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## EFRAG DP Equity Instruments – Impairment and Recycling

Dear Jean-Paul,

We are pleased to be given the opportunity to comment on the EFRAG Discussion Paper „Equity Instruments – Impairment and Recycling“ (the „DP“).

ProSiebenSat.1 Media SE is a European Stock Corporation listed in Germany and Luxembourg. Its registered common shares are traded in the Mid-Cap segment (MDAX) at the Stock Exchange in Frankfurt am Main, Germany.

ProSiebenSat.1 Media SE and its subsidiaries („ProSiebenSat.1 Group“) is one of Europe’s leading media groups. The Group’s „Entertainment“ segment primarily includes ProSiebenSat.1’s Free TV stations in Germany, Austria and Switzerland, our marketing companies, the distribution of HD and Pay-TV, video-on-demand, ad-tech and online advertising, music, event and athlete marketing.

The activities in the production area and the global sales of programming content are brought together under the umbrella of Red Arrow Studios and form our „Content Production & Global Sales“ segment, while our digital commerce operations in Home Service & Mobility, Leisure & Relationship, Health & Beauty and Style are subsumed in the „Commerce“ segment.

Please find below our view on the issues raised in the Discussion Paper:

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We see a short- to medium-term need for action on whether or not „holding gains“ on equity instruments classified as to be measured at fair value through other comprehensive income („FVTOCI“) should be taken out of OCI on the sale of such instruments and recognized in profit or loss. Many such instruments were previously classified as „available-for-sale“ financial assets under IAS 39, which allowed for such „recycling“ of holding gains. Very often holding such instruments reflects a business model of realising medium-term financial gains from appreciations in value, even though no sale may be intended in the short run.

In our view, prohibiting the recycling of holding gains on such instruments as required by IFRS 9, runs counter to the concept of „clean-surplus accounting“, as it would distort an entity’s most important profit measure. We do not share the view that recycling the entire holding gain in the period of sale would “artificially” allocate the entire holding effect to that period. Instead, it is upon sale of such instruments that gains or losses are realised in full.

As a consequence, we reject the present requirements of IFRS 9 for conceptual as well as business reasons. We would therefore encourage EFRAG to engage with the IASB in discussions at a global level, either in the context of a future post-implementation review of IFRS 9, or (preferably) even before that.

As our Group is not significantly affected by the new requirements at present, not holding investments in equity instruments classified as FVTOCI, the requirements of IFRS 9 covered in the DP do not impact our accounting. Therefore, if a solution of this matter should not be reached, we would live with the current requirements.

In our view, it is imperative, that a solution should be sought with the International Accounting Standards Board („IASB“) at a global level. An „EU-IFRS-9“ is not recommendable and neither are general „EU-Carve-Outs“. Instead, we would encourage EFRAG to continue trying to influence the IFRS standard setting prior to the publication of new pronouncements by the IASB.



Finally, we concur with the views outlined in the Comment letter by the Accounting Standards Committee of Germany („ASCG“).

Should you have any questions, please do not hesitate to contact us for further information.

Dr. Jan Kemper  
Chief Financial Officer  
Member of the Executive Board

Jochen Hanke  
Chief Accountant & Tax Officer