

## investor day 2007

### French operations, resistance and offensive

Louis-Pierre Wenes  
senior executive VP, French operations  
Paris, December 5, 2007



#### overview

- 1 we delivered our commitments and comforted our market leadership
- 2 French market shows growth potential across all segments of our addressed territories
- 3 we capture growth by leveraging our position as an integrated operator
- 4 continuous improvement dynamics is now anchored to offer best-in-class client experience at optimal cost
- 5 our 2008 priorities

# 1 we delivered our commitments and comforted our market leadership



## 1 we have delivered our 2007 commitments

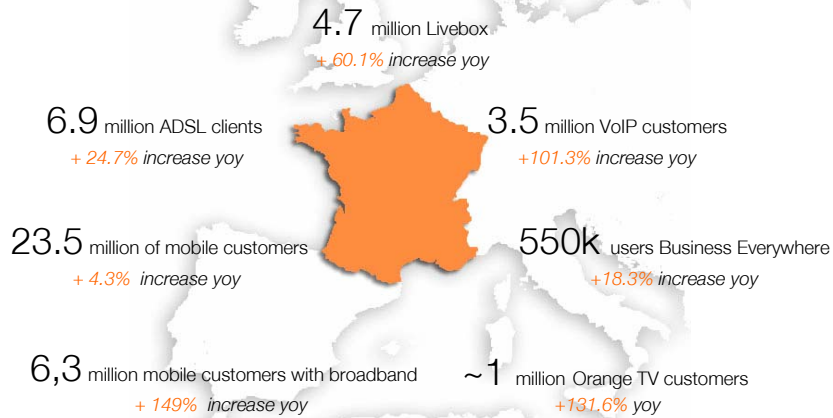
2007 priorities (Dec 06 investor day)

2007 achievements (Q3-07)

- |  |   |
|--|---|
| 1 create customer loyalty through convergent offers & transversal programs | ▶ over 6m clients benefiting from our fidelity program "d'avantage"   |
| 2 drastically develop content-based offers                                 | ▶ 60+ channels on TV on mobile / 100+ channels on IPTV, 3.3m VOD downloaded   |
| 3 maintain our broadband leadership  | ▶ 49.3% market share maintained through our segmented marketing approach  |
| 4 master our PSTN retail position  | ▶ 84% market share on PSTN maintained thanks to our new offers ("optimales"...)   |
| 5 deploy our mobile broadband network                                      | ▶ 98% population covered with EDGE, 66% with 3G/3G+ (end 07), HSUPA launch  |
| 6 focus on market high-end and increase MVNOs partnerships                 | ▶ increased share of postpaid (80% of 07 net adds), high densification of existing MVNO contracts (Virgin mobile as the 4 <sup>th</sup> operator) |
| 7 decrease our opex base   | ▶ increased margin and over 300M€ gains on OPEX field costs base  |

# 1 | Orange has comforted in 2007 its leading positions in France

## France key figures at the end of September 2007

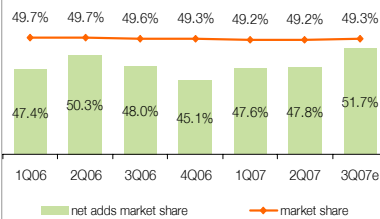


5

# 1 | despite an aggressive competition, we have maintained our market share

## ADSL market share

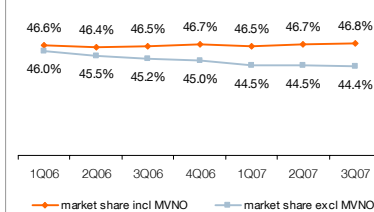
(% French market)



- 6.9m ADSL customers at the end of September
- market share stabilized slightly below 50% in 07 thanks to:
  - high success of the Net offers
  - new services with Livebox: 68% of ADSL customers, VoIP: 51%, TV: 14%

## mobile market share

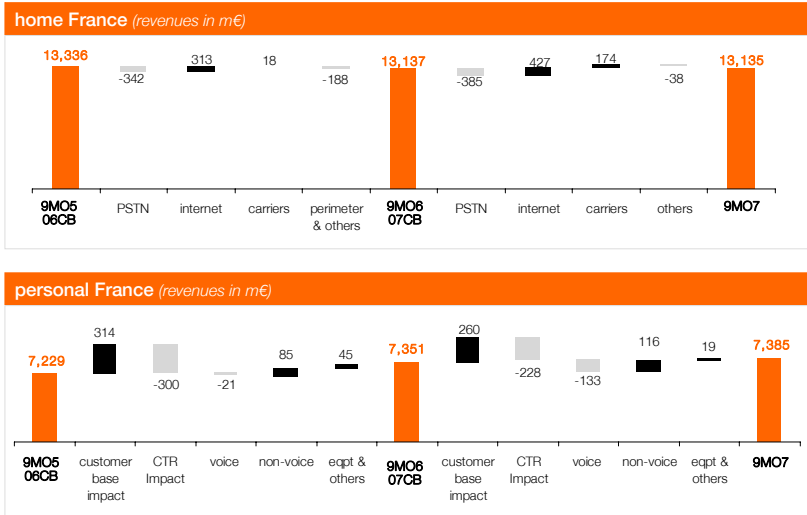
(% French market)



- 23.5m mobile customers at the end of September
- increase of market share including MVNO customers at 46.8%
- improved contract mix at 65.3%

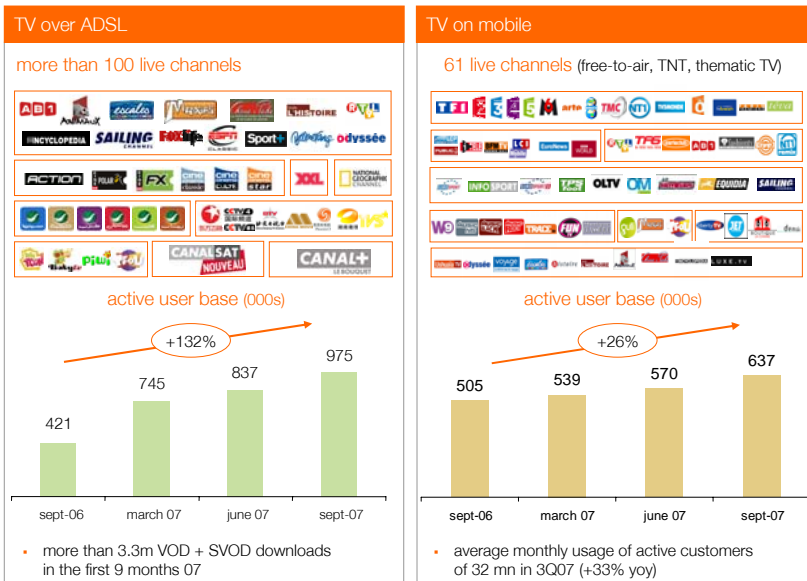
6

# 1 | our revenues are stable, as growth from new usages and services compensates traditional activity erosion



7

# 1 | content and usage are taking off



8

# 2

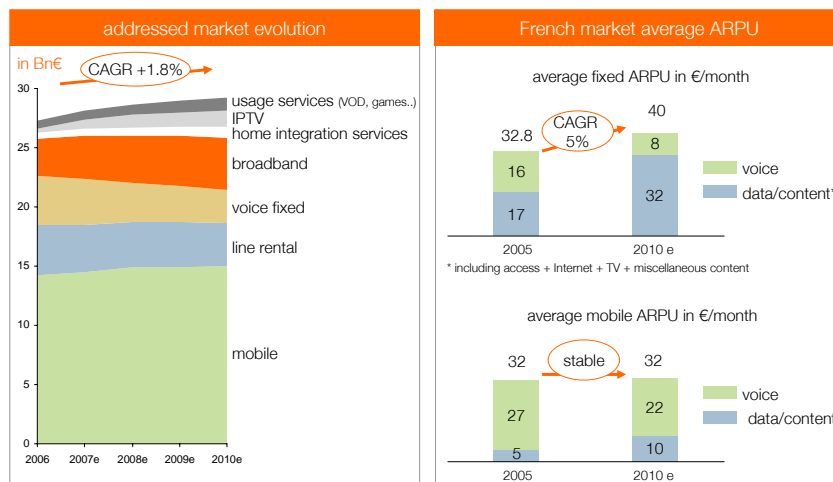
French market shows growth potential across all segments of our addressed territories



# 2

usage will continue to shift traffic and revenues from voice to data and infotainment creating opportunities for new services

French market outlook



## 2 | while the total number of wireline accesses is expected to stabilize, the ADSL penetration will continue

French market access evolution (number of access)



### 2005-2007: VoIP take off

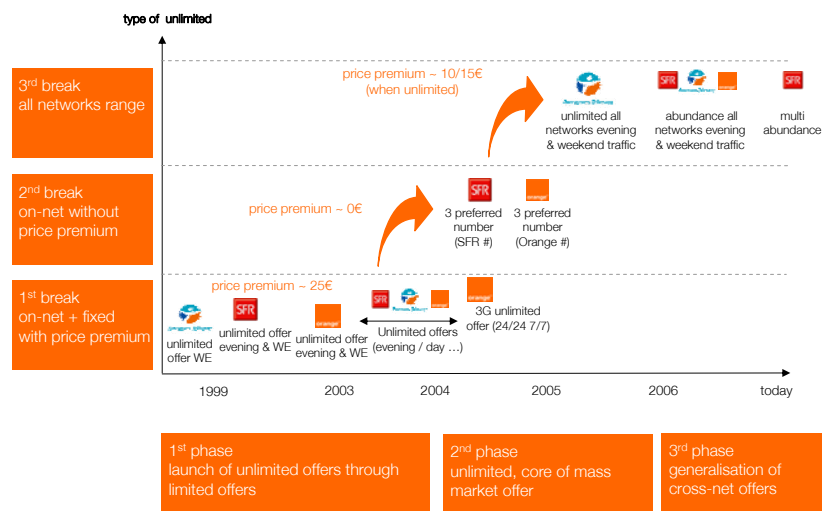
- fast growing broadband penetration
- total fixed access market increasing, thanks to ADSL attractiveness
- development of VoIP as a second line

### 2007-2010: migration to full IP

- customer base transfer to full IP:
  - from shared ULL to full ULL
  - through naked ADSL in other areas
- development of FTTH

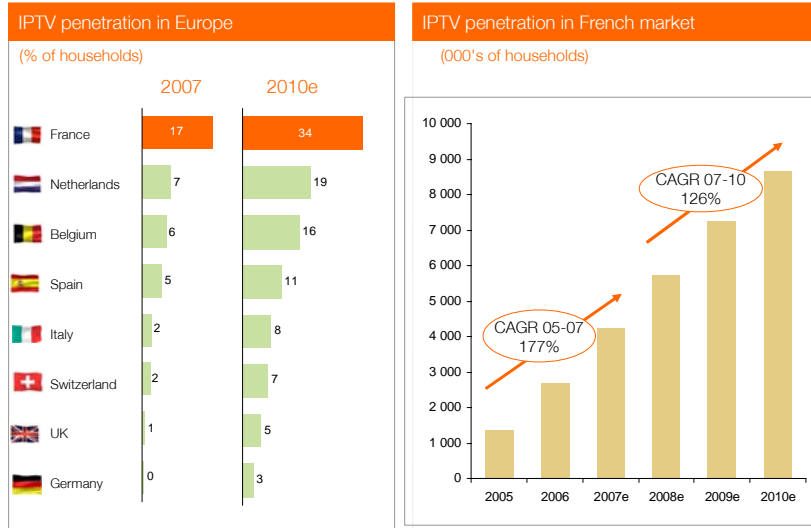
11 (1) internet access  
source: company estimates

## 2 | unlimited offers competition will continue with probable generalization of cross-net offers, allowing market penetration



12

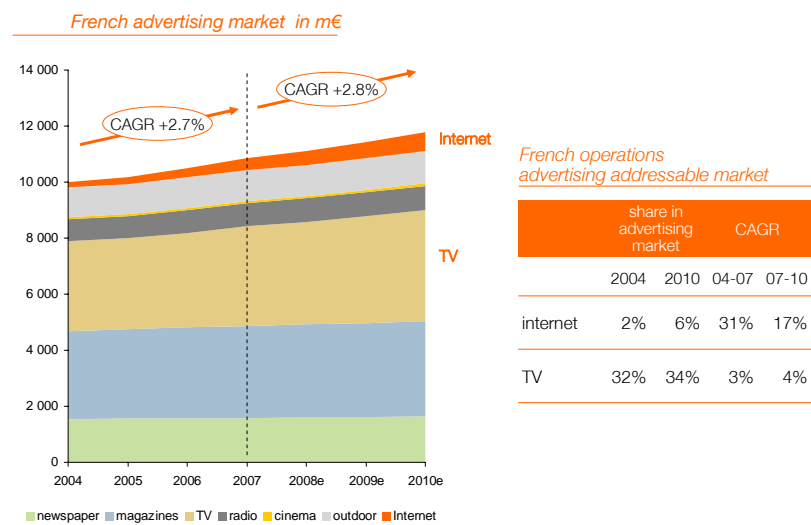
## 2 | we expect the French market to continue leading the European IPTV penetration with a three-digit growth



13

Source: ARCEP, Pyramid Research 2007

## 2 | internet will continue to represent an increasing share of the advertising market with a two-digit growth



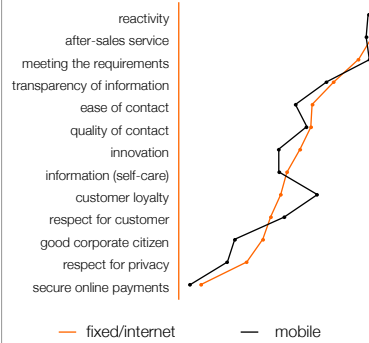
14

Source: ZenithOptimedia, company estimate

## 2 | client experience and brand will continue to be a key differentiating factor

client experience, a key factor for the client ...

- client experience represents 48% of client attributes vs price
- for both fixed/internet and mobile, response time, and after sales are the highest criteria for clients



... and a battlefield for all brands



15

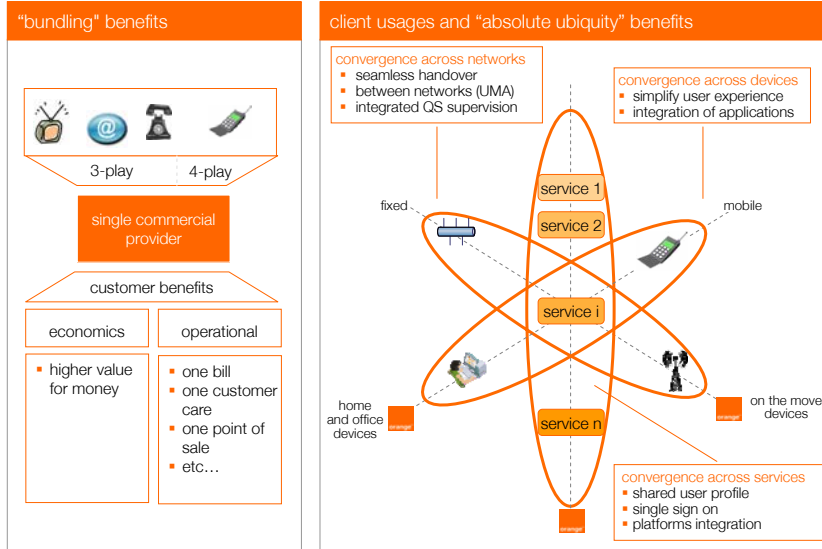
source : survey TNS Sofres / Bearing Point, company data

## 3

we capture growth by leveraging our position as an integrated operator



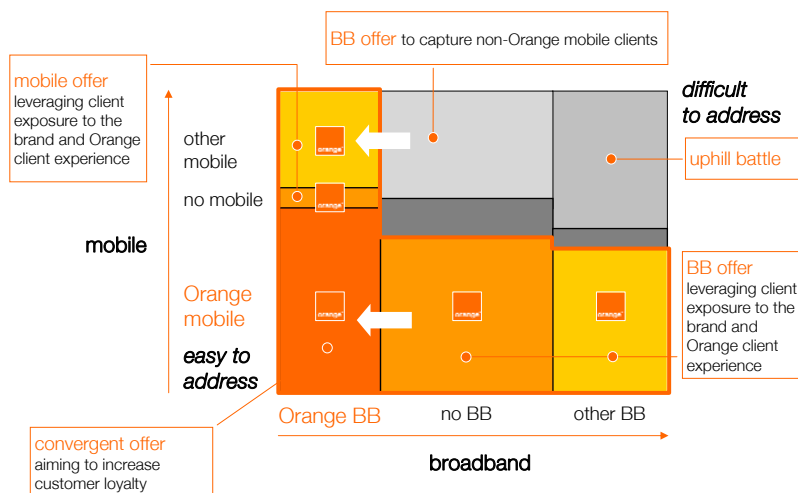
### 3 | convergence remains the cornerstone of our strategy since client benefits go far beyond simple "bundling"



17

### 3 | the Orange footprint is unique in France

#### French market segmentation



18

Orange : brand and customer experience intimacy

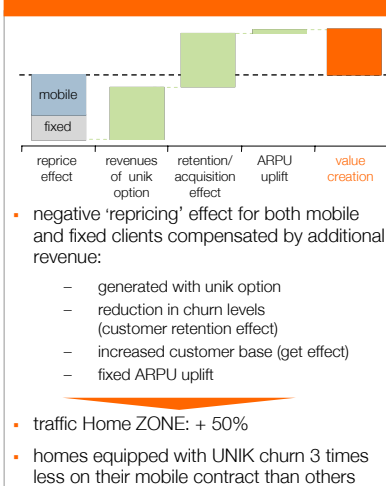
### 3 | we will capitalize on our Livebox ecosystem to develop client usage



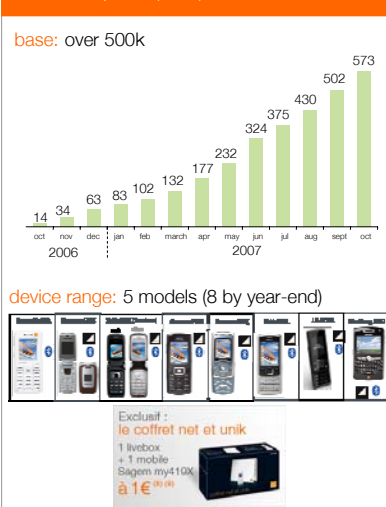
19

### 3 | Unik is the flagship of our consumer convergent offers

"Unik" business model



Unik offer update (000s)



20

### 3 | we will amplify our segmented market approach to leverage community and niche dynamics



21

### 3 | we will enhance our broadband position by focusing on 5 key objectives

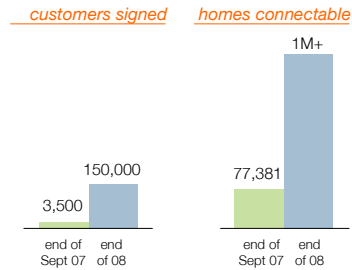
- continue to increase Orange broadband notoriety
  - communicate on Livebox ecosystem
  - communicate alternatively on brand and solutions
- continue to be the clear leader on our fundamentals
  - deliver the best-in-class QoS
  - fidelity programs leadership
  - innovation: fiber, livebox "mini", devices, internet everywhere, TV
- reinforce our offers attractiveness
  - tariffs attractiveness: simplified offers, selected promotions, etc.
  - segmented approach for offers: seniors, young, families, techies
  - TV for everybody: TV eligibility increase, offers in non-eligible areas
- optimize our distribution strategy
  - a selected Naked ADSL strategy in dense areas
  - sales on line and through distribution partners
- become the reference on new usages
  - entertainment: TV, music, VOD, games
  - home networking: offers incl. PC financing, installation, training
  - convergence: Unik, NET & Unik, internet everywhere and contents

22

### 3 | FTTH pre-deployment phase is on track and prepares us for the future

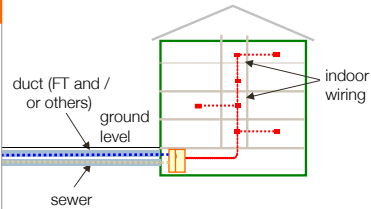
#### update on field operations

- **customers signed**
  - offer well received
  - penetration in line with expectations
  - effective negotiations with property managers key success factor (secured through our dedicated task force, quality charter, commitment on interoperability...)
- **network deployment/customer connection**
  - rollout outside buildings nominal
  - wiring inside the buildings remains complex
  - workforce skills' improvement under way to enable an industrialized rollout



#### regulatory perspective

- we believe in a model with infrastructure based on fare competition
- we are currently building a wholesale offer to open our ducts, in close cooperation with ARCEP
- vertical cabling in buildings, where property management agreement is obtained, is open to competitors



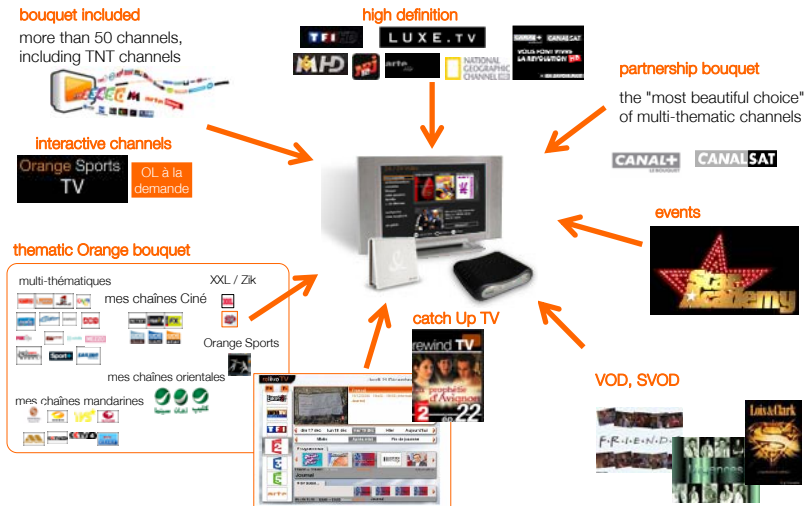
23

### 3 | 5 key priorities will structure our mobile offers to capitalize on multimedia and data



24

### 3 content diversity, abundance and interactivity will be the key differentiating factors of Orange TV



25

### 3 we will maximize the value of our audience on 3 screens leveraging the rise of leading edge advertising services

audience	monetization
<p>large customer base on the 3 screens<sup>(1)</sup></p> <ul style="list-style-type: none"> <li>24 million mobile</li> <li>7 million broadband</li> <li>1 million IPTV</li> </ul> <p>zoom on internet</p> <ul style="list-style-type: none"> <li>nearly 7 out of 10 French internet users reached by Orange Publicité<sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>one stop Advertising Sales Agency: <b>Orange publicité</b></li> <li>sponsored links: partnership with <b>#1 Google</b></li> <li>display: Orange Publicité <b>#1</b> advertising network plus key partnerships, e.g.: <b>mestic</b></li> <li><b>#1</b> qualified operator in base: e-mail, SMS, MMS, WAP-push, MMS, video...</li> </ul>
<p><b>unique capabilities and leading edge services</b></p> <div style="display: flex; justify-content: space-between;"> <div style="width: 30%;"> <p>unique combined leadership on 3 screens</p> </div> <div style="width: 30%;"> <p>unmatched qualified databases and localization capabilities</p> </div> <div style="width: 30%;"> <p>outstanding profiling capabilities through all supports</p> </div> </div>	

26

Source: (1-2) Médiamétrie/Netratings - Panel France -at Home and / or at work - Custom roll Up Orange Publicité ( June 2007)

### 3 | we will leverage our brand and client intimacy to develop home services related to telcos and PC ecosystem

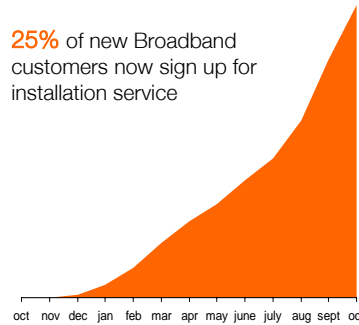
#### market rationale

- IT and Internet home assistance market is developing in France, within the framework of the home services French regulation, around 3 main activities:
  - installation of Internet equipment
  - IT and Internet "breakdown service"
  - user training
- the market remains open, with an increasing number of small players and no particular brand emerging so far
- capitalizing on its brand and unique footprint, Orange is launching Orange Assistance, a customer centric service subsidiary specialized in IT and internet home assistance

#### Livebox installation services

140,000 installations realized at the end of October 2007

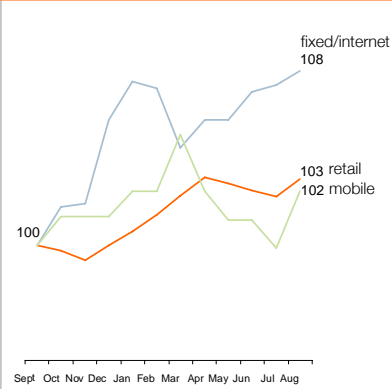
25% of new Broadband customers now sign up for installation service



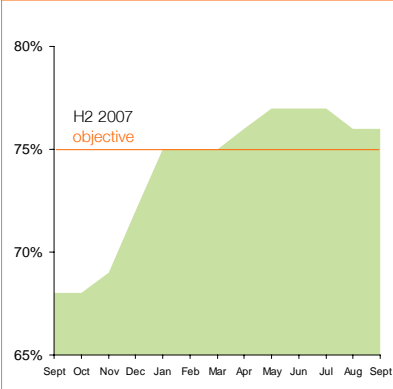
27

### 3 | we will continue capitalizing on our differentiating customer experience as closely monitored internally ...

#### customer satisfaction per distribution channel (index 100 Sept. 2006)

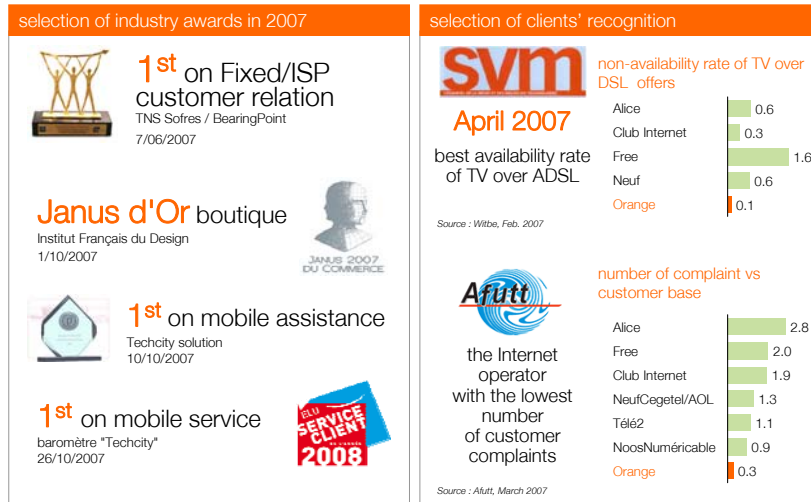


#### satisfaction of triple-play installation time (e-mail survey)



28

### 3 | .. and acknowledged by external recognition and awards



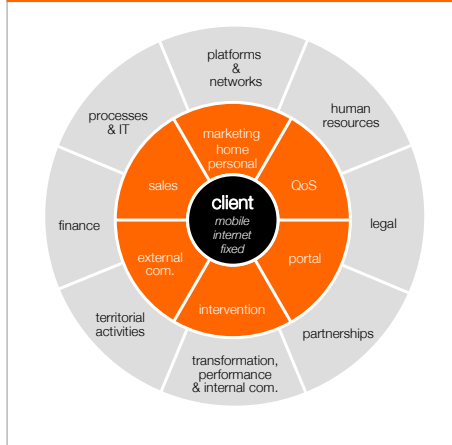
29

### 4 | continuous improvement dynamics is now anchored to offer best-in-class client experience at optimal cost



## 4 | French operations have finalized the implementation of a client focused convergent organization

### French operations organization



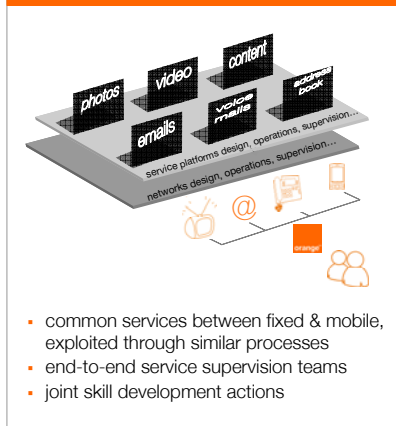
### 2007 organizational key evolutions

- creation of a client focused **QoS division** to ensure transverse monitoring and related action plans
- implementation of a **processes & IT division** for a transversal optimization of IT and processes
- creation of a **partnerships division** to investigate all growth opportunities associated with partnerships (including MVNOs)
- finalization of merging mobile/internet/fixed activities in platforms & networks and marketing division

31

## 4 | our organization focuses on providing our client with an integrated and seamless experience

### platforms and networks



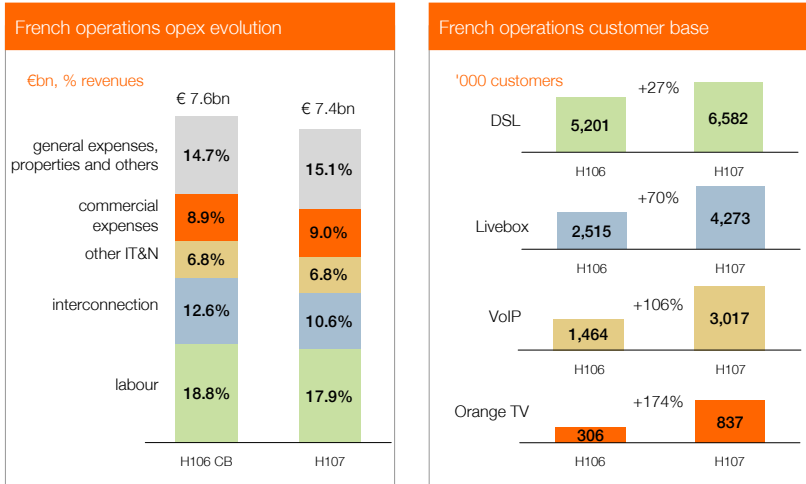
### distribution channels

- integrated client experience in retail shops
- convergent universe on the online channel
- homogeneous processes and client experience in fixed/internet/mobile call centers
- ongoing CRM homogenization



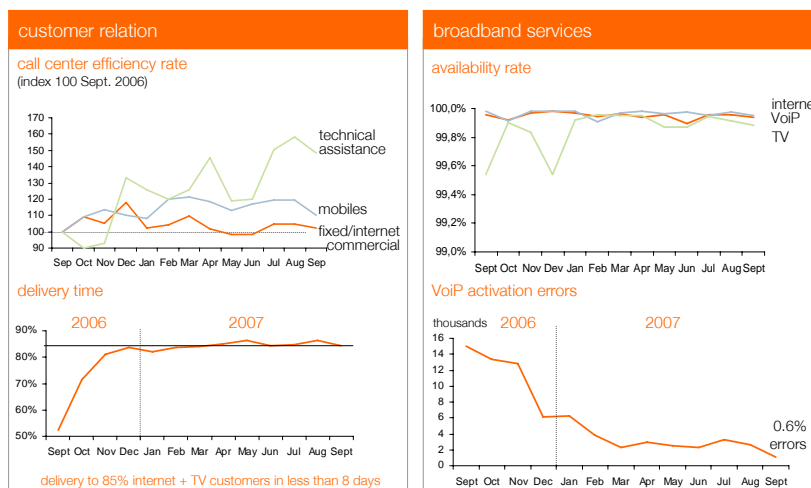
32

## 4 | we control and optimize our cost to serve our clients



33

## 4 | mastering our quality of service is a key lever to control our costs in a booming client base



34

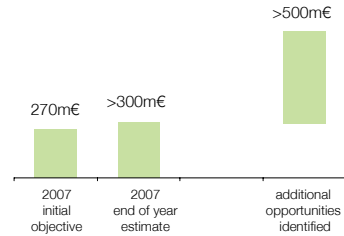
## 4 | our tightly controlled opex programs are reducing our field cost base

### 7 opex programs to tackle field costs

- opex 1: sales excellence
- opex 2: field intervention excellence
- opex 3: IT and processes simplification
- opex 4: automatic channels optimization
- opex 5: distribution channel mix optimization
- opex 6: offers portfolio optimization
- opex 7: advertising & pub. spend optimization

### over 300m€ cost reduction in 2007

manage growth at constant field cost base



note: savings versus actual 2006 baseline

### a strict governance to ensure that objectives will be met

- one member of Management Committee accountable for each objective
- monthly global review of all objectives at Management Committee level
- monthly detailed review of 2 objectives and supporting projects at Management Committee level
- monthly review of all projects by transformation program management office

35

## 4 | aside from structured programs, a culture of continuous improvement is being instilled throughout our organization

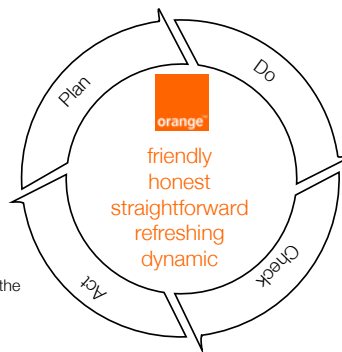
### objective

- mobilize managers by translating the value of the brand towards higher performance

managers →

### key initiative

- "live our values" program: leverage our values to lead the path toward continuous improvement



### objective

- empower each employee in the group's performance and success

← employees

### key initiative

- employees participative innovation: enable each employee to express himself and contribute to the success

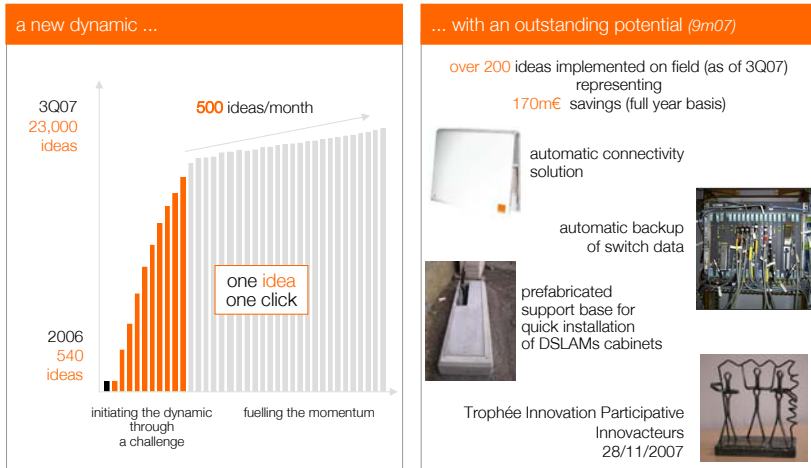
### employees survey:

- measure and ensure that actions are bearing fruit and/or meet expectations
- launch corrective actions, whenever necessary

36

## 4 | at all levels, employees are on-boarding a new internal dynamic to contribute to our successes

*illustration: participative innovation*



37

## 5

### our 2008 priorities



## 5 | our 2008 priorities

within a dynamic market with no major rupture anticipated in usage, consumption, or regulatory environment, our 2008 priorities will be

- 1 maintain our market shares
- 2 grow new usage and businesses
- 3 provide best-in-class customer experience
- 4 control our costs
- 5 achieve organizational transformation