

Report of the Supervisory Board



Wolfgang van Betteray,
Chairman of the Supervisory Board

Ladies and Gentlemen,

The ProSiebenSat.1 Group has an exceptionally difficult fiscal 2002 behind it. We had to contend not only with the ongoing recession in the German television advertising market, but the insolvency of KirchMedia GmbH & Co. KGaA – our Group's majority shareholder and most important programming supplier. The ProSiebenSat.1 Group is listed on the stock exchange, and its finances are independent from the Kirch Group. At no time has it had a role in the KirchMedia insolvency proceedings. Nevertheless, the insolvency and its consequences sometimes added significantly to the everyday workload of both management and staff. The most obvious concern was to clarify any risk to programming rights acquired from KirchMedia. There was also the ProSiebenSat.1 Group's cooperation in due diligence procedures, offered under confidentiality agreements to selected potential investors in the process of selling KirchMedia. The Executive Board regularly informed the Supervisory Board of ProSiebenSat.1 Media AG as to all aspects of the KirchMedia insolvency that were of relevance to the Company.

The KirchMedia insolvency proceedings also resulted in changes in the Supervisory Board of ProSiebenSat.1 Media AG. Effective June 21, 2002, Dr. Dieter Hahn, the Chairman of the Supervisory Board, Vice-Chairman Thomas Kirch, Jan Mojto, and Dr. Klaus Piette, all resigned from their seats on the Board. The Supervisory Board wishes to thank these gentlemen for their work on behalf of the Company. At the annual general meeting on July 9, 2002, Wolfgang van Betteray, Wolfgang Hartmann, Norbert Deigner and Fred Kogel were elected new members of the Supervisory Board. The Board elected Mr. van Betteray as its Chair and Mr. Hartmann as Vice-Chair.

In accordance with its duties under the law and Articles of Incorporation, the Supervisory Board monitored and advised the Executive Board in its work during fiscal 2002. Because of the difficult business conditions in the television advertising market and the insolvency of KirchMedia, the Supervisory Board held eight ordinary meetings so that it could keep informed of business developments on a regular basis and in great detail. The Executive Board provided the Supervisory Board with detailed oral and written accounts of all events of relevance for business policy, and the two boards discussed these events thoroughly together. The two boards also thoroughly discussed all relevant decisions and issues concerning the Company's management and strategy, including a high-yield bond issue in July 2002 to optimize the Company's financing structure.

After KirchMedia filed for insolvency, the Executive Board and Supervisory Board of ProSiebenSat.1 Media AG were informed that the Company's majority shareholder, KirchMedia, would not support the conversion of preferred stock to common stock that the two boards had advocated and planned, because KirchMedia's own future ownership structure was now uncertain in light of the insolvency. For that reason, the Supervisory Board decided not to include the conversion proposal on the agenda for the annual shareholders' meeting on July 9, 2002. At the same time, the Executive Board and Supervisory Board resolved to hold firm to their plans to convert preferred stock to common stock at the earliest possible date.

The Supervisory Board expressly welcomed the release of the German Corporate Governance Code on February 26, 2002, by the Government Commission on the German Corporate Governance Code. At three meetings, the Board dedicated detailed discussion to the Commission's recommendations on further refining the management and control of listed corporations. The Board took the release of the Code as an occasion to review the cooperation between the Executive Board and Supervisory Board, along with all the Company's own mechanisms for management and control, and to optimize them where necessary. For example, the by-laws governing the Executive Board were amended, and new by-laws for the Supervisory Board were adopted for the first time. Plans also call for proposing a number of changes in the Articles of Incorporation at the annual general meeting, to bring the Company into better compliance with the Corporate Governance Code's recommendations. It was amid this setting that the Supervisory Board formed three committees in fiscal 2002. Two of these committees deal with personnel and programming matters; the third is a four-member Audit Committee, chaired by Wolfgang Hartmann. This committee especially deals with questions of accounting, risk management and auditing. The Programming Committee and the Audit Committee each met once in fiscal 2002. The Executive Board and Supervisory Board issued a Declaration of Compliance to the Corporate Governance Code on December 11, 2002.

The 2002 financial statements of ProSiebenSat.1 Media AG, the consolidated financial statements, which were prepared in accordance with German reporting regulations, and the combined management report prepared for ProSiebenSat.1 Media AG and the Group, were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Essen, and received the auditor's unqualified approval. The Supervisory Board likewise thoroughly reviewed these documents. All documents relating to the financial statements, as well as the KPMG audit reports, were made available to the members of the Audit Committee and Supervisory Board in good time. The documents were discussed in detail in the Audit Committee and at the financial review meeting of the Supervisory Board, in the presence of the auditor. The Supervisory Board has noted with approval the results of the auditor's examination of the financial statements, and for its own part, finds no cause for objection. The Supervisory Board has approved the annual financial statements and the consolidated financial statements prepared by the Executive Board and audited by the auditor. The annual financial statements were thus adopted. The Supervisory Board has examined the Executive Board's proposed allocation of profits, which calls for a dividend of EUR 0.02 per share of preferred stock, and concurs in this recommendation to be made to the annual meeting.

Furthermore, in its capacity as auditor of the financial statements, KPMG examined the report of the Executive Board on relationships with affiliated businesses as of December 31, 2002. The auditor's examination revealed no cause for objection. The auditor has granted the following unqualified auditor's opinion:

"After our conscientious audit, 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 examination of the report likewise revealed no cause for objection. The Supervisory Board concurs in the results of the auditor's audit. Accordingly, and in conformity 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.

The Supervisory Board would like to thank the Company's management and all employees for their hard work and strong personal commitment during the past fiscal year. Every employee's support for the extremely rigorous cost management played an important role in helping the ProSiebenSat.1 Group hold its own relatively well again in 2002, even under the most difficult market conditions.

Unterföhring, April 2003

Wolfgang van Betteray, Chairman