COMBINED MANAGEMENT REPORT

ORGANIZATION AND GROUP STRUCTURE

BUSINESS ACTIVITIES AND SEGMENTS

Corporate Profile and Market Position

ProSiebenSat.1 Group is one of the most successful and most diversified media companies in Europe. Advertising-financed free TV is ProSiebenSat.1 Group's core business. Here, the Group is a leading player on the German TV market. At the same time, ProSiebenSat.1 Group is one of Germany's leading video marketers on the Internet and one of the most successful providers of digital entertainment in German-speaking Europe.

Our aim is to offer viewers and users entertainment on all screens and thus to serve various media usage interests. However, digitalization is not only influencing and increasing video use. Instead, the Internet is now firmly integrated into our everyday lives and has changed our entire behavior as consumers. This is why ProSiebenSat.1 Group has invested in leading digital commerce platforms in recent years, which are suitable for marketing on our channels. This entertainment and commerce portfolio is supplemented by an international production and distribution network under the umbrella of Red Arrow Studios. Red Arrow Studios produces entertainment content for TV broadcasters and digital platforms around the world, both for the ProSiebenSat.1 stations and for third-party providers.

On this basis, ProSiebenSat.1 Group will continue to make selective investments – in the Group's programming, in expanding our data activities and in digital platforms. In doing so, we aim to strengthen our position as one of Europe's leading entertainment and commerce companies and to remain the number one choice for our audiences and clients going forward.

ProSiebenSat.1 Group's largest revenue market is Germany, where it also has its main headquarters. The Group also runs TV stations in Austria and Switzerland. Red Arrow Studios is internationally established; an overview of the production and distribution network with all relevant sales markets and locations can be found on page 80 and 256.

Segments and Brand Portfolio

The digital transformation is under way at a rapid pace and offers us new growth opportunities for all of our segments. ProSiebenSat.1 Group is therefore promoting digitalization throughout the Group and diversifying the portfolio with commerce offerings that complement the entertainment profile. Part of this strategy is the dovetailing of the business areas. We laid the foundation for strong Group synergies in 2018 by bundling TV and digital entertainment offerings in one segment. Since then, the Group has reported in the three segments of Entertainment, Content Production & Global Sales and Commerce. → Fig. 034

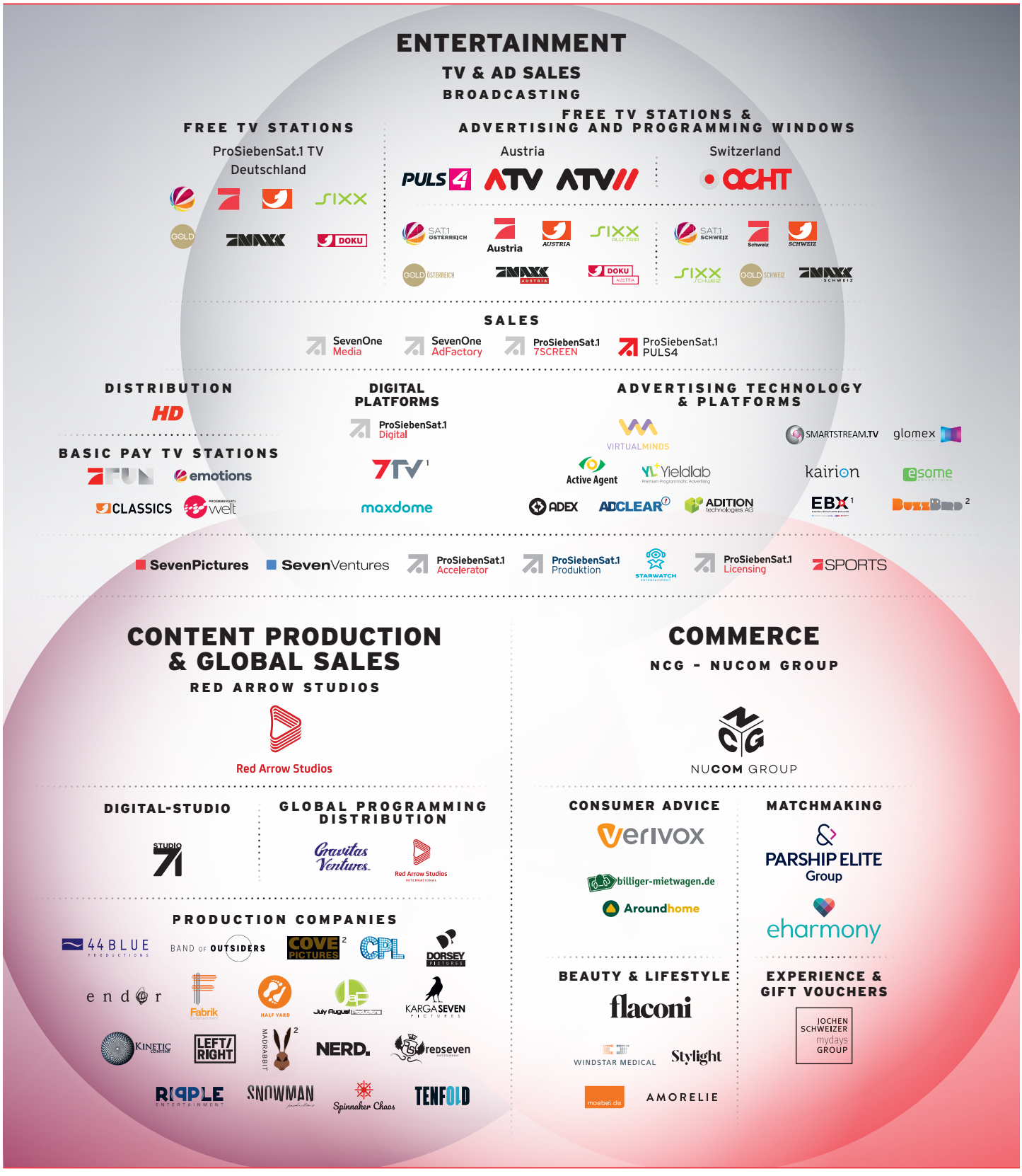
Entertainment segment: ProSiebenSat.1 Group offers best entertainment – whenever, wherever and on any device. We are able to reach 45 million TV households in Germany, Austria and Switzerland with our 14 free and pay TV stations. At the same time, the Group has a monthly reach of around 34 million unique users with its marketed online offerings.

Shows such as "Germany's next Topmodel" and "The Voice of Germany" are successful formats with which we delight audiences on TV and via digital offerings. At the same time, the Company is investing in the fields of AdTech and data in order to generate additional revenues with innovative, data-driven offerings and to customize advertising ever more precisely. ProSiebenSat.1 Group thus offers the advertising industry added value. The two sales subsidiaries SevenOne Media GmbH and SevenOne AdFactory GmbH support advertising customers and agencies by finding ideas and concepts and implementing them across platforms on TV, online and via mobile devices.

This range is also reflected in the Entertainment segment, which includes the TV Broadcasting, TV and Online Marketing, Distribution, Advertising Platform Solutions (AdTech), SevenVentures and Digital Platforms businesses. → Development of Media Consumption and Advertising Impact, page 98 → Opportunity Report, page 132

Content Production & Global Sales segment: In this segment, ProSiebenSat.1 Group combines the international TV production and distribution business with the global digital studio Studio71 under the umbrella of Red Arrow Studios. Thanks to this tight bundling of know-how in the areas of program distribution and production, the Group benefits from synergies and has access to talents as well as platforms in the digital sector via digital studio Studio71. This is an important competitive advantage to meet the growing demand for content on all channels. In 2018, Studio71 achieved an average of 9.2 billion video views per month. → Production market, page 102

Shows such as "Bosch", "Married at First Sight" and "Germany's next Topmodel" are examples of successful productions from Red Arrow Studios. In order to increase the proportion of local programming on its own stations, the Group intends to significantly increase Red Arrow Studios' share in the content commissioned locally by the Entertainment segment.



As of February 2019 / [1] Joint venture / [2] Associated company

Commerce segment: The Group bundles the Commerce business in NCG – NUCOM GROUP SE, Unterföhring ("NuCom Group"). This comprises eleven market-leading and overwhelmingly digital commerce platforms in the fields of consumer advice (e.g. Verivox, Aroundhome), matchmaking (Parship Elite Group, eHarmony), experience & gift vouchers (Jochen Schweizer mydays Group), and beauty & lifestyle (e.g. Flaconi).

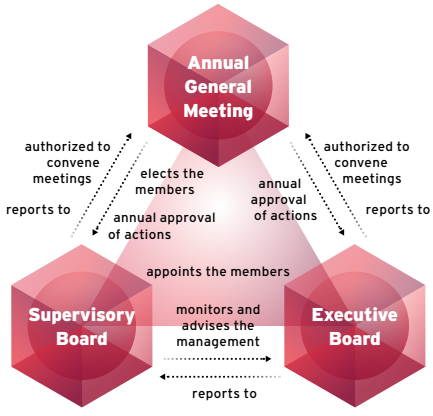
Commerce business is the Group's biggest growth driver, making a significant contribution to the expansion of digital revenue sources. At the same time, the expansion of our commerce portfolio reflects the Group's high potential for synergy: Thanks to advertising on our stations, we are boosting the growth of our commerce brands while these in turn generate valuable customer information for targeted advertising products on TV and digital platforms. We aim to establish NuCom Group as a leading European omnichannel platform for consumer services and lifestyle brands.

MANAGEMENT AND CONTROL

ProSiebenSat.1 Group is managed centrally by ProSiebenSat.1 Media SE. The organizational structure at Group level did not change materially in 2018, either structurally or legally.

ProSiebenSat.1 Media SE is listed in Germany at the stock exchange in Frankfurt am Main and at the stock exchange in Luxembourg (Bourse de Luxembourg). ProSiebenSat.1 Media SE has three governing bodies (as did ProSiebenSat.1 Media AG until it was converted into an SE in 2015): the Annual General Meeting, the Executive Board (managing body) and the Supervisory Board (supervisory body). The decision-making powers of these governing bodies are strictly demarcated from each other. → Fig. 035

035 / **CORPORATE GOVERNANCE STRUCTURE OF PROSIEBENSAT.1 MEDIA SE AS OF DECEMBER 31, 2018**



– The shareholders of ProSiebenSat.1 Media SE exercise their rights of joint administration and oversight at the Annual General Meeting. Each share grants the same legal rights and obligations in addition to one vote each at the Annual General Meeting. → The ProSiebenSat.1 Media SE Share, page 74

– The Executive Board is responsible for the overall performance of ProSiebenSat.1 Group, and has both professional and disciplinary authority over the managers of the business segments and holding company units.

– The Supervisory Board monitors and advises the Executive Board on its conduct of business, and is thus directly involved in all corporate decisions of major importance.

The basic rules for this dual management and supervisory system are defined in the articles of incorporation of ProSiebenSat.1 Media SE and in the rules of procedure for the Executive Board and Supervisory Board. The articles of incorporation also define the business purpose. In accordance with Article 18 (2) of the Company's articles of incorporation, this may be changed by a majority resolution of the Annual General Meeting if at least half of share capital is represented when the resolution is passed (Section 59 (2) SE Regulation and Section 51 Sentence 1 of the German SE Implementation Act (SE-Ausführungsgesetz – SEAG)). Otherwise, this requires a resolution by a majority of two thirds of the votes cast, that the law does not provide or permit a larger majority (Section 59 (1) SE Regulation). However, changes to the corporate objective still require a majority of at least three quarters of the valid votes cast in accordance with Section 179 (2) Sentence 1 of the German Stock Corporation Act (AktG) in conjunction with Section 59 (1) and (2) SE Regulation and Section 51 Sentence 2 SEAG. → Compensation Report, page 50 → Report of the Supervisory Board, page 31

i We do not report on personnel changes in the Executive Board in this management report. However, further information is contained in the Report of the Supervisory Board from page 31.

CORPORATE STRUCTURE AND INVESTMENTS

The economic development of ProSiebenSat.1 Group is determined primarily by the subsidiaries, held both directly and indirectly. ProSiebenSat.1 Media SE is the Group's holding company. In this function, its tasks include central financing, Group risk management and the ongoing development of the corporate strategy. These Consolidated Financial Statements include ProSiebenSat.1 Media SE and all significant subsidiaries – meaning entities in which ProSiebenSat.1 Media SE directly or indirectly holds a majority of voting rights, or whose relevant activities it is otherwise able to control. → Notes, Note 3 "Scope of consolidation", page 155

The Group has an integrated portfolio that is also reflected in the investment structure. For example, ProSiebenSat.1 Media SE holds 100% of the shares in ProSiebenSat.1 TV Deutschland GmbH. The free TV stations of ProSiebenSat.1 Group and the pay TV channels (ProSiebenSat.1 Pay TV GmbH) work usnder its umbrella. ProSiebenSat.1 Media SE also indirectly holds a 100% stake in the sales companies SevenOne Media GmbH and SevenOne AdFactory GmbH. This results in advantages with regard to the stations' programming

and the sale of advertising time. The global film and TV distribution companies and the international television production companies both belong to Red Arrow Studios GmbH as a wholly owned subsidiary of ProSiebenSat.1 Media SE.

As of December 31, 2018, General Atlantic PD GmbH, Munich ("General Atlantic"), a globally leading growth investor, held a 25.1% stake in NuCom Group. Its companies benefit from the considerable TV reach of the parent company and of mutual synergies, for example in the areas of data and technology.

i A detailed overview of the shareholding structure in ProSiebenSat.1 Group can be found in the Notes from page 256.

STRATEGY AND MANAGEMENT SYSTEM

STRATEGY AND OBJECTIVES

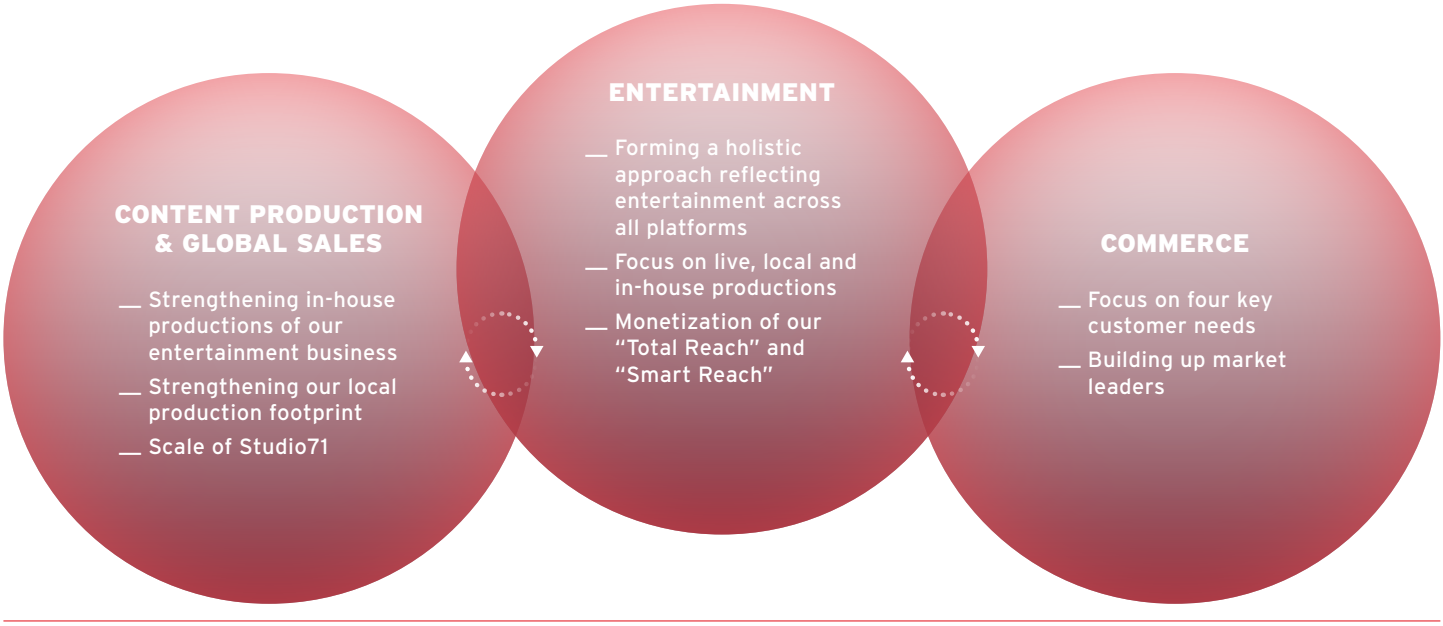
Our industry is characterized by constant change: The digital development and the growing significance of the Internet have changed consumer behavior. This is also true with regard to media usage. Entire business models are being tested and new opportunities for addressing target groups are always emerging. We updated our Group strategy in 2018 in order to benefit from these opportunities and actively promote the change. In addition, we have defined clear priorities and will make our businesses even marge interconnected. → Fig. 036 We presented the update of the Group strategy and our mid-term growth targets at the Capital Markets Day on November 14, 2018.

Our activities center on the best entertainment that people love and commerce offerings that people need. In everything we do, we want to be as close to the consumers as possible and to delight people – with the right offers at the right time, no matter where. The Group is already one of the world's most diversified media companies. In order to make our organization even more agile and to sharpen the focus on customers, the Group implemented a three-pillar structure at the start of the year. An important step was to anchor TV and digital entertainment activities in one segment. Only by bundling our market expertise we can offer our viewers or users fascinating content that they can consume on their choice of platform. The same goes for advertising clients, who benefit from our marketing innovations across all channels and from better addressed advertising thanks to data-based offerings. For this reason, the Group will invest additionally in local content, the expansion of digital platforms and an improved monetization of reach in 2019. The objective is to further improve the Company's competitiveness through these investments and to accelerate revenues and earnings growth in the mid-term. → Opportunity Report, page 132

Around the next five years, ProSiebenSat.1 Group intends to increase revenues to EUR 6 billion (2018: EUR 4,009 million) and adjusted EBITDA to EUR 1.5 billion (2018: EUR 1,013 million). Therefore the revenue shares of non-advertising business (2018: 44%, target 2023+: 50%), of digital business (2018: 29%, target 2023+: 50%) as well as of addressable advertising (2018: 6%, target 2023+: 25%) should be significantly increased.

The financial targets reflect our strategy of expanding the entire Group into a diversified and fast-growing digital company. At the same time, the Group aims to generate an average annual total shareholder

036 / **STRATEGIC PRIORITIES ACROSS OUR THREE PILLARS**



return of between 10% and 15%. The Group is thus underscoring its future focus on total shareholder return along various components, which particularly include an increase in earnings per share growth as well as an attractive dividend yield. The Group intends to pay out 50% of adjusted net income as a dividend (previously 80% to 90%) for the first time in the financial year 2018 (to be paid in 2019). ProSiebenSat.1 Group will use the funds thus released primarily for earnings-increasing investments in organic and inorganic growth.

i In the interest of reporting efficiency, ProSiebenSat.1 Group does not make further statements on the Group's objectives and strategies in this Combined Management Report. Information on how the Group intends to manage and develop its business in the mid and long term and on changes in the objectives and strategies since the previous year can be found in the Annual Report from page 12.

PLANNING AND MANAGEMENT

ProSiebenSat.1 Group's management system based on key figures forms the basis for all of the Company's economic and strategic decisions. Company-specific key performance indicators (KPI) are derived from the Group's strategy and cover both financial and non-financial aspects. → Fig. 037 They are planned and managed centrally by the Executive Board of ProSiebenSat.1 Media SE. The planning and management process is complemented by the monitoring of key figures on the basis of regularly updated data. This also includes the assessment of developments as part of opportunity and risk management. → Risk and Opportunity Report, page 123

Intragroup Management System

The performance indicators specific to ProSiebenSat.1 Group are aligned to the interests of the capital providers and cover financial planning as well as aspects of comprehensive revenue and earnings management. → Annual Report 2017, page 168

037 / OVERVIEW OF RELEVANT KEY PERFORMANCE INDICATORS AS OF DECEMBER 31, 2018

NON-FINANCIAL PERFORMANCE INDICATORS

Entertainment segment

_ Audience shares

FINANCIAL PERFORMANCE INDICATORS

Group

_ Revenues
_ Adjusted EBITDA
_ Adjusted net income
_ Leverage ratio
_ Free cash flow before M&A

Segments

_ External revenues
_ Adjusted EBITDA

_ **Non-financial performance indicators:** The development of audience shares is a key criterion in programming and media planning in the advertising-financed TV business. In addition, this data is used as a benchmark for the calculation of advertising time prices since this indicates the number of potential customers a broadcast is able to reach. In Germany, TV usage data is collected by GfK Fernsehforschung on behalf of Arbeitsgemeinschaft Fernsehforschung (AGF). ProSiebenSat.1 Group analyses viewer ratings that have been empirically collected by the institutions on a daily basis. In addition to this data on linear TV consumption, we also analyse digital reach figures and KPIs relating to our data-based business models. → Development of ProSiebenSat.1 Group's Relevant Business and Market Environments, page 100

_ **Financial performance indicators**: Revenues, adjusted EBITDA and adjusted net income are the central key figures used to manage profitability. The earnings figure adjusted EBITDA stands for adjusted earnings before interest, taxes, depreciation and amortization. Significant reconciling items, such as costs related to M&A transactions, reorganizations and legal claims, are not taken into account so that this figure provides the Executive Board as the chief operating decision maker with the appropriate performance measure to assess the operating profitability of the Group and the segments respectively. Adjusted net income represents the adjusted consolidated net profit after non-controlling interests and provides a suitable indicator for calculating the dividend. In addition to the adjustments from adjusted EBITDA, effects of purchase price allocations and other reconciling items in particular are adjusted in the calculation.

Reconciling items can influence or even overshadow operating performance and can make a multi-year comparison difficult. Therefore, adjusted earnings figures constitute suitable measures of performance with regard to sustainable profitability. However, the analysis of unadjusted key earnings' figures provides a holistic view of the expense and income structure. For this reason, ProSiebenSat.1 Group also uses EBITDA as a financial performance indicator. In addition, EBITDA facilitates international comparison, as it does not take into account the effects of taxes and depreciation and amortization or the financing structure.

ProSiebenSat.1 Group is investing in markets with long-term growth opportunities and examining options to expand its portfolio. Part of the investment strategy is the acquisition of companies that complement our value chain synergistically. A capital-efficient leverage ratio is a key performance indicator for the Group's financial planning. The leverage ratio indicates the level of net financial debt in relation to LTM adjusted EBITDA – i.e. the adjusted EBITDA that ProSiebenSat.1 Group has generated in the last twelve months (LTM = last twelve months). The target value is a ratio between 1.5 and 2.5. In addition, free cash flow before M&A was added to the list of most important financial performance indicators for 2018 because of changes in the Executive Board compensation system and management system. This key figure is defined as free cash flow adjusted for cash used and generated by M&A transactions (excl. transaction costs) related to majority acquisitions that are carried out and planned, the purchase and sale

of investments accounted for using the equity method and other investments with the exception of media-for-equity investments. → Compensation Report, page 50, → Analysis of Liquidity and Capital Expenditure, page 114

Our Group strategy is designed for sustainable and profitable growth. A primary objective is therefore to increase the above earnings figures through continuous revenue growth in all segments. The business units operate mainly as profit centers, which means that they act with full responsibility for revenues and earnings. At the same time, this results in flexibility, which is an important element for ProSiebenSat.1 Group's success, as the Company operates in a dynamic industry environment and is consistently diversifying its value chain. The organizational entities reach operating decisions independently within a centrally adopted framework based on the competitive environment. This performance-based approach supports entrepreneurial activities among our employees on all levels.

With their knowledge and ideas, every employee of our Company is contributing towards the development of ProSiebenSat.1 Group's strengths while driving innovation. We are therefore systematically investing in human rescources' development and targetedly promoting young staff while giving all employees an appropriate share in the Company's success. Adjusted EBITDA is the key indicator for the Group and its segments. In addition to adjusted EBITDA, EBITDA also serves as a performance indicator and as a basis for measuring performance-based employee compensation thanks to the holistic view of the Company's expense and income structure. Adjusted net income, EBITDA (where necessary, adjusted for effects arising from significant changes in IFRS accounting standards, from unplanned effects from M&A transactions conducted within the reporting period, and from measurements of Group-wide, multi-year variable compensation plans), free cash flow before M&A and for the first time relative total shareholder return (TSR) served as a variable basis for determining the Executive Board's compensation in the financial year 2018. → Compensation Report, page 50

038 / DEFINITION OF SELECTED NON-IFRS FIGURES

ADJUSTED EBITDA

Adjusted EBITDA stands for adjusted earnings before interest, taxes, depreciation and amortization. It describes earnings before interest, taxes, depreciation and amortization, adjusted for certain influencing factors (reconciling items). These reconciling items include:

- M&A-related expenses include consulting expenses and other expenses for ongoing, closed or cancelled M&A transactions.
- Reorganization expenses include functional and personnel expenses for significant reorganizations and restructurings. They comprise expenses such as severance payments, leave compensation, consulting costs and impairments on non-current assets.
- Expenses for legal claims include fines, penalties, repayment claims and consulting costs in connection with significant ongoing or expected legal claims.
- Fair value adjustments of share based payments include the portion of the changes in the fair value of cash-settled share-based payment plans that affects profit or loss, which results from the difference between the share price on the issue date and the current price on the reporting date.
- Results from changes in scope of consolidation include income and expenses in the context of mergers, demergers, acquisitions or disposals of Group entities.
- Results from other material one-time items include transactions approved by the Group Chief Financial Officer but not connected to current operating performance. In this context, ProSiebenSat.1 Grop considers transactions of at least EUR 0.5 million to be significant.
- Valuation effects relating to strategic realignments of business units primarily comprise largely expenses incurred in the context of changes in the underlying business objective or strategy of the unit in question.

ADJUSTED NET INCOME

Adjusted net income is the net result attributable to shareholders of ProSiebenSat.1 Media SE before the amortization and impairments from purchase price allocations, adjusted for the reconciling items as outlined above as well as additional reconciling items. These include valuation effects recognized in other financial result, valuation effects of put-options and earn-out liabilities, as well as valuation effects from interest rate hedging transactions. Moreover, the tax effects resulting from such adjustments are also adjusted.

039 / INFORMATION ON REPORTING AND ACCOUNTING POLICIES

REPORTING AND USE OF NON-IFRS FIGURES

In addition to the financial information determined in accordance with IFRS, this Annual Report also includes non-IFRS figures. The reconciliation of these non-IFRS figures with the corresponding IFRS figures is shown in the → Group's earnings from page 107 onwards.

For its financial, strategic and operating decisions, ProSiebenSat.1 Media SE uses primarily non-IFRS figures as the basis of making decisions. These also provide investors with additional information which also allow a multi-year performance comparison, as they are adjusted for specific factors. These figures are not determined on the basis of IFRS and may therefore differ from other entities' non-IFRS figures. Therefore, they do not replace the IFRS figures and are not more important than the IFRS figures, but they do provide supplementary information. We are convinced that the non-IFRS figures are of particular interest to our investors for the following reasons:

- Reconciling items can influence or even overshadow operating performance; figures adjusted for such items therefore offer supplementary information for the assessment of the Company's operating performance. Adjusted figures thus are more relevant for managing the Company.
- Moreover, adjusted net income is an important factor at ProSiebenSat.1 Media SE for the calculation of the dividend payment, as we want to give the shareholders a share in the Company's operating profitability.
- The Group has implemented a holistic management system. Non-IFRS figures are calculated consistently for the past and the future; they form an important foundation for internal controlling and the management's decision-making processes.

ACCOUNTING OF SHARE-BASED PAYMENTS FROM THE PERFORMANCE / GROUP SHARE PLANS

ProSiebenSat.1 Group involves its employees in the Company's success with performance-based compensation. This also includes share-based payment plans (Performance- and Group Share Plans) in which selected executives and the Executive Board participate. In this context, participants receive so called Performance Share Units that entitle them to subscribe for shares. Due to the decision of the Executive Board and Supervisory Board of March 11, 2016, to settle the claims of the beneficiaries of the Group Share Plans in cash in the future and the associated conversion of the accounting for these share-based payments from equity-settled to cash-settled, cash-settled share-based payments in accordance with IFRS 2 are recognized in this Annual Report. In contrast to previous accounting (equity settlement), the ongoing recognition in profit or loss of changes in the fair value of the obligation with cash settlement planned in accordance with IFRS 2 results in significantly higher earnings volatility, which is attributable to the fluctuations in the price of the ProSiebenSat.1 Media SE share. ProSiebenSat.1 Group is therefore adjusting adjusted EBITDA and adjusted net income for the portion of the changes in the fair value of the share-based payment plans that affects profit or loss, which results from the difference between the share price on the issue date and the current price on the closing date.

VALUATION OF PUT OPTIONS AND EARN-OUT-OBLIGATIONS

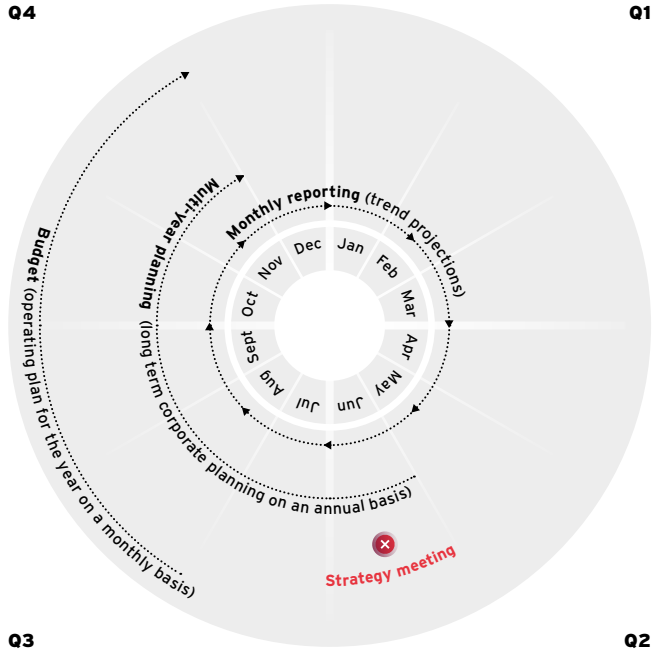
Due to the Company's continuous M&A activities and the current investment strategy, the obligations from put options and earn-outs have steadily increased as ProSiebenSat.1 Group acquires further shares in connection with the acquisition of the ability to control these entities. ProSiebenSat.1 Media SE therefore adjusts the changes in the fair value of these liabilities in the calculation of adjusted net income. This adjustment results in greater transparency by revealing these effects and enables better comparison with operating performance.

Operational and Strategic Planning

Management and planning are closely intertwined at ProSiebenSat.1. Group Target figures are defined and determined for various periods within the context of planning, with a focus on the management indicators outlined above.

The diagram below shows the individual planning levels for the financial year 2018. The different levels in the planning process build on each other and are closely linked to our risk management.

040 / PLANNING CALENDAR 2018



- **Strategy meeting:** Analyses of strengths and weaknesses are an important strategic planning instrument. Market conditions and current key figures for relevant competitors are compared, the Company works out its own strengths, opportunities and risks are assessed and growth strategies are developed. Once a year, the Executive Board and the Supervisory Board discuss the results at a strategy meeting. This took place in June 2018 and involved discussion of the Group's planned strategic development. In addition, an update on the three-pillar strategy was carried out in September. → Report of the Supervisory Board, page 31

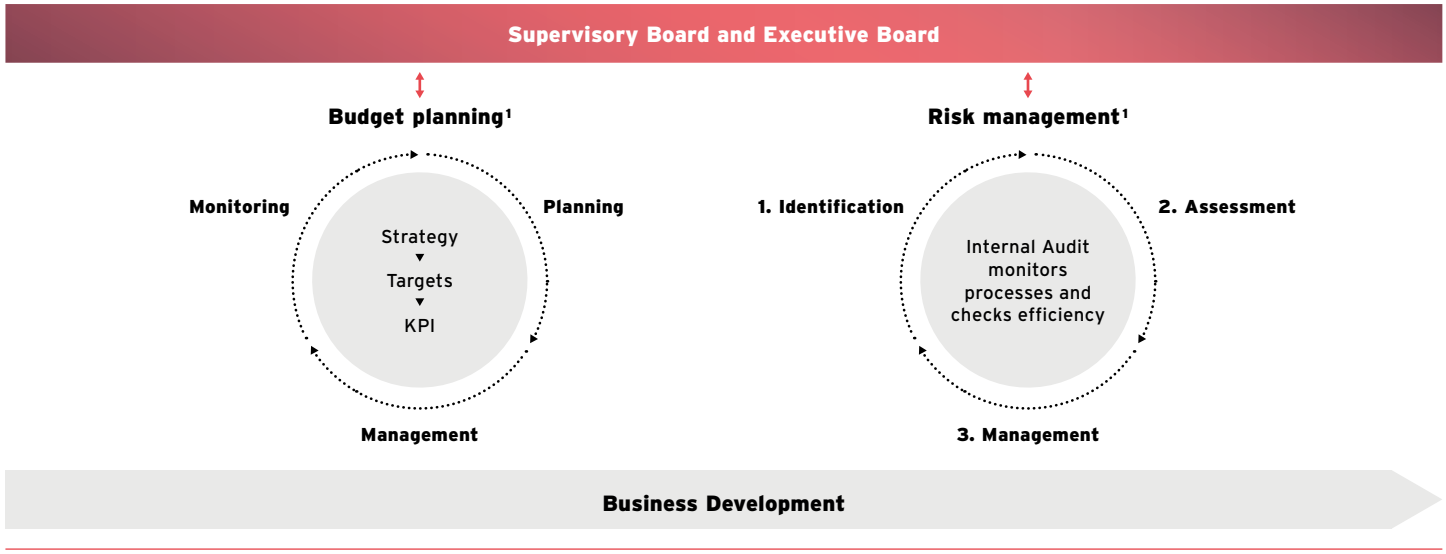
- **Multi-year planning** (long-term corporate planning on an annual basis)**:** Multi-year planning constitutes a detailed quantitative depiction of strategic planning. This is done on an annual basis and contains targets for a five-year period. The relevant key financial figures from the income statement, statement of financial position and cash flow statement of individual subsidiaries are analyzed and aggregated at segment and Group level.

- **Budget (operating plan for the year on a monthly basis):** For the budget, the targets based on the multi-year planning for the individual financial and non-financial performance indicators are specified on a monthly basis in a top-down/bottom-up process.

- **Monthly reporting and trend projections:** Trend projections are an important tool in planning during the year. They allow the Company's expected performance for the year to be calculated on the basis of the targets achieved to date and to be compared with the target figures that were originally budgeted. The aim is to identify potential discrepancies between the target and actual figures immediately and to implement the necessary countermeasures promptly.

In 2018, the Executive Board and the Supervisory Board also discussed short-term and long-term targets. In addition to monthly reporting, potential risks are reported to the Group Risk Officer on a quarterly basis. In particular, any changes to the early warning risk indicators during the year and over time are analyzed here. For example, the development of audience shares is an important early warning indicator. Additional growth opportunities and therefore potential positive deviations from projected targets are analyzed in parallel with risk management; they are taken into account in budget planning. → Fig. 041

041 / **BUDGET PLANNING AND RISK MANAGEMENT AT PROSIEBENSAT.1 GROUP**



[1] Also refer to Annual Report 2018 starting on page 123.

SUSTAINABILITY

(NON-FINANCIAL GROUP STATEMENT IN ACCORDANCE WITH SECTIONS 315B, 315C AND SECTIONS 289B TO 289E HGB)

We are aware of our corporate and social responsibility and perceive this as a comprehensive challenge. For ProSiebenSat.1 Group, success not only means sustainably increasing our financial results. It also implies consistently enhancing the Group's sustainability and non-financial performance and harmonizing the interests of our target groups, especially employees, shareholders, audiences, users and customers. In this context, the Group defines sustainable entrepreneurial activity as an integrated approach for ensuring both the economic as well as the environmental and social performance of our Group.

Non-financial aspects, indicators of sustainability performance, and ESG (environment, social, governance) information at ProSiebenSat.1 Group are the particular responsibility of the Deputy CEO of the Executive Board and Group General Counsel, whose portfolio includes the Legal Affairs, Public Affairs, and Compliance departments, and of the CFO.

In this Non-Financial Group Statement in accordance with section 289b and sections 315b, 315c of the German Commercial Code (HGB) for the financial year 2018, ProSiebenSat.1 Group reports on the main non-financial aspects with the corresponding information needed in order to understand the Company's business development, results and position and the effects of the business activities in this regard. → Fig. 042 Significant risks for individual non-financial aspects were not determined in this context. Thereby, the Non-Financial Group Statement is combined with the Non-Financial Statement (NFS) of the parent company within the meaning of section 315b (1) sentence 2 HGB.

— As a media company, ProSiebenSat.1 Group is not part of one of the manufacturing industries that use large quantities of energy and resources and have complex, global supply chains. We therefore consider the environmental impact of our business activities to be limited and for this reason, we currently have not identified environmental matters as a key non-financial aspect in accordance with section 289c (3) HGB.

  We publish detailed information on our ecological responsibility and the topics of energy consumption, greenhouse gas emissions, waste disposal, and mobility in ProSiebenSat.1 Group's Sustainability Report each year.

— In the present NFS, we also forgo providing further information on the prevention human rights abuses in accordance with section 289c (3) and (4) HGB, such as combating child and forced or compulsory labor and assessing suppliers in terms of their compliance with human rights. In light of our industry-specific value chain and its potential impacts on our business activities, we do not define respect for human rights as a significant non-financial aspect for the Group as defined by the law.

042 / **MATERIAL NON-FINANCIAL ASPECTS AT PROSIEBENSAT.1 GROUP**

Employees and diversity	Social responsibility (Public value)	Product responsibility	Compliance
Employee matters	**Social matters / company-specific aspects**	**Company-specific aspects**	**Combating corruption and bribery / company-specific aspects**
▸ Recruitment/ employer branding ▸ People Development ▸ Work-life balance ▸ Diversity management	▸ Opinion forming ▸ Media skills ▸ Dissemination of information ▸ Employee engagement (Corporate Volunteering) ▸ Donations and sponsorship	▸ Data protection ▸ Media law (advertising guidelines, journalistic independence, protection of young people)	▸ Anti-corruption ▸ Antitrust law

However, the Group is a prominent anti-discrimination campaigner and promotes a corporate culture that especially forbids any kind of sexual violence or abuse of power. With our compliance guidelines, we took up a clear position against such behavior even before the #metoo debate. In 2018, among other things, we initiated the establishment of an Ombuds Office for reporting legal violations. In the programming that we distribute, we also advocate the human right of freedom of opinion and information, for example.

ProSiebenSat.1 Group uses the Global Reporting Initiative's GRI Standards as a basis when preparing the NFS. In accordance with section 317 (2) sentence 4 HGB, the auditor checked that the NFS was presented in line with the legal requirements. The Supervisory Board also commissioned the auditing company KPMG to audit the content of the NFS with reasonable assurance. The audit opinion dated February 22, 2019, which describes the type, scope and findings of this audit, is reproduced online at → www.prosiebensat1.com/en/sustainability/publications/reports and is part of the Annual Report. The audit was conducted using the relevant auditing standards "Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)" in order to obtain reasonable assurance with regard to the legally required disclosures in accordance with sections 315b and 315c in conjunction with sections 289b to 289e HGB.

As part of a materiality analysis, which was conducted in 2017 and reviewed in 2018, we identified four non-financial aspects for ProSiebenSat.1 Group on which we make disclosures below in accordance with section 289c (3) HGB regarding the concepts followed, the due diligence processes used the results and the related performance indicators. → Fig. 043 For the required information on the business model in accordance with section 289c (1) HGB, please refer to the below-mentioned Combined Management Report of ProSiebenSat.1 Group. Information on corporate governance can particularly be found in the "To Our Shareholders" section in the Annual Report 2018. All references to content outside the Combined Management Report are to be understood as additional information and not as mandatory part of the NFS. → Organization and Group Structure, page 79

043 / SCOPE OF REPORTING AND DATA COLLECTION

The organizational reporting framework for the information on concepts and key figures for our sustainability performance as contained in the summarized NFS essentially comprises all Group companies and corresponds to the financial scope of consolidation of ProSiebenSat.1 Group, which is managed centrally by ProSiebenSat.1 Media SE. The distinction of the scope of consolidation follow the control principle of IFRS 10.

Exceptions and restrictions with regard to the scope of reporting for the individual defined aspects and data collection for performance indicators are described below. Further specifications are indicated accordingly in the information on the aspects.

_ Employees and Diversity
In particular, the companies in the Commerce segment and international business in the Content Production & Global Sales segment are not included in the examination of the concepts for the employees and diversity aspect or in data collection for the key non-financial figures in some cases. Individual corporate functions or programs such as recruitment and employer branding are managed centrally from Unterföhring or are not implemented in this form at some individual investments due to the relatively small number of employees. ProSiebenSat.1 Group also performs a dynamic portfolio management, meaning that changes in the scope of consolidation are continually occurring. Due to contract manufacturing, the number of employees in the production sector is characterized by high volatility.

_ Social Responsibility (Public Value)
The information on public value particularly relates to ProSiebenSat.1 Group's sustainability-related business activities in the TV program (Entertainment segment). The concepts described also include public value measures that are implemented by employees at the Unterföhring site.

_ Product Responsibility and Compliance
With the compliance management system (CMS), ProSiebenSat.1 Group largely covers the relevant legal areas throughout the Group and records the performance indicators across all companies. Some individual concepts, such as complying with advertising laws and ensuring journalistic independence, relate only to selected Group companies due to different legal regulations in foreign countries and a lack of relevance to many companies, for example in the production sector. These selected companies primarily include the holding company ProSiebenSat.1 Media SE, ProSiebenSat.1 TV Deutschland GmbH, and the marketing companies SevenOne Media GmbH and SevenOne AdFactory GmbH. For key figures relating to aspects of product responsibility and compliance, companies acquired by ProSiebenSat.1 Group are included in data collection no later than in the reporting period in which they have been consolidated in financial reporting for a whole financial year.

EMPLOYEES AND DIVERSITY

Personnel strategy and number of employees

ProSiebenSat.1 Group thrives on the creativity and fast pace of innovation of its staff. Our "Fascinating People" are our most important asset. We can only fascinate others if we are fascinated ourselves. At the same time, digitalization is confronting us with new challenges. The media industry is being transformed by the digital trend more rapidly than many other industries. For this reason, our corporate culture is characterized by constant willingness to change. It therefore forms part of our self-conception as an employer to create personnel-related conditions that support this process and cater to the individual interests of our employees. With an attractive overall offer, which includes compensation based on the market standard, additional company benefits, personal development opportunities and a pleasant working environment, we want to acquire and retain dedicated and

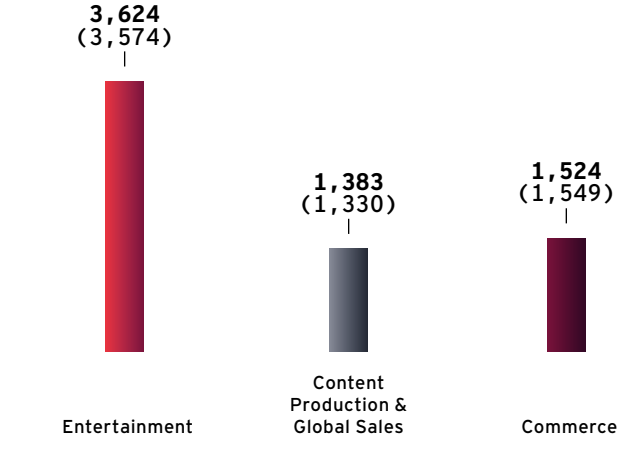
qualified employees for ProSiebenSat.1 Group and to motivate them to put in their top performance.

Managers who have an entrepreneurial spirit and encourage their employees to be innovative are also important for the Group's development. New measures and concepts are submitted to the Executive Board member responsible for Human Resources for decision-making and presented to the Executive Board as a whole before being implemented. Human Resources are the responsibility of the Chief Human Resources Officer, who reports directly to the CEO. There are independent organizational units for individual subject areas such as recruitment and employer branding or people development.

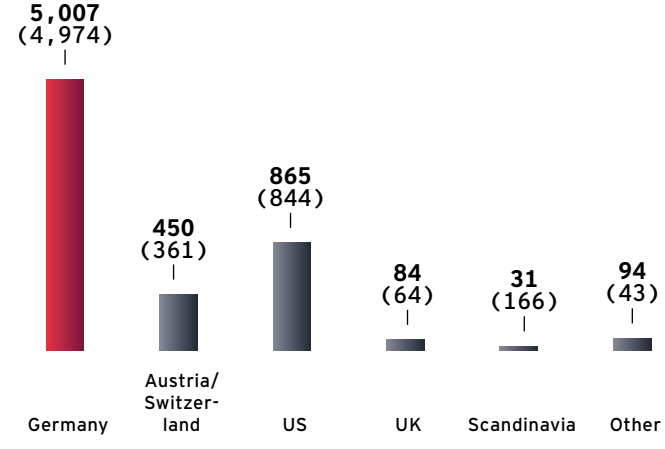
The number of employees remained virtually unchanged in 2018 compared to the previous year. In December 2018, the Group had 6,583 employees (previous year: 6,483), calculated on the basis of full-time equivalents. The average number of full-time equivalents in the period under review was likewise on a par with the previous year at 6,532 (previous year: 6,452). In 2018, an average of 609 people (previous year: 696) were employed at ProSiebenSat.1 Media SE. In Germany, Austria, and Switzerland, the Group had an average of 5,458 full-time equivalents in the reporting period (previous year: 5,335). → Fig. 045 This equates to 84% of the Group as a whole (previous year: 83%).

i The personnel expenses reported in the cost of sales, selling expenses and administrative expenses increased to EUR 679 million in the financial year 2018. This equates to growth of 3% or EUR 19 million compared to the previous year and reflects, among other things, payments in connection with the reorganization in the Entertainment segment.

044 / **EMPLOYEES BY SEGMENT** average full-time equivalents (FTEs), 2017 figures in parentheses



045 / **EMPLOYEES BY REGION** average full-time equivalents (FTEs), 2017 figures in parentheses



As in the previous year, the average duration of employment was 6.1 years. The turnover rate in the Group was 15.4% in the financial year 2018 (previous year: 12.8%).

i For the calculation of the turnover rate, the number of former employees who left in the reporting period is divided by the number of employees as of December 31. Reasons for leaving are cancellations or termination agreements. Resignations due to temporal limitations of employment contracts, end of apprenticeship, retirement or death are not considered.

Recruitment and employer branding

We set high standards in recruitment and use various instruments. The central platform is the careers page → www.karriere.prosiebensat1.com/en, which officially went live at the end of January 2019 after an extensive relaunch in 2018. Since 2014, the online portal has been supplemented by the digital job recommendation program Talentry, which allows Group employees to recommend suitable individuals from their own networks for vacant positions. In many cases, they receive a bonus if the person they recommend is eventually hired. Additionally, ProSiebenSat.1 Group uses other sourcing channels such as social media, direct contact, and university marketing. Group Recruiting recorded a total of around 33,700 applications (previous year: around 28,600). With campaigns such as "Claim New Grounds" and "Connect. Code.Create", we are also stepping up our efforts to address potential candidates with a digital or IT focus. Our employer branding concept aims to ensure the best possible candidate experience for all of our target groups on the personnel market. Besides application numbers also external rankings are an important indicator for our HR strategy success. → Fig. 046

046 / **SELECTED EMPLOYER RANKINGS**

POTENTIALPARK
10th place (previous year: 13th place)

TRENDENCE SCHOOL STUDENT BAROMETER
Overall: 10th place (previous year: 8th place)

TRENDENCE YOUNG PROFESSIONALS
Overall: 50th place (previous year: 42nd place)

TRENDENCE YOUNG PROFESSIONALS
Media/advertising
2nd place (previous year: –)

People development

We continually train qualified junior staff for the Group through various apprenticeships. With our management traineeships, trainee programs, Chamber of Commerce and Industry training, and dual study programs, talented young people have a range of options for joining our Company. We offer specialisms in IT, digital media, sales, marketing, finance, HR, project management, or editorial work. In this way, we create a strong foundation of well-trained junior staff with an extensive internal network and specific company and industry knowledge. In 2018, 168 employees (previous year: 158) were supported by our Young Talents department, of which around three quarters were retained upon completion. Objective is to counter skills shortage on the labor market and to support the diversification strategy of ProSiebenSat.1 Group by adapting appropriate apprenticeship formats in our company.

Besides initial training, unlocking potential and continuing development are also key elements of ProSiebenSat.1 Group's HR strategy. Our employees are responsible for their own professional and personal development. They are supported by their manager as a sparring partner and a wide range of development offers. Employees and managers discuss the selection of suitable measures in target and development meetings. They are based on a target system that breaks down the overarching corporate targets into segment, department and individual targets and thus specifies them for employees and managers. Personal development goals can also be defined in these interviews. We thereby ensure that individual skills are encouraged in a targeted manner.

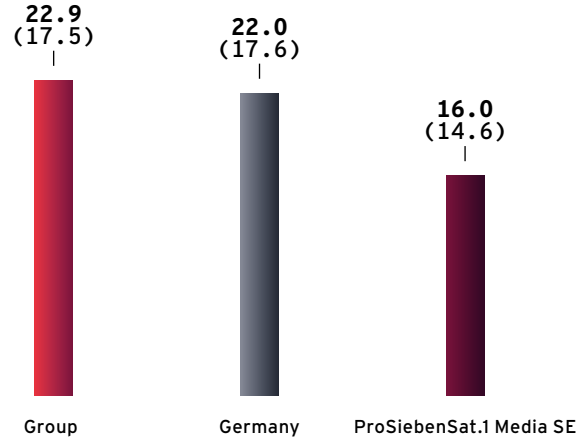
Furthermore, the ProSiebenSat.1 Academy offers a wide-ranging portfolio of technical and personal training. In 2018, a total of 596 events (with 7,560 participants) were held in the Academy (previous year: 596 and 6,266), including 87 manager training courses with 758 participants (previous year: 60 and 568). One focus area is digitalization, with content such as "Digital Economy", "E-Commerce & Online Marketing" and "Lean Start-up for User Experience". These training courses aim to ensure that employees understand digital trends and current technologies and can assess their effects on the media industry in order to develop new products and business models for the Group. ProSiebenSat.1 Group invested around EUR 3.5 million in its education and training programs in 2018 (previous year: EUR 3.1 million). Part of this was attributable to the courses offered by the ProSiebenSat.1 Academy.

Through our talent management, we systematically support the development of our employees. As a talent initiative there is, for example, a mentoring programme. Through job rotations ProSiebenSat.1 employees also have the option to gain experience in other departments and to apply this experience to their own area of responsibility. Especially for managers are stimulated by the P7S1 Center of Leadership for everyday management life and information on supporting instruments such as 360 degree feedback or coaching.

Work-life balance

Our employees' desired working hours differ according to stage of life, personal life plan and working situation. For this reason, we offer a variety of flexible modules for personalizing working hours and location, in order to support the best possible compatibility of career and private life. Our works agreements therefore aim to promote an appropriate work-life balance. This is supported by teleworking jobs, part-time work, and sabbatical models at the corporate headquarters in Unterföhring and other locations. → Fig. 047 The FlexTime working hours model takes account of the increased requirements in day-to-day work, makes it easier to balance family, free time and work, and offers employees of the Group more flexibility overall when it comes to organizing their working hours.

047 / **PROPORTION OF PART-TIME EMPLOYEES** average employees by head (HDC) in percent; 2017 figures in parentheses



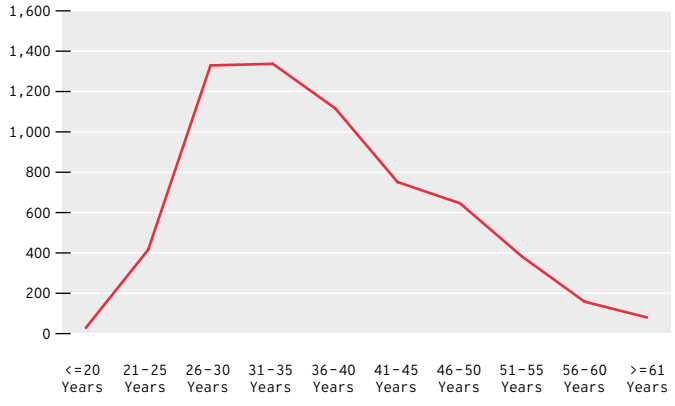
Not including international investments in the Content Production & Global Sales segment.

At the same time, our staff benefits from several social security and fringe benefits. At the headquarters in Unterföhring, for example, we run an in-house daycare center. There is also a focus on health and sport. We cover a wide range of work-life standards for modern employers with an in-house restaurant, diverse sport and health offerings, a company doctor at the corporate headquarters, company integration management, and more. Since the start of 2018, employees can also make use of an external family service, including childcare, home and elderly care as well as life coaching. We offer these services to all employees, regardless of whether they work part-time or full-time or are on a temporary contract.

Diversity management

Our corporate culture should be defined by openness and respect. ProSiebenSat.1 Group values the diversity of individual characteristics, talents, and skills that our employees contribute to the Company. We are convinced that diverse teams are better at solving complex tasks and understanding the different needs of our customers. Therefore, we regard diversity as an important success factor for our Company.

048 / **AGING STRUCTURE OF EMPLOYEES AS OF DECEMBER 31, 2018**

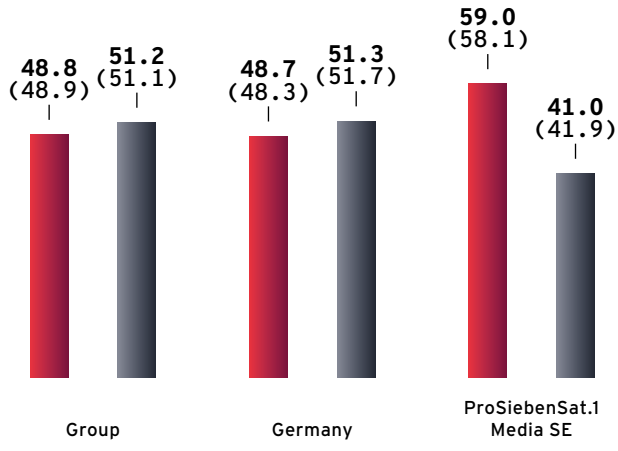


Not including international investments in the Content Production & Global Sales segment.

The average age of ProSiebenSat.1 Group employees as of December 31, 2018, was 37.1 years (previous year: 36.8 years).

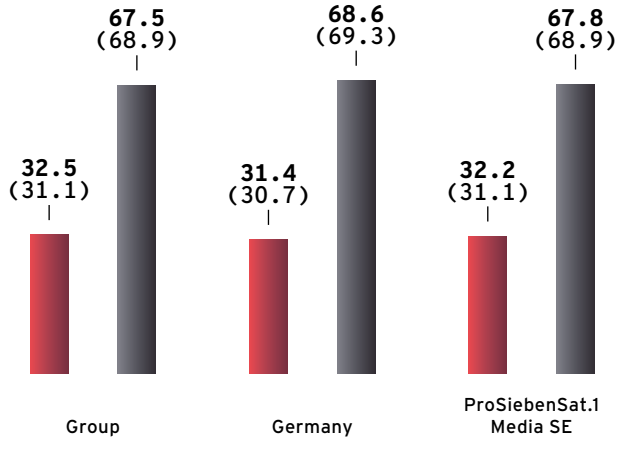
We hire employees entirely on the basis of objective criteria at all hierarchy levels and promote staff based on their skills alone. Other factors like background and culture, age, gender, sexual orientation and identity, disability, religion, or ideology do not play any role here. → Fig. 048 Diversity is aided by a balanced relationship of men and women at the Company and in management positions. → Fig. 049 In 2018, 48.8% (previous year: 48.9%) of employees in the Group were female; at ProSiebenSat.1 Media SE, the percentage was 59.0% (previous year: 58.1%). → Fig. 050 In order to give schoolgirls an insight into occupations that girls only rarely consider in the careers guidance process, we participated in the Germany-wide Girls' Day in 2018 for the fourth time. Among other things, the participants gained insights into various technical areas, such as tech lab, post production, studios, and control rooms.

049 / **PROPORTION OF MEN AND WOMEN IN THE WORKFORCE** average employees by head (HDC) in percent; 2017 figures in parentheses



Women Men
Not including international investments in the Content Production & Global Sales segment.

050 / **PROPORTION OF MEN AND WOMEN IN MANAGEMENT POSITIONS** average employees by head (HDC) in percent; 2017 figures in parentheses



Women Men
Not including international investments in the Content Production & Global Sales segment.

i For information on the percentage of women in the two management levels below the Executive Board at ProSiebenSat.1 Media SE and the corresponding targets, please refer to the Management Declaration. Disclosures regarding diversity on the Executive Board and the Supervisory Board can be found in the Corporate Governance Report

ProSiebenSat.1 Group signed the Diversity Charter in 2014 and follows the guidelines specified in it. Thereby, we emphasize our commitment to creating a working environment free of prejudice and exclusion that specifically promotes diversity among employees. Employees are also encouraged to report discrimination or violations of other principles set out in the Code of Conduct to the Company's Compliance Officers, for example. In addition, we provide the workforce with mandatory training on the German General Act on Equal Treatment (AGG). Moreover, based on a company agreement conclude in December 2018, employees and third parties now have the opportunity to report legal violations anonymously via an ombudsperson as part of the pre-existing reporting system. → Compliance, page 96

SOCIAL RESPONSIBILITY (PUBLIC VALUE)

ProSiebenSat.1 Group can reach around 45 million TV households with its stations in its TV markets in the DACH region; at the end of 2018 the digital offerings managed by SevenOne Media GmbH, ProSiebenSat.1 Group's marketer had a monthly reach of around 34 million unique users (aged 16 or over). In addition, ProSiebenSat.1 Group's global digital studio Studio71 generated an average of 9.2 billion video views a month with its web channels in 2018.

i Sources for reach key figures: Television households (D: AGF in cooperation with GfK, TV Scope 6.1; AT: AGTT/GfK TELETEST, Evogenius; CH: Mediapulse television panel (Instar Analytics)), Unique User (AGOF), Video Views (Google/YouTube)

The distributed content contributes to pluralism and the diversity of information and helps to shape the opinions of viewers and users. This is a great privilege but also a special responsibility for ProSiebenSat.1 Group. As a media group, our reach gives us significant social and journalistic responsibility. We therefore try to use our media offerings to focus on important ecological, societal and sociopolitical matters and to appeal to young people in particular, in order to make a valuable contribution to society (public value) as a company. We are committed to a free and democratic order as laid down in the constitution (Grundgesetz) of the Federal Republic of Germany and observe the principles of editorial freedom and journalistic independence.

Our public value activities also serve to increase the public relevance of our TV stations and media offerings, thus setting us apart from our competitors. This means that, due to the large number of available free TV and pay TV stations, social engagement in the ProSiebenSat.1 Group station family is also a tool for brand management and loyalty. In the media industry, being a strong brand means not only having a high profile but also a enjoying a high degree of trust and credibility. Another important reason for dealing with sustainability issues is to secure revenues and reduce risks, as our initiatives help us achieve greater acceptance of our offers and business models among important stakeholders such as viewers and Internet users, politicians and regulatory authorities, and advertising customers and media agencies. They therefore represent an important non-financial aspect for ProSiebenSat.1 Group.

When it comes to sustainability, ProSiebenSat.1 Group has defined priority areas such as opinion forming, media skills, dissemination of information, employee engagement (corporate volunteering),

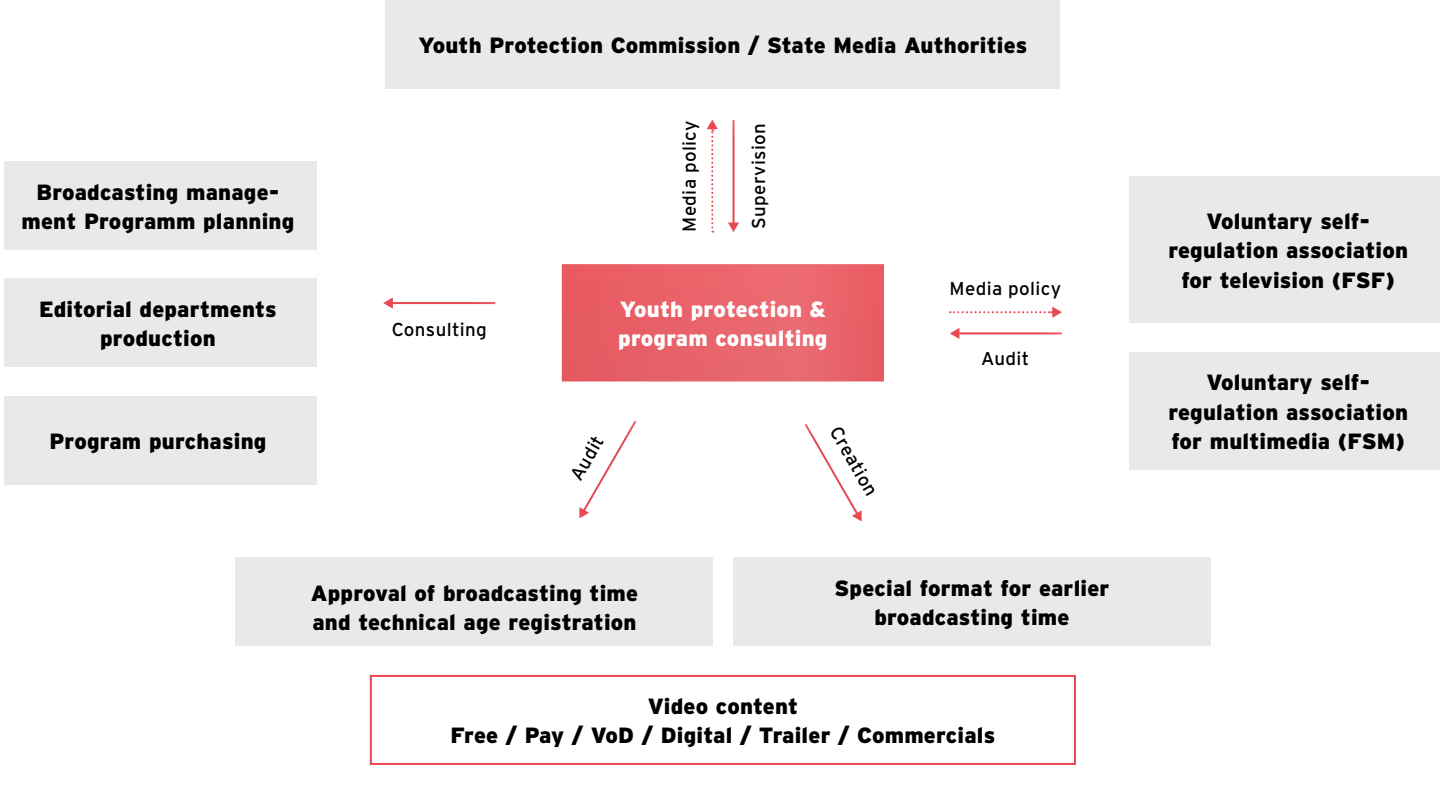
and donations and sponsorship. When selecting, implementing, and supporting projects, we pursue four strategic goals: We want to build knowledge, offer opportunities, communicate values, and promote culture. In doing so, we base our actions on regulations such as the ProSiebenSat.1 Group Code of Conduct, the International Federation of Journalists' Principles on the Conduct of Journalists, and internal guidelines on data protection, protection of young people, and the separation of advertising and programming. We already measure the success of our measures quantitatively in some cases, for example based on TV formats' audience shares, employee involvement in projects such startsocial, or funds raised in the RED NOSE DAY campaigns.

When choosing our measures, we focus on topical, socially significant issues that affect young target groups in particular. For example, relevant content is identified by the editorial teams of the TV stations as part of their journalistic work and corresponding formats and program environments are developed for it. One example is the sustainability brand "Green Seven": The broadcast of the annual "Green Seven" documentary on a specific environmental topic (2018: "Save the Future – How to Prevent Gridlock") on ProSieben is supported by the same thematic focus in magazines and other programs. In addition, ideas for supporting social projects or implementing internal initiatives at the Company also come directly from the workforce, such as the refugee aid project "WE HELP." An example of an initiative with external partners is the "Wir stärken Kinder" (We support children) campaign, which was set up by Sportdeutschland.TV, ProSiebenSat.1 Group's digital sports channel, in cooperation with the charity SOS-Kinderdorf e.V. three years ago. Top-tier athletes from various disciplines invite kids from the SOS Children's Villages to sporting events or run sports activities for them as a way of boosting community spirit and imparting important values. The ProSiebenSat.1 Group subsidiary 7Sports thus uses the reach of its digital platform Sportdeutschland.TV in order to get athletes interested in the campaign and to raise additional donations.

052 / PROSIEBENSAT.1 ADVISORY BOARD

Since 2011, the Group has placed its public value activities in a larger social context and underscored their relevance for the Group by establishing an Advisory Board. The interdisciplinary body chaired by Bavaria's former minister president Dr. Edmund Stoiber advises ProSiebenSat.1 Group on relevant social, ethical and media-political issues and provides impetus on important topics such as education and culture. In 2018, the Advisory Board met twice. Members of the Executive Board as well as other decision-makers in the Group participated in these events.

051 / YOUTH PROTECTION AT THE PROSIEBENSAT.1 GROUP



PRODUCT RESPONSIBILITY

Key sustainability issues for ProSiebenSat.1 Group, such as anti-corruption, antitrust law, data protection, and media law, are covered organizationally by the compliance management system (CMS). We combine data protection and media law under the non-financial aspect of product responsibility. We see product responsibility not only as a legal requirement but also as an important competitive factor with a lasting impact on trust in ProSiebenSat.1 Group's products, offerings and brands and thus also on the economic success of the Group.

Compliance with data protection is to be ensured on the basis of a risk-oriented data protection management system (DPMS). We also take precautions to protect personal and other sensitive data from loss, destruction, unauthorized access, or unauthorized use, processing, or disclosure. At the companies of ProSiebenSat.1 Group in Germany, there were 13 cases of data leaks and data theft or loss in the reporting year, of which only seven were subject to mandatory reporting. → Fig. 053

053 / DATA PROTECTION PROCESSES AT PROSIEBENSAT.1 GROUP

Data protection compliance	Performance of an initial risk analysis including a compliance check in the context of introducing/changing automated procedures for processing personal data in order to meet the requirements of data protection law (Articles 5, 6 GDPR).
Commissioned processing	Process for legally compliant preparation of agreements under data protection law in order to meet the requirements of Articles 26, 28 GDPR.
Information to public authorities	Process for legally compliant disclosure of personal data to public authorities.
Information to be provided and rights of the data subject	Legally compliant information and processing of data subjects' requests for the fulfillment of articles: ▸ Transparent information (Articles 12 et seq. GDPR) ▸ Rights of access (Article 15 GDPR) ▸ Right to rectification and erasure (Article 16 GDPR) ▸ Right to erasure (Article 17 GDPR) ▸ Data portability (Article 20 GDPR) ▸ Rights to object (Article 21 GDPR)
Data breach notification	Process for legally compliant reporting of data breaches (= third parties unlawfully obtaining personal data) in accordance with Articles 33, 34 GDPR.

The media law provisions of the compliance management system (CMS) particularly deal with journalistic independence, the principles of the separation of advertising and programming, the requirements for product placement and protection of young people, and the prevention of surreptitious advertising and broadcasting of legally prohibited advertising. Individual issues also form part of the Code of Conduct. For 2018, we have identified a total of 17 violations of program principles and journalistic due diligence as well as provisions for the protection of minors. → Fig. 051

— ProSiebenSat.1 Group is committed to differentiating between editorial reporting and broadcasts for advertising purposes. At corresponding compliance events, those responsible, such as TV editors, are trained on the bans in place and the legal consequences in the event of violations. In substantiated individual cases where the use of surreptitious advertising is suspected, an ad-hoc supervisory committee can take action. This committee is set up by the Executive Board of ProSiebenSat.1 Media SE and consists of one employee each from the Internal Audit and Legal Affairs departments and an external lawyer. The Group is also committed to following the provisions of the German Interstate Broadcasting Agreement and the Common Guidelines of the State Media Authorities for advertising, for ensuring separation of advertising and programming, and for sponsorship on television. In particular, each employee has to ensure that the prohibition of programming influence, the ban on surreptitious advertising and the identification requirements are upheld. It is also necessary to prevent the content and location of a sponsored program from being influenced by the sponsor in a way that impairs the responsibility and editorial independence of the broadcaster.

054 / PROSIEBENSAT.1 GROUP ADVERTISING GUIDELINES

The ProSiebenSat.1 Group guidelines on the separation of advertising and programming also include specific explanations regarding bans on the placement of particular products and services. They provide the employees with mandatory regulations under their employment contracts. The guidelines for the German stations serve to maintain journalistic credibility and ensure that content is independent from third-party influences as the top programming principle. For the TV stations in Austria and Switzerland, the respective national legal provisions apply.

— To ensure journalistic independence and comply with fundamental media regulations, the Group formulated guidelines which are binding for all of the Company's program makers in Germany. The "Guidelines for Ensuring Journalistic Independence" specify the understanding of the journalistic principles set forth in the Press Code of the German Press Council. In accordance with internal guidelines, journalists and editors working for ProSiebenSat.1 Group must follow the International Federation of Journalists' Principles on the Conduct of Journalists. According to these principles, they are essentially free to report as they see fit independently of social, economic or political interest groups. As a media company, political independence is of the utmost importance to us. Cash and non-cash donations to political parties are therefore forbidden unless the donation is approved by the Executive Board of ProSiebenSat.1 Media SE in advance. Generally, editorial content must not be influenced by private or commercial interests of third parties or by personal or economic interests of employees. At the same time, the journalists and editors are aware of their responsibility with

regard to the dissemination of information and their contribution to shaping opinions.

— Youth protection officers at ProSiebenSat.1 Group make sure that all TV and online content for which the Group is responsible is offered in an age-appropriate way. The goal is to make it difficult for children and young people to gain access to content that is unsuitable for their age group. The German Interstate Agreement on Youth Protection in the Media stipulates clear requirements for this. The Group's youth protection officers are autonomous in their work and are responsible for ensuring that content that is unsuitable for children and young people is broadcast only at the legally stipulated times. In addition, they use technical means to protect young people from the dissemination of content on the Group's websites that could potentially harm their development. To this end, the youth protection officers are involved in the production and purchasing of programs at an early stage. They assess scripts in advance, support productions, and prepare expert reports. Within the Company they perform an advisory role, while externally they are available to viewers and users as contact persons for complaints, for example. Independently from the work of the youth protection officers, TV and online editors receive regular training on youth protection regulations. In addition to training employees and providing internal guidelines, we also actively promote the protection of young people via various organizations, for example Freiwillige Selbstkontrolle Fernsehen (German Association for Voluntary Self-Regulation of Television, FSF) and Freiwillige Selbstkontrolle Multimedia-Diensteanbieter (German Association for Voluntary Self-Regulation of Digital Media Service Providers, FSM).

COMPLIANCE

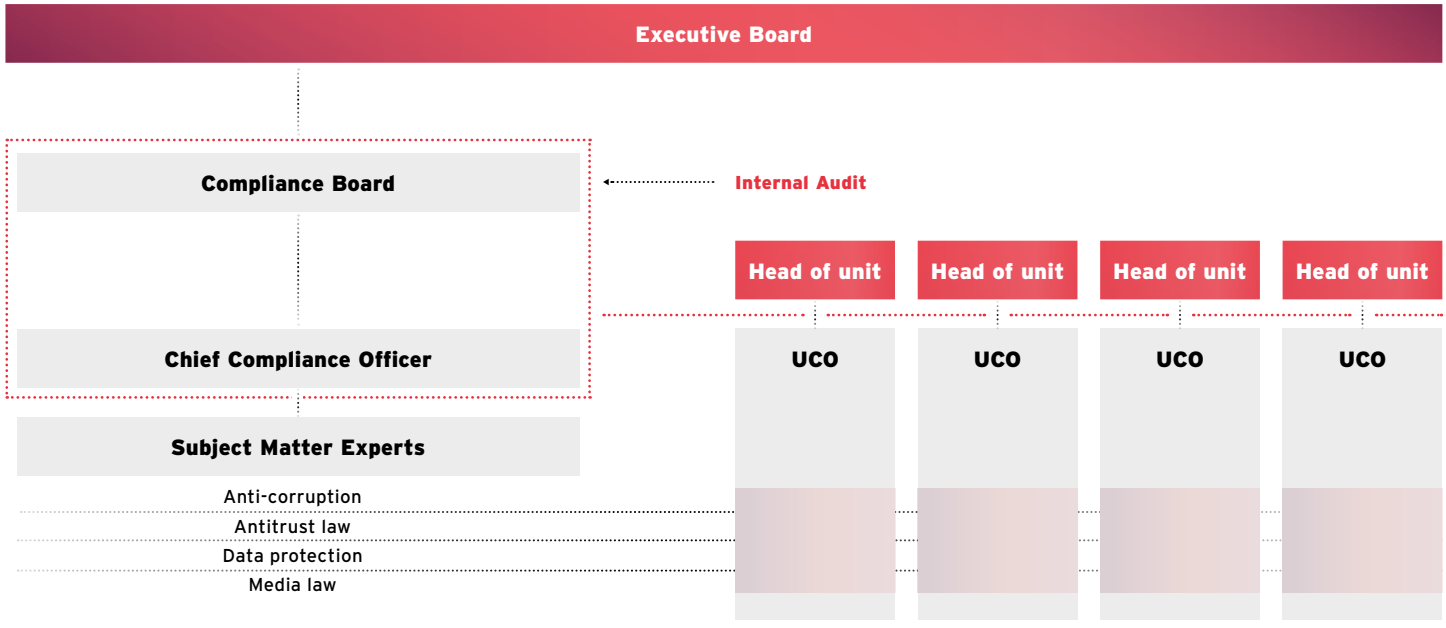
ProSiebenSat.1 Group believes that sustained economic success in a competitive environment can only be achieved by ensuring that all action taken is in compliance with the applicable laws. Therefore, preventing corruption and violations of antitrust law are – alongside the topic areas of media law provisions and data protection compliance – highly relevant to business and represent important success factors for strengthening our market position and achieving our corporate goals. Anti-corruption and compliance with antitrust law are therefore among the main non-financial aspects for the Group.

ProSiebenSat.1 Group has implemented a compliance management system (CMS) for this reason. → Fig. 055 The main objective of the CMS is to ensure that all employees always think and act with integrity and in accordance with the law and thus to prevent law-and rule-breaking from the start. Overall responsibility for the CMS lies with the Executive Board of ProSiebenSat.1 Media SE as the parent company of ProSiebenSat.1 Group. The Executive Board is supported in the implementation, monitoring, and updating of the CMS by the Compliance Board and the Group Chief Compliance Officer (CCO). The CCO is responsible for the implementation of the CMS in the Group, carries out risk analyses and training, and advises the Executive Board on the development and implementation of appropriate measures to minimize risk. In addition, Unit Compliance Officers (UCOs) have been appointed who are responsible for the CMS at Group entities. The CMS is audited by Internal Audit; in 2017, there was also an external audit. The Executive Board also informs the Supervisory Board of the status of the CMS on an ongoing basis. → Corporate Governance Report, page 41

ProSiebenSat.1 Group has defined standards for conduct in business, legal and ethical matters in its Code of Conduct. They serve as a binding reference and regulatory framework for dealing with each other and with external stakeholders. The Code of Conduct explicitly calls on employees to go to their supervisors, the Unit Compliance Officers or the Chief Compliance Officer with questions, concerns, or tip-offs. The Code explicitly assures potential whistleblowers that tip-offs given in good faith will not be sanctioned even if the suspicion of a compliance violation later proves to be unfounded. Whistleblowers are additionally protected because the Code was not just imposed unilaterally by the employer, but was enacted as a works agreement with the works council. In addition, since December 2018 employees and third parties have had the opportunity to report legal violations anonymously via an external Ombuds Office. At ProSiebenSat.1 Group, comprehensive training is also offered on compliance issues. Moreover, the Group carries out mandatory, all-day compliance seminars for the managers of affiliated companies. → Management Declaration, page 48

The CMS extends to the prevention of corruption offenses and antitrust law violations and to the guarantee of data protection and compliance with the media law provisions of the German Interstate Broadcasting Treaty (Rundfunkstaatsvertrag). In the period under review, no investigations became known against the Group, its subsidiaries or employees of ProSiebenSat.1 Group for antitrust violations or corruption offences. No fines or penalties were imposed. Since 2008, a civil law dispute has been pending with RTL 2 Fernsehen GmbH & Co. KG and El Cartel Media GmbH & Co. KG for damages. → Risk Report, page 123

055 / CENTRAL COMPLIANCE ORGANIZATION

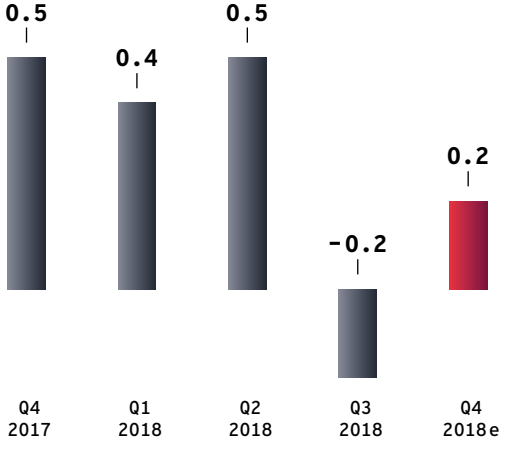


GROUP ENVIRONMENT

ECONOMIC DEVELOPMENT

In 2018, the German economy is estimated to have grown by 1.5% in real terms compared to the previous year (previous year: 2.2%). After gross domestic product (GDP) declined in the third quarter due to fluctuations in the automotive sector and a general slowdown in the global economy, the Institute for Economic Research (ifo) is expecting a slight economic growth again in the fourth quarter, albeit with somewhat less momentum than in previous years. → Fig. 056

056 / DEVELOPMENT OF GROSS DOMESTIC PRODUCT IN GERMANY in %, change vs. previous quarter



Adjusted for price, seasonal and calendar effects.
Source: Destatis, ifo economic forecast from winter 2018, December 20, 2018 / **e:** estimate.

The economic growth has been mainly driven by the domestic economy and by private consumption, which was benefiting from a strong increase in employment and substantial wage increases. According to Federal Statistical Office retail revenues grew between 1.4 and 1.5% in real terms in 2018; they account for around a third of private consumption. The online and mail order business developed particularly dynamically (January to November +5.9% in real terms). In addition, the German economy was supported by construction as well as equipment investments and government spending. → Future Business and Industry Environment, page 135

DEVELOPMENT OF MEDIA CONSUMPTION AND ADVERTISING IMPACT

In the last few years, digitalization has extended the range of media usage and changed usage habits. The once strong ties between content and end devices are increasingly coming undone and the bounds between different media are merging. This also applies to television and video usage in general: With the dissemination of mobile devices such as smartphones and tablets, the number of transmission channels is increasing. In addition to traditional, linear viewing via the TV set, this is giving rise to new forms of usage such as catch-up television via apps on mobile devices. Television is also becoming ever more diverse thanks to powerful consumer electronics and innovations inside TV sets themselves: Examples include digital television in high definition (HD/UHD) and video-on-demand (VoD) on large TV screens. This development is being driven by broadband Internet access with fast data speeds and the high number of satellite households in Germany. → Fig. 057

057 / TV HOUSEHOLDS IN GERMANY BY DELIVERY TECHNOLOGY Number of TV households

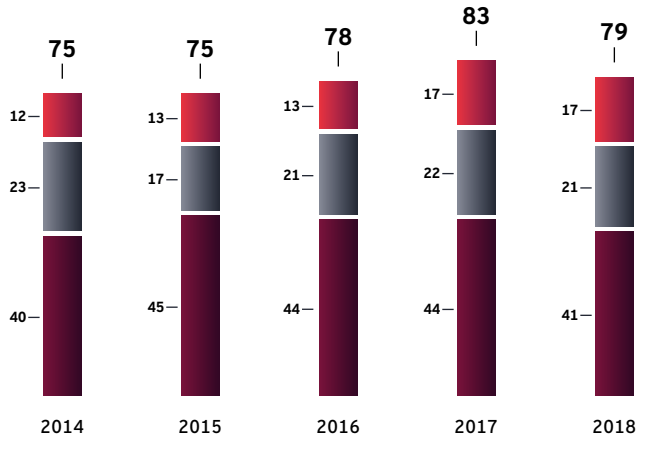
	2018[1]	2017[2]
Potential in millions (analog + digital)	**38.80**	38.32
Terrestrial	**1.30**	1.28
Cabel	**15.77**	15.97
Satellite	**17.14**	17.61
IPTV	**4.59**	3.45

[1] Information as of December 1, 2018. / [2] Information as of December 1, 2017.
Source: AGF in cooperation with GfK/ marketstandard TV / VideoSCOPE 1.1 / households.

In Germany, the traditional TV set is still by far the most widely used and wide-spread media device (2018: 94% of households owned one, adults aged 14 - 69). 93% of Germans aged between 14 and 69 watch linear television at least occasionally (previous year: 95%, 2014: 95%). Alongside reach, usage time also plays a crucial role in comparison to other media. Television is in the lead here, too, generating the highest daily usage of 213 minutes (adults aged 14 - 69) according to AGF.

i AGF Videoforschung's television panel measures the daily TV usage time in Germany. AGF is currently working on a market standard that reveals how many people in total consume an entertainment offering – regardless of which device they use. To this end, AGF Videoforschung has introduced a new license model that integrates TV and streaming data in one system for the purpose of unified convergence measurement; regular statistics on video usage across all channels, resulting therefrom are scheduled for 2019.

058 / **PARALLEL USAGE TV/INTERNET** in %



often sometimes seldom
Basis: 14 – 49 years old, TV/Internet used at least occasionally.
Source: SevenOne Media/forsa, mindline media.

A detailed insight into media usage behavior in Germany is also provided by the findings of the "Media Activity Guide 2018" and "ViewTime Report 2018": Germans use media and media transmission channels for an average of 586 minutes every day (previous year: 580 minutes). People aged between 14 and 69 spend 248 minutes or 42% of their daily media use on TV (previous year: 248 minutes or 43%), both linear and via alternative transmission channels. Radio follows in second place, with 109 minutes of daily usage (previous year: 102 minutes). Content-driven Internet usage accounts for 97 minutes or 16% of this time frame (previous year: 89 minutes or 15%). Reading newspapers and magazines accounts for 23 minutes every day (previous year: 31 minutes). The amount of time spent consuming media has therefore increased; TV reliably accounts for the highest usage time. The following trends can be observed here:

- The expectation to be able to consume entertainment everywhere, at any time, on any device and in high quality is rising, as is demand for personalized content and the willingness to pay for suitable offerings.
- Users of all age groups are increasingly consuming conventional media content in digital form. Young viewers in particular are increasingly watching TV content online (adults aged 14 – 29).
- At the same time, the parallel usage of different screen media, known as second screens, is increasing continuously: While the proportion of parallel users aged between 14 and 49 was only 75% four years ago, 79% of those surveyed went online while watching television at least occasionally in 2018. → Fig. 058 Second-screen users also have a stronger interest in TV content and watch 214 minutes of TV a day, 29 minutes more than the average in their age group (adults aged 14 – 49).

The way in which people consume entertainment has changed. This applies to different target groups: 56% of video use by 14- to 29-year-olds is attributable to television; this rises to 84% among 14- to 69-year-olds. 31% of younger people and 14% of older people (adults aged 14 – 69) consume online videos via PCs and laptops. 50% of 14- to 29-year-olds and 24% of 14- to 69-year-old viewers use video offerings via smartphone or tablet. Free online videos are among the most popular content online. Monthly reach and usage time have increased continually in the last four years, both among the 14 to 29 year old and the 14 to 69 year old target groups. The same applies to paid streaming services – although at a somewhat lower level. In contrast, monthly reach and usage time of linear TV programming have declined at a high level recently. Germans aged between 14 and 69 years also use social networks for 14 minutes a day when all services are taken together – including professional offerings like Xing and LinkedIn and online dating sites. Facebook remains the most prevalent offering; nearly half of 14- to 69-year-olds use the social network. However, users have not tended to watch a lot of videos in this extent so far: Facebook videos have a reach of 37%.

i The "Media Activity Guide" examines the Germans' usage of media on an annual basis. The study is conducted by forsa on behalf of the ProSiebenSat.1 Group advertising sales company SevenOne Media GmbH. Germans' media usage behavior was surveyed in telephone interviews from February 26 to March 25, 2018; the data analyzed relate to the first quarter of 2018. In addition to the annual Media Activity Guide and likewise in cooperation with forsa, we examine all forms of video and social media usage on a quarterly basis in the "ViewTime Report".
→ www.sevenonemedia.de/service/research

The studies show that digitalization is increasingly opening new doors to media use. Television is benefiting from the increasing use of media in Germany and remains the most important mass medium. TV is also the number one medium in terms of advertising impact:

- TV is the most important and effective advertising medium thanks to its high reach. Video advertising on TV inspires a greater emotional attachment to a brand than any other medium. This results in brand loyalty among consumers and pays off for advertisers in the short and long term. This is shown in the "ROI Analyzer."
- Linear television is now independent of the TV set. The same content is consumed via various channels on different devices; entertainment devices like smartphones and tablets are used in addition to the TV set. In parallel, new cross-media advertising spaces are emerging, which coupled with the impulses of parallel usage is resulting in greater viewer retention. This is increasing TV's relevance in marketing: For example, one-quarter (26%) of people have been motivated by TV content to directly purchase something on the Internet.

i The "ROI Analyzer" is an instrument jointly published by SevenOne Media GmbH, GfK-Fernsehforschung and GfK-Verein in 2014. The study evaluated the revenue effects of TV advertising on all purchase data from 30,000 German households over a year. The results showed that, across all brands investigated, a TV campaign will pay for itself after only one year, with an average return on investment (ROI) of 1.15. This figure increases to 2.65 after five years. The study is now being continued by Screenforce. The findings on various sectors confirm TV advertising's

high sales impact. According to the latest iteration of the ROI Analyzer in 2018, a TV campaign for fast-moving consumer goods (FMCG) will pay for itself after just one year, with an average return on investment (ROI) of 1.13. This figure increases to 2.57 after five years.

DEVELOPMENT OF PROSIEBENSAT.1 GROUP'S RELEVANT BUSINESS AND MARKET ENVIRONMENTS

Advancing digitalization and growing use of the Internet have changed media usage and consumer behavior as a whole. This is resulting in additional growth areas for ProSiebenSat.1 Group as well as new opportunities for addressing target groups and marketing. The Group has strong consumer brands – in both the entertainment and commerce businesses – and is consistently expanding its portfolio. At the same time, it is increasingly connecting its TV offering with digital offerings in order to respond to new competitors and the changes in user behavior in general.

Entertainment

Never before have people around the world had the opportunity to consume entertainment via such a wide range of channels as they do in the digital era. These days, content is available no longer just as linear programming on TV or the radio or in traditional print products such as magazines and books, but also in digital form. New forms of use such as streaming services, e-books, live video via the Internet or on-demand, via smart TVs, smartphones, tablets and many more are firmly integrated into our everyday lives. According to PricewaterhouseCoopers GmbH, the volume of the entertainment market in Germany totaled around EUR 37 billion in 2018 (previous year: EUR 36 billion); of which EUR 30 billion was attributable to the traditional and EUR 7 billion to the digital entertainment market (previous year: EUR 30 billion and EUR 6 billion, respectively). ProSiebenSat.1 Group achieved a market share of less than 1% here.

In order to translate this market potential into growth and generate additional revenues, the Group is diversifying its entertainment offerings. The aim is to make our entertainment business more digital, local and live. To this end, the Group is increasingly investing in digital platforms in order to expand programming out from the starting point of television, the number one medium, and to make content available via as many channels as possible. By connecting the TV and online realms, ProSiebenSat.1 Group is achieving higher overall reach while increasing the advertising impact of campaigns. → Development of Media Consumption and Advertising Impact, page 98

ProSiebenSat.1 Group's biggest revenue market is Germany, where the Group holds the leading position in the TV market. In addition, the Group offers a complementary portfolio of advertising-financed free TV stations in Austria and Switzerland: The Group has launched four new special interest stations in Germany since 2010, namely sixx, SAT.1 Gold, ProSieben MAXX and kabel eins Doku. Today, ProSiebenSat.1 Group's station profile in the principal revenue market of Germany comprises seven brands that complement each other and address different viewer groups. The smaller stations have strengthened our position in the audience market.

In 2018, the Group increased its combined audience share in Germany by a significant 0.8 percentage points to 27.8 percentage points among 14- to 49-year-olds despite the major sporting events broadcast on the public stations. The market share increased to 28.8% in the fourth quarter (previous year: 27.8%). The stations marketed by IP Deutschland (RTL, VOX, n-tv, Super RTL, NITRO, RTLplus) had a market share of 24.3% in the year as a whole (previous year: 25.4%) and 24.7% in the fourth quarter (previous year: 24.8%). → Fig. 059

The Austrian broadcasting group ProSiebenSat.1 PULS 4 GmbH achieved a combined market share of 28.6% among viewers aged between 12 and 49 years in 2018 (previous year: 27.5%). → Fig. 060 ProSiebenSat.1 Group thus also strengthened its market position in Austria and is the leading private broadcasting group in that country by some distance. The TV family in Switzerland achieved a combined market share of 17.7% among 15- to 49-year-olds (previous year: 17.8%). → Fig. 061

059 / **AUDIENCE SHARES OF PROSIEBENSAT.1 STATIONS IN GERMANY** in %

Target group 14–49 years	Q4 2018	Q4 2017	2018	2017
ProSiebenSat.1 Group	**28.8**	27.8	**27.8**	27.0
SAT.1	**8.0**	8.7	**8.1**	8.4
ProSieben	**10.0**	9.6	**9.5**	9.5
kabel eins	**5.2**	4.7	**5.0**	4.8
sixx	**1.3**	1.2	**1.4**	1.2
SAT.1 Gold	**1.5**	1.7	**1.6**	1.5
ProSieben MAXX	**1.8**	1.5	**1.6**	1.3
kabel eins Doku	**0.9**	0.4	**0.7**	0.3

Relevant target groups [1]	Q4 2018	Q4 2017	2018	2017
SAT.1	**7.8**	8.4	**8.0**	8.3
ProSieben	**13.4**	12.5	**12.5**	12.6
kabel eins	**5.2**	4.7	**5.0**	4.8
sixx	**1.7**	1.6	**1.9**	1.7
SAT.1 Gold	**2.7**	2.7	**2.8**	2.5
ProSieben MAXX	**3.1**	2.9	**2.7**	2.7
kabel eins Doku	**0.7**	0.6	**0.6**	0.4

[1] Relevant target groups: SAT.1: adults aged 14–59 / ProSieben: adults aged 14–39 / kabel eins: adults aged 14–49 / sixx: female aged 14–39 / SAT.1 Gold: female aged 40–64 / ProSieben MAXX: male aged 14–39 / kabel eins Doku: male aged 40–64
Figures are based on 24 hours (Mon–Sun). SAT.1, ProSieben, kabel eins, sixx, SAT.1 Gold, ProSieben MAXX, kabel eins Doku; source: AGF in cooperation with GfK/videoSCOPE 1.1/marketstandard TV/71m/Committees Representation.

060 / AUDIENCE SHARES OF PROSIEBENSAT.1 STATIONS IN AUSTRIA in %

Target group 12–49 years	Q4 2018	Q4 2017	2018	2017
ProSiebenSat.1 PULS 4	**29.5**	28.8	**28.6**	27.9
SAT.1 Österreich	**5.0**	4.8	**4.5**	4.4
ProSieben Austria	**7.7**	7.4	**7.5**	7.6
kabel eins Austria	**2.9**	2.9	**2.8**	2.9
PULS 4	**4.7**	4.2	**4.5**	4.2
sixx Austria	**1.1**	1.4	**1.2**	1.4
SAT.1 Gold Österreich	**0.7**	0.9	**0.8**	0.8
ProSieben MAXX Austria	**1.0**	1.2	**1.0**	1.0
kabel eins Doku Austria	**0.8**	0.6	**0.7**	0.5
ATV	**4.7**	4.3	**4.3**	4.0
ATV2	**1.1**	1.1	**1.1**	1.1

Austria: A 12–49; SAT.1 Österreich, ProSieben Austria, kabel eins Austria, PULS 4, sixx Austria, ProSieben MAXX Austria, SAT.1 Gold Österreich, kabel eins Doku Österreich, ATV + ATV 2 (since 07.04.2017 at ProSiebenSat.1 PULS 4, before that an independent group; source: AGTT/GfK TELETEST; Evogenius Reporting; 01.01.2017–31.12.2018; weighted for number of people; including VOSDAL/timeshift; standard.

061 / AUDIENCE SHARES OF PROSIEBENSAT.1 STATIONS IN SWITZERLAND in %

Target group 15–49 years	Q4 2018	Q4 2017	2018	2017
ProSiebenSat.1 Group	**19.2**	19.0	**17.7**	17.8
SAT.1 Schweiz	**5.7**	5.5	**5.1**	4.9
ProSieben Schweiz	**6.7**	7.5	**6.2**	7.0
kabel eins Schweiz	**2.7**	2.2	**2.5**	2.4
sixx Schweiz	**1.1**	1.1	**1.1**	1.1
SAT.1 Gold Schweiz	**0.9**	0.6	**1.0**	0.7
ProSieben MAXX Schweiz	**1.0**	0.9	**0.8**	0.8
Puls 8	**1.1**	1.0	**1.0**	0.9

SAT.1 Schweiz, ProSieben Schweiz, kabel eins Schweiz, sixx Schweiz, SAT.1 Gold Schweiz, ProSieben MAXX Schweiz, Puls 8 (since October 8, 2015); German-speaking Switzerland, A 15–49 incl. guests, 24h Mon–Sun, all platforms, overnight +7, total signal; source: Mediapulse TV Panel.

In addition to increasingly specific, targeted approaches to viewers and the sale of advertising spots, ongoing digitalization is opening up new revenue models for the TV business. The distribution of programs in high definition (HD) is one example. Here, we participate in the technical service fees that end customers pay to the respective providers for programs in HD quality. The number of users of the satellite digital platform HD+, which distributes private TV stations in Germany, is continuously rising. In Germany, ProSiebenSat.1 HD stations had 9.5 million users in 2018 (previous year: 8.8 million). The Group also broadcasts its programs in HD quality in Austria and Switzerland.

Numerous partnerships emphasize ProSiebenSat.1 Group's strategy of offering its programs via as many distribution channels as possible and expanding reach. Against this backdrop, the Company again concluded numerous new distribution agreements in 2018, including with Deutsche Telekom, freenet.tv, M7 (Diveo) and 1&1. In addition, the first shows were broadcasted in the new UHD standard. In line with its digital entertainment strategy, ProSiebenSat.1 Group also founded the joint venture 7TV together with Discovery Communications in the third quarter of 2017 and expanded it this year. The aim is to establish a cross-provider streaming platform in Germany that offers a comprehensive entertainment package with live streaming, a media library and sports broadcasts. To this end, the VoD portal maxdome and the Eurosport Player will also be integrated in this service. Around 3.5 million people already use the 7TV app (launched in 2017), maxdome and the Eurosport Player. → Changes in the Scope of Consolidation, page 105

A further essential component of ProSiebenSat.1 Group's portfolio is the global digital studio Studio71. It pools the broadcasting group's digital content offerings and distributes them via digital platforms. In 2018, digital studio Studio71 achieved over 9.2 billion video views a month (previous year: 7.4 billion video views).

As well as reach and market shares, awards are an indicator of the popularity of our brands and programs; in 2018, the Group won awards including the German Television Award for "The Voice of Germany". → Fig. 062

062 / AWARDS FOR TV FORMATS, ARTISTS AND CO-PRODUCTIONS

BAMBI
- **Mark Forster** Best National Music
- **Michael Schulte (The Voice of Germany)** People's choice award

BAVARIAN TV AWARDS
- **"Das Nebelhaus"** (Claudia Garde in the "Best Director" category)

BROADCAST AWARDS
- **"Old People's Home for 4 Year Olds"** (CPL Productions in the "Best Original Programme" category)

DANISH TV AWARDS
- **"A League of Their Own"** (Snowman Productions, created by CPL Productions, in the "Best Game Show" category)
- **"Buying Blind"** (Snowman Productions, created by Kinetic Content, LLC, in the "Best Original Programme" category)

GERMAN COMEDY AWARD
- **"jerks."** ("Best Comedy Series")
- **Luke Mockridge:** Most Successful Live Act
- **"Luke! Die Woche und ich"** ("Best Comedy Show")

GERMAN TV AWARDS
- **"The Voice of Germany"** ("Best Prime-Time Entertainment")
- **"Germany's next Topmodel – Das Finale"** (Mark Achterberg in the "Best Creative Achievement in Entertainment" category)
- **"LUKE! – Die Woche und ich"** (Best Late-Night Entertainment)

GERMAN CRIME TV AWARDS
- **"Keine zweite Chance"** (Petra Schmidt-Schaller in the "Best Actress" category)

EDINBURGH TV AWARDS
- **"Old People's Home for 4 Year Olds"** (CPL Productions in the "Best Popular Factual Series" category)
- **CPL Productions:** Production Company of the Year

GOLDENE KAMERA
"Keine zweite Chance" (Petra Schmidt-Schaller in the "Best German Actress" category)
GRIERSON AWARDS
"Old People's Home for 4 Year Olds" (CPL Productions in the "Constructed Documentary" category)
INTERNATIONAL FORMAT AWARDS
"Old People's Home for 4 Year Olds" (CPL Productions in the "Best Factual Entertainment Format" category)
"Old People's Home for 4 Year Olds" (CPL Productions in the "Best Brand Driven Format" category)
JUPITER AWARD
"Fack Ju Göhte 3" ("Best German Film")[1]
Elyas M'Barek: ("Best German Actor")[1]
ROYAL TELEVISION SOCIETY CRAFT AWARDS
"Deep State" (Endor Productions in the "Design – Titles" category)
TBI CONTENT INNOVATION AWARDS
"Old People's Home for 4 Year Olds" (CPL Productions in the "Factual Program of the Year" category)
TELEVISUAL BULLDOG AWARDS
"Old People's Home for 4 Year Olds" (CPL Productions in the "Factual Entertainment" category)

[1] Co-financing

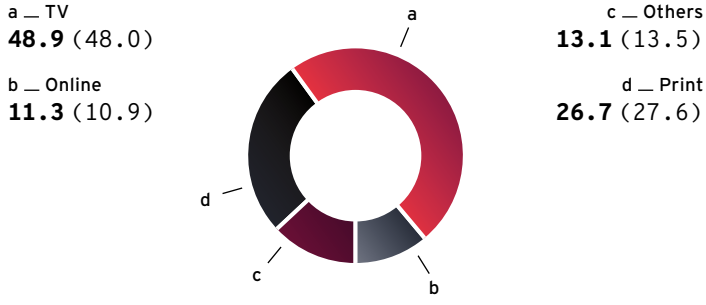
Production market

The proportion of local programming on the Company's own stations has become a particular strategic focus. In the next approximately five years, Red Arrow Studios' share in the content commissioned locally by the Entertainment segment is to be increased from 13% today to over 30%. The aim is to set ourselves apart from the competition and further hone our brand profiles with our own productions. At the same time, the group of commissioners for high-quality productions has increased in recent years to include the operators of multinational streaming platforms such as Amazon and Netflix. These platforms have steadily increased their spending on in-house productions and also plan to spend more on their own content in the years ahead. As a result, Red Arrow Studios' potential customer group in the US and the German-speaking region has become considerably larger.

Advertising

According to Nielsen Media Research, gross TV advertising investment in Germany rose by 3.7% to EUR 15.90 billion in 2018 (previous year: EUR 15.33 billion). In the fourth quarter of 2018, there was a 3.8% increase to EUR 5.37 billion (previous year: EUR 5.18 billion). TV has the greatest relevance in comparison to other media. In 2018 as a whole, 48.9% of gross advertising investment went on TV advertising (previous year: 48.0%). → Fig. 063 This figure was 52.3% in the fourth quarter (previous year: 51.1%).

063 / **MEDIA MIX GERMAN GROSS ADVERTISING MARKET** in %, 2017 figures in parentheses



Source: Nielsen Media Research.

Data from Nielsen Media Research are important indicators for assessing the advertising market's development. However, they are collected on a gross revenue basis, meaning that they do not take account of discounts, self-promotion or agency commission. In addition, the figures also include TV spots from media-for-revenue-share and media-for-equity transactions. Furthermore, major digital players from the US (such as Google and Facebook) are not reflected in the Nielsen figures and therefore they do not represent the entire market.

In ProSiebenSat.1 Group's view, the TV advertising market fell short of the previous year on a net basis in 2018; there are similar assessments from experts from the Organization of Advertisers in the German Brands Association (Organisation Werbetreibende im Markenverband – OWM). After the German net TV advertising market grew only slightly and was characterized by greater volatility in 2017, the market continued to benefit less from macroeconomic development in 2018. This was attributable to sector-specific effects, such as increasing consolidation of important sectors for the TV advertising market, which represent developments whose duration and impact cannot yet be conclusively assessed. The slowdown affected not only the German TV market, but the entire European advertising industry. Official data on the net TV advertising market for 2018 will be published by the German Advertising Federation (Zentralverband der deutschen Werbewirtschaft – ZAW) in May 2019. → Economic Development, page 98

Against the backdrop of the mentioned developments, the agency forecasts for 2018 vary considerably: The forecasts for the German TV advertising market range between +0.4% (Magna Global) and +3.6% (ZenithOptimedia). For the German advertising market as a whole, Magna Global anticipates net growth of +2.7%; ZenithOptimedia forecasts growth of 2.0%. In-stream video advertising is likely to continue its dynamic development and drive growth on the online advertising market. Here, the research institutes anticipate a plus of 8.8% or 10.5% (Magna Global) respectively.

According to Nielsen Media Research, ProSiebenSat.1 Group is the market leader in the German TV advertising market and generated gross TV advertising revenues of EUR 6.42 billion in 2018 (previous year: EUR 6.38 billion). In the fourth quarter of 2018, revenues

increased by 1.9% to EUR 2.25 billion (previous year: EUR 2.21 billion). For the full year of 2018, this resulted in a market share of 40.4%; in the fourth quarter, ProSiebenSat.1 Group achieved a market share of 41.9% (same periods of the previous year: 41.6% and 42.7% respectively). → Fig. 064, Fig. 065 The development of the market share is partly due to the emergence of new market participants: As of the beginning of 2018, Nielsen Media Research added numerous channels of the pay TV broadcaster Sky to its analysis, as well as kabel eins Doku, RTLplus, MTV, and Servus TV.

064 / MARKET SHARES GERMAN GROSS TV ADVERTISING MARKET in %, 2017 figures in parentheses

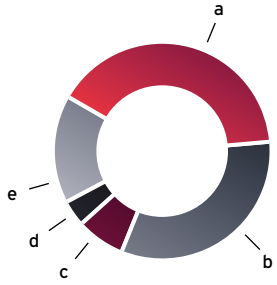
a _ SevenOne Media
40.4 (41.6)

b _ IP Deutschland
32.6 (33.9)

c _ EL-Cartel
7.2 (7.3)

d _ Public Stations
3.9 (3.8)

e _ Others
15.9 (13.3)



Source: Nielsen Media Research.

By selling in-stream video ads, which are shown online before, after or during a video stream, ProSiebenSat.1 Group generated gross revenues of EUR 293.8 million in the full year of 2018 (previous year: EUR 304.6 million). This corresponds to a year-on-year decrease of 3.6% compared to the previous year. Nevertheless, the market share increased to 46.7% (previous year: 44.8%). In the fourth quarter, the Group generated EUR 107.2 million (previous year: EUR 119.0 million) from their sale; this results in an advertising market share of 48.1% (previous year: 49.4%). The market volume for advertising budgets for in-stream video ads in Germany decreased by 7.6% to EUR 628.8 million in 2018 (previous year: EUR 680.5 million), and by 7.5% to EUR 222.8 million in the fourth quarter (previous year: EUR 240.7 million). Overall, investments in online forms of advertising rose by 5.0% to EUR 3.66 billion in 2018 (previous year: EUR 3.49 billion). In the fourth quarter, they amounted to EUR 1.15 billion (previous year: EUR 1.13 billion). With these investments, ProSiebenSat.1 Group generated revenues of EUR 378.1 million in the year as a whole (-4.7%) and of EUR 125 million in the fourth quarter (-15.6%). In addition to in-stream videos, the online advertising market also includes display ads such as traditional banners and buttons.

i Nielsen Media Research designates gross figures for the online advertising market in Germany. They do not comprise data from Google/YouTube and Facebook, among others, and therefore they do not represent the entire market. For the overall online video market, it can be assumed that it has grown.

Commerce

Overall, e-commerce on all digital devices in Germany is expected to have grown by around 10% to a market volume of EUR 63 billion in 2018. As such, e-commerce probably accounted for 10% of total retail in 2018. This was the result of a current study by the Institute of Retail Research in Cologne (Institut für Handelsforschung Köln). According to this study, mobile commerce is likely to have been of great significance for e-commerce growth in Germany in the period under review, with a volume of around EUR 31 billion (previous year: around EUR 24 billion). This corresponds to 48% of online revenues in Germany overall. The individual e-commerce areas differ in terms of their dynamics. Relevant markets for ProSiebenSat.1 Group are described below:

_ **Online dating.** According to Statista's Digital Market Outlook, revenues in the online dating market are likely to have increased to EUR 162 million in 2018 (previous year: EUR 155 million). The online dating market comprises the matchmaking, singles site and casual dating segments. Our portals Parship and ElitePartner belong to the matchmaking segment, which generates the highest revenues in the online dating market and accounts for roughly 66% of total revenues. Recent studies by ElitePartner highlight the market's growth potential: Close to 31% of Germans are single.

065 / TV ADVERTISING MARKETS IN GERMANY, AUSTRIA AND SWITZERLAND ON A GROSS BASIS in %

	Development of the TV advertising market in Q4 2018 (Change against previous year)	Development of the TV advertising market in 2018 (Change against previous year)
Germany	**+1.2**	**+0.9**
Austria	**+2.2**	**+2.7**
Switzerland	**+1.0**	**+0.2**

	Market shares ProSiebenSat.1 Q4 2018	Market shares ProSiebenSat.1 Q4 2017	Market shares ProSiebenSat.1 2018	Market shares ProSiebenSat.1 2017
Germany	**41.9**	42.7	**40.4**	41.6
Austria	**43.5**	40.8	**43.2**	40.4
Switzerland	**26.6**	27.8	**26.4**	28.2

Germany: January – December, gross, Nielsen Media. / **Austria:** January – November, gross, Media Focus.
Switzerland: January – November, the market shares relate to the German-speaking part of Switzerland, gross, Media Focus.

- **Online price comparison.** The market volume of online comparison portals in the fields of energy, telecommunication, car insurance and consumer loans in Germany is expected to come to approximately EUR 721 million in 2018 (previous year: EUR 634 million). A recent study by WIK Consult shows that more than 70% of Germans use comparison portals. And they do not just rely on a single one: 40% of consumers use more than one comparison portal to find information and conclude contracts.

- **Gift experiences.** OC&C Strategy Consultants cites a volume of around EUR 2.8 billion for the experiences market in Germany in 2018. An examination of purchasing behavior throughout Germany in the 2017 gift experiences report showed that an average of around EUR 109 was spent per gift experience. → Future Business and Industry Environmnent, page 135

066 / RESEARCH AND DEVELOPMENT

ProSiebenSat.1 Group does not carry out research and development (R&D) in the conventional sense of an industrial company. Therefore, the activities in this area do not fulfill the traditional definition of R&D, so more detailed information according to DRS 20 is not included in the Management Report. Nonetheless, research does hold a position of high importance at ProSiebenSat.1 Group.

We conduct intensive market research in every area relevant to our business activities and in every area in which the Company sees growth potential. In 2018, expenses for Group-wide market research activities amounted to EUR 9 million (previous year: EUR 10 million). The various research units prepare investigations and analyses on advertising impact, on trends in the advertising market and digital industries as well as on media use and also assess economic and market projections. Those responsible in the Group use the results of the market analyses for operational and strategic planning. At the same time, market data and analyses are an important basis for successfully advising our advertising clients. With its studies, the Company provides advertisers with valuable knowledge for marketing and advertising planning, which constitutes an important basis for investment decisions.

In the program development phase, program research also plays a decisive role. An important task is the assessment of international TV trends with regard to their potential for the German television market. In addition, the research team regularly provides quantitative and qualitative studies and analyses of the ProSiebenSat.1 stations' programming. Among other things, new formats are tested with the aid of survey and audience screenings. Besides, the research department also carries out ad hoc tests on shows that have already been broadcast. Based on the results, we can adjust formats in the development phase and optimize TV programs that have already been broadcast, thus increasing success rates.

CHANGES IN THE SCOPE OF CONSOLIDATION

ProSiebenSat.1 Group regularly analyzes its portfolio and assesses possible growth and synergy potential. Strategic portfolio expansions and investments in promising growth areas are a significant part of this M&A strategy. Against this backdrop, the Company particularly strengthened the Entertainment and Commerce segments in the reporting period:

ProSiebenSat.1 Group founded the joint venture 7TV Joint Venture GmbH, Munich ("7TV") together with the media company Discovery Communications Inc. in third quarter 2017 and expanded it in 2018. The aim is to establish a cross-provider streaming platform in Germany that offers a comprehensive entertainment package with live streaming, a media library and sports broadcasts. The streaming platform will make content available from the TV stations ProSieben, SAT.1, kabel eins, sixx, ProSieben MAXX, SAT.1 Gold, kabel eins Doku, DMAX, TLC, SPORT1, WELT, and N24 Doku, as well as selected content from Eurosport and the programming of ZDF, ZDF info and ZDF neo. In addition, the video-on-demand (VoD) portal maxdome and the Eurosport Player will be integrated in this service. Against this backdrop, the VoD portal maxdome was deconsolidated at the end of July 2018; ProSiebenSat.1 Group continues to include maxdome in its consolidated financial statements using the equity method for consolidation of 7TV.

ProSiebenSat.1 Group developed another future area in the Entertainment segment in 2018, namely the AdTech business. For example, the Group acquired Kairion GmbH, Frankfurt am Main ("Kairion") (100%) in January 2018, a media marketing provider in the e-commerce sector. In April 2018, ProSiebenSat.1 Group acquired a 90.0% stake in esome advertising technologies GmbH, Hamburg ("esome"), the leading social advertising provider in the DACH region. AdTech serves as the foundation for the automated and customized buying, selling and selective configuration of advertising space in real time. The aim is to develop an ecosystem of leading technology providers and platforms in order to offer advertisers, agencies, and publishers an independent alternative to global players and thereby generate additional revenues.

Back in 2017, ProSiebenSat.1 Group restructured the commerce portfolio under the umbrella of NuCom Group, in order to establish a leading European omnichannel network for consumer services and lifestyle brands. One important step in this is the partnership with General Atlantic that ProSiebenSat.1 Group agreed for NuCom Group in February 2018 and implemented in April. General Atlantic is one of the world's leading growth capital investors and holds a 25.1% stake in the portfolio of NuCom Group. The transaction was based on an enterprise value of EUR 1.8 billion. In NuCom Group, ProSiebenSat.1 Group bundles strategic investments in largely digital commerce platforms, including Verivox, Parship, Elite Partner, Jochen Schweizer, mydays and Flaconi.

In a first joint acquisition, NuCom Group acquired additional shares in PARSHIP ELITE Group, Hamburg ("Parship Elite Group") and Verivox Holding GmbH, Unterföhring ("Verivox Holding") in the second quarter of 2018, which increased its shareholding to 94.2% and 100% respectively. NuCom Group also acquired the online cancellation service Aboalarm GmbH, Munich ("Aboalarm"), which offers cancellation services for consumer contracts in the areas of Internet, mobile communications, insurance, dating and fitness, in the first quarter of 2018, and the remaining minority shares in SilverTours GmbH, Freiburg im Breisgau ("SilverTours") in the second quarter of 2018. In another joint transaction with General Atlantic, NuCom Group acquired 100% of eHarmony, Inc., Los Angeles, USA ("eHarmony Group") one of the leading online dating services in the US, in October 2018. The merger creates one of the world's leading online dating services, which gives the companies attractive potential for growth and synergy. For example, eHarmony Group will adopt Parship Elite Group's technical platform, which already provided the basis of the successful integration of ElitePartner. This will allow eHarmony Group to offer its customers a significantly more attractive service on its online platforms in future.

ProSiebenSat.1 Group practices active portfolio management in order to leverage the biggest possible synergies by connecting TV and digital offerings. Company disposals are also part of this portfolio strategy. → Fig. 067 Against this backdrop, the Group concluded the strategic review of the travel segment in the third quarter of 2018 and sold all shares in the tour operator Tropo GmbH, Hamburg ("Tropo") to dnata (Dubai National Air Transport Association), Dubai, an Emirates Group company. It was deconsolidated at the end of September 2018. ProSiebenSat.1 Group held a majority stake in Tropo since 2012. In these six years, the tour operator significantly increased the awareness of its brand by using TV advertising. The company managed to defend its position even in the difficult market environment of the past several years. However, further synergy potential for the Group was limited.

In addition, ProSiebenSat.1 Group sold 7NXT GmbH, Berlin ("7NXT") in financial year 2018; it was deconsolidated at the end of July. The provider of online sports programs operates both the fitness platform Gymondo GmbH, Berlin and 7NXT Health. ProSiebenSat.1 Group remains indirectly invested in 7NXT as a fund investor. The majority owner of the fund is Lexington Partners, a leading US private equity firm. → Strategy and Management System, page 83 → Opportunity Report, page 132

067 / SELECTED PORTFOLIO MEASURES AND CHANGES IN THE SCOPE OF CONSOLIDATION

ENTERTAINMENT SEGMENT

_ Acquisition of 100.0% of the shares in Kairion, a media marketing provider in the e-commerce sector.
  > Fully consolidated since January 2018
_ Acquisition of 90.0% of the shares in esome, the leading social-advertising provider in the DACH region.
  > Fully consolidated since April 2018
_ Sale of 100.0% of the shares in 7NXT, operator of online sports programs, to Crosslantic Fund I GmbH & Co. KG.
  > Deconsolidated since the end of July 2018
_ Sale of maxdome to the joint venture 7TV.
  > Deconsolidated at the end of July 2018

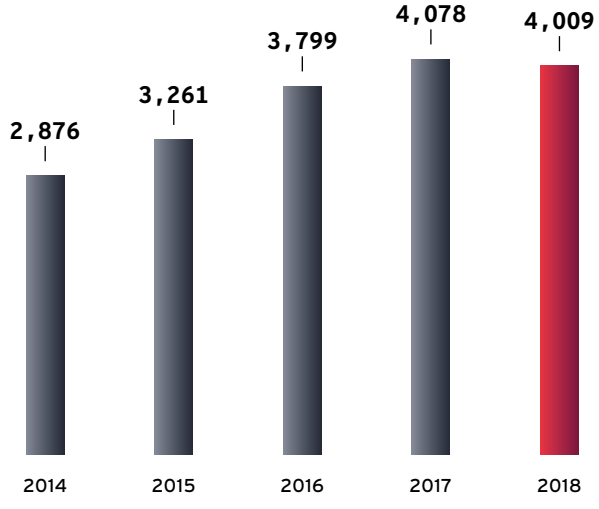
COMMERCE SEGMENT

_ Acquisition of 100.0% of the shares in Aboalarm, an online cancellation service.
  > Fully consolidated since January 2018
_ Acquisition of the business under the Zirkulin brand.
  > Execution in April 2018
_ Sale of 25.1% of NuCom Group shares to General Atlantic, a leading global growth capital investor.
  > Execution in April 2018
_ Acquisition of 44.2% of shares in Parship Elite Group.
  > Execution in April 2018
_ Acquisition of 25.1% in SilverTours (billiger-mietwagen.de).
  > Execution in April 2018
_ Acquisition of 20.6% of the shares in Verivox Holding.
  > Execution in April 2018
_ Sale of the tour operator Tropo to dnata, Hamburg, an Emirates Group company.
  > Deconsolidated at the end of September 2018
_ Acquisition of 100.0% of the shares in eHarmony Group, a premium online dating service in North America.
  > Fully consolidated since end of October 2018

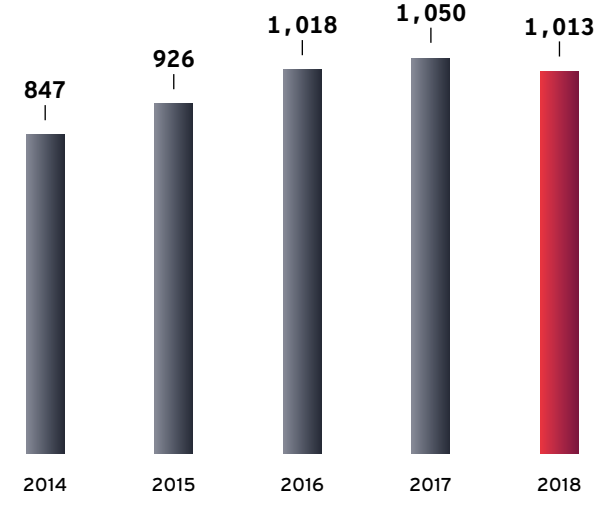
→ Notes, Note 3 "Scope of consolidation", page 155 → Notes, Note 4 "Acquisitions, disposals and other transactions affecting the scope of consolidation", page 156
→ Notes, Note 37 "Events after the reporting period", page 228

GROUP EARNINGS

068 / **MULTI-YEAR COMPARISON OF REVENUES** in EUR m



069 / **MULTI-YEAR COMPARISON OF ADJUSTED EBITDA**[1] in EUR m



[1] Since January 1, 2017 renaming of recurring EBITDA in adjusted EBITDA.

In 2018, ProSiebenSat.1 Group's revenue development was characterized by portfolio changes and currency effects. The deconsolidation of the online travel agency eTRAVELi Holding AB ("Etraveli") in the third quarter of 2017 and the video-on-demand portal maxdome and the tour operator Tropo in 2018 had a significant impact here. Moreover, advertising revenues were below last year's figures. Against this backdrop, **revenues** amounted to EUR 4,009 million and were therefore slightly lower than in the previous year, as expected (–2% or EUR –69 million year-on-year). → Fig. 068 Adjusted for portfolio and currency effects, ProSiebenSat.1 Group achieved a slight increase in revenues of 1%. The Group generated 81% of its revenues in Germany (previous year: 79%). → Changes in the Scope of Consolidation, page 105 → Analysis of Liquidity and Capital Expenditure, page 114

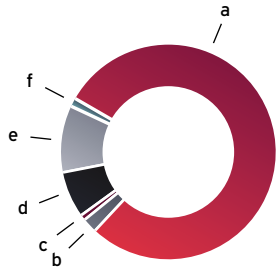
ProSiebenSat.1 Group generates the majority of its revenues in Germany and thus in the eurozone. → Fig. 070 The remaining share of revenues is mainly attributable to the US with the production business of Red Arrow Studios and digital studio Studio71 based there. This is why currency effects could impact on the business performance. Exchange rate fluctuations in the reporting period resulted primarily from the translation of USD into Euro.

070 / **REVENUES BY REGION** in EUR m, 2017 figures in parentheses

a _ Germany
3,242 (3,241)

b _ UK
47 (30)

c _ Scandinavia
3 (104)



d _ Austria/ Switzerland
286 (297)

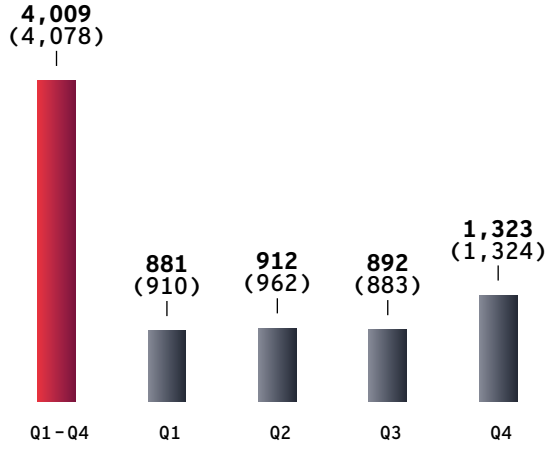
e _ USA
414 (387)

f _ Others
18 (19)

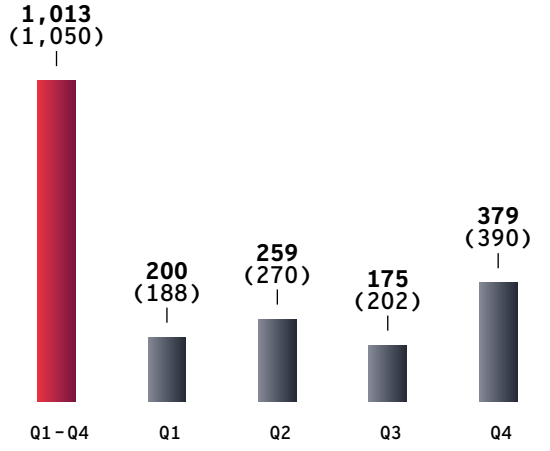
While revenues in the Entertainment segment declined by 4% year-on-year to EUR 2,626 million (previous year: EUR 2,737 million), both the Content Production & Global Sales (+6%) and the Commerce (+2%) segment made a positive contribution to revenues. ProSiebenSat.1 Group's objective is to generate additional revenues beyond the traditional TV advertising business and above all to successively increase the share of the digital business. The TV advertising business is very profitable, but like all consumer-related industries it is economically sensitive and highly seasonal. Against this backdrop, the Group generates approximately a third of its annual revenues in the fourth

quarter. → Fig. 071 Adjusted for portfolio changes, this also holds true for the past financial year. → Business Development of the Segments, page 111

071 / **REVENUES BY QUARTER** in EUR m, 2017 figures in parentheses

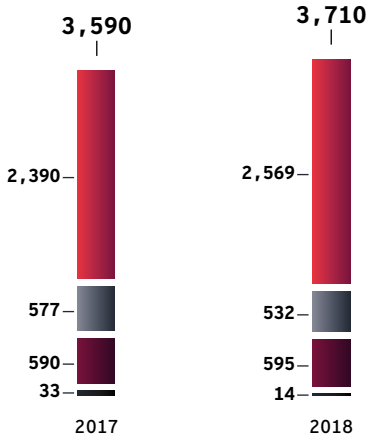


072 / **ADJUSTED EBITDA BY QUARTER** in EUR m, 2017 figures in parentheses



Other operating income amounted to EUR 50 million (previous year: EUR 332 million), including income from the sale of maxdome. The large difference is primarily the result of the gross proceeds from the sale of Etraveli amounting to EUR 302 million.

073 / **TOTAL COSTS** in EUR m



Total costs increased by 3% or EUR 120 million and amounted to EUR 3,710 million. The cost increase is mainly due to higher consumption of programming assets of EUR 1,319 million (previous year: EUR 1,145 million), which is included in the cost of sales.

The increase in consumption compared to the previous year is based on the further development of the Group's programming strategy since 2017. That means, that ProSiebenSat.1 Group will increasingly focus on local content in the future. In parallel, the Group has reviewed its commitments from existing US studio contracts. ProSiebenSat.1 Group particularly considered the exploitability of the US products in light of the changed viewer behavior driven in part by video-on-demand platforms. In this context, ProSiebenSat.1 Group identified beyond the common impairment test, a need to impair programming assets by EUR 354 million in 2018. Total expenses amounting to EUR 170 million were recorded in the previous year that were related to the strategic realignment undertaken by the Executive Board in the third quarter of 2017.

The depreciation and amortization likewise recognized in total costs declined 16% or EUR 41 million to EUR 222 million. This development is based primarily on lower impairments on other intangible assets.

The ProSiebenSat.1 Group is operating in a challenging environment on the television market. Reach has been declining for some time, particularly for selected US titles. One of the reasons is that these program titles are aligned primarily for the specific requirements of the US television market. Another factor is that from the perspective of the ProSiebenSat.1 Group, the average quality of the titles acquired in the framework of the US studio agreements developed less strongly than anticipated. Furthermore, the US program titles are generally not available on a exclusive basis to the ProSiebenSat.1 Group stations. Moreover, only limited utilization is possible on a digital basis, while competing video-on-demand portals are making progress in gaining users. To counter this trend, the ProSiebenSat.1 Group aims increasingly to buy local content or to produce local content itself, reducing the

share of US program titles in the free TV channel programing on a sustained basis.

Against this backdrop, in the fourth quarter of 2018 the ProSiebenSat.1 Group made the strategic decision to sub-license some of its US titles to 7TV, and not to broadcast them itself any longer. This is a portfolio of program titles which are already available and also those which will be received in the future from the US licensors. 7TV will use the programs to make its platform more attractive for users. In addition, as part of this strategic realignment, the ProSiebenSat.1 Group management decided to stop broadcasting certain US program titles.

In the context of the above strategic measures in the fourth quarter, impairment of EUR 178 million was recognized (EUR 122 million of which came from the transaction with 7TV). Furthermore, for onerous contracts in connection with the future acceptance of programming assets, provisions for onerous contracts of EUR 176 million were recognized (EUR 168 million of which from transaction with 7TV). The total effect from the change in the programming strategy therefore amounts to minus EUR 354 million. → Risk Report, page 123

Operating costs amounted to EUR 3,027 million (–1% or EUR 26 million) and were thus down slightly on the previous year. This decline was attributable to consolidation effects and efficient cost management. It reflects the initial effects of cost savings in line with the three-pillar strategy. The aim is to leverage synergies and pool resources more efficiently by making the portfolio more closely interconnected. Operating costs are the relevant cost item for calculating adjusted EBITDA. The reconciliation breaks down as follows: → Fig. 074 → Changes in the Scope of Consolidation, page 105

074 / RECONCILIATION OF OPERATING COSTS

in EUR m

	2018	2017
Total costs	3,710	3,590
Expense adjustments	462	274
Depreciation, amortization and impairments[1]	222	263
Total costs	**3,027**	**3,053**

[1] Of other intangible and tangible assets.

Adjusted EBITDA declined by 4% or EUR 37 million to EUR 1,013 million. → Fig. 069, Fig. 075 The **adjusted EBITDA margin** was 25.3% and thus – like operating costs – nearly stable at the previous year's level (previous year: 25.8%).

EBITDA decreased by 47% to EUR 570 million (previous year: EUR 1,084 million). This figure is characterized by reconciling items of minus EUR 443 million (previous year: EUR 34 million), including the total effect from the further development of the programming strategy of minus EUR 354 million (previous year: EUR –170 million). → Fig. 077 In addition to this high reconciling item with a negative impact on earnings, there were expenses in 2018 relating to reorganizations, especially in connection with the alignment of the Group portfolio on the basis of the new three-pillar strategy. The reconciling items from reorganizations totaled minus EUR 68 million (previous year: EUR –45 million). Costs in the amount of EUR 34 million also resulted from M&A projects (previous year: EUR 32 million), which were likewise mainly attributable to the Entertainment segment. Other EBITDA effects amounted to EUR 13 million (previous year: EUR –21 million). This particularly includes positive effects from the deconsolidation of maxdome. In addition, this item includes fair value adjustments of share-based payments of EUR 8 million (previous year: EUR 4 million). Expenses from other material one-time items of EUR 14 million (previous year: EUR 22 million) had an opposite effect.

075 / RECONCILIATION OF ADJUSTED EBITDA

in EUR m

	2018	2017
Result before income taxes	344	646
Financial result	–4	–174
Operating result (EBIT)	**348**	**820**
Depreciation, amortization and impairments[1]	–222	–263
thereof from purchase price allocations	–50	–84
EBITDA	**570**	**1,084**
Reconciling items[2]	–443	34
Adjusted EBITDA	**1,013**	**1,050**

[1] Of other intangible and tangible assets. / [2] Expense adjustments of EUR 462 million (previous year: EUR 274 million) less income adjustments of EUR 19 million (previous year: EUR 307 million).

The **financial result** amounted to minus EUR 4 million (previous year: EUR –174 million). The improvement in the financial result is based primarily on the positive development of the **other financial result**. It amounted to EUR 72 million (previous year: EUR –82 million) and is characterized by the following opposite effects: In 2018 the Group recognized impairments and reversals of impairment on financial assets of EUR 86 million (net) (previous year: EUR –77 million). EUR 69 million of this (previous year: EUR –59 million) are related to the reassessment of put options; the largest individual item was the reassessment of shares in digital studio Studio71, that reflects the change in expectation for the future cash outflows. This was offset by valuation effects from earn-out liabilities of minus EUR 11 million (previous year: EUR 0 million). The impairments on financial investments amounted to EUR 13 million (previous year: EUR 23 million).

The **interest result** improved and amounted to minus EUR 63 million (previous year: EUR –83 million). The change compared to the previous year is primarily due to the lower addition of provisions for interest on taxes in 2018. The result from investments accounted for using the equity method, also recognized in the financial result, amounted to minus EUR 13 million. In 2017, this figure came to minus EUR 10 million. → Notes, Notes 11–12 "Interest result", "Result from investments accounted for using the equity method and other financial result", page 174–176

Pre-tax profit amounted to EUR 344 million. This corresponds to a decline of 47% or EUR 302 million compared to the previous year, which reflects the reconciling item in connection with the altered programming strategy described above. The figure for the previous year predominantly contains the gross proceeds from the sale of the online travel agency Etraveli.

Income tax expenses decreased by EUR 71 million to EUR 94 million with a tax rate of 27.4% (previous year: 25.5%). The lower tax rate in 2017 was due in particular to the sale of Etraveli.

The developments described resulted in a decline in the **net result** of 48% to EUR 250 million (previous year: EUR 481 million). At the same time, the net result attributable to shareholders of ProSiebenSat.1 Media SE fell to EUR 248 million (previous year: EUR 471 million).

Adjusted net income fell by 2% to EUR 541 million (previous year: EUR 550 million). This item is adjusted by the above reconciling items and presented in the reconciliation. → Fig. 076 Basic adjusted earnings per share amounted to EUR 2.36 (previous year: EUR 2.40). → Notes, Note 13 "Income taxes", page 176 → Notes, Note 14 "Earnings per share", page 178

076 / RECONCILIATION OF ADJUSTED NET INCOME FROM CONTINUING OPERATIONS in EUR m

	2018	2017
Net result attributable to shareholders of ProSiebenSat.1 Media SE	248	471
Deconsolidation of Etraveli	–/–	– 302
Valuation effects relating to strategic realignments of business units	354	170
Other EBITDA adjustments	89	98
Depreciation, amortization and impairments from purchase price allocations[1]	52	89
Impairments on other financial assets	24	41
Reassessment of interests accounted for using the equity method in connection with initial consolidations	– 8	0
Valuation effects of put-options and earn-out liabilities	– 54	56
Valuation effects from interest rate hedging transactions	– 2	0
Reassessment of tax risks	6	11
Other effects[2]	– 35	15
Tax effects	– 133	– 94
Minority interests	– 1	– 5
Adjusted net income	**541**	**550**

[1] Incl. effects on associates consolidated using the equity method. / [2] Other effects include impairments on leasehold improvements and other intangible assets of EUR 8 million (previous year: EUR 42 million) and valuation effects of long time securities of minus EUR 21 million (previous year: EUR 0 million) and valuation effects of current financial assets of minus EUR 9 million (previous year: EUR 0 million).

077 / RECONCILIATION OF THE INCOME STATEMENT FOR THE FINANCIAL YEAR 2018 in EUR m

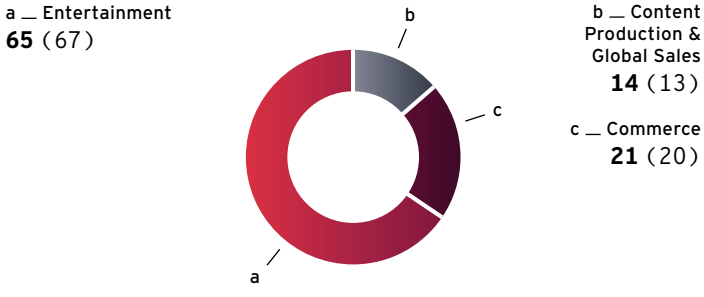
	2018 IFRS	Adjust-ments	2018 Adjusted
Revenues	4,009	–/–	4,009
Total costs	– 3,710	– 520	– 3,190
thereof operating costs	– 3,027	–/–	– 3,027
thereof depreciation, amortization and impairments	– 222	– 59	– 163
Other operating income	50	19	31
Operating result (EBIT)	**348**	**– 502**	**850**
Financial result	– 4	76	– 80
Result before income taxes	344	– 426	770
Income taxes	– 94	133	– 227
NET RESULT	**250**	**– 293**	**542**
Net result attributable to shareholders of ProSiebenSat.1 Media SE	248	– 292	541
Net result attributable to non-controlling interests	1	– 1	2
Result before income taxes	344	– 426	770
Financial result	– 4	76	– 80
Operating result (EBIT)	**348**	**– 502**	**850**
Depreciation, amortization and impairments	– 222	– 59	– 163
thereof from purchase price allocations	– 50	– 50	–/–
EBITDA	**570**	**– 443**	**1,013**

ProSiebenSat.1 Group also uses non-IFRS figures in the form of adjusted net income (1) and adjusted EBITDA (2). At the beginning of financial year 2017, ProSiebenSat.1 Group published a full income statement adjusted for certain influencing factors. This publication takes into account the development of reporting practices for non-IFRS figures and more stringent regulatory transparency requirements in this area. See Annual Report 2017, page 137.

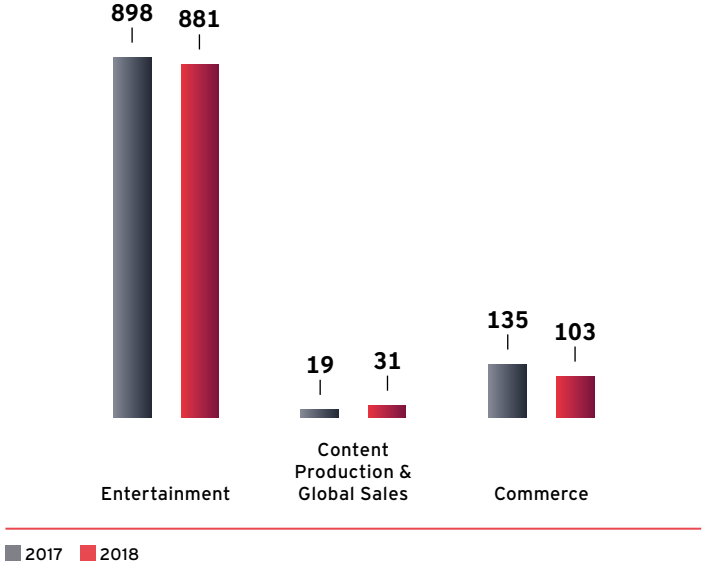
i Further information on ProSiebenSat.1 Group's revenue and earnings figures for 2018 can be found in the section → Information, page 263**.**

BUSINESS DEVELOPMENT OF THE SEGMENTS

078 / **REVENUE SHARE BY SEGMENT**
in %, 2017 figures in parentheses



079 / **ADJUSTED EBITDA BY SEGMENT** in EUR m



ENTERTAINMENT SEGMENT

In 2018, the Entertainment segment's **external revenues** amounted to EUR 2,626 million. This is a revenue decline of 4% or EUR 112 million, which is attributable firstly to the development of revenues in the advertising business: Especially at the end of the year, economic indicators had had a negative effect on the entire German TV advertising market. Secondly, the revenue decline reflects the deconsolidations of maxdome and 7NXT. In contrast, the areas of sports and distribution, which are independent of the advertising market, performed positively and strengthened the revenue base. → Development of ProSiebenSat.1 Group´s relevant Business and Market Environments, page 100

i As with all consumer-related markets, the advertising industry often reacts very sensitively to macroeconomic developments. In addition, revenue and earnings performance is characterized by seasonal effects and above all the importance of the fourth quarter. As both propensity to spend and television use increase significantly in the run-up to Christmas, the Company usually generates a far greater share of its annual revenues in the final quarter. → Group Earnings, page 107

Adjusted EBITDA fell by 2% or EUR 17 million year-on-year to EUR 881 million. The revenue decline was partially compensated by efficient cost management. The **adjusted EBITDA margin** was therefore slightly higher than the previous year at a high level and amounted to 32.4% (previous year: 32.1%). **EBITDA** declined to EUR 461 million (previous year: EUR 651 million). → Fig. 080 This figure is shaped by reconciling items of minus EUR 420 million (previous year: EUR –247 million), including the total effect from the change in programming strategy of minus EUR 354 million and expenses relating to reorganizations of EUR 62 million. → Group Earnings, page 107

080 / **KEY FIGURES ENTERTAINMENT SEGMENT** in EUR m

	2018	2017
Segment revenues	**2,718**	2,798
External revenues	**2,626**	2,737
Internal revenues	**92**	61
EBITDA	**461**	651
Adjusted EBITDA	**881**	898
Adjusted EBITDA margin[1] (in%)	**32.4**	32.1

[1] Based on segment revenues.

CONTENT PRODUCTION & GLOBAL SALES SEGMENT

In the Content Production & Global Sales segment, **external revenues** increased by 6% year-on-year to EUR 552 million (previous year: EUR 523 million). In 2018, the significant growth driver was the digital studio Studio71, which picked up a lot of momentum in the fourth quarter in particular. In addition, the production business again made a substantial contribution to organic revenue growth in the fourth quarter of 2018. Revenues in the global sales business also increased, with the initial consolidation of the US film distributor Gravitas Ventures, LLC, Wilmington, USA („Gravitas") since November 2017 having an impact. → Notes, Note 5 "Revenues", page 168

Adjusted EBITDA increased to EUR 31 million (previous year: EUR 19 million). This increase of 66% is primarily the result of economies of scale at the digital studio Studio71 and thus of an enhanced profitability. Also the profit situation in production business improved. The **adjusted EBITDA margin** amounted to 5.1% (previous year: 3.1%) and reflects the different margin structures of the individual business models. **EBITDA** likewise increased considerably, amounting to EUR 26 million (previous year: EUR 8 million). → Fig. 081

081 / KEY FIGURES CONTENT PRODUCTION & GLOBAL SALES SEGMENT in EUR m

	2018	2017
Segment revenues	**608**	594
External revenues	**552**	523
Internal revenues	**55**	71
EBITDA	**26**	8
Adjusted EBITDA	**31**	19
Adjusted EBITDA margin[1] (in%)	**5.1**	3.1

[1] Based on segment revenues.

COMMERCE SEGMENT

External revenues in the Commerce segment slightly increased on the previous year to EUR 831 million (previous year: EUR 818 million) and were influenced by contrasting portfolio effects: Growth momentum was characterized by the deconsolidations of the online tour operator Etraveli in the third quarter of 2017 and of COMVEL GmbH in the fourth quarter of 2017, as well as by the sale of the tour operator Tropo in the third quarter of 2018. By contrast, the initial consolidations of Jochen Schweizer GmbH in October 2017 and of eHarmony Group in November 2018 had a particularly positive impact. Adjusted for the portfolio measures mentioned, the segment recorded double-digit revenue growth of 16%. The online perfume store Flaconi GmbH, the online comparison portal Verivox Holding and the OTC provider WindStar Medical GmbH, Wehrheim made substantial contributions to organic revenues here. → Notes, Note 2 "Segment reporting", page 150

Due to the above-mentioned deconsolidation effects, **adjusted EBITDA** was down year-on-year. In addition, cost development was influenced in particular by higher intragroup marketing expenses for the expansion of strategically important growth areas, so **adjusted EBITDA** fell by 24% to EUR 103 million (previous year: EUR 135 million). The **adjusted EBITDA margin** amounted to 12.3% (previous year: 16.5%); its decline reflects the different margin structures and growth momentums of the individual business models. At the same time, **EBITDA** fell to EUR 84 million (previous year: EUR 464 million). → Fig. 082 The comparatively high EBITDA of the previous year contains the gross proceeds from the sale of the online travel agency Etraveli of EUR 302 million.

082 / KEY FIGURES COMMERCE SEGMENT in EUR m

	2018	2017
Segment revenues	**831**	820
External revenues	**831**	818
Internal revenues	**0**	2
EBITDA	**84**	464
Adjusted EBITDA	**103**	135
Adjusted EBITDA margin[1] (in%)	**12.3**	16.5

[1] Based on segment revenues.

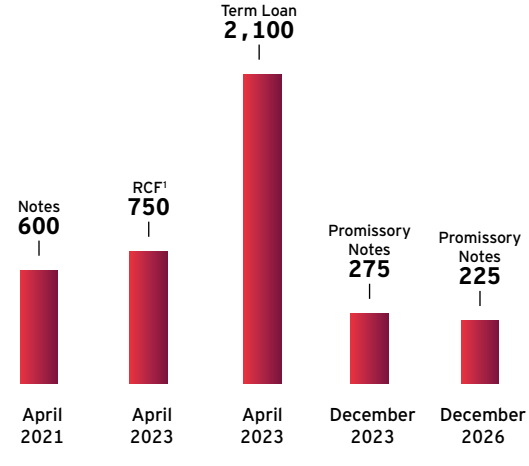
GROUP FINANCIAL POSITION AND PERFORMANCE

BORROWINGS AND FINANCING STRUCTURE

ProSiebenSat.1 Group uses various financing instruments and practices active financial management. As of December 31, 2018, **debt** accounted for 83% of total equity and liabilities (December 31, 2017: 81%). At EUR 3,194 million or 59%, the majority was attributable to the Group's non-current and current financial debt (December 31, 2017: 60%). → Analysis of Assets and Capital Structure, page 117

The Group continuously monitors and assesses developments on the money and capital markets. In March 2018, ProSiebenSat.1 Group extended the duration of the syndicated term loan and the syndicated revolving credit facility (RCF) by one year at a time. In addition, ProSiebenSat.1 Group has notes in the amount of EUR 600 million. The notes are listed on the regulated market of the Luxembourg stock exchange (ISIN DE000A11QFA7); the coupon of the notes is 2.625% per annum. Since 2016, the Group's portfolio has also included three syndicated promissory notes totaling EUR 500 million with maturities of seven years (EUR 225 million at a fixed interest rate and EUR 50 million at a variable interest rate) and ten years (EUR 225 million at a fixed interest rate). → Fig. 083

083 / **DEBT FINANCING INSTRUMENTS AND MATURITIES AS OF DECEMBER 31, 2018** in EUR m



[1] Not drawn.

i Rating agencies do not take ProSiebenSat.1 Group's loan agreement or notes into account in their credit ratings. For this reason, no corresponding statements are made here.

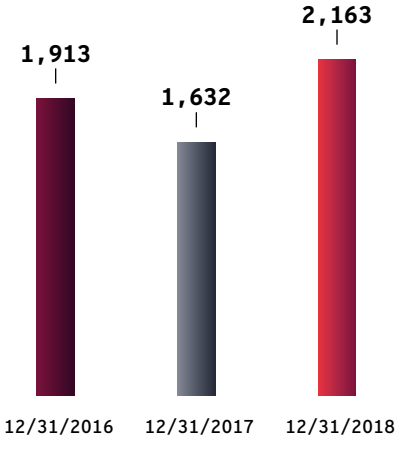
Interest payable on the term loan and the RCF is variable and based on Euribor money market rates plus an additional credit margin. The Group uses derivative financial instruments in the form of interest rate swaps and interest rate options to hedge against interest rate changes caused by the market. As of December 31, 2018, the proportion of fixed interest was approximately 98% of the entire long-term financing portfolio. The average fixed rate of the interest rate swaps was 0.5% per annum; the average interest rate cap was 1%. In 2018, the Group entered into interest hedges in the amount of EUR 1,000 million to hedge against interest rate risks in the period from 2020 to 2023. → Analysis of Assets and Capital Structure, page 117, → Notes 32 "Further notes on financial risk management and financial instruments in accordance with IFRS 7", page 206

FINANCING ANALYSIS

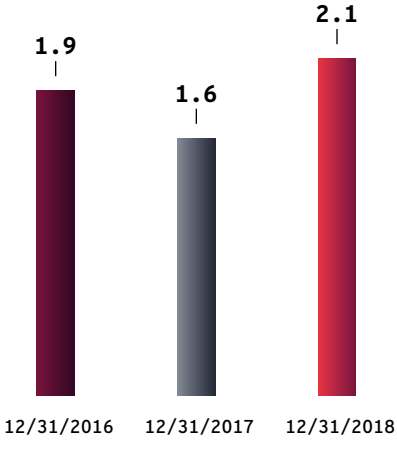
The leverage ratio is a key indicator for Group-wide financial and investment planning. It reflects the ratio of net financial debt to adjusted EBITDA over the last twelve months (LTM adjusted EBITDA). The target is a ratio between 1.5 and 2.5 at the end of the relevant year. The target range may be exceeded for a short period of time as a result of fluctuations during the year. The leverage ratio was 2.1 as of December 31, 2018 (December 31, 2017: 1.6) with net financial debt of EUR 2,163 million (December 31, 2017: EUR 1,632 million). → Fig. 084, Fig. 085 The higher net financial debt reflects the development of the cash flows, characterized among other things by earnings performance, payments for the repurchase of own shares, the acquisition of eHarmony Group and higher tax payments. → Analysis of Liquidity and Capital Expenditure, page 114

i As of December 31, 2018, the definition of ProSiebenSat.1 Group's net financial debt does not include lease liabilities according to IFRS 16. They amounted to EUR 155 million. Also not included are real estate liabilities of EUR 22 million. In the comparative period, the liabilities for finance leases under IAS 17 of EUR 65 million are likewise not included.

084 / **NET FINANCIAL DEBT**[1] in EUR m



085 / **LEVERAGE RATIO**[1]



[1] After reclassification of cash and cash equivalents of companies held for sale due to portfolio adjustment. Net financial debt is defined as total borrowings minus cash and cash equivalents and certain current financial assets. The leverage ratio is derived by calculating the ratio of net financial debt to adjusted EBITDA of the last twelve months (LTM adjusted EBITDA).

086 / **PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT**

The Group Finance & Treasury department centrally controls financial management throughout the Group and pursues the following objectives:

- to secure financial flexibility and stability, i.e. to maintain and optimize the Group's funding ability,
- to ensure that the entire Group remains solvent by managing its liquidity efficiently across the organization,
- to manage financial risks by using derivative financial instruments.

The Group financial management covers the capital structure management and Group-wide funding, cash and liquidity management, and the management of market price risks, counterparty risks and credit default risks. This includes the following tasks:

- **Capital structure:** In connection with capital structure management at ProSiebenSat.1 Group, managing the leverage ratio is given particular priority. The Group has defined a target range of 1.5 to 2.5 and takes into account factors such as the level of market receptivity, funding terms and conditions, flexibility or restrictions, diversification of the investor base and maturity profiles in its choice of suitable financing instruments. ProSiebenSat.1 Group manages its funds on a centralized basis.
- **Cash and liquidity management:** As part of its cash and liquidity management, the Group optimizes and centralizes cash flows and secures liquidity across the Group. Cash pooling is an important tool here. Using rolling Group-wide liquidity planning, ProSiebenSat.1 Group captures and forecasts both operating cash flows and cash flows from non-operating activities, thus deriving liquidity surpluses or requirements. Liquidity requirements are covered either by existing cash positions or the revolving credit facility (RCF).
- **Management of market price risks:** The management of market price risks comprises centrally managed interest rate and currency management. In addition to cash instruments, derivatives in the form of conditional and unconditional forward transactions are deployed. These instruments are used for hedging purposes and serve to limit the effects of interest and currency volatility on the net result and cash flow.
- **Management of counterparty and credit default risks:** The management of counterparty and credit default risks centers on trading relationships and creditor exposure to financial institutions. When entering into trading transactions, ProSiebenSat.1 Group pays attention to ensuring that business is widely diversified involving counterparties of sufficiently high credit quality. For this purpose, the Group draws on external ratings supplied by international agencies. The Group's risk with respect to financial institutions arises primarily from its investment of cash and cash equivalents and from its use of derivatives as part of its interest rate and currency management activities.

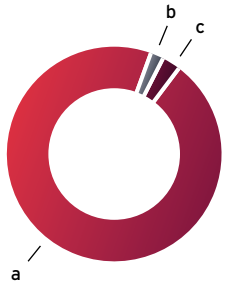
ANALYSIS OF LIQUIDITY AND CAPITAL EXPENDITURE

In the financial year 2018, ProSiebenSat.1 Group generated a **cash flow from operating activities** of EUR 1,459 million (previous year: EUR 1,621 million). The decline primarily reflects the earnings performance. In addition, higher tax payments had an impact. The development of working capital was in line with the previous year. → Group Earnings, page 107

087 / INVESTMENTS BY SEGMENT[1]

in %, 2017 figures in parentheses

a _ Entertainment
97 (98)



b _ Content Production & Global Sales
1 (1)

c _ Commerce
2 (1)

[1] Investments by segment before M&A activities.

i Detailed information on off-balance-sheet investment obligations can be found in the → Notes, Note 31 "Other financial obligations", page 205.

The cash flows from investing activities resulted in an **cash flow from investing activities** of minus EUR 1,536 million for the financial year 2018 (EUR –894 million). → Fig. 088 The increase in cash outflow of 72% or EUR 643 million primarily reflects the Group's M&A activities:

_ Cash outflow from additions to the scope of consolidation amounted to EUR 302 million (previous year: EUR 197 million) in 2018 and mainly reflects purchase price payments for the acquisition of eHarmony Group, Zirkulin, esome, Aboalarm, and Kairion as well as deferred purchase price payments for Verivox Holding, Virtual Minds AG, Freiburg im Breisgau and the US production companies Fabrik Entertainment, LLC and Kinetic Content, LLC. The value for 2017 includes purchase price payments for Jochen Schweizer GmbH, the film distributor Gravitas, and ATV.

i Assets resulting from initial consolidations are not reported as segment-specific investments. Cash and cash equivalents used for the acquisition of the initially consolidated entities are shown as "cash outflow from additions to the scope of consolidation."

_ Cash inflow from the sale of consolidated subsidiaries fell by EUR 467 million year-on-year and amounted to EUR 6 million (previous year: EUR 473 million). In 2018, maxdome, 7NXT and Tropo were deconsolidated, and purchase price payments were received for disposals made in previous years. In 2017, the Group conducted an extensive review process of its travel portfolio and realized the sale of Etraveli, among other things.

_ The cash outflow for the acquisition of programming rights amounted to EUR 1,070 million. This is an increase of 2% or EUR 23 million compared to 2017. 100% of the programming investments were made in the Entertainment segment (previous year: 100%). 56% went on licensed programs (previous year: 62%) and 42% on commissioned productions (previous year: 38%). → Group Earnings, page 107

i Programming investments are a focal point in investing activities. In addition to the purchasing of licensed formats and commissioned productions, in-house formats secure the Group's programming supply. They are based on the development and implementation of own ideas and, unlike commissioned productions, are produced primarily for broadcasting in the near future. For this reason, they are recognized immediately as an expense in cost of sales and are not considered as an investment.

_ Investments in property, plant and equipment increased to EUR 55 million (+26% or EUR –12 million year-on-year). Most of this was also attributable to the Entertainment segment at 81% (previous year: 75%) and was related to technical facilities and leasehold improvements at the Unterföhring site. EUR 106 million also went on other intangible assets (–5% or EUR +6 million year-on-year). At 68%, the Group invested in other intangible assets primarily in the Entertainment segment (previous year: 82%).

088 / CASH FLOW STATEMENT in EUR m

	Q4 2018	Q4 2017	2018	2017
Net result	**–33**	**167**	**250**	**481**
Cash flow from operating activities	**550**	**665**	**1,459**	**1,621**
Cash flow from investing activities	**–487**	**–422**	**–1,536**	**–894**
Free cash flow	**63**	**243**	**–78**	**728**
Cash flow from financing activities	**–40**	**–12**	**–468**	**–426**
Effect of foreign exchange rate changes on cash and cash equivalents	8	–5	17	–14
Change in cash and cash equivalents	31	226	–528	288
Cash and cash equivalents at beginning of reporting period	1,000	1,333[1]	1,559[1]	1,271
Cash and cash equivalents classified under assets held for sale at end of reporting period	-/-	7	-/-	7
Cash and cash equivalents at end of reporting period[2]	**1,031**	**1,552**	**1,031**	**1,552**

[1] Includes the cash and cash equivalents of the companies held for sale.
[2] The cash and cash equivalents shown in the cash flow statement correspond to the cash and cash equivalents reported in the statement of financial position as of the respective closing date.

The developments described resulted in a **free cash flow** of minus EUR 78 million for 2018 (previous year: EUR 728 million). → Fig. 089

M&A cash flow amounted to minus EUR 321 million, after EUR 260 million in 2017. The previous year's figure is shaped by the net cash inflow from the sale of Etraveli; the cash outflows for additions to the scope of consolidation had an opposite effect.

The **free cash flow before M&A** amounted to EUR 244 million (previous year: EUR 468 million) and was therefore also down on the previous year. This equates to a decrease of 48%, which is primarily based on the earnings performance and higher cash outflow for the acquisition of programming rights. → Group Earnings, page 107

Free cash flow: Total cash and cash equivalents generated in operating business less the balance of cash used and generated in the context of investing activities. Free cash flow before M&A: Free cash flow adjusted for cash used and generated by M&A transactions (excl. transaction costs) related to majority acquisitions that are carried out and planned, the purchase and sale of investments accounted for using the equity method and other investments with the exception of media-for-equity investments.

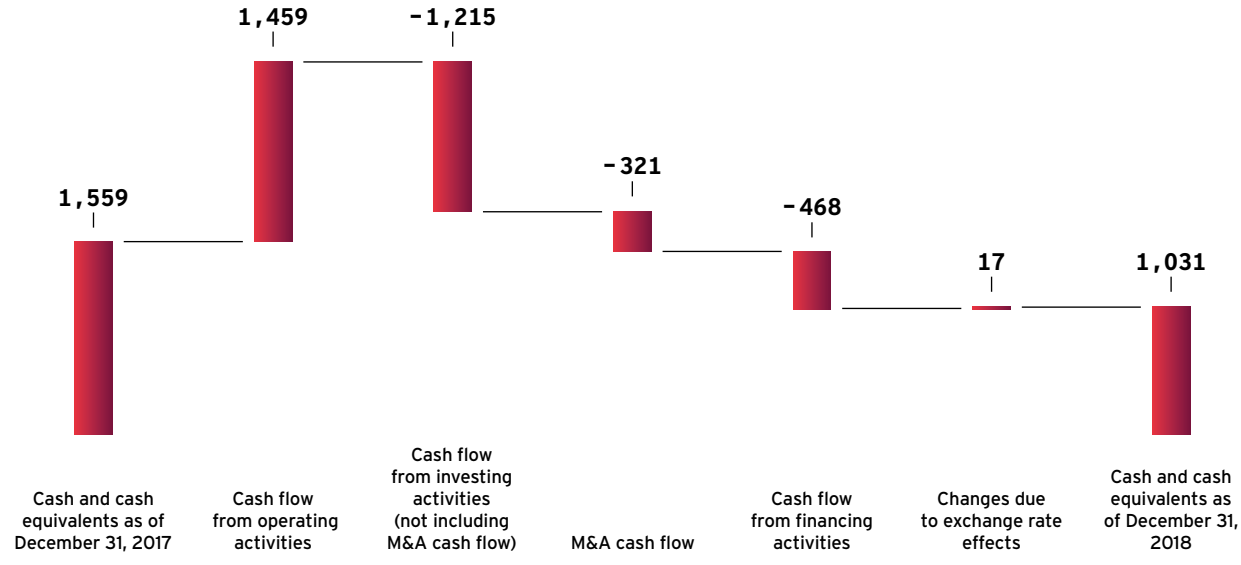
Cash flow from financing activities amounted to minus EUR 468 million (previous year: EUR –426 million). This figure is characterized by various contrary developments: The sale of shares in the NuCom Group to General Atlantic resulted in an inflow of EUR 286 million in the reporting period. In contrast, cash outflow of EUR 221 million resulted from purchase price payments for additional shares in Parship Elite Group and the acquisition of additional shares in SilverTours and Sonoma Internet GmbH, Berlin operator of the platform Amorelie. There was also a cash outflow due to the dividend payment in May 2018 in the amount of EUR 442 million (previous year: EUR 435 million). The repurchase of treasury shares resulted in a cash outflow of EUR 50 million. At the same time, payments for lease liabilities increased by EUR 24 million to EUR 40 million as a result of the initial application of IFRS 16. Under IAS 17, payments for "leases classified as operating leases" were reported under cash flow from operating activities in previous years.

The cash flows described resulted in a decrease in **cash and cash equivalents** of 34% or EUR 521 million year-on-year to EUR 1,031 million. The Group thus has a comfortable level of liquidity despite this decline. → Fig. 090

089 / **RECONCILIATION OF FREE CASH FLOW BEFORE M&A MEASURES** in EUR m

	Total cash flow	M&A cash flow	Cash flow before M&A
Cash flow from operating activities	**1,459**	**–/–**	**1,459**
Proceeds from disposal of non-current assets	31	29	2
Payments for the acquisition of other intangible and tangible assets	–161	–/–	–161
Payments for the acquisition of financial assets	–44	–42	–2
Proceeds from disposal of programming assets	17	–/–	17
Payments for the acquisition of programming assets	–1,070	–/–	–1,070
Payments for the issuance of loan receivables to external parties	–7	–7	–/–
Proceeds from the repayment of loan receivables from external parties	–/–	–/–	–/–
Payments for the issuance of loan receivables to financial assets	–7	–7	–/–
Proceeds from the repayment of loan receivables from financial assets	1	1	–/–
Cash flow from obtaining control of subsidiaries or other businesses (net of cash and cash equivalents acquired)	–302	–302	–/–
Cash flow from losing control of subsidiaries or other businesses (net of cash and cash equivalents disposed of)	6	6	–/–
Cash flow from investing activities	**–1,536**	**–321**	**–1,215**
Free cash flow	**–78**	**–321**	**244**

090 / **CHANGE IN CASH AND CASH EQUIVALENTS** in EUR m



ANALYSIS OF ASSETS AND CAPITAL STRUCTURE

Total assets amounted to EUR 6,468 million as of December 31, 2018 (–2% or EUR –101 million). The decline in cash and cash equivalents was mainly offset by higher intangible assets and property, plant and equipment, so total assets changed only marginally overall year-on-year. With an equity ratio of 17% (December 31, 2017: 19%), ProSiebenSat.1 Group has a solid asset and capital structure. The key items in the statement of financial position are described in more detail below: → Fig. 091

– **Current and non-current assets:** As of December 31, 2018, goodwill increased by 7% to EUR 1,962 million (December 31, 2017: EUR 1,831 million); its share in total assets was 30% (December 31, 2017: 28%). Other intangible assets increased by 11% to EUR 824 million (December 31, 2017: EUR 745 million). This development was driven by the initial consolidations in 2018, primarily of esome and eHarmony Group. Property, plant and equipment rose by 60% or EUR 122 million to EUR 327 million. This was due to the capitalization of leased property, plant and equipment as a result of applying the new reporting standard IFRS 16 for the first time as of January 2018. → Notes, Note 16 "Goodwill", page 180

  Other non-current financial and non-financial assets grew by 39% amounting to EUR 249 million (December 31, 2017: EUR 179 million). This increase was primarily due to new media-for-equity and fund investments and positive valuation effects on these investments. Other current financial and non-financial assets increased to EUR 122 million (December 31, 2017: EUR 105 million). This was partly attributable to the positive development of currency hedging instruments. In addition, current trade receivables increased by EUR 27 million or 5% to EUR 529 million (December 31, 2017: EUR 501 million).

  Programming assets decreased by 7% year-on-year and amounted to EUR 1,113 million (December 31, 2017: EUR 1,198 million). This decline compared to December 31, 2017, primarily results from the realignment of the programming strategy described under "Group Earnings." Program acquisitions of EUR 1,070 million had an opposite effect. Programming assets made up 17% of total assets (December 31, 2017: 18%) and comprise non-current and current programming assets. → Notes, Note 21 "Programming assets", page 190

  Cash and cash equivalents amounted to EUR 1,031 million. This equates to a decline of 34% or EUR 521 million compared to December 31, 2017, which was primarily due to earnings performance, the acquisition of eHarmony Group, the repurchase of own shares, and higher tax payments.

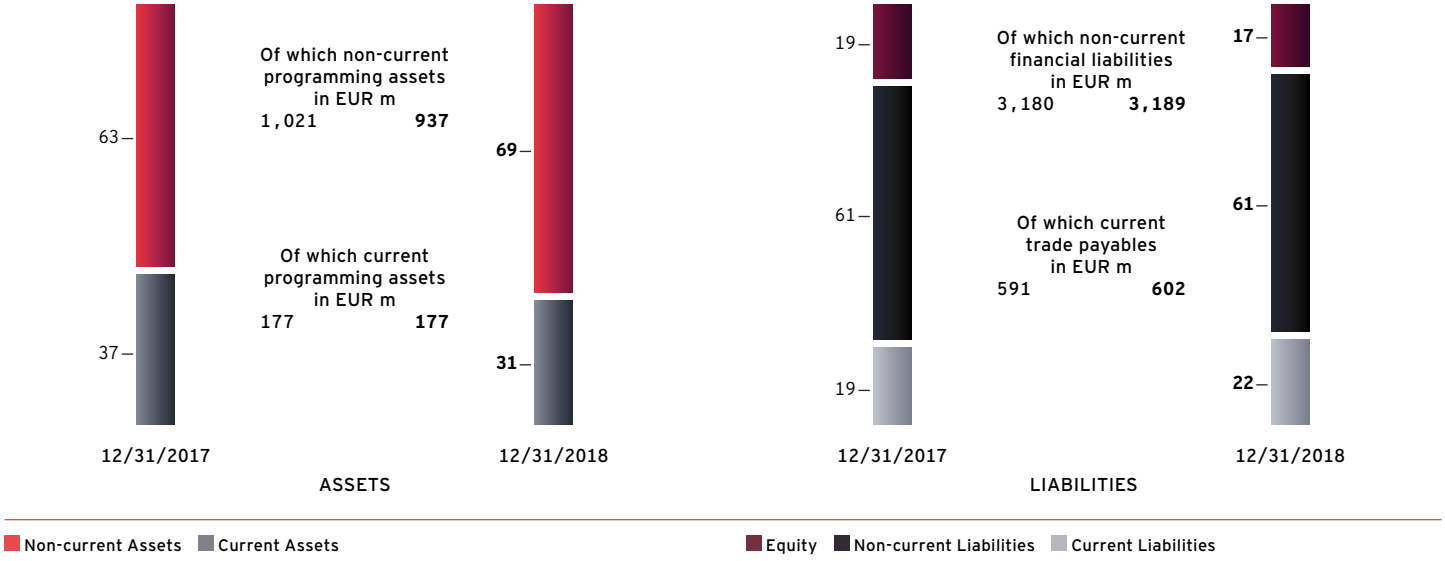
Employee potential, organizational advantages, own brands or long-term customer relationships are important success factors, which are largely non-financial. On the other hand, we capitalize certain internally generated intangible assets to a limited extent. Further information can be found in the Notes in the → "Summary of Key Accounting Principles", page 230.

– **Equity:** Despite the positive net result, equity declined by 15% or EUR 182 million to EUR 1,070 million. The development of equity firstly reflects the dividend pay-out of EUR 442 million in May 2018 (previous year: EUR 435 million). Secondly, the share buyback had an effect amounting to EUR 50 million in the fourth quarter of 2018. The corresponding equity ratio was 17% (December 31, 2017: 19%).

i As part of the share buyback program, a first tranche totaling 2,906,226 of the Company's own shares was acquired via the stock exchange in the period from November 9, 2018, to December 11, 2018, inclusively, at an average price of EUR 17.2044 (total amount: EUR 49,999,999.46), without restriction on the use of the treasury shares acquired; they can therefore be used by the Company for all legally permissible purposes or retired. The treasury shares thus acquired comprise EUR 2,906,226.00 or around 1.25% of the share capital.

— **Current and non-current liabilities:** Debt increased slightly compared to the closing date in 2017. Overall, liabilities and provisions went up by 2% to EUR 5,398 million compared to December 31, 2017 (EUR 5,317 million). This is due primarily to the increase in provisions for onerous contracts as a result of the refocusing of the programming strategy and to higher lease liabilities as a result of the first-time application of IFRS 16. Payments and positive valuation effects from put option liabilities had an opposite effect. Non-current and current financial debt reported in debt totaled nearly unchanged EUR 3,194 million (December 31, 2017: EUR 3,185 million).

091 / **STRUCTURE OF THE STATEMENT OF FINANCIAL POSITION** in %



092 / OVERALL ASSESSMENT OF THE BUSINESS PERFORMANCE – MANAGEMENT VIEW

2018 was a challenging year in which we partially adjusted our initial growth forecasts and further developed our strategy. Our relevant financial and non-financial performance indicators developed in line with the most recently published guidance in 2018: Revenues were below the previous year at EUR 4,009 million (previous year: EUR 4,078 million). Adjusted EBITDA and adjusted net income declined by 4% to EUR 1,013 million (previous year: EUR 1,050 million) and by 2% to EUR 541 million (previous year: EUR 550 million), respectively. Adjusted for currency and portfolio effects, ProSiebenSat.1 Group nevertheless posted slight revenue growth year-on-year. At the same time, the share of the non-advertising business increased to 44% (previous year: 43%) despite the deconsolidation of the online travel portfolio.

Advancing digitalization and the associated changes in media usage entail both major opportunities and new challenges for us. This is reflected in the revenue performance of the financial year 2018: While revenues in the Commerce and Content Production & Global Sales segments grew, revenues in the Entertainment segment were below the previous year. The TV advertising market performed unexpectedly weakly and was very volatile. However, we increased our viewer ratings in the German market. → Fig. 093

ProSiebenSat.1 Group pursues a digital entertainment strategy in order to serve various media usage interests. We are also responding to the change in viewer behavior with a sharper focus on local programming. For this reason, we reviewed the commitments from existing contracts with US studios and their exploitability in the fourth quarter of 2018. In this context, we identified expenses in programming assets of EUR 354 million, which reduced the net result in the financial year 2018. With this programming strategy, we have laid an important foundation for a modern and forward-looking entertainment business.

093 / COMPARISON OF ACTUAL AND EXPECTED BUSINESS PERFORMANCE

	Actual Figures 2017	Forecasts 2018 (March 2018)	Forecasts 2018 (November 2018)	Actual Figures 2018
Revenues (in EUR m)	4,078	Increase in the low to mid single-digit percentage range	Decrease in the low single-digit percentage range	4,009 (–2%)
Adjusted EBITDA margin (in %)	25.8	Mid 20 percent range	Mid 20 percent range	25.3
Adjusted net income (conversion rate of adjusted EBITDA to adjusted net income in %)	52	~50%	~50%	53
Leverage ratio (net financial debt/LTM adjusted EBITDA)	1.6×	1.5×–2.5×	1.5×–2.5×	2.1×
Entertainment				
External revenues	2,737	Low increase	–	2,626
Adjusted EBITDA	898	Low increase	–	881
Content Production & Global Sales				
External revenues	523	Significant increase	–	552
Adjusted EBITDA	19	Significant increase	–	31
Commerce[1]				
External revenues	818	Low decrease	–	831
Adjusted EBITDA	135	Medium decrease	–	103
German TV audience market[2]	27.0%	Leading market position at a high level	–	27.8%

The ProSiebenSat.1 Group published its company outlook for 2018 on February 22, 2018 at the Annual Press Conference as well as on March 15, 2018 in the Annual Report 2017. The company partially adjusted its financial targets in November 2018.

[1] Including deconsolidation effects from the travel business.

[2] Relevant target group of 14- to 49-year-olds.

PROSIEBENSAT.1 MEDIA SE
(DISCLOSURES UNDER HGB)

The Annual Financial Statements of ProSiebenSat.1 Media SE are prepared in accordance with the provisions of the German Commercial Code and the supplementary provisions of the German Stock Corporation Act and the Articles of Association.

BUSINESS AND ECONOMIC ENVIRONMENT

ProSiebenSat.1 Media SE is a management holding company with own operating activities. It is responsible for management functions such as corporate strategy and risk management for ProSiebenSat.1 Group, investment administration and central financing tasks, and other service functions. Furthermore, ProSiebenSat.1 Media SE is the tax group parent for the majority of the domestic subsidiaries. Its material income results from subsidiaries' profit transfer agreements. In addition, revenues are generated in particular from internal services and the sale of ancillary programming rights.

ProSiebenSat.1 Media SE is not controlled through individual performance indicators but integrated in the Groups overall control.

The economic environment of ProSiebenSat.1 Media SE essentially corresponds to that of ProSiebenSat.1 Group and is described in detail in the section of the Group's environment. → Group Environment, page 98

ProSiebenSat.1 Media SE as the parent company of ProSiebenSat.1 Group is integrated into the Group-wide risk management system. Further information and the description of the internal control system for ProSiebenSat.1 Media SE, required under section 289 (4) HGB, are presented in the Risk Report. → Risk Report, page 123

The Management Declaration according to section 289a HGB is publicly available on the Company's website and can be viewed in this Annual Report from → page 48.

SIGNIFICANT EVENTS IN 2018

At the Annual General Meeting of ProSiebenSat.1 Media SE on May 16, 2018, the shareholders resolved to allocate EUR 200 million of the distributable profit for financial year 2017 to other retained earnings. They also resolved on a dividend payment of EUR 1.93 per eligible share, with the total payout amounting to EUR 442 million.

At the beginning of the year, the Group restructured its portfolio on the basis of a three-pillar strategy. The aim is to leverage additional synergies, pool resources and increase the efficiency of the Group. These reorganization measures involved personnel adjustments, so the number of employees at ProSiebenSat.1 Media SE also declined.

The Group also refocused its programming strategy. For a modern and future-ready entertainment-business, ProSiebenSat.1 Group will among other things invest additionally in local content. In parallel to an increased local focus in the programming strategy, the Group has reviewed its existing US studio contracts. As a result of this review ProSiebenSat.1 Media SE as the purchasing agent for programming assets recognized provisions for onerous contracts of EUR 176 million as of December 31, 2018.

ProSiebenSat.1 Group practices active portfolio management. Another step toward the enhancement of the commerce business in 2018 was the partnership with General Atlantic. General Atlantic acquired a 25.1% stake in NCG - NUCOM Group SE, Unterföhring and is one of the world's leading growth capital investors. The gain on disposal from the transaction for ProSiebenSat.1 Media SE amounted to EUR 108 million. In NuCom Group, ProSiebenSat.1 Group bundles strategic investments in largely digital commerce platforms, including Verivox Holding, Parship Elite Group and Jochen Schweizer mydays Group.

In August 2018, ProSiebenSat.1 Media SE concluded a long-term lease for the new "Campus West." The lease runs until 2038 and results in a significant increase in off-balance-sheet obligations.

EARNINGS OF PROSIEBENSAT.1 MEDIA SE

094 / **INCOME STATEMENT (CONDENSED) UNDER HGB**

in EUR m

	2018	2017
Revenues	102	116
Other operating income	181	82
Programming and material expenses	226	62
Personnel expenses	97	100
Depreciation	14	15
Other operating expenses	151	141
Operating expenses	488	319
Investment income	521	871
Financial result	–56	–77
Taxes	138	160
Income after taxes	**122**	**513**
Other taxes	0	0
Profit of the year	**122**	**513**

ProSiebenSat.1 Media SE's **revenues** decreased by EUR 14 million to EUR 102 million in financial year 2018. This development resulted primarily from declining revenues from the sale of ancillary programming rights and from lower revenues from barter transactions.

Other operating income rose by EUR 99 million year-on-year to EUR 181 million. This was due in particular to the income from the sale of shares in NCG - NUCOM Group SE to General Atlantic in April 2018.

Operating expenses amounted to EUR 488 million (previous year: EUR 319 million). The sharp rise in programming and material expenses was caused by the recognition of provisions for onerous contracts in connection with the change of strategy for programming assets. In contrast, personnel expenses decreased slightly because the performance-based compensation components declined significantly. The increase in other operating expenses is due in particular to higher legal and consulting costs in connection with the reorganization and an increase in expenses for IT services.

The **investment result**, consisting of income from profit transfer agreements and investment income less expenses from loss absorption, decreased by 40% or EUR 350 million to EUR 521 million. Income from profit transfer agreements of EUR 530 million (previous year: EUR 912 million) and investment income of EUR 14 million (previous year: EUR 0 million) was partly offset by expenses from loss absorption of EUR 23 million (previous year: EUR 42 million). The prior year figure was strongly influenced by a high disposal gain from the sale of Etraveli.

In financial year 2018, the **financial result**, consisting of interest income netted against interest expenses including write-down of financial assets, improved by EUR 21 million to minus EUR 56 million (previous year: EUR –77 million).

Tax expenses amounted to EUR 138 million compared to EUR 160 million in the previous year.

In financial year 2018, the developments described resulted in **profit for the year** of EUR 122 million. This represents a year-on-year decrease of 76% or EUR 391 million.

ProSiebenSat.1 Media SE had no material **off-balance-sheet financing instruments** during the period under review.

ProSiebenSat.1 Media SE has concluded rental contracts for property at the Unterföhring site classified as operating leases under the German Commercial Code (HGB). These contracts will expire in 2019 at the earliest and 2038 at the latest.

NET ASSETS OF PROSIEBENSAT.1 MEDIA SE

095 / **BALANCE SHEET (CONDENSED) UNDER HGB**

in EUR m

	12/31/2018	12/31/2017
ASSETS		
Intangible assets	3	7
Property, plant and equipment	50	55
Financial assets	7,578	7,364
Non-current assets	**7,631**	**7,425**
Receivables and other current assets	946	1,328
Cash, cash at banks	731	1,277
Current assets	**1,677**	**2,605**
Prepaid expenses	3	3
Active difference resulting from offsetting	1	0
TOTAL ASSETS	**9,311**	**10,034**
LIABILITIES AND EQUITY		
Equity	2,928	3,297
Provisions	365	218
Liabilities	6,018	6,489
Deferred tax liabilities	0	29
TOTAL LIABILITIES AND EQUITY	**9,311**	**10,034**

As of December 31, 2018, the **total assets** of ProSiebenSat.1 Media SE decreased by 7% or EUR 723 million to EUR 9,311 million.

Fixed assets increased by 3% or EUR 206 million year-on-year to EUR 7,631 million. The increase primarily resulted from the capital increases at direct subsidiaries in the period under review.

Current assets decreased by 36% or EUR 928 million to EUR 1,677 million. This decline is firstly attributable to the EUR 444 million drop in receivables from affiliated companies which is mainly due to the lower profit transfers. Secondly, cash and cash equivalents fell by EUR 546 million because of the dividend payment of EUR 442 million as well as the share buyback of EUR 50 million. Other assets developed in the opposite direction, increasing by EUR 60 million due to a EUR 46 million increase in tax receivables.

As of December 31, 2018, the **equity** of ProSiebenSat.1 Media SE decreased by 11% or EUR 369 million to EUR 2,928 million. The equity ratio was therefore 31% (previous year: 33%). The lower equity base resulted from the dividend distribution in May 2018 of EUR 442 million (previous year: EUR 435 million) and the share buyback of EUR 50 million (previous year: EUR 0 million). In contrast, the profit for the year of EUR 122 million generated in the financial year 2018 had an opposite effect.

Provisions increased by EUR 147 million to EUR 365 million. This was due to the recognition of provisions for onerous contracts for the future acquisition of programming assets.

Amounting to EUR 6,018 million as of December 31, 2018, **liabilities** were EUR 471 million lower than the previous year's figure of

EUR 6,489 million. This development primarily reflects the lower intragroup liabilities from cash pooling.

FINANCIAL POSITION OF PROSIEBENSAT.1 MEDIA SE

Cash management is performed centrally with Group cash flows being pooled by an implemented cash pooling system at ProSiebenSat.1 Media SE as the holding company. Therefore the cash flows of ProSiebenSat.1 Group as a whole affect the liquidity of ProSiebenSat.1 Media SE to a large degree. → Group Financial Position and Performance, page 113

For Group companies, especially the German TV stations, ProSiebenSat.1 Media SE acts as purchasing agent for programming assets. In financial year 2018, EUR 564 million (previous year: EUR 594 million) was spent on **investments in programming assets**. In the past financial year, the inflow from the internal transfer of programming assets to Group companies amounted to EUR 561 million (previous year: EUR 541 million). As of December 31, 2018, the total future financial obligations from programming purchase agreements already concluded amounted to EUR 2,295 million (previous year: EUR 2,345 million).

In the period under review, **cash outflows for purchases of tangible fixed assets** at ProSiebenSat.1 Media SE amounted to EUR 11 million. This represents a year-on-year decrease of EUR 15 million.

A total net amount of EUR 118 million (previous year: EUR 270 million) was spent on contributions to the capital reserve at direct subsidiaries and on company acquisitions and company disposals in financial year 2018.

For further information on the balance sheet and income statement, refer to the Notes to the Annual Financial Statements of ProSiebenSat.1 Media SE.

DEVELOPMENT OF EMPLOYEE NUMBERS

In financial year 2018, an average of 697 people were employed at ProSiebenSat.1 Media SE, comprising 609 employees and 88 apprentices, trainees and interns. In the previous year, on average 790 people were employed at ProSiebenSat.1 Media SE, 94 of whom were apprentices, trainees and interns.

RISKS AND OPPORTUNITIES

The business performance of ProSiebenSat.1 Media SE is fundamentally subject to the same risks and opportunities as ProSiebenSat.1 Group. ProSiebenSat.1 Media SE participates in the risks of its subsidiaries and investments in line with its respective ownership interest. The risks and opportunities are described in the Risk and Opportunity Report. → Risk and Opportunity Report, page 123

OUTLOOK

Because of the interrelations between ProSiebenSat.1 Media SE and its subsidiaries, the outlook for ProSiebenSat.1 Group also largely reflects the expectations of ProSiebenSat.1 Media SE. The earnings development of ProSiebenSat.1 Media SE should remain in alignment with the development of the Group in the future, since the results of the subsidiaries will influence the investment result to a large degree. The control through performance indicators takes place on Group level. Therefore, the remarks in the Company Outlook also apply to ProSiebenSat.1 Media SE. We assume that the investment result will still have a substantial influence on the profit of ProSiebenSat.1 Media SE. → Company Outlook, page 137

RISK REPORT

PROCESS MANAGEMENT

ProSiebenSat.1 Group has an effective risk management system, which covers all activities, products, processes, departments, investments, and subsidiaries that could have an adverse impact on our Company's business performance. The traditional risk management process is structured into four phases: → Fig. 096

1. Identification: The basis is to identify material risks by means of a target/actual comparison. The decentralized risk managers are responsible for this. They use early warning indicators defined for relevant circumstances and key figures. For example, the development of audience shares is an important early warning indicator. → Intragroup Management System, page 84

2. Assessment: The relevant risks are assessed on the basis of a matrix → Fig. 099. Firstly, the circumstances are categorized on a five-level percentage scale in terms of the probability of their occurrence. Secondly, their level of potential financial impact is estimated; the financial equivalents are likewise broken down into five levels. Using the matrix presentation, potential risks are classified as "high", "medium", or "low" depending on their relative significance. As well as classification, risk assessment also includes analyzing causes and interactions. Measures to counteract or minimize risks are included in the assessment (net assessment). In order to obtain the most precise view of the risk situation possible, however, opportunities are not taken into account. → Opportunity Report, page 132

3. Management: Using appropriate measures, ProSiebenSat.1 Group can reduce the probability of occurrence of potential losses and limit or reduce possible damage. In order to handle risks safely, it is therefore very important to take adequate countermeasures as soon as an indicator exceeds a certain tolerance limit.

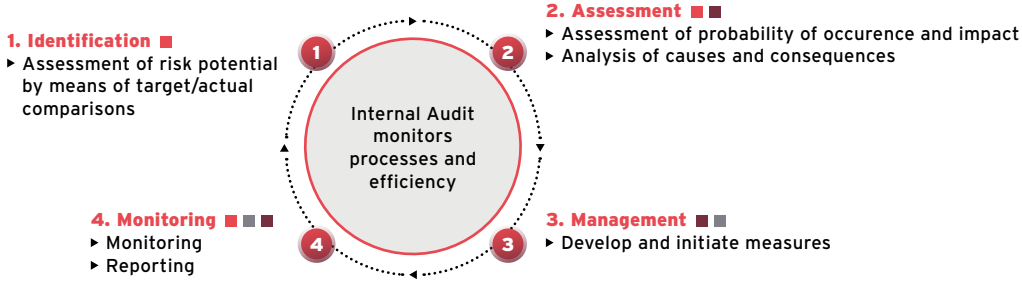
4. Monitoring: Risk monitoring and risk reporting round off the risk management process. The aim is to monitor changes and review the effectiveness of the management measures taken. Monitoring also includes documentation, which ensures that all hierarchy levels relevant to decision-making have adequate information on risks.

i Risk is defined in this report as a potential future development or event that could significantly influence our business situation and result in a negative deviation from targets or forecasts. The risk indicators that we have already taken into account in our financial planning or in the Consolidated Financial Statements as of December 31, 2018, therefore do not come under this definition and are consequently not explained in this Risk Report.

In addition to a structured process, the fundamental requirements for handling risks safely throughout the Group include clear decision-making structures, standardized guidelines, and a methodical approach by the responsible bodies. At the same time, processes and organizational structures must be flexible enough to allow ProSiebenSat.1 Group to respond appropriately to new situations at all times. For this reason the regular classification of risks takes place on a decentralized basis and thus directly in the different corporate units → Fig. 097:

_ **Decentralized risk managers:** The risk managers identify the risks from their respective area of responsibility according to the standard Group system described. They document their results in an IT database every quarter.

096 / **RISK MANAGEMENT PROCESS**

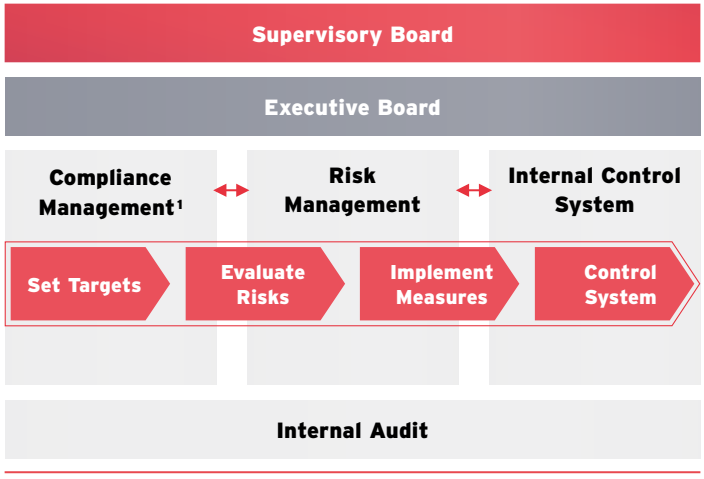


Decentralized risk manager Executive Board/Supervisory Board Group Risk Officer

— **Group Risk Officer:** The Group Risk Officer reports the risks identified in the database to the Executive Board and Supervisory Board on a quarterly basis. In addition, relevant risks arising at short notice are reported immediately. In this way, the Executive Board and Supervisory Board receive all analyses and data relevant for decision making regularly and at an early stage so that they can respond appropriately.

— The **Risk Office** supports the various corporate units in identifying risk at an early stage. It ensures the efficacy and timeliness of the system by training the decentralized risk managers and continuously monitoring the scope of risk consolidation. Moreover, the Internal Audit unit regularly reviews the quality and compliance of the risk management system. It reports the results directly to the Group CFO.

097 / **RISK MANAGEMENT SYSTEM**



[1]For further information, please refer to the chapter "Sustainability" from page 88.

In 2018, the audit of the risk management system generated a positive result again. The system itself did not change in the past financial year. The basis for the audit is the risk management handbook. It summarizes company-specific principles and is based on the internationally recognized frameworks for enterprise risk management and internal control systems of COSO (Committee of Sponsoring Organizations of the Treadway Commission).

DEVELOPMENT OF RISK CLUSTERS

The categorization of risks was updated in 2018 in connection with the Group's strategic realignment on the basis of the three-pillar strategy; in addition, non-financial risks were considered as a separate category at the end of the year. Since then, the Group has reported the risks at segment and Group level in the "operating risks", "finance risks", "compliance risks", "strategic risks" and "non-financial risks" categories. Due to their thematic diversity, ProSiebenSat.1 Group also subdivides the respective "operating risks" into the following risk clusters: "External risks", "sales risks", "content risks", "technological risks", "personnel risks", "investment risks" and "other risks". The risk clusters in turn comprise various different risks. These are not necessarily the only risks that the Group faces. However, we are not currently aware of any additional risks that could impact our business activities, or we do not consider them relevant in the context of this report.

We monitor all relevant risks as part of the risk management process; however, this Risk Report focuses only on risks classified as having medium or high significance overall and describes the respective change compared to the previous year. → Fig. 098 Contingent liabilities from possible compliance risks are described in → Note 30 "Contingent liabilities", page 204.

i ProSiebenSat.1 Media SE has implemented a comprehensive risk management system to systematically identify, assess, manage and monitor risks. Risks reported as part of this system are summarized into categories and clusters as below. While detailed descriptions and action plans to manage these risks exist, in this report focus is laid on all risks which are rated overall as medium or high. Consequently, detailed descriptions of only such risks are included in this Risk Report. If any risks which are currently rated as low change to either medium or high in the future, such risks will then be described in detail as necessary. Conversely, if risks which are currently rated as medium or high diminish to a "low risk", such risks will not be described in detail in this report except for the change compared to the risk situation published in the Annual Report 2017 itself. The evaluation of probability of occurrence and risk impact and the general Group thresholds are unchanged compared to the previous period.

The Annual Report 2017 is published at → www.prosiebensat1.com/en/, which contains the Risk Report from page 123 onwards.

We estimate that there are currently no risks that, individually or in combination with other risks, could have a material or lasting adverse effect on the earnings, financial position and performance. The identified risks pose no threat to the Company as a going concern, even looking into the future. Nevertheless, our overall risk situation has increased compared to the previous year. This development is attributable to the fact that the general sector risks in the Entertainment segment but also the sales risks in the Entertainment and Content Production and Global Sales segments have increased since December 31, 2017. Furthermore, macroeconomic and compliance risks are slightly increased at the Group level. All other risks and risk clusters – if not explicitly mentioned – are either unchanged or have decreased. → Fig. 099 Our overall risk situation therefore remains limited.

i Overall risk situation: To assess the overall risk situation, ProSiebenSat.1 Group initially classifies all individual risks as part of the quarterly assessment process, aggregates them, and assigns them to clusters. When assessing the overall risk situation, ProSiebenSat.1 Group weights the clusters according to their significance for the Group. The assessment of the overall risk situation is thus the result of an aggregate analysis of the main risk categories of the Group and its three segments Entertainment, Content Production & Global Sales and Commerce, whereas no medium or high risks were detected in the Commerce segment.

098 /OVERVIEW OF THE RELEVANT RISKS

Category	Cluster	Risk	Change compared to previous year	Possible Impact	Probability	Overall Risk
Segment Entertainment						
Operating	External	▸ General sector risks (e.g consumer trends)	Increased	Very High	Possible	High
	Sales	▸ Entertainment reach (TV and digital)	Unchanged	High	Possible	Medium
		▸ Entertainment sales (TV and digital)	Increased	Very High	Likely	High
	Content	▸ Risk re: licensed content/negotiating position with studios and independents (incl. quality of the content)	Decreased	Medium	Unlikely	Low
Compliance		▸ Third party lawsuits in connection with the antitrust matter of 2007[1]	Unchanged	Medium	Possible	Medium
		▸ Bestseller-clause § 32a UrhG (focus on Non Fiction)[1]	Unchanged	Cannot be evaluated	Possible	Medium
Segment Content Production & Global Sales						
Operating	Sales	▸ Content production	Increased	High	Possible	Medium
Group						
Operating	External	▸ General economic risks	Slightly increased	High	Possible	Medium
	Other	▸ Security Risks	Unchanged	Medium	Possible	Medium
Finance		▸ Counterparty risk	Unchanged	Very High	Unlikely	Medium
Compliance		▸ General compliance (statutory reporting obligations, antitrust, litigation, data protection)	Slightly increased	High	Possible	Medium
		▸ Regulatory (incl. media law/broadcasting licenses)	Unchanged	Medium	Possible	Medium
Overall risk situation						

unchanged · slightly decreased · slightly increased · decreased · increased

[1] For further information please refer to the Notes, Note 30 "Contingent liabilities", page 204.

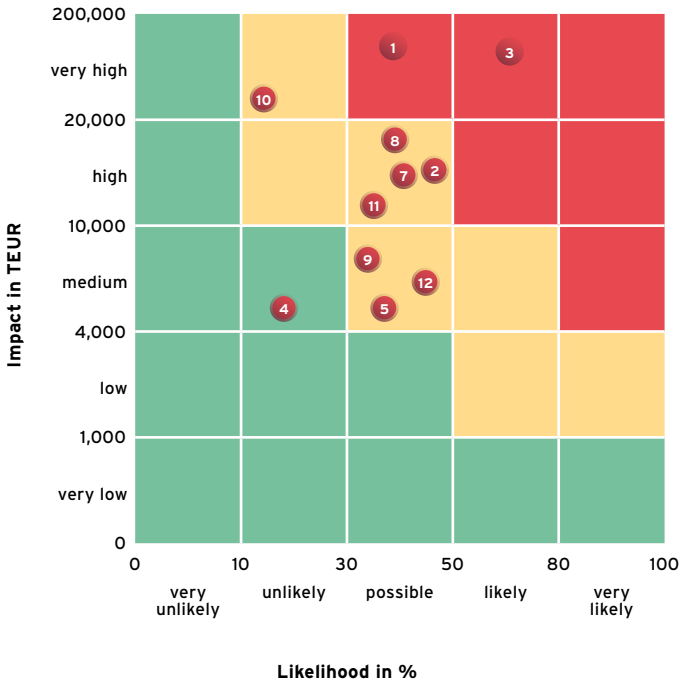
ENTERTAINMENT SEGMENT
Operating Risks: External Risks

General sector risks (incl. media usage behavior): We believe that the risks from a change in video usage have increased and now see their occurrence as possible (2017: unlikely). In the event of a fundamental change, we cannot completely rule out a very high impact. We therefore rate this as a high risk overall.

The digital transformation, and particularly the growing use of the Internet, have changed media usage behavior. For a long time now, TV content has been used not only linearly and on conventional TV sets but also via mobile devices such as laptops and smartphones. These forms of use are becoming increasingly popular, especially among younger viewers. Today, around 23% of all TV use by 14- to 29-year-olds is not via a TV set but on devices such as smartphones, tablets and PCs/laptops.

Together with radio, free TV has been the medium with the furthest reach in Germany for over 50 years. In Germany, the viewing time calculated by AGF Videoforschung has been around 3.5 hours per day (target group 14 – 69) for years. Traditional television will continue to dominate video usage in Germany in the future. Although TV usage on non-mobile devices is likely to continue to decline slightly, it will still remain in first place. At the same time, the popularity of web-based offers will increase. Streaming platforms with own content are therefore gaining in importance. We have made this the focus of our strategy and expectations. We extend our portfolio with digital offers

099 / RISK MATRIX



Category	Cluster	Risk
Segment Entertainment		
Operating	External	1 ▸ General sector risks (e.g consumer trends)
	Sales	2 ▸ Entertainment reach (TV and digital) 3 ▸ Entertainment sales (TV and digital)
	Content	4 ▸ Risk re: licensed content/negotiating position with studios and independents (incl. quality of the content)
Compliance		5 ▸ Third party lawsuits in connection with the antitrust matter of 2007[1] 6 ▸ Bestseller-clause § 32a UrhG (focus on Non Fiction)[1, 2] (Not in matrix)[1, 2]
Segment Content Production & Global Sales		
Operating	Sales	7 ▸ Content production
Group		
Operating	External	8 ▸ General economic risks
	Other	9 ▸ Security Risks
Finance		10 ▸ Counterparty risk
Compliance		11 ▸ General compliance (statutory reporting obligations, antitrust, litigation, data protection) 12 ▸ Regulatory (incl. media law/broadcasting licenses)

Low risk Medium risk High risk

[1] For further information please refer to the Notes, Note 30 "Contingent liabilities", page 204.
[2] 6 is not represented in the matrix because it cannot be evaluated. Further information can be found in the Annual Report 2018 from page 204.

in a purposeful manner. We do this through our own products as well as through partnerships with other platform providers. An example of this is our Joint Venture with 7TV, in which ProSiebenSat.1 Group owns 50%.

In line with our strategy, we bracket these various forms of use, i.e. the use of TV, catch-up and other online video content, together as video usage. This is reflected in particular by the planned reporting of comprehensive, overall reach for all these forms of use under the name "total reach". → Opportunity report, page 132, → Risks from reach development (TV and digital), page 126.

i As a Joint Venture, 7TV and its activities are not considered in the revenues and costs of the Group. However, the results of the joint venture are consolidated in the Group Profit and Loss statement at equity.

Operating Risks: Sales Risks

ProSiebenSat.1 Group itself is actively advancing the digital development in the media industry and diversifying and linking up its portfolio. This includes strengthening its own digital platforms in order to generate additional reach for channel homepages and 7TV, as well as for online video providers. Despite important market share successes, the Group's sales risks have increased year-on-year.

The development of sales risks is influenced by a number of factors. In addition to measurements of reach, macroeconomic data and sector-specific trends such as the general development of the advertising market and the distribution of advertising budgets among the media mix are relevant. In this context, there is considerable risk potential in reallocating budgets to online media, possibly going hand-in-hand with a declining TV share in the media mix or a negative trend in the revenue volume of the net TV advertising market.

Risks from reach development (TV and digital): The risks from reach development have not changed: We continue to classify this risk category as possible; the potential effects would be high. On the whole, we consider it a medium risk.

ProSiebenSat.1 Group has implemented an early warning system in order to keep a close eye on short, medium and long-term developments in reach. Audience market shares, which ProSiebenSat.1 Group analyzes daily on the basis of data from Arbeitsgemeinschaft

Fernsehforschung (AGF, Working Group of Television Research), are an important indicator here. In 2018, we successfully increased the audience market shares in the important revenue market of Germany while extending our reach on digital platforms. Thereby, a shift of the total reach from TV to digital offers was observed. → Development of Media Consumption and Advertising Impact, page 98

Our objective is to offer entertainment – whenever, wherever and on any device. In this context, the Group consolidated its entertainment activities in the TV and digital sectors into one segment in 2018. This will allow us to make use of synergies, to compensate for fluctuations in reach within the portfolios and simultaneously to react to the change in media usage habits resulting from the growing attractiveness of web-based offerings. This objective is also reflected in the enhancement of our early warning system: In 2018, ProSiebenSat.1 Group expanded its risk definition for reach development to the digital sector. In the medium term, the total reach of TV and digital (including 7TV) is to be expressed in standardized KPIs ("Total reach") and advertising is to be more precisely addressable ("Smart reach"). "Total reach" allows overlaps between the various forms of use to be presented, e.g. joint viewers of the TV broadcast of a show and the accompanying catch-up offering. "Smart reach" will also give us the opportunity to show more relevant and individual advertising for users, enabling an improved offer for advertising customers to address their target groups. These new indicators will adequately reflect the change in usage of the traditional TV and the digital entertainment offering. → Development of Media Consumption and Advertising Impact, page 98, → Opportunity Report, page 132

In addition to these quantitative analyses, qualitative studies are also an important control instrument, as they give stations direct feedback from their audience. Nevertheless, individual mistakes cannot be ruled out. The production and acquisition of appropriate programs is a process whose success depends to a significant degree on the subjective opinion of our viewers. Moreover, competition will remain fierce, both within the German market and with regard to international digital corporations.

Ad sales risk (TV and digital): ProSiebenSat.1 Group considers the convergence of media not only in terms of the reach development, but also in enhancing its risk management system in the sales area. Therefore, a number of risks, that were identified in this context, were aggregated into an overall risk for TV and Digital Ad sales in 2018 (risk categorization in 2017: Ad sales, Convergence and Online Ads (incl. adblocker)).

TV has benefited from digitalization in recent years and gained in relevance over print media in particular. However, competition with global digital providers has since become more intensive. The transition from traditional linear television to streaming and catch-up video offerings is constantly accelerating. This entails the risk for ProSiebenSat.1 Group that advertising customers could be less willing to invest or prices for TV advertising could fall. We cannot therefore rule out very high effects on our revenue development in the TV advertising market, although we are pursuing a digital entertainment strategy.

Success depends, also in the digital sector, on several factors like attractiveness of products through which the content is reproduced, but also on the content as well as their reach and monetization. In addition, adblockers represent a further sales risk in the sale of online advertising. These plug-ins, which are offered for browsers or apps for mobile devices, prevent advertising from being displayed. In order to limit this risk, ProSiebenSat.1 Group has introduced technical means that can effectively prevent the adblockers from functioning. We are also taking legal action and have filed an application for an injunction against the most widespread adblocker in Germany (AdBlock Plus).

For the reasons given, the probability of occurrence and thus the ad sales risk increased overall year-on-year (2018: likely; previous year: possible). The potential impact on revenue performance would be very high, so we categorize the risk overall as high.

Operating Risks: Content Risks

ProSiebenSat.1 Group focuses on an individual and generally balanced mix of licensed programs as well as commissioned and in-house productions. The Group uses exclusive agreements in the form of contractual blocking periods (hold-back clauses) to protect its rights against other licensees and program licensing forms. In order to stay informed about trends and new productions at an early stage, our purchasing department is also in constant dialog with national and international licensors. Nonetheless, the competition for attractive content has increased as a result of growing competition from international market participants and new digital offers. In addition, individual purchases are becoming a more frequent necessity, especially for small TV stations, as their programming is very specifically targeted. For this reason, ProSiebenSat.1 Group wants to make greater use of in-house and local content in the future. → Strategy and Management System, page 83

Licensed programming/negotiating position with major and independent studios (incl. program quality): In the light of the growing market presence of global streaming services, competitive pressure on European media companies has increased. This is also true with regard to exploiting rights. Here, ProSiebenSat.1 Group cannot maintain its past successes in licensed US TV programming. In addition, viewer interests can develop differently from country to country. Formats that are a hit on the other side of the Atlantic are no longer necessarily met with the same response in Germany. Programs that viewers can connect with at a local level are increasingly becoming a competitive advantage. Therefore, the Group has developed its content strategy and focusses more heavily on broadcasting local programming apart from strengthening its exploitation of digital sales opportunities. At the same time, the Group has reviewed its existing contracts with US studios. This process was completed in the fourth quarter of 2018, so that the risk is now classified overall as low. At the end of 2017, this matter was still reported as a medium risk with a possible probability of occurrence. Further information about this as well as its financial implications are described in chapter Group Earnings. → Group Earnings, page 107

CONTENT PRODUCTION & GLOBAL SALES SEGMENT
Operating Risks: Sales Risks

Program productions: In the US, cable television providers in particular are increasingly competing with subscription video-on-demand (SVOD) services. For Red Arrow Studios, the market consolidation still anticipated means not just opportunities – such as new customer groups – but risks as well. Classic cable TV especially is one of our key commissioners in the US. We consider the probability of occurrence of risks in connection with productions for the US market to be possible, and the financial impact on revenue development in the Content Production & Global Sales segment to be high. The overall risk has therefore increased compared to the end of 2017 and is rated by ProSiebenSat.1 Group as a medium risk category.

RISKS AT GROUP LEVEL
Operating Risks: External Risks

External risks slightly increased in 2018; visibility in the advertising market is limited. ProSiebenSat.1 Group therefore aims to increase its independence from the highly profitable but economically sensitive free TV business and thus further diversify the risk profile.

Macroeconomic risks: After a solid first half of the year, the German economy's growth lost momentum significantly in the third quarter of 2018, due among other things to the slowdown in the global economy and reconciling items in the automotive industry. Although at least a slight recovery can be expected in the final quarter of 2018, the growth momentum seen in 2017 will not be achieved again. The future prospects are also characterized by growing uncertainty, particularly in relation to foreign trade. We therefore consider economic risks to be slightly increased compared to the end of 2017. We classify this external risk as a medium risk (previous: medium) with high negative effects and we see the occurrence of it now as possible (previous year: unlikely). → Future Business and Industry Environment, page 135

Security risks: Targeted attacks show that politically, economically or ideologically motivated groups represent a growing challenge for our society. The growing number and quality of risk factors require fast and effective emergency plans and clear responsibilities. To this end, ProSiebenSat.1 Group has defined instructions and established a crisis organization. At the same time, data protection and securing corporate assets in the form of information are becoming increasingly relevant. ProSiebenSat.1 Group has also reacted to this by implementing an information security management system. At the same time, employees' awareness is raised and they are given training on security issues. In addition to these risk factors, unforeseeable events such as natural disasters or attacks could have an adverse impact on ProSiebenSat.1 Group's work processes and thus also on its earnings. We take account of these risks by means of construction-related and technical safeguards, among other measures; we secure productions and events with specialist staff. Security risks have not changed: We consider their occurrence to be possible and rate their potential impact on the Group's revenue and earnings performance as medium. In view of the preventive measures taken, we classify the security risks as medium overall.

Finance Risks

The Group is exposed to various finance risks in its operating and financing activities. These include financing risk, counterparty risk, interest risk, currency risk and liquidity risk; with the exception of counterparty risk, we classify finance risks as having low significance. We counter these risks with extensive measures and use derivatives for hedging purposes. → Borrowings and Financing Structure, page 113

The assessment and management of finance risks is coordinated centrally. To this end, the Group Finance & Treasury department analyzes the development in the markets, derives potential opportunities and losses for ProSiebenSat.1 Group on this basis, and regularly assesses the risk situation. The measures required are defined in close cooperation with the Group's Executive Board. Principles, tasks, and responsibilities are defined on a Group-wide basis and regulated via binding guidelines for all subsidiaries of ProSiebenSat.1 Group.

Counterparty risk: The Group concludes finance and treasury transactions exclusively with business partners which meet high credit rating requirements. The counterparties' profiles are monitored systematically and continuously in this context. As well as using credit checks, ProSiebenSat.1 Group limits the probability of occurrence of counterparty risks through a broad diversification of its counterparties. The conditions for concluding finance and treasury transactions are regulated in standardized Group guidelines. We continue to rate the occurrence of counterparty risk unchanged as unlikely. However, as lenders' defaults could have a very high impact on our earnings performance and financial position, we classify the risk as medium overall.

i Derivative financial instruments are usually recognized as cash flow hedges as part of hedge accounting. More information can be found in the → Notes, Note 32 "Further notes on financial risk management and financial instruments in accordance with IFRS 7", page 206**. ProSiebenSat.1 Group does not deploy derivative financial instruments for trading purposes, but only to hedge existing risk positions.** → Financing Analysis, page 113 **For more information on the hedging instruments, measurements and sensitivity analyses together with a detailed description of the risk management system for financial instruments, please refer to the Notes to the Consolidated Financial Statements: Risks from ineffectiveness, in connection with falling interest rates, are described in** → Note 32 "Further notes on financial risk management and financial instruments in accordance with IFRS 7", page 206**.**

Compliance Risks

Digitalization has fundamentally changed consumer behavior. This poses new challenges not only for the media industry but also for legislators in particular. They have the task of adapting legal regulations from the analog era to meet the requirements of a fully digitalized world. One important step in this context was the General Data

Protection Regulation. As a result of this change in the law, potential compliance risks for ProSiebenSat.1 Group have increased slightly.

General compliance (incl. statutory reporting obligations, antitrust, litigation): The General Data Protection Regulation came into force in May 2018. ProSiebenSat.1 Group has taken measures at an early stage to implement this throughout the Group. This also includes adequate data protection in targeted online advertising, which can be tailored more precisely the better we know users' interests.

Modern data protection on the Internet is essential, both for users and for publishers and the advertising industry. However, the impact of the General Data Protection Regulation on the advertising industry cannot yet be fully predicted. This is especially true in the context of the controversially debated positioning of the German data protection authorities in April 2018. It is unclear whether the implicit or even explicit consent of the user will need to be obtained from a certain point in the future when developing profiles.

In March 2018, we established our Log-in Alliance netID in order to create the infrastructure for potentially expanded permissions management in accordance with the General Data Protection Regulation. We are thus also anticipating potential requirements of a future ePrivacy Regulation for targeted advertising on the Internet. Irrespective of this, ProSiebenSat.1 Group is also continuing to monitor the current developments closely, in particular with regard to the General Data Protection Regulation, and is preparing to be able to react appropriately to expected and unexpected conditions and thereby minimize the financial risk. To the extent that there have been isolated incidents so far, no fines have been imposed. Nonetheless, we classify general compliance risks as slightly increased and in this context we cannot completely rule out high negative effects on the Group's earnings performance and consider their occurrence to be possible (previously: unlikely). We still classify the overall risk as a medium risk.

Regulatory risks (including media law and broadcasting licenses): Changes to the regulatory or legal environment could have an impact on individual business activities. This is especially true for stricter provisions or the interpretation of legal provisions on distribution, advertising or broadcasting licenses. The Group actively monitors all relevant developments and is in constant contact with the regulators concerned, to ensure that its interests are taken into account as far as possible. We therefore consider regulatory risks to be unchanged. We cannot completely rule out a medium negative impact on the Group's earnings performance. We therefore rate this issue as a medium risk overall and consider the occurrence of this risk as possible.

The legislative process for the State Media Treaty is currently underway, with a draft released for public debate in 2018. ProSiebenSat.1 Group has actively participated in this process and issued a statement. The effects of a possible revision of the treaty, for example in relation to addressable advertising via HbbTV, cannot currently be foreseen for ProSiebenSat.1 Group. We welcome the Broadcasting Commission's approach of initiating a broad-based dialog about the creation of a State Media Treaty with all involved and interested parties. The aim is to bring about a comprehensive and fundamental overhaul of regulation in Germany and Europe. A first step in this direction has been taken at European level with the Audiovisual Media Services Regulation (2018), which now has to be implemented in national law by fall 2020. In this context, ProSiebenSat.1 Group is arguing for the Directive's provisions to be implemented in a way that does not use the possibility of discrimination against domestic companies, under which legislators would make domestic media providers subject to stricter regulations than those stipulated by EU law and therefore would not create a level playing field.

A level playing field, and thus a market environment in which the same regulations apply to all media providers, forms the basis for a fair and sustainable competitive situation. This particularly applies in view of the growing significance of global platform providers that are establishing monopolistic market positions by virtue of their financial strength and are not bound by the strict German or European regulations. For this reason, the EU legislative process "Satellite and Cable Online Directive", should also be viewed in a differentiated way. The directive carries the danger of unequal competitive conditions for market participants and that the balance of power will shift further in favor of US market participants, because we as a broadcasting company would have to pass along parts of our content at fixed conditions. This is justified by the need for the harmonization of Online TV broadcasting to conventional TV broadcasting. After the law is finally enacted, the German Government has two years to implement the rules of the directive into national law. Within the legislative process, ProSiebenSat.1 Group will stand up to protect the interests of the channels.

Customers of PE Digital GmbH are currently bringing several first-instance or appeal actions before various courts to examine withheld compensation from premium memberships. Members of the online dating sites operated by PE Digital GmbH can cancel their contracts without explanation within a period of fourteen days. Within this period, PE Digital GmbH reimburses its members the fee for their premium membership, but reserves the right to claim compensation for the service provided that it deems appropriate. The outcome of these proceedings and the resulting financial impact cannot be reliably forecast. Sufficient provisions have been recognized for proceedings pending as of December 31, 2018.

In the past few weeks, the press reported further regulations of comparison portals. In the context of the possible insolvency of an energy provider, who was approved by the Federal Network Agency, the business practice of comparison portals is under scrutiny. We see ourselves as representatives of consumer interests and are therefore obliged to a high level of transparency. That is why we proceed on the basis that efforts to further regulate this matter is not a material risk for us.

For further information on compliance risks, please refer to the Notes.
→ Notes, Note 30–31 "Contingent liabilities", "Other financial obligations", page 204–206

100 / DISCLOSURES ON THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE (CONSOLIDATED) REPORTING PROCESS

(section 289 (4) and section 315 (4) of the German Commercial Code) with explanatory notes

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

GOALS OF THE RISK MANAGEMENT SYSTEM IN REGARD TO FINANCIAL REPORTING PROCESSES

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

- To identify risks that might jeopardize the goal of providing single-entity and Consolidated Financial Statements and a single-entity and Group Management Report that comply with regulations.
- To limit risks that are already known by identifying and implementing appropriate countermeasures.
- To analyze known risks as to their potential influence on the single-entity and Consolidated Financial Statements, and to take these risks duly into account.

In addition, our process descriptions and our risk control matrices are subject to an annual review. This ensures that the descriptions are up-to-date and thus also brings about the establishment of consistently effective control mechanisms. These updates combined with regular tests on the basis of samples were part of the PRIME project. Since then, they have been an integrated part of the internal control and risk management system in relation to the (consolidated) reporting process. On the basis of the test results there is an assessment of whether the controls are appropriate and effective. Any identified deficiencies in the controls are eliminated, taking into account their potential impact.

STRUCTURAL ORGANIZATION

- The material single-entity financial statements that are incorporated into the Consolidated Financial Statements are prepared using standardized software.
- The single-entity financial statements are then consolidated to form the Consolidated Financial Statements using stable market-based standardized software.
- The financial statements of the main individual entities are prepared in compliance with both local financial reporting standards and the Group's accounting and reporting manual based on IFRS, which is available via the Group intranet to all employees involved in the reporting process. The individual companies included in the Consolidated Financial Statements provide their financial statements to Group Accounting in a defined format.
- The financial systems employed are protected with appropriate access authorizations and controls (authorization concepts).
- The entire Group has a standardized plan of accounting items, which must be followed in recording the various relevant transactions.
- Certain matters relevant to reporting (e.g. expert opinions with regard to pension provisions) are determined with the assistance of external experts.
- The principal functions of the reporting process – accounting and taxes, controlling, and finance and treasury – are clearly separated. Areas of responsibility are assigned without ambiguity.
- The departments and other units involved in the reporting process are provided with adequate resources in terms of both quantity and quality. Regular professional training sessions are held to ensure that financial statements are prepared at a consistent and reliable level of quality.
- An appropriate system of guidelines (e.g. accounting and reporting manual, intercompany transfer pricing guideline, purchasing guideline, travel expense guideline, etc.) has been set up and is updated as necessary.

The efficiency of the internal control system in regard to processes relevant to financial reporting is reviewed on a sample basis by the Internal Audit unit, which is independent of the process.

PROCESS ORGANIZATION

- For the planning, monitoring, and optimization of the process of compiling the Consolidated Financial Statements, the Company uses tools that include a detailed calendar and all important activities, milestones, and responsibilities. All activities and milestones are assigned specific deadlines. Compliance with reporting duties and deadlines is monitored centrally by Group Accounting.
- In all accounting-related processes, controls are implemented such as the separation of functions, the dual-control principle, approval and release procedures, and plausibility testing.
- Tasks for the preparation of the Consolidated Financial Statements are clearly assigned (e.g. reconciliation of intragroup balances, capital consolidation, monitoring of reporting deadlines and reporting quality with regard to the data of consolidated companies, etc.). Group Accounting is the central point of

contact for specific technical questions and complex accounting issues.

- All material information included in the Consolidated Financial Statements is subjected to extensive systematic validation to ensure the data is complete and reliable.
- Risks that relate to the (consolidated) accounting process are recorded and monitored continuously as part of the risk management process described in the Risk Report.

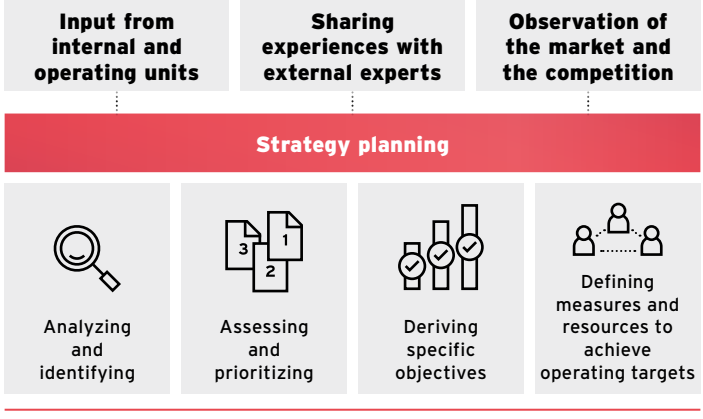
OPPORTUNITY REPORT

OPPORTUNITY MANAGEMENT

Growth opportunities are identified as part of the Group's opportunity management and are specified in the planning process. Over the next around five years, ProSiebenSat.1 Group intends to increase revenues to EUR 6 billion (2018: EUR 4,009 million) and adjusted EBITDA to EUR 1.5 billion (2018: EUR 1,013 million). 50% of revenues are to come from the digital business (2018: 29%). Further portfolio measures and in particular larger bolt-on acquisitions offer additional potential.

Our opportunity management is part of the intragroup management system. The objective is to identify and seize opportunities as soon as possible using suitable measures. At ProSiebenSat.1 Group, the management of opportunities is decentrally organized in the business units and is supported and coordinated by the "Group Strategy & Business Development" department. The department is in close contact with the individual operational units. This allows the department to gain detailed insight into the business situation. In addition, market and competition analyses and sharing experiences with external experts are important sources to identify growth opportunities for ProSiebenSat.1 Group. Defined opportunities are reported in the strategy plan. Relevant growth opportunities are prioritized, specific objectives are derived, and measures and resources for operational target attainment are determined. → Fig. 101 → Strategy and Management System, page 83

101 / **OPPORTUNITY MANAGEMENT**



EXPLANATORY NOTES ON KEY OPPORTUNITIES

We have incorporated opportunities that we consider to be likely in our forecast for 2019 and in our planning until 2023. In addition, economic performance-related factors such as cost awareness and efficient process management are key requirements for further strengthening ProSiebenSat.1 Group's market position. We report on these growth opportunities in the Company Outlook. In addition, there is potential that has not yet been or not fully been budgeted for. In particular, this potential may arise from strategic measures. In the section below, we report on these opportunities if they are material and important for the planning period until 2023. → Company Outlook, page 137

The media industry is in the midst of digital transformation. New competitors and technologies have emerged, altering both revenue models and media usage itself. ProSiebenSat.1 Group is consistently pushing ahead with its transformation from a traditional TV company into a digital group with a diversified business portfolio. The Group is linking its segments and business areas increasingly closely, using digital technologies, and tapping into additional markets with acquisitions or strategic partnerships.

Leveraging synergies by networking business areas: In order to remain competitive going forward and continue growing profitably, ProSiebenSat.1 Group's portfolio has been organized into three segments since January 2018. Bringing together the linear TV business and digital entertainment was an important step here. At the same time, the Group reinforced its digital production expertise by integrating digital studio Studio71 into the Content Production & Global Sales segment. By dovetailing its investments and producing or bundling successful formats for use on various platforms from one source, the Group increases the efficiency of its investments and creates additional growth opportunities through synergy.

These days, television content is accessed regardless of time and place and watched not only on TV screens but also other devices such as smartphones and tablets. One example of this is the ProSieben format "Germany's next Topmodel by Heidi Klum": The show reached an average of around 8.8 million viewers on TV in 2018 (viewers aged 3 and above) and another approximately 1.0 million users via digital platforms such as the station's website. By disseminating content via as many channels as possible, the Group is serving addition media usage interests and especially the growing popularity of digital media among young target groups. At the same time, cross-media marketing offers allow ProSiebenSat.1 Group to better monetize reach. This development is being driven by broadband Internet access with fast data transfer rates. → Group Environment, page 98

Concurrently, commerce and entertainment are stimulated by each other. The Internet has changed not only media usage, but all facets of consumer behavior. It is firmly integrated into our everyday lives, so purchase decisions are increasingly being made online. This applies to consumer goods and services alike. For example, 26% of 14- to 69-year-olds have already bought a product online as a direct result of TV advertising. TV's stimulation of online searches is particularly significant for brands that have their own online store. ProSiebenSat.1 Group brings strong brands in the entertainment and commerce sector together under one roof, so we benefit doubly from our networking potential here.

Firstly, ProSiebenSat.1 Group offers its customers coordinated campaigns across all platforms, including TV, online, mobile, and social media. Secondly, we can use our e-commerce portals and digital entertainment offerings to build up extensive knowledge of consumers. Advertising will be customizable in a more targeted manner in the future, allowing it to be adapted to context or even personalized. Conversely, the commerce portfolio is benefiting from our strong reach: We are raising the awareness of consumer brands with advertising on TV and digital entertainment platforms. This synergy potential and the clear consumer focus of our commerce and entertainment portfolios give rise to opportunities for ProSiebenSat.1 Group that have not yet been fully budgeted for. The Institute of Retail Research in Cologne put the volume of the e-commerce market in Germany alone at around EUR 63 billion in 2018; ProSiebenSat.1 Group had a share of less than 1% in this market.

Data-based business models and digitization of TV advertising: ProSiebenSat.1 Group is consistently linking its television business to digital entertainment media and expanding its total reach in this way. As the next step, this reach is to be made addressable so that advertising can be tailored to the respective viewers in an optimum manner (smart reach). In the next approximately five years, the Group is aiming for 25% of revenues in the Entertainment segment to come from addressable advertising (2018: 6%). ProSiebenSat.1 Group is looking to new technologies to achieve this. For instance, we were the first TV group in Germany to broadcast addressable TV spots with the hybrid broadcast broadband TV (HbbTV) technological standard. In 2018, around 394 addressable TV campaigns were booked in total, 25 of which were spot campaigns. These advertisements combine the high reach of traditional television with the opportunities provided by digital advertising, including target-group-based advertisements individualized to devices.

Within the limits of what is legally possible, we aspire to increasingly use data on our digital platforms and online TV use in order to target users in a more personalized way. We see high potential here in the field of ad-technology (AdTech), as new marketing techniques help us integrate advertising on an automated basis and with even greater target group focus. For this reason, the Group expanded its AdTech portfolio in January 2018 and acquired Kairion, an e-commerce marketer that aggregates the advertising environments and data of more than 80 online shops. In addition to this high reach for digital advertising offers, the company gets valuable insights into different target groups – for example, with regard to specific purchasing interests: Using real-time targeting, advertising messages can be displayed as soon as the consumer signals an interest in purchasing something. Kairion can also help extend branding campaigns from TV into retail. ProSiebenSat.1 Group is thereby responding to changes in consumer behavior: Different media and channels are being used simultaneously, with the effect that TV, digital entertainment and commerce are increasingly complementing and converging with each other.

Entry into business areas with strong growth and expansion through portfolio enhancements: The successful M&A strategy has sustainably strengthened the Group's growth. One focus of investment is the dynamically growing commerce sector with NuCom Group. Products and services that add value via the mass medium of TV are particularly relevant for ProSiebenSat.1 Group from a strategic point of view. With TV advertising, the Group can quickly and efficiently increase the revenues of its investments without high cash investments. These are key pillars of our M&A strategy. New investments must meet major customer requirements and also link in particularly well with the existing digital portfolio. This results in revenue and cost synergies. Over the next around five years, ProSiebenSat.1 Group aims to increase commerce revenues to EUR 2 billion (2018: EUR 831 million), driven by the core NuCom brands Verivox, Parship Elite Group, Jochen Schweizer mydays and Flaconi. Other portfolio measures offer additional opportunities. The same applies to the Content Production & Global Sales segment. In this segment, ProSiebenSat.1 Group will continue to consider strategic partnerships if they boost the growth of the production business. The focus is on Red Arrow Studios' core markets in the US and UK. At the same time, the Company will make increasing use of synergies from the interconnection of the Entertainment and Content Production & Global Sales segments.

The Group is also expanding its portfolio through partnerships in the Entertainment segment. In 2018, ProSiebenSat.1 Group repositioned its OTT platform 7TV as part of a joint venture with Discovery Communications. It will undergo an extensive relaunch in 2019 with the addition and involvement of further partners. The aim is to establish 7TV as a competitor in the platform market with strong content – and thus to develop it further both as an alternative to global platforms and as a central port of call beyond various isolated industry initiatives. The platform is expected to draw around 10 million users in the first two years. Around 3.5 million people already use the 7TV app (launched in 2017), maxdome and the Eurosport Player. The entertainment market promises enormous growth potential for ProSiebenSat.1 Group. According to PricewaterhouseCoopers GmbH, the market volume in Germany totaled around EUR 37 billion in 2018 (previous year: EUR 36 billion); of which EUR 30 billion was attributable to the traditional (previous year: EUR 30 billion) and EUR 7 billion to the digital entertainment market (previous year: EUR 6 billion). ProSiebenSat.1 Group achieved a market share of less than 1% here.

102 / OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITY SITUATION – MANAGEMENT VIEW

Our industry is characterized by constant change. This is why we have structured our organization around agility and greater efficiency so that we can actively translate this transformation into growth potential. Today, ProSiebenSat.1 Group is already a broad-based entertainment and commerce company with strong brands, a leading position in the audience and TV advertising markets, innovative marketing offerings, an international production network as well as a profitable commerce portfolio. In the medium term, ProSiebenSat.1 Group intends to increase revenues to EUR 6 billion and adjusted EBITDA to EUR 1.5 billion.

The digital development opens up new growth markets for all of our segments. But there are also risks. Social, technological and economic areas have significantly changed as a result of digitalization. This trend will continue and gather pace in the years to come. Therefore, the identification and management of potential opportunities is just as important for our Group as the recognition and controlling of potential risks. We have implemented an effective risk management system that integrates all relevant business units and was systematically enhanced in 2018. This also includes the adjustment of the risk matrix to the three-pillar strategy and the sharper focus on interconnecting the Entertainment, Content Production & Global Sales, and Commerce segments.

We estimate that there are no risks that, individually or in combination with other risks, could have a material or lasting adverse effect on the earnings, financial position and performance. The identified risks pose no threat to the Company as a going concern, even looking into the future. Against this backdrop, the Executive Board still considers the overall risk situation to be limited as of the date this report was prepared, although the overall risk has increased compared to the previous year. The opportunity situation has not changed. Acquisitions are part of our strategy, with which we are promoting our transformation from a TV to a digital corporation.

FUTURE BUSINESS AND INDUSTRY ENVIRONMENT

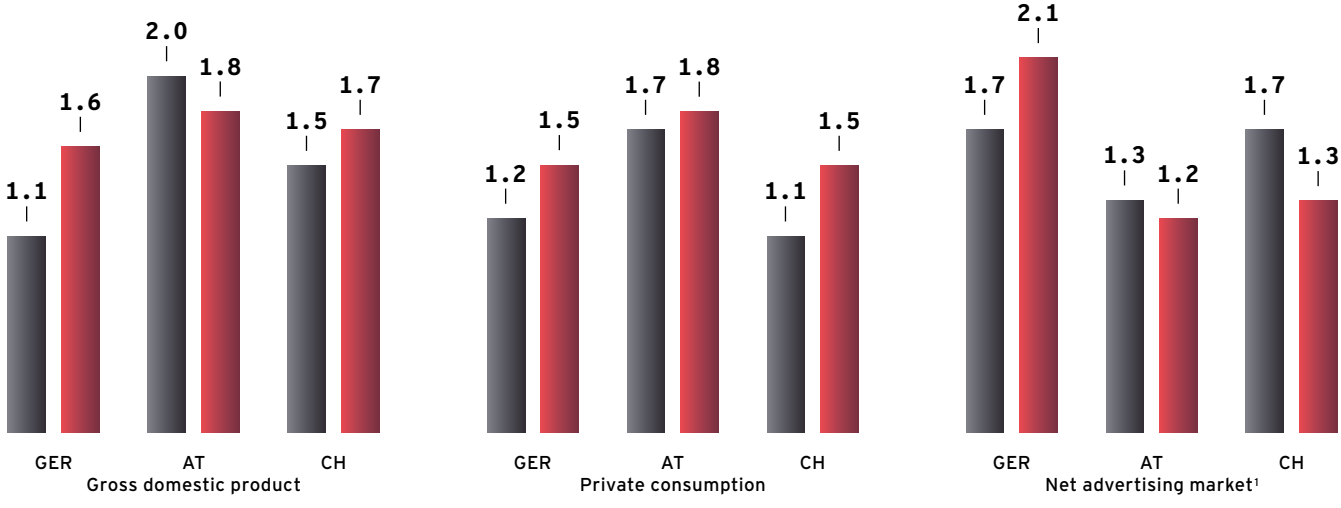
In an increasingly difficult global environment, the International Monetary Fund (IMF) lowered its growth forecasts for the global economy and the euro zone at the start of the year: For 2019, real growth of 3.5% (previous year: +3.7%) and 1.6% (previous year: +1.8%), respectively, is expected. The forecasts for German gross domestic product, at plus 1.1% (ifo) and plus 1.8% (IfW), are also lower than the most recent figure from the Joint Economic Forecast (+1.9%). Nevertheless, an upward trend is set to continue, driven mainly by the robust domestic economy. For example, the research institutes expect the growth of private consumption to speed up compared to 2018 given persistently positive employment and income prospects. The forecasts range between plus 1.2%(ifo) and plus 1.9% (IfW). However, there are significant forecast uncertainties, due in particular to the growing number of trade restrictions and conflicts, the UK's potentially disorderly exit from the EU, and the strained budget situation in Italy. → Economic Development, page 98

The German net TV advertising market proved volatile in 2018, and the agency groups' forecasts for 2019 also vary. This is related to the advertising industry, which responds quickly and often procyclically to the general economic situation. An important indicator here is private consumption, but economic forecasts naturally involve uncertainties. It therefore remains to be seen whether and what implications macroeconomic risks will have for the advertising market. There are also sector-specific developments that are reducing visibility. Expectations for the German TV advertising market currently diverge between minus 1.6% (Magna Global) and an optimistic plus 2% (ZenithOptimedia). → Risk Report, page 123

In contrast, in-stream video advertising is likely to continue its dynamic development and drive growth on the online advertising market. The research institutes anticipate a net plus of 7% (ZenithOptimedia) or 10.4% (Magna Global). For the German advertising market as a whole, Magna Global anticipates net growth of plus 2.4%; ZenithOptimedia forecasts growth of 1.7% for 2019. → Fig. 103 → Development of ProSiebenSat.1 Group's relevant Business and Market Environments, page 100

The German e-commerce market is expected to have a market volume of around EUR 87 billion by 2022. According to the Institut für Handelsforschung (IFH) in Cologne, the average annual growth

103 / **FORECAST FOR GROSS DOMESTIC PRODUCT, PRIVATE CONSUMPTION AND NET ADVERTISING MARKET IN COUNTRIES IMPORTANT FOR PROSIEBENSAT.1 GROUP** in %, change vs. previous year



2019 2020

Source: **GER:** Destatis, ifo Economic Forecast Winter 2018. / **AT:** Austrian Institute for Economic Research (WiFO), press release of December 20, 2018. / **CH:** Swiss Federal Statistical Office (BFS), State Secretariat Economic Affairs (SECO), press release of December 18, 2018.

[1] ZenithOptimedia, Advertising Expenditure Forecasts December 2018, figures adjusted on a net basis, nonetheless methodological differences between different countries and sources.

between 2017 and 2022 is likely to amount to 8.5%. Online retail's share in retail is expected to increase to 13.4% in 2022. Mobile shopping is set to increase to 65% of online revenues; this would equate to online mobile revenues of around EUR 57 billion by 2022.

The relevant sectors for ProSiebenSat.1 Group are developing as follows here: The market for online comparison sites in the fields of energy, telco, car insurance and consumer loans is likely to grow to a volume of around EUR 895 million by 2020. This equates to an increase of 24% since 2018. According to Statista's Digital Market Outlook, the online dating market is likely to grow by 8% by 2020. OC&C Strategy Consultants forecasts annual growth rates for the experiences market of approximately 5% to 7% until 2022.

COMPANY OUTLOOK

FORECAST FOR 2019

In accordance with the outlook for 2019 which the ProSiebenSat.1 Group presented at the Capital Markets Day in November 2018, the Group still aims for revenue growth in the mid single-digit percentage range and an adjusted EBITDA margin between 22% and 25% on a whole-year basis. → Fig. 105 This target includes at least stable or only slightly declining TV advertising revenues in the Entertainment segment and is based on a stable macro environment. Should the general conditions deteriorate beyond the assumptions made, this would have a negative impact on profitability in the Entertainment segment and at Group level.

As already announced at the Capital Markets Day, the planned investments recognized as expense in the Entertainment segment will impact the Group's profitability and earnings performance on a full-year basis. These investments will be spread primarily across the first three quarters, with a focus on the second and third quarter, and will lead to declines in earnings in each case. Provided stable to only slightly declining TV advertising revenues in the Entertainment segment, as already communicated, the ProSiebenSat.1 Group still anticipates that the impact of the planned investments recognized as expense on adjusted EBITDA of the Group in the full-year 2019 will restrict to a mid double-digit million EUR amount compared to the previous year. In addition, the investments in the joint streaming platform with Discovery Communications will burden the financial and net result.

At segment level on a full-year basis, the ProSiebenSat.1 Group anticipates the revenues in the Entertainment segment to be approximately in line with those of the previous year, provided stable to only slightly declining TV advertising revenues as well as an offsetting positive development of other Entertainment revenues. In the Content Production & Global Sales segment as well as in the Commerce segment, the Group anticipates a dynamic growth (both reported and organic) in each case. The Commerce segment is even expected to achieve significant double-digit percentage revenue growth on a full-year basis. The Group will benefit here accordingly from the initial consolidation of the matchmaking provider eHarmony and of Aroundhome. → Fig. 106

104 / EXPLANATORY NOTES ON THE FORECAST

Due to adjustments in the target parameters of Executive Board compensation and changes in the management system, free cash flow before M&A has been taken up compared to previous year new in the catalogue of most important financial performance indicators. The information provided refers to the plans adopted by the Executive Board and Supervisory Board. Our statements are also based on current general economic and sector-specific data at the time this report was prepared. → Strategy and Management System, page 83 → Future Business and Industry Environment, page 135 → Notes, "Changes in the Reporting Standards", page 243

The leverage ratio, i.e. the ratio of net financial liabilities to LTM adjusted EBITDA of the Group, should be within the range of 1.5 and 2.5 at the year-end of 2019. At the year-end of 2018, the leverage ratio was 2.1 (previous year: 1.6).

105 / EXPECTED GROUP KEY FIGURES IN 2019

	2018	Forecast for 2019
Revenues (in EUR m)	**4,009**	Increase in mid single-digit percentage range
Adjusted EBITDA margin (in %)	**25.3%**	22 – 25%
Adjusted net income (conversion rate of adjusted EBITDA to adjusted net income in %)	**53.4%**	~ 50%
Leverage ratio (net financial liabilities/LTM adjusted EBITDA)	**2.1×**	1.5 – 2.5×
Free cash flow before M&A[1] (in EUR m)	**244**	Stable

[1] In comparison to the Annual Report 2017 newly included figure; see Strategy and Management System, page 83.

106 / EXPECTED SEGMENT KEY FIGURES IN 2019

in EUR m

	2018	Forecast for 2019
Entertainment[1]		
External revenues	**2,626**	Stable
Adjusted EBITDA	**881**	Significant decrease
Content Production & Global Sales		
External revenues	**552**	Significant increase
Adjusted EBITDA	**31**	Significant increase
Commerce		
External revenues	**831**	Significant increase
Adjusted EBITDA	**103**	Significant increase

[1] Under the condition of stable or only slightly declining TV advertising revenues as well as a contrary positive development of other Entertainment revenues.

We also still expect to maintain our leading position with regard to audience shares in the advertising-relevant target group of 14- to 49-year-olds at a high level.

DIVIDEND PROPOSAL

In November 2018, ProSiebenSat.1 Group presented a "Total Shareholder Return" concept (based on the average annual shareholder return). In this context, the Group presented an adjustment of its dividend policy: From financial year 2018, we will pay out 50% of adjusted net income as a dividend (previously 80% to 90%). The Group will primarily use the funds thus released for earnings-increasing investments in organic and inorganic growth. The Executive Board is therefore advising the Supervisory Board to propose a dividend of the amount of 50% of adjusted net income or respectively of EUR 1.19 per share (previous year: EUR 1.93) to the Annual General Meeting for the financial year 2018. This corresponds to a dividend yield of 8% (previous year: 6.7%) of the closing price of the ProSiebenSat.1 Media SE share at the end of 2018. → Analysis of Assets and Capital Structure, page 117

MID-TERM FINANCIAL TARGETS

Over the next around five years, the ProSiebenSat.1 Group intends to increase revenues to EUR 6 billion (2018: EUR 4,009 million) and adjusted EBITDA to EUR 1.5 billion (2018: EUR 1,013 million). We want to increase the share of revenues of the non-advertising business (2018: 44%) and the digital business (2018: 29%) each to over 50%. The financial targets reflect our strategy of expanding the entire Group into a diversified and fast-growing digital corporation. → Strategy and Management System, page 83

107 / PREDICTIVE STATEMENTS

Forecasts are based on current assessments of future developments. In this context, we draw on our budget planning and comprehensive market and competitive analyses. The forecast values are calculated in accordance with the reporting principles used in the financial statements and are consistent with the adjustments described in the Management Report. However, forecasts naturally entail some uncertainties that could lead to positive or negative deviations from planning. If imponderables occur or if the assumptions on which the predictive statements are made no longer apply, actual results may deviate materially from the statements made or the results implicitly expressed. Developments that could negatively impact this forecast include, for example, lower economic momentum than expected at the time this report was prepared. These and other factors are explained in detail in the Risk and Opportunity Report. There we also report on additional growth potential; opportunities that we have not yet or not fully budgeted for could arise from corporate strategy decisions, for example. Potential risks are accounted for regularly and systematically as part of the Group-wide risk management process. Significant events after the end of the reporting period are explained in the → Notes, Note 37 "Events after the reporting period", page 228. The publication date of the Annual Report 2018 is March 21, 2019.

108 / OVERALL ASSESSMENT OF FUTURE DEVELOPMENT – MANAGEMENT VIEW

Last year, we gave the starting signal for the realignment of the ProSiebenSat.1 Group. In 2019, our full focus is to position our Entertainment business on a more local, more digital and more synergetic basis, to grow organically, and especially to strengthen our Commerce portfolio with acquisitions. For the full year, the Group anticipates revenue growth in the mid single-digit percentage range and an adjusted EBITDA margin between 22% and 25%. Over the next around five years, the ProSiebenSat.1 Group intends to increase revenues to EUR 6 billion (2018: EUR 4,009 million) and adjusted EBITDA to EUR 1.5 billion (2018: EUR 1,013 million).