



Cannes, 9 April 2008

## MIP TV 2008

### "Inventing a New Media TV Experience" conference

#### Didier Lombard's speech

First of all, let me say I am delighted to be here with you at this year's MIP TV event.

I'm sure that some of you are asking yourselves why I've come to MIP TV and what I have to tell you... After all, this is the first time a head of a telecommunications operator has given the keynote at MIP TV...

So let me get right to the point: I've come to tell you that... we were made for one another! I shall explain.

→ If we did not have access to your content, we would become a simple 'pipe seller'. But we are certain that our network can give far greater value to your content.

→ I like to say that content is the 'oxygen of our networks'. At the same time, I would like to try to show you our long-standing vision that our network can also provide you a little oxygen...

#### **I. First, let's start by putting an end to a false debate: have we become a media company?**

- We often get the question as to whether France Telecom-Orange has suddenly become a media company... forgive me but this question is passé! All that you have to do is look around – at social networks, blogs, wikis – to understand that everyone has become a media company!
- To each season, its own jargon. With time, we have given an almost legal meaning to 'media': what it is and what it isn't. Today, in the new melting pot of networks, services and content that we are entering, trying to distinguish between media and non-media is no longer relevant.
- Today, each individual can distribute in one form or another all kinds of content: text, music, video, etc. Consumers themselves are producing content and putting it online: the so-called user generated content, or UGC. Last year, in California, the amount of UGC for the first time surpassed the amount of traditional online content.

#### **II. What differentiates us today is that we have different assets, skills and approaches that can bring the best to customers.**

1/ For a long time, users simply wanted to get equipped: they wanted a television, they wanted a PC, they wanted a mobile phone. They also wanted bandwidth and all adverts were focused on it.

Thus, broadband is now a reality in Europe, even if there are still a number of issues and imbalances.

However, the figures speak for themselves.

- The penetration rate for ADSL and cable for instance, expressed as a percentage of the number of inhabitants in the Europe of 15, increased from 2.3% in 2002 to 20.8% in 2007 (ADSL = 80% of the total, source: Eurostat,) which yields a very high penetration rate as a percentage of households. Please note we don't have this rate for the Europe of 27 yet.





- Exactly the same situation can be seen with mobile broadband, where all operators have been generating strong sales of 3G mobiles for several quarters now. Indeed, 3G started slowly but today the mobile broadband race is on.

2/ At the same time, traditional television remains based on the old model of '1 to N', with one broadcaster and many listeners, the vestige of a time when there were only three or four channels available. While the broadcast regime has certainly evolved towards multi-channel via satellite or cable, it remains based on the same customer experience model, limited by its technology.

3/ Most users today have the connectivity and the screens they want, or at least sufficient to start benefitting fully from the digital world. My analysis, my vision, is that from now on they want two simple things:

→ one: to access quality content;

→ two: absolute and universal flexibility and interactivity: content where and when they want it.

- Being tied to a set programming schedule, or even several set schedules, no longer matches consumer expectations.
- They still want a programming offer, particularly of premium content. But they are asking for all this content to be available in a 'delinearized' manner, in other words in a way that can be fully personalized.  
Delinearization is what makes it possible to watch the content of their choice when and where they want, and no longer be tied to an imposed programming schedule – for instance Video On Demand or catch up TV that makes it possible to watch a show after it was broadcast.
- Furthermore, users want to personalise their access to content. We are in the age of the famous 'long tail', in which the consumption of content must be more and more individual. We have entered the era of 'N to N'.
- The other main request from our customers is to be able to benefit from a perfect ubiquity of service across their three screens – the PC, TV and mobile. They want to access all of their content on all three of their screens with the same user experience, the same interface and the same quality of service.

**III. Only telecoms networks can offer this flexibility and this interactivity, not only Orange networks but all networks. With our networks, users can truly access their ideal of communications: to be the living knot in a multitude of infinitely interconnected networks.**

However, this is not about pitting models against one another: While consumers are increasingly focused on personalized and flexible behavior, many of our customers still watch the same content at the same time, whether its the Saturday evening football match at 9 pm or the latest episode of a popular series.

The power of our networks in particular is that they are built to combine these two types of demands.

1/ To begin with, the telecoms network connects any user to any other user, and not only each user with a single, centralised resource. This makes all the difference between an electricity network or hydraulic network and a telecoms network. The connection is truly individualised, personalised: you can distinguish a user from his neighbour.

This is the main differentiating element of a telecoms network: the structure, the interconnection matches up exactly with this demand among customers for "N to N", for personalisation.





2/ Next, telecoms networks are interactive, ie they make it possible for all users, rather than being passive at the end of the line, instead to be an active – even “bubbling” - hub contributing to a multitude of networks: personal, social, cultural or professional networks.

Interactivity is the possibility for the customer to send instructions to the network, which then handles and responds to their requests, such as choosing a video on demand.

3/ Moreover, there are now all kinds of terminals for the telecoms network: TV, PC, telephone. Not just television. The customer is free to consume his where they want and when they want, and to transfer their content and information from one screen to another with complete simplicity.

4/ Last but not least, telecoms networks have exceptional speed for processing customer requests thanks to the intelligence of our networks.

- Indeed, the intelligent functions for routing and storing content are installed practically at the end of each street, and not in distant servers.

- It is this proximity of servers and customers that permits very quick reaction times, both for channel hopping and for the handling of requests such as Video On Demand.

→ It is therefore also an exceptional quality of service that a telecoms operator can offer as compared to a purely internet streaming service:

- A telecoms operator simultaneously has knowledge of the services watched by its customer, such as a high definition film, as well as the active and automated management of its network, once again thanks to the servers in all territories, which enable it to set aside the bandwidth that is necessary for the level of quality required.

- Certainly demand for quality of service among our customers is very strong, in reaction to what happens on the internet where quality deteriorates when a lot of people connect. Indeed, driven among other things by the consumer electronics industry, our customers are now demanding high-definition content, for both image and voice.

- For the next generation of audiovisual content, such as three dimensional TV without glasses, only very high-speed networks, which are still to be built in Europe, will be capable of distributing it, with quality demands that are even more complex to manage.

5/ Together these characteristics give telecoms important advantages compared to systems that principally use centralised platforms. In general, all the centralised platform systems will not be able to face the exponential growth in usages which have been announced.

**IV. This is why we have decided to begin to “cultivate” these new territories and to do it in partnership with content professionals. For this reason we have just announced the launch of Orange Cinéma Séries...**

...based on two key principles:

1/ The first : partnering with the major production houses of films and TV series to provide our customers with access to the best content:

→ We have signed multi-year agreements with Warner, HBO, Gaumont and Fidélité Films, including rights to exclusive releases of all Warner films and HBO series. Our customers will also be able to benefit from the richness of the back catalogues of Gaumont, HBO and Warner.

→ In addition, Orange and Fidélité Films have signed a multi-year agreement to exclusive release all the new films from Fidélité Films.





2/ The second principle which is equally important : to adapt ourselves to each customer's wishes by proposing "bespoke" content, which is to say completely delinearised and available on all screens.

3/ In practice, with Orange Cinéma Séries:

→ On the one hand, you will have 6 "traditional" premium channels which deliver a programmed schedule of films and series;

→ On the other hand, you will have the option to have content transmitted on these channels according to your preference.

- through Video on Demand
- through catch up TV
- you can even – and this is a world first – download them from one screen to another (TV, PC, Mobile). If for example you don't have time to finish watching a film on your TV, you can transfer it to your mobile phone to watch the end.

4/ Of course, this content and this new audiovisual experience that we are offering must be accessible to everyone. This is why the Orange Cinéma Séries will be offered on Orange TV on ADSL or on satellite combined with ADSL, thanks to an initial agreement with satellite operator Eutelsat. Indeed, the ADSL network in France allows to carry video for 50% of French population: we had to complete it with satellite but, at the end, the customer will benefit from the Orange triple-play offer.

**To sum up:** today consumers not only want quality content but also increased flexibility in how they consume content. These are the two principal selection criteria today.

→ One: you create, producing the specific quality content that our customers want, in greater and greater numbers

→ Two: The telecoms networks - not only ours also those of our competitors - through their decentralised structure and their speed, are the best placed to deliver this content, responding to the expectations of our customers which are increasingly personalised and interactive

**...in conclusion:** we are in a unique situation where networks need quality content to satisfy their customers and the telecoms operators enabling, thanks to their networks, a far better and wider distribution of content, to the benefit of producers and of rights-holders with respect to their rights.

This represents a wonderful opportunity for all of us: network operators and content producers, being able to offer the best creations under the best conditions, at the best time, to as many people as possible.

We firmly believe that our role as an operator is to increase distribution of your content through innovative uses that meet the expectations of consumers who we know well.

With the launch of Orange Cinéma Séries, we are proud to have signed multi-year agreements with the leading names from Hollywood and French production in order to offer a service that is the only one of its kind in the world. We are in a cultivating phase. I am sure that other partners will join us.

There is a real "win-win" strategy between the world of content and the world of telecoms, which can translate into more growth for both parties, within a secure and rights-protected world.

It is therefore a question of cultivating territories which it would be a shame – let's admit it – to leave fallow. Foremost, in the interest of our customers.

Because we believe, with respect to our technologies, it can even be considered a duty for us to advance in this direction, to offer together the best content and communication services for your customers.





Thank you

