

OVERVIEW

Mobile TV in Italy

A perspective on Mediaset role

September, 2006

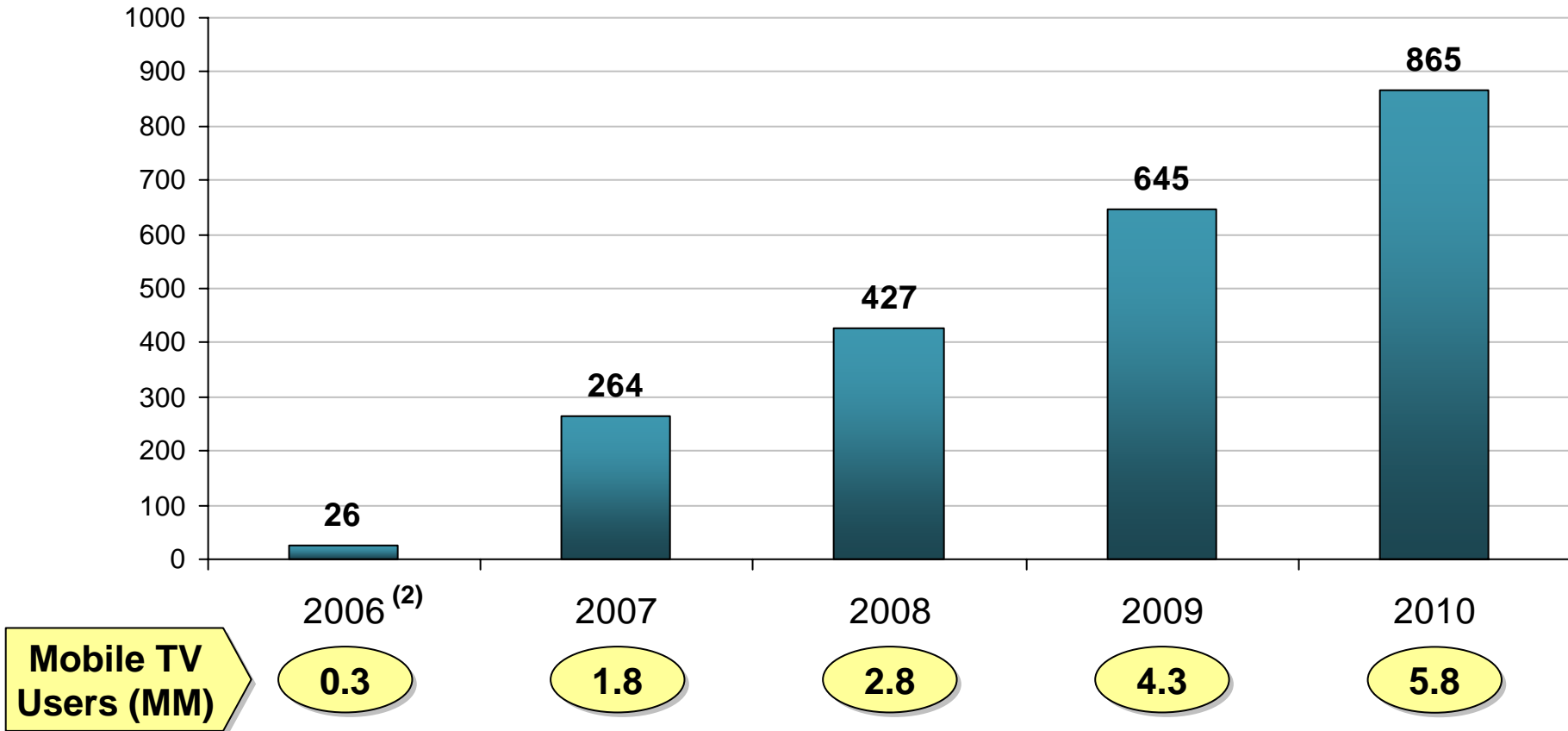
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Mobile TV in Italy

- ▶ Emerging business models and Mediaset role
- ▶ Mobile TV offering
- ▶ Mediaset-MNO's partnership model

Italian mobile-TV market is expected to exceed 800 M€ by 2010

MobileTV Sales Projection ⁽¹⁾ (M€)



(1) Revenues from customer subscriptions and pay contents (ARPU=150€/yr) – Advertising revenues not taken into account

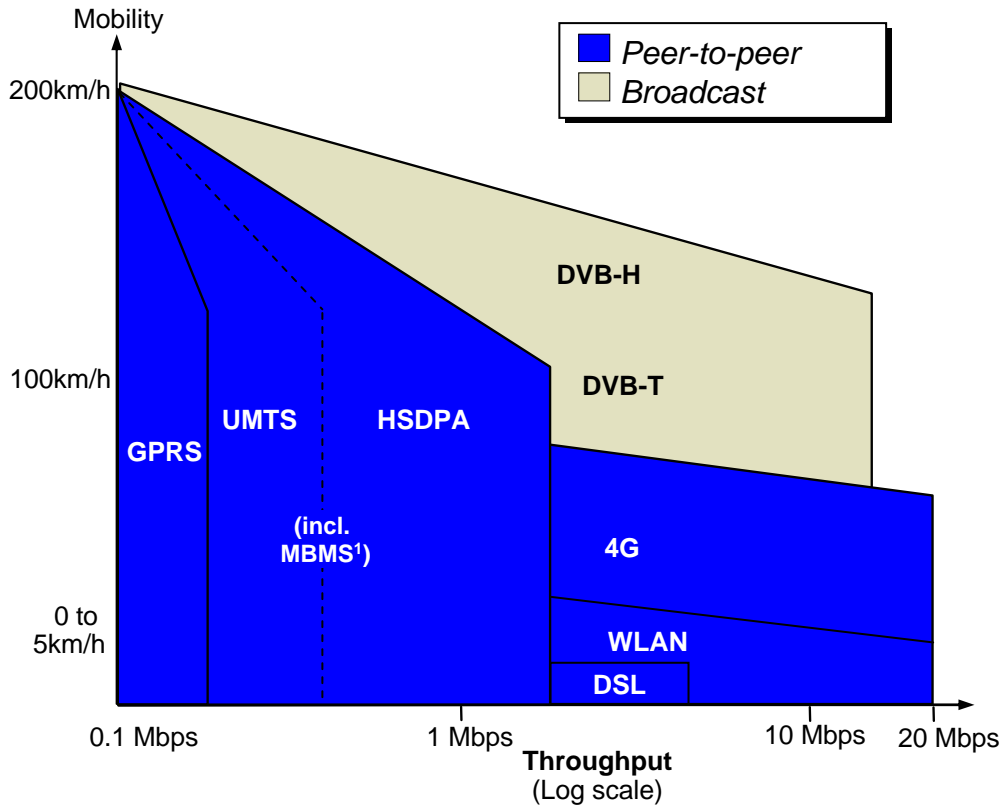
(2) Half-Year revenues

Source: Merrill Lynch estimates

Mobile TV growth will be fostered by new broadcasting technologies, more cost effective than traditional point-to-point connections and supporting a larger variety of TV contents

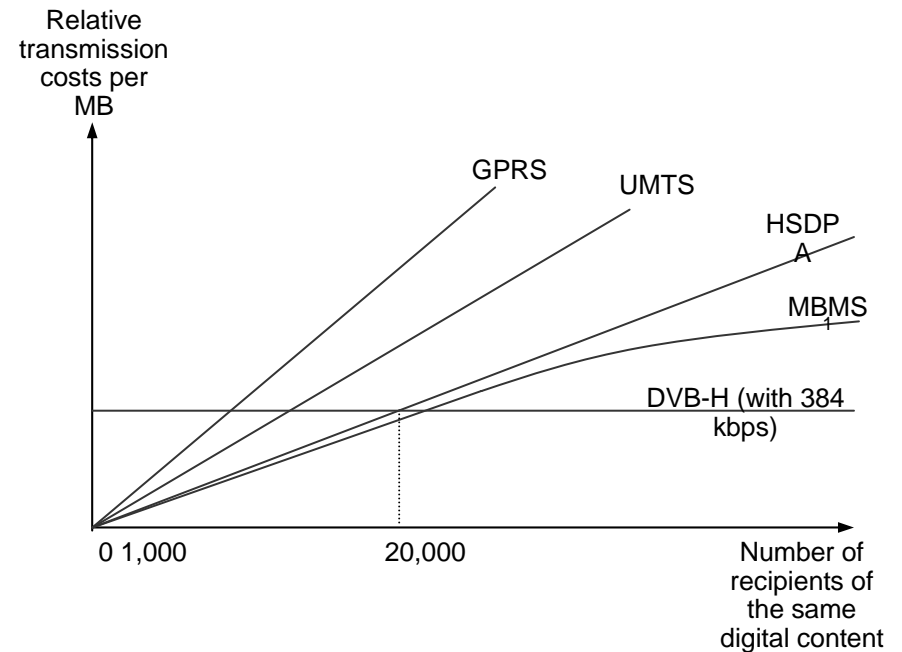
QUALITATIVE

Capacity vs. Mobility



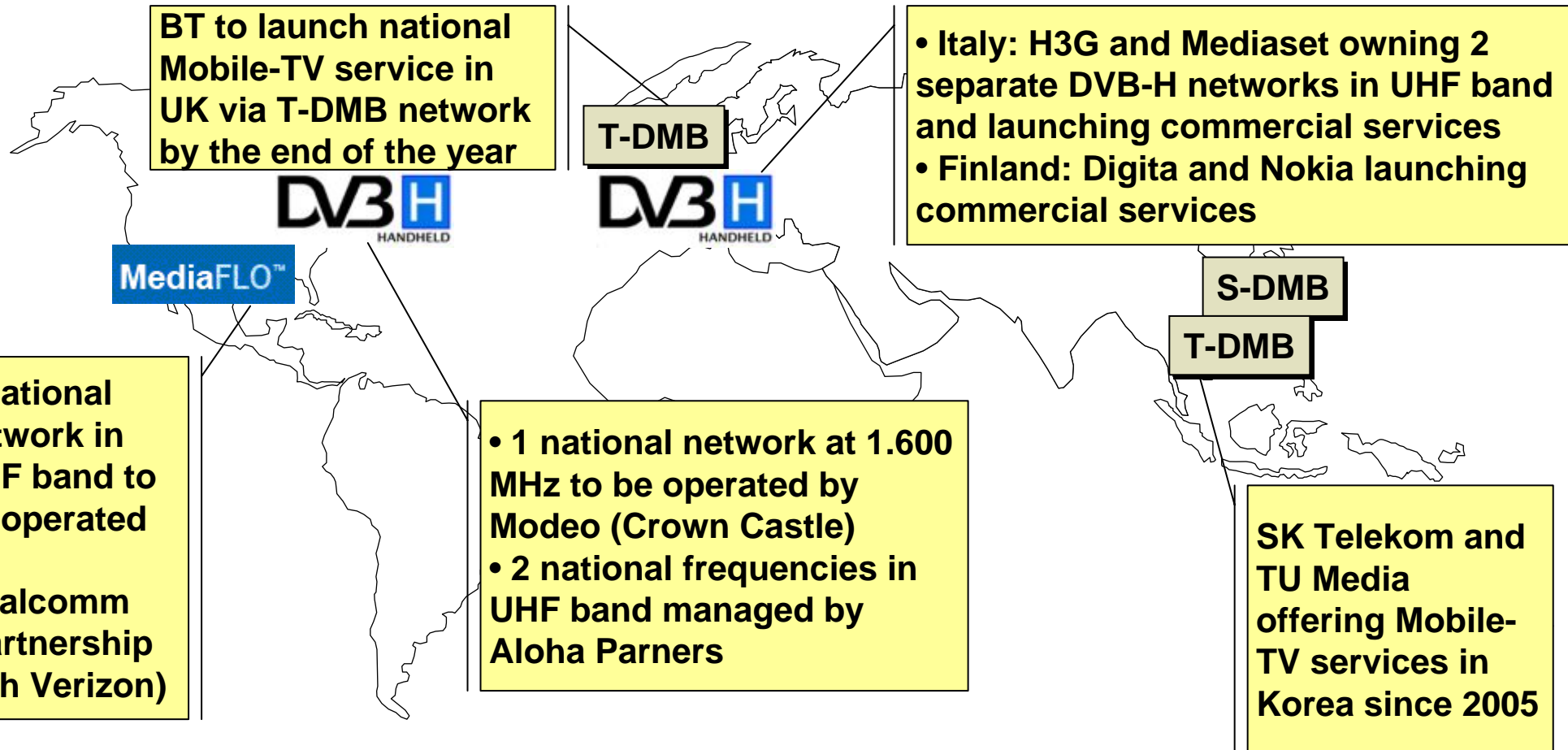
(1) Multimedia Broadcast/Multicast Service

Transmission Cost per User



To broadcast TV content, Mediaset embraced the DVB-H standard, which is becoming very popular in the Mobile-TV arena

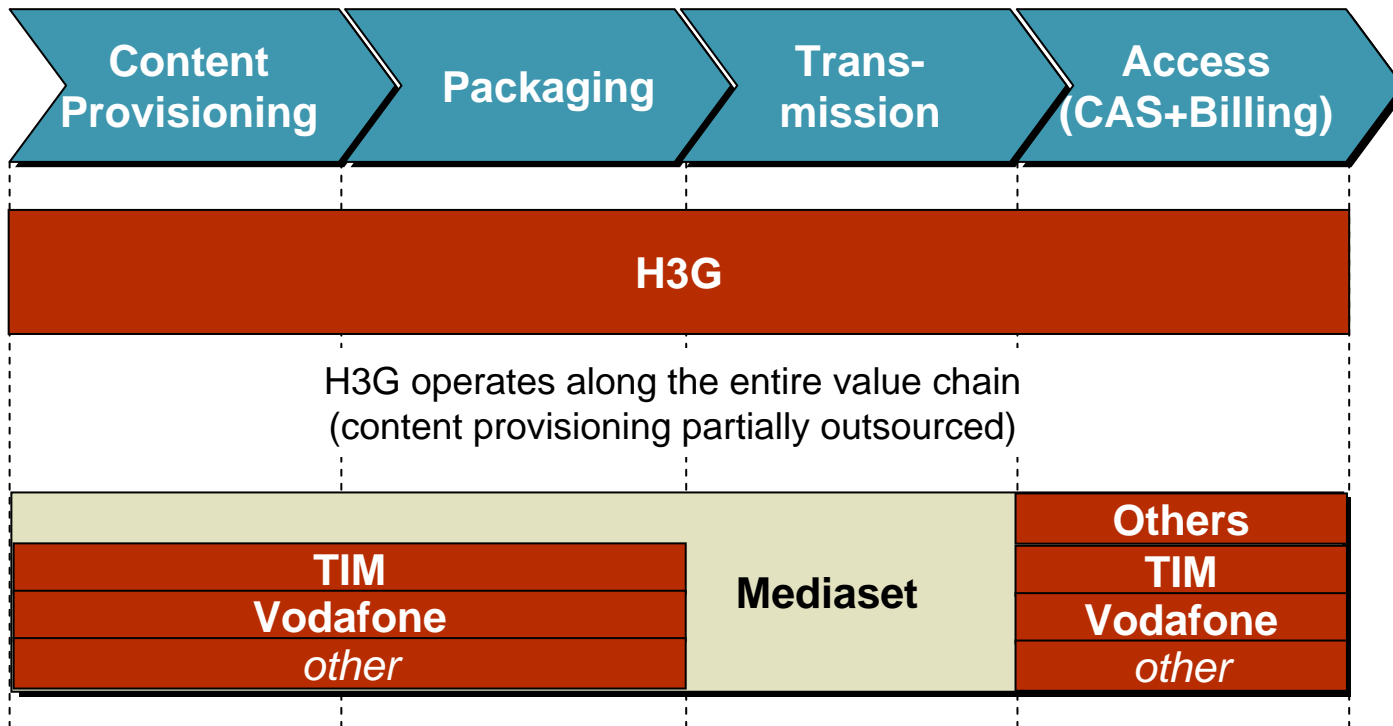
Commercial Deployments of Mobile-TV Broadcasting (Actual and Planned)



In Italy two business models are emerging to deliver mobile TV services

Positioning along the Mobile TV Value Chain

Existing cases in Italy



Case A:
MNO Integrated model
(H3G)

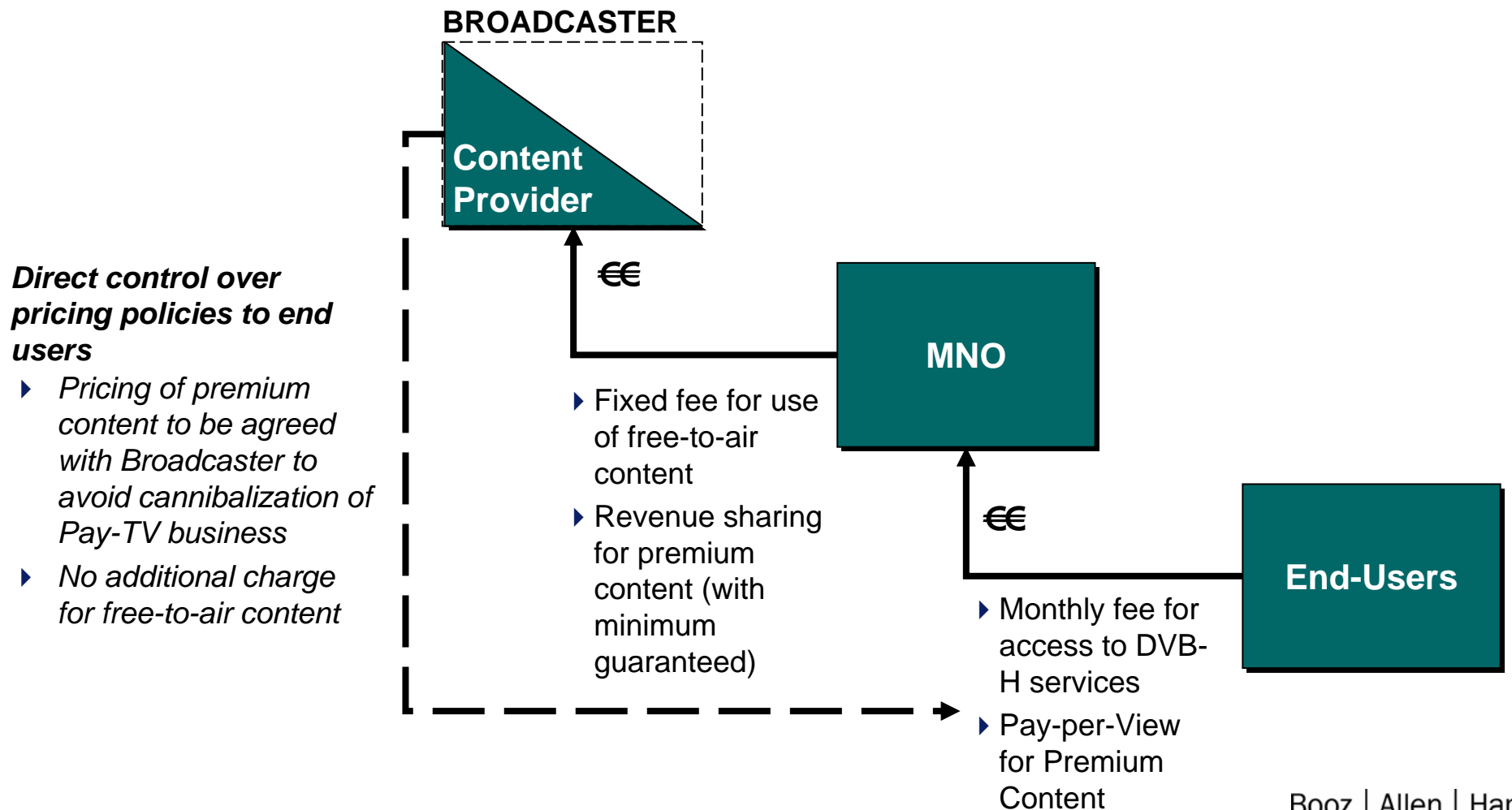
Case B:
MNO-Broadcaster
partnership
(TIM/VF-Mediaset)

Mediaset is carrier for all telcos and packager of its channel bouquet (e.g. simulcast commercial channels + premium events such as soccer).

Mediaset channels are available to all MNOs

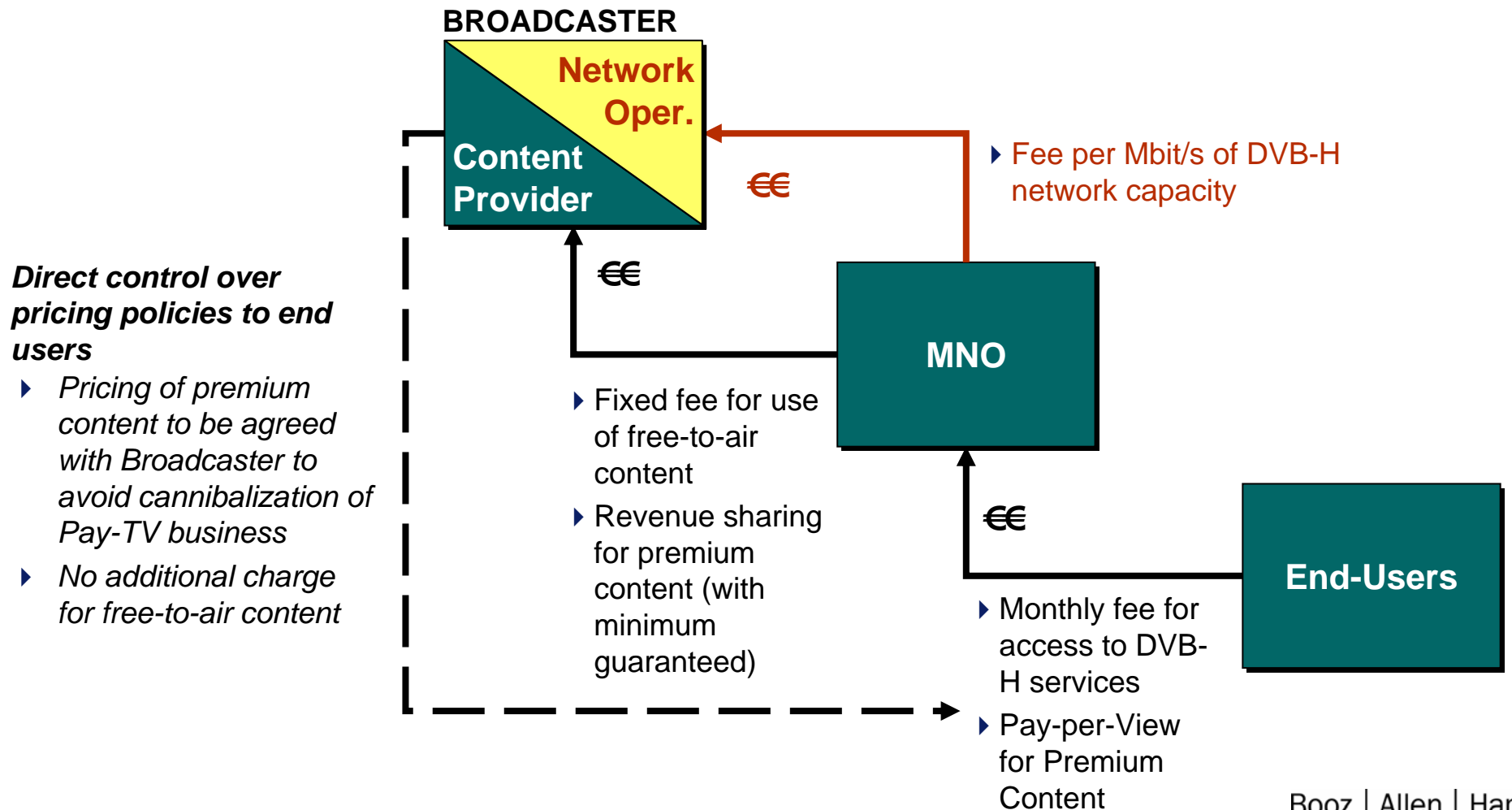
Case A - the MNO bills the end users and pays Mediaset for content...

Revenue Model

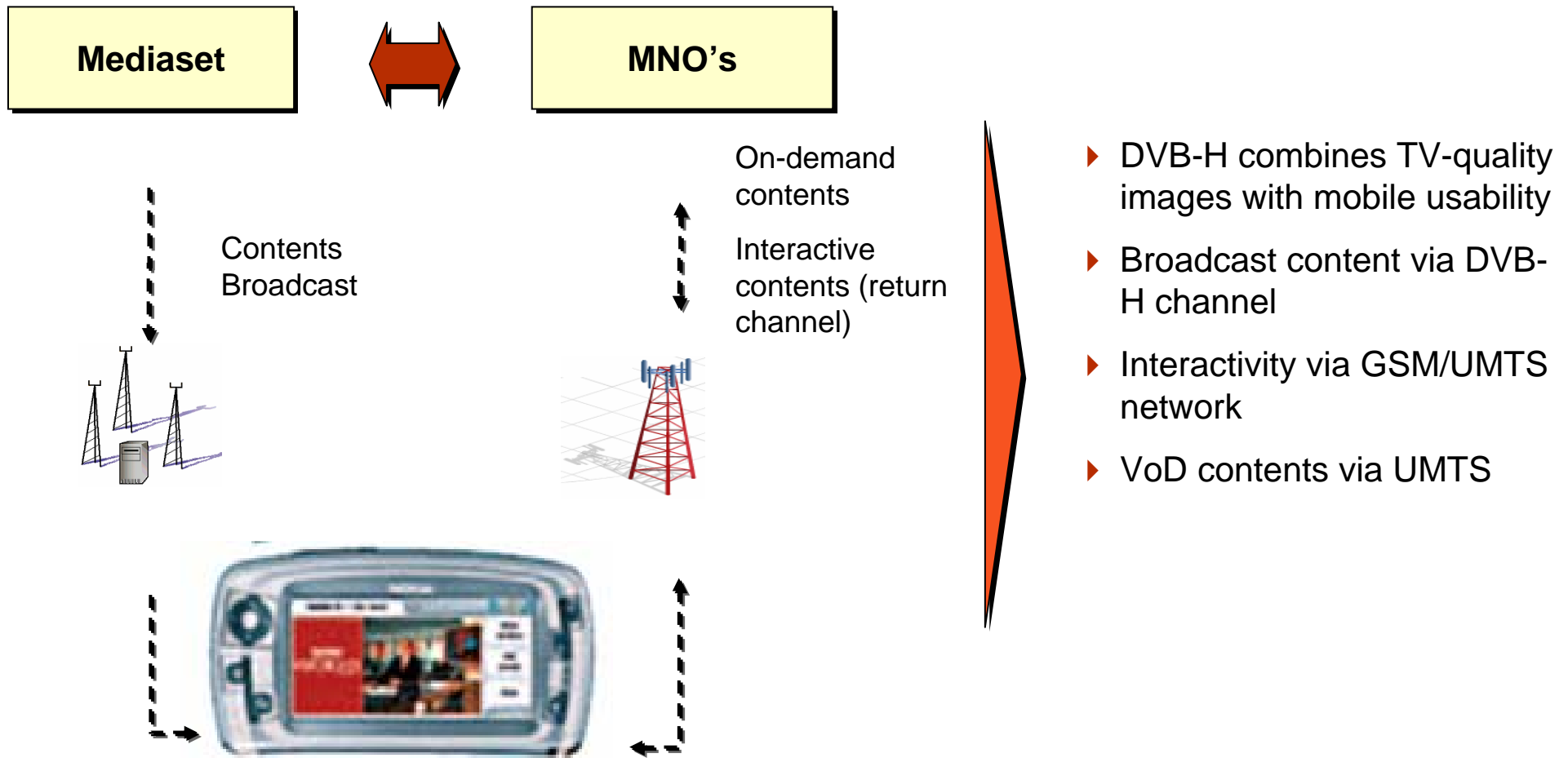


Case B - the MNO bills the end users and pays Mediaset both for content and network operation services

Revenue Model

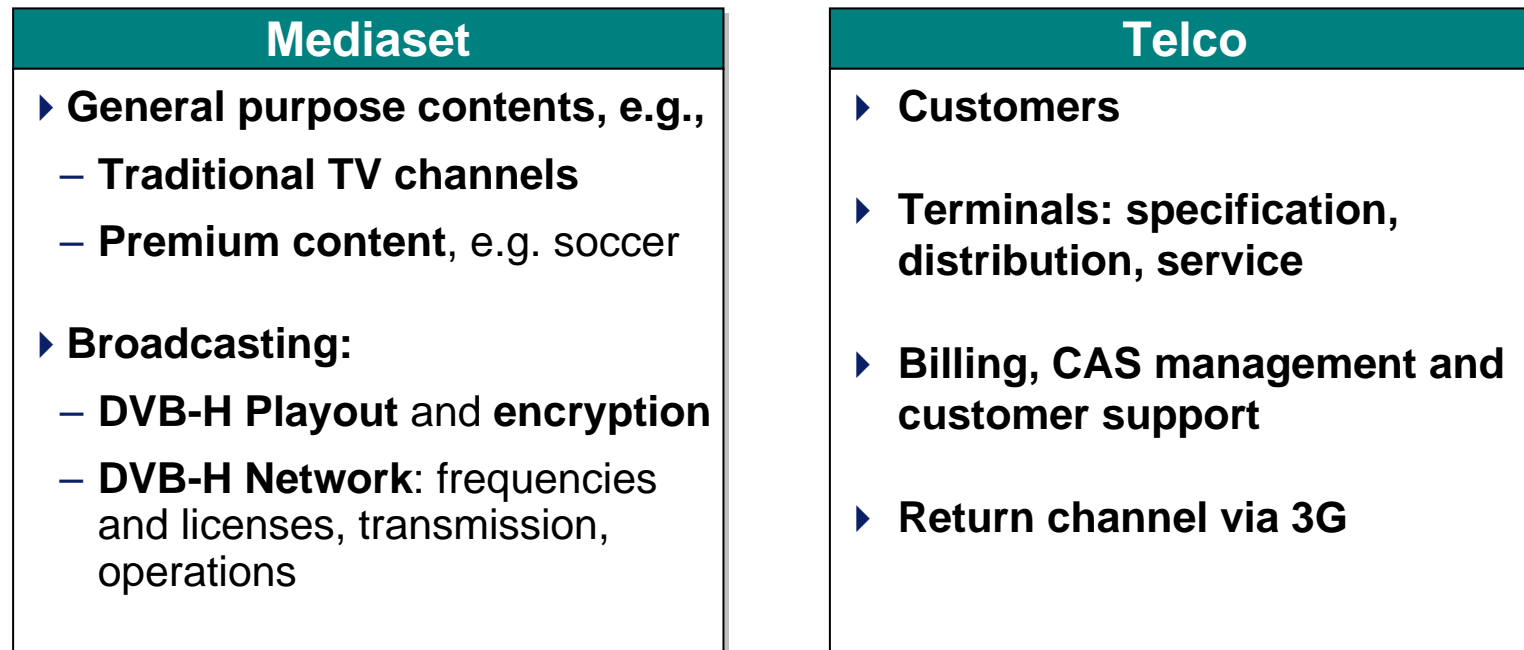


Case B - overview of operational model



Case B - the MNO and Media companies combine together their most critical assets

Mediaset - Telco Agreement on Mobile TV



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First Mobile TV offerings were launched in June 2006 in time for the World Cup

H3G Mobile TV offering

150,000 new customers in the first 6 weeks

Channel offering			
	▶ H3G news channel		▶ News channel
	▶ H3G sport channel		▶ Movie channels
	▶ Best of Mediaset channels		▶ Sport channel
	▶ Public service channel		▶ General content channel
	▶ Public service channel		▶ Music channel
	▶ Public service channel		▶ Kids channel
	▶ Soccer, movies and realities in PPV		



- ▶ 12 linear TV channels (up to 20 in medium term), access to Premium events (e.g. football matches)
- ▶ Launch in June 2006
- ▶ Two pricing models:
 - Prepaid: range from €3 per day to €99 per 6 months + handset costs (ca. €500)
 - All-inclusive flat fee of €49 per month with 2 year contract

(* These channels will be available at a later stage
Sources: H3G

First Mobile TV offerings were launched in June 2006 in time for the World Cup (cont'd)

TIM Mobile TV offering

Channel offering			
	▶ Mediaset main channel		▶ Music channel
	▶ Mediaset 2° main channel		▶ News channel
	▶ Mediaset 3° main channel		▶ News channel
	▶ General content channel		▶ Soccer, movies and realities in PPV

- ▶ 7 linear TV channels (more from autumn on, including access to Serie A matches)
- ▶ Launch in June 2006
- ▶ Access to mobile TV channels included in specific subscription services until 31/12/06
 - Discount on handset in case of subscription: from € 500 to below € 100

Mediaset contributes key contents to the operators

Mediaset content contribution



**Best of Mediaset
Networks (simulcast)**



**Mediaset Premium PPV
(Serie A, events, ...)**



Boing (Kids ch. in JV with
Turner, DTT exclusive)



Mediaset Shopping



**Maurizio Costanzo
Show (DTT exclusive)**



Canale 5



Rete 4



Italia 1



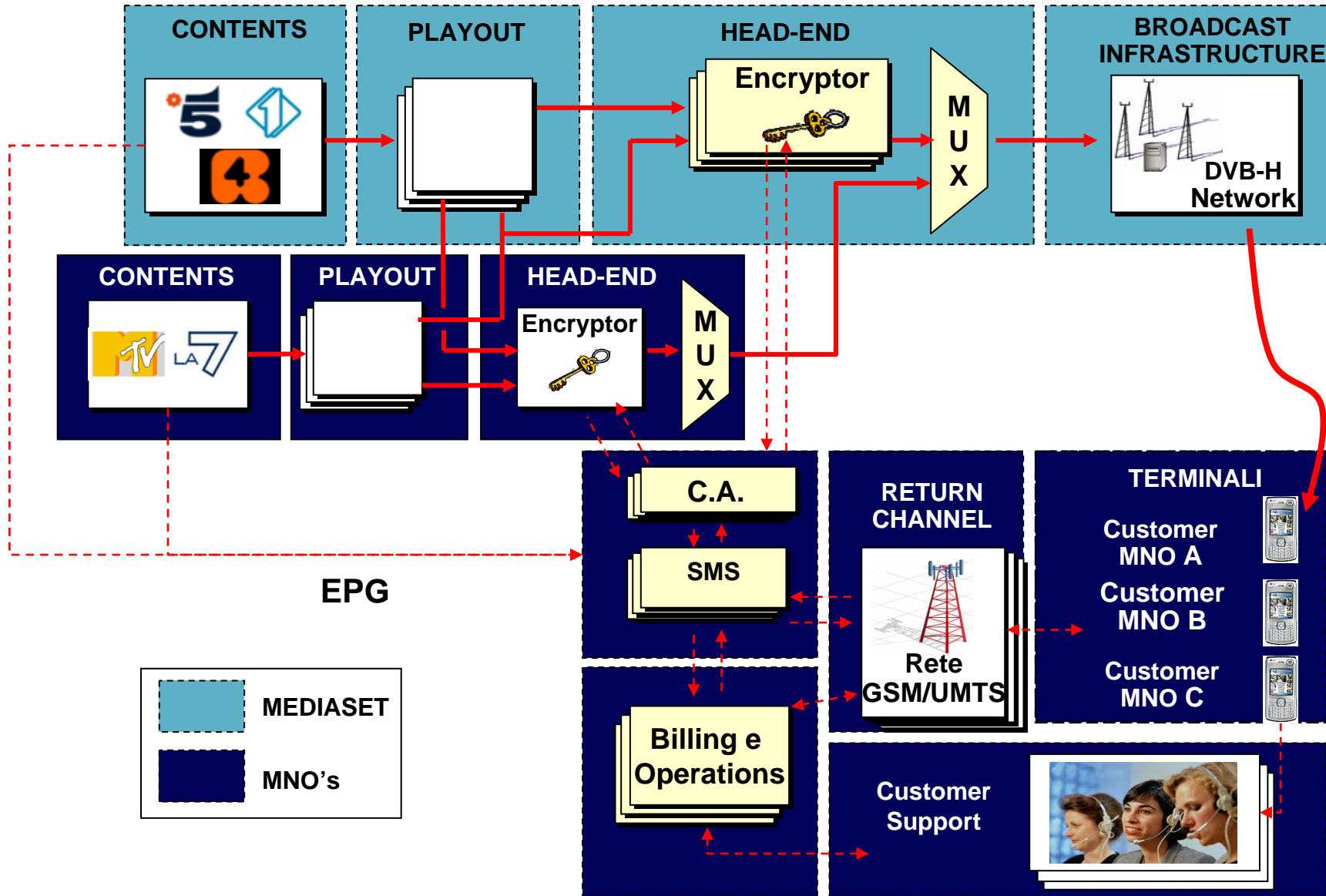
**Mediaset Premium PPV
(Serie A, Ch. League, ...)**

Mobile TV in Italy

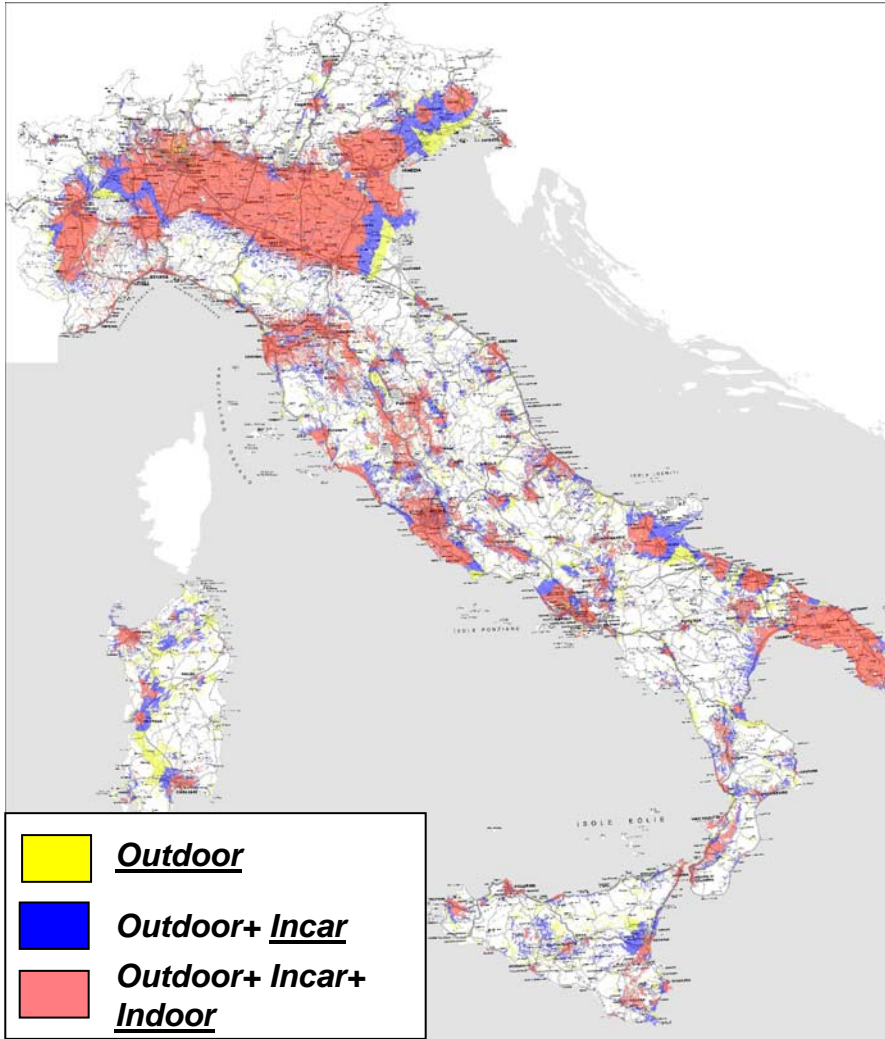
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TIM and Mediaset have jointly developed an open DVB-H platform

Mobile TV Operating Model



Mediaset plans to cover 75% of the population outdoor by the end of the year



National Coverage Simulation Results

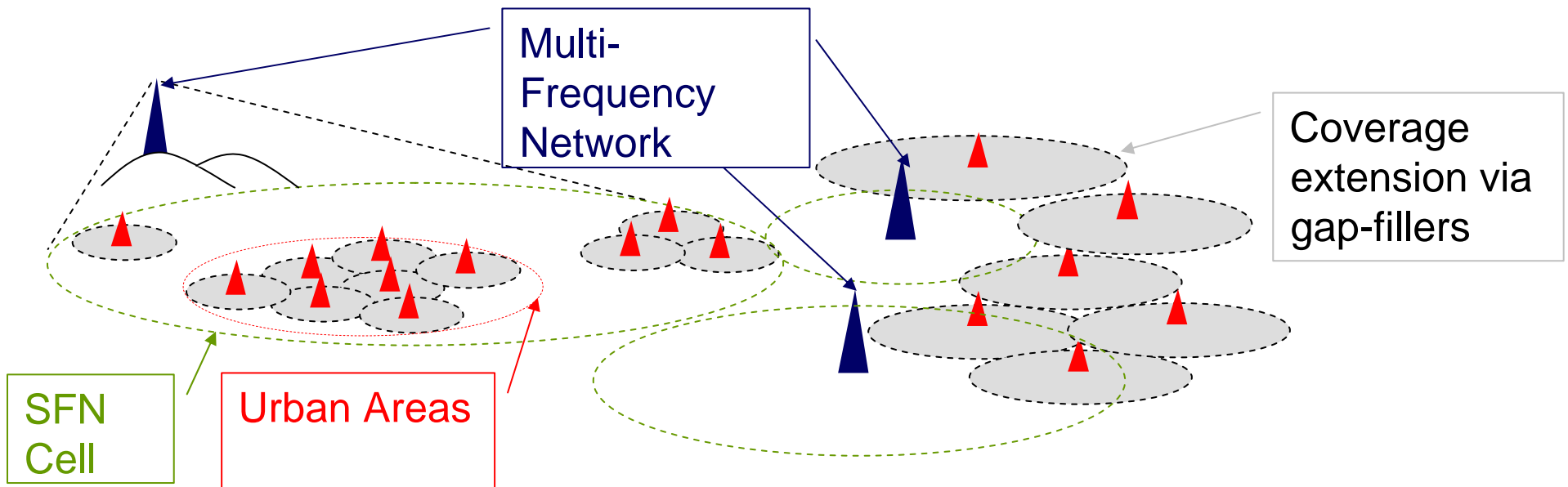
Broadcast Network	Nr. gap-filler	QoS	Coverage (% of population)
300-400	~1,000 (of which ~600 in CdR/ CdP)	Outdoor	75%
		Incar	48%
		Indoor	34%

Coverage planning (outdoor, % of population)

- ▶ By Sept. 2006: 65%
- ▶ By Dec. 2006: 75%

DVB-H network has a two-layered configuration: Multi-Frequency Broadcast Network with Synchronized Single-Frequency Cells

DVB-H Network Architecture



 **Primary Network (MFN) Transmitters**

 **Secondary Network Gap-Fillers (arranged in SFN Cells)**

| Back-up

Italian regulators are trying to guide the development of the market in order to avoid concentration of market power and to enhance market attractiveness for all actors

Italian DVB-H regulation

Ministry of Communications

Rules to all DVB-H operators, in order to guide the market development during its initial phase

- ▶ Each broadcaster and each telecom operator can own no more than one DVB-H multiplex
- ▶ “DVB-H only” channels are not counted into the 20% antitrust limit for terrestrial TV channels
 - In Italy commercial broadcasters can not own more than 20% of national free terrestrial TV channels

Antitrust Authority

Approval of Mediaset acquisition of a DVB-H multiplex from Europa TV, in consideration of the fact that Mediaset:

- ▶ Does not have direct access to final DVB-H customers
- ▶ Does not collect incremental advertising revenues over DVB-H platform

+

While H3G operates along the entire value chain, TIM and Vodafone partner with Mediaset around network operation

MNO Integrated Model (H3G)

MNO-Broadcaster partnership (TIM/Vodafone - Mediaset)

Spectrum

- ▶ H3G has acquired a national free-to-air TV channel in order to obtain spectrum and launch DVB-H

- ▶ Controlled by the broadcaster who resells part of frequency capacity to MNOs

Content

- ▶ H3G has agreements with different packagers to create its bouquet of channels
 - Two proprietary channels with Info/Sports
 - Main channels from MS, Sky, Rai

- ▶ Every MNO is free to define their content on their 25% share of the Mux capacity
 - On-going discussions with broadcasters and around pay TV Live sports events

Network

- ▶ **Controlled by H3G that will operate 2 networks (UMTS and DVB-H)**
 - DVB-H network needs more gap fillers (e.g. 1000 in Italy) with respect to DTT network to guarantee indoor coverage
 - DVB-H gap fillers will be hosted on UMTS/GSM towers to generate synergies

- ▶ **Controlled by Mediaset**
 - DVB-H network property of and operated by Mediaset
 - Gap fillers for better coverage and in-door reception will be hosted on TIM/Vodafone network sites

Acc.

- ▶ **Access controlled by mobile operator**
 - CAS, handsets, billing, service

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