

“A meaningful VISION” NetGem shapes the future of IPTV

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Telecom operators are uniquely positioned to take advantage of the convergence world which is transforming and challenging the Telecoms and Media value chain. By leveraging their networks and their direct relationship with consumers, they have the opportunity to extend and reshape their services to consumers' household by delivering the “future of television”. In this highly competitive environment, differentiation will no longer come from simply delivering TV over Internet but from innovative services which combine the richness of multi-sources contents with the power of the Internet. Netgem's technology enables Telcos to innovate faster and cost effectively in order to take the lead in the new converged marketplace.



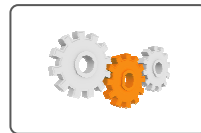
Telecom Operators challenges in an highly competitive environment

Telecom operators face a variety of pressures and challenges as the European telecoms and digital television environments mature and develop.

1. With broadband penetration rates of between 50 and 60 per cent in major European markets, high-speed Internet access is no longer a competitive differentiator. For most Telcos, Internet Access and mobile revenue provided the opportunity to add services and offset the decline of fixed line revenue, but this too is now under pressure.
2. Triple play works clearly now as a way to reduce churn and increase customer loyalty but it too will lose its competitive advantage as a recruiting force as competition increases. A well differentiated IPTV service will need to be more than just TV content broadcasted and downloadable over IP.
3. Acquiring high end or premium content is a tempting path for many Tier 1 Telcos but isn't a credible long term solution because
 - a. Consumers will increasingly demand premium content that is not tied to the delivery mechanism
 - b. Regulators will push for net neutrality and not allow suppliers to subsidize their content with revenues from the provision of access
 - c. Pay TV operators will want to be distributed on all access platforms.



HIGH SPEED INTERNET?



TRIPLE PLAY OFFER?



PREMIUM CONTENT?

The Telco's Challenges

How to remain competitive if
High Speed Internet, Triple Play & Premium Content
are no longer differentiators?

The challenge for Telecom operators

Therefore, the pressure is on for Telcos as they look to retain control of their customer relationships and earn revenue from new services in the face of competition from “over the top” suppliers. However, the challenge is also to do this through innovative and differentiating services that do not require extensive capital outlay, especially in the current financial market.

Telecom Operators have many assets in this battleground

1. They enjoy a cash-based relationship with a largely captive audience which gives good flexibility to price new services
2. As the Internet access provider they can sit at the heart of Media Convergence/Online Video consumption
3. They are best positioned to fulfil the “connected home” dream
4. They can leverage their existing fibre deployments to create new services which address the growing home market

The opportunity for Telcos - Develop the TV of the future

Telecom Operators have a great existing asset - **the network** - and they should come up with new ways to take full advantage of its inherent value and functionalities. Otherwise, it risks being relegated to the role of a dumb pipe commodity.

It must fight to retain the close relationship it has with its customers by introducing new services that maximise its core twin disciplines as a content aggregator and a delivery mechanism - one which can reach customers at home.

Telecom operators therefore see IPTV as an important tactic to add value to their brand and service offering.

By delivering new, IPTV based, services they can

- (i) Defend and maintain the close relationship they already have with their customers,
- (ii) Leverage their billing relationship to monetise new content services easily
- (iii) Negate the threat from competing over-the-top services offered by Internet companies or consumer electronic hardware brands.

Rolling out IPTV enables Telcos to add greater value to their brand and their service proposition, staking a claim in the fast expanding telecoms value chain and avoid being marginalised with no opportunity to add value through premium services of their own.

However, simply providing subscribers with access to regular broadcast TV and video on demand content is not enough of a differentiator for a telco. Not nowadays.



Nor is IPTV a killer application or a “cash cow” service. Instead, IPTV is a low ARPU business that delivers subtle, incremental value for Telcos. IPTV almost works in stealth mode, delivering a quietly compelling, “sticky” service that makes it harder for a customer to leave its incumbent provider and “churn” to another.

IPTV is however the ideal platform to launch and upsell additional services such as video on demand, personalised TV channels that learn from viewing habits, greater parental controls on content availability, and integrated widget-based internet services including shopping and games. It is also a great platform to establish the Telco as the provider of choice for the overall digital TV, entertainment and content to the “**connected home**”.

It’s also worth remembering that Broadband access market share and ARPU are the biggest drivers of valuation for Telcos. Therefore, well executed IPTV services that lock-in customers and increase their spent can become a key driver of market value creation for the Telco.

Netgem Value Proposition to Telecom Operators

Therefore Telcos should adopt solutions which:

- Enable them to quickly take advantage of market conditions
- Are evolutionary and can adapt to the expansion and diversification of content source
- Are cost effective to deploy
- Provide a platform for further development of an ecosystem to generate stickiness
- Can be rebranded to maintain ownership of the customer relationship
- Address the broad opportunity of the “connected home” market

Netgem provides the answer. It offers the technology, the expertise and the flexible business model to help telecommunication operators develop innovative convergent services combining the best of TV, Internet and multimedia home network contents.

Netgem hardware and software solutions enable Telecom operators to differentiate themselves now from their competitors, by:

- Integrating multiple and heterogeneous sources of contents into a simple and unique breakthrough user.
- Customizing Netgem TV software to turn it into a telco “branded” customer experience
- Benefiting from the mass market readiness and scalability of Netgem based solutions deployed in more than 2 million HD set top boxes within Tier 1 Telco networks
- Deploying quickly in a cost effective manner and to large audiences thanks to hybrid broadcast and progressive download support
- Stimulating innovation and new applications development on top of published APIs, while enabling a controlled application platform environment, thus reinforcing platform stickiness and ARPU drivers



Netgem hardware and software products overview

The Netgem hardware and software platform has a clear lead in this IPTV market thanks to its unique capability to integrate multiple content sources into a visionary interface that represents a breakthrough in simple-to-use design and functionality.

**Multi-sources, one software:**

Netgem TV software enable Telecom Operators to develop services and an individual IPTV experience that aggregates disparate media sources and outputs such as broadcast TV, subscription cable channels, home network and web-based content into a single, unified user interface.

Cost effective:

Netgem's hybrid connectivity approach - DTT, Cable, IPTV - enables Telcos to quickly develop, deploy and introduce new services without having to re-invest in their network. The progressive download feature built in the Netgem TV software enables interactive services such as VOD, catch up services even in low bandwidth areas, thus increasing dramatically the reach of the solutions.

Capacity to deploy now and quickly not only provides a quick, cost effective response to "Over The Top" threats coming from consumer and content brands; it will also enable Telcos to continue to evolve services while using the same software platform and application development interfaces.

The hybrid approach offers maximum flexibility since **Netgem's** unique software runs the same across all content sources and application development is quick and easy.

Netgem's market-leading User Interface is extremely intuitive and easy to use and navigate and providing a seamless browsing and viewing environment.

Netgem TV software comes with a set of applications templates such as VOD service connectors that can be implemented "as is" to respond to time to market pressure.

Moreover, thanks to published APIs and a Software Development Kit, the Telecom Operator can customize the user interface up to various degrees :

1. Simple re-skinning of the User Interface and templates
2. Develop new applications directly or through third parties to enrich the user experience
3. Completely redefine the user experience to make Netgem TV software the Telco software delivering a "branded" customer experience. Netgem can also engage in source license discussions and technology transfer.



A commitment to open standards:

Netgem TV software is built on top of Linux operating system; moreover, Netgem is an active member of DVB association and of the Open IPTV Forum.



Netgem views this commitment to open standards as an illustration of its objective to contribute to the development of the IPTV industry and as a guarantee for Telecom Operator to make long term investments.

An ambitious and innovative roadmap:

Netgem products offer leading edge solutions today and a roadmap for the future to position the Telecom Operator as a key provider of the so-called “connected home”.

Distributing TV on one TV set through a set top box is an important step but with the multiplicity of screens and the multiple sources of contents the challenge will move towards distributing contents in a secured way throughout the household on any connected device.

Telecom Operators are uniquely positioned to fulfil this mission and it is with this vision in mind that **Netgem** is developing its future generation of products to remain the partner of choice for innovative and market leader Telecom Operators.