

INTERVIEW WITH CEO THOMAS EBELING



Thomas Ebeling (CEO)
CEO
since March 1, 2009

2012 was another record year for the ProSiebenSat.1 Group. The Company made decisive progress on the way to becoming a digital entertainment & e-commerce powerhouse. CEO Thomas Ebeling looks back on the successful financial year.

Mr. Ebeling, what were your highlights in the year 2012?

Thomas Ebeling...I am very satisfied with the 2012 financial year. We grew dynamically and achieved a new record level of revenues and earnings. Moreover, we made very good progress with our digital business. We successfully continued our expansion into the digital world and increased revenues in the Digital & Adjacent segment by almost 40%. We also achieved important targets in our core business of free TV: We significantly increased our HD distribution revenues and successfully established new free TV stations in Germany and Austria. This puts us in an excellent position for the future.

2.356

EUR BN

... revenues were generated
by the ProSiebenSat.1 Group
in the financial year 2012.
This is an increase of 7.1 %.

5.65

EUR

... per preference share and
EUR 5.63 per common share
is the dividend proposal to the
Annual General Meeting.

In 2012, ProSiebenSat.1 sold the Northern European station portfolio to Discovery Communications. How does the exit from the international TV business fit into your growth strategy?

Thomas Ebeling...Our Northern European TV and radio portfolio was actually a very good business and we are proud that we developed it so successfully in the last few years. At the same time, we had taken the Scandinavian TV business to a point where there were only limited opportunities for further growth. We are convinced that the key to a successful future for the Group is the interaction between our German-speaking TV business and the Digital division. The market was willing to pay us a highly attractive price of EUR 1.325 billion. The valuation multiple was approximately 10 times recurring EBITDA and thus considerably above the valuation of the ProSiebenSat.1 Group as a whole. Therefore, we created considerable added value for all shareholders. We intend to use the proceeds in an amount of EUR 500 million for partial prepayment of term debt and for the rest for reinvestments in the operational business. Hence, the operating cash flow will be available for other purposes in a greater extent. Against this background, we will propose to the Annual General Meeting a dividend of EUR 5.65 per preference share and EUR 5.63 per common share for the year 2012.

Following the sale of the Northern European business, the ProSiebenSat.1 strategy is based on three segments: Broadcasting German-speaking, Digital & Adjacent and Content Production & Global Sales. Wherein lies the strength of this strategy?

Thomas Ebeling...Television makes us unique. It is the core of our company and our strategy. There is a simple reason for this: We reach more than 41 million TV households with our stations. At the same time, TV is the most effective advertising medium. With Online Video, Online Games and the Ventures business, we have opened up for ourselves new business areas in the last few years that are growing strongly and that go well with our TV business. We can also advertise our own products from these sectors via commercials on our stations and develop them into successful brands. Linking up our TV business with our Digital and Ventures activities is the basis for the dynamic and long-term growth of the ProSiebenSat.1 Group.

You already touched upon the fact that revenues in the Digital & Adjacent segment grew by almost 40% in 2012. What was key to this success?

Thomas Ebeling...We have four business units in the Digital & Adjacent segment and all achieved at least double-digit growth, with the Ventures business even achieving three-digit growth. We are Germany's leading seller of video content and reach more than 25 million unique users per month with our online network. We operate maxdome, Germany's biggest video-on-demand portal, and offer users more than 50,000 titles on demand. In 2012, we expanded MyVideo into an online TV station. We also grew significantly with our Online Games business in 2012. We hold exclusive Europe-wide rights to attractive blockbuster games from Sony Online Entertainment, which we sell internationally. Revenues performed extremely well at our music label Starwatch Entertainment, too. We have successful artists under contract there, such as Lenny Kravitz, Die Fantastischen Vier and Heino.

And the Ventures business?

Thomas Ebeling...The Ventures business made the greatest contribution to the growth of the Digital & Adjacent segment in 2012, with a three-digit revenues growth rate. We provide selected start-up companies with idle advertising time in return for a share in revenue and/or equity. In this way, we have built up a Ventures portfolio with more than 50 partnerships and strategic investments since 2009. In selecting start-up companies, we focus on companies from the areas of travel, sports, beauty, health, fashion, home & living and market places. As a Group, we receive a double benefit – we make efficient use of idle advertising inventory and gain attractive investments and partnerships at the same time.

38.1

PERCENT

... to EUR 351.2 million was the
increase of external revenues in
the Digital & Adjacent segment.
Thus, it was the strongest
growth driver.

95.4

EUR M

... after EUR 37.7 million in the previous year: In 2012, external revenues of the Content Production & Global Sales segment posted a three-digit growth rate.

You are active in the production and sale of TV programs with the Content Production & Global Sales segment. How did things go there in 2012?

Thomas Ebeling...In this segment, too, we made crucial progress in 2012. Our biggest objective was to establish ourselves in the English-speaking TV markets of the USA and Great Britain. These countries are where the highest margins are achieved. At the same time, they send out strong signals. If a show is successful in the USA or Great Britain, it sells throughout the world. In the last financial year, we acquired majority interests in production companies in both markets. Moreover, we opened a sales office in Hong Kong. In total, Red Arrow is now represented with 18 companies in nine countries. Three years after it was founded, the group is already one of the top 10 most successful independent production companies in the world. In 2012, we sold TV programs in more than 150 countries.

The growth areas are performing very dynamically. What about the traditional TV business – does TV actually have a future in the digital world?

Thomas Ebeling...Absolutely! 10 to 15 years ago, no one could really judge how new media would impact on the TV and print industries. Some already predicted the certain death of television. The opposite has happened. With more than three hours of use per day, TV is still the most widely used medium. Why is that the case? Television has a campfire effect. It brings people together, family, friends – people like watching things together. In the case of shows like “The Voice of Germany”, five million viewers gather in front of the TV set at the same time. No other medium can do that. People want big emotions on a big screen in top quality. And portable devices such as cell phones and tablets are advancing TV use further. This shows that no other medium is benefiting as much from digitalization as TV!

Why is that the case?

Thomas Ebeling...The internet and TV have a natural affinity. Moving images are the fuel of both media. Therefore, they light each other. Let me give you some examples: Today, 60% of TV viewers use a second screen, that is, they use the internet with a laptop, a cell phone or a tablet while they watch TV. In many cases – namely, in the case of almost 70% of parallel users – TV sets the impetus to occupy oneself in greater detail with TV-related content online. Therefore, we design our programs in such a way that we can offer our viewers a complementary experience on the second screen. For example, with a show like “The Voice”, users can exchange views about the show with friends online and participate in voting via the social TV platform “Connect”. This increases loyalty to our TV programs. Hence, we do not see the internet as competition, but as a tool to strengthen the connection to our shows.

Can this be capitalized on?

Thomas Ebeling...Yes. Interesting opportunities open up to us in sales in particular. The second screen is becoming ever more a transaction medium. We broadcast a TV spot and extend it onto the internet, where viewers can then order it directly. Advertising concepts that involve other media channels as well as the traditional TV spot are especially effective. For this reason, our sales subsidiary SevenOne AdFactory develops individual, cross-media marketing concepts for advertising customers. In 2012, it again made a valuable contribution to revenues from new customers.

Digitalization offers a media corporation such as ProSiebenSat.1 many opportunities. Where do you see challenges?

Thomas Ebeling...The fragmentation of the market is certainly a challenge. Today, basically everyone can operate their own station and create content via the internet. However, the requirements are not the same for everyone. Think of Google, for example. Is Google a distri-

1.910

EUR BN

... or 81.0 % was the contribution of the Broadcasting German-speaking segment to consolidated external revenues in 2012.



“Linking up our TV business with our Digital and Ventures activities is the basis for the dynamic and long-term growth of the ProSiebenSat.1 Group.”

tribution platform or a content provider? If it is a content provider, why does Google not have to meet the same requirements in Germany as a private TV company? Considerably higher requirements are set for us – requirements that are right –, for example with regard to the protection of young people or to news production. At the same time, international players such as Google and Facebook, to whom the strict regulations do not apply, are stepping into the German market. Therefore, we need new media structures. It will be a challenge for politicians to find the right answers.

You have already talked about how ProSiebenSat.1 reaches many millions of people with its media services every day. This brings with it a certain responsibility. How do you fulfill this responsibility?

Thomas Ebeling...The very fact that we reach so many people means that we can and want to convey messages. It is our goal to acquaint youths and young viewers more heavily with socially relevant topics. We are committed to traditional charity campaigns such as “RED NOSE DAY”. Moreover, we also raise young people’s awareness of social concerns with initiatives such as “Tolerance Day”. In 2012, we launched Stefan Raab’s political talk show “Absolute Mehrheit”, a highly innovative format. With his first show, Stefan Raab reached as many young viewers as seven talk shows of public stations in one full week put together. This shows that there is a need, and we are happy to assume this responsibility. Furthermore, we will continue to devote ourselves to the topics of ecology and integration. It is important to approach it in such a way that it is fun for young people and that they develop a desire to get involved.

To conclude, let us take a look into the future. If ProSiebenSat.1 is to become an entertainment powerhouse, where do you see the major growth areas in the medium term?

Thomas Ebeling...Without any doubt, in our Digital & Adjacent segment. In the next few years, we will register high growth rates in this area, through organic growth but also through strategic acquisitions. Enormous potential is opening up to us in German-speaking free TV, our core business, due to the spread of HD-compatible television sets. Moreover, in the next few years we will establish further TV stations, thus gaining new target groups in the audience and advertising markets. I am very optimistic about the future. The ProSiebenSat.1 Group is optimally positioned in order to benefit from the transformation of the media landscape. We have an extremely committed and creative team. I am impressed by the ingenuity and passion with which our employees develop new ideas and products. Both strategically and in terms of personnel, we are outstandingly positioned to continue the growth story of the ProSiebenSat.1 Group.

>600

EUR M

... is the revenue potential for the Group until 2015 in comparison to the year 2010 (on the basis of continuing operations).