

France Telecom Orange

investor day conquests 2015

transforming networks
for best in class
customer experience

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agenda

- 1 | ongoing transformations laying 2015 networks foundations: coverage, throughput and QoS
- 2 | evolution of customer demand will mandate a shift to very high broadband and new services enablers
- 3 | ambition to deliver these transformations within contained CAPEX and OPEX to sales ratios
- 4 | networks summary

1

ongoing transformations
laying 2015 networks
foundations: coverage,
throughput and QoS

1 | coverage and throughput are first components of customer experience

population coverage
end of 2010



	France	Europe excl. France	AMEA
2G	~100%		>66%
3G+	95% of which	74%	3G launched in most countries
HSPA+	55% with HSPA 14.4	from HSPA 7.4 to HSPA+42	
MDF DSLAM coverage	100%	99% in Poland	> 600k fixed broadband users
		ULL in Spain and Belgium	
IP TV / DSL coverage	62%	57% in Poland	

Orange mobile and fixed networks at the forefront of competition which will accelerate with LTE and FTTx transformations

1 | beside coverage and throughput, network QoS is key for customer experience

success stories examples

- **France: Orange best mobile network according to Arcep (15/07/2010)**
 - best voice quality
 - high definition voice offered
- **Moldova:**
 - 6.5 Gbyte average monthly usage per 3G dongle
 - monthly data volume x 2.2 in 2010
 - while keeping network quality (e.g. call success rate)

process and organization

- customer/service/technical management centres standardised organization in all countries
- permanent benchmarking and best practices sharing
- group-wide expertise centres

OSS tools

- end-to-end QoS monitoring through automated robots implemented group-wide
- DSL lines permanently tested via DLM, e.g. every 15 mn in Poland
- service differentiation enabled in all mobile networks through QoS mechanisms by 2015

> a set of
levers to
reach first
position in
service
quality

1 | major ongoing transformations pave the way to increasing coverage and throughputs

2G/3G RAN renewal

- most of 2G and 3G radio sites migrated to multi-standard, LTE ready, energy efficient equipment
- deployment started end 2010, ~80% sites to be renewed in European countries and Egypt by 2015
- cost effective 3G coverage extension with UMTS-900

mobile backhaul upgrade

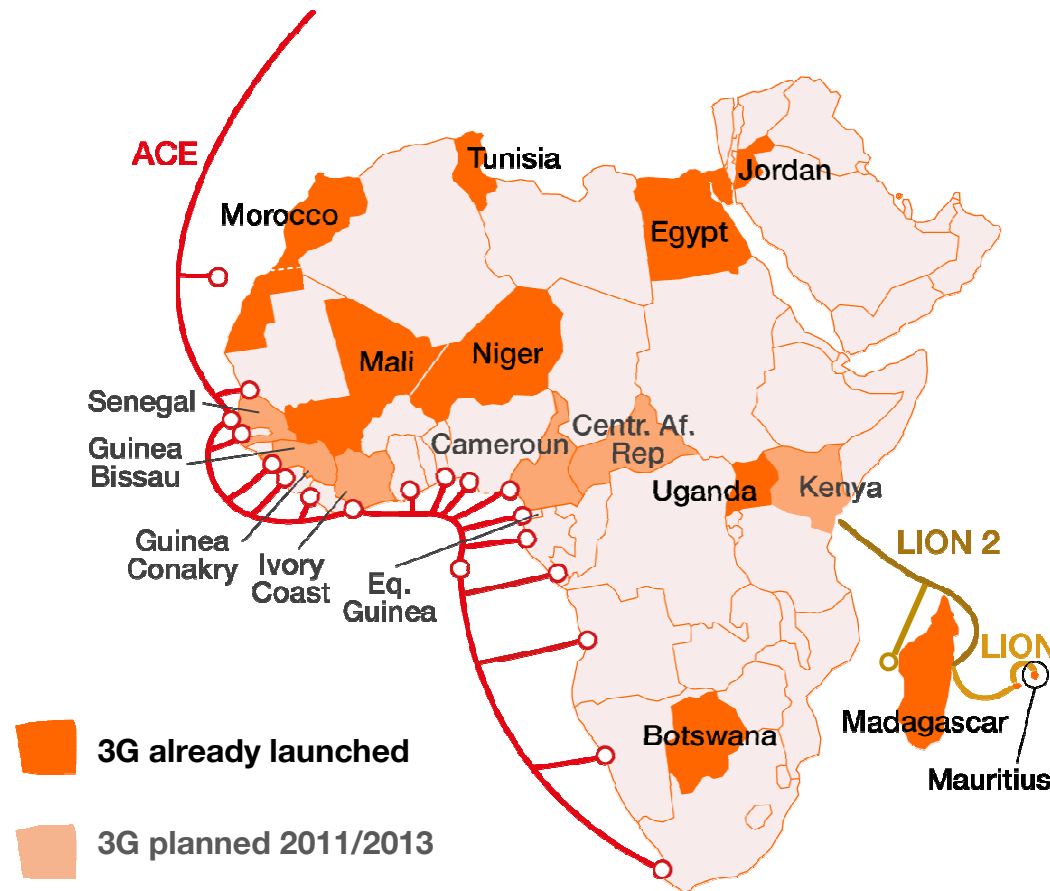
- high capacity backhaul
- to reduce cost per bit and ensure scalability
- deployed on all 3G/LTE sites by 2015

fixed access network evolution

- single network architecture for fixed networks
- simplified all IP architecture
- plug-and-play experience in home network

> best QoS, lower OPEX and CAPEX, and scalability provided by state of the art equipment and architectures

1 | solutions to emerging markets needs



- low cost radio sites for rural coverage
- solar powered sites
- submarine cables (ACE and LION2 service to begin in 2012)
- multi-services platforms (platforms supporting several services, e.g. SMS, MMS, location services)
- platforms shared among countries (ex. Orange Money)
- economical integrated OSS

> opening up Africa to the broadband Internet with 3G and new submarines cables

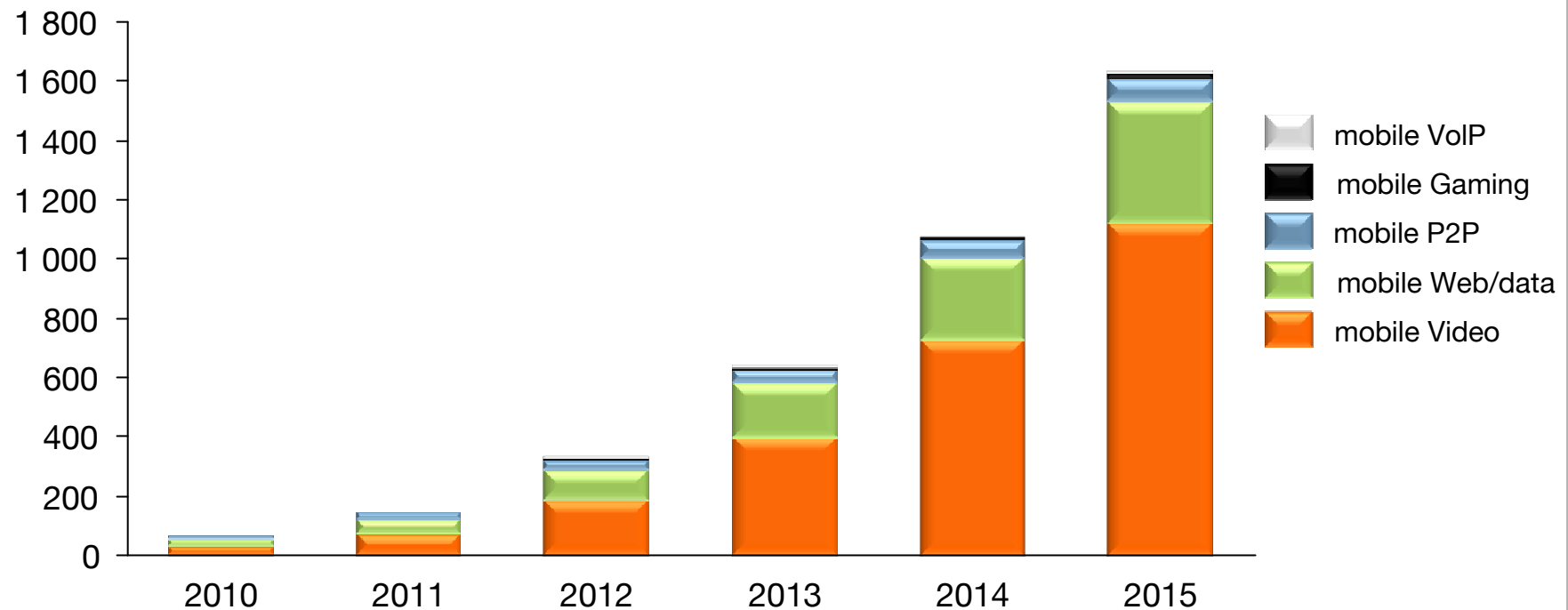
2

evolution of customer demand will mandate a shift to very high broadband and new services enablers

2 | anticipating a strong growth of mobile and fixed data traffic

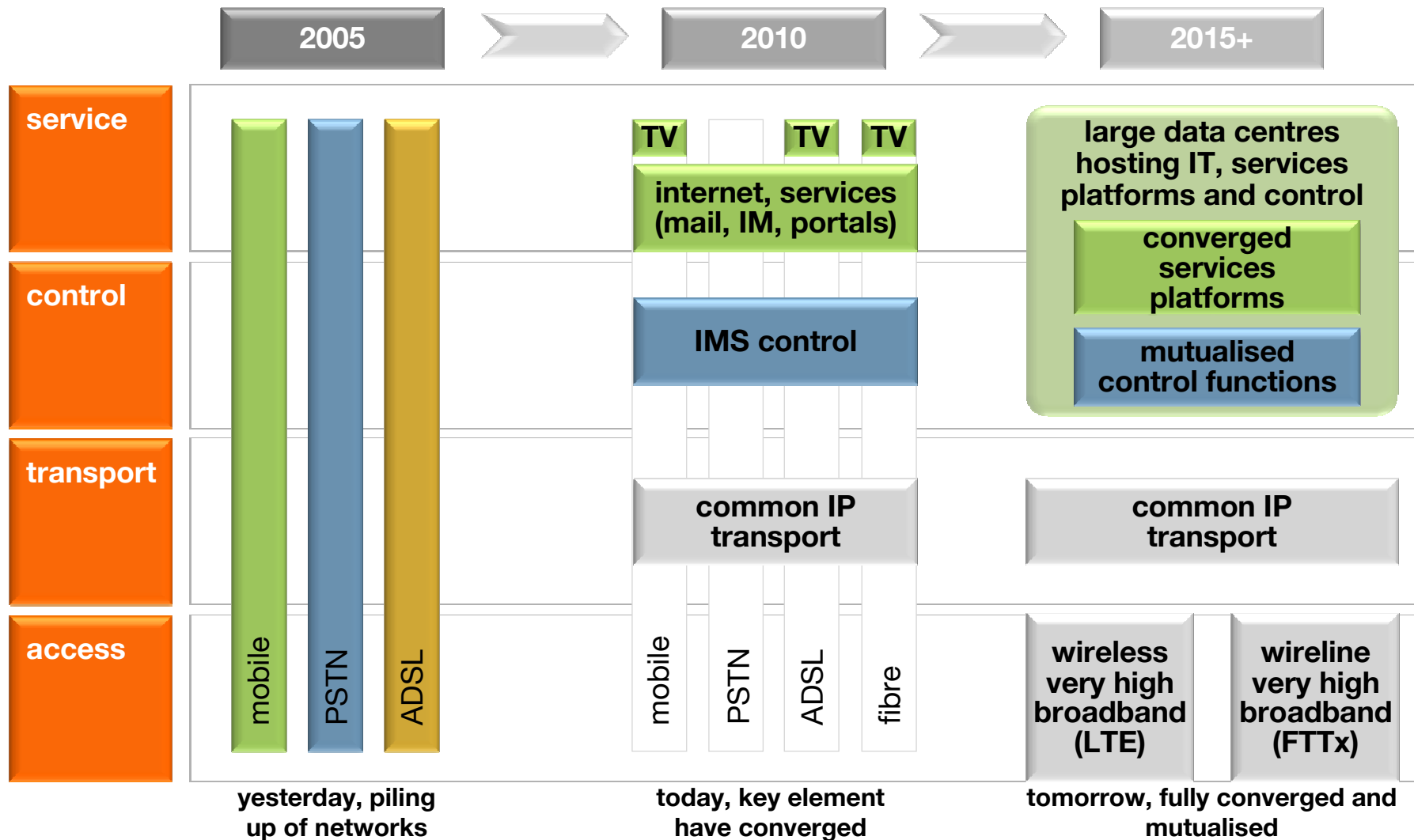
Western Europe mobile data growth

petabytes per month



- 91% CAGR 2010-2015
- video to reach 69% of mobile data traffic by 2015

2 | on the way towards all IP converged very high broadband



2 | LTE to deliver very high broadband wireless services

spectrum

- 2.6 GHz and digital dividend bands to be awarded across Europe Orange footprint in 2011-2013
- cost effective 3G coverage extension with UMTS-900

equipment readiness

- from LTE dongles (2011) to smartphones (2012)
- network hardware and software available in 2011

benefits for customer

- tens of Mbps for peak throughput
- reduced latency
- always on connectivity

benefits for customer

- field trials in 2010-2011 preparing “first time right”
- initial launches from end 2011
- large scale deployments in 2012-2013 answering future capacity needs

> LTE
launched
in all
European
markets
by 2015

2 | building future fixed access delivering very high broadband

technological choices

- FTTH/GPON
 - deployed in France and Slovakia
 - tested in other countries
- VDSL tested in Poland

benefits for customer

- symmetrical 100 Mbps, potential for n x Gbps
- most advanced services, e.g. 3D TV, personal cloud
- reduced latency, improved availability

roll out plans












- France: ~40% households coverage in 2015
- Poland: FTTH and VDSL roll out pending regulation conditions

> a set of solutions ready for deployment where / when relevant

3

ambition to deliver these transformations within contained CAPEX and OPEX to sales ratios

3 | levers to optimize economic performance

	CAPEX	OPEX
group sourcing		
service platforms <ul style="list-style-type: none"> ▪ develop once / re-use everywhere 		
IT infrastructure: <ul style="list-style-type: none"> ▪ servers virtualization & data centres consolidation 		
fixed customer technical service <ul style="list-style-type: none"> ▪ optimizing call centre tools ▪ first time right 		
reduction of energy consumption		
network sharing		
network operation: make or share or buy		



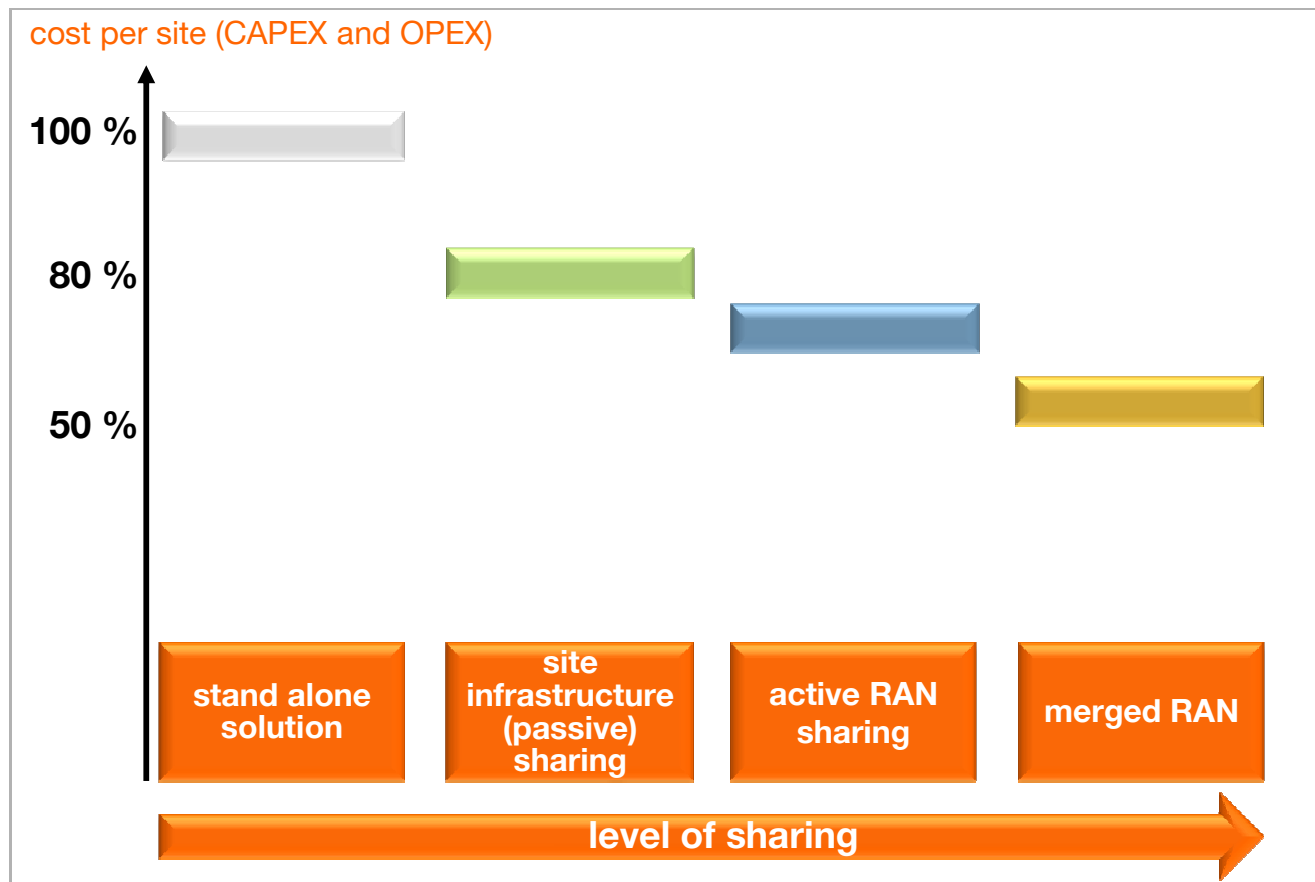
3 | significant decrease obtained in unit costs

group purchasing power

technology progress


- 2G/3G RAN renewal leading to > 0.5 b€ savings in radio capacity extension in coming years
- new IP routers sourced:
 - high capacity and low energy consumption
 - unit cost in IP backbone divided by 2
- multi-services platforms
 - 80% maintenance costs reduction
 - 60% floor space reduction
 - 40% electricity consumption saved
- group-wide renegotiation of maintenance contract leading to 10%-30% savings


3 | network sharing: from 20% to ~ 50% savings on cost per site



> more than 35% of total group sites shared in 2015

 >20% sites shared in Europe Orange footprint end of 2010

 Spain 3G: ~4,000 sites shared in rural areas end of 2010
France 3G: ~2,500 “white zones” from 2010 to 2013

 UK: Three – Everything Everywhere RAN joint venture

3 | results on domestic network outsourcing are promising and will be extended to new countries

domestic network outsourcing scope

- build and run (first line maintenance, central operations) can be outsourced
- strategic activities such as design and end to end service management are kept in-house

achievements

- implemented in 5 countries in Europe:
 - 2006/2007 Mobistar
 - 2007/2008 Switzerland
 - 2009 UK, Spain
 - 2010 Austria (contract renewal)
- realized savings >25% on OPEX+CAPEX
- QoS controlled through SLAs
- similar approach in Egypt and Uganda

outlook

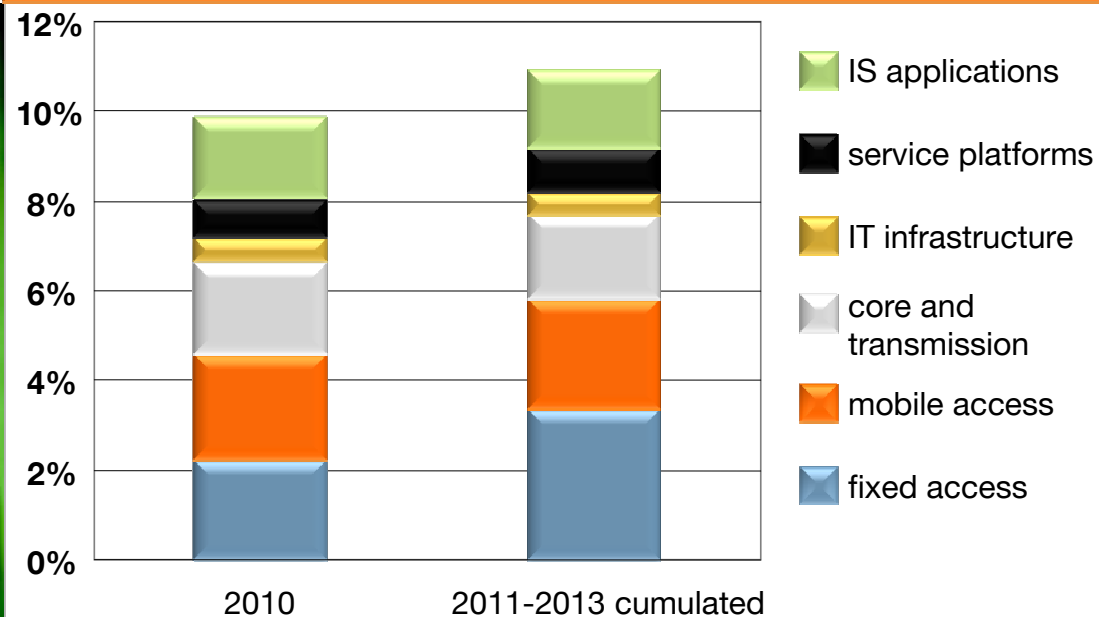
- extension to some other countries
- additional scale effect through cluster approach

> from 41% outsourced mobile sites end of 2010 to more than 66 % in 2015

3 | outlook for CAPEX

- increasing investment for FTTx, LTE, and service platforms
- decreasing cost of transmission and legacy

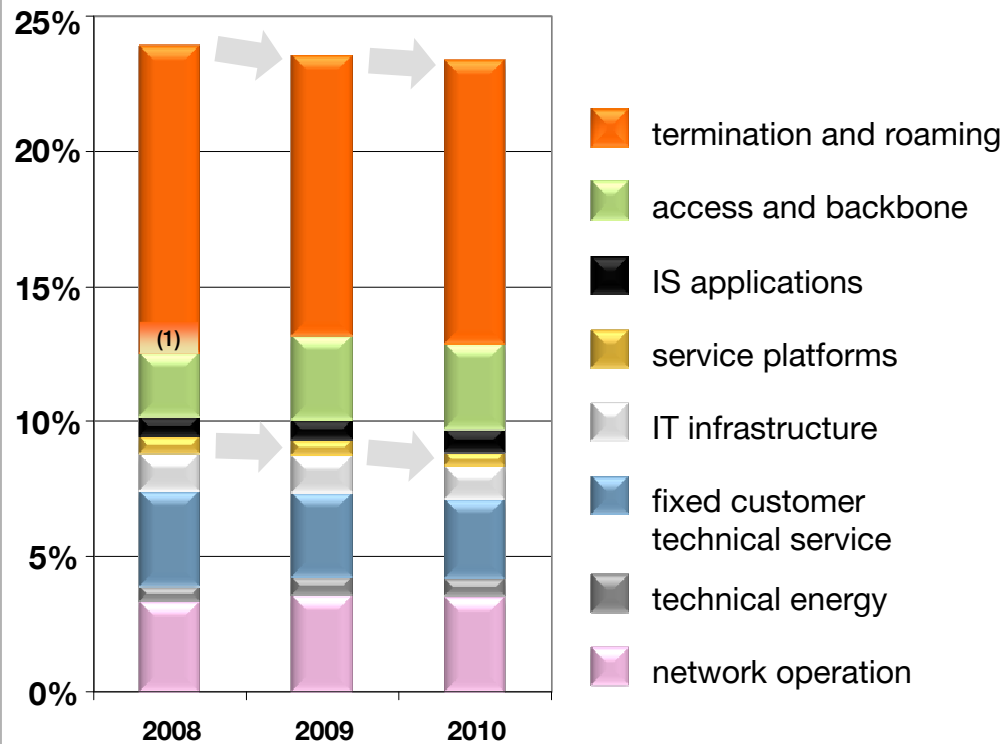
group ITN CAPEX as a % of sales



> cumulated ITN CAPEX to sales ratio expected at around 11% over 2011-2013 (one additional point of CAPEX to sales ratio vs. 2010)

3 | outlook for OPEX

group ITN OPEX as a % of sales



- > ITN OPEX to sales ratio improved from 2008 to 2010
- > expected stable over 2011-2013 for network, IT infrastructure and service platforms in spite of increasing energy cost

4 networks summary

4 | customer experience driving network transformation



5 glossary

5 | glossary

ADSL	Asymmetrical Digital Subscriber Line
AMEA	Africa, Middle East, Asia
CAPEX	Capital Expenditure
DLM	Dynamic Line Management
DSLAM	Digital Subscriber Line Access Multiplexer
FTTx	Fibre To The “x”, where “x” = curb, building, cabinet, home, etc.
HSDPA	High Speed Downlink Packet Access
IM	Instant Messaging
IMS	Internet Protocol Multimedia Subsystem
IP	Internet Protocol
IT	Information Technology
LTE	Long Term Evolution
MDF	Main Distribution Frame
MMS	Multimedia Messaging Service
OPEX	Operational Expenditure
OSS	Operations Support Systems
QoS	Quality of Service
RAN	Radio Access Network
SLA	Service Level Agreement
ULL	Unbundled Local Loop
UMTS	Universal Mobile Telecommunications System
VoD	Video on Demand