

investor day 2007

home: leading the way into new growth opportunities

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executive VP, home line of business
Paris, December 5, 2007



overview

- 1 France Telecom-Orange confirms its leadership position in Europe in the wireline segment
- 2 our market is attractive and our environment clarifies
- 3 we are at the forefront of the transformation of our industry, and we are uniquely positioned to capture growth opportunities
- 4 we continue to streamline our operating model to enhance value
- 5 in summary

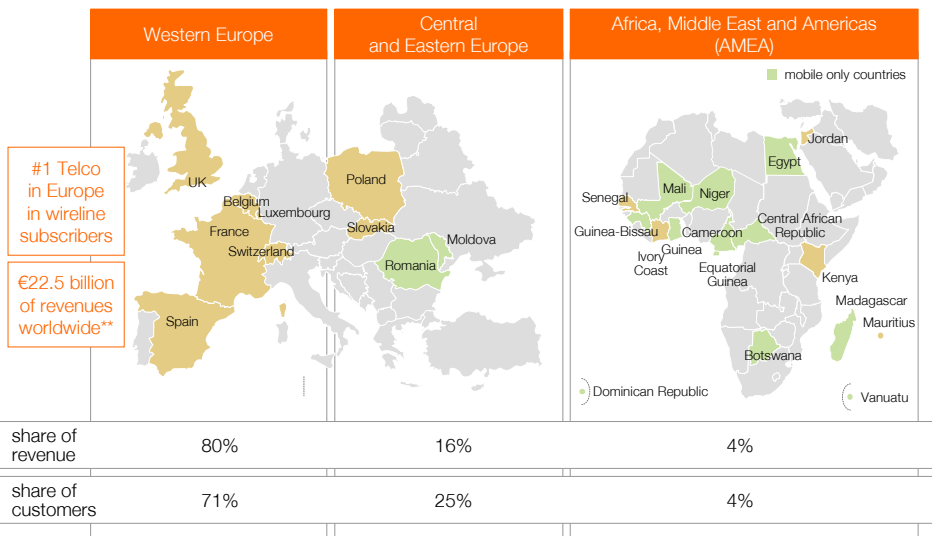
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France Telecom-Orange confirms its leadership position in Europe in the wireline segment



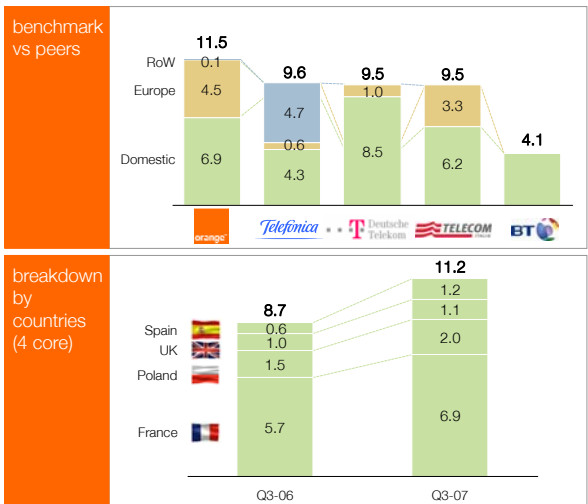
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home serves 37 million retail customers in 13 countries*



1 | France Telecom-Orange confirms its leadership position in broadband among peers

number of retail ADSL subscribers in million (Q3-07)



- Orange ranking**
- #1 in ADSL in Europe
 - #4 in ADSL worldwide
 - #1 in VoIP in Europe
 - #3 in VoIP worldwide
 - #1 in IPTV* worldwide

* active IPTV customers
source: company reports

1 | convergence is now core of our reality



galvanizing all resources of the group

convergence at work

- a single brand
- a unique distribution network (Orange shops)
- integrated networks
- technological know-how and technocenter for service innovation
- unified portal and unified customer services

enhancing the attractiveness of our offers

using our networks seamlessly to provide new generation services

- multi-play offers (internet, voice and TV)
- bundling mobile and broadband
- single billing when required / e-billing
- one-stop shop and one-stop care
- unik phone
- enhanced Livebox ecosystem
- internet everywhere
- content everywhere

1 | France Telecom-Orange accelerates its momentum in new growth areas ...


million subscribers

ADSL			VoIP			IPTV*		
growth in customer base 12 month	total customers Q3-07		growth in customer base 12 month	total customers Q3-07		growth in customer base 12 month	Total customers Q3-07	
orange	2.5	11.5	orange	2.1	4.2	orange	0.6	1.0
TELECOM	2.4	9.5	BT	1.6	1.7 (Q2 07)	PCCW	0.2	0.8 (Q2 07)
Telefonía	2.3	9.6	TELECOM	0.8	1.1	Telefonía	0.2	0.5
Deutsche Telekom	2.3	9.5	kpn	0.5	0.8	kpn	0.2	0.4
BT	1.1	4.0	Deutsche Telekom	0.5	1.1 (Q2 07)	TELECOM	< 0.1	< 0.1 (Q2 07)
			Telefonía	n/a		Deutsche Telekom	< 0.1	< 0.1


7 * active IPTV customers
source: dataxis; company reports; France Telecom estimates

1 | ... and across its footprint


YoY increases Q3 07/06

France 


- PSTN decline compensated by broadband growth
- +1.4 million broadband customers (+25%)
- over 50% multi-play broadband customers
- success of naked DSL offers
- increasing share of PSTN traffic

UK 

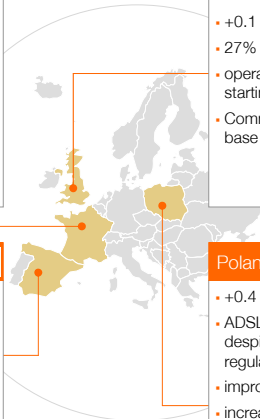
- +0.1 million broadband customers (+11%)
- 27% unbundled customers
- operational focus on quality of service starting to produce effects
- Commercial focus on building converged base (from -11% to -29%)

Spain* 

- PSTN decline offset by broadband growth
- +0.1 million broadband customers (+21%) and gaining additional scale through the successful integration of Ya.com
- strong market momentum with the success of "all-in-one" offers
- over 90% multi-play broadband customers
- 60% unbundled customers

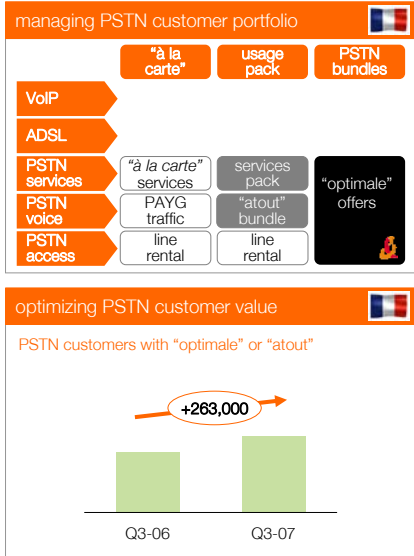
Poland 

- +0.4 million broadband customers (+26%)
- ADSL market share stabilized at 43.1% despite new entrants and strong regulatory effects
- improved ADSL customer mix
- increasing share of PSTN traffic and new tariff plans



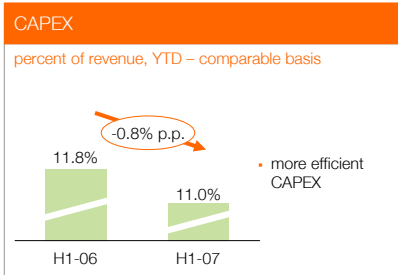
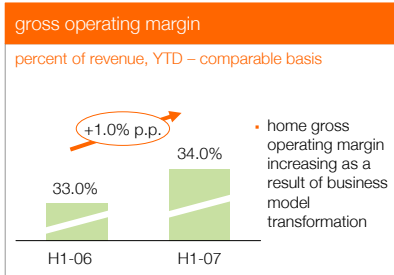
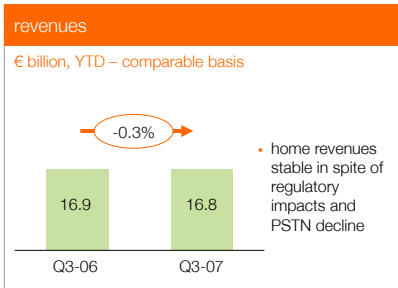
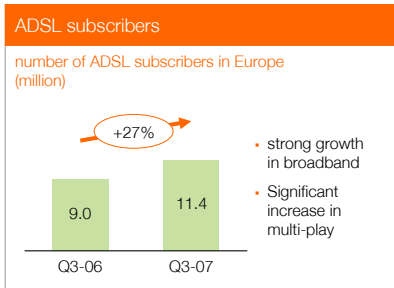
8 * before ya.com

1 | successful management of customer value in traditional PSTN business



- total number of fixed consumer lines continues to increase from 27.5 to 28.0 million driven by broadband demand with a 84% retail market share
- customer base is pro-actively managed in a segmented approach to optimize customer value and life time
- PSTN traffic market share continues to increase reaching 70.9% (+3.2 p.p. YoY)

1 | our 2007 performance is resilient



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2

our market is attractive
and our environment clarifies

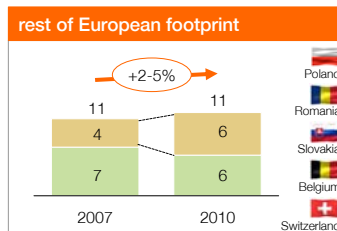
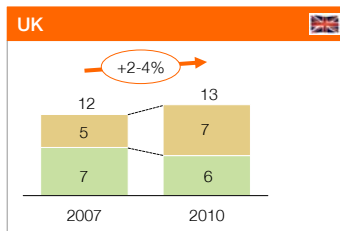
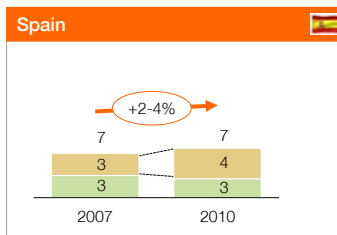
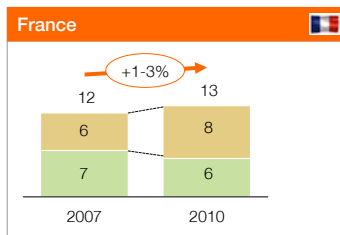


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our addressable market is expected to grow

total consumer broadband and related services revenues (€ billion)

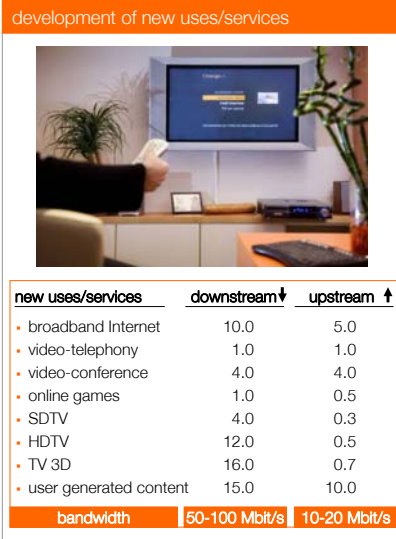
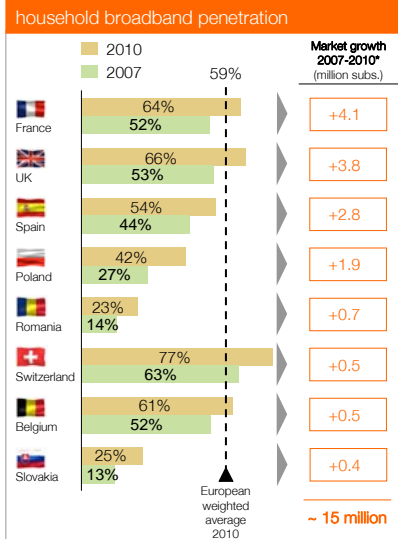
■ broadband
■ PSTN + NB



- growth across our four key markets

- growth driven by broadband

2 | broadband penetration and development of new uses fuel growth



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2 | competitive and regulatory environments clarify

market repair

consolidated markets ...

- France**
 - 80% broadband market share with 3 players, consolidation nearing completion
 - competitors focusing on value added services and new usages to drive ARPU
- Spain**
 - 80% broadband market share with 3 players, consolidation nearing completion
 - increasing demand for IP services

... with notable exception of the UK

- UK**
 - 85% broadband market share with 6 players striving for scale
 - LLU taking-off but high speed networks are still under-developed

... and Poland in early stages of broadband development

- Poland**
 - fragmented market, with multiple players below 5%
 - regulatory environment fosters resellers

regulation more predictable

minimal retail regulation confirmed ...

- retail markets eliminated from the list of relevant markets except line rental
- no retail regulation of broadband markets foreseen

... but extension of type and scope of possible wholesale regulation

- overall direction given on duct sharing and in-building wiring in France
- regulation of next-generation networks still under definition across our footprint
- functional separation as a remedy of last resort in the European telecommunications regulatory framework

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3

we are at the forefront of the transformation of our industry, and we are uniquely positioned to capture growth opportunities



3

our strategy to capture profitable growth

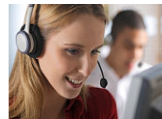
brand

- close to 100% of our broadband customer base under the Orange brand

Orange

quality of service

- continuous improvement dynamic now deeply anchored to offer best-in-class client experience



new products & services

- developing and leveraging our unique assets and scale to drive innovation, benefit from convergence, and serve multiple segments

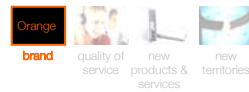


new territories

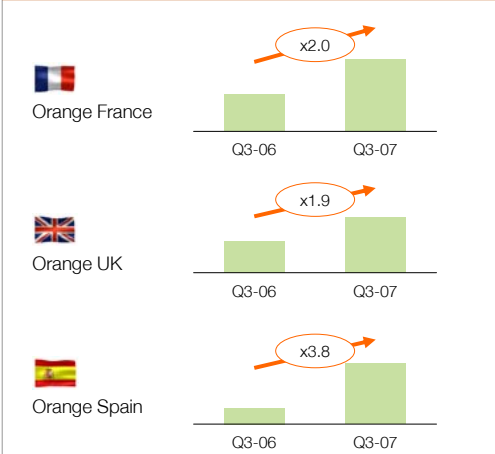
- expanding our broadband service offering in our mobile only countries with a pragmatic approach



3 a unified brand is a key enabler to execute on our objectives



increasing Orange brand spontaneous awareness in internet space

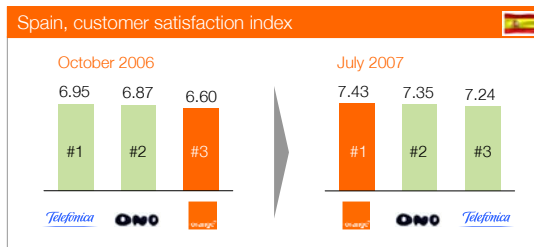
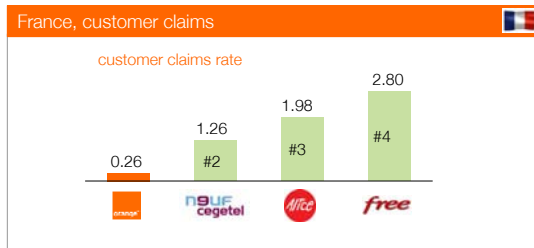


leveraging Orange brand assets

- a unique brand optimizes distribution channel efficiency
- unified brand enables development of convergence
- Orange values support the Home promises
- Orange attributes aligned with key competitive differentiators going forward
- beyond products and services, Orange promotes a lifestyle at home

17 source: Millward-Brown (Orange brand tracking international quarterly report)

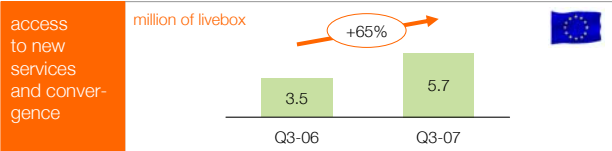
3 quality of service will become even more important as a key differentiating factor



- mastering the QoS is a day-to-day challenge given new types of customers coming into the market and wider range of equipment and services
 - ADSL ~ +30%
 - livebox ~ +65%
 - VoIP ~ +100%
 - IPTV ~ +140%
- Orange improves its quality of service through
 - technical know-how and scale
 - end-to-end control over the network
 - best-in-class installation, time to repair, and customer care

18 source: AFUT study on customer claims, March 2007 (France); broadband global satisfaction survey of 2,595 broadband residential customers conducted by telephone by Triple In (Spain)

3 | livebox is a unique enabler to introduce new services



enhanced box portfolio

<p>babybox</p> <p>"the low cost and simple dual play gateway"</p>	<p>new livebox</p> <p>"the classic triple play gateway compatible with the full range of Orange services and accessories"</p>	<p>livebox N</p> <p>"the business and high-end consumer-oriented gateway enabling high-bandwidth, and multi-user services, with extended Wi-Fi coverage"</p>
<p>livebox premium</p> <p>"the high-end consumer gateway enabling high-bandwidth, extended Wi-Fi coverage and multimedia services"</p>	<p>flybox HSDPA</p> <p>"the new Orange box that uses the mobile network to offer broadband and voice services at Home or at works"</p>	<p>FTTH livebox</p> <p>très haut débit jusqu'à 100 mbps</p>

- unique European telco advancing a box strategy, leveraging economies of scale
- key enabler to capture new digital services and to better attract new segments
- way to generate more revenues and create stickiness

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3 | livebox ecosystem develops and creates new growth opportunities



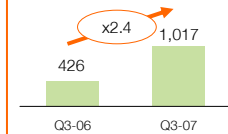
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3 we hold a strong position in content

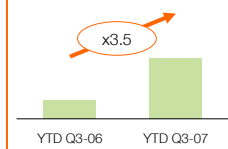


content	packages <ul style="list-style-type: none"> basic package including HD thematic channels premium packages like CanalSat
	exclusive content <ul style="list-style-type: none"> Orange sports TV events channels Disney-ABC series in Poland
services	VoD <ul style="list-style-type: none"> catalogue of more than 2,500 movies and over 5,000 TV programmes including HD subscription video on demand
	rewind TV <ul style="list-style-type: none"> access to the content broadcast on TV during the last week/month
	innovative services <ul style="list-style-type: none"> multi-room TV HDTV live-plug (CPL)

Orange IPTV customers



Orange VoD acts



full content offer and quality of service are key value drivers going forward

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source: Informa; GfK/NPA

3 we intend to continue leading this market



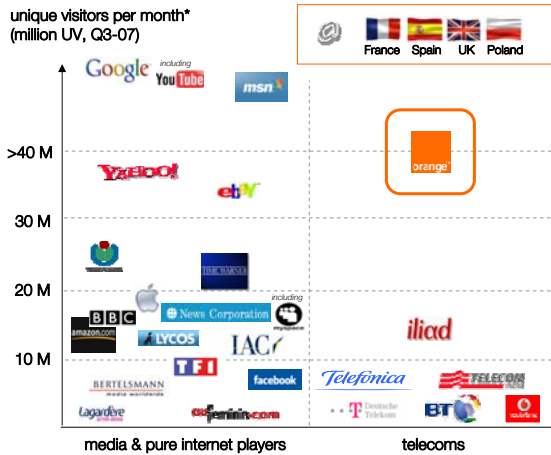
1st to deploy in France

1st to deploy worldwide

past achievements	today	2008	beyond 2008
<ul style="list-style-type: none"> 2002 • VoD on PC 2003 • TV and VoD via ADSL 2005 • PVR via ADSL 2006 • HDTV on ADSL 2006 • subscription VoD 	<ul style="list-style-type: none"> Orange sports TV rewind TV (catch-up) 	<ul style="list-style-type: none"> home media center revolutionary new IPTV portal <ul style="list-style-type: none"> enhanced user interface advanced EPG interactive games on TV user generated content web TV portal on the Internet 	<ul style="list-style-type: none"> 3D on TV other innovations from Orange labs new level of services

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3 | Orange is uniquely positioned among audience global market players



- online advertising on internet is big and growing
 - €5.2 billion in 2007 in Western Europe**
 - 15-20% CAGR growth expected over 2007-10
- Orange is uniquely positioned to capture growth
 - own ad sales network
 - lead force in display advertising
 - 7 out of 10 internet users in France visit our portals every month
 - 6 out of 10 in Poland, and 5 out of 10 in Spain

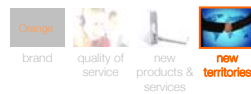
* France, Poland, Spain and UK
 ** Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK
 source: Nielsen net ratings and Megapanel August-September 2007 (UV); Zenith Optimedia December 2006 (market)

3 | we will enhance and leverage this position to capture growth



multi-screens	localisation	personalisation
	<p>geo-localized ad</p> <p>local search / classified</p>	<ul style="list-style-type: none"> tracking profiling behavioural targeting
Orange leverages its large audience on the 3 screens	Orange, key player on the growing mobile ad market	Orange has already a good knowledge of its customers

3 | we extend home services to our mobile only countries in a pragmatic way



	broadband market structure	France Telecom assets
Slovakia	<ul style="list-style-type: none"> penetration: 14% (25% by 2010) market: 0.4m subs (~27% CAGR) good fixed and cable coverage; 3P just launched 	<ul style="list-style-type: none"> #1 mobile player FTTH roll-out covering 10% of households in phase 1
Romania	<ul style="list-style-type: none"> penetration: 14% (23% by 2010) market: 1.3m subs (~16% CAGR) low copper penetration (19%); strong rural/urban divide 	<ul style="list-style-type: none"> #1 mobile player HSDPA launched
Belgium	<ul style="list-style-type: none"> penetration: 48% (61% by 2010) market: 2.6m subs (~7% CAGR) 52% VDSL HH coverage and mature TV market 	<ul style="list-style-type: none"> #2 mobile player LLU program in place (100+ MDFs unbundled)
Switzerland	<ul style="list-style-type: none"> penetration: 55% (77% by 2010) market: 2.4m subs (~7% CAGR) 50% VDSL HH coverage; LLU opportunities restricted 	<ul style="list-style-type: none"> #2 mobile player wholesale offering

- strong mobile positions provide many assets to leverage (e.g., brand, distribution, up-selling, etc.)
- both traditional fixed and wireless infrastructure approaches will be utilised as appropriate
- Wireless to be predominant in emerging African countries

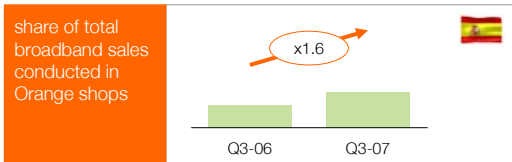
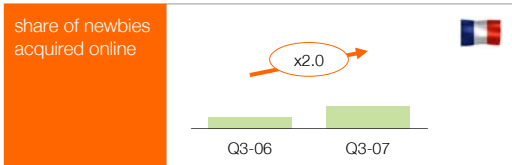
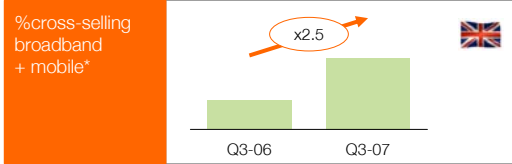
25 source: analyst consensus; France Telecom analysis

4

we continue to streamline our operating model to enhance value



4 | we are continuously decreasing our cost-to-acquire

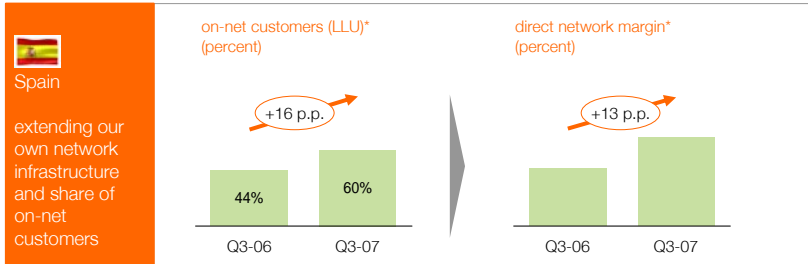
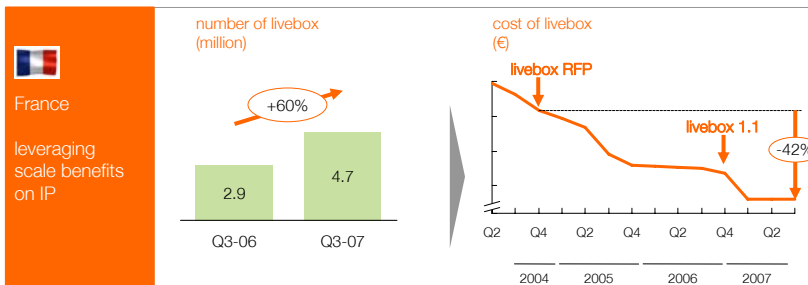


- Orange is continuously engaged in
 - optimising customer investment
 - reducing cost to acquire
- levers of action include
 - cross-selling to our installed fixed and mobile customer bases
 - leveraging proprietary and controlled channels
 - optimise marketing impact through unified brand and rebalancing of marketing mix

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* broadband + mobile as percentage of broadband sales

4 | we are continuously decreasing our cost-to-produce



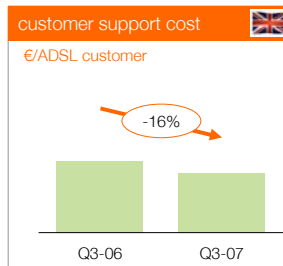
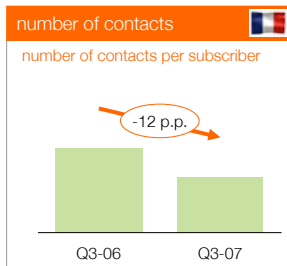
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* before ya.com

4 | we are continuously decreasing our cost-to-serve



- improved reliability of new IP services leveraging our scale and experience
- QoS reducing number of contacts
- process and automation decreasing cost per contact
- 86% of e-billing customers for broadband in France and 60% increase 06/07 in e-billing for PSTN customers in France





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4 | on CAPEX, we follow a selective and rigorous approach to new infrastructure investment

new usages with video streaming

new themes	new services
<ul style="list-style-type: none"> simultaneous and symmetrical usage multi screens & devices quality of service entertainment self-generated content & communities security environmental stakes 	<ul style="list-style-type: none"> multi set tv 3D tv tv on PC HDTV gaming video blogs/ online photos online storage and back-up work at home e-shop/e-care

FTTH projects  

- progressive transition to high broadband networks necessary
- FTTH choice for France confirmed
- pilot in France progressing as planned
 - fiber roll-out in 10 major and medium-size cities
 - 1 million "Home passed"
 - 150 - 200,000 active customers
 - CAPEX < €270 million
- Slovakia has been launched
- opportunities in other countries under review

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5

in summary



5 | wrap-up of our priorities

protect and grow our broadband
market share

grow broadband access, services and
increase the share of wallet of existing
customers

continue streamlining our operations
to enhance value

