

As of the reporting date, the assets held for sale/the associated liabilities are distributed among the following main items:

143 / ASSETS AND LIABILITIES HELD FOR SALE in EUR m

	December 31, 2017
Other intangible assets	1
Property, plant and equipment	0
Non-current financial assets	21
Other assets (incl. deferred taxes)	3
Cash and cash equivalents	7
Total assets held for sale	32
Trade payables	5
Other liabilities and provisions (incl. deferred taxes)	0
Total liabilities associated with assets held for sale	6
Net assets	27

C) OTHER TRANSACTIONS

Capital increase at Studio71

With economic effect as of January 11, 2017, the media groups TF1 SA, Boulogne-Billancourt, France (TF1) and Reti Televisive Italiane S.p.A., Milan, Italy (Mediaset) each acquired a minority interest in ProSiebenSat.1 Digital Content LP (Studio71) in the context of a capital increase. With economic effect as of February 17, 2017, TF1 increased its minority interest in Studio71 via another capital increase. Following said capital increases, 69% of the shares in Studio71 remain with ProSiebenSat.1 Group. Put options were agreed with both TF1 and Mediaset regarding the buyback of said shares. Since ProSiebenSat.1 Group is under the unconditional obligation to satisfy such put options when exercised, the consolidation percentage remains at 100%.

NOTES TO THE INCOME STATEMENT

5 / Revenues

144 / REVENUES in EUR m

	2017	2016
Advertising revenues	2,307	2,294
Revenues from content production	312	306
Online agency services	303	334
Revenues from the sale of goods	227	122
Distribution revenues	139	121
Barter transactions	71	72
Other revenues	720	550
Total	4,078	3,799

“Other revenues” includes revenues from the digital studio Studio71 and video-on-demand business totalling EUR 183 million (previous year: EUR 166 million) attributable to the Digital Entertainment segment.

i ProSiebenSat.1 Group's revenues are mainly advertising revenues derived from the sale of advertising time. The table below includes the revenue categories and business models identified as material for ProSiebenSat.1 Group's earnings and the respective timing of recognition:

TIMING OF REVENUE RECOGNITION

Revenues	Business model	Timing of recognition
Advertising revenues		
TV advertising revenues	Broadcasting of advertising spots in Free TV	Broadcasting of advertising spots
Media-for-Revenue-Share	Broadcasting of residual advertising times for fixed consideration and a variable revenue share	Broadcasting of advertising spots; Variable parts on receipt of necessary target achievement documentation of the contract partner.
Marketing of digital offerings of external providers	Marketing of external websites via sale of online advertising	Sale of advertising space
Revenues from content production		
	Production of programming content such as TV formats and serial programmes	Percentage-of-completion method
Online agency services		
	Arranging of contracts between primary service providers and end customers in the areas of car rental, travel, insurance, events, energy supply, mobile communications via online price comparison websites	Transmission of customer data/start of performance by the partner
Revenues from the sale of goods		
	Sale of products via online portals and stationary trading	Delivery of goods to the end customer, taking into account rights of return.
Distribution revenues		
Technical activation fees (HD/ Pay)	Distribution of ProSiebenSat.1 HD and Pay TV stations via cable, satellite and IPTV	Provision of the TV signal
Pay TV operations	Online platform for the reception of TV stations or content	Retrieval of signal
Barter transactions		
General barter transactions	Countertrades as part of marketing of advertising times	On performance, e.g. on broadcasting
Media-for-Equity-Share	Broadcasting of residual advertising times in exchange for entity shares	Broadcasting of advertising spots
Other revenues		
Digital studio revenues	Marketing of talents ("webstars") via the internet, e.g. via YouTube	Rendering of marketing service
Travel operations	Organization of holidays and rendering of holiday-related services for end customers	Rendering of performance; upon departure
Video-on-Demand revenues	Transmission of programming content via digital platforms as subscription and transaction business	Subscription model: Over the subscription term Transaction model: Provision of content
Sale of programming assets and ancillary program rights	Sale/licensing of programming assets for certain license areas, individual broadcastings and broadcasting windows.	Beginning of license term and delivery of broadcast-ready material
Merchandising license sales	Licensing of trademarks of ProSiebenSat.1 Group	Depending on the contract terms, over license term or at start of license term.

In addition to the revenue categories above, "Other revenues" also includes various business models that are currently not classified as material for the Group's earnings.

6 / Cost of sales

145 / COST OF SALES in EUR m

	2017	2016
Consumption of programming assets (incl. impairments)	1,145	915
Operating expenses	691	610
Personnel expenses	282	277
Depreciation of property, plant and equipment and amortization of other intangible assets (incl. impairment)	133	92
IT operations	34	33
Expenses from the disposal of programming assets	16	17
Other	89	76
Total	2,390	2,020

Consumption of programming assets covers consumption and impairments of programming assets as well as additions to provisions for onerous contracts. Operating expenses primarily include production-related external services, merchandise used in commerce, license expenses, copyright fees and costs of sales of the travel agency business. Personnel expenses include wages and salaries of employees in production, including performance-related bonus entitlements, redundancy payments as well as social security contributions. Scheduled depreciation and impairments on property, plant and equipment as well as other intangible assets primarily relate to technical equipment and licenses. Expenses from the disposal of programming assets result from the sale of programming rights and ancillary programming rights. The item "Other" includes marketing and travel expenses.

7 / Selling expenses

146 / SELLING EXPENSES in EUR m

	2017	2016
Marketing and marketing-related expenses	250	221
Personnel expenses	121	113
Distribution	83	73
Thereof satellite services	37	24
Thereof distribution fees	36	49
Sales commissions	45	48
Operating expenses	35	27
IT operations	10	9
Depreciation of property, plant and equipment and amortization of other intangible assets (incl. impairment)	10	10
Other	22	20
Total	577	520

Marketing and marketing-related expenses are attributable primarily to market research, advertising and public relations. Personnel expenses include wages and salaries of employees in sales, including performance-related bonus entitlements, redundancy payments as well as social security contributions. Sales commissions primarily comprise costs and commissions for marketing services. Operating expenses largely include expenses for distribution rights. Scheduled depreciation and impairments relate almost exclusively to other intangible assets in sales.

8 / Administrative expenses

147 / ADMINISTRATIVE EXPENSES in EUR m

	2017	2016
Personnel expenses	257	226
Depreciation of property, plant and equipment and amortization of other intangible assets (incl. impairment)	104	98
Consultancy fees	55	35
Use of buildings	39	33
IT operations	38	31
Marketing expenses	20	18
Other personnel-related expenses	12	12
Corporate hospitality and travel	10	10
Ancillary operating expenses	6	5
Automobile expenses	6	5
Other	45	33
Total	590	506

Personnel expenses include wages and salaries of employees in administration, including performance-related bonus entitlements, redundancy payments as well as social security contributions. Scheduled depreciation, amortization and impairment on property, plant and equipment as well as other intangible assets relate mainly to administrative buildings, operating and office equipment as well as software licenses. Consultancy fees primarily include management and M&A advisory fees as well as the costs of legal advice. Use of buildings mainly includes expenses for rent, ancillary and maintenance costs.

9 / Other operating expenses

The other operating expenses in the amount of EUR 33 million (previous year: EUR 11 million) primarily include impairments of brands with indefinite expected useful life in the amount of EUR 17 million (previous year: EUR 6 million) (for further explanations → [see note 17 "Other Intangible Assets"](#)) as well as the derecognition of receivables from previous years in the amount of EUR 14 million (previous year: EUR 3 million).

10 / Other operating income

Other operating income amounts to EUR 332 million in the financial year 2017 (previous year: EUR 34 million). It includes deconsolidation gains → [see note 4 "Acquisitions and disposals"](#) in the amount of EUR 304 million (previous year: EUR 9 million). The item furthermore includes prior period income of EUR 7 million (previous year: EUR 7 million), mostly from reimbursements from collecting societies in previous years.

11 / Interest result

148 / INTEREST RESULT in EUR m

	2017	2016
Interest and similar income	2	5
Interest and similar expenses	- 85	- 89
Thereof from financial liabilities at amortized cost	- 45	- 43
Thereof from hedging derivatives	- 19	- 28
Thereof other interest and similar expenses	- 21	- 18
Interest result	- 83	- 84

Interest on financial liabilities at amortized cost primarily includes interest on drawn loans. → [see note 27 "Financial Liabilities"](#)

Interest and similar expenses from hedge derivatives include expenses for hedging instruments in connection with foreign exchange and interest rate risks → [see note 31 "Further notes on financial risk management and financial instruments in accordance with IFRS 7"](#). The item "Other interest and similar expenses" contains primarily interest-rate effects for earn-out and put-option liabilities, pension obligations as well as additions to provisions for interest on taxes.

12 / Result from investments accounted for using the equity method and other financial result

149 / RESULT FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER FINANCIAL RESULT in EUR m

	2017	2016
Share of income from joint ventures	- 1	0
Share of income from associates	- 9	- 1
Result from investments accounted for using the equity method	- 10	- 1
Changes in earn-out and put option liabilities (financial liabilities at fair value through profit or loss)	- 59	- 24
Foreign currency translation gains/losses	6	- 1
Thereof from financial assets and liabilities held for trading	- 24	13
Thereof from loans and receivables	- 7	2
Thereof from cash and cash equivalents	- 4	- 1
Thereof from financial liabilities at amortized cost	32	- 12
Thereof other	9	- 3
Valuation effects of financial instruments	- 21	- 4
Thereof from available-for-sale financial assets	6	30
Thereof from financial assets at fair value through profit or loss	6	- 22
Thereof from investments accounted for using the equity method, other financial investments and securities	- 28	- 12
Thereof other	- 4	- / -
Financing costs	- 10	- 13
Remeasurement of investments previously measured using the equity method	0	9
Effects of hedging ineffectiveness and termination of hedge accounting for interest rate swaps	2	- 2
Other	- 1	1
Other financial result	- 82	- 34

The changes in earn-out and put option liabilities in the amount of minus EUR 59 million (previous year: minus EUR 24 million) are the result of valuation adjustments under earn-out and put option agreements in connection business combinations (also → [see note 4 "Acquisitions and Disposals"](#) and [note 31 "Further notes on financial risk management and financial instruments in accordance with IFRS 7"](#)).

Exchange rate loss (previous year: exchange rate gains) from financial assets and liabilities held for trading result from the valuation of currency hedges. Exchange rate gains from financial liabilities at amortized cost in the amount of EUR 32 million (previous year: exchange rate losses in the amount of EUR 12 million) relate to the valuation of liabilities for programming assets.

The valuation effects from investments accounted for using the equity method, other financial assets and securities primarily include the impairment on the at-equity investment in gamigo AG and Pluto, Inc. The negative business development resulted in adjustments of the investments carrying amount by EUR 13 million (→ [see note 19 "Investments accounted for using the equity method"](#)) and EUR 7 million respectively.

Financing costs primarily include expenses from the interest accrued on non-current loans measured using the effective interest rate method as well as fees deferred in the context of non-current loans → [see note 22 "Other receivables and assets"](#) in the amount of EUR 4 million (previous year: EUR 5 million). Financing costs also include expenses incurred for the cash utilization of the revolving credit facility in the amount of EUR 1 million (previous year: EUR 1 million). Additional explanations regarding the syndicated loan agreement of ProSiebenSat.1 Group are included in → [note 27 "Financial Liabilities"](#).

The effects of hedging inefficiencies and of the termination of hedge accounting for interest rate swaps are explained in detail in → [note 31 "Further notes on financial risk management and financial instruments in accordance with IFRS 7"](#).

13 / Income taxes

150 / INCOME TAX EXPENSES in EUR m

	2017	2016
Current income tax expenses - Germany	188	199
Current income tax expenses - other countries	4	24
Current tax expenses	192	223
Deferred income tax income - Germany	- 25	- 1
Deferred income tax income - other countries	- 2	- 16
Deferred income tax income	- 27	- 17
Total income tax expenses	165	206

Current income tax expenses include any domestic and foreign tax on taxable income for 2017 (corporate income tax, trade tax and respective foreign tax) as well as income tax expenses for previous years in the amount of EUR 20 million (previous year: EUR 17 million). Tax losses or temporary differences not previously recognized in an earlier period resulted in a reduction of actual tax expense amounting to EUR 1 million (previous year: EUR 0 million) in the financial year 2017.

The deferred tax income of EUR 27 million for the 2017 the financial year (previous year: EUR 17 million) includes deferred tax income of EUR 35 million (previous year: EUR 15 million) from the ongoing change of temporary differences. In addition, EUR 6 million (previous year: EUR 0 million) deferred tax income resulted from temporary differences not recognized in previous periods. Furthermore, there is a deferred tax expense in the amount of EUR 7 million (previous year: EUR 4 million deferred tax income), resulting from the ongoing change in deferred taxes on loss carryforwards, and mainly is attributable to the impairment on deferred tax assets on losses carried forward (previous year: EUR 2 million).

Impairment losses on deferred tax assets on temporary differences were, as in the previous year, not material. A write-up of deferred tax assets on loss carryforwards was carried out in the financial year 2017 in the amount of EUR 1 million, while in the previous year write-ups in the amount of EUR 2 million have been made.

The tax rates to be applied when determining deferred taxes were adjusted according to legal changes. While there were no significant changes due to tax rate changes during the previous year, the US tax reform led to deferred tax expenses (EUR 7 million) in the financial year 2017.

Like in the previous year, the corporate income tax rate for 2017 in Germany was 15.0% plus the solidary surcharge of 5.5%. Including trade tax at an average basis factor of 341.8% (previous year: 340.1%), the total tax rate in 2017 was 28.0% (rounded; previous year: 28.0%).

The tax rates for foreign companies ranged between 12.3% and 42.3% (previous year: between 12.3% and 42.3%). Deferred tax assets and deferred tax liabilities in the US were measured with after tax reform tax rate of 25.8%.

The Group's relevant nominal tax rate is 28.0%. The expected tax expense can be reconciled with the actual tax expense, regarding continuing operations, as follows:

151 / RECONCILIATION OF TAX EXPENSES in EUR m

	2017	2016
Profit before taxes	646	658
Applicable group tax rate (in percent)	28	28
Expected income tax expense	181	184
Adjustments to the expected income tax expense:		
Tax deviations		
Effects due to foreign tax rate differences	- 1	- 5
Effects due to domestic tax rate differences	- 1	0
Effects due to changes in statutory tax rates	7	0
Effects from deviation in taxable base		
Non-deductible interest expenses	6	2
Other non-deductible operating expenses	51	25
Tax-free income	- 24	- 14
Non-taxable disposal effects	- 85	- 6
Recognition and measurement of deferred tax assets		
Changes in the realization of deferred tax assets	14	8
Other effects		
Taxes from previous years	14	19
Investments accounted for using the equity method	3	1
Other	0	- 8
Total income tax expenses	165	206

As of December 31, 2017, no deferred tax assets were recognized for corporate tax losses carried forward in the amount of EUR 177 million (previous year: EUR 177 million) and on trade tax losses carried forward in the amount of EUR 82 million (previous year: EUR 84 million). Of the above, losses carried forward in the amount of EUR 9 million (previous year: EUR 6 million) will expire within the next 5-7 years, unless they are used.

The deferred tax assets not recognized for corporate income tax losses carried forward therefore amount to EUR 33 million (previous year: EUR 34 million). The deferred tax assets not recognized for trade tax losses amount to EUR 11 million (previous year: EUR 11 million).

For companies suffering losses in the current or previous the financial year, deferred tax assets exceeding deferred tax liabilities as of December 31, 2017 were recognized in an insignificant amount. Based on current tax planning, such deferred tax assets presumably may be used over the next five years.

The applied deferred tax assets and liabilities result from the following items:

152 / ALLOCATION/ORIGIN OF DEFERRED TAXES in EUR m

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Goodwill	5	64	3	81
Other intangible assets	6	172	8	200
Property, plant and equipment	0	26	0	31
Financial assets	8	5	6	11
Programming assets	5	1	-/-	3
Inventories and other assets	6	25	7	78
Provision for pensions	2	0	1	0
Other provisions	15	6	11	2
Liabilities	56	56	65	24
Tax loss carryforwards	33	-/-	24	-/-
Netting	- 102	- 102	- 95	- 95
Total	34	253	30	335

With regard to the netting of deferred tax assets and liabilities. → see "Summary of key accounting policies"

For investments in subsidiaries, a deferred tax liability in the amount of EUR 3 million (previous year: EUR 2 million) was recognized for planned future distributions (outside basis differences). Also, taxable temporary differences resulting from outside basis differences exist in the amount of EUR 12 million (previous year: EUR 11 million). No deferred tax liabilities were recognized for such taxable temporary differences, since it is possible to control the process of reversing the temporary differences and since it is unlikely that the temporary differences will be reversed in the foreseeable future.

As regards the information about deferred taxes that have been recognized in accumulated other comprehensive income as well as the current taxes recognized in the capital reserve, please refer to → note 24 "Shareholders' Equity".

14 / Earnings per share

153 / PROFIT MEASURES INCLUDED IN CALCULATING EARNINGS PER SHARE in EUR m

	2017	2016
Result attributable to the shareholders of ProSiebenSat.1 Media SE (basic)	471	402
Thereof from continuing operations (basic)	471	444
Thereof from discontinued operations (basic)	-/-	- 42
Valuation effects of share-based payments after taxes	- 3	- 6
Result attributable to the shareholders of ProSiebenSat.1 Media SE (diluted)	468	397
Thereof from continuing operations (diluted)	468	439
Thereof from discontinued operations (diluted)	-/-	- 42

154 / NUMBERS OF SHARES INCLUDED IN CALCULATING EARNINGS PER SHARE Shares

	2017	2016
Weighted average number of shares outstanding (basic)	228,854,304	216,755,645
Dilution effect based on stock options and rights to shares	613,397	896,373
Weighted average number of shares outstanding (diluted)	229,467,701	217,652,018

Regarding the type of settlement, the Share Plans → [see note 32 "Share-based payment"](#) include an option for ProSiebenSat.1 Media SE to settle them either by way of shares or cash. In contrast to IFRS 2, these plans are treated as if they were settled in common shares for the calculation of earnings per share due to the resulting dilution in accordance with IAS 33.58.

For executives and selected employees, 613,397 (previous year: 896,373) rights to stock options or rights to shares with dilutive effect existed as of the reporting date.

The possible conversion of all issued "in-the-money" stock options → [see note 32 "Share-based payment"](#) for common shares and potentially issued common shares results in a dilutive effect of EUR 0.02 (previous year: EUR 0.03) per share from continued operations.

15 / Other disclosures

PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES

Sales, distribution and administrative expenses include the following personnel expenses:

155 / PERSONNEL EXPENSES in EUR m

	2017	2016
Wages and salaries	581	544
Social security contributions and expenses for pensions and other employee benefits	79	72
Total	660	616

In the financial year 2017, expenses for pensions amount to EUR 2 million (previous year: EUR 2 million).

On average, the group's employee numbers in the financial year were as follows:

156 / NUMBER OF EMPLOYEES

	2017	2016
Female employees	3,161	2,979
Male employees	3,291	3,075
Total	6,452	6,054

Part-time job positions have been included as full-time equivalents.

AMORTIZATION, DEPRECIATION AND IMPAIRMENTS

Amortization of other intangible assets as well as property, plant and equipment that is included in cost of sales, distribution and administrative expenses and in other operating expenses consist of the following:

157 / DEPRECIATION AND AMORTIZATION in EUR m

	2017	2016
Amortization of other intangible assets	138	129
Depreciation of property, plant and equipment	58	52
Impairment of other intangible assets	48	18
Impairments of other intangible assets from purchase price allocations	17	6
Impairment of property, plant and equipment	2	0
Total	263	206

Consumption and impairment of programming assets of EUR 1,145 million (previous year: EUR 915 million) is presented under cost of sales and deducted when arriving at EBITDA.