

# Convergence & Broadband in France



Louis Pierre Wenes  
Senior Executive VP, French operations and Group transformation

2006 results in France

## 2006 key figures in line with guidance

in million of euros	Actual* FY05	FY05 Comp. Basis	FY06	Actual % change	Comparable Basis % chg
revenues	48,082	51,105	51,702	+7.5%	+1.2%
Gross Operating Margin	17,953	19,039	18,539	+3.3%	-2.6%
<i>as a % of revenues</i>	37.3%	37.3%	35.9%	-1.4pt / -1.6 pt**	
Operating Income	10,498		6,988		
Operating Income, excl. exceptionals	9,988		9,796		
net Income, Group share	5,709		4,139		
net Income, Group share on comparable terms***	3,992		4,152		
CAPEX	6,033	6,503	6,732		
<i>as a % of revenues</i>	12.5%	12.7%	13.0%		
organic Cash Flow	7,481		7,157		
org. Cash Flow, without Pages Jaunes consolidation	7,229		6,894		
<i>net Debt / GOM</i>	2.48		2.27		

\* restated from Pages Jaunes disposal; \*\* Excluding Lebanon reserve reversal in 2Q05 (EUR199m) and provision for fine in 4Q05 (EUR256m), 2005 GOM margin is 37.5%, \*\*\* adjusted for main exceptional items

# group revenue growth driven by Personal, Home & Enterprise are under control

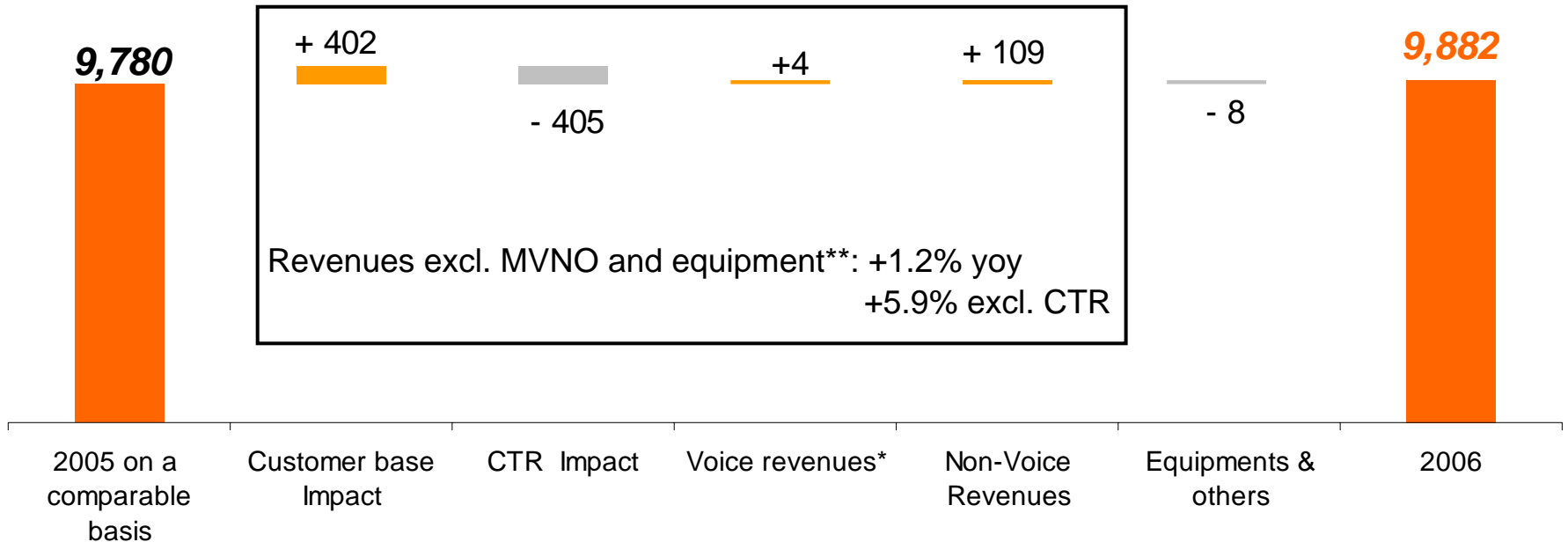
in million of euros	FY05 Comp. basis	FY06	Change EURm	Change comp. Basis %
<b>Group revenues</b>	51,105	51,702	597	1.2%
<b>total Personal</b>	26,381	27,745	1,364	5.2%
personal France	9,780	9,882	101	1.0%
personal UK	5,850	5,874	25	0.4%
personal Spain	3,222	3,353	132	4.1%
personal Poland	1,650	1,934	285	17.2%
personal ROW	6,086	6,920	834	13.7%
<b>total Home</b>	22,931	22,487	-444	-1.9%
home France	17,835	17,657	-178	-1.0%
home Poland	3,246	3,048	-198	-6.1%
home UK	426	426	0	0.1%
home Spain	658	558	-100	-15.2%
home other ROW	935	1,021	85	9.2%
<b>total Enterprise</b>	8,046	7,652	-394	-4.9%
eliminations	-6,253	-6,182	71	-1.1%

- personal revenue growth driven by the strong trend in emerging markets
- home revenue trend stabilized in 2H thanks to Home France with a confirmation of a slowdown in decline in France in 4Q
- enterprise business improved in second half, with ICT services revenue growth above market growth and lower decline of legacy businesses

# personal France 06: increase of network revenue

personal France 2006 revenue: EUR9,882m / +1.1% actual / +1.0% on a comparable basis

in million of euros



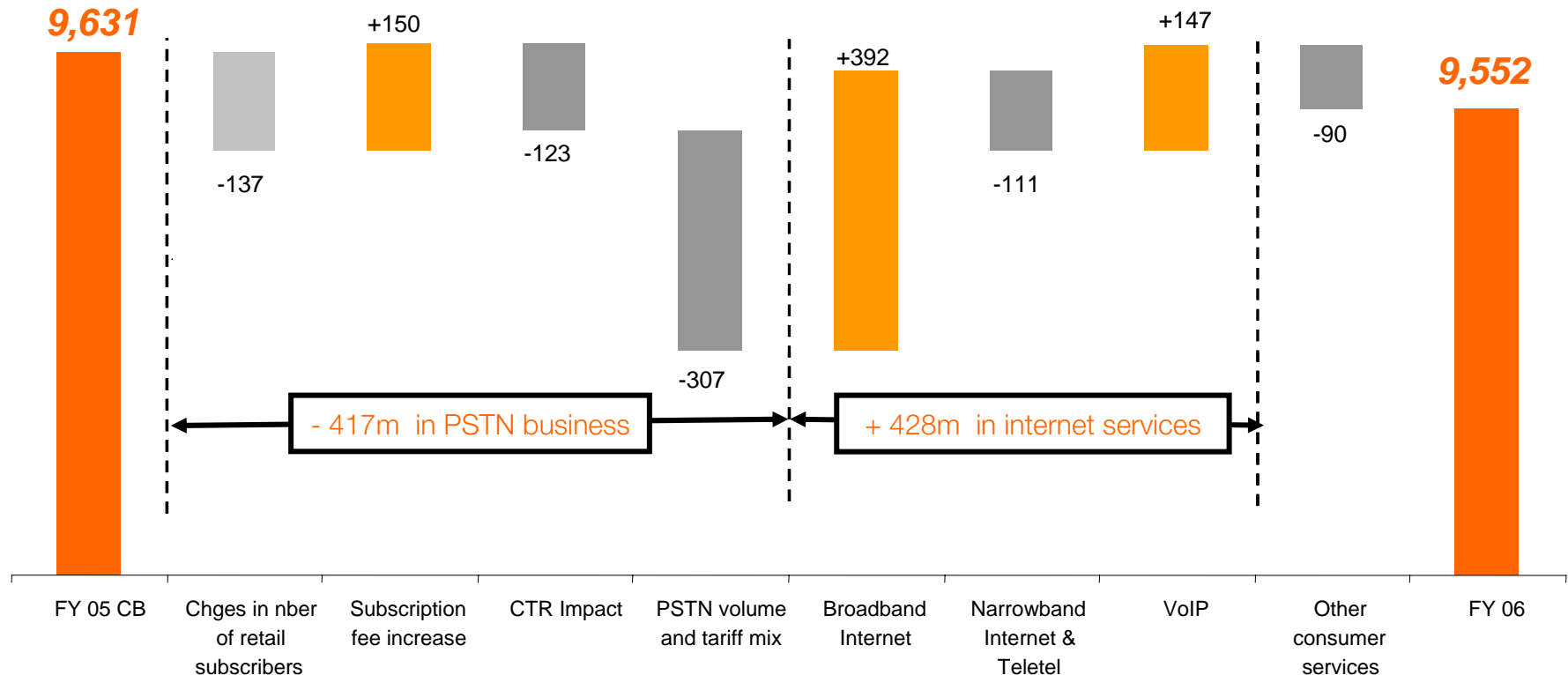
- strong customer base growth: 23.268m – excl. MVNOs -, +3.7% yoy
  - 725k net addition in 4Q06, of which 361k contract net additions (contract mix reinforced to 63.2%)
  - attractive offers and promotions with a positive impact on contract churn (decrease to 12.2% in 4Q06)
- Orange mobile Broadband takeoff (x 3,4 vs end 2005)
- non-voice revenues and ARPU up
- MVNO's successful strategy confirmed: 841k MVNO's customers (+ 224k vs 3Q06), >55% of market share

\* excluding CTR; \*\* Network ARPU revenue

# home France 2006: revenues broadly stable yoy thanks to internet services

Home France consumer services 2006 revenues: -1.3% actual / -0.8% on a comparable basis

in million of euros



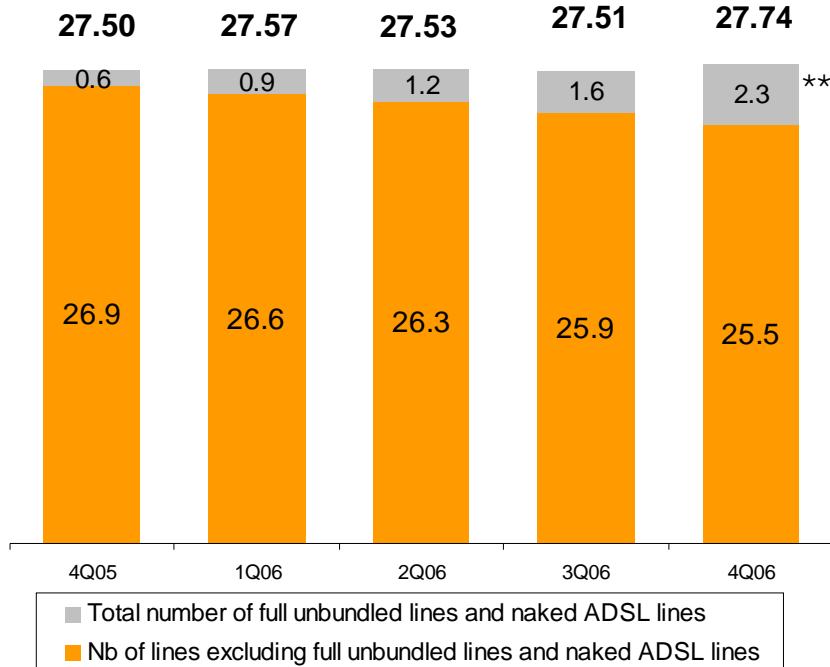
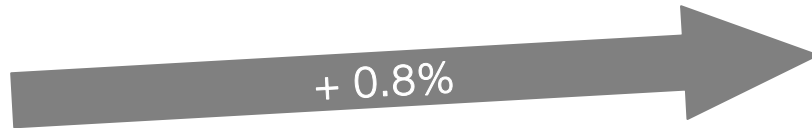
- full impact in 2H of the subscription fee increase
- continued broadband internet growth

\* based on ARCEP methodology

# home France in 2006: total number of lines stabilized with an increase in total access revenues\* (retail + wholesale)

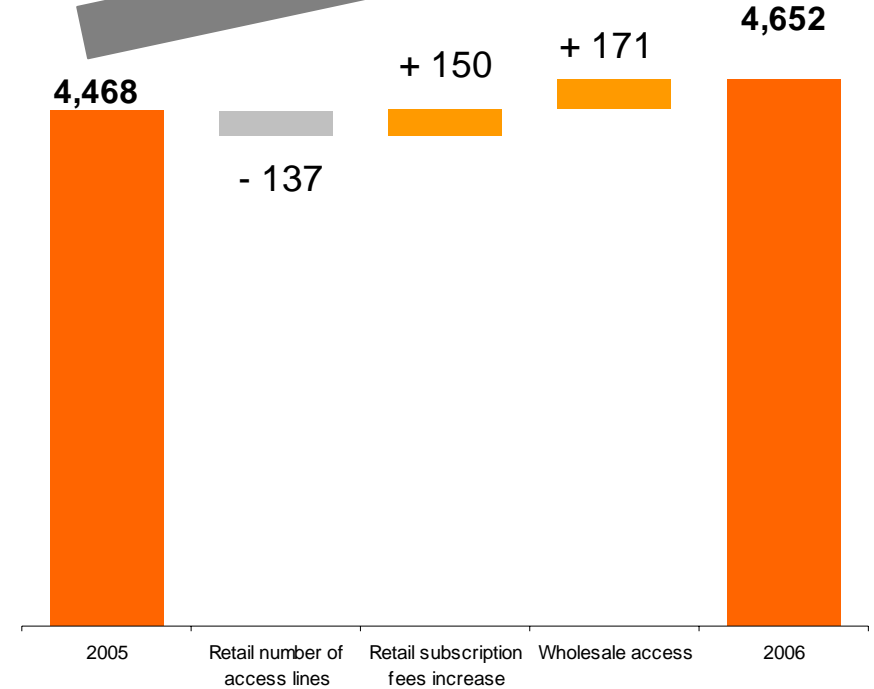
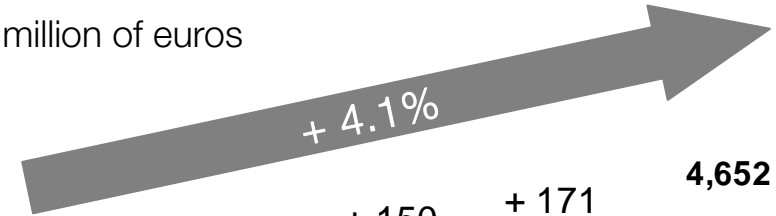
access lines

million



total access revenues

in million of euros

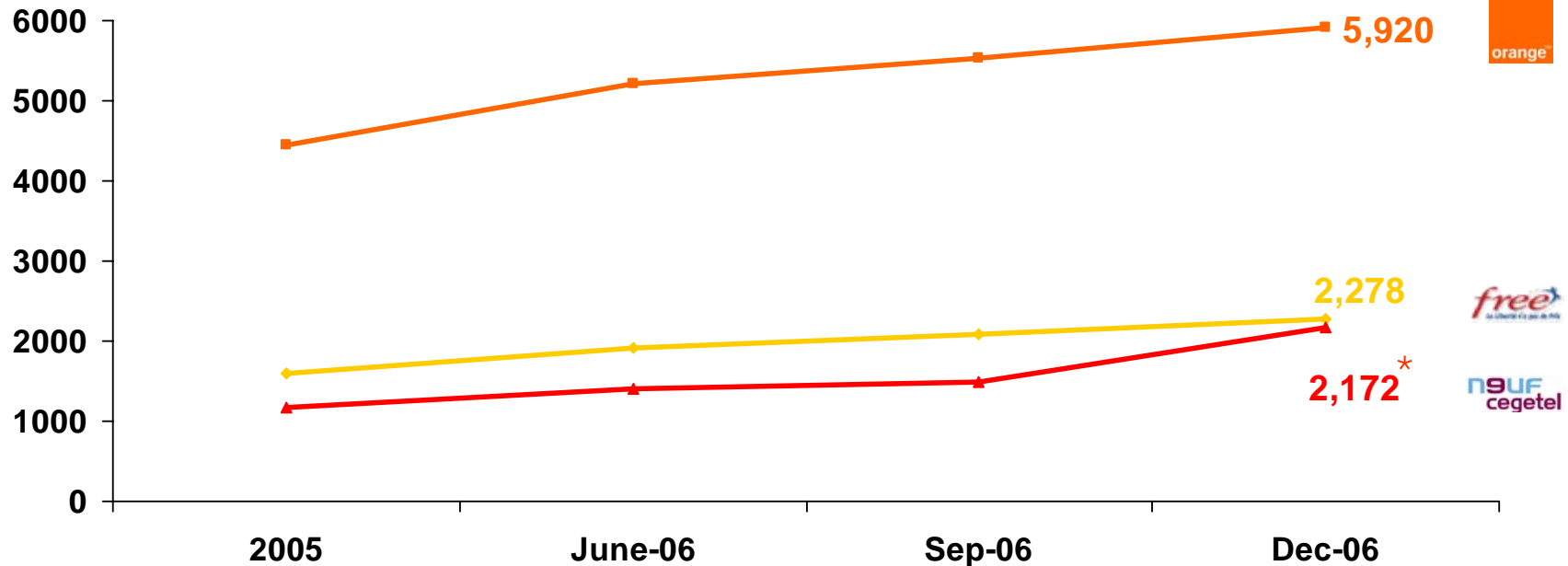


\* definition: revenues from retail subscription fees and wholesale access, including full & shared unbundling, naked ADSL and wholesale line resale; \*\* of which 2,1 full unbundling lines and 0.2 wholesale Naked ADSL lines

Convergence: the core of our  
strategy

# Orange broadband leadership confirmed ...

ADSL clients (000s)



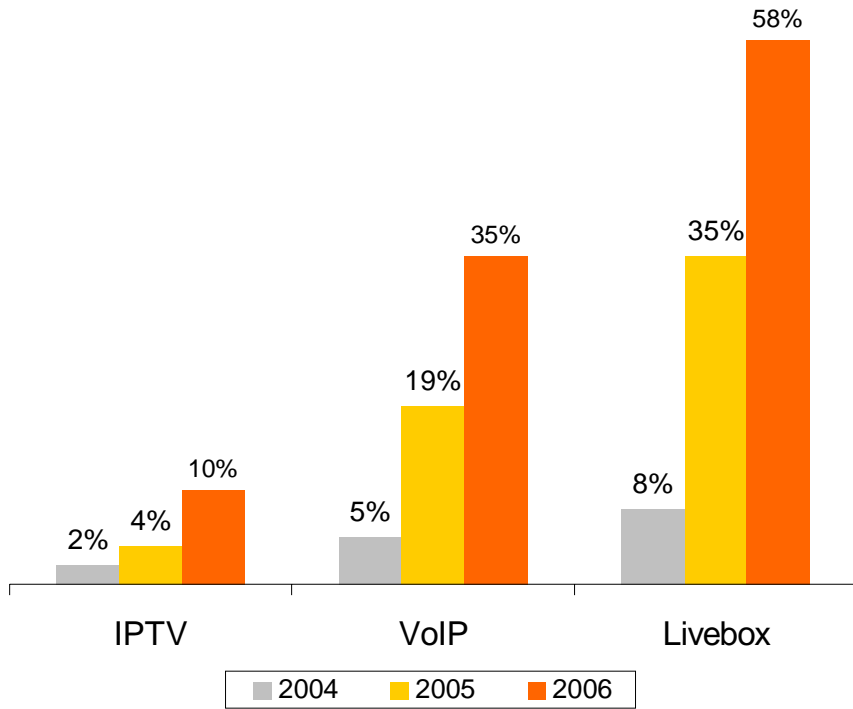
\* Including ADSL clients from AOL; 1,672k excl AOL

- 5.9m of ADSL customers at the end of 06 (+33.3% vs end of 2005)
- Orange ADSL market share stabilized around 49%
  - 49.3% market share at the end of 2006
  - 4Q performance mainly due to the delay in the launch of new ADSL offers

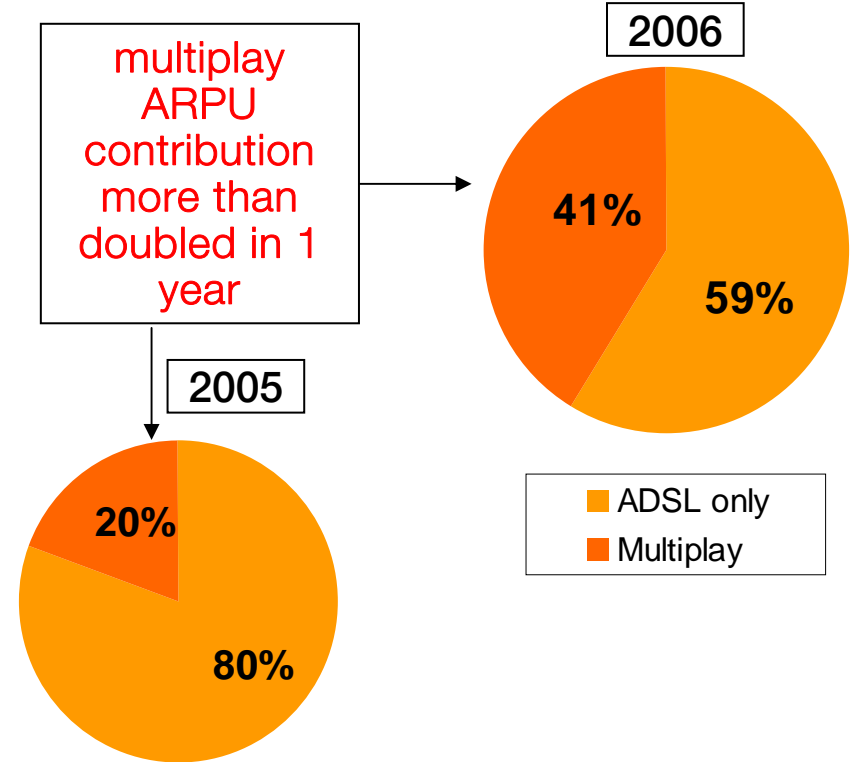
➔ our leading position on the broadband market supports the development of new usages and convergent offers

# ...placing convergent and multiplay offers at the heart of our strategy...

Livebox, VoIP customers and IPTV over our DSL customer base



multiplay\* as % of total ADSL ARPU

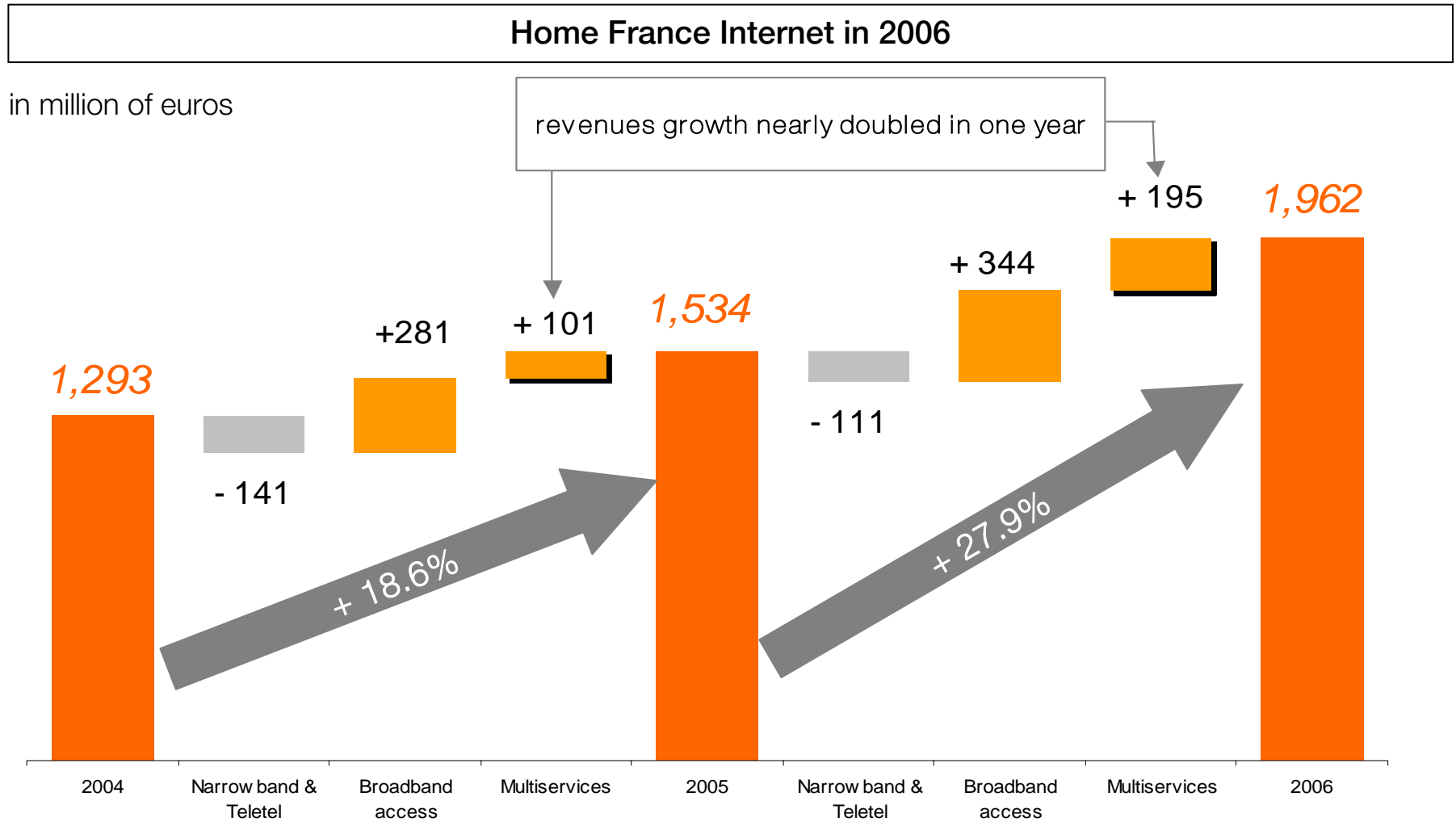


- growing interest for multiplay offers: 35% of Orange ADSL customers are multiplay oriented vs 19% in 2005

➔ increased penetration of dual & triple play services and takeoff of IPTV

\*: including internet DSL connectivity of multiplay customers, VoIP, IPTV, Livebox rental.

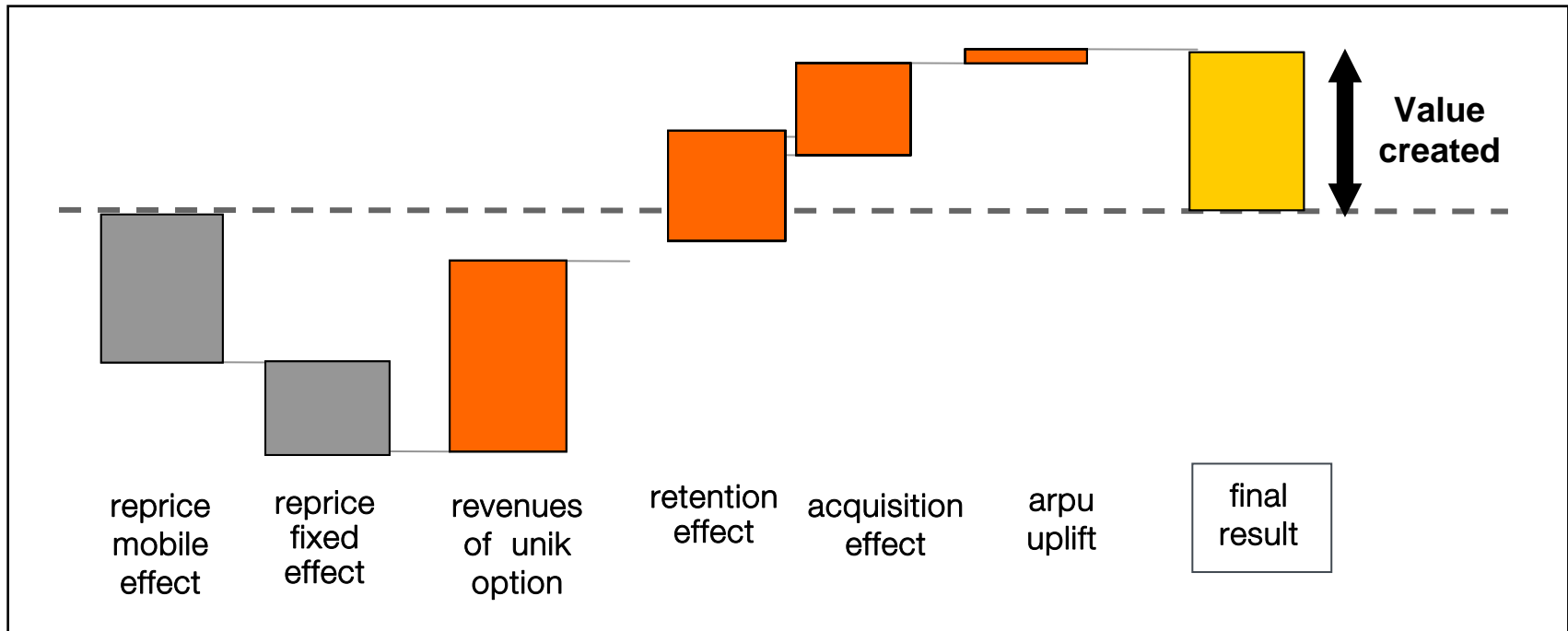
# ... leading to an acceleration of growth linked to ADSL broadband



- strong growth of multi-equipped ADSL customers with IPTV and VoIP development:
  - number of IPTV customers nearly tripled (577k)

# convergent services offers create additional revenues: example of Unik

## expected impacts of unik on revenues (France)



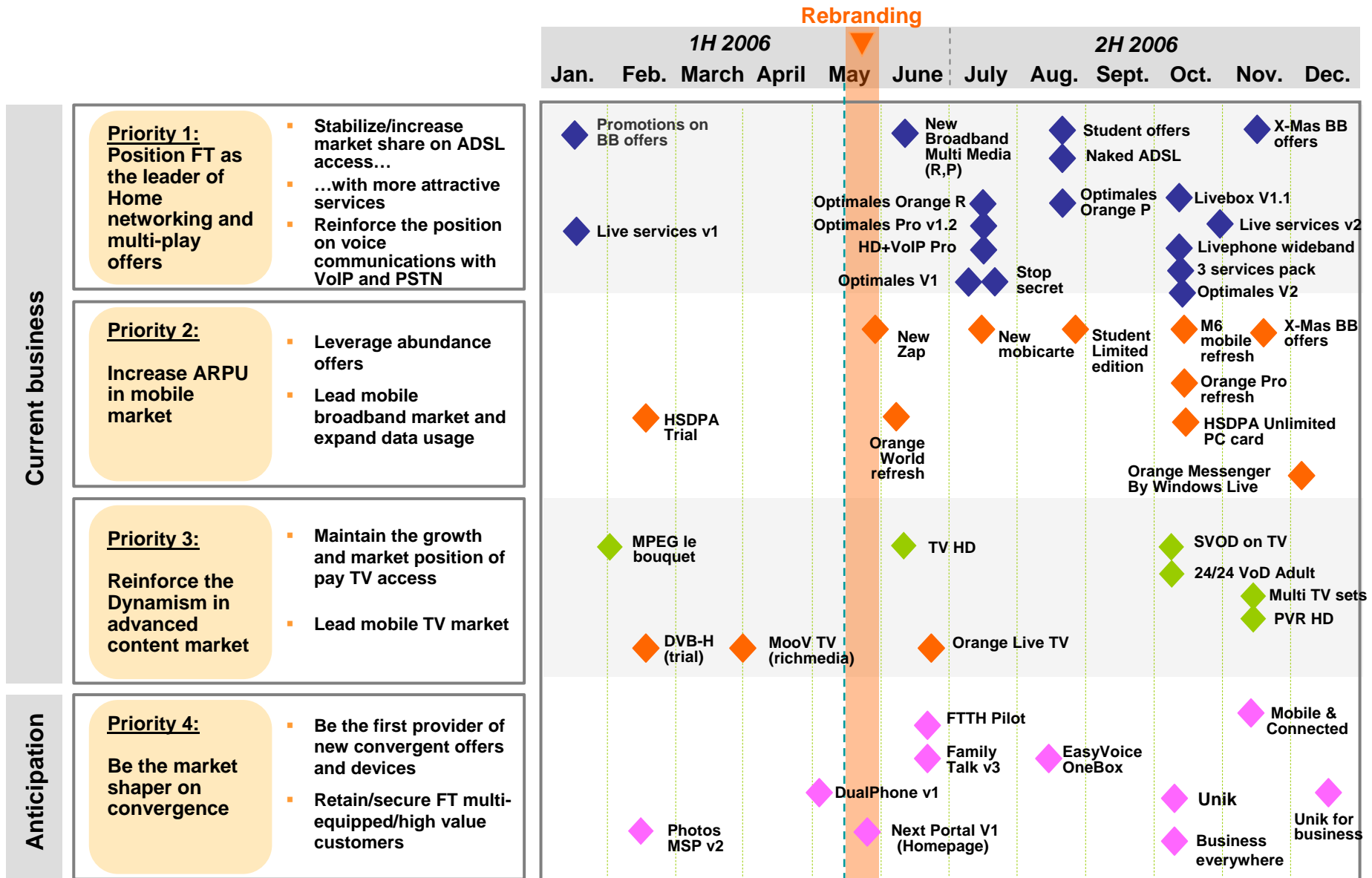
- negative 'repricing' effect for both mobile and fixed clients
- compensated by additional revenue generated with unik option, reduction in churn levels (customer retention effect), and increased customer base (get effect) and with fixed ARPU uplift

➔ overall, generation of significant positive revenue stream

# key strategic priorities & supporting products in France

Launch dates :

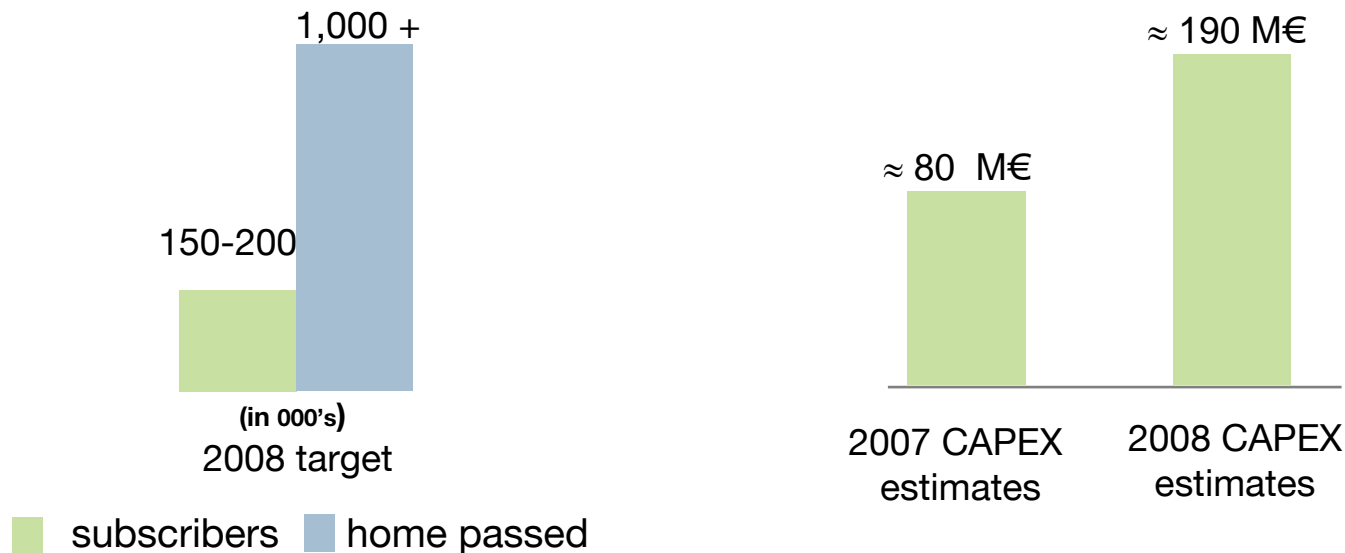
- ◆ Home
- ◆ Personal
- ◆ Convergent
- ◆ Content



Update on fiber

# FTTH now entering phase 2: pre deployment in 2007 and 2008

- customer pilot results: 14 000 homes passed; 900 agreements with managing agents for collective buildings (“syndics”)
- offer FTTH in 10 additional major and medium cities : starting with Lille, Lyon, Marseille, Poitiers, Toulouse on top of the Ile de France area
- with 150 000 – 200 000 active customers by 2008
- total Capex: around 270 million euros cumulated 2007-2008 with pragmatic, focused tactical roll out



→ CAPEX for FTTH is consistent with our 2007-2008 Group guidance of 10-11% IT&N CAPEX to sales ratio

# new offer starting march 1st 2007

## la fibre

une expérience du très haut débit



€44.90/month\*

\* 12 month subscription

**Internet 100Mb**  
up to 100mbps download  
& up to 10mbps upload

Web 2.0 portal,  
TV on PC

**Orange TV**

free access to 45  
French and  
international channels

**unlimited voice**

to fixed numbers in  
mainland France

**fiber optics  
livebox**

€3/month



### options

**multi screen TV** in order to watch  
different channels on 2 TV sets

€7/month

**HD time control** in order to control  
live TV, record one's preferred  
programs, watch them anytime and  
enjoy high definition programming

€7/month

**symmetrical 100mbps**, a throughput  
of up to 100 mbps for upload and  
download, in order to send one's  
photos, or videos even more faster

€20/month

### services

**optical connection fees offered** until june 2007,  
including installation of the optical plug and optical  
network termination

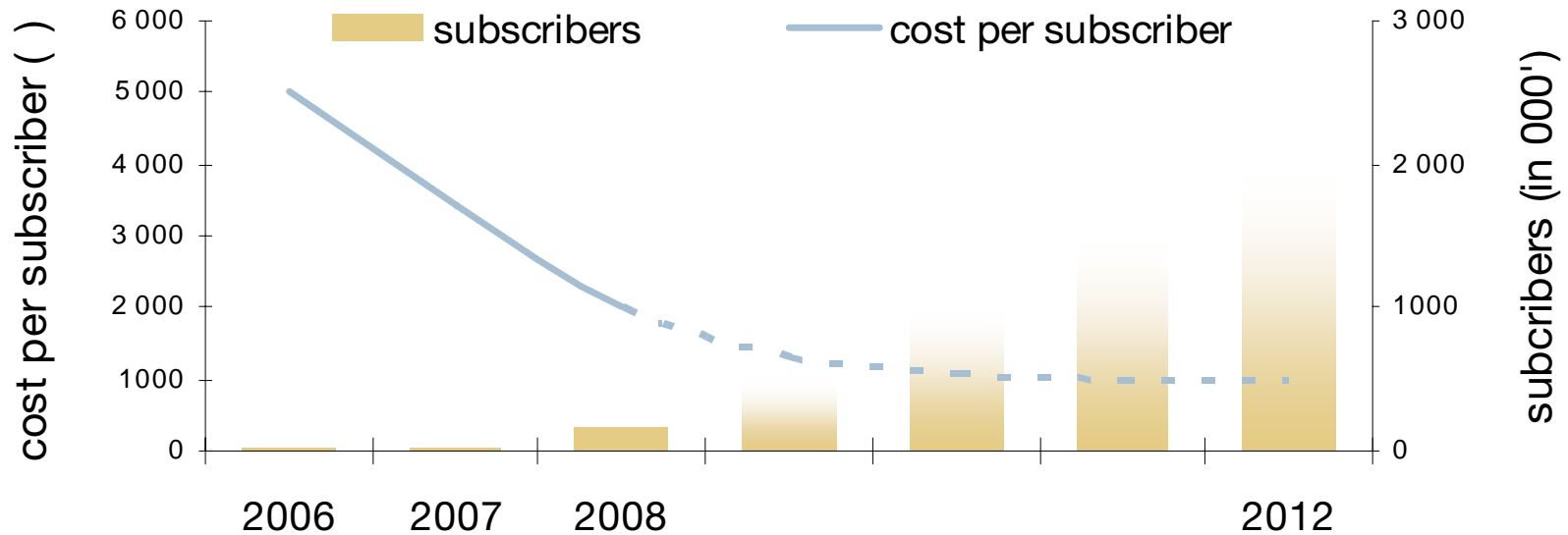
**Included** TV decoder and optical line termination

**free** technical and commercial **hotline** (0800 10 75  
75)

**domestic network installation** on sale for €1 until  
june 2007 (Internet, TV, Phone)

→ combining entry level pricing, premium options and strong customer support

## phase 3 to begin in 2009 : mass market roll out

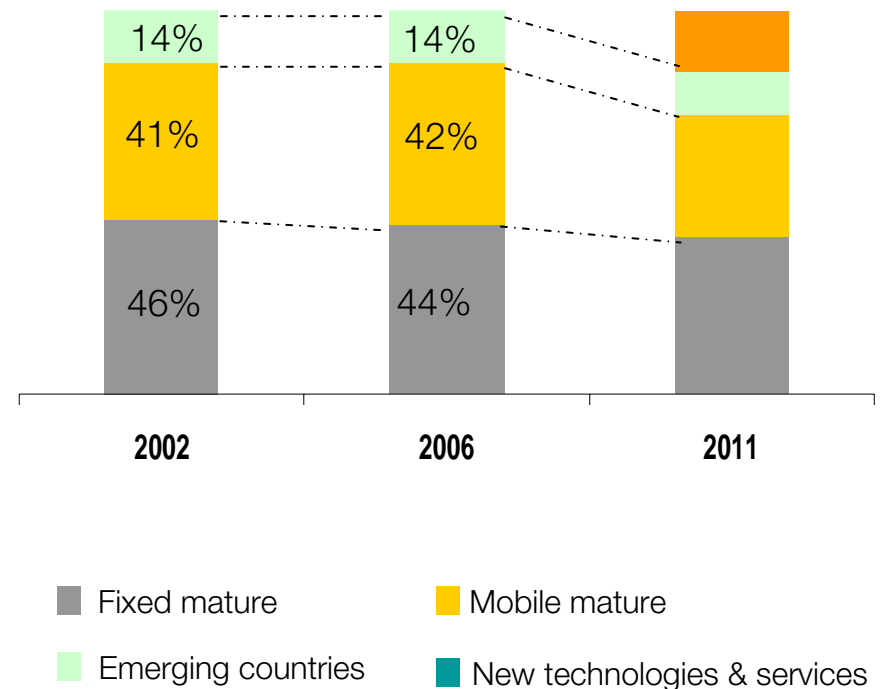


➔ after 2006 pilot successful completion, pre-rollout will start in 2007-2008, to be followed by mass market coverage

# capex decrease in mature fixed & mobile markets allows to fuel new growth areas

- capex intensity in emerging countries will reduce as markets mature
- lower requirements for 3G coverage plus network sharing will reduce capex in mature mobile markets
- capex to sales ratio should remain in average around 13% of revenue over 2007-2012

Evolution of capex split ( base 100)



→ as soon as 2009, around EUR1.0 billion each year will be reallocated from current activities to new growth areas (e.g. FTTH)

2007 in France

# personal France 2007: outlook and priorities

## environment

- number portability phase 2 due by May 21st, 2007
- potential fourth 3G licence allocation mobile
- continuing growth of MVNO's market penetration
- ARCEP has just completed its 05-07 plan on CTR and is engaged in preparing decisions for the 2008-2010 period

## priorities and action plan

- reduce churn and face mobile number portability phase 2 by developing more agile and pro-active loyalty programs
- use the mobile broadband customer base growth to develop non-voice revenue
- take advantage of the group convergence offers in retail and enterprise market : unik, business everywhere, fix & mobile SME bundles... ..
- keep taking advantage of the wholesale market growth and remain a strong leader

# home France 2007: outlook and priorities

## environment

- strong take up of naked ADSL offers
- stable or increasing access prices, with line rental increase of EUR0,84 by July 2007 (VAT excl.)
- deregulation of retail fixed telephony market initiated by ARCEP
- FTTH: authorities position in favor of investment

## priorities and action plan

- leverage on naked ADSL offers to enlarge broadband penetration
- keeping control churn rate via QoS, customer experience and launch of new loyalty program
- secure access revenues thanks to “all included” offers
- leverage convergence with innovative offers
- increase ARPU with multiplay propositions and Livebox penetration