Mid-term guidelines and financial targets

London, January 18, 2017
Mid-term guidelines | Agenda

Advertising

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Platforms and Partnerships

New role in Pay TV

Organization

Final remarks & financial targets
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 ($\Delta$YoY %)

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

<table>
<thead>
<tr>
<th>Platform</th>
<th>Monthly Unique Users, Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Google</td>
<td>28</td>
</tr>
<tr>
<td>Facebook</td>
<td>24</td>
</tr>
<tr>
<td>WhatsApp</td>
<td>22</td>
</tr>
<tr>
<td>IOL</td>
<td>20</td>
</tr>
<tr>
<td>Manzoni</td>
<td>19</td>
</tr>
<tr>
<td>Amazon</td>
<td>18</td>
</tr>
<tr>
<td>MSN</td>
<td>17</td>
</tr>
<tr>
<td>RCS</td>
<td>14</td>
</tr>
</tbody>
</table>

Reach 75% reach

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

<table>
<thead>
<tr>
<th>Listeners (K)</th>
<th>Mediaset</th>
<th>RTL</th>
<th>RAI</th>
<th>Espresso</th>
<th>RDS</th>
<th>Radio Italia</th>
<th>Sole 24 Ore</th>
<th>Radio Kiss Kiss</th>
<th>RMC</th>
</tr>
</thead>
</table>
| Source: Nielsen Auditel - Eurisko Radiomonitor Individuals +14
Market Share | Growth to 37.4% of total advertising market

Total advertising market, Italy 2016

32% Audience share
56.3% Adv revenue share
TV

22M UVs (50% on Mediaset)
7.8% Adv revenue share
Digital

22% Audience share
20% Adv revenue share
Radio

+190 bps in 2016 vs 2014

Source: Audiweb, Audiweb, Radiomonitor, Nielsen and internal sources
Plan going forward
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

Be the unrivalled leader in Video Audio Digital offer delivering advertising on the best TV content across any screen and addressed to profiled audiences
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
- TV Production
- Digital Full Episode Replica
- Digital Snack Catch Up

Content production total video model: The multiplier
- 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
- 20.0%

Data platform
- 4.5 M profiled users
- 500k target segments

Spot Price +15-20%

Adv Addressable

Same content, Different Spot
- Profiling by geography and consumer behavior

Source: Internal data
Ad Tech and Profiling | ... then “linear”

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

- 2017: 5.7
- 2018: 8.1
- 2019: 11.2
- 2020: 14.8

47% of Addressable HH

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

- 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

Source: Internal estimates based on Nielsen 2016 market data
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Final remarks & financial targets
Content strategy in Free TV and Digital

- 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

- Ciao Darwin: 16%
- Amici: 22%


GRPs, FTA

- Ciao Darwin: 288
- Amici: 600

Ratio: 2.1x

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Strategy/Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live Sports</td>
<td>Decreasing returns of FTA, core for Pay</td>
</tr>
<tr>
<td>Unscripted</td>
<td>Areas of excellence: to be further strengthened</td>
</tr>
<tr>
<td>Info News</td>
<td>Areas of excellence: to be further strengthened</td>
</tr>
<tr>
<td>Hard News</td>
<td>Focus on productivity</td>
</tr>
<tr>
<td>Scripted Production</td>
<td>Renewed combination of formats and genres</td>
</tr>
<tr>
<td>Scripted Acquisition</td>
<td>Smart sourcing</td>
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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

**Change in Mix**
- Increase weight of own and exclusive local content
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- Extract maximum value from library content

**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)

<table>
<thead>
<tr>
<th>Property</th>
<th>Views (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amici</td>
<td>25</td>
</tr>
<tr>
<td>Grande Fratello</td>
<td>58</td>
</tr>
<tr>
<td>L’isola dei Famosi</td>
<td>27</td>
</tr>
<tr>
<td>Le Iene</td>
<td>48</td>
</tr>
</tbody>
</table>

Amici, Social Networks

- 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. Connessioni (Repubblica + Cattleya)
- Professional production cost

### User Generated Content (UGC)
- No 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)

### Semi-professional content
- Short formats
- Low production cost
Content strategy in Free TV and Digital

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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:

1. **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
     - **Rejected**

2. **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
     - **Rejected**

3. **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
     - **Accepted**
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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

- **MCNs**
  - Partnered up with ProSiebenSat.1 and TF1

- **Statistics**
  - 4.2 MILLION VIEWS PER CHANNEL
  - 405 MILLION SUBSCRIBERS
  - >5 BILLION VIEWS PER MONTH
  - 215 HOURS PRODUCED ORIGINAL CONTENT
  - >95.5 BILLION MINUTES WATCHED (’15)
  - 600 BRAND CAMPAIGNS

Source: Studio 71 management business plan
MCNs | Studio71 for amplified and faster value extraction in the digital space

- Aggregation & talent scouting
- IP development and production
- Channel mgmt & cross promotion

- Key success factor in digital
- Complementary production skills
- Privileged access to global channels
Cross-media platforms and Partnerships

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- 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**

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Final remarks & financial targets
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
Mid-term guidelines | Agenda

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

<table>
<thead>
<tr>
<th>Business model</th>
<th>• Tech-enabled business model &amp; way of working review</th>
</tr>
</thead>
</table>
| 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

**Adv**
- 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

**Content**
- 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

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

**New role in Pay TV**
- New operational platform
- Sustainability with or without football

**Organization**
- Business model review
- Organization redesign
- Tech-based ops improvement
Mid-term financial implications of guidelines @ 2020

- **Adv**: Increase share of total adv market in Italy from 37.4% in 2016 to 39.0% (+90 M€ EBIT, based on 2016 assumption total ADV market value)

- **Content**: +45 M€ EBIT improvement from mix of investments and optimization

- **Platform Part.ship**: +10 M€ EBIT improvement from execution of radio plan

- **New Role Pay TV**: +200 M€ EBIT improvement

- **Organization**: +123 M€ EBIT improvement

**Total: + 468 M€ EBIT improvement @ 2020 (net of reinvestments)**

Note: Integrated TV Activities (Excluding Mediaset España and EI Towers)
Mid-term guidelines and financial targets

London, January 18, 2017