

# new growth businesses

## content and audience

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June 25th, 2009



# today, the digital content and services-related industries generate close to 430 €bn in revenues in Western Europe

€bn, percent

revenues 07  
(CAGR 08-11)

EBITDA  
Margin 07

capex/  
rev 07

ROIC\*  
03-07

content  
(TV edition)



18 (3%)

17%

2%

23%

content  
(TV distribution)\*\*



54 (12%)

19%

4%

25%

services  
(Internet advertising)



9 (20%)

35%

12%

54%

networks



260 (1%)

32%

13%

11%

devices



89 (5%)

7-8%

2%

21%

\* return on invested capital (including goodwill) = EBITA / Invested capital

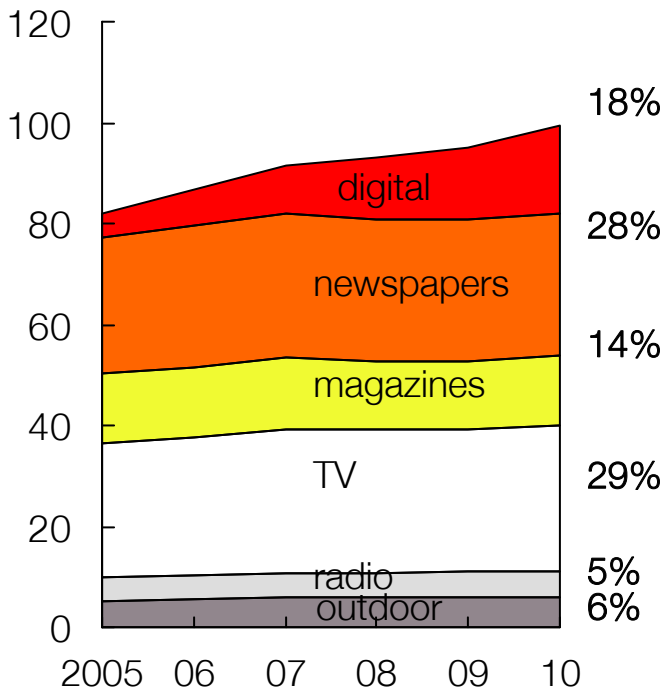
\*\* including advertising in pay TV channels

source: Gartner, Pyramid, PWC, company websites, McKinsey analysis

# revenue and profits pools increasingly drive towards digital distribution

by 2010, 18% of advertising is digital

total Western Europe advertising spend, € billion



CAGR  
2007-10  
%

3

21

-1

1

1

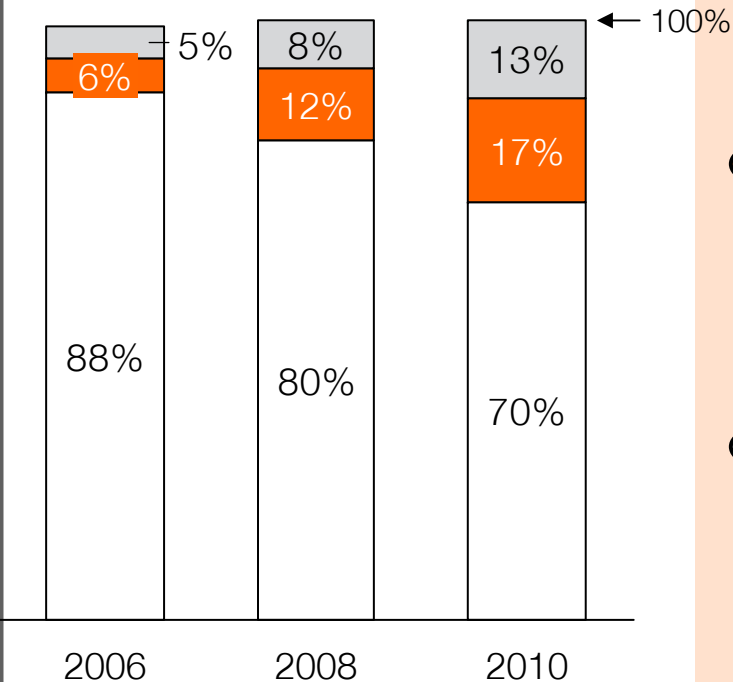
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by 2010, 30% of music is digital

global retail music sales, \$ billion

Mobile  
Digital  
Physical



CAGR  
2006-10  
%

15

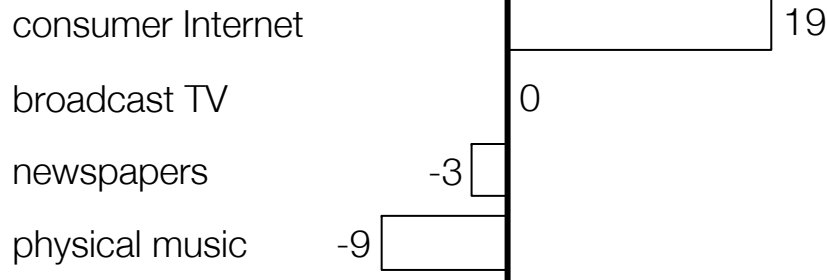
28

-10

# consumer preferences are shifting towards interactive services, 'on the go' usage and 'silver surfers'

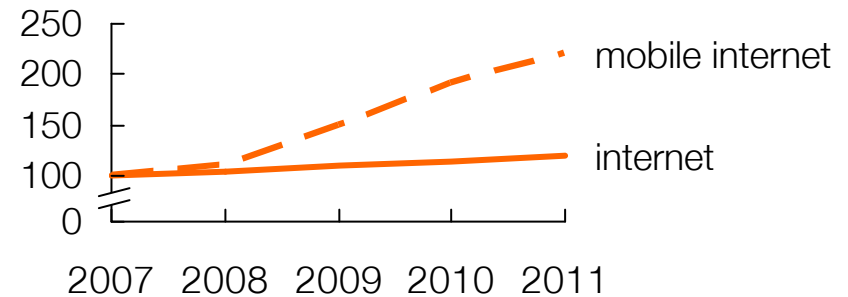
## more online

time spent, CAGR 04-09, percent



## more 'on the go'

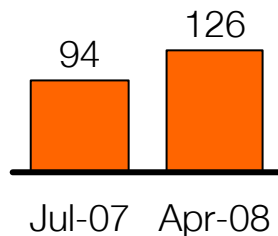
number of users in Europe; base 100 in 2007



## more interactive

minutes spent – bn

CAGR %



33

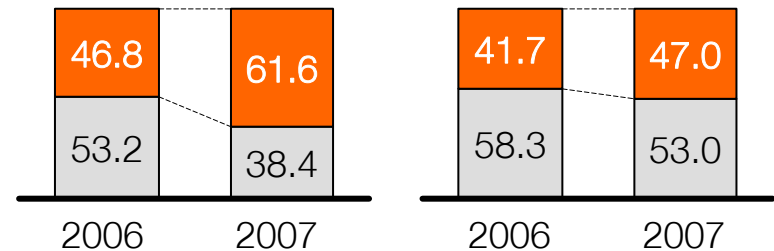
average global Internet

9

## more democratization

percent

35 and older



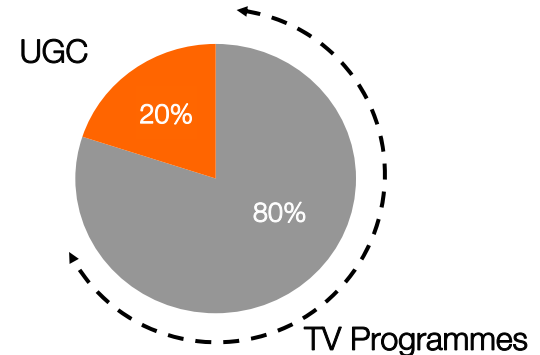
# interactive usages are evolving throughout the world, notably around TV premium content



- premium TV content:
  - Fox, ABC, CBS, NBC series: 24, Prison Break...
  - films from 20th Century Fox and Universal Pictures
- 6th most popular video-sharing site in the US in September 2008 :
  - 142 million views
  - 6.3 million unique users
  - 12 min per clip
- \$90m advertising revenues in 2008



- 2<sup>nd</sup> most popular video site in the UK
- 21 million views in April 2008
- 40 minutes per video
- 37% of users are aged 15-34



the most-viewed videos on Dailymotion - May 2007



- |                          |                 |
|--------------------------|-----------------|
| — Secret story           | — Rihanna       |
| — Olympique de Marseille | — Barack Obama  |
| — Plus belle la vie      | — Nouvelle Star |
| — Paris Saint Germain    | — Carla Bruni   |
| — Star Academy           | — Akon          |

the top 10 search terms on Yahoo! France In 2008

# interactive services allow the creation of new enhanced content offerings, revolutionising usages



- direct access to Parisian sporting events through Skysport with one click of the remote control
- in 2008, SkyBet generated revenues of €60m



- for Big Brother 5, 2.6 million votes out of a total 14 million were made via Sky remote controls



Microsoft

- broadcasting the Olympic games over the Internet
- users can choose:
  - between 4 camera angles
  - between simultaneous events
  - 900 cameras added by NBC
- real time statistics



Orange **sport**



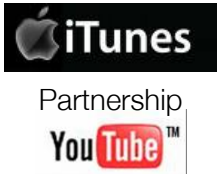


- supplementary content to the broadcast stream:
  - magazines, summaries, top saves, top goals, news
  - real time statistics
  - games (interactive quiz)

Orange **cinema series**

- supplementary content to the broadcast stream:
  - related to a specific theme
  - related to an actor or director
  - ...
- catch-up TV
- download to mobile device
- replay (during broadcast)

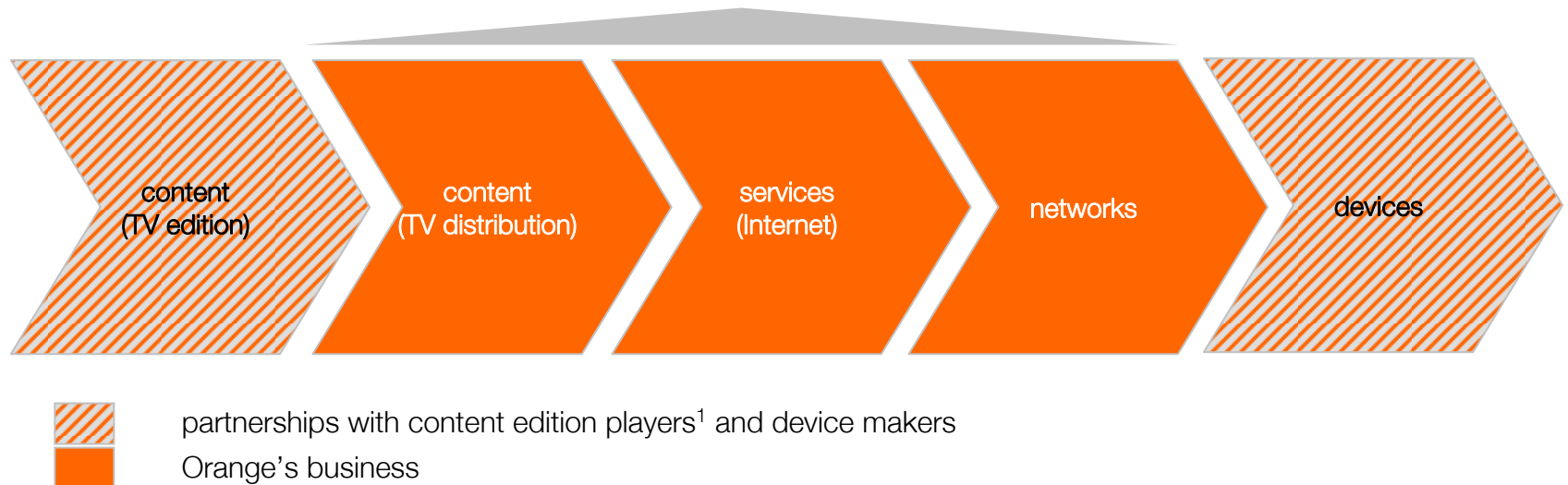
in the near future, combined networks will enable the creation of new content offerings which are entirely interactive via TV

# the industry is consolidating this convergence of content and services by investing throughout the value chain

	content (TV edition)	content (TV distribution)	services (Internet)	networks	devices
	 some exclusive channels for Comcast subscribers	24.6 million TV subscribers		14.4 million broadband subscribers	
	 exclusive channel for Verizon subscribers	1.4 million TV subscribers	Partnership 	8.3 million broadband subscribers	
	 exclusive video games for XboX customers	Partnerships 			
		 Partnership			
	 exclusive sport and films	9.2 million TV subscribers	Sky.com	2 million broadband subscribers	
		 exclusive VOD on connected TVs Viera			

# there are strong synergies between content, services and networks that pure players will have difficulties to capture





- 1 box for TV channels and interactive services / 1 bill with Internet-telephony services
- better market insight and know-how on interactive content
- more value added services / increased ARPU compared to low cost operators
- better capacity to provide TV, PC & mobile content experience
- increased interactive content delivery capacities through managed content delivery networks (today: streaming in eligible zones, progressive download in others...)
- shared in-store distribution capacities
- increased customer loyalty



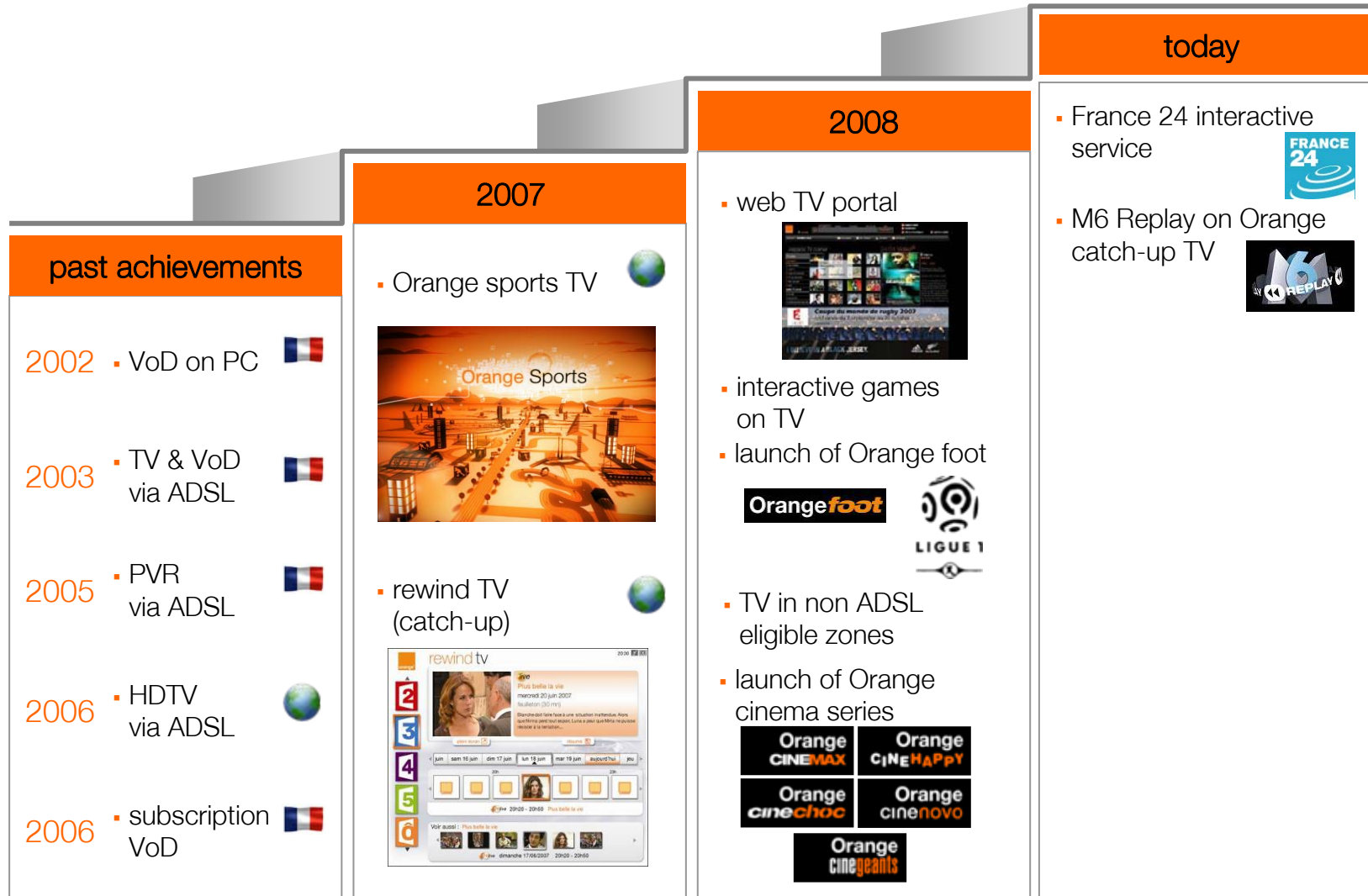
1) exception in France due to the pay TV monopolistic market



# Orange has strong assets to differentiate in the ecosystem

1		<b>Network &amp; technology</b>	<ul style="list-style-type: none"><li>Full control of customer uplink stream in our network</li><li>Servers (mail, web, portal...) &amp; services platform</li><li>Large scale fix and mobile network</li><li>1,7% yearly revenues invested in R&amp;D, 18 R&amp;D centers worldwide</li></ul>	<ul style="list-style-type: none"><li>Enabler of interactive end-to-end services</li><li>Agility to provide scalable and fit for purpose services across the three screens</li><li>Control over the data streams carrying content &amp; services</li></ul>
2		<b>Devices &amp; screens</b>	<ul style="list-style-type: none"><li>Centralized purchasing</li><li>Control of the screen interface</li></ul>	<ul style="list-style-type: none"><li>Standards maker</li><li>Ability to specify the Orange user experience</li></ul>
3		<b>Customer relationship</b>	<ul style="list-style-type: none"><li>122m mobile subscribers</li><li>13.2m broadband subscribers</li><li>~1,000 shops in France</li><li>portal/ Web audience: 3rd in France, 2nd in Poland, 5th in Spain</li><li>Extensive call center capabilities</li><li>Best in class CRM</li></ul>	<ul style="list-style-type: none"><li>Distribution power</li><li>Education of all segments, beyond early adopters</li><li>Fueling democratization</li><li>Customer profiling/ ID billing</li></ul>
4		<b>Market position</b>	<ul style="list-style-type: none"><li>Capacity to develop global and local partnership</li><li>Brand: 93% awareness in France 80% awareness in the UK</li></ul>	<ul style="list-style-type: none"><li>Third-party services suited to customer needs</li><li>Mass market penetration</li></ul>

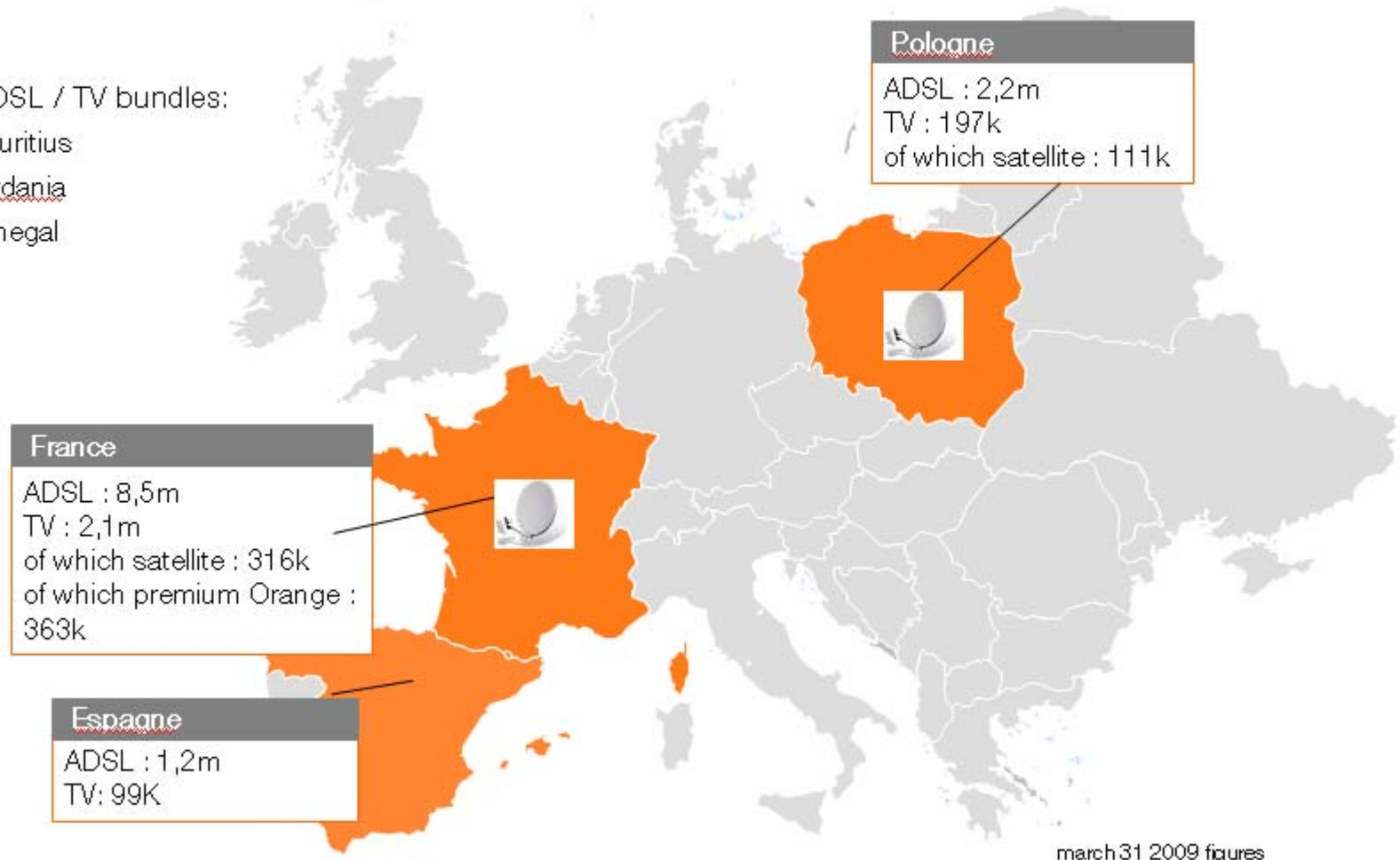
# Orange is a first mover in interactive TV innovations



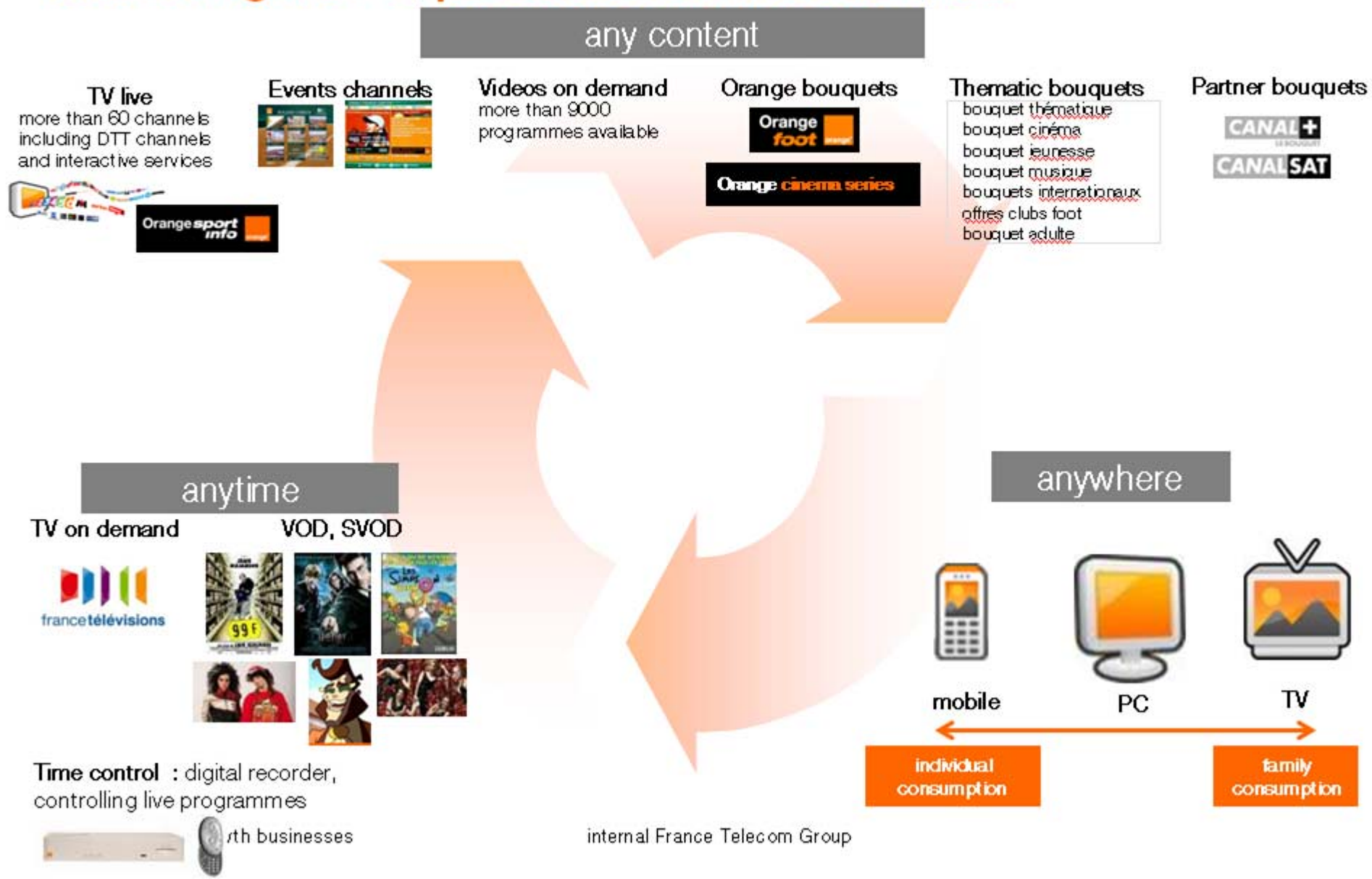
# our content strategy adapts to market conditions in each country

## ■ other ADSL / TV bundles:

- Mauritius
- Jordan
- Senegal



# our vision : to create an editorialised universe of content answering new expectations of the audience

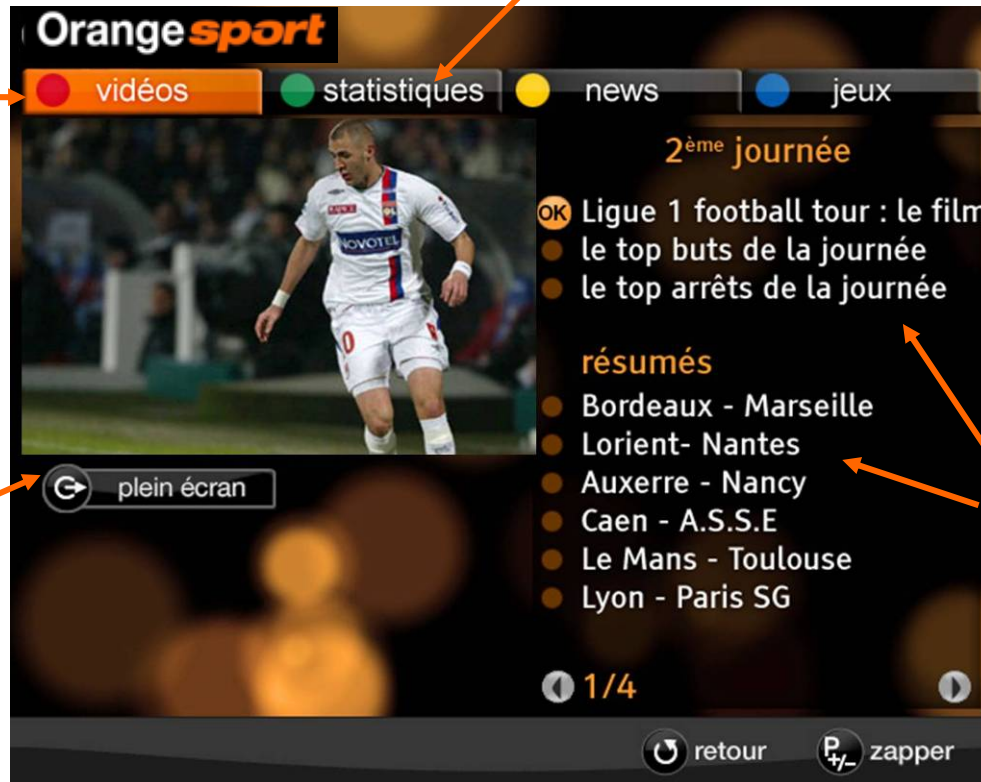




# Orange sport, a new way to enjoy sport on TV

Orange sport allows the viewer to go deeper into the analysis, the knowledge, the news and the entertainment around sports and live TV emotion... simply from the remote control

**Interactive band:** to reach the different headers, with the remote control

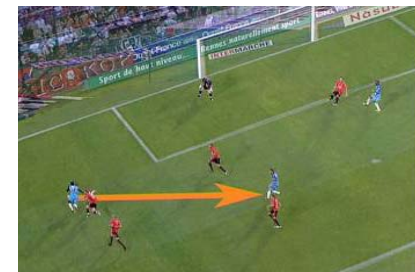


**display :**  
1/4 screen display with the full screen option.

**Statistics and analysis :**  
constantly updated during the match



**exclusive : Scanfoot**  
actions analysis tool in 3D



**On demand :**  
links to summaries, magazines, videos (best goals, best saves) and constantly updated news.



# Orange has leading positions in digital audience, being in Top 5 ranking in its main countries

1<sup>st</sup> European player, 1<sup>st</sup> Telco in web audience worldwide ranking

## France



- 1 - google
- 2 - microsoft
- 3 - orange
- 4 - pages jaunes
- 5 - iliad

Orange sites : orange.fr,  
118712.fr, voila.fr, GOA.com,  
cityvox.fr...

## Spain



- 1 - google
- 2 - microsoft
- 3 - telefonica
- 4 - yahoo!
- 5 - orange

Orange sites : orange.es,  
Ya.com, Rincon del Vago,  
Autocity.com,...

## Poland



- 1 - google
- 2 - orange (wirtualna polska)
- 3 - onet.pl
- 4 - nasza-klasa.pl
- 5 - allegro.pl

Orange sites : wp.pl  
(WirtualnaPolska) and orange.pl...



Source: Nielsen/Netratings as for FR, SP, orange analysis as for PL - July 08,

new growth businesses

internal France Telecom Group

# Orange has a strong know-how to generate audience by leveraging synergies from content partnerships, services and customer care & shop

## Services

Communication services  
(e.g.: Mail)

Publishing & Community services  
(e.g.: Mes Données)

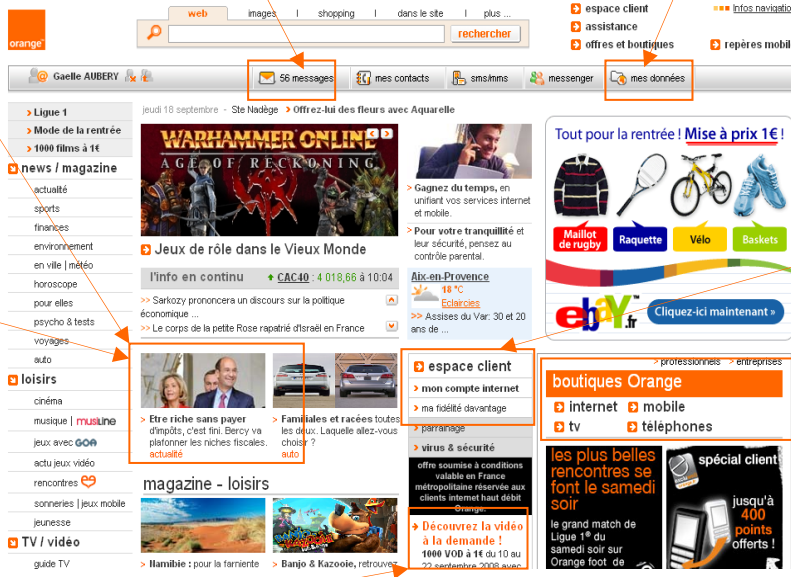
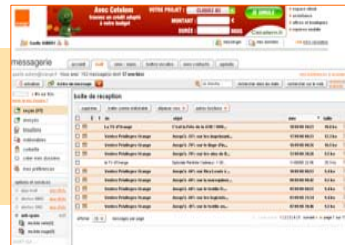
Media content  
(e.g.: News in partnerships with AFP)



Interactive channels  
(e.g.: Talk Orange – Le Figaro)



Premium content  
(e.g.: VoD)



eCare



eShop



Customer care & shop

Content

# interactive advertising facilitates matching between companies and consumers

TV spot with clickable banner



interactive channels with clickable banner



interactive web site on TV





# Orange has built its own ad network with a pan European scale

« best in class » advertising

Local ad network for ad display

**#1** in France\* (revenues)

**> 50** 3<sup>rd</sup> party websites, including premium brands, such as:



Orange ad network with **AD Europe**

**#1** premium european online ad network (% reach and number of countries), before MSN and Yahoo!

**30** countries

**160** million unique users\*\*

worldwide advertising

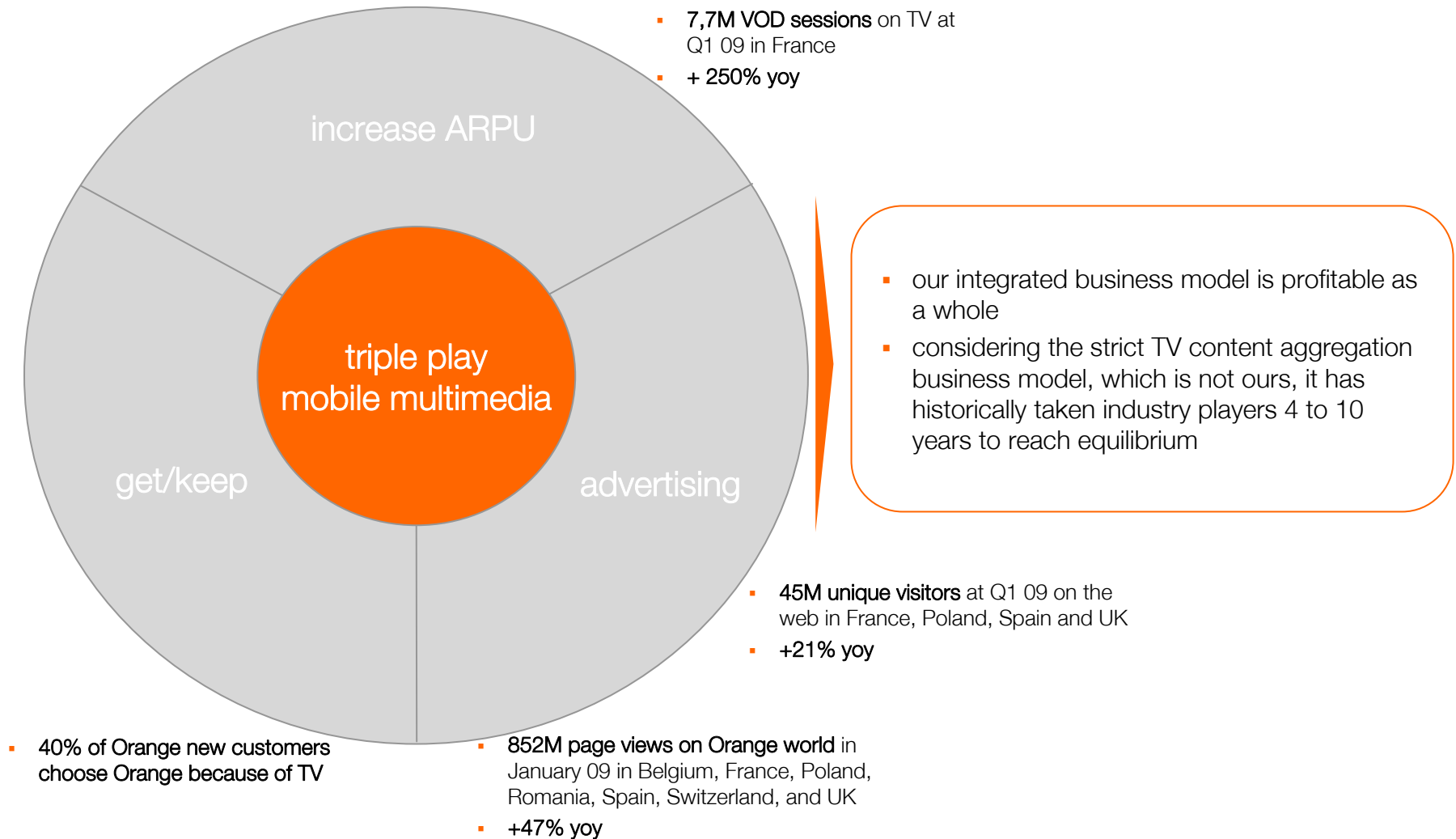
AD Europe partners are all top portals in their national markets



Strong presence as well in America, Africa and Asia



# content and audience will increase the return on our network investments through an integrated model



thank you

