

STRATEGY AND MANAGEMENT SYSTEM

STRATEGY AND OBJECTIVES

ProSiebenSat.1 is an innovative digital group and the home of popular entertainment and digital consumer brands. Our Group's strategic focus is on a diversified Group portfolio consisting of three strong segments: Entertainment, Dating & Video, and Commerce & Ventures.

Our aim is to grow profitably in all three segments. To this end, we also make consistent use of the synergies between our three business areas based on our reach and media power. Thanks to our diversified revenue and earnings profile, we are becoming increasingly independent of traditional TV advertising revenues and thus strengthening the resilience of our business model. This has been clearly demonstrated during the COVID-19 pandemic.

→ Business Activities and Segments

The megatrend of digitalization is and will remain one of the determining factors for the development of our Company. Digitalization is changing our business areas and offering major opportunities. For example, media usage is becoming increasingly digital: Television content can be accessed regardless of time, device or location. TV sales benefits from modern technologies such as Addressable TV, which for example make it possible to broadcast TV advertising to internet-connected devices in real time and address target groups precisely. The digital transformation also continues to accelerate in the consumer markets in which ProSiebenSat.1 Group operates, driving the usage of online offerings. This also applies to the usage of online and live videos in sectors such as dating, which are growing in importance as a result of increasing digitalization.

The changes in the market environments are resulting in diverse opportunities for ProSiebenSat.1 Group, which are reflected in the Group's strategy.

What Drives Us

Empowering brands and creating moments that matter – this is the core of our Group and what drives us every day. We inform, entertain and connect people around the clock. We offer them products, services, and experiences that enrich their everyday lives. That's how we reach millions of people day to day.

We broadcast entertainment and information on all platforms – live and on-demand. In this way, we also make an important contribution to the formation and diversity of opinion. We use the wide reach of our entertainment offerings to make brands well known and create environments in which they can grow sustainably. This benefits not only our advertising customers' brands, but also our own consumer brands in the Dating & Video and Commerce & Ventures segments. Here, we invest in digital brands and business models as well as international platforms with long-term growth prospects and high synergy potential with our Entertainment segment.

Our investment currency of reach offers us the opportunity to market products efficiently to an audience of millions and to create new growth areas with low entrepreneurial risk. This investment strategy, combined with an attractive Entertainment business, strengthens our ROI (return on investment) as well as our dividend yield.

We want to be one of the leading digital first infotainment and entertainment providers in the German-speaking region (Germany, Austria, Switzerland) and use this strength to establish and

expand global synergistic digital consumer platforms. The source of our synergies is our know-how regarding content, digital business models, platforms and consumer brands. We are thus promoting ProSiebenSat.1 Group's growth and value enhancement.

Entertainment Segment

In the Entertainment segment, we concentrate on the core markets of Germany, Austria and Switzerland. Here, we unite linear and digital entertainment platforms with the content, distribution and sales business.

Our ambition is to remain market leader for video content in the German-speaking region (Germany, Austria, Switzerland). To achieve this, we focus on the production of local, relevant content, which we increasingly produce ourselves and broadcast live and on demand across all platforms in a targeted way. In particular, the streaming platform Joyn and our digital media and entertainment company Studio71 play an important role for our growing digital reach.

With our digital focus, we are increasing our total reach and strengthening our opportunities for monetization. Primarily with modern, digital advertising products, we enable our advertising customers to address users in a targeted manner, which secures us additional revenue potential.

In this way, we create a future-proof, profitable Entertainment business and the foundation for growth in the other two segments.

Dating & Video Segment

ParshipMeet Group offers a broad range of online dating platforms with the portfolio of Parship Group and the business of The Meet Group. We want to establish ParshipMeet Group as one of the leading internationally operating mobile-first players in the dating and social entertainment sectors. To this end, we are building a synergistic platform ecosystem for social entertainment, dating and online matchmaking.

ParshipMeet Group operates in a rapidly growing market environment with a broad-based revenue model, including short- and long-term subscriptions, the sale of virtual goods, marketing services, and distribution revenues. The platforms address a broad target group in a large geographical area. An important element is the live video streaming expertise of ParshipMeet Group, which strengthens our position in the dating business and unlocks new growth potential for the entire Group.

Commerce & Ventures Segment

In the Commerce & Ventures segment, we bundle ProSiebenSat.1 Group's growth businesses, which we are building up and making successful with media services and the power of our brands. Via our various forms of participation, we can support companies at diverse stages of growth. Our goal is to become the leading brand investor in the German-speaking region (Germany, Austria, Switzerland). To this end, we are investing in digital consumer brands with long-term structural growth potential and synergies with our Entertainment business.

At the beginning of our value chain is SevenAccelerator, which concentrates on early-stage digital start-ups. With our investment arm SevenVentures, we use our reach to help young companies grow via media-for-revenue or media-for-equity deals, and thus build up minority investments. This segment also comprises strategic minority and majority investments by our investment vehicle SevenGrowth as well as the portfolio of NuCom Group. The focus here is on the synergy potential with our Entertainment business.

At the heart of our investment strategy is our reach: We finance growth through media, even without high cash investments, according to the principle of "reach meets idea". With this

investment strategy, we tap into new market segments, as was recently the case with our investment in the online fitness platform Urban Sports GmbH (“Urban Sports Club”). At the same time, we generate attractive returns and can offer our shareholders an income-oriented dividend pay-out.

The following applies: We continually assess whether ProSiebenSat.1 is still the best owner of the respective company in the next development phase. If a business no longer has a strong link to our Entertainment business or no potential for international platform business, we are willing to sell these well-developed commerce brands to a more suitable owner and realize the value created.

Our Synergies

Our three segments are connected by a wide range of tangible synergies, which have a positive impact on the Group’s revenue and earnings performance. The media services of ProSiebenSat.1’s platforms are the foundation of our strong Group.

With the reach and sales offers of our platforms, the Entertainment business has the power to further raise awareness of the ParshipMeet brands in the German-speaking markets. This has already significantly boosted the market leading positions of the Parship and ElitePartner services in the German-speaking markets in the past. We also intend to strengthen ties between the Entertainment and Dating & Video segments. We are unlocking new synergy potential by combining ParshipMeet Group’s live video streaming expertise with our entertainment know-how.

At the same time, we are using the reach and sales offers of our Entertainment business to build up both our own commerce brands and those of our venture partners into leading consumer brands. By advertising on our platforms, we help the companies to strengthen their brand awareness and increase revenues and enterprise value. This gives rise to long-standing, close customer relationships between the companies and our sales units. In addition, the data we generate through our commerce investments helps us to create addressable advertising offerings that are individually tailored to our users.

Our Objectives

With this strategy, ProSiebenSat.1 Group also intends to be attractive for all stakeholders in the medium- and long-term and to grow profitably in all three segments with a clear focus on earnings and cash flow – also in order to progressively increase the share of business areas outside TV advertising revenues in the German-speaking region (Germany, Austria, Switzerland). The focus is on consistent value creation. Therefore, the Group’s medium-term target remains to achieve a P7S1 ROCE (return on capital employed) of over 15%, to pay out a reliable dividend of around 50% of adjusted net income to the shareholders and to generate a leverage ratio between 1.5x and 2.5x.

→ Company Outlook

Moreover, ProSiebenSat.1 Group is clearly committed to its obligations in the fields of society, diversity and inclusion, climate and environment, and governance and compliance, which form the basis of our sustainability strategy. In doing so, the Group aligns its sustainability work with the UN Sustainable Development Goals.

PLANNING AND MANAGEMENT

ProSiebenSat.1 Group’s management system based on key figures forms the basis for all of the Company’s economic and strategic decisions. Company-specific performance indicators are derived from the Group’s strategy and cover both financial and non-financial aspects. They are planned and managed centrally by the Executive Board of ProSiebenSat.1 Media SE. The planning and management process is complemented by the monitoring of key figures on the basis of regularly updated data. This also includes the assessment of developments as part of opportunity

and risk management.

→ **Risk and Opportunity Report**

Intragroup Management System

The performance indicators specific to ProSiebenSat.1 Group are aligned to the interests of the capital providers and cover financial planning as well as aspects of comprehensive revenue and earnings management.

OVERVIEW OF THE MOST IMPORTANT PERFORMANCE INDICATORS AS OF DECEMBER 31, 2021

MOST IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS

Entertainment segment

- audience shares

MOST IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Group

- revenues
- adjusted EBITDA
- adjusted net income
- adjusted operating free cash flow
- P7S1 ROCE
- leverage ratio

Most important non-financial performance indicators: The development of audience shares is an important criterion in programming and media planning in the advertising-financed TV business. In addition, this data is used as a benchmark for the calculation of advertising time prices: They indicate the number of potential customers a broadcast is able to reach. In this context, audience shares in prime time are increasingly coming into focus, as prime time from 8:15 p.m. to 11:00 p.m. in particular represents the main advertising period.

→ Development of ProSiebenSat.1 Group's Relevant Market Environments

In Germany, TV usage data is collected by GfK Fernsehforschung on behalf of AGF Videoforschung GmbH ("AGF Videoforschung"). ProSiebenSat.1 Group analyses viewer ratings that have been empirically collected by the institutions on a daily basis. In addition to this data on linear TV consumption, we also analyze digital reach figures and KPIs relating to our databased business models. One example of this is the measured data from HbbTV.

Most important financial performance indicators: Revenues, adjusted EBITDA, adjusted net income, adjusted operating free cash flow, P7S1 ROCE (return on capital employed), and the leverage ratio are the central key figures used to manage profitability. A primary objective is to increase the above earnings figures through continuous, profitable revenue growth in all segments; at the same time, active portfolio management in the Commerce & Ventures segment is contributing to this. The business units operate mainly as profit centers. This means that they act with full responsibility for revenues and earnings. In addition, flexibility is an important prerequisite for our success, as ProSiebenSat.1 Group operates in a very dynamic industry environment. The organizational entities – within a centrally adopted framework – therefore make their operating decisions independently, based on the competitive environment, and with the clear objective to use synergies to generate added value for our shareholders.

The earnings figure adjusted EBITDA stands for adjusted earnings before interest, taxes, depreciation and amortization. Reconciling items, such as M&A-related expenses, reorganizations and legal claims, are not taken into account, so this figure provides the Executive Board as the chief operating decision maker with the appropriate performance measure to assess the operating

profitability of the Group. Adjusted net income is the adjusted net income attributable to shareholders of ProSiebenSat.1 Media SE; it provides a suitable indicator for calculating the dividend. In addition to the adjustments from adjusted EBITDA, effects of purchase price allocations and other reconciling items in particular are adjusted in the calculation.

→ **Definition of Selected Non-IFRS Figures**

Reconciling items can influence or even overshadow operating performance and can make a multi-year comparison difficult. Therefore, adjusted earnings figures constitute suitable measures of performance for assessing the sustainable development of the profitability of the Group and its segments. However, the analysis of unadjusted key earnings' figures provides a holistic view of the expense and income structure. At Group level – in addition to revenues, adjusted EBITDA, adjusted net income, adjusted operating free cash flow, P7S1 ROCE and the leverage ratio as the most important financial performance indicators – EBITDA is also relevant in this context as a less significant financial performance indicator. As the effects of taxes and depreciation and amortization and the financing structure are not taken into account, EBITDA also enables simpler comparison with international competitors.

To further focus on the segments' operating cash flow management, the Group introduced adjusted operating free cash flow as the most important financial performance indicator in the financial year 2021. Since 2021, this has replaced the free cash flow before M&A as the relevant cash flow performance indicator for the Group. Adjusted operating free cash flow is defined as operating free cash flow before interest and taxes and is calculated as adjusted EBITDA corrected for cash-neutral expenses and income and less investments (programming and other investments) along with changes in net working capital.

P7S1 ROCE (return on capital employed) is another of the most important financial performance indicators used to manage profitability. It is the ratio of adjusted EBIT (adjusted earnings before interest and taxes) plus pension expenses and the result from investments accounted for using the equity method to average capital employed. Adjusted EBIT is the operating result adjusted for reconciling items. In addition to the reconciling items of adjusted EBITDA, it also adjusts for depreciation, amortization and impairments from purchase price allocations (Group entities and investments accounted for using the equity method) and impairments on goodwill. Capital employed is the difference when other provisions, trade liabilities, liabilities to investments accounted for using the equity method, and other liabilities are deducted from intangible assets (including goodwill and purchase price allocations), property, plant and equipment, investments accounted for using the equity method, media-for-equity investments, programming assets, inventories, trade receivables, current other financial assets (excluding derivatives), and other receivables and assets. The figure relates to the average of the reporting dates of the last five quarters.

The medium-term aim is to generate a return on capital employed, i.e. P7S1 ROCE, of at least 15%. Expansion and new investments will therefore have to be paid back within three years and generate an internal rate of return (IRR) of at least 18%. Strategic projects are usually expected to pay off within five years. The Group therefore manages investments consistently and evaluates each project in the various segments according to the same target parameters.

ProSiebenSat.1 Group is investing in markets with long-term growth opportunities and examining options to expand its portfolio. Part of the investment strategy is the acquisition of entities that complement our portfolio synergistically and sustainably create value for the Group. In this context, a capital-efficient leverage ratio is a key performance indicator for the Group's financial planning. The leverage ratio indicates the level of net financial debt in relation to LTM adjusted EBITDA – the adjusted EBITDA that ProSiebenSat.1 Group has generated in the last twelve months (LTM = last twelve months). The target is a factor of between 1.5x and 2.5x at the end of the relevant year; the target range may be exceeded for a short period of time as a result of fluctuations during the year if, for example, important strategic investments are required.

Financial and non-financial performance indicators are the foundation for corporate management. It is therefore logical to use them as a basis for determining target-oriented variable compensation. The performance bonus is relevant for employees at senior management levels as well as selected sales functions. It is based on the company's success and on the most important financial performance indicators revenues, adjusted EBITDA and adjusted operating free cash flow.

Adjusted net income, EBITDA, free cash flow before M&A and relative total shareholder return served as a variable basis for determining the Executive Board's compensation in the financial year 2021. On June 1, 2021, the Annual General Meeting approved a new compensation system for the Executive Board, which is applied to new Executive Board employment contracts and to contract extensions. As no new contracts or contract extensions effective in the 2021 financial year have been concluded since June 1, 2021, the Executive Board compensation system in place since January 1, 2018, continues to apply in this financial year. In the new compensation system, the Supervisory Board has defined adjusted EBITDA and adjusted operating free cash flow as relevant financial performance targets for the Executive Board's short-term variable compensation (Short-Term Incentive). The Short-Term Incentive also includes ESG targets. In contrast, the achievement of P7S1 ROCE and the relative total shareholder return are decisive for the Executive Board's long-term variable compensation (Long-Term Incentive).

→ **Compensation Report**

DEFINITION OF SELECTED NON-IFRS FIGURES

ADJUSTED EBITDA

Adjusted EBITDA stands for adjusted earnings before interest, taxes, depreciation and amortization. It describes the operating result (earnings before interest, taxes, depreciation, amortization and impairments) adjusted for certain influencing factors (reconciling items).

These reconciling items include:

- **M&A-related expenses include consulting expenses and other expenses for ongoing, closed or canceled M&A transactions as well as costs in connection with an IPO or delisting process and integration costs incurred within a year of the economic acquisition.**
- **Reorganization expenses include material and personnel expenses for reorganizations and restructurings. They comprise expenses such as severance payments, leave compensation, consulting costs, legal consultancy fees and impairments of at least EUR 0.5 million.**
- **Expenses for legal claims include charges, fines, penalties and consulting costs of at least EUR 0.5 million in connection with significant closed, ongoing or expected legal claims.**
- **Fair value adjustments of share-based payments include the portion of the changes in the fair value of cash-settled share-based payment plans that affects profit or loss.**
- **Results from changes in scope of consolidation include income and expenses in the context of mergers, demergers, acquisitions or disposals of Group entities.**
- **Results from other material one-time items include transactions approved by the Group CFO that are not connected to current operating performance. In this context, ProSiebenSat.1 Group considers transactions of at least EUR 0.5 million to be significant.**
- **Valuation effects relating to strategic realignments of business units comprise expenses incurred in the context of changes in the underlying business objective or strategy of the unit in question of at least EUR 25 million.**

ADJUSTED NET INCOME

Adjusted net income is the net income attributable to shareholders of ProSiebenSat.1 Media SE, adjusted for reconciling items shown under adjusted EBITDA, as outlined above, and adjusted for additional reconciling items. These additional reconciling items include:

- Depreciation, amortization and impairments from purchase price allocations.
- Impairments on goodwill.
- Valuation effects included in other financial result, impairments and valuation effects of investments, entities accounted for using the equity method and other financial assets recognized in other financial result. The Group can also acquire control over investees previously accounted for using the equity method through multi-stage company acquisitions. Effects from the valuation of such original shares at fair value upon initial consolidation also fall under this category.
- Valuation effects of put-options and earn-out liabilities include valuation, currency and interest effects of put-options and earn-out liabilities.
- Valuation effects from hedging transactions include ineffectiveness and de-designation effects of cash flow hedges recognized in other comprehensive income and effects from hedging transactions for which there is no hedge accounting as defined by IAS 39.
- Results from other material one-time items include transactions not connected to current operating performance. In this context, ProSiebenSat.1 Group considers transactions of at least EUR 0.5 million to be significant.

Moreover, the tax effects resulting from such adjustments and effects on the net result attributable to non-controlling interests are also adjusted.

REPORTING AND USE OF NON-IFRS FIGURES

In addition to the financial information determined in accordance with IFRS, this Annual Report also includes non-IFRS figures. The reconciliation of these non-IFRS figures with the corresponding IFRS figures is shown in the following section:

→ Group Earnings

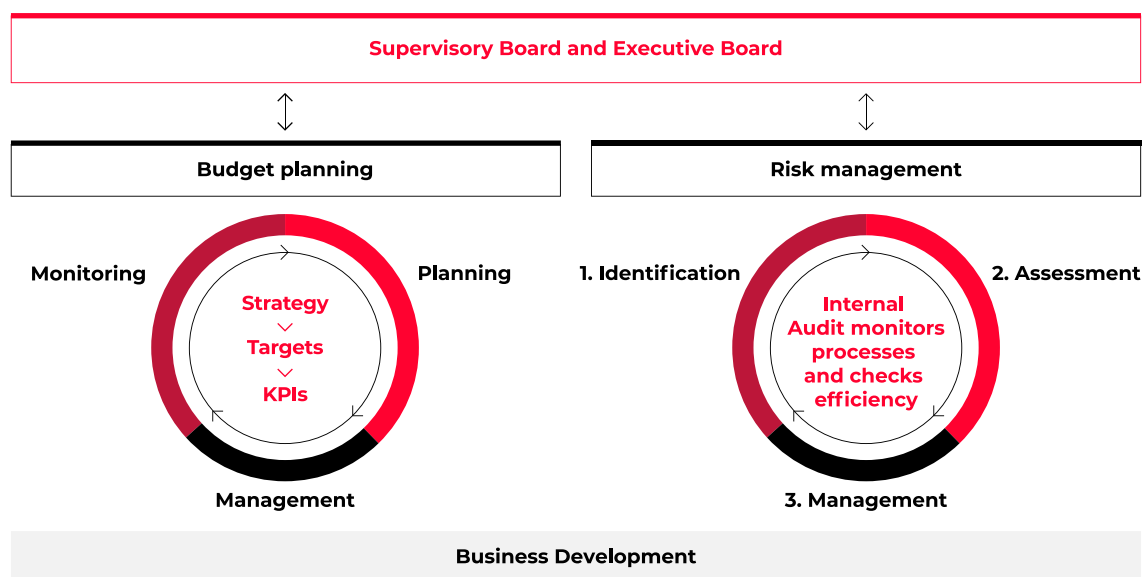
For its financial, strategic and operating decisions, ProSiebenSat.1 Media SE uses primarily non-IFRS figures as the basis of decision-making. These also provide investors with additional information which allow a multi-year performance comparison, as they are adjusted for specific factors. These figures are not determined on the basis of IFRS and may therefore differ from other entities' non-IFRS figures. Therefore, they do not replace the IFRS figures or are more significant than the IFRS figures, but represent supplementary information. We are convinced that the non-IFRS figures are of particular interest to our investors for the following reasons:

- Reconciling items can influence or even overshadow operating performance; figures adjusted for such items therefore offer supplementary information for the assessment of the Company's operating performance. Adjusted figures thus are more relevant for managing the Company.
- Moreover, adjusted net income is an important factor at ProSiebenSat.1 Media SE for the calculation of the dividend payment, as we want to give our shareholders a share in the Company's operating profitability.
- The Group has implemented a holistic management system. Non-IFRS figures are calculated consistently for the past and the future; they form an important foundation for internal controlling and the management's decision-making processes.

Operational and Strategic Planning

Management and planning are closely intertwined at ProSiebenSat.1 Group. Target figures are defined and determined for various periods within the context of planning, with a focus on the performance indicators outlined above. The different levels in the planning process build on each other and are linked to our risk management. The Supervisory Board is also regularly informed by the Executive Board about all issues relevant to the Company's strategy, planning, business performance, risk situation, risk management, and compliance, both at the Supervisory Board meetings and outside of meetings.

BUDGET PLANNING AND RISK MANAGEMENT AT PROSIEBENSAT.1 GROUP



Corporate planning: Corporate planning comprises the operating annual planning (budget) plus the long-term corporate planning (multi-year planning) and constitutes a detailed quantitative depiction of strategic planning. It is on a monthly basis for the first year and on an annual basis for a further four years. The strategically derived targets for the first planning year are specified for the most important financial and non-financial performance indicators in a top-down/bottom-up process and carried forward to the multi-year planning. The financial figures from the income statement or statement of financial position and statement of cash flows of individual subsidiaries are analyzed and aggregated at segment and Group level.

Monthly reporting and trend projections: Trend projections are an important tool in planning during the year. They allow the Company's expected performance for the year to be calculated on the basis of the targets achieved to date and to be compared with the target figures that were originally budgeted. The aim is to identify potential discrepancies between the target and actual figures immediately and to implement the necessary countermeasures promptly. In 2021, the Executive Board also discussed short-term and long-term targets with the Supervisory Board. In addition to monthly reporting, potential risks are reported to the Group Risk Officer on a quarterly basis. In particular, any changes to the early warning risk indicators during the year and over time are analyzed here. For example, the development of audience shares is an important early warning indicator. Additional opportunities and therefore possible positive deviations from projected targets are analyzed in parallel with risk management; they are taken into account in budget planning if their probability of occurrence is more than 50%.