OVERALL ASSESSMENT FROM THE MANAGEMENT'S VIEW: OUR GROUP

2020 was an exceptionally difficult year for the world. Despite the COVID-19 pandemic, however, we at ProSiebenSat.1 laid important foundations for our future. We focused on pursuing our strategy in all segments and making ProSiebenSat.1 even more synergetic and cost-efficient. At the same time, we are concentrating on profitable growth as well as the mid-term improvement of our P7S1 ROCE (return on capital employed) to over 15%. We are also advancing the restructuring of our Group with the launch of the umbrella brand Seven.One Entertainment Group and the formation of our ParshipMeet Group. While the dating business is clearly helping us to diversify, we are focusing on our core expertise in the entertainment industry. We bundle our investment areas in the Commerce & Ventures segment, while using our media reach to build up digital companies into leading consumer brands. Active, Group-wide portfolio management is part of this, including value-creating acquisitions as well as the option of parting with companies that no longer fit into our Group strategy.

ORGANIZATION AND GROUP STRUCTURE

BUSINESS ACTIVITIES AND SEGMENTS

Corporate Profile and Business Activities

ProSiebenSat.1 Group is one of the most diversified media groups in Europe. With our 15 free and pay TV stations in Germany, Austria, and Switzerland, we address various target groups and reach over 60 million people a month in our core market of Germany. We also have a wide-reaching and complementary digital portfolio. Via the advertising-financed station websites among others, we reach around 33 million unique users a month in the German market.

Meanwhile, it is a long time since ProSiebenSat.1 was merely a media company. We use our millions-strong reach and expertise in the entertainment business, to establish leading brands in other industries and to tap into digital revenue markets.

At the end of 2020, our business was based on four segments: Seven.One Entertainment Group, our international program production and sales subsidiary Red Arrow Studios, and a large commerce portfolio under the umbrella of NuCom Group. NuCom Group is active in the fields of consumer advice, experiences, as well as beauty & lifestyle and is thus focused on brands that especially benefit from video advertising. With ParshipMeet Group we established another segment in 2020. ParshipMeet Group is a leading global player in the dating market and underscores our position as a growth partner for digital businesses.

ProSiebenSat.1 has around 7,100 employees, who are driving the diversification and digital transformation of the entire Group with great commitment. ProSiebenSat.1 Media SE, headquartered in Munich-Unterföhring, is a listed stock corporation.

Segments and Brand Portfolio

Seven.One Entertainment Group builds the base of our company. At the same time, in financial year 2020 ProSiebenSat.1 Group intensified the mutual exchange with ParshipMeet Group, NuCom Group and Red Arrow Studios segments. → Strategy and Management System → Significant Events and Changes in the Scope of Consolidation

Seven.One Entertainment Group. Seven.One Entertainment Group includes our free TV stations and digital platforms as well as their sales and distribution in Germany, Austria and Switzerland. In Germany, the station family comprising SAT.1, ProSieben, Kabel Eins, sixx, SAT.1 Gold, ProSieben MAXX, and Kabel Eins Doku leads both the audience and the TV advertising market. At the same time, the Group is boosting the reach of its digital portfolio and is continuing to expand its range of usage options – such as via the station websites or the streaming platform Joyn GmbH (“Joyn”). The aim is to reach various audience groups and to supply people with suitable video content regardless of time, location or device. → Strategy and Management System

The Group is also driving sales innovation. In this context, ProSiebenSat.1 is investing in fields such as AdTech and data in order to reach target groups more and more precisely. The Group is continuously developing new forms of advertising and designing campaigns that incorporate various platforms and communication channels based on the leading medium, TV. One example from 2020 is the hit show “The Masked Singer”. Here, we implemented extensive 360-degree campaigns, from the TV format to our digital offerings such as the ProSieben app and to retail merchandising. → Research & Development → Opportunity Report

ProSiebenSat.1 benefits from this media mix in both the advertising market and the audience market: Through a multimedia approach, we offer our advertising customers a cross-media marketing portfolio, ensure the relevance of TV content even among young target groups, and boost viewer retention. With its subsidiaries Seven.One Media GmbH (“Seven.One Media”) and Seven.One AdFactory GmbH (“Seven.One AdFactory”), the Group supports advertising customers and agencies from finding ideas to conception and implementation.

ParshipMeet Group: In recent years, ProSiebenSat.1 has established Parship Group as a profitably growing platform operator in the online matchmaking sector, which alongside Parship in the German-speaking countries and Benelux also operates ElitePartner and is present in the US with eharmony. The Meet Group has complemented this portfolio since September 2020, providing synergy in terms of both content and geography. The Meet Group owns US brands such as MeetMe and Tagged and Lovoo in the German-speaking region. → Significant Events and Changes in the Scope of Consolidation

The merger led to the creation of the ParshipMeet Group, a leading international player that covers the whole spectrum of dating, including social dating via video, social entertainment, and online matchmaking on the basis of scientific processes. This broad positioning distinguishes ParshipMeet Group from its competitors. At the same time, the revenue model is very diversified and comprises both long- and short-term subscription models as well as additional monetization options such as in-app purchases and advertising.

NuCom Group: In partnership with General Atlantic PD GmbH (“General Atlantic”), ProSiebenSat.1 Group bundles its commerce business in NCG – NUCOM GROUP SE (“NuCom Group”). NuCom Group’s portfolio predominantly comprises digital commerce platforms that benefit from TV advertising and is divided into three parts: Consumer advice (e.g. Verivox), experiences (Jochen Schweizer mydays Group) and beauty & lifestyle (e.g. Flaconi). NuCom Group makes an important contribution to the expansion of digital revenue sources, benefits from the synergies with the entertainment business and simultaneously increases the Group’s independence from the TV advertising market. The Group thus acts as a growth investor for young digital companies.

Red Arrow Studios: ProSiebenSat.1’s international program production and distribution business is pooled under the umbrella brand Red Arrow Studios GmbH (“Red Arrow Studios”). This consists of international production companies, including the German Redseven Entertainment GmbH (“Redseven Entertainment”), the global film and TV distribution companies Red Arrow Studios International and Gravitas Ventures, and the digital studio Studio71. With Redseven Entertainment and Studio71,

PROSIEBENSAT.1 GROUP SEGMENTS IN FINANCIAL YEAR 2020

SEVEN.ONE ENTERTAINMENT GROUP

Seven.One Entertainment Group comprises our free TV stations, the digital platforms and their sales and distribution.

RED ARROW STUDIOS

Red Arrow Studios combines the international program production and distribution business with the local production business and our digital studio.

NUCOM GROUP

Our commerce companies are bundled within NuCom Group. The portfolio concentrates on the three areas of consumer advice, experiences and beauty & lifestyle.

PARSHIPMEET GROUP

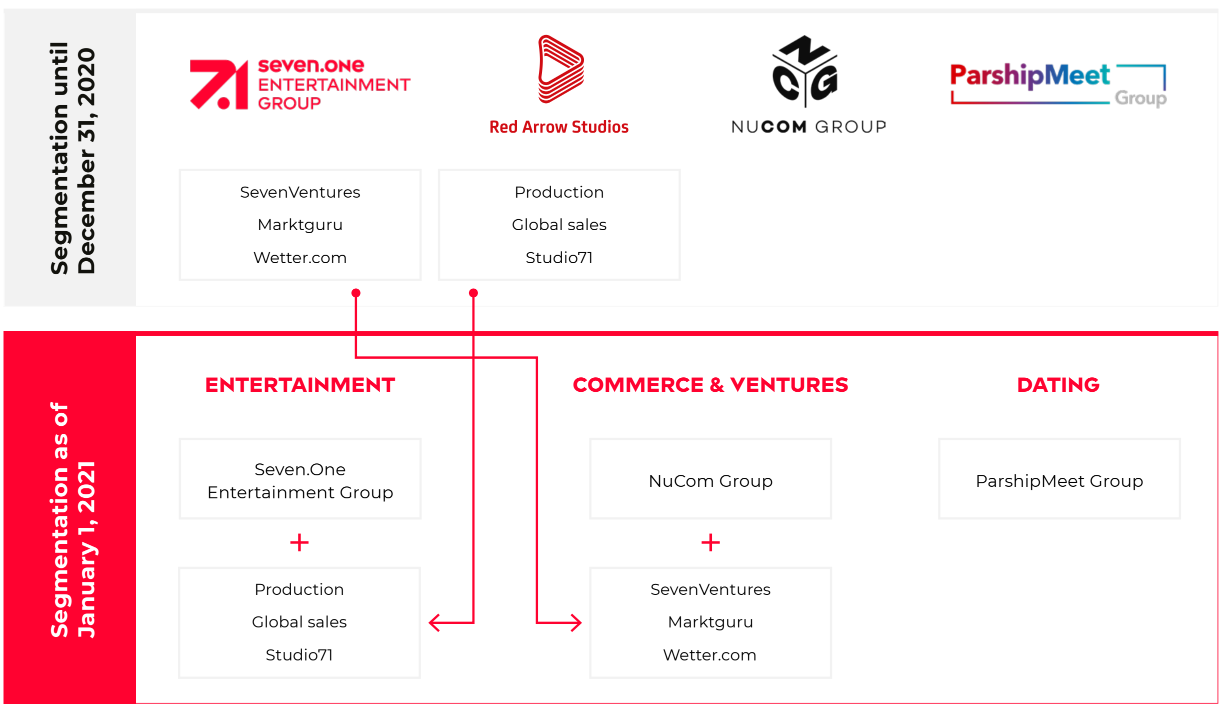
ParshipMeet Group unites all the brands of our dating segment. From online matchmaking to social entertainment, the pillar covers all areas of dating.

Red Arrow is also increasingly focussing on the German production business and is thus intensifying the mutual exchange with the entertainment business. → Strategy and Management System

Red Arrow Studios' programming ranges from entertainment, reality and factual formats to TV series, TV movies and digital content, thus covering all major genres. Formats such as "The Taste", "Married at First Sight" and "Germany's next Topmodel" are produced in Germany by Redseven Entertainment and make a key contribution to the ProSiebenSat.1 station family's brand profiling.

From January 1, 2021 onwards, ProSiebenSat.1 Group's three reporting segments are Entertainment, Dating and Commerce & Ventures, continuing the consistent structuring of the Group according to synergies and value creation. In this context, Red Arrow Studios' production and distribution business, as well as the digital studio Studio71, is integrated into the Entertainment segment (formerly: Seven.One Entertainment Group). ProSiebenSat.1 thus recognizes the strategic affinity of the two businesses, as Red Arrow Studios is focusing in particular on producing more content for the Group's entertainment platforms. Since the core competencies and the complete value chain of the entertainment business are therefore represented in the Entertainment segment, less entertainment-related business models such as the investment arm SevenVentures are now reported in the new Commerce & Ventures segment. The companies of NuCom Group are also contained in this newly formed segment. In this way, the Group's minority and majority investment areas, which ProSiebenSat.1 establishes with media services and support and which thus contribute to the Group's growth strategy, are bundled here. At the same time, synergies between the two segments and the resulting value creation can be highlighted. The Dating segment (formerly: ParshipMeet Group) is unchanged compared to the end of 2020.

RESEGMENTATION OF PROSIEBENSAT.1 GROUP AS OF JANUARY 1, 2021



CORPORATE STRUCTURE AND INVESTMENTS

The economic development of ProSiebenSat.1 Group is determined primarily by the subsidiaries, held both directly and indirectly. ProSiebenSat.1 Media SE is the ultimate parent company of the Group. In this function, its tasks include central financing, Group risk management and the ongoing development of the corporate strategy. These Consolidated Financial Statements include ProSiebenSat.1 Media SE and all significant subsidiaries – meaning entities in which ProSiebenSat.1 Media SE directly or indirectly holds a majority of voting rights, or whose relevant activities it is otherwise able to control. → Notes, note 4 “Scope of consolidation”

The Group has an integrated portfolio that is also reflected in the investment structure. For example, ProSiebenSat.1 Media SE holds 100.0 % of the shares in Seven.One Entertainment Group (formerly: ProSiebenSat.1 TV Deutschland GmbH). The free TV stations of ProSiebenSat.1 Group and the pay TV channels (“Seven.One Pay TV”) and digital offerings (e.g. Joyn) work under its umbrella. ProSiebenSat.1 Media SE also indirectly holds a 100.0 % stake in the sales companies Seven.One Media and Seven.One AdFactory. This results in advantages with regard to the stations’ programming and the sales of advertising time. The global film and TV distribution companies and the international television production companies both belong to Red Arrow Studios as a wholly owned subsidiary of ProSiebenSat.1 Media SE. → Business Activities and Segments → Strategy and Objectives → Significant Events and Changes in the Scope of Consolidation

A detailed overview of the shareholding structure in ProSiebenSat.1 Group can be found in → Notes, note 40 “List of subsidiaries and associated companies of ProSiebenSat.1 Group pursuant to section 313 (2) of the German Commercial Code (HGB)”.

The management declaration in accordance with sections 289f, 315d HGB is published in the Annual Report and on the Company’s website.

STRATEGY AND MANAGEMENT SYSTEM

STRATEGY AND OBJECTIVES

Digitalization has as rapidly transformed the media sector: Television content can be accessed regardless of time, location or device, which means media use and media consumption are also becoming increasingly digital. At the same time, TV sales is benefiting from technologies such as "Hybrid Broadcast Broadband TV" (HbbTV), which make it possible to broadcast TV advertising to internet-connected devices in real time and address target groups precisely. Furthermore, the digital transformation is also accelerating in many consumer markets in which ProSiebenSat.1 Group operates and is pushing the use of online offerings forward. In 2020, this trend was amplified not least by the COVID-19 pandemic. This also applies to the use of online videos in non-entertainment sectors, such as online dating, which is growing in importance as a result of increasing digitalization and opening additional networking potential to us. → Organization and Group Structure

For ProSiebenSat.1 Group, various opportunities are arising from changing market environments. We use these consistently in all business areas in order to grow sustainably and to exploit our high potential for synergy. With the launch of the umbrella brand Seven.One Entertainment Group and the formation of our ParshipMeet Group, we are driving the restructuring of the Group forward. While the dating business clearly supports us in diversification, we are focusing on our core competencies in the entertainment business: We are driving local content and digital innovations, expanding our reach and monetize it more. In the Commerce & Ventures area, we combine our investment areas and at the same time build digital companies into leading consumer brands through our media reach. This Group-wide active portfolio management, which includes value-creating acquisitions as well as the option of the disposal of companies that no longer contribute to our Group strategy. Overall, we are focusing on achieving even greater synergies within the Group. In doing so, the Group aims to achieve profitable growth with a clear focus on earnings in all three segments and the mid-term aim is to improve our P7S1 ROCE (return on capital employed) target to over 15%. → Company Outlook

In order to accelerate our Company's profitability, diversification and synergies, ProSiebenSat.1 has been set up into the three segments Entertainment, Dating and Commerce & Ventures since January 2021.

With the Seven.One Entertainment Group, the **Entertainment** segment focuses on the core markets of Germany, Austria and Switzerland. The platform-independent Entertainment segment unites the Group's station brands with the content, distribution and sales business. This allows us to focus even more strongly on the production of local, relevant and live content as well as its digital distribution and monetization. For the production of our content, the production business of Red Arrow Studios and Studio71 is particularly important; both areas are now also integrated into this segment. At the same time, the digital expansion of our TV content plays a significant strategic role. Supported by the megatrend of advertising-financed video-on-demand, additional distribution channels offer greater total reach for our offerings and thus additional opportunities for monetization. By that, we create a profitable entertainment business and the foundation for growth in our other business areas. In this way, we are promoting our diversification with our own power, in particular. This means that we are using the strength of our entertainment business and our high advertising reach to establish and build on consumer-oriented digital platforms and to develop this portfolio in an active and value-creating manner with acquisitions and disposals. → Business Activities and Segments → Opportunity Report

This is also how ParshipMeet Group was created, which forms the **Dating** segment. The establishment of a predominantly German-speaking portfolio around the online matchmaking business and the increase in brand awareness through the use of TV advertising were followed by value-enhancing acquisitions with a focus on the US. By that, we created a leading global player in the dating segment, whose offerings range from online matchmaking and dating to social entertainment. ParshipMeet Group operates in an attractive market environment, has diversified revenues from subscription models and advertising and addresses a broad target group over a large geographical area. In addition, ProSiebenSat.1 not only expects potential synergy within ParshipMeet Group but is also working on mutual exchange with the entertainment business, particularly driven by the trend toward video offerings in the dating business. Accordingly, the segment will provide significant support for the Group's future growth. ProSiebenSat.1 will therefore continue to hold a majority stake in the company in the partial IPO of the ParshipMeet Group planned for 2022.

In our third segment, **Commerce & Ventures,** we bundle ProSiebenSat.1 Group's growing businesses, which we are building up and promoting with media services. In the beginning of our value chain stands our investment arm SevenVentures, to which ProSiebenSat.1 Accelerator also belongs. Through this, we use our TV reach to help young companies to increase their brand awareness in the shortest possible time through media-for-revenue or media-for-equity deals. In addition to the resulting minority investments, we also develop majority investments in NuCom Group into leading digital companies in consumer-oriented markets. Our maxim is as follows: as soon as a company has completed the first phases of growth and is facing the next stages of development, we examine whether ProSiebenSat.1 is still the best owner. If a business no longer has a strong affinity with TV advertising or growth prospects can be better implemented with a different owner, we can sell these well-developed commerce brands to a more suitable owner. In the interests of a focused Group structure, ProSiebenSat.1 concentrates on investments that synergize strongly with the entertainment business. In this strategy, it is crucial that every part of the Group contributes to increasing the value of the entire Group and that the businesses complement each other.

PLANNING AND MANAGEMENT

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

Intragroup Management System

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

OVERVIEW OF MOST IMPORTANT PERFORMANCE INDICATORS AS OF DECEMBER 31, 2020

MOST IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS
Seven.One Entertainment Group segment
- **audience shares**

MOST IMPORTANT FINANCIAL PERFORMANCE INDICATORS
Group
- **revenues**
- **adjusted EBITDA**
- **adjusted net income**
- **P7S1 ROCE**
- **leverage ratio**
- **free cash flow before M&A**

Segments
- **external revenues**
- **adjusted EBITDA**

Most important non-financial performance indicators: The development of audience shares is an important criterion in programming and media planning in the advertising-financed TV business. In addition, this data is used as a benchmark for the calculation of advertising time prices: They indicate the number of potential customers a broadcast is able to reach. In this context, audience market shares in access and prime time are increasingly coming into focus, as prime time from 8:15 p.m. to 11 p.m. in particular represents the main advertising period. → Development of ProSiebenSat.1 Group's Relevant Market Environments

In Germany, TV usage data is collected by GfK Fernsehforschung on behalf of AGF Videoforschung GmbH ("AGF"). ProSiebenSat.1 Group analyses viewer ratings that have been empirically collected by the institutions on a daily basis. In addition to this data on linear TV consumption, we also analyze digital reach figures and KPIs relating to our databased business models. One example of this is the measured data from HbbTV. → Opportunity Report

Most important financial performance indicators: Revenues, adjusted EBITDA, adjusted net income and P7S1 ROCE (return on capital employed) are the central key figures used to manage profitability. A primary objective is to increase the above earnings figures through continuous revenue growth in all segments. The business units operate mainly as profit centers. This means that they act with full responsibility for revenues and earnings. At the same time, flexibility is an important element for our success, as ProSiebenSat.1 Group operates in a very dynamic industry environment. The organizational entities – within a centrally adopted framework – therefore make their operating decisions independently and based on the competitive environment → Organization and Group Structure

The earnings figure adjusted EBITDA stands for adjusted earnings before interest, taxes, depreciation and amortization. Reconciling items, such as M&A-related expenses, 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. Adjusted net income is the adjusted net income attributable to shareholders of ProSiebenSat.1 Media SE; it provides a suitable indicator for calculating the dividend. In addition to the adjustments from adjusted EBITDA, effects of purchase price allocations and other reconciling items in particular are adjusted in the calculation.

Reconciling items can influence or even overshadow operating performance and can make a multi-year comparison difficult. Therefore, adjusted earnings figures constitute suitable measures of performance for assessing the sustainable development of the profitability of the Group and its segments. However, the analysis of unadjusted key earnings' figures provides a holistic view of the expense and income structure. At Group level – in addition to revenues, adjusted EBITDA, adjusted net income and P7S1 ROCE as the most important financial performance indicators – EBITDA is also relevant in this context as a less significant financial performance indicator on Group level. As the effects of taxes and depreciation and amortization and the financing structure are not taken into account, EBITDA also enables an easier international comparison, especially with competitors.

Another of the most important financial performance indicators used to manage profitability is P7S1 ROCE: The mid-term aim is to generate a return on capital employed, i.e. P7S1 ROCE, of at least 15%. Expansion and new investments will therefore have to be amortized within three years and generate a return of at least 18%. Strategic projects are usually expected to be amortized within five years. From now on, the Group is therefore managing investments even more consistently and evaluating each project in the various segments according to the same target parameters.

ProSiebenSat.1 Group is investing in markets with long-term growth opportunities and examining options to expand its portfolio. Part of the investment strategy is the acquisition of companies that complement our value chain synergistically. A capital-efficient leverage ratio is a key performance indicator for the Group's financial planning. The leverage ratio indicates the level of net financial debt in relation to LTM adjusted EBITDA – i.e. the adjusted EBITDA that ProSiebenSat.1 Group has generated in the last twelve months (LTM = last twelve months). The target is a factor of between 1.5 and 2.5 at the end of the relevant year; the target range may be exceeded for a short period of time as a result of fluctuations during the year if, for example, important strategic investments are required. Free cash flow before M&A is also one of the most important financial performance indicators in this context. To calculate this key figure, free cash flow is adjusted for cash used and generated by M&A transactions related to majority acquisitions (excl. transaction costs) that are carried out and planned, the purchase and sale of investments accounted for using the equity method and other investments with the exception of media-for-equity investments. → Compensation Report → Analysis of Liquidity and Capital Expenditure → Financing Analysis

Financial and non-financial performance indicators are the foundation for corporate management. It is therefore logical to use them as a basis for determining target-oriented variable compensation. The performance bonus is relevant for employees at senior management levels as well as selected sales functions. It is based on the company's success and on the most important financial performance indicators revenues, adjusted EBITDA, free cash flow before M&A (holding company) and the financial indicator adjusted operating free cash flow (segments).

Adjusted net income, EBITDA, free cash flow before M&A and relative total shareholder return served as a variable basis for determining the Executive Board's compensation in financial year 2020. → Compensation Report

OVERVIEW OF MOST IMPORTANT PERFORMANCE INDICATORS AS OF JANUARY 1, 2021

MOST IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS

Entertainment segment

- **audience shares**

MOST IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Group

- **revenues**
- **adjusted EBITDA**
- **adjusted net income**
- **P7S1 ROCE**
- **leverage ratio**
- **adjusted operating free cash flow**

To further focus on the segments' operating cash flow management, the Group will introduce "adjusted operating free cash flow" as a most important financial performance indicator from financial year 2021 instead of the previous segment management. This is defined as operating free cash flow before interest and taxes and is calculated as adjusted EBITDA less investments (programming and other investments) and changes in net working capital. Since 2021, adjusted operating free cash flow (adjusted OFCF) has replaced free cash flow before M&A as the Group's relevant cash flow performance indicator. For the reconciling items to be adjusted, we kindly refer to the → Definition of selected non-IFRS measures → Company Outlook

DEFINITION OF SELECTED NON-IFRS FIGURES

ADJUSTED EBITDA

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

- **M&A-related expenses include consulting expenses and other expenses for ongoing, closed or canceled M&A transactions as well as integration costs incurred within a year of the acquisition.**
- **Reorganization expenses include material and personnel expenses for reorganizations and restructurings. They comprise expenses such as severance payments, leave compensation, consulting costs, legal consultancy fees and impairments.**

- **Expenses for legal claims include charges, fines, penalties and consulting costs in connection with significant closed, ongoing or expected legal claims.**
- **Fair value adjustments of share based payments include the portion of the changes in the fair value of cash-settled share-based payment plans that affects profit or loss.**
- **Results from changes in scope of consolidation include income and expenses in the context of mergers, demergers, acquisitions or disposals of Group entities.**
- **Results from other material one-time items include transactions not connected to current operating performance. In this context, ProSiebenSat.1 Group considers transactions of at least EUR 0.5 million to be significant.**
- **Valuation effects relating to strategic realignments of business units comprise expenses incurred in the context of changes in the underlying business objective or strategy of the unit in question.**

ADJUSTED NET INCOME
Adjusted net income is the net income attributable to shareholders of ProSiebenSat.1 Media SE, adjusted for reconciling items shown under adjusted EBITDA, as outlined above, and adjusted for additional reconciling items. These additional reconciling items include:

- **Depreciation, amortization and impairments from purchase price allocations.**
- **Valuation effects included in other financial result, impairments and valuation effects of investments, entities accounted for using the equity method and other financial assets recognized in other financial result. The Group can also acquire control over investees previously accounted for using the equity method through multi-stage company acquisitions. Effects from the valuation of such original shares at fair value upon initial consolidation also fall under this category.**
- **Valuation effects of put-options and earn-out liabilities include valuation, currency and interest effects of put-options and earn-out liabilities.**
- **Valuation effects from hedging transactions include ineffectiveness and de-designation effects of cash flow hedges recognized in other comprehensive income and effects from hedging transactions for which there is no hedge accounting as defined by IAS 39.**
- **Results from other material one-time items include transactions not connected to current operating performance. In this context, ProSiebenSat.1 Group considers transactions of at least EUR 0.5 million to be significant.**

Moreover, the tax effects resulting from such adjustments and effects on the net result attributable to non-controlling interests are also adjusted.

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 earnings**.**

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

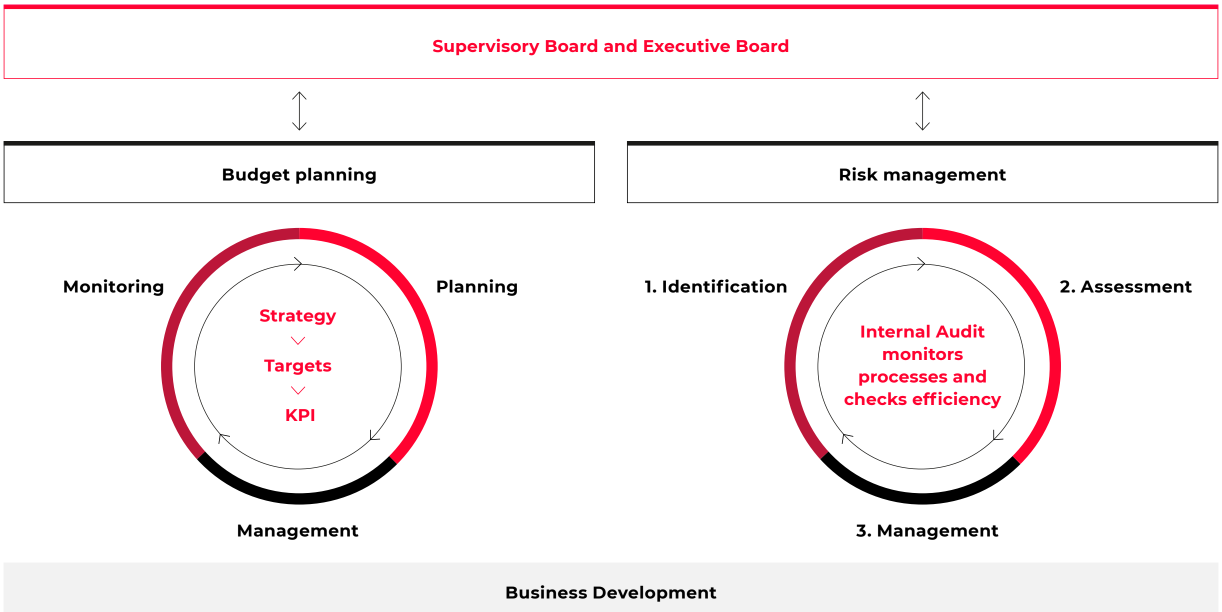
- **Reconciling items can influence or even overshadow operating performance; figures adjusted for such items therefore offer supplementary information for the assessment of the Company's operating performance. Adjusted figures thus are more relevant for managing the Company.**
- **Moreover, adjusted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

Operational and Strategic Planning

Management and planning are closely intertwined at ProSiebenSat.1 Group. Target figures are defined and determined for various periods within the context of planning, with a focus on the performance indicators outlined above. The different levels in the planning process build on each other and are closely linked to our risk management. The Supervisory Board is also regularly informed by the Executive Board about 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.

Corporate planning: Corporate planning comprises operating planning (budget) and long-term corporate planning (multi-year planning) and constitutes a detailed quantitative depiction of strategic planning. It is on a monthly basis for the first year and an annual basis for a further four years. The strategically

BUDGET PLANNING AND RISK MANAGEMENT AT PROSIEBENSAT.1 GROUP



derived targets for the first planning year are specified for the most important financial and non-financial performance indicators in a top-down/bottom-up process and carried forward to the multi-year planning. The financial figures from the income statement, statement of financial position and cash flow statement of individual subsidiaries are analyzed and aggregated at segment and Group level.

Monthly reporting and trend projections: Trend projections are an important tool in planning during the year. They allow the Company's expected performance for the year to be calculated on the basis of the targets achieved to date and to be compared with the target figures that were originally budgeted. The aim is to identify potential discrepancies between the target and actual figures immediately and to implement the necessary countermeasures promptly. In 2020, the Executive Board and the Supervisory Board also discussed short-term and long-term targets. In addition to monthly reporting, potential risks are reported to the Group Risk Officer on a quarterly basis. In particular, any changes to the early warning risk indicators during the year and over time are analyzed here. For example, the development of audience shares is an important early warning indicator. Additional opportunities and therefore potential positive deviations from projected targets are analyzed in parallel with risk management; they are taken into account in budget planning if their probability of occurrence is more than 50%.

OVERALL ASSESSMENT FROM THE MANAGEMENT'S VIEW: IMPACT OF GENERAL CONDITIONS ON BUSINESS PERFORMANCE

We are pleased that we were able to bring a conciliatory ending to 2020, which was a difficult year for everyone due to COVID-19 and we are very satisfied with our results in the important fourth quarter. All segments were performing positively again at the end of the year. As an early cycle company, we benefited from the economic recovery, especially following the difficult second quarter, and have also observed a clear upward trend in the advertising market. It has also shown that our program investments have paid off: In a competitive environment we convinced with highly attractive entertainment and infotainment formats and thus also strengthened our position in the TV advertising market. At the same time, our consistent cost and cash management is taking effect. Our adjusted EBITDA has been growing again since the third quarter, and our net financial debt decreased at the end of the year.

GROUP ENVIRONMENT

DEVELOPMENT OF ECONOMY AND ADVERTISING MARKET

The year 2020 was decisively shaped by the global outbreak of the coronavirus. The pandemic posed and continues to pose huge challenges not only for healthcare systems and societies but also the entire global economy. The latter, as estimated by the International Monetary Fund, will contract by 3.5% in real terms in 2020 as a result of the restrictions to public life and retail. A decline of as much as 7.2% is expected in the eurozone. The United States, one of the largest economies in the world, is also expected to see a decline of 3.4% in 2020.

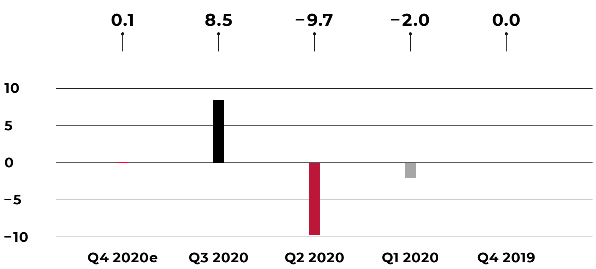
According to the latest forecasts by the Federal Statistical Office (Destatis), the decline in real gross domestic product in Germany was 5 percent. In Germany, the first cases of infection with the new coronavirus emerged at the end of January 2020. From mid-March to early May, the rapid rise in case numbers led to a phase of nationwide lockdown measures with considerable restrictions to public and private life. To cope with the impact of COVID-19, the German government adopted an extensive stimulus package, which included a temporary reduction of the value-added tax (VAT) rate and interim assistance for small and medium-sized enterprises. In addition, far-reaching short-time work arrangements were put in place.

Against the background of these political measures, the first phase of the COVID-19 pandemic was comparatively mild in Germany, as well as in Austria and Switzerland, and thus in ProSiebenSat.1 Group's core markets. Nevertheless, the impact was profound: Germany's gross domestic product fell by 2.0% year-on-year in the first quarter of 2020, and even by 9.7% in the second quarter. This is due firstly to the dependence on the performance of the global economy, which has likewise been heavily impacted by COVID-19. Secondly, the extensive restrictions hit private consumption, which has been a key pillar of the German economy in previous years (Q1: –2.3%, Q2: –11.1%, both vs. previous quarter).

With the end of the rigid lockdown regulations and stable or falling case numbers in Germany, the surrounding countries as well as in China, there was a rapid and unexpectedly significant recovery in economic activity in Germany in the third quarter of 2020. Compared to the second quarter, gross domestic product increased by 8.5% in real terms. Strong catch-up effects were particularly apparent in private consumption (+10.8%), companies' equipment investments (+16.0%) and exports (+18.1%).

At the beginning of autumn, the recovery of the German economy initially seemed to continue at a more moderate pace. In September and October, incoming orders, industrial production and exports continued to trend upward, while the ifo Business Climate Index stabilized above 90 points. Thanks to higher e-commerce revenues from January to November, German retail actually saw real growth of 4.2% compared to the same period of the previous year. As temperatures fell, however, a second wave of COVID-19 with a sharp rise in infection rates spread throughout Europe. From December 16, the -German government therefore imposed another strict lockdown. However, contrary to initial fears, the renewed COVID-19 protections measures in the fourth quarter had a much smaller impact than in spring. Exports of goods and less affected sectors of the economy, such as construction, continued to recover. Compared to the previous quarter, gross domestic product is likely to have stagnated in the final quarter. → Future Business and Industry Environment

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



Adjusted for price, seasonal and calendar effects.
Source: Destatis, ifo Economic Forecast Winter 2020, December 16, 2020 / e: estimate.

Economic uncertainty and restrictions in public and social life as a result of the COVID-19 pandemic also shaped advertising customers' investment behavior, especially in the second quarter of 2020. As restrictions were eased in line with a decline in infection rates, the economy picked up again in the summer, with investment prosperity also improving. This is also demonstrated by figures for the German TV and online advertising market.

According to Nielsen Media Research, investments in TV advertising investment declined by 1.8% to EUR 16.01 billion in 2020 (previous year: EUR 16.31 billion); the effects of the COVID-19 pandemic were particularly noticeable in the second quarter (–18.1%). In response to the unexpectedly strong economic recovery in the third quarter, gross TV advertising investment rose by 6.7% in the final quarter to EUR 5.87 billion (previous year: EUR 5.50 billion). ProSiebenSat.1 Group is the market leader in the German TV advertising market and generated, according to Nielsen Media Research, gross TV advertising revenues of EUR 6.09 billion in 2020 (previous year: EUR 6.36 billion). This resulted in a market share of 38.0% (previous year: 39.0%). The Group's TV advertising revenues in the key fourth quarter were again higher than in the previous year at EUR 2.32 billion (previous year: EUR 2.17 billion).

By selling in-stream video ads, which are shown online before, after or during a video stream, ProSiebenSat.1 Group generated gross revenues of EUR 262.6 million in the full-year (previous year: EUR 308.8 million). This corresponds to year-on-year decline of 14.9%. The market volume for advertising budgets for in-stream video ads in Germany fell by 4.1% to EUR 717.4 million gross (previous year: EUR 748.2 million).

On a net revenue basis, the German Advertising Federation ("Zentralverband der deutschen Werbewirtschaft – ZAW") reported declines in revenues of between 30% and 80% – depending on the advertising medium and segment – for March 2020. In April, advertising across all media declined by at least 40% net compared to the equivalent month in the previous year. Forecasts for 2020 as a whole published by media agencies Magna Global and ZenithOptimedia in June and July expected total net adverting spending to decline by 10.5% and 12.3%, respectively. Investments in TV advertising were expected to fall by 15.5% and 10.0%, respectively. These estimates were revised upwards significantly following the market upturn in the summer: In its December forecast, Magna Global anticipated a loss of 4.6% in the market overall and 11.0% in the TV market. ZenithOptimedia expected a downturn of 3.1% and 9.0% respectively.

ProSiebenSat.1 Group confirms this trend: On a net basis, the TV advertising market developed below the previous year's level in 2020. From ProSiebenSat.1 Group's perspective, however, the TV advertising market benefited in net terms from the economic recovery in the summer, and starting in the third quarter enjoyed an upwards trend in comparison to the previous quarter. The TV advertising market fared particularly badly in the period from April to June 2020. The picture for the online advertising market was similar. → Comparison of Actual and Projected Business Performance for the Group

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

	Development of the TV advertising market in Q4 2020 (Change against previous year)	**Development of the TV advertising market in 2020** (Change against previous year)
Germany	+6.7	–1.8
Austria	+2.4	–4.3
Switzerland	–11.5	–13.3

	Market shares ProSiebenSat.1 Group Q4 2020	Market shares ProSiebenSat.1 Group Q4 2019	**Market shares ProSiebenSat.1 Group 2020**	Market shares ProSiebenSat.1 Group 2019
Germany	39.5	39.5	38.0	39.0
Austria	41.3	44.2	42.4	44.5
Switzerland	25.2	27.1	26.8	27.6

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.

Video advertising on TV inspires a greater emotional attachment to a brand than any other medium. This is important for brand loyalty and ultimately for product sales. In addition, TV advertising is particularly effective thanks to its high reach. Supporting research also shows that cross-media advertising campaigns have more of an impact overall and that online advertising in combination with TV campaigns is particularly effective.

The effectiveness of TV advertising is quantified using the "ROI Analyzer" (Return on Investment). Using a modeling approach, data from the GfK Consumer Panel are merged with TV usage data from AGF in order to measure the short- and long-term sales impact of TV advertising. In the case of FMCGs (fast moving consumer goods), the figure shows that the sale of advertised brands increases significantly. The average short-term ROI after one year for the 71 analyzed campaigns was EUR 1.13 and was as high as EUR 2.57 after five years. This means that every euro invested in TV advertising returns an average of EUR 1.13 in the short term and EUR 2.57 over the long term. The ROI Analyzer was developed by Seven.One Media and has been managed under the aegis of the TV and video initiative Screenforce since the start of 2015.

DEVELOPMENT OF PROSIEBENSAT.1 GROUP'S RELEVANT MARKET ENVIRONMENTS

Entertainment

Media usage in Germany is shaped by two fundamental developments. Firstly, the variety of entertainment products, end devices and ways to consume media is growing as a result of digitalization, which also brings with it increasing fragmentation. Secondly, this diversity is driving up media consumption: people are spending more and more time with media. TV has the greatest reach and is consumed for the longest stretches of time. In 2020, the COVID-19 pandemic also had a major impact on media usage, resulting in a new record high. According to AGF, daily TV usage among 14- to 69-year-old viewers increased to 211 minutes in the reporting period 2020 (previous year: 202 minutes).

Daily TV usage time in Germany is measured and reported on behalf of AGF. In order to provide the market with general data about the usage of video content, corresponding measuring instruments are continuously developed to also record the detailed use of video content on PCs, laptops, tablets, and smartphones. The project is designed to model these video offerings regardless of whether they come from a TV station or a purely online provider. This therefore includes the use of media libraries, offerings from Internet TV stations, and video content on traditional websites.

ProSiebenSat.1 drives digital development in the entertainment sector with the goal of providing content across all platforms and – as well as traditional, linear television viewing – taking advantage of all opportunities to reach viewers digitally. This reach reflects total video view[1] time as the total number of minutes viewed across the Group's linear and non-linear platforms. In 2020, the Group counted total video view time of 1,083,629 million minutes for its linear and non-linear media services (previous year: 1,075,542 million minutes), a 0.8% increase.

The audience share of free TV stations in individual markets developed as follows: In Germany, the ProSiebenSat.1 station family achieved a combined market share of 27.2% among viewers aged between 14 and 49 years in 2020 (previous year: 28.2%). The stations marketed by IP Deutschland (RTL, VOX, n-tv, Super RTL, NITRO, RTLplus and VOXup) had a combined audience share of 25.3% (previous year: 25.7%). The development of audience shares reflects the impact of the Germany-wide lockdown in the spring and at the end of 2020 and the increased provision of information that this entailed, especially on the public stations.

AUDIENCE SHARES OF PROSIEBENSAT.1 STATIONS IN GERMANY in %

Target group 14–49 years	**Q4 2020**	Q4 2019	**2020**	2019
ProSiebenSat.1 Group	**26.4**	27.9	**27.2**	28.2
SAT.1	7.7	7.9	7.7	7.8
ProSieben	9.1	9.3	9.1	9.6
Kabel Eins	4.4	5.0	5.0	5.2
sixx	1.1	1.5	1.3	1.4
SAT.1 Gold	1.4	1.6	1.5	1.6
ProSieben MAXX	1.7	1.7	1.6	1.7
Kabel Eins Doku	1.0	0.9	1.0	0.9

Relevant target groups[1]	**Q4 2020**	Q4 2019	**2020**	2019
SAT.1	7.1	7.6	7.3	7.6
ProSieben	11.4	11.8	11.7	12.6
Kabel Eins	4.4	5.0	5.0	5.2
sixx	1.4	2.1	1.7	1.8
SAT.1 Gold	2.8	3.0	2.9	3.0
ProSieben MAXX	3.1	3.3	2.7	2.8
Kabel Eins Doku	1.0	1.0	1.0	0.9

[1] Relevant target groups: SAT.1: adults aged 14–59/ProSieben: adults aged 14–39/Kabel Eins: adults aged 14–49/sixx: women aged 14–39/SAT.1 GOLD: women aged 40–64/ProSieben MAXX: men aged 14–39/Kabel Eins Doku: men aged 40–64. Figures are based on 24 hours (Mon–Sun).
Source: AGF Videoforschung in cooperation with GfK; VIDEOSCOPE 1.4, January 1, 2019–December 31, 2020, market standard: TV.

As a systemically relevant media company, ProSiebenSat.1 has a great responsibility: the Group makes an important contribution to the diversity of information and focuses increasingly on local, relevant and live content in the programming strategy. In-house productions such as "Joko & Klaas Live: A Short Story of Moria" and the reportage series "ProSieben Spezial", which handles issues relevant to society in a manner appropriate for the target group, are an important component of this. In "ProSieben Spezial: Rechts. Deutsch. Radikal.", for example, the Group examined the right and the far-right scene in Germany. The program achieved a market share of 20.4% among young viewers aged 14 to 39 on TV, as well as a peak value of 667,342 video views on the Group's digital channels up to December 31, 2020.

[1] Excl. HbbTV.

We increased our share of in-house productions on the major stations aired during prime time alone by 11.6% in the reporting period, with the station family's prime-time market share as a whole growing by 0.6 percentage points compared to 2019 (viewers aged 14–49). ProSieben and SAT.1 were the only large private broadcasters in Germany that were able to expand their market share in comparison to the previous year. This underscores the success of our programming strategy of playing in-house productions primarily in prime time. Prime time from 8:15 p.m. until 11:00 p.m. is particularly relevant for the advertising industry due to its high reach and is therefore the key advertising period.

AUDIENCE SHARES OF PROSIEBENSAT.1 STATIONS IN PRIME TIME IN GERMANY in %

Target group 14–49 years	**Q4 2020**	Q4 2019	**2020**	2019
ProSiebenSat.1 Group	**27.3**	27.2	**27.4**	26.8
SAT.1	8.6	8.4	8.2	8.1
ProSieben	10.5	9.7	10.3	9.9
Kabel Eins	4.1	4.7	4.7	4.7
sixx	1.0	1.2	1.1	1.1
SAT.1 Gold	0.9	0.9	1.1	0.9
ProSieben MAXX	1.5	1.6	1.3	1.4
Kabel Eins Doku	0.7	0.7	0.7	0.6

Prime time refers to programs broadcast between 8:15 p.m. and 11:00 p.m.
Figures are based on 24 hours (Mon–Sun).
Source: AGF Videoforschung in cooperation with GfK; VIDEOSCOPE 1.4, January 1, 2019–December 31, 2020, market standard: TV.

The Austrian stations ATV, ATV2, PULS 4 and PULS 24 generated a combined market share of 11.9% among viewers aged between 12 and 49 years in 2020 (previous year: 11.2%). ProSiebenSat.1 PULS 4 GmbH ("ProSiebenSat.1 PULS 4") is thus the leading private TV provider in Austria by far. PULS 24, which is still comparatively young, boosted its market share to 0.8%. Puls 24 went on air in September 2019 and focuses on news, business, live events and Austrian content. Overall, the station family in Austria increased its market share in prime time, which is particularly important for advertising customers, by 1.0 percentage points compared to 2019 (viewers aged 12–49). In Switzerland, the ProSiebenSat.1 station's audience share among 15- to 49-year-olds in the full-year was lower than in the previous year at 15.9%.

AUDIENCE SHARES OF PROSIEBENSAT.1 STATIONS IN AUSTRIA in %

Target group 12–49 years	**Q4 2020**	Q4 2019	**2020**	2019
ProSiebenSat.1 PULS 4	**28.5**	29.3	**28.4**	28.5
SAT.1 Österreich	4.1	3.9	3.6	3.8
ProSieben Austria	6.2	6.6	6.3	6.6
Kabel Eins Austria	2.6	2.9	2.7	2.8
PULS 4	4.9	4.9	5.1	4.9
PULS 24	0.9	0.3	0.8	0.1
sixx Austria	1.0	1.3	1.1	1.2
SAT.1 Gold Österreich	1.1	1.0	1.0	0.9
ProSieben MAXX Austria	0.9	1.2	1.0	1.1
Kabel Eins Doku Austria	0.7	0.9	0.8	0.9
ATV	4.7	4.9	4.5	4.8
ATV2	1.4	1.5	1.5	1.4

E 12–49; SAT.1 Österreich, ProSieben Austria, Kabel Eins Austria, PULS 4, sixx Austria, ProSieben MAXX Austria, SAT.1 Gold Österreich, Kabel Eins Doku Österreich, ATV + ATV 2, PULS 24 (since September 1, 2019);
Source: AGTT/GfK TELETEST/Evogenius Reporting/January 1, 2019–December 31, 2020/weighted for number of people/including VOSDAL/time shift/standard.

AUDIENCE SHARES OF PROSIEBENSAT.1 STATIONS IN SWITZERLAND in %

Target group 15–49 years	**Q4 2020**	Q4 2019	**2020**	2019
ProSiebenSat.1 Group	**16.0**	17.2	**15.9**	17.7
SAT.1 Schweiz	5.2	5.3	4.6	5.2
ProSieben Schweiz	4.7	5.3	4.7	5.8
Kabel Eins Schweiz	2.2	2.1	2.4	2.5
sixx Schweiz	1.3	1.3	1.4	1.2
SAT.1 Gold Schweiz	1.0	1.2	0.9	0.9
ProSieben MAXX Schweiz	0.9	1.2	0.9	1.1
Puls 8	0.9	0.9	1.0	1.0

Figures are based on 24 hours (Mon- Sun), all platforms, overnight +7. SAT.1 Schweiz, ProSieben Schweiz, Kabel Eins Schweiz, sixx Schweiz, SAT.1 Gold Schweiz, ProSieben MAXX Schweiz, Puls 8; advertising-relevant target group: 15- to 49-year-olds; market shares relate to German-speaking Switzerland; D–CH/total signal;
Source: Mediapulse TV Data.

The Group runs a total of 15 free and pay TV stations in the German-speaking region (Germany, Austria and Switzerland). These address different target groups and are supplemented by digital services. The group is gradually expanding its portfolio so that it can offer programs via as many distribution channels as possible. In this strategic context, ProSiebenSat.1 Group founded the streaming platform Joyn as a joint venture with Discovery Communications Europe Ltd. ("Discovery") and launched it in June 2019. The streaming service offers viewers livestreams of over 60 channels and an extensive on-demand offering of local series, shows and previews, which are produced in-house. The paid Joyn PLUS+ service with exclusive content, originals, pay TV stations, and HD content was added to the offering in November 2019. According to measurements by AGOF (Arbeitsgemeinschaft Onlineforschung e. V.), the free streaming service Joyn reached 3.84 million unique users in Germany in December 2020 (previous year: 3.46 million).

Advances in digitalization create new opportunities to reach viewers. At the same time, they open up additional ways of generating revenues beyond advertising financing. Examples include the distribution of programs in HD quality via various transmission channels: Under this business model, ProSiebenSat.1 Group participates in the technical service fees that end customers pay to the respective providers for programs in HD quality. In Germany, ProSiebenSat.1 Group's HD stations had 10.6 million users in the reporting period, 6.2% more than in the previous year. In addition, more shows were broadcast in the new ultra-high definition (UHD) standard.

The proportion of local programming on the Group's own stations has become a particular strategic focus: locally produced shows set ProSiebenSat.1 apart from its competitors and sharpen the stations' brand profiles. For example, the German production subsidiary Redseven produced local prime time content for the stations SAT.1, ProSieben and Kabel Eins in 2020. Similarly, Studio71 developed and produced more new formats for the German market, such as the mini series "Join me @ home" for the streaming platform Joyn. The digital studio Studio71 pools ProSiebenSat.1 Group's digital only content offerings and distributes them via digital platforms. In 2020, for example, Studio71 was played on around 1,400 channels, generating 10.9 billion video views a month (previous year: 9.9 billion video views).

Dating

Dating and, in particular, interactive live videos have become global megatrends. The online dating and matchmaking markets in the US and Germany currently total of up to EUR 2.3 billion (figures for 2019), with around half of the market volume is attributable to social dating. Total market volume looks set to grow by between 7% and 8% each year (CAGR 2019–2022), with social dating even climbing by 11% to 13% (CAGR 2019–2022).

Social dating refers to casual chatting and meeting up with people nearby. Unlike matchmaking, where the aim is to form permanent relationships, it allows users to meet and get to know a range of different people in a relaxed environment without any clear intentions.

With a rising number of single people – including more and more digital natives – online dating is becoming an increasingly accepted and normal way to find a partner. The sector has also gained relevance during the COVID-19 pandemic and the restrictions on social contact that this entailed. With ParshipMeet Group, ProSiebenSat.1 has created a global player in the dating segment that is geographically diverse and covers the entire spectrum of dating.

ParshipMeet Group is enjoying highly dynamic growth and a positive yearly trend in platform and communication activity. The numbers of users meeting over video call has increased strongly on all platforms. To help members find partners in times of social distancing, online matchmaking portals Parship, ElitePartner and eharmony all added a video date feature to their range of services in mid-April. This makes it easy for singles to see and get to know their match virtually in a secure environment without exchanging any personal details. An average video date lasts 30 minutes, highlighting that customers respond well to and use this type of exchange aimed at getting to know potential partners better.

Commerce & Ventures

More and more purchasing decisions are now made online. Online shopping is now an integral part of our everyday lives and services such as consumer advice are increasingly offered on the internet. However, the various consumer markets on which ProSiebenSat.1 Group operates with NuCom Group are all developing at a different pace and have been affected by the impact of the COVD-19 pandemic to varying degrees.

- **Beauty & lifestyle:** Even before the outbreak of the COVID-19 pandemic, global digital retailing was one of the growth markets. According to a study by the Institute of Retail Research in Cologne, it likely grew by around 20% in 2020 in Germany alone to reach a current market volume of EUR 84.0 billion. As such, e-commerce is expected to account for 13.1% of the total retail business (previous year:11.1%).

  Total revenues from beauty and personal hygiene products came to EUR 18.9 billion in 2020 (previous year: EUR 19.0 billion), as a study by Euromonitor for Germany and Austria shows. The beauty market likely benefited considerably from the shift in purchasing habits from offline to online and gained momentum during lockdowns. In this context, the share of the online market is likely to have risen to around 9 percent from ProSiebenSat.1's perspective.

- **Experiences:** A study conducted by mydays and Statista in 2020 found that shared experiences were a favored gift under the Christmas tree. 26% said it is important to them that a gift is a shared experience that allows time to be spent together. This therefore offers significant market potential, but the leisure industry has currently recorded a decline as a result of the COVID-19 pandemic and the resulting restrictions in public life. → Risk Report

- **Consumer advice:** The German Federal Network Agency expects the market volume of online comparison portals in the fields of energy, telecommunications, car insurance and consumer loans in Germany to come to approximately EUR 870 million in 2020 (previous year: EUR 760 million). Growth was likely driven chiefly by the energy sector. The consumer advice area also includes the rental car portal billiger-mietwagen.de, which has been particularly affected by the pandemic. The travel industry as a whole contracted by around 50% in 2020 on account of COVID-19 restrictions. → Risk Report

RESEARCH AND DEVELOPMENT

ProSiebenSat.1 Group does not carry out research and development (R&D) in the conventional sense of an industrial company. Nonetheless, both fields do hold a position of high importance at ProSiebenSat.1 Group.

ProSiebenSat.1 conducts intensive market research in every area relevant to its business activities and in every area in which the Company sees growth potential. In 2020, expenses for Group-wide market research activities amounted to around EUR 7 million (previous year: EUR 9 million). The various research units in the Group prepare investigations and analyses on advertising impact, on trends in the advertising market and digital industries as well as on media use and also assess economic and market projections. Those responsible in the Group use the results of the market analyses for operational and strategic planning. At the same time, market data and analyses are an important basis for successfully advising our advertising clients. With its studies, the Company provides advertisers with valuable knowledge for marketing and advertising planning, which constitutes an important basis for investment decisions.

In the program development phase, program research also plays a decisive role. An important task is the assessment of international TV trends with regard to their potential for the German television market. In addition, the corresponding 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, this research team 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.

In the area of development, the Group is particularly working on making its advertising products smarter. This means developing offers to target TV and video advertising to specific target groups. This is for example based on anonymous user data regarding age, gender, household income or weather. In this context, ProSiebenSat.1 is also relying on new technologies, and in 2019 it launched the Addressable TV spot in the advertising market in addition to its existing offerings in the area of targeted advertising. This enables the Company's own commercials to be overlaid with addressable spots in all advertising blocks, thus addressing viewers based on their interests. The offer is based on an advertising technology that Seven.One Media developed and has applied for a European patent. The next step towards "smart reach" is the CrossDevice-Bridge – a product that makes it possible to specifically target different end devices in one household. In addition, we are continuously developing our own digital platforms, for example in the commerce business. → Opportunity Report

COMPARISON OF ACTUAL AND PROJECTED BUSINESS PERFORMANCE FOR THE GROUP

The Group achieved or even significantly exceeded key financial targets in 2020 – according to the outlook adjusted during the year in November. In the full-year 2020, ProSiebenSat.1 had been aimed for Group revenues of between EUR 3.85 billion and EUR 3.95 billion as well as for adjusted EBITDA of between EUR 600 million and EUR 650 million, after the Group's business was severely impacted by the restrictions due to COVID-19 in the second quarter in particular. As of the end of the year, Group revenues amounted to EUR 4,047 million with adjusted EBITDA of EUR 706 million.

The noticeably better than expected business development is due to a strong performance in the fourth quarter to which all segments of ProSiebenSat.1 Group contributed. Key driver was especially the growth in the Group's advertising business in the low-single-digit percentage range in the fourth quarter compared to the previous year. This also reflects the Group's continuous improvement in the advertising business over the course of the COVID-19 pandemic in 2020.

Against the backdrop of the global COVID-19 pandemic and the related economic uncertainty – also with regard to the possible extent of the negative business impact – on April 22, 2020, ProSiebenSat.1 Group withdrew its financial outlook regarding all the most important key financial performance indicators for financial year 2020, which had been published at the beginning of March 2020. Already at this time, it was apparent that the impacts of COVID-19 on ProSiebenSat.1 Group's business would make it impossible to achieve any of the targets for Group revenues, adjusted EBITDA, adjusted net income, free cash flow before M&A or the Group's leverage ratio stated in this financial outlook. This expectation was confirmed in the second quarter of 2020 for all targets relevant for the management of the Group. Publishing its figures for the third quarter on November 5, 2020, ProSiebenSat.1 Group published new guidance for 2020 and, on January 21, 2021, announced by way of ad-hoc disclosure based on provisional, unaudited figures that the Group had noticeably exceeded its outlook for revenues and adjusted EBITDA.

ProSiebenSat.1 is confirming its mid-term target for P7S1 ROCE (return on capital employed): The Group is increasingly concentrating on continually growing value, which is to be reflected in an improved P7S1 ROCE; for the Group as a whole, this key figure is expected to exceed 15% in the mid-term. In the short term, P7S1 ROCE could be below the target of 15% – as it was the case in 2020, for example – due to increased investment activity. Against the backdrop of the pandemic, this figure was 10% as of the end of the year. At the same time, ProSiebenSat.1 Group has highlighted to further aim for a leverage ratio (ratio of net financial debt to LTM adjusted EBITDA) of between 1.5x and 2.5x. In the financial year 2020, a year defined by the COVID-19 pandemic, the Group achieved a leverage ratio of 2.8x as of the end of the year.

The following table provides an overview of the adjusted outlook for 2020; the various performance indicators are also evaluated and analyzed in the following sections.

However, it was not only with a view to the key financial figures that the Group achieved important targets in 2020; ProSiebenSat.1 Group also emphasized its strong competitive position. For example, the Group maintained its leading position in audience shares in the advertising-relevant target group of 14- to 49-year-olds at a high level of 27.2% (previous year: 28.2%). The development of audience shares in Germany is the most important non-financial performance indicator, with an increased focus on access and prime time as a result of the high reach for the advertising industry. In prime time, ProSiebenSat.1 recorded an increase of 0.6 percentage points in market shares compared to 2019 (viewers aged 14-49, Germany).

COMPARISON OF ACTUAL AND PROJECTED BUSINESS PERFORMANCE FOR THE GROUP

	Actual figures 2019	FY 2020 March 4, 2020	April 22, 2020	Third quarter 2020 November 5, 2020	Ad-hoc disclosure January 21, 2021	**Actual figures 2020**
Revenues (in EUR m)	4.135	Overall, the Group aims at further growth in full-year 2020 – on the basis of constant exchange rates[1] and without portfolio changes – and at increasing Group revenues to EUR 4.2 billion to EUR 4.4 billion. In the base case scenario, the Group expects year-on-year revenue growth to around EUR 4.3 billion.	Forecast withdrawn	On the basis of constant exchange rates[2] and with no further portfolio changes, the Group is aiming for Group revenues of between EUR 3.85 billion and EUR 3.95 billion for the full-year 2020.	Around 4,040	4,047
Adjusted EBITDA (in EUR m)	872	On the basis of constant exchange rates[1] and with no further portfolio changes, the Group is aiming for adjusted EBITDA of between EUR 800 million and EUR 900 million for full-year 2020. In the base-case scenario, the Group is anticipating that its adjusted EBITDA will be roughly stable year-on-year at around EUR 870 million.	Forecast withdrawn	On the basis of constant exchange rates[2] and with no further portfolio changes, the Group is aiming for adjusted EBITDA of between EUR 600 million and EUR 650 million for the full-year 2020.	Around 700	706
Adjusted net income (in EUR m)	387	On the one hand, in the full-year, the Group's adjusted net income will reflect the development of adjusted EBITDA. On the other, as a result of higher depreciation effects and potentially slightly higher investments in Joyn, the joint streaming platform with Discovery, which are recognized at equity, the Group's adjusted net income may decline in the double-digit million-euro range.	Forecast withdrawn			221
Leverage ratio (net financial debt/ LTM adjusted EBITDA)	2,6x	As of the end of 2020, depending on business performance and not including any portfolio changes, the leverage ratio could be slightly higher than the upper end of the target corridor at between 1.5x and 2.5x.	Forecast withdrawn			2.8x
Free cash flow before M&A (in EUR m)	339	Decline in at least a double-digit million-euro range	Forecast withdrawn			235

[1] Other than the Euro, the main currency is the US Dollar (USD), which accounted for 13% of revenues and 16% of costs in the past year. These are essentially translation effects. The EUR/USD exchange rate was around USD 1.1196 to the Euro in 2019.
[2] The main currency besides the Euro remains the US Dollar. The average annual EUR/USD exchange rate is around USD 1.1349 to the Euro. This corresponds to a USD exchange rate of 1.1660 USD/EUR in the fourth quarter.

SIGNIFICANT EVENTS AND CHANGES IN THE SCOPE OF CONSOLIDATION

On March 5, 2020, ProSiebenSat.1 and General Atlantic, via NuCom Group, signed an agreement for the full acquisition of the US online dating and social entertainment enterprise The Meet Group, Inc., New Hope, Pennsylvania, USA ("The Meet Group"). The acquisition agreement stipulated a purchase price of USD 6.30 per share in The Meet Group, which equates to an enterprise value of around USD 500 million. The approval of all necessary authorities was obtained on September 4, 2020, so the acquisition of The Meet Group took effect economically at the above conditions.

After Parship Group was carved out of NuCom Group following the acquisition of The Meet Group, ProSiebenSat.1 Group restructured its segment reporting. From the third quarter of 2020, its reporting segments were Seven.One Entertainment Group, ParshipMeet Group, NuCom Group and Red Arrow Studios. The holding is reported in the reconciliation column (Holding & Other). Previous year figures have been adjusted accordingly. Since January 1, 2021, ProSiebenSat.1 Group's three reporting segments have been Entertainment, Dating and Commerce & Ventures, continuing the consistent structuring of the Group according to synergy and value creation.
→ Group earnings → Organization and Group Structure

The merging of Parship Group and The Meet Group forms ParshipMeet Group, a leading global player in the dating market. ParshipMeet Group offers a highly diversified suite of services, from social dating and entertainment to online matchmaking. ProSiebenSat.1 Group holds a stake of 53% (plus preferred equity of EUR 350 million) in the new group, and General Atlantic's share amounts to 43%; the remainder is held by the management. The shares held by the management are subject to a put option agreement and are accounted for using the anticipated acquisition method. This means that 55% of ParshipMeet Group's net result for the period and net assets is allocated to ProSiebenSat.1 Group – taking the preferred equity owed to ProSiebenSat.1 Group into account – and 45% to General Atlantic. → Notes, note 5 "Acquisitions and disposals affecting the scope of consolidation" → Notes, note 26 "Shareholders' equity"

NuCom Group, in which General Atlantic holds a 28.4% stake as minority investor, remains a synergistically important part of the Group and our portfolio strategy. The aim is to use the media services of our entertainment platforms to develop consumer brands to generate value and to establish market leaders in this area. As part of an active portfolio policy, we also sell individual investments if ProSiebenSat.1 is not or is no longer the right owner. An example of this is the disposal of the OTC provider WSM Holding GmbH ("WindStar"). The enterprise value of WindStar increased by a multiple of 2.4 within four years, demonstrating the added value that ProSiebenSat.1 generates particularly with media services. → Strategy and Objectives → Opportunity Report

On September 30, 2020, ProSiebenSat.1 Group sold its Virtual Minds AG ("Virtual Minds") subsidiary, myLoc managed IT AG ("myLoc"), to the Italian cloud provider WIIT S.p.A., Milan, Italy ("WIIT"). ProSiebenSat.1 is thus pursuing its strategy of focusing on areas that synergize with the entertainment business. As a result of the sale, the infrastructure provider myLoc was carved out of the Virtual Minds technology holding company, which will now focus even more strongly on its core AdTech expertise. Virtual Minds offers advertisers a comprehensive technology range for booking and playing advertising. The sales proceeds amounted to EUR 51 million.

On October 22, 2020, NuCom Group sold its entire 92% stake in WindStar to the financial investor Oakley Capital Limited, London, United Kingdom ("Oakley Capital"). Oakley Capital acquired the remaining 8% held by minority shareholders at the same time. The transaction was based on an enterprise value of EUR 280 million with expected 2020 revenues of EUR 127 million and an adjusted EBITDA of EUR 21 million. This corresponds to an adjusted EBITDA multiple of 13.6x. The approval of the relevant antitrust authorities was obtained on December 1, 2020, so the deconsolidation of WindStar also took effect economically in the fourth quarter.

At the beginning of the financial year, ProSiebenSat.1 Group examined various options for the further alignment of Red Arrow Studios' international production business. The Group concluded this strategic review in March 2020, deciding that the international production business would remain part of the Group. In the context of the COVID-19 crisis the options examined were no longer feasible.

Other significant events were personnel changes in the composition of the Supervisory Board and Executive Board: Dr. Antonella Mei-Pochtler was appointed as a member of the Supervisory Board of ProSiebenSat.1 Media SE by court order with effect from April 13, 2020. A clear majority of the shareholders then elected her as a new Supervisory Board member at the Annual General Meeting on June 10, 2020. She succeeds Angelika Gifford, who had resigned on January 13, 2020. Dr. Antonella Mei-Pochtler is an independent entrepreneur as well as senior advisor at the Boston Consulting Group and special advisor to the Austrian Chancellor. She has extensive expertise as well as a global network in the areas of strategy, media and digital transformation.

On March 13, 2020, the company announced that Conrad Albert, Deputy CEO of ProSiebenSat.1 Media SE, would resign his Executive Board post by mutual agreement at the end of April 30, 2020, and leave the company on this date. In addition, the Supervisory Board of ProSiebenSat.1 Media SE resolved on March 26, 2020, that CFO Rainer Beaujean would also take on the role of Chairman of the Executive Board and CEO Max Conze would leave the company with immediate effect. Additionally, Wolfgang Link and Christine Scheffler were newly appointed to the Executive Board. In the Executive Board team, Rainer Beaujean is responsible for Strategy & M&A, the Red Arrow Studios, NuCom Group and the newly created ParshipMeet Group as well as all financial functions and the holding divisions IT, Communications, Investor Relations, Legal, Media Policy and Group Security. Wolfgang Link is in charge of the entertainment business, which comprises all areas from content and digital to sales and the streaming business with the platform Joyn. Christine Scheffler heads the Human Resources, Compliance, Sustainability and Organizational Development & Operational Excellence departments.

As part of this, ProSiebenSat.1 Group is refocusing its entertainment business more strongly on the German-speaking region (Germany, Austria and Switzerland). At the same time, the content, digital and sales businesses are being brought even closer together in order to offer viewers content across all platforms and media. Since October 1, 2020, all of ProSiebenSat.1 Media SE's entertainment activities have therefore also been bundled under the umbrella brand of the Seven.One Entertainment Group GmbH ("Seven.One Entertainment Group"). → Organization and Group Structure → Strategy and Objectives

In this strategic context, ProSiebenSat.1 Group acquired broadcasting rights for Bundesliga soccer starting with the 2021/22 season for its station SAT.1 in June 2020. The exclusive live free TV package comprises nine live matches per season, including the Supercup, the opening Bundesliga game, the matches before and after the winter break, the opening game of Bundesliga 2, and the Bundesliga and Bundesliga 2 play-offs. The rights package is valid for four seasons in total. The live matches will be broadcast on SAT.1 and in parallel on the platforms ran.de and sat1.de, on the ran and SAT.1 apps, and in the SAT.1 live stream on Joyn. ProSiebenSat.1 is thus expanding the Group's sports offering, which also includes broadcasts of the European U21 Championship and the National Football League (NFL).

Because ProSiebenSat.1 Group is increasingly focusing on local, relevant and live content in its programming strategy, the Group has also announced that it will further expand its own production activities: From the start of 2023, the company will produce cross-platform news for ProSieben, SAT.1 and Kabel Eins itself. A central news team of around 60 people is therefore being assembled and an ultra-modern, cross-media newsroom with a state-of-the-art studio is being built. A capital city office is also planned in Berlin.

The health and safety of employees are ProSiebenSat.1 Group's top priority. Against the background of the COVID-19 pandemic, most of the employees at the Unterföhring site have been working remotely from home since mid-March, also in order to protect the employees who are absolutely necessary in order to continue broadcasting at the campus in Unterföhring.

GROUP EARNINGS

REVENUES

The Group generated **revenues** of EUR 4,047 million in 2020 (previous year: EUR 4,135 million) and was therefore only 2% below the previous year despite the substantial impact of the COVID-19 pandemic. After the Group's business was impacted by the pandemic-related restrictions, particulalry in the second quarter, ProSiebenSat.1 ended the year with a strong fourth quarter: Over this period, the Group's revenues increased by 11% to EUR 1,492 million (previous year: EUR 1,349 million) as all segments again posted growth.

Adjusted for currency effects and changes in the portfolio, the Group's revenues declined by 4% to EUR 3,930 million (previous year: EUR 4,115 million).[1] → Significant Events and Changes in the Scope of Consolidation

The development in revenues in financial year 2020 reflects the impact of the COVID-19 pandemic, which affected advertising business and international production business especially. Also, the revenues of our online comparison platform for rental cars and the offerings in the field of experiences were below the previous year due to the restrictions on public and economic life. In the second half of the year, both the advertising business and the international production business showed an upward trend, given positive economic signals, with the result that the Group's revenues were higher year-on-year in the fourth quarter. However, the negative effects resulting in particular from the second quarter, could not be fully compensated for the full-year. Against this background, and as a result of the growing revenues of our commerce and dating business, the share of non-advertising business to the Group revenues increased to 52% over the year (previous year: 47%).

EXTERNAL REVENUES BY SEGMENT[1] in EUR m

	2020	2019	Absolute change	Change in %
Seven.One Entertainment Group	2,286	2,518	–231	–9.2
ParshipMeet Group	333	209	124	59.3
NuCom Group	807	756	51	6.8
Red Arrow Studios	620	652	–32	–4.9
Revenues	**4,047**	**4,135**	**–88**	**–2.1**

[1] The prior-year figures have been adjusted to the segment structure in place since the third quarter of 2020.

External revenues in the **Seven.One Entertainment Group** segment amounted to EUR 2,286 million (previous year: EUR 2,518 million), and were thus 9% below the previous year's figure. Adjusted for currency effects and portfolio changes, the decline in segment revenues also amounted to 9%; the hosting and infrastructure provider myLoc was sold in 2020.

After the first impacts of the pandemic on the advertising market were already visible in mid-March, this development intensified significantly in the second quarter. Following a recovery supported by the economy in the third quarter, external revenues rose by 2% compared to the previous year in the fourth quarter, thanks in particular to the growth of 3% in advertising business. However, the development described caused advertising revenues to decline by 10% over the full-year. The AdTech sector's advertising revenues with the programmatic trading of advertising time developed positively in all quarters. Other revenues recorded a slight decrease by 3% year-on-year, and were also defined by the weak second quarter. Sports were particularly affected, as no events could take place due to the pandemic. By contrast, distribution revenues grew dynamically in all quarters thanks to the further increase in the number of HD users. → Group Environment

External revenues in the **ParshipMeet Group** segment rose by 59% to EUR 333 million (previous year: EUR 209 million) in financial year 2020 and were influenced in particular by the acquisition of The Meet Group in September 2020. Adjusted for currency effects and portfolio changes, revenues also rose significantly by 11%. In particular, the performance of the companies of the former Parship Group (Parship, Elite Partner and eHarmony) was very positive. On the one hand, this highlights the growing importance of the dating business even in a COVID-19 affected environment. On the other, eHarmony experienced strong organic growth following its full integration. Parship Group was carved out of the NuCom Group segment following the acquisition of The Meet Group and has been reported in the new segment ParshipMeet Group since the third quarter.

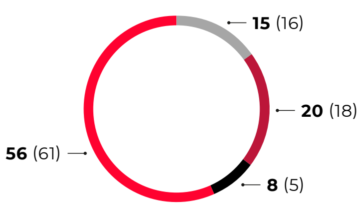
In the **NuCom Group** segment, **external revenues** rose by 7% to EUR 807 million in the reporting period 2020 (previous year: EUR 756 million). Growth was influenced by the acquisition of be Around in March 2019 and, countering this, the sale of WindStar at the beginning of December. Adjusted for currency effects and portfolio changes, the growth amounted to 6%. Despite the COVID-19 restrictions, the online-beauty provider Flaconi GmbH

[1] The revenues of the US online dating and social entertainment company The Meet Group, which was acquired in September 2020, were not taken into account in the current financial year. Similarly, be Around Holding GmbH ("be around"), the online broker for products and services that was acquired in March 2019, was also not taken into account for January and February 2020. The contributions of myLoc, the hosting and infrastructure provider sold as of the end of September 2020, were not included for the months from October to December 2019, and the contributions of the OTC provider WindStar, which was sold as of the start of December 2020, were not included for the month of December 2019. Currency effects are determined by translating the previous year's revenues using the average rates applied in currency translation in the current financial year.

("Flaconi") in particular continued its revenue growth with considerable gains. By contrast, the restrictions on public life since March 2020 had a negative impact on the travel and transport business as well as on the leisure industry. The declines there slowed NuCom Group's growth accordingly.

External revenues in the **Red Arrow Studios** segment decreased by 5% to EUR 620 million in financial year 2020 (previous year: EUR 652 million). Adjusted for currency effects, revenues were down 3% on the previous year. The effects of the COVID-19 pandemic also had a high impact here in the second quarter in particular, with the international program production business being particularly hard hit. After program productions in the US in particular had to be largely stopped or postponed in mid-March, there were still restrictions there in the further course of the year. As the restrictions on public life were eased, production business recovered slightly in the third quarter and was above the level of the previous year in the fourth quarter due to catch-up effects. The performance in program distribution, our global sales business, was also clearly positive over the full-year. However, this was unable to compensate the decline in production business over the first nine months of 2020. → Group Environment

REVENUE SHARE BY SEGMENT[1]
in %, 2019 figures in parentheses



[1] The prior-year figures have been adjusted to the segment structure in place since the third quarter of 2020.

REVENUES BY REGION in EUR m

	2020	2019
DACH[1]	3,349	3,516
USA	620	540
Other	77	78
Revenues	**4,047**	**4,135**

[1] DACH = German-speaking region (Germany, Austria, Switzerland).

At 82.8%, ProSiebenSat.1 Group generates the majority of its revenues in the DACH[1] region (previous year: 85.0%).

ADJUSTED EBITDA

Adjusted EBITDA declined by 19% or EUR 166 million to EUR 706 million in financial year 2020. The **adjusted EBITDA margin** was 17.4% (previous year: 21.1%). The decline in high-margin advertising business in particular had a negative impact on the ProSiebenSat.1 Group's profitability. While the effects of the pandemic were particularly evident in the second quarter, earnings power improved significantly in line with revenues from the third quarter. The Group's adjusted EBITDA grew by 12% to EUR 377 million in the fourth quarter (previous year: EUR 338 million). With the beginning of the COVID-19 pandemic various cost-cutting measures were implemented throughout the entire Group. For example, the Group adopted short-time work in areas affected by work shortages, IT expenses were scaled back and other costs such as travel or consulting expenses were reduced.

The implications of the COVID-19 pandemic are significantly influencing the earnings and margin development of the **Seven.One Entertainment Group** segment, in particular due to the decline in advertising revenues: Despite active cost management, **adjusted EBITDA** was down by 28% or EUR 217 million at EUR 571 million over the full-year, the **adjusted EBITDA margin** declined to 24.0% (previous year: 30.2%). However, adjusted EBITDA grew by 4% year-on-year in the fourth quarter; the adjusted EBITDA margin was also slightly higher than in the previous year at 34.9% in the fourth quarter of 2020 (34.2%).

ADJUSTED EBITDA BY SEGMENT in EUR m

	2020	2019	Absolute change	Change in %	Adjusted EBITDA margin 2020 (in %)[1]	Adjusted EBITDA margin 2019 (in %)[1]
Seven.One Entertainment Group	571	787	–217	–27.5	24.0	30.2
ParshipMeet Group	80	44	36	81.4	23.9	21.0
NuCom Group	32	54	–22	–40.9	3.9	7.0
Red Arrow Studios	42	48	–6	–12.6	6.2	6.6
Reconciliation (Holding & other)	–19	–62	42	–69.1	—	—
Total adjusted EBITDA	**706**	**872**	**–166**	**–19.1**	**17.4**	**21.1**

[1] Based on segment revenues.

The **ParshipMeet Group** segment recorded significant growth in **adjusted EBITDA** in 2020: the figure rose from EUR 44 million to EUR 80 million. In addition to strong operational growth, this is due to the acquisition of The Meet Group. The **adjusted EBITDA margin** improved to 23.9% (previous year: 21.0%).
→ Significant Events and Changes in the Scope of Consolidation

The **adjusted EBITDA** of the **NuCom Group** segment amounted to EUR 32 million, down 41% on the previous-year figure of EUR 54 million. The **adjusted EBITDA margin** declined to 3.9% (previous year: 7.0%). The change is due in particular to the decline in the high-margin revenues in our travel and leisure business in connection with COVID-19 related lower bookings. Strict cost management was a key positive factor, and the contributions to earnings at Flaconi and Verivox improved as well. Earnings were impacted by the different margin structures of the individual business models.

Adjusted EBITDA in the **Red Arrow Studios** segment decreased by 13% to EUR 42 million (previous year: EUR 48 million). By contrast, the **adjusted EBITDA margin** was virtually almost stable at 6.2% (previous year: 6.6%). The decline in revenues in production business was partially compensated by corresponding cost-cutting measures and dynamic program distribution.

The following table shows the reconciliation of adjusted EBITDA to net income:

RECONCILIATION OF ADJUSTED EBITDA TO NET INCOME
in EUR m

	2020	2019	Absolute change	Change in %
Adjusted EBITDA	**706**	**872**	**–166**	**–19.1**
Reconciling items	95	–34	129	~
EBITDA	**801**	**838**	**–37**	**–4.4**
Depreciation, amortization and impairment	–248	–260	11	–4.3
thereof from purchase price allocations	–52	–69	16	–23.7
Operating result (EBIT)	**553**	**578**	**–26**	**–4.5**
Financial result	–183	–6	–176	~
Income taxes	–118	–161	43	–26.6
Net income	**252**	**412**	**–159**	**–38.7**

The **reconciling items** amounted to EUR 95 million in financial year 2020 compared to minus EUR 34 million in the previous year, and mostly arose in the fourth quarter of 2020 in the financial year. The largest single item was income from changes in the scope of consolidation at EUR 140 million (previous year: EUR 0 million). This includes income from the disposals of WindStar (EUR 106 million) and myLoc (EUR 35 million). M&A projects resulted in expenses of EUR 24 million (previous year: EUR 12 million) in 2020, which essentially relate to the acquisition of The Meet Group and the disposal of WindStar. The expenses from other one-time items of EUR 7 million mainly include expenses in connection with changes in the Executive Board (previous year: EUR 5 million). → Significant Events and Changes in the Scope of Consolidation

PRESENTATION OF RECONCILING ITEMS WITHIN ADJUSTED EBITDA in EUR m

	2020	2019
Adjusted EBITDA	**706**	**872**
Income from changes in scope of consolidation	140	0
Income from other one-time items	1	0
Income adjustments	**141**	**1**
M&A related expenses	–24	–12
Reorganization expenses	–6	–45
Expenses for legal claims	–3	0
Fair value adjustments of share-based payments	–5	5
Expenses from other one-time items	–7	–5
Valuation effects relating to strategic realignments of business units	–1	23
Expense adjustments	**–46**	**–35**
Reconciling items	**95**	**–34**
EBITDA	**801**	**838**

In total, **depreciation, amortization and impairments** amounted to EUR 248 million in 2020 after EUR 260 million in the previous year. Impairment losses decreased significantly compared to the previous year and amounted to EUR 8 million (previous year: EUR 31 million). The main reason for the high figure in the previous year was an impairment of EUR 19 million on customer relationships in the Red Arrow Studios segment. The amortization on intangible assets rose by EUR 11 million to EUR 160 million (previous year: EUR 149 million). In particular, this was due to higher internally generated intangible assets and purchased other intangible assets in conjunction with the acquisition of The Meet Group. Depreciation of property, plant and equipment remained unchanged at EUR 80 million.

FINANCIAL RESULT

The **financial result** amounted to minus EUR 183 million in financial year 2020 (previous year: EUR –6 million) and is due to various, at times contradictory developments and previous-year comparative effects:

The **interest result** amounted to minus EUR 73 million (previous year: EUR –56 million) and, among other things, reflects higher borrowing costs. This was largely on account of higher expenses than in the previous year in connection with the term loan of EUR 6 million and the interest expenses of EUR 2 million resulting from the utilization of the revolving credit facility (RCF) between April 2020 and November 2020. The previous-year figure is relatively low and was influenced in part by a positive tax interest effect of EUR 4 million (2020: negative tax interest effect of EUR 5 million) that essentially relates to the tax deduction of one-time fees for the syndicated loan from 2007.

The result from **investments accounted for using the equity method**, also recognized in the financial result, declined to minus EUR 77 million (previous year: EUR –50 million) and essentially includes the Group's 50% share of Joyn's result. In particular, Joyn's result for financial year 2020 was reduced by impairments on other intangible assets of EUR 26 million (previous year: EUR 0 million).

The **other financial result** amounted to minus EUR 32 million in 2020 (previous year: EUR 100 million). On the one hand, this includes effects from the valuation of put-options and earn-out liabilities of minus EUR 30 million (previous year: EUR 76 million), which primarily related to the ParshipMeet Group segment. The largest single items in 2019 were valuation effects relating to Studio71 and the social advertising provider esome advertising technologies GmbH ("esome"). On the other hand, the other financial result includes the gains on the revaluation and disposal of other financial instruments of EUR 5 million (previous year: EUR 41 million). The figure for 2019 reflects impacts in connection with various transactions: These include the disposal of the shares in the global video service Pluto Inc. ("Pluto") in the amount of EUR 22 million, the revaluation of the shares accounted for using the equity method in Marketplace GmbH ("Marketplace") in conjunction with the higher shareholding and the consolidation of the newly founded be Around in the amount of EUR 26 million.

This was partly offset by currency translation results of minus EUR 6 million (previous year: EUR –9 million). In addition, financing costs declined and amounted to minus EUR 7 million (previous year: EUR –10 million).

INCOME TAXES

Income taxes amounted to EUR 118 million in financial year 2020 (previous year: EUR 161 million). This development was essentially due to the decline in the result before income taxes.

The tax rate rose from 28% to 32%. This increase was mainly due to the valuation effects described in the other financial result and the result of investments accounted for using the equity method. Offsetting this, the tax rate was reduced by the largely tax-free income from the disposals of WindStar and myLoc.

NET INCOME AND ADJUSTED NET INCOME

Net income declined by EUR 159 million to EUR 252 million in financial year 2020; in addition to the impact of the COVID-19 pandemic, this is also essentially due to the negative development described in the financial result, in particular due to non-recurring valuation effects of put-options and earn-out liabilities. Against this background, net income attributable to shareholders of ProSiebenSat.1 Media SE declined by EUR 146 million to EUR 267 million.

Adjusted net income amounted to EUR 221 million in the past financial year (previous year: EUR 387 million). The reconciling items relevant in calculating adjusted net income are presented in the statement of reconciliation below. In addition to the valuation effects reorganized in other financial result, these also include effects from foreign currency effects relating to the acquisition of The Meet Group. These are reported in the reconciliation statement under other material one-time items. Basic adjusted earnings per share amounted to EUR 0.98 in the reporting period (previous year: EUR 1.71).

RECONCILIATION OF ADJUSTED NET INCOME in EUR m

	2020	2019	Absolute change	Change in %
Net income	**252**	**412**	**–159**	**–38.7**
Reconciling items within EBITDA	–95	34	–129	~
Depreciation, amortization and impairments from purchase price allocations	52	70[1]	–18	–25.1
Valuation effects in other financial result	–7	–41	34	–82.9
Valuation effects of put-options and earn-out liabilities[2]	33	–70	103	~
Valuation effects from interest rate hedging transactions	–1	–3	3	–81.2
Other material one-time items	12	10	2	20.6
Tax effects on adjustments	–19	–24	6	–22.9
Subtotal	**228**	**386**	**–159**	**–41.1**
Net income attributable to non-controlling interests	15	1	13	~
Adjustments attributable to non-controlling interests	–21	–1	–20	~
Net income attributable to adjusted non-controlling interests	–6	0	–7	~
Adjusted net income	**221**	**387**	**–165**	**–42.8**
Adjusted earnings per share (in EUR)	**0.98**	**1.71**		

[1] Including impacts on associates consolidated using the equity method in the amount of EUR 1 million.
[2] Including compounding and foreign currency effects of EUR 3 million (previous year: EUR 6 million).

KEY INCOME STATEMENT ITEMS

INCOME STATEMENT in EUR m

	2020	2019
Revenues	4,047	4,135
Cost of sales	–2,468	–2,377
Selling expenses	–646	–627
Administrative expenses	–538	–576
Other operating income/expenses	157	24
Operating result (EBIT)	**553**	**578**
Financial result	–183	–6
Income taxes	–118	–161
Net income	**252**	**412**
Attributable to shareholders of ProSiebenSat.1 Media SE	267	413
Attributable to non-controlling interests	–15	–1

FUNCTIONAL COSTS

The **cost of sales** rose by 4% to EUR 2,468 million (previous year: EUR 2,377 million). EUR 74 million of the rise in costs relates to the acquisition of The Meet Group. Adjusted for this, the increase in the cost of sales amounts to EUR 16 million or 1%. While revenue-based costs at Flaconi increased by EUR 68 million, costs in the Red Arrow Studios segment declined by EUR 47 million on account of stopped productions due to the pandemic. The cost of sales was also reduced in travel and leisure business by the decline in revenues due to COVID-19. Total programming expenses amounted to EUR 1,023 million in financial year 2020 (previous year: EUR 1,007 million), and consisted in particular of the consumption of programming assets of EUR 966 million (previous year: EUR 958 million) taking into account the provisions for onerous contracts recognized and expenses for productions recognized immediately of EUR 57 million (previous year: EUR 49 million). This item had included the reversal of provisions for onerous contracts in the amount of EUR 23 million in the previous year. Without this non-recurring impact, programming expenses would have been slightly lower, by EUR 7 million, in financial year 2020 than in the previous year. → Strategy and Objectives

The Group's **selling expenses** rose by 3% year-on-year to EUR 646 million (previous year: EUR 627 million). This development is attributable on the one hand to a growth-driven increase in marketing activities at eHarmony and Flaconi and on the other to the acquisition of The Meet Group. Furthermore, selling expenses were kept virtually stable thanks to systematic cost management during the COVID-19 pandemic, in particular at a number of companies of the Seven.One Entertainment Group and NuCom Group segments.

The strict cost management in all segments had a particularly clear effect on **administrative expenses**. These declined to EUR 538 million in financial year 2020 (previous year: EUR 576 million). This shows the impact of the cost-cutting measures due to COVID-19, such as savings in travel and consulting expenses. Also, the figure for the previous year contains expenses in connection with the repositioning and closer bundling of business areas in the Seven.One Entertainment Group segment.

The Group's personnel expenses reported in the cost of sales, selling expenses and administrative expenses amounted to EUR 717 million in the past financial year. This corresponds to a slight increase of 1% or EUR 10 million compared to the previous year. In particular, the higher personnel expenses result from the acquisition of The Meet Group at EUR 17 million. In the period under review, personnel expenses also include severance payments for former members of the Executive Board of EUR 7 million (previous year: EUR 5 million). Not including these impacts, ProSiebenSat.1 Group was able to reduce personnel expenses in particular on account of the reorganization in the Seven.One Entertainment Group segment and the use of short-time work especially in the NuCom Group segment.

Other operating income and expenses increased significantly from EUR 24 million in the previous year to EUR 157 million in financial year 2020. This increase mainly relates to income recognized in the current period under review from the disposal of WindStar (EUR 106 million) and myLoc (EUR 35 million).

ALLOCATION OF PROFITS

Since financial year 2018, ProSiebenSat.1 Media SE has pursued a general dividend policy of distributing around 50% of adjusted net income to the shareholders as a dividend. The Group uses cash inflows exceeding the dividend distribution primarily for investments in organic and inorganic growth and to reduce its debt. In financial year 2020, in view of the COVID-19 situation, the Executive Board and the Supervisory Board resolved to suspend the dividend originally planned for financial year 2019 and to be paid in 2020. However, the Executive Board confirmed the overall dividend policy. Accordingly, the Executive Board and the Supervisory Board will propose a dividend of 50% of adjusted net income or EUR 0.49 per share to the Annual General Meeting for financial year 2020. This corresponds to a dividend yield of around 3.6% based on the closing price of the ProSiebenSat.1 share at the end of 2020.

RETURN ON CAPITAL EMPLOYED (ROCE)

The ProSiebenSat.1 Group's **return on capital employed (ROCE)** was 10% in financial year 2020 after 16% in financial year 2019. The decline is mainly due to the decrease in revenues from high-margin advertising business in conjunction with the COVID-19 pandemic. The increase in capital employed was caused by the acquisition of The Meet Group.
→ Planning and Management

CALCULATION OF P7S1 ROCE in EUR m

	2020	2019
Adjusted EBIT[1]	514	684
Plus pension expenses	2	2
Plus result from investments accounted for using the equity method	–77	–49
Return (ROCE)	**439**	**637**
Capital employed (average)[2]	**4,189**	**3,945**
P7S1 ROCE (in %)	**10**	**16**

[1] Adjusted EBIT: Stands for adjusted earnings before interest and taxes. It describes the operating result (earnings before interest and taxes) adjusted for certain influencing factors (reconciling items). These factors include the reconciling items that flow into adjusted EBITDA as well as depreciation, amortization and impairments from purchase price allocations.
[2] Capital employed is the difference between intangible assets (incl. goodwill and purchase price allocation), property, plant and equipment, investments accounted for using the equity method, media-for-equity investments, program assets, inventories, account receivables and other current assets less other provisions, account receivables and current other financial assets (excluding derivatives) and other receivables and assets less other provisions, accouns, receivables, liabilities to at equity investments and other liablities. The figure relates to the average of the reporting dates of the last five quarters.

FINANCIAL PERFORMANCE OF THE GROUP

Total assets amounted to EUR 7,081 million as of December 31, 2020 (December 31, 2019: EUR 6,618 million), this is an increase of 7%. The most important items in the statement of financial position are described in more detail below:

FINANCIAL PERFORMANCE in EUR m

	12/31/2020	12/31/2019	Absolute change	Absolute in %
Assets				
Goodwill	2,177	2,109	68	3
Programming assets	1,072	1,057	15	1
Other intangible assets	943	835	108	13
Property, plant and equipment	443	351	92	26
Other	341	413	–72	–18
Non-current assets	**4,975**	**4,764**	**211**	**4**
Programming assets	141	148	–6	–4
Trade receivables	569	530	40	7
Other	172	226	–54	–24
Cash and cash equivalents	1,224	950	274	29
Current assets	**2,106**	**1,853**	**253**	**14**
Total assets	**7,081**	**6,618**	**464**	**7**
Liabilities				
Equity	**1,687**	**1,288**	**399**	**31**
Current financial debt	2,591	3,190	–598	–19
Other	826	744	81	11
Non-current liabilities	**3,417**	**3,934**	**–517**	**–13**
Current financial debt	601	5	596	~
Other	1,376	1,390	–14	–1
Current liabilities	**1,977**	**1,395**	**582**	**42**
Total equity and liabilities	**7,081**	**6,618**	**464**	**7**

Current and non-current assets: As of December 31, 2020, goodwill increased by EUR 68 million to EUR 2,177 million (December 31, 2019: EUR 2,109 million); its share in total assets was 31% (December 31, 2019: 32%). The increase in goodwill mainly results from the acquisition of The Meet Group at the start of September 2020 (EUR 239 million). This was countered by the disposals of myLoc and WindStar (EUR 128 million) and foreign currency effects.

Programming assets were almost stable year-on-year at EUR 1,213 million (December 31, 2019: EUR 1,204 million). They therefore accounted for 17% of total assets (December 31, 2019: 18%). Details of the development in programming assets are shown below: → Notes, note 18 "Programming assets".

STATEMENT OF CHANGES IN PROGRAMMING ASSETS

in EUR m

	2020	2019
Carrying amount 01/01	**1,204**	**1,113**
Additions[1]	1,027	1,170
Disposals	–17	–17
Consumption	–999	–1,061
Other change	–1	–2
Carrying amount 12/31	**1,213**	**1,204**

[1] EUR 35 million of the additions in financial year 2020 have already been recognized in profit or loss through provisions for onerous contracts recognized in financial year 2018 (previous year: EUR 51 million).

Taking into account the provision for onerous contracts recognized, the consumption of programming assets increased slightly in financial year 2020 to EUR 966 million (previous year: EUR 958 million). However, this development reflects in particular the reversal of the provision for onerous contracts in the amount of EUR 23 million in 2019. Without this non-recurring effect, the consumption of programming assets would have been slightly lower, by EUR 15 million, in financial year 2020 than the figure for the previous year (EUR 981 million).

EARNINGS EFFECTS OF PROGRAMMING ASSETS in EUR m

	2020	2019
Consumption	999	1.061
Change in provision for onerous contracts	–33	–103[1]
Consumption incl. change in provision for onerous contracts	**966**	**958**

[1] Including EUR 23 million reversed from the provision for onerous contracts.

Other intangible assets increased by EUR 108 million or 13% to EUR 943 million (December 31, 2019: EUR 835 million). This increase is mainly due to the acquisition of The Meet Group (EUR 193 million) and investments in other intangible assets of EUR 136 million. This was countered by amortization and impairments of EUR 168 million, the disposals of WindStar (EUR 38 million) and currency effects of EUR 14 million. Property, plant, and equipment increased by 26% to EUR 443 million (December 31, 2019: EUR 351 million). This is mainly attributable to rented office space in Germany and the US.

Other non-current assets decreased by 18% to EUR 341 million (December 31, 2019: EUR 413 million). Their decline is essentially due to the value performance of long-term foreign currency hedges in US dollars. For this reason, other current assets also recorded a decline, falling by a total of 24% to EUR 172 million (December 31, 2019: EUR 226 million). By contrast, current trade receivables rose by 7% to EUR 569 million as of the end of the reporting period (December 31, 2019: EUR 530 million).

Cash and cash equivalents increased to EUR 1,224 million. This equates to an increase of 29% or EUR 274 million compared to December 31, 2019, and reflects the positive development of cash flows. Compared to the previous year, cash and cash equivalents were positively influenced by the suspension of the originally announced dividend payment of EUR 192 million. A dividend of EUR 269 million was paid in 2019. → Analysis of Liquidity and Capital Expenditure

Equity: Equity increased by 31% or EUR 399 million to EUR 1,687 million. The equity ratio was 23.8% (December 31, 2019: 19.5%). On the one hand, this development is due to the acquisition of The Meet Group together with General Atlantic and the increased shareholding in the newly formed ParshipMeet Group as a result. On the other, equity received a significant boost from the positive net income especially.

Current and non-current financial debt: Total current and non-current financial debt amounted to EUR 3,192 million (December 31, 2019: EUR 3,195 million). The notes that were due to mature in April 2021 and repaid early on January 15, 2021 was reported under current financial debt at a carrying amount of EUR 600 million as of December 31, 2020.

NET WORKING CAPITAL

NET WORKING CAPITAL in EUR m

	12/31/2020	12/31/2019
Inventories	44	48
Receivables	588	541
Trade payables	692	746
Net working capital	**–60**	**–156**

The **net working capital** of ProSiebenSat.1 Group increased to minus EUR 60 million as of December 31, 2020 (December 31, 2019: EUR –156 million). The ratio of average net working capital to revenues of the past twelve months was minus 1.5% as of December 31, 2020 (December 31, 2019: –3.8%).

GROUP FINANCIAL POSITION AND LIQUIDITY

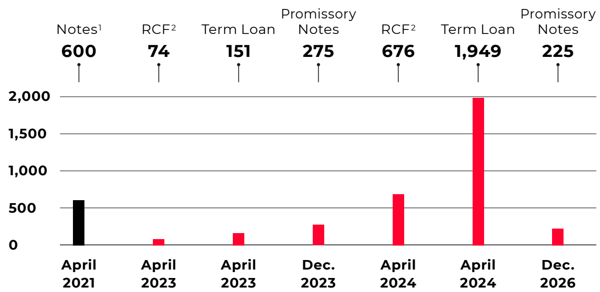
BORROWINGS AND FINANCIAL STRUCTURE

ProSiebenSat.1 Group uses various financing instruments and practices active financial management. The Group's financing instruments are not subject to financial covenants. As of December 31, 2020, debt accounted for 76% of total equity and liabilities (December 31, 2019: 81%). Current and non-current financial debt accounted for a majority (59%) of this at EUR 3,192 million (December 31, 2019: EUR 3,195 million or 60%). → Financial Performance of the Group

Most of the syndicated term loan of EUR 2.1 billion in total and the syndicated revolving credit facility (RCF) of up to EUR 750 million mature in April 2024. In addition, ProSiebenSat.1 Group had issued notes with a maturity of seven years in April 2014 with a volume of EUR 600 million in the period under review. Until the time of its early repayment on January 15, 2021, the bond, which was originally to mature in April 2021, was listed on the regulated market of the Luxembourg stock exchange (ISIN DE000A11QFA7); the coupon was 2.625% p.a. In December 2020, ProSiebenSat.1 Group exercised its three-month early termination right under the terms and conditions of the notes and repaid the notes at nominal value in January 2021. Since 2016, the Group's portfolio has also included three syndicated promissory notes totaling EUR 500 million with durations 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 Group continuously monitors and assesses developments on the money and capital markets. Accordingly, at the beginning of April 2020, the Group drew down a portion of EUR 350 million of its revolving credit facility of EUR 750 million to ensure access to the company's liquidity reserves at any time in an environment characterized by COVID-19. In the course of the positive developments in the fourth quarter, this was repaid in November 2020.

DEBT FINANCING INSTRUMENTS AND DURATIONS AS OF DECEMBER 31, 2020 in EUR m



[1] In December 2020, ProSiebenSat.1 Group exercised its three-month early termination right under the terms and conditions of the notes and repaid the notes at nominal value in January 2021.
[2] Not drawn.

Interest payable on the syndicated term loan and the syndicated revolving credit facility (RCF) is variable and based on Euribor money market rates plus an additional credit margin, whereby the contract provides for a floor of 0% for the base rate. The Group uses derivative financial instruments in the form of interest rate swaps and interest rate options to hedge against market-related interest rate changes caused by the market. As of December 31, 2020, the proportion of fixed interest was approximately 95% of the entire long-term financing portfolio (December 31, 2019: approx. 98%). As of December 31, 2020, the average interest cap was 0% per annum for the period up to 2024. → Financial Performance of the Group

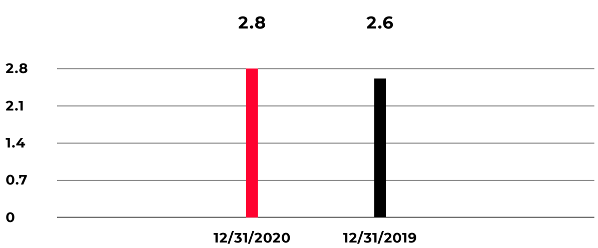
FINANCING ANALYSIS

The leverage ratio describes the ratio of net financial debt to adjusted EBITDA over the past twelve months (LTM adjusted EBITDA) and rose to a factor of 2.8x as of December 31, 2020 (December 31, 2019: 2.6x). This is due to the development in adjusted EBITDA over the past twelve months, which declined on account of the COVID-19 pandemic. By contrast, net financial debt improved but was only able to partially offset this impact. The improvement in net financial debt to EUR 1,968 million (December 31, 2019: EUR 2,245 million) reflects the Group's cash flow management. → Analysis of Liquidity and Capital Expenditure

NET FINANCIAL DEBT in EUR m

	12/31/2020	12/31/2019
Financial debt		
Term loan	2,092	2,090
Notes	600	599
Promissory notes	499	499
Other loans	1	8
Financial debt	**3,192**	**3,195**
Cash and cash equivalents	1,224	950
Net financial debt	**1,968**	**2,245**

LEVERAGE RATIO[1]



[1] The leverage ratio is derived by calculating the ratio of net financial debt to LTM adjusted EBITDA.

As of December 31, 2020, the definition of ProSiebenSat.1 Group's net financial debt does not include lease liabilities according to IFRS 16 of EUR 228 million (December 31, 2019: EUR 171 million) and real estate liabilities of EUR 71 million (December 31, 2019: EUR 48 million).

ANALYSIS OF LIQUIDITY AND CAPITAL EXPENDITURE

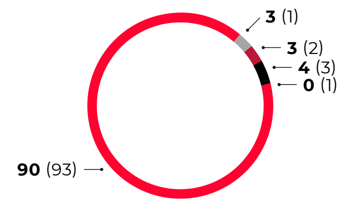
CASH FLOW STATEMENT in EUR m

	2020	2019
Net income	**252**	**412**
Cash flow from operating activities	**1,511**	**1,603**
Cash flow from investing activities	**–1,391**	**–1,396**
thereof acquisition of The Meet Group	–368	—
thereof disposal of myLoc	48	—
thereof disposal of WindStar	257	—
Free cash flow	**120**	**207**
Cash flow from financing activities	**205**	**–294**
Effect of foreign exchange rate changes on cash and cash equivalents	–50	6
Change in cash and cash equivalents	274	–81
Cash and cash equivalents at beginning of reporting period	950	1,031
Cash and cash equivalents at end of reporting period	**1,224**	**950**

In financial year 2020, ProSiebenSat.1 Group generated a cash flow from operating activities of EUR 1,511 million (previous year: EUR 1,603 million). The decline results from lower operating net income. This was offset by lower tax payments in particular.

INVESTMENTS BY SEGMENT BEFORE M&A ACTIVITIES

in %, 2019 figures in parentheses



- Seven.One Entertainment Group
- NuCom Group
- Red Arrow Studios
- Reconciliation (Holding & other)
- ParshipMeet Group

The ProSiebenSat.1 Group is reporting **a cash flow from investing activities** of minus EUR 1,391 million for the 2020 period under review; this is virtually the same as the previous year's level of minus EUR 1,396 million and is defined by cash flows in both directions. Among other things, a higher cash outflow for additions to the scope of consolidation, in particular for the acquisition of The Meet Group, virtually offset higher proceeds from the disposals of WindStar and myLoc. Specifically, there were the following cash flows:

– The cash outflow for the acquisition of programming assets amounted to EUR 1,063 million in the past financial year (previous year: EUR 1,072 million). The programming investments were made in the Seven.One Entertainment Group segment.

Programming investments are a top priority in investing activities. In addition to the purchasing of licensed formats and commissioned productions, in-house formats secure the Group's programming stream. 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.

– The cash outflow for additions to the scope of consolidation amounted to EUR 397 million in financial year 2020 (previous year: EUR 100 million). This primarily includes the acquisition of The Meet Group in the amount of EUR 418 million less the cash thus acquired of EUR 49 million. The cash outflow also includes deferred purchase price payments for US production companies.

Assets resulting from initial consolidations are not reported as segment-specific investments.

– After deducting the cash transferred, the proceeds from the disposal of consolidated entities amounted to EUR 305 million (previous year: EUR 5 million). The cash inflow results from the disposal of all shares in WindStar and myLoc.

- There were cash outflows of EUR 155 million for other intangible assets in the period under review (previous year: EUR 159 million). These primarily comprise development costs, licenses for sales of digital offerings, software, and industrial property rights. Investments in tangible assets amounted to EUR 79 million (previous year: EUR 54 million). Besides technical facilities and leasehold improvements, they included the new campus building at the Unterföhring site.

The developments described resulted in a **free cash flow** of EUR 120 million for financial year 2020 (previous year: EUR 207 million).

The **cash flow from financing activities** amounted to EUR 205 million in 2020 (previous year: EUR –294 million). The development of the cash flow from financing activities was defined by payments received from the non-controlling shareholder General Atlantic relating to the acquisition of The Meet Group of EUR 259 million in financial year 2020. In contrast, the repayments of a bank loan from The Meet Group led to a cash outflow of EUR 27 million. The portion of the Group's revolving credit facility (RCF) utilized in April 2020 of EUR 350 million was also repaid in November 2020. In the previous year, there was cash outflow of EUR 269 million for the dividend payment for financial year 2018; the dividend payment for financial year 2019 was suspended in the 2020 period under review to secure the Group's liquidity. → Notes, note 26 "Shareholders' equity"

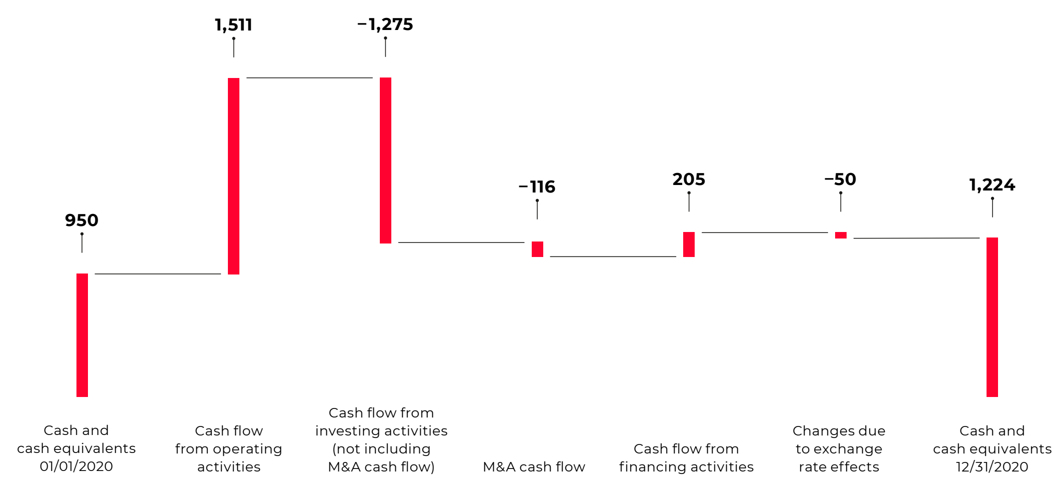
The cash flows described allowed **cash and cash equivalents** to increase to EUR 1,224 million (December 31, 2019: EUR 950 million). The Group thus has a comfortable level of liquidity. The bond of EUR 600 million was therefore repaid early in January 2021.

M&A cash flow amounted to minus EUR 116 million after minus EUR 133 million in the previous year. In addition to the essentially equalizing impacts of company acquisitions and disposals, this development is due to a year-on-year increase in proceeds from the disposal of financial assets.

The **free cash flow before M&A** amounted to EUR 235 million in financial year 2020 (previous year: EUR 339 million). The change reflects the decrease in operating earnings as a result of the impact of COVID-19 and, with the opposite effect, lower tax payments.

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

CHANGE IN CASH AND CASH EQUIVALENTS in EUR m



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

	Total cash flow	M&A cash flow	Cash flow before M&A
Cash flow from operating activities	**1,511**	**—**	**1,511**
Proceeds from disposal of non-current assets	58	58	1
Payments for the acquisition of other intangible assets and property, plant and equipment	–234	—	–234
Payments for investments including investments accounted for using the equity method and financial assets	–81	–81	0
Proceeds from disposal of programming assets	20	—	20
Payments for the acquisition of programming assets	–1,063	—	–1,063
Proceeds from the repayment of loan receivables	1	—	1
Payments for obtaining control of subsidiaries or other businesses (net of cash and cash equivalents acquired) – essentially The Meet Group	–397	–397	—
Proceeds from losing control of subsidiaries or other businesses (net of cash and cash equivalents disposed of) – WindStar and myLoc	305	305	—
Cash flow from investing activities	**–1,391**	**–116**	**–1,275**
Free cash flow	**120**	**–116**	**235**

PRINCIPLES AND OBJECTIVES OF FINANCIAL MANAGEMENT

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

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

The Group's 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 management:** For capital structure management at ProSiebenSat.1 Group, managing the leverage ratio is given particular priority. The Group 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. The Group manages its funds on a centralized basis.

- **Cash and liquidity management:** As part of its cash and liquidity management, the Group optimizes and centralizes cash flows and secures liquidity across the Group. Cash pooling is an important tool here, which centralizes a large part of the Group's liquidity at ProSiebenSat.1 Media SE. Using a rolling, Group-wide liquidity planning, ProSiebenSat.1 Group captures and forecasts both operating cash flows and cash flows from non-operating activities, thus deriving liquidity surpluses or requirements. Liquidity requirements are covered either by existing cash positions or the revolving credit facility (RCF).

- **Management of market price risks:** The management of market price risks comprises centrally managed interest rate and currency management. In addition to cash instruments, derivatives in the form of conditional and unconditional forward transactions are deployed. These instruments are used for hedging purposes and serve to limit the effects of interest and currency volatility on net income 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.

OVERALL ASSESSMENT FROM THE MANAGEMENT'S VIEW: RISK AND OPPORTUNITY SITUATION

The digital development opens up new growth markets for all of our segments. Media usage, for example, is becoming more and more diverse, while video is being consumed increasingly independently of time and place. In order to actively shape this transformation and translate it into growth potential, we have bundled our entire entertainment portfolio into one segment. We can thus work with even more synergy, offer programming across all platforms and develop cross-media advertising concepts. At the same time, we want to differentiate ourselves more clearly from the global streaming providers with a greater focus on local programs. The trend toward digitalization will continue in the years to come and has gained momentum in many areas in the wake of the COVID-19 pandemic. There are also risks here. Therefore, the identification and management of potential opportunities is just as important for our Group as the recognition and controlling of potential risks.

We have implemented a comprehensive risk management system that integrates all relevant business units. We estimate that there are no risks that, individually or in combination with other risks, could have a material or lasting adverse effect on the assets, liabilities, financial position and profit or loss. Although the overall risk has increased compared to the previous year as a result of the pandemic, the identified risks pose no threat to the Company as a going concern, even looking into the future. The opportunity situation has not changed compared to the previous year, while strategic decisions and especially the future development of general conditions could hold additional potential.

RISK REPORT

PROCESS MANAGEMENT

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

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

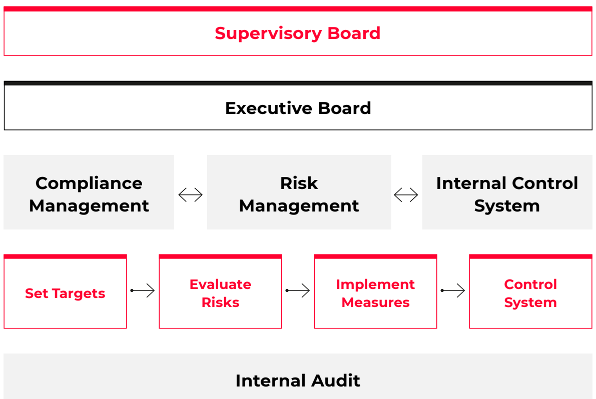
2. Assessment: The relevant consolidated risks are assessed on the basis of a matrix. On the one hand, the circumstances are categorized on a five-level percentage scale in terms of the likelihood of their occurrence. On the other hand, their level of potential financial impact is estimated; the financial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

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

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

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, 2020, therefore do not come under this definition and are consequently not explained in this Risk Report.

RISK MANAGEMENT SYSTEM



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

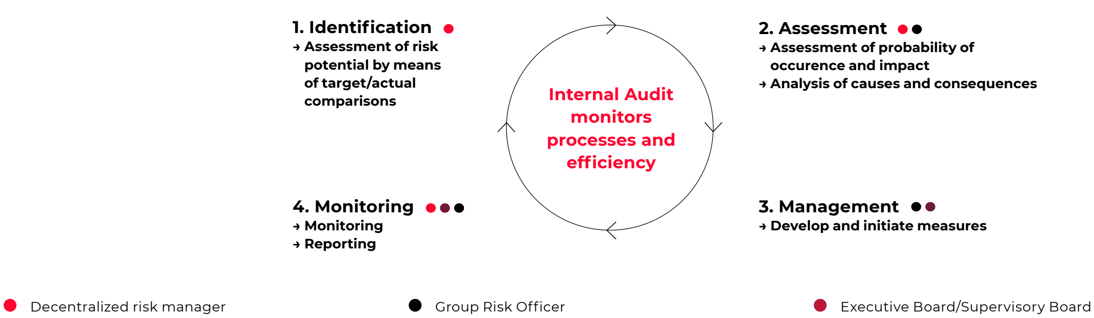
- **Decentralized risk managers:** The risk managers identify the risks from their respective area of responsibility according to the standard Group system described. They document their results in an IT database every quarter.
- **Group Risk Officer:** The Group Risk Officer reports the risks identified 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 appropriately.
- The **Risk Office** supports the various corporate units in identifying risk at an early stage. It ensures the efficacy and timeliness of the system by training the decentralized risk managers and continually monitoring the scope of risk consolidation. Moreover, the Internal Audit unit regularly reviews the quality and compliance of the risk management system. The results are reported directly to the Group CFO and then discussed in the Executive Board and presented to the Supervisory Board for its information.

The regular review of the risk management system by Internal Audit as well as by external experts has generated a positive result. The basis for the audit is the risk management handbook. This handbook summarizes company-specific principles and reflects the internationally recognized frameworks for enterprise risk management and internal control systems of COSO (Committee of Sponsoring Organizations of the Treadway Commission).

DEVELOPMENT OF RISKS

The overall risk situation has been heightened by the COVID-19 pandemic. However, we estimate that there are currently no risks that, individually or in combination with other risks, could have a material or lasting adverse effect on the earnings, financial position and performance. The identified risks pose no threat to the Company as a going concern, even looking into the future.

RISK MANAGEMENT PROCESS



To assess the overall risk situation, ProSiebenSat.1 Group initially classifies all individual risks as part of the quarterly assessment process, aggregates them and assigns them to general risks. When assessing the overall risk situation, ProSiebenSat.1 Group weights the risks according to their assessment for the Group. The assessment of the overall risk situation is thus the result of an aggregate analysis of the main risk categories of the Group and its three segments Entertainment, Dating and Commerce & Ventures.

In conjunction with the restructuring of its segments as of January 1, 2021, the Group also adapted its risk reporting and is thus reporting its risks in line with the Entertainment, Dating and Commerce & Ventures segment structure for the first time in this Risk Report. The companies of the former Red Arrow Studios segment have been included in the Entertainment segment. In addition, in the Entertainment segment, the risks relating to reach development have been reported with general sector risks. Given the close linkage of media usage behavior and reach development, the two risks cannot be clearly separated. We have therefore combined them in this report to present a comprehensive and more meaningful overall picture.

ProSiebenSat.1 Group divides the risks at segment and Group level into the categories of operating risks, finance risks, compliance risks, strategic risks and non-financial risks. We monitor all risks covered by the risk management process. These are not necessarily the only risks that the Group faces. However, we are not currently aware of any additional risks that could impact our business activities, or we do not consider them relevant in the context of this report. Risks with an overall risk assessment of low are not reported here; contingent liabilities from possible compliance risks are presented under → Notes, note 31 “Contingent liabilities”.

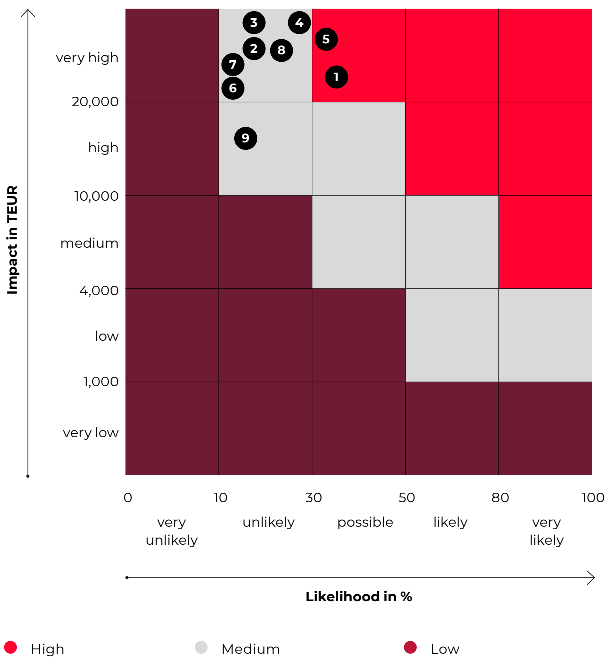
This Annual Report only presents relevant risks with a high or very high potential impact; we do not report on risks with a very low, low or medium potential impact here. However, if a risk that currently has a very low, low or medium potential impact changes into a risk with a high or very high potential impact, we will include this change in our future Risk Reports. Conversely, if risks which are currently rated as having a high or very high impact are downgraded to a very low, low or medium impact, such risks will not be described in detail in this report except for the change compared to the risk situation published in the Annual Report 2019 itself. The evaluation of likelihood of occurrence and risk impact and the general Group thresholds are unchanged compared to the previous period.

OVERVIEW OF THE RELEVANT RISKS

Category	Risk	Change compared to previous year	Possible Impact	Probability	Overall Risk
Group					
Operating risks	→ General economic risks	Unchanged	Very high	Possible	High
	→ Impairment risks	Increased	Very high	Unlikely	Medium
Compliance risks	→ Compliance risks	Unchanged	Very high	Unlikely	Medium
Segment Entertainment					
Operating risks	→ General sector risks	Decreased	Very high	Unlikely	Medium
	→ Sales risks	Decreased	Very high	Possible	High
	→ Risks of programming production	Increased	Very high	Unlikely	Medium
Segment Dating					
Operating risks	→ General sector risks	New	Very high	Unlikely	Medium
Segment Commerce & Ventures					
Operating risks	→ General sector risks	Increased	Very high	Unlikely	Medium
	→ Sales risks	Increased	High	Unlikely	Medium

→ Unchanged ↑ Increased ↓ Decreased

OVERVIEW OF THE TOP RISKS



Group	
1	General economic risks
2	Impairment risks
3	Compliance risks
Segment Entertainment	
4	General sector risks
5	Sales risks
6	Risks of programming production (national and international):)
Segment Dating	
7	General sector risks
Segment Commerce & Ventures	
8	General sector risks
9	Sales risks

Graphic is not to scale. This Annual Report only presents relevant risks with a high or very high potential impact; we do not report on risks with a very low, low or medium potential impact here.

GROUP LEVEL

Operating Risks

General economic risks: The COVID-19 pandemic has triggered severe economic crises in many regions of the world. According to the October forecast of the International Monetary Fund (IMF), global gross domestic product will decline by 3.5% in real terms in 2020. The German economy also suffered substantially as a result of the unfavorable external conditions and the many domestic restrictions. German GDP declined by 5% on a full-year basis. Contrary to initial fears, the impact of COVID-19 protection measures was much less in the fourth quarter compared to the beginning of the year. GDP growth in the last quarter is believed to have been virtually flat in comparison to the previous quarter. Areas of the economy affected less, such as construction and industries which are particularly crucial to the economy, continued to recover. The retail industry also performed well, thanks in part to strong e-commerce.

There are good prospects that the German economy will return to growth in 2021. This is backed up by the recently surprisingly robust domestic economy and the development of key confidence indicators. At the same time, the anticipated recovery of the global economy is expected to deliver a significant growth stimulus. Given the measures taken to curb the pandemic and the comprehensive range of vaccines on offer, the IMF is currently anticipating positive growth of 5.5% in real terms. However, the greatest risk lies in how the pandemic will progress: If the restrictions – both national and international – are pro-longed or stepped up, renewed and possibly substantial setbacks are to be expected.

In view of this, we consider the general economic risks to be unchanged and still rate their likelihood of occurrence as possible. If they occur, we therefore cannot completely rule out a very high financial impact. We therefore still rate this overall as a high risk. → Development of Economy and Advertising Market → Future Business and Industry Environment

Impairment risks: The risk of the potential impairment of intangible assets is rising as a result of the COVID-19 pandemic. ProSiebenSat.1 Group is responding to this by closely monitoring future developments. Impairment risks are now rated overall as a medium risk with a potentially very high impact and an unlikely likelihood of occurrence. → Notes, note 2 "Accounting Principles"

Finance Risks

The Group is exposed to various finance risks in its operating and financing activities. These include financing risk, counterparty risk, interest rate risk, currency risk and liquidity risk. The assessment of counterparty risks has fallen over the course of 2020. We now rate them as low overall. They are therefore not discussed in any further detail in this report. → Borrowings and Financing Structure

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

Compliance Risks

General compliance risks (including statutory reporting requirements, antitrust law, legal proceedings): Digital development is posing legislators with new challenges, and companies are facing increasingly dense regulation, particularly in the areas of consumer and data protection. The resulting overall risk assessment has not changed for us compared to the previous year: We rate compliance risks as a medium risk with a potentially very high impact and an unlikely likelihood of occurrence. To prevent possible legal violations, we closely monitor developments in the law in order to respond to changes appropriately. Together with policymakers and industry, the Group is aiming to promote the opportunities of digitization to strengthen Germany as a site for business and innovation in the long term. The following issues are currently top priorities:

The EU General Data Protection Regulation (GDPR) came into effect in May 2018 and is intended to create a uniform legal framework for processing personal data. This is a key step towards harmonizing data protection in Europe. However, the resulting rights and obligations in the area of online advertising can still not yet be fully assessed. This applies in particular to the requirements for data processing for online advertising to specific target groups. The online advertising industry has therefore founded a number of initiatives, such as the Transparency & Consent Framework, now in version 2.0 (TCF 2.0), to enable operators to request users' consent as required by data protection law. It is not yet clear whether the authorities in charge will recognize the TCF mechanism. The TCF's failure could harm the ProSiebenSat.1 Group's advertising-financed business model, as it would make it much harder to obtain the permissions required for advertising feeds. We are also anticipating further legislative action on consent requirements for cookies and other online identifiers in Germany; also, a draft law on data protection in telecommunications and teleservices could further restrict central user recognition for the online advertising industry.

Various legislative initiatives are intended to give consumers more rights. In particular, consumers are to be given more rights in relation to guarantees for digital content/services and for commerce. One example at European level is the "New Deal for Consumers", which became effective at the start of 2020. We expect that the measures will be implemented at national level by the end of 2021. Plans include changes to the right to cancel contracts and new transparency regulations for online marketplaces. If this EU Directive was not complied with, a provider could face fines of up to 4% of its annual revenues. Among other things, the Federal Ministry of Justice is also seeking stricter regulation of contracts with longer terms with its bill for fair consumer contracts.

Far-reaching changes are also planned in antitrust law. The introduction of the Act against Restraints of Competition is to subject digital enterprises that dominate the market to stricter supervision as regards any abuses. A possible ex ante regulation on digital platforms and the introduction of a potential new competition instrument to tackle structural competition problems are being discussed on European level. This would be a key step towards creating a uniform competitive playing field in Europe.

Finally, the planned reform of the copyright contract law is also relevant. This relates in particular to the exchange of data and the already practiced principle of appropriate and proportionate remuneration. The impact on ProSiebenSat.1 Group cannot be foreseen at present, as the exact construct is unclear.

ENTERTAINMENT SEGMENT

Operating Risks

General sector risks (including consumer trends and reach development): Television remains the most important mass medium, in terms of both reach and media usage time. However, the rising use of the Internet has changed media usage behavior. For a long time now, TV content for example has been used not only linearly and on TV sets but also on mobile devices such as laptops and smartphones. The digital transformation is advancing ever more rapidly and the popularity of Internet-based video content will continue to rise significantly. Streaming platforms with own content, for instance, are therefore gaining in importance. These forms of use are very popular among younger viewers in particular. Today, 15% of all TV use by 14- to 29-year-olds is not on a TV set but rather on a smartphone, tablet or PC/laptop. We have designed our strategy on this basis and are steadily expanding our portfolio. One example in this strategic context was the launch of Joyn as a cross-channel streaming platform that bundles the video content of ProSiebenSat.1 Group's and Discovery's free TV stations and other partners on a single platform.

The Group serves additional media usage interests by disseminating its content through as many channels as possible and not being tied to any one platform. This way, ProSiebenSat.1 is expanding its digital reach and, at the same time, bolstering the brand profile of its classic portfolio of broadcasters. At the same time, our in-house productions primarily focus on the key advertising period of prime time. In 2020, our broadcast family increased its market share for this time slot by 0.6 percentage points compared to 2019 (viewers aged 14 to 49). In light of this, we feel that the risks of a change in video usage are lower and therefore consider their likelihood of occurance to be unlikely. However, in the event of a fundamental change, we cannot completely rule out a very high financial impact. We rate this as a medium risk overall. → Group Environment

Sales risks: Competition with global platform providers has intensified. This entails the risk for ProSiebenSat.1 Group that advertising customers could be less willing to invest or prices for TV advertising could fall. We cannot rule out a very high impact on our revenue development in the TV advertising market, although we are pursuing a digital and cross-platform entertainment strategy. This development has been taken into account more stringently in our financial planning than in the previous year of 2019, which has also changed our risk assessment: The likelihood of occurrence of sales risks is now considered possible, hence we have lowered our assessment of sales risk compared to the previous year. We continue to rate this as a high risk overall. → Future Business and Industry Environment

Risks of programming production (national and international): The production market was hugely impacted by the effects of the pandemic in 2020: On the one hand, it was only possible to produce programming content in a reduced form while, on the other, productions that were already underway had to be halted in both Europe and the US. Many productions were confronted with obstacles such as the shutdown of filming locations, logistical challenges, extensive hygiene processes and social distancing. While a certain improvement is expected for 2021, there is still a great deal of uncertainty regarding how COVID-19 will develop. The risks of programming production have thus increased compared to the end of 2019: We now rate this as a medium risk with a potentially very high impact. We still consider the likelihood of occurrence to be unlikely.

DATING SEGMENT

Operating Risks

General sector risks: The market for dating and social entertainment has achieved a high level of consumer acceptance in just a few years and it is enjoying a dynamic development. However, regulatory changes and intervention at national and international level could lead to risks for the Dating segment's established business model. In particular, this could result in restrictions on, for example, free product design and pricing, which could negatively influence the development of revenues and earnings on the grounds of liability risks in the medium to long term. The competition is also fierce. As a result, there is a risk that consumer demand will change very rapidly as a result of new market players and technologies. The segment's digital business model also entails the risk of a dependence on third-party providers, e.g. for processing payments, providing video services or compliance with the rules on personalized advertising on mobile devices. Changes in these relationships as well as a rise in restrictive regulatory requirements for new and existing technologies could have a negative impact on revenues.

We are monitoring these developments regularly in order to assess negative changes early on so that we can initiate countermeasures. If signs of regulatory changes emerge, work is done proactively on alternative services to counteract potentially negative impacts if the risks occur. By constantly refining the digital product offering, the Group is also aiming to secure a long-term competitive edge on the market in order to counteract these risks. Against the backdrop of these measures, coupled with the very positive development of the dating and social entertainment market, we rate the general industry risks as a medium risk overall with an unlikely likelihood of occurrence. If critical changes were to occur, the impact would be very high.

COMMERCE & VENTURES SEGMENT

Operating Risks

General sector risks: The general sector risks for Commerce & Ventures have increased overall compared to the end of 2019 on account of the COVID-19 pandemic. Firstly, the general economic situation had a potentially negative impact on the economic situation of our business and cooperation partners and, secondly, there is the impact of the COVID-19 travel and exit restrictions. The various sectors relevant to us are developing differently, but we nonetheless consider the general sector risks to be a medium risk overall with a potentially very high impact and an unlikely likelihood of occurrence.

Sales risks: Increased competitor activity could cause selling expenses in connection with customer acquisition in the Commerce & Ventures segment to rise. To contain these risks, Commerce & Ventures is working on even closer communication with customers, and it is expanding its portfolio, for example with apps or protected portals that offer value added for customers such as personalized additional information. We now rate the resulting sales risks as a medium risk with a potentially high impact. We previously considered the risk potential to be low with a medium impact; we continue to rate the likelihood of occurrence as unlikely.

WDISCLOSURES ON THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE (CONSOLIDATED) REPORTING PROCESS WITH EXPLANATORY NOTES

The internal control and risk management system in relation to the reporting process is intended to ensure that transactions are appropriately reflected in the Consolidated Financial Statements of ProSiebenSat.1 Media SE (in accordance with the International Financial Reporting Standards ("IFRS") effective at the end of the reporting period, as adopted by the European Union, and in accordance with the additional requirements of German commercial law pursuant to Sec. 315e (1) of the German Commercial Code (HGB)) and that assets and liabilities are recognized, measured and presented appropriately. This presupposes Group compliance with legal and company requirements. The scope and focus of the implemented systems were defined by the Executive Board to meet the specific needs of ProSiebenSat.1 Group. They are regularly reviewed and updated as necessary. Nevertheless, even appropriate and properly functioning systems cannot offer any absolute assurance that all risks will be identified and controlled. The company-specific principles and procedures to ensure that the Group's single-entity and consolidated reporting is effective and correct are described below.

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

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

- To identify risks that might jeopardize the goal of providing Consolidated Financial Statements 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 (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 continually effective control mechanisms. By way of updates, the findings of these reviews and the findings of regular control tests become an integral part of the internal control and risk management system in relation to the (consolidated) reporting process. On the basis of the test results there is an assessment of whether the controls are appropriate and effective. Any identified deficiencies in the controls are eliminated, taking into account their potential impact.

ORGANIZATIONAL STRUCTURE

- The single-entity financial statements that are incorporated into the Consolidated Financial Statements are prepared using standardized software.
- The input data are then consolidated to form the Consolidated Financial Statements using stable market-based standardized software.
- The financial statements of the individual entities are prepared in compliance with local financial reporting standards, the input data in compliance with the accounting and reporting manual based on IFRS, which is made available to all employees involved in the reporting process. The individual entities included in the Consolidated Financial Statements provide their input data to the Group Accounting & Reporting department in a specified format.
- The financial systems employed are protected with appropriate access authorizations and controls (authorization concepts).
- For the purposes of the Consolidated Financial Statements, there is a standardized chart of accounts, 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, taxes, controlling, 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. IFRS-based accounting and reporting manual, intercompany transfer pricing guideline, purchasing guideline, travel expense guideline, etc.) has been set up and is updated as necessary. The efficiency of the internal control system in regard to processes relevant to financial reporting is reviewed on a sample basis by the Internal Audit unit, which is independent of the process.

PROCESS ORGANIZATION

- For the planning, monitoring, and optimization of the process of preparing 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.). The Group Accounting & Reporting department 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 continually as part of the risk management process described in the Risk Report.

OPPORTUNITY REPORT

OPPORTUNITY MANAGEMENT

Growth opportunities are identified as part of the Group's opportunity management and are specified in the planning process. Our opportunity management is part of the intra-group 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 "Group Strategy & Corporate Development" department. The department is in close contact with the individual operational units. This allows the department to gain detailed insights 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.

ProSiebenSat.1 records the defined opportunities as part of its strategic planning. Relevant growth opportunities are prioritized, specific objectives are derived, and measures and resources for operational target attainment are determined. → Strategy and Management System

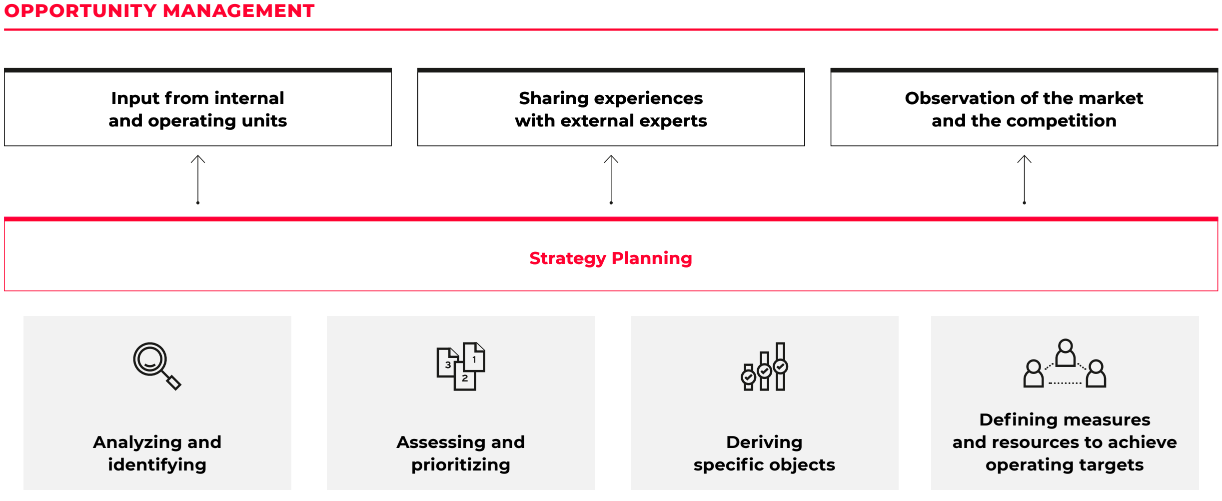
EXPLANATORY NOTES ON KEY OPPORTUNITIES

We have incorporated opportunities that we consider to be likely in our forecast for 2021 and in our mid-term planning until 2025. 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; we describe these possible positive budget variances in the section below if they are material and important for the planning period until 2025. → Company Outlook

Synergies from networking business areas. The connecting of our segments and business areas gives rise to diverse and mutual synergies. This is an important competitive advantage. From Januar 1, 2021, ProSiebenSat.1 Group's three reporting segments are Entertainment, Dating and Commerce & Ventures, continuing the consistent structuring of the Group according to synergy and value creation. In this context, Red Arrow Studios' production and distribution business, as well as the digital studio Studio71, is integrated into the Entertainment segment. ProSiebenSat.1 thus recognizes the strategic proximity of the two businesses, as Red Arrow Studios is focusing in particular on producing more content for the Group's entertainment platforms. → Strategy and Objectives

The new Commerce & Ventures segment includes the investment arm SevenVentures and the companies of NuCom Group. In this way, the Group's minority and majority investment areas, which ProSiebenSat.1 establishes with media services and support and which thus contribute to the Group's growth strategy, are bundled here. At the same time, synergies between the Entertainment and Commerce & Ventures segments and the resulting value creation can thus arise and be strengthened in a sustainable manner. For example, products and services from consumer internet areas are particularly suitable for video advertising on TV as well as our digital entertainment platforms. At the same time, we can use our consumer-oriented platforms to build up extensive knowledge about consumption data and thus offer advertising customers added value. → Business Activities and Segments

OPPORTUNITY MANAGEMENT



The core of our strategy is the best possible use of synergies. This aim is also the basis for investment decisions: If interesting companies add value to the existing portfolio, ProSiebenSat.1 can exploit potential beyond the merchantable cost and revenue synergies. The acquisition of The Meet Group in 2020, which expanded Parship Group's portfolio, took place in this context. Hitherto Parship Group was present in the German-speaking countries and Benelux with its brands Parship, ElitePartner and eharmony and in the US via eharmony. The newly founded ParshipMeet Group, which is bundled in the Dating segment, now covers the entire spectrum of this business, from social dating via video to online matchmaking. The aim for the upcoming months is to integrate The Meet Group's brands and to promote organic growth, e.g. through the exchange of marketing and business know-how. At the same time, the Group has identified networking potential with the entertainment business: For example, the companies will share their experiences in the area of video. This could generate additional revenue opportunities for the entire Group. → Strategy and Objectives

Entry into new, fast-growing business areas and portfolio focusing. ProSiebenSat.1 follows various M&A approaches and frequently uses its vehicles – SevenVentures or NuCom Group – to first acquire a minority interest or invests in companies via media services (media-for-equity and/or media-for-revenue participations). In accordance with the "reach meets business idea" principle, ProSiebenSat.1 can thus acquire knowledge of new market and business models, establish brands and accelerate companies' growth without high business risks. Raising brand awareness quickly is a decisive competitive factor, especially for young companies in an early stage of development. We therefore offer start-ups TV advertising as a special form of start-up financing and can acquire companies at favorable multiples. This is a key pillar of our M&A strategy and at the same time a central competitive advantage, especially over global platform providers.

Once a company has successfully passed through the initial growth phases that can be followed by the next stages of development, ProSiebenSat.1 Group also makes larger acquisitions. One example of this is the acquisition of The Meet Group in the past financial year. Its portfolio synergizes with Parship Group and makes a significant contribution to the Group's revenue diversification. The initial investment in the areas of online matchmaking was made via a media-for-revenue participation in Parship in 2012. In the subsequent years, ProSiebenSat.1 acquired a majority stake and other online dating brands. An IPO for ParshipMeet Group, which was created via this buy-and-build strategy, is under consideration for 2022, whereby ProSiebenSat.1 would continue to hold a majority stake. ParshipMeet Group operates in a highly profitable and rapidly growing market.

The Group regularly evaluates the synergy potential of its portfolio. If certain businesses no longer have a sufficient affinity with TV, we sell these well-developed commerce brands to a more suitable owner. In this way, the Group is focusing its portfolio, giving itself financial freedom for future value-creating investments – such as in the consumer internet sector. Against this background, ProSiebenSat.1 sold WindStar in the second half of 2020. WindStar belonged to ProSiebenSat.1 since 2016 and significantly increased its brand awareness via advertising. The enterprise value increased by a multiple of 2.4 in just four years. The transaction is further proof of ProSiebenSat.1's successful strategy to establish market leaders by leveraging media services and thus generate a significant return on purchase prices.

Data-based business models and digitalization of TV advertising. Global platform providers such as Google, Facebook and Netflix also have great market power thanks to their data-based business models. Because of their size, they can influence usage habits. This is particularly true with regard to young people's media usage. ProSiebenSat.1 Group began to expand its offerings accordingly at an early stage and to evolve from a traditional TV company into a digital group with a diversified business portfolio. Today, we offer attractive content on all platforms and the appropriate service for every form of use. Once example is the joint venture Joyn, a free media library among other things for shows from our TV stations. Television can therefore be watched online regardless of time or place. We will continue to press ahead with the digital transformation of ProSiebenSat.1 Group. At the same time, it is increasingly important to establish and build upon data-based business models.

The European netID Foundation plays an important role here: The industry initiative helps online providers to implement the General Data Protection Regulation that came into force in May 2018 with the aim of establishing netID as the standard login system in Europe and thus to offer a more secure alternative to US providers. In addition to ProSiebenSat.1, media and technology companies such as Axel Springer SE ("Axel Springer"), Mediengruppe RTL Deutschland GmbH ("Mediengruppe RTL Deutschland") and United Internet AG ("United Internet") with the brands web.de and GMX are backing this new market standard. From 2021, Deutsche Telekom AG ("Deutsche Telekom") is also a netID account provider. Users can thus directly log in to all netID partner sites using their Telekom accounts without having to register again. The aim on the one hand is to quickly move away from third-party cookies in online marketing and on the other hand to achieve emancipation from the US players. Within the framework of the legal possibilities, we will increasingly use data on our digital platforms and online TV use in order to address target groups in a more personalized way.

Digitalization also offers us new sales opportunities: In the future, it will also be possible to broadcast TV advertising that is more targeted, adapted to context or even personalized. For instance, ProSiebenSat.1 was the first TV group in Germany to broadcast Addressable TV spots using the HbbTV as a technological standard. In 2020, over 1,000 Addressable TV campaigns were booked in total, more than 200 of which were spot campaigns. These advertisements combine the high reach of traditional television with the opportunities provided by digital advertising, from target-group-oriented to the device-specific insertion of ads. Data-based forms of advertising have high potential for growth. Television advertising will thus take on new dimensions, become more interesting to viewers and thus even more valuable in comparison to other media.

Another milestone in digital marketing is the CrossDevice-Bridge, which augments conventional television advertising with additional digital contacts and vice versa. Since December 2020, the CrossDevice-Bridge has for the first time enabled our advertising customers to plan and adapt TV and digital advertising campaigns across devices. From now on, customers no longer book the medium via which they wish to broadcast their advertisement, but the quantity and frequency of contacts that they want to generate. This makes cross-media advertising planning significantly easier and faster. Seven.One Media already addresses a total of 37 million households via the Cross-Device-Bridge, covering most digital media use in Germany.

ADDITIONAL OPPORTUNITIES FROM THE DEVELOPMENT OF THE ECONOMIC CONDITIONS

The Group has based its full-year outlook for 2021 on the specific assumptions regarding future economic conditions. Positive deviations from these key planning assumptions could additionally accelerate the growth of the entire Group. This is particularly true of a more favorable development of the advertising environment than described in the Company Outlook.
→ Company Outlook

OVERALL ASSESSMENT FROM THE MANAGEMENT'S VIEW: FORECAST FOR 2021

ProSiebenSat.1 Group is well positioned for the financial years ahead. We have a solid financial basis underpinned by a clear corporate strategy reflecting the key trends of our various business areas. We are focusing in particular on the increasing synergies between our business areas, growth of our digital activities in our Entertainment and Commerce & Ventures business and in particular the Dating area. In addition to organic growth, i.e. adjusted for consolidation and currency effects, focused portfolio management after close examination of all opportunities and risks also plays an important role here.

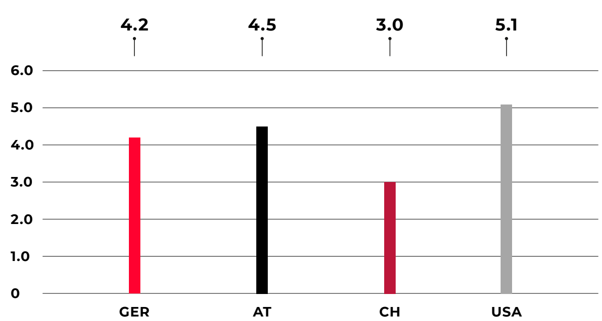
FUTURE BUSINESS AND INDUSTRY ENVIRONMENT

The entire global economy was adversely affected by the spread of the coronavirus in 2020. There is a considerable uncertainty as to how the economy will develop in 2021, as this is highly dependent on how the pandemic progresses. The availability of a vaccine and the weather conditions give reasons to expect a significant easing from spring and summer onwards. However, it remains open at this point in time how fast such easing will occur, how sustainable it may be and for how long protective measures must be retained. This uncertainty is also reflected in economic forecasts, with the International Monetary Fund currently anticipating a 5.5% upturn in global economic output in 2021. It expects 5.1% growth in the US. For the eurozone, it forecasts a plus of 4.2%. Current forecasts for the German economy in 2021 range from growth of 3.0% (Annual Economic Report of the Federal Government) to 4.9% (Leibniz Institute for Economic Research, RWI).

Experts agree that the economic recovery will be driven chiefly by private consumption. Disposable household incomes in Germany rose less in 2020 than in previous years, but still grew (+ 0.8%) thanks to the relative stability of the labour market. At the same time, restrictions on consumption boosted savings. As a result, the savings rate has increased to a record level of 16.3% (2019: 10.9%). People are expected to make increased use of their accumulated savings in 2021 once the current lockdown restrictions are eased. Moreover, 2022 gives rise to hope, with all major economic research institutes predicting that growth will continue to accelerate.

The greatest risk to the economy remains an adverse development of the pandemic in Germany and abroad. A higher financial burden on account of the sharp rise in national debt, more company insolvencies and a sustained shift in consumer demand towards e-commerce also pose risks in the medium term. On the flip side, consumption could pick up faster and on a larger scale than currently expected if the pandemic situation develops well.

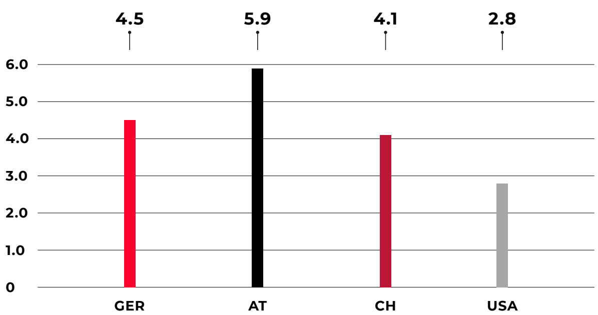
FORECAST FOR GDP IN COUNTRIES IMPORTANT FOR PROSIEBENSAT.1 GROUP in %, real terms, change vs. previous year



2021 e (Estimate).
Sources: GER: ifo Economic Forecast, winter 2020 from December 16, 2020.
AT: WIFO, Economic Outlook, December 18, 2020.
CH: SECO, Economic Forecast, December 15, 2020.
USA: IMF, World Economic Outlook, January 2021.

FORECAST FOR PRIVATE CONSUMPTION IN COUNTRIES IMPORTANT FOR PROSIEBENSAT.1 GROUP

in %, real terms, change vs. previous year



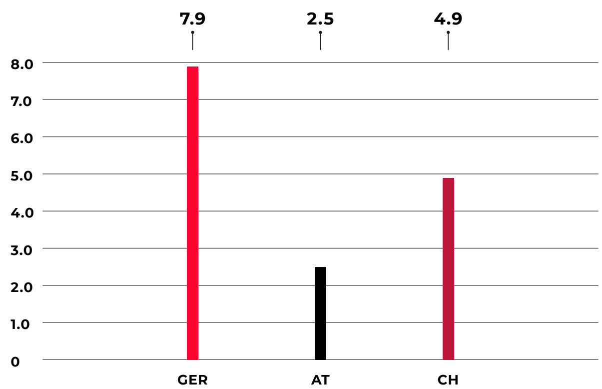
2021 e (Estimate).
Sources: GER: ifo Economic Forecast, winter 2020 from December 16, 2020.
AT: WIFO, Economic Outlook, December 18, 2020.
CH: SECO, Economic Forecast, December 15, 2020.
USA: IMF, World Economic Outlook, October 2020.

PricewaterhouseCoopers GmbH ("PricewaterhouseCoopers") expects the entertainment market to have a volume of around EUR 38 billion overall in 2021, representing growth of around 6% in consumer spending. Spending on digital entertainment services should then reach around EUR 17 billion (2020: around EUR 16 billion), with the streaming sector enjoying particularly dynamic growth. By 2024, the digital entertainment market looks set to generate annual growth of 6%, while the traditional entertainment market – including e.g. print, TV or concerts – will likely see average annual growth of 2% in this period. Nonetheless, the COVID-19 pandemic means that there is still a considerable degree of uncertainty when it comes to future consumer spending on entertainment. This is also true of the advertising industry as a whole.

Media agencies Magna Global and ZenithOptimedia expect total net advertising spending to decline by 4.6% and 3.1% respectively in 2020 as a result of COVID-19. Magna Global and ZenithOptimedia estimate that the net decline in TV advertising investment will come to 11.0% and 9.0% respectively. Current forecasts for 2021 are far more positive. Both agency groups anticipate growth in their December 2020 forecasts – both for the advertising market as a whole (Magna Global: +7.9%; ZenithOptimedia: +2.5%) and for the TV advertising market (Magna Global: +5.0%; ZenithOptimedia: up 1.0%). In-stream video advertising is likely to continue its dynamic development and drive growth on the online advertising market. Despite this, forecasting uncertainty is high, particularly as figures do not yet account for the new national lockdown imposed in Germany that was tightened at the start of 2021.

FORECAST FOR NET ADVERTISING MARKETS IN COUNTRIES IMPORTANT FOR PROSIEBENSAT.1 GROUP

in %, real terms, change vs. previous year



2021 e (Estimate).
Source: Magna Global, Global Advertising Forecast December 2020, figures adjusted on a net basis, nonetheless methodological differences between different countries and sources.

Despite the COVID-19 pandemic, retail in Germany can look back on a surprisingly positive year, reaching a new record. By 2024, the German e-commerce market is likely to be amount to EUR 120.4 billion. According to the Institute of Retail Research in Cologne, average annual growth between 2020 and 2024 is thus expected to come to 9.4%, with online retail's share of retail rising to 16.5% by 2024 (2020: 13.1%). The beauty and lifestyle sector is also showing the same trends. Annual growth here is expected to come to 3%, with the online market share increasing from 9% to 14% by 2024 from ProSiebenSat.1's perspective. Overview of relevant market environments for the Commerce & Ventures segment:

EXPECTED DEVELOPMENT OF MARKET ENVIRONMENTS FOR SECTORS RELEVANT TO PROSIEBENSAT.1

Sector	Outlook
Beauty & lifestyle	3% p.a. until 2024
Consumer advice	6% p.a. until 2023
Experiences	6% p.a. until 2024

Sources: Beauty & Lifestyle: Euromonitor 2019. Consumer Advice: Eurostat Monitor 2019, German Federal Network Agency (Federal Cartel Office), VATM, Federal Motor Transport Authority and Schufa. Experiences: OC&C strategy market model.

The COVID-19 pandemic has expanded the use of online services in many consumer markets. This can also be seen in the dating market, where establishing contacts online correlates with rising digital usage habits. Digital channels are now a common means of communication and help to establish or deepen social interactions. Lockdowns in 2020 led to a particular rise in the numbers of people meeting over video call. The entire online dating and matchmaking market will experience growth of up to 8% p.a. in the period up to 2022 (CAGR 2019–2022).
→ Group Environment

COMPANY OUTLOOK

Forecast

ProSiebenSat.1 Group pursues a clear strategy aiming at sustainable and profitable growth. As the macroeconomic development in ProSiebenSat.1 Group's core markets remains uncertain also in financial year 2021 due to the ongoing COVID-19 pandemic, the Group has decided to provide ranges for its revenue and adjusted EBITDA outlook that take this environment into account. In line with the government measures in the core markets of Germany, Austria and Switzerland known by the time the 2020 Annual Report was prepared on February 25, 2021, the Group has taken into account in its outlook adverse effects on the business that are foreseeable as a result of the COVID-19-related restrictions in place at the beginning of 2021. Further restrictions which could additionally impact the ProSiebenSat.1 business are not reflected in this outlook.

For ProSiebenSat.1 Group, the main currency apart from the Euro remains the US Dollar, especially after the acquisition of The Meet Group. The Group anticipates an US Dollar share in Group revenues for 2021 of c. 20% and for adjusted EBITDA of c. 15%. An average strengthening or weakening of the US Dollar in relation to the Euro by 1 Cent over the entire financial year impacts Group revenues by c. EUR 7 million and adjusted EBITDA by c. EUR 1 million. For the outlook regarding all following figures, the Group uses a EUR/USD exchange range of c. USD 1.22 to the Euro in financial year 2021.

On this basis, for the 2021 financial year the Group is targeting – without further portfolio changes – revenues of EUR 4.150 billion as the lower end of the target range and revenues of EUR 4.350 billion as the upper end of the target range after a previous-year figure of EUR 4.055 billion (adjusted for currency and portfolio effects).[1] In financial year 2021, Group revenue growth would thus be in a range between 2% and 7%. The range of the target figures depends particularly on the development of advertising revenues in the region of Germany, Austria and Switzerland in the context of the further course of the COVID-19 pandemic. For the lower end of the revenue target range, the Group assumes a year-on-year decline of 2% in advertising revenues in the region of Germany, Austria and Switzerland; a year-on-year advertising revenue growth of 4% in the region of Germany, Austria and Switzerland is the basis for the upper end of the revenue target range. In all scenarios, the Group assumes that particularly the first quarter will be impacted by lockdown-related restrictions and a subsequent fast recovery of the advertising market is to be expected.

Based on the revenue assumptions above, for the full-year of 2021 ProSiebenSat.1 anticipates a Group adjusted EBITDA – without further portfolio changes – of EUR 720 million as the lower end of the target range and EUR 780 million as the upper end of the target range after a previous-year figure of EUR 708 million (adjusted for currency and portfolio effects)[2]. For the full-year, program costs are expected to amount to c. EUR 1 billion, with over half of this relating to local content and with a possibility of being varied in the amount of around EUR 50 million depending on the development of the advertising market.

The adjusted net income of the Group is mainly determined by the development of the adjusted EBITDA. Furthermore, this key figure is influenced by the financial result, which includes among others the at-equity investment in the streaming platform Joyn, and by income taxes. On this basis and without further portfolio changes, the Group expects that the adjusted net income for the full year 2021 should be above the previous year's figure of EUR 221 million.

From 2021, the adjusted operating free cash flow replaces the free cash flow before M&A as the relevant cash flow performance indicator for the Group. The adjusted operating free cash flow is based on the development of the adjusted EBITDA. Reaching a midpoint of the adjusted EBITDA target range, the Group assumes that the adjusted operating free cash flow for the full-year, – for reasons of comparability corrected for the change of IFRS 16 investments in relation to the construction of the new campus at the premises in Unterföhring – should develop in a mid-double-digit million euro range around the previous year's figure of EUR 424 million.

ProSiebenSat.1 Group measures the mid-term financial success of the company on the basis of P7S1 ROCE (return on capital employed). The Group introduced this key financial indicator as a key figure for the entire Group in 2020. In financial year 2021, we target a P7S1 ROCE of more than 10% (previous year: 10%). For the Group as a whole, this key figure is expected to exceed 15% in the mid-term. → Strategy and Management System

ProSiebenSat.1 aims for a leverage ratio (the ratio of the Group's net financial debt to its LTM adjusted EBITDA) in a range between 1.5x and 2.5x. At the end of 2021, the Group anticipates – depending on business performance and not including any portfolio changes – a leverage ratio slightly above or at the upper end of the target corridor (previous year: 2.8x).

The development of audience shares is ProSiebenSat.1 Group's most important non-financial performance indicator. For financial year 2021, the Group expects to maintain its leading position with regard to audience shares in the advertising-relevant target group of 14- to 49-year-olds at a high level.

[1] Based on revenues in financial year 2020 translated at the exchange rates used for planning purposes in financial year 2021 less revenues of the companies deconsolidated in 2020 – WindStar Medical at EUR 114 million and myLoc at EUR 10 million – plus pro forma revenues for The Meet Group between January and August 2020 of EUR 173 million, also translated at the exchange rate used for planning purposes in financial year 2021.

[2] Based on adjusted EBITDA in financial year 2020 translated at the exchange rates used for planning purposes in financial year 2021 less adjusted EBITDA of the companies deconsolidated in 2020 – WindStar Medical at EUR 23 million and myLoc at EUR 3 million – plus the pro forma adjusted EBITDA contributions for The Meet Group between January and August 2020 of EUR 33 million, also translated at the exchange rate used for planning purposes in financial year 2021.

Explanatory Notes on the Forecast

The information provided are based on the plans adopted by the Executive Board and Supervisory Board. In line with the government measures in the core markets of Germany, Austria and Switzerland known by the time the 2020 Annual Report was prepared on February 25, 2021, the Group has also additionally taken into account in its outlook adverse effects on the business that are foreseeable as a result of the COVID-19-related restrictions in place at the beginning of 2021. Our statements are also based on current general economic and sector-specific data at the time this report was prepared. → Strategy and Management System → Future Business and Industry Environment

Dividend Proposal

Since financial year 2018, ProSiebenSat.1 Media SE has pursued a general dividend policy of distributing around 50% of adjusted net income to the shareholders as a dividend. The Group uses cash inflows exceeding the dividend distribution primarily for investments in organic and inorganic growth as well as for debt reduction. In financial year 2020, in view of the COVID-19 situation, the Executive Board and the Supervisory Board resolved to suspend the dividend originally planned for financial year 2019 and to be paid in 2020. However, the Executive Board confirmed the overall dividend policy. Accordingly, the Executive Board and the Supervisory Board are proposing a dividend of 50% of adjusted net income or EUR 0.49 per share to the Annual General Meeting for financial year 2020. This corresponds to a dividend yield of around 3.6% based on the closing price of the ProSiebenSat.1 share at the end of 2020. → Financial Performance of the Group

DIVIDEND PROPOSAL

Adjusted net income in EUR m	221
Number of shares outstanding[1]	233,000,000
Number of treasury shares[1]	6,771,747
Number of eligible shares[1]	226,228,253
Proposed dividend in EUR	0.49
Distribution in EUR m	111
Pay-out ratio in %	50

[1] As of December 31, 2020.

Predictive Statements

Forecasts are based on current assessments of future developments. In this context, we draw on our budget planning and comprehensive market and competitive analyses. The 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 predictive statements are made no longer apply, actual results may deviate materially from the statements made or the results implicitly expressed. Developments that could negatively impact this forecast include, for example, lower economic momentum than expected at the time this report was prepared. These and other factors are explained in detail in the Risk and Opportunity Report. There we also report on additional growth potential; opportunities that we have not yet or not fully budgeted for could arise from corporate strategy decisions, for example. Potential risks are accounted for regularly and systematically as part of the Group-wide risk management process. Significant events after the end of the reporting period are explained in the → Notes, note 39 "Events after the reporting period".