

France transformation

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1 *French business evolution*



in a highly competitive environment Orange is the clear leader of the French telcom market

France key figures for 3rd quarter 2006

25.9 million PSTN customers,
68% market share (voice traffic)

22.5 million of mobile customers of
which 2.5 millions with broadband

5,5 million ADSL clients,
+ 40% increase over one year
(50,3% market share)

3 million Livebox,
+ 200% increase in one year

421,000 orange TV customers,
+ 200 % in one year

1.7 million VOIP customers,
+250% in one year

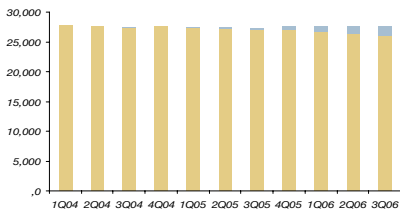
72,000 customers Business
Everywhere

707 France Telecom / Orange shops

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Orange is controlling its market share both in fixed PSTN and ADSL

evolution of retail PSTN lines ('000)



■ France Telecom ■ competitors

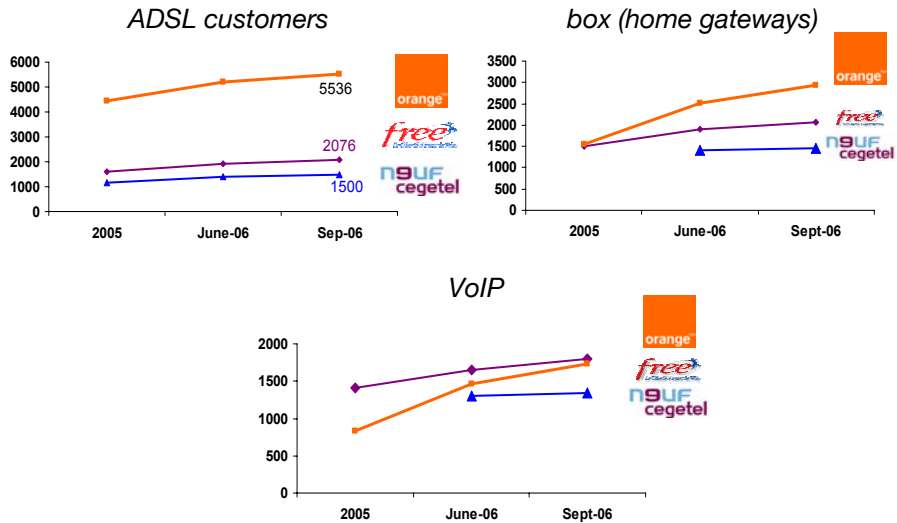
evolution of ADSL market share (in %)



Source : France Télécom

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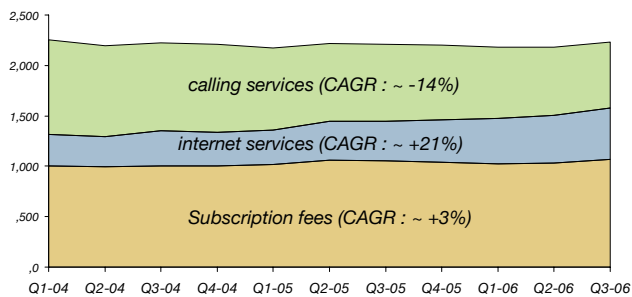
Orange's leading position in broadband is clearly confirmed



5 source: France Telecom - dataxis estimates

internet and wholesales increase compensate decrease of traditional activities

evolution of home revenue (in million of euros)



wholesales* (CAGR : ~ +37%)

* ULL+ broadband wholesales (excl. PSTN, data and internet narrowband)

trends



rocketing multimedia mobile equipment rate already translated into usage

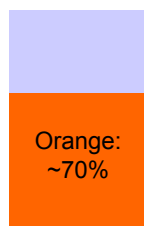
	client base Q3-06	rolling annual growth	Increased traffic
multimedia/Wap	19 m	+7%	WAP traffic multiplied by 3.8 in 3Q YtD 06 vs 3Q YTD 05
camera	8.6m	+75%	35% growth in MMS revenue in 3Q YtD 06
music Orange world	2.9 M	+325%	4.9 m downloads* on 3QYTD 06
BB	2.5 m	+400%	35 m sessions on 3QYTD 06, i.e multiplied by 5 in 3Q YTD 06

* ringtones and pictures

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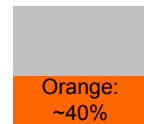
Orange has the strongest market share with MVNOs

MVNOs contract sales in France

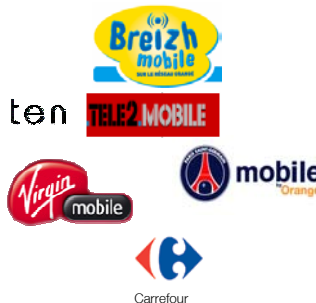


2006 estimate

MVNO prepaid in France



2006 estimate

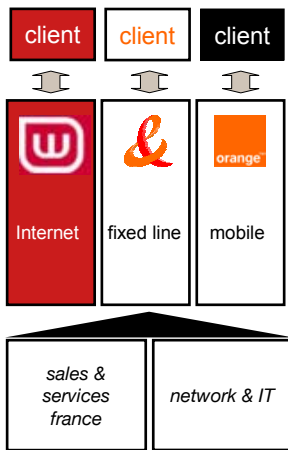


+ license agreements

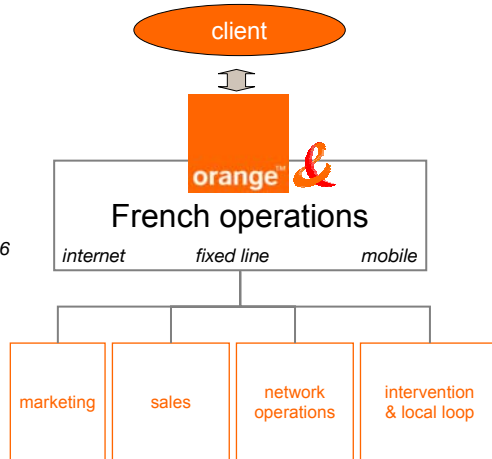


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a new organization has been set up to cope with market evolution ...



July 2006



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... avoiding overlaps and increasing efficiency

marketing	<ul style="list-style-type: none"> • global marketing strategy • optimized offer conception • improved time to market
commercial	<ul style="list-style-type: none"> • integrated multichannel strategy • homogenized quality of service • improved client relation
network operation	<ul style="list-style-type: none"> • network convergence operation • improved cost control • common IS and platform
field operation	<ul style="list-style-type: none"> • common processes • optimized cost management • streamlined intervention planning

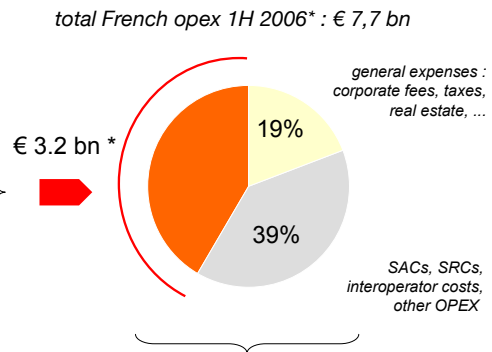
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2 cost reduction in France



field costs represent around 42% of opex ...

- customer service
- physical distribution
- customer intervention
- IT & network



of which € 2.3 bn are labour costs

* low seasonality between 1H and 2H

...with 6 cost efficiency levers activated to tackle field operations

	objectives	importance
simplify offers	reduce call rate	++
boost on line operations	increase e-shop, self care, e-support, automatic channels	++
boost remote operations	reduce number of field interventions	+
increase efficiency	improve productivity, supply chain, processes and IT, optimize shops foot print,	++++
develop "once and done"	problem is solved / answer is given on the first contact	+
outsource some activities	absorb volume growth and activity peaks	++

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...and 4 cost efficiency levers to manage IT and Network

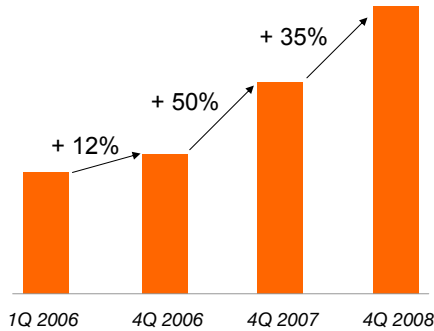
	objectives	importance
optimize offers	optimize portfolio: pruning of some existing offers, optimize volume of IT studies for new offers	+++
optimize IT performance	merge platforms increase IT availability	+
increase productivity	optimize shared services and skills develop synergies within new intervention units, develop synergies on supervision	++
outsource some activities	a part of IT maintenance and intervention	++

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“on line” is a key driver both for customer satisfaction and OPEX reduction

simplify offers
boost on line operations
boost remote operations
increase efficiency
develop “once and done”
outsource some activities

% of commercial acts and options bought “on line”



On line technical assistance: key steps 2007 – 2008

generalization of “internet hotline”:

- line testing
- interacting voice response using natural language
- interface with intervention
- etc.

self-diagnosis tools

self-care operating instructions

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“once and done” addresses both customer satisfaction and OPEX reduction

simplify offers
boost on line operations
boost remote operations
increase efficiency
develop “once and done”
outsource some activities

reiteration situations

actions

reiteration of intervention for set-up or after-sales

reiteration of call for usage and after-sales

call concerning an on going intervention



process monitoring and root causes analyses

coherence of information between call centre and customer intervention

scripting & diagnosis tools

expert back office to solve complex situations

manager leadership program

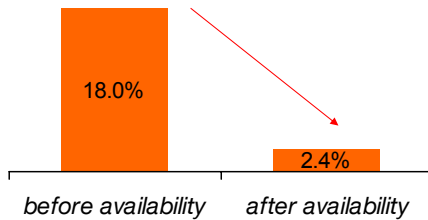
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supply chain actions have decreased sold outs and increased activations

simplify offers
boost on line operations
boost remote operations
increase efficiency
develop "once and done"
outsource some activities

"availability" program launched in 2004

sold-out rate in Orange shops



since 2004

- centralized activity (6 p.) vs. 80 before availability program
- 120 M€ incremental revenue per year

key steps 2007 – 2008

- all products work in push model
- deployment to independent channels

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"time to market" process has improved costs of development and launching of new offers

results

Time to Market has been reduced by 18% since 2005

prioritization of offers is effective :

- 4Q 2005: 53 offers launched
- 4Q 2006: 25 offers launched

8 periods of commercialization

"Simplicity" testing :

- extremely low return of handset

key steps and objectives for 2007 – 2008

full deployment of Time to Market approach

IT studies reduction

launching offers through "collections" :

- lower training costs
- lower merchandising costs
- commercial periods dedicated to sales

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our 2007 priorities

- *create customer loyalty through convergent offers and transversal programs*
- *drastically develop content-based offers*
- *maintain our BB leadership*
- *master our PSTN retail position*
- *deploy our mobile broadband network*
- *focus on market high-end and increase MVNOs partnerships*
- *decrease our opex base*