



**Speech by Thomas Ebeling**

**Chairman of the Executive Board of ProSiebenSat.1 Media AG**

**at the Annual General Meeting for the 2014 financial year**

Munich, May 21, 2015

– Check against delivery –

**I. [Welcome to shareholders, vision, European media industry, SE conversion]**

Dear shareholders,

Dear shareholder representatives,

On behalf of the Executive Board of ProSiebenSat.1 Media AG, I welcome you to this year's Annual General Meeting.

I would also like to welcome our colleagues from other media as well as all of those watching the Annual General Meeting live on the internet.

Ladies and gentlemen,

Also this year, I have good news for you. First and foremost: ProSiebenSat.1 is on track. We achieved new revenue and earnings records in 2014 – in doing so, we reached the financial targets that we set for 2015 a year earlier than planned.

These figures stem from a clear strategy. Not so long ago, we were purely a TV company. Now, we are a digital player with vibrant growth initiatives in all business areas.

Our vision is to keep on developing the productive interaction between the high-reach, efficient medium of TV and the fast-growing, forward-looking digital initiatives. In this way, we are creating business opportunities in the new media world for ProSiebenSat.1 – your company – on the basis of our strong core business.

I'd like to start by talking about the business opportunities in a broader sense. As part of my speech, I will be explaining why we want to turn ProSiebenSat.1 into a European Company and describing the purpose of our Pan-European media alliance. All these steps are also aimed at strengthening Europe as a media business location. And that is absolutely essential!

Today, I want to strike a blow for the European media industry while urging European media companies to show greater entrepreneurial spirit. Too often, we only see the deficiencies here or the supremacy of the American giants. Too often, we are preoccupied with protecting vested interests instead of formulating European goals together. We in the media business are also far too reluctant to show a united front to politicians.

A senior politician recently said to me: "The automotive industry is always clear and coordinated in telling German and European politicians what it wants. With you media folk, it's quite fragmented." And he's right!

On essential issues such as infrastructure expansion, copyright, promotion of media technology initiatives, protection of privacy or support for start-ups, we need to pull together much more. To me, there are many more similarities than differences between ProSiebenSat.1, Burda, Springer, TF1, the newspaper publishers, online commerce and firms such as SPIEGEL or Sky.

Europe is one of the biggest economic areas in the world. We ultimately need a European dialog between media companies and a clear strategy for using our locational advantages and thriving on the international stage.

This will also be crucial to the manufacturing industry. To use an exaggerated example: Also an innovation like the driverless car needs an efficient media infrastructure, as does the Internet of Things, with which we will soon be able to control our houses and apartments. If we can't put the essential infrastructure and content in place, other countries will overtake us. I'm convinced we can do this. But the responsibility for coming up with solutions here is mainly in our hands. I personally will work at all levels to get this vital dialog going.

**[2014 financial year; 2015 first quarter]**

Ladies and gentlemen,

I would now like to turn the focus on ProSiebenSat.1. In recent years, we have built up an outstanding reputation on the capital market thanks to our entrepreneurial approach, as we have consistently proved that we can be relied on to meet our ambitious targets. That also applies to the 2014 financial year:

- We increased revenues by 10.4% year on year to EUR 2.876 billion. All three segments contributed to this result with their profitable growth. Overall, we already earned around 34% of our revenues from outside the TV advertising business – we are thus well on our way with our diversification strategy.
- This positive revenue development led to another record result: The recurring EBITDA grew by 7.2% to EUR 847.3 million.
- At the same time, our leverage factor, that is the ratio of net financial debt to the adjusted EBITDA for the last 12 months, was 1.8 at year-end – and thus continues to be at the lower end of the defined target range of 1.5 to 2.5.

- 2015 also got off to a good start for us: We increased revenues by 12.7% to EUR 654.6 million in the first quarter, and recurring EBITDA grew by 9.0% to EUR 152.7 million.

### **[Stock development, dividend]**

Dear shareholders,

Our company's stock-market value has continuously increased over the last few years, driven by our commercial success. This makes us an extremely attractive share – in terms of growth and return:

- Over a month ago, on April 10, we achieved a new all-time high with a closing price of EUR 48.98. You may recall that on the date of last Annual General Meeting in June 2014, the price stood at EUR 33.42.
- And we have increased our market capitalization by more than forty-fold since 2009. This shows how sustainable our growth is.

Of course, you, as our shareholders, participate commensurately in this success this year, too. We are thus proposing a dividend for 2014 of EUR 1.60 per eligible registered common share. That corresponds to a payout ratio of 81.6% based on the underlying net income, and a dividend yield of 4.6% based on the closing price at the end of 2014.

### **[Challenges, opportunities]**

Dear shareholders,

We are naturally proud of what we have achieved so far. The capital market evaluates us as a media company with one of the best digital strategies in Europe.

Even so, it is clear that our industry is set for further change. Let me explain the three main challenges for the future:

- Firstly, the viewing habits of younger viewers will continue to change significantly. Therefore, we need to expand our digital platforms more quickly, create new offerings and integrate our TV business even more strongly with our digital portfolio – although we have made good progress here. The same applies to the TV advertising market: Here too, the key is to be successful in TV advertising while competing against US and global digital giants.
- Secondly, global competitors like Google, YouTube and Netflix are rapidly expanding their presence in Germany and Europe. We therefore need to push our diversification and growth outside the conventional TV business even more consequently in order to reduce our dependence to fluctuations in the TV advertising market.
- And thirdly, to keep on growing, we need to forge ahead not only into new business areas – especially those that can take advantage of our TV and digital know-how – but also into new markets. This means that internationalization of our business must become a key focal point for us in the years ahead.

We are already today prepared for this change, and see it as an opportunity to establish new business models:

- Our Group has moved into new, fast-growing business areas, and we have consequently integrated our TV unit with our digital business.
- The core of our strategy is at the same time our biggest competitive advantage: We can build up new business areas very successfully in a short

time – because we can also market our own products each day to an audience of millions via our TV stations.

- This makes digital expansion easier for us for another reason: Unlike other companies, we are under no pressure to make major cash investments. We can also buy smaller companies with growth potential at sensible prices and then build them up with self-promotional advertising.
- In addition, in many areas, we already have the expertise, the right employees and the necessary agility to take opportunities – and to take on risks to a sensible extent. I firmly believe that we will continue on our successful path in this way.

**[SE conversion, thanks to Supervisory Board]**

Dear shareholders,

These strategic challenges and our ambitious plans for the future are the reason for a major new departure that we are asking you to approve today: the conversion of ProSiebenSat.1 Media AG to a European Company, an SE. Why do we want to do this? The European legal form of a SE facilitates the business presence of your company in European countries and takes into account the essential international focus of our digital business. My Executive Board colleague Conrad Albert will go into the legal details after my speech. But I would like to emphasize right now that your rights as shareholders and the listing of your shares will not be affected by this change.

Dear shareholders, I would be very happy if you would approve the conversion of ProSiebenSat.1 into an SE today. By doing so, you would pave the way for the

successful further development of your company. After all, profitable growth naturally remains our prime objective.

In this regard, we are also counting on the support of our Supervisory Board, which you elected one year ago. I would like to take this opportunity to sincerely thank the whole board and the chairman Dr. Werner Brandt for the excellent collaboration. As hoped, the combination of industry and digital competence as well as US expertise that you bring to our company has already proven to be very effective with regard to realizing our strategy. I look forward to continuing our collaboration.

I would now like to address the most important topics for us at an operational level for our three segments.

## **II. [Operating business, segments]**

### **[A. Operating highlights: Broadcasting German-speaking segment]**

Ladies and gentlemen,

We are the number 1 in the German audience and TV advertising market with our six free TV stations SAT.1, ProSieben, kabel eins, sixx, SAT.1 Gold and ProSieben MAXX. Furthermore, the Broadcasting German-speaking segment includes our TV stations in Austria and Switzerland as well as our successful distribution business. Also in 2014, we continued to grow in our core business.

- We further expanded our leading position in the audience and TV advertising market – despite a very competitive environment due to the Winter Olympics and the World Cup Championship.
- Our audience market share increased by 0.6 percentage points to 28.7% in 2014. This growth mainly came from our young stations sixx, SAT.1 Gold



and ProSieben MAXX. This goes to show: The fact that we founded new free TV stations in the past several years has paid off. We have made active use of the opportunities that arise from the fragmentation of the TV market. As a result of this, our complementary station portfolio now offers access to nearly all demographic groups.

- This is also well received within the German TV advertising market: In 2014, we gained more than 100 new advertising customers. The new stations, in particular, were crucial here as well. They are especially interesting for new customers who had previously only advertised in print media and now invest in TV advertising for the first time. In this way, we manage to obtain fresh capital for the TV advertising market.
- We now come to the area of distribution, with which we have established a new growth driver within our conventional TV business. In 2014, the number of ProSiebenSat.1 HD users rose by 25% to more than 5 million; we aim to reach about 9 million HD users by 2018. This area is very attractive to us for two reasons. Firstly, it is growing dynamically and is highly profitable. And secondly, we participate in recurring income from the subscription business of the cable network operators. This strengthens our independence from the cyclical TV advertising market and enhances our diversification. In addition, distribution is becoming increasingly important from a strategic point of view: Through partnerships with network operators and mobile platforms, we also cater for all non-linear types of use and ensure that viewers can watch our content anytime, anywhere and on any device.

## **[Multi-channel strategy; differences TV markets USA-Germany]**

As I mentioned earlier, it is essential for our future success to anticipate the changes in the media industry and to be actively involved in shaping them. US players such as YouTube and Netflix are rapidly changing the TV market, and their size and influence are accelerating changes in viewing habits – especially those of young people who want to access media content on all channels.

But if you look at our portfolio, you will see that we made the right moves at an early stage. We already began establishing our own offerings on various platforms years ago and we now have a corresponding service for each type of usage: Whether it's linear or pay TV, video-on-demand, an app with live streaming and catch-up function or advertising-financed online video portals: Our viewers can find our programs anywhere anytime.

Thanks to digital possibilities, TV is reaching more people than ever before, and not only via the TV in the living room. That's why I think that the future of our industry looks a lot less gloomy than the way it's sometimes portrayed. We know that TV advertising works excellently. That's why we are diversifying in many new areas that benefit from TV advertising on our stations. And finally, also e-commerce and digital companies spend more than 60% of their advertising budget on TV advertising. We also know that online consumption of audiovisual content is predominantly linear and that globally people watch content that takes an example on big TV productions.

That's why I am convinced: Television will continue to exist, especially because distribution and business models are changing – and must change. Many so-called

experts are looking at the US and draw conclusions from developments of the TV landscape there for Germany. But the TV market in the US follows completely different laws. We have analyzed the differences for you in the following short TV report. Please start the film!

*[TV Report: Differences between the TV markets in the US and Germany]*

As you can see, the German TV market is also a good basis in the years ahead. The hard facts speak for this: TV continues to be the medium Germans use the most. This is also true for younger viewers between the ages of 14 and 29. Here, TV ranks first with 152 minutes' viewing per day. That is over 2 and a half hours! And: Currently, more than 95% of all television watched in Germany is still linear TV.

### **[TV advertising market]**

There is a similar picture in the TV advertising market: TV is the most successful and most effective advertising medium. But here too, it would be fatal to miss out on or even ignore changes, as international players such as Google have long since become our main competitors.

Today, our great advantage is that with us, advertising customers get everything from one source. We market their products by combining TV and new digital platforms across all screens. At the same time, with adverts on our TV stations, they reach more people in a short time than with any other medium. The reach of television is undiminished – and will remain that way for the foreseeable future.

That is precisely why we are actively pressing ahead with new forms of advertising made possible by digitization, out of self-interest. Of course, we must find answers to new approaches such as “programmatic buying” – automated buying of advertising in digital media – as well as to developments in individualized targeting, and use these methods to our own advantage wherever we can. After all, keeping abreast of these developments is the only way to offer new platforms to our customers while also creating new growth areas for ourselves. For example, it is already possible to use the TV remote control to shop or to obtain regional information on an advert. The following report shows how integrated advertising works today. Please start the film.

*[TV Report: Digital advertising forms]*

Ladies and gentlemen,

Television and Internet are also a perfect match in the advertising market. By way of proof, 80% of viewers who have been made aware of a specific product on TV have already bought it directly online, with as many as one in four of them being frequent customers. These are impressively high figures, which show how well the Internet complements TV advertising as a distribution channel. And the Opel advert has shown us where the future lies: When more and more TV sets are connected to the Internet, some day it will be nothing special to carry out purchases directly via the television. This is why I firmly believe that we need to seize the digital opportunities and actively push these developments, and TV will then remain the first choice for our customers as the advertising medium with the largest reach.

Ladies and gentlemen,

The German TV market will continue to be intensely competitive in the future. Business thrives on competition. We are continuing to take up the challenge with an entrepreneurship-based approach, for example by creating new stations, pushing the integration with our digital business and tapping into new business areas. We are extremely well positioned in our core business, and will keep on growing here in the years ahead.

This brings me to our second segment: Digital & Adjacent.

**[B. Operating highlights: Digital & Adjacent segment]**

In the fiscal year of 2014, the Digital & Adjacent segment was once again our strongest growth driver. This segment combines the Digital Entertainment, Digital Commerce and Adjacent pillars. Let me briefly explain the progress that we have made in this area.

- We are well positioned in the Digital Entertainment business. In terms of offers, our video-on-demand portal maxdome continues to be the largest and most well-known online video library in Germany.
- With Studio71, we have built the leading multi-channel network in Germany in a very short time. The rising numbers of Studio71 users – we are talking about more than 250 million video views per month – have contributed significantly to the fact that ProSiebenSat.1 expanded its position as leading online video marketer in Germany. This is because our combination of high-quality content and reach is a convincing package for our advertising customers. Combined, our offerings recorded a total of 4.2 billion video views last year.

- The Digital Commerce business once again provided the strongest revenue contribution. I am particularly pleased that our travel business performed so well. Over the last two years, we have built up a commerce portfolio through various investments that covers all services related to travel. You can now book a flight, a hotel room and a rental car with us, while looking up the weather for your destination on wetter.com. With this example, you can see clearly how the integration with television works: Since we began marketing the travel portal weg.de with TV advertising on our stations, its revenues have risen significantly. In total, we generated revenues of around EUR 150 million with our travel vertical in 2014.

### **[Expansion of Vertical strategy]**

We are now using our successful travel vertical as a blueprint and creating further commerce portfolios on the basis of this template, for example in the field of Beauty & Accessories. To this end, we have just increased our shares in the online perfumery Flaconi and Amorelie, an online shop for erotic lifestyle products. In the medium term, we see revenue potential of EUR 100 million for each vertical per year. It is important to note that the bigger our commerce portfolio becomes, the more synergies we can realize between the verticals. For example, on mydays.de, we run advertising banners for our online perfumery Flaconi and vice versa, thus attracting new customers to both platforms.

### **[Challenge Google]**

However, there is also a media policy issue in the digital sector that has occupied us for years. It involves Google. I have already explained at previous Annual General Meetings how this group has changed the market. Here, we agree with our

colleagues in the print industry: Google doesn't bother us. The only thing that concerns us is that Google abuses its market power. The EU Commission just lodged a formal complaint against this. I view this as a first success in finally making our arguments heard and establishing a level playing field.

However, the German and European businesses cannot lean back and wait for the EU in the meantime. We must take initiative. We must constantly push the limits of our innovation pace if we want to be able to compete against the US and Asia with our business ideas and be viewed as a credible player on the international stage.

### **[Focus on internationalization of D&A]**

For this reason, we at ProSiebenSat.1 will consistently expand our digitalization strategy – in the future also on an international level. In our commerce business, we have already taken the first steps towards this, having established an extremely successful business area in the last two years. Now, we aim to go further and think much more globally – an essential requirement for securing attractive growth prospects for our Group now and in the years ahead. Where do we go from here?

We will now roll out our media-for-revenue-share and media-for-equity investment models internationally and thus make them even more profitable. With these models, we are already the largest media investor in Germany. Now we want to gain this position in Europe, too. Specifically, this means that we will use media services or conventional investments to participate in international start-ups and support them in their market launch in Germany and Europe with our expertise and media services. To this end, we set up two essential strategic requirements in 2014:

1. In order to be in contact with interesting international start-ups, we have opened scouting offices in the US, Asia and Israel. In those regions, most of the world's digital trends emerge. Our colleagues are working there on site to find promising companies that would be a sensible addition to our portfolio. In Tel Aviv, for example, the focus is on technology start-ups, especially in the area of financial services.
2. In addition, we have established a media alliance with various European TV stations. In this way, we can provide international start-ups with a comprehensive offer for their market launch in Europe. For companies from the US, it is very appealing to be able to gain a foothold in all of Europe in a short time span.

The following report shows how we realized this successfully in 2014 with the US shopping app Shopkick and how we aim to become the European importer of choice for many international start-ups in the future:

*[TV Report: Importer of choice; example of Shopkick]*

The next big name that we are currently actively supporting in Germany is the US company Jawbone, the market leader in the high-growth market for wearable lifestyle and health devices, i.e, sport and fitness bracelets. And we have already seen the first successful outcome within the media alliance. Our investment Amorelie will launch its business in France – with advertising for its products on our media alliance partner station TF1, of course. This way, we will make use of our media investment model also internationally in order to expand the ProSiebenSat.1



portfolio and bring new, forward-looking companies and business ideas to Germany and Europe.

In the Digital & Adjacent segment too, we can draw the same conclusion: We are extremely well-positioned, growing dynamically and in top-3 positions in all key fields. In the next years, we will continue our strong development with unstinting ambition, thus further boosting our company's growth.

### **[C. Operating highlights: Content Production & Global Sales]**

We now come to our third segment, Content Production & Global Sales. Here, we produce and distribute TV programs globally via our subsidiary Red Arrow Entertainment. The focus on English-language TV markets, which we have been consequently pursuing for the last few years, has now paid off:

- Red Arrow generated more than 70% of its revenues in the US and the UK in 2014. The acquisition of the US production company Half Yard Productions at the beginning of 2014 also contributed to this.
- Operationally, the company established itself as a credible player in the international production business thanks to large projects with global renown. In particular, it is worth mentioning the crime series "Bosch", which Red Arrow produced for Amazon's streaming platform. This series was so well received by viewers in February 2015 that Amazon has already ordered the second season. Other interesting projects include the series "100 Code" and "The Comedians", which the Red Arrow subsidiary Fabrik Entertainment produced and which recently started airing on Sky Deutschland and FX in the US.

### **III. [Thanks to employees]**

Ladies and gentlemen,

We are emphatically pursuing our strategy in all segments. The fact that we are so successful is due to all employees of ProSiebenSat.1.

Dear colleagues, I would like to thank you sincerely for your dedication.

ProSiebenSat.1 is always on the move and continuously evolving – thanks to the innovative spirit and entrepreneurial drive of our employees. Also on behalf of my Board colleagues, I would like to thank you very much! It's a great pleasure to realize together our vision of being a Broadcasting, Digital Entertainment and Commerce Powerhouse!

### **IV. [2018 Growth targets]**

Where do we go from here? As I announced at the last Annual General Meeting, we have already set our next concrete growth targets: By the end of 2018, we want to increase our revenues by EUR 1 billion compared to 2012. And we are already well ahead of schedule. ProSiebenSat.1 reached about 52% of this revenue target at the end of last year.

Of course, our main focus continues to be on the transition towards becoming a digital player. We still have a lot of ambitions here. At the end of the year, about 34% of our revenues came from outside the TV advertising business – this share is to rise to more than 40% by 2018. Our independence from the TV advertising market will mainly be driven by the Digital & Adjacent segment that will continue to form a strong basis for our profitable growth with its dynamic development.

## V. [Outlook 2015]

Dear shareholders,

To close, I would like to provide you with the outlook for the current financial year.

As you can see from the figures for the first quarter, we are very optimistic that we will again continue to grow in all three segments this year.

In the Broadcasting German-speaking segment, we anticipate revenue growth in a low single-digit rate.

- Based on the positive economic environment, we expect the TV advertising market to increase by about 2 to 3% net – and we want to grow at least at market level.
- We also want to remain the no. 1 in the audience market as well. We already closed the first quarter with the best group market share since 2006.
- In the area of distribution, we continue to actively look for partnerships so we can provide our content on all available devices and offerings.

Our targets in the Digital & Adjacent segment are set:

- We want to push the internationalization of our digital business and start new verticals in the digital commerce unit.
- We want to expand our leading market positions in the digital entertainment area.

By doing so, we will continue our dynamic growth in this segment and increase our revenue by a double-digit percentage.

In the Content Production & Global Sales segment, we expect high single-digit growth rates on a revenue basis. We will continue to focus on positioning Red

Arrow on the international TV markets with high-quality, English-language fiction products and strong show formats.

Overall, we expect ProSiebenSat.1 to continue its revenue growth in 2015 and thus achieve a new record result. We anticipate an increase in revenues in the mid- to high-single-digit range, and the recurring EBITDA should once again top the previous year's level.

## **VI. [Conclusion]**

Ladies and gentlemen,

Today I presented you the profitable growth course that ProSiebenSat.1 is on and the strategic steps we are taking to continue along this path in the future as well. I can assure you that our success is an incentive for us to perform even better. This means that we will continue to look for strong, innovative business models and thus tap into new growth markets for our company. And we seek to fulfill our aspiration of always gaining the leading market positions in all that we do.

At the same time, the challenges of the changing media world are an important source of impetus for us. We firmly believe that our strong free TV and marketing business give us a crucial competitive edge. However, we can only use this so successfully because we consequently link this expertise with our fast growing digital know-how and thus provide viewers and customers with tailored offerings that they can only get from us.

Ladies and gentlemen,

I am confident that, on this basis, ProSiebenSat.1 is ideally positioned both economically and strategically for the future, and that our dynamic and at the same time sustainable growth will continue. This is because we want to continue to deliver on the promise that we made to you, our shareholders, and the capital market.

Thank you for your support as we move along this path and for your attention.