29 / Other liabilities

197187 / **OTHER LIABILITIES** in EUR m

	12/31/2018		12/31/2017	
	current	non-current	current	non-current
Accrued items and advance payments received	167	-/-	168	-/-
Liabilities to employees	79	-/-	63	-/-
Liabilities from VAT	41	-/-	52	-/-
Liabilities from other taxes	20	-/-	16	-/-
Vacation payment accruals	16	-/-	15	-/-
Liabilities from rebates	14	-/-	12	-/-
Liabilities from outstanding advertising services	7	-/-	14	5
Accruals from social security payments	2	-/-	3	-/-
Contract liabilities from licensing business	1	2	-/-	-/-
Other	16	4	15	2
Total	**362**	**6**	**357**	**7**

Accrued items and advance payments received primarily consist of advance payments received as well as accruals for marketing rights, amounts owed to media agencies and other accruals.

The advance payments received include advance payments in the amount of EUR 16 million (previous year: EUR 9 million) that have been received for projects in progress in the area of commissioned productions of programming content and that are yet to be offset against claims (→ see note 22 "Financial receivables and assets").

ADDITIONAL NOTES

30 / Contingent liabilities

Major legal disputes, where ProSiebenSat.1 Media SE and/or companies controlled by ProSiebenSat.1 Media SE are involved as defendants are shown below:

- **Claims for disclosure and action for damages by RTL 2 Television GmbH & Co. KG and El Cartel Media GmbH & Co. KG against SevenOne Media GmbH as well as broadcasters Sat.1 SatellitenFernsehen GmbH, ProSiebenSat.1 TV Deutschland GmbH and N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH (no longer part of the Group), pending before the Regional Court of Düsseldorf since November 10, 2008:** Claims for disclosure and action for damages by RTL 2 Television GmbH & Co. KG and El Cartel Media GmbH & Co. KG against SevenOne Media GmbH as well as broadcasters 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 Regional Court of Düsseldorf since November 10, 2008. The plaintiff asserts claims for disclosure and damages in connection with the marketing of advertising times by SevenOne Media GmbH. The external opinion commissioned by decision of the Regional Court on April 13, 2012 has been available to ProSiebenSat.1 Group since February 2018. The expert has arrived at the conclusion that there are no statistically substantiated indications of a positive probability of damage. We consider this finding to be correct and the action thus ready for dismissal. The plaintiffs have filed a motion to disqualify the expert on grounds of bias and disputed his conclusions. The court has yet to rule, and in addition, a decision could be appealed. The outcome of the proceedings therefore remains unpredictable. In so far, no provision has been created as of December 31, 2018.

— **Claims for payment of further compensation for bestsellers against companies of ProSiebenSat.1 Group:** Authors of highly successful TV shows may assert claims against companies of ProSiebenSat.1 Group under Sec. 32a of the German Copyright Act (UrhG). The broadcasting group has since agreed on so-called "joint compensation rules" (section 36 UrhG) with five associations (directing, camera, scriptwriters and cut), providing for the payment of additional compensation to directors, camera operators, screenwriters, actors and film editors, once TV movies or TV series reach certain audience numbers.
As of December 31, 2018, a total of EUR 10 million (previous year: EUR 12 million) were recognized as provisions for these issues, based on a best estimate of the additional compensation, which is expected to be payable based on the joint compensation rules already stipulated as well as on the joint compensation rules that currently are in advanced levels of negotiations. The amount of provisions furthermore takes into account the risks with regard to the VAT treatment of the compensation for bestsellers that has yet to be finally clarified. It is possible that more authors will assert additional justified claims under Sec. 32a UrhG, which are not covered by said "joint compensation rules" (e.g. for other program genres as well). A reliable estimate of the effects on our earnings development is not possible at this time.

Moreover, ProSiebenSat.1 Media SE and companies controlled by it are defendants or parties in further court and arbitration proceedings as well as regulatory proceedings. Based on the current state of knowledge, these proceedings do not significantly impact the economic situation of ProSiebenSat.1 Group.

31 / Other financial obligations

Other financial obligations comprise off-balance-sheet financial obligations in addition to the liabilities shown in the statement of financial position. The figures are nominal, i.e. undiscounted amounts.

198 / **OTHER FINANCIAL OBLIGATIONS** in EUR m

	12/31/2018	12/31/2017
Remaining term 1 year or less	718	539
Remaining term 1 to 5 years	1,769	1,952
Remaining term over 5 years	444	296
Purchase commitments for programming assets	**2,931**	**2,787**
Remaining term 1 year or less	63	66
Remaining term 1 to 5 years	127	136
Remaining term over 5 years	13	25
Distribution	**204**	**227**
Remaining term 1 year or less	4	33
Remaining term 1 to 5 years	9	67
Remaining term over 5 years	3	7
Leasing and long-term rental commitments	**16**	**107**
Remaining term 1 year or less	126	171
Remaining term 1 to 5 years	42	109
Remaining term over 5 years	5	0
Other financial obligations	**173**	**281**
Total	**3,325**	**3,402**

The purchase obligation for programming assets is based on agreements concluded before December 31, 2018 regarding the acquisition of licenses for films and series as well as commissioned productions. A majority of said agreements have been concluded in US dollars. Of the EUR 2,931 million shown, EUR 176 million has already been recognized as provisions for onerous contracts (→ see note 27 "Other provisions").

Distribution includes financial obligations for satellite services, obligations under contracts for terrestrial transmission facilities and cable feed charges. Expenses of EUR 35 million (previous year: EUR 38 million) incurred in financial year 2018. The underlying agreements are not leases within the meaning of IFRS 16.

The decline in off-balance sheet leasing and rental obligations from EUR 107 million to EUR 16 million reflects the first-time application of IFRS 16 "Leases". With regard to the presentation of the impact of the first-time application of IFRS 16, we refer to → section "Changes in accounting standards".

32 / Further notes on financial risk management and financial instruments in accordance with IFRS 7

As part of its ongoing business activities and its debt financing, ProSiebenSat.1 Group is exposed to various financial risks. Such risks are managed in the context of financial risk management by the Group Finance & Treasury central unit. The objectives of financial risk management include ensuring solvency and risk-adequate management of market price risks. The derivative financial instruments used in this context exclusively serve the purpose of hedging existing risks and are not used for speculative purposes. ProsiebenSat.1 Group largely uses hedge accounting to provide a meaningful and economically appropriate representation of the earnings effects of interest rate and currency hedging measures.

The principles, tasks and responsibilities of the financial risk management are stipulated in the internal financial guidelines of ProSiebenSat.1 Group. Risks are reported monthly to the Executive Board.

The risks explained below have been identified as significant and are subject to ongoing evaluation. Taking into account hedging activities, ProSiebenSat.1 Group is not exposed to any significant risk concentrations.

INTEREST RATE RISKS

ProSiebenSat.1 Group defines interest rate risks as the risk of rising financing costs because of rising interest rates. Because of the variable-rate nature of most of its financial liabilities, ProSiebenSat.1 Group is exposed to an interest rate risk. The group's variable-rate debt includes a term loan with a nominal volume of EUR 2.100 billion (previous year: EUR 2.100 billion) as of December 31, 2018 and a revolving credit facility (RCF) with a credit line of EUR 750 million as of the reporting date (previous year: EUR 750 million). In April 2018, ProSiebenSat.1 Group extended the term of the syndicated credit agreement by one year to April 2023. The RCF was not drawn in financial year 2018. Both term loan and RCF bear variable interest at Euribor money market rates plus a credit margin. In addition, ProSiebenSat.1 Group has issued three syndicated promissory note loans with a total volume of EUR 500 million (→ see note 28 "Financial liabilities"), one tranche of EUR 50 million bearing interest at a variable rate.

ProSiebenSat.1 Group hedges the interest rate risk arising from variable-rate liabilities by way of interest rate swaps and interest rate options. In the case of interest rate swaps, variable interest payments are swapped for fixed interest payments. As a result, the uncertain amounts of future variable interest payments on the debt are compensated and replaced with fixed interest payments. The fair value of interest rate swaps is determined by discounting the expected future cash flows. As for the interest rate options, ProSiebenSat.1 Group as buyer has the right, but not the obligation to swap future variable interest payments for fixed interest payments. The future variable interest payments are thus compensated and replaced with fixed interest payments if this is beneficial for ProSiebenSat.1 Group. This right usually requires payment of an option premium. The fair value of the interest rate options is calculated using standard option pricing model. The use of other valuation methods may give different results. Since the interest rate derivatives are used exclusively for hedging the existing interest rate risk, there is no intention to close them out early.

Insofar as it can be expected that the interest rate swaps will be highly effective in offsetting the interest rate-induced changes in the cash flows from the variable-rate over their term, they are designated as hedging instruments in a cash flow hedge. The effectiveness is measured using the hypothetical derivative method, under which the changes in the fair value of the hedging instrument are compared with the changes in the fair value of a "perfect", a hypothetical derivative that would fully offset the interest rate-induced changes in cash flows. Since the hedging instruments and the hedged interest payments match in terms of notional amounts, hedged interest rates, maturities and payment dates, hedge ineffectiveness can only arise from credit risk changes in the hedging instrument. If the change in fair value of the hedging instrument (including the change in credit risk) is

greater than the change in fair value of the hypothetical derivative, the excess is immediately recognized in profit or loss as hedge ineffectiveness. The remaining effective portion is transferred to the cash flow hedge reserve in equity and only recognized in profit or loss when the hedged interest payment affects the income statement.

The interest rate options are accounted for as free-standing derivatives and hedge accounting is not applied to them.

As of December 31, 2018, the Group´s hedge included interest rate swaps in the amount of EUR 500 million and interest rate options in the amount of EUR 1,600 million that are used to hedge the interest rate risk until 2020. The interest rate swaps and interest rate options held at the end of the previous year EUR 850 million and EUR 1,250 million, respectively expired in 2018. As of December 31, 2018, ProSiebenSat.1 Group held further interest rate options with a nominal volume of EUR 500 million (previous year: EUR 500 million) to limit the risk from the prevailing negative interest rates over the period up to 2020. In addition, ProSiebenSat.1 Group entered into further interest rate swaps with a total nominal volume of EUR 1,000 million in the financial year 2018 to limit the interest rate risk in the subsequent period from 2020 to 2023 and designated them as hedging instruments in a cash flow hedge. Similar to the hedged underlying transactions, these interest rate swaps contain an interest rate floor that limits the risk from the prevailing negative interest rates. As of December 31, 2018, the hedging ratio or the fixed interest portion of the financial liabilities was unchanged at approximately 98%. As of December 31, 2018, the average fixed interest rate for interest rate swaps is 0.50% per annum (previous year: 1.9%). As of December 31, 2018, the average interest cap is 1.0% per annum (previous year: 0.0%).

For the year under review, these transactions resulted in interest expenses of EUR 10 million (previous year: EUR 19 million). As a result of interest rates moving into negative territory in 2016 and because of the associated higher hedge ineffectiveness, the interest rate swaps in the portfolio at that time no longer qualified as hedging instruments under IAS 39 and hence hedge accounting for these swaps was discontinued. As at December 31, 2018, EUR 500 million of these swaps are still included in the portfolio. As a consequence, the valuation loss from these instruments accumulated in the cash flow hedge reserve at the date of the hedge de-designation is amortized over the original term, and the former hedging instruments are henceforth measured at fair value through profit or loss. The amortization loss reclassified from the cash flow hedge reserve to other financial result amounts to minus EUR 7 million in 2018 (previous year: EUR -16 million). Conversely, the valuation of the former hedging instruments at fair value through profit or loss resulted in a gain of EUR 9 million (previous year: EUR 19 million), also reported under other financial result. The net earnings effect in other financial result in 2018 thus amounted to EUR 2 million (previous year: EUR 3 million). Over the entire term of the original hedging relationships, the follow-on effects from the de-designation will offset each other in financial result.

As of December 31, 2018, the fair value of all interest rate swaps held by ProSiebenSat.1 Group amounted to minus EUR 11 million (previous year: EUR –13 million).

The remaining variable interest rate risk arises from the unhedged portion of the term loan, and would increase, at least temporarily in case of cash drawdown under the revolving credit facility. As at the end of the previous year, no amounts were drawn under the credit facility, as of December 31, 2018.

The interest rate risk understood as the risk of changes in fair value is not considered relevant because the financial debt of ProSiebenSat.1 Group are not held for trading purposes or other transfers to third parties.

The interest rate risk position is regularly evaluated based on current market data and existing risks are quantified by way of sensitivity analyses. The table below shows – the changes of the interest result arising from an increase (decrease) of the relevant interest rates by one percentage point.

If interest rates increased by one percentage point, the change in the fair value of interest rate hedges would improve the financial result by EUR 5 million and the cash flow hedge reserve by EUR 23 million. If interest rates decreased by one percentage point, this would create a loss of EUR 4 million in the financial result and loss of EUR 9 million in the cash flow hedge reserve.

199 / **INTEREST RATE RISKS** in EUR m

	Interest	2018	2017
Cash and cash equivalents	variable	1,031	1,552
Liabilities to banks	variable	– 2,084	– 2,084
Promissory note	variable	– 50	– 50
Promissory note	fix	– 448	– 448
Notes	fix	– 598	– 597
Gross exposure – variable		**– 1,103**	**– 582**
Gross exposure – fix		**– 1,046**	**– 1,045**
Interest rate hedges (for Hedging the interest rate risks inherent in the variable-interest financial liabilities)[1]		2,100	2,100
Hedge ratio[2]		98.4%	98.4%
Net exposure variable		**997**	**1,518**
Sensitivity analysis based on variable net exposure			
Annual potential effect of an increase in short-term interest rates by 100 basis points (1 percentage point)[3]		0	4
Annual potential effect of a decrease in short-term interest rates by 100 basis points (1 percentage point)[3]		– 14	– 15

[1] Thereof EUR 500 million interest rate swaps and EUR 1,600 million interest rate caps.
[2] Calculated as the ratio of interest rate hedges by total variable-rate debt.
[3] Due to the negative interest rate environment and existing lower interest rate limits there is no symmetry of the effects.

As of the reporting date, December 31, 2018, ProSiebenSat.1 Group had the following interest rate hedging instruments:

	Year of maturity			notional amount	average hedged interest rate		Fair Value	
	2019 Mio US-Dollar	2020–2023 Mio US-Dollar	2024 or later Mio US-Dollar	12/31/2018 in EUR m	12/31/2018	12/31/2017	12/31/2018 in EUR m	12/31/2017 in EUR m
interest-rate risk								
interest-rate swap	0	1,500	0	1,500	0.38% – 0.76%	0.50% – 1.95%	**–11**	–13
thereof within cash flow hedges[1]	0	1,000	0	1,000	0.38% – 0.76%	n/a	**–6**	0
interest-rate options[2]	0	1,600	0	1,600	1.0%	0.0% – 1.0%	**0**	0
thereof within cash flow hedges	0	0	0	0	n/a	n/a	**0**	0

[1] As explained above, the interest rate swaps designated as hedging instruments in a cash flow hedge contain an interest rate floor.
[2] To the extent interest rate options have been entered into to reduce the risk of negative interest rates until 2020 (see explanation in the body of the text), they hedge the same risk as the interest rate swaps of the same maturity and are not considered in this table in order to avoid double accounting.

CURRENCY RISKS

ProSiebenSat.1 Group defines currency risks as the risk of losses arising from exchange rate changes.

ProSiebenSat.1 Group concludes a significant portion of its license agreements with production studios in the USA. ProSiebenSat.1 Group usually settles any financial obligations from such programming rights purchases in US dollars. Exchange rate fluctuations between Euro and US dollar therefore may have a negative impact on the earnings and financial position of ProSiebenSat.1 Group. The currency risk from amounts due or owed in other foreign currencies or arising from transactions unrelated to programming rights purchases is negligible because of the small volume.

ProSiebenSat.1 Group applies a Group-wide portfolio approach when hedging financial obligations relating to programming rights purchases. Foreign currency exposure is defined as the total volume of all future payments in US dollars resulting from existing license agreements that will fall due within a strategic hedge horizon of seven years. ProSiebenSat.1 Group applies a range of derivatives and non-derivative financial instruments to hedge against currency fluctuations. They include currency forward contracts, foreign currency options and foreign currency cash positions in US dollars. Foreign currency forwards are unconditional, contractual agreements for the exchange of two currencies, the applicable nominal volume, exchange rate and due date being fixed at contract inception. With currency options ProSiebenSat.1 Group acts as the buyer and as such has the right, but not the obligation, to purchase a specified currency at a specific time and at a price determined at contract inception. This right usually requires payment of an option premium by ProSiebenSat.1 Group.

The majority of the currency derivatives is designated as hedging instruments in a cash flow hedge of future license payments in US dollars. The designation is based on forward rates. In the case of foreign currency forwards, as in the case of interest rate hedges, effectiveness is determined using the hypothetical derivative method and the changes in the fair value of the hedging instruments are compared with the changes in the fair value of a "perfect" forward contract, which fully offsets the changes in the counter-value in Euro of the future US dollar payment induced by exchange rate changes. In the case of currency options, only the change in the intrinsic value is designated as a hedging instrument, so that the change in the time value of the option is excluded from hedge accounting and recognized immediately in the financial result. The effectiveness of currency options is measured by comparing the intrinsic value of the currency option with the intrinsic value of a perfect hypothetical currency option.

Because the nominal amounts, currencies and maturities involved match, any hedge ineffectiveness can only result from changes in credit risk. If the change in fair value of the hedging instrument (including the change in credit risk) is greater than the change in fair value of the hypothetical derivative, the excess is immediately recognized in profit or loss as hedge ineffectiveness. The remaining effective portion is transferred to the cash flow hedge reserve in equity and only recognized in profit or loss when the hedged underlying transaction affects the income statement as a result of the amortization of the corresponding programming rights.

With respect to these programming rights, approx. 74% (previous year: approx. 86%) of the total foreign currency risk arising from the future US dollar payment obligations under existing contracts was hedged.

In addition, ProSiebenSat.1 Group occasionally holds derivatives that hedge US dollar liabilities from license agreements that have already been recognized on the balance sheet. Since both the changes in the fair value of the hedging instruments and the currency effects from the measurement of liabilities from license agreements are recognized immediately in the financial result, their effects on the income statement largely offet each other even without hedge accounting in the income statement. ProSiebenSat.1 Group therefore does not apply hedge accounting to these derivatives.

As of December 31, 2018, the hedge portfolio of ProSiebenSat.1 Group includes currency forward contracts in a nominal volume of US$ 1,686 million (previous year: US$ 2,102 million) and currency options in a nominal value of US$ 10 million (previous year: US$ 30 million) that are used to hedge the financial obligations arising from programming rights purchases. The fair values of the currency hedging transactions are determined using quoted forward exchange rates. The valuation was based on market data (mid-rates) as of December 31, 2018. As of December 31, 2018, the US dollar cash position amounted to US$ 317 million (previous year: US$ 256 million). The calculation of the market values of the currency options is based on a standard option pricing model.

200 / CURRENCY-RELATED TRANSACTIONS AND BALANCES

	Year of maturity			Nominal amount	averaged hedged exchange rate		Fair Value	
	2019 USD m	2020–2023 USD m	from 2024 USD m	12/31/2018 USD m	short-term USD/EUR	long-term USD/EUR	12/31/2018 EUR m	12/31/2017 EUR m
Currency forwards	410	1,171	105	1,686	1.1467 – 1.4525	1.1586 – 1.3915	**61**	9
thereof within cash flow hedges	410	1,171	105	1,686	1.1467 – 1.4525	1.1586 – 1.3915	**61**	14
Currency options	10	–/–	–/–	10	1.1650 – 1.1675	n/a	**0**	0
thereof within cash flow hedges	10	–/–	–/–	10	1.1650 – 1.1675	n/a	**0**	0
Currency holdings	317	n/a	n/a	317	n/a	n/a	**277**	213

The US dollar risk position is regularly evaluated based on current market data and existing risks are quantified by way of sensitivity analyses. The following table shows the effects of a 10% appreciation and depreciation of the US dollar on the Euro equivalent of future payments made in US dollars. It shows, from an economic perspective, the change in the impact of the US dollar exchange rate on US dollar cash flows and therefore does not constitute an accounting analysis.

201 / CURRENCY RISKS in Mio US-Dollar

	12/31/2018	12/31/2017
Gross foreign currency exposure	**–2,727**	**–2,789**
Currency hedges	2,013	2,388
thereof hedge accounting	1,696	2,005
thereof held for trading	0	127
thereof currency holdings	317	256
Net exposure	**–714**	**–401**
Hedge Ratio	73.8%	85.6%
Spot rate	1.1453	1.1988
US Dollar increase by 10%	1.0308	1.0789
US Dollar decrease by 10%	1.2598	1.3187
EUR m		
Change in future payments resulting from a 10% increase in the US dollar	– 69	– 37
Change in future payments resulting from a 10% decrease in the US dollar	57	30

From an accounting perspective, the exchange rate effects from license liabilities, the currency cash position and the currency derivatives not accounted for as part of a hedging relationship, as well as the changes in the time values of currency options accounted for as part of a hedging relationship, impact profit or loss. A fall (rise) of the US dollar by 10.0% would have an effect of EUR 4 million (EUR –5 million) on the currency result.

With respect to the foreign currency contracts designated as hedging instruments in a cash flow hedge, a foreign exchange impact of minus EUR 134 million resulting from a 10.0% fall of the US dollar and of plus EUR 165 million in the event of a 10.0% rise of the US dollar would be recognized in accumulated other comprehensive income in equity.

The reporting currency of ProSiebenSat.1 Group is the Euro. The financial statements of subsidiaries domiciled outside the Euro zone are translated into Euro for the Consolidated Financial Statements. In the context of foreign currency management, investments in such companies are in principle considered long-term commitments. ProSiebenSat.1 Group therefore does not hedge the translation risk.

Effects of Hedging Relationships on the Financial Statements

Since the hedging instruments used by ProSieben Sat.1 Group in hedge accounting are closely tailored to the underlying transactions to be hedged, the primary source of potential hedge ineffectiveness is counterparty credit risk. Pursuant to internal risk management guidelines, this risk is largely reduced by limiting the eligible derivative contract partners to those with high credit ratings and by entering into netting and offsetting agreements with them that take immediate effect in the event of a breach of contract.

When measuring fair values and determining ineffectiveness, the counterparty credit risk of the hedging instruments is taken into account in the form of credit value adjustments and debit value adjustments.

The hedging instruments designated in hedging relationships by ProSiebenSat.1 Group have the following effects on the balance sheet as of December 31, 2018:

in EUR m

	Nominal amount of hedging instrument	Carrying amount of the hedging instrument		Balance sheet line item where the hedging instrument is located	Change in fair value used for calculating hedge ineffectiveness for the reporting period
		assets	liabilities		
coverage of interest-rate risks	1,000	0	6	financial assets/ other financial liabilities	– 6
coverage of foreign exchange risks	1,333	69	8	financial assets/ other financial liabilities	83

As of December 31, 2018, the underlying hedge transactions have the following effects on the cash flow hedge reserve in equity:

in EUR m

	Change in the value of the hedged item used for calculating hedge ineffectiveness for the reporting period	Cash flow hedge reserve
coverage of interest-rate risks	6	– 7
completed hedging relationship	0	– 1
coverage of foreign exchange risk	– 84	61
completed hedging relationship	0	0

For the financial year 2018, the hedge transactions have the following effects on the profit or loss and the other comprehensive income:

in mio

	Change in the value of the heding instrument recognised in other comprehensive income	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassfied from the Cash flow hedge reserve (OCI) to profit or loss or acquisition cost	Line item affected in profit or loss because of the reclassification
coverage of interest-rate risks	– 6	0	other financial result	7	interest result/ other financial result
coverage of foreign exchange risk	83	0	other financial result	– 36	cost of sales

The movements of the cash flow hedge reserve during the period have been as followed:

202 / **CASH FLOW HEDGE RESERVE** in EUR m

	interest-rate risks	currency risks
As at December 31, 2017	– 8	14
Adjustment of previous year figures	0	0
As of January 1, 2018	**– 8**	**14**
Changes due to effective hedging relationship	– 6	83
Transfer to the acquisition cost of the underlying hedged transaction	–/–	– 36
Reclassification to profit or loss	7	–/–
Amounts reclassified because the hedged item has affected profit or loss	7	0
Amounts reclassified because the hedged future cash flows are no longer expected to occur	0	0
Deferred tax	2	– 17
As at December 31, 2018	**-5**	**44**

CREDIT AND DEFAULT RISKS

ProSiebenSat.1 Group is exposed to credit default risks, primarily arising from its operating activities, and to a lesser extent from derivative financial instruments and investment activities.

The maximum default risk – without taking into account any collateral or netting agreements, as exist in particular for derivative transactions – corresponds to the carrying amounts.

In the case of trade receivables – and contract assets from commissioned production – the carrying amount includes a loss allowance for lifetime expected credit losses; in the case of all other financial assets measured at amortized cost, it includes a loss allowance for expected credit losses resulting from possible default events within the next twelve months after the closing date.

To minimize credit default risks, ProSiebenSat.1 Group aims to enter into financial transactions and derivative transactions only with contracting partners having investment grade credit ratings. The credit risks of financial instruments are regularly monitored and analyzed. The credit default risk for all financial assets held by ProSiebenSat.1 Group is considered as low.

When measuring derivative financial instruments at fair value, the risk of default of the counterparty is taken into account in the form of credit value adjustments and the the group's own default risk in the form of debit value adjustments. The credit risk that is taken into account in the valuation is determined, for each counterparty and maturity, by way of multiplication of the relevant default probability by the discounted expected net cash flows of the derivative financial instruments. As of December 31, 2018, debit value adjustments of EUR 0.2 million (previous year: debit value adjustments of EUR 1.0 million) were recognized. There is no significant concentration of default risk with respect to a business partner or a clearly distinguishable ProSiebenSat.1 Group of business partners. As of the reporting date, there were no material agreements in place limiting the maximum default risk apart from netting and offsetting agreements customary in the market for derivative transactions. The fair value of derivative financial instruments, for which ProSiebenSat.1 Group reports a net positive fair value per business partner, totaled EUR 53 million as of December 31, 2018 (previous year: EUR 13 million), excluding credit value adjustments.

With respect to its operating business, i.e. for trade receivables and contract assets from commissioned production, ProSiebenSat.1 Group recognizes loss allowances in accordance with the simplified model of IFRS 9 in the amount of the present value of lifetime expected credit losses. The lifetime expected losses are calculated on the basis of historical default rates using a provision matrix which differentiates between customer groups and the age of the outstanding receivables.

The historical default rates used are adjusted at regular intervals to reflect current information and expectations regarding future developments. In particular, recent changes in default rates are taken into account and upward or downward adjustments applied if changes in the market environment or macroeconomic factors indicate a higher or lower probability of default than in the past.

Default rates are calculated separately for (i) non past due receivables and contract assets, (ii) receivables up to 90 days past due and (iii) receivables more than 90 days past due. Receivables that are more than 90 days past due are deemed to be in default and for the not-past-due and more-than-90-days-past-due-receivables the probability is taken into account that they will also become more than 90 days past due in the end.

The provision matrix as at December 31, 2018 is as follows:

203 / **PROVISION MATRIX** in EUR m

	Carrying amount trade receivables			
	Total	**Not due**	**<90 days past due**	**>90 days past due**
Cluster				
Media agencies	109	101	9	0
Other advertising agencies	108	87	18	3
Distribution customers B2B	14	13	0	1
Other B2B customers	209	158	37	13
B2C Customers	32	23	8	1
Sum	**472**	**382**	**71**	**19**

	Expected loss			
	Total	**Not due**	**<90 days past due**	**>90 days past due**
Cluster				
Media agencies	0	0	0	0
Other advertising agencies	0	0	0	0
Distribution customers B2B	0	0	0	0
Other B2B customers	- 1	0	0	0
B2C Customers	0	0	0	0
Sum	**- 1**	**- 1**	**0**	**0**

	Expected loss in relation to carring amount			
	Total	**Not due**	**<90 days past due**	**>90 days past due**
Cluster				
Media agencies	- 0.0%	- 0.0%	- 0.0%	- 1.4%
Other advertising agencies	- 0.2%	- 0.2%	- 0.3%	- 1.5%
Distribution customers B2B	- 0.2%	- 0.1%	- 0.1%	- 1.5%
Other B2B customers	- 0.4%	- 0.3%	- 0.3%	- 1.6%
B2C Customers	- 0.1%	- 0.0%	- 0.1%	- 1.3%
Sum	**- 0.2%**	**- 0.2%**	**- 0.2%**	**- 1.5%**

Receivables more than 90 days past due are considered "objectively impaired" and accounted for according to Step 3; other receivables are accounted for according to Step 2.

ProSiebenSat.1 Group considers that it will be able to collect the full amount of receivables that are past due but not impaired.

As regards the trade receivables and other financial assets, there have been no indications of material payment defaults as of the reporting date.

Information regarding major customers is to be found under → note 2 "Segment reporting".

LIQUIDITY RISKS

As part of its liquidity management, 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. The Term Loan (EUR 2,100 million), the notes (EUR 600 million), the promissory notes of EUR 500 million (→ see note 28 "Financial liabilities") and the RCF (EUR 750 million) are the key components of Group-wide corporate financing. The ProSiebenSat.1 Group may use the RCF flexibly for general operating purposes. As at December 31, 2018, there was no utilization of the RCF (previous year: no utilization). In addition, there was no drawing on guarantees, so that as at December 31, 2018, EUR 750 million (previous year: EUR 750 million) were available under the RCF. Both the term loan and the RCF mature April 2023, the notes in April 2021 and the promissory notes in December 2023 (EUR 275 million) and December 2026 (EUR 225 million), respectively.

In addition, as of December 31, 2018, ProSiebenSat.1 Group has cash and cash equivalents in the amount of EUR 1,031 million (previous year: EUR 1,552 million) and therefore has liquid funds and undrawn RCF in a total amount of EUR 1,781 million as of December 31, 2018 (previous year: EUR 2.302 million).

As 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. ProSiebenSat.1 Group assigned expected payments for financial liabilities, and the previous financial year to the following maturity ranges:

204 / **FINANCIAL LIABILITIES BY MATURITY** in EUR m

	1 year or less	More than 1–5 years	More than 5 years	Total contractual cash flows 12/31/2018
Notes	16	632	–/–	647
Loans and borrowings	19	2,177	–/–	2,197
Promissory note	7	304	237	547
Liabilities from finance leases	66	73	24	163
Trade accounts payable	550	53	–/–	602
Non-derivative financial liabilities	**657**	**3,238**	**261**	**4,156**
Interest rate swaps	4	12	–/–	16
Currency forwards	0	7	1	8
Embedded foreign currency derivatives	5	0	–/–	5
Put options and earn-outs	105	227	–/–	332
Derivative financial liabilities	**113**	**246**	**1**	**360**
Total	**770**	**3,484**	**262**	**4,516**

	1 year or less	More than 1–5 years	More than 5 years	Total contractual cash flows 12/31/2017
Notes	16	647	–/–	663
Loans and borrowings	17	2,178	–/–	2,196
Promissory note	7	29	519	555
Liabilities from finance leases	15	52	2	68
Trade accounts payable	543	49	–/–	591
Non-derivative financial liabilities	**597**	**2,955**	**522**	**4,074**
Interest rate swaps	11	4	–/–	15
Currency forwards	9	40	11	60
Put options and earn-outs	111	348	–/–	459
Derivative financial liabilities	**131**	**392**	**11**	**534**
Total	**728**	**3,347**	**533**	**4,608**

INFORMATION ABOUT CARRYING AMOUNTS AND MARKET VALUES OF FINANCING INSTRUMENTS

The following table shows the carrying amounts and the fair values of all categories of financial assets and financial liabilities of ProSiebenSat.1 Group. The fair value hierarchy levels reflect the significance of the input data used for the valuation and are structured as follows:

– prices quoted (unadjusted) in active markets for identical assets or liabilities (level 1),

– input data observed for the asset or liability, either directly (as prices) or indirectly (derived from prices), that do not constitute quoted prices as per 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).

205 / CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS 12/31/2018 in EUR m

			Categories under IFRS 9				Fair Value			
	Presented in the Statement of Financial Position as	Carrying amount	At fair value through profit and loss	Hedging instruments	Assets measured at amortized cost	Liabilities measured at amortized cost	Level 1	Level 2	Level 3	Total
Financial assets										
Measured as fair value										
Fund units to finance pension obligations	Non-current financial assets	**25**	25	–/–	–/–	–/–	25	–/–	–/–	**25**
Other equity instruments	Non-current financial assets	**156**	156	–/–	–/–	–/–	–/–	–/–	156	**156**
Derivatives for which hedge accounting is not applied	Current and non-current financial assets	**20**	20	–/–	–/–	–/–	–/–	1	19	**20**
Hedge derivatives	Current and non-current financial assets	**69**	–/–	69	–/–	–/–	–/–	69	–/–	**69**
Not measured at fair value										
Cash and cash equivalents[1]	Cash and cash equivalents	**1,031**	–/–	–/–	1,031	–/–				
Loans and receivables[1]	Current and non-current financial assets	**567**	–/–	–/–	567	–/–				
Other Financial assets at cost[1]	Current and non-current financial assets	**6**	–/–	–/–	6	–/–				
Total		**1,873**	**201**	**69**	**1,603**	**–/–**	**25**	**70**	**175**	**270**
Financial liabilities										
Measured at fair value										
Liabilities from put options and earn-outs	Other financial liabilities	**312**	312	–/–	–/–	–/–	–/–	–/–	312	**312**
Derivatives for which hedge accounting is not applied	Other financial liabilities	**9**	9	–/–	–/–	–/–	–/–	9	–/–	**9**
Hedge derivatives	Other financial liabilities	**14**	–/–	14	–/–	–/–	–/–	14	–/–	**14**
Not measured at fair value										
Term Loan and other borrowings	Financial debt	**2,098**	–/–	–/–	–/–	2,098	–/–	2,107	–/–	**2,107**
Notes	Financial debt	**598**	–/–	–/–	–/–	598	625	–/–	–/–	**625**
Promissory note	Financial debt	**499**	–/–	–/–	–/–	499	–/–	494	–/–	**494**
Real estate financing	Other financial liabilities	**22**	–/–	–/–	–/–	22	–/–	27	–/–	**27**
Other Financial liabilities at (amortised) cost[1]	Other financial liabilities and trade payables	**639**	–/–	–/–	–/–	639				
Lease liabilities	Other financial liabilities	**155**								
Total		**4,345**	**321**	**14**	**–/–**	**3,856**	**625**	**2,651**	**312**	**3,587**

[1] The carrying amount is a reasonable proxy of fair value.

206 / CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS 12/31/2017 in EUR m

			Category under IAS 39				Fair Value			
	Presented in the Statement of Financial Position as	Carrying amount	At fair value through profit and loss	Hedging instruments	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
Financial assets										
Measured as fair value										
Financial assets designated at fair value[1]	Non-current financial assets	**23**	23	–/–	–/–	–/–	23	–/–	–/–	**23**
Other equity instruments	Non-current financial assets	**88**	88	–/–	–/–	–/–	–/–	–/–	88	**88**
Derivatives for which hedge accounting is not applied	Current and non-current financial assets	**11**	11	–/–	–/–	–/–	–/–	0	11	**11**
Hedge derivatives	Current and non-current financial assets	**68**	–/–	68		–/–	–/–	68	–/–	**68**
Not measured at fair value										
Cash and cash equivalents[2]	Cash and cash equivalents	**1,552**	–/–	–/–	1,552	–/–				
Loans and receivables[2]	Current and non-current financial assets	**532**	–/–	–/–	532	–/–				
Other Financial assets at cost[1]	Current and non-current financial assets	**7**	–/–	–/–	7	–/–				
Total		**2,280**	**121**	**68**	**2,091**	**–/–**	**23**	**68**	**98**	**189**
Financial liabilities										
Measured at fair value										
Liabilities from put options and earn-outs	Other financial liabilities	**448**	448	–/–	–/–	–/–	–/–	–/–	448	**448**
Derivatives for which hedge accounting is not applied	Other financial liabilities	**19**	19	–/–	–/–	–/–	–/–	19	–/–	**19**
Hedge derivatives	Other financial liabilities	**53**	–/–	53	–/–	–/–	–/–	53	–/–	**53**
Not measured at fair value										
Term Loan and other borrowings	Financial debt	**2,090**	–/–	–/–	–/–	2,090	–/–	2,104	–/–	**2,104**
Notes	Financial debt	**597**	–/–	–/–	–/–	597	630	–/–	–/–	**630**
Promissory note	Financial debt	**498**	–/–	–/–	–/–	498	–/–	498	–/–	**498**
Lease liabilities	Other financial liabilities	**65**	–/–	–/–	–/–	65	–/–	68	–/–	**68**
Other Financial liabilities at (amortised) cost[1]	Other financial liabilities and trade payables	**624**	–/–	–/–	–/–	624				
Total		**4,394**	**467**	**53**	**–/–**	**3,874**	**630**	**2,742**	**448**	**3,820**

[1] This line item comprises shares in investment funds that are held to cover pension obligation but do not qualify as plan assets under IAS 19. Under IFRS 9 these shares have to be recognised at fair value because of their equity characteristics.
[2] The carrying amount is a reasonable proxy of fair value.

The Other equity instruments mainly consist of minority interests in other companies, which ProSiebenSat.1 Group in some instances acquire as part of its "media-for-equity" strategy. These investments are measured at fair value through profit or loss. If available, observable prices from recent financing rounds are used to calculate the fair value; otherwise, fair values are determined based on present value techniques using risk-adjusted discount rates.

Other equity instruments also include option agreements for such minority interests. For these agreements, fair values are determined using binomial models or Monte Carlo simulations.

In 2018, ProSiebenSat.1 Group further increased its stake in the minority interest ABOUT YOU GmbH, Hamburg, which it acquired in the previous year as part of its "Media for Equity" strategy, and as of December 31, 2018 held shares totaling EUR 27 million. A put/call agreement for the retransfer of the acquired shares had been reached with the seller already in 2016. The fair values were determined using a binomial model. In the event that ProSiebenSat.1 Group exercises the put option, the indirect majority shareholder of ABOUT YOU GmbH will guarantee that the exercise price will be paid in favor of ProSiebenSat.1 Group.

All Other equity instruments are measured on the basis of input data that cannot be derived either directly or indirectly from the market and therefore belong to fair value hierarchy level 3.

Derivatives that are not subject to hedge accounting pertain to a warrant agreement that ProSiebenSat.1 Group entered in 2014 with Odyssey Music Group S.A., Paris, (Deezer). The warrant agreement constitutes a financial derivative. In financial year 2017, ProSiebenSat.1 Group received planning information and, as a result, changed its valuation method to a net present value method, the input parameters of which are largely unobservable on the market. As of December 31, 2018, the fair value measurement included the price achieved in the equity financing round at Deezer in 2018. As of December 31, 2018, the fair value of the financial derivative amounted to Eur 15 million (previous year: EUR 6 million). The derivative is classified at level 3.

Financial derivatives held for hedging purposes with positive fair values are reported as financial assets, those with negative fair values as other financial liabilities. The valuation relies on present value models based on risk-free discount rates or standard option pricing models (Black model or Black-Scholes model).

The fair values of cash and cash equivalents, of trade receivables and payables, financial liabilities measured at amortized cost and other short-term financial liabilities are approximately equivalent to their carrying amounts. This is principally due to the short term nature of such instruments. No fair value is reported.

The financial liabilities measured at fair value comprise liabilities from put options, relating to non-controlling interests in already acquired affiliated entities and from earn-out agreements variable, usually performance-based, deferred purchase price payments).

MAIN ASSUMPTIONS AND ESTIMATES:

Contingent purchase price components in business combinations in the form of put options on shares held by non-controlling interests are measured at fair value as of the acquisition date and in subsequent periods. Measurement is performed on a transaction-by-transaction basis and largely draws on input data which is not observable on the market. In general, market multiples methods or the income approach are used for the calculation. The cash flows expected at the date the options are exercised are discounted to the valuation date, using a risk-adjusted rate of matching tenor. An increase (reduction) of 5.0% in the underlying earnings figures, which largely determine the nominal amount, would increase (decrease) the fair value by EUR 11 million (EUR 11 million) as of the reporting date. In addition, a change in the interest rate by one percentage point would result in the fair value of these financial liabilities falling by EUR 23 million or increasing by EUR 30 million. These liabilities are classified as level 3 financial instruments.

The fair values of loans and borrowings, and of notes and promissory note loans are determined by discounting the anticipated future cash flows using the interest rates applicable to similar financial debt with a comparable remaining term.

The following table shows the reconciliation of the respective fair values to the end of the reporting period for the items listed, which are regularly measured at fair value and assigned to Level 3:

207 / RECONCILIATION OF LEVEL 3 FAIR VALUES in EUR m

	Other equity instruments	Derivatives, for which hedge accounting is not applied	Liabilities from put options and earn-outs
January 1, 2018	**88**	**10**	**448**
Results included in the income statement[1]	24	9	– 48
Additions from acquisitions	29	–/–	95
Disposals/Payments	– 7	–/–	– 187
Other changes	23	0	3
December 31, 2018	**156**	**19**	**312**

[1] This line item includes unrealised gains on Other equity instruments of EUR 19 million, unrealised gains on Derivative, nor which hedge accounting is not applied, of 9 million and unrealised gains on liabilities form put options and earn-outs of EUR 41 million.

The item "Other changes" primarily includes effects from changes in shareholdings and currency effects from translating the financial statements of US dollar functional currency entities into Euro.

Apart from compounding effects, which are recognized in interest result, any gains or losses on instruments assigned to level 3 are reported in Other financial result.

In the financial years 2018 and 2017, there were neither transfers between Level 1 and Level 2 nor into or out of Level 3 of the fair value hierarchy.

NETTING OF FINANCIAL INSTRUMENTS

All derivative transactions entered into with banks are subject to the German Master Agreement for Financial Derivatives as is customary for such transactions in the industry. As a result, these derivatives are subject to contractual netting agreements in the event that one of the parties to the contract fails to meet its payment obligations. However, they do not satisfy the IAS 32 offset criteria and are therefore shown gross in the statement of financial position. Otherwise, ProSiebenSat. 1 Group does not have any contractual rights for settling financial assets and financial liabilities on a net basis.

The following table contains the information required by IFRS 7 for the netting of financial instruments. The figures shown are fair values that have been determined without taking into account credit value adjustments:

208 / **OFFSETTING OF FINANCIAL INSTRUMENTS** in EUR m

	Financial assets (gross presentation)	Financial liabilities offset in the statement of financial position	Financial assets (net presentation)	Amounts subject to offsetting agreements	Financial assets after offsetting (not reflected in the statement of financial position)
Derivative financial instruments 12/31/2018	69	0	69	– 16	53
Derivative financial instruments 12/31/2017	68	–/–	68	– 55	13

	Financial liabilities (gross presentation)	Financial assets offset in the statement of financial position	Financial liabilities (net presentation)	Amounts subject to offsetting agreements	Financial liabilities after offsetting (not reflected in the statement of financial position)
Derivative financial instruments 12/31/2018	19	0	19	–16	2
Derivative financial instruments 12/31/2017	74	–/–	74	–55	19

33 / Share-based payments

ProSiebenSat.1 Group has a number of programs that are governed by the provisions of IFRS 2.

PERFORMANCE SHARE PLAN (LONG-TERM INCENTIVE)

At last year's Annual General Meeting on May 16, 2018, the revision of the Executive Board remuneration system was announced (see agenda item 5 of the Annual General Meeting of ProSiebenSat.1 Media SE on May 16, 2018). In connection with the revision of the Executive Board remuneration system, the existing Long Term Incentive Program Group Share Plan (GSP) was also replaced by the Performance Share Plan (PSP). The PSP is a long-term compensation instrument, which ProSiebenSat.1 Media SE developed for members of its Executive Board as well as other selected executives and employees of ProSiebenSat.1 Group. The beneficiaries and the number of PSUs granted were determined by the Executive Board of ProSiebenSat.1 Media SE with the approval of the Supervisory Board or – if pertaining to Executive Board members – by the Supervisory Board. The terms of the plan and the key performance indicators of the PSP are explained below.

Terms of the plan

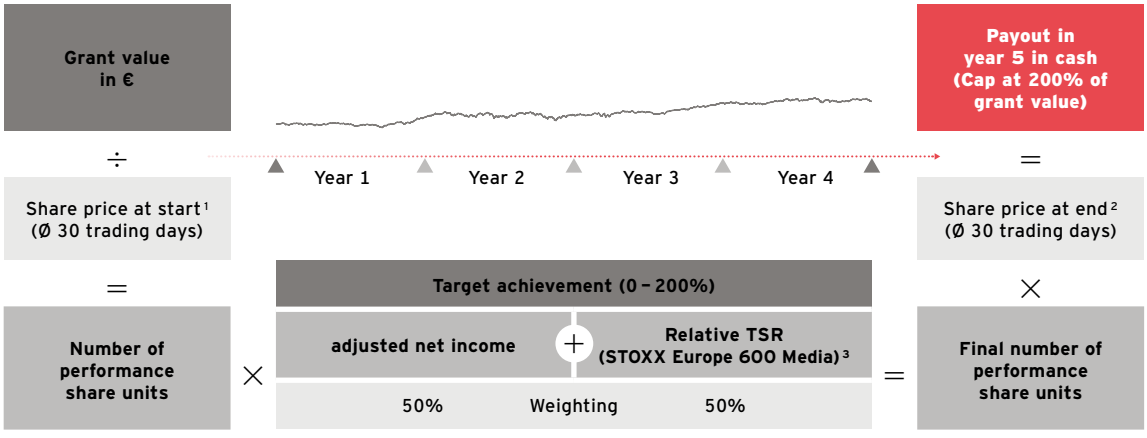
The PSP is structured as a multi-year variable remuneration in the form of virtual shares (performance shares). To this end, they are allocated in annual tranches, each with a four-year performance period. Payment is made in cash in year five, the year after the end of the performance period. The Company has the right, instead of cash payment, to alternatively choose a settlement in own shares and to deliver a corresponding number of shares of the Company for this purpose. However, the Company will use this option probably only in the interests of its shareholders if the current tax disadvantageous treatment of a settlement at company level is reversed by issuing own shares.

Performance shares are measured at fair value and depend on the share price performance of ProSiebenSat.1 Media SE and the achievement of targets based on internal and external company performance. The company's performance for the Performance Share Plan is determined at a rate of 50% each by the adjusted net income at Group level and the relative total shareholder return (TSR – return on ProSiebenSat.1 Media SE shares relative to the return on shares of STOXX Europe 600 Media companies). The Performance Share Plan is issued in annual tranches with a performance period of four years each.

The calculation of corporate performance is on the one hand based on the parameter adjusted net income. This is an important performance indicator for the Group and serves, among other things, as a basic indicator for the dividend policy and the resulting distribution amounts. It is reported by ProSiebenSat.1 Media SE as part of the Group's regular financial reporting. On the other hand, the company's performance is determined with the help of the relative TSR, since this ratio compares the return on ProSiebenSat.1 Media SE shares with the return on shares of a relevant group of peer companies and sets them into context. The relative TSR takes into account share price performance and dividends to shareholders over the four-year performance period.

An individual allocation value is specified in the service contract for each member of the Executive Board. On the first day of a financial year, a number of Performance Share Units (PSUs) corresponding to the allotment value will be granted on the basis of the volume-weighted average XETRA closing price of the ProSiebenSat.1 Media SE share over the preceding thirty trading days. Contrary to this general rule and in view of the fact that the Performance Share Plan was launched during the year 2018, the grant date for the Performance Share Plan 2018 is June 29, 2018. At the end of the four-year performance period, the PSUs granted are converted into a final number of PSUs using a conversion factor based on the weighted target achievement of adjusted net income and relative TSR. The payout amount per PSU then corresponds to the volume-weighted average XETRA closing price of the ProSiebenSat.1 Media SE share over the thirty trading days preceding the end of the performance period, plus the accumulated dividend payments on the ProSiebenSat.1 Media SE share during the performance period. It is limited to a maximum of 200% of the individual allotment value per tranche (cap). In the case of a settlement in treasury shares, the amount paid out is converted into a corresponding number of treasury shares of the Company issued to the beneficiary on the basis of the above average price.

209 / FUNCTION PERFORMANCE SHARE PLAN



[1] Volume-weighted average XETRA closing price of ProSiebenSat.1 Media SE's shares over the 30 trading days preceding the start of the performance period, rounded down to two decimal places.
[2] Volume-weighted average XETRA closing price of ProSiebenSat.1 Media SE's shares over the 30 trading days preceding the end of the performance period, rounded down to two decimal places, plus cumulative dividend payments on each share in ProSiebenSat.1 Media SE.
[3] Relative TSR of ProSiebenSat.1 Media SE's shares over the four-year performance period in comparison to STOXX Europe 600 Media companies.

Parameter adjusted net income on Group level

The adjusted net income at Group level is taken into account with a weighting of 50% for the purpose of determining target achievement in the Performance Share Plan. Thus, 50% of the final number of performance share units depends on the average achievement of the Group's adjusted net income target during the four-year performance period.

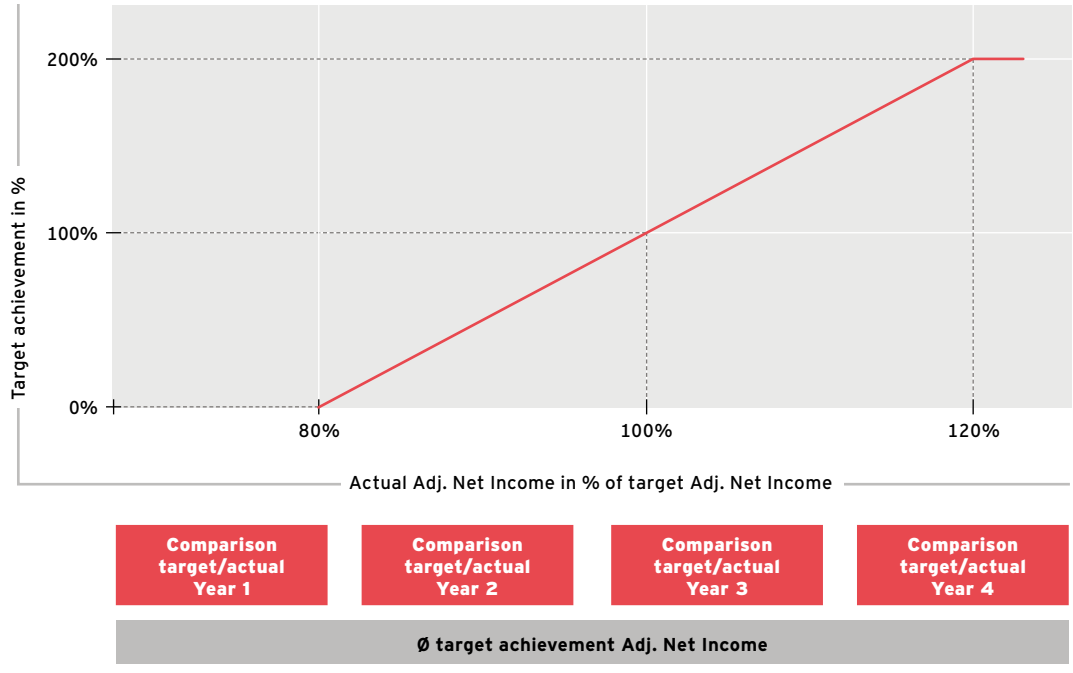
The average annual target achievement of the adjusted net income of the four-year performance period is used to determine the target achievement for the Group's adjusted net income at the end of the term of a tranche. The target value for each financial year of the performance period for the adjusted net income is determined annually in EUR by the Supervisory Board and is derived from the budget planning for the Group.

If required, the Group's actual adjusted net income reported by ProSiebenSat.1 Media SE is adjusted to determine target achievement, e.g. for effects from significant changes in IFRS accounting and from the effects of M&A transactions (including related financing effects) carried out during the reporting period that are not included in the planning.

To measure target achievement, the actual adjusted net income actually achieved according to the approved consolidated financial statements of ProSiebenSat.1 Media SE is compared with the target adjusted net income for the respective fiscal year after the adjustment mentioned above. The target achievement is published subsequently in the remuneration report.

If the actual adjusted net income corresponds to the target value, the target achievement is 100%. In case of a negative deviation of 20% or more from the target adjusted net income, the target achievement is 0%. For the maximum target achievement of 200%, the actual adjusted net income must exceed the target adjusted net income by 20% or more. Intermediate values are interpolated in a straight line. The adjusted net income target achievement curve is symmetrical, which means that any underachievement or overachievement of the target is equally taken into account.

210 / TARGET ACHIEVEMENT CURVE ADJUSTED NET INCOME



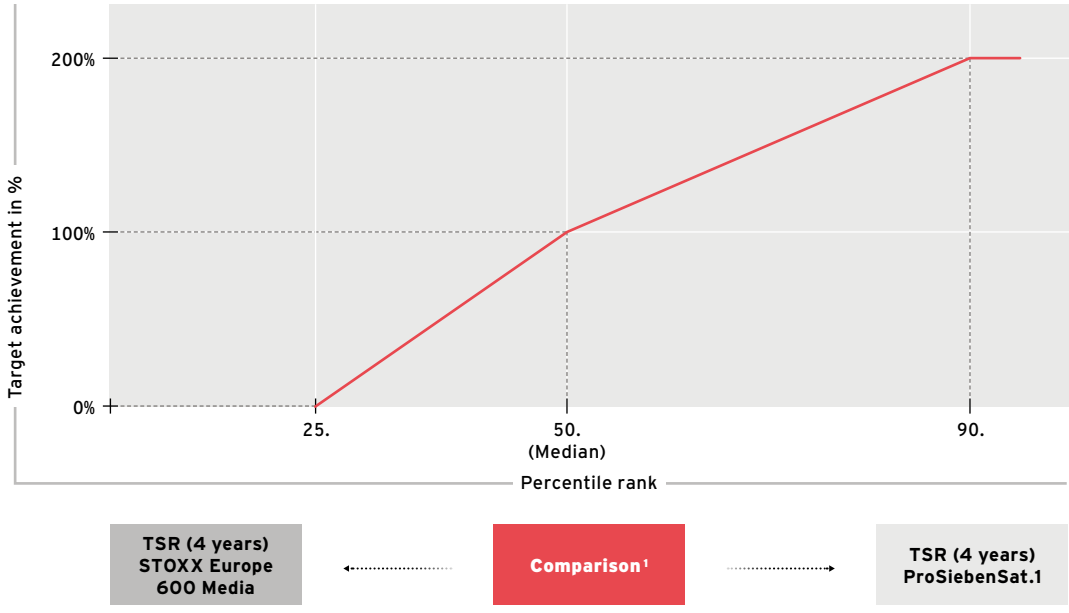
Parameter Relative Total Shareholder Return (TSR)

In addition, 50% of the final number of performance share units depends on the relative TSR of ProSiebenSat.1 Media SE share over the four-year performance period compared to the STOXX Europe 600 Media companies. The companies in this index represent the relevant comparative values for the purpose of classifying the stock return of ProSiebenSat.1 Media SE share relative to the stock return of these companies in the selected comparative index. The TSR of the ProSiebenSat.1 Media SE share and the shares of the peer companies are ranked and the relative positioning of ProSiebenSat.1 Media SE is expressed on the basis of the percentile rank achieved. The target achievement is published subsequently in the remuneration report.

If the relative TSR achieved by ProSiebenSat.1 Media SE corresponds to the median (50th percentile) of the peer group, the target achievement is 100%. When positioned at or below the 25th percentile, the target achievement

is 0%. Maximum target achievement of 200% requires that at least the 90th percentile is reached. Intermediate values are interpolated in a straight line in case of both positive or negative deviations.

211 / TARGET ACHIEVEMENT CURVE OF RELATIVE TSR



[1] Relative TSR of ProSiebenSat.1 Media SE's shares over the four-year performance period in comparison with STOXX Europe 600 Media companies.

The following table shows the main information about the Performance Share Plan of ProSiebenSat.1 Group:

212 / PERFORMANCE SHARE PLAN

	PSP 2018
Performance Share Units as of January 01, 2018	0
Performance Share Units granted in 2018	288,160
Performance Share Units forfeited in 2018	–/–
Performance Share Units settled in 2018	–/–
Performance Share Units as of December 31, 2018	288,160
Grant date	June 29, 2018
Vesting period	2018 until 2021

The personnel expenses attributable to financial year 2018 from the issued Performance Share Units for the Performance Share Plan amount to EUR 1 million (previous year: EUR 0 million).

The other short-term provision for the Performance Share Plan as of December 31, 2018, amounted to EUR 0 million (previous year: EUR 0 million). The other long-term provision for the Performance Share Plan as of December 31, 2018, amounted to EUR 1 million (previous year: EUR 0 million) (→ see note 27 "Other provisions").

Once the audited and approved consolidated financial statements for the last financial year of the four-year performance period of the respective tranche are published, the respective tranche of the Performance Share Plan is paid out resp. settled in the following year.

GROUP SHARE PLAN

As of December 31, 2018, ProSiebenSat.1 Media SE still maintained a total of three ongoing programs – the Group Share Plans 2015 to 2017 – which entitle their beneficiaries to acquire PSUs after a plan period of four years (holding period). They are long-term compensation instruments, which ProSiebenSat.1 Media SE developed for members of its Executive Board as well as other selected executives and employees of ProSiebenSat.1 Group. The Annual General Meeting approved the introduction of the Group Share Plan on May 15, 2012. The beneficiaries and the number of PSUs granted were determined by the Executive Board of ProSiebenSat.1 Media SE with the approval of the Supervisory Board or – if pertaining to Executive Board members – by the Supervisory Board.

Since the structure of the plans is largely identical, below they are referred to as one plan. Any differences, however, will be explained separately. In each instance this is a stock bonus, where ProSiebenSat.1 Media SE has the option to settle using equity instruments or cash. By resolution of March 11, 2016, the Supervisory Board of ProSiebenSat.1 Media SE has exercised said option and resolved to settle the Group Share Plans in cash. Accordingly, in the first quarter of 2016, accounting for the Group Share Plans was changed from "equity settlement" to "cash settlement", and the amounts that previously had been recognized in the capital reserve for the Group Share Plans 2012 to 2015 were transferred to the other long-term provisions or to the other current liabilities. The Group Share Plan 2014 was fully paid out in the second quarter of 2018.

Evaluation, Minimum Hurdles and Performance Target

PSUs are valued at their fair value. In principle, this corresponds to the market value of the underlying stocks. The conversion factor used to convert the PSUs into cash upon expiry of the holding period depends on whether pre-defined EBITDA and net income performance targets that have been defined in advance based on the terms of the plan are achieved and may range from 0 to 150% (performance-related cap). If the share price at the time of determining the exchange ratio exceeds the share price at the time of allocation by more than 200%, the conversion factor is furthermore reduced such that any price increase exceeding the 200% threshold will not lead to any further increase in the value of the PSUs (price-related cap). In the absence of any rights to dividends during the term of the plan, the fair value is reduced by the fair value of the dividends expected. The relevant dividend deductions were derived from the previous dividend history of ProSiebenSat.1 Group. After the end of each year of the holding period, one quarter of the granted PSUs is vested.

The cash payment received by the plan participant at the end of the four-year plan period per PSU depends on the respective target achievement. The Supervisory Board may change the conversion rate for the respective Group Share Plan of virtual shares in cash for the Executive Board by plus/minus 25.0% in order to reflect individual performance. The number of PSUs is furthermore adjusted by a corresponding dilution ratio if a super dividend is paid out. The application of the conversion factor as well as a possible super-dividend dilution ratio are carried out at the time of the conversion of the Performance Share Units into cash.

The following table shows the main information about the individual Group Share Plans of ProSiebenSat.1 Group:

213 / **GROUP SHARE PLANS** in EUR m

	GSP 2014	GSP 2015	GSP 2016	GSP 2017
Performance Share Units as of January 1, 2018	324,461	119,417	237,518	260,442
Performance Share Units granted in 2018	-/-	-/-	-/-	-/-
Performance Share Units forfeited in 2018	240	21,447	47,539	26,075
Performance Share Units superseded in the context of other incentive programs	-/-	411	3,403	8,447
Performance Share Units settled in 2018	324,221	-/-	-/-	-/-
Performance Share Units as of December 31, 2018	-/-	97,559	186,576	225,920
Grant date	September 15, 2014	December 1, 2015	December 15, 2016	December 15, 2017
Vesting period	2014 until 2017	2015 until 2018	2016 until 2019	2017 until 2020

Due to the share price performance in financial year 2018, an offsetting income of EUR 2 million was recognized in personnel expenses as part of the PSU valuation (previous year: EUR 1 million personnel expenses).

The other short-term provision for the Group Share Plans as of December 31, 2018, amounted to EUR 2 million (previous year: EUR 9 million). The other long-term provision for the Group Share Plans as of December 31, 2018, amounted to EUR 5 million (previous year: EUR 10 million) (→ see note 27 "Other provisions").

Once the audited and approved consolidated financial statements for the last financial year of the four-year plan term of the respective tranche are published, the respective tranche of the Group Share Plan is paid out resp. settled in the following year.

OTHER SHARE-BASED COMPENSATION MODELS

The Group furthermore maintains additional share-based compensation models, such as the "myshares" employee share program; however, ProSiebenSat.1 Group does not consider its compensation component to be significant.

34 / Related party transactions

Related parties of ProSiebenSat.1 Group pursuant to IAS 24 are the persons and companies that control ProSiebenSat.1 Group, exercise significant influence over it, or are controlled or significantly influenced by ProSiebenSat.1 Group.

As of the reporting date, the members of the Executive and Supervisory Board of ProSiebenSat.1 Media SE and associate companies or joint ventures of ProSiebenSat.1 Group were defined as related parties.

EXECUTIVE AND SUPERVISORY BOARD

The members of the Executive and Supervisory Board of ProSiebenSat.1 Media SE, including their membership in other statutory supervisory boards and comparable controlling bodies are set forth in the notes to the Consolidated Financial Statements in the sections → "Members of the Executive Board" and → "Members of the Supervisory Board". The compensation system of ProSiebenSat.1 Media SE for the members of the Executive and Supervisory Board is explained in more detail in the → "Compensation report" section of the summarized Management Report.

Thomas Ebeling, the former Chief Executive Officer (CEO) of ProSiebenSat.1 Media SE, left the Executive Board of ProSiebenSat.1 Media SE as of February 22, 2018. His service contract, which originally would have ended on June 30, 2019, also terminated on February 22, 2018. A severance payment of EUR 7.1 million was agreed in the termination agreement, which was paid after the termination date or in the case of contractual pension contributions, continued respectively.

Christof Wahl, Chief Operating Officer of ProSiebenSat.1 Media SE, left the company by mutual agreement on July 31, 2018. A termination agreement with a severance payment of EUR 2.6 million was agreed on, with EUR 2.0 million already paid out on July 31, 2018.

Jan David Frouman, member of the Executive Board of ProSiebenSat.1 Media SE and Chairman & CEO Red Arrow Studios until November 19, 2018, will leave the company at the end of his contract, which expires on February 28, 2019. In connection with his departure, the company will pay Jan David Frouman compensation in the amount of EUR 0.3 million for the period of prohibition of competition.

With effect from July 7, 2016, SevenVentures GmbH, a subsidiary of ProSiebenSat.1 Media SE, and Heilpflanzenwohl AG, Pfäffikon, Switzerland, entered into a master agreement effective July 7, 2016 regarding the provision of paid advertising services to Heilpflanzenwohl AG. The former Chief Executive Officer of ProSiebenSat.1 Media SE, Thomas Ebeling, and his family members hold a total of 38.0% in Heilpflanzenwohl AG. Thomas Ebeling holds a 30.0% share in Heilpflanzenwohl AG. Under the master agreement, Heilpflanzenwohl AG acquires TV advertising times from Seven Ventures GmbH against a fee. The master agreement will expire on December 31, 2019. Delivery of the paid advertising services will be based on individual agreements, which must be concluded by December 31, 2019, and which each will have a term of up to three years. As of the reporting date, December 31, 2018, one individual agreement has been concluded. In financial year 2018, advertising services with a gross media volume in the amount of EUR 9 million (previous year: EUR 12 million) were provided. The total sales potential associated with the master agreement for ProSiebenSat.1 Group amounts to up to EUR 40 million, depending on the scope of utilized TV advertising times. In addition, Seven Ventures GmbH has a potential revenue share in the exploitation of material rights to advertised products. TV advertising services are provided on market terms. An external expert report has confirmed that the contract terms are in line with market terms. The agreement is furthermore in line with the requirements specified by the Supervisory Board of ProSiebenSat.1 Group for private investments by Executive Board members. Thomas Ebeling was not involved in either master agreement negotiations or in the approval by the Executive Board.

Erik Huggers, member of the Supervisory Board of ProSiebenSat.1 Media SE since May 21, 2015, worked as a consultant for 7TV Joint Venture GmbH in the fourth quarter of 2018. During this period, 7TV Joint Venture GmbH received consulting services on a contractual basis amounting to EUR 150,000. The contractual agreement was concluded for the fourth quarter of 2018 and ended on December 31, 2018.

In financial year 2018, the Supervisory Board members acquired 38,703 no-par shares in the Company. In financial year 2018, the Executive Board members acquired 172,283 no-par shares in the Company. The associated transactions were published in accordance with Art. 19 MAR on the ProSiebenSat.1 Group website → www.prosiebensat1.com.

As part of the new Performance Share Plan ("PSP"), so-called Performance Share Units ("PSUs", "virtual shares") are issued to the members of the Executive Board → see note 33 "Share-based payments". At the end of financial year 2018, the members of the Executive Board hold a total of 183,035 PSUs under the Performance Share Plan.

As part of the expired Group Share Plan ("GSP") → see note 33 "Share-based payments", the members of the Executive Board still hold a total of 135,086 PSUs under the Group Share Plan 2017, 82,786 PSUs under the Group Share Plan 2016 and 16,404 PSUs under the Group Share Plan 2015.

The Mid Term Incentive Plan was abolished in 2018 as part of the revision of the Executive Board compensation system. For details, please refer to the section "Structure and components of Executive Board compensation since January 2018" in the Compensation Report.

For pension commitments to members of the Executive Board in office in financial year 2018, ProSiebenSat.1 Media SE has created pension provisions in a total amount of EUR 15.2 million (previous year: EUR 12.9 million). This includes pension provisions in the amount of EUR 10.4 million (previous year: EUR 9.4 million). Pension commitments to former Executive Board members as of December 31, 2018 amounted to EUR 12.8 million (previous year: EUR 14.4 million). This includes pension provisions in the amount of EUR 5.2 million (previous year: EUR 5.5 million).

The total entitlement of Executive Board members in office in financial year 2018 to pension benefits that have accrued as of December 31, 2018, amounts to EUR 16.2 million (previous year: EUR 14.1 million). This includes claims from deferred compensation in the amount of EUR 10.8 million (previous year: EUR 10.0 million). The equivalent claim of Executive Board members in office in financial year 2018 to annual pension benefits amounts to EUR 0.7 million (previous year: EUR 0.6 million). This includes claims from deferred compensation in the amount of EUR 0.4 million (previous year: EUR 0.4 million).

The total entitlement of former Executive Board members amounts to EUR 7.5 million (previous year: EUR 8.0 million). This includes claims from deferred compensation in the amount of EUR 2.2 million (previous year: EUR 2.2 million). The equivalent claim of former Executive Board members to annual pension benefits amounts to EUR 0.7 million (previous year: EUR 0.8 million). This includes claims from deferred compensation in the amount of EUR 0.3 million (previous year: EUR 0.3 million). In financial year 2018, pension entitlements in an amount of EUR 0.4 million (previous year: EUR 0.4 million) were paid to former Executive Board members. To hedge such pension entitlements, funds have been endowed; however, they cannot be classified as plan assets, as the relevant conditions are not met.

The Company has neither granted loans to the Executive Board members nor assumed any guarantees or warranties for them.

In the reporting year, the compensation for Executive Board of ProSiebenSat.1 Media SE who were in office in financial year 2018 amounts to EUR 20.9 million (previous year: EUR 12.8 million). Such compensation includes variable components in the amount of EUR 15.7 million (previous year: EUR 8.5 million) and fringe benefits in the amount of EUR 0.1 million (previous year: EUR 0.2 million). The variable compensation includes one-year and multi-year variable compensation payments.

In financial year 2018, the total emoluments of former Executive Board members amounted to EUR 14.5 million. In the previous year payments in the amount of EUR 4.7 million were made to former Executive Board members.

Benefits to the Executive Board are all due on short notice – except for GSP, PSP and pension entitlements.

In the year under review, expenses for the Supervisory Board of ProSiebenSat.1 Media SE amounted to EUR 1.7 million (previous year: EUR 1.6 million). Supervisory Board members are paid a fixed remuneration, with the Chairman of the Supervisory Board receiving two-and-a-half times this fixed basic compensation and his deputy one-and-a-half times. Supervisory Board members receive a fixed annual compensation for their annual membership in the individual committees. The respective committee chairperson receives additional remuneration for his/her activities. Also, Supervisory Board members are paid a separate attendance fee for each personal attendance to a Supervisory Board meeting. The Supervisory Board Chairman receives one-and-a-half times such attendance fee.

In financial year 2018, no compensation or benefits were paid to Supervisory Board members for services rendered in person – in particular for advisory and agency services – except for the compensation for said consulting services by Erik Huggers.

As of December 31, 2018, the current Executive and Supervisory Board members directly hold a total of 251,326 shares in ProSiebenSat.1 Media SE (previous year: 90,630). This is equivalent to a percentage share of 0.1% in the share capital (previous year: 0.0%).

With regard to the details of the individual compensation for Executive and Supervisory Board members pursuant to Sec. 314 (1) no. 6 (a) sentence 5 to 9 of the German Commercial Code (HGB), we refer to the statements in the compensation report, which is part of the summarized management report.

ASSOCIATED COMPANIES AND JOINT VENTURES

ProSiebenSat.1 Group maintains relationships with some of its joint ventures and associated companies in the ordinary course of business. In so doing, the company generally buys and sells products and services on market terms.

In financial year 2018, deliveries and services in a total amount of EUR 136 million (previous year: EUR 132 million) were rendered to associated companies. As of December 31, 2018, the receivables due from the associated

companies amounted to EUR 27 million (December 31, 2017: EUR 38 million). In financial year 2018, the Group received deliveries and services from its associated companies, for which it recorded expenses in the amount of EUR 36 million (previous year: EUR 34 million). The amounts owed to associated companies as of December 31, 2018 totaled EUR 5 million (December 31, 2017: EUR 9 million).

In financial year 2018, significant transactions were carried out with the joint venture 7TV. Deliveries and other performances in a total amount of EUR 20 million (previous year: EUR 4 million) were rendered. As of December 31, 2018, the receivables due from 7TV amounted to EUR 6 million (December 31, 2017: EUR 0 million). In financial year 2018, the Group received deliveries and services from 7TV, for which it recorded expenses in the amount of EUR 2 million (previous year: EUR 0 million). The amounts owed to 7TV as of December 31, 2018 totaled EUR 1 million (December 31, 2017: EUR 7 million). The transactions with other joint ventures as of December 31, 2018 are of only minor importance for the Group.

35 / Professional fees of the independent auditor

The professional fees for services provided by the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, totaled EUR 4.3 million for financial year 2018 (previous year: EUR 3.8 million). Of that total, EUR 3.9 million relates to audit services for the financial statements (previous year: EUR 2.9 million), and EUR 0.4 million to other attestation services (previous year: EUR 0.5 million), EUR 0.0 million to tax advisory services (previous year: EUR 0.1 million) and EUR 0.1 million to other services (previous year: EUR 0.3 million). These disclosures relate exclusively to the legally independent entity of the appointed auditor, KPMG AG Wirtschaftsprüfungsgesellschaft.

36 / Corporate governance

In March 2018, Executive and Supervisory Board of ProSiebenSat.1 Media SE jointly issued the annual compliance declaration regarding German Corporate Governance Code as required pursuant to section 161 of the German Stock Corporation Act (AktG) and made it permanently accessible to the public on the ProSiebenSat.1 Group website → www.prosiebensat1.com.

37 / Events after the reporting period

SHARE SWAP BETWEEN PROSIEBENSAT.1 GROUP AND GENERAL ATLANTIC AND ACQUISITION OF 10.6% OF THE MINORITY INTERESTS IN MARKETPLACE GMBH

By agreement of December 17, 2018 and with economic effect of February 21, 2019, General Atlantic has contributed its 41.6% stake in Marketplace GmbH, Berlin to NuCom Group by way of a capital increase. General Atlantic's stake in NCG-NUCOM GROUP SE thus increased from 25.1% to 28.4%. At the same time, NuCom Group acquired 10.5% of the shares in Marketplace GmbH from other shareholders. The overall transaction is based on an enterprise value of about EUR 140 million.

Following the completion of the overall transaction, NuCom Group and ProSiebenSat.1 Group respectively, hold 94.0% of the voting shares in Marketplace GmbH (now trading as Aroundhome) and 80.0% of the company's and have thus gained control. Due to existing put options on outstanding shares, the consolidation ratio will amount to 90.0%. Previously, Marketplace GmbH used equity method accounting because of the significant influence (41.6%) → see note 20 "Shares valued at-equity". The company is still allocated to the Commerce segment. Due to the proximity of the transaction to the reporting date, the initial recognition is not yet complete at this point in time. The disclosures pursuant to IFRS 3.B64 in conjunction with IFRS 3.B66 therefore cannot be made at present yet.

PLANNED SALE OF 11.8% OF THE SHARES IN PLUTO INC

By agreement of January 18, 2019, ProSiebenSat.1 Group has co-sold 11.8% of its shares in Pluto Inc., Delaware, USA ("Pluto") to Viacom Inc., New York, USA ("Viacom"). This was done due to an existing drag-along right. Pluto operates a global video service and free OTT television service in the USA. ProSiebenSat.1 Group participated for the first time in September 2016. Since the acquisition of the shares, Pluto was included in the consolidated financial statements of ProSiebenSat.1 Group as an associated company, using at-equity accounting pursuant to IAS 28, because in addition to financial investment, the Group was also represented in Pluto's management body,

affording it considerable influence. The investment was allocated to the segment "Entertainment". The initiative for the transaction came from Viacom or the previous majority shareholder. ProSiebenSat.1 Group did not have a general intention to sell as of the reporting date. The investment therefore continues to be accounted for in the present consolidated financial statements, using the equity method. The transaction is based on an enterprise value of EUR 288 million (US$ 340 million), the economic effect is yet to come. The inflow of cash from the sale of preference shares and common shares for ProSiebenSat.1 Group as of the reporting date is expected to amount to the equivalent of EUR 37.4 million (US$ 44.2 million), which is expected to result in a realized capital gain of EUR 24.8 million (US$ 29.3 million).

MEDIA-FOR-EQUITY-TRANSACTION BETWEEN SEVENVENTURES GMBH AND FRIDAY INSURANCE S.A., LUXEMBOURG

By agreement of February 18, 2019 and with economic effect from February 22, 2019, SevenVentures GmbH, Unterföhring, a subsidiary allocated to the Entertainment segment, acquired approximately 14% of the voting shares in Friday Insurance S.A., Luxembourg ("Friday") for a total purchase price of EUR 30 million as part of a "Media-for-Equity" transaction. As an independent company with a European insurance license, FRIDAY offers innovative insurance products in Germany. As part of the transaction, the Group will provide advertising services for Friday over a period ending December 31, 2021. The shares are classified as financial assets at fair value through profit or loss pursuant to IFRS 9.

CHANGES IN THE EXECUTIVE BOARD

Dr. Jan Kemper, CFO and Executive Board Member Commerce, and Sabine Eckhardt, Executive Board Member Sales & Marketing, have agreed with the Supervisory Board to terminate their contracts. Dr. Jan Kemper will leave the company on March 31, 2019 and receive a severance payment of EUR 3.5 million. Sabine Eckhardt will leave the company on April 30, 2019 and receive a compensation of EUR 2.0 million.

Rainer Beaujean will succeeds Dr. Jan Kemper as CFO and take over the Finance Department on July 1, 2019. During the transition period between April 1, 2019 and June 30, 2019, the Finance Department will be headed by Deputy Chief Financial Officer Ralf Gierig.

OTHER EVENTS AFTER THE CLOSING DATE

No further reportable events materially impacting the earnings, financial position and performance of ProSiebenSat.1 Group or ProSiebenSat.1 Media SE occurred between the end of the financial year 2018 and the date of the release of this report for publication.

RELEASE DATE OF THE PUBLICATION

The Consolidated Financial Statements will be released on February 25, 2019 by the Company's Executive Board for publication and for forwarding to the Supervisory Board. The Consolidated Financial Statements will be submitted to the Supervisory Board for approval on March 5, 2019. It will be published on March 21, 2019.

February 25, 2019
The Executive Board