

SUMMARY OF KEY ACCOUNTING PRINCIPLES

A) BASIC PRINCIPLES

The recognition, measurement and presentation policies as well as the explanatory notes and disclosures for the Consolidated Financial Statements for the financial year 2017 are generally based on the principle of continuity.

The Consolidated Income Statement is prepared using the cost-of-sales method.

The Consolidated Financial Statements are based on the principle of historical costs, with the exception of items that are reported at fair value, in particular certain financial instruments.

Foreign currency translation

Transactions in foreign currencies are converted at the relevant foreign exchange rates as of the transaction date. In subsequent periods, monetary assets and liabilities are valued as at the spot rate and the conversion differences are recognized in profit or losses. Non-monetary items that were valued at historical costs in a foreign currency are converted at the rate on the date of the transaction.

The financial statements of subsidiaries and of entities outside the Euro zone that are accounted for using the equity method are converted using the functional currency concept. The functional currency of subsidiaries is based on the primary environment where their respective business is conducted. Usually this is the currency in which cash is generated and consumed.

The conversion of financial statements that are not denominated in Euro is based on the modified reporting date method, where items of the income statement are converted at the annual average exchange rate. Equity is converted at historical rates, and assets and liabilities at the closing date rate of the balance sheet date. Any differences resulting from converting financial statements in foreign currency are recognized directly in the accumulated other comprehensive income. In case of disposal of the respective subsidiary, such translation differences are recognized in profit or losses.

B) CONSOLIDATION METHODS

The Consolidated Financial Statements of ProSiebenSat.1 Media SE include all material subsidiaries. ProSiebenSat.1 Media SE controls an investee if it has power over the investee. This means that it has existing rights that currently enable it to direct the relevant activities. These are the activities that have a significant impact on the investees' returns. Moreover, through the respective parent company, ProSiebenSat.1 Media SE is directly or indirectly exposed to variable returns from its involvement in the associated company or is entitled to them and is able to exert impact on such returns through its power over the investee.

Profits and losses, revenues, income and expenses arising from transactions within the consolidated group as well as receivables and liabilities among consolidated companies are eliminated. The consolidation procedures take into account deferred income tax effects if such tax effects are likely to reverse in later the financial years. Where required, deferred tax assets and liabilities are offset against one another. Capital is consolidated by eliminating the carrying amount of the investments against the share of equity held in the subsidiary.

Initial consolidation is based on IFRS 3, using the acquisition method by offsetting the acquisition costs against the fair values of the acquired identifiable assets as well as the assumed liabilities and contingent liabilities as of the acquisition date. The assets identified in the context of the purchase price allocation at the acquired companies are valued by external independent experts. Identified goodwill here results from positive differences between the paid purchase prices and the fair values of the acquired assets as well as assumed liabilities, taking

into account deferred taxes. Goodwill is determined in the functional currency of the acquired entity, non-controlling interests are measured at the date of acquisition at their respective share in the acquired company's identifiable net assets. Changes in the Group's share in a subsidiary that do not result in a loss in control are accounted for as equity transactions.

Goodwill acquired in a business combination is allocated to the cash-generating unit or group of cash-generating units that is or are expected to profit from the synergies deriving from the business combination as of the acquisition date. This furthermore represents the lowest level at which the goodwill is monitored for internal corporate control. These are the operative reporting segments: Broadcasting German-speaking, Digital Entertainment, Digital Ventures & Commerce and Content Production & Global Sales. When selling cash-generating units or parts thereof or in case of an internal reorganization, any goodwill existing at the time of such sale or at the time of the transfer is allocated on the basis of relative values among the leaving or remaining units.

When determining the fair value of any assets identified in the context of the purchase price allocation, the following methods are primarily used. Unless specified otherwise, the book value of the respective assets largely corresponds to the fair value.

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Intangible assets	Measurement method
Brands	Relief from Royalty Method
Customer relationships and other contractual relationships	Multi-period Excess Earnings Method
Non-compete agreements	Excess profit method
Technologies	Reproduction cost method and Relief from Royalty Method
Order Backlog	Multi-period Excess Earnings Method
Films, series, shows in production	Multi-period Excess Earnings Method

If ProSiebenSat.1 Media SE gains control of a company by acquiring additional shares in associated companies or in joint ventures, the entity is to be fully consolidated from the time control is obtained. The fair value of the previously held investment is to be regarded as part of the acquisition cost for the new subsidiary. The difference between the fair value and the carrying amount determined using the equity method is recognized in profit or loss.

Investments in entities, over which ProSiebenSat.1 Group exerts or is able to exert significant influence ("associated companies") or which are jointly controlled together with other investors ("joint ventures") are to be accounted for using the equity method in accordance with IAS 28 "Investments in associates and joint ventures." The equity method is discontinued from the date the significant influence or joint control ceases. Where relevant indications exist, the carrying amount of the investment is tested for impairment, and if applicable an impairment loss to the lower recoverable amount is recognized. There is no price quoted on active market for the entities measured using the equity method.

The financial year of ProSiebenSat.1 Media SE and of all fully consolidated entities is the calendar year.

C) INDIVIDUAL ACCOUNTING POLICIES

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Item	Measurement method
ASSETS	
Goodwill	At cost (subsequent measurement: impairment test)
Other intangible assets with indefinite useful lives	At cost (subsequent measurement: impairment test)
Other intangible assets with finite useful lives	At (amortized) cost
Property, plant and equipment	At (amortized) cost
Programming assets	At (amortized) cost
Investments accounted for using the equity method	Equity method
Financial assets	
Loans and receivables	At (amortized) cost
Held to maturity	Not applicable
Available for sale	At fair value with the resultant gains and losses recognized directly in equity or (in exceptional cases) at cost
At fair value through profit or loss	At fair value through profit and loss
Held for trading/derivatives	At fair value through profit and loss
Cash and cash equivalents	At cost
LIABILITIES AND PROVISIONS	
Loans and borrowings	At (amortized) cost
Provision for pensions	Projected unit credit method
Other provisions	At settlement value (discounted if non-current)
Financial liabilities	At (amortized) cost or fair value respectively
Other liabilities	At settlement value (discounted if non-current)

Revenues

ProSiebenSat.1 Group generates revenues primarily in the form of advertising revenues from the sale of advertising time. Advertising revenues are net proceeds after deduction of discounts, agency commissions and cash discounts as well as value-added tax. TV advertising revenues are considered realized once the underlying advertising spots have been broadcast.

Advertising revenues also include revenues from the sale of digital offers from external providers. For this purpose, ProSiebenSat.1 Group acquires rights to use to advertising licenses to market digital offers from external providers, such as Internet advertising spaces. Revenue is recognized when the advertising space is sold.

The realization of variable revenue components from revenue sharing ("media-for-revenue") depends on the ability of ProSiebenSat.1 Group to reliably estimate such revenues. In this case, the required target achievement documentation of the contractual partner must be available to the Group in order to recognize this variable component as revenues.

Barter transactions are primarily entered into by ProSiebenSat.1 Group as countertrade transactions in the context of advertising time marketing. Revenues from such barter transactions are considered revenue-generating transactions only when dissimilar goods or services are exchanged, and the amount of the proceeds and costs, as well as the economic benefit, can be clearly measured. If advertising time is exchanged for goods or products, revenues are measured using the fair value of the goods or services received, provided this can be determined reliably. If advertising time is exchanged for advertising time, revenues are determined using the fair value of the advertising time provided.

If advertising services are agreed in return for the acquisition of shares in other entities ("media for equity"), the obligation for broadcasting the agreed advertising spots is initially recognized as a credit entry (deferred revenues) to reflect the equity stake capitalized and recognized as revenues when the agreed advertising spots are broadcast. Shares acquired in this context are accounted for at fair value.

Revenues from online brokerage services rendered by the Group in the segment Digital Ventures & Commerce in the areas of rental cars, travel, insurance, events, energy supply, mobile communications, broadband telephony or HD television via "online price comparison portals" are realized once the service has been rendered, if it is possible to reliably determine the amount of revenue and the associated costs and if it is probable that the economic benefits associated with the transaction will flow to the Group. Since the affected group companies here act as agents within the meaning of IAS 18, only their commissions are realized as revenues. The relevant transactions are subject to statutory and voluntary cancellation and rescission requirements. If reliable information is available about cancellation or rescission rates, the Group primarily realizes the relevant commission income upon provision of the customer data to the partner providing the respective primary service, or otherwise upon commencement of performance by the partner when the contract commences.

Revenues from the production of programming content (segment Content Production & Global Sales) are recognized using the percentage-of-completion method, provided the projected revenues can be estimated reliably. The degree of completion follows from the ratio of the incurred contract costs relative to estimated total contract costs. This results in the sales revenues to be recognized in the period when applied to the planned revenue. In case total revenues cannot be estimated reliably, revenues are recognized to the extent of costs incurred. Contract costs are always recognized as expenses in the period in which they occur. If it is foreseeable that the total contract costs will exceed the budgeted sales revenues, the expected losses are immediately recognized as expenses.

For further information please refer to [→ note 5 "Revenues"](#).

Operating expenses

Operating expenses by type are generally allocated to the individual functions according to the functional area of the respective cost centers. Depreciation, amortization and impairments of intangible assets as well as property, plant and equipment are included in the functional costs according to the use of the assets; impairments of brands from purchase price allocations with an indefinite useful life are recognized as other operating expenses.

Income taxes

Income taxes comprise the taxes levied on taxable profits in the individual countries, and changes in deferred tax items. Income taxes are recognized on the basis of the terms of law in effect or substantively enacted as of the reporting date, in the amount that will presumably have to be paid. In accordance with IAS 12, deferred taxes are recognized for tax-deductible or taxable temporary differences between the carrying amounts of assets and liabilities under IFRS and their tax bases, as well as for consolidation measures and for claims for tax reductions due to loss carry-forwards that can presumably be recovered in subsequent years. This does not include goodwill. The calculation is based on the tax rates expected in the various countries at the realization date. These are generally based on the terms of law in effect or substantively enacted as of the reporting date.

Recognition and valuation of deferred tax assets on losses carried forward and temporary differences were based on planned future taxable income. Deferred taxes on temporary differences and tax losses carried forward were recognized only if sufficient taxable income is available in the future to use the deferred tax assets.

The assessment of the value of deferred tax receivables is based on internal forecasts about the future earnings situation of the respective group company. The focus when assessing the possibility to realize the losses carried forward is on whether it is possible to use them within the tax planning period of five years. In case of any doubts about the possibility to realize the losses carried forward, appropriate value adjustments are made on a case-by-case basis of the deferred tax assets. The respective tax deferrals are subject to ongoing reviews regarding to the underlying assumptions. Changed assumptions or changed circumstances may require corrections to be made, which in turn may lead to additional tax deferrals or to the reversal thereof. Any deferred tax assets and liabilities with the same tax authority are netted if the claim to offset current tax refund claims and liabilities can be legally enforced. In principle, they are shown undiscounted and as long-term items. If the underlying circumstances of temporary differences or tax expenditures and income are directly recognized at equity, the above also applies to the corresponding current taxes or to accrued deferred tax assets and liabilities.

Uncertain tax positions are ongoingly analyzed and appropriate risk provisions are created if deemed necessary. Since estimates may change over time, they may also affect the level of risk provisions considered necessary. The amount of the anticipated tax liability or tax receivable reflects the amount that constitutes a best estimate, taking into account any tax uncertainties.

For further information, please refer to → [note 13 "Income taxes"](#) and → [note 24 "Equity"](#).

Result per share

Earnings per share correspond to consolidated net profit attributable to the shareholders of ProSiebenSat.1 Media SE divided by the weighted average number of shares outstanding during the financial year.

To calculate diluted earnings per share, the average number of shares outstanding is adjusted by the number of all potentially dilutive shares. At ProSiebenSat.1 Group, these dilution effects arise from the issuance of stock options on common shares under the LongTerm Incentive Plans and from rights to shares (please refer to → [note 32 "Share-based payments"](#)). Diluted earnings per share are calculated under the assumption that all potentially diluting shares and share-based remuneration plans that are in the money are exercised.

Intangible assets and goodwill

Acquired **goodwill** is recognized at cost less accumulated impairment losses.

Acquired intangible assets are capitalized in accordance with IAS 38 if the future economic benefits from the asset are expected to flow to the Company and the cost of the asset can be determined reliably. Unless an asset has an indefinite useful life, it is amortized, and where applicable, impaired.

Intangible assets include acquired rights to use advertising licenses in order to sell the digital offerings of external providers. These are capitalized in the amount of the fixed purchase price of the acquired advertising inventory. These are subject to amortization over the term of the contract.

Internally generated intangible assets are capitalized under IAS 38 if they are identifiable, it is expected that the future economic benefits will flow to the Company and the cost of the asset can be measured reliably. In determining the production costs, a distinction is made between research and development costs, with the former being expensed as incurred. In addition to the criteria described above, development costs are capitalized solely in cases where the product or process are realizable from a technical and economic perspective. The completion of the development as well as the usage or sale afterwards have to be ensured and intended both technically and financially. The marketability of the product or process also needs to be demonstrated. In the case of program formats developed in-house, this generally occurs only at a very late stage in the process, if the format can be placed successfully with a buyer. Format development expenses thus generally do not fulfill the capitalization requirements of IAS 38.

For further information, please refer to → [note 16 "Goodwill"](#) and to → [note 17 "Other intangible assets"](#).

Property, plant and equipment

Property, plant and equipment are measured at acquisition or production cost, less usage-based depreciation and, if necessary, impairments. The cost of internally created property, plant and equipment includes not only direct costs, but also the portions of overhead costs directly attributable to production. There are currently no qualifying assets of property, plant and equipment as defined by IAS 23 within the Group. For this reason, borrowing costs are recognized in profit or loss in the period in which they occur.

Scheduled depreciation of property, plant and equipment is carried out using the straight-line method.

For further information please refer to → [note 18 "Property, plant and equipment"](#).

Leases

IAS 17 defines a lease as an agreement whereby a lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or a series of payments. A distinction is made between finance leases and operating leases. Leases are classified as finance leases if substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee. All other leases are classified as operating leases.

For finance leases, the leased assets and the associated liabilities are recognized at fair value at the commencement of the lease term or, if lower, the present value of the lease payments. Depreciation is recognized on a straight-line basis over the shorter of the lease term or the expected useful life. Payment obligations resulting from finance leases are recognized as financial liabilities and subsequently measured applying the effective interest rate method.

Lease payments for operating leases are recognized as expenses in the functional costs of the income statement and on an accrual basis.

For further information, please refer to → [note 18 "Property, plant and equipment"](#), → [27 "Financial liabilities"](#) and → [30 "Other financial obligations"](#).

Investments accounted for using the equity method

On the date significant influence or joint control is attained, investments in associates or joint ventures accounted for using the equity method are recognized at cost in the consolidated statement of financial position. The carrying amount of the investment includes, where applicable, assets identified within the context of the purchase price allocation in addition to liabilities assumed and contingent liabilities as of the acquisition date and goodwill as a positive difference between these amounts. In subsequent periods, the carrying amount is adjusted to reflect the pro-rata changes in equity of the investee in addition to the subsequent measurement of the assets identified and the liabilities assumed and contingent liabilities within the context of the purchase price allocation. Dividends received from entities accounted for using the equity method reduce their carrying amounts. The pro-rata comprehensive income of the relevant entities attributable to ProSiebenSat.1 Group is reported in the consolidated income statement as "Income from investments accounted for using the equity method."

For further information please refer to → [note 12 "Result from investments reported at equity and other financial results"](#) and → [note 19 "Shares valued at equity"](#).

Programming assets

Feature films and series are capitalized as of the beginning of the license term. Commissioned productions are capitalized as broadcast-ready programming assets on formal acceptance. Until being broadcast, sports rights are included in advance payments. The assets are initially recognized at cost.

Consumption of licenses and commissioned productions intended for multiple broadcasts (runs) commences at the start of the first broadcast, and depends on the number of runs permitted or planned respectively. Broadcasting-related consumption is measured using a declining-balance method according to a standardized Group-wide matrix which reflects the expected audience reach potential relating to the respective broadcast. Commissioned productions intended for only one run and sports rights are fully consumed as of their broadcasting.

Impairments on programming assets are recognized if it is not expected that the costs are recoverable by future revenues. Relevant indicators may include worse recovery opportunities, changes in the advertising environment, adaptation of programming due to changing target group tastes, media law restrictions on the usability of films, expiry of licenses prior to broadcasting, or the discontinuation of commissioned productions.

If there are indications for a potential impairment on programming assets, broadcasts no longer meeting the asset criteria or having limited usability are fully impaired. The assessment of the recoverable amount of the remaining programming assets takes place at the level of genre-based program groups. To the extent that their carrying amounts exceed expected future revenues, impairments are recognized. A genre is the unit in which cash flows are generated independently of other programming assets, as individual genres are tailored to target audience groups and advertising customers book advertising for their products around certain genres. Titles contained in a genre are viewed as a homogeneous mass; the individual titles are essentially interchangeable.

For further information please refer to → [note 20 "Programming assets"](#).

Impairments of other non-financial assets

In accordance with IAS 36, an entity must review assets with a finite useful life for impairment if there are indications that those assets may be impaired. Moreover, other intangible assets with an indefinite useful life, other intangible assets not yet ready for use or advance payments thereon, and goodwill must be tested for impairment annually. A test is also performed whenever there is any indication that an asset might be impaired.

In the event of an impairment, the difference between the amortized carrying amount and the lower recoverable amount is recognized as an expense in profit or loss. Impairments are allocated to the relevant functional costs. Impairments on goodwill resulting from purchase price allocations are recognized in other operating expenses. The same applies to impairments on other intangible assets resulting from purchase price allocations if they cannot be appropriately allocated to functional costs. If there is evidence that the reason for the impairment no longer exists, the impairment loss is reversed (except in the case of goodwill). The reversal cannot result in an amount exceeding amortized cost.

The amortized carrying amount of the asset is compared with the recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use. The value in use is the present value of future cash flows expected to arise from the continuing use of the asset.

The recoverable amount is determined for each individual asset, unless an asset generates cash inflows that are not largely independent of those from other assets or other groups of assets or cash-generating units. In these cases, the impairment test is performed at the relevant level of cash-generating units to which the asset is attributable.

The Company normally determines the recoverable amounts using measurement methods based on discounted cash flows. In the case of cash-generating units, ProSiebenSat.1 Group first determines the relevant recoverable amount as value in use, which it compares with the respective carrying amounts, including allocated goodwill in the case of impairment tests on goodwill, and including the allocated brands in the case of impairment tests on brands with indefinite useful lives. These discounted cash flows are based on five-year projections of financial plans approved by management. Cash flows beyond the detailed planning period are extrapolated using individual growth rates, which however do not exceed the inflation expectations for the respective units. The most important assumptions underlying the changes in value in use concern future cash flows, estimated growth rates, tax rates and weighted average cost of capital.

For further information, please refer to [→ note 16 "Goodwill"](#), [→ note 17 "Other intangible assets"](#) and [→ note 18 "Property, plant and equipment"](#).

Financial instruments

Arm's length purchases and sales of financial assets are accounted for as of the settlement date. The Group derecognizes a financial asset if the contractual rights to cash flows from an asset expire or if the Group transfers the rights to receive cash flows in a transaction that also transfers all material risks and opportunities connected with the ownership of the financial asset. Financial liabilities are derecognized if the contractual obligations are settled, canceled or have expired. When adjusting loan terms or extending terms, the Group assesses whether these represent substantial modifications as defined by IAS 39.

Financial assets are offset and presented in the statement of financial position as a net value if the Group has a current legal right to set off the reported amounts against each other and the intention is either to settle on a net basis or to settle the associated liability simultaneously with the realization of the asset. ProSiebenSat.1 Group currently has netting agreements for derivative financial instruments, but presentation on a net basis in the statement of financial position is not possible under IAS 32.

Measurement of financial instruments

Financial assets and liabilities are recognized initially at fair value. For financial assets subsequently not recognized at fair value through profit or loss, transaction costs attributable to the acquisition are also capitalized on initial recognition. For financial assets subsequently recognized at fair value through profit or loss, transaction costs are recognized in profit or loss directly in the period in which they are incurred.

Financial assets and liabilities are subsequently measured at amortized cost or at fair value. Amortized cost is determined using the effective interest rate method. The fair value of a financial instrument reflects the amount that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants on the measurement date. The fair value is generally equivalent to the market or exchange value. If there is no active market, the fair value is measured using a financial valuation technique (for example, by discounting the future cash flows at the market interest rate). If the fair value of financial instruments cannot be determined reliably, the financial instruments are measured at cost.

In accordance with IAS 39, a regular assessment is made as to whether there is substantive objective evidence of impairment of a financial asset or a portfolio of financial assets. After an impairment test, any necessary impairment loss is recognized in profit or loss.

The measurement of financial investments held by ProSiebenSat.1 Group is explained below for the following individual categories:

LOANS AND RECEIVABLES

Financial assets classified as loans and receivables are measured at amortized cost, applying the effective interest rate method, less impairments. Impairments of trade receivables are recognized in separate allowance accounts. In the valuation process, adequate allowances have been made, on the basis of objective evidence and values developed through experience, to cover known risks by valuation adjustments.

Estimates and assessments of individual receivables and necessary value adjustments are based on the respective customer's creditworthiness, current economic developments and the analysis of historical bad debts on a portfolio basis. Overdue trade receivables with objective indications of impairment are value-adjusted, taking into account empirical values regarding their collectability.

FINANCIAL ASSETS VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS

In addition to financial assets held for trading purposes, this category also includes financial assets designated at fair value through profit or loss on initial recognition, under what is known as the fair value option. Exceptions are equity instruments for which no market prices are quoted on active markets, and whose market values cannot be measured reliably. Fair value is determined on the basis of the type of instrument, depending on the marketability of the instrument, using a three-level fair value hierarchy. The fair value option is furthermore subject to the condition that its exercise must eliminate or significantly reduce an accounting mismatch, the financial instrument contains one or more embedded derivatives, or that the portfolio of financial instruments is managed on a fair value basis.

FINANCIAL ASSETS AVAILABLE FOR SALE

Investments in equity instruments and debt instruments are classified as financial assets that are available for sale. These are accounted for at fair value if this value can be determined reliably. Equity instruments for which no price is quoted on an active market, and whose fair value cannot be determined reliably, are measured at acquisition cost.

FINANCIAL LIABILITIES

With the exception of derivative financial instruments and contingent consideration in the context of business combinations (put options, earn-out provisions), financial liabilities are measured at amortized cost, applying the effective interest rate method. Term loans are recognized on the basis of their notional total, at amortized cost less issuing and financing costs. These costs are distributed over the term of the liability using the effective interest rate method. Contingent consideration in the context of business combinations is classified under liabilities at fair value on initial consolidation. Subsequent measurement also takes place at fair value, with changes being recognized in profit and loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognized as financial assets or financial liabilities at their fair value in the statement of financial position, irrespective of the purpose or intent for which the transaction was entered into. The fair value of derivative financial instruments is determined by discounting future cash flows at the market interest rate, and by other recognized methods of financial valuation techniques, such as option pricing models. Derivative financial instruments are recognized as of their trading date. The fair value of interest rate swaps is generally zero initial recognition. With interest rate options the fair value is the value of the option premium paid. Subsequently interest rate swaps and interest rate options are recognized in the statement of financial position at their market values as financial assets or other financial liabilities. The fair value of forward exchange transactions and currency options is also usually zero on initial recognition. Subsequently, forward exchange transactions are recognized in the statement of financial position at their market values as financial assets or financial liabilities. The valuation of derivative financial instruments includes specific counterparty credit risks.

If a clear hedging relationship can be formally designated and documented, it is accounted for in line with the requirements of IAS 39 on hedge accounting. Under hedge accounting, the recognition of changes in the market values of the relevant derivatives depends on the type of hedging relationship. If the hedge is a cash flow hedge, as is currently exclusively the case at ProSiebenSat.1 Group, the changes in market value of the effective portion of the derivative are initially recognized separately in other comprehensive income and are not recognized in profit or loss until the hedged item is realized. The ineffective portion is recognized immediately in profit or loss. To hedge currency risks on future license payments, hedge gains or losses accumulated in equity are transferred from equity at the commencement of the license, i.e. when the hedged item is capitalized, and the acquisition cost is increased or decreased accordingly.

ProSiebenSat.1 Group compiles and manages the identified hedged items and hedging instruments in so-called hedge books. The effectiveness of the hedging relationship is measured regularly. If a hedging relationship does not meet, or no longer meets, the requirements of IAS 39, hedge accounting is terminated. After the termination of a hedging relationship, the amounts recognized in other comprehensive income are recognized in profit or loss as the results of the hedged items affect profit or loss.

For further information please refer to [→ note 21 "Financial receivables and assets"](#), [→ 22 "Other receivables and assets"](#), [27 "Financial liabilities"](#) and [31 "Further notes on financial risk management and financial instruments in accordance with IFRS 7"](#).

Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid financial investments that can be converted into cash amounts at any time and that are subject only to minor risks of fluctuation in value. Cash and cash equivalents are measured at cost, with amounts in foreign currencies being translated at the end of the applicable reporting period.

Provisions for pension

Differences between assumptions and actual events, as well as changes in actuarial assumptions for measuring defined-benefit pension plans, result in actuarial gains and losses. These remeasurement effects are recognized in other comprehensive income taking into account deferred taxes in the period in which they occur. As a result the statement of financial position shows the full extent of the obligations, avoiding fluctuations in results which can particular occur due to changes in the calculation parameters. The actuarial gains and losses recognized in the respective reporting period are presented separately in the statement of comprehensive income. In subsequent periods such items are not reclassified to the income statement.

For further information please refer to → [note 25 "Provisions for pension"](#).

Share-based payments

ProSiebenSat.1 Group's share-based payments (stock options and rights to shares) exclusively comprise payment plans that contain options for ProSiebenSat.1 Media SE to determine the mode of settlement, using either equity or cash, which is exercised in accordance with the intended form of remuneration. The remuneration plans to be settled in shares are measured at fair value at the grant date. The fair value of the obligation is recognized as personnel expenses in functional costs over the vesting period; the corresponding credit entry is to capital reserves. The fair value of remuneration plans to be settled in cash is recognized as personnel expenses in liabilities over the vesting period. The liability is remeasured at every reporting date and the settlement date on the basis of fair value and changes are recognized in profit or loss.

For further information, please refer to → [note 24 "Equity"](#) and → [32 "Share-based payment"](#).

Other provisions

In accordance with IAS 37, provisions are recognized if a present legal or constructive obligation to third parties exists as a result of a past event, if outflows of economic resources are expected, and if the amount can be determined reliably. They are recognized at full cost, in the amount of the most probable outcome of the obligation, taking into account experiential values. Non-current provisions are recognized as of the reporting date at the present value of expected settlement amounts, taking estimated increases in prices or costs into account. Discount rates are regularly adjusted to prevailing market interest rates.

The Company measures provisions for onerous contracts at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract minus any revenues expected from the contract.

Recognition and valuation of provisions are based on an estimate of amount and probability of the future outflow of resources and also on empirical values and the circumstances known as at the balance sheet date. To assess the amount of the provisions, in addition to the evaluation of the facts and of the asserted claims, the results of similar circumstances are also considered on a case-by-case basis as are assumptions regarding the occurrence probabilities and the range of possible utilizations.

For further information please refer to → [note 26 "Other provisions"](#).

Cash flow statement

The statement of cash flows shows how cash and cash equivalents have changed as a result of cash inflows and outflows during the period. In accordance with IAS 7, cash flows are distinguished between operating activities, investing activities and financing activities.

The funds covered by the statement of cash flows include all cash and cash equivalents shown in the statement of financial position with terms of not more than three months, subject only to minor risks of fluctuation in value. Cash is not subject to restrictions.

Cash flows from investing and financing activities are calculated using the direct method. On the other hand, cash flows from operating activities are derived indirectly from consolidated net profit. In this indirect derivation, the changes of the relevant statement of financial position items relating to operating activities are adjusted for effects from foreign currency translation and from changes to the scope of consolidation. For this reason, the changes of the statement of financial position items cannot be reconciled with the relevant figures of the consolidated statement of financial position and the segment key figures.

In line with IAS 7.31 and IAS 7.35, payments of taxes and interest as well as receipts of interest are presented in the cash flow from operating activities.