Press Release

ProSiebenSat.1 posts slight organic revenue growth in 2018

- **Group revenues decline as expected by 2% to EUR 4,009 million, 1% growth adjusted for consolidation and currency effects**
- **Adjusted EBITDA decreases by 4% to EUR 1,013 million, adjusted net income declines by 2% to EUR 541 million**
- **Share of non-advertising business increases to 44%; commerce business with double-digit organic growth**
- **Executive Board and Supervisory Board propose dividend of EUR 1.19 per share**
- **Group drives implementation of strategy and confirms investments in Entertainment business**
- **Positive start into the year with growing TV ratings and video views**
- **KPI for "Total Video Viewtime" established; introducing a Total Reach metric in first half of 2019 together with AGF**
- **Outlook 2019: Group expects revenue growth in the mid-single-digit percentage range and an adjusted EBITDA margin between 22% to 25%; visibility on TV ad market remains low**

Max Conze, CEO of ProSiebenSat.1 Media SE: "2018 was not a year we can be satisfied with as the weakness in TV advertising was not yet sufficiently counter-balanced with digital and commerce growth. Nevertheless, we kicked off the critical transformation to be a digital, diversified entertainment to commerce champion and the start into 2019 is showing encouraging signs of progress: Total video views are growing, latest TV ratings are the best since 2016 with a strong line up of local hero programs. Digital and smart ad business, NuCom Group and Red Arrow Studios are all growing double-digit. The team is coming together and we are executing better. On the other side, the underlying TV advertising market continues to be difficult to read with a decent January and February while March is expected to be weak. Now our full focus is on the successful launch of our streaming platform together with Discovery this summer, on expanding local content, total video views, total and smart reach as well as addressable advertising products. And we will continue to rapidly grow and scale our NuCom commerce champions. Transformation is never easy but I am confident we have the strategy, passionate people and will to lead and win."

Munich, March 7, 2019. As in the previous quarters, ProSiebenSat.1 Group's revenue development was impacted by consolidation and currency effects also in the full-year 2018: As expected, 2018 revenues therefore were slightly below the previous year by 2% at EUR 4,009 million (previous year: EUR 4,078 million). The deconsolidation of the travel portfolio since the third quarter of 2017 and of the video-on-demand portal maxdome in July 2018 had a significant impact. However, adjusted for consolidation effects, ProSiebenSat.1 achieved a slight increase in revenues of 1%. Particularly in the second half of the year, growth in the Content Production & Global Sales and Commerce segments proved dynamic which could also compensate for the weaker development of advertising revenues in the Entertainment segment. In total, the share of non-advertising business increased to 44% in 2018 (previous year: 43%) – despite the deconsolidation of the online travel portfolio. In the full-year, adjusted EBITDA and adjusted net income declined by 4% to EUR 1,013 million (previous year: EUR 1,050 million) and by 2% to EUR 541 million (previous year: EUR 550 million) respectively. The adjusted EBITDA margin amounted to 25.3% (previous year: 25.8%), which was also in line with expectations. As well as varying revenue dynamics of the business areas, this also reflects the Group's efficient cost management.

Dr. Jan Kemper, CFO ProSiebenSat.1 Media SE: “We initiated an extensive transformation of the Entertainment business in 2018 and are already seeing initial positive effects on the financial side, though we still have some way to go. Our fourth quarter results clearly show that a more diversified revenue profile will be the key to the Group's future success. I am of course especially pleased that the NuCom Group’s products and services are so well received by our consumers. Combined with an ongoing efficiency program at Group level, this enabled us to partially compensate for the industry-wide weakness in the advertising market.”

Strategy & Priorities in 2019: Investments into the future

ProSiebenSat.1 is consistently implementing the strategy presented at the 2018 Capital Markets Day and investing an additional EUR 120 million in total in local content, the expansion of digital platforms and an improved monetization of reach in 2019 in order to set up a modern and future-fit Entertainment business. The focus on local productions is already being implemented in the Entertainment business across all genres, which is also supported by a closer cooperation with the Group's own production network Red Arrow Studios. Their program grid share is expected to already reach about 20% this year. The start into the year in the Entertainment segment was positive: Next to an increase of TV audience shares by 1.4 percentage points to 27.5% (February YTD), also video views grew across all channels. At the same time, ProSiebenSat.1 is working intensively on introducing a total reach metric for TV and digital that is then marketable. Additionally, the share of targeted advertising via addressable TV is expected to increase significantly. The market launch of new products such as “Cross Device Bridge” and “Addressable TV Spot” will contribute to this. An important milestone will also be the market launch of a joint streaming platform with Discovery Communications that is planned for the summer of 2019. Therefore, both partners will invest together up to EUR 100 million this year. Katja Hofem, currently COO at ProSiebenSat.1 TV Deutschland, will strengthen the management team of 7TV as of March 15, 2019, and will have a special focus on developing and producing new formats as well as on program acquisitions. Recently, ProSiebenSat.1 has already further expanded its Commerce segment successfully: NuCom Group has increased its share in the portfolio company Aroundhome and now holds the majority of shares in all of its commerce companies. NuCom is therefore set to continue its growth path further and aims to already reach the revenue mark of around EUR one billion this year.
With these priorities, ProSiebenSat.1 aims to make further progress this year, advancing its transformation and thereby increasing the revenue shares of the non-advertising business (2018: 44%, 2023+ target: 50%), digital business (2018: 30%, 2023+ target: 50%) and smart reach (2018: 6%, 2023+ target: 25%).

Dividend proposal: EUR 1.19 per share

In November 2018, ProSiebenSat.1 Group presented a “total shareholder return” concept to its investors based on average annual shareholder return. In this context, the Group presented an adjustment of its dividend policy. From financial year 2018, ProSiebenSat.1 will pay out 50% of adjusted net income as dividend (previously 80% to 90%). The Group will use the funds released by the adjustment primarily for earnings-increasing investments in organic and inorganic growth. The Executive Board and Supervisory Board thus propose the Annual General Meeting a dividend of 50% of adjusted net income – EUR 1.19 a share – for the financial year 2018 (previous year: EUR 1.93). This corresponds to a dividend yield of 7.7% (previous year: 6.7%) of the closing price of the ProSiebenSat.1 share at the end of 2018. In the context of the announcement of a share buyback program of up to EUR 250 million with a term of 12 to 24 months made in the fall of 2018, the Group repurchased an initial tranche of nearly three million own shares in an amount of EUR 50 million between November 9 and December 11, 2018. As of December 31, 2018, the leverage ratio, i.e. the ratio of the Group’s net financial debt to its adjusted EBITDA, was 2.1 (previous year: 1.6) and was thus within the target range of 1.5 to 2.5.

Financial outlook: Solid start into the year

After a decent start in January and February, in March the advertising business is expected to be below the previous year's level, so that for the first quarter of 2019 advertising revenues in the Entertainment business are expected to decrease overall. A key driver here is the late date for Easter. For both the Content Production & Global Sales and the Commerce segments, the Group anticipates double-digit percentage revenue growth, respectively, in the first quarter of 2019.

In accordance with the outlook for 2019 that ProSiebenSat.1 presented at the Capital Markets Day in November 2018, the Group continues to target a revenue increase for the full-year in the mid-single-digit percentage range and an adjusted EBITDA margin between 22% and 25%. These targets require a stable to only slightly declining development of the German TV advertising market and a corresponding development of TV advertising revenues in the Entertainment segment and are based on the assumption of a stable macro environment. Should general conditions deteriorate compared to the assumptions made, this would negatively impact profitability in the Entertainment segment and at Group level.

As also already announced at the Capital Markets Day, the Group's profitability and earnings performance in the full-year will be affected by the planned investments recognized as expenses in the Entertainment segment. These investments will be spread primarily across the first three quarters of the year, with a focus on the second and third quarters thus leading to a pronounced decline in earnings, respectively. ProSiebenSat.1 Group expects, as announced, that this decline of Group adjusted EBITDA in fiscal 2019 will be limited to a mid-double-digit million amount compared to the previous year. In addition, ProSiebenSat.1 expects the net effect of investments in the joint streaming platform with Discovery Communications and related income from the joint venture to negatively impact the net result by in total no more than EUR 30 million.

At segment level, provided a stable to only slightly declining German TV advertising market and a corresponding development of TV advertising revenues and considering an offsetting positive development of other Entertainment revenues, ProSiebenSat.1 anticipates full-year revenues around the previous year's level in the Entertainment segment. While market research institutes expect the total video advertising market[1] in Germany to grow in 2019, visibility in particular for the classic TV advertising business remains very limited. For both the Content Production & Global Sales and Commerce segments, the Group expects dynamic revenue growth (both reported and organic) respectively. In the Commerce segment, revenue growth even in the double-digit percentage range is anticipated for the full-year, also benefitting from the initial consolidation of the matchmaking provider eHarmony and of Aroundhome.

[1] Total video: overall TV and digital video market

In detail: 2018 segment performance

In the **Entertainment** segment, external revenues declined by 4% on a full-year basis. In addition to the deconsolidation of maxdome and of the online fitness provider 7NXT, this is especially due to the revenue development in the advertising business: At the end of 2018, economic indicators and uncertainties had had a negative effect on the German TV advertising market. In contrast, the areas of sport and distribution performed significantly positively. The Group's TV audience market shares for the full-year were also clearly above the previous year's level with a plus of 0.8 percentage points despite the major sporting events broadcast on the public television stations. At the same time, digital reach grew with video views up 60%. This strong increase could not yet completely compensate the linear reach decline, thus ProSiebenSat.1 recorded a "total video viewtime", thus the total amount of viewed minutes on all its linear channels and digital entertainment platforms, of 1,078 billion minutes (previous year: 1,083 billion minutes) in 2018.

In the **Content Production & Global Sales** segment (Red Arrow Studios), external revenues grew significantly in the second half of the year and recorded double-digit growth rates. In the full-year, the segment's revenues thus increased by 6%. In addition to the initial consolidation of the US film distributor Gravitas Ventures since November 2017, in particular the revenue growth of digital studio Studio71 as well as the production business that regained strength in the fourth quarter contributed to this increase.

The **Commerce** segment with the NuCom Group concluded 2018 with strong organic revenue growth of 16% to which all four core verticals contributed. In particular the online perfume store Flaconi, the online comparison portal Verivox, and the OTC provider Windstar made substantial contributions. Revenue development in the entire Commerce segment (+2%) was impacted by consolidation effects. These include the deconsolidation of the travel portfolio as well as the initial consolidations of Jochen Schweizer and the matchmaking portal eHarmony.

As announced, ProSiebenSat.1 Group reviewed its commitments from existing contracts with US studios in the fourth quarter of 2018. The Group made the strategic decision to sub-license a part of its US programs to the streaming platform 7TV, as this content can be better exploited on a streaming platform due to changes in viewer behavior. It was furthermore decided to no longer broadcast certain US fiction programs on the Group's stations. The resulting expenses in programming assets thus amount to EUR 354 million in total. Taking into account advance payments already made in the past, the remaining payment expense will amount to less than EUR 70 m considering offsetting positive tax effects. ProSiebenSat.1 has hereby concluded the review of its programming strategy and is now placing a stronger focus on local content.

Other key figures can be found on our Group's website www.ProSiebenSat1.com. The presentation on the financial year 2018 will also be available here from 8 a.m. on March 7, 2019.

Key figures of ProSiebenSat.1 Group

in EUR m	Q4 2018	Q4 2017	Change in %	2018	2017	Change in %
Revenues	**1,323**	1,324	0%	**4,009**	4,078	-2%
Total costs	**-1,378**	-1,006	37%	**-3,710**	-3,590	3%
Operating costs[1]	**-956**	-944	1%	**-3,027**	-3,053	-1%
Adjusted EBITDA[2]	**379**	390	-3%	**1,013**	1,050	-4%
Adjusted EBITDA margin (in %)	**28.6%**	29.4%	-0.8 pp	**25.3%**	25.8%	-0.5 pp
EBITDA	**20**	382	-95%	**570**	1,084	-47%
Reconciling items	**-358**	-8	~	**-443**	34	~
Operating result (EBIT)	**-44**	333	~	**348**	820	-58%
Financial result	**-19**	-95	-81%	**-4**	-174	-98%
Net result attributable to shareholders of ProSiebenSat.1 Media SE	**-31**	167	~	**248**	471	-47%
Adjusted net income[3]	**236**	219	8%	**541**	550	-2%
Adjusted earnings per share (in EUR)	**1.04**	0.96		**2.36**	2.40	
Free cash flow [4]	**63**	243	-74%	**-78**	728	~
Free cash flow before M&A [5]	**138**	350	-61%	**244**	468	-48%
Cash flow from operating activities	**550**	665	-17%	**1,459**	1,621	-10%

Key figures of ProSiebenSat.1 Group

in EUR m	Dec. 31, 2018	Dec. 31, 2017
Equity	**1,070**	1,252
Equity ratio (in %)	**16.5%**	19.1%
Cash and cash equivalents	**1,031**	1,552
Net financial debt[6]	**2,163**	1,632
Leverage ratio[7]	**2.1**	1.6

Segment key figures of ProSiebenSat.1 Group

in EUR m	Q4 2018	Q4 2017	Change in %	2018	2017	Change in %
Entertainment						
Revenues	**867**	936	-7%	**2,718**	2,798	-3%
External revenues	**827**	914	-10%	**2,626**	2,737	-4%

Adjusted EBITDA(2)	**313**	333	-6%	**881**	898	-2%
Content Production & Global Sales						
Revenues	**214**	169	27%	**608**	594	2%
External revenues	**191**	148	29%	**552**	523	6%
Adjusted EBITDA(2)	**11**	-2	n.a.	**31**	19	66%
Commerce						
Revenues	**306**	263	16%	**831**	820	1%
External revenues	**306**	262	17%	**831**	818	2%
Adjusted EBITDA(2)	**54**	58	-6%	**103**	135	-24%

(1) Total costs excl. D&A and expense adjustments. (2) EBITDA before reconciling items. (3) Net result attributable to shareholders of ProSiebenSat.1 Media SE before the amortization and impairments from purchase price allocations, adjusted for the reconciling items. These include valuation effects recognized in other financial result, valuation effects of put-options and earn-out liabilities, as well as valuation effects from interest rate hedging transactions. Moreover, the tax effects resulting from such adjustments are also adjusted. (4) After M&A; total cash and cash equivalents generated in operating business less the balance of cash used and generated in the context of investing activities. (5) 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 and the purchase and sale of investments accounted for using the equity method. (6) As of December 31, 2018, the definition of ProSiebenSat.1's net financial debt does not include lease liabilities according to IFRS 16 in the amount of EUR 155 million. Also not included are real estate liabilities of EUR 22 million. (7) Ratio net financial debt to adjusted EBITDA in the last twelve months.

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