

UK : implementing Convergence

Bernard Gillebaert
Executive VP, Orange UK



agenda

- 1 market background
- 2 our strategy in mobile and broadband
- 3 summary and outlook

the UK telecoms market : one of the most competitive...

pricing pressure

- mobile pricing fell by c15% in YTD 06
- increasing "deal seeker" purchasing behaviour
- regulatory scrutiny on MTR, roaming & SMS pricing
- broadband monthly price under £15/month

multi-play competition

- fragmented market with several multi-play offers
- entry of strong residential brands into broadband
- key incumbent telco groups present in the UK

competitive intensity

- annual broadband churn > 25%
- annual mobile churn > 30%
- over 40% of mobile sales driven by indirect channel
- >£4bn annual commission costs among all operators

3

Sources: Ofcom, market reports

... but still one of the strongest in Europe

sizeable and dynamic market

- overall mobile ARPU among highest in Europe (£44/month on contract)
- UK innovating in 3G, pay-TV and converged services (dual wi-fi phone)
- overall revenue spending on telecoms* was £46bn in 05

healthy regulatory framework

- relatively stable mobile termination rates framework
- roaming regulation will follow EU decisions
- spectrum allocation expansion discussions underway with Ofcom
- LLU provides opportunity for better broadband economics

2006 market forecasts : 8% revenue and 6% customer growth in mobile & 25% customer growth in broadband

4

* Sources: Ofcom, market reports

multi-play is already marketed aggressively in the market



new competition

- service providers entering from different markets (TV, telecoms, broadband)
- with a strong position in their core market

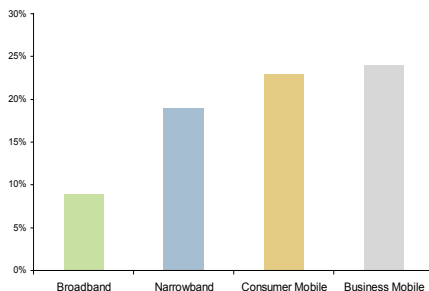
aggressive bundled offers

- bundled “quadruple play” offers now available
- one service (such as broadband) often given away for a subscription to multiple services

5

Orange UK has substantial presence in the consumer and business markets

Orange UK market shares (end of 3Q06)



we serve >15m consumers & businesses in the UK
(1/4 households has a relationship with Orange)

consumer market

- very strong brand awareness.
- “1st choice purchase intention” and “brand consideration” in mobile highest in the market*
- largest “shared base” of mobile and BB customers in the UK (~200k)

Orange business services

- business portfolio now extends to fixed voice and broadband.
- Orange Business Services is a strong partner in the enterprise market

6

* UK consumer brand tracker survey, 3Q 2006 results

Our strategy in mobile and broadband

developing customer loyalty and avoiding commoditisation

- *using segmented tariffs to improve our customer mix*
- *becoming a leading provider of multiplay services*
- *leveraging our assets across mobile and broadband*

increasing new revenue streams

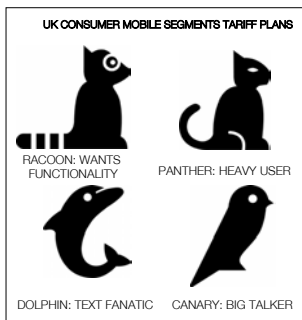
- *increasing non-voice revenues with compelling new mobile data and convergence propositions*
- *improving residential ARPU through multi-play*
- *building on our position as a multi-services & leading business provider*

business transformation to compete more efficiently

- *benefiting from the integrated operator model, across marketing, networks and platforms*
- *targeting world class cost efficiency in sales and service functions*
- *implementing world class web-centric CRM and billing capabilities*

7

a segmentation-based tariff approach for pay monthly consumers



▪ segmented "Animals" tariff plans

- *moving market away from complex pricing to customer-based needs*
- *first UK operator to adopt a highly segmented approach to tariff plans*
- *segments derived from analysing customer behaviour and usage*

▪ magic numbers campaign

- *rewards customer loyalty with unlimited free calls to any new Orange number every 6 months*

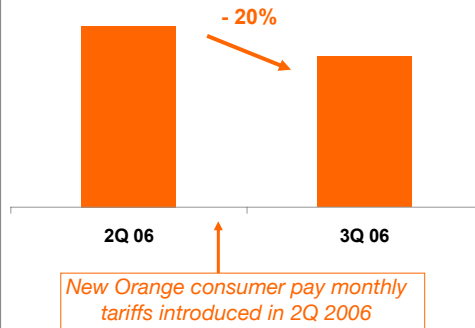


8

customer loyalty measures are starting to show immediate results

- *customer loyalty initiatives*
 - SACs and SRCs focused on higher value segments
 - proactive retention activity with more than 1,000 customer service agents now focused on loyalty
 - broadband bundled with Orange mobile for customers spending >£30 per month
- *consumer pay monthly churn*
 - direct impact on churn falling in consumer pay monthly in 3Q 06 thanks to these initiatives

Orange UK quarterly churn in consumer pay monthly

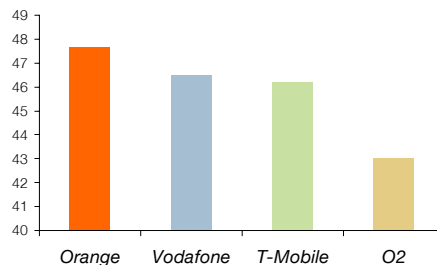


9

continuing to lead the market in mobile contract ARPU

- *revenue growth*
 - highest ARPU for pay monthly consumer in the market
 - pre-Paid monthly ARPU rising steadily in 2006
 - multi-play monthly ARPU 25% higher than average pay monthly mobile ARPU
- *differentiated service provider*
 - volume growth still being achieved in both Pay Monthly and Pre-Paid
 - rising acquisition ARPU accompanied by volume gain shows "differentiated service provider" model is working

reported monthly ARPU* PAYM (in £, 3Q 2006)



- ARPU figures are based on reported 3Q figures from UK operators

10

increasing non-voice revenues with new mobile data

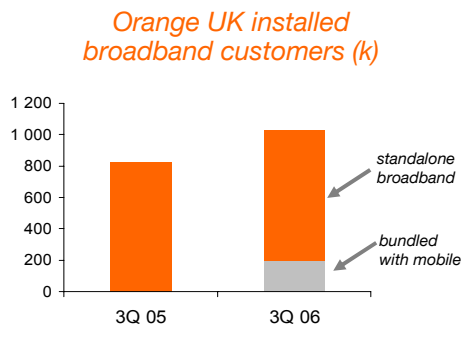


- Orange world mobile portal is constantly updated with a range of new services...
 - first to launch mobile TV
 - success of user generated Content («Buff or Rough» a great example)
- wholesale activity
 - significant wholesale deal won to provide GSM roaming to 3UK
 - other significant roaming and MVNO deals being evaluated

11

significant growth in broadband, and our LLU migration is going well

- **broadband growth**
 - broadband base has grown 22% yoy
 - >60% of new customers taking our higher value "unlimited" service
 - still have over 700k narrowband customers available for upsell
- **LLU migration**
 - on track to have 500 unbundled exchanges by the end of 06
 - 16% of customers now on LLU network, and migration going well



12

our UK broadband strategy is on track

launch of key multi-play services

- IPTV
 - launch of a dual DTT/ VOD service by Orange
 - content sourced both at local & FT Group-level
- Primary Line Voice
 - Orange offers fixed line rental and calls from home

other key priorities

- increasing brand awareness in residential services
- acceleration of LLU footprint
- maximising traffic through the fixed broadband portal to increase sales, service and content revenues
- continuing broadband customer acquisition through Orange retail stores and our web channel



Orange UK LLU exchanges



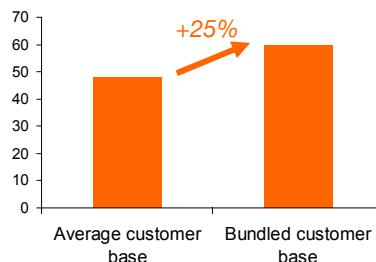
complete multi-play, achieve LLU expansion, and grow scale in customers on our portal and broadband

13

our strategy is to grow a “shared base” of customers

- growing base of “shared customers”
 - 200k customers taking both broadband and mobile from us by year end
 - key objective for next year: to grow this shared base
- shared base adding value to the business
 - customers with mobile & broadband contracts are less likely to churn
 - shared base customers average ARPU is higher than mobile-only pay monthly customers
 - “shared customers” are more likely to upgrade to a higher mobile tariff

PAYM ARPU 3Q 2006



14

07/08 will see launch of some innovative new converged services

- targeting delivery of key new services, which will be marketed to our shared base...

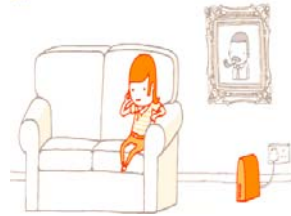
Unique (launched) : dual wi-fi & GSM handset, switches to best network

Integrated Portal : messaging, IM & contacts across mobile and web portals

Wirefree Enterprise : virtual mobile switchboard for business customers

Content Portability : download and content transfer to mobile devices

... and working with the Technocentre to launch many more services



launch compelling new converged services, which build on our scale in broadband and mobile

15

significant progress made in addressing business customer needs

- rebranded all FT UK activities under "Orange Business Services"
- launched several new services:
 - Business Everywhere: UK's first multi-network data card proposition
 - Orange Landline for Business: combining mobile and landline bills
 - Broadband Home Worker: helps companies equip remote workers
- aligned sales and proposition development capabilities with former Equant UK for MNCs and public sector organisations



Business Everywhere Data Card

continuing to build a solid set of capabilities and stronger brand in the business market

16

our channel strategy is bringing real signs of success

key activities this year

- purchased 47 new stores
- federated dealer structure introduced focusing on customer value
- moving from acquisition focus to inlife management with indirect channels
- retrained staff in stores to sell both broadband and mobile
- revamp of our web sales portal & better “online” offers

▪ *...and it's working*

- over 80% of our new pay monthly customers taking 18 months contracts
- proportion of customers entering our stores and taking contracts up 30%



▪ *next year...*

- retail store environment redesign with more new services
- ...and more to come next year

17

focus on significant transformation programmes and driving business efficiency in all areas

▪ *network*

- sharing network backhaul across mobile and broadband services

▪ *platforms*

- rationalising platforms across mobile and fixed line activities
- world Class CRM programme underway (“one view of customer”)
- strategic “One Bill” capability

▪ *cost efficiency*

- focused on maximising headcount efficiency
- commonly sourced marketing creative and campaign activity
- shared service organisation
- customer service agents handling both mobile and broadband calls

18

summary and outlook

our priorities in 2007

- *achieving a loyalty breakthrough across mobile and broadband*
- *continuing to focus on growth of ARPU and our shared customer base*
- *delivering on our cash flow targets for the business, through business transformation*

our vision for 2010

- *achieving the lowest churn in the market, underpinned by multi-play*
- *significant growth of new revenue streams, driven by new & converged services*
- *business transformation into a fully integrated operator delivered*