



**Speech by Thomas Ebeling**

**Chairman of the Executive Board of ProSiebenSat.1 Media SE  
at the Annual General Meeting for the 2015 financial year**

Munich, June 30, 2016

– Check against delivery –

## **I. [Welcome to shareholders, DAX promotion]**

Dear shareholders,

Dear shareholder representatives,

On behalf of the Executive Board of ProSiebenSat.1 Media SE, I welcome you to our Annual General Meeting today. 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.

### **[DAX promotion]**

Ladies and gentlemen,

This is the first Annual General Meeting of ProSiebenSat.1 Media SE as a DAX member. We are thus the first media corporation among the 30 most highly valued companies on the stock exchange in Germany. This is a great honor. But most of all it spurs us on to continue the successful growth of our company in the years to come.

## **II. [Financial year 2015, first quarter of 2016, thanks to employees]**

Let me start by reflecting the past financial year. 2015 was another record year for ProSiebenSat.1:

- We increased consolidated revenues by 13 % to EUR 3.261 billion. All three segments grew profitably.
- In particular, the Digital & Adjacent and Content Production & Global Sales segments developed dynamically. We thus generated nearly 40 % of revenues outside the classic TV advertising business. By 2018, it is expected to be around 50 %.
- Recurring EBITDA also increased last year by 9 % to EUR 926 million.

- Our financial situation developed as planned: The leverage factor, i.e. the ratio of net financial debt to the adjusted EBITDA of the last twelve months, was 2.1 at the end of the year. It was therefore within our target range of 1.5 to 2.5 despite larger acquisitions.
- In the first quarter of 2016, we continued our dynamic growth: We increased revenues by 22 % to EUR 802 million. Recurring EBITDA rose 12 % to EUR 170 million.

### **[Share, dividend]**

Also our share performed well:

- Compared to the previous year, we posted a price gain of over 34 % as of December 31, 2015, considerably outperforming the comparative indices.
- In 2015, our share also reached a new all-time high: On November 19, it closed at EUR 50.70.

Also this year, we are of course happy to give you, dear shareholders, a share in our growth: For financial year 2015, we are proposing a dividend of EUR 1.80 per common share. This equates to a dividend yield of 3.8 % of the closing price at the end of the year.

At this point, I would like to pay particular thanks to our employees: Every day, they promote our vision of a broadcasting, digital entertainment & commerce powerhouse with great motivation, enthusiasm and conviction. Our employees have long since become co-entrepreneurs. In recognition of this – like other large companies – we introduced an employee share program in mid-June. Dear colleagues, thank you very much for your outstanding commitment!

### **III. [Operational segment highlights + challenges]**

Ladies and gentlemen,

I would now like to go into detail about 2015 and summarize for you the operating milestones on which our success last year was based. At the same time, I would like to give an outlook on our challenges and opportunities in each segment.

#### **[A: Broadcasting German-speaking]**

Let's start with the TV business. Where do we stand here?

2015 was another good TV year for us. We continued to grow in the Broadcasting German-speaking segment, which includes our television stations in Germany, Austria and Switzerland, the sale of advertising time and distribution:

- Our six free TV stations SAT.1, ProSieben, kabel eins, sixx, SAT.1 Gold and ProSieben MAXX generated a combined market share of 29.5 % among viewers aged 14 to 49. We thus achieved the highest market share for ten years and remain the frontrunner in the German audience market.
- We also built up our leading position in the German TV advertising market to a gross market share of 44.4 %.
- The distribution business continued to develop dynamically: The number of our HD subscribers increased by 18 % to 6.2 million until year's end.

As you can see, our TV business has solid foundations. Allow me to briefly describe the environment in which we are operating:

- Television remains the medium with the furthest reach. On average, TV stations in Germany reach 50 million people every day. At the same time, the average viewing time is nearly three hours a day.

- The TV advertising market is growing by around 2 to 3 % every year on a very healthy base. Television advertising is also continuously gaining in value, as high reach is becoming increasingly important in a more and more fragmented media landscape. In addition, advertising customers are increasingly realizing TV advertising's advantages over the internet. And many customers realize that they don't get the same quality with online advertising. I am just naming the keywords robot traffic and ad fraud.
- Moreover, the German-speaking TV market is distinguished by its own laws. The offer of high-quality free TV content is huge. In the USA, people pay over 90 dollars a month for a similar selection of programs. Moreover, audiences in Germany prefer dubbed versions of films and series. These are just two of several reasons why the motivation to use only digital services is much lower in this country than in the USA.

Thus we can be optimistic about the future of our television business. Nonetheless, we are dealing intensively with how the market will change in the years to come. We have identified three main challenges that we will continue to face in the future:

- Firstly, media usage habits are evolving due to the advance of digitalization.
- Secondly, the TV market is becoming increasingly fragmented.
- Thirdly, the use of new technologies and the development of innovative marketing models are becoming ever more important in the TV advertising market.

We are well prepared for all three topics. I would now like to illustrate our strategy for the TV segment with regard to the challenges I just mentioned:

### **[Media use, integration of TV and Digital]**

First with regard to media use: 94 % of video consumption – across all screens – is accounted for by TV. This is good news for us, as it shows that our content is attractive also to young target groups. Television's career is continuing on the internet and mobile devices. We are making use of this potential by integrating our TV stations even more closely with digital offerings. I will give you a recent example: The eleventh season of our ProSieben show "Germany's Next Topmodel" achieved a very good average TV market share of 17.3 % this year. Online, we generated an additional 45.4 million video views with the show. This proves how integration with online offerings makes a TV brand an even more intense experience. At the same time, the advertising industry is benefiting from additional space and increasing advertising impact by integrating TV and online. For example, the cosmetics brand Maybelline booked a package of traditional TV spots, product placement and online advertising for its campaign around "Germany's Next Topmodel". Sales of individual products were boosted by up to 500 % during the campaign period. This can only be achieved with a campaign in which TV is the basic medium!

### **[Fragmentation, station and content strategy]**

And so we come to the issue of market fragmentation: In 2000, a household in Germany could receive around 36 free TV stations. Today, the average is 74. However, the group of large, familiar TV brands has not changed much, but a whole array of smaller special-interest stations focused on specific target groups have come onto the scene. We recognized this development at an early stage – and actively promoted it to our advantage. Since 2010, we have founded three new TV stations in the form of sixx, SAT.1 Gold and ProSieben MAXX. In 2015, these three stations contributed 3.9 percentage points to our combined market share.

The fourth new free TV channel is already on the launch pad: kabel eins Doku will focus on male viewers aged between 40 and 64 and will go on air in the fall. By expanding our station portfolio, we gain new audiences – and new customers on the advertising market. Because before launching a channel, we analyze social trends very closely to determine which target groups are underrepresented in the TV audience market. We do the same in the advertising market, where we are chiefly interested in whether we can use a station with content for a specific target group to win over print customers that have never used TV advertising before. This approach has been very successful for us. In 2015 alone, we acquired 139 new TV advertising customers.

But this is just one part of our TV strategy. At the same time, we are of course strengthening the major stations SAT.1, ProSieben and kabel eins. Our viewers come to us because we offer them great entertainment. This will also remain the case in the future. In this year alone, we are investing around EUR 1 billion in our programming. For ProSieben, we are developing strong show and factual formats, and for SAT.1 especially new programs for the early evening slot as well as fiction. And, of course, all stations are benefiting from our excellent range of licensed programs from the US. Six of the eight major US studios are under contract in Germany with our station group. Our supply of licensed US programming is secured until 2019 and beyond. And as a third source of content, we have clearly intensified the cooperation between our stations and our production network Red Arrow Entertainment in recent months. Formats such as the dating show “Kiss Bang Love” and the social experiment “Married at First Sight” generated above-average ratings on ProSieben and SAT.1. We will continue to build on this successful cooperation. Jan Frouman, who has successfully established our

international production business over the last years, has been responsible also for the TV business on executive level since March 1<sup>st</sup> and will further push this content strategy.

### **[Distribution]**

But it is not just about what programs we offer. The question of how this content finds its way to our audience is just as important. We have long-term contracts with all major distribution partners in the TV, online and mobile sectors. This ensures that we can bring our content to our viewers and users via all relevant channels. In this way, we not only increase our reach but also extend our value chain and create new marketing space for our content. Distribution will therefore continue to play a significant role for us in the future and is already a dynamically growing source of revenues thanks to the distribution of our HD stations.

### **[New technologies in the TV advertising market]**

And what is happening in the TV advertising market?

We will continue to extend our leading position in the years to come by using innovative technology and advancing into new fields of business. A few months ago, we started with the marketing of advertisement at highly frequented outdoor spaces, e.g. highway rest stops. In this area, we see further revenue potential for our business. At the same time, we are now offering our advertising customers the entire portfolio of video screens – from TV, online, and mobile to digital out of home.

But almost the most important issue for us in the advertising market is addressable advertising. What is this about? TV's great strength is its wide reach. We are combining this reach, for example, with HbbTV, a technology that allows us to



deliver TV spots via the internet for households and viewers to televisions individually. This is a big step for us, because it means television has definitively arrived in the digital age and can do everything that the internet offers for advertising customers. We are the innovation leader in this area and were the first to broadcast such a spot in Germany in 2015. I have brought you a short film about this.

*[Addressable TV + data trailer]*

Ladies and gentlemen,

I can tell you with some confidence that we are the most innovative TV advertising time marketer in Germany. And we will do everything to ensure that this remains the case in the future. Television has an outstanding position amongst entertainment media – for audiences and advertising customers. We are in a very good position in both areas and will convert the challenges, which clearly exist, into opportunities.

### **[B: Digital & Adjacent]**

Let's move onto our second segment – Digital & Adjacent, where we were also very successful in 2015:

- We increased revenues by nearly 40 %. Once again, this made this segment our most important growth driver.
- The commerce business, which we boosted considerably by acquiring Verivox and etraveli, developed particularly dynamically.
- In addition, we pushed the international alignment of the digital entertainment business by acquiring a majority in the US multi-channel

network CDS and merging it with our own German-language counterpart, Studio71.

When we look at the performance of our digital business, we see that we have achieved significant progress and that our growth is sustainable. Five years ago, we generated annual revenues of EUR 250 million in the digital segment – in 2015 it was already about EUR 850 million. And this year, we will reach the one billion mark. Because of this dynamic growth we decided to replace the former Digital & Adjacent segment with the two independent segments Digital Ventures & Commerce and Digital Entertainment from the third quarter on. Responsible for Digital Entertainment, Christof Wahl has been part of the ProSiebenSat.1 executive board since May 1<sup>st</sup>.

### **[Digital & Adjacent challenges]**

We have been consistently pushing the digitalization our Group from the start. This puts us already today in a very good position – also compared to many other European media companies. Nonetheless, we are of course thinking deeply in this segment too about how the market is changing and where there are opportunities but also risks for us. At the moment, we believe we are primarily faced with one major challenge in the digital business:

We are in direct competition with global and financially very strong platform operators such as Amazon, Google, Facebook and Netflix. This applies to both our commerce and our digital entertainment business. We must therefore continue to expand our company quickly and purposefully without losing sight of our most important aim – dynamic growth combined with high profitability.

In the digital sector, we are already leading the market in many areas. Where this is not the case, we are aiming for it. At the same time, we have to identify additional businesses that will perform excellently in combination with our TV stations. Because this is our greatest advantage over Amazon, Google, etc. We can use the marketing power of our television stations to grow quickly and successfully into new business areas. Our goal is clear: We want to be just as strong a player in the digital segment as we already are in the TV business. Allow me to give you a brief overview of the various areas of our digital segment:

### **[Digital Entertainment]**

- With our Digital Entertainment activities, we reach 30 million unique users in Germany every month. This makes us the leading online video marketing company.
- In the last financial year, we acquired a majority in the US multi-channel network CDS and integrated the brand into our own platform Studio71. Since then, we have not only been the number one in Germany but have also been among the five largest multi-channel networks in the world with over 5 billion video views per month. We are convinced that we must be aligned internationally in the online video sector in order to remain a relevant player in this market in the future. Further acquisitions are therefore just as conceivable as international partnerships.
- With maxdome, our video-on-demand portal, we offer over 50,000 films and series and count among the top three in Germany. For our online video library, it is vital that we continue to have attractive content and a strong

distribution strategy. Therefore, we are breaking new ground here: From the end of 2016, maxdome will be the first and only video service to provide exclusive entertainment for the 80 million travelers on Deutsche Bahn ICE trains. Films and series will be made available directly on the train via local servers, so no mobile internet connection is required. This will allow maxdome to considerably extend its reach.

This partnership is a first step and shows how we want to continue doing things in the future. I am convinced that the digitalization of other industries will provide us with lots more growth opportunities. We therefore established the new “German Industry Relations” division in the spring in order to forge digital partnerships with German industrial companies. Our cooperation with Deutsche Bahn is an example of this. Our goal is clear here too, even if it might still sound a long way off today: When at some point the first self-driving car travels the roads of Germany, products from ProSiebenSat.1 must be part of its entertainment package.

### **[Digital Commerce]**

Now let’s get to our Digital Commerce business, which, as in the previous years, contributed the greatest revenue growth. The travel business in particular again performed very well in 2015. At the same time, we further strengthened our commerce activities with two acquisitions and made an important step with regard to internationalization:

- In June 2015, we announced that we acquired a majority in Verivox, Germany’s leading independent consumer portal for energy. Verivox is a good example of how TV advertising works and can make a big difference to

many businesses. After the acquisition, Verivox's growth was accelerated substantially via advertising on our TV stations. This is very good evidence that the strategic integration of our TV and digital business adds value. In the first quarter of 2016 alone, Verivox's revenues increased by 38 %.

- At last year's end, we also acquired the Swedish flight travel portal etraveli. The two new investments were our biggest acquisitions ever in the commerce division. By taking over etraveli, a leading European air travel portal, we complemented our travel portfolio with a component that had been lacking: Previously, you could book hotels and rental cars and look up the weather at your destination through our offerings. But a third of travel bookings begin with the selection of a flight. Thanks to the acquisition of etraveli, we now offer customers all the components of a travel booking, including the flights. etraveli is also growing dynamically and is represented in over 40 countries throughout Europe. Our goal is clear in this area too: We want to become the European market leader for online travel.

We are convinced that the e-commerce sector will offer us lots of attractive growth opportunities in the years to come. Within Europe, Germany is the second-largest e-commerce nation. By 2019, revenues from online trading are expected to rise by 112 % worldwide. In order to use this potential, we will continue to push e-commerce activities via our successful vertical strategy. We are already very well positioned in the areas of "Travel", "Beauty & Accessories" and "Online Comparison Portals." We want to expand these areas and establish additional verticals. By 2018, each e-commerce vertical is to generate revenues of at least

EUR 100 million a year. In the travel vertical, we are already far in excess of this target at EUR 180 million.

### **[Investment strategy]**

Ladies and gentlemen,

We will therefore continue to count on our successful investment strategy. We use TV advertising as an investment currency and deploy it after the acquisition of a company to accelerate growth. We invest in companies that particularly benefit from the emotional appeal of television advertising. This is very effective for large investments such as Verivox. However, we often also acquire smaller firms such as Flaconi or Amorelie and use TV advertising to build them up ourselves into successful brands. By the way, the more e-commerce portals we have, the more space is available for cross-marketing. The next film will show you exactly how our investment strategy works:

*[Investment strategy trailer]*

Now you are familiar with our investment model, I would like to quickly explain the relevance of acquisitions to us. Fundamentally, we do not have to undertake any major transactions to achieve our growth targets. Nonetheless, we are continuously and very precisely sounding out the market. If the opportunity arises to expand e-commerce, digital entertainment, advertising technology or the international production business with acquisitions, we will invest. However, we are under no pressure at all and will only do so in the future if we are convinced that an investment really will bring a strategic advantage and if the price is reasonable. A look at the past shows that we impose very high quality standards here. In recent

years, we have successfully concluded over 20 acquisitions and thus significantly increased the value of our portfolio.

### **[Content Production & Global Sales]**

Allow me now to move onto our third segment, Content Production & Global Sales. Our subsidiary Red Arrow Entertainment develops, produces and distributes TV formats for the international market. In recent years, the company has established itself as a globally successful program supplier.

Red Arrow generates more than two thirds of its revenues in the USA, the largest and most important TV market in the world. Globally, there is currently particularly high demand for English-language fiction programs. Around 400 TV series were broadcast in the USA alone in 2015, twice as many as in 2011. We are also encountering the digital platform operators Amazon and Netflix in the production business – but this time as an attractive client. For example, Red Arrow will film the third season of the Amazon series “Bosch” this summer.

We have identified three fundamental strategically relevant tasks for Red Arrow:

- Firstly, we must continue to increase the proportion of English-language fiction programs in the portfolio.
- Secondly, we must take a big step forward in the production and marketing of digital content.
- And thirdly, we will continue to expand the production network with acquisitions and partnerships in order to further strengthen our position in the strategically important English-speaking markets of the USA and Great Britain.

I would like to briefly outline what we have already done in this regard in 2015 and the first half of 2016:

- We have invested in two new production companies, each via a joint venture, which focus on the production of fiction programs: the British company Cove Pictures and Mad Rabbit from Canada. In total, we now have seven production firms in the USA, Great Britain and Canada that produce English-language films and series.
- With Ripple Entertainment in Los Angeles, we have made important progress in the digitalization of Red Arrow. Ripple specializes in the production of digital content. We will conclude another partnership here soon.
- With the majority interests in Karga Seven Pictures and Dorsey Pictures in the USA, we have also built up a strong base in the areas of docutainment, outdoor adventure and branded entertainment. We thus cover aspects that were previously missing from our portfolio.

Overall, Red Arrow therefore has 13 companies in English-speaking countries, seven of which in the USA alone. We are very satisfied with this development. The company has managed to establish an internationally successful creative network and will keep expanding in the future. But let's let pictures do the talking!

*[Red Arrow trailer]*



#### **IV. [New targets for 2018]**

Ladies and gentlemen,

I think my overview of our three segments demonstrated that ProSiebenSat.1 is in an excellent strategic and operational position. As always, however, you can count on the fact that we will continue to be very ambitious. This is also reflected in our financial targets. We are growing faster and more strongly than planned in all three segments. The digital business is developing particularly dynamically: Since 2011, revenues here have increased by an average of 39 % every year. In October 2015, we have for this reason raised our targets for 2018 again:

- We now expect revenues to increase by EUR 1.85 billion compared to 2012. This would put our consolidated revenues at around EUR 4.2 billion at the end of 2018. This is EUR 850 million more than originally expected.
- At the same time, recurring EBITDA is expected to rise by EUR 350 million compared to 2012 to just under EUR 1.1 billion in 2018.
- All segments will contribute to this dynamic development. Revenues of EUR 1.5 billion will then come from the digital business alone.

We are very confident that we will achieve these targets in our usual reliable manner. We are well prepared for our challenges and we are ourselves responsible for correctly positioning our own business for the further digital future. Nonetheless, we would sometimes wish for more support and above all fairer conditions in Germany.

**[B. Excursus: Brexit, business framework and media policy]**

Ladies and gentlemen,

Like every year, you are now expecting me to make a few comments on regulatory policy issues that are important for us as a media company. But before I do this, I must react to the most serious political event that has occurred over the past few days: the UK referendum to leave the European Union.

In general, it is a disadvantage for all German and European companies – regardless of the industry – if the European Economic Area is potentially smaller, in addition to the effects of political uncertainty that were clearly visible in the reaction of the financial markets over the past few days. Even though everything may not be perfect at the European institutions, all of us, especially us Germans, benefit tremendously from Europe's economic stability. We need to support this.

As you know, we are also represented in the United Kingdom with a number of production companies. We have invested in outstanding creative talent over there. Fortunately, even Brexit won't change this, which is why we want to maintain this commitment. We also do not see any specific risks for ProSiebenSat.1 since the share of British business in total consolidated revenues is very small. We simply cannot brush aside the macroeconomic uncertainty that is developing in the European Economic Area overall. But since you have known us for many years as a forward-looking Executive Board, you know that we plan with great care.

Competition with global digital giants is also further intensifying. And it is all the more important that German and European legislators rapidly create a level playing field for all media companies. I must honestly say that I am optimistic only to a

limited extent. Why? Because we sometimes have the impression that we are going three steps forward and two steps back – or even worse: the other way round.

Let me give you three examples of discrimination.

Firstly, we tried to make the regional advertising market accessible to private TV operators in the past year. We won our case at the Supreme Court, but politics – unfortunately, even the Bavarian State Government, which was progressive in this respect at one moment – gave in to the significant pressure from publishing houses and amended the Interstate Broadcasting Agreement to our detriment. Private television is therefore the only form of media that is not allowed to run regional advertisements. Is this equal treatment? No, this is a bad decision on an economic and regulatory level. I really hope that this protectionist reflex will not develop each time supposed vested interests are at risk.

Secondly, public broadcasters collected an amount of EUR 8.1 billion in fees in the past year – and yet they are still allowed to compete with private providers on the advertising market as well. So far, Prime Ministers have not even dared to give a clear signal with regard to a no-ad rule for public broadcasters. Why not? Perhaps the answer can be found in the composition of public bodies.

Thirdly, the European Commission has taken an important first step towards equal treatment with the new General Data Protection Regulation since all companies operating in Europe are subject to the same rules – even Google and Facebook. This is significant progress. But on the other hand, we are getting lost in interpretation issues in Germany with regard to the use of data in various media,

for example. I really hope that the future viability of the audiovisual industry in Germany will not be jeopardized in a shortsighted way. To put things clearly: Of course, we are also in favor of efficient data protection! However, it needs to be suited to the digital world we live in. And I can definitely assure you one thing: The global competition is doing everything to take advantage of our current competitive disadvantages.

In a nutshell: Europe must merge into one digital market. We have think in a European way and must not think in a German or even federal way. We need the same rules for all businesses that operate in Europe. Otherwise, we will not only have distorted competition but will also make it very difficult for young firms in particular to successfully realize great business ideas.

## **V. [Outlook 2016]**

Dear shareholders,

Before I come to the end of my speech, I would like, as always, to give you a brief outlook of the current financial year. Despite the macro-economic incertitude, we confirm our company outlook. We have a clear strategy for all segments and are in the best position for further growth in all business areas:

- In the Broadcasting German-speaking segment, we expect to continue our stable and highly profitable growth in 2016 and to generate another slight increase in revenues.
- In the Digital & Adjacent segment, we are still planning dynamic growth and accordingly another substantial increase in revenues.
- We are also expecting a substantial revenue increase in the Content Production & Global Sales segment this year.

Overall, we anticipate that ProSiebenSat.1's revenues will grow by over 10 % on Group level in 2016. At the same time, underlying net income and recurring EBITDA are expected to exceed the previous year's level. Recurring EBITDA is expected to grow by a mid- to high-single-digit percentage.

## **VI. [Conclusion]**

Ladies and gentlemen,

ProSiebenSat.1 is a digital media company. We are taking the opportunities offered by digitalization in every business area and thus consistently further developing our company, be it via Addressable TV, multi-channel networks or our e-commerce portfolio. That being said, television is and shall remain the solid foundation of our business. In this way, we have established a unique ecosystem. We are therefore very confident of achieving the targets both for the current financial year and for 2018 in our usual reliable manner.

We at ProSiebenSat.1 have a clear vision for the future of our Group. And we know exactly how to make it a reality. We will actively promote change in our business, we will never stand still. The fact that we are now part of the DAX and thus Germany's premier league is a nice compliment for us. But more importantly it is an incentive to pursue our goals even more ambitiously in the future and to remain a reliable partner for you, our investors. It is like at the European Championship: In every game, you always have to prove that you belong to the top group. In this regard, I wish not only the German team but every one of us the very best of success!