, in an ideal case making employees eligible to receive a one-time payment of up to 200% of the individual target bonus.

"Performance Development" pilot group

Participants in the "Performance Development" pilot group in Germany and internationally // in percent



Training campaign started. Knowledge is a competitive advantage. For this reason, the ProSiebenSat.1 Group started an internal training campaign last year. In June 2010, the company founded the ProSiebenSat.1 Academy in Germany. Key elements of the new training program are individually developed components aligned specifically to the qualification requirements of ProSiebenSat.1 employees. The focus is mediating theoretical and practical knowledge on an ongoing basis. The key elements of the program are training sessions as well as ongoing information events with expert lectures open to all employees. The objective is to present employees with best practice examples on a regular basis, as well as analyses, assessments and trends on industry developments where progress is accelerating in an age of digitalization. In addition, the ProSiebenSat.1 Academy offers numerous seminars for specialist and personal employee development. Since its initiation in June 2010 the ProSiebenSat.1 Academy already had 2,000 participants.

Cross-media training concept developed. The ProSiebenSat.1 Group provides training for TV, multimedia and PR trainees. In the 2010 financial year, the company introduced a new training concept with a cross-media focus which takes even greater account of future market demands. On this basis, from the very beginning ProSiebenSat.1 trainees learn how contents are developed and produced for various media types on a cross-platform basis. The 24-month training includes 8 weeks of theory. Here too, the focus is on cross-media. The first group receiving training in line with the new concept started in September 2010 with 14 trainees.

Across Germany, ProSiebenSat.1 employed 164 apprentices and trainees in 2010. They receive commercial training in the career groups of audiovisual media, events, office management, video and sound media design as well as digital and print media design.

KNOWLEDGE AS COMPETITIVE ADVANTAGE

We offer our employees the chance to release their potential and promote entrepreneurial spirit. Alongside various programs to promote talent, we founded the ProSiebenSat.1 Academy in 2010. The focus is mediating theoretical and practical knowledge on an ongoing basis. We keep our employees up-to-date on developments and trends in the media industry. After all knowledge is a competitive advantage.



New TV talent (left): In 2010, we doubled the number of places in our crèche. As an employer, balancing family and job is an important issue for us.

Recruiting instruments extended. A key factor driving the success of the ProSiebenSat.1 Group is its ability of acquiring highly qualified staff in the future. For this reason, the Company further developed its recruiting instruments in 2010. The central measures included redesigning the career pages on the Company website www.ProSiebenSat1.com. Alongside a considerable expansion of the information area, great importance was attached to design in line with the Company and the target group. The new website uses numerous multi-media functions to address the applicant – from employee trailer to interactive job advert. At the same time, the persons responsible at ProSiebenSat.1 for HR have developed a mission statement which shows what ProSiebenSat.1 stands for as employer and what requirements we have on future employees. In addition, ProSiebenSat.1 participated in career fairs in 2010.

Fascinating People – our mission

We are a strong community of extraordinary people who convince with talent and inspire with outstanding performance.

We offer our employees the chance to release their potential and unearth and promote entrepreneurial spirit.

We are looking for personalities who have the determination, the ambition and the courage always to take a step forward.

High response levels for employee survey. In 2010, the ProSiebenSat.1 Group again implemented an employee survey. The central issue was where the Group had improved in comparison to the employee survey in 2009 and where there was potential for optimization. 66% of employees took part in the survey (previous year: 51%). Overall, in comparison to 2009 the Company improved in almost all categories. These apply particularly to “confidence in Executive Board decisions” and “feeling of appreciation”. The Group performs well in matters of “passion for the daily area of work” and “fun at work”. Positive assessments were also given to “open and honest dialog with one’s superior”, “fair treatment” and “atmosphere in the team”. Managers of the companies discussed the results in detail with their teams. For the areas where the survey indicated scope for improvement, managers and Human Resources drafted measures which are already being implemented.

The ProSiebenSat.1 Share

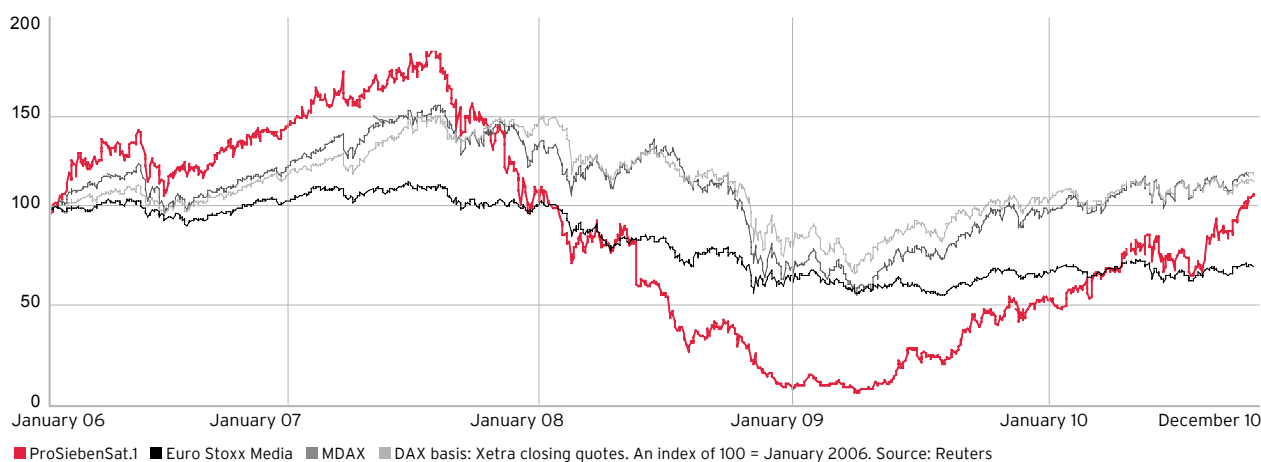
Market capitalization tripled. While stock markets were characterized by considerable volatility and persistent uncertainty in 2009, valuations on stock markets recovered sharply in 2010. Since the beginning of the year, the DAX has risen by 14.3%, while the MDAX has increased by 31.9%.

The price of the ProSiebenSat.1 Media AG share, which is listed in the MDAX, has benefited significantly from the general recovery and nearly tripled in value in 2010. Its price has risen by 179.2% compared to the last trading day in 2009 to EUR 22.50 (December 30, 2009: EUR 8.06) and has consequently performed significantly better than comparable indices.

The ProSiebenSat.1 share trended upwards virtually continuously in 2010. The share's performance only slowed temporarily towards the end of the first half of the year, having reached a high for the year to date of EUR 14.20 (April 30, 2010). This was caused by economic policy factors, such as the debt crisis affecting some EU countries, the subsequent fall in the value of the euro and discussions about the impact of possible austerity packages being introduced by European governments. The ProSiebenSat.1 share reached its high for the year of EUR 23.88 on December 7, 2010.

A total of 196,464,510 shares (previous year: 276,687,511) were traded over the Xetra trading system during the year. This corresponds to an average daily volume of 767,439 shares (previous year: 1,097,195).

The ProSiebenSat.1 share: Price performance



The ProSiebenSat.1 share: Key data

		2010	2009	2008	2007	2006
Share capital	Units	218,797,200	218,797,200	218,797,200	218,797,200	218,797,200
Number of preference shares ¹⁾ at reporting date	Units	109,398,600	109,398,600	109,398,600	109,398,600	109,398,600
Number of common shares at reporting date (unlisted)	Units	109,398,600	109,398,600	109,398,600	109,398,600	109,398,600
Market capitalization at year's end	EUR m	4,923	1,764	525	3,586	5,437
Close at end of financial year (Xetra)	EUR	22.50	8.06	2.40	16.39	24.85
High (Xetra)	EUR	23.88	8.98	16.62	30.10	24.85
Low (Xetra)	EUR	8.13	0.90	1.26	16.00	16.02
Dividend per dividend entitled preference share	EUR	²⁾	0.02	0.02	1.25	0.89
Total dividend	EUR m	²⁾	2.07	2.08	269.9	192.5
Dividend yield on basis of closing price	Percent	²⁾	0.25	0.83	7.60	3.60
Xetra trading volume (average daily volume)	Units	767,439	1,097,195	1,235,341	716,820	550,670

¹⁾ Before reduction of treasury shares, ²⁾ Dividend proposal: see page 26.

The ProSiebenSat.1 Share: Basic data

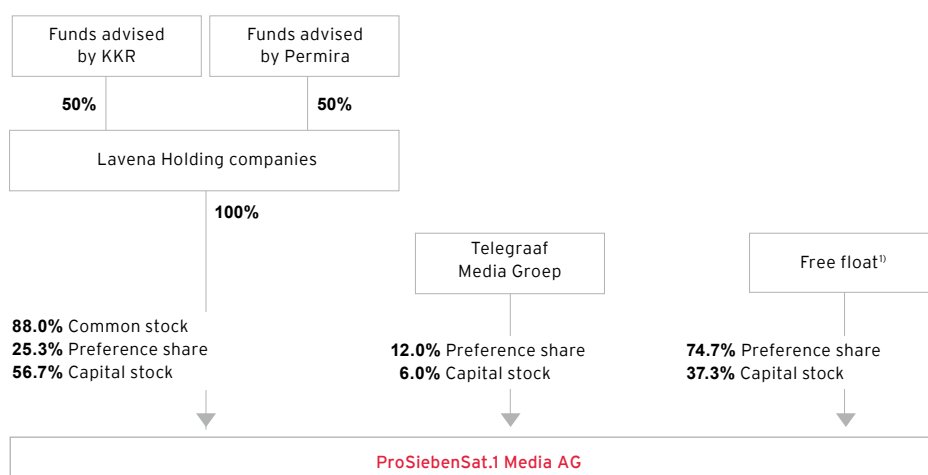
Name	ProSiebenSat.1 Media AG
Type of share	No par bearer preference shares
Stock exchange listing	Prime Standard/regulated market
Sector	Media
ISIN	DE0007771172

Lavena Holding companies are the majority Shareholders. The share capital of ProSiebenSat.1 Media AG amounts to EUR 218,797,200 and is made up of 109,398,600 voting shares of common stock and 109,398,600 non-voting shares of listed preference shares.

There were no changes to shareholder structure during the financial year 2010. The Lavena Holding companies are the majority shareholders of ProSiebenSat.1 Media AG. They are controlled by funds advised by Kohlberg Kravis Roberts & Co. L.P. (KKR) and Permira Beteiligungs GmbH (Permira).

As of December 31, 2010, the Lavena Holding companies held 88.0% of the voting common shares and 25.3% of the non-voting preference shares. This corresponds to a share of 56.7% of the share capital of ProSiebenSat.1 Media AG. The Dutch media corporation Telegraaf Media Groep N.V. (TMG) holds 12.0% of the voting common stock, equivalent to 6.0% of the share capital. The remaining roughly 74.7% of the preference shares, equivalent to approximately 37.3% of the share capital, is in free float or is held by ProSiebenSat.1 Media AG as treasury shares. On December 31, 2010, holdings of treasury shares amounted to some 5.7 million shares, equivalent to 5.2% of the preference shares and 2.6% of the share capital. Large parts of the listed preference shares are held by institutional investors, most notably from the USA and the UK.

Shareholder structure of ProSiebenSat.1 Media AG as of December 31, 2010



¹⁾ Percentage figure includes preference shares, which are held as treasury shares. Holdings of treasury preference shares decreased by 365,666 to 5,661,834 shares during the year. Under Section 71b of the German Stock Corporation Act, ProSiebenSat.1 Media AG enjoys no rights from the ownership of this treasury stock; shares that the Company holds either directly or indirectly are not entitled to collect dividends.

Following the end of the reporting year, the Lavena Holding companies sold 8,000,000 non-voting preference shares. On completion of the sale on January 13, 2011, the proportion of non-voting preference shares held by the Lavena Holding companies fell from 25.3% to 18.0%. As a result, the Lavena Holding companies hold 53.0% of the share capital and 88.0% of the voting common shares following the transaction.

Annual General Meeting for the financial year 2009. The Annual General Meeting of shareholders of ProSiebenSat.1 Media AG for the financial year 2009 was held at the Alte Kongresshalle in Munich's Bavariapark on June 29, 2010. About 300 shareholders and guests attended the meeting.

All proposed resolutions presented were unanimously adopted. The Annual General Meeting granted formal approval of the activities of the members of the Executive Board and of the Supervisory Board for the financial year 2009. Furthermore the proposed resolution on the allocation of profit for the financial year 2009 was adopted and - as in the previous year - a dividend distribution of EUR 0.02 per bearer share of preference shares was resolved upon. No dividend was paid on common shares. The total dividend distribution will thus come to approximately EUR 2.1 million, matching last year's amount. The dividend was paid on June 30, 2010.

Dialogue with the capital market intensified. Our ambition is to provide all capital market participants with transparent, timely and comprehensive information about our Company's business situation and prospects for the future. We intensified relationships with investors and analysts still further in 2010. The Executive Board and the IR team held almost 400 one-on-one discussions with analysts and investors. The Company presented itself in a large number of roadshows and participated in 20 or so analyst and investor conferences. Conference calls were also held on the occasion of the releases of the annual and quarterly results.

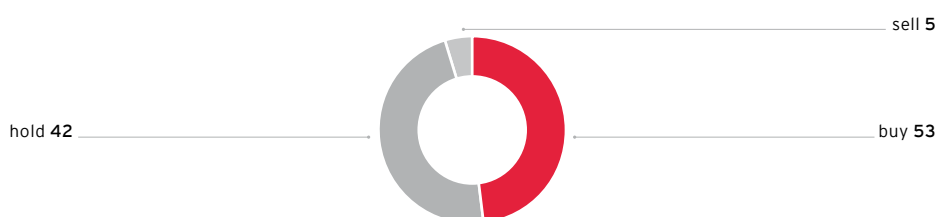
As part of the redesign of the ProSiebenSat.1 Media AG website, the Investor Relations website was redone and given a more transparent structure.

IR activities and financial communications receive awards. In 2010, the ProSiebenSat.1 Group again received awards for its communication with the capital market: in the "Best Annual Report" competition organized by manager magazine, the ProSiebenSat.1 Group ranked seventh in the MDAX category. In the overall assessment of all stock exchange indices, we achieved 22nd place out of 160 companies and consequently improved our ranking by ten places compared to the previous year. At the German Investor Relations Awards 2010, the ProSiebenSat.1 Group was ranked fifth among companies included in the MDAX. Here, more than 800 fund managers and analysts evaluated investor relations departments on the basis of criteria including clarity of reporting, specialized expertise, industry knowledge and speed of response.

Analysts recommend the ProSiebenSat.1 share. For investors, recommendations by financial analysts are an important basis for making decisions. In the second half of 2010, 19 brokerage firms and financial institutions published reports on ProSiebenSat.1 Media AG. 53% of analysts recommended buying the ProSiebenSat.1 share.

Analysts' recommendations

in percent



As of: 12/31/2010

Non-Financial Performance Indicators



Employees, page 75.

A variety of important assets are not recognized on the statement of financial position. Most significant among these are intangible assets, such as the values of brands and other non-financial performance indicators that are of great importance to the ProSiebenSat.1 Group's business success. Employee potential is another important criterion for which there is no financial measurement.

Strong Brands



Process Capital – organizational and process advantages: The ProSiebenSat.1 Group range of services is described on page 44 and 45.

All the ProSiebenSat.1 Group's Free TV stations – as well as most of the companies in the Diversification segment – are wholly owned subsidiaries of the Group. This arrangement provides the Company with operating advantages over its competition, e.g. in selling advertising time, licensing programming rights or the target group alignment of individual TV stations. In most of its markets, ProSiebenSat.1 operates several channels with complementary programming. This means that the stations focus on various core target groups, thus reaching all age groups relevant for advertising with special services.

The values of the brands acquired in connection with the SBS acquisition in 2007 are recognized in the consolidated statement of financial position as intangible assets. However, the Group's "own brands" SAT.1 and ProSieben are not recognized on the balance sheet. They are among the most important non-financial performance indicators of the ProSiebenSat.1 Group. For years, the two brands have stood for Germany's most popular, most successful TV stations. The popularity of the two stations is underscored by the recent study "Relevant Set – TV Station Diversity and Usage," published in 2010 which found that even in those households in Germany that can receive more than 150 TV stations, 80% of daily television usage is concentrated on only six stations. The so-called "relevant set" is mainly composed of the big TV station brands, including SAT.1 and ProSieben.

- **SAT.1:** For more than 25 years now, SAT.1 has been inspiring viewers with diverse, award-winning television for the whole family. In addition to film events such as "The Pillars of the Earth", in-house TV movies and successful series such as "Danni Lowinski" or "Der letzte Bulle", shows such as "The Perfect Minute" and popular comedy programs shape the unmistakable program. The profile is embellished with soccer from the Champions League, US hit series and exciting Hollywood blockbusters. A survey on the image values of the stations, showed that SAT.1 is the leader in the genres comedy shows, breakfast television and soccer programs.
- **ProSieben:** The outstanding programming quality at ProSieben has been recognized with national and international TV awards. In a current survey, the 14 to 49 year old participants ranked ProSieben No. 1 as a station for being pleasant, entertaining, modern, exciting, varied and innovative. ProSieben generated particularly good image values in its core target group, the under 30s. What is more, ProSieben was the undisputed market leader for the genres entertainment, movies, evening series, mystery series, cult series for women and American comedy series. In response to the question as to which station the participants would take to a desert island, most chose ProSieben. In addition, at 57% ProSieben was voted as the generally most popular German TV station.

But the quality of the ProSiebenSat.1 channels is backed not only by numerous awards, studies and rankings. Their popularity is also reflected in the social network fan sites. On Facebook alone, TV programs such as "Galileo" or "TV Total" now have several hundred thousand fans. Viewer can use the networks to assess programs and discuss them. Stations such as SAT.1 or ProSieben use the portals as marketing tools and provide viewers up-to-date information about TV programs. At the same time, the comments are an important instrument for departments to gain qualitative viewer feedback and supplement the quantitative assessment of the programs on the basis of TV ratings.

// AWARDS



GERMAN TELEVISION AWARD

"Danni Lowinski" (Best Series)

3 BAVARIAN TELEVISION AWARDS

Annette Frier in "Danni Lowinski" (Best Actress)

Nina Gummich in "Allein unter Schülern" (Young Talent Award)

Carolin Hecht in "Allein unter Schülern" (Screenplay)

4 GERMAN COMEDY AWARDS

"Ladykracher" (Best Sketch Comedy)

"Barfuß bis zum Hals" (Best TV Comedy)

"Fröhliche Weihnachten" (Best Comedy Event)

"Zweiohrküken", SevenPictures co-production for SAT.1
(Best Movie Comedy)



GRIMME PRIZE

Galileo episode "Desert Tears"
(Information & Culture)

ROSE D'OR

Galileo: "Desert Tears"

BAVARIAN TELEVISION PRIZE

Stefan Raab for "Unser Star für Oslo"
(Entertainment Shows)



2 GERMAN COMEDY AWARDS

"TV Total" (Best Late Night Show)

Christoph Maria Herbst for "Stromberg" (Best Actor)

GERMAN TELEVISION PRIZE

Stefan Raab for "Unser Star für Oslo" (Special contribution)

"Unser Star für Oslo" (Entertainment Shows)



Supplier capital: For an update on our investments in programming assets in 2010, please see page 69.

In 2010, the marketing expenses of the group amounted to approximately EUR 75 million (previous year: EUR 76.0 million). These include all expenses in relation to program and image communication of the ProSiebenSat.1 Group with the exception of market research and communication activities of the ProSiebenSat.1 Holding. Approximately 50 percent of the marketing expenses relate to the German-speaking region (previous year: 56.5%).

Long-standing Supplier Relationships

Attractive programming is required for the ProSiebenSat.1 stations' success with viewers. For this reason the Group maintains close ties with domestic and international film studios, as well as film and TV producers. ProSiebenSat.1 has long-term contracts with virtually every major Hollywood studio, including Twentieth Century Fox Television, Sony Pictures International, Paramount, CBS, Disney, Warner, Dreamworks, New Regency subsidiary Monarchy Enterprises and Constantin Film. These contracts secure the Group's long-term programming supply. Additionally, the ProSiebenSat.1 Group works with creative partners in its various markets. These include external magazine-show and variety-entertainment producers who develop and produce new concepts for the Group. ProSiebenSat.1 negotiates large and international content packages centrally. License agreements are signed by the European broadcasters themselves.

Solid Customer Relationships

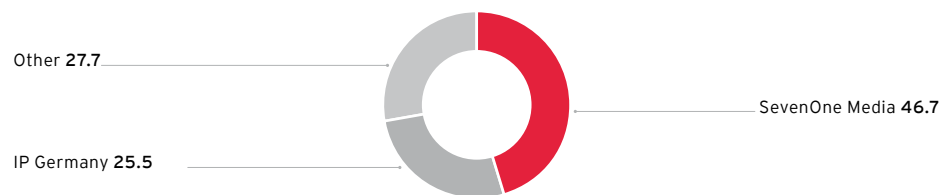
Advertising customers

Stable relationships with advertising clients are a necessity to counter short-termism and volatility in the advertising market for advertising time. For that reason, ProSiebenSat.1 sets great store on preserving customer loyalty. With their regional structure, its sales subsidiaries in the German core market can provide in-depth consulting on location, and thus take detailed account of client needs.

Creativity creates advantages in the advertising market. In financial year 2010, SevenOne Media together with its affiliate SevenOne AdFactory worked intensively on considerably widening the range of individual communication solutions that give advertising clients a competitive advantage on their market.

New clients in the TV advertising market in 2010

in percent



Source: Nielsen Media Research

SevenOne AdFactory develops cross-media concepts and stages brands in line with the program. So-called 360-degree solutions combine all ProSiebenSat.1 Group platforms - from TV across online to mobile and games. In 2010, SevenOne AdFactory considerably extended the number of customized creative solutions. To the end of the year, the company had roughly 100 active clients. The implementation rate was also increased in 2010 - approximately 50% of all concepts developed went into production. To gain new clients, which previously had not advertised via ProSiebenSat.1 on television, SevenOne AdFactory also provided important impulses. Overall, in the last financial year, SevenOne Media gained 427 new clients. Almost half of all new customers (46.7%) decided themselves for stations of ProSiebenSat.1 in 2010.



For explanations on our relations to investors and capital markets, refer to page 81.

Growth with innovative business ideas. Entrepreneurship and creative ideas pay off. In 2009, with “media for revenue share”, ProSiebenSat.1 Group developed a new revenues model. This has since established itself as a strategically important growth area. Many of the partners come from the Internet mail order and Internet services industries, including travel portals and dating platforms. With “media for revenue share” companies receive advertising space on ProSiebenSat.1 stations for a share of revenues. The condition is that they have never advertised before on television. Since 2009, approximately 40 new cooperations were concluded. Some 20 campaigns are currently being aired. The new customers benefit from ProSiebenSat.1’s reach and media skills in the form of greater recognition, new target audiences and higher revenues. In Germany, the Interstate Broadcasting Treaty allows commercial broadcasters to show a maximum of twelve minutes of advertising per hour. But depending on the market situation, this volume is not always utilized. With models such as “media for revenue share”, unused advertising time on ProSiebenSat.1 stations can be marketed and capitalized.

Audience market

To strengthen audience loyalty, the ProSiebenSat.1 Group offers an extensive information service. There are viewer service departments in the Group’s various countries to take viewers’ questions and suggestions. In Germany, the Free TV stations’ centralized viewer services logged some 138,000 contacts in 2010. Each contact was dealt with individually. The focus was on information and critiques about current programming, and on filling in further background about reports that had been shown. Viewer comments and suggestions help optimize programming. They are analyzed qualitatively and quantitatively, and summarized in bi-weekly reports to station executives and programming departments. They are supplemented with special analyses of specific topics ordered directly by the department executives.

Sustainability as a Factor for Success

Companies operate in a market environment where resources are growing scarcer and cost pressure is continually rising. For that reason, doing business sustainably is an important guarantor of future corporate success for a media corporation just as it is for any other company – besides economic and ecological sustainability, social aspects are of importance. At ProSiebenSat.1, doing business sustainably first and foremost means contributing toward public opinion-making with professional content, while at the same time acting as an advocate to safeguard the Group’s economic future.

Public value

The media group’s programming supports the public opinion-making process by building awareness of critical issues and helping with social integration. Entertainment programming can also be a creative form of education. Advice shows address viewers’ problems and provide orientation. Talent shows and initiatives like the First Steps Award provide a platform for young artists and open up room for creativity. As a corporate group, the ProSiebenSat.1 Group puts its public impact to work supporting good ideas and spreading awareness of charitable initiatives like startsocial and Red Nose Day.

// CURRENT EXAMPLES FOR CORPORATE SOCIAL RESPONSIBILITY AT PROSIEBENSAT.1 GROUP



For more information on the social commitment of the ProSiebenSat.1 Group go to: www.ProSiebenSat1.com/en/company/corporate-responsibility/social-commitment

STARTSOCIAL

startsocial promotes the knowledge transfer between business enterprises and social projects and awards 100 consultancy scholarships every year. For three months business and management professionals work with voluntary helpers and coach them on matters such as fund raising, press work and human resources management. ProSiebenSat.1 initiated the competition in 2001.



FACTS & FIGURES

FOUNDED: 2001

PATRONAGE: German Chancellor Dr. Angela Merkel

APPLICANTS: So far there have been applications from roughly 5,000 social projects

THOSE INVOLVED: More than 30,000 persons with a social commitment have participated in startsocial

VOLUNTARY COACHES AND ASSISTANTS: Some 2,200 persons from over 100 companies and 90 social organizations

CONSULTANCY TIME: More than 15,000 voluntary working hours a year

FIRST STEPS

Talent is only the first step. It is for this reason that FIRST STEPS presents prizes to the best final film projects of German-speaking film schools. In 2010, seven film-makers in six categories were awarded prizes totaling EUR 72,000. As a result the graduates can work on film projects after their degrees. What is more FIRST STEPS brings the young talent together with film and television professionals.



FACTS & FIGURES

FOUNDED: 2000

EVENT ORGANIZER: Deutsche Filmakademie, ProSiebenSat.1 TV Deutschland GmbH, Mercedes-Benz, Spiegel TV, teamWorx

PRIZE MONEY: EUR 72,000 per year

PRIZE WINNERS: Since the start in 2000, 52 films have won awards in the categories "Feature-length movie", "Documentaries", "Short films and cartoons", "Feature films up to 60 minutes" and "Advertising films".

BARRIER-FREE TELEVISION

55.5 million adults in Europe are hard of hearing. For 80,000 deaf persons and a further 13 million hard of hearing in Germany, television is solely a visual medium. Introducing sub-titles which visualizes acoustic information allows an improved quality of TV experience for hearing impaired.



FACTS & FIGURES

START: 2000 on ProSieben

OFFERING: Every year over 200 programs on the stations of ProSiebenSat.1 TV Deutschland GmbH

GENRE: Feature films and series

WE HAVE A COMMITMENT

Every day we reach millions of people with our television stations. We use our public impact to draw attention important issues in society and to advance social initiatives. What is more we give young talent a stage and support new TV talent.



In the Belgian competition, "Beter in Beeld" broadcast by VT4 and vijfTV, social organizations can win a voucher for a television campaign.

With the SAT.1 Sport Show "ran" presenter Matthias Killing collected EUR 500,000 for earthquake victims on Haiti and opened a soccer school for children and young people.

Principles we consider self-evident

> TRANSPARENCY

Relationships of trust with journalists and financial analysts have significant value. Our media presence improves awareness of our brands and shapes our social reputation. Our public relations and investor relations work is guided by the transparency guidelines of the German Corporate Governance Code. Accordingly we communicate fully, promptly and frankly with journalists, investors and analysts. Here equal treatment of all market participants is very important. At www.ProSiebenSat.1.com we provide detailed information in German and English about all aspects of our business activities, the ProSiebenSat.1 stock, and our financial results.

> JOURNALISTIC INDEPENDENCE

The journalists and editorial staff at the ProSiebenSat.1 Group are well aware of their responsibility for information and opinion-making. Independence is one of the cornerstones of their work. For that reason, they have developed specific guidelines, based on the German Press Code, that all editors follow in their everyday work at ProSiebenSat.1.

> PROTECTING YOUNG PEOPLE

Independent youth protection officers make sure that the German stations offer programming appropriate for young people and comply with the requirements of law, such as under the Interstate Treaty for Protection of Youth in the Media. With its programs and initiatives to strengthen media skills, the ProSiebenSat.1 Group encourages young viewers to handle electronic media responsibly on their own. At the German stations Sat.1, ProSieben and kabel eins ten employees are taking care of the task youth protection.

Economic value

Operating in an economically sustainable way means using resources sparingly. It also includes the question of environmental protection in everyday work life. Under the "Green World" heading, ProSiebenSat.1 Group employees regularly receive information and tips over the Intranet about how they can work in more ecologically aware ways in their everyday duties, for example by conserving electricity and paper. As a media corporation, ProSiebenSat.1 is not in a position to engage in environmental protection on the same scale as a manufacturer can. But its programming provides an important contribution toward raising audience awareness of environmental issues. For example, ProSieben uses its reach to encourage careful use of natural resources in campaigns like GreenSeven Day.

Research and 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. However, market research activities do not fulfill the definition of research and development in a narrower sense so that these figures are omitted from the management report.

Market research

Market analyses are used as a guiding parameter in the process of planning operations and strategy. At the same time, market data and analyses are an important basis for capably advising our advertising clients. Expenses for the Group's market research activities totaled approximately EUR 17.5 million in 2010 (previous year: EUR 18.1 million), about 52.4% of which was for the German-speaking region (previous year: 51.2%).

In Germany, the research unit is a part of advertising time marketer SevenOne Media. The central department conducts Group-wide studies and analyses on topics that must be on the radar of any modern audiovisual media corporation. These include media use, advertising impact, trends in the advertising market, performance projections for the economy and the advertising market, and the quantitative and qualitative assessment of individual programming concepts. The study results form an important basis for making investment decisions, also for advertising customers. In 2010, SevenOne Media presented an extensive study on the use of different media types entitled "Navigator Media Use". The study confirmed the increasing popularity of screen media, at the same time showing that in the wake of digitalization it is print offerings which are coming under increasing pressure.



Marketing expenses, page 84.

// NAVIGATOR MEDIA USE - THE TEN MOST IMPORTANT FACTS FROM THE STUDY

1

// TV AND INTERNET GAINING GROUND

Between 2002 and 2010, TV use increased considerably, by 17 minutes to 206 minutes per day. Since 2002, the Internet has also gained ground. Currently Germans spend an average of 95 minutes a day on the net. While video media continued to gain, radio use declined by 40 minutes since 2002.

// TV AS OASIS OF RELAXATION

2

Media users can look for content themselves in the Internet or use the linear television program. 39% of those surveyed use the advantages of both transmission options. They continue to view specific programs on television - and frequently use them to structure time in everyday life. Also most people do not want to do without the cozy evening in front of the television. But those missing a program, frequently use online video to keep on the ball. A set of 41% of those surveyed regularly see videos in the net. Only 2% of these do not have television at all. Television remains the most important medium for video images.

3

// GOOD OUTLOOK FOR TV

45% of those surveyed expect that in the future television will be equally or even more important. 46% expect the importance will remain the same, while only 9% expect television to be less important.

4

// PARALLEL USE DOES NOT DISTRACT

42% of all viewers go online occasionally while watching television, among the 14 to 29 year olds this amounts to 65%. Most write e-mails (75%), are in social networks (49%) or use instant messengers (39%). The Internet is not a substitute for, but an addition to television. A study has also shown that the television is not screened out, but is perceived in the background.

5

// MORE TIME FOR MEDIA

14 to 49 year olds spend almost nine hours a day with media. This increase is partly due to parallel use. But apart from this there is a general trend to spending more time with media.

6

// MISCALCULATION: USERS COUNT IDLE TIME

The actual time spent on the Internet is frequently overestimated. Approximately 18% of the time relates to situations in which the computer is connected to the network, but not actively used.

7

// VIEWERS ARE INVESTING IN NEW TELEVISIONS

In 2007, almost 4 million LCD televisions were sold, in 2009, at 7.5 million, almost twice as many. What is more, by 2009 almost one in three households had a flat screen.

8

// THOSE WHO SURF A LOT WATCH TV A LOT

Those who surf a lot on the Internet, frequently also watch a lot of television. Analyses show that 14 to 49 year olds who are often on the net spend 40 minutes longer in front of the television than those who do not surf much. Thus Internet and television are not in competition to each other.

9

// THE MOST POPULAR THINGS TO DO ON THE INTERNET

Most popular activities in the network include e-mail (91%), online shopping (61%) and online banking (47%). In addition, social networks at 37% are becoming more important.

10

// MOBILE INTERNET HAS STILL NOT ACHIEVED THE BREAKTHROUGH

18% of 14 to 49 year olds have accessed the Internet via mobile at least once. But high costs and the lack of transparency in terms of tariffs put off many from doing so.

Events after the Reporting Period



100% Acquisition of maxdome GmbH, see Notes, page 177.

As of January 1, 2011, the ProSiebenSat.1 Group took over a 100% stake in the video-on-demand portal maxdome. Until then the shareholders, ProSiebenSat.1 and 1&1 Internet AG each held a 50% stake. With 35,000 titles of films, series, comedies, sport, music and cartoons, maxdome is Germany's largest online video library and the market leader. Over the next few months, the portal will be expanded and thus strengthening the position of the ProSiebenSat.1 Group in the Pay VoD area. 1&1 Internet AG remains the sales and service partner.

Risk Report

Overall assessment of the Group's risk situation - management view

// The ProSiebenSat.1 Group's business approach focuses on recognizing and taking advantage of opportunities as well as detecting, analyzing and minimizing risks to the extent permitted by circumstances. There has been no fundamental change in the overall risk situation compared with December 31, 2009. As of the date of the preparation of this management report in the Executive Board's opinion the overall risk situation of the ProSiebenSat.1 Group remained limited and manageable. Following the economic crisis in 2009, the economy has recovered considerably and the situation on the financial markets has improved. In this context, both external economic and financial risks for the ProSiebenSat.1 Group have declined in comparison with 2009.

At the time this management report was prepared, no risks were evident which, individually or in combination with other risks, would have a permanent adverse effect on the ProSiebenSat.1 Group's earnings, financial position or performance. Based on the outcome of the planning process, we also do not anticipate any material changes that might pose a threat to the ability of the ProSiebenSat.1 Group to continue as a going concern.

Development of individual risks as of December 31, 2010

Change from 2010 to 2009



Opportunity Report, page 101.

Risk Management

The ProSiebenSat.1 Group analyzes and actively manages its overall risk situation by means of a Group-wide risk management system. The assessment of the overall risk situation is based on a valuation of the most significant individual risks and an aggregate analysis of the Group's three principal risk groups (operating risks, financial risks and compliance risks). In this context, risk is defined as a conceivable event that might adversely affect the achievement of our goals or the implementation of our strategy in a significant or negative fashion. Monitoring growth opportunities is just as much part of the Group's management system as is risk management.

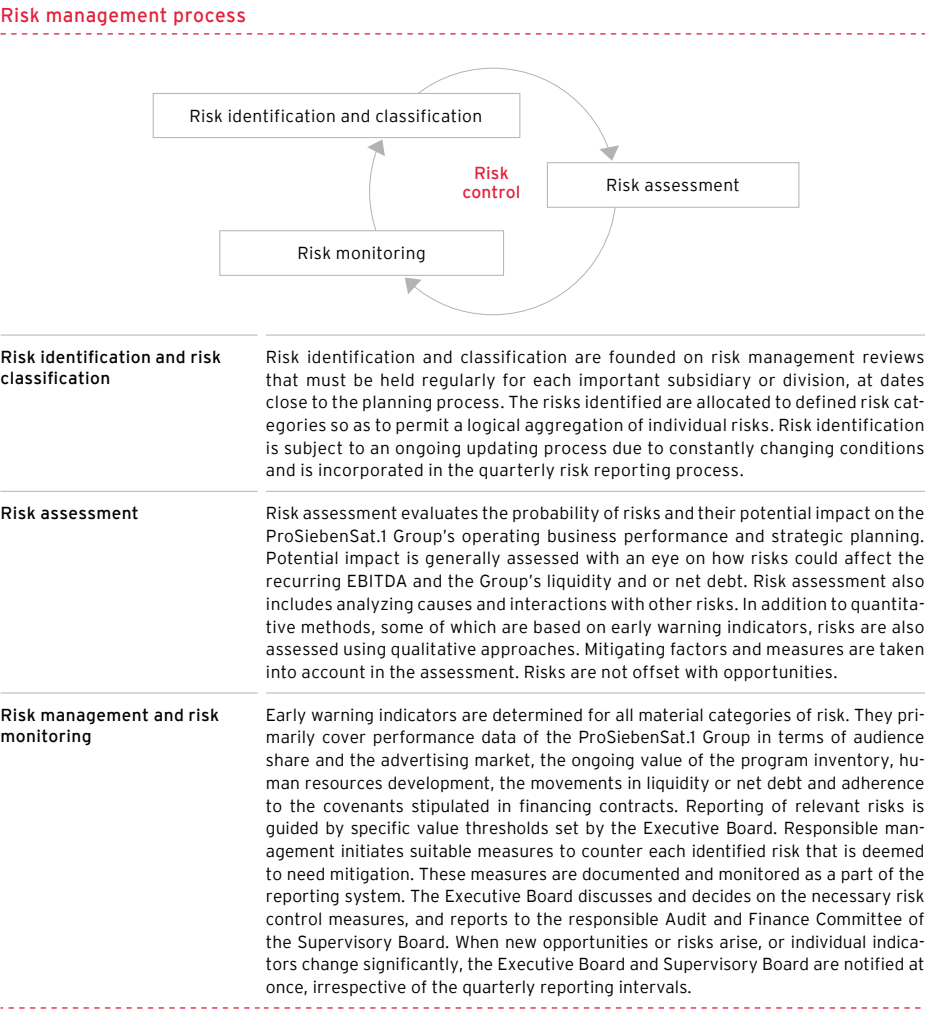
Risk management system

Clear decision structures, a methodical approach and standardized management are indispensable components for secure risk handling across the Group. At ProSiebenSat.1, these essential factors are ensured by way of consistent guidelines, internal organizational directives and an unambiguous allocation of duties and areas of responsibility for risk management parameters. In this way, all relevant business units and subsidiaries are integrated into the process. In simplified terms, the risk management system implemented across the Group can be characterized as follows:

- **Decentralized risk managers** at the various corporate units are responsible for detecting and reporting risks.
- The **Group Risk and Compliance Officer** is responsible for regular quarterly reporting to the Executive Board, as well as for any additional reports as required.
- The functioning and efficiency of the risk management system are reviewed by the **Internal Audit** unit. These audits are based on the Risk Management Manual, which summarizes not only company-specific principles for risk management, but also the associated organization and procedures.

Risk management process

The ProSiebenSat.1 Group’s risk management process consists of the following complementary steps:



External Risks

Economic situation and advertising market. Business performance in the ProSiebenSat.1 Group is driven primarily by the development of TV advertising markets. TV advertising markets are impacted significantly by macro-economic parameters. When the economic outlook is positive, not only are companies more willing to invest, but they also respond with higher advertising expenditure. Conversely, in times of crisis, companies react quite quickly by reducing their advertising budgets.



Future economic environment,
page 103.

With the upturn consolidating, economic risks have subsided substantially over the last few months. However, economic forecasts are subject to specific premises and are thus prone to uncertainty. In particular, it is not possible to anticipate the current events in Japan and the potential repercussions for the global and European economy.



Market research, page 87.

Media use. Incorrectly estimating media use could significantly influence the revenues performance across the ProSiebenSat.1 Group. For this reason, ongoing market research is an element of systematic risk monitoring. The ProSiebenSat.1 Group reacts to new habits of media use with cross-media advertising forms of TV utilizing online, mobile and video-on-demand, in the process reducing its dependency on cyclical fluctuations of individual industries and markets.

Despite the steadily increasing range of alternative media, television is ranked first by consumers. For this reason, the Group currently views the risk of a structural change in TV use as low. In 2010, the average daily viewing time for viewers between 14 and 49 years increased by eleven minutes to 223 minutes, thus posting a new record. There is currently no sign of "cannibalization" - meaning migration of audiences to competing media forms. Instead, what can be observed is an additive use of such media as TV and the Internet. Furthermore, current studies indicate that television has benefited from the economic upturn as an advertising platform more than any other media form. All key industries, from consumer goods to trade have increased their advertising investments in television in 2010.

Audience market. Alongside the macro-economic and industry-specific conditions, audience share has a major impact on the development of revenues in the TV business. They reflect how the programming range meets the taste of the audience and the reach of the advertising spots. Audience ratings are thus an important performance indicator for our advertising customers and can be a key factor impacting pricing policy.

In 2010, there was a mixed trend for audience share when making a country comparison. With an audience share of 28.5% in the group of viewers between 14 and 49 years in the sports year of 2010, the figures for the German TV stations in the ProSiebenSat.1 Group were below those of the previous year (previous year without N24: 28.8%). In an industry where competition in all countries is intensive and increasing, ongoing monitoring of audience ratings across all countries is of paramount importance.

A significant reduction of audience share could have a material financial impact for the ProSiebenSat.1 Group. For this reason, analyses are carried out on a daily basis. To assess the performance of German-speaking stations, the ProSiebenSat.1 Group uses the data of the Working Group of Television Research (the Arbeitsgemeinschaft Fernsehforschung or AGF). The AGF is a body made up of the largest television providers in Germany. Its data form the foundation for planning and billing of advertising customers. On behalf of AGF, GfK measures the use of 5,640 representatively selected panel households with roughly 13,000 persons round the clock. In addition to this quantitative data, qualitative studies are an important instrument in controlling performance on the audience market. This is the reason why in 2010 program research continued to cooperate closely with a range of

institutes. An example - in Germany ProSiebenSat.1 commissioned research institutes to carry out numerous telephone interviews with viewers. In this way, stations obtain direct feedback from their audience and thus can optimize and further develop their programs on an ongoing basis.

Sales Risks

The ProSiebenSat.1 Group generates the biggest share of its revenues from the sale of TV advertising time. Sales risks for the core TV business can result from potentially negative changes in the economy or the industry situation, viewer market share or price trends for advertising time. However, due to the fact that they have a potentially huge impact on the commercial success of the ProSiebenSat.1 Group, they are the focus of risk management. As part of risk control, actual and forecast values of advertising revenues and advertising market share are compared against the previous-year figures and analyzed during the monthly reporting process. This allows deviations from budget to be recognized at an early stage and countermeasures taken at short notice. This could include cost adjustments or changes in program planning.

Furthermore, the ProSiebenSat.1 Group is steadily diversifying its business activities and extending its portfolio with new revenue models, such as media for revenue share.

Content Risks

An attractive and varied programming range is the decisive criterion for the business success of the ProSiebenSat.1 Group. Our program is made up of licensed programming as well as commissioned and own productions. On the basis of the activities to secure an attractive programming supply on a long-term basis (described below), we consider the probability of content risks occurring as low.

Programming inventory. The success of programming planning depends on the programming content's appeal and profitability. Generally, programming contracts are signed several years ahead of the broadcast date. Programming rights are capitalized at the amount of their contractual acquisition cost. To reduce inventory risk, the revenue potential of contractually ensured broadcasting rights is reviewed systematically on a regular basis.

License purchases. The ProSiebenSat.1 Group acquires many of its feature films, TV films and series as licensed content from third parties, with a strong focus on major U.S. studios. In addition to currency risks, the Group is thus also exposed to the risk of potential price increases. However, with its strong position as a licensee, the ProSiebenSat.1 Group is able to limit price risks. Alongside its large purchasing volume, stable business relationships secure the strong negotiating position with the studios.

The ProSiebenSat.1 Group has a central license purchasing department which maintains ongoing dialog with international and national licensors, thus being informed about new productions and trends at an early stage. Depending on the contract, the ProSiebenSat.1 Group not only can broadcast the programs acquired on its Free TV stations, but also on digital platforms. Exclusive agreements with blocking periods, so-called hold-back clauses, protect our rights against other licensees and program licensing forms.

Commissioned and own productions. With its stations, ProSiebenSat.1 Group attaches importance to an individual and generally balanced mix of licensed programs as well as commissioned and own productions. Programs produced in-house strengthen the recognition value of individual TV stations. Because reference figures are sometimes unavailable, the prospects for the success of in-house and commissioned productions tend to be less certain than for purchased programming licenses which have already been successful on other stations or in the movie theaters. ProSiebenSat.1 conducts intensive



programming research, so that it can assess the appeal of its in-house productions as reliably as possible.

Program research work starts long before the program goes on air. In some cases, researchers accompany the development of new programs for ProSiebenSat.1 stations from the initial idea with market research activities. As early as the screenplay or concept phase, future films, shows or magazines are tested using a variety of different methods. So-called Real-Time-Response tests (RTR) are a frequently used instrument. They are deployed when images or a pilot episode are available for new TV programs. When programs are screened, test persons document their response and reactions using a type of remote control, with accuracy down to the second and in real time. This makes it possible to measure intuitive and spontaneous reactions without the participants first having to verbalize their impressions.

The ProSiebenSat.1 Group is in close contact with all important producers. As a result it has rapid and direct access to new developments of external providers, thus securing attractive programs for the stations. What is more, by developing its own production unit, in 2010, the ProSiebenSat.1 Group managed to lay the foundation for a more efficient programming supply. Setting up the Red Arrow Entertainment Group in January 2010 put in place Group structures for developing, producing and selling TV contents. In addition to business advantages resulting from bundling content expertise across the group in one central unit, founding a new holding company is an important strategic step within the Group to lengthen its value chain. Red Arrow develops and produces TV content not only for Group stations, but also offers its expertise to external customers.

Technology Risks

Technology risks, primarily if transmission is impeded, could have direct impacts on the Group's revenues. However, due to various safeguards such as backup systems, we consider the probability of occurrence as low. With the new Payout Center going live in Munich in April 2009, the Group also has a state-of-the-art digital platform. The technology shift to a shared pool of digital materials makes it possible to process all video material in tapeless form. The result is substantial advantages in time and quality.

Broadcasting equipment and studio operations. A high level of security is extremely important as interference to studio and broadcasting equipment results in program changes at short notice and could cause failure of individual or all stations, thus directly impacting advertising revenues. Also, an infrastructure inadequately aligned with the current needs of the market or current security requirements could also inhibit us from achieving our corporate objectives. To minimize this risk, both the broadcasting process and all material components of studio and post-production equipment in the ProSiebenSat.1 Group are protected with backup systems.

IT risks. The increasing complexity of the Group's systems means that IT security risks may have serious consequences for business processes and a direct financial impact. These include failures of systems, applications or networks, as well as violations of data integrity and data confidentiality. To minimize these risks, the ProSiebenSat.1 Group invests on an ongoing basis in hardware and software, in the deployment of firewall systems and virus scanners, and by establishing various access authorizations and controls. In its IT unit, the Group has multiple computer centers at separate locations, which assume each other's tasks automatically in the event of a system failure, without losing either time or data. The IT security strategy is updated regularly and undergoes extensive testing.

Organizational Risks

The ProSiebenSat.1 Group's success depends significantly on the talents and dedication of its employees. For this reason, the loss of specialist and managerial staff to competitors or other companies as well as bottlenecks in recruiting staff represents a significant risk. On the basis of extensive measures in this area, we consider the probability of occurrence as low. This is reflected in key HR figures. The average years of service in the Group is stable at 5.6 years (previous year: 5.7). The average fluctuation rate improved to 14.0% (previous year: 21.9%). With a quote of 13.6% in the German core market we are within the bounds.



Employee survey, page 78.

HR and HR development. The management and corporate culture are key factors for the overall success and development of a company. This is why in the reporting year the existing employee survey concept was revised. For the first time a 360° feedback process was utilized in the form of a standardized feedback procedure. Furthermore, with the ProSiebenSat.1 Academy, a training and qualification program accessible for every employee was established in June 2010. In addition to management training, the program covers presentations of selected guest speakers on current topics in the industry and classical training areas such as language learning teaching. In order to create an atmosphere conducive to learning, a specific campus area was set up. A special website provides employees with information on the current program. It also archives lectures and presentations.

In the competition for the best staff, not only human resources development programs but also the remuneration strategy are paramount. To achieve a position on overall remuneration which is competitive, a reevaluation of all management positions was started in 2010. ProSiebenSat.1 also has set up a talent management program. Important elements of this program are optimizing the incentive elements and successor planning for all key positions in the Group.



www.ProSiebenSat1.com

Concerning recruitment, the Group initiated some important measures. To improve the appeal of ProSiebenSat.1 as an employer, an employer brand was developed. From the beginning of 2011, this was implemented with the start of the new careers website at www.prosiebensat1.com. Furthermore, all recruitment processes were reviewed. This shortens the time required to fill positions and to recruit new staff.

Operating risks

Key management measures

- **External risks:**
Ongoing analysis of economic and industry trends combined with continuous investments in programming and market research, efficient cost management
- **Sales risks:**
Regular and systematic assessment of the order volume
- **Content risks:**
Long-term relationships with licensors and close contact to producers, development on an in-house production unit
- **Technology risks:**
Regular investments in IT updates, back-up systems to minimize risk of possible failure in studio and broadcasting equipment
- **Organizational risks:**
Monitoring early warning indicators, strategic human resources recruitment and development programs, employee motivation on the basis of variable remuneration systems

Overall probability of occurrence:
medium

Impact (strength):
high

Effective risk management is very important for the ProSiebenSat.1 Group, not least due to the low visibility of the advertising market typical for the industry and the short-term nature of booking TV advertising. Our experience in the TV advertising market and our expertise in the media sector, together with clear organizational structures, enable us to deal with risk securely and implement effective strategies for risk reduction. We address challenges posed by the economy - the largest potential external risk factor - with systematic cost and efficiency management. At the same time, we optimize our risk and opportunity profile by successively diversifying our dependency on individual markets and leverage additional growth potential on the basis of innovative business models such as media for revenue shares.

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 by the headquarters unit - Group Finance & Treasury. Financial risk management aims to secure solvency, to manage market price risks in line with risks and to optimize the Group financial result.

Financial risks

Key management measures	<ul style="list-style-type: none">• Financing risks: Ongoing monitoring of financial covenants• Interest and currency risks: Targeted use of derivative financial instruments• Liquidity risks: Central cash management system and ongoing monitoring of liquidity headroom• Counterparty risks: Broad basis of lenders and strict credit standing checks
Overall probability of occurrence: low	Interest and foreign exchange volatility or the default of lenders could considerably impair the financing situation and liquidity of the Group. However, as a result of extensive measures in this area to provide protection against the stated financial risks combined with the positive economic and business situation, we consider the probability of occurrence as limited. In addition, in view of current business performance, we assess the finance risk - potentially the biggest financial risk for the ProSiebenSat.1 Group - as low. In 2010, the ProSiebenSat.1 Group considerably reduced its leverage. Lower financial indebtedness and the high earnings growth impacted positively on the leverage factor positively.
Potential impact (strength): high	

Financial risk management is based on strategies that have been defined in close cooperation with the Executive Board. For Group companies, the principles, duties and responsibilities of financial risk management are governed by the internal corporate financial guidelines of the ProSiebenSat.1 Group. Any derivative financial instruments that may be entered into, serve solely to hedge existing risk positions and are not used for active trading purposes. For information on Section 289 (2) No. 2 German Commercial Code concerning financial instruments we refer to the section "Further notes on financial risk management and financial instruments according to IFRS 7", in the Notes to the consolidated financial statements, No. 33.

An improved general economic situation has further significantly mitigated the crisis in the international financial markets. As a result, the financial risk situation has improved overall for the ProSiebenSat.1 Group, even though careful and regular monitoring of the situation remains necessary. The following risks have been identified as material for the ProSiebenSat.1 Group and are assessed on an ongoing basis:

- **Financing risk.** By financing risk, the ProSiebenSat.1 Group refers to having adequate funding available and accessible, whether through equity or through borrowings. Access to money and capital markets depends on general sentiment on money and capital markets and the perceived creditworthiness of the ProSiebenSat.1 Group. In this context, the Group monitors the general situation on money markets and capital markets. The availability of existing borrowings depends in part on compliance with particular conditions known as "financial covenants". Compliance with these covenants is monitored on an ongoing basis. In financial year 2010, as in previous years, the covenants were complied with.

Due to the positive trend of the general economy and the good results of the ProSiebenSat.1 Group, the overall financial risk situation of the Group has improved further. Based on current corporate planning, over the next few years the Company does not expect any breach of its financial covenants.



Financial Covenants, page 68.

The ProSiebenSat.1 Group has a syndicated facilities agreement for just under EUR 4.2 billion that extends to mid-2014/15. At present, the syndicated facility comprises two term loans totaling EUR 3.560 billion (Term Loan B and C with an original amount of EUR 3.600 billion), as well as a revolving credit facility with an original facility amount of EUR 600.0 million (currently EUR 581.8 million), which can be drawn on a revolving basis for general corporate purposes.

- **Interest rate risks.** By interest rate risk, the ProSiebenSat.1 Group refers to the risk of rising financing costs as a result of increased interest rates. The ProSiebenSat.1 Group is exposed to an interest rate risk through its credit facilities. To mitigate that risk, ProSiebenSat.1 Group has hedged 79% of its variable-interest financial liabilities through interest rate hedges. These interest rate hedges are used to compensate for uncertain, variable-rate future interest payments on loans by replacing those payments with fixed-rate interest payments. Known as interest rate swaps, they qualify as cash flow hedges. The remaining variable interest rate risk results not only from the unhedged portion of the term loans, but also from any drawings the Group may make on its revolving credit facility.
- **Currency risks.** By currency risks, the ProSiebenSat.1 Group refers to the risk of losses resulting from changes to foreign exchange rates. The ProSiebenSat.1 Group enters into a substantial number of its license agreements with production studios in the United States. The Group generally meets the financial obligations deriving from the programming rights purchases in US dollars. Consequently fluctuations in the exchange rate between euro and US dollar may adversely affect the ProSiebenSat.1 Group's financial position and results of operations. The Group hedges currency risks primarily by entering into currency forwards and currency options.

The reporting currency of the Group is the euro. The financial statements of companies with their registered office outside the Eurozone are converted to euro for the consolidated financial statements. The Company does not hedge this translation risk.

- **Liquidity risks.** By liquidity risk, the ProSiebenSat.1 Group refers to the risk of being unable to meet payment obligations because of a shortage of available cash funds.

Liquidity risk is managed through a central cash management system. The most important early warning indicator in this connection is the expected free liquidity headroom, which is calculated on the basis of available cash and projections, taking the seasonal nature of the business into account. The management of ProSiebenSat.1 Media AG rates the Group's liquidity as good, and assumes that the liquidity headroom will remain sufficient in the coming years.

- **Counterparty risks.** By counterparty risks, the ProSiebenSat.1 Group refers to the risk of losses resulting from a default of its debtors. The ProSiebenSat.1 Group, as a European media corporation that operates in multiple relationships with international partners in the financial industry, must rely on fully functional markets for money, capital and derivatives.

To reduce the risk of default on transactions involving financial instruments, the Group enters into finance and treasury transactions only with external counterparties which meet the strict credit standing requirements established in the counterparty guidelines. Furthermore, the risk of concentration is mitigated by diversifying finance and treasury transactions among multiple qualified counterparties.

A detailed discussion of hedging instruments, valuations and sensitivity analyses, as well as other information about the financial risk management system, is provided in the Notes to the consolidated financial statements, No. 33.



Disclosures on the internal controlling and risk management system in relation to the Group reporting process (Section 315 (2) No. 5 of the German Commercial Code) with explanatory notes

The internal controlling and risk management system in relation to the consolidated reporting process is intended to ensure that transactions are appropriately reflected in the company and consolidated financial statements of ProSiebenSat.1 Media AG, and that assets and liabilities are recognized, measured and presented appropriately. This presupposes Group compliance to legal and company regulations. The scope and focus of the implemented systems were defined by the Executive Board to meet the specific needs of ProSiebenSat.1 Media AG. They are regularly reviewed and updated as necessary. Nevertheless, even appropriate and properly functioning systems cannot offer any absolute assurance that all risks will be identified and controlled. The company-specific principles and procedures to ensure that the Group's single-entity and consolidated reporting is effective and correct are described below.

Goals of the risk management system in regard to financial reporting processes

The Executive Board of ProSiebenSat.1 Media AG views the internal controlling system with regard to the financial reporting process as an important component of the Group-wide risk management system. Controls are implemented in order to provide an adequate assurance that in spite of the identified risks inherent in recognition, measurement and presentation, the single-entity and consolidated financial statements will be in full compliance with regulations. The principal goals of a risk management system in regard to single-entity and consolidated reporting processes are:

- To identify risks that might jeopardize the goal of providing single-entity and consolidated financial statements that comply with regulations;
- To limit risks that are already known by identifying and implementing appropriate countermeasures;
- To analyze known risks as to their potential influence on the consolidated financial statements, and to take these risks duly into account.

In addition, in the reporting year we updated our process descriptions and our risk control matrices. The focus here was standardizing the descriptions and establishing effective control mechanisms. These updating and testing processes were part of the PRIME project. PRIME makes a major contribution to making employees more aware of effective risk control in everyday working life.

Structural organization

- The material single-entity financial statements that are incorporated in the consolidated financial statements are prepared using standardized software.
- The single-entity financial statements are then consolidated to form the consolidated financial statements using standardized software that has been in use for several years.
- The financial statements of the main individual entities are prepared in compliance with both local financial reporting standards and the Group's accounting and reporting manual based on IFRS (International Financial Reporting Standards) which is available via the Group Intranet to all employees involved in the reporting process.
- The financial systems employed are protected with appropriate access authorizations and controls (authorization concepts).
- The entire Group has a standardized chart of accounts, which must be followed in recording the various classes of transactions.
- Certain matters relevant to reporting (e.g. expert opinions for forming pension reserves, measurement of the stock option plan, impairment testing of intangible assets) are determined with the assistance of external experts.
- The principal functions of the reporting process – accounting and taxes, controlling, and finance and treasury – are clearly separated. Areas of responsibility are assigned without ambiguity.
- The departments and other units involved in the reporting process are adequately provided with resources in terms of both quantity and quality. Regular professional training sessions are held to ensure that financial statements are prepared at a consistent and reliable level of quality.
- An appropriate system of guidelines (e.g. accounting and reporting manual, intercompany transfer pricing guideline, purchasing guideline, travel expense guideline, etc.) has been setup and are updated to the extent necessary.
- The efficacy of the internal controlling system in regard to processes relevant to financial reporting is reviewed on a sample basis by the Internal Audit unit which is independent of the process.

Process organization

- There is a user-friendly web-based tool for the process of planning, monitoring and optimizing the consolidated financial statements. It includes a detailed calendar containing all important activities, milestones and responsibilities. All activities and milestones have specific deadlines. Compliance with reporting requirements and deadlines is monitored centrally by Group Accounting.
- All reporting-related processes are subject to such controls as segregation of duties, the dual-control principle, procedures for approval and release and plausibility testing.
- There is a clear allocation of duties in preparing the consolidated financial statements (e.g. reconciliation of intra-Group balances, capital consolidation, monitoring reporting deadlines and reporting quality of the data reported by consolidated companies, etc.).
- All major information included in the consolidated financial statements is subjected to extensive technical validations within the system to ensure that the data are complete and reliable.
- Risks relating to the single-entity and consolidated reporting process are continuously detected and monitored as part of the risk management process described in the risk report.



Compliance Risks

As an internationally active media group, we must adhere to the requirements of diverse regulatory and media policy regulations. We are thus subject to numerous risks from legal disputes as well as state, institutional or anti-trust cases in which we are currently involved or which could arise in the future. Furthermore, in the context of legal disputes we could be confronted with third-party claims. For further information on specific legal disputes, refer to the Notes on the financial statements on page 157f.

It cannot be excluded that the results from legal disputes and cases could result in considerably damaging our business, our reputation or our brand. For risks resulting from legal disputes and cases we establish provisions if there is a present obligation arising from past events and it is probable that settlement will require an outflow of resources embodying economic benefits and the obligation can be measured reliably.

General compliance

The objective of compliance is securing smooth management at all times and in all respects. Possible violations of legal statutory regulations and reporting obligations, infringements against the German Corporate Governance Code or insufficient transparency in corporate management can jeopardize conformity to the rules. It is for this reason that the ProSiebenSat.1 Group has established a Code of Compliance which applies across the whole group, which provides employees specific rules of conduct for various professional situations. Another effective measure to prevent possible compliance infringement is staff training on specific topics such as anti-trust issues or the correct way to deal with insider information.

In order to prevent possible infringements, in 2010 ProSiebenSat.1 also implemented a Compliance Board constituted from legal experts, Internal Audit staff and the Compliance Officer. The task of the Compliance Board is to identify possible illegal actions and initiate appropriate counter-measures. Another function of the Compliance Board is to introduce safeguards against possible external threats such as acts of sabotage. For a television group with a high level of public awareness, the issue of company protection is extremely important. In 2010, the ProSiebenSat.1 Group took various additional measures in order to realize comprehensive security of operating equipment. To do this those responsible also rely on tips and help from employees.

Media law requirements and regulation

Broadcasting obligations. In addition to existing broadcasting obligations in Germany, in 2010 the State Media Agencies proposed that specific proposed broadcasters be obliged to broadcast news for a specific number of broadcasting minutes. In the context of the freedom of broadcasting guaranteed by the constitution, we consider that it will be virtually impossible to impose these requirements. The ProSiebenSat.1 Group participates actively in the political discussion.

An agreement secured by individual contracts safeguards the provision of news for our German full-service stations.

Regional windows in Germany. The Saarland Media Act requires state-wide regional programming windows to be incorporated at least into the two private nationwide television channels with the largest technical reach. These windows must be financed by the broadcasters of the nationwide channels. The financing that would have 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. There is a further risk that in German states that hitherto have had no requirements for programming windows, demands for similar arrangements might also follow.

ProSiebenSat.1 Media AG and SAT.1 have brought legal action against the obligation to broadcast a Saarland programming window, and have prevailed. We will also take all other legal measures to counteract an expansion of regional TV obligations. After the judgment, the Saarland State Media Agency articles were amended. However, the Saarland State Media Agency demand for a window has remained. There has not yet been a decision on the basis of the Interstate Broadcasting Treaty on the merits of whether a further German state can impose the requirement to establish a regional window.

Regulations. Intensified regulatory regulations such as advertising restrictions for specific products could adversely impact the revenues trend of ProSiebenSat.1 Group, particularly in its core television business. ProSiebenSat.1 actively monitors all relevant developments. We maintain constant contact with the relevant regulatory authorities to ensure our interests are given the best possible consideration.

Distribution

For the stations, lasting success in the advertising market is based on high audience reaches. Apart from programming appeal, this reach depends especially on the technical transmission of the TV stations over as many distribution channels as possible.

Transmission and cooperation agreements. The programs of the Group's German stations have high technical reaches. Additionally, the Group has signed long-term transmission and cooperation agreements with satellite operators, broadband operators, and, for distribution on mobile terminal equipment, telecommunications corporations. The switch from analog to digital broadcasting will further multiply the capacity available for carrying the Group's television programming and other services. Signing long-term distribution agreements has ensured that the reach of the Group's stations will still be assured as the transition from the analog to the digital age advances. For that reason, the ProSiebenSat.1 Group is confident that its stations will continue to be distributed nationwide in analog and digital format. Moreover, since February 2010, the stations SAT.1, ProSieben and kabel eins have been broadcasting in high definition (HD) via the new HD+ service of SES Astra, the satellite operator. In parallel, however, the stations are still broadcasting in standard resolution, thus preventing audience losses consequent upon the lack of HD-compatible consumer technology.

For its stations in Northern and Eastern Europe as well as in the Netherlands and Belgium, the ProSiebenSat.1 Group has secured the broadcasting of its television stations on the basis of long-term distribution agreements. This is all the more important as the stations there not only generate advertising revenues but also refinance themselves on the basis of distribution revenues.

Other legal risks

Alleged infringements against anti-trust laws. The offices of ProSiebenSat.1 Media AG were searched by the German Federal Cartel Office in May 2010. The search was based on the allegation that ProSiebenSat.1 Media AG and the RTL Group are colluding in setting up strategies, under which programs of the competing TV groups that could previously be received free of charge would be encrypted, bundled and only made accessible against payment of a fee in the future. At this stage the outcome of the investigation cannot be reliably predicted. As a consequence, no provision was recorded at the reporting date.

Rights of use in new media. The ProSiebenSat.1 Group is currently in negotiations with various copyright holders about the use of their rights on the Group's platforms, especially in new media (online). The negotiations primarily concern the rights of (online) use for music held by various rights licensing companies. The fragmentation of rights of use

is making it increasingly difficult to reach consensus with all involved, and is thus impeding a practical, quick solution to the matter. This situation could adversely affect the development of the new media business. However, we currently consider the probability of occurrence as low.

Compliance risk	
Key management measures	<ul style="list-style-type: none">• General compliance risks: Group compliance structures and targeted training of employees in issues of anti-trust law• Media policy and regulatory risks: Networking with interest groups and active participation in discussions on media policy• Distribution risks: Contractual security over many years• Other legal risks: Close cooperation with legal experts
Overall probability of occurrence: low to medium	We see different levels of impact for the potential financial consequences of individual legal and media policy changes as well as legal initiatives. Due to the great differences in compliance risks, we assess the overall potential impact as low to high. For the reasons given above, the same applies to the probability of occurrence. In particular fines imposed for anti-trust violations could have severe financial consequences for the ProSiebenSat.1 Group.
Potential impact (strength): low to high	

Outlook

General management statement
on expected company perfor-
mance

// The economy recovered considerably in 2010. This also benefited TV advertising markets. After the recessionary phase, it was particularly in the German market where TV posted strong growth as an advertising medium. In 2011, television advertising investments are set to rise further. At the same time, we will continue our successful diversification endeavors, and realise opportunities to tap additional revenue sources. Overall, for the 2011 financial year we anticipate higher revenues and an increase in profits. We also plan to reduce our net debt further. A positive cash flow development will contribute to this.

Opportunity Report

Opportunity management

Monitoring opportunities is part of the Group's internal management system as well as risk management. For this purpose, the ProSiebenSat.1 Group closely analyses market scenarios and developments in the international competitive environment, and also closely monitors the critical internal performance factors and cost drivers. Opportunities for the ProSiebenSat.1 Group derive primarily from the Group's strategy. The organization of ProSiebenSat.1 Media AG ensures clear, distinct decision-making structures, so that existing growth opportunities can be utilized to strategic advantage, and where necessary, appropriate countermeasures can be taken in due time.

Overview: Company opportunities

Opportunities from the development of general conditions	<ul style="list-style-type: none"> • Economic and industry trends • Trends in the behaviour of media usage • New technological developments/innovations • Legislative changes and media policy decisions
Opportunities in corporate strategy	<ul style="list-style-type: none"> • Expansion of our value-added chain • Launch of new products / accessing new markets
Performance opportunities	<ul style="list-style-type: none"> • Development and capitalization of audience share • Cost efficiency • Price policy

Opportunities from the development of general conditions

Germany is the most important revenue market. We continue to see the biggest revenue potential in the sale of TV advertising time in our most important sales market - Germany. Our budget planning is based on current market data from well-known research institutes. If there is an unexpectedly strong recovery of the economy over the next few months, we see additional revenue and earnings opportunities.

Digitalization offers growth opportunities. Digital evolution poses great challenges for traditional media companies. At the same time, for a content provider like the ProSiebenSat.1 Group, it offers substantial growth opportunities. This is because attractive and professional content is a crucial factor driving success when competing for audiences. As a television company, we are excellently positioned here.

For us the Internet is an important and additional distribution channel for marketing contents. Over the last few months, for example, MyVideo has established itself as an innovative video platform in the advertising market. The portal offers a mix of premium TV content, music videos and exclusive web TV productions and is to be expanded



Company Outlook, page 105.

further in 2011. Furthermore, we expect that the sale of Internet-enabled television sets will increase over the next few years, opening up further revenue opportunities for ProSiebenSat.1. One of the results of this so-called hybrid television is that the use of Internet video libraries will increase considerably. In recent years, ProSiebenSat.1 has developed maxdome as Germany's leading video-on-demand platform and at the beginning of 2011 acquired all outstanding shares in maxdome. Should hybrid television set penetration increase, ProSiebenSat.1 has established an adequate and attractive offer for users with maxdome at an early stage, putting it in a position to benefit from this technical innovation and new forms of media usage.

Opportunities in corporate strategy

Additional revenue potential with Red Arrow and new business concepts such as "media for revenue share". Opportunities in our core business in television derive particularly from the multiple use of content and from leveraging unused programming inventory. Hitherto the ProSiebenSat.1 Group concentrated on broadcasting TV content by way of a variety of platforms and extending our TV brands. But we assume that refinancing programming through distribution revenues and user fees will play an increasingly important role. The ProSiebenSat.1 Group is currently examining a number of different additional revenue models. In addition to further fee-based offerings, there is also the possibility of distributing content for a fee via mobile services or video on demand, for example by making certain shows available on the web prior to their regular broadcast.

In addition, our high-quality program portfolio offers an excellent basis for generating additional revenue sources by launching new TV stations. A good example of this is the station MAX, which started broadcasting in Norway at the end of 2010. In addition, we are able to extend our classic value chain with programs produced in house and by selling or sub-licensing shows that have already been aired. In 2010, we considerably reinforced our competencies in developing, producing and marketing programs. We bundled these areas in the Red Arrow Entertainment Group and expanded internationally.

We have also identified additional revenue potential in our classic Diversification business. Apart from utilizing our contents across various media platforms, we will also use our brands in a more focused way, at the same time investing in adjacent areas. However, one essential requirement will be that these new business ideas must relate to our core business and contribute toward profitable growth. In 2010, we reached an important milestone with the entry into live and artist management.

Performance opportunities

Appropriate capitalization of station performance is the basis for our growth. In addition to growth opportunities that result from our corporate strategy, we will take advantage of performance opportunities in our business operations. The recession in the advertising market in 2009 made competition more intense and increased pricing pressure. This trend eased in the reporting year. Particularly in Germany we were again able to better capitalize our rating successes. For that reason, our most important performance opportunity lies in increasing the audience share of our television stations and realizing prices for our high-quality and effective media performance. New revenue models such as "media for revenue share" offer new opportunities for growth. In this way we capitalize unsold advertising inventory, at the same time accessing new customer groups which have not previously advertised on television.

Future Economic Environment

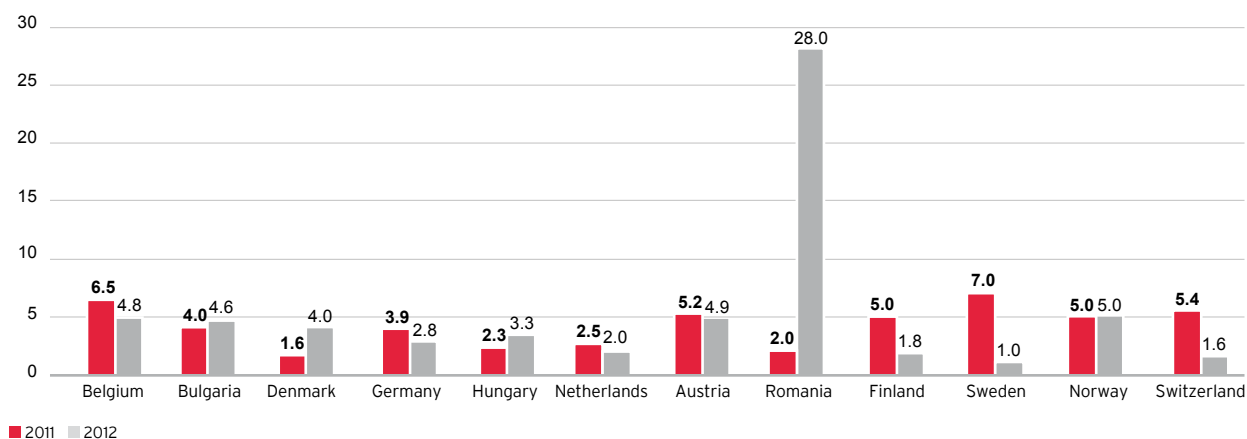
In 2011, it is anticipated that the global economy will continue expanding, even if momentum is likely to subside slightly in comparison to 2010. The International Monetary Fund is currently forecasting real growth of 4.4%, after 5.0% in 2010. For the Eurozone it is expected that the economic recovery will continue. After an increase of 1.7% in 2010, the European Commission is forecasting a growth of 1.5% for 2011. On the other hand, debt levels of some European countries represent a certain risk. The budget deficits in Hungary, Spain or Greece could impact economic development negatively. Attention should also be paid to rising inflation.

Then again, prospects for the German economy remain promising. By the end of 2010, the economic upturn which had initially been carried by exports had increasingly impacted domestic demand. For 2011 it is anticipated that important general conditions such as employment and the wage trends will continue to improve. For reason, the prospects are good of the economic expansion being driven largely by domestic demand. Business and consumer sentiment indicators are confirming the positive trend. The Ifo Business Climate Index has been increasing since the beginning of 2009. Recently it set new records. Spending propensity among consumers is on the upswing (GfK). Economic experts thus expect that the German economy will continue to expand in 2011. The current forecasts for the full year are for approximately 2.5% real growth (i.e. ifo: +2.4%, ifw: +2.3%)

The development of advertising markets is closely related with the current general economic situation and expectations about the future. In 2010 strong German economic growth (up 3.6%) went hand in hand with a growth surge for TV advertising investment (Zenith forecast: up 6.9% net). It is expected that the positive economic trend will continue in 2011. However, it is unlikely that the strong recovery trend from 2010, the year after the crisis, will continue at the same high level. This also applies to the advertising market. As a result of positive expectations for the economy, the Zenith agency group has corrected its forecasts upwards for the German television advertising market and now expects net growth of 3.9% for 2011 and 2.8% for 2012. It is not likely that the growth level of 2010 will be achieved. Internationally, the forecasts for the TV advertising markets in which the ProSiebenSat.1 Group operates are also predominantly positive. The forecasts are summarized in the graph on the following page:

Anticipated development of the TV advertising markets in countries important for the ProSiebenSat.1 Group

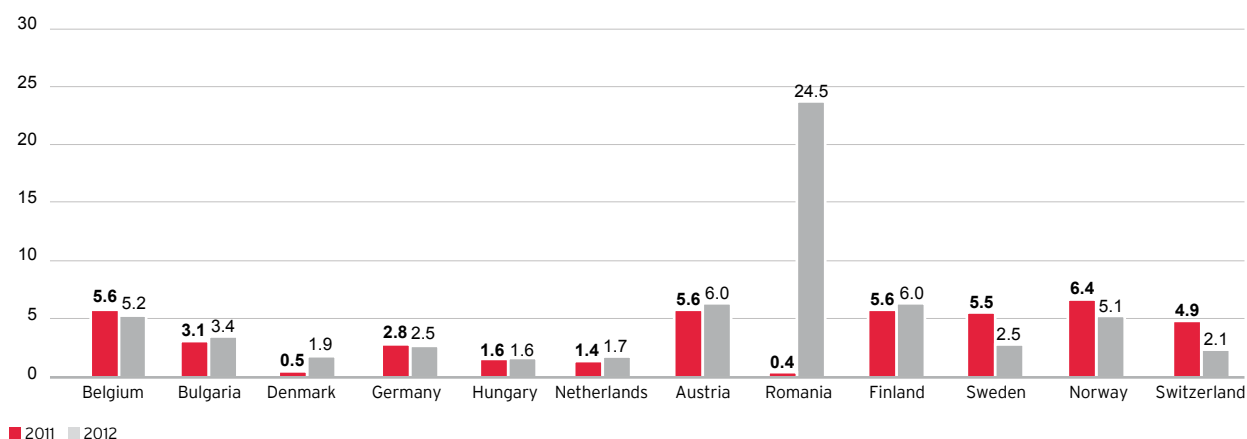
in percent, change vs. prior year in percent



Source: ZenithOptimedia (12/2010), figures extensively harmonized on a net basis, but methodological differences between different countries and sources.

Anticipated development in the overall advertising market in countries important for the ProSiebenSat.1 Group

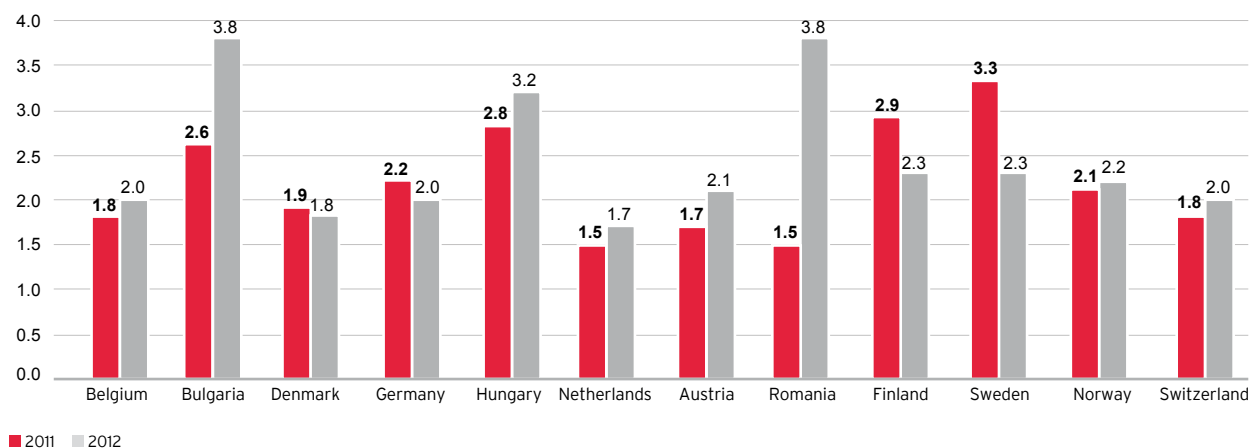
in percent, change vs. prior year in percent



Source: ZenithOptimedia (12/2010), figures extensively harmonized on a net basis, but methodological differences between different countries and sources.

Forecasts for GDP in countries important for the ProSiebenSat.1 Group

in percent, change vs. prior year in percent



Source: Eurostat (as of February 22, 2011).

Company Outlook

Basic assumptions for our expectations for the 2011 and 2012 forecast

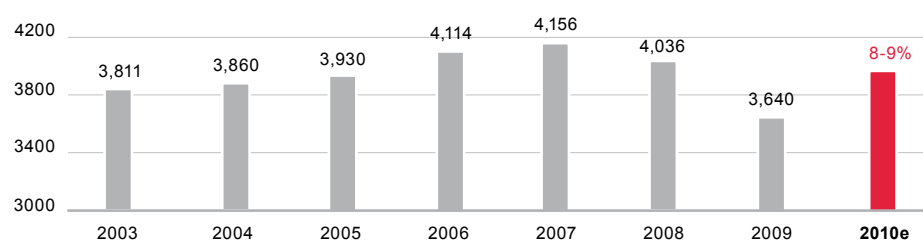
In December 2010, the ProSiebenSat.1 Group announced the initiation of a strategic review of its international assets in Northern Europe as well as the Netherlands and Belgium. The result of the process is open. Our forecast relates to activities of existing businesses with no changes in the scope of consolidation being included in the planning.

Future business success of the ProSiebenSat.1 Group not only depends on the performance of our stations in our respective audience markets, but to a large degree on the development of the economy in the core market Germany. Despite the tangible recovery in large parts of Europe, exact forecasts for advertising markets which are so sensitive to developments in the general economy always carry a degree of uncertainty due to the many influencing factors. In addition to the economic development, political and legal developments, structural changes in the market and the different industry trends can impact the advertising industry in a positive or negative way. An additional factor limiting planning reliability is the seasonal nature of the advertising industry. For example, the ProSiebenSat.1 Group generates a significant share of its revenues in the fourth quarter with a total of about 30% of revenue contribution.

After an estimated net growth of 8% to 9% during 2010 for television advertising investments in Germany - our most important revenue market - we expect a further upturn in 2011 on the basis of the current positive economic environment. However, the increase in net television advertising investments can not be securely quantified. The main reason here is the high importance of the fourth quarter typical for the industry. Our planning assumptions for 2011 are based on net growth of the German television advertising market in a low single-digit percentage range compared to 2010. In terms of the trend for individual media, we anticipate that the share of television in the overall advertising market will remain stable.

Net TV advertising market

EUR m



Source: 2003-2009 ZAW, 2010e: own estimates.

On the current data basis, the ProSiebenSat.1 Group also anticipates an overall good general economic environment for its European core markets. Only in the Eastern European markets the ongoing recessive market environment is likely to result in declining investments in television advertising.

Other key assumptions for our 2012 budgets are that the upturn will continue in Germany, Austria and Switzerland as well as in Northern European and our Benelux markets, positively impacting investment propensity of advertising customers. Currently there are no indications of an economic turnaround in our Eastern European markets even for 2012.

Anticipated Group revenue and earnings performance. In view of these expectations for the general economy, the Group anticipates a positive business trend in 2011. In the first quarter of 2011, it is likely that the television advertising business in Germany will be impacted by the late date for Easter. Overall, for 2011 ProSiebenSat.1 expects a further upturn in Group revenues in the mid single-digit percentage area. All segments will make a contribution here. According to the current state of knowledge, recurring EBITDA growth will exceed Group revenues in percentage terms. However, due to the importance of the fourth quarter for the advertising industry, it is not possible to be more precise regarding the revenues and earnings expectations at this stage.

Key objectives for achieving our financial targets remains leveraging additional growth potential in the Diversification segment and ongoing cost discipline. In the last year, we continued to pursue various efficiency enhancement measures. This included the disposal of the news operations with the sale of N24 and MAZ & More in June 2010. This transaction is set to drive considerable efficiency gains from 2011. With the ongoing optimization of existing processes, it is planned to advance the development of a “best-practice organization”. In respect to the most important cost factor of a television group, programming assets, it is our objective that expenses move up moderately, at least below the rate of revenues growth. Overall, due to investments in new growth areas - such as the further development of the content production area, the video-on-demand portal maxdome and new television stations - recurring costs are likely to rise slightly. Currently we are anticipating that recurring costs will increase in the low single-digit percentage range. Revenues are likely to rise more than costs.

Forecast for key corporate ratios: 2 year view (vs. previous year)

EUR m	2010	Expectations 2011	Expectations 2012
Revenue	3,000.0	➔	➔
Recurring costs	2,105.2	➔	➔
Recurring EBITDA	905.9	➔	➔
Underlying net income	357.2	➔	➔
Net debt (12/31/)	3,021.0	➔	➔
➔ Significant increase ➔ Increase ➔ Decrease			

Free TV. On stable to slightly improved pricing, for the Free TV German-speaking segment we anticipate a further increase in profits and revenues in the forecast period until 2012.

In the international TV business the situation is mixed. While advertising revenues are increasing in Scandinavia and in our other Western European markets and are expected to exceed revenue growth on our core German market, a negative pricing trend and the recessive economic situation continuing in Eastern Europe could result in bookings declining in 2011. Due to the positive business trend in Northern Europe over the last few months, in our international TV segment we anticipate further significant growth in revenues and profits in 2011 against 2010. This trend is likely to continue in 2012.

Diversification. The economic crisis has shown that in difficult economic times, the advertising industry relies more and more on established media, and that TV is the No. 1 medium. For that reason, the activities of the ProSiebenSat.1 Group will continue to focus clearly on the core business in Free TV. At the same time, we must also respond to the changes in our market environment. It is important for our future competitive strength to reduce our dependency on the TV advertising market and to expand our value chain. For that reason, we will push ahead the diversification of our business activities even more vigorously and invest in ideas with which we can generate additional revenues beyond our traditional core business. On the basis of the successive extension of our value chain into related business areas such as online, video-on-demand or the sale of advertising time according to the “media for revenue share” model, we anticipate a further increase of the business volume and a corresponding positive contribution to revenues. For 2011 and 2012, we anticipate considerable revenue growth and recurring EBITDA to be at least stable.

Anticipated segment development: 2-year view (vs. prior year)

	2010	2010	Expectations 2011	Expectations 2011	Expectations 2012	Expectations 2012
	Revenue	Recurring EBITDA	Revenue	Recurring EBITDA	Revenue	Recurring EBITDA
EUR m						
Free TV German-speaking	1,862.6	631.3	➔	➔	➔	➔
Free TV International	764.2	183.2	➔	➔	➔	➔
Diversification	373.2	91.5	➔	➔	➔	➔

➔ Significant increase ➔ Increase ➔ Stable development

Future financial position and performance

In 2010, we reduced our net financial debt from EUR 3.295 billion to EUR 3.021 billion and reduced our leverage from 4.7 times to 3.3 times recurring EBITDA. As a result, the ProSiebenSat.1 Group already reached the lower end of the target leverage range (a factor of 3 to 4 times of net financial debt to recurring EBITDA). Leverage in comparison to the previous-year figure was positively impacted not only by the decline in net financial debt, but also by high earnings growth.

As of the end of the reporting period, the ProSiebenSat.1 Group recorded a high level of cash and cash equivalents. From the current perspective, there is sufficient liquidity and financing leeway for the 2011 and 2012 projection period, especially as a further improvement in earnings is likely to have a positive impact on the Group's liquidity and thus its future net financial debt.

The Group's financing is secured on a long-term basis. Nevertheless, we are monitoring the financial markets intensively and regularly analyze various options for refinancing or extending the maturities of our loans and borrowings. Proceeds from disinvestments would also contribute to a further reduction of net financial debt and leverage. In this context, an improvement of the financial result is likely.



Maturities of the syndicated facilities agreement, page 67.

Planned investments

In the future, the largest part of our investments will continue to go into programming assets and thus to the Free TV German-speaking and Free TV International segments. There will be no major change in the investment volume in the 2011 and 2012 projection period in comparison to the 2010 financial year. In 2010, the ProSiebenSat.1 Group invested approximately EUR 1.2 billion in programming assets. For the future we also plan to finance our investments from operating cash flow and cash equivalents.

Dividend policy

Generally the basis for the dividend proposal made by the Executive Board and Supervisory Board is a dividend payout up to 80% to 90% of underlying net income of the ProSiebenSat.1 Group. However, the dividend proposal is determined separately every year, taking into account not only the results achieved, but also capital requirements within the ProSiebenSat.1 Group and the ongoing business outlook.

After having distributed only the minimum dividend to preference shareholders in the last two years, we want to resume our earnings-driven distribution policy – also in view of our positive outlook for the current financial year. The Executive Board will propose to the Supervisory Board a proposal for an allocation of profits to the Annual General Meeting which provides for a dividend for 2010 of EUR 1.14 per preference share and EUR 1.12 per common share (previous year: EUR 0.02 and EUR 0.00). Taking into account preference shares currently held as treasury stock, this represents a total payout of EUR 240.8 million (previous year: EUR 2.1 million) and a payout ratio of 67.4% in relation to underlying net income (previous year: 1.1%).

Employee policy

Building up high-quality employees remains the focus of Human Resources management. By investing in qualifying the workforce, we strengthen the motivation of our employees, thus creating an important competitive advantage. As managers are multipliers for staff, we will extend the Performance Development program in 2011 and integrate all management levels. In addition to a clear management culture, common values guiding our employees are important elements of a culture of top performance. With our corporate mission, we have given our business model a clear alignment. With passion, professionalism and business acumen we take up opportunities and turn the future of audiovisual media into an even more intensive experience. Our common goal is: >> FASCINATING PEOPLE.

Note on forward-looking statements on future earnings, financial position and performance

Our forecast is based on current assessments of future developments. Examples of risks and uncertainties which can negatively impact this forecast are a slowing of the economic recovery, a decline in advertising investments, increasing costs for program procurement, changes in exchange rates or interest rates, negative rating trends or even a sustained change in media use, changes in legislation, regulatory regulations or media policy guidelines. Further uncertain factors are described in the Risk Report from page 89 onwards. If one or even more of these imponderables occurs or if the assumptions on which the forward-looking statements are made do not occur, then actual events can deviate materially from the statements made or implicitly expressed.

// PROGRAMMING OUTLOOK FOR 2011

ProSiebenSat.1 Group continues to epitomize fascinating television with Hollywood stars and local favorites in 2011.

SKILLS ON THE AGENDA.

"The Perfect Minute" and "My man can" were big SAT.1 shows in 2010. This year, there will be another round for the two programs. The "My man can" program was produced for the German market by the Red Arrow subsidiary, RedSevenEntertainment and is now running successfully on TV in over 39 countries.



A MACHO IS BACK.

"Der letzte Bulle" was in a coma for twenty years. Now he is faced with a completely alien world. SAT.1 will broadcast the second season of the successful series in 2011. "Danni Lowinski" is also returning to the screen this year.

MILLIONAIRE OR LOSER.

One wrong answer and the million prize disappears down a chute. In the Hungarian game show "A 40 millió játék" it is necessary to keep calm. Up to 37.4% of viewers followed the show on TV2 in 2010. The second series starts this year.



THREE ANGELS FOR SWEDEN'S VIEWERS.

Together with two craftsmen, host Sofia Wistman helps families out of a crisis. In "Sofias Änglar" (Kanal 5) the team gets fully involved not only in building houses and interior design, but also offers help in getting on with life.

BRILLIANCE, GLAMOUR, INTRIGUES.

With new series such as the remake of the US "Melrose Place" or new episodes of classics such as "Gossip Girl" and "Vampire Diaries", women get what they are looking for at sixx.





5,000

// CREATIVITY

Good ideas are our core business. Because a fascinating TV moment is generally preceded by a fascinating idea. At the ProSiebenSat.1 Group, about 5,000 employees in 14 countries shape the future of audiovisual media. We develop new business ideas and programs with passion and entrepreneurial spirit. And make television for our audience a fascinating experience every day.

// CONSOLIDATED FINANCIAL STATEMENTS



// CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of ProSiebenSat.1 were prepared in accordance with International Financial Reporting Standards (IFRS). They also take account of all additional requirements under the German Commercial Code (HGB).

The single-entity financial statements of ProSiebenSat.1 Media AG have been prepared in accordance with the German Commercial Code and have been published separately from the Consolidated Financial Statements at www.prosiebensat1.com.

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115 Cash flow Statement

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Income Statement

Income Statement of ProSiebenSat.1 Group

EUR m		2010	2009 ¹⁾	Change	Change in %
1.	Revenue	[8] 3,000.0	2,760.8	239.2	9%
2.	Cost of sales	[9] -1,608.0	-1,605.2	2.8	0%
3.	Gross profit	1,392.0	1,155.6	236.4	20%
4.	Selling expenses	[10] -391.0	-395.9	-4.9	-1%
5.	Administrative expenses	[11] -342.7	-309.6	33.1	11%
6.	Other operating income	[12] 11.2	25.4	-14.2	-56%
7.	Operating profit	669.5	475.5	194.0	41%
8.	Income from investments accounted for using the equity method	-11.3	-4.7	-6.6	-140%
9.	Interest and similar income	5.1	6.5	-1.4	-22%
10.	Interest and similar expenses	-224.7	-237.1	-12.4	-5%
11.	Interest result	[13] -219.6	-230.6	11.0	5%
12.	Other financial result	[14] -9.6	-7.1	-2.5	-35%
13.	Financial result	-240.5	-242.4	1.9	1%
14.	Profit before income taxes	429.0	233.1	195.9	84%
15.	Income taxes	[15] -110.7	-80.8	-29.9	-37%
16.	Profit for the period	318.3	152.3	166.0	109%
	attributable to				
	Shareholders of ProSiebenSat.1 Media AG	312.7	146.6	166.1	113%
	Non-controlling interests	5.6	5.7	-0.1	-2%
EUR					
	Basic earnings per share of common stock	[16] 1.46	0.67	0.79	118%
	Basic earnings per share of preferred stock	[16] 1.48	0.69	0.79	114%
	Diluted earnings per share of common stock	[16] 1.46	0.67	0.79	118%
	Diluted earnings per share of preferred stock	[16] 1.45	0.69	0.76	110%

¹⁾ Values of previous period adjusted. For details see Note 6 „Accounting policies“.

Statement of Comprehensive Income

Statement of Comprehensive Income of ProSiebenSat.1 Group

EUR m		2010	2009 ¹⁾	Change	Change in %
	Profit for the period	318.3	152.3	166.0	109%
	Change in foreign currency translation adjustment ²⁾	72.4	22.6	49.8	220%
	Changes in fair value of cash flow hedges	42.9	-62.6	105.5	- / -
	Deferred tax on other comprehensive income	-11.8	16.4	-28.2	- / -
	Other comprehensive income for the period	103.5	-23.6	127.1	- / -
	Total comprehensive income for the period	421.8	128.7	293.1	228%
	attributable to				
	Shareholders of ProSiebenSat.1 Media AG	416.0	124.9	291.1	233%
	Non-controlling interests	5.8	3.8	2.0	53%

¹⁾ Values of previous period adjusted. For details see Note 6 „Accounting policies“. ²⁾ Includes non-controlling interests from change in foreign currency translation adjustment in 2010 of 0.2 EUR m (2009: -1.9 EUR m).

Statement of Financial Position

Statement of Financial Position of ProSiebenSat.1 Group

EUR m		12/31/2010	12/31/2009 ¹⁾	01/01/2009 ¹⁾
A.	Non-current assets			
I.	Intangible assets	[18] 3,037.1	3,015.1	3,004.0
II.	Property, plant and equipment	[19] 232.2	256.6	248.9
III.	Investments accounted for using the equity method	[20] 1.1	2.1	6.9
IV.	Non-current financial assets	[20] 63.0	61.0	58.3
V.	Programming assets	[21] 1,497.7	1,276.4	1,149.2
VI.	Trade receivables	[23] - / -	1.0	1.2
VII.	Non-current tax assets	2.2	- / -	- / -
VIII.	Other receivables and non-current assets	[23] 3.5	5.0	6.4
IX.	Deferred tax assets	[15] 87.1	90.1	91.5
		4,923.9	4,707.3	4,566.4
B.	Current assets			
I.	Programming assets	[21] 156.9	250.1	230.8
II.	Inventories	[22] 0.5	2.3	5.5
III.	Current financial assets	0.2	0.1	0.2
IV.	Trade receivables	[23] 321.0	310.9	292.8
V.	Current tax assets	32.0	45.2	59.9
VI.	Other receivables and current assets	[23] 141.1	121.4	141.4
VII.	Cash and cash equivalents	[24] 740.7	737.4	632.9
		1,392.4	1,467.4	1,363.5
	Total assets	6,316.3	6,174.7	5,929.9

¹⁾ Values of previous period adjusted. For details see Note 6 „Accounting policies“.

EUR m		12/31/2010	12/31/2009 ¹⁾	01/01/2009 ¹⁾
A.	Equity	[25]		
I.	Subscribed capital	218.8	218.8	218.8
II.	Capital reserves	577.6	578.7	574.9
III.	Retained earnings	386.2	75.5	-56.4
IV.	Treasury shares	-25.4	-30.5	-15.1
V.	Accumulated other comprehensive income	-139.9	-243.2	-234.1
	Total equity attributable to shareholders of ProSiebenSat.1 Media AG	1,017.3	599.3	488.1
VI.	Non-controlling interests	8.6	7.7	18.6
		1,025.9	607.0	506.7
B.	Non-current liabilities			
I.	Non-current loans and borrowings	[28] 3,531.3	3,534.9	3,523.1
II.	Other non-current financial liabilities	[28] 348.5	379.8	300.8
III.	Trade payables	[28] 41.8	49.2	3.2
IV.	Other non-current liabilities	[29] 1.7	1.8	25.2
V.	Provisions for pensions	[26] 9.1	8.0	7.0
VI.	Other non-current provisions	[27] 16.2	12.3	1.2
VII.	Deferred tax liabilities	[15] 163.7	167.1	196.7
		4,112.3	4,153.1	4,057.2
C.	Current liabilities			
I.	Current loans and borrowings	[28] 230.6	497.2	516.7
II.	Other current financial liabilities	[28] 39.4	44.5	45.0
III.	Trade payables	[28] 485.0	432.1	387.0
IV.	Other current liabilities	[29] 275.8	265.6	239.0
V.	Provisions for taxes	73.0	93.9	79.5
VI.	Other current provisions	[27] 74.3	81.3	98.8
		1,178.1	1,414.6	1,366.0
	Total equity and liabilities	6,316.3	6,174.7	5,929.9

¹⁾ Values of previous period adjusted. For details see Note 6 „Accounting policies“.

Cash flow Statement

Cash flow Statement of ProSiebenSat. 1 Group¹⁾

EUR m	2010	2009 ²⁾
Profit for the period	318.3	152.3
Income taxes	110.7	80.8
Financial result	240.5	242.4
Depreciation/amortization and impairment of intangible and tangible assets	138.1	147.5
Consumption/reversal of impairment of programming assets	1,062.5	1,037.8
Change in provisions for pensions and other provisions	24.2	27.9
Gain/loss on the sale of assets	37.4	-12.0
Other non-cash income/expenses	-9.6	6.2
Cash flow	1,922.1	1,682.9
Change in working capital	42.8	92.8
Dividends received	2.4	2.7
Income tax paid	-133.6	-67.6
Interest paid	-230.2	-238.2
Interest received	3.8	4.9
Cash flow from operating activities	1,607.3	1,477.5
Proceeds from disposal of non-current assets	1.8	20.2
Payments for the acquisition of intangible and tangible assets	-74.3	-97.4
Payments for the acquisition of financial assets	-1.4	-2.1
Proceeds from disposal of programming assets	34.8	13.4
Payments for the acquisition of programming assets	-1,233.5	-1,227.2
Payments for loans to associated companies	-3.4	-7.5
Cash flows from obtaining control of subsidiaries or other business	-11.8	-18.8
Cash flows from losing control of subsidiaries or other business	-37.3	5.5
Cash flow from investing activities	-1,325.1	-1,313.9
Free cash flow	282.2	163.6
Dividends paid	-2.1	-2.1
Repayment of interest-bearing liabilities	-278.6	-30.5
Proceeds from issuance of interest-bearing liabilities	0.6	- / -
Repayment of finance lease liabilities	-9.8	-8.3
Repurchase of treasury shares	- / -	-15.4
Proceeds from the exercise of stock options	5.1	- / -
Dividend payments to non-controlling interests	-5.6	-6.3
Cash flow from financing activities	-290.4	-62.6
Effect of foreign exchange rate changes on cash and cash equivalents	11.5	3.5
Change in cash and cash equivalents	3.3	104.5
Cash and cash equivalents at beginning of reporting period	737.4	632.9
Cash and cash equivalents at end of reporting period	740.7	737.4

¹⁾ Please find the notes to the cash flow statement under Note 30 „Cash flow statement“. ²⁾ Values of previous period adjusted. For details see Note 6 „Accounting policies“.

Statement of Changes in Equity

Statement of Changes in Equity of ProSiebenSat.1 Group for 2009

EUR m	Subscribed capital	Capital reserves	Retained earnings	Treasury shares	Accumulated other comprehensive income			Total equity attributable to shareholders of ProSiebenSat.1 Media AG	Non-controlling interests	Total equity
					Foreign currency translation adjustment	Fair value changes of cash flow hedges	Deferred taxes			
January 1, 2009 reported	218.8	547.1	-56.4	-15.1	-96.6	-185.2	47.7	460.3	18.6	478.9
Changes according to IAS 8	- / -	27.8	- / -	- / -	- / -	- / -	- / -	27.8	- / -	27.8
January 1, 2009 adjusted	218.8	574.9	-56.4	-15.1	-96.6	-185.2	47.7	488.1	18.6	506.7
Profit for the period	- / -	- / -	146.6	- / -	- / -	- / -	- / -	146.6	5.7	152.3
Other comprehensive income	- / -	- / -	- / -	- / -	24.5	-62.6	16.4	-21.7	-1.9	-23.6
Total comprehensive income	- / -	- / -	146.6	- / -	24.5	-62.6	16.4	124.9	3.8	128.7
Dividends paid	- / -	- / -	-2.1	- / -	- / -	- / -	- / -	-2.1	-6.3	-8.4
Stock option plan	- / -	3.8	- / -	- / -	- / -	- / -	- / -	3.8	- / -	3.8
Repurchase of treasury stock	- / -	- / -	- / -	-15.4	- / -	- / -	- / -	-15.4	- / -	-15.4
Other changes	- / -	- / -	-12.6	- / -	0.7	11.9	- / -	- / -	-8.4	-8.4
December 31, 2009	218.8	578.7	75.5	-30.5	-71.4	-235.9	64.1	599.3	7.7	607.0

Statement of Changes in Equity of ProSiebenSat.1 Group for 2010

EUR m	Subscribed capital	Capital reserves	Retained earnings	Treasury shares	Accumulated other comprehensive income			Total equity attributable to shareholders of ProSiebenSat.1 Media AG	Non-controlling interests	Total equity
					Foreign currency translation adjustment	Fair value changes of cash flow hedges	Deferred taxes			
December 31, 2009	218.8	578.7	75.5	-30.5	-71.4	-235.9	64.1	599.3	7.7	607.0
Profit for the period	- / -	- / -	312.7	- / -	- / -	- / -	- / -	312.7	5.6	318.3
Other comprehensive income	- / -	- / -	- / -	- / -	72.2	42.9	-11.8	103.3	0.2	103.5
Total comprehensive income	- / -	- / -	312.7	- / -	72.2	42.9	-11.8	416.0	5.8	421.8
Dividends paid	- / -	- / -	-2.1	- / -	- / -	- / -	- / -	-2.1	-5.6	-7.7
Stock option plan	- / -	-1.1	- / -	- / -	- / -	- / -	- / -	-1.1	- / -	-1.1
Other changes	- / -	- / -	0.1	5.1	- / -	- / -	- / -	5.2	0.7	5.9
December 31, 2010	218.8	577.6	386.2	-25.4	0.8	-193.0	52.3	1,017.3	8.6	1,025.9

Notes

Basis of Preparation

1 General information

ProSiebenSat.1 Media AG, the ultimate parent company of the Group, is registered under the name ProSiebenSat.1 Media AG with the Munich District Court, Germany (HRB 124 169). The Company's registered office and principal place of business is Unterföhring. Its address is ProSiebenSat.1 Media AG, Medienallee 7, 85774 Unterföhring, Germany.

The ProSiebenSat.1 Group is one of Europe's leading media companies. Beyond its core business of television, the portfolio of the Group includes numerous Internet brands, stakes in radio stations, print and new media companies, as well as activities in music business, live event and artist management.

The consolidated financial statements of ProSiebenSat.1 Media AG and its subsidiaries (the "ProSiebenSat.1 Group," the "Group") for the financial year ending December 31, 2010, were prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), as adopted by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards. The term IFRSs also includes the International Accounting Standards (IASs) that are still in effect. All binding interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were mandatory for financial year 2010 were also applied. The additional requirements of Section 315a of the German Commercial Code (HGB) were also followed.

The consolidated statement of income is presented using the cost of sales method. The consolidated statement of financial position follows the organizational requirements of IAS 1. The presentation in the statement of financial position distinguishes between current and non-current assets and liabilities. Assets and liabilities are classified as current when they are expected to be settled within one year.

To provide a clearer and more meaningful picture, certain items have been combined in the consolidated statement of financial position and consolidated income statement, while specific explanations by item are provided in the Notes.

ProSiebenSat.1 Media AG prepares and publishes its consolidated financial statements in euro.



www.prosiebensat1.com

In March 2011, the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG jointly issued the annual Declaration of Compliance with the German Corporate Governance Code, as required under Section 161 of the German Stock Corporation Act (AktG), and made it permanently available to the shareholders of ProSiebenSat.1 Media AG on the Group's website (www.prosiebensat1.com).

The consolidated financial statements of ProSiebenSat.1 Media AG for financial year 2010 were approved for submission to the Supervisory Board by decision of the Executive Board on March 21, 2011.

2 Scope of consolidation

The consolidated financial statements of ProSiebenSat.1 Media AG include all material subsidiaries. Subsidiaries are defined as entities in which ProSiebenSat.1 Media AG directly or indirectly holds a majority of voting rights or whose activities it can otherwise control. These entities are included in the consolidated financial statements as of the date on

which the Group obtains the control. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity.

If applicable, the annual financial statements of the subsidiaries are aligned to the accounting policies of the Group.

Four (previous year: 7) subsidiaries with suspended or only minor business activities which are only of subordinate importance for presenting a fair picture of the financial position and performance as well as the cash flow of the ProSiebenSat.1 Group are not included in the scope of consolidation. As no active market exists for these companies and their fair values cannot be reliably measured without incurring unreasonable expense, they are recognized in the consolidated financial statements at the lower of cost or present value. The total amount of equity and the total profit after taxes of these companies are less than 1% of the consolidated equity and less than 1% of the consolidated profit of the ProSiebenSat.1 Group.

The number of subsidiaries included in the consolidated financial statements changed as follows in the financial year 2010:

	Germany	Other countries	Total
Included at December 31, 2009	55	101	156
Additions	3	10	13
Disposals	-4	-2	-6
Included at December 31, 2010	54	109	163

In addition to the fully consolidated entities, seven (previous year: 10) associates and eight (previous year: 7) joint ventures were consolidated using the equity method. Associates are companies over which ProSiebenSat.1 Media AG has a significant influence, but which are neither subsidiaries nor joint ventures. Joint ventures are companies that are jointly controlled together with other entities.

The list of shareholdings in major Group companies required under Section 313 (2) of the German Commercial Code and which is part of the Notes, is provided on pages 181 through 185. In addition, the list of shareholdings also contains a list of all subsidiaries which meet the requirements of Section 264 (3) of the German Commercial Code, and are exercising their option to be exempted from certain requirements concerning the preparation, auditing and disclosure of the annual financial statements and the management report.

3 Acquisitions and disposals

a) Acquisitions

Key acquisitions in financial year 2010

Sultan Sushi CVBA

On March 4, 2010, the ProSiebenSat.1 Group acquired 51% of the Belgian production company Sultan Sushi CVBA through Red Arrow Entertainment Group GmbH for a purchase price in cash of EUR 1.0 million. The acquisition of Sultan Sushi CVBA and the resulting purchase price allocation had no material effect on the financial position and performance of the ProSiebenSat.1 Group.

Kinetic Content LLC

On August 20, 2010 the ProSiebenSat.1 Group acquired 51% of the US production company Kinetic Content LLC, Santa Monica L.A. through its subsidiaries Red Arrow Entertainment

Group and the newly founded SevenOne International Inc. for a purchase price of USD 5.0 million. The purchase agreement includes a put option with the minority shareholder which is exercisable from 2014 to 2016. The fair value of the put option of USD 11.6 million was recognized as financial liability as ProSiebenSat.1 Group has an unconditional obligation to meet the terms of the put option. Because of this assumed present ownership, non-controlling interests have not been recognized in the Group's financial statements.

The two acquisitions were allocated to the Free TV German-speaking segment and support the international growth process of the ProSiebenSat.1 Group in the area of developing and producing cross-genre and cross-platform program contents.

In addition, in 2010 the remaining 74.9% in Autoplenum GmbH, Munich, a company previously consolidated under the equity method as investment in associates, was acquired for a purchase price in cash of EUR 1.4 million. The company was allocated to the Diversification segment.

The acquired companies' impact on the contribution to total revenues and earnings of the ProSiebenSat.1 Group in the Group's financial statements can be considered minor both for the period of the initial consolidation and for the whole of 2010.

As of the acquisition date, the assets and liabilities of the ProSiebenSat.1 Group reflect the acquired companies at the following total values:

EUR m	Carrying amount at acquisition	Step up	Fair value at acquisition
Goodwill	- / -	12.5	12.5
Other intangible assets	0.0	- / -	0.0
Other non-current assets	0.2	0.1	0.3
Current assets	4.9	- / -	4.9
Provisions and liabilities, including deferred taxes	-1.0	- / -	-1.0
Minority interests	- / -	-1.0	-1.0
Purchase price per IFRS 3			15.7

Key acquisitions in financial year 2009

SBS Radio HNV AB

Effective January 20, 2009, SBS Radio AB acquired 100% of the radio business of the Stampen Group in Sweden. The Stampen Group contributed its ownership interest to the holding company SBS Radio HNV AB (formerly Produktionsaktiebolaget Göteborg Ett), in return for a 20% interest in SBS Radio AB (which until then was a wholly owned subsidiary of the ProSiebenSat.1 Group). As part of the transaction, SBS Radio AB issued new shares and no additional cash purchase price was paid. The purchase agreement includes put and call options for the 20% minority interest held by Stampen Group companies. The call option may be exercised from 2009 on, and the put option as of 2012. The fair value of the put option is recognized as a financial liability, since the ProSiebenSat.1 Group has an unconditional obligation to meet the terms of the put option. Because of this assumed present ownership, non-controlling interests have not been recognized in the Group's financial statements. During financial year 2010, SBS Radio AB made a prepayment of EUR 1.5 million (previous year: EUR 1.5 million) for the put option liability.

SBS Radio HNV AB and its subsidiaries have been fully consolidated in the financial statements of the ProSiebenSat.1 Group since January 20, 2009, and are included in the Diversification segment. SBS Radio HNV AB operates 9 radio stations, and strengthens the ProSiebenSat.1 Group's position in the Swedish radio market.

As of the acquisition date, the assets and liabilities of the ProSiebenSat.1 Group reflect the acquired companies at the following total values:

EUR m	Carrying amount at acquisition	Step up	Fair value at acquisition
Goodwill	- / -	17.0	17.0
Other intangible assets	0.1	3.5	3.6
Other non-current assets	0.1	- / -	0.1
Current assets	0.5	- / -	0.5
Provisions and liabilities, including deferred taxes	-0.6	-0.9	-1.5
Purchase price per IFRS 3			19.7

b) Disposals

Key disposals in financial year 2010

By purchase agreement of June 16, 2010, ProSiebenSat.1 Media AG sold its subsidiaries N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH, Berlin and MAZ & More TV-Produktion GmbH, Berlin to the newly formed company N24 Media GmbH, Berlin. In connection with the disposal process, non-recurring expenses and impairments of EUR 54.9 million were incurred in 2010. These are recognized in the line item of administrative expenses. Of that amount, EUR 41.3 million resulted from the assumption of costs for restructuring measures for the sold companies and EUR 13.6 million resulted from impairments of non-current assets and other charges. Most of the cash effects of these non-recurring expenses will be effective up to the middle of 2011. As of December 31, 2010 there were cash outflows of EUR 37.1 million. As of December 31, 2010, the provisions recognized in connection with the disposal totaled to EUR 14.2 million.

The companies were deconsolidated as of June 30, 2010. The purchase price amounted to the EUR 25,000 share capital of the sold company N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH. As a result of the deconsolidation, cash and cash equivalents of the sold companies amounting to EUR 12.0 million were removed from the consolidated statement of financial position. The other assets and liabilities that were deconsolidated in connection with this disposal are immaterial from the Group's perspective.

In addition, the Group signed a supply contract with N24 Media GmbH for all news formats of the TV channels SAT.1, ProSieben and kabel eins. Also SAT.1-Frühstücksfernsehen and SAT.1-Magazin will be produced for the ProSiebenSat.1 Group by the disposed companies at least until mid-2014. For the ProSiebenSat.1 Group the obligations under these agreements for the whole contractual period amount to around EUR 210 million.

There were no further material disposals in 2010.

Key disposals in financial year 2009

The full disposal of 74.8% of solute GmbH was completed in February 2009, with effect as of January 1, 2009. The gain on disposal from the Group's point of view was EUR 5.1 million, and is recognized under other operating income. The sale had no material impact on the 2009 and 2010 consolidated financial statements.

Effective June 30, 2009, ProSiebenSat.1 Berlin Produktion GmbH, a wholly owned subsidiary of ProSiebenSat.1 Produktion GmbH, was sold to fernseherft GmbH as a part of the portfolio optimization process. This had no material impact on the 2009 and 2010 consolidated financial statements. Subsequently the new owner changed the name of ProSiebenSat.1 Berlin Produktion GmbH to fernseherft Produktion GmbH and for a five-year term beginning on July 1, 2009, the company will be a strategic partner in tech-

nology and production for the Group's companies N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH, Berlin and MAZ & More TV-Produktion GmbH, Berlin.

4 Consolidation methods

Profits and losses, revenue, income, and expense as well as receivables and liabilities deriving from transactions between consolidated companies are eliminated. The consolidation methods take into account deferred income-tax effects if such tax effects are likely to net one another out in later financial years. Where required, deferred tax assets and liabilities are offset against one another.

Capital is consolidated by eliminating the carrying amount of equity interests against the share of equity held in the subsidiary. Initial consolidation is carried out using the purchase method under IFRS 3 by eliminating the acquisition cost against the fair value of the acquired, identifiable assets, and the assumed liabilities and contingent liabilities, as of the acquisition date. The carrying amounts are carried forward to subsequent periods. Any excess of the acquisition cost over the net fair value of the acquired entity is recognized under goodwill, which is presented under intangible assets. In accordance with IAS 36, goodwill is not amortized, but instead tested for impairment at least once a year.

If ProSiebenSat.1 Media AG gains control of the company as a result of the acquisition of a further equity interest in an associate, then the company is to be fully consolidated from the time control is acquired. The fair value of the previously held stake is to be regarded as an extended part of cost for the new subsidiary. Gain or loss arises from the difference to the previous at-equity carrying amount.

Impairments on interests held in Group companies recognized in individual financial statements are reversed in the consolidated financial statements.

Interests in companies on which the Group has a significant influence, or on which the Group has a possibility of exercising a significant influence, are consolidated using the equity method under IAS 28. Equity interests held in associates are initially reported based on the proportion of the adjusted equity held in each such entity. Any difference from the acquisition cost of the equity interest is recognized using the acquisition method. After their first-time recognition, to the extent the effects are material; carrying amounts are adjusted to reflect the Group's share of equity. Cost is adjusted in accordance with the ProSiebenSat.1 Group's share of the increases and decreases of the associates' and joint ventures' equity after acquisition. Additionally, where appropriate indications exist, an impairment test is applied, and if applicable an impairment loss is taken to the lower recoverable amount. The recoverable amount is determined using the principles described for intangible assets and property, plant and equipment described in Note 6 ("Accounting policies"). If the reason for the impairment ceases to exist at a later date, the impairment is reversed to the amount that would have resulted if the impairment had not been recognized.

In accordance with IAS 31, shares in joint ventures are likewise recognized using the equity method.

There is no price quoted on any active market for the companies measured using the equity method.

The financial year of ProSiebenSat.1 Media AG and all fully consolidated entities is the calendar year.

5 Currency translation

Transactions in foreign currencies are translated at the relevant exchange rates as of the transaction date. In subsequent periods, monetary assets and liabilities are measured at the spot rate as of the end of the reporting period, and translation differences are recognized in profit or loss. Non-monetary items that were measured at historical cost in a foreign currency are not retranslated.

Financial statements of subsidiaries and entities consolidated under the equity method in countries outside the euro zone are converted using the functional currency concept. For subsidiaries, the functional currency is determined on the basis of the primary environment in which they conduct their business activities. As a rule, this is the currency in which cash funds are generated and consumed. In the ProSiebenSat.1 Group, the functional currency is generally the national currency; the functional currency differs from the national currency only in isolated cases. In converting a significant external loan from Swedish krona to euro, the functional currency of the financing company concerned was also converted in the previous financial year to euro.

Financial statements not denominated in euro are converted using the modified reporting date method, in which items of the income statement are converted using the average exchange rate for the year. Equity is converted at historical rates of exchange, while other asset and liability items are converted at the closing rate as of the reporting date. Any currency translation differences resulting from the conversion of financial statements in foreign currencies are added to or charged against accumulated other equity, outside profit or loss. In the case of the disposal of the relevant subsidiary, such translation differences are recognized in profit and loss.

The following exchange rates were used in foreign currency translation within the Group:

Exchange rate: EUR 1 equals	Spot rate		Average rate	
	12/31/2010	12/31/2009	2010	2009
Swiss Franc	1.25	1.48	1.38	1.51
Swedish Krona	8.98	10.26	9.54	10.62
Norwegian Krone	7.81	8.30	8.01	8.73
Danish Krone	7.45	7.44	7.45	7.45
US Dollar	1.34	1.44	1.33	1.39
British Pound Sterling	0.86	0.89	0.86	0.89
Hungarian Forint	277.84	270.15	275.53	280.34
Romanian Leu	4.28	4.24	4.21	4.24
Bulgarian Lev	1.96	1.96	1.96	1.95

6 Accounting policies

The annual financial statements for all entities included in the consolidated financial statements were prepared using uniform accounting policies.

The consolidated financial statements are based on the principle of historical cost, except for those items, especially such as certain financial instruments, that are recognized at fair value.

The recognition, measurement and disclosure policies, as well as the explanations and information regarding the consolidated financial statements for financial period 2010, are substantially applied consistently. Exceptions result from changes due to the application of new or revised reporting standards (see Note 7) with respect to conveying relevant information.

In addition, in 2010 there was a change of accounting policies. On the basis of the pronouncement of the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany - IDW) in IDW ERS HFA 45 preferred stock generally represents equity irrespective of the related rights. For this reason, dividends distributed to preferred shareholders are also to be shown as appropriation of earnings. Previously ProSiebenSat.1 Media AG had reported the annual distribution of the minimum dividend of EUR 0.02 per preferred share as an expense in the other financial result and the present value of the future distributions of the minimum dividend as financial liabilities. The accounting policy is being changed retrospectively. The effects of the relevant line items on the consolidated statement of financial position and the consolidated income statement are shown below. In all the Notes in which the items are contained, the figures for the previous year have been adjusted accordingly.

Statement of financial position of ProSiebenSat.1 Group

EUR m	12/31/2009			01/01/2009		
	Before change	Change	After change	Before change	Change	After change
Capital reserves	552.5	26.2	578.7	547.1	27.8	574.9
Shareholders' equity	580.8	26.2	607.0	478.9	27.8	506.7
Other non-current financial liabilities	406.0	-26.2	379.8	328.6	-27.8	300.8
Non-current liabilities	4,179.3	-26.2	4,153.1	4,085.0	-27.8	4,057.2

Income statement of ProSiebenSat.1 Group

EUR m	2009		
	Before change	Change	After change
Other financial result	-9.2	2.1	-7.1
Consolidated profit for the period	150.2	2.1	152.3
Basic earnings per share of common stock (in EUR)	0.66	0.01	0.67
Basic earnings per share of preferred stock (in EUR)	0.68	0.01	0.69

Recognition of income and expenses

The ProSiebenSat.1 Group's revenues are mainly advertising revenues derived from the sale of advertising time on television. Advertising revenues are presented net of volume discounts, agency commissions, cash discounts and value-added tax.

Revenues are realized at the time when the service is provided, or when risk is transferred to the client. Revenues are accordingly recognized once the service has been provided, the principal risks and rewards of ownership have been transferred to the buyer, the amount of the proceeds can be measured reliably, an economic benefit from the sale is sufficiently probable and the costs associated with the sale can be measured reliably.

Specifically, advertising revenues from both television and radio are considered realized when advertising spots are broadcast. Revenues from pay TV activities and from the sale of print products are considered realized when the service is provided. 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 asset has begun and broadcast-ready materials have been delivered to the purchaser.

Revenues from barter transactions are considered revenue-generating transactions only 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. These revenues from barter transactions are measured on the basis of the fair value of the provided (advertising) service, if that fair value can be measured reliably. Barter transactions at the ProSiebenSat.1 Group are primarily trade-off transactions relating to the sale of advertising time.

Other operating income is normally recognized when a service has been performed, the amount of the income can be measured reliably, and an economic benefit to the Group is sufficiently probable. Operating expenses are recognized at the time when the service is utilized or when the expense is otherwise incurred. Interest income and expenses are recognized on an accrual basis. Dividends from equity interests that are neither fully consolidated nor recognized at equity are recognized at the time when the legal entitlement arises.

Government grants are recognized through profit and loss as other operating income, as long as the respective company complies with the conditions and the grant will actually be received. Recognition takes place on an accrual basis in accordance with the occurrence of the subsidized expenses in the case of grants for expenses or income or proportional to the pattern of consumption for investment subsidies.

Intangible assets

Intangible assets primarily comprise goodwill and brands from the acquisition of fully consolidated subsidiaries, together with trademarks and patents, as well as licenses to such assets and rights.

Acquired assets are capitalized under IAS 38 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 is amortized, and where applicable, impaired. Amortization is recognized on a straight-line basis in accordance with the expected useful life. The underlying useful life for purchased software as a rule is three to eight years. Licenses and other intellectual property rights are amortized over ten years or over the term of the license agreement. Other useful lives may be applied as an exception, for intangible as-

sets with a limited useful life that are acquired in first-time consolidations resulting from business combinations. These are primarily broadcasting rights and customer relationships, which are amortized over an expected useful life of between four and 14 years. Useful lives and amortization methods are reviewed annually and adjusted in accordance with any changes in estimations.

The intangible assets with indefinite useful lives that are acquired through business combinations are particularly brand names. Due to their indefinite useful lives these are not amortized, but tested annually for impairment.

Property, plant and equipment

Property, plant and equipment are valued at acquisition cost, less depreciation on the basis of use and, if necessary, impairments. The cost of internally created property, plant and equipment includes not only the purchase price, but the portions of overhead costs directly attributable to production. For items of property, plant and equipment whose production extends over a longer period, borrowing costs incurred until the time of completion are included in the production cost. However, such items are not of consequence for the Group at present, thus borrowing costs are normally recognized in profit or loss for the period when they are incurred.

Based on the expected useful lives, depreciation is recognized on a straight-line basis over the following periods:

In years	
Buildings on land owned by others, fixtures and renovations	3 - 50
Technical facilities	2 - 10
Office furniture and equipment	3 - 20

Leasing

IAS 17 defines a lease as an agreement whereby a lessor conveys to the lessee the right to use an asset for an agreed-upon period of time in return for payment or a series of payments. A distinction is made between finance leases and operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership of an asset. All other leases are classified as operating leases.

For finance leases, the assets and the associated liabilities are recognized at fair value at the commencement of the lease term or, if lower, the present value of the minimum lease payments. Depreciation is recognized on a straight-line basis over the shorter of the lease term or the expected useful life. Payment obligations resulting from finance leases are recognized as financial liabilities and subsequently measured applying the effective interest rate method.

The lease payments for an operating lease are reported as an expense in the profit or loss.

Impairment of intangible assets and property, plant and equipment

In accordance with IAS 36, an entity must review assets with a finite useful life for impairment if there are indications that those assets may be impaired. If such an indication exists, the amortized carrying value of the asset is compared with the recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the discounted present value of future cash flows expected to arise from the continuing use of the asset. In the event of impairment, the impairment is recognized as an expense in profit or loss in the amount of the difference between the amortized carrying amount and the lower recoverable amount. If there is no longer any reason for the impairment, the impairment loss is reversed. The write-up cannot result in an amount exceeding amortized cost.

Moreover, intangible assets with an indefinite useful life as well as goodwill, must be tested for impairment annually. Where there is no longer any reason for impairment, the impairment loss is reversed, except in the case of goodwill.

If necessary, the impairment test is applied instead of a single asset at the level of cash-generating units to which the asset is attributable.

For this purpose the goodwill acquired in a business combination is allocated to the cash-generating unit or group of cash-generating units that is expected to profit from the synergies deriving from the business combination.

The ProSiebenSat.1 Group tests goodwill and the brand names acquired through business combinations once a year for impairment, in compliance with the Group's reporting policies. A test is also performed whenever there is any indication that an asset might be impaired. Goodwill is tested for impairment at the level of cash-generating units or groups of cash-generating units. These represent the lowest level at which goodwill is monitored for internal management at the ProSiebenSat.1 Group. These are the operating segments: Free TV in German-speaking Europe, Free TV International and Radio, Print and Other Media. In segment reporting, the operating segments Radio, Print and Other Media together form the Diversification reporting segment.

The Company normally determines the recoverable amounts using measurement methods based on discounted cash flows. These discounted cash flows are founded on five-year projections based on financial plans approved by management. The cash flow projections consider past experience, and are based on management's best estimates of future developments, along with additional external information. Cash flows beyond the project periods are extrapolated using individual growth rates, which however do not exceed the inflation expectations for the respective units. The most important assumptions underlying the changes in value in use concern future cash flows, estimated growth rates, weighted average costs of capital and tax rates. These assumptions, as well as the method used, may have a material effect on the resulting values.

Programming assets

Programming assets comprise feature films, series, commissioned productions and advance payments made (including advance payments for sport rights). Feature films and series are capitalized as of the beginning of the license term; commissioned productions are capitalized as broadcast-ready programming assets as of their date of formal acceptance. Until being broadcast, sport rights are included in advance payments. The assets are initially recognized at cost. Borrowing costs are generally not included in the measurement structure because the requirements of IAS 23 are not fulfilled.

Planned consumption of licenses and commissioned productions intended for multiple showings begins at the start of the first broadcast, and depends on the number of showings permitted or planned respectively. Consumption resulting from showings is measured using a declining-balance method according to a matrix that is standardized Group-wide which reflects the expected revenue generation potential relating to the respective broadcast. Commissioned productions intended for only one run are fully consumed as of their broadcasting.

Impairment is applied to programming assets if their costs can presumably not be covered by future revenues. Indications for this assumption might include 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. Both consumption resulting from transmissions and impairment are reported as part of the cost of sales.

Impairments of programming assets are reversed if there are indications that the original impairment no longer exists, and a higher recoverable amount results. Write-ups are netted against the cost of sales.

Programming assets intended for single runs are normally recognized as current programming assets. These particularly include the rights for sports events.

Provisions for contingent losses are recognized for programming acquisition contracts signed before the ending date of the period, whose license terms do not begin until after the ending date of the period and which current programming analyses indicate will not generate the originally anticipated revenues. Within this analysis individual agreements were assessed based on factors such as the quality and age of the programming, restrictions on use under media laws and strategic program scheduling.

Financial instruments

According to IAS 39, a financial instrument is any contract that simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The ProSiebenSat.1 Group categorizes financial assets as loans and receivables (including cash and cash equivalents), financial assets held to maturity, financial assets measured at fair value through profit or loss, and financial assets available for sale. The ProSiebenSat.1 Group has no financial assets held to maturity.

Financial liabilities are categorized as financial liabilities measured at fair value through profit or loss, and financial liabilities measured at amortized cost. The last category particularly includes loans and borrowings, as well as other financial liabilities, including trade accounts payable and liabilities under finance leases.

Financial instruments measured at fair value through profit or loss include financial assets and liabilities held for trading, such as derivative financial instruments that do not qualify as hedges under a hedge relationship. Furthermore, the ProSiebenSat.1 Group has designated some shares in investment funds at fair value through profit and loss upon initial recognition. However, derivative financial instruments that qualify as hedges under a hedge relationship are not allocated to any of the above categories.

Financial instruments are recognized at amortized cost or at fair value. Amortized cost is determined by the effective interest rate method. The fair value of a financial instrument reflects the amount for which the financial instrument could be traded between knowledgeable, willing parties in an arm's length transaction that is not a forced transaction or a liquidation sale. The fair value is generally equivalent to the market or exchange value. If there is no active market, the fair value is measured using a financial valuation technique (for example, by discounting future cash flows at the market interest rate). If the fair value of financial instruments cannot be determined reliably, the financial instruments are measured at amortized cost.

In accordance with IAS 39, a regular assessment is made as to whether there is substantive objective evidence of impairment of a financial asset or a portfolio of financial assets. After an impairment test, any necessary impairment loss is recognized in profit or loss. An impairment of trade receivables is recognized if objective indications show that the receivables cannot be fully recovered. Gains or losses on a financial asset available for sale are recognized outside profit or loss until the financial asset is disposed of or an impairment is determined. In the event of an impairment, the accumulated net loss is reclassified from equity to profit or loss as a reclassification adjustment. Currently the

ProSiebenSat.1 Group has no financial assets available for sale that have been recognized at fair value.

Derivative financial instruments and hedge accounting

Derivative financial instruments are primarily used in hedging against risks. 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 and currency options. Interest rate risks result from liabilities carrying variable interest rates; foreign exchange risks are incurred particularly through license payments for programming assets denominated in US dollar.

Derivative financial instruments are reported at fair value as an asset or financial liability in the statement of financial position, irrespective of the purpose or intent for which the transaction was entered into. The fair value of derivative financial instruments is obtained by discounting future cash flows at the market interest rate, and by other recognized methods of financial valuation techniques, such as option pricing models. Derivative financial instruments are recognized as of their trading date. The fair value of interest rate swaps is generally zero at the first-time recognition. Subsequently interest rate swaps are recognized in the statement of financial position at their market value, as "other assets" or "other liabilities." The fair value of forwards is likewise generally zero at the first-time recognition. Subsequently forwards are recognized in the statement of financial position 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 recognized at market value. Changes in fair value are normally recognized in profit or loss.

Hedge accounting is possible if a clear hedging relationship can be formally designated and documented. In hedge accounting, the recognition of changes in the market values of the pertinent derivatives depends on the type of hedge relationship. If the hedge is a cash flow hedge, the changes in market value of the effective portion of the derivative are first recognized separately outside profit or loss, and are not recognized in profit or loss until the underlying transaction is realized. The ineffective portion is recognized immediately in profit or loss. 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. For fair value hedges, both changes in the market value of the derivative and adjustments in the carrying value of the associated underlying transaction are recognized in profit or loss. The ProSiebenSat.1 Group has no fair value hedges at present.

At the inception of a hedge, IAS 39 requires comprehensive documentation of the hedging relationship, including a description of matters such 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 regularly. If a hedging relationship does not meet, or no longer meets, the requirements of IAS 39, the cash flow hedge is derecognized. After a hedging relationship is terminated, the amounts included in equity are always recognized in the profit or loss for the period if the results of the underlying transactions affect profit or loss.

Loans and receivables

Financial assets classified as loans and receivables are measured at their amortized cost, applying the effective interest rate method, less impairment. Impairment of trade accounts receivable is recognized in separate allowance accounts. In the valuation process, adequate allowances have been made, on the basis of objective evidence and values developed through experience, to cover known risks by valuation adjustments. Individual receivables are estimated and evaluated on the basis of the individual client's credit-worthiness, current economic developments, and an analysis of historical defaults, on a portfolio basis.

Financial assets measured at fair value through profit or loss

In addition to financial assets held for trading (such as derivative financial instruments), this category also includes financial assets that were designated at fair value through profit or loss at the time of their first recognition, under what is known as the "fair value option." Exceptions are equity instruments for which no market prices are quoted on active markets, and whose market values cannot be measured reliably. The fair value option is furthermore subject to the conditions that its exercise must eliminate or significantly reduce an accounting mismatch, the financial instrument must include one or more embedded derivatives, or the portfolio of financial instruments is managed on a fair value basis. In line with the active risk management strategy pursued at ProSiebenSat.1 Media AG, the fair value option is currently only used for financial assets acquired to cover the pension obligations.

Financial assets available for sale

Investments in equity instruments, debt instruments and fund shares are classified as financial assets available for sale, and are recognized at fair value, if that value can be determined reliably. Equity instruments for which no price is quoted on an active market, and whose fair value cannot be determined reliably, are measured at its acquisition cost.

Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid financial investments that can be converted to cash amounts at any time and that are subject only to minor risks of fluctuation in value. Cash and cash equivalents include cash in bank with a maturity of three months or less. Cash and cash equivalents are recognized at their amortized cost; amounts in foreign currencies are converted at the end of the applicable reporting period. They are equivalent to the item shown in the cash flow statement.

Financial liabilities

With the exception of derivative financial instruments, financial liabilities are measured at their amortized cost, applying the effective interest rate method. Term loans and bonds payable are recognized on the basis of their notional total, at their amortized cost less issuing and financing costs. These costs are distributed over the term of the liability using the effective interest rate method. Contingent costs in the context of business combinations (put options, earn-out provisions) are classified under liabilities at fair value on first-time consolidation. Subsequent measurement also takes place at fair value, with changes being recognized in profit and loss. The ProSiebenSat.1 Group has no financial liabilities designated at fair value.

Provision for pensions

Pension obligations are calculated by actuarial technique using the Projected Unit Credit Method. This method uses biometric calculation data and, particularly, the current long-term capital market interest rate, as well as current assumptions about future increases in salaries and pensions. The interest component included in the pension expense is shown in the financial result.

Discrepancies between assumptions and actual events, as well as changes in actuarial assumptions for measuring defined-benefit pension plans, result in actuarial gains and losses. According to IAS 19, there are various options for recognizing these. To illustrate the complete earnings impact, the ProSiebenSat.1 Group recognizes actuarial gains and losses immediately in profit or loss for the period in which they arise. Because of the small scope of pension obligations the impact on profits from the recognition of actuarial gains or losses in the income statement is minor for the ProSiebenSat.1 Group.

Other non-current provisions

Provisions are recognized if a present legal or constructive 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. They are measured using a best estimate of the expenditure required to settle the present obligation considering the past experience. They are recognized at full cost, in the amount of the most probable outcome of the liability. The amount of the provision is regularly adjusted if new information becomes available or if circumstances change. Long-term provisions are formed as of the end of the reporting period at the present value of expected settlement amounts, taking estimated increases in prices or costs into account as the case requires. Discount rates are regularly adjusted to prevailing market interest rates. However non-current provisions are discounted only in those cases where the discounting effect is significant.

The Company measures provisions for onerous contracts at the lower of the expected cost of settling the contract or the expected cost of terminating the contract.

Income taxes

Income taxes comprise the taxes levied on taxable profits in the Group's various countries, and changes in deferred tax items. Income taxes are recognized on the basis of the terms of law in effect or substantively enacted as of the end of the reporting period, in the amount that will presumably have to be paid.

In accordance with IAS 12, deferred taxes are recognized for tax-deductible temporary differences between the carrying amounts of assets and liabilities under IFRS and their amounts in the statement of financial position for tax purposes, as well as for consolidation measures and for claims for tax reductions due to loss carry-forwards that can presumably be applied in subsequent years. As an exception no deferred tax liabilities are recognized from the initial recognition of goodwill. Calculation is based on the tax rates expected in the various countries at the realization date. These are generally based on the terms of law in effect or substantively enacted at the end of the reporting period.

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

If profits or losses are recognized in other comprehensive income, the same rules apply for the deferred tax assets and liabilities applicable to them.

Deferred tax assets resulting from temporary differences and loss carry-forwards are tested for impairment on the basis of projections particular to the Group company concerned, including considerations regarding its future earnings situation. Deferred tax liabilities recognized on planned dividend distributions by subsidiaries are dependent on the subsidiaries' anticipated earnings situation and on further assumptions, for example in their future financing structure. The deferred tax items recognized in that regard are subject to ongoing review as to their underlying assumptions. Changes in assumptions or circumstances may require corrections, which may result in additional deferred taxes or reversals of such items.

Earnings per share

Earnings per share is consolidated profit divided by the weighted average number of common and preferred shares outstanding during the financial year. Diluted earnings per share is calculated on the assumption that all potentially diluting securities and remuneration plans based on securities are exercised.

Stock options

Stock options (equity-settled transactions) are measured at fair value at the time of grant. The value fair of the obligation is recorded as personnel expenses over the vesting period.

Summary of applied measurement methods

Item	Measurement method
Assets	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with indefinite useful lives	At cost (subsequent measurement: impairment test)
Other intangible assets with finite useful lives	At (amortized) cost
Property, plant and equipment	At (amortized) cost
Programming assets	At (amortized) cost
Financial assets	
Loans and receivables	At (amortized) cost
Held to maturity	Not applicable
Held for trading / derivatives	At fair value through profit and loss
Available for sale	Lower of cost and fair value less cost to sell
Cash and cash equivalents	At cost
Liabilities and provisions	
Long-term loans and borrowings	At (amortized) cost
Provision for pensions	Projected unit credit method
Other non-current provisions	At settlement value (discounted if non-current)
Financial liabilities	At (amortized) cost or fair value respectively
Other non-current liabilities	At settlement value (discounted if non-current)

Judgments and estimates

In preparing the consolidated financial statements under IFRS, it is to some degree necessary for management to make assumptions and estimates that may affect the measurement of recognized assets and liabilities and the amounts of expenses and income. These assumptions and estimates are based on the information currently available by the management. In particular, expectations of future business performance were based on the conditions in existence at the date of preparation of the consolidated financial statements and the presumably realistic future performance of the global and macro-economic environment in which the sector operates. If these circumstances should change otherwise than management has assumed, and in ways beyond management's control, the actual amounts may differ from the original estimates. If actual developments differ from expectations, the assumptions and, if applicable, the carrying amounts of the pertinent assets and liabilities will be adjusted accordingly (with an effect on profit or loss). Changes in estimates are normally recognized during the same period when they occur, and are taken into account in future periods.

Assumptions and estimates are particularly necessary for the following accounting matters:

- Recognition and measurement of assets and liabilities resulting from the purchase price allocation at the time of first consolidation including the recognition of contingent considerations in the case of business combinations,
- Impairment testing of intangible assets (especially goodwill),

- Determining the useful lives to be applied for non-current assets,
- Recognition and measurement of programming assets,
- Recognition and measurement of provisions and
- Estimate of future tax advantages and the possibility of realizing them.

For purposes of the purchase price allocation in connection with business combinations, assumptions must be made in regard to the recognition and measurement of assets and liabilities. Assumptions are entailed in determining the fair value of acquired assets and assumed liabilities at the acquisition date, as well as the useful lives of the acquired intangible assets and property, plant and equipment. Measurement is largely based on projected cash flows. Actual cash flows may differ significantly from the cash flows assumed in measuring fair value. Independent external appraisals are obtained for the purchase price allocation of major acquisitions. Measurements in corporate acquisitions are based on information available at the acquisition date. By nature, assumptions and estimates are less certain for intangible assets than for all other assets.

The assumptions and the underlying method of the impairment tests may have a significant effect on the resulting values, and ultimately on the amount of a potential impairment of intangible assets and of property, plant and equipment. The calculation of discounted cash flows in particular is extensively subject to planning assumptions that may be sensitive to changes, and thus to impairment. For detailed information on the assumptions used for impairment testing, refer to Note 18 ("Intangible assets").

The expected useful lives and the depreciation and amortization schedules for intangible assets (especially brands) and property, plant and equipment are based on experiential values, plans, and estimates. The time period and distribution of future cash inflows are also estimated. For more information, see Note 18 ("Intangible assets").

Key elements of programming assets are acquired as film packages from large film studios. Both the initial measurement of the individual licenses of these film packages and subsequent valuations of the programming assets are based on estimated earnings potential. This earnings potential takes into account the variable usability of programming assets, and duly reflects the required consumption of the programming assets as a function of the number of relevant broadcasts. For detailed information on programming assets, refer to Note 21 ("Program assets").

Provisions are recognized and measured on the basis of the estimate and probability of future outflows of benefits, as well as on the basis of experiential values and the circumstances known at the end of the reporting period. To determine the amount of provisions, in addition to the assessment of the associated matters and the claims asserted, in some cases the results from comparable matters are also consulted; assumptions also are made as to the probabilities whether and within what ranges the provisions may be used. In respect to amount and certainty provisions for onerous contracts and litigation are based to a considerable extent on management estimates. The assessment of whether a present obligation exists is generally based on assessments of internal experts. Estimates can change on the basis of new information and the actual charges may affect the performance and financial position of the ProSiebenSat.1 Group. For more information, see Note 31 ("Contingent liabilities").

The estimate of and possibility of realizing future tax advantages depends on the future taxable income of the Group company concerned. If there are doubts that loss carry-forwards can be used, in some cases write-downs of deferred tax assets are taken. Impairment of deferred tax assets is evaluated on the basis of internal projections about the Group company's future earnings situation. Evaluations of the possibility of realizing tax loss carry-

forwards are based on whether they can be used in the near future (essentially within the next five years). For more information on deferred taxes, see Note 15 ("Income taxes").

7 Changes in reporting standards

As part of its projects for the ongoing development of IFRSs and in the effort to achieve convergence with US GAAP, the IASB has amended numerous standards and adopted new ones.

a) Standards, interpretations and amendment to standards and interpretations to be applied for the first time in the reporting period

In June 2009, the IASB issued amendments of IFRS 2 ("Share-based Payment"). These were adapted into European law by the European Union in March 2010. The changes relating to the accounting of "group-settled share-based payment" - transactions in which a subsidiary receives goods or services from employees or suppliers which are paid for by the parent company or another Group company. A company which receives goods or services in the context of share-based remuneration agreement must account for these goods and services, no matter which entity in the group settles the relevant obligation and independent of whether the obligation is settled in shares or cash. With the changes of IFRS 2, regulations are taken up in the standard which were previously contained in IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions". For this reason IASB has withdrawn IFRIC 8 and IFRIC 11. The ProSiebenSat.1 Group has applied the amendments on IFRS 2 since January 1, 2010. The amendments currently have no impact on the consolidated financial statements of the ProSiebenSat.1 Group.

In January 2008, IASB published the revised standards IFRS 3 ("Business Combinations") and IAS 27 ("Consolidated and Separate Financial Statements"). The standards are the result of the second phase of the project implemented together with the Financial Accounting Standards Board (FASB) to reform accounting of business combinations. The revised versions of IFRS 3 and IAS 27 were adapted into European law by the European Union in June 2009. Since January 1, 2010, the ProSiebenSat.1 Group has prospectively applied the amended standards for transactions and business combinations pursuant to the requirements. The comparative periods were not adjusted.

The key changes to the previous version of IFRS 3 are summarized below:

- In accounting for minority interests, the new version of IFRS 3 provides for an option of measuring at fair value or the pro rata identifiable net assets. This option can be exercised individually for every business combination.
- For step acquisitions when control is obtained there is a revaluation in profit or loss of the shares already held in the acquiree. Goodwill is then determined as the difference of the revalued carrying amount plus consideration for acquiring the new shares minus the acquired net assets.
- Contingent considerations are measured at fair value at the acquisition date and at the acquisition date classified either as equity, asset or liability. Subsequent accounting for agreed contingent considerations takes place in line with the classification made at the acquisition date.
- Acquisition-related costs in connection with business combinations are recognized as expense.

- Possible adjustments contingent on future events (contingent considerations) are to be recognized as an expense at the acquisition date, in subsequent measurement no goodwill adjustment is possible.
- According to the new version of IFRS 3, effects from settling pre-existing relationships existing before business combination may not be included in determining the consideration for the combination.
- As a difference to the previous version, the revised IFRS 3 regulates the recognition and measurement of reacquired rights granted to another entity before the business combination and which can now be recovered economically in the context of the combination.

The key changes to the previous version of IAS 27 are summarized below:

- Changes in the proportionate interest without loss of control are to be recognized exclusively as equity transactions.
- In the case of a loss of control over a subsidiary, the consolidated assets and liabilities are to be derecognized. Based on the new regulation the remaining interest in the subsidiary is initially to be measured at fair value and the resulting differences recognized in profit or loss.
- If the losses applicable to the non-controlling interest exceed their interest in the subsidiary's equity, these are to be allocated to the non-controlling interest despite the resulting deficit balance.
- Dividend payments to non-controlling interests are no longer to be recognized in cash flow from investing activities but in cash flow from financing activities.

In July 2008, the IASB published an amendment of **IAS 39 ("Financial Instruments: Recognition and Measurement")**. The amendment of IAS 39 was adapted into European law by the European Union in September 2009. As a result of the change, it is specified for "eligible hedged items" that solely cash flow or fair value changes of a hedged item above or below a specified price or another variable can be designated as hedge. The ProSiebenSat.1 Group has applied the amendments on IAS 39 since January 1, 2010. The change has no impact on the consolidated financial statements of the ProSiebenSat.1 Group.

On November 27, 2008, **IFRIC 17 ("Distribution of Non-Cash Assets to Owners")** was published. IFRIC 17 was adapted into European law by the European Union in November 2009. It governs the measurement of non-cash assets that are distributed to shareholders as a dividend in place of cash. IFRIC 17 is applicable for financial periods beginning on or after July 1, 2009. The ProSiebenSat.1 Group has applied IFRIC 17 since January 1, 2010. The new interpretation had no impact on the consolidated financial statements of the ProSiebenSat.1 Group.

IFRIC 18 ("Transfers of Assets from Customers") was issued on January 29, 2009. Based on the view of the IASB the interpretation is particularly relevant, although not limited, to the utility sector. It clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. Likewise discussed are cases in which the entity receives cash from a customer which must be used only to acquire or construct the above mentioned item of property, plant and equipment. Application is mandatory for financial years beginning on or after July 1, 2009. The application of IFRIC 18 had no impact on the consolidated financial statements of the ProSiebenSat.1 Group.

In April 2009, the IASB published “**Annual Improvements to IFRSs**” - a collection of necessary but not urgent changes to existing IFRSs. This is the second published pronouncement in the context of the Annual Improvement Project with changes to twelve existing standards and interpretations. These changes were adapted into European law by the European Union in March 2010. The ProSiebenSat.1 Group has applied the changes since January 1, 2010. The amendments have no material impact on the consolidated financial statements of the ProSiebenSat.1 Group.

b) Accounting standards adopted by IASB or IFRIC but not yet applied

On October 7, 2010, the IASB issued amendments of **IFRS 7 (“Financial Instruments: Disclosures”)**. The amendments result in a far-reaching convergence of the corresponding disclosure requirements according to IFRS and US-GAAP. The amendments to IFRS 7 relate to enhanced disclosure requirements when transferring financial instruments and aims to provide the users of the financial statements a better understanding of the impact of the risks remaining at the entity. Companies must apply the changes for financial periods beginning on or after July 1, 2011. They may be applied earlier. No figures for comparison need to be provided in the first year of application. The amendments to IFRS 7 will not result in any material impact on the consolidated financial statements of the ProSiebenSat.1 Group.

On November 12, 2009, the IASB issued a new **IFRS 9 (“Financial Instruments”)** on the classification and measurement of financial instruments. The publication represents the provisional conclusion of the first part of a three-phase project to replace IAS 39 (“Financial Instruments: Recognition and Measurement”) with a new standard. With IFRS 9 new regulations for the classification and measurement of financial instruments were introduced. On October 28, 2010, the IASB issued a new version of IFRS 9. It contains new regulations for accounting for financial liabilities and regulations for derecognizing financial assets and liabilities taken from IAS 39. At the same time the basis for conclusions has been restructured. IFRS 9 (2009) was withdrawn and replaced by IFRS 9 (2010). The regulations must be applied from January 1, 2013. They may be applied earlier. It is expected that there will be no material impact on the consolidated financial statements of the ProSiebenSat.1 Group.

On November 4, 2009, the IASB issued a revised version of **IAS 24 (“Related Party Disclosures”)**. The revised version of IAS 24 aims to clarify the definition of related parties and government-related entities to be exempted from specific disclosures with related parties. Companies must apply the changes for financial periods beginning on or after January 1, 2011. They may be applied earlier. The change has no impact on the consolidated financial statements of the ProSiebenSat.1 Group.

IFRIC 19 (“Extinguishing Financial Liabilities with Equity Instruments”) was issued on November 26, 2009. IFRIC 19 explains the requirements of International Financial Reporting Standards (IFRSs) if an entity issues shares or other equity instruments to extinguish all or part of a financial liability. The interpretation is applicable for financial periods beginning on or after July 1, 2010. Early application was permitted. The future application of IFRIC 19 is expected to have no material impact on the financial statements of the ProSiebenSat.1 Group.

On May 6, 2010, the IASB published the “**Improvements to International Financial Reporting Standards (2010)**” which resulted in amendments to six International Financial Reporting Standards (IFRSs) and an interpretation (IFRIC). Combining the changes into one document aims to reduce the adjustment requirements. The amendments are applicable for financial periods beginning on or after January 1, 2011. Early application was permitted. It is expected that there will be no material impact on the consolidated financial statements of the ProSiebenSat.1 Group.

Notes to the Income Statement

8 Revenue

EUR m	2010	2009
Advertising revenue	2,534.0	2,328.2
Barter transactions	47.8	44.8
Other revenue	418.2	387.8
Consolidated revenue	3,000.0	2,760.8

The items for advertising revenues and barter transactions comprise revenues generated by broadcasting advertising in Free TV operations and Diversification. This position also includes revenues from sale of advertising time according to the "media for revenue share" model. Internal revenue categories were redefined in 2010. Amounts for previous years were adjusted accordingly.

Other revenues particularly include revenues from

- the sale of print products,
- license marketing and other merchandising services,
- distribution agreements,
- telephone value added services and
- sales of programming rights and ancillary rights.

9 Cost of sales

Cost of sales primarily comprises the consumption of programming assets (including impairment). In 2010 these amounted to EUR 1,077.7 million (previous year: EUR 1,068.6 million). Also included are personnel expenses, depreciation and amortization (for these positions see Note 17 "Other information") as well as expenses for licenses and distribution expenses.

10 Selling expenses

Selling expenses mainly comprise transmission expenses, personnel expenses, depreciation and amortization (for these positions see Note 17 "Other information") and advertising expenses.

11 Administrative expenses

This item represents all costs of general administrative activities. These include in addition to personnel expenses and depreciation and amortization (for these positions see Note 17 "Other information"), expenses for IT operations and expenses associated with the use of buildings. In 2010, a loss of EUR 54.9 million was reported for this position in connection with the disposal of the companies N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH, Berlin, und MAZ & More TV-Produktion GmbH, Berlin. This line item also included expenses of EUR 4.0 million (previous year: EUR 4.3 million) for impairments taken on financial assets in the loans and receivables category.

12 Other operating income

EUR m	2010	2009
Income from the disposal of property, plant, and equipment and of intangible assets	0.3	7.4
Income from the disposal of companies	- / -	5.6
Recharges	3.4	4.3
Other	7.5	8.1
Total	11.2	25.4

The income on the disposal of property, plant and equipment and intangible assets in 2009 result mainly from the sale of leasehold improvements in connection with the SAT.1 relocation from Berlin to Munich.

The income on the disposal of companies for financial year 2009 include a profit of EUR 5.1 million from the sale of solute GmbH.

Positions Recharges and Other include a number of transactions that are individually immaterial. Derecognition of financial liabilities at amortized cost resulted in income of EUR 0.1 million (previous year: EUR 0.5 million).

13 Interest result

EUR m	2010	2009
Interest and similar income	5.1	6.5
Thereof from available for sales assets	0.3	0.5
Thereof from loans and receivables	0.7	0.1
Thereof from hedge derivatives	0.3	- / -
Thereof other interest and similar income	3.8	5.9
Interest and similar expenses	-224.7	-237.1
Thereof from financial liabilities at amortized cost	-110.3	-149.2
Thereof from hedge derivatives	-108.3	-82.4
Thereof other interest and similar expenses	-6.1	-5.5
Interest result	-219.6	-230.6

The primary interest expense items pertain to interest on loans drawn. The decline in the interest expense of the variable-interest loan in 2010 is due to the generally lower interest rate level in comparison to the previous year as well as lower utilization of the revolving credit facility in the fourth quarter of 2010.

14 Other financial result

EUR m	2010	2009*
Dividend income from financial assets available for sale	0.1	- / -
Changes in the fair value of financial assets recognized at fair value through profit or loss	- / -	0.3
Foreign currency translation gains/losses	2.5	11.3
Thereof from cash and cash equivalents	8.4	1.1
Thereof from loans and receivables	1.6	5.0
Thereof from financial liabilities at amortized cost	-20.6	12.2
Thereof from financial assets and liabilities held for trading	12.6	-7.0
Thereof other	0.5	0.0
Other financing costs	-12.2	-18.7
Total	-9.6	-7.1

* After changes in accounting policies. Refer to Note 6 ("Accounting policies")

The change of exchange rate result in 2010 was caused by the increase of the Swedish krona and the US dollar in relation to the Group currency, the euro.

The Other financing costs line item includes expenses in connection with the term loans and costs for optimizing the financing structure.

15 Income taxes

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

Taxes on income comprise the following:

EUR m	2010	2009
Current tax expenses	125.3	94.8
Deferred tax income	-14.6	-14.0
Total income tax expenses	110.7	80.8

The current tax expenses comprise all domestic and foreign taxes which are based on taxable profits in 2010 (corporate income tax, trade tax and appropriate foreign taxes) including adjustments for prior years.

The deferred tax income for financial year 2010 includes deferred tax income of EUR 8.5 million (previous year: EUR 2.3 million) resulting from the change in deferred taxes on loss carry-forwards and deferred tax income of EUR 2.6 million (previous year: EUR 9.3 million) relating to the origination and reversal of temporary differences. EUR 0.3 million of the deferred tax expense (previous year: EUR 1.5 million deferred tax income) relates to previously unrecognized temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. For the following countries the deferred tax rate applied was reduced by reason of new tax legislation. These changes in tax rates resulted in deferred tax income in the amount of EUR 3.8 million (previous year: EUR 0.8 million).

	Expected tax rate 2010	Expected tax rate 2009
Greece	21.7%	25.0%
Great Britain	24.0%	28.0%
Netherlands	25.0%	25.5%
Hungary	10.0%	19.0%

The corporate income tax rate in Germany in 2010 of 15.0% as well as the German reunification surtax ("solidarity surtax") of 5.5% both remain unchanged compared to the previous year. Including the trade tax (local business income tax) with an average basis factor of 350% (previous year: 380%), the rounded total tax rate for 2010 was 28% (previous year: 29%).

The applicable tax rates for Group companies outside Germany vary from 10.0% to 39.8% (previous year: between 10.0% and 34.0%).

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

EUR m	2010	2009
Profit before income taxes	429.0	233.1
Applicable Group tax rate	28%	29%
Expected income tax expense	120.1	67.6
Adjustments to the expected income tax expense:		
Tax deviations		
Effects due to foreign tax rate differences	5.1	1.7
Effects due to changes in statutory tax rates	-3.8	-2.4
Effects from deviation in taxable base		
Non-deductible interest expenses	5.6	16.1
Other non-deductible operating expenses	5.7	7.8
Tax-free income	-6.2	-0.7
Non-taxable disposal effects	8.6	- / -
Goodwill	- / -	1.4
Recognition and measurement of deferred tax assets		
Changes in the realization of deferred tax assets	-22.1	-7.3
Other effects		
Taxes from previous years	-5.2	-3.4
Investments accounted for using the equity method	2.9	0.0
Total income tax expenses	110.7	80.8

Deferred tax assets on tax loss carry-forwards and on temporary differences were recognized and measured on the basis of projected future taxable income. For financial year 2010, the deferred tax income of the reversal of a previous write-down of deferred tax assets recognized on loss carryforwards amounted to EUR 11.8 million (previous year: EUR 7.2 million) and the deferred tax expense from the impairment of deferred tax assets recognized on loss carry-forwards was EUR 1.7 million (previous year: EUR 4.4 million). The benefit arising from previously unrecognized tax losses and interest reduced the current tax expenses by EUR 14.0 million (previous year: EUR 4.8 million).

Deferred tax assets on temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that sufficient taxable profit will be available to allow the benefit of the deferred tax asset to be utilized. This is based primarily on the tax planning for the next five years and the reversal of taxable temporary differences. In total, no deferred tax assets were recognized for tax loss carry-forwards amounting to EUR 54.8 million (previous year: EUR 131.4 million) and for tax credits of EUR 18.7 million (previous year: EUR 57.7 million) as of December 31, 2010. Of these tax loss carry-forwards, EUR 13.7 million will expire within the next ten years if they are not utilized (previous year: EUR 2.4 million).

Recognized deferred tax assets and liabilities relate to the following items:

EUR m	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	11.0	172.4	17.8	181.3
Property, plant and equipment	10.7	39.2	5.3	35.2
Investments accounted for using the equity method	- / -	- / -	- / -	0.5
Financial assets	3.6	0.7	3.0	0.2
Programming assets	5.8	9.8	4.7	7.2
Inventories and other assets	7.5	8.8	12.1	4.5
Provision for pensions	0.3	0.1	0.1	- / -
Other non-current provisions	11.0	0.0	13.1	0.0
Liabilities	93.2	15.9	99.4	21.1
Tax loss carry-forwards	27.2	- / -	17.5	- / -
Netting	-83.2	-83.2	-82.9	-82.9
Total	87.1	163.7	90.1	167.1

Regarding the netting of deferred tax assets and deferred tax liabilities, please refer to Note 6 “Accounting policies”.

A deferred tax liability for planned future dividend distributions of EUR 0.4 million (previous year: EUR 0.2 million) was recognized for ownership interests in subsidiaries (outside basis differences). There are no further taxable temporary differences resulting from outside basis differences.

For disclosures on the deferred tax assets recognized in other comprehensive income and on the actual taxes recognized in capital reserves refer to Note 25 “Shareholders’ Equity”.

16 Earnings per share

		2010	2009*
Attributable to shareholders of ProSiebenSat.1 Media AG	EUR m	312.7	146.6
Profit share attributable to common stock	EUR m	159.7	73.7
Profit share attributable to preferred stock	EUR m	153.0	72.9
Weighted average number of shares of common stock outstanding		109,398,600	109,398,600
Weighted average number of shares of preferred stock outstanding		103,405,648	105,078,367
in EUR			
Basic (=diluted) earnings per share of common stock		1.46	0.67
Basic earnings per share of preferred stock		1.48	0.69
Diluted earnings per share of preferred stock		1.45	0.69

* After changes in accounting policies. Refer to Note 6 (“Accounting policies”)

The weighted average number of shares of preferred stock outstanding declined in financial year 2010 due to the buy-back of shares in the course of financial year 2009. In the context of the long term incentive plans (refer to Note 35 “Stock option plan”) dilution impacts can occur from the grant of share options only on earnings per share of preferred stock. In the current accounting period there is a dilution effect of minus EUR 0.03 resulting from the possible conversion of all stock options issued on preferred shares which are in the money. In the 2009 financial year, only immaterial dilution impacts arose which did not have any effect on the presented earnings per share.

17 Other disclosures

Personnel expenses and number of employees

The personnel expenses included in cost of sales, selling expenses and administrative expenses comprise:

EUR m	2010	2009
Wages and salaries	319.8	335.5
Social security contributions and expenses for pensions and other employee benefits	51.5	50.9
Total	371.3	386.4

Employer contributions to the public retirement insurance system totaled EUR 17.7 million in financial year 2010 (previous year: EUR 19.0 million).

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

	2010	2009
Female employees	2,234	2,432
Male employees	2,460	2,548
Total	4,694	4,980

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

Depreciation and amortization

Scheduled consumption and impairment of programming assets of EUR 1,091.8 million (previous year: EUR 1,068.3 million) is part of EBITDA. The following depreciation, amortization and impairments are included under cost of sales, selling expenses and administrative expenses:

EUR m	2010	2009
Amortization of intangible assets	91.3	88.0
Depreciation of property, plant and equipment	38.5	37.4
Impairment of intangible assets	4.2	22.1
Impairment of property, plant and equipment	4.1	- / -
Total	138.1	147.5

Notes to the Statement of Financial Position

18 Intangible assets

EUR m	Other intangible assets	Goodwill	Advances paid	Total
Cost				
Balance as of January 1, 2009	1,014.0	2,498.3	9.8	3,522.1
Exchange rate differences	20.0	40.6	- / -	60.6
Changes in scope of consolidation	0.4	23.6	- / -	24.0
Additions	44.4	0.0	11.1	55.5
Reclassifications	8.9	- / -	-8.9	- / -
Disposals	-26.1	- / -	- / -	-26.1
Balance as of December 31, 2009 / January 1, 2010	1,061.6	2,562.5	12.0	3,636.1
Exchange rate differences	19.0	46.5	- / -	65.5
Changes in scope of consolidation	-6.8	12.5	0.0	5.7
Additions	30.0	- / -	13.6	43.6
Reclassifications	10.9	- / -	-10.9	- / -
Disposals	-7.3	- / -	0.0	-7.3
Balance as of December 31, 2010	1,107.4	2,621.5	14.7	3,743.6
Amortization				
Balance as of January 1, 2009	257.3	260.8	- / -	518.1
Exchange rate differences	5.4	1.3	- / -	6.7
Changes in scope of consolidation	-0.6	- / -	- / -	-0.6
Additions *)	104.8	5.3	- / -	110.1
Reclassifications	- / -	- / -	- / -	- / -
Disposals	-13.3	- / -	- / -	-13.3
Balance as of December 31, 2009 / January 1, 2010	353.6	267.4	- / -	621.0
Exchange rate differences	2.1	-1.0	- / -	1.1
Changes in scope of consolidation	-3.8	- / -	- / -	-3.8
Additions *)	95.3	- / -	0.2	95.5
Reclassifications	- / -	- / -	- / -	- / -
Disposals	-7.3	- / -	- / -	-7.3
Balance as of December 31, 2010	439.9	266.4	0.2	706.5
Carrying amount December 31, 2010	667.5	2,355.1	14.5	3,037.1
Carrying amount December 31, 2009	708.0	2,295.1	12.0	3,015.1

*) of this amount, impairments of EUR 3.0 million (previous year: EUR 0.0 million) are included in cost of sales, EUR 0.0 million (previous year: EUR 0.0 million) in selling expenses and EUR 1.2 million (previous year: EUR 22.1 million) in administrative expenses. The goodwill impairment in 2009 relates to adjustments of deferred taxes.

Other intangible assets include brands, software, intellectual property rights, customer relationships and broadcasting licenses. Amortization and impairments are included in the income statement under cost of sales, selling expenses and administrative expenses.

In 2010 and in the previous year, all goodwill was tested for annual impairment in terms of IAS 36 on the basis of value in use, applying the procedure described in Note 6 "Accounting policies." There were no goodwill impairments in 2010 or in the previous year.

The following table summarizes the tested goodwill under cash-generating units and the assumptions applied in the associated impairment tests.

Name of segment	Free TV German-speaking	Free TV International	Diversification	Diversification	Diversification	Total
Name of cash generating unit*	Free TV German-speaking	Free-TV International	Radio	Print	Other Media	
Carrying amount of goodwill at December 31, 2009 (EUR m)	434.1	1,289.6	105.1	93.1	373.2	2,295.1
Carrying amount of goodwill at December 31, 2010 (EUR m)	444.4	1,330.3	112.2	93.1	375.1	2,355.1
Revenues growth p.a. in the projection period (CAGR)**	4.6% (4.1%)	6.5% (6.6%)	5.4% (7.7%)	-0.1% (1.7%)	10.9% (9.9%)	
Ø EBITDA margin in the projection period**	37.2% (31.6%)	27.3% (25.7%)	21.0% (25.6%)	33.8% (39.3%)	22.4% (22.0%)	
Duration of projection period	5 years	5 years	5 years	5 years	5 years	
Revenues growth p.a. at end of projection period**	1.5% (1.5%)	1.5% (1.6%)	1.7% (1.7%)	0.0% (0.0%)	1.5% (1.5%)	
EBITDA margin at end of projection period**	40.8% (34.6%)	29.4% (29.6%)	25.2% (32.1%)	33.8% (40.9%)	25.5% (26.7%)	
Ø Discount rate**	9.4% (10.4%)	9.7% (10.3%)	9.3% (10.0%)	9.5% (10.5%)	9.2% (10.2%)	

* The cash generating units correspond to those of the operating segments (cf. Note 34 „Segment reporting“)

** Figures for previous year in brackets

The assumptions for revenue growth in the projection period used in the impairment tests are based on externally published sources for the projection period. In some cases, risk discounts were taken for regional characteristics.

The assumed EBITDA margins are based on past experience, or were adjusted on the basis of cost-cutting measures that have already been introduced.

The discount rate for each case reflects the weighted average cost of capital (WACC) - the risk-adjusted minimum interest before taxes entitlement derived from the capital market for each case.

To the extent a reasonably possible change in a key assumption which is integrated into the impairment test could result in a reduction of the recoverable amount to below the carrying value of the relevant goodwill, a sensitivity analysis is to be implemented on this key assumption. The recoverable amount of the cash-generating unit Radio is based on the material assumption of a sustained EBITDA margin of 25.2%. On the basis of these assumptions, the recoverable amount exceeds the carrying amount by EUR 47 million. Assuming a 4.9 percentage point decrease in the sustainable EBITDA margin to 20.3%, the recoverable amount would be equivalent to the asset's carrying amount.

Brands with a carrying amount of EUR 457.1 million as of December 31, 2010 (previous year: EUR 443.9 million) are recognized under other intangible assets. The useful life of the brands is determined as indefinite since they are not assigned to any contractually defined fixed period. In 2010 all brands were tested for annual impairment in terms of IAS 36 on the basis of fair value less costs to sell, applying the procedure described in Note 6, "Accounting policies".

The following table summarizes attribution of brands to operating segments and the assumptions applied in the associated impairment tests.

Name of segment	Free TV German-speaking	Free TV International	Diversification	Diversification	Diversification	Total
Name of cash generating unit*	Free TV German-speaking	Free-TV International	Radio	Print	Other Media	
Carrying amount of brands at December 31, 2009 (EUR m)	3.4	363.9	33.6	26.6	16.4	443.9
Carrying amount of brands at December 31, 2010 (EUR m)	3.4	375.3	35.4	26.6	16.4	457.1
Impairment in 2010 (EUR m)**	0.0 (0.0)	0.0 (0.0)	0.6 (8.0)	0.0 (0.0)	0.0 (0.0)	0.6 (8.0)
Ø Revenues growth p.a. in the projection period (CAGR) (range)**	5.4% (7.6%)	2.9% - 14.1% (4.2% - 12.5%)	3.9% - 10.0% (4.7% - 16.5%)	-0.1% (1.8%)	2.8% - 34.3% (0.5% - 29.7%)	
Assumed royalty fee in % (range)**	5.0% (5.0%)	5.0% - 5.5% (4.5% - 5.5%)	4.0% - 6.0% (3.0% - 6.0%)	5.5% (5.5%)	5.0% (5.0%)	
Duration of projection period	5 years	5 years	5 years	5 years	5 years	
Revenues growth p.a. at end of projection period (range) **	1.5% (1.5%)	1.5% - 2.0% (1.5%-2.0%)	1.5% - 2.0% (0.0%-2.0%)	0.0% (0.0%)	1.5% (1.5%)	
Discount rate (range)**	9.4% (10.5%)	9.1% - 11.0% (10.0% - 12.0%)	9.1% - 11.0% (10.0% - 11.5%)	9.7% (10.7%)	9.2% - 9.4% (10.2% - 10.5%)	

*The cash generating units correspond to those of the operating segments (cf. Note 34 „Segment reporting“) ** Figures for previous year in brackets

The valuation is carried out using the Relief from Royalty Method that calculates the royalties that the ProSiebenSat.1 Group should pay to an external party for the use of respective intangible assets. The valuation of the assets is then based on the present value of saved future royalty payments.

To the extent a reasonably possible change in a key assumption which is integrated into the impairment test could result in a reduction of the recoverable amount to below the carrying value of the relevant brand, a sensitivity analysis is to be implemented on this key assumption. The recoverable amount of the brand “The Voice TV” exceeds its carrying amount (EUR 5.2 million) by EUR 0.3 million. The recoverable amount of the brand “Radio 1” is EUR 4.8 million and the carrying amount EUR 4.5 million. The recoverable amount of the brand “Kiss FM” exceeds its carrying amount (EUR 9.6 million) by EUR 0.7 million. For these brands, a slight variation in the material planning premises can result in impairments. The total impairment risk here is restricted to the carrying amount of the asset. The three brands mentioned are allocated to the Radio cash-generating unit.

19 Property, plant and equipment

EUR m	Buildings on land owned by others, fixtures and renovations	Technical facilities	Office furniture and equipment	Advances paid	Total
Cost					
Balance as of January 1, 2009	335.8	220.9	81.7	10.6	649.0
Exchange rate differences	-0.1	1.7	0.6	0.0	2.2
Changes in scope of consolidation	- / -	-0.1	-0.6	0.0	-0.7
Additions	11.1	38.6	4.3	4.1	58.1
Reclassifications	0.4	9.4	0.1	-9.9	- / -
Disposals	-92.6	-17.9	-17.0	-2.4	-129.9
Balance as of December 31, 2009 / January 1, 2010	254.6	252.6	69.1	2.4	578.7
Exchange rate differences	0.0	-0.5	1.2	0.0	0.7
Changes in scope of consolidation	-0.5	-23.3	-2.4	- / -	-26.2
Additions	4.2	19.8	4.0	4.9	32.9
Reclassifications	4.1	-12.3	10.9	-2.7	- / -
Disposals	-5.4	-21.9	-3.0	0.0	-30.3
Balance as of December 31, 2010	257.0	214.4	79.8	4.6	555.8
Depreciation					
Balance as of January 1, 2009	166.0	165.7	68.2	- / -	399.9
Exchange rate differences	0.1	1.4	0.6	- / -	2.1
Changes in scope of consolidation	- / -	0.0	-0.4	- / -	-0.4
Additions	8.2	24.8	4.4	- / -	37.4
Reclassifications	- / -	-0.1	0.1	- / -	- / -
Disposals	-83.7	-16.7	-16.5	- / -	-116.9
Balance as of December 31, 2009 / January 1, 2010	90.6	175.1	56.4	- / -	322.1
Exchange rate differences	0.3	-0.7	1.0	- / -	0.6
Changes in scope of consolidation	-0.5	-12.0	-2.5	- / -	-15.0
Additions	8.9	29.7	4.0	- / -	42.6
Reclassifications	3.8	-14.2	10.4	- / -	- / -
Disposals	-2.4	-21.7	-2.6	- / -	-26.7
Balance as of December 31, 2010	100.7	156.2	66.7	- / -	323.6
Carrying amount December 31, 2010	156.3	58.2	13.1	4.6	232.2
Carrying amount December 31, 2009	164.0	77.5	12.7	2.4	256.6

The buildings on land owned by others, fixtures and renovations line item relates to leased buildings for a residual carrying amount of EUR 113.3 million (previous year: EUR 118.2 million) where the underlying lease agreements qualify as finance leases, and which are therefore reported as assets on which the Group has beneficial ownership. The underlying leases cover land and buildings at the Unterföhring site. Each of them has a leasing term of 22 years. The earliest expiration is scheduled for 2019, but the interest rate conversion points (the end of the lock-in period for interest rates) are not yet determined. The real estate leases were signed on prevailing market terms. Other leases with a carrying amount of EUR 8.7 million (previous year: EUR 18.9 million) exist mainly for technical equipment which also qualify as finance leases.

As of December 31, 2010 and the previous year reporting date, the minimum lease payments comprise the following:

EUR m	Remaining term 1 year or less	Remaning term 2 to 5 years	Remaining term over 5 years	Total 12/31/2010
Property, plant and equipment				
Minimum lease payments	15.4	47.3	47.1	109.8
Share of interest minimum lease payments	5.8	18.6	13.2	37.6
Present value of minimum lease payments	9.6	28.7	33.9	72.2

EUR m	Remaining term 1 year or less	Remaning term 2 to 5 years	Remaining term over 5 years	Total 12/31/2009
Property, plant and equipment				
Minimum lease payments	17.4	59.4	59.5	136.3
Share of interest minimum lease payments	7.1	21.9	18.0	47.0
Present value of minimum lease payments	10.3	37.5	41.5	89.3

Additionally, lease obligations related to buildings on land owned by others of EUR 37.4 million (previous year: EUR 37.4 million) still exist that under the repayment plan will not be paid until 2019 or 2023. Therefore, the lease liabilities at December 31, 2010 amounted to EUR 109.6 million (previous year: EUR 126.6 million).

20 Investments accounted for using the equity method and non-current financial assets

The principle investments accounted for using the equity method, none of which are listed, were as follows on December 31, 2010 and December 31, 2009. They are arranged in alphabetical order below (stake in brackets):

- Goldbach Media (Switzerland) AG (previously: IP Multimedia (Schweiz) AG), Küsnacht (22.96%)
- maxdome GmbH & Co. KG, Unterföhring (50.0%)
- VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH, Berlin (50.0%)

As of December 31, 2009, in addition to the above companies, the principle investments accounted for using the equity method were as follows:

- Autoplenum GmbH, Munich (25.1%)
- Privatfernsehen in Bayern GmbH & Co. KG, Munich (49.9 %).

By acquiring the remaining stake in Autoplenum GmbH during 2010, the ProSiebenSat.1 Group gained control of the company. Due to the sale of some of the investment in Privatfernsehen in Bayern GmbH & Co. KG in 2010, it is no longer possible to exercise significant influence on this company.

The following overview shows aggregated information on the principle investments accounted for using the equity method. The figures are not based on the stakes held by the ProSiebenSat.1 Group, but represent the figures of a notional holding of 100%.

EUR m	12/31/2010	12/31/2009
Non-current assets	6.2	5.6
Current assets	102.2	87.9
Total assets	108.4	93.5
Shareholders' equity	-25.6	-1.4
Non-current financial liabilities	16.7	15.7
Current financial liabilities	117.3	79.2
Total equity and liabilities	108.4	93.5
	2010	2009
Revenue	184.0	187.5
Result of the year	-13.8	-6.7

Additional investments accounted for using the equity method, but which are classified as immaterial, are shown in the list of investments on page 185. Their share in the figures shown in the table above would amount to less than 1% for all figures.

In the 2010 financial year, the ProSiebenSat.1 Group received a dividend from an associate of EUR 2.4 million (previous year: EUR 2.7 million).

Non-current financial assets comprise the following:

EUR m	12/31/2010	12/31/2009
Investments	55.1	54.0
Securities	7.7	6.9
Other	0.2	0.1
Total	63.0	61.0

A major position under "Investments" is the Group's investment of a 7.11% stake in Zeni-Max Media Inc. (previous year: 7.89%). The entity is incorporated in Rockville, Maryland, USA and develops interactive entertainment content for game consoles, the PC and wireless devices. The investment is valued at (amortized) acquisition cost.

The "Securities" item essentially comprises shares in investment funds acquired to cover the pension obligations that are recognized at fair value through profit and loss.

21 Programming assets

The following presents a summary of the Group's current and non-current programming assets:

EUR m	Free TV rights	Pay TV rights	Advances paid	Total
Carrying amount January 1, 2009	1,200.4	9.0	170.6	1,380.0
Exchange rate difference	-0.4	- / -	1.6	1.2
Changes in scope of consolidation	- / -	- / -	- / -	- / -
Additions	1,061.0	1.2	165.0	1,227.2
Disposals	-13.5	-0.1	- / -	-13.6
Reclassifications	120.8	0.2	-121.0	- / -
Consumption*	-1,064.9	-3.4	- / -	-1,068.3
thereof scheduled				-974.7
thereof impairment				-93.6
Carrying amount December 31, 2009 and January 1, 2010	1,303.4	6.9	216.2	1,526.5
thereof non-current programming assets				1,276.4
thereof current programming assets				250.1
Exchange rate difference	7.0	- / -	2.2	9.2
Changes in scope of consolidation	-0.2	- / -	-0.2	-0.4
Additions	1,161.1	1.0	71.4	1,233.5
Disposals	-21.8	-0.6	- / -	-22.4
Reclassifications	182.4	0.0	-182.4	- / -
Consumption*	-1,088.7	-3.1	- / -	-1,091.8
thereof scheduled				-995.3
thereof impairment				-96.5
Carrying amount December 31, 2010	1,543.2	4.2	107.2	1,654.6
thereof non-current programming assets				1,497.7
thereof current programming assets				156.9

* Consumption including provisions from prior periods for onerous contracts of EUR 29.3 million (previous year: EUR 30.5 million)

Because of their high importance, programming assets - which would normally be classified under intangible assets - are presented as a separate item in the statement of financial position. Scheduled consumption and impairment of programming assets are presented under cost of sales. Impairment write-ups are netted against the consumption. There were no material write-ups in 2010 or in the previous year.

Consumption resulting from broadcasts is measured using a declining-balance method according to a standardized matrix that is uniform for the entire Group. Consumption of programming assets represents the portion of advertising revenues for the given reporting period from the total expected advertising revenues from the broadcasts defined by contract or planned by management. The estimate for total expected advertising revenues is regularly reviewed, and impairment is recognized if necessary. In addition, provisions are recognized for onerous contracts if from today's programming viewpoint, contracts to acquire programming assets that were signed before the end of the reporting period now appear to be economically unfavorable because the future use of the programming asset is not expected to generate the revenues originally projected.

Obligations to purchase programming assets in future years are reported in Note 32 "Other financial obligations".

22 Inventories

Inventories consist primarily of commercial goods at subsidiary MM MerchandisingMedia GmbH.

23 Accounts receivable and other non-current assets

EUR m	12/31/2010			12/31/2009		
	Current	Non-current	Total	Current	Non-current	Total
Trade accounts receivable	321.0	- / -	321.0	310.9	1.0	311.9
Accrued items	41.2	- / -	41.2	40.7	- / -	40.7
Receivables from investments accounted for using the equity method	34.5	- / -	34.5	30.1	- / -	30.1
Derivatives	30.3	- / -	30.3	11.1	- / -	11.1
Advance payments	22.2	- / -	22.2	24.6	- / -	24.6
Other	12.9	3.5	16.4	14.9	5.0	19.9
Total: other receivables and non-current assets	141.1	3.5	144.6	121.4	5.0	126.4
Total	462.1	3.5	465.6	432.3	6.0	438.3

The carrying amounts of receivables and other current assets, in accordance with IFRS 7 categories, are shown under Note 33 "Further notes on financial risk management and financial instruments according to IFRS 7".

The following table shows the changes in credit allowances on the gross total of current and non-current trade accounts receivable:

EUR m	12/31/2010	12/31/2009
Credit allowances at the beginning of the reporting period	30.3	29.0
Additions	4.1	6.8
Release	-1.4	-3.8
Usage	-2.3	-1.7
Change in foreign currency	0.0	0.0
Credit allowances at the end of the reporting period	30.7	30.3

As of December 31, 2010, the Group's trade accounts receivable after credit allowances had the following aging structure:

EUR m	12/31/2010	12/31/2009
Not past due at end of reporting period	241.2	241.4
Amount past due for the following time ranges:		
Less than 3 months	53.6	41.0
Between 3 and 6 months	14.3	8.4
Between 6 and 9 months	5.8	5.0
Between 9 and 12 months	0.6	10.0
More than 12 months	5.5	6.1
Total trade accounts receivable	321.0	311.9

24 Cash and cash equivalents

Cash and cash equivalents include cash in bank with a maturity of three months or less as of their acquisition date as well as cash on hand.

25 Shareholders' equity

At the end of the year, 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 non-voting bearer shares of preferred stock with no par value, each share representing a nominal value of EUR 1.00 of the share capital. Thus, as of December 31, 2010, the number of shares outstanding was 218,797,200, of which the Company itself held 5,661,834 preferred shares (previous year: 6,027,500).

The listed preferred shares do not carry voting rights, except as provided by mandatory law, and entitle the holder to receive a share of profits EUR 0.02 greater than for the common shares. In addition, a minimum dividend of EUR 0.02 per preferred share is set. If the distributable profit for one or more financial years is not sufficient to pay the minimum amount per preferred share, the unpaid amounts, without interest, are paid out of the distributable profit for the subsequent financial year before the distribution of that year's share of profits for preferred shares, and before the distribution of profits to the holders of common stock.

Capital reserves amounted to EUR 577.6 million (previous year: EUR 578.7 million). They mainly comprise the share premium from the share issuance in 1997 and the capital increase in 2004. The change of accounting policy relating to the minimum dividend for preferred stock described in Note 6 "Accounting policies" retrospectively increased capital reserves by EUR 26.2 million as of December 31, 2009. In addition, in financial year 2010 actual taxes in connection with stock options of EUR 1.2 million were recognized directly in capital reserves.

The change in retained earnings results mainly from the profit for the period of EUR 312.7 million (previous year: EUR 146.6 million).

The accumulated other comprehensive income of the ProSiebenSat.1 Group, in the amount of minus EUR 139.9 million (previous year: minus EUR 243.2 million) results from the measurement of financial instruments outside profit or loss, and from currency translation adjustments of the financial statements of foreign subsidiaries. The measurement of financial instruments outside profit or loss pertains to currency hedges in the amount of EUR 13.3 million (previous year: minus EUR 9.6 million) and interest rate hedges in the amount of minus EUR 206.3 million (previous year: minus EUR 226.3 million), before deduction of the associated deferred taxes. Deferred taxes on the currency hedges amount to minus EUR 3.7 million (previous year: EUR 2.7 million) and on the interest rate hedges to EUR 56.0 million (previous year: EUR 61.4 million).

Thus other comprehensive income recognized in shareholders' equity comprise the following:

EUR m	2010			2009		
	Before taxes	Deferred taxes	After taxes	Before taxes	Deferred taxes	After taxes
Currency translation ProSiebenSat.1 foreign subsidiaries	72.2	- / -	72.2	24.5	- / -	24.5
Currency translation non-controlling interests of foreign subsidiaries	0.2	- / -	0.2	-1.9	- / -	-1.9
Effect from foreign currency translation	72.4	- / -	72.4	22.6	- / -	22.6
Currency hedges	23.0	-6.4	16.6	-22.8	6.5	-16.3
Interest rate hedges	19.9	-5.4	14.5	-39.8	9.9	-29.9
Recognition of cash flow hedges	42.9	-11.8	31.1	-62.6	16.4	-46.2
Total: other comprehensive income/loss for the period	115.3	-11.8	103.5	-40.0	16.4	-23.6

Allocation of profits

Last financial year, under a resolution adopted at the shareholders' meeting on June 29, 2010, a dividend of EUR 2.1 million was paid out to holders of preferred stock, out of ProSiebenSat.1 Media AG's 2009 distributable profit of EUR 1,819.7 million. This represents a payout of the minimum dividend of EUR 0.02 per dividend-eligible bearer share of preferred stock.

In accordance with the German Stock Corporation Act, the dividend payable to shareholders depends on the distributable profit shown in the annual financial statements of ProSiebenSat.1 Media AG under the German Commercial Code. The Executive Board of ProSiebenSat.1 Media AG will propose that the Company's distributable profit of EUR 3,098.2 million for financial period 2010 be allocated as follows:

EUR	
Distribution of a dividend of EUR 1.14 per bearer share of preferred stock	118,259,913.24
Distribution of a dividend of EUR 1.12 per registered share of common stock	122,526,432.00
Balance to be carried forward to the next accounting period	2,857,387,496.79
ProSiebenSat.1 Media AG distributable profit December 31, 2010	3,098,173,842.03

Distribution of the dividend is contingent on the approval of the shareholders' meeting on July 1, 2011.

Authorized capital

The authorization of the Executive Board to increase the share capital (authorized capital) under Article 4 (4) of the Company's articles of incorporation expired on May 6, 2009. The shareholders' meeting on June 4, 2009, approved a new Authorized Capital, together with an authorization to exclude pre-emptive rights, with a corresponding amendment of Article 4 (amount and division of share capital) of the articles of incorporation. Subject to the consent of the Supervisory Board, the Executive Board is now authorized to increase the Company's share capital on one or more occasions on or before June 3, 2014, by not more than EUR 109,398,600, in return for contributions in cash and/or in kind, by issuing new no-par shares of stock.

Contingent capital

The shareholders' meeting of June 4, 2009, approved a contingent increase of the share capital by a total of not more than EUR 109,398,600, by issuing not more than 109,398,600 registered shares of common stock or bearer shares of preferred stock. The contingent capital increase serves to grant stock to holders of, or creditors under, convertible bonds

and/or warrant-linked bonds, which the Company was also authorized to issue by the shareholders' meeting of the same date.

Treasury shares

At the shareholders' meeting of June 4, 2009, the shareholders authorized the Company under Section 71 (1) 8 of the German Stock Corporation Act to acquire its own stock in the amount of up to 10% of the share capital. This authorization would have expired on December 3, 2010, and was replaced by a new authorization at the shareholders' meeting of June 29, 2010. The Company is now authorized to acquire its own common and/or preferred stock on or before June 28, 2015, up to the total notional amount of 10% of the Company's share capital at the time of the authorization.

The June 29, 2010 authorization may be exercised by the Executive Board for any legal purpose, especially to service the share options with a purchase right of the preferred stock of ProSiebenSat.1 Media AG, which are granted as a part of the stock option plans.

In 2010, the Company did not acquire any preferred stock. In the context of exercising stock options, 365,666 those entitled to options after receiving the option price of EUR 13.99. In the previous year, 4,900,000 preferred shares were acquired at an average price of EUR 3.14. Thus at December 31, 2010, ProSiebenSat.1 Media AG held a total of 5,661,834 (previous year: 6,027,500) shares of its own preferred stock.

Information about capital management

The primary capital management tools used by the ProSiebenSat.1 Group are equity capital measures, dividend payments to the shareholders, repurchase of shares and borrowing.

The ProSiebenSat.1 Group's capital management pursues the goal of safeguarding the Company's going concern for the long term, and of generating a fair return for its shareholders. In this regard, the changes in economic conditions and risks resulting from the underlying business operations are monitored. It is also important to the ProSiebenSat.1 Group to ensure its unrestricted access to various borrowing options in the capital market, and its ability to manage its financial liabilities.

As part of active management of borrowings, particular attention is given to managing leverage, measured as the ratio of net financial debt to recurring EBITDA (earnings before taxes, financial result and depreciation and amortization excluding non-recurring effects), as well as needs for capital and liquidity, and to matching the timing of refinancing measures.

The ProSiebenSat.1 Group's capital structure as of the end of the reporting period was as follows:

EUR m	12/31/2010	12/31/2009
Shareholders' equity	1,025.9	607.0
Share from total capital	16.2%	9.8%
Current loans and borrowings	230.6	497.2
Non-current loans and borrowings	3,531.3	3,534.9
Loans and borrowings total	3,761.9	4,032.1
Share from total capital	59.6%	65.3%
Total capital (total equity and liabilities)	6,316.3	6,174.7

In 2010, the consolidated shareholders' equity of the ProSiebenSat.1 Group increased by 69.0% to EUR 1,025.9 million. The equity ratio of the Group increased as of reporting date by 16.2% (previous year: 9.8%). Most of the increase during the financial period 2010 resulted from the profit generated for the period of EUR 318.3 million (previous year: EUR 152.3 million). In addition, positive developments in the foreign currency translation adjustment and the recognition of cash flow hedged resulted in an increase in other comprehensive income of EUR 103.5 million. Furthermore, the reclassification of the present value of the minimum dividend for preferred stock from financial liabilities to capital reserves as described in Note 6 "Accounting policies" increased shareholders' equity by EUR 26.2 million. The payment of the minimum dividend for financial year 2009 to shareholders of preferred shares amounting to EUR 2.1 million did not result in any material change in shareholders' equity. In the previous year the repurchase of 4,900,000 preferred shares reduced equity by EUR 14.0 million.

The ProSiebenSat.1 Group is striving to improve its financial profile. For this purpose, the chief aim is to achieve a positive result development as well as an improvement of net debt position.

No significant capital arrangements were carried out during the financial year 2010. The ProSiebenSat.1 Group and its financial liabilities are not officially rated by international rating agencies.

26 Provision for pensions

Pension provisions were recognized for obligations to provide 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 considers the expected service cost and the accrued interest on the pension obligation. The change in the present value of the future benefits under defined-benefit plans is calculated as follows:

EUR m	2010	2009
Present value of obligation at January 1	8.0	7.0
Service cost	0.5	0.3
Interest cost	0.4	0.4
Actuarial losses	0.5	0.6
Pension payments	-0.3	-0.3
Present value of obligation at December 31	9.1	8.0

The interest expense for pension obligations is reported as part of the net interest expense. Actuarial gains and losses are recognized immediately in profit or loss in the period of their occurrence.

The measurement date for the present value of obligations is December 31. The following parameters and assumptions were applied:

	2010	2009
Discount rate	4.5%	5.1%
Rate of salary progression	0.0%	0.0%
Rate of pension progression	1.0%	1.0%

In the financial year 2010, pension payments were made to former Executive Board members with pension entitlements amounting to EUR 0.3 million (previous year: EUR 0.3 million). Pension payments of EUR 0.3 million are expected for financial year 2011.

The expected payments in 2011 to acquire shares in investment funds to cover the obligation for defined-benefit pension plans are EUR 0.5 million.

27 Other provisions

EUR m	As of 01/01/2010	Currency differences	Additions	Usage	Release	Deconsolidation effects	As of 12/31/2010
Provisions for onerous contracts	38.5	- / -	55.5	-46.5	-4.4	- / -	43.1
Provisions for business operations	15.8	- / -	16.8	-8.7	-6.5	-1.4	16.0
Other provisions	39.3	0.3	23.6	-14.7	-4.4	-12.7	31.4
Total	93.6	0.3	95.9	-69.9	-15.3	-14.1	90.5
thereof current provisions	81.3						74.3
thereof non-current provisions	12.3						16.2

ProSiebenSat.1 Media AG expects that the majority of the provisions will fall due within the next year. The majority of the long-term provisions are expected to be settled within three years.

Provisions for onerous contracts relate primarily to programming assets at EUR 14.5 million (previous year: EUR 28.6 million), provisions of EUR 14.2 million in connection with the disposal of N24 which took place in 2010 and broadcasting in HD of EUR 8.0 million (previous year: EUR 9.7 million). Provisions for onerous contracts include EUR 16.2 million non-current provisions (previous year: EUR 12.3 million). Provisions for business operations largely include provisions for sales discounts. The remaining provisions comprise provisions for interest on taxes of EUR 11.1 million (previous year: EUR 20.7 million), provisions for advertising spots still to be broadcast of EUR 5.2 million (previous year: EUR 2.1 million) and other provisions of EUR 15.1 million (previous year: EUR 16.5 million).

In financial year 2010, interest effects from unwinding of provisions amounted to EUR 0.9 million (previous year: EUR 0.0 million).

28 Financial liabilities

Financial liabilities comprise a non-current part, with a remaining maturity of more than one year, and a part recognized under current liabilities, with a remaining maturity of less than one year.

EUR m	Current	Non-current	Total 12/31/2010
Non-current loans and borrowings	230.6	3,531.3	3,761.9
Trade accounts payable	485.0	41.8	526.8
Accrued interest	22.2	- / -	22.2
Liabilities from finance leases	9.6	100.0	109.6
Liabilities from derivatives	1.4	213.8	215.2
Liabilities from investments accounted for using the equity method	1.2	- / -	1.2
Liabilities from business combinations	5.0	34.7	39.7
Total other financial liabilities	39.4	348.5	387.9
Total financial liabilities	755.0	3,921.6	4,676.6

EUR m	Current	Non-current	Total 12/31/2009*
Non-current loans and borrowings	497.2	3,534.9	4,032.1
Trade accounts payable	432.1	49.2	481.3
Accrued interest	21.3	- / -	21.3
Liabilities from finance leases	10.2	116.4	126.6
Liabilities from derivatives	9.5	235.3	244.8
Liabilities from investments accounted for using the equity method	2.4	- / -	2.4
Liabilities from business combinations	1.1	28.1	29.2
Total other financial liabilities	44.5	379.8	424.3
Total financial liabilities	973.8	3,963.9	4,937.7

* After changes in accounting policies. Refer to Note 6 ("Accounting policies")

The carrying amounts of financial liabilities according to IFRS 7 categories are disclosed under Note 33 "Further notes on financial risk management and financial instruments according to IFRS 7".

Liabilities to banks comprise the following:

Syndicated facilities agreement

The facilities agreement covers a number of term loans with an original term of seven years and maturity on July 3, 2014 (Term Loan B), and loans with an original term of eight years and maturity on July 3, 2015 (Term Loan C). The credit agreement also includes a revolving credit facility with an original term of seven years and maturity on July 3, 2014. The loan agreement was made with an international banking syndicate and institutional investors. A portion of the loans can also be drawn in currencies other than euro. As of December 31, 2010, all the loans have been drawn in euro. In the fourth quarter of 2009, a portion of the Term Loan B was redenominated from Swedish krona to euro, thus permanently reducing the total amount of Term Loan B from the original EUR 1,800.0 million to EUR 1,770.6 million. As a result of a contractual repayment in 2010, this amount was further reduced by EUR 5.4 million to EUR 1,765.2 billion. Term Loan C was reduced by a EUR 5.5 million partial repayment in the first nine months of 2010, to EUR 1,794.5 million. On December 31, 2010, the repayment amount of the two loans at maturity was thus EUR 3,559.7 million (previous year: EUR 3,570.6 million). The measurement of these financial liabilities measured at amortized cost applying the effective interest rate method resulted in EUR 3,531.3 million being recognized as of December 31, 2010 (previous year: EUR 3,534.9 million).

Under the facilities agreement, the ProSiebenSat.1 Group has pledged as security equity interests in various material subsidiaries. A number of companies have also provided guarantees to the lenders. The loan agreement furthermore includes the usual undertakings, which in turn are qualified or mitigated with exceptions. The loan agreement additionally includes the customary grounds for termination by the lender which apply to breaches of contract not otherwise covered by more detailed provisions of the contract. In case, as a result of acquisition of majority stake, the control under company law over the Company changes, then within a certain time period each lender is entitled to require the termination of its participation in the loan and a repayment of the outstanding amount. The agreement obligates the Company among other things to maintain a certain ratio between consolidated net debt and consolidated EBITDA as well as between consolidated EBITDA and consolidated net interest result (in each case as defined in the agreement). In financial periods 2010 and 2009, the ProSiebenSat.1 Group complied with all contractual obligations.

As of December 31, 2010, EUR 581.8 million (previous year: EUR 594.7 million) of the revolving credit facility was available. The original facility amount was EUR 600 million which may be drawn in variable amounts. At December 31, 2010 EUR 230.0 million was drawn down (previous year: EUR 497.2 million). The ProSiebenSat.1 Group can draw variably on the revolving credit facility for general corporate purposes. Including drawing on guarantees totaling EUR 26.5 million (previous year: EUR 30.8 million), EUR 325.3 million of the revolving credit facility had been drawn at December 31, 2010 (previous year: EUR 66.7 million).

29 Other liabilities

Other liabilities comprise the following:

EUR m	12/31/2010		12/31/2009	
	Current	Non-current	Current	Non-current
Accrued items	66.1	- / -	82.9	- / -
Liabilities from VAT	59.2	- / -	49.5	- / -
Received prepayments	35.4	0.8	33.0	0.2
Liabilities from employees	34.1	- / -	30.7	- / -
Liabilities from collecting societies	20.2	- / -	7.1	- / -
Vacation payment accruals	15.5	- / -	14.7	- / -
Liabilities from other taxes	13.6	- / -	13.9	- / -
Accruals from social security payments	2.9	0.0	2.3	0.0
Other	28.8	0.9	31.5	1.6
Total	275.8	1.7	265.6	1.8

The accrued items and the line item other are made up largely of liabilities to media agencies. Advance payments are made up primarily of annual advance payment of Veronica Publishing magazine subscribers in the Netherlands.

Additional Notes

30 Cash flow statement

The cash flow statement shows how cash and cash equivalents have changed as a result of cash inflows and outflows during the period. In accordance with IAS 7, cash flows are distinguished between operating activities, investing activities and financing activities.

The funds covered by the cash flow statement include all cash and cash equivalents shown in the statement of financial position with terms of not more than three months, subject only to minor risks of fluctuation in value. Cash is not subject to restrictions on its use.

Cash flows from operating activities are derived indirectly from the annual financial statements. Cash flows from investing and financing activities are calculated directly from the payments.

In financial period 2010, material non-cash transactions amounted to EUR 11.7 million (previous year: EUR 34.6 million). These pertain mainly to non-cash business acquisitions (refer to Note 3 "Acquisitions and disposals") and acquisitions of assets by means of a finance lease.

In the previous year, dividend payments to non-controlling interests were recognized in cash flow from investing activities. Due to amendments of IAS 27 ("Consolidated and separate financial statements") dividend payments to non-controlling interests are to be recognized as cash flow from financing activities. The comparative periods were adjusted accordingly.

31 Contingent assets and liabilities

The premises of ProSiebenSat.1 Media AG were investigated by the German Federal Cartel Office in May 2010. The investigation was based on the allegation that ProSiebenSat.1 Media AG and the RTL Group are colluding in setting up strategies, under which programs of the competing TV groups that could previously be received free of charge would be encrypted, bundled and only made accessible against payment of a fee in the future. At this stage the outcome of the investigation cannot be reliably predicted. As a consequence, no provision was recorded at the reporting date.

At December 31, 2010, total contingent liabilities from pledges and guarantees for domestic and foreign companies totaled EUR 1.0 million (previous year: EUR 3.5 million). Currently there is no indication that these contingent liabilities will actually be incurred.

Under the loan facilities agreement, the ProSiebenSat.1 Group has pledged as security equity interests in various material subsidiaries. A number of companies have also provided guarantees to the lenders.

Major outstanding litigation in which ProSiebenSat.1 Media AG and/or companies controlled by ProSiebenSat.1 Media AG are involved as defendant and for which no provisions have been established as of December 31, 2010 are shown below:

- Requirements for disclosure and action for damages by RTL 2 Fernsehen GmbH & C. KG and El Cartel Media GmbH & Co. KG against ProSiebenSat.1 Media AG, SevenOne Media GmbH and the stations Sat.1 Satelliten Fernsehen GmbH, ProSieben Television GmbH, kabel eins Fernsehen GmbH and N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH (no longer part of the Group) have been pending at the Düsseldorf Regional Court since November 10, 2008. The plaintiff is asserting disclosure and damages claims in connection with marketing advertising time by SevenOne Media GmbH. The outcome of the case

cannot currently be foreseen. The court heard the case for the first time on February 24, 2011 without any new conclusion.

- Requirements for disclosure and action for damages by MTV Networks Germany GmbH against ProSiebenSat.1 Media AG, SevenOne Media GmbH and the stations Sat.1 Satelliten Fernsehen GmbH, ProSieben Television GmbH, kabel eins Fernsehen GmbH and N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH (no longer part of the Group) have been pending at the Munich Regional Court since December 22, 2009. The plaintiff is asserting disclosure and damages claims in connection with marketing advertising time by SevenOne Media GmbH. The outcome of the case cannot currently be foreseen. Dates for the hearing have not yet been scheduled.
- Requirements for disclosure and action for damages by TM-TV GmbH against ProSiebenSat.1 Media AG, SevenOne Media GmbH and the stations Sat.1 Satelliten Fernsehen GmbH, ProSieben Television GmbH, kabel eins Fernsehen GmbH and N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH (no longer part of the Group) have been pending at the Munich Regional Court since November 9, 2009. The plaintiff is asserting disclosure and damages claims in connection with marketing advertising time by SevenOne Media GmbH. The outcome of the case cannot currently be foreseen. Dates for the hearing have not yet been scheduled.

In addition, ProSiebenSat.1 Media AG and companies under its control are defendants or participants in further court or arbitration actions and institutional cases. According to the current state of knowledge, these cases have no material impact on the economical situation of the ProSiebenSat.1 Group.

32 Other financial obligations

EUR m	12/31/2010	12/31/2009
Remaining term 1 year or less	804.5	806.0
Remaining term 1 to 5 years	1,966.2	1,933.1
Remaining term over 5 years	216.7	529.2
Purchase commitment for programming assets	2,987.4	3,268.3
Remaining term 1 year or less	85.6	93.7
Remaining term 1 to 5 years	170.1	212.4
Remaining term over 5 years	48.9	88.8
Distribution	304.6	394.9
Remaining term 1 year or less	19.5	22.7
Remaining term 1 to 5 years	30.1	47.9
Remaining term over 5 years	11.3	22.5
Leasing and long-term rental commitments	60.9	93.1
Remaining term 1 year or less	90.4	118.0
Remaining term 1 to 5 years	131.1	206.8
Remaining term over 5 years	39.7	65.6
Other financial obligations	261.2	390.4
Total	3,614.1	4,146.7

Other financial obligations comprise off-balance-sheet financial obligations in addition to the liabilities shown in the statement of financial position. These derive from contractual agreements entered into before the reporting date and pertain to payment obligations due after the reporting date. The figures are nominal amounts, i.e. there was no discounting.

The purchasing obligation for programming assets resulted for contracts for film and series licenses and commissioned productions entered into before December 31, 2010. Most of the contracts were concluded in US dollar.

Distribution includes financial obligations for satellite rental, obligations under contracts for terrestrial transmission facilities and cable feed charges.

Non-cancelable leasing and long-term rental obligations essentially comprise obligations under leases for motor vehicles along with rent obligations which are classified as operate leases due to their economic content. Together with satellite rental, operate leasing expenses amounted to EUR 55.0 million in 2010 (previous year: EUR 58.6 million).

The remaining financial liabilities essentially comprise payments to collecting companies.

33 Further notes on financial risk management and financial instruments according to IFRS 7

The ProSiebenSat.1 Group's operations and financing requirements expose it to various financial risks. These risks are managed as a part of financial risk management by the headquarters unit - Group Finance & Treasury. Financial risk management aims to secure solvency, to manage market price risks in line with risks and to optimize the Group financial result. The derivative financial instruments acquired for this purpose serve solely to hedge existing risk positions, not for speculation. For Group companies, the principles, duties and responsibilities of financial risk management are governed by the internal corporate financial guidelines of the ProSiebenSat.1 Group. A risk report is submitted monthly to the Executive Board.

The following risks have been identified as material and are assessed on an ongoing basis. The ProSiebenSat.1 Group does not consider itself to be exposed to any material concentrations of risk.

Interest rate risks

By interest rate risk, the ProSiebenSat.1 Group refers to the risk of rising financing costs as a result of increased interest rates. Through its financial liabilities with variable interest rates, the ProSiebenSat.1 Group is exposed to an interest rate risk. As of December 31, 2010, the facilities agreement covers a number of term loans totaling a nominal value of EUR 1,765.2 million with an original term of seven years and a maturity date of July 3, 2014 (Term Loan B), and loans totaling EUR 1,794.5 million with an original term of eight years and a maturity date of July 3, 2015 (Term Loan C). Through these variable-interest financial liabilities, the ProSiebenSat.1 Group is exposed to an increased interest rate risk. For that reason, the ProSiebenSat.1 Group has hedged 79% (previous year: 78%) of these loans with interest rate swaps. In interest rate swaps, variable-rate interest payments are exchanged for fixed-rate interest payments. Uncertain, variable-rate future interest payments on the borrowings described above are thus compensated and replaced with fixed-rate interest payments. The market value of interest rate swaps is obtained by discounting expected future cash flows. Differences may arise where other methods are used. However, since the interest rate derivatives are intended exclusively for hedging existing interest rate risks, there is no intention to close them out.

The interest rate swaps have a total value of EUR 2,800.0 million (previous year: EUR 2,800.0 million), with an average fixed rate of 4.57% (previous year: 4.57%). The interest swaps have remaining terms of approximately 1.6 years for a total of EUR 1,200.0 million and 3.5 years for a total of EUR 1,600.0 million. Due to a changed interest level, these transactions contributed a positive result of EUR 108.3 million to the net interest result for the year (previous year: negative balance of EUR 82.4 million). The interest rate swaps qualify as cash flow hedges that are covered by hedge accounting. As of December 31, 2010, they had a negative market value of EUR 217.9 million (previous year: negative value of EUR 238.7 million). Of this amount, EUR 206.8 million (previous year: EUR 226.5 million) is recognized within a separate item under other comprehensive income and unrealized accrued interests amounting to EUR 10.4 million (previous year: EUR 11.4 million) within interest expenses. Because of the partial ineffectiveness of the hedges, EUR 0.2 million were recognized under interest income (previous year: EUR 0.2 million).

The remaining variable interest rate risk results not only from the unhedged portion of the term loans, but also from any cash drawings the Group may take on its revolving credit facility. As of December 31, 2010, EUR 230.0 million (previous year: EUR 497.2 million) were drawn on this credit facility. An interest rate risk in the sense of a change in market value is of no relevance here, since the ProSiebenSat.1 Group's financial liabilities are reported at cost, and thus any change in market value will have no effect on the statement of financial position.

The interest-rate risk position is assessed regularly using current market data, and existing risks are quantified with the help of sensitivity analyses. The following table shows the effects of a one percentage-point increase in the relevant interest rates. It shows the impact of such an increase from an economic viewpoint, and therefore does not represent an accounting analysis. From an accounting point of view most of the resulting effects from the sensitivity analysis would be recognized within other comprehensive income.

EUR m	Interest	12/31/2010	12/31/2009
Cash and cash equivalents	Variable	740.7	737.4
Liabilities to banks	Variable	-3,761.9	-4,032.1
Gross exposure	Variable	-3,021.2	-3,294.7
Interest rate hedges		2,800.0	2,800.0
Net exposure	Variable	-221.2	-494.7
Hedge ratio		92.7%	85.0%
Annual potential loss from an increase of 100 basis points (1 percentage point) in short-term interest rates*		-2.2	-4.9

* Because of the short position, the scenario assumes an increase of 100 basis points.

Currency risks

By currency risks, the ProSiebenSat.1 Group refers to the danger of losses resulting from changes to foreign exchange rates.

The ProSiebenSat.1 Group signs a substantial number of its license agreements with production studios in the United States. As a rule, the Group meets its financial obligations deriving from these programming rights purchases in US dollar. Consequently fluctuations in the exchange rate between euro and US dollar may adversely affect the ProSiebenSat.1 Group's financial position and profit or loss. The currency risk from receivables and liabilities in other foreign currencies, or for other purposes, are not considered here because of their low volume.

Since financial year 2010, the ProSiebenSat.1 Group is using a Group portfolio approach in which the criteria for recognizing license agreements were extended. This resulted in higher foreign currency exposure than in the previous year. Foreign currency exposure is now regarded as the total volume of all US dollar payments resulting from existing license agreements and due within a period of five years. In the context of foreign currency management, the ProSiebenSat.1 Group deploys derivative and primary financial instruments to hedge fluctuations in exchange rates. This includes currency forwards, currency options and cash holdings in US dollar. 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 the buyer of a currency option, ProSiebenSat.1 Media AG has the right but not the obligation to buy a given currency at a given time and at a price specified when the transaction is concluded. For this right an option premium must generally be paid.

Derivative financial instruments which qualify for hedge accounting under IAS 39 were recognized in hedge accounting as cash flow hedges. The changes in fair value of these instruments are recognized in other comprehensive income and only impact profit and loss when the hedged license payments are broadcast. Hedging instruments which do not qualify for hedge accounting are to be allocated to the held-for-trading category. Changes in fair value are directly recognized in profit or loss.

As of December 31, 2010, ProSiebenSat.1 Media AG had currency forwards in its portfolio with a par value of USD 1,260.9 million (previous year: USD 778.6 million). As of the same date, it had options for the purchase of dollars covering a total nominal value of USD 75.0 million (previous year: USD 129.0 million). The market value of currency forwards is based on market forward exchange rates. Market values for currency options are measured on the basis of a standard option pricing model. Differences may arise where other methods are used. Measurement was based on market figures (mid-rates) on December 31, 2010. As at December 31, 2010, the currency holdings in US dollar amounted to USD 168.5 million (previous year: USD 123.3 million).

Maturity analysis of foreign currency hedges

	Year of maturity			Nominal amount	Fair Value	Fair Value
	2011 USD m	2012-2015 USD m	from 2016 USD m	12/31/2010 USD m	12/31/2010 EUR m	12/31/2009 EUR m
Currency forwards	401.4	859.5	- / -	1,260.9	16.0	-10.2
(thereof within cash flow hedges)	236.2	849.3	- / -	1,085.5	13.4	-7.3
Currency options	75.0	0.0	- / -	75.0	3.4	3.8
(thereof within cash flow hedges)	15.0	0.0	- / -	15.0	0.3	0.3
Currency holdings	168.5	- / -	- / -	168.5	126.0	85.6

Under hedge accounting, at December 31, 2010, EUR 13.3 million (previous year: minus EUR 9.6 million) was entered in a separate item under other comprehensive income. In 2010, EUR 8.1 million (previous year: EUR 2.9 million) was taken out from equity and allocated directly to the purchase cost of the underlying license. This impacts profit and loss at the time the relevant license is consumed. No material hedge ineffectiveness occurred either in 2010 or in the previous year.

The risk position in US dollars is assessed regularly using current market data and existing risks are quantified using sensitivity analyses. The following table shows the impact of a 10% rise in the value of the US dollar on the equivalent value in euro for future payments in US dollar. It shows the change in the impact of the exchange rate for the US dollar on cash flows in US dollar in economic terms, and is therefore not an accounting analysis. From an accounting point of view most of the resulting effects from the sensitivity analysis would initially be recognized within other comprehensive income.

USD m	12/31/2010	12/31/2009
Gross foreign currency exposure	-2,157.6	-1,664.2
Currency hedges	1,504.4	1,030.9
thereof hedge accounting	1,100.6	751.3
thereof held for trading	235.3	156.3
thereof currency holdings	168.5	123.3
Net exposure	-653.2	-633.3
Hedge ratio	69.7%	61.9%
Spot rate	1.3380	1.4405
US dollar increase by 10 %	1.2042	1.2965
EUR m		
Change in future payments resulting from a 10% increase in the US dollar	-54.2	-48.8

The reporting currency of the Group is the euro. The financial statements of companies with their registered office outside the euro zone are converted to euro for the consolidated financial statements. In the context of foreign currency management, the holdings in these companies are regarded as a long-term investment. For this reason, ProSiebenSat.1 Group does not hedge the translation risk.

Credit and counterparty risks

The ProSiebenSat.1 Group is exposed to a credit and counterparty risk from its financing and operating activities. The carrying amount of financial assets under the statement of the financial position reflects the maximum credit risk exposure.

Under financing activities credit and counterparty risks for the ProSiebenSat.1 Group normally exist in the form of losses on receivables. To minimize this risk the ProSiebenSat.1 Group attempts to enter into financial transactions as well as derivative contracts exclusively with counterparties with first-class to good credit ratings. The book value of the financial assets after impairments represents the maximum risk of the ProSiebenSat.1 Group. The Group has no significant concentration of counterparty risk in regard to any single counterparty or any clearly definable group of counterparties. At the end of the reporting period there were no significant agreements reducing the maximum counterparty risk. In total the ProSiebenSat.1 Group does not believe it is exposed to any major counterparty risk. As at December 31, 2010, the total market value of the derivative financial instruments for which the ProSiebenSat.1 Group recognizes a net positive market value per counterparty was EUR 4.8 million (previous year: EUR 1.1 million). This market value relates to several banks which have a credit rating of at least A1 from the rating agency Moody's. The maximum risk is the positive market value of these unhedged derivative financial instruments.

The ProSiebenSat.1 Group has established appropriate risk provisions against the credit and counterparty risk arising from operating activities. For this purpose all the receivables are reviewed regularly and in case of an indication of loss or other event of default impaired accordingly. Considering the net value of the trade account receivables and other financial assets, there were no indications of material payment defaults at the reporting date. For information on the aging analysis of trade accounts receivable, please refer to Note 23 "Receivables and other current assets". Information regarding major customers is to be found under Note 34 "Segment reporting".

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 sharp seasonal fluctuations in revenues. A revolving credit facility is also part of the existing credit agreement. The credit facility had an original term of seven years and maturity on July 3, 2014. As at December 31, 2010, the facility amount was EUR 581.8 million (December 31, 2009: EUR 594.7 million). As of December 31, 2010, drawings of EUR 230.0 million (previous year EUR 497.2 million) had been taken from the revolving credit facility. Including drawing on guarantees totaling EUR 26.5 million (previous year: EUR 30.8 million), EUR 325.3 million of the revolving credit facility had been drawn at December 31, 2010 (previous year: EUR 66.7 million).

In addition, as of December 31, 2010, the ProSiebenSat.1 Group had total cash and cash equivalents of EUR 740.7 million (previous year: EUR 737.4 million). Thus as of December 31, 2010, the Group had a total of EUR 1,066.0 million in cash funds and unused credit facilities (previous year: EUR 804.1 million).

As a part of the disclosure of liquidity risks, a maturity analysis is provided for non-derivative financial liabilities on the basis of remaining contractual maturities and for derivative financial liabilities based on the expected timing of cash outflows. The undiscounted contractual payments are disclosed.

The ProSiebenSat.1 Group assigned expected payments for financial instruments as of December 31, 2010 to the following maturity ranges:

EUR m	1 year or less	1- 5 years	More than 5 years	Total contractual cash flows 12/31/2010
Loans and borrowings	335.4	4,010.8	- / -	4,346.2
Liabilities from finance leases	15.4	47.4	84.4	147.2
Trade accounts payable	485.0	41.8	- / -	526.8
Non-derivative financial liabilities	835.8	4,100.0	84.4	5,020.2
Interest rate swaps	95.3	134.9	- / -	230.2
Currency forwards	1.3	7.0	- / -	8.3
Derivative financial liabilities	96.6	141.9	- / -	238.5
Total	932.4	4,241.9	84.4	5,258.7

EUR m	1 year or less	1- 5 years	More than 5 years	Total contractual cash flows 12/31/2009
Loans and borrowings	603.9	2,423.2	1,863.7	4,890.8
Liabilities from finance leases	17.6	64.5	102.5	184.6
Trade accounts payable	432.1	49.2	- / -	481.3
Non-derivative financial liabilities	1,053.6	2,536.9	1,966.2	5,556.7
Interest rate swaps	100.3	145.2	- / -	245.5
Currency forwards	5.6	6.5	- / -	12.1
Derivative financial liabilities	105.9	151.7	- / -	257.6
Total	1,159.5	2,688.6	1,966.2	5,814.3

Information on the carrying amount and market value of financial instruments

The following table shows the carrying amounts of all categories of financial assets and liabilities of the ProSiebenSat.1 Group:

		12/31/2010		12/31/2009	
EUR m	Presented as	Fair Value	Carrying amount	Fair Value	Carrying amount
Financial assets					
Cash and cash equivalents	Cash and cash equivalents	740.7	740.7	737.4	737.4
Loans and receivables	Accounts receivable and other assets	357.6	357.6	343.9	343.9
Financial assets designated at fair value*	Non-current financial assets	7.7	7.7	6.9	6.9
Financial assets held for trading	Accounts receivable and other assets	6.4	6.4	4.2	4.2
Financial assets available for sale	Current/non-current financial assets	- / -	55.5	- / -	54.3
Hedge derivatives	Accounts receivable and other assets	23.9	23.9	6.9	6.9
Total		1,136.3	1,191.8	1,099.3	1,153.6
Financial liabilities					
Financial liabilities at amortized cost	Financial liabilities	4,278.1	4,461.4	4,284.4	4,719.2
Financial liabilities held for trading	Financial liabilities	0.6	0.6	3.6	3.6
Hedge derivatives	Financial liabilities	214.6	214.6	241.1	241.1
Total		4,493.3	4,676.6	4,529.1	4,963.9

* This item includes only shares in investment funds

The fair values of cash and cash equivalents, of trade accounts receivable and payable, of current financial receivables and liabilities, and of revolving credit facilities and other financing debt are approximately equivalent to their carrying amount. This is due to the short maturity of these instruments.

The maximum risk of default for the investment funds recognized at fair value through profit and loss corresponds as at December 31, 2010 to the market value of the positions. The assets are not secured against a potential counterparty risk since considering the market conditions this risk is seen as unlikely.

The financial assets available for sale primarily include interests in Zenimax Media Inc. The interests are valued at amortized acquisition costs because the fair value of the interests cannot be determined reliably. No market price was available for the investment. In case there is evidence of impairment the recoverability of the value of the interests will be tested. At the preparation date of the financial statements, there was no intention to sell the investment.

The fair values of non-current liabilities to banks and other long-term financing debt, liabilities from finance leases, and other non-current financial liabilities are determined by discounting the expected future cash flows at the interest rates applicable for similar financial debt with comparable maturity terms.

The fair value of assets and liabilities recognized in the statement of financial position may be measured under three hierarchical levels. This hierarchy reflects the significance of the input data used for measurement, and is organized as follows:

- (Unadjusted) quoted prices on active markets for identical assets or liabilities (Level 1),

- Input data for the asset or liability that are observable either directly (as prices) or indirectly (derived from prices) but that are not quoted prices as in Level 1 (Level 2),
- Input data used for the asset or liability that are not based on observable market data (non-observable input data) (Level 3).

The following table provides information about the hierarchy levels for measuring the fair values in each category:

Fair Value hierarchies

EUR m	Level 1	Level 2	Level 3	Total 12/31/2010
Financial assets designated at fair value	7.7	- / -	- / -	7.7
Derivative financial assets	- / -	26.9	- / -	26.9
Financial assets	7.7	26.9	- / -	34.6
Derivative financial liabilities	- / -	215.1	- / -	215.1
Financial liabilities	- / -	215.1	- / -	215.1

Fair Value hierarchies

EUR m	Level 1	Level 2	Level 3	Total 12/31/2009
Financial assets designated at fair value	6.9	- / -	- / -	6.9
Derivative financial assets	- / -	11.1	- / -	11.1
Financial assets	6.9	11.1	- / -	18.0
Derivative financial liabilities	- / -	244.7	- / -	244.7
Financial liabilities	- / -	244.7	- / -	244.7

In both financial years there were neither transfers between Level 1 and Level 2 nor into or out of Level 3 of the fair value hierarchies.

34 Segment reporting

Explanatory notes to segment reporting

In accordance with IFRS 8 ("Operating Segments"), operating segments must be defined on the basis of the Company's own internal management. The organizational and reporting structure is based on management by business segments. On the basis of the reporting system, the Executive Board, as the "chief operating decision maker", evaluates the performance of the various segments and the allocation of resources.

The ProSiebenSat.1 Group reports in three segments: Free TV in German-speaking Europe, Free TV International and Diversification.

The Free TV German-speaking segment mainly comprises the Group's TV stations SAT.1, ProSieben, kabel eins, sixx and N24 (deconsolidated at June 30, 2010), as well as the SAT.1 regional companies, the sales company SevenOne Media and the Group's subsidiaries in Austria and Switzerland.

The Free TV International segment comprises advertiser-funded TV stations in the Benelux countries (Netherlands and Belgium), in Northern Europe (Denmark, Finland, Norway and Sweden) and in the Central and Eastern European region (Romania, Bulgaria and Hungary).

The Diversification segment includes activities in the field of video on demand, call TV, multimedia and merchandising in German-speaking countries ("Other Media") as well as international Radio and Print activities. The three operating segments Other Media, Radio and Print, none of which is material individually in terms of IFRS 8.11, are thus combined in the reportable segment Diversification.

Segment information

Segment information is generally based on the same accounting policies as are described under Note 6 "Accounting policies" for the consolidated financial statements under IFRS.

The Executive Board, as the chief operating decision maker, measures the segments' success on the basis of a segment result figure that is known as "recurring EBITDA" in the Company's internal management and reporting. At the same time, this earnings benchmark is a key parameter for ongoing compliance of covenant conditions at Group level. Recurring EBITDA represents EBITDA adjusted for non-recurring effects. It is defined as adjusted earnings before interest, taxes, depreciation and amortization, and impairments. Further information regarding these non-recurring effects, is presented in the management report.

Segment assets cover all assets used for operating activities. They include both intangible assets (including goodwill) and property, plant, and equipment, as well as programming assets, current assets net of income tax receivables, deferred tax credits, current financial assets and cash and cash equivalents. Segment assets are not based on internal management and reporting but are however stated on a voluntary basis as part of segment reporting.

Segment investments relate to additions to non-current assets. They comprise additions to intangible assets, to property, plant, and equipment, and to programming assets.

Depreciation and amortization apply to the assets allocated to each of the segments. A distinction is made between two separately recognized figures, depreciation or amortization and impairments. The figure does not include impairment of programming assets, financial investments or current financial assets.

Other non-cash expenses and income largely comprise consumption of programming assets, allocations to provisions, expenses from the valuation of the stock option plan, and write-downs of receivables. These expenses are offset by income from the release of provisions.

Net financial liabilities defined as segment liabilities are stated on a voluntary basis as part of segment reporting. Net financial debt is calculated as total loans and borrowing of the relevant segment minus cash and cash equivalents and current financial assets. Debt is not managed at segment level by the chief operating decision-maker. For this reason, this figure is not part of regular internal reporting. Rather debt is managed at Group level and in connection with recurring EBITDA is important for the purpose of complying with specific financial covenants. Thus this figure is provided as additional voluntary information.

In addition, non-mandatory disclosure of segment information on investments accounted for using the equity method and the relevant earnings contributions from the measurement using the equity method, interest expenses and income as well as income taxes. This information is not part of the segment result and segment assets, but is provided on a voluntary basis due to the relevance of the information.

Segment information 2010

EUR m	Segment Free TV German-speaking 2010	Segment Free TV International 2010	Segment Diversification 2010	Total Segments 2010	Eliminations 2010	Total consoli- dated financial statements 2010
Revenue	1,936.7	766.5	376.9	3,080.1	-80.1	3,000.0
External revenue	1,862.6	764.2	373.2	3,000.0	- / -	3,000.0
Internal revenue	74.1	2.3	3.7	80.1	-80.1	- / -
Recurring EBITDA	631.3	183.2	91.5	906.0	-0.1	905.9
Recurring EBITDA margin	32.6%	23.9%	24.3%	29.4%	- / -	30.2%
Income from investments account- ed for using the equity method*	2.3	- / -	-13.6	-11.3	- / -	-11.3
Interest and similar income*	7.4	5.6	3.4	16.4	-11.3	5.1
Interest and similar expenses*	142.3	82.8	10.9	236.0	-11.3	224.7
Income taxes*	118.6	-15.0	7.1	110.7	- / -	110.7
Depreciation and amortization	32.2	60.7	37.0	129.9	-0.1	129.8
Impairment	5.0	0.0	3.3	8.3	- / -	8.3
thereof goodwill	- / -	- / -	- / -	- / -	- / -	- / -
Other non-cash expenses (-) and income (+)	-858.0	-294.0	-10.9	-1,162.9	0.3	-1,162.6
Segment assets*	1,802.6	2,846.5	974.4	5,623.5	-233.5	5,390.0
thereof goodwill	444.4	1,330.3	580.4	2,355.1	- / -	2,355.1
Segment investments	933.6	351.6	25.2	1,310.4	-0.4	1,310.0
Investments accounted for using the equity method*	0.0	0.8	0.3	1.1	- / -	1.1
Segment liabilities*	1,619.0	1,422.3	89.7	3,131.0	-110.0	3,021.0

* This segment information is stated on a voluntary basis as part of segment reporting.

Segment information 2009

EUR m	Segment Free TV German-speaking 2009	Segment Free TV International 2009	Segment Diversification 2009	Total Segments 2009	Eliminations 2009	Total consoli- dated financial statements 2009
Revenue	1,753.8	707.8	369.5	2,831.1	-70.3	2,760.8
External revenue	1,698.0	705.2	357.6	2,760.8	- / -	2,760.8
Internal revenue	55.8	2.6	11.9	70.3	-70.3	- / -
Recurring EBITDA	457.9	158.2	80.4	696.5	0.0	696.5
Recurring EBITDA margin	26.1%	22.4%	21.8%	24.6%	- / -	25.2%
Income from investments account- ed for using the equity method*	2.8	- / -	-7.5	-4.7	- / -	-4.7
Interest and similar income*	6.3	21.8	4.7	32.8	-26.3	6.5
Interest and similar expenses*	169.5	86.7	7.2	263.4	-26.3	237.1
Income taxes*	74.1	7.4	-0.7	80.8	- / -	80.8
Depreciation and amortization	31.6	58.0	35.9	125.5	-0.1	125.4
Impairment	- / -	- / -	22.1	22.1	- / -	22.1
thereof goodwill	- / -	- / -	- / -	- / -	- / -	- / -
Other non-cash expenses (-) and income (+)	-841.8	-262.8	-8.3	-1,112.9	-3.1	-1,116.0
Segment assets*	1,758.8	2,750.5	1,025.4	5,534.7	-295.9	5,238.8
thereof goodwill	434.1	1,289.6	571.4	2,295.1	- / -	2,295.1
Segment investments	929.0	377.2	35.0	1,341.2	-0.4	1,340.8
Investments accounted for using the equity method*	0.2	0.8	1.1	2.1	- / -	2.1
Segment liabilities*	1,879.9	1,467.2	72.3	3,419.4	-124.8	3,294.6

* This segment information is stated on a voluntary basis as part of segment reporting.

The reconciliation between the segment values and the consolidated values is shown below:

EUR m	2010	2009
Revenue		
Revenue from reportable segments	3,080.1	2,831.1
Eliminations	-80.1	-70.3
Consolidated revenue	3,000.0	2,760.8
Recurring EBITDA		
Recurring EBITDA of reportable segments	906.0	696.5
Eliminations	-0.1	0.0
Group recurring EBITDA	905.9	696.5
Non-recurring result	-98.3	-73.5
Financial result	-240.5	-242.4
Depreciation and amortization	-129.8	-125.4
Impairment	-8.3	-22.1
Consolidated profit before taxes	429.0	233.1
Other non-cash income/expenses		
Other non-cash income/expenses of reportable segments	1,162.9	1,112.9
Eliminations	-0.3	3.1
Other Group non-cash expenses	1,162.6	1,116.0
thereof consumption of programming assets	1,077.7	1,068.6
thereof other	84.9	47.4
Assets		
Total assets of reportable segments	5,623.5	5,534.7
Eliminations	-233.5	-295.9
Group's segment assets	5,390.0	5,238.8
Investments accounted for using the equity method	1.1	2.1
Non-current financial assets	63.0	61.0
Deferred tax assets	87.1	90.1
Current financial assets	0.2	0.1
Cash and cash equivalents	740.7	737.4
Current tax assets	34.2	45.2
Group assets	6,316.3	6,174.7
Segment investments		
Investments of reportable segments	1,310.4	1,341.2
Eliminations	-0.4	-0.4
Group's segment investments	1,310.0	1,340.8
thereof investments in programming assets	1,233.5	1,227.2
thereof investments in property, plant and equipment	32.9	58.1
thereof investments in intangible assets	43.6	55.5

The eliminations include consolidation of business transactions between the segments as well as certain reconciliation and reclassification items. The reconciliation figures show values that by definition are not integral to the segments. Transactions between segments are eliminated in the reconciliation. These are generally conducted on arm's length terms.

Entity-wide disclosures for the ProSiebenSat.1 Group are provided below. Here the breakdown is on the basis of the German-speaking region (Germany, Austria, Switzerland), B/NL (Belgium and the Netherlands), Nordic (Denmark, Finland, Norway, Sweden), and Central and Eastern Europe (Bulgaria, Greece, Romania, Hungary).

Entity-wide disclosures

Geographical breakdown	German-speaking		B/NL		Nordic		CEE		Total consolidated financial statements	
EUR m	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External revenues	2,091.7	1,918.0	407.4	391.8	398.5	335.0	102.4	116.0	3,000.0	2,760.8
Non-current assets	2,264.5	2,102.9	1,122.4	1,117.0	990.8	914.3	389.3	413.9	4,767.0	4,548.1
Investments	948.6	956.5	140.4	166.8	165.4	159.3	55.6	58.2	1,310.0	1,340.8

Non-current assets reported under the entity-wide disclosures include intangible assets, property, plant and equipment as well as non-current programming assets.

In 2010, EUR 1,944.7 million (previous year: 1,796.5 million) external revenues were generated in Germany. This corresponds to a share of 64.8% (previous year: 65.1 %) from consolidated revenues. Revenues are attributed to the country of the company that provided the service.

The share of non-current segment assets attributable to Germany amounted to 47.3% in 2010 (previous year: 46.0%).

More than 10% of consolidated revenues were generated with each of two clients in the financial period 2010 (Client A 2010: EUR 526.8 million, previous year: EUR 437.6 million; Client B 2010: EUR 335.1 million, previous year: EUR 325.7 million). These revenues are allocated in various proportions to all the segments.

35 Stock option plans

As of December 31, 2010, ProSiebenSat.1 Media AG had three stock option plans. The 2005 Long Term Incentive Plan (LTIP 2005) was introduced by consent of the shareholders' meeting of May 13, 2005, the 2008 Long Term Incentive Plan (LTIP 2008) was introduced by consent of the shareholders' meeting of June 10, 2008 and the Long Term Incentive Plan 2010 (LTIP 2010) was introduced by consent of the shareholders' meeting of June 29, 2010. The stock option plans are share-based payments with ProSiebenSat.1 Media AG having the option in respect to the type of fulfillment. As there is no current obligation on the part of ProSiebenSat.1 Media AG to effect remuneration on the basis of a cash settlement, remuneration is accounted for on an equity settlement basis. Each stock option carries the right to purchase one preferred share of ProSiebenSat.1 Media AG stock in return for payment of an exercise price.

Number of stock options

As of December 31, 2010, a total of 96,834 non-forfeited stock options were still outstanding under LTIP 2005, all of which had been granted in 2006 (Cycle 2006). No further options will be granted under LTIP 2005.

LTIP 2008 covers the grant of up to another 4,900,000 options. If options already granted expire unexercised, the number of stock options which can potentially be granted increases by the number of these expired unexercised options. A total of 4,396,750 stock options were issued under LTIP 2008 up to December 31, 2009. Of these stock options, 608,250 expired in 2010. As of December 31, 2010, 3,788,500 stock options were outstanding.

LTIP 2010 covers the grant of up to another 2,000,000 options. If granted options expire unexercised, the number of stock options increases by the number of expired unexercised options. A total of 587,500 stock options were issued under LTIP 2010 (Cycle 2010) in 2010.

Beneficiaries

The stock options are intended exclusively for purchase by members of the Executive Board of ProSiebenSat.1 Media AG, senior members of other managements, and other selected executives of ProSiebenSat.1 Media AG and its dependent Group companies. As an exception to this rule, members of the Executive Board are not beneficiaries in the context of LTIP 2010. The individual beneficiaries and the number of stock options to be granted to them are decided by the Executive Board of ProSiebenSat.1 Media AG, subject to the consent of the Supervisory Board, or - where the Executive Board members themselves are concerned - by the Supervisory Board.

Issue periods

The stock options for LTIP 2008 were issued in one or more annual portions. Options must be issued during the first three months of a calendar year and/or during the period between the annual meeting of the Company's shareholders and the end of the calendar year. Stock options under LTIP 2008 were issued for the first time in 2008 and could not be issued after 2009.

The stock options for LTIP 2010 may be issued in one or two annual portions. Options may only be issued during the first four months of a calendar year and/or during the period between the annual meeting of the Company's shareholders and the end of the calendar year. Stock options under LTIP 2010 may be issued for the first time in 2010 and cannot be issued after 2011.

Exercise periods

Stock options may be exercised only when a vesting period has elapsed at the time of exercise. This vesting period starts on January 1 of the year in which the pertinent stock options are issued. The vesting period has already expired for the options granted under LTIP 2005. For stock options issued under LTIP 2008 and LTIP 2010, the vesting period for one-fifth of the options issued to a given beneficiary will expire at the end of each full year after January 1 of the year in which the options were issued. Furthermore, the statutory lock-up period of two years (LTIP 2008) and four years (LTIP 2010) from the grant date of the options must have expired at the time of exercise.

If unexercised, stock options issued under LTIP 2005 will expire without compensation six years after January 1 of the year in which they were granted, and those under LTIP 2008 and LTIP 2010 will expire without compensation seven years after January 1 of the year in which they were granted.

Exercise price

The exercise price for the LTIP 2005 (Cycle 2006) stock options is the volume 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 options were issued.

The exercise price for the LTIP (Cycle 2008) stock options is EUR 16. In the event that the volume 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%, the strike price for the options concerned is to be increased by the amount in excess of 200%.

The exercise price for the LTIP 2008 (Cycle 2009) stock options is the volume 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 options were issued.

In the event that the volume weighted average closing auction price of ProSiebenSat.1 preferred stock in trading on the Xetra system (or a comparable successor 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 EUR 20, the strike price for the options concerned is to be increased by the amount in excess of EUR 20.

The exercise price for the LTIP 2010 (Cycle 2010) stock options is EUR 17.50. In the event that the volume weighted average closing auction price of ProSiebenSat.1 preferred stock in trading on the Xetra system (or a comparable successor 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%, but exceeds at least EUR 30, the strike price for the options concerned is to be increased by the amount in excess of this threshold.

In addition, to protect option holders in the event of changes in the Company's share capital, dividend distributions, and other measures that may dilute the options' value, the strike price may be adjusted accordingly.

Performance target

As a performance target for the LTIP 2005 (2006 Cycle), the LTIP 2008 (2009 Cycle) and the LTIP 2010 (Cycle 2010), stock option plans are to specify that the stock's trading price at the time of exercise of the options must exceed the strike price by at least 30%. As an exception from this rule, the performance target for the LTIP 2008 (2008 Cycle) options will be achieved when the stock's trading price is at least EUR 22.40 at the time of exercise of the options.

The following table provides information about the ProSiebenSat.1 Media AG stock option plan:

Stock option plans

	LTIP 2005	LTIP 2008	LTIP 2008	LTIP 2010
	Cycle 2006	Cycle 2008	Cycle 2009	Cycle 2010
As of January 1, 2010	1,127,500	1,399,250	2,997,500	- / -
Options granted in 2010	- / -	- / -	- / -	587,500
Options exercised in 2010	1,030,666	- / -	- / -	- / -
Options expired or forfeited in 2010	- / -	194,750	413,500	- / -
As of December 31, 2010	96,834	1,204,500	2,584,000	587,500
thereof: eligible for exercise on December 31, 2010	96,834	481,800	n.n.a*	n.n.a*
Exercise price in EUR	13.99	16.00	1.58	17.50
Absolute exercise hurdle in EUR	18.19	22.40	2.05	22.75
Maximum exercise gain in EUR	27.98	32.00	20.00	35.00
Issue periods**	August 2	July 15 to November 30	July 3 to December 30	August 1 to November 1
Fair value per option in EUR***	5.99 - 6.07	0.13 - 0.19	1.97 - 5.71	2.63 - 4.77
Expected volatility of the preferred share	26.0%	50.0%	70.0%	60.0% - 65.0%
Risk-free interest rate***	3.75%	4.32% - 4.34%	1.79% - 2.68%	1.54% - 1.90%
Expected dividend yield	2.4%	16.0%	2.0% - 3.0%	4.0% - 5.5%
Vesting period****	March 6, 2007	December 31, 2008	December 31, 2009	December 31, 2010
End of exercise period	December 31, 2011	December 31, 2014	December 31, 2015	December 31, 2016

* Not yet exercisable

** Issue in several tranches

*** Depending on when vesting period occurs and exercise time

**** LTIP 2008 and LTIP 2010: Earliest end of vesting period for the first fifth of issued options (each additional fifth is one year later).

With regard to the exercise date of stock options, for the LTIP 2010 a statutory lock-up period of four years from the issue date of the options must also be observed. Furthermore, for the LTIP 2005 and LTIP 2008 the statutory lock-up period is two years from the grant date of the options.

ProSiebenSat.1 Media AG uses the binomial model of Cox/Ross/Rubinstein to calculate the financial valuation of stock options. The assumptions used in the valuation of the stock options (volatility, expected dividend yield, interest rate) reflect the market conditions as at the valuation date.

The weighted average of the fair value of the stock options granted in 2010 was EUR 2.82 at the reporting date (previous year: EUR 2.62).

The weighted average price of the ProSiebenSat.1 Media AG preferred stock on the exercise days of the stock options of Cycle 2006 in November and December 2010 was EUR 21.71.

The expense for financial year 2010 came to EUR 2.1 million (previous year: EUR 3.8 million), and is recognized under personnel expenses.

36 Executive Board and Supervisory Board

In the context of disclosure requirements on related parties the following information is provided on the total amount of remuneration paid to groups of related parties defined as "Executive Board" and "Supervisory Board".

The members of the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG are listed on page 186, together with their memberships on other statutorily required supervisory boards and comparable bodies. Details of the system of compensation for members of the Executive Board and the Supervisory Board of ProSiebenSat.1 Media AG are explained on pages 34 to 39.

The members of the Executive Board also participate in a ProSiebenSat.1 Media AG stock option plan (the Long Term Incentive Plan or LTIP), which was first introduced in 2005 and was most recently renewed in 2010. For LTIP 2010, members of the Executive Board are not beneficiaries for the first time. As of December 31, 2010, the members of the Executive Board held no stock options issued in 2006 (Cycle 2006) (previous year: 149,500), 300,000 options issued in 2008 (Cycle 2008) (previous year: 405,000) and 1,100,000 options issued in 2009 (Cycle 2009) (previous year: 1,205,000). In 2010, 29,500 options were exercised by active members of the Executive Board (previous year: none). In line with the individual vesting period, some of the stock options issued in 2008 can be exercised from July 2010 at the earliest and the options issued in 2009 cannot be exercised until July 2011 at the earliest.

The Company has not extended loans, guaranties or warranties to the members of the Executive Board.

Compensation paid to members of the Executive Board of ProSiebenSat.1 Media AG in office on December 31, 2010 came to EUR 4.2 million (previous year: EUR 4.1 million). These figures include both a variable component of EUR 1.8 million (previous year: EUR 1.9 million) and fringe benefits of EUR 0.0 million (previous year: EUR 0.0 million).

Executive Board members who left the company in 2010 received total compensation of EUR 1.9 million in the financial year 2010. Of that amount, EUR 0.4 million was for fixed components and EUR 0.1 million for variable elements. In connection with their leaving the Company, a payment of EUR 0.2 million was paid for prohibition of competition and EUR 1.2 million as a severance payment. Total expenditure of EUR 5.8 million was incurred in the previous year for members of the Executive Board who left the Company in 2009.

ProSiebenSat.1 Media AG has set aside pension provisions totaling EUR 0.8 million (previous year: EUR 0.5 million) for pension commitments to active members of the Executive Board. As of December 31, 2010, pension provisions for former members of the Executive Board came to EUR 8.3 million (previous year: EUR 7.5 million).

The accrued pension entitlement as of December 31, 2010 was EUR 0.1 million (previous year: EUR 0.1 million) per year for active members of the Executive Board, and EUR 0.3 million (previous year: EUR 0.3 million) per year for former Executive Board members. Payments of EUR 0.3 million (previous year: EUR 0.3 million) were made to former members of the Executive Board in 2010. Funds have been endowed to guarantee these pension provisions which however are not classified as plan assets because the requirements of IFRS are not fulfilled.

Payments to management, except for pension entitlements, are all payable short-term.

Expenses for the Supervisory Board of ProSiebenSat.1 Media AG came to EUR 0.7 million in the year under review (previous year: EUR 0.8 million). The members of the Supervisory Board receive a fixed compensation. The Chairman and Vice Chairman of the Supervisory Board each receive twice the amount of this fixed base figure. Members of the Supervisory Board's committees are compensated with a separate meeting honorarium, payable for participating at each committee meeting. Committee chairs receive twice the standard meeting honorarium. The compensation of the Supervisory Board is set in the articles of incorporation of ProSiebenSat.1 Media AG.

Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during the financial years 2010 and 2009.

Altogether, the current members of the Executive Board and Supervisory Board directly hold 1,098,078 (previous year: 1,304,578) shares of preferred stock in ProSiebenSat.1 Media AG as of December 31, 2010. This is equivalent to 0.5% (previous year: 0.6%) of the Company's share capital.

For information on the individual remuneration of members of the Executive Board and the Supervisory Board in line with Section 314 (1) No. 6 a sentence 5 through 9 of the German Commercial Code, refer to the disclosures in the compensation report which forms part of the Group management report.

Under Section 15a of the German Securities Trading Act (WpHG) and Item 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 2010, two transactions were reported to ProSiebenSat.1 Media AG, in which members of the Executive Board sold a total of 229,500 preferred shares of ProSiebenSat.1 Media AG. In compliance with Section 15a of the Securities Trading Act, ProSiebenSat.1 Media AG reported these transactions immediately on its website, www.prosiebensat1.com. In the previous year, one member of the then Executive Board sold 13,000 preferred shares.

37 Related party transactions

For the ProSiebenSat.1 Group, related parties within the meaning of IAS 24 are persons or entities who have control or a significant influence over the ProSiebenSat.1 Group, or over which the ProSiebenSat.1 Group has control or a significant influence. Accordingly, the direct and indirect parent companies of ProSiebenSat.1 Media AG, the members of the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG, and joint ventures and associates of the ProSiebenSat.1 Group are considered as related parties.

The ProSiebenSat.1 Group is controlled by Lavena Holding 5 GmbH, Munich, a non-operating holding company, which holds 88.0% of the common stock of ProSiebenSat.1 Media AG. In addition, the direct and indirect shareholders of Lavena 5 GmbH have a significant influence over the ProSiebenSat.1 Group. This includes the following companies:

- Lavena Holding 1 GmbH, Munich
- Lavena Holding 4 GmbH, Munich
- Lavena 1 S.à r.l., Luxembourg
- Lavena 2 S.à r.l., Luxembourg
- Lavena 3 S.à r.l., Luxembourg

Related parties do not include the funds advised by Kohlberg Kravis Roberts & Co. L.P. (KKR) and Permira Beteiligungsberatung GmbH that control the Lavena holding entities as these funds can only exercise joint control.

Transactions with subsidiaries included in the consolidated financial statements are eliminated in the consolidation process and are not explained further.

All related parties that are controlled by the ProSiebenSat.1 Group, or over which the Group may exercise a significant influence, are listed among the shareholdings on pages 181 through 185, along with the percentage interest held.

Effective September 1, 2007, ProSiebenSat.1 Media AG signed a services management agreement for business services with Lavena Holding 1 GmbH, Lavena Holding 4 GmbH and Lavena Holding 5 GmbH jointly. The agreed compensation is consistent with the prevailing market terms for comparable services. The total charges for 2010 amounted to EUR 0.5 million (previous year: EUR 0.4 million). As of December 31, 2010, ProSiebenSat.1 Media AG's receivable was EUR 0.1 million (previous year: EUR 0.1 million). Lavena Holding 1 GmbH and Lavena Holding 4 GmbH are indirect majority shareholders of ProSiebenSat.1 Media AG, and Lavena Holding 5 GmbH is the direct majority shareholder of ProSiebenSat.1 Media AG.

Under a share participation plan introduced in the financial year 2008 the members of the Executive Board as well as selected executives of ProSiebenSat.1 Media AG were given a one-off opportunity to participate indirectly in ProSiebenSat.1 Media AG. This indirect share participation was executed via a German limited partnership which for this purpose acquired at fair market value preferred stock of ProSiebenSat.1 Media AG. Financing of the share purchase was carried out by capital investment of the participants as well as a market-term-based loans issued by Lavena 3 S.à r.l. to the limited partnership. Under this share participation plan the participants take part in the share price development of the preferred stock of ProSiebenSat.1 Media AG. The issued loan is assigned to every participant based on their share in the limited partnership and is to be paid back in full at the end of the loan period irrespective of the share price development. The structure of this participation program is designed in such a way that there is no impact on earnings, no liability and no contingent liability for the ProSiebenSat.1 Group.

Joint ventures and associated companies

ProSiebenSat.1 Media AG conducts transactions with some of its joint ventures and associates in the normal course of business. In these transactions, the Company buys and sells products and services on prevailing market terms.

Revenue and other income from transactions with joint ventures and associated companies in 2010 totaled EUR 42.6 million (previous year: EUR 43.1 million). Received goods and services and other expenses for transactions with joint ventures and associates in 2010 totaled EUR 7.9 million (previous year: EUR 13.5 million).

As of December 31, 2010, receivables from joint ventures and associates amounted to EUR 34.5 million (previous year: EUR 30.1 million). Liabilities of EUR 1.2 million to these companies were recognized (previous year: EUR 2.4 million).

The amounts outstanding from joint ventures and associated companies are not secured with collateral and will be paid in cash. As a part of related-party connection, ProSiebenSat.1 Media AG has agreed to support the operations of one of its joint ventures by guaranteeing contractual and fixed loan amounts until the end of financial year 2011.

38 Group affiliation

The immediate parent company of the Group of ProSiebenSat.1 Media AG is Lavena Holding 5 GmbH. The ultimate parent company of the ProSiebenSat.1 Group is Lavena 1 S.à r.l., of Luxembourg. ProSiebenSat.1 AG is included in the consolidated financial statements of Lavena 1 S.à r.l., of Luxembourg.

There was no publication of ownership interests in the financial year to December 31, 2010.

In the previous year, in line with Section 26 (1) of the German Securities Trading Act the following ownership interest disclosure was published by ProSiebenSat.1 Media AG on September 25, 2009. It can be viewed on the Company website in the Annual Document required under Section 10 of the German Securities Trading Act.

The Company was notified on September 21, 2009, pursuant to Section 21 Paragraph 1 and Section 22 of the German Securities Trading Act that the proportion of voting rights of Permira Holdings LLP, London, UK, held in the Company has gone below the limits of 75%, 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% and amounts to 0.00% (no voting rights) on this day.

Permira Holdings LLP has clarified that the proportions of voting rights of all other companies, of which their former proportion of voting rights with the Company has been attributed to the notification company, are not affected by the shortfall of the above-mentioned limits of the registrant. The controlling company in the existing structure is now Permira Holdings Limited instead of Permira Holdings LLP.

39 Professional fees of the independent auditor

The professional fees for the services of the Group auditor, KPMG AG Wirtschaftsprüfungsgesellschaft with its affiliated companies, totaled EUR 3.4 million for financial period 2010 (previous year: EUR 3.1 million). Of the total, EUR 1.5 million was for audit services for the financial statements (previous year: EUR 1.8 million), EUR 0.4 million for other audit-related services (previous year: EUR 0.6 million), EUR 0.1 million for tax advisory services (previous year: EUR 0.0 million) and EUR 1.4 million for other services (previous year: EUR 0.7 million).

40 Events after the reporting period

Acquisition of maxdome GmbH & Co. KG

Effective January 1, 2011, ProSiebenSat.1 Media AG acquired the remaining 50% interest in maxdome GmbH & Co. KG, Unterföhring, from 1 & 1 Internet AG. From this date, as a result of acquiring control over the joint venture previously reported for using the equity method was fully consolidated. With the acquisition, the ProSiebenSat.1 Group strengthened its market position in the video-on-demand area. The company was allocated to the Diversification segment. The purchase price in line with IFRS 3 contains an agreement with the seller of the acquired interest on a media cooperation. At acquisition the fair value of this agreement amounted to EUR 5.4 million. In addition, the acquisition resulted in a gain of EUR 3.1 million in financial year 2011 from the remeasurement of the previously held 50% interest. This gain was recognized under the other financial result. Purchase considerations include a payment due in 2014 measured at the discounted amount of EUR 8.2 million and a payment of EUR 6.0 million made at the end of 2010.

The business combination settles a pre-existing lender and borrower relationship between SevenSenses, an entity of the ProSiebenSat.1 Group (as lender) and maxdome (as borrower). The pre-existing relationship is effectively settled due the elimination of intercompany receivables and liabilities in Group consolidation. The settlement lead to recognition of gain of EUR 15.1 million from the difference between the carrying amount of the receivable in the financial statements of SevenSenses and respective liability in the financial statements of maxdome.

In connection with the purchase price allocation, for maxdome GmbH & Co. KG there were impairments on intangible assets in the financial statements to December 31, 2010. These had already been reflected in the carrying values of maxdome at acquisition date.

The following table describes the financial impact of this business combination on the consolidated financial statements of the ProSiebenSat.1 Group as of January 1, 2011.

EUR m	Carrying amount at acquisition	Step up	Fair value at acquisition
Goodwill	- / -	42.8	42.8
Other intangible assets	3.9	- / -	3.9
Other non-current assets	0.1	- / -	0.1
Current assets	11.7	- / -	11.7
Provisions and liabilities, including deferred taxes	-35.8	- / -	-35.8
Purchase price per IFRS 3			22.7

The goodwill, of which EUR 12.7 million is expected to be deductible for tax purposes, consists of potential synergies, strategic development potential as well as the ongoing enhancements of the existing platform including the allotment of new business areas.

Major shareholder sells shares

On January 13, 2011, Lavena Holding 5 GmbH sold 8 million preferred shares of ProSiebenSat.1 Media AG.

Release date for publication

The Supervisory Board will release the consolidated financial statements for publication on March 23, 2011.

March 21, 2011

The Executive Board

ProSiebenSat.1 Group at December 31, 2010

No.	Company	Location	Share in %	Held via
Affiliated companies				
1	ProSiebenSat.1 Media AG	Unterföhring	100.00	
Germany				
2	9Live Fernsehen GmbH*	Unterföhring	100.00	1
3	9Live International GmbH*	Unterföhring	100.00	2
4	ArtMerchandising & Media AG*	Unterföhring	100.00	14
5	Autoplenum GmbH	Unterföhring	100.00	44
6	Fem Media GmbH*	Munich	100.00	44
7	kabel eins Fernsehen GmbH*	Unterföhring	100.00	27
8	lokalisten media GmbH	Munich	93.33	44
9	Magic Flight Film GmbH	Munich	100.00	17
10	MAGIC Internet GmbH	Berlin	100.00	11
11	MAGIC Internet Holding GmbH*	Berlin	100.00	44
12	Meteos TV Holding GmbH	Unterföhring	100.00	55
13	MM MerchandisingMedia GmbH*	Unterföhring	100.00	4
14	MM MerchandisingMedia Holding GmbH*	Unterföhring	100.00	1
15	P7S1 Erste SBS Holding GmbH*	Unterföhring	100.00	1
16	P7S1 Zweite SBS Holding GmbH*	Unterföhring	100.00	1
17	Producers at work GmbH	Potsdam	74.90	34
18	ProSieben Digital Media GmbH*	Unterföhring	100.00	1
19	ProSieben Television GmbH*	Unterföhring	100.00	27
20	ProSiebenSat.1 Achte Verwaltungsgesellschaft mbH*	Unterföhring	100.00	1
21	ProSiebenSat.1 Applications GmbH*	Unterföhring	100.00	1
22	ProSiebenSat.1 Elfte Verwaltungsgesellschaft mbH*	Unterföhring	100.00	20
23	ProSiebenSat.1 Erste Verwaltungsgesellschaft mbH*	Unterföhring	100.00	1
24	ProSiebenSat.1 Fünfzehnte Verwaltungsgesellschaft mbH*	Unterföhring	100.00	1
25	ProSiebenSat.1 Produktion GmbH*	Unterföhring	100.00	1
26	ProSiebenSat.1 Sechzehnte Verwaltungsgesellschaft mbH*	Unterföhring	100.00	20
27	ProSiebenSat.1 TV Deutschland GmbH*	Unterföhring	100.00	1
28	ProSiebenSat.1 Vierzehnte Verwaltungsgesellschaft mbH*	Unterföhring	100.00	1
29	ProSiebenSat.1 Welt GmbH	Unterföhring	100.00	1
30	ProSiebenSat.1 Zehnte Verwaltungsgesellschaft mbH*	Unterföhring	100.00	20
31	ProSiebenSat.1 Zwölfte Verwaltungsgesellschaft mbH*	Unterföhring	100.00	20
32	PS Event GmbH	Cologne	67.00	33
33	PSH Entertainment GmbH*	Unterföhring	100.00	1
34	Red Arrow Entertainment Group GmbH*	Unterföhring	100.00	1
35	Redseven Artists GmbH*	Unterföhring	100.00	36
36	RedSeven Entertainment GmbH*	Unterföhring	100.00	34
37	Sat.1 Bayern GmbH*	Unterföhring	100.00	52
38	Sat.1 Norddeutschland GmbH*	Hannover	100.00	39
39	Sat.1 Satelliten Fernsehen GmbH*	Unterföhring	100.00	27
40	Seven Digital Ventures GmbH*	Unterföhring	100.00	18
41	Seven Scores Musikverlag GmbH*	Unterföhring	100.00	1
42	SevenOne AdFactory GmbH*	Unterföhring	100.00	43
43	SevenOne Brands GmbH*	Unterföhring	100.00	1
44	SevenOne Intermedia GmbH*	Unterföhring	100.00	18
45	SevenOne International GmbH*	Unterföhring	100.00	34
46	SevenOne Media GmbH*	Unterföhring	100.00	43
47	SevenPictures Film GmbH*	Unterföhring	100.00	27
48	SevenSenses GmbH*	Unterföhring	100.00	1
49	Sixx GmbH	Unterföhring	100.00	27
50	Starwatch Entertainment GmbH*	Unterföhring	100.00	14

**Company meets the requirements of Section 264 (3) of the German Commercial Code and exercises the option to be exempted from certain requirements on the preparation, auditing and disclosure of the annual financial statements and the financial report

ProSiebenSat.1 Group at December 31, 2010

No.	Company	Location	Share in %	Held via
Affiliated companies				
Germany				
51	Teledirekt Vermarktungsgesellschaft für Fernsehempfang mbH*	Unterföhring	100.00	1
52	tv weiss-blau Rundfunkprogrammanbieter GmbH*	Unterföhring	100.00	39
53	wer-weiss-was GmbH	Hamburg	100.00	44
54	Wetter Fernsehen - Meteos GmbH	Singen	100.00	12
55	wetter.com AG	Singen	72.97	44
Austria				
56	ProSieben Austria GmbH	Vienna	100.00	60
57	Puls 4 TV GmbH	Vienna	100.00	60
58	PULS 4 TV GmbH & Co. KG	Vienna	100.00	60
59	SAT.1 Privatrundfunk und -programmgesellschaft m.b.H	Vienna	51.00	39
60	SevenOne Media Austria GmbH	Vienna	100.00	43
Belgium				
61	EBS International N.V.	Zaventem	100.00	101; 105
62	SBS Belgium N.V.	Zaventem	100.00	61; 101
63	SBS Media Belgium N.V.	Zaventem	100.00	61; 101
64	Sultan Sushi CVBA	Mechelen	51.08	34
65	VT4 Marketing & Sales N.V.	Zaventem	100.00	61; 101
Bulgaria				
66	Agency Atlantic EOOD	Sofia	100.00	73
67	Agency Vitosha EOOD	Sofia	100.00	73
68	Evroark EOOD	Sofia	100.00	73
69	Niknet EOOD	Sofia	100.00	73
70	Radio Express EAD	Sofia	100.00	67
71	Radio Veselina EAD	Sofia	100.00	101
72	Ritmo Plovdiv EOOD	Plovdiv	100.00	73
73	Vitosha FM EOOD	Sofia	100.00	101
Denmark				
74	Kommunikationsanpartsselskabet af 2/4 1990	Arhus C.	100.00	76
75	Radio Nova A/S	Copenhagen	80.00	77
76	Radioreklame A/S	Arhus C.	100.00	78
77	SBS Broadcast Danmark A/S	Skovlunde	100.00	62
78	SBS Radio A/S	Copenhagen	80.00	77
79	SBS TV A/S	Skovlunde	100.00	77
80	VOICE TV ApS	Copenhagen	100.00	78
Finland				
81	Miracle Sound Oulu Oy	Oulu	100.00	82
82	Miracle Sound Oy	Helsinki	66.33	82; 84
83	Miracle Sound Tampere Oy	Helsinki	100.00	82; 84
84	Pro Radio Oy	Helsinki	100.00	62
85	SBS Finland Oy	Helsinki	100.00	84
86	Turun Ensitorppa Oy	Helsinki	100.00	84
87	TV5 Finland Oy	Helsinki	100.00	84
Greece				
88	Anonimi Radiofoniki Etairia Lampsi A.E. (Lampsi Radio Company S.A.)	Athens	100.00	154
89	Hellas Radio Services Ltd.	Athens	100.00	101

**Company meets the requirements of Section 264 (3) of the German Commercial Code and exercises the option to be exempted from certain requirements on the preparation, auditing and disclosure of the annual financial statements and the financial report

ProSiebenSat.1 Group at December 31, 2010

No.	Company	Location	Share in %	Held via
Affiliated companies				
Hungary				
90	INTERAKTÍV Televíziós Műsorkészítő Kft.	Budapest	100.00	101
91	INTERAKTÍV-FICTION M sorkészít és Filmgyártó Kft.	Budapest	100.00	90
92	MTM Produkció Műsorgyártó és Filmforgalmazó Kft.	Budapest	100.00	101; 105
93	MTM-SBS Televízió Zrt.	Budapest	97.51	101
94	SBS Magyarországi Befektetési Kft.	Budapest	100.00	101
Luxembourg				
95	European Broadcasting System S.à r.l.	Luxembourg	100.00	101
96	P7S1 Broadcasting S.à r.l.	Luxembourg	100.00	15; 16
The Netherlands				
97	AT Fun B.V.	Amsterdam	100.00	105
98	Carthage I B.V.	Amsterdam	100.00	105
99	CBO Media B.V.	Amsterdam	100.00	105
100	SBS Broadcasting B.V.	Amsterdam	100.00	105
101	SBS Broadcasting Europe B.V.	Amsterdam	100.00	103
102	SBS Broadcasting Holding I B.V.	Amsterdam	100.00	96
103	SBS Broadcasting Holding II B.V.	Amsterdam	100.00	102
104	SBS Finance B.V.	Amsterdam	100.00	101
105	SBS Nederland B.V.	Amsterdam	100.00	101
106	SBS Productions B.V.	Amsterdam	100.00	100
107	SBS Publishing & Licensing B.V.	Amsterdam	100.00	100
108	Stichting Administratiekantoor Melida (in liquidation)	Amsterdam	100.00	96
109	Sultan Sushi B.V.	Amsterdam	100.00	34
110	V8 Broadcasting B.V.	Amsterdam	100.00	100
111	Veronica Broadcasting V.O.F.	Amsterdam	100.00	98; 110
112	Veronica Litho B.V.	Hilversum	100.00	100
113	Veronica Uitgeverij B.V.	Hilversum	100.00	100
Norway				
114	Cutting Edge Production AS	Oslo	100.00	117
115	Radiostasjonen Radio Norge AS	Oslo	100.00	117
116	SBS Norge AS	Oslo	100.00	62
117	SBS Radio Norge AS	Oslo	100.00	62
118	THE VOICE TV NORGE AS	Oslo	100.00	117
119	TVNorge AS	Oslo	100.00	116
Republic of Moldavia				
120	ICS SBS Broadcasting S.R.L.	Kischinau	100.00	125
Romania				
121	MyVideo Broadband S.R.L.	Bucharest	100.00	11
122	S.C. Canet Radio S.R.L.	Bucharest	20.00	125
123	S.C. Media Group Services International S.R.L.	Bucharest	100.00	105; 125
124	S.C. Prime Time Productions S.R.L.	Bucharest	100.00	105; 125
125	S.C. SBS Broadcasting Media S.R.L.	Bucharest	100.00	151; 153; 154
Sweden				
126	E-FM Sverige AB	Stockholm	100.00	128
127	Eskilstuna SBS Radio AB	Stockholm	70.00	140
128	Euradio i Sverige AB	Stockholm	100.00	143

ProSiebenSat.1 Group at December 31, 2010

No.	Company	Location	Share in %	Held via
Affiliated companies				
129	Kanal 5 AB	Stockholm	100.00	130
130	Kanal 5 Holding AB	Stockholm	100.00	139
131	Mix Megapol.se AB	Stockholm	100.00	140
132	Radio City AB	Stockholm	100.00	142
133	Radio Daltid SBS AB	Stockholm	51.00	140
134	Radio Match AB	Jönköping	100.00	140
135	Radioutvecklingen i Sverige KB	Stockholm	100.00	145; 146
136	RIS Vinyl Skåne AB	Stockholm	100.00	143
137	Rockklassiker Sverige AB	Stockholm	100.00	136
138	SBS Broadcasting (Sweden) AB	Stockholm	100.00	101
139	SBS Broadcasting Europe B.V. the Netherlands svensk Filial	Stockholm	100.00	101
140	SBS Radio AB	Stockholm	79.98	143
141	SBS Radio HNV AB	Stockholm	100.00	140
142	SBS Radio Sweden AB	Stockholm	100.00	143
143	SBS Radio Sweden Holding AB	Stockholm	100.00	139
144	Snowman Productions AB	Stockholm	67.00	34
145	SRU Svensk Radioutveckling AB	Stockholm	77.60	141
146	Svensk Radioutveckling KB	Stockholm	88.00	141; 145
147	Vinyl AB	Stockholm	100.00	143
Switzerland				
148	ProSieben (Schweiz) AG	Küsnacht ZH	100.00	150
149	Sat.1 (Schweiz) AG	Zurich	50.00	39
150	SevenOne Media (Schweiz) AG	Küsnacht ZH	100.00	43
United Kingdom				
151	European Radio Investments Ltd.	London	100.00	154
152	Kanal 5 Ltd. (in liquidation)	London	100.00	154
153	Romanian Broadcasting Corporation Ltd.	London	100.00	154
154	SBS Broadcasting (UK) Ltd.	London	100.00	101
155	SBS Broadcasting Networks Ltd.	London	100.00	154
156	SBS Danish Television Ltd. (in liquidation)	London	100.00	154
157	Scandinavian Broadcasting System (Jersey) Ltd.	Jersey - Channel Islands	100.00	101
158	VT4 Ltd.	London	100.00	101
United States of America				
159	Digital Demand LLC	Santa Monica	100.00	160
160	Kinetic Content LLC	Santa Monica	51.00	164
161	Kinetic Operations LLC	Santa Monica	100.00	160
162	Kinpro LLC	Santa Monica	100.00	160
163	Production Connection LLC	Santa Monica	100.00	160
164	SevenOne International, Inc.	Santa Monica	100.00	34
Affiliated companies, not consolidated				
Bulgaria				
165	Balkans Media Investments EOOD	Sofia	100.00	73
Czech Republic				
166	Merchandising Prague spo. s r o.	Prague	100.00	14
Denmark				
167	ApS STAKE NR. 1402	Copenhagen	100.00	144
Turkey				
168	Anadolu Televizyon Ve Radyo Yayıncılık Ve Ticaret Anonim Şirketi	Istanbul	99.50	98; 101; 105; 154

ProSiebenSat.1 Group at December 31, 2010

No.	Company	Location	Share in %	Held via
Associates				
Germany				
169	VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH	Berlin	50.00	1
Denmark				
170	FM 6 A/S	Copenhagen	40.00	78
The Netherlands				
171	Veronica/Jetix Text V.O.F.	Amsterdam	100.00	110; 180
Sweden				
172	LOVESEARCH DP AB	Stockholm	100.00	129
173	Mediamätning i Skandinavien MMS AB	Stockholm	24.02	129
174	Östersjöns Reklamradio AB	Visby	40.00	140
Switzerland				
175	Goldbach Media (Switzerland) AG	Küsnacht	22.96	150
Joint ventures				
Germany				
176	AdAudience GmbH	Düsseldorf	25.00	46
177	FIRST STEPS - der Deutsche Nachwuchspreis Gesellschaft bürgerlichen Rechts	Berlin	25.00	27
178	maxdome GmbH & Co. KG	Unterföhring	50.00	48
179	maxdome Verwaltungs GmbH	Unterföhring	100.00	178
The Netherlands				
180	TV 10 B.V.	Amsterdam	100.00	183
Sweden				
181	Big Brother AB	Stockholm	50.00	139
182	Big Brother KB	Stockholm	51.00	129; 181
United States of America				
183	TV 10 Holdings LLC	Wilmington	50.00	100
Other material investments				
Germany				
184	AFK Aus- und Fortbildungs GmbH für elektronische Medien	Munich	12.00	1
185	Deutscher Fernsehpreis GmbH	Cologne	25.00	1
186	FilmFernsehFonds Bayern Gesellschaft zur Förderung der Medien in Bayern mbH	Munich	6.59	27
187	Privatfernsehen in Bayern GmbH & Co. KG	Munich	10.00	52
188	Privatfernsehen in Bayern Verwaltungs-GmbH	Munich	10.00	52
Sweden				
189	Aggregate Media Fund III KB	Stockholm	17.82	129; 140
190	Aggregate Media Fund IV KB	Stockholm	20.68	129; 140
United States of America				
191	ZeniMax Media Inc.	Rockville	7.11	101

Members of the Executive Board

Thomas Ebeling CEO	CEO since March 1, 2009	Management segments: Group Content, International Free TV, Diversification, Human Resources, Corporate Communications, Distribution, Governmental Relations & Regulatory Affairs
Axel Salzmann CFO	Member of the Executive Board since May 1, 2008 CFO since July 2008	Management segments: Group Operations, Group Controlling, Group Finance and Investor Relations, Legal Affairs, Accounting & Taxes, Internal Audit und Administration
Andreas Bartl (German Free TV)	Member of the Executive Board since June 2008	Management segment: TV Germany (SAT.1, ProSieben, kabel eins, sixx)
Dr. Marcus Englert (New Media)	Member of the Executive Board from August 1, 2006 to April 30, 2010	Management segments: German Pay-TV, Video-on-Demand, Participation TV, Radio, Distribution and Business Development
Daniel Marks	Member of the Executive Board from May 1, 2010 to September 30, 2010	Management segments: German Pay-TV, Video-on-Demand, Participation TV

Members of the Supervisory Board

Johannes Peter Huth Chairman	Member of the Supervisory Board since March 7, 2007 Kohlberg Kravis Roberts & Co. Ltd (Partner and Head of Europe)	Mandates: A.T.U. Auto-Teile Unger Holding GmbH (non-executive) Rally Lux Holding One S.à r.l. (executive) Rally Lux Holding Two S.à r.l. (executive) KION Holding 1 GmbH (non-executive) KKR & Co. Ltd. (executive) KKR & Co. SAS (executive) NXP BV (non-executive) Bertelsmann Music Group (non-executive) Wild Flavours GmbH (non-executive)
Götz Mäuser Vice Chairman	Member of the Supervisory Board since March 7, 2007 Permira Beteiligungsberatung GmbH (Partner)	Mandate: None
Robin Bell-Jones	Member of the Supervisory Board since March 7, 2007 Permira Advisers LLP (Partner)	Mandate: All3Media Holdings Ltd. (non-executive)
Gregory Dyke	Member of the Supervisory Board since May 7, 2004 (Company Chairman)	Mandates: World Film Collective (non-executive) UK Film Council (non-executive) Brentford FC (Lionel Road) Ltd. (non-executive) Brentford Football Club (non-executive) Ducks Walk Management Company Ltd. (non-executive) Sunshine Holdings 3 Ltd. (non-executive) Powder Creek Ltd. (non-executive) DGCC Ltd. (non-executive) Vine Leisure Ltd. (non-executive) Vine Developments Ltd. (non-executive) Dummer Golf Ltd. (non-executive) The Ambassador Entertainment Group Ltd. (non-executive)
Philipp Freise	Member of the Supervisory Board since March 7, 2007 Kohlberg Kravis Roberts & Co. Ltd. (Director)	Mandates: A.T.U. Auto-Teile Unger GmbH (non-executive) Der Grüne Punkt - Duales System Deutschland GmbH (non-executive) BMG Rights Management GmbH (non-executive)
Lord Clive Hollick	Member of the Supervisory Board since March 7, 2007 (Company Director)	Mandates: Diageo PLC (non-executive) Honeywell Inc. (non-executive) BMG Music Rights Management (non-executive)
Dr. Jörg Rockenhäuser	Member of the Supervisory Board since June 4, 2009 Permira Beteiligungsberatung GmbH (Managing Partner)	Mandates: Member of the Permira Investment Committee (executive) Managing Group of Permira (executive) Executive Group of Permira (executive) Board Members of Permira Holdings Limited (executive), Permira Holdings Limited, Guernsey Board member of Permira Asesores (non-executive), Permira Asesores, S.L. AmCham Board of Directors (non-executive), American Chamber of Commerce in Germany e.V.
Adrianus Johannes Swartjes	Member of the Supervisory Board since July 17, 2007 Telegraaf Media Group N.V. (CEO)	Mandate: None
Prof. Dr. Harald Wiedmann	Member of Supervisory Board since March 7, 2007 Gleiss Lutz Hootz Hirsch Partnerschaftsgesellschaft von Rechtsanwälten und Steuerberatern (German Certified Public Accountant, Tax Advisor, Attorney at Law)	Mandates: Berenberg Gossler & Co. KG (non-executive) Wincor Nixdorf AG (non-executive) Praktiker Baumärkte Holding AG (non-executive) Praktiker Deutschland GmbH (non-executive) Prime Office AG (non-executive) Merz KGaA (non-executive) Senator GmbH & Co. KGaA (non-executive)

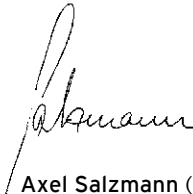
Responsibility Statement of the Executive Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Unterföhring, March 21, 2011

Handwritten signature of Thomas Ebeling in black ink.

Thomas Ebeling (CEO)

Handwritten signature of Axel Salzmann in black ink.

Axel Salzmann (CFO)

Handwritten signature of Andreas Bartl in black ink.

Andreas Bartl (German Free TV)

Auditor's Report

We have audited the consolidated financial statements prepared by ProSiebenSat.1 Media AG, Unterföhring, comprising the income statement, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2010. 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 Section 315a (1) German Commercial Code (Handelsgesetzbuch, HGB) are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, 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 reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (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 an appropriate view of the Group's position and appropriately presents the opportunities and risks of future development.

Munich, March 21, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft



Kozikowski
Wirtschaftsprüfer



Dr. Dauner
Wirtschaftsprüfer

Financial Calendar

March 3, 2011	Press conference/IR conference on preliminary figures for 2010
March 31, 2011	2010 Annual Report
May 5, 2011	Quarterly Report for Q1 2011
July 1, 2011	Annual General Meeting
August 4, 2011	Half-Year Report for H1 2011
November 3, 2011	Quarterly Report for Q3 2011

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ProSiebenSat.1 Media AG
Corporate Communications



> The ProSiebenSat.1 Group on the Internet

This and other publications are available on the Internet, along with information about the ProSiebenSat.1 Group, at <http://www.prosiebensat1.com/>.

Forward-looking statements. This report contains forward-looking statements regarding ProSiebenSat.1 Media AG and the ProSiebenSat.1 Group. Such statements may be identified by the use of such terms as “expects,” “intends,” “plans,” “assumes,” “pursues the goal,” and similar wording. Various factors, many of which are outside the control of ProSiebenSat.1 Media AG, could affect the Company’s business activities, success, business strategy and results. Forward-looking statements are not historical facts, and therefore incorporate known and unknown risks, uncertainties and other important factors that might cause actual results to differ from expectations. These forward-looking statements are based on current plans, goals, estimates and projections, and take account of knowledge only up to and including the date of preparation of this report. Given these risks, uncertainties and other important factors, ProSiebenSat.1 Media AG undertakes no obligation, and has no intent, to revise such forward-looking statements or update them to reflect future events and developments. Although every effort has been made to ensure that the provided information and facts are correct, and that the opinions and expectations reflected here are reasonable, ProSiebenSat.1 Media AG assumes no liability and offers no warranty as to the completeness, correctness, adequacy and/or accuracy of any information or opinions contained herein.



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