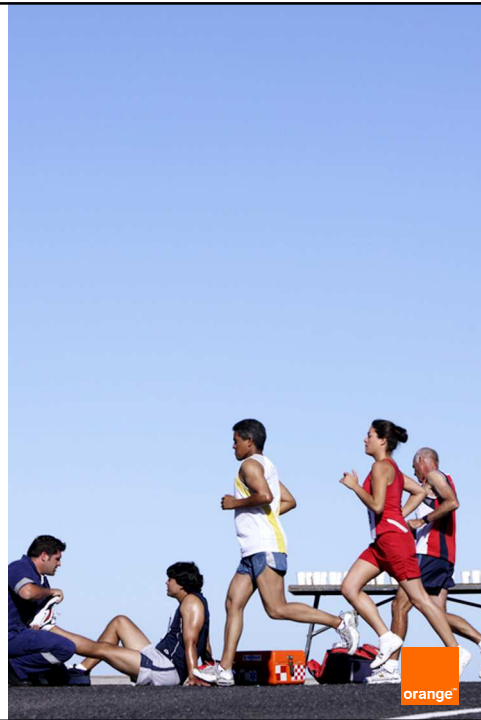


# Orange UK continuing our momentum in a challenging but attractive market

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## cautionary statement

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## key messages

- 1 regained momentum in a very challenging but attractive market
- 2 enhanced our competitive position
- 3 continuing to outperform the market and increase profitability

3

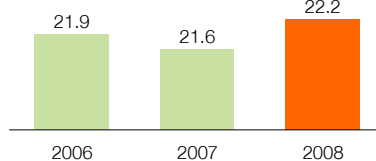
## 1 regaining momentum during the past 3 years

### key achievements 2006-2008

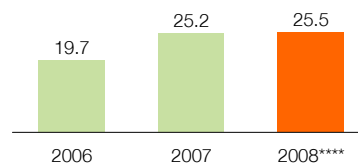
- stable service revenue market share with growth in 2008 despite:
  - very competitive environment
  - arrival of new players
- successful high value strategy
  - highest contract ARPU in the market\*
  - steady #1 or #2 in contract gross adds market share
- stable prepaid performance
  - volume market share stabilised ~22.5%\*\*
- good mobile broadband positions in a fast growing market (+227% per year\*\*\*)

### personal market share evolution

#### service revenues market share in %



#### contract gross adds market share in %

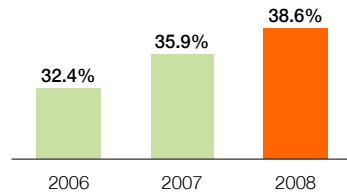


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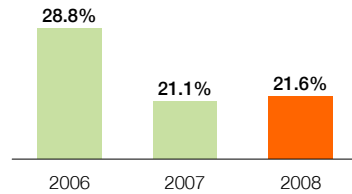
\* annual rolling \*\*market share of active customers end of 08 \*\*\* source: Jupiter research, October 2008 \*\*\*\* source: GfK

# 1 | more value generated supporting margin stabilization

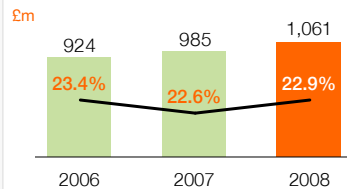
Orange contract % in the personal base



Orange contract churn



Orange personal GOM and margin rate variation



## insight

- customer base mix improvement towards high value customers
  - contract churn stabilised yoy around 21%
  - #2 in service revenue growth in previous 5 quarters
- leading to a stabilised GOM rate despite regulatory and competitive pressures

5

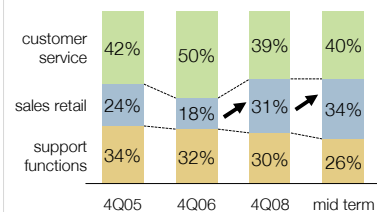
# 1 | greater agility and increased flexibility through a successful transformation in past 5 quarters

brand performance since re-launch

% share of mentions	2006	2008
best spontaneous awareness	75%	82% (#1)
best advertising	27%	33% (#1)
more optimistic	22%	23% (#1)
more innovative	21%	24% (#2)
more differentiated	24%	27% (#2)

source: Orange data as of May 06 & Dec 08 & Millward Brown tracking July-Oct 2008

+70% employee base in sales



data mobile network quality of service



from last position in Q108 to leader position in Q408

## insight

- successful brand re-launch in July '08
- massive redeployment of resources towards customer facing functions
- significant recovery of quality of service leading Orange to be N°1 in terms of mobile broadband customer satisfaction

6

## key messages

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7

## 2 | a challenging but attractive market with opportunities

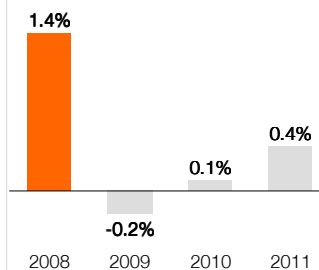
### challenging...

- **regulation**
  - MTR price cut by 0.87 pence between 05-10 (-2.4%/year on average on incoming revenues)
- **high level of competition**
  - 5 mobile operators, 2 major MVNOs, 6 internet players
- **mobile prices trend**
  - voice pence/minute down -8% CAGR 05-08
- **fixed broadband net adds slowing down**
  - 33% yoy decreased in 9m08\*\*

### ... but attractive with opportunities

- fast penetration of **new technologies and new revenue streams**
- biggest European fixed+mobile consumer market\*\*\*

### UK telecom services annual growth rate expectations



source: Idate, February 2009

•source: Jupiter Research, December 2008

\*\*source: market insight

\*\*\* source: Ovum April 08 (fixed) and September 08 (mobile), data as of 2007, in euros with exchange rate based on 2007

8

## 2 | the economic slowdown starts to have an impact

in a rapidly declining economy, behaviours are changing

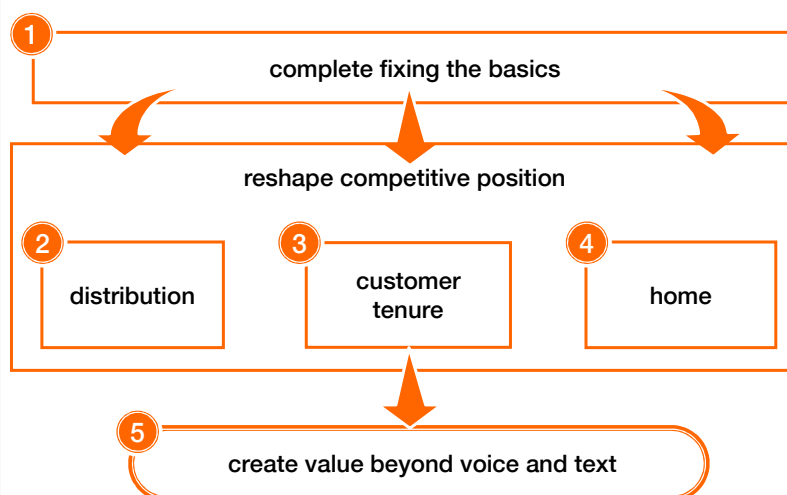
- **contract:** consumers searching for greater value
- **prepaid:** less frequent top up
- **enterprise:** businesses seeking to cut costs
- **roaming:** declining due to less travel
- **fixed broadband market:** slowing on the back of property market collapse

Orange anticipating new challenges and opportunities

- new value propositions launched
  - low cost, extended contracts, £15 for 24 month contract with device
  - dongle, new competitive tariffs
- manage commercial costs
  - launched several sim only offers
- launched innovative and valuable loyalty offers
  - launched prepaid phone fund (loyalty scheme)
  - bundled broadband and mobile packages for consumer and business
- opex and capex tight management

9

## 2 | 2009 and beyond: a 5 component plan to enhance profitability and market share



10

## 2

### complete fixing the basics:

significant transformation opportunities addressed demonstrating flexibility and agility

customer service

#### major restructuring plans underway

- 15% reduction in cost base in 2009/2010 by fixing root causes to calls and significantly improving quality:
  - net promoter score\* for contract base: from ~+5% to +20%

support functions

- accelerated drive to increase efficiency and reduce cost base by 15%

network and IT

#### several outsourcing contracts due in 2009/2010

- radio access network (signed):
  - reduction of 20% of underlying cost base.
  - build, 1<sup>st</sup> line maintenance, 1<sup>st</sup> and 2<sup>nd</sup> line central operations, spare parts management for RAN, data and core network

overall

- annualised cost savings in excess of 1% of sales to fund growth, mitigate recession and regulatory pressures

11

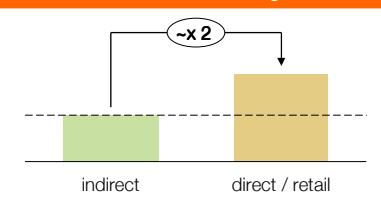
\* number of Orange customers recommending Orange

## 2

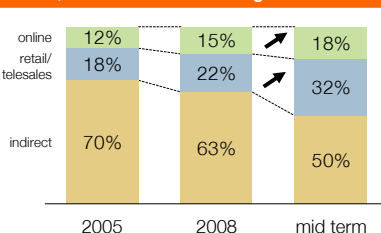
### distribution:

increase direct for greater profitability and market share, while maintaining leading position in indirect

#### contract customers direct margin rate



#### direct, online & indirect Orange sales mix



#### Orange strategic priorities

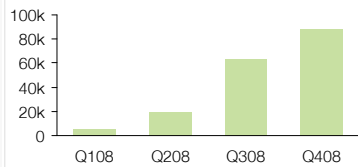
- focus on profitability**
  - commissions savings with direct distribution
  - lowering churn through longer contract period
- enhancing the customer experience**
  - growing market share thanks to new locations
  - supporting Home sales
  - greater influence on the market
  - brand benefit from high street presence
- driving to a more pervasive and sustainable direct network**
  - 60 more shops in mid term (360 to 420)
  - refurbishment of old shops and locations optimisation
  - grow direct sales mix from 37% to 50 %
  - maintaining #1 or #2 positions in indirect to preserve high volume of sales

12

## 2

### more personal customer tenure: for more profitability and a better predictability

#### 24m net adds contract customers in 2008\*

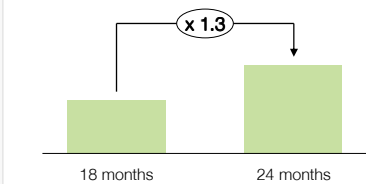


#### a strong natural customer demand for 24 months contracts

- key component to our strategy
- 33% contract sales in December 08
- successful across all sales channels
- other main operators following the trend

#### contract performance comparison\*

contract contribution\*\*



#### the longer the contract, the better the profitability

- extended tenure
- increased opportunity to up-sell services (insurance, multimedia, ...)

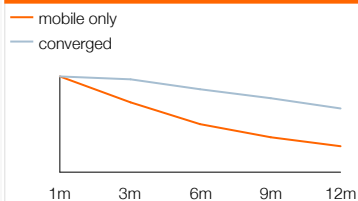
13

\* Orange data as of 1H 2008 \*\* contribution calculated by multiplying ARPU x Gross Margin x tenure less SAC (sales acquisition costs)

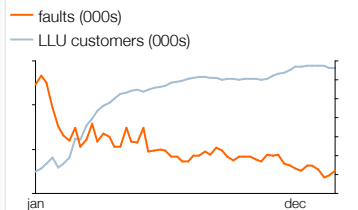
## 2

### home, building the foundations for future growth

#### better loyalty or converged customers (% of customers retained over time)



#### continuing service improvements in 2008



#### insight

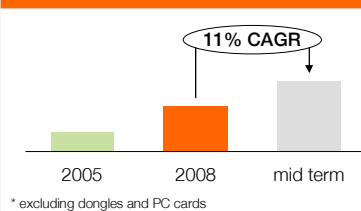
- **convergence is key to our strategy**
  - multiple products increase loyalty and profitability
- **the basics are fixed**
  - quality of service: from last position to top 3
  - 20MEG roll out from Q3 09
- **progressing towards profitability**
  - 100 new exchanges unbundling in 09 and 10
  - new IP Stream cost structure
  - Orange retail price increase
  - full LLU from Q3 09
- **growing the customer base**
  - more efficient in-shop sales software in Q1 09
  - full LLU is easier to sell (no more code required from previous ISP vs shared ULL, enabling around 50% additional sales)
  - differentiating convergent offers launching from Q3/Q4 '09
- **digital Britain plan opens new opportunities**
  - households are looking for dual play offers
  - only 63% household penetration rate

14

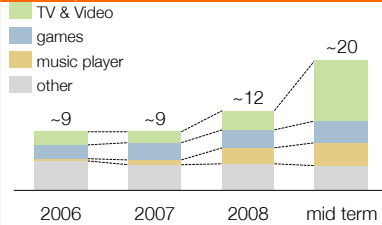
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## creating value beyond voice and text a main priority from 2009 based on simplicity

Orange data access revenue growth\*



Orange mobile content download volume (in millions)



### multimedia offers: more focussed, simpler to use

- mobile data revenues: +32% yoy in 2008
- Orange world mobile portal consumption: +40% yoy in 2008
- music tracks downloaded: +232% yoy in 2008
- new contract tariff structure to be launched in Q209 centred around multimedia
- new differentiating multimedia services will be launched in 2009

15

## key messages

1

regained momentum in a very challenging but attractive market

2

enhanced our competitive position

3

continuing to outperform the market and increase profitability

16



3

### 2009-2011 ambition

to be the best loved telecommunications brand  
to deliver long-term business value

#### complete fixing the basics

- accelerate cost reduction and efficiency improvements
- invigorated, motivated people

#### reshape competitive position

- pervasive distribution, with strong focus on direct
- longer customer tenure
- home, foundations for future growth

#### create value beyond voice and text

- strengthen and deepen our customer relationships and tenure
- offer simplicity, value, innovation and quality
- continue to revitalise and enhance our brand

- continue to outperform the market
- increase profitability
- build long term sustainability

17