



CORPORATE NEWS

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TV shopping in Russia. Trends and aspects of business.

By Konstantin Vitkin, Spectr-Optim Ltd. Head MNTV of Russia, Belarus & Kazakhstan

TV shopping in Russia has been in existence since the early 1990's. In this article I would like to tell about the basic Russian and CIS TV shopping trends.

TV shopping Companies in Russia and CIS countries.

The first is Studio Moderna, known in Russia under the television trade mark "Top Shop".

Today Top Shop which operates in twenty countries throughout Eastern & Central Europe is the most known trade mark of television sales. Established in 1992 in Slovenia, Studio Moderna entered the Russian market in 2002 and successfully continues to grow & develop, having organized in Moscow the Russian company Studio Moderna Ltd. (www.top-shop.ru), started their Ukraine operations in 2003. They are not limited to sales via TV and offer to Russian businessman a franchising scheme: deals with retail shops under the brand names Top Shop and/or Dormeo. Linea Directa Communications is another part of the Studio Moderna Group and specializes in multi-territory direct marketing communication (with Customer Management Centers and fulfillment houses) across the entire CEE region including Russia.

TV Club started to broadcast their own satellite channel TVclub - the first 24 hours tv shopping commercial television channel in Russia in November of 1995. Channel TVclub is a successful tv shopping, with own label "not rising from my

favourite sofa, not coming off from a computer". Orders are accepted through their own call-center and web-site (www.tv-club.ru). The channel operates recorded DRTV programmes with over 70 products serving consumers of all age groups with various interests. A variety of headings and thematic programs. The other label is "Purchases without risk - the exchange and return of the goods is possible within 14 days".

Channel TVclub today have thematic programs, infomercials and develop their own branded goods.

The company "Television Marketing Programs", Russia (television trade mark TELESHOP: www.teleshop.ru), was one of the first western companies in the Russian market and offers a wide range of innovative and "new" goods from across the world. Their products are well known in the European TV shop market with best selling products such as Sewing Express & Slim Shoe Drawer. The company has also started to open shops in Moscow under the brand "JML & TELESHOP".

TVCyberLab a Russian company has gone further and has developed quality software solutions needed by Digital Video broadcasters, TV shop operators, content providers and manufacturers of set-top boxes and other Digital TV consumer equipment. TVCyberLab Limited is a privately owned company founded at the beginning of 2005 by a group of experienced professionals with expertise in software engineering and marketing with various backgrounds. By

working in partnership with the leaders in the TV industry they have designed and developed industry leading Interactive TV applications.

The Teleshopping market continues to grow as more and more homes are reached and consumers enjoy greater disposable income. There is also room for several smaller scaled companies which present on one or several regional TV channels and sales volumes are limited.

The MN Holding partnership with Happigo TV (2007 sales of approx. \$300m USD) in Hunan, China is interesting.

The project will enhance existing sales for European luxury goods via TV shopping in the region.

In the given project the following details are remarkable:

- A). Reach & Availability: Any can buy luxury goods (Not only citizens of big towns);
- B). Authenticity: TV luxury shop together with the European manufacturers guarantees, that the goods which is bought on Happigo TV are really made in Europe.
- C). Value: Attractive pricing of goods on TV as compared to the shop.

In my opinion, the successful experience of selling European luxury goods in China via a TV shopping channel is indeed able to be transferred to the rapidly growing wealth market in Russia and throughout the CIS countries. Especially if we take into account how difficult it is to identify authentic goods from counterfeit. For example, in a Moscow boutiques no one can tell a real Armani from "Armani from South Asia". One more reason to consider this luxury TV sales format is that today in Russia there is no TV luxury shops. The famous business rule applies "who enters into a market the first and/or with new ideas, wins". There is great potential in the Russian and Eastern European market and MNTV will establish a very successful business here.

Financial Forecast MNH

Thanks to acquisitions of various companies this year, MNH just released consolidated forecasts for Y1 activity, revenues would exceed 33 million euros including VOD in Europe, TV shopping in China, Software Licensing, Equity stakes in EIP (film production) and MNTV. The key elements of our business model relies on business ready to go: R&D, business development, Networks and clients have been prepared since two years with a low cost development tool as soon as we have mutualized overheads and risks: The VOD platform, the contracts with Chinese TV, The software development, films already in post production give MNH reasons to believe in strong forecasts with low liabilities. These numbers give MNH an enterprise value Y+1 at 120 Million euros calculated on a Price/sales of 4, the average comparative ratio in the Communication / TMT sector (cf Bloomberg). If we consider a 20% gross margin or earnings we could expect a PER Y+1 of 17 (average ratio again). Such a PER shall bring the share price at 0.25 euro mid term allowing a market cap of 125 Million euros (revenues X 4).



Advertising Has to Change

- Part One

by Budd Margolis Head of e-Commerce and TV shopping

Advertising is impacted by new technology and consumers are changing their habit and Advertisers have to develop new ways of thinking about consumers to benefit and survive.

America's Fox TV recently announced that they were working towards less and shorter ad breaks because the public were fed up with the constant interruptions. In the land of Tivo and Sky+ (personal HD recorders) where ads are regularly skipped over, product placement has grown steadily. That trend will begin to expand rapidly as placement regulations throughout the EU loosen up a bit. People are on the internet more but are also watching and file sharing. TV streaming and TV channels now have their own web based replay systems such as the BBC's iPlayer- which has had enormous success. And watching recorded and live TV over mobile is finally starting to impact viewers' behavior.

The viewer is empowered and has more choice than ever before while the advertiser no longer works with monopoly controlled media outlets; they have to reach them on every available platform and create a benefit for the viewer or lose them. But what is the benefit of sticking ads onto web-streamed content as some channels such as the UK's ITV does? Thankfully, they keep it short but sponsored programmes often have two bumpers positioned next to each other at the breaks, which is a poor viewing experience. Some get it, some obviously are still stuck in "old school" thinking patterns. What is demanded is a real benefit of value, you watch & you gain. Instead of selling shows why not share ad revenues or provide airline bonus miles. Give a real incentive and you can gain a loyal viewer who will reward the channel with their loyal custom. If I am going to watch an ad I want to gain more than the branded message, I want a present. A minute of ad for a minute of talk on my mobile or how about a mile per hour on British Airways?

You see, we have come to a point when the stations are so numerous, the technology platforms so ubiquitous and growing to mass adaptation, that if the advertising world does not respond and get creative and make this fun and rewarding they will lose out to the world of digital advertising. Google & Yahoo will dominate the ad world and TV will be streamed into a secondary role. It is possible and now that we are reaching digital convergence and have much better statistical

quantification, we not only know what viewers watch but what they want.

For Motion Network to be successful we have to keep on top of trends and consumer patterns. Marketing and advertising is a creative environment and has to adapt to the real world in order to be effective and provide advertisers with a measurable result and consumers with an enjoyable viewing experience. If the viewers can also realize the benefit then the enjoyment will be recognized.

When American Idol is screened in the UK, we see the Coke glasses blurred so as not to break the regulatory rules about product placement. The digital world will make it technically possible to change product placement depending upon the viewer's demographic profile in the next few years. Billboards could change to an ad base upon the cellphone profile data of cars in the area or of those about to walk by an urban street ad. Providing useful information, which sits alongside advertising, is an old method we see used very effectively on internet browser and social sites. What if a sign told you a friend was nearby and Starbucks would discount your coffees if you met up. Consumers are demanding to know about the quality of product, customer service and green credentials. The consumer of the now near future will watch when they want to watch. We are well beyond channel surfing and they do not have to watch your advertisement. The modern customer is saying you can have my custom but on my terms. Take my hard earned money but you had better be prepared to honor and respect me. Give me good value and great service, quality and convenience and do not take advantage of our relationship. You have to give me a benefit and its got to be worth while. My time is valuable and I make the decisions. So, how does a company deal with this attitude? Extremely carefully for failure here means limited opportunities for growth. The often-banded term "customer centricity" is just as frequently misunderstood. Many companies believe they are uniquely customer-centric. Often I find companies have not connected properly with their customers but think sales are the sole measure of success. Actually, repeat custom, loyalty and measured and appropriate communication is the key. Knowing your customer takes more than database analysis and target group surveys. The key is being close to the consumer, feeling their situation and never imagining that you can represent the customer's feelings. You may buy but their lifestyle is always going to be different.

The future mantra then for the ad world will be to measure results and develop a

relationship built on trust. To achieve success they will need to keep the message simple & immediate, reward and target consumer's interests and make it relevant. Think of the customer instead of the product, their enjoyment and use, how to win their trust instead of immediate profit and growth.

The challenge for the Motion Network Group is that we have to work harder, be smarter, more creative and we have to understand what the mass market wants. In a difficult economy we have to think of new and better systems to deliver satisfaction. Motion Network has to consider how to do this for a global market. It is not enough just to broadcast, one has to target, analyze, improve and maximize results. The trend is for more channels and delivery platforms as well as greater competition for eyeballs and their pocketbook. A worthy challenge with great rewards for Motion Network if we can get it right. Knowing what the problem is already puts us ahead of the game.

TV European Financial Forecast TV shopping

Here we are, Antetime, a MNH subsidiary company and Hunan TV starts TV shopping the second week of September with jewellery Products from the brand "Elle", Antetime will start a weekly show with orders not exceeding 100 000 euros with a 20% gross margin, the killer application is that we will never have enough products to supply audience's requests. Whether the show is successful in terms of Audience, orders will increase by 20% every week. Products offered are European brands from ready to wear to luxury goods. We know how much Chinese love great European brands, we also know that the middle class of China represents today 400 million people. Hunan TV shopping business is growing 100% every year and relies on Antetime show to forecast the same growth. Antetime revenues expected for Y1 activity is 5 M euros, Antetime should reach an EBIT of 1 Million euro.

Share Info
Motion Network Holding plc
WKN: A0M910
ISIN: GB00B291K520
Symbol: HORA
Frankfurt Stock Exchange
Stuttgart Stock Exchange
Xetra



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