

France Telecom Orange

roadshow presentation

Pierre Louette,
deputy CEO
General Secretary,
French Carriers, Sourcing
& Chrysalid Program

May 23th, 2013



agenda

1 overview of cost management

2 update on regulation

3 appendices

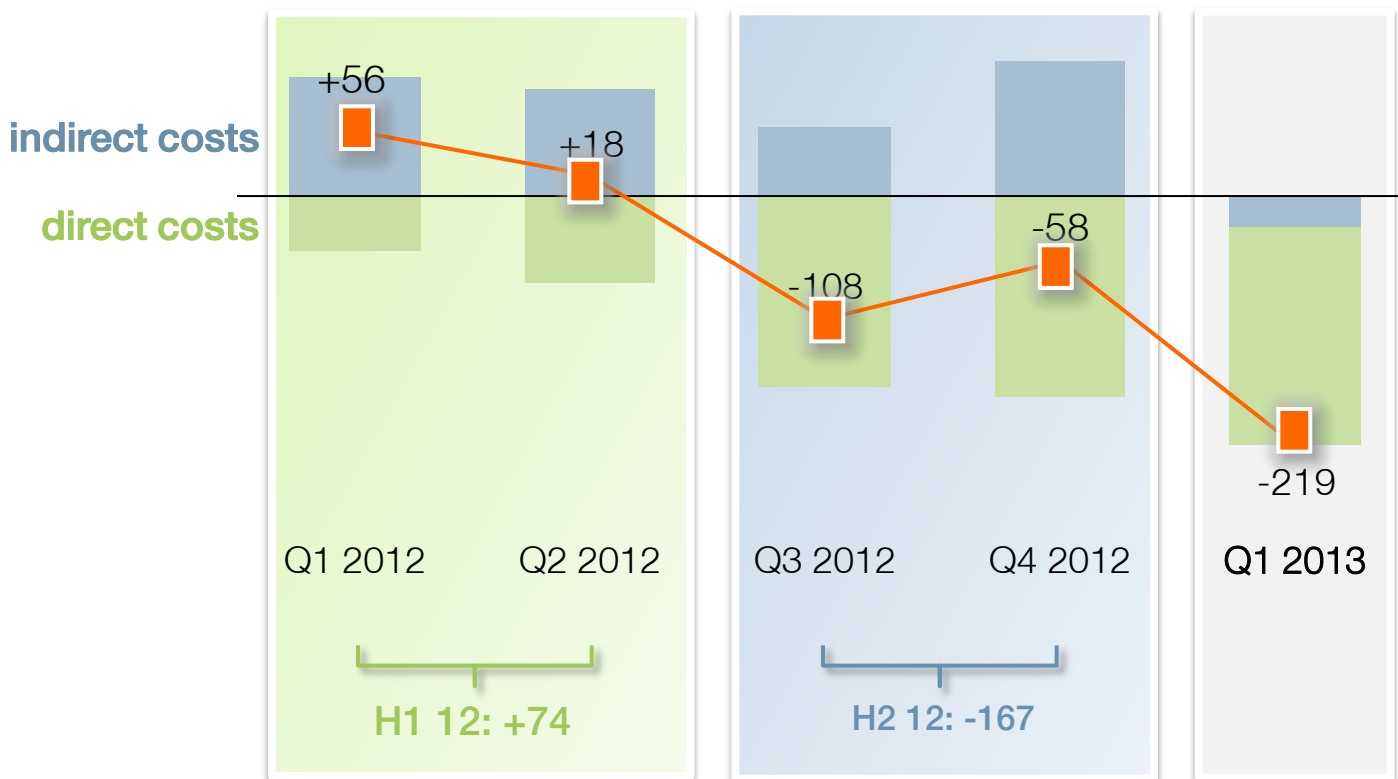
1

overview of cost management

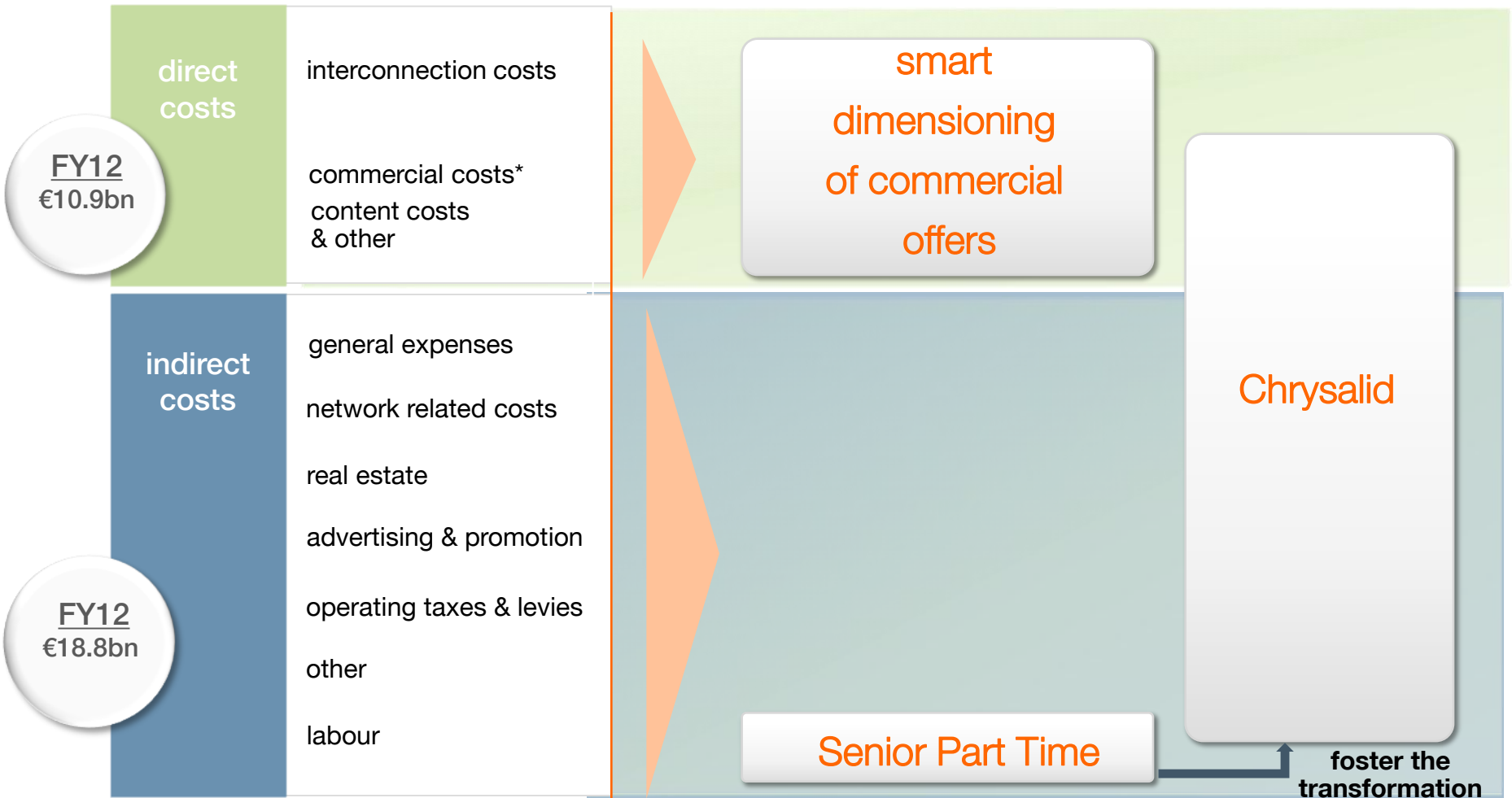
delivering on cost efficiency

accelerating opex decrease with indirect costs stabilization

○ yoy change in Group Opex base, in €m



our initiatives to reduce costs



what is Chrysalid about ?

identifying and sharing the best efficiency levers and innovative business models across the Group

France Poland Spain RoE AMEA OBS IC&SS

Network
Share network equipment
Upgrade network equipment
Reduce visits to customer premises
Optimise network operation
Decrease energy consumption
Optimise network platforms
Distribution
Optimise the channel mix
Optimise points of sale
Optimise commission plans
Optimise sales processes
Optimise the B2B back office
Customer Relations
Reduce the call rate
Improve processes
Manage call centers
Develop e-billing
IT
Software asset management
Share solutions across the Group
Develop cloud computing
Speed up software development
Optimise corporate IT
Marketing
External communication
Real Estate
General Expense
Supply Chain



- **Bottom-up, BUs-based program**
- Mobilization of **dedicated Group Domain Leaders & Strategy** to support the Business Units to impulse and accelerate initiatives
- Key role of **Controlling community** to **ensure reliability** of effective savings & to **support Business Units in transformation** (savings calculation, business case,...)
- **Impulse regional-based programs**
- **Strong governance mechanism.**
- **Core team** to coordinate Chrysalid program across the Group

> 35% of total group* mobile sites shared by 2015

➤ Levers

- improve the quality of service by providing better coverage at lower cost
- [20% to 50%] savings of operating costs depending on the depth of the partnership in place (e.g : site rental, energy, maintenance...)

Network RAN sharing

Poland



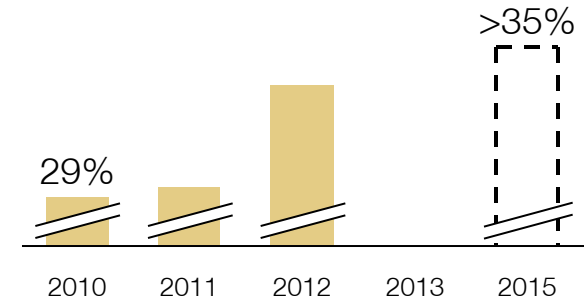
- since 2011 Network Sharing agreement with T-Mobile through JV "Networks!"

Spain



- network sharing extended with Vodafone in cities with 1k-25k inhabitants

▶ % of sites shared evolution at Group level *



TowerCo program

- roll-out on going in Uganda
- agreement with IHS signed on March 2013, for a 1st deployment in Ivory Coast and Cameroon (2k sites)
- new roll-out in additional countries



CHRYSLID impact - cumulated savings over 2013-2015:

- Spain Ran Sharing €5m of OPEX savings
- Poland Networks! ~€200m of (OPEX + CAPEX) savings
- TowerCo program > €100m of (OPEX + CAPEX) savings in AMEA

decrease average call rate

➤ *Key principles*

- *increase automatic channels (Interactive Voice Response, vending machines) & self care (web and mobile) usages*
- *improve quality of service*
 - enhance customer support during installation of new material (guide, forum, social media,...)
 - massified use of tools improving customer experience : Diagnostic Line Management to reduce ADSL line instability



operational impact

- ▶ *600m* contacts through **automatic touch points in 2012**

- ▶ *6,1m* “Orange & me” visitors on mobile devices in 2012 vs. 3.3m in 2011



- ▶ *rates have significantly dropped in France (2012)*

call rate	➡	-9%	yoy
reiteration rate	➡	-8%	yoy
claim	➡	-12%	yoy

CHRYSLID impact:

- **2012: €68m savings in France**
- **2013e: ~€100m savings expected in France**

increase the performance of fixed network customer intervention in France

➤ *Key principles*

- preventive maintenance of copper network
- reduction of maintenance acts thanks to DLM deployment
- remote installation and repair
- optimization of back-office and management support
- multi-competencies training for technicians to manage FTTH & ADSL technologies
- advanced portal and tablet for technicians
=> better customer diagnostic and delivery



▶ **drop of signalization rate/line:**
600k signalization avoided, over 2010-2012* ➔

▶ **drop of home installation acts** ➔
In 2011-2012, 130k home installation avoided*



CHRYSLID impact:

- 2011-2012, €113m savings
- 2013e: ~€60m additional savings expected

* excluding customer base effect

optimizing international access network in enterprise business

➤ *Key principles*

- *US Network service offer optimized through an unique source contract with AT&T vs. 80% of the access shared across 5 carriers previously*
- *“Winner-take-all” strategy to obtain best in class offer at lowest competitive price*
 - Wider Ethernet access availability
 - Tighter service levels (SLAs)
 - Improved field service capabilities
 - Lower access costs to increase its competitive market position

CHRYSLID impact:

- Ethernet orders up +60% both in volume and value
- €15m-€20m savings expected over 2013-2015

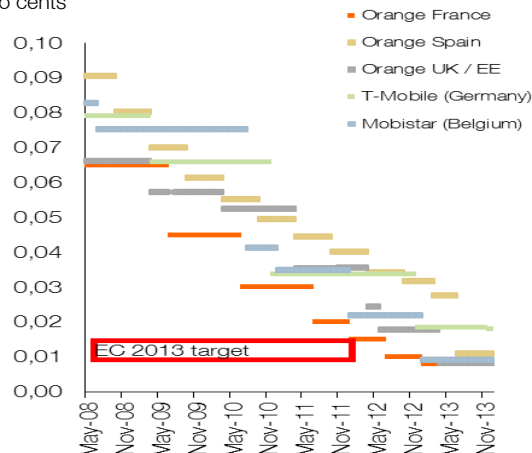
2 | update on regulation

lower regulatory impact expected in the coming years

EC objective of sustained level of competition achieved

mobile termination rate

In euro cents

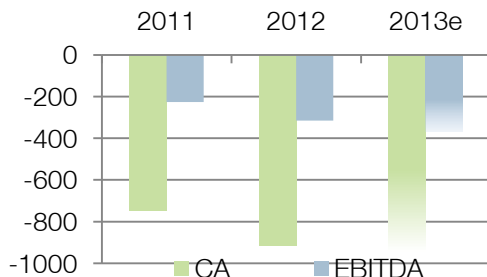


roaming

EC to replace retail and wholesale price cap regulation by competition under Roaming III

- retail price caps until 2016
- wholesale price caps until 2022
- regulation allowing customers to get roaming offers from another retail provider from 2014

strong impacts of regulation on Orange accounts until 2013, easing from 2014



- MTR stabilisation from 2014
- end of roaming price cap decreases from mid 2014

building a pan European market

- **fragmentation of the European market has a cost**
the European telecommunications industry has been severely weakened
- **new political paradigm underway at European level : towards a true “single market”**
unification of the market to promote investment and innovation

⇒ **according to Orange, sound principles needed to create a virtuous circle for integrated telcos**

1. secure existing footprints of multi-domestic operators
2. remove legal/regulatory obstacles to the provision of pan-European services
3. simplify electronic communication networks regulation

focus on very high broadband framework in France

already in line with the new European spirit

- regulation promotes co financing and mutualisation for optical fiber local loop
- national “very high broadband roadmap” : 100% population eligible to VHBB in 2022
 - mixing technologies : FTTH, FTTN and satellite
 - dedicated public body

Orange commitment unchanged

- **€2bn capex program over 2010-2015**
- **10 million households covered by 2015**
 - > FTTH in 3,600 French cities and 220 urban areas
- **15 million households covered by 2020**

3 appendices

Appendix 1 : calendar for EU new recommendation on regulated access to VHBB networks

