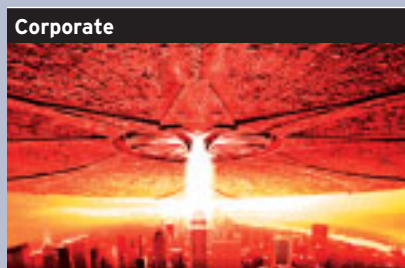




Annual Report 02



Corporate

The ProSiebenSat.1 Group is Germany's prime location for Hollywood blockbusters. With "Independence Day," ProSieben scheduled TV's most successful feature film of 2002. The Group has secured its future as Germany's leading television company for high-quality Hollywood productions. In 2002, ProSiebenSat.1 Media AG signed long-term contracts with many film studios. For example, the Group has exclusive rights to film productions from the Hollywood studios Disney, Touchstone, Miramax and Dimension.



Fiscal Year

Business in 2002 was influenced not just by the collapse of the advertising market but by the insolvency of the ProSiebenSat.1 Group's majority shareholder and most important programming supplier, KirchMedia GmbH & Co. KGaA. Massive cost cuts partly made up for the revenues lost through the slump in television advertising spending. Good marketing performance enabled the Group to maintain its lead in the television advertising market again in 2002.



Figures

The ProSiebenSat.1 Group responded to declining advertising revenues in 2002 with rigorous, systematic cost management. Group revenues were EUR 1.895 billion, compared to the previous year's EUR 2.015 billion. EBITDA was EUR 134 million, compared to EUR 225 million a year ago. The Group's pre-tax income amounted to EUR 21 million, following on EUR 106 million the year before.

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Key Figures

Consolidated Financial Statements		2002	2001	Change
Revenues	(EUR m)	1,895	2,015	-6%
Pre-tax profit	(EUR m)	21	106	-80%
Net profit for the year	(EUR m)	15	68	-78%
EBIT	(EUR m)	73	154	-53%
EBITDA	(EUR m)	134	225	-40%
Cash flow in accordance with DVFA/SG	(EUR m)	1,147	1,253	-8%
Earnings per share in accordance with DVFA/SG	(EUR)	0.08	0.34	-76%
Total assets	(EUR m)	1,756	2,028	-13%
Shareholders' equity	(EUR m)	617	650	-5%
Equity ratio		35%	32%	9%
Pre-tax return on equity		3%	16%	81%
Pre-tax profit margin		1%	5%	-80%
Programming assets	(EUR m)	1,060	1,206	-12%
Programming assets/Total assets		60%	59%	2%
Programming investment	(EUR m)	926	1,180	-22%
Net financial debt	(EUR m)	754	897	-16%
Dividend*	(EUR)	0.02	0.16	-88%
Dividend yield		0.31%	2.78%	-89%
Tax rate ProSiebenSat.1 Group		41%	38%	-8%
Employees**		3,072	3,029	1%

* Dividend per share of preferred stock

** Full-time equivalent jobs as of December 31

Key Figures by Business Area

		2002	2001	Change	
TV	External revenues	(EUR m)	1,816	1,942	-6%
	Total revenues	(EUR m)	1,837	1,961	-6%
	Operating profit	(EUR m)	62	137	-55%
	Employees*		1,909	1,772	8%
Sat.1	Total revenues	(EUR m)	777	831	-6%
	Pre-tax loss	(EUR m)	-98	-77	-27%
	Employees*		183	194	-6%
ProSieben	Total revenues	(EUR m)	778	860	-10%
	Pre-tax profit	(EUR m)	206	262	-21%
	Employees*		303	298	2%
Kabel 1	Total revenues	(EUR m)	196	215	-9%
	Pre-tax profit	(EUR m)	12	34	-65%
	Employees*		50	48	4%
N24	Total revenues	(EUR m)	95	67	42%
	Pre-tax loss	(EUR m)	-24	-38	37%
	Employees*		265	274	-3%
Merchandising	External revenues	(EUR m)	66	59	12%
	Total revenues	(EUR m)	73	66	11%
	Operating profit	(EUR m)	17	15	13%
	Employees*		119	110	8%
Services	External revenues	(EUR m)	13	11	18%
	Total revenues	(EUR m)	154	172	-10%
	Operating profit / loss	(EUR m)	-3	8	-138%
	Employees*		1,044	1,112	-6%

* Full-time equivalent jobs as of December 31

Group Structure

Business Areas	Activities	Key Subsidiaries
Television	<ul style="list-style-type: none"> • Commercial Television • Foreign Advertising Windows • Television Advertising Sales • Transaction Television • Internet, Teletext 	<ul style="list-style-type: none"> • Sat.1 (100%) • ProSieben (100%) • Kabel 1 (100%) • N24 (100%) • SevenOne Media (100%) • Euvía Media (48.4%) • SevenOne Intermedia (100%)
Merchandising	<ul style="list-style-type: none"> • Merchandising • Viewers' Club • E-Commerce • Dialog-, Direct and Crossmarketing 	<ul style="list-style-type: none"> • MM Merchandising München (100%) • ArtMerchandising & Media (86.5%) • SevenOne Club & Shop (100%)
Services	<ul style="list-style-type: none"> • Creative Design • Production, Broadcasting Services, Technology • IT Development 	<ul style="list-style-type: none"> • SevenSenses (100%) • SZM Studios (100%) • ProSieben Information Service (100%)

As of February 28, 2003

Corporate

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ProSiebenSat.1 Media AG 2002 Annual Report



"Good programming is the cornerstone"



Urs Rohner, Chairman of the Executive Board of ProSiebenSat.1 Media AG, answers questions about the impact of the weak economy and the Company's prospects for 2003. A recovery of the TV advertising market can be expected in the second half of the year, at the very earliest. The ProSiebenSat.1 Group is focusing on its core business, which is commercial television, and closely related activities like merchandising and multimedia.

(page 08)

"Outmoded advertising regulations"



Jürgen Doetz, the member of the ProSiebenSat.1 Media AG Executive Board in charge of media policy and regulation, argues in an interview for deregulation of the European advertising scene. He also opposes demands for advertising bans on certain products. The ProSiebenSat.1 Group's position in this policy debate: Every product that can be freely sold on the market must also be able to advertise.

(page 13)

Corporate Governance



The Corporate Governance Code gives Germany its first specific standards of conduct for the executive boards and supervisory boards of companies listed on the stock exchange. ProSiebenSat.1 Media AG views the Code as an important step in the further development of corporate management and control. The Company has taken the release of the Code as an opportunity to address in detail its own procedures for management and supervision.

(page 10)

Startsocial



The ProSiebenSat.1 Group's involvement in corporate sponsorship follows the maxim "Act, don't protract." In joint projects with partners from business, politics and society at large, the Company puts its media to work in the service of good causes. Again in 2002, the major project was "startsocial," a business plan competition for social ideas that has set nationwide standards.

(page 13)

ProSieben

The extraterrestrial invaders from "Independence Day" made ProSieben the high flyer of the 2002 broadcast year. Even though it was on its third showing, Roland Emmerich's science fiction thriller was the year's most successful feature film, drawing an audience of 8.34 million viewers.



Dear Shareholders,

Chairman

The year 2002 represents the low point to date in the nearly twenty-year history of German private television. Amid a persistently weak German economy, net spending on television advertising in 2002 may well have dropped a further 8 to 10 percent. The advertising crisis worsened further after the previous year's sharp drop. Experts assume that since its record year in 2000, the television advertising market has contracted by a total of EUR 600 to 700 million. Today's market is below the 1998 level - and will not approach the 2000 record again until 2005 at the earliest. To put it bluntly: Even after two years of recession, the advertising market has not bottomed out yet. The industry is now projecting that an upswing may arrive in the second half of 2003. But at the moment, no one can say for sure whether that will really be the case. Visibility in this market remains as low as ever.

As expected, the contracting German TV advertising market also adversely affected the ProSiebenSat.1 Group's business performance in 2002. Group revenues were EUR 1.895 billion, after the EUR 2.015 billion of 2001 - a 6 percent drop. Income before taxes was EUR 21 million. The previous year's figure was EUR 106 million. We responded to declining revenues with massive cost cuts throughout the Company. And with considerable success: Despite a number of one-time extraordinary charges - such as the World Cup in Japan and South Korea, which cost EUR 54 million - our earnings were down only EUR 85 million, compared to the total revenue drop of EUR 120 million. EBITDA reached EUR 134 million, following EUR 225 million the previous year. However sobering the figures for 2002 may be, we should also point out that the cost base for the entire Company has been pared back significantly. We'll profit a good deal from that in the future.

Nevertheless, we cannot be satisfied with the trend of business as a whole in 2002. Apart from a difficult advertising market, during the year we also had to contend with internal weaknesses, especially at ProSieben and Sat.1, that we were not able to correct properly until the last four months of the year. Since then, both of these stations have made substantial recoveries in market position. All the same, for 2002 as a whole, the combined market share of stations Sat.1, ProSieben and Kabel 1 declined from 30.1 percent to 28.1 percent among the 14 to 49-year-old target audience that is crucial for advertising. Yet gross advertising market share remained high and almost stable, at 45.4 percent, compared to the previous year's 45.6 percent. This means the ProSiebenSat.1 Group remains the clear Number One in the German TV advertising market. Good sales performance helped make up almost completely for the losses in market share among viewers. But our top priority is still to gain significant ground once again for the ProSiebenSat.1 Group in the audience market. We've already made good headway in this regard. The 2003 trend figures (until March 15, 2003) show that our family of stations managed

to increase its combined market share among the 14-to-49 group by 0.7 percentage points from the previous year, to 28.8 percent. News channel N24 made a particularly good showing, earning a 0.4 share among this audience. It now trails the market leader, n-tv, by just one-tenth of a percentage point.

There's no doubt that the competitive climate in the television market has grown harsher over the past twelve months. As spending on television advertising sank, not only has every broadcaster watched the gap widen between gross and net advertising revenues, but for the first time ever, we're seeing deflationary prices in the television market. Yet cost pressure on broadcasters has also intensified considerably. In 2003 we face the difficult challenge of once again adjusting our cost structures to the market's realities, while at the same time expanding our market position. We can thank the employees of the ProSiebenSat.1 Group that we've really been able to do quite well so far. I'd like to express the heartfelt gratitude of the Executive Board to them here, for their exceptional willingness to achieve and their discipline in dealing with costs. All the more so because as part of our cost-cutting measures we had to make a number of difficult, unpopular decisions - certainly one of the foremost among them, a general freeze on salary increases for 2003.

But our rigorous cost management is paying off. For example, in other operating expenses alone, we were able to save around EUR 11 million compared to the year before, after excluding exceptional one-time effects like single-item adjustments or losses on the disposal of financial assets. The 2002 annual report you have before you also represents a savings. Its unusual, yet - as we hope - highly innovative and appealing format has saved us around 25 percent on production and design costs from the year before.

We can also report major advances in optimizing our organization. We decentralized the sales structure at our advertising-time marketer SevenOne Media, to be as close to our clients as possible. At the same time, we can now serve both advertisers and agencies from a single source. That allows us not only to work more effectively with our clients, but to bring into focus the integrated communications that cover the ProSiebenSat.1 Group's entire portfolio. After taking over all of Kirch Intermedia GmbH as of September 1, 2002, we integrated this multimedia company into the ProSiebenSat.1 Group under the new name SevenOne Intermedia. We've tied it closely into our stations' branding structure. We also plan to merge our two merchandising companies, MM Merchandising München and SevenOne Club & Shop. We expect the new unit not only to tap new revenue potential in the Merchandising business, but to further simplify the process of communication and coordination with our business partners and clients. One step toward optimizing processes in our technical operations was to create the new position of a Director of Operations, combining

Thank

responsibilities for all technical service companies in the ProSiebenSat.1 Group. Among the operations involved here are SZM Studios, the IT company ProSieben Information Service, and the broadcast technology company Teledirekt.

For the ProSiebenSat.1 Group, fiscal 2002 represents a sharp break with our Company's prior history in every regard. We had to contend not only with yet another severe slump in the advertising market, but the insolvency of KirchMedia GmbH & Co. KGaA - our group's majority shareholder and most important programming supplier. As a listed and independently financed company, we have never been involved in the insolvency proceedings, but of course KirchMedia's insolvency created additional tasks for us on top of our normal operating work load. Among these were a detailed clarification of the resulting risks to our programming supply and to the financial position of the ProSiebenSat.1 Group. A detailed legal review leads us to view these risks as extremely slight. We also played a major role in the process of selling KirchMedia's stake in ProSiebenSat.1 Media AG, by enabling potential investors to conduct due diligence reviews of our Group under confidentiality agreements, with the aim of restoring a stable ownership structure as quickly as possible, in our Company's own best interest. That's why we're especially glad that the negotiations with the Saban Group came to a successful conclusion on March 17, 2003. In US media entrepreneur Haim Saban, we have a new principal shareholder who enjoys long-established relations with the international film and television business. Our Company will soon be benefiting substantially from this new association.

Regardless of the KirchMedia insolvency, in 2002 and early 2003 we signed a great many contracts that will ensure our stations a long-term supply of programming that includes the best and highest-quality Hollywood films and series. For example, the ProSiebenSat.1 Group procured exclusive rights to productions from the US studios Disney, Touchstone, Miramax and Dimension over the next few years. Other agreements, some of them long-term, were also signed with Lucasfilm, Paramount Pictures, Senator, Epsilon, Highlight, Constantin and Tobis. These are carefully focused investments in our programming's appeal, and in further strengthening our position as the German television market's leading provider of feature films and series. Cost pressures or not, we will never cut back on quality programming for our stations.

It's already quite clear that 2003 will be just as hard as the year before. The television advertising market contracted still further in the first months of the year. There are still no signs of an overall economic recovery. It is also unclear what consequences the war in Iraq will have for the German economy and German consumer confidence. So at the moment there is no way of arriving at

a firm projection of how the advertising market will perform. The outlook for the full year remains uncertain. It's our goal that our Group revenues will perform better than the market as a whole. Systematic cost management will enable us to further improve our cost structures substantially this year.

Despite the cool economy, we have every reason to be confident about the future. The ProSiebenSat.1 Group has proved its profitability once again, even under the extremely difficult conditions of 2002. The measures we have inaugurated to cut costs are taking hold already. We'll keep them up consistently in the months to come. Our stations' complementary positioning with audiences and in the advertising market has also proved its worth. So we have all the necessary materials to improve our performance substantially during fiscal 2003 and subsequent years. I can assure you that the management and staff of the ProSiebenSat.1 Group will all work hard toward this goal in the months ahead, with both dedication and creativity.

Sincerely,



Urs Rohner
Chairman of the Executive Board

Urs Rohner
Chairman of the Executive Board





"Star Wars: Episode I - The Phantom Menace"

ProSieben's lineup of Hollywood blockbusters dominated the ratings charts for feature films in 2002.

The first showing of "Star Wars: Episode I - The Phantom Menace" earned the second-highest audience share of the year, attracting 39.7 percent of the group between 14 and 49.

Additional excursions into the ratings heights are a sure thing, now that the station has acquired the broadcast rights for the hit sequel, "Star Wars: Episode II - Attack of the Clones."



»Good Programming Is the Cornerstone of Our Business«

Interview: Urs Rohner



Urs Rohner, born in 1959, studied Law in Zurich, Switzerland, between 1978 and 1983 and was called to the Bar in 1986 in the canton of Zurich. Between 1983 and 1999, the former competitive sportsman (hurdles) worked as a lawyer, specializing in media and entertainment law, capital markets and fair trading law. In addition, Supervisory Board Member at a number of Swiss companies. Appointed Chairman of the Executive Board at ProSieben Media AG in 2000 and following the merger with Sat.1 was elected Chairman of the Executive Board at ProSiebenSat.1 Media AG. Management segments: Sales and Merchandising.

The television advertising market has been suffering from a severe recession for two years now. Is this just a persistent crisis in business conditions, or something more deep-rooted? It's simply a problem of business conditions. Unlike earlier years, obviously this time the television advertising market can't disconnect itself from general economic developments. On the contrary - the persistently weak economy is having a particularly damaging impact on the advertising market. Germany's logjam in political reforms is reinforcing the negative trend. While advertising spending has gradually begun expanding again in other European countries and the United States, Germany has not hit bottom yet. The market is now below 1998 levels. Private television companies like the ProSiebenSat.1 Group have a hard time finding ways to counter this situation, because comparatively high fixed costs, especially for programming and materials, are a basic characteristic of the television business. Unlike other sectors, personnel expenses, for example, are a relatively minor consideration, at roughly eleven percent of total expenses. But unlimited savings on programming are not an option. Good programming is the cornerstone of our business.

How will the advertising industry's spending for television evolve in 2003?

Nobody can give any meaningful prediction at this point. Visibility in the television advertising market remains as low as ever. Clients are booking on shorter and shorter notice. You have to fight hard for every euro in revenues. The only clear thing is that the first quarter of 2003 will certainly be even worse than the first three months of 2002. The industry is now projecting that an upswing may gradually set in during the second quarter of 2003. But a real recovery is probably unlikely until the second half, at the very earliest. The outlook for the full year remains uncertain. It's especially hard to judge how the war in Iraq will affect the German economy and consumer confidence. We've worked out worst-case scenarios if it becomes clear during the first half that the downtrend in the television advertising market will keep up again this year.

Can cost cuts make up at all for further revenue losses if the advertising market contracts again in 2003? Our rigorous cost management will enable us to make up - at least in part - for further revenue losses caused by a weak market. But I also have to say that we have less leeway than before.

In the last two years we've responded to the recession in the advertising market with a rigid policy on costs. Today we can see that we changed course relatively early, even if the full effects of the cost-cutting measures we adopted don't always show up right away because of the long lead time in the programming and television business. Back in 2001, we already cut costs by around EUR 150 million compared to our original multi-year plans. After adjusting for exceptional effects, we pared back our entire cost base by another roughly EUR 54 million in 2002. A number of structural measures - like integrating the SevenOne Intermedia multimedia firm, our plans to merge the merchandising companies MM Merchandising München and SevenOne Club & Shop, or combining all service companies under a single Director of Operations - will enhance our organization's efficiency still further. So in that sense, the ProSiebenSat.1 Group's expenses will be down significantly again in 2003.

The ProSiebenSat.1 Group still generates over 95 percent of its revenues from television advertising. Are you planning to expand other lines of business strategically to reduce dependency on advertising money? Our strategy is clear - we're concentrating on our core business, which is commercial television, and closely related activities like merchandising and multimedia. We also hold a major stake in Euvía Media AG & Co. KG, whose Neun Live and sonnenklar TV stations have established two very successful transaction TV channels in Germany. For the time being we see no need to add other emphases to our lines of business, despite the current weakness in the advertising market. But there certainly will be additions to our business. All the same, commercial television is basically still a highly attractive and promising business, even if the days of double-digit growth percentages are probably a thing of the past. Once the current advertising crisis is over, in fact, our considerably smaller cost base will enable us to improve the ProSiebenSat.1 Group's profitability considerably over our former results.

The ProSiebenSat.1 Group's family of stations lost audience share in 2002. What's your strategy for helping your stations regain ground in the market? Sat.1 and ProSieben did in fact fall behind our performance expectations for part of last year. There are a variety of reasons. In the case of ProSieben, audiences lost interest in afternoon daytime programming and repeats of international series in prime time. At Sat.1, prime access and weekend prime time programming was unsatisfactory. Additionally, Sat.1's highlights coverage of the World Cup in Japan and South Korea drew only moderate ratings because far more viewers than expected were watching the live broadcasts of the games on ARD and ZDF in the morning. It also turned out to be difficult to recover lost audience share points quickly. But we're on the right track. Both stations' performance has improved significantly since last fall. In 2003, we'll especially focus on further optimizing prime access on Sat.1 and afternoons on ProSieben. Both stations are now very stable in prime time. Additionally, Sat.1 will focus even more than before on the core audience between ages 25 and 49, while ProSieben has been attracting especially strong acceptance among 14 to 29-year-olds. The systematic, complementary positioning of our two flagship stations will safeguard our lead in the advertising market.

What was the impact of the KirchMedia insolvency on the ProSiebenSat.1 Group and on the programming supply for Sat.1, ProSieben and Kabel 1? The past few months since KirchMedia filed for insolvency in April 2002 have certainly not been easy for us, either, even though ProSiebenSat.1 Media AG is a listed, independently financed company and not involved in the insolvency proceedings. Business went on pretty much as usual, but of course we had to deal not only with normal operations but with the potential risks the insolvency posed for us, along with the bidding procedure for the sale of KirchMedia's stake in ProSiebenSat.1 Media AG. Our risk review focused mainly on whether we could in fact make use of the programming rights we had acquired from KirchMedia. But our attorneys assure us that the rights should be secure. Additionally, in 2002 we signed several three-way programming rights agreements directly with US film studios and KirchMedia, so that even if KirchMedia were to cease payments in the future we could still use the rights.

Has the long search for a new principal shareholder adversely affected the ProSiebenSat.1 Group? We realized from the start that given the overall circumstances, the process of searching for a new majority shareholder wouldn't be a short one. It was also clear that the faster we got back to a stable shareholder structure, the better it would be for the ProSiebenSat.1 Group. For that reason, we did all we could to support the process of selling our stock to potential investors. Under confidentiality agreements, for example, we gave potential buyers a chance to carry out a comprehensive due diligence analysis of the ProSiebenSat.1 Group. We were also available to answer investors' questions. That's why we're especially glad that on March 17 of this year, the Saban Group signed to acquire 36 percent of our capital stock, thus bringing the selling process to an end. The agreement is supposed to be put into effect within two months.

What do you expect from the involvement of US media entrepreneur Haim Saban in ProSiebenSat.1 Media AG? As far as we're concerned, the Saban Group is a very welcome partner. In Haim Saban, we have a strong majority shareholder who has lots of experience with television and excellent relations with the international film and television industry.

Two of your stations, Sat.1 and N24, are currently running at a loss. What's the outlook for those two companies? Station Sat.1 has the Group's greatest potential for enhanced profitability. In the past two years we've cut its cost base back significantly - around EUR 73 million. We'll be continuing that work this year. If the television advertising market doesn't deteriorate further in 2003, Sat.1 will return to profitability at the operations level, which all by itself is likely to improve the Group's results by around EUR 100 million. But frankly, at the moment we can't be sure the market will behave that way. The situation at N24 is a bit different. The station has only been on the air for three years, and is evolving roughly as expected. But the television advertising market has changed fundamentally since we decided to found N24. In 1999 and 2000, financial service providers, telecommunications companies and IPOs - which preferred to advertise in news and business contexts - were still the biggest growth drivers in the TV advertising market. Today they've lost importance. Audiences are also less interested in broad-based coverage of the stock markets and business news. We responded to that in December 2002 by introducing a documentary line of programming at N24. The change was a success. It not only sharply improved the station's performance among the important 14-to-49 audience segment, but offers the advertising industry an additional attractive setting, and one that's much in demand, alongside news and business. So we assume that N24 will achieve operating profitability in 2005.

Corporate Governance in the ProSiebenSat.1 Group

Government commission issues Corporate Governance Code

As of 2002, German law has included a number of new requirements for listed companies. These new regulations emphasize "corporate governance," a term for a company's entire system of internal and external mechanisms of review and supervision. In the narrower sense, corporate governance stands for conscientious management and supervision of companies, oriented to long-term added value. Among the major aspects of good corporate governance are efficient cooperation between the managing board and the supervisory board, a concern for shareholders' interests, and openness and transparency in corporate communications.

The German Corporate Governance Code was released on February 26, 2002, by the Government Commission on the German Corporate Governance Code. For the first time ever, the code prescribes specific standards of conduct for the managing boards and supervisory boards of listed companies. ProSiebenSat.1 AG Media AG explicitly welcomes this development, and has taken it as an opportunity to address in detail its own procedures for management and supervision. The Executive Board and Supervisory Board dealt extensively with the subject at three joint meetings. On the basis of the German Corporate Governance Code and Sec. 161 of the German Corporations Act, which requires companies to issue a Declaration of Compliance, on December 11, 2002, the Executive Board and Supervisory Board decided to implement the commission's recommendations, with few exceptions. This Declaration of Compliance was published on the Company's Web site that month, at www.ProSiebenSat1.com. It will be submitted to the Commercial Register along with the financial statements for the past year. The Declaration of Compliance is also included in the Notes to this annual report (page 53).

Further developments in the management and supervision of listed companies

ProSiebenSat.1 Media AG views the German Corporate Governance Code as an important step in the further development of the management and supervision of listed companies in compliance with German and international standards. Among the first steps taken by the Company to improve its corporate governance was the appointment of a Compliance Officer on September 24, 2002. The goal was to ensure proper, careful compliance with all relevant requirements of the laws governing the capital markets. Among the Compliance Officer's duties are to monitor compliance with the regulations on insider trading, ad hoc disclosures, the publication and disclosure of directors' dealings under Sec. 15a of Germany's Securities Trading Act, and the Company's public disclosure obligations under Sec. 25 of that act. The by-laws governing the Executive Board were also amended, and new by-laws were adopted for the Supervisory Board. It is also intended to propose changes in the Articles of Incorporation at the annual meeting, to bring the Company into better compliance with the Corporate Governance Code.

Shareholders and annual meeting

ProSiebenSat.1 Media AG views itself as a trustee for its shareholders' capital. The annual meeting of the shareholders is held during the first eight months of the fiscal year. As a rule, it is chaired by the chairman of the Supervisory Board. The annual meeting decides on all matters placed under its authority by law. These include the allocation of profits and the ratification of the actions of the Executive Board and Supervisory Board. Changes in the Articles of Incorporation and capital modifications can be adopted only by the shareholders' meeting. ProSiebenSat.1 Media AG endeavors to make it easier for shareholders to participate in the annual meeting, for example by issuing invitations on time and providing the necessary documentation (invitation, agenda items, Articles of Incorporation and annual report) on special pages on the Internet. But thus far, the Executive Board of the Company has not appointed a representative to exercise the shareholders' voting rights as directed, because of the current shareholder structure and the small number of voting shareholders.

Duties of the Supervisory Board

The Supervisory Board comprises nine members. It supervises and advises the Executive Board in the latter's management of the Company's business. No age limit has been set for members of the Supervisory Board because the Company wishes to continue to benefit from the expertise of experienced Supervisory Board members. At regular intervals, the Supervisory Board discusses business developments, planning, strategy, and implementation. It enacts the plans and projections for the year, and ratifies the annual financial statements of ProSiebenSat.1 Media AG and the Group, taking the independent auditor's audit reports into account. The Board's duties also include appointing the members of the Executive Board. The Executive Board's major decisions are contingent on the approval of the Supervisory Board. The Supervisory Board makes its decisions by simple majority, unless mandatorily prescribed otherwise by law. In the event of a tie, the chairman of the Supervisory Board has the deciding vote.

The Supervisory Board has formed three committees of its members. Two of these committees deal with personnel and programming matters; the third is a four-member Audit Committee, chaired by Wolfgang Hartmann, Member of the Executive Board of Commerzbank AG. The Audit Committee deals specifically with matters of accounting and risk management, the requisite independence of the independent auditor, engaging the independent auditor's services, identifying points of emphasis for audits, and agreeing on fees. The Supervisory Board does not regard it as feasible to maintain a committee to prepare for the Board's meetings, and has therefore not appointed such a committee. The remuneration of Supervisory Board members has hitherto not acknowledged chairing and belonging to Board committees. However, the Board intends to propose to the annual meeting that the shareholders should include a provision in the Articles of Incorporation to acknowledge chairing of and membership in Supervisory Board committees.

Duties of the Executive Board

The five-member Executive Board of ProSiebenSat.1 Media AG is the Group's managing body. The Executive Board is required to pursue the Company's best interests, and orients its work to the criteria of efficiency and productivity. Business operations focus on sustainable, long-term enhancement of the Company's value. Among the Executive Board's duties are defining the Company's strategic orientation, allocating resources, and monitoring the management of the individual units. The Executive Board is in charge of preparing quarterly, annual and consolidated annual financial statements, and of filling key staff positions. Members of the Executive Board should be no older than 60 as of the end of their term of appointment.

Cooperation between the Executive Board and the Supervisory Board

The Executive Board works closely with the Supervisory Board, and in particular informs the latter board regularly, promptly and comprehensively regarding all issues of strategy, planning, business performance, financial and earnings positions, and risk management that are of relevance to the Company. Major decisions by the Executive Board are subject to the approval of the Supervisory Board. The D&O insurance policies the Company has taken out for the Executive Board and Supervisory Board do not provide for a deductible, since agreeing to a deductible would not materially reduce the insurance premiums. Nor does a deductible seem an effective way of enhancing board members' motivation or sense of responsibility, since by virtue of their offices, the Executive Board and Supervisory Board are already acting responsibly and in the Company's best interest.

Transparent communication with the capital market

ProSiebenSat.1 Media AG has been admitted to Deutsche Börse's Prime Standard segment. This new market segment requires companies to meet Europe's highest standards of transparency. ProSiebenSat.1 Media AG set itself the goal of satisfying these requirements. On the Web at www.ProSiebenSat1.com, investors, bond holders and other interested parties can find material company figures, up-to-date price charts, analyses, upcoming financial events, annual and interim reports, presentations and facts of general relevance to investor relations. The "share/bonds" area of the Web site is where ProSiebenSat.1 Media AG publishes all disclosures required under the Securities Trading Act. These include announcements and disclosures of facts that may affect the stock's price (under Sec. 15 of the act), changes in the Company's ownership structure (Sec. 21 ff. and 41 of the act), and sales of stock by members of the Executive and Supervisory Boards ("directors' dealings" under Sec. 15a of the act). At the same time, ProSiebenSat.1 Media AG's Web sites offer a survey of the Company's specific implementation of the Corporate Governance Code.

Accounting and auditing of the annual financial statements

Transparency, both in-house and to the outside world, is an important requirement in managing a listed company like the ProSiebenSat.1 Group. ProSiebenSat.1 Media AG has all the necessary tools. The consolidated financial statements are generally released to the public within 90 days after the end of the fiscal year. Interim reports are released within 45 days after the end of the reporting period. Important information about the reports, including downloadable recordings of conference calls with journalists and analysts, are available to the general public over the Internet. Hitherto, ProSiebenSat.1 Media AG's annual financial statements have been prepared in compliance with the German Commercial Code. As of the current year, intensive preparations have been under way for converting the Company's reporting from the German system to IAS/IFRS principles (International Accounting Standards/International Financial Reporting Standards). The changeover is planned for fiscal 2004. Listed companies are required to report under these rules no later than 2005. The consolidated financial statements are audited by an independent auditor. Quarterly reports will also be reviewed by the auditor as of 2003.

Other information on corporate governance in the annual report

The Notes to the Financial Statements in the annual report include additional information about the Executive Board and Supervisory Board. The remuneration paid to members of the Supervisory Board and Executive Board is divided into fixed and variable components. Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting or agency services, during fiscal 2002. The shareholdings of the individual members of both boards are considerably less than one percent of the capital stock. For 2002, ProSiebenSat.1 Media AG has also published a list of third-party enterprises in which it holds an interest that is not of minor importance to the Company. The list with the required information has been filed with the Commercial Register of Munich district court, under No. HRB 124169. Additionally, all companies that can be considered related parties under German Accounting Standard 11 (DRS 11) and that are controlled by ProSiebenSat.1 Media AG, or over which the Group may exercise a significant influence, are listed among the shareholdings on page 54 of the annual report, along with the percentage interest held. The Notes to the Consolidated Financial Statements also provide details on individuals who are considered related parties. The Financial Statements include no specific information about stock option plans, since ProSiebenSat.1 Media AG has no such securities-oriented incentive systems.

ProSiebenSat.1 Group Employees

Working in a Dynamic Market Environment

ProSiebenSat.1 Group as an employer

In a dynamic market environment, the ProSiebenSat.1 Group counts on employees who think entrepreneurially and act with a sense of personal responsibility. Only a proper mix of creative and analytical thinkers makes it possible to achieve outstanding performance under extreme conditions. The advertising crisis of 2002 made the intense competition in the television market even worse. The challenges to the staff's professionalism and stamina were all the greater. Among the key features of working at the ProSiebenSat.1 Group are not only flat hierarchies, but a close intermeshing of extremely varied disciplines and a use of the latest technologies. To top it all off, creativity and enthusiasm are indispensable if the Company is to hold its own against competitors. Anyone who wants to try new ways and implement new ideas gets active encouragement at the ProSiebenSat.1 Group. Rapid decision-making processes and pragmatic support make it possible to carry out innovative approaches as quickly as possible, in the Company's best interest.

The ProSiebenSat.1 Group is one of the most important employers in the German media market. In addition to its four stations - Sat.1, ProSieben, Kabel 1 and N24 - it offers attractive positions at subsidiaries in merchandising and services - for everyone from editors and producers, camera operators, graphic artists and software developers, to marketing and PR executives, sales consultants and lawyers. In the media business, it is essential for a company to be able to adapt swiftly to changing market conditions. And the Company needs this same kind of flexibility from its employees. In return, the ProSiebenSat.1 Group offers very good working conditions, with performance-based pay and attractive opportunities for advanced training. In all, the Group's companies employed a workforce of 3,072 as of December 31, 2002. Their average age was 34.

Ambitious training for a demanding profession

The ProSiebenSat.1 Group is largely training its own next generation of journalists and technicians. In 2002, 85 editorial trainees held a variety of posts at the Group's stations. Most of them are now applying their new knowledge as employees on the editorial staff at Sat.1, ProSieben, Kabel 1 or N24. SZM Studios specially prepared 33 trainees for the high-tech end of the television business. A new addition in September 2002 was training as a certified businessperson in audiovisual media. For this profession, trainees go through all departments that have a commercial impact on the added-value process in the media. By offering these specialized courses of training itself, the Company ensures that the ProSiebenSat.1 Group will have qualified new staff in the future.

Additionally, the Group's two marketing companies, SevenOne Media and SevenOne Interactive, are continuing to cooperate with Focus and Mediaplus in the Master of Media program, a course of training that offers media planners in the print, online and television business a chance to get acquainted with how their own field works with its specific content at all participating companies, and thus to acquire a comprehensive knowledge of media planning in general. Working with the Steinbeis Hochschule in Berlin, SevenOne Media is also involved with the course of training for a Media MBA, to make sure the industry has future generations of executives. Here employees who show high potential receive continuing international academic training, impressively proving their stamina by combining their studies with their regular job.

Group-wide management development and management succession programs are currently being planned. These steps will enable the ProSiebenSat.1 Group to enhance its future attraction as an employer - and thus its competitiveness - still further.

A commitment to the next generation in the media

Separately from its own continuing education programs, ProSiebenSat.1 Media AG also supports the Bayerische Akademie für Fernsehen (a television academy), the Bayerische Akademie für Werbung und Marketing e.V. (an academy for advertising and marketing), the Gründerzentrum für neue Medien GmbH (a new-media center for small business owners) in Unterföhring, AFK Aus- und Fortbildungs-GmbH (an electronic media training center) in Munich, the Deutsche Journalistenschule in Munich (a training center for journalists), and the Fernsehakademie (a television academy) in Saxony. As in previous years, in 2002 the ProSiebenSat.1 Group again supported the SOS children's villages with a cooperative training effort in which ten trainees had a chance to earn certificates as media designers for visuals and sound.

Employees take part in cost management

The Group continued its rigorous cost management in every department in fiscal 2002. Employees played an active role here. Task forces analyzed potential savings and checked the efficiency of the Group's working procedures - from the disposition of transmission equipment to the coordination of sales operations and communications, to procedures at the Company's travel office. Within a few months ways to save millions were found.

Additionally, for the first time in its history, the ProSiebenSat.1 Group held an idea contest, intended to reward suggestions for further cost cuts that will enhance the Company's efficiency. With support from the works committees in Munich and Berlin, the three-month contest was developed during 2002, and was launched in December. The success of the "Economic Miracle Weeks" speaks for itself: Some 250 ideas came in within the first four weeks alone. By the end of the contest period in February 2003, an impressive 500 ideas had accumulated. Implementing the submissions, most of which focus on increasing efficiency and simplifying procedures, will save several hundred thousand euros this fiscal year.

Corporate Sponsorship in 2002 - Help from the Media

Jürgen Doetz

Member of the Executive Board,
Media Policy and Regulation

» Break Free from Outmoded Advertising Regulations «

Act, don't protract

ProSiebenSat.1 Media AG pursues all its corporate sponsorship activities under the slogan "Act, don't protract." Here we set the emphasis on a well-conceived use of a variety of media to promote organizations and initiatives for social action. The common feature of all our projects is that they focus on cooperative activity, and are not merely supported by financial grants. Our "Act, don't protract" motto is also intended to encourage the entities we sponsor to develop initiatives of their own, and to profit from a knowledge transfer by media experts. In all, during fiscal 2002 the ProSiebenSat.1 Group spent more than EUR 5 million in funding, services and media budgets for corporate sponsorships.

"startsocial" 2002

The "startsocial" business plan competition for social initiatives began its second round in 2002. Under the patronage of Chancellor Gerhard Schröder, four companies - Gerling, McKinsey, Siemens Business Services and ProSiebenSat.1 Media AG - joined together to build on the successful concept from the year before. This year's media partner was the "Bild am Sonntag" newspaper.

Instead of all participants being watched through several rounds, as before, this year 100 consulting stipends were disbursed, providing three months of intensive support for participants from a two-person team of coaches and experts. The "startsocial" events, held in a variety of German cities from August through October, were a forum for interchanges. The high point was the stipend holders' meeting on September 28 in Berlin, where all stipend recipients, coaches, experts, specialized counselors and assistants met to network and talk shop. The "Social Days" pursued the same agenda at the regional level, and were open to all participants. In addition to formal events, stipend recipients and coaching teams could also dialogue anytime via an online platform, the startsocial network.

The final event of this year's "startsocial" competition was held in Berlin on December 18, 2002. Seven national prizes and one special Chancellor's Prize, worth a combined total of EUR 40,000, were awarded by Renate Schmidt, Germany's Minister for Family, Seniors, Women and Youth, and by the CEOs of the program's main sponsors.

The excellent projects ranged from "Wellcome," a Hamburg initiative to support young families in the days immediately after a birth; to "Deacons' Home Communities," a concept for integrated, socially supportive community living for the able and disabled; or the "Pirna Civil Courage" action, in which a nonpartisan group of young people between 15 and 25 very actively intervenes to educate the public about right-wing extremism and to assist and counsel victims.

Television helps

The ProSiebenSat.1 Media AG stations also continued showing their commitment to social and educational causes in 2002.

Sat.1 systematically expanded and evolved its "Talents" program. On August 26, 2002, the station joined Constantin Film, Mercedes-Benz, teamWorX and Spiegel TV for the third time to award the "First Steps" young filmmakers' prize for the best graduating film at a German-language film school. The prize has a total endowment of EUR 72,000, and is considered an important step to help directing talent on its way to success.

The new version of the EU's "Television without Borders" Directive is currently under debate at the European level. What's your position - do you want "advertising without borders"? "Advertising without borders" rings hollow to me. We don't want to expose viewers to an endless flood of advertising. What we want from a new Directive is to finally break free from outmoded advertising regulations that can no longer be coordinated with today's production and planning processes. These include not only the rigid figure for the number of minutes of advertising, but the matter of how often per hour we can interrupt our programming for advertising. It makes no sense to interrupt the most dramatic moment of a movie just so we can comply with the rigid special rules for advertising breaks in feature films. And finally, it's also important to us to be able to try out other forms of advertising. If Europe sees value in being able to watch in-house productions and co-productions in the future, we need the requisite framework to refinance those productions. Here the European Union has to take a critical look at how sensible the existing regulations really are, and to get rid of them where necessary.

Aside from the matter of the quantitative regulation of advertising, Brussels is currently also debating bans on advertising for some products. What's your view? We have to take these initiatives from a variety of European member states seriously. There's already a ban on tobacco advertising, of course, which we hope the German government will appeal in court with the support of the involved parties. But that's been in effect for television broadcasters since 1973. On top of that, there are initiatives in Brussels for a ban on alcohol advertising - and we can probably expect some EU member states to try for bans on advertising for cars, sweets and even children's toys. These initiatives aren't always aimed primarily at consumer protection - often they also serve the very tangible economic interests of certain industries in such countries. We stand for a clear principle in these debates: Every product that can be freely sold on the market must also be able to advertise. The EU Commissioner for audiovisual media, Viviane Reding, is thinking along the same lines, and others are, too - but unfortunately, that's not true of all EU Commissioners. Because of that, we're also actively involved in the debate on the tobacco ban, as a way of addressing the roots of the problem.

After long negotiations and antitrust problems, Deutsche Telekom's six remaining regional cable networks were sold early in 2003. Hardly anybody is talking any more today about expanding cable for new digital services, and many of Germany's states have adopted more liberal usage regulations for cable network operators. Doesn't that development pose a threat to the distribution of your programming? A lot of cable operators have had to realize they couldn't refinance their expansion plans. Now it does in fact look as though there will be no expansion to the 862 MHz bandwidth, but rather that cable will gradually go digital. For television providers, that means the analog range over which our programming is carried will narrow year by year. So "distribution battles" over ever-shrinking analog capacity are a foregone conclusion. Though we can fully understand the cable operators' financial motivations, we think the current plans to cut back analog cable step by step are on the wrong track.

What alternatives do you see for the digitization of cable networks? One example might be to take an entire network digital. As soon as a network in a city or a part of a city is ready for digital broadcasting, every station could switch over to digital within a short period of maybe six months - and after that, be available only digitally. That would reduce the cost of simulcasting - in other words, simultaneous analog and digital transmission - and there would be no arguments over shrinking analog capacity. But in that case all cable households in town would have to get a digital decoder. And that would certainly be a problem for the cable network operator. But it's not an insoluble one - as we found from our experience with a pilot project in Berlin on changing from analog to digital terrestrial transmission.

Surveys have shown that ProSieben has a clear lead over competing public broadcasters in German audiences' perception as the station with the best science shows. So at the beginning of the new school year, ProSieben inaugurated the first "ProSieben Knowledge Prize." The topic was "Everyday Life in Space." Students from German schools that lead onward to higher-education curricula were encouraged to develop ideas that would make life easier for astronauts. The prize enjoys the patronage of Bavarian premier Dr. Edmund Stoiber, and was awarded in February 2003.

In Germany, television meets the needs of the hearing-impaired to a lesser extent than in other countries. As of October, Kabel 1 has been the second German private broadcaster - after ProSieben - to offer titling for the hearing-impaired on the teletext board. The titling began with the nine-part "Winnetou" Western series. Selected high-quality feature films will be titled about once a week thereafter.

Jürgen Doetz

Born in 1944, trained at the daily newspaper 'Pfälzer Tageblatt' and visited the Deutsche Journalistenschule in Munich. National service with the Federal Armed Forces between 1964 and 1966, left as a Lieutenant of the Reserves. Studied Political Sciences, History and Sociology between 1966 and 1971; in 1970 also worked as a political reporter at the 'Pfälzer Tageblatt'. Between 1971 and 1976 he was Press Officer for the Minister for Education and Cultural Affairs in Rhineland-Palatinate and between 1976 and 1982 Deputy Spokesperson for the government of Rhineland-Palatinate. Between 1982 and 1992 General Manager at PKS Programgesellschaft für Kabel- und Satellitenrundfunk mbH in Frankfurt; from 1985 General Manager at Sat.1 SatellitenFernsehen GmbH. Between 1985 and 1990 he was Chairman of Bundesverband Kabel und Satellit e.V. in Bonn (national association of cable and satellite). In 1990, he was appointed Executive Vice President of Verband Privater Rundfunk und Telekommunikation e.V. (German association of commercial broadcasting and telecommunications) in Bonn and was made President in 1996. Member of the Executive Board at ProSiebenSat.1 Media AG since 2000.

At a Glance

ProSiebenSat.1 Media AG

Share capital: EUR 194,486,400
(194,486,400 shares of no par value)

Allocation of share capital

Common stock* (WKN 575 465)

97,243,200 restricted registered shares of no par value
Subscribed capital per share: EUR 1.00
Allocation: KirchMedia GmbH & Co. KGaA 88.52%,
Axel Springer Verlag AG 11.48%

Preferred stock* (WKN 777 117)

97,243,200 bearer shares of no par value
Subscribed capital per share: EUR 1.00
Allocation: KirchMedia GmbH & Co. KGaA 16.52%,
Axel Springer Verlag AG 11.48%, Free Float 72%

Executive Board

Urs Rohner (Chairman)

Born 1959 in Zurich, Switzerland

Management segment: Sales and Merchandising

Dr. Ludwig Bauer

Born 1957 in Freyung

Management segment: Television

Jürgen Doetz

Born 1944 in Heidelberg

Management segment: Media Policy and Regulation

Lothar Lanz

Born 1948 in Bihlalingen

Management segment: Finance and Services

Claus Larass

Born 1944 in Jüterborg

Management segment: Information, News and Political Programs

Supervisory Board

Wolfgang van Betteray (Chairman)

Member of the management of KirchMedia GmbH & Co. KGaA, Unterföhring

Wolfgang Hartmann (Deputy Chairman)

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

Norbert Deigner

Authorized company representative of KirchMedia Beteiligungs-

Verwaltungs GmbH, Ismaning

Dr. Mathias Döpfner

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

Fred Kogel

Former Member of the management of KirchMedia GmbH & Co. KGaA,

Unterföhring

Alfred H. Lehner

Former Chairman of the Executive Board of Bayerische Landesbank

Girozentrale AG, Munich

Prof. Dr. Hans-Joachim Mertens

Professor at Johann Wolfgang Goethe-Universität, Frankfurt am Main

Hans Reischl

Chairman of the Executive Board of REWE-Zentral AG, Cologne

Gisela Schmitt

Member of the Executive Board of REWE-Zentral AG, Cologne

Corporate History

January 1984

Sat.1 is the first German commercial television company to go on air

August 1988

Launch of Sat.1 Text

January 1989

ProSieben goes on air

February 1992

Kabel 1 goes on air, ProSieben holds 45 percent of the shares

July 1992

Formation of the sales company MediaGruppe München

January 1993

Formation of SZM Studios

July 1994

Launch of ProSieben Text

November 1995

ProSieben acquires the remaining 55 percent of shares in Kabel 1

December 1995

ProSieben is transformed into a stock corporation

March 1996

ProSieben takes over MM Merchandising München

April 1996

Formation of ProSieben Digital Media and launch of ProSieben Online

September 1996

Launch of Sat.1 Online

July 1997

ProSieben is listed on the stock exchange

August 1997

Launch of Kabel 1 Text and Kabel 1 Online

April 1999

Formation of the creative agency SevenSenses

August 1999

Formation of the Sat.1 sales company Media 1

January 2000

N24 goes on air, launch of N24 Text and N24 Online

October 2000

Formation of ProSiebenSat.1 Media AG

November 2000

SevenOne Media originates from the merger between

MediaGruppe München and Media 1

May 2001

ProSiebenSat.1 Media AG acquires 48.4 percent of

Euvía Media AG & Co. KG

July 2001

N24 partially moves from Munich to Berlin

September 2002

Takeover of all shares in the multimedia company SevenOne Intermedia

(former Kirch Intermedia)

"The Sixth Sense"

In November, 7.13 million viewers watched "The Sixth Sense" on ProSieben. The psychological thriller with superstar Bruce Willis was the uncontested leader on the ratings charts for the second half of 2002, with a share of 33.7 percent among 14 to 49-year-olds.



