

Mid-term guidelines and financial targets

London, January 18, 2017

Mid-term guidelines | Agenda

Advertising

Content

Platforms and Partnerships

New role in Pay TV

Organization

Final remarks & financial targets

**2014
2016**



Strategy, Implementation and Business results



2014-2016 | Strategy, Implementation and Business results

3 Business Strategic Areas

- **TV**
- **Digital**
- **Radio**

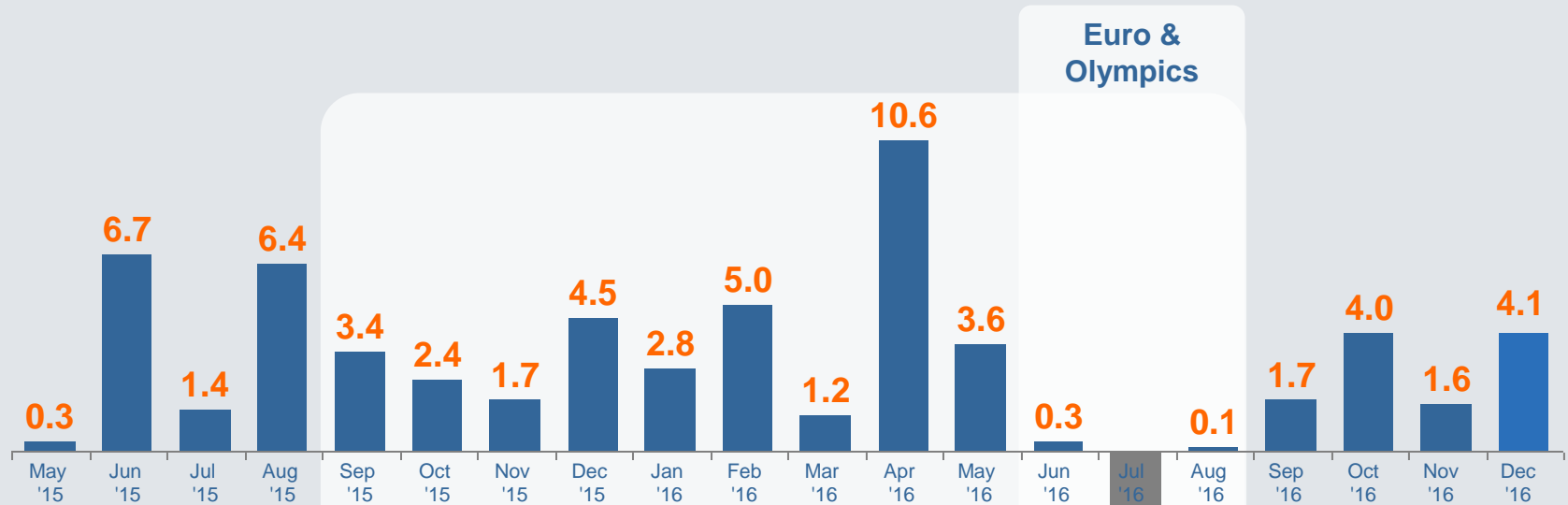
4 Key Growth Drivers

- **Organization**
- **Innovation**
- **Diversification**
- **Integration**

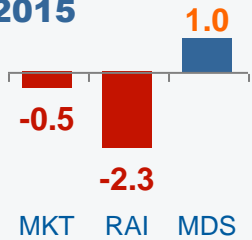
Cross-media Leadership

Mediaset Performance in TV | Healthy Core Business

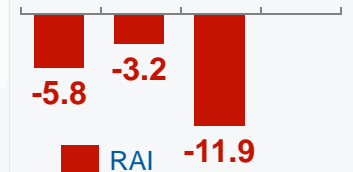
Monthly revenues (Δ YoY %)



2015



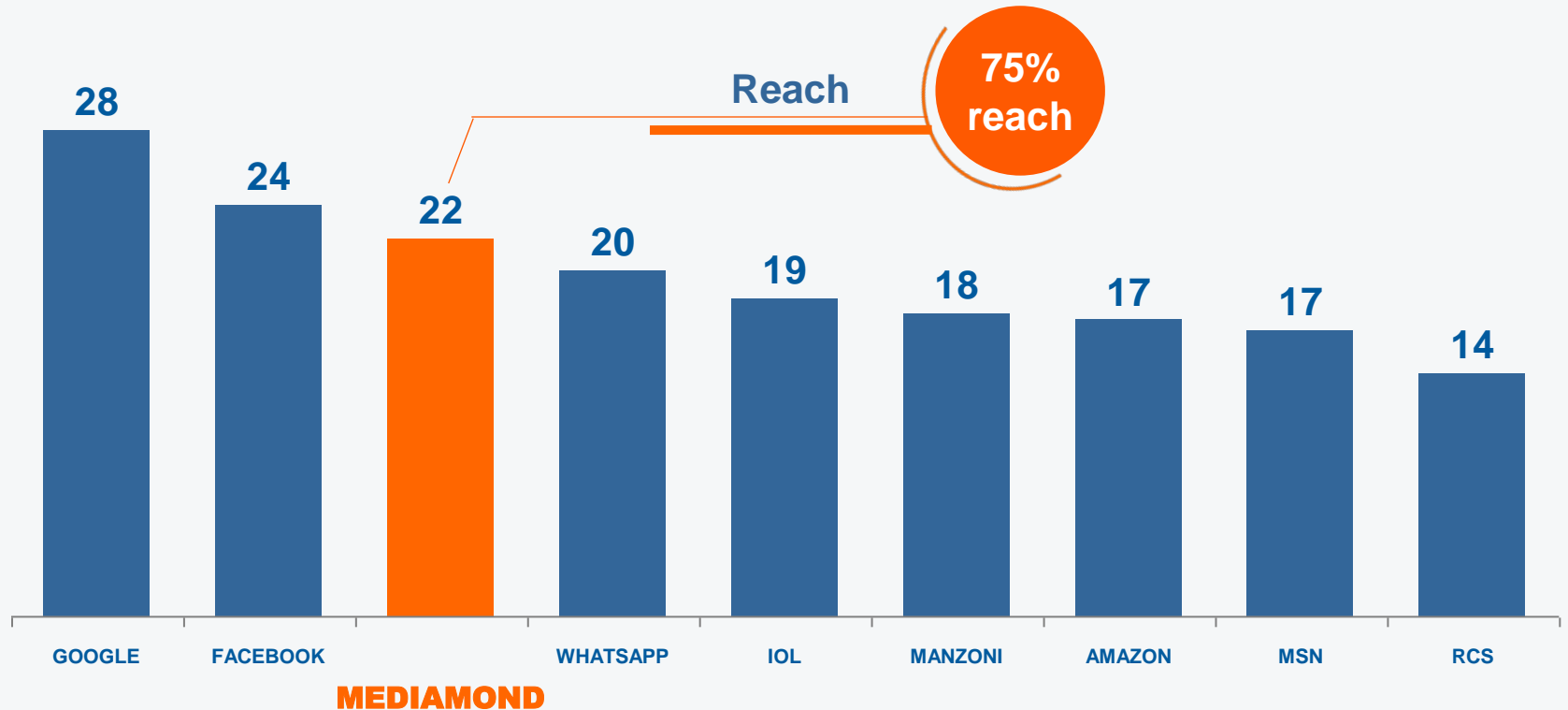
Impact of launch of semi-generalist channels TV8 and TV9 by Sky and Discovery



Source: Nielsen and internal estimate on Nielsen data

Digital | 3rd in the market after Google & FB

Monthly Unique Users, Millions



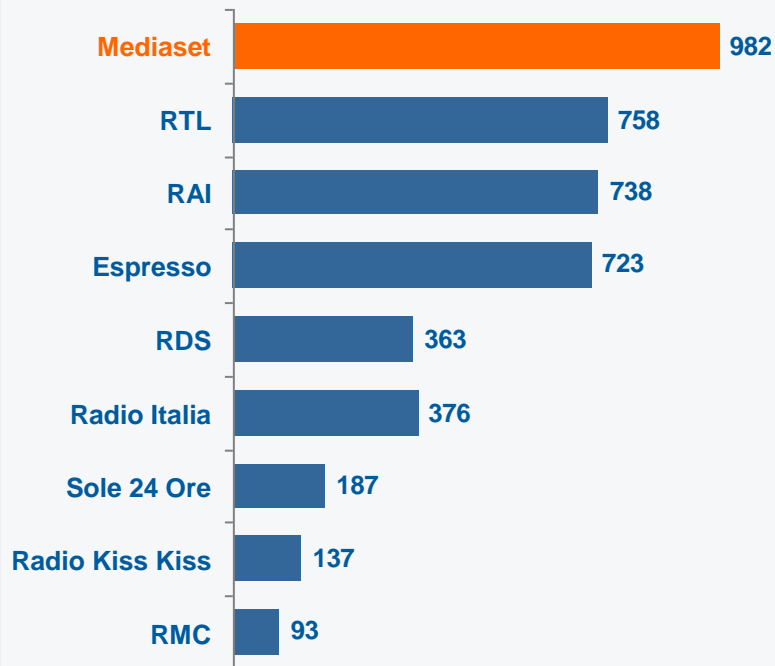
Note: Mediaset accounts for 11M of Mediamond views

Source: Audiweb, average on the three months period from August '16 and October '16

Radio | Market leader and highly complementary to TV

Audience Average Quarter Hour

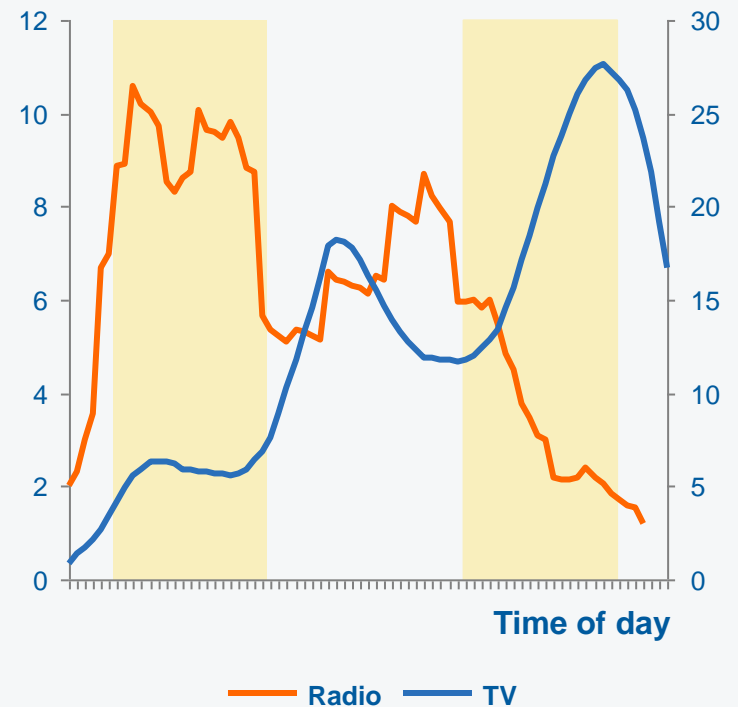
Listeners (K)



TV & Radio consumption patterns

Audience Radio (M)

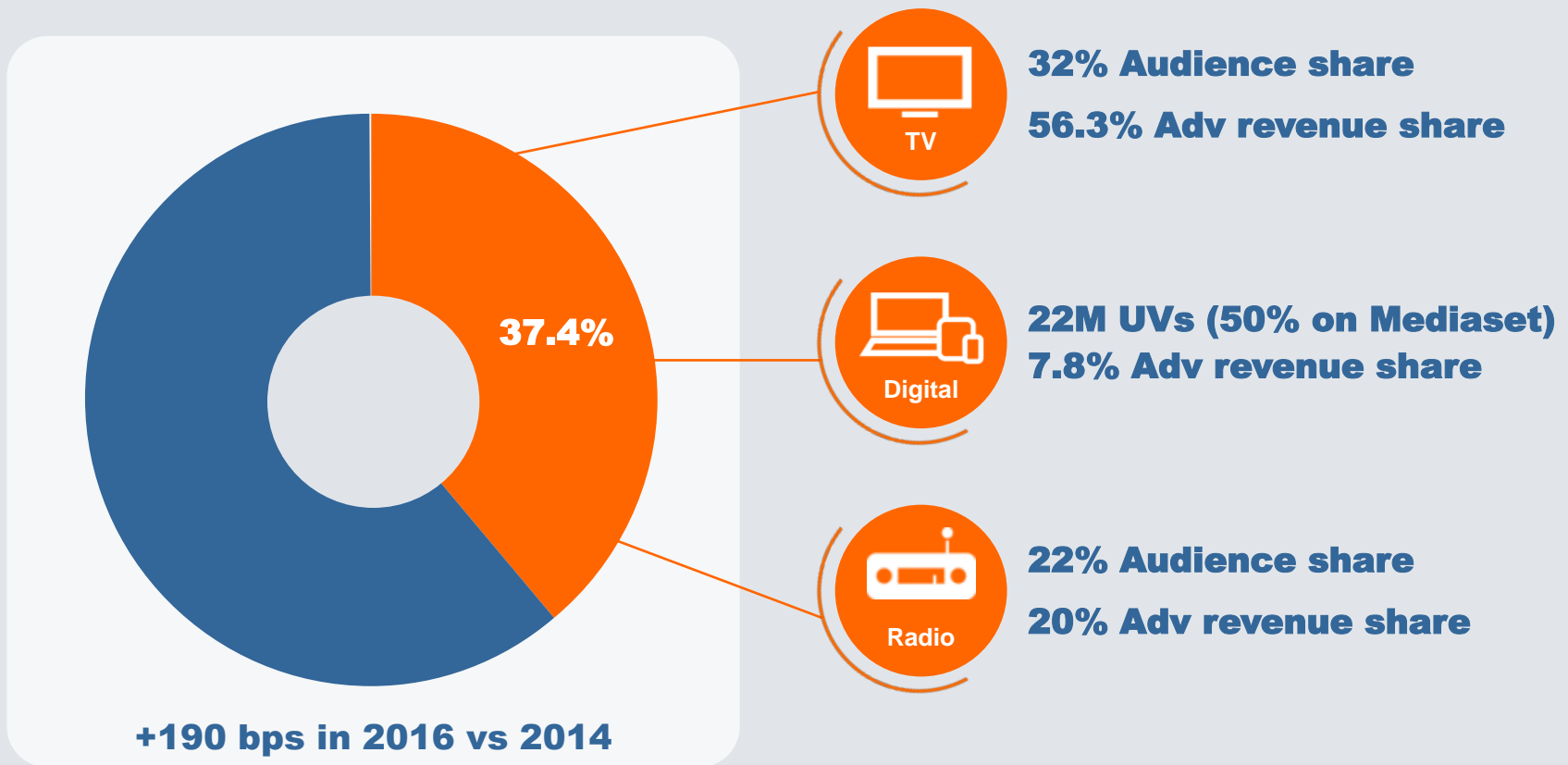
Audience TV (M)



Source: Nielsen Auditel - Eurisko Radiomonitor Individuals +14

Market Share | Growth to 37.4% of total advertising market

Total advertising market, Italy 2016



Source: Audiweb, Audiweb, Radiomonitor, Nielsen and internal sources

**2017
2020**



Plan going forward



2017 - 2020 | Next level, future-proof strategy going forward

Vision

TV as Total Video:

1. TV content through any device
2. Total Audience is addressable through AdTech & Data
3. Non-linear inventory on top of existing linear business

Mission

Be the unrivalled leader in Video Audio Digital offer delivering advertising on the best TV content across any screen and addressed to profiled audiences

2017 - 2020 | Total Video Total Audience

3

Business
Strategic
Areas

- **TV**
- **Digital**
- **Radio**

4

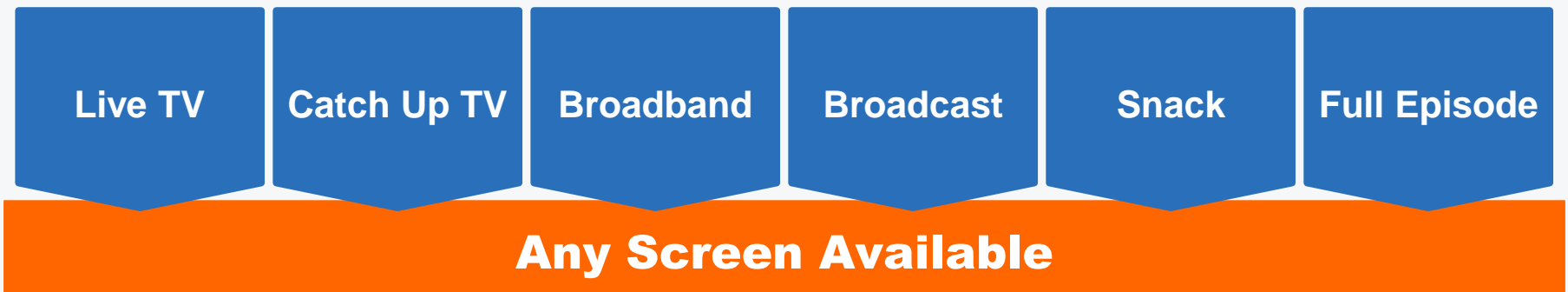
Key
Growth
Drivers

- **Content Multiplier**
- **Ad Tech Platform**
- **Audience Profiling**
- **Cross-Media Approach**

Total Audience as the key enabler of opportunities

Total Video and beyond – future of advertising

In 2018 Auditel will launch the Total Audience measurement based on the most extensive panel in the EU: 15k households



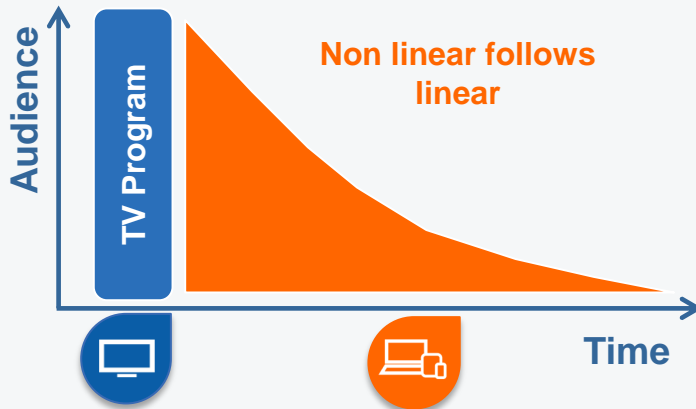
A new currency to capture the total value of the Audience generated by our programs

Content Multiplier | 15-20% yearly inventory increase

Content production TV model: TV first, Digital follows

2014
2016

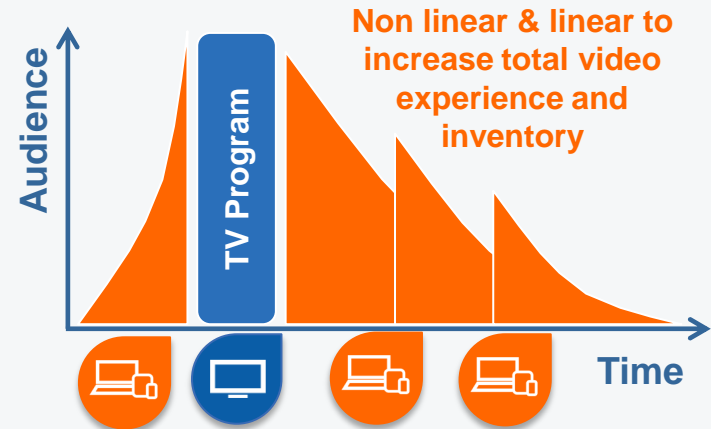
- TV Production
- Digital Full Episode Replica
- Digital Snack Catch Up



Content production total video model: *The multiplier*

2017
2020

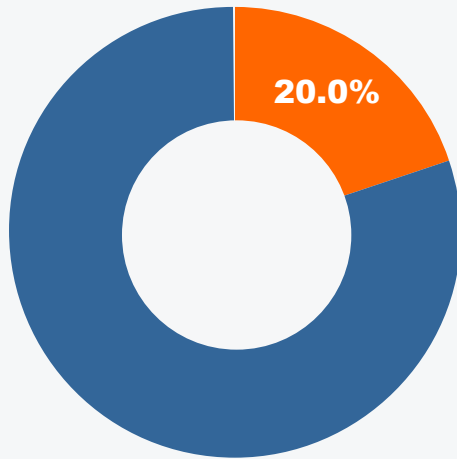
- Digital Original PreQuel
- TV Production
- Digital Full Episode Replica
- Digital Snack Catch Up
- Digital Original Only Extra



Source: Internal data

Ad Tech and Profiling | First “non linear” ...

Non linear revenues 2016, % of Programmatic



Data platform

- 4.5 M profiled users
- 500k target segments

Spot Price +15-20%

Source: Internal data

Adv Addressable



Same content, Different Spot

- Profiling by geography and consumer behavior



Smart TV



PC TV



Smart
Phone

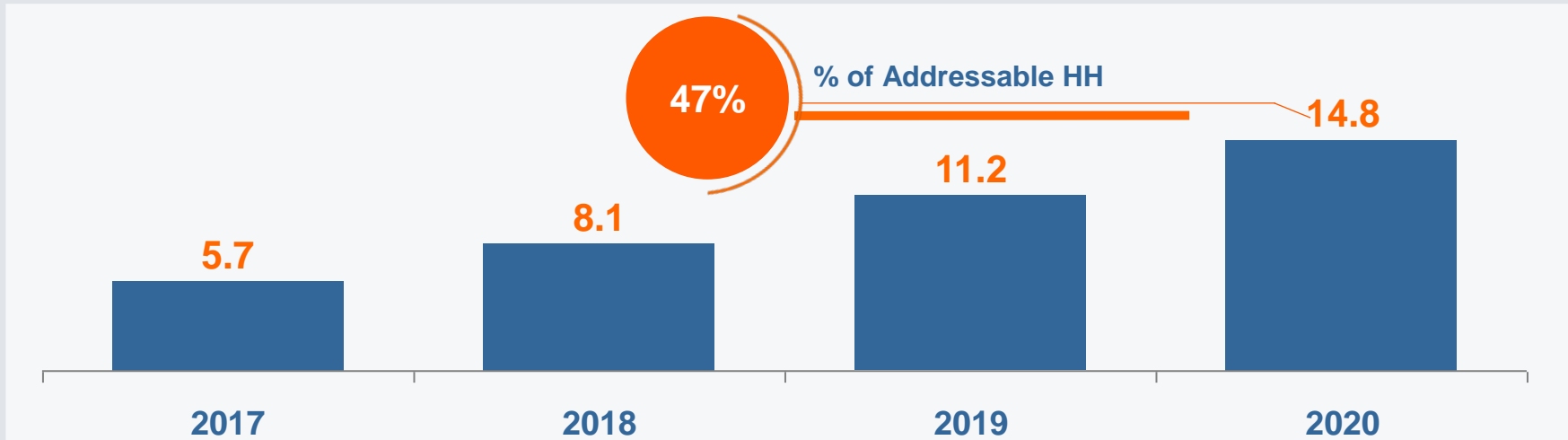


Tablet

Spot Price +10-15%

Ad Tech and Profiling | ... then “linear”

HBBTV enabled connected TV devices, Italy, 2017-2020, Millions



- H1 2017: Interactive Display Ads on TV
- H2 2017: Interactive Addressable Display Ads on TV
- 2018: Dynamic Video Spot replacement on TV

+1.2-1.4% on total revenues

Source: Ovum, “TV Devices Forecast, Feb.’16” and IRB Broadcast Technology Institute

Radio Business | 3 steps to growth

1

AUDIENCE INCREASED
15% ON AVERAGE IN
THE PAST QUARTER (Q3
2016 VS Q3 2015)
YOY **+4.5%** CPG

2

EXPLOITING THE
POTENTIAL OF **OUR**
SALES STRUCTURE

3

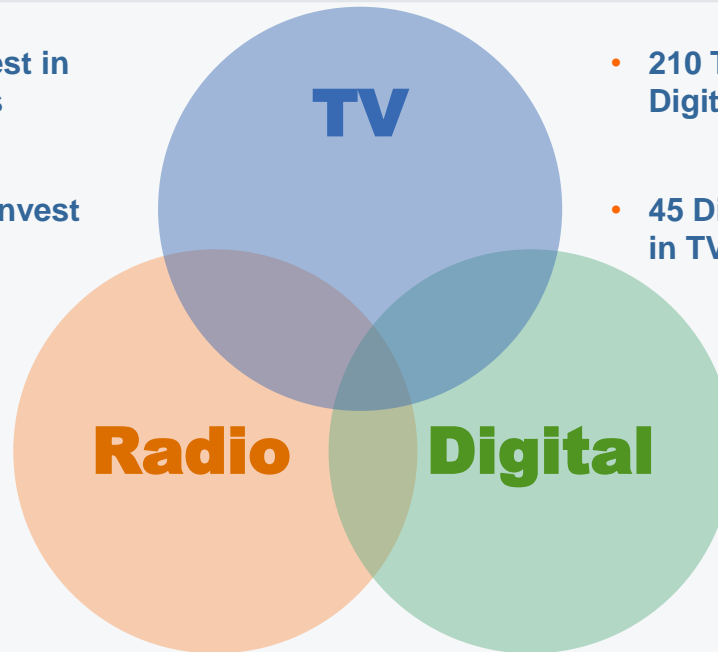
UNCONVENTIONAL
GROWTH: **EVENTS &**
NEW RADIO FORMATS
LINKED TO TV
PROGRAMS

Additional +15-20% revenue growth

Source: Eurisko Radiomonitor and internal data

Cross Media | ~600 opportunities identified

Customer Base, split by media



- 80 TV clients that invest in Radio, but not with us

- 210 TV clients that invest in Digital, but not with us



- 60 Radio clients that invest in TV, but not with us

- 45 Digital clients that invest in TV, but not with us



- 130 Radio clients that invest in Digital, but not with us

- 45 Digital clients that invest in Radio, but not with us



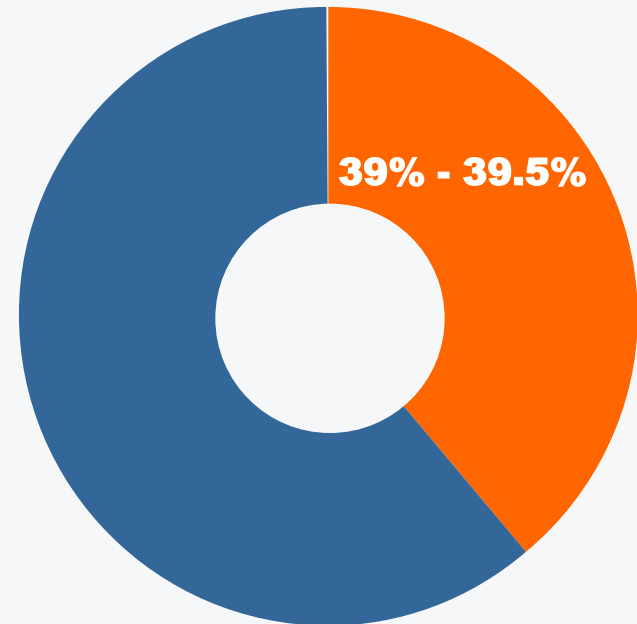
15-20% contribution to market share growth

Source: Internal data, Nielsen

2020 Target | Market Share between 39%-39.5% of Total ADV market in Italy

Total advertising market, Italy 2020

- Organic Growth
- Maintain Core TV Leadership and Growth
- Cross Selling: 600 opportunities
- Increase Reach: Total Video, Total Audience Approach
- More Digital Inventory: new content production model
- Increase Value: Profiling
- Optimized Monetization: Programmatic
- New Inventory On Broadband TV
- Radio Audience Growth



Between +160 and +210 bps in '20 vs '16

Source: Internal estimates based on Nielsen 2016 market data

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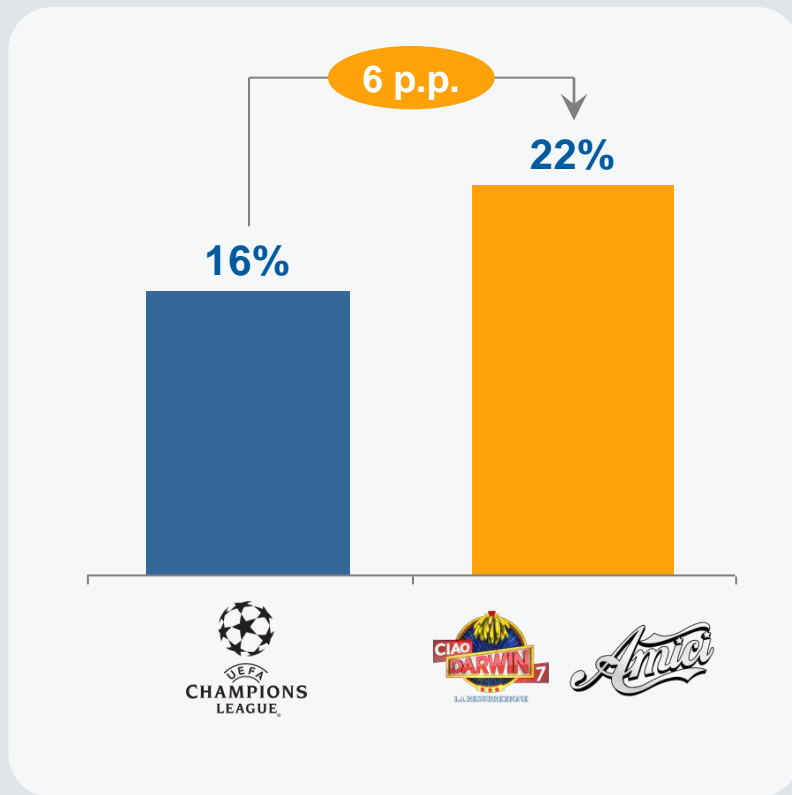
Content strategy in Free TV and Digital

Own and
local

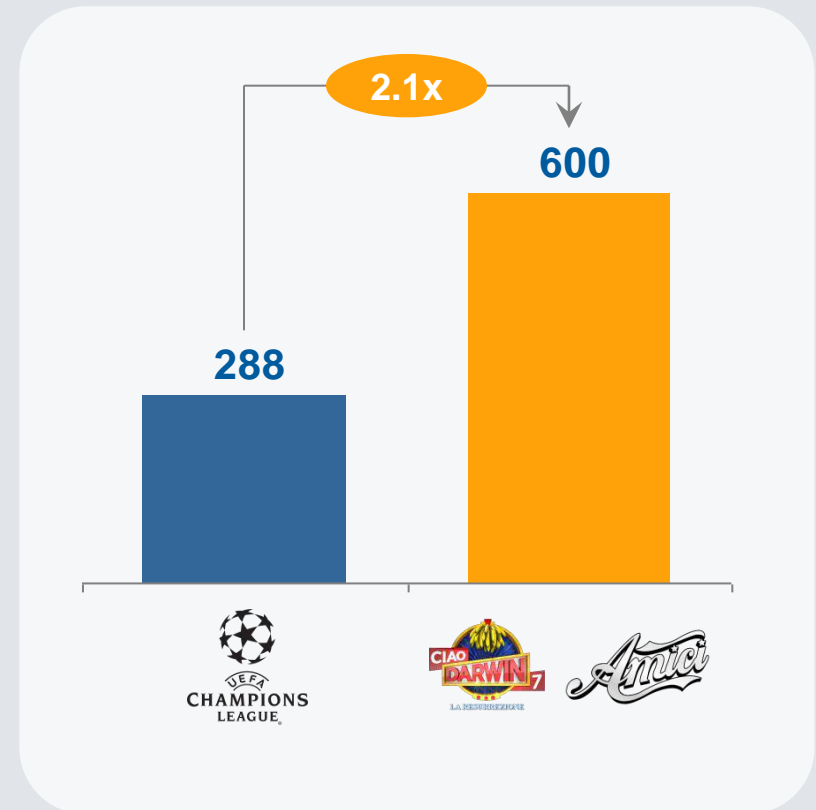
- Strengthen FTA schedule through focus on own productions to keep creating recurring "unmissable" appointments for the audience in the Italian market

Own and local content | The backbone of our success and a key differentiating element going forward

Audience Share, FTA



GRPs, FTA



Note: Comparison between average episode of *Ciao Darwin* and *Amici* and average UEFA Champions League match of the last season
Source: Auditel, Internal

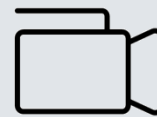
Own and local content | Strong capabilities to launch and develop local blockbusters



taoduefilm



55%
EBIT margin



Source: Internal data

Content strategy in Free TV and Digital

Own and local

- Strengthen FTA schedule through focus on own productions to keep creating recurring "unmissable" appointments for the audience in the Italian market

Change in Mix

- Increase weight of own and exclusive local content
- Decrease spending on low-return content
- Extract maximum value from library content

Change in mix | Stronger schedule, better economics

Relative Value in Linear

Live Sports



Decreasing returns of FTA, core for Pay



Unscripted



Areas of excellence: to be further strengthened



Info News



Areas of excellence: to be further strengthened



Hard News



Focus on productivity



Scripted Production



Renewed combination of formats and genres



Scripted Acquisition



Smart sourcing



Content strategy in Free TV and Digital

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Change in Mix

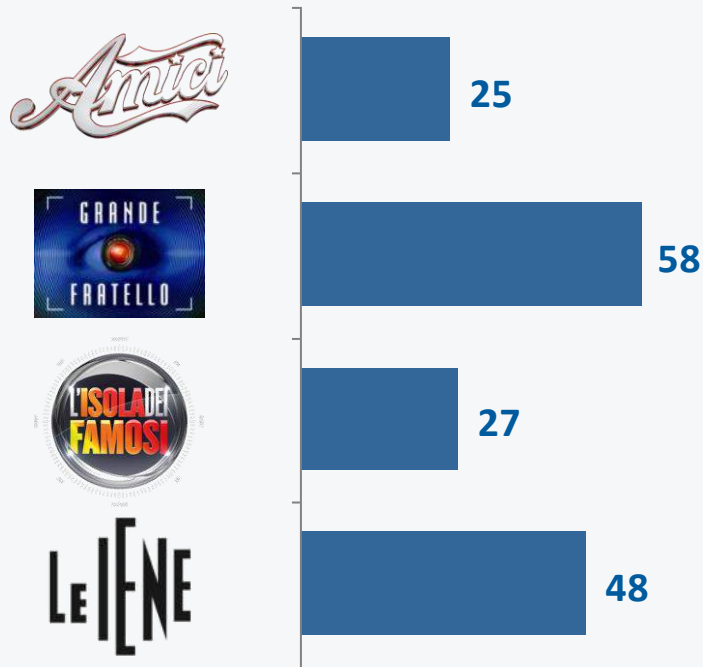
- Increase weight of own and exclusive local content
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Digital

- Fully leverage the strong potential of FTA content in digital
- Enter the "*Online first*" space – through Studio 71 including Italian OpCo – and evaluate replicating approach in Spain

Digital | Increased focus on own Properties' potential in the digital space

Mediaset TV properties, Non-linear views this season (M)



Amici, Social Networks

Amici



- 2.4M Page likes
- 12M Post likes



- Up to 470k followers
- 1.5+ tweets & retweets

Source: Internal data

Digital | Exploring the "*Online first*" content space

Professional Content – short formats



- Web series with Episodes <10 min
- Eg. Conessioni (Repubblica + Cattleya)
- Professional production cost

Fully fledged Originals



- Full series
- Eg. Marseille (Netflix + Federation Entertainment)
- TV-like production costs (or higher – eg. The Get Down: 10M\$ per episode)

User Generated Content (UGC)



- No production cost

Semi-professional content



- Short formats
- Low production cost

Content strategy in Free TV and Digital

Own and local

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Partnerships

- Began co-production with Mediaset España of one TV Series
- In JV with Mediaset España, will produce Scripted and Non Scripted
- Test alliance with other broadcasters for locally focused Scripted
- No plans to enter fully fledged, capital intensive / high-risk international productions business

Partnerships | Testing content production model.... with Mediaset España first

Three hypotheses on how to structure Mediaset's entrance in the international production of scripted content:

Production company

CREATION OF A CONTENT PRODUCTION COMPANY FOR THE INTERNATIONAL MARKET

- Crowded competitive landscape: scale necessary (minimum 50/60 h per year)
- Capital intensive (minimum 100/150 M€/year)
- Difficult through inorganic growth



Equal partnership

THREE OR MORE EQUAL PARTNERS SHARE INVESTMENT ON A SLATE OF PROJECTS (ex. Project Trinity)

- Operational paralysis: Conflicting vetoes
- No unique projects for each individual partner
- No positive track record for equal co-productions (ex. "europudding")
- Management of internal producer / distributor conflict



Partnership with lead broadcaster

THREE OR MORE EQUAL PARTNERS SHARE INVESTMENT ON A SLATE OF PROJECTS WITH A LEAD COMMISSIONER "TAKING TURNS"

- Guarantee of unique content for each partner on the project they lead
- Guarantee of accessing other high-end content driven by the partners
- Investment perimeter
- Possible upside from international sales



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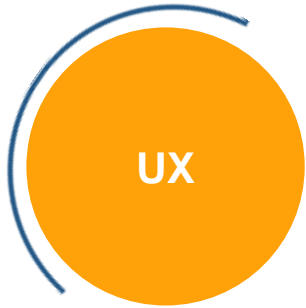
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Cross-media platforms and Partnerships



- Launch by end of 2017 of a new platform to provide a state-of-the-art experience to all AVOD users comparable to the one offered on Infinity to SVOD users

UX | State-of-the-art Platform to be launched in 2017

A new platform for the ad-based digital offer



Enabling a best-in-class User Experience on all devices



Leveraging the experience in SVOD platform



Cross-media platforms and Partnerships



UX

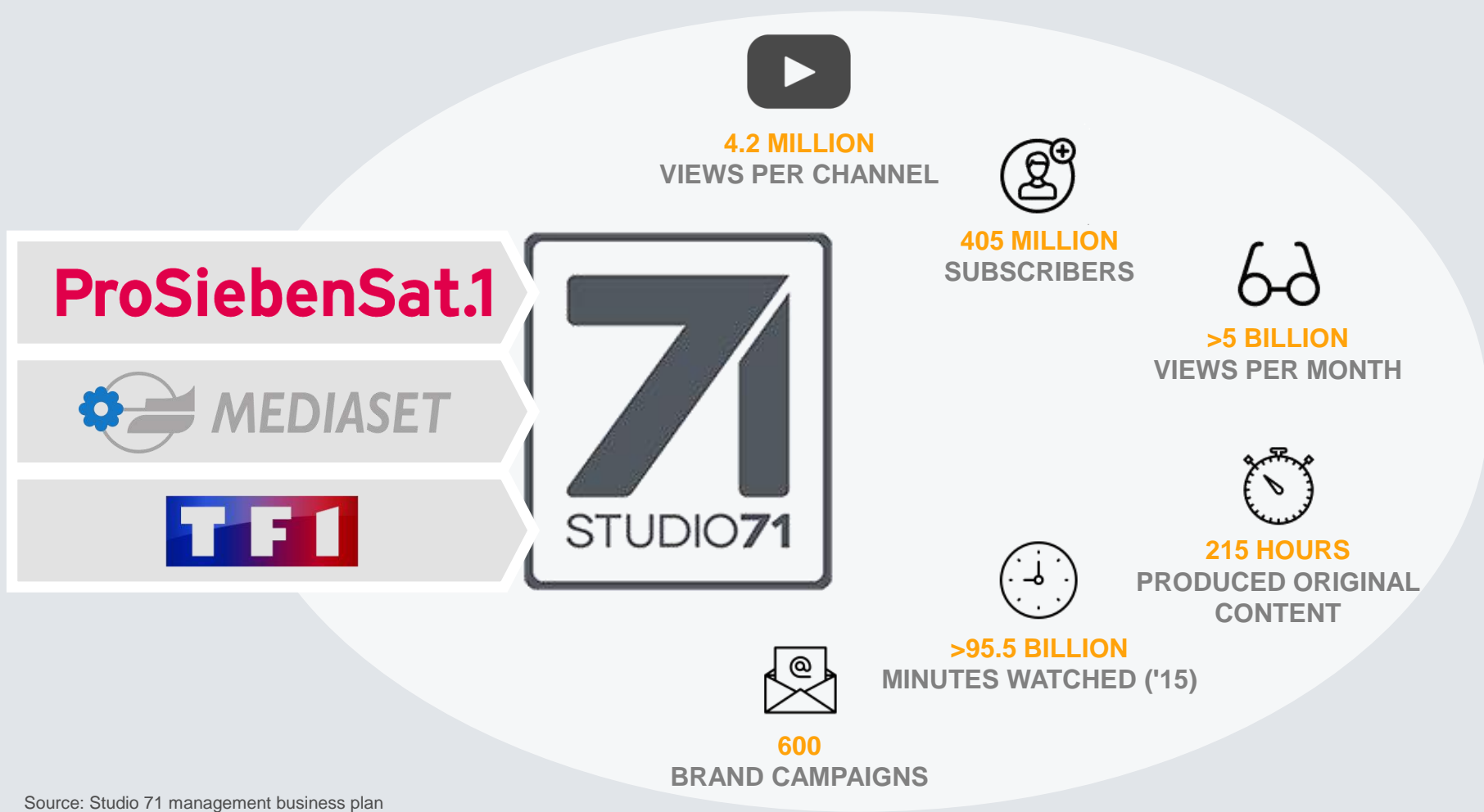
- Launch by end of 2017 of a new platform to provide a state-of-the-art experience to all AVOD users comparable to the one offered on Infinity to SVOD users



MCNs

- Reap the benefits of partnership in Studio 71: Mediaset content traffic amplifier and international distribution

MCNs | Partnered up with ProSiebenSat.1 and TF1



Source: Studio 71 management business plan

MCNs | Studio71 for amplified and faster value extraction in the digital space



Aggregation & talent scouting

Key success factor in digital

IP development and production

Complementary production skills

Channel mgmt & cross promotion

Privileged access to global channels

Cross-media platforms and Partnerships

UX

- Launch by end of 2017 of a new platform to provide a state-of-the-art experience to all AVOD users comparable to the one offered on Infinity to SVOD users

MCNs

- Reap the benefits of partnership in Studio 71: Mediaset content traffic amplifier and international distribution

Radio

- Initial development plan delivered ahead of schedule
- Opportunity for further consolidation to strengthen leadership

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New role in Pay TV (I/II)

Rationale for entry

- Clear rationale for entering in Pay TV in 2008 with full subscription model:
 - Stop DTH growth
 - Exploit DTT frequencies and other Mediaset assets
 - Test non linear features and functionalities
 - Support the Sale House's cross-media strategy

Results

- DTH revenues have been stable in the last 6 years
- DTT platform remains the only universal platform in Italy
- 50% of Premium subs using OTT services
- High end target value effectively exploited by the Sales House

Market trends and Mediaset decision

- Market Trends in Pay TV are clear: convergence with telco or cross-border consolidation
- In 2016 Mediaset decided to partner with Vivendi to capture these trends while remaining publisher of non sport channels

New role in Pay TV (II/II)

2017 re-shaping

- Remain a non-sport channel publisher with a multi-platform distribution
- Adopt an opportunistic approach to Football rights
- Split distribution platform and publishing business

Distribution Platform

- Test the value of a unique distribution platform able to offer a turnkey solution open to all 3rd parties interested in an installed base of 4M cards and 6M devices
- Leaner operating machine running at significantly lower OPEX levels

Content Provider

- Movies and Series: exploit existing deals on all platforms, particularly OTT
- Football: opportunistic approach
- Sustainable business irrespective of the football auctions' outcome

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End-to-end review of operating model to reap the benefits of a focused & tech-enabled organization

Business model

- Tech-enabled business model & way of working review

Organization and Structure

- Simplification
- Optimization

Production, logistics and sourcing

- Optimization of broadcasting capabilities
- Tech-enabled Corporate procurement review

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Mediaset | Mid-term guidelines at glance



- Content-based cross media undisputed leadership: adv market share increase
- Total audience focus – viewers any time, any device
- Best of breed Ad Tech & Addressable TV



- Renewed focus on own, high quality, local content
- Improved TV schedule through smart change in content mix
- Amplified digital content with successful TV properties & “online 1st”
- Content cooperation with Mediaset España already in execution mode
- Exploration of cross-country co-production new models



- Renewed user experience on digital platforms
- Strategic partnership in digital with MCN: Studio 71
- Execution of the Radio plan

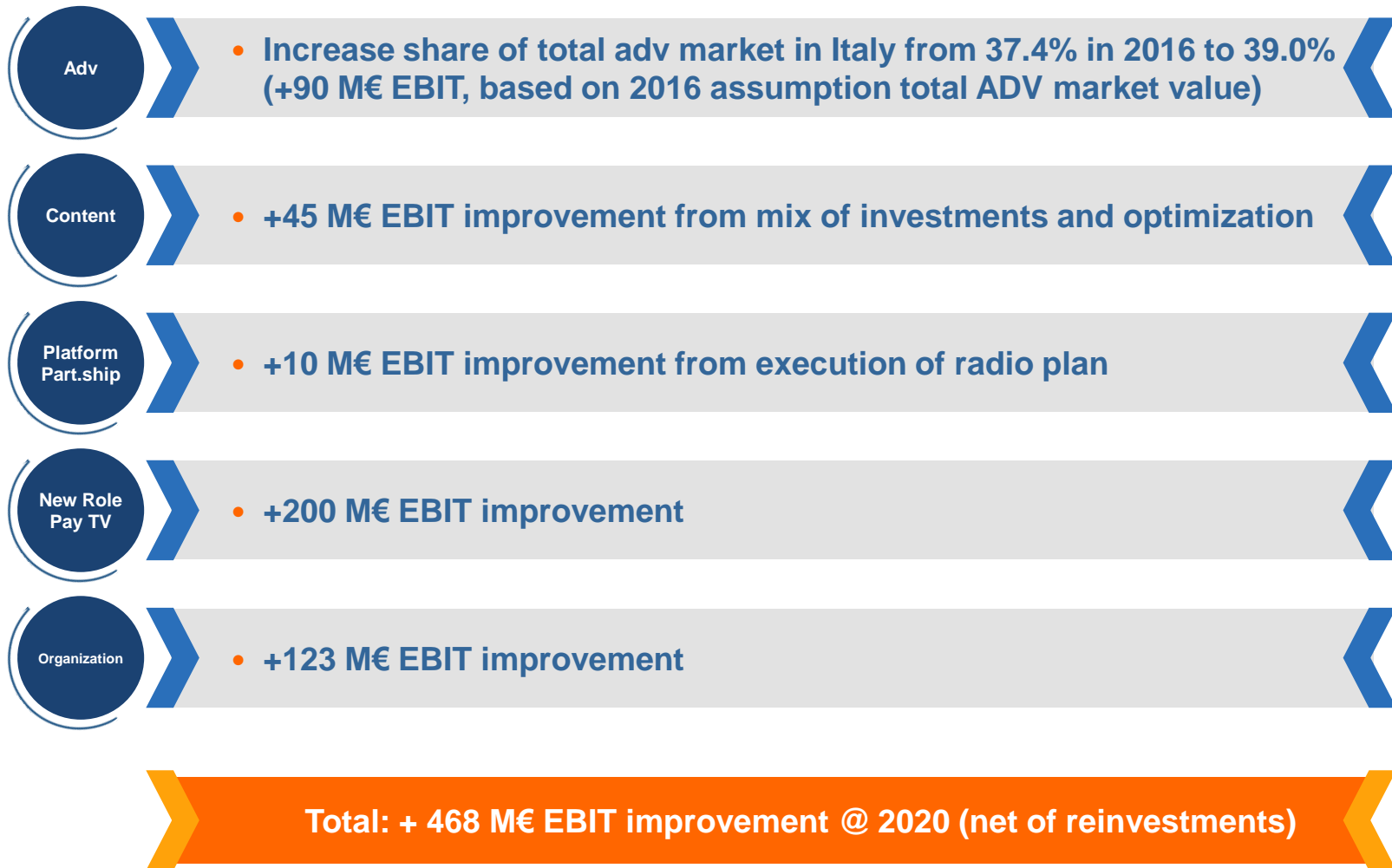


- New operational platform
- Sustainability with or without football



- Business model review
- Organization redesign
- Tech-based ops improvement

Mid-term financial implications of guidelines @ 2020



Note: Integrated TV Activities (Excluding Mediaset España and EI Towers)

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