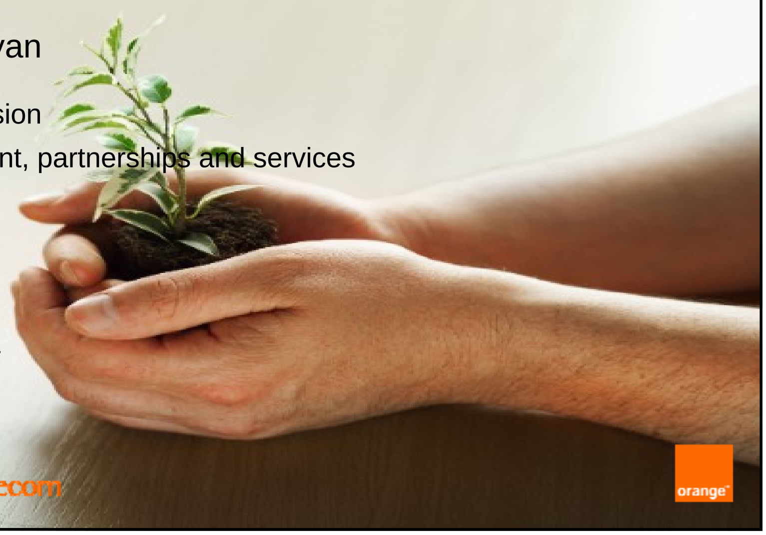
mobile TV strategy and update

Hervé Payan

content division

vice president, partnerships and services



april 5th, 2007

france telecom

orange

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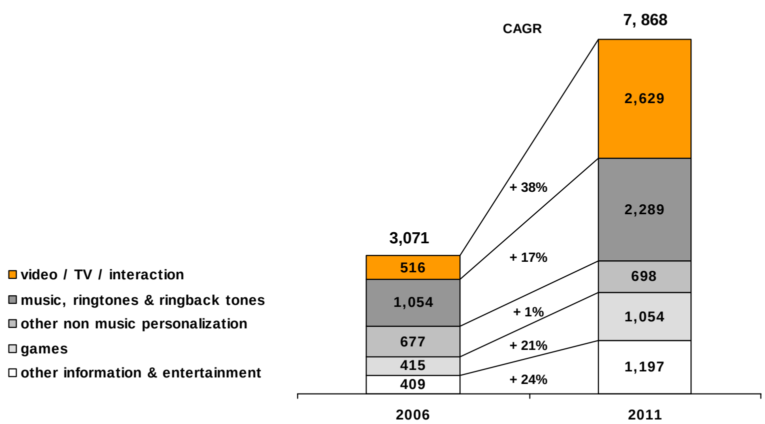
why mobile TV (live TV and VOD) ?

market	➔ network technology, such as UMTS and Edge, allow the delivery of live TV signals straight to consumers ➔ Edge and UMTS networks respectively cover 95% and 60% of the population in France, with similar coverage in many European countries
customer benefits	➔ instant access to news and entertainment (music videos, humour, charm) on the move ➔ never miss a program ➔ individual consumption at home ➔ all age groups targeted
partner benefits	➔ additional TV and VOD usage ➔ new revenues from short formats on demand ➔ expected advertising revenues when mass-market penetration achieved
FT benefits	➔ facilitate customer acquisition ➔ improve ARPU from subscriptions, usage and advertising

➔ a win - win proposal for customers, partners & FT

market outlook : mobile TV revenues multiplied by 5 over the next 5 years

western european* mobile content sales (in M€)



source : Jupiter Research (11/2006)

➔ **mobile TV is growing fast and on its way to become 1st content category by 2011**

* Germany, Austria, Switzerland, UK, Ireland, Sweden, Denmark, Norway, Finland, Netherlands, Belgium, France, Italy, Spain, Portugal, Greece

mobile TV is part of our 'content everywhere' strategy
France example

✓stand-alone profitability

✓acquisition & retention of customers

✓enrichment of our marketing and communications plans

PC

- VOD on PC since 2002
- live TV planned to be launched in 2007

mobile

- 60 live channels
- 3,000 short videos, with 500 new ones each week

TV

- 577K IPTV customers
- 42 channels + all TNT channels in basic bouquet
- 200 channels in premium bouquets
- More than 2,500 films on VOD
- more than 5,000 TV programs on VOD

➔ marketing of network- and terminal-agnostic "TV everywhere" usage

our position in the value chain

build offer

create and produce content
- create, perform
- hire creators, performers

publish content
- publish content services

with partners

aggregate content
- package content services into offer
- protect content and compensate rights owners (DRM)

deliver offer

networks operations
- build and operate networks

content access and delivery
- manage user content experience accross networks
- manage conditional access
- manage decoding
- provide non-comoditized end-user devices (hardware and software)
- manage home networking

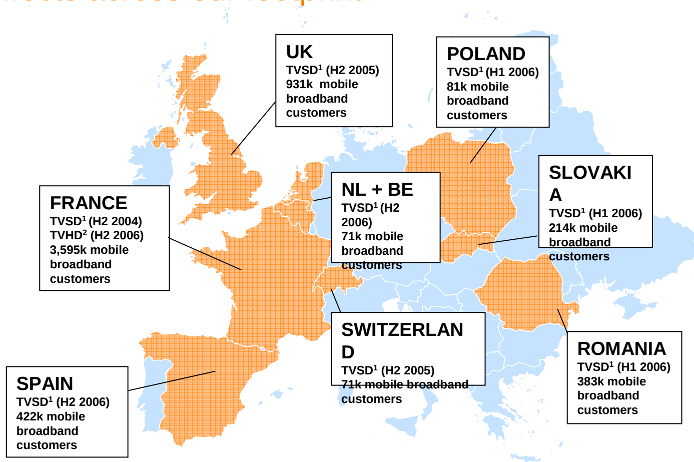
manage customer relationships

marketing and selling
- off-line and on-line marketing, merchandising and selling
- community management

customer care
- invoicing
- billing
- maintenance

➔ we are leveraging existing assets (retail, brand, network, customer management) and developing new skills in content partnerships and content management to offer our customers innovative services

leveraging our experience in France and benefiting from scale effects across our footprint



[1] Standard Definition TV (QCIF, 176*144)
[2] High Definition TV (QVGA, 320*240)

Note : all subscriber data are as of end of 2006

Mobile TV also offered in
- Jordan
- Dominican Republic
- Egypt
- Portugal

➔ 5.8 million Orange customers in Europe can access Mobile TV

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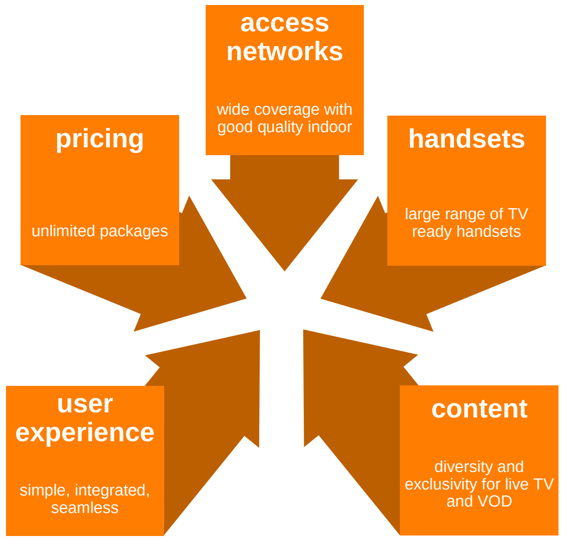
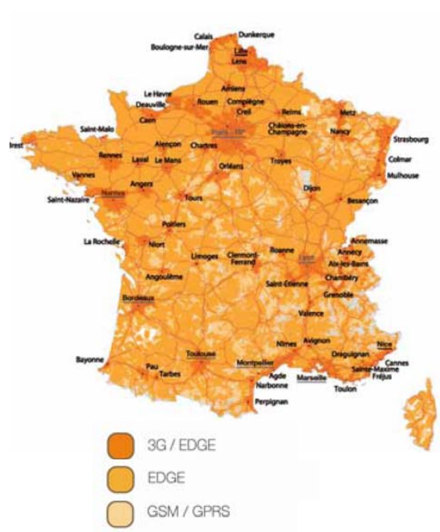
key success factor for mobile TV



largest and most cost efficient high speed coverage through complementary networks

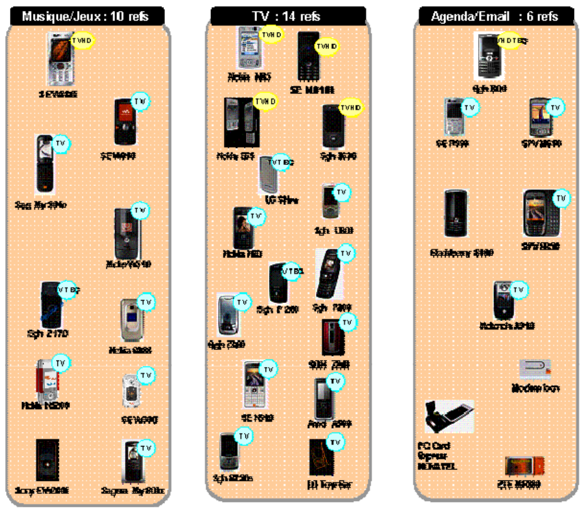
- the largest mobile broadband network in France

3G+ (1,8 Mbps)	launched in sept. 06, covering ~20% of population (mostly in dense areas) and increasing
3G (384 kbps)	launched in sept. 04, covering ~60% of the population
EDGE (160 kbps)	launched in april 2005, covering ~95% of the population



➔ 95% of population can receive SD mobile TV (50-100 kbps), and 60% HD mobile TV (250 kbps)

TV accessibility is now a standard feature in all broadband handsets

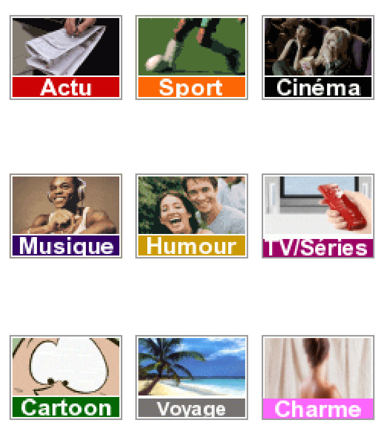


➔ 3.6 million customers in France already equipped with a TV ready handset

OrangeWorld in France is one of the world largest live TV / VOD portal

60 live TV channels

3,000 short videos, with 500 new ones each week



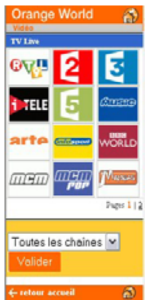
➔ breadth and depth of content are key drivers of usage

a user-friendly interface interface

➔ thanks to the Orange TV player, watching TV on mobile is simple and easy

in France, offer has constantly improved over the last 2 years

dec. 04	june 05	june 06	nov. 06
3G launch of mobile TV services	**EDGE** service is available to nearly 90% of population	launch of unlimited TV multimedia options	launch of HD mobile TV



€ 6 month for ≈10 mn

€ 6 / month for ≈10 mn and unlimited TV usage on week-ends

€ 6 to 12 / month for 7/24 unlimited TV usage

- Improved viewing quality through crisper and more fluid images
- richer video stream (encoding rate at 250 kbs / MPEG4)
- QVGA screen (320 * 240 pixels)

➔ Orange France was 1st to introduce unlimited packages, and was followed by competitors

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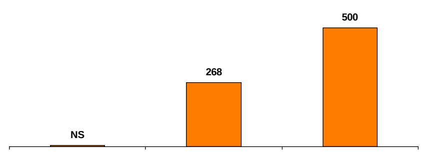
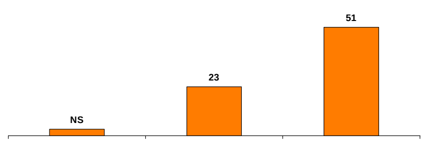
in France, usage has increased in sync with improvements in offer

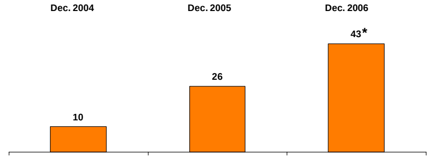
number of monthly TV / VOD active customers in France (thousand, end of year)



number of monthly TV / VOD sessions in France (million per year)



average TV usage per user in France (mn / month)



* 120 mn / month for unlimited TV subscribers

➔ mobile TV is a unique selling proposition for 3G, with 56% of mobile TV active customers on 3G aged 35+ (May 2006)

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mobile TV by Orange UK — highlights

→ launched in **H2 2005**

Live TV	VOD
→ accessible to **931** K 3G subscribers, end of 2006 → **29** channels and **6** radio stations sold for – **£10** per month (including traffic) i.e. '**Max pack**' (or 4 smaller themed packs for **£5** per month) – or **40p** per minute → **Sky**- and **MobiTV**-aggregated TV services giving access to 16 other channels for **£7** per month	→ accessible to **4.8 m** GPRS and 3G subscribers, end of 2006 → selected VOD available at **no charge** within TV pack subscription → **25,000** videos available through OrangeWorld (free or up to **£3.50**) covering sports, news, music videos, film, TV show highlights, comedy, cartoons and glamour

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mobile TV by Orange Spain — highlights

→ launched in **november 2006**
→ accessible to **422 K** 3G mobile clients, end of 2006

Live TV	VOD
→ pack of **9 channels**, at **€6** per month or **€0.50** per minute → additional channels (MTV, TV3 de Catalunya, Playboy, Blue) available at **€0.50** per minute → live events distribution : broadcasting of three UEFA Football Matches, all of them sponsored, and two on a pay-to-access model (**€0.90** per access)	→ 11 sections under well-known TV market brand → more than 120 videos of 5 mn in average, from **€0.60** to **€1.20**. → agreements with main Spanish TV channels to distribute small pieces of their content : Cuatro, Tele5, CNN+, Canal+ → new advertising and sponsorship models related with audiovisual contents on mobile : Heineken, Cepsa, Amstel, etc.

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we are continuously striving to improve customer experience

good coverage, including indoor, with adequate network service	→ mobile TV is expected to be available anywhere : at home, at work, in public transportation, in the street, in a car, at friends' place, etc. → as usage increases, 3G network traffic for high audience channels can be off-loaded to brodcast networks, such as DVB-H
ease of use	→ access to content is expected to be as user friendly and immediate as when using a remote control with traditional TV → zapping experience with traditional TV should be replicated on mobile TV
access to same content as on traditional TV and the Internet	→ content available on traditional TV (large audience channels, long format VOD programs) and on the Internet (User Generated Content, etc.) is expected to be also available on mobile
personalized experience	→ at home, mobile TV usage does not overlap with traditional TV usage, but creates a new, more personal, experience in watching TV → customer expect personalized sugestions for content viewing, based on own profile inferred from past behavior

→ meeting those expectations will be key to unlock usage and achieve mass market status for the benefit of all market participants

our vision for mass market mobile TV : content

- ➔ several hundreds live TV channels (including DVB-H)
- ➔ user generated content
- ➔ personnalized channels
- ➔ short-format, series and long-format on VOD

➔ from trailer to full-length feature film

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our vision for mass market mobile TV: network access

EDGE / 3G / 3G+	Wifi / UMA	DVB-H
➔ unlimited number of channels ➔ VOD ➔ interactive services		➔ unlimited number of simultaneous viewers ➔ limited (~15/20) number of non-interactive channels
➔ large coverage, with 60% of population covered in HD mobile TV end of 2006	➔ Orange Wifi access with 3M Livebox and 30k Hotspots being planned	➔ limited coverage : max. 30% of population covered before 2012 ➔ investment required in antennas

➔ improving mobile TV coverage, including indoor, with seamless switching between best-of-breed networks, is our 1st priority

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our vision for mass market mobile TV : seamless handover across networks

a large TV offer with hundreds of channels and thousands of VOD

One single techno-agnostic service plan giving access to hundreds of TV channels and to VOD

DVB-H channels

\+

EDGE/3G channels

and VOD

single 3G/DVB-H coverage means 60 % population coverage at launch

Single cellular & DVB-H coverage promise

3G

3G+

\+

DVB-H network
Paris / Bordeaux for soft launch and a few cities for commercial launch

60 % population coverage

< 30 % population coverage

= mobile HD TV quality available for 60 % of population in France

➔ customers will choose Orange for mobile TV services because of its large TV channels and content offer and its extensive HD quality population coverage

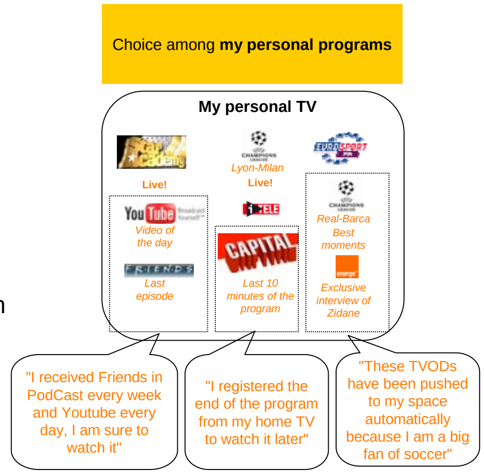
our vision for mass market mobile TV : tremendous improvement by 2010-2012 for mid-range handsets (€200)

screen	**handsets will have 16:9 screens, improved resolution (VGA), and colour richness (16 M colours)**
battery	**lighter and more environment-friendly batteries on the market, with approx. 50% power gain**
storage	**approx. 4 GB of flash memory plus additional removable memory cards (above 4 GB)**
processor	**multiple processors with an aggregate speed of 1Ghz**
camera	**high resolution sensors (5 M pixels) and lenses (optical zoom) for User Generated Content capture and upload to user blogs**

➔ enriched user experience will spur mobile TV usage

our vision for mass market mobile TV : customization

- ✓ preferences in terms of content
  - – pre-selection of live programs according to user preferences
  - – push of targeted VOD links
  - – subscription to specific content (e.g. TV series)
- ✓ flexibility of use
  - – access to recorded videos (from home TV or mobile TV)
- ✓ community
  - – share with friends



→ delivering the promise of "my personal TV".

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our vision for mass market mobile TV : access to video user generated content (UGC)

- ✓ UGC appeals to many segments – especially younger ones with mobile phones
- ✓ we will offer both distribution and upload services for video UGC
- ✓ video UGC will be distributed via multiple ways on mobile
  1. A dedicated editorialized Orange UGC channel on the TV-VoD portal
  2. Thematic UGC video clips presented within the traditional Mobile TV portal from various UGC partners.
  3. Third parties' social networking sites enabled for video delivery through OrangeWorld (Mobile Open Communities)

→ end-to-end consumer proposition: from video being uploaded via mobile phones to distribution via our Internet, IPTV and mobile portals.

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our vision for mass market mobile TV : revenue model

additional content

unlimited TV subscription

pay as you go

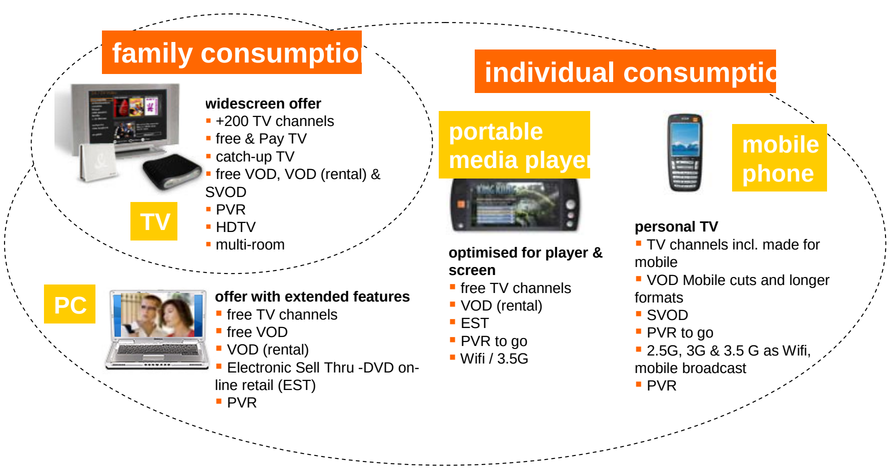
advertising

paid by end-users

paid by marketers

➔ end-user payment and advertising are the two sources of revenues for Orange

our vision for mass market mobile TV : cross-platform content availability



➔ underlying Orange security systems

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marketing of network- and terminal-agnostic “TV everywhere” usage

- ✓ TV is one of the most effective to grow 3G usage
- ✓ the fully integrated operator capable of offering “content-everywhere” will enjoy a premium in the eyes of its customers
- ✓ scale effect on Orange footprint for cross-platform content deals and TV ready handset sourcing
- ✓ Orange achieved €400m content revenues in 2006 (in advance on its 2008 objective)
  - ✓ 70% from mobile
  - ✓ around 25% from mobile TV