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نادي دبي للصحافة
Dubai Press Club

ARAB MEDIA OUTLOOK 2009 - 2013

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ARAB MEDIA OUTLOOK

INSPIRING LOCAL CONTENT

FORECASTS AND ANALYSIS OF TRADITIONAL AND DIGITAL MEDIA IN THE ARAB WORLD

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MONA AL MARRI, CHAIRPERSON
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FOREWORD: DUBAI PRESS CLUB

The past one year and a half has been a period of unprecedented changes for the media industry in the Arab world and elsewhere. Within a short period of one year since the release of the second edition of the Arab Media Outlook, the contours of the world economy underwent transformations that shocked even the most pessimistic observers. The media could not have remained unaffected by such a cataclysmic turn of events.

Even as we present you the third edition of the Outlook, we are acutely aware that the challenges before the media in our region, as well as around the world, are huge, but they are by no means insurmountable. Our research into the changing dynamics of the media in our part of the world taught us that very many new opportunities abounded alongside the challenges. Therefore, you will notice that the overall tone of the report in your hands is one of cautious optimism; we are confident that the fundamentals of the media in our region are strong enough to not only withstand the storms of the times, but also to forge ahead, learning lessons from the past and making amends for things that went wrong.

Just one example suffices here to corroborate our approach of cautious optimism with regard to the immediate future of the media in the Arab world. Our study confirmed that even though the region's print media had to go through significant structural changes in these trying times, it has weathered the storm much better than other markets, with the overall daily circulation and the number of titles continuing to rise. The new media laws that came into being in several countries have helped this growth considerably. Even print revenues in the region have proved more stable and resilient than most other markets.
That these welcome facts did not stand in the way of keeping pace with the 'digital times' is actually very encouraging. The growth in the popularity of social media, as analyzed in detail in the report, goes to show that a healthy balance between conventional media and the digital means is already struck by

the Arab media consumers. When it comes to monetisation of online content, there are areas of concern, but the picture that emerges from our study is one of consistent and successful experimentation. The report has shown that various models are being tried to effectively monetise online content, with the 'freemium' model emerging on top.

I would like to humbly submit that this third edition of the Arab Media Outlook represents a paradigm shift compared to the previous editions in terms of both the scope of coverage and depth of analysis. I am sure you will agree with me that this is not only a delightful source of a wealth of data and information, but also a reliable reference on all aspects of the media industry in our region. We hope this report will trigger new studies and researches into the dynamics of the media in our region.

Sincerely yours,

MONA AL MARRI, CHAIRPERSON
DUBAI PRESS CLUB

MARYAM BIN FAHAD
EXECUTIVE DIRECTOR
DUBAI PRESS CLUB

FOREWORD: DUBAI PRESS CLUB

Dubai Press Club is pleased to present the third edition of the Arab Media Outlook 2009-2013. Arab Media Outlook is one of the pioneering media development initiatives of Dubai Press Club along with Arab Media Forum and Arab Journalism Award. The objective behind the report is to not only bring out an assessment of the media scene in the region in its entirety, but also to help build a knowledge base on the media for the benefit of industry stakeholders, policy makers, media scholars, students and the general public.

The report this year is far more exhaustive in its scope and reach than the previous editions and is backed for the first time, by extensive market research in four significant media markets in the region, the UAE, Saudi Arabia, Egypt and Lebanon on shifting media consumption habits. We have expanded the coverage of the report to include 15 Arab countries, namely, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Sudan, Tunisia, the UAE and the Yemen.

The last edition of the report came out soon after the onset of the global financial crisis, leaving out little scope for incorporating a detailed analysis of its impact on the media industry. We have tried to more than compensate for that in the present edition, providing a much more focused assessment of the media industry against the backdrop of the financial meltdown. The impact of the crisis, needless to say, varies from country to country, depending on the extent to which each market is exposed to global markets. The country-wise assessment given in the report takes into account the specificities of each market covered.

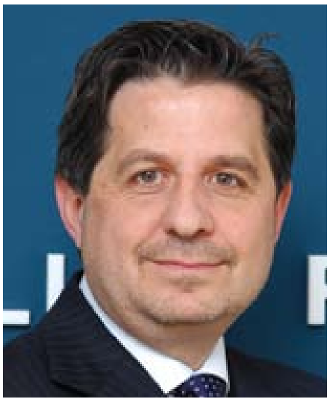
Our knowledge partner Value Partners, a leading global management consultancy firm with strong experience in telecom and media, and the staff at Dubai Press Club have worked together to make the report as comprehensive and accurate as possible. In addition to relying on primary and secondary research on the subject, we have also interviewed representatives of over 125 media organizations from the countries covered. The report has been particularly enriched through the incorporation of interview findings that played an important role in getting direct industry feedback. I must also commend The Nielsen Company, a global marketing research firm, for the successful and timely completion of the market research, the results of which add immense value to this edition of the report.

At the very outset, let me share the good news that a majority of media stakeholders that we interviewed across the 15 countries covered in the report thought future prospects for the media in the region were positive in spite of the impact of the economic downturn. We also noticed a growing preference for local Arabic content in countries that produce local content such as Egypt and Lebanon, indicating further maturation of the media industry and media consumers away from generalized regional or global media content.

You will notice the structure of the report has changed considerably from the two previous editions. While the first section offers an extensive overview of the media market in the region across the different platforms, print, TV and online, in relation to the global scenario, the second section narrows down on each of the 15 countries covered, with special focus on the four countries where the market research was conducted. We then move on to the last section, which forms the main thematic focus of the report, an assessment of the creation and dissemination of local/regional content in Arab media. A number of case studies, offering interesting comparisons or contrasts, have been included in all the sections, illustrating the myriad ways in which the media is evolving in the Arab world, even as it grapples with multiple challenges and opportunities.

I trust that the insights and analyses, as well as the data and projections that this report contains will serve as a reliable source of reference for media owners and experts, policy makers, journalists, students and the general public.

MARYAM BIN FAHAD, EXECUTIVE DIRECTOR
DUBAI PRESS CLUB



SANTINO SAGUTO
MANAGING DIRECTOR MENA REGION
VALUE PARTNERS

FOREWORD: VALUE PARTNERS

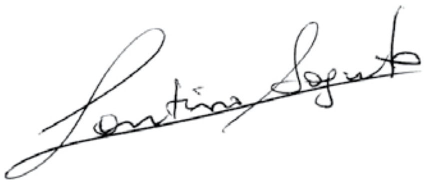
We welcome you to the third edition of the Arab Media Outlook, the most comprehensive publication to cover major media industry developments and changing consumption trends in the Arab world. We are delighted to have contributed to this edition of the report, leveraging our extensive international media and content experience. Working closely with the Dubai Press Club team, we have had the opportunity to appreciate the very high standards of professionalism of the whole organization.

This year's edition of the Arab Media Outlook builds upon the foundations of the previous two editions and deals with some significant extra material. It includes coverage of three additional markets and, for the first time, it gives a detailed analysis of consumer habits and trends in four selected markets. It also provides projections for the local advertising industry over the period 2009-2013, across all major media platforms and the 15 countries considered.

This report presents a detailed assessment of both the status and prospects of the media industry in the region. Positive advertising expenditure growth is forecast across all of the countries covered, following the decline that has affected the global and regional media sector over the last two years. This edition also highlights the growing importance of local content from the point of view of both production and consumption, as reflected in the title, Inspiring Local Content, and in the thematic topic of Section 3. Throughout this year's report, carefully selected, rich case studies provide a means to compare and contrast the developments of the Arab media industry with the international one, across both developed and emerging markets.

According to our analysis, which included interviewing over 125 representative industry leaders in the region, the sector shows strong potential for growth across all dimensions: talent, which is affecting the creation of quality local content; content production, leveraging the expanding network of media free zones; consumption across traditional and new, digital platforms; and monetisation, through better targeting of audiences and new revenue streams. The industry is also expected to take advantage of the high proportion of young people in the Arab population. It is this segment that is best placed to drive content development and exploitation in this increasingly international and multi-platform sector, while at the same time preserving the values, culture and heritage of the Arab world. The analysis highlights the presence of several areas of excellence, distributed across countries which, together, constitute the foundation for regional industry growth.

We would like to sincerely thank everyone who has contributed their time, knowledge and effort towards the production of this report. Most importantly, we are proud to have partnered with the prestigious Dubai Press Club organization during the development of this third edition of the Arab Media Outlook and thank DPC's leaders and team for their support.



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Al Arab Newspaper, Qatar
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Al Arabi Magazine, Kuwait
Al Atheer Media, Palestine
Al Ayam Newspaper, Morocco
Al Bayader Magazine, Palestine
Al Bayan Newspaper, UAE
Al Bakri Radio Channels, Palestine
Al Bilad Newspaper, Bahrain
Ad-Dustour Newspaper, Jordan
Al Hayat Al-Jadedah, Palestine
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Al Hayat Newspaper, pan-Arab
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Associated Press, UAE
Al Ayyam Newspaper, Palestine
Ayyam Wa Layali magazine, Sudan
BBC Arabic, pan-Arab
Cairo News Company, Egypt
Centre for Arab Women Training & Research, Tunisia
Dar Al Hayat, Lebanon
Dar Al Sharq, Qatar
Day Press (dp-news), Syria
Dubai Media Incorporated, UAE
du, UAE
Elaph, pan-Arab
Endemol Middle East, Lebanon
Es-Sahafa, Tunisia
Etisalat, UAE
Filmworks, UAE
Future TV, Lebanon
Gulf Journalist Association, Bahrain
InMediaPlus, Lebanon
International Media Support, Yemen
Jeeran, Jordan
Jordan Media City
Jordan TV
Knowledge View, pan-Arab
Koulouna Shouraka Online, Syria
Kuwait Journalists Association
Kuwait News Agency
Laha Magazine, Lebanon
Lammtara Pictures, UAE
LBC, Lebanon
Maan News Online, Palestine
MBC, Saudi Arabia
Mediaedge:cia Middle East, UAE
National Media Council, UAE
New TV, Lebanon
O3 Productions, Saudi Arabia
Oman Daily Newspaper
Oman Journalists Association
Oman Mobile
Orange Jordan
Orbit, Bahrain
Palestine TV
Petra Agency, Jordan
Pyramedia, UAE
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Qtel, Qatar
Réalités Magazine, Tunisia
Rotana Digital, Saudi Arabia
Saba News Agency, Yemen
Samacom, UAE
Sharjah University, UAE
Sherezade Films, Bahrain
Showtime Arabia, UAE
Signature Productions, Lebanon
SNRT, Morocco
Starcom Mediavest MENA, UAE
Sudanese Journalists' Union
Tariq Al Mahaba Production Company, Palestine
TBWA Raad, UAE
TECOM Business Parks, UAE
The Frame, UAE
Teshreen Daily Newspaper, Syria
Twofour54, UAE
UAE Journalists Association
Walt Disney Company, pan-Arab
Watwet, Jordan
Wejhat Nazar Magazine, Egypt

EXECUTIVE SUMMARY

The third edition of the Arab Media Outlook aims to provide a comprehensive overview of the state of the Arab media industry, including projections for the industry from 2009 to 2013. We have built upon the foundations of the previous two reports, which covered twelve key markets in the Arab world (Bahrain, Egypt, Jordan, Lebanon, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, Yemen, and the UAE) and added three additional countries to our analysis: Palestine, Sudan and Syria, to present a more complete view of the Arab Region.[1]

Our analysis includes quantitative projections for the region between 2009 and 2013, examining advertising revenues by platform, newspaper circulation and pay-TV subscriptions, among others. Our projections are based on a combination of factors, including historic figures from renowned media research companies, macro-economic and industry forecasts, qualitative information from the 125 interviews we carried out with industry professionals and, ultimately, the projection model. We have also conducted consumer market research studies in Egypt, Lebanon, Saudi Arabia and the UAE, for which we partnered with The Nielsen Company. The research was performed across a representative sample of between 400 and 500 per country.

The report and projections will of course require periodic review, particularly considering the acceleration of changes impacting the media industry globally and regionally, including globalization, online development, new mobile access devices, new media zones etc. All these trends have been analyzed in this edition which forms a base to monitor industry progress, in anticipation of the next trends.

The economies of the Arab Region have been affected by the global economic crisis, displaying a reduction in nominal GDP of 10% on average in 2009. The media industry has also been directly impacted, with advertising revenues in the region dropping by 14% in 2009. However, in spite of these challenging times, fast recovery is expected. Based on our projections, advertising revenues will return to their pre-crisis 2008 levels by the end of 2011 and will continue to see growth at a CAGR of 8% from 2009 until 2013. Furthermore, the industry itself is optimistic about the future, with nearly 60% of industry stakeholders that we interviewed feeling positive about the state of the Arab media industry in 2010. Indeed, we are seeing some positive trends in the industry, particularly with the growth in digital media and the structural changes that the industry is witnessing, including consolidation, which is helping to create a more efficient industry structure.

Section 1 of this report constitutes a comparative analysis between media trends in the Arab Region and those in the rest of the world. We assess the current

[1] We will refer throughout this report to the term 'Arab Region". We are defining the Arab Region as the 15 countries in scope for this report: namely Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the United Arab Emirates and Yemen.

status of the Arab media industry, relative to both developed and emerging markets, and identify key opportunities for growth. Firstly, an assessment of the region's print sector shows that it, like the global print industry, has been undergoing significant structural changes, ranging from cost transformation and rationalisation of title portfolios to cross-platform consolidation and transfer to new platforms. However, unlike many other markets, the print industry in the region continues to show continued growth in both the number of titles and overall circulation. While the emergence of the internet as a viable platform for news consumption is beginning to affect traditional newspapers in the region, most organizations are using the internet to complement their print edition. Going forward, although we expect the rate of growth for the print industry to slow, we still believe there is further potential to be unlocked. The market in the Arab Region remains unsaturated, with low newspaper concentration in many countries, as well as strong potential to increase advertising revenues through increased auditing of circulation figures and industry consolidation.

Secondly, the Arab television industry faces very different challenges which are being taken increasingly seriously by industry players and governments alike, including the low advertising revenues faced by free-to-air channels and the low penetration of pay-TV. The free-to-air market is fragmented, having grown to reach nearly 600 channels today, while remaining dominated by a few major broadcasting groups. However, there is significant potential for growth, which will be driven by the adoption of accurate audience measurement systems, an increase in consolidation in the sector and the introduction of new technologies which will enable improved targeting of advertising. Meanwhile, the pay-TV sector faces strong challenges, both from high levels of piracy and competition from the free-to-air sector. Yet the recent consolidation of two major players into the Orbit Showtime Network, coupled with increased investments in anti-piracy technology, is likely to drive growth. In addition, new digital platforms are making their mark in the region, including increasing penetration of DTT in North Africa and IPTV in some of the Gulf countries, while new services such as Video on Demand are gradually being introduced by pay-TV players as a means of differentiation from free TV.

Finally, online and mobile are becoming increasingly important platforms for media consumption in the region. While online advertising currently represents just 1% of total spend in the region, it is expected to become the fastest growing media sector over the coming years. As broadband penetration increases, online advertising will also grow, led by an increase in search advertising and the rising use of social media. Similarly, mobile broadband is becoming increasingly popular, driving the use of the mobile phone as a serious media platform and enabling growth of applications, particularly for news delivery, in some Arab countries.

Section 2 of the report provides an in-depth analysis of the media markets, along with an update of advertising forecasts of all 15 markets, split by platform. While the first part focuses on the results of the market research conducted in four "in-focus" markets, Egypt, Lebanon, Saudi Arabia and the UAE, the second part provides a country-by-country update of the remaining markets, including pan-Arab.

The market research highlights the importance of the unique demographic composition of the Arab Region and a strong demand for local Arabic content. Firstly, the large youth demographic (people below the age of 30) in the region, an element common across all 15 markets covered in the report, largely drives the consumption of media on the internet. In particular, social networks play a significant role, with social networking cited among the favourite activities online and one of the top methods of communication. On average, 70% of the people in the four markets researched use social networking in some capacity and about 15% use social networking sites at least once a day. This is particularly noteworthy as the average time spent on the internet, at about three hours per day, is already on par with that of TV. Finally, the research confirms that the more "local" the content, the more popular it is with consumers ,with over 60% preferring browsing in Arabic, 80% preferring watching TV in Arabic, a high preference for regional online portals and social networking sites and, in countries producing local content such as Egypt, a strong preference for internet content specific to and from their own country.

In the second part of section 2, we present a brief assessment of the remaining eleven markets, as well as the pan-Arab market, with a breakdown of advertising expenditure by platform. While building each country advertising forecast, we have taken into account the impact of the economic crisis, which was not fully felt in the region until the latter half of 2009. While the impact varied across markets in the Arab Region, it induced a shift in advertising dollars away from traditional media. While newspapers and pan-Arab TV attract the majority of advertising spend in the GCC region, local television remains the dominant platform in a few markets in North Africa and the Levant.

In Section 3 of this year's report, we focus on a topic of great relevance to both media industry professionals and to consumers with the potential to generate significant value for the industry: the stimulation and exploitation of local content in the Arab media industry. We take into account the two aspects of "local" content, analyzing it from a pan-Arab point of view, which includes content produced for and consumed by a pan-Arab audience (e.g. channels such as MBC, newspapers such as *Asharq Alawsat*) as well as from a national point of view, including content on terrestrial channels, in national newspapers and on local websites. Currently, there remains a major gap in the value of local content in the Arab world when compared to other regions. Although the situation varies by platform, the value gap is most pronounced on TV and online. In the TV industry, for example, we estimate the cost per hour of original content on the top channels in the UK to be worth two to four times as much as the average Arabic series on the top 15 pan-Arab channels. However, there is strong potential for growth in the quality and quantity of content produced in the Arab world. We believe that the industry's potential can be realized through the creation of a local content virtuous circle, by addressing the key issues of monetisation, funding and talent, with government intervention and technology improvement as the key enablers of that circle.

From a monetisation point of view, it is clear that there is strong demand from the Arab population for content that is developed in the region. Yet, there remain several barriers to effective monetisation on the supply side, from effective use of cross-platform advertising techniques, to endemic issues such as the lack of audience measurement systems and the abundance of piracy, among others. However, the situation is changing fast, particularly in the TV sector, with broadcasters ramping up their investments in developing original Arabic formats. In addition, alternative methods of funding are increasingly being adopted in the region, including product placement, advertiser-funded programming and other new revenue streams, as evidenced by popular Arab programmes such as *Freej* and *Tash Ma Tash*. Talent is the third element to be tackled, primarily through an increased emphasis on education and training of media professionals. Government organisations are key to developing the local media talent pool, while international companies can also play an important role in helping to grow the local talent base through partnerships and co-productions. Technology and government intervention, meanwhile, are two further factors that need to be addressed. Broadband adoption, both mobile and fixed, will be a key factor to local content exploitation, while governments have a major role to play, not only in promoting infrastructure investment, but also in providing incentives for local production, for example through the implementation of quotas, and to encourage foreign investment in local media.

INTRODUCTION

1.1

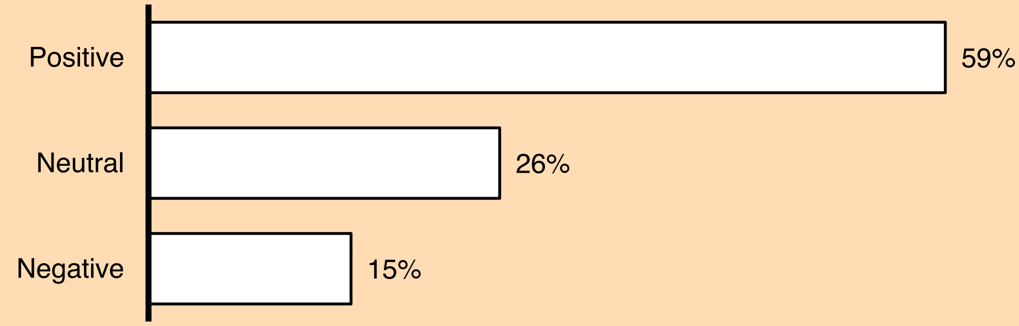
2009 has been a historic year for the international media industry, with the global economic crisis impacting every region of the world and driving significant waves of structural and financial changes in the industry. The Arab Region[1] has certainly not been immune to the crisis but, compared to other markets, it was hit slightly later. While the impact of the crisis was already starting to be felt significantly in 2008 in Western Europe and the USA, it was not until 2009 that the media industry in the Arab Region saw its advertising revenues start to plummet and, as a consequence, the industry began to re-shape. Of course, the crisis has been coupled with the migration to digital and online platforms, which are playing an increasingly prominent role in the media industry of many parts of the world, and are leading to some dramatic changes in how traditional media companies are running their businesses. The margins of media companies today are under huge pressure as their core advertising revenues are eroded and competitive dynamics are transformed.

In the Arab Region, digital migration is still in its very early years, but nevertheless is being driven by the high proportion of young demographic in many Arab countries. With 55% of the Arab Region population under the age of 25[2], this segment is expected to drive the growth of digital media. Since international players have been experimenting with online content and business models for some time, the Arab Region now has the opportunity to learn from the mistakes and successes of the European, North American and Asian media markets to really drive growth.

In this section, we aim to use a comparative analysis between the Arab Region and the rest of the world to assess the current state of the media industry and identify key opportunities for growth. We will assess the similarities between the media industry in the Arab Region and the global landscape, such as changing consumption trends, the evolution of new platforms and new monetisation models. We will also analyze the unique characteristics of the Arab Region, including its demographic composition, rapidly transforming economic climate and distinctive culture and history, all of which have a direct impact on the media sector. We will refer throughout the report to responses from interviews that we have carried out with media industry professionals across the region, and which will feed into many of the conclusions that we draw. Indeed, it is worth noting from the outset that in spite of the significant challenges that the media industry in the region is currently facing, there remains plenty of optimism among industry players, with 85% of the media professionals we have spoken with feeling either positive or neutral about the prospects for the Arab media industry in 2010.

[2] US Census Bureau International Database

Exhibit 1: Industry respondents' views on prospects for Arab media industry in 2010



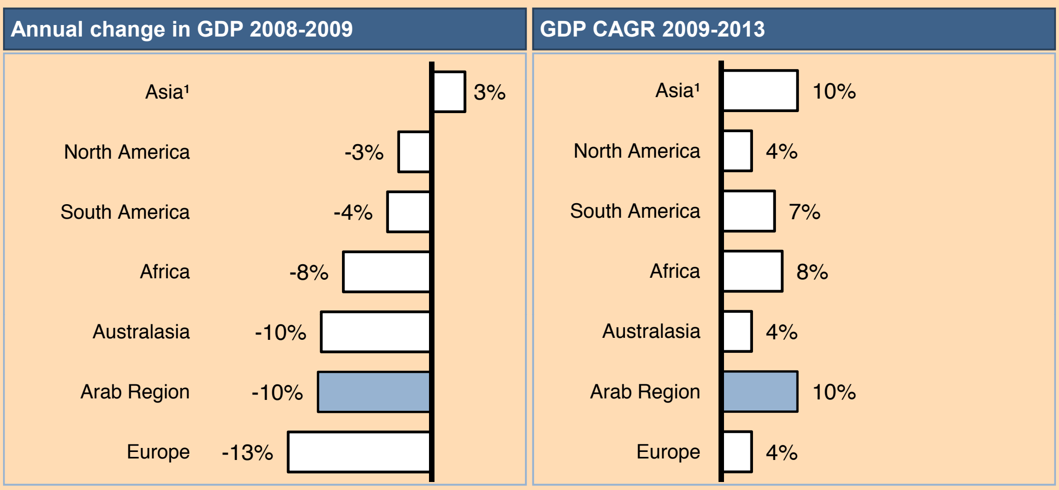
Source: Based on interviews with 125 industry respondents, Value Partners analysis

While the Arab Region economies have been impacted by the crisis, a fast recovery is expected

The global economic crisis has had a significant impact on local economies all over the world, with world GDP not expected to return to its 2008 level until 2011.[3] The Arab Region's collective GDP also declined by 10% in 2009, demonstrating a marked reduction relative to other regions of the world.

However, the Arab Region is expected to bounce back faster than most markets, and with a forecast growth of 10% in 2010 and the same CAGR until 2013, it is expected to return to its position as one of the fastest growing regions in the world.

Exhibit 2: Percentage change in Nominal GDP by region, 2008-2013

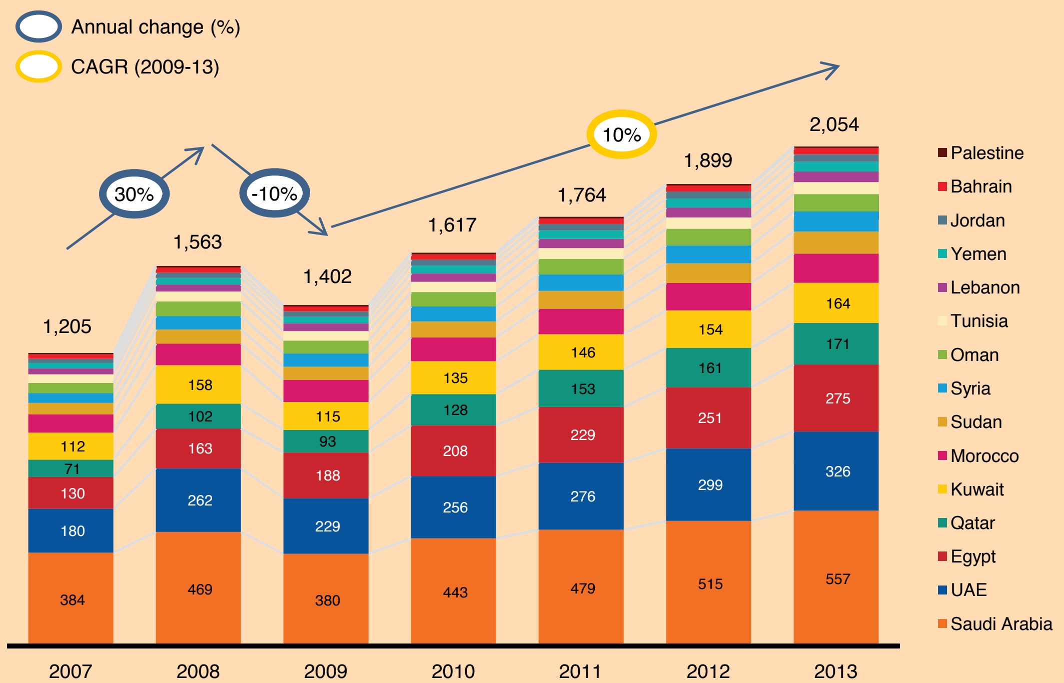


Note: (1) Asia excludes Middle East
Source: IMF October 2009, Value Partners analysis

For the 15 countries that we have studied for the Arab Media Outlook 2009-2013, their collective GDP is expected to exceed 2008 levels by 2010 and grow substantially over the following three years.

[3] International Monetary Fund, World Economic Database, October 2009

Exhibit 3: GDP projections for the Arab Region, 2007-2013 (US$ bn)

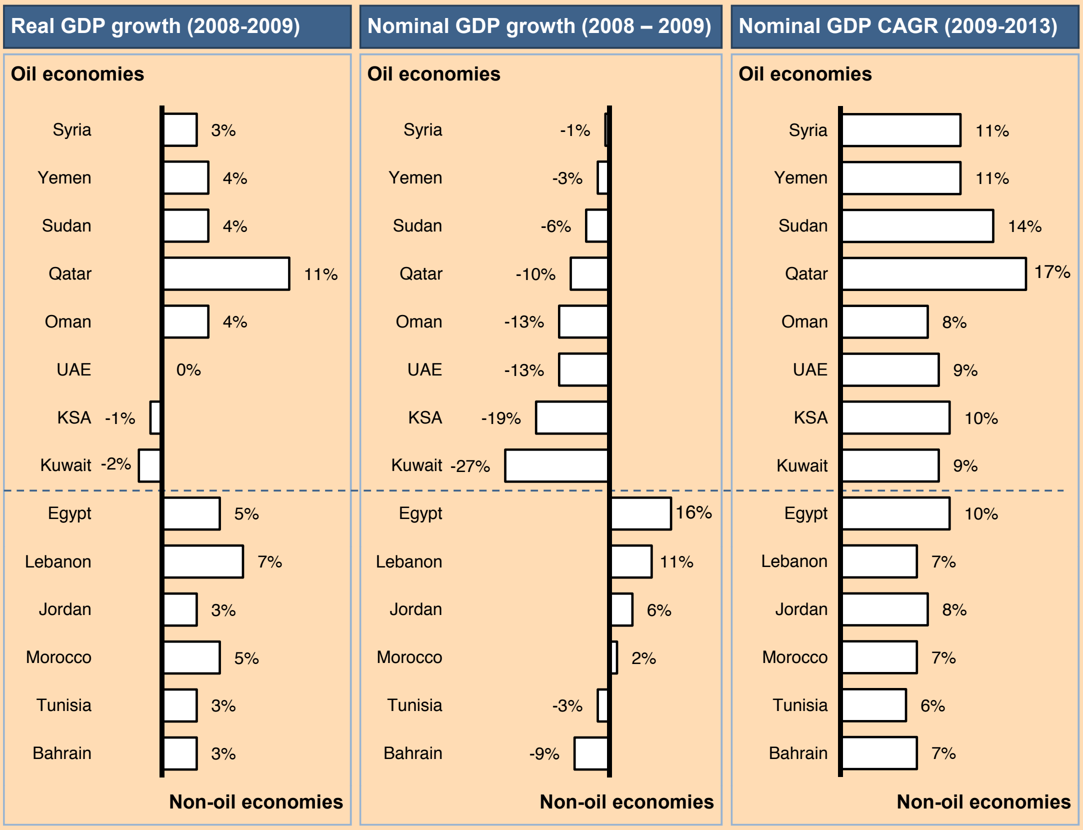


Source: IMF October 2009, Value Partners analysis

The decline in GDP that has been seen in the Arab Region in 2009 was clearly felt more severely in the oil-producing countries, whose economies were significantly affected by the falling oil prices during the year. However, over the projection period 2009-2013, these countries are also expected to display the strongest recovery, showing significant GDP growth. In particular, Qatar and Sudan are forecast to see the strongest growth between 2009 and 2013, growing at 17% and 14% CAGR respectively. Meanwhile, the majority of countries from the Levant and North Africa are also anticipated to grow, but at a pace of between 6% and 11%.[4]

[4] See appendix for data table with detailed breakdown of projections by country

Exhibit 4: GDP growth of oil economies vs. non-oil economies, 2008-2013

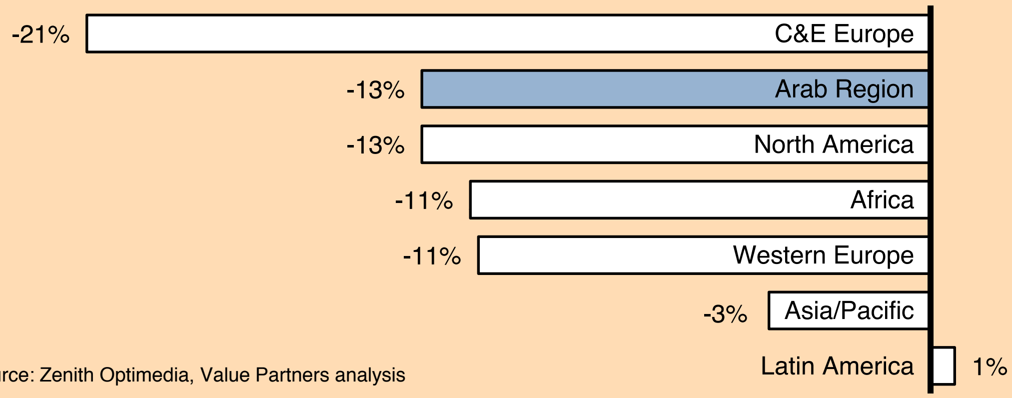


Note: Countries in which oil constitute at least 15% of their GDPs are considered oil economies in this analysis
Source: IMF October 2009

Likewise, advertising revenues in the Arab Region have been hit by the economic crisis

Advertising revenues in the Arab Region have been severely impacted by the economic crisis, and on a comparative level between 2008 and 2009, it has been one of the most significantly affected regions in the world. It is worth noting, however, that the effects of the crisis were already starting to be felt quite substantially in 2008 by many regions, particularly in Western Europe and North America. Meanwhile, regions like Central and Eastern Europe, as well as the Arab Region itself, saw their most significant drop in 2009. Turkey, in particular, saw a 22% drop in advertising revenues in 2009, having remained almost static in 2008, which is a good indication that the characteristics leading to "late" drops in advertising are a regional phenomenon.

Exhibit 5: Advertising spend change from 2008 to 2009 (%)



Source: Zenith Optimedia, Value Partners analysis

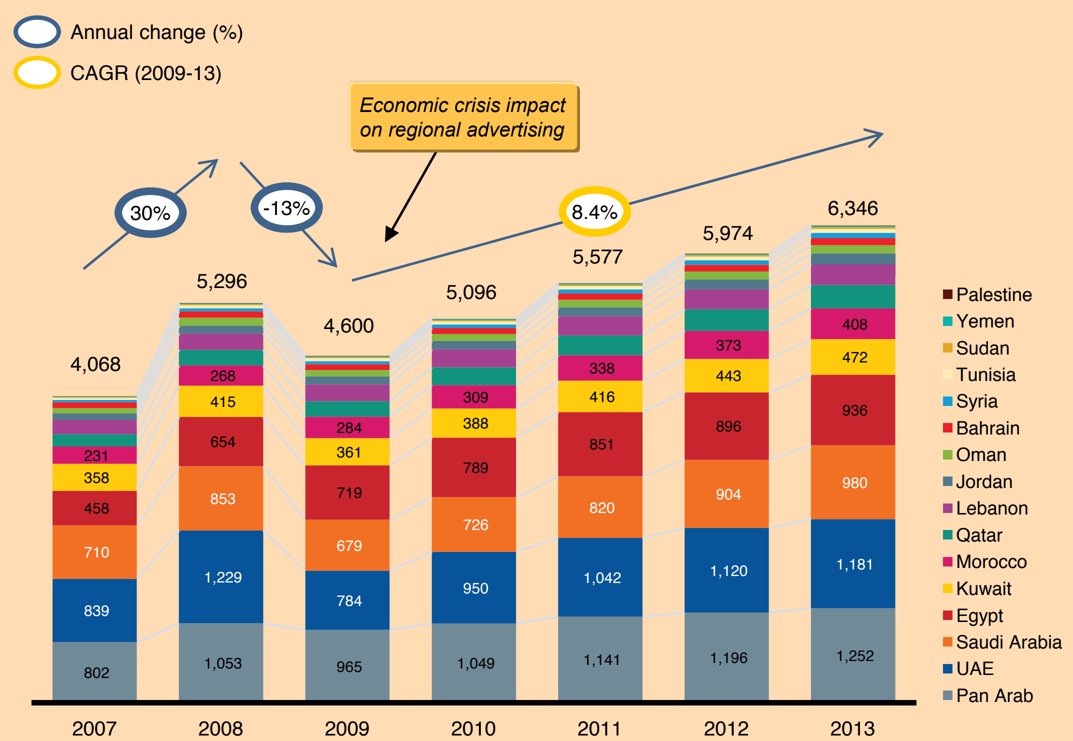
While the Arab Region had been the fastest growing region in the world in terms of advertising revenues prior to the crisis, it has also been significantly affected and, based on our projections, we expect to see advertising revenues return to their 2008 levels only by 2011. Our interviews with advertising agencies and media buyers suggest that this is, in part, due to the fact that 2008 was a particularly successful year for the region in terms of advertising revenues, displaying over 30% annual growth from 2007. Indeed, the sectors which had previously fuelled the growth of the industry in the region, notably the real estate and financial services sectors, are also those that were affected most by the recession.

We are also seeing some new trends in the way advertising dollars are being spent, mirroring the trends of global markets. The economic crisis has triggered a shift in many markets, including the Arab Region, towards below the line advertising[5], with organizations generally looking for the most efficient ways of spending their marketing budgets and with the fastest results. There has also been an increase in cross-platform advertising, with major media owners offering cross-platform packages to marketers that ensure broader audience coverage. For example, newspapers that operate online are increasingly offering a combined package for advertising in their print and online editions. As a result, the advertising business model is evolving to a situation where advertisers are increasingly dedicating portions of their overall budgets to specific media groups, rather than paying on a rate card basis.

Going forward, we expect a slight shift in the growth rates in advertising for the different Arab countries: while Egypt had been one of the fastest growing Arab countries in 2008, with advertising revenues increasing 43% on 2007, its growth is expected to slow down to a CAGR of 7% between 2009 and 2013. Meanwhile, based on our projections, Qatar and UAE are expected to be the fastest growing countries in terms of advertising in the GCC region, both showing a high CAGR of 11%.

[5] "Below-the-line" usually refers to promotions aiming to drive short-term sales and typically focuses on direct means of communication, e.g. direct mail, email etc.

Exhibit 6: Advertising revenue projections for the Arab Region, 2007-2013 (US$ m)



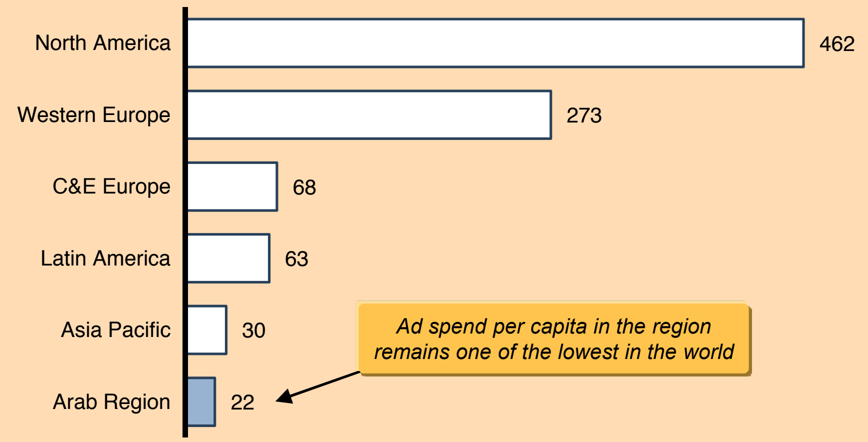
	2007	2008	2009	2010	2011	2012	2013
Morocco	231	268	284	309	338	373	408
Kuwait	358	415	361	388	416	443	472
Egypt	458	654	719	789	851	896	936
Saudi Arabia	710	853	679	726	820	904	980
UAE	839	1,229	784	950	1,042	1,120	1,181
Pan Arab	802	1,053	965	1,049	1,141	1,196	1,252
Total	4,068	5,296	4,600	5,096	5,577	5,974	6,346

Note: Pan-Arab refers to advertising spend by regional media outlets that cover multiple countries in the Arab Region
Source: Zenith Optimedia, Value Partners analysis

On the whole, Arab Region advertising revenues are very low relative to other markets

For a region where advertising revenues are already low relative to its size and GDP, the recent drop has further exacerbated the situation for the industry. The region's advertising spend, at just US$ 22 per capita on average, is already very low compared to other similar markets, even when compared to other developing markets.

Exhibit 7: Advertising spend per capita, 2009 (US$)



Source: Zenith Optimedia, Value Partners analysis

This low level of advertising revenues is a result of several factors which are specific to each platform. However, our interview findings confirm that there are some challenges which span across platforms and it will be essential to make steps towards the resolution of these challenges if the industry is to see strong, sustainable growth. These include:

- The lack of accurate and widely accepte audience measurement systems for TV and audited circulation figures for print
- The prevalence of media organizations across all sectors which are not run for pure commercial reasons
- For the TV sector in particular, the fact that satellite television is the most popular form of pan-Arab viewing and does not cater for targeted advertising by country

The TV sector in the Arab Region, in particular, demonstrates the lowest performance in terms of advertising revenues relative to the size of the market, not only due to the reasons above, but also as a result of some concentration in the TV media selling sector.

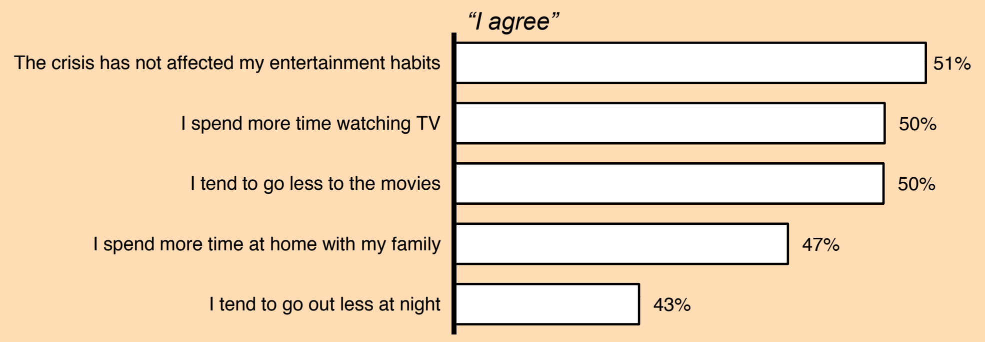
As we analyse these key issues during the course of the report, we will also identify some major opportunities for advertising, and therefore the media industry, going forward.

In spite of the economic downturn, we are seeing some positive trends in the industry and growth is on the way

Although advertising revenues globally have significantly contracted, the media industry is seeing many positive developments which are likely to drive growth in the long-term.

Firstly, we have seen strong resilience from the pay-TV and broadband sectors against the economic crisis. From a consumption point of view, the crisis appears to have had a lesser impact on media than on other entertainment activities. Our primary research indicates that consumers are spending more time at home watching TV and are cutting their expenses on outdoor entertainment activities, such as the movies.

Exhibit 8: Impact of economic crisis on media consumption habits[1,2]

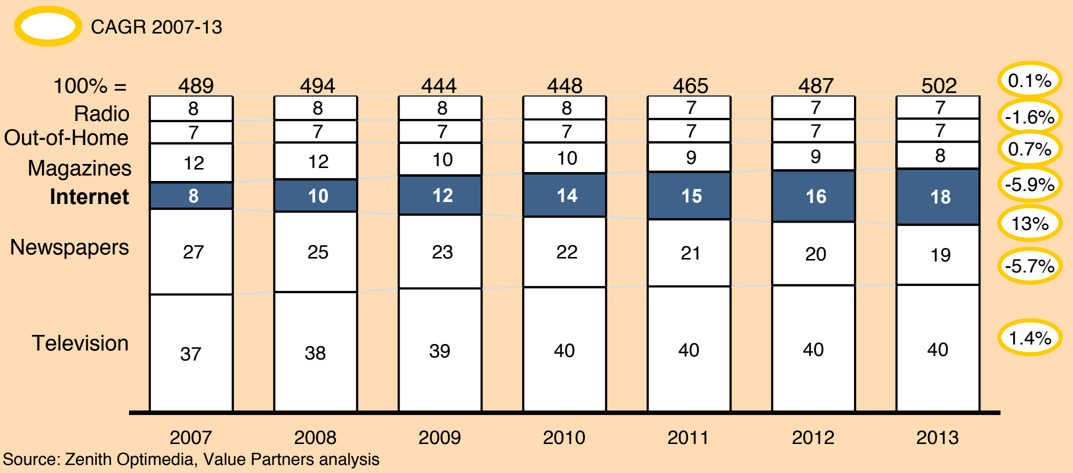


Notes: (1) This data represents a consolidated view of the market research in Egypt, Lebanon, Saudi Arabia and UAE
(2) Base: 1,810; All respondents
Source: The Nielsen Company

As seen in most markets around the world and the Arab Region, although the pace of pay-TV growth has declined in the past two years, the sector has not suffered a contraction of its revenues in the same way as free-to-air (FTA) TV. For example, Showtime Arabia's[6] subscription base grew at a CAGR of 18% between 2004 and 2007, and continued to grow between 2007 and 2009, albeit at a lower rate of 9%,[7] demonstrating that subscription-based media services are not impacted by economic fluctuations to the same extent as advertising.

Secondly, another impact of the crisis has been the acceleration in pace of digital migration. The proportion of advertising spend on the internet has already grown substantially to make up 12% of total global spend in 2009, and is forecast to reach 18% by 2013, as seen in the exhibit below.

Exhibit 9:Projections for global advertising revenues by platform, 2007-2013 (US$ bn)

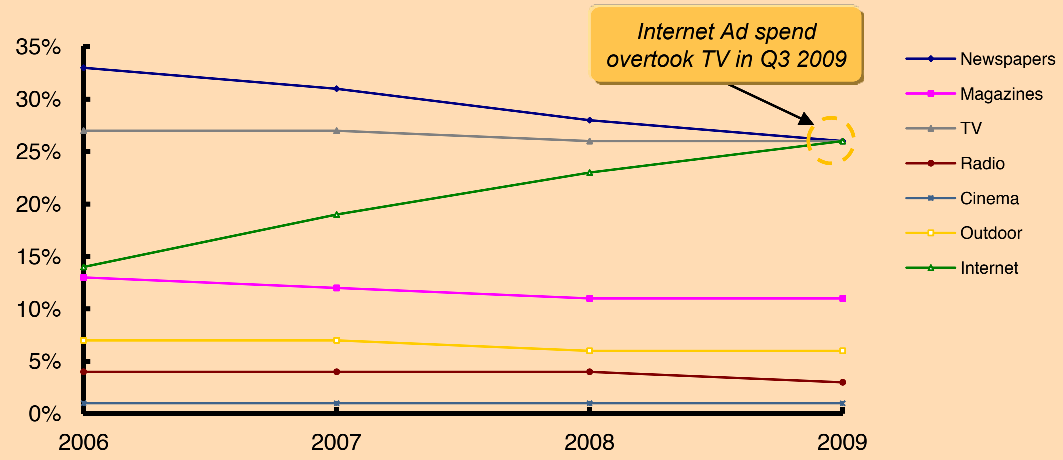


Source: Zenith Optimedia, Value Partners analysis

The UK has seen particularly dramatic growth in internet advertising revenues, and 2009 saw a major turning point for the industry when internet advertising overtook TV for the very first time, accounting for 26% of total revenues. Indeed, with newspaper spend currently only 2% higher than the internet, online advertising is about to become the strongest sector in the UK advertising market.

[6] Referred to as Showtime in the remainder of the report
[7] Informa TM

Exhibit 10: Share of advertising spend by platform, UK

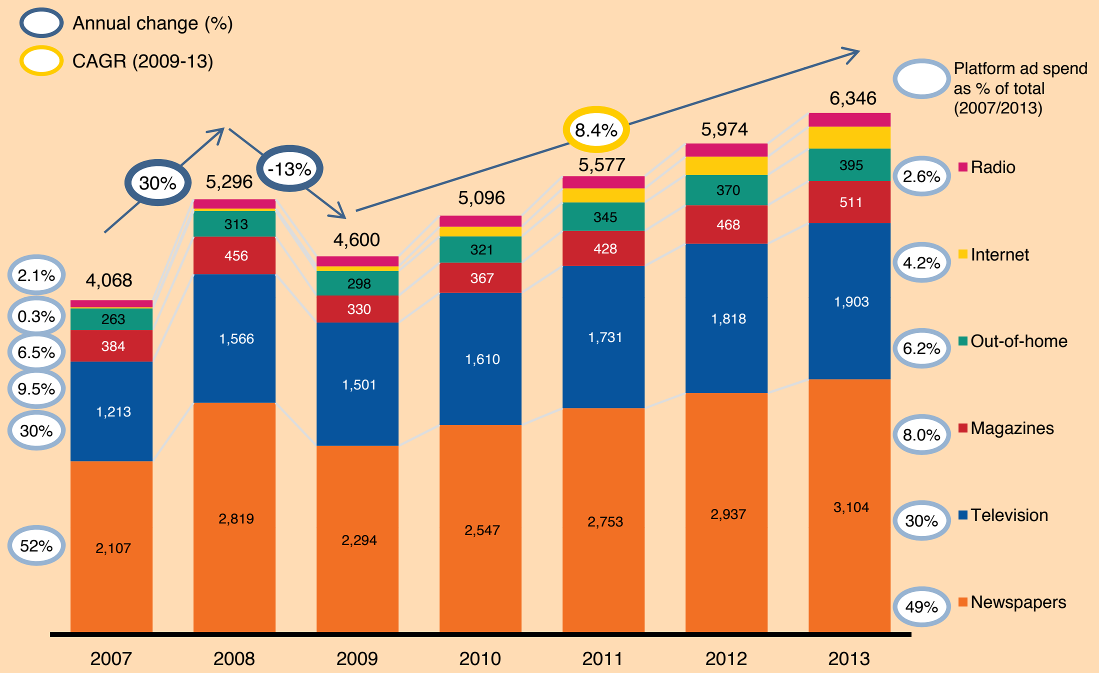


Source: Zenith Optimedia

In the Arab Region, discussions with industry stakeholders suggest that online advertising currently constitutes around just 1% of total advertising. This is, in part, due to the low penetration of broadband in many Arab countries, as was discussed at length in the Arab Media Outlook 2008-2012. However, it is also due to the structure of online advertising spend in the region, whereby the strongest sector in other markets, search advertising, is largely underdeveloped in the Arab world. While online advertising is forecast to become the fastest growing sector in the region, over the projection period it will remain a small proportion of total advertising spend, unless disruptive technologies emerge in the next few years.

Thirdly, the Arab Region's media industry is changing fast and starting to generate real interest from international players. The fact that 2009 has seen several new government and private media initiatives across the region, coupled with the opportunity for the Arab Region to learn from other more developed markets, suggests that the industry will see high growth over the next five years. We expect to see growth across all platforms in Arab media. While internet will display the strongest growth, TV advertising revenues will also substantially increase, driven by pan-Arab spend. The pan-Arab FTA satellite industry is seeing increased interest in audience measurement systems, as well as many initiatives to improve the quality of local content, both of which are expected to contribute to an increase in advertising revenues in the long-term. Meanwhile, print advertising will continue to grow, against the trend that we are seeing in the more developed markets. However, the pace of growth will likely slow down as print is increasingly replaced by digital platforms.

Exhibit 11: Arab Region advertising revenue projections by platform (US$ m)



Note: Pan-Arab advertising spend included
Source: Zenith Optimedia, Value Partners analysis

1.2

PRINT

Print companies all over the world have been dealing with serious economic difficulties over the past few years due to the gradual decline in circulation levels and advertising revenues, led mainly by the migration of consumers online and compounded by the recent economic crisis. Meanwhile, journalism in the Arab world has always undergone a great deal of scrutiny from both local and international industry players. At a time when newspapers and magazines all over the world are being forced to tighten budgets and, in many cases, close down due to economic pressures, the Arab journalism industry has the additional burden of tight regulation. Throughout this section, we will evaluate the various factors affecting the regional and international print industries, as well as the opportunities we foresee for the sector over the next five years. Indeed, in spite of the challenges, interviews with industry experts suggest that 56% of respondents from the print sector in the region feel positive about the prospects for the industry in 2010, and a further 33% feel neutral.

The region's print industry is starting to experience significant structural changes already initiated internationally

On an international level, newspapers have been taking steps to restructure the way they operate in order to cope with the significant loss of circulation felt as a result of digital migration and the severe loss of advertising revenues. The structural changes have taken many different forms around the world, depending on the market and the context in which companies deal with these economic challenges.

- Many publishing groups have begun rationalising their portfolios by shutting down loss-making titles. A prime example is major US publishing group Condé Nast, which shut down four key titles in Fall 2009. Similarly, rising costs in India have forced many publications to defer launches or close down. For example, *Metro Now,* an English newspaper published in Delhi, born of a joint venture between Hindustan Times Media and Bennett, Coleman and Company, has deferred its plan to enter the state capitals, reduced its print run for the Delhi region and shelved the idea of a Sunday newspaper. BCCL's plans to take its flagship publication, *The Times of India,* to smaller towns are on hold, while Business Standard has shut down the newly-launched Rajkot edition of its Gujarati newspaper and 70-year old *The National Herald* was forced to temporarily suspend operations in 2008.

- The evening press has been particularly affected and is virtually disappearing from many markets. The London regional market in the UK is a prime example, with two free evening newspapers, *The London Paper and London Lite* being shut down within three months of each other in 2009. 180-year old London paper *The Evening Standard* also ended its long history of paid circulation and became a free paper in a significant change of strategy.

- Some companies have been undergoing major cost transformation by optimising their production centres. Johnson Press in the UK, for example, has reduced the number of production centres it operates and, in the process, significantly downsized its workforce.

- Another common response has been a change in newspaper formats in order to minimise production costs. An example is the *San Francisco Chronicle,* which made some key alterations to its layout and design, including a reduction in size of the paper, in order to keep up with changing reader demographics and achieve cost efficiencies in production. Similarly, Polish publishing company Polskapresse took an innovative step back in October 2007, as discussed in the next exhibit. Furthermore, other newspapers are abandoning their expensive print editions and moving to a purely online publication.

- There have also been some examples of consolidation in the print industry, for example in Russia which has seen high levels of M&A activity since 2008. However, in many markets, consolidation has been less common than anticipated and large publishing groups have adopted the route of closing down titles and streamlining staff, rather than merging with other companies.

In the Arab Region, these trends have been felt to a lesser extent than other markets. However, interviews with industry experts suggest that Arab publications have still been hit to some extent by similar difficulties as global markets and that the structural changes have been accelerated by the economic crisis.

- As in other markets, many Arab newspaper titles have also closed down across the region. Kuwait's *Assawt,* which only launched in October 2008, ceased its operations in February 2009. Egypt's *El Badeel,* which launched in 2006, closed down in July 2009. Groupe Maroc Soir, a major Moroccan publishing company, also closed down two of its titles, *Assabahia* and *Assada El Massaia*, in 2009. Similarly, *The Daily Star* in Lebanon, the only English language newspaper, has been battling a difficult financial situation since January 2009 when it closed down before re-launching, and continues to have an uncertain future.

- We have also seen some rationalisation of production among Arab newspapers, such as free newspaper *7 Days* in the UAE which made the decision to close its Friday publication in 2009 in an effort to increase efficiency.

- New formats are also being introduced into the market and, in the same way that has been seen in international markets, some newspapers are moving to pure online editions. Saudi Arabia's *Al Majalla* is a case in point, which transferred to an e-paper format in April 2009 and is discussed further in the next exhibit. Similarly, UAE sports magazine *Super* dropped its print edition in 2009 and became a purely online publication.

- There has also been an increase in cross-platform consolidation across the region during 2009. In the UAE, for example, several media assets including three newspaper titles, Noor Dubai Radio & TV and Masar Printing & Publishing Company, were transferred from Arab Media Group to Dubai Media Inc. in Fall 2009 in an effort to optimise the media industry structure in Dubai.

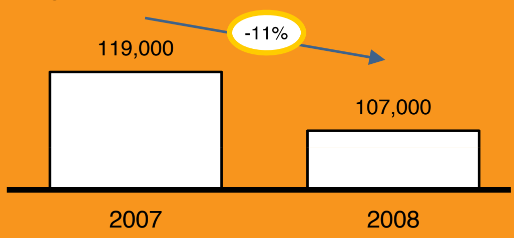
- The Arab Region has seen a limited amount of redundancies in print organizations relative to other markets, but nevertheless some companies have downsized their operations. Indeed, of the print industry organisations we interviewed across the Arab Region, 15% went through a redundancy plan.

Exhibit 12: Responses to circulation decline: global and Arab case studies

Poland: Polska

- Faced with a strong decline in advertising revenues in late 2007, major Polish publishing company Polskapresse took an innovative step in merging six of its regional dailies with several newly launched newspapers to create one nationwide daily under the "Polska" brand
- Polska co-operates with *The Times* on this paper, featuring its logo on the front cover and selected editorial content from the publication; it triggered several other partnerships with international titles among Polish newspapers, including *Rzeczpospolita* with *The New York Times* and *Dziennik* with *The Wall Street Journal*
- However, the new Polska brand was unable to halt the decline in advertising sales and the combined circulation of titles has continued to decrease year on year since the launch; in fact, the title *Express Illustrowany,* which was not included in the project, lost its readers at a slower pace than other newspapers in the group

Circulation of *Dziennik Zachodni* (Largest newspaper under Polska brand)



KSA: Al Majalla

- SRMG's[1] political affairs magazine, *Al Majalla,* marked a big transition in April 2009 by moving into the world of e-publishing
- The move to an online format was part of a wider strategy to explore a new style in Arab journalism, and also demonstrates an innovative response to the print industry crisis, representing an effective way of reducing costs and exploring new platforms
- *Al Majalla* is published online weekly and discusses a wide range of topics, as well as featuring a daily update of key news and events in both Arabic and English
- The website aims to provide an interactive service that includes images and social networking sites, such as links to Facebook and a video library of important political discussions

Claimed circulation in magazine format, 2008: 75,000

- Newspapers and magazines all over the world have felt severely the impact of the economic crisis. Combined with the overall decline in paid circulation and rising costs, this challenge has prompted companies to respond in different ways, from new print designs to online editions etc.
- The Arab world can expect to see more of these responses over the next few years as players adapt to the changing world around them

Note (1)Saudi Research & Marketing Group
Source: WAN, MENA Media Guide

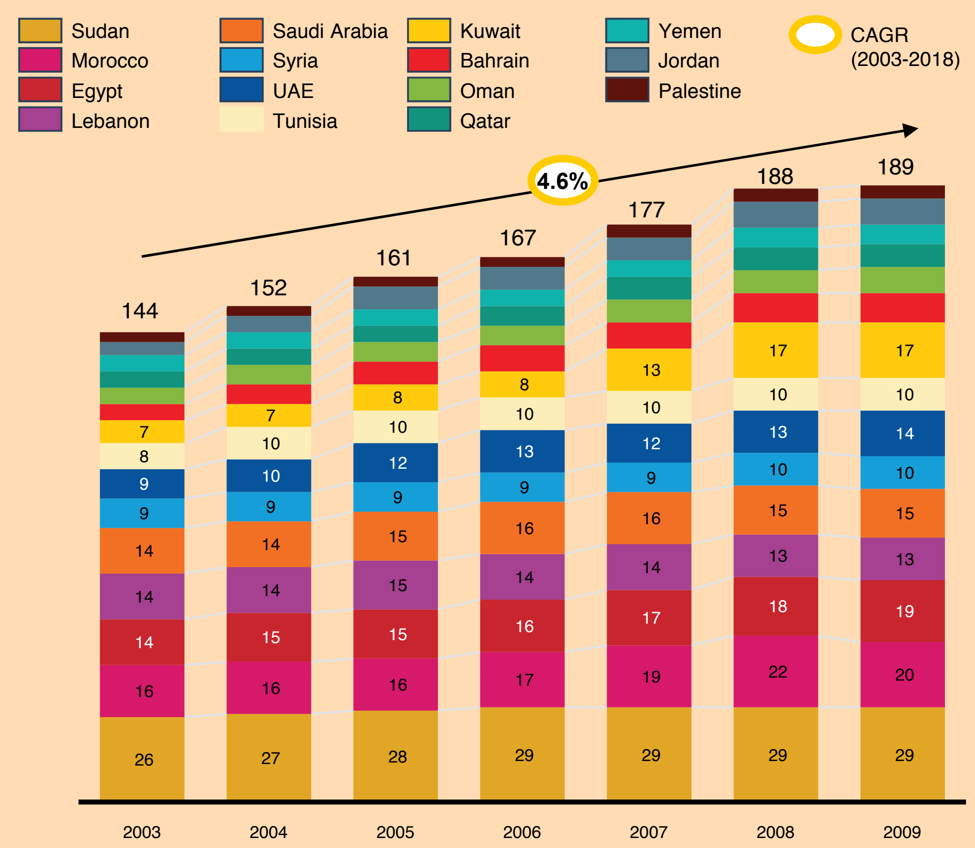
Despite this challenging environment, the print industry in the region has weathered the storm better than in other markets

In spite of these major issues, on the whole, the print industry is looking healthier in this region than most other parts of the world. Overall daily circulation and total number of titles are continuing to increase year on year in the region, while in most developed markets circulation levels and number of titles have consistently decreased.

Over the past few years, the number of titles in the Arab Region has been steadily increasing, supported by new licences being awarded – for example, a total of 10 new licences have been awarded in Kuwait since 2006 which led to a flood of new titles in 2007 and 2008. In fact, 2009 was the first time in many years that the number of newspaper titles in the region has actually remained almost constant. However, there has been some movement, with the number of titles closing down in 2009 almost equalling the number of new titles launched.

Internationally, however, the picture is much bleaker. In the US, the number of newspaper titles available has been decreasing steadily since 2004.[8]

Exhibit 13: Number of newspaper titles in the Arab Region, 2003-2009

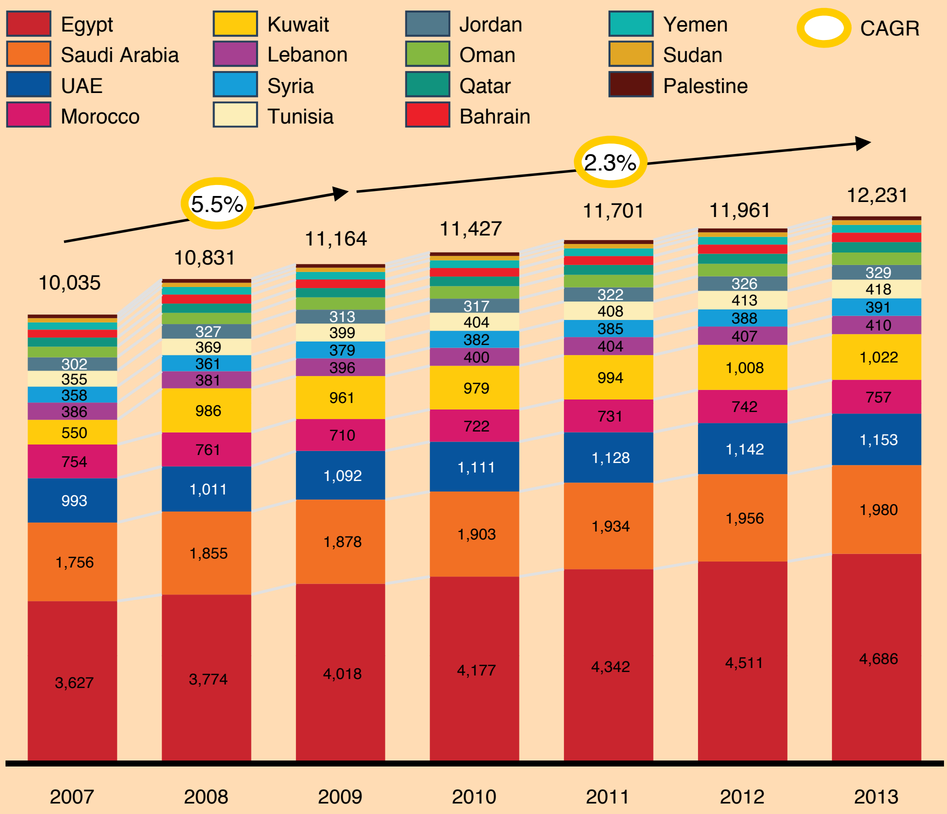


Source: WAN, MENA Media Guide

Overall daily circulation in the Arab Region is also continuing to increase, contrary to the developments being seen in many other markets. For example, the US saw a 4% decline in total circulation between 2003 and 2008.[9] Meanwhile in the Arab Region, in spite of the total number of daily newspaper titles stalling between 2008 and 2009, circulation has continued to increase, as demonstrated by the exhibit below.

[8] Editor and Publisher International Yearbook: Toatal number of titles decreased by 3% between 2004 and 2008
[9] Editor and Publisher International Yearbook: Referring to total paid-for dailies & Sundays

Exhibit 14: Forecast of total daily newspaper circulation in the Arab Region, 2007-2013 (000 copies)



Source: WAN, MENA Media Guide, Value Partners analysis

While other markets are struggling to maintain, let alone increase circulation of newspapers, in the Arab Region we expect the circulation of daily newspapers to continue to grow over the next five years, albeit at a slower pace than before. Following a growth rate of 5.5% CAGR between 2007 and 2009, we expect the rate to slow to 2.3% from 2009 to 2013. Growth will be driven not only by a strong increase in circulation in the largest market Egypt, but also by some of the smaller Gulf countries, such as Bahrain and Qatar. As such, growth will stem from those countries where newspapers are the preferred media. Egypt, in particular, is home to a thriving newspaper industry, with some of the oldest newspapers in the world and, more recently, several new independent newspapers which have launched following the success *of Al Masry Al Youm*.

Print revenues in the region have suffered from the recession but have shown more resilience than international markets

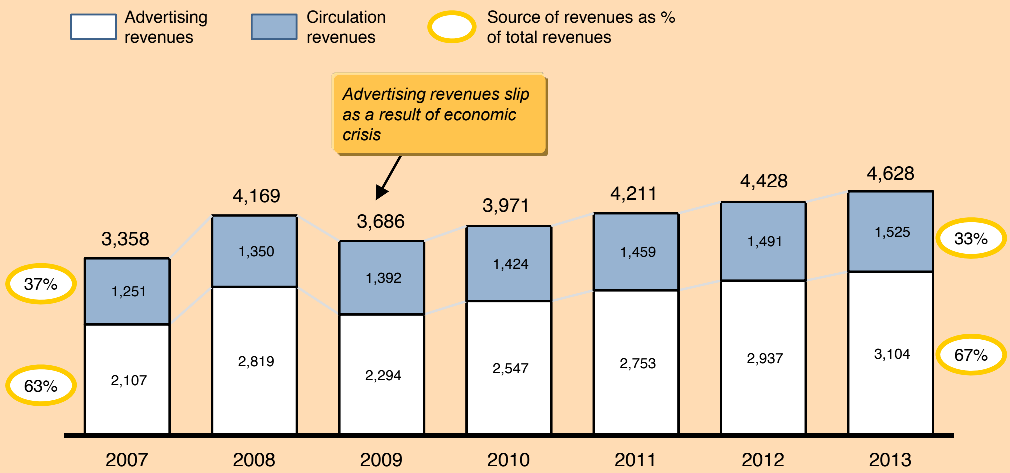
Internationally, advertising spend on newspapers continues to decline and the economic recession has only accelerated an already perceptible decline in the share of total advertising spend on newspapers. Newspaper advertising spend has been hit on many fronts, all of which have contributed to the overall decline of the media spend. The classified sector in developed markets has all but disappeared in print, substituted, for the most part, by online. In the UK, for example, over 60% of the reduction in total newspaper advertising revenue between 2004 and 2008 came from classifieds, which accounted for a reduction of over $1 billion[10]. Similarly, in the US, the classified advertising sector fell by 40% in 2Q 2009 alone, largely due to the availability of cheaper online alternatives such as Craigslist.[11] Meanwhile, the display sector has also been negatively impacted, but the effect has not been quite as severe.

In the Arab Region, although sales figures from print copies have remained steady in 2009, there has been a decline in total revenues in the newspaper industry due to pressure on advertising revenues. Overall in the Arab Region, we estimate that nearly 40% of newspaper revenues currently come from copy sales, while just over 60% is generated through advertising. Interviews with newspapers across the Arab Region suggest that approximately 20-30% of advertising revenues continue to be derived from classifieds, while around 70-80% of advertising revenues are from display.

[10] WARC

[11] Newspaper Association of America

Exhibit 15: Projections for print revenues in the Arab Region, 2007-2013 (US$m)



Source: WAN, MENA Media Guide, Value Partners analysis

CPMs[12] for newspapers in the region have also increased steadily over the past few years, in spite of the pressure in 2009 as a result of the economic downturn. 90% of newspaper and magazine industry professionals who we interviewed in the region believe that standard rate cards have either stayed the same or increased over the past few years. However, CPM rates for newspapers in the Arab Region remain relatively low when compared to the rest of the world. We estimate that CPMs for newspapers in the Arab Region are, on average, 30% lower than in Western Europe. Meanwhile, for the magazine sector in the Arab world, CPM rates are in fact higher when compared with Western Europe. A comparison of 2008 figures suggests that the average CPM rates for magazines in the Arab Region were 70% higher than in Western Europe[13]. On the whole, industry experts in the region suggest that the magazine market in the Arab Region is stronger than that of newspapers in terms of advertising revenues.

As in other regions, a market correction for free press is anticipated

This specific segment of the print industry was hit harder than traditional paid press by the sharp decline in advertising revenues. This is, in part, due to the fact that the segment had grown ahead of itself before the onset of the crisis. The number of free titles had mushroomed since their introduction in the late 1990s in the US, and later in Europe and the rest of the world. In recent years, these free titles have undergone significant economic difficulties – for example, one of Europe's major publishing groups for free newspapers, Metro, which continues to operate in a total of 15 different markets, was forced to close five of its 61 free daily titles. Denmark is another poignant example, where the total number of free dailies has significantly reduced from 10 different dailies with 20 editions in 2006 to just three dailies, each with three editions in 2009.

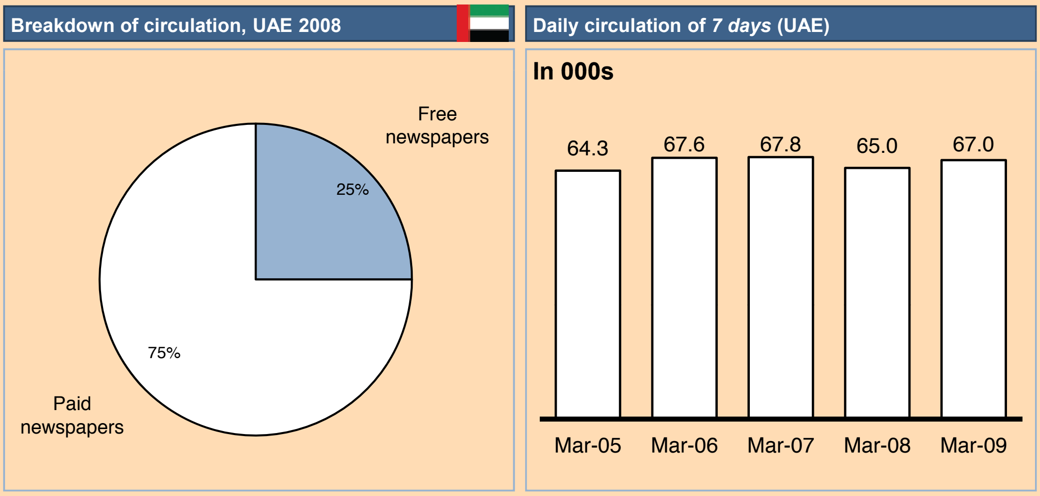
In the Arab Region, free press has followed a similar path, with rapid growth in the number of free newspaper titles in selected markets, such as Egypt, Oman and the UAE. However, as in other markets, many readers of free newspapers are either "new" readers or read both paid and free papers[14], so the growth of free dailies did not significantly impact paid dailies. The UAE is an interesting case, with free dailies constituting a significant proportion of total circulation (25%), though it is generally accepted that there has been limited growth in circulation. *7 Days,* for instance, one of the four free dailies in the UAE, has seen flat circulation over the past years. As a result, most markets, including the UAE, are starting to see a market correction for free press.

[12] Cost per mille, or cost per thousand

[13] Zenith, Value Partners analysis, based on 2008 figures for colour magazines

[14] Research by government organisations, Belgian UK and US, indicates that half of their readers only read free dailies

Exhibit 16: Analysis of free daily newspapers in the UAE

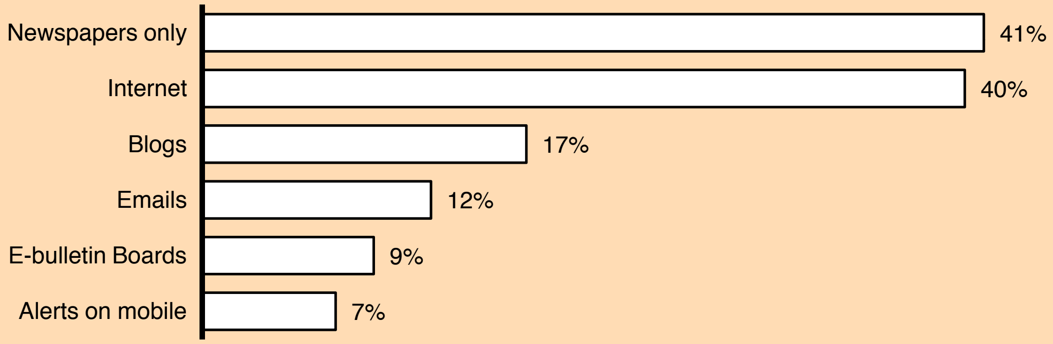


Source: MENA Media Guide

The internet has started to impact the print industry in the region

The industry also faces increasing pressure from the internet where consumers, both globally and in the Arab Region, are spending an increasing amount of time. With news being one of the most popular forms of content among the young demographic in the Arab Region, it is not surprising that consumption is moving online, with 40% of news readers accessing news via the internet in 2009.

Exhibit 17: Sources for reading news in the Arab Region[1,2]



Notes: (1) This data represents consolidated view of the market research in Egypt, Lebanon, Saudi Arabia and UAE
(2) Base: 1,810; All respondents who buy newspapers
Source: The Nielsen Company

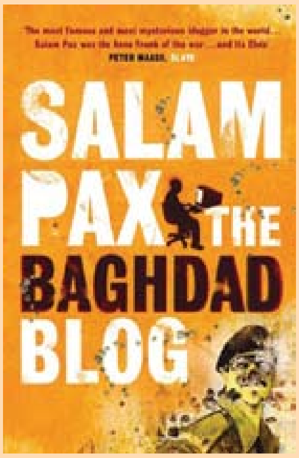
In particular, the concept of blogging for news is one that is particularly important for the Arab Region. In this respect, competition for printed news comes not only in the form of official news and current affairs websites, but also from individual bloggers, as was discussed at length in the AMO 2007-2011. The concept of blogging is becoming increasingly popular in the Arab world, where the internet provides a free platform for expression. Even international news players are increasingly turning to bloggers as a source for reporting on local events in the Arab world, an example of which can be seen in the next exhibit.

In spite of the strong popularity of user-generated content (UGC) in the region, it is worth noting that over 80% of industry experts interviewed said that they do not feel threatened by UGC. This suggests that while from a consumer point of view, blogging and other forms of UGC offer a popular platform for news consumption, they are seen by the industry more as an opportunity than a direct competitive threat.

Exhibit 18: User-generated content

Iraq: The Baghdad Blogger

- A young Iraqi architect operating underthe pseudonym Salam Pax, became known around the world for his blog reporting events during the war in Iraq
- As Salam Pax charted the everyday reality of life in Baghdad during the war, his writing attracted media attention worldwide at a time when foreign journalists were having difficulty accessing areas and sources for coverage on the war
- As a result of his journalistic adventures, Salam Pax went on to publish the book "The Baghdad Blog" in 2003, followed by another "Where is Raed?" in association with UK newspaper The Guardian
- The Baghdad Blogger is a prime example of the impact that User-Generated Content can have on Arab and international media in the region



- News organizations and consumers have been increasingly relying on the internet and, in particular on user - generated content sites, as a source of news
- Rather than posing a threat to traditional news providers in the Arab Region, UGC sites are supporting organizations in the provision of photographs, videos and written content

As the global print industry is increasingly affected by online news, organizations are compensating in various ways for their reduced revenues. In some markets, newspapers are moving online and using the internet as a platform to offer additional services. On an international level, the newspaper industry continues to search for the right business model. While news content online has traditionally been offered for free and been funded by advertising, players are looking for new ways to supplement the relatively low revenues gained from online advertising by charging consumers for content online. Various charging mechanisms are being explored, from subscriptions to micropayments, to varying degrees of success, but the debate continues over whether consumers are in fact willing to pay for general news content online. Rupert Murdoch, on behalf of his global organisation News Corp. has been particularly vocal in the debate, opting strongly for a micropayment business model, and having achieved some success from publications such as *The Wall Street Journal*. However, this is yet to be proved on his more general news sites such as *The New York Post*, Fox News, or any of his British newspapers.

In addition, News Corp. and others are looking for alternative ways to monetise their online news content through Search. While Murdoch has publicly threatened to block search engines such as Google from displaying his companies' news content on their sites15, the advent of Microsoft's alternative search engine, Bing, may prove to change the dynamics of the online news industry. If Microsoft, as reports suggest, is willing to pay news organizations for featuring their content on its site, news providers could stand a strong chance in improving monetisation of their content online.

Meanwhile, many news organizations offering specialist content, such as business news, have proved that it is possible to successfully monetise specialist content online. Not only *The Wall Street Journal,* but other major international titles, such as *The Financial Times* and *The Economist* have had success in charging for their content online.

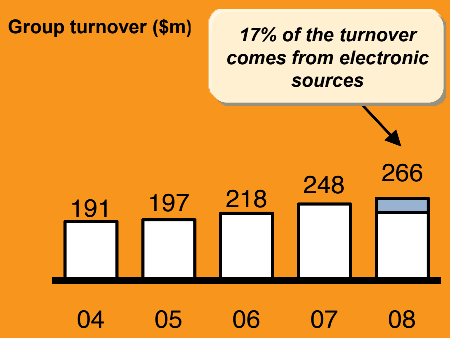
Meanwhile in the Arab Region, there are further challenges to charging for content online, such as low credit card penetration and low take-up of online payment, but there remains a sense of optimism. Indeed, nearly 70% of the industry respondents interviewed across the Arab Region believe there is a future for charging for content online. As with international markets, it is already clear that consumers are willing to pay for specialized news content online – particularly catering to the business community – as the successful case of Zawya in the Middle East demonstrates.

[15] During interview with Sky News Australia, November 2009

Exhibit 19: Business models for online news: global and Arab case studies

International: The Economist

- The Economist, traditionally a printed publication, has taken steps to maintain positive growth in its turnover, including innovative use of the internet
- It has a focused investment in brand marketing, creating local online campaigns using the local language
- It has created better management of marketing expenses, using the internet to acquire new print subscribers and adopting cross marketing techniques, e.g. Economist.com features are advertised on the print version



UAE: Zawya.com

- Zawya is an online Middle East business information company servicing the business and financial professional community
- With ~212,000 subscribers, Zawya provides:
  - Profiles of 12,500 companies and 2,300 projects
  - Aggregated newspaper stories from all countries in the MENA region
  - Live news coverage through partnerships with various news outlets
  - Live financial news coverage through the Dow Jones newswire service
- Zawya uses a unique online business model, providing its customers with a limited amount of information for free, supported by advertising, as well as offering various subscription packages for access to premium content

Tiered subscription offers

Business development membership	Projects membership	Investor membership
• Prices start at $1,250 for 6 months	• Prices start at $1,500 for 6 months	• Prices start at $3,100 for 6 months

- While many news companies have had online presence for some time, specialist business news sites have had particular success internationally
- In the Arab Region, a similar model has proved successful with Zawya, but whether or not players could successfully charge for online content on mainstream news sites remains to be seen

Examples in other markets also highlight the importance of offering alternative content online to the print editions. Currently, the majority of newspapers in the Arab Region offer the same content between print and online editions; based on our interviews, over 80% of industry companies in the region do so. However, it has been proven that this approach has not been successful in other markets. Newspaper sites around the world have now started to differentiate themselves from their print editions in alternative ways, for example by offering audiovisual content online. For example, in Canada, many newspaper companies are partnering with news agency The Canadian Press to offer video content on their websites. Meanwhile, in the Arab Region, pioneers like *Gulf News* are having great success by offering video news on their websites. Others, such as Koulouna Shouraka', a Syrian online news website, are aggregating video content from different sources, though unlike Western markets, no official partnerships are in place.

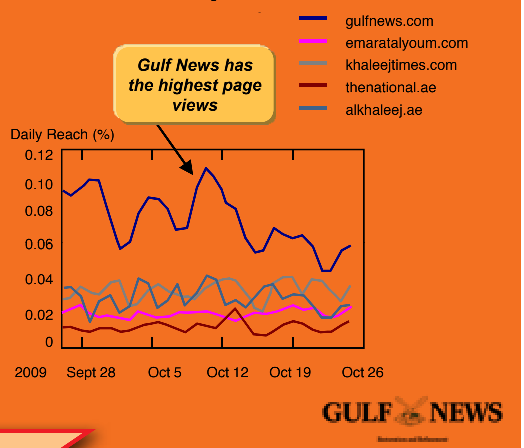
Exhibit 20: Online news videos: global and Arab case studies

Canada: The Canadian Press

- The Canadian Press offers a variety of video news packages to newspaper websites in Canada wishing to offer alternative online content to their print editions
- Major Canadian newspapers *The Globe and Mail* and *Toronto Star*, as well as notable websites Yahoo.ca, AOL Canada Inc. and Cyberpresse are all using The Canadian Press video content on their websites
- For Canadian news, websites can select from:
  - News Summaries: 1-2 minute round-ups of daily news, updated twice daily
  - News Segments: Focus on individual stories from around Canada as they break
- For international news, websites can draw on The Canadian Press' international partner, Associated Press

UAE: Gulf News

- *Gulf News* is one of the few newspapers in the Arab Region to offer video content on its website
- Gntv news videos are provided for a selection of daily news stories, put together by *Gulf News* reporters and videographers
- When compared to other UAE newspaper websites, page hits for *Gulf News* are substantially higher, partly as a result of its video news offering



- Video news is a positive way for news websites to differentiate their online offering from their print edition and in many markets, video news providers have been partnering with newspapers to provide content for their websites
- This concept could work well in the Arab Region, with the story of *Gulf News* demonstrating the positive impact that video content can have on page hits, and could act as a clear differentiator to most sites which currently continue to publish the same content that is available in their print editions

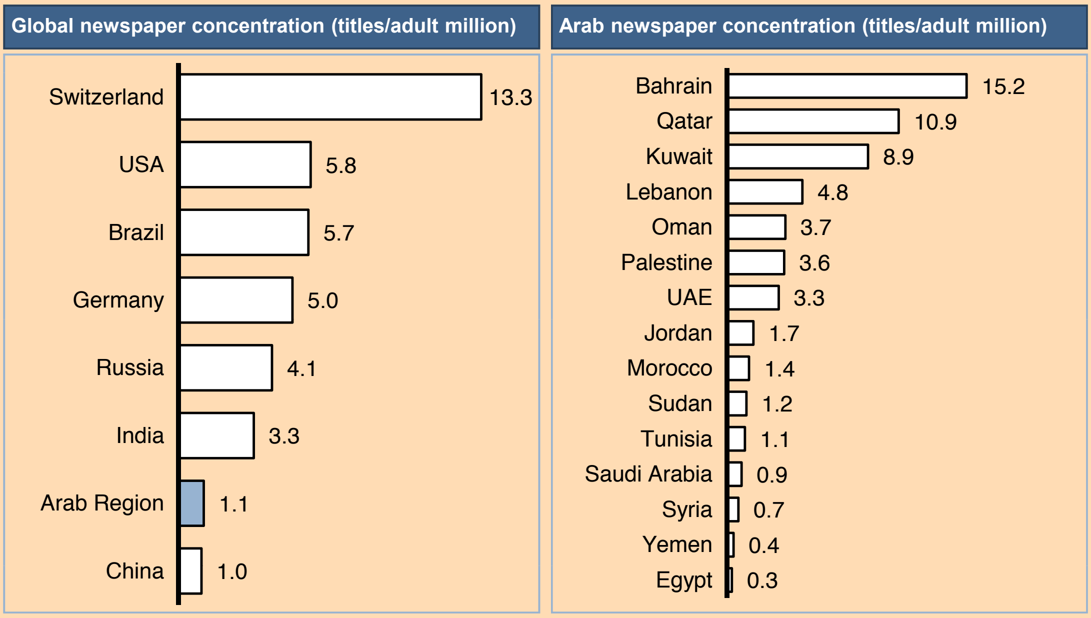
Note: Daily reach is percentage of global internet viewers who visit each site
Source: Alexa.com

A number of video news aggregation sites are also emerging in the English language, such as 1Cast in the USA. Such sites are yet to be seen in the Arab Region, but could potentially provide a significant opportunity for the industry.

The print industry in the region has further room to grow

Although print currently constitutes nearly 60% of total advertising spend in the Arab Region, placing it in a much healthier position than most markets, we still believe there is further value to be unlocked and we anticipate growth in the Arab print market for a variety of reasons. Firstly, the newspaper industry in the Arab Region is currently an unsaturated market in the majority of countries. The concentration of newspapers in the region relative to its population remains low compared to Western Europe, North America and even Eastern Europe, as shown in the next exhibit.

Exhibit 21: Newspaper concentration by population, 2008

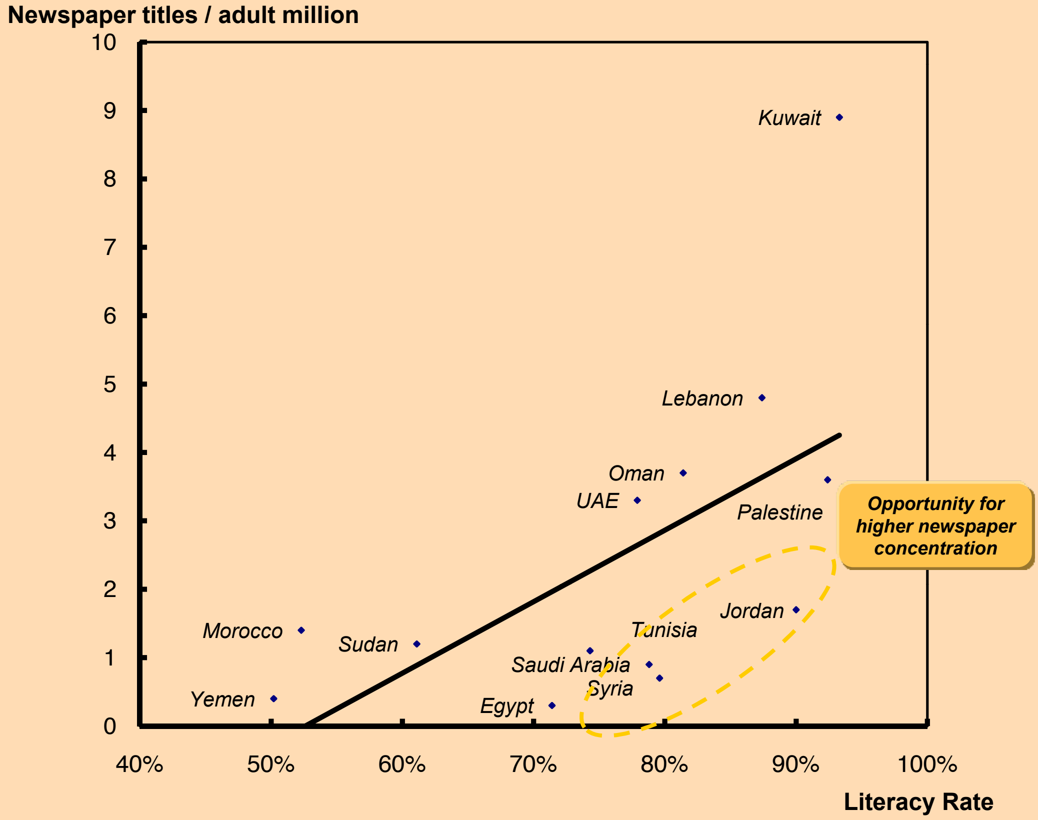


Note: Based on paid for daily titles only
Source: WAN

However, it is worth noting that there is a wide disparity between countries in the region. Some of the Gulf states such as Bahrain, Qatar and Kuwait could be seen as "saturated" with titles, while others continue to present room for growth.

Evidently, newspaper concentration is dependent on several factors, including not only population but also literacy rates, as displayed in the exhibit below. However, some key markets, including Jordan, Saudi Arabia and Syria, could benefit from an increase in newspapers.

Exhibit 22: Title concentration vs. literacy rates

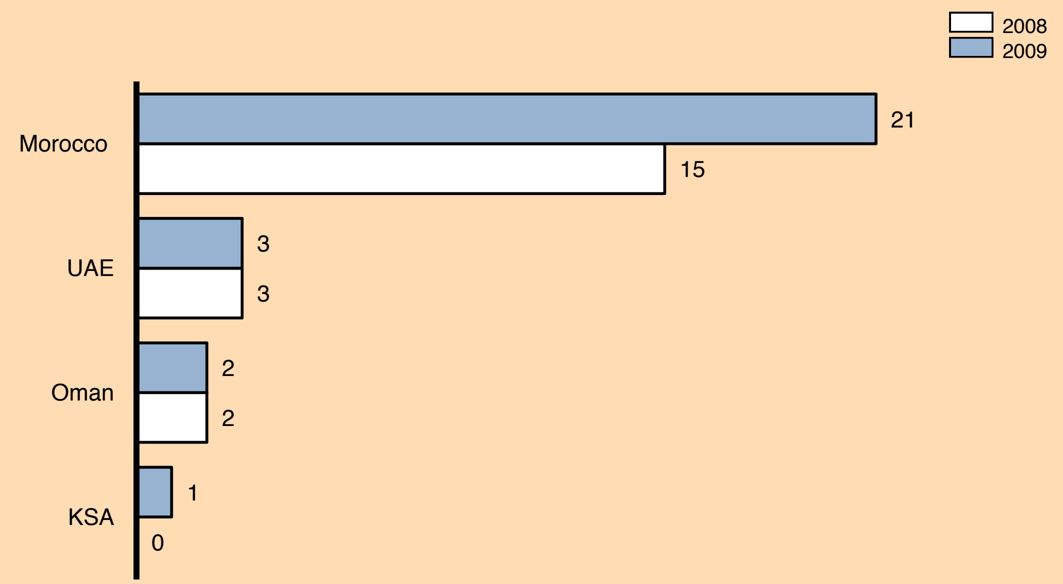


Note: Bahrain and Qatar not included due to their high concentration of newspaper titles
Source: WAN, CIA World Factbook, Value Partners analysis

Further value creation in the Arab print industry will come from an increase in auditing, which is already well underway

Another means of achieving growth in the industry would be to increase the level of auditing on circulation figures for Arab publications. Currently, out of the 189 daily newspaper titles available in the Arab Region, only 27 are audited using an official auditing body. Morocco has the highest number of audited newspapers in the region, with 77% of the region's audited newspapers being published in Morocco. The only other countries to practice (limited) auditing are in the Gulf region, namely Oman, UAE and, recently, Saudi Arabia. Indeed, Saudi Arabia's *Al Jazirah* newspaper underwent its first circulation audit in November 2009. Other efforts to stimulate auditing in the region include the supporting body CASTOR (Circulation Audit Steering Organisation), which was formed in the UAE in 2005 as a joint initiative by the IAA, the GCC Advertisers' Business Group and the Media Agencies' Council, with the goal of promoting the adoption of circulation auditing in order to increase industry transparency and credibility.

Exhibit 23: Number of audited newspaper titles in the Arab Region, 2008-2009



Source: MENA Media Guide

Growth of the industry will be fuelled by consolidation and survival of the fittest

In many markets, we expect to see the survival of only the strongest companies over the difficult times that the next few years present. The strongest players are likely to emerge in two forms: those big players who have either consolidated or succeeded in making their operations more efficient in other ways, and the very small companies who have consistently had low overheads and been able to weather the storm in a more manageable way. The ones at a disadvantage in this equation may be the medium-sized players, whose existence is likely to diminish substantially in the long-term future of the industry.

Exhibit 24: Consolidation in the media industry: global and Arab case studies

Malaysia: MPB / NSTP

- In October 2009, Media Prima Berhad (MPB) announced its proposal to acquire Malaysia's oldest and largest newspaper publisher, The New Straits Times Press (NSTP), to create one of the country's most powerful and largest media groups
- The enlarged entity of MPB and NSTP will create a "truly integrated media group offering advertisers the widest reach in terms of TV viewership, radio, outdoor, new media and print via a full range of multi-media channels" (MPB)
- The two media companies will be consolidated through a share swap, with the resulting entity expected to generate around US$200 million in annual revenue

Arab Region: Cross-platform consolidation

AMG / DMI

- In Autumn 2009, several media properties owned by Arab Media Group were transferred to Dubai Media Inc. as part of a strategy to optimise the industry structure

Rotana / LBC

- In 2008, Prince Al Waleed Bin Talal, owner of Rotana, increased his stake in LBC to 85%, paving the way for FTA consolidation
- This follows LBC's acquisition of pan-Arab newspaper *Al Hayat* in 2002

Al Jazeera / ART

- Al Jazeera acquired six sports channels from ART in October 2009, along with its associated sports rights

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- Consolidation has been a common theme in the pressured print industry over the past year, with many companies merging for survival to cope with rising costs and strong competition between entities
- In the Arab world, consolidation has been taking place "cross-platform" and we expect to see an increase in the number of mergers in a bid to reduce costs and optimise industry structure

Overall, we believe that although the print industry continues to suffer many setbacks, the Arab journalism industry has more potential for survival than most markets and we continue to expect small, but steady growth over the next five years. The combination of an unsaturated market in many Arab countries, the expected increase in auditing leading to increased advertising revenues and the potential to leverage best practice examples in other markets, such as optimum online strategies, suggest that the Arab print industry has plenty of room for further growth.

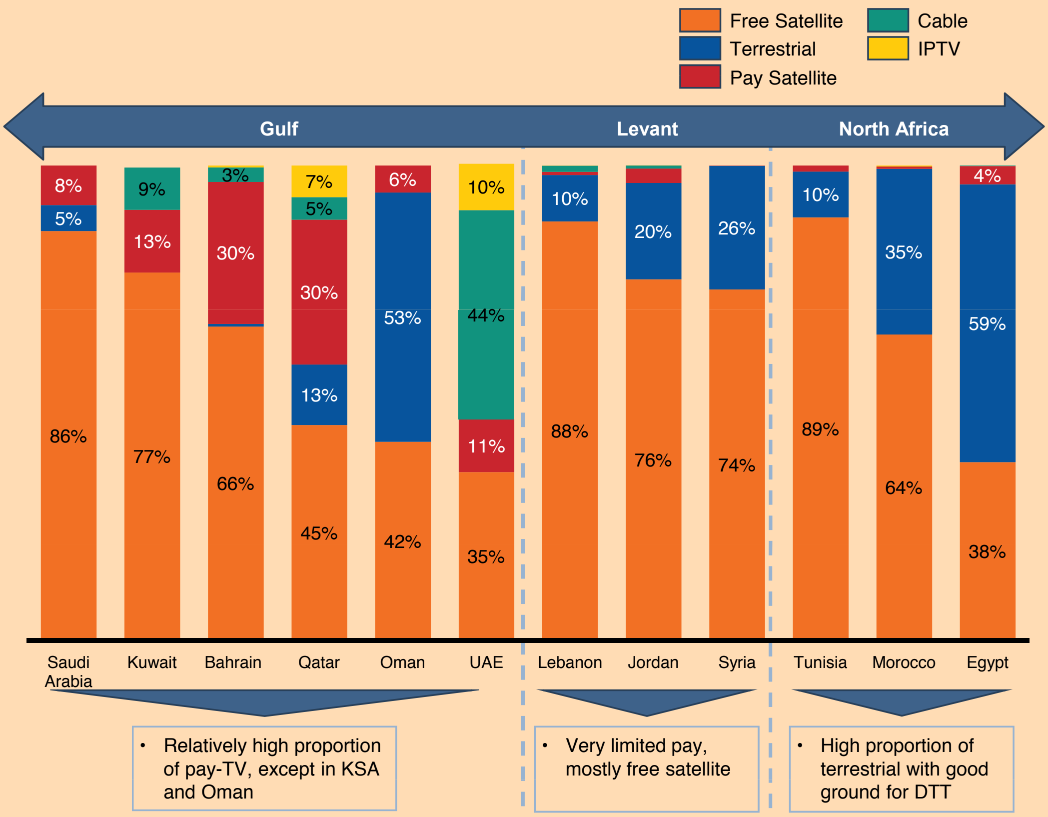
1.3

TV

The Arab television industry is unique to the rest of the world, largely due to the fragmentation of its audience across a region of approximately 7.5 million square kilometres, a population of over 250 million people and an extensive number of spoken dialects[20]. The broadcasting industry is currently dominated by the free-to-air (FTA) sector, with close to 600 channels available on free satellite. Before the boom of FTA, however, terrestrial TV was the main source of entertainment and information in the Arab Region and some domestic TV channels, many of which are also available via satellite today, are still very popular. The penetration levels of FTA satellite are particularly high in the Levant, while terrestrial is the most popular platform in North Africa and pay-TV is strong only in a few Gulf countries, most notably the UAE.

[20] Figures refer to countries covered in AMO report only

Exhibit 25: TV penetration by platform, 2008

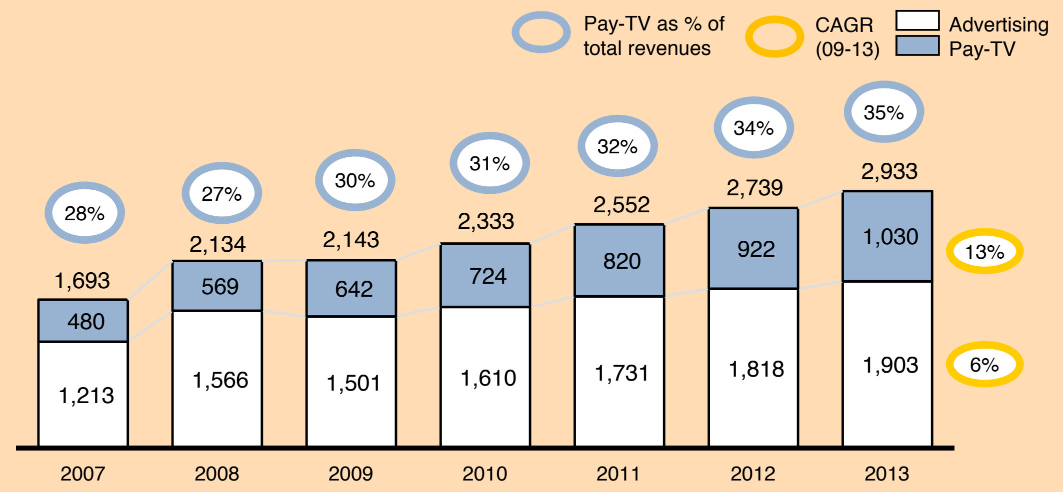


Note: Penetration rates (of terrestrial TV in particular) may be underestimated due to the presence of multiple platforms within the same household (e.g. terrestrial and free satellite)

Source: Informa TM, Value Partners analysis

In spite of the low pay-TV penetration, revenues from pay-TV currently constitute 30% of total TV revenues in the region and are continuing to rise, with the proportion of advertising revenues expected to reduce over time, as the exhibit below demonstrates.

Exhibit 26: Projections for Arab Region TV revenues, 2007-2013 (US$ m)



Note: Pan-Arab advertising included
Source: Informa TM, Value Partners analysis

The TV advertising revenues shown in the exhibit above are split between pan-Arab advertising and 'local' TV advertising on a country basis, with growth expected to be driven by the pan-Arab market.

When comparing the structure of the Arab TV industry with other markets around the world, there are two noticeable observations:

- The Arab Region has a far higher proportion of free satellite than other countries in both the developed world and other emerging markets
- While 95% of TV households in the region access free TV, just 70% of TV revenues come from advertising

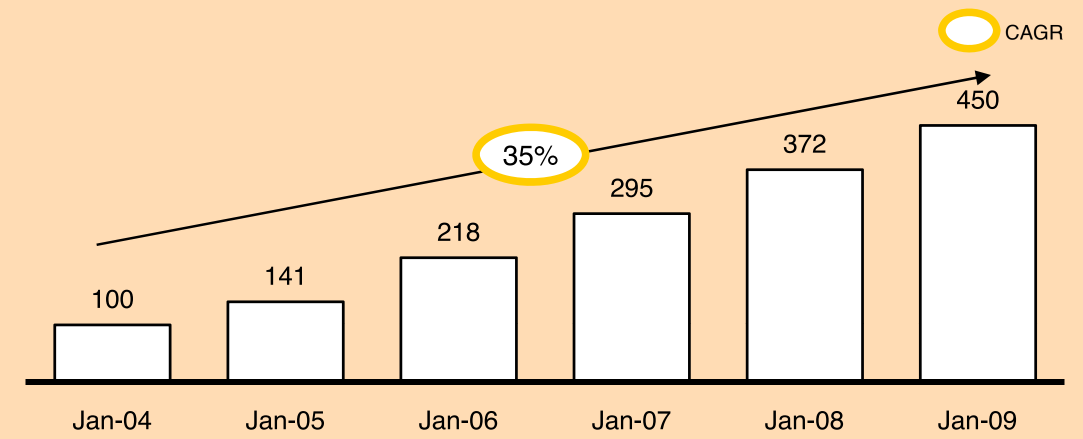
1.3.1 Free-to-air TV

FTA TV, and in particular pan-Arab FTA satellite, is the dominant sector in the Arab broadcasting industry, and yet overall advertising revenues across the TV sector in the Arab Region remain limited to approximately $1.5bn in 2009, split between nearly $900m for pan-Arab satellite and just over $600m for local channels. For a market with a population of over 250 million - making it almost the same size as the USA, which saw annual advertising revenues of $53bn in 2009- this figure is very low. Even when compared to other developing markets, the Arab TV industry suffers significantly from an undervalued advertising market. For example, Brazil's TV advertising market was worth $7.4bn in 2009. This puts the Arab Region on par with a country like Turkey, whose population is just 70 million but TV advertising is worth over $1bn. There are several reasons for the low value of the Arab TV advertising sector, which we explore in the remainder of the section.

While the FTA market is extremely fragmented, it is dominated by a few large broadcasting groups

With around 450 FTA satellite channels available at the beginning of 2009[17], the number has increased rapidly year-on-year and is estimated to stand at nearly 600 channels today.

Exhibit 27: Number of pan-Arab satellite TV channels, 2004-2009

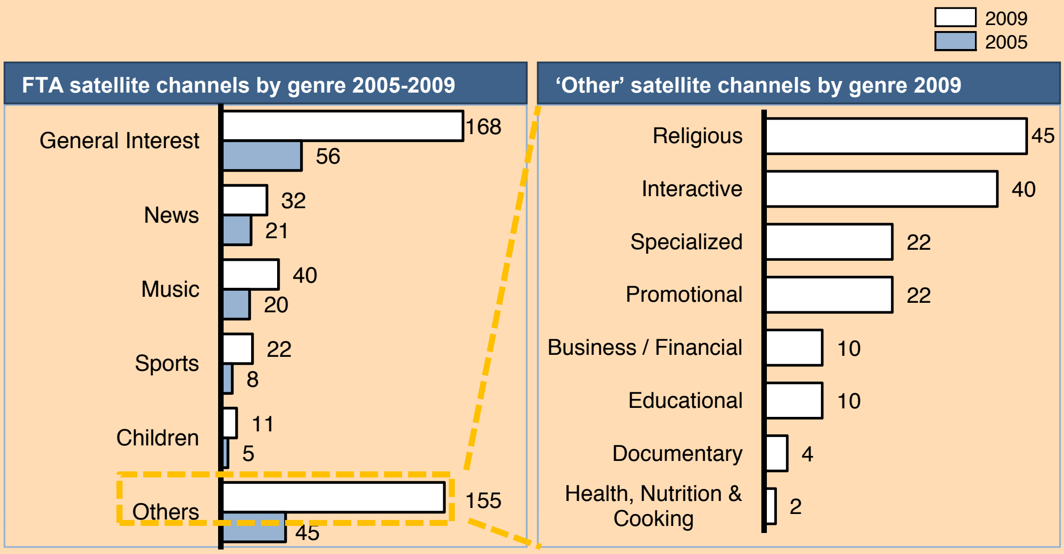


Note: Total satellite TV channels in 2009 includes channels in test transmission phase
Source: Arab Advisors Group, Value Partners Analysis

With such a high number of channels available, there is a wide variety of genres and content types on offer for the pan-Arab audience. While the majority are still 'general interest' channels, there are also a growing number of specialized channels catering to different segments of the Arab audience. In particular, religious channels make up the second highest number of channels after 'general interest', with 45 religious channels available in 2009.

[17] Including approximately 40 still under test transmission

Exhibit 28: Breakdown of pan-Arab FTA satellite channels by genre, 2005 – 2009



Note: Excludes 46 channels under test transmission
Source: Arab Advisors Group

In spite of the large number of players, the pan-Arab FTA market is dominated by a small number of channels, which form the bulk of both viewing share and advertising revenues.

While the top 15 pan-Arab channels make up 64% of audience share, they constitute 80%[18] of the nearly $900m pan-Arab advertising revenues, suggesting that – as is the case in other international markets – those leading channels with the highest audiences are able to command a premium on their advertising. In turn, these channels are held by a few groups from the Gulf, namely MBC, Rotana / LBC, Abu Dhabi Media Company, Dubai Media Inc., and Al Jazeera. Other media owners, in Egypt for instance (Melody and Dream), are within the top 10 media groups in the region in terms of advertising revenues.

It is worth noting that the relative importance of each pan-Arab channel varies across the Arab Region, particularly between the Gulf, Levant and North Africa. For example:

- In Saudi Arabia and the rest of the Gulf MBC dominates the market
- In Egypt and the rest of North Africa there is a stronger hold of the national terrestrial channels, and
- In Lebanon (and to some extent surrounding Levant countries), the Lebanese channels dominate

The MBC Group is the dominant broadcasting group, accounting for over 40% of total viewing share and 50% of total advertising across its channels.[19] This is due, in part, to the range of channels, languages and genres over which the group spans, including a 24-hour news channel, Al Arabiya, as well as dedicated drama and entertainment channels in Arabic, English and Farsi. Yet most of the audience is down to their anchor channel MBC1, which caters to the mainstream Arab population with general family entertainment.

[18] Assumptions based on PARC data, industry interviews and Value Partners analysis
[19] Assumptions based on PARC data, industry interviews and Value Partners analysis

Exhibit 29: MBC Group channel offerings

Channel	Audience Share[1]	Main Language	Free / Pay	Focus	Highlights / Key Shows
	22%	Arabic	FTA	General Family Entertainment	• Man Sa Yarbah Al Million (Arabic gameshow) • Kalam Nawaem (Arabic talkshow) • Akher Man Yaalam (Arabic talkshow) • Bab El Harra (Arabic drama) • Nuqtat Tahawul (Arabic talkshow)
	7%	English	FTA	Movies	• Mostly movie repeats up to 17:00 daily, followed by foreign premieres and action movies during primetime
	2%	Arabic	FTA	Children's Entertainment	• Blue Dragon(Children's) • Ben Ten (Children's) • Fantastic Four (Children's) • Eish Safari (Children's reality)
	7%	English	FTA	General Entertainment with focus on foreign series	• Turkish series • America's Got Talent (US talkshow) • American Idol (US entertainment) • Oprah (US talkshow)
	n/a	English	FTA	Movies	• Variety of mainly US movies, some of which have recently started being dubbed into Arabic
	3%	English	FTA	Action series	• Vampire Diaries(US drama) • Gladiators (US entertainment) • Prison Break(US drama)
	n/a	Farsi	FTA	General Entertainment	• English movies with Farsi subtitles
	n/a	Arabic	Pay Per View	Arabic and Turkish series	• Airs the MBC Arabic Drama series before they air on MBC1 for Pay-TV customers, for example Turkish drama is aired 24 hours earlier on MBC Drama Plus
	5%	Arabic	FTA	24-hour News	• Core programming includes news, documentaries, talk shows and economic programmes

Note: (1) Audience share based on PARC KSA data, 2008
Source: PARC, MBC Group

While MBC Group offers only one pay-TV channel in its current bouquet, its FTA channels have historically acted in many ways like pay-TV channels themselves in the type of content that they offer. In Western markets, premium content such as Hollywood movie regional premiers and premium sports content tend to be available only via subscription services. Meanwhile, in the pan-Arab satellite market, the traditional windowing strategies of US studios are not always applied in the same way, with some studios (mostly independent) partnering with FTA players like MBC to offer first or second run rights of Hollywood movies. Recent examples include deals with Summit Entertainment to air *Twilight* and with Celador/Film4 on *Slumdog Millionaire.* In addition, industry experts suggest that viewers in the Arab Region are less sensitive to new releases than in other markets. For example, viewers are less likely to pay a premium to access very recently released Hollywood movies, but would rather wait for several months and watch the content for free, impacting the traditional business model of pay-TV operators. Thus, FTA players, such as MBC, are able to secure deals with Hollywood studios to acquire rights for movies that are three to five years old, which are very popular with viewers.

Another trend in the Arab FTA broadcasting sector is that channels, such as MBC, are increasingly looking for new ways to offer premium content which will distinguish them from the free content offered on their core channels. The trend is towards an increasing number of large, consolidated groups which span a range of genres, languages and, increasingly, a mix of FTA and pay-TV channels – particularly in the GCC region. This allows groups like MBC to maximise the exploitation of their expensive FTA content in alternative ways – in MBC's case, via transmission of its Arabic drama series on a pay-TV channel before they air on MBC1. For example, immediately after transmission of some of its Turkish drama series on MBC1, MBC offers the next day's episode for its paying customers 24 hours in advance on a 'turn over now' basis.

Other major broadcasting groups, including some government owned organizations, are also increasingly catching up in terms of quality and breadth of content and we are beginning to see some market share transferred back to other players. Broadcasting groups in the Gulf region have been particularly active in developing strategies that include expanding their presence in the FTA sector, entering the pay-TV sector and investing heavily in premium content.

- Al Jazeera, traditionally a FTA Arabic news channel since 1996, has expanded its bouquet of channels to include sports, children's and English language news. Al Jazeera now offers a total of seven FTA channels and 14 pay-TV channels. Most notably, Al Jazeera's acquisition of six ART sports channels in November 2009 is a bold move deeper into the world of pay-TV. Al Jazeera now has the exclusive rights to several major international sports leagues, including the UEFA Champions League, FIFA World Cup 2010 and 2014, and the African Cup of Nations 2010-2016. While carrying out heavy investments in sports rights, including $180 million for the Champions League, and charging low subscription prices of around $5 / month, Al Jazeera has been vocal about its aim to boost subscriptions from around 1 million in 2009 to 3 million over the next two years.[20]

- Similarly, Abu Dhabi Media Company's TV broadcast division offers a total of six Arabic FTA channels across general entertainment, sports and documentary (via its recently launched National Geographic Abu Dhabi channel), as well as one pay-TV sports channel. ADMC also started investing heavily in sports rights in 2009, purchasing the rights for the English Premier League for a reported $350 million over three years (from 2010), which it will air on its pay-TV channel, demonstrating a strong move into premium content.

- Dubai Media Inc. is in the process of growing its bouquet of channels, having launched one new sports channel and acquired a further channel from Arab Media Group in 2009. DMI now offers a total of six Arabic FTA channels across the genres of general entertainment, sports and religious, as well as one English language general entertainment channel offering content acquired through a deal with Warner Brothers International TV Distribution. Dubai TV is also investing in local content, having produced *Struggle on the Sand* in 2008, a $6m historical epic representing the highest ever budget for an Arab TV series at the time. The channel is also home to one of the most popular local series in the region, animated programme *Freej.*

- Rotana Media Group, with its bouquet of Arabic music and movie channels, as well as two Fox-branded channels through a partnership with News Corp., is also investing heavily in content. In December 2009, Rotana announced a US$ 26.7m four-year deal with Walt Disney Company to air Disney and ABC content on FTA channels Fox Movies and Fox Series. The deal will see premium Disney content such as movies *Pirates of the Caribbean, Wall-E* and *Chronicles of Narnia,* as well as major Disney series, airing on pan-Arab Fox channels. Furthermore, News Corp. has announced that they are in final discussions to buy a stake in Rotana Media, which will be finalized in 2010. This increasing interest from major international media conglomerate News Corp. could have a significant impact on Rotana's overall strategic positioning in the region.

Meanwhile, broadcasting groups with more limited budgets in other markets across the region have managed to capture significant portions of audience share, particularly in North Africa where new channels are emerging to challenge historically strong broadcasters from the Levant.

[20] Across all pay-TV platforms, based on press releases and interviews with industry experts

- LBC has been the market leader in Lebanon and popular throughout the region for many years, focusing on local talkshows and imported entertainment formats adapted to the local market. While facing strong competition on a pan-Arab basis, its ties to Rotana could see it improve its positioning over the next five years.

- In North Africa, as the market opens up and new private networks start challenging historically dominant broadcasters, the region is emerging as a key market in the FTA TV sector. Egypt's Al Hayat TV, Melody TV and Dream TV are all success stories in their country, and even beyond; meanwhile Tunisia's Nessma TV and Morocco's 2M are both popular channels that have the potential to become significant pan-Arab players, at least in North Africa, as they start to invest further in content and generate interest from across the region.

It is clear that the trend in the FTA sector is towards domination by a few consolidated broadcasting groups, as well as, simultaneously, the continued entry of new, smaller players.

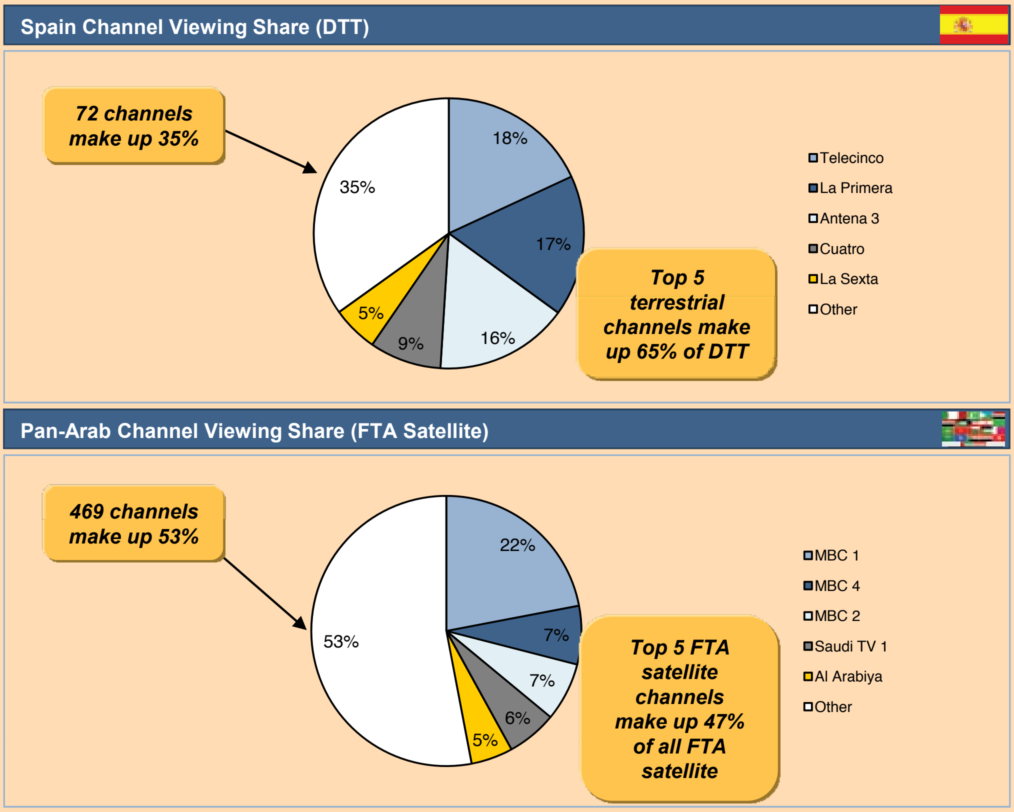
The FTA market suffers from very low advertising revenues

Relative to the large audiences available to pan-Arab TV channels, FTA suffers from very low advertising revenues. This is clearly apparent from the CPM rates, which we estimate to be around 60% lower for pan-Arab TV than they are in Western Europe.[21] The low advertising revenues experienced in the region can be explained by several factors, many of which are issues that have existed for many years, but are now being taken increasingly seriously by industry players and governments alike, and which have potential for significant improvement over the next five years.

The first contributing factor, as we have seen, is the fact that the pan-Arab audience is fragmented across nearly 600 channels. This fragmentation limits the market both at the top and the bottom. At the bottom, as the top five channels on FTA Satellite make up 47% of total viewing share, there are hundreds of channels with extremely low viewing shares which can barely be commercially viable. When compared with a market like Spain, which has only 72 FTA channels (via DTT, not satellite) and the top five channels constitute 65% of the viewing share, it is even clearer that this fragmentation of audience is a serious issue for those major channels which are attempting to be commercially viable as they are competing for audiences with such a high number of smaller, niche channels.

[21] Zenith, Value Partners analysis, based on 2008 figures for commercial channels

Exhibit 30: Channel viewing shares Spain vs. Pan-Arab, 2008



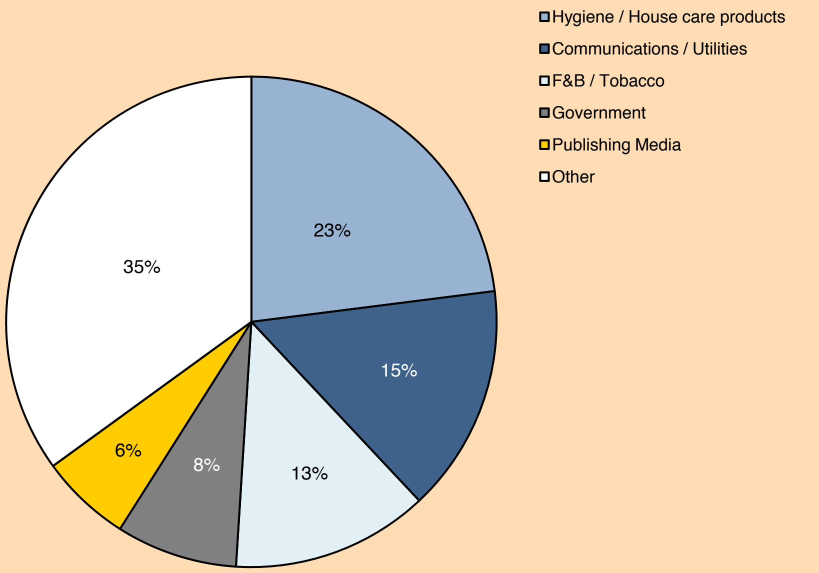
Note: Number of Pan-Arab Satellite Channels refers to 2009, channel viewing share refers to end-2008 and is based on PARC KSA data
Source: MAVISE (European Commission), PARC

At the other end, the top five channels on pan-Arab TV constitute a lesser proportion of total viewing when compared to other markets. As a result, the opportunities for channels to bring in mass audiences are seriously reduced. Meanwhile, the remaining 469 channels on pan-Arab TV share account for just 53% of total viewing, making it increasingly difficult for them to extract value from advertisers as the number of channels continues to increase.

Another key factor, which is related to audience fragmentation and serves, in part, to explain the high number of satellite channels available, is the fact that not all channels in the region are run for purely commercial reasons. This puts severe pressure on any channel which is trying to operate commercially, since competition for content and, therefore, viewers is extremely stiff. This unusual business model means that there is little pressure from the industry to increase advertising prices when TV channels have other sources of funding. Similar disruption can be seen as a result of public funding in some Western markets – for example, the radio sector in the UK is led by the BBC channels which constitute the bulk of the radio market. Thirdly, and arguably most importantly for the industry, is the lack of accurate and widely accepted audience measurement systems in the region. Unlike other markets, which generally have accepted systems for providing the industry with accurate audience data upon which many broadcasting decisions are made, the Arab Region relies on consumer surveys carried out by market research firms, some of whom have ties to the broadcasters themselves. This further contributes to the low advertising revenues for the region and the severe undervaluing of spot advertisements.

Finally, the fact that pan-Arab satellite TV does not offer targeted advertising by country is a further hindering factor. The fact that Arab advertisers are able to reach pan-Arab audiences is, on the one hand, a large opportunity, but, on the other, also creates difficulties with charging appropriately high rates for the size of the audience. This challenge is compounded by the fact that the average demographic of the Arab audience is relatively low income, which has traditionally turned off global advertisers. As a result, the top two pan-Arab advertisers in 2008 were, understandably, Saudi Telecom and Zain, telecom companies for whom the target Saudi market constitutes a large proportion of the total pan-Arab audience, making it commercially viable to advertise on the platform. Meanwhile, the highest proportion of advertising on pan-Arab media came from hygiene and house care products – i.e. brands which are present in multiple Arab countries and can maximize the value of reaching such a broad audience.

Exhibit 31: Pan-Arab advertising spend by category of advertisers, 2008



Source: PARC 2008

In spite of these multiple monetisation issues, FTA looks set to grow in the coming years

We believe that the FTA sector will display strong growth over the next five years, with net TV advertising revenues increasing from nearly $900m today to almost $1.1bn in 2013 for pan-Arab advertising and from $1.5bn to around $1.9bn for total TV advertising in the Arab countries in scope, driven by an increase in pan-Arab advertising spend and a reduction in discounts to media buying agencies.

Firstly, from a consumer point of view, the TV sector in the Arab Region is in a strong position relative to other markets. While in other markets consumers are increasingly moving away from TV and spending more time on other platforms, viewers in the region continue to be some of the highest consumers of television in the world. In terms of the amount of time spent watching TV, the Arab Region watches 13% more television per day than Europe and 53% more than Asia Pacific, behind only North America. Specifically, Kuwait is the nation with the highest level of television viewing in the world, with Saudi Arabia and the UAE also in the top five[22]. Consequently, the Arab TV industry has the potential to be one of the biggest in the world from a consumption point of view.

Secondly, some Arab governments and media industry players are starting to appreciate the potential to unlock value in the TV industry via the introduction of audience measurement systems.

[22] Eurodata TV Worldwide; EGEDA Association

These are still in their early stages and often face multiple obstacles, such as the introduction of the People Meter system in the UAE, which has been given the go-ahead by the telecommunications and media regulators but continues to face some resistance. Similarly, Saudi Arabia has been discussing the possibility of a People Meter system over the past two years, but any direct action is yet to be seen. Although overcoming the various obstacles in terms of implementation of audience measurement systems will be a tough battle, industry representatives suggest that their introduction could lead to a significant increase in the value of advertising. However, it is also clear that for an audience measurement system to be a success and to be widely accepted, it must also be backed by an independent, neutral organization. As industry players and governments become increasingly aware of the value of audience measurement, we expect the number of initiatives to increase between today and 2013, which in turn will drive the growth of the industry.

Thirdly, one of the key factors hindering net advertising revenues in the region is the practice of extremely high discounting on advertising rates by broadcasters to media buyers. Interviews with industry experts in the region suggest that these can reach up to 90%, depending on the platform and the market. However, as we see increasing pressure for transparency on industry players, we expect this practice to become less extreme, and discounting rates to be reduced. This will ultimately drive the growth of net advertising revenues in a significant way.

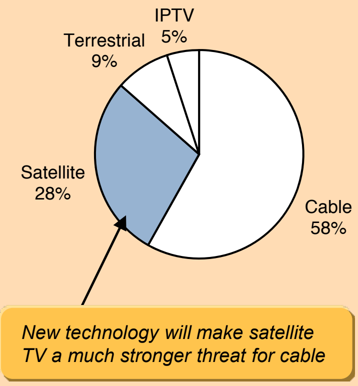
A final element that we expect to see introduced to the Arab TV industry and help further its growth is more targeted advertising. While this is an expectation for the long-term future of the industry, if the technology were to be introduced to enable addressable advertising on pan-Arab satellite TV, this could change the face of the industry. For the majority of FTA satellite channels, advertisers are reaching pan-Arab audiences who may or may not be part of their target market. In the USA, however, cable companies have always been able to target customers in individual states/cities, while satellite companies are now starting to implement a technology that will facilitate a similar approach.

Exhibit 32: US satellite industry

USA TV Market

- In the USA, the TV market is strongly dominated by Cable, which contributes to 58% of total TV penetration
- The satellite sector, which makes up 28% of the total market, consists of two key players, DirectTV and Dish Network
- The satellite industry has traditionally faced strong competition for advertising from cable, largely because of the ability of cable technology to deliver locally targeted advertising
- In the last twelve months, US satellite operators have announced deals with Invidi to use a new technology that will allow them to offer TV advertising which targets subscribers by a variety of geographic breakdowns

USA TV Penetration by Platform 2009



- In the US, new technology could make Satellite TV a much stronger threat for cable by allowing targeted advertising by geography
- In the Arab world, a similar concept would allow satellite channels to offer advertising aimed at particular countries and demographic groups and would likely have a very strong impact on overall revenues

Source: Screen Digest

In the Arab Region, a market with several different time zones, viewing patterns and media consumption habits, this concept of targeted advertising could add significant value to the pan-Arab satellite industry. There have been some attempts by pan-Arab broadcasters which are currently focused on their home markets in the Gulf to launch dedicated North African channels. For example, in 2006 MBC launched MBC Al Maghreb Al Arabi.

In conclusion, while FTA satellite in the Arab region is currently a largely undervalued market, we believe that there is huge potential for growth. With Arab media industry players understanding the vital role that audience measurement systems play and a reduction in discounting practices, we expect to see substantial growth over the next five years.

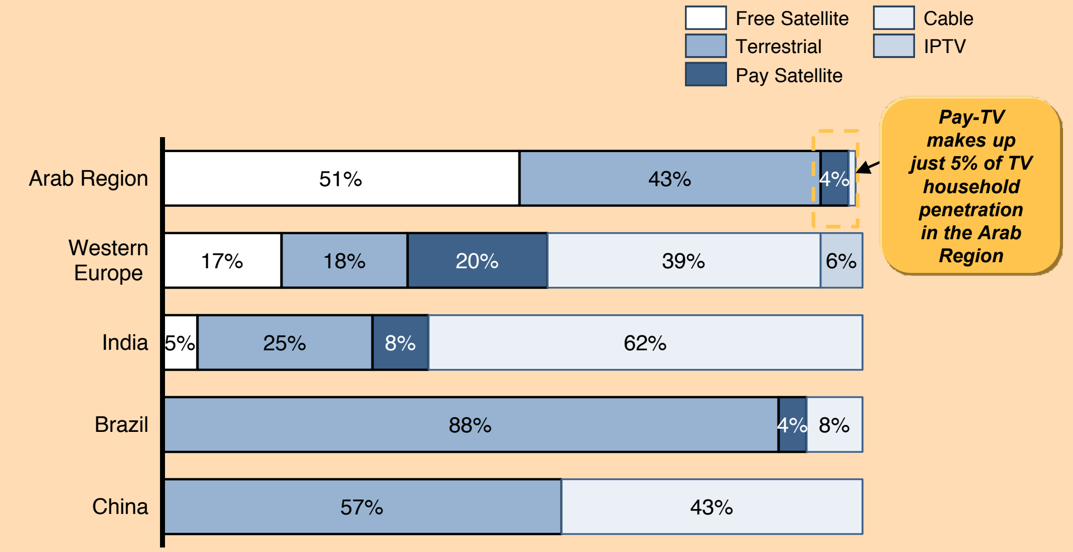
1.3.2 Pay-TV

The pay-TV market in the Arab Region faces strong competition

The pay-TV market in the Arab Region is still emerging compared to other regions, largely due to the extensive threat to the sector posed by FTA satellite. Free satellite and terrestrial combined are the platforms adopted by 95% of TV households in the region, leaving just 5% for pay-TV platforms. When compared to other developed and emerging markets, the pay-TV sector in the Arab Region is one of the smallest. There are several reasons for the low pay-TV penetration in the region, including:

- The existence of such an abundance of FTA channels and their behaviour as pay-TV channels in other markets
- The widespread issue of piracy in the region, particularly in the form of dreamboxes
- The limited amount of premium content available in the Arabic language
- The fragmentation of the market (prior to the Orbit Showtime merger in Summer 2009) among three major operators, plus a number of smaller players, which has hindered revenues of the major operators and, therefore, their investment in content

Exhibit 33: TV households by platform, 2009



Note: Penetration rates (of terrestrial TV in particular) may be underestimated due to the presence of multiple platforms within the same household (e.g. terrestrial and free satellite)
Source: Screen Digest, Value Partners analysis

The pay-TV sector in the Arab Region is made up of pay satellite, which constitutes 3.8% of TV households, and cable and IPTV which, combined, are accessed by just 1.6% of TV households. While pay-TV is low in many emerging markets, that is certainly not to say that it is a characteristic of all developing countries and there are plenty of examples to suggest that pay-TV can be a strong force in an emerging market economy. The markets of India and China are cases in point, being countries with low income levels, high rates of piracy and yet strong pay-TV sectors. In India, cable reaches 62% of TV households, making it the country's dominant platform, as a result of a variety of low priced packages, starting at just US$1.60 per month. Meanwhile, China has the largest cable market in the world with 165 million subscribers and accounting for 43% of TV household penetration, as discussed in the exhibit below.

The strategies adopted in these markets represent a potential opportunity for the Arab pay-TV market by, for example, developing tiering strategies, which include an entry bouquet with some 'teaser' premium content in order to differentiate from free satellite, as well as an upgrade option with 'a la carte' channels and relevant packages.

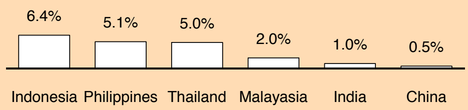
[22] SARFT; Informa China TV Overview

Exhibit 34: Cable TV market in China

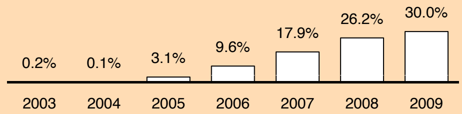
China: Cable TV market

- With 165m cable TV households, China is the largest cable TV market in the world, ahead of the US
- The cable TV sector in China has grown steadily from its launch in the 1980s to reach 43% penetration in 2009
- Industry collaboration was key to the growth with a government led effort to merge existing local oriented cable networks into province-based operators
- Cable TV ARPU is one of the lowest in the world in absolute and relative value at just 0.5% of disposable income
- However, the situation will be rapidly evolving with the digitalisation of the cable TV network in China:
  - While an analogue subscription costs from US$ 1.50 – US$ 1.70 per month, the digital entry bouquet is priced at US$ 3
  - In addition premium channels and VOD packages are priced at an additional fee (e.g. US$ 5 per month for a VOD package)

Pay TV spend as % disposable income (2008)



Digital TV subscribers in China[1]



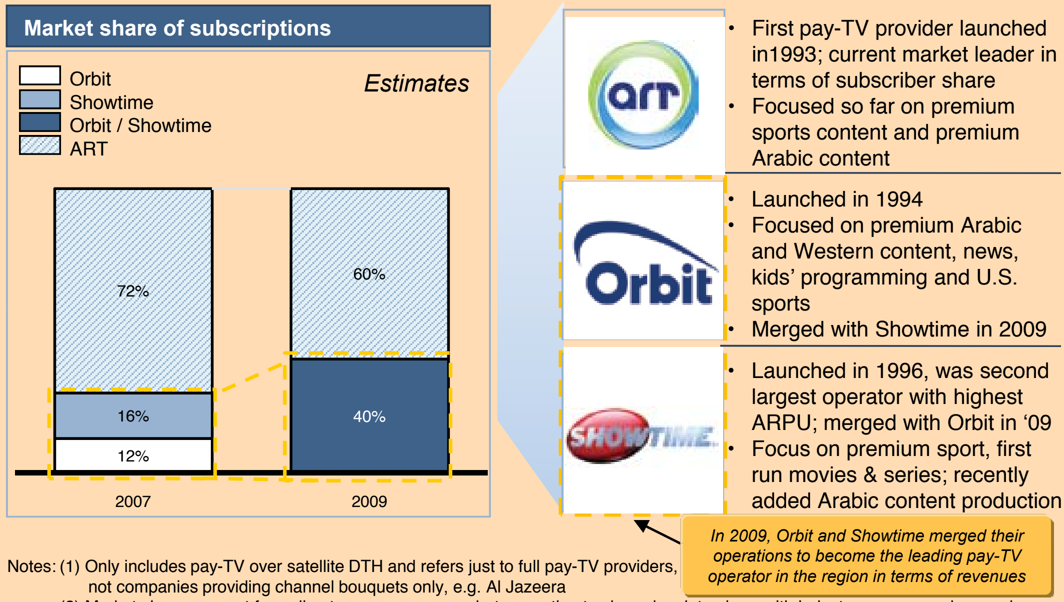
- China has become the largest cable TV market in the world in terms of number of subscribers, with anexisting base which can be upgraded to premium services with the roll -out of digital cable
- The China example proves the viability of pay TV models even in markets with low disposable incomes and high piracy rates
- For the Arab world, this could prove a good example of a "tiering" approach whereby the pay -TV operators can attract users to the platform at low fees and gradually build upon premium services

Note: (1) As percentage of total cable TV subscribers
Source: EIU, Paul Budde report on China

While there had been three key players in the Arab pay-TV market, the merger of Showtime and Orbit in Summer 2009 suggests that the market leader in terms of subscriptions, ART, will now face strong competition for its subscribers. Although ART continues to have the highest propotion of subscribers, Orbit/Showtime now have a combined subscriber base of approximately 40% of the market and might become a stronger threat to ART as the lines between their target markets blur.

Exhibit 35: Overview of pay-TV market in the Arab Region[1]

Overview of pay-TV market in the Arab Region[1]



Notes: (1) Only includes pay-TV over satellite DTH and refers just to full pay-TV providers, not companies providing channel bouquets only, e.g. Al Jazeera
(2) Market shares are not from direct company sources but are estimates based on interviews with industry sources and secondary sources

Source: Informa TM, Value Partners analysis

Until now, the various pay-TV operators in the market have adopted quite distinct strategies, but the landscape is changing, due to recent consolidation and the entry of new players.

- ART, with the highest market share and the lowest ARPU of the two major operators, has traditionally focused on Arabic content, becoming one of the largest producers of Arabic movies in the region and holding several exclusive deals with Arabic content channels. Sport has also been a key area of focus, with ART investing in rights for the Arab leagues. However, with the recent sale of six of its sports channels to Al Jazeera, and most of its sports rights along with them, ART may have to adapt its strategy.

- Orbit and Showtime, recently merged into one entity, have always targeted the higher income segments of the region, gaining the highest ARPUs of all pay-TV operators in the region. Orbit is an Arab company producing many of its own Arabic drama series in-house, while Showtime has always had a skew towards Western content. Together, the two companies have a combined content offering of 75 pay-TV channels, eight different packages and first run rights deals with several major Hollywood studios, including Warner, HBO and Universal.

- Al Jazeera, which could also be classified as a "low ARPU" pay-TV provider, has been making some very heavy investments in premium content, with the purchase of both the rights and the channels from ART sports content. Al Jazeera will have to increase subscriptions substantially over the coming years in order to pay off its investment in premium sports rights.

- In addition, there are several smaller operators in the market, who operate at mid-level ARPU and specialize in specific genres. For example, Almajd Satellite offers a mix of general interest and specialized programming, with a focus on religious content across its six pay-TV channels.

Exhibit 36: Pay-TV offerings: Orbit Showtime Network and ART

	Orbit Showtime Network (OSN): • 75 Pay-TV channels • 8 different packages	ART: • 39 Pay-TV channels • 4 different packages
Movies	• 10 channels	• 7 channels
Factual	• 6 channels	• 7 channels
Kids	• 7 channels	• 3 channels
Arabic Series	• 9 channels	• 3 channels
English Series	• 8 channels	• 1 channel
News	• 10 channels	• 2 channels
Music	• 3 channels	• 2 channels
Sports	• 6 channels	• 10 channels[1]
Pay Per View	• 3 channels	• 1 channel
Other	• 10 channels	• 3 channels
HD	• 3 channels	• 0 channels

Note: (1) Number of sports channels reported to be 10 at the time of publication on the understanding that ART Sports 1-6 ceased transmission on 31 December 2009

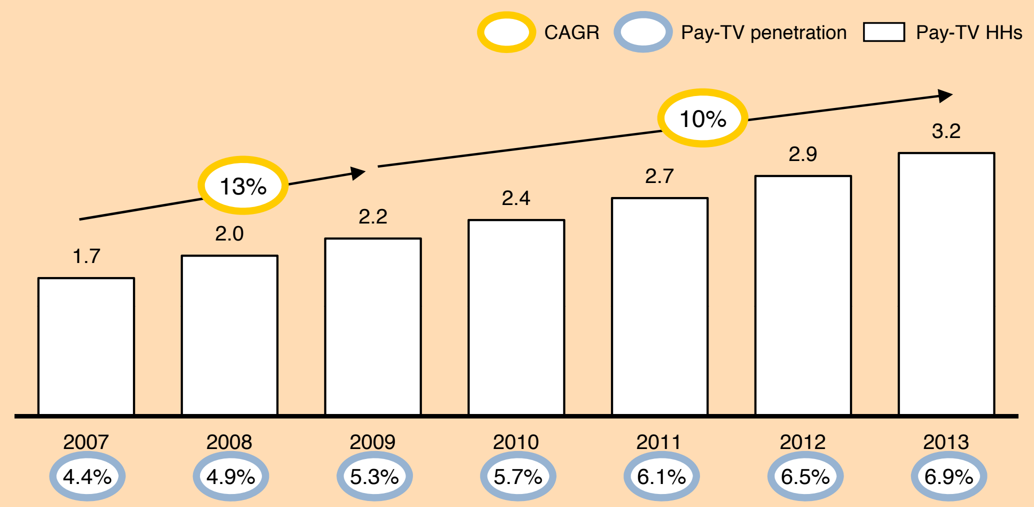
Source: Arab Advisors Group, Value Partners analysis

As the exhibit above shows, Orbit Showtime Network now offers the broadest content offering of the pay-TV operators. However, if it is to strenghthen its subscriber base against ART, the challenge will be to compete for the more mainstream segments of the Arabic-speaking population.

In this context, we foresee growth of the pay-TV market in three main areas

While we forecast growth for the FTA sector in terms of advertising revenue growth, we believe that the pay-TV sector will grow simultaneously. The sector is forecast to grow 45% from 2.2 million subscriptions in 2009 to 3.2 million in 2013, still low compared to other markets but demonstrating substantial growth for the region.

Exhibit 37: Projections for pay-TV subscriptions in the Arab Region (HH m)[1,2]



Note: (1) Includes only full pay-TV providers, not companies providing channel bouquets only, e.g. Al Jazeera
(2) Palestine, Sudan and Yemen not included
Source: Informa TM, Value Partners analysis

This growth in subscriptions and penetration will be driven by four key elements: consolidation among pay-TV operators, the effective exploitation of premium content, such as domestic football, the continued fight against piracy and the introduction of new services and platforms which will help increase reach.

Firstly, consolidation of the sector, which has already begun with the merger of two of the region's pay-TV players, Orbit and Showtime, will help drive growth of the industry through rationalisation of investment in content.

Exhibit 38: Consolidation in the pay-TV industry

Showtime / Orbit Merger

Orbit — leading the way

- **Date Established:** 1993
- **Ownership:** Mawarid Holding (100%)
- **No. Employees:** Approx. 800
- **HQ:** Bahrain

SHOWTIME

- **Date Established:** 1996
- **Ownership:** KIPCO (100%)
- **No. Employees:** Approx. 600
- **HQ:** UAE

OSN — ORBIT SHOWTIME NETWORK

- **Date Established**: 2009
- **Ownership:** KIPCO (50%), Mawarid Holding (50%)
- **No. Employees:** 1,100 (estimate)
- **HQ:** Bahrain & UAE
- **Channels:** 75

- In July 2009, the region's pay-TV market witnessed the merger of two of its largest platform owners
- The Arabic pay-TV market now has only two players, Orbit Showtime Network ("OSN") and ART
- The merger is likely to result in:
  - Less competition for premium rights, potentially reducing the 'rate of inflation' of these rights
  - Synergies on rights and transmission, hence a more commercially viable pay-TV sector
  - Better positioning for Orbit Showtime to compete against other existing pay-TV players, predominantly ART and new comers such as Al Jazeera Sports
  - Increased overall pay-TV penetration, with more exhaustive packages and improved content offerings
- The new company, OSN, is accelerating investments to tackle piracy, including new STB technology which will be swapped in 2010

Source: Informa TM

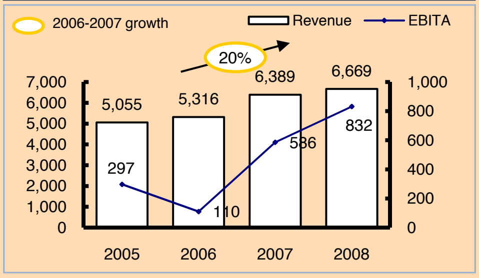
From global markets where significant pay-TV mergers have taken place in the past, it is clear that significant gains can be made from sector consolidation, both in terms of increasing revenues and by gaining cost synergies, thus boosting the pay-TV sector. The increase in profitability gained through consolidation has enabled operators to plug more investment into content. The merger of TPS and Canal Plus in France at the beginning of 2007 is a case in point.

Exhibit 39: Canal Plus / TPS Merger

France: TPS / Canal+ Merger

- In January 2007, French broadcasting group Canal Plus merged with satellite platform TPS to create a single pay-TV company with a monopoly over the French market and approximately 10 m subscribers on multiple TV platforms
- Canal Plus achieved an increase in revenues of 20% in its first year postmerger
- The group also expected to achieve cost synergies of US$ 512 million per year by 2010 through savings on content, distribution and technology
- These targets were already exceeded by 2009 and the group is aiming to achieve EBITA of over US$ 1.5 billion by 2010

Canal Plus Group Revenues & EBITA (US$ million)



Canal Plus Group Savings from Merger (US$ million)

	2010 Target	Realized in 2007
Distribution	73-110	73
Content	293-366	117
Technology, Broadcasting & Structure	73-110	30
Total	>512	>220

Note: €$ exchange rate as at November 2009
Source: Vivendi company data

Secondly, effective exploitation of premium content by pay-TV operators in the region will be key to ensuring growth of the sector. For example, European pay-TV has grown significantly over the past ten years, largely as a result of the exclusive broadcast of domestic football leagues on pay-TV platforms. While domestic leagues in the Arab Region are still in the very early stages of their growth, it is expected that, as the leagues expand and mature, there will be a significant opportunity for pay-TV operators to extract further value from the associated broadcast rights.

Thirdly, the fight against piracy is an ongoing and challenging battle, but certain markets are seeing significant improvements in the way piracy is being tackled which will have a long-term positive impact on the pay-TV sector.

- Governments are playing an increasingly active role to create and enforce intellectual property (IP) laws, such as the recently created IPR division[23] within the Jordanian Policy as well as an IP division at the Customs Department in Jordan. Lebanon also has a special IPR police unit which has been operating since 2006 and in Saudi Arabia several ministries are beginning to crack down on TV decoder boxes that give viewers free access to subscription-based channels.
- Similarly, private initiatives such as the Arabian Anti-Piracy Alliance (AAA) have had great success in the Gulf countries through their efforts to enforce piracy laws and lobby governments for necessary changes in regulation. The AAA have carried out major raids of illegal operations in the UAE, Bahrain and Saudi Arabia, totalling 239 raids across the Gulf, 159 arrests and the seizure of 8,823 illegal decoders since the beginning of 2008.[24]
- In addition, pay-TV operators themselves are creating new technical solutions to tackle piracy, such as new "anti-pirate" set-top boxes. For example, ART recently introduced a new generation of anti-hacker technology in its set-top boxes. ART signed an agreement with French company Viaccess and Korean company Opentech to roll out new boxes that contain a "Praha" card ("proactive against hacker attacks") which combats illegal card sharing.

Going forward an increase in such initiatives by governments, pay-TV operators and other private organizations, are expected to lead to a gradual, but significant improvement in the fight against piracy and, therefore, an increase in the value of pay-TV.

Finally, growth of the pay-TV sector will be driven by a significant improvement in the services

[23] Intellectual Property Rights division
[24] AAA

offered by operators and the introduction and growth of new platforms for TV content distribution. Advanced features such as PVRs and interactive services are becoming essential elements of pay-TV offerings in most markets and we expect these features to advance in the Arab Region too. It is these major developments across the industry, including consolidation of the sector, the fight against piracy and the introduction of new platforms and services, that will drive growth in the pay-TV sector to reach 3.2 million subscriptions and 7% penetration by 2013.

1.3.3 New services

On an international level, advanced features such as PVRs, EPGs and interactive services are becoming an increasingly important way of differentiating the offerings of pay-TV from free TV, particularly when it comes to facing the challenges of free online content. Thus, in all markets we are seeing an increased focus on these services by pay-TV providers to try and ensure value add over FTA. In the Arab Region, many of these pay-TV features are still in their early stages and the development of more user-friendly pay-TV features (e.g. improved EPG) could drive take-up. From discussions with industry stakeholders, we understand that no revenues are currently being made from these advanced features by pay-TV operators in the region, while in Europe they constitute 10-20% of pay-TV platform revenues.[25]

High Definition is another area of increasing strategic focus for many broadcasters around the world, lauded by many as the biggest breakthrough in broadcasting since colour television. Globally, HD services have grown to become an essential part of any significant pay-TV offering, with all the major operators including HD channels in their packages, often at extra cost. In the Arab Region, the first HD TV service in the Middle East went live in July 2009 with Etisalat's e-Vision platform, on which Abu Dhabi TV, Fashion TV and Al Jazeera Sports all became available in HD. In addition, some production companies are making the significant and expensive leap to shooting in HD. We expect to see further operators introducing HD in the coming months, as well as an increase in the number of HD-enabled television sets and set-top boxes.

3D is another area of interest that broadcasters in some of the more mature markets are taking increasingly seriously. Most notably, the UK's Channel 4 aired a week-long special's worth of 3D programming in November 2009, during which its viewers were able to watch the content using dedicated 3D glasses. Also in the UK, Sky's 3D broadcasts are due to start in 2010 for those with Sky HD, though viewers will not only have to acquire the glasses, but also upgrade their television sets. Sony and Panasonic have announced that they will release home 3D television systems in 2010, while Mitsubishi and JVC are reported to be working on similar products. While it may be a while before 3D television is introduced and gains traction in the Arab Region, it could eventually present a significant opportunity, particularly among the younger demographic.

1.3.4 New platforms

Finally, we anticipate the development of new platforms by the broadcasting sector in the Arab Region. One platform which is becoming increasingly popular in Western Europe and is starting to take off in the Arab Region, particularly in North Africa, is Digital Terrestrial Television (DTT). This is mainly due to the characteristics of the TV landscape in the North African region which are slightly different from other parts of the Arab world. Some of the key market conditions that need to be satisfied for successful DTT take-up that we have seen in other parts of the world include a high proportion of TV households still accessing analogue terrestrial television, investments by governments and private sectors to roll out the DTT network, and strong existing FTA channels who are ready to commit to DTT.

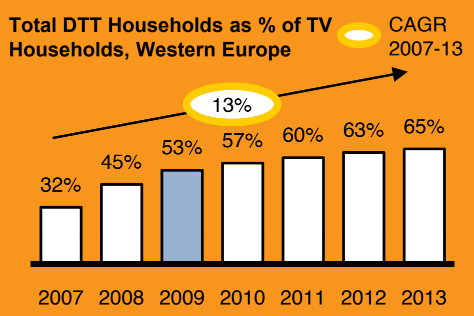
Although DTT continues to face strong competition from FTA satellite, these conditions are being increasingly met in Morocco and other North African countries where DTT is becoming more prevalent and governments are pushing for analogue switch-off by 2015.

[25] Based on Canal+/Sky data

Exhibit 40: DTT: global and Arab case studies

Western Europe

- In Western Europe, DTT is becoming the leading primary TV platform, with 37% of TV Households expected to receive DTT as their primary signal by 2013
- In many territories, the low cost of set-top boxes has led to cable and satellite homes routinely adopting DTT for use in secondary viewing locations. When these homes are included, DTT penetration rises to 65% by 2013
- DTT often provides a similar channel line-up to analogue cable, usually for no monthly fee, so is benefiting from churning cable customers
- The phenomenon of DTT is leading to a change in the dynamics of the TV industry, by:
  - Accelerating audience fragmentation
  - Leading to an increased number of new independent channels
  - Fostering the development of terrestrial HD



Morocco

- The Maghreb countries of Algeria, Libya, Mauritania, Morocco and Tunisia have agreed to switch off their analogue terrestrial TV signals in 2015
- In March 2007, the public broadcast authority in Morocco, SNRT, which oversees state-owned channels Radio-Television Marocaine (TVM) and 2M, launched a digital terrestrial TV (DTT) service
- In addition to digital versions of TVM and 2M, the service launched with three niche channels – Arriyadiya, Arrabia and Assadissa. The DTT offering increased to six channels in May 2008 when SNRT launched film-focused AflamTV and a further channel in the Amazigh language launched in January 2010
- The service is currently available to 77% of the Moroccan population, with extension to a total of 20 cities scheduled for the end of 2009
- Some 100,000 DTT receivers had been sold by mid-2008 but the relatively high price tag has held back even greater growth ($50 for a set-top box) and the extensive channel line-up provided by DTH also counts against the limited content available on the DTT platform

- In Europe, DTT is fast becoming the leading platform for TV, offering usually free multi -channel TV service
- In the Arab world, DTT faces strong competition from free satellite, however it is becoming increasingly prevalent in North Africa where several governments are pushing for analogue switch-off by 2015
- So far, the content offerings on DTT have been limited, but we expect the growth on this platform driven by government efforts

Source: Informa TM

Another platform for which we expect to see further developments in the Arab Region is IPTV. IPTV penetration in the Arab world is increasing in certain markets, depending on the availability of broadband, and is now offered by seven service providers in six countries in the region – Algeria, Jordan, Lebanon, Morocco, Qatar and the UAE – while several other Arab countries are considering deployment. Indeed, the smaller Gulf countries could represent a success story in IPTV deployment, both regionally and on an international level.

It is worth noting that IPTV deployments globally have generally been linked to very specific market conditions. For example, France is currently one of the most successful markets in terms of IPTV penetration, largely due to the urban planning laws which prohibit satellite dishes on multi-dwelling units and the lack of competing cable propositions which have allowed IPTV to develop very successfully. In the Arab world, Qatar and the UAE are already becoming competitive on a global scale in terms of IPTV deployment and we expect the platform to prove a success in the Arab Region going forward, especially in the smaller countries where broadband penetration is already high and new real estate developments are paving the way for IPTV services.

Exhibit 41: IPTV operators: global and Arab case studies

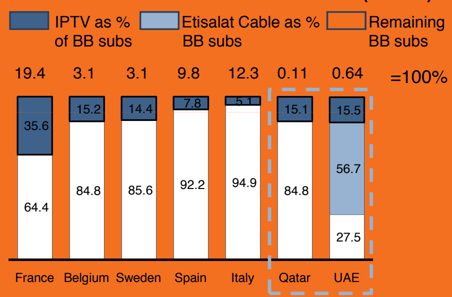
Hong Kong: PCCW

- At 37% in 2008, Hong Kong has the highest IPTV penetration by household in the world
- This strong penetration has been driven by PCCW positioning, including the following key success factors:
  - Dense urban environment, allowing Now TV to target over 90% of its broadband base from launch
  - Weak existing proposition in the market from the cable operators
  - Offering premium content, including sports and films to higher end customers with exclusive deals (EPL, HBO, Star etc)
  - Good local content offering
  - Free STB, installation and household wiring for new broadband customers
- In recent years, Now's growth rate has, however, stalled and the company is taking new measures to maintain growth:
  - Longer term subscriptions to reduce churn
  - Innovative features including an all -in-one set top box, recording function and programme scheduling from mobile, HDTV etc.

UAE: Etisalat

- While IPTV penetration in the Arab Region remains very low, it has been relatively successful in the UAE with 11% penetration
- IPTV in the UAE was driven by the high proportion of new developments
- In addition, Etisalat, the incumbent operator in the UAE, is transitioning its existing cable TV service, eVision (45% penetration) to eLife, which includes an IPTV service over its FTTH network and is expected to reach over 1m HHs by the end of 2010. This will bring the UAE to one of the most highly penetrated markets for IPTV

IPTV Penetration as % Broadband Subs (million)



- Examples from global markets show that under certain conditions, IPTV can have a significant impact on the pay- TV sector
- IPTV is likely to be a niche phenomenon overall in the Arab Region but provides a good opportunity in selected markets, particularly the Gulf countries where broadband penetration is high
- In those markets where IPTV does become successful, both pay-TV operators and content owners will benefit as it provides a more secure alternative to satellite

Source: Informa TM, Value Partners analysis

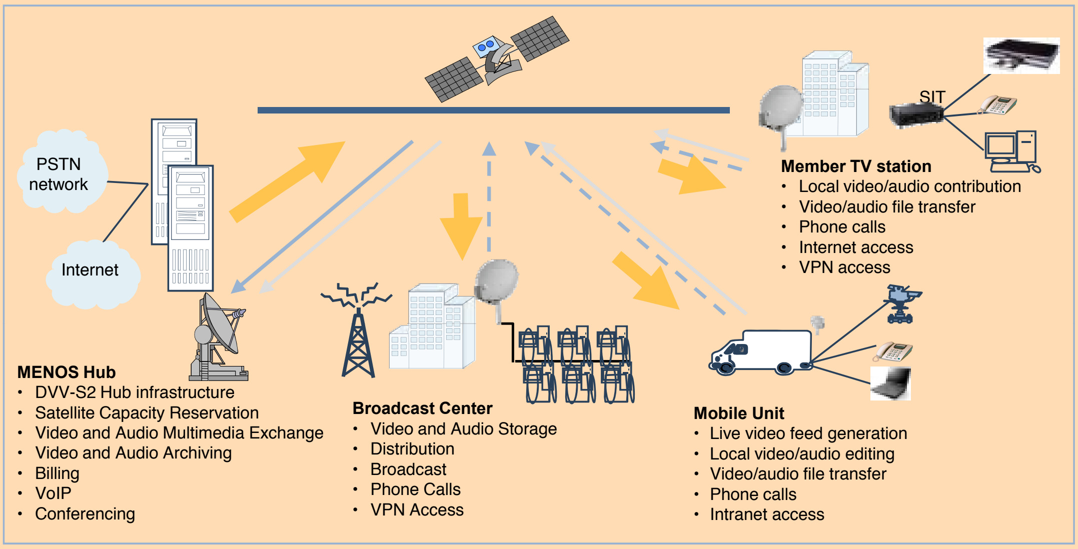
Unlike some other markets that have strong competition for IPTV customers from cable, the Arab Region's popular satellite platform offers little in the way of interactivity, opening up the way for IPTV and its interactive services. Indeed, as the pace of broadband rollout increases and telecom operators improve their multi-play packages, we expect to see growth in IPTV in the Arab Region.

It is also worth considering that it is not just consumers who are benefiting from new TV platforms, but as technology advances, broadcasters are also discovering new methods of distributing content on a B2B basis. One of the major initiatives that have been developed in the Arab Region in recent years is the MENOS Broadcast system, a partnership between Arabsat, ASBU and Newtec which enables companies to transmit multimedia via broadband over satellite.

Exhibit 42: MENOS broadcast system

Overview of MENOS Broadcast System

- MENOS, or Multimedia Exchange Network Over Satellite, is a broadband IP-based networking concept used to exchange multimedia content over satellite
- The project is a partnership between leading MENA satellite operator Arabsat, Tunisia-based ASBU (Arab States Broadcasting Union) and Newtec, based in Belgium
- The MENOS system will be of particular value to live broadcasting, providing lower operational and terminal costs, faster delivery time and higher flexibility on the use of bandwidth



Source: Newtec, ASBU

This system could have an impact on the broadcasting sector in general, and the delivery of live content such as news in particular, by providing fast delivery between players at low cost.

ONLINE & MOBILE

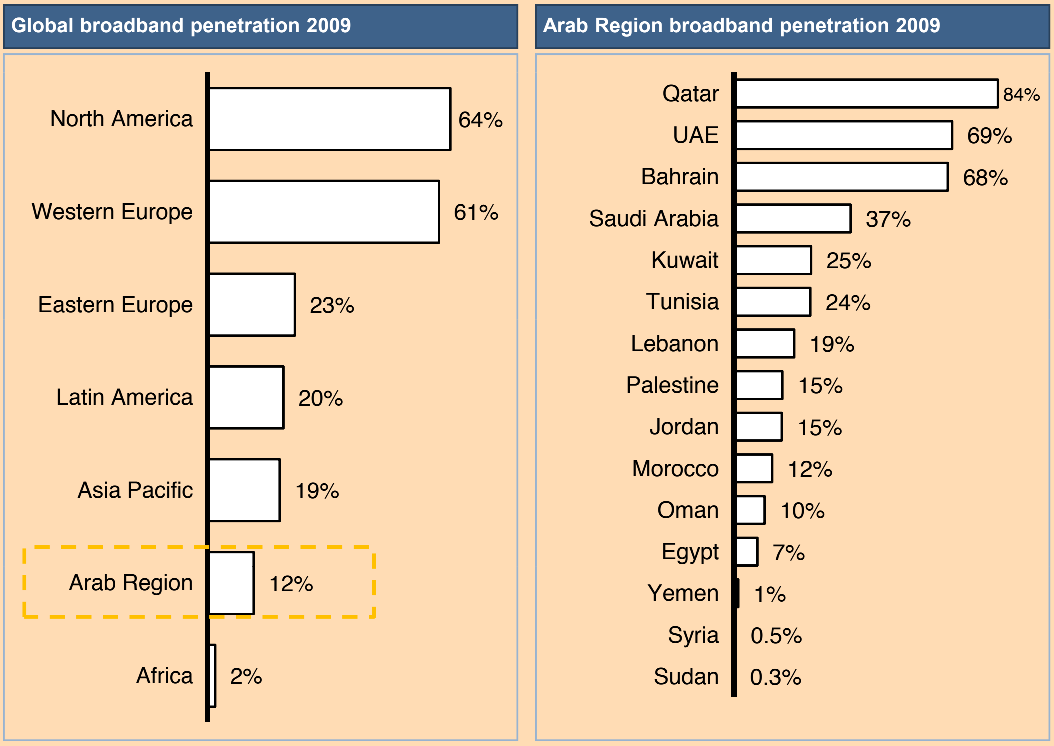
1.4

The arrival of online media and its impact on traditional platforms is undeniably one of the most dramatic changes affecting the global media industry. The online industry in the Arab world, while a few years behind its counterparts in some other markets, is starting to take off, driven by the strong proportion of the youth demographic in the region. However, from a supply point of view, the maturity level of the industry is highly disparate across the different Arab markets, primarily due to the differing degrees of broadband, in particular, but also mobile penetration. While many companies seem to be experimenting with the online platform, the offerings of Arabic websites have room for further development. For example, while over 85% of the Arab newspapers we spoke with currently operate an online platform, only around 2% of their advertising revenues are derived from online. There are significant opportunities for the regional online industry to develop its offerings and grow its user base.

Broadband penetration in the Arab Region remains low when compared to other markets but with disparities between countries

On average, the Arab Region has a low broadband penetration of 12%. However, it must be pointed out that the range across Arab countries is extreme, ranging from 0-1% in emerging markets like Syria and Sudan and up to 84% in Qatar.

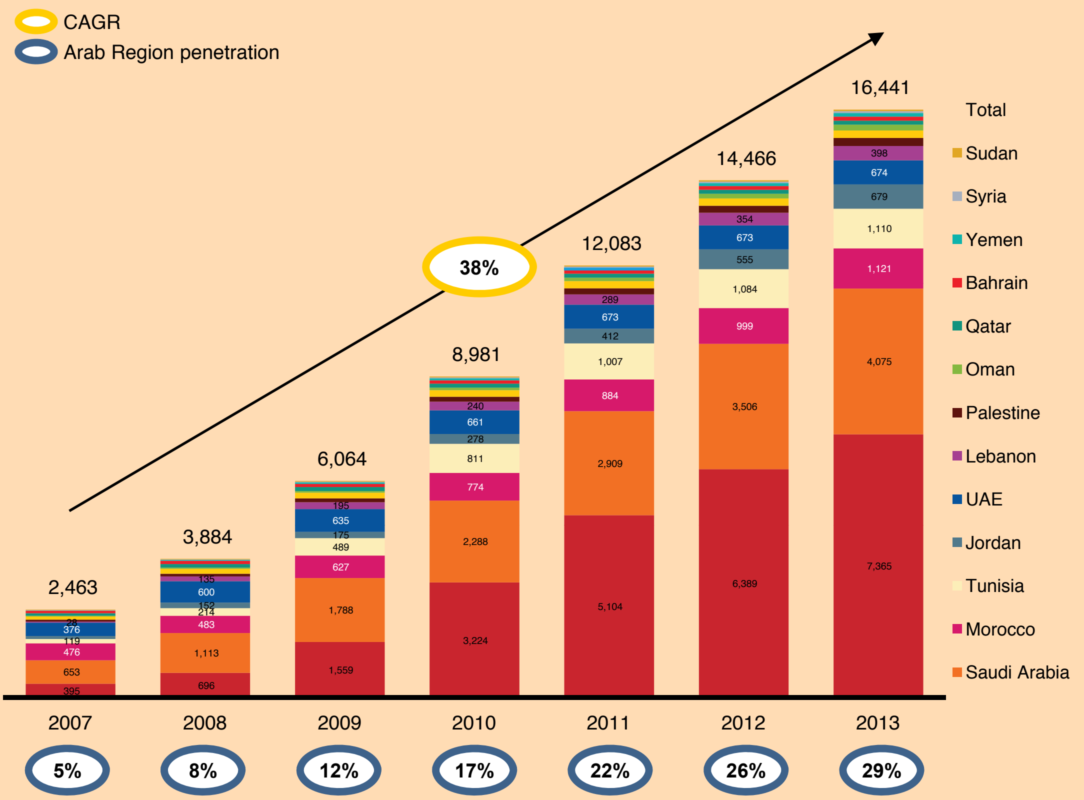
Exhibit 43: Broadband penetration as % of households, 2009



Source: Informa TM

Over the course of the next five years, we expect broadband penetration to increase across the board in every Arab country, stimulating growth of the media industry in the region. The growth will be driven largely by Egypt and Saudi Arabia, who together will make up 70% of total broadband subscriptions by 2013.

Exhibit 44: Broadband subscription projections for the Arab Region, 2007-2013 (000s)



Source: Informa TM, Value Partners analysis

As broadband penetration increases in the region over the next five years, we expect to see strong growth in internet usage and developments in the Arab online media industry, particularly in the areas of online advertising, social media and mobile applications.

Online advertising is currently low in the region but we forecast strong growth

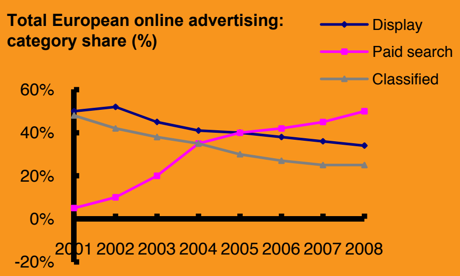
The online advertising market in the Arab world is yet to take off in a significant way, and is currently in a position that was seen in markets like the UK around the year 2000. With the online platform currently forming close to 1% of overall advertising spend in the Arab Region and worth only $56 million, we expect it to grow substantially over the next few years to nearly $266 million. However, compared to traditional platforms it will still contribute a very small proportion of advertising revenues, at approximately 4% in 2013. There are several reasons for this. Firstly, overall broadband penetration will remain low when compared to Western markets. In addition, while Arabic language websites are the most popular in most Arab countries, neither the quality nor quantity of online content catering to the Arab world is yet comparable to that seen in developed English-speaking markets like the US or UK.

It is not only the volume of overall online advertising spend that is currently low in the Arab world, but also the structure of the advertising spend that differs. Search is not yet fully developed, mainly due to a lack of awareness of its value among local companies.

Exhibit 45: Search advertising: global and Arab case studies

Europe: Mature search advertising market

- Over the past eight years, Europe has seen a massive growth in the value of search advertising
- Paid search has moved from a hardly known medium and a small percentage of marketingbudgets in 2000, to a strong opposition to Display and Classified, forming the highestpercentage of internet advertising in 2008



Arab world: Just starting out

- In the Arab world, the value of paid search is not yet fully maximized, largely due to the low levels of local Arabic content available
- In a survey carried out in 2009, Google found that of the online search portal users in the UAE, 58% prefer google.com to google.ae
- However, Google has already started taking measures to improve the offering of local online content in the region:
  - Educating local companies on the importance of functioning websites
  - Adapting existing products to Arabic while developing new bespoke products
  - Google News, Blogger and Chrome all have Arabic versions

- Search advertising has come to be one of the most commonly used platforms by brands in other markets, particularly where internet penetration is already high
- In the Arab world, search advertising is likely to grow significantly as the quality and quantity of Arabic content improves and advertisers become more aware of the value of search

Source: Jupiter

Display advertising is currently a much more popular option for online advertisers in the region, and still retains significant potential for growth, particularly with the uptake of social media and the introduction of more targeted advertising. Display advertising in the form of banners has been a key part of brands' advertising campaigns for around five years and the trend we are starting to see is advertisers looking for more advanced, innovative and creative ways of using banners.

Arab portals have attracted strong audiences but face tough competition from international players

The international portal giants, such as MSN, Yahoo! and Google have traditionally dominated the web space in most markets. These sites are among the top 10 most visited in almost all Arab countries as well, although local Arabic sites are increasingly creeping up the list, particularly in the case of Maktoob, since its recent merger with Yahoo!. In a few rare foreign markets, however, local sites have succeeded in dominating the online portal market – China being a prime example, as the following exhibit demonstrates.

Exhibit 46: Online portals: global and Arab case studies

China: Baidu

- Baidu is China's number one search engine, with 300 million users and a range of additional services
- It accounts for approximately 1.5% of global daily page views, making it the 9thmost popular website in the world
- In 1997, Baidu became the first Chinese company to be listed on the NASDAQ-100
- In 2008, Baidu had revenues of $469m, operating profit of $161m and over 6,000 employees

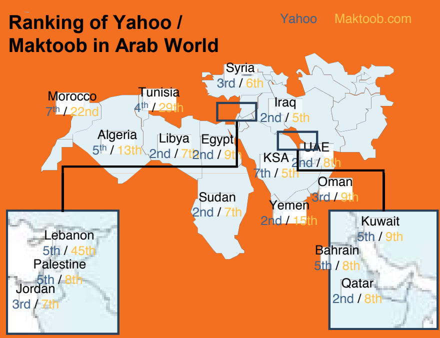
List of Baidu services (non-exhaustive)

Services	Description
Baidu Baike	Encyclopedia
Baidu Postbar	Online community
Baidu Space	Social networking
Baidu Movies	Free internet TV
Baidu Map	Online maps
Baidu MP3 Search	P2P music file search
Baidu Knows	Question forum
Baidu Dictionary	Chinese-English translation
Baidu News	Government-licensed news site

Jordan: Maktoob

- In August 2009, the Arab world's largest online community Maktoob was acquired by internet giant Yahoo!
- The deal will allow Yahoo! to offer Arabic language content for the first time, as well as Arabic versions of its services, such as instant messaging and email
- The deal could enable Maktoob/Yahoo! to reach the list of Top 5 websites on a pan-Arab basis

Ranking of Yahoo / Maktoob in Arab World



- The example of Baidu in China demonstrates that it is possible for local portals to have stronger success than international companies in markets outside the US
- Although in the Arab world international sites such as MSN and Google are still the most popular, Maktoob has the potential to take this spot following its acquisition by Yahoo!

Source: Maktoob

Social media has rocketed in the Arab Region and with new sites launching, it continues to grow

Social media in the Arab world is currently undergoing significant developments. There are three key categories of social media sites in the Arab Region, which are co-existing in the market. Firstly, international sites such as Facebook have managed to gain the most popularity in the region, due to their strong brand names and their early entry into the market. Secondly, international players such as Twitter and FMyLife have introduced Arabic interfaces in the past twelve months which we expect to grow in popularity over the next five years as internet penetration in the bigger Arabic-speaking markets, such as Egypt and Saudi Arabia, increases and awareness grows. Thirdly, local companies such as Maktoob, Jeeran and UAE Women's Network are growing their user bases since their launch in the past few years and, while they face strong competition from international players, those which are offering additional services to pure social media like Maktoob are performing particularly well and have the potential to grow significantly in the long-term.

Exhibit 47: Social media: global and Arab case studies

Worldwide: Facebook Arabic

- In March 2009, Facebook launched an Arabic version in an attempt to expand its presence in the region
- Even before the launch of its Arabic version, Facebook was largely popular in the Arab region with over 900,000 users in Egypt, over 300,000 users in Lebanon and over 250,000 users in Saudi Arabia
- Facebook Arabic now poses increased competition to Arab social media sites
- However, the use of the Arabic language is just one element in the localisation of content and Facebook in the Arab world is still largely considered to be a brand created for an international user base

Jordan: Jeeran

- Jeeran was launched in 2000 by two Jordanian entrepreneurs as a web hosting site similar to Yahoo!'s Geocities
- In 2005, Jeeran launched an Arabic blogging platform and, by 2007, added a variety of social media tools, including video and photo sharing
- Today, Jeeran is the largest site in the Arab world for User-Generated Content :
  - 8 million unique visitors / month
  - 1.6 million registered users / month
  - 160,000 blogs
- Jeeran has successfully adapted the social media concept to the Arab audience, providing a different offering from international sites
- Originally funded by venture capitalists, Jeeran is one of many online companies that have emerged in Jordan over the past few years and has helped fuel a technologyfocused talent base in the country

- Global brand Facebook remains the most popular social networking site in the world, including in the Arab region where it is in the Top 5 most visited websites for most countries
- However, there is also an opportunity for homegrown brands such as Jeeran to grow substantially in the Arab world, with their unique selling point being a better understanding of Arab internet user needs and an ability to tailor content for a local audience

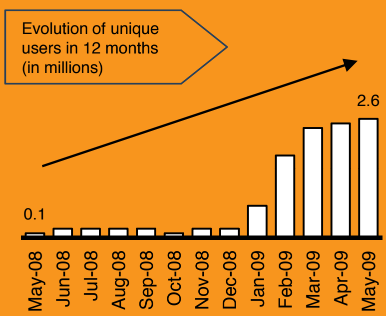
Many companies and famous Arab personalities are also embracing social media, recognizing its potential as a useful marketing tool, allowing interaction with customers that other platforms do not provide.

The most notable example and the biggest social media phenomenon of 2009 has been the sudden uptake of Twitter, embraced by consumers, corporations and celebrities alike.

Exhibit 48: Twitter: global and Arab case studies

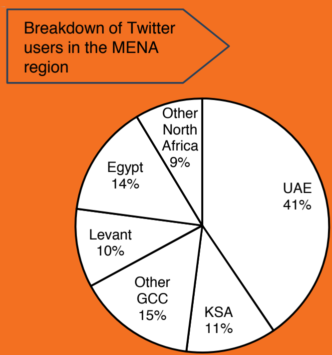
Worldwide: Twitter

- Twitter is the 14th most popular website in the world and has seen massive growth in almost every market over the past year
- The site has been adopted by a diverse range of users – by companies as a marketing tool, by internet users keeping in touch with their friends, and by media celebrities communicating with fans
- For the newspaper industry, social networks like Twitter were originally seen as competition, but they are starting to be embraced by print companies, who are using them as a way of interacting with readers while they are away from their core platform



Arab Region: Twitter

- In October 2009, Twitter introduced an Arabic interface at artwitter.com, which is likely to increase its share in the region
- Competing directly with its original Arabic counterpart Watwet, Twitter is becoming increasingly popular as a micro-blogging force in the Arab world
- Among the media industry community, some companies are embracing Twitter to interact with users, but there are plenty of further opportunities



- Twitter has been the biggest phenomenon to hit social media in 2009, becoming one of the most popular websites in many countries around the world and now expanding its reach beyond the so-called "Net Generation", with the median age of Twitter users standing at 31 years
- In the Arab world, some media companies are starting to embrace Twitter by interacting with its users, but there is further potential for organizations to take advantage of their tweeting customer base

Source: Spot-On PR, Ofcom

News companies are also making the most of social media, in some cases in very innovative ways, using the sites not only to provide news and interact with their users, but also as a way of contributing to their research and supporting the paper. In the UK, *The Guardian* newspaper, in particular, is adopting an 'Embrace, don't replace' philosophy when it comes to Twitter, using its followers to contribute to research. For example, during the recent parliamentary expenses scandal in the UK, *The Guardian* asked its Twitter followers to go through 140,000 documents relating to the scandal and attracted 14,000 *Guardian* readers to volunteer to work on the reports. Newspapers in the Arab Region could learn from these success stories to experiment with using social media sites in other innovative ways.

In some parts of the world, we are also seeing social networks becoming complete multimedia distribution platforms, commissioning their own original content and providing a good opportunity for replication by their Arabic counterparts, as illustrated in the exhibit below.

Exhibit 49: Web drama: global and Arab case studies

UK: Kate Modern

- Kate Modern was a web drama in the UK devised on the back of the success of webbased video series lonelygirl15 which launched on YouTube
- The drama tracks the video blog of teenage fictional character Kate Modern and is produced by EQAL, in partnership with Bebo
- Social network Bebo commissioned two series of the web drama, with the second series peaking at 2.5 million hits daily
- Videos were also broadcast on YouTube at least 24 hours after each original broadcast
- KateModern was the first truly interactive show online, which utilized the tools available on Bebo to help fans interact

Lebanon: Upcoming Web Drama

- In October 2009, the BBC World Service announced a call for auditions and for scriptwriters for the first Arabic web drama , funded by the BBC World Service Trust and to be produced by Batoota Films in association with Zico House
- The drama is to be distributed online only, most likely in early 2010, on social network sites such as Facebook and YouTube
- The announcement marks a big step for the Arab media industry, demonstrating an acknowledgement that content consumers are moving online and that Arabic content on the internet is vital to maintaining growth of the industry

- Original web dramas have potential to dramatically increase the way content is viewed online and can be produced at very low budget
- The potential upside for social networks can be huge, including increased traffic to the website for "appointment to view" online content, but an interactive element to the content is key to engaging users on a social network
- We expect to see an increase d number of web dramas being produced in the Arab world, particularly in those "hot zones" for content creation: Lebanon, Egypt and, increasingly, the UAE

Meanwhile, media players are harnessing the value of online Video on Demand (VOD) in the region and elsewhere

Online VOD is proving to be one of the most popular forms of content consumption on the internet as well as one of the most difficult for content providers to monetise successfully. The Western world has seen a diverse range of VOD sites being developed by broadcasters, producers, aggregators and even telco operators as they all experiment with different business models. However, the very existence of such a range of sites means that audiences remain very fragmented and it is not yet clear whether VOD sites will be able to bring in the same kind of mass audiences as TV. In spite of the market's uncertainty , there are a few sites that are emerging as the big players in online VOD in some of the more mature markets and also some efforts by regional Arab players to introduce online VOD. In the US, Hulu has emerged as one of the major players, combining NBC Universal, Fox and ABC content on one site. In the UK, the BBC's iPlayer has had significant success, with total views exceeding 390 million by March 2009[27], while aggregator sites such as Joost and Babelgum have not so far managed to gain as much traction.

[27] BBC Annual Reports and Accounts 2008/09e

Meanwhile, in the Arab Region, there have been a limited number of attempts at broadcaster VOD or aggregated content sites, but some of the major players such as LBC, MBC and Rotana have made steps towards implementing more advanced digital strategies. MBC, for example, succeeded in gaining over 10.4 million views on its VOD website during the Ramadan period in 2009, while LBC's VOD site is outlined in the exhibit below.

Exhibit 50: Online VOD: global and Arab case studies

USA: Hulu

- Hulu is the most well-known example of a successful aggregated content VOD site, with:
  - Over 33m unique monthly viewers
  - 380m views in March 2009 (2.5/week/UU)
  - 75% of users watch Hulu off -site
  - 5-6 unskippable ads per 30 min programme plus sponsor pre -roll
  - Revenues ~$70m, 15% margin in Year 1, revenues estimated $180m in Year 2
- Based in the USA, Hulu operates an advertising-funded model and is a joint venture between NBC Universal, Fox, and ABC, with funding by Providence Equity Partners which holds a 10% stake
- The site uses specially designed ad campaigns, such as Alec Baldwin's "Huluwood" d uring the Superbowl in Feb 2009
- Hulu's free model has made it very popular among consumers, but it has been announced that the site will most likely introduce a subscription model for at least some of its content by 2010

Lebanon: LBC Online

- LBC is one of the few broadcasters in the Middle East to offer an online VOD service
- The website offers free video streaming for live news or a pay option for VOD content and live streaming of entertainment and drama series, as well as links to other popular LBC entertainment shows
- LBC's VOD site o ffers a variety of subscription payment options: VOD content can be purchased quarterly for $30 or annually for $110 and Live TV is offered at extra cost
- LBC funds the website through a combination of advertising and sponsorship

Online VOD subscriptions	Fee
Quarterly subscription	US$ 30
Annual subscription	US$ 110
Live TV	Extra cost

- The popularity of different VOD sites depends largely on the market, so while Hulu is the most popular VOD site in the US thanks to the breadth of content from three different broadcasting groups, in the UK sites such as the BBC iPlayer are at the top of the list
- In the Arab world, broadcasters are increasingly experimenting with online VOD

In the Arab world, we expect to see broadcasters introducing more online VOD sites catering to Arabs, though it is essential that for this to work there needs to be a sufficient volume of original local content to which rights are held locally. Eventually, we would expect to see a successful aggregated content site in the Arab world.

The models for monetisation of online content are developing, with the 'freemium' model coming out top

A range of business models are being used to fund VOD sites globally, including advertising-funded, subscription, sponsorship, transaction-based and some hybrid models. While Hulu works well on an advertising-funded model, it has announced a move that will combine free content with pay content. Online sites have generally found that customers, of course, prefer to watch for free but they can be willing to pay for premium content. This has led many sites to adopt a hybrid model in this way. This so-called 'freemium' model, with users lured in by free content and subsequently paying a fee for 'premium' content, seems to be emerging as the most successful option and companies are learning from the highly successful online gaming industry on ways to use this model effectively. Indeed, the online social gaming industry is already making significant revenues from paid content.

Social games, such as Farmville, attract users by offering the game for free and charge small sums of money for additional goods which enhance the user's performance. It is not only in the Western world that players have been able to successfully monetise content; even emerging markets with low income demographics and less advanced payment systems have found successful ways to monetise online content. For example, online gaming in China has become a strong and vibrant industry worth around $1.4bn in 2009, compared to the console/handheld gaming market, which is worth just $92m.[28] In the Arab Region, although there are several barriers to the growth of the online VOD market, 69% of industry expert respondents believe there is a future for charging for content online in the region.

High mobile penetration in the Arab Region will drive take-up of Value Added Services on mobile and the growing Applications market

As discussed at length in the Arab Media Outlook 2008-2012 edition, mobile is increasingly becoming a powerful platform for media consumption in the Arab Region, as in the rest of the world. With mobile penetration already very high, the region is expected to reach virtual universal mobile penetration by 2013. As mobile penetration increases, the handset is becoming an increasingly signficant platfom for content consumption and we are seeing an increasing number of collaborative partnerships between telecom operators and media content providers.

[28] PWC

Exhibit 51: Mobile subscription projections for the Arab Region, 2007-2013 (m)

Source: Informa TM, Arab Advisors Group, Value Partners analysis

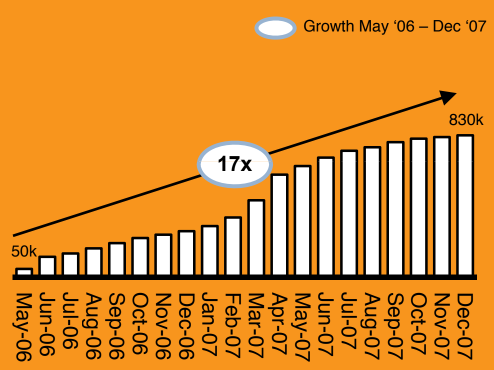
Besides high mobile penetration, the successful deployment of content-rich applications on mobile, such as Mobile TV, has been a further major contributor to new media exploitation. Different technologies are co-existing for the delivery of audiovisual content, including 3G (and its upgrade path to LTE) and mobile broadcasting technologies including DVB-H, the leading technology in the region. In fact, the Middle East has been a leader in Mobile TV development with the recent launch of services in Iraq and the award of the Mobile TV licence in the UAE, with further developments also taking place in Libya and Qatar. Internationally, the success of Mobile TV has been mixed with success stories in Italy, Japan and South Korea.

Exhibit 52: Mobile TV: global and Arab case studies

Italy: 3 Italia

- 3 Italia was the first operator to successfully launch broadcast mobile TV in 2006
- 11 channels in 2006, 14 in 2007 and 17 in 2008
- Built content offering around exclusive football offering and launched the service for World Cup 2006
- The mobile TV service registered strong subscriber growth in its first year of launch, as seen below

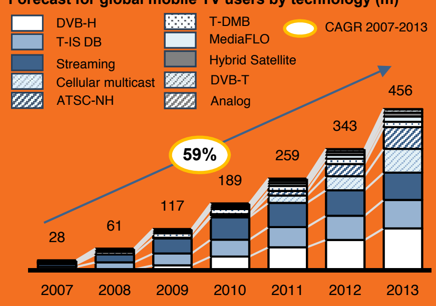
Growth in mobile TV subscribers in first year of launch



UAE: Mobile TV consortium

- Based on a TRA announcement In October 2009, the TRA has issued a ten-year mobile TV licence to the Emirates Mobile Television Corporation consortium
- The mobile TV service will be based on the DVB-H standard and is slated for launch in the fourth quarter of 2010
- The concession reportedly includes the exclusive rights to broadcast mobile TV services for five years
- The consortium is made up of local telcos Etisalat and du, as well as Abu Dhabi Media Company, Dubai Media Incorporated, MBC, and Emirates Communications and Technologies Company, a subsidiary of TECOM Investment

Forecast for global mobile TV users by technology (m)



- Mobile broadcasting technology has had varying degrees of success in markets around the world, proving a strong challenge in many countries
- In the Arab Region, there is an appetite for mobile TV services, particularly for the more tech savvy users, as well as strong market conditions given the high mobile penetration rates and the availability of high-end handsets

Note: Global mobile TV forecasts as at end-2008
Source: TRA, Informa TM

Another major trend on mobile in 2009 has been the rise of mobile broadband and the increase in consumption of content such as social media sites over mobile. This trend has been brought about by many favourable market conditions, most significantly the reduction in the price of data usage on mobile, the upgrade of 3G networks to HSPDA and, of course, the increase in penetration of smartphones and in particular the iPhone. The implications for the Arab Region are significant, particularly in those countries where fixed broadband penetration is currently low, such as Saudi Arabia and across the Levant and North Africa, where mobile broadband can act as a substitute.

A particularly interesting phenomenon has been the development of the Applications Store by handset manufacturers and mobile operators. While the iPhone "App Store" with 2 billion applications downloaded at the time of publication has been leading the way, other players (e.g. Nokia with Ovi) are catching up. In the Arab Region, news consumption through mobile is developing fast and market players like Al Jazeera are rapidly incorporating mobile as a key delivery platform.

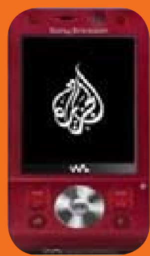
Exhibit 53: Mobile news applications: global and Arab case studies

France: France 24

- French news channel France 24 was the first live TV channel to become available worldwide on the iPhone via 3G when it launched in February 2009
- The move built on the initial success of the France 24 Live application, which launched on the Apple App Store earlier in the year, and enabled users to watch the channel in French, English and Arabic
- At that time, the application had been downloaded more than 100,000 times
- The mobile service caters for a range of handsets and allows customers to watch the news channels live and the videos on demand free of charge
- The application is developed by mobile TV specialist Mobiclip

Qatar: Al Jazeera

- Al Jazeera has developed a reputation for adopting a 360 degree approach to mobile news content
- On the one hand, Al Jazeera offers a cutting edge mobile TV service to customers, providing live streaming on the iPhone and other smartphones (with LiveStation and Mobiclip) and VOD content (news bulletins four times a day for English-language subscribers)
- On the other hand, Al Jazeera's journalists are using Al Jazeera reports application, by which they can record and upload content to the server. Al Jazeera is the only news broadcaster in the region to be using to be using mobile video uploads on such a large scale.



- The recent dramatic increase in mobile broadband has prompted many media companies to initiate mobile applications for their content, particularly news applications
- We expect to see more mobile applications launched in other Arab countries and an increasing number of players adopting the 360 degree approach ,using mobile as a platform for journalists to ingest content to the server

As a result, in part, of the increasing availability of such content, mobile is also growing fast as a platform for advertising. Given the very small proportion of total advertising that it currently constitutes, revenues from mobile advertising have been included in our projections for the internet. Indeed, mobile advertising on a global scale continues to constitute a small proportion of total spend. However, both globally and in the Arab Region, we expect the size of the mobile advertising market to increase significantly over the projection period, driven by advertising via SMS and around mobile content, as well as mobile search.

Beyond mobile, there are an increasing number of other portable entertainment devices that are gaining interest in the region and around the world, including the "e-book" and the much tooted iSlate. On the whole, while the online platform is clearly becoming increasingly popular in the Arab Region, there are many developments that need to be made by media companies in the region to keep up with international markets. On mobile, however, the Arab Region is significantly ahead of many other world regions in terms of its very high penetration and significant technological advancements.

Regional Update

with a special focus on Egypt, Lebanon, Saudi Arabia and the UAE

INTRODUCTION

In this "Regional Update" section, we present a country by country analysis of the 15 markets that are covered in this edition of the Arab Media Outlook, including a detailed analysis of the advertising market and forecasts over the projection period from 2009 to 2013.

Last year's edition included a detailed assessment of twelve key Arab markets: Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, UAE and Yemen. This year, we have included three additional markets: Palestine, Sudan and Syria. These additional markets have been selected on the basis that they display interesting characteristics within the regional media industry, from the point of view of both production and consumption of media. For example, Palestine and Sudan, as conflict zones, have noteworthy characteristics in terms of media consumption, while Syria has a vibrant TV production industry.

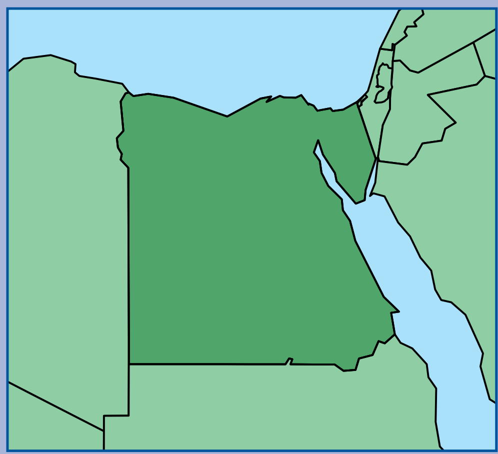
In light of the fact that media consumption in the region is rapidly changing, we have also conducted extensive market research in four major media markets – Egypt, Lebanon, Saudi Arabia and the UAE. In the first part of this section, we will share the results of the market research under each of these respective countries. These markets, due to their size and significance in the Arab Region, serve as reliable benchmarks of how media consumption is evolving in the rest of the Arab Region. It is worth noting that the market research results are based on spontaneous recall of how people consume media across different platforms. Hence, they represent a snapshot of media consumption patterns in the region.

In the second part of this "Regional Update", we will consider the remaining 11 countries and the developments we foresee for these markets, as well as an assessment of pan-Arab media.

1.2 Egypt

Exhibit 54: Egypt: a snapshot[29]

- **Population:** 76.7m
- **Area:** 1,001,450 km²
- **GDP per capita:** US$ 2,160
- **Media Zones:** Egyptian Media Production City
- **Size of the ad market:** US$ 719m
- **Number of daily newspapers**: 19
- **Total dailies circulation**: 4.0m
- **Total TV Penetration:** 93%
  - Satellite TV Penetration: 43%
  - Cable TV Penetration: 0.2%
- **Broadband Penetration:** 7.4%
- **Mobile Penetration:** 72%



With a population of over 76 million, Egypt is the most populated country of the in-scope countries, with the majority living near the Nile River. Egypt's GDP of US$187 billion in 2009 has experienced significant growth since its government triggered economic reforms and liberalisation policies in 2004. Over 60% of Egypt's population is below the age of 30 and the country's current literacy rate is 71%.

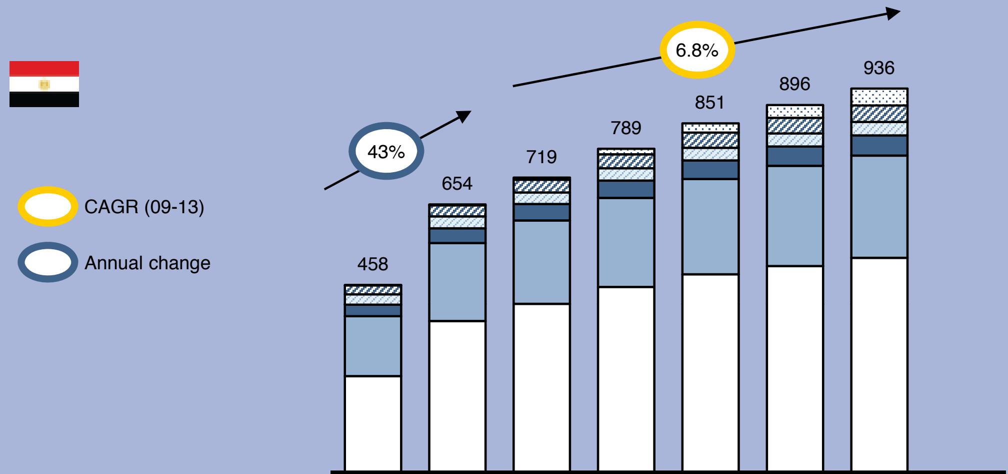
With a vibrant print and audiovisual content production sector, the media industry in Egypt is well established in the Arab Region. Egypt has one of the region's oldest media zones, Egyptian Media Production City, which launched in 1997 with the goal of producing and promoting media across all platforms. Mobile and broadband penetration rates in the country, at 72% and 7% respectively in 2009, are low compared to many other Arab countries and present significant room for growth, particularly in the development of new platforms.

Compared to other major advertising markets in the region, Egypt showed strong resilience during the financial downturn. The country had the second largest advertising market in the region in 2009, representing 16% of total regional advertising spend. The majority of advertising came from the public sector and the telecommunications industry.

While the advertising market grew by over 40% in 2008, we expect growth to stabilise going forward. As major advertisers revise their advertising budgets upwards, as confirmed during our interviews in Egypt, we expect the advertising market to grow at a CAGR of 7% over the projection period, from nearly US$720 million in 2009 to US$936 million by the end of 2013. It is worth mentioning that media consumers in Egypt remain cost-conscious in terms of their choice and consumption of media.

[29] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 55: Egypt advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	458	654	719	789	851	896	936	6.8%
Internet	1.0	2.1	5.3	13	22	31	41	67%
Radio	22	27	31	34	37	38	40	6.7%
Out-of-home (includes Cinema)	25	29	28	30	31	32	33	3.9%
Magazine	28	36	40	42	45	47	49	5.4%
Television	146	190	203	217	232	244	249	5.2%
Newspapers	236	370	412	453	484	504	524	6.2%

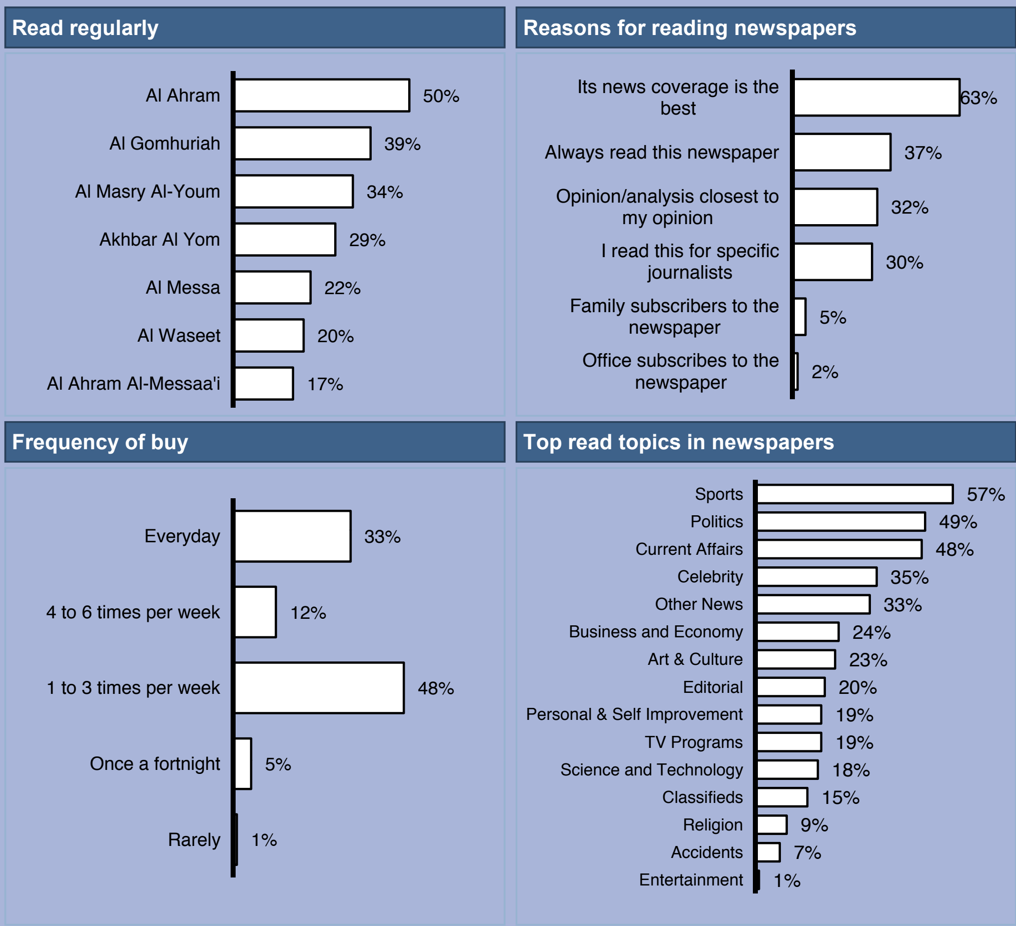
Source: Zenith Optimedia, Value Partners analysis

Print

In line with the overall market in the Arab Region, the advertising market in Egypt remains concentrated in print media, with newspapers accounting for over 55% of total advertising spend in 2009 and magazines for approximately 6%.

The newspaper industry in Egypt saw several developments in 2008, with the award of five new licenses for privately owned newspapers and revocation of 14 news publications. While the print media is diverse in Egypt, it remains largely owned by the state and other political parties. With one of the oldest Arabic newspapers, *Al Ahram*, and a large number of other newspapers, journals and magazines, the print sector remains popular in the country. The market research that was carried out in Egypt provides an in-depth assessment of the newspaper sector, as summarised in the exhibit below.

Exhibit 56: Newspapers in Egypt: market research results



Note: Base: 501, All Egypt Respondents; results for *Al Ahram* include its Friday edition *Ahram Al Gomaa;* percentages may not add up to 100% due to multiple answers to questions

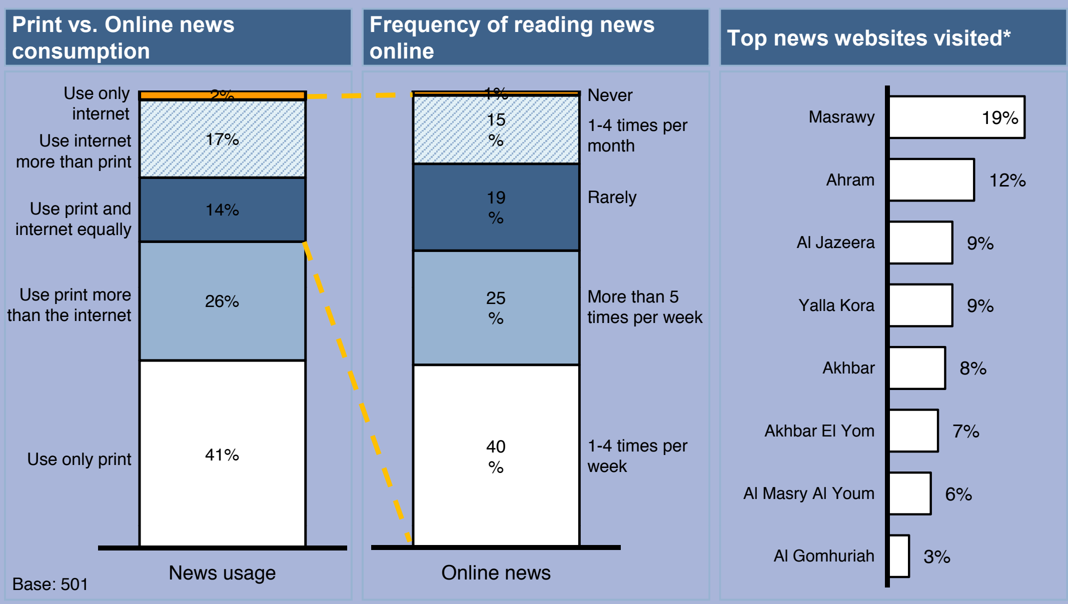
Source: The Nielsen Company

Key findings from our market research on the newspaper market in Egypt:

- **Top read newspapers**: *Al Ahram* was cited as the most read newspaper (in line with its claimed circulation numbers of over one million[30] (highest in the country), while daily independent newspaper *Al Masry Al-Youm* also ranked highly
- **Newspaper consumption**: Egypt displays consistent attributes for newspaper consumption across various demographic segments, with a slight gender bias towards men
- **Newspaper content**: 'Best news coverage' and 'habit' rank highly among the reasons for reading in line with other markets, while sports is the top read topic, significantly more popular than in other countries
- **Buying habits**: Low newspaper subscription rates with most people buying from news-stands, but the highest frequency of buying with 93% buying newspapers more than once a week
- **Online news consumption**: Newspapers remain the dominant form of news consumption but 33% read news online, with a higher proportion among the younger demographic segment
- **Local news online**: Five out of the top eight news websites are local newspaper sites; a further two are local news portals Masrawy (with frequently updated news and providing interactive content) and Yalla Kora (a football news site)

[30] MENA Media Guide

Exhibit 57: News consumption in Egypt: market research results



Note: (*) Respondents were asked for one news website that they visit most often
Source: The Nielsen Company

Over the projection period, we believe that the newspaper industry will remain strong and expect it to continue to maintain its hold in advertising and grow from US$ 412 million in 2009 to US$ 524 million in 2013.

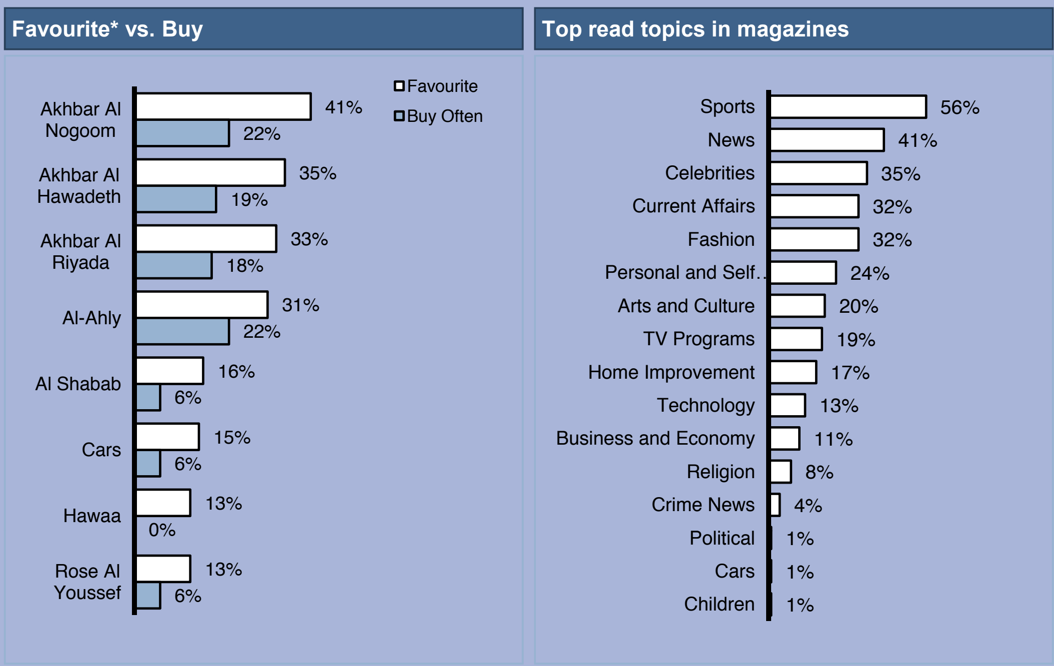
Key findings from our market research on the magazine market in Egypt:

- **Top read magazines**: The top four magazines are published in tabloid newspaper format, whose lower price has led to their broader appeal, with the top two being affiliated with popular newspaper *Al Akhbar*
- **Magazine consumption**: Varies significantly by demographic segment; celebrity magazine *Akhbar Al Nogoom* ranks top, with high concentration among women and young people,[31] while *Akhbar Al Hawadeth*, a sensationalist tabloid, has broader appeal across genders
- **Top read topics**: The strong sports interest displayed in newspaper consumption also applies to magazines, with *Al-Ahly* and *Akhbar Al Riyada* in the top four magazines, and sports the favourite topic

Over the projection period, we expect magazines to maintain their share of total advertising spend and grow steadily at a CAGR of around 5%.

[31] Nearly 30% women and over 25% of the people from below 30 age group reported buying the magazine

Exhibit 58: Top magazines in Egypt: market research results



Note: Base: 501, All Egypt Respondents; percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for their top 5 magazines

Source: The Nielsen Company

Television

Television remains the second largest advertising platform in Egypt, constituting 28% of total advertising spend in 2009. In 2009, there were over 19 million TV households in Egypt, the highest in the Arab Region. While over 40% of TV households have satellite TV, all TV households have access to terrestrial TV. As a major regional media hub, Egypt remains among the largest producers and consumers of content. As a result, unlike most other Arab markets where satellite is the dominant platform, terrestrial TV in Egypt offers a strong alternative, offering locally customised and appealing content across the country. The popularity of terrestrial TV is the largest contributing factor to the high proportion of total advertising that terrestrial television constitutes.

The Egyptian Radio and Television Union (ERTU), a government entity, remains the sole organisation to broadcast terrestrially and owns all 17 terrestrial channels. Channel 1 and Channel 2 are the network's main channels and broadcast across Egypt. The other six channels, although regional, also broadcast across the country. State-owned Nile TV, which also broadcasts on satellite, offers a bouquet of nine channels in different genres and remains very popular among Egyptians. Two private satellite stations, Al-Mehwar and Dream, are also in operation, and the government has a financial stake in both channels. Dream, Melody and Al Hayat all represent success stories for the Egyptian TV industry. While Dream, one of the earliest channels to be launched, became popular for its customised Egyptian programming (talk shows, drama, news, sports etc.), Melody, which started as a music video channel and later diversified into entertainment and films, has performed well among the youth segment.

Key findings from our market research on the TV market in Egypt:

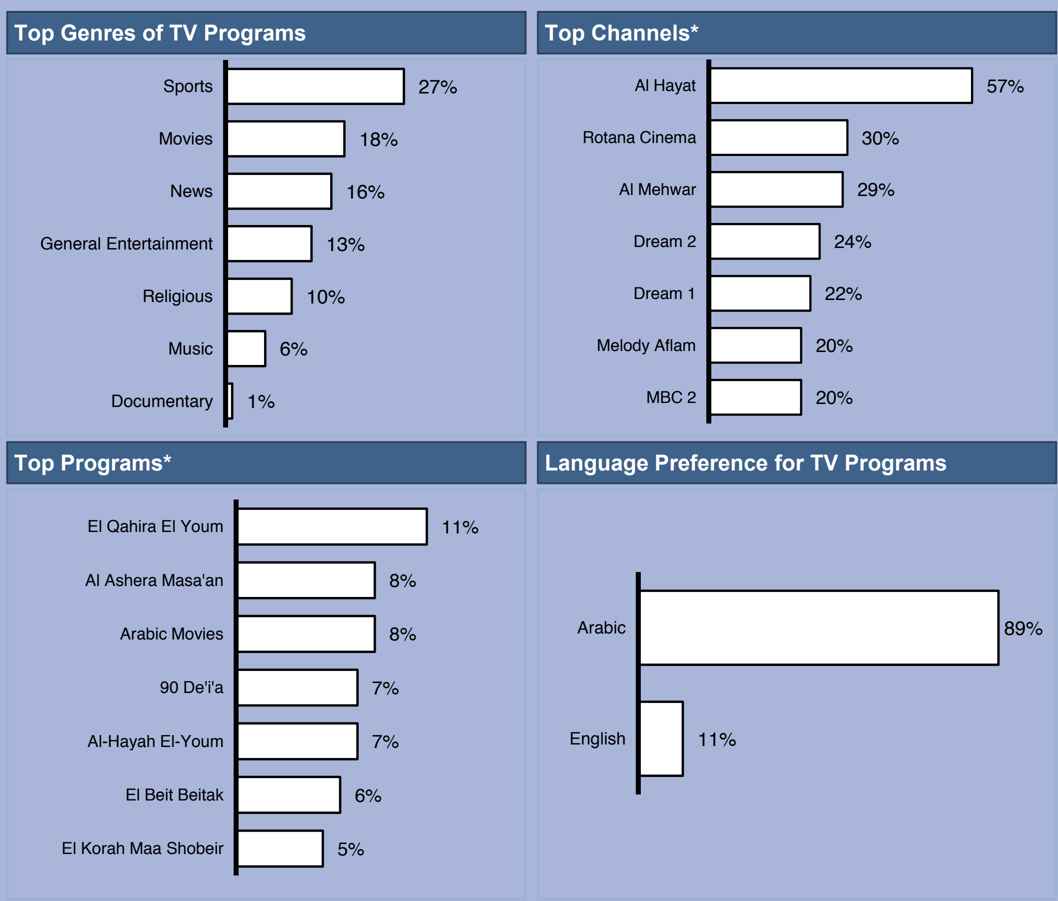
- **TV consumption**: Egyptians watch nearly 3.5 hours of TV on weekdays, the highest in all four markets, and almost an hour more on weekends, with high viewing among both the youngest and oldest age groups[32]
- **Top genres**: Sports ranks number one, driven by a strong football following by males under

[32] 50% of the younger population (below 30) watch more than three hours of TV during a weekday

30, movies come second with appeal across all segments, and news (high among those over 50)[33] and general entertainment (high for women)[34] complete the top four

- **Preferred channels**: Consumers prefer local Egyptian content, with six of the top eight channels being Egyptian. General entertainment channel Al Hayat is reported as the most popular, despite being relatively new, with a strong female following.[35] Rotana Cinema (pan-Arab, airing a high proportion of Egyptian films) is second, while Dream channels-broadcasting local Egyptian entertainment and the Egyptian football league - and Melody Aflam, airing Egyptian movies, confirm the bias towards Egyptian content
- **Top viewed programs**: Talk show *Al Qahira El Youm* is the most popular program, particularly with higher socio-economic classes despite airing on a pay channel.[36] The remaining top programs also indicate the preference for local Arabic movies and regional news talk shows. As expected, nearly 90% of Egyptians prefer to watch TV in Arabic

Exhibit 59: Television in Egypt: market research results

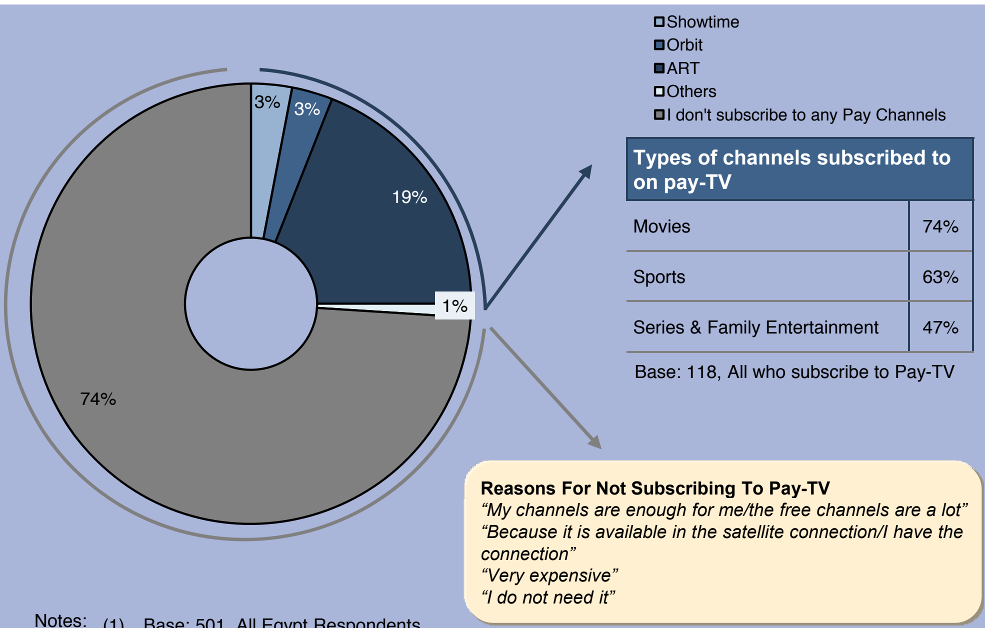


Note: Base: 501, All Egypt Respondents, percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for their top 5 TV channels and their top 5 programs
Source: The Nielsen Company

In line with the strong terrestrial TV content offering and its audience share in Egypt, we expect that local TV advertising will maintain its share of total advertising spend at around 30% over the projection period growing at a CAGR of 5% to reach nearly US $250 million at the end of 2013.

[33] Nearly 40% reportedly watched news, highest among all age groups
[34] 25% women compared to 5% men
[35] One in every two males and two in every three females reportedly watch Al Hayat
[36] While the program airs on Orbit, its large audience is attributable to high piracy

Exhibit 60: Pay-TV in Egypt: market research results [1,2]



Notes: (1) Base: 501, All Egypt Respondents
(2) Market research results are skewed by piracy and do not reflect actual penetration, while they do provide a directional indication of the split between pay-TV subscribers

Source: The Nielsen Company

Key findings from our market research on the pay-TV market in Egypt:

- Piracy is high, as reported by the IIPA[37]- while nearly 25% of respondents claim to have pay-TV, penetration is significantly lower at just 4%[38]
- Besides the main pan-regional pay-TV operators, Cable Network Egypt also operates an MMDS ("wireless cable") in Cairo. Of the main pay-TV operators, ART's strong presence in Egypt is confirmed by the results, thanks to its investment in Egyptian film production and its strong focus on sports[39]

Internet

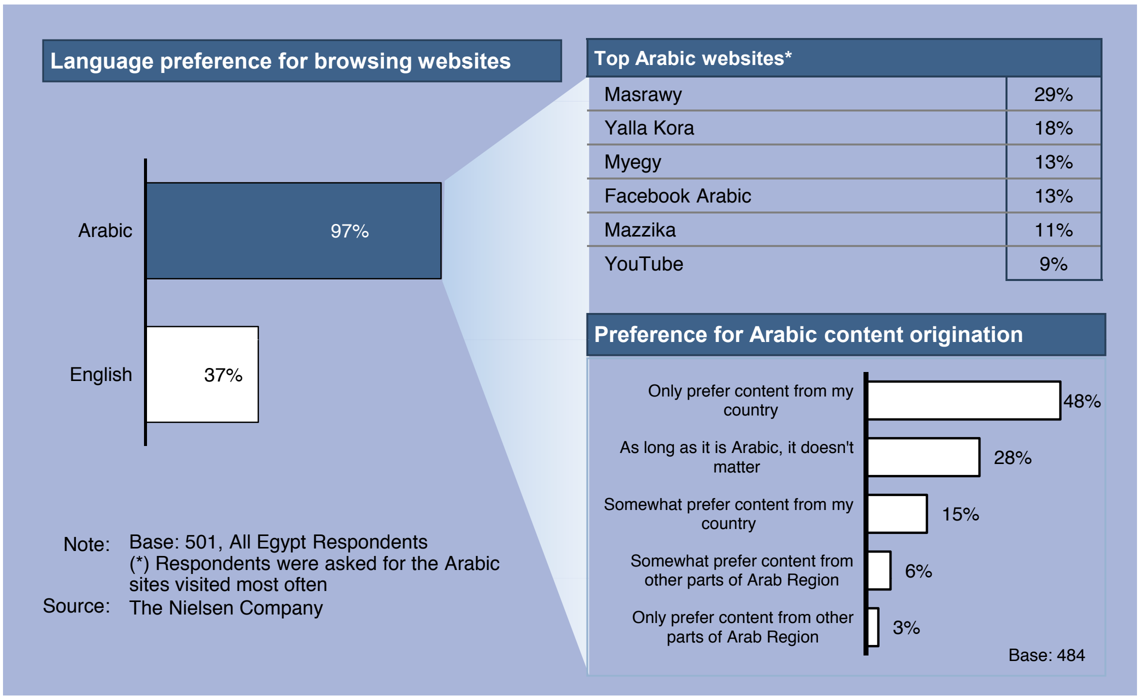
In line with the forecasts in the 2008 edition of Arab Media Outlook, we believe that the strongest percentage growth in advertising will come from the internet. This will transpire as advertisers shift their budgets to the internet not only to gain an increased audience share, but also to get a more accurate and measurable return on investments. We expect internet advertising to rise from nearly 0.7% in 2009 to over 4% of total advertising spend by 2013, growing at a CAGR of 67%.

Key findings from our market research on the online market in Egypt:

- **Internet usage**: Egyptians spend nearly three hours a day online, similar to the amount of time spent watching TV, with internet usage particularly high among the younger generations[40]
- **Content preference**: As a result of a strong local content production industry, the majority of Egyptians (63%) prefer content originating from their country
- **Top Arabic sites**: The top sites confirm the high consumption of local Egyptian content, with Egyptian news portal Masrawy ranking first, followed by local football portal Yalla Kora, Egyptian movies download site Myegy, and Egyptian music portal Mazzika

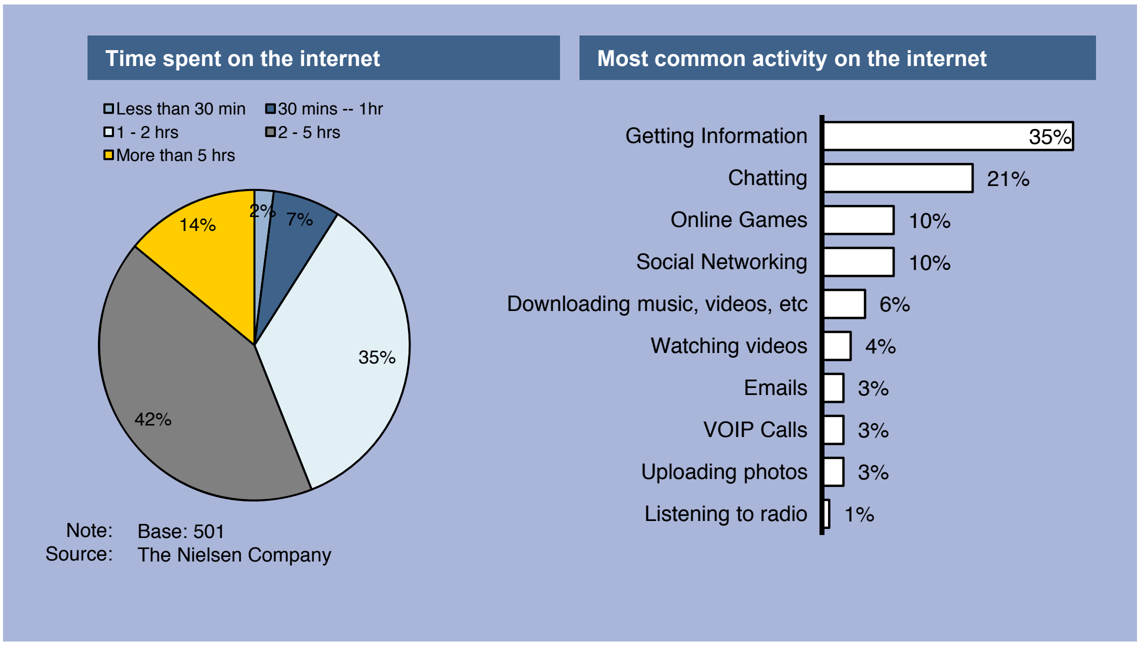
[37] IIPA, in its report on Copyright Piracy released in February 2009 recommended that Egypt remain on its 'Priority Watch List'
[38] Informa TM
[39] Prior to the Al Jazeera deal
[40] Nearly 20% of people below 30 spend more than five hours a day on the internet

Exhibit 61: Online media consumption in Egypt: market research results



Top Arabic websites*	
Masrawy	29%
Yalla Kora	18%
Myegy	13%
Facebook Arabic	13%
Mazzika	11%
YouTube	9%

Exhibit 62: Pay-TV market in Egypt: market research results



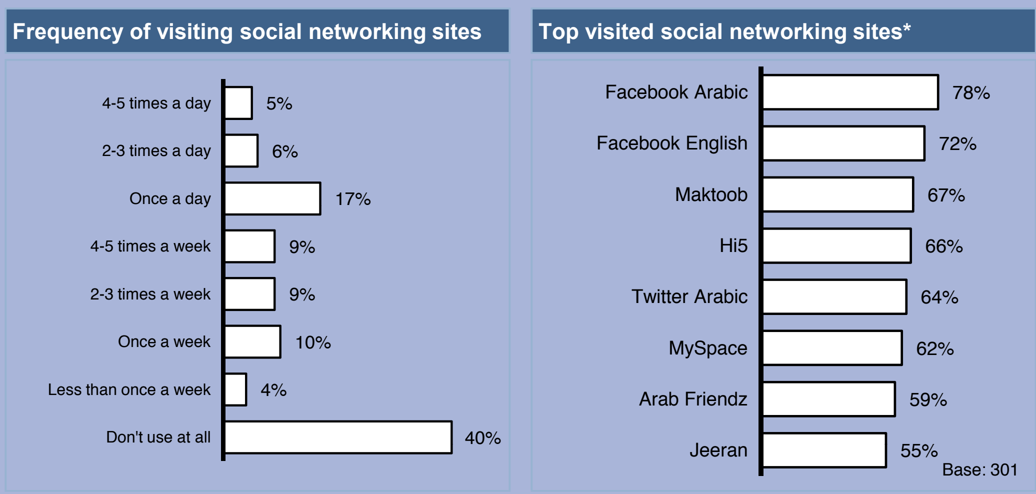
Key findings from our market research on the social networking market in Egypt:

- **Social media consumption**: High popularity of social networking sites, with 60% using social media and an average visit frequency of over seven times a week
- **Favourite activities**: Social networking is the fourth favourite activity online and the fourth

favourite way to communicate (almost on par with SMS), moving up to third position on both counts in younger age groups[41]

- **Most popular sites**: Facebook is reported as the most visited site but it is not as clear a leader as in other markets, with popularity spread across international sites (Hi5, MySpace) and Arab sites (Maktoob, ArabFriendz, Jeeran)
- **User-generated content consumption**: Almost a third visit a UGC video site at least three times a week

Exhibit 63: Frequency of visiting social networking sites in Egypt: market research results



Notes: Base: 501, All Egypt Respondents
(*) Respondents were asked for names of social networking sites used most often

Source: The Nielsen Company

With broadband penetration expected to increase from 7% in 2009 to over 30%[42] by the end of 2013, we expect internet advertising to increase in proportion to broadband subscriptions. It is worth mentioning that the very low prevalence of online buying habits in Egypt, in line with other markets, will pose a challenge for implementing any online content charging model.

Another emerging digital advertising platform in Egypt will be mobile, with 40% of consumers, 30 years or below, reportedly accessing internet on their mobile phones. While currently still in its infancy we expect the mobile platform to become a compelling and differentiating advertising medium as mobile penetration in the country increases and mobile broadband infrastructure and prices improve.

Radio and out-of-home

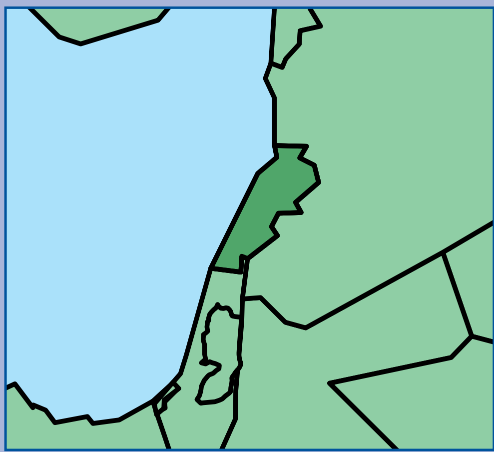
Radio and out-of-home advertising together represent around 8% of total advertising spend in Egypt, split almost equally between the two platforms. Collectively, advertising on the two platforms accounted for almost US$ 60 million in 2009 and is expected to rise to around US$ 73 million by 2013. Radio advertising has seen a strong surge since private radio stations began to operate in what was previously a state-owned sector controlled by ERTU. Of the twelve radio stations in Egypt, only two stations, Nile FM and Nugoom FM, are private. We expect both radio and out-of-home platforms to maintain their current share of total advertising spend over the projection period.

[41] In the below 30 age group 13% claim it is their favourite activity and social networking is a more popular way to communicate than SMS in the younger age group.
[42] Informa TM

2.2.2 Lebanon

Exhibit 64: Lebanon: a snapshot[43]

- **Population:** 3.9m
- **Area:** 10,452 km²
- **GDP per capita:** US$ 7,710
- **Media Zones:** Beirut Media City under consideration
- **Size of the ad market:** US$ 225m
- **Number of daily newspapers:** 13
- **Total dailies circulation:** 396,000
- **Total TV Penetration:** 93.4%
  - Satellite TV Penetration: 88%
  - Cable TV Penetration: 1.4%
  - IPTV Penetration: 0.1%
- **Broadband Penetration:** 19%
- **Mobile Penetration:** 61%



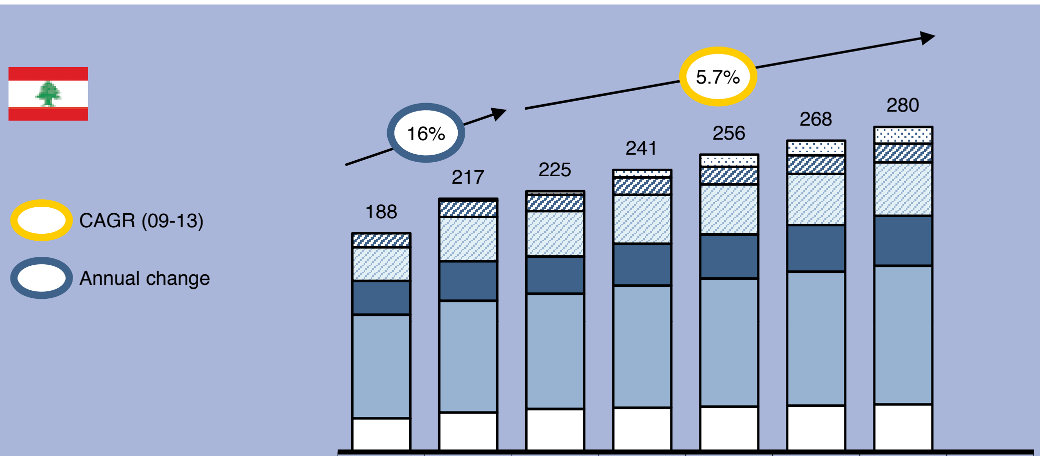
With a population of approximately 4 million, Lebanon's economy is service-oriented and the main growth sectors include banking and tourism. It has a high proportion of young people, with 34% under the age of 15 and 51% under the age of 30, as well as a high literacy rate of 87%.

Lebanon has a well developed media landscape especially in the TV and audiovisual production sectors, and is home to a number of the most popular satellite channels, in the region, as well as many regional production companies. The banking sector in Lebanon, one of the top advertising contributors alongside real estate, was less affected than other markets in the region by the global financial crisis, due to more conservative financial services regulation. During 2009, advertising spend from the telecommunications sector in Lebanon, another top advertiser, was also on the rise as competition in the market intensified.

Total advertising expenditure in Lebanon increased by almost 4% in 2009. We expect it to grow at a CAGR of 5.7% over the projection period to reach US$ 280 million.

[43] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 65: Lebanon advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	188	217	225	241	256	268	280	5.7%
Internet	-	2	3	6	11	13	14	47%
Radio	12	14	14	15	15	16	16	3.8%
Out-of-home (includes Cinema)	29	38	39	42	43	44	46	3.7%
Magazines	29	34	32	36	38	40	43	7.4%
Television	89	96	99	105	110	115	119	4.8%
Newspapers	29	34	37	38	39	40	41	2.9%

Source: Zenith Optimedia, Value Partners analysis

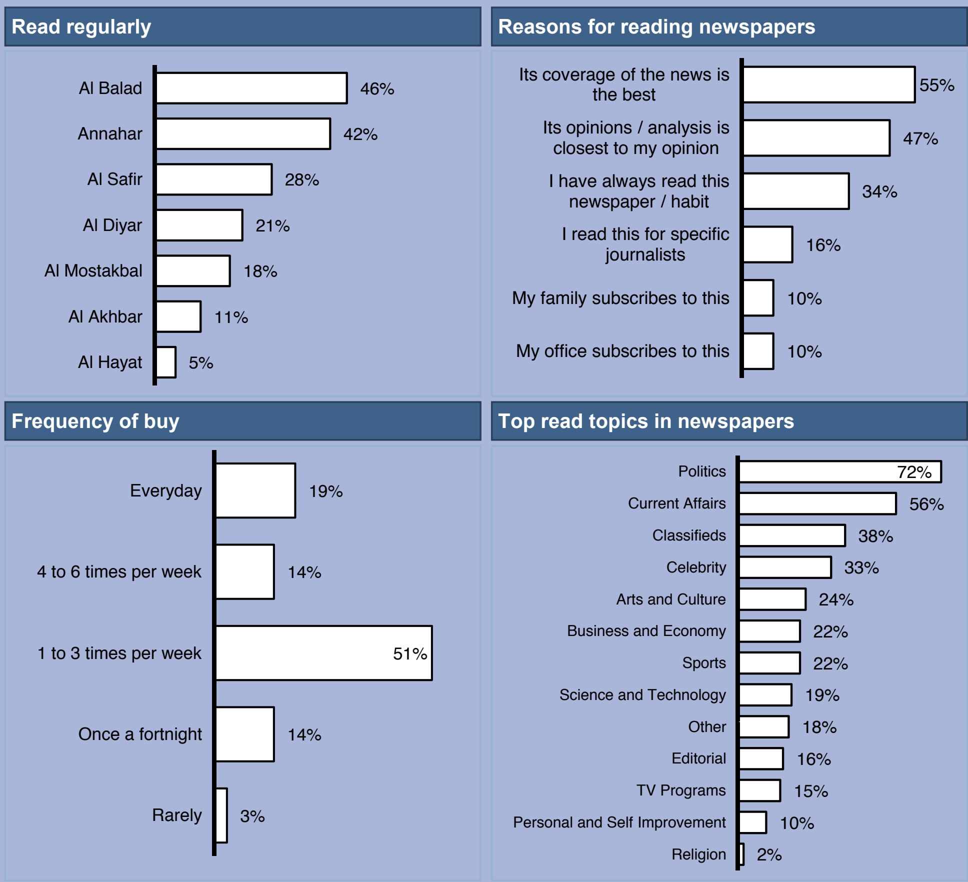
Print

Newspaper advertising expenditure represents approximately 16% of total advertising spend. Newspaper advertising increased by 7% in 2009, in line with the total, mainly driven by the increase in spend by the banking and real estate sectors.[45] We expect newspaper advertising expenditure to grow modestly at a CAGR of 3% over the projection period 2009-2013.

Most newspaper owners in Lebanon are politically affiliated and newspapers, therefore, mostly reflect their respective political party's point of view. The French edition of *Al Balad* newspaper launched in 2009, increasing the number of daily newspapers in Lebanon to 14: eleven in Arabic, two in French, and one in English. In mid-January 2009, *The Daily Star*, Lebanon's only English newspaper, was closed by a court order over financial issues, only to resume publishing a few weeks later. All newspapers in Lebanon have established a presence online and *L'Orient Le Jour*, one of the French newspapers, launched an online paid subscription model.

[45] "Real estate sector in Lebanon increased by 9% in the first eight months of 2009 and are projected to rise by 10 to 15% year on year until 2013", PropertyWire

Exhibit 66: Newspapers in Lebanon: market research results

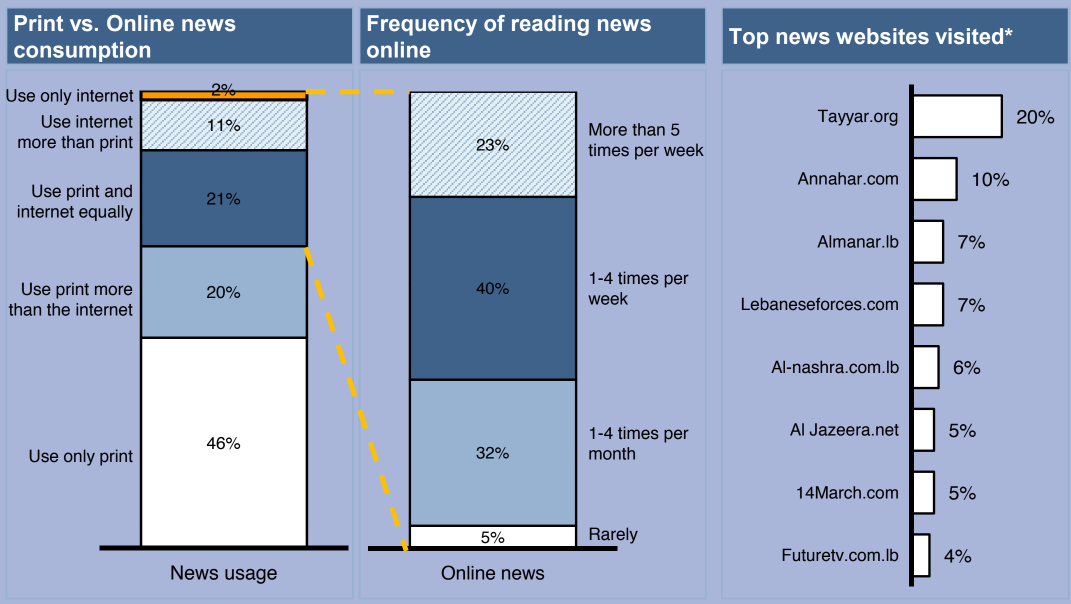


Note: Base: 400 All Lebanon Respondents; percentages may not add up to 100% due to multiple answers to questions
Source: The Nielsen Company

Key findings from our market research on the newspaper market in Lebanon:

- **Top read newspapers**: *Al Balad*, offering heavy subscription discounts and promotions, is reported as the most read newspaper in Lebanon, followed by *Annahar*, and *Al Safir*
- **Newspaper consumption**: Newspaper preferences are more linked to political affiliations than to population demographics
- **Newspaper content**: 'Best news coverage', 'opinions/analysis' are the top reasons for choosing newspapers in Lebanon, uniquely to this market, with most read topics showing a much higher interest in political and current affairs than any other markets and sports ranking much lower
- **Buying habits**: Low newspaper subscription rates, except for *Al Balad* which aggressively promotes subscriptions: lower frequency of buying than other markets with most Lebanese "casual readers", i.e. over half of the people buy between one and three times a week and 84% buy newspapers more than once a week
- **Online news consumption**: Newspapers remain the dominant form of news consumption but nearly 35% read news online, with 11% preferring the internet to print
- **Local news online**: "Pure play" news portal Tayyar (linked to OTV) is reported as the most popular, with Annahar in second place due to advanced online features, Al Manar and Future TV news portals are not far behind, and politically affiliated websites Lebanese forces and 14March also make it into the top ten

Exhibit 67: News consumption in Lebanon: market research results



Note: Base: 400 (*) Respondents were asked for one news website that they visit most often
Source: The Nielsen Company

Magazines form approximately 14% of total advertising spend in Lebanon. Magazines in Lebanon attracted most of their advertising from the banking, luxury goods, automotive and FMCG sectors. In 2009, magazine advertising spend decreased by 5% making it the only platform in Lebanon to experience a decline in advertising as a result of higher exposure to international brands.

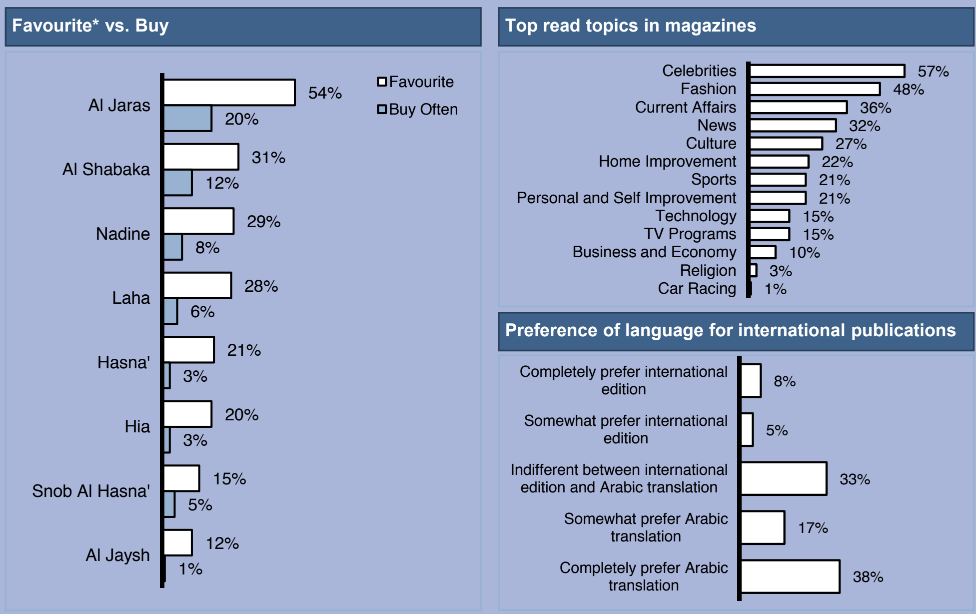
Key findings from our market research on the magazine market in Lebanon:

- **Top read magazines**: The top magazines in Lebanon, *Al Jaras* and *Al Shabaka* are both celebrity magazines
- **Magazine consumption**: Top magazine *Al Jaras* is more popular among women and readers below 30, while *Nadine*, *Laha*, *Hasna'*, *Hia* and *Snob Al Hasna'* are all women's magazines. *Al Jaysh* is the only current affairs magazine to make it to the top eight, published by the Lebanese army with a largely male following[46]
- **Top read topics**: Broadly in line with other markets, with celebrities and fashion scoring higher than others due to the higher proportion of women reading magazines
- **Language preference**: While almost 40% prefer to read magazines in Arabic, nearly 35% are indifferent to the language, a much higher proportion than in Egypt and Saudi Arabia, showing a higher penchant among Lebanese for non- Arabic content

Going forward, we expect magazine advertising expenditure to recover at a CAGR of 7% to reach over US$40 million by the end of 2013.

[46] Nearly a quarter of the male population cited *Al Jaysh* in their top five magazines

Exhibit 68: Magazines in Lebanon: market research results



Note: Base: 400, All Lebanon Respondents; percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for their top 5 magazines
Source: The Nielsen Company

Television

Local Television is the dominant advertising platform in Lebanon, with nearly 45% share of total advertising spend. Advertising on TV increased by 4% in 2009, almost in line with the total advertising market.

The domestic broadcasting scene in Lebanon is well developed with eight terrestrial TV channels. Only one of these channels, Télé Liban, is state-owned and was established in 1957. While the channel was shut down temporarily in 2001, due to some financial difficulties, it was re-launched later that year. LBC was launched as the first private TV network in Lebanon in 1985. Other terrestrial TV channels include Future TV, Al Manar TV and NBN. Two more recent channels, Al Jadeed TV and Orange TV, launched in 2001 and 2007 respectively. MTV, which shut down in 2002, later re-launched in 2009. All the terrestrial TV channels are available on satellite. LBC and Future TV account for a large share of TV advertising expenditure.[47] It is also worth noting that Lebanon boasts a vibrant local TV production industry, due to the high level of talent available as well as the lower cost of production relative to other countries.

Key findings from our market research on the TV market in Lebanon:

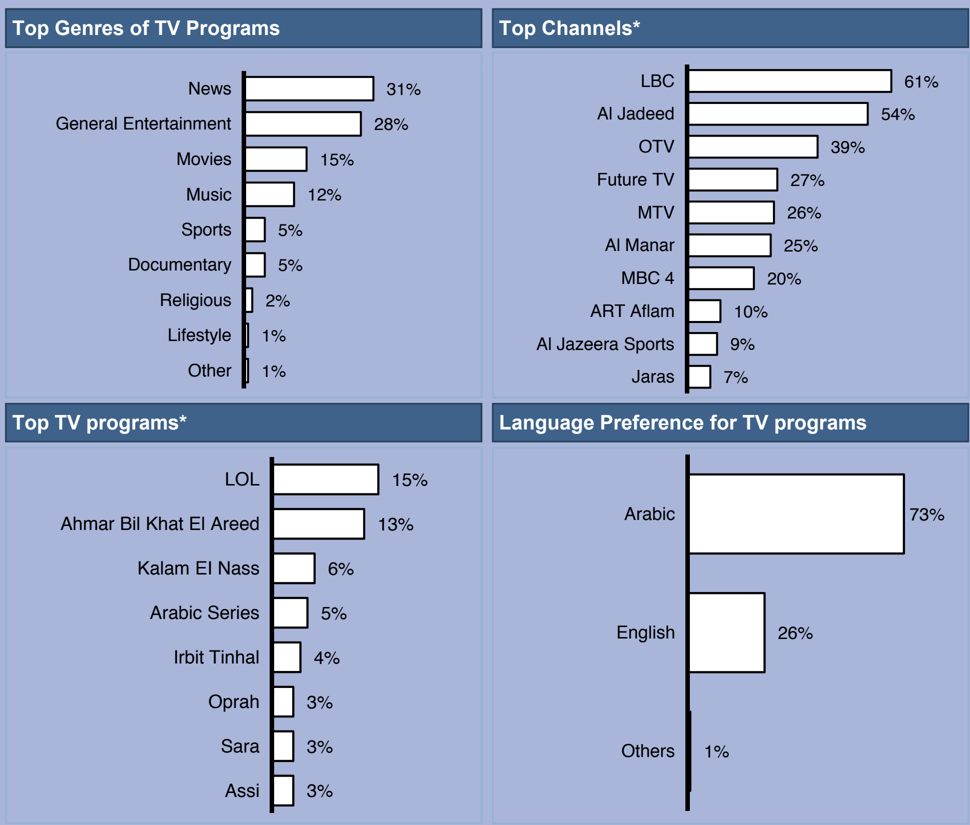
- **TV consumption**: Although the majority prefer to watch TV in Arabic, over 25% cited English as their choice of language, implying a higher inclination towards Western content compared to 11% in Egypt, 7% in Saudi Arabia, or even to the UAE where 22% preferred English
- **Top genres**: News, general entertainment and movies are the favourite genres of TV, with sport scoring significantly lower than in other markets; a higher proportion of men watch news and a higher proportion of women watch general entertainment than in other markets, with hardly any women watching sports
- **Preferred channels**: Established channels LBC and Future TV are reportedly among the most popular, offering Arabic versions of international shows such as *Superstar*, *Star Academy*, and *The Weakest Link* etc. Meanwhile, relatively new channels such as Al Jadeed, most popular among higher socio-economic classes, OTV and MTV are also in the top five. MBC4 is the only MBC channel in the

[47] Informa TM

top 10, most likely due to the presence of *Oprah* in its line-up, with 30% of women watching the channel compared to 10% of men

- **Top viewed programs**: *LOL*, a comedy show featuring celebrities, reportedly ranks as the number one programme and is watched across all demographics, followed by *Ahmar Bil Khat El Areed*, a talk show covering taboo issues, and *Kalam El Nass*, a political talk show watched by more than twice as many men than women. Meanwhile, women watch Arabic shows including *Oprah*, *Sara*, and *Assi*.

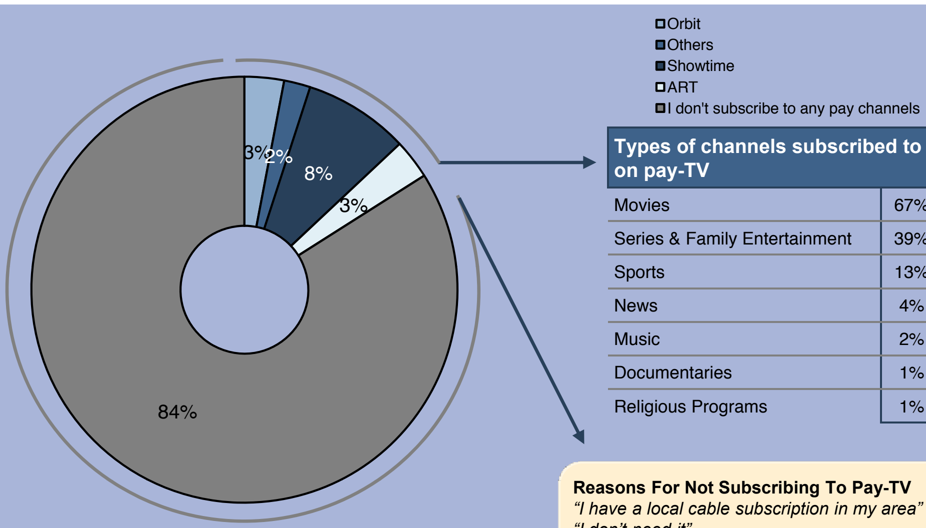
Exhibit 69: Television in Lebanon: market research results



Note: Base: 400 , All Lebanon Respondents; percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for their top 5 TV channels and their top 5 programs
Source: The Nielsen Company

We expect TV advertising expenditure to grow almost in line with the total advertising market at a CAGR of nearly 5%, to reach close to US$ 120 million by 2013.

Exhibit 70: Pay TV in Lebanon: market research results [1,2]



Types of channels subscribed to on pay-TV

Types of channels subscribed to on pay-TV	
Movies	67%
Series & Family Entertainment	39%
Sports	13%
News	4%
Music	2%
Documentaries	1%
Religious Programs	1%

Reasons For Not Subscribing To Pay-TV

"I have a local cable subscription in my area"
"I don't need it"
"I already have enough channels"
"The cost of subscription for pay TV is high"

Notes: (1) Base: 400, All Lebanon Respondents
(2) Market research results are skewed by piracy and do not reflect actual penetration, while they do provide a directional indication of the split between pay-TV subscribers

Source: The Nielsen Company

Key findings from our market research on the pay-TV market in Lebanon:

- Piracy through local cable distributors is high, with the key reason for people not subscribing to pay-TV being "the local (pirated) cable TV subscription" that they already have. Genuine (legal) pay-TV penetration standing at just 2%, one of the lowest in the region and, much lower than the figure reported by the research
- There are two licensed cable companies, Cablevision and Econet, an IPTV service in Beirut by France Telecom and Solidére, and hundreds of pirate cable operators offering a service for US$ 10 or less and providing all the channels from Showtime, Orbit and ART. Movies and series are the main drivers of "pay-TV" subscription in Lebanon, with sports a distant third

Internet

Internet advertising experienced the highest year-on-year growth among all platforms in 2009, albeit starting from a much smaller base. This increase is mainly driven by increasing broadband subscriptions which grew by more than three times between 2007 and 2008. With broadband penetration at nearly 20% in 2009, and expected to increase to close to 40% by 2013,[48] we believe that there is strong potential for internet advertising to grow as well, as confirmed by industry players during our interviews. Consequently, we expect internet advertising expenditure to grow the fastest among all platforms, at a CAGR of nearly 50% during the projection period from 2009 to 2013.

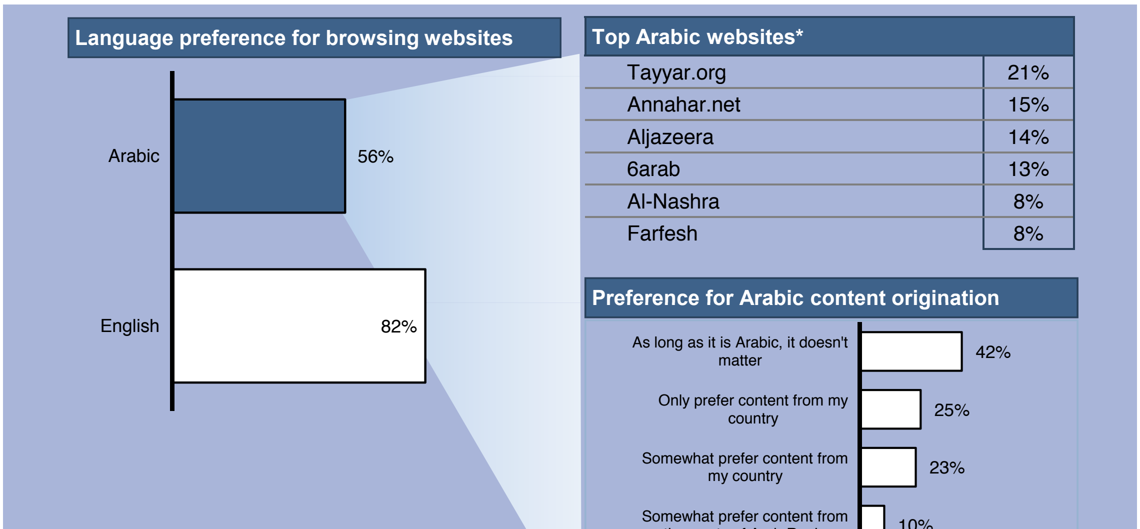
Key findings from our market research on the online market in Lebanon:

- **Internet usage**: The average Lebanese person spends almost 2.5 hours a day on the internet, in line with findings in the UAE and Saudi Arabia, and 45% spend more than two hours a day online (almost 50% higher in the 'below 30' age group)
- **Language preference**: Uniquely to Lebanon, the majority of users prefer to browse websites in English, with 82% preferring English and only 56% browsing in Arabic (and, of these, the majority of people below 40 years old)
- **Content preference**: While over 40% have a preference for Arabic content irrespective of its origin, almost 50% expressed their preference for local Lebanese content, in part explained by the country's strong local media production
- **Top Arabic sites**: The top viewed websites

[48] Informa TM

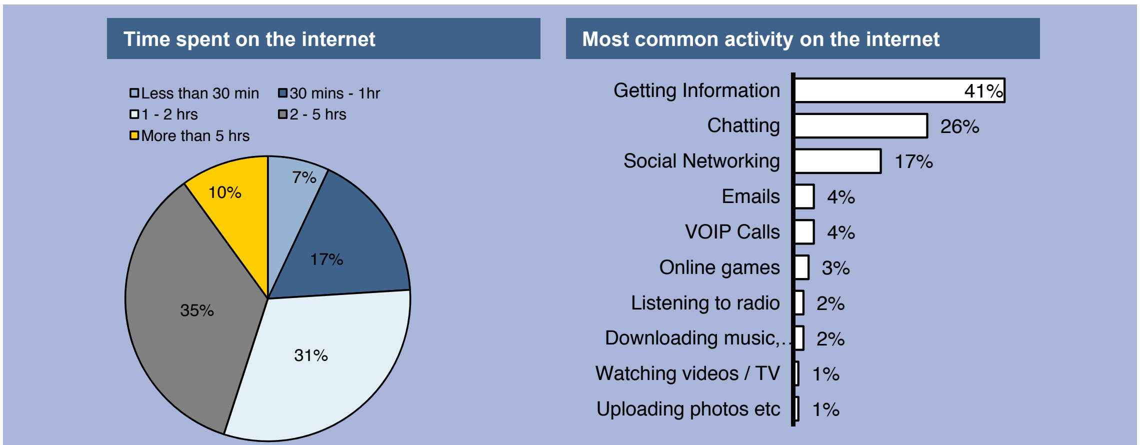
include Tayyar and Annahar which were also the most visited news websites, confirming the strong preference for news content consumption in Lebanon

Exhibit 71: Internet usage in Lebanon: market research results



Note: Base: 400, All Lebanon Respondents; percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for the Arabic sites visited most often
Source: The Nielsen Company

Exhibit 72: Time spent on internet per day in Lebanon: market research results

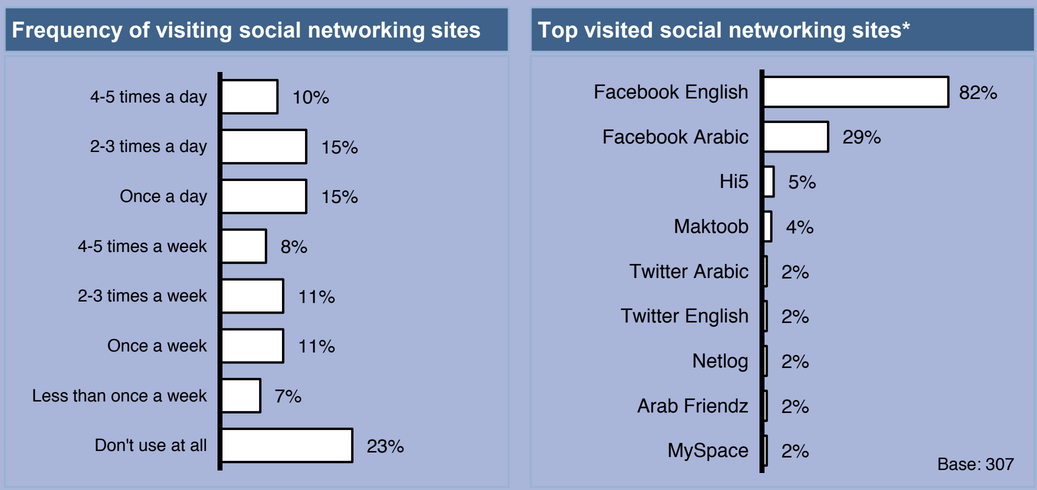


Note: Base: 400, All Lebanon Respondents; percentages may not add up to 100% due to multiple answers to questions
Source: The Nielsen Company

Key findings from our market research on the social networking market in Lebanon:

- **Social media consumption**: 77% of the population use social networking sites in some capacity, in line with the other markets, with frequency of usage being the highest at ten times per week on average
- **Most popular sites**: Facebook tops the list of the most visited social networking sites, with an overwhelming majority preferring the English to the Arabic version (much higher than in other markets)

Exhibit 73: Frequency of visiting social networking sites in Lebanon: market research results



Note: Base: 400, All Lebanon Respondents; percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for names of social networking sites used most often
Source: The Nielsen Company

Radio and Out-of-home

Out-of-home advertising in Lebanon accounts for just over 17% of total advertising spend. Driven largely by advertising from sectors including FMCG, banking, hospitality and automotive, we expect out-of-home advertising to maintain its share of the total over the projection period. We expect that out-of-home advertising will grow at a modest CAGR of nearly 4% to reach around US$ 46 million by the end of 2013.

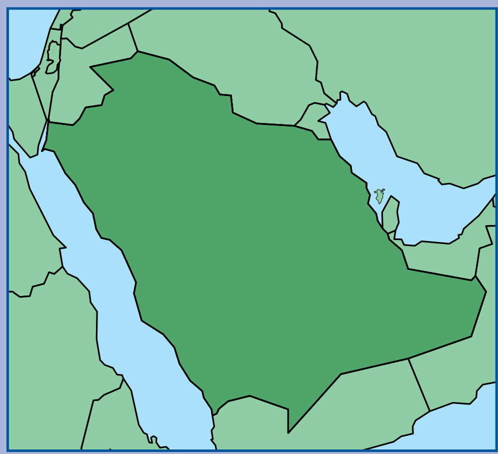
Radio advertising expenditure experienced growth of 4% between 2008 and 2009 and we expect it to continue to grow at a similar rate until 2013. The majority of advertising spend on radio has come from the media and entertainment, hospitality, FMCG and banking sectors. The Conseil National de L'Audiovisuel is responsible for granting licenses to all radio stations that want to operate in Lebanon. All operating radio stations are privately owned with Sawt El Ghad being the most popular with a peak adult audience of 44,000 in 2008.[49]

[49]According to XPlan Radio Leb

2.2.3 Saudi Arabia

Exhibit 74: Saudi Arabia: a snapshot[50]

- **Population:** 25.5m
- **Area:** 2,149,690 km²
- **GDP per capita:** US$ 18,850
- **Media Zones:** Media City under planning
- **Size of the ad market:** US$ 679m
- **Number of daily newspapers:** 15
- **Total dailies circulation:** ~1.9m
- **Total TV Penetration:** 91%
  - Satellite TV Penetration: 95%
  - IPTV Penetration. 0.2%
- **Broadband Penetration:** 37%
- **Mobile Penetration:** 130%

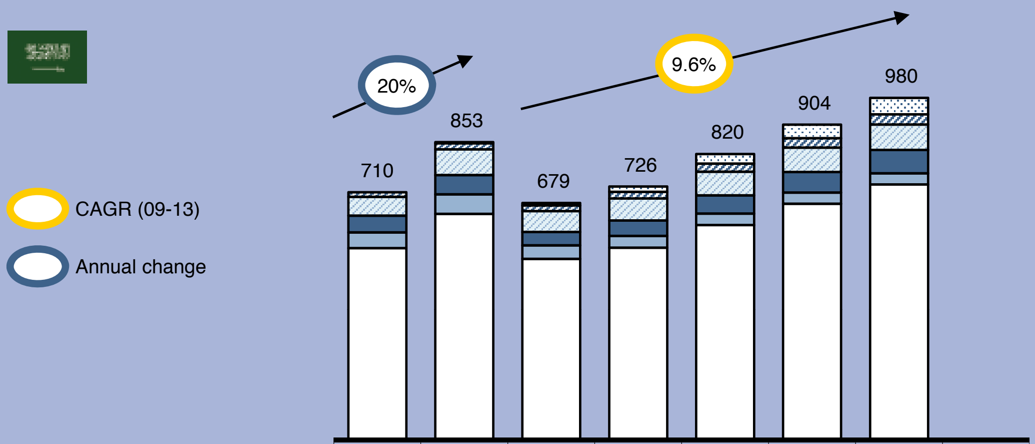


With the petroleum sector accounting for 45%[51] of total GDP, Saudi Arabia has the highest GDP in the Arab Region. Between 2008 and 2009, the period of the global financial crisis, Saudi Arabia's GDP fell by 19% in nominal terms. The Kingdom also has the largest population in the Gulf region with a high proportion of young people: 37% under the age of 15 and 67% under the age of 30. The country's literacy rate is approximately 80%.

We estimate that Saudi Arabia's total advertising expenditure decreased between 2008 and 2009 by 20%. Going forward, we expect total advertising spend to recover at a CAGR of nearly 10% over the projection period, as the economy recovers and advertisers increase their budgets again.

[50] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)
[51] CIA, World Factbook

Exhibit 75: Saudi Arabia advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	710	853	679	726	820	904	980	9.6%
Internet	-	3	7	15	28	39	47	59%
Radio	13	17	16	19	23	27	29	15%
Out-of-home (includes Cinema)	54	74	60	63	68	70	73	5.3%
Magazines	48	55	38	44	52	59	67	15%
Television	45	56	39	34	33	32	32	-4.8%
Newspapers	550	648	519	551	616	677	732	9.0%

Source: Zenith Optimedia, Value Partners analysis

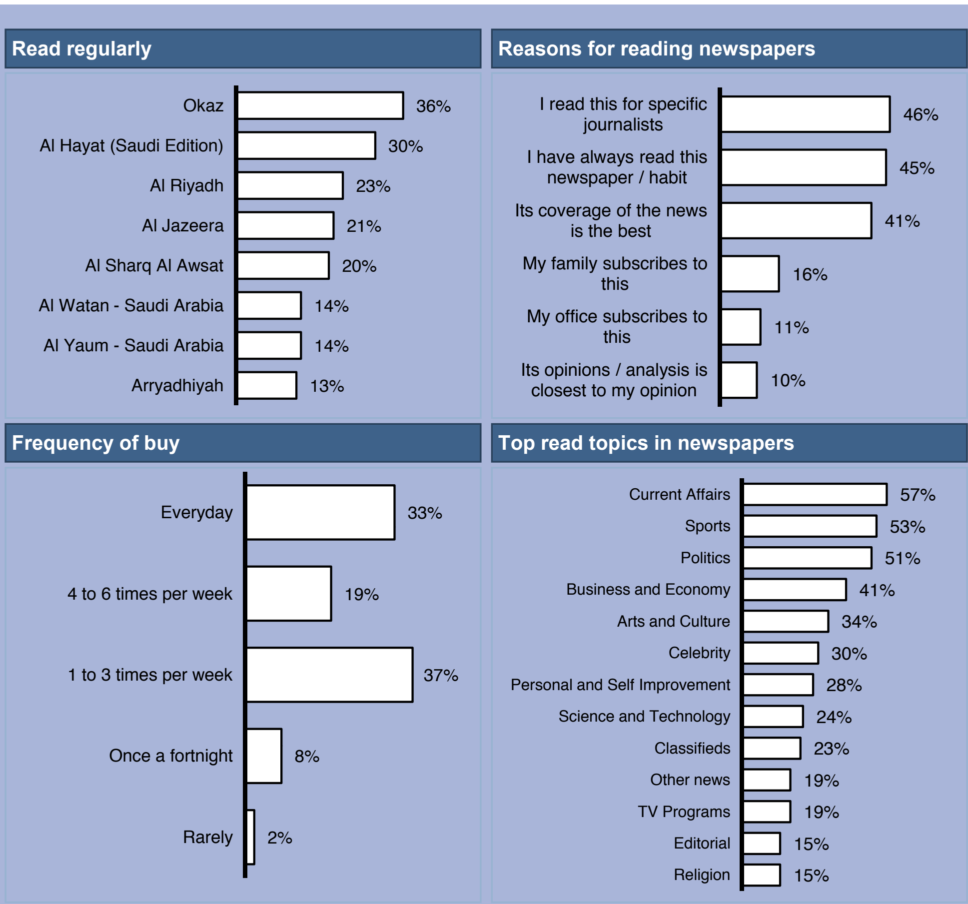
Print

Newspapers remain the dominant advertising platform in Saudi Arabia, accounting for over 75% of total advertising expenditure. While newspaper advertising spend decreased in 2009, it maintained its share of the total market, which contracted as advertisers revised their budgets due to the global downturn.

Saudi Arabia has a total of 15 daily newspapers, two of which are English dailies – *Arab News* and *The Saudi Gazette*. *Al Bilad* newspaper is the oldest Arabic daily in the country and it launched in 1932. *Al Jazirah* became the first audited newspaper in the Kingdom when it committed to auditing by BPA Worldwide in 2008. Based on their claimed circulations, *Okaz* (250,000) and *Al Hayat* (Saudi Edition, 270,000), both Arabic dailies, appear to be the most popular newspapers in the country,[52] which is confirmed by the market research.

[52] MENA Media Guide 2010

Exhibit 76: Newspapers in Saudi Arabia: market research results



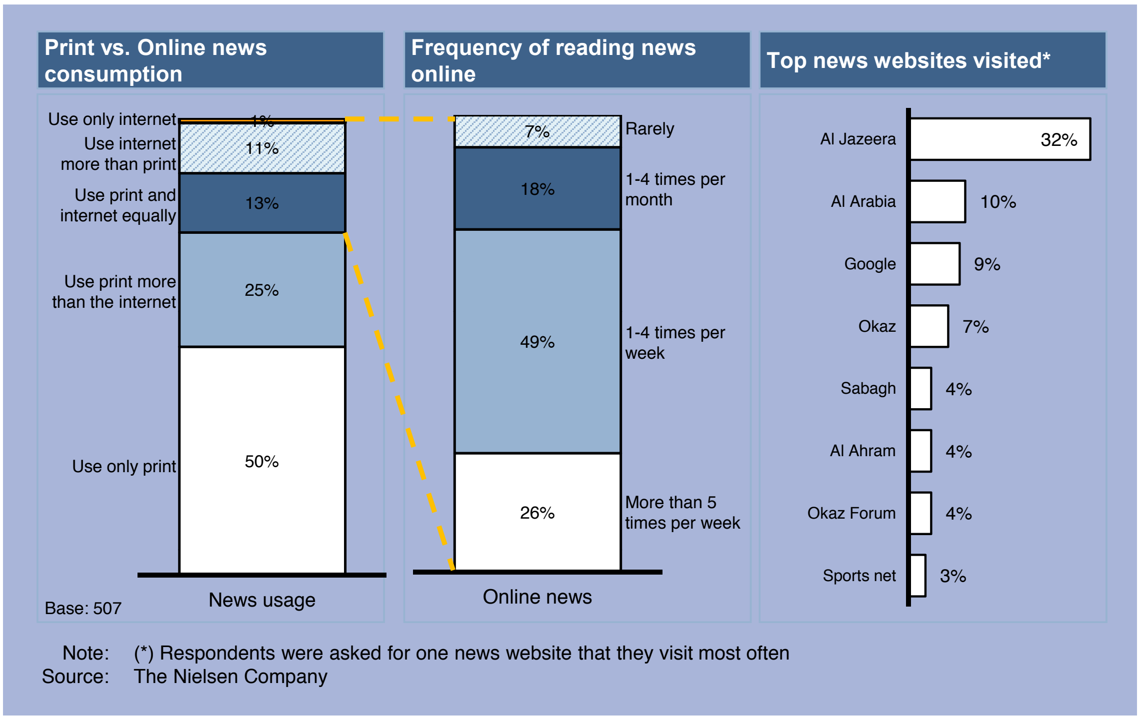
Note: Base: 507, All KSA Respondents
Source: The Nielsen Company

Key findings from our market research on the newspaper market in Saudi Arabia:

- **Top read newspapers**: *Okaz*, preferred by Saudi nationals and younger consumers, and *Al Hayat*, consistently popular across all demographics, are reportedly the most popular; pan-Arab publications are clearly popular, with two of the top newspapers, *Al Hayat* and *Asharq Alawsat*, being pan-Arab dailies
- **Newspaper content**: In contrast to other researched markets, specific journalists were ranked as one of the top reasons for reading publications, with current affairs, sports and politics the most popular topics
- **Buying habits**: Subscription rates are generally low at 5% or lower, except for *Al Hayat*, which is subscribed to by over 10% of respondents. Saudis buy four newspapers per week on average, with a very high proportion buying more than once a week (close to 90%)
- **Online news consumption**: Although print remains the dominant platform for reading news, nearly 75% of people read news online more than once a week, with consumption across all demographics in line with other researched markets
- **Local news online**: The Al Jazeera website is the most popular source of online news, the most visited website by nearly a third of respondents, particularly among expatriate Arab males.[53] Overall, Saudi Arabia has a lower proportion of newspaper sites among the top ranked sites than other markets, with Al Arabiya in second place, predominantly popular among people from higher socio-economic classes and under 40 years of age

[53] Confirming that the website is most likely the one related to the news channel, and not the eponym Saudi newspaper of the same name

Exhibit 77: News consumption in Saudi Arabia: market research results



Going forward, we expect newspaper spend to recover at a CAGR of 9% over the projection period, in line with total advertising spend, and to roughly maintain its share of the market.

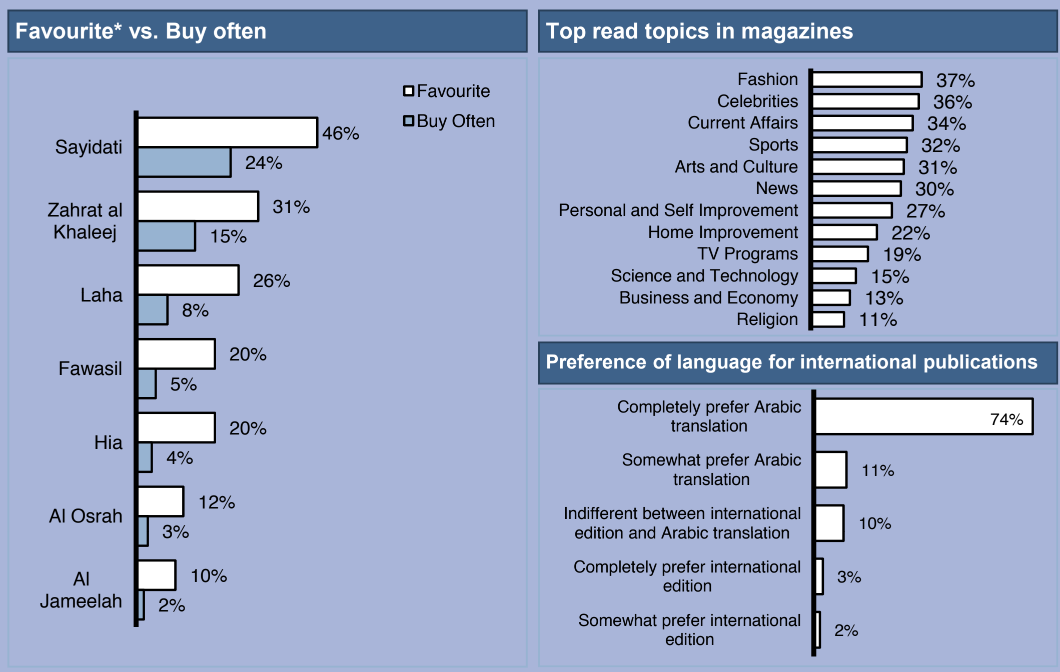
Magazines also remain popular in Saudi Arabia across all demographics. As major advertisers from automotive, real estate, luxury goods, and banking were affected by the economic crisis, total magazine advertising expenditure decreased by 30% in 2009.

Key findings from our market research on the magazine market in Saudi Arabia:

- **Top read magazines**: The top three magazines, *Sayidati*, *Zahrat Al Khaleej* and *Laha*, are pan-Arab women's magazines, and women form the majority of magazine readers in Saudi Arabia
- **Magazine consumption**: A significantly higher proportion of women not only read magazines, but also buy them on a regular basis, most commonly picking them up from news-stands
- **Language preference**: Readers in Saudi Arabia show the strongest preference of all markets for the Arabic versions when it comes to reading international magazines

Going forward, we expect advertising expenditure on magazines to pick up and grow at a CAGR of 15% over the projection period.

Exhibit 78: Magazines in Saudi Arabia: market research results



Note: Base: 507, All KSA Respondents
(*) Respondents were asked for their top 5 magazines
Source: The Nielsen Company

Television

Similar to other Gulf markets, the local TV market in Saudi Arabia is small, accounting for approximately 6% of total advertising expenditure. Between 2008 and 2009, total local TV advertising spend decreased by 30%. The terrestrial broadcast sector in Saudi Arabia is state-owned through the Ministry of Culture and Information (MOCI). There are four terrestrial TV channels (two general entertainment channels, one sports and one news channel), the first of which, Channel 1, was launched in 1963. In April 2009, plans to launch a fifth terrestrial TV channel in the Kingdom were announced.[54] After its trials in 2004 and 2005 in Jeddah, Digital Terrestrial Television (DTT) launched in July 2006 and covered five major cities. To continue DTT transition and extend the service across the Kingdom, the MOCI signed a contract with Thomson, a solutions provider for the communication and media industries, in May 2008.

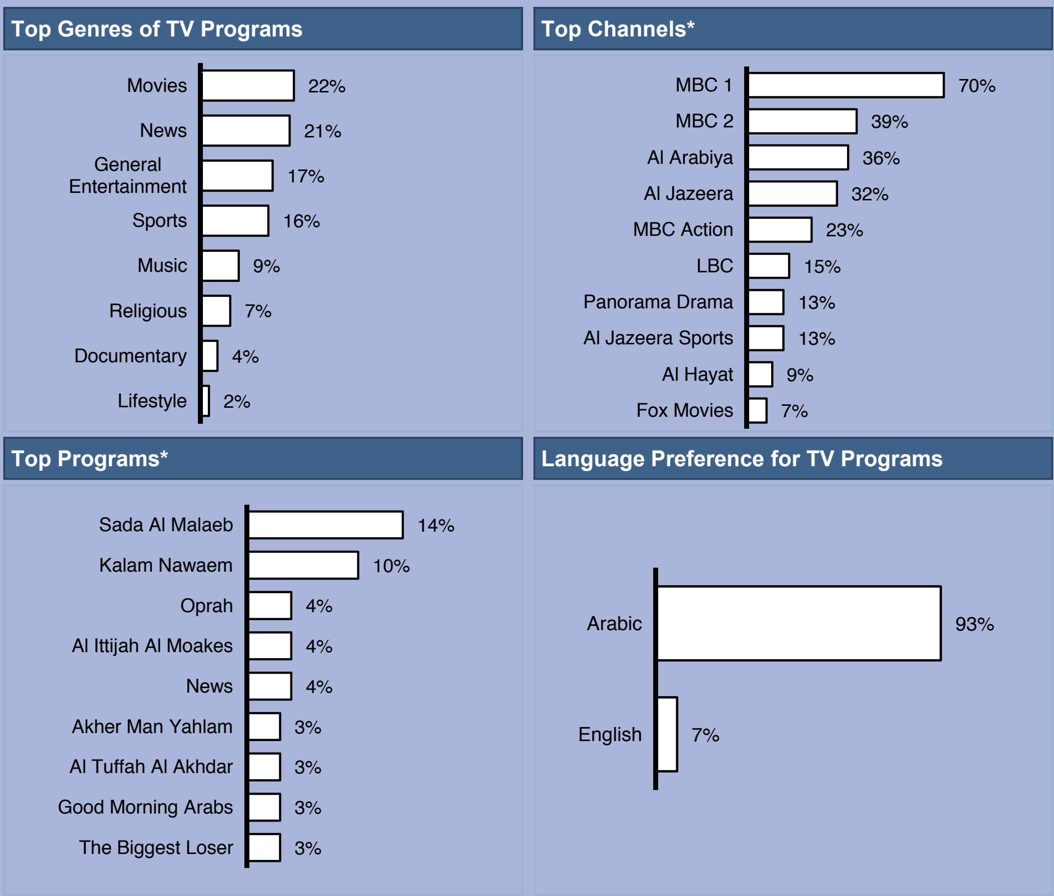
Although satellite dishes have been officially banned since 1990, Saudi Arabia has the second highest satellite TV penetration in the Arab Region, at 95%. In addition, two of the largest pan-Arab satellite TV broadcasters, Middle East Broadcasting Corporation (MBC) and Rotana, are Saudi owned. Since there are no licenses for private TV channels in Saudi Arabia, many Saudi owned satellite channels continue to operate from the free media zones in the region.

Key findings from our market research on the TV market in Saudi Arabia:

- **TV consumption**: The preferred language to watch TV programming is overwhelmingly Arabic, which is much less pronounced in the UAE and Lebanon
- **Top genres**: Similar to other markets, top genres include movies and sports, driven by males, and general entertainment, driven by females
- **Preferred channels**: In line with the rest of the Gulf, the top viewed channel line-up includes several MBC channels, with MBC 1 the strongest, enjoyed by over 70%; interestingly, Saudi TV 1 / Channel 1 does not appear in the top channels in the country
- **Top viewed programmes**: Four out of the seven top programs are broadcast on MBC 1, with men and Saudi nationals preferring sports programme *Sada al Malaeb*, despite airing late at night, and a strong majority of women over 50 tuning into *Kalam Nawaeim*, a women's talk show

[54] Informa TM

Exhibit 79: Television in Saudi Arabia: market research results

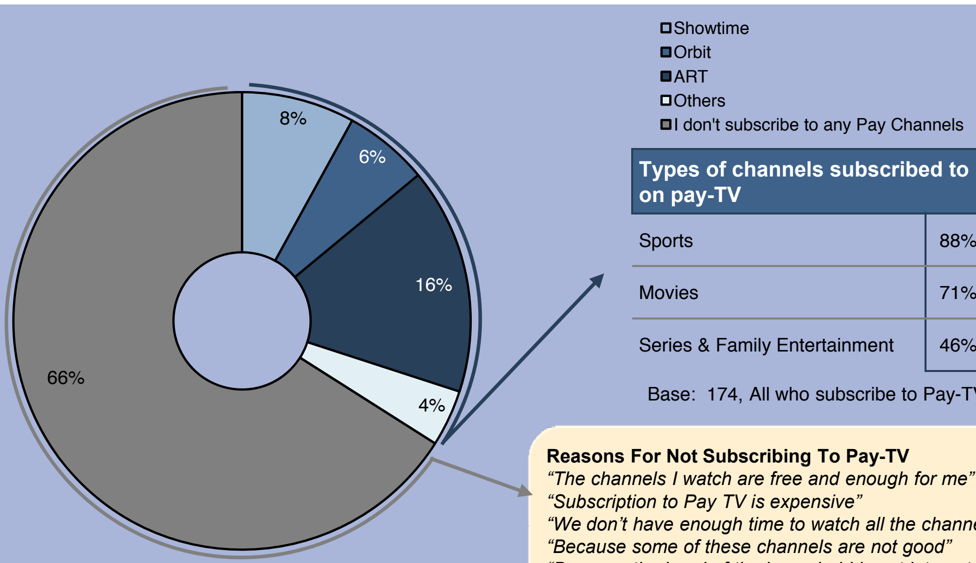


Note: Base: 507; All KSA Respondents
(*) Respondents were asked for their top 5 TV channels and their top 5 programs
Source: The Nielsen Company

As evidenced by the market research, advertisers are likely to continue to spend significantly more on pan-Arab channels than on local TV to reach out to the larger audience base in Saudi Arabia.

Consequently, we expect local TV advertising expenditure to further decrease by a CAGR of 5% over the projection period.

Exhibit 80: Pay TV market in Saudi Arabia: market research results [1,2]



Types of channels subscribed to on pay-TV	
Sports	88%
Movies	71%
Series & Family Entertainment	46%

Base: 174, All who subscribe to Pay-TV

Reasons For Not Subscribing To Pay-TV
"The channels I watch are free and enough for me"
"Subscription to Pay TV is expensive"
"We don't have enough time to watch all the channels"
"Because some of these channels are not good"
"Because the head of the household is not interested"
"It is something that you cannot make use of"

Notes: (1) Base: 507, All KSA Respondents
(2) Market research results are skewed by piracy and do not reflect actual penetration, while they do provide a directional indication of the split between pay-TV subscribers

Source: The Nielsen Company

Key findings from our market research on the pay-TV market in Saudi Arabia:

- Consistent with the other researched markets the two biggest reasons that people cited for not subscribing to pay-TV were the availability of free satellite channels and high costs of subscribing to the service
- The main motivations behind pay-TV subscriptions are sports and movies, followed by series and family entertainment
- While 34% claim to subscribe to pay-TV, the actual penetration is significantly lower at around 9% at the end of 2009. In terms of platforms, research indicates that ART has the largest share of subscriptions

Internet

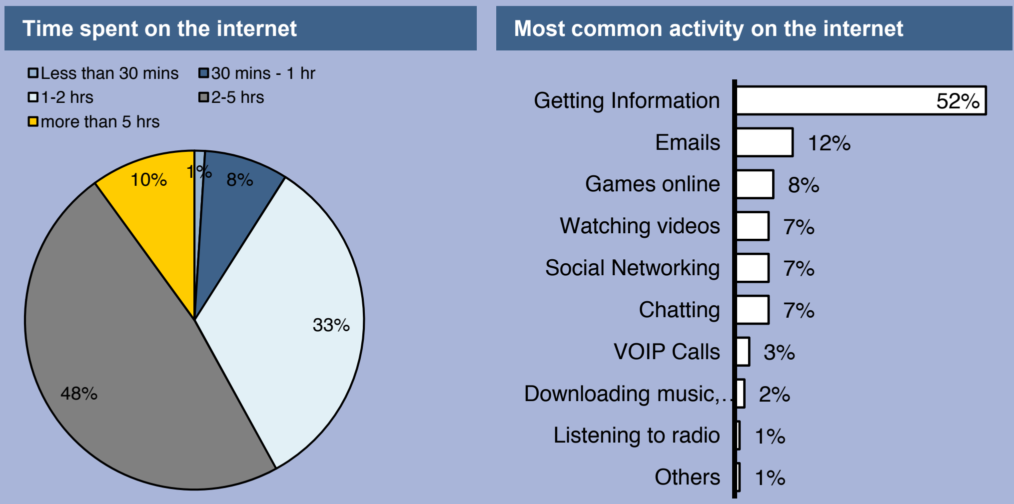
The internet became available in Saudi Arabia in 1998 and the Telecommunication and Information Technology Authority is responsible for licensing Internet Service Providers (ISPs). Total internet advertising expenditure experienced the highest increase between 2008 and 2009. This can be attributed to the large increase in broadband subscriptions that grew at a rate of around 60% in 2009. As broadband subscriptions are expected to continue to grow at high rates over the projection period, we expect internet advertising expenditure to grow at a high CAGR of 32%.

Key findings from our market research on the online market in Saudi Arabia:

- **Internet usage**: Saudis spend nearly 2.7 hours per day online, which is likely to rise significantly with the expected increase in broadband penetration, with more time spent by the younger demographic;[55] time spent online is only marginally lower than time spent watching TV (three hours on weekdays)
- **Content preference**: As in Egypt, Saudis prefer to browse in Arabic but given the relatively low proportion of internet content generated by Saudi Arabia, the majority of users do not have a preference for local Saudi content over other Arabic content
- **Top Arabic sites**: All the top websites involve a significant amount of interactivity, UGC, and social media; Muntadyat, a news portal where people can share news, is the most visited Arabic website, Facebook Arabic and YouTube also compete for top positions, and Alam Hawaa, a community site targeting women, is not far behind

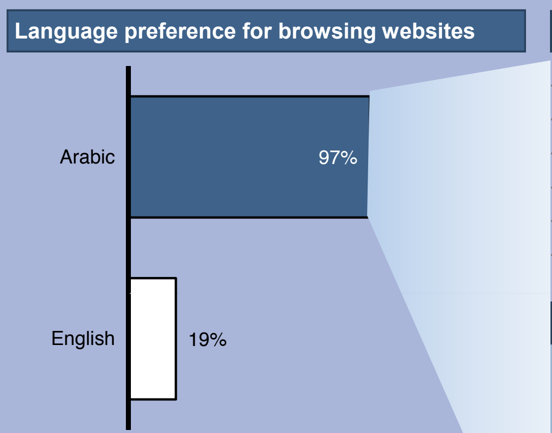
[55] 60% of the 'below 30' group spend over two hours per day and almost 20% from the same age group spend over five hours online

Exhibit 81: Internet usage in Saudi Arabia: market research results



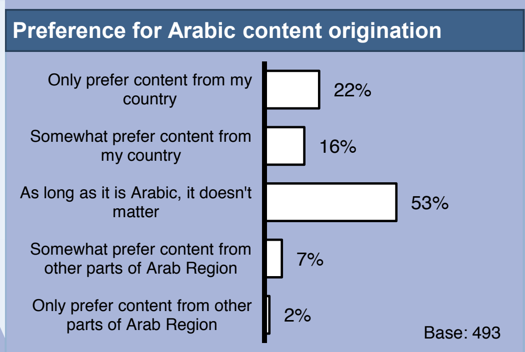
Note: Base: 507, All KSA Respondents
Source: The Nielsen Company

Exhibit 82: Internet usage in KSA: market research results



Top Arabic websites*

Muntadyat	19%
Facebook Arabic	14%
YouTube	13%
Alam Hawaa	12%
Al Arabia channel site	8%
Tarab.net	7%
Yahoo	6%

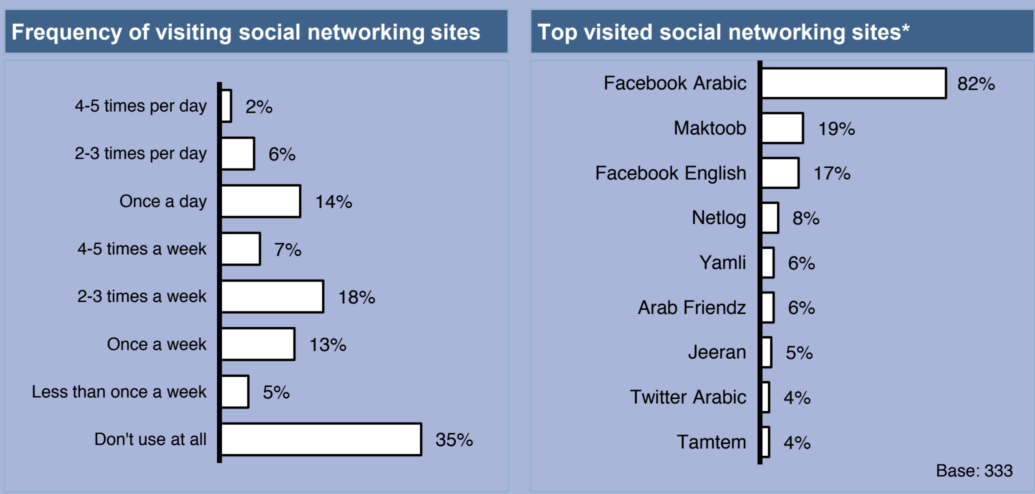


Note: Base: 507, All KSA Respondents
(*) Respondents were asked for the Arabic sites visited most often
Source: The Nielsen Company

Key findings from our market research on the social networking market in Saudi Arabia:

- **Social media consumption**: Almost 65% use social networking sites - a figure that is on the low side compared to the other researched markets - visiting such sites 5.4 times a week on average; more strikingly, one in every five people below 30 visited social networking sites once a day
- **Favourite activities**: The majority of people spend time gathering information online, while a much smaller percentage are engaged in social networking sites; social media is preferred by nearly 20% as one of the top methods to communicate, behind only mobile phones, SMS and email
- **Most popular sites**: Facebook Arabic is by far the most popular social networking site, with the rest fragmented among the remaining, largely Arabic, social networking sites

Exhibit 83: Frequency of visiting social networking sites in Saudi Arabia: market research results



Note: Base: 507 (*)Respondents were asked for names of social networking sites used most often
Source: The Nielsen Company

Radio and Out-of-home

Radio currently accounts for a small proportion, approximately 2%, of total advertising spend in Saudi Arabia. MBC has been the sole private radio broadcaster in Saudi Arabia since 1994 when it launched MBC FM. Similar to the other traditional platforms in the country, radio experienced a decrease of 5% in total advertising expenditure between 2008 and 2009 (although this represents a much smaller decrease relative to other platforms). Going forward, we expect total radio advertising expenditure to increase at a CAGR of 15%, second only to internet, as the market opens to competition and more private radio stations begin operation in the country. As of 2009, more than 30 radio stations continued to await operating licenses.[56] As a result we expect competition in the radio market to increase over the projection period as the government has announced plans to create four additional FM stations in 2010.

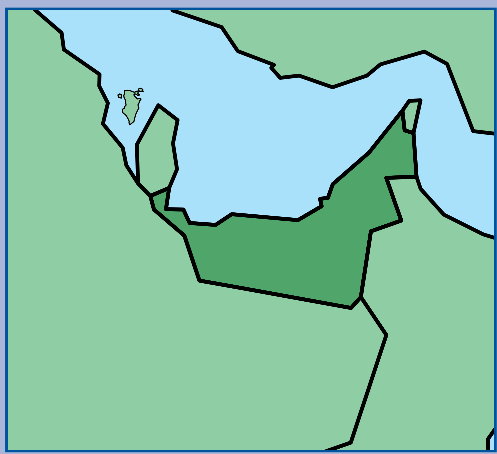
Total out-of-home advertising accounts for approximately 9% of total advertising spend in Saudi Arabia. Expenditure decreased between 2008 and 2009 by 20%. Affected largely by advertising from the telecommunications sector, which forms over 50% of the platform's total advertising spend, we expect out-of-home advertising to increase at a CAGR of 5% over the projection period, driven amongst other things by digital billboards in malls.

[56] World Press Trends 2009

1.5 United Arab Emirates

Exhibit 84: UAE: a snapshot[57]

- **Population:** 4.9m
- **Area:** 83,600 km²
- **GDP per capita:** US$ 55,000
- **Media Zones:** Dubai Media City, Dubai Studio City, Fujairah Creative City, International Media Production Zone, RAK Media City, twofour54 ,
- **Size of the ad market:** US$ 784m
- **Number of daily newspapers:** 14
- **Total dailies circulation:** ~1.1m
- **Total TV Penetration:** 84%
  - Satellite TV Penetration: 48%
  - Cable TV Penetration: 47%
  - IPTV Penetration: 13%
- **Broadband Penetration:** 69%
- **Mobile Penetration:** 231%



With a population of just under 5 million and a GDP of US$ 228 billion in 2009, the UAE boasts a high GDP per capita, second only to Qatar in the Arab Region. The UAE has the highest number of free trade media zones in the region. The UAE's nominal GDP grew by over 45% in 2008 on the back of rising oil prices and a construction boom. The economic crisis also had a significant impact on the UAE, whose nominal GDP contracted by 13% in 2009, due to a steep decline in oil prices, real estate and the tight international credit market. Almost 50% of the UAE population is below 30 and its literacy rate is 78%.

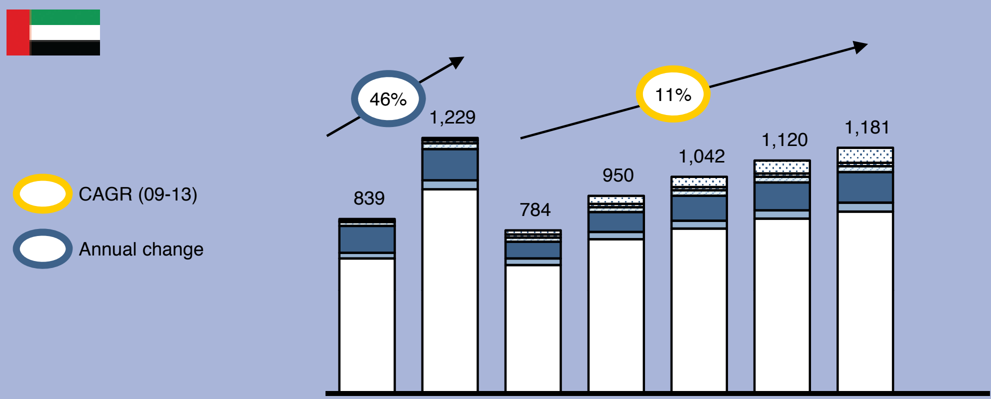
The media market in the UAE continues to be of particular interest, not only because of its youth-skewed population profile, but also because of its cultural diversity with expatriates of varying backgrounds, languages and media preferences, forming over 80% of the population. The diverse composition of the population strongly influences preferences in consumption patterns, as can be seen in the market research results.

Among all the countries covered, the UAE's advertising market displayed the strongest growth in 2008, increasing by over 45%, while also displaying the largest contraction in 2009, decreasing by over 35%. The reasons for this significant drop in 2009 were that the real estate and banking sectors, which together accounted for well over half of total advertising spend in 2008, declined considerably at the onset of global recession.

As the UAE's economy bounces back from the economic downturn, we also expect the advertising market to recover at a CAGR of 11% over the projection period, one of the highest growth rates in the Gulf region, from US$ 784 million in 2009 to reach nearly US$1.2 billion by the end of 2013.

[57] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 85: UAE advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	839	1,229	784	950	1,042	1,120	1,181	11%
Internet	9	12	19	38	49	62	72	39%
Radio	5	14	15	16	16	16	16	1.5%
Out-of-home (includes Cinema)	19	28	20	23	26	27	28	8.9%
Magazines	129	150	80	96	120	134	147	17%
Television	27	43	32	35	38	40	43	7.0%
Newspapers	650	982	618	742	793	841	875	9.0%

Source: Zenith Optimedia, Value Partners analysis

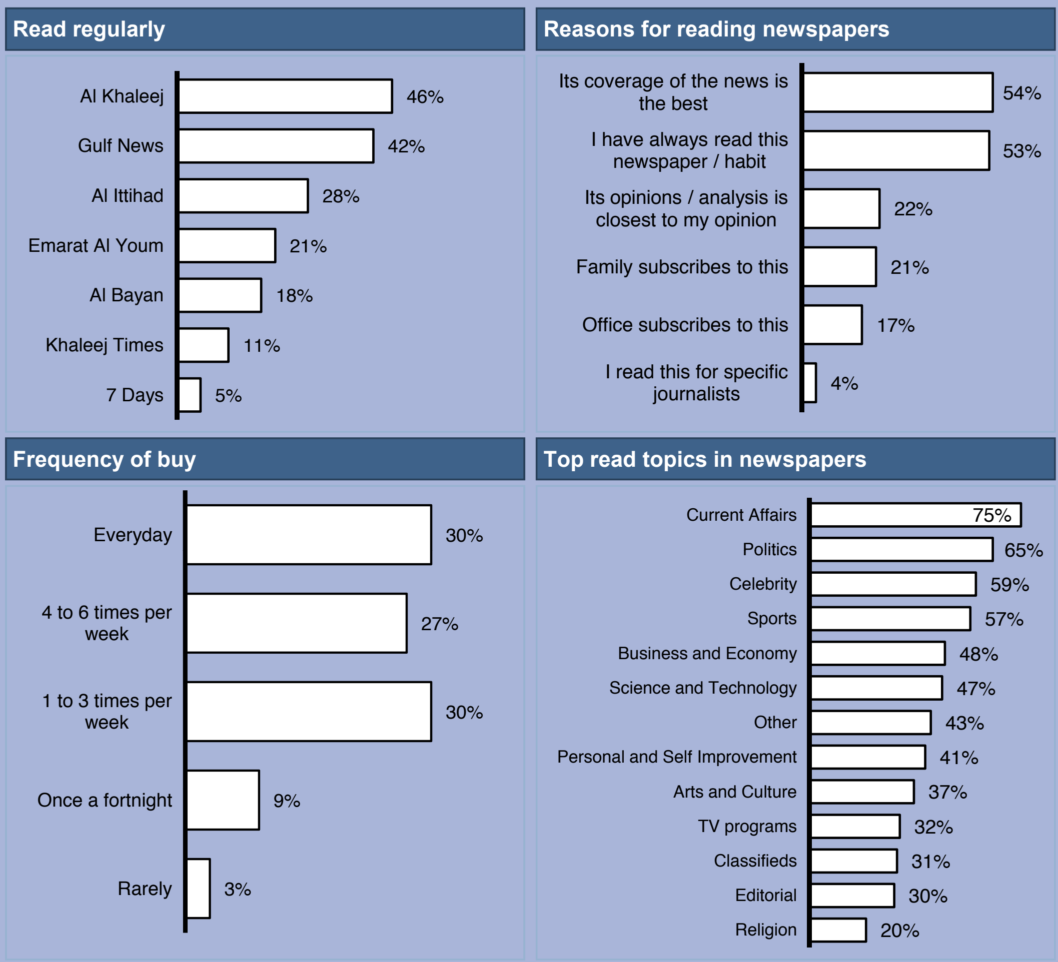
In line with the Gulf region and many other countries in the Arab Region, the advertising market in the UAE remains concentrated in print media (newspapers and magazines), accounting for nearly 90% of total advertising spend. The rest of the market remains fragmented among other media platforms, all of which are expected to grow over the projection period, albeit at different rates.

Print

While newspapers accounted for 80% of total advertising spend in 2008, they also remained the most vulnerable as nearly 50% of spend came from real estate companies that suffered the brunt of the economic crisis in the country. The total number of dailies in the UAE grew from 13 in 2008 to 14 in 2009 (eight Arabic and six English), with the launch of *Alrroya Aleqtissadiya* in March 2009. On the other hand, some publications felt the effects of the financial crisis with *Al Alam* and *MK Nasha Gazetta* shutting down and English freesheet *7Days* ending its Friday issue in 2009. The sector (and, beyond print, the media industry) is regulated by the National Media Council.

In an attempt to optimize the industry structure, print organizations underwent some consolidation in 2009, for example with the transfer of many titles from Arab Media Group to Dubai Media Incorporated. According to our estimates, newspaper advertising declined nearly 40% in 2009 from approximately US$ 980 million in 2008. It is expected to recover at a CAGR of 9% to reach US$ 875 million by 2013.

Exhibit 86: Newspapers in UAE: market research results



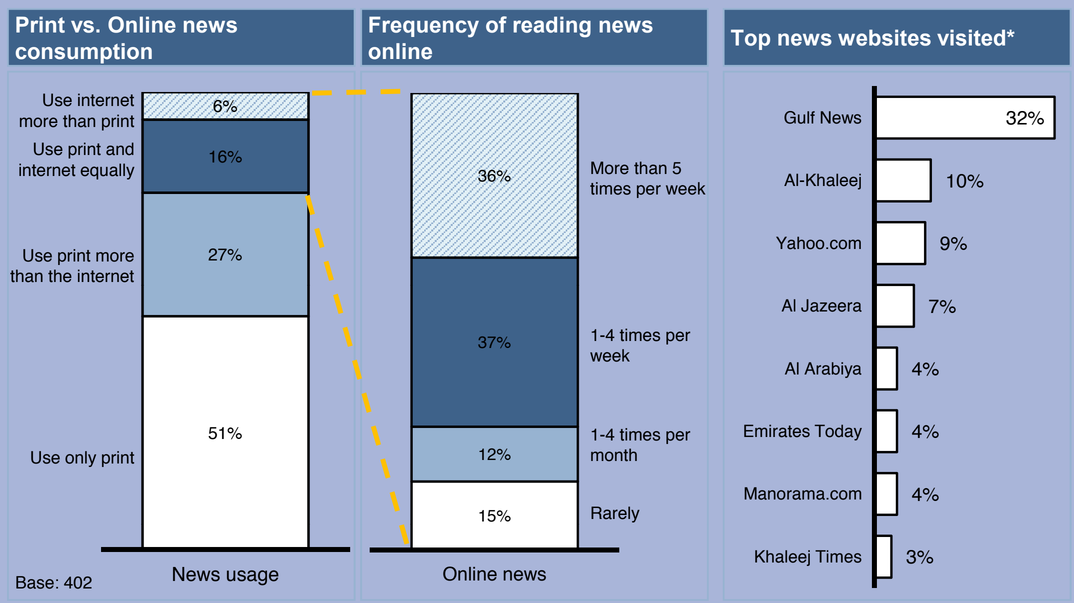
Note: Base: 402, All UAE Respondents, percentages may not add up to 100% due to multiple answers to questions
Source: The Nielsen Company

Key findings from our market research on the newspaper market in the UAE:

- **Top read newspapers**: *Al Khaleej*, particularly popular among readers over 50, is reported as the most popular newspaper[58] followed by *Gulf News* and *Al Ittihad*; while *Al Khaleej*, and *Al Ittihad*, both Arabic newspapers, are read by Arab consumers, the readership of English language *Gulf News* is concentrated among non-Arab expatriates; *The National*, an English broadsheet launched in 2008, has also been praised by many industry respondents for its formats and editorial content
- **Newspaper content**: 'Best news coverage' and 'habit' are among the top reasons for choosing newspapers, while 'specific journalists' are ranked at the bottom; in line with other markets, favourite topics include current affairs, politics and celebrity
- **Buying habits**: Close to 90% buy newspapers at least once a week, but subscription rates remain below 5%, except for *Gulf News*, which is subscribed to by 17% of respondents, all non-Arab expatriates
- **Online news consumption**: Print remains the dominant platform for news, but almost a quarter of respondents use the internet either as often or more than print, nearly half of whom read news online more than five times a week
- **News websites**: The *Gulf News* website is reported as the most popular source of news online, with almost a third of those who read news online visiting the site, in part due to its audiovisual content offering

[58] Al Khaleej also has the highest claimed circulation (150,000)

Exhibit 87: News consumption in the UAE: market research results



Note: (*) Respondents were asked for one news website that they visit most often
Source: The Nielsen Company

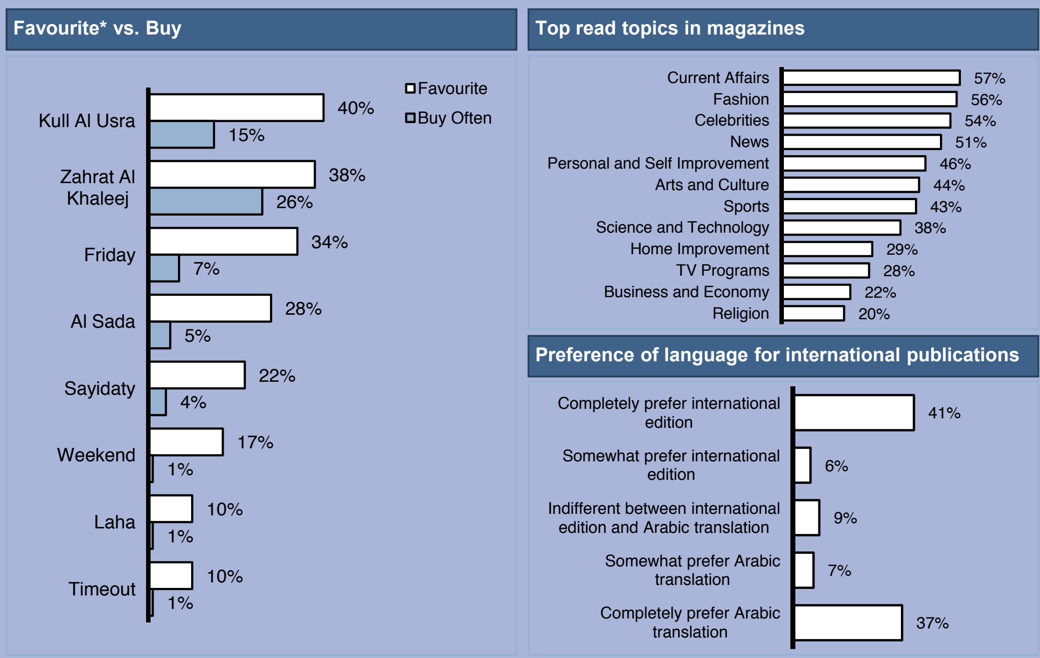
Magazines remain the second most dominant advertising platform after newspapers. While magazines represented 10% of total advertising spend in 2009, down from 12% in 2008, we expect this share of spend to recover going forward. Of the four researched countries, the UAE remains the only market with a high number of international editions, mainly English, in print media. This is a unique reflection of the country's demographic profile that includes both Arabs and non-Arabs.

Key findings from our market research on the magazine market in the UAE:

- **Top read magazines**: While there are approximately 20 magazines in the UAE, few have emerged as clear leaders in the market research in terms of their readership and sales. *Kull Al Usra*, an Arabic lifestyle magazine, and *Zahrat Al Khaleej*, a weekly family lifestyle magazine, were reportedly the most read and bought magazines across the country. Closely following these two magazines was *Friday*, an English magazine
- **Magazine consumption**: *Kull Al Usra* and *Zahrat Al Khaleej* are read entirely by Arabs (nationals and expatriates) with marginally more women reading them than men, while *Friday* is vastly popular among non-Arab expatriates. These three magazines were also cited as the most bought magazines in the UAE, with *Zahrat Al Khaleej* being bought largely by Arab women
- **Top read topics**: Current affairs, celebrities and fashion are the most read categories in magazines, with the latter two topics read by a much higher proportion of women

Similar to newspapers, where the majority of magazine advertising came from industries affected by the economic downturn, we expect magazine advertising to recover by a CAGR of 17% over the projection period to almost reach its 2008 levels by the end of 2013.

Exhibit 88: Magazines in UAE: an overview



Note: Base: 402, All UAE Respondents; percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for their top 5 magazines
Source: The Nielsen Company

Television

Local TV, in line with other markets in the Gulf region, displays lower advertising revenues than pan-Arab satellite TV, which attracts a significantly higher proportion due to its regional reach and larger audience share. We estimate that, at just over US$ 32 million in 2009, TV accounted for arround 4% of total advertising spend.

In 2009, the UAE had thirteen terrestrial channels, most of them in Arabic, the second highest number of terrestrial channels in the Arab Region. All terrestrial channels remain state-owned and the majority broadcast on satellite TV as well. The two main media organisations, Abu Dhabi Media Company (ADMC) and Dubai Media Incorporated (DMI), operate five terrestrial channels each, with the remaining channels owned by the governments of Ajman, Ras Al-Khaimah and Sharjah. Along with their line-up of terrestrial channels, both ADMC and DMI have ventured into the free satellite TV arena.

DMI has created a TV channel line-up that includes Dubai One, Sama Dubai, Noor Dubai and Dubai Racing. ADMC, besides offering its terrestrial channels on satellite, also offers Abu Dhabi Sports channels and National Geographic Abu Dhabi. Both organisations have also diversified their content offering through the purchase of sports rights. Both ADMC and DMI acquired five-year broadcast rights for the UAE Football League, which reorganised itself into a professional legal and commercial entity in 2008. Furthermore, in 2009 ADMC also bought the English Premier League's three year exclusive broadcast rights in the Middle East.

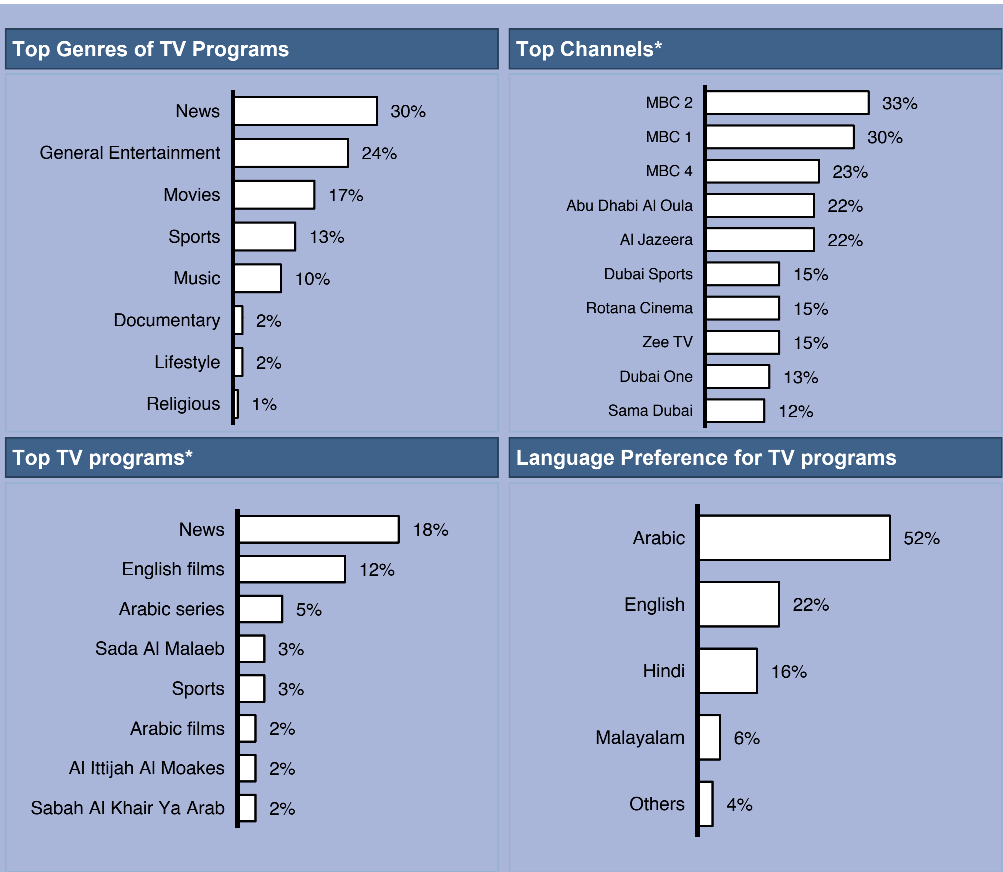
In an attempt to provide advertisers with more measurable returns, the National Media Council and the TRA in the UAE launched an initiative in 2009 to introduce an automated TV audience measurement system, the People Meter. This initiative will allow advertisers to gauge the effectiveness of their marketing strategies and re-evaluate their TV advertising spend.

Key findings from our market research on the TV market in the UAE:

- **TV consumption**: UAE audience preferences reflect the country's diverse population, showing appreciation for a wide variety of genres, channels and programs, both in Arabic and other languages

- **Top genres**: News and sports are popular genres, driven mostly by men, while general entertainment is preferred by women, in particular expatriate Asian women; among UAE men, sports are more popular among UAE nationals and expatriates prefer to watch a higher proportion of news
- **Preferred channels**: MBC channels top the list of preferred channels while ADMC's flagship general entertainment terrestrial channel, Abu Dhabi Al Oula, was also cited among the top watched channels
- **Top viewed programmes**: With the exception of sports programme *Sada Al Malaeb*, *Al Ittijah Al Moakes* and daily morning show *Sabah Al Khair Ya Arab*, a daily morning show, no other programme was cited with much unanimity, with UAE audiences preferring specific types of programming over particular shows

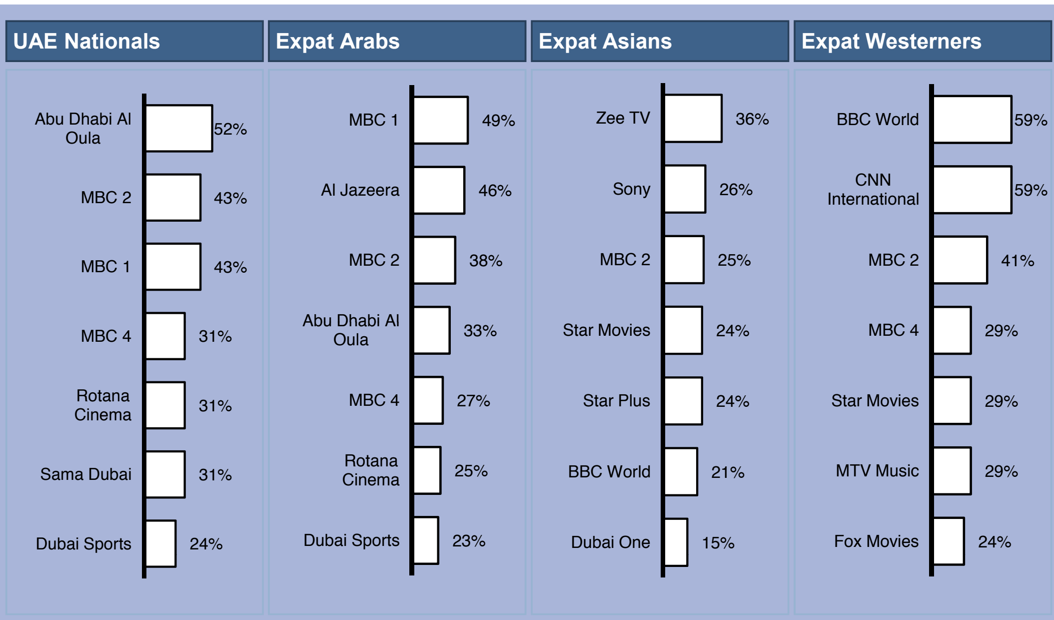
Exhibit 89: Television in UAE: market research results



Note: Base: 402, All UAE Respondents; percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for their top 5 TV channels and their top 5 programs
Source: The Nielsen Company

While the TV market research provides clear leaders in terms of genres, channels and language preference, we believe that it does not tell the complete story in the UAE, which remains a complex media market for advertisers due to its highly fragmented nature. When one looks at the top channels viewed by nationality of UAE residents, the picture becomes much clearer. For instance, although most channels are enjoyed by particular demographic segments, MBC2, a free-to-air movies channel, is the only one to appeal to all ethnic segments, unanimously popular with viewers of all nationalities. In addition, international broadcasters have realized the opportunities to discuss the various population segments in the UAE. For example, there is a full range of Indian TV channels available, including Zee TV, reported as the most popular channel among expat Asians, and the Star bouquet of channels.

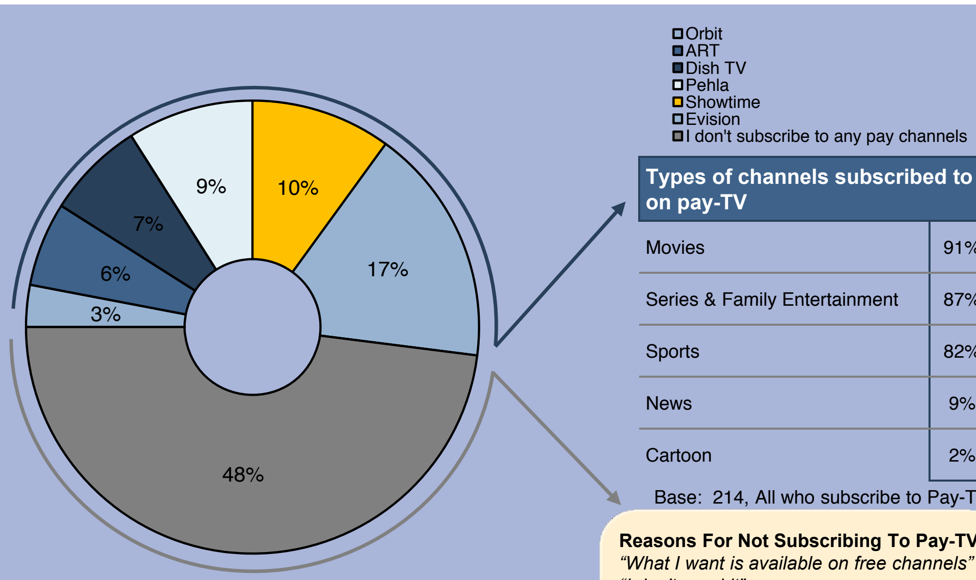
Exhibit 90: Top TV channels by nationality in UAE: market research results



Note: Base: 402, All UAE Respondents; percentages may not add up to 100% due to multiple answers to questions
Source: The Nielsen Company

Over the projection period, we expect local TV advertising to maintain its share of 4% of total advertising spend and to grow at a CAGR of 7% from between 2009 and 2013. With the Telecommunications Regulatory Authority (TRA) in the UAE granting the region's first broadcast mobile TV license and Etisalat, the incumbent telecom operator, deploying a comprehensive FTTH-based IPTV service, new "local platforms" are expected to be introduced. However, we believe that their growth will not yet be enough to take significant advertising value away from pan-Arab satellite TV over the projection period.

Exhibit 91: Pay-TV in UAE: market research results [1,2]



Types of channels subscribed to on pay-TV	
Movies	91%
Series & Family Entertainment	87%
Sports	82%
News	9%
Cartoon	2%

Base: 214, All who subscribe to Pay-TV

Reasons For Not Subscribing To Pay-TV
"What I want is available on free channels"
"I don't need it"
"I have enough channels"
"I don't want to spend on pay channels"
"Don't have time to watch more channels"
"I have my own dish"
"Expensive"

Notes: (1) Base: 402, All UAE Respondents
(2) Market research results are skewed by piracy and do not reflect actual penetration, while they do provide a directional indication of the split between pay-TV subscribers

Source: The Nielsen Company

Key findings from our market research on the pay-TV market in the UAE:

- Approximately 50% of respondents indicated a variety of reasons for not subscribing to pay-TV, with the majority suggesting they are satisfied with the FTA content on offer; meanwhile, movies, series and family entertainment are the most common reasons for subscribing to pay-TV, with sports, unlike other markets, ranking only in third position
- Actual overall pay-TV penetration in the UAE is close to 72%, the highest in the region, in spite of the abundant use of unauthorised services in the UAE, such as Dish TV. The research results also indicate a higher share of Orbit/Showtime compared to ART in terms of subscriptions
- Cable and IPTV are both offered in the UAE, and as Etisalat, the incumbent operator, lays its FTTH fibre optic network, it is expected that the country's cable TV (eVision) subscribers will transition into IPTV (eLife or du) subscribers, allowing advertisers to develop new ways to reach audiences, and pay TV operators to deliver new services

Internet

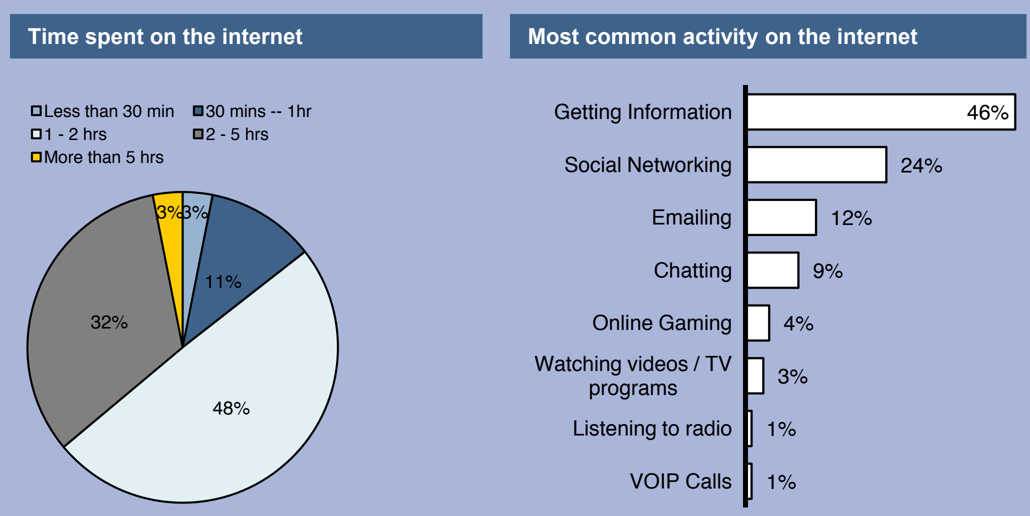
The internet is expected to experience strong growth over the projection period as a platform for media consumption and advertising. We estimate that internet advertising grew by nearly 70% in 2009 to represent around 2.5% of total advertising spend. With broadband penetration touching 70% in 2009, one of the highest in the region, we believe that the internet will present an attractive platform for advertising. While the economic crisis negatively impacted advertising levels on all other platforms, it actually encouraged advertisers to include the internet as a significant platform for media planning (as also confirmed by our industry interviews in the UAE). One major reason cited by advertisers in the course of our interviews was that as advertisers increasingly look to gauge returns from their advertising dollars, digital platforms, specifically the internet, offer more attractive alternatives.

Going forward, we expect internet advertising to grow strongly in the UAE, at a CAGR of close to 40%, and to increase its share of total advertising spend to approximately 6% by the end of 2013.

Key findings from our market research on the online market in the UAE:

- **Internet usage**: 35% of internet users in the UAE spend more than two hours a day online. On average, UAE consumers spend 2.7 hours online, i.e. a greater amount of time than that spent watching TV (two hours per day during the week)
- **Content preference**: While nearly half of UAE respondents prefer to browse in Arabic, an even greater proportion prefer to browse in English (with a clear distinction between Arabs and non-Arabs). For those preferring Arabic, close to 75% are more interested in the language of the content than the country of origin, not necessarily preferring to consume content specifically from the UAE
- **Top Arabic sites**: The top three visited websites in the UAE are Facebook Arabic, regional portal Maktoob and video-sharing website YouTube

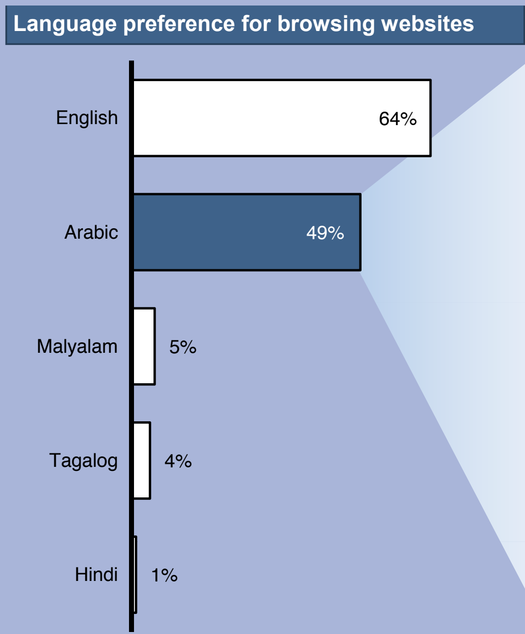
Exhibit 92: Time spent on internet per day in the UAE: market research results



Note: Base: 402, All UAE Respondents; percentages may not add to 100% due to multiple answers to questions

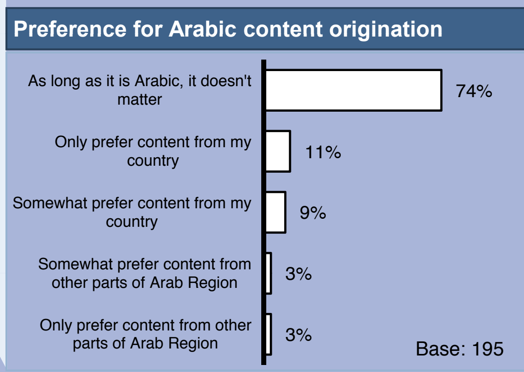
Source: The Nielsen Company

Exhibit 93: Internet usage in the UAE: market research results



Top Arabic websites*

Facebook Arabic	22%
Maktoob	17%
YouTube	17%
Islam Online	16%
Yahoo	13%
Al-Jazeerah	8%

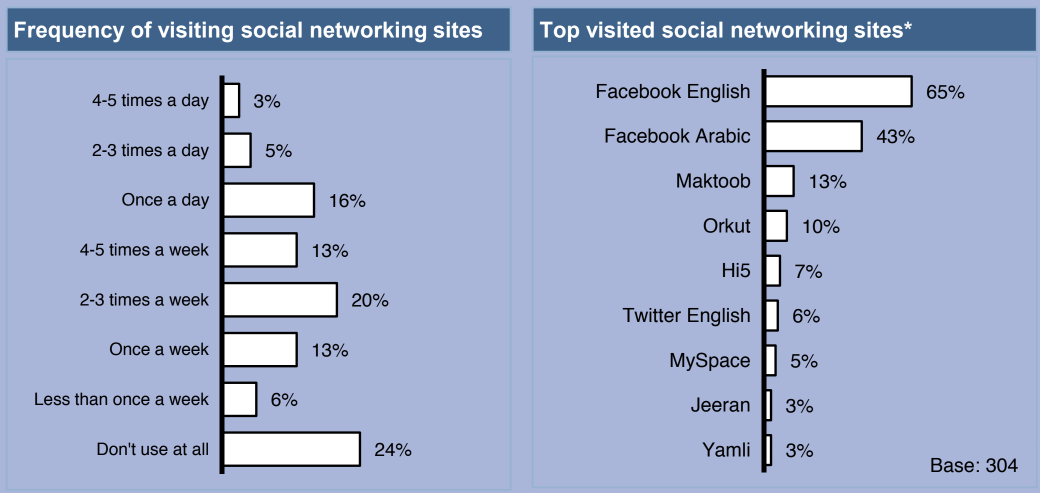


Note: Base: 402, All UAE Respondents; percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for the Arabic sites visited most often
Source: The Nielsen Company

Key findings from our market research on the social networking market in the UAE:

- **Social media consumption**: Besides Facebook (both English and Arabic), other top social networking sites in the UAE include Maktoob, Orkut, Hi5, Twitter English, MySpace, Jeeran and Yamli. It is no surprise that these social networking sites from different regions and languages also reflect diverse backgrounds and preferences of the country's population
- **Favourite activities**: While social networking is the second most popular activity online and used by over 70% of the internet users in the UAE, frequency of visit is relatively low at 5.4 times per week, in line with the Saudi market but much lower than that seen in Egypt and Lebanon

Exhibit 94: Frequency of visiting social networking sites in UAE: market research results



Note: Base: 402, All UAE Respondents; percentages may not add up to 100% due to multiple answers to questions
(*) Respondents were asked for names of social networking sites used most often
Source: The Nielsen Company

Further, in part due to the recent award of the DVB-H mobile TV license in the UAE, we expect mobile platforms to play an increasing role in one of the largest advertising markets in the Arab Region. While only 12% of total respondents reported that they regularly access the internet on their mobiles (a low proportion compared to other researched markets), as infrastructure and content offering on mobile improves, combined with increased use of smartphones, including the iPhone, the platform will start to attract an increasing share of total spend.

Radio and Out-of-home

Finally, approximately 5% of total advertising spend in the UAE is represented by both radio and out-of-home advertising.

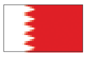
The radio industry, with 24 radio stations spread across the country, remains state-owned. While the Ministry of Information and Culture owns these stations, the TRA remains responsible for issuing licenses. While radio stations are popular in the UAE, especially as a result of the commuter society (with people spending long periods of time in their cars) the low advertising spend can be explained by the same principle as in the TV industry, with significant audience fragmentation. While about half of these radio stations are broadcast in Arabic, the remaining ones are broadcast in other languages, such as English, Hindi, Urdu, Filipino, and Malayalam. Over the projection period, we expect radio advertising to grow modestly at 1.5% CAGR.

Out-of-home advertising in the UAE has been on the rise over the past few years, driven primarily by the surge in the construction industry in the country. In 2008, the real estate sector accounted for over 50% of out-of-home advertising. Hence, it comes as no surprise that advertising spend on the platform contracted by nearly 30% in 2009. Going forward, we expect out-of-home advertising to recover and to regain its 2008 levels by 2013, implying a CAGR of 9% over the projection period.

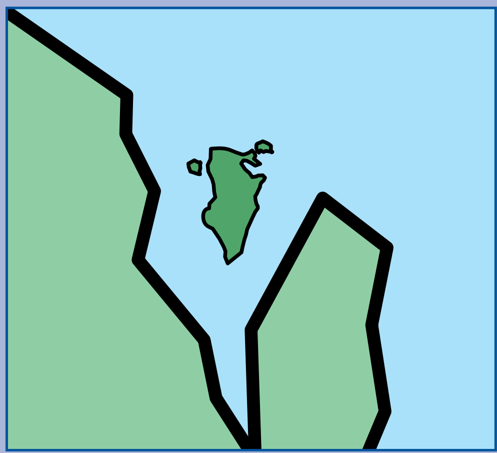
Country-by-country update

2.3.1 Bahrain

Exhibit 95: Bahrain: a snapshot[59]



- **Population:** 0.8m
- **Area:** 741 km^2
- **GDP per capita:** US$ 27,260
- **Size of the ad market:** US$ 75m
- **Number of daily newspapers:** 9
- **Total dailies circulation:** 189,000
- **Total TV Penetration:** 98%
  - Satellite TV Penetration: 97%
  - Cable TV Penetration: 3%
  - IPTV Penetration: 2%
- **Broadband Penetration:** 68%
- **Mobile Penetration:** 209%

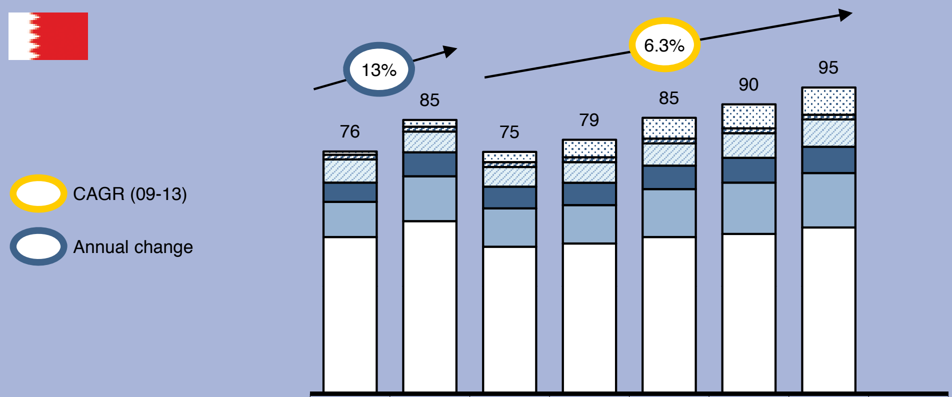


Bahrain has one of the highest GDP per capita in the Arab Region. Bahrain has a relatively young population, with 26% below the age of 15 and 50% below the age of 30, and a literacy rate of 87%. While Bahrain is the least populated country in the Arab Region, it plays a role in the regional media landscape. In addition, Bahrain has placed particular focus on developing its services and telecommunications sectors.

Total advertising in Bahrain decreased between 2008 and 2009 by 12%, as the country's advertising industry felt the effects of the global economic crisis. Going forward, we have projected the advertising market in Bahrain to grow at a CAGR of 6% over the projection period as the economy recovers and advertisers increase their budgets again. Aside from TV, a significant proportion of the growth will be led by online advertising, as the country has one of the highest broadband penetration rates in the region.

[59] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is a 2008 estimate; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 96: Bahrain advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	76	85	75	79	85	90	95	6.3%
Internet	1.0	2.1	3.2	5.5	6.5	7.5	8.5	28%
Radio	1.5	1.5	1.5	1.5	1.5	1.5	1.5	0.0%
Out-of-home (includes Cinema)	7.2	6.5	6.2	6.5	6.9	7.7	8.5	8.4%
Magazines	6.0	7.5	6.7	7.0	7.3	7.8	8.2	5.1%
Television	11	14	12	12	15	16	17	10%
Newspapers	49	54	46	47	49	50	52	3.2%

Source: Zenith Optimedia, Value Partners analysis

Newspaper advertising accounts for the largest share of total advertising expenditure in Bahrain, with 61% share. However, in 2009, newspaper advertising decreased by 15%, making it, alongside TV, the platform most affected by the economic crisis. This decrease can be partially attributed to the correction in the real estate sector – heavily affected by the crisis and one of the drivers of Bahrain's economic growth - which was one of the highest sources of advertising revenues for newspapers, with around 20% of total advertising spend in 2008. While Bahrain has a high literacy rate and the advertising market is expected to recover, we expect newspaper advertising expenditure to grow at a CAGR of 3% over the projection period.

The first daily newspaper in Bahrain was established in 1976. The 2002 press law guarantees freedom of speech and, as of 2009, Bahrain had nine daily newspapers – seven in Arabic and two in English – as well as four weekly newspapers. The number of titles continued to grow in Bahrain in 2009 with the addition of the weekly title *Aswaq*. Bahrain has, by far, the highest concentration of newspaper titles by population[60] in the region. The claimed daily circulation for *Akhbar Al Khaleej* newspaper is reported at 36,000, the highest claimed circulation among all newspapers. Bahrain's newspapers also have a strong online presence: out of a total of 13 newspapers (dailies and weeklies), only one newspaper is not present on the internet.

Magazine advertising expenditure decreased by 10% between 2008 and 2009. While the real estate sector accounted for one of the highest proportions of spend in magazines, other sectors, such as hospitality, also accounted for a high share of advertising expenditure. A new introduction to Bahrain's magazine portfolio was *Time Out Bahrain*, introduced in March 2009.

Local Television remains the second most important advertising platform after newspapers, with a15% share of the total advertising market. While TV advertising spend decreased by 15% in 2009, going forward, we believe it will recover over the projection period and increase by 10% driven by two factors. Firstly, Bahrain's media activities were brought to the forefront by the relocation of DTH player Orbit from Rome to Bahrain in 2006 and the selection of Bahrain by MBC to be the base of its MBC2 channel. Secondly, the public service

[60] 15.4 titles per adult million, see section 1

broadcaster Bahrain Radio & TV Corporation (BRTC) is investing heavily to modernize the local TV. It operates six terrestrial channels, three of which also broadcast on satellite. The government has reportedly contracted several companies with a Digital Terrestrial Television (DTT) tender to revamp BRTC and, in parallel, to build a fully automated HD (High Definition) ready playout centre. However, similar to other markets in the Gulf, the Bahraini local TV market competes for advertising spend with pan-Arab satellite TV. While satellite dishes are officially banned, satellite TV reaches virtually all Bahraini households.

Pay-TV platforms in Bahrain have benefited from a significant reduction in piracy levels, which have decreased from 80% in 2002 to 20% in 2007.[61] Compared to other countries in the region, Bahrain has a relatively high penetration of pay-TV, with a portion of it over cable (MMDS, 'wireless cable' service from BRTC). It is important to note that although Orbit is headquartered in Bahrain, ART appears to be the dominant pay-TV platform in the country.[62]

Internet advertising in Bahrain was the only form of advertising that continued to grow despite the economic crisis. We estimate that it grew by 52% in 2009. The main reasons behind this growth are the high broadband penetration in the country and the shift of advertisers' budgets to search for more effective, readily measurable, and high-reach platforms. Over the projection period, we expect that internet advertising will grow at a CAGR of 28%. We believe that the high degree of competition in the internet market in Bahrain (22 Internet Service Providers and a number of WiMAX players), coupled with the government's plans to reach universal service for broadband over this period, will only support and accelerate internet advertising spend. Further, the government has also embarked on initiatives to promote creativity and innovation in the development of local online content.[63]

With a 2% share, radio advertising accounts for a very small share of total advertising in Bahrain. We believe that radio advertising will remain stable around this level during the projection period as there are no major developments expected. Voice FM 104.2 remains the only commercial radio station and it does not target the local Bahraini community as it broadcast in Hindi, Malayalam, and Tamil.

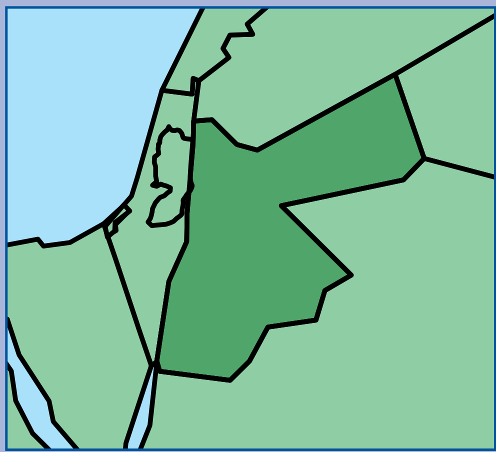
With a 5% decrease in expenditure in 2009, out-of-home advertising expenditure was not as badly affected as the other platforms. We expect out-of-home advertising spend to maintain its share of total advertising over the projection period and grow at a CAGR of 8%.

[61] Informa TM
[62] Evidence from interviews with industry players
[63] Bahrain's e-Government Authority (eGA) and the United Nations Development Programme (UNDP) launched a new initiative in 2009 to promote the growth of Arabic content in websites

2.3.2 Jordan

Exhibit 97: Jordan: a snapshot[64]

- **Population:** 5.9m
- **Area:** 89,342 km^2
- **GDP per capita:** US$ 3,630
- **Media Zones:** Jordan Media City
- **Size of the ad market:** US$ 105m
- **Number of daily newspapers:** 8
- **Total dailies circulation:** 313,000
- **Total TV Penetration:** 95%
  - Satellite TV Penetration: 78%
  - Cable TV Penetration: 1%
  - IPTV Penetration: 0.1%
- **Broadband Penetration:** 15%
- **Mobile Penetration:** 95%

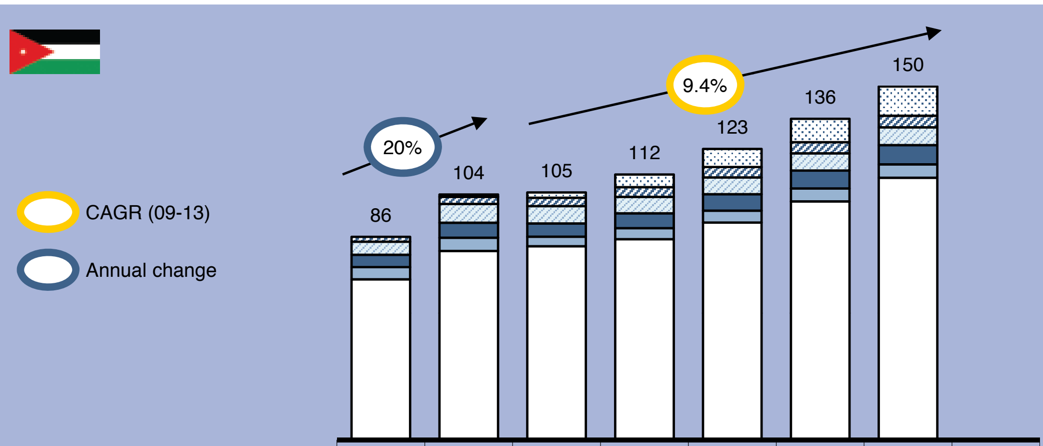


Jordan's GDP grew by 6% in nominal terms in 2009. Similar to most of the Arab countries, Jordan has a high proportion of young people, with 36% of the population under the age of 15 and 65% under the age of 30. It also has a literacy rate of around 90%, the third highest in the Arab Region.

Although total advertising expenditure in Jordan increased by 20% between 2007 and 2008, its growth slowed to 1% in 2009. The major contributors to advertising spend in the country are the telecommunications, banking, and real estate sectors. Advertisers in the latter two sectors revised their budgets as a result of the economic crisis. Going forward, we expect total advertising expenditure to increase at a CAGR of 9% over the projection period.

[64] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 98: Jordan advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	86	104	105	112	123	136	150	9.4%
Internet	0.0	1.0	2.2	5.4	7.7	9.9	12	54%
Radio	2.0	3.0	3.6	4.1	4.4	4.7	4.9	8.0%
Out-of-home (includes Cinema)	5.6	8.0	7.3	7.0	7.1	7.3	7.5	0.8%
Magazines	5.3	6.3	5.6	6.3	6.9	7.6	8.2	10%
Television	5.2	5.6	4.0	4.6	5.1	5.5	5.7	8.9%
Newspapers	68	80	82	85	92	101	111	8.0%

Source: Value Partners

Total magazine advertising expenditure decreased by 11% in 2009 as a result of the automotive, real estate, and luxury items sectors decreasing their advertising budgets. However, the effect of this decrease on total print advertising was offset by the increase in newspaper advertising, which accounts for 94% of total print advertising, by 3%. Over the projection period, we expect total newspaper and magazine advertising expenditures to grow in line with the overall advertising market, at a CAGR of 8% and 10% respectively.

The Jordanian press is regulated by the Press and Publications law, which was amended in March 2007, allowing for higher freedom of speech and, for example, allowing journalists to cover court proceedings.

The transformation of *Assabeel* newspaper from a weekly to a daily in February 2009 increased the number of Arabic dailies in Jordan to seven, while *The Jordan Times* continues to be the only English daily in the country. *Al Rai* newspaper, launched in 1971, is considered to be the most popular daily newspaper in Jordan, with a claimed circulation of 90,000.[65] All daily newspapers in Jordan have an online presence. Compared to other markets in the region, the number of daily titles in Jordan is low relative to the country's population and the high literacy rate, with 1.7 titles per adult million. There are over 20 magazines in Jordan including a number of English magazines, such as *Business Today*, *Jo*, *On Campus Magazine*, etc. *Layalina*, a monthly Arabic magazine which covers social events in Jordan, is considered one of the most popular magazines in the country with a claimed circulation of 12,000[66] in 2008.

The local TV market is small, accounting for only 4% of total advertising expenditure. Between 2008 and 2009, TV advertising was the most negatively affected platform, decreasing by 29%. This can be attributed to the high penetration of satellite TV, at around 80% in 2009, which offers leading pan-Arab channels that attract the bulk of the TV advertising dollars.

In 2003, the Jordanian broadcast sector was liberalized. State-owned Jordan Radio and Television Corporation (JRTVC) operates the country's only terrestrial TV channel, Channel1, which is also available via satellite. Channel1 became the sole terrestrial TV channel after two other terrestrial channels - Channel 2, the sports

[65] Jordan Media Survey published by IREX in 2009
[66] MENA Media Guide

channel, and Channel 3, the movies channel, were shut down in May 2008. The launch of the first privately-owned terrestrial TV network, ATV, has been postponed several times since its original expected launch in 2007 and is finally expected to launch in early 2010. The launch of ATV is expected to drive competition in the local TV market. Going forward, we expect local TV advertising spend to grow at a CAGR of 9% over the projection period.

Pay-TV penetration is estimated at 4%[69] of TV households and is available in Jordan through various platforms:

- Pan-Arab DTH players, Orbit / Showtime and ART
- Jordan Cable Services (JCS) which launched a cable TV platform in 2005
- An IPTV service that was launched in 2008 by Orange Jordan. The service offers VOD and parental control

Jordan is one of the major producers of Arabic TV series and is home to some key production companies in the Arab region, such as Arab Telemedia Productions (ATP). *Al Ijtiyah* (The Invasion), which is produced by ATP, became the first Arabic series to win an International Emmy award in November 2008.

Jordan Media City was established in 2001 and, unlike most other media cities in the Arab region, it is privately owned. It acts as a teleport and production house, operating 215 TV channels covering Australia, Europe, Middle East, and part of Africa. Its play out centre caters to 70 TV channels. According to our industry interviews in Jordan, JMC is in the process of upgrading its infrastructure for High Definition (HD). There are also plans to convert the studios to HD in 2010.

Internet advertising, albeit starting from a small base, experienced the highest growth rate in advertising expenditure between 2008 and 2009, with over 130% growth. Currently at 15%, broadband penetration is projected to increase significantly by 2013 to reach over 50%. Jordan hosts a number of large internet companies, including Maktoob and Jeeran, two of the most popular names in social media in the region. Jeeran was launched in 2000 as the first Arab web hosting community and has gone on to attract eight million unique visitors per month in 2009. Maktoob was also founded in 2000 when it became the first Arabic web-based email solution on the internet. It is one of the biggest online success stories in the Arab Region, displaying a strong user base and being acquired by Yahoo! in Summer 2009. Consequently, we expect internet advertising expenditure to increase strongly to represent nearly 8% of the total advertising spend over the projection period.

With four new radio stations in 2009, the total number of stations in Jordan increased to 28. Total radio advertising expenditure increased between 2008 and 2009 by 20%. Since the liberalization of the broadcast market in 2003, the number of private radio stations has increased, upto 18 in 2009. We expect total radio advertising expenditure to grow at a CAGR of 8%, in line with the total advertising market, over the projection period 2009-2013.

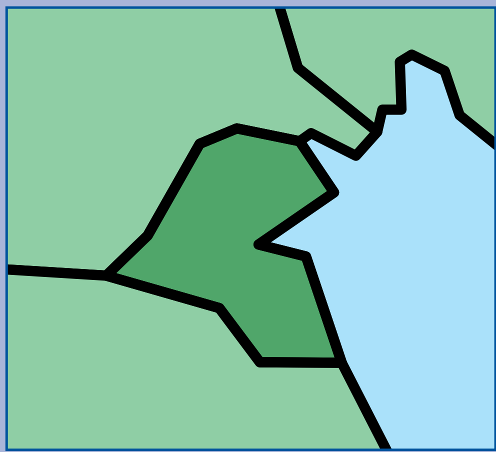
Out-of-home advertising represent approximately 7% of total advertising spend. As major advertisers on the platform reduced their budgets in 2009, out-of-home spend declined by 9%. Outdoor advertising was affected after rooftop billboards in Jordan were banned in 2007. Going forward, we expect outdoor advertising to marginally decline in terms of its share of total advertising spend, to account for nearly 5% of the total market.

[69] Informa TM
[70] Informa TM
[71] Industry interviews

2.3.3 Kuwait

Exhibit 99: Kuwait: a snapshot[70]

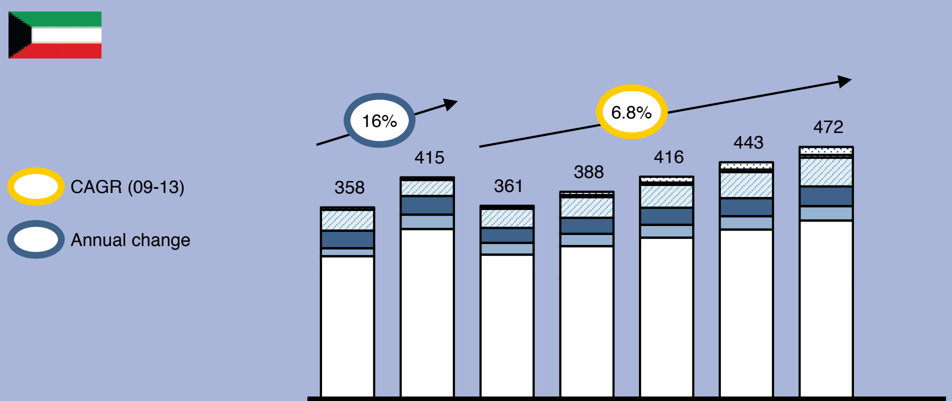
- **Population:** 3.5m
- **Area:** 17,818 km^2
- **GDP per capita:** US$ 45,920
- **Media Zones:** Under planning
- **Size of the ad market:** US$ 361m
- **Number of daily newspapers:** 17
- **Total dailies circulation:** 961,000
- **Total TV Penetration:** 99%
  - Satellite TV Penetration: 91%
  - Cable TV Penetration: 9%
  - IPTV Penetration: 0.1%
- **Broadband Penetration:** 24.5%
- **Mobile Penetration:** 109%



Kuwait has one of the highest GDP per capita in the Arab Region. Kuwait's economy is dependent on hydrocarbons, with oil revenues accounting for more than 50% of GDP. Kuwait's economy has been significantly affected by the global economic crisis, with the country's GDP experiencing the highest decrease in GDP in the Arab Region of 27% in nominal terms. However, real GDP growth correction was not as pronounced, decreasing by 1.5%. Total advertising expenditure decreased by 13% in 2009 and we expect it to increase at a CAGR of 7% over the projection period as the country's economy recovers from the downturn. Over this period we expect the internet to become a strong contributor to growth in the advertising market.

[70] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 100: Kuwait advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	358	415	361	388	416	443	472	6.8%
Internet	0	0.9	2.1	6.1	11	14	15	63%
Radio	4.4	4.0	3.4	3.7	4.2	4.5	5.0	10%
Out-of-home (includes Cinema)	39	30	36	39	43	49	54	11%
Magazines	33	35	28	30	32	34	37	6.7%
Television	15	27	22	23	24	25	27	4.7%
Newspapers	267	318	270	286	302	317	334	5.4%

Source: Zenith Optimedia, Value Partners analysis

The print sector accounted for over 80% of the total advertising market in Kuwait in 2009. After strong growth of around 20% in 2008, newspaper advertising spend decreased by 15% from 2008 to 2009 to reach US$ 270 million, mainly because the major advertisers in newspapers in Kuwait (real estate, banking and automotive sectors)[71] were more affected by the economic crisis than others and, as a consequence, decreased their advertising budgets. Magazines were the most affected sector, with a drop in advertising expenditure of 20% in 2009, largely due to the fact that the majority of the top magazine advertisers were global brands which were the most severely affected.

The introduction of the 2006 Press and Publications Law in Kuwait, which allowed the issuing of licenses for dailies, led to the launch of several new titles. The number of daily newspapers in Kuwait grew from eight in 2006 to 17 in 2009 – 14 in Arabic and three in English. On the other hand, *Assawt* newspaper - which only launched in October 2008 - closed in February 2009 due to financial difficulties. All newspapers in Kuwait have an online presence, including advanced online features, such as archives and advanced search options. Our interviews with prominent newspaper organizations in Kuwait further confirmed that the number of readers of online news is constantly increasing.

As a result of new liberal media laws and a high literacy rate in Kuwait, we believe that print will continue to flourish over the projection period with a CAGR of approximately 6%.

Local television attracted a small share of total advertising in 2009 (6%). Aside from the fact that pan-Arab satellite TV continues to attract a significant proportion of advertisers' budgets, the financial downturn led to a further decrease of 18% in 2009. However, going forward we expect TV advertising expenditure to demonstrate moderate growth of 5% CAGR over the projection period.

Terrestrial TV transmission started in Kuwait in the 1960s. The government operates three terrestrial TV channels KTV1, KTV2, and KTV3. Since 2004, two private TV channels have been launched - Al Rai TV in 2004 and Al Watan TV in 2007. Al Watan has quickly become one of the most popular channels in the country by concentrating, primarily, on the

[71] Zenith Optimedia

Kuwaiti audience, while Al-Rai has tried to branch out to a wider viewing base.

Satellite TV is very popular in Kuwait, with over 90% of TV households tuning to satellite channels. Although terrestrial TV is reportedly viewed by a significant proportion of households, pan-Arab TV remains the dominant platform, explaining the relatively small size of the local TV advertising market. Pay-TV penetration in Kuwait was around 23% at the end of 2009, relatively high when compared to the rest of the Arab Region.

Kuwait Cable Vision (KCV), which was launched in 1997, is the sole cable operator in Kuwait. In 2004, it launched VOD, as well as other interactive services in cooperation with LuxSat. Total cable TV penetration in Kuwait currently stands at 9%.

While the fixed incumbent operator, Zain, has not yet launched IPTV, some services have been developed or are set to launch: IPTV services are being offered in Kuwait by Anevia and Ihsan and a new IPTV service may be launched in the near future by Kalimat Telecom.[72]

Internet advertising indirectly benefited from the economic downturn, as confirmed by our interviews, as advertisers migrated from traditional advertising platforms to the internet. Although growing from a small base, total internet advertising expenditure more than doubled between 2008 and 2009, showing the highest increase among all platforms. The internet market is competitive in Kuwait with several ISPs competing for subscribers, including Fast Telecommunications, United Networks, and Wataniya Telecom. Broadband penetration in Kuwait increased from 10% in 2006 to around 25% in 2009 and is expected to continue to increase in the future, driving further growth in internet advertising. Therefore, we expect online advertising to increase at a CAGR of 63% over the projection period.

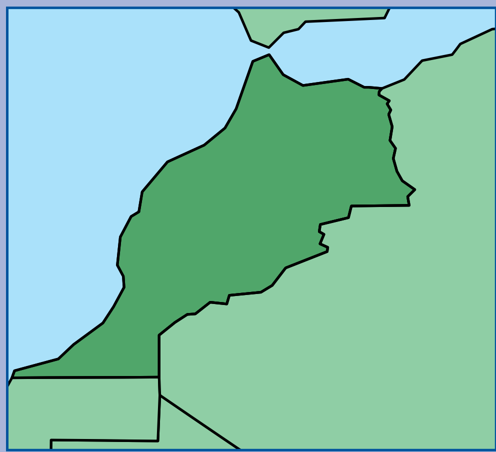
Out-of-home advertising remained resilient in the face of the economic crisis, demonstrating a 20% increase between 2008 and 2009. We expect out-of-home advertising expenditure to continue to increase at a CAGR of 11% over the projection period 2009-2013.

[72] Based on press releases

2.3.4 Morocco

Exhibit 101: Morocco: a snapshot[73]

- **Population:** 31.8m
- **Area:** 446,550 km^2
- **GDP per capita:** US$ 2,830
- **Size of the ad market:** US$ 284m
- **Number of daily newspapers:** 20
- **Total dailies circulation:** 710,000
- **Total TV Penetration:** 89%
  - Satellite TV Penetration: 68%
  - IPTV Penetration: 0.3%
- **Broadband Penetration:** 12%
- **Mobile Penetration:** 88%



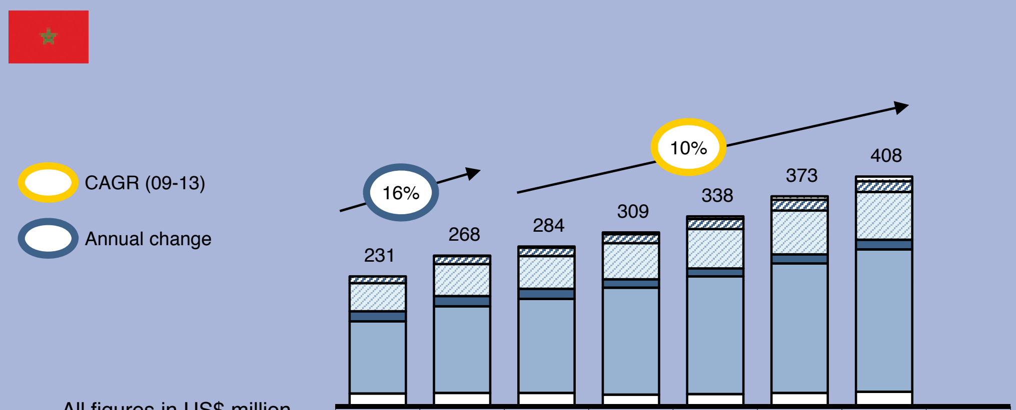
Once almost entirely based on agriculture, the Moroccan economy has substantially diversified in recent years, with an increasingly important service sector. While 57% of Morocco's population is under the age of 30, the country's literacy rate remains low at 52%. Morocco's economy was less affected by the economic crisis than other markets. Both nominal and real GDP increased by 2% and 5% respectively.

In line with the growth in GDP, the advertising market in Morocco increased by 6% in 2009. As pointed out during interviews with industry experts, there was a significant increase in advertising in the telecommunication sector due to intensified competition in the market.[74] Going forward, we expect total advertising expenditure to increase at a CAGR of 10% over the projection period.

[73] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households; Newspapers refer to daily nationals only)

[74] In part because Wana was awarded in 2009 the country's 3rd GSM operating license.

Exhibit 102: Morocco advertising projections



All figures in US$ million

	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	231	268	284	309	338	373	408	9.6%
Internet	0	0.9	1.9	3.1	4.5	6.2	8.2	45%
Radio	12	14	15	16	18	19	19	6.0%
Out-of-home (includes Cinema)	50	57	58	64	70	78	85	10%
Magazines	18	18	18	15	14	16	17	-1.4%
Television	128	154	167	190	209	230	253	11%
Newspapers	23	24	24	21	22	24	26	2.1%

Source: Value Partners

Advertising in the print sector (newspaper and magazines) remains relatively small in Morocco as compared to other countries in the Arab Region, accounting for less than 15% of the total advertising value in 2009. Affected largely by low levels of literacy and readership,[75] newspaper and magazine advertising expenditure is expected to form approximately 10% of total advertising spend by 2013.

The print sector remains regulated by the Code de la Presse of 1958. The Code was amended in 2002 to allow for increased freedom of expression. Morocco had the highest number of audited newspapers in the Arab Region, with many audited by L'Organisme de Justification de la Diffusion (OJD), a circulations bureau in Casablanca. The sector remains fragmented with 20 national newspapers competing for advertising dollars. 2009 saw the closure of two newspapers published by Groupe Maroc Soir, *Assabahia* and *Assada Al Massaia*.

Local TV remains the dominant advertising platform, accounting for approximately 60% of total advertising expenditure. TV advertising expenditure increased by nearly 9% in 2009, driven, largely, by the continued development of the Moroccan TV sector. The Moroccan local TV market developed further in recent years with the launch of IPTV by Maroc Telecom in 2006 and the introduction of DTT, which covered 77% of the population as of June 2007. The national broadcaster, SNRT, aims to complete digital switchover by 2015. Taking these developments into account, we expect TV advertising to increase at a CAGR of over 10% over the projection period, representing an above-average performance relative to the region as a whole.

2M channel was the first privately owned terrestrial TV channel to launch in Morocco in 1989, but due to financial difficulties, around 70% of its shares were bought by the government and it became publicly owned. While a law for the liberalization of the radio and TV sector was introduced in January 2005 allowing for private investment in both sectors, it was revoked by the High Authority of Audiovisual Communication (HACA) in 2008. At the time, Medi1sat channel, a privately owned TV channel, became publicly owned after a public company acquired more than 50% of its shares. Amazigh TV, a new TV channel in Amazigh,a language spoken by

[75] According to World Press Trends, less than 1% of the population reads newspapers every day

almost half of the Moroccan population, launched in January 2010 and increased the number of terrestrial TV channels in Morocco to seven. All seven terrestrial TV channels remain state-owned by Société Nationale de Radiodiffusion et de Télévision (SNRT). There is no cable TV in Morocco and satellite TV is widely available, with two thirds of the population having access to it.

Interview research reveals that the distinctive feature of the Moroccan TV market is the success of local TV channels: two of them, TVM channel and 2M channel, jointly account for around 50% share of viewing in the country while satellite TV channels account for the remaining share. The availability of locally produced Moroccan series on these channels is the main driver of their popularity amongst Moroccan viewers.

Out-of-home advertising accounts for a significant proportion of total advertising spend, at approximately 20%. High levels of out-of-home advertising, along with a concentration in TV advertising, are a direct result of low newspaper readership in Morocco. Over the projection period, we expect out-of-home advertising to maintain its share around 20% and grow by a CAGR of 10%.

Radio advertising expenditure maintained its share of 5% of total advertising spend in 2009. The state monopoly over radio broadcasting was broken after the law for liberalization of radio and TV was introduced in 2005. Currently, eleven radio stations are run by the private sector while 16 are run by the government. In addition, HACA has granted licenses for four private radio stations which are expected to launch in 2010. Over the projection period, we expect radio advertising spend to increase by 6% and maintain its share of the total advertising market.

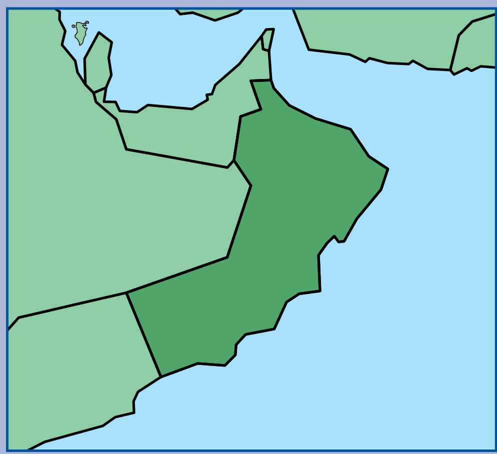
Internet advertising expenditure more than doubled between 2008 and 2009. The continuous increase in broadband subscriptions since 2003 is the key reason behind this. Going forward, we expect internet advertising expenditure to increase at a CAGR of 45% over the projection period 2009-2013, displaying the strongest growth rate amongst all platforms, as there is still room for growth in broadband penetration (currently standing at a 12%) and availability of relevant content.

With sustained mobile subscriber growth over the years, which should even accelerate with further competition to Maroc Telecom (MT) and Meditel due to the licensing of new market entrant Wana, mobile is increasingly seen as an alternative platform for content consumption. SNRT launched DVB-H-based FTA Mobile TV in May 2008, allowing users to watch five channels over their mobile phones. Later in January 2009, MT was allowed by HACA to commercialize its mobile TV offering. Thus, we believe that the mobile platform also has the potential to gain momentum in the coming years, although real adoption by advertisers has yet to be seen.

2.3.5 Oman

Exhibit 103: Oman: a snapshot[76]

- **Population:** 2.8m
- **Area:** 309,500 km^2
- **GDP per capita:** US$ 21,650
- **Media Zones:** Halley Media City
- **Size of the ad market:** US$ 85m
- **Number of daily newspapers:** 8
- **Total dailies circulation:** 274,000
- **Total TV Penetration:** 86%
  - Satellite TV Penetration: 48%
  - IPTV Penetration: 0.1%
- **Broadband Penetration:** 9.7%
- **Mobile Penetration:** 130%

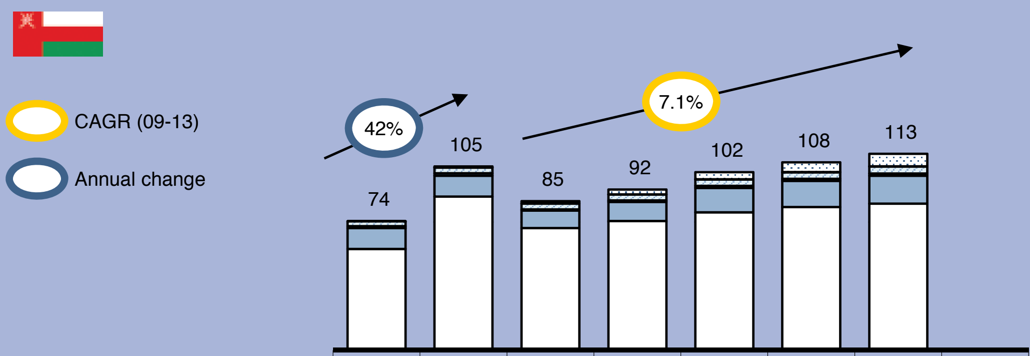


Oman has one of the smallest advertising markets in the GCC region. It has a high proportion of young people, with over 40% of the population below the age of 15, and a high literacy rate of over 80%. The government's seventh five-year development plan (2006-2010) aims at increasing private and foreign investment in various projects including telecommunications and media. While the drop in oil prices led to a drop in Oman's nominal GDP in 2009, real GDP grew at around 4%.

In line with other markets in the GCC, Oman's advertising market also underwent a correction, mainly due to the financial downturn, with a decrease of 18% in 2009 from its 2008 levels. However, we expect the market to rebound and grow at a CAGR of 7% over the projection period. Pan-Arab media continues to be the preferred medium for reaching audiences in countries like Oman, primarily due to their small size.

[76]Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 104: Oman advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	74	105	85	92	102	108	113	7.1%
Internet	0.0	0.6	1.3	2.7	4.1	5.6	7.2	53%
Radio	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0%
Out-of-home (includes Cinema)	2.7	3.2	3.3	3.4	3.7	3.7	4.0	5.0%
Magazines	1.1	1.4	0.7	0.8	1.1	1.2	1.3	16%
Television	12	12	10	11	14	15	16	13%
Newspapers	58	88	70	74	79	82	84	4.5%

Source: Zenith Optimedia, Value Partners analysis

The print industry suffered the brunt of the economic downturn as newspaper advertising, where over 80% of the advertising spend remained concentrated in 2009, went down by 20% on the previous year. The magazine industry, declining by 50% over the same period, remains very small and thus small shifts in advertising spends have led to high fluctuations in its growth rates. The print sector was particularly hit in Oman as large advertisers such as real estate companies and government institutions, historically major advertisers on newspapers, decreased their budgets significantly. Going forward, we believe that print advertising will recover at a 5% CAGR over the projection period.

The print industry in Oman experienced growth in the number of newspaper titles, with the launch of *Muscat Daily* in October 2009, the fourth English newspaper. As of 2009, Oman had eight daily newspapers, four in Arabic and four in English, as well as a number of weekly newspapers. Two free weekly newspapers, English news magazine *The Week* and its Arabic counterpart *Al Isbou'a* were launched by Apex in 2003 and 2006 respectively. With both newspapers audited by BPA Worldwide, Oman remained one of the few countries in the region with audited circulation numbers. In terms of magazines, unsurprisingly, pan-Arab magazines are leading the way. *Zahrat Al Khaleej*, which is a pan-Arab women's magazine, has the highest reported adult readership.

Local television advertising, accounting for 12% of total advertising spend in 2009, remains small in Oman as most of the TV viewing remains concentrated on pan-Arab channels. Due to the impact of the economic downturn, TV advertising spend retracted by 15% in 2009. Although the Ministry of Information allowed the licensing of private radio and television stations in 2004, a commercial TV channel is yet to be launched in the country. Consequently, the government still owns the only terrestrial channel, Oman TV. Oman TV produces the majority of its content in-house and is planning to invest in a new HD TV studio complex.[77] Oman TV launched a youth-oriented second channel in 2006, Oman TV2, to cater to the large youth segment. The channel broadcasts on free-to-air satellite (Arabsat) and is not available terrestrially.

Although, generally, advertisers are increasingly looking at generating higher return on investments

[77] In 1H2009, a tender was issued for the supply, delivery, installation and commissioning of HD camcorders, video players, lighting, audio, as well as NLE systems for Oman TV

by focussing on higher reach mediums (e.g. pan-Arab TV, online), Oman tells a different story; we expect advertising expenditure on TV to increase at a healthy CAGR of 13% over the projection period to increase its share of total advertising to 14% by the end of 2013, notably driven by live events in the outlook period (Oman will be hosting the Asian Beach Games in 2010).

On the pay-TV side, Oman has high piracy rates. However, the fact that the International Intellectual Property Alliance (IIPA) has not issued a report on Oman since 2007 is an indication that the level of piracy has decreased in the past two years.

Internet advertising has continued to grow significantly, albeit from a very low base. We estimate that internet advertising doubled to around US$ 1.3 million between 2008 and 2009 and represented 1.5% of total advertising spend, driven primarily by advertisers searching for a more cost efficient medium, as confirmed by our industry interviews. Going forward, we expect online advertising expenditure to increase at a CAGR of 53% over the projection period, highest among all platforms, to reach over 6% of total advertising.

A key driver behind online advertising growth in Oman will be the growth in broadband penetration. Broadband penetration, just below 10% in 2009, is considered low when compared to its Gulf peers, but is expected to increase significantly to reach close to 30% household penetration by 2013. Omantel has undertaken intensive efforts to roll out ADSL and in June 2009 introduced residential ADSL2+ broadband services with connection speeds of up to 8Mbps. In addition, broadband growth should also be fuelled by further competition from Nawras, which was awarded the second fixed line license in 4Q08, as well as the development of new technologies (mobile broadband, WiMAX etc). Several initiatives are also underway in Mobile TV with Oman Mobile having recently launched its 3G mobile services in 2009, competing with those already launched by competitor Nawras at the end of 2007; there has also been some interest in DVB-H following the consultation organized by the TRA in 2008.

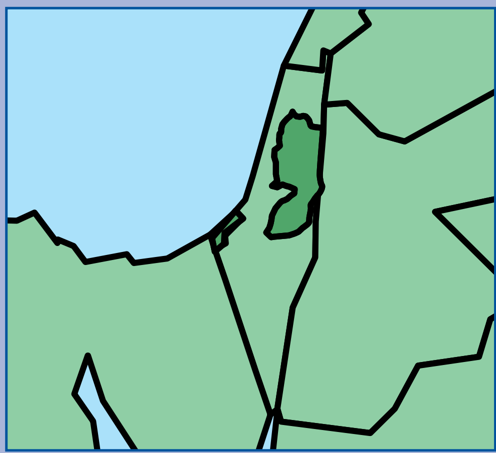
The government runs four radio stations – General Program, Shabab Program, English Program, and the Holy Quran Program. The Private Radio and TV Companies Law in 2004 allowed for private radio stations to be introduced and in 2007 Hala FM became the first privately owned radio station. Currently, the private sector owns three radio stations. Radio still accounts for a very small proportion of the total advertising. Nonetheless, the launch of the first private station is recent (2007) and we believe that there is potential for growth.

Out-of-home constituted approximately 4% of total advertising spend in 2009 but it proved to weather the financial downturn rather well. While out-of-home advertising still remains largely concentrated in Muscat, Oman's capital, we expect out-of-home advertising expenditure to increase at a CAGR of 5% over the projection period.

2.3.6 Palestine

Exhibit 105: Palestine: a snapshot[78]

- **Population:** 4.0m
- **Area:**
  - Gaza Strip: 360 km²
  - West Bank: 5,860 km²
- **GDP per capita:** US$ 1,680
- **Size of the ad market:** US$ 2.8m
- **Number of daily newspapers:** 4
- **Total dailies circulation:** 80,000
- **Total TV Penetration:** 93%
- **Broadband Penetration:** 15%
- **Mobile Penetration:** 25%



* Analysis refers to Gaza Strip and West Bank only

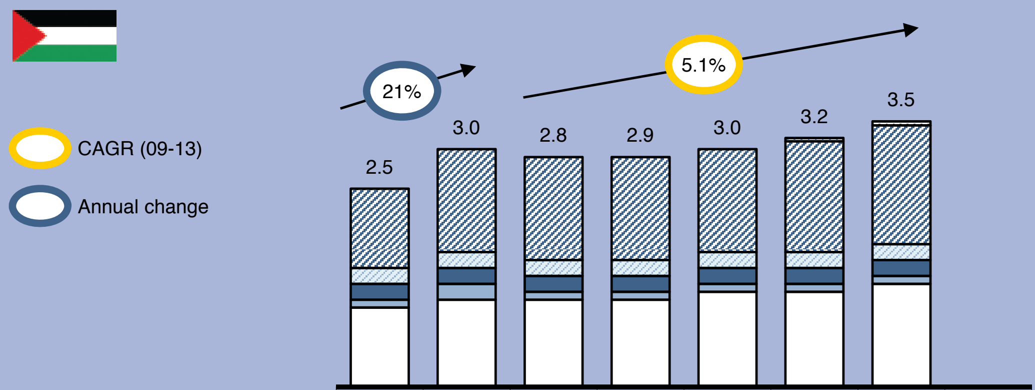
This is the first year that the Palestinian Territories (Gaza Strip and West Bank) are included in the Arab Media Outlook report. One contributing factor for its addition is the unique features it displays as a media market in a conflict area in the region. For our analysis, in addition to limited secondary market research, we relied on interviews with industry players in the Palestinian media market and we noticed the high level of engagement on the part of these players as we received one of the highest numbers of interview responses from Palestine.

Both the West Bank and Gaza have experienced a decline in economic conditions, mainly due to the ongoing conflict with Israel. Palestine has a high proportion of young people, with 40% of the population under the age of 15 and around 70% under the age of 30, as well as a literacy rate of 92%, the highest in the Arab region.

Total advertising expenditure in the country decreased between 2008 and 2009 by 5%, partially affected by the global financial economic crisis and partially due to the adverse security conditions of the country. Going forward, we expect total advertising expenditure to increase at a moderate CAGR of 5% over the projection period 2009-2013 to reflect the uncertain prospects of this market, which are highly dependent on political developments.

[78] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 106: Palestine advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	2.5	3.0	2.8	2.9	3.0	3.2	3.5	5.1%
Internet	0.0	0.0	0.0	0.0	0.0	0.04	0.05	3.7%*
Radio	1	1.3	1.3	1.3	1.3	1.4	1.5	5.9%
Out-of-home (includes Cinema)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.1%
Magazines	0.2	0.2	0.2	0.2	0.2	0.2	0.2	5.3%
Television	0.1	0.2	0.1	0.1	0.1	0.1	0.1	4.6%
Newspapers	1	1.1	1.1	1.1	1.2	1.2	1.3	3.7%

Note: *For the internet, CAGR is from 2011 to 2013
Source: Value Partners

With an estimated 40% share, newspapers account for the second highest share of total advertising expenditure after radio. Between 2008 and 2009, total newspaper and magazine advertising expenditures decreased by 3% and 16% respectively as the print market felt the effects of the global economic crisis and the impact of the end of 2008 attack in Gaza. This was further confirmed by our interviews with print companies, which showed that the economic crisis had a negative effect on print advertising revenues in 2009. Going forward, we expect total newspaper and magazine advertising expenditure to increase over the projection period at a CAGR of 4% and 5% respectively.

In general, the press follows the 1995 Press and Publications Law. Palestine has four daily newspapers, the largest of which in terms of circulation is *Al Quds* newspaper, which is based in Jerusalem. Palestine's newspaper industry is highly affected by politics and the conflict with Israel and many of Palestine's papers are affiliated to political organizations. This has led to the polarization of the Palestinian press. Palestinian newspapers are starting to make use of the online platform, with all our print respondents stating that they have established an online presence. It is important to note, however, that these companies have not, so far, been able to commercialize their websites.

Local TV in Palestine is small, accounting for only a 4% share of total advertising spend. Representing a very small base, it experienced a negative year-on-year growth rate of 33% between 2008 and 2009. However, we expect total TV advertising expenditure to increase at a CAGR of nearly 5% over the projection period 2009-2013, given a stable political condition.

The Ministry of Information is the governmental body responsible for the issuing of TV and radio licenses. Palestinian radio and television stations started to emerge following the Oslo accords and, by February 2009, 30 private TV channels had licenses to broadcast in the Palestinian territories, the latest of which, Star, was launched in 2004. Palestine also has a public TV channel called Palestine TV which is run by the Ministry of Information. It has a presence both on terrestrial and on satellite. The popularity of Palestine TV led to its re-launch in 2009 on Talfazat, an online Arabic TV network that streams up to 35 popular live Arabic TV channels and on-demand Arabic videos. Interview research indicates that a new Palestinian broadcasting law is under study but no major decisions have yet been taken.

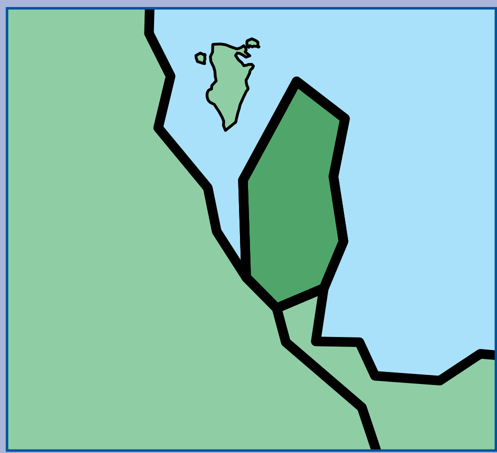
The Internet service was launched in Palestine in 1994, followed by the establishment of the Palestinian National Authority for the Internet in 2001, with the aim of managing the internet in the country. More than 45 ISPs operate in Palestine today, all of which act as resellers to the Palestinian Telecommunications Company (Paltel). Internet advertising expenditure in Palestine remains non-existent.

Radio is one of the major advertising platforms in Palestine, accounting for an estimated 45% of total advertising expenditure. Palestine has a large number of private radio stations and only one public radio station, Palestine Voice, which is operated by the Palestinian Broadcasting Corporation (PBC). Evidence from interviews show that the number of private radio stations in the country increased in 2009 with the entry of new players to the market. We expect total radio advertising spend to increase at a CAGR of 6% over the projection period 2009-2013.

2.3.7 Qatar

Exhibit 107: Qatar: a snapshot[79]

- **Population:** 1.2m
- **Area:** 11,586 km^2
- **GDP per capita:** US$ 93,170
- **Media Zones:** Under consideration
- **Size of the market:** US$ 205m
- **Number of daily newspapers:** 7
- **Total dailies circulation:** 211,000
- **Total TV Penetration:** 93.5%
  - Satellite TV Penetration: 75.5%
  - Cable TV Penetration: 3.2%
  - IPTV Penetration: 13.5%
- **Broadband Penetration:** 84%
- **Mobile Penetration:** 169%



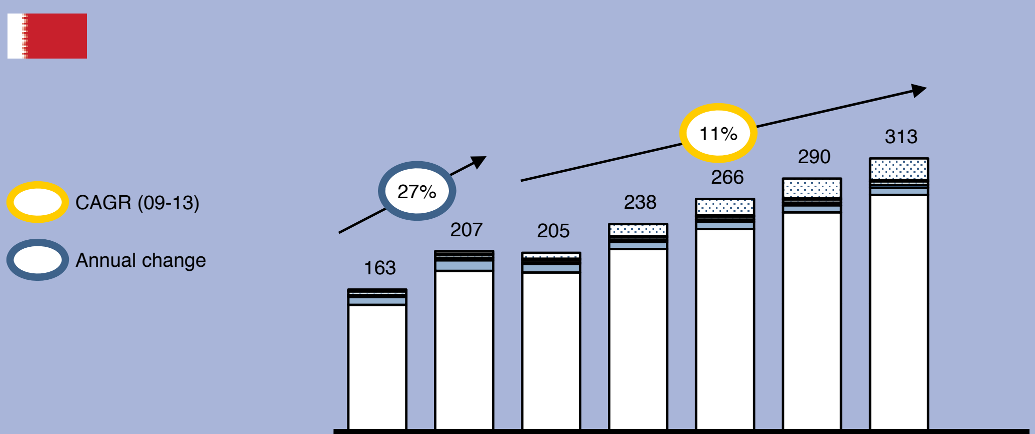
Qatar has one of the highest GDP per capita in the world, primarily due to its ownership of 15% of the world's gas reserves, spread across a small population of 1.2 million. Qatar boasts a young population, with 50% below the age of 30 and a high literacy rate of 89%. While nominal GDP decreased sharply in 2009 with falling oil and gas prices, Qatar experienced double-digit real GDP growth of 11.5%. As a consequence, the decrease in advertising expenditure of 1% in 2009 was less pronounced than in other markets in the GCC. We expect the country's advertising spend to increase at a CAGR of 11% over the projection period, with only two platforms mainly contributing to its growth: print and, to a lesser extent, the internet. The key growth sectors for Qatar's advertising market in 2008 included financial services, automotive, and real estate.[80]

The government of Qatar has taken significant steps to encourage and promote journalism and communication in the country. Qatar Foundation (QF) was established in 1995, with the aim of investing in human capital through focusing on education, scientific research and community development. QF's importance and profile in the region has grown in recent years enabling it to become a key regional player investing in the build-up of a knowledge society in the Arab Region. One of the key projects of QF is Education City, home to six international institutions offering world-class programs, including journalism and communication.

Significant progress has also been made to promote freedom in the press and in media, in general. Media laws, which had been governed by the 1979 Press and Publications Law, were modified in 1995. More recently, the Doha Media Freedom Centre was set up in October 2008 to encourage media freedom.

[79] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)
[80] ZenithOptimedia

Exhibit 108: Qatar advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	163	207	205	238	266	290	313	11%
Internet	1.0	2.8	6.8	14	19	22	25	38%
Radio	1.2	1.3	1.3	1.3	1.4	1.5	1.6	5.9%
Out-of-home (includes Cinema)	4.0	3.5	3.2	3.3	3.6	3.8	4.0	6.4%
Magazines	2.2	2.9	1.5	2.1	2.6	3.0	3.4	23%
Television	9.2	12	10	8.0	8.0	8.0	8.0	-5.0%
Newspapers	145	184	182	209	232	251	271	11%

Source: Zenith Optimedia, Value Partners analysis

The advertising market remains concentrated in newspapers, which accounted for nearly 90% of total advertising expenditure in 2009. The high literacy rate in the country is a contributing factor to this high concentration, as well as the limited scale of local TV in a market, which is dominated by pan-Arab TV. The launch of *Al Arab* daily newspaper in 2007 brought the total number of dailies to seven (four Arabic and three English).

As advertisers, particularly in the real estate and financial services sectors that formed a significant proportion of print advertising, revised their budgets, newspaper advertising declined by 1% in 2009. Over the projection period, however, we expect newspaper advertising to recover and grow at a rate of 11%.

Magazine advertising spend remains very small, 1% of total advertising spend in Qatar in 2009. Hence, small fluctuations in its advertising levels lead to large changes in growth rates. We estimate that magazine advertising spend declined by 50% in 2009. However, we expect magazine advertising expenditure to grow at a CAGR of 23% over the projection period and reach its 2008 levels by 2012. *Qatar Today* and *Qatar El Yawm*, both of which cover news and current affairs, remain the most circulated magazines with claimed combined total circulation of around 50,000.[81] Other magazines lag far behind with a maximum circulation of 10,000.

While the television advertising market in Qatar also declined by 15% in 2009, it accounted for just 5% of total advertising spend. The majority of television advertising spend is attracted by pan-Arab TV, which, despite the fact that satellite dishes are officially banned, continues to serve most of the households in Qatar. Consequently, we expect TV advertising spend to actually decline in Qatar and account for approximately 4% of total advertising spend in 2010.

Terrestrial TV continues to lose ground in Qatar. The government runs two terrestrial TV channels - QTV1 (Arabic), and QTV2 (English). The state-owned satellite broadcaster, Al Jazeera, has undergone a transition from being just one news channel to becoming one of the major media outlets in the region. The international recognition of Al Jazeera

[81] ZenithOptimedia

has played an important role in raising the profile of the TV industry in Qatar, enabling it to become one of the leaders in international news, covering a range of issues which are deemed sensitive in many other countries. It launched its Arabic channel in 1997, followed by an English one in 2006. Al Jazeera has expanded its portfolio beyond news, into sports, and is evolving into a significant player in the pay-TV market (with approximately 1m subscribers by the end of 2009), although with very low ARPU. Al Jazeera has also pioneered the use of new platforms in the region, including mobile and social media (YouTube channel) as part of its content offering.

Pay-TV penetration is relatively high in Qatar, around 48% in 2009, when compared to the other markets that we have covered. The cable TV market is operated by the incumbent telco, Qtel, which offers cable services via MMDS[82] through its subsidiary Qatar Cablevision (QCV). Recently Qtel embarked upon migration of its existing cable customers to its IPTV platform (Mozaic TV+, launched in 2007). In addition, the operator has been offering 3G mobile services since 2007 and, after trialling Mobile TV on DVB-H, is preparing to launch a commercial broadcast mobile TV service.

From a content development point of view, there have been initiatives to stimulate a film industry in the country. Alnoor Holdings, a new media group in Qatar that launched in October 2009, started a US$ 200 million fund to invest in at least 10 films over the next five years. Aside from movie production, Qatar has been promoting itself to hold major sporting events, starting with the hosting of the Asian Games in 2006, followed by a string of events including the WTA women tennis masters in 2009, and some high-profile international friendlies in football (England-Brazil in November 2009), paving the way for its latest candidacy to host the 2022 FIFA World Cup.

With broadband penetration at 84% in 2009, the highest in the Arab Region, internet advertising spend more than doubled in 2009. High penetration and increased quality of broadband in the country provide a solid platform for advertisers to not only target their audiences on a wider scale, but also benefit from a platform that can readily provide an accurate measurement of their return of investment. In parallel, the quality of broadband services will also be driven by the entry of competition into the telco market in Qatar (Vodafone in 2009) which now competes with Qtel both on mobile and fixed services. Going forward, we expect internet advertising spend to increase at a CAGR of 38% over the projection period.

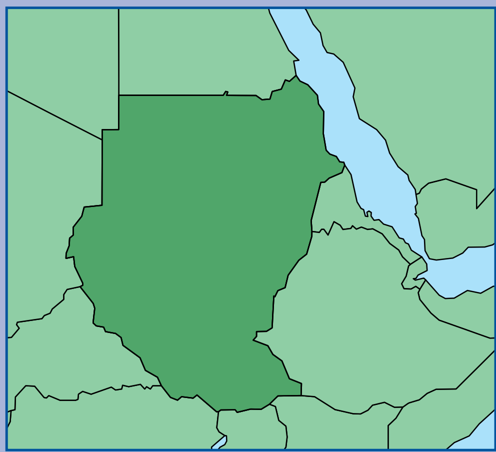
Radio advertising expenditure accounts for a negligible proportion (approximately 1%) of the total market. The Qatari radio broadcast is controlled by Qatar Radio and Television Corporation (QRTC). Qatar Broadcasting Service, which is state owned, launched its first radio station, Qatar Radio – Arabic, in 1968. We expect radio advertising spend to increase at a CAGR of 6% over the projection period.

[82] Microwave Multipoint Distribution System or "wireless cable"

2.3.8 Sudan

Exhibit109: Sudan: a snapshot[83]

- **Population:** 39.1m
- **Area:** 2,505,813 km^2
- **GDP per capita:** US$ 1,520
- **Media Zones**: Under consideration
- **Size of the market:** US$ 14m
- **Number of daily newspapers:** 29
- **Total dailies circulation:** 96,000
- **Total TV Penetration:** 17%
- **Broadband Penetration:** 0.3%
- **Mobile Penetration:** 39%



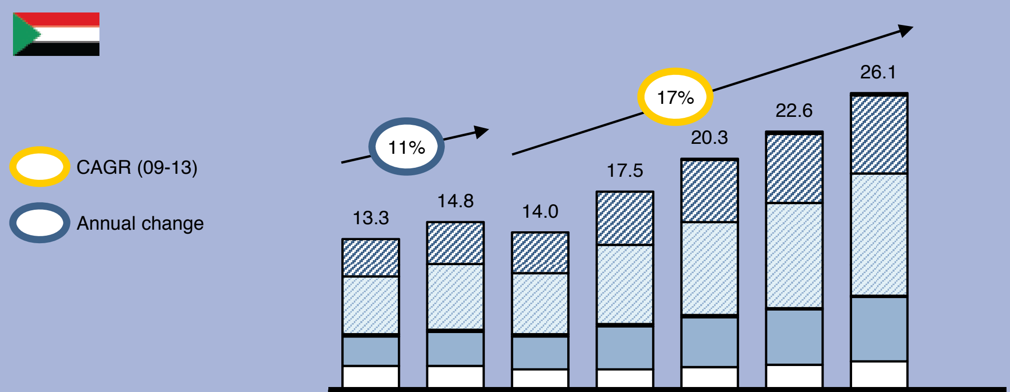
This is the first year we have included Sudan in the Arab Media Outlook report. While we have included a detailed analysis on Sudan and its media market based on our market research and direct industry interviews, it is worth noting that we have also had to rely on anecdotal evidence and limited data from secondary research to provide a complete picture of the media industry in the country.

Sudan is one of the largest countries in terms of population among the countries covered in the Arab Region. While Sudan's economy has experienced significant growth since it started exporting crude oil in 1999, its GDP per capita remains low, with 80% of its work force employed in the agriculture sector, which constitutes a third of the country's GDP. Further, political and civil unrest over the last two decades has largely limited the country's economic growth and has negatively impacted its infrastructure.

Besides these macro-economic factors, including the lack of infrastructure, that deter any significant improvement in development across most industries, including media, specific industry issues further limit growth in the country's media sector.

[83]Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 110: Sudan advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	13.3	14.8	14.0	17.5	20.3	22.6	26.1	17%
Internet	0.0	0.0	0.0	0.0	0.1	0.2	0.2	73%[1]
Radio	3.3	3.7	3.6	4.7	5.5	6.1	6.9	17%
Out-of-home (includes Cinema)	5.1	5.8	5.4	7.0	8.2	9.3	10.8	19%
Magazines	0.2	0.2	0.2	0.2	0.2	0.1	0.1	-18%
Television	2.6	3.0	2.9	3.8	4.4	4.9	5.7	18%
Newspapers	2.1	2.1	1.8	1.8	2.0	2.2	2.5	7.4%

Note: (1) Internet CAGR is from 2010 to 2013
Source: Value Partners

Our estimates show that the total advertising market in Sudan remained low at $US 14 million in 2009 and, going forward, we expect it to increase at a CAGR of 17% over the projection period to reach US$ 26 million in 2013.

The country's first newspaper, *Al Sudan*, was launched in 1903 and the first daily newspaper, *Al Nil*, was launched in 1935. While the market is open for privately owned non-political publications, and with the 1993 Press and Publications Act allowing for the publishing of political newspapers, the print sector remains partly affected by two main factors which continue to hamper the advertising levels on the platform: a very high proportion of young people, with over 40% of the population below the age of 14 and a low literacy rate of 61%.

There are over 40 different newspaper publications, including 29 dailies in Sudan and interview research points to some consolidation in the print industry in recent years (e.g. in 2003). Interviews indicate increased freedom of speech as a result of the Peace Agreement that was signed between North Sudan and South Sudan in 2005; this had a positive impact on newspaper circulation and advertising revenues. It is also interesting to note that, despite low broadband penetration, all our newspaper interview respondents stated that they have an online presence. Total claimed circulation in Sudan remained low at 96,000 for a country with a population of almost 40 million.

While there are efforts being made, there remains significant room for improvement in the newspaper sector. International Media Support (IMS), an international non-government organisation based in Copenhagen which supports local media in conflict countries, trained journalists in Northern and Southern Sudan during October and November 2009 on the professional and ethical reporting of elections. The main aim of the training was to boost the analytical and reporting skills of Sudanese editors and journalists ahead of the upcoming elections.

Over the projection period, we expect print advertising (newspaper and magazine) to form approximately 10% of total advertising spend by the end of 2013.

The broadcast media in Sudan, including TV and radio, is state-owned. There are no private TV stations broadcasting in Sudan and the government operates TV channels through the Sudanese Radio and Television Corporation. While satellite dishes are common in affluent areas and pan-Arab channels are popular, terrestrial TV is the dominant platform. Sudan TV is the main terrestrial TV channel and it also broadcasts on satellite. Aside from Sudan TV, there are a number of regional channels that are broadcast in specific regions in the country. With 17% TV household penetration in 2009, television advertising accounted for approximately 20% of total advertising spend in Sudan and we expect it to increase at a CAGR of 18% over the projection period 2009-2013.

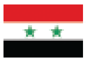
The high number of radio stations, which increased by 10% to reach 18 in 2009 and out of which 11 stations were private, leads us to believe that radio represents a strong platform for advertising. This can be attributed to the high effectiveness of radio in covering a large segment of the population, being widely available in all areas in Sudan. Consequently, we estimate radio advertising to remain strong and grow at a CAGR of 17% over the projection period.

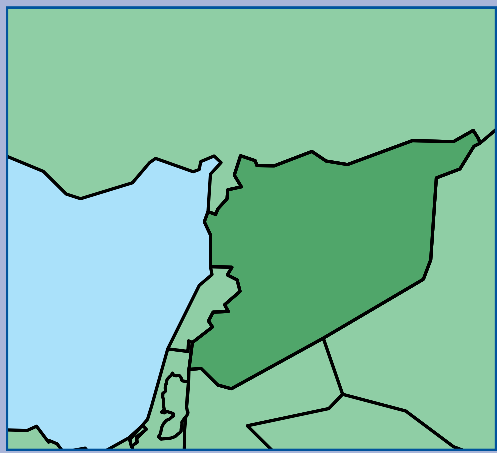
Similarly, out-of-home represents an effective medium for advertising in Sudan. The overall small size of the advertising market, the underdevelopment of other advertising platforms, and the high reach and visibility that the out-of-home platform offers led it to constitute approximately 40% of total advertising expenditure in 2009. We expect it to continue to increase at a high CAGR of 19% over the projection period.

2.3.9 Syria

Exhibit 111: Syria: a snapshot[84]

- **Population:** 20.3m
- **Area:** 185,180 km^2
- **GDP per capita:** US$ 2,770
- **Media Zones:** Under consideration
- **Size of the market:** US$ 41m
- **Number of daily newspapers:** 10
- **Total dailies circulation:** 379,000
- **Total TV Penetration:** 90%
  - Satellite TV Penetration: 74%
- **Broadband Penetration:** 0.5%
- **Mobile Penetration:** 45%





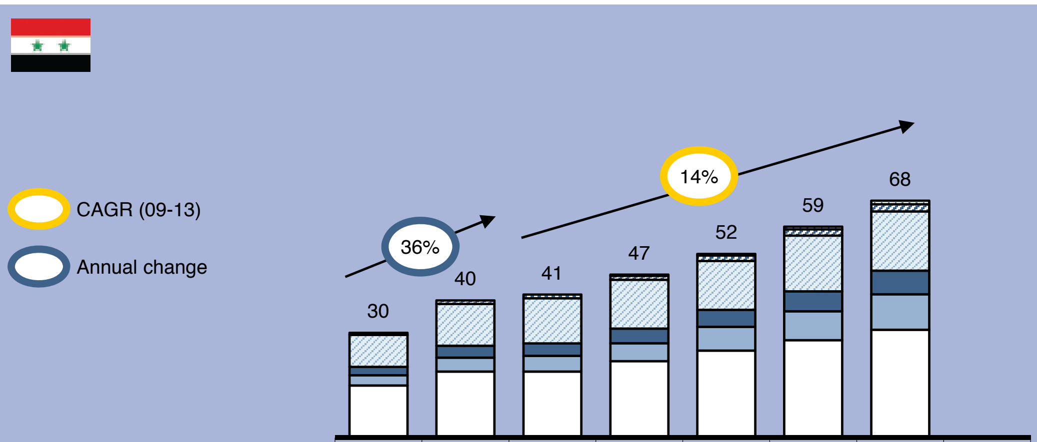
One of the reasons we have included Syria in this year's edition is that it displays a promising advertising market in the Arab Region. It is important to note, however, that while the breakdown of the advertising market is based on both our market research and some industry interviews, we have also had to rely on anecdotal evidence in order to ensure that a comprehensive picture of the Syrian media industry is captured.
The Syrian economy grew by an estimated 3% in real terms in 2009. Although foreign investment in Syria is limited, the government has introduced economic reforms in recent years to the country, relaxing controls on foreign investment.

The private sector has been developing rapidly since 2004, with the introduction of economic and financial services reforms fostering private investment in the economy. The growth of the private sector has accelerated the growth of the media industry as private companies started to ramp up their advertising budgets. In turn, total advertising expenditure in Syria experienced a year-on-year growth of 2% between 2008 and 2009. Going forward, and as the economic transformation of the country continues to unfold, we expect advertising expenditure to increase at a CAGR of 14% over the projection period.

Despite this growth, the Syrian media market remains small, accounting for less than 1% of total advertising spend in the Arab Region. However, Syria's media market holds potential for growth, with a high proportion of young people, with almost 50% of the population under the age of 30, a high literacy rate of 80%, and a buoyant media production market.

[84] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households);
Note that based on our interviews, we understand that a media city was launched in Syria, though this has not been confirmed by external reports

Exhibit 112: Syria advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	30	40	41	47	52	59	68	14%
Internet	0.0	0.0	0.0	0.3	0.5	0.8	1.0	46%[1]
Radio	0.6	1.0	1.0	1.2	1.6	1.8	2.0	19%
Out-of-home (includes Cinema)	9.2	12	13	14	14	16	17	7.3%
Magazines	2.4	3.4	3.6	4.2	4.9	5.7	6.8	17%
Television	3.0	4.0	4.5	5.1	6.8	8.3	10	23%
Newspapers	15	19	19	22	25	28	31	13%

Note: (1) Internet CAGR is from 2010 to 2013
Source: Value Partners

Newspapers remain the main advertising platform and constitute over 45% of total advertising spend in Syria. We expect newspaper and magazine advertising expenditures to increase at a CAGR of 13% and 17%, respectively, over the projection period.

In 2001, a new press law was introduced that opened up the print market for private and independent publications. The state monopoly over the print sector actually ended in 2006 with the launch of two private daily newspapers *Al Watan* and *Baladna*. The government runs three national Arabic dailies, *Al Baath*, *Al Thawra*, and *Teshreen*. *Baladna English*, which launched in December 2009, became the only English daily in Syria. It is interesting to note that newspapers in Syria are making good use of the online platform, as our interviews suggest that all newspapers have already established their online presence.

Consolidation in the Syrian print market occurred in recent years between Al Wahda Foundation, which publishes *Al Thawra* daily newspaper, and Teshreen Foundation, which publishes *Teshreen* daily newspaper. Both government-owned entities merged into what is known as Al Wahda Foundation for Press, Printing and Publishing.

Local TV advertising expenditure experienced strong growth of 12% between 2008 and 2009. Although we estimate that local TV accounts for just over 10% of total advertising spend, year-on-year growth was high, partially reflecting the developments that Syrian TV, the country's dominant local broadcaster, is undergoing. Going forward, we expect TV advertising expenditure to increase at a CAGR of 23% over the projection period.

Syria's terrestrial broadcast market is state-run through the General Organization of Radio and Television Syria (GORTVS). GORTVS operates two terrestrial TV channels (Syria TV1 and Syria TV2) with Syria TV1 being the oldest and the dominant one. The government liberalized the TV sector by introducing a law that allows the emergence of private satellite TV channels. In addition to the terrestrial channels, GORTVS operates two satellite channels and is reportedly planning to launch an official Syrian satellite news channel in the coming one to two years. The first private satellite TV channel, Sham TV, was launched in 2006 and several channels followed. The latest private TV channel to launch was Orient TV, which launched in 2009. Satellite TV is indeed popular in Syria, with 74% of TV viewers tuning to satellite channels.

Internet services were introduced to Syria in 2000. In 2005, the first private Internet Service Provider (ISP) entered the market. Internet advertising in Syria is negligible, as broadband penetration is very low at just 0.5%. While we expect internet advertising to grow over the projection period with an increase in broadband penetration, the value of the internet advertising market will still be minimal in Syria in 2013.

Based on our interviews with industry players in the online media market in Syria, there has been significant growth in the number of online companies in the country in the past few years. However, real competition is concentrated between three or four online publications that have managed to become well established in the market.

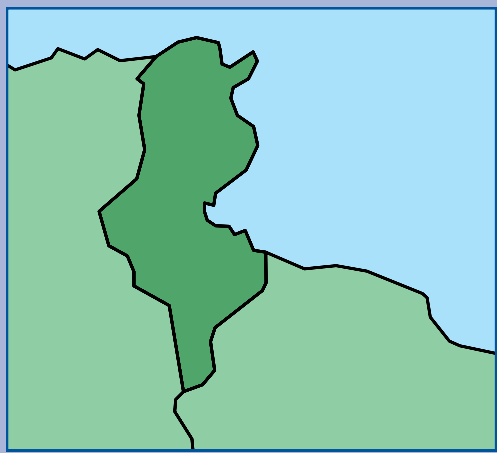
Out-of-home is the second most important platform in terms of advertising expenditure in Syria, constituting approximately 30% of the total. We estimate out-of-home advertising expenditure to continue to increase at a CAGR of 7% over the projection period.

Since the liberalization of the TV and radio broadcast sector, a number of private radio stations have launched in Syria. Currently, the government runs four radio stations and the private sector runs thirteen radio stations. The market for radio advertising is still very small and constitutes 3% of total advertising spend. Going forward, we expect radio advertising expenditure to increase at a high CAGR of 19% over the projection period.

2.3.10 Tunisia

Exhibit 113: Tunisia: a snapshot[85]

- **Population:** 10.4m
- **Area:** 163,610 km^2
- **GDP per capita:** US$ 3,950
- **Size of the ad market:** US$ 40m
- **Number of daily newspapers:** 10
- **Total dailies circulation:** 399,000
- **Total TV Penetration:** 92.5%
  - Satellite TV Penetration: 92.6%
- **Broadband Penetration:** 24%
- **Mobile Penetration:** 87%



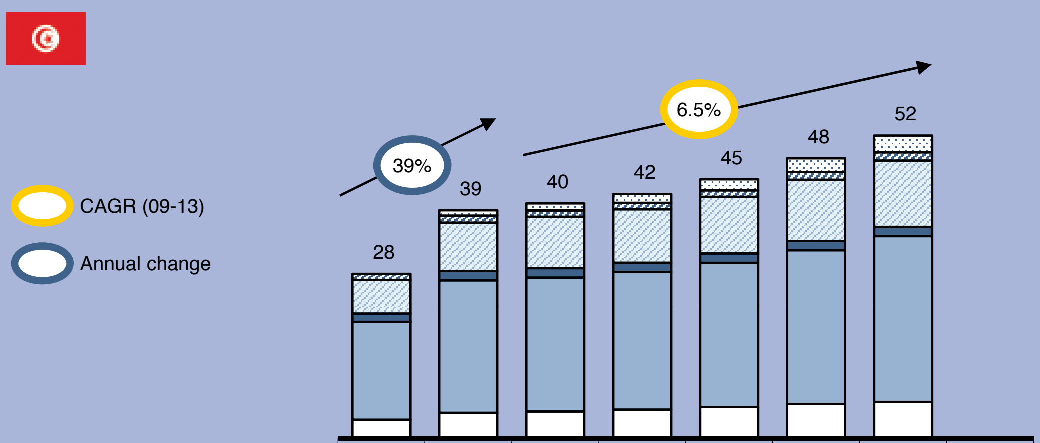
Tunisia's GDP per capita is the highest among the countries covered in North Africa. Its economic growth has been fuelled by strong growth in the services sector which accounts for more than 50% of GDP. Similar to other Arab countries covered in this report, the majority of Tunisia's population, 51%, remain below 30 years of age, while the country's literacy rate is 74%.

The advertising market in Tunisia, which attracted most of its dollars from the telecommunications and FMCG[91] sectors, has remained concentrated in television and out-of-home advertising. The telecommunications sector, in particular, is expected to drive advertising growth on most of the platforms. This will be driven by further competition in the market following the award of a third mobile license in June 2009 to a consortium of France Telecom and Divona Telecom. With an increase of 3% in total advertising expenditure in 2009, the Tunisian advertising market experienced a slowdown in the advertising growth rate compared to previous years (39% in 2008), which could be explained by the reluctance of companies to advertise as a result of the financial downturn. Going forward, we expect total advertising expenditure to increase at a CAGR of nearly 7% over the projection period.

[85] SSource: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

[86] Fast Moving Consumer Goods

Exhibit 114: Tunisia advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	28	39	40	42	45	48	52	6.5%
Internet	0.0	0.9	1.2	1.5	1.9	2.3	2.9	24%
Radio	1.0	1.2	1.1	1.1	1.1	1.3	1.4	7.5%
Out-of-home (includes Cinema)	5.8	8.3	8.8	9.2	10	11	11	6.5%
Magazines	1.4	1.6	1.6	1.6	1.6	1.6	1.6	0.9%
Television	17	23	23	24	25	26	28	5.5%
Newspapers	3.2	4.4	4.6	4.9	5.4	5.9	6.3	7.9%

Source:, Value Partners

Newspapers and magazines accounted for approximately 15% of total advertising spend, with newspapers accounting for 11% of the total market; a low amount when compared to other markets in the Arab region. Since the French language is very common in Tunisia, a significant number of French newspapers are available in the country, the most circulated of which is *La Presse de Tunisie*, launched in 1936. Among Arabic daily newspapers, *Al Chourouk* claims to have the highest daily circulation at 110,000.[87] In 2006, the law requiring the government to approve all printed material prior to publishing was removed. Over the projection period, we expect newspaper and magazine advertising to increase at a CAGR of 8% and 1% respectively.

Television has, historically, been the dominant media platform in the country, accounting for the majority of advertising spend, with the FMCG and telecommunications sectors contributing the most. The state-owned Tunisian Radio and Television Establishment (ERTT) operates two of the four terrestrial channels in the country: Tunis7, the network's main channel, and Tunis21, which launched in 1994 and focuses on entertainment, catering to the youth population. Hannibal TV remained the only private terrestrial channel until Nessma TV was commercially launched in 2009. Over the projection period, we expect television advertising expenditure to increase at a CAGR of 6%, partially due to the increased competition in the local TV market following the commercial launch of Nessma TV.

The Tunisian market is unique in the sense that while satellite television penetration remains above 90%, and pan-Arab satellite TV commands large audiences, terrestrial TV also continues to attract a large share of the Tunisian audience, with Hannibal TV gaining almost 20% of audience share, followed by Tunis 7 with around 13%.[88] The growth of Hannibal TV, which started just four years ago and managed to attract a significant audience share with varied programming, is a prime example of a success story within commercial channels in North Africa. Nessma TV is also following in the footsteps of Hannibal, with programming based on a mix of local entertainment and international formats.

[87] MENA Media Guide
[88] Sigma Group: It is important to note however that during the month of Ramadan, Tunis 7 accounts for the highest audience share of 46%

Out-of-home is the second most significant advertising platform, accounting for over 20% of total advertising spend year-on-year. Driven largely by the FMCG and the telecommunications sectors, we expect out-of-home advertising to remain strong over the projection period and grow at 7% CAGR.

We have revised the projections from the previous AMO for internet advertising in Tunisia, based on our discussions with industry players. With an estimated 24% CAGR over the projection period, internet advertising is set to become the platform with the highest percentage growth in Tunisia. On the back of rapidly increasing broadband penetration from 11% in 2008 to almost 25% in 2009, we believe that advertisers have started including internet in their advertising budgets, as confirmed during our interviews. We estimate that internet advertising will represent 6% of total spend by 2013.

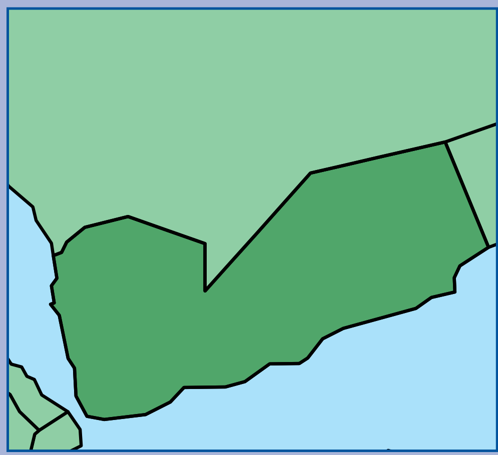
Choof TV, an exclusive internet channel targeting an audience between 15 and 35 years, is expected to be launched in the near future. 60% of Choof TV's production will be in Tunisia in an attempt to capture and encourage Tunisian talent. The channel is also planning to provide catch-up TV and video-on-demand service.

In the radio sector, the government's monopoly over radio broadcasting was broken with the launch of "Mozaique FM" in 2003. By July 2009, there were twelve radio stations, nine of which are government-owned through ERTT, and three of which are privately owned. Radio advertising represents the smallest proportion of total advertising spend. We expect the platform to maintain its advertising levels over the projection period.

2.3.11 Yemen

Exhibit 115: Yemen: a snapshot[89]

- **Population:** 23.7m
- **Area:** 527,968 km^2
- **GDP per capita:** US$ 1,170
- **Size of the ad market:** US$ 13m
- **Number of daily newspapers:** 6
- **Total dailies circulation:** 170,000
- **Total TV Penetration:** 61%
- **Broadband Penetration:** 1.6%
- **Mobile Penetration:** 34%

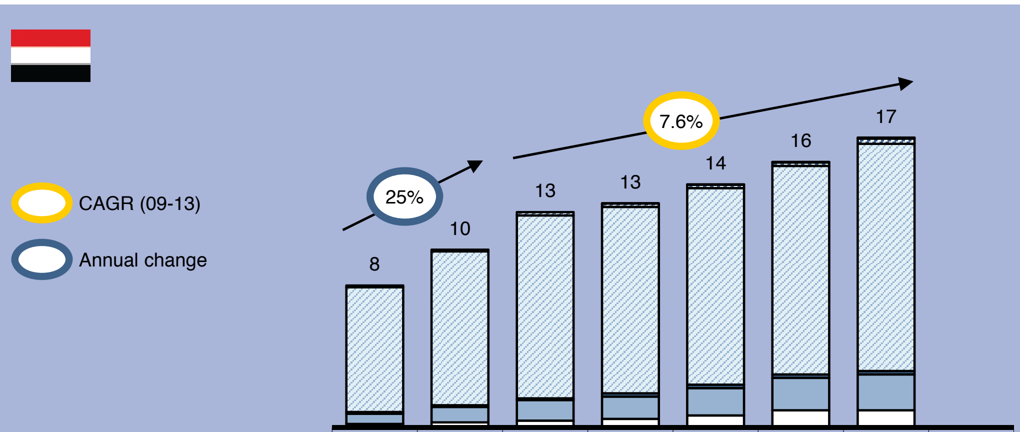


Yemen has the lowest GDP per capita of all countries in the GCC. Yemen has a very high proportion of young people, with more than 70% of the population under the age of 30 and more than 40% under the age of 15, as well as a very low literacy rate of 50%, the lowest in the Arab Region.

With limited exposure to the global economy, the Yemeni economy was relatively shielded from the effect of the global downturn. As a result, total advertising expenditure in Yemen actually increased between 2008 and 2009 by 21%, in spite of the global economic crisis. Going forward, we expect total advertising expenditure to increase at a CAGR of 8% over the projection period of 2009-2013.

[89] Source: CIA World Factbook, IMF, Informa TM, MENA Media Guide, Value Partners analysis (All data refers to 2009 except GDP per capita which is for 2008; TV penetration is based on TV households and total TV penetration is based on all households)

Exhibit 116: Yemen advertising projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	8	10	13	13	14	16	17	7.6%
Internet	0.0	0.0	0.0	0.01	0.02	0.04	0.06	68%[1]
Radio	0.1	0.1	0.2	0.2	0.2	0.2	0.3	7.5%
Out-of-home (includes Cinema)	7.3	9.0	10.7	10.9	11.5	12.2	13.3	5.4%
Magazines	0.1	0.1	0.1	0.2	0.2	0.2	0.2	15%
Television	0.6	0.9	1.2	1.3	1.6	1.9	2.1	15%
Newspapers	0.2	0.3	0.4	0.5	0.7	1.0	1.0	27%

Note: (1) Internet CAGR is from 2010 to 2013
Source: Value Partners

Unlike many other markets in the region, the print industry in Yemen represents a small proportion of total advertising spend, at approximately 4% of total advertising spend. The small media market in the country is dominated by out-of-home advertising. Newspaper advertising expenditure increased by 31% between 2008 and 2009, albeit from a very small base. We expect newspaper advertising to increase at a CAGR of 27% over the projection period 2009-2013. While this CAGR appears to be on the high side, it should be considered in light of the very small base.

Journalism in the country flourished following the unification of North and South Yemen in 1990, with the introduction of a regulation that allowed the licensing of private newspapers representing the views of all political parties. However, the situation worsened after the war restarted in 2004. Despite low literacy rates in Yemen, a large number of publications are available to the Yemeni public – nine government-owned newspapers and a large number of independent and party newspapers (approximately ten and 30 respectively).[90] Our interviews confirm that many publications were launched in 2009; however, there is a high "mortality" rate in the newspaper industry in Yemen, with eight newspapers suspended in 2009.

Our interviews with players in the media market in Yemen verify that the effect of the financial crisis on the media industry was limited, although some Yemeni papers have experienced budget cuts from the government. This has prompted them to search for alternative sources of revenue, such as price increases and growth in services. Interviews also suggest that newspapers are making good use of the online platform; for example, *14 October* newspaper runs a news site in partnership with BBC.

Local television is the second largest advertising platform in Yemen and accounts for a 9% share of total advertising. TV advertising expenditure increased by 31% between 2008 and 2009. Indeed, given the low literacy rate in Yemen, TV remains the main source of news for Yemenis, thus

[90] World Association of Newspapers

ensuring higher reach for advertisers than other platforms. Going forward, we expect TV advertising expenditure to increase at a CAGR of 15% over the projection period, with TV continuing to be the dominant platform in the country.

The broadcasting sector is state-owned through the Public Corporation for Radio and Television. There are two terrestrial TV channels, Al Yemen and Yamania, both of which are also available on satellite. Due to the high price of satellite dishes relative to disposable income terrestrial TV channels are by far the most popular.

Similarly, radio is considered a more effective medium than newspapers in reaching the target audience. All radio stations are also government-owned. The first radio station, Sana'a Radio, was launched in 1947. Radio advertising expenditure doubled between 2008 and 2009 and we expect it to increase at a CAGR of 8% over the projection period 2009-2013.

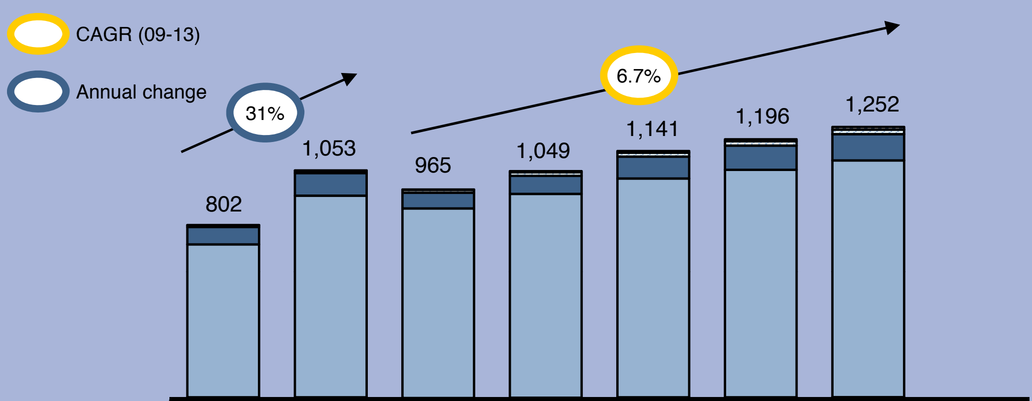
Internet advertising expenditure remains very low in Yemen, mainly because of low broadband penetration, which stood at 1.6% at the end of 2009. However, feedback from our interviews reveals some signs of growth in the online media platform, with some newspapers even starting to monetise their online presence. The government owns the country's two Internet Service Providers (ISPs), which are TeleYemen and YemenNet. Overall, low computer literacy will limit the uptake of the online platform and, therefore, we have remained conservative on the prospects of online advertising expenditure over the projection period.

Out-of-home advertising is by far the largest advertising platform in Yemen, accounting for over 80% of total advertising expenditure. This can be attributed to the current low base of the other platforms in the country. However, we expect the balance of media to change over the outlook period, with other media catching up and the overall dependence of the advertising market on out-of-home to drop below 80%. Nonetheless, we expect out-of-home advertising expenditure to grow at a CAGR of 5% over the projection period 2009-2013.

2.3.12 Pan-Arab

Pan-regional advertising expenditure refers to advertising spend by regional media outlets that cover multiple countries in the Arab Region.[91] Pan-Arab advertising is predominantly concentrated on satellite TV. Due to the direct impact of the economic crisis, advertisers revised their budgets downwards and pan-Arab advertising expenditure decreased by 8% in 2009. Over the projection period, we expect it to recover at a CAGR of nearly 7%, to reach over US$ 1.2 billion in 2013.

Exhibit 117: Pan-Arab advertising market projections



All figures in US$ million	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Total	802	1,053	965	1,049	1,141	1,196	1,252	6.7%
Internet	1.0	1.3	1.8	5.3	7.1	9.2	12	60%
Radio	8.0	11	13	16	18	20	21	13%
Magazines	80	104	72	83	101	111	121	14%
Television	702	926	870	935	1,004	1,044	1,086	5.7%
Newspapers	11	11	8.2	9.3	11	11	12	11%

Source: Zenith Optimedia, Value Partners analysis

Satellite television continues to represent the majority of regional pan-Arab advertising spend, accounting for 90% of the total. Satellite TV continues to attract a significant proportion of advertising dollars away from local TV markets in most of the region, largely due to the fact that it reaches a far broader audience. It is worth noting that in Saudi Arabia, one of the largest markets for advertisers in the region, pan-Arab media outlets, TV in particular, account for a major proportion of media consumption. Furthermore, major regional broadcasters such as MBC, Al Jazeera, LBC and Abu Dhabi Media Company broadcast their flagship channels, if not all their channels, on satellite and are well received by audiences across the Arab Region.

Major advertising contributors on pan-Arab television come from the telecommunications, FMCG, real estate and financial services sectors. In 2009, pan-Arab television advertising declined by 6% from its 2008 levels as many of the advertisers in these sectors reduced their advertising budgets. However, the decline in television advertising was lower than the overall drop in the advertising market. It was also significantly lower than the decline seen in advertising levels on pan-Arab print media.

We expect pan-Arab television to remain an effective medium to target consumers across the Arab Region in the foreseeable future. Consequently, we expect pan-Arab television advertising spend

[91] Pan-Arab refers to advertising across Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, UAE, Lebanon, Syria and North Africa

to grow at a CAGR of 6%, while maintaining its share of advertising spend in the total pan-Arab market over the projection period.

Regional print media constitutes a small share of pan-regional advertising spend, with 9% share of the total in 2009. Unlike individual markets in the Arab Region where newspapers represent the preferred advertising platform, magazines account for the lion share of print advertising expenditure in the pan-Arab market.

Pan-Arab magazines have gained high popularity in the Arab Region, especially in the Gulf countries. Based on the results of market research conducted in Saudi Arabia and the UAE, two of the largest advertising markets in the Arab Region, two pan-Arab women's magazines *Sayidati* and *Zahrat El Khaleej* were cited among the favourite and most often bought magazines.

Although magazine advertising declined by 30% in 2009, representing the highest reduction on all platforms, we expect it to recover faster than the overall advertising market over the projection period and grow at a CAGR of 14% from 2009 to 2013.

Newspapers form approximately 1% of total advertising expenditure on pan-Arab media. Pan-Arab newspapers, such as *Al Hayat* and *Asharq Alawsat*, are largely targeted at Arab expatriates in Europe, as well as other Arab markets. Since newspaper advertising spend forms a small base in pan-Arab media, relatively small fluctuations in levels lead to higher percentage declines. While advertising on newspapers declined by over 25% in 2009, we expect it to maintain its share of total pan-Arab advertising spend over the projection period and grow at a CAGR of over 10%.

Both radio and internet combined form approximately 1.5% of total pan-Arab advertising spend and were relatively unaffected by the economic crisis. Although starting at much lower bases, radio and internet advertising increased at 22% and 40% respectively in 2009. Going forward, we expect advertising expenditure on both platforms to grow at CAGRs of 13% and 60% respectively over the projection period.

INTRODUCTION

3.1

For this year's edition of the Arab Media Outlook, we have decided to focus on a topic that we believe is of great significance to all sectors of the media industry, as well as to consumers themselves: that is, the stimulation and exploitation of local content in the Arab media industry. The theme of local content has become a key issue for media professionals and consumers throughout the region and has great potential for growth over the coming years. Both the market research carried out for this report and our interviews with Arab media industry professionals have confirmed that stimulating local content has the potential to generate significant value for the industry.

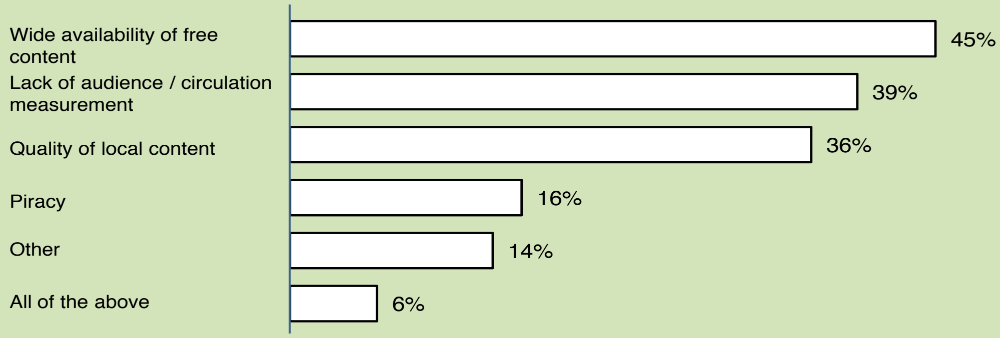
The concept of 'local' content can be viewed from two distinct angles, based on language, geography and target audience. Firstly, on a pan-Arab level we can define local content as content that is produced in the Arabic language and in the Arab world for a pan-Arab or even international viewer, reader or user. For example, pan-Arab TV channels such as MBC, or newspapers such as *Asharq Alawsat,* would be included in this category. However, the Arab countries that are covered in this report represent a broad and diverse region with strong discrepancy between countries in terms of the status and maturity level of the local content industry. On the other hand, local content on a more national level could be considered as content that is produced at a country level for a national viewer, reader, or user. This would include terrestrial TV channels, as well as locally targeted newspapers, magazines and websites.

Throughout this section of the report, we will keep in mind both the pan-Arab and national perspectives of local content. However, we will be focusing largely on the concept of generating a local content industry that will be sustainable on a pan-Arab basis and will benefit the Arab Region as a whole. In doing so, we will address firstly the current status of local content within the Arab media industry, followed by an assessment of the key challenges for industry stakeholders in generating local content in the Arab world, as well as an overview of the key opportunities for the industry in terms of stimulating local content further.

While we will continue to ensure coverage of the key platforms addressed in Section 1 – that is, print, TV and online and mobile – it is the audiovisual content sector, including both TV and film, on which we will place particular emphasis. This is because, as we will see in the next sub-section, an assessment of the current status of local content in the region suggests that this is the sector which both has the strongest need of and presents the most significant opportunities from an increase in the volume and quality of local content.

It is also worth noting that the creation of quality local content was highlighted during our interviews with industry respondents as one of the four key issues affecting the monetisation of content in the Arab world.

Exhibit 118: Key issues for Arab media in monetising content



Source: Based on interviews with 115 industry respondents, Value Partners analysis

While these factors are all worthy of individual analysis, they are also all very much interlinked. Therefore, this section, which aims to consider the opportunities for local content in the region, will also consider the interdependent factors which also play an important role in the overall Arab content industry.

3.2 Overview of the Current Status

The media industry in the Arab world, and in particular the television and online sectors, has strong opportunities for growth over the coming years. A key element of this growth will be based upon the generation of quality local content. While the industry has seen significant progress in this area in recent years, local content has plenty of room for further growth. This will require not only finding new ways to generate value from content in the region, but also growing the talent pool, improving infrastructure and developing new business models. With these elements addressed, there is no reason to suggest that local content emanating from the Arab Region across the print, audiovisual and online sectors cannot compete effectively on the global stage.

3.2.1 Local content by platform

Through interviews with media industry professionals across the region, we have been able to carry out an assessment of the local content industry across the Arab Region. Firstly, across all media sectors that we studied in the region, the print sector is the one where the proportion of local content is the highest. In the Arab newspapers and magazines analyzed for this report, we have found that over 90% of total content output is original Arabic writing, with less than 10% of content translated from foreign writers. While the selection criteria for foreign writers vary between publications and countries, it is often the case that the more specialized content, for example in science or technology supplements, contains a higher proportion of translated content than general news. However, the market research suggests that there are also some areas of general news content that could be addressed, particularly in terms of focusing more heavily on readers' interests and ensuring content is not only about event coverage, but also about analysis.

An assessment of local content in the TV and film industries produces a different story. We believe that TV is the sector with the strongest potential to benefit from further investment and interest in local content. In the Arab television market, there are currently three distinct types of content: original programmes that are developed and produced in the Arab world, international formats that are adapted to the local market, and programmes that are acquired from international rights owners and subtitled or dubbed into Arabic.

While the first type of content, original programming, is the only truly local content, the production of local versions of international formats are a key way of stimulating the local industry and learning from other markets. In this respect, there is a clear disparity between different genres of TV content. For example, while news production and drama (particularly during the Ramadan season) are typically local, entertainment formats are often imported from other markets.

A comparative analysis of local content on the top 15 pan-Arab channels (by audience share) and the five main networks in the UK, as a best practice example of local production, suggests that there is room for growth in the region, in terms of both the quantity of local content output and the level of investments in that content. Firstly, we estimate that across the top 15 pan-Arab channels, on average 30-40% of total output is first-run original Arabic content,[92] a further 30-40% of TV content is imported from other markets (either subtitled or dubbed into Arabic), and the remaining 20-40% of output is constituted of repeats and news programming. In the UK, which has a healthy and competitive local production market, the level of first-run original programming on the five main networks is close to 50% of total hours.[93] While this gap in quantity of original output is not exceptional, there is nevertheless substantial room for growth.

Secondly, an assessment of the expenditure per hour on original Arabic content, as compared to the UK, produces a more staggering result. We estimate that the cost per hour of first-run original Arabic content is approximately \$30-60,000 on average.[94] In the UK, the equivalent cost per hour of first-run content by the five main networks is almost \$130,000, while first-run original programming constitutes 93% of their overall budgets. With UK content worth two to four times as much as the average Arabic series, it is clear that there is a significant gap in content investment and higher production budgets need to be provided in order to boost the quality of original Arabic programming. An increase in investment would most likely lead to higher quality content, an improved talent base, larger audiences and, finally, stronger advertising revenues.

On the online and mobile platforms, the situation is different again: the level of local content, relative to foreign content, available to consumers, is minimal. In the online world, unlike print and, to some extent, TV, foreign content is almost as easy to access as local content. What differs is the relative quality and quantity of content available in the Arabic language. Relative to the size and population of the Arab Region, there is little Arabic online content currently produced in the region and we will address the reasons for this and the opportunities to develop the industry over the course of this section.

3.2.2 Local content by country

An assessment of the individual Arab countries producing content shows that while every country in the Arab Region has developed its own unique media industry, some markets are emerging as stronger players in different sectors of the industry. Some of the larger markets, such as Egypt, have been able to build up significant local content industries catering for their own domestic markets as well as, to some extent, the wider Arab Region. Meanwhile, other countries, such as the GCC nations, are increasingly targeting the wider Gulf region in an effort to expand their customer base.

Egypt was the first Arab country to create a thriving film and TV production industry. For many years, Egypt has been producing films and drama series renowned across the Arab world, as well as developing a successful print industry. While other Arab countries have recently been taking an increasing interest in media, many lessons can be learned from the Egyptian market.

Lebanon, too, has built up a significant TV production industry, with one of the largest talent pools in the region (particularly for entertainment) as well as a strong print industry. Indeed, the industry has developed to such an extent that it is very common for Gulf-based TV companies to shoot their programmes in Lebanon, even when the concept has a distinctly 'local' Gulf flavour. A recent example is Endemol programme Mahlaha Bladi, adapted from international format I Love My Country, which is currently airing on Qanat Al Emarat. The show is entirely dedicated to Emirati cultural heritage and traditions and features six

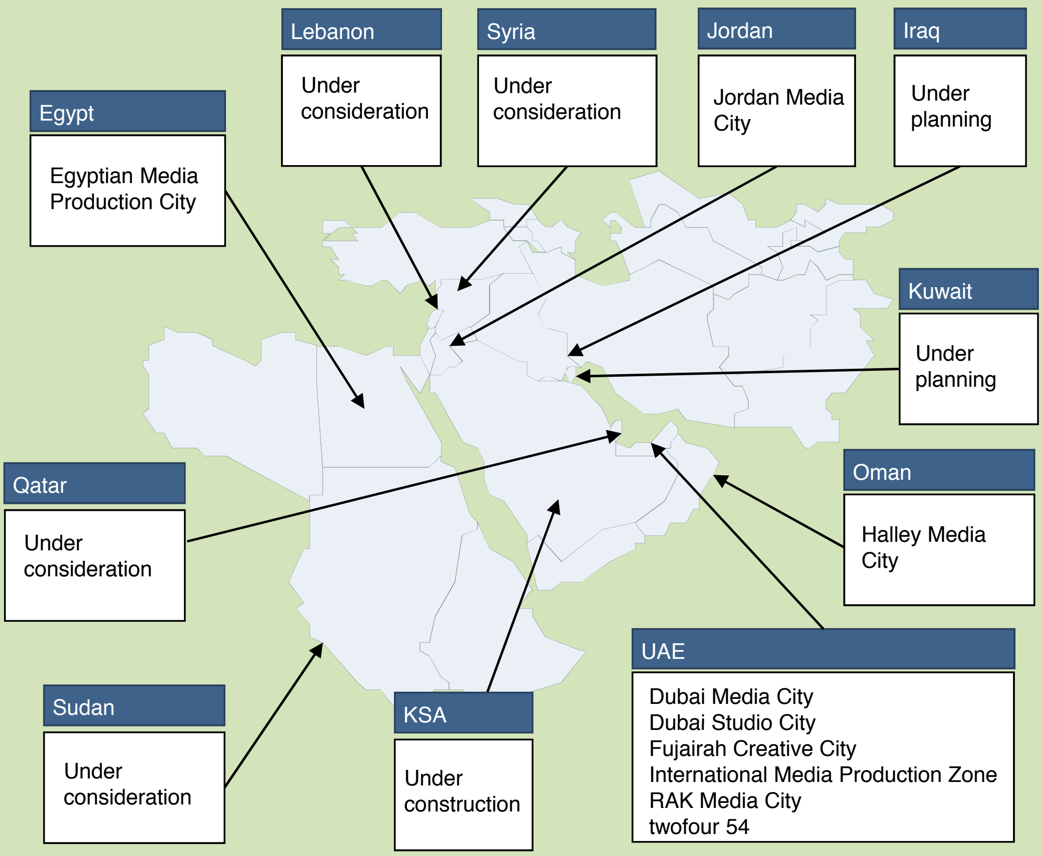
[92] In hours, excluding news
[93] Ofcom Communications Report, 2008 figures
[94] Prices in Ramadan have been known to rise to as high as \$200,000 per hour for some major 30-episode drama series

new Emirati guests each episode. Yet the whole series was filmed in Beirut where, even with the travel and accommodation costs taken into account, production costs were still lower than they would have been in the UAE. Similarly, Syria has become another strong player in content production, particularly for drama series, with successes such as the well-known *Bab Al Hara* Ramadan series based in Syria. More recently, as broadcasters are attempting to become more 'localized' in their strategies, Saudi Arabia and Kuwait have started to increase their drama and comedy output, particularly for Gulf-based channels such as MBC. In the online space, Jordan has developed a reputation for fostering a young and vibrant IT community, the results of which can be seen in the regional successes of online companies, such as Maktoob, Jeeran, and Watwet, among others.

The relatively recent emergence of media zones across the region has had a significant impact on the growth of the industry around certain areas, resulting in the clustering of media companies around particular 'hubs'. For example, following the introduction of Dubai Media City in 2001, the UAE became a favourite spot for media companies in the region. For the TV industry, as we have seen, production remains mostly concentrated outside the Gulf. However, the UAE is playing a significant role in the areas of sales, marketing and distribution for media companies. Media organizations from across the region are continuing to set up either primary or secondary offices in the UAE.

Similarly, the existence or upcoming launch of several other media zones across the region is changing the dynamics of the industry. Generally, the zones act as industry clusters for media companies, providing infrastructure and facilities for companies housed within them and offering special 'free zone' privileges such as reduced or waived taxation and lighter regulation. Many more are in the works, with media zones expected to be developed across the Gulf and Levant in particular over the next few years, as illustrated in the exhibit below. It is important to note, however, that the term 'media zone' here is used loosely, as there is significant discrepancy between the offerings and unique selling points of each of the individual zones described below, some of which are private,e.g. Halley Media City in Oman, rather than government entities.

Exhibit 119: Media zones in the Arab Region



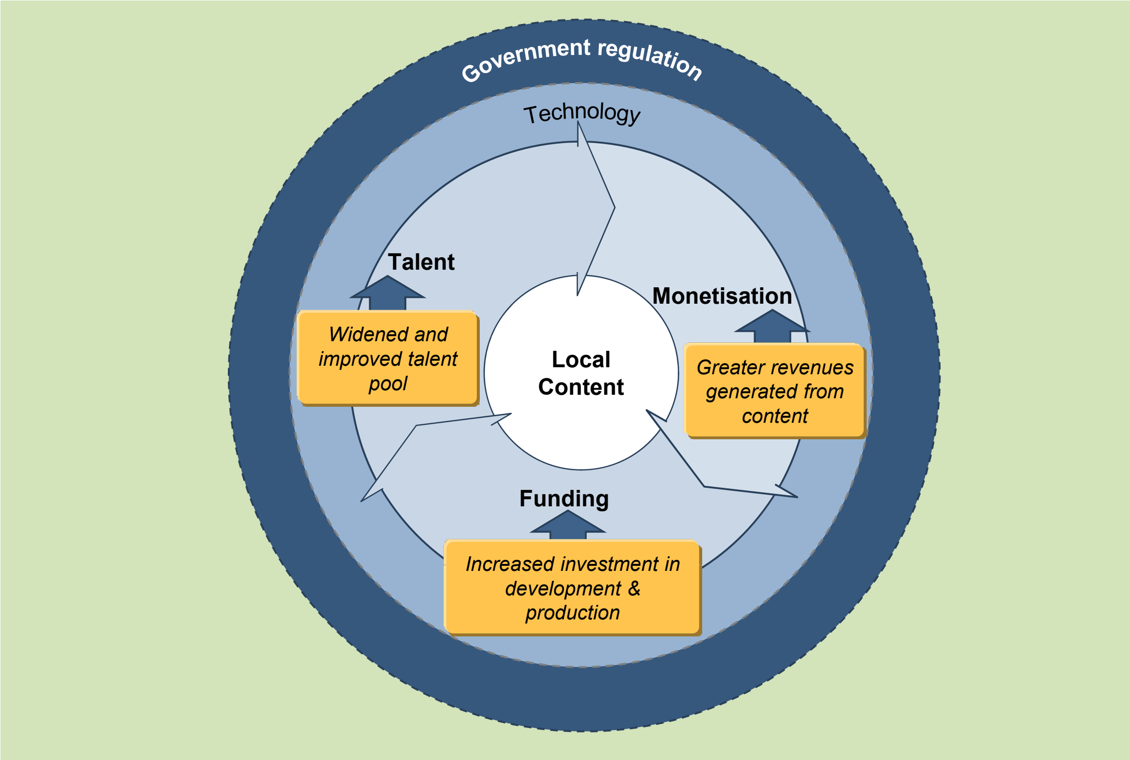
Note: Based on our interviews, we understand that a media city was launched in Syria, though this has not been confirmed by external reports
Source: Arab Advisors Group, Value Partners analysis

As we explore the challenges and opportunities for exploiting local content in the region, it is important to bear in mind how the industry is developing in all these different media hotspots.

3.1.3 Local content virtuous circle

Across all markets and in all sectors, there are many challenges for the Arab local content industry to overcome, as well as some significant opportunities for growth. As we consider how local content can be exploited further in the region and its value can be maximized, we will assess each of the key areas affecting the local content industry over the coming sections of the report. These key areas, all of which are vital for the overall growth of the local content industry, are summarized in the exhibit below.

Exhibit 120: Local Content Targeted Virtuous Circle



As can be seen from the exhibit above, the local content virtuous circle revolves around three key issues: monetisation, funding and talent. Once greater revenues are derived from local content, media platforms are able to invest further in the development and production of content, produce higher quality content and afford to pay, retain and develop local talent. In addition, government regulation and technology are the key "enablers" of these three components. Addressing each of these areas will help generate a virtuous circle in which local content is successfully developed, exploited and consumed.

3.3 Stimulating local content in the Arab media industry

3.3.1 Monetisation

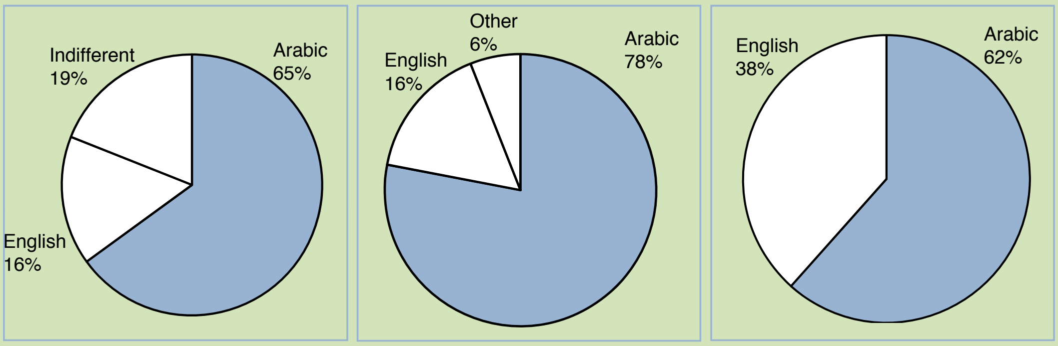
Although advertising revenues are low in the region, there is strong demand for local content

When we refer to 'monetisation' of content, we are indicating the potential to generate value from that content, whether it is through direct sales to consumers or through advertising revenues that are generated as a result of capturing eyeballs. On all platforms, annual advertising revenues, valued at $4.6 bn in the Arab Region, are low compared to other markets.

However, the single most important driving factor for advertising revenues is the number of consumers that media owners, and therefore advertisers, are able to capture. When it comes to media, there is a clear demand from the Arab population for content that is developed locally. As we have discussed, one aspect of local content at a macro level is language, and the primary market research shows that Arabic is, by far, the preferred language for media consumption in the region.

Exhibit 121: Language Preferences for Media Consumption in the Arab Region[1,2]

Preference of International newspaper edition vs. Arabic translation	Preference of language for watching TV	Preference of language for browsing internet



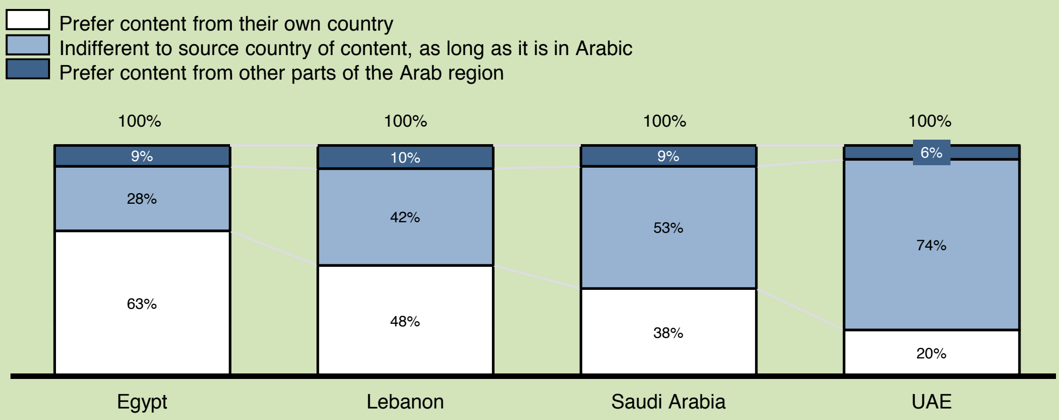
• Overall, the Arabic versions are the preferred option for 65% of respondents • The UAE has the highest proportion of preference for international editions (47%)	• Most popular reasons for watching TV in English: respondents "like watching English movies" and "to improve English language skills"	• Most popular reasons for using English websites: "most of the main websites are in English" and "to help with work-related activities"

Notes: (1) This data represents a consolidated view of the market research in Egypt, Lebanon, Saudi Arabia and UAE
(2) Base: 1,810; All respondents
Source: The Nielsen Company

As the exhibit above demonstrates, consumers in all four markets that we have studied prefer to consume newspapers, magazines, TV and the internet in Arabic over any other language.

It is also clear from the research that the more 'local' the content, the more popular it is with consumers. The exhibit below represents the preferences of Arab internet users and demonstrates that in all four markets where we interviewed final users, a significant proportion of users prefer content that originates from their own country. This is particularly true of those countries with a strong history in content production, such as Egypt, where 63% of users prefer content from their own country. By contrast, in those countries that have only recently moved into the field, such as the UAE, this figure reduces to 20%. Overall, only 6-10% of users prefer content from other parts of the Arab Region.

Exhibit 122: Preference of internet content from own country in Arab Region



Note: Base: 1,308; All respondents who browse websites in Arabic
Source: The Nielsen Company

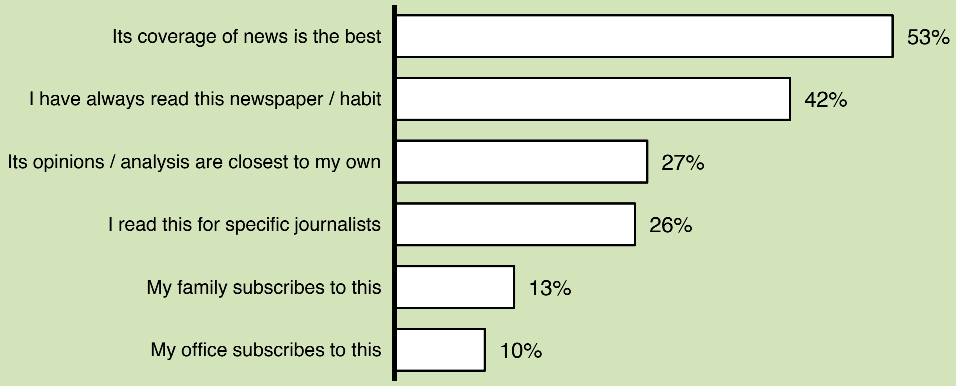
This research shows that local content at both country and pan-Arab level is in strong demand by Arab consumers, and wherever the consumers go, the advertisers will follow. Therefore, from a monetisation point of view, the local content challenge is to ensure that the quantity and quality are high enough to attract and retain those consumers.

Newspapers continue to be a major source of local content in the region and could benefit from an increase in analytical content

In many Arab countries, newspapers continue to be the preferred type of media and they remain the dominant platform for advertising spend in the region. In addition, as we have seen, the majority of newspaper content in the region is already 'local', in that it is written both in the Arab world and in the Arabic language. Therefore, we believe that there are two key areas that could benefit from increased focus by Arab newspapers in terms of satisfying customer demand for content.

Firstly, an analysis of newspaper content in the region and discussions with industry experts suggests that certain types of content could benefit from increased analytical reporting and less focus on direct event coverage. This is particularly true of, for example, economic and business news, which often relies heavily on press releases and leaves little room for differentiation between local newspapers. Of course, it is important to consider that the level of analysis in news coverage varies significantly both by country and by newspaper – for example, in Lebanon newspapers are more prone to providing strong political opinions in their reporting. It is also worth noting that on some, largely international and pan-regional issues, such as the conflicts in Iraq and Palestine, newspapers in the region focus much more heavily on drawing opinions than they do on other, often more local issues. However, on the whole, we believe that newspapers in the region could benefit from an increase in analytical coverage on some topics. Indeed, the market research shows that the top reasons for choosing newspapers in the Arab Region are because readers believe "its coverage of news is the best" and because they "have always read this newspaper, or out of habit", as demonstrated in the exhibit below.

Exhibit 123: Reasons for newspaper preferences in the Arab Region[1,2]



Notes: (1) This data represents a consolidated view of the market research in Egypt, Lebanon, Saudi Arabia and UAE
(2) Base: 1,810; All respondents
Source: The Nielsen Company

An increased focus on opinions and analysis by newspapers in certain types of content could help engage readers further and act as a differentiating factor between newspapers in the region, thus increasing the percentage of readers who base their newspaper selection on its "opinions / analysis" and for "specific journalists".

Secondly, from interviews with editors across the region, we believe it is safe to conclude that newspapers in many Arab countries commonly practice some degree of self-censorship in their coverage of local, and, particularly, state-related issues. While this practice is crucial in terms of ensuring that cultural and social boundaries are not over-stepped, it is also more important than ever that reporting stands out and truly represents readers' interests in these difficult economic times. If newspapers are to survive the drops in advertising revenues and threats from new platforms that they face, it will be essential for them to earn and maintain further credibility from readers by uncovering appealing stories. Indeed, as media mogul Rupert Murdoch recently pointed out in reference to the future survival of the newspaper industry:

> "From the beginning, newspapers have prospered for one reason: the trust that comes from representing their readers' interests and giving them news that's important to them. That means covering the communities where they live, exposing government or business corruption, and standing up to the rich and powerful.[95]

While this kind of investigative reporting is not, on the whole, common practice in the region, we have seen an increase in the number of private newspapers in recent years and some markets have achieved significant increases in newspaper sales as a result. In Egypt, for example, the entry of government opposition paper *Al Masry Al Youm* into the market has had a positive effect on the industry, enabling it to reach a circulation of 180,000[96] and inspiring further entrants into the market. Therefore, we believe that while demand for newspapers is already high in the region, local news coverage could benefit from an increase in analytical and investigative reporting and a move towards less timid coverage of local issues in order to drive an increase in sales.

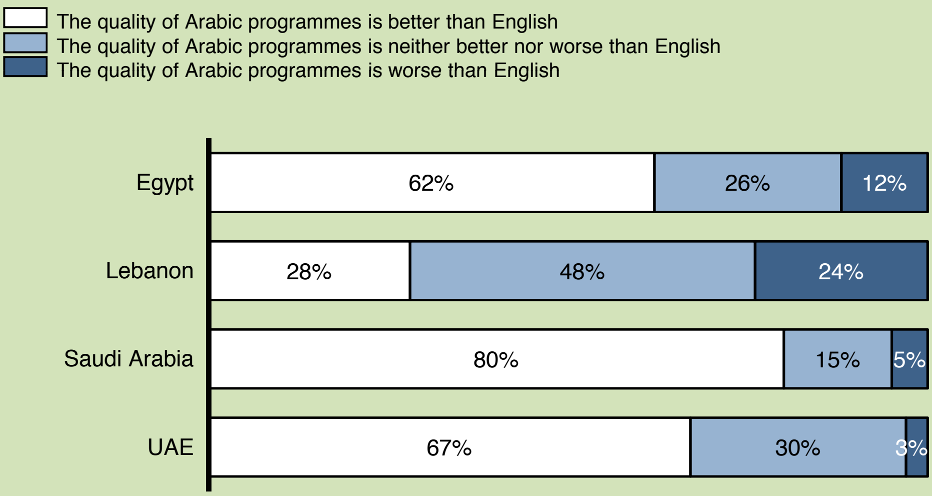
[95] Rupert Murdoch, Wall Street Journal, adapted from his 1 December 2009 remarks before the Federal Trade Commission's workshop on journalism and the Internet.

[96] Claimed circulation, MENA Media Guide

There is strong demand for local content on TV, presenting potential for growth in monetisation

From a consumer point of view, the fact that Arabic is the preferred language for TV viewing for 68% of consumers demonstrates that there is strong demand for local TV content from the Arab world. Examples of successful local programming in the region, such as popular UAE animated series *Freej* - which has been Sama Dubai's number one show during Ramadan for three years running - further support this. Moreover, viewers in the four markets that we analysed do not feel there is a problem with the quality of content being generated from the region. This is reflected in the exhibit below.

Exhibit 124: Consumer Views on Quality of Arabic TV Programmes



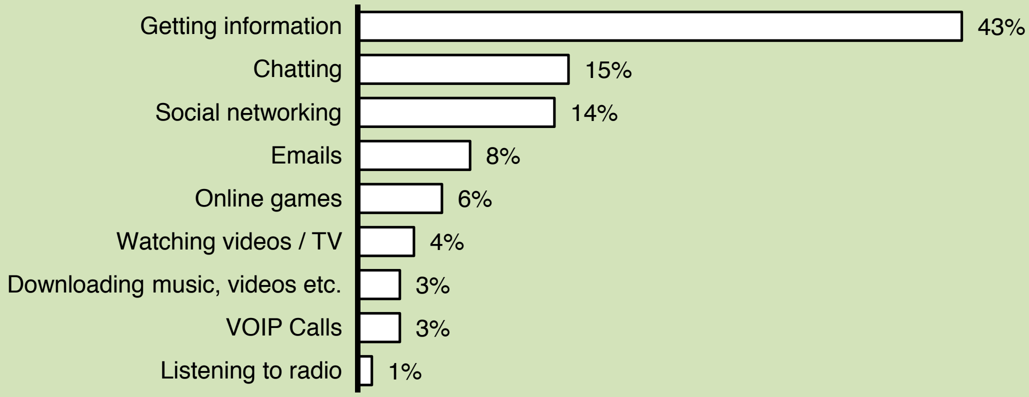
Note: Base: 1,625; All respondents who watch Arabic programmes
Source: The Nielsen Company

An analysis of the market research shows that the discrepancy in proportions between countries is due to several factors, including exposure to Western culture and command of the English language. For example, in Lebanon, where there is, generally, a strong understanding of English, as well as strong exposure to Western culture, the difference in quality between Arabic and English programming is more keenly felt, in favour of English programming. This is partly due to the fact that local productions are, typically, produced on low budgets relative to other markets, with only a small number of Arabic series produced on budgets over a few million dollars per series, compared to many imported US TV series which are worth several millions of dollars per episode. In spite of the discrepancies in budgets, the majority of audiences in the Arab Region believe that the quality of Arabic content is better than English language content, largely due to the closer cultural links and relevance to the audience of Arabic content. This leads us to believe that there is considerable potential to increase TV audiences and revenues in the region via an increase in the quality of local productions, given the extremely strong demand. If budgets and, therefore, quality of local productions were to increase to the level of foreign content, we could see remarkable growth in the value of those programmes.

Despite the prevalence of international websites in the region, there is a strong appetite for local content online

While Arab consumers are spending an increasing amount of time online, the market research suggests that the most popular activity for internet users in the region is ''getting information'' (i.e. news consumption), with 43% of respondents citing this as a common online activity.

Exhibit 125: Most Common Activities on the Internet in the Arab Region[1,2]

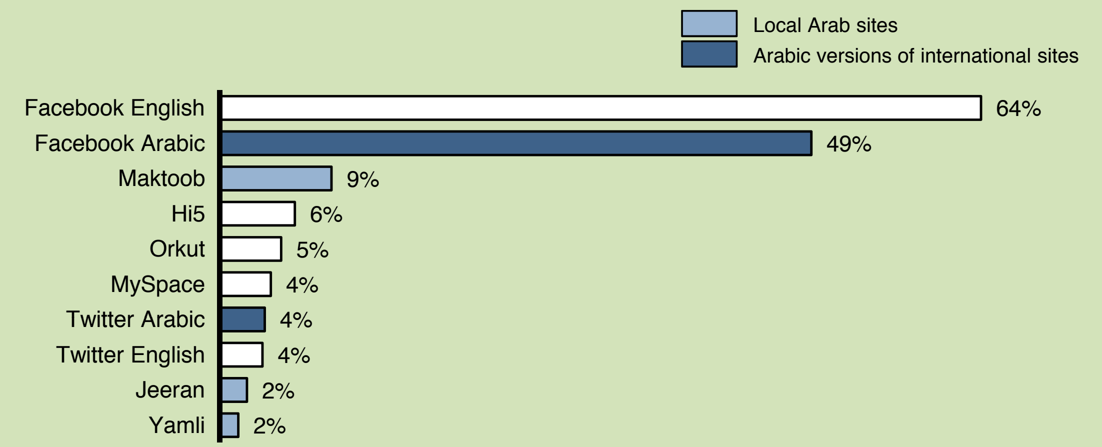


Notes: (1) This data represents a consolidated view of the market research in Egypt, Lebanon, Saudi Arabia and UAE
(2) Base: 1,810; All respondents
Source: The Nielsen Company

As demonstrated in the exhibit above, there is clearly a high consumption of online news in the region. In addition, in all four markets that we researched, we found that the vast majority of top news websites were local, with the number one websites for news being Masrawy in Egypt, Tayyar in Lebanon, Al Jazeera in Saudi Arabia and Gulf News in the UAE. Out of the top 10 most popular websites in these markets, around 7-8 in every country are either local websites or electronic versions of newspapers. This is noteworthy, suggesting that while international sites continue to gain the bulk of the traffic among Arab internet users, there is a strong preference for local sites in terms of news content. Although monetisation of all news websites in the region are hindered by the low availability of content, there is clearly strong demand for local sites over international ones for news consumption.

A breakdown of the most popular social networking sites in the region shows that while Facebook English is top of the list, Facebook Arabic is not far behind considering its relatively recent launch in 2009. Local site Maktoob manages to gain third position.

Exhibit 126: Top 10 Most Preferred Social Networking Sites in the Arab Region[1,2]

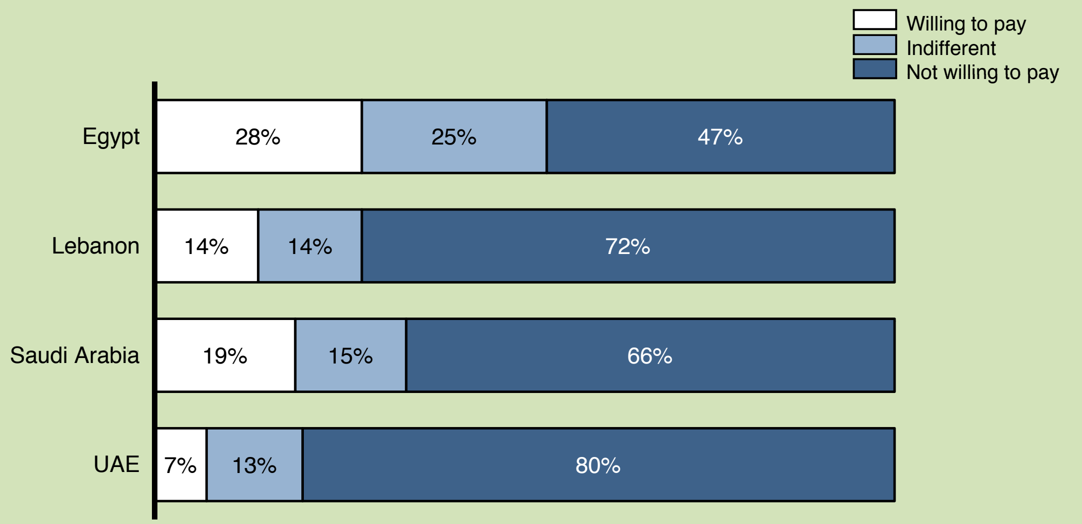


Notes: (1) This data represents a consolidated view of the market research in Egypt, Lebanon, Saudi Arabia and UAE
(2) Base: 1,246; All respondents who use social networking sites
Source: The Nielsen Company

This suggests that while international sites such as Facebook, Twitter and Hi5 have several advantages in terms of scale, brand image and being the first movers, the fact that local site Maktoob has managed to gain a wide following in the Arab world against such tough competition is a positive sign for local sites.

In addition, it is worth considering that demand for content on the web stretches, to some extent, to a willingness to pay for content online. The market research confirms that online shopping remains a rare activity in the region, with less than 1% of respondents in all four markets ever having made a purchase online. However, we also find that between 7%-28% of respondents who use the internet as a source for news are willing to pay for that content.

Exhibit 127: Willingness to pay for news content online



Note: Base: 520; All respondents who read news on the internet
Source: The Nielsen Company

While there are still a majority of consumers who are not currently willing to pay for content online, we expect this to grow substantially as the quality of online content improves in the coming years. Indeed, nearly 70% of the industry experts we spoke with feel that there is a future for charging for content online in the Arab Region. Furthermore, experience in other markets suggests that the current levels of willingness to pay for online content in the region are actually quite promising. This is explained by the fact that websites do not need to charge all their customers for all their content to operate a successful business model online, rather they could charge customers just for premium content, for which they would only require a small proportion of customers to pay.

While demand for local content is high, there remain several barriers to effective monetisation on the supply side

Effective monetisation of content on all platforms in the Arab Region is not only impacted by demand, but will require several actions to be taken by both industry and government players on the supply side too. For the print sector, the lack of auditing as common practice in most Arab countries has led to a market which is not fully transparent and, in turn, is hindering the potential for advertising revenues.

However, the sector does have significant growth potential in terms of diversifying its products, not only on new platforms but also in the newspapers themselves. One option to explore could be the concept of covermounts, which have been utilised in many markets as a method of increasing sales. For example, popular newspaper *The Daily Mail* in the UK has been using covermounts regularly since 2003, often offering DVDs of classic dramas as a promotional addition to the paper and they are thought to have gained an additional 100,000 copy sales per day as a result.[97] Although there has recently been some debate over the long-term impact of covermounts on sales in the UK, it is certainly a technique that could be explored in this region as a point of differentiation for newspapers.

Further monetisation of print content could also stem from diversification of news online. Although the majority of newspapers in the Arab Region operate websites, the content that is found online is, on the whole, exactly the same as the content found in print editions. We have seen from other markets that the websites which are able to monetise online content most effectively are those which have adapted their content to the online platform. Furthermore, successful online news content is, generally, more concise and more targeted than print content. From the market research, we found that Current Affairs, Sports and Politics are the most preferred newspaper topics among males, while Arts & Culture, Celebrity and Personal / Self-Improvement are more popular among females. Therefore, effective exploitation of a news website could involve ensuring that advertising is targeted around the key segment at which the content is aimed.

Finally, newspaper websites could further exploit the popularity and knowledge of bloggers in the Arab Region. One way of attracting users to newspaper websites could be through providing a section of the website dedicated to the aggregation of blogs. The benefits of this concept are two-fold. Firstly, the newspapers are providing an improved customer service to readers who save time by only accessing one website for all their news requirements. Secondly, bloggers could create a viral marketing campaign for the newspaper and its website. While a relatively small number of websites have adopted this strategy worldwide, some companies in the region have had some success by providing at least the opportunity for bloggers to interact with the website. For example, the CNN Arabic website offers bloggers the opportunity to send in their URL, as well as providing a dedicated blogging segment on the website one day per week. The initiatives not only increase the interest of bloggers in the website, but also enable CNN Arabic to gain useful leads for news stories. This is an opportunity that could be explored further in this region and expanded to newspaper websites.

[97] Mediaweek

In the TV sector, the monetisation of content faces slightly different challenges and opportunities. The fragmentation of audiences across almost 500 FTA channels, the lack of accurate and widely accepted audience measurement systems and the inability of satellite to offer targeted advertising are all contributing to an undervalued advertising market. Furthermore, pay-TV channels suffer from high levels of piracy in the region and strong competition from the FTA sector which place additional pressure on their ability to monetise content effectively. The opportunities for improving monetisation of original content on TV are, therefore, manifold. In order to boost the local content industry in the region, it is essential that some of the key obstacles are tackled, including:

- The introduction of accurate and widely accepted audience measurement systems
- Increased transparency in the media selling sector
- Further government efforts to tackle piracy
- Increased focus on advanced services and new TV platforms

These efforts will help drive an increase in advertising and subscription revenues, by improving both transparency and efficiency.

Monetising local content on the internet, meanwhile, remains a challenge for media companies globally, but in particular in the Arab Region. Although broadband penetration in the region is increasing significantly and consumers are spending more time online, advertising has not yet caught up with consumption trends. From an advertising point of view, the web offers several opportunities for cost-efficient campaigns, particularly given the ability of the online platform to offer targeted advertising. Web companies in the Arab Region are beginning to exploit this opportunity and we expect to see an increase in the number of Arabic websites targeted at specific demographic segments going forward. For example, portal Onousa has been particularly successful at targeting the female community in the Gulf and has managed to attract 0.5-1m impressions per month, as well as advertisers with female-oriented products. Furthermore, Onousa is currently in the process of testing a beta solution for 'behavioural targeting' which will enable them to serve their customers with adverts that are relevant to their individual interests. This type of innovation represents a major opportunity in terms of stimulating advertising in the online sector.

Another key factor in the monetisation of online content is the lack of credit and debit cards as a popular method of payment in the Arab Region. This makes the concept of charging for content online particularly challenging and will require significant developments in banking penetration and a move away from the 'cash culture' in the region.

Therefore, enabling improved monetisation of local content on all media platforms will take time and requires significant effort by both industry players and governments. However, it is a key element of the local content virtuous circle, without which investment into further content cannot be made.

3.2.2 Funding

Effective monetisation of content is one step in the targeted virtuous circle which, in turn, will enable increased funding of local content. The platform that suffers the most significantly from a lack of adequate funding for local content in the region is TV. As we have seen, the commercial players in broadcasting face many challenges with the monetisation of content, particularly with regard to advertising, which is preventing them from investing large sums of money in content. The solution for many, therefore, is to either acquire the content from third parties outside the Arab region, which is a much cheaper option (excluding the very high prices that can be paid for premium rights), or to produce / commission original content on low budgets. The quality of content, therefore, is limited to what is affordable within these low budgets. Furthermore, our interviews with key players in the Arab TV industry suggest that there is an element of wariness about spending significant amounts of money on local content because the returns on investment have not yet been proved, aside from a few exceptional cases. This is particularly true of the entertainment genre more so than drama, as broadcasters are inclined to spend significant portions of their budgets on local drama, particularly during the Ramadan season. For entertainment, therefore, importing and acquiring content from abroad is considered more of a 'safe bet' in terms of return on investment.

The introduction of the global format concept has dramatically changed the way content is funded

However, there have been some success stories in the creation of local entertainment content on TV and broadcasters are increasingly taking this type of programming more seriously. The case for producing local content was, in a sense, triggered by the relatively recent introduction of the 'format' concept into the global market and the success of the original international format that made it to the Arab world, *Who Wants To Be A Millionaire?* in 2000. Since then, many international formats have been brought to the Arab world and adapted for the local market, with varying degrees of success.

Exhibit 128: Local versions of international formats in the Arab Region (Non-exhaustive)

Format	Local Title	Distributor	Local Broadcaster[1]	
	Man Sa Yarbah al-Malyoun	2waytraffic	MBC	Aired one or more series between 2000-2009
	Super Star	FremantleMedia	Future TV	
	Star Academy	Endemol	LBC	
	Lo3bat Al Haya	Endemol	Al Hayat TV	
	XSeer Al Najah	FremantleMedia	Rotana	
	Fear Factor Extreme	Endemol	Al Hayat TV	
	Dragons' Den: Al Aareen	2waytraffic	Future TV	
	Man Al Ahaqq?	Endemol	Abu Dhabi TV	
	TBA	2waytraffic	ERTU	Upcoming series in Arab Region
	TBA	2waytraffic	ERTU	
	TBA	2waytraffic	Saudi TV1	

Note: (1) Series 1 if applicable
Value Partners analysis

While many of the programmes in the exhibit above have been success stories, others have struggled to take off in the same way as in other markets. As many broadcasters and production companies have pointed out to us, the key issue with taking an international format and adapting it to an Arab audience is ensuring a good cultural fit. Formats such as *Big Brother* and *Survivor,* for example, were unable to achieve large scale success in the Arab world, largely due to a mismatch between the aim of the show and the cultural values of its audience.

This notion is supported, for instance, by the fact that a format such as *Perfect Bride*, imported from Turkey, adapted for the local Arab audience by Signature Productions and aired on LBC has been a significant success for the channel. Turkey, with its close cultural ties to the Arab world, has been able to develop many formats that are readily transferable to the Arab TV screen by dealing with issues that are at the heart of both Turkish and Arab societies. The concept of adapting formats to local audiences is also, gradually, being transferred to drama. For example, in 2010, MBC is launching *Men Wanted,* a telenovela adapted from a Latin American format for its local Arab audience.

Interest and investment in local Arab formats is on the rise

Following the success of these large-scale international formats in the Arab world, local producers have significantly ramped up their interest and investment in developing original Arab formats based on the values and culture of the Arab world. While there have been some substantial successes in this area, an example of which can be seen in the exhibit below, it is still the case that extracting funding from broadcasters for such formats, particularly in the early stages of the show's lifecycle, remains a serious challenge.

Exhibit 129: Local formats: Million's Poet

Million's Poet: The concept

- *Million's Poet* is one of the most popular primetime shows in the Middle East – a talent show where contestants from all over the Arab world compete for the title of best Nabati poet
- The show launched its fourth series in December 2009 after three successful years of the programme, as well as its sister show *Prince of Poets*
- *Million's Poet* represents a part of the effort by the Abu Dhabi Authority for Culture and Heritage (ADACH) to promote Nabati poetry, a major part of the cultural heritage in the Gulf and the wider Arab Region
- The winner is selected through a combination of audience votes and the judges' decisions as the contestants battle through several rounds over the course of the series; it also includes an accompanying musical segment, during which top Arab singers and musicians are featured each week, another highly respected art form in the region

Key players

ABU DHABI TV	ABU DHABI AUTHORITY FOR CULTURE AND HERITAGE	PYRAMEDIA
Broadcaster & media partner: Abu Dhabi TV	**Funded by:** Abu Dhabi Authority for Culture & Heritage	**Current producer:** Pyramedia

The result

Million's Poet has been one of the highest rating shows on Abu Dhabi TV since its first season

The show is a prime example of how the concept of a live talent show can be successfully tailored to the local Arab audience, in keeping with local traditions and tastes

Source: ADACH, Pyramedia, Value Partners analysis

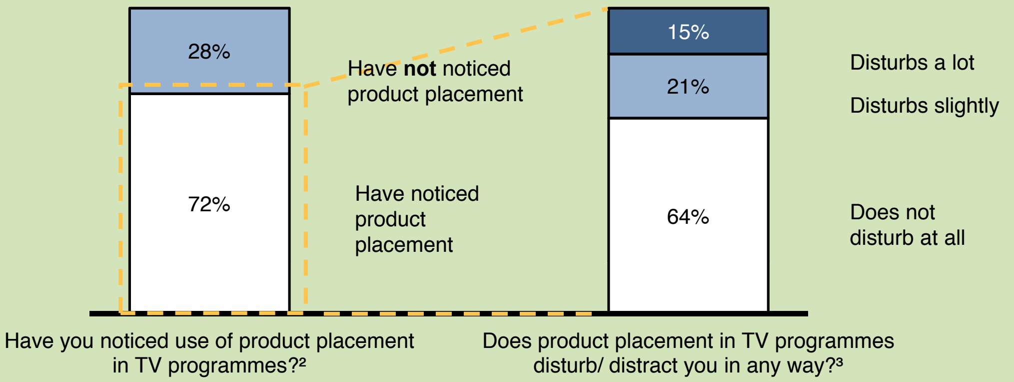
While there have been other similar success stories in the entertainment genre, particularly with talkshows such as *Al Qahira Al Youm,* one of the most popular shows in Egypt, it is clear that funding this kind of programming continues to pose a challenge. Indeed *Million's Poet* itself is fortunate enough to have the backing of ADACH, whereas many other potentially strong formats are unable to find the funding, with broadcasters' pockets often being emptied by drama series and rights to foreign shows.

Alternative funding methods are becoming increasingly popular

As we have seen, broadcasters and producers in the Arab world face several challenges in terms of sourcing funding for local content productions, particularly for a new concept in its first season. As a result, a significant proportion of many productions, particularly in the entertainment genre, are funded by sponsorship for at least their first season. In addition, there are several alternative funding methods that have begun to be explored in the region and which we believe will become increasingly popular over the next five years.

Firstly, since traditional spot advertising is not currently generating adequate levels of funding for quality local content production, many players have turned to product placement. The concept of product placement has been present in the global media industry for many years, particularly in the US film industry, and is becoming an increasingly popular method of funding Arabic TV series. A notable example is the Saudi primetime comedy series *Tash Ma Tash*, which has been broadcast daily during Ramadan since the early 1990s, originally on Saudi TV1 and more recently on MBC. *Tash Ma Tash* has featured a large number of brands, including dairy products, airlines, fast food chains, and most notably Saudi chicken fast food chain Al Tazaj, integrated into the show. Al Tazaj has, reportedly, signed a multi-year agreement with *Tash Ma Tash* whereby it provides investment in return for being featured as part of the show. Product placement is an essential source of funding for TV content which could be exploited further by content providers in the Arab Region. Indeed, as the exhibit below demonstrates, the market research shows that while many Arab viewers are on the whole aware of product placement in programming, the vast majority do not feel that it distracts them for the TV viewing experience.

Exhibit 130: Impact of product placement on TV viewing experience in the Arab Region[1]



Notes: (1) This data represents a consolidated view of the market research in Egypt, Lebanon, Saudi Arabia and UAE
(2) Base: 1,810; All respondents who watch TV at least once a week;
(3) Base: 1,307; All respondents who noticed product placement in programming

Source: The Nielsen Company

The fact that over 70% of TV viewers have noticed product placement in programming, and yet only 15% are actually significantly disturbed or distracted by it suggests a significant opportunity for producers in the funding of TV content.

Secondly, advertiser-funded programming (AFP), a form of branded entertainment, is another method of funding programming that has potential to stimulate the growth of the local content industry. AFP has been increasing in popularity all over the world. TV production companies, broadcasters and advertising agencies are increasingly introducing dedicated branded entertainment divisions units to try and find new ways of funding programmes, particularly as a result of the reduced revenues from spot advertising since the global economic crisis. In many regions, AFP has had a slow start, with communication barriers between brands, advertisers, production companies and broadcasters making the process of producing a show that satisfies all four parties a challenge. In the Arab world, we have already seen several examples of AFP, such as *Pepsi Football Street Challenge, Pepsi Stars* and even *Hydra Executives,* which was funded by real estate company Hydra Properties. Advertising agency Starcom Mediavest is among those that have recently established branded entertainment divisions, and have contributed to a variety of advertising-funded projects, such as *Because Health is Beauty,* a segment of MBC's morning show *Al Sabah Al Khair Ya Arab,* in the exhibit below.

Exhibit 131: Advertiser-Funded Programming: Because Health is Beauty

Because Health is Beauty: MBC & Sensodyne

Brief:
- Sensodyne appointed core Branded Entertainment, division of Starcom Dubai, to enhance its brand through an interactive discussion with its customers

Format:
- Sensodyne funds a 5-10 minute segment of MBC's morning show, *Sabah Al Khair Ya Arab*, produced in-house by MBC for 10 weekly episodes per season
- The segment airs between 11am-1pm on Saturday mornings (KSA)

Season 1:
- Aired Dec 2008-Jan 2009
- Involved a dentist discussing a different dental health topic in each episode, with Sensodyne branding in the background

Season 2:
- Airing Dec 2009-Jan 2010
- Involves a dental makeover and a discussion on dental health entitled *Because Health is Beauty*
- Has a more personal feel with less overt Sensodyne branding:
  - Part shot on the couch for a more intimate setting
  - Interactive element with viewers applying for makeover online
  - Branded tickers conveying dental tips from Sensodyne
  - Opening and closing bumpers

Sensodyne on _Sabah Al Khair Ya Arab_ (S1)

Benefits to all players

- MBC gains an informative and entertaining segment for its morning show which is fully funded by Sensodyne
- Sensodyne is able to interact with its customers on a more human level than can be achieved through traditional spot ads
- Starcom Mediavest is providing its client with an innovative method of reaching consumers which incorporates digital platforms and interactivity

Source: Starcom Mediavest Group – MENA

AFP provides a significant opportunity as an alternative method of funding local content and we expect the interest in this concept to grow in the coming years.

New revenue streams are being explored by rights owners which will help fund future content development

It is not only through alternative means of funding, but also through exploring new revenue streams that content providers in the Arab world can continue to boost the local production industry. Ancillary revenues from rights exploitation are one of the key profit drivers for TV companies in other markets and, in turn, are able to drive the development of new content. Brand extension via merchandising and licensing is becoming more common in the Arab world, but there are plenty of further opportunities which we expect to see exploited in the future. *Freej*, as explored in the exhibit below, is a prime example of a TV programme that has successfully developed multiple revenue streams, to the extent that today 48% of their total revenues are derived from sources other than broadcasting and sponsorship.

Exhibit 132: Brand Extension: Freej

Freej: Lesson to be learnt on local content

- *Freej* is a pioneering local production that tells a success story for local content, both on air and via brand extension
- Created by Mohammed Harib at Lammtara Pictures, *Freej* is a 3D animated series which started out as a self-funded pilot in the UAE. Unable to get broadcaster funding for the pilot or the first three series of the show, Harib attached a major sponsor, telecom operator du, to fund the show's production
- Today, with the three year sponsorship deal drawing to a close and a fourth season of the show in production, the show has grown to such a size and popularity that the brand has multiple sources of revenues:
  - Merchandising range that has grown to be worth around 20% of the company's total revenues
  - Other ancillary revenues from theatre productions, a theme park and even character appearances
- Simultaneously, *Freej*'s audience on Sama Dubai has grown year on year, from a rating of 16.4 in Season 1 to 54.4 in Season 3 – it has been Sama Dubai's number 1 show during Ramadan every eason
- Season 4 is scheduled for transmission in Ramadan 2010

Examples of brand extension

- Theatre productions in English and Arabic

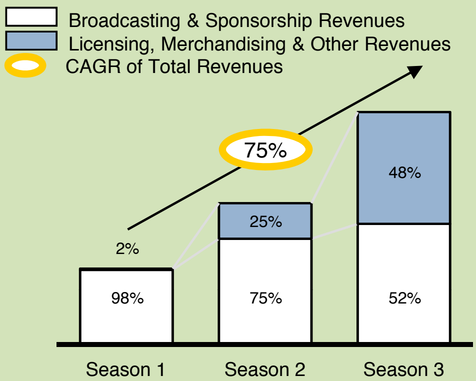
- Merchandising range of 25 licencees, 400 product lines

- Character appearances

- Theme park

- DVDs

Evolution of *Freej* revenues Season 1-3



Source: Interview with Mohammad Harib

Similarly, digital platforms are playing an increasingly important role in the development of ancillary revenues. As we have seen in other markets, production companies today are beginning to pitch 360 degree proposals to broadcasters and many new programme ideas are now developed with digital platforms in mind. Interviews with industry professionals suggest that many of the larger scale programmes airing on the major pan-Arab channels today have their own dedicated websites and the concept of revenue sharing between producers and broadcasters on those sites is growing in trend.

Another brand extension opportunity which has recently been introduced into the Arab world is gaming. Gaming is forecast to be the biggest growth area of the media industry worldwide and is proving to be a significant revenue generator for media companies all over the world. We believe that the gaming industry also has significant potential for growth in the Arab world. In August 2009, Abu Dhabi Media Company and Gazillion Entertainment signed an agreement to create the region's first Massively Multiplayer Online Game (MMOG)[98] studio in Abu Dhabi, in an attempt to develop the path towards creating content in Arabic for the Arabic gaming market. The first game to be launched by the studio is an Arabic-language MMOG based on the popular TV character Majid and further games are said to be in the pipeline. While the Western world may thrive off subscription models for online gaming, the Arab world can learn from the model adopted in many emerging markets, which have been successful in spite of high levels of piracy and low internet penetration: that is, providing games for free and successfully generating revenues from both advertising and, in particular, micro-transactions. As broadband penetration increases, we expect

[98] MMOG (Massively Multiplayer Online Game) is a video game capable of supporting thousands of players simultaneously

to see strong growth in this sector, which will support the generation of revenues for the local content industry.

On a longer term basis, a sign of real development in the local content industry would be for locally developed formats to be sold internationally. We have even seen already small steps in this direction, with locally developed Endemol format, *The Manager*, which aired on Rotana Music for the first time in 2009, being picked up by its international arm Endemol Worldwide Distribution.

Exhibit 133: Local Format: The Manager

***The Manager:* Overview**

Synopsis

- *The Manager* is a talent show centred on what it takes to support, promote and drive music talent to the top
- Instead of focusing on the artist, teams compete to turn an unknown musical talent into a super star within just a few weeks

Local Impact

- *The Manager* was devised by Endemol Middle East and sold to Rotana Mousika in 2009
- It had the highest ratings on Rotana Mousika for several years
- Endemol are currently in talks with LBC / Rotana on a second season

International Impact

- The format has been picked up by Endemol Worldwide Distribution who are in discussions with several broadcasters in international markets on potential format licensing deals

***The Manager* on air**

- The format is an example of how a concept originally developed and produced in the Arab world can be of potential interest in international markets
- As the quality of local Arab programming continues to improve and formats are increasingly developed with international markets in mind, we expect to see formats being exported from the region on a larger scale

Source: Endemol Middle East

Although it is perhaps more of a long-term goal for local Arab formats to regularly travel internationally, there is no reason to suggest that those countries which have similar cultures to the Arab world, such as Turkey, should not be importing Arab formats in the future, rather than the other way around. Indeed, it could eventually be key to the sustainability of the local content market by bringing in new sources of revenue.

In the meantime, we could expect to see more innovative types of production in the region. For example, the relatively recent trend of dubbing Turkish content into Arabic that was pioneered by MBC on soap operas has had huge success. In particular, Turkish drama *Noor* has proven very successful for MBC, not only on TV but also on digital platforms, to the extent that it has even been greenlit for a feature film version. Dubbing of foreign programming, although not strictly 'local' content, is an example of an innovative production technique that has contributed to generating value for the industry.

Governments also have a vital role to play in providing funding for some aspects of the content industry

Finally, governments have a key role to play in providing funding for the stimulation of the local content industry. Arab governments are taking increasing interest in supporting funding of the media industry, with several initiatives, particularly for film, having been launched in the last few years. Notable examples include the Abu Dhabi Film Fund, which was launched by ADACH in January 2009 with the objectives of assisting the development of the Film and TV industry in Abu Dhabi, nurturing new talent and contributing to the promotion of Arab culture through film. Similarly, the Royal Film Commission in Jordan was developed with the aim of establishing a competitive film industry in the country by offering education and training for aspiring professionals, providing logistical services to producers and organizing thematic screenings throughout the year to enrich the film culture in Jordan.

There are also opportunities for governments to boost funding of the online media sector in the region and an essential part of that is about creating the right cultural environment for entrepreneurs to succeed. The best global example is leading high-tech hub Silicon Valley in the US, home to a large number of cutting-edge entrepreneurs, engineers and venture capitalists. The growth of Silicon Valley was, in part, fuelled by the emergence of the Venture Capital industry which has enabled many internet companies to start up. Even in the Arab world, Jordan has built up an industry of internet start-ups as a result of a combination of factors. Firstly, King Abdullah II's reforms at the beginning of the decade to help turn Jordan into the high-tech capital of the Arab world by focusing on ICT in the education system have enabled Jordanian universities to produce 6,000 ICT graduates every year and develop into a knowledge economy. The Jordanian government has strongly supported the sector and heavily invested in ICT over the past few years, contributing strongly to its growth. Secondly, Jordan has traditionally shown a higher tolerance than many Arab countries for the media and the internet, including for the blogging industry, which has played a vital part in stimulating interest in the web. Finally, the number of venture capital funds which have been attracted to the country, are contributing significantly to funding of the online sector. Today, the country has more internet start-ups than other country in the Middle East and operates a model that could be imitated by other Arab nations hoping to stimulate the online industry.

3.3.3 Talent

A knowledgeable and experienced talent base is one of the most important foundations for a successful local media industry. It is also one of the areas that industry players most commonly struggle with. In fact, a staggering 98% of the Arab media professionals that we spoke with felt that talent availability is affecting the creation of quality local content. The issue of talent is one which is affecting all sectors of the Arab media industry, from finding quality journalists for newspapers to putting together a top production crew for a movie, and presents challenges on many different levels.

Education and training are key to developing the local media talent pool

The first issue to address regarding media education and training, is the quality of media courses on offer in Arab education systems. The Arab Region has advanced considerably in terms of the number of journalism courses available to young people, to the extent that many Arab universities offer journalism courses today. However, in order to encourage the quality of local journalism even further, there is some potential for increasing the scope and breadth of these courses. One area of focus could be to emphasise the importance of language in journalism. In North Africa, for example, the majority of journalism courses are offered either only in Arabic, or in a combination of Arabic and French. Meanwhile, in the Gulf, journalism programmes have traditionally been taught in Arabic. While it is, of course, essential that the Arabic aspect of any university course is taken very seriously, adding an English element to some of these programmes could help highlight the important role that the language plays in global journalism and enable students to access a far wider coverage of news. Being multi-lingual could also broaden the ability of aspiring journalists to gather and analyze accurate information from all over the world. While a few universities have begun to adopt American models, with the pre-requisite of following courses in English, extending this practice to other institutions could have a positive impact on the skills of journalism graduates.

Furthermore, widening the curriculum of journalism courses in the Arab world could also play in role in improving the breadth of knowledge of young media graduates. For example, recent meetings held by UNESCO[99] in Morocco and Bahrain focused on the importance of quality journalism education to help emerging markets find a voice through media. Suggestions for additions to the curricula of Arab journalism courses included the integration of human rights content into some educational modules, the inclusion of the subject of ethics in all courses and a focus on national media laws. The suggestions could have a positive effect on the quality of journalism education in the region and was well received by the GCC countries which renewed their commitment to adapt fully, or partially, to UNESCO's model curricula.

There is a secondary factor which compounds this situation at a university graduate level, which is that the industry has not yet managed to build up a positive, aspirational image for itself. While in some markets, the media industry has developed a strong, and even glamorous image, in many Arab countries media continues to be regarded as a fairly insignificant industry. This is perhaps partly due to the fact that in financial terms, the majority of jobs in the Arab media industry do not offer the same salary levels as many other industries (e.g. the public sector). While in the West, this issue is countered by the positive image of the industry that attracts top talent in spite of the lower pay packages, in the Arab Region the industry is not yet able to provide that. This presents several challenges for the industry in attracting top quality talent right from the early stages of their career.

After education, the second key element in the development of the media talent pool is training. This is, arguably, the area that could benefit the most from increased focus in the Arab Region. Training talent can take many forms, ranging from dedicated training courses at media institutions to offering work experience schemes within media companies, and even knowledge exchange through partnerships with international companies. Although in recent years we have seen an increasing number of all three types of training emerging in the Arab world, there is still plenty of room to further develop the talent pool in this way. Selected examples include the Al Jazeera Centre for Training & Development which trains young aspiring journalists in Qatar, the internships offered by UAE production company Pyramedia for creative talent and the upcoming training school in Jordan Media City.

We are also seeing increased participation by international experts in the training of media professionals in the region and an increased interest by International Media Support (IMS) in the region. For example, in October and November 2009, IMS held a training course for journalists in Northern and Southern Sudan on the professional and ethical reporting of elections, ahead of the upcoming Presidential and Parliamentary Sudanese elections in April 2010. Similarly, Arab Reporters for Investigative Journalism (ARIJ), which is supported by IMS, organized a major conference in Amman in November 2009 to engage Arab reporters and editors in investigative journalism. The first manual for investigative journalism tailored for the Arab Region, entitled *A Story Based Inquiry* was launched at the conference in three languages, Arabic, English and French, to enable wide distribution. These developments suggest positive steps for the journalism talent pool, encouraging participation and interaction with international media experts and a thorough understanding of the key elements of quality journalism.

There is also potential for large scale talent development projects, such as twofour54's tadreeb training academy, which is a long-term project to grow the Arab media talent pool.

[99] United Nations Educational, Scientific and Cultural Organization

Exhibit 134: Training Academies: twofour54 tadreeb

twofour54 tadreeb

•twofour54 was established in Abu Dhabi in October 2008 with the aim of creating a community for Arabic content creation in the media and entertainment sector

•twofour54 is creating a cohesive infrastructure for content creation companies in the film, broadcast, digital, print, gaming, animation and music industries

•twofour54 tadreeb is up-skilling and re-skilling media professionals in the MENA region through international standard, industry skills training

•twofour54 tadreeb leverages its regional and international training partners, including the BBC, Thomson Reuters Foundation and Thomson Foundation to deliver international best practice

•twofour54 tadreeb currently offers over 200 courses in Arabic and English, as well as the option to create bespoke workshops for media businesses. Plans are underway to add a number of new course offerings including animation, gaming and several specialised media industry courses

•twofour54 tadreeb is flexible in its approach – training and coaching programmes can be delivered at their facilities in Abu Dhabi or at a client's premises anywhere across the region

•In 2009, twofour54 tadreeb put over 800 media professionals from 27 companies, through more than 1.4 million man hours of training, spanning 55 courses; around 30% of these students came from outside the UAE

•The academy provides a good benchmark for other potential media training institutions in the Arab world, providing advanced facilities and international media experts on its courses

twofour54 tadreeb Fact File

Launch: April 2009

Aim: To develop the media and content creation talent pool across the MENA region

Courses offered:
Variety of courses across all sectors:

- Television
- Broadcast technology
- Radio
- Journalism
- Media business
- Digital media

While twofour54 tadreeb is a prime example of a positive effort made by an Arab government to stimulate the local media talent base and, in turn, promote the creation and exploitation of local content, there are many more opportunities for developing the regional talent pool in other parts of the Arab world. The development of Arab media talent, which will help generate quality local content, is a key element of the targeted local content virtuous circle.

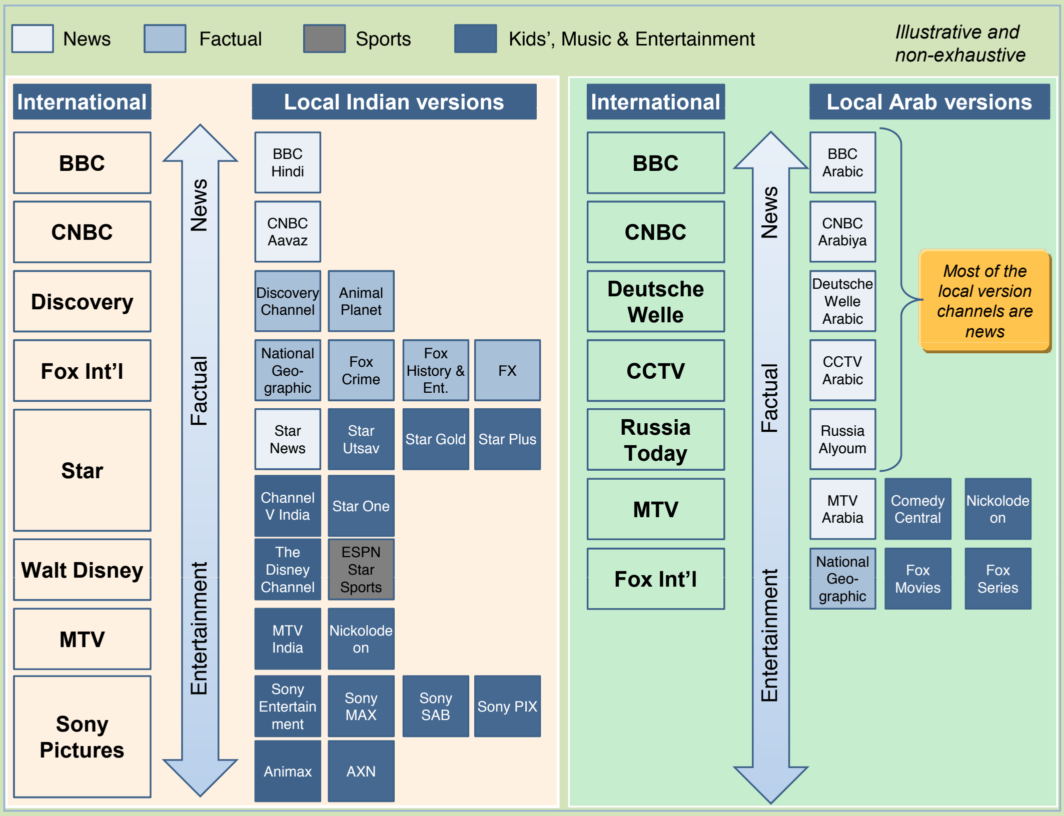
International companies and professionals can play an important role in helping to grow the local talent base

One route which has had success in almost every industry, including media, is the importation of knowledgeable and experienced talent from other parts of the world in order to transfer knowledge and stimulate interest locally. This has been seen in parts of the media industry as well and is evident not only in the form of individuals re-locating to work in local Arab media companies, but also through the setting up of international companies in the region. For example, the print sector has seen the successful introduction of Middle East versions of international papers, as well as many international journalists working on local papers and helping the industry to grow. However, there are further opportunities for the introduction of foreign media companies into the region which could help generate growth.

The broadcasting sector, for example, has had relatively little interest from international companies compared to other emerging markets. One way of growing expertise, talent and, eventually, content, is for local channels and production companies to partner with international companies. This could be in the form of co-productions on the production side and channel partnerships on the broadcasting side. We have recently seen a number of local versions of international channels, particularly in the genre of news, launching in the Arab Region. However, when compared to a market like India, as seen in the exhibit below, we discover that there are further opportunities for attracting international broadcasters to the market.

Exhibit 135: Local Versions of International Channels (Non-exhaustive)

- The Indian TV industry has developed numerous partnerships with international broadcasters to launch local versions of their channels, with many channels now available in Hindi
- Some Arab media companies have partnered with international broadcasters to create local versions of international channels, but there is room for further growth, particularly in the entertainment genre



Source: Value Partners

The Hindi TV industry has seen the entrance of multiple international players over the last ten years – most notably, Sony Pictures and News Corp's Star TV. The Arab Region does appear to be gradually attracting more interest from foreign players, for example with News Corp's potential 10% stake in Rotana announced in December 2009. This interest, however, has plenty of potential for further growth and could be increased by the offering of further incentives to foreign companies for setting up in the region.

Incentives and competitions also play a role in creating awareness and interest in the industry

In addition to education and training, it is worth noting the value that well publicized competitions and award institutions can add to generating interest in an industry. In the Arab world, the journalism industry has seen growth in the number of such institutions which are playing a vital role in maintaining interest in the sector, such as the Arab Journalism Awards, and The Times Middle East Journalism Awards. Similarly, other incentives targeting industry players have a role to play in encouraging quality of productions. For example, during Ramadan 2009, Dubai Media Inc. offered a cash award of US$1 million for the best Arabic drama production to be featured during the period on the Dubai TV and Sama Dubai channels.

This concept is also being rolled out to non-professionals, which is key to encouraging entrepreneurialism in the media industry. For example, sectors which have traditionally had much higher barriers to entry than journalism, such as film production, are now being very much encouraged by grass roots initiatives such as the Abu Dhabi Film Commission's short film competition launched in 2009. Further examples in the region are examined in the exhibit below.

Exhibit 136: Arab media competitions open to non-professionals (Non-exhaustive)

"Calling All Innovators – Bil3arabi", Nokia	• In 2009, Nokia opened a competition to all mobile and web application developers and individuals to submit entries for Arabic content in any category within Ovi Store (Applications and Widgets, Video, Personalization, Games, Audio, Flash & Active idle widgets) • The $100,000 prize went to "Here I am" from Enpronomics in Egypt. It is a geo-presence application with personal safety features that enables users to call for help in emergencies, share their location with family, close friends and know the location of their beloved
Dubai International Film Festival	• Part of DIFF's mission is to "nurture and develop local and international talent, accelerating and fostering growth of the industry, while also providing an invaluable cultural benefit to the people of Dubai and the UAE" • The festival has grown from presenting 76 films in 2004 to 181 in 2008, gaining significant growth in attendance of key international and regional filmmakers and industry professionals • Prestigious awards are offered for Arab filmmakers in a range of categories, including documentaries, feature films and shorts
"Arabisk", Kalima Press	• Arabisk is a competition launched in 2009 to select the best Arabic blogs, written in the Arabic language and in the Arab region • The contest is being organized by Kalima Press and its owner Mohammad El Sahli, who describes himself as the first Arab full-time blogger • The competition is to be an annual event and in its first year focuses on specialized blogs – that is, blogs that focus on a certain subject. There will therefore be prizes for the best specialized blog as well as the best general or personal blog

Such government and private sector initiatives to encourage interest in the media industry and a sense of entrepreneurialism among young people in the Arab Region are vital to stimulating the media talent pool. These efforts, coupled with increased investments in both education and training of media professionals, could contribute to creating a healthy talent pool to complete the virtuous circle of developing the local Arab content industry.

3.3.4 Technology

While monetisation, funding and talent are all key triggers in the local content virtuous circle, there are two further areas that must be addressed if the circle is to succeed: technology and regulation. As we have seen in Section 1, the media industry is intrinsically linked to developments in technology. The clearest example of this is the development of broadband that has completely changed the way media is consumed on a global scale. For all media players, the emergence of broadband will have a long-term impact on their business, even if it has not yet been felt significantly in all parts of the Arab world. For print companies, broadband is offering a secondary platform to reach readers, as well as an alternative source of information; for the TV sector, there are brand extension opportunities from broadband, as well as a new distribution platform providing VOD; indeed, the online media sector has developed out of nothing, as a result of broadband, to the fastest growing media platform in the region.[100] For the local content industry to have a long-term and sustainable future, therefore, it is essential that the region achieves the right level of infrastructure in the areas of both access and backbone, as well as international capacity. Ultimately, the region should be targeting high-speed quality broadband access on a ubiquitous basis, which is not yet the case.

Broadband access on mobile presents another area of opportunity, for which the region already has some solid foundations. The Arab Region boasted average mobile penetration of 74% in 2009, strong take-up of mobile broadband in markets such as Saudi Arabia, and some significant advancements, particularly in the world of Mobile TV. The gap in the region lies in the exploitation of mobile content, with content revenues for mobile operators currently very low compared to their international counterparts. However, the recent introduction of the iPhone in the region and the high proportion of smartphones now available are contributing to a rise in mobile content revenues which is expected to continue.

For the TV sector too, technology is advancing at a fast pace. New TV platforms, such as IPTV in selected markets, and DTT in North Africa, are paving the way for new services. The new generation of set-top boxes which include advanced features such as Personal Video Recorders (PVRs), searchable Electronic Programme Guides (EPGs) and, of course, access to High Definition (HD), are key to helping generate value from the content industry. These features are particularly important for the region, where the previous set-top boxes were developed prior to the internet age. Furthermore, progress in technology is contributing to the fight against piracy, whereby pay-TV operators in the Arab world are launching a new generation of anti-hacker technology in their set-top boxes in 2010. All of these new features will support the growth of the content industry by providing improved technological platforms.

Going forward, the advances of many of these platforms and services will be dependent on continued, and in some cases increased, government investments in broadband infrastructure. Governments around the world have been taking several measures to ensure rollout of broadband and the Arab world is also making significant progress in this respect, particularly in the Gulf countries which are leading the way in high speed broadband. Bahrain, for example, has plans to develop a universal service broadband policy, while in the UAE, Etisalat has reportedly achieved full FTTH network coverage in Abu Dhabi, with plans for universal coverage. National Broadband Policy from Arab governments is a key part of this investment in broadband infrastructure and is necessary for several media industry developments.

[100] Based on forecast growth of advertising revenues 2009-2013

3.3.5 Government regulation

From a regulatory point of view, the content industry in the Arab world presents many challenges, not least due to the fact that media is consumed on a pan-Arab basis over several countries that are regulated by different governments. However, we are seeing some significant advances in regulation in some countries on a micro level and there is an opportunity for Arab governments to learn from best practice examples among neighbouring countries in order to improve regulation across the board.

Piracy regulation and enforcement is key to ensuring growth of the local content industry on all platforms

One key aspect of regulation that must be addressed for the local content industry to survive is piracy. Many steps have already been taken to tackle piracy by local governments, encouraged by industry-wide bodies like the Arabian Anti-Piracy alliance, but the industry is still a long way from eradicating this problem.

Exhibit 137: Middle East Anti-Piracy Initiatives (Sample)

Country	Anti-Piracy Developments
• Bahrain	• The Ministry of Information has carried out 19 raids and 26 arrests relating to piracy since February 2008, including seizure of 1,501 illegal decoders and 105 blocked servers
• Jordan	• In 2008, the Jordanian government established an IPR division within the Jordanian Police , as well as an IP division at the Customs Department
• Kuwait	• In February 2008, the Ministry of Information ordered all ISPs to block all Torrent sites • Since then, over 380 sites have been blocked, and 4 ISPs
• Lebanon	• Lebanon has created a special IPR Police unit, which came into operation in March 2006
• Morocco	• The US-Morocco Free Trade Agreement came into force in January 2006 • Rights holders suggest that a review of the Morocco Copyright Act, which was amended in 2005, revealed some significant compliance issues with the FTA
• Saudi Arabia	• The Saudi Ministry of Culture and Information (MoCI), in collaboration with the Ministry of Commerce and the Ministry of Finance, enforced a nationwide ban on set-top boxes that can be used to access encrypted services illegally in April 2009 • In the last two years, authorities have cracked down on piracy, carrying out 130 raids and banning over 2,000 illegal decoders
• UAE	• The UAE has seen over 70 raids since the beginning of 2008, as well as over 5,000 decoders seized and nearly 150 illegal sites blocked • In 2009, UAE authorities tightened restrictions targeting illegal distributors of Indian pay-TV operator Dish TV's services in the country, reiterating that violators will face criminal charges

Source: IIPA, Arabian Anti-Piracy Alliance

As demonstrated in the exhibit above, anti-piracy measures are increasing significantly across the Arab Region, particularly with the creation of IPR divisions to enforce copyright protection and with the increasing number of raids on illegal providers. However, there needs to be significant progress on this front for the content industry to have a sustainable future.

Other markets have successfully stimulated the local production industry by imposing mandates for local and private sector production

For the TV industry, experience from other markets suggests that one way to stimulate quality local production and healthy competition is through the introduction of mandates for local content output. The European Union states, for example, operate under the *Television Without Frontiers directive*[111] which requires European TV channels, where practicable, to reserve at least half their broadcasting time for films and programmes made in Europe. The requirement reflects concerns that American productions will otherwise control a majority share of the European audiovisual market. In addition, the EU's Media policy helps to ensure expansion of Europe's film and TV quality output by providing financial support. The Media programmes started in 1990, with the current one running from 2007 – 2013 and operating a total budget of around $1 billion[112]. As well as pan-European mandates, individual countries have also been seen to impose quotas for 'local' (i.e. national) productions. France is a prime example, requiring that television stations maintain a minimum of 60% European content, with 40% of that being original French programming.

Beyond Europe, too, there are local content quotas for television in a range of countries such as Canada, South Africa, South Korea, China and Brazil. These have proved to have a significant impact on the local content output of the relevant countries and could be adopted in a similar manner in the Arab world. In particular, it could be beneficial for Arab governments to consider implementing quotas on two levels. Firstly, quotas could be considered on a regional level for the production of Arabic content through region-wide collaboration in a similar manner to the European Union. Secondly, since the majority of 'local' content comes from two to three major production markets which serve the entire Arab Region, individual Arab countries could apply quotas for national productions in order to boost the content industry within those countries. Of course, it is essential that several considerations are taken into account for the implementation of such regulations, such as ensuring that quotas are realistic, practicable and to be achieved by broadcasters progressively over a period of time. The concept should be considered as a long-term solution to enhancing both the quality and quantity of local content output in the region.

In some countries, this concept is taken one step further, with the introduction of mandates for private sector production. In the early stages of a content industry, it is usual for broadcasters to act as the providers of the majority of content via in-house production units. This, therefore, is similar to the situation that we see in the Arab world. However, the introduction of quotas for production by independent companies introduces more competition to the market which, in turn, has the effect of improving production values and leading to a better quality of content. The most notable and successful example of stimulating a content industry in this way is the UK market, which has one of the most vibrant and competitive production industries in the world.

[111] The Television Without Frontiers directive is currently being replaced by the new Audiovisual Media Services directive, but no significant changes to local content quotas are expected to be included

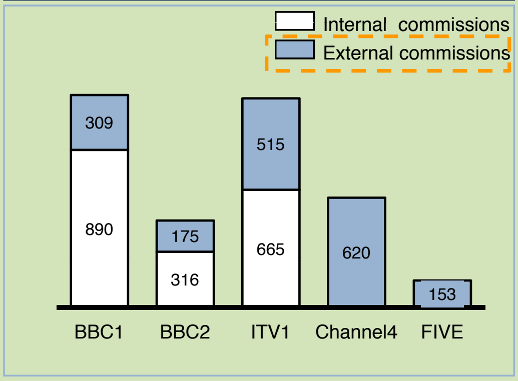
[112] European Union

Exhibit 138: UK Public Service Broadcasting Quotas

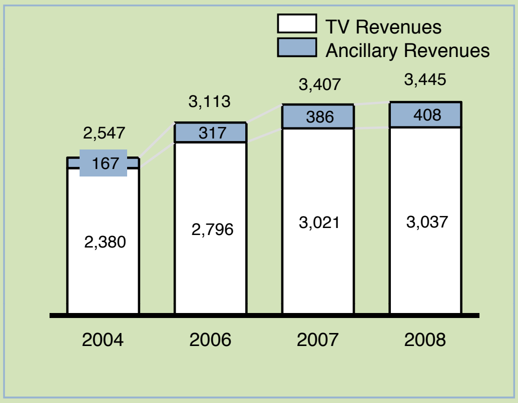
Overview & Impact on Production Sector

- In the UK, quotas are placed on Public Service Broadcasters to meet certain public service standards, one of which revolves around original productions – i.e. broadcasters must commission a certain number of productions from independent producers
- The mandate is designed to maximise TV production in the UK by maintaining investment in content, as well as enhancing the experience of the audience
- Quotas are set at different levels, depending on the broadcaster, and apply separately to peak viewing times
- In 2008, all channels exceeded their quotas, mostly by wide margins. The majority of production today comes from independent production, constituting over 90% of programmes in peak time on BBC1, BBC2, ITV1 and S4C
- The quotas have not only been a success in terms of creating a healthy and competitive production sector, but the UK today is also one of the biggest exporters of content in the world, allowing production companies to generate significant revenues from ancillary activities

Spend on first-run commissions[1], UK 2008 ($m)[2]



UK TV Production Sector Revenue ($m)[2]



Notes: (1) First-run network commissions include news and sports rights
(2) Converted from GBP at December 2009 exchange rate
Source: Ofcom

This method of supporting the generation of a healthy content production industry is one that could work well in the Arab world.

Governments could also explore offering incentives to foreign companies for local investments in media

One route for governments to act in order to support growth of the local content industry would be to attract further interest from foreign companies. This concept is applicable to all sectors of the industry, but in different ways. We have already seen the efforts that many Arab governments have made by setting up media zones that offer tax and other incentives. However, there are many other aspects of the local media industry that would benefit from the introduction of more international companies in the region.

The region's TV industry could benefit from an increase in co-productions and channel partnerships that could support improvement in the local talent base. The film industry in the Arab Region could also be promoted via introduction of incentives to attract foreign productions. A step in the direction of growing a strong local film industry could be by having a larger number of international films produced in the region. This is a strategy that has been adopted by many governments internationally in order to attract investment in the film industry. For example, Germany has successfully managed to create a $30bn industry with major films such as *Munich* and *Valkyrie* becoming box-office hits.

Many international films are selecting Germany as their filming location, simply through the offer of strong incentives in the form of rebates on production spend. In return, the government reaps the benefits that the films bring in terms of spend on hospitality and travel, employment opportunities and a growing film production talent base etc. In the Arab world, few countries have been able to attract international films on a large scale. Morocco is one Arab country which has managed to build up a reputation for foreign films, producing around 10-12 films per year due to the experienced talent base. The offer of incentives for filming could be a key means for countries to build their film talent base and increase interest from outside players.

Similarly, increasing foreign interest in the region for the print industry could also be achieved through improved incentives. Local publications with international branding have become increasingly popular in the region and could pave the way for further entrants into the market. For the online sector, it is necessary for governments to encourage further an open and entrepreneurial culture in order for the industry to grow and attract foreign investment. As discussed in detail earlier in this section, Jordan is one Arab country which has successfully managed to build an entrepreneurial society in the online sector, and the recent acquisition of Jordanian company Maktoob by international giant Yahoo! is evidence of the positive effects that this can have.

On the whole, international examples have proven that attracting foreign investors plays a vital role in the growth of any local media industry. Further encouragement and offering of incentives by Arab governments to international players could have a significant impact on the growth in quality and quantity of local content in the region.

3.4 Conclusion: Bridging the value gap for local content

The local content industry in the Arab world is in the very early stages of its formation and growth. An increase in investment in local content on all platforms of the Arab media industry could lead to improved quality and quantity of local content, generating increased advertising revenues and attracting further interest from international players. If measures were to be taken by players at each stage of the value chain, local content could be stimulated on both a pan-Arab and a national level in the Arab world.

Exhibit 139: Creating value for local content

	Rights owners / Content creators	Media platforms	Advertisers	Distributors	Consumers
	• Journalists • Producers • Rights holders	• Publications • TV channels • Web • Mobile	• Brands • Media buyers • Advertising agencies	• Telco operators • Cable / Satellite providers	• Readers • Viewers • Users
Print	• Increase focus on analytical side of news	• Practice circulation auditing • Diversify content offerings • Increase investment in new platforms	• Increase cross-platform campaigns	• Invest in local mobile news applications	Consumers gaining benefits of improved local content
TV & Film	• Explore alternative funding options • Investigate new revenue streams • Explore innovative types of production	• Invest further in original local formats • Invest further in private sector production	• Improve transparency in media selling sector • Push for improved audience measurement • Explore innovative advertising on TV	• Increase investment in anti-piracy tecnhology • Improve advanced features on pay-TV • Utilize new platforms • Explore targeted advertising technology	
Online & Mobile	• Produce localized content and applications • Maximize opportunities on internet to reach targeted audiences	• Maximise USPs against international players, e.g. Localized content	• Explore innovative advertising techniques online • Increase investments in Search	• Build technical enablers to support online advertising techniques (e.g. Behavioural targeting) • Invest in mobile (3G/ DVB-H) and broadband (including FTTH) infrastructure	
Governments / Regulators	• Invest in audience measurement systems • Increase efforts to tackle piracy • Encourage entrepreneurial activities in the media sector • Improve educational and training facilities for media undergraduates & professionals • Continue / improve investments in broadband infrastructure • Impose quotas for local and private sector production • Improve content regulations (e.g. advertising standards) • Improve incentives for foreign companies for local investments in media				

Source: Value Partners

When compared to other markets, the industry clearly has significant potential for growth, in terms of both quantity and quality of content. By building upon some of the initiatives already launched in the region and implementing the measures outlined in the table above, the industry could make significant progress towards building a solid foundation for a vibrant and sustainable local content industry.

METHODOLOGY

In the Arab Media Outlook 2009-2013, we present a snapshot of the media industry and its expected evolution in 15 countries in the Arab Region. Our analyses of the media industry include a qualitative assessment of the media industry and projections, primarily for advertising expenditure and newspaper circulation in the region. The advertising revenue forecasts cover the period from 2009 to 2013 and are further split among media platforms – newspapers, magazines, television, radio, out-of-home (outdoor and cinema) and internet, according to their estimated shares of total spend in each market.

For newspaper circulation, 2008 estimates of actual circulation were used as the base year and projected for the years 2009 to 2013. For each country, projections were developed taking into account historic growth rates and were based on developments in the media sector, maturity and expected evolution of the print media and other macro factors, such as literacy rates. While the circulation projections were also informed by industry interviews it should be noted that these projections are largely based on claimed circulation, which was used for base year figures. Where audited circulations for newspapers were available, we have used them instead. Other forecasts included in the report, including revenues for circulation and pay-TV, are largely based on data sourced from secondary sources and benchmarked against interview findings.

For advertising expenditures, we derived historic estimates for 2007 and 2008 from gross figures published by media research companies, mostly ZenithOptimedia and Pan-Arab Research Centre (PARC). Next, the estimated figures for 2009 and forecast advertising revenues were developed based on the Value Partners projection model developed for the Arab Media Outlook. These projections were triangulated by taking into account the relationship between advertising spend and GDP, as well as expected evolution of the advertising market based on in-depth interviews and a review of market conditions, both locally and globally. Particularly on the global front, it is important to mention that while the economic crisis emerged during 2008, its full impact was not realised until the latter half of 2009, especially in the Arab Region where many markets were impacted later than the Western world. Consequently, we have revised downwards the advertising estimates of many of the countries, especially for 2009, before their expected recovery afterwards.

These advertising expenditures were split among the key platforms based on their importance and historic performance in the industry and their expected evolution going forward. It is worth noting that one of the major impacts of the economic crisis was the beginning of the shift in advertising dollars from traditional to digital platforms, specifically the internet. With this direct feedback from our interviews in each market, the advertising spend forecasts for the internet were adjusted accordingly over the projection period.

While public advertising revenue estimates for the region are generally in gross figures, we believe that they are of limited use as they do not correspond to market revenue or to market spending. Hence, we have adjusted our advertising projections for discounts that media owners offer to advertising agencies, while recognising the uncertainties inherent in this estimate. The level of these discounts varies across markets, and platforms within each market, and is highly commercially sensitive, which means that publicly available data may not be reliable. Media specific discount rates were derived from in-depth industry interviews conducted with media owners, advertising agencies and advertisers and were applied to media platforms. These revenues, hence, are from the point of view of media owners. While these advertising figures provide a useful indication of industry trends, individual figures may be subject to substantial uncertainty due to the practice of discounting in the region. As a result, comparisons between countries may not be valid.

For the consumer market research studies conducted in Egypt, Lebanon, Saudi Arabia and the UAE, we partnered with The Nielsen Company, which carried out the research fieldwork. The research was conducted across a large sample of population (over 500 each in Egypt and Saudi Arabia and over 400 in Lebanon and the UAE) whichwas diverse across different demographic groups in the proportion of their representation within the general population and was conducted in major cities in each of the four markets – Egypt (Cairo, Alexandria and Mansoura), Lebanon (Mount Lebanon, Beirut and Tripoli), Saudi Arabia (Dammam, Jeddah and Riyadh), and the UAE (Abu Dhabi, Dubai and Sharjah). The research was conducted among respondents aged 15+ who qualified as socio-economic classes A,B & C and have watched TV, read a newspaperand surfed the internet at least once in the past week. Responses relating to media usage are reported as mentioned by the respondents and are not representative of the incidence rates, penetration rates etc. and, therefore, may not be consistent with any published data on viewership, readership and any such related measure. The results of the market research are reported at 95% level of significance with a margin of error of 4.4%.

While all efforts are made to provide an overall picture of the advertising market in the Arab countries, it is important to emphasize that the projections should not be used as a basis for any form of investment decision. This is mainly due to the fact that robust and consistent data across all 15 countries for the historic revenue breakdown for 2007 and 2008 (the base years for the projections) are not available. This is particularly true for the three new markets covered in this year's report – Palestine, Sudan and Syria, for which there are no official advertising data available. Consequently, for these countries, we have based our projections on the findings of in-depth interviews, anecdotal evidence gathered through public sources or consensus among interviewees and our assessment of advertising markets in these countries. The views presented on the advertising industry and its expected evolution, including expectations of key opportunities and concerns, are based on a combination of secondary research and interviews with industry professionals. However, it is important to note that the advertising industry in the region is still in its early stages of growth and, going forward, its evolution depends on a number of factors, including actions that industry stakeholders will take.

Macroeconomic data used in the report (GDP, population etc.) are taken from IMF. Data including number of households, TV households, and penetration levels related to platforms including satellite, mobile and broadband are taken from Informa Telecom and Media. In some cases, it has been necessary to use multiple sources, which means that direct comparisons across countries may not be valid.

Value Partners welcomes any comments or feedback on analysis and forecasts presented in this report.

5 GLOSSARY

The following terms throughout the report will have the following meaning unless otherwise stated.

Term	Definition
AFP	Advertiser-Funded Programming
AMO	Arab Media Outlook 2009-2013
Arab Region	Region includes 15 in-scope countries – Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, UAE, and Yemen
ARPU	Average Revenue Per User
B2B	Business-to-business
CAGR	Compound Annual Growth Rate
CPM	Cost Per Mille or Cost Per Thousand
DTH	Direct-To-Home
DTT	Digital Terrestrial Television
DVB-H	Digital Video Broadcast-Handheld
EPG	Electronic Program Guide
FMCG	Fast Moving Consumer Goods
FTA	Free-To-Air
HD	High Definition
HSDPA	High-Speed Downlink Packet Access (3G)
IPR	Intellectual Property Rights
IPTV	Internet Protocol Television
ISP	Internet Service Provider
MMDS	Multichannel Multipoint Distribution Service (“Wireless Cable”)
Projection Period	Projection period refers to the period from 2009 to 2013
PSB	Public Service Broadcaster
PVR	Personal Video Recorder
VOD	Video-On-Demand
UGC	User-Generated Content

APPENDIX: Data Tables

Exhibit 140: Population (000s)

Country	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Bahrain	764	779	795	811	827	844	860	2.0%
Egypt	73,600	75,200	76,704	78,238	79,803	81,399	83,027	2.0%
Jordan	5,723	5,854	5,989	6,126	6,267	6,411	6,558	2.3%
Kuwait	3,310	3,443	3,536	3,606	3,715	3,826	3,941	2.7%
Lebanon	3,759	3,808	3,857	3,908	3,958	4,010	4,062	1.3%
Morocco	31,000	31,436	31,879	32,328	32,783	33,244	33,712	1.4%
Oman	2,743	2,769	2,796	2,823	2,850	2,877	2,905	1.0%
Palestine	3,762	3,883	4,008	4,137	4,270	4,407	4,548	3.2%
Qatar	930	1,098	1,218	1,352	1,501	1,666	1,866	11.3%
Saudi Arabia	24,289	24,897	25,519	26,157	26,811	27,481	28,168	2.5%
Sudan	37,159	38,126	39,117	40,134	41,177	42,248	43,346	2.6%
Syria	19,405	19,880	20,368	20,867	21,378	21,902	22,438	2.4%
Tunisia	10,225	10,327	10,429	10,533	10,637	10,743	10,849	1.0%
UAE	4,488	4,764	4,907	5,054	5,206	5,362	5,523	3.0%
Yemen	22,290	22,978	23,687	24,4398	25,130	25,884	26,660	3.0%
Arab Region	**243,447**	**249,242**	**254,809**	**260,472**	**266,313**	**272,304**	**278,463**	**2.2%**

Source: International Monetary Fund October 2009, except for Palestine

Exhibit 141: Population age breakdown (% total population)

Country	0-14	15-24	25-34	35-44	45-59	60+
Bahrain	26%	17%	14%	15%	21%	7%
Egypt	33%	19%	17%	11%	13%	7%
Jordan	36%	20%	16%	12%	9%	7%
Kuwait	26%	20%	29%	12%	8%	5%
Lebanon	26%	16%	20%	17%	11%	10%
Morocco	29%	19%	17%	13%	13%	8%
Oman	43%	17%	13%	10%	13%	5%
Palestine	40%	21%	15%	11%	9%	5%
Qatar	22%	15%	23%	22%	15%	3%
Saudi Arabia	38%	18%	21%	13%	6%	4%
Sudan	41%	21%	15%	11%	9%	4%
Syria	36%	22%	16%	11%	9%	5%
Tunisia	23%	19%	18%	15%	15%	10%
UAE	20%	14%	30%	22%	12%	2%
Yemen	44%	21%	15%	8%	8%	4%
Arab Region	**35%**	**20%**	**17%**	**12%**	**11%**	**6%**

Note: 2009 data
Source: US Census Bureau International Database

Exhibit 142: Nominal GDP ($US bn)

Country	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Bahrain	18	21	19	22	23	24	26	7.5%
Egypt	130	163	188	208	229	251	275	10.0%
Jordan	17	21	23	24	26	29	31	8.3%
Kuwait	112	158	115	135	146	154	164	9.4%
Lebanon	25	29	33	35	38	40	43	7.2%
Morocco	75	89	91	98	105	112	120	7.3%
Oman	42	60	52	60	64	68	72	8.1%
Palestine	5	7	6	6	6	6	6	-0.3%
Qatar	71	102	93	128	153	161	171	16.6%
Saudi Arabia	384	469	380	443	479	515	557	10.0%
Sudan	47	58	54	65	73	81	91	13.7%
Syria	41	55	54	61	68	74	82	10.8%
Tunisia	36	41	40	42	44	47	50	5.9%
UAE	180	262	229	256	276	299	326	9.3%
Yemen	22	27	26	32	35	37	40	11.1%
Arab Region	**1,205**	**1,563**	**1,402**	**1,617**	**1,764**	**1,899**	**2,053**	**10.0%**

Source: International Monetary Fund October 2009, EIU

Exhibit 143: Households (000s)

Country	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Bahrain	121	124	127	130	133	136	139	2.3%
Egypt	19,758	20,341	20,942	21,560	22,140	22,735	23,330	2.7%
Jordan	1,060	1,106	1,153	1,193	1,225	1,259	1,292	2.9%
Kuwait	592	616	640	666	693	720	749	4.0%
Lebanon	992	1,006	1,020	1,034	1,048	1,062	1,076	1.3%
Morocco	5,052	5,110	5,170	5,230	5,277	5,325	5,372	1.0%
Oman	454	472	490	509	528	548	568	3.8%
Palestine	638	664	691	719	748	778	808	4.0%
Qatar	131	133	134	135	135	136	137	0.6%
Saudi Arabia	4,476	4,659	4,828	5,003	5,180	5,355	5,529	3.4%
Sudan	6,102	6,265	6,433	6,606	6,782	6,963	7,145	2.7%
Syria	3,324	3,434	3,546	3,663	3,778	3,897	4,016	3.2%
Tunisia	1,965	1,990	2,015	2,040	2,061	2,082	2,103	1.1%
UAE	891	905	917	926	935	943	950	0.9%
Yemen	3,213	3,335	3,462	3,593	3,725	3,862	3,999	3.7%
Arab Region	**48,770**	**50,159**	**51,568**	**53,006**	**54,389**	**55,801**	**57,215**	**2.6%**

Source: Informa TM

Exhibit 144: TV Households (000s)

Country	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Bahrain	117	120	124	127	130	134	137	2.6%
Egypt	18,272	18,866	19,479	20,112	20,765	21,388	22,030	3.1%
Jordan	995	1,044	1,096	1,140	1,180	1,216	1,252	3.4%
Kuwait	581	605	631	658	684	712	740	4.1%
Lebanon	906	929	952	969	986	1,001	1,016	1.6%
Morocco	4,449	4,516	4,583	4,652	4,722	4,781	4,841	1.4%
Oman	387	404	423	442	461	482	504	4.5%
Palestine	596	618	645	674	705	735	766	4.4%
Qatar	118	121	125	127	128	129	131	1.1%
Saudi Arabia	4,057	4,219	4,388	4,552	4,723	4,909	5,103	3.8%
Sudan	988	1,033	1,079	1,128	1,179	1,232	1,287	4.5%
Syria	2,953	3,063	3,178	8,298	3,421	3,549	3,683	3.8%
Tunisia	1,827	1,846	1,864	1,887	1,911	1,940	1,969	1.4%
UAE	740	755	770	782	793	805	817	1.5%
Yemen	1,995	2,067	2,160	2,257	2,359	2,459	2,563	4.4%
Arab Region	**38,981**	**40,206**	**41,497**	**47,805**	**44,147**	**45,472**	**46,838**	**3.1%**

Source: Informa TM

Exhibit 145: Total circulation of daily newspapers (000s)

Country	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Bahrain	178	203	189	194	199	204	210	2.8%
Egypt	3,627	3,774	4,018	4,177	4,342	4,511	4,686	3.9%
Jordan	302	327	313	317	322	326	329	1.3%
Kuwait	550	986	961	979	994	1,008	1,022	1.6%
Lebanon	386	381	396	400	404	407	410	0.8%
Morocco	754	761	710	722	731	742	757	1.6%
Oman	234	249	274	275	276	277	278	0.4%
Palestine	80	86	80	80	86	86	86	1.8%
Qatar	204	209	211	216	221	226	232	2.5%
Saudi Arabia	1,756	1,855	1,878	1,903	1,934	1,956	1,980	1.3%
Sudan	92	94	96	98	100	102	104	2.0%
Syria	358	361	379	382	385	388	391	0.8%
Tunisia	355	369	399	404	408	413	418	1.1%
UAE	993	1,101	1,092	1,111	1,128	1,142	1,153	1.4%
Yemen	165	167	170	171	172	173	175	0.6%
Arab Region	**10,035**	**10,831**	**11,164**	**11,427**	**11,701**	**11,961**	**12,231**	**2.3%**

Source: MENA Media Guide, Value Partners analysis

Exhibit 146: Total advertising by country (US$ m)

Country	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Bahrain	76	85	75	79	85	90	95	6.3%
Egypt	458	654	719	789	851	896	936	6.8%
Jordan	86	104	105	112	123	136	150	9.4%
Kuwait	358	415	361	388	416	443	472	6.8%
Lebanon	188	217	225	241	256	268	280	5.7%
Morocco	231	268	284	309	338	373	408	9.6%
Oman	74	105	85	92	102	108	113	7.1%
Palestine	2.5	3.0	2.8	2.9	3.0	3.2	3.5	5.1%
Qatar	163	207	205	238	266	290	313	11%
Saudi Arabia	710	853	679	726	820	904	980	9.6%
Sudan	13	15	14	18	20	23	26	17%
Syria	30	40	41	47	52	59	68	14%
Tunisia	28	39	40	42	45	48	52	6.5%
UAE	839	1,229	784	950	1,042	1,120	1,181	11%
Yemen	8	10	13	13	14	16	17	7.6%
Pan Arab	802	1,053	965	1,049	1,141	1,196	1,252	6.7%
Arab Region	**4,068**	**5,296**	**4,600**	**5,096**	**5,577**	**5,974**	**6,346**	**8.4%**

Note: Total may not fully add up due to rounding error. For country breakdowns refer to each country section
Source: Value Partners analysis

Exhibit 147: Total advertising by platform (US$ m)

Platform	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Newspapers	2,107	2,819	2,294	2,547	2,753	2,937	3,104	7.9%
Magazines	384	456	330	367	428	468	511	11.6%
Television	1,213	1,566	1,501	1,610	1,731	1,818	1,903	6.1%
Radio	87	114	122	135	148	160	167	8.2%
Out-of-home	263	313	298	321	345	370	395	7.3%
Internet	13	29	56	117	171	222	266	48%
Total	**4,068**	**5,296**	**4,600**	**5,096**	**5,577**	**5,974**	**6,346**	**8.4%**

Note: Advertising revenues includes pan-Arab advertising
Source: Value Partners analysis

Exhibit 148: Print revenues breakdown (US$ m)

Source of revenues	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Circulation	1,251	1,350	1,392	1,424	1,459	1,491	1,525	2.3%
Advertising	2,107	2,819	2,294	2,547	2,753	2,937	3,104	7.8%
Total	**3,358**	**4,169**	**3,686**	**3,971**	**4,211**	**4,428**	**4,628**	**5.9%**

Note: Advertising revenues include pan-Arab advertising
Source: Value Partners analysis

Exhibit 149: Pay-TV revenues breakdown (US$ m)

Source of revenues	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Advertising	1,213	1,566	1,501	1,610	1,731	1,818	1,903	6.1%
Pay-TV subscription	480	569	642	724	820	922	1,030	12.5%
Total	**1,693**	**2,134**	**2,143**	**2,334**	**2,551**	**2,740**	**2,933**	**8.2%**

Note: Advertising revenues include pan-Arab advertising
Source: Value Partners analysis

Exhibit 150: Broadband penetration (% of HHs)

Country	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Bahrain	58%	73%	68%	71%	73%	77%	81%	4.4%
Egypt	2%	3%	7%	15%	23%	28%	32%	44%
Jordan	8%	14%	15%	23%	34%	44%	53%	36%
Kuwait	15%	23%	25%	28%	29%	28%	28%	2.9%
Lebanon	3%	13%	19%	23%	28%	33%	37%	18%
Morocco	9%	10%	12%	15%	17%	19%	21%	15%
Oman	4%	1%	10%	14%	18%	23%	29%	31%
Palestine	8%	11%	15%	19%	23%	25%	28%	16%
Qatar	53%	78%	84%	84%	83%	84%	83%	-0.2%
Saudi Arabia	15%	24%	37%	46%	56%	66%	74%	19%
Sudan	0%	0%	0%	0%	0%	1%	1%	17%
Syria	0%	0%	1%	1%	1%	1%	1%	29%
Tunisia	6%	11%	24%	40%	49%	52%	53%	21%
UAE	42%	66%	69%	71%	72%	71%	71%	0.6%
Yemen	0%	1%	2%	2%	2%	2%	3%	16%
Arab Region	**5%**	**8%**	**12%**	**17%**	**22%**	**26%**	**29%**	**25%**

Source: Informa TM, Value Partners analysis

Exhibit 151: Mobile penetration (% of population)

Country	2007	2008	2009	2010	2011	2012	2013	CAGR (09-13)
Bahrain	146%	187%	209%	225%	236%	242%	247%	4.2%
Egypt	41%	56%	72%	82%	88%	92%	93%	6.7%
Jordan	83%	90%	95%	98%	100%	101%	109%	3.6%
Kuwait	84%	98%	109%	118%	123%	125%	127%	3.8%
Lebanon	32%	39%	61%	81%	93%	101%	108%	15.2%
Morocco	64%	72%	88%	96%	103%	106%	108%	5.4%
Oman	91%	116%	130%	141%	150%	156%	161%	5.5%
Palestine	15%	20%	25%	27%	29%	30%	31%	5.6%
Qatar	136%	153%	169%	173%	170%	164%	154%	-2.3%
Saudi Arabia	95%	114%	130%	142%	149%	153%	155%	4.6%
Sudan	22%	30%	39%	46%	52%	54%	63%	12.8%
Syria	33%	39%	45%	51%	56%	61%	66%	9.9%
Tunisia	77%	83%	87%	93%	98%	100%	101%	3.9%
UAE	169%	206%	231%	246%	256%	264%	268%	3.8%
Yemen	20%	27%	34%	40%	44%	46%	49%	9.5%
Arab Region	**50%**	**62%**	**74%**	**83%**	**89%**	**92%**	**96%**	**6.5%**

Source: Informa TM, Arab Advisors Group, Value Partners analysis