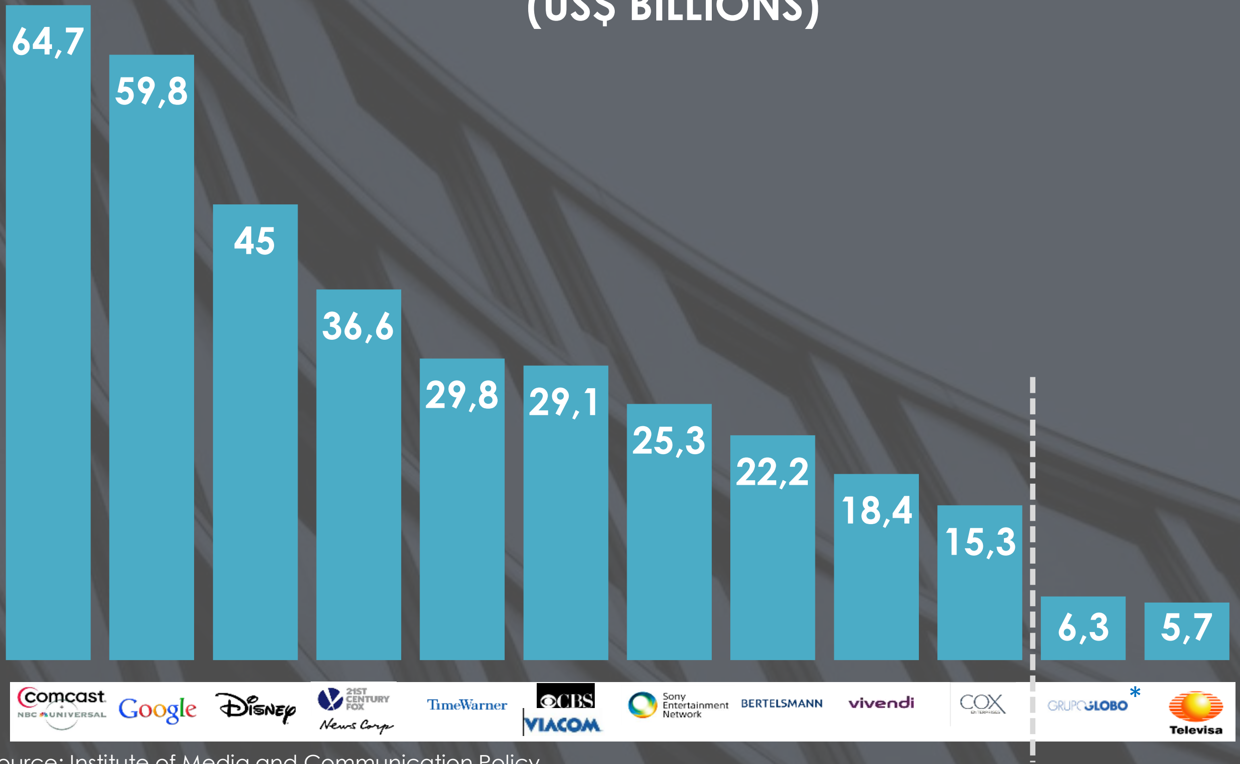
MEDIA LANDSCAPE IN BRAZIL

GRUPO GLOBO


GRUPO GLOBO

MEDIA REVENUES 2013

(US$ BILLIONS)



Source: Institute of Media and Communication Policy
IMC considers companies with a strategic focus in the creation and distribution of content for print, cinema, television and online media, and that generate a significant portion of their revenue in advertisiment and/or content licensing.
* Last 12 months ended September/2013

GLOBO

IS THE 26th MEDIA CONGLOMERATE/ COMPANY IN TERMS OF REVENUE

FOUNDED IN 1925

FAMILY OWNED

19K EMPLOYEES

98 MM PEOPLE REACHED DAILY

INVESTMENT-GRADE RATING

(S&P, MOODY'S AND FITCH)

12% REVENUE CAGR IN US$

(2009-2014)

LARGEST ENTERTAINMENT CONTENT PRODUCTION CENTER IN THE AMERICAS (APPROX. 1.65 MM M^2)

GRUPO GLOBO

GLOBOSAT

EDITORA GLOBO

INFOGLOBO

ECONÔMICO Valor

SISTEMA GLOBO DE RÁDIO

zap

globo.com

som livre

FUNDAÇÃO ROBERTO MARINHO

BROADCAST & PAY TV

PRINT

RADIO

DIGITAL

MUSIC

SOCIAL

BRAZIL:

Population	Households	Average Age
200 MM	**65 MM**	**30,7 years**
316 MM in the US	*122 MM in the US*	*37,6 years in the US*

Life Expectancy	Unemployment Rate	Gini Index
74 years	**5,7%**	**51,9**
76 years in the US	*7,3% in the US*	*45 in the US*

GDP	GNI per capita	Public Debt/GDP
USD 2,2T	**USD 12K**	**56,8%**
USD16,8 T in the US	*USD54K in the US*	*72% in the US*

BRAZIL: MEDIA ENVIRONMENT

BRAZILIAN AD MARKET

HAS GROWN

SIGNIFICANTLY

OVER THE LAST YEARS…

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BRAZILIAN AD SPEND
(R$ BILLIONS)

Source: Projeto Intermeios – does not capture sales of international search engines and social networks

…AND TODAY IS THE

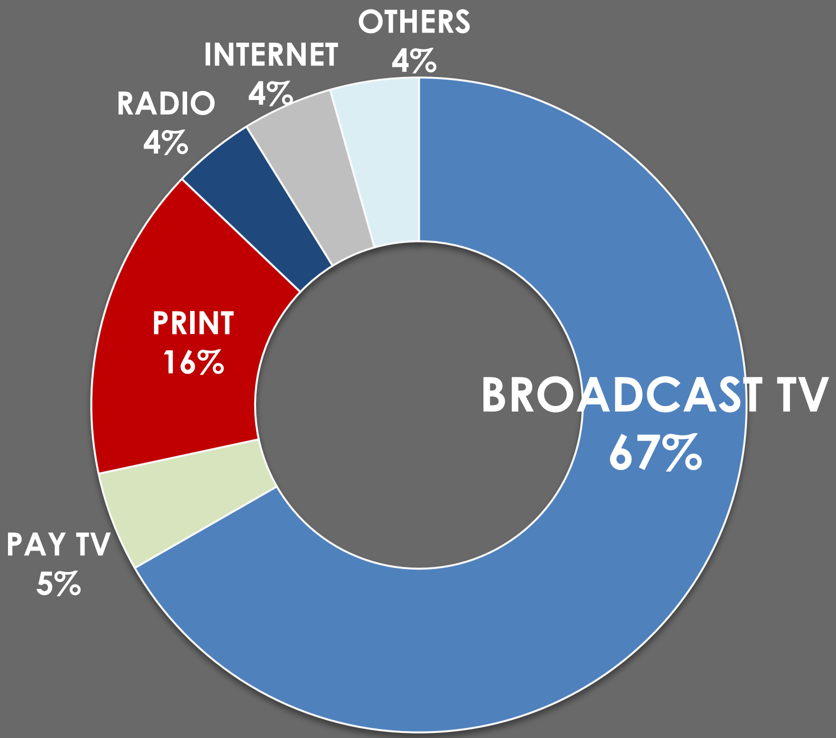
SIXTH

LARGEST MARKET

6 MAJOR ADVERTSING MARKETS 2013
(US$ BILLIONS)

Source: Advertiging Age Fact Pack

BROADCAST TV HAS AN IMPORTANT ROLE IN THIS MARKET



Source : Brasil Mídia Dados 2013 and Projeto Intermeios

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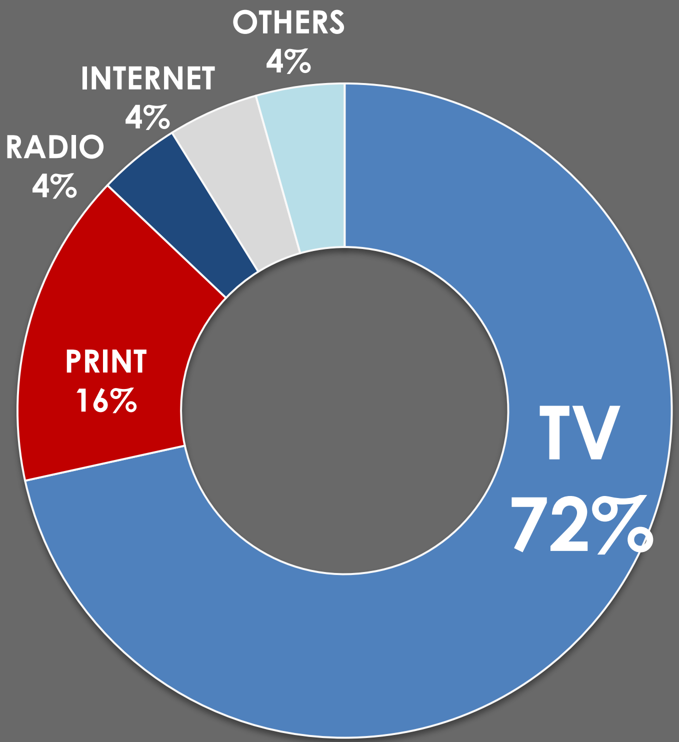
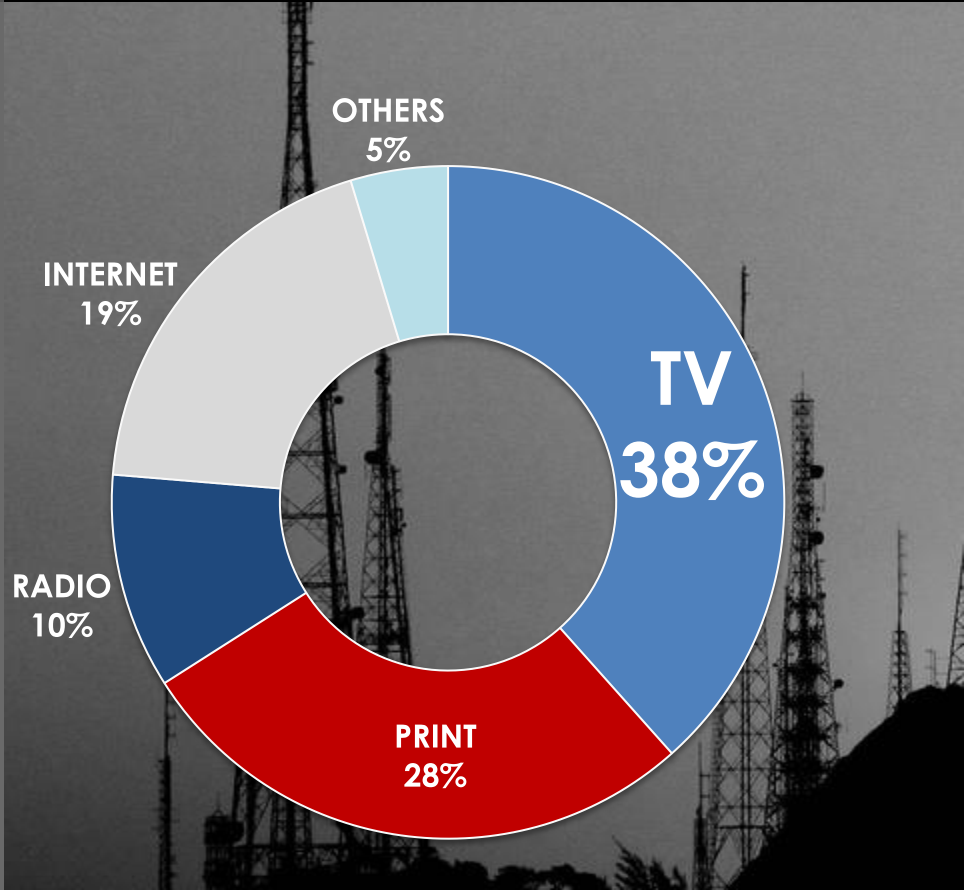


...WHICH IS DIFFERENT FROM THAT OF THE US



...AND MOST OF THE WORLD

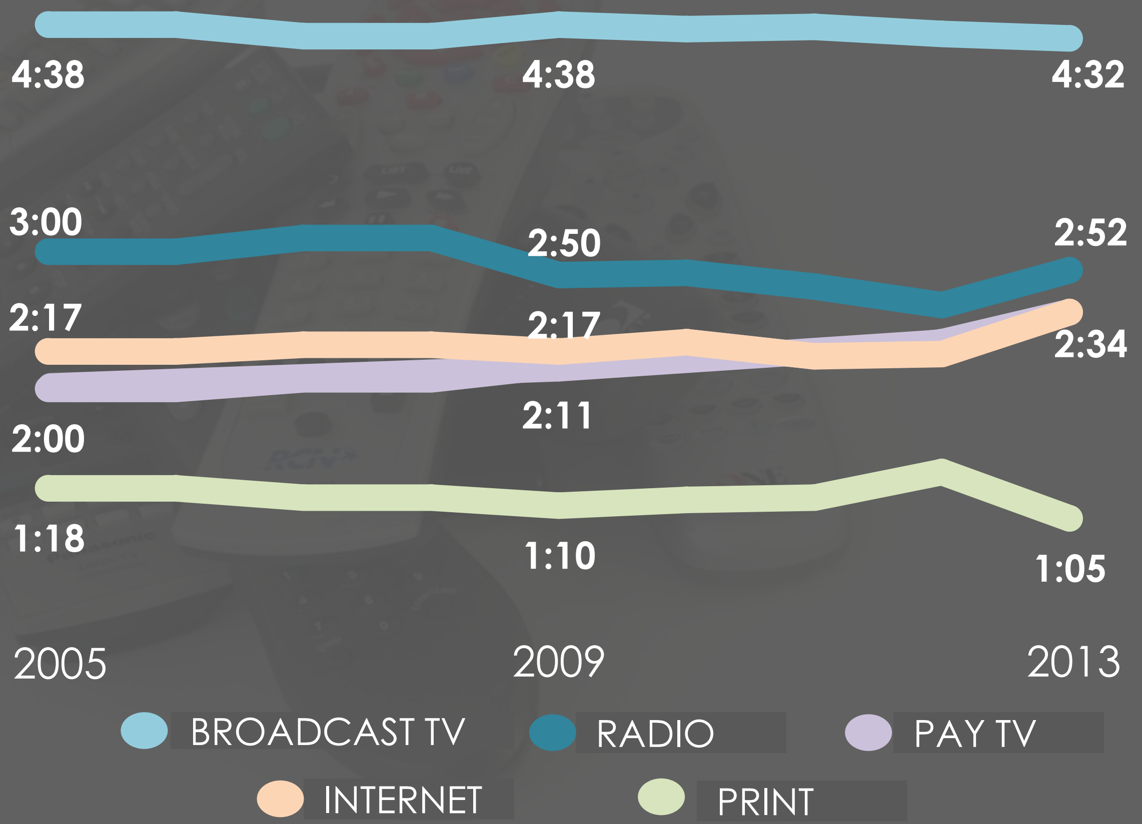
	% TV AD SPENDING
MEXICO	69%
ITALY	53%
RUSSIA	49%
JAPAN	43%
CHINA	42%
FRANCE	34%
UNITED KINGDOM	27%

Source: Brasil Mídia Dados 2013 e Projeto Intermeios

TV

IS ALSO THE MOST IMPORTANT MEDIA IN TERMS OF CONSUMPTION

AVERAGE DAILY TIME SPENT (HOURS)



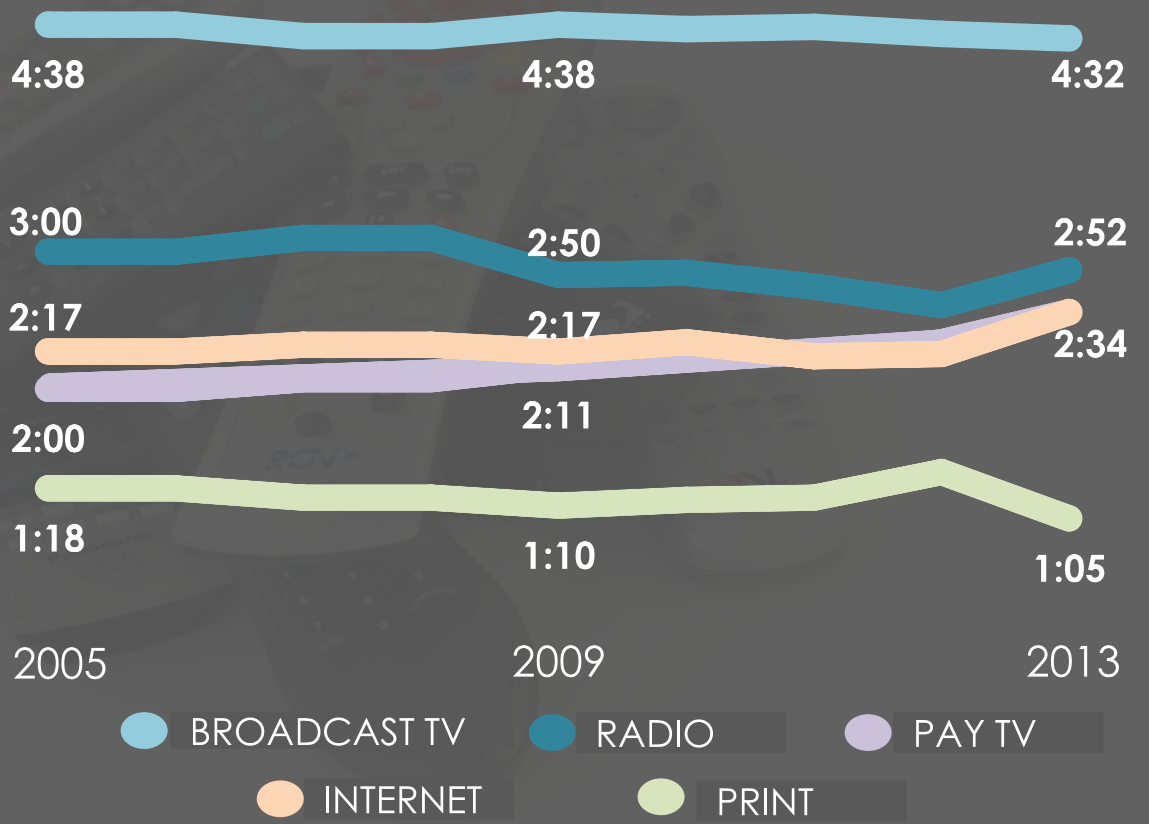
Source: IBOPE TGIndex e Ipsos EGM/Marplan

TV

IS ALSO THE MOST IMPORTANT MEDIA IN TERMS OF CONSUMPTION

WITH GROWTH DRIVEN BY PAY TV

AVERAGE DAILY TIME SPENT (HOURS)



Source: IBOPE TGIndex e Ipsos EGM/Marplan

WHICH, OVER THE LAST DECADE, EXPERIENCED STRONG GROWTH IN PENETRATION

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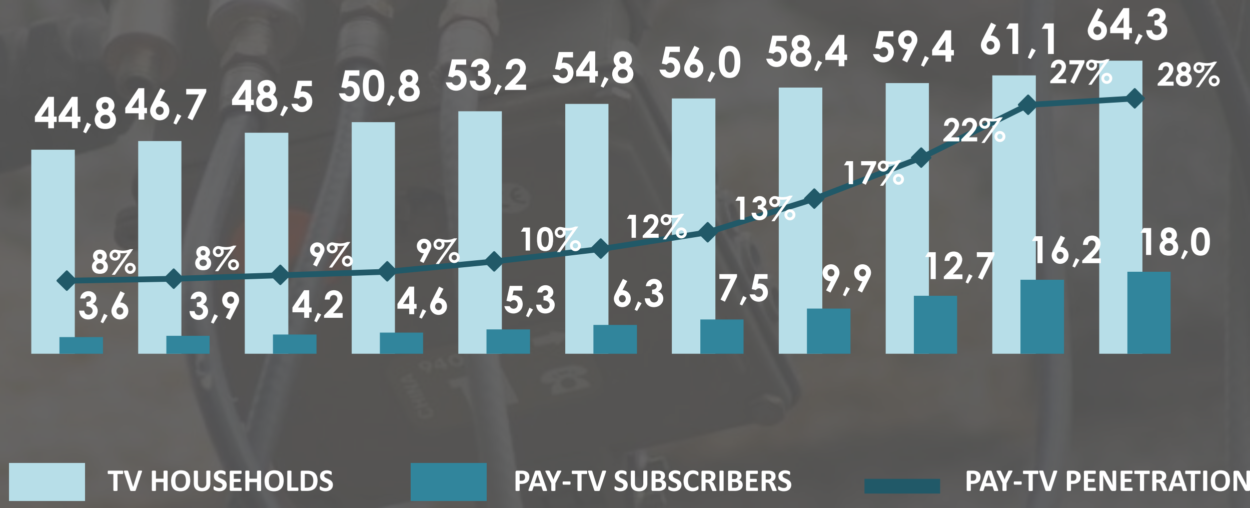
TV HOUSEHOLDS (MM)



Source: Pay-TV Market: Agência Nacional de Telecomunicações ("Anatel")
TV Households: 2003 - 2009 PNAD (IBGE)
2010: calculated based on Anatel's penetration projection as of January 2011
2011 and 2012 – PNAD (IBGE)

PAY TV

REVENUES

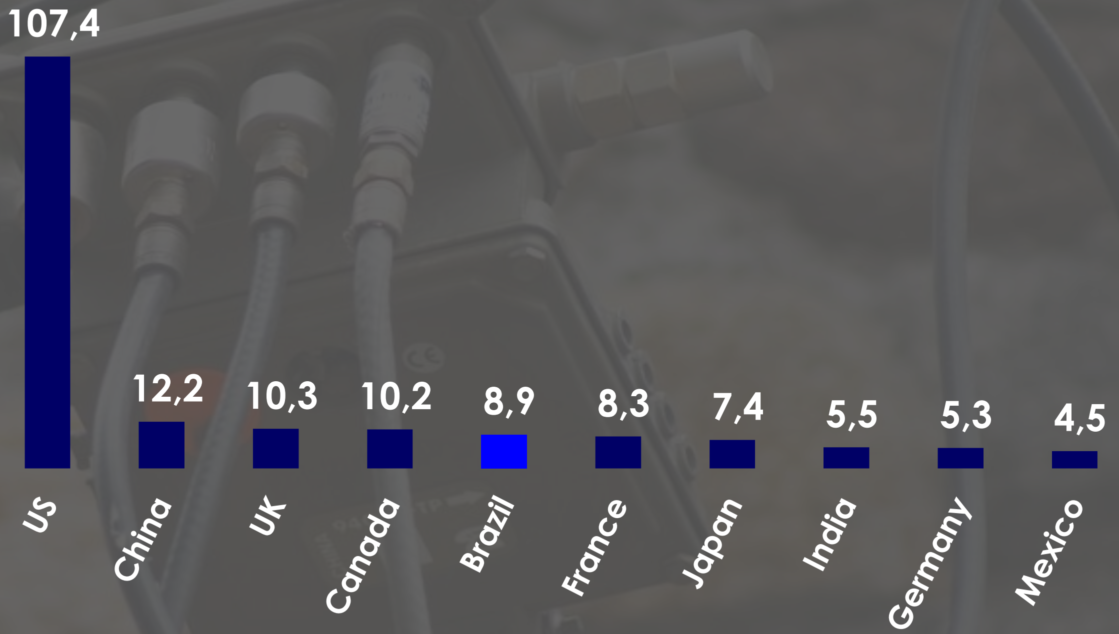
WILL ALSO

SEE

CONSIDERABLE

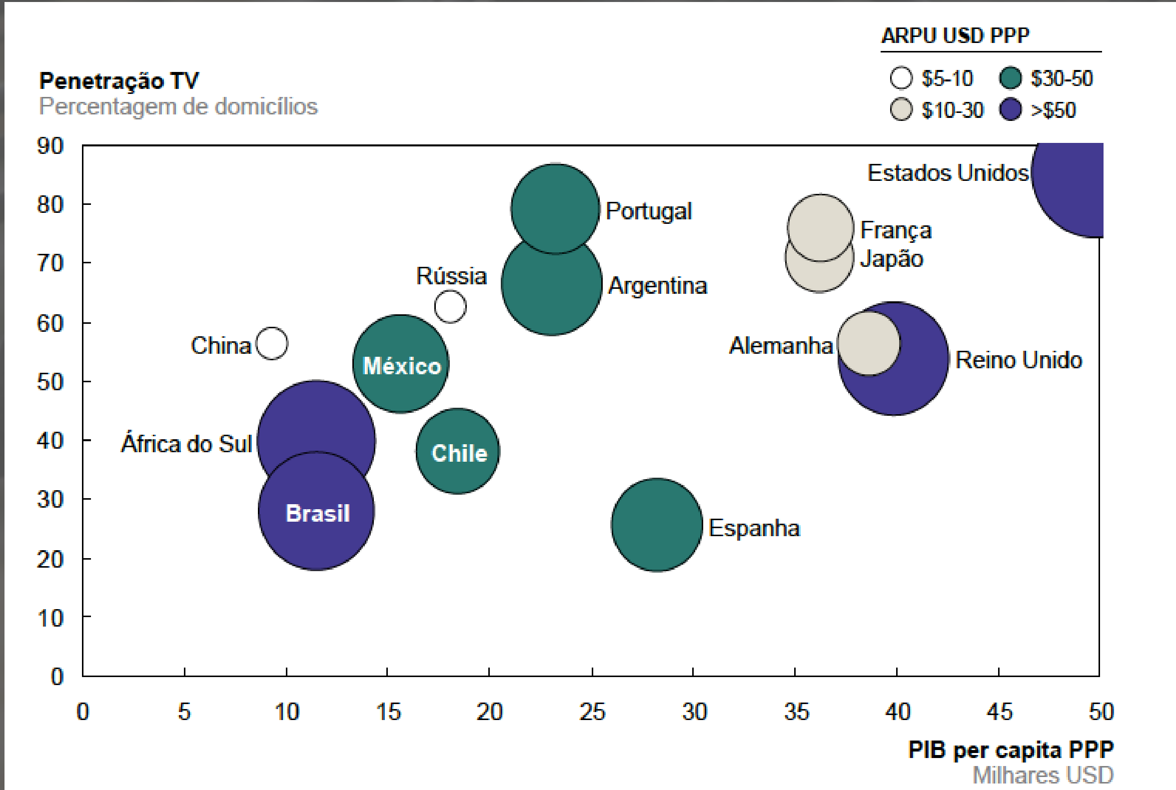
GROWTH

Pay TV Revenues
Top 10 Countries, 2013
(USD Bi)



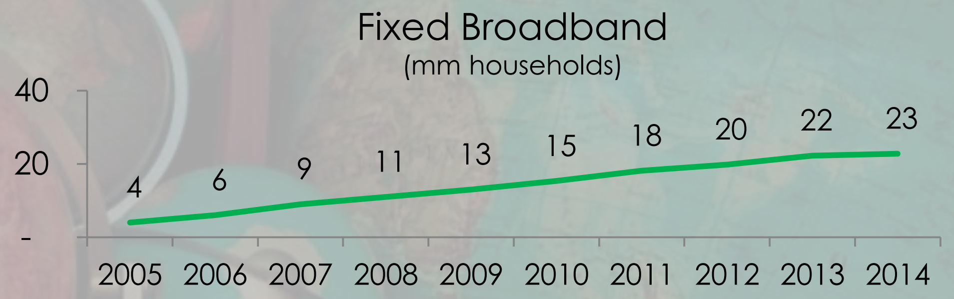
Source: SNL Kagan

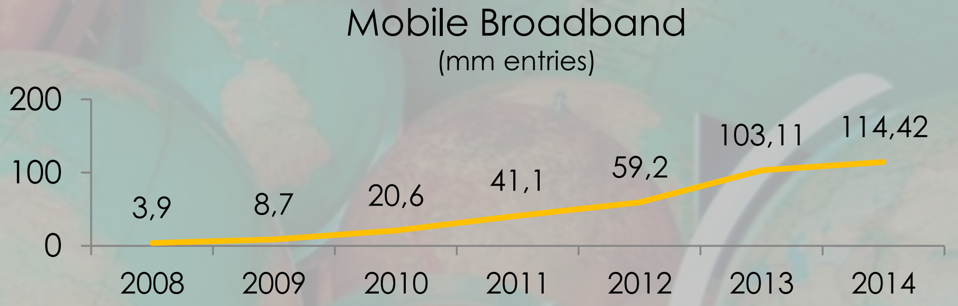
WITH A CONSIDERABLY HIGH **ARPU**



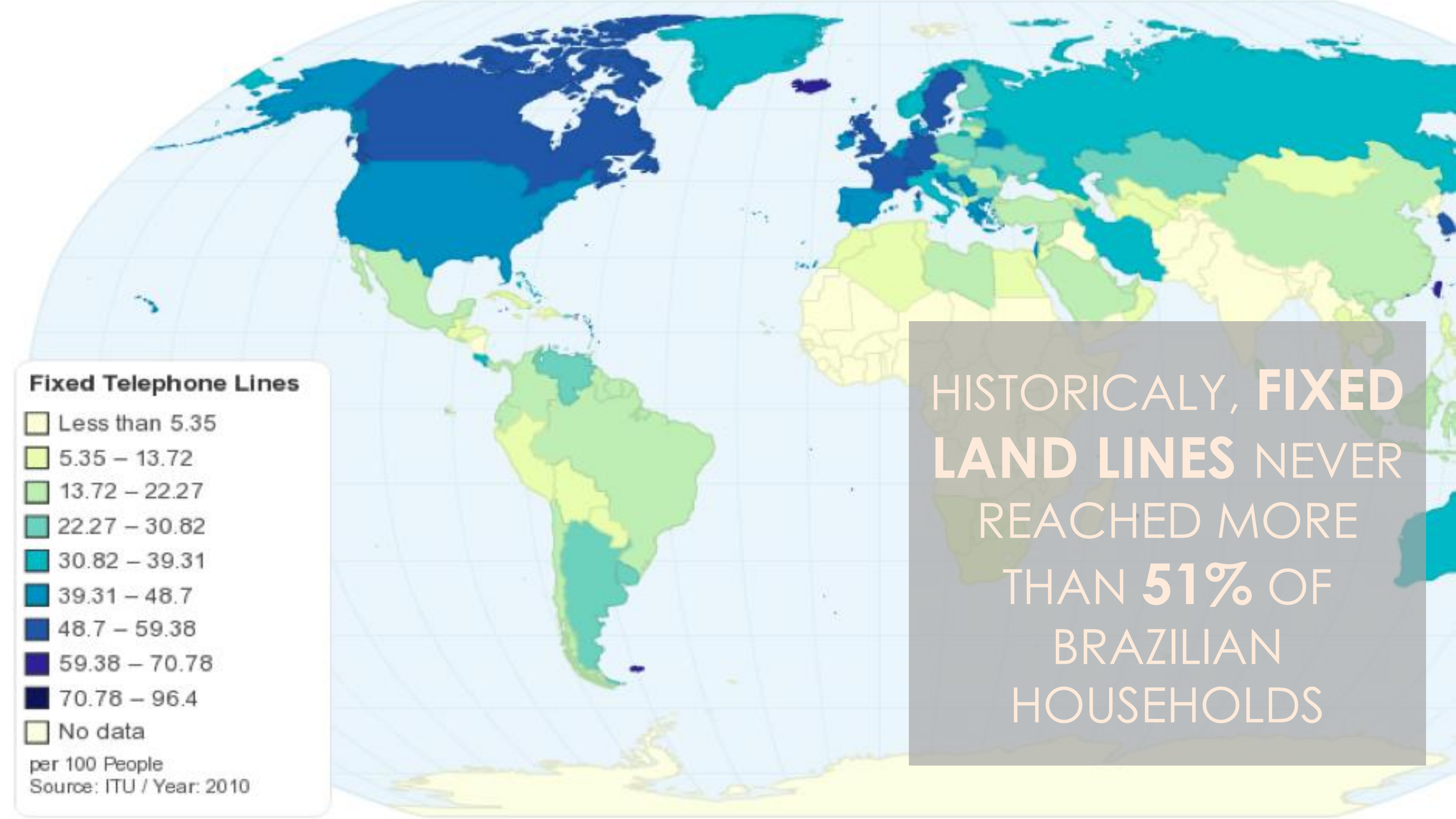
FONTE: IHS Global Insight 2013; Screen Digest

INTERNET ACCESS HAS GROWN AND LOOKS LIKE WE WILL **LEAPFROG FIXED BROADBAND**

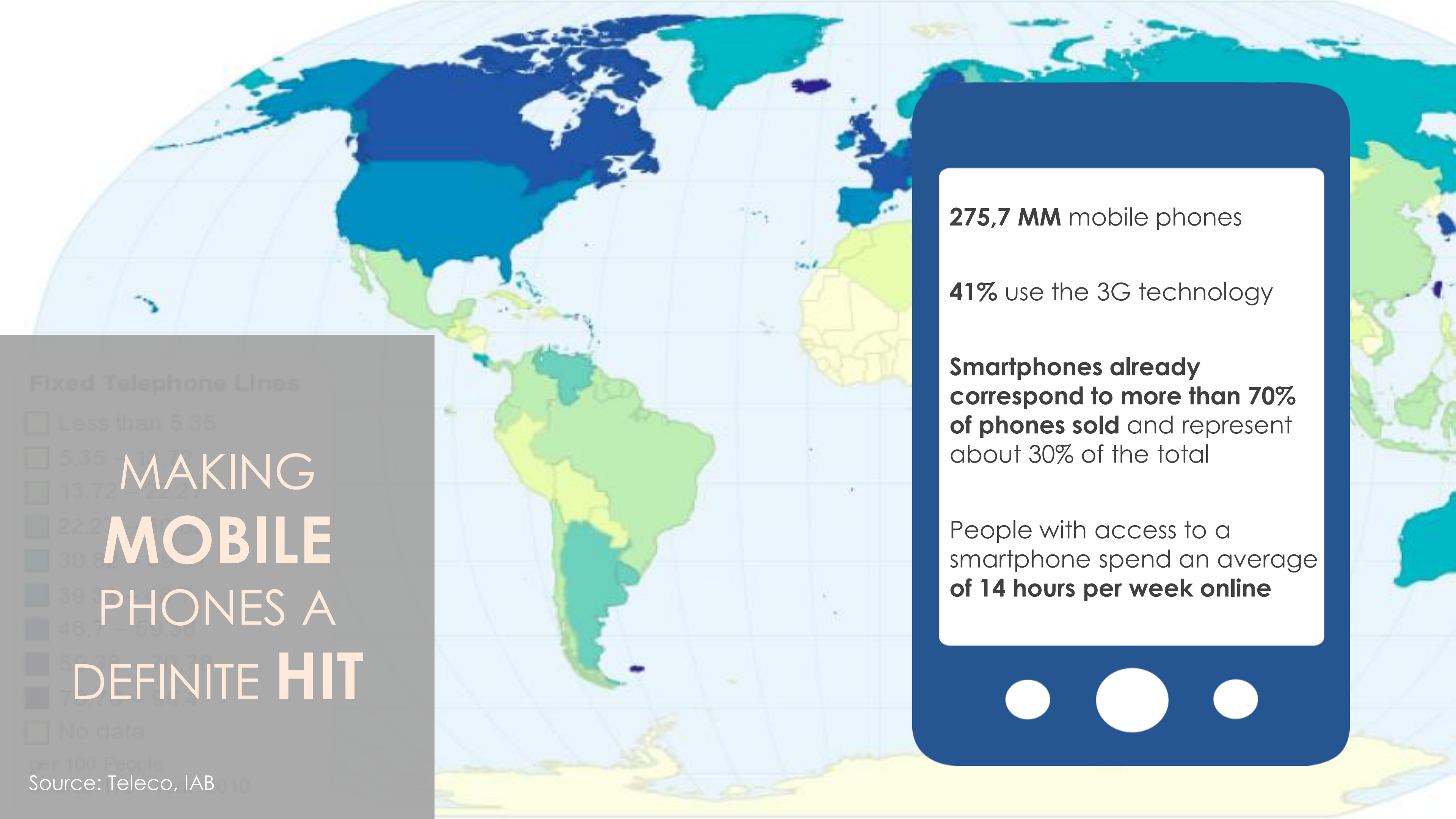




Source: MiniCom , TIC Domicílios



HISTORICALY, **FIXED LAND LINES** NEVER REACHED MORE THAN **51%** OF BRAZILIAN HOUSEHOLDS



MAKING **MOBILE** PHONES A DEFINITE **HIT**

275,7 MM mobile phones

41% use the 3G technology

Smartphones already correspond to more than 70% of phones sold and represent about 30% of the total

People with access to a smartphone spend an average **of 14 hours per week online**

Source: Teleco, IAB

BRAZILIANS ARE TECH AND **SOCIAL SAVVY**

29
Hours/month

Average time spent online

5º

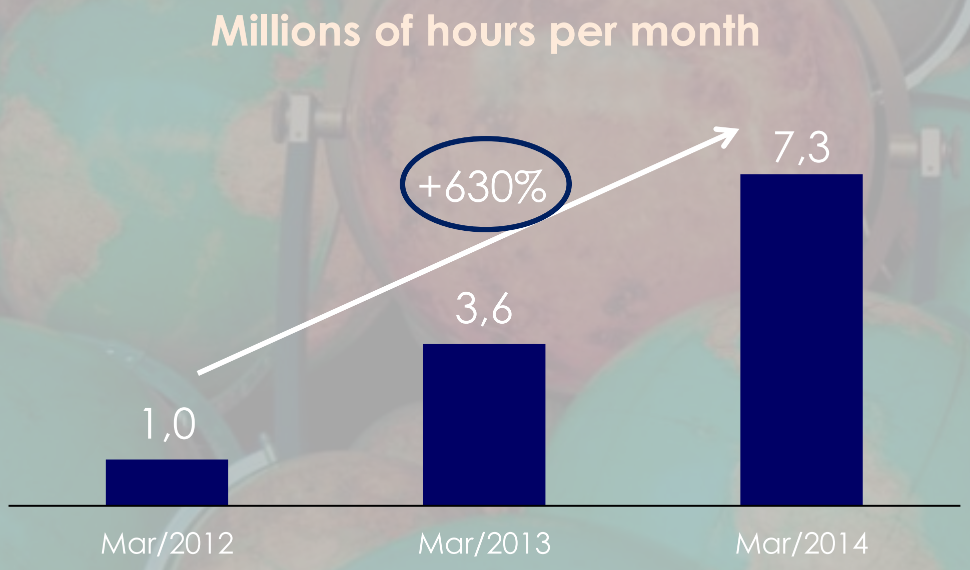
Brazil is the fifth among countries with the most time spent online

Facebook has 86 million users in Brazil and represents to 1/3 of the time spent online

About 73% of Brazilians with internet access regularly use it – via laptop, smartphone or tablet – while watching TV

source: Comscore, IBOPE and Facebook

LONG-FORM VOD CONSUMPTION ASSOCIATED TO PAY TV SUBSCRIPTION IS ON THE RISE



Source: NET, GVT, GLOBOSAT Internal reports

However, **DVR** has not achieved significant momentum in the country:

- Pricing limited access
- Interface is poor and suffers from changes in channels' schedules

GLOBAL ONLINE VIDEO PLAYERS ARE ALREADY IN THE MARKET

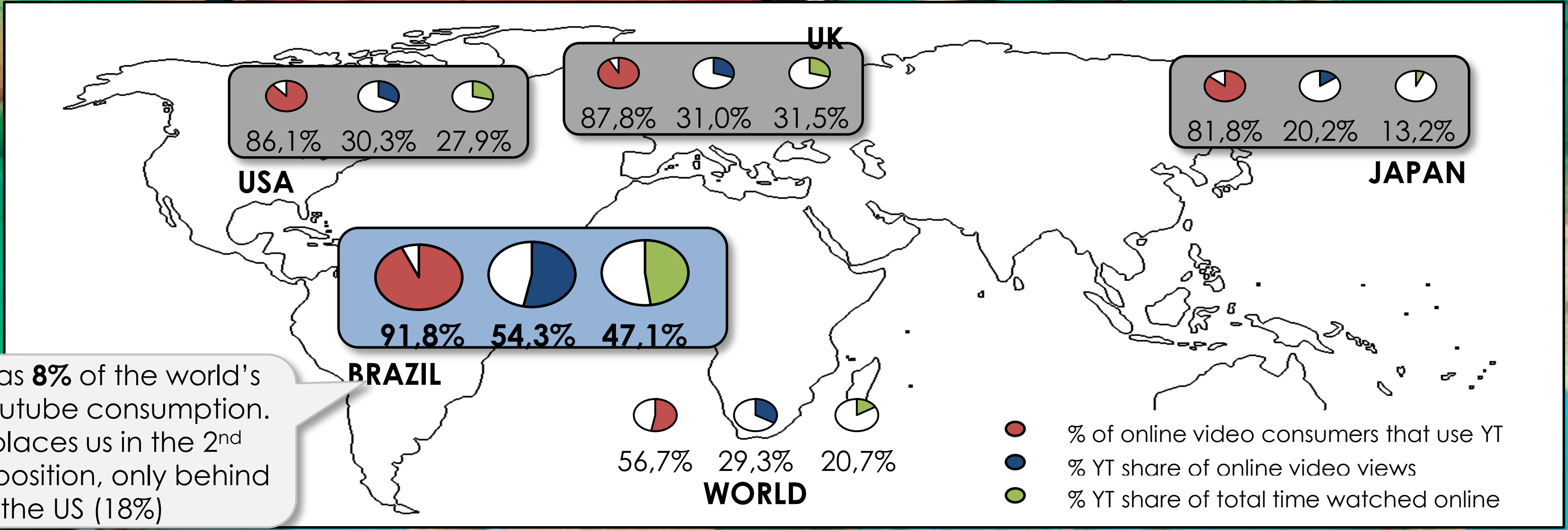
NETFLIX

Netflix has an estimated **1 MM** subscribers in the country, and is consumed by **33%** of internet users who pay for online video.

Source: ComScore, Netflix, POP Ibope

GLOBAL ONLINE VIDEO PLAYERS ARE ALREADY IN THE MARKET

Youtube has been successful in driving consumption, with the local operation leaping ahead of other countries'



Brazil has **8%** of the world's total Youtube consumption. That places us in the 2nd overall position, only behind the US (18%)

Source: ComScore (November/2013)

ORIGINAL PROGRAMING ON TV HAS ALWAYS VALUED BRAZILIAN CULTURE

DRAMA/TELENOVELAS

NEWS

SPORTS

TALK SHOWS

AUDITORIUM

VARIETY

CONTENT IN BRAZIL

BROADCAST TV

ORIGINAL

VALUE OF BRAZILIAN CULTURE

VERTICAL VALUE CHAIN

PAY TV

ORIGINAL AND LICENSED

- GLOBAL: DUBBING HAS INCREASED ATTRACTIVENESS
- NACIONAL: REGULATORY INCENTIVES

SPORTS

ONLINE VIDEO

YOUTUBE (SHORT-FORM)

- Only 40% of consumption happens on Brazilian channels
- Brazil ranks 2nd in consumption but 9th in content production

NETFLIX (LONG-FORM): MOSTLY DUBBED CONTENT

What are the similarities between OTA and Pay TV as incumbents in their reaction to disruptors?

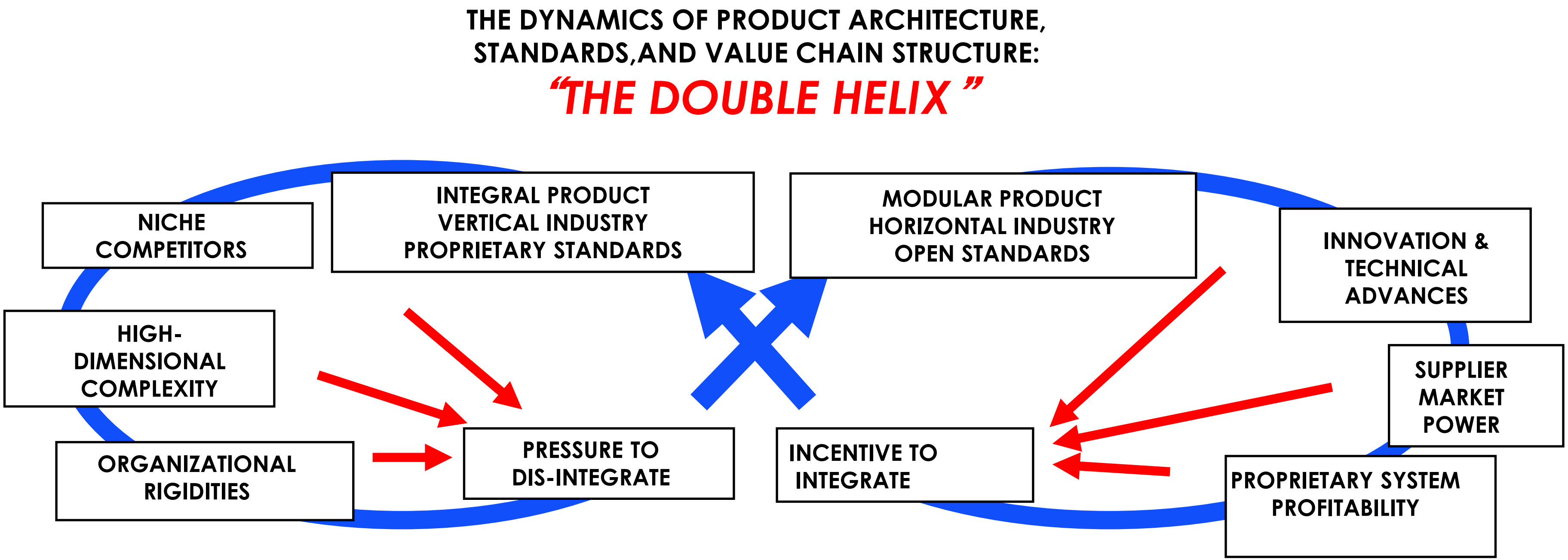
How will OTA play a role in the future of advertising? How to leverage the Pay TV and online on ad performance?

What is the future of the 1:n linear model (terrestrial, cable, satellite...)? Will time shift consumption leave Broadcast TV only with live exhibitions? Is there a place for telenovela-like products?

Are there relevant physical limitations that might hinder the growth of internet video? Can we help drive it, through 4K for example?

Will the new technologies like LTE-broadcast disintegrate the broadcast distribution chain?

WITH THIS BEING SAID, WHERE COULD WE PLACE THE BRAZILIAN MARKET?



Fine & Whitney, "Is the Make/Buy Decision Process a Core Competence?"