Capital Markets Day – December 6, 2017

ROUNDTABLE PRESENTATIONS

MEDIA TRENDS & TV ROIS

Sabine Eckhardt, Guido Modenbach
CONSUMERS ARE ALWAYS ON …

- **EVERYWHERE**
- **ANY TIME**
- **ON ALL MEDIA**

**CONSUMERS**

- **Multi-media consumption**
  (e.g., TV, tablet, mobile, virtual reality, voice recognition)
- **New platforms & media channels**
  e.g., 24 new small TV channels
- **+40% products launched**
- **+25% products advertised**
- **13,000 ad messages/day**
- **Lean-forward vs. lean-back media consumption**
- **Digital stress & detoxing**

1) 2017 vs. 2010; AGF in cooperation with GfK/TV Scope/ProSiebenSat.1 TV Deutschland
2) 2017 vs. 2004, Handelsverband Deutschland
3) 2016 vs. 2017 across all Media channels; Nielsen 2017
4) Marketing-boerse; absatzwirtschaft 2017
... DRIVING NEED FOR SUPERIOR AD EFFECTIVENESS

ADVERTISER NEEDS

- INNOVATIVE DIFFERENTIATING ADVERTISING
- CONTEXTUAL CAMPAIGNS
- EFFICIENT MASS REACH CAMPAIGNS
- BRAND SAFE & HIGH QUALITY AD ENVIRONMENTS
- TARGETING FOR INCREMENTAL REACH

SUPERIOR AD EFFECTIVENESS

EVERYWHERE

ANY TIME

ON ALL MEDIA

INDIVIDUALIZED
AD EFFECTIVENESS IS A TRIPLE PLAY

01 | Creation

02 | Media

03 | Data
CREATION IS KEY FOR AD CUSTOMERS

Creation explains ...

49% ... of Sales impact

Source: CBS/Nielsen Catalina Solutions, June 2017 (incl. evaluation of hundreds of marketing mix models)
SEAMLESS INTEGRATION OF 30 sec SPOT INTO CONTENT

CONTENT
Actor of comedy TV series goes to white board to explain scientific matter

30 sec SINGLE SPLIT
Ad break where ad client’s product is explained on white board with famous speaking voice of actor

CONTENT
Content continues after 30 sec ad break without any further commercial

>5x higher top-of-mind awareness

+77% ad awareness vs. average campaign

Re-booking due to ad effectiveness

Source: SevenOne AdFactory
360° CAMPAIGN COMBINING CREATIVITY WITH REACH

TV
- Program sponsoring
- Editorial sweepstake
- Product placement

Online, Mobile & Social
- Online sponsoring
- Landing page
- Mobile posts
- Social media

On the ground & Placements
- Photo campaign
- Opel Lounge
- Placement

Virtual Reality
- 360° music video

277m TV gross reach
289m digital ad impressions
4m VR music Video Views

Source: SevenOne AdFactory
INTEGRATED CREATIVE CONTENT MARKETING CONCEPT...

TV-advertorial example: musician raps summary of last show

- 2x higher ad recall vs. average campaigns
- +51% more young viewers vs. average TV audience
- 2.5m VV + 11.4m contacts on Social Media

CREATIVE 360° MEDIA CONCEPT FOR ALDI'S FIRST TV IMAGE CAMPAIGN

Source: SevenOne AdFactory
The Stylight “StyleLoft” addresses new fashion and lifestyle trends… AND ATTRACTIVE CONTENT-DRIVEN FORMATS

CLASSIC BRANDED ENTERTAINMENT FORMATS

Stylight StyleLoft
The Stylight “StyleLoft” addresses new fashion and lifestyle trends

7NXT Fitness Diaries
7NXT “Fitness Diaries” reports from the exciting life of German fitness influencers

MADE® ONYGO C&A
Production Partners

Production Partners

NEW MARKET-ORIENTED FORMAT

PERFECT SHOT
Influencer competing vs. photographer to find “Perfect Fashion Shot”, travelling the world to find models and best location

Levi’s Hyundai Manhattan
Sponsoring & Placement Partners

+26% more campaigns vs. 2016

Source: SevenOne AdFactory
NEW INNOVATIVE AD PRODUCTS ON AIR AND IN PIPE

AUTOMIZED CONTEXTUAL AD
- Situative Cut-in matching TV content
- Automation for scalability being tested

+30% mark-up vs. classic Cut-in

6 SEC TV BOOSTER ADS
- 6 sec video ads now bookable on TV
- 2 TV products with focus on reach and awareness

High TV mass reach & brand-safe ad environment (vs. Digital)

TV LIVE COMMERCIAL
- Live ad break during TV show 3x executed
- Execution in more TV shows planned

3x higher monetization vs. classic TV ad

Source: SevenOne AdFactory
AD SALES HIGHLIGHTS 2017 DRIVEN BY CREATION

- **+26%** More Branded Entertainment formats sold
- **23%** of Content Marketing revenues from print budgets
- **33%** of new business customers also booked AdFactory products
- **60%** of top advertisers maintained or increased special ad share
- **43x** Rewarded for top-nodge creativity

Source: SevenOne Media, SevenOne AdFactory
UNIQUENESS IS OUR FULL VALUE CHAIN OFFERING

- PRODUCE CONTENT
- PLATFORMS & PRODUCTS
- DISTRIBUTION
- STRATEGY & INSIGHTS
- CONCEPTION & CREATION
- PROJECT MGMT & REPORTING

Fully owned
Monetization along all steps
In-house production and creative competence
AD EFFECTIVENESS IS A TRIPLE PLAY

01 Creation

02 Media

03 Data
MEDIA INCREASINGLY DRIVING SALES IMPACT
FOR ADVERTISERS

Media explains ...

15%  
2007

x2.4

36%

today

... of sales impact

Source: CBS/Nielsen Catalina Solutions, June 2017 (incl. evaluation of hundreds of marketing mix models)
WE HAVE POWERFUL MULTI-MEDIA REACH

26.7%

TV MARKET SHARE
9M 2017, A 14-49

ADDRESSABLE TV
~446m contacts/month

DIGITAL OUT OF HOME
~282m contacts/month

ONLINE PLATFORMS
~302m VV/month

MOBILE PLATFORMS
~90m VV/month

SOCIAL MEDIA
>190m contacts/month

1) Base: All German TV households (German-speaking), A 14-49, Mon-Sun, 3-3 h, 9M 2) Incl. Studio71 Source: SevenOne Media Research, AGOF/AGF, GFK, DMI, Market Research, Magna Global (Oct 2017)
TV IS THE SUPERIOR MEDIA
VIDEO USAGE ON TV 7.5x HIGHER THAN ALL OTHER VIDEO MEDIA COMBINED

Usage at least rarely, rolling last 4 quarters, TV includes conventional and alternative TV usage
Source: ViewTime Report, SevenOne Media/forsa

Usage time in minutes, A 14-69

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Minutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV</td>
<td>228</td>
</tr>
<tr>
<td>FREE ONLINE VIDEO</td>
<td>17</td>
</tr>
<tr>
<td>PAYVOD</td>
<td>9</td>
</tr>
<tr>
<td>DVD/BLUE-RAY</td>
<td>5</td>
</tr>
</tbody>
</table>

31 min
REACH OF DIGITAL AD LEADERS STRUGGLING

Limited and even declining reach in younger audience

Facebook reach development by age groups [in %]

<table>
<thead>
<tr>
<th>Quarter</th>
<th>E 20–49</th>
<th>E 14–19</th>
<th>E 50+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1/15</td>
<td>66</td>
<td>58</td>
<td>54</td>
</tr>
<tr>
<td>Q2/15</td>
<td>65</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Q3/15</td>
<td>63</td>
<td>56</td>
<td>54</td>
</tr>
<tr>
<td>Q4/15</td>
<td>61</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Q1/16</td>
<td>60</td>
<td>56</td>
<td>54</td>
</tr>
<tr>
<td>Q2/16</td>
<td>57</td>
<td>56</td>
<td>54</td>
</tr>
<tr>
<td>Q3/16</td>
<td>54</td>
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<td>54</td>
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<tr>
<td>Q4/16</td>
<td>56</td>
<td>56</td>
<td>54</td>
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<tr>
<td>Q1/17</td>
<td>57</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Q2/17</td>
<td>56</td>
<td>56</td>
<td>54</td>
</tr>
<tr>
<td>Q3/17</td>
<td>54</td>
<td>55</td>
<td>54</td>
</tr>
</tbody>
</table>

-43% decrease

Heavy usage dilemma

11% of YouTube’s users generate
67% of its total usage

1) Source: Facebook usage at least rarely; ViewTime Report, SevenOne Media/forsa
2) Source: Double Play, SevenOne Media Calculations, March 2017
YOUTUBE: 43% OF USAGE IS NOT AD RELEVANT CONTENT

43% of usage not ad relevant

53% of YouTube usage is still on PC and laptop

... thereof 45% background usage only

YOUTUBE USAGE IS HIGHLY FOCUSED ON MUSIC AND OTHER TOPICS WITHOUT RELEVANCE FOR ADVERTISERS

1) Source: ViewTime Report, SevenOne Media/forsa, Q3 2017  2) Base: YouTube stationary usage. Source: Video Usage Validation Study 2015, EyeSquare/SevenOne Media
FACEBOOK VIDEO IMPRESSIONS ARE SHORT ...

Note: 5 Facebook-Video-Campaigns 2017, spot length of 20 seconds
Source: SevenOne Media
... DRIVING DIGITAL CPTs IN ASTRONOMOUS HEIGHTS

Note: 5 Facebook Video Campaigns 2017, spot length of 20 seconds
Source: SevenOne Media
AND ALL THIS WITHOUT AUDIO

Share of viewers
[in %]

ALL FACEBOOK VIDEO VIEWS
>3 sec

ALL FACEBOOK VIEWS WITH SOUND

only 1% of all Facebook views with sound

Note: 5 Facebook-Video-Campaigns 2017, spot length of 20 seconds
Source: SevenOne Media
DIGITAL AD SPEND EFFECT ON CONSUMER IS LIMITED

Source: World Federation of Advertisers, Bob Hoffman 2017

Assumptions

- ~ 40% viewability
- ~ 20% ad fraud

... reaching consumer

Source: World Federation of Advertisers, Bob Hoffman 2017
## DIGITAL ADVERTISING WITH MORE WEAKNESSES

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viewability</td>
<td>39% of digital video advertising not viewable[^1]</td>
</tr>
<tr>
<td>Ad Fraud</td>
<td>Fraud losses amount to 22% of desktop video ad spending[^2]</td>
</tr>
<tr>
<td>Brand safety</td>
<td>~11% of digital video advertising in environments with risks to brands[^1]</td>
</tr>
<tr>
<td>Autoplay</td>
<td>More than one third of digital videos not started by consumer[^1]</td>
</tr>
<tr>
<td>Ad Clutter</td>
<td>Digital advertising not effective due to ad clutter[^1]</td>
</tr>
<tr>
<td>Ad Blocker</td>
<td>~30% ad block usage in Germany[^3]</td>
</tr>
<tr>
<td>Engagement</td>
<td>Lasting impact of digital engagement doubtful</td>
</tr>
</tbody>
</table>

[^1]: Source: 1) Integral Ad Science Media Quality Report (Q1 2016, H1 2017) 2) ANA & WHITE OPS 2017 Bot Baseline Report – Fraud in Digital Advertising
IN FACT: DIGITAL ENGAGEMENT IS VERY DOUBTFUL

Source: Companion Brand Advocate Survey, 2014, +3m Follower of brands, approx. 300,000 individual activities for the period Dec 2013 to Aug 2014
BUT MILLENNIALS REACHED EFFECTIVELY IN TV ...

2/3 OF VIDEO USAGE IS LINEAR TV

Life stages defines TV and online video usage

Share of complete video usage [per day]

- Millennials
  - TV A 14-34 = 67%
  - TV A 14-69 = 88%

Linear TV
- TV conventional
- TV alternative

Non-TV
- DVD/Blu-Ray
- Free Online Video
- PayVoD

[Minutes per day], A 14-34, by life stages

1) Source: Media Activity Guide, SevenOne Media/forsa, 2017
2) Source: TV conventional: AGF TV Scope. Online video and TV alternative: Media Activity Guide, SevenOne Media/forsa, 2017
... AND GROWING ELDERLY TARGET GROUPS EVEN BETTER

### Higher daily TV usage

Daily TV consumption

- **[Germany; Q3 2017 rolling last 4 quarters; 50+ years]**

<table>
<thead>
<tr>
<th></th>
<th>A50+</th>
<th>A14-49</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>+142 min</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Increasing relevance for advertisers

Share of German Population 50+ years

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>44%</strong></td>
<td></td>
<td><strong>48%</strong></td>
</tr>
</tbody>
</table>

### Available income after fix costs (rent, groceries)

Germany: 2017; 65-85 years

<table>
<thead>
<tr>
<th></th>
<th>2017 vs. 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>+20% higher income</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: 1) AGF in cooperation with GfK/TV Scope, SevenOne Media  2) Federal Statistical Office (Destatis)  3) Generali Aging Study 2017/IfD Allensbach; n=4.133
POWER OF TV VERIFIED BY A UNIQUE TEST DESIGN
TEST DESIGN: REGIONALLY CONTROLLED A/B TEST

- Regionally controlled A/B test under real-life conditions with two brands
- Brand 1: sleeping beauty (cold coffee drink brand), not advertised for a significant period but well distributed in retail
- Brand 2: launch of a new product (yoghurt brand), never been advertised before
- SHORT-TERM SALES EFFECTS measured by retail sales data
- BRANDING EFFECTS measured by survey data

TV IS THE MAJOR DRIVER FOR BRAND BUILDING AND FOR SHORT-TERM ACTIVATION

Source: SevenOne Media/TNS Bonsai
TV IS THE MOST EFFECTIVE DRIVER
FOR BRAND BUILDING AND SALES

AWARENESS EFFECTS (sleeping beauty)

<table>
<thead>
<tr>
<th></th>
<th>Online advertising</th>
<th>TV advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top of mind awareness</td>
<td>+21%</td>
<td>+67%</td>
</tr>
<tr>
<td>Aided advertising recall</td>
<td>+20%</td>
<td>+167%</td>
</tr>
<tr>
<td>Image¹)</td>
<td>+7%</td>
<td>+24%</td>
</tr>
</tbody>
</table>

SALES EFFECTS (sleeping beauty)

<table>
<thead>
<tr>
<th></th>
<th>Online advertising</th>
<th>TV advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales effects</td>
<td>+11%</td>
<td>+31%</td>
</tr>
</tbody>
</table>

SALES EFFECTS (launch product)

<table>
<thead>
<tr>
<th></th>
<th>Online advertising</th>
<th>TV advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales effects</td>
<td>+8%</td>
<td>+80%</td>
</tr>
</tbody>
</table>

TV PERFORMED SIGNIFICANTLY BETTER COMPARED TO ONLINE VIDEO IN TERMS OF SHORT-TERM SALES & BRAND PERCEPTION

¹) Question: "...is market leader in the cold coffee drink category."
EVEN GOOGLE, FACEBOOK AND AMAZON VALUE TV ...

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<tbody>
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<td>75</td>
<td>85</td>
<td>76</td>
<td>55</td>
<td>78</td>
<td>49</td>
<td>52</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: Nielsen & Nielsen Global 2016

DIGITAL ADVERTISING LEADERS WITH SIGNIFICANT TV AD SPEND ABOVE COUNTRY AVERAGES
... USING TV TO SELL THEIR OWN PRODUCTS

Google

Major launch of TV campaign for Google Phone

Amazon

TV campaign for Amazon Prime incl. fire TV stick and Alexa voice recognition

Facebook

Facebook explains its own product on TV

1) https://www.youtube.com/watch?v=hi_mOlI0iZU  2) https://www.youtube.com/watch?v=hDHV5FCochg  3) http://www.horizont.net/marketing/nachrichten/Imagekampagne-Facebook-startet-erste-TV-Spots-in-Deutschland-144112
AD EFFECTIVENESS IS A TRIPLE PLAY

01 | Creation

02 | Media

03 | Data
DATA INCREASES EFFICIENCY OF TV ADVERTISING
NEW TARGETING POSSIBILITIES VIA ADDRESSABLE TV

<table>
<thead>
<tr>
<th>TARGETING OPTIONS</th>
<th>CRITERIA</th>
<th>DATA TYPES</th>
<th>AVAILABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audience-targeting</strong></td>
<td>e.g., age, gender</td>
<td>AGF/GFK Panel based</td>
<td>Since 2015</td>
</tr>
<tr>
<td><strong>Geo-targeting</strong></td>
<td>e.g., states, cities, weather</td>
<td>IP based</td>
<td>Since 2016</td>
</tr>
<tr>
<td><strong>Behavioral targeting</strong></td>
<td>e.g., elderly 50+, luxury, Single, household with kid</td>
<td>Cookie based</td>
<td>Since Sep. 2017</td>
</tr>
<tr>
<td><strong>Login-based targeting</strong></td>
<td>e.g., socio-demographics, linking TV and digital data</td>
<td>TV &amp; digital data based</td>
<td>2018 onwards</td>
</tr>
</tbody>
</table>

Source: SevenOne Media
GEO: RELEVANCE PUSH VIA LOCAL WEATHER INTEGRATION

Targeting by weather or temperature

Applicable for weather-related occasions such as cinema, cold & flu, running, BBQ, tire change

Source: SevenOne Media
BEHAVIORAL: DIFFERENT TV ADS IN LINE WITH HOUSEHOLD NEEDS

Single Household

Dating service ad with Call-to-Action

Generation 50+ Household

Ad for relevant fashion brand with Call-to-Action

Source: SevenOne Media
BEHAVIORAL TARGETING SEGMENTS
TO ACCESS UNTAPPED BUDGETS

Family with kids
Bookable since Sep. 2017 +58% uplift within target group

HHNI above EUR 3,000
+40% uplift within target group

Generation 50+ households
+39% uplift within target group

Print budgets
Budgets of Luxury brands
Budgets for public channels and Print

Source: SevenOne Media
TV MARKET EXPANSION WITH ADDRESSABLE TV

EXISTING BUSINESS

Providing incremental reach

NEW BUSINESS

Ad clients’ niche & secondary brands

Medium-sized and decentral business

Local & small business

11.5m DEVICES REACHABLE
446m CONTACTS/MONTHS

Source: SevenOne Media
3-FOLD DATA STRATEGY
FOR AUDIENCE-DRIVEN CAMPAIGNS

COMPREHENSIVE OWN DATA PROFILES

Online Data
- 20m+1)

Mobile Data
- 40m+1)

Addressable TV Data
- 10m+1)

INTELLIGENT DATA COOPERATIONS

Addressable TV Data (zalando)

RMG

STRATEGIC LOG-IN ALLIANCE

1&1 WEB.DE

GMX

MEDIENGRUPPE RTL

zalando

1) Based on unique cookies active per month
Source: P7S1
DATA CO-OPS TO DERIVE AND REACH SPECIAL TARGET GROUPS …

DATA CO-OP PARTNERS
- Zalando

DEFINED TARGET GROUPS
- e.g., Payment Plus Sizes
- Luxury Lover
- Fashion Shoppers

EXAMPLE CAMPAIGNS
- PayPal™
- Weight Watchers
- O₂
- FLACONI

e.g., Smart shopper
- Consumer Electronics
- Telecommunications

Campaigns planned for 2018
... REALIZING PERFORMANCE UPLIFTS FOR AD CLIENTS AND OWN ASSETS

ZALANDO DATA AS INPUT FOR DATA CAMPAIGNS

Source: SevenOne Media

AWARENESS AND SALES CAMPAIGN FOR FASHION CLIENT

+92% Purchase Intent
+233% Awareness

BRAND ENGAGEMENT CAMPAIGN FOR OWN ASSET

+141% Purchase Intent
+130% Awareness
AD EFFECTIVENESS IS A TRIPLE PLAY

01 Creation

02 Media

03 Data

EFFECTIVENESS
WE CONTINUE TO INVEST INTO CREATION, MEDIA & DATA

1. CREATION
   Leverage our unique combination of TV, Digital and Creation

2. MEDIA
   Expand our TV & Digital Entertainment products

3. DATA
   Grow our Data and AdTech for highly competitive products
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