ProSiebenSat.1
Media SE

CONNECTING THE DOTS

Annual Report 2016

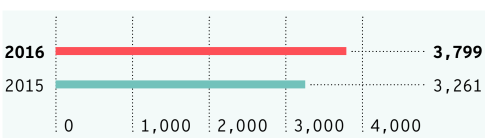
PROSIEBENSAT.1 AT A GLANCE

ProSiebenSat.1 Group is one of the most successful independent media companies in Europe with a strong lead in the TV and digital market. The Group grows dynamically with revenues increasing by 17 % to EUR 3,799 million in 2016. At the same time, recurring EBITDA rose by 10 % to EUR 1,018 million. The Company employs 6,054 people in average. The most important revenue market is Germany. Here, the ProSiebenSat.1 share has been included into the German equity index DAX since March 2016.

Advertising-financed free TV is the Group's core business. The station family comprising SAT.1, ProSieben, kabel eins, sixx, SAT.1 Gold, ProSieben MAXX, and kabel eins Doku is the Number 1 in the German audience and TV advertising markets. The Group has tapped into an additional attractive business area through the distribution of its television channels in HD quality. At the same time, the Group successfully networks the wide reach of its TV business with a strong digital unit. Already today, ProSiebenSat.1 is Germany's leading video marketer on the Internet and with maxdome or Studio71 one of the most successful providers of digital entertainment. However, the Internet is not only changing the entertainment industry, digital media also influence consumer behavior. This is why, ProSiebenSat.1 has built up a successful e-commerce business of digital platforms in recent years that is now one of the Group's most important growth drivers. This broadcasting, digital entertainment and ventures & commerce portfolio is supplemented by the international program production and distribution company Red Arrow. Thus, ProSiebenSat.1 has a broadly diversified revenue and earnings base. By 2018, ProSiebenSat.1 intends to increase its revenues by EUR 2.15 billion up to around EUR 4.5 billion, compared to 2012.

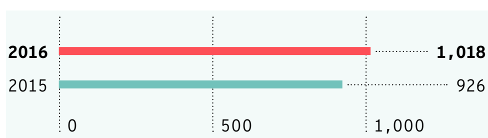
Revenues (I)

EUR m



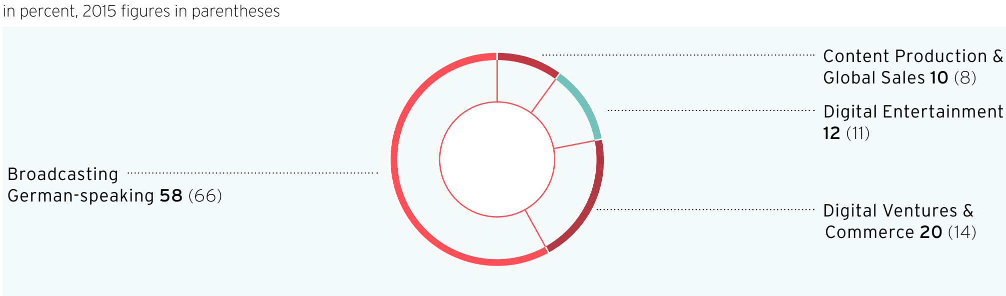
Recurring EBITDA (II)

EUR m



Group revenue share by segment (III)

in percent, 2015 figures in parentheses



All information relates to continuing operations.

FORECASTS 2016	ACTUAL FIGURES 2016		FORECASTS 2017
Significant increase	+17 %	Revenues EUR 3,799 million	High single-digit increase
Slight increase	+3 %	Broadcasting German-speaking EUR 2,210 million	Slight increase
Significant increase	+19 %	Digital Entertainment EUR 442 million	Significant increase
Significant increase	+65 %	Digital Ventures & Commerce EUR 768 million	Significant increase
Significant increase	+38 %	Content Production & Global Sales EUR 362 million	Mid single-digit increase
Mid to high single-digit increase	+10 %	Recurring EBITDA[1] EUR 1,018 million	Mid single-digit increase
Slight increase	+3 %	Broadcasting German-speaking EUR 760 million	Slight increase
Significant increase	-1 %	Digital Entertainment EUR 37 million	Significant increase
Significant increase	+33 %	Digital Ventures & Commerce EUR 180 million	Significant increase
Significant increase	+87 %	Content Production & Global Sales EUR 47 million	Stable to slight increase
Mid to high single-digit increase	+10 %	Underlying net income[1] EUR 513 million	Mid to high single-digit increase
1.5 - 2.5	1.9	Leverage ratio[2]	1.5 - 2.5
Consolidate leading market position at a high level	28.0 %	German TV audience market[3] Decrease by 1.5 percentage points	Consolidate leading market position at a high level

All information relates to continuing operations and the new segment structure since the third quarter of 2016.

1 From 01/01/2017 renaming in adjusted EBITDA and adjusted net income respectively.
2 Adjusted for LTM recurring EBITDA from the Eastern European business.
3 Relevant target group of 14- to 49-year-olds.

KEY FIGURES OF PROSIEBENSAT.1 GROUP (IV)

EUR m	2016	2015
Revenues	3,799	3,261
Revenue margin before income taxes (in percent)	17.3	18.5
Total costs	3,056	2,555
Operating costs[1]	2,804	2,355
Consumption of programming assets	915	896
Recurring EBITDA[2]	1,018	926
Recurring EBITDA margin (in percent)	26.8	28.4
EBITDA	982	881
Reconciling items (net)[3]	-35	-44
EBIT	777	730
Financial result	-119	-126
Profit before income taxes	658	604
Consolidated net profit (after non-controlling interests)[4]	402	391
Profit from discontinued operations (net of income taxes)	-42	0
Underlying net income[5]	513	466
Basic earnings per share (underlying)	2.37[8]	2.18
Investments in programming assets	992	944
Free cash flow	-4	-1
Cash flow from investing activities	-1,623	-1,522

EUR m	12/31/2016	12/31/2015
Programming assets	1,312	1,252
Equity	1,432	943
Equity ratio (in percent)	21.7	17.8
Cash and cash equivalents	1,271	734
Financial liabilities	3,185	2,675
Leverage[6]	1.9	2.1
Net financial debt	1,913	1,940
Employees[7]	6,054	4,880

1 Total costs excl. D&A and expense adjustments.
2 EBITDA before reconciling items (net).
3 Expense adjustments netted against income adjustments.
4 Consolidated net profit attributable to shareholders of ProSiebenSat.1 Media SE including discontinued operations.
5 Consolidated profit for the period attributable to shareholders of ProSiebenSat.1 Media SE before the effects of purchase price allocations and additional reconciling items.
6 Ratio net financial debt to recurring EBITDA in the last twelve months.
7 Average full-time equivalents from continuing operations.
8 Calculated on the basis of the volume weighted average number of shares for the financial year 2016 of 216.8 million; taking into account the shares carrying dividend rights at the reporting date, the economic underlying earnings per share amount to EUR 2.24.

Explanation of reporting principles: The figures for the financial year 2016 relate to those for continuing operations reported in accordance with IFRS 5, i.e. not including the revenue and earnings contributions of the entities sold. The following entities were deconsolidated in the in the past: Hungary (February) and Romania (April and August respectively) in the financial year 2014; the Northern European operations (April) in the financial year 2013; Belgium (June) and Netherlands (July) in the financial year 2011. The income statement items of the relevant entities are presented separately as a single figure, result from discontinued operations. This figure also contains the respective gain on disposal and is presented after tax.
The previous years' figures in the statement of financial position were not adjusted.

ProSiebenSat.1 Media SE

CONNECTING THE DOTS

Synergies drive our growth. We are focusing on connecting our business areas by networking the media power of our TV stations and digital platforms with our high-quality portfolio of content and data, along with our strong commerce channels and employee expertise. Our efforts will create sustained value for our Company.

This strategy is proving effective: In 2016, revenues and earnings again set records. Going forward, we will continue to further connect our portfolio and leverage all marketing and sales channels from TV through digital to point of sale.

The energy and wealth of ideas generated by linking our business areas will boost growth in the long term. By 2018, we expect revenues to amount to EUR 4.5 billion, with EUR 1.7 billion coming from the digital business alone.

Annual Report 2016

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To our Shareholders

B

Combined Management Report

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Consolidated Financial Statements

D

Additional Information

INTERVIEW WITH THOMAS EBELING

Thomas Ebeling
CEO PROSIEBENSAT.1 MEDIA SE

Looking back to the 2016 financial year, CEO Thomas Ebeling explains how ProSiebenSat.1 is advancing digitalization and networking within the Group in order to sustainably continue its growth course.

Mr. Ebeling, how would you describe the 2016 financial year?

In 2016, we once again posted record figures for revenues and earnings. Since 2009, consolidated revenues have grown year after year by an average of 10 %, while the rise in recurring EBITDA has been even slightly stronger. That's testimony to how sustainable our strategy is. ProSiebenSat.1 is the first media company to systematically harness the synergies generated by combining TV, digital entertainment, commerce, and content production.

3.799

BILLION EURO

of revenues were generated by ProSiebenSat.1 Group in financial year 2016. That is an increase of 17 %.

Is that why the title of your Annual Report is "Connecting the Dots"?

Tapping into synergies within our portfolio lies at the very heart of our strategy. By networking within and among our segments, we are not only creating additional growth potential but also harnessing the opportunities generated by digitalization: TV commercials aired on our own stations raise awareness for our own brands, such as our e-commerce offerings. At the same time, our digital platforms afford in-depth insights into consumers, which will benefit our advertising clients going forward in addressing their campaigns to target audiences. That's just one example of our "Connecting the Dots" roadmap to success.

You have grown organically but also recently expanded through acquisitions. Will this development continue?

The huge potential unleashed by combining TV, digital entertainment, and commerce gives us a winning competitive edge. What's more, it lays a solid foundation for our organic growth in the digital sector. There, we are expanding dynamically thanks to strategically relevant brands such as maxdome and our Lifestyle Commerce portfolio. At the same time, acquisitions accelerated our growth over the past year so that we once again raised our financial targets for 2018 in October 2016. Our consolidated revenues are set to amount to EUR 4.5 billion in 2018. Our digital business will contribute a total of EUR 1.7 billion to this revenue target. This is in line with our vision and strategic objectives to pursue further expansion through our digital portfolio and position the Group as a leading "Entertainment & Commerce Powerhouse".

What is your acquisition strategy for the coming years?

Basically, we hold on to our leverage ratio target range and focus on potential acquisitions that complement and add value to our portfolio. This includes companies that are suitable for marketing through TV advertising and promise high synergy potential with our existing business areas. We intend to continue this M&A strategy. With that in mind, we are keeping a close eye on the relevant markets and broadened our financial scope through a capital increase in November 2016. Of course we evaluate all options for our portfolio, which may include potential divestments or strategic alliances if they are to our advantage. In January 2017, for instance, we took two European partners – TF1 and Mediaset – on board of our multi-channel network Studio71.

1.90

EURO

per common share
is the proposed dividend.

1.018

BILLION EURO

of recurring EBITDA was reached
by the Group in 2016, 10 % more than
in the previous year.

In March 2016, ProSiebenSat.1 became the first DAX-listed media group. What makes your stock so attractive to investors?

We are growing dynamically and pursuing a sustainable corporate strategy with concrete goals – which we consistently reach and sometimes even surpass. What's more, we pay out between 80 and 90 % of our underlying net income as a dividend each year. And this year is no exception: We plan to increase the dividend for 2016 to EUR 1.90 per share to let participate our shareholders once again in our success. We have not only earned a reputation on the capital markets as a highly reliable partner but also impressed investors with how rapidly we develop business models. Our bold approach to experimenting with new ideas means that we are an engine for progress. Just look at maxdome. In 2006, it was the first video-on-demand service in Germany. In 2016, we launched another two innovative online video products – glomex and Quazer. And with addressable TV, we have assumed a pioneering role by connecting the benefits of the media types TV and Internet in marketing. This entrepreneurial spirit and innovative drive are deeply rooted in our Group and characterizes our employees.

Let's turn to the operating business. How did the TV segment develop in 2016?

ProSiebenSat.1 ranks number 1 among TV viewers and advertisers in Germany. A year of sporting events like 2016 is always a challenge for private TV stations. However, we aired compelling programming such as "The Voice of Germany" and "Germany's next Topmodel" in addition to launching new show ideas with Joko and Klaas. At the same time, we are continually expanding our reach and viewer offerings. Last but not least, 2016 saw the launch of kabel eins Doku, our seventh free TV station, which offers our advertising clients another attractive marketing environment. Furthermore, our distribution business continued to grow dynamically and we succeeded in forging a large number of key alliances – with Vodafone, for instance – to support the mobile distribution of our programs.

What role will the TV business play within ProSiebenSat.1 in the future?

TV is and remains the basis of our success: It's still the most effective advertising medium and has the widest reach across all relevant audience groups in Germany. Consequently, we expect the TV advertising market to deliver solid net growth of between 2 to 3 % in 2017. In this respect, the German TV market differs fundamentally from its UK and US counterparts. As an advertising medium, TV in Germany still has plenty of potential because, in contrast to the English-speaking markets, it has not yet fully capitalized on its reach. Add to that the structural changes taking place in the German advertising market: Video advertising is becoming increasingly important and is gaining market share – above all from print – in the wake of digitalization. At the same time, technological change and the growing use of the Internet are having an impact on media usage behavior. We are thus pursuing a digital entertainment strategy. With maxdome, Studio71, and many more digital offerings, our high-quality entertainment is also available on demand, online, and mobile.

How do you benefit from digitalization in the TV segment as well?

The best example is addressable TV: Smart TVs let us focus advertising selectively, depending on the weather, for example. It's worth advertising flu remedies where it's raining. If at the same time the sun is shining in another area, an advertising banner for sunscreen pops up on TVs there. With addressable TV, we have created a new form of advertising within the broad-reach medium of television that lets companies address their customers not only quickly and effectively but with even greater target group focus. And this is yet another area where we benefit from synergies in the Group: Our weather portal, wetter.com, gives us the data we need for the weather targeting I just mentioned. We are dynamically pushing ahead with these innovations, and already executed around 100 addressable TV advertising campaigns in 2016. This way, we have additional offerings for our advertising clients next to traditional commercials and can make TV advertising even more relevant to viewers.

65

PERCENT

to EUR 768 million was the rise in external revenues in the Digital Ventures & Commerce segment.

You have been reporting your digital activities in two segments since the third quarter of 2016. How was business in Digital Entertainment for the full year?

Our revenues rose by 19 % in this segment, with the core areas video and AdTech developing very dynamically and benefiting from acquisitions. The video-on-demand portal maxdome topped one million subscribers for the first time. Also in 2016, we signed a multi-year cooperation agreement with Deutsche Bahn that will make maxdome available on all ICE (intercity express) trains in the future. With the TF1 Group and Mediaset, we brought in two European partners for Studio71, which gains us access to new markets. I also see great potential in AdTech, since these technologies help us automate and tailor the way advertising is integrated. That's why we continued to invest here as well. We now cover every step in the value chain, providing not only digital and TV data but also the necessary technical expertise.

How did business in the Digital Ventures & Commerce segment perform in 2016?

With a 65 % rise in revenues, this segment was our biggest growth driver. Acquisitions such as the online air travel portal etraveli and the price comparison portal Verivox accelerated this substantial and at the same time profitable revenue increase. Plus, our purchase of the PARSHIP ELITE Group in the fourth quarter of 2016 added another strategic acquisition to our commerce portfolio. This opened up a new growth market for us. With Parship and ElitePartner, the company runs the already leading online dating portals in the German-speaking region. However, their success can be boosted still further through TV advertising. The majority stake in Parship was our third major acquisition in the digital sector within 18 months.

Now we are structuring our commerce investments into the four verticals Online Travel, Online Price Comparison, Online Dating, and Lifestyle Commerce.

To what extent are these investments benefiting from synergies in the Group?

The greatest leverage is in TV advertising. We can clearly see that our investments are reaping major benefits from advertising time on our TV stations. Verivox is one such success story. Within a year of being integrated into our Group, revenues of the online comparison portal were up nearly 40 %. But that's not all. We are also generating synergies within and among our verticals by connecting the platforms. That's why we integrated the weg.de and billiger-mietwagen.de offerings into the Verivox comparison portfolio in 2016. All these companies benefit from one another by extending their reach and thus expanding their customer base. And, in turn, we can offer our users added value by pooling the services we provide. The next step is embedding our various health, wellness, and fashion offerings into a 360-degree Lifestyle Commerce ecosystem in order to accompany consumers along their entire customer journey. Part of this is our 2016 investment in WindStar Medical, for example. Their health products are sold both online and in drugstores.

What are you focusing on in the Content Production & Global Sales segment?

Revenues in this segment increased by 38 % in 2016, marking another year of strong growth, both organically and through acquisitions. Our production business in the US was instrumental to this success: Red Arrow now generates over 70 % of revenues in the world's biggest TV market. Alongside this US focus, we are also expanding the collaboration between Red Arrow and our TV stations in Germany. Our goal is for more and more local productions to come from the Red Arrow network, so we can strengthen our program supply with attractive content. We made major strides here in 2016. Red Arrow's German subsidiary Redseven Entertainment, for example, successfully produced the dating show "Kiss Bang Love" for ProSieben. The show originated with the Danish Red Arrow subsidiary Snowman Productions and is a good example of how we plan to use the international ideas from this network even more for ProSiebenSat.1. Again, this illustrates how we generate synergies within the Group and what we mean by "Connecting the Dots."

Is your vision of positioning ProSiebenSat.1 as an omnichannel group also based on this idea?

Yes, definitely. In the coming years, we aim to evolve ProSiebenSat.1 into a leading "Omnichannel Entertainment & Commerce Brand Powerhouse." In other words, we want to create relevant thematic worlds and marketing environments for our own products and those of our advertising clients. The only way we will make that work is by connecting our business areas in the best possible way as well as by offering consumers an integrated shopping experience. To make that happen, we plan to extend our trade chain from TV through digital to the point of sale. Here, too, networking our entertainment and commerce businesses will work to our advantage. That sets us clearly apart from our competitors.

What goals are you pursuing for 2017 and beyond?

We got off to a good start in the first quarter and aim to continue our significant growth course throughout the year – both organically and through acquisitions. Overall, our goal for 2017 is to increase Group revenues by at least a high single-digit percentage. All segments will contribute to that. This means we are right on track to attain our 2018 financial targets. We can reach them purely through organic growth. In other words, further acquisitions would generate additional revenue and earnings potential. In our core business TV, we are growing steadily with a high earnings margin, and at the same time expanding dynamically in our other segments. I am confident that, from this position of strength, we will continue to advance ProSiebenSat.1 sustainably and successfully on its growth path.

4.5

BILLION EURO

in revenues is ProSiebenSat.1's target for 2018.

MEMBERS OF THE EXECUTIVE BOARD

Thomas Ebeling

CHIEF EXECUTIVE OFFICER

Christof Wahl

MEMBER OF THE EXECUTIVE BOARD
DIGITAL ENTERTAINMENT,
CHIEF OPERATING OFFICER

Dr. Ralf Schremper

CHIEF INVESTMENT OFFICER

Conrad Albert

MEMBER OF THE EXECUTIVE BOARD
EXTERNAL AFFAIRS & INDUSTRY RELATIONS,
GENERAL COUNSEL

Jan David Frouman

MEMBER OF THE EXECUTIVE BOARD
CONTENT & BROADCASTING, CHAIRMAN & CEO
RED ARROW ENTERTAINMENT GROUP

Dr. Gunnar Wiedenfels

CHIEF FINANCIAL OFFICER
(until March 31, 2017)

Dr. Christian Wegner

MEMBER OF THE EXECUTIVE BOARD
DIGITAL VENTURES & COMMERCE
(until December 31, 2016)

Sabine Eckhardt

CHIEF COMMERCIAL OFFICER
(since January 1, 2017)

Dr. Jan Kemper

CHIEF FINANCIAL OFFICER
(from June 1, 2017)

TV & PRODUCTION

TEAM SPIRIT TRANSLATES INTO BIG TV IDEAS

"Kiss Bang Love" hit the scene in 2016 as one of the most successful new programs on ProSieben. A strong German-Danish team turned the show by Red Arrow subsidiary Snowman Productions into a hit and demonstrated successful teamwork at every link of a TV concept's value chain.

Even the burly set builders waited with bated breath. A single kiss: passionate, carefree, genuine. All eyes were on the two blindfolded single people who had – literally – never laid eyes on each other, yet were falling in love at this very moment. "The atmosphere in the studio was magical," describes Tina Wagner, Executive Producer of Munich-based production company Redseven Entertainment. "And then our Danish partners jumped with joy and yelled, 'It worked!'"

"Kiss Bang Love" stars 12 men and one woman seeking true love and features a romantic blind date with blindfolded contestants. It's both a scientific TV experiment and a late-night ratings hit. The chemistry was there at the very first shoot. It took just under a year for a multinational ProSiebenSat.1 team to turn the dating show by Copenhagen-based Snowman

From: von Würden, Michael
Sent: Friday, July 3, 2015 3:30 p.m.
To: Wagner, Tina
Cc: Etspüler, Nina

Subject: Re: RE: RE: meeting on Kiss Bang

Deal

> *On 7/3/2015 at 3:23 p.m. Tina Wagner wrote:*
>
> Perfect!
>
> *Sent from my iPhone*

> *On 7/3/2015 at 2:45 p.m. Nina Etspüler wrote:*
>
> Cool for me
>
> > *From: von Würden, Michael*
> > *Sent: Friday, July 3, 2015 2:00 p.m.*
> > *To: Etspüler, Nina; Wagner, Tina*
> >
> > *RE: meeting on Kiss Bang*
> >
> > Hello Munich...
> > How would it suit you to have a meeting on Kiss Bang Love on Aug 10? Then we could update you on everything on our end and try to create a workflow together regarding the two productions, so we make as many similarities as possible.
> > We would come down to you :-)
> >
> > Best
> > Michael

Michael von Würden

CEO, SNOWMAN PRODUCTIONS

The CEO of Red Arrow's ideas factory in Denmark has made a splash with a new type of dating show thanks to successful programs like "Married at First Sight" (SAT.1) and "Kiss Bang Love" (ProSieben). "We create an illusion that is very close to real life. Viewers ask themselves: 'Could that happen to me? Would I do it? No, never!' But then after a pause, they think, 'Maybe I would!'"

PRODUCTION

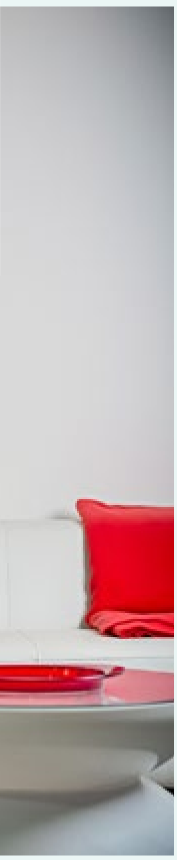
Tina Wagner

EXECUTIVE PRODUCER, REDSEVEN ENTERTAINMENT

Nina Etspüler

SENIOR VICE PRESIDENT DEVELOPMENT & CONTENT STRATEGY, RED ARROW ENTERTAINMENT GROUP

Wagner and Etspüler go way back and worked closely together on producing “Kiss Bang Love”. “We wanted viewers to be touched by the show.”



The kissing experiment

A single woman kisses 12 candidates while blindfolded and finds her true love. That’s the idea behind the dating show “Kiss Bang Love”. The five best kissers are selected with the help of biochemical messengers found in human saliva. Two are invited on a date where the single woman has to choose one of them ...

From: von Würden, Michael
Sent: Friday, February 12, 2016 8:50 a.m.
To: Etspüler, Nina

Subject: Re: Ratings KBL

This is excellent....looking across the channels...Kiss rules the slot! P7 and Red7 must be happy.

M

On 2/12/2016 at 8:45 a.m. Nina Etspüler wrote:

14.1% in main target group 14-49
And 1.11 mio

Good one.

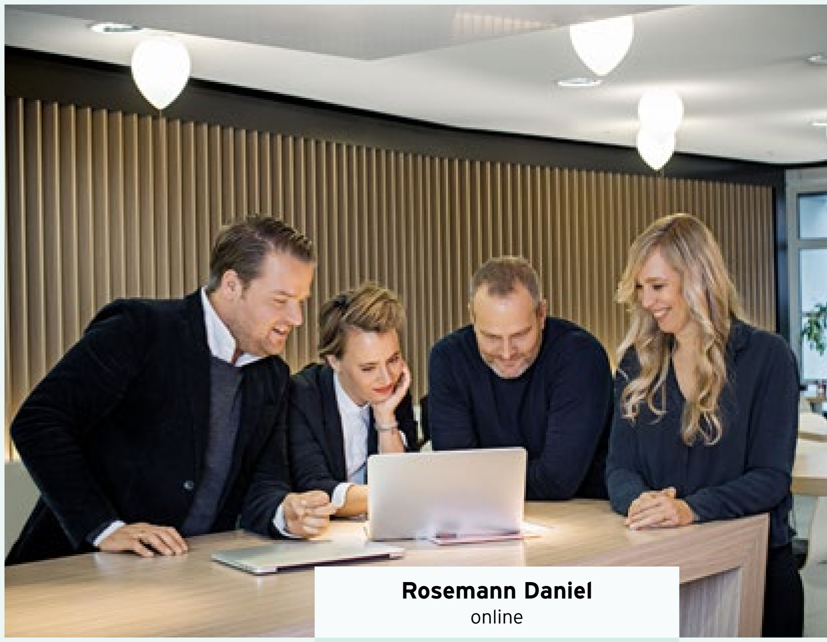
Very good obviously in very young target group 14-39 with 21%. Even better with only female and 25.1%.

Yes!

Best
Nina

Ten months

was all the ProSiebenSat.1 team needed to turn the idea for "Kiss Bang Love" into a show, from the pitch to the successful broadcast of the first four episodes on ProSieben in February 2016. The second season aired in February 2017.



Dream team produces a dream result

"Kiss Bang Love" had strong ratings right out of the box, and international distribution is underway as well. The team is already discussing new ideas.

Rosemann Daniel
online

ETSPÜLER NINA
Breaking news!!! The Americans are going to use our German production as a template, and our US subsidiary Kinetic produces. Tina is super proud!

WAGNER TINA
☺ ☺ ☺

Cool!

»STRONG STATIONS AND A STRONG PRODUCTION TEAM – IT'S A COMBINATION WITH ENDLESS POTENTIAL FOR CREATING VALUE.«

Daniel Rosemann

GENERAL MANAGER OF PROSIEBEN

"The best programs at ProSieben are funny, fresh and smart – and that is how we promoted the first season on Facebook and Instagram."

Productions into an international success. Like Redseven Entertainment, the Danish production company is part of Red Arrow Entertainment Group, the production and distribution arm of ProSiebenSat.1.

The whole thing started with a trailer that was no more than the visual depiction of an idea. When Michael von Würden, CEO of Snowman, first showed it to his Munich-based colleagues, it lit a spark right away. "What we saw was extremely romantic and very tasteful," remembers Tina Wagner, who produced the show for ProSieben. "We were confident that if we could carry this strong emotion throughout the whole show, it would be a hit," adds Daniel Rosemann, then Head of Entertainment, now General Manager of ProSieben.

A well-oiled team worked on the launch. Tina Wagner previously successfully produced the Snowman show "Married at First Sight" for SAT.1. In his first months at ProSiebenSat.1, Daniel Rosemann had shared an office with Nina Etspüler, who is now Senior Vice President Development & Content Strategy at Red Arrow Entertainment. "We have known each other forever and finish each other's sentences," she states. "The whole team was hugely excited about the project and really pulled together to make it happen."

Intensive sharing of experience with the idea generators in Denmark

Snowman began the production of the show's local Danish version almost concurrently with the team in Germany. The Snowman team sometimes came to Unterföhring to work out the specifics of the joint project with Redseven and ProSieben. Other times, the Munich staff traveled to Copenhagen to look over the shoulders of the Snowman team. "In contrast to the Danish production, we wanted our look and feel to be warmer," emphasized Wagner. "We aimed to tailor the program to ProSieben's style." The two teams collaborated closely on scripting, studio design, and managing the candidate selection process. "Our shared goal was to make authentic television that would speak to viewers and create a comfortable atmosphere for the candidates," says Rosemann, who himself worked as a producer for many years.

It was a success: The first episode on ProSieben captured a market share of 14.1% among viewers aged between 14 and 49, and the show got 1.6 million video views online. "Other people would have just turned our idea into another game show," Michael von Würden declares. "But together we laid the groundwork for an internationally successful property." Red Arrow has already sold the show to broadcasters in more than 10 countries. The German production served as a template in large TV markets like the United States and Australia.

19 production companies, seven stations: enormous potential value

From concept through production to worldwide distribution, "Kiss Bang Love" is just one example of how business areas at ProSiebenSat.1 work together on TV show ideas along the entire value chain. Developing compelling programs and keeping the rights to TV properties "in the family" to monetize them in the best possible way is how Jan Frouman aims to further grow the business. He is Chairman & CEO of Red Arrow Entertainment Group and Executive Board member responsible for Content & Broadcasting at ProSiebenSat.1. Going forward, more and more of the local productions commissioned by the German broadcasting group are set to come from Red Arrow Entertainment's international network. "This boosts communication and creativity," adds Rosemann. "The speed of our cross-disciplinary teams and the impact they are currently generating is an enormous competitive advantage," he says.

With 19 production companies in seven countries, Red Arrow Entertainment already is a key program supplier to ProSiebenSat.1's seven TV stations. The objective to bring more joint formats on air is not a carte blanche, though: "Although we're part of the same family, if a program isn't suitable for a station, we won't take it," Rosemann declares. "And that type of honesty is good," replies Nina Etspüler of Red Arrow. "Only when everyone is truly sold on an idea, our joint teams are able to execute it perfectly. Viewers accept only the best." ◻

DIGITAL COMMERCE & MARKETING

DYNAMIC SU

The online consumer portal Verivox has experienced significant growth since its acquisition by ProSiebenSat.1 in 2015. Instrumental in this strong performance: a seasoned management team that has successfully harnessed Group synergies to drive the business development.

In February 2016, Verivox held its first major strategy meeting with its new shareholder ProSiebenSat.1 at the lake Tegernsee in Germany. En route to Bavaria, Chris Öhlund, CEO of the Verivox Group, wondered how discussions with the new investor would go and how the Group envisioned the relationship. After two intensive days, the path ahead was clear: "The working atmosphere was very open and constructive. While remaining true to its nature, Verivox will now also benefit from a media group's marketing power."

Marketing offensive boosts revenues and earnings

Since then, Verivox's strong presence on the ProSiebenSat.1 TV stations is not all that has ramped up the price comparison website's growth. Numerous other Group synergies, especially within ProSiebenSat.1's e-commerce portfolio, have also been a huge boon.

"As investor, it's important to us that the businesses we buy come with a strong management," says Florian Tappeiner, Executive Vice President Mergers & Acquisitions at ProSiebenSat.1. In this atmosphere of trust, Öhlund is steering the business forward with focused determination. "Chris has the courage to make compelling cases for his ideas before all of the Group committees," says Claas van Delden, who is in charge of the investment at ProSiebenSat.1 as Managing Director of 7Commerce. "Our team spirit is right on target. Together, we're going to achieve great things."

UCCESS

Claas van Delden

MANAGING DIRECTOR OF 7COMMERCE, PROSIEBENSAT.1 MEDIA SE

successfully coordinates Verivox's operational and strategic development within the Group.

Florian Tappeiner

EXECUTIVE VICE PRESIDENT MERGERS & ACQUISITIONS, PROSIEBENSAT.1 MEDIA SE

spent a long time observing market developments before finally orchestrating the acquisition of Verivox.

Chris Öhlund

GROUP CEO, VERIVOX HOLDINGS

was looking for an investor and found the perfect match in ProSiebenSat.1.

Chris Öhlund

The native Swede Öhlund has more than three decades of international management experience to his credit. "Time is the most precious commodity in the Internet business. Still, it's worth pausing and asking yourself: What can we do even better together?"

Chris Öhlund

We could not have mustered the marketing power ProSiebenSat.1 offered on our own. It has boosted our clout and our success. What's more, we gain the advantages of belonging to a group. To be honest, I've never experienced such incredibly professional corporate services. The purchasing department is quick and goal-driven, and instantly delivered significant cost savings. An unbelievably knowledgeable IT expert is helping us to optimize our website. It's also easier for us to hire new talent. Plus, our colleagues' excellent public affairs network helped us enter into dialog with high-ranking politicians about "consumer protection 4.0." In short, with ProSiebenSat.1 as a shareholder, new doors are now open to us.

Florian Tappeiner

We spent years watching the UK market, which is the leader in Europe for online comparison portals. TV advertising is very effective there. When the first Verivox TV campaign was successfully launched here in Germany, we knew one thing for sure: this brand with its sound business model has what it takes to become even stronger with the help of our TV expertise and the synergies available in the Group. After all, there is tremendous growth potential in the German market. We anticipate that sales in the consumer portal segment will double to just under EUR 1 billion by 2020.

What we've achieved with Chris Öhlund and his team at Verivox in our first 18 months together has far exceeded our expectations. This can be largely attributed to the mutual trust between Chris and Claas and their goal-oriented partnership in managing daily operations. Best of all, we're nowhere near exhausting all the possible synergies.

Florian Tappeiner

Tappeiner, the M&A expert, guided ProSiebenSat.1 through the process of purchasing the majority stake in Verivox. "This deal represented our first foray into strategic investments on a whole new financial scale."

Claas van Delden

Verivox promises a clear benefit: customers find the best price. When we acquired the company in 2015, a survey of comparison portals revealed that only 56% of respondents recognized the name Verivox. Our marketing power has since lifted that number to 82%. By 2020, we aim to further expand Verivox's market leadership in energy, and to be in market-leading positions in telecommunications, insurance, finance, and travel. In 2016, we already succeeded in increasing revenues by between 25 and 50% in the comparison verticals to reach a total of considerably over EUR 100 million.

And we have plenty more ideas about how to take Verivox forward, such as branded entertainment, for example. Shows like the "weg.de Reiseclub", the "Stylight Style Loft" fashion magazine, and the "Amorelie Love Lounge" already work very well with other e-commerce brands. But it's not just Verivox reaping the benefits of the Group's network; some of our other commerce companies are profiting from Verivox, too. Offerings from billiger-mietwagen.de and weg.de, for instance, have been incorporated into the Verivox travel section.

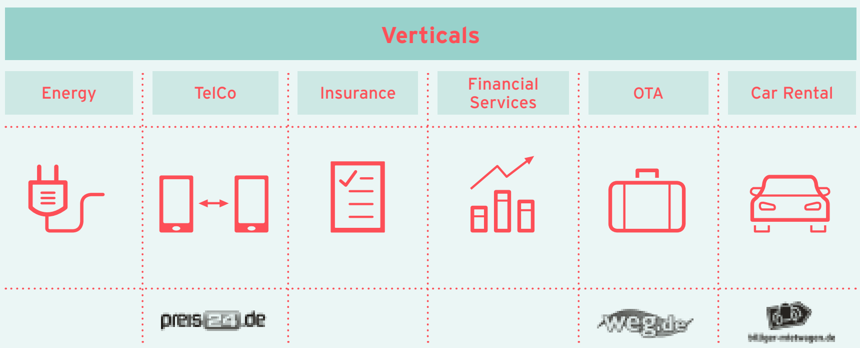
Claas van Delden

Van Delden is the ProSiebenSat.1 specialist in synergies and sharing best practices. In the course of his career, he has overseen more than 30 digital investments. "ProSiebenSat.1 is the world's leading TV media investor."

VERIVOX

Integration of ProSiebenSat.1 offerings

ProSiebenSat.1 integrates platforms from the Digital Ventures & Commerce portfolio into Verivox's various comparison verticals. The price comparison portal thus establishes new business segments thanks to Group synergies.



>25%

INCREASE IN REVENUES

TV ADVERTISING GOES LIVE

TV & MARKETING

"Circus HalliGalli" hosts Joko and Klaas staged the first-ever live commercials on German free TV. **This alternative to the traditional commercial break proved a hit with viewers and customers alike. The close cooperation between the station and advertisers generates added value for all sides.**

The band has played their last chords and the applause is fading

Usually this would be followed by a commercial break. But wait – there's more. "We wondered what we could do to avoid the standard advertising pod but still rake in tons of cash," Klaas Heufer-Umlauf says. Change the channel? No way! Stay tuned!

Sassy, spontaneous, and authentic

"Circus HalliGalli" hosts Klaas Heufer-Umlauf and Joko Winterscheidt performed their very own ad pod comprising seven sassy, spontaneous, authentic commercials in August 2016. The hosts, who have long been sought-after brand ambassadors, are familiar with viewers' and clients' needs. "If this is what advertising looks like, I want more of it," was the reaction on social networks.

»THERE'S ONE MORE LINE WE HAVE TO SAY: THERE'S A BITE TO THIS LITTLE GUY.«

Joko Winterscheidt
CIRCUS HALLIGALLI

ADVERTISING IMPACT

69

percent

of the 20- to 49-year-olds surveyed found the on-set commercials entertaining. 77 % thought they were creative.

Eun-Kyung Park
HEAD OF SALES, SEVENONE ADFACTORY

An innovative product

"We wanted to surprise viewers with an entertaining alternative to the traditional commercial break and offer advertisers an innovative, high-impact product," says Eun-Kyung Park, Head of Sales at SevenOne AdFactory, ProSiebenSat.1's 360-degree marketing company. The idea of staging a single commercial quickly turned into an entire pod, marking a premiere for German free TV – on ProSieben. A joint project group of marketing experts and editors developed the initial idea until it was ready to air. Legal issues had to be clarified and advertising clients had to be won. Instead of live on tape – they usually record in the afternoon – the entire late-night show went out live for the first time, "with no safety net," as Park says.

AUDIENCE SHARE

12.8

percent

of 14 to 49 year old viewers saw Joko and Klaas' first live commercials on August 29, 2016. The positive response on social networks boosted the show's ratings still further.

INNOVATIVE

Courageous clients

The premiere was a leap of faith for clients such as Bahlsen, Rügenwalder Mühle, and Gillette. Unlike regular commercials, there were no approval loops or okayed scripts. Clients were allowed to specify five dos and three don'ts. Typical "HalliGalli-style" product presentations were permitted.

»JOKO AND KLAAS COMBINED GREAT ENTERTAINMENT WITH PERFECT PRODUCT PRESENTATION.«

Wolfgang Link
HEAD OF THE MANAGEMENT BOARD, PROSIEBENSAT.1 TV DEUTSCHLAND

Close cooperation

"We managed to stay on the right side of the fine line," says Wolfgang Link, Head of the Management Board of ProSiebenSat.1 TV Deutschland. "Joko and Klaas combined great entertainment with perfect product presentation." Live experiments like this, Link adds, hinge on having complete confidence in the professionalism of the artists and close cooperation between the station and people in charge of sales.

Ultimately, the leap of faith paid off for everyone concerned. Predominantly young viewers flooded the social networks with conversations about the new advertising format – and the buzz was almost exclusively positive. One-third of the feedback on Twitter, Facebook and other social media was related to the brands advertised. Most importantly, viewers remembered them better than a traditional string of commercials.

Ich: Nitram. Und du? @nitram4ever 8 hrs.
@ProSieben I've NEVER been so
BLOWN AWAY by a commercial break as I was just now.
I'M BUYING THAT STUFF!
ALL OF IT!
3 OF EVERYTHING!
#CHG #*advertising*
17 96

Kevin Klose @NichtTomJones 8 hrs.
Now at last THAT'S something I've never seen before. A live commercial break as part of a show. Really clever idea! #CHG #HalliGalli
9 111

Innovative strength

Especially in an age where media buying and booking are becoming increasingly automated, it is important to offer clients new ways to create an emotional link to brands, Park adds. Link believes that the innovative strength is key to the success of TV. "Our job is to surprise and delight viewers and advertisers with new offerings again and again."

HAMBURG

5°C —

MUNICH

18°C

DIGITAL COMMERCE & MARKETING

Desert heat, drizzling rain, or snowstorm – whatever the weather, companies can now advertise products on TV to match the weather situation. SevenOne Media **makes this happen with its new** targeting option **and thus unlocks additional ad revenue potential in partnership with** wetter.com.

It could be sunscreen when skies are clear or nasal spray during a period of persistently wet weather. Placing commercials by weather and location makes television advertising more informative and thereby more relevant.

This new option provided by ProSiebenSat.1 sales company SevenOne Media in its addressable TV portfolio is called weather targeting. In spring 2016, the digital sales team pitched the idea to Heinrich von Hoessle. "Could we broadcast advertising messages aligned with the minute-by-minute weather situation where viewers live?" they asked.

SevenOne Media and wetter.com: linking data and expertise

As Unit Director for addressable TV at SevenOne Media, von Hoessle knows how critical addressing consumers selectively is for the future of TV advertising. "Our account managers had the right instinct. They hit the bull's-eye," he recalls. "Whether you're buying food to barbecue, cough drops, or a new set of tires, most purchasing decisions depend on the weather. And this idea was particularly clever because everything we needed to implement was already available at ProSiebenSat.1: the weather data, the technology, and the marketing expertise."

It helped that wetter.com is part of the ProSiebenSat.1 family. Germany's market-leading weather portal wetter.com provides the data for SevenOne Media's weather-based advertising. It took just six months for von Hoessle and wetter.com COO Stefan Bornemann to develop this innovative advertising product from the idea phase to market readiness. The first advertising campaign of this type, booked by airline Eurowings, aired for the first time in September 2016. Weather targeting by ProSiebenSat.1 offers advertising clients new options for customizing their messages to viewers, thus generating additional ad revenues. □

Heinrich von Hoessle

UNIT DIRECTOR ADDRESSABLE TV, SEVENONE MEDIA

Product marketing expert von Hoessle pushes ProSiebenSat.1's forward-looking addressable TV efforts. "Addressable TV is strategically highly relevant for us. It combines the extensive reach of television with the personalized approach of online marketing. This takes TV advertising into the digital age."

01 – Innovation

Addressable TV combines the mass-media reach of television with the personalized communication made possible by the Internet. In 2015, ProSiebenSat.1 subsidiary SevenOne Media was the first sales company to tailor digital ad windows to target groups and locations on TV shows. Around 100 addressable TV campaigns were run in 2016, and 2017 is expected to see twice as many thanks to the integration of weather data, amongst others. "**Weather targeting** is an indicator of where TV advertising is heading," explains Heinrich von Hoessle, Unit Director addressable TV at SevenOne Media.

TV + INTERNET =

HbbTV

Addressable TV is based on the Hybrid broadcast broadband TV (HbbTV) standard, which melds TV formats with online content. According to the Association for Consumer & Home Electronics (Gesellschaft für Unterhaltungselektronik), over one in two televisions in German households is already a Smart TV. The majority are HbbTV enabled.

IP-ADDRESS =

Location

Like other web-enabled devices, localized content can be sent to an Internet-enabled television through its IP address.

02 – Product offerings

Weather targeting opens the way for **selective advertising** in line with the current weather conditions at the viewer's location. A weather-related **SwitchIn** is positioned on the left-hand side of the screen during the broadcast of a TV show. Additional attention-getters are optional **co-branding** with wetter.com and a display of weather data at the bottom of the screen. Viewers can also push the "**red button**" on the remote control to access a specially programmed web page (microsite) featuring supplementary information.

03 – Demand

Weather is a key factor in purchasing decisions – and not just in fashion, travel, and leisure. Ad campaigns tailored to cold or hay fever season can be effective for companies in the pharmaceutical and health care sectors. Barbecue weather is a boon for the food and beverage industry, while auto manufacturers count on consumers changing tires in winter, and storm warnings are important to insurance companies. The demand for **targeting, 360-degree cross-media advertising concepts, and innovative campaigns** is growing **dynamically.** "We plan to offer additional options such as behavioral targeting and also **automate booking**," von Hoessle says.

REAL TIME + FORECAST =

weather data pool

Temperature, precipitation, wind: wetter.com refreshes weather data every five minutes and uploads the current weather and short-term forecasts for the specific geographic coordinates to a ProSiebenSat.1 cloud database.

-2 °C -6 °C

Munich, Bavaria
December 12, 2016

wetter.com

Stefan Bornemann
CHIEF OPERATING OFFICER, WETTER.COM

For some time now, SevenOne Media has been marketing the digital portfolio of wetter.com. "It made sense to integrate weather targeting into the new addressable TV business."

GEOGRAPHIC COORDINATES + WEATHER DATA + AD SERVER =

precisely tailored ads

A data interface provides weather data to the ad server managing the booked ad campaigns. Commercials are then broadcast by location based on the current or forecast weather conditions.

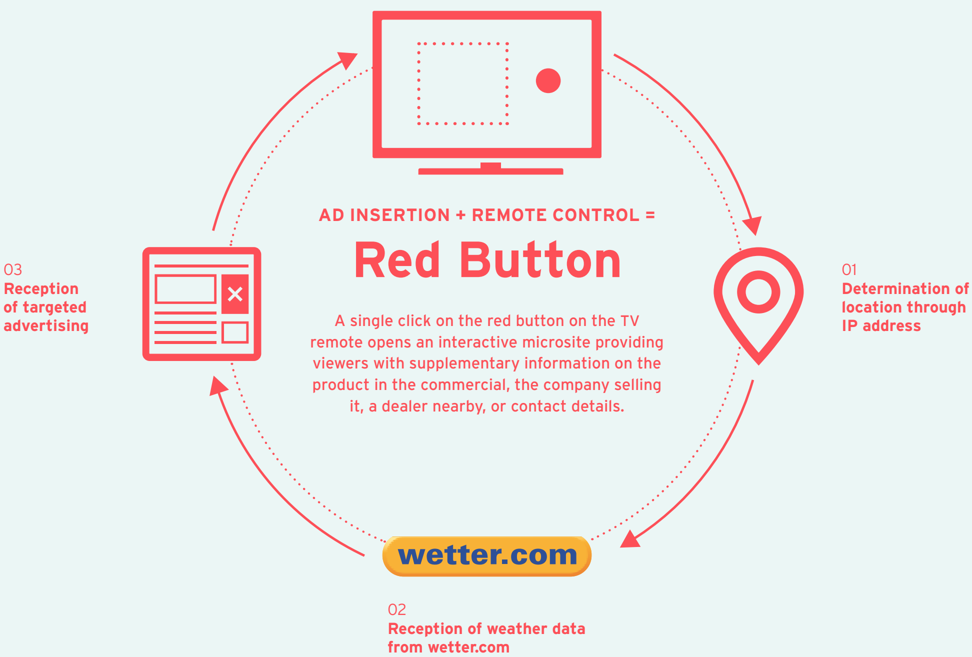
04 – Value

Weather targeting attracts attention, and provides a glimpse into user behavior, thereby making commercials more informative for the viewer and offering new possibilities on designing campaigns for clients. For SevenOne Media and wetter.com, this product innovation generates **additional revenues** from the targeting premium and the opportunity for additional sales of other data products and consulting services. "Our **weather analytics projects** are greatly in demand. Together with our clients, we analyse the data and show the influence of weather on campaign results or product sales," says Stefan Bornemann, Chief Operating Officer of wetter.com.

AD INSERTION + REMOTE CONTROL =

Red Button

A single click on the red button on the TV remote opens an interactive microsite providing viewers with supplementary information on the product in the commercial, the company selling it, a dealer nearby, or contact details.



We are the first media group to systematically connect TV, content production, digital entertainment offerings as well as e-commerce and to benefit from the resulting synergies. Our main objective with this strategy is to achieve sustained and profitable growth in a dynamic competitive environment.

Connecting the Dots

ProSiebenSat.1 has been pushing the Company's digital transformation since 2009. This endeavor has been so successful that in the past we have not only achieved but also exceeded our revenue and earnings targets multiple times. With revenues of EUR 3,799 million and a recurring EBITDA of EUR 1,018 million, 2016 was a new record year.

Our vision for the next years is to position ProSiebenSat.1 as a leading omnichannel entertainment & commerce brand powerhouse with an international presence. In everything we do, we aim to delight, inspire, and support the users of our offerings while providing our advertising customers with unique added value.

A
TO OUR SHAREHOLDERS

Content

1 Part of the audited Combined Management Report.

REPORT OF THE SUPERVISORY BOARD

Dr. Werner Brandt
Chairman of the Supervisory Board

Dear Shareholders,

ProSiebenSat.1 Group was very successful in 2016, a year in which the Company worked to systematically implement its growth strategy. In light of that success, the Company once again raised its medium-term guidance in October 2016: Consolidated revenues are now projected to reach EUR 4.5 billion in 2018 (previous target: EUR 4.2 billion).

We, the Supervisory Board of ProSiebenSat.1 Media SE, provided the Executive Board with comprehensive advice and ongoing support. In financial year 2016, the Supervisory Board again performed the tasks required of it by law, the Company's Articles of Incorporation, and the rules of procedure, taking into account the recommendations of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK).

Cooperation Between the Executive Board and the Supervisory Board

In financial year 2016, the Supervisory Board regularly advised the Executive Board on its management of the Company in a spirit of close and trusting cooperation, and diligently and continuously oversaw the Board in conducting the Company's business. Our work included a detailed examination of the Group's operating and strategic performance.

The Supervisory Board received regular, prompt, and comprehensive information from the Executive Board regarding all issues relevant to the Company's strategy, planning, business performance, risk situation, risk management, and compliance, both at the Supervisory Board meetings and outside of meetings. The Executive Board explained to the Supervisory Board all deviations from the projected figures in detail and consulted with the Supervisory Board in that regard. We were therefore directly involved in all decisions of fundamental importance to the Company at an early stage.

The Supervisory Board meetings were characterized by an open, in-depth exchange between the Supervisory and Executive Boards. Closed sessions, in which the members of the Supervisory Board meet without the Executive Board being present, are also an integral part of the meetings.

Wherever specific actions required the consent of the Supervisory Board or one of its committees pursuant to the law, the Articles of Incorporation, or the rules of procedure, we consulted on the matter and adopted the requisite resolution. The Supervisory Board was kept consistently and comprehensively informed of all matters requiring its approval, and the associated draft resolutions were promptly submitted for review by the Executive Board. The Supervisory Board was supported in this process by the competent Board committees, and it also discussed the proposals with the Executive Board.

In addition to the reports it presented at Supervisory Board meetings, the Executive Board kept us updated on the Company's key financial indicators in written monthly reports and also provided us with both financial information set up during the fiscal year and annual financial information and reports. Information on events of significance was provided without delay also outside of meetings and the regular reporting process and, where necessary, we were asked to adopt written resolutions in consultation with the Chairman of the Supervisory Board. In addition, I maintained an ongoing and close one-on-one dialog with Thomas Ebeling, the Company's CEO, in my capacity as Supervisory Board Chairman and, where necessary, also with the other Executive Board members.

Based on the reports submitted by the Executive Board, the Supervisory Board stayed up to date on the Company's situation at all times, was directly involved in upcoming decisions at an early stage, and was therefore able to perform its tasks in their entirety. There was hence no need for the Supervisory Board to examine the Company's books and other records beyond the documentation provided to us in the course of the Executive Board's reporting activities.

Focal Points of the Supervisory Board's Advisory and Monitoring Activities

Supervisory Board members, page 35.

Corporate Governance Report, page 36.

In financial year 2016, the Supervisory Board once again dealt with the Company's business and financial situation, fundamental questions of corporate policy and strategy, the general personnel situation, and specific investment projects. All in all, the Supervisory Board of ProSiebenSat.1 Media SE held six regular, in-person meetings, three teleconferences, and one full-day session. All members of the Supervisory Board attended more than 75 % of the meetings. An individual breakdown of meeting attendance is presented in the Corporate Governance Report, which can be found online at www.prosiebensat1.de/en/page/corporate-governance-bericht and in the Annual Report starting on page 36.

- An extraordinary meeting of the full Supervisory Board was held on February 11, 2016. At that meeting, the Supervisory Board followed the recommendations of the Compensation Committee and gave its preliminary approval of topics relating to Executive Board remuneration, i. e. payment of a performance bonus for financial year 2015 as well as settlement of the 2012 Group Share Plan and the amounts of the related cash disbursements. The full Supervisory Board also appointed Jan David Frouman effective March 1, 2016 for a contractual period of three years. Mr. Frouman is in charge of the Content & Broadcasting Board department. The budget for financial year 2016 was also adopted at the meeting. Moreover, the full Supervisory Board approved the acquisition by Red Arrow Entertainment Group GmbH of a non-controlling interest of 25% in Cove Pictures Limited, a production firm domiciled in London.

- At the financial statements meeting held on March 11, 2016, the Supervisory Board approved the Annual and Consolidated Financial Statements, the Combined Company and Group Management Report, and the Corporate Governance Report for financial year 2015 as well as the 2015 Declaration of Compliance. The Board reviewed and concurred with the proposal of the Executive Board for the allocation of profits. The Supervisory Board also concurred with the Audit and Finance Committee's proposal for the appointment of the auditor for financial year 2016.

  At the financial statements meeting, we were moreover supplied with a detailed overview of the Company's current performance.

  In addition, we followed the various recommendations of the Compensation Committee pertinent to matters on the meeting agenda. Hence the Supervisory Board appointed Christof Wahl to the Executive Board as a new member effective May 1, 2016. Mr. Wahl is responsible for the Digital Entertainment Board department and also serves as Chief Operating Officer. His contract runs for three years. At that meeting, we also gave our final approval of the performance bonus payments to be made to the Executive Board for financial year 2015 and approved the cash payout for the 2012 Group Share Plan. In March 2016, the Supervisory Board furthermore decided to exercise its discretion with respect to the Group Share Plan by stipulating that, until further notice, the performance share units of the Group Share Plan would only be settled in cash after the end of the respective holding period. In addition, we concurred with the Compensation Committee's proposal with regard to performance bonus targets for the individual Board members for financial year 2016.

- The Company's annual strategy meeting was held on June 29, 2016. At that meeting, we were provided with a comprehensive report detailing the Company's growth strategy.

- Another regular, plenary meeting was held on June 30, 2016 after the Annual General Meeting. Ketan Mehta was appointed to the Presiding and Nominating Committee as an additional member at that meeting. In addition, the Supervisory Board was provided with comprehensive information on the requirements of the new Market Abuse Regulation, particularly as relates to handling managers' transactions (formerly known as "directors' dealings"), and on insider trading regulations.

- In a teleconference held on August 10, 2016, the Supervisory Board consulted on and approved the acquisition by 7Life GmbH, a subsidiary of ProSiebenSat.1 Media SE, of a controlling interest (92 %) in WSM Holding GmbH (WindStar Medical Group). WindStar Medical Group specializes in developing and marketing innovative health products in niche markets.

- In another teleconference held on September 1, 2016, the Supervisory Board approved the acquisition of a majority stake in the PARSHIP ELITE Group by ProSiebenSat.1 Group. PARSHIP ELITE Group leads the online dating market in the German-speaking regions with its two brands, PARSHIP and ElitePartner. The acquisition adds to ProSiebenSat.1's digital business portfolio.

- The Supervisory Board held one of its regular meetings in the USA on September 7 and 8, 2016. At that meeting, we dealt in detail with the topic of data — an issue that is becoming more and more relevant for ProSiebenSat.1 as a media group given the possibilities for using data analyses to direct advertising campaigns and entertainment offerings even more specifically at the respective target groups. We also gained some insight into the workings of a major US production studio.

  In addition, a Capital Markets Committee was set up at the Supervisory Board meeting held on September 7, 2016. In lieu of the full Supervisory Board, the Capital Markets Committee decides on whether to approve the use of the Company's Authorized Capital as well as on associated measures (please refer to the section entitled "Report on the Work of the Committees" for more information).

- Another Supervisory Board meeting was held by teleconference on October 3, 2016. At that meeting, we consulted on Dr. Gunnar Wiedenfels' request to terminate his contract early. Dr. Wiedenfels will be leaving the Company on March 31, 2017 to take on the position of CFO of Discovery Communications in New York, a global media corporation.

- At the regular meeting of the Supervisory Board held on December 8, 2016, we appointed Ms. Sabine Eckhardt to the Executive Board as Chief Commercial Officer. Her term of office commenced on January 1, 2017 under a three-year contract. The Supervisory Board came to a mutual agreement with Dr. Christian Wegner not to extend his contract and to terminate it as of December 31, 2016. Dr. Wegner stepped down from his post as Executive Board member in charge of Digital Ventures & Commerce effective December 31, 2016.

  We also approved the 2017 budget for ProSiebenSat.1 Group, which was presented to us along with a detailed explanation. In addition, we were provided with extensive reports on the performance of our key business areas. Other items on the agenda concerned security at the Company, notably IT security. The Board was given a detailed report on the current status and was notified of measures to be implemented in the future. Moreover, the Supervisory Board held a closed session in which it discussed the review of the efficiency of its actions.

The Supervisory Board also adopted by written circular vote eleven resolutions outside of meetings. Among other things, the resolutions adopted concerned the acquisition by Red Arrow International, Inc. of a controlling interest in Dorsey Pictures, LLC, a US production company, which we approved in January. On May 9, 2016, the Supervisory Board adopted the proposed resolutions for the agenda of the 2016 Annual General Meeting. We furthermore approved by way of written circular vote a 100 % takeover of Stylight GmbH after extensive consultation by the full Supervisory Board. In June, the full Supervisory Board approved the disposal of a non-controlling interest (7.8 %) in ZeniMax Media Inc., a video game publisher domiciled in the USA. The Supervisory Board also approved the repurchase of the rights of exploitation to seasons one to three of "Bosch," a US television series, by companies of the Amazon Group from Red Arrow Entertainment Group GmbH. The resolution also covers the co-financing and co-production of Season Four and any additional seasons. In October, the Board agreed to the acquisition of a 42 % stake in Beko KäuferPortal GmbH by Marketplace GmbH, a subsidiary of ProSiebenSat.1 Commerce GmbH. We also approved the raise in interests in Vitafy GmbH by 7Wellbeing GmbH and 7NXT GmbH, both indirect subsidiaries of ProSiebenSat.1 Media SE. Also in October, the Supervisory Board consented to extend the agreement between ProSiebenSat.1 Media SE and maxdome GmbH as well as other agreements with various companies of the Unitymedia Group for several years. In December, the Supervisory Board approved by way of written circular vote the terms and conditions of the 2016 Group Share Plan as well as the distribution of PSUs to Executive Board members in line with the recommendation of the Compensation Committee.

Report on the Work of the Committees

Corporate Governance Report, page 36.

The Supervisory Board of the Company has formed various committees to support it in its work. In 2016, the Board had four committees to ensure efficient execution of its duties: The Presiding and Nominating Committee, the Compensation Committee, the Audit and Finance Committee, and the Capital Markets Committee. The committees reported to the Supervisory Board regularly and comprehensively on their activities in its plenary sessions. The main emphases of the committees' work are described below. An individual breakdown of attendance at meetings of the Supervisory Board's committees is provided in the Corporate Governance Report, which can be found on our website at www.prosiebensat1.de/en/page/corporate-governance-bericht as well as starting on page 36 of the Annual Report.

The PRESIDING AND NOMINATING COMMITTEE coordinates the work of the Supervisory Board and prepares its meetings. It also passes resolutions delegated to it under the Supervisory Board's rules of procedure. The committee moreover executes the duties of a nominating committee pursuant to the German Corporate Governance Code. The Presiding and Nominating Committee met once in person in 2016 and once by teleconference. It passed a total of nine resolutions by way of circular vote.

The following are some of the matters approved by the Presiding and Nominating Committee by circular vote: In March, the Committee approved the launch of a new free TV station for news reports and documentaries called kabel eins Doku, which went live on September 22, 2016. In April, marketing agreements with media agencies GroupM Germany GmbH and MGMP MagnaGlobalMediaPlus GmbH were approved. The agreements run for two years. Furthermore, the Committee approved a partnership between Deutsche Bahn and maxdome, a video-on-demand portal. In the same month, the Presiding and Nominating Committee approved a resolution to reappoint Supervisory Board member Ketan Mehta and communicated its recommendation to the full Supervisory Board. Mr. Mehta's term in office was originally set to expire on June 30, 2016 upon conclusion of the Annual General Meeting. In May, the Committee approved an advertising slot marketing agreement with DENTSU AEGIS NETWORK GERMANY GmbH. In the second half of 2016, the Presiding and Nominating Committee approved agreements with Twentieth Century Fox International Television, Inc., Warner Bros., and Heidi Klum concerning her participation in new seasons of "Germany's Next Topmodel – by Heidi Klum."

The COMPENSATION COMMITTEE prepares resolutions on personnel-related Executive Board matters for plenary sessions of the Supervisory Board. In financial year 2016, the Committee dealt in particular with the appointments to the Executive Board of Jan David Frouman, Christof Wahl, and Sabine Eckhardt as new members and the conclusion of their contracts, as well as with the extension of Conrad Albert's appointment as a member of the Company's Executive Board and his contract. The Compensation Committee of ProSiebenSat.1 Media SE held two regular meetings in person and one additional meeting by teleconference in 2016. Twelve resolutions were adopted by circular vote.

- The Compensation Committee called an extraordinary meeting for February 11, 2016 at which it dealt in detail with the Executive Board's target attainment for award of a performance bonus for financial year 2015 and the amounts to be disbursed to the Executive Board members. Also on the agenda were the cash settlement of the 2012 Group Share Plan and the amounts to be paid out to the Executive Board. The recommendation to be made to the full Supervisory Board to appoint Jan David Frouman as a new member to the Executive Board was also adopted at that meeting. Various long-term incentive plans for executive managers at ProSiebenSat.1 Media SE constituted a further agenda item.

- On March 6, 2016, the Compensation Committee met by teleconference to discuss the appointment of Christof Wahl to the Executive Board as a new member and to communicate its recommendation to the full Supervisory Board. The Committee additionally dealt with extending the contract of Executive Board member Conrad Albert, which it decided to renew for five years (until April 30, 2021).

The following are some of the matters approved by the Compensation Committee by circular vote: In March, it adopted the recommendation to be made to the full Supervisory Board regarding the performance bonus targets for the individual Executive Board members for financial year 2016. In June, the Committee agreed to the launch of the MyShares employee stock option plan. In December 2016, the Compensation Committee communicated by way of a circular vote its recommendation to the Supervisory Board to adopt the terms and conditions of the 2016 Group Share Plan and the distribution of performance share units (PSUs) to the individual Executive Board members. The terms and conditions of the Group Share Plan contained no significant changes compared with the prior year. The Compensation Committee also approved the distribution of PSUs from the 2016 Group Share Plan to selected Company executives.

The AUDIT AND FINANCE COMMITTEE met five times in 2016 in regular, in-person meetings. It prepared the audit of the Annual and Consolidated Financial Statements as well as the proposed allocation of profits for the Supervisory Board. The Committee also discussed with the Executive Board the half-yearly financial report and the quarterly statements. In addition, it held discussions with the auditor concerning the strategy of the Company and the auditor's findings.

The 2016 auditor's review focused in particular on the potential impairment of goodwill and other intangible assets, the measurement of plan assets, acquisitions of companies and shareholdings, revenue recognition, hedge accounting, and income taxes. In addition, the Audit and Finance Committee dealt with the supervision of the financial reporting process, the effectiveness of the internal control system, the risk management system, the internal audit system, and the compliance function.

The Audit and Finance Committee engaged the auditor for financial year 2016, monitored the quality of the audit and the independence of the auditor, and submitted to the Supervisory Board a proposal for the appointment of an auditor for financial year 2017. In that context, the Committee also dealt in detail with the new statutory requirements for audits of financial statements, notably as regards the future specifications for the provision of non-audit-related services by the auditor.

The CAPITAL MARKETS COMMITTEE was newly formed in 2016 as an additional Supervisory Board committee. Appointed to the Committee were Supervisory Board Chairman Dr. Werner Brandt (who also chairs the Committee), Antoinette (Annet) P. Aris, Dr. Marion Helmes, Ketan Mehta, and Prof. Dr. Rolf Nonnenmacher. The Committee is authorized to decide in lieu of the full Supervisory Board on whether to approve the use of the Company's Authorized Capital as well as on the associated measures. The Capital Markets Committee met twice in financial year 2016.

Following a preparatory consultation on October 30, 2016, the Committee approved a capital increase of approximately 6.5 % in return for a cash contribution in the amount of EUR 14,202,800 by issuing 14,202,800 new registered shares from Authorized Capital 2016, subject to the exclusion of shareholders' subscription rights. The new shares were sold to institutional investors at a price of EUR 36.25 per share in a private placement involving an accelerated bookbuilding process. The gross issue proceeds amount to around EUR 515 million.

Audit of the Annual and Consolidated Financial Statements for Financial Year 2016

The Annual and Consolidated Financial Statements of ProSiebenSat.1 Media SE and the Combined Management Report for financial year 2016 were audited by the Munich office of KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) in accordance with generally accepted accounting principles and were issued an unqualified audit report on February 22, 2017.

All documents relating to the financial statements, the Risk Report, and the KPMG audit reports were made available to the members of the Supervisory Board in due time and were subjected to a thorough review by us. The documents were discussed in detail in the presence of the auditors, first at a meeting of the Audit and Finance Committee and then at a meeting of the full Supervisory Board. At those meetings, the auditor reported on its significant audit findings. No accounting-related deficiencies were identified in either the internal control system or the risk management system, nor did any circumstances arise that could give cause for concern about the independence of the auditors.

In addition to auditing services, the auditors performed other attestation services amounting to EUR 0.2 million (previous year: EUR 0.4 million), tax advisory services amounting to EUR 0.2 million (previous year: EUR 0.5 million), and other services amounting to EUR 1.1 million (previous year: EUR 1.5 million). Details of the services provided by the auditors and the amounts remunerated are presented in Note 33 of the Notes to the Consolidated Financial Statements.

The Supervisory Board acknowledged and approved the auditor’s findings and, after completing its own examination, found no cause for objection on its part either. The Supervisory Board also approved the Annual and Consolidated Financial Statements prepared by the Executive Board and audited by the auditor as well as the Combined Management Report. The annual financial statements are thus adopted. Finally, the Supervisory Board reviewed and concurred with the Executive Board’s proposal for the allocation of profits.

Conflicts of Interest

The members of the Supervisory Board are required to disclose to the Presiding and Nominating Committee possible conflicts of interest without delay. In financial year 2016, the following indications of conflicts of interest were determined due to certain members of the Supervisory Board simultaneously having seats on corporate bodies of competitors or business partners of ProSiebenSat.1 Media SE:

- Antoinette (Annet) P. Aris is on the Supervisory Board of Thomas Cook PLC. As a precautionary measure, she therefore absented herself from the Company’s Supervisory Board meetings before any discussion of the travel portfolio took place. Ms. Aris rejoined the meetings only after the discussions had been completed or the relevant resolutions adopted.

- The same applies to Angelika Gifford, who has held a seat on the Supervisory Board of TUI AG since February 2016. She also took the precaution of leaving the Supervisory Board meetings of ProSiebenSat.1 Media SE before any discussion of that topic, and did not rejoin the meetings until after the discussions had been completed or the relevant resolutions adopted.

Otherwise, there were no indications of any conflicts of interest.

Corporate Governance

The Executive Board and the Supervisory Board have compiled a separate report on corporate governance. The Corporate Governance Report and the Management Declaration pursuant to Sections 289a, 315 para. 5 of the German Commercial Code can be found on our website at www.prosiebensat1.de/en/page/erklaerung-zur-unternehmensfuehrung and starting on page 46 of the Annual Report.

Changes in the Composition of the Executive Board and the Supervisory Board

Jan David Frouman has been a member of the Executive Board of ProSiebenSat.1 Media SE since March 1, 2016. He took over responsibility for the newly created Content & Broadcasting Board department. Mr. Frouman has been with ProSiebenSat.1 since 2004. He remains at the head of Red Arrow Entertainment Group GmbH as CEO and Chairman.

Christof Wahl was added to the Executive Board on May 1, 2016. He is Chief Operating Officer of ProSiebenSat.1 Group, where he is responsible for the Digital Entertainment Board department created through reorganization of the former Digital & Adjacent segment. Dr. Christian Wegner assumed responsibility for Digital Ventures & Commerce within the context of the reorganization, which underlines the increasing relevance of the digital business. Christof Wahl is also responsible for the distribution business, which he took over from Conrad Albert. Conrad Albert continues to be in charge of contract and negotiation management in the distribution segment and is also responsible for the External Affairs & Industry Relations Board department.

In December, Dr. Christian Wegner reached agreement with the Supervisory Board that his Executive Board appointment would not be renewed, that his contract would be terminated as of December 31, 2016 and that he would leave the Company on that date. This led to the following changes in the organization of his area of responsibility: As of January 1, 2017, Christof Wahl additionally took on Executive Board responsibility for the digital commerce verticals Online Price Comparison, Online Dating, Online Travel, and Stylight.

In addition, the Supervisory Board appointed Sabine Eckhardt to the Executive Board of ProSiebenSat.1 Media SE as Chief Commercial Officer, effective January 1, 2017. Sabine Eckhardt is a long-time executive at the Company and managing director of SevenOne AdFactory GmbH. In her role as Executive Board member, she handles marketing issues and works to leverage synergies within the Group. The goal here is to integrate AdSales activities more closely with the Group's digital commerce platforms and data management systems. Ms. Eckhardt also assumed Board responsibility for the Group's SevenVentures business in that context.

CFO Dr. Gunnar Wiedenfels will be leaving the Company on March 31, 2017 at his own request to take on the position of Chief Financial Officer of the Discovery Communications media group in New York. Dr. Jan Kemper — currently Senior Vice President Finance at online vendor Zalando SE — will be taking over Dr. Wiedenfels' position as of June 1, 2017. To ensure a smooth transition until the new CFO takes office, Ralf Peter Gierig, Executive Vice President Group Finance & Investor Relations, has taken on the role of Deputy Group CFO alongside his existing duties.

The composition of the Company's Supervisory Board did not change in fiscal 2016.

Thank You from the Supervisory Board

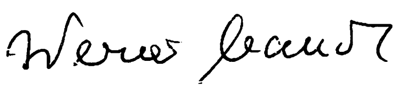
On behalf of the Supervisory Board, I would like to explicitly thank the members of the Executive Board as well as all employees for their great commitment in financial year 2016. Their work forms the cornerstone for the success of ProSiebenSat.1 Group.

At this juncture, I would like to thank Dr. Wiedenfels and Dr. Wegner for their outstanding work as members of the Company's Executive Board. Dr. Wiedenfels has been instrumental in ensuring that ProSiebenSat.1 is extremely well positioned for the future. He will be leaving ProSiebenSat.1 Media SE at his own request as of March 31, 2017, after which he will relocate to the US. I wish him every success in his new position. I would also like to express my utmost gratitude to Dr. Wegner for his exceptional dedication during the past five years, in which he was in charge of the Digital business. During that time, he increased revenues in the digital business to significantly more than EUR 1 billion. I wish him all the best for the future.

In conclusion, I would like to convey my thanks to you, our esteemed shareholders, for your confidence in the Company and in the company stock of ProSiebenSat.1.

Unterföhring, March 2017

On behalf of the Supervisory Board



Dr. Werner Brandt,
Chairman30

Member of the Supervisory Board

Members of the Supervisory Board of ProSiebenSat.1 Media SE and their mandates in other supervisory boards (Fig. 1)

Dr. Werner Brandt Chairman	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 (Consultant)	Mandates: RWE AG (non-executive), QIAGEN N.V. (non-executive), Osram Licht AG (non-executive), Deutsche Lufthansa AG (non-executive), Innogy SE (non-executive)
Dr. Marion Helmes Vice Chairwoman	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 (Consultant)	Mandates: NXP Semiconductors N.V. (non-executive), British American Tobacco PLC. (non-executive), Bilfinger SE (non-executive)
Lawrence Aidem	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 Our Film Festival, Inc. (Fandor) (President, CEO)	Mandates: none
Antoinette (Annet) P. Aris	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 INSEAD (Adjunct Professor of Strategy)	Mandates: Thomas Cook PLC (non-executive), Jungheinrich AG (non-executive), ASR Netherlands N.V. (non-executive), ASML N.V. (non-executive)
Adam Cahan	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 Yahoo Inc. (Senior Vice President Mobile and Emerging Products)	Mandates: none
Angelika Gifford	Member of the Supervisory Board of ProSiebenSat.1 Media AG and ProSiebenSat.1 Media SE since May 21, 2015 Hewlett Packard GmbH (General Manager)	Mandates: Rothschild & Co. S.C.A, Paris (non-executive), TUI AG, Berlin/Hannover (non-executive)
Erik Adrianus Hubertus Huggers	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 Vevo LLC (President, CEO)	Mandates: none
Ketan Mehta	Member of the Supervisory Board of ProSiebenSat.1 Media SE since November 24, 2015 Allen & Company LLC (Managing Director)	Mandates: none
Prof. Dr. Rolf Nonnenmacher	Member of the Supervisory Board of ProSiebenSat.1 Media SE since May 21, 2015 (German Public Auditor)	Mandates: Continental AG (non-executive), Covestro AG (non-executive), Covestro Deutschland AG (non-executive)

Proposed Allocation of Profits

The ProSiebenSat.1 Media SE Executive Board and Supervisory Board intend to propose to the Annual General Meeting a dividend payment of EUR 1.90 per common share for the financial year 2016. This represents an expected total dividend pay-out of EUR 435 million or a pay-out ratio of 84.7 % of underlying net income.[1]

1 Total dividend pay-out and pay-out ratio are subject to change in treasury shares until dividend payment date.

Corporate Governance Report

In the following, the Executive Board and Supervisory Board present their annual report on corporate governance at the Company in accordance with the recommendation given in Item 3.10 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK).

The Executive Board and Supervisory Board regard good corporate governance as an essential component of responsible, transparent management and control geared toward long-term value creation.

The German Corporate Governance Code establishes a standard for transparent control and management of companies that is particularly aligned to the interests of shareholders. Many of the principles contained in the German Corporate Governance Code have already long been standard practice at ProSiebenSat.1.

Specific issues relating to corporate governance at ProSiebenSat.1 Media SE and ProSiebenSat.1 Group are presented in more detail in the Management Declaration in accordance with Sections 289a and 315(5) of the German Commercial Code (Handelsgesetzbuch – HGB); this includes in particular the annual Declaration of Compliance with the German Corporate Governance Code, relevant information on management practices and on the compliance management system (CMS), and stipulations on the equal participation of women in management positions at the two management levels below the Executive Board. Supplementary statements such as a description of the working procedures of the Executive Board and Supervisory Board, stipulations on the equal participation of women in management positions on the Executive Board and the Supervisory Board, a presentation of the composition and working procedures of the committees, and supplementary information regarding capital market communications and accounting principles can be found in the following Corporate Governance Report.

Fundamentals of Corporate Governance

ProSiebenSat.1 Media SE is a listed European stock corporation (Societas Europaea – SE), with its registered office located in Germany. Thus, in addition to the German Corporate Governance Code, the formal structure for corporate governance is derived from German and European law, notably the law governing European Companies (SEs), stock corporation and capital markets law, and the Articles of Incorporation of ProSiebenSat.1 Media SE.

Information on Corporate Governance Practices

The Executive Board 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 breaches of law are key success factors with regard to our market position and attainment of our corporate targets. This applies in particular to antitrust legislation and media law as well as to data protection and the associated preservation of privacy rights due to increasing digitalization of the Group's activities.

ProSiebenSat.1 Group has implemented a compliance management system (CMS) to monitor compliance with the law. The main objective of the CMS is to prevent violations of the law or, if violations have already occurred, to resolve the matter quickly and comprehensively and to ensure that all employees are at all times mindful of conducting themselves in accordance with the law. In view of its Group structure, ProSiebenSat.1 has established both a central and a decentral compliance organization. The central organization is made up of the Compliance Board, the Group's Chief Compliance Officer (CCO), as well as experts in compliance-related topics. The role of the Compliance Board is to support the Executive Board in implementing, monitoring, and up-dating the content management system. The CCO is entrusted with implementing the principles of corporate governance, monitoring compliance with statutory provisions, and documenting those processes. Keeping up to date on changes in the law and tracking the relevant public discussions also fall under the officer's purview. The decentral compliance organization is represented by the Unit Compliance Officer (UCO). Overall responsibility for the CMS lies with the Executive Board of ProSiebenSat.1 Media SE as the parent company of ProSiebenSat.1 Group.

ProSiebenSat.1 Group has laid down basic guidelines and policies in its Code of Conduct, which was revised in 2016. The guidelines define general standards of conduct in business and legal and ethical matters as well as governing how employees can report misconduct at the Company without being subject to repercussions. They serve all members of the Executive Board, the management, and the employees of ProSiebenSat.1 Group as a binding reference and regulatory framework for dealing with each other and with business partners, customers, suppliers, and other third parties. The Code of Conduct can be downloaded from the Internet at http://www.prosiebensat1.com/en/investor-relations/corporate-governance/code-of-compliance.

The Company's Governing Bodies

As a European Company (Societas Europaea – SE), ProSiebenSat.1 Media SE operates under a dual system via its three governing bodies: the Annual General Meeting, the Supervisory Board (supervisory body) and the Executive Board (managing body). Those bodies' duties and powers are governed by Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European Company (SE), the SE Implementation Act (Gesetz zur Ausführung der SE-VO – SEAG), the German Stock Corporation Act (Aktiengesetz – AktG) and the Articles of Incorporation of ProSiebenSat.1 Media SE.

A clear separation of powers is maintained between the management function and the supervisory function. The managing body is the Executive Board, which is overseen and advised by the Supervisory Board on management of the Company. All transactions and decisions of fundamental significance for the Company are undertaken by the Executive Board in close consultation with the Supervisory Board. To this end, open communication and close cooperation between the two bodies is of particular importance. This Corporate Governance Report describes the working procedures of the Executive Board and Supervisory Board and the cooperation between them. The remuneration paid to the members of the Executive Board and the Supervisory Board is described in the Compensation Report, which is part of the Combined Management Report (see page 48 et seq. of the 2016 Annual Report).

The Company's shareholders exercise their rights of co-administration and oversight at the Annual General Meeting. Each share of common stock confers one vote at the Annual General Meeting. The shareholders are notified of the items on the agenda of the Annual General Meeting and the resolutions proposed by the Executive Board and the Supervisory Board in a timely manner in the meeting invitation.

Composition of the Executive Board and Supervisory Board

Executive Board members, page 06.

Takeover-Related Disclosures, page 60.

According to the Company's Articles of Incorporation, the **Executive Board** must be composed of one or more members. The number of Executive Board members is determined by the Supervisory Board. As of December 31, 2016, the Executive Board of ProSiebenSat.1 Media SE had seven members. In principle, members of the Executive Board are appointed and removed by the Supervisory Board as the supervisory body in accordance with Article 39(2) of the SE Regulation. Pursuant to Section 7(2) Sentence 1 of the Articles of Incorporation in conjunction with Article 46 of the SE Regulation, Executive Board members are appointed for a maximum period of five years; reappointments for a maximum of five years are permitted.

Supervisory Board members, page 35.

The Articles of Incorporation stipulate that the **Supervisory Board** must have nine members, all of whom are to be elected by the Annual General Meeting. As of December 31, 2016, the Supervisory Board of ProSiebenSat.1 Media SE had nine members. New Supervisory Board members take part in a structured onboarding process, in which they are familiarized with the Company and their tasks.

Targets for Executive Board Composition and Stipulations Concerning the Equal Participation of Women on the Executive Board in Accordance with Section 111(5) of the Stock Corporation Act in Conjunction with Article 9(1) lit. c) ii) of the SE Regulation

Against the backdrop that at that point of time there was no female representation on the Executive Board of ProSiebenSat.1 Media SE, the contracts of the Executive Board members in office at that time extended beyond June 30, 2017, and the Supervisory Board of ProSiebenSat.1 Media SE did not wish to increase the number of Executive Board members merely on the basis of the statutory change enacted in Section 111(5) of the Stock Corporation Act, the Supervisory Board on September 30, 2015 pursuant to Section 111(5) of the Stock Corporation Act in conjunction with Article 9(1) lit. c) ii) of the SE Regulation decided in the interests of flexibility with regard to future appointments of Executive Board members

- to refrain from making any changes to the composition of the Executive Board of ProSiebenSat.1 Media SE prior to June 30, 2017, thus setting a target of 0 % for the share of women on the Executive Board,
- to nonetheless reconsider such target should it appear necessary or are intended – even before June 30, 2017 – to alter the composition of the Executive Board of ProSiebenSat.1 Media SE.

In its current composition, the Executive Board fulfills the aforementioned target adopted by the Supervisory Board in its resolution of September 30, 2015 for the equal participation of women on the Executive Board. The appointment of Sabine Eckhardt as of January 1, 2017 nonetheless put one female member on the Executive Board of ProSiebenSat.1 Media SE.

Targets for Supervisory Board Composition and Stipulations Concerning the Equal Participation of Women on the Supervisory Board in Accordance with Section 111(5) of the Stock Corporation Act in Conjunction with Article 9(1) lit. c) ii) of the SE Regulation

Having thoroughly reviewed the recommendations of Items 5.4.1(2) and (3) of the German Corporate Governance Code regarding the specific targets for its composition, the Supervisory Board has set targets for its composition that take account of the specifics of the Company pursuant to Section 111(5) of the Stock Corporation Act in conjunction with Article 9(1) lit.c) ii) of the SE Regulation. The Supervisory Board has accordingly set the following targets:

- the share of independent Supervisory Board members within the meaning of Item 5.4.2 of the German Corporate Governance Code should be at least 30 %;
- the share of women should be at least 33 %, to be attained by no later than June 30, 2017;
- the international activities of the Company should continue to be taken into account and the current level of internationalization should be maintained at minimum. In addition, the Supervisory Board should continue to be filled with members who, based on their origin or professional activities, represent regions or cultures in which the Company has significant business operations or who have specific international expertise or experience, in particular in the areas of broadcasting, media and communication;

- diversity should also continue to be taken into account when appointing members to the Supervisory Board, and the current level of diversity should be maintained at minimum. The Supervisory Board should be filled with members who, based on their origin, their personal background, their education, or professional activities, are able to contribute a wide range of experience and specific expertise;
- the Supervisory Board will continue to assess how it intends to handle potential or actual conflicts of interest in order to continue to guarantee unbiased supervision of and provision of advice to the Executive Board of the Company in the Company's best interests in each individual case within the legal framework and taking into account the German Corporate Governance Code;
- the age limit of 70 at the time of appointment to the Supervisory Board, as stipulated in the rules of procedure adopted by the Supervisory Board, should continue to apply;
- individuals who have been members of the Company's Supervisory Board for three full consecutive terms, and thus generally for fifteen years, should as a rule no longer be nominated for reelection to the Supervisory Board. However, the Supervisory Board may nominate such individuals for reelection to the Supervisory Board if extending the candidate's term in office appears appropriate and in the Company's best interests in individual cases.

The Supervisory Board already meets the aforementioned targets it has set for its composition pursuant to the German Corporate Governance Code and the Stock Corporation Act.

Working Procedures of the Executive Board and Supervisory Board

Each member of the Executive Board is assigned an area of responsibility regarding which that member keeps his or her colleagues on the Executive Board continuously updated. Rules of procedure enacted by the Supervisory Board for the Executive Board govern the cooperation between the Executive Board members and the Executive Board members' areas of responsibility. As a rule, the full Executive Board meets on a weekly basis; the meetings are chaired by the CEO. One of the functions of the meetings is to adopt resolutions on measures and transactions that require the consent of the full Executive Board under the Executive Board's rules of procedure. When voting on resolutions, at least half of the Executive Board members must participate in the vote. Resolutions of the full Executive Board are adopted by simple majority. In the event of a tie, the CEO casts the deciding vote. When significant events occur, any Board member may call an extraordinary meeting of the full Executive Board; the Supervisory Board may likewise call such meetings. The Executive Board may also adopt resolutions outside of the meetings by casting votes verbally, by phone, in writing, or by text message. Written minutes of every meeting of the full Executive Board and of every resolution adopted outside of the meetings are prepared and signed by the CEO or the chairman of the meeting. The minutes are then promptly forwarded to each member of the Executive Board in writing or by text message; if none of the individuals who attended the meeting or took part in the resolution object to the content or the wording of the minutes within one week of dispatch, the minutes shall be deemed approved. In addition to the regular Executive Board meetings, a strategy workshop is held at least once a year. The workshops serve to prioritize strategic targets across the Group and to define the strategy for the current financial year in cooperation with senior executives from the various business units.

Further details on the working procedures of the Executive Board are included in the rules of procedure defined by the Supervisory Board for the Executive Board, which notably also govern the allocation of responsibilities and matters reserved for the full Executive Board.

The Executive Board provides the Supervisory Board with prompt and complete information – both in writing and at the Supervisory Board's quarterly meetings – on planning, business performance, and the situation of the Company, including risk management and compliance matters.

Where indicated, an extraordinary meeting of the Supervisory Board is called to address important events. The Executive Board includes the Supervisory Board in Company planning and strategy as well as in all matters of fundamental importance to the Company. The Company's Articles of Incorporation and the rules of procedure for the Executive Board stipulate that all significant transactions must be approved by the Supervisory Board. Such significant transactions requiring the consent of the Supervisory Board include adopting the annual budget, making major acquisitions or divestments, and investing in program licenses. More information on cooperation between the Executive Board and the Supervisory Board and on the significant matters on which they consulted in financial year 2016 is available in the Supervisory Board Report (see page 26 et seq. of the 2016 Annual Report).

The Supervisory Board holds a minimum of two meetings during the first half of the financial year and two meetings during the second half. To facilitate its work, the Supervisory Board has adopted rules of procedure to supplement the provisions of the Articles of Incorporation. The rules of procedure stipulate that the Chairman of the Supervisory Board is to coordinate the work of the Supervisory Board, chair the Supervisory Board meetings, and represent the Supervisory Board's interests externally. As a rule, the Supervisory Board adopts its resolutions at the Supervisory Board meetings. However, on instruction of the Supervisory Board Chairman, resolutions may also be adopted on conference calls, in videoconferencing sessions or outside of the meetings. Equally admissible is the adoption of resolutions via a combination of voting at meetings and voting via other methods.

The Supervisory Board is deemed to constitute a quorum if at least half of its members participate in the vote. Resolutions of the Supervisory Board are generally adopted by simple majority of the votes cast, unless otherwise prescribed by law. In the event of a tie, the deciding vote is cast by the Chairman of the Supervisory Board, or in his absence the Deputy Chairman.

The meetings of the Supervisory Board are recorded in minutes that are signed by the Chairman. A written record is also kept of resolutions adopted outside of the meetings. A copy of the minutes, or of resolutions adopted outside of meetings, is sent promptly to all members of the Supervisory Board. The Supervisory Board members participating in the meetings or voting on the resolutions may raise objections to the minutes. Objections must be made in writing to the Chairman of the Supervisory Board within one month of the minutes being sent out. Otherwise, the minutes shall be deemed approved.

Prof. Dr. Rolf Nonnenmacher, who is also Chairman of the Audit and Finance Committee, meets the requirements of Sections 100(5) and 107(4) of the Stock Corporation Act in conjunction with Article 9(1) lit. c) ii) of the SE Regulation and Item 5.3.2 Sentences 2 and 3 of the German Corporate Governance Code as an independent, expert member. In other respects, the members of the Audit and Finance Committee are, as a whole, familiar with the sector in which the Company operates pursuant to Sections 100(5) and 107(4) of the Stock Corporation Act in conjunction with Article 9(1) lit. c) ii) of the SE Regulation.

The members of the full Supervisory Board are, as a whole, also familiar with the sector in which the Company operates pursuant to Section 100(5) of the Stock Corporation Act in conjunction with Article 9(1) lit. c) ii) of the SE Regulation. All Supervisory Board members must report any conflicts of interest without delay to the Supervisory Board's Presiding and Nominating Committee, particularly those conflicts that may arise from exercising an advisory or executive function vis-à-vis customers, suppliers, creditors, or other business partners.

The recommendation contained in Item 5.6. of the German Corporate Governance Code states that the Supervisory Board should examine the efficiency of its activities on a regular basis. The review extends primarily to the Supervisory Board's view of its mission, the organization of its activities, the independence of its members, the handling of potential conflicts of interest, and the composition of its committees.

Composition and Working Procedures of the Committees

The Executive Board has not formed any committees; the Supervisory Board established four committees in financial year 2016. The Supervisory Board decides on the composition of its committees. In selecting committee members, potential conflicts of interest involving Board members are taken into account, as are their professional qualifications.

Composition of the Supervisory Board committees as of December 31, 2016 (Fig. 2)

Presiding and Nominating Committee	Dr. Werner Brandt (Co-Chairman), Dr. Marion Helmes (Co-Chairwoman), Lawrence Aidem, Ketan Mehta
Audit and Finance Committee	Prof. Dr. Rolf Nonnenmacher (Chairman and independent financial expert within the meaning of Sections 100(5) and 107(4) of the Stock Corporation Act in conjunction with Article 9(1) lit. c) ii) of the SE Regulation and Item 5.3.2 Sentences 2 and 3 of the German Corporate Governance Code), Antoinette (Annet) P. Aris, Dr. Marion Helmes
Compensation Committee	Dr. Werner Brandt (Chairman), Antoinette (Annet) P. Aris, Angelika Gifford, Dr. Marion Helmes
Capital Markets Committee	Dr. Werner Brandt (Chairman), Antoinette (Annet) P. Aris, Dr. Marion Helmes, Ketan Mehta, Prof. Dr. Rolf Nonnenmacher

The committees of the Supervisory Board normally meet once per quarter. The Capital Markets Committee meets only when the consent of the Supervisory Board is required for the Executive Board to utilize the Company's Authorized Capital and for associated measures. To the extent permitted by law, the committees have been entrusted with adopting resolutions concerning various Supervisory Board tasks, especially approving certain management actions. A committee is deemed to constitute a quorum when at least half – and under no circumstances less than three – of its members participate in the vote. Committee resolutions are normally adopted by a simple majority vote. In the event of a tie, the committee chairman casts the deciding vote. Written minutes are prepared of each committee meeting and are signed by the committee chairman. Resolutions adopted outside of the meetings are also recorded in writing. Minutes and the text of resolutions adopted are sent to all members of the committee concerned. These shall be deemed approved if no committee member who was present at the meeting, or who took part in the vote on the resolution, objects to the content within one week of dispatch. The committee chairmen report on the work of the committees at the meetings of the Supervisory Board.

The CFO, the Chief Legal Officer, and the independent auditor participate regularly in the meetings of the Audit and Finance Committee. In addition, the Chairman of the Audit and Finance Committee invites employees – in particular senior executives – from the areas of finance and accounting to provide information at meetings if required. The Audit and Finance Committee meets without any Executive Board members being present at least once per financial year. The Supervisory Board has issued rules of procedure to govern the work of the Audit and Finance Committee. In addition, the Audit and Finance Committee and the auditors maintain a regular dialog between meetings.

Individual Breakdown of Meeting Participation

The Supervisory Board sees it as part of good corporate governance to disclose an individual breakdown of participation in meetings of the plenary Supervisory Board and meetings of the Supervisory Board committees.

Individual breakdown of meeting participation in financial year 2016 (Fig. 3)

	Meeting participation	Present in %
SUPERVISORY BOARD MEMBERS		
Dr. Werner Brandt, Chairman (since June 26, 2014)	10/10	100
Dr. Marion Helmes, Deputy Chairwoman (since June 26, 2014, Deputy Chairwoman since May 21, 2015)	9/10	90
Lawrence Aidem (since June 26, 2014)	9/10	90
Antoinette (Annet) P. Aris (since June 26, 2014)	10/10	100
Adam Cahan (since June 26, 2014)	9/10	90
Angelika Gifford (since May 21, 2015)	8/10	80
Erik Adrianus Hubertus Huggers (since June 26, 2014)	10/10	100
Ketan Mehta (since November 24, 2015)	9/10	90
Prof. Dr. Rolf Nonnenmacher (since May 21, 2015)	10/10	100
PRESIDING AND NOMINATING COMMITTEE		
Dr. Werner Brandt, Co-Chairman (since June 26, 2014)	2/2	100
Dr. Marion Helmes, Co-Chairwoman (since May 21, 2015)	2/2	100
Lawrence Aidem (since June 26, 2014)	2/2	100
Ketan Mehta (since June 30, 2016)	2/2	100
AUDIT AND FINANCE COMMITTEE		
Prof. Dr. Rolf Nonnenmacher, Chairman (since May 21, 2015)	5/5	100
Antoinette (Annet) P. Aris (since June 26, 2014)	5/5	100
Dr. Marion Helmes (since June 26, 2014)	5/5	100
COMPENSATION COMMITTEE		
Dr. Werner Brandt, Chairman (since June 26, 2014)	3/3	100
Antoinette (Annet) P. Aris (since June 26, 2014)	3/3	100
Angelika Gifford (since May 21, 2015)	3/3	100
Dr. Marion Helmes (since May 21, 2015)	3/3	100
CAPITAL MARKETS COMMITTEE		
Dr. Werner Brandt, Chairman (since September 7, 2016)	2/2	100
Antoinette (Annet) P. Aris (since September 7, 2016)	2/2	100
Dr. Marion Helmes (since September 7, 2016)	2/2	100
Ketan Mehta (since September 7, 2016)	2/2	100
Prof. Dr. Rolf Nonnenmacher (since September 7, 2016)	2/2	100

Capital Market Communications and Accounting Policies

- **Transparency:** We aim to strengthen trust among shareholders, capital providers, and other interested parties through openness and transparency. For that reason, ProSiebenSat.1 Media SE reports regularly on key business developments and changes within the Group. The Company generally provides this information simultaneously to all shareholders, media representatives, and other interested parties. Given the international nature of our stakeholders, we provide reports in English as well.

  To ensure fair communication and prompt disclosure both in Germany and elsewhere, the Company makes use of the Internet as one of its main communication channels. All relevant corporate information is published on our website at www.ProSiebenSat1.com. Annual reports, half-yearly financial reports, quarterly statements, current stock price charts, and company presentations can be downloaded from the website at any time. The website includes a special section dedicated to the Annual General Meeting, where the Group provides information on organizational and legal matters relating to the Annual General Meeting. The meeting agenda can be found here, and the CEO's speech and the results of votes are made available after the meeting. In the Corporate Governance section, ProSiebenSat.1 Media SE also publishes the annual Corporate Governance Report, the current Management Declaration pursuant to Sections 289a, 315(5) and 315a of the German Commercial Code (Handelsgesetzbuch – HGB), and the Declaration of Compliance with the German Corporate Governance Code in accordance with Section 161 of the Stock Corporation Act, which includes an archive of previous declarations of compliance and the Company's Articles of Incorporation.

- **Regular reporting and ad hoc disclosures:** Four times a year, ProSiebenSat.1 Group presents information on the Group's business performance as well as its cash flows and earnings as part of the Company's annual and interim financial reporting. As required by law, matters that could significantly influence the price of the Company's stock are announced immediately in ad hoc disclosures outside of the scheduled reports and are made available on the Internet without delay.

- **Financial Calendar:** The financial calendar presents the release dates of financial reports and statements well in advance, along with other important dates such as the date of the Annual General Meeting. The calendar is available on the ProSiebenSat.1 website and is also reproduced in this Annual Report.

- **Significant voting rights:** Notifications of changes in significant voting rights pursuant to Sections 21 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) are published immediately upon receipt. Current information is available at http://www.prosiebensat1.com/en/investor-relations/publications/voting-rights-notifications.

- **Directors' dealings notifications:** Directors' dealings notifications in accordance with Section 15a of the Securities Trading Act and, since July 3, 2016, in accordance with Article 19 of Regulation (EU) No. 596/2014 (Market Abuse Regulation – MAR) are likewise published on the Internet immediately upon receipt. In financial year 2016, the following transactions in company stock or in financial instruments relating to company stock were reported to ProSiebenSat.1 Media SE by management personnel or related parties in compliance with Section 15a of the Securities Trading Act and, since July 3, 2016, Article 19 of the Market Abuse Regulation.

Directors' dealings notifications (Fig. 4)

Last name, first name	Reason for notification	Name of financial instrument	Type of transaction	Date	No. of shares	Price	Transaction volume	Venue
Dr. Helmes, Marion	Own management duties	ProSiebenSat.1 registered common shares	Purchase	02/03/2016	1,100	45.97 €	50,568.40 €	Xetra, Frankfurt/M.
Dr. Schremper, Ralf	Own management duties	ProSiebenSat.1 registered common shares	Sale	02/26/2016	40,000	46.49 €	1,859,655.72 €	Xetra, Frankfurt/M.
Dr. Wiedenfels, Gunnar	Own management duties	ProSiebenSat.1 registered common shares	Sale	02/26/2016	42,000	46.57 €	1,955,807.66 €	Xetra, Frankfurt/M.
Aris, Antoinette	Own management duties	ProSiebenSat.1 registered common shares	Purchase	02/29/2016	500	46.38 €	23,191.00 €	Xetra, Frankfurt/M.
Prof. Dr. Nonnenmacher, Rolf	Own management duties	ProSiebenSat.1 registered common shares	Purchase	02/29/2016	1,064	46.36 €	49,331.30 €	Xetra, Frankfurt/M.
Cahan, Adam	Own management duties	ProSiebenSat.1 registered common shares	Purchase	03/01/2016	440	48.37 $	21,283.18 $	Xetra, Frankfurt/M.
Huggers, Erik Adrianus Hubertus	Own management duties	ProSiebenSat.1 registered common shares	Purchase	03/02/2016	428	48.77 $	20,873.56 $	Xetra, Frankfurt/M.
Aidem, Lawrence	Own management duties	ProSiebenSat.1 registered common shares	Purchase	03/09/2016	467	50.34 $	23,510.18 $	Xetra, Frankfurt/M.
Dr. Brandt, Werner	Own management duties	ProSiebenSat.1 registered common shares	Purchase	05/06/2016	1,450	43.90 €	63,661.93 €	Xetra, Frankfurt/M.
Huggers, Erik Adrianus Hubertus	Own management duties	ProSiebenSat.1 registered common shares	Purchase	06/27/2016	245	39.18 €	9,597.88 €	OTC

Directors' dealings notifications (continued)

Last name, first name	Reason for notification	Name of financial instrument	Type of trans-action	Date	No. of shares	Price	Transaction volume	Venue
Ebeling, Thomas	Own management duties	ProSiebenSat.1 registered common shares	Purchase	07/01/2016	10,000	37.97 €	379,721.23 €	Xetra, Frankfurt/M.
Dr. Wiedenfels, Gunnar	Own management duties	ProSiebenSat.1 registered common shares	Purchase	07/01/2016	2,500	38.03 €	95,082.09 €	Xetra, Frankfurt/M.
Dr. Wegner, Christian	Own management duties	ProSiebenSat.1 registered common shares	Purchase	07/01/2016	3,000	38.01 €	114,028.58 €	Xetra, Frankfurt/M.
Dr. Schremper, Ralf	Own management duties	ProSiebenSat.1 registered common shares	Purchase	07/01/2016	2,500	38.32 €	95,790.31 €	Xetra, Frankfurt/M.
Albert, Conrad	Own management duties	ProSiebenSat.1 registered common shares	Purchase	07/01/2016	5,000	38.00 €	190,020.00 €	Xetra, Frankfurt/M.
Wahl, Christof	Own management duties	ProSiebenSat.1 registered common shares	Purchase	07/01/2016	1,200	38.03 €	45,636.00 €	Xetra, Frankfurt/M.
Frouman, Jan David	Own management duties	ProSiebenSat.1 registered common shares	Purchase	07/01/2016	3,000	38.03 €	114,090.00 €	Xetra, Frankfurt/M.
Dr. Helmes, Marion	Own management duties	ProSiebenSat.1 registered common shares	Purchase	09/08/2016		39.45 €	39,445.00 €	Xetra, Frankfurt/M.
Aidem, Lawrence	Own management duties	ProSiebenSat.1 registered common shares	Purchase	09/21/2016		39.24 €	21,579.25 €	DAX exchange
Dr. Brandt, Werner	Own management duties	ProSiebenSat.1 registered common shares	Purchase	11/04/2016		34.97 €	62,943.91 €	Xetra, Frankfurt/M.
Mehta, Ketan	Own management duties	ProSiebenSat.1 registered common shares	Purchase	11/04/2016		34.89 €	21,459.87 €	XNYS, New York
Dr. Wiedenfels, Gunnar[1]	Own management duties	ProSiebenSat.1 registered common shares	Purchase	11/04/2016		34.99 €	87,472.82 €	Xetra, Frankfurt/M.
Prof. Dr. Nonnenmacher, Rolf	Own management duties	ProSiebenSat.1 registered common shares	Purchase	11/04/2016		34.99 €	59,486.91 €	Xetra, Frankfurt/M.
Wahl, Christof	Own management duties	ProSiebenSat.1 registered common shares	Purchase	11/04/2016		35.12 €	35,118.98 €	Xetra, Frankfurt/M.
Huggers, Erik Adrianus Hubertus	Own management duties	ProSiebenSat.1 registered common shares	Purchase	11/07/2016		35.26 €	10,576.87 €	XNYS, New York
Cahan, Adam	Own management duties	ProSiebenSat.1 registered common shares	Purchase	11/07/2016		35.25 $	5,816.25 $	CGMI
Ebeling, Thomas	Own management duties	ProSiebenSat.1 registered common shares	Purchase	11/11/2016		34.01 €	501,686.02 €	Xetra, Frankfurt/M.
Dr. Wiedenfels, Gunnar[2]	Own management duties	Derivative	Allocation	12/14/2016	N/A[3]	Unknown	Unknown	Outside a trading venue
Dr. Wegner, Christian[2]	Own management duties	Derivative	Allocation	12/14/2016	N/A[3]	Unknown	Unknown	Outside a trading venue
Wahl, Christof[2]	Own management duties	Derivative	Allocation	12/14/2016	N/A[4]	Unknown	Unknown	Outside a trading venue
Dr. Schremper, Ralf[2]	Own management duties	Derivative	Allocation	12/14/2016	N/A[3]	Unknown	Unknown	Outside a trading venue
Frouman, Jan David[2]	Own management duties	Derivative	Allocation	12/14/2016	N/A[3]	Unknown	Unknown	Outside a trading venue
Ebeling, Thomas[2]	Own management duties	Derivative	Allocation	12/14/2016	N/A[5]	Unknown	Unknown	Outside a trading venue
Albert, Conrad[2]	Own management duties	Derivative	Allocation	12/14/2016	N/A[3]	Unknown	Unknown	Outside a trading venue
Aris, Antoinette	Own management duties	ProSiebenSat.1 registered common shares	Purchase	12/19/2016		36.66 €	22,912.50 €	Xetra, Frankfurt/M.

1 The figures for price and transaction volume have been aggregated from two transactions.
2 This relates to an allocation of performance share units (PSUs) under the 2016 Group Share Plan. The applicable number of PSUs was not determined until after allocation and therefore could not be provided in the notification. Thus it was not possible to compute the price or the volume of the PSUs.
3 Allocation of PSUs with a total value of EUR 800,000.
4 Allocation of PSUs with a total value of EUR 800,000 and an additional 24,000 PSUs.
5 Allocation of PSUs with a total value of EUR 1,000,000.

- **Shareholdings of the Executive Board and Supervisory Board:** As of December 31, 2016, members of the Executive Board held a total of 47,450 shares and members of the Supervisory Board a total of 17,794 shares in ProSiebenSat.1 Media SE.

Compensation Report, page 48.

The Long Term Incentive Plan (LTIP) was replaced by a share-based remuneration plan (the Group Share Plan) created in 2012. Participants in the plan are issued performance share units (PSUs) entitling them, at the discretion of the Company, either to shares in the Company or to a cash payment based on the share price following expiration of a four-year holding period, which commences at the start of the year of allocation. In March 2016, the Company and the Supervisory Board, as applicable, decided to avail itself of the right to settle its obligation in cash, for which reason the PSUs will be paid out in cash following expiration of the respective holding period (see Note 31 of the Notes to the Consolidated Financial Statements: Share-based payment). The conversion factor used to convert the PSUs to shares in ProSiebenSat.1 or the corresponding cash amount after the end of the holding period depends on the achievement of predefined annual targets during the holding period. In financial year 2016, Executive Board members held a total of 430,419 PSUs.

- **Accounting and audit of financial statements:** ProSiebenSat.1 Group's financial reporting conforms to the IFRSs (International Financial Reporting Standards) as adopted by the European Union. The annual financial statements of ProSiebenSat.1 Media SE, the Group parent, are prepared under the accounting principles of the German Commercial Code (HGB). The single-entity financial statements of ProSiebenSat.1 Media SE are available – separately from the consolidated financial statements – on the Company's website at www.ProSiebenSat1.com. Both sets of financial statements are audited and issued an audit opinion by an independent accounting and auditing firm. The financial statements for financial year 2016 were duly audited by KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Munich office, with Haiko Schmidt acting as the lead auditor. They were issued an unqualified audit opinion on February 22, 2017. Haiko Schmidt has worked with the Company since financial year 2012 as lead auditor at KPMG.

- **Stock option plans and similar securities-based incentive systems:** Information on ProSiebenSat.1 Media SE's share-based remuneration plan (Group Share Plan), the Mid Term Incentive Plan to be paid out in cash (MTI), the former stock option plan (Long Term Incentive Plan), and the employee stock option plan newly established in 2016 (MyShares) can be found in the Notes to the Consolidated Financial Statements and in the Compensation Report (2016 Annual Report starting on pages 185 and 48).

Management Declaration

In this Management Declaration, the Executive Board and Supervisory Board report on corporate governance pursuant to Sections 289a and 315(5) of the German Commercial Code (Handelsgesetzbuch – HGB). The Management Declaration includes information on relevant corporate governance practices and other aspects of corporate governance in addition to the annual Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz — AktG). Supplementary information such as a description of the working procedures of the Executive Board and the Supervisory Board, an overview of the composition and working procedures of the committees, and information on capital market communications and accounting principles can be found in the Corporate Governance Report (see p. 36 et seq. of the 2016 Annual Report).

Declaration of Compliance of the Executive Board and the Supervisory Board of ProSiebenSat.1 Media SE with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (Fig. 5)

The Executive Board and the Supervisory Board of ProSiebenSat.1 Media SE hereby declare that ProSiebenSat.1 Media SE complies in principle with the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on May 5, 2015 and published in the official section of the Federal Gazette (Bundesanzeiger) on June 12, 2015, and that the Company has complied with such recommendations since issuing its most recent Declaration of Compliance in March 2016. Only the following Code recommendations have not been and are currently not being applied:

- The D&O insurance contracts concluded for the Executive Board and the Supervisory Board provide for payment of a deductible by the insured members of the Executive Board in the scope stipulated by law (Section 93(2) Sentence 3 of the Stock Corporation Act in conjunction with Article 51 of the SE Regulation) and in their contracts of employment. However, neither the Executive Board nor the Supervisory Board regards a deductible as an effective way of enhancing board members' motivation or sense of responsibility. Therefore, no deductible is currently agreed for Supervisory Board members, contrary to the recommendations of Item 3.8 of the German Corporate Governance Code.

ProSiebenSat.1 Media SE intends to continue complying with the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on May 5, 2015 and published in the official section of the Federal Gazette (Bundesanzeiger) on June 12, 2015 also in the future, with the aforementioned exception.

March 2017
The Executive Board and Supervisory Board of ProSiebenSat.1 Media SE

Information on Relevant Corporate Governance Practices

The Executive Board 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 breaches of law are key success factors with regard to our market position and attainment of our corporate targets. This applies in particular to antitrust legislation and media law as well as to data protection and the associated preservation of privacy rights due to increasing digitalization of the Group's activities. For more information on the compliance management system (CMS) in effect at ProSiebenSat.1 Group for this purpose, as well as on the Code of Conduct applicable to ProSiebenSat.1, please refer to page 36 et seq. of the Corporate Governance Report.

Description of the Working Procedures of the Executive Board and the Supervisory Board Composition and Working Procedures of the Board Committees

A general description of the working procedures of the Executive Board and the Supervisory Board and their committees can be found in the Corporate Governance Report (see p. 36 et seq. of the 2016 Annual Report). The composition of the Executive Board is presented on page 06 et seq. of the 2016 Annual Report; the composition of the Supervisory Board and its committees is shown on page 35 et seq. of the 2016 Annual Report and on page 36 et seq. of the Corporate Governance Report.

Regulations on the Equal Participation of Women in Management Positions in Accordance with Sections 76(4) and 111(5) of the German Stock Corporation Act in Conjunction with Article 9(1) lit. c) ii) of the SE Regulation

Executive Board and Supervisory Board. The Supervisory Board of ProSiebenSat.1 Media SE has established targets for the composition of the Executive Board and the Supervisory Board with regard to the equal participation of women on both Boards in accordance with Section 111(5) of the Stock Corporation Act in conjunction with Article 9(1) lit. c) ii) of the SE Regulation as well as deadlines for the respective target achievement. For more information on those targets and deadlines, please refer to pages 36 to 45 of the aforesaid Corporate Governance Report.

Management levels below the Executive Board. In a resolution dated September 30, 2015 with reference to Section 76(4) of the German Stock Corporation Act in conjunction with Article 9(1) lit. c) ii) of the SE Regulation, the Executive Board of ProSiebenSat.1 Media SE established the following targets — to be reached by June 30, 2017 — for the proportion of women at the two management levels below Executive Board level:

- 1. Management Level 1: 15%
- 2. Management Level 2: 25%

At the end of the past financial year, the proportion of women at the first management level of ProSiebenSat.1 Media SE was 11.1%. The Executive Board will endeavor to reach the 15% target by June 30, 2017. At the second management level, the percentage of women was over the target at 25.6% as of December 31, 2016. This does not rule out another increase at that management level.

Compensation Report[1]

The Compensation Report describes the main features of the compensation system for the Executive Board and Supervisory Board of ProSiebenSat.1 Media SE. It explains the structure and level of compensation of the individual members of the Executive Board and Supervisory Board. The Compensation Report is part of the audited combined Management Report and complies with the applicable statutory requirements. It also takes into account the recommendations of the German Corporate Governance Code in the version from May 5, 2015.

Compensation Paid to the Executive Board

In addition to their functions as directors and officers of the Company, the members of the Executive Board of ProSiebenSat.1 Media SE have contractual relationships with the Company. The ProSiebenSat.1 Media SE Supervisory Board is responsible for making the employment agreements with the members of the Executive Board. The employment contracts of Executive Board members have a maximum term of five years and also regulate compensation. After a proposal by the Compensation Committee, the structure and amount of the Executive Board's compensation are defined by the Supervisory Board as a whole and regularly reviewed. The criteria for appropriate compensation are, firstly, the personal performance and areas of work and responsibility of the individual members of the Executive Board and, secondly, the amount and structure of executive board compensation in comparable companies, the Company's business situation and the compensation structure of ProSiebenSat.1 Media SE.

Report of the Supervisory Board, page 26.

Compensation System for the Executive Board

The compensation system for the Executive Board of ProSiebenSat.1 Media SE aims to create an incentive for sustainable company performance. It is composed of fixed and performance-based components. In the financial year 2016, the Executive Board's compensation comprised the following components:

- All Executive Board members each received a **fixed base salary**, paid monthly, that was determined with reference to the individual Executive Board member's areas of work and responsibility.

- In addition to this fixed base salary, Executive Board members also received **performance-based variable annual compensation**, also known as a performance bonus. The structure of the performance bonus is regulated uniformly in the employment contracts of the Executive Board members. The amount depends on the achievement of annual targets defined at the beginning of each year for target parameters determined for the relevant financial year. Both underlying target parameters and the amount of performance targets are determined at the Supervisory Board's discretion. This means that the performance bonus can be adjusted to the prevailing situation of the Company and tailored to the responsibilities of each Executive Board member. The Supervisory Board sets at least two performance targets for each Executive Board member and their respective weighting. A target bonus per financial year is defined for all of these performance targets. If the target is exceeded, the performance bonus may also exceed the target bonus; however, it may not exceed 200 % of the target bonus. If targets are not met, the performance bonus may also be lower than the target bonus or may not be paid at all. Performance targets for 2016 were defined in the target agreements of the Executive Board members. These are achieved on the basis of the Group's EBITDA and net financial debt in addition to individual targets based on the responsibilities allocated to Executive Board members. Personal target agreements for Executive Board members who bear segment responsibility in relation to agreed segment targets are essentially based on revenue and EBITDA targets of the respective segments.

1 This section is part of the audited Combined Management Report.

- In addition, Executive Board members receive a long-term share-based compensation component. The Group Share Plan that was created in 2012 is organized as a share bonus program. Performance share units (PSUs) are issued to participants. After the end of a four-year holding period starting at the beginning of the year of issue, participants are entitled, at the Company's discretion, to receive shares of the Company or to a corresponding payment in cash in the amount of the market value of these shares. In March 2016, the Company and the Supervisory Board decided to exercise this right to settle these in cash until further notice and thus to pay for these PSUs in cash after the holding period has expired (see Notes to the Consolidated Financial Statements, Note 31 "Share-based payments"). The conversion factor by which the PSUs are converted into ProSiebenSat.1 shares or an equivalent amount in cash after the end of the holding period depends on the achievement of predefined annual targets during the holding period. These relate to the development of the Group's EBITDA performance targets and consolidated net income. The conversion factor can vary between 0% and 150% (performance-based cap). In addition, the number of PSUs for anti-dilution protection is adjusted if a superdividend is distributed. In the event of exceptional developments, the Supervisory Board can also raise or lower the conversion factor by up to 25 percentage points while taking into account the individual performance of the Executive Board members. The adjustment of the number of PSUs for anti-dilution protection for a superdividend and the individual adjustment of the conversion factor take place when the conversion factor for performance share units into shares or the corresponding amount in cash is determined. If the share price, when the conversion factor is defined, exceeds the share price when the PSUs were issued by more than 200%, the conversion factor is further reduced so that a price increase above the threshold of 200% does not result in a further increased value of the PSUs (price-related cap). After the end of each year of the four-year holding period, a quarter of the PSUs awarded become vested; a requirement for this is that consolidated net income is positive in the according year and ProSiebenSat.1 Group's EBITDA does not fall below a defined minimum. The Group Share Plan has replaced the previous stock option plan (Long Term Incentive Plan/LTIP) under which Executive Board members in office in the according year were issued stock options most recently in 2009 (for work previously performed at the Company before their appointment to the Executive Board); all of these shares have now been exercised or redeemed. Further information on the Group Share Plan and the LTIP can be found in the Notes to the Consolidated Financial Statements.

Notes, Note 31 "Share-based payments," page 244.

Under the new Mid Term Incentive Plan, which was introduced in 2015, Executive Board members receive another multi-year variable compensation component. This involves a mid-term remuneration instrument to be paid out in cash for members of the Executive Board and other selected executives of ProSiebenSat.1 Group. The Mid Term Incentive Plan has a three-year plan term starting in the financial year 2016. The payment amount depends on recurring EBITDA achieved by ProSiebenSat.1 Group by the end of the plan term in addition to the achievement of certain minimum thresholds for revenues and recurring EBITDA during the plan term. The payment amount is limited to 250% of the respective target bonus. Executive Board members and other participants in the Mid Term Incentive Plan each receive a one-off allocated amount for the entire plan term. If participants leave the Company prematurely before the end of the plan term, their payment shall be reduced on a pro rata basis. This one-off amount under the Mid Term Incentive Plan to the Company's Executive Board members in office in the financial year 2015 was allocated in February and April 2015. New Executive Board Members appointed in the financial year 2016 received this one-off amount in March and June 2016. The Mid Term Incentive Plan for 2015 is not reported in the table of benefits in accordance with the German Corporate Governance Code (GCGC) as the plan term as defined by the GCGC does not begin until 2016. The target value, i.e. the value that is granted to the Executive Board if 100 % of the target has been achieved, is EUR 1.5 million for Thomas Ebeling and EUR 1.0 million for Dr. Gunnar Wiedenfels, Conrad Albert, Dr. Christian Wegner, Dr. Ralf Schremper, Jan David Frouman and Christof Wahl respectively. Dr. Christian Wegner stepped down from the Executive Board as of December 31, 2016. His employment contract, which would have had been effective until December 31, 2017, also ended effective December 31, 2016. Under the Mid Term Incentive Plan, Dr. Christian Wegner was allocated an amount worth EUR 1.0 million with a plan term from 2016 to 2018. Based on the agreement in his termination agreement, this amount was paid out on the termination date on a pro rata basis for 2016 and 2017, i.e. for the period until the end of the term of his employment contract, amounting to EUR 666,666.67. The remaining amount of EUR 333,333.33 expired without compensation. Dr. Gunnar Wiedenfels will leave the Executive Board at his own request on March 31, 2017; his employment contract ends effective March 31, 2017. Due to the premature termination of his employment contract prior to the expiration of the plan term, all of the entitlements of Dr. Gunnar Wiedenfels under the Mid Term Incentive Plan expired without compensation. For information on termination agreements, please refer to the section below the table entitled "Compensation of Executive Board members for the financial year 2016 in accordance with GAS 17".

- **Pension agreements** were signed for all members of the Executive Board: For the period of the employment relationship, the Company pays a monthly contribution into the personal pension account managed by the Company. The contribution made by the Company is equivalent to 20 % of the respective fixed monthly gross salary. Each member of the Executive Board has the right to pay any additional amount into the pension account in the context of deferred compensation. There are no further payments after the end of the employment relationship. The Company guarantees the paid-in capital and an annual interest of 2 %. The amounts paid-in are invested on the money and capital markets. A retirement pension is paid if the Executive Board member reaches the age of 60, or 62 in the case of Dr. Ralf Schremper, Dr. Gunnar Wiedenfels, Jan David Frouman and Christof Wahl, and has been a member of the Executive Board for at least three full years. This entitlement also arises in the case of permanent disability. The monthly retirement pension is derived from the actuarially calculated life-long pension as of the time of the entitlement to benefits. Instead of a life-long pension, Executive Board members can demand the payment of the guaranteed capital when the entitlement occurs.

- In addition, Executive Board members receive other **non-performance based fringe benefits** (particularly, the provision of company cars, group accident insurance and occasionally chauffeur services and flights home).

- If the employment contracts of Executive Board members are terminated prematurely by the Company without good cause, these contracts provide for a severance payment amounting to two years' worth of total compensation as defined by section 4.2.3 of the GCGC; however, this may not exceed the amount of compensation that would have been paid until the end of the contract period.

- The contracts of Executive Board members contain change-of-control clauses in the event of a change of control at the Company. A change of control as defined in the agreements of the Executive Board members takes place (i) if control is acquired within the meaning of takeover law, i.e. at least 30 % of the voting rights in the Company are acquired by the acquirer, (ii) if the merger of the Company is implemented with the Company as the transferring legal entity, or (iii) if a control agreement comes into force with the Company as the dependent entity. In the event of a change of control, Executive Board members have the right to terminate their employment contract with three months' notice at the end of the month and resign from the Executive Board if the change of control significantly affects the position of these Executive Board members. If this right of termination is exercised, the Executive Board members shall receive a payment in cash that is to be added in full to any waiting allowances. Compensation in cash corresponds to three years' remuneration, but shall not exceed remuneration for the remainder of the employment contract discounted to the termination date. When determining this cash settlement, fixed remuneration for the last financial year that Executive Board members are contractually entitled to, the performance bonus, multi-annual compensation components and pension contributions are to be regarded as annual compensation.

Compensation of Executive Board Members for the Financial Year 2016 in Accordance with GAS 17

The following total compensation for Executive Board members in office in the financial year 2016 was determined in accordance with GAS 17:

Compensation of Executive Board members for financial year 2016 according to GAS 17 (Fig. 6)

in accordance with GAS **17** in EUR thousand	**Thomas Ebeling** Chief Executive Officer – CEO since 03/01/2009		**Dr. Gunnar Wiedenfels** Chief Financial Officer – CFO From 04/01/2015 to 03/31/2017		**Conrad Albert** External Affairs & Industry Relations, General Counsel since 10/01/2011		**Dr. Christian Wegner** Digital Ventures & Commerce until 12/31/2016		**Dr. Ralf Schremper** Chief Investment Officer – CIO since 04/01/2015	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Fixed compensation	1,000.0	1,000.0	510.0	382.5	725.0	575.0	700.0	700.0	510.0	382.5
Fringe benefits[1]	97.1	92.2	15.7	8.4	10.0	10.0	15.4	15.4	12.2	8.6
Total fixed compensation	**1,097.1**	**1,092.2**	**525.7**	**390.9**	**735.0**	**585.0**	**715.4**	**715.4**	**522.2**	**391.1**
Annual variable compensation	1,490.0	1,530.0	490.8	329.1	500.0	472.5	623.0	777.0	529.8	280.3
Multi-year variable compensation										
Group Share Plan (2012 – 2015)[2]	–	488.7	–	–	–	391.0	–	391.0	–	–
Group Share Plan (2015 – 2018)	–	1,000.0	–	800.0	–	800.0	–	800.0	–	800.0
Group Share Plan (2016 – 2019)[3]	1,000.0	–	800.0	–	800.0	–	800.0	–	800.0	–
Total variable compensation	**2,490.0**	**3,018.7**	**1,290.8**	**1,129.1**	**1,300.0**	**1,663.5**	**1,423.0**	**1,968.0**	**1,329.8**	**1,080.3**
Total compensation	**3,587.1**	**4,110.9**	**1,816.5**	**1,520.0**	**2,035.0**	**2,248.5**	**2,138.4**	**2,683.4**	**1,852.0**	**1,471.4**
Increase of pension obligation (DBO)	537.5	1,993.2	387.5	79.8	547.9	225.1	404.1	585.8	95.1	58.3
thereof entitlements from deferred compensation	277.3	1,766.7	296.8	26.0	306.6	124.6	54.2	479.0	–	–
Amount of pension obligation (DBO)[4]	9,371.9	8,834.5	467.3	79.8	1,116.3	568.5	1,332.6	928.5	153.4	58.3
thereof entitlements from deferred compensation	7,731.2	7,453.8	322.8	26.0	462.2	155.5	533.2	479.0	–	–

in accordance with GAS **17** in EUR thousand	**Jan David Frouman** Content & Broadcasting since 03/01/2016		**Christof Wahl**[5] Digital Entertainment since 05/01/2016		**Axel Salzmann**[6] Chief Financial Officer – CFO until 03/31/2015		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Fixed compensation	462.5	–	340.0	–	–	168.8	4,247.5	3,208.8
Fringe benefits[1]	8.1	–	0.3	–	–	5.0	158.8	139.6
Total fixed compensation	**470.6**	**–**	**340.3**	**–**	**–**	**173.8**	**4,406.3**	**3,348.4**
Annual variable compensation	300.6	–	253.5	–	–	183.9	4,187.7	3,572.8
Multi-year variable compensation								
Group Share Plan (2012 – 2015)[2]	–	–	–	–	–	–	–	1,270.7
Group Share Plan (2015 – 2018)	–	–	–	–	–	–	–	4,200.0
Group Share Plan (2016 – 2019)[3]	800.0	–	1,615.0	–	–	–	6,615.0	–
Total variable compensation	**1,100.6**	**–**	**1,868.5**	**–**	**–**	**183.9**	**10,802.7**	**9,043.5**
Total compensation	**1,571.2**	**–**	**2,208.8**	**–**	**–**	**357.7**	**15,209.0**	**12,391.9**
Increase of pension obligation (DBO)	119.0	–	57.5	–	–	202.2	2,148.6	3,144.5
thereof entitlements from deferred compensation	44.2	–	–	–	–	–	979.1	2,396.3
Amount of pension obligation (DBO)[4]	119.0	–	57.5	–	–	1,047.3	12,618.1	11,516.8
thereof entitlements from deferred compensation	44.2	–	–	–	–	–	9,093.5	8,114.4

1 Includes lease payments for use of company car and insurance premiums (excluding D&O). Dr. Gunnar Wiedenfels' fringe benefits include additional benefits for chauffeur services. Thomas Ebeling's fringe benefits include additional benefits for chauffeur services and flights home.

2 Individual adjustment to the number of performance share units granted by the Supervisory Board amounting to 17.5 percentage points in accordance with the terms and conditions of the plan and adjustment to the number of performance share units granted for dilution protection for a superdividend (1.23) and to the conversion factor (102.7 %) measured as of December 31, 2015.

3 To settle incentives for work performed before joining the Executive Board, Christof Wahl was allocated a one-off additional amount of 24,000 performance share units in the financial year 2016.

4 Defined benefit obligation (DBO) as of December 31 of the reporting year. Pension obligations for Dr. Christian Wegner are related to the financial years 2016 and 2017 in accordance with the termination agreement.

5 In accordance with the termination agreement from his previous executive contract, Christof Wahl received EUR 100,000 which are deducted from his fixed remuneration.

6 Axel Salzmann left the Executive Board effective March 31, 2015; his employment contract ended effective March 31, 2015. The fixed and annual variable compensation shown relates to January to March 2015, the pension obligations relate to the entire 2015 financial year.

Dr. Christian Wegner stepped down from the Executive Board as of December 31, 2016. His employment contract, which would have been effective until December 31, 2017, also ended effective December 31, 2016. In accordance with his termination agreement, Dr. Christian Wegner received a severance payment that was payable on the termination date. This payment was made up of the following elements: fixed remuneration (EUR 700,000) and variable compensation based on the target bonus, i.e. assuming that 100 % of the targets for the performance bonus were achieved (EUR 700,000), for the remainder of the employment contract (from January to December 2017) and EUR 200,000 as compensation for the non-participation in the Group Share Plan for 2017. Under the Mid Term Incentive Plan, Dr. Christian Wegner was allocated an amount of EUR 1.0 million with a plan term from 2016 to 2018. Based on the agreement in his termination agreement, this amount was paid out on the termination date on a pro rata basis for 2016 and 2017, i.e. for the period until the end of the term of his employment contract, amounting to EUR 666,666.67. Dr. Christian Wegner also received pension contributions of EUR 140,000 for 2017. Concerning the Group Share Plan, the termination agreement stipulates that Dr. Christian Wegner is still participating in the Group Share Plan in accordance with the terms and conditions of this plan with the performance share units issued until the termination date; on the condition that with regard of the vesting of these the original termination of the employment contract is assumed (December 31, 2017). A provision of EUR 581,977.25 was recognized for this purpose. It has also been agreed that the post-contractual non-competition clause and the associated provisions regarding the waiting allowance are canceled without compensation.

Dr. Gunnar Wiedenfels will leave the Executive Board at his own request on March 31, 2017; his employment contract ends effective March 31, 2017. In accordance with his termination agreement, Dr. Gunnar Wiedenfels shall not receive a severance payment. The performance bonus for 2016 will be calculated and paid out based on the actual targets achieved in accordance with the provisions contained in his employment contract. Dr. Gunnar Wiedenfels receives a non-performance-based pro rata amount worth 3/12 of the target bonus for the performance bonus (EUR 81,250) as a performance bonus for 2017. The target bonus is based on the assumption that 100 % of the target for the performance bonus has been achieved. The PSUs issued to Dr. Wiedenfels under the Group Share Plan (GSP) in 2015 and 2016 as part of his work as an Executive Board member are vested at 50 % (GSP 2015) and 25 % (GSP 2016) when he leaves the Company, and are settled in cash in the allocated amount (or any lower market value in accordance with the terms and conditions of the plan). The PSUs issued to him in 2013 and 2014 for work performed before his appointment to the Executive Board are vested at 100 % (GSP 2013) or 75 % (GSP 2014) when he leaves the Company and will be settled as planned after the end of the respective holding period. All PSUs that are not vested upon departure expire without compensation. Due to the premature termination of his employment contract before the end of the plan term, all of the entitlements of Dr. Gunnar Wiedenfels under the Mid Term Incentive Plan expire without compensation. Since the three-year waiting period for the contractual vesting has not been reached, the pension agreement provides only for entitlements that Dr. Gunnar Wiedenfels obtained from deferred compensation. In addition, the termination agreement stipulates that the post-contractual non-competition clause and the associated provisions regarding the waiting allowance are canceled without replacement.

Additional Disclosures on Share-based Payment Instruments (Group Share Plan)

The performance share units granted to active members of the Executive Board for their work as members of the Executive Board developed as follows in the financial year 2016:

Additional disclosures on share-based compensation instruments (Fig. 7)

GROUP SHARE PLAN[4]

		Outstanding performance share units at the start of the financial year	Performance share units granted in the financial year		Performance share units expired in the financial year[5]	Performance share units exercised in the financial year	Outstanding performance share units at the end of the financial year	Total cost for share-based payment[6]
		Number	Number	Fair value of the grant in EUR	Number	Number	Number	in EUR
Thomas Ebeling	**2016**	**132,540**	**29,447**	**1,000,000**	**0**	**48,427**	**113,560**	**194,093**
	2015	112,035	20,505	1,000,000	0	0	132,540	1,301,188
Dr. Gunnar Wiedenfels[1]	**2016**	**16,404**	**23,558**	**800,000**	**0**	**0**	**39,962**	**200,765**
	2015	0	16,404	800,000	0	0	16,404	375,060
Conrad Albert	**2016**	**106,032**	**23,558**	**800,000**	**0**	**38,741**	**90,849**	**155,253**
	2015	89,628	16,404	800,000	0	0	106,032	1,040,983
Dr. Christian Wegner	**2016**	**106,032**	**23,558**	**800,000**	**15,879**	**38,741**	**74,970**	**453,328**
	2015	89,628	16,404	800,000	0	0	106,032	1,040,983
Dr. Ralf Schremper[1]	**2016**	**16,404**	**23,558**	**800,000**	**0**	**0**	**39,962**	**463,995**
	2015	0	16,404	800,000	0	0	16,404	375,060
Jan David Frouman[1]	**2016**	**0**	**23,558**	**800,000**	**0**	**0**	**23,558**	**406,160**
	2015	–	–	–	–	–	–	–
Christof Wahl[2]	**2016**	**0**	**47,558**	**1,615,040**	**0**	**0**	**47,558**	**819,922**
	2015	–	–	–	–	–	–	–
Axel Salzmann[3]	**2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2015	89,628	0	0	19,133	0	70,495	152,251
Total	**2016**	**377,412**	**194,795**	**6,615,040**	**15,879**	**125,909**	**430,419**	**2,693,517**
	2015	380,919	86,121	4,200,000	19,133	0	447,907	4,285,526

1 Executive Board members Dr. Gunnar Wiedenfels and Dr. Ralf Schremper also have performance share units from work performed before they joined the Executive Board. These were not granted as remuneration for their role on the Executive Board and are thus not included in the overview. Executive Board members Dr. Gunnar Wiedenfels, Dr. Ralf Schremper and Jan David Frouman also have stock options from work performed before they joined the Executive Board. These were not granted as remuneration for their role on the Executive Board and are thus not included in the overview. All stock options have now been exercised or redeemed.
2 To settle incentives for work performed before joining the Executive Board, Christof Wahl was allocated a one-off additional amount of 24,000 performance share units in the financial year 2016.
3 Axel Salzmann left the Executive Board effective March 31, 2015. Information on share-based payment instruments in his case can be found in the chapter regarding total compensation of former members of the Executive Board.
4 Nominal amounts of performance share units when granted.
5 Dr. Gunnar Wiedenfels will leave the Executive Board as of March 31, 2017. In accordance with the terms and conditions of the plan, performance shares units that have not been vested expire on the termination date. In addition, the termination agreement of Dr. Gunnar Wiedenfels stipulates that vested performance share units are to be settled in cash when he leaves the Company. Dr. Christian Wegner stepped down from the Executive Board as of December 31, 2016. Dr. Christian Wegner's termination agreement stipulates that he is still participating in the Group Share Plan in accordance with the terms and conditions of the plan with the performance share units issued until the termination date, on the condition that with regard of the vesting of these the original termination of the employment contract is assumed (December 31, 2017). The unaffected portion of performance share units expired in the financial year 2016.
6 The total cost in the financial year 2016 includes an adjustment of the conversion factor for the performance shares granted (107.6%) for the Group Share Plan 2013 and was measured as of December 31, 2016. No adjustments were made due to anti-dilution protection or an individual increase by the Supervisory Board.
In addition to adjustments to performance share units granted for anti-dilution protection for a superdividend (1.23) and to the conversion factor (102.7%), the total cost for the financial year 2015 also includes the individual increase by the Supervisory Board (17.5%) measured as of December 31, 2015.

In the financial year 2016, 125,909 performance share units from the Group Share Plan were exercised and 15,879 performance share units expired. For more information on the performance share units granted for the financial year 2016, please refer to Note 31 in the Notes to the Consolidated Financial Statements.

Notes, Note 31 "Share-based payments," page 244.

Other Compensation Components

The Company has granted neither loans nor provided guarantees or warranties to the members of the Executive Board.

Compensation of Executive Board Members for the Financial Year 2016 in Accordance with the German Corporate Governance Code (GCGC)

The GCGC recommends the individual disclosure of specific compensation components for each Executive Board member according to certain criteria. It further recommends the use of the template tables included in the GCGC for their presentation – in some cases deviating from GAS 17.

Benefits Granted in Accordance with GCGC

The table below shows the benefits that have been granted for the financial year 2016, including fringe benefits and the minimum and maximum compensation achievable in the financial year 2016 that were granted to active members of the Executive Board for their work as Executive Board members. In deviation from the presentation of total compensation according to GAS 17, to comply with the GCGC the annual variable compensation must be disclosed as the target value, i.e. the value granted to the Executive Board member in the event of 100 % target achievement. Furthermore, the pension cost, i.e. the service cost in accordance with IAS 19, must be included in total compensation in accordance with GCGC.

Benefits granted according to GCGC (Fig. 8)

Benefits granted in EUR thousand	Thomas Ebeling Chief Executive Officer – CEO since 03/01/2009				Dr. Gunnar Wiedenfels[5] Chief Financial Officer – CFO from 04/01/2015 to 03/31/2017			
	2015	**2016**	**2016 (min)**	**2016 (max)**	2015	**2016**	**2016 (min)**	**2016 (max)**
Fixed compensation	1,000.0	1,000.0	1,000.0	1,000.0	382.5	510.0	510.0	510.0
Fringe benefits[1]	92.2	97.1	97.1	97.1	8.4	15.7	15.7	15.7
Total fixed compensation	**1,092.2**	**1,097.1**	**1,097.1**	**1,097.1**	**390.9**	**525.7**	**525.7**	**525.7**
Annual variable compensation	1,000.0	1,000.0	0.0	2,000.0	243.8	325.0	0.0	650.0
Multi-year variable compensation								
Group Share Plan (2012 - 2015)[2]	488.7	–	–	–	–	–	–	–
Group Share Plan (2015 - 2018)	1,000.0	–	–	–	800.0	**-**	**-**	**-**
Group Share Plan (2016 - 2019)[3]	–	1,000.0	0.0	5,250.0	–	800.0	0.0	4,200.0
Mid Term Incentive Plan (2016 - 2018)	–	500.0	0.0	1,250.0	–	333.3	0.0	833.3
Total variable compensation	**2,488.7**	**2,500.0**	**0.0**	**8,500.0**	**1,043.8**	**1,458.3**	**0.0**	**5,683.3**
Pension cost[4]	199.5	203.4	203.4	203.4	53.8	73.5	73.5	73.5
Total compensation (GCDC)	**3,780.4**	**3,800.5**	**1,300.5**	**9,800.5**	**1,488.5**	**2,057.5**	**599.2**	**6,282.5**

Benefits granted in EUR thousand	Conrad Albert External Affairs & Industry Relations, General Counsel since 10/01/2011				Dr. Christian Wegner Digital Ventures & Commerce until 12/31/2016			
	2015	**2016**	**2016 (min)**	**2016 (max)**	2015	**2016**	**2016 (min)**	**2016 (max)**
Fixed compensation	575.0	725.0	725.0	725.0	700.0	700.0	700.0	700.0
Fringe benefits[1]	10.0	10.0	10.0	10.0	15.4	15.4	15.4	15.4
Total fixed compensation	**585.0**	**735.0**	**735.0**	**735.0**	**715.4**	**715.4**	**715.4**	**715.4**
Annual variable compensation	375.0	400.0	0.0	800.0	700.0	700.0	0.0	1,400.0
Multi-year variable compensation								
Group Share Plan (2012 - 2015)[2]	391.0	–	–	–	391.0	–	–	–
Group Share Plan (2015 - 2018)	800.0	–	–	–	800.0	–	–	–
Group Share Plan (2016 - 2019)[3]	–	800.0	0.0	4,200.0	–	800.0	0.0	4,200.0
Mid Term Incentive Plan (2016 - 2018)	–	333.3	0.0	833.3	–	333.3	0.0	833.3
Total variable compensation	**1,566.0**	**1,533.3**	**0.0**	**5,833.3**	**1,891.0**	**1,833.3**	**0.0**	**6,433.3**
Pension cost[4]	98.3	99.5	99.5	99.5	107.8	108.2	108.2	108.2
Total compensation (GCDC)	**2,249.3**	**2,367.8**	**834.5**	**6,667.8**	**2,714.2**	**2,656.9**	**823.6**	**7,256.9**

Benefits granted according to GCGC (continued)

Benefits granted in EUR thousand	Dr. Ralf Schremper Chief Investment Officer – CIO since 04/01/2015				Jan David Frouman Content & Broadcasting since 03/01/2016			
	2015	**2016**	**2016 (min)**	**2016 (max)**	2015	**2016**	**2016 (min)**	**2016 (max)**
Fixed compensation	382.5	510.0	510.0	510.0	–	462.5	462.5	462.5
Fringe benefits[1]	8.6	12.2	12.2	12.2	–	8.1	8.1	8.1
Total fixed compensation	**391.1**	**522.2**	**522.2**	**522.2**	**–**	**470.6**	**470.6**	**470.6**
Annual variable compensation	243.8	325.0	0.0	650.0	–	270.8	0.0	541.7
Multi-year variable compensation								
Group Share Plan (2012-2015)[2]	–	–	–	–	–	–	–	–
Group Share Plan (2015-2018)	800.0	–	–	–	–	–	–	–
Group Share Plan (2016-2019)[3]	–	800.0	0.0	4,200.0	–	800.0	0.0	4,200.0
Mid Term Incentive Plan (2016-2018)	–	333.3	0.0	833.3	–	333.3	0.0	833.3
Total variable compensation	**1,043.8**	**1,458.3**	**0.0**	**5,683.3**	**–**	**1,404.2**	**0.0**	**5,575.0**
Pension cost[4]	58.3	79.7	79.7	79.7	–	74.8	74.8	74.8
Total compensation (GCDC)	**1,493.2**	**2,060.2**	**601.9**	**6,285.2**	**–**	**1,949.6**	**545.4**	**6,120.4**

Benefits granted in EUR thousand	Christof Wahl[6] Digital Entertainment since 05/01/2016				Axel Salzmann[7] Chief Financial Officer – CFO until 03/31/2015			
	2015	**2016**	**2016 (min)**	**2016 (max)**	2015	**2016**	**2016 (min)**	**2016 (max)**
Fixed compensation	–	340.0	340.0	340.0	168.8	–	–	–
Fringe benefits[1]	–	0.3	0.3	0.3	5.0	–	–	–
Total fixed compensation	**–**	**340.3**	**340.3**	**340.3**	**173.8**	**–**	**–**	**–**
Annual variable compensation	–	216.7	0.0	433.3	112.5	–	–	–
Multi-year variable compensation								
Group Share Plan (2012-2015)[2]	–	–	–	–	–	–	–	–
Group Share Plan (2015-2018)	–	–	–	–	–	–	–	–
Group Share Plan (2016-2019)[3]	–	1,615.0	0.0	8,479.0	–	–	–	–
Mid Term Incentive Plan (2016-2018)	–	333.3	0.0	833.3	–	–	–	–
Total variable compensation	**–**	**2,165.0**	**0.0**	**9,745.7**	**112.5**	**–**	**–**	**–**
Pension cost[4]	–	57.5	57.5	57.5	132.8	–	–	–
Total compensation (GCDC)	**–**	**2,562.8**	**397.8**	**10,143.5**	**419.1**	**–**	**–**	**–**

1 Includes lease payments for use of company car and insurance premiums (excluding D&O). Dr. Gunnar Wiedenfels' fringe benefits include additional benefits for chauffeur services. Thomas Ebeling's fringe benefits include additional benefits for chauffeur services and flights home.
2 Individual adjustment to the number of performance share units granted by the Supervisory Board amounting to 17.5 percentage points in accordance with the terms and conditions of the plan and adjustment to the number of performance share units granted for dilution protection for a superdividend (1.23) and to the conversion factor (102.7%) measured as of December 31, 2015.
3 To settle incentives for work performed before joining the Executive Board, Christof Wahl was allocated a one-off additional amount of 24,000 performance share units in the financial year 2016.
4 Pension cost comprise service cost in accordance with IAS 19. In the case of Dr. Ralf Schremper and Dr. Gunnar Wiedenfels, this comprise past service costs for 2015 and past service costs for 2016 in the case of Jan David Frouman and Christof Wahl as a result of pension commitments granted during the year.
5 Due to the premature termination of his employment contract before the plan term, all the entitlements of Dr. Gunnar Wiedenfels under the Mid Term Incentive Plan expired without compensation.
6 In accordance with the termination agreement from his previous executive contract, Christof Wahl received EUR 100,000 which are deducted from his fixed remuneration.
7 Axel Salzmann left the Executive Board effective March 31, 2015; his employment contract ended effective March 31, 2015. The fixed and annual variable compensation shown relates to January to March 2015; the pension cost relates to the financial year 2015 as a whole.

For information on the termination agreements of Dr. Christian Wegner and Dr. Gunnar Wiedenfels, please refer to the section below the table entitled "Compensation of Executive Board members for the financial year 2016 in accordance with GAS 17."

Receipt in Accordance with GCGC

As the compensation granted to members of the Executive Board for the financial year is not always accompanied by a payment in the respective financial year, a separate table – in accordance with the relevant recommendation of the GCGC – shows the amount received by members of the Executive Board for work performed in the financial year.

In line with GCGC recommendations, the fixed compensation and annual variable compensation must be recognized as receipts for the respective financial year. According to the GCGC, share-based compensation is considered received at the date and value relevant to German tax law.

Following the recommendations of the GCGC, when disclosing receipts the pension cost in the sense of service cost according to IAS 19 equates to the contributions made, even though strictly speaking it is not an actual receipt.

Receipt according to GCGC (Fig. 9)

Receipt in EUR thousand	**Thomas Ebeling** Chief Executive Officer – CEO since 03/01/2009		**Dr. Gunnar Wiedenfels** Chief Financial Officer – CFO from 04/01/2015 to 03/31/2017		**Conrad Albert** External Affairs & Industry Relations, General Counsel since 10/01/2011		**Dr. Christian Wegner** Digital Ventures & Commerce until 12/31/2016	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Fixed compensation	1,000.0	1,000.0	510.0	382.5	725.0	575.0	700.0	700.0
Fringe benefits[1]	97.1	92.2	15.7	8.4	10.0	10.0	15.4	15.4
Total fixed compensation	**1,097.1**	**1,092.2**	**525.7**	**390.9**	**735.0**	**585.0**	**715.4**	**715.4**
Annual variable compensation	1,490.0	1,530.0	490.8	329.1	500.0	472.5	623.0	777.0
Multi-year variable compensation[2]								
Group Share Plan (2012 – 2015)[3]	3,251.6	–	–	–	2,601.2	–	2,601.2	–
Total variable compensation	**4,741.6**	**1,530.0**	**490.8**	**329.1**	**3,101.2**	**472.5**	**3,224.2**	**777.0**
Pension cost[4]	203.4	199.5	73.5	53.8	99.5	98.3	108.2	107.8
Total compensation (GCDC)	**6,042.1**	**2,821.7**	**1,090.0**	**773.8**	**3,935.7**	**1,155.8**	**4,047.8**	**1,600.2**

Receipt in EUR thousand	**Dr. Ralf Schremper** Chief Investment Officer – CIO since 04/01/2015		**Jan David Frouman** Content & Broadcasting since 03/01/2016		**Christof Wahl**[5] Digital Entertainment since 05/01/2016		**Axel Salzmann**[6] Chief Financial Officer – CFO until 03/31/2015	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Fixed compensation	510.0	382.5	462.5	–	340.0	–	–	168.8
Fringe benefits[1]	12.2	8.6	8.1	–	0.3	–	–	5.0
Total fixed compensation	**522.2**	**391.1**	**470.6**	**–**	**340.3**	**–**	**–**	**173.8**
Annual variable compensation	529.8	280.3	300.6	–	253.5	–	–	183.9
Multi-year variable compensation[2]								
Group Share Plan (2012 – 2015)[3]	–	–	–	–	–	–	–	–
Total variable compensation	**529.8**	**280.3**	**300.6**	**–**	**253.5**	**–**	**–**	**183.9**
Pension cost[4]	79.7	58.3	74.8	–	57.5	–	–	132.8
Total compensation (GCDC)	**1,131.7**	**729.7**	**846.0**	**–**	**651.3**	**–**	**–**	**490.5**

1 Includes lease payments for use of company car and insurance premiums (excluding D&O). Dr. Gunnar Wiedenfels' fringe benefits include additional benefits for chauffeur services. Thomas Ebeling's fringe benefits include additional benefits for chauffeur services and flights home.
2 In addition to remuneration as members of the Executive Board, Dr. Gunnar Wiedenfels, Dr. Ralf Schremper and Jan David Frouman were paid amounts from multi-year variable compensation in the financial year 2016 due to rights from the period before commencing their work as Executive Board members.
3 In addition to adjustments to performance share units granted for anti-dilution protection for a superdividend (1.23) and to the conversion factor (102.7 %), the payment for the Group Share Plan 2012 also includes the individual increase by the Supervisory Board (17.5 %) measured in accordance with the terms and conditions of the plan with a share price as of the date the conversion factor was determined.
4 Pension cost comprises service cost in accordance with IAS 19. In the case of Dr. Ralf Schremper and Dr. Gunnar Wiedenfels, this comprises past service costs for 2015 and past service costs for 2016 in the case of Jan David Frouman and Christof Wahl as a result of pension commitments granted during the year.
5 In accordance with the termination agreement from his previous executive contract, Christof Wahl received EUR 100,000 which are deducted from his fixed remuneration.
6 Axel Salzmann left the Executive Board effective March 31, 2015; his employment contract ended effective March 31, 2015. The fixed and annual variable compensation shown relates to January to March 2015; the pension cost relates to the financial year 2015 as a whole.

Post-contractual Non-competition Clause

A post-contractual non-competition clause was agreed for all Executive Board members covering one year following the termination of the employment contract. As part of the termination agreement with Dr. Christian Wegner and Dr. Gunnar Wiedenfels, their respective post-contractual non-competition clauses and associated entitlement to a waiting allowance in relation to their premature termination were canceled.

If the post-contractual non-competition clause applies, Executive Board members receive a monthly waiting allowance for the duration of the post-contractual non-competition agreement, which in each case amounts to 1/12 of 75% of the annual remuneration amount most recently received. In order to determine the waiting allowance, the sum of fixed remuneration, the performance bonus and, if applicable, additional multi-annual compensation components that have been granted are to be regarded as annual compensation. This calculation assumes a target achievement of 100% for the performance bonus and the allocated amount of multi-year compensation components or, if no annual allocation has been made, the pro rata allocated value attributable to one year of the plan term. Any income generated from work performed while the non-competition clause is in force is to be offset against in the waiting allowance – based on a one-year period – if it exceeds 50% of the annual compensation most recently obtained. The Company may waive the non-competition clause before the end of the agreement. In this case, the Executive Board member is entitled to a waiting allowance only for the period between the end of the agreement and the end of a six-month period after the waiver has been received. Sections 74 ff. of the German Commercial Code also apply accordingly.

The following table shows the net present value of compensation to be paid in connection with the post-contractual non-competition clause. This consists of the present value of the amounts that would be paid assuming that Executive Board members were to leave the Company at the end of the term of their respective current contracts and that the contractual benefits received immediately before the termination of their contracts equal their most recent annual compensation. It can be assumed that actual compensation resulting from the post-contractual non-competition clause will differ from the amounts presented in this table. This depends on the exact date on which the employment contract is terminated and the level of compensation received on this date.

Waiting allowance (Fig. 10)

EUR thousand	Duration of the contract	Net present value of the waiting allowance[1]
Thomas Ebeling	06/30/19	2,607.0
Conrad Albert	04/30/21	1,419.3
Dr. Ralf Schremper	03/31/18	1,472.7
Jan David Frouman	02/28/19	1,501.7
Christof Wahl	04/30/19	1,467.2
Total		**8,468.0**

1 The following discount rates were used for this calculation in accordance with IAS 19: Thomas Ebeling 0.28%, Conrad Albert 0.39%, Dr. Ralf Schremper 0.19%, Jan David Frouman 0.25%, Christof Wahl 0.26%.

Total Compensation of Former Executive Board Members

Total compensation of EUR 6.0 million was paid to former members of the Executive Board in the financial year 2016 (previous year: EUR 3.2 million). This includes the payment of 58,112 performance share units from the Group Share Plan 2012 amounting to EUR 3.3 million (previous year: EUR 0), the severance payment for Dr. Christian Wegner of EUR 2.3 million payable on the termination date (December 31, 2016), and pension payments of EUR 0.4 million (previous year: EUR 0.3 million). In accordance with the termination agreement, a provision of EUR 0.6 million was recognized for Dr. Christian Wegner's participation in the Group Share Plan. Dr. Christian Wegner also received pension contributions of EUR 0.1 million for 2017. As of December 31, 2016, pension provisions for former members of the Executive Board – including provisions for Dr. Christian Wegner – in accordance with IFRS amounted to EUR 14.4 million (previous year: EUR 11.4 million).

Pension Provisions

In the financial year 2016, there were additions to pension provisions for active and former Executive Board members in accordance with IFRS. These amounted to EUR 2.8 million in total (previous year: EUR 3.1 million). EUR 0.6 million of this amount is attributable to service costs (previous year: EUR 0.6 million), while EUR 0.6 million is attributable to interest expenses (previous year: EUR 0.5 million). EUR 1.3 million of this amount is attributable to actuarial losses (previous year: minus EUR 0.1 million) while minus EUR 0.4 million is attributable to pension payments (previous year: minus EUR 0.3 million). Furthermore, deferred compensation in the amount of EUR 0.6 million (previous year: EUR 2.4 million) has been made in the past financial year. As of December 31, 2016, pension provisions for active and former Executive Board members totaled EUR 25.7 million (previous year: EUR 22.9 million).

D&O Insurance

Executive Board members are covered by group liability insurance (D&O insurance). This D&O insurance covers the personal liability risk should Executive Board members be made liable for financial losses when exercising their professional functions for the Company. The insurance includes a deductible according to which an Executive Board member against whom a claim is made pays a total of 10% of the claim in each insured event, but not more than 150% of the respective fixed annual compensation for all insurance events in one insurance year. The relevant figure for calculating the deductible is the fixed remuneration in the calendar year in which the breach of duty occurred.

Compensation Paid to the Supervisory Board

Compensation System for the Supervisory Board

The Supervisory Board's compensation is determined in the articles of incorporation of the Company.

This Compensation System Comprises the Following:

Members of the Supervisory Board receive fixed annual compensation for each full financial year of their membership of the Supervisory Board. The fixed compensation amounts to EUR 250,000 for the Chairman of the Supervisory Board, EUR 150,000 for the Vice Chairman and EUR 100,000 for all other members of the Supervisory Board. The Chairman of a Supervisory Board committee receives additional fixed annual compensation of EUR 30,000; the additional fixed annual compensation for the Chairman of the Audit and Finance Committee amounts to EUR 50,000. Members of the Supervisory Board also receive fixed annual compensation of EUR 7,500 for membership in a Supervisory Board committee. In addition, members of the Supervisory Board receive a meeting honorarium of EUR 2,000 for each meeting attended in person. For the Chairman of the Supervisory Board, the meeting honorarium amounts to EUR 3,000 for each meeting attended in person. If multiple meetings are held on one day, the meeting honorarium is paid only once. No performance-based variable compensation is granted.

The current members of the Supervisory Board have declared to the Supervisory Board that they voluntarily undertake to each use 20% of their fixed remuneration granted on a yearly basis in accordance with article 14 (1) and (2) of the articles of incorporation (before deduction of taxes) in order to purchase shares in ProSiebenSat.1 Media SE every year, and to hold these for a period of four years which, however, shall not exceed the duration of their membership on the Supervisory Board of ProSiebenSat.1 Media SE; if they are re-elected, the obligation to hold these shares shall apply to their individual terms of office. With this self-commitment to invest in and hold ProSiebenSat.1 shares, the members of the Supervisory Board want to underline their interest in the long-term, sustainable success of the Company.

Compensation of Supervisory Board Members for the Financial Year 2016

Supervisory Board members received the following compensation for the financial year 2016:

Compensation of Supervisory Board members for the 2016 financial year (Fig. 11)

EUR thousand		Fixed base compensation	Presiding Committee compensation	Audit and Finance Committee compensation	Compensation Committee compensation	Meeting honorarium for meetings attended in person[12]	Total
Dr. Werner Brandt[1] Chairman	**2016**	**250.0**	**30.0**	**0.0**	**30.0**	**45.0**	**355.0**
	2015	250.0	30.0	0.0	30.0	45.0	355.0
Dr. Marion Helmes[2] Vice Chairwoman	**2016**	**150.0**	**30.0**	**7.5**	**7.5**	**34.0**	**229.0**
	2015	124.2	14.5	7.5	3.6	34.0	183.8
Lawrence Aidem[3]	**2016**	**100.0**	**7.5**	**0.0**	**0.0**	**20.0**	**127.5**
	2015	100.0	7.5	0.0	0.0	24.0	131.5
Antoinette (Annet) P. Aris[4]	**2016**	**100.0**	**0.0**	**7.5**	**7.5**	**34.0**	**149.0**
	2015	100.0	0.0	7.5	7.5	26.0	141.0
Adam Cahan[5]	**2016**	**100.0**	**0.0**	**0.0**	**0.0**	**18.0**	**118.0**
	2015	100.0	0.0	0.0	0.0	12.0	112.0
Philipp Freise[6]	**2016**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
	2015	87.8	15.0	0.0	3.8	10.0	116.5
Angelika Gifford[7]	**2016**	**100.0**	**0.0**	**0.0**	**7.5**	**18.0**	**125.5**
	2015	61.3	0.0	0.0	3.6	18.0	82.9
Erik Adrianus Hubertus Huggers[8]	**2016**	**100.0**	**0.0**	**0.0**	**0.0**	**20.0**	**120.0**
	2015	100.0	0.0	0.0	3.9	18.0	121.9
Ketan Mehta[9]	**2016**	**100.0**	**3.8**	**0.0**	**0.0**	**24.0**	**127.8**
	2015	11.7	0.0	0.0	0.0	2.0	13.7
Prof. Dr. Rolf Nonnenmacher[10]	**2016**	**100.0**	**0.0**	**50.0**	**0.0**	**32.0**	**182.0**
	2015	48.4	0.0	24.2	0.0	14.0	86.5
Prof. Dr. Harald Wiedmann[11]	**2016**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
	2015	55.5	0.0	25.0	0.0	10.0	90.5
Total	**2016**	**1,100.0**	**71.3**	**65.0**	**52.5**	**245.0**	**1,533.8**
	2015	1,038.7	67.0	64.2	52.4	213.0	1,435.3

1 Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015.
2 Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015.
3 Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015.
4 Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015.
5 Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015.
6 Member of the Supervisory Board of ProSiebenSat.1 Media AG from March 7, 2007 to July 7, 2015 and of ProSiebenSat.1 Media SE from May 21, 2015 to July 31, 2015.
7 Member of the Supervisory Board of ProSiebenSat.1 Media AG and ProSiebenSat.1 Media SE since May 21, 2015.
8 Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/of ProSiebenSat.1 Media SE since May 21, 2015.
9 Member of the Supervisory Board of ProSiebenSat.1 Media SE since November 24, 2015.
10 Member of the Supervisory Board of ProSiebenSat.1 Media SE since May 21, 2015.
11 Member of the Supervisory Board of ProSiebenSat.1 Media AG from March 7, 2007 to July 7, 2015.
12 This includes meeting honoraria for the Capital Markets Committee.

In addition to this fixed annual compensation and meeting honoraria, the members of the Supervisory Board were reimbursed for all out-of-pocket expenses and value-added tax levied on their compensation and out-of-pocket expenses.

D&O insurance covers the personal liability risk should Board members be made liable for financial losses when exercising their functions. No deductible has been agreed for members of the Supervisory Board.

Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during the 2016 financial year. Members of the Supervisory Board do not receive loans from the Company.

Takeover-Related Disclosures[1]

(in accordance with Sections 289 (4) and 315 (4) of the German Commercial Code)

As a publicly traded company whose voting shares are listed in an organized market within the meaning of Section 2 (7) of the German Securities Acquisitions and Takeover Act (WpÜG), ProSiebenSat.1 Media SE is obliged to disclose the information stipulated in Sections 289 (4) and 315 (4) of the German Commercial Code (HGB) in the management report and Group management report. The disclosures are intended to enable a third party interested in taking over a publicly traded company to inform itself about the company, its structure, and any obstacles to the takeover. In addition to these statutory disclosures, the following section also includes the related explanations in accordance with Section 176 (1) Sentence 1 of the German Stock Corporation Act (AktG) in conjunction with Article 9 (1) lit. c) ii) SE Regulation:

Composition of the Subscribed Capital

Organization and Group Structure, page 75.

Financial Glossary, page 282.

As of December 31, 2016, the share capital of ProSiebenSat.1 Media SE amounted to EUR 233,000,000. It is divided into 233,000,000 no-par registered common shares with a pro rata share in the share capital of EUR 1.00 each. All shares entail the same rights and obligations. Each share in ProSiebenSat.1 Media SE grants one vote at the Annual General Meeting and an identical share in profits.

Restrictions Affecting Voting Rights or the Transfer of Shares

The Executive Board has no information on any restrictions on the exercise of voting rights or the transferability of shares that go beyond the legal requirements of the law governing the capital market and the German Interstate Broadcasting Treaty (Rundfunkstaatsvertrag).

Shareholdings that Exceed 10 % of the Voting Rights

On the basis of the voting rights notifications according to Sections 21 and 22 of the German Securities Trading Act (WpHG) received by the Company by December 31, 2016, there are no direct or indirect shareholdings in the Company's capital that exceed 10 % of the voting rights.

Shares with Special Rights that Confer Controlling Powers

No shares with special rights that confer controlling powers have been issued.

Voting Control if Employees Hold a Capital Share

There is no control over voting rights in the event that employees hold a share in the share capital of ProSiebenSat.1 Media SE and do not exercise their controlling rights directly.

Appointment and Removal of Executive Board Members; Amendments of the Articles of Incorporation

In accordance with Section 7 (1) Sentence 1 of the Company's articles of incorporation, the Executive Board of ProSiebenSat.1 Media SE comprises several people. The exact number is determined by the Supervisory Board in accordance with Section 7 (1) Sentence 2 of the articles of incorporation. Members of the Executive Board are appointed and removed by the Supervisory Board in accordance with Article 39 (2) SE Regulation. In accordance with Section 7 (2) Sentence 1 of the articles of incorporation in conjunction with Article 46 SE Regulation Executive Board members are appointed for a maximum period of five years. Reappointments are permitted for a maximum of five years respectively. Executive Board members can be removed by the Supervisory Board prematurely for good cause. The appointment and removal of Executive Board members require a simple majority of the votes cast in the Supervisory Board. In the event of a tie, the vote of the Supervisory Board Chairman shall prevail (Article 12 (1) Sentence 3 of the Company's

1 This section is part of the audited Combined Management Report

articles of incorporation). In urgent cases, the court shall appoint a member at the request of one of the parties involved if the Executive Board does not have the required number of members (Section 85 (1) Sentence 1 AktG in conjunction with Article 9 (1) lit. c) ii) SE Regulation).

The Annual General Meeting must decide on changes to the articles of incorporation (Article 59 (1) SE Regulation). In the case of ProSiebenSat.1 Media SE, a resolution by the Annual General Meeting to change the articles of incorporation requires the simple majority of the votes cast if at least half of the share capital entitled to vote is represented when the resolution is being passed (Article 59 (2) SE Regulation, Section 51 Sentence 1 of the German SE Implementation Act (SEAG)). Otherwise, this requires a majority of two thirds of the votes cast (Section 59 (1) SE Regulation) unless the articles of incorporation or the law require a greater majority. For example, this is the case for changing the purpose of the Company (Section 179 (2) Sentence 1 AktG in conjunction with Article 59 (1) and (2) SE Regulation and Section 51 Sentence 2 of the German SE Implementation Act) and creating Contingent Capital (Section 193 (1) Sentences 1 and 2 AktG in conjunction with Article 57 SE Regulation, Section 51 Sentence 2 of the German SE Implementation Act) or Authorized Capital (Section 202 (2) Sentences 2 and 3 AktG in conjunction with Article 57 SE Regulation, Section 51 Sentence 2 of the German SE Implementation Act) for which a majority of at least three quarters of the valid votes cast is required. The Supervisory Board is authorized to pass amendments that relate solely to the wording of the articles of incorporation (Section 179 (1) Sentence 2 AktG in conjunction with Article 9 (1) lit. c) ii) SE Regulation and Article 13 of the Company's articles of incorporation).

Executive Board's Powers to Issue or Repurchase Shares

By resolution of the Annual General Meeting of June 30, 2016, the Executive Board is authorized, subject to the consent of the Supervisory Board, to increase the share capital of ProSiebenSat.1 Media SE on one or more occasions on or before June 30, 2021, by not more than EUR 87,518,880 in return for contributions in cash and/or in kind by issuing new registered no-par value shares (Authorized Capital 2016). Following the capital increase in November 2016 resulting from the partial utilization of Authorized Capital in the amount of EUR 14,202,800, Authorized Capital currently amounts to EUR 73,316,080. Subject to the consent of the Supervisory Board, the Executive Board is also authorized to determine the further content of the rights attached to the shares and the conditions of the share issue. Shareholders generally have a legal preemptive right when new shares are issued.

By resolution of the Annual General Meeting of June 30, 2016, the Executive Board is also authorized, subject to the consent of the Supervisory Board, to issue bearer and/or registered convertible and/or warrant-linked bonds in the total nominal amount of up to EUR 1.5 billion with a limited or unlimited term, on one or more occasions on or before June 29, 2021, and to grant conversion or option rights to the holders or creditors of such bonds in order to acquire up to 21,879,720 new registered no-par value shares in the Company in the pro rata amount of up to EUR 21,879,720 of the Company's share capital as specified in more detail in the terms and conditions of the bonds and/or to stipulate the corresponding conversion rights of the Company.

By resolution of the Annual General Meeting on June 30, 2016, there was a contingent increase in share capital by up to EUR 21,879,720 due to the issuance of up to 21,879,720 new registered no-par value shares (Contingent Capital 2016). The Contingent Capital increase serves to grant shares to holders or creditors of convertible bonds in addition to holders of option rights attached to warrant-linked bonds that are issued on or before June 29, 2021 as a result of the authorization granted by resolution of the Annual General Meeting of June 30, 2016 by the Company or a German/foreign entity in which the Company either directly or indirectly holds the majority of votes and capital.

By resolution of the Annual General Meeting of May 21, 2015, ProSiebenSat.1 Media SE is authorized to acquire its own shares on or before May 20, 2020 in the total amount of up to 10% of the share capital existing on the resolution date or, if this figure is lower, on the exercise date of the authorization. The Company may utilize this authorization in full or in part, on one or more occasions, and for any purposes permitted by law. The purchase can – also with the use of derivatives – be made via the stock exchange or by means of a public tender offer directed to all shareholders and/or by way of a public solicitation to submit sales offers. Purchased treasury shares can be sold again or redeemed without an additional Annual General Meeting resolution. On the resale of treasury shares, the Executive Board is authorized, subject to the consent of the Supervisory Board, to partially or fully exclude the shareholders' preemptive rights in certain cases described in more detail in the resolution of the Annual General Meeting.

A–Z Financial Glossary, page 282.

Significant Agreements of the Company Subject to a Change of Control Resulting from a Takeover Bid

ProSiebenSat.1 Media SE concluded the following significant agreements that entail regulations for the event of a change of control, which could result from a takeover bid:

A–Z Financial Glossary, page 282.

ProSiebenSat.1 Media SE has an unsecured syndicated facilities agreement which, as of December 31, 2016, includes a term loan of EUR 2.1 billion and a revolving credit facility with a facility amount of EUR 600 million. In the event of a change of control over ProSiebenSat.1 Media SE due to the direct or indirect acquisition of more than 50% of the voting rights in ProSiebenSat.1 Media SE by a third party, the lenders are entitled to terminate their participation in the facility and to demand repayment of outstanding amounts allocable to them within a certain period after the change of control takes place.

In addition, ProSiebenSat.1 Media SE has outstanding unsecured notes of EUR 600 million. In the event that control over ProSiebenSat.1 Media SE changes due to the direct or indirect acquisition of more than 50% of the voting rights in ProSiebenSat.1 Media SE by a third party and a negative rating event occurs following such a change of control, the note creditors are entitled to call in their notes and demand repayment.

In addition, ProSiebenSat.1 Media SE issued three unsecured syndicated promissory notes totaling EUR 500 million with maturity ranges 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). In the event of a change of control over ProSiebenSat.1 Media SE due to the direct or indirect acquisition of more than 50% of the voting rights in ProSiebenSat.1 Media SE by a third party (change of control), the lenders are entitled to call in their loan participation and demand repayment.

In addition, some license agreements for films, TV series and other programs that are important for the Company include regulations that, in the event of a change of control, entitle the provider of the program content to terminate the corresponding license agreement prematurely. In the event of a change of control, individual format license agreements with TV format developers grant the contract partner the right to terminate the individual agreements with ProSiebenSat.1 Group. In addition, individual contracts with cable network operators grant the contract partner the right to terminate all its contracts with ProSiebenSat.1 Group in the event of a change of control.

Company's Compensation Agreements with Executive Board Members or Employees for the Event of a Takeover Bid

Compensation Report, page 48.

The employment contracts of all Executive Board members contain change of control clauses if control over the Company is acquired by one or multiple third parties as defined in Section 29 (2) and Section 30 of the German Securities Acquisitions and Takeover Act. In this case, Executive Board members have the right to terminate their employment contract with three months' notice and resign if the change of control significantly impairs the position of the Executive Board. On effective exercise of the right to terminate, the respective Executive Board members shall receive a cash severance payment equating to up to three years' compensation, but no more than the compensation for the remaining term of the Executive Board employment agreement.

Apart from that, the employment contracts of ProSiebenSat.1 Media SE employees only rarely include change of control clauses in the event of a takeover bid.

The ProSiebenSat.1 Share[1]

- **Since March, ProSiebenSat.1 became the first German media company to be listed in the leading DAX index.**
- **The Group generates issue proceeds of EUR 515 million (gross) from the placement of new shares. The capital increase enlarges the financial headroom for investments and further growth from acquisitions. We also want our shareholders to participate appropriately in this in the future.**
- **ProSiebenSat.1 is pursuing an earnings-oriented dividend policy. The Annual General Meeting proposes a dividend payout of EUR 1.80 per share for 2015.**

Development of Stock Markets

Economic Development, page 112.

The stock market in 2016 was influenced by several uncertainties relating to both the domestic and the international economy. The reasons for this included the effects of the high refugee migration and the disintegrative political movements in Europe. The referendum on Great Britain leaving the European Union (EU), known as Brexit, was a particularly striking event. On June 24, 2016, the day after the referendum on the exit, the global financial and foreign exchange markets recorded significant price declines. The presidential election campaign in the US also led to uncertainties within the capital market. In addition, there were terror attacks in Europe. The economic situation in Asia and resulting developments on commodity markets – particularly the low price of crude oil – also led to price declines. Positive signals were provided by economic growth in the US and the continued expansionary monetary policy of the European Central Bank (ECB). In early December, the ECB extended its bond purchasing program until the end of 2017, causing the DAX to rise to a high of 11,481.06 points by the end of the year.

Overall, in 2016 the interrelated influencing factors led to substantial price fluctuations impacting the stock markets. Despite the geopolitical uncertainties mentioned above, the DAX closed the trading year with an increase of 7 %. The relevant sector index for European media stocks, the EURO STOXX Media, closed at 237.22 points, representing an increase of 1 %.

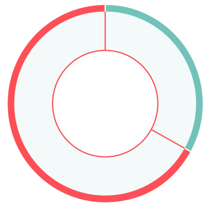
ProSiebenSat.1 on the Capital Market

ProSiebenSat.1 Media SE was the first German media company to be listed in the DAX. The Company has been listed since March 2016. The share's highest closing price of EUR 48.66 was reached on March 1. Over the past five years, the share's value has nearly tripled. In the course of the year 2016, however, the volatile economic data mentioned above impacted the share price.

The majority of analysts (67 %) recommended the ProSiebenSat.1 share as a buy at the end of 2016, while 33 % were in favor of holding the share. As such, there were no sell recommendations for the share as of December 31 (Fig. 12). The analysts' median price target was EUR 45 (previous year: EUR 51). At the end of the year under review, a total of 27 brokerage firms and financial institutions actively analyzed the ProSiebenSat.1 share and published research reports. Recommendations by financial analysts are an important basis for decision making, particularly for institutional investors.

1 This section is part of the audited Combined Management Report.

Analysts' recommendations (Fig. 12)
in percent



As of December 31, 2016.

Media stocks in Europe performed somewhat more weakly as a whole in the 2016 trading year (Fig. 13). One of the reasons for this was temporary uncertainty regarding the development of the TV advertising market. This is also reflected by the performance of the ProSiebenSat.1 share. At its Capital Markets Day in October, ProSiebenSat.1 Group slightly lowered its growth forecast for TV advertising revenues in 2016. In addition, the geopolitical uncertainties characterized the development of the ProSiebenSat.1 share.

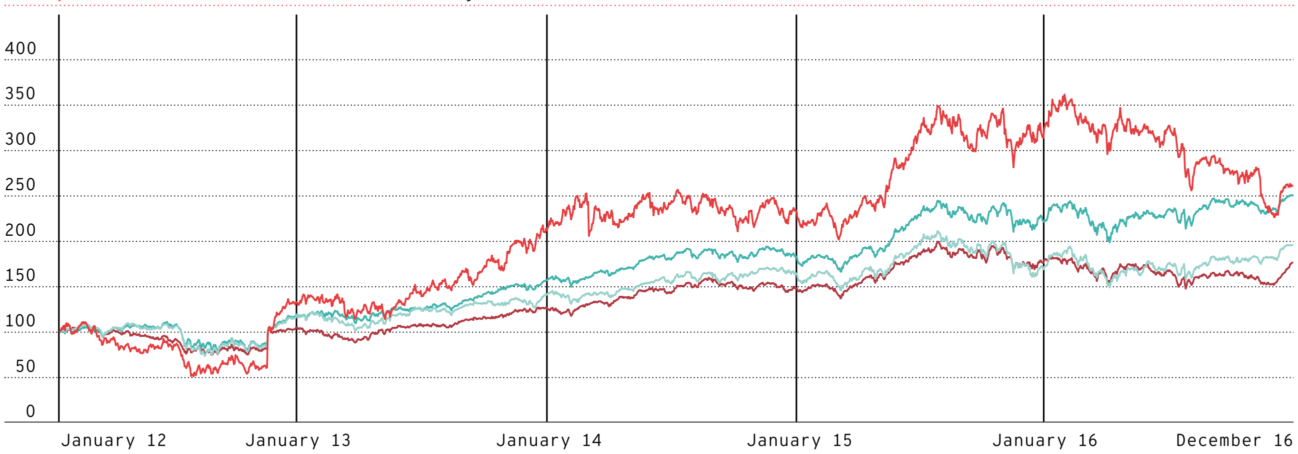
The Year 2016 at a Glance, page 70.

Financing Policy, page 89.

With effect from November 7, ProSiebenSat.1 increased the Company's share capital by around 6.5% from EUR 218,797,200.00 to EUR 233,000,000.00 by issuing 14,202,800 new, registered shares in exchange for cash contributions, making partial use of the Authorized Capital. The increased number of shares resulted in dilution, with the share price falling to EUR 31.80 on November 29. In the context of the general year-end rally on the markets, the share closed the 2016 trading year at EUR 36.61 – and was thus slightly higher than its level before the capital increase if the dilution was taken into account. The TV advertising market also contributed to this, displaying positive momentum at the end of the year.

In the financial year 2015, the ProSiebenSat.1 share increased by a particularly strong 34% to EUR 46.77 and considerably outperformed the comparative indices. The 2016 trading year was weaker in comparison, with the share declining by 22% compared to December 31, 2015.

Price performance of the ProSiebenSat.1 share (Fig. 13)



ProSiebenSat.1 ■ Euro Stoxx Media ■ MDAX ■ DAX Basis: Xetra closing quotes, an index of 100 = January 2012; Source: Reuters.

ProSiebenSat.1 share: Basic data (Fig. 14)

Name	ProSiebenSat.1 Media SE
Type of share	Registered common share
Stock exchange listing	Frankfurt Stock Exchange: Prime Standard/regulated market Luxembourg Stock Exchange: Regulated market
Sector	Media
ISIN	DE000PSM7770
WKN	PSM777

Financial Glossary, page 282.

Based on the closing price for 2015 and a dividend payment of EUR 1.80 per dividend-entitled share, the dividend yield amounted to 3.8 %. The total shareholder return amounted to 56.4 % per ProSiebenSat.1 share in 2016. It was therefore higher than the relevant comparative levels of the DAX (7 %) and the EURO STOXX Media (1 %), which also include the total shareholder return.

ProSiebenSat.1 share: Key data[1] (Fig. 15)

		2016	2015	2014	2013	2012
Share capital at reporting date	EUR	233,000,000	218,797,200	218,797,200	218,797,200	218,797,200
Number of common shares as of closing date	Units	233,000,000[2]	218,797,200[2]	218,797,200[2]	218,797,200[2]	109,398,600
Number of preference shares as of closing date[2]	Units	-/-	-/-	-/-	-/-	109,398,600[2]
Free float market capitalization at end of financial year (according to Deutsche Börse)	EUR m	8,149	10,214	7,271	6,024	4,660
Close at end of financial year (XETRA)	EUR	36.61	46.77	34.83	36.00	21.30
High (XETRA)	EUR	48.66	50.70	35.55	36.00	23.83
Low (XETRA)	EUR	31.80	33.31	28.35	21.85	14.19
Dividend per entitled common share	EUR	-/-[3]	1.80	1.60	1.47	5.63
Dividend per entitled preference share	EUR	-/-	-/-	-/-	-/-	5.65
Total dividend	EUR m	-/-[3]	386	341.9	313.4	1,201.4
Underlying earnings per share[4]	EUR	2.37	2.18	1.96	1.78	1.67
Dividend yield per preference share on basis of closing price	Percent	-/-[3]	3.8	4.6	4.1	26.5
Total XETRA trading volume	Million units	231.2	158.9	179.9	170.0	134.1

1 The share capital of ProSiebenSat.1 Media SE amounts to EUR 233,000,000.00. As a result of a capital increase, it rose from EUR 218,797,200.00 to a nominal amount of EUR 233,000,000.00 with effect from November 7, 2016. In this capital increase, ProSiebenSat.1 made partial use of the company's Authorized Capital and issued 14,202,800 new, registered shares. On 08/16/2013, the 109,398,600 bearer preference shares that existed at that time had already been converted into registered common shares, with the effect that the share capital then totaling EUR 218,797,200.00 consisted of 218,797,200 registered common shares with a nominal share in the share capital of EUR 1.00 each. Today, all (233,000,000) of the company's registered common shares are now tradable, i.e. both the formerly unlisted registered common shares and the registered common shares resulting from the conversion of the bearer preference shares. Until 08/16/2013, only the bearer preference shares of the company were publicly traded.
2 Including treasury shares.
3 Dividend proposal, see page 35.
4 For the financial year 2012, the basic earnings per bearer preference share are shown. After the merger of the share classes in August 2013, the basic earnings per registered common share are shown. The calculation is based on the underlying net income of continuing operations.

Financial Glossary, page 282.

As of December 31, 2016, the weighting in the DAX amounted to 0.89 %; this is calculated on the basis of market capitalization by free float and trading volume in the last twelve months (Fig. 16). The index lists the 30 largest listed companies in Germany in terms of market capitalization and trading volume. The EURO STOXX Media sector index pools stocks from media and media-related companies. ProSiebenSat.1 Media SE is represented here with a weighting of 8.68 %.

Selected index data (Fig. 16)

Index	Weighting
DAX	0.89%
CDAX	0.70%
HDAX	0.71%
Prime All Share	0.67%
EURO STOXX Media	8.68%

As of December 31, 2016, Source: STOXX Ltd.

Annual General Meeting for Financial Year 2015

The Annual General Meeting of ProSiebenSat.1 Media SE for the financial year 2015 took place on June 30, 2016. Around 750 shareholders, shareholder representatives and guests took part in the meeting. This was ProSiebenSat.1's first Annual General Meeting as a DAX member. Attendance was around 67 % of share capital (previous year: approx. 42 %).

The Year 2016 at a Glance, page 70.

Shareholders approved the dividend proposal for financial year 2015 and resolved to distribute a dividend of EUR 1.80 per share. This equates to a total payout of EUR 386 million and a payout ratio of 82.6 % of Group underlying net income. The dividend was paid out on July 1, 2016. Moreover, Ketan Mehta was elected to the Supervisory Board. In November 2015, Mehta already succeeded Philipp Freise by way of judicial appointment. The Annual General Meeting also approved all other proposed resolutions with a large majority.

Shareholder Structure of ProSiebenSat.1 Media SE

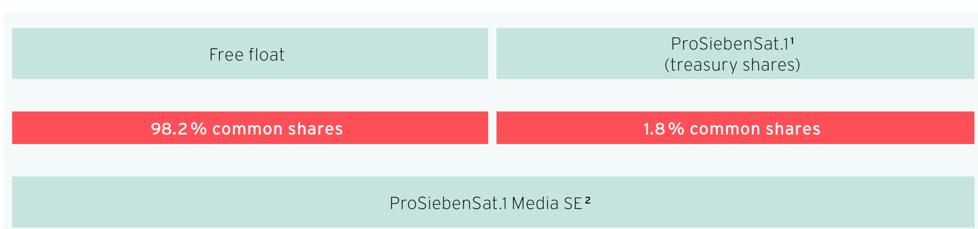
In 2016, the Group also covered its refinancing requirements on the bank and bond market. Further information on the financing structure can be found in the "Financing Structure and Borrowings" section on page 126.

Since June 2016, the Group has offered a share program for employees known as MyShares. Further information is available in the Employees section on page 142.

With effect from November 7, 2016, ProSiebenSat.1 Media SE increased the Company's share capital by around 6.5% in exchange for cash contributions, making partial use of the Authorized Capital. The share capital was increased by a nominal amount of EUR 14,202,800.00 from EUR 218,797,200.00 to EUR 233,000,000.00 by issuing a total of 14,202,800 new, registered shares. The new shares are entitled to receive dividends from January 1, 2016. They were offered to institutional investors in a private placement by way of an accelerated bookbuilding process. Like the Company's existing shares, the new shares are admitted to trading on the regulated market of the Frankfurt Stock Exchange as well as in the Prime Standard segment and the regulated market of the Luxembourg Stock Exchange.

ProSiebenSat.1 shares are mostly held by institutional investors in the USA, the UK and Germany. In total, 98.2 % were held in free float as of December 31, 2016 (December 31, 2015: 97.9 %) (Fig. 17).

Shareholder structure of ProSiebenSat.1 Media SE as of December 31, 2016 (Fig. 17)



1 Shares are not entitled to vote nor to a dividend.

2 The share capital of ProSiebenSat1. Media SE amounts to EUR 233,000,000.00 and is divided into 233,000,000 registered common shares.

Capital Market Communication

We provide regular information on all key events and developments at ProSiebenSat.1 to ensure the transparent communication of our financial figures and growth prospects. On the website www.ProSiebenSat1.com, all relevant company information is published in German and English promptly and on an ad-hoc basis where necessary. Further tools for providing extensive information to the capital market are press conferences and events for investors and analysts. In addition to 19 road shows, ProSiebenSat.1 also presented itself at 23 investor conferences in Europe and the US in 2016. Another important event is the Capital Markets Day held in October each year, at which the Group explains its growth strategy. The Investor Relations activities are complemented by the ProSiebenSat.1 investor hotline.

The Year 2016 at a Glance, page 70.

Numerous awards attest to the high-quality content of the ProSiebenSat.1 Annual Report and the Company's transparent financial communication (Fig. 18).

Awards for ProSiebenSat.1's capital market communication (Fig. 18)

Institutional Investor (trade magazine)	**"Most Honored Company"** (overall winner) **"All-Europe Executive Team 2016"** in the Media category **"Best IR Professional"** (1st place, Dirk Voigtländer – Head of Investor Relations) in the Media category **"Best Analyst Day"** (1st place, Capital Markets Day) in the Media category **"Best IR Program"** (2nd place) in the Media category
German Investor Relations Award	**"IR Professional DAX"** (6th place, Dirk Voigtländer – Head of Investor Relations) **"IR Performance DAX"** (6th place, ProSiebenSat.1 Group)
Best Annual Report	**"Overall Evaluation in the DAX"** (3rd place) **"Overall Evaluation in All Stock Market Indices"** (4th place)
Investors' Darling	**"Overall Evaluation in the MDAX"** (1st place, annual and half-year report, investor presentations, and Investor Relations website) **"Overall Evaluation in All Stock Market Indices"** (2nd place, annual and half-year report, investor presentations, and Investor Relations website)
Corporate Communication Institute (CCI)	**"DAX Annual Report, Print"** (classified as "excellent") **"DAX Corporate Reporting"** (top 3, print and online report)

B COMBINED MANAGEMENT REPORT

Content

THE YEAR 2016 AT A GLANCE

DECEMBER

Changes in the Executive Board.

Sabine Eckhardt has been on the Executive Board of ProSiebenSat.1 Media SE as Chief Commercial Officer (CCO) since January 1, 2017. She also assumes executive responsibility for the Seven Ventures business in the Digital Ventures & Commerce segment. On December 31, 2016, Dr. Christian Wegner left the company after twelve years. Thomas Ebeling, Christof Wahl and Sabine Eckhardt have took over his responsibilities on January 1. From June 1, 2017, Dr. Jan Kemper will be the Chief Financial Officer (CFO) of ProSiebenSat.1 Media SE. He is currently Senior Vice President Finance at the online retailer Zalando SE. At ProSiebenSat.1, he will succeed Dr. Gunnar Wiedenfels, who will leave the Group at the end of March 2017 to move to New York as the CFO of Discovery Communications.

DAX

MARCH

ProSiebenSat.1 is admitted to the DAX.

ProSiebenSat.1 Media SE was the first German media group to be listed in the DAX. Since March 2016, ProSiebenSat.1 has been one of the 30 largest listed corporations in Germany in terms of market capitalization and trading volume. Over the past five years, the share's value has nearly tripled.

FEBRUARY

ProSiebenSat.1 offers new forms of marketing and advertising.

As exclusive marketing partner of Cittadino, ProSiebenSat.1 complemented its offerings with digital out-of-home advertising. This allows the Group to market digital screens in exclusive and frequently accessed locations, such as airports and gas stations, to thus reach over 250 million additional contacts every month. With TV as its main medium, ProSiebenSat.1 is constantly developing new forms of advertising and making use of its entire portfolio of video screens. In addition, the Group is focusing on innovative technologies in order to develop new advertising tools, such as addressable TV. In this context, we are combining the reach of TV with the advantages of digital media in a targeted way. This allows us to adjust advertising in TV or HbbTV to individual target groups or specific regions.

COMPANY

JUNE

Annual General Meeting resolves dividend of EUR 1.80 per share. ProSiebenSat.1 continued its earnings-oriented dividend policy in 2016. At EUR 1.80, the dividend went up by 12.5% or EUR 0.20 year-on-year. This represents a total payout of EUR 386 million (previous year: EUR 342 million) and a payout ratio of 82.6% of underlying net income (previous year: 81.6%).

JULY

ProSiebenSat.1 creates new segment structure. ProSiebenSat.1 modified its segment structure at the beginning of the third quarter. The former Digital & Adjacent segment was split into two separate segments: Digital Entertainment and Digital Ventures & Commerce. Christof Wahl has been responsible for the Digital Entertainment executive department since May 1, 2016. In addition, he took on the position of Chief Operating Officer (COO) and is in charge of the Online Travel, Online Price Comparison and Online Dating verticals in the Digital Ventures & Commerce segment. In addition, Jan David Frouman has been a member of the Executive Board since March. He is in charge of Content & Broadcasting, which also includes the German-speaking TV business.

OCTOBER

Growth targets for 2018 increased. ProSiebenSat.1 Group announced its new financial targets at the 2016 Capital Markets Day. The Group aims to achieve revenues of EUR 4.5 billion by the end of 2018. This is EUR 300 million more than originally expected, corresponding to an increase of EUR 2.15 billion compared to 2012. All segments will contribute to this growth. At the same time, ProSiebenSat.1 is planning to increase adjusted EBITDA by EUR 400 million to EUR 1.15 billion (previously: EUR 1.10 billion). Overall, more than 50% of revenues are to be generated outside the TV advertising business in 2018.

NOVEMBER

ProSiebenSat.1 increases share capital by around 6.5%. With the placement of new shares from a cash capital increase, the Group achieved gross issue proceeds totaling around EUR 515 million. As a result, the Group increased its capital base and financial headroom for further strategic acquisitions in the digital business. At the same time, ProSiebenSat.1 is adhering to its well-known target range for leverage and an earnings-oriented dividend policy.

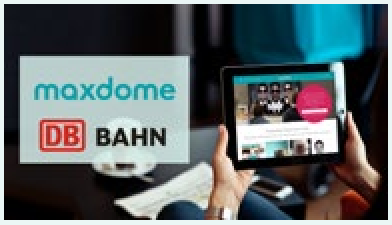
BROADCASTING GERMAN-SPEAKING

SEPTEMBER

kabel eins Doku successfully launched. ProSiebenSat.1's seventh free TV channel went on air on September 22, 2016 kabel eins Doku offers mainly documentaries about history, nature, technology and real crime. The advertising-financed documentary channel is aimed primarily at men aged 40 to 64. The Group is thus pursuing its successful multi-station strategy. ProSiebenSat.1 is gaining new viewers and advertising customers by expanding its complementary station portfolio.

OCTOBER

ProSiebenSat.1 increases technical reach thanks to new agreements. In 2016, ProSiebenSat.1 concluded distribution agreements with various TV streaming providers, such as Waipu TV, Zattoo and MagineTV and extended existing partnerships with Telekom Deutschland and Vodafone. This ensures the distribution of free TV and pay TV channels in SD and HD quality via the IPTV network, the cable network and mobile TV offers in the long term. In addition, the SVoD portal maxdome is now available over all major cable suppliers. With these distribution partnerships, the Group is underlining its strategy to offer programs via as many distribution channels as possible.



JUNE

maxdome concludes exclusive partnership with Deutsche Bahn.
From spring 2017 onwards, passengers will be able to access free content via WiFi on Deutsche Bahn's ICE trains. ProSiebenSat.1 Group's online video library will be integrated into the ICE portal as the only video service available. This means that a changing selection of around 50 series and films will be made available to users for free. maxdome subscribers will even be able to access up to 1,000 programs. With "jerks.", maxdome also produced its first series: The ten-part comedy series by and with Christian Ulmen has been available online since January 2017. Thanks to a new agreement with Twentieth Century Fox Television, maxdome is also expanding its offer with successful and popular Hollywood blockbusters, including "Avatar" and "Die Hard 4."

DIGITAL ENTERTAINMENT

AUGUST

Launch of new TV apps for free TV stations. ProSiebenSat.1 is digitally extending its successful TV brands and addressing new viewer groups in this way. The television programs of all seven stations can be watched via smartphone and tablet apps at any time and at no cost. These apps were downloaded more than 11 million times on smartphones and Smart TVs since their launch. The previously available 7TV app will remain as a separate multi-channel platform.

SEPTEMBER

ProSiebenSat.1 further internationalizes its entertainment business. In 2016, ProSiebenSat.1 invested in the US company Pluto Inc. With Pluto TV, the company operates an advertising-financed online TV service with more than 100 linear live channels. Prior to this, the Group established with glomex an international marketplace for trading premium video content. With our entertainment offerings, we aim to reach a global audience an give advertising customers additional advertising opportunities.

OCTOBER

ProSiebenSat.1 acquires PARSHIP and ElitePartner.
ProSiebenSat.1 Group has expanded its digital portfolio and acquired a majority stake in PARSHIP ELITE Group, the leading provider of online dating services in the German-speaking region. After the comparison portal Verivox and the online travel agency etraveli, this is ProSiebenSat.1's third larger acquisition over the last 18 months. With this acquisition, the Group is continuing its strategic focus on established and profitable growth companies that are market leaders in their sector but could still benefit greatly from TV advertising. ProSiebenSat.1 has bundled the acquired portals in its Online Travel, Online Price Comparison, Online Dating and Lifestyle Commerce verticals.

DIGITAL VENTURES & COMMERCE

OCTOBER

ProSiebenSat.1 expands Lifestyle Commerce vertical. In October, ProSiebenSat.1 Group acquired a 92 % share in WSM Holding GmbH. WindStar Medical specializes in the development and distribution of innovative health items. In July, ProSiebenSat.1 increased its share in Stylight GmbH to 100 %. Stylight is the most successful fashion aggregator in Europe and operates worldwide in 15 countries. ProSiebenSat.1 has bundled both of these investments in its Lifestyle Commerce vertical and uses its digital platforms to sell various health, nutrition, fitness, wellness and fashion offerings.

JANUARY

Red Arrow expands production network in the USA.
In January, Red Arrow acquired a majority stake in the US production company Dorsey Pictures (previously: Orion Entertainment). The acquisition is expanding Red Arrow's US production network with new program genres such as "outdoor adventure". Dorsey is one of the largest producers worldwide in this area. This was followed by the acquisition of a majority stake in 44 Blue Studios in July. This company also produces docu-series, factual entertainment and adventure, lifestyle and celebrity reality shows. With these acquisitions, Red Arrow has further expanded its factual entertainment portfolio and also strengthened its presence in the US, the most important TV market in the world. Red Arrow currently has investments in nine production companies there.

CONTENT PRODUCTION & GLOBAL SALES

FEBRUARY

Red Arrow produces more for ProSiebenSat.1 stations. In order to make even better use of potential synergies within the Group, in the medium term more in-house TV productions for ProSiebenSat.1 stations are to come from production companies of the Red Arrow Entertainment Group. In 2016, Red Arrow's internationally successful formats achieved excellent market shares on German-speaking stations. In February, the first season of the dating show "Kiss Bang Love" on ProSieben achieved a market share of up to 14.1 % among 14- to 49-year-olds. The third season of "Hochzeit auf den ersten Blick" on SAT.1 achieved market shares of up to 13.3 % among 14- to 49-year-olds.

OCTOBER

"Bosch" commmissioned for a fourth season.
In October, Amazon Studios ordered the fourth season of the crime series "Bosch" from Red Arrow. The series is produced by Red Arrow's US subsidiary Fabrik Entertainment. The third season will start on Amazon Prime in spring 2017.

Explanatory Notes on Reporting Principles

Content and Form of the Combined Management Report

This report summarizes the Group Management Report of ProSiebenSat.1 Group, made up of ProSiebenSat.1 Media SE and its consolidated subsidiaries, and the Management Report of ProSiebenSat.1 Media SE. The Compensation Report, the takeover-related disclosures in accordance with Section 289 (4) and Section 315 (4) of the German Commercial Code (Handelsgesetzbuch – HGB) and the chapter entitled "The ProSiebenSat.1 Share" can be found in the "To Our Shareholders" section of this Annual Report. These are also part of the audited Management Report.

To Our Shareholders, page 25.

Management Declaration in accordance with Section 289a HGB and Corporate Governance Report in accordance with Item 3.10 of the German Corporate Governance Code (Deutsche Corporate Governance Kodex – DCGK) (Fig. 19)

The Company's Management Declaration in accordance with Section 289a HGB and the Corporate Governance Report in accordance with Item 3.10 DCGK are published on the Company's homepage. In addition, the Management Declaration and the Corporate Governance Report are also included in the Annual Report. The Group auditor has critically reviewed the Corporate Governance Report in accordance with the IDW auditing standard. The Management Declaration and the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) were also part of the auditor's review.

www.prosiebensat1.com/en/investor-relations/corporate-governance/corporate-governance

Predictive Statements on Future Earnings, Financial Position and Performance

Future Business and Industry Environment, page 170.

Our 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 forecasted 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 forward-looking 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.

Risk and Opportunity Report, page 148.

Significant events after the end of the reporting period are explained in the Notes, Note 35 "Events After the Closing Date." The publication date of the Annual Report 2016 is March 16, 2017.

Reporting on the Basis of Continuing Operations

Unless otherwise indicated, the analysis of the earnings, financial position and performance of the Group is based on continuing operations. This reflects the performance indicators relevant to ProSiebenSat.1. In accordance with IFRS 5, the earnings contributions that arise in connection with disposals are not included in the individual items of the income statement; they are shown

Notes, Note 4 "Acquisitions and disposals," page 191.

separately as the "Result from discontinued operations." This also applies to the statement of cash flows, where the corresponding cash flows are presented as "Cash flow from discontinued operations."

Key Figures Used

For ProSiebenSat.1 Group, revenues, EBITDA, recurring EBITDA, underlying net income and the leverage ratio are key financial indicators at Group level. Revenues and recurring EBITDA are key financial parameters at segment level. In addition, EBITDA is highly important for the Digital Entertainment and Digital Ventures & Commerce segments. The development of these figures is therefore used to analyze the Group's earnings, financial position and performance in addition to the key figures from the income statement, statement of financial position and statement of cash flows. Audience shares are the key non-financial performance indicator.

Strategy and Management System, page 82.

Notes, Note 4 "Acquisitions and disposals," page 191.

ProSiebenSat.1 Group does not report on the order backlog in the advertising business. Instead, the development of our share on the advertising market and the analysis of the situation in the sector and with regard to competition provide key indicators for economic success; these are accounted for within the context of risk management. In the Content Production & Global Sales segment, the development and production of programming content as well as worldwide distribution through new or re-commissioning takes place, as is customary in the industry, in the short term and continuously. As a result, we do not report on order volumes here either.

Financial Glossary, page 282.

Definition of selected key figures (Fig. 20)

Recurring EBITDA
Recurring earnings before interest, taxes, depreciation and amortization. It describes earnings before interest, taxes, depreciation and amortization, adjusted for certain influencing factors.

These factors include costs in connection with M&A transactions, reorganizations, legal claims, valuation effects of the Group Share Plan (GSP), results of deconsolidation and other significant influences.

- Costs in connection with M&A transactions include consulting expenses and other expenses for ongoing, closed or cancelled M&A transactions.
- Reorganization measures 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.
- Legal claims include fines, penalties, repayment claims and consulting costs in connection with significant ongoing or expected legal claims.
- Valuation effects of the Group Share Plan (GSP) include 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 reporting date.
- Other significant effects include transactions approved by the Group Chief Financial Officer but not connected to current operating performance. In this context, ProSiebenSat.1 considers transactions of at least EUR 0.5 million to be significant.

Underlying net income
Consolidated net profit after non-controlling interests from continuing activities before the effects of purchase price allocations, valuation effects for put options and purchase price liabilities, valuation effects in other financial result, hedge ineffectivness under hedge accounting and additional reconciling items.

Rounding Financial Figures

Due to rounding, it is possible that the individual figures do not exactly add up to the totals shown and that percentage figures given do not exactly reflect the absolute figures to which they relate.

Information on reporting and accounting policies (Fig. 21)

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 121 onwards. Detailed definitions of these non-IFRS figures can be found in the glossary starting on page 282.

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, underlying 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.

Adjusting the management system. At the beginning of the financial year 2017, we are refining the internal management system. In comparison to the current methodology of adjusting selected earnings-based performance indicators, a complete income statement adjusted for certain influencing matters (non-IFRS income statement) will be prepared in the future and disclosed in the analysis of Group earnings of the Management Report. The conceptional refinement of the management system results in

> increased transparency in the presentation of specific factors where adjustment is required,
> integrated and consistent treatment of specific factors in the complete income statement where adjustment is required and
> standardization in the labeling of the asjusted earnings-related performance indicators.

In this context, the new labeling for the terms recurring EBITDA and underlying net income are adjusted EBITDA and adjusted net income. For adjusted EBITDA there is no deviation to what previously was recurring EBITDA. On the other hand, the consistent adjustment of special factors in the reconcilation to adjusted net income results in a difference in value. We anticipate that adjusted net income will tend to be higher in comparison to the present methodology.

Accounting of share-based payments from the Group Share Plans: ProSiebenSat.1 involves its employees in the company's success with performance-based compensation. This also includes share-based payment plans (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 share. For the first time, ProSiebenSat.1 Group is therefore adjusting recurring EBITDA and underlying 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 reporting date. Figures for the previous year are not being adjusted, as there were no similar effects in the previous year due to the recognition as "equity-settled share based payments" at that time.

Valuation of earn-outs and put options: Due to the Company's increasing M&A activities and the current investment strategy, the obligations from earn-outs and put options have steadily increased as ProSiebenSat.1 Group acquires further shares in connection with the acquisition of the ability to control these entities. In the second quarter of 2016, ProSiebenSat.1 Media SE therefore decided to adjust the changes in the fair value of these liabilities in the calculation of underlying net income. This adjustment results in greater transparency by revealing these effects and enables better comparison with operating performance. The adjustment is retrospective; the previous year's figure was adjusted accordingly.

Organization and Group Structure

- **ProSiebenSat.1 is one of the largest independent media corporations in Europe and has an interconnected range of TV and digital brands.**
- **The Group has been reporting in four segments since the third quarter of 2016; this reflects the growing significance of the digital business.**
- **ProSiebenSat.1 Media SE acts as a holding company for the entire Group and has an integrated portfolio, resulting in advantages for the sale of advertising time and program utilization.**

Business Activities and Segments

Corporate Profile and Market Position

Development of the TV and Online Advertising Market, page 112.

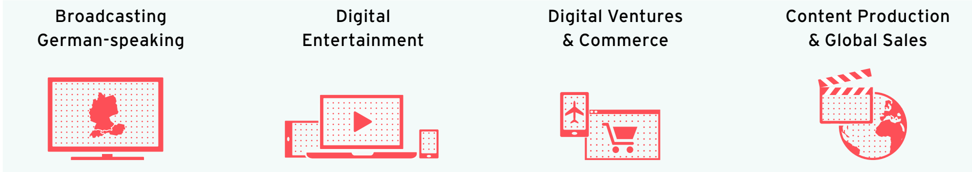
ProSiebenSat.1 Group is one of the most successful independent media companies in Europe with a strong presence in the TV and digital market. We are growing steadily and dynamically as we are promoting the integration of individual business segments and creating additional sources of revenues thanks to new business models in all segments.

Advertising-financed free TV is the Group's core business. The station family, which comprises the main stations SAT.1 and ProSieben, is the number one on the German audience and TV advertising markets. Every day, we reach around 42 million households in our TV markets in Germany, Austria and Switzerland. ProSiebenSat.1 Group has a comprehensive program repertoire with exclusive local commissioned and in-house productions and high-quality licensed US programming for its free TV stations and video-on-demand offers (VoD). We have also tapped into an attractive new business area for our broadcasting business with the distribution of our television channels in high-definition (HD) quality. In addition, we are the leading marketer of online video content in Germany, reaching over 30 million digital users every month. With maxdome, Studio71 and many other digital offers, we are also offering online and mobile high-quality entertainment on demand. In recent years, we have also established a strong Ventures & Commerce portfolio, which is now the Group's most significant driver of growth. Our Group is also successful worldwide with its international program production and distribution network Red Arrow. With Red Arrow Entertainment Group, we are focusing particularly on key English-speaking markets in the US and the United Kingdom.

Segments and Brand Portfolio

Since the third quarter of 2016, ProSiebenSat.1 has been reporting on the Company's development and goals in the digital business based on a new segment structure. The Group split the former Digital & Adjacent segment, where ProSiebenSat.1 previously bundled its digital activities, into two separate segments: Digital Entertainment and Digital Ventures & Commerce. As a result of its positive business performance and acquisitions, the Digital Entertainment and Digital Ventures & Commerce segments have generated significant revenue amounts. This was done in order to manage these segments more efficiently. All four segments are strategically, economically and technically interrelated (Fig. 22).

Segments of ProSiebenSat.1 Group (Fig. 22)



Broadcasting German-speaking segment: TV activities in Germany, Austria and Switzerland are allocated to the Broadcasting German-speaking segment. ProSiebenSat.1, together with its sales subsidiaries SevenOne Media and SevenOne AdFactory, is the number one on the TV advertising market in Germany. In addition to innovative sales concepts, the wide reach and brand awareness of ProSiebenSat.1 stations are key to the Group's success. In the core business of advertising-financed television, we are benefiting from the ongoing expansion of our complementary station family in recent years. The portfolios of these countries stand out thanks to coordinated TV offers that cover a broad range of target groups on the audience and advertising market. In total, in 2016 ProSiebenSat.1 Group operates nine free TV stations and 13 advertising or program windows in the German-speaking region.

Development of the Audience Market, page 105.

In addition to the traditional free TV business, ProSiebenSat.1 Group's basic pay and HD TV stations are also reported in the Broadcasting German-speaking segment. The Group operates three basic pay TV channels: SAT.1 emotions, ProSieben FUN and kabel eins CLASSICS. The Group also participates in technical activation fees that cable network, satellite, and IPTV operators generate from the distribution of ProSiebenSat.1 stations in HD quality. As a result, ProSiebenSat.1 Group has established a business field with long term, recurring revenues that is strengthening its independence from the TV advertising market, which is highly sensitive to economic and seasonal fluctuations.

Media Glossary, page 285.

Digital Entertainment segment: The Group bundles its online video business activities in the Digital Entertainment segment. This includes the pay-video-on-demand portal maxdome, the multi-channel network (MCN) Studio71, the business with ad-video-on-demand portals and the areas of ad-tech and data. We are also operating our own record label and are active in the areas of artist management, music and live entertainment. In the Digital Entertainment segment, ProSiebenSat.1 covers the entire value chain, including content production, aggregation on various platforms, digital distribution and the monetization of video content. By extending and integrating TV formats on digital platforms, the Group is strengthening viewer retention and creating new, cross-media advertising space at the same time. As a result, ProSiebenSat.1 is also the market leader in the sale of online video content in Germany.

Development of User Numbers, page 108.

Development of the TV and Online Advertising Market, page 112.

ProSiebenSat.1's digital entertainment offers have a good position in their respective market segments. With around 60 billion video views in 2016, Studio71 is one of the four largest MCNs in the world and the number one in Germany. In addition to these online platforms, which are primarily financed with advertising, the Group operates the online video library maxdome, whose number of subscribers grew to one million in 2016. In the past year, ProSiebenSat.1 also promoted the internationalization of the entertainment business, launched the global content marketplace glomex, and acquired shares in the US online video provider Pluto TV.

Digital Ventures & Commerce segment: As a result of traditional acquisitions and by exchanging advertising time for a share in revenues and/or equity, ProSiebenSat.1 has developed an attractive Ventures & Commerce portfolio in recent years. The Group is driving growth in the digital commerce business by connecting it to the TV business.

Strategy and Management System, page 82.

ProSiebenSat.1 bundles its strategic partnerships in the e-commerce business in what are known as verticals in order to foster synergies and exchanges between investments. Under the 7Travel umbrella brand, the Online Travel vertical includes the station's own weather portal wetter.com, the travel portal weg.de, the dynamic travel operator tropo, billiger-mietwagen.de as Germany's largest portal for hire cars, mydays.de, the specialist in experience presents, and etraveli as a leading pan-European online travel agency for flights. The Online Price Comparison vertical includes brands such as Verivox and preis24.de. In 2016, ProSiebenSat.1 also invested in the online dating business and acquired a majority stake in the PARSHIP ELITE Group, which forms the Online Dating vertical. In particular, the Group will increase its focus on the expansion of the Lifestyle Commerce ecosystem, which includes various verticals around investments, such as Stylight, Flaconi or Amorelie.

Media Glossary, page 285.

SevenVentures, a ProSiebenSat.1 Media SE subsidiary, is the first and leading investment company worldwide that accelerates growth at B2C companies with traditional investments and media and operating support. It operates a flexible investment model made up of minority interests and media collaborations in which portfolio companies obtain financial resources, advertising time and other services in exchange for an individual share in equity or revenues.

Content Production & Global Sales segment: The activities of the Red Arrow Entertainment Group are bundled in the Content Production & Global Sales segment. Red Arrow develops, produces and sells TV formats for the stations of ProSiebenSat.1 Group and for third-party companies. In 2016, the number of Red Arrow´s productions was more than 500, the company's program catalog included more than 900 titles. In the Content Production & Global Sales segment, ProSiebenSat.1 Group is also expanding its portfolio with strategic acquisitions focused on the English-speaking region in particular. In addition to the genre of factuals, digital offers in particular have been the focus since the previous year. In addition to TV groups, the company's customers also include multinational players such as Amazon. The number of international customers rose to more than 350 in 2016. At the end of 2016, Red Arrow was represented in seven countries with 19 production companies and four sales offices.

Market Environment of the Production Business, page 104.

Brand portfolio of ProSiebenSat.1 Group (Fig. 23)

Broadcasting German-speaking

FREE TV STATIONS

ProSiebenSat.1 TV Deutschland

- ProSieben
- SAT.1
- kabel eins
- sixx
- SAT.1 GOLD
- ProSieben MAXX
- kabel eins Doku
- HD-Verbreitung
- PULS 4 – Österreich
- PULS 8 – Schweiz

ADVERTISING AND PROGRAMMING WINDOWS

Austria

- ProSieben Austria
- SAT.1 Österreich
- kabel eins Austria
- sixx Austria
- SAT.1 GOLD
- ProSieben MAXX Austria
- kabel eins Doku Austria

Switzerland

- ProSieben Schweiz
- SAT.1 Schweiz
- kabel eins Schweiz
- sixx Schweiz
- SAT.1 GOLD
- ProSieben MAXX Schweiz

BASIC PAY TV STATIONS

- ProSieben FUN
- kabel eins CLASSICS
- SAT.1 emotions
- ProSiebenSat.1 welt

MARKETING

- SevenOne Media
- SevenOne AdFactory
- ProSiebenSat.1 7SCREEN
- ProSiebenSat.1 PULS4

PRODUCTION AND PRODUCTION SERVICE

- ProSiebenSat.1 Applications
- ProSiebenSat.1 Produktion
- SevenPictures

Digital Entertainment

- ProSiebenSat.1 Digital
- AMPYA
- glomex
- maxdome
- 7TV Studio71
- VIRTUALMINDS
- PLUTO[1]
- SMARTSTREAM.TV
- STARWATCH Entertainment
- ProSiebenSat.1 Licensing

Digital Ventures & Commerce

ONLINE TRAVEL

- etraveli
- mydays
- weg.de
- tropo
- wetter.com
- billiger-mietwagen.de

ONLINE PRICE COMPARISON

- Verivox
- KäuferPortal[1]
- preis24.de

ONLINE DATING

- PARSHIP ELITE Group

LIFESTYLE COMMERCE

- Stylight
- FLACONI
- AMORELIE
- Windstar Medical Group
- 7NXT
- TEATOX[1]
- moebel.de

SevenVentures

Content Production & Global Sales

PRODUCTION COMPANIES

- Stories
- 44 Blue Productions
- Band of Outsiders
- Cove Pictures
- CPL
- Dorsey Pictures
- Endor
- Fabrik Entertainment
- Half Yard
- Jay Bienstock Productions
- Karga Seven Pictures
- Kinetic Content
- Left Right
- Mad Rabbit
- NERD.
- Snowman Productions
- Red Arrow Entertainment Ltd
- Redseven Entertainment
- Ripple Entertainment

GLOBAL PROGRAMMING DISTRIBUTION

- RED ARROW INTERNATIONAL

1 Associated company

Management and Control

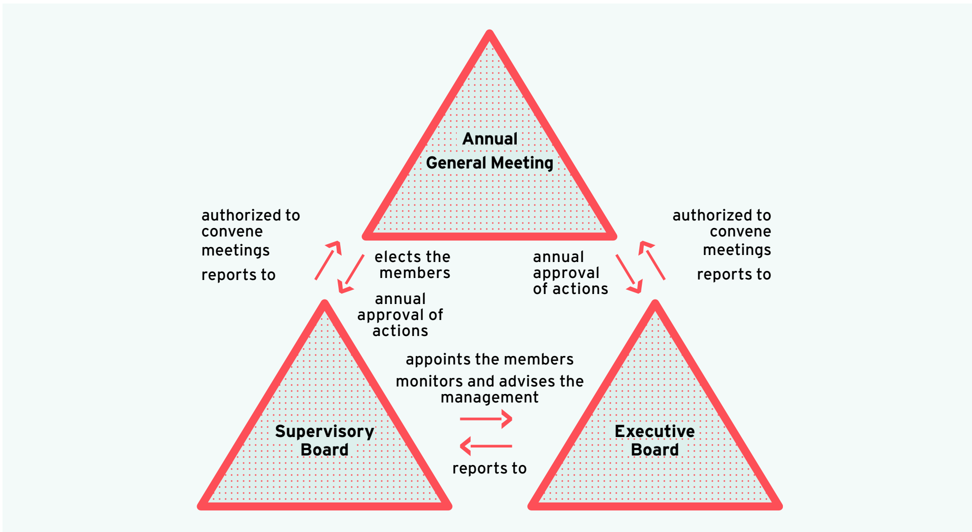
ProSiebenSat.1 Group is managed centrally by ProSiebenSat.1 Media SE. In 2015, the legal form of the parent company changed from a German Stock Corporation (Aktiengesellschaft, AG) to a European Stock Corporation (Societas Europaea, SE). For the corporate governance structure there were no major changes. In particular, the rights of the shareholders remained unaffected. The organizational structure at Group level did not change materially in 2016, either structurally or legally. We report in detail about changes to the scope of consolidation in the corresponding chapter of the Combined Management Report and the Notes.

Financial Glossary, page 282.

Changes in the Scope of Consolidation, page 119.
Notes, Note 4 "Acquisitions and disposals," page 191.

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: 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.

Corporate governance structure of ProSiebenSat.1 Media SE as of December 31, 2016 (Fig. 24)



The ProSiebenSat.1 Share, page 64.

- 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 **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 corporate objective. 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, provided 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. We report on personnel changes in the boards in the "To Our Shareholders" section.

To Our Shareholders, page 25.

Corporate Structure and Investments

A detailed overview of the shareholding structure in ProSiebenSat.1 Group can be found in the Notes from page 270 on.

Notes, Note 3 "Scope of consolidation," page 191.

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.

In its function as the Group holding company, the tasks of ProSiebenSat.1 Media SE include central financing, Group risk management and the ongoing development of the corporate strategy. The economic development of ProSiebenSat.1 Group is determined primarily by the subsidiaries, held both directly and indirectly.

ProSiebenSat.1 Media SE holds 100 percent of the shares in ProSiebenSat.1 TV Deutschland GmbH. The free TV stations of ProSiebenSat.1 and the pay TV channels (ProSiebenSat.1 Pay TV GmbH) work under its umbrella. ProSiebenSat.1 also indirectly holds a 100 percent 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.

Companies in the areas of online advertising (ProSiebenSat.1 Digital GmbH), video-on-demand (maxdome GmbH and Studio71 GmbH), online travel (ProSieben Travel GmbH) and Ventures & Commerce (SevenVentures GmbH and ProSiebenSat.1 Commerce GmbH) are also affiliated indirectly with ProSiebenSat.1 Media SE via subsidiaries consolidated under the holding company, ProSiebenSat.1 Digital & Adjacent GmbH.

The subsidiaries for the Content Production & Global Sales segment are operated by Red Arrow Entertainment Group GmbH, which is also an investment wholly owned by ProSiebenSat.1 Media SE.

Group structure as of December 31, 2016 (excerpt) (Fig. 25)

ProSiebenSat.1 Media SE

- **ProSiebenSat.1 TV Deutschland GmbH** 100% — ProSieben, kabel eins, sixx, ProSieben MAXX, SAT.1 Gold, kabel eins Doku
  - SAT.1 Satelliten Fernsehen GmbH 100% — SAT.1
  - ProSiebenSat.1 Pay TV GmbH 100% — kabel eins classics, ProSieben FUN, SAT.1 emotions
  - SevenPictures Film GmbH 100%
- **ProSiebenSat.1 Broadcasting GmbH** 100%
  - ProSiebenSat.1 Applications GmbH 100%
  - ProSiebenSat.1 Produktion GmbH 100%
  - ProSiebenSat.1 Welt GmbH 100%
  - SevenOne Brands GmbH 100%
    - SevenOne Media GmbH 100%
    - SevenOne AdFactory GmbH 100%
    - 7Screen GmbH 100%
    - ProSiebenSat.1 Puls 4 GmbH 100%
    - SevenOne Media (Schweiz) AG 100%
- **Red Arrow Entertainment Group GmbH** 100%
  - Red Arrow International GmbH 100%
  - Redseven Entertainment GmbH 100%
  - 7Stories GmbH 100%
- **SevenOne Investment (Holding)** 100%
  - SevenOne Capital (Holding) 100%
  - ProSiebenSat.1 Accelerator GmbH 100%
- **ProSiebenSat.1 Sports GmbH** 100%
- **ProSiebenSat.1 Digital & Adjacent GmbH** 100%
  - Studio71 GmbH 79%
  - maxdome GmbH 100%
  - ProSiebenSat.1 Adjacent Holding GmbH 100%
    - ProSiebenSat.1 Licensing GmbH 100%
    - Starwatch Entertainment GmbH 100%
  - ProSieben Travel GmbH 100%
  - ProSiebenSat.1 Digital GmbH 100%
    - SMARTSTREAM.TV GmbH 80%
    - Virtual Minds AG 51%
  - 7Wellbeing GmbH 100%
    - 7NXT GmbH 100%
  - AdTech Solutions GmbH 100%
  - SevenVentures GmbH 100%
    - SevenVentures (Schweiz) AG 100%
    - SevenVentures Austria GmbH 100%
  - Glomex GmbH 100%
  - ProSiebenSat.1 Commerce GmbH 100%

COMBINED MANAGEMENT REPORT

Strategy and Management System

- **ProSiebenSat.1 is the first media corporation to implement the combination of TV, content production, digital entertainment and e-commerce, and to consistently leverage the resulting synergies.**
- **The most important goal is to grow sustainably and profitably in a dynamic competitive environment. Consolidated revenues are expected to rise to EUR 4.5 billion by the end of 2018, which is EUR 300 million more than originally expected.**
- **We have a holistic management system. This system reflects both growth targets and the interests of investors, including efficient financial planning and an earnings-oriented dividend policy.**

Vision and Strategic Objectives

ProSiebenSat.1 Group's most important goal is to seize opportunities in a changing market environment and to secure dynamic and profitable growth in the long run. To this end, the Group is rigorously pushing ahead with its transformation from a traditional TV company into an integrated entertainment and commerce corporation and diversifying its portfolio. We are expanding our offers based on the high reach of TV. Thanks to our digital entertainment offerings, we deliver viewers and users attractive entertainment at any time and place. At the same time, we are using our high TV reach to establish a dynamically growing commerce business with leading brands by advertising them on our TV stations. ProSiebenSat.1 is the first media company to implement a combination of traditional linear TV, content production, digital entertainment and e-commerce, and consistently utilize the resulting synergies.

Business Activities, and Segments, page 75.

At the Capital Markets Day in October 2016, the Executive Board presented the development of the Group strategy beyond 2018. Our vision is to transform ProSiebenSat.1 into a leading omnichannel entertainment and commerce brand powerhouse with a global presence in the years to come. With everything we do, we want to delight, inspire and support those who use our offers – and offer our advertising customers unique added value.

Opportunity Report, page 165.

Areas of Growth by Segment

Media Glossary, page 285.

We are seizing the opportunities provided by digitalization in all segments in order to drive growth. The Group has therefore set itself the following goals (Fig. 26):

Growth measures by segments (Fig. 26)

Broadcasting German-speaking segment	› We are creating relevant advertising environments that focus on specific topics. › We offer added value for our advertising customers via innovative marketing and targeting tools such as addressable TV.
Digital Entertainment segment	› We are offering all forms of media usage and strengthening our market leadership in Germany. › We are internationalizing our business with partnerships and acquisitions.

Growth measures by segments (continued)

Digital Ventures & Commerce segment	› We are investing in a commerce portfolio with strong growth and are benefiting from synergies with our TV business. › We are establishing a Lifestyle Commerce ecosystem and are thus offering a holistic shopping experience.
Content Production & Global Sales segment	› We are expanding our business with a focus on the US and consolidating our portfolio. › We are leveraging synergies within the Group with a digital content production ecosystem.

Broadcasting German-speaking Segment

Technical Distribution, Media Consumption and, Advertising Impact, page 101.

TV & Marketing: TV Advertising Goes Live, page 16.

TV is the most widely used medium in Germany. The high and combined reach that advertising customers are able to achieve with TV advertising is constantly gaining significance due to changing usage habits. At the same time, ProSiebenSat.1 is consistently investing in technological innovations to ensure that television continues to be the most effective advertising medium with the widest reach for our customers in the future. New stations and a continuously good supply of high-quality content underpin our reach. These form the basis for our success in the sale of advertising and distribution, which are bundled in the Broadcasting German-speaking segment in addition to the TV stations.

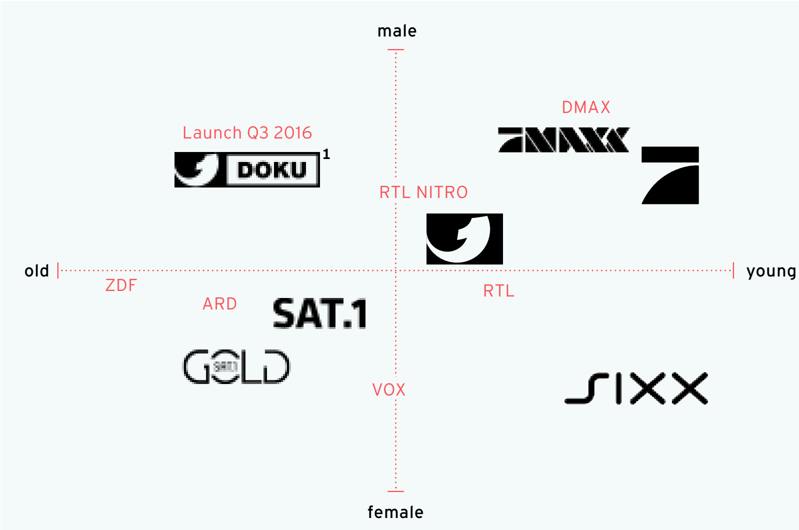
The Year 2016 at a Glance, page 70.

› **We are creating relevant advertising environments by focusing on specific topics:** Since 2010, the Group has launched three new special interest stations in Germany with sixx, SAT.1 Gold and ProSieben MAXX. This was followed by another special interest station, kabel eins Doku, in the fall of 2016. Today, ProSiebenSat.1 has a station profile on its main revenue market, Germany, that is made up of seven brands that complement each other and target different viewer groups (Fig. 27). For instance, kabel eins Doku focuses on documentaries and reports about history, real crime, nature, technology and thus predominantly covers the interests of male viewers. In the future, a large portion of investments will continue to be made in programs and particularly in the major stations SAT.1 and ProSieben. In 2016, programming investments amounted to EUR 992 million (previous year: EUR 944 million). At the same time, the Company is seeking to further expand its share in in-house formats. Content developed in-house can be tailored more precisely to the brand profiles of individual stations than licensed programs.

Development of the Audience Market, page 105.

The new stations have strengthened our position on the audience market. At the same time, the expansion of the portfolio is having a positive impact on marketing. The new stations are geared towards target groups that were previously taken into account to a lesser extent, and also offer attractive marketing environments beyond the SAT.1 and ProSieben core brands. The Group is thus expanding its reach and creating advertising environments on TV that were previously covered by print media in particular and addressing new customers in a targeted manner. At the same time, a stronger focus on program window topics offers the opportunity to further differentiate advertising offers. Firstly, this gives us the opportunity to adjust advertising to the target groups of our customers more precisely. We are also creating environments that focus on specific program window topics in which we place our own commerce offers based on the relevant target group, allowing us to optimally connect television to our digital offers.

ProSiebenSat.1 channel portfolio in Germany (Fig. 27)



	Key target groups	Market shares 2016
SAT.1	A 14-59	8.7%
	A 14-39	14.0%
	A 14-49	5.1%
sixx	F 14-39	2.0%
GOLD	F 40-64	2.5%
MAXX	M 14-39	2.0%
DOKU[1]	M 40-64	0.1%
Total		28.0%

1 kabel eins Doku since 09/22/2016.

Figures are based on 24 hours (Mon-Sun) and are average market shares for 2016. **Germany:** SAT.1, ProSieben, kabel eins, sixx, SAT.1 Gold, ProSieben MAXX, kabel eins Doku; source: AGF in cooperation with GfK/TV Scope 6.1/SevenOne Media Committees Representation.

Technical Distribution, Media Consumption and, Advertising Impact, page 101.

› **We offer added value to advertising customers via innovative marketing and targeting tools such as sddressable TV:** ProSiebenSat.1 is leading in the German TV advertising market and stands for innovative advertising concepts. Together with the SevenOne Media and SevenOne AdFactory subsidiaries, the Group is supporting its advertising customers and agencies by finding ideas and concepts and implementing them. ProSiebenSat.1 is able to increase the return on investment (ROI) of advertising campaigns with cross-media solutions and combine the reach of TV with the advantages of digital media. This integrated approach is a key competitive factor.

The Year 2016 at a Glance, page 70.

Media Glossary, page 285.

The Group is continuously developing new forms of advertisement and designing campaigns that incorporate various platforms and communication channels based on the main medium of TV. In 2016, the Group entered into digital out-of-home advertising, giving its customers the opportunity to place their content directly at the point of sale via digital screens. At the same time, ProSiebenSat.1 is focusing on new technologies to develop tailored advertising tools. Addressable TV is one example here: With the hybrid broadcast broadband TV (HbbTV) technical standard, advertising can be adjusted selectively, based on the weather in the region of the viewers concerned, for example. As a result, addressable TV combines the high reach of television with the advantages of online marketing, addressing target groups in a direct and selective manner. Since 2015, our advertising customers have the opportunity to book so called targeting on HbbTV. In 2016, the Group implemented around 100 addressable campaigns for 50 customers. The potential to grow is significant: With addressable TV, TV ads can highlight new things and become even more interesting for viewers and thus more relevant compared to other media.

Digital Entertainment Segment

Risk Report, page 148.

ProSiebenSat.1 pursues a digital entertainment strategy and covers modern forms of media use in this way. We use our diversified portfolio made up of TV and digital brands for cross-media advertising concepts. Digital development has moreover introduced new refinancing models for us. In addition to advertising revenues, ProSiebenSat.1 is generating subscription- and transaction-based revenues in the Digital Entertainment segment, for instance, with maxdome's video-on-demand (VoD) offers.

- **We are offering all forms of media usage and strengthening our market leadership in Germany:** The Company is the leading seller of video content in Germany and offers its customers a high advertising reach with digital media as well. ProSiebenSat.1 reaches around 30 million unique users every month in the German market with advertising-financed online websites alone. Our accompanying research has shown that online advertising combined with TV campaigns is particularly effective. We benefit from this media mix in both the advertising and audience markets: With this multimedia approach, we are strengthening viewer retention, ensuring the relevance of TV content, even in young target groups, and are offering our advertising customers an attractive marketing portfolio.

Risk Report, page 148.

  In the field of marketing, digitalization is also offering us new opportunities to adjust advertising on online-based media in real time. At the same time, we are able to generate valuable data about target groups by analyzing usage in order to place our own offers and those of our advertising customers in a more personalized way. For this reason, ProSiebenSat.1 acquired a majority stake in Virtual Minds AG and SMARTSTREAM.TV in 2015. The technology of these two companies allows for the automated provision of digital advertising (programmatic advertising). With these investments, we are combining the advantages of television and its high reach with the opportunities provided by the digital world for our customers while further strengthening our market leadership.

Development of the TV and Online Advertising Market, page 112.

The Year 2016 at a Glance, page 70.

  In addition, the Group is continuously expanding its reach. For instance, ProSiebenSat.1 launched its own app for every TV station in 2016. As a result, users can watch our programs live or after they have been broadcast. At the same time, ProSiebenSat.1 is expanding its portfolio with distribution partnerships. In 2016, ProSiebenSat.1 entered into a collaboration with Deutsche Bahn for the VoD portal maxdome, the first and only video service available on the ICE portal. In Germany, around 80 million people travel on Deutsche Bahn's ICE trains every year. We generate additional revenues in this way and secure our market presence, also in the world of digital media.

- **We are internationalizing our business with partnerships and acquisitions:** Digital video entertainment is a global market. For this reason, the Group is supplementing its profile with international brands.

Development of User Numbers, page 108.

  In 2015, it acquired a majority stake in the US multi-channel network CDS. ProSiebenSat.1 was already leading in this segment in Germany and has integrated the brand into its own platform, Studio71. In 2016, the Group had 60 billion video views and is now one of the four largest multi-channel networks in the world. Following this model, in 2016 a minority stake in Pluto Inc., a US company, was acquired. The company operates an online TV service with over 100 linear live channels. This video platform was merged with Quazer, ProSiebenSat.1's German linear streaming service. Part of this internationalization strategy also includes partnerships, for instance, a media alliance with European media corporations. In this context, ProSiebenSat.1 Group entered into a strategic partnership with the TF1 Group (France) and Mediaset (Italy) in January 2017. Both of these media groups have invested in Studio71. As a result, this MCN has tapped into additional key European markets after Germany, the USA, Canada, the United Kingdom and Austria. The Group also intends to further strengthen its global focus via partnerships or other acquisitions in the future and to make use of its expertise to develop new brands.

Digital Ventures & Commerce Segment

Raising brand awareness quickly is a decisive competitive factor, especially for young companies in an early stage of development. We therefore use our wide reach in TV and on digital platforms to enhance our portfolio with commerce platforms and business models. We tap into new market segments and finance our growth in line with the "reach meets ideas" principle. Our e-commerce portfolio has now become our largest revenue growth driver and is making a significant contribution to the expansion of the digital business. The Group will continue to focus on this in the future and will expand its commerce portfolio. Secondly, the Group is focusing on the development of a Lifestyle Commerce ecosystem.

Comparison of Actual and Expected Business Performance, page 115.

- **We are investing in a commerce portfolio with strong growth and are benefiting from synergies with our TV business:** ProSiebenSat.1 Group reaches 42 million households every day with its TV stations in Germany, Austria and Switzerland. Our advertising customers benefit from this reach. At the same time, the Group is using its media services to develop digital business areas, for instance, in the e-commerce areas of Online Travel, Lifestyle Commerce, Online Dating and Online Comparison Portals. The Group is advertising its own products and brands on its TV stations. In addition, ProSiebenSat.1 is acquiring new companies and accelerating growth using free advertising time.

In the past two years, ProSiebenSat.1 increasingly made larger acquisitions, for example the takeover of the comparison portal Verivox in 2015. By doing so, the Group tapped into a new growth market. Verivox already had a leading market position, but its success can be further increased with advertising on TV. In parallel, the Company often expands its portfolio with media services and does so without high cash investments. ProSiebenSat.1 also initially acquires a minority stake in many acquisitions in order to limit financial risks and gain experience on the amount of value an investment adds while complementing the existing portfolio. The M&A strategy is successful because the Group is observing specific investment criteria. ProSiebenSat.1 invests mainly in e-commerce companies that can be marketed efficiently with TV advertising and incorporated synergistically. This is the basis for each investment decision. New investments also need to have business models with a local focus. Verivox is one successful example for this.

Digital Commerce & Marketing: Dynamic Success, page 12.

Our M&A strategy is both effective and capital-efficient: Within twelve months after the acquisition, Verivox's revenues rose by almost 40% thanks to marketing on TV. At the same time, we reduced other marketing costs outside TV by almost 20 %. With this investment model, ProSiebenSat.1 is leveraging synergies that exceed usual efficiency and revenue potential in the industry. This is an important basis for long-term organic growth in the digital business.

We are establishing a Lifestyle Commerce ecosystem and are thus offering a holistic shopping experience: Digital commerce is growing dynamically worldwide in the double-digit percentage range. However, digitalization is not only driving e-commerce, but also creating the conditions required in order to integrate value-adding processes using various platforms and distribution channels. For instance, viewers can already obtain product information with their remote control thanks to HbbTV, an online-based TV technology. The Group is leveraging this potential by establishing a commerce ecosystem about living a healthy lifestyle.

Technical Distribution, Media Consumption and Advertising Impact, page 101.

ProSiebenSat.1 already has various health, nutrition, wellness, fashion and fitness offers and successfully sells these on digital platforms. The Group is now embedding these lifestyle offers into a holistic commerce ecosystem and linking it to its entertainment offerings. The idea that lies behind this strategic measure is to accompany consumers throughout the customer journey – for instance, from the ProSieben show "Germany's Next Topmodel – by Heidi Klum," to fitness offers on 7NXT and online shops, such as the online perfume shop flaconi.de. The next step is to complete the value chain with stationary sale and offer more own physical products. This is why the Group invested in WindStar, for instance, which is a leading provider of health products.

Changes in the Scope of Consolidation, page 119.

For this omnichannel approach, the retail chain for health and well-being items is particularly well suited because of its high affinity with TV as an advertising medium. In addition, these products reflect the demographic focus of our TV stations. We are benefiting from our networking potential in two ways. In the future, TV advertising will be more targeted in relation to the context or even in a personalized way. This is because we are not only creating cross-media links. With our e-commerce portals and digital entertainment offers, we are able to gather extensive knowledge about consumers in this way. As a result, we provide our advertising customers with added value and assist them with the addressability of advertising.

Content Production & Global Sales Segment

The Red Arrow Entertainment Group complements our value-adding processes. This company develops, produces and sells programs. Red Arrow is a global company, but it focuses on the US. In addition to high revenues, the USA is also strategically relevant for Red Arrow because TV content in English can be sold more easily around the world.

- **We are expanding our business with a focus on the US and consolidating our portfolio:** Households in the US currently receive over 200 channels. This includes a wide range of stations with a focus on particular interests. Another increasingly important revenue market is emerging at the same time due to digital streaming portals. As a result, the potential customer group of the Red Arrow Entertainment Group is growing, especially in the USA. Red Arrow is present with nine companies in the US and generated over 70 % of its dynamically growing revenues in 2016.

Market Environment of the Production Business, page 104.

  Now, our aim is to consolidate and expand the existing business with long-term customer relationships. The partnership with Amazon can be used as an example in this context: Red Arrow is producing the fourth season of the crime series "Bosch" for the digital platform and has created a format with growing revenues in this way. At the same time, we are aiming to make even better use of synergies within the Group. To achieve this, the Company will increase its share in in-house productions on TV stations. In 2016, Red Arrow had a production share of 12 % with regard to local formats of ProSiebenSat.1's stations. This is strengthening the revenue basis and organic growth of this segment.

The Year 2016 at a Glance, page 70.
TV & Production: Team Spirit Translates into Big TV Ideas, page 08.

- **We are leveraging synergies within the Group with a digital content production ecosystem:** Red Arrow has an increasingly digital focus in its portfolio and is benefiting from interaction within the Group. The next step is to establish a holistic digital content production ecosystem through Red Arrow.

  By networking its investments and producing or offering successful formats that are bundled by topic for use on various platforms, the efficiency of its investments has increased. In this context, Red Arrow also founded Ripple Entertainment in recent months. This US company produces digital entertainment and will also develop content that will be distributed via ProSiebenSat.1's MCN, Studio71. As a result, the Group has laid an important foundation in order to expand the program supply of digital platforms with attractive content.

Financial Targets

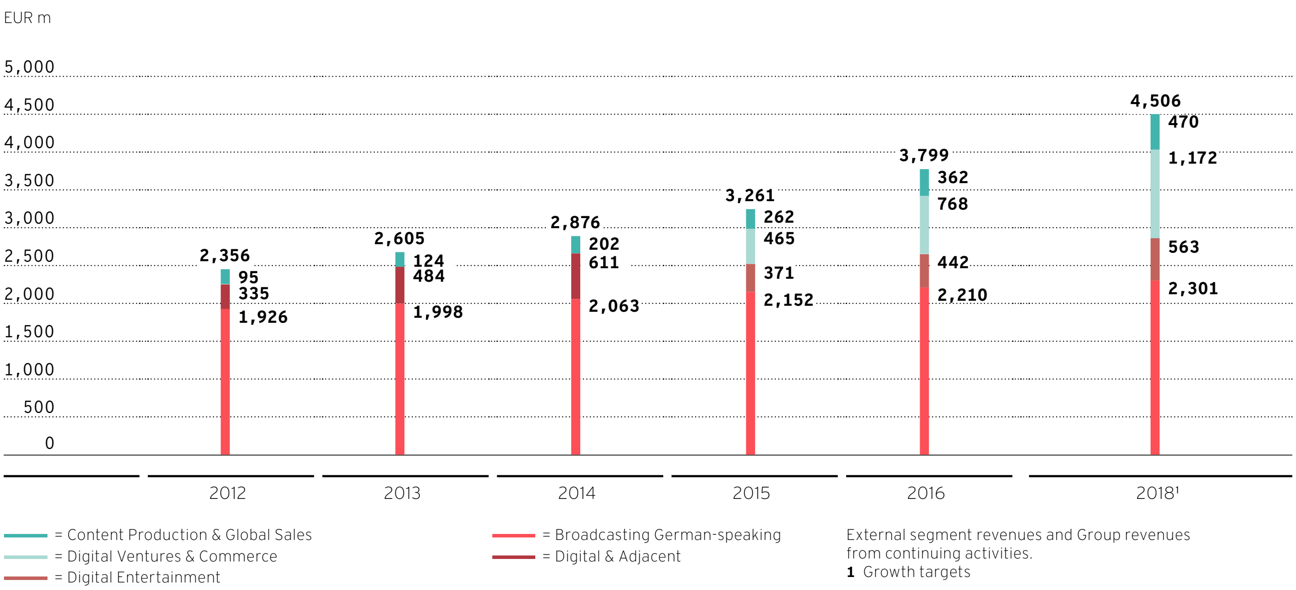
Revenue and Earnings Targets

ProSiebenSat.1 Group is growing dynamically and has been consistently advancing the Group's digital development since 2009. This strategy has made us successful because we have not only achieved but also exceeded our revenue and earnings targets multiple times. Consolidated revenues have grown by 10 % every year since 2009, while recurring EBITDA have increased by an average of 11 % at the same time.

In October 2016, the Company recently increased its medium-term financial targets. These adjustments reflect the growth contributions from recent acquisitions. ProSiebenSat.1 aspires to increase consolidated revenues to EUR 4.5 billion by the end of 2018. This is EUR 300 million more than originally expected, corresponding to an increase of EUR 2.15 billion as against 2012. All segments will contribute to this increase (Fig. 28). At the same time, ProSiebenSat.1 is seeking to increase adjusted EBITDA by EUR 400 million to EUR 1.15 billion (previously: EUR 1.10 billion).

Explanatory Notes on Reporting Principles, page 72.

Revenue growth targets 2018 (Fig. 28)



External segment revenues and Group revenues from continuing activities.
1 Growth targets

Although the individual segments differ with regard to their underlying profitability, however they will all drive the positive earnings developments. At the same time, the revenue profile is changing due to diversification. ProSiebenSat.1 is seeking to generate over 50 % of its consolidated revenues outside the TV advertising business by 2018 (2012: 23 %, 2016: 47 %). The Group is diversifying its revenue model, particularly via its e-commerce investments, and also gaining access to new markets with additional revenue potential. In 2016, the Digital Ventures & Commerce segment made the highest contribution to revenue growth and is expected to contribute EUR 1.172 billion to consolidated revenues in the medium term. The digital business as a whole will contribute over EUR 1.7 billion in revenues in 2018.

These financial targets reflect our vision and strategic focus to expand digital offers and position the Group as a leading entertainment & commerce powerhouse. With cross-linking, we are marketing our offers on different media and we are omnipresent and able to unlock potential arising from synergies.

Financing Policy

Financial Glossary, page 282.

We measure the success of our growth strategy using revenue and earnings' targets that are determined for all segments. ProSiebenSat.1 Group has also set clear financial guidelines for M&A measures. Firstly, these result from the target range for leverage. Secondly, the Group pursues an earnings-oriented dividend policy.

The distribution ratio is based on underlying net income and has been between 80% and 90% over the last five years. Due to the significant growth in earnings, ProSiebenSat.1 has posted an annual average increase in its dividend payments over the last five years of 12% (CAGR). The Group has also intensified M&A activities at the same time. The leverage ratio has constantly been within the defined benchmark range of 1.5 to 2.5.

Financing Structure and Borrowings, page 126.

Our financial strategy provides for ongoing assessments of the capital structure. In this context, the Group increased its share capital by around 6.5% in November 2016. This capital increase has given the Group additional financial headroom for larger strategic acquisitions in the digital sector. Funding needs for acquisitions made in the past financial year were covered with cash and cash equivalents.

In addition, the media volume on digital platforms and on TV stations in particular represents a second investment currency for ProSiebenSat.1. By using media, the Group is able to establish new brands with relatively low marketing expenses and without high cash investments while accelerating companies' growth at the same time. As a result, ProSiebenSat.1 is growing not only very profitably; the Group is also achieving a high interest on the purchase price of its investments.

Planning and Management

Risk and Opportunity Report, page 148.

ProSiebenSat.1 has a management system based on key figures. This forms the basis for all 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. 29). 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.

Intragroup Management System

The performance indicators specific to ProSiebenSat.1 are aligned to the interests of the capital providers and cover financial planning as well as aspects of comprehensive revenue and earnings management.

Overview of relevant key performance indicators (Fig. 29)

Non-financial performance indicators	**Broadcasting German-speaking segment** › Audience shares
Financial performance indicators	**Group** › Revenues › Recurring EBITDA › EBITDA › Underlying net income › Leverage **Broadcasting German-speaking and Content Production & Global Sales segments** › External revenues › Recurring EBITDA **Digital Entertainment and Digital Ventures & Commerce segments** › External revenues › Recurring EBITDA › EBITDA

Development of the Audience Market, page 105.

› **Non-financial performance indicators:** The development of audience shares is a key criterion in programming and media planning in the core business of advertising-financed television. At the same time, the Group is using its advertising reach to establish new brands and expand its portfolio with digital business sectors. In Germany, TV usage data is collected by GfK Fernsehforschung on behalf of Arbeitsgemeinschaft Fernsehforschung (AGF). ProSiebenSat.1 analyzes viewer ratings that have been empirically collected by the institutions on a daily basis; these form the basis for program planning. 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.

Financial Glossary, page 282.
Explanatory Notes on Reporting Principles, page 72.

› **Financial performance indicators:** Revenues and recurring EBITDA are the central key figures used to manage profitability. The key earnings figure recurring EBITDA stands for recurring earnings before interest, taxes, depreciation and amortization. Significant effects, 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.

Financial Glossary, page 282.
Explanatory Notes on Reporting Principles, page 72.
Explanatory Notes on Reporting Principles, page 72.

The underlying net income also measures the Group's operating performance and provides a suitable indicator for calculating the dividend. The underlying net income represents the adjusted consolidated net profit after non-controlling interests; the effects of purchase price allocations and other reconciling items are not taken into account in the calculation. We pursue an earnings-oriented dividend policy with the aim of distributing 80 % to 90 % of underlying net income every year.

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. Internally, EBITDA serves as a performance indicator both at Group level and for the Digital Entertainment and Digital Ventures & Commerce segments. These two segments are growing dynamically; combined, they most recently generated 32 % of total annual consolidated revenues (previous year: 26 %) and 21% of Group EBITDA (previous year: 17 %).

Financial Glossary, page 282.

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 recurring EBITDA – i.e. EBITDA adjusted for reconciling items 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.

Financial Glossary, page 282.

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'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.

Employees, page 142.

With their knowledge and ideas, every employee of our Company is contributing towards the development of ProSiebenSat.1's strengths while driving innovation. We are therefore systematically investing in human resources development and targetedly promoting young staff while giving all employees an appropriate share in the Company's success. While recurring EBITDA is the key indicator for the Group and its segments, EBITDA also serves as a performance indicator and a basis for measuring performance-based employee compensation thanks to the holistic view of the Company's expense and income structure. Net financial debt and EBITDA of the Group and external revenues and EBITDA in the Digital Entertainment and Digital Ventures & Commerce segments serve as a variable basis for determining the Executive Board's compensation. By harmonizing the Executive Board's compensation with our KPI for corporate management, we implemented a holistic and effective management system, which reflects the company-specific characteristics. Further information about the individual compensation of Executive Board members can be found in the "Compensation Report", while the basics of reporting principles are explained in the chapter "Explanatory Notes on Reporting Principles".

Explanatory Notes on Reporting Principles, page 72.

Compensation Report, page 48.

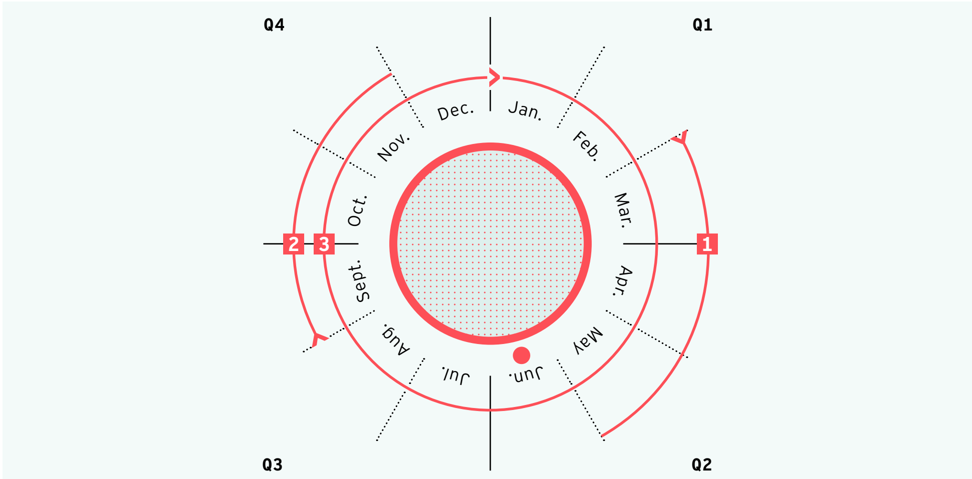
Explanatory Notes on Reporting Principles, page 72.

Operational and Strategic Planning

Management and planning are closely intertwined at ProSiebenSat.1. 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 2016 (Fig. 30). The different levels in the planning process – strategic planning, multi-year planning, budget preparation and monthly reporting – build on each other and are closely linked to our risk management.

Planning calendar (Fig. 30)



- Strategy meeting
- 1 **Multi-year planning** (long term corporate plan on an annual basis)
- 2 **Budget** (operating plan for the year on a monthly basis)
- 3 **Monthly reporting** (trend projections)

- **Strategy meeting:** Analyses of strengths and weaknesses are an important strategic planning instruments. 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.

  The Group pursues a consistent growth and diversification strategy aimed at strengthening the core business of television and leveraging synergies by linking the advertising business to the dynamic development of the digital business. Nothing changed here in 2016; however, individual requirements were prioritized and redefined at the strategy meeting. The strategy meeting took place in June. In October, the Group once again increased its medium-term growth targets as part of the Capital Markets Day.

The Year 2016 at a Glance, page 70.

- **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 statement of cash flows of individual subsidiaries are analyzed and aggregated at segment and Group level.

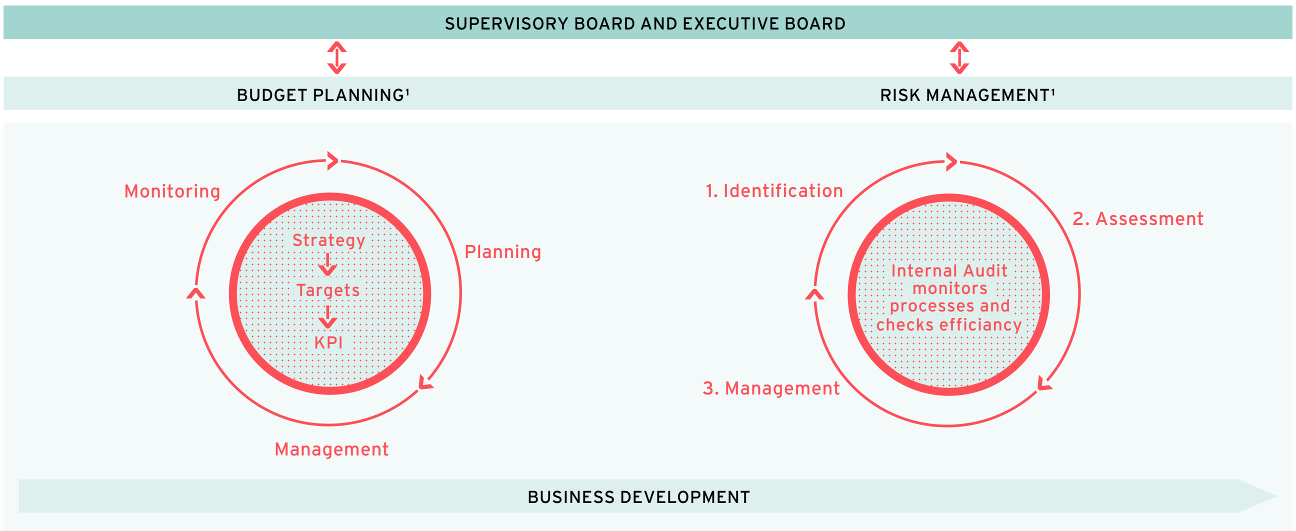
- **Budget (operating plan for the year on a monthly basis):** Multi-year planning in turn forms the basis for the budget. The budgeted figures are also calculated in a bottom-up process and the targets for the individual financial and non-financial performance indicators are specified on a monthly basis.

- **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.

Risk and Opportunity Report, page 148.

In 2016, 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 and Compliance 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. 31).

Opportunity and risk management at ProSiebenSat.1 (Fig. 31)



1 Also refer to Annual Report 2016 starting on page 148.

Sustainability

- **For us, sustainability means the holistic and lasting development of ProSiebenSat.1's economic, environmental and social performance.**
- **In September 2016, ProSiebenSat.1 published a separate report on all key aspects of sustainability for the first time. We also disclosed the CO_2 emissions of our climate assessment in this report.**
- **The Group uses the wide reach of its media offerings to focus on important ecological, societal and sociopolitical issues.**

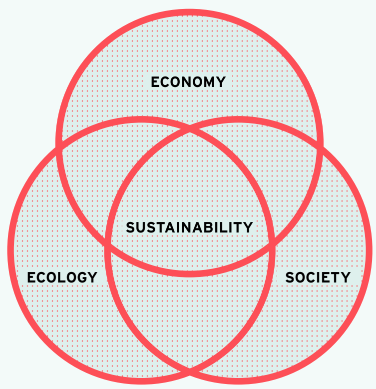
Corporate Responsibility

At ProSiebenSat.1, information on ESG and sustainability aspects is in the area of responsibility of the CFO.

Organizational advantages, own brands, stable customer relations and human resources potential are important success factors that for the most part are not measured financially. On the other hand, we capitalize certain internally generated intangible assets at a low level. Further information can be found in the Notes.

ProSiebenSat.1 Group's most important corporate objective is to grow profitably and sustainably. We recognize the interests of our internal and external stakeholders and pay particular attention to our employees and their concerns. We believe in the fact that commercial success can be measured not just by financial results, but also by how we fulfill our corporate responsibility. Moreover, we are convinced that commercial enterprises identifying opportunities and risks in the field of sustainability at an early stage can better prevail in competitive markets. ProSiebenSat.1 Group therefore sees sustainability as an approach that secures the holistic and lasting development of the Company's economic, environmental and social performance (Fig. 32).

Dimensions of sustainability (Fig. 32)



Sustainability Management and Reporting

http://our-responsibility.prosiebensat1.com

Last year, ProSiebenSat.1 Group published a separate report for the first time dealing with all dimensions of sustainability and the key aspects of sustainability for the Group. It was titled "Our Responsibility – Public Value and Sustainability at ProSiebenSat.1 2015/2016." Together with the Annual Report, this publication offers a comprehensive depiction of our corporate performance on the basis of financial and non-financial information. The report follows the fourth generation (G4) guidelines of the Global Reporting Initiative (GRI). When defining the report content, we observed the principles of "stakeholder inclusiveness," "sustainability context," "materiality" and "completeness." We took general sustainability information and sector-specific disclosures according to the Sector Supplement for the media sector as a basis and prioritized them with regard to their relevance to ProSiebenSat.1's business model.

Since the report was published in September 2016, we have further enhanced our sustainability management and the reporting processes in the Group and increased the transparency of our sustainability work. We have therefore defined concrete measures that we have already implemented or will implement in 2017. For example, we see improving the quality of our carbon footprint at all levels of the organization as an ongoing process in order to guarantee comprehensive and open communication and to meet the requirements of our stakeholders. We will publish the next Sustainability Report in June 2017 and describe our sustainability activities in the financial year 2016 in their entirety therein.

Areas of Action for Sustainability

ProSiebenSat.1 performed the first materiality analysis of its sustainability activities in 2015 and enhanced this analysis in 2016, comprehensively identifying potential sustainability issues and relevant stakeholders and narrowing down the universe of topics. As a next step, we arranged the issues along our individual value chain and defined priority criteria. The aspects thus derived are synthesized into five areas of action (Fig. 33).

Areas of action at ProSiebenSat.1 (Fig. 33)

Public Value	Governance and Compliance	Digitalization and Innovation	Climate and Environmental Protection	Employees and Diversity

Public Value

Back in 2011, the Group placed its public value activities in a larger social context and established 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 2016, the Advisory Board met three times. Members of the Executive Board as well as other decision-makers in the Group participated in these events. With a view towards ProSiebenSat.1 Group's young audience target group, the Advisory Board continued to prioritize the issue of "digital education" in its work. In this context, the schools competition SchoolsON was again held last year.

Public Value 2016, page 98.

Our reach as a media corporation plays a decisive role for the sustainability activities. ProSiebenSat.1 Group reaches around 42 million households every day with its TV stations and more than 30 million users per month via its web offerings. The distributed content helps to shape the opinions of viewers and users. We are aware of this responsibility and we use the wide reach of our media to shine a spotlight on important ecological, social and political issues. We pursue four goals: We want to build knowledge, offer opportunities, communicate values and promote culture. Extensive information on the various projects can be found in the "Our Responsibility – Public Value and Sustainability at ProSiebenSat.1 2015/2016" report and on the special pages on this topic in this Annual Report.

Public Value 2016, page 98.

Governance and Compliance

For the Executive Board and Supervisory Board of ProSiebenSat.1 Media SE, good corporate governance is an essential component of responsible, transparent management and control oriented to long-term value creation. The basic rules for the dual management and supervisory system are defined in ProSiebenSat.1 Media SE's articles of incorporation and in the rules of procedure for the Executive Board and Supervisory Board. The German Corporate Governance

Code (Deutscher Corporate Governance Kodex – DCGK) also establishes a standard for transparent control and management of the Company, which is particularly aligned to the interests of the shareholders. In addition to efficient structures and processes for good governance, ProSiebenSat.1 Group places great value on openness and clarity in communication. This is an important requirement for preserving and increasing the confidence of external stakeholders and our employees in the Group.

The "Guidelines for Ensuring Journalistic Independence" of ProSiebenSat.1 can be viewed on the corporate website and specify the understanding of the journalistic principles set forth in the Press Code of the German Press Council.

www.prosiebensat1.com/en/investor-relations/corporate-governance/code-of-compliance

Corporate Governance Report, page 36.

Management Declaration, page 46.

ProSiebenSat.1 Group also follows a policy of compliance. The prevention of corruption and violations of antitrust and media law are important factors for a successful market position and the attainment of corporate objectives. Due to the increasing digitalization of the Group's business operations, data protection and the associated preservation of personal rights also form a central pillar of the compliance-management system. ProSiebenSat.1 Group has therefore set down fundamental guidelines and procedures in its "Code of Compliance", which was revised in 2016. The guidelines define the general standards for conduct in business, legal and ethical matters and also govern how employees can safely report misconduct in the Company.

Further information on governance and compliance at ProSiebenSat.1 can be found in the report "Our Responsibility – Public Value and Sustainability at ProSiebenSat.1 2015/2016." In addition, we report on these sustainability aspects in the "To Our Shareholders" section of this Annual Report.

Digitalization and Innovation

Strategy and Management System, page 82.

Media Political and Regulatory Environment, page 100.

Opportunity Report, page 165.

ProSiebenSat.1 Group has been rigorously pushing ahead with its transformation from a traditional TV company into a digital corporation with a diversified business portfolio since 2009. The key strategic objective is to secure the Group's economic sustainability and profitable growth in a changing environment. For this purpose, the Group is developing new business models, tapping into additional, dynamically growing business areas and using innovative technology. We report comprehensively on the relevance of digitalization and innovation for the Group in the report "Our Responsibility – Public Value and Sustainability at ProSiebenSat.1 2015/2016" and in selected chapters of this Annual Report.

Climate and Environmental Protection

As a media company, ProSiebenSat.1 is not part of the energy-intensive manufacturing industries that use a lot of resources and have complex, global supply chains. For this reason, we have not identified any financial consequences of climate change for our business activities at present. Nonetheless, we also see climate and environmental factors as material for us and our stakeholders both universally and in connection with our value creation. We are therefore helping to slow down climate change and conserve our environment by carefully using resources and reducing our energy consumption and CO_2 emissions through targeted measures. Back in 2012, we switched the power supply at our headquarters in Unterföhring near Munich to green electricity. The climate and environmental protection measures are complemented by our involvement in the field of ecology. Thanks to our wide reach among TV viewers and Internet users, we can effectively communicate climate and environmental issues and thus raise awareness of the sustainable use of resources among a broad audience.

Public Value 2016, page 98.

In the "Climate and Environmental Protection" action area, we calculated ProSiebenSat.1 Group's carbon footprint for the first time for the financial year 2015 and subjected our emissions to an external review. We published the results as part of our reporting on public value and sustainability in September 2016. ProSiebenSat.1 Group was recognized for its climate reporting in October 2016 with the "Best Improvement Award Germany (non public)" in the "CDP climate score" category. Every year, the non-profit organization CDP assesses companies' climate protection performances on behalf of 800 institutional investors with invested capital totaling around USD 100 trillion according to own data.

We will publish the CO_2 emissions of our climate assessment for 2016 in the upcoming Sustainability Report 2016. The publication is scheduled for June 2017. It will disclose direct greenhouse gas emissions (Scope 1), indirect greenhouse gas emissions (Scope 2) and greenhouse gas emissions from upstream and downstream stages of the value chain (Scope 3). ProSiebenSat.1 is continuously working on integrating all sources of CO_2 emissions into the data collection. In the future, we will strive to increase the coverage of measured activity data in order to improve the accuracy of the reported carbon footprint. For internal purposes, this allows the monitoring of environmental performance at different levels and the comparison and benchmarking of individual areas of ProSiebenSat.1 Group with competitors. For the Sustainability Report 2016, we are also planning to expand the coverage of Scope 3 emissions, especially with regard to business models specific to ProSiebenSat.1 Group.

Employees, page 142.

Alongside greenhouse gas emissions, we will also describe ProSiebenSat.1's energy consumption and activities in the field of mobility in the next Sustainability Report. In addition, the Group will report in detail on the renovation of the campus in Unterföhring and the planned sustainability certification according to the LEED model.

Employees and Diversity

Employees, page 142.

Our employees are the basis of our economic success. With their talent, creativity and commitment, they ensure that ProSiebenSat.1 remains competitive. We support them with a sustainable and responsible human resources strategy. As a digital media company, ProSiebenSat.1's corporate culture is characterized by an unfaltering willingness to change and innovate. We thus offer our employees an exciting working environment with lots of creative leeway. We support this process with numerous human resources measures. In addition, ProSiebenSat.1 values and respects the individual characteristics of its employees as an important part of the corporate culture. We are convinced that our ability to compete in the future is significantly dependent on how we promote and use this diversity. Detailed information on strategic HR work, employee key figures, diversity management and other human resources issues can be found in the corresponding section of this Annual Report.

Research and development (Fig. 34)

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 2016, expenses for Group-wide market research activities amounted to EUR 7 million as in the previous year. 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 competently advising our advertising clients. With its studies, the Company provides advertisers with valuable knowledge for marketing and advertising planning, which constitute 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 TV 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.

PUBLIC VALUE 2016

We reach many millions of people every day with our TV stations and digital platforms. We see this as an opportunity – but also an obligation to take responsibility. We make use of the reach of our media to draw attention to important ecological, social and political issues. In doing so, we pursue four goals: We want to offer opportunities, promote culture, communicate values, and build knowledge.

RED NOSE DAY

In May 2016, the 14th **"RED NOSE DAY"** took place on ProSieben. Jérôme Boateng, Palina Rojinski (a), Annemarie and Wayne Carpendale and many other celebrities called on viewers to donate for children in need. We also designed 50 exclusive products with popular web stars for the first time and sold them through the RED NOSE DAY online shop.
In addition, our employees raised over EUR 3,000 as part of in-house campaigns. ProSiebenSat.1 has raised nearly EUR 12.3 million in Germany for RED NOSE DAY since it started in 2003.

a

DIE ARCHE (THE ARK)

In 2016, the proceeds from RED NOSE DAY were used for **"Die Arche"** (b), the Christian children's and youth charity's first ranch: With this donation, the initiative financed the renovation of an old farm and the first animals were also bought. "Die Arche" offers support and education to disadvantaged children and young people at more than 20 locations in Germany. ProSiebenSat.1 has been supporting "Die Arche" since 2008.

b

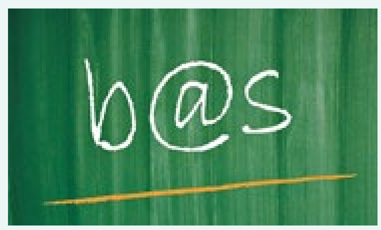
c

JUNGE HELDEN (YOUNG HEROES)

On March 8, 2016, SAT.1 mainly focused on the topic of organ donation (c). This topic was featured in SAT.1 Magazin and the station broadcast the event documentary "Bei Anruf Herz – Letzte Chance Organspende" and the award-winning TV drama "Zwei Leben. Eine Hoffnung." In this show, Annette Frier fights for her patient's life as a transplant surgeon. Together with the **"Jungen Helden"** association, the Ministry of Health, the German Organ Transplantation Foundation (Deutsche Stiftung für Organtransplantation – DSO) and the production company UFA FICTION, the station drew the public's attention to this difficult social issue. This was a success: On the day of the broadcast, 96% more calls were made to the DSO's info hotline.

BUSINESS@SCHOOL

Since 2015, ProSiebenSat.1 Group has been supporting The Boston Consulting Group's **"business@school"** (d) education initiative. The campaign is aimed at strengthening the link between business and pupils. Over a period of one year, ProSiebenSat.1 employees coach pupils from 10th to 12th grade at two high schools in Munich and give advice and support. In this context, pupils not only acquire methodological skills and knowledge, but also a stronger entrepreneurial spirit. In the final phase of the program, participants then develop their own business idea and business plan. A national expert jury chooses the best projects.



d

e

STARTSOCIAL

With "Help for Helpers" as its theme, **"startsocial"** (e) supports selected social projects with expertise instead of money. This is because many people may have some good ideas to resolve social issues, but often come up against problems when trying to implement them. This is exactly what experts in business, the public sector and social institutions are seeking to avoid. During the competition, they assist these enthusiastic founders with support and advice. Following a three-month coaching phase, a jury selects the best 25 projects from a total of 100. Seven of these are presented with an award from patron and German chancellor Angela Merkel. Since 2001, ProSiebenSat.1 Group has been supporting the competition as a co-founder. Our employees are also supporting startsocial scholarship holders as coaches.

f

WE HELP

With the **"WE HELP"** (f) project group, ProSiebenSat.1 employees in Germany are supporting refugees. In 2016, they collected more than 100 boxes with clothing and sanitary items during fundraising campaigns for the Bayernkaserne facility. Our employees also ran for this good cause during six corporate runs across Germany. For every kilometer run, they received cash donations from the Group and achieved an amount of EUR 41,000. At the invitation of ProSiebenSat.1, some refugees assisted the Munich team for the first time. Among others, the Group will also provide multimedia equipment for a refugee center that is being built in Unterföhring, where the Company is based.

g

GREEN SEVEN

During the annual **"Green Seven"**-theme week, (g) ProSieben uses its large reach to convince young viewers in particular to adopt a sustainable and environmentally friendly lifestyle. This has taken place for the eighth time already: From July 11 to July 17, 2016, the station urged viewers to handle this precious resource responsibly with "Save the Water" as its theme. In addition to the "Green Seven Report: Save the Water – Der weltweite Kampf ums Wasser", various ProSieben magazine programs reported on this elixir of life worth protecting. ProSiebenSat.1 also honors environmentally innovative projects and ideas every year with the "Galileo Wissenspreis" at the GreenTec Awards.

SOCIAL DAYS

With the **Social Days** (h) ProSiebenSat.1 employees have the opportunity to do good together. Since 2013, they have been helping out for a day at various social institutions in Munich. On May 12 and October 13, 2016, we also gave the clothing store of the Bayernkaserne Freimann facility a helping hand. In addition, we organized a sports and games day at the Munich support center for physically disabled people and embellished the garden of a home for blind women. 361 employees have so far taken part in the campaign to support charities and people in difficult life situations.

h

EVERDAY HEROINES

To celebrate International Women's Day on March 8, 2016, sixx focused on a very special topic for a week with its **"Day of the Heroines."** (i) With a selection of fiction and factual formats, such as the "Like us – Unsere 30 größten Heldinnen" ranking show, the women's channel honored strong women in the areas of film, music and politics. But this was not only about women in the spotlight: With a nationwide postcard campaign, sixx invited viewers to write a message to their personal everyday heroines, honoring mothers, daughters, aunts and female colleagues.

i

j

SCHOOLS ON

Together with the German Children and Youth Foundation (Deutsche Kinder- und Jugendstiftung), ProSiebenSat.1 invited viewers to take part in the second edition of the **"SchoolsON"** (j) video competition. With "Film to Win" as its theme, pupils and apprentices were given the opportunity to produce creative video clips for the "taff," "Galileo" and "ProSieben Newstime" TV formats. ProSiebenSat.1 broadcast the best clips on TV. In addition to a visit to the station group, the winners received a GoPro camera and video editing software for their next film. The initiative is aimed at strengthening the media skills of young people and teaching them how to handle video content responsibly.

k

SUPPORTING YOUNG FILMMAKERS

ProSiebenSat.1 Group supports film academies across Germany, making it easier for young talents with many projects to start out in the industry. Every year, outstanding films by graduates receive the **"FIRST STEPS Award"** (k) which was founded by us and other partners. It is the most prestigious award of its kind, with prize money worth EUR 92,000. On September 19, 2016, it was awarded for the 17th time in Berlin. With the "Young Lions" initiative, the station group also supports young talents at the Film Academy of Baden-Württemberg. Since 2015, the Group has been supporting budding filmmakers with expertise, financial resources and time slots.

Group Environment

- **The German economy saw further growth, while the TV advertising market developes positively and solidly, as expected.**
- **The growing importance of the Internet is changing consumer and media usage behavior. We are driving this development by digitalizing and connecting our portfolio.**
- **TV is the most important mass medium in Germany and its quality is increasing thanks to additional functions such as TV in high definition (HD). TV is also becoming even more valuable for marketing due to its high reach.**
- **In 2016, ProSiebenSat.1 is again the leading player in the TV market and addresses new target groups with the launch of kabel eins Doku. At the same time, we are continuously increasing our reach with digital platforms and distribution partnerships.**

Media Political and Regulatory Environment

Media Glossary, page 285.

The German media landscape is characterized by a dual system of private and public operators. Its market structure differs considerably from other countries. This applies particularly to the TV market: Firstly, it is tightly regulated compared to other markets and advertising opportunities are significantly more restrictive compared to the US, for example, both on a quantitative and qualitative level. Secondly, public broadcasters in Germany have a high budget at their disposal since their financing is guaranteed by law. Public broadcasters are instructed to provide a "basic service to the population, including information, education, culture and entertainment," and finance themselves with the license fee paid by every household with a television on a monthly basis. Advertising revenues are a second source of income.

Opportunity Report, page 165.

In recent years, there has been a financial imbalance in the dual system since the income of public broadcasters has been increasing continuously. In 2000, the license fee was DM 28.25 or EUR 14.44 and has been EUR 17.50 per household since 2015. The fee has been standardized since January 2014 and is raised per household, regardless of the type and number of devices. Prior to this, the license fee amount was based on the number of devices. The new license fee model has led to a further increase in public broadcasters' income from license fees. Based on the declared financial requirements of broadcasters, additional income totaling EUR 1.5 billion is forecast for the period from 2013 to 2016.

Overall, public broadcasters finance around 20 TV stations and roughly 60 radio stations with a budget of EUR 9.3 billion. Private providers operate over 400 TV stations and more than 280 radio stations. Their budget was EUR 8.4 billion in 2016.

Risk Report, page 148.

However, private operators in Germany are competing not only with well-funded public broadcasters. The variety of offers and broadcasting methods is increasing as a result of digitalization. At the same time, competition with global providers is intensifying. ProSiebenSat.1 has a positive attitude toward this development and has identified numerous growth opportunities in this dynamic market development. Fair competition rules for all companies accompanying this digital economic transformation are a key element for successful sustainable development in this area. However, there is still an imbalance due to the special laws and regulations that ProSiebenSat.1 is subjected to in Germany as a media and broadcasting company. ProSiebenSat.1 is directly competing with global providers, such as Google or Facebook, although the latter are not bound by the same statutory provisions, for instance, with regard to the protection of young people or copyright law. In addition, there are quantitative and qualitative restrictions to the broadcasting of advertising for TV providers, which additionally impede a fair competition with digital platforms. For instance, airtime for TV advertising is restricted to a maximum of twelve minutes per hour, and a new advertising ban for regional advertising has been established for TV providers.

Politicians have recognized that changes are needed. With the Bund-Länder-Kommission zur Medienkonvergenz (Federal-State Commission on Media Conversion) at national level and the Revision of the Audiovisual Media Services Directive (AVMSD) at the European level, those responsible have taken the first steps towards adjusting competition rules for digital market participants in Germany. As a result of ongoing efforts to provide information and regular exchanges, ProSiebenSat.1 has positioned itself as a key reliable partner of these individual committees and working groups. Together with politicians and industry, the Group wants to explain and promote the opportunities of digitalization and thus to strengthen Germany as a location for business and innovation in the long term.

Opportunity Report, page 165.

Technical Distribution, Media Consumption and Advertising Impact

The range of transmission routes is becoming more diverse in the wake of the digital transformation, whereby television is gaining in attractiveness thanks to new ways to use it: Examples include digital television in high definition (HD), catch-up television via apps on mobile devices, and video-on-demand (VoD) on large TV screens. The use of these new services goes hand in hand with the expansion of broadband Internet connections and the growing number of satellite households in Germany (Fig. 35):

Media Glossary, page 285.

- The number of broadband Internet connections in Germany has tripled over the last ten years. In 2016, 31.2 million connections were active. This corresponds to an increase by 0.5 million broadband Internet connections.
- Satellite connections are now available across the country, making them the most significant distribution channel for TV stations. In April 2012, the analog satellite signal was switched to digital signals. In 2016, nearly 18 million households in Germany received TV programs via satellite (previous year: approx. 17 million).

TV households in Germany by delivery technology (Fig. 35)

TV households	Potential in millions (analog + digital)	Terrestrial	Cable	Satellite	IPTV
2015[1]	37.03	1.30	16.09	17.07	2.56
2016[2]	38.19	1.30	15.81	17.89	3.19

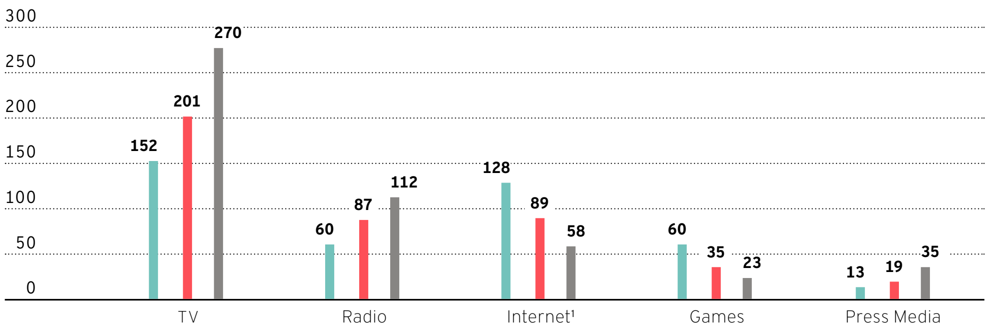
1 Information as of 12/01/2015.
2 Information as of 12/01/2016.
Source: AGF in cooperation with GfK/TV Scope 6.1, households.

www.sevenonemedia.de/mag

The results of the "Media Activity Guide 2016" study conducted by forsa at the beginning of 2016 on behalf of the ProSiebenSat.1 advertising sales company SevenOne Media give a detailed insight into media usage behavior in Germany. People in Germany use media and media transmission channels for an average of 572 minutes every day. Television remains the most popular and highly used medium. Viewers aged over 14 years spend nearly half of their daily media use on TV. Radio follows in second place, with 112 minutes of daily use. Content-driven Internet usage accounts for 58 minutes of this time frame. Reading newspapers and magazines accounts for 35 minutes every day (Fig. 36).

Average daily media use (Fig. 36)

in minutes



14–29 years 14–49 years from 14 years onwards

Source: SevenOne Media/forsa.

1 Internet content: online videos, online shopping, social networks, reading articles/posts, blogs/forums, online navigation, e-learning, online banking.

Media Glossary, page 285.

Risk and Opportunity Report, page 148.

In Germany, data on television use is collected on a daily basis on behalf of Arbeitsgemeinschaft Fernsehforschung (AGF) as part of a TV panel measurement. According to this, daily viewing time in the group of viewers aged 14 and above saw another slight increase to 239 minutes in 2016 (previous year: 237 minutes). This highlights the significance of TV as the number one medium in Germany. The following trends can be discerned:

Development of the Audience Market, page 105.

- In 2016, linear TV consumption – which takes place live at the time of broadcasting the TV program – in the German market amounted to nearly three hours per day among viewers aged between 14 and 49. This means that TV is still the most used medium. 85% of those surveyed use TV primarily as a means to relax. For viewers aged 14 and above, it was 81%. New services like HD television are further increasing the attractiveness of TV. Most German households have an HD-ready TV set (78%).

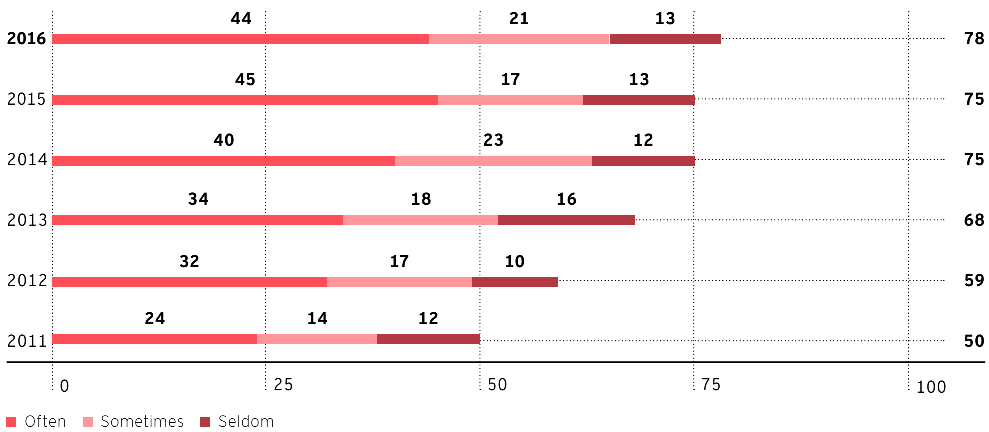
- Television is the most significant provider of video content: In Germany, 98% of video usage among viewers over the age of 14 is still attributable to TV. In particular, private broadcasters are being watched: In 2016, they achieved a market share of 50.8% in the target group of individuals aged 14 and above. Among the relevant target group of 14- to 49-year-olds, the private stations reached 71.5%. At the same time, the Internet is firmly established in everyday life of media recipients. In 2016, the share of Internet users in Germany was 85%. This means that TV content can be watched anywhere at any time using different devices. As mobile devices are becoming more widespread, even people without a TV set can watch linear TV programs.

- Young media recipients aged between 14 and 29 spend three quarters and thus most of their video usage time on TV. By contrast, the daily amount of time spent on Youtube is stagnating both in the advertising-relevant group of people aged 14 to 49 and in the young target group of users aged 14 to 29. Overall, only 9% of Youtube users account for 67% of the total usage volume on Youtube. The spread of Facebook is even decreasing: In the target group of 14- to 19-year-olds, its daily reach is declining (2016: 40% vs. 2015: 49% almost daily usage) while the share of non-users is increasing (2016: 36% vs. 2015: 29% no usage).

- The simultaneous use of television and the Internet characterizes the everyday use of media. While the share of parallel users aged between 14 and 49 was 51% five years ago, this figure amounted to 78% in 2016 (Fig. 37). The share of frequent parallel users even rose by 20 percentage points to 44% within the same period. This has an incentive effect on both media usage behavior and the advertising impact of TV. Second-screen users are not just tech-savvy individuals. They also have a stronger interest in TV content. Every day, they watch 228 minutes of TV, which corresponds to an additional 27 minutes compared to the average in their age group (14- to 49-years-old). At the same time, nearly half of all Germans (43%) have purchased something on the Internet as a result of TV content. More than half (59%) feel an impulse to research products as a result of TV.

Parallel usage TV/Internet (Fig. 37)

in percent



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

Media Glossary, page 285.

Television is the largest mass medium in Germany. In 2016, 71% of viewers aged 14 and above watched television on an average day. This figure has not changed since last year. This means that the monthly net reach is stable at a high level. At the same time, the relevance of advertising via TV spots is increasing compared to other media: TV advertising has the highest impact and no other medium is capable of building up such a high reach in all target groups so quickly. Nothing has changed here, even in the course of digitalization. The monthly net reach of leading Internet portals, such as Youtube in Germany is only about half as high as that of German private stations.

www.sevenonemedia.de/roi-analyzer1

Media Glossary, page 285.

In addition, TV advertising has a strong impact: Emotions towards a brand is higher with video advertising on TV compared to any other media. This results in brand loyalty among consumers and pays off for advertisers in the short and long term. This was shown in the „ROI Analyzer" study jointly published by SevenOne Media, 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.

Refinancing models have also developed as a result of digitalization. Additional pay-per-view offers, such as pay TV or VoD, are offering ProSiebenSat.1 Group additional growth prospects.

Opportunity Report, page 165.

Germany is still a traditional free TV market. Nevertheless, pay VoD is growing dynamically. In 2016, the volume of the pay VoD market was EUR 484 million. In addition, the ad VoD market offers enormous growth potential and is expected to grow by around 50% in Germany by 2018.

At the same time, new markets are emerging for marketing on TV and benefiting from the opportunities provided by the Internet as a distribution channel. In 2016, e-commerce on all digital devices in Germany grew by around 11% to a market volume of EUR 52.3 billion. In total, e-commerce probably accounted for 10.8% of retail overall. 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, generating EUR 18.7 billion in revenues for retailers (previous year: EUR 13.5 billion). Thereof, EUR 12.8 billion is likely to have been attributable to smartphones and EUR 5.9 billion is likely to have been attributable to tablets. This corresponds to approximately 36% of online revenues in Germany overall. The single e-commerce areas differ in their dynamic. Despite geopolitical uncertainty, in 2016 the online travel market in Germany developed at the level of the previous year in key travel destinations. According to own calculations, the German market volume was EUR 25.26 billion.

Market Environment of the Production Business

The Year 2016 at a Glance, page 70.

TV & Production: Team Spirit Translates into Big TV Ideas, page 08.

The international program production and distribution network Red Arrow Entertainment Group generates more than 70% of its revenues in the US. Thanks to program investments of EUR 33 billion in 2015, the US is the most important and largest TV market in the world. The greatest demand is currently the one for English-language fiction programs. In 2016, 455 TV series were broadcast in the US compared to 216 TV series in 2010. This is partially due to the sharp increase in the number of free and pay TV channels. Thus, according to Nielsen figures an American household receives an average of 206 programs. In 2008, it was 129. At the same time, the group of commissioners for high-quality productions has increased to include the operators of multinational streaming platforms such as Amazon and Netflix. According to the World TV Production Study by IHS Technology, these two streaming platforms more than doubled their program output between 2013 and 2015, investing USD 7.5 billion altogether. As a result, Red Arrow Entertainment Group's potential customer group in the US has become considerably larger. The ProSiebenSat.1 subsidiary is therefore continuing to direct its strategic focus – including when it comes to acquisitions – at the US market.

Awards for Red Arrow Entertainment Group formats (Fig. 38)

Icelandic "EDDA" Film & TV Academy Award	**"Case"** (Steinunn Ólina: Best actress in a leading role) **"Case"** (Birna Run Eiriksdottir: Best performance in a supporting role)
International Emmy Awards	**"Roald Dahl's Esio Trot"** (Dustin Hoffman: Best performance by an actor)
International Festival of Audiovisual Programs – FIPA Award	**"Case"** (Steinunn Ólina: Best actress in a series)
International Format Awards	**"The Last Cop"** (Best Scripted Format)
NATPE Reality Breakthrough Award	**"Billy on the Street"** (Best Game Show)
Webby Award	**"Billy on the Street"** (Comedy: Long form or series)

Development of the Audience Market

ProSiebenSat.1 Group operates advertising-financed free TV stations in Germany, Austria and Switzerland and offers these in both SD and HD quality. The following tables provide an overview of audience shares by country (Fig. 39):

Audience shares of ProSiebenSat.1 Group (Fig. 39)

in percent	Q4 2016	Q4 2015	2016	2015
Germany	**28.5**	29.4	**28.0**	29.5
Austria	**23.2**	24.5	**23.0**	23.1
Switzerland	**18.8**	18.4	**17.8**	18.6

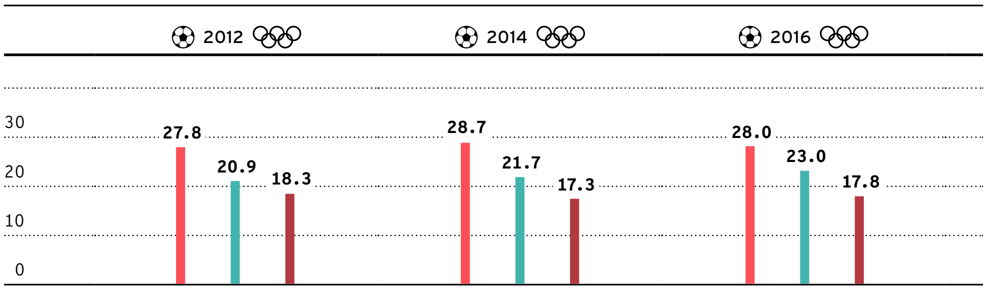
Figures are based on 24 hours (Mon-Sun).
Germany: SAT.1, ProSieben, kabel eins, kabel eins Doku (since 09/22/2016), sixx, SAT.1 Gold, ProSieben MAXX; advertising-relevant target group 14- to 49-year-olds; source: AGF in cooperation with GfK/TV Scope 6.1/SevenOne Media Committees Representation.
Austria: SAT.1 Österreich, ProSieben Austria, kabel eins austria, kabel eins Doku Austria (since 09/22/2016), sixx Austria, SAT.1 Gold Österreich, ProSieben MAXX Austria, PULS 4; advertising-relevant target group 12- to 49-year-olds; source: AGTT/GfK Fernsehforschung/Evogenius Reporting.
Switzerland: SAT.1 Schweiz, ProSieben Schweiz, kabel eins Schweiz, sixx Schweiz, SAT.1 Gold Schweiz, ProSieben MAXX Schweiz, Puls 8 (since 10/08/2015); advertising-relevant target group 15- to 49-year-olds; market shares relate to the German-speaking part of Switzerland D-CH; source: Mediapulse TV Panel.

Areas of Growth by, Segment, page 82.

In the core market of Germany, the free TV stations SAT.1, ProSieben, kabel eins, sixx, SAT.1 Gold, ProSieben MAXX and kabel eins Doku achieved a combined market share of 28.0% among viewers aged between 14 and 49 in 2016 (previous year: 29.5%). This equates to a decline of 1.5 percentage points compared to the record-breaking year 2015. At 29.5%, the comparative value marked a ten-year high. At the same time, the TV year 2016 was characterized by two major sporting events, the European soccer championship and the Summer Olympic Games. These were broadcast primarily by public stations. In this environment, ProSiebenSat.1 Group's audience shares in all markets developed at a comparable level to that in previous sports years overall (Fig. 40).

Audience shares of ProSiebenSat.1 Group in sports years (Fig. 40)

in percent, Germany – Austria – Switzerland



Basis for GER: All German TV households (GER+EU/German-speaking), A 14-49; Mon-Sun, 3-3 h; SAT.1 Gold since 07/17/2013; ProSieben MAXX since 09/03/2013; kabel eins Doku since 09/22/2016; RTL Nitro since 04/01/2012; RTLplus since 06/04/2016; source: AGF in cooperation with GfK/TV Scope 6.1/71m Committees Representation. **Basis for A:** A 12-49; Mon-Sun, 3-3 h, incl. ProSieben MAXX Austria and SAT.1 Gold Austria (from 07/15/2014 onwards); source: AGTT/GfK: Fernsehforschung/Reporting. **Basis for CH:** GER-CH; A 15-49; Mon-Sun, 2-2 h, incl. ProSieben CH, Sat.1 CH and kabel eins CH in 2012, additionally incl. sixx CH in 2014 and ProSieben MAXX CH and SAT.1 Gold CH in 2014, incl. PULS 8 in 2015, change in CH measurement system in 2013; source: Mediapulse TV-Panel.
Germany Austria Switzerland

The Group is still leading in the German audience market. In the reporting period, ProSiebenSat.1 stations were 3.2 percentage points ahead of the stations marketed by IP Deutschland (RTL, VOX, n-tv, Super RTL, RTL Nitro, RTLplus). These stations had a combined market share of 24.8% (previous year: 24.6%).

The Austrian station group ProSiebenSat.1 PULS 4 achieved a combined market share of 23.0% among viewers aged 12 to 49 in 2016 (previous year: 23.1%). ProSiebenSat.1 Group thus remains by far the strongest private station group in Austria. The TV family in Switzerland generated a market share of 17.8% among 15- to 49-year-olds (previous year: 18.6%).

The tables below give an overview of the market shares of the individual advertising-financed TV stations in the German-speaking markets (Fig. 41–43).

Audience shares of ProSiebenSat.1 stations in Germany (Fig. 41)

Target group 14- to 49-year-olds

in percent	Q4 2016	Q4 2015	2016	2015
SAT.1	**9.0**	9.2	**8.7**	9.3
ProSieben	**10.6**	11.0	**10.4**	10.9
kabel eins	**5.1**	5.3	**5.1**	5.3
sixx	**1.2**	1.3	**1.3**	1.4
SAT.1 Gold	**1.4**	1.3	**1.4**	1.3
ProSieben MAXX	**1.1**	1.3	**1.1**	1.2
kabel eins Doku[1]	**0.2**	n/a	**0.0**	n/a

Relevant target groups

in percent	Q4 2016	Q4 2015	2016	2015
SAT.1: Adults 14- to 59-year-olds	**8.9**	9.1	**8.7**	9.5
ProSieben: Adults 14- to 39-year-olds	**14.0**	15.2	**14.0**	15.2
kabel eins: Adults 14- to 49-year-olds	**5.1**	5.3	**5.1**	5.3
sixx: Women 14- to 39-year-olds	**1.7**	2.2	**2.0**	2.6
SAT.1 Gold: Women 40- to 64-year-olds	**2.3**	2.4	**2.5**	2.3
ProSieben MAXX: Men 14- to 39-year-olds	**2.1**	2.4	**2.0**	2.0
kabel eins Doku: Men 40- to 64-year-olds	**0.3**	n/a	**0.1**	n/a

1 kabel eins Doku since 09/22/2016.
Figures are based on 24 hours (Mon–Sun) and are average market shares for 2016. **Germany**: SAT.1, ProSieben, kabel eins, sixx, SAT.1 Gold, ProSieben MAXX, kabel eins Doku; source: AGF in cooperation with GfK/TV Scope 6.1/SevenOne Media Committees Representation.

Audience shares of ProSiebenSat.1 stations in Austria (Fig. 42)

Target group 12- to 49-year-olds

in percent	Q4 2016	Q4 2015	2016	2015
SAT.1 Österreich	**4.7**	4.3	**4.5**	4.1
ProSieben Austria	**8.7**	10.2	**8.7**	9.8
kabel eins Austria	**3.1**	3.2	**3.3**	3.2
sixx Austria	**1.3**	1.5	**1.2**	1.3
SAT.1 Gold Österreich	**0.5**	0.2	**0.5**	0.2
ProSieben MAXX Austria	**0.6**	0.6	**0.7**	0.5
PULS 4	**3.9**	4.5	**4.1**	4.0
kabel eins Doku Austria	**0.3**	n/a	**0.1**	n/a

Figures are based on 24 hours (Mon–Sun). **Austria**: SAT.1 Österreich, ProSieben Austria, kabel eins Austria, sixx Austria, SAT.1 Gold Österreich, ProSieben MAXX Austria, PULS 4, kabel eins Doku Austria (since 09/22/2016); advertising-relevant target group 12- to 49-year-olds. Source: AGTT/GfK Fernsehforschung/Evogenius Reporting.

Audience shares of ProSiebenSat.1 stations in Switzerland (Fig. 43)

Target group 15- to 49-year-olds

in percent	Q4 2016	Q4 2015	2016	2015
SAT.1 Schweiz	**5.8**	5.3	**4.8**	5.4
ProSieben Schweiz	**7.0**	7.5	**7.0**	7.8
kabel eins Schweiz	**2.6**	2.7	**2.6**	2.8
sixx Schweiz	**1.3**	1.0	**1.3**	1.0
SAT.1 Gold Schweiz	**0.5**	0.7	**0.6**	0.6
ProSieben MAXX Schweiz	**0.9**	1.0	**0.8**	0.7
Puls 8	**0.8**	0.3	**0.7**	0.3

Figures are based on 24 hours (Mon-Sun). **Switzerland**: SAT.1 Schweiz, ProSieben Schweiz, kabel eins Schweiz, sixx Schweiz, SAT.1 Gold Schweiz, ProSieben MAXX Schweiz, Puls 8 (since 10/08/2015); advertising-relevant target group 15- to 49-year-olds; market shares relate to the German-speaking part of Switzerland D-CH; source: Mediapulse TV Panel.

Ongoing digitalization is opening up new opportunities for free TV stations in Germany to refinance their programming range. Among other things, the distribution of programs in high definition (HD) offers an attractive growth opportunity with recurring revenues that are independent from the TV advertising market. This is why, in addition to audience shares, HD user numbers are also gaining increasing importance for the Group. 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 7.2 million users in 2016 (previous year: 6.2 million). Here, we participate in the technical service fees that end customers pay to the respective providers for programs in HD quality. The Group also broadcasts its programs in HD quality in Austria and Switzerland.

Technical Distribution, Media Consumption and Advertising Impact, page 101.

The Year 2016 at a Glance, page 70.

Numerous partnerships emphasize ProSiebenSat.1 Group's strategy of offering its programming via as many distribution channels as possible and expand their technical reach. Against this backdrop, the Company again concluded numerous new distribution agreements in 2016, including Deutsche Telekom, Vodafone and Waipu TV, an online-entertainment service. Besides reach and market shares, awards are an indicator of the popularity and quality of our formats. In 2016, the Company again received numerous awards (Fig. 44).

Awards for TV formats and co-productions (Fig. 44)

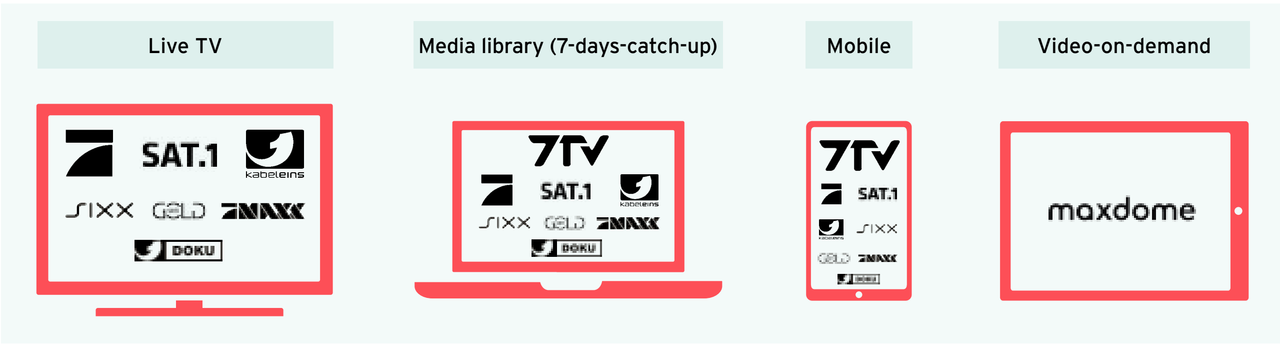
Bavarian TV Award	**„Kampf für Frieden im Kongo – Die größte UNO-Mission der Welt"** (Dr. Dietmar Klumpp in the Cultural and Educational Programs category) **„Zwei Leben. Eine Hoffnung"** (Richard Huber: Best Director in Television Films/Series)
Bavarian Film Award	**„Honig im Kopf"**[1] (Til Schweiger: Audience Award)
German Television Award	**„Joko gegen Klaas – Das Duell um die Welt"** (Best Prime-Time Entertainment) **„Mordkommission BERLIN 1**[1]**"** (Best Production Design; Best Music)
Goldene Romy	**„Mordkommission BERLIN 1**[1]**"** (Best TV Film Production; Best TV Film Direction; Tobias Moretti: Best Actor)
Gold Medal Award	**„Die Ungehorsame"** (Best TV Movie)
1Live Krone	**„Luke! Die Woche und ich"** (Luke Mockridge: Best Comedian)

1 Co-production of ProSiebenSat.1 subsidiary SevenPictures.

Development of User Numbers

ProSiebenSat.1 Group is consistently pursuing a digital entertainment strategy and increased its market presence in all relevant areas in 2016. The Company diversifies its offerings and exploits its program content on various platforms (Fig. 45).

Utilization of program content (Fig. 45)



The Web offerings under the aegis of ProSiebenSat.1 advertising sales company SevenOne Media reached around 34 million unique users based on the most recently published data from November (previous year: around 33 million unique users). These include the ProSiebenSat.1 station websites, the weather platform wetter.com and the sports site sport1.de. The direct competitor IP Deutschland reached around 31 million unique users (previous year: around 29 million unique users) with its internet offerings. This information is based on data from Arbeitsgemeinschaft Online Forschung (AGOF).

Media Glossary, page 285.

In addition, the Group offers its advertising customers new marketing environments via mobile applications. In August 2016, ProSiebenSat.1 launched new apps for its German free TV stations. They can be used to watch TV programs on smartphones and tablets at any time and at no cost. Since their launch, these apps reported more than 11 million downloads on smartphones and tablets.

In addition, ProSiebenSat.1 Group expanded its global, advertising-financed video-streaming offer and in 2016 invested in the US video-streaming provider Pluto TV. Pluto TV operates more than 100 linear live television channels and reaches 5 million active users per month. At the same time, we merged the German Internet television site Quazer with Pluto TV as part of the transaction. It offers its users more than 60 special-interest stations. Together, they broadcast linear television offerings beyond traditional TV programming internationally. The market for this advertising-financed video streaming amounts to EUR 4 billion in the US.

Media Glossary, page 285.

A further essential component of ProSiebenSat.1's digital portfolio is the multi-channel network (MCN) Studio71, which was established in fall 2013. The Group internationalized its MCN in 2015 by purchasing the US network CDS (Collective Digital Studio), which is also funded primarily via advertising and is continuously increasing its video views. In 2016, Studio71 had 60 billion video views (previous year: 27 billion video views) and over 420 million subscribers. In Germany alone, video views increased by 74 %. Thus, Studio71 is number one in Germany and one of the four largest MCNs in the world.

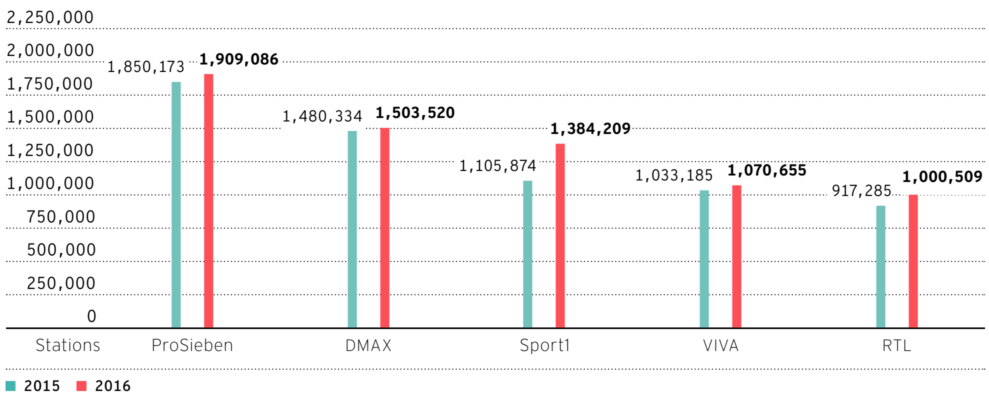
The Year 2016 at a Glance, page 70.

In addition to these advertising-financed online platforms, the Group also operates the VoD portal maxdome. The online video library generates revenues via pay-per-view and subscriptions and is available via traditional TV sets and PCs as well as mobile devices. In 2016, maxdome reached 1 million subscription video-on-demand (SVoD) users and ranked among the top-3-providers. With over 50,000 titles, maxdome offers the most extensive range of VoD content in Germany.

In addition, we are extending our successful station brands onto social networks in order to increase the availability and name recognition of our TV content via all channels and to reinforce viewers' loyalty to our programs. On social media, ProSiebenSat.1 Group is the media company with the widest reach in Germany. At the end of financial year 2016, ProSiebenSat.1's 32 most important Facebook pages had around 18 million fans (previous year: 15.6 million). Once again the most popular were the general knowledge magazine "Galileo" and the station and program pages of ProSieben (Fig. 46 – 47) – the largest growth in fans was enjoyed by the ProSieben show "Circus HalliGalli;" which grew by nearly 11% with around 197,000 new fans.

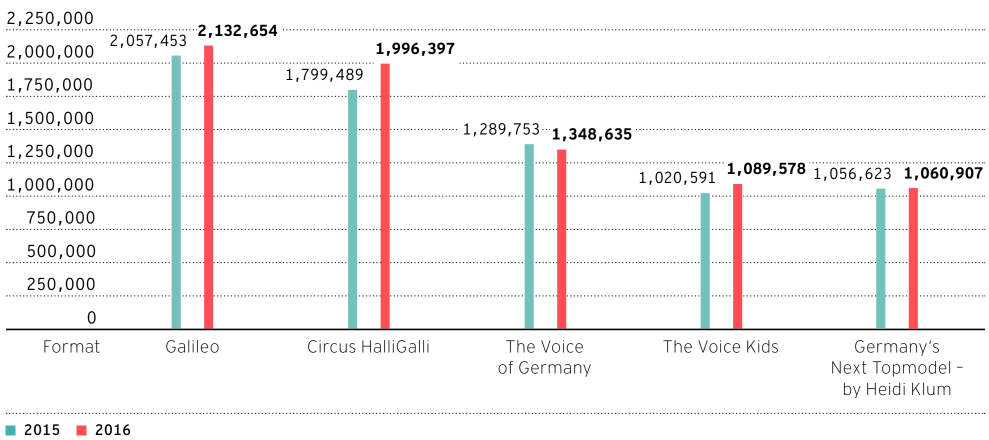
Top five station pages in Germany on Facebook (Fig. 46)

Number of fans



Top five formats of ProSiebenSat.1 Group on Facebook (Fig. 47)

Number of fans



www.twitter.com/ProSieben

ProSieben's Twitter account reached over 1.8 million followers at the end of 2016. This equates to an increase of 19.7 % year-on-year. This underscores ProSieben's top position in social media communication. No other TV station has used Twitter so successfully. By way of comparison, RTL's Twitter account has around 515,000 followers.

CONTENT HIGHLIGHTS 2016

HITTING THE RIGHT NOTE

It's nothing but the Voice: SAT.1 broadcast the sixth season of **"The Voice of Germany"** (a) for the first time on Sunday, thus scheduling the long-running hit show on the TV evening with the highest reach of the week. And this proved successful, as Germany's most popular musical casting show regularly made both ProSieben and SAT.1 market leaders with top ratings of 23.3% (ProSieben) and 20.6% (SAT.1). An average of 17.3% of viewers aged 14 to 49 tuned in to the emotional search for Germany's most talented singer.

a

IT'S SHOWTIME!

Fantastic Saturday night shows were ProSieben's flagship product again in 2016: In **"DIE BESTE SHOW DER WELT"** (b), the studio audience even got to choose the "show in the show." Within the relevant target group for ProSieben (14- to 39-year-olds), up to 24.5% of viewers followed Joko Winterscheidt and Klaas Heufer-Umlauf's ratings duels. **"Schlag den Star"** also kept viewers on the edge of their seats with exciting duels: The new version of the format with Elton as the presenter achieved a market share of up to 18.2% among viewers aged 14 to 49. Top (sports) performance was also displayed by the 48 celebrity dodgeball players in **"Die große ProSieben Völkerball Meisterschaft,"** attracting a very good market share of 14.9% of viewers aged 14 to 49.

b

BIG BUSINESS

Up to 16.4% of viewers aged 14 to 49 joined the candidates of **"The Biggest Loser"** (c) in celebrating every kilo they lost. The SAT.1 hit show with coach Christine Theiss, which achieved an outstanding series average of 13.4% among 14- to 49-year-olds in 2016, will begin its ninth season in 2017. Meanwhile, the search for Germany's best amateur baker featured far more calories but was equally successful: **"Das große Backen"** achieved ratings of up to 17.4% among 14- to 49-year-olds. The third season of **"Hochzeit auf den ersten Blick"** also achieved good market shares of up to 13.3% of 14- to 49-year-olds.

c

AN IMPRESSIVE START

Awe-inspiring nature documentaries, fascinating history features and gripping real crime shows: That's kabel eins Doku (d), ProSiebenSat.1 Group's seventh free TV station. The documentary channel was launched in September 2016. With well-known international formats such as **"Anthony Bourdain - Kulinarische Abenteuer,"** kabel eins Doku already achieved a market share of up to 1.5% in its first week in the relevant target group of male viewers aged 40 to 64.

d

SWEET TREATS AND HOT BITS

Enie van de Meiklokjes is back with more cakes and pastries in the new episodes of **"Sweet & Easy – Enie backt"** (e). The show achieved a market share of up to 4.2% of 14- to 49-year-olds and as much as 8.5% in the relevant target group (women aged between 14 and 39). And it wasn't just baking that was making things hot on sixx – Paula Lambert's show **"Sex und gute Nacktgeschichten"** remains a firm feature of this women's channel. In her documentary series **"So kommt Deutschland"** up to 3.9% of the channel's target audience of 14- to 39-year-old women accompanied Paula and her husband on their sensual road trip across Germany.

e

LIFE IS AN ADVENTURE

On kabel eins, factual programs produced in-house were a big hit again in 2016. In **"Achtung Abzocke – Urlaubsbetrügern auf der Spur,"** journalist Peter Giesel exposed tourist traps at holiday hotspots all around the world. Up to 8.9% of viewers aged between 14 and 49 tuned in to the documentary series. Fascinating reports on the big and small adventures of (everyday) life were also to be found in the popular general knowledge magazine programs **"Abenteuer Leben täglich"** (f) and **"Abenteuer Leben am Sonntag"**: They likewise achieved very good market shares among 14- to 49-year-olds at up to 9.0% and 8.5% respectively.

f

TV WITH A BIG HEART

SAT.1 Gold showed its particularly emotional side with two new in-house productions. With the dating show **"Herz sucht Liebe"** (g), the nostalgia and service channel claimed market shares of up to 1.8 % of 14- to 49-year-old viewers. **"Haustier sucht Herz"** also helped bring new friends together: The first animal adoption day to be broadcast live on German TV helped 20 four-legged friends to find a new home and achieved an excellent market share of 3.4 % in the relevant target group (women aged 40 to 64).

g

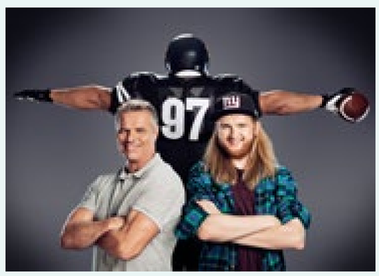
SWISS CUISINE

In the first season of the in-house production **"Schudel on the Rocks"** (h) on ProSieben Schweiz, René Schudel teamed up with famous Swiss musicians to whip up their favorite dishes. The TV chef brought in market shares of up to 11.4 % of 15- to 49-year-olds. **"LandLiebeTV,"** which features reports on Switzerland and its people accompanied by related Swiss specialties prepared by TV chef Andreas C. "Studi" Studer, also started off its third season on SAT.1 Schweiz with a very good market share of 6.0 %.

h

IT'S A MAN'S THING

ProSiebenMAXX achieved excellent ratings with the **National Football League** (i) again in 2016. In addition to many live games, the fans were particularly enthusiastic about the weekly football magazine show **#ranNFLsüchtig**, which drew market shares of up to 6.5 % in the relevant target group of 14- to 39-year-old men. And the barbecue lovers from **"Beef-Battle – Duell am Grill"** were just as fired up. This ProSieben MAXX in-house production proved popular with viewers aged 14 to 49, reaching market shares of up to 3.1% here. In the relevant target group, the format achieved excellent market shares of up to 5.3 %.



i

THIS ROCKS!

Since May 2016, Hollywood action star **Dwayne "The Rock" Johnson** and Seven Bucks Production have been producing action-packed video content together with Studio71. In its first five months, the Youtube channel "The Rock" already attracted a million subscribers and an average of seven million video views per month. It will be followed by more channels with celebrities from all different areas. Studio71 pools the web-only content of the broadcasting group as well as that of web stars and content partners from a wide variety of genres. This multi-channel network from ProSiebenSat.1 Media SE is the leading provider of web productions in the German-speaking region and among the top four worldwide.

ELECTION FEVER

It wasn't just in the USA that election fever reigned in 2016: In Austria, too, the year was dominated by presidential elections. On PULS 4, the political program **"Wer wird Präsident?"** (j) was therefore one of the most-watched formats of the year, with market shares of up to 14.8 % in the relevant target group of 12- to 49-year-olds. The heavyweight round including all six candidates was followed by a duel in which Norbert Hofer and Alexander Van der Bellen went head-to-head.

j

PRIME VIEWING

With more than six million clicks, the first two seasons of the web series **"Der Lack ist ab,"** produced by the ProSiebenSat.1 subsidiary 7NXT, were already a complete success. And because the show – unlike its middle-aged protagonists – is far from past its prime, the ten new episodes of the third season were broadcast exclusively on Sat1.de and for the first time on Facebook. The chaotic couple played by Bettina Zimmermann und Kai Wiesinger achieved around 500,000 cross-platform video views. The series also was the Best International Comedy Format at the Melbourne Web Festival in 2016.

Economic Development

Future Business and Industry Environment, page 170.

In 2016, the German economy grew by 1.9 % in real terms compared to the previous year (previous year: 1.7%). For the fourth quarter, the German Institute for Economic Research (DIW) anticipates an increase of 0.5 % compared to the previous quarter (Fig. 48). Positive effects were provided in particular by private consumption, which posted strong growth of 2.0 % in 2016. In this context, the German Federal Statistical Office estimates that retail revenues grew by 1.6 % in real terms. This accounts for around a quarter of private consumption. In addition, government spending also provided significant growth momentum, partly due to higher expenses as a result of refugee migration. Increased investment in construction also boosted the economy. By contrast, foreign trade did not develop with as much momentum as hoped: Although exports increased, particularly to other European countries, their contribution to growth was low due to higher imports.

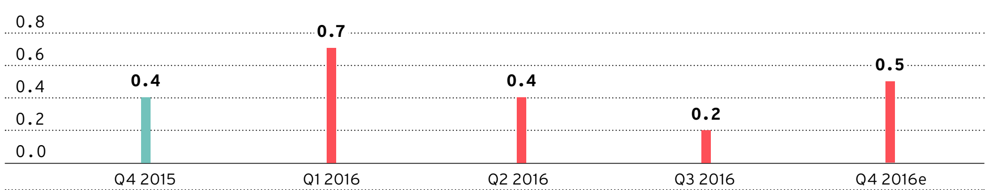
In the eurozone, the International Monetary Fund (IMF) anticipates an increase of 1.7 % in real terms for 2016 as a whole (previous year: 2.0 %). According to estimates by the ifo Institute, economic output is likely to have grown by 0.4 % in the fourth quarter as compared to the previous quarter. In addition to government spending, private consumer spending provided the strongest growth momentum.

Future Business and Industry Environment, page 170.

After a relatively weak first half of the year, the outlook for the global economy brightened somewhat in the second half of 2016. This was partly attributable to the economic recovery in Russia and Brazil, as well as the significant upturn in the US economy. At the same time, institutes see considerable forecast risks, especially in the geopolitical environment. For 2016, the IMF anticipates real growth of 3.1 % (previous year: 3.2 %).

Development of gross domestic product in Germany (Fig. 48)

in percent, change vs. previous quarter



Adjusted for price, seasonal and calendar effects;
source: Destatis, DIW Economic Barometer from 01/31/2017; e = estimate.

Development of the TV and Online Advertising Market

Economic Development, page 112.

In 2016, the TV advertising market reflected the generally positive domestic economy in Germany. According to Nielsen Media Research, gross TV advertising investment in 2016 as a whole increased by 8.0 % to EUR 15.091 billion (previous year: EUR 13.979 billion). At EUR 4.983 billion (previous year: EUR 4.676 billion), a large portion of the investment was made in the fourth quarter, which is usually characterized by the highest market volume.

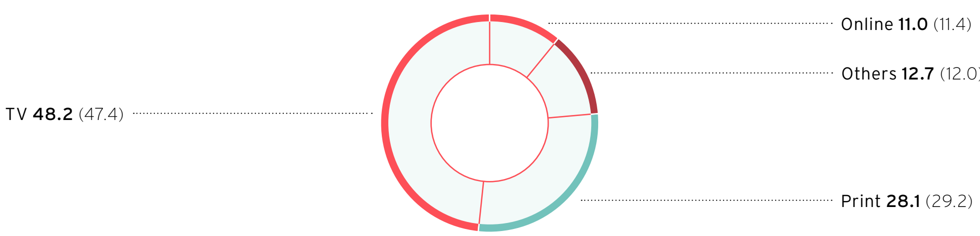
Impact of General Conditions on the Business Performance, page 117.

In 2016, gross market growth was attributable especially to higher TV investment in the health and pharmaceuticals (+18.4 %), vehicles (+16.9 %) and services (+16.8 %) sectors. At the same time, TV is promoting structural change and has made further gains in share compared to other media. In the reporting period, 48.2 % of advertising investment in the German market went on

TV advertising (previous year: 47.4 %). By contrast, print lost ground, with its gross share decreasing by 1.1 percentage points to 28.1 % (Fig. 49).

Media mix German gross advertising market (Fig. 49)

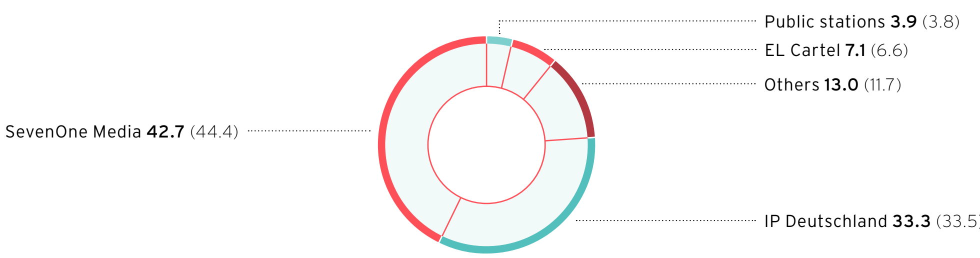
in percent, 2015 figures in parentheses



Source: Nielsen Media Research.

Market shares German gross TV advertising market (Fig. 50)

in percent, 2015 figures in parentheses



Source: Nielsen Media Research.

Development of the Audience Market, page 105.

Risk and Opportunity Report, page 148.

In this market environment, according to Nielsen Media Research, ProSiebenSat.1 Group generated gross TV advertising revenues of EUR 6.447 billion compared to EUR 6.201 billion in the previous year. This equates to growth of 4.0 % compared to financial year 2015. In the fourth quarter of 2016, revenues increased by 1.4 % to EUR 2.089 billion (previous year: EUR 2.059 billion). For 2016 as a whole, this resulted in a market share of 42.7 %; in the fourth quarter, ProSiebenSat.1 achieved a market share of 41.9 % (same periods of the previous year: 44.4 % and 44.0 % respectively). The Group therefore remains the market leader in the German TV advertising market (Fig. 51 - 52). The year-on-year decline in market share is primarily attributable to the entry of new market participants which has led to a certain fragmentation. Secondly, in 2016, the broadcast of major sports events took place on public stations, such as the European soccer championship and the Summer Olympic Games.

TV advertising markets in Germany, Austria and Switzerland on a gross basis (Fig. 51)

in percent	Development of the TV advertising market in **Q4 2016** Change against previous year	Development of the TV advertising market in **2016** Change against previous year
Germany	**6.6**	**8.0**
Austria	**8.7**	**8.9**
Switzerland	**1.5**	**3.6**

in percent	Market share of ProSiebenSat.1 Q4 2016	Market share of ProSiebenSat.1 Q4 2015	Market share of ProSiebenSat.1 2016	Market share of ProSiebenSat.1 2015
Germany	**41.9**	44.0	**42.7**	44.4
Austria	**36.4**	36.9	**36.6**	37.0
Switzerland	**26.6**	30.1	**26.9**	29.2

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

Future Business and Industry Environment page 170.

Group Earnings, page 121.

Media Glossary, page 285.

Media Glossary, page 285.

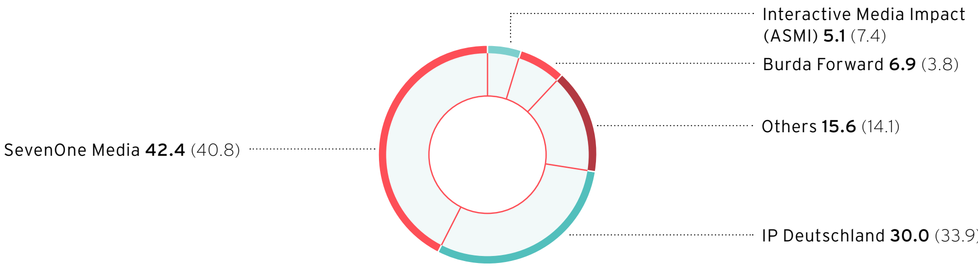
Nielsen Media Research designates gross figures for the online advertising market in Germany, excluding among others Google/Youtube, Facebook.

Gross advertising market data from Nielsen Media Research are important indicators for an objective assessment of advertising market development. However, gross data allow only limited conclusions to be drawn about actual advertising revenues as they do not take into account discounts, self-promotion or agency commission. In addition, the figures from Nielsen Media Research also include TV spots from media-for-revenue-share and media-for-equity transactions. ProSiebenSat.1 estimates that the development of the TV advertising market in Germany on a net basis was also positive; 2016 as a whole developed in line with our expectations. Official data on the net TV advertising market will be published by the German Advertising Federation (Zentralverband der deutschen Werbewirtschaft – ZAW) in May 2017.

According to Nielsen Media Research the advertising market for in-stream video ads in Germany continued developing positively: On a gross basis, the market volume increased by 14.2 % to EUR 577.4 million in 2016 (previous year: EUR 505.5 million). In-stream video ads are forms of Internet video advertising shown before, after or during a video stream. By selling them, ProSiebenSat.1 Group generated gross revenues of EUR 244.6 million in the past financial year (previous year: EUR 206.1 million). This corresponds to a year-on-year increase of 18.7 % and a gross market share of 42.4 % (IP Deutschland: 30.0 %) (Fig. 52). Overall, investments in online forms of advertising rose by 2.7 % to EUR 3.454 billion (previous year: EUR 3.365 billion). In addition to in-stream videos, the online advertising market also includes display ads such as traditional banners and buttons.

Shares German gross online advertising market for in-stream ads (Fig. 52)

in percent, 2015 figures in parentheses



Source: Nielsen Media Research.

Comparison of Actual and Expected Business Performance

- **ProSiebenSat.1 achieved its financial targets for 2016, setting a new record year.**
- **Strategic acquisitions accelerated revenue growth, allowing the Group to increase its targets in October.**
- **The Company remains the German audience market leader, with a Group market share of 28.0 %.**

Financial Targets, page 88.

Expected growth in 2016. ProSiebenSat.1 Group publishes its targets for the new reporting period in its Annual Report and adjusts them during the year if necessary. We recently increased our revenue expectations in October 2016, from a rise in consolidated revenues by at least 10 % to growth of more than 15 %. Acquisitions in recent months have accelerated revenue growth. In addition, the Group anticipates an increase of just over 2 % for the year as a whole on the German net TV advertising market (previously 2 % to 3 %), with the Group's TV revenues slightly underperforming the market.

Financial Analysis, page 127.

Consolidated revenues increased to EUR 3,799 million in 2016. As a result of high revenue growth of 17 %, relevant operating earnings figures also posted record figures (Fig. 54). This means that we have achieved our most important profitability targets. The financial position also developed as planned. The leverage ratio was 1.9 and thus within the target range.

Business Development of Segments, page 133.

In the financial year 2016, all segments contributed to growth in revenues. Once again, the commerce business was the most significant revenue driver. At the same time, revenues in the Content Production & Global Sales segment recorded a significant growth rate. ProSiebenSat.1 is growing very solidly in the Broadcasting German-speaking segment. The Digital Entertainment segment also developed positively in line with expectations and grew dynamically in strategically important business areas.

Multi-year comparison of revenue and earnings performance (Fig. 53)

EUR m	2016	2015	2014	2013	2012
Revenues	**3,799**	3,261	2,876	2,605	2,356
EBITDA	**982**	881	818	758	680
Recurring EBITDA	**1,018**	926	847	790	745
Underlying net income	**513**	466	419	380	356

Intragroup Management System, page 89.
Development of the Audience Market, page 105.

The audience share in the core market of Germany is the most important non-financial performance indicator for corporate management. ProSiebenSat.1's aim is to maintain its market lead in a fiercely competitive environment. We achieved this goal with a market share of 28.0 % in 2016. At 29.5 %, the Group's market share in the previous year marked a ten-year high.

Comparison of the actual and forecast business performance for the Group[1] (Fig. 54)

EUR m	Actual figures 2015	Actual figures 2016	Change	Forecast 2016[2]
Revenues	3,261	3,799	+17 %	Significant increase[1]
EBITDA	881	982	+12 %	Mid to high single-digit increase
Recurring EBITDA	926	1,018	+10 %	Mid to high single-digit increase
Underlying net income	466	513	+10 %	Mid to high single-digit increase
Leverage	2.1	1.9	-/-	1.5-2.5
German audience market Market leadership	29.5	28.0	-1.5 % pts	Consolidate leading market position at a high level

Comparison of the actual and forecast business performance for the segments[1] (Fig. 55)

	External revenues		Recurring EBITDA	
in percent	Forecast[2]	Change 2016 vs. 2015	Forecast[2]	Change 2016 vs. 2015
Broadcasting German-speaking	Slight increase	3 %	Slight increase	3 %
Digital Entertainment[3]	Significant increase	19 %	Significant increase	-1 %
Digital Ventures & Commerce[3]	Significant increase	65 %	Significant increase	33 %
Content Production & Global Sales	Significant increase	38 %	Significant increase	87 %

1 These figures relate to continuing operations. In the 2015 Annual Report, ProSiebenSat.1 Group published its Company Outlook for 2016 from page 182 onwards. In addition, the Company specified and increased its revenue guidance for the Group in October 2016.
2 Relates to growth rates in percent.
3 In the course of the adjustment of the segment structure, the Group has for the first time published an annual forecast for the segments Digital Entertainment and Digital Ventures & Commerce in the third quarter of 2016. Previously they were included in the Digital & Adjacent segment. Forecast reporting for both segments in the digital sector, is expanded by EBITDA at the end of 2016. This is explained in the Company Outlook on page 172.

Financial Targets, page 88.

Explanatory Notes on Reporting Principles, page 72.

Expected growth in 2018. As announced in October, ProSiebenSat.1 aims to increase consolidated revenues in the medium term by EUR 2.15 billion compared to 2012. The target was previously EUR 1.85 billion. Revenues are thus expected to amount to EUR 4.5 billion at the end of 2018 (previously EUR 4.2 billion). The Group is generating a growing share of revenues outside the TV advertising business. This figure is expected to rise to more than 50 % by 2018 and the digital business as a whole is set to generate revenues of more than EUR 1.7 billion. In 2016, this figure amounted to 47 % (previous year: 39 %) or EUR 1.2 billion. We also increased our adjusted EBITDA growth target by EUR 50 million to EUR 400 million. As a result, we expect to achieve adjusted EBITDA of EUR 1.15 billion in 2018. At the end of the year, the Group achieved 67 % of its medium-term revenue target and 68 % of its anticipated adjusted EBITDA growth. Growth contributions from acquisitions are taken into account in these target increases.

Major Influencing Factors on Earnings, Financial Position and Performance

- **Economic data indicate a positive picture and structural change is driving growth in the TV business.**
- **Digitalization is changing consumer behavior; we are benefiting from this trend and are investing in new business areas across all segments.**
- **ProSiebenSat.1 drives the digitalization and diversification of its business activities consistently and already generates 47% of Group revenues with revenue models beyond video advertising on TV, in the medium term the figure is likely to increase to 50%.**

Impact of General Conditions on the Business Performance

Economic Development, page 112.

Group Earnings, page 121.

ProSiebenSat.1's growth is influenced by various factors. In this context, key external underlying data include the German domestic economy and especially private consumption in Germany. This is because their development correlates very closely with investments in TV advertising. In the financial year 2016, ProSiebenSat.1 generated 53.1% or EUR 2,017 million of consolidated revenues from video advertising on TV (previous year: 60.5% or EUR 1,974 million). 88.3% of this was attributable to Germany, the principal revenue market (previous year: 88.4%).

Economic Development, page 112.

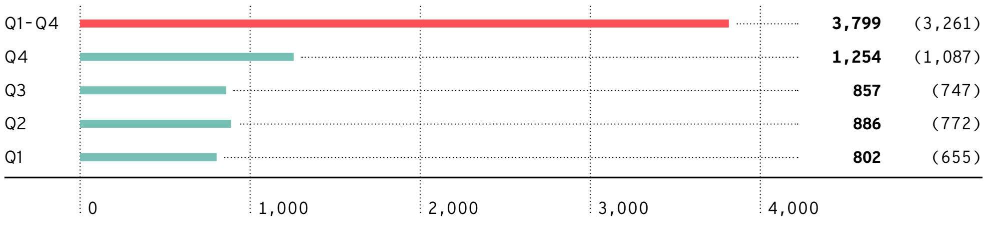
Development of the TV and Online Advertising Market, page 112.

Economic indicators had a positive impact on advertising in 2016. In the period under review, private consumer spending rose by 2% and TV advertising investments went up by 8% (gross) compared to 2015. On the basis of net revenues, market growth is also likely to have developed positively and was within the low single-digit percentage range. Structural changes also influenced growth and stimulated the pricing level. The significance of TV advertising spots is increasing compared to other media. This is because the high reach of television is becoming even more valuable due to the large number of digital offerings. Video advertising is also effective. Multisensory experiences using image and sound intensify the impact of advertising.

ProSiebenSat.1 is the leading provider of video advertising both in the TV and online sector and again the Group capitalized on these market dynamics in 2016. As with all consumer-related markets, the advertising industry also often reacts to macroeconomic developments in a procyclical manner. In addition, ProSiebenSat.1 Group's revenue and earnings performance is characterized by seasonal effects and in particular the importance of the fourth quarter. As both propensity to spend and television use increase significantly in the run-up to Christmas, the Company generates a far greater share of its annual revenues in the final quarter. In total, the Group generates approximately a third of its annual revenues and usually around 40% of its recurring EBITDA in the fourth quarter. This was – adjusted for acquisition effects – also true for the past year (Fig. 56 – 58).

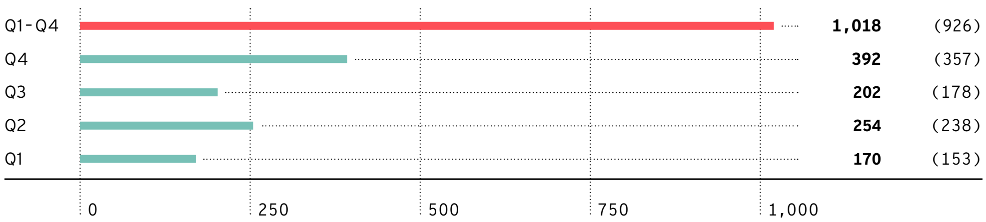
Revenues by quarter (Fig. 56)

EUR m, 2015 figures in parentheses



Recurring EBITDA by quarter (Fig. 57)

EUR m, 2015 figures in parentheses



Business Development of the Segments, page 133.

The Year 2016 at a Glance, page 70.

ProSiebenSat.1 aims to establish additional business models in all segments and grow independently of seasonal or economic trends on single markets. The distribution of TV stations in HD quality is an important driver in the core business. The number of HD users further increased in 2016. As a result, the distribution revenues of ProSiebenSat.1 Group grew significantly. At the same time, ProSiebenSat.1 Group has an entertainment portfolio with video-on-demand (VoD) offerings and TV apps which can be used on digital devices and mobile usage. In 2016, the Group also expanded its reach thanks to cooperation agreements and acquisitions.

Technical Distribution, Media Consumption and Advertising Impact, page 101.

The market for digital entertainment offerings is growing significantly. This development is being driven by broadband Internet access with fast data transfer rates. The growing importance of the Internet is influencing not only the entertainment industry, but also driving growth in digital commerce. This is reflected in the fact that nearly 50% of all Germans have purchased a product on the Internet as a result of TV advertising. The momentum of TV towards search requests online is significant, particularly for brands which have their own online store. This is why ProSiebenSat.1 is investing in commerce portals with product areas that are particularly suited for video advertising. The aim is to develop thematically related portfolios – known as verticals – since bundling leads to additional revenue and cost saving potential. An example for this strategy is the investment in online travel offers, which ProSiebenSat.1 manages under the umbrella brand 7Travel. In the financial year 2016, the travel vertical substantially increased its revenues and made a significant contribution to profitable growth. This is mainly attributable to the initial consolidation of etraveli since December 2015. However, revenues relating to other 7Travel portals, such as Tropo, remained below the high figure of the previous year. Tropo mainly offers package holidays in holiday regions; these bookings were shaped by geopolitical uncertainty.

Economic Development, page 112.

Development of the TV and Online Advertising Market, page 112.

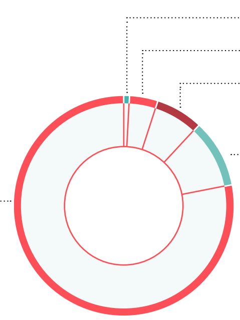
While macroeconomic conditions and industry-specific and structural effects may significantly influence our business performance, currency effects have no material impact on the Group's financial situation. Although ProSiebenSat.1 is international, the Company generates the majority of its revenues in Germany and thus in the eurozone (Fig. 58). The remaining share of revenues is mainly attributable to the US and Red Arrow's production business.

The Group also limits risks arising from exchange rate fluctuations with derivative financial instruments. Currency risks may arise from license agreements related to the acquisition of programming rights. ProSiebenSat.1 signs license agreements mainly with US studios. The Group also uses hedging instruments to limit potential interest rate risks. 98 % of variable interest loans and borrowings were covered by different hedging instruments at the end of the financial year 2016 (previous year: 78 %). The Group practices proactive financial management and made use of attractive conditions on financial markets in 2016 in order to further optimize its capital structure.

Group Financial Position and Performance, page 126.

Revenues by region (Fig. 58)

in percent, 2015 figures in parentheses



Changes in the Scope of Consolidation

The Year 2016 at a Glance, page 70.

Notes, Note 3 "Scope of consolidation," page 191.

Once again, the Group's dynamic growth in the financial year 2016 was mainly characterized by M&A activities in the digital and production portfolio. With kabel eins Doku, ProSiebenSat.1 launched a new free TV station and promoted the internationalization of the digital entertainment business. We report on the most significant changes to the scope of consolidation and other portfolio measures in 2016 in the following section (Fig. 59):

- **Digital Ventures & Commerce segment:** By agreement signed in May 2016, ProSiebenSat.1 Group increased its share in Stylight GmbH to 100 % via its investment branch 7Commerce. The company is the most successful fashion aggregator in Europe and operates worldwide in 15 countries. In December 2012, ProSiebenSat.1 acquired a 22 % stake in the digital marketplace in a first financing round. The company was fully consolidated in July. In August 2016, the Group also acquired 92 % of shares in WSM Holding GmbH. WindStar Medical specializes in the development and distribution of innovative health items and has been fully consolidated since October. Together with Stylight, ProSiebenSat.1 has bundled these investments in its Lifestyle Commerce ecosystem and uses its digital platforms to sell various health, nutrition, fitness, wellness and fashion offers.

  The PARSHIP ELITE Group was also fully consolidated in the fourth quarter; ProSiebenSat.1 had acquired a majority stake of 50.001 % in the company. PARSHIP and ElitePartner are the leading providers of online dating services in the German-speaking region. This transaction underlines our strategic focus on established and profitable growth companies that are market leaders in their segment and strongly benefit from TV advertising. These companies have high potential for synergies within the Group and thus form an important basis for further organic growth.

After the comparison portal Verivox and the online travel agency etraveli, the majority stake in PARSHIP ELITE Group was ProSiebenSat.1 Group's third large acquisition in the Digital Ventures & Commerce segment since the second quarter of 2015.

- **Content Production & Global Sales segment:** At the beginning of the year, the Group acquired a 60 % share in the US production company Dorsey Pictures (previously known as Orion Entertainment) via Red Arrow Entertainment Group. This Denver-based company is a leading US provider of non-scripted TV programs and branded entertainment offers. In the area of outdoor adventure television, Dorsey is one of the largest producers worldwide. A majority stake (65 %) in 44 Blue Studios, a production company based in the US, was acquired in the third quarter of 2016. This was another strategic acquisition in the English-speaking region. This company is a leading producer of non-scripted TV programs, such as docu-series, factual entertainment and adventure and lifestyle formats. With these investments, Red Arrow Entertainment Group further developed its factual entertainment profile. These acquisitions have enlarged Red Arrow's US production network to nine investments, highlighting our strong growth position on the most important TV market in the world.

ProSiebenSat.1 practices active portfolio management aimed at leveraging synergies by connecting business areas and particularly TV and digital offers. Divestments are also part of this M&A strategy. The Group regularly analyzes its portfolio and assesses potential synergies. In this context, ProSiebenSat.1 Group sold its Games activities in the second quarter of 2016.

Further information on changes in the scope of consolidation can be found in the Notes, Note 4 "Acquisitions and disposals," page 191.

Financial Glossary, page 282.

Selected portfolio measures and changes in the scope of consolidation in the financial year 2016 (Fig. 59)

Broadcasting German-speaking segment	7Screen, the marketer of digital out-of-home of ProSiebenSat.1, established in February 2016 Launch of the new free TV station kabel eins Doku in September 2016
Digital Entertainment segment	glomex, an international marketplace for video content, established in March 2016 Disposal of Aeria Games Europe, a 100 % investment of ProSiebenSat.1 Group, and merger with gamigo AG > deconsolidation in June 2016 Minority stake in Pluto TV, a global video service and leading free OTT television service in the US, in September 2016
Digital Ventures & Commerce segment	Increase in stake in Stylight, a digital marketplace for fashion > fully consolidated since July 2016 Majority stake in WindStar Medical, a specialist in the development and distribution of innovative health items > fully consolidated since October 2016 Majority stake in the PARSHIP ELITE Group, the leading provider of online dating services in the German-speaking region > fully consolidated since October 2016 Minority stake in the Käuferportal Group, a leading online portal in Germany for the provision of complex products and services, in November 2016
Content Production & Global Sales segment	7Stories production company established in January 2016 Majority stake in the US production company Dorsey Pictures > fully consolidated since January 2016 Cove Pictures joint venture established in February 2016 Mad Rabbit joint venture established in April 2016 Majority stake in the US production company 44 Blue Studios > fully consolidated since July 2016 Minority stake in the US production company Band of Outsiders, in July 2016

Group Earnings

- **For ProSiebenSat.1, 2016 is a new record year with revenues of EUR 3,799 million and recurring EBITDA of EUR 1,018 million.**
- **In recent months, the Group enlarged its portfolio and expanded as a result of strategic acquisitions, which had a major effect on the development of revenues and costs. ProSiebenSat.1 is focusing on investments that synergistically complement the portfolio and that are suitable for TV advertising.**

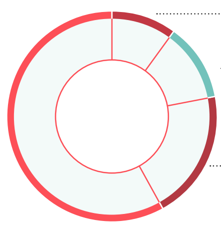
Business Development of the Segments, page 133.

ProSiebenSat.1 Group increased its consolidated revenues for 2016 to EUR 3,799 million. This is an increase of 17 % or EUR 538 million compared to the financial year 2015 and represents a new record high. In the financial year 2016 as well, the revenue growth was supported by all segments.

The segments Digital Ventures & Commerce and Content Production & Global Sales performed particularly dynamically (+65 % and +38 % respectively). These segments made the largest contributions to growth at EUR 303 million and EUR 99 million respectively. In the Broadcasting German-speaking TV segment, external revenues rose by 3 % or EUR 58 million to EUR 2,210 million. They therefore contributed 58 % of consolidated revenues (previous year: 66 %).

Group revenue share by segment (Fig. 60)

in percent, 2015 figures in parentheses



Notes, Note 10 "Other operating income," page 203.

Other operating income amounted to EUR 34 million after EUR 25 million in the comparative period. The increase primarily reflects income from the sale of subsidiaries.

Changes in the Scope of Consolidation, page 119.

Total costs comprise the cost of sales, selling expenses, administrative expenses, and other operating expenses, further information can be found in the Notes, Note 6-9, from page 202 onwards.

In recent months, the Group has expanded its Company portfolio through acquisitions. In this context, **total costs** increased by 20 % or EUR 501 million to EUR 3,056 million (Fig. 61):

- The majority of the year-on-year cost increase was due to a rise in the **cost of sales** by EUR 256 million or 15 % to EUR 2,020 million. The main reason was the expansion of the digital portfolio, whereby the cost level was primarily determined by the consolidation of the multi-channel network (MCN) Studio71 (previously: Collective Digital Studio; CDS) and various commerce platforms. In addition, acquisitions in the Content Production & Global Sales segment affected cost development. At the same time, the consumption of programming assets – the Group's largest cost item – rose to EUR 915 million (previous year: EUR 896 million).

Notes, Note 7 "Selling expenses," page 202.

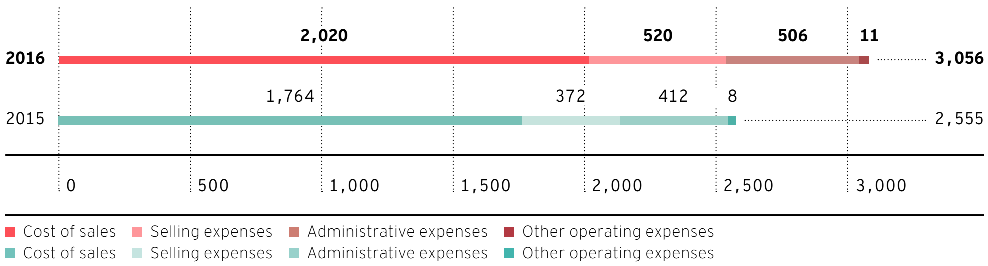
- Due to the expansion of the portfolio in the digital sector, **selling expenses** also increased by 40 % or EUR 148 million to EUR 520 million.

Notes, Note 8 "Administrative expenses," page 203.

› **Administrative expenses** amounted to EUR 506 million, corresponding to an increase of 23% or EUR 93 million. Higher personnel expenses were the main reason for the increase in administrative expenses. In addition, higher amortization of purchase price allocations occurred due to portfolio measures. Depreciation of property, plant and equipment also led to an increase in administrative expenses.

Total costs (Fig. 61)

EUR m



Financial Glossary, page 282.

Depreciation and amortization increased primarily due to acquisitions and growth. Against this background, amortization from purchase price allocations in particular increased by EUR 23 million to EUR 55 million. In total, depreciation and amortization, which are part of the total costs, went up by EUR 54 million to EUR 206 million. Before depreciation, amortization and expense adjustments, **operating costs** amounted to EUR 2,804 million (previous year: EUR 2,355 million). This equates to an increase of 19% compared to the financial year 2015. The cost item relevant for recurring EBITDA is operating costs. The following table shows a reconciliation of operating costs from total costs (Fig. 62):

Reconciliation of operating costs (Fig. 62)

EUR m	2016	2015
Total costs	3,056	2,555
Expense adjustments	46	50
Depreciation and amortization[1]	206	151
Operating costs	**2,804**	**2,355**

1 Depreciation/amortization and impairment of other intangible assets and property, plant and equipment.

Recurring EBITDA adjusted for reconciling items increased by 10% to EUR 1,018 million (previous year: EUR 926 million). The corresponding recurring EBITDA margin was 26.8% (previous year: 28.4%). The margin development reflects mix effects from the distribution of revenues by segment: The Group's target is to generate additional revenue potential, particularly in the digital industry, and to become more independent overall from the highly profitable but economically sensitive free TV business. The digital business is growing very dynamically, but is subject to different earning structures than TV. In 2016, the Group generated a revenue share totaling EUR 1,589 million (previous year: EUR 1,109 million) or 42% (previous year: 34%) from outside of the Broadcasting German-speaking segment. This was a higher share than in 2015. The Digital Entertainment, Digital Ventures & Commerce and Content Production & Global Sales segments' contribution to external recurring EBITDA rose to EUR 347 million (previous year: EUR 265 million).

At the same time, **EBITDA** rose by a substantial 12% to EUR 982 million as a result of the positive revenue momentum (previous year: EUR 881 million). It includes reconciling items of minus EUR 35 million (previous year: EUR -44 million), which comprise various expenses and income. For

2016, expenses of EUR 46 million were recognized, of which in particular EUR 22 million in connection with reorganizations (previous year: EUR 19 million), EUR 16 million for M&A projects (previous year: EUR 20 million) and EUR 4 million for legal claims (previous year: EUR 1 million). In addition, other reconciling effects of EUR 11 million, primarily for severance payments in connection with the termination of Executive Board activities and to cover tax risks, are included as expenses in the reconciling items. This item also includes cost-reducing measurement effects for cash-settled share-based payment in the amount of EUR 9 million. This is offset by income adjustments of EUR 11 million, of which EUR 9 million is attributable to deconsolidation effects (previous year: EUR 1 million), mainly from the sale of the Games business at EUR 6 million. The expenses for reorganization are primarily attributable to the Broadcasting German-Speaking segment, while the M&A-related reconciling items mainly relate to the Digital Ventures & Commerce segment.

Reconciliation of recurring EBITDA (Fig. 63)

EUR m	2016	2015
Profit before income taxes	658	604
Financial result	−119	−126
EBIT	**777**	**730**
Depreciation and amortization[1]	206	151
thereof from purchase price allocations	55	32
EBITDA	**982**	**881**
Reconciling items (net)[2]	35	44
Recurring EBITDA	**1,018**	**926**

1 Depreciation/amortization and impairment of other intangible assets and property, plant and equipment.

2 Expense adjustments of EUR 46 million (previous year: EUR 50 million) less income adjustments of EUR 11 million (previous year: EUR 5 million).

Notes, Notes 11–13 "Interest result," "Result from investments accounted for using the equity method and other financial result," "Income taxes," page 203.

Financial Glossary, page 282.

The **financial result** comprises the interest result, the other financial result and income from investments accounted for using the equity method and amounted to minus EUR 119 million (previous year: EUR −126 million). The main reason for this improvement is the development of the other financial result, which amounted to minus EUR 34 million (previous year: EUR −45 million) and is dominated by opposite items.

Firstly, the **other financial result** reflects positive valuation adjustments to the shares in ZeniMax of EUR 30 million; ProSiebenSat.1 Group sold its shares in ZeniMax as part of the reorganization of the Games business. Secondly, the Group reports lower impairments on financial investments of minus EUR 44 million (previous year: EUR −63 million). In contrast, valuation adjustments of earn-out and put option liabilities total minus EUR 24 million (previous year: EUR 4 million). In addition, the other financial result for 2015 included comparatively high income from the remeasurement of shares, which were previously accounted for using the equity method. Here, the acquisition of control over SMARTSTREAM.TV and Collective Digital Studio (CDS; now Studio71) and Amorelie resulted in income totaling EUR 35 million in 2015. By contrast, a positive measurement effect on the shares of Stylight of EUR 9 million was recognized in the financial year 2016: ProSiebenSat.1 Group has increased its share to 100% in Juli 2016.

Notes, Note 13 "Income taxes," page 206.

Due to higher revenues and the improvement of the financial result, pre-tax profit increased to EUR 658 million. This represents growth of 9% or EUR 55 million compared to the previous year. Income tax expense amounted to EUR 206 million (previous year: EUR 208 million); the tax rate was 31.3% (previous year: 34.4%).

The developments described increased consolidated net profit from continuing operations by 14% to EUR 452 million; in the same period of the previous year, this profit figure amounted to EUR 396 million. The earnings after taxes from discontinued operations amounted to minus EUR 42 million (previous year: EUR 0 million). It contains tax expenses of EUR 40 million. In the second quarter 2016, ProSiebenSat.1 Media SE settled an additional tax claim including interest and penalties for former companies in Sweden.

Further information on the earnings per share can be found in the Notes, "Summary of key accounting policies" in the section "Earnings per share," page 253.

At the same time, underlying net income increased by 10% to EUR 513 million (previous year: EUR 466 million); the basic underlying earnings per share therefore rose 7% to EUR 2.37 (previous year: EUR 2.18). Underlying net income is adjusted for various reconciling items, including amortization from purchase price allocations and impairments on financial investments (Fig. 64).

Reconciliation of underlying net income from continuing operations (Fig. 64)

EUR m, after taxes	2016	2015
Consolidated net profit (after non-controlling interests)	444	391
Amortization from purchase price allocations (after tax)	40	22
Taxes included therein	-18	-10
Impairments on other financial investments	43	39
Taxes included therein	-1	-/-
Remeasurement of interests accounted for using the equity method in connection with initial consolidations	-9	-26
Taxes included therein	-/-	9
Reassessment of tax risks	4	20
Taxes included therein	-1	16
Valuation effects from financial derivatives	3	-/-
Taxes included therein	-1	-/-
Valuation adjustment to shares in ZeniMax Media Inc.	-30	23
Taxes included therein	-/-	-/-
Put options/earn-outs	26	-3
Taxes included therein	-7	-3
Group Share Plan	-6	-/-
Taxes included therein	3	-/-
Other effects	-1	1
Taxes included therein	-4	-4
Underlying net income	**513**	**466**

Notes, Note 4 "Acquisitions and disposals," page 191.

Selected key figures of ProSiebenSat.1 Group for the financial year 2016 (Fig. 65)

	ProSiebenSat.1 continuing operations	
EUR m	2016	2015
Revenues	3,799	3,261
Operating costs[1]	2,804	2,355
Total costs	3,056	2,555
Cost of sales	2,020	1,764
Selling expenses	520	372
Administrative expenses	506	412
Other operating expenses	11	8
EBIT	777	730
Recurring EBITDA[2]	1,018	926
Reconciling items (net)[3]	-35	-44
EBITDA	982	881
Consolidated net profit attributable to shareholders of ProSiebenSat.1 Media SE	444	391
Underlying net income[4]	513	466

Selected key figures of ProSiebenSat.1 Group for the fourth quarter of 2016 (Fig. 66)

	ProSiebenSat.1 continuing operations	
EUR m	**Q4 2016**	**Q4 2015**
Revenues	1,254	1,087
Operating costs[1]	872	735
Total costs	958	809
Cost of sales	628	545
Selling expenses	166	124
Administrative expenses	161	135
Other operating expenses	3	4
EBIT	307	289
Recurring EBITDA[2]	392	357
Reconciling items (net)[3]	-17	-14
EBITDA	375	343
Consolidated net profit attributable to shareholders of ProSiebenSat.1 Media SE	174	138
Underlying net income[4]	219	194

1 Total costs excl. depreciation and amortization and expense adjustments.
2 EBITDA adjusted for reconciling items.
3 Expense adjustments netted against income adjustments.
4 Consolidated net profit after non-controlling interests from continuing activities before the effects of purchase price allocations and additional reconciling items.

Financial Glossary, page 282.

Reporting on the Basis of Continuing Operations. Unless otherwise indicated, the analysis of the earnings, financial position and performance of the Group is based on continuing operations. This means that the earnings contributions and cash flows that arise in connection with disposals are not included in the individual items of the income statement or statement of cash flows, but are shown separately as the "Result from discontinued operations" and "Cash flow from discontinued operations" respectively in accordance with the provisions of IFRS 5.

Group Financial Position and Performance

- **ProSiebenSat.1 Group took advantage of conditions on capital markets in order to further optimize its financing structure. The equity ratio climbed to 22%.**
- **In November 2016, the Group increased its equity by EUR 515 million (gross) by issuing new shares and increased its financial headroom for strategic acquisitions in this way.**
- **ProSiebenSat.1 is pursuing a long-term financing policy for its M&A activities with a target range for leverage between 1.5 and 2.5. In 2016, the Group maintained a leverage ratio of 1.9.**

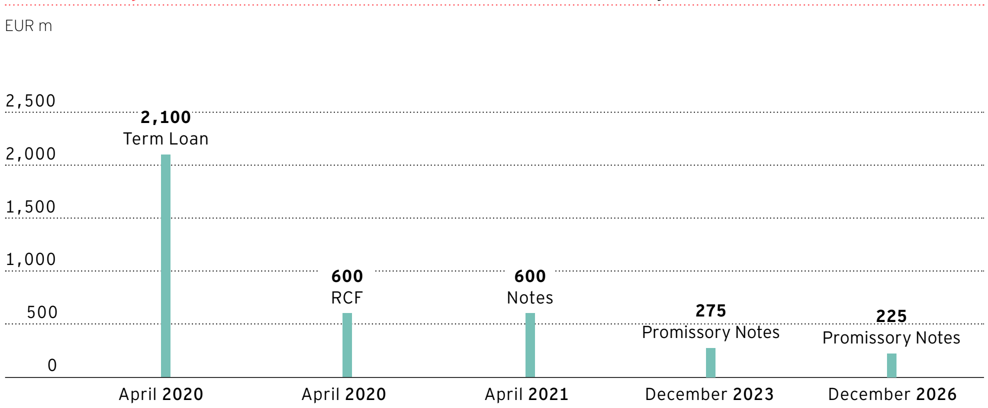
Financing Structure and Borrowings

The ProSiebenSat.1 Share, page 64.
The Year 2016 at a Glance, page 70.
Financial Glossary, page 282.

ProSiebenSat.1 Group practices active financial management and has benefited from the attractive conditions on the financial markets in recent years: In addition to a capital increase in the fourth quarter of 2016 of around 6.5% with gross issue proceeds totaling around EUR 515 million, the Company took out three syndicated promissory notes totaling EUR 500 million in December. They have 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). The promissory notes complement the existing loan agreement comprising a term loan of EUR 2,100 million and a revolving credit facility (RCF) of EUR 600 million. Interest payable on the term loan and the RCF are variable and based on Euribor money market rates plus an additional credit margin. In addition, ProSiebenSat.1 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. All the above financing instruments are unsecured. We use our financing measures to optimize our financing portfolio with regard to instrument and investor diversification and maturity extension (Fig. 67).

Rating of ProSiebenSat.1 Group: Ratings represent an independent assessment of an entity's credit quality. The rating agencies do not take ProSiebenSat.1 Group's facilities agreement or notes into account in their credit ratings.

Debt financing instruments and maturities as of December 31, 2016 (Fig. 67)



Financial Glossary, page 282.

ProSiebenSat.1 Group hedges potential risks from changes in variable interest rates with derivative financial instruments in the form of interest rate swaps and interest rate options. The Group is continuously observing the development of financial markets and adjusting its derivatives to the interest rate environment if required. At the end of the financial year 2016, the proportion of fixed interest was approximately 98 % of the entire long-term financing portfolio (December 31, 2015: approx. 78 %). The average fixed rate of the interest rate swaps was 1.88 % per annum as of December 31, 2016. The average interest rate ceiling of the interest rate caps was 0.0 % per annum.

Analysis of Asset and Capital Structure, page 131.

As of December 31, 2016, ProSiebenSat.1 Group's **debt capital** had a share of 78 % in total equity and liabilities (December 31, 2015: 82 %). At 62 % or EUR 3,185 million, the majority of debt capital was attributable to non-current and current financial liabilities (December 31, 2015: 61 % or EUR 2,675 million). The amounts of the debt instruments that existed in 2015 did not change year-on-year. As in the previous year, no drawings had been made on the RCF as of December 31, 2016.

Notes, Note 29 "Other financial obligations," page 232.

ProSiebenSat.1 Group has also concluded lease contracts for property at the Unterföhring site. Under IFRS, these are largely classified as finance leases. This real estate is capitalized as property, plant and equipment and the respective leasing obligations are recognized as other financial liabilities. The real estate leases end in 2019 at the earliest. There are also smaller-scale leases for technical equipment. ProSiebenSat.1 Group reported liabilities for finance leases totaling EUR 72 million as of December 31, 2016 (previous year: EUR 82 million). There were no other significant off-balance sheet financing instruments.

Financing Analysis

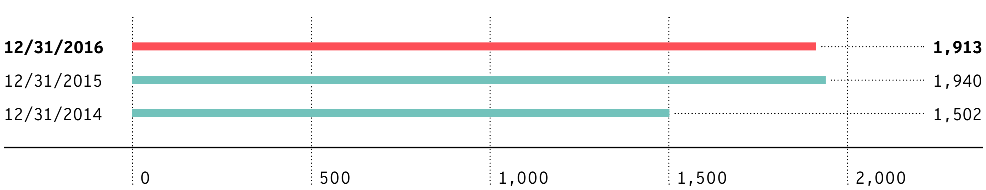
Financial Glossary, page 282.

The **leverage ratio** was still within the target range as of December 31, 2016. **Net financial debt** amounted to EUR 1,913 million (December 31, 2015: EUR 1,940 million) (Fig. 68). As a result, the ratio of net financial debt to recurring EBITDA of the last twelve months resulted in a leverage ratio of 1.9 after 2.1 in the previous year (Fig. 69). The leverage ratio is a key indicator for Group-wide financial and investment planning. The target is a value between 1.5 and 2.5. Despite the M&A activities, financial debt improved slightly by 1 % or EUR 27 million year-on-year; this development is based on the increase in cash and cash equivalents. They increased to EUR 1,271 million (previous year: EUR 734 million) also due to the capital increase in the fourth quarter.

Analysis of Liquidity and Capital Expenditure, page 129.

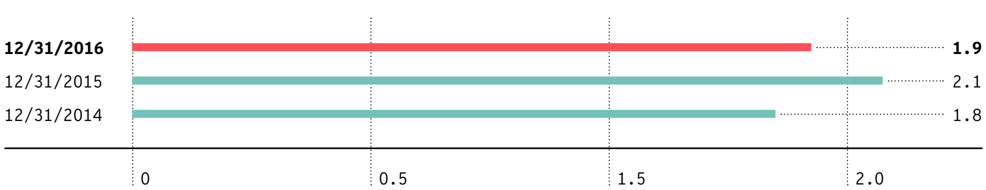
Group net financial debt (Fig. 68)

EUR m



Ratio net financial debt to LTM recurring EBITDA (leverage ratio) (Fig. 69)

EUR m



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 recurring EBITDA of the last twelve months (LTM recurring EBITDA).

Principles and objectives of financial management (Fig. 70)

The Company's financial management is centrally run by the Group Finance & Treasury department. This department controls financial management throughout the Group and pursues the following objectives:

- to secure financial flexibility and stability, in other words, 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.

A-Z Financial Glossary, page 282.

- **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. Cash instruments as well as derivatives such as 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 to consolidated net profit 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

Explanatory Notes on Reporting Principles, page 72.

Financial Glossary, page 282.

ProSiebenSat.1 Group's statement of cash flows shows the generation and use of cash flows (Fig. 71). A distinction is made between cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Cash and cash equivalents shown in the statement of cash flows correspond to the cash and cash equivalents reported on the statement of financial position as of December 31, 2016.

Statement of cash flows (Fig. 71)

EUR m	Q4 2016	Q4 2015	2016	2015
Result from continuing operations	**177**	**139**	**452**	**396**
Result from discontinued operations	**0**	**3**	**-42**	**0**
Cash flow from continuing operations	658	618	1,915	1,785
Cash flow from discontinued operations	0	-2	-2	-2
Change in working capital	18	-47	-14	-12
Dividends received	0	0	6	7
Income tax paid	-47	-58	-210	-178
Interest paid	-12	-18	-82	-82
Interest received	0	0	3	1
Cash flow from operating activities of continuing operations	**618**	**496**	**1,619**	**1,521**
Cash flow from operating activities of discontinued operations	**0**	**0**	**-42**	**-2**
Cash flow from investing activities of continuing operations	**-602**	**-419**	**-1,623**	**-1,522**
Cash flow from investing activities of discontinued operations	**-/-**	**17**	**-/-**	**17**
Free cash flow of continuing operations	**16**	**77**	**-4**	**-1**
Free cash flow of discontinued operations	**0**	**17**	**-42**	**15**
Free cash flow	**16**	**93**	**-46**	**14**
Cash flow from financing activities	**942**	**417**	**584**	**242**
Effect of foreign exchange rate changes on cash and cash equivalents	3	0	0	8
Change in cash and cash equivalents	962	511	537	264
Cash and cash equivalents at beginning of reporting period	309	224	734	471
Cash and cash equivalents of continuing operations at end of reporting period	**1,271**	**734**	**1,271**	**734**

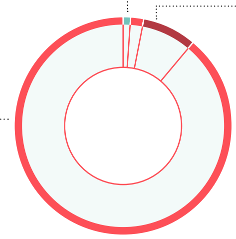
Detailed information on off-balance-sheet investment obligations can be found in the Notes, Note 29 "Other financial obligations," page 232.

In the financial year 2016, ProSiebenSat.1 Group generated **cash flow from operating activities** of EUR 1,619 million compared to EUR 1,521 million in the previous year. The 6% increase is primarily attributable to the positive earnings performance.

The **cash flows from investing activities** resulted in an investing cash flow of minus EUR 1,623 million for the financial year 2016. Cash outflow thus increased by 7% or EUR 102 million compared to the previous year.

Investments by segment[1] (Fig. 72)

in percent, 2015 figures in parentheses



1 Investments by segment before M&A activities.

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 programming assets:** Most of the programming investments (97 %) were made in the Broadcasting German-speaking segment (previous year: 97 %), 59 % for the acquisition of licensed programming (previous year: 53 %) and 40 % for commissioned productions (previous year: 47 %). Overall, cash outflow for the acquisition of programming rights increased by 5 % or EUR 48 million to EUR 992 million.

- **Other intangible assets and property, plant and equipment:** EUR 124 million was spent on other intangible assets in the financial year 2016. The 47 % or EUR 40 million increase primarily resulted from a higher investment volume for internally generated intangible assets, advance payments for intangible assets and software licenses. 48 % was attributable to the Digital Entertainment segment (previous year: 44 %) and 33 % to the TV segment (previous year: 31 %).

Employees, page 142.

  Investments in property, plant and equipment were 6 % or EUR 2 million lower than in the previous year and amounted to EUR 36 million. The majority resulted from investments in technical facilities, leasehold improvements at the Unterföhring site and advance payments for property, plant and equipment; these are primarily reported in the Broadcasting German-speaking segment.

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

- **Cash outflow from additions to the scope of consolidation:** Due to the acquisitions in the Digital Ventures & Commerce and Content Production & Global Sales segments cash outflow from additions to the scope of consolidation was nearly on a par with the previous year at EUR 420 million (previous year: EUR 426 million).

Financial Glossary, page 282.

Due to the higher investment volume overall, **free cash flow** fell slightly to minus EUR 4 million. The previous year's figure for free cash flow was minus EUR 1 million.

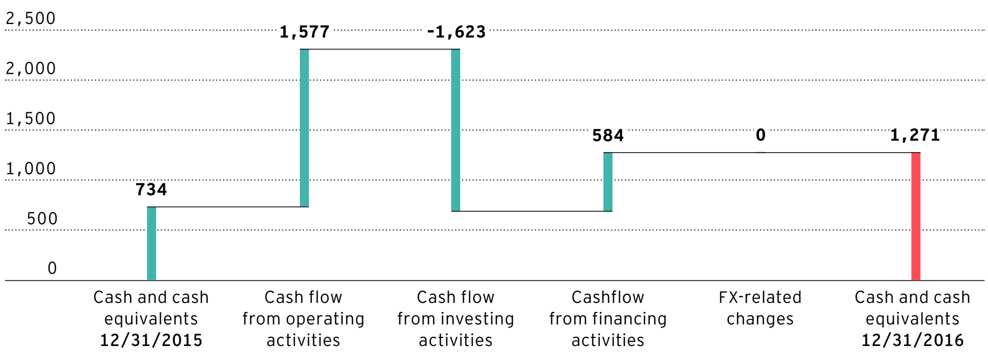
Cash flow from financing activities amounted to EUR 584 million compared to EUR 242 million in the previous year. This development reflects net cash outflow of EUR 1,002 million in connection with financing measures. ProSiebenSat.1 used the advantageous conditions on the financial markets to increase its equity by issuing new shares; the Group also issued promissory notes in the fourth quarter of 2016. In contrast, the dividend payment led to cash outflow of EUR 386 million (previous year: EUR 342 million).

Financing Analysis, page 127.

The cash flows described resulted in a significant increase in cash and cash equivalents year-on-year. At EUR 1,271 million, the **cash and cash equivalents** were 73 % or EUR 537 million higher than the previous year's figure of EUR 734 million (Fig. 73).

Changes in cash and cash equivalents (Fig. 73)

EUR m



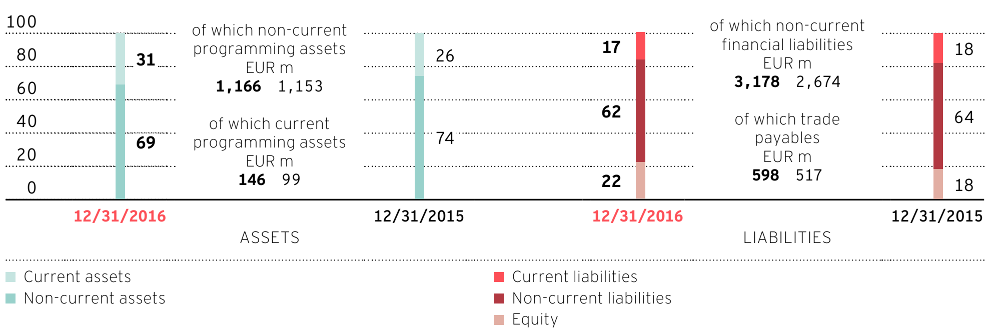
Analysis of Assets and Capital Structure

As of December 31, 2016, **total assets** amounted to EUR 6,603 million compared to EUR 5,310 million on December 31, 2015. The 24 % rise in total assets reflects consolidation effects and financing measures. The most significant value changes to key items in the statement of financial position are described below. There were no material structural changes in the statement of financial position compared to the previous year. The asset and capital structure is solid and the Group has a comfortable level of liquidity (Fig. 74).

Analysis of Liquidity and Capital Expenditure, page 129.

Structure of the statement of financial position (Fig. 74)

in percent



Information on capital costs can be found in the Notes, Note 16 „Goodwill“, page 211.

› **Current and non-current assets:** As of December 31 , 2016, goodwill increased by 13 % to EUR 1,860 million (December 31, 2015: EUR 1,649 million). As a result, its share in total assets was 28 % (December 31, 2015: 31 %). This was due to the initial consolidation of various majority interests, including PARSHIP ELITE Group in the fourth quarter of 2016. In addition, other intangible assets increased significantly in this context and amounted to EUR 817 million as of December 31, 2016 (December 31, 2015: EUR 553 million). Other non-current financial and non-financial assets rose by 12 % to EUR 342 million (December 31, 2015: EUR 307 million). This development is mainly attributable to the rise in other investments and non-current trade receivables. At EUR 148 million, other current financial and non-financial assets were also above the level of the previous year (December 31, 2015: EUR 137 million).

Financial Glossary, page 282.

Programming assets increased by 5 % year-on-year and amounted to EUR 1,312 million (December 31, 2015: EUR 1,252 million). This corresponds to a share of 20 % of total assets (December 31, 2015: 24 %). In addition to goodwill, programming assets are among ProSiebenSat.1's most important assets and comprise non-current and current programming assets.

Current trade receivables increased by 16 % and amounted to EUR 446 million (December 31, 2015: EUR 383 million). At the same time, cash and cash equivalents increased significantly by 73 % or EUR 537 million to EUR 1,271 million compared to December 31, 2015. This high level of liquidity reflects the development of cash flows.

Analysis of Liquidity and Capital Expenditure, page 129.

- **Equity:** Equity increased to EUR 1,432 million (+52 % or EUR 489 million compared to December 31, 2015) while the corresponding equity ratio increased to 22 % (December 31, 2015: 18 %). The issuance of shares strengthened the capital base by EUR 515 million (gross).

- **Current and non-current liabilities:** Non-current and current financial liabilities reported in debt increased by 19 % and amounted to EUR 3,185 million compared to EUR 2,675 million as of December 31, 2015. This was mainly due to promissory notes of EUR 500 million. Thereby, the Group has placed its financing on a broader basis. In addition, deferred taxes on assets from purchase price allocations for acquisitions and outstanding contingent purchase price payments for majority interests acquired in 2016 led to an increase in current and non-current liabilities. Overall, liabilities and provisions went up by 18 % to EUR 5,172 million compared to December 31, 2015 (December 31, 2015: EUR 4,367 million).

Accounting assumptions and estimates (Fig. 75)

When applying accounting principles, recognizing income and expenses and presenting items in the financial statements, assumptions and estimates need to be made to a certain extent. Detailed information on the use of assumptions and estimates is disclosed in the relevant Notes.

Business Development of the Segments

- **The Broadcasting German-speaking segment is growing profitably with a constantly high margin of 33.0 %.**
- **The Digital Entertainment segment is developing positively and dynamically in strategically relevant business areas.**
- **The Digital Ventures & Commerce segment is again the Group's most important revenue driver. Acquisitions are complementing the commerce portfolio with added value.**
- **The Content Production & Global Sales segment accelerated its profitable growth.**

Broadcasting German-speaking Segment

Notes, Note 2 "Segment reporting," page 186.

Development of the TV and Online Advertising Market, page 112.

In the financial year 2016, **external revenues** in the Broadcasting German-speaking segment increased to EUR 2,210 million. This equates to an increase of 3 % or EUR 58 million compared to the previous year. The positive revenue development is based on higher TV advertising revenues, which increased both in the core market of Germany and in Austria and Switzerland. In addition, distribution revenues continued to rise dynamically. The distribution of TV stations in HD quality and via mobile streaming providers made a particular contribution to the revenue growth here.

Revenue growth with efficient cost management led to a rise in the earnings figures: **Recurring EBITDA** adjusted for reconciling items increased by 3 % to EUR 760 million (previous year: EUR 734 million). The **recurring EBITDA margin** remained constantly high at 33.0 %. **EBITDA** increased by 4 % or EUR 31 million to EUR 747 million. This reflects the high level of profitability of the TV business.

Key figures Broadcasting German-speaking segment (Fig. 76)

EUR m	2016	2015
Segment revenues	**2,304**	2,228
External revenues	**2,210**	2,152
Internal revenues	**94**	76
EBITDA	**747**	716
Recurring EBITDA	**760**	734
Recurring EBITDA margin[1] (in %)	**33.0**	33.0

1 Based on segment revenues.

Digital Entertainment Segment

Notes, Note 2 "Segment reporting," page 186.

Changes in the Scope of Consolidation, page 119.

In the Digital Entertainment segment, **external revenues** increased by 19 % to EUR 442 million (previous year: EUR 371 million). In the financial year 2016, the ad video-on-demand (ad VoD) business developed dynamically due to acquisitions, while the advertising-financed multi-channel network (MCN) Studio71 contributed the highest amount to revenue growth. Moreover, the Group developed its expertise in the area of digital advertising technology in the second half of 2015 by acquiring the companies SMARTSTREAM.TV and Virtual Minds. In addition, the revenues of the pay VoD offering maxdome are increasing. In contrast, revenues from the Adjacent business developed below the previous year's level as expected. At the same time, revenue performance was characterized by the deconsolidation of the Games business at the end of the second quarter of 2016.

The acquisitions also affected cost development. Furthermore, the individual business areas have different margin structures and growth momentum, resulting in **recurring EBITDA** of EUR 37 million, at the level of the previous year (previous year: EUR 37 million). The corresponding **recurring EBITDA margin** decreased to 7.9% (previous year: 9.8%). By contrast, **EBITDA** increased by 25% or EUR 7 million to EUR 37 million as a result of income adjustments. This occurred within the context of portfolio measures.

Group Earnings, page 121.

Key figures Digital Entertainment segment (Fig. 77)

EUR m	2016	2015
Segment revenues	**463**	378
External revenues	**442**	371
Internal revenues	**21**	7
EBITDA	**37**	29
Recurring EBITDA	**37**	37
Recurring EBITDA margin[1] (in %)	**7.9**	9.8

1 Based on segment revenues.

Digital Ventures & Commerce Segment

Notes, Note 2 "Segment reporting," page 186.

Impact of General Conditions on the Business Performance, page 117.

Changes in the Scope of Consolidation, page 119.

In the financial year 2016, **external revenues** in the Digital Ventures & Commerce segment increased significantly to EUR 768 million. This equates to an increase of 65% or EUR 303 million compared to the previous year. Due to acquisitions, the strongest revenue drivers were the travel and commerce activities. Here, the online travel portal etraveli and the online comparison portal Verivox made the highest contributions to growth. Moreover, ProSiebenSat.1 Group established another successful commerce vertical last year with Beauty & Accessories. In the reporting period, the online perfume shop Flaconi primarily contributed to organic revenue growth here.

As the individual business areas have different revenue dynamics and cost structures, the **recurring EBITDA margin** decreased to 23.0% (previous year: 28.8%). However, **recurring EBITDA** adjusted for reconciling items increased by a dynamic 33% to EUR 180 million (previous year: EUR 136 million). **EBITDA** likewise grew by double digits: It increased by 37% or EUR 46 million to EUR 168 million.

Group Earnings, page 121.

Key figures Digital Ventures & Commerce segment (Fig. 78)

EUR m	2016	2015
Segment revenues	**782**	472
External revenues	**768**	465
Internal revenues	**14**	6
EBITDA	**168**	123
Recurring EBITDA	**180**	136
Recurring EBITDA margin[1] (in %)	**23.0**	28.8

1 Based on segment revenues.

Content Production & Global Sales Segment

Notes, Note 2 "Segment reporting," page 186.

Changes in the Scope of Consolidation, page 119.

In the Content Production & Global Sales segment, **external revenues** increased by 38 % or EUR 99 million to EUR 362 million. In addition to the initial consolidation of 44 Blue Studios in July 2016, Dorsey Pictures and Karga Seven Pictures contributed to revenue growth. Revenues also increased organically, with the US production company Left/Right making the biggest contribution to growth. The distribution business also had a positive impact: In October, Red Arrow licensed exploitation rights for the crime series "Bosch" to companies of Amazon Group.

Due to the significant increase in revenues, key operating earnings figures also grew dynamically: **Recurring EBITDA** increased by 87 % or EUR 22 million to EUR 47 million. As a result, the **recurring EBITDA margin** improved considerably to 11.2 % (previous year: 7.9 %). **EBITDA** likewise grew by double digits, doubling to EUR 44 million (previous year: EUR 22 million).

Key figures Content Production & Global Sales segment (Fig. 79)

EUR m	2016	2015
Segment revenues	**421**	319
External revenues	**362**	262
Internal revenues	**60**	56
EBITDA	**44**	22
Recurring EBITDA	**47**	25
Recurring EBITDA margin[1] (in %)	**11.2**	7.9

1 Based on segment revenues.

Overall Assessment of the Business Performance – Management View

2016 marked another record year for ProSiebenSat.1 in which we achieved our profitability targets. However, 2016 was a successful year not only on the basis of growth figures. We also developed positively from a financial perspective, took advantage of financial market conditions and further optimized our capital structure. We remained within our target range for the leverage ratio. At the time the Group Management Report was compiled, ProSiebenSat.1 Group is characterized by overall very good earnings, financial position and performance.

The German economy continued to grow in 2016, which encouraged our advertising customers to invest. At the same time, the market data for our digital portfolio was very positive: The in-stream advertising, video-on-demand and digital commerce industries grew significantly. In this market environment, the Group closed 2016 with record figures for revenues and operating earnings figures once again. All segments contributed to this dynamic revenue performance.

Our TV business is highly profitable and is generating ongoing and solid growth. We have highlighted our leading position among viewers in a highly competitive environment and grown in the advertising market at the same time. In addition to the positive economic situation in Germany, we also benefited from ongoing structural changes on our core market, Germany. Many print customers are shifting their advertising budgets to television. At the same time, we invested in new markets and increased our reach via new digital platforms and also by launching another free TV station. Our successful M&A strategy, which focuses on synergies between TV and digital assets, has also strengthened the Group's growth in the long term. For instance, we have tapped a new growth area with PARSHIP, a provider of online dating services. PARSHIP's platforms already have leading market positions, but their success can be further increased with TV advertising. We are also growing profitably in the program production and distribution business: Red Arrow has established itself as an important driver of growth for the Group and is pressing ahead with its dynamic development, especially in the US, which is a strategically important market.

This positive annual record and the good start into the financial year 2017 confirm our strategy: We are transforming ProSiebenSat.1 from a traditional TV provider into an omnichannel entertainment & commerce brand powerhouse with a global presence.

ProSiebenSat.1 Media SE
(Explanations According to HGB)

> **The business development of ProSiebenSat.1 Media SE reflects the economic situation of the Group; this also applies to the opportunity and risk situation.**

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.

Group Environment, page 100.

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.

Risk Report, page 148.

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 according to section 289 (5) HGB, are presented in the Risk Report.

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 46.

Significant Events in 2016

The Year 2016 at a Glance, page 70.

On November 3, 2016, ProSiebenSat.1 Media SE carried out a cash capital increase from Authorized Capital without shareholders' preemptive rights. The share capital increased by 6.5% and 14,202,800 new registered-common shares were issued at EUR 36.25 per share to institutional investors with a full dividend entitlement for the financial year 2016.

Takeover-Related Disclosures, page 60.

In addition, ProSiebenSat.1 Media SE issued three unsecured syndicated promissory notes as of December 1, 2016 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).

Earnings of ProSiebenSat.1 Media SE

Statement of income according to German GAAP (HGB) — executive summary (Fig. 80)

EUR m	2016	2015	2015 as per BilRUG
Revenues	99	38	92
Other operating income	66	141	87
Program and material expenses	55	38	56
Personnel expenses	103	73	73
Depreciation	17	11	11
Other operating expenses	118	143	125
Operating expenses	293	265	265
Investment income	722	773	773
Financial result	-78	-81	-81
Taxes	186	172	172
Income after taxes	**330**	**434**	**434**
Profit of the year	**330**	**434**	**434**
Profit carried forward	1,533	1,486	1,486
Balance sheet profit	**1,863**	**1,920**	**1,920**

Due to the first-time adoption of the requirements of the German Accounting Directive Implementation Act (BilRUG) in 2016, ProSiebenSat.1 Media SE's earnings of the financial year 2016 are only partly comparable to the previous financial year. In accordance with BilRUG, prior year's figures have not been adjusted retrospectively. BilRUG changed the presentation of revenues, which has consequences for the corresponding presentation of expenses. To make the earnings comparable, a "2015 as per BilRUG" column has been included in the table above. This column shows previous year's figures in accordance with the requirements of BilRUG. The following explanations regarding the profit situation are based on the comparison of the financial year 2016 and the adjusted values of the previous year. For further information on BilRUG, please refer to the comments in the Notes for ProSiebenSat.1 Media SE.

Revenues of ProSiebenSat.1 Media SE increased in financial year 2016 by EUR 7 million or 8 % to EUR 99 million. The year-on-year revenue growth resulted primarily from higher revenues from the sale of ancillary programming rights as well as revenues from barter transactions.

Other operating income fell by 24 % or EUR 21 million year-on-year to EUR 66 million. This development was mainly due to the decline in income from currency translation.

Operating expenses amounted to EUR 293 million (previous year: EUR 265 million). On the one hand, this was mainly due to EUR 30 million higher personnel expenses resulting from a significant increase in employee numbers and higher expenses from long-term incentive share-based payment plans. On the other hand, depreciation increased. This increase primarily resulted from a reduction of useful lives of installations and modifications due to the planned new construction of the office in Unterföhring. The decrease in other operating expenses was mainly due to lower expenses from currency translation.

Investment income, consisting of income from profit transfer agreements and expenses from loss absorption, decreased by 7 % or EUR 51 million to EUR 722 million. Income from profit transfer agreements of EUR 753 million (previous year: EUR 897 million) was partly offset by expenses from loss absorption of EUR 31 million (previous year: EUR 124 million).

In financial year 2016, the **financial result** (interest income netted against interest expenses) improved by EUR 3 million to minus EUR 78 million.

Tax expenses amounted to EUR 186 million in financial year 2016 compared to EUR 172 million in the previous year.

For financial year 2016, ProSiebenSat.1 Media SE reported a **profit of the year** of EUR 330 million which was 24 % or EUR 104 million below previous year.

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 according to the German Commercial Code (HGB). These contracts will not expire before 2019.

Net Assets of ProSiebenSat.1 Media SE

Balance sheet in accordance with German GAAP (HGB) – executive summary (Fig. 81)

EUR m	12/31/2016	12/31/2015
ASSETS		
Intangible assets	4	1
Properties	53	56
Financial assets	6,201	5,638
Non-current assets	**6,258**	**5,695**
Receivables and other assets	1,092	1,162
Cash and cash equivalents	1,042	524
Current assets	**2,134**	**1,686**
Prepaid expenses	4	4
Active difference resulting from offsetting	0	0
Total assets	**8,396**	**7,385**
LIABILITIES AND EQUITY		
Equity	3,216	2,778
Provisions	159	91
Liabilities	4,998	4,500
Deferred tax liabilites	23	16
Total liabilities and equity	**8,396**	**7,385**

As of December 31, 2016, the **total assets** of ProSiebenSat.1 Media SE increased by 14 % or EUR 1,011 million to EUR 8,396 million.

Non-current assets increased by 10 % or EUR 563 million year-on-year to EUR 6,258 million as of December 31, 2016. The increase primarily resulted from capital increases at direct subsidiaries in the period under review.

On December 31, 2016, **current assets** amounted to EUR 2,134 million. The increase of 27% or EUR 448 million was primarily due to the EUR 518 million rise in cash and cash equivalents. The cash inflows form the capital increase and the issuance of promissory notes of EUR 500 million were partly offset by the cash outflows for dividends and capital increases at direct subsidiaries. In addition, advance payments for programming assets increased by EUR 28 million. This was partially offset by the decline in intercompany receivables of EUR 97 million.

As of December 31, 2016, the **equity** of ProSiebenSat.1 Media SE increased to EUR 3,216 million. On the one hand, the increase by 16% or EUR 438 million resulted from the profit of the year of EUR 330 million in the financial year 2016. On the other hand, the capital increase led to an inflow of EUR 515 million (before costs). However, this was partly offset by the dividend distribution of EUR 386 million in July 2016 and the cumulative effects of the change in the mode of settlement of the share-based payment arrangements from equity-settled to cash-settled. In the context of this change, EUR 30 million were reclassified from capital reserves to provisions.

As of December 31, 2016, the **equity ratio** remained unchanged at 38%.

Provisions increased by EUR 68 million to EUR 159 million as of December 31, 2016. This was due to the EUR 45 million increase in personnel provisions mainly resulting from the change in the mode of settlement of share-based payment arrangements of EUR 30 million and the EUR 16 million increase in tax provisions.

Amounting to EUR 4,998 million, **liabilities** as of December 31, 2016, were EUR 498 million higher than the previous year's figure of EUR 4,500 million. This development resulted mainly from the issuance of promissory notes of EUR 500 million and the EUR 70 million increase in trade accounts payable. In contrast, liabilities to affiliated companies decreased by EUR 75 million to EUR 1,416 million.

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 the Group affect the liquidity of ProSiebenSat.1 Media SE to a large degree.

For Group companies, especially the German TV stations, ProSiebenSat.1 Media SE acts as purchasing agent for programming assets. In financial year 2016, EUR 539 million (previous year: EUR 469 million) have been spent on **investments in programming assets**. ProSiebenSat.1 Media SE received EUR 509 million (previous year: EUR 486 million) from Group companies from the internal transfer of programming assets. As of December 31, 2016, the total future financial obligations from programming purchase agreements already concluded amounted to EUR 2,791 million (previous year: EUR 2,962 million).

In the period under review, **cash outflows for purchases of tangible fixed assets** at ProSiebenSat.1 Media SE amounted to EUR 17 million. This is a year-on-year increase of EUR 2 million.

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 2016, on average 651 people were employed at ProSiebenSat.1 Media SE; 570 employees and 81 apprentices, trainees and interns. In the previous year, on average 564 people were employed at ProSiebenSat.1 Media SE, 79 of whom were apprentices, trainees and interns.

Risks and Opportunities

Risk and Opportunity Report, page 148.

The business performance of ProSiebenSat.1 Media SE is fundamentally subject to the same risks and opportunities as that of 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 from page 148 onwards.

Outlook

Outlook, page 170.

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. Therefore, the remarks in the Outlook from page 170 also apply to ProSiebenSat.1 Media SE. We assume that the investment result will have a substantial influence on the profit of ProSiebenSat.1 Media SE.

Employees

- **ProSiebenSat.1 is one of the most attractive employers in Germany.**
- **We support our employees through all stages of their career and value diversity.**

Employer attractiveness and strategic Human Resources work

ProSiebenSat.1 was still a traditional TV group only a few years ago. Today, we are a digital media corporation with a diversified business profile, including e-commerce, international program sales and our own multi-channel network. In this context, change is a key part of our corporate culture. With our HR strategy, we promote the innovativeness of our employees and advance the digital transformation of the Group. This is why we are making targeted investments in the education and training of our employees and offering them attractive career opportunities, performance-based remuneration models, family-friendly working conditions and a wide range of social benefits.

Good positions in employer rankings are a key external tool in order to measure the success of this HR strategy. ProSiebenSat.1 Group is one of Germany's most popular employers (Fig. 82).

Employer ranking of ProSiebenSat.1 Group (Fig. 82)

Universum employer ranking:	**2nd place among humanities students** (previous year: 2nd place)
Universum employer ranking:	**11th place among economics students** (previous year: 10th place)
trendence Schülerbarometer 2016:	**9th place among Germany's Top 10 employers** (previous year: 8th place)
trendence Graduate Barometer 2016:	**1st place in the media industry** (no comparative ranking, first ranking by industry in 2016)
Focus Money:	**"Top Career Opportunities in 2016" award** in the "Television and Music" category (no comparative ranking, first ranking in 2016)
2016 Potentialpark employer ranking:	**11th place in the "Online Candidate Communication" category** (previous year: 6th place)
kununu ranking:	**3rd place in the "Recruiting" category** (no comparative ranking, first ranking in 2016)

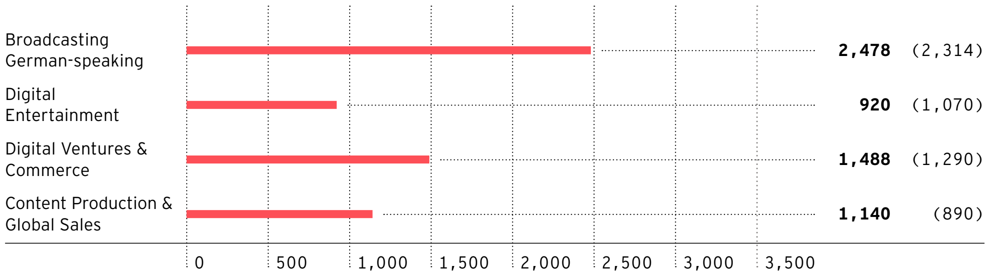
Development of Employee Numbers

Changes in the Scope of Consolidation, page 119.

We are investing in new business areas and the number of employees is also growing accordingly. As of December 31, 2016, the Group had 6,565 employees (previous year: 5,584), calculated on the basis of full-time equivalents. The number of full-time equivalents averaged 6,054 in the period under review (previous year: 4,880). This increase by 1,174 average full-time equivalents or 24% is mainly attributable to the expansion of the Digital Ventures & Commerce business (Fig. 83). The average duration of employment was 5.5 years, as in the previous year. The turnover rate was 10.0% in the financial year 2016 (previous year: 8.8%).

Employees by segments[1] (Fig. 83)

average full-time equivalents, 2015 figures in parentheses

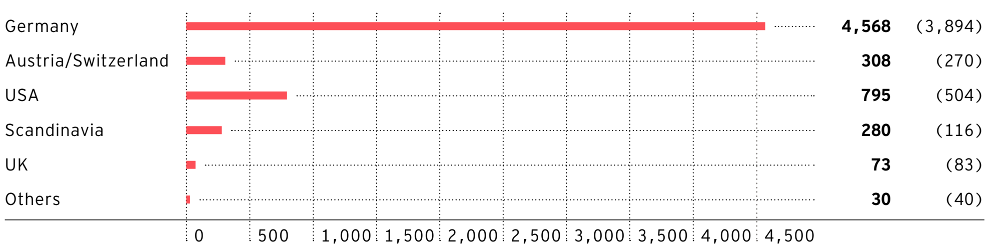


1 The total amount of 6,054 average full-time equivalents includes 28 employees who are not allocated to a segment.

In 2016, ProSiebenSat.1 had an average of 4,876 employees in Germany, Austria, and Switzerland (previous year: 4,164 average full-time equivalents). This equates to growth of 17 % year-on-year and an 81 % share of the Group's total employees (previous year: 85 %) (Fig. 84).

Employees by regions (Fig. 84)

average full-time equivalents, 2015 figures in parentheses



Group Earnings, page 121.

Due to the greater number of employees, personnel expenses reported in the cost of sales, selling expenses and administrative expenses also increased to EUR 616 million in the financial year 2016. This corresponds to an increase of 29 % or EUR 139 million compared to the previous year.

Diversity Management

www.charta-der-vielfalt.de/en

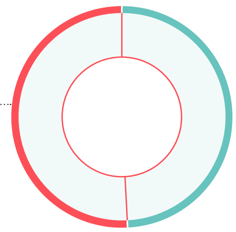
Our corporate culture is characterized by openness and respect. This is why ProSiebenSat.1 Group signed the Diversity Charter in 2014. By joining this initiative, we have underlined our commitment to creating a working environment free of prejudice and exclusion that promotes diversity among employees.

Information on targets for the composition of the Executive Board and Supervisory Board can be found in the Corporate Governance Report, page 36

We value the different personality traits, interests and cultural backgrounds of our colleagues and we are convinced that diverse teams are more successful. A balanced ratio of men and women contributes towards diversity. In 2016, 49.2 % of ProSiebenSat.1 employees were women (previous year: 46.8 %) and 50.8 % of employees were men (previous year: 53.2 %) (Fig. 85).

Proportion of women and men in the Group as a whole (Fig. 85)

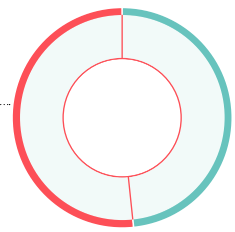
in percent, 2015 figures in parentheses



In the core market of Germany, the proportion of women was 48.4 % (previous year: 45.4 %) and was thus roughly on the same level as the average proportion of women at German companies (Fig. 86). This figure was recently 46.4 % according to the Federal Office of Statistics (June 2016).

Proportion of women and men in the German core market (Fig. 86)

in percent, 2015 figures in parentheses



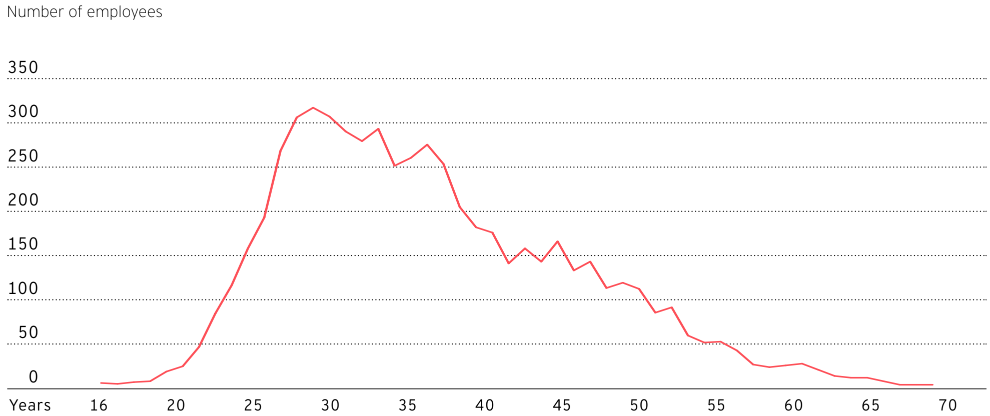
Management Declaration, page 46.

Corporate Governance Report, page 36.

The proportion of women at management level was 29.1% (previous year: 29.0%). In the core market of Germany, 28.7 % of managers were women (previous year: 27.9 %). This figure also corresponds to the average figure at German enterprises (Federal Statistical Office 2015: 29 %). In order to promote this balanced ratio, the Executive Board of ProSiebenSat.1 Media SE has set targets for the proportion of women at both management levels below the Executive Board and for the Supervisory Board in September 2015. The target for first-level management is 15 % and the target for second-level management is 25 %. These targets must be achieved by June 30, 2017. We have already achieved our target for the proportion of women in first-level management. This is also correct regarding the composition of the Supervisory Board. On December 31, 2016, the Supervisory Board was made up of nine members, including three women. This means that the Supervisory Board's current composition meets the self-determined target of 33 %. In addition, ProSiebenSat.1's Supervisory Board set targets for the Executive Board.

However, ProSiebenSat.1 sees diversity not only as a balanced ratio of women and men, but also recruits employees at all hierarchy levels solely on the basis of skills and objective criteria. Factors such as nationality, sexual orientation and age play no role here. In 2016, ProSiebenSat.1 employed people from around 50 different nations in Germany. The average age of employees was 36.7 years, as in the previous year (Fig. 87).

Age pyramid (Fig. 87)



Recruiting und Employer Branding

In recent years, ProSiebenSat.1 Group continuously developed its recruiting and employer branding activities. For instance, this includes the development of a recruiting team that maintains an external network of people with potential. We are capable of quickly filling vacant positions and efficiently managing costs by contacting people directly. In addition, ProSiebenSat.1 established a job recommendation program called Talentry. Employees can recommend suitable candidates for vacant positions using the intranet. Over 1,000 users have now registered with Talentry and submitted around 2,500 recommendations. Employees receive a bonus if the person they recommend is eventually hired.

www.fascinating-people.de/en

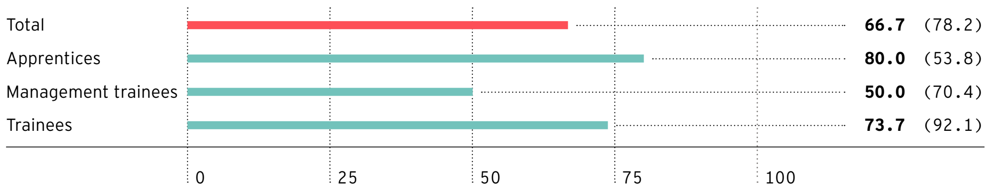
The Group pursues a holistic recruiting strategy. This also involves contacting candidates based on the relevant target group using various communication channels, such as social media channels which complement our career portal at www.fascinating-people.de/en. The Group also focuses on graduates and was represented at a total of twelve university fairs in 2016. An indicator for the success of this strategy is the number of applications. In 2016, the number of applications in Germany rose by around 11% to 41,800 applications (previous year: 37,700).

Education and Training

ProSiebenSat.1 trains junior staff for the Group through various apprenticeships. In 2016, a total of 171 apprentices worked in Germany at ProSiebenSat.1 (previous year: 190). This includes management trainees, trainees in TV, Online and PR, as well as apprentices in the following courses: audiovisual media, events, video and sound media design and IT system integration. The Group also offers dual study programs in media and communications business, as well as accounting and controlling. Since 2016, graduates have been given the opportunity to apply for a new IT traineeship with a focus on software development, data analysis or IT management. In addition, the Group took on most of its apprentices, management trainees and trainees as employees (Fig. 88).

Retention rate of apprentices, trainees and management trainees in Germany (Fig. 88)

in percent, 2015 figures in parentheses



The Company offers its employees a wide range of training opportunities throughout their career. In this context, the courses offered by the ProSiebenSat.1 Academy are a key tool. There were 558 events at the Academy in 2016 (previous year: 750 events), with 5,963 participants (previous year: 6,945 participants). The decline in the number of events, participants and investment is also due to the fact that the Academy offered a special range of events last year in order to introduce a new software.

ProSiebenSat.1 promotes networking between employees with the aim to create universal specialist knowledge and leverage synergies. Managers who have an entrepreneurial spirit and encourage employees to be innovative are also important for the Group's development. ProSiebenSat.1 supports this with a management development program. All new managers complete the "New Leader," "Performance," "Team," "Self-Management" and "Digital Leader" modules. In 2016, a total of 370 managers took part in the development programs offered here (previous year: 451). Overall, ProSiebenSat.1 Group's investments in education and training programs amounted to EUR 3.3 million (previous year: EUR 3.6 million); ProSiebenSat.1 Academy programs account for most of this amount.

Performance-Based Compensation System

Our employees are managed in line with the principle of "Management by Objectives," drawing on a system of targets that puts higher-level corporate objectives into more specific terms for both staff and management by systematically breaking down targets into segment, departmental and individual goals. At annual assessment interviews, employees and their supervisors define personal targets for the financial year. This system of targets is tied to a bonus plan calculated on the basis of individual target attainment and the EBITDA generated by the Company. Employees can achieve up to 200% of their individual target bonus.

Compensation Report, page 48.

ProSiebenSat.1 lets its employees participate appropriately in the Company's success with performance-based compensation. For managers, the Company introduced the "Performance Development" program in 2010. The objective is to assess functional performance, manager conduct and business activity. The program is linked to a bonus system, and also entitles managers to receive a one-time payment of up to 200% of the individual target bonus. A share-based payment plan (Group Share Plan) was initiated in 2012 as another incentive system in which selected managers participate.

In order to strengthen organizational identification among employees, ProSiebenSat.1 also launched a share program for employees, MyShares, in June 2016. Employees can purchase shares worth between EUR 120 and EUR 1,000 every year. They receive additional tax-free shares worth EUR 360 from the Company, regardless of the amount. Once these have been held for three years, they also receive a free share for every three shares. Over 1,800 employees invested in MyShares in 2016, corresponding to nearly 50 % of all eligible employees.

Work-Life Package

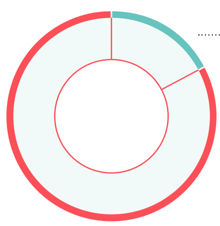
For over ten years, we have offered our employees an in-house child day-care center that currently has 64 places. In 2016, the Group's investments in childcare amounted to EUR 1.2 million (previous year: EUR 1.2 million). EUR 0.3 million went to the company child day-care center, EUR 0.9 million to care subsidies, which are paid to all employees whose pre-school age children receive care outside the home. We also collaborate with an external partner that offers childcare and support for family members.

In addition, we support our employees with flexible working hours models, teleworking jobs, sabbatical models and part-time work. The new working hours model (FlexTime) has been in place since 2015, offering employees a generous flexitime arrangement as well as various opportunities for compensatory time off. In addition, the model governs mobile work at home and while traveling.

In 2016, the share of part-time employees at ProSiebenSat.1 in Germany rose to 17.4 % (previous year: 16.8 %) (Fig. 89). According to the Federal Employment Agency, an average of 27 % of employees worked part-time at German companies in 2016. The fact that there are fewer part-time employees at ProSiebenSat.1 compared to the average number at German companies is largely due to the high number of young employees at ProSiebenSat.1.

Part-time and full-time employees in Germany (Fig. 89)

in percent, 2015 figures in parentheses



ProSiebenSat.1's human resources work also focuses on health and sport. With an in-house restaurant, gym and company doctor at the headquarters in Unterföhring, we cover a wide range of work-life standards for modern employers. In addition, ProSiebenSat.1 intends to build a new campus at the headquarters in Unterföhring, which some employees will move to. This is aimed at creating a modern campus with open structures that promotes cooperation beyond the confines of departments and hierarchies.

Risk Report

> **We have an effective risk management system.**
> **The overall risk situation remains limited.**

Risk Management System

ProSiebenSat.1 Group has established a standardized risk management system. It focuses on the Group's specific circumstances and covers all activities, products, processes, departments, investments and subsidiaries that could have an impact on our Company's business performance. Newly acquired units are being systematically integrated in the risk management system.

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, 2016, do not therefore come under this definition and are consequently not explained in this Risk Report. Risk management comprises four interlinked process steps:

1. **Identification:** The basis is to **identify** material risks by means of a target/actual comparison. The decentralized risk managers are responsible for this. For this purpose, they use early warning indicators defined for relevant circumstances and key figures. For instance, a key early warning indicator for the TV business is the development of audience shares.

2. **Assessment:** The relevant risks are **assessed** on the basis of a matrix (Fig. 90). 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 quantification (net assessment). In order to obtain the most precise view of the risk situation possible, however, opportunities are not taken into account. These are recorded by ProSiebenSat.1 in its budget planning.

Intragroup Management System, page 89.

Risk classification (Fig. 90)

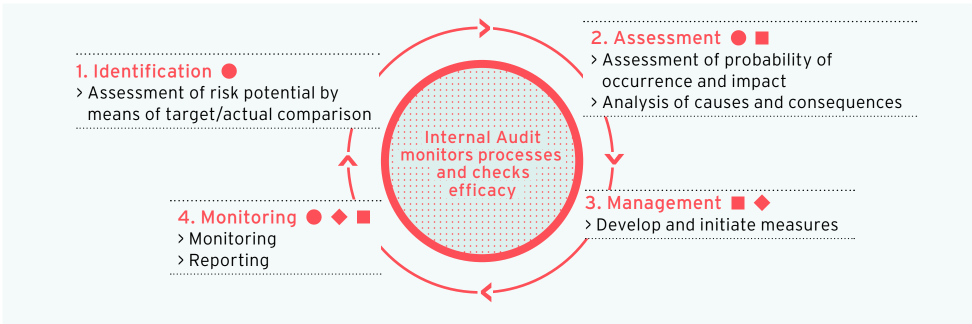
	Probability				
	Very unlikely ≤ 10%	Unlikely > 10% ≤ 30%	Possible > 30% ≤ 50%	Likely > 50% ≤ 80%	Very likely > 80%
Impact in EUR thousand					
Very low	≤ 750	≤ 750	≤ 750	≤ 750	≤ 750
Low	> 750 ≤ 3,000	> 750 ≤ 3,000	> 750 ≤ 3,000	> 750 ≤ 3,000	> 750 ≤ 3,000
Medium	> 3,000 ≤ 8,000	> 3,000 ≤ 8,000	> 3,000 ≤ 8,000	> 3,000 ≤ 8,000	> 3,000 ≤ 8,000
High	> 8,000 ≤ 15,000	> 8,000 ≤ 15,000	> 8,000 ≤ 15,000	> 8,000 ≤ 15,000	> 8,000 ≤ 15,000
Very high	> 15,000	> 15,000	> 15,000	> 15,000	> 15,000

Low risk Medium risk High risk

3. **Management:** Using appropriate measures, ProSiebenSat.1 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 develop and initiate countermeasures as soon as an indicator reaches 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.

Risk management process (Fig. 91)



● Decentralized risk manager ◆ Executive Board/Supervisory Board ■ Group Risk Officer

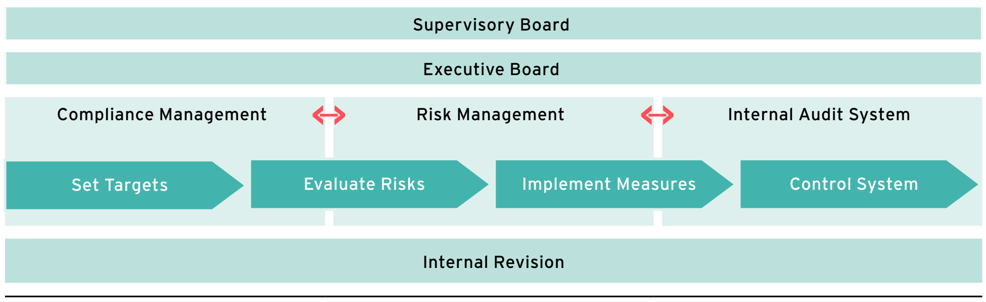
The fundamental requirements for handling risks safely throughout the Group include clear decision-making structures, standardized guidelines, and a methodical approach by the responsible bodies. At the same time, processes and organizational structures must be flexible enough to allow ProSiebenSat.1 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. 90 – 92).

- **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.

- **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 proactively.

- The **Risk Office** supports the various corporate units in identifying risk at an early stage. It also 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.

Risk management system (Fig. 92)



In 2016, 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 Manual. It summarizes company-specific principles and is based on the internationally recognized frameworks for enterprise risk management and internal control systems from COSO (Committee of Sponsoring Organizations of the Treadway Commission).

Development of Risk Clusters

Risk Categories and Overall Risk Situation

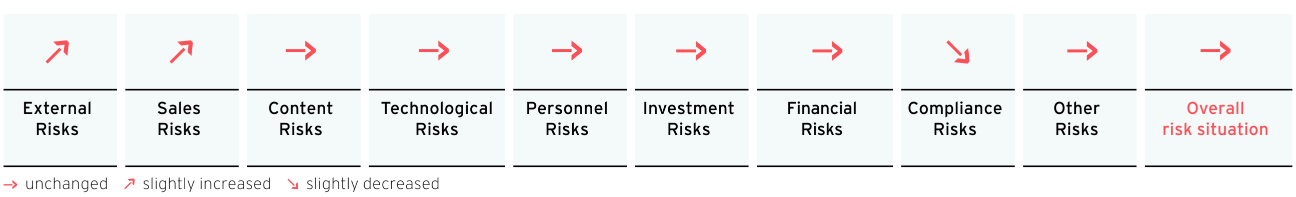
Our overall risk situation remains limited. It is largely unchanged year-on-year, although some of the individual risk clusters have increased or decreased slightly compared to December 31, 2015 (Fig. 93).

The assessment of the overall risk situation is the result of an aggregate analysis of the Group's main risk clusters: "operating risks," "financial risks," "compliance risks," and "other risks"; due to their thematic diversity, ProSiebenSat.1 also subdivides operating risks into external risks, sales risks, content risks, technological risks, personnel risks, and investment risks.

The risk clusters in turn comprise various different individual risks. To assess the overall risk situation, ProSiebenSat.1 therefore initially classifies all individual risks as part of the quarterly assessment process and aggregates them in the nine specified clusters based on the matrix described above (Fig. 90). When assessing the overall risk situation, ProSiebenSat.1 weights the clusters according to their significance for the Group.

Development of risk clusters and the overall risk situation of the Group as of December 31, 2016 (Fig. 93)

Change 2016 vs. 2015



In the following pages, we describe the various different individual risks and explain their categorization. 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 consider them as not material.

Operating Risks

Operating Risks (Fig. 94)

	Impact	Probability of occurrence	Significance of risk	Change compared to previous year
EXTERNAL RISKS				
Macroeconomic risks	high	possible	medium	slightly increased
General industry risks (media usage behavior)	very high	unlikely	medium	unchanged
SALES RISKS				
Media convergence	high	possible	medium	unchanged
Selling advertising time	very high	unlikely	medium	unchanged
Online avertising (ad blockers)	high	possible	medium	unchanged
Audience shares	high	possible	medium	slightly increased
CONTENT RISKS				
Licence purchases	moderate	very unlikely	low	unchanged
Commissioned and in-house productions	moderate	unlikely	low	unchanged
TECHNOLOGICAL RISKS				
Broadcasting equipment	low	unlikely	low	unchanged
Studio, post-production, and IT systems	low	unlikely	low	unchanged
PERSONNEL RISKS				
	moderate	unlikely	low	unchanged
INVESTMENT RISKS				
Risks from majority interests	moderate	unlikely	low	unchanged
Risks from minority interests	moderate	unlikely	low	unchanged

Our experience in the media sector, clear organizational structures and qualified staff enable us to deal with operating risks appropriately and implement effective measures for risk reduction. We tackle operational challenges with systematic efficiency controlling or ongoing market and competitive analysis, among other things. In addition, we optimize our risk profile by consistently investing in growth areas to reduce our dependency on individual markets and simultaneously leveraging digitalization as a growth opportunity for our TV and online business.

External Risks

The development of the German TV advertising market is our most important planning assumption. In addition to general economic growth, we include sector-specific data such as the reach of TV in our economic considerations.

Macroeconomic risks. By their nature, economic forecasts entail some uncertainties; this particularly applies to their potential financial implications for the advertising market. ProSiebenSat.1 analyzes economic and market developments continuously and assesses them systematically as part of risk management.

Although the research institutes expect growth in Germany to level off slightly in 2017, partly due to political uncertainties, the general upward trend looks set to continue. We therefore believe that the risks from general economic conditions have increased slightly, but we still classify high negative effects as possible. We therefore still rate this category as a medium risk. The domestic economy in Germany is developing positively overall, meaning that TV advertising investment in our main sales market is also likely to increase further.

Future Business and Industry Environment, page 170.

Industry experts' growth forecasts for the German net TV advertising market are optimistic. Our own forecasts for 2017 are based on low single-digit percentage growth of the German advertising market. At the same time, investments in online advertising are likely to increase, with in-stream videos continuing to develop dynamically. In addition to a generally positive industry environment, our assumptions are also based on a structural change in the German advertising market: While print advertisements are becoming less relevant as a result of digitalization, online advertising is gaining market share and TV is maintaining its high level.

Areas of Growth by Segment, page 82.

ProSiebenSat.1 is pursuing a digital growth strategy, thus diversifying its revenue and risk profile in all segments. In the economically sensitive core business of television, one key element of this strategy is to reach new target groups. Since 2010, the Group has launched four new special-interest stations in Germany, thereby freeing up additional advertising budgets and expanding its advertising inventory. In addition, ProSiebenSat.1 systematically invests in new growth markets such as HD distribution and thus in business areas that are funded independently of advertising revenues in the Broadcasting German-speaking segment, too. The Group already generated 47 % of its revenues outside the TV advertising business in 2016, whereas in 2015 the figure had been 40 %.

Opportunity Report, page 165.

General industry risks (media usage behavior). Technological change, and particularly the growing use of the Internet, is influencing media usage behavior. Media usage today mainly reflects more individual requirements: TV content is consumed using different devices and can thus be watched anywhere and at any time. Nonetheless, the majority of Germans prefer to watch television in a "lean-back mode." According to the Media Activity Guide, 81% of those surveyed want to lean back and relax when watching television. 94 % of German households have at least one TV set, meaning that the number of sets has remained stable.

Technical Distribution, Media Consumption and Advertising Impact, page 101.

Media Glossary, page 285.

However, the television sets themselves are developing further as a result of technical innovations, such as the possibility to watch television in high-definition (HD) quality and larger screens, and their quality is improving. In everyday life, usage patterns such as parallel consumption of TV and Internet are also on the rise: 55 % of 14- to 49-year-olds frequently use the Internet on their smartphones while watching television. Mobile devices therefore form part of the everyday use of media, but are not replacing the TV set. Instead, they serve as "second screens" and perform additional functions such as online searches and communication via social media channels. In this context, research methods also showed that a multimedia presence increases viewer retention, particularly among young people. This results in benefits for marketing, too: Firstly, online campaigns reach new target groups, and secondly, online contacts reinforce the effectiveness of TV advertising.

New forms of use such as time shifting on TV currently account for a small share: 98 % of TV consumption by viewers aged over 14 in Germany still relates to live use at the time of the broadcast. At the same time, the monthly net reach of television is recording a stable development at a high level. This applies to all viewer groups, particularly including the younger target group of 14- to 29-year-olds. On average in 2016, 46 % of viewers aged between 14 and 29 switched on their TV set every day. This figure did not change year-on-year in spite of the constantly growing number of other possible forms of media usage. An average daily viewing time of 119 minutes and thus almost two hours was calculated (previous year: 118 minutes).

Television will continue to dominate media use in the future: We expect consumption of TV content to increase by 3 % in total by 2020. Although consumption of television on stationary TV sets will decrease slightly to a viewing time of 162 minutes for the target group of 14- to 49-year-olds, it will, however, still be in first place. Meanwhile, the use of web-based free TV offers will increase. This means that more and more viewers will watch linear TV programming on PCs, laptops, or mobile devices. This form of use is becoming increasingly popular among younger viewers in particular and is expected to reach 32 minutes per day by 2020 already (currently 16 minutes per day, viewers aged 14 – 29).

These market data and research findings show that the digital transformation is taking place more slowly in Germany than in other countries. It is also following its own pattern. One structural feature of the German market is the broad range of offers on advertising-financed free TV. In contrast to the US and Scandinavian countries, in Germany the majority of stations are available for free and the quality of their programming is high. This is reflected in the number of pay TV and VoD subscriptions. While only 20 % of viewers in Germany currently subscribe to pay TV programs, around 83 % of US households do so. VoD offers are used by 11 % of households in Germany, compared to around 50 % in the US. In Scandinavian countries, the level of willingness to pay for additional offers is even higher, with the market penetration of pay TV amounting to between 91 % and 97 %. In this context, ProSiebenSat.1 is very well positioned to use the digital trend as a growth opportunity.

Media Glossary, page 285.

The Company is the market leader in the German audience market in the advertising-relevant target group of 14- to 49-year-old viewers, and in addition to free TV offers in SD quality it also offers its stations in HD. Parallel to this, ProSiebenSat.1 developed a digital entertainment range at an early stage and caters to new media usage habits with the online video portal maxdome and the TV apps. By inference, we still consider risks from a change in media use to be unlikely to materialize. In the event of a fundamental change, however, we cannot completely rule out a very high financial impact on our core business and thus the entire Group. We therefore rate this as a medium risk overall.

Development of User Numbers, page 108.

Sales Risks

Media convergence. No other technology has spread as rapidly over a period of just three years as smartphones and tablets. The prevalence of these devices among consumers aged 14 and over has increased by around 20 percentage points to 71 % and 38 % respectively in 2016. As a result, the once strong ties between content and end devices are coming somewhat undone and the lines between different media are blurring: The same content is now used on various channels on different devices. For example, Internet users are now listening to the radio and reading newspapers online. This development is being driven by broadband internet connections with fast data transfer rates. In light of the convergence of media, the future relevance of conventional television is repeatedly being questioned.

The research findings in the Media Activity Guide, an extensive study conducted by forsa on behalf of the ProSiebenSat.1 advertising sales company SevenOne Media, show that new forms of video usage are supplementing television. Entertainment devices such as smartphones and tablets are used in addition to TV sets instead of replacing them. At the same time, this parallel use does not have a negative impact on the use of linear television. For example, an analysis from the Media Activity Guide shows that 14- to 49-year-olds who frequently use the Internet and TV at the same time spend much longer both watching TV programs and also using online offers than the average for this target group. They spend 246 minutes watching TV, 22 % more than average, and the time they spend online is 28 % higher than average at 114 minutes. The additional available screens are also used to watch TV programming without TV sets: Among viewers aged between 14 and 49, roughly 6 % of TV usage is received via new methods such as live streams or TV sticks connected to PCs and laptops, compared to a figure of 4 % in 2015. Nonetheless, the high market penetration

Technical Distribution, Media Consumption and Advertising Impact, page 101.

of convergent devices entails risks for ProSiebenSat.1. TV and online could not only be used in parallel with the consumption of video content on new devices rising overall, but convergence could also lead to a future reduction in TV use. This could in turn have a negative impact on advertising customers' willingness to invest and thus negatively affect prices for TV advertising. Although we are not currently seeing substitution, we believe it is possible that this risk may materialize. We therefore cannot rule out high effects on our revenue or earnings performance and we continue to classify potential losses from media convergence as a medium risk. For this reason, we will continue to invest in both TV and digital entertainment and use our potential by networking our TV stations with digital offers to an even greater extent.

Digital Commerce & Marketing: Hamburg 5 °C, Munich 18 °C, page 20.

Selling advertising time. ProSiebenSat.1 Group moderately increased its prices for TV advertising space again in 2016 and freed up additional advertising budgets. Innovative marketing models such as addressable TV are an important growth measure in this context. Our customer base also comprises companies from a wide range of industries. The diversified portfolio of complementary free TV stations also helps to compensate for potential declines in advertising budgets in individual sectors.

Development of the TV and Online Advertising Market, page 112.

In the vast majority of cases, ProSiebenSat.1 does not conclude advertising contracts directly with the advertising companies. Instead, media agencies function as intermediaries, which become direct contract partners for our sales company SevenOne Media GmbH. The market for TV advertising time is characterized by concentrated structures both on the demand and supply side. On the demand side, there are essentially seven large associations of media agencies, which usually consist in turn of many smaller agencies. These are faced on the supply side primarily by the two private broadcasting groups, ProSiebenSat.1 and RTL, and the public television stations. Because of this and the high attractiveness of television and its significance as the number one medium in the media mix, the business relationship formally concentrated on a few agencies does not give rise to any notable financial risk. Similarly, ProSiebenSat.1 has not identified any material default or liquidity risks because of the association structure described above and the short billing cycles of at most one month.

Planing and Management, page 89.

Should advertising budgets decline, the price level in the selling of advertising time fall or customers default, this could have very high consequences for the Group's revenue and earnings performance. We are observing increasingly intense competition in the German advertising market, but continue to classify risks in connection with marketing our TV advertising time as a medium risk. We believe that they are unlikely to materialize. Nevertheless, we regularly identify and analyze the competitive environment and our advertising revenues and advertising market shares in order to detect potential losses at an early stage. By comparing projections and actual figures with the corresponding prior-year values, budget deviations can be spotted and countermeasures such as cost adjustments or changes in program planning and price policy can be quickly implemented as well.

Online advertising: Ad blockers. In connection with the sale of online advertising, ad blockers represent a sales risk. These programs, which are offered as browser plug-ins and now also as apps for mobile devices, prevent advertising from being displayed. ProSiebenSat.1 Group has taken various measures to limit this risk: The Company has introduced technical means that can effectively prevent the ad blockers from functioning. At the same time, we are raising our users' awareness with education campaigns such as Stromberg-AdUcate. In addition, ProSiebenSat.1 has filed an application for an injunction against the most widespread ad blocker in Germany (AdBlock Plus). The proceedings are currently being held at the Munich Higher Regional Court.

However, further spreading of ad blockers is still possible and this could have a high impact on the success of online advertising business. Overall, we rate the total risk for ProSiebenSat.1 Group as a medium risk.

Development of the Audience Market, page 105.

Audience shares. The risk of declines in the audience shares of our free TV stations has slightly increased year-on-year as new stations on the German free TV market are intensifying competition. Under these circumstances, we assess the implications of a decline in audience shares as high and the probability of occurrence as possible for this reason. Nonetheless, our risk classification has not changed overall and we continue to assess this category as a medium risk.

The Year 2016 at a Glance, page 70.

ProSiebenSat.1 Group is the leader in the German TV market and has a diversified station portfolio. In September 2016, the Group launched kabel eins Doku, a station aimed specifically at a male audience aged 40 to 64. After sixx, ProSieben MAXX and SAT.1 Gold, kabel eins Doku is the fourth special-interest station that ProSiebenSat.1 is offering in the German market. This multi-station strategy offers advantages in terms of marketing: The aim is to acquire new viewers and thus create additional advertising space by means of target-group-specific programming. With this strategy, the Group acquired more than 100 new customers in a highly competitive market for new customers in 2016. Overall, we have therefore identified no new effects on the ProSiebenSat.1 stations' sale of advertising from the modified risk assessment.

TV & Marketing: TV Advertising Goes Live, page 16.

Audience shares are an important performance indicator for managing the Group and also a key indicator for early risk detection: Firstly, they reflect how the programming offer meets the taste of the audience. In this way, they measure a program's attractiveness and indicate its profitability. Secondly, they document the reach of an advertising spot and thus serve as proof of performance for our advertising customers. The Company therefore performs a daily analysis of the results on the basis of data from the Working Group of Television Research (AGF). In this way, ProSiebenSat.1 is able to measure the success of its formats and, if necessary, to take countermeasures at any time. In addition to quantitative analyses, qualitative studies are also an important control instrument. Program research at ProSiebenSat.1 cooperates closely with various institutes on this. ProSiebenSat.1 commissions them to carry out regular telephone and online interviews and group discussions with viewers in Germany. In this way, stations obtain direct feedback from their audience and thus can optimize and further develop their programs on an ongoing basis.

Content Risks

Impact of General Conditions on the Business Performance, page 117.

We continue to categorize content-specific risks as low; they have not changed in comparison to the previous year. In this context, the Group differentiates between risks from license purchases and risks in the context of commissioned and in-house productions.

License purchases. Exclusivity and novelty are characteristics of the quality of interesting program formats. Therefore, ProSiebenSat.1 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, we cannot completely rule out future risks from license purchases, but we consider them very unlikely. In this event, a moderate impact on the Group's earnings performance would be conceivable. Overall, we classify this as a low risk. We base our assessment on the following issues:

Financial Risks, page 158.

ProSiebenSat.1 Group is exposed to currency risks when purchasing program licenses, because it acquires many of its feature films and series from the major US studios. The Group limits this risk with derivative financial instruments. Furthermore, price increases could also influence license purchases and therefore our business performance. In the buying market, the Company is in competition with other players, including well-funded international competitors with their own VoD platforms and headquarters in the US. However, ProSiebenSat.1 Group has a diversified supplier base and contracts with all major US studios. In addition to close business relationships with licensors, a high purchasing volume secures the Group's strong negotiating position that enables it to purchase exclusive programming at attractive conditions. In addition, programming contracts are often signed some years before production and broadcast. This guarantees our supply of programming in the long term.

Nonetheless, the competition for attractive content could intensify further 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. Moreover, signing programming contracts early does not have only advantages. It also harbors a certain potential risk with regard to future program formats if their quality and success is not as expected. In this event, it might be necessary to invest in additional programming. To proactively minimize this risk, ProSiebenSat.1 therefore only makes long-term programming agreements with film studios and production companies with an appropriate reputation and successful track record. In any case, we have also identified a low potential loss in connection with the currently high proportion of US programs on our free TV stations. US formats such as "NAVY CIS" and "The Big Bang Theory" are hugely popular and achieve large audience shares in Germany.

Commissioned and in-house productions (local productions). Commissioned and in-house productions are designed specifically for individual stations and thus strengthen the recognition value of a station. Because reference figures such as ratings are sometimes unavailable, the prospects for the success of local formats tend to be riskier than for licensed formats that have already been successful in other countries or in the movie theaters. ProSiebenSat.1 Group therefore focuses on an individual and generally balanced mix of licensed programs as well as commissioned and in-house productions.

Sustainability, page 94.
Media Glossary, page 285.

In order to assess the appeal of its in-house productions as reliably as possible, ProSiebenSat.1 conducts intensive market analyses. Researchers accompany the development of new program formats using a wide range of different methods, in many cases as early as the concept or screenplay stage. So-called real-time response tests (RTR) are a frequently used instrument. They are deployed when initial sequences or a pilot episode are available for new TV programs. When programs are screened, test persons document their response and reactions using a type of remote control, with accuracy down to the second and in real time. Another measure to limit risk is the internal format management process, whereby the program goes through several approval stages from development to implementation in order to ensure quality and success.

Although we believe it is unlikely that risks connected to local productions will materialize, we cannot completely rule out a moderate negative impact on our revenue and earnings performance. Overall, we classify this risk as low.

Technological Risks

As a result of preventive measures and reliable systems, we consider the occurrence of technological risks to be unlikely and rate their potential impact on the Group's revenue and earnings performance as low. We therefore continue to rate the significance of technological risks as low. Potential risks are described below.

Broadcasting equipment. Damage to studio and broadcasting equipment can have financial consequences for our core business of TV. In the event of temporary failures, for example, advertising customers could make guarantee and goodwill claims. We counter this risk with a comprehensive security plan. Back-up systems guarantee a broadcasting process without interruptions, even in cases of malfunction. The redundancy systems are kept at separate locations with multifaceted protection and can be operated remotely if necessary. In addition, the basic infrastructure for the power supply at the Unterföhring location was fully modernized already in 2014. To-the-second reporting, ongoing maintenance, regular exercises, and upgrades when needed keep the systems state-of-the-art.

Studio, post-production, and IT systems. A failure of critical production systems, or manipulation or unauthorized disclosure of business-critical information or personal data, could result in financial losses for ProSiebenSat.1 Group or damage to its image. In this context, the Group began further optimizing file-based production operations in 2016. A program scheduled to last four years was set up for this purpose. It consists of several sub-projects and aims to modernize our process landscape with a focus on material flows and the administration and exploitation of rights. ProSiebenSat.1 Group transferred the content of the TV stations and online offers to a digital pool of materials back in 2009 and consequently reduced its dependency on manual procedures. The Group thereby set standards in the media industry and took advantage of cost benefits. Automation is also helping to minimize risks.

ProSiebenSat.1 invests on an ongoing basis in hardware and software, in firewall systems and virus scanners, and establishes various access authorizations and controls. In order to prevent losses, the Group has multiple computer centers at separate locations, which assume each other's tasks in the event of a system failure. Drills of crisis scenarios and penetration tests help to simulate potential weaknesses and further improve the IT system. In 2016, the Group subjected all relevant business applications to extensive tests, which confirmed that the degree of maturity was good and had improved further. The effectiveness of the security standards is also examined regularly by the Internal Audit department.

Personnel Risks

Employees, page 142.

Our employees shape the success of ProSiebenSat.1 and promote innovations in the Group with their knowledge and commitment. Skills development therefore represents a key focus of our HR work. This includes selectively securing talented young employees as part of a Group-wide talent management system, as well as supporting employees with courses offered by the in-house ProSiebenSat.1 Academy. At the same time, work-life-balance measures and attractive remuneration models generate long-term loyalty on our employees' part. Our economic success will also depend on the extent to which we succeed in hiring new specialist staff and qualified managers in the future, too. The number of suitable applicants was improved in terms of quantity and quality by means of standardization of the application procedure, a careers site optimized for mobile devices, and target-group-specific events. Despite these measures, we cannot completely rule out personnel risks. However, we consider their occurrence to be unlikely and their financial impact would be moderate at most. We therefore continue to classify personnel-specific risks as low.

Opportunity Report, page 165.

Investment Risks

ProSiebenSat.1 Group practices active portfolio management with various different M&A approaches, including company acquisitions through majority or minority interests. The significance of potential risks in connection with M&A measures has not changed in comparison to the previous year.

Financial Glossary, page 282.

Risks from majority interests. Acquisitions open up growth and efficiency opportunities for us and faciliate access to new markets. At the same time, investments entail risks with potential financial implications. Equity investments are therefore subject to a continuous monitoring process that also includes impairment testing. In addition to profitability, majority interests in particular entail risks with regard to the integration of the companies acquired. However, we believe that risks from majority interests are unlikely to materialize. Their potential financial impact would be moderate, so we classify this risk as low overall.

Risks from minority interests. In many acquisitions, ProSiebenSat.1 initially acquires a minority interest in a company in order to limit financial risks and gather experience as to how an equity investment can complement the existing portfolio in a way that creates added value. Nonetheless, investments in minority interests entail risks, as the performance and particularly the profitability development may fail to match expectations. This could potentially result in impairment of the investment. However, we consider risks from investment in a minority interest to be unlikely and rate their significance as low. They could have a moderate impact at most.

Financial Risks

Financing Structure and Borrowings, page 126.

The Group is exposed to various financial risks in its operating and financing activities (Fig. 95). The assessment and management of these 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 on this basis, and regularly assesses the risk situation. The measures required are defined in close cooperation with the Executive Board of ProSiebenSat.1 Media SE. The Finance & Treasury unit is audited annually by Internal Audit as part of risk management. The last audit again generated a positive result and confirmed the efficacy of the system again. Principles, tasks, and responsibilities are defined on a Group-wide basis and regulated via binding guidelines for all subsidiaries of ProSiebenSat.1 Group.

The classifications of the individual risks are explained below. 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.

Financial risks (Fig. 95)

	Impact	Probability of occurrence	Significance of risk	Change compared to previous year
Financing risks	very high	very unlikely	low	unchanged
Counterparty risks	very high	unlikely	medium	increased
Interest rate risks	low	possible	low	decreased
Currency risks	moderate	unlikely	low	unchanged
Liquidity risks	very high	very unlikely	low	unchanged

Interest and foreign exchange volatility or the default of lenders could considerably impair the financing situation and liquidity of the Group. We counter these risks with extensive measures and use derivatives for hedging purposes.

Financing Structure and Borrowings, page 126.

Financing risks. Ensuring our financing capability is the most important goal of our financing policy. For this reason, the Group continuously monitors the money and capital markets and assesses developments in these markets as part of risk management. The availability of existing borrowing depends in particular on compliance with specific contractual conditions. These include standard market covenants, which are also subject to regular and systematic assessment. The conditions were complied with once again in the financial year 2016; on the basis of our current corporate planning, a breach is not foreseeable in the future, either. Breaches of covenants could have a very high impact on financial position and earnings performance. However, we consider their occurrence to be very unlikely and classify the financing risk as low overall.

As well as ensuring access to sufficient funds, a second objective is to further optimize capital efficiency. In this context, the Group took advantage of the good conditions in the capital markets in 2016 to diversify its financing portfolio. To this end, the Company diversified its debt structure and issued three promissory notes. In addition, ProSiebenSat.1 strengthened its capital base and thus increased its financial scope for strategic acquisitions by increasing its share capital. The Group pursues clear targets for its leverage ratio, which was within the target range at 1.9 as of the end of the year.

Counterparty risks. Counterparty risk has increased year-on-year as a result of the higher level of cash and cash equivalents and the associated increase in investment requirements. Counterparty risks could have a very high impact on our earnings performance and financial position, but we rate the probability of occurrence of counterparty risks as unlikely and the risk as medium overall. 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 limits the probability of occurrence of default risks through a broad diversification of its counterparties. The conditions for concluding finance and treasury transactions are regulated in standardized Group guidelines.

Interest rate swaps and foreign currency forward transactions are recognized in hedge accounting as cash flow hedges. More information can be found in the Notes, Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7," page 233. ProSiebenSat.1 Group does not deploy derivative financial instruments for trading purposes, but only to hedge existing risk positions.

Interest rate risks. ProSiebenSat.1 Group uses interest rate swaps and interest rate options to hedge its variable-interest term loans against changes in the interest rate caused by the market. The hedge ratio increased to approximately 98 % as at the reporting date compared to approximately 78 % as at the end of 2015. Against this backdrop, we classify the financial implications resulting from interest rate changes as low with regard to their potential extent, with a possible probability of occurrence. Accordingly we classify the significance of interest rate risks as low overall, whereas their significance was still categorized as medium as of the end of 2015. 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, see Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7", page 233.

Currency risks. We also classify currency risks as low. Risks from currency fluctuations can arise if revenues are generated in a different currency from the related costs or capital expenditure (transaction risk). This is particularly relevant for license purchasing at ProSiebenSat.1: The Company concludes most of its license agreements with production studios in the United States and generally settles the resulting financial obligations in US dollars. The Group manages this risk by using derivative financial instruments, primarily currency forwards. As of December 31, 2016, the hedge ratio in terms of a seven-year period was 77 % (previous year: 75 %). Because of the high hedge ratio, we rate the impact as moderate. At the same time, we believe it is unlikely that this risk will materialize.

Liquidity Risks

A lack of available funds, and thus of the ability to service debt adequately at all times, could have very high financial consequences. Liquidity is therefore managed centrally through a cash management system: Anticipated available liquidity is used as an indicator for detecting risk at an early stage. It is calculated and assessed regularly by comparing currently available funds with budgeted figures, taking into account seasonal influences.

Analysis of Liquidity and Capital Expenditure, page 129.

As of the end of the year, the Group had cash and cash equivalents of EUR 1,271 million (previous year: EUR 734 million), in addition to which a revolving credit facility of EUR 600 million ensures sufficient liquidity. It is therefore very unlikely that risks will arise from liquidity shortages. We continue to classify this category as a low risk.

Disclosures on the internal controlling and risk management system in relation to the (consolidated) reporting process (section 289 (5) and section 315 (2) no. 5 of the German Commercial Code) with explanatory notes (Fig. 96)

The internal controlling and risk management system in relation to the (consolidated) reporting process is intended to ensure that transactions are appropriately reflected in the Consolidated Financial Statements of ProSiebenSat.1 Media SE (prepared in line with the 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 controlling system with regard to the financial reporting process as an important component of the Group-wide risk management system. Controls are implemented in order to provide an adequate assurance that in spite of the identified risks inherent in recognition, measurement and presentation, the single-entity and Consolidated Financial Statements will be in full compliance with regulations. The principal goals of a risk management system in regard to single-entity and consolidated reporting processes are:

- To identify risks that might jeopardize the goal of providing single-entity and Consolidated Financial Statements 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 controlling 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.

Disclosures on the internal controlling and risk management system in relation to the (consolidated) reporting process (section 289 (5) and section 315 (2) no. 5 of the German Commercial Code) with explanatory notes continued

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 modern, highly efficient 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 controlling system in regard to processes relevant to financial reporting is reviewed on a sample basis by the Internal Audit unit, which is independent of the process.
Process organization	> 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.

Compliance Risks

General Compliance

Corporate Governance Report, page 36.

The objective of compliance is to ensure legally sound management at all times and in all respects. Possible violations of legal statutory regulations and reporting obligations, infringements against the German Corporate Governance Code or insufficient transparency in corporate management can jeopardize conformity to the rules. It is for this reason that ProSiebenSat.1 Group has established a Code of Compliance across the whole Group as well as various guidelines to provide employees with specific rules of conduct for various professional situations. In addition, the employees are systematically given training in the areas of data protection, antitrust law, and bribery.

In order to prevent possible infringements, ProSiebenSat.1 Group has implemented a Compliance Board consisting of the Chief Financial Officer, the Executive Board member responsible for legal affairs, the Group Chief Compliance Officer, the head of Internal Audit, and employees from operating units. The task of the Compliance Board is to establish processes and structures by means of which conceivable illegal actions can be recognized at an early stage and appropriate countermeasures can be initiated. The work of the Compliance Board is managed by the Group Chief Compliance Officer. To bolster the Compliance organization, additional decentralized structures have been implemented. Regular exchanges of experience and information about current trends in different corporate areas have reduced the level of risk.

In view of our effective compliance structures, we believe it is unlikely that compliance risks will occur, but cannot completely rule out a moderate negative impact on the Group's earnings performance. Accordingly, we classify the Group's risk from general compliance as low. This risk category is therefore unchanged in comparison to the previous year (Fig. 97).

Other Legal Risks

Media-Political and Regulatory Environment, page 100.

Regulatory risks. Any unforeseen changes to the regulatory or legal environment could have an impact on individual business activities. ProSiebenSat.1 Group is exposed in particular to various risks in connection with tightened regulations with regard to advertising, forms of advertising, broadcasting licenses or competitions. The Company 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. In this context, we rate the occurrence of risk from the regulatory or legal environment as unlikely and classify this risk as low overall. However, we cannot completely rule out a moderate negative impact on our earnings performance, and particularly on earnings in the Broadcasting German-speaking segment, if this risk nevertheless materializes.

Guarantees from the disposal of the Belgian TV activities. Through a sale and purchase agreement dated April 20, 2011, ProSiebenSat.1 Group sold its Belgian TV operations to De Vijver NV ("DV"). ProSiebenSat.1 Media SE acted to guarantee the disposal. On the basis of alleged infringements of the accounting and rental contract guarantee included in the purchase agreement, DV has asserted claims for damages against the Company. The contractually agreed maximum liability from all guarantees amounts to EUR 20 million. Based on another assessment and the resulting reassessment of the factual and legal situation, ProSiebenSat.1 Group considers these risks to be very high but very unlikely to materialize. We classify the overall risk as low.

Notes, Note 28 "Contingent liabilities," page 231.

In addition to these risk potentials, legal disputes could damage our business, our reputation, and our brands, as well as incurring costs. These include warranty claims, claims for injunctions, or claims for damages, for example. Furthermore, financial implications may result from changes in legal opinions or in their interpretation. The individual risks are categorized below; further information can be found in Note 28 "Contingent liabilities," in the Notes to the Consolidated Financial Statements.

Tax risks in connection with the disposal of subsidiaries in Sweden materialized in the financial year 2016. In May 2016, the court of appeal confirmed the first instance verdict of the Swedish fiscal court, in the second instance. The additional tax claims of SEK 374 million (EUR 40 million) were settled in the second quarter of 2016 and reported in the result from discontinued operations after taxes. There is therefore no remaining risk as of December 31, 2016. In the Netherlands, an agreement was reached with the tax authorities in June 2016, resulting in no additional tax charge for ProSiebenSat.1 Group. In this respect, the risk reported in the Consolidated Financial Statements as at December 31, 2015 no longer exists.

Compliance risks (Fig. 97)

	Impact	Probability of occurrence	Significance of risk	Change compared to previous year
General Compliance	moderate	unlikely	low	unchanged
OTHER LEGAL RISKS				
Regulatory risks	moderate	unlikely	low	unchanged
Claims for disclosure and actions for damages by RTL 2 Fernsehen GmbH & Co. KG and El Cartel Media GmbH & Co. KG	moderate	possible	medium	unchanged
Section 32a German Copyright Act ("Bestseller", non fiction)	cannot be assessed	possible	medium	unchanged
Guarantees from the disposal of the Belgian TV activities	very high	very unlikely	low	unchanged

We see different levels of impact for the potential financial consequences of individual legal and media policy changes as well as legal offenses, as the differences between compliance risks are in some cases considerable. We limit these risks firstly by cooperating closely with legal experts. Secondly, Group compliance structures and targeted training of employees promote compliant conduct.

Other Risks

Security Risks

Targeted attacks show that politically, economically or ideologically motivated groups represent a growing challenge for our society. Security risks, which were previously a component of technological risks, are now reported separately under the "other risks" category. In view of the preventive measures taken, we classify the security risk as medium overall. We consider the occurrence of security risks to be possible and rate their potential impact on the Group's revenue and earnings performance as moderate.

The growing number and quality of risk factors require fast and effective emergency plans and clear responsibilities. To this end, ProSiebenSat.1 has defined instructions (campus rules) and established a crisis organization. A large-scale emergency and crisis drill with topical and realistic scenarios in 2016 showed that our measures are effective and ensure protection throughout the Group. At the same time, data protection and securing corporate assets in the form of information are becoming increasingly relevant. ProSiebenSat.1 has also reacted to this, for instance by implementing an information security management system (ISMS) in 2016. The goal is to review the quality of relevant information-processing areas on a regular basis and counter potential cyber-crime in a coordinated way. At the same time, employees' awareness is raised and they are given training on security issues.

In addition, unforeseeable events such as natural disasters or attacks could have an adverse impact on ProSiebenSat.1's work processes and thus also on its earnings. We therefore take account of such risks by means of construction-related and technical safeguards, such as fencing off additional properties, among other measures. The Group also took measures in 2016 to tighten access controls for the buildings at the headquarters in Unterföhring. With specialist staff, the Group has also raised the level of protection in line with the risks; the newly established department safeguards individuals and events.

Opportunity Report

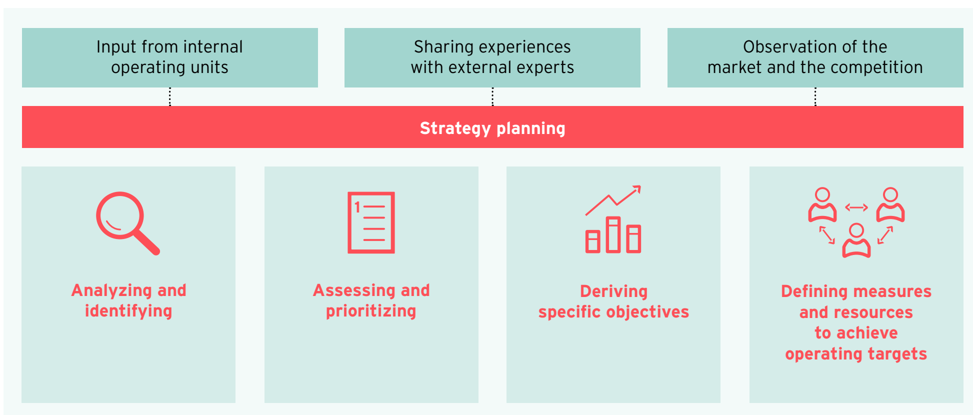
- **Growth opportunities are identified as part of the Group's opportunity management and specified in the planning process.**
- **Acquisitions have additional potential.**

Opportunity Management

Our opportunity management is part of the intragroup management system. The aim 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 "Strategy & Operations" 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. 98).

Strategy and Management System, page 82.

Opportunity management (Fig. 98)



Explanatory Notes on Key Opportunities

We have incorporated opportunities that we consider to be highly likely in our forecast for 2017 and in our medium-term planning until 2018. 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 (Fig. 99). For instance, this potential may arise from strategic measures or a change in general conditions. In the section below, we report on these opportunities if they are material and important for the planning period until 2018.

Company Outlook, page 172.

Key additional opportunities (Fig. 99)

	Probability	Change vs. previous year
Corporate strategic decisions:		
› Digitalization of TV advertising	Possible	Unchanged
› Entry into business areas with strong growth by expanding the portfolio:		
– M&A measures alone or with strategic partners	Possible	Unchanged
– Sale of own physical products at point of sale	Possible	New
Development of general conditions:		
› Economic and sector-specific data or regulatory changes	Possible	Unchanged

Additional Opportunities from Corporate Strategy Decisions

Social, technological and economic areas have significantly changed as a result of digitalization. This trend will continue in the years to come. The media industry was one of the first industries to be shaped by the effects of digitalization. Television content can be accessed at any time and be placed on TV screens and other devices, such as smartphones or tablets. Therefore, ProSiebenSat.1 Group has been rigorously pushing ahead with its transformation from a traditional TV company into a digital corporation with a diversified business portfolio since 2009. The Group is developing new business models, using digital technologies and tapping into additional markets with acquisitions.

Digitalization of TV advertising: ProSiebenSat.1 Group is consistently linking its television business to digital entertainment media and expanding its reach in this way. Together with its subsidiaries, SevenOne Media and SevenOne AdFactory, the Group is Germany's most innovative TV marketer and offers its customers coordinated campaigns on all platforms, including TV, online, mobile and social media. ProSiebenSat.1 is focusing on new technologies. For instance, we were the first TV group in Germany to broadcast addressable TV campaigns with the hybrid broadcast broadband TV (HbbTV) technological standard. These advertisements combine the high reach of traditional television with the opportunities provided by digital advertising, including target-group-based advertisements individualized to devices (targeting). This is offering ProSiebenSat.1 additional growth prospects.

Areas of Growth by Segment, page 82.

Digital Commerce & Marketing: Hamburg 5 °C, Munich 18 °C, page 20.

Media Glossary, page 285.

Weather targeting is an example in this context: We derive the regional location of Internet-enabled televisions from their anonymized IP addresses and can thus use regional weather data to selectively adjust TV advertising to fit the current weather situation in the region. 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 viewers with advertising on our stations in a more personalized way. On the basis of general market trends, the Group has identified market growth of up to EUR 125 million (net) in the years to come resulting from addressable TV that has been reflected only partially in our budget so far.

The Year 2016 at a Glance, page 70.

Entry into business areas with strong growth by expanding the portfolio: The mail order business is growing dynamically. According to the joint study by EHI, HDI, Kantar TNS and KPMG, 12 % of total retail was generated via mail order in Germany at the end of 2015; 90 % of this amount was attributable to the Internet. This equates to revenues of approximately EUR 47 billion.

ProSiebenSat.1 Group is expanding its portfolio in order to maximize its participation in the growing online business. At the same time, ProSiebenSat.1 is deepening the value chain with the aim of increasingly offering its own products and mapping the entire retail chain, both digitally and offline. Products and services that add value via the mass medium of TV and that can be linked particularly well to the existing digital portfolio are particularly relevant for ProSiebenSat.1 from a strategic point of view. This is a key pillar of our M&A strategy.

The Group bundles its commerce investments by topic into four verticals (Fig. 100), resulting in revenue and cost synergies. At the same time, the Group quickly and efficiently increases the revenues of its investments with relatively low marketing costs and without high cash investments via TV and online advertising. In 2016, the digital commerce portfolio was the Group's most significant revenue driver. The successful M&A strategy, which focuses on synergies between TV and digital assets, has strengthened the Group's profit growth in the long term.

Digital commerce portfolio (Fig. 100)

Online Travel	Online Price Comparison	Online Dating	Lifestyle Commerce
etraveli	Verivox	PARSHIP ELITE Group	Stylight
mydays	KäuferPortal [1]		FLACONI
weg.de	preis24.de		AMORELIE
tropo			7NXT
wetter.com			TEATOX [1]
billiger-mietwagen.de			moebel.de

1 Associated Company

Media Glossary, page 285.

Financial Targets, page 88.

In recent years, the Company expanded its digital portfolio, particularly with smaller investments or media-for-equity or media-for-revenue-share investments, and collaborated with strategic partners. Since the second half of 2015, larger acquisitions have also been made with etraveli, Verivox (both in 2015) and PARSHIP (2016). These acquisitions have accelerated our profitable revenue growth once again. As a result, we increased our medium-term revenue targets again in October 2016. The consolidation effects of M&A measures could enable us to exceed our forecasts. Further M&A measures thus offer additional opportunities.

Company Outlook, page 172.

In November 2016, ProSiebenSat.1 increased its financial headroom for future acquisitions in the digital business with a capital increase and is continuously examining whether attractive opportunities for acquisitions or collaborations exist. In addition, the Group will take greater advantage of potential synergies and further increase the efficiency of its investments by interlinking. In the commerce business, ProSiebenSat.1 is developing an ecosystem for lifestyle, health and wellbeing offers. Here, the Group already possesses a diversified portfolio that includes Stylight, a fashion platform, Flaconi, an online perfume shop, and 7NXT's digital fitness offers. Our lifestyle commerce business is developing dynamically and profitably and we expect average revenue growth of 20% to 30% in the medium term.

The goal is now to develop entertainment offers that are optimally geared towards our lifestyle products and that accompany users on their customer journey – from the TV programme to the point of sale. Against this backdrop, the Group invested in WindStar Medical in 2016. Over 300 items of the group can now be found on the shelves of German retailers that offer health items. WindStar is a leading provider of health items on the German market, but its brand awareness could still be increased with advertising on TV, which is the medium with the highest reach. This will be followed by other expansions of the portfolio in order to cover the wide spectrum of consumer needs and use all distribution channels. There is significant potential here as consumers and young customers, known as digital natives, now determine themselves when they want and where they want to see offers or products. ProSiebenSat.1 is therefore reacting to changes in consumer behavior. Commerce and entertainment are merging like never before as various media and channels are being used simultaneously. This is the core of our omnichannel strategy.

Strategy and Management System, page 82.

Additional Opportunities from the Development of General Conditions

Future Business and Industry Environment, page 170.

In 2016, the German economy continued to grow moderately and private consumer spending reached a new record level. We also expect external conditions to develop positively in the future. The TV advertising market is benefiting from digital development at the same time. Advertisers are increasingly shifting their budgets to print and video advertising. In this context, ProSiebenSat.1 identified an additional market potential for TV advertising from print spendings totaling around EUR 2.5 billion (net). As a result, we have taken net market growth in the low single-digit percentage range as the basis for our budgets for the TV advertising market in Germany and also expect stable growth rates of 2 % to 3 % on average on our core market in the years to come.

Positive deviations from these key planning assumptions could accelerate profitable growth for the Group as a whole. In addition, regulatory changes could have a positive impact on revenue performance. Additional revenues for private providers could result from a reduction of advertising offered by public stations in particular. In this context, ProSiebenSat.1 identified an additional market volume of up to EUR 300 million per year. As the leading marketing company, the Group would significantly benefit from a ban on advertising for public broadcasters.

Overall Assessment of the Risk and Opportunity Situation – Management View

The digital development opens up growth prospects for all of our segments. However, the media industry is subject to constant market change and intense competition, not least as a result of global digitalization. Therefore, the identification and management of potential opportunities is just as important for our Group as the recognition and controlling of potential risks. ProSiebenSat.1 Group has effective control systems to deal with risks early and consistently. We estimate that there are no risks for either year covered by the forecast 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. As of the date of the preparation of this report, therefore, the Executive Board still considers the overall risk situation as limited and manageable. There has been no fundamental change in the overall risk situation compared to December 31, 2015; we still rate the majority of the issues presented in the latest Annual Report as low risk. The overall opportunity situation has not changed either.

ProSiebenSat.1 Group is the market leader in the German TV market, successfully uses its high reach as an investment currency, and is adding value by expanding its value chain with digital offers in all segments. Our digital business developed dynamically and profitably in 2016 and its contribution to revenues is expected to increase by EUR 1.7 billion by 2018. We are also diversifying our value chain with the sale and production of programming content. At the same time, we are recording solid growth in the free TV business and anticipate a EUR 375 million increase in revenue in the Broadcasting German-speaking segment in the medium term. The Company is thus characterized by a broad revenue base.

Future Business and Industry Environment

- **Private consumer spending reached a record level in 2016. Institutes anticipate a slight slowdown in growth in Germany for 2017, but the general upswing is likely to continue.**
- **Industry experts' growth forecasts for video advertising on TV and in digital media are positive. At the same time, e-commerce offerings are becoming increasingly relevant as a result of digitalization.**
- **The development of the German TV market is likely to reflect the generally good health of the German domestic economy. At the same time, TV has high growth potential compared to other media and is benefiting from structural changes in media use.**

Economic Development, page 112.

The German economy grew by 1.9% in 2016. Looking to 2017, the economic research institutes expect this upward trend to continue, albeit at a slower pace than in the previous year. This is particularly due to the lower number of working days. Foreign trade also is not expected to provide significant impetus: Although the export volume could increase, positive domestic demand is likely to result in higher imports at the same time, with the effect that the contribution to growth is likely to be low. By contrast, construction investment and particularly private consumer spending are expected to provide positive effects. In this context, the growth expectations for real gross domestic product (GDP) are between 1.1% and 1.7%, while for private consumer spending they are between 1.2% and 1.5% (Fig. 101). The German economy could record stronger growth again in 2018. However, institutes see considerable forecast risks, especially in the geopolitical environment. These include the uncertain political and economic course of the new US government, the UK's upcoming exit from the EU, instability in the European banking system, and the upcoming elections in the core euro-zone countries Germany and France.

Despite these uncertainties, the International Monetary Fund (IMF) anticipates a slight acceleration in global economic growth to 3.4% in 2017 (2016: 3.1%). Significant growth impetus could come from the US economy if the announced tax cuts and infrastructure measures are implemented. For the eurozone, the IMF anticipates stable growth of 1.6% in 2017. As in Germany, the economy is primarily supported by private consumer spending.

The German TV advertising market is closely related to the current and expected economic situation. With a share in GDP of around 54%, private consumption is the most significant macroeconomic expenditure component and also a key indicator for the development of the TV advertising market. Since private consumer spending is benefiting from persistently robust labor market and income data, prospects for the TV advertising market are also optimistic. In addition, the sector-specific underlying data paint a positive picture overall. TV is the medium with the furthest reach and is continuously gaining market shares as a result of structural shifts. In 2016 as a whole, TV increased its market share by 0.8 percentage points to 48.2%, while print media lost 1.1 percentage points in the advertising market. However, TV has not fully capitalized on its reach so far. In Germany, an estimated 34% of net advertising budgets were invested in print media in 2016, although only 6% of total media usage time is attributable to print. In contrast, TV advertising's investment volume — on the basis of net data from Magna Global — amounted to 23%. In many other countries,

Development of the TV and Online Advertising Market, page 112.

the budget allocation is the other way round; in the US, for example, the majority of advertising investment is already attributable to TV. Against this backdrop, ProSiebenSat.1 Group believes that TV still has a lot of catching up to do as an advertising medium.

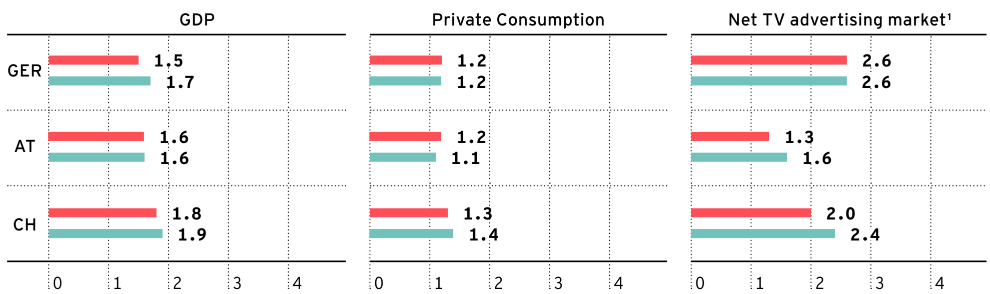
Development of the TV and Online Advertising Market, page 112.

For 2017, the agency groups anticipate net growth of the German TV advertising market at a low single-digit percentage rate (WARC: +2.9 %, ZenithOptimedia: +2.5 %, Magna Global: +1.0 %). ProSiebenSat.1 anticipates stable growth rates averaging 2 % to 3 % on the net TV advertising market in 2017 and expects to grow in line with the market over the year as a whole.

The prospects for digital media are also positive: In-stream video advertising is likely to develop particularly dynamically and drive growth on the online advertising market. For 2017, the agency groups expect the online advertising market in Germany to record net growth of around 8 % (WARC: 6.8 %, ZenithOptimedia: 8.2 %, Magna Global: 9.4 %). The advertising market as a whole is likely to grow by a low single-digit percentage (WARC: 2.2 %, ZenithOptimedia: +2.6 %, Magna Global: 2.1 %)

Forecasts for gross domestic product, private consumption and net TV advertising market in countries important for ProSiebenSat.1 (Fig. 101)

in percent, change vs. previous year



■ 2017 ■ 2018 **Source:**
GER: Destatis, e=ifo Economic Forecast from 12/16/2016.
AT: European Commission, European Economic Forecast Autumn 2016.
CH: Secretary of State for Economy (SECO) Economic Forecast from 12/15/2016.
1 ZenithOptimedia, advertising expenditure Dec. 2016, figures adjusted on a net basis, nonetheless methodological differences between different countries and sources.

Media Glossary, page 285.

Technical Distribution, Media Consumption and Advertising Impact, page 101.

Video-on-demand (VoD) will likewise continue its significant growth. According to own calculations, the subscription video-on-demand (SVoD) market relevant to ProSiebenSat.1 is expected to increase by 112 % by 2018, corresponding to a volume of EUR 636 million. The market volume is set to more than triple by 2020 in comparison to 2016. For the pay VoD market (subscriptions and pay-per-view), the Group anticipates a volume of EUR 845 million by 2018.

According to Statista, Digital commerce is expected to grow at an annual rate of around 8 percent by 2021, as more and more products and services are being purchased online. Overall, the e-commerce market in Germany in 2017 is expected to grow by 9.2 % to a market volume of EUR 55 billion. The Center for Retail Research in Cologne expects online sales in the amount of EUR 79.4 billion by the year 2020, the share of online retailing is expected to increase to 15.2 %. The share of mobile shopping could increase to almost 60 % of online sales by 2020. This would correspond to online mobile sales of around EUR 46 billion. The various areas differ in their dynamic, online travel is expected to grow by up to 5 % in Germany in 2017.

Company Outlook

- **We anticipate further dynamic growth and are aiming to increase consolidated revenues at least in the high single-digit percentage range.**
- **In addition to ongoing economic stimuli, our forecast is based on the success of our strategy in the TV and digital business.**
- **We will maintain our finance and dividend policy.**

Our Planning Principles

Development of the Audience Market, page 105.

Future Business and Industry Environment, page 170.

Planning assumptions. The investment volume for advertising and the development of audience shares in the core market of Germany are key planning assumptions. Economic data show a solid picture overall, which is why prospects for the German advertising market are also optimistic. At the same time, TV is benefiting from structural changes in the media landscape. Due to increasing fragmentation, television is becoming even more valuable as wide-range medium. We therefore expect to strengthen our leading market position among viewers at a high level. We anticipate a stable growth rate averaging 2% to 3% for the net TV advertising market and expect to increase our TV advertising revenues around this level. In this context, we take economic considerations into account for moderate price increases in TV advertising. Our comparatively new stations are capitalizing their reach in an increasingly suitable way. At the same time, we are successively expanding our reach by connecting platforms and creating attractive marketing environments.

Explanatory notes on the forecast. There are framework agreements in place with a large number of our advertising customers in the Broadcasting German-speaking segment, which stipulate certain order volumes and their underlying conditions. Thus, the programming outlook is an important basis for making decisions on the investments of advertising customers in the months to come. In program screenings, ProSiebenSat.1 Group informs its customers about the direction of stations and planned formats twice a year. As it is customary in this business, the final budget volume is confirmed on a month-by-month basis – sometimes, at very short notice. Only then the total volume is transparent. Furthermore, additional advertising budgets are contracted at short notice towards the end of the year. Due to limited visibility, which is typical in the TV business, in the section below we have not used quantitative forecasts in some cases for the planning year of 2017. Instead, we have provided qualitative comparative information: the indicators “stable,” “slight increase,” “mid single-digit increase,” “mid to high single-digit increase,” “high single-digit increase,” and “significant increase” are based on expected percentage deviations from the previous year.

Planning and Management, page 89.

The information provided in this chapter refers to plans adopted by the Executive Board and Supervisory Board in December 2016. Our statements are also based on economic data at the time this report was prepared.

Expected Group and Segment Revenue and Earnings Performance

Changes in the Scope of Consolidation, page 119.

Revenues and earnings expected in 2017. ProSiebenSat.1 Group saw a positive start to the first quarter of 2017, which was driven by the ongoing positive economic situation in Germany. The Group is confident that it will also continue to see significant growth in 2017. Acquisitions accelerated revenue momentum in the past year and will further strengthen growth.

Explanatory Notes on Reporting Principles, page 72.

Against this backdrop, ProSiebenSat.1 will seek to increase consolidated revenues at least in the high single-digit percentage range over the year as a whole and expects new records for its earnings figures. Due to the adjustment of non-IFRS figures, recurring EBITDA will be renamed as adjusted EBITDA from financial year 2017; this will have no effects in terms of value. At Group level, we expect EBITDA and adjusted EBITDA to increase by a mid single-digit percentage in 2017. The consistent adjustment of special factors in the non-IFRS figures will lead to a change in the value of adjusted net income, but we do not expect this to affect year-on-year development. We expect adjusted net income to rise by a mid to high single-digit percentage in the projection period (Fig. 102). In addition to ongoing economic stimuli, our expectations are based on the success of our strategy in the TV and digital business.

Expected Group key figures in 2017 (Fig. 102)

EUR m	2016	Forecast 2017
Revenues	3,799	High single-digit increase
EBITDA	982	Mid single-digit increase
Adjusted EBITDA	1,018	Mid single-digit increase
Adjusted net income	513	Mid to high single-digit increase
Leverage	1.9	1.5–2.5

We want to maintain our solid and highly profitable growth in the TV segment. ProSiebenSat.1 Group is benefiting from the successive expansion of its complementary station family in recent years and has established a second business model with distribution. In the Digital Entertainment and Digital Ventures & Commerce segments, we anticipate a significant rise in revenues in 2017. Revenue growth will also lead to a significant rise in adjusted EBITDA and EBITDA. In the Content Production & Global Sales segment, we focused on the most significant TV market in the world, the US, with acquisitions in 2016. We anticipate a profitable rise in revenues in the mid single-digit range in 2017 (Fig. 103). In order to make even better use of potential synergies within the Group, the share of in-house TV productions for ProSiebenSat.1 stations to come from Red Arrow production companies will further increase; in 2016, the share was 12% (previous year: 9%).

TV & Production: Team Spirit Translates into Big TV Ideas, page 08.

Expected segment key figures in 2017 (Fig. 103)

EUR m	2016	Forecast 2017
Broadcasting German-speaking		
External revenues	2,210	Slight increase
Adjusted EBITDA	760	Slight increase
Digital Entertainment		
External revenues	442	Significant increase
EBITDA	37	Significant increase
Adjusted EBITDA	37	Significant increase

Expected segment key figures in 2017 (continued)

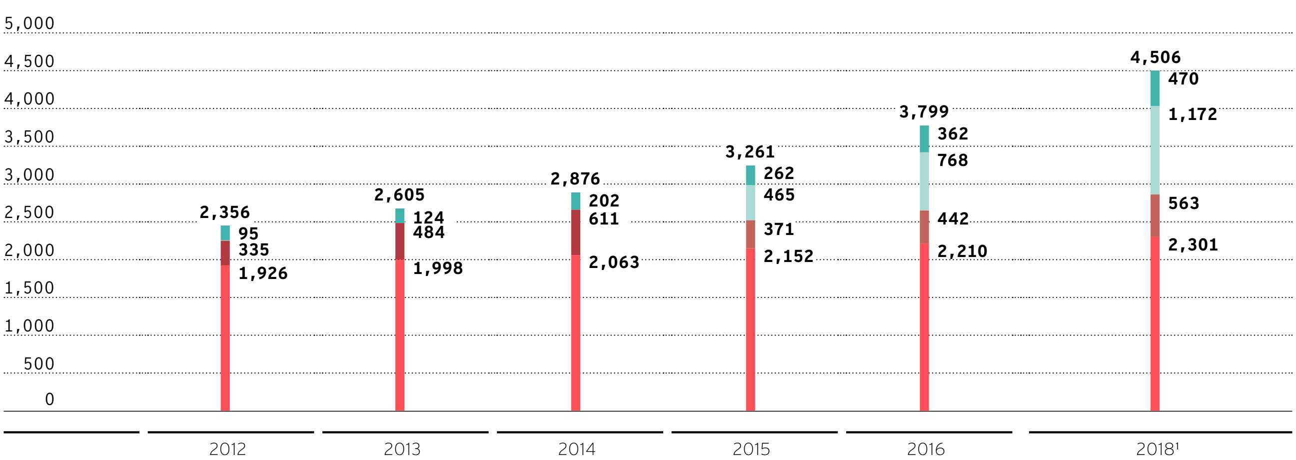
EUR m	2016	Forecast 2017
Digital Ventures & Commerce		
External revenues	768	Significant increase
EBITDA	168	Significant increase
Adjusted EBITDA	180	Significant increase
Content Production & Global Sales		
External revenues	362	Mid single-digit increase
Adjusted EBITDA	47	Stable to slight increase

Comparison of the Actual and Expected Business Performance, page 115.

Explanatory Notes on Reporting Principles, page 72.

Growth targets until 2018. Acquisitions in the past financial year have accelerated the Group's revenue growth. Hence, ProSiebenSat.1 increased the medium-term growth targets for revenues and recurring EBITDA at the Capital Markets Day in October 2016. At the end of 2018, consolidated revenues are expected to amount to EUR 4.5 billion; before we expected EUR 4.2 billion (Fig. 104). ProSiebenSat.1 Group has raised the recurring EBITDA growth target compared to 2012 by EUR 50 million to EUR 400 million; the Company is thus aiming for adjusted EBITDA of EUR 1.15 billion by 2018. This estimate is independent of the adjustment of non-IFRS figures made in 2017 and so applies equally and unchanged to the newly reported adjusted EBITDA in 2018. The Broadcasting German-speaking TV segment continues to grow solidly. The new business areas are developing dynamically at the same time, so the digital business as a whole is expected to contribute revenues of over EUR 1.735 billion by 2018. Both digital segments will see profitable growth: We expect the Digital Entertainment segment to achieve an adjusted EBITDA margin between 10% and 15% by 2018, while the target range for the Digital Ventures & Commerce segment is between 20% and 25%.

Revenue growth targets 2018 (Fig. 104)



= Content Production & Global Sales
= Digital Ventures & Commerce
= Digital Entertainment
= Broadcasting German-speaking
= Digital & Adjacent

External segment revenues and Group revenues from continuing activities.
1 Growth targets

Future Financial Position and Performance

At the end of 2016, net financial debt amounted to EUR 1,913 million (December 31, 2015: EUR 1,940 million), resulting in a leverage ratio of 1.9, within the target range. With an equity ratio of 22 %, ProSiebenSat.1 has an efficient balance sheet and capital structure. In November 2016, the Group increased its equity by a capital increase of EUR 515 million (gross) and increased its financial headroom for strategic acquisitions, particularly in the digital business. The Group is focusing on companies that synergistically complement the portfolio and benefit significantly from TV advertising. ProSiebenSat.1 also practices active portfolio management and regularly examines various strategic options for its investments.

Borrowings and Financing Structure, page 126.

ProSiebenSat.1 Group will further pursue its multi-station strategy in the TV segment and invests around EUR 1 billion every year in programming assets and the expansion of stations. We will also continue to pursue our M&A strategy. Due to free advertising time worth more than EUR 1.5 billion (gross), ProSiebenSat.1 has a second investment currency that allows us to develop new brands and expand our portfolio by using capital efficiently without high cash investments. ProSiebenSat.1 initially acquires a minority stake in many acquisitions in order to limit financial risks and gain experience on the amount of value an investment adds while complementing the existing portfolio. At the same time, the Group has also recently made larger acquisitions.

Vision and Strategic Objectives, page 82.

Financing Analysis, page 127.

Proposed Allocation of Profits, page 35.

ProSiebenSat.1 is pursuing a long-term financing policy for its M&A activities with a target range for the leverage ratio of 1.5 to 2.5, which the Group will also maintain in the future. At the same time, the Group is pursuing its earnings-oriented dividend policy. The aim is to pay 80 % to 90 % of adjusted net income as a dividend each year. The Executive Board therefore advised the Supervisory Board to propose an increase in the dividend to EUR 1.90 per common share for 2016 (previous year: EUR 1.80). This corresponds to a distribution ratio of 84.7 % (previous year: 82.5 %), resulting in an attractive dividend yield of 5.2 % of the closing price of the ProSiebenSat.1 share at the end of 2016.

Overall Assessment of Future Development – Management View

We are optimistic about the future. We are growing dynamically thanks to the high reach of our TV stations and consistently connecting the TV portfolio to our digital offers. Forecasts for the television business and our digital markets are also positive. This is why we expect consolidated revenues and operating earnings figures EBITDA, adjusted EBITDA and adjusted net income to further increase in 2017. All segments will contribute to this. In the TV segment, we intend to further achieve solid and profitable growth. In the other three segments, we will continue our dynamic development. The digital commerce portfolio will continue to be our largest growth driver in the future. We aspire to generate more than 50 % of our revenues outside the TV advertising business by 2018. Overall, we are seeking to increase consolidated revenues to EUR 4.5 billion by 2018, which is EUR 300 million more than originally expected. Adjusted EBITDA is expected to rise by EUR 400 million to EUR 1.15 billion compared to 2012. Acquisitions will also continue to drive profitable revenue growth. We are sticking to a target range for the leverage ratio of 1.5 to 2.5. Our aim is to continuously increase the Company's value and establish new revenue drivers that our shareholders can benefit from in the long run. With free advertising time on TV, we have an additional investment currency: This allows us to efficiently invest in growth without large amounts of cash and to distribute an attractive dividend at the same time, which we will maintain.

C

CONSOLIDATED FINANCIAL STATEMENTS

Content

Income Statement

Income Statement of ProSiebenSat.1 Group (Fig. 105)

EUR m			2016	2015[1]
CONTINUING OPERATIONS				
1.	Revenues	[5]	3,799	3,261
2.	Cost of sales	[6]	-2,020	-1,764
3.	**Gross profit**		**1,779**	**1,497**
4.	Selling expenses	[7]	-520	-372
5.	Administrative expenses	[8]	-506	-412
6.	Other operating expenses	[9]	-11	-8
7.	Other operating income	[10]	34	25
8.	**Operating profit**		**777**	**730**
9.	Interest and similar income		5	1
10.	Interest and similar expenses		-89	-87
11.	Interest result	[11]	-84	-86
12.	Income from investments accounted for using the equity method	[12]	-1	5
13.	Other financial result	[12]	-34	-45
14.	**Financial result**		**-119**	**-126**
15.	**Profit before income taxes**		**658**	**604**
16.	Income taxes	[13]	-206	-208
17.	**Profit for the period from continuing operations**		**452**	**396**
DISCONTINUED OPERATIONS				
18.	Result from discontinued operations (net of income taxes)	[13]	-42	0
PROFIT FOR THE PERIOD			**410**	**396**
	Attributable to shareholders of ProSiebenSat.1 Media SE		402	391
	Non-controlling interests		8	5
EUR				
	Earnings per share			
	Basic earnings per share	[14]	1.86	1.83
	Diluted earnings per share	[14]	1.82	1.81
	Earnings per share from continuing operations			
	Basic earnings per share	[14]	2.05	1.83
	Diluted earnings per share	[14]	2.02	1.81
	Earnings per share from discontinued operations			
	Basic earnings per share	[14]	-0.19	0.00
	Diluted earnings per share	[14]	-0.19	0.00

1 The comparative figures for the financial year 2015 were adjusted to reflect a change of presentation of hedge ineffectiveness in the financial year 2016 (see Note 11 "Interest result").

Statement of Comprehensive Income

Statement of Comprehensive Income of ProSiebenSat.1 Group (Fig. 106)

EUR m	2016	2015
Profit for the period	**410**	**396**
Items subsequently reclassified to profit or loss		
Change in foreign currency translation adjustment	-4	17
Changes in fair value of cash flow hedges	37	172
Deferred tax on other comprehensive income	-10	-48
Items subsequently not reclassified to profit or loss		
Effects from valuation of pension obligations	-1	0
Deferred tax on effects from valuation of pension obligations	0	0
Other comprehensive income for the period	**22**	**141**
Total comprehensive income for the period	**432**	**537**
Attributable to Shareholders of ProSiebenSat.1 Media SE	424	532
Non-controlling interests	8	6

Statement of Financial Position

Statement of Financial Position of ProSiebenSat.1 Group (Fig. 107)

EUR m			12/31/2016	12/31/2015[1]
A.	**Non-current assets**			
I.	Goodwill	[16]	1,860	1,649
II.	Other intangible assets	[17]	817	553
III.	Property, plant and equipment	[18]	216	226
IV.	Investments accounted for using the equity method	[19]	109	25
V.	Non-current financial assets	[21]	331	291
VI.	Programming assets	[20]	1,166	1,153
VII.	Other receivables and non-current assets	[22]	11	15
VIII.	Deferred tax assets	[13]	30	13
			4,540	**3,926**
B.	**Current assets**			
I.	Programming assets	[20]	146	99
II.	Inventories		29	8
III.	Current financial assets	[21]	91	72
IV.	Trade receivables	[21]	446	383
V.	Current tax assets		23	22
VI.	Other receivables and current assets	[22]	57	65
VII.	Cash and cash equivalents		1,271	734
			2,064	**1,384**
	Total assets		**6,603**	**5,310**

EUR m			12/31/2016	12/31/2015[1]
A.	**Equity**	[23]		
I.	Subscribed capital		233	219
II.	Capital reserves		1,054	600
III.	Consolidated equity generated		42	26
IV.	Treasury shares		-14	-20
V.	Accumulated other comprehensive income		171	150
VI.	Other equity		-79	-54
	Total equity attributable to shareholders of ProSiebenSat.1 Media SE		1,408	922
VII.	Non-controlling interests		24	21
			1,432	**943**
B.	**Non-current liabilities**			
I.	Non-current financial debt	[26]	3,178	2,674
II.	Other non-current financial liabilities	[26]	406	353
III.	Trade payables	[26]	70	67
IV.	Other non-current liabilities	[27]	16	34
V.	Provisions for pensions	[24]	26	23
VI.	Other non-current provisions	[25]	42	17
VII.	Deferred tax liabilities	[13]	335	245
			4,073	**3,412**
C.	**Current liabilities**			
I.	Current financial debt	[26]	7	1
II.	Other current financial liabilities	[26]	102	147
III.	Trade payables	[26]	527	450
IV.	Other current liabilities	[27]	303	243
V.	Provisions for taxes	[13]	76	62
VI.	Other current provisions	[25]	83	53
			1,099	**955**
	Total equity and liabilities		**6,603**	**5,310**

1 The comparative figures as of December 31, 2015 are restated due to the retrospective adjustment of the first-time consolidation of Studio71 LP (Note 4 „Acquisitions and disposals").

Cash flow Statement

Cash flow Statement of ProSiebenSat.1 Group (Fig. 108)

EUR m	2016	2015
Result from continuing operations	452	396
Result from discontinued operations (net of income taxes)	-42	0
Result for the period	**410**	**396**
Income taxes	206	208
Financial result	119	126
Depreciation/amortization and impairment of other intangible and tangible assets	206	151
Consumption/reversal of impairment of programming assets	912	887
Change in provisions for pensions and other provisions	25	22
Gain/loss on the sale of assets	-7	-7
Other non-cash income/expenses	3	1
Cash flow from continuing operations	1,915	1,785
Cash flow from discontinued operations	-2	-2
Cash flow total	**1,913**	**1,782**
Change in working capital	-14	-12
Dividends received	6	7
Income tax paid	-210	-178
Interest paid	-82	-82
Interest received	3	1
Cash flow from operating activities of continuing operations	1,619	1,521
Cash flow from operating activities of discontinued operations	-42	-2
Cash flow from operating activities total	**1,577**	**1,519**
Proceeds from disposal of non-current assets	33	3
Payments for the acquisition of other intangible and tangible assets	-160	-123
Payments for the acquisition of financial assets	-90	-42
Proceeds from disposal of programming assets	17	15
Payments for the acquisition of programming assets	-992	-944
Payments for the issuance of loan receivables to external parties	0	-3
Proceeds from the repayment of external loan receivables	0	2
Cash flow from obtaining control of subsidiaries or other business (net of cash and cash equivalents acquired)	-420	-426
Cash flow from losing control of subsidiaries or other business (net of cash and cash equivalents disposed of)	-11	-5
Cash flow from investing activities of continuing operations	-1,623	-1,522
Cash flow from investing activities of discontinued operations	-/-	17
of which proceeds from disposal of discontinued operation (net of cash disposed of)	-/-	16
Cash flow from investing activities total	**-1,623**	**-1,505**
Free cash flow of continuing operations	-4	-1
Free cash flow of discontinued operations	-42	15
Free cash flow	**-46**	**14**

Cash flow Statement continued

EUR m	2016	2015
Free cash flow (amount carried over from page 182)	**-46**	**14**
Dividends paid	-386	-342
Repayment of interest-bearing liabilities	-316	-333
Proceeds from issuance of interest-bearing liabilities	807	950
Repayment of finance lease liabilities	-15	-13
Proceeds from the sale of treasury shares	6	10
Proceeds from the issuance of shares	512	–/–
Payments for shares in other entities without change in control	-1	-14
Proceeds from non-controlling interests	1	0
Payments in connection with refinancing measures	-2	-5
Dividend payments to non-controlling interests	-21	-12
Cash flow from financing activities	**584**	**242**
Effect of foreign exchange rate changes on cash and cash equivalents	0	8
Change in cash and cash equivalents	**537**	**264**
Cash and cash equivalents at beginning of reporting period	734	471
Cash and cash equivalents at end of reporting period	**1,271**	**734**

Statement of Changes in Equity

Statement of Changes in Equity of ProSiebenSat.1 Group 2015 (Fig. 109)

					Accumulated other comprehensive income							
EUR m	Subscribed capital	Capital reserves	Consolidated equity generated	Treasury shares	Foreign currency translation adjustment	Fair value changes of cash flow hedges	Valuation of provisions for pensions	Deferred taxes	Other equity	Total equity attributable to shareholders of ProSiebenSat.1 Media SE	Non-controlling interests	Total equity
December 31, 2014	219	592	-23	-30	5	13	-8	-1	-28	738	16	754
Profit for the period	-/-	-/-	391	-/-	-/-	-/-	-/-	-/-	-/-	391	5	396
Other comprehensive income	-/-	-/-	-/-	-/-	17	172	0	-48	-/-	141	0	141
Total comprehensive income	**-/-**	**-/-**	**391**	**-/-**	**17**	**172**	**0**	**-48**	**-/-**	**532**	**6**	**537**
Dividends	-/-	-/-	-342	-/-	-/-	-/-	-/-	-/-	-/-	-342	-12	-354
Share-based payments	-/-	8	-/-	10	-/-	-/-	-/-	-/-	-8	10	-/-	10
Other changes	-/-	0	0	-/-	-/-	-/-	-/-	-/-	-17	-17	12	-5
December 31, 2015	**219**	**600**	**26**	**-20**	**22**	**185**	**-8**	**-50**	**-54**	**922**	**21**	**943**

Statement of Changes in Equity of ProSiebenSat.1 Group 2016 (Fig. 110)

					Accumulated other comprehensive income							
EUR m	Subscribed capital	Capital reserves	Consolidated equity generated	Treasury shares	Foreign currency translation adjustment	Fair value changes of cash flow hedges	Valuation of provisions for pensions	Deferred taxes	Other equity	Total equity attributable to shareholders of ProSiebenSat.1 Media SE	Non-controlling interests	Total equity
December 31, 2015	219	600	26	-20	22	185	-8	-50	-54	922	21	943
Profit for the period	-/-	-/-	402	-/-	-/-	-/-	-/-	-/-	-/-	402	8	410
Other comprehensive income	-/-	-/-	-/-	-/-	-4	37	-1	-10	-/-	22	0	22
Total comprehensive income	**-/-**	**-/-**	**402**	**-/-**	**-4**	**37**	**-1**	**-10**	**-/-**	**424**	**8**	**432**
Dividends	-/-	-/-	-386	-/-	-/-	-/-	-/-	-/-	-/-	-386	-21	-407
Share-based payments	-/-	-47	-/-	6	-/-	-/-	-/-	-/-	-/-	-41	-/-	-41
Issuance of shares	14	498	-/-	-/-	-/-	-/-	-/-	-/-	-/-	513	-/-	513
Other changes	-/-	2	0	0	-/-	-/-	-/-	-/-	-25	-23	16	-7
December 31, 2016	**233**	**1,054**	**42**	**-14**	**18**	**221**	**-9**	**-59**	**-79**	**1,408**	**24**	**1,432**

Notes

Basis of Preparation

1 General principles

These consolidated financial statements refer to ProSiebenSat.1 Media SE and its subsidiaries (together "the Company", "the Group" or "ProSiebenSat.1 Group").

ProSiebenSat.1 Media SE is based in Unterföhring and is a listed stock corporation under European law. As the ultimate parent company of the Group, it is registered under the name ProSiebenSat.1 Media SE with the Munich District Court in Germany (HRB 219 439). Together with its subsidiaries, it is one of the leading media companies in Europe.

The consolidated financial statements of ProSiebenSat.1 Group for the financial year ending December 31, 2016, were prepared in accordance with the International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB") in force at the reporting date, as adopted by the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and the Council concerning the use of International Accounting Standards. The additional requirements of section 315a of the German Commercial Code ("HGB") were also followed.

ProSiebenSat.1 Media SE prepares and publishes its consolidated financial statements in euro. In some cases, information regarding the previous year has been adjusted for the current presentation. Due to rounding, it is possible that individual figures in these consolidated financial statements do not add exactly to the totals shown and that the percentage figures presented do not reflect exactly the absolute figures they relate to.

Significant Assumptions and Estimates

In preparing the consolidated financial statements under IFRS, it is to some degree necessary for management to make assumptions and estimates that may affect the measurement of recognized assets and liabilities and the amounts of expenses and income. These assumptions and estimates are based on the information currently available to management. In particular, expectations of future business performance are based on the conditions in existence at the date of preparation of the consolidated financial statements and the presumably realistic future performance of the global and macro-economic industry-specific environment. If circumstances should differ from these assumptions in ways beyond management's control, the actual amounts may differ from the original estimates. If actual developments differ from expectations, the assumptions and, if applicable, the carrying amounts of the relevant assets and liabilities will be adjusted accordingly (through profit or loss).

Assumptions and estimates are necessary, particularly for the accounting matters below. These are explained in the relevant chapters:

- Recognition and measurement of assets (particularly goodwill (Note 16 "Goodwill") and other intangible assets (Note 17 "Other intangible assets")) and liabilities from business combinations (Note 4 "Acquisitions and disposals"),
- Impairment testing of intangible assets with indefinite useful lives (particularly goodwill (Note 16 "Goodwill") and brands (Note 17 "Other intangible assets"),
- Determination of the useful lives of non-current assets (Note 17 "Other intangible assets" and Note 18 "Property, plant and equipment"),
- Recognition and measurement of programming assets (Note 20 "Programming assets"),
- Measurement of receivables and necessary impairments (Note 21 "Financial receivables and assets"),
- Measurement of financial assets (Note 21 "Financial receivables and assets," and Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7"),
- Recognition and measurement of provisions (Note 25 "Other provisions") and
- Assessment of future tax credits and uncertain tax positions (Note 13 "Income taxes").

2 Segment reporting

In accordance with IFRS 8, operating segments must be defined on the basis of the Company's own internal management and reporting. The organizational and reporting structure of ProSiebenSat.1 Group is based on management by business segment. On the basis of this reporting system, the Executive Board, as the chief operating decision maker, evaluates the performance of the various segments and the allocation of resources.

ProSiebenSat.1 Media SE adjusted its segment structure in the digital business as of July 1, 2016. Since the internal management and reporting structure was adapted due to a consistent focus on digital growth drivers, the Group replaced the former "Digital & Adjacent" operating segment, in which ProSiebenSat.1 Group had bundled its digital activities, with the new operating segments "Digital Entertainment" and "Digital Ventures & Commerce." These also constitute the reporting segments. Based on this adjustment, the Group is divided into four reporting segments: "Broadcasting German-speaking," "Digital Entertainment," "Digital Ventures & Commerce" and "Content Production & Global Sales."

The Broadcasting German-speaking segment aggregates the German free TV stations SAT.1, ProSieben, kabel eins, sixx, SAT.1 Gold, ProSieben MAXX and the recently launched free TV station kabel eins Doku under the umbrella of ProSiebenSat.1 TV Deutschland GmbH, as well as the stations of our subsidiaries in Austria and Switzerland, the sales companies SevenOne Media and SevenOne AdFactory, and ProSiebenSat.1 Produktion GmbH.

The Broadcasting German-speaking segment also participates in technical activation fees that cable network, satellite, and IPTV operators generate from the distribution of ProSiebenSat.1 HD stations. The SAT.1 regional companies and the Pay TV activities are also presented in this segment.

The new Digital Entertainment segment includes the online video business with the pay-video-on-demand portal maxdome, the multi-channel network Studio71, the areas of ad video-on-demand, ad tech and data, and the adjacent business.

The Digital Ventures & Commerce segment includes among others, e-commerce verticals in online travel, online price comparison and online dating, the lifestyle-commerce vertical, and the Seven Ventures business.

The Content Production & Global Sales segment comprises all production activities and global sales of programming content bundled under the umbrella of the Red Arrow Entertainment Group.

The following table contains segment information about ProSiebenSat.1 Group:

Segment information 2016 (Fig. 111)

EUR m	Segment Broadcasting German-speaking 2016	Segment Digital Entertainment 2016	Segment Digital Ventures & Commerce 2016	Segment Content Production & Global Sales 2016	Total Segments 2016	Others/ Eliminations 2016	**Total Group 2016**
Revenues	2,304	463	782	421	3,971	-172	**3,799**
External revenues	2,210	442	768	362	3,782	17	**3,799**
Internal revenues	94	21	14	60	188	-188	**-/-**
Recurring EBITDA	760	37	180	47	1,024	-6	**1,018**
Recurring EBITDA margin	33.0%	7.9%	23.0%	11.2%	n/a	n/a	**26.8%**
EBITDA[1]	747	37	168	44	996	-14	**982**
Income from investments accounted for using the equity method[1]	7	-5	-4	0	-1	0	**-1**
Interest and similar income[1]	10	0	1	0	11	-6	**5**
Interest and similar expenses[1]	80	2	6	7	95	-6	**89**
Income taxes[1]	196	3	14	-8	206	0	**206**
Depreciation and amortization	66	60	35	19	181	0	**181**
Impairment	5	11	4	4	25	0	**25**
Other non-cash expenses (-) and income (+)	-931	-52	-11	-7	-1,000	10	**-990**
Segment assets[1]	2,218	558	1,680	333	4,789	-46	**4,743**
thereof goodwill[2]	464	313	932	151	1,860	0	**1,860**
Segment investments	1,024	97	24	15	1,160	-8	**1,151**
Segment free cash flow[1]	449	-104	-301	-40	4	-8	**-4**
Investments accounted for using the equity method[1]	7	49	50	4	109	0	**109**
Segment liabilities[1]	2,118	-2	-186	-32	1,897	16	**1,913**

1 This information is provided on a voluntary basis as part of segment reporting.
2 The allocation of goodwill to the new groups of cash-generating units took place on July 1, 2016 (Note 16 "Goodwill").

Segment information 2015 (Fig. 112)

EUR m	Segment Broadcasting German-speaking 2015	Segment Digital Entertainment 2015	Segment Digital Ventures & Commerce 2015	Segment Content Production & Global Sales 2015	Total Segments 2015	Others/ Eliminations 2015	**Total Group 2015**
Revenues	2,228	378	472	319	3,396	-136	**3,261**
External revenues	2,152	371	465	262	3,250	10	**3,261**
Internal revenues	76	7	6	56	146	-146	**-/-**
Recurring EBITDA	734	37	136	25	932	-7	**926**
Recurring EBITDA margin	33.0%	9.8%	28.8%	7.9%	n/a	n/a	**28.4%**
EBITDA[1]	716	29	123	22	890	-9	**881**
Income from investments accounted for using the equity method[1]	6	0	1	-/-	7	-2	**5**
Interest and similar income[1]	5	0	0	0	6	-4	**1**
Interest and similar expenses[1, 2]	82	2	3	4	92	-4	**87**
Income taxes[1]	191	2	10	3	207	1	**208**
Depreciation and amortization	48	56	15	13	133	0	**133**
Impairment	0	15	0	3	18	0	**18**
Other non-cash expenses (-) and income (+)	-902	-40	-17	-2	-961	7	**-954**
Segment assets[1]	2,172	557	1,194	271	4,194	-48	**4,146**
thereof goodwill[3]	464	311	751	123	1,649	0	**1,649**
Segment investments	971	66	15	20	1,071	-5	**1,066**
Segment free cash flow[1]	484	-186	-294	-19	-16	15	**-1**
Investments accounted for using the equity method[1]	5	5	15	0	25	0	**25**
Segment liabilities[1]	2,115	-17	-64	-11	2,023	-83	**1,940**

1 This information is provided on a voluntary basis as part of segment reporting.
2 The comparative figures for the financial year 2015 were adjusted to reflect a change of presentation of hedge ineffectiveness in the financial year 2016 (Note 11 "Interest result").
3 The allocation of goodwill to the new groups of cash-generating units took place on July 1, 2016 (Note 16 "Goodwill"). The values for December 31, 2015 were derived retroactively.

The Executive Board, as chief operating decision maker, measures the success of the segments using a segment profit measure known as "recurring EBITDA" in the Group's internal management and reporting. Recurring EBITDA stands for the adjusted earnings before interest, taxes, depreciation and amortization. Reconciling effects, for example costs incurred in the context of M&A transactions, reorganizations and litigation are not taken into account, so that this key profitability management figure represents the appropriate performance measure for assessing the sustainable operating profitability of the Group and segments respectively.

Segment assets comprise all assets used for operating activities. These contain goodwill, other intangible assets and property, plant and equipment, programming assets, current assets net of income tax receivables, deferred tax assets, current financial assets and cash and cash equivalents. Segment assets are not used for internal management and reporting but are nevertheless reported on a voluntary basis as part of segment reporting.

Segment investments relate to additions to non-current assets. They comprise additions to other intangible assets, property, plant and equipment, and programming assets.

Depreciation and amortization apply to the assets allocated to each of the segments. A distinction is made between two separately recognized figures, depreciation or amortization and impairments. The figure does not include impairments of programming assets, financial investments or current financial assets.

Other non-cash expenses and income mainly contain the consumption of programming assets, allocations to provisions, expenses in connection with share-based payments and impairments of receivables. These expenses are offset by income from the release of provisions.

Segment liabilities defined as net financial debt are presented on a voluntary basis as part of segment reporting. Segment liabilities are calculated as the total loans and borrowings of the relevant segment minus the cash and cash equivalents and current financial assets of the segment. Debt is not managed at segment level by the chief operating decision makers. For this reason, this figure is not part of regular internal reporting. Rather, debt is managed at Group level and, in connection with recurring EBITDA, is important for the purpose of complying with specific financial covenants. Thus, this figure is provided as additional information.

Furthermore, various segment information is disclosed on a voluntary basis. This information is not part of the segment result and segment assets, but is provided on a voluntary basis due to the relevance of the information.

The reconciliation between the segment values and the consolidated values is shown below:

Reconciliation of segment information (Fig. 113)

EUR m	2016	2015[1]
REVENUES		
Revenues from reportable segments	3,971	3,396
Eliminations and other reconciling items	-172	-136
Revenues of the Group	**3,799**	**3,261**
RECURRING EBITDA		
Recurring EBITDA of reportable segments	1,024	932
Eliminations and other reconciling items	-6	-7
Recurring EBITDA of the Group	**1,018**	**926**
Recconciling items	-35	-44
Financial result	-119	-126
Depreciation and amortization	-181	-133
Impairment	-25	-18
Consolidated profit/loss before taxes	**658**	**604**
OTHER NON-CASH INCOME/EXPENSES		
Other non-cash income/expenses of reportable segments	1,000	961
Eliminations and other reconciling items	-8	-7
Other Group non-cash income/expenses from continuing operations	**992**	**954**
Elimination of other non-cash income/expenses from discontinued operations	-2	0
Other Group non-cash income/expenses from continuing operations	**990**	**954**
thereof consumption of programming assets	915	896
ASSETS		
Total assets of reportable segments	4,789	4,194
Eliminations and other reconciling items	-46	-48
Group's segment assets	**4,743**	**4,146**
Investments accounted for using the equity method	109	25
Non-current financial assets	331	291
Deferred tax assets	30	13
Current financial assets	91	72
Other interest-bearing assets	5	6
Current tax assets	23	22
Cash and cash equivalents	1,271	734
Group assets	**6,603**	**5,310**
INVESTMENTS		
Investments of reportable segments	1,160	1,071
Eliminations and other reconciling items	-8	-5
Group's investments	**1,151**	**1,066**
thereof investments in programming assets	992	944
thereof investments in property, plant and equipment	36	38
thereof investments in other intangible assets	124	84
NET FINANCIAL LIABILITIES		
Total liabilities of reportable segments	1,897	2,023
Eliminations and other reconciling items	16	-83
Group's segment liabilities	**1,913**	**1,940**
less current financial assets	-91	-72
Group's net financial liabilities	**1,822**	**1,868**

1 Due to the adjustment in the segment structure of the Digital Business the comparative figures for the financial year 2015 have been adjusted.

The eliminations include consolidation of business transactions between the segments as well as certain reconciliation and reclassification items. The reconciliation figures show values that by definition are not integral to the segments. Transactions between segments are eliminated in the reconciliation. These are generally conducted on arm's length terms.

Entity-wide disclosures for ProSiebenSat.1 Group are provided below. The breakdown is on the basis of Germany (GER), United States of America (USA), Austria (AT) and Switzerland (CH), Scandinavia (SK), the United Kingdom (UK) and Other.

Entity-wide disclosures (Fig. 114)

Geographical breakdown	GER		USA		AT/CH		SK		UK		Other		Total Group	
EUR m	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
External revenues	2,970	2,734	377	211	267	253	148	17	28	30	9	15	**3,799**	3,261
Non-current assets	3,390	2,963	378	308	21	20	240	254	26	30	6	6	**4,059**	3,582
Investments	1,130	1,049	4	4	14	10	4	0	0	0	0	3	**1,151**	1,066

Revenues are attributed to the country of the company that provided the service.

Non-current assets reported under the entity-wide disclosures include goodwill, other intangible assets, property, plant and equipment and non-current programming assets.

The share of non-current segment assets attributable to Germany amounted to 83.5 percent in 2016 (previous year: 82.7 %).

More than 10 percent of consolidated revenues from continuing operations were generated with one customer in the financial year 2016. EUR 632 million is attributable to this customer (previous year: EUR 682 million). The customer mentioned above is an agency association with which several media agencies are affiliated.

The following table provides an overview of the cash flow in the segments:

Cash flow per segment 2016 (Fig. 115)

	Segment Broadcasting German-speaking	Segment Digital Entertainment	Segment Digital Ventures & Commerce	Segment Content Production & Global Sales	Total Segments	Others/ Elimination	Total Group
EUR m	2016	2016	2016	2016	2016	2016	2016
Cash flow from operating activities	1,447	36	115	-19	1,579	40	**1,619**
Cash flow from investing activities	-998	-140	-417	-20	-1,575	-48	**-1,623**
Free Cashflow	449	-104	-301	-40	4	-8	**-4**
Cash flow from financing activities[1]	457	122	413	39	1,031	-447	**584**

1 Dividends paid by ProSiebenSat.1 Media SE are disclosed in column „Others/Elimination".

Cash flow per segment 2015 (Fig. 116)

EUR m	Segment Broadcasting German-speaking 2015	Segment Digital Entertainment 2015	Segment Digital Ventures & Commerce 2015	Segment Content Production & Global Sales 2015	Total Segments 2015	Others/ Elimination 2015	**Total Group 2015**
Cash flow from operating activities	1,415	17	84	-24	1,492	28	**1,521**
Cash flow from investing activities	-932	-203	-378	4	-1,508	-14	**-1,522**
Free Cashflow	484	-186	-294	-19	-16	15	**-1**
Cash flow from financing activities[1]	-14	191	410	25	611	-369	**242**

1 Dividends paid by ProSiebenSat.1 Media SE are disclosed in column „Others/Elimination".

3 Scope of consolidation

The number of subsidiaries included in the consolidated financial statements changed as follows in the financial year 2016:

Fully consolidated subsidiaries (Fig. 117)

	Germany	Other countries	Total
Included at December 31, 2015	94	106	200
Additions	24	21	45
Disposals	-6	-7	-13
Included at December 31, 2016	**112**	**120**	**232**

Alongside newly founded entities, the additions in the financial year 2016 include the acquisitions described in more detail in Note 4 "Acquisitions and disposals."

In addition to these fully consolidated entities, 21 (previous year: 15) associates and three (previous year: 3) joint ventures were accounted for in the consolidated financial statements using the equity method (see Note 19 "Investments accounted for using the equity method").

Affiliated companies and investments are listed in the notes to the consolidated financial statements in accordance with section 313 (2) of the German Commercial Code. In addition, the list of affiliated companies and investments also contains a list of all subsidiaries which meet the requirements of section 264 (3) of the German Commercial Code, and are exercising their option to be exempted from certain requirements concerning the preparation, auditing and publication of the annual financial statements and the management report.

4 Acquisitions and disposals

a) Acquisitions

Transactions in the financial year 2016

The following entities of significance to the consolidated financial statements were acquired in the financial year 2016:

Significant acquisitions (Fig. 118)

Company	Purpose of the company	Voting equity interest acquired	Attainment of control
Dorsey Pictures LLC (formerly: Orion Entertainment LLC)	US producer of non-scripted TV programs and branded entertainment offerings in the "outdoor adventure" genre	60.0%	01/15/2016
Stylight GmbH	Online portal relating to Fashion and Home & Living	100.0%	07/01/2016
44 Blue Studios LLC	US producer of non-scripted production focused on docu-series, factual entertainment and studio-based concepts	65.0%	07/15/2016
WindStar (WSM Holding GmbH)	Development and distribution of innovative health articles	92.0%	10/04/2016
PARSHIP ELITE Group (THMMS Holding GmbH)	Online dating agency primary in the German-speaking area	50.001%	10/12/2016

Acquisition of a share of 60 % in Dorsey Pictures LLC (formerly known as Orion Entertainment LLC)

Effective as of January 15, 2016, ProSiebenSat.1 Group acquired a share of 60 % in Dorsey Pictures LLC, Denver, USA and therefore gained control over this entity. The entity and its subsidiaries are allocated to the Content Production & Global Sales segment (see Note 2 "Segment reporting"). Acquisition-related costs of EUR 1 million were recognized in the income statement.

The purchase price per IFRS 3 is made up of the following elements:

Dorsey Pictures LLC – purchase price per IFRS 3 (Fig. 119)

	USD m	EUR m
Cash purchase price	28	26
Variable consideration	2	2
Contingent consideration – put option	20	18
Purchase price per IFRS 3	**51**	**46**

The contingent purchase price component consists of a put option agreed with the existing shareholders for the purchase of the remaining 40 % of shares due not earlier than 2021 and is measured on the basis of a contractually defined earnings multiplier. Its fair value was USD 20 million (EUR 18 million) as of the acquisition date. As ProSiebenSat.1 Group has an unconditional obligation to meet the terms of the put option on exercise, the consolidation percentage used on the basis of the present ownership was 100.0 % as of January 15, 2016. On the basis of sensitivity analyses performed, ProSiebenSat.1 Group expects as of the acquisition date that the pro rata enterprise value will range from USD 26 million to USD 28 million (EUR 24 million to EUR 25 million) as of the earliest possible maturity date.

The table below shows the fair values of the identified assets acquired and liabilities assumed in connection with the acquisition as of the acquisition date:

Acquisition Dorsey Pictures LLC (Fig. 120)

EUR m	Fair value at acquisition
Intangible assets	22
Thereof identified in the purchase price allocation	22
Other non-current assets	1
Non-current assets	**23**
Programming assets	1
Other current receivables and other assets	5
Cash and cash equivalents	0
Current assets	**6**
Current liabilities	**3**
Total net assets	**26**
Purchase price per IFRS 3	46
Goodwill	**20**

The identified goodwill is tax-deductible over 15 years in the amount of the acquired share of 60 % and is recorded in the functional currency, the US dollar. Goodwill is particularly attributable to the expansion of business in the non-scripted and branded entertainment area in addition to the expected synergies resulting from the connection to the existing distribution network. Thus, goodwill is allocated to the Content Production & Global Sales cash-generating unit.

In the context of the purchase price allocation, the following intangible assets were identified and recognized separately from goodwill:

Purchase price allocation Dorsey Pictures LLC (Fig. 121)

Asset	Fair Value at acquisition in EUR m	Expected useful life in years
Customer relationships	20	10 – 15
Shows in production	2	1

The inclusion of the entity from the beginning of the financial year until the initial consolidation date in January 2016 would not have had a significant impact on the earnings, financial position and performance of ProSiebenSat.1 Group. From the initial consolidation until December 31, 2016, the entity contributed revenues of USD 21 million (EUR 19 million) and earnings after taxes of USD -2 million (EUR -2 million) to the consolidated net profit. Earnings after taxes includes the amortization of intangible assets which were identified in context of the purchase price allocation in the amount of USD 3 million (EUR 3 million).

Acquisition of another 77.92 % of the shares in Stylight GmbH

Effective as of July 1, 2016, ProSiebenSat.1 Group increased its share in Stylight GmbH, Munich, by 77.92 % to 100.0 % and thus gained control over this entity. The entity and its subsidiary are allocated to the Digital Ventures & Commerce segment (see Note 2 "Segment reporting"). Acquisition-related costs of less than EUR 1 million in connection with the acquisition of the entity were recognized in the income statement.

The purchase price per IFRS 3 is made up of the following elements:

Stylight GmbH – purchase price per IFRS 3 (Fig. 122)

	EUR m
Cash purchase price	62
Variable purchase price	1
Carrying amount shares held (22.08 %)	6
Remeasurement effect	9
Purchase price per IFRS 3	**78**

The remeasurement of the 22.08 % share already held at a carrying amount of EUR 6 million as of the acquisition date resulted in a profit of EUR 9 million recognized in other financial result. The fair value of the investment previously measured using the equity method as of the acquisition date (EUR 16 million) represents a purchase price component in accordance with IFRS 3.

The table below shows the fair values of the identified assets acquired and liabilities assumed in connection with the acquisition as of the acquisition date:

Acquisition Stylight GmbH (Fig. 123)

EUR m	Fair value at acquisition
Intangible assets	50
Thereof identified in the purchase price allocation	50
Non-current assets	**50**
Trade receivables	7
Other current receivables and other assets	1
Cash and cash equivalents	2
Current assets	**9**
Deferred tax liabilities	16
Non-current liabilities	**16**
Other liabilities and provisions	4
Current liabilities and provisions	**4**
Total net assets	**39**
Purchase price per IFRS 3	78
Goodwill	**40**

The identified goodwill represents almost exclusively strategic synergies and development potential in the Digital Ventures & Commerce segment and is allocated accordingly to the Digital Ventures & Commerce cash-generating unit. The goodwill is not tax deductible and is recorded in the functional currency, the euro.

In the context of the purchase price allocation, the following intangible assets were identified and recognized separately from goodwill:

Purchase price allocation Stylight GmbH (Fig. 124)

Asset	Fair Value at acquisition in EUR m	Expected useful life in years
Brand	42	15
Technology	3	5
Customer relationships	5	7

The inclusion of the entity from the beginning of the financial year to the initial consolidation date in July 2016 would have had the following impact on the earnings, financial position and performance of ProSiebenSat.1 Group: Additional revenues of EUR 19 million and earnings after taxes of EUR 0 million. From the initial consolidation until December 31, 2016, the entity contributed revenues of EUR 18 million and earnings after taxes of EUR 0 million to the consolidated net profit. Expenses relating to the amortization of the intangible assets identified within the context of the purchase price allocation of EUR 2 million are included in earnings after taxes.

Acquisition of 65% of the shares in 44 Blue Studios LLC

Effective as of July 15, 2016, ProSiebenSat.1 Group acquired a share of 65% in 44 Blue Studios LLC, Burbank, USA, and therefore gained control over this entity. The entity and its subsidiaries are allocated to the Content Production & Global Sales segment (see Note 2 "Segment reporting"). Acquisition-related costs of EUR 1 million were recognized in the income statement.

The purchase price per IFRS 3 is made up of the following elements:

44 Blue Studios LLC – purchase price per IFRS 3 (Fig. 125)

	USD m	EUR m
Cash purchase price	21	19
Contingent consideration – put option	16	14
Purchase price per IFRS 3	**37**	**33**

The contingent purchase price component consists of a put option agreed with the existing shareholders for the purchase of the remaining 35 % of shares due not earlier than 2022 and is measured on the basis of a contractually defined earnings multiplier. Its fair value was USD 16 million (EUR 14 million) as of the acquisition date. As ProSiebenSat.1 Group has an unconditional obligation to meet the terms of the put option on exercise, the consolidation percentage used on the basis of the present ownership was 100.0 % as of July 15, 2016. On the basis of sensitivity analyses performed, ProSiebenSat.1 Group expects as of the acquisition date that the pro rata enterprise value will range from USD 20 million to USD 21 million (EUR 18 million to EUR 19 million) as of the earliest possible maturity date.

The table below shows the fair values of the identified assets acquired and liabilities assumed in connection with the acquisition as of the acquisition date:

Acquisition 44 Blue Studios LLC (Fig. 126)

EUR m	Fair value at acquisition
Intangible assets	22
Thereof identified in the purchase price allocation	22
Property, plant and equipment	2
Non-current assets	**24**
Other current receivables and other assets	3
Cash and cash equivalents	4
Current assets	**7**
Trade payables	1
Other liabilities	5
Current liabilities	**6**
Total net assets	**25**
Purchase price per IFRS 3	33
Goodwill	**8**

The identified goodwill is tax-deductible over 15 years in the amount of the acquired share of 65 % and is recorded in the functional currency, the US dollar. The goodwill represents specific strategic potential from the expansion of business activities in the area of factual entertainment and synergy effects from the company's inclusion in the international distribution network. Thus, goodwill is allocated to the Content Production & Global Sales cash-generating unit.

In the context of the purchase price allocation, the following intangible assets were identified and recognized separately from goodwill:

Purchase price allocation 44 Blue Studios LLC (Fig. 127)

Asset	Fair Value at acquisition in EUR m	Expected useful life in years
Customer relationships	20	15
Shows in production	2	1

The inclusion of the entity from the beginning of the financial year to the initial consolidation date in July 2016 would have had the following impact on the earnings, financial position and performance of ProSiebenSat.1 Group: additional revenues of USD 20 million (EUR 18 million) and earnings after taxes of USD 1 million (EUR 1 million). From the initial consolidation until December 31, 2016, the entity contributed revenues of USD 31 million (EUR 28 million) and earnings after taxes of USD 0 million (EUR 0 million) to consolidated net profit. The earnings after taxes includes the amortization of intangible assets which were identified in context of the purchase price allocation in the amount of USD 2 million (EUR 2 million).

Acquisition of 92 % of the shares in WindStar

Effective as of October 4, 2016, ProSiebenSat.1 Group acquired a 92 % share in WSM Holding GmbH, Bad Homburg, and gained control over this entity. The entity and its subsidiaries are allocated to the Digital Ventures & Commerce segment (see Note 2 "Segment reporting"). Acquisition-related costs of EUR 1 million were recognized in the income statement.

The purchase price per IFRS 3 is made up of the following elements:

WSM Holding GmbH – purchase price per IFRS 3 (Fig. 128)

	EUR m
Cash purchase price	65
Contingent consideration – put option	14
Purchase price per IFRS 3	**79**

The contingent purchase price component consists of a put option agreed with the existing shareholders for the purchase of the remaining 8 % of shares due not earlier than 2022 and is measured on the basis of a contractually defined earnings multiplier. Its fair value was EUR 14 million as of the acquisition date. As ProSiebenSat.1 Group has an unconditional obligation to meet the terms of the put option on exercise, the consolidation percentage used on the basis of the present ownership was 100.0 % as of October 4, 2016. On the basis of sensitivity analyses performed, ProSiebenSat.1 Group expects as of the acquisition date that the pro rata enterprise value will amount to EUR 17 million as of the earliest possible maturity date.

In addition, financial liabilities to existing shareholders of EUR 5 million were repaid as part of the transaction. The repayment was reported as cash flow from investing activities.

The table below shows the fair values of the identified assets acquired and liabilities assumed in connection with the acquisition as of the acquisition date. The following amounts were measured provisionally until a fully independent purchase price allocation is completed by an audit company:

Acquisition WSM Holding GmbH (Fig. 129)

EUR m	Fair value at acquisition
Intangible assets	41
Thereof identified in the purchase price allocation	40
Non-current assets	**41**
Inventories	12
Other current receivables and other assets	10
Cash and cash equivalents	3
Current assets	**25**
Deferred tax liabilities	12
Non-current liabilities	**12**
Liabilities to banks	15
Other financial liabilities	5
Trade payables	4
Other liabilities and provisions	3
Tax provisions	2
Current liabilities and provisions	**28**
Total net assets	**26**
Purchase price per IFRS 3	79
Goodwill	**53**

The identified goodwill represents strategic synergies and development potential in the Digital Ventures & Commerce segment and is allocated accordingly to the Digital Ventures & Commerce cash-generating unit. The goodwill is not tax deductible and is recorded in the functional currency, the euro.

The assumed liabilities to banks were completely repaid as of reporting date. The repayment was reported as cash flow from financing activities.

In the context of the provisional purchase price allocation, the following intangible assets were identified and recognized separately from goodwill:

Provisional purchase price allocation WSM Holding GmbH (Fig. 130)

Asset	Fair Value at acquisition in EUR m	Expected useful life in years
Customer relationships	33	6-8
Brands	7	9-12
Order backlog	1	2

The inclusion of the entity from the beginning of the financial year to the initial consolidation in October 2016 would have had the following impact on the earnings, financial position and performance of ProSiebenSat.1 Group: Additional revenues of EUR 52 million and earnings after taxes of EUR 4 million. From the initial consolidation until December 31, 2016, the entity contributed revenues of EUR 19 million and earnings after taxes of EUR 0 million to consolidated net profit. Earnings after taxes includes the amortization of intangible assets identified in context of the purchase price allocation in the amount of EUR 1 million.

Acquisition of a majority stake in PARSHIP ELITE Group

Effective as of October 12, 2016, ProSiebenSat.1 Group acquired a majority stake (50.001% of the shares) in PARSHIP ELITE Group, Hamburg, and thus gained control over the group. PARSHIP ELITE Group operates online dating services primarily in the German-speaking region. With this acquisition, the Group is further expanding its strategic digital business. In the context of this transaction, 100.0 % of the shares in PARSHIP ELITE GROUP (THMMS Holding GmbH) were transferred to 7Love Holding GmbH, a company founded by ProSiebenSat.1. The Group has a 50.001% share in 7Love Holding GmbH; the existing shareholders still hold a non-controlling interest (totaling 49.999 % of the shares) in 7Love Holding GmbH.

The entity and its subsidiaries are allocated to the Digital Ventures & Commerce segment (see Note 2 "Segment reporting"). Acquisition-related costs of EUR 3 were recognized in the income statement.

The purchase price per IFRS 3 is made up of the following elements:

PARSHIP ELITE Group – purchase price per IFRS 3 (Fig. 131)

	EUR m
Cash purchase price	100
Variable purchase price	2
Purchase price per IFRS 3	**102**

In addition, financial liabilities of EUR 96 million were repaid as part of the transaction. The repayment was reported as cash flow from investing activities and financed through the issue of preferred shares by 7Love Holding GmbH to ProSiebenSat.1 Group. The preferred shares bear interest of 6.5 % p. a. and will be redeemed over the financial years 2018 to 2021 through preferred dividend distributions by 7Love Holding GmbH to ProSiebenSat.1 Group.

The table below shows the fair values of the identified assets acquired and liabilities assumed in connection with the acquisition as of the acquisition date. The following amounts were measured provisionally until a fully independent purchase price allocation is completed by an audit company:

Acquisition PARSHIP ELITE Group (Fig. 132)

EUR m	Fair value at acquisition
Intangible assets	170
Thereof identified in the purchase price allocation	169
Property, plant and equipment	1
Non-current assets	**171**
Trade receivables	8
Other current receivables and other assets	3
Cash and cash equivalents	3
Current assets	**14**
Financial liabilities	96
Deferred tax liabilities	55
Non-current liabilities	**151**
Trade payables	5
Tax provisions	9
Other provisions	2
Other liabilities	5
Deferred income	10
Current liabilities and provisions	**30**
Total net assets	**4**
Non-controlling interests	2
Purchase price per IFRS 3	102
Goodwill	**100**

The identified goodwill represents almost exclusively strategic synergies and development potential in the Digital Ventures & Commerce segment and is allocated accordingly to the Digital Ventures & Commerce cash-generating unit. The goodwill is not tax deductible and is recorded in the functional currency, the euro.

In the context of the provisional purchase price allocation, the following intangible assets were identified and recognized separately from goodwill:

Provisional purchase price allocation PARSHIP ELITE Group (Fig. 133)

Asset	Fair Value at acquisition in EUR m	Expected useful life in years
Brands	141	indefinite
Technology	15	5
Order backlog	13	2

The inclusion of the entity from the beginning of the financial year to the initial consolidation date in October 2016 would have had the following impact on the ea rnings, financial position and performance of ProSiebenSat.1 Group: additional revenues of EUR 87 million and earnings after taxes of EUR 4 million. From the initial consolidation until December 31, 2016, the entity contributed revenues of EUR 30 million and earnings after taxes of EUR 4 million to consolidated net profit. The earnings after taxes includes the amortization of intangible assets which were identified in context of the purchase price allocation in the amount of EUR 2 million.

Acquisitions in the financial year 2015

Key Acquisitions 2015 (Fig. 134)

Company	Purpose of the company	Voting equity interest acquired	Attainment of control
Sonoma Internet GmbH	Online lifestyle shop for love life	75.0%	04/01/2015
Flaconi GmbH	Online shop for parfume and cosmeticsim in the German-speaking market	100.0%	04/01/2015
Studio 71 LP (formerly: Collective Digital Studio LLC)	Multi-channel network	75.0%	07/27/2015
Verivox GmbH	Consumer portal in Germany for comparison-services for energy, telecommunications, insurance, finance, vehicles and commission-free property	80.0%	08/07/2015
SMARTSTREAM.TV GmbH	Services relating to the optimization of online advertising space	80.0%	08/14/2015
Virtual Minds AG	Media holding company whose portfolio brings together specialist companies in the fields of media technologies, digital advertising and hosting	51.4%	09/04/2015
Crow Magnon, LLC (Karga Seven Pictures)	US producer and developer of factual entertainment formats	60.0%	11/10/2015
eTRAVELi Holding AB	Pan-European online travel agency for flights	98.8%	11/30/2015

In the financial year 2016, the provisional initial consolidation of Studio 71 LP, Los Angeles, USA (formerly Collective Digital Studio LLC) was retroactively adjusted as of the acquisition date within the 12-month measurement period. The fair value of the put option for the acquisition of another 25.0 % of the shares was reduced by USD 7 million (EUR 6 million) to USD 89 million (EUR 80 million) as of the acquisition date (July 27, 2015) in accordance with IFRS 3 and simultaneously resulted in an adjusted goodwill of USD 177 million (EUR 160 million) at this date.

For more information about the companies acquired in the financial year 2015, please refer to the Annual Report as of December 31, 2015. Apart from the changes for Studio 71 LP as described above, there were no changes to the reported values.

Significant Assumptions and Estimates

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

b) Disposal of subsidiaries

Disposal of Games activities

Effective as of June 30, 2016, ProSiebenSat.1 Group disposed all Games activities allocated to the former Digital & Adjacent segment (see Note 2 “Segment reporting”). 100.0 % of the shares in ProSiebenSat.1 Games GmbH, Unterföhring, with its wholly owned subsidiaries Aeria Games GmbH, Berlin, Aeria Games, Inc., Wilmington, USA, and SevenGamesNetwork GmbH, Berlin, were transferred to gamigo AG, Hamburg, as part of this transaction.

In return, the Group obtained a share of 33.0 % in the share capital of gamigo AG (see Note 19 “Investments accounted for using the equity method”). Overall, the transaction resulted in a deconsolidation gain of EUR 6 million, reported in other operating income (see Note 10 “Other operating income”).

Disposal of Magic Internet GmbH

Effective as of September 30, 2016, 100.0 % of the shares in Magic Internet GmbH, Berlin, were transferred to Pluto Inc., Delaware, USA. Magic Internet GmbH was previously allocated to the Digital Entertainment segment (formerly: Digital & Adjacent, see Note 2 “Segment reporting”).

As part of this transaction, ProSiebenSat.1 Group participated in a capital increase for cash of USD 10 million (EUR 9 million) in addition to the contribution of Magic Internet GmbH. In return, the Group obtained a share of 16.1 % in the capital of Pluto Inc. (see Note 19 “Investments accounted for using the equity method”). Overall, the transaction resulted in a deconsolidation gain of EUR 2 million, reported in other operating income (see Note 10 “Other operating income”).

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Notes to the Income Statement

5 Revenues

Revenues (Fig. 135)

EUR m	2016	2015
Advertising revenues	2,294	2,204
Online agency services	334	154
Revenues from content production	306	221
Revenues from the sale of goods	122	45
Distribution revenues	121	111
Barter transactions	72	72
Other revenues	550	454
Total	**3,799**	**3,261**

"Other revenues" includes revenues from the multi-channel and video-on-demand business totaling EUR 166 million (previous year: EUR 92 million), which are attributable to the Digital Entertainment segment.

ADDITIONAL INFORMATION

ProSiebenSat.1 Group's **revenues** are mainly advertising revenues derived from the sale of advertising time. The table below includes the revenue categories and business models identified as material for ProSiebenSat.1 Group's earnings and the respective timing of recognition:

Timing of revenue recognition

Revenues	Business model	Timing of recognition
Advertising revenues		
TV advertising revenues	Broadcasting of advertising spots in Free TV	Broadcasting of advertising spots
Media-for-Revenue-Share	Broadcasting of residual advertising times for fixed consideration and a variable revenue share	Broadcasting of advertising spots; Variable parts on receipt of necessary target achievement documentation of the contract partner
Marketing of digital offerings of external providers	Marketing of external websites via sale of online advertising	Sale of advertising space
Online agency services	Arranging of contracts between primary service providers and end customers in the areas of car rental, travel, insurance, events, energy supply, mobile communications via online price comparison websites	Transmission of customer data/ start of performance by the partner
Revenues from content production	Production of programming content such as TV formats and serial programmes	Percentage-of-completion method
Revenues from the sale of goods	Sale of products via online portals and stationary trading	Delivery of goods to the end customer, taking into account rights of return
Distribution revenues		
Technical activation fees (HD/Pay)	Distribution of ProSiebenSat.1 HD and Pay TV stations via cable, satellite and IPTV	Provision of the TV signal
Pay TV operations	Online platform for the reception of TV stations or content	Retrieval of signal
Barter transactions		
General barter transactions	Countertrades as part of marketing of advertising times	On performance, e.g. on broadcasting
Media-for-Equity-Share	Broadcasting of residual advertising times in exchange for entity shares	Broadcasting of advertising spots
Other revenues		
Multi-Channel revenues	Marketing of talents („webstars") via the internet, e.g. via YouTube	Rendering of marketing service
Travel operations	Organization of holidays and rendering of holiday-related services for end customers	Rendering of performance
Video-on-Demand revenues	Transmission of programming content via digital platforms as subscription and transaction business	Subscription model: Over the subscription term Transaction model: Provision of content
Sale of programming assets and ancillary program rights	Sale/licensing of programming assets for certain license areas, individual broadcastings and broadcasting windows	Beginning of license term and delivery of broadcast-ready material
Merchandising license sales	Licensing of trademarks of ProSiebenSat.1 Group	Depending on the contract terms, over license term or at start of license term

In addition to the revenue categories above, "Other revenues" also includes various business models that are currently not classified as material for the Group's earnings.

6 Cost of sales

Cost of sales (Fig. 136)

EUR m	2016	2015
Consumption of programming assets (incl. impairments)	915	896
Operating Expenses	610	468
Personnel expenses	277	221
Depreciation of property, plant and equipment and amortization of other intangible assets (incl. impairment)	92	84
IT operations	33	31
Expenses from the disposal of programming assets	17	8
Other	76	56
Total	**2,020**	**1,764**

Consumption of programming assets covers consumption and impairments of programming assets as well as additions to provisions for onerous contracts. Operating expenses mainly include production-related purchased services, material expenses in the area of commerce, license expenses, copyright fees and the cost of sales for the travel operating business. Personnel expenses include wages and salaries of employees in production, including performance-based bonus claims, termination indemnities and social insurance contributions. Depreciation, amortization and impairment on property, plant and equipment and other intangible assets relate primarily to technical facilities and licenses. Expenses from the disposal of programming assets result from sales of programming rights and ancillary rights. The "Other" item includes marketing and travel costs.

7 Selling expenses

Selling expenses (Fig. 137)

EUR m	2016	2015
Marketing and marketing-related expenses	221	137
Personnel expenses	113	75
Distribution	73	72
Thereof distribution fees	49	48
Thereof satellite services	24	24
Sales commissions	48	40
Operating Expenses	27	18
Depreciation of property, plant and equipment and amortization of other intangible assets (incl. impairment)	10	7
IT operations	9	5
Other	20	16
Total	**520**	**372**

Marketing and marketing-related expenses relate primarily to costs for market research, advertising and public relations. Personnel expenses include wages and salaries of employees in sales, including performance-based bonus claims, termination indemnities and social insurance contributions. Sales commissions include mainly costs and commissions for marketing services. Operating expenses relate primarily to expenses for distribution rights. Depreciation, amortization and impairment relate almost exclusively to other intangible assets in the sales area.

8 Administrative expenses

Administrative expenses (Fig. 138)

EUR m	2016	2015
Personnel expenses	226	182
Depreciation of property, plant and equipment and amortization of other intangible assets (incl. impairment)	98	56
Consultancy fees	35	32
Use of buildings	33	28
IT operations	31	31
Marketing expenses	18	19
Other personnel-related expenses	12	10
Corporate hospitality and travel	10	9
Ancillary operating expenses	5	6
Automobile expenses	5	4
Other	33	35
Total	**506**	**412**

Personnel expenses include wages and salaries of employees in administration, including performance-based bonus claims, termination indemnities and social insurance contributions. Depreciation, amortization and impairment on property, plant and equipment and other intangible assets relate primarily to administrative buildings, office furniture and equipment and software licenses. Consultancy fees primarily include management and M&A consultancy costs as well as legal consulting costs. Use of buildings relates primarily to rent, ancillary, and maintenance costs.

9 Other operating expenses

Other operating expenses of EUR 11 million (previous year: EUR 8 million) essentially include impairments on brands of EUR 6 million (previous year: EUR 4 million) (for further details, see Note 17 "Other intangible assets") and the derecognition of receivables from previous years of EUR 3 million (previous year: EUR 3 million).

10 Other operating income

Other operating income amounted to EUR 34 million in the financial year 2016 (previous year: EUR 25 million). This includes deconsolidation gains (see Note 4 "Acquisitions and disposals") of EUR 9 million (previous year: EUR 0 million). This item also includes prior-period income of EUR 7 million (previous year: EUR 11 million), mainly from prior-year refunds from collecting societies.

11 Interest result

Interest result (Fig. 139)

EUR m	2016	2015[1]
Interest and similar income	5	1
Interest and similar expenses	−89	−87
Thereof from financial liabilities at amortized cost	−43	−39
Thereof from hedging derivatives	−28	−41
Thereof other interest and similar expenses	−18	−7
Interest result	**−84**	**−86**

1 The comparative figures for the financial year 2015 were adjusted to reflect a change of presentation of hedge ineffectiveness in the financial year 2016.

Interest from financial liabilities at amortized cost primarily includes interest on loans drawn (see Note 26 "Financial liabilities").

Interest and similar expenses from hedging derivatives includes expenses for hedging instruments relating to exchange rate and interest rate risks (see Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7"). The "Other interest and similar expenses" item primarily contains interest effects of earn-out and put option liabilities and pension obligations, as well as a wide range of different, immaterial individual items.

Since January 1, 2016, expenses from hedge ineffectiveness (see Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7") have not been reported in interest result, but in other financial result. The change was made in order to match internal reporting. The comparative figures for the financial year 2015 were adjusted accordingly by plus EUR 6 million.

12 Result from investments accounted for using the equity method and other financial result

Result from investments accounted for using the equity method and other financial result (Fig. 140)

EUR m	**2016**	**2015[1]**
Share of income from associates	−1	5
Income from investments accounted for using the equity method	**−1**	**5**
Changes in earn-out and put option liabilities (financial liabilities at fair value through profit or loss)	−24	4
Foreign currency translation gains/losses	−1	−1
Thereof from financial assets and liabilities held for trading	13	19
Thereof from loans and receivables	2	4
Thereof from cash and cash equivalents	−1	3
Thereof from financial liabilities at amortized cost	−12	−22
Thereof other	−3	−4
Valuation effects of financial instruments	−4	−62
Thereof from available-for-sale financial assets	30	−27
Thereof from financial assets at fair value through profit or loss	−22	−30
Thereof from investments accounted for using the equity method, other financial investments and securities	−12	−4
Financing costs	−13	−16
Remeasurement of investments previously measured using the equity method	9	35
Effects of hedging ineffectiveness and termination of hedge accounting for interest rate swaps	−2	−6
Other	1	0
Other financial result	**−34**	**−45**

1 The comparative figures for the financial year 2015 were adjusted to reflect a change of presentation of hedge ineffectiveness in the financial year 2016 (see Note 11 "Interest result").

The changes in earn-out and put option liabilities of minus EUR 24 million (previous year: EUR 4 million) are the result of measurement adjustments to the earn-out and put option agreements concluded in connection with business combinations (see also Note 4 "Acquisitions and disposals" and Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7").

The foreign currency gains from financial assets and liabilities held for trading are the result of the measurement of currency hedges. Foreign currency losses from financial liabilities at amortized cost are fully (previous year: EUR 21 million) attributable to the measurement of liabilities for programming assets.

In July 2016, the shares in ZeniMax Media Inc., Rockville, USA, which were written down in full in the financial year 2015, were sold entirely for a purchase price of USD 34 million (EUR 30 million). The resulting reversal of impairment was recognized in measurement effects from financial instruments (thereof from available for sale financial assets).

Media-for-equity investments resulted in measurement effects of minus EUR 14 million (previous year: minus EUR 25 million), of which minus EUR 11 million (previous year: minus EUR 19 million) is attributable to AliphCom Inc. The result of the remeasurement of the warrant agreement concluded with Odyssey Music Group S.A., Paris, (Deezer) (see Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7") amounted to minus EUR 4 million (previous year: minus EUR 10 million). These two measurement effects relate to financial assets recognized at fair value through profit and loss.

Valuation effects of investments accounted for using the equity method, other financial investments and securities mainly comprise the impairment on Vitafy GmbH, an investment accounted for using the equity method. Due to the negative business development the carrying amount was adjusted by EUR 9 million (see Note 19 "Investments accounted for using the equity method").

Financing costs essentially include expenses from the interest accrued on non-current loans measured using the effective interest rate method in addition to deferred fees in the context of non-current loans (see Note 22 "Other receivables and assets") of EUR 5 million (previous year: EUR 4 million). In addition, costs for the utilization of the revolving credit facility of EUR 1 million (previous year: EUR 2 million) are reported in financing costs. For further details on ProSiebenSat.1 Group's syndicated loan agreement, please refer to Note 26 "Financial liabilities."

The remeasurement of investments previously measured using the equity method resulted in income of EUR 9 million (previous year: EUR 35 million) that was fully attributable to Stylight GmbH (see also Note 4 "Acquisitions and disposals").

The effects of hedge ineffectiveness and the termination of hedge accounting for interest rate swaps are explained in detail under Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7."

13 Income taxes

Income tax expenses (Fig. 141)

EUR m	2016	2015
Current income tax expenses - Germany	199	200
Current income tax expenses - other countries	24	15
Current income tax expenses	**223**	**215**
Deferred income tax income - Germany	−1	−7
Deferred income tax income - other countries	−16	−1
Deferred income tax income	**−17**	**−7**
Total income tax expenses	**206**	**208**

Current income tax expenses comprise all domestic and foreign taxes based on taxable profits in 2016 (corporate income tax, trade tax and respective foreign taxes) and income tax expenses for previous years of EUR 17 million (previous year: EUR 19 million). In the financial year 2016, as in the previous year, there were no significant reductions in the actual income tax expenses due to previously unrecognized tax losses or temporary differences from a prior period.

Deferred tax income for the financial year 2016 of EUR 17 million (previous year: EUR 7 million) includes deferred tax income of EUR 4 million (previous year: EUR 2 million) resulting from the ongoing change in deferred taxes on loss carry-forwards.

In the financial year 2016, deferred tax income of EUR 15 million (previous year: EUR 5 million) resulted from the ongoing change in temporary differences.

The tax rates used to calculate deferred taxes were adjusted in accordance with to changes in legislation. These changes in tax rates resulted in no material effects on deferred tax expenses in the financial year 2016.

The corporate income tax rate in Germany in 2016 of 15.0% as well as the German reunification surtax ("solidarity surtax") of 5.5% both remain unchanged compared to the previous year. Including the trade tax (local business income tax) with an average basis factor of 340.1% (previous year: 340.1%), the rounded total tax rate for 2016 was 28.0% (previous year: 28.0%).

The tax rates for foreign companies varied from 12.3% to 42.3% (previous year: 16.0% to 39.8%).

The nominal tax rate relevant for the Group is 28.0%. Regarding continuing operations, the expected tax expense can be reconciled with the actual tax expense as follows:

Reconciliation of tax expenses (Fig. 142)

EUR m	2016	2015
Profit before taxes	**658**	**604**
Applicable group tax rate (in percent)	28	28
Expected income tax expense	184	169
Adjustments to the expected income tax expense:		
Differences in tax rates		
Effects due to foreign tax rate differences	– 5	3
Effects due to domestic tax rate differences	0	– 2
Effects due to changes in statutory tax rates	0	0
Effects from deviation in taxable base		
Non-deductible interest expenses	2	3
Other non-deductible operating expenses	25	24
Tax-free income	– 14	– 10
Non-taxable disposal effects	– 6	0
Recognition and measurement of deferred tax assets		
Changes in the realization of deferred tax assets	8	7
Other effects		
Taxes from previous years	19	19
Investments accounted for using the equity method	1	– 1
Other	– 8	– 5
Total income tax expenses	**206**	**208**

ADDITIONAL INFORMATION

Deferred tax assets on tax loss carry-forwards and on temporary differences were recognized and measured on the basis of projected future taxable income. Deferred tax assets on temporary differences and tax loss carry-forwards are recognized only to the extent that it is probable that sufficient taxable profit will be available in the future to allow the benefit of the deferred tax asset to be utilized.

In the financial year 2016, deferred tax assets recognized on loss carry-forwards were written down by EUR 2 million (previous year: EUR 1 million). As in the previous year, there were no material write-downs of deferred tax assets on temporary differences. A reversal of impairments on deferred tax assets on loss carry-forwards of EUR 2 million was recognized in the financial year 2016. In the previous year, reversals of impairments of EUR 1 million were recognized.

As of December 31, 2016, no deferred tax assets were recognized for corporate income tax loss carry-forwards amounting to EUR 177 million (previous year: EUR 181 million) and for trade tax loss carry-forwards amounting to EUR 84 million (previous year: EUR 83 million). Loss carry-forwards of EUR 6 million (previous year: EUR 0 million) will expire within the next seven years if they are not used.

Corporate income tax loss carry-forwards for which no deferred tax assets were recognized amounted to EUR 34 million (previous year: EUR 36 million). Trade tax loss carry-forwards for which no deferred tax assets were recognized amounted to EUR 11 million (previous year: EUR 12 million).

As of December 31, 2016, deferred tax assets in excess of deferred tax liabilities were recognized in an insignificant amount (previous year: EUR 2 million) for companies that suffered losses in the current financial year or the previous year. On the basis of current tax planning, the use of these deferred tax assets can be expected in the next five years.

Significant Assumptions and Estimates

The impairment testing of deferred tax assets is based on the basis of internal projections regarding the future earnings situation of the relevant Group entity. Evaluations of the possibility of realizing tax loss carry-forwards are based on whether they can be used within the five-year tax planning period. If there are doubts that loss carry-forwards can be used, impairments of individual deferred tax assets are recognized. The deferred tax items recognized in that regard are subject to ongoing review as to their underlying assumptions. Changes in assumptions or circumstances may require corrections, which may result in additional deferred taxes or reversals of such items.

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

Allocation/origin of deferred taxes (Fig. 143)

	2016		2015	
EUR m	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Goodwill	3	81	2	78
Other intangible assets	8	200	2	117
Property, plant and equipment	0	31	0	32
Financial assets	6	11	6	9
Programming assets	-/-	3	-/-	3
Inventories and other assets	7	78	10	80
Provision for pensions	1	0	1	0
Other provisions	11	2	6	1
Liabilities	65	24	63	25
Tax loss carry-forwards	24	-/-	24	-/-
Netting	-95	-95	-101	-101
Total	**30**	**335**	**13**	**245**

A deferred tax liability for planned future dividend distributions of EUR 2 million (previous year: EUR 1 million) was recognized for investments in subsidiaries (outside basis differences). Furthermore, there are taxable temporary differences of EUR 11 million (previous year: EUR 11 million) arising from outside basis differences. No deferred tax liabilities were recognized on these taxable temporary differences as the time line of the release of temporary differences is under control of the Company and a reversal of the temporary differences is assessed not to be probable in the foreseeable future.

For disclosures on the deferred taxes that were recognized in other comprehensive income and on the current taxes recognized in capital reserves, please refer to Note 23 "Shareholders' Equity."

The earnings after taxes from discontinued operations include current tax expenses including interest and penalties of EUR 42 million in connection with a tax claim for former companies in Sweden that was paid in the financial year 2016.

Significant Assumptions and Estimates

Uncertain tax positions are analyzed on an ongoing basis and risk provisions of an appropriate amount are recognized in each case and estimated accordingly. Since these estimates may change over time, this also results in corresponding effects on the amount of the risk provisions deemed necessary. The amount of the expected tax payable or tax receivable reflects the amount that constitutes the best estimate while taking tax uncertainties into account.

14 Earnings per share

Profit measures included in calculating earnings per share (Fig. 144)

EUR m	2016	2015
Result attributable to the shareholders of ProSiebenSat.1 Media SE (basic)	**402**	**391**
Thereof from continuing operations (basic)	444	391
Thereof from discontinued operations (basic)	-42	0
Valuation effects of share-based payments after taxes	-6	-/-
Result attributable to the shareholders of ProSiebenSat.1 Media SE (diluted)	**397**	**391**
Thereof from continuing operations (diluted)	439	391
Thereof from discontinued operations (diluted)	-42	0

Numbers of shares included in calcualting earnings per share (Fig. 145)

Shares	2016	2015
Weighted average number of shares outstanding (basic)	216,755,645	213,776,180
Dilution effect based on stock options and rights to shares	896,373	1,651,392
Weighted average number of shares outstanding (diluted)	217,652,018	215,427,572

The Group Share Plans (see Note 31 "Share-based payments") contain an option for ProSiebenSat.1 Media SE to determine the type of settlement using either equity or cash. In contrast to IFRS 2, these plans are treated as if they were settled in common shares for the calculation of earnings per share due to the resulting dilution in accordance with IAS 33.58.

As of the reporting date, executives and selected employees had 896,373 rights to stock options or to shares with a dilutive effect (previous year: 1,651,392).

The possible conversion of all stock options on common shares which are in the money (see Note 31 "Share-based payments") as well as on potentially issued common shares results in a dilution effect of EUR 0.03 (previous year: EUR 0.02) regarding earnings per share from continuing operations.

Due to the capital increase in November 2016 (see Note 23 "Shareholders' Equity") and the exercise of share options, the weighted average number of outstanding shares increased from 213,776,180 to 216,755,645 in the financial year 2016.

15 Other disclosures

Personnel expenses and number of employees

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

Personnel expenses (Fig. 146)

EUR m	2016	2015
Wages and salaries	544	423
Social security contributions and other employee benefits	72	54
Total	**616**	**477**

Expenses for pensions totaled EUR 2 million in financial year 2016 (previous year: EUR 1 million).

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

Number of employees (Fig. 147)

	2016	2015
Female employees	2,979	2,284
Male employees	3,075	2,596
Total	**6,054**	**4,880**

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

Depreciation, amortization and impairments

Depreciation, amortization and impairments on other intangible assets and property, plant and equipment included in cost of sales, selling expenses, administrative expenses and other operating expenses are made up of the following elements:

Depreciation and amortization (Fig. 148)

EUR m	2016	2015
Amortization of other intangible assets	129	97
Depreciation of property, plant and equipment	52	36
Impairment of other intangible assets	24	18
Total	**206**	**151**

Consumption and impairment of programming assets of EUR 915 million (previous year: EUR 896 million) is presented under cost of sales and deducted in arriving at EBITDA.

Notes to the Statement of Financial Position

16 Goodwill

Statement of changes in goodwill (Fig. 149)

EUR m	2016	2015[1]
COST		
Opening balance as of January 1	**1,742**	**1,140**
Exchange rate differences	-3	12
Additions	224	590
Disposals	-9	-1
Closing balance as of December 31	**1,953**	**1,742**
IMPAIRMENT		
Opening balance January 1/Closing balance December 31	**93**	**93**
Carrying amount as of December 31	**1,860**	**1,649**

1 The comparative figures are restated due to the retrospective adjustment of the initial consolidation of Studio71 LP as of the acquisition date (Note 4 „Acquisitions and disposals ").

For more information on additions, see Note 4 "Acquisitions and disposals."

Goodwill is allocated to the individual segments as follows:

Allocation of goodwill to segments (Fig. 150)

Name of segment	Broadcasting German-speaking	Digital Entertainment	Digital Ventures & Commerce	Content Production & Global Sales	**Total**
Name of cash-generating unit	Broadcasting German-speaking	Digital Entertainment	Digital Ventures & Commerce	Content Production & Global Sales	
Carrying amount of goodwill at December 31, 2015 (EUR m)	464	311	751	123	**1,649**
Carrying amount of goodwill at December 31, 2016 (EUR m)	464	313	932	151	**1,860**

On the basis of the internal management and reporting structure, the Group split the Digital & Adjacent segment, where the Group previously bundled its digital activities, into two segments: Digital Entertainment and Digital Ventures & Commerce (see Note 2 "Segment reporting"). This resulted in a change in the composition of the groups of cash-generating units. Goodwill was allocated to the new groups of cash-generating units on July 1, 2016. Due to the change in the composition of the Group's operating segments and the associated composition of the groups of cash-generating units, the Group ensured in the third quarter of 2016 that the goodwill allocated to the group of cash-generating units Digital & Adjacent was recoverable.

According to the impairment tests for goodwill carried out in the financial year 2016 and the previous year, the carrying amounts are recoverable. Consequently, no impairment was recognized. The following table summarizes the assumptions applied in the respective impairment tests of goodwill in the cash-generating units as of the measurement date (August 31, 2016):

Disclosures on impairment testing of goodwill (Fig. 151)

Name of segment	Broadcasting German-speaking	Digital Entertainment	Digital Ventures & Commerce	Content Production & Global Sales	Digital & Adjacent
Name of cash-generating unit[1]	Broadcasting German-speaking	Digital Entertainment	Digital Ventures & Commerce	Content Production & Global Sales	Digital & Adjacent
Revenues growth p.a. in the projection period (CAGR)[2]	3.2% (2.3%)	14.7% (-/-)	14.3% (-/-)	6.0% (3.8%)	-/- (17.1%)
Ø EBITDA margin p.a. in the projection period[2]	29.3% (32.2%)	17.5% (-/-)	22.5% (-/-)	11.3% (11.6%)	-/- (21.3%)
Duration of projection period	5 Years	5 Years	5 Years	5 Years	5 Years
Revenues growth p.a. at the end of projection period[2]	1.5% (1.5%)	1.5% (-/-)	1.5% (-/-)	1.5% (1.5%)	-/- (1.5%)
EBITDA margin p.a. at the end of projection period[2]	29.8% (32.7%)	21.1% (-/-)	22.6% (-/-)	11.8% (12.4%)	-/- (23.3%)
Ø Discount rate[2]	9.5% (10.1%)	9.9% (-/-)	10.9% (-/-)	9.6% (10.3%)	-/- (10.5%)

1 The groups of cash-generating units correspond to the operating segments and were changed to reflect of the new segment reporting structure in the financial year 2016 (see Note 2 "Segment reporting"). The figures for the cash-generating unit Digital & Adjacent illustrate previous year's figures.
2 Previous year's figures in brackets.

ADDITIONAL INFORMATION

The assumptions for the revenue growth rates that were used in the planning period are based on corporate planning adopted by management as of impairment test date. The assumptions for revenue growth for the planning period beyond the company's planning horizon are based on externally published sources. The assumed EBITDA margins are based on historical experience, or were adjusted on the basis of cost-cutting measures that have already been introduced. The discount rate used is a weighted average total cost of capital and reflects the risk-adjusted interest rate before taxes which is derived from capital market data. The discount rate is based on the maturity-matched risk-free interest rate of 0.6% (previous year: 1.5%) and a market risk premium of 6.75% (previous year: 6.75%). In addition, for each cash-generating unit, a separate beta factor is derived from the relevant peer group. The cost of debt and the capital structure of the relevant peer group are also taken into consideration. In addition, country-specific tax rates and risk premiums were reflected. To the extent that a reasonably possible change in a key assumption, which is integrated into the impairment test, could result in a reduction of the recoverable amount below the carrying amount of the respective cash-generating unit, a sensitivity analysis has to be performed for this key assumption. In the financial year 2016, on the basis of current conditions, a possible change in a key assumption of the impairment test did not reduce the recoverable amount below the carrying amount.

Significant Assumptions and Estimates

The assumptions and the underlying methods used in the impairment tests may have a significant impact on the respective values, and ultimately affect the amount of a potential impairment of goodwill, other intangible assets and property, plant and equipment. The calculation of discounted cash flows in particular is extensively subject to planning assumptions that may be sensitive to changes and can therefore have a significant influence on the recoverability.

17 Other intangible assets

Statement of changes in other intangible assets (Fig. 152)

EUR m	Brands[1]	Customer relationships	Other intangible assets	Advances paid	Total other intangible assets
COST					
Balance as of January 1, 2015	**84**	**34**	**485**	**17**	**619**
Exchange rate differences	1	2	3	0	5
Additions due to change in scope of consolidation	159	107	42	2	309
Additions	–/–	–/–	69	30	99
Reclassifications	–/–	–/–	12	–12	–/–
Disposals due to change in scope of consolidation	–/–	–1	0	–/–	–1
Disposals	0	–/–	–63	0	–63
Balance as of December 31, 2015/January 1, 2016	**243**	**141**	**547**	**37**	**968**
Exchange rate differences	–1	2	1	0	2
Additions due to change in scope of consolidation	190	77	39	0	307
Additions	–/–	–/–	109	34	143
Reclassifications	–/–	–/–	24	–24	–/–
Disposals due to change in scope of consolidation	–4	–1	–60	–4	–70
Disposals	–2	–/–	–84	0	–86
Balance as of December 31, 2016	**426**	**220**	**576**	**42**	**1,264**
AMORTIZATION					
Balance as of January 1, 2015	**14**	**10**	**335**	**0**	**359**
Exchange rate differences	0	0	1	–/–	1
Additions due to change in scope of consolidation	–/–	–/–	1	–/–	1
Additions[2]	5	10	100	0	115
Disposals due to change in scope of consolidation	–/–	–1	0	–/–	–1
Disposals	–/–	–/–	–61	0	–61
Balance as of December 31, 2015/January 1, 2016	**19**	**19**	**376**	**1**	**415**
Exchange rate differences	0	0	1	–/–	1
Additions[2]	11	26	111	6	153
Disposals due to change in scope of consolidation	–4	–1	–47	0	–53
Disposals	–2	–/–	–68	0	–71
Balance as of December 31, 2016	**23**	**44**	**373**	**6**	**447**
Carrying amount as of December 31, 2016	**403**	**175**	**202**	**36**	**817**
Carrying amount as of December 31, 2015	**224**	**122**	**171**	**36**	**553**

1 Including brands with indefinite useful lives with a carrying amount of EUR 333 million (previous year: EUR 197 million).
2 Of the impairments recognized in this position amounting to EUR 24 million (previous year: EUR 18 million), EUR 18 million (previous year: EUR 14 million) are presented in the expenses of the corresponding functional area.

Other intangible assets include software, licenses from the sale of digital offerings of external providers and industrial property rights. This item also includes internally generated intangible assets of EUR 48 million (previous year: EUR 22 million).

Brands include assets with definite and indefinite useful lives. Brands with indefinite useful lives are allocated to the individual segments as follows:

Allocation of brands with indefinite useful lives to segments (Fig. 153)

Name of segment[1]	Broadcasting German-speaking	Digital Entertainment	Digital Ventures & Commerce	Content Production & Global Sales	Total	Digital & Adjacent
Carrying amount of brands at December 31, 2015 (EUR m)	3	5	188	-/-	**197**	193
Carrying amount of brands at December 31, 2016 (EUR m)	3	3	327	-/-	**333**	-/-

1 The segments were changed in course of the new segment reporting structure in the financial year 2016 (see Note 2 "Segment reporting"). The figures for the cash-generating unit Digital & Adjacent illustrate previous year's figures.

All assets with indefinite useful lives are tested for impairment annually in accordance with IAS 36 on the basis of the recoverable amount (see "Summary of key accounting policies"). The following table summarizes the allocation of significant brands with indefinite useful lives to the cash-generating units and the assumptions applied in the respective impairment tests as of the measurement date:

Disclosure on impairment test of significant brands with indefinite useful lives (Fig. 154)

Name of cash-generating unit	Verivox	PARSHIP ELITE Group
Revenues growth p.a. in the projection period (CAGR)	13.0%	7.3%
EBITDA margin p.a. in the projection period and at the end of the projection period	24.0%-33.3%	24.7%-29.3%
Duration of projection period	5 years	5 years
Revenues growth p.a. at the end of projection period	1.5%	1.5%
Ø Discount rate	11.3%	10.2%
Valuation date	August 31, 2016	December 31, 2016
Carrying amount of brands with indefinite useful lives December 31, 2016 (EUR m)	107	141

In the financial year 2016, there were impairments of EUR 5 million (previous year: EUR 1 million) for other intangible assets with indefinite useful lives. The recognized impairments relate to brands in the Digital Entertainment segment in the amount of EUR 2 million and in the amount of EUR 3 million in the Digital Ventures & Commerce segment (previous year: EUR 1 million in the Digital & Adjacent segment).

In the past financial year, impairments of EUR 3 million (previous year: EUR 8 million) were recognized on other intangible assets with definite useful lives in connection with earlier purchase price allocations. The recognized impairments relate to a brand, a customer relationship and a non-compete agreement in the Digital Entertainment segment.

In addition to the impairments described above, impairments on licenses of EUR 3 million (previous year: EUR 5 million) and on other intangible assets with definite useful lives of EUR 13 million (previous year: EUR 3 million) were recognized in the past financial year.

ADDITIONAL INFORMATION

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

Useful lives of intangible assets

in years	
Software	3-8
Licenses and other industrial property rights	10 and license contract term respectively

Other useful lives may be applied as an exception for intangible assets with definite useful lives that are acquired in business combinations:

Useful lives of intangible assets with definite useful lives

in years	
Customer relationships	2–15
Brands with finite useful lives	5–15

Useful lives and amortization methods are reviewed annually and adjusted in accordance with any changes in estimations.

18 Property, plant and equipment

Statement of changes in property, plant and equipment (Fig. 155)

EUR m	Buildings on land owned by others, fixtures and renovations	Technical facilities	Office furniture and equipment	Advances paid	**Total**
COST					
Balance as of January 1, 2015	**255**	**154**	**58**	**5**	**472**
Exchange rate differences	0	1	0	–/–	1
Additions due to change in scope of consolidation	0	10	3	–/–	14
Additions	8	18	8	8	42
Reclassifications	3	1	0	–4	–/–
Disposals due to change in scope of consolidation	–/–	–/–	0	–/–	0
Disposals	–1	–8	–1	–/–	–10
Balance as of December 31, 2015/ January 1, 2016	**266**	**176**	**68**	**9**	**519**
Exchange rate differences	0	1	0	–/–	1
Additions due to change in scope of consolidation	0	2	1	0	4
Additions	6	18	10	6	41
Reclassifications	7	1	0	–7	–/–
Disposals due to change in scope of consolidation	–1	0	–2	0	–3
Disposals	0	–7	–5	–1	–12
Balance as of December 31, 2016	**278**	**190**	**72**	**7**	**548**
DEPRECIATION					
Balance as of January 1, 2015	**105**	**110**	**43**	**–/–**	**259**
Exchange rate differences	0	0	0	–/–	1
Additions due to change in scope ofconsolidation	0	4	2	–/–	5
Additions	12	19	5	–/–	36
Disposals due to change in scope of consolidation	–/–	–/–	0	–/–	0
Disposals	0	–6	–1	–/–	–8
Balance as of December 31, 2015/ January 1, 2016	**117**	**127**	**49**	**–/–**	**293**
Exchange rate differences	0	0	0	–/–	0
Additions	23	22	7	–/–	52
Disposals due to change in scope of consolidation	–1	0	–2	–/–	–2
Disposals	0	–7	–4	–/–	–11
Balance as of December 31, 2016	**140**	**143**	**50**	**–/–**	**332**
Carrying amount December 31, 2016	**139**	**47**	**23**	**7**	**216**
Carrying amount December 31, 2015	**149**	**48**	**20**	**9**	**226**

The buildings on land owned by others, fixtures and renovations line item contains leased buildings with a residual carrying amount of EUR 94 million (previous year: EUR 102 million) that are classified as finance leases due to the contractual structure of the underlying lease agreements and thus assigned to the Group as the beneficial owner. The underlying leases cover land and buildings at the Unterföhring site. Each of them has a lease term of 22 years. The earliest expiration is scheduled for 2019, but the interest rate conversion points (the end of the lock-in period for interest rates) may occur earlier. The real estate leases were signed on prevailing market terms. Due to the planned new construction at the Unterföhring site, the remaining useful lives of the leased properties and the fixtures and renovations therein have been shortened. In the reporting period, this resulted in increased depreciation of EUR 8 million.

In addition, there are other leases, mainly for technical equipment, of EUR 10 million (previous year: EUR 12 million) that are also classified as finance leases.

As of December 31, 2016, and the previous year's reporting date, the minimum lease payments comprise the following:

Minimum lease payments (Fig. 156)

EUR m	Remaining term 1 year or less	Remaining term 2 to 5 years	Remaining term over 5 years	Total 12/31/2016
Property, plant and equipment				
Minimum lease payments	16	27	1	**45**
Share of interest minimum lease payments	2	3	0	**5**
Present value of minimum lease payments	14	24	1	**40**

EUR m	Remaining term 1 year or less	Remaining term 2 to 5 years	Remaining term over 5 years	Total 12/31/2015
Property, plant and equipment				
Minimum lease payments	16	39	3	**58**
Share of interest minimum lease payments	2	5	0	**8**
Present value of minimum lease payments	14	34	3	**50**

In addition, there are also lease liabilities related to buildings on land owned by others of EUR 32 million (previous year: EUR 32 million). This resulted in lease liabilities of EUR 72 million as of December 31, 2016 (previous year: EUR 82 million).

Significant Assumptions and Estimates

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

Useful lives of property, plant and equipment

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

19 Investments accounted for using the equity method

Associates

By agreement dated September 30, 2016, and effective as of November 30, 2016, ProSiebenSat.1 Group increased its share in Vitafy GmbH, Munich, from 29.05 % to 49.9 %. Due to the significant influence of ProSiebenSat.1 Group, the investment continues to be recognized as a material associate accounted for using the equity method. Vitafy is an online shop for fitness, wellness, and health. The purchase price comprises a cash purchase price of EUR 7 million and a media agreement with a gross media volume of EUR 20 million. In addition, multiple call options for the step-by-step acquisition of up to 100 % of the shares within the next three years were agreed. ProSiebenSat.1 Group did not receive any dividends from Vitafy GmbH in the reporting period. As of the reporting date, the carrying amount was partially impaired reflecting the negative business development (see Note 12 "Result from investments accounted for using the equity method and other financial result").

By agreement dated May 19, 2016, and effective as of June 30, 2016, ProSiebenSat.1 Group sold all Games activities (see Note 4b "Disposal of subsidiaries") previously allocated to the Digital & Adjacent segment (see Note 2 "Segment reporting"). In return, the Group obtained a share of 33.0 % in the share capital of gamigo AG. The investment was capitalized as a material associate accounted for using the equity method with a fair value of EUR 32 million as of the transaction date. In addition, ProSiebenSat.1 Group became entitled to a cash payment totaling EUR 5 million to be paid in two equal amounts with an interest of 4.0 % per annum no later than 12 and 18 months after the transfer date respectively. As a contingent purchase price component, ProSiebenSat.1 Group is also entitled to a profit share of individual mobile games in the calendar years 2016 and 2017 if a contractually agreed threshold is exceeded. ProSiebenSat.1 Group did not receive any dividends from gamigo AG in the reporting period.

By agreement dated October 11, 2016, and effective as of November 30, 2016, ProSiebenSat.1 Group acquired a 41.6 % share in Marketplace GmbH, Berlin, which holds 100 % of the shares in Beko Käuferportal GmbH, Berlin. Käuferportal is a leading online portal in Germany for the placement of complex products and services. ProSiebenSat.1 Group executed a cash capital increase of EUR 39 million at Marketplace GmbH within the context of this transaction. This also constitutes the purchase price for this investment. In addition, a call option that can be exercised in 2018 and 2019 was purchased for the acquisition of another 9 %. Due to the significant influence of ProSiebenSat.1 Group over the entity, the investment is recognized as a material associate accounted for using the equity method. ProSiebenSat.1 Group did not receive any dividends from Marketplace GmbH in the reporting period.

By agreement dated September 30, 2016, and effective as of the same day, 100.0 % of the shares in Magic Internet GmbH, Berlin, were transferred to Pluto Inc., Delaware, USA. Pluto is an online TV provider with the corresponding technology for distributing TV content (see Note 4b "Disposal of subsidiaries"). As part of this transaction, ProSiebenSat.1 Group participated in a capital increase for cash of USD 10 million (EUR 9 million) in addition to the contribution of Magic Internet GmbH. In return, the Group received a 16.1% share in Pluto Inc.'s capital. The Group has significant influence over the entity since, in addition to the financial investment, representation of ProSiebenSat.1 Group on the management board of Pluto Inc. was agreed. Due to the significant influence of ProSiebenSat.1 Group over the entity, the investment is recognized as a material associate accounted for using the equity method. The shares are capitalized based on the fair value derived from the financing round plus the variable purchase price components and acquisition-related costs of USD 21 million (EUR 19 million). ProSiebenSat.1 Group did not receive any dividends from Pluto Inc. in the reporting period. By December 31, 2016, ProSiebenSat.1 Group's shares had been diluted to 15.48 % due to a capital increase.

The following overview shows aggregated financial information on material associates and a reconciliation of this summarized financial information to the carrying amounts of the Group's shares in the associates. The entities presented are not listed companies.

Financial information for material associates (Fig. 157)

	Vitafy GmbH		gamigo AG	
EUR m	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
ProSiebenSat.1 Group's share (in %)	**49.9%[2]**	**29.05%**	**33.0%**	**-/-**
Non-current assets	19	3	48	-/-
Current assets	9	8	12	-/-
Non-current liabilities	5	0	25	-/-
Current liabilities	5	0	25	-/-
Net assets (100%)	**18**	**11**	**10**	**-/-**
ProSiebenSat.1 Group´s share of net assets	9	3	3	-/-
Goodwill	7	3	24	-/-
Impairment	-9	-/-	-/-	-/-
Carrying amount of interest in associate	**7**	**6**	**27**	**-/-**
Revenue	19	1[1]	21[1]	-/-
Profit or loss for the period (100%)	-11	-2[1]	-12[1]	-/-
ProSiebenSat.1 Group's share of profit or loss	**-3**	**-0[1]**	**-4[1]**	**-/-**

	Marketplace GmbH (Käuferportal)		Pluto Inc.	
EUR m	**12/31/2016**	**12/31/2015**	**12/31/2016**	**12/31/2015**
ProSiebenSat.1 Group's share (in %)	**41.6%**	**-/-**	**15.48%**	**-/-**
Non-current assets	56	-/-	15	-/-
Current assets	17	-/-	30	-/-
Non-current liabilities	31	-/-	9	-/-
Current liabilities	5	-/-	6	-/-
Net assets (100%)	**37**	**-/-**	**31**	**-/-**
ProSiebenSat.1 Group´s share of net assets	15	-/-	5	-/-
Goodwill	24	-/-	12	-/-
Impairment	-/-	-/-	-/-	-/-
Carrying amount of interest in associate	**39**	**-/-**	**17**	**-/-**
Revenue	4[1]	-/-	2[1]	-/-
Profit or loss for the period (100%)	0[1]	-/-	-3[1]	-/-
ProSiebenSat.1 Group's share of profit or loss	**-0[1]**	**-/-**	**-0[1]**	**-/-**

1 The amounts represent the figures since acquisition.
2 29,05% till November 30, 2016.

ProSiebenSat.1 Group holds other investments in associates which are of subordinate importance for the Group. The following overview shows a summary of financial information on these investments:

Aggregate financial information for immaterial associates (Fig. 158)

EUR m	**12/31/2016**	**12/31/2015**
Carrying amount of interests in associates	18	18
Profit share[1]	**7**	7

1 The immaterial associates do not have discontinued operations.

Joint ventures

The investments in joint ventures held by ProSiebenSat.1 Group as of December 31, 2016, were only of subordinate importance of the Group.

20 Programming assets

Programming assets comprise rights to feature films, series, commissioned productions, digital content and advance payments made (including advance payments for sports rights). Because of their high importance for ProSiebenSat.1 Group, programming assets, which would normally be classified under other intangible assets, are presented as a separate item in the statement of financial position.

Statement of changes in programming assets (Fig. 159)

EUR m	Capitalized rights	Advances paid	Total
Carrying amount January 1, 2015	**1,123**	**89**	**1,212**
Additions due to change in scope of consolidation	1	0	1
Additions	901	43	944
Disposals	-8	0	-8
Reclassifications	57	-57	-/-
Consumption[1]	-897	-/-	-897
thereof scheduled			-797
thereof impairment			-99
Carrying amount December 31, 2015 and January 1, 2016	**1,176**	**76**	**1,252**
thereof non-current programming assets			1,153
thereof current programming assets			99
Additions due to change in scope of consolidation	-/-	1	1
Additions	920	73	994
Disposals	-17	0	-18
Reclassifications	34	-34	-/-
Consumption[1]	-918	-/-	-918
thereof scheduled			-801
thereof impairment			-117
Carrying amount December 31, 2016	**1,196**	**117**	**1,312**
thereof non-current programming assets			1,166
thereof current programming assets			146

1 Consumption including provisions for onerous contracts from prior periods of EUR 6 million (previous year: EUR 10 million).

Capitalized rights primarily contain free TV rights of EUR 1,175 million (previous year: EUR 1,159 million) and other rights, such as pay TV, video-on-demand and mobile TV rights of EUR 20 million (previous year: EUR 17 million).

There were no material reversals of impairments in 2016 or in the previous year.

ADDITIONAL INFORMATION

Consumption and impairments of programming assets are presented as cost of sales. Reversals of impairments are netted against consumption.

Programming assets, such as sport events or news formats, that are intended for single runs and advance payments made on programming assets are normally recognized as current programming assets.

Provisions for onerous executory programming asset transactions are recognized if the Company currently estimates that the forecast revenues will not cover the costs. Provisions for onerous contracts are recognized taking genre-based program groups into account.

Significant Assumptions and Estimates

Key elements of programming assets are acquired as film packages from large film studios. Both the initial measurement of the individual licenses of these film packages and subsequent valuations of the programming assets are based on estimated viewer shares. These take into account the variable usability of programming assets and reflect the required consumption of the programming assets as a function of the number of relevant broadcasts.

21 Financial receivables and assets

Financial receivables and assets (Fig. 160)

	12/31/2016			12/31/2015		
EUR m	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Receivables from content production	12	-/-	12	14	-/-	14
Trade accounts receivable	434	18	452	370	-/-	370
Total receivables	**446**	**18**	**464**	**383**	**-/-**	**383**
Derivatives	77	187	264	64	188	252
Investments	-/-	69	69	-/-	65	65
Securities	-/-	51	51	-/-	33	33
Other financial assets	14	6	20	9	5	14
Total financial assets	**91**	**313**	**404**	**72**	**291**	**364**
Total	**537**	**331**	**868**	**456**	**291**	**747**

In the statement of financial position, the Group reports the relevant net positions for each commissioned production either as a receivable or liability. Commissioned productions are reported as receivables if the costs incurred and recognized gains less recognized losses exceed advance payments received. Otherwise, commissioned productions result in liabilities.

Net position for ongoing construction contracts (Fig. 161)

EUR m	**12/31/2016**	**12/31/2015**
Amounts due to from customers for contract work	12	14
Amounts due to customers for contract work	24	16
Net position	**-12**	**-2**

The net position relates to the following items:

EUR m	**12/31/2016**	**12/31/2015**
Aggregate costs incurred and recognised profits (less recognised losses) to date	401	194
Less: progress billings	413	196
	-12	**-2**

In the Content Production & Global Sales segment, there were still a number of projects in the production phase in the area of commissioned productions as of the reporting date. In the financial year 2016, these projects generated a result of EUR 108 million (previous year: EUR 39 million) with relevant project progress costs of EUR 293 million incurred during the same time (previous year: EUR 156 million).

The derivatives relate mostly to currency hedging instruments with positive market values. This item also includes a financial derivative from a warrant agreement with Odyssey Music Group S.A., Paris (operator of the music streaming portal "Deezer"). Further detailed information can be found in Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7."

The non-controlling interests that the Group acquires as part of its media-for-equity strategy are also reported under investments (see Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7").

Securities primarily comprise venture capital fund investments of EUR 30 million (previous year: EUR 14 million). This item also includes units in investment funds of EUR 21 million (previous year: EUR 20 million) measured at fair value through profit and loss and acquired to cover pension obligations, which, however, do not qualify as plan assets as defined by IAS 19.

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

Changes in credit allowances (Fig. 162)

EUR m	12/31/2016	12/31/2015
Credit allowances at the beginning of the reporting period	19	25
Additions	24	12
Release	−4	−2
Usage	−6	−16
Foreign currency effects	0	0
Credit allowances at the end of the reporting period	**33**	**19**

Significant Assumptions and Estimates:

Individual receivables and any necessary credit allowences are estimated and evaluated on the basis of the individual customer's creditworthiness, current economic developments, and an analysis of historical defaults, on a portfolio basis. Where objective indications of impairment exist, overdue trade receivables are impaired, taking experiential values regarding their recoverability into account.

As of December 31, 2016, the Group's past due but not impaired receivables had the following aging structure:

Aging structure (Fig. 163)

EUR m	12/31/2016	12/31/2015
Not due at the end of the reporting period	361	294
Amount past due the following time ranges:		
Less than 3 months	74	64
Between 3 and 6 months	7	3
Between 6 and 9 months	4	2
Between 9 and 12 months	3	4
More than 12 months	4	3
Total receivables past due but not impaired	**91**	**77**

ProSiebenSat.1 Group assumes that the past due but not impaired receivables can still be recovered in full.

22 Other receivables and assets

Other receivables and assets (Fig. 164)

	12/31/2016			12/31/2015		
EUR m	Current	Non-current	Total	Current	Non-current	Total
Advance payments	8	-/-	8	19	-/-	19
Accrued items	34	7	42	29	10	39
Other	15	4	18	18	5	23
Total other receivables and assets	**57**	**11**	**68**	**65**	**15**	**80**

The 'Other' item also includes transaction costs for credit facilities to be amortized over the overall term (see Note 26 "Financial liabilities").

23 Shareholders' Equity

As of December 31, 2016, the subscribed capital of ProSiebenSat.1 Media SE amounted to EUR 233 million (previous year: EUR 219 million), with each share representing a nominal value of EUR 1.00 of the share capital. As of December 31, 2016, the number of common shares outstanding was thus 233,000,000 (previous year: 218,797,200 common shares) of which the Company itself held 4,190,301 common shares in treasury (previous year: 4,579,400 common shares).

On November 3, 2016, ProSiebenSat.1 Media SE carried out a cash capital increase from Authorized Capital without shareholder subscription rights. In this context, 14,202,800 new registered no par value shares at EUR 36.25 each with a full dividend entitlement for the financial year 2016 were placed with institutional investors. Gross proceeds totaled EUR 515 million.

The capital increase mainly led to the increase of capital reserves by EUR 453 million to EUR 1,054 million (previous year: EUR 600 million). The rise resulting from the capital increase comprises the premium of EUR 501 million and net transaction costs of EUR 2 million that were offset against capital reserves with no impact on profit or loss.

In the financial year 2016, minus EUR 47 million (previous year: EUR 8 million) was also recognized in capital reserves in connection with share-based payments. In the first quarter of 2016, the Group Share Plans 2013 to 2015 were then changed from "equity settlement" to "cash settlement". Following this change, the amounts recognized in capital reserves of EUR 59 million were reclassified to other non-current provisions or other current liabilities (see Note 31 "Share-based payments").

In addition to the 2016 capital increase mentioned above, capital reserves also comprise the share premium from the issuance of shares in the financial year 1997 and the capital increase in the financial year 2004.

Accumulated other comprehensive income of ProSiebenSat.1 Group of EUR 171 million (previous year: EUR 150 million) include the effects of cash flow hedge accounting, currency translation adjustments of the financial statements of foreign subsidiaries and the effects of the measurement of pension obligations to be recognized outside profit or loss. The year-on-year increase is attributable to measurement effects from cash flow hedge accounting and relates to currency hedges with a fair value of EUR 245 million (previous year: EUR 231 million) and interest rate hedges of minus EUR 24 million (previous year: minus EUR 46 million) before deduction of related deferred taxes. The deferred tax liabilities relate to currency hedges in an amount of EUR 69 million (previous year: EUR 64 million). Deferred tax assets of EUR 7 million (previous year: EUR 13 million) relate to interest rate hedges.

In the second quarter of 2016, the ongoing development of negative interest rates and the associated higher hedging ineffectiveness meant that the accounting of the interest rate swaps existing at the time in accordance with the provisions of IAS 39 on hedge accounting was discontinued, resulting in the termination of the hedging relationship. The changes in market values of the interest rate swaps recognized in accumulated other comprehensive income for the effective part of the hedge are being reversed through profit and loss over the original term of the hedging relationships (see Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7").

Actuarial losses of minus EUR 9 million (previous year: minus EUR 8 million) and attributable deferred tax assets of EUR 3 million (previous year: EUR 2 million) were recognized as part of the measurement of pension obligations.

In addition the Group's other comprehensive income contains foreign currency effects resulting from the translation of foreign subsidiaries' financial statements of EUR 18 million (previous year: EUR 22 million).

Results recognized in accumulated other comprehensive income over the course of the financial year 2016 comprised the following:

Changes of accumulated other comprehensive income (Fig. 165)

	2016			2015		
EUR m	**Before Taxes**	**Deferred Taxes**	**After Taxes**	**Before Taxes**	**Deferred Taxes**	**After Taxes**
Currency translation ProSiebenSat.1 Media SE foreign subsidiaries	-4	-/-	-4	17	-/-	17
Currency translation non-controlling interests of foreign subsidiaries	0	-/-	0	0	-/-	0
Currency translation effects recognised in other comprehensive income	-4	-/-	-4	17	-/-	17
Effect from foreign currency translation	**-4**	**-/-**	**-4**	**17**	**-/-**	**17**
Currency hedges	15	-4	11	133	-37	95
Interest rate hedges	22	-6	16	39	-11	28
Effects from cash flow hedge accounting recognised in other comprehensive income	37	-10	26	172	-48	124
Recognition of cash flow hedges	**37**	**-10**	**26**	**172**	**-48**	**124**
Valuation effects of provisions for pensions recognised in other comprehensive income	**-1**	**0**	**-1**	**0**	**0**	**0**
Total other comprehensive income/loss for the period	**31**	**-10**	**22**	**189**	**-48**	**141**

Non-controlling interests

Besides ProSiebenSat.1 Group, no other shareholders have a material share in the fully consolidated subsidiaries apart from PARSHIP ELITE Group (see Note 4 "Acquisitions and disposals"). As of December 31, 2016, non-controlling interests in the fully consolidated subsidiaries amounted to EUR 24 million (previous year: EUR 21 million). This figure comprises various individually immaterial amounts. There are no material restrictions to the Group's access to subsidiaries' assets. For further information on the Group's investment structure, please refer to the list of affiliated companies and investments in the notes to the consolidated financial statements.

Allocation of profits

In the financial year just ended, under a resolution adopted at the Annual General Meeting on June 30, 2016, a dividend of EUR 386 million was paid out to shareholders of ProSiebenSat.1 Media SE out of ProSiebenSat.1 Media SE's 2015 distributable profit of EUR 1.919 billion. This equates to a dividend distribution of EUR 1.80 per dividend-entitled common share. The dividend of EUR 386 million was disbursed on July 1, 2016.

In accordance with the German Stock Corporation Act (Aktiengesetz – AktG), the dividend payable to shareholders depends on the distributable profit reported in the annual financial statements of

ProSiebenSat.1 Media SE under the German Commercial Code. It is intended to use ProSiebenSat.1 Media SE's distributable profit of EUR 1.863 billion for the financial year 2016 as follows:

Proposed allocation of profit (Fig. 166)

EUR	
Distribution of a dividend of EUR 1.90 per registered share of common stock	434,738,428.10
Allocation to retained earnings	800,000,000.00
Balance to be carried forward to the next accounting period	628,718,200.40
ProSiebenSat.1 Media SE distributable profit	**1,863,456,628.50**

Distribution of the dividend and allocation to retained earnings are subject to the approval of the Annual General Meeting on May 12, 2017. The final amount distributed depends on the number of entitled shares at the time of the resolution on the profit allocation proposal. This depends on the amount of Company's treasury stock. Under section 71b of the German Stock Corporation Act these shares are not entitled to dividends. However, up to the day of the Annual General Meeting the number of shares outstanding may change.

Authorized Capital

By resolution of the Annual General Meeting on June 30, 2016, new Authorized Capital was created with a corresponding amendment of article 4 (amount and division of share capital) of the articles of incorporation (Authorized Capital 2016). Subject to the consent of the Supervisory Board, the Executive Board is authorized to increase the share capital of the Company on one or more occasions on or before June 30, 2021, by not more than EUR 87,518,880 in return for contributions in cash and/or in kind, by issuing new registered no-par shares. In this context, shareholders are to be granted statutory preemptive rights when new shares are issued. However, subject to the consent of the Supervisory Board, the Executive Board is also authorized to partially or fully exclude the shareholders' preemptive rights in cases described in more detail in Authorized Capital 2016. The Executive Board resolved on November 3, 2016, with consent of the Supervisory Board on the same day, to increase the Company's share capital by EUR 14,202,800 from EUR 218,797,200 to EUR 233,000,000 by issuing 14,202,800 new, registered shares each representing EUR 1 of the share capital, making partial use of the Authorized Capital 2016 in accordance with article 4 (4) of the articles of incorporation. The shareholders' preemptive rights were excluded in accordance with article 4 lit. b. of the articles of incorporation. The new shares are entitled to receive dividends from January 1, 2016. Following its partial utilization, Authorized Capital 2016 amounts to EUR 73,316,080.

Contingent Capital

By resolution of the Annual General Meeting on June 30, 2016, Contingent Capital was created with a corresponding amendment of article 4 (amount and division of share capital) of the articles of incorporation. In this context, there was a contingent increase in share capital by up to EUR 21,879,720 by issuing up to 21,879,720 new registered no par value shares (Contingent Capital 2016). The Contingent Capital increase serves to grant shares to holders or creditors of convertible bonds in addition to holders of option rights attached to warrant-linked bonds to be issued on or before June 29, 2021, as a result of the authorization granted by resolution of the Annual General Meeting of June 30, 2016, by the Company or a German/foreign entity in which the Company either directly or indirectly holds the majority of votes and capital.

Treasury Shares

In accordance with section 71 (1) no. 8 of the German Stock Corporation Act, the Annual General Meeting of May 21, 2015, authorized the Company to acquire its own shares on or before May 20, 2020, in the total amount of up to 10% of the Company's share capital on the date the authorization was granted or – if this figure is lower – on the date the authorization is exercised, and to use these, also under exclusion of preemptive rights in the cases described in more detail in the authorization. Treasury shares may also be acquired using derivatives up to a total of 5% of the share capital on the date the authorization was granted in accordance with the more detailed conditions of the authorization.

In the financial year 2016, 342,070 share options from the LTIP 2010 (Cycle 2011) and LTIP 2010 (Cycle 2010) were exercised (see Note 31 "Share-based payments"). As a result of this and the issuance of 47,029 treasury shares as part of the "MyShares" employee share program, the number of treasury shares fell from 4,579,400 as of December 31, 2015, to 4,190,301 as of December 31, 2016.

Information about capital management

The primary capital management tools used by ProSiebenSat.1 Group are equity capital measures, dividend payments to the shareholders, repurchase of shares and borrowing.

ProSiebenSat.1 Group's capital management pursues the goal of safeguarding the Company as a going concern for the long term, and of generating a fair return for its shareholders. In this regard, the changes in economic conditions and risks resulting from the underlying business operations are taken into account. It is also important to ProSiebenSat.1 Group to ensure its unrestricted access to various borrowing options in the capital market, and its ability to service its financial liabilities.

As part of active debt management, particular attention is given to managing leverage, measured as the ratio of net financial debt to recurring EBITDA of the last twelve months, as well as needs for capital and liquidity, and to matching the timing of refinancing measures.

ProSiebenSat.1 Group and its financial liabilities are not rated by international rating agencies.

ProSiebenSat.1 Group's capital structure as of the closing date was as follows:

Capital structure (Fig. 167)

EUR m	12/31/2016	12/31/2015
Shareholders' equity	**1,432**	**943**
Share of total capital	21.7%	17.8%
Financial dept	**3,185**	**2,675**
Share of total capital	48.2%	50.4%
Leverage	**1.9**	**2.1**
Total Capital (total equity and liabilities)	**6,603**	**5,310**

For further information on ProSiebenSat.1 Group's financial management, please refer to the chapter "Borrowings and financing structure" in the combined management report.

24 Provision for pensions

Pension provisions were recognized for obligations to provide benefits for active and former members of the Executive Board of ProSiebenSat.1 Media SE and their surviving dependants. The pension agreements provide for benefits after reaching the contractual age limit, in the case of permanent disability and after the death of the beneficiary. The benefits can be granted as monthly pension for life, in several annual installments or as a one-off payment.

In calculating pension expenses, ProSiebenSat.1 Media SE considers the expected service cost and the accrued interest on the pension obligation. The change in the present value of the defined benefit obligation is calculated as follows:

Present value of obligation (Fig. 168)

EUR m	2016	2015
Present value of obligation at January 1	**23**	**20**
Current service cost	1	1
Interest cost	1	1
Total amount recognized in profit or loss	**1**	**1**
Remeasurements:		
Actuarial losses/(gains) arising from changes in financial assumptions	-1	-0
Actuarial losses/(gains) arising from experience losses/(gains)	2	0
Total amount recognized in other comprehensive income	**1**	**-0**
Deferred compensation	1	2
Pension payments	-0	0
Present value of obligation at December 31	**26**	**23**

Deferred compensation relates to the conversion of parts of fixed basic salaries and bonus entitlements into pension entitlements.

The following parameters were used in the calculation:

Overview actuarial parameters (Fig. 169)

	2016	2015
Discount rate	2.0%	2.5%
Salary growth rate	0.0%	0.0%
Pension growth rate	1.0%	1.0%

In the financial year 2016, pension payments of EUR 0.4 million (previous year: EUR 0.3 million) were made to former Executive Board members with pension entitlements. This includes pension payments of EUR 0.2 million (previous year: EUR 0.2 million) resulting from deferred compensation. Payments expected in the following years are shown in the table below.

Expected pension payments (Fig. 170)

EUR m	2017	2018	2019	2020	2021
Expected pension payments	0	2	10	0	1
thereof deferred compensation	0	1	8	0	0

Payments expected in the financial year 2017 for the acquisition of units in investment funds to cover pension obligations for defined-benefit pension plans amount to EUR 1 million. These shares in investment funds do not qualify as plan assets for offsetting against the pension obligation, but are presented separately as financial assets (see Note 21 "Financial receivables and assets").

Pension commitments of an immaterial amount expired due to the departure of Dr. Gunnar Wiedenfels as of March 31, 2017 (see Note 32 "Related party transactions").

25 Other provisions

Other provisions (Fig. 171)

EUR m	As of 01/01/2016	Additions	Usage	Release	Changes in scope of consolidation	As of 12/31/2016
Provisions for onerous contracts	**8**	**4**	**-6**	**-1**	**0**	**5**
thereof current provisions	6					3
Provisions for business operations	**18**	**19**	**-12**	**-5**	**1**	**21**
thereof current provisions	18					21
Provision for employee benefits	**14**	**55**	**-1**	**-15**	**-/-**	**52**
thereof current provisions	2					13
Other provisions	**30**	**33**	**-11**	**-6**	**1**	**47**
thereof current provisions	27					46
Total	**70**	**110**	**-31**	**-27**	**3**	**126**

The provisions are made up of current provisions totaling EUR 83 million (previous year: EUR 53 million) and non-current provisions of EUR 42 million (previous year: EUR 17 million).

ProSiebenSat.1 Media SE expects that the majority of the non-current provisions will affect cash flow within the next five years.

EUR 2 million (previous year: EUR 5 million) of the provisions for onerous contracts relate to programming assets. Provisions for business operations largely include provisions for sales discounts. Provisions for employee benefits mainly include obligations arising from share-based payments of EUR 32 million (previous year: EUR 0 million). Of the additions of EUR 55 million, EUR 32 million resulted from the conversion of the Group Share Plans from "equity settlement" to "cash settlement" (see Note 31 "Share-based payments").

As of December 31, 2016, and the previous year's reporting date, other provisions comprised the following:

Miscellaneous other provisions (Fig. 172)

EUR m	2016	2015
Provisions for VAT	8	8
Provisions for interest from tax liability	13	6
Provisions for legal costs	3	3
Provisions for additional payments to bestseller beneficiaries	6	3
Other	17	9
Total	47	30

Significant Assumptions and Estimates

Provisions are recognized and measured on the basis of estimates regarding the amount and probability of future outflows of resources, as well as on the basis of historic experience and the circumstances known as of the reporting date. To determine the amount of provisions, in addition to the assessment of the associated matters and the claims asserted, in some cases the results from comparable matters are also taken into account. Assumptions are also made as to the probabilities whether and within what ranges the provisions may be used. Regarding the amount and probability of occurrence, provisions for onerous contracts and litigation are based to a considerable extent on management estimates. The assessment of whether a present obligation exists is generally based on assessments of internal and external experts. Estimates can change on the basis of new information and the actual charges may affect the earnings, financial position and performance of ProSiebenSat.1 Group.

26 Financial liabilities

Financial liabilities (Fig. 173)

EUR m	Current	Non-current	Total 12/31/2016
Loans and borrowings	7	2,084	2,091
Notes	-/-	596	596
Promissory note	-/-	498	498
Financial debt	**7**	**3,178**	**3,185**
Trade payables	**527**	**70**	**598**
Accrued interest	16	-/-	16
Liabilities from finance leases	14	57	72
Liabilities from derivatives	1	32	32
Earn-out liabilities, liabilities from put options and purchase price liabilities	49	317	366
Accrued media authority liabilities	16	-/-	16
Various other liabilities	6	-/-	6
Total other financial liabilities	**102**	**406**	**509**
Total financial liabilities	**637**	**3,655**	**4,291**

EUR m	Current	Non-current	Total 12/31/2015
Loans and borrowings	1	2,079	2,080
Notes	-/-	595	595
Financial debt	**1**	**2,674**	**2,675**
Trade payables	**450**	**67**	**517**
Accrued interest	19	-/-	19
Liabilities from finance leases	14	69	82
Liabilities from derivatives	17	36	53
Earn-out liabilities, liabilities from put options and purchase price liabilities	71	249	320
Accrued media authority liabilities	18	-/-	18
Various other liabilities	8	-/-	8
Total other financial liabilities	**147**	**353**	**500**
Total financial liabilities	**598**	**3,094**	**3,692**

Non-current loans and borrowings include an unsecured term loan with a nominal volume of EUR 2.100 billion as of December 31, 2016 (previous year: EUR 2.100 billion). These financial liabilities are measured at amortized cost using the effective interest rate method, resulting in a carrying amount of EUR 2.084 billion as of December 31, 2016 (previous year: EUR 2.079 billion).

The loan agreement also comprises an unsecured credit facility (RCF) with a volume of EUR 600 million (previous year: EUR 600 million), which had not been drawn upon as of December 31, 2016, or the previous year's reporting date. The revolving credit facility can also be drawn in currencies other than euro. The loan and the credit facility mature in April 2020 (see Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7").

The loan agreement includes customary termination rights for the lenders that apply to breaches of contract regulated in detail by the agreement. In case of a change of control under corporate law as a result of an acquisition of a majority stake in the Company, each lender is entitled to require the termination of its participation in the loan and a repayment of the outstanding amount within a certain time period. The agreement obligates the Company, among other things, to maintain a certain ratio between consolidated net financial debt and consolidated EBITDA (as defined in the agreement). In the financial year 2016 and in the previous year, ProSiebenSat.1 Group complied with all contractual obligations with sufficient scope.

As of December 31, 2016, current loans and borrowings include the short-term financing of a US subsidiary, which was repaid in January 2017.

In addition, there are unsecured notes of EUR 600 million with a coupon of 2.625 percent maturing in April 2021. They are listed on the regulated market of the Luxembourg stock exchange (ISIN DE000A11QFA7) (see also Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7"). These financial liabilities are measured at amortized cost using the effective interest rate method, resulting in a carrying amount of EUR 596 million as of December 31, 2016 (previous year: EUR 595 million).

In addition, three unsecured, syndicated promissory notes were issued on December 1, 2016, totaling EUR 500 million with maturity ranges of seven years (EUR 225 million at a fixed interest rate and EUR 50 million at variable interest rates) and ten years (EUR 225 million at a fixed interest rate) (see also Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7").

In the event of a change of control over ProSiebenSat.1 Media SE due to the direct or indirect acquisition of more than 50 percent of the voting rights in ProSiebenSat.1 Media SE by a third party (change of control), the lenders of all instruments are entitled to cancel their loan participation and demand repayment.

The earn-out liabilities, liabilities from put options and purchase price liabilities result from the acquisitions in the financial year and the previous year (see Note 4 "Acquisitions and disposals" and Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7").

No liens or similar guarantees were provided for the financial liabilities.

27 Other liabilities

Other liabilities (Fig. 174)

EUR m	12/31/2016 current	12/31/2016 non-current	12/31/2015 current	12/31/2015 non-current
Accrued items and advance payments received	128	-/-	104	-/-
Liabilities to employees	51	-/-	42	-/-
Liabilities from VAT	50	-/-	41	-/-
Liabilities from other taxes	16	-/-	14	-/-
Vacation payment accruals	15	-/-	12	-/-
Liabilities from rebates	10	-/-	8	-/-
Liabilities from outstanding advertising services	9	13	7	33
Accruals from social security payments	2	-/-	2	-/-
Other	20	3	13	1
Total	**303**	**16**	**243**	**34**

The accrued items and advance payments received are largely made up of deferred income from marketing rights, liabilities to media agencies and advance payments received.

Advance payments received include payments for projects in the production phase in the area of commissioned productions of programming content that have not yet been offset against claims. These payments amount to EUR 24 million (previous year: EUR 16 million) (see Note 21 "Financial receivables and assets").

Additional Notes

28 Contingent liabilities

Major outstanding litigation procedures in which ProSiebenSat.1 Media SE and/or entities controlled by ProSiebenSat.1 Media SE are involved as defendants are shown below:

- **Claims for disclosure and action for damages by RTL 2 Fernsehen GmbH & Co. KG and El Cartel Media GmbH & Co. KG against SevenOne Media GmbH and the stations SAT.1 Satelliten Fernsehen GmbH, ProSieben Television GmbH, kabel eins Fernsehen GmbH and N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH (no longer part of the Group) pending at the Düsseldorf Regional Court since November 10, 2008.** Claims for disclosure and action for damages by RTL 2 Fernsehen GmbH & Co. KG and El Cartel Media GmbH & Co. KG against SevenOne Media GmbH and the stations SAT.1 Satelliten Fernsehen GmbH, ProSieben Television GmbH, kabel eins Fernsehen GmbH and N24 Gesellschaft für Nachrichten und Zeitgeschehen mbH (no longer part of the Group) have been pending at the Düsseldorf Regional Court since November 10, 2008. The plaintiff is asserting disclosure and damages claims in connection with the marketing of advertising time by SevenOne Media GmbH. The external appraisal commissioned by order of the Regional Court on April 13, 2012, has not yet been submitted. Therefore, the outcome of the case still cannot be predicted. As a consequence, no provision was recognized as of December 31, 2016.

- **Claims for additional payments to bestseller authors against companies of ProSiebenSat.1 Group.** Authors of particularly successful TV shows can make claims against entities of ProSiebenSat.1 Group on the basis of section 32a of the German Copyright Act. The station group has since agreed so-called "Common Compensation Rules" with four organizations (directors, camera operators, screenwriters and actors) under section 36 of the Copyright Act, which stipulate that additional compensation be paid to directors, camera operators, screenwriters and actors if TV movies or series achieve certain ratings.

  As of December 31, 2016, a provision totaling EUR 6 million (previous year: EUR 3 million) was recognized for this subject matter on the basis of best estimates of the additional payments payable as a result of the Common Compensation Rules agreed. It is possible that additional authors will make further justified claims under section 32a of the Copyright Act that are not covered by the "Common Compensation Rules" mentioned above (e.g. for other program genres). It is currently not possible to provide a reliable assessment of the impact on our earnings development.

  In addition, ProSiebenSat.1 Media SE and companies under its control are defendants or participants in further court or arbitration actions and institutional proceedings. On the basis of current knowledge, these cases have no material impact on the economic position of ProSiebenSat.1 Group.

29 Other financial obligations

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

Other financial obligations (Fig. 175)

EUR m	12/31/2016	12/31/2015
Remaining term 1 year or less	617	632
Remaining term 1 to 5 years	2,180	2,277
Remaining term over 5 years	447	542
Purchase commitments for programming assets	**3,244**	**3,451**
Remaining term 1 year or less	62	67
Remaining term 1 to 5 years	92	125
Remaining term over 5 years	33	46
Distribution	**187**	**238**
Remaining term 1 year or less	35	26
Remaining term 1 to 5 years	66	59
Remaining term over 5 years	11	13
Leasing and long-term rental commitments	**111**	**99**
Remaining term 1 year or less	125	122
Remaining term 1 to 5 years	37	39
Remaining term over 5 years	0	2
Other financial obligations	**162**	**163**
Total	**3,704**	**3,951**

The purchase commitments for programming assets reflect contracts for film and series licenses and commissioned productions entered into before December 31, 2016. Most of the contracts were concluded in US dollar.

Distribution includes financial obligations for satellite services, obligations under contracts for terrestrial transmission facilities and cable feed charges. Expenses of EUR 24 million (previous year: EUR 24 million) were incurred for satellite rental in the financial year 2016.

Non-terminable lease and rental obligations essentially comprise rental obligations from building rentals, IT equipment and leases for motor vehicles classified as operating leases due to their economic substance. In the financial year 2016, operating lease expenses amounted to EUR 33 million in total (previous year: EUR 24 million).

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

In its operating business and due to its borrowings, ProSiebenSat.1 Group is exposed to various financial risks. These risks are managed as part of financial risk management by the corporate department Group Finance & Treasury. Financial risk management aims to secure solvency and to manage market price risks. The derivative financial instruments acquired for this purpose serve solely to hedge existing risk positions, not for speculative purposes. For Group companies, the principles, duties and responsibilities of financial risk management are governed by the internal corporate financial guidelines of ProSiebenSat.1 Group. Risk reports are reviewed by the Executive Board on a monthly basis.

The risks outlined below have been identified as material and are assessed on an ongoing basis. After taking account of hedging activities, ProSiebenSat.1 Group does not consider itself to be exposed to any material concentrations of risk.

Interest rate risks

ProSiebenSat.1 Group defines interest rate risk as the risk of rising financing costs as a result of increasing interest rates. Through its financial liabilities with variable interest rates, ProSiebenSat.1 Group is exposed to an interest rate risk. These comprise an unsecured term loan with a nominal volume of EUR 2.100 billion as of December 31, 2016 (previous year: EUR 2.100 billion) and a revolving credit facility (RCF) with a volume of EUR 600 million as of the reporting date (previous year: EUR 600 million). Interest payable on the term loan and the RCF is variable and based on Euribor money market rates plus an additional credit margin. In addition, three unsecured, syndicated promissory note loans totaling EUR 500 million were taken up as of December 1, 2016 (see Note 26 "Financial liabilities"), of which a tranche of EUR 50 million bears interest at a variable rate.

ProSiebenSat.1 Group hedges the interest rate risk inherent in the variable-interest financial liabilities using interest rate swaps and options. Under interest rate swaps, variable-rate interest payments are exchanged for fixed-rate interest payments. Future, variable-rate interest payments, the amounts of which are therefore uncertain, are thus compensated and replaced with fixed-rate interest payments. The market value of interest rate swaps is obtained by discounting expected future cash flows. As a buyer of interest rate options, ProSiebenSat.1 Group has the right, but not the obligation, to exchange future variable-rate interest payments for fixed-rate interest payments. Variable-rate future interest payments are thus compensated and replaced with fixed-rate interest payments if this is advantageous for ProSiebenSat.1 Group. For this right an option premium must generally be paid. Market values for interest rate options are calculated on the basis of a standard option pricing model. Differences may arise where other measurement methods are used. Since the interest rate derivatives are used exclusively for hedging existing interest rate risks, there is no intention to close them out.

As of December 31, 2016, the Group held interest rate swaps for EUR 850 million (previous year: EUR 850 million) and interest rate options for EUR 1.250 billion (previous year: EUR 500 million) hedging the interest rate risk until 2018. ProSiebenSat.1 Group has also entered into further interest rate hedging transactions with a nominal volume totaling EUR 2.100 billion (previous year: EUR 500 million), hedging the interest rate risk in the period from 2018 to 2020. EUR 500 million (previous year: EUR 500 million) of this amount were interest rate swaps and EUR 1.600 billion (previous year: none) were interest rate caps. Interest rate hedges amounting to EUR 1.500 billion expired in the financial year 2016. In addition, further interest rate options were concluded to limit the risk arising from the current negative interest, of which EUR 850 million (previous year: none) relates to the period from 2016 to 2018 and EUR 500 million (previous year: none) relates to the period from 2018 to 2020. The hedge ratio/proportion of fixed interest for loans and borrowings was approximately 98 % as of December 31, 2016 (previous year: approximately 78 %).

The average fixed rate of the interest rate swaps was 1.9 % per annum as of December 31, 2016 (previous year: 3.1 %). The average interest rate ceiling of the interest rate caps was 0.0 % per annum as of December 31, 2016 (previous year: none).

Due to the sustained low interest rate level, interest expenses of EUR 28 million (previous year: EUR 41 million) were incurred as a result of these transactions in the reporting period. In the second quarter of 2016, the ongoing development of negative interest rates and the associated higher hedging ineffectiveness meant that the accounting of the interest rate swaps existing at the time, with a total volume of EUR 2.650 billion in accordance with the provisions of IAS 39 (hedge accounting) was discontinued which resulted in the termination of the hedging relationship. Until this date, an expense of EUR 2 million resulting from hedging ineffectiveness (previous year: EUR 6 million) was recognized. The changes in the market value of the interest rate swaps recognized in accumulated other comprehensive income in relation to the effective part of the hedge amounted to minus EUR 37 million upon termination of hedge accounting and will be recognized in profit and loss over the original duration of the hedges. The resulting expense from this reversal amounted to EUR 13 million and was recognized in other financial result in the financial year 2016. After the termination of hedge accounting, the interest rate swaps were recognized through profit and loss. This resulted in income of EUR 14 million recognized in other financial result. The net earnings effect amounted to EUR 2 million in the financial year 2016. The market value of the interest rate swaps was minus EUR 32 million as of December 31, 2016 (previous year: minus EUR 52 million). Over the full duration of these hedging relationships, the recognized earning effects will offset each other. The interest rate options are stand-alone hedging transactions, which are not recognized in the context of hedge accounting.

Apart from the unhedged portion of the term loan, the remaining variable interest rate risk results also from any cash drawings on the RCF. As of December 31, 2016, as on the previous year's reporting date, there were no cash drawings on the syndicated facility. An interest rate risk in the sense of a change in market value is not relevant as ProSiebenSat.1 Group measures its financial liabilities at amortized cost. Thus, any possible change in market value will have no effect on the statement of financial position.

The interest-rate risk position is assessed regularly using current market data, and existing risks are quantified with the help of sensitivity analyses. The following table shows the effects of a one percentage point increase (decrease) in the relevant interest rates on interest result. In the case of an interest rate increase by one percentage point, the change in the market value of the interest rate hedges would improve the financial result by EUR 39 million. In the case of an interest rate decrease by one percentage point, the effect on the financial result would be minus EUR 10 million.

Interest rate risks (Fig. 176)

EUR m	Interest	2016	2015
Cash and cash equivalents	variable	1,271	734
Liabilities to banks	variable	-2,084	-2,079
Promissory note	variable	-50	-/-
Promissory note	fix	-448	-/-
Notes	fix	-596	-595
Gross exposure	**variable**	**-862**	**-1,345**
	fix	**-1,044**	**-595**
Interest rate hedges[1]		2,100	1,300
Net exposure	**variable**	**1,238**	**-45**
Hedge ratio[2]		243.5%	96.7%
Annual potential effect of an increase in short-term interest rates by 100 basis points (1 percentage point)[3]		5	-3
Annual potential effect of a decrease in short-term interest rates by 100 basis points (1 percentage point)[3]		1	-9

1 Thereof EUR 850 million interest rate swaps and EUR 1.250 billion interest rate caps (previous year: EUR 1.300 billion interest rate swaps).
2 The hedge ratio is also determined by cash and cash equivalents, whereas these are not considered within the interest hedges.
3 Due to the negative interest rate environment and existing lower interest rate limits there is no symmetry of the effects.

Currency risks

ProSiebenSat.1 Group defines currency risks as the risk of losses resulting from changes in foreign exchange rates.

ProSiebenSat.1 Group signs a substantial portion of its license agreements with production studios in the United States. In general, ProSiebenSat.1 Group meets its financial obligations deriving from these programming rights purchases in US dollar. Consequently fluctuations in the exchange rate between euro and US dollar may adversely affect ProSiebenSat.1 Group's earnings and financial position. The currency risk from receivables and liabilities in other foreign currencies, or for other purposes, is negligible due to the low volume.

ProSiebenSat.1 Group adopts a Group-wide portfolio approach when hedging financial obligations from the acquisition of programming rights. Foreign currency exposure is regarded as the total volume of all future US dollar payments that result from existing license agreements and that are due within a period of seven years as part of the implemented hedging strategy. ProSiebenSat.1 Group uses a variety of derivative and non-derivative financial instruments to hedge fluctuations in exchange rates. These include currency forwards, currency options and cash holdings in US dollar. Currency forwards are unconditional contractual agreements to exchange two currencies. The total par value, exchange rate and maturity date are specified when the contract is entered into. As the buyer of currency options, ProSiebenSat.1 Group has the right, but not the obligation, to buy a given currency at a specific moment in time at a price determined when the contract was entered into. For this right an option premium must generally be paid.

Derivative financial instruments which qualify for hedge accounting under IAS 39 are recognized in hedge accounting as cash flow hedges. The changes in market value of these instruments are recognized in accumulated other comprehensive income and only impact profit or loss when the hedged licensed titles are broadcast. Hedging instruments which do not qualify for hedge accounting are allocated to the "held for trading" category. Changes in market value are directly recognized in profit or loss.

As of December 31, 2016, ProSiebenSat.1 Group had currency forwards in its portfolio with a nominal volume of USD 2.460 billion (previous year: USD 2.370 billion) and currency options with a nominal volume of USD 50 million (previous year: USD 95 million) in order to hedge financial obligations arising from the purchase of programming rights. The market values of currency hedging instruments are based on the forward exchange rates observed on the market. Measurement was based on market figures (mid-rates) on December 31, 2016. As of December 31, 2016, the currency holdings in US dollar amounted to USD 42 million (previous year: USD 54 million). Market values for currency options are calculated on the basis of a standard option pricing model.

Currency-related transactions and balances (Fig. 177)

	Year of maturity			Nominal amount	Fair Value	Fair Value
	2017 USD m	2018 – 2021 USD m	from 2022 USD m	12/31/2016 USD m	**12/31/2016 EUR m**	12/31/2015 EUR m
Currency forwards	690	1,435	335	2,460	**251**	236
thereof within cash flow hedges	385	1,435	335	2,155	**243**	230
Currency options	20	30	-/-	50	**3**	4
thereof within cash flow hedges	20	30	-/-	50	**3**	4
Currency holdings	42	-/-	-/-	42	**40**	49

In the context of hedge accounting, plus EUR 245 million (previous year: plus EUR 231 million) was recognized in a separate item in accumulated other comprehensive income as of December 31, 2016. In the financial year 2016, EUR 52 million (previous year: EUR 49 million) was taken from equity and allocated directly to the purchase cost of the underlying licenses. This impacts profit or loss at the time the relevant license is consumed. This did not result in any hedge ineffectiveness in the financial year 2016 or in the previous year.

The risk position in US dollars is assessed regularly using current market data and existing risks are quantified using sensitivity analyses. The following table shows the impact of a 10.0 % rise/fall in the value of the US dollar on the equivalent value in euro for future payments in US dollar. It shows the change in the impact of the exchange rate for the US dollar on cash flows in US dollar in economic terms, and is therefore not an accounting analysis.

Currency risks (Fig. 178)

USD m	**12/31/2016**	**12/31/2015**
Gross foreign currency exposure	**-3,334**	**-3,366**
Currency hedges	2,552	2,518
thereof hedge accounting	2,205	2,255
thereof held for trading	305	210
thereof currency holdings	42	54
Net exposure	**-782**	**-848**
Hedge Ratio	76.5%	74.8%
Spot rate	1.0560	1.0892
US Dollar increase by 10 %	0.9504	0.9803
US Dollar decrease by 10 %	1.1616	1.1981
EUR m		
Change in future payments resulting from a 10% increase in the US dollar	-82	-86
Change in future payments resulting from a 10% decrease in the US dollar	67	71

From an accounting perspective, the foreign exchange effects resulting from license liabilities, currency hedging transactions in the "held for trading" category, the time value of options in hedge accounting and cash holdings impact profit or loss. A fall (rise) of the US dollar by 10.0 % would result in an effect of minus EUR 4 million (plus EUR 4 million) in the foreign exchange result. The foreign exchange impact of minus EUR 167 million from a 10.0 % fall of the US dollar and of plus EUR 204 million from a 10.0 % rise of the US dollar relating to currency hedges used under hedge accounting would be recognized in accumulated other comprehensive income.

The reporting currency of the Group is the euro. The financial statements of entities with their registered office outside the eurozone are converted to euro for the consolidated financial statements. In the context of foreign currency management, the holdings in these entities are regarded as long-term investments. For this reason, ProSiebenSat.1 Group does not hedge the translation risk.

Credit and counterparty risks

ProSiebenSat.1 Group is exposed to a credit and counterparty risk from its financing and operating activities. The carrying amount of financial assets in the statement of the financial position reflects the maximum credit risk exposure.

In the context of financing activities, credit and counterparty risks for ProSiebenSat.1 Group normally exist in the form of credit default risks relating to receivables. To minimize this risk, ProSiebenSat.1 Group attempts to enter into financial transactions as well as derivative contracts exclusively with counterparties with first-class to good credit ratings. The carrying amounts of the financial assets after impairments represent the maximum risk of ProSiebenSat.1 Group. Credit risks of financial instruments are regularly monitored and analyzed. In addition, credit value adjustments are recognized in the measurement of derivative financial instruments at fair value. Default probabilities are calculated on the basis of credit default swap spreads with matching maturities per counterparty. The determination of the credit risk taken into account as part of the valuation is based on a multiplication of the maturity-matched default probability by the discounted expected cash flows of the derivative financial instrument. In the financial year, credit value adjustments of EUR 3 million (previous year: EUR 2 million) were recognized within equity in other comprehensive income. The Group has no significant concentration of counterparty risk with regard to any single counterparty or any clearly definable group of counterparties. As of the reporting date, there were no significant agreements reducing the maximum counterparty risk. In total ProSiebenSat.1 Group does not believe it is exposed to any major counterparty risk. As of December 31, 2016, the total market value of the derivative financial instruments for which ProSiebenSat.1 Group recognizes a net positive market value per counterparty was EUR 242 million (previous year: EUR 191 million). The maximum risk of default is the positive market value of these non-collateralized derivative financial instruments. The value was determined without reference to credit value adjustments.

ProSiebenSat.1 Group has established appropriate risk provisions against credit value adjustments arising from operating activities. For this purpose all receivables are reviewed regularly. If objective evidence for default or other breaches of contracts exists, credit allowances are recognized. If such evidence indicates the definitive default, the corresponding receivable is derecognized, where applicable against a previously recognized credit allowance. Considering the net value of trade receivables and other financial assets, there were no indications of material payment defaults as of the reporting date. For information on the aging structure of trade receivables, please refer to Note 21 "Financial receivables and assets". Information regarding major customers is to be found under Note 2 "Segment reporting".

Liquidity risk

As part of its liquidity management, ProSiebenSat.1 Group ensures that adequate cash and cash equivalents are available at all times, in spite of the industry's sharp seasonal fluctuations in revenues. The term loan (EUR 2.100 billion), the notes (EUR 600 million), the promissory notes of EUR 500 million (see Note 26 "Financial liabilities") and the RCF (EUR 600 million) are all key components of Group-wide financing. ProSiebenSat.1 Group may use the RCF variably for general operating purposes. As of December 31, 2016, there was no utilization of the RCF (previous year: no utilization). In addition, there was no drawing on guarantees, so EUR 600 million under the RCF was unused at December 31, 2016 (previous year: EUR 600 million). Both the term loan and the RCF mature in April 2020, the promissory notes in December 2023 (EUR 275 million) and December 2026 (EUR 225 million), respectively.

As of December 31, 2016, ProSiebenSat.1 Group also had cash and cash equivalents of EUR 1.271 billion (previous year: EUR 734 million) and thus had cash funds and unused RCF totaling EUR 1.871 billion (previous year: EUR 1.334 billion) as of December 31, 2016.

As a part of the disclosure of liquidity risks, a maturity analysis is provided for non-derivative financial liabilities on the basis of remaining contractual maturities and for derivative financial liabilities based on the expected timing of cash outflows. The undiscounted contractual payments are disclosed. ProSiebenSat.1 Group assigned expected payments for financial liabilities as of December 31, 2016, and the previous financial year to the following maturity ranges:

Financial liabilities by maturity 2016 (Fig. 179)

EUR m	1 year or less	More than 1–5 years	More than 5 years	Total contractual cash flows 12/31/2016
Notes	16	663	-/-	679
Loans and borrowings	28	2,150	-/-	2,178
Promissory note	7	28	527	562
Liabilities from finance leases	16	57	4	77
Trade accounts payable	528	70	-/-	598
Non-derivative financial liabilities	**596**	**2,968**	**530**	**4,094**
Interest rate swaps	18	15	-/-	34
Currency forwards	1	-/-	0	1
Put options and earn-outs	59	276	44	380
Derivative financial liabilities	**78**	**292**	**44**	**414**
Total	**674**	**3,260**	**575**	**4,508**

Financial liabilities by maturity 2015 (Fig. 180)

EUR m	1 year or less	More than 1-5 years	More than 5 years	Total contractual cash flows 12/31/2015
Notes	16	63	616	695
Loans and borrowings	22	2,187	-/-	2,209
Promissory note	-/-	-/-	-/-	-/-
Liabilities from finance leases	16	69	5	90
Trade accounts payable	450	67	-/-	517
Non-derivative financial liabilities	**504**	**2,386**	**621**	**3,511**
Interest rate swaps	30	26	-/-	57
Currency forwards	1	1	-/-	1
Put options and earn-outs	35	276	-/-	311
Derivative financial liabilities	**65**	**303**	**-/-**	**368**
Total	**569**	**2,689**	**621**	**3,879**

Disclosures on the carrying amounts and market values of financial instruments

The table below shows the carrying amounts and fair values of all categories of financial assets and liabilities of ProSiebenSat.1 Group. The fair value hierarchy reflects the significance of the input data used for measurement and is organized as follows:

- (Unadjusted) quoted prices on active markets for identical assets or liabilities (level 1),
- Input data for the asset or liability that are observable either directly (as prices) or indirectly (derived from prices) but that are not quoted prices as in level 1 (level 2),
- Input data used for the asset or liability that are not based on observable market data (non-observable input data) (level 3).

Carrying amounts and fair values of financial instruments 12/31/2016 (Fig. 181)

EUR m	Presented in the Statement of Financial Position as	Carrying amount	Category: At fair value through profit and loss	Category: Hedging instruments	Category: Loans and receivables	Category: Available for sale	Category: Other financial liabilities	Fair Value: Level 1	Fair Value: Level 2	Fair Value: Level 3	Fair Value: Total
Financial assets											
Measured at fair value											
Financial assets designated at fair value	Non-current financial assets	**21**	21	-/-	-/-	-/-	-/-	21	-/-	-/-	**21**
Other equity instruments	Non-current financial assets	**99**	99	-/-	-/-	-/-	-/-	-/-	-/-	99	**99**
Derivatives for which hedge accounting is not applied	Current and non-current financial assets	**18**	18	-/-	-/-	-/-	-/-	-/-	11	7	**18**
Hedge derivatives	Current and non-current financial assets	**246**	-/-	246	-/-	-/-	-/-	-/-	246	-/-	**246**
Not measured at fair value											
Cash and cash equivalents[1]	Cash and cash equivalents	**1,271**	-/-	-/-	1,271	-/-	-/-				
Loans and receivables[1]	Current and non-current financial assets	**484**	-/-	-/-	484	-/-	-/-				
Other Financial assets at cost	Current and non-current financial assets	**0**	-/-	-/-	-/-	-/-	-/-				
Total		**2,140**	**138**	**246**	**1,755**	**-/-**	**-/-**	**21**	**257**	**106**	**384**
Financial liabilities											
Measured at fair value											
Liabilities from put options and earn-outs	Other financial liabilities	**363**	363	-/-	-/-	-/-	-/-	-/-	-/-	363	**363**
Derivatives for which hedge accounting is not applied	Other financial liabilities	**32**	32	-/-	-/-	-/-	-/-	-/-	32	-/-	**32**
Hedge derivatives	Other financial liabilities	**0**	-/-	0	-/-	-/-	-/-	-/-	0	-/-	**0**
Not measured at fair value											
Secured Term Loan and other borrowings	Financial Debt	**2,091**	-/-	-/-	-/-	-/-	2,091	-/-	2,118	-/-	**2,118**
Notes	Financial Debt	**596**	-/-	-/-	-/-	-/-	596	637	-/-	-/-	**637**
Promissory note	Financial Debt	**498**	-/-	-/-	-/-	-/-	498	-/-	488	-/-	**488**
Liabilities from finance leases	Other financial liabilities	**72**	-/-	-/-	-/-	-/-	72	-/-	77	-/-	**77**
Other Financial liabilities at (amortised) cost[1]	Other financial liabilities and trade payables	**640**	-/-	-/-	-/-	-/-	640				
Total		**4,291**	**395**	**0**	**-/-**	**-/-**	**3,896**	**637**	**2,715**	**363**	**3,715**

1 The carrying amount is a reasonable approximation of fair value.

Carrying amounts and fair values of financial instruments 12/31/2015 (Fig. 182)

EUR m	Presented in the Statement of Financial Position as	Carrying amount	Category: At fair value through profit and loss	Category: Hedging instruments	Category: Loans and receivables	Category: Available for sale	Category: Other financial liabilities	Fair Value: Level 1	Fair Value: Level 2	Fair Value: Level 3	Fair Value: Total
Financial assets											
Measured at fair value											
Financial assets designated at fair value	Non-current financial assets	**20**	20	-/-	-/-	-/-	-/-	20	-/-	-/-	**20**
Other equity instruments	Non-current financial assets	**79**	79	-/-	-/-	-/-	-/-	-/-	-/-	79	**79**
Derivatives for which hedge accounting is not applied	Current and non-current financial assets	**18**	18	-/-	-/-	-/-	-/-	-/-	7	11	**18**
Hedge derivatives	Current and non-current financial assets	**234**	-/-	234	-/-	-/-	-/-	-/-	234	-/-	**234**
Not measured at fair value											
Cash and cash equivalents[1]	Cash and cash equivalents	**734**	-/-	-/-	734	-/-	-/-				
Loans and receivables[1]	Current and non-current financial assets	**397**	-/-	-/-	397	-/-	-/-				
Other Financial assets at cost	Current and non-current financial assets	**0**	-/-	-/-	-/-	-/-	-/-				
Total		**1,482**	**116**	**234**	**1,131**	**-/-**	**-/-**	**20**	**241**	**89**	**350**
Financial liabilities											
Measured at fair value											
Liabilities from put options and earn-outs[2]	Other financial liabilities	**283**	283	-/-	-/-	-/-	-/-	-/-	-/-	283	**283**
Derivatives for which hedge accounting is not applied	Other financial liabilities	**0**	0	-/-	-/-	-/-	-/-	-/-	0	-/-	**0**
Hedge derivatives	Other financial liabilities	**52**	-/-	52	-/-	-/-	-/-	-/-	52	-/-	**52**
Not measured at fair value											
Secured Term Loan and other borrowings	Financial Debt	**2,080**	-/-	-/-	-/-	-/-	2,080	-/-	2,055	-/-	**2,055**
Notes	Financial Debt	**595**	-/-	-/-	-/-	-/-	595	616	-/-	-/-	**616**
Liabilities from finance leases	Other financial liabilities	**82**	-/-	-/-	-/-	-/-	82	-/-	87	-/-	**87**
Other Financial liabilities at (amortised) cost[1]	Other financial liabilities and trade payables	**599**	-/-	-/-	-/-	-/-	599				
Total		**3,692**	**283**	**52**	**-/-**	**-/-**	**3,356**	**616**	**2,195**	**283**	**3,093**

1 The carrying amount is a reasonable approximation of fair value.
2 Comparative figures per December, 31, 2015, were restated due to the retrospective adjustment of the initial consolidation of Studio 71 LP as of the acquisition date (see Note 4 "Acquisitions and disposals").

Significant Assumptions and Estimates

In order to measure various financial assets recognized at fair value that are not based on prices listed on active markets, ProSiebenSat.1 Group uses prices that can be observed and achieved within the context of recent financing rounds or carrying amounts that were determined using the income approach and risk-adjusted discount rates.

The financial assets reported at fair value under the fair value option are shares in investment funds that are held to cover pension commitments but which do not qualify as plan assets under IAS 19. The maximum risk of default for the units in investment funds recognized at fair value through profit and loss corresponds to the market value of this position at December 31, 2016. The assets are not hedged against a potential counterparty risk since considering the market conditions this risk is seen as unlikely.

The minority stakes in other entities that the Group acquires as part of its "media-for-equity" strategy are reported in other equity instruments. These investments and options to shares in entities are measured at fair value through profit or loss. Fair value is measured on the basis of observable prices achieved as part of the most recently implemented financing rounds, if possible and available, or otherwise on the basis of present value methods using risk-adjusted discount rates. In addition, the venture capital fund units are reported in this item. Upon initial recognition, these investment funds are designated at fair value through profit or loss. These are measured on the basis of input data that cannot be derived directly or indirectly on the market.

In the financial year 2016, the Group also acquired a minority stake in ABOUT YOU GmbH, Hamburg, as part of its "media-for-equity" strategy, with a fair value of EUR 11 million as of the acquisition date and December 31, 2016. A put/call agreement on the transferred shares was reached with the seller at the same time. The fair values were determined using a binomial model. In the event that the put option is exercised by ProSiebenSat.1 Group, payment of the exercise price is collateralized by a written guarantee in favor of ProSiebenSat.1 Group, by the indirect majority shareholder of ABOUT YOU GmbH.

Derivatives that are not subject to hedge accounting also involve a warrant agreement that ProSiebenSat.1 Group concluded with Odyssey Music Group S.A., Paris, (Deezer) in the financial year 2014. The warrant agreement constitutes a financial derivative. The fair value was determined in the financial year 2015 using a net present value-based method. The Group has received no reliable planning data for the financial year 2016. Consequently, it switched to a two-stage measurement process using a multiplier valuation and a Monte Carlo simulation. Changes in the fair value are essentially dependent on the forecast development in revenues at Deezer and the correlation with the forecast development in the market for music streaming services. Due to a change in market conditions and the resulting deviations from the expected business performance of Deezer, the fair value of the derivative fell from EUR 10 million as of December 31, 2015, to EUR 6 million as of December 31, 2016. An increase/reduction in the forecast revenue growth of 15.0 % or an increase/reduction in the correlation of 0.15 would not change the fair value significantly. These two parameters have non-linear dependencies. This financial derivative is currently classified as Level 3.

In addition, the Group holds derivative financial instruments measured at fair value, primarily for hedging interest rate and currency risks. Instruments with positive market values are reported as assets, those with negative market values as liabilities. Present values on the basis of risk-free discount rates and standard option pricing models (Blacks or Black-Scholes model) are used for measurement.

The fair values of cash and cash equivalents, of trade receivables and payables, of current financial receivables and liabilities, and of RCF and other financial liabilities are approximately equivalent to their carrying amounts. This reflects the short maturity of such instruments. For this reason no separate fair value is disclosed.

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

Significant Assumptions and Estimates

Contingent purchase price components in business combinations in the form of put options on shares held by non-controlling interests are regularly measured at fair value as of the acquisition date and in subsequent periods. Measurement is performed on a transaction-by-transact basis and is mainly based on input data which are not observable on the market. Multiplication methods or the income approach are used for the calculation. The cash flows expected on the date the options are exercised are discounted to the measurement date with a debt interest rate of matching term and risk. A 5.0 % increase/reduction in the underlying variables, which largely determine the nominal amount, would increase/decrease the fair value as of the reporting date by EUR 17 million/EUR 16 million. In addition, a change in the interest rate by one percentage point would result in the fair value of these financial liabilities falling by EUR 9 million or increasing by EUR 9 million. These liabilities are classified as Level 3 financial instruments.

The fair values of loans and borrowings, promissory notes and lease liabilities are determined by discounting the expected future cash flows at the interest rates applicable for similar financial debt with comparable maturity terms.

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

Reconciliation of level 3 fair values (Fig. 183)

EUR m	Derivatives, for which hedge accounting is not applied, at fair value through profit or loss	Liabilities from put options and earn-outs at fair value through profit or loss
January 1, 2016	**11**	**283**[2]
Results included in income statement as well as in other comprehensive income (unrealized)[1]	– 5	41
Additions from acquisitions	1	46
Disposals/Payments	–/–	– 25
Other changes	0	18
December 31, 2016	**7**	**363**

1 This item includes compounding effects and further valuation adjustments.
2 Comparative figures were restated due to the retrospective adjustment of the initial consolidation of Studio 71 LP as of the acquisition date (see Note 4 "Acquisitions and disposals").

In the financial years 2016 and 2015, there were neither transfers between Level 1 and Level 2 nor into or out of Level 3 of the fair value hierarchy.

Offsetting of financial instruments

The derivatives contracted by ProSiebenSat.1 Group are subject to contractual offsetting provisions which do not, however, meet the criteria of IAS 32 for offsetting in the statement of financial position. They are therefore reported gross in the statement of financial position. There are no contractual regulations regarding the offsetting of other financial assets and liabilities. The table below shows the disclosures required on the offsetting of financial instruments in accordance with IFRS 7. The amounts shown are the fair values calculated without taking into account credit value adjustments:

Offsetting of financial instruments (Fig. 184)

EUR m	Financial assets (gross presentation)	Financial liabilities offset in the statement of financial position	Financial assets (net presentation)	Amounts subject to offsetting agreements	Financial assets after offsetting (not reflected in the statement of financial position)
Derivative financial instruments 12/31/2016	260	-/-	260	-18	242
Derivative financial instruments 12/31/2015	244	-/-	244	-53	191

EUR m	Financial liabilities (gross presentation)	Financial assets offset in the statement of financial position	Financial liabilities (net presentation)	Amounts subject to offsetting agreements	Financial liabilities after offsetting (not reflected in the statement of financial position)
Derivative financial instruments 12/31/2016	33	-/-	33	-18	14
Derivative financial instruments 12/31/2015	53	-/-	53	-53	-/-

31 Share-based payments

ProSiebenSat.1 Group has various programs that fall under the provisions of IFRS 2.

Long Term Incentive Plan (LTIP)

The Long Term Incentive Plan 2010 (LTIP 2010) is a stock option plan that was introduced with the approval of the Annual General Meeting on June 29, 2010. It represents a share-based payment to members of management and other selected executives of ProSiebenSat.1 Media SE and its dependent Group entities. ProSiebenSat.1 Media SE has the option to determine the type of settlement. The beneficiaries and the number of stock options to be granted were determined by the Executive Board of ProSiebenSat.1 Media SE with the approval of the Supervisory Board. Since the Company has no present obligation to settle in cash, the plan is accounted for as equity-settled. Each stock option carries the right to purchase one common share of ProSiebenSat.1 Media SE stock in return for payment of an exercise price.

The following table provides the information required under IFRS 2 about the ProSiebenSat.1 Media SE stock option program:

Stock option plans (Fig. 185)

	LTIP 2010 Cycle 2010	LTIP 2010 Cycle 2011
As of January 1, 2016	25,500	488,400
Options exercised in 2016[1]	6,000	336,070
Options expired or forfeited in 2016	19,500	0
As of December 31, 2016	**0**	**152,330**
Thereof eligible for exercise as of December 31, 2016	0	152,330
Minimum exercise price in EUR	13.62	17.96
Absolute exercise hurdle in EUR	17.71	23.35
Maximum exercise gain	27.24	35.92
Issue periods[2]	August 1 to November 1	September 1 to December 22
Fair value per option in EUR[3]	2.63 - 4.77	1.64 - 2.57
Expected volatility of the underlying share	60.0% - 65.0%	55.0% - 60.0%
Risk-free interest rate[3]	1.54% - 1.90%	0.80% - 1.44%
Expected dividend yield	4.0% - 5.5%	8.0%
Vesting date[4]	December 31, 2010	December 31, 2011
End of exercise period	December 31, 2016	December 31, 2017

1 In 2016 no options were settled in cash (2015: 0 options).
2 Issue in several tranches.
3 Depending on when vesting occurs and exercise date.
4 Earliest end of vesting period for the first fifth of the issued options (each additional fifth is one year later).

In the financial year, an expense of EUR 0 million was recognized in connection with the LTIP 2010 (previous year: EUR 1 million). Stock options outstanding at the end of the financial year have an average remaining duration of one year.

Group Share Plan

As of December 31, 2016, a total of four programs exist at ProSiebenSat.1 Media SE with the Group Share Plans 2013 to 2016. In the context of these plans, beneficiaries are granted rights to virtual shares ("performance share units" or "PSUs") after a four-year vesting period. These are long-term remuneration instruments developed by ProSiebenSat.1 Media SE for members of the Executive Board and other selected executives and employees of ProSiebenSat.1 Group. The Annual General Meeting approved the introduction of the Group Share Plan on May 15, 2012. The individual beneficiaries and the number of PSUs to be granted to them are determined by the Executive Board of ProSiebenSat.1 Media SE, subject to the approval by the Supervisory Board, or – if the Executive Board members themselves are concerned – by the Supervisory Board.

The structures of the plans are identical in many aspects. For this reason, on several occasions below they are referred to as one plan. However, where there are differences, these are described separately. The Plans constitute share-based bonus arrangements for which ProSiebenSat.1 Media SE has the option to settle using equity instruments or cash. By resolution of March 11, 2016, the Supervisory Board of ProSiebenSat.1 Media SE exercised this option and resolved to settle the Group Share Plans in cash. As a result, the accounting for the Group Share Plans was changed from "equity settlement" to "cash settlement" in the first quarter of 2016 and the amounts previously recognized in capital reserves for the Group Share Plans from 2012 to 2015 were reclassified to other non-current provisions and other current liabilities respectively. The expired Group Share Plan 2012 was paid out in full in the second quarter of 2016.

In the fourth quarter of the financial year 2016, members of the Executive Board and other selected executives and employees of ProSiebenSat.1 Group were again granted rights to shares in the form of a new Group Share Plan 2016. The basic structure and mechanisms to exercise the rights largely correspond to those of the Group Share Plans 2013 to 2015. The Group Share Plan 2016 is accounted for in accordance with cash settlement requirements.

The other current provisions for the Group Share Plan 2013 amounted to EUR 12 million as of December 31, 2016 (previous year: none). The other non-current provision for the Group Share Plans 2014 to 2016 amounted to EUR 20 million as of December 31, 2016 (previous year: none) (see Note 25 "Other provisions").

Measurement, minimum hurdles and performance target

The PSUs are measured at fair value. This generally corresponds to the market value of the underlying shares. The conversion factor with which PSUs are converted into cash after the end of the holding period depends on the achievement of EBITDA and net income performance targets that have been determined in advance and may vary between 0% and 150% (performance-related cap). If the share price, at the time the conversion factor is defined, exceeds the share price when the PSUs were issued by more than 200%, the conversion factor is further reduced so that a price increase above the threshold of 200% does not result in a further increased value of the PSUs (price-related cap). As the shares do not carry entitlement to receive dividends during the plan term, the fair value is reduced by the time value of the dividends expected. The corresponding dividend deductions were derived from ProSiebenSat.1 Group's dividend history. A quarter of the PSUs granted vests after the end of each year of the holding period.

Payments in cash that plan participants receive for each PSU at the end of the four-year plan term depend on the respective targets achieved. To reflect individual performance, the Supervisory Board can change the conversion rate of virtual shares into cash for the Executive Board by a factor of plus/minus 25.0% for the respective Group Share Plan. In addition, the number of PSUs is adjusted if a superdividend is distributed using a corresponding dilution ratio. The conversion factor and a potential superdividend dilution ratio are applied when the performance share units are converted into cash.

The following table contains key information about the particular Group Share Plans of ProSiebenSat.1 Group:

Group share plans (Fig. 186)

	GSP 2012	GSP 2013	GSP 2014	GSP 2015	GSP 2016
Performance Share Units as of January 01, 2016	448,205	328,780	336,270	153,018	-/-
Performance Share Units granted in 2016	-/-	-/-	-/-	-/-	288,324
Performance Share Units forfeited in 2016	-/-	2,361	3,886	8,946	11,778
Performance Share Units settled in 2016	448,205	-/-	-/-	-/-	-/-
Performance Share Units as of December 31, 2016	**-/-**	**326,419**	**332,384**	**144,072**	**276,546**
Grant date	November 1, 2012	September 09, 2013	September 15, 2014	December 1, 2015	December 15, 2016
Vesting period	2012 until 2015	2013 until 2016	2014 until 2017	2015 until 2018	2016 until 2019

The net personnel expenses attributable to the financial year 2016 from the performance share units issued were EUR 0 million (previous year: EUR 8 million).

Other share-based payment programs

In addition, the Group has further share-based remuneration programs, such as the employee share program "MyShares". The remuneration component of these programs, however, is considered immaterial by ProSiebenSat.1 Group.

32 Related party transactions

For ProSiebenSat.1 Group, related parties as defined by IAS 24 are persons or entities having control or a significant influence over ProSiebenSat.1 Group, or over which ProSiebenSat.1 Group has control or a significant influence.

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

Executive Board and Supervisory Board

The members of the Executive Board and Supervisory Board of ProSiebenSat.1 Media SE, together with their memberships on other statutorily required supervisory boards and comparable bodies, are listed in the notes to the consolidated financial statements in the "Members of the Executive Board" and "Members of the Supervisory Board" sections. Details of the system of compensation for members of the Executive Board and the Supervisory Board of ProSiebenSat.1 Media SE are explained in more detail in the "Compensation report" of the combined management report.

The Executive Board of ProSiebenSat.1 Media SE was expanded by two members within the first half of the year 2016. On March 1, 2016, Jan David Frouman was appointed to the Executive Board of ProSiebenSat.1 Media SE. He is in charge of the newly created Executive Board department Content & Broadcasting, which comprises the TV activities with all station brands and the Group's content strategy in Germany, Austria and Switzerland. He also remains in charge of the Red Arrow Entertainment Group's global production business as CEO and Chairman. Christof Wahl was appointed to the Executive Board of ProSiebenSat.1 Media SE as of May 1, 2016. Christof Wahl is in charge of Digital Entertainment (see Note 2 "Segment reporting") and also acts as Chief Operating Officer (COO) for ProSiebenSat.1 Group.

In its press release as of October 4, 2016, the Company announced that CFO Dr. Gunnar Wiedenfels will leave the Executive Board of ProSiebenSat.1 Media SE at his own request as of March 31, 2017. The CFO's employment contract ends on March 31, 2017. No termination benefits were agreed. Due to the cancellation of expiring shares in the long-term share-based payment plan (Group Share Plan) and in the Mid Term Incentive Plan, the obligations previously recognized for this purpose were proportionately derecognized in the amount of EUR 0.9 million. In addition, pension commitments of immaterial amounts expired.

On June 1, 2017, Dr. Jan Kemper will be appointed to the Executive Board as Chief Financial Officer (CFO) of ProSiebenSat.1 Media SE.

Dr. Christian Wegner and the members of the ProSiebenSat.1 Supervisory Board have agreed not to extend his Executive Board contract and to terminate it with a severance agreement as of December 31, 2016. The severance agreement includes a severance payment of EUR 3.0 million, of which EUR 0.7 million was recognized as a provision and a sum of EUR 2.3 million was already paid out as of December 31, 2016.

Sabine Eckhardt was appointed to the Executive Board of ProSiebenSat.1 Media SE as Chief Commercial Officer (CCO) as of January 1, 2017 (see Note 35 "Events after the reporting period").

Seven Ventures GmbH, a subsidiary of ProSiebenSat.1 Media SE, entered into a general agreement for compensated advertising services with Heilpflanzenwohl AG, Pfäffikon, Switzerland, as of July 7, 2016. Heilpflanzenwohl AG is a subsidiary of BetterLife Healthcare AG, Schwyz, Switzerland, in which the Chairman of the Executive Board of ProSiebenSat.1 Media SE, Thomas Ebeling, and his family members collectively hold an interest of 50 %. The share of BetterLife Healthcare AG in

Heilpflanzenwohl AG amounts to 80 %. As part of this general agreement Heilpflanzenwohl AG acquires TV advertising time from Seven Ventures GmbH in return for monetary consideration. The general agreement ends as of December 31, 2019. The delivery of compensated advertising services is subject to separate agreements to be concluded until December 31, 2019. These separate agreements can have a duration of up to three years. By December 31, 2016, one separate agreement had been concluded. Advertising services with a gross media volume of EUR 0.4 million were rendered in this connection in the financial year 2016. The revenue potential from the general agreement amounts up to EUR 40 million for ProSiebenSat.1 Group, depending on the used TV advertising time. In addition, there is a potential revenue participation for Seven Ventures GmbH for utilization of material rights for advertised products. The delivery of TV advertising services takes place on prevailing market terms. The prevailing market terms were confirmed by a third-party opinion. The agreement is also in line with the requirements defined by the Supervisory Board of ProSiebenSat.1 Group for private investments of Executive Board Members. Thomas Ebeling was not involved in the negotiation of the general agreement and the respective approval by the Executive Board.

Christof Wahl, who has been a member of the Executive Board of ProSiebenSat.1 Media SE since May 1, 2016, held an indirect interest of 50 % in Executive Interim Partners GmbH, Grünwald, in the first half of the year. In this period, ProSiebenSat.1 Group received interim management services from Executive Interim Partners GmbH based on a contractual agreement. Christof Wahl significantly reduced his interest in the first half of the year 2016 to ensure that the related party relationship no longer existed as of June 30, 2016. ProSiebenSat.1 Group received services amounting to EUR 29 thousand from Executive Interim Partners GmbH from the date Christof Wahl joined the Executive Board on May 1, 2016, until the end of the first half of the year 2016.

The members of the Executive Board participate in a ProSiebenSat.1 Media SE stock option plan (Long Term Incentive Plan or LTIP) (see Note 31 "Share-based payments"). In the financial year 2016, the Executive Board of ProSiebenSat.1 Media SE exercised 82,000 stock options issued under the LTIP 2010, which had been granted to the respective Board members before their accession to the Executive Board.

In the Group Share Plan ("GSP"), members of the Executive Board are issued performance share units (see Note 31 "Share-based payments"). At the end of the financial year 2016, the members of the Executive Board held a total of 183,017 PSUs from the Group Share Plan 2016, 82,020 PSUs from the Group Share Plan 2015, 83,388 PSUs from the Group Share Plan 2014 and 81,994 PSUs from the Group Share Plan 2013.

Another multi-year variable compensation component, the Mid Term Incentive Plan (MTIP), was introduced in the financial year 2015. This involves a mid-term remuneration instrument to be paid out in cash for members of the Executive Board and other selected executives of ProSiebenSat.1 Group. The MTIP has a three-year plan term starting in the financial year 2016. The payment amount depends on recurring EBITDA achieved by ProSiebenSat.1 Group by the end of the plan term in addition to the achievement of certain minimum thresholds for revenues and recurring EBITDA during the plan term. The target value, i.e. the value that is granted to the Executive Board if 100 % of the target has been achieved, is EUR 1.5 million for Thomas Ebeling and EUR 1.0 million for Dr. Gunnar Wiedenfels, Conrad Albert, Dr. Christian Wegner, Dr. Ralf Schremper, Jan David Frouman and Christof Wahl respectively. Dr. Christian Wegner stepped down from the Executive Board as of December 31, 2016. His employment contract, which would have had been effective until December 31, 2017, also ended effective December 31, 2016. Under the Mid Term Incentive Plan, Dr. Christian Wegner was allocated an amount worth EUR 1.0 million with a plan term from 2016 to 2018. Based on the agreement in his severance agreement, this amount was paid out on a pro rata basis for 2016 and 2017, i.e. for the period until the end of the term of his employment contract, amounting to EUR 0.7 million on the termination date. The remaining amount of EUR 0.3 million expired without compensation. Dr. Gunnar Wiedenfels will leave the Executive Board at his own request on March 31, 2017; his employment contract ends effective March 31, 2017. Due to the early termination of his employment contract before the end of the plan term, all of the entitlements of Dr. Gunnar Wiedenfels under the Mid Term Incentive Plan expired without compensation.

In the financial year 2016, the members of the Executive Board acquired 45,450 shares in the Company (previous year: no transactions). The relevant transactions were published on ProSiebenSat.1 Group's website (www.prosiebensat1.com) in accordance with section 15a of the German Securities Trading Act (Gesetz über den Wertpapierhandel – WpHG).

ProSiebenSat.1 Media SE has recognized pensions provisions totaling EUR 11.3 million (previous year: EUR 11.5 million) for pension commitments made to active members of the Executive Board for the financial year 2016. This includes pension provisions for deferred compensation of EUR 8.6 million (previous year: EUR 8.1 million). As of December 31, 2016, pension commitments for former members of the Executive Board, including provisions for Dr. Christian Wegner, amounted to EUR 14.4 million (previous year: EUR 11.4 million). This includes pension provisions for deferred compensation of EUR 5.6 million (previous year: EUR 4.8 million).

Claims to retirement benefits accrued by Executive Board members in office in the financial year 2016 totaled EUR 12.5 million as of December 31, 2016 (previous year: EUR 13.5 million). This includes claims from deferred compensation of EUR 9.2 million (previous year: EUR 9.1 million). Equivalent claims to annual retirement benefits for Executive Board members in office in the financial year 2016 amounted to EUR 0.7 million (previous year: EUR 0.6 million). This includes claims from deferred compensation of EUR 0.5 million (previous year: EUR 0.5 million).

Claims to retirement benefits accrued by former Executive Board members including Dr. Christian Wegner totaled to EUR 8.0 million in the period under review (previous year: EUR 5.1 million). This includes claims from deferred compensation of EUR 2.2 million (previous year: EUR 1.4 million). Equivalent claims to annual retirement benefits for former Executive Board members amounted to EUR 0.8 million (previous year: EUR 0.7 million). This includes claims from deferred compensation of EUR 0.3 million (previous year: EUR 0.3 million). Pension payments of EUR 0.4 million (previous year: EUR 0.3 million) were made to former members of the Executive Board in the financial year 2016. Funds have been endowed to guarantee these pension claims which, however, are not classified as plan assets because the relevant requirements are not fulfilled.

The Company has not extended loans, guarantees or warranties to the members of the Executive Board.

Compensation paid to members of the Executive Board of ProSiebenSat.1 Media SE in office in the financial year 2016 amounted to EUR 15.2 million in the reporting period (previous year: EUR 12.4 million). These figures include a variable component of EUR 10.8 million (previous year: EUR 9.0 million) and fringe benefits of EUR 0.2 million (previous year: EUR 0.1 million). The variable compensation includes annual and multi-year variable compensation.

Total compensation for former members of the Executive Board amounted to EUR 6.0 million in the financial year 2016. In the previous year, former members of the Executive Board received compensation of EUR 3.2 million.

With the exception of the MTIP, GSP and pension entitlements, payments to the Executive Board are all payable in the short term.

Expenses for the Supervisory Board of ProSiebenSat.1 Media SE amounted to EUR 1.5 million in the reporting period (previous year: EUR 1.4 million). The members of the Supervisory Board receive a fixed compensation. The Chairman and Vice Chairman of the Supervisory Board receive two and a half times and one and a half times the amount of this fixed base figure respectively. The Supervisory Board members receive fixed annual compensation for annual membership in the individual committees. The Committee Chairman receives additional compensation for his activities. In addition, members of the Supervisory Board receive a separate meeting honorarium for each meeting attended in person. The Supervisory Board Chairman receives one and a half times the standard meeting honorarium.

Members of the Supervisory Board received no remuneration or other consideration for personal services, especially consulting and mediation services, during the financial year 2016 and the previous year.

In the financial year 2016, the members of the Supervisory Board acquired 12,449 shares in the Company (previous year: acquisition of 2,345 shares). The relevant transactions were published on ProSiebenSat.1 Group's website (www.prosiebensat1.com) in accordance with section 15a of the German Securities Trading Act (WpHG).

Altogether, the current members of the Executive Board and Supervisory Board directly hold 65,244 (previous year: 157,345) shares in ProSiebenSat.1 Media SE as of December 31, 2016. This is equivalent to 0.0 % of the share capital (previous year: 0.1 %).

For information on the individual remuneration of members of the Executive Board and the Supervisory Board in line with section 314 (1) no. 6a sentences 5 to 9 of the German Commercial Code, please refer to the disclosures in the compensation report, which forms part of the combined management report.

Associates and joint ventures

ProSiebenSat.1 Media Group conducts transactions with some of its joint ventures and associates in the normal course of business. In these transactions, the Company buys and sells products and services on prevailing market terms.

Revenues from the sale of goods and the rendering of services as well as other income from transactions with associates in the financial year 2016 amounted to EUR 130 million (previous year: EUR 119 million). Goods and services received and other expenses relating to transactions with associates in the financial year 2016 amounted to EUR 33 million (previous year: EUR 28 million).

As of December 31, 2016, receivables from associates amounted to EUR 23 million (previous year: EUR 16 million). Liabilities to associates amounted to EUR 10 million (previous year: EUR 9 million).

Transactions with joint ventures were only of subordinate importance for the Group as of December 31, 2016.

33 Professional fees of the independent auditor

The professional fees for the services of the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, totaled EUR 4.7 million in the financial year 2016 (previous year: EUR 4.7 million). Of that total, EUR 3.2 million (previous year: EUR 2.3 million) relates to audit services for the financial statements, EUR 0.2 million (previous year: EUR 0.4 million) to other attestation services, EUR 0.2 million (previous year: EUR 0.5 million) to tax advisory services and EUR 1.1 million (previous year: EUR 1.5 million) to other services. The disclosures relate exclusively to the independent legal entity of the appointed auditor, KPMG AG Wirtschaftsprüfungsgesellschaft.

34 Corporate governance

In March 2016, the Executive Board and Supervisory Board of ProSiebenSat.1 Media SE jointly issued its annual declaration of compliance with the German Corporate Governance Code, as required under section 161 of the German Stock Corporation Act (AktG), and made it permanently available to the shareholders of ProSiebenSat.1 Media SE on the Group's website (www.prosiebensat1.com).

35 Events after the reporting period

Appointment to the Executive Board

Sabine Eckhardt was appointed to the Executive Board of ProSiebenSat.1 Media SE as Chief Commercial Officer (CCO) as of January 1, 2017. She is responsible for the SevenOne Media business with innovative, cross-media advertising products and for the new customer business of the ProSiebenSat.1 marketer. In addition, she is driving the realization of Group-wide synergy potential through closer interplay between ad sales, digital commerce activities and data management. In this context, she has also assumed executive responsibility for the Group's Seven Ventures business in the Digital Ventures & Commerce segment.

Capital increase at Studio71

By agreement and effective as of January 11, 2017, the media groups TF1 SA, Boulogne-Billancourt, France (TF1), and Reti Televisive Italiane S.p.A., Milan, Italy (Mediaset), each acquired a minority stake in ProSiebenSat.1 Digital Content LP (Studio71) as part of a capital increase. Following the capital increase, ProSiebenSat.1 Group retains approximately 70 % of the shares in Studio71. With its subsidiaries, the company aggregates the Group's online video business. Put options for the buyback of the shares were agreed with both TF1 and Mediaset. As ProSiebenSat.1 Group has an unconditional obligation to meet the terms of the put options as of exercise date, the consolidation percentage used on the basis of the present ownership is still 100.0 %.

As part of the transaction, ProSiebenSat.1 Group also acquired a minority stake in Finder Studios SAS, Paris, France, a French multi-channel network in which TF1 already held shares.

Planned acquisition of ATV broadcasting group

ProSiebenSat.1 Group is planning to acquire a 100.0 % stake in ATV Privat TV GmbH & Co KG, Vienna, Austria. The relevant agreements were signed on February 6, 2017. The acquisition is subject to the approval of the responsible cartel authorities. ATV is an Austrian broadcasting group and operates the Austrian television stations ATV and ATV2. The purchase price per IFRS 3 is based on an enterprise value in the amount of EUR 28 million.

Further events after the closing date

No further reportable events materially impacting the earnings, financial position and performance of ProSiebenSat.1 Group or ProSiebenSat.1 Media SE occurred between the end of the financial year 2016 and the date of the release of this report for publication.

Release date for publication

The Executive Board of the Company shall approve the consolidated financial statements for publication and submission to the Supervisory Board on February 20, 2017. The consolidated financial statements will be presented to the Supervisory Board for approval on March 13, 2017. They will be published on March 16, 2017.

February 20, 2017
The Executive Board

Summary of key accounting policies

a) Basic principles

The recognition, measurement and presentation policies, as well as the explanations and information regarding the consolidated financial statements for the financial year 2016, are substantially applied consistently. For information regarding the change of presentation for hedge ineffectiveness expenses, please refer to Note 11 "Interest result."

The consolidated income statement is presented using the cost-of-sales method.

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

Foreign currency translation

Transactions in foreign currencies are translated at the relevant exchange rates as of the transaction date. In subsequent periods, monetary assets and liabilities are measured at the spot rate as of the end of the reporting period, and translation differences are recognized in profit or loss. Non-monetary items that were measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of subsidiaries and entities accounted for using the equity method in countries outside the Eurozone are converted using the functional currency concept. For subsidiaries, the functional currency is determined on the basis of the primary environment in which they conduct their business activities. This is generally the currency in which cash is generated and consumed.

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

b) Consolidation methods

The consolidated financial statements of ProSiebenSat.1 Media SE include all material subsidiaries. ProSiebenSat.1 Media SE controls an investee if it has power over the investee. This means that it has existing rights that give it the current ability to control the relevant activities. The latter are activities with a significant influence on the investees' returns. Moreover, ProSiebenSat.1 Media SE is directly or indirectly, via the respective parent entity, exposed to the variable returns from its investment in the investee or holds rights to these and is able to influence these returns using its power over the investee.

One (previous year: five) subsidiary with suspended or only minor business activities, which is only of subordinate importance for presenting a fair picture of the earnings, financial position and performance as well as the cash flow of ProSiebenSat.1 Group, was not consolidated. As no active market exists for this entity and its fair value cannot be reliably measured without incurring unreasonable expense, it is recognized in the consolidated financial statements at cost, where necessary including impairment. The equity and earnings after taxes of this entity are less than 1% of the consolidated equity and less than 1% of the consolidated net profit of ProSiebenSat.1 Group.

Profits and losses, revenues, income and expenses deriving from transactions between consolidated entities as well as receivables and liabilities amongst consolidated entities are eliminated. The consolidation procedures take into account deferred income tax effects if such tax effects are likely to reverse in later financial years. Where required, deferred tax assets and liabilities are offset against one another. Capital is consolidated by eliminating the carrying amount of the investments against the share of equity held in the subsidiary.

In accordance with IFRS 3, initial consolidation takes place via the acquisition method, eliminating the acquisition cost against the fair values of the acquired, identifiable assets and the assumed liabilities and contingent liabilities as of the acquisition date. The intangible assets of the acquired entities identified as part of the purchase price allocation are valued by independent external appraisers. Identified goodwill results from the positive differences between the purchase prices paid and the fair values of the assets acquired and liabilities assumed, taking into account deferred taxes. Goodwill is determined in the functional currency of the acquired entity. Non-controlling interests are measured as of the acquisition date with the corresponding share in the identifiable net assets of the acquired entity. Changes in the Group's share in a subsidiary that do not result in a loss in control are accounted for as equity transactions.

Goodwill acquired in a business combination is allocated to the cash-generating unit or group of cash-generating units that is or are expected to profit from the synergies deriving from the business combination as of the acquisition date. This also represents the lowest level at which goodwill is monitored for internal management purposes. These are the operating and reportable segments Broadcasting German-speaking, Digital Entertainment, Digital Ventures & Commerce and Content Production & Global Sales. On disposal of cash-generating units or parts thereof or as part of an internal reorganization, goodwill at the time of disposal or transfer is allocated on the basis of relative values to the units being disposed of by the Group and those being retained.

When calculating the fair value of assets identified within the context of the purchase price allocation, the following methods are primarily used. Unless specified otherwise, the carrying amount of the relevant assets is approximate to their fair value.

Determination of fair value in the context of the purchase price allocation (Fig. 187)

Intangible assets	Measurement method
Brands	Relief from Royalty Method
Customer relationships and other contractual relationships	Multi-period Excess Earnings Method
Non-compete agreements	Excess profit method
Technologies	Reproduction cost method and Relief from Royalty Method
Order Backlog	Multi-period Excess Earnings Method
Films, series, shows in production	Multi-period Excess Earnings Method

If, by acquiring further shares in an associate or joint venture, ProSiebenSat.1 Media SE obtains control of the entity, the entity is to be fully consolidated from the time control is obtained. The fair value of the previously held investment is to be regarded as part of the acquisition cost for the new subsidiary. The difference between the fair value and the carrying amount determined using the equity method is recognized in profit or loss.

Investments in entities over which ProSiebenSat.1 Group exerts or can exert significant influence ("associates") or which are jointly controlled with other investors ("joint ventures") are to be accounted for using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures." The use of the equity method is discontinued from the date at which the significant influence or joint control ends. Where relevant indications exist, the carrying amount of the investment is tested for impairment, and if applicable an impairment loss to the lower recoverable amount is recognized. There is no price quoted on active market for the entities measured using the equity method.

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

c) Individual accounting policies

Summary of significant measurement methods (Fig. 188)

Item	Measurement method
ASSETS	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with indefinite useful lives	At cost (subsequent measurement: impairment test)
Other intangible assets with finite useful lives	At (amortized) cost
Property, plant and equipment	At (amortized) cost
Programming assets	At (amortized) cost
Investments accounted for using the equity method	Equity method
Financial assets	
Loans and receivables	At (amortized) cost
Held to maturity	Not applicable
Available for sale	At fair value with the resultant gains and losses recognised directly in equity or (in exceptional cases) at cost
At fair value through profit or loss	At fair value through profit or loss
Held for trading/derivatives	At fair value through profit or loss
Cash and cash equivalents	At cost
LIABILITIES AND PROVISIONS	
Loans and borrowings	At (amortized) cost
Provision for pensions	Projected unit credit method
Other provisions	At settlement value (discounted if non-current)
Financial liabilities	At (amortized) cost or fair value respectively
Other liabilities	At settlement value (discounted if non-current)

Revenues

ProSiebenSat.1 Group's revenues are mainly advertising revenues derived from the sale of advertising time. Advertising revenues are presented net of early payment discounts, agency commissions, cash discounts and value-added tax. Television advertising revenues are considered realized when the relevant advertising spots are broadcast.

Advertising revenues also include revenues from the sale of digital offerings of external providers. For this purpose, ProSiebenSat.1 Group acquires rights to use advertising licenses in order to sell the digital offerings of external providers, such as online advertising space. Revenues are recognized when advertising space is sold.

The recognition of variable revenue components from revenue shares ("media-for-revenue") depends on ProSiebenSat.1 Group's ability to reliably estimate such revenues. In this case, the required target achievement documentation of the contractual partner must be available to the Group in order to recognize this variable component as revenues.

At ProSiebenSat.1 Group, barter transactions are primarily concluded as countertrade transactions in the context of marketing advertising times. Revenues from such barter transactions are considered revenue-generating transactions only when dissimilar goods or services are exchanged, and the amount of the proceeds and costs, as well as the economic benefit, can be clearly measured. If advertising time is exchanged for goods or products, revenues are measured using the fair value of the goods or services received, provided this can be determined reliably. If advertising time is exchanged for advertising time, revenues are determined using the fair value of the advertising time provided.

If advertising services are agreed in return for the acquisition of shares in other entities ("media for equity"), the obligation for broadcasting the agreed advertising spots is initially recognized as a credit entry (deferred revenues) to reflect the equity stake capitalized and recognized as revenues when the agreed advertising spots are broadcast. Shares acquired in this context are accounted for at fair value.

Revenues from online agency services rendered by the Group in the "Digital Ventures & Commerce" segment in the areas of car rentals, travel, insurance, events, energy supply, mobile communications, broadband telephony or HD television via its "online price comparison portals" are recognized when the service has been rendered, if the amount of revenues and the associated costs can be measured reliably and if it is probable that the economic benefits associated with the transaction will flow to the Group. The affected Group companies act as agents as defined by IAS 18, thus only the commissions to be received are recognized as revenues. The relevant transactions are subject to statutory and voluntary cancellation and rescission requirements. If reliable information on cancellation or rescission rates is available, the Group generally recognizes the corresponding commissions on the transfer of customer data to the partner rendering the relevant primary service; otherwise, revenues are recognized when the partner starts performing the service or when the contract commences.

Revenues from the production of programming content (Content Production & Global Sales segment) are recognized using the percentage-of-completion method, provided the projected revenues can be estimated reliably. The stage of completion is determined by the relation between actual costs incurred and estimated total costs of the contract. Applied to the projected revenues of the respective contract, this results in revenues being recognized in the relevant period. In case total revenues cannot be estimated reliably, revenues are recognized only to the extent of costs incurred. Contract costs are recognized as expenses in the period in which they occur. If it is expected that total contract costs will exceed contract revenues, the expected loss is recognized immediately as an expense.

For further information, please refer to Note 5 "Revenues."

Operating expenses
The various types of operating expenses are allocated to the individual functions based on the functional area of the relevant cost center. Depreciation, amortization and impairments on intangible assets and property, plant and equipment are included in functional costs based on the use of these assets.

Earnings per share
Earnings per share correspond to consolidated net profit attributable to the shareholders of ProSiebenSat.1 Media SE divided by the weighted average number of shares outstanding during the financial year.

To calculate diluted earnings per share, the average number of shares outstanding is adjusted by the number of all potentially dilutive shares. At ProSiebenSat.1 Group, these dilution effects arise from the issuance of stock options on common shares under the Long Term Incentive Plans and from rights to shares (please refer to Note 31 "Share-based payments"). Diluted earnings per share are calculated under the assumption that all potentially diluting shares and share-based remuneration plans that are in the money are exercised.

Intangible assets and goodwill
Acquired goodwill is recognized at cost less accumulated impairment losses.

Acquired intangible assets are capitalized in accordance with IAS 38 if the future economic benefits from the asset are expected to flow to the Company and the cost of the asset can be determined reliably. Unless an asset has an indefinite useful life, it is amortized, and where applicable, impaired.

Intangible assets include acquired rights to use advertising licenses in order to sell the digital offerings of external providers. These are capitalized in the amount of the fixed purchase price of the acquired advertising inventory. These are subject to amortization over the term of the contract.

Internally generated intangible assets are capitalized under IAS 38 if they are identifiable, it is expected that the future economic benefits will flow to the Company and the cost of the asset can be measured reliably. In determining the production costs, a distinction is made between research and development costs, with the former being expensed as incurred. In addition to the criteria described above, development costs are capitalized solely in cases where the product or process are realizable from a technical and economic perspective. The completion of the development as well as the usage or sale afterwards have to be ensured and intended both technically and financially. The marketability of the product or process also needs to be demonstrated. In the case of program formats developed in-house, this generally occurs only at a very late stage in the process, if the format can be placed successfully with a buyer. Format development expenses thus generally do not fulfill the capitalization requirements of IAS 38.

In the current and comparative financial years, non-controlling interests were measured as of the acquisition date with their corresponding share in the identifiable net assets of the acquired entity. The option to use the full goodwill method, available on a transaction-by-transaction basis, was neither exercised in the current nor the comparative financial year.

For further information, please refer to Note 16 "Goodwill" and Note 17 "Other intangible assets."

Property, plant and equipment

Property, plant and equipment are measured at acquisition or production cost, less usage-based depreciation and, if necessary, impairments. The cost of internally created property, plant and equipment includes not only direct costs, but also the portions of overhead costs directly attributable to production. There are currently no qualifying assets of property, plant and equipment as defined by IAS 23 within the Group. For this reason, borrowing costs are recognized in profit or loss in the period in which they occur.

For further information, please refer to Note 18 "Property, plant and equipment."

Leases

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

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

Lease payments for operating leases are recognized as expenses in the functional costs of the income statement and on an accrual basis.

For further information, please refer to Note 18 "Property, plant and equipment," Note 26 "Financial liabilities" and Note 29 "Other financial obligations."

Investments accounted for using the equity method

On the date significant influence or joint control is attained, investments in associates or joint ventures accounted for using the equity method are recognized at cost in the consolidated statement of financial position. The carrying amount of the investment includes, where applicable, assets identified within the context of the purchase price allocation in addition to liabilities assumed and contingent liabilities as of the acquisition date and goodwill as a positive difference between these amounts. In subsequent periods, the carrying amount is adjusted to reflect the pro-rata changes in equity of the investee in addition to the subsequent measurement of the assets identified and the liabilities assumed and contingent liabilities within the context of the purchase price allocation. Dividends received from entities accounted for using the equity method reduce their carrying amounts. The pro-rata comprehensive income of the relevant entities attributable to ProSiebenSat.1 Group is reported in the consolidated income statement as "Income from investments accounted for using the equity method."

For further informatio n, please refer to Note 12 "Result from investments accounted for using the equity method and other financial result" and Note 19 "Investments accounted for using the equity method."

Programming assets

Feature films and series are capitalized as of the beginning of the license term. Commissioned productions are capitalized as broadcast-ready programming assets on formal acceptance. Until being broadcast, sports rights are included in advance payments. The assets are initially recognized at cost.

Consumption of licenses and commissioned productions intended for multiple broadcasts (runs) commences at the start of the first broadcast, and depends on the number of runs permitted or planned respectively. Broadcasting-related consumption is measured using a declining-balance method according to a standardized Group-wide matrix which reflects the expected audience reach potential relating to the respective broadcast. Commissioned productions intended for only one run and sports rights are fully consumed as of their broadcasting.

Impairments on programming assets are recognized if it is not expected that the costs are recoverable by future revenues. Relevant indicators may include worse recovery opportunities, changes in the advertising environment, adaptation of programming due to changing target group tastes, media law restrictions on the usability of films, expiry of licenses prior to broadcasting, or the discontinuation of commissioned productions.

If there are indications for a potential impairment on programming assets, broadcasts no longer meeting the asset criteria or having limited usability are fully impaired. The assessment of the recoverable amount of the remaining programming assets takes place at the level of genre-based program groups. To the extent that their carrying amounts exceed expected future revenues, impairments are recognized. A genre is the unit in which cash flows are generated independently of other programming assets, as individual genres are tailored to target audience groups and advertising customers book advertising for their products around certain genres. Titles contained in a genre are viewed as a homogeneous mass; the individual titles are essentially interchangeable.

For further information, please refer to Note 20 "Programing assets."

Impairments of other non-financial assets

In accordance with IAS 36, an entity must review assets with a finite useful life for impairment if there are indications that those assets may be impaired. Moreover, other intangible assets with an indefinite useful life, other intangible assets not yet ready for use or advance payments thereon, and goodwill must be tested for impairment annually. A test is also performed whenever there is any indication that an asset might be impaired.

In the event of an impairment, the difference between the amortized carrying amount and the lower recoverable amount is recognized as an expense in profit or loss. Impairments are allocated to the relevant functional costs. Impairments on goodwill resulting from purchase price allocations are recognized in other operating expenses. The same applies to impairments on other intangible assets resulting from purchase price allocations if they cannot be appropriately allocated to functional costs. If there is evidence that the reason for the impairment no longer exists, the impairment loss is reversed (except in the case of goodwill). The reversal cannot result in an amount exceeding amortized cost.

The amortized carrying amount of the asset is compared with the recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the present value of future cash flows expected to arise from the continuing use of the asset.

The recoverable amount is determined for each individual asset, unless an asset generates cash inflows that are not largely independent of those from other assets or other groups of assets or cash-generating units. In these cases, the impairment test is performed at the relevant level of cash-generating units to which the asset is attributable.

The Company normally determines the recoverable amounts using measurement methods based on discounted cash flows. In the case of cash-generating units, ProSiebenSat.1 Group first determines the relevant recoverable amount as value in use, which it compares with the respective carrying amounts, including allocated goodwill in the case of impairment tests on goodwill, and including the allocated brands in the case of impairment tests on brands with indefinite useful lives. These discounted cash flows are based on five-year projections of financial plans approved by management. Cash flows beyond the detailed planning period are extrapolated using individual growth rates, which however do not exceed the inflation expectations for the respective units. The most important assumptions underlying the changes in value in use concern future cash flows, estimated growth rates, tax rates and weighted average cost of capital.

For further information, please refer to Note 16 "Goodwill," Note 17 "Other intangible assets" and Note 18 "Property, plant and equipment."

Financial instruments

Arm's length purchases and sales of financial assets are accounted for as of the settlement date. The Group derecognizes a financial asset if the contractual rights to cash flows from an asset expire or if the Group transfers the rights to receive cash flows in a transaction that also transfers all material risks and opportunities connected with the ownership of the financial asset. Financial liabilities are derecognized if the contractual obligations are settled, canceled or have expired. When adjusting loan terms or extending terms, the Group assesses whether these represent substantial modifications as defined by IAS 39.

Financial assets are offset and presented in the statement of financial position as a net value if the Group has a current legal right to set off the reported amounts against each other and the intention is either to settle on a net basis or to settle the associated liability simultaneously with the realization of the asset. ProSiebenSat.1 Group currently has netting agreements for derivative financial instruments, but presentation on a net basis in the statement of financial position is not possible under IAS 32.

Measurement of financial instruments

Financial assets and liabilities are recognized initially at fair value. For financial assets subsequently not recognized at fair value through profit or loss, transaction costs attributable to the acquisition are also capitalized on initial recognition. For financial assets subsequently recognized at fair value through profit or loss, transaction costs are recognized in profit or loss directly in the period in which they are incurred.

Financial assets and liabilities are subsequently measured at amortized cost or at fair value. Amortized cost is determined using the effective interest rate method. The fair value of a financial instrument reflects the amount that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants on the measurement date. The fair value is generally equivalent to the market or exchange value. If there is no active market, the fair value is measured using a financial valuation technique (for example, by discounting the future cash flows at the market interest rate). If the fair value of financial instruments cannot be determined reliably, the financial instruments are measured at cost.

In accordance with IAS 39, a regular assessment is made as to whether there is substantive objective evidence of impairment of a financial asset or a portfolio of financial assets. After an impairment test, any necessary impairment loss is recognized in profit or loss.

The measurement of financial investments held by ProSiebenSat.1 Group is explained below for the following individual categories:

Loans and receivables

Financial assets classified as loans and receivables are measured at amortized cost, applying the effective interest rate method, less impairments. Impairments of trade receivables are recognized in separate allowance accounts. In the valuation process, adequate allowances have been made, on the basis of objective evidence and values developed through experience, to cover known risks by valuation adjustments.

Financial assets measured at fair value through profit or loss

In addition to financial assets held for trading purposes, this category also includes financial assets designated at fair value through profit or loss on initial recognition, under what is known as the fair value option. Exceptions are equity instruments for which no market prices are quoted on active markets, and whose market values cannot be measured reliably. Fair value is determined on the basis of the type of instrument, depending on the marketability of the instrument, using a three-level fair value hierarchy. The fair value option is furthermore subject to the condition that its exercise must eliminate or significantly reduce an accounting mismatch, the financial instrument contains one or more embedded derivatives, or that the portfolio of financial instruments is managed on a fair value basis.

Financial assets available for sale

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

Financial liabilities

With the exception of derivative financial instruments and contingent consideration in the context of business combinations (put options, earn-out provisions), financial liabilities are measured at amortized cost, applying the effective interest rate method. Term loans are recognized on the basis of their notional total, at amortized cost less issuing and financing costs. These costs are distributed over the term of the liability using the effective interest rate method. Contingent consideration in the context of business combinations is classified under liabilities at fair value on initial consolidation. Subsequent measurement also takes place at fair value, with changes being recognized in profit and loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognized as financial assets or financial liabilities at their fair value in the statement of financial position, irrespective of the purpose or intent for which the transaction was entered into. The fair value of derivative financial instruments is determined by discounting future cash flows at the market interest rate, and by other recognized methods of financial valuation techniques, such as option pricing models. Derivative financial instruments are recognized as of their trading date. The fair value of interest rate swaps is generally zero initial recognition. With interest rate options the fair value is the value of the option premium paid. Subsequently interest rate swaps and interest rate options are recognized in the statement of financial position at their market values as financial assets or other financial liabilities. The fair value of forward exchange transactions and currency options is also usually zero on initial recognition. Subsequently, forward exchange transactions are recognized in the statement of financial position at their market values as financial assets or financial liabilities. The valuation of derivative financial instruments includes specific counterparty credit risks.

If a clear hedging relationship can be formally designated and documented, it is accounted for in line with the requirements of IAS 39 on hedge accounting. Under hedge accounting, the recognition of changes in the market values of the relevant derivatives depends on the type of hedging relationship. If the hedge is a cash flow hedge, as is currently exclusively the case at ProSiebenSat.1 Group, the changes in market value of the effective portion of the derivative are initially recognized separately in other comprehensive income and are not recognized in profit or loss until the hedged item is realized. The ineffective portion is recognized immediately in profit or loss. To hedge currency risks on future license payments, hedge gains or losses accumulated in equity are transferred from equity at the commencement of the license, i.e. when the hedged item is capitalized, and the acquisition cost is increased or decreased accordingly.

ProSiebenSat.1 Group compiles and manages the identified hedged items and hedging instruments in so-called hedge books. The effectiveness of the hedging relationship is measured regularly. If a hedging relationship does not meet, or no longer meets, the requirements of IAS 39, hedge accounting is terminated. After the termination of a hedging relationship, the amounts recognized in other comprehensive income are recognized in profit or loss as the results of the hedged items affect profit or loss.

For further information, please refer to Note 21 "Financial receivables and assets," Note 22 "Other receivables and assets," Note 23 "Shareholders' equity", Note 26 "Financial liabilities" and Note 30 "Further notes on financial risk management and financial instruments in accordance with IFRS 7."

Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid financial investments that can be converted into cash amounts at any time and that are subject only to minor risks of fluctuation in value. Cash and cash equivalents are measured at cost, with amounts in foreign currencies being translated at the end of the applicable reporting period.

Provisions for pensions

Differences between assumptions and actual events, as well as changes in actuarial assumptions for measuring defined-benefit pension plans, result in actuarial gains and losses. These remeasurement effects are recognized in other comprehensive income taking into account deferred taxes in the period in which they occur. As a result the statement of financial position shows the full extent of the obligations, avoiding fluctuations in results which can particular occur due to changes in the calculation parameters. The actuarial gains and losses recognized in the respective reporting period are presented separately in the statement of comprehensive income. In subsequent periods such items are not reclassified to the income statement.

For further information, please refer to Note 24 "Provisions for pensions."

Share-based payments

ProSiebenSat.1 Group's share-based payments (stock options and rights to shares) exclusively comprise payment plans that contain options for ProSiebenSat.1 Media SE to determine the mode of settlement, using either equity or cash, which is exercised in accordance with the intended form of remuneration. The remuneration plans to be settled in shares are measured at fair value at the grant date. The fair value of the obligation is recognized as personnel expenses in functional costs over the vesting period; the corresponding credit entry is to capital reserves. The fair value of remuneration plans to be settled in cash is recognized as personnel expenses in liabilities over the vesting period. The liability is remeasured at every reporting date and the settlement date on the basis of fair value and changes are recognized in profit or loss.

For further information, please refer to Note 23 "Shareholders' Equity" and Note 31 "Share-based payments."

Other provisions

In accordance with IAS 37, provisions are recognized if a present legal or constructive obligation to third parties exists as a result of a past event, if outflows of economic resources are expected, and if the amount can be determined reliably. They are recognized at full cost, in the amount of the most probable outcome of the obligation, taking into account experiential values. Non-current provisions are recognized as of the reporting date at the present value of expected settlement amounts, taking estimated increases in prices or costs into account. Discount rates are regularly adjusted to prevailing market interest rates.

The Company measures provisions for onerous contracts at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract minus any revenues expected from the contract.

For further information, please refer to Note 25 "Other provisions."

Income taxes

Income taxes comprise the taxes levied on taxable profits in the individual countries, and changes in deferred tax items. Income taxes are recognized on the basis of the terms of law in effect or substantively enacted as of the reporting date, in the amount that will presumably have to be paid. In accordance with IAS 12, deferred taxes are recognized for tax-deductible or taxable temporary differences between the carrying amounts of assets and liabilities under IFRS and their tax bases, as well as for consolidation measures and for claims for tax reductions due to loss carry-forwards that can presumably be recovered in subsequent years. This does not include goodwill. The calculation is based on the tax rates expected in the various countries at the realization date. These are generally based on the terms of law in effect or substantively enacted as of the reporting date.

Deferred tax assets are netted against tax liabilities to the extent they are owed by and to the same tax authority, and so far as the Company is legally entitled to offset current tax refund entitlements and tax liabilities against one another. These are reported as non-current assets and liabilities and are not discounted. If the items underlying the temporary differences or tax expenses and income are recognized in other comprehensive income, the same applies to the relevant current taxes and deferred tax assets and liabilities.

For further information, please refer to Note 13 "Income taxes" and Note 23 "Shareholders' Equity."

Statement of Cash Flows

The statement of cash flows shows how cash and cash equivalents have changed as a result of cash inflows and outflows during the period. In accordance with IAS 7, cash flows are distinguished between operating activities, investing activities and financing activities. The funds covered by the statement of cash flows include all cash and cash equivalents shown in the statement of financial position with terms of not more than three months, subject only to minor risks of fluctuation in value. Cash is not subject to restrictions.

Cash flows from investing and financing activities are calculated using the direct method. On the other hand, cash flows from operating activities are derived indirectly from consolidated net profit. In this indirect derivation, the changes of the relevant statement of financial position items relating to operating activities are adjusted for effects from foreign currency translation and from changes to the scope of consolidation. For this reason, the changes of the statement of financial position items cannot be reconciled with the relevant figures of the consolidated statement of financial position and the segment key figures.

In line with IAS 7.31 and IAS 7.35, payments of taxes and interest as well as receipts of interest are presented in the cash flow from operating activities.

Changes in reporting standards

a) Recently implemented reporting standards

The initial application of the new standards and interpretations and amendments to standards and interpretations published by the IASB and endorsed by the European Commission for use in the European Union whose application was mandatory in the reporting period did not have material effects on the earnings, financial position and performance of ProSiebenSat.1 Group.

b) Reporting standards yet to be implemented

The financial reporting standards published by the IASB and described below were not yet effective in the past financial year and were therefore not adopted early by ProSiebenSat.1 Group.

- In July 2014, the IASB issued the final version of **IFRS 9 "Financial Instruments."** This version replaces the previous IAS 39 standard "Financial Instruments: Recognition and Measurement" and all previously published versions of IFRS 9 and was adopted into European Law on November 29, 2016. Initial application of IFRS 9 is mandatory for financial years beginning on or after January 1, 2018. There are no plans to exercise the option to early-adopt this standard. The Group is analyzing the effects of the initial application of IFRS 9 on the consolidated financial statements as of December 31, 2018 as part of a Group-wide project. In this context, the following areas that may be affected by an implementation of IFRS 9 were identified as of December 31, 2016:

  Classification and measurement of financial instruments
  On initial recognition, financial assets are classified as assets "to be measured at fair value" and "to be measured at amortized cost" depending on the business model and the contractual cash flows of the relevant financial instruments. Depending on their categorization, the financial assets are subsequently measured either at amortized cost or at fair value. Changes in fair value are to be reported in the income statement or in other comprehensive income. The requirements for derecognizing financial assets and liabilities and the general accounting for financial liabilities were mainly taken over from IAS 39. The changes to the classification may result in changes for ProSiebenSat.1 Group in the case of financial assets and liabilities classified as "loans and receivables" or "other financial liabilities" under IAS 39. In addition, the number of financial instrument categories may increase. We do not expect this change to have a material impact on the measurement of financial assets and financial liabilities, with the exception of the change in the impairment model for financial assets described below.

  Impairment of financial assets
  The requirements for recognizing impairments on financial assets, which are now based on an expected loss model, are fundamentally new. In contrast to IAS 39, financial assets are to be allocated to various risk categories based on the expected probability of default in the past and future. Credit allowances are to be recognized before losses are incurred. At ProSiebenSat.1 Group, this model may result in the earlier recognition of impairments, particularly on trade receivables and contractual assets from commissioned productions.

Hedge accounting
IFRS 9 also adds new hedge accounting requirements, which are more strongly focused on reflecting operational risk management. Based on the current stock of financial instruments, this may result in conversion effects from the accounting for foreign currency derivatives that are part of designated hedging relationships at ProSiebenSat.1 Group.

All conversion effects mainly depend on the stock of financial instruments and prevailing economic conditions in the financial year 2018. For this reason, the quantitative effects of the implementation of IFRS 9 cannot be reliably assessed at this time. The Group will publish detailed information on the effects of initial application over the next twelve months.

- By issuing **IFRS 15 "Revenue from Contracts with Customers"** in May 2014, the IASB revised the requirements for the timing and amount of revenues to be recognized in the future. First-time application of the standard is mandatory for financial years beginning on or after January 1, 2018. ProSiebenSat.1 Group has no plans to apply this at an earlier date. It was adopted into European law on October 29, 2016. IFRS 15 replaces the previous requirements of IAS 18 "Revenue," IAS 11 "Construction Contracts" and a range of revenue-related interpretations. Leases, financial instruments and insurance contracts are scoped-out of IFRS 15.

Under the new standard, the recognition of revenues shall reflect the transfer of the goods or services promised to the customer with the amount equivalent to the consideration that the entity is expected to receive in exchange for these goods or services. Revenues are recognized when the customer obtains control over the goods or services.

In April 2016, the IASB published clarifying amendments to IFRS 15 which must also be applied in financial years starting on or after January 1, 2018. These amendments clarify various requirements of the standard and offer some additional transition relief. The clarifications are expected to be adopted into European law in the first half of 2017.

ProSiebenSat.1 Group is analyzing the developments and effects of IFRS 15, including the clarifying amendments in a Group-wide project and has dealt with the analysis of existing processes, systems and contracts in addition to the modeling of the revenue recognition process.

No material changes are expected in the consolidated financial statements with regard to the recognition of advertising revenues or revenues from commissioned productions. The following business areas that may see changes in the recognition of revenues due to the switch to IFRS 15 have been identified:

License revenues
For revenue recognition, IFRS 15 distinguishes between a right to access and a right to use licenses. Based on the respective classification, changes may occur in the timing of the recognition of licensing revenue.

Multi-component contracts
Under IFRS 15, the transaction price must be allocated on the basis of stand-alone selling prices. Thus, if the transaction price is allocated differently, this may result in changes to the recognition of revenues.

It is currently impossible to assess the quantitative effects of the application of IFRS 15 on the consolidated financial statements. The Group will publish further information on its exact effects over the next twelve months.

› In January 2016, the IASB published the accounting standard **IFRS 16 "Leases."** The new standard specifies that all leases and the associated contractual rights and obligations are generally to be recognized in the statement of financial position of the lessee. As a result, lessees are no longer subject to the requirement to classify leases as operating or finance leases under IAS 17. For leases, the lessee recognizes a liability for lease obligations to be incurred in the future. Correspondingly, the right-of-use asset is capitalized, which generally corresponds to the present value of future lease payments plus directly attributable costs, and is amortized over its useful life. At ProSiebenSat.1 Group, these new requirements primarly affects lease agreements currently classified as operating leases.

ProSiebenSat.1 Group is analyzing the effects of the application of IFRS 16 in a Group-wide project involving existing processes, systems and agreements. The following categories of leases have been identified for which agreements previously recognized as operating leases may be accounted for as leases as defined by the new standard as a result of the changeover to IFRS 16: Real estate, technical equipment, vehicles and other leased assets. The existing agreements for satellite and transponder capacity are expected to continue being accounted for as service agreements.

First-time application of the standard is mandatory for financial years beginning on or after January 1, 2019. IFRS 16 is expected to be adopted into European law in the second half of 2017. ProSiebenSat.1 Group is currently planning to apply IFRS 16 early, starting from the financial year 2018, together with IFRS 9 and IFRS 15. It is currently impossible to reliably assess the quantitative effects of the application of IFRS 16 on the consolidated financial statements. The Group will publish further information on its exact effects over the next twelve months.

Members of the Executive Board

Members of the Executive Board of ProSiebenSat.1 Media SE (Fig. 189)

Thomas Ebeling CEO	CEO since March 1, 2009	Responsibilities: PMO & Strategy, TV Germany Sales Agencies, Corporate Communication, Human Resources, Wellbeing, Special Projects
Dr. Gunnar Wiedenfels CFO	CFO since April 1, 2015 until March 31, 2017	Responsibilities: Group Operations & IT, Group Controlling, Group Finance & Investor Relations, Accounting & Taxes, Internal Audit, Corporate Procurement, Corporate Real Estate
Conrad Albert	Member of the Executive Board since October 1, 2011	Responsibilities: Regulatory Affairs & Governmental Relations, German Industry Relations, Group Content Acquisition, Legal Affairs, Distribution Contract Management, Audiovisual Transaction Business Development, Corporate Security, Compliance, Corporate Office
Jan David Frouman	Member of the Executive Board since March 1, 2016	Responsibilities: TV Germany, P7S1 Austria, P7S1 Switzerland, Pay TV, Red Arrow Entertainment Group, Group Content Strategy
Dr. Ralf Schremper	Member of the Executive Board since April 1, 2015	Responsibilities: Mergers & Acquisitions
Christof Wahl	Member of the Executive Board since May 1, 2016	Responsibilities: Data, Media Alliance, Distribution, AdVoD/AdTech, Digital Platforms, Leisure & CS, Sports
Dr. Christian Wegner	Member of the Executive Board since October 1, 2011 until December 31,2016	Responsibilities: Digital Ventures & Commerce, Adjacent
Dr. Jan Kemper	CFO from June 1, 2017	Responsibilities: Group Operations & IT, Group Controlling, Group Finance & Investor Relations, Accounting & Taxes, Internal Audit, Corporate Procurement, Corporate Real Estate
Sabine Eckhardt	Member of the Executive Board since January 1, 2017	Responsibilities: 7Ventures, Licensing, Digital TV Ad Cooperations, AdFactory, TV Germany Sales KAM, Operations & Media Inventory Management, Media Competence Center, CMO

Members of the Supervisory Board

Members of the Supervisory Board of ProSiebenSat.1 Media SE and their mandates in other Supervisory Boards (Fig. 190)

Dr. Werner Brandt Chairman	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 (Consultant)	Mandates: RWE AG (non-executive), QIAGEN N.V. (non-executive), Osram Licht AG (non-executive), Deutsche Lufthansa AG (non-executive), Innogy SE (non-executive)
Dr. Marion Helmes Vice Chairwoman	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 (Consultant)	Mandates: NXP Semiconductors N.V. (non-executive), British American Tobacco PLC. (non-executive), Bilfinger SE (non-executive)
Lawrence Aidem	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 Our Film Festival, Inc. (Fandor) (President, CEO)	Mandates: none
Antoinette (Annet) P. Aris	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 INSEAD (Adjunct Professor of Strategy)	Mandates: Thomas Cook PLC (non-executive), Jungheinrich AG (non-executive), ASR Netherlands N.V. (non-executive), ASML N.V. (non-executive)
Adam Cahan	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 Yahoo Inc. (Senior Vice President Mobile and Emerging Products)	Mandates: none
Angelika Gifford	Member of the Supervisory Board of ProSiebenSat.1 Media AG and ProSiebenSat.1 Media SE since May 21, 2015 Hewlett Packard GmbH (General Manager)	Mandates: Rothschild & Co. S.C.A, Paris (non-executive), TUI AG, Berlin/Hannover (non-executive)
Erik Adrianus Hubertus Huggers	Member of the Supervisory Board of ProSiebenSat.1 Media AG since June 26, 2014/ of ProSiebenSat.1 Media SE since May 21, 2015 Vevo LLC (President, CEO)	Mandates: none
Ketan Mehta	Member of the Supervisory Board of ProSiebenSat.1 Media SE since November 24, 2015 Allen & Company LLC (Managing Director)	Mandates: none
Prof. Dr. Rolf Nonnenmacher	Member of the Supervisory Board of ProSiebenSat.1 Media SE since May 21, 2015 (German Public Auditor)	Mandates: Continental AG (non-executive), Covestro AG (non-executive), Covestro Deutschland AG (non-executive)

List of affiliated companies and investments

List of affiliated companies and investments of ProSiebenSat.1 Media SE (Fig. 191)

No.	Company	Location	Share in %	Held via	Currency[2]	Equity in thousands[15]	Profit/loss in thousand for the period[15]
1	ProSiebenSat.1 Media SE	Unterföhring			EUR	2,778,194	433,598
	AFFILIATED COMPANIES						
	Germany						
2	12Auto Group GmbH	Unterföhring	100.00	55	EUR	1,695	339
3	7Life GmbH[1]	Unterföhring	100.00	52	EUR	25	0 [3]
4	7Love Holding GmbH	Unterföhring	50.00	51	EUR	-/-	-/- [4]
5	7NXT GmbH	Berlin	100.00	9	EUR	7,399	111 [5]
6	7NXT Health GmbH	Berlin	100.00	5	EUR	-230	-1,855 [5]
7	7Screen GmbH[1]	Unterföhring	100.00	81	EUR	25	0
8	7Stories GmbH	Unterföhring	100.00	72	EUR	25	0
9	7Wellbeing GmbH[1]	Unterföhring	100.00	52	EUR	-/-	-/- [4]
10	9Live Fernsehen GmbH[1]	Unterföhring	100.00	1	EUR	520	0 [3]
11	Active Agent AG	Freiburg im Breisgau	100.00	104	EUR	82	-102
12	ADITION technologies AG	Düsseldorf	100.00	104	EUR	687	0 [3]
13	AdTech S8 GmbH	Unterföhring	100.00	14	EUR	-/-	-/- [4]
14	AdTech Solutions GmbH[1]	Unterföhring	100.00	52	EUR	-/-	-/- [4]
15	Advopedia GmbH	Unterföhring	70.00	55	EUR	1	-27
16	Allmedica Arzneimittel GmbH	Wehrheim	100.00	110	EUR	21	-3
17	COMVEL GmbH	Munich	100.00	45	EUR	7,149	292
18	Discavo GmbH	Berlin	100.00	45	EUR	2,513	0 [3]
19	DISTRICON GmbH	Wehrheim	100.00	110	EUR	2,753	1,102
20	DOSB New Media GmbH	Hamburg	57.50	65	EUR	875	-1,008
21	Dr. Kleine Pharma GmbH	Bielefeld	100.00	110	EUR	3,303	0 [3]
22	Fem Media GmbH	Unterföhring	100.00	55	EUR	400	0 [3]
23	Flaconi GmbH	Berlin	100.00	51	EUR	5,625	1,250
24	Glomex GmbH[1]	Unterföhring	100.00	52	EUR	-/-	-/- [4]
25	Good Vita GmbH	Wehrheim	100.00	110	EUR	0	0 [3]
26	Gymondo GmbH	Berlin	100.00	5	EUR	821	-747
27	i12 GmbH	Linden	100.00	101	EUR	121	0 [3]
28	MAGIC Internet Holding GmbH[1]	Berlin	100.00	55	EUR	8,125	0 [3]
29	marktguru Deutschland GmbH	Munich	90.00	84	EUR	47	-17 [6]
30	maxdome GmbH[1]	Unterföhring	100.00	52	EUR	5,225	0 [3]
31	Maximilian Online Media GmbH	Linden	100.00	101	EUR	191	0 [3]
32	MMP Event GmbH	Cologne	60.00	65	EUR	910	881
33	moebel.de Einrichten & Wohnen AG	Hamburg	50.10	51	EUR	9,385	2,555
34	mydays Event GmbH	Munich	100.00	35	EUR	-65	285
35	mydays GmbH	Munich	100.00	36	EUR	-33,302	-3,798
36	mydays Holding GmbH	Munich	100.00	45	EUR	653	-3
37	myLoc managed IT AG	Düsseldorf	100.00	104	EUR	4,240	0 [3]
38	P7S1 Erste SBS Holding GmbH[1]	Unterföhring	100.00	1	EUR	431,194	0 [3]
39	P7S1 Zweite SBS Holding GmbH[1]	Unterföhring	100.00	1	EUR	107,756	0 [3]
40	PARSHIP ELITE Group GmbH	Hamburg	100.00	95	EUR	68,339	-6,795
41	PARSHIP ELITE Service GmbH	Hamburg	100.00	40	EUR	97	4
42	PE Digital GmbH	Hamburg	100.00	40	EUR	-/-	-/- [4]
43	PEG Management GmbH & Co. KG	Unterföhring	0	59	EUR	988	-12
44	Preis24.de GmbH	Düsseldorf	84.60	51	EUR	-1,518	-2,343
45	ProSieben Travel GmbH[1]	Unterföhring	100.00	52	EUR	435,686	0 [3]
46	ProSiebenSat.1 Accelerator GmbH[1]	Unterföhring	100.00	83	EUR	1,559	0 [3]
47	ProSiebenSat.1 Achte Verwaltungsgesellschaft mbH[1]	Unterföhring	100.00	1	EUR	26	0 [3]

List of affiliated companies and investments of ProSiebenSat.1 Media SE continued

No.	Company	Location	Share in %	Held via	Currency[2]	Equity in thousands[15]	Profit/loss in thousand for the period[15]
48	ProSiebenSat.1 Adjacent Holding GmbH[1]	Unterföhring	100.00	52	EUR	30,091	0 [3]
49	ProSiebenSat.1 Applications GmbH[1]	Unterföhring	100.00	50	EUR	2,025	0 [3]
50	ProSiebenSat.1 Broadcasting GmbH[1]	Unterföhring	100.00	1	EUR	15,686	0 [3]
51	ProSiebenSat.1 Commerce GmbH[1]	Unterföhring	100.00	52	EUR	253,210	0 [3]
52	ProSiebenSat.1 Digital & Adjacent GmbH[1]	Unterföhring	100.00	1	EUR	980,074	0 [3]
53	ProSiebenSat.1 Digital Content GmbH	Unterföhring	100.00	52	EUR	120,712	-305 [7]
54	ProSiebenSat.1 Digital Entertainment GmbH[1]	Unterföhring	100.00	1	EUR	25	0 [3]
55	ProSiebenSat.1 Digital GmbH[1]	Unterföhring	100.00	52	EUR	151,966	0 [3]
56	ProSiebenSat.1 Erste Verwaltungsgesellschaft mbH[1]	Unterföhring	100.00	1	EUR	25	0 [3]
57	ProSiebenSat.1 Fünfzehnte Verwaltungsgesellschaft mbH[1]	Unterföhring	100.00	1	EUR	25	0 [3]
58	ProSiebenSat.1 GP GmbH	Heidelberg	100.00	51	EUR	-/-	-/- [4]
59	ProSiebenSat.1 GP II GmbH	Unterföhring	100.00	51	EUR	20	-5
60	ProSiebenSat.1 Licensing GmbH[1]	Unterföhring	100.00	48	EUR	1,702	0 [3]
61	ProSiebenSat.1 Neunzehnte Verwaltungsgesellschaft mbH[1]	Unterföhring	100.00	1	EUR	25	0 [3]
62	ProSiebenSat.1 Pay TV GmbH[1]	Unterföhring	100.00	66	EUR	5,225	0 [3]
63	ProSiebenSat.1 Produktion GmbH[1]	Unterföhring	100.00	50	EUR	8,978	0 [3]
64	ProSiebenSat.1 Services GmbH[1]	Unterföhring	100.00	55	EUR	386	0 [3]
65	ProSiebenSat.1 Sports GmbH	Unterföhring	100.00	1	EUR	946	171 [8]
66	ProSiebenSat.1 TV Deutschland GmbH	Unterföhring	100.00	1	EUR	982,035	0 [3]
67	ProSiebenSat.1 Warehouse GmbH	Unterföhring	100.00	51	EUR	-/-	-/- [4]
68	ProSiebenSat.1 Welt GmbH[1]	Unterföhring	100.00	50	EUR	-33	0 [3]
69	PS Event GmbH	Cologne	67.00	70	EUR	3	-66
70	PSH Entertainment GmbH[1]	Unterföhring	100.00	48	EUR	2,925	0 [3]
71	RapidApe GmbH i.L.	Berlin	100.00	52	EUR	37	-694
72	Red Arrow Entertainment Group GmbH[1]	Unterföhring	100.00	1	EUR	110,971	0 [3]
73	Red Arrow International GmbH[1]	Unterföhring	100.00	72	EUR	125	0 [3]
74	RedSeven Entertainment GmbH[1]	Unterföhring	100.00	72	EUR	25	0 [3]
75	SAM - Starwatch Artist Management GmbH[1]	Unterföhring	100.00	90	EUR	192	0 [3]
76	SAM Sports - Starwatch Artist Management GmbH	Hamburg	75.00	65	EUR	-409	-141
77	Sat.1 Norddeutschland GmbH[1]	Hanover	100.00	78	EUR	25	0 [3]
78	SAT.1 Satelliten Fernsehen GmbH[1]	Unterföhring	100.00	66	EUR	443,610	0 [3]
79	Seven Scores Musikverlag GmbH[1]	Unterföhring	100.00	48	EUR	26	0 [3]
80	SevenOne AdFactory GmbH[1]	Unterföhring	100.00	81	EUR	30	0 [3]
81	SevenOne Brands GmbH[1]	Unterföhring	100.00	50	EUR	5,168	0 [3]
82	SevenOne Capital (Holding) GmbH[1]	Unterföhring	100.00	83	EUR	14,954	0 [3]
83	SevenOne Investment (Holding) GmbH[1]	Unterföhring	100.00	1	EUR	16,614	0 [3]
84	SevenOne Media GmbH[1]	Unterföhring	100.00	81	EUR	5,772	0 [3]
85	SevenPictures Film GmbH[1]	Unterföhring	100.00	66	EUR	2,268	0 [3]
86	SevenVentures GmbH[1]	Unterföhring	100.00	52	EUR	25,536	0 [3]
87	SilverTours GmbH	Freiburg im Breisgau	74.90	45	EUR	6,270	4,881
88	SMARTSTREAM.TV GmbH	Munich	80.00	55	EUR	4,149	3,897
89	Sonoma Internet GmbH	Berlin	75.00	51	EUR	-4,984	-5,497
90	Starwatch Entertainment GmbH[1]	Unterföhring	100.00	48	EUR	14,921	0 [3]
91	Studio 71 GmbH	Berlin	100.00	167	EUR	2,433	-523 [9]
92	Stylight GmbH	Munich	100.00	51	EUR	6,315	-434
93	Sugar Ray GmbH[1]	Unterföhring	100.00	66	EUR	25	0 [3]
94	THMMS Holding GmbH	Hamburg	100.00	4	EUR	1,218	-3,954
95	THMMS MidCo GmbH	Hamburg	100.00	94	EUR	75,003	-156
96	Toptarif Internet GmbH	Berlin	100.00	101	EUR	5,710	1,334
97	TROPO GmbH[1]	Hamburg	100.00	45	EUR	-8,956	0 [3]

List of affiliated companies and investments of ProSiebenSat.1 Media SE continued

No.	Company	Location	Share in %	Held via	Currency[2]	Equity in thousands[15]	Profit/loss in thousand for the period[15]
98	tv weiss-blau Rundfunkprogrammanbieter GmbH[1]	Unterföhring	100.00	78	EUR	1,027	0 [3]
99	TVRL GmbH	Cologne	100.00	28	EUR	1,213	228
100	Verivox Finanzvergleich GmbH	Heidelberg	100.00	101	EUR	976	750
101	Verivox GmbH	Heidelberg	100.00	102	EUR	29,887	6,263
102	Verivox Holding GmbH	Unterföhring	80.23	51; 106	EUR	204,587	-399[10]
103	Verivox Versicherungsvergleich GmbH	Heidelberg	100.00	101	EUR	1,682	78
104	Virtual Minds AG	Freiburg im Breisgau	51.38	55	EUR	8,996	1,426
105	VITALIA Vertriebs GmbH	Würzburg	100.00	110	EUR	5,752	1,141
106	VVX Co-Investor GmbH & Co. KG	Heidelberg	17.72	67	EUR	-/-	-/- [4]
107	VX Sales Solutions GmbH	Heidelberg	100.00	101	EUR	1,739	1,499
108	wer-weiss-was GmbH[1]	Unterföhring	100.00	55	EUR	6,566	0 [3]
109	wetter.com GmbH[1]	Konstanz	100.00	45	EUR	6,111	0 [3]
110	WSM Medical GmbH	Wehrheim	100.00	111	EUR	5,886	0 [3]
111	WSM Holding GmbH	Wehrheim	92.00	3	EUR	31,737	939
112	WSM Immo GmbH	Wehrheim	100.00	111	EUR	-/-	-/- [4]
113	yieldlab AG	Hamburg	100.00	104	EUR	759	190
	Armenia						
114	Marktguru LLC	Jerevan	100.00	125	AMD	17,153	11,556
	Australia						
115	Gotogate Pty Ltd	Melbourne, VIC	100.00	147	AUD	-/-	-/- [4]
	Austria						
116	Austria 9 TV GmbH	Vienna	100.00	119	EUR	12	1
117	AUSTRIA 9 TV GmbH & Co KG	Vienna	100.00	119	EUR	-4,380	0 [3]
118	ProSieben Austria GmbH	Vienna	100.00	119	EUR	39	1
119	ProSiebenSat.1Puls 4 GmbH	Vienna	100.00	81	EUR	24,985	19,808
120	Puls 4 TV GmbH	Vienna	100.00	119	EUR	34	-1
121	PULS 4 TV GmbH & Co KG	Vienna	100.00	119	EUR	2,600	0 [3]
122	PULS4 Shopping GmbH	Vienna	67.00	124	EUR	-/-	-/- [4]
123	SAT.1 Privatrundfunk und Programmgesellschaft m.b.H	Vienna	51.00	78	EUR	6,586	6,314
124	SevenVentures Austria GmbH	Vienna	100.00	86	EUR	1,763	1,240
125	Visivo Consulting GmbH	Vienna	51.05	124	EUR	136	35[11]
	Belgium						
126	Sultan Sushi BVBA, in vereffening	Gent	100.00	72; 73	EUR	-3,236	-3,898
	Denmark						
127	Snowman Productions ApS	Copenhagen	100.00	146	DKK	7,058	5,387
	Finland						
128	Oy SRG Finland Ab	Helsinki	100.00	147	EUR	4,185	178
	Hong Kong						
129	Red Arrow International Limited	Hong Kong	100.00	72	HKD	148	51
	Israel						
130	July August Communications and Productions Ltd.	Tel Aviv	76.00	72	ILS	2,317	1,180
131	The Band's Visit LP	Tel Aviv	55.00	130	ILS	-/-	-/- [4]
	Jersey						
132	Scandinavian Broadcasting System (Jersey) Limited	Jersey	100.00	134	GBP	336	-27
	Luxembourg						
133	P7S1 Broadcasting S.à r.l.	Luxembourg	100.00	38; 39	EUR	62,033	-4,643
	The Netherlands						
134	P7S1 Broadcasting Europe B.V.	Amsterdam	100.00	135	EUR	54,843	1,430
135	P7S1 Broadcasting Holding I B.V.	Amsterdam	100.00	133	EUR	4,953	873
136	Supersaver Travel B.V.	Amsterdam	100.00	147	EUR	969	82

List of affiliated companies and investments of ProSiebenSat.1 Media SE continued

No.	Company	Location	Share in %	Held via	Currency[2]	Equity in thousands[15]	Profit/loss in thousand for the period[15]
	Norway						
137	Marco Polo Travel AS	Oslo	100.00	147	NOK	21,350	1,143
138	Snowman Productions AS	Oslo	100.00	146	NOK	1,083	-3,687
	Romania						
139	MyVideo Broadband S.R.L.	Bucharest	100.00	28	RON	6,885	698
	Sweden						
140	100 Code AB	Stockholm	100.00	146	SEK	189	153
141	7Travel Flights HoldCo AB	Stockholm	98.71	45	SEK	2,295	-11[12]
142	Etraveli AB	Stockholm	100.00	141	SEK	1,516	1,209
143	Flightmate AB	Stockholm	100.00	147	SEK	1,588,402	4,422
144	Scanworld Travelpartner AB	Uppsala	100.00	145	SEK	35,261	19,413
145	Seat24 Travel AB	Uppsala	100.00	142	SEK	225,355	-544
146	Snowman Productions AB	Stockholm	100.00	72	SEK	20,025	-23,912
147	Svenska Resegruppen AB	Uppsala	100.00	145	SEK	323,457	48,959
148	Ueberflieger AB	Uppsala	100.00	147	SEK	50	0
	Switzerland						
149	ADITION Schweiz GmbH	Locarno	100.00	104	CHF	82	221
150	mydays (Schweiz) AG	Küsnacht ZH	100.00	36	CHF	110	10
151	ProSieben Puls 8 TV AG	Zurich	100.00	153	CHF	1,213	145
152	Sat.1 (Schweiz) AG	Küsnacht ZH	60.00	78	CHF	7,131	5,864
153	SevenOne Media (Schweiz) AG	Küsnacht ZH	100.00	81	CHF	17,927	17,326
154	SevenVentures (Schweiz) AG	Baar	100.00	86	CHF	1,117	882
155	Verivox Schweiz AG	Luzern	100.00	101	CHF	-/-	-/- [4]
	United Kingdom						
156	ADITION UK Limited	Cullompton	74.00	104	GBP	1	-54
157	CPL Good Vibrations Limited	London	100.00	158	GBP	-/-	-/- [4]
158	CPL Productions Limited	London	100.00	164	GBP	515	444
159	Endor (Esio Trot) Limited	London	100.00	162	GBP	210	-5
160	Endor (T&T) Limited	London	100.00	162	GBP	0	0
161	Endor (Will) Limited	London	100.00	162	GBP	0	0
162	Endor Productions Limited	London	51.00	169	GBP	-386	124
163	European Radio Investments Limited	London	100.00	166	EUR	-31	-20
164	LHB Limited	London	68.25	169	GBP	51	117
165	New Entertainment Research and Design Limited	London	100.00	169	GBP	97	-1,745
166	P7S1 Broadcasting (UK) Limited	London	100.00	134	EUR	4,757	-71
167	ProSiebenSat.1 Digital Content GP Limited	London	78.51	53; 226	GBP	-9	-9[13]
168	ProSiebenSat.1 Digital Content LP	London	78.52	53; 167; 226	GBP	0	-67[14]
169	Red Arrow Entertainment Limited	London	100.00	72	GBP	547	-4,737
170	Red Arrow International-UK Limited	London	100.00	72	GBP	-/-	-/- [4]
171	Romanian Broadcasting Corporation Limited	London	100.00	166	EUR	-112	-22
172	Studio 71 UK Limited	London	100.00	167	GBP	-/-	-/- [4]
	United States of America						
173	44 Blue Productions, LLC	Dover, DE	100.00	174	USD	-/-	-/- [4]
174	44 Blue Studios, LLC	Dover, DE	65.00	226	USD	-/-	-/- [4]
175	8383 Productions, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
176	95 Ends, LLC	New York, NY	100.00	211	USD	-/-	-/- [4]
177	Brady 44, LLC	Burbank, CA	100.00	174	USD	-/-	-/- [4]
178	By Dint Productions, LLC	New York, NY	100.00	176	USD	-/-	-/- [4]
179	Champ 44 Music Publishing, LLC	Dover, DE	100.00	174	USD	-/-	-/- [4]
180	Code D TV, LLC	Wilmington, DE	100.00	207	USD	-/-	-/- [4]

List of affiliated companies and investments of ProSiebenSat.1 Media SE continued

No.	Company	Location	Share in %	Held via	Currency[2]	Equity in thousands[15]	Profit/loss in thousand for the period[15]
181	Collective Digital Studio GP, LLC	Wilmington, DE	100.00	168	USD	-/-	-/- [4]
182	Crow Magnon, LLC	Wilmington, DE	60.00	226	USD	4,876	2,437
183	Delirium TV, LLC	Wilmington, DE	100.00	207	USD	-/-	-/- [4]
184	Digital Air, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
185	Digital Atoms, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
186	Digital Bytes, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
187	Digital Cacophony, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
188	Digital Demand, LLC	Dover, DE	100.00	207	USD	-/-	-/- [4]
189	Digital Diffusion, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
190	Digital Echo, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
191	Digital Fire, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
192	Dorsey Entertainment, LLC	Littleton, CO	100.00	194	USD	-/-	-/- [4]
193	Dorsey Multimedia, LLC	Littleton, CO	100.00	194	USD	-/-	-/- [4]
194	Dorsey Pictures, LLC	Dover, DE	60.00	226	USD	-/-	-/- [4]
195	Driving Force TV, LLC	Wilmington, DE	100.00	207	USD	-/-	-/- [4]
196	Fabrik Entertainment, LLC	Wilmington, DE	75.50	226	USD	1,019	1,010
197	Fortitude Production Services, LLC	Dover, DE	100.00	211	USD	-/-	-/- [4]
198	Fourteenth Hour Productions, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
199	Gotogate, Inc.	Wilmington, DE	100.00	147	USD	-/-	-/- [4]
200	GTG Production Services, LLC	Los Angeles, CA	100.00	182	USD	-/-	-/- [4]
201	Half Yard Productions, LLC	Wilmington, DE	65.00	226	USD	7,122	3,391
202	HB Television Development, LLC	Wilmington, DE	100.00	196	USD	-/-	-/- [4]
203	Hold Fast Productions, LLC	Wilmington, DE	100.00	196	USD	-/-	-/- [4]
204	Karga Seven Pictures, LLC	Los Angeles, CA	100.00	182	USD	-/-	-/- [4]
205	Kenilworth Productions, Inc.	Wilmington, DE	100.00	176	USD	-/-	-/- [4]
206	Kinetic Content Publishing, LLC	Dover, DE	100.00	207	USD	-/-	-/- [4]
207	Kinetic Content, LLC	Dover, DE	51.00	226	USD	8,947	9,823
208	Kinetic Operations, LLC	Dover, DE	100.00	207	USD	-/-	-/- [4]
209	KinPro Music Publishing, LLC	Dover, DE	100.00	207	USD	-/-	-/- [4]
210	Kinpro, LLC	Dover, DE	100.00	207	USD	-/-	-/- [4]
211	Left/Right Holdings, LLC	Dover, DE	60.00	226	USD	4,635	5,753
212	Left/Right, LLC	Dover, DE	100.00	211	USD	-/-	-/- [4]
213	Moving TV, LLC	Dover, DE	100.00	207	USD	-/-	-/- [4]
214	NAR Pictures, LLC	Los Angeles, CA	100.00	182	USD	-/-	-/- [4]
215	Nerd TV, LLC	Wilmington, DE	100.00	165	USD	-/-	-/- [4]
216	Node Productions, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
217	Ovrture, LLC	Burbank, CA	100.00	174	USD	-/-	-/- [4]
218	Pacific View TV, LLC	Wilmington, DE	100.00	207	USD	-/-	-/- [4]
219	Pave Network, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
220	PBP, LLC	Baton Rouge, LA	100.00	174	USD	-/-	-/- [4]
221	Picture Perfect, LLC	Wilmington, DE	100.00	174	USD	-/-	-/- [4]
222	Prank Film, LLC	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
223	Presidio Post, LLC	Burbank, CA	100.00	173	USD	-/-	-/- [4]
224	Production Connection, LLC	Dover, DE	100.00	207	USD	-/-	-/- [4]
225	Ranger Media, LLC	Wilmington, DE	100.00	174	USD	-/-	-/- [4]
226	Red Arrow International, Inc.	Wilmington, DE	100.00	72	USD	5,861	7,033
227	Ripple Entertainment, LLC	Wilmington, DE	100.00	226	USD	-/-	-/- [4]
228	Studio 71 (Canada), Inc.	Beverly Hills, CA	100.00	229	USD	-/-	-/- [4]
229	Studio 71, LP	Wilmington, DE	100.00	168	USD	7,182	-14,991
230	Stylight, Inc.	Wilmington, DE	100.00	92	USD	-/-	-/- [4]
231	Third Voice Productions, Inc.	Dover, DE	100.00	176	USD	-/-	-/- [4]

List of affiliated companies and investments of ProSiebenSat.1 Media SE continued

No.	Company	Location	Share in %	Held via	Currency[2]	Equity in thousands[15]	Profit/loss in thousand for the period[15]
232	Three Tables Music, LLC	Dover, DE	100.00	207	USD	-/-	-/- [4]
233	WDSP, LLC	New York, NY	100.00	176	USD	-/-	-/- [4]
	ASSOCIATES						
	Germany						
234	Arbeitsgemeinschaft Fernsehforschung GbR	Frankfurt am Main	25.00	1	EUR	-/-	-/- [4]
235	Batch Media GmbH	Berlin	45.00	104	EUR	-/-	-/- [4]
236	eFashion Boulevard GmbH	Georgsmarienhütte	30.00	86	EUR	-/-	-/- [4]
237	gamigo AG	Hamburg	33.00	55	EUR	-/-	-/- [4]
238	Marketplace GmbH	Berlin	41.58	51	EUR	-/-	-/- [4]
239	mov.ad GmbH	Munich	25.20	104	EUR	298	55
240	mytic myticket AG	Berlin	20.00	90	EUR	-/-	-/- [4]
241	TEATOX GmbH	Berlin	45.95	3	EUR	-/-	-/- [4]
242	Tejado GmbH	Oldenburg	19.36	51	EUR	10,811	-1,470
243	The ADEX GmbH	Berlin	25.20	104	EUR	1,350	-268
244	VG Media Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Sendeunternehmen und Presseverlegern mbH	Berlin	25.25	50	EUR	-/-	-/- [4]
245	Vitafy GmbH	Munich	49.90	5; 9	EUR	-/-	-/- [4]
	Canada						
246	Mad Rabbit Productions, Inc.	Toronto	25.00	72	CAD	-/-	-/- [4]
	Switzerland						
247	fineartmultiple AG	Luzern	20.02	86	CHF	-/-	-/- [4]
248	Goldbach Media (Switzerland) AG	Küsnacht ZH	22.96	153	CHF	27,039	26,412
249	swiss radioworld AG	Zurich	22.96	153	CHF	3,389	2,764
	United Kingdom						
250	Cove Pictures Limited	London	25.00	169	GBP	-/-	-/- [4]
	United States of America						
251	Bloody Disgusting, LLC	Beverly Hills, CA	49.00	229	USD	-/-	-/- [4]
252	JFE, LLC	Venice, CA	20.00	226	USD	-/-	-/- [4]
253	Pluto, Inc.	Wilmington, DE	15.48	28	USD	-/-	-/- [4]
254	The Fred Channel, LLC	Beverly Hills, CA	70.00	229	USD	-/-	-/- [4]
	AFFILIATED COMPANIES, NOT CONSOLIDATED						
	Belgium						
255	Satelliet Sushi BVBA	Gent	100.00	126	EUR	2	-8
	JOINT VENTURES						
	Germany						
256	AdAudience GmbH	Munich	16.67	84	EUR	-/-	-/- [4]
	United Kingdom						
257	Nit TV Limited	London	50.01	158	GBP	-/-	-/- [4]
258	United Artists Media Group RA UK Limited	London	50.00	169	GBP	-4	17
	OTHER MATERIAL INVESTMENTS						
	Germany						
259	AFK Aus- und Fortbildungs GmbH für elektronische Medien	Munich	12.00	50	EUR	-/-	-/- [4]
260	Appscend Video Solutions GmbH	Unterföhring	5.00	46	EUR	-/-	-/- [4]
261	asgoodasnew electronics GmbH	Frankfurt (Oder)	9.87	86	EUR	-/-	-/- [4]
262	Atlantic Food Labs GmbH	Berlin	13.00	9	EUR	-/-	-/- [4]
263	auxmedia GmbH	Jena	5.00	46	EUR	-/-	-/- [4]
264	babymarkt.de GmbH	Dortmund	10.96	86	EUR	-/-	-/- [4]
265	circle concepts GmbH	Berlin	5.00	46	EUR	-/-	-/- [4]
266	Deutscher Fernsehpreis GmbH	Cologne	25.00	50	EUR	-/-	-/- [4]
267	DREAMA MEDIA UG (haftungsbeschränkt)	Unterföhring	5.03	46	EUR	-/-	-/- [4]

List of affiliated companies and investments of ProSiebenSat.1 Media SE continued

No.	Company	Location	Share in %	Held via	Currency[2]	Equity in thousands[15]	Profit/loss in thousand for the period[15]
268	ekoio UG (haftungsbeschränkt)	Leipzig	5.03	46	EUR	-/-	-/- [4]
269	Evolution Internet Fund GmbH	Munich	15.00	86	EUR	-/-	-/- [4]
270	FilmFernsehFonds Bayern GmbH, Gesellschaft zur Förderung der Medien in Bayern (FFF Bayern)	Munich	6.59	66	EUR	51	0
271	FL Fintech E GmbH	Frankfurt am Main	11.03	86	EUR	-/-	-/- [4]
272	Flairelle GmbH	Hanover	5.00	46	EUR	-/-	-/- [4]
273	get2play GmbH i.L.	Berlin	15.00	46	EUR	-/-	-/- [4]
274	Hakle GmbH	Düsseldorf	17.50	86	EUR	-/-	-/- [4]
275	HC Hellocare GmbH	Bad Aibling	5.00	46	EUR	-/-	-/- [4]
276	kaputt.de GmbH	Berlin	5.38	46	EUR	-/-	-/- [4]
277	Kiveda Holding GmbH	Berlin	8.26	86	EUR	-/-	-/- [4]
278	Little Postman GmbH	Munich	5.00	46	EUR	-/-	-/- [4]
279	onbelle GmbH	Cologne	5.00	46	EUR	4	-54
280	Outstore GmbH	Miesbach	17.51	86	EUR	-/-	-/- [4]
281	PippaJean GmbH	Frankfurt am Main	8.10	86	EUR	-/-	-/- [4]
282	Privatfernsehen in Bayern GmbH & Co. KG	Munich	10.00	98	EUR	248	3
283	Privatfernsehen in Bayern Verwaltungs-GmbH	Munich	10.00	98	EUR	59	2
284	Screenforce Gattungsmarketing GmbH	Berlin	5.56	84	EUR	114	9
285	Shoe-Com GmbH	Munich	5.00	46	EUR	-/-	-/- [4]
286	Storyfeed GmbH	Berlin	5.00	46	EUR	-/-	-/- [4]
287	Tickethelden GmbH i.L.	Munich	5.00	46	EUR	-/-	-/- [4]
288	tink GmbH	Berlin	7.87	86	EUR	-/-	-/- [4]
289	videostream360 GmbH	Leipzig	5.85	46	EUR	-/-	-/- [4]
290	WERK1.Bayern GmbH	Munich	6.09	50	EUR	270	-27
	Austria						
291	expressFlow GmbH	Vienna	5.00	46	EUR	-/-	-/- [4]
292	KIWENO GmbH	Absam	14.36	5	EUR	-/-	-/- [4]
293	Rublys GmbH	Vienna	9.86	124	EUR	-762	-1,288
	Gibraltar						
294	Sportority Limited	Gibraltar	5.40	65	GIP	-/-	-/- [4]
	Israel						
295	Adam, the Film Ltd.	Ramat Gan	5.00	130	ILS	-/-	-/- [4]
296	Seven Days LP	Tel Aviv	50.00	130	ILS	-/-	-/- [4]
	Switzerland						
297	ayondo Holding AG	Zug	7.58	86	CHF	-/-	-/- [4]
	United Kingdom						
298	Kastr Limited	London	5.83	55	GBP	-/-	-/- [4]
	United States of America						
299	EverSport Media, Inc.	Wilmington, DE	5.97	65	USD	-/-	-/- [4]
300	Talenthouse, Inc.	Dover, DE	10.75	65	USD	-371	-3,443
301	Wrap Media, Inc.	Dover, DE	10.47	55	USD	-/-	-/- [4]

1 Company meets the requirements of Section 264 (3) of the German Commercial Code and exercises the option to be exempted from certain requirements on the preparation, auditing and disclosure of the annual financial statements and the financial report.
2 The figures for Equity and Profit/loss for the period presented have been translated using the foreign exchange rates as of the reporting date.
3 Result after profit and loss transfer agreement.
4 No figures available. Company acquired or founded in 2016 or in liquidation.
5 Shortened financial year from March 23, 2015 to December 31, 2015.
6 Shortened financial year from October 19, 2015 to December 31, 2015.
7 Shortened financial year from July 16, 2015 to December 31, 2015.
8 Shortened financial year from May 29, 2015 to December 31, 2015.
9 Shortened financial year from September 1, 2015 to December 31, 2015.
10 Shortened financial year from June 22, 2015 to December 31, 2015.
11 Shortened financial year from April 1, 2015 to December 31, 2015.
12 Shortened financial year from September 23, 2015 to December 31, 2015.
13 Shortened financial year from July 22, 2015 to December 31, 2015.
14 Shortened financial year from July 24, 2015 to December 31, 2015.
15 The figures for Equity and Profit/loss refer to financial year 2015 and partly reflect local accounting rules which do not necessarily correspond to IFRS.

Responsibility Statement

To the best of our knowledge we certify that, in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of profit or loss, the financial position and the assets and liabilities of the Group, and the Combined Management Report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Unterföhring, February 20, 2017

Thomas Ebeling (Chief Executive Officer – CEO)

Dr. Gunnar Wiedenfels (Chief Financial Officer – CFO)

Conrad Albert (External Affairs & Industry Relations, General Counsel)

Sabine Eckhardt (Chief Commercial Officer – CCO)

Jan David Frouman (Content & Broadcasting)

Dr. Ralf Schremper (Chief Investment Officer – CIO)

Christof Wahl (Digital Entertainment)

Auditor’s Report

We have audited the consolidated financial statements prepared by the ProSiebenSat.1 Media SE, Unterföhring, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the combined management report for the company and group for the financial year from January 1 to December 31, 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) of the German commercial law [HGB] are the responsibility of the Company’s Executive board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive board, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Munich, February 22, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft [original German version signed by:]

Sailer
Wirtschaftsprüfer
[German Public Auditor]

Schmidt
Wirtschaftsprüfer
[German Public Auditor]

D

ADDITIONAL INFORMATION

Content

Group Key Figures: Multi-Year Overview (Fig. 192)

EUR m	Q4 2016	Q4 2015	Q4 2014	Q4 2013	Q4 2012	Q4 2011	Q4 2010	Q4 2009	Q4 2008	Q4 2007
Revenues	**1,254**	1,087	966	841	789	712	829	880	877	989
Revenue margin before income taxes (in percent)	**20.5**	19.5	26.2	27.3	27.3	26.7	23.9	19.5	-14.6	14.4
Total costs	**958**	809	694	588	554	467	573	652	916	772
Operating costs[1]	**872**	735	646	547	510	435	521	576	622	695
Consumption of programming assets	**262**	250	255	247	245	239	279	290	328	396
Recurring EBITDA[2]	**392**	357	325	302	286	282	313	307	279	297
Recurring EBITDA margin (in percent)	**31.2**	32.9	33.7	35.9	36.2	39.6	37.7	34.9	31.9	30.0
EBITDA	**375**	343	317	289	269	267	293	293	252	281
Reconciling items[3]	**-17**	-14	-8	-13	-16	-15	-20	-14	-28	-16
EBIT	**307**	289	282	262	241	249	261	239	4	222
Financial result	**-50**	-77	-29	-32	-26	-59	-63	-67	-133	-80
Profit before income taxes	**257**	212	253	230	215	190	198	172	-128	143
Consolidated net profit (after non-controlling interests)[4]	**174**	142	149	59	99	130	181	113	-170	40
Profit from discontinued operations (net of income taxes)	**0**	3	-18	-96	-64	-36	34	-/-	-/-	-/-
Underlying net income[5]	**219**	194	180	159	164	176	159	137	78	75
Basic earnings per share (underlying)[6]	**0.98**	0.91	0.84	0.75	-/-	-/-	-/-	-/-	-/-	-/-
Investments in programming assets	**234**	210	183	183	184	211	240	268	329	367
Free cash flow	**16**	77	297	306	263	238	204	242	389	214
Cash flow from investing activities	**-602**	-419	-228	-223	-208	-223	-286	-305	-67	-432

EUR m	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues	**3,799**	3,261	2,876	2,605	2,356	2,199	2,601	2,761	3,054	2,710
Revenue margin before income taxes (in percent)	**17.3**	18.5	19.5	20.2	19.4	15.8	12.6	8.4	-2.2	9.2
Total costs	**3,056**	2,555	2,209	1,962	1,769	1,628	2,045	2,311	2,851	2,342
Operating costs[1]	**2,804**	2,355	2,047	1,836	1,625	1,483	1,821	2,078	2,413	2,063
Consumption of programming assets	**915**	896	868	859	839	864	957	1,069	1,247	1,146
Recurring EBITDA[2]	**1,018**	926	847	790	745	726	792	697	675	663
Recurring EBITDA margin (in percent)	**26.8**	28.4	29.5	30.3	31.6	33.0	30.4	25.2	22.1	24.5
EBITDA	**982**	881	818	758	680	653	694	623	618	522
Reconciling items[3]	**-35**	-44	-29	-33	-64	-73	-98	-74	-56	-141
EBIT	**777**	730	695	669	601	581	567	475	264	385
Financial result	**-119**	-126	-134	-142	-144	-233	-238	-242[9]	-335	-136
Profit before income taxes	**658**	604	560	527	456	348	329	233[9]	-68	250
Consolidated net profit (after non-controlling interests)[4]	**402**	391	346	312	295	638	313	147[9]	-129	89
Profit from discontinued operations (net of income taxes)	**-42**	0	-27	-48	-30	373	78	-/-	-/-	-/-
Underlying net income[5]	**513**	466	419	380	356	272	275	187[9]	170	273
Basic earnings per share (underlying)[6]	**2.37**[14]	2.18	1.96	1.78	-/-	-/-	-/-	-/-	-/-	-/-
Investments in programming assets	**992**	944	890	860	843	939	1,099	1,227	1,397	1,177
Free cash flow	**-4**	-1	277	330	256	201	179	157	184	-1,675
Cash flow from investing activities	**-1,623**	-1,522	-1,148	-1,018	-946	-973	-1,186	-1,320	-1,175	-3,269

Group Key Figures: Multi-Year Overview

EUR m	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Programming assets	**1,312**	1,252	1,212	1,202	1,277	1,531	1,655	1,527	1,380	1,318
Equity	**1,432**	943	754	584	1,501	1,441	1,026	607[9]	507[9]	1,090[9]
Equity ratio (in percent)	**21.7**	17.8	19.3	16.4	27.7	28.6	16.2	9.8[9]	8.5[9]	18.2[9]
Cash and cash equivalents	**1,271**	734	471	396	702	518	741	737	633	251
Financial liabilities	**3,185**	2,675	1,973	1,842	2,573	2,336	3,762	4,032	4,040	3,580
Leverage[7]	**1.9**	2.1	1.8[13]	1.8[10]	2.0[12]	2.1	3.3	4.7	5.1	5.0
Net financial debt	**1,913**	1,940	1,502	1,446[11]	1,780[12]	1,818	3,021	3,295	3,407	3,328
Employees[8]	**6,054**	4,880	4,210	3,590	3,026	2,605	4,117	4,814	5,450	4,852

Segment Group Key Figures: Multi-Year Overview (Fig. 193)

EUR m	2016	2015	2014
Broadcasting German-speaking			
External revenues	**2,210**	2,152	2,063
Recurring EBITDA[2]	**760**	734	703
Recurring EBITDA margin (in percent)[15]	**33.0**	33.0	32.9
EBITDA	**747**	716	687
Digital Entertainment			
External revenues	**442**	371	287
Recurring EBITDA[2]	**37**	37	33
Recurring EBITDA margin (in percent)[15]	**7.9**	9.8	11.3
EBITDA	**37**	29	32
Digital Ventures & Commerce			
External revenues	**768**	465	321
Recurring EBITDA[2]	**180**	136	96
Recurring EBITDA margin (in percent)[15]	**23.0**	28.8	29.2
EBITDA	**168**	123	92
Content Production & Global Sales			
External revenues	**362**	262	202
Recurring EBITDA[2]	**47**	25	19
Recurring EBITDA margin (in percent)[15]	**11.2**	7.9	7.8
EBITDA	**44**	22	16

1 Total costs excl. D&A and expense adjustments.
2 EBITDA before reconciling items (net).
3 Expense adjustments netted against income adjustments.
4 Consolidated net profit attributable to shareholders of ProSiebenSat.1 Media SE including discontinued operations.
5 Consolidated profit for the period attributable to shareholders of ProSiebenSat.1 Media SE before the effects of purchase price allocations and additional special items.
6 Due to the merger of share classes in 2013, from this year on basic earnings per share (underlying) are shown. Prior year figures were not determined.
7 Ratio net financial debt to recurring EBITDA in the last twelve months.
8 Average full-time equivalents from continuing operations.
9 After changes in accounting policies according to IAS 8 and corresponding adjustment of previous-year figures. For information regarding the change in accounting policy, please refer to the Annual Report 2010, page 123.
10 After reclassification of cash and cash equivalents of Eastern European operations. Adjusted for the LTM recurring EBITDA contribution of Northern and Eastern European operations.
11 After reclassification of cash and cash equivalents of Eastern European operations.
12 Before reclassification of cash and cash equivalents of Northern and Eastern European operations.
13 Adjusted for the LTM recurring EBITDA contribution of Eastern European operations.
14 Calculated on the basis of the volume weighted average number of shares for the financial year 2016 of 216.8 million; taking into account the shares carrying dividend rights at the reporting date, the economic underlying earnings per share amount to EUR 2.24.
15 Based on total segment revenues, see Note 2 "Segment reporting".

Explanation of reporting principles: The figures for the financial year 2016 relate to those for continuing operations reported in accordance with IFRS 5, i.e. not including the revenue and earnings contributions of the entities sold. The following entities were deconsolidated in the in the past: Hungary (February) and Romania (April and August respectively) in the financial year 2014; the Northern European operations (April) in the financial year 2013; Belgium (June) and Netherlands (July) in the financial year 2011. The income statement items of the relevant entities are presented separately as a single figure, result from discontinued operations. This figure also contains the respective gain on disposal and is presented after tax. The previous years' figures in the statement of financial position were not adjusted.

Financial Glossary

A

Adjusted EBITDA/Adjusted net income

At the beginning of the 2017 financial year, we are fine-tuning the internal management system. In comparison to the previous methodology of adjusting selected earnings-related key management indicators, in future a complete income statement (non-IFRS income statement) adjusted for specific factors will be determined and published in the management report in the context of analyzing the earnings situation. In this context, the new designation for the terms recurring EBITDA and underlying net income are adjusted EBITDA and adjusted net income. For adjusted EBITDA there is no deviation to what previously was recurring EBITDA. On the other hand, the consistent adjustment of special factors in the transition to adjusted net income produces a difference. We anticipate that adjusted net income will be higher in comparison to the previous methodology.

C

Cash flow hedge

Guarding against the risk of variable cash flows with derivative financial instruments.

Cash flow statement

The cash flow statement shows how cash and cash equivalents have changed as a result of cash inflows and outflows during the period. It is broken down into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Cash and cash equivalents shown in the cash flow statement correspond to the cash and cash equivalents reported on the statement of financial position as of at the reporting date. Cash flow from operating activities is derived indirectly from the consolidated profit or loss from continuing operations for the period.

Common share

Voting share without any preferential rights (opposite: preference share).

Credit facility

Defined loan framework at one or more banks which can be utilized to cover credit requirements.

D

Deconsolidation

If an entity is separated from the Group, all assets and liabilities are eliminated from the consolidated financial statements by way of deconsolidation. This applies if the Group parent loses control, such as by selling all of its shares or its majority interest to third parties, if the parent's ownership interest is diluted such that it loses control, or if the entity's valuation changes (e.g. subordinate importance).

Derivate

According to IAS 39.9 a derivative exists when the value of a financial instrument depends on an underlying, for example, the development of an interest rate, a share price, an index or a foreign currency. In addition, the standard stipulates that in comparison to other instruments which would be expected to have a similar response to changes in market conditions a derivative requires little or no initial investment. Furthermore, settlement or offsetting takes place at a time in the future.

Derivative finance instruments

Financial instruments whose value or price depends on future prices or other asset values (underlyings). These include swaps and options.

Dividend

The share of the profit of a stock corporation distributed to the shareholders. The amount of the dividend is proposed by the Executive Board and approved by the Annual General Meeting. The dividend depends, among other things, on the profitability, economic situation and dividend policy of the company. The basis of assessment for the distribution is the profit calculated according to commercial law.

E

EBIT

Abbreviation for Earnings before Interest and Taxes.

EBITDA

Abbreviation for Earnings before Interest, Taxes, Depreciation and Amortization.

F

Fair Value
The fair value is defined according to IFRS 13.9 as the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants on the measurement date.

Financial covenants
Obligations in the context of loan contracts. These relate primarily to key financial indicators that the borrower has to comply with.

Financial result
Is composed of the interest result, other financial result and income from investments accounted for using the equity method.

Free cash flow
A key parameter for assessing the financial strength of the Group. Total cash and cash equivalents generated in operating business less the balance of cash used and generated in the context of investing activities.

Free float
The number of shares in a company that are owned by many different shareholders and are thus widely spread.

H

Hedge accounting
Shows an economic hedge relationship in line with IAS 39. Here what are often opposing value changes of the hedged underlying transactions and the derivative financial instruments used for hedging are recorded in accounting terms.

I

Impairment test
Examination of the value of assets, especially for goodwill and intangible assets with indefinite useful lives. If the carrying amount exceeds the recoverable amount, then an impairment must generally be recognized in the income statement.

Interest rate swaps
Derivative financial instruments to swap cash flows. For example, with interest rate swaps a swap is made between fixed and floating rate cash flows.

L

Leverage
Shows how high net debt is in relation to recurring EBITDA in the last twelve months.

Leverage ratio
Common key ratio for measuring the debt position. It is calculated as the ratio of net financial debt to recurring EBITDA of the last twelve months.

N

Net financial debt
Total loans and borrowings minus cash and cash equivalents and current financial assets.

O

Operating costs
Total costs excluding depreciation and amortization as well as non-recurring expenses. Relevant cost variable for calculating recurring EBITDA.

P

Preference share
Share that does not generally confer a voting right, but instead grants other benefits, usually in the form of a higher dividend (opposite: common share).

Programming assets
Rights to TV program content (e.g. feature films, series, commissioned productions) capitalized as a separate item due to their particular importance for the financial position and performance at ProSiebenSat.1 Group. Feature films and series are posted on the statement of financial position as of the beginning of the license term. Commissioned productions are capitalized as broadcast-ready programming assets as of their date of formal acceptance. Until being broadcast, sport rights are included in advance payments. They are then posted to programming assets. When programs are broadcast, a program consumption item is posted in the income statement.

Purchase price allocation
Process by which the purchase price for a newly acquired entity is allocated to the acquired assets and (contingent) liabilities on the acquisition date.

R

Recurring EBITDA

Recurring earnings before interest, taxes, depreciation and amortization. Describes earnings before interest, taxes, depreciation and amortization, adjusted for certain influencing factors. These factors include costs in connection with M&A transactions, reorganizations, legal disputes, measurement effects from the Group Share Plan, results of deconsolidation and other significant influences. Costs in connection with M&A transactions include consulting expenses and other expenses for ongoing, concluded or aborted M&A transactions. Reorganization measures include material 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. Legal disputes include fines, penalties, repayment claims and consulting costs in connection with significant ongoing or expected legal disputes. Measurement effects from the Group Share Plan include 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. Other significant effects include transactions approved by the Group Chief Financial Officer but not connected to current operating performance. In this context, ProSiebenSat.1 considers transactions of at least EUR 0.5 million to be significant.

Revolving Credit Facility (RCF)

A credit framework that can be repaid and then utilized again within a specific time period.

S

Scope of consolidation

The full group of entities to be included in the consolidated financial statements.

Syndicated facilities agreement

Loans granted jointly by multiple financial institutions, which must involve at least two lenders. Syndicated facilities are granted when the total credit is very high. The distribution among several banks serves to spread the risk. Syndicated facilities are also known as consortium loans.

T

Term loan

Loan in which the loan obligation is repaid at the end of the agreed duration (secured term loan).

U

Underlying net income

Consolidated net profit after non-controlling interests from continuing activities before the effects of purchase price allocations, valuation effects for put options and purchase price liabilities, measurement effects in other financial result, inefficiencies in hedge accounting and additional non-recurring items.

W

Working capital

Calculated on the basis of current assets minus current liabilities, thus providing an assessment of liquidity. Guarding against the risk of variable cash flows with derivative financial instruments.

Media Glossary

A

Addressable TV

Addressable TV describes the opportunity to broadcast digital advertising in linear television programming selectively – i.e. nationally, regionally or according to target group – on Internet-connected TV sets by means of HbbTV technology. It thus combines the reach of the television mass medium with the targeted addressability of the online world. In this context, the so-called SwitchIn is a possible advertising format: The digital advertising window covers part of the screen as soon as the viewer switches to a ProSiebenSat.1 channel.

Arbeitsgemeinschaft Fernsehforschung (AGF)

In the Arbeitsgemeinschaft Fernsehforschung (Working Group of Television Research), the ARD and ZDF broadcasters, the ProSiebenSat.1 Media SE station groups and the RTL Deutschland media group join forces to carry out and develop continual quantitative television audience research in Germany (ratings). The data collected exclusively by the GfK TV research department is recognized in the television market as the common currency for advertising and program planning. The AGF/GfK television panel includes 5,000 households consisting of almost 10,500 persons, which report on a daily basis (reporting basis D+EU television panel). This shows the television consumption of 75.08 million people from the age of 3 or 38.19 million television households (as of January 1, 2016).

Arbeitsgemeinschaft Online Forschung (AGOF)

Affiliation of leading online marketers in Germany. By providing standardized online coverage currency and comprehensive data on online media consumption, AGOF makes traditional and mobile internet a transparent and plannable advertising medium.

C

Catch-up TV

Catch-up TV is a form of video-on-demand whereby stations give audiences the opportunity to watch television shows online for a certain period of time following the original broadcast (usually seven days). Audiences can usually access these shows for free.

D

Digital out-of-home

Digital out-of-home means outdoor digital advertising, i.e. media outside of one's own four walls: LED boards or digital backlit billboards on roads, at train stations and airports, in public transport or at point of sale (e.g. electronics stores, food stores, convenience stores). DooH is a distinct media type that has built up relevant cumulative reach, which differs from traditional outdoor advertising (billboards): DooH allows advertisers to use video advertising in order to follow the mobile target group through the day and thus effectively extend television campaigns, for example.

Digitalization

Digitalization and digital technology have established themselves in people's everyday lives and are changing the production, distribution and reception of content. The rapid spread of smartphones, tablets, smart TVs and other internet-connected entertainment devices, plus access to information anytime anywhere, are having a major impact on media use. The media convergence that digitalization allows – e.g. of television and Internet – has spawned even more interactivity. New media formats and distribution channels make interactive media consumption possible and offer consumers, providers and the advertising industry many new opportunities. Fully digitalizable content that can be distributed via online platforms is just one of the outcomes.

Dual broadcasting system

A dual broadcasting system means the concurrent existence of private and public broadcasters. The most important difference between the two broadcasting systems is in the form and purpose of the organization. The duty of the public broadcasting organizations, with the main stations ARD and ZDF, is the "basic provision of the population with information." Their financing is guaranteed by law and provided by license fees. The private providers operate as independent commercial enterprises, obtaining most of their revenues from marketing advertising.

G

GfK Fernsehforschung

GfK Fernsehforschung is a department within the GfK Group (Gesellschaft für Konsumforschung) that collects TV consumption data for Germany exclusively on behalf of the Arbeitsgemeinschaft Fernsehforschung (AGF). On a daily basis, GfK Fernsehforschung records the TV consumption of the households on the television panel, the people living in these households and their guests with electronic measuring instruments. This data is considered "the currency" in Germany's TV market.

Gross advertising expenditure

Money spent by advertisers on the placement of advertising. Gross advertising expenditure allows only limited conclusions to be drawn on actual advertising revenues, as it does not take into account discounts, self-promotional advertising or agency commissions.

Gross/net reach

Net reach is the number of people who were reached by a piece of video content at least once. In contrast, gross reach is the total of all contacts made, regardless of whether specific individuals are reached multiple times.

H

High definition (HD)

High-definition video content as opposed to standard definition (SD). HD content is predominantly distributed via television, Blu-ray and the Internet. On televisions, the standards used are 720p, 1080i und 1080p. Online, HD content is streamed or distributed in various file formats (e.g. avi, mp4, mkv, mov) and specifications. "Native HD" means that the content was produced with HD devices from the start, and that it does not need to be upscaled to be broadcast in HD. HD content is transferred between devices via HDMI und can be protected against copying (HDCP). The HD standard is in further development.

Hybrid broadcast broadband TV (HbbTV)

Enables the link-up between TV and Internet offerings. HbbTV, the standard for interactive television, is implemented in various ways by the TV broadcasters. HbbTV applications can offer comprehensive EPGs, HD Videotext, additional interactive services such as information to accompany programs, interactive voting fields or access to videos. HbbTV also supports the full provision of additional television-related services via a broadband Internet connection.

I

In-stream video ads

In-stream advertising is video advertising. This includes all forms of video advertising shown before, after or during a video stream. Linear in-stream video ads play – like TV commercials– before (pre-roll), during (mid-roll) or after (post-roll) the video content. They can also allow interaction (interactive video ads). Another category is non-linear video ads, which play in parallel and overlap with the video content.

IPTV

Stands for Internet Protocol Television (IPTV). Films and television are transmitted over the Internet – and in contrast to traditional broadcasting, not via cable or satellite. IPTV is neither a standard nor a design, and therefore only a generic term that may be encountered in various forms.

M

Media-for-revenue-share/media-for-equity

Describes a business model introduced by ProSiebenSat.1 Group where start-up companies receive advertisement time in return for a revenue share and/or equity.

Multi-channel network

A company that enters partnerships with online platforms and offers support in areas such as product, programming, financing, cross-promotion, partner management, digital rights management, monetization/sale and establishing an audience. As a kind of record label, the multi-channel networks manage online video makers.

N

Net advertising revenue

Advertising revenues less discounts, self-promotional advertising, agency commissions, etc.

Nielsen Media Research

Subsidiary of the American market research institute AC Nielsen. Nielsen Media Research, based in Hamburg, is devoted to monitoring the advertising market. It determines the gross advertising revenues (AdEx data) of the most important media types and advertising media (television, consumer and trade magazines, newspapers, radio, online and billboards) according to economic field, product group and family, company and brand.

P

Pay TV

Television programming that can only be received if additional fees are paid. Special equipment (a decoder) is usually required.

R

Real-Time-Response Test (RTR)

An instrument of market and program research: When initial sequences or a pilot episode of new TV formats are screened, test persons document their response and reactions using a type of remote control, with accuracy down to the second and in real time. This makes it possible to measure intuitive and spontaneous reactions without the participants first having to verbalize their impressions.

S

Second Screen

A term describing the use of a second screen (mobile devices such as smartphones, tablets and notebooks) in parallel with broadcast television.

Subscription video-on-demand (SVoD)

Subscription video-on-demand describes a subscription model for customers of video-on-demand platforms such as maxdome. A fixed price is charged for a defined offering that can be accessed without restriction. It belongs to the overriding pay-video-on-demand (Pay-VoD) category, which also includes other payment models, such as transactional video-on-demand (TVoD) or pay-per-view (PPV).

T

Targeting

Targeting means modulating advertising automatically and in a targeted fashion using various parameters. It serves to optimize the delivery of digital advertising to predefined target groups with less wasted coverage.

U

Unique User

The "unique user" is the basis of the AGOF Internet Facts. The unit expresses how many people in a given period were exposed to an advertising medium or individual booking units and equates to net reach. The unique user is the basis for the calculation of the reach and audience structure of online advertising media and the regulation of essential factors for media planning such as weekly consumption, monthly consumption or building exposure.

V

Vertical

ProSiebenSat.1 Group is expanding its value chain across all segments and thus diversifying its revenue and earnings base. By diversifying vertically, the Company is generating additional revenues in Digital Ventures & Commerce in particular. For example, ProSiebenSat.1 bundles websites such as Verivox and preis24.de into the Online Price Comparison vertical. Online Travel, Online Dating and Lifestyle Commerce are further verticals. ProSiebenSat.1 has significantly increased the name recognition and revenues of the consolidated portals with the aid of TV spots. The companies are also increasingly gaining reciprocal benefits from synergies from the integration of advertising and sales, as their platforms complement each other. The area Digital Ventures & Commerce is growing dynamically.

Video-on-demand (VoD)

Allows the user to stream or download videos at any time.

Z

Zentralverband der deutschen Werbewirtschaft (ZAW)

As a combination of associations whose members are business advertisers, the Zentralverband der deutschen Werbewirtschaft e. V. (ZAW) brings together the interests of the advertising industry, represents them to the outside world and determines the advertising investments (net) of all media types and advertising media on an annual basis. The association is dedicated to all matters concerning the advertising industry with the intention of making government regulation unnecessary.

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ProSiebenSat.1 Group on the Internet

This and other publications are available on the Internet, along with information about ProSiebenSat.1 Group, at www.ProSiebenSat1.com

Forward-looking statements

This report contains forward-looking statements regarding ProSiebenSat.1 Media SE and ProSiebenSat.1 Group. Such statements may be identified by the use of such terms as "expects," "intends," "plans," "assumes," "pursues the goal," and similar wording. Various factors, many of which are outside the control of ProSiebenSat.1 Media SE, could affect the Company's business activities, success, business strategy and results. Forward-looking statements are not historical facts, and therefore incorporate known and unknown risks, uncertainties and other important factors that might cause actual results to differ from expectations. These forward-looking statements are based on current plans, goals, estimates and projections, and take account of knowledge only up to and including the date of preparation of this report. Given these risks, uncertainties and other important factors, ProSiebenSat.1 Media SE undertakes no obligation, and has no intent, to revise such forward-looking statements or update them to reflect future events and developments. Although every effort has been made to ensure that the provided information and facts are correct, and that the opinions and expectations reflected here are reasonable, ProSiebenSat.1 Media SE assumes no liability and offers no warranty as to the completeness, correctness, adequacy and/or accuracy of any information or opinions contained herein.

FINANCIAL CALENDAR (Fig. 194)

02/23/2017	**Press Conference/IR Conference on figures 2016** Press Release, Press Conference in Munich, Conference Call with analysts and investors
03/16/2017	**Publication of the Annual Report 2016**
05/11/2017	**Publication of the Quarterly Statement for the First Quarter of 2017** Press Release, Conference Call with analysts and investors, Conference Call with journalists
05/12/2017	**Annual General Meeting**
05/17/2017	**Dividend Payment**
08/03/2017	**Publication of the Half-Yearly Financial Report of 2017** Press Release, Conference Call with analysts and investors, Conference Call with journalists
11/09/2017	**Publication of the Quarterly Statement for the Third Quarter of 2017** Press Release, Conference Call with analysts and investors, Conference Call with journalists

LOCATIONS OF PROSIEBENSAT.1 GROUP (V)

ProSiebenSat.1 Group is one of the largest independent media corporations in Europe and represented across the world with sucessful brands. The company headquarters is located in Unterföhring near Munich in Germany.

GERMANY
ProSiebenSat.1 Media SE, **Headquarters**

Broadcasting German-speaking
ProSiebenSat.1 TV Deutschland, ProSieben, SAT.1, kabel eins, sixx, SAT.1 Gold, ProSieben MAXX, kabel eins Doku, SevenOne Media, SevenOne AdFactory, ProSiebenSat.1 Produktion, ProSiebenSat.1 Applications, SevenPictures, 7Screen

Digital Entertainment
ProSiebenSat.1 Digital, Ampya, glomex, maxdome, Quazer, Studio71, Starwatch, ProSiebenSat.1 Licensing

Digital Ventures & Commerce
7Travel, 7Commerce, 7NXT, SevenVentures

Content Production & Global Sales
Red Arrow Entertainment Group, Red Arrow International, Redseven Entertainment, 7Stories

DENMARK
Content Production & Global Sales
Snowman Productions Denmark

UNITED KINGDOM
Content Production & Global Sales
Cove Pictures, CPL Productions, Endor Productions, Nerd TV, Red Arrow Entertainment UK, Red Arrow International (London)

HONG KONG
Content Production & Global Sales
Red Arrow International (Hong Kong)

ISRAEL
Content Production & Global Sales
July August Productions

NORWAY
Content Production & Global Sales
Snowman Productions Norway

AUSTRIA
Broadcasting German-speaking
PULS 4, ProSieben Austria, SAT.1 Österreich, kabel eins Austria, sixx Austria, SAT.1 Gold Österreich, ProSieben MAXX Austria, kabel eins Doku Austria, ProSiebenSat.1 PULS 4, SevenOne AdFactory (Austria)

Digital Ventures & Commerce
SevenVentures (Austria)

CANADA
Content Production & Global Sales
Mad Rabbit

SWEDEN
Digital Ventures & Commerce
etraveli

SWITZERLAND
Broadcasting German-speaking
Puls 8, ProSieben Schweiz, SAT.1 Schweiz, kabel eins Schweiz, sixx Schweiz, SAT.1 Gold Schweiz, ProSieben MAXX Schweiz, SevenOne Media (Switzerland), SevenOne AdFactory (Switzerland)

Digital Ventures & Commerce
SevenVentures (Switzerland)

USA
Digital Entertainment
Studio71, Pluto

Content Production & Global Sales
44 Blue Studios, Band of Outsiders, Dorsey Pictures, Fabrik Entertainment, Half Yard Productions, Karga Seven Pictures, Kinetic Content, Left/Right Productions, Ripple Entertainment, Red Arrow International (New York)

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