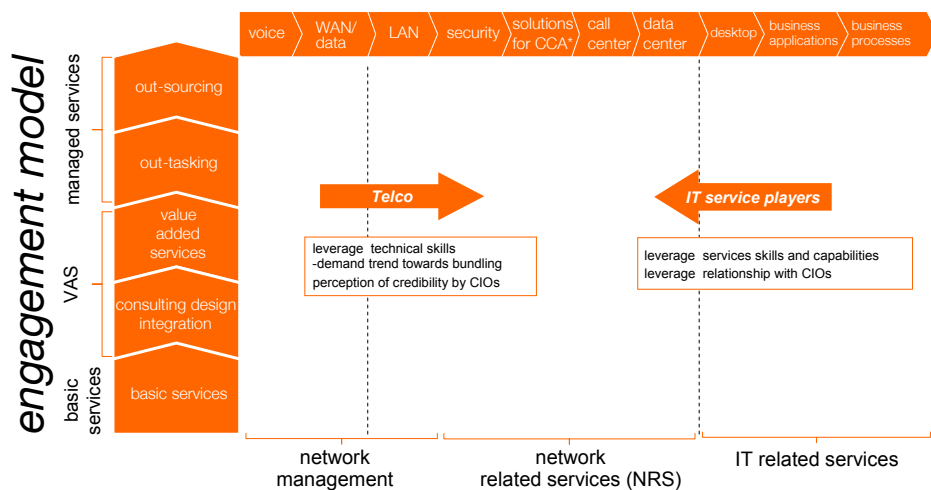


# enterprise: leverage IP convergence

Barbara Dalibard  
senior executive VP,  
Orange Business services

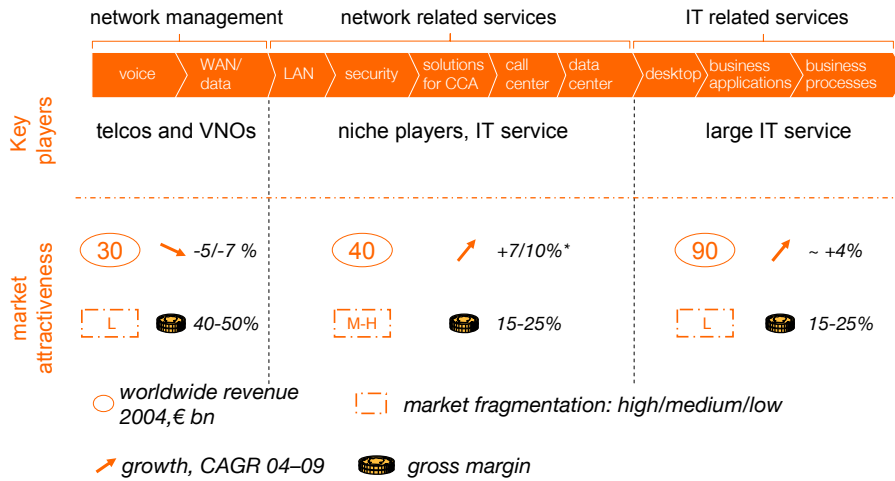


## IP convergence tends to blur frontiers



\* CCA : Communications Critical Applications

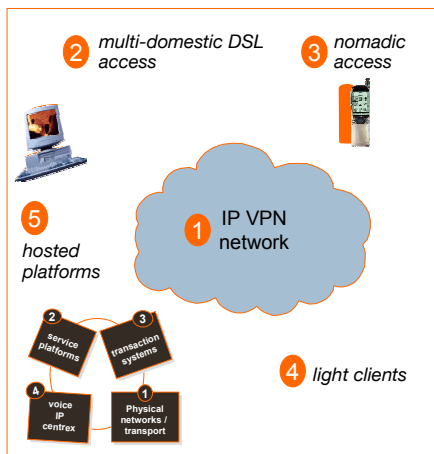
## network related services market is a fragmented market offering growth opportunities



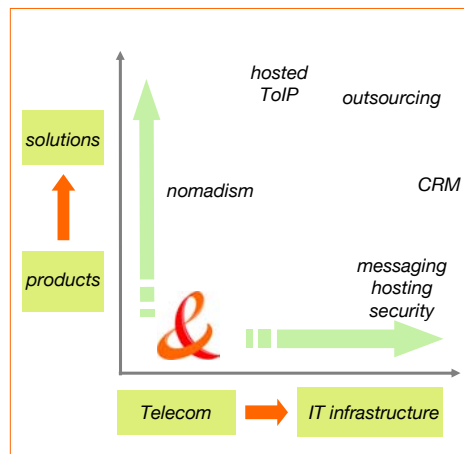
\* +7/10% excluding data centers; +4% including data centers

<sup>3</sup> source: Mc Kinsey studies, Booz Allen, PAC

## in 2004, we said we would develop convergent communication services and enter the network related services arena

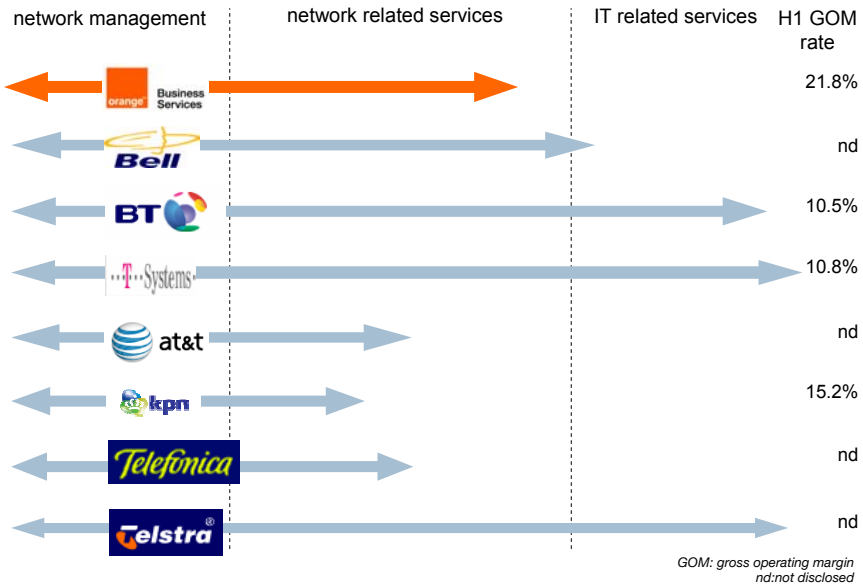


new technologies enable a better integration



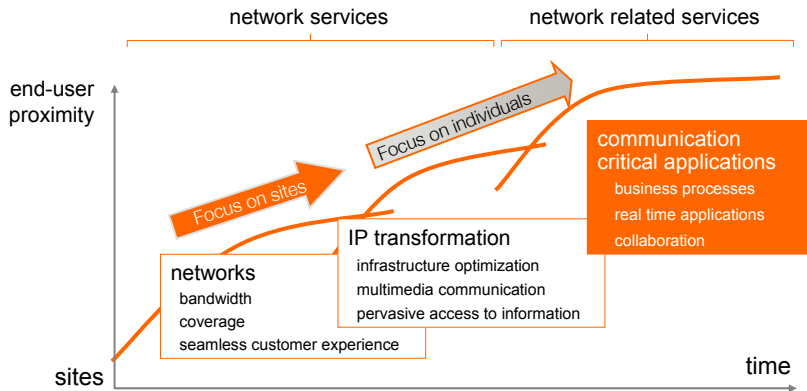
a real business transformation

## which is one of our difference versus competition



5

## we want to be a communication services integrator

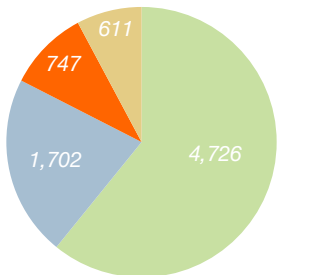


*IP VPN world leadership, global presence, outstanding customer experience and end-user proximity are our key differentiators*

6

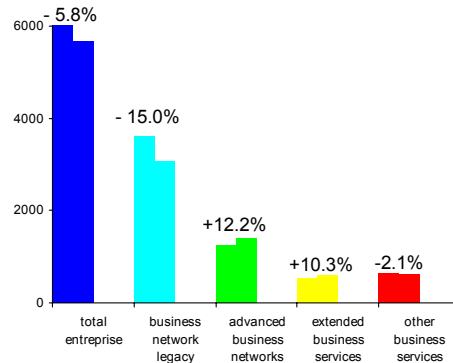
## where do we stand in terms of revenues ?

FY 2005 entreprise revenue :  
7,785 million euros



- business network legacy
- advanced business networks
- extended business services
- other business services

9 months entreprise revenue,  
2006/2005 evolution



in million euros, on a comparable basis

7

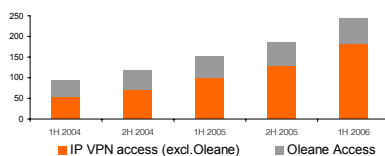
## networks - current situation

voice market

- traffic market share decline stabilized
- access volumes slightly declining (LP accesses:-1.5% yoy 9M06)
- potential impacts: SDSL adoption, regulation (F-to-M rates)

data: migration  
to IP VPN  
under  
completion

- the world's largest IP VPN reaching 220 countries
- 10,000 MPLS IP VPN customers, representing more than 240,000 customer accesses (vs 116,000 for ATT)



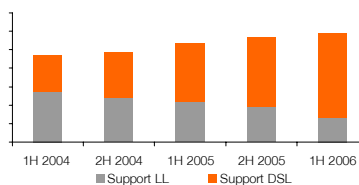
volume growth  
1Q 2004-3Q 2006

IP VPN +400%

X25 -60%

data: impact of  
migration to  
DSL

support of managed networks in France



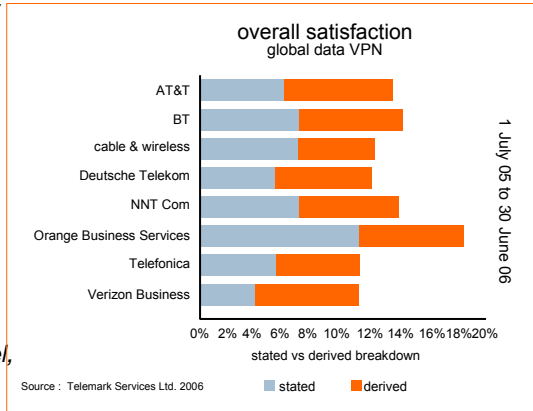
80% DSL

20% LL

8

## networks - action plan

- *keep our customer through an outstanding customer experience*
  - highest overall satisfaction index
  - highest satisfaction index for data VPN
- *take them along the IP transformation journey*
  - through professional services
  - with robust solutions
- *reduce costs*
  - lean management
  - six sigma
  - offshoring
- *extend scope*
  - Eg. Grand Circle travel, Renault-Nissan



9

## IP transformation - current situation

### IP solutions

- a full portfolio of offers: IP Telephony and IP contact center solutions
- 6,000 sites and 200,000 IP phones
- 9M06 IP VPN revenues growth : +13% yoy



### very broadband access

- MAN Ethernet and Ethernet link services in France yoy growth: +100%
- end to end management with SLA & reporting



### convergent products

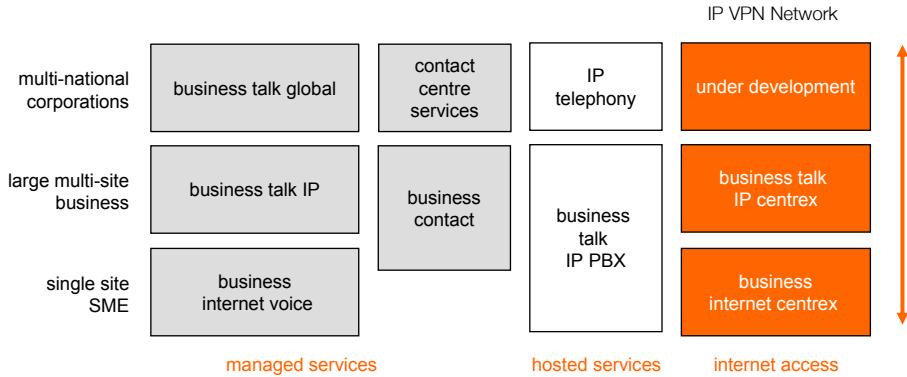
- business everywhere
- business talk: incorporating fix & mobile



advanced business networks +12.2% revenue growth 9M06 yoy

10

## a highly comprehensive IP portfolio including managed and hosted services



*"France Telecom has the most comprehensive IP voice portfolio of European incumbents, with propositions to address both small and large enterprise segments. FT is committed to offering a full range of solutions to meet the growing trend towards IP voice" Ovum- 2006*

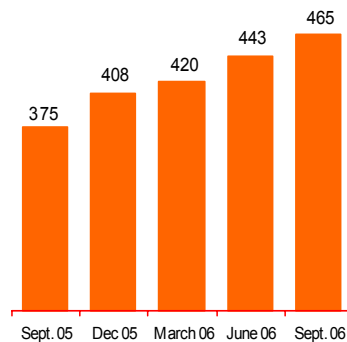
11

## business everywhere: capitalize on the France Telecom group footprint

- available in 140 countries for multinationals
- available in 8 countries for SMEs and large accounts



business everywhere end users in France (000)



*and a first step towards end-user management*

12

## IP transformation - action plan

- *be the leader in IP transformation*
  - invest in Asia and Russia
  - develop our market share
  - leverage our presence in 220 countries
- *develop broadband access*
  - International Ethernet services available in major countries (16 by March 07)
- *develop differentiation with convergent products*
  - unik for business
  - business everywhere geographic extension
  - business together geographic extension



our ambition on IP transformation is worldwide

13

## communications critical applications - current situation

communications  
critical  
applications

- CRM platform services growth: +20%
- trading solutions: + 19%
- machine to Machine solutions: first telco to be included in Gartner's Telemetry magic quadrant
- 1 million messaging users, 2,000 IT specialists

we want to focus on management  
of business-critical communication applications

S-Testa

- a secured trans-European services for teleadministration network to interconnect the EU bodies with national authorities through a common platform with guaranteed performance levels and security

ELM Leblanc

- heating facilities telediagnosis based on Machine to Machine, providing a value-added and innovative services. It enables preventive maintenance and optimizes delivery processes

Axa Assistance

- hypertension control system with machine to machine helps monitoring patient health and reduces hospitalization costs

business extended services: +10.3% organic revenue growth 9M06 yoy

14

## we reinforce our skills in services through selective and limited-size acquisitions

### Diwan

- *completes our offer in network integration services*
- *complementary skills in the areas of security and collaborative tools*
- *extension of call center presence in France*

### Neocles

- *completes range of services combining advice, integration and outsourced management, enabling clients to optimise secure access to their information systems*

### Silicomp

- *completes Orange Business Services offer in the area of integrated communication applications and on networks integration with Silicomp know-how in key technologies such as IPv6, security, ...)*

15

## communications critical applications action plan

- *start with France and extend in Europe*
  - *CRM services*
  - *communications critical applications*
- *successfully integrate the acquired companies*
- *develop all service company capabilities*
  - *skills development, Professionalization path, HR tools,*
  - *risk management, follow-up by project*

16

## this positioning leads to a dual mode business model

- |                                    |   |   |
|------------------------------------|---|---|
| ▪ operator model                   | & | services model                          |
| ▪ <i>standardized products</i>     | & | <i>customized offerings</i>             |
| ▪ <i>physical assets</i>           | & | <i>intellectual assets</i>              |
| ▪ <i>CAPEX intensive</i>           | & | <i>labor intensive</i>                  |
| ▪ <i>technological focus</i>       | & | <i>business focus</i>                   |
| ▪ <i>product margin (a priori)</i> | & | <i>project margin (on going effort)</i> |

level of gross

operating margin

18%- 25%

5%-15%

revenue trend



17

## actions to adapt our cost structure

- *review our selling model*
- *decrease of SG&A*
- *lean management everywhere*
- *operational process optimization*
- *access cost and capex optimization*

18

## Our ambition

be the leading global communication  
services integrator delivering the best  
customer experience