ProSiebenSat.1 Media SE

Explanations regarding Agenda Item 5 / Executive Board Compensation

Dr. Werner Brandt

Chairman of the Supervisory Board

ProSiebenSat.1 Media SE

at the Annual General Meeting for the financial year 2016

Munich, May 12, 2017

– Check against delivery –

Ladies and gentlemen,

[…]

As **Agenda Item 5** of today's Annual General Meeting requests the approval of the current system for the compensation of Executive Board members, I would like to again describe the **main features of this compensation system**:

All Executive Board members each receive a **fixed base salary**, which is determined with reference to the individual Executive Board member's areas of work and responsibility.

In addition, the Executive Board members also receive **variable, performance-based compensation**. In accordance with the recommendations of the German Corporate Governance Code, **maximum limits** are set on the amount of this compensation.

The Executive Board members receive performance-based, variable annual compensation, also known as the **performance bonus**. The amount of the performance bonus depends on the achievement of annual targets defined in advance at the beginning of each year. These annual targets relate to certain target parameters such as the Group's **EBITDA** and **net financial debt** and are also adjusted individually to each Executive Board member's area of responsibility. They are in keeping with the values also communicated to the capital market. For every Executive Board member, a target bonus is defined for all the targets for the respective financial year. If the annual targets are outperformed, the performance bonus is limited to 200 % of the target bonus. If targets are not met, the performance bonus may also be lower than the target bonus or may not be paid at all.

In compliance with the recommendations of the German Corporate Governance Code, the Executive Board members are also granted a **long-term share-based compensation component** in the form the allocation of **performance share units** – or PSUs – under the Group Share Plan. The Group Share Plan was first launched in 2012. After the end of a four-year holding period, the PSUs confer a right, at the Company's discretion, to purchase shares in the Company or to a corresponding payment in cash. The conversion factor by which the PSUs are converted into ProSiebenSat.1 shares or an equivalent amount in cash depends on the achievement of predefined annual targets during the holding period. These annual targets relate to the EBITDA performance of ProSiebenSat.1 Group and are derived from the budget for the relevant year approved by the Supervisory Board. The conversion factor can vary between 0 % and 150 % depending on performance; this is known as the **performance-based cap**. In addition, there is also a **price-related cap** which ensures that a price increase above the threshold of 200 % does not result in a further increased value of the PSUs. After the end of each year of the four-year holding period, a quarter of the PSUs awarded become vested, provided that the employment relationship is ongoing, Group net income is generated in the year in question, and the EBITDA generated by ProSiebenSat.1 Group in that year is at least 50 % of the previous year's figure.

Under the new **Mid-Term Incentive Plan**, which was introduced in 2015, Executive Board members receive another **multi-year variable compensation component**. In connection with the introduction of the Mid-Term Incentive Plan, the Supervisory Board also obtained an **external appraisal of the appropriateness and structure of Executive Board compensation**. The Mid-Term Incentive Plan is a mid-term remuneration instrument to be paid out in cash not only for members of the Executive Board but also for other selected managers of ProSiebenSat.1 Group, which was allocated once-only in 2015 and 2016 respectively. The Mid-Term Incentive Plan has a three-year plan term starting in the financial year 2016. The payment amount depends on the recurring EBITDA achieved by ProSiebenSat.1 Group by the end of the plan term and on the achievement of certain minimum thresholds for revenues and recurring EBITDA during the plan term. The payment amount is limited to 250 % of the respective target bonus.

Pension agreements were also concluded for all members of the Executive Board: For the period of the employment relationship, the Company pays a monthly contribution of 20 % of the respective fixed monthly gross salary.

In addition, Executive Board members receive other **non-performance-based fringe benefits** in the form of customary non-cash benefits, especially company cars and participation in group accident insurance. In accordance with the recommendations of the German Corporate Governance Code, there are also maximum limits on the amount of the fringe benefits.

If the employment contracts of Executive Board members are terminated prematurely by the Company without good cause, these contracts provide for a **severance payment**, which, in accordance with the recommendations of the German Corporate Governance Code, is to be paid in the amount of two years' total compensation; however, this may not exceed the amount of compensation that would have been paid up to the end of the contract period.

In the event of a **change of control**, Executive Board members have the right, under certain conditions, to terminate their employment contract and resign from the Executive Board. If this right of termination is exercised, the Executive Board members shall receive a cash settlement. In accordance with the recommendations of the German Corporate Governance Code, the cash settlement equates to three years' compensation, but shall not exceed the compensation for the remainder of the employment contract.

For further details on Executive Board compensation, please refer to the relevant passages of the **Compensation Report**, which you will find from page 48 onward of the Annual Report.

Ladies and gentlemen,

I would now like to take the opportunity to respond to the **suggestions for the configuration and disclosure of Executive Board compensation** made to the Company by shareholders in the run-up to the Annual General Meeting.

Firstly on a few points of criticism regarding the **transparency** of the disclosure in our Compensation Report:

- I would first like to emphasize that the Compensation Report meets **the requirements of German legislature and the German Corporate Governance Code in every respect**. The Executive Board and the Supervisory Board also believe the Compensation Report is **sufficiently transparent and detailed** and allows shareholder to form an opinion of the main features of this compensation system.

- In the run-up to the Annual General Meeting, however, some shareholders remarked that **specific and individual performance targets** of variable compensation components had not been disclosed and that there had been no disclosure of performance achieved compared to the performance targets set.

  On this point, we say that the Company has so far refrained from disclosing performance targets as well as success parameters as such because, although the Company's performance targets are always defined in advance, they are **merely internal management targets**.

  Moreover, we would like to point out that the **compensation tables in the Compensation Report** show to what extent the amount payable in the event of 100 % target attainment was over- or undershot. Here, both the actual amount paid and the amount payable on 100 % target attainment are disclosed for the respective compensation component.

- Finally, there was criticism that the Company does not publish any information on the **shares in the Company held by the Executive Board**. On this point, I would like to briefly explain that the Company is under **no legal obligation** to provide information on the acquisition or disposal of the Company's shares beyond the Executive Board members' obligation to disclose "manager transactions" under the Market Abuse Regulation.

  In other respects, the Executive Board, the Supervisory Board and the Company have all **met their respective disclosure obligations in full**. Although we are in compliance with all legal requirements, I would like to emphasize that we have nevertheless understood that shareholders, especially those from other jurisdictions, have requirements here that legislators have not envisaged.

As a Company with an international shareholder structure, we will take the aforementioned **suggestions regarding disclosure into consideration** in the future and when preparing the Compensation Report for financial year 2017.

- Although the Supervisory Board – as explained previously – does not completely agree with the individual points of criticism, I would like to emphasize on behalf of the Supervisory Board that we **will gladly take the shareholders' suggestions on board and review them thoroughly**.

Now I would like to talk about some **content-related aspects of Executive Board compensation** that we have previously been asked about. I would like to emphasize that it was **not the total amount of the compensation but only the configuration of individual components that was called into question**:

- Firstly, there was a question as to why the Supervisory Board has wide **discretion** when adjusting the factor for converting performance share units into shares as part of the Group Share Plan for extraordinary events and what benchmark is used for the exercise of discretion.

  I would like to explain the following on this point: The Supervisory Board can increase or decrease the number of performance share units and thus the number of shares according to the determined conversion factor for the Executive Board at the end of the holding period, in the event of extraordinary developments the conversion factor by up to 25 percentage points. The Supervisory Board uses stricter benchmarks here than the key figures derived from the relevant corporate planning.

  This ability to adjust the performance share units **is based on explicit authorization from the Annual General Meeting** and enables the

Supervisory Board to adequately reflect the individual performance of the individual Executive Board member.

In addition, such Supervisory Board discretion is also **in line with statutory provisions and the recommendations of the German Corporate Governance Code**.

- Secondly, it was asked how the mechanism for adjusting the number of shares in the Group Share Plan works in the case of a **superdividend**. Allow me to use this opportunity to explain this to you briefly:

  According to the **plan terms**, a superdividend is the amount by which the dividend distributions of a year exceed the underlying net income for the financial year in question. In the event of such a superdividend, a corresponding increase in the conversion factor for the conversion of performance share units into shares ensures that the plan participants are not financially diluted by these dividend distributions.

- There was also criticism that **the variable compensation components are not benchmarked against competitors**.

  The fact is that we **regularly review the Executive Board compensation with regard to its appropriateness**, taking into account the amount and structure of executive board compensation in comparable companies as further criteria for the appropriateness of the compensation.

- In addition, there was criticism that the Executive Board contracts do not contain provisions on the Company’s **rights to repayment** from Executive Board members of variable compensation paid, e.g. clawback provisions.

  This seems to be based on a **misunderstanding**: Such clawback provisions or other rights to repayment are not required if the variable remuneration is paid only when the remuneration is definitely earned. This is the case for all variable compensation components for Executive Board members of the

Company. If they relate to the future, they are **paid out only at the end of the plan term**. Until then, they also reflect negative value risks.

- It was also mentioned that there are **no guidelines for the Executive Board's share ownership** and in particular no personal investment obligation, for example for a portion of the cash payment from the annual performance bonus.

  In the Supervisory Board's view, the current configuration of Executive Board compensation is oriented toward the **Company's long-term development**. The Executive Board members also participate in the long-term development of the share price via the Group Share Plan. Therefore, we do not currently consider further personal investment on the part of the Executive Board to be necessary.

- In addition, it was remarked that there are **only cash-settled variable compensation components**.

  I would answer this as follows: The Group Share Plan is a **share-based payment program** and thus in principle not a cash-settled compensation component. However, the Company has the option to settle the participants' claims after the end of the four-year performance period with either shares or a cash payment. So far, the Company has chosen cash settlement each time because it is simpler to process. In addition, on the basis of the most recent court rulings on tax matters, cash settlement makes the Company's costs for the Group Share Plan tax-deductible and is therefore more advantageous for the Company and thus for shareholders.

- It was also asked why the **performance is not based on the overall term of the Group Share Plan**, but rather on every year of the term independently.

  On that point, I can tell you that each tranche of the Group Share Plan has a **four-year performance period**. The annual targets within this performance period are derived annually from the latest corporate planning, and the continual fulfillment of annual planning is thus measured over a longer period. Due to the additional link with price performance over the entire four-year performance period, however, corporate development is also included over the entire period at the same time.

In addition, the **Mid-Term Incentive-Plan** is another compensation system that measures the fulfillment of internal multi-year targets from the outset.

- There was also criticism that **the performance targets are based on EBITDA** in all variable compensation components and that there is too great a focus on one key figure. The Supervisory Board does not agree with this criticism for the following reasons:

  EBITDA is the **most important key performance indicator** for communication with our investors and a **key parameter** for our corporate planning.

  As well as EBITDA and the leverage ratio, however, the annual performance bonus also includes target parameters **adjusted individually to each Executive Board member's area of responsibility.** In addition, the Group Share Plan is a compensation instrument focused on the long-term price performance of our share as well as EBITDA.

Although the Supervisory Board – as explained previously – does not completely agree with the individual points of criticism, I would finally like to point out on behalf of the Supervisory Board that we **will gladly take the shareholders' suggestions on board**, **review them thoroughly**, and if necessary consider adjusting the system of Executive Board compensation.