

# Operations France

a robust dynamic

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march 5<sup>th</sup> 2009



## key messages

- 1 2008 objectives have been met, in line with the vision expressed in NExT
- 2 we maintain a leading position on the French market while mastering the evolution of our business model
- 3 we will continue to provide the best of a convergent telecom experience to our customers
- 4 we keep improving our performance to achieve operational excellence and to sustain margins
- 5 priorities for 2009-2011

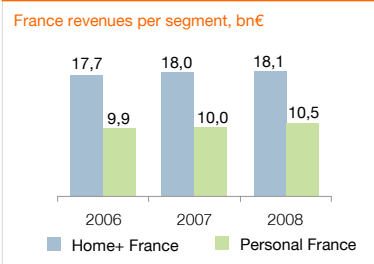
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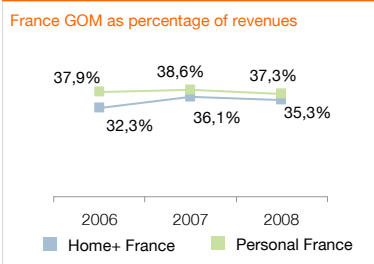
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## 1 | in France, Orange has increased its revenues and maintained its GOM on all segments

### resilient revenues for home+, steady growth for personal segment



### GOM maintained on both segments

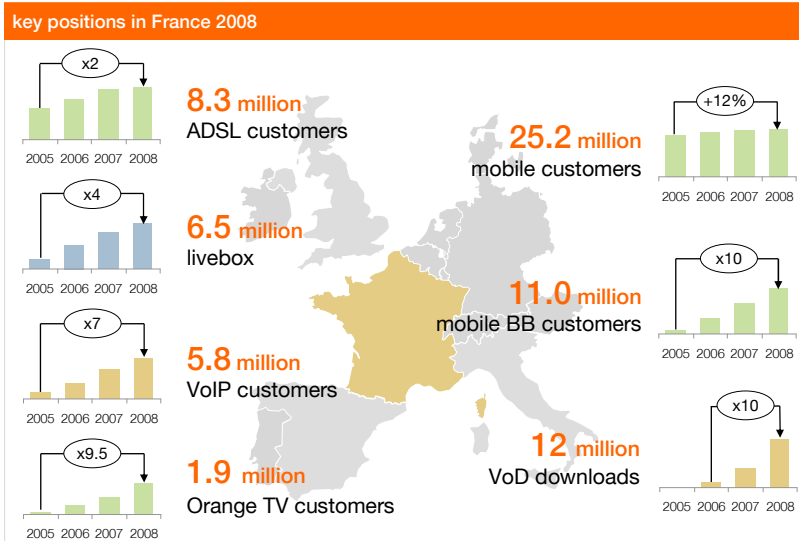


### insights

- growth on broadband, carrier and other services compensating erosion of revenues on traditional voice - GOM impacted by content purchases and regulatory aspects
- increase in customer base, non voice services and sales of equipments drives growth of revenues - GOM curbed by commercial expenses

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1 | by anticipating market evolutions, Orange has consolidated its positions on all key services



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## 2 | the erosion of traditional voice is contained while Orange reinforces its leadership on VoIP

### enriched voice offering

- abundance offers actively managed to create value
- enriched voice services (high fidelity, clic to call/phone, etc.)
- integrated new data services (visual voice mail, SMS/ MMS)

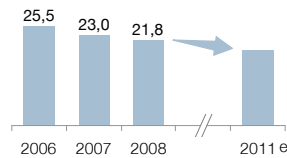
### devices facilitating usages

- high fidelity sound (livephone)
- access to data services (IP phones)
- intuitive and enriched interfaces (touch screens)



### contained erosion of traditional voice

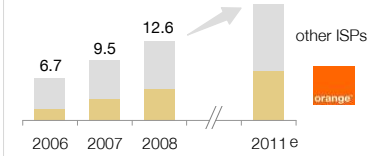
millions of Orange retail lines



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### leadership on VoIP

millions of VoIP customers – French market



## 2 | broadband/internet services continue to grow, leveraging solid differentiating factors

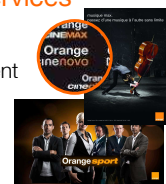
### customer experience

- unique distribution network (1 180 outlets)
- customer care deployed in outlets
- home installation
- assistance



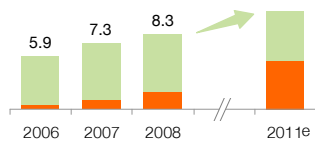
### value added services

- TV
- games/entertainment
- home network
- specific experience for fibre usage



### increasing # of BB customers and proportion of TV customers

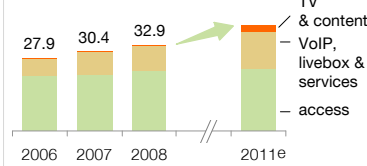
millions of Orange customers



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### increasing BB ARPU driven by TV & content, VoIP and services

€/month based on annual revenues



## 2 | a thorough segmentation with a straightforward offering is supporting our position on the mobile market

### increased segmentation focus

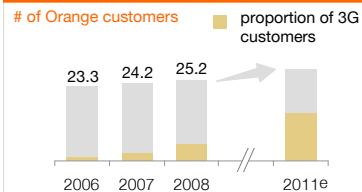
- "mass market" - careful adaptation of the core value proposition
- "market niches" - hard to replicate offerings, linked to core portfolio
- "affinity" marketing - leveraging Orange content & distribution partners

### simplification of offers

- 1.4 million Origami customers end of December 2008
- +34% increase in net adds
- x5 data usage
- +60% SMS usage

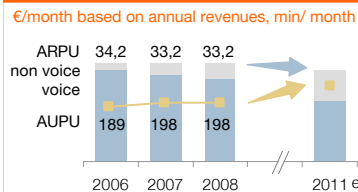


### growing customer base and proportion of 3G customers



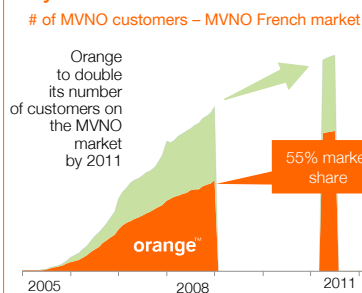
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### stabilized blended ARPU and increasing AUPU



## 2 | the 4th MNO will enter a market where MVNO activity is already strong

### dynamic of MVNO market



### context of a 4<sup>th</sup> licence

- the biggest MVNO in 2010 will have around 2 million clients
- limitations due to available bandwidth (5 MHz)
- challenge in network deployment due to sites availability
- significant network and commercial investments to be engaged by a 4<sup>th</sup> licence owner

### perspective

- timing of licence allocation, network and commercial deployment allows us to anticipate the potential impact of entrance of a 4<sup>th</sup> MNO
- bandwidth constraints and MVNO market maturity are likely to limit its impact

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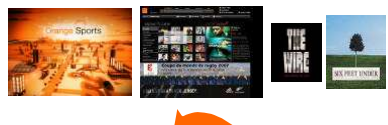
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## 3 | France will still lead the deployment of Orange innovations towards a convergent telecom experience

any content, anywhere, anytime

any content



• 24/24TV



• VOD, SVOD



anytime

anywhere



home network

home fun

- infotainment
- entertainment
- content management
- family life



home automation

- serenity
- energy efficiency
- home care
- comfort



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### 3 | simplicity will be the pillar of our customer experience

#### simplify customer journey

- standardization of customer journeys across offerings and channels
- evaluation of new offers from the client perspective embedded in product launch process:
  - 100% of new offers design taking customer journeys into account
  - 2 real-life client test centres

#### simplify offers and products

- deployment of full assistance offerings driven by installation
- definition of common references across offers
- development of assistance services to install and use digital home devices

#### ambition

- Orange to become a customer reference for simplicity:
  - one-clic-access
  - plug'n'play
  - next day connection



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### 3 | the broad adoption of new services will require a strong evolution of customer relationships

customers have an increasing need for support to value added services  
customer relationships will evolve accordingly in all channels

#### in retail shops

- evolution towards new store formats and footprint
  - ~800 proximity stores
  - ~200 main stores
  - ~10 flagships
- launch of support service corners/training, installation



#### online

- launch of new support approaches and formats (FAQ, video, etc.)
- one single portal for all services
- +30% increase in customer care standard transactions made online vs 2007
- target of 20% of distribution through online channel

#### on the phone

- evolution towards a differentiated approach, segmented and personalized services
- target of 400k "clients privilèges"
- one single number for support services

#### through portal

- revamping of portal with new functionalities (e-chat, comparison tools, etc.)
- reach of around 40% of internet users  
20 million visits/month<sup>(1)</sup>



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note: (1) monthly visits in december 2008

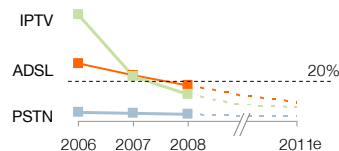
### 3 | best-in-class quality of service will be compulsory to support this “pacified technology” ambition

#### constant focus on quality of service

- preventive actions
  - tools: digital line management project – 700,000 stabilized lines
  - design: >70% satisfied customers on Orange TV and VOD in December 2008
- improvement of efficiency and effectiveness in resolving client issues (claims treatment time, call centres efficiency)
- target of 100% of customer claims addressed in less than 48h

#### reduced customer support call rate

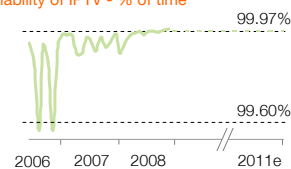
technical support call rate - residential



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#### improved IPTV availability

availability of IPTV - % of time

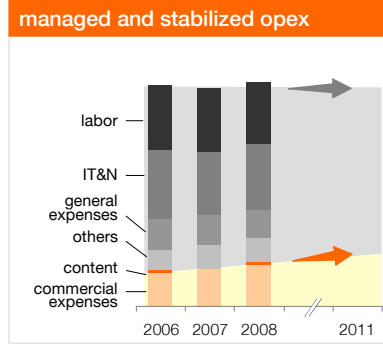
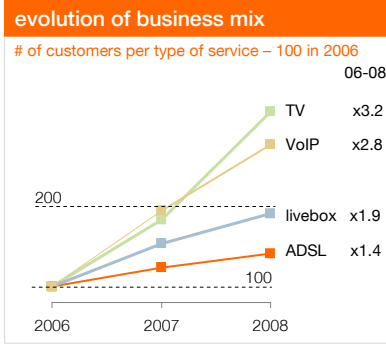


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## 4 | operational expenses are closely managed to support the transition towards new services



### drivers

- increased support requirements for value added services
- increased content related expenses

### ambition

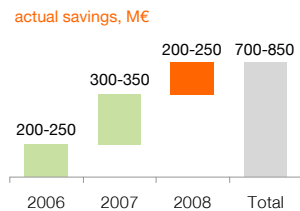
- continue mastering commercial and content related expenses
- decrease IT&N and processes' costs
- stabilize G&A expenses

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## 4 | we will keep compensating for business mix evolutions and regulatory pressures through top-down programs

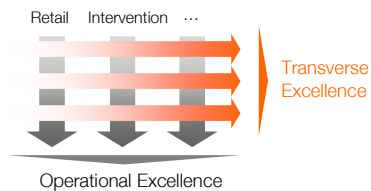
### cash savings 2006-2008

- 800 M€ cost savings delivered - 5% performance improvement on the addressed cost base
- operational Excellence programs launched in all activities (call centers, after sales services, intervention ..)
- 65% process cost structure addressed by cost improvement initiatives



### ambition

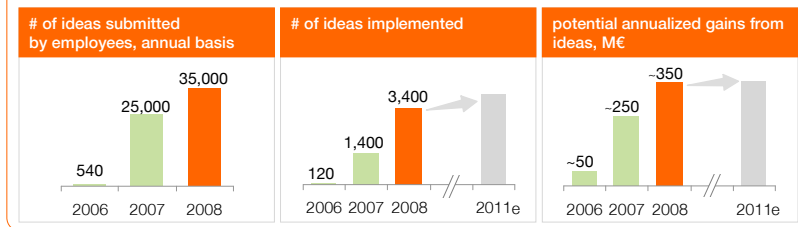
- 500 M€ cost savings identified, accounted for and structured into projects
- launch of Transverse Excellence programs in 2009
- increase in the share of the cost structure addressed - from 65% to 85%



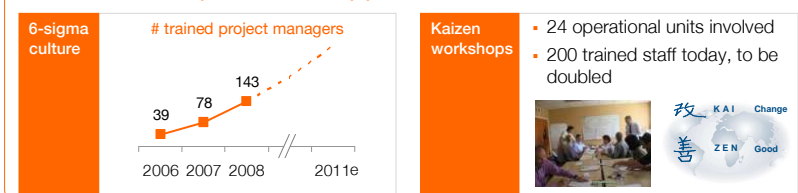
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## 4 | a bottom-up approach will complement top-down programs and create additional opportunities

### participative innovation



### continuous improvement approaches



6-sigma: six sigma is a management philosophy developed by Motorola that emphasizes setting extremely high objectives, collecting data, and analyzing results to a fine degree as a way to reduce defects in products and services

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## 5 | priorities for 2009-2011

position Orange as the "digital facilitator"

- offer the seamless experience of a convergent telecom environment
- foster the access to "any content, anywhere, anytime"

maintain market share

- lead IP migration while mastering PSTN erosion
- comfort leadership on broadband market
- capture growth on mobile market through agile segmented approach

increase revenues from optional offerings and new businesses

- match customer expectations with simple "à la carte" offers
- capitalize on Orange content offering and IPTV rupture usages

control operational expenses

- anticipate market and business mix evolutions by implementing top down structured programs
- capitalize on bottom-up initiatives and continuous improvement dynamic