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IPTV: Confidence Rising

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Agenda

- Context
- Survey background
- Survey key findings
- Revenue outlook
- Challenges and obstacles
- Conclusions

Context: IPTV is just one form of digital video delivery …

Network Type	PC	Portable Device	TV
Broadcast (non-IP)	DTT Tuners in PCs	DVB-H, DMB, MediaFlo	Cable, Satellite, DTT
Mixed IP + Broadcast			Hybrid IP + DTT / DTH
Controlled IP Network		3G, GPRS Streaming	IPTV
Internet	Streaming / Download	Download & Play	Streaming / Download

Viewing Device

Survey background

The Accenture and Economist Intelligence Unit’s second semi- annual IPTV survey:

Based on poll of 341 executives from communications, high tech and media and entertainment companies involved in or close to the IPTV business

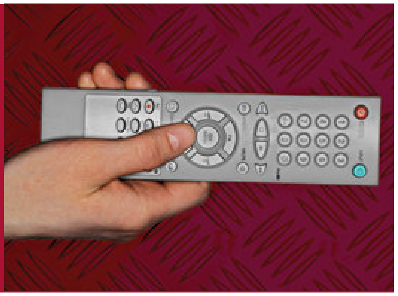
Global in scope:

- Survey was extended to 46 countries in three regions.
  - 35% in Europe; 33% in the Americas; and, 32% in Asia Pacific

Respondent demographics:

- C-level executives such as CEOs, CIOs and CFOs represented 46%
- Senior managers such as heads of business units and directors of marketing or planning represented 54%

Survey key findings



1. Business confidence in IPTV is on the rise

2. Targeted advertising is seen as the principle IPTV revenue source, followed by premium content subscriptions

3. Few industry players expect IPTV to immediately drive profit growth; rather, securing new revenue streams and new customers are viewed as the chief benefits of IPTV

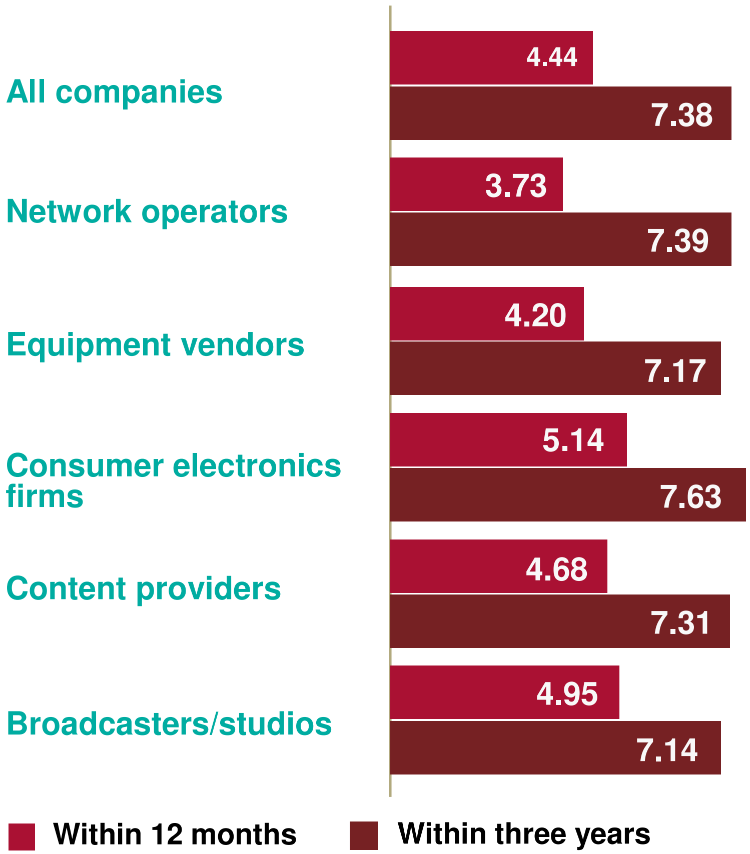
4. Consumer understanding of IPTV and its benefits consistently ranks as one of the biggest challenges to market adoption

5. Quality-of-service problems are seen as the largest obstacle to consumer adoption of IPTV over the next 12 months

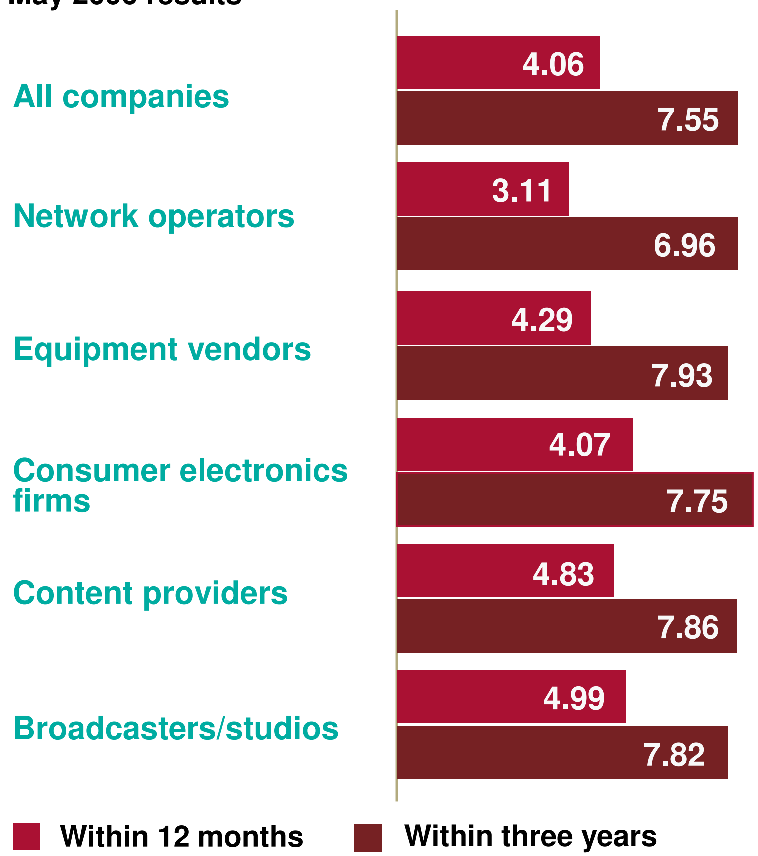
Revenue outlook: Confidence is on the rise

Comparison of short- and long-term IPTV confidence index*

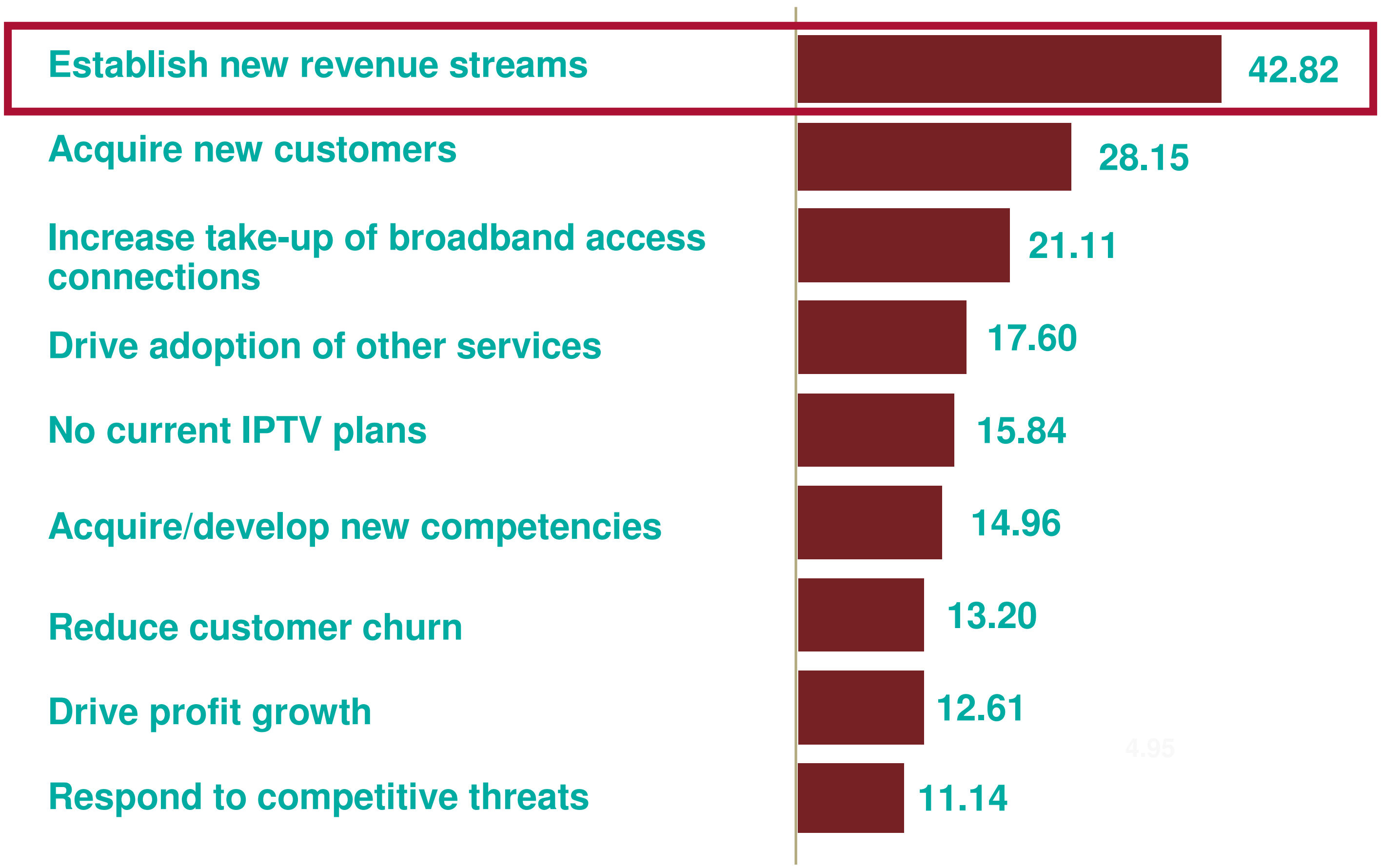
October 2006 results



May 2006 results



Creating new revenue streams is the main reason for getting into IPTV



Premium content subscriptions are seen as the main revenue driver

Principal IPTV revenue sources	Minor source of revenue	Moderate source of revenue	Major source of revenue
Network access fees	44.58%	39.94%	15.48%
Subscription fees for basic content	32.83%	40.36%	26.81%
Subscription fees for premium content	15.55%	44.21%	40.24%
Pay per view or action	19.06%	52.50%	28.44%
Advertising - mass market	30.51%	39.88%	29.61%
Advertising - targeted	16.11%	37.39%	46.50%

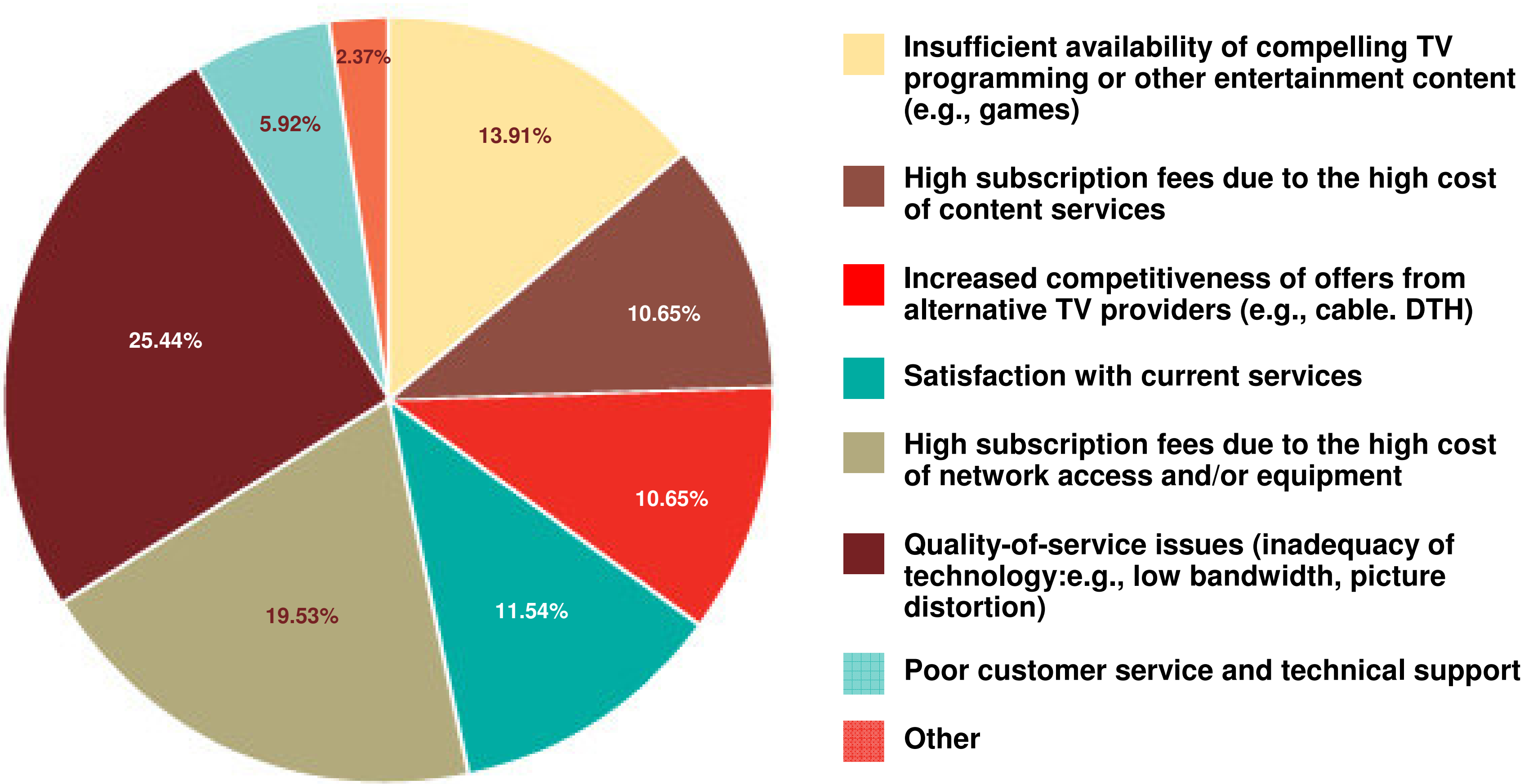
Revenue outlook:
Mixed short-term but confident long-term

- Longer-term revenue outlook for IPTV (within three years) remains strong, though down just slightly from the previous survey.
- Executive confidence remains unchanged with 60 percent of executives confident or very confident that IPTV will generate significant revenues within a three-year period.
- Confidence in the short-term revenue outlook for IPTV (i.e., within 12 months) remains mixed.

Challenges and obstacles:
Anemic customer proposition

- The customer proposition remains the least developed part of the IPTV business.
- Customer understanding of IPTV offerings is perceived by executives to be low, and operators' marketing and pricing strategies are relatively undeveloped.
- Quality-of-service problems are seen as the largest obstacle to consumer adoption of IPTV over the next year. These problems should recede in the longer term, however.

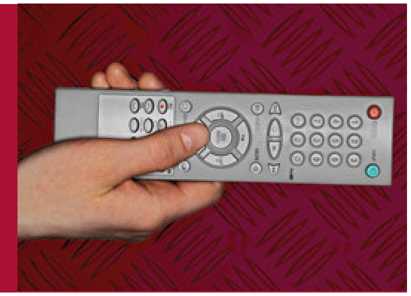
Challenges and obstacles: IPTV quality-of-service



Technology is not seen as the main challenge

Aspects of IPTV business	Not ready	Developing, but incomplete	Ready
Content provision	16.82%	57.06%	26.13%
Development of unified standards	40.79%	46.22%	12.99%
Marketing and pricing strategy	37.61%	47.76%	14.63%
Operational capability	23.12%	53.45%	23.42%
Transparent regulation	56.46%	36.04%	7.51%
Customer understanding of product proposition	48.19%	40.36%	11.45%
Access and head-end technology	20.18%	55.72%	24.10%
Set-top box technology	15.81%	53.19%	31.00%
Transport network technology	15.36%	48.19%	36.45%
Software & video platform technology	13.90%	51.36%	34.74%

Challenges and obstacles: Alternative provider competition is top near-term obstacle



In three years' time, what do you expect will be the single biggest obstacle of IPTV adoption by households?	
Insufficient availability of compelling TV programming or other entertainment content (e.g., games)	12.09%
High subscription fees due to the cost of network access and/or equipment	9.73%
High subscription fees due to the high cost of content and services	12.68%
Quality-of-service issues (inadequacy of technology: e.g., cable, DTH)	14.45%
Increased competitiveness of offers from alternative TV providers (e.g., cable, DTH)	34.22%
Poor customer service and technical support	7.67%
Satisfaction with current services	7.08%
Other, please specify	2.06%

Accenture conclusions: Partnerships

- **Few industry players expect IPTV to drive profit growth at their firms.**
- **Formation of content partnerships should be the top priority.**

Accenture conclusions:
Caution in the short-term

- People tend to overestimate what can be done short term and to underestimate what can be done long term.
- Caution in the short term is good advice when it comes to IPTV.

General conclusions

- IPTV has the potential to be a significant new product for operators, content owners and solution providers.
- The business case for IPTV remains attractive when treated as part of a portfolio of services.
- Industry players, especially network operators, are wise to ‘walk before you run’ in terms of complexity of services they offer.
- IPTV will most likely be the most complex service with the lowest gross margin.
- It is vital during the formative period to keep initial IPTV costs as low as possible.
- A degree of caution and careful planning is appropriate.
- The cornerstone of a TV service will be availability of compelling TV programs that are transmitted reliably.
- Conclusion: Long-term vision, short-term practicality.

Thank you!

For more information about Accenture IPTV solutions, please send an e-mail to:

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www.accenture.com/iptv