

# France Telecom Orange

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# agenda

1 | our environment is improving

2 | Conquests 2015 ambition

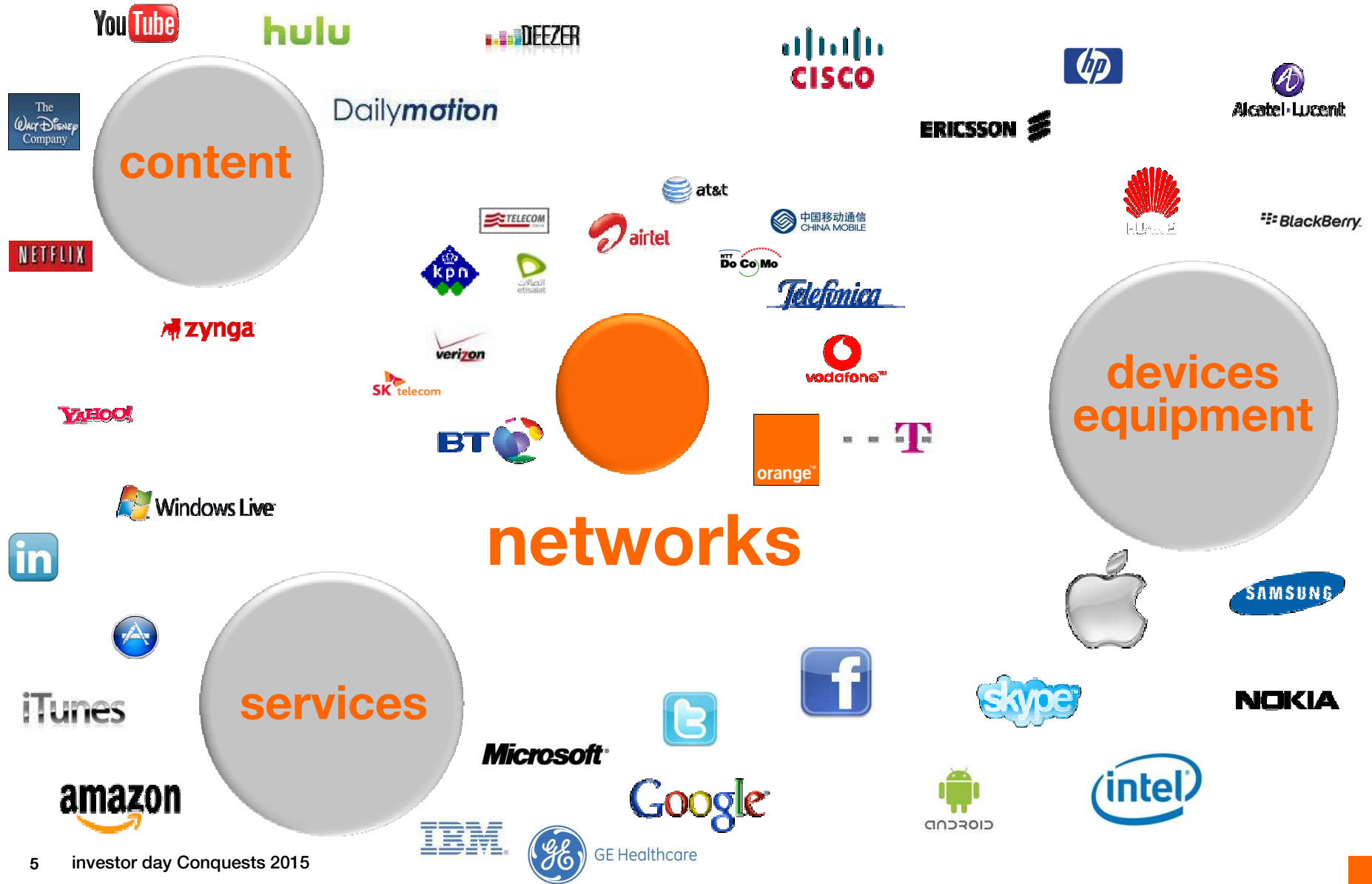
3 | Conquests 2015 guidance

4 | focus on Europe

5 | focus on Spain

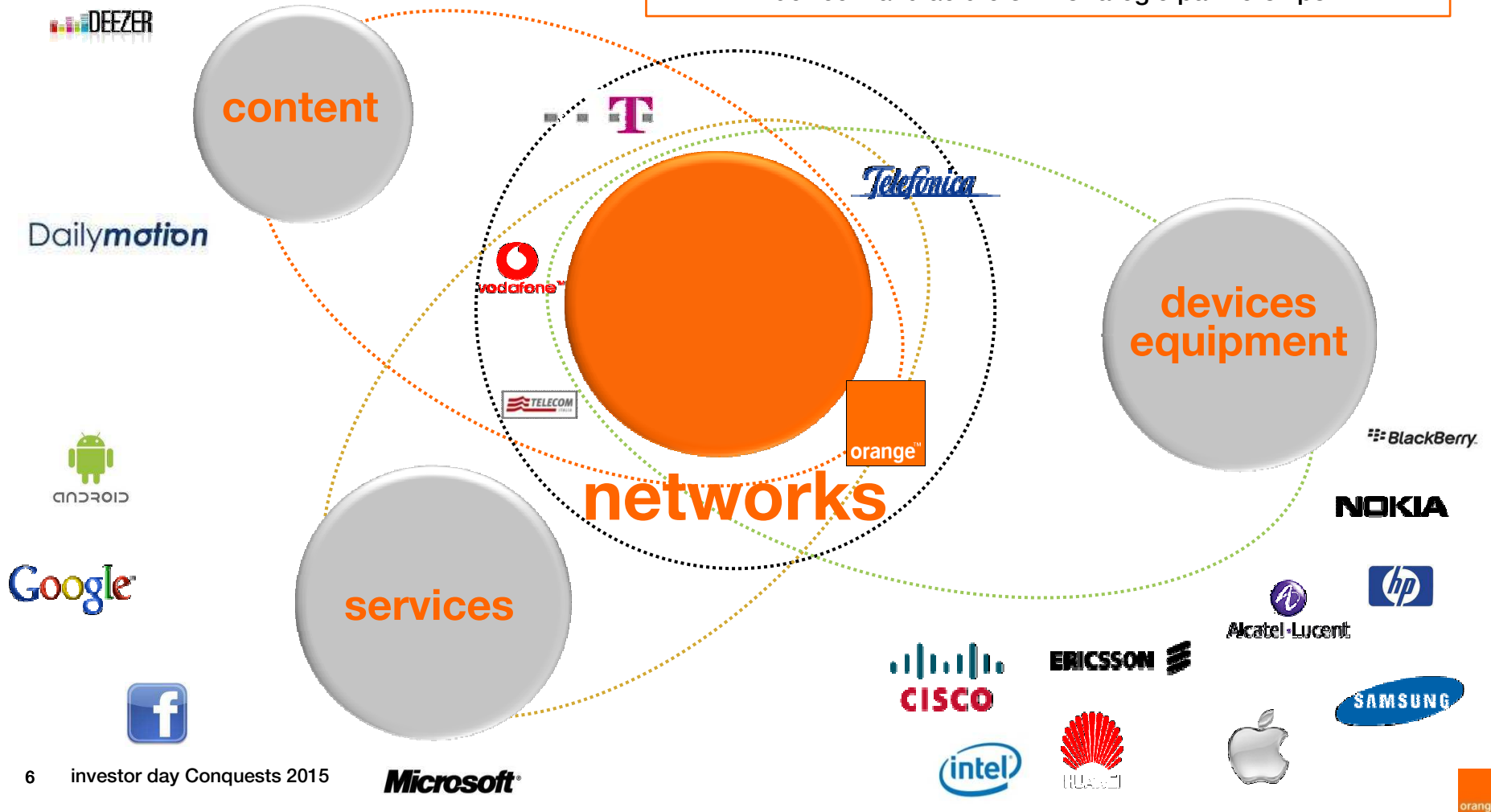
# 1 our environment is improving

# a vibrant ecosystem



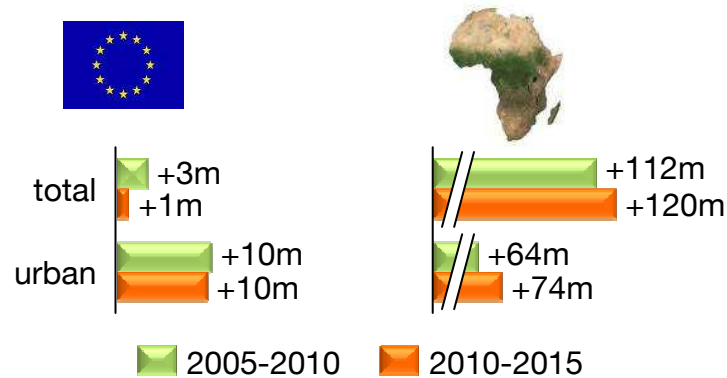
# from competition to co-opetition

—	with telcos	optimization of asset base
—	with OTTs	alliances & partnerships
—	with content providers	aggregation strategy
—	with device manufacturers	strategic partnerships

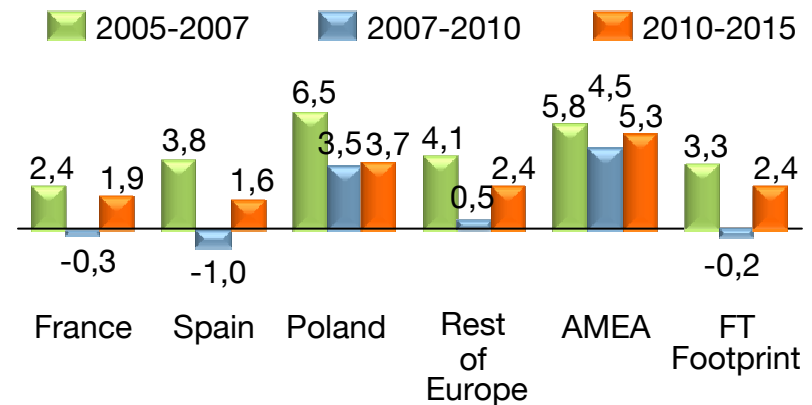


# the economy should recover over 2011-15, with 2.4% GDP CAGR on FT-Orange footprint

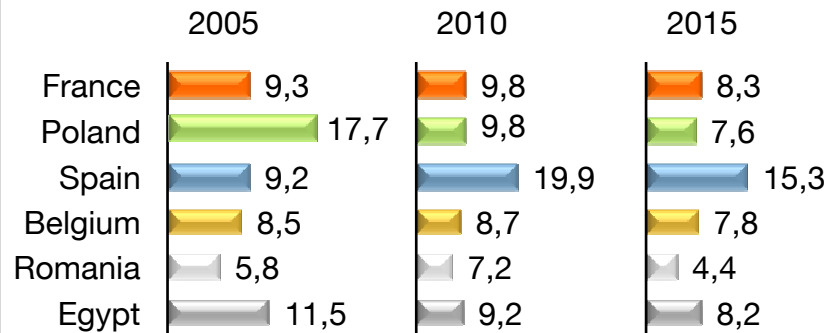
## strong demographics (population increase)



## recovering GDP (CAGR %)



## unemployment rates (%)

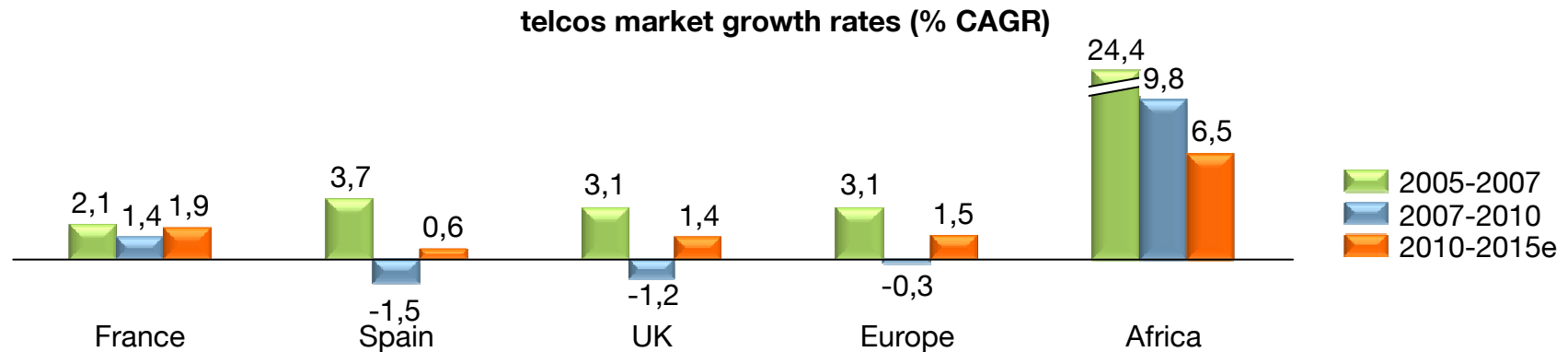


## > insight

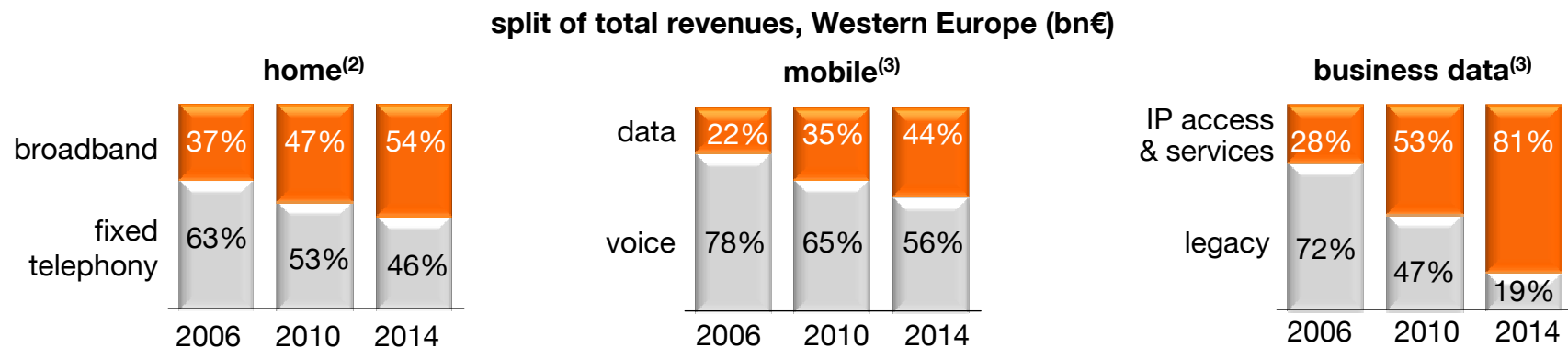
- strong demographics, especially in emerging markets
- unemployment rates are stabilizing or improving, except in Spain
- recovery on all footprint markets

# telecom markets are expected to bounce back to growth over 2011-15, with a changing business mix

the overall telecom market is expected to bounce back in Western Europe and keep on growing strongly, albeit at a slower pace, in Africa...



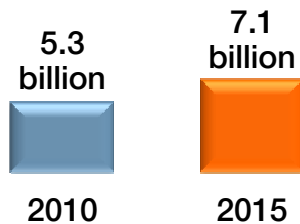
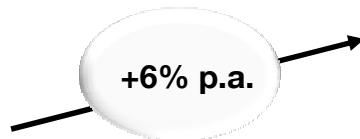
...with an accentuation of previous changes in business mix





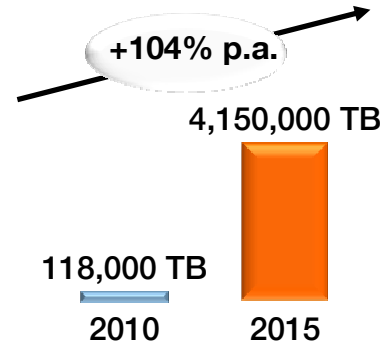
# the data demand explosion is here to stay

## connected terminals<sup>(1)</sup>

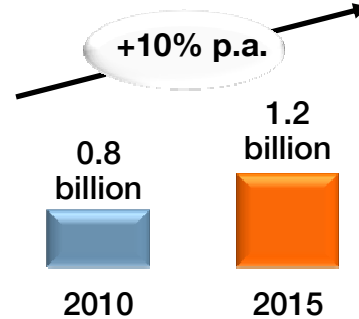


## usage

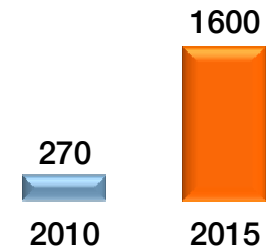
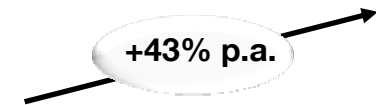
### video<sup>(2)</sup>



### social networks<sup>(3)</sup>...



## data traffic per mobile broadband subscriber<sup>(4)</sup>

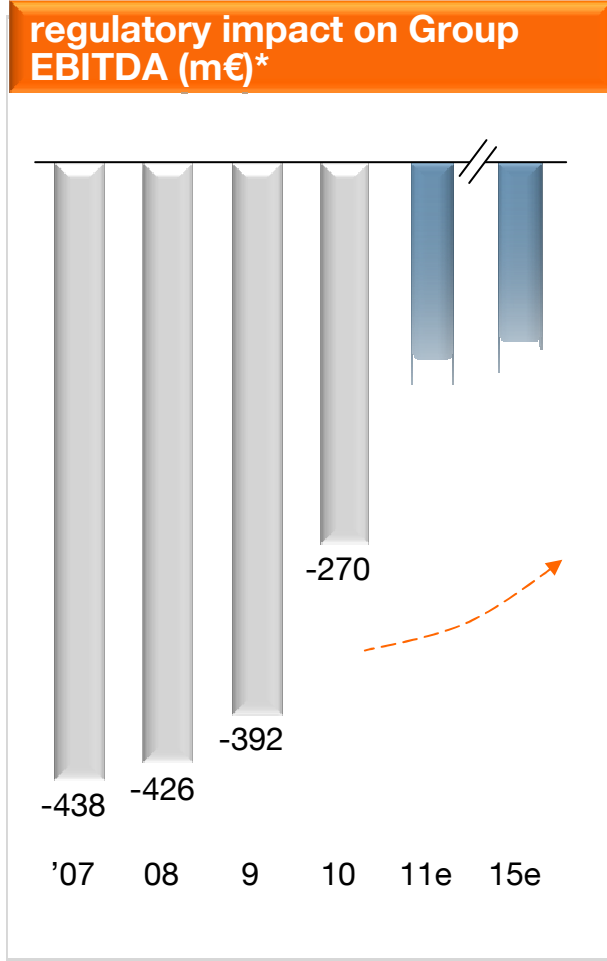


MB per month

# the current asymmetric regulation cycle on FT-Orange is coming to a close

the current asymmetric regulation cycle on FT-Orange is coming to a close

- clear voice & SMS MTR glide path with floor level approached in 2013
- MTR asymmetry coming to an end
- no termination rate on data
- opportunities to monetize data from large Internet players
- regulators, especially in France, are expected to better balance focus on intra-sector competition with investment incentives



\*excluding UK



# 2 Conquests 2015 ambition

## Enterprise & France are back to growth, with Europe & AMEA maintaining their solid growth contribution

	<b>adapt</b>	<b>conquer</b>
	<b>2010-2013 revenues CAGR</b>	<b>2013-2015 revenues CAGR</b>
<b>France</b>	-1.3%	+0.5%
<b>Europe</b>	+2.0%	+3.7%
<b>AMEA</b>	+5.1%	+5.8%
<b>Enterprise</b>	-1.2%	+4.1%
<b>Group</b>	<b>+0.6%</b>	<b>+2.7%</b>

# Orange France EBITDA will reach its lowest point in 2012

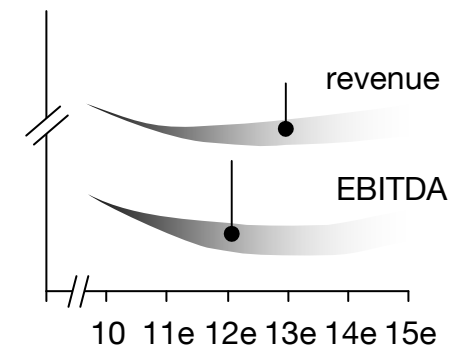
while competition is increasing in France, FT-Orange is best positioned to preserve value, thereby stabilising EBITDA in 2013

- capacity to react: regain momentum in broadband and stabilise mobile market share

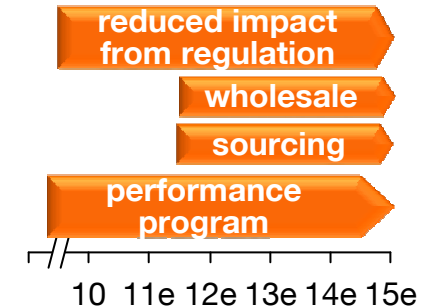
- proactive investment in 2011 and 2012 to maintain leadership and differentiation

- positive EBITDA levers
- upside from mobile data monetisation and clear market share leadership ambition

### France EBITDA will reach its lowest point in 2012

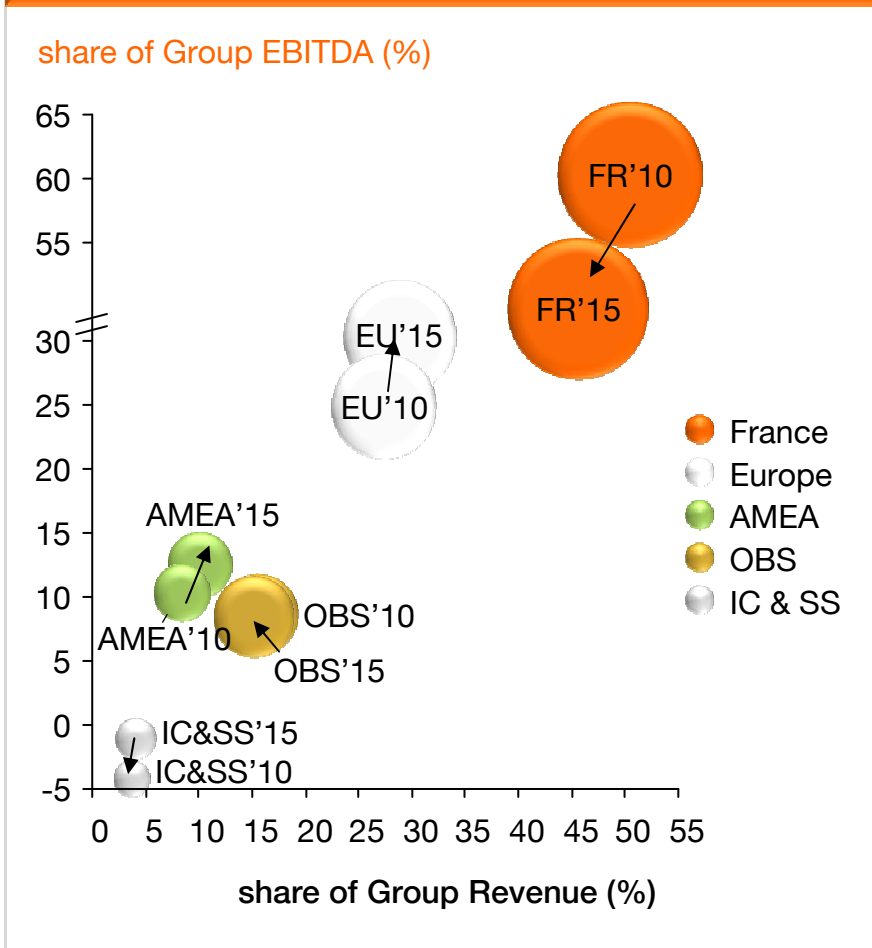


### structural performance drivers will positively impact EBITDA

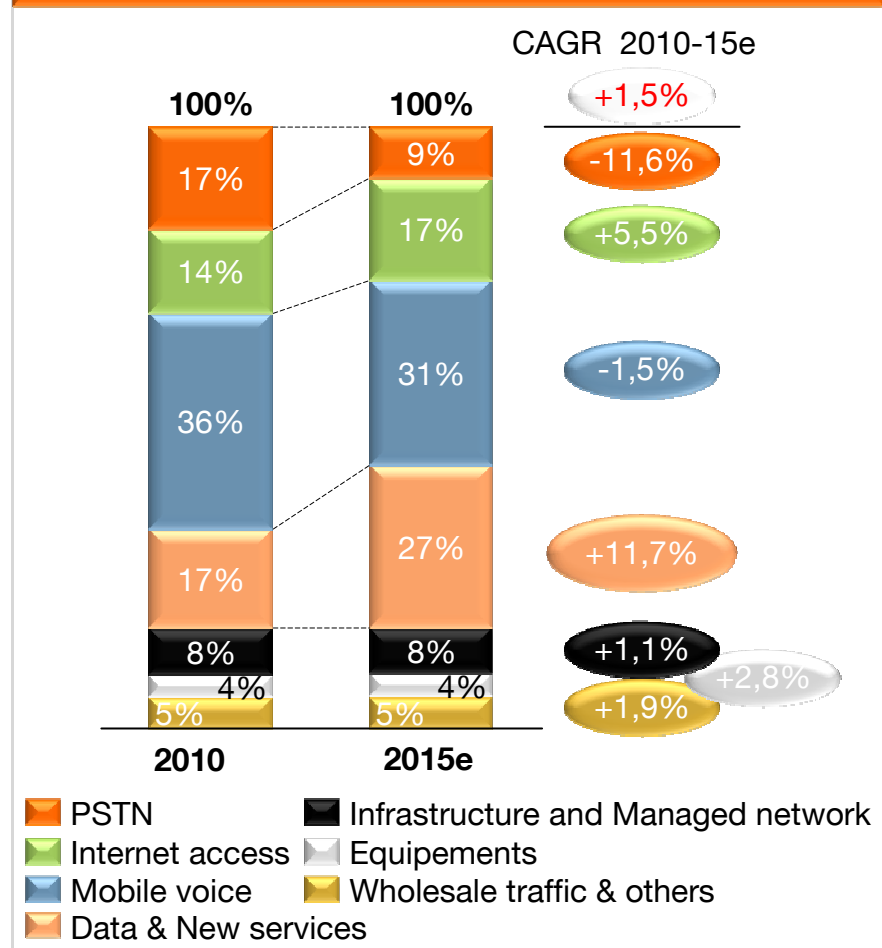


# FT-Orange's country and business mix will be more balanced in terms of revenues and EBITDA

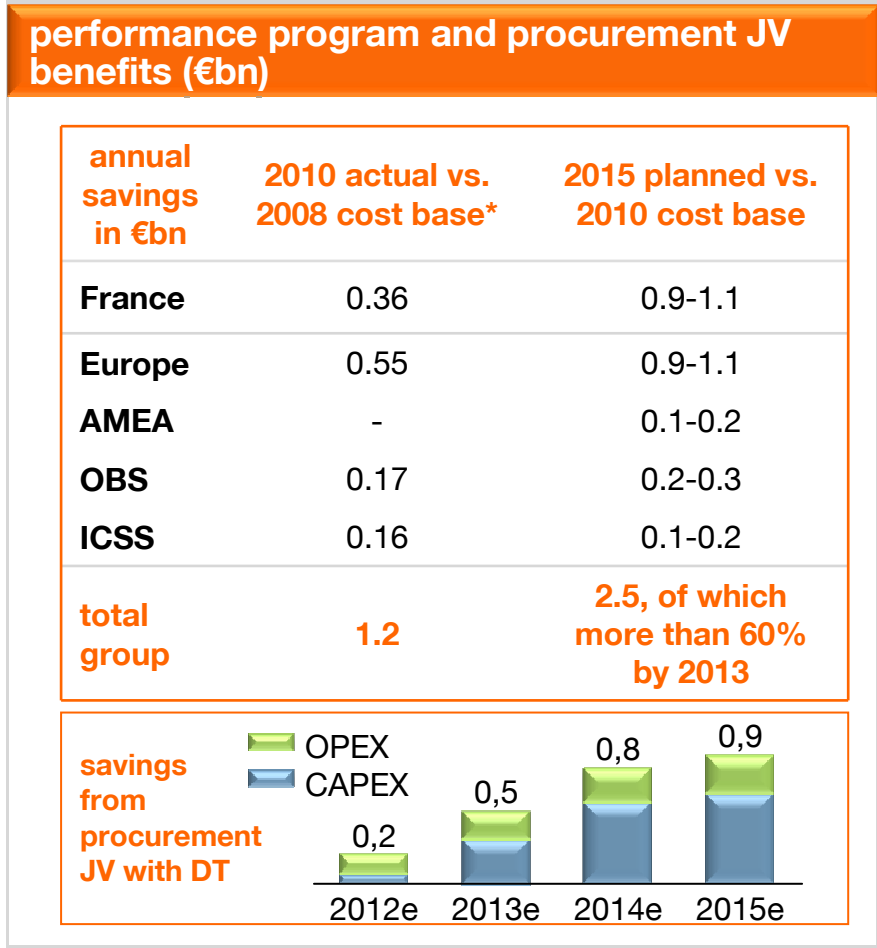
## rebalancing in revenues & EBITDA mix\*



## changes in revenues mix parallel to market



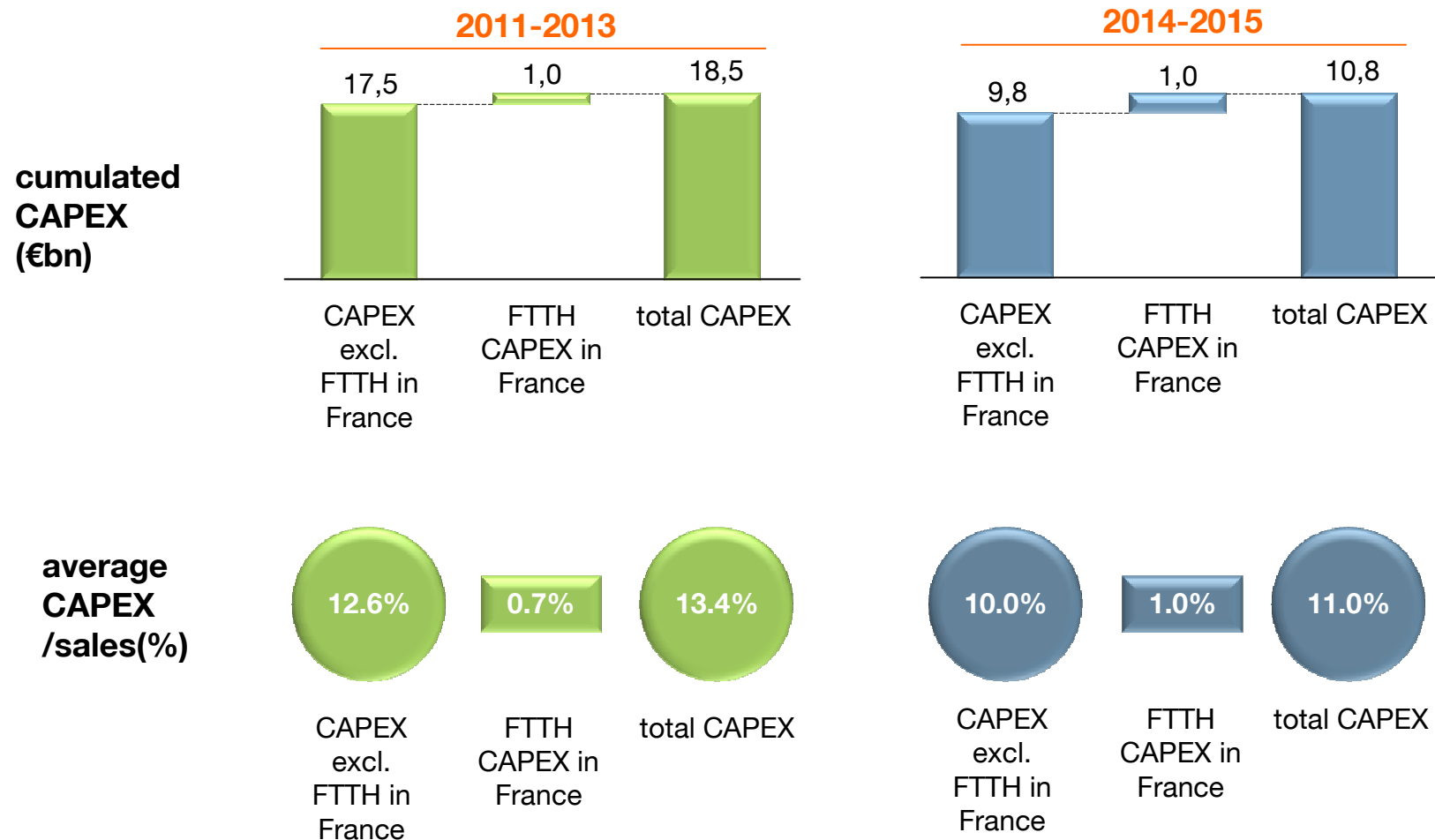
# including benefits from the procurement JV, FT- Orange targets at least €3bn in annual savings by 2015



- 2011-2015 performance levers**
- France**
    - customer experience improvement
    - operational excellence
    - IT improvement
    - channels automation
    - content business model change
  - Europe**
    - RAN & network sharing
    - near-shoring
    - customer care transformation
    - IT renewal & optimisation
  - AMEA**
    - services platform mutualisation / industrialisation policy
    - synergies within the zone
    - customer journey excellence
  - OBS**
    - international network profitability
    - sales performance improvement
    - G&A improvement
  - IC & SS**
    - productivity gains on labour costs



# CAPEX at the core of our leadership strategy in customer experience, future networks and growth





# in summary, our Conquests 2015 ambition\*

OpCF (EBITDA – CAPEX)	
adapt	conquer
$\Sigma$ 2011-2013	2013-2015
~€27bn guidance (excl. exceptional items)	9% CAGR

revenues	
adapt	conquer
2010-2013	2013-2015
0.6% CAGR	2.7% CAGR

EBITDA	
adapt	conquer
$\Sigma$ 2011-2013	2013-2015
~€45 bn	3.4% CAGR

CAPEX	
adapt	conquer
$\Sigma$ 2011-2013	$\Sigma$ 2014-2015
~€18.5bn (12.6% excl. FTTH in France)	~€10.8 bn (10.0% excl. FTTH in France)

17 \* only those slides entitled “guidance” comprise our formal guidance; all other figures are extracted from the Conquests 2015 operating plan which was investor day Conquests 2015 completed recently; operating plans evolve continuously and are presented as an indication, not as a further guidance



3

# Conquests 2015 guidance

# FT-Orange is migrating to a more operations-oriented medium-term guidance

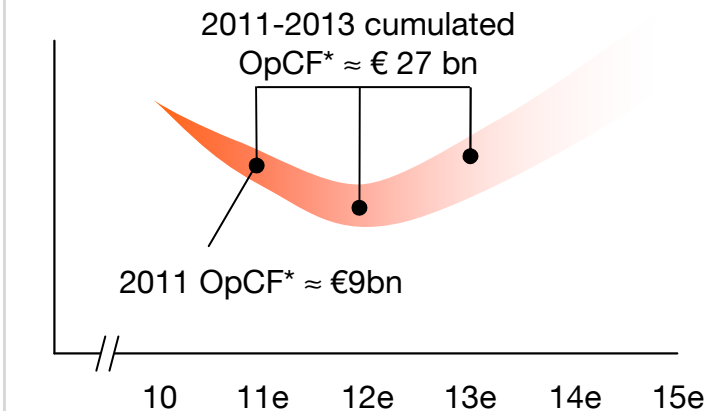
## > from annual organic CF guidance to cumulated operating CF guidance

	in €bn	2009a	2010a	2011	2011-2013 cum.
previous guidance	organic cash flow	8.2	8.1	8	-
new guidance	OpCF* (EBITDA – CAPEX)	10.8	10.1	-	≈ 27

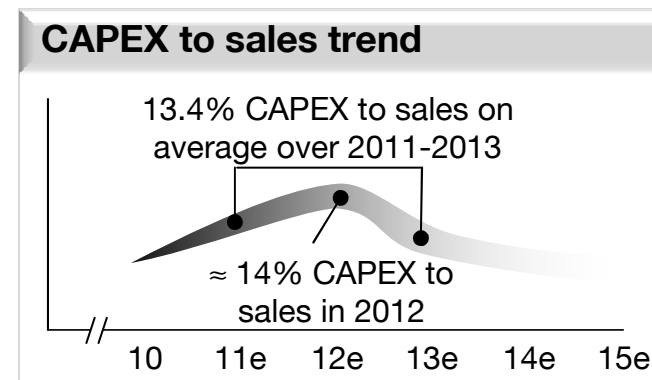
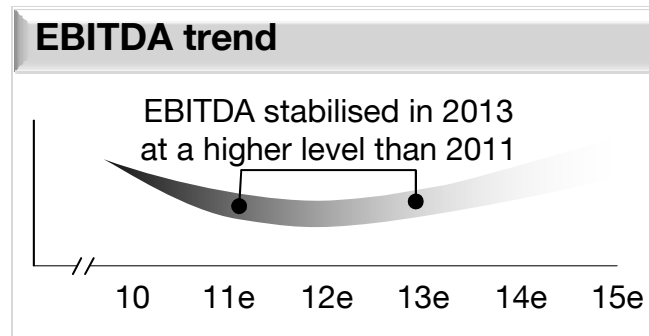
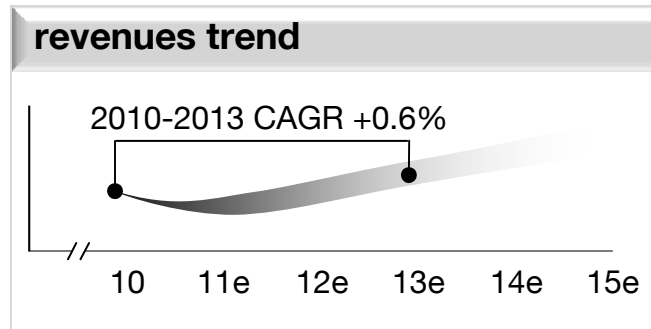
## > new guidance

1. fully aligned with management scorecard and incentives
2. better adapted to transition from “adapt” to “conquer” growth business profile
3. capacity to strike the right balance between short-term competitive response and long-term company value

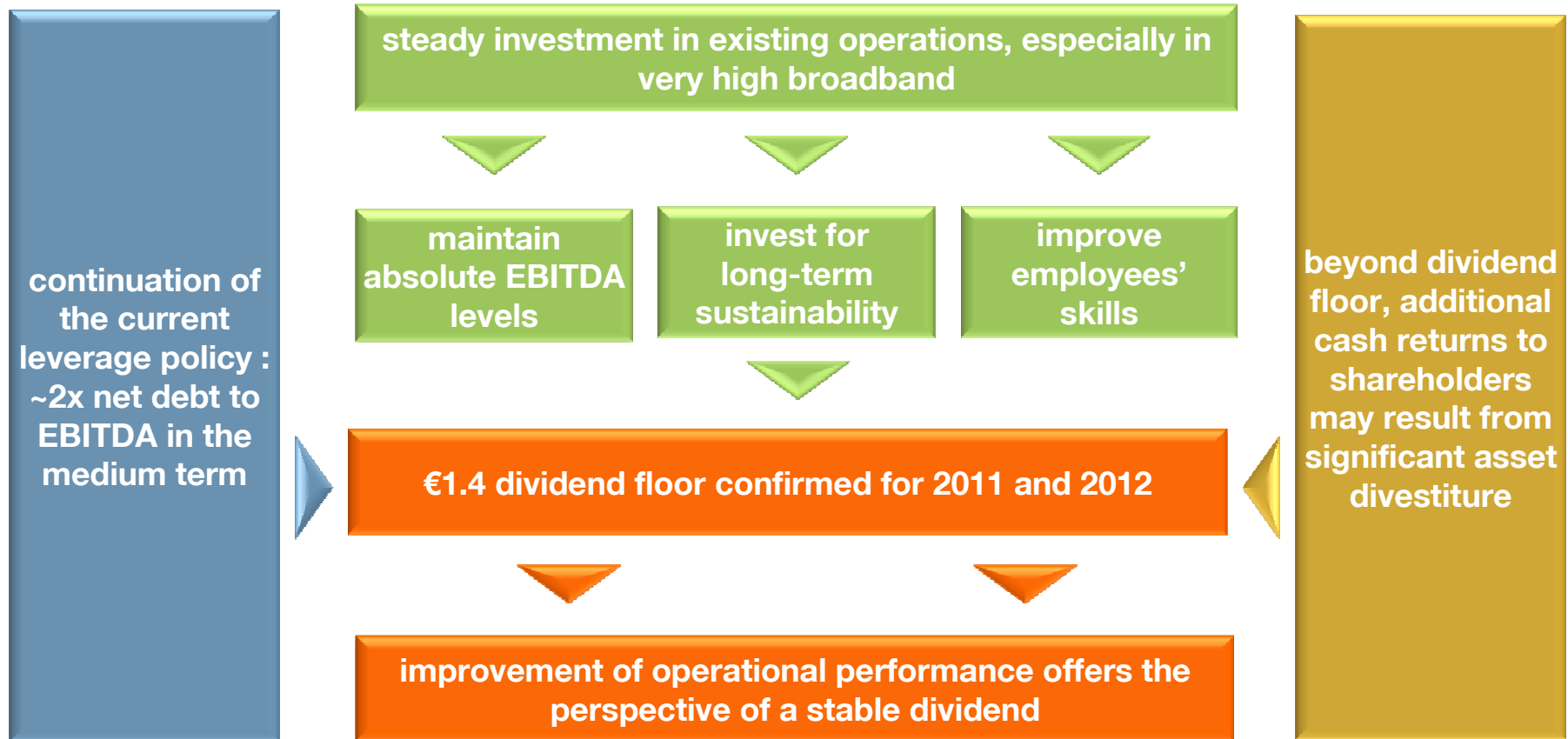
## OpCF\* guidance



# 2011-2013 cumulated OpCF guidance is supported by underlying trends

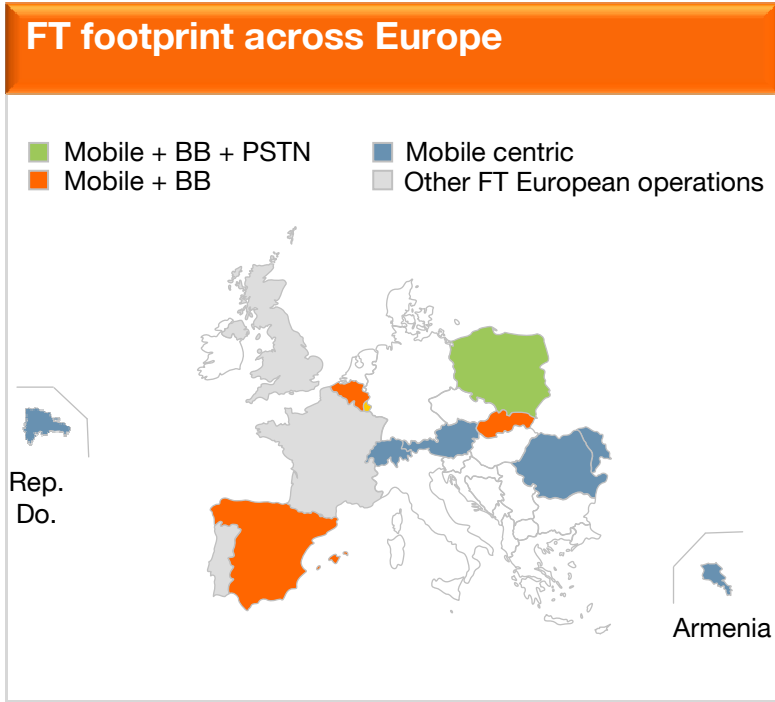
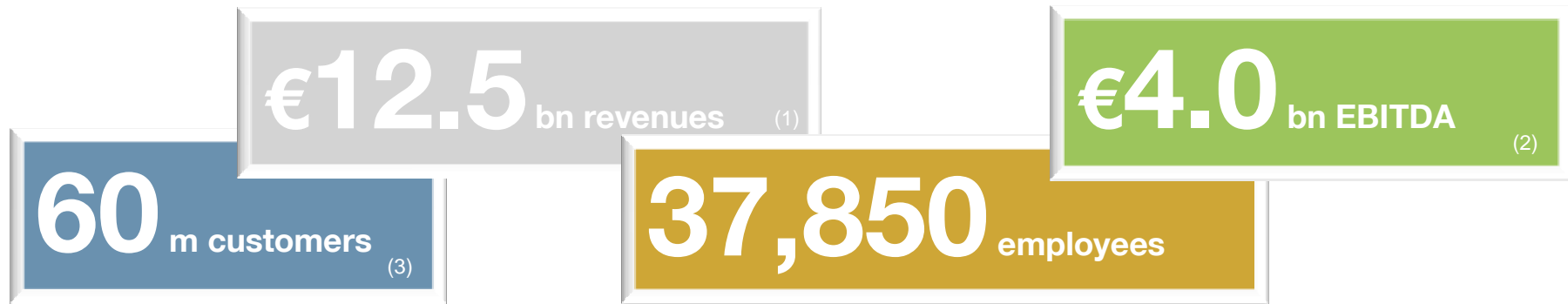


# FT-Orange's use of cash policy will support the full capture of this potential



# 4 focus on Europe

# solid value position in 11 mature markets



### 76% of our mobile customer in market position #1 or #2

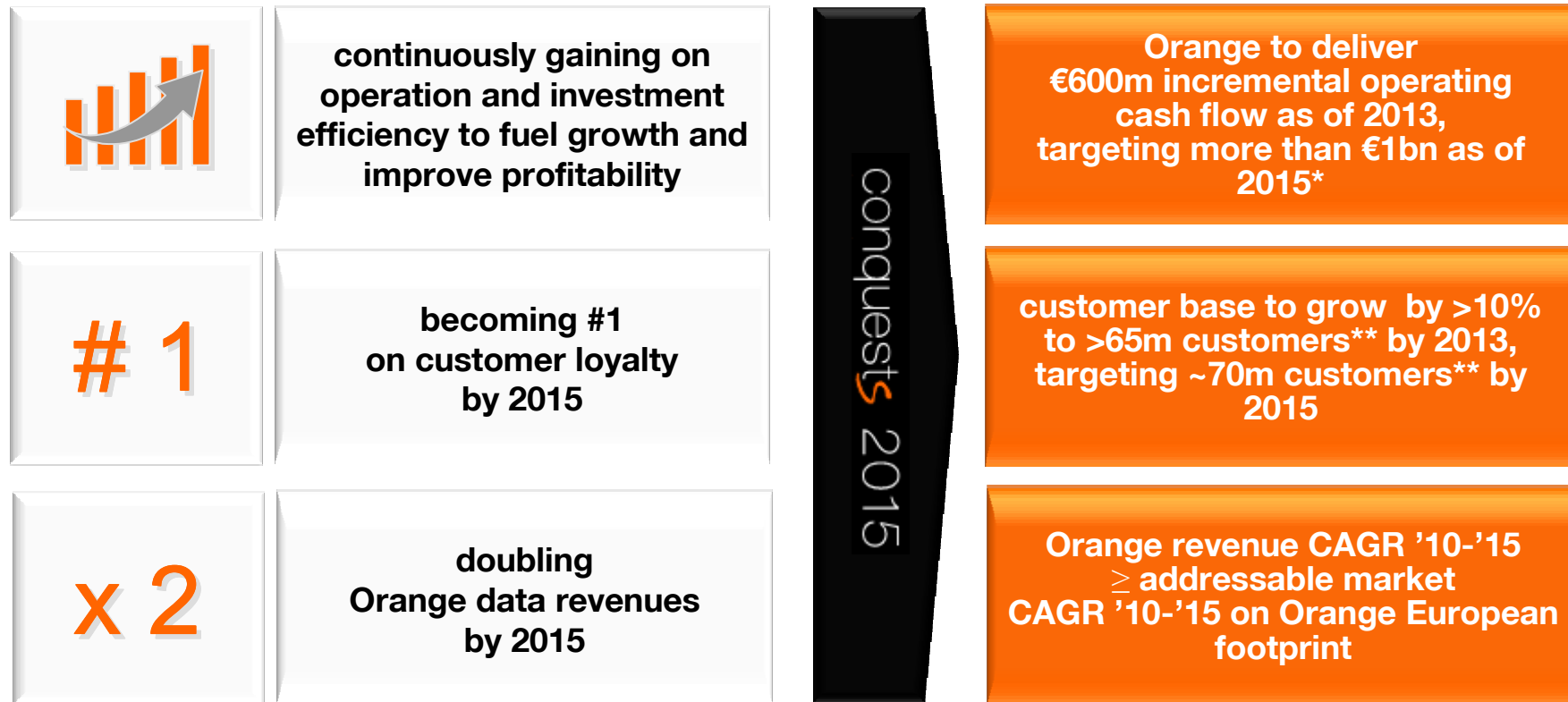
As of Q4 2010

	mobile		fixed BB	
	value share	customer base	value share	customer base
TPG (Poland)	31% (#1)	14.3m	44%	2.3m
Orange Spain	19% (#3)	11.9m	8%	1.1m
Orange Romania	43% (#1)	10.5m	-	-
Mobistar (Belgium)	36% (#2)	3.7m	3%	56k
Orange Slovakia	55% (#1)	2.9m	6%	47k
Orange Dominicana	42% (#2)	2.9m	-	-
Orange Moldova	72% (#1)	1.7m	-	-
Orange Switzerland	20% (#2)	1.6m	-	10k
Orange Armenia	na (#3)	0.6m	-	-
Orange Luxembourg	na (#3)	0.1m	-	-
Orange Austria <sup>(4)</sup>	19% (#3)	2.2m	-	-

(1) contributive revenues; (2) Contributive EBITDA restated from DPTG litigation (€266m); (3) retail customer base excluding wholesale fixed lines, M2M lines and MVNO customers, Orange Austria customers are consolidated at 35%; (4) Orange Austria is consolidated for under the equity method



# Orange will focus on 3 priorities ambitioning to achieve €1bn incremental operating cash flow as per Conquests 2015 for Europe



\* excludes the provision of €266m for the DPTG litigation in 2010

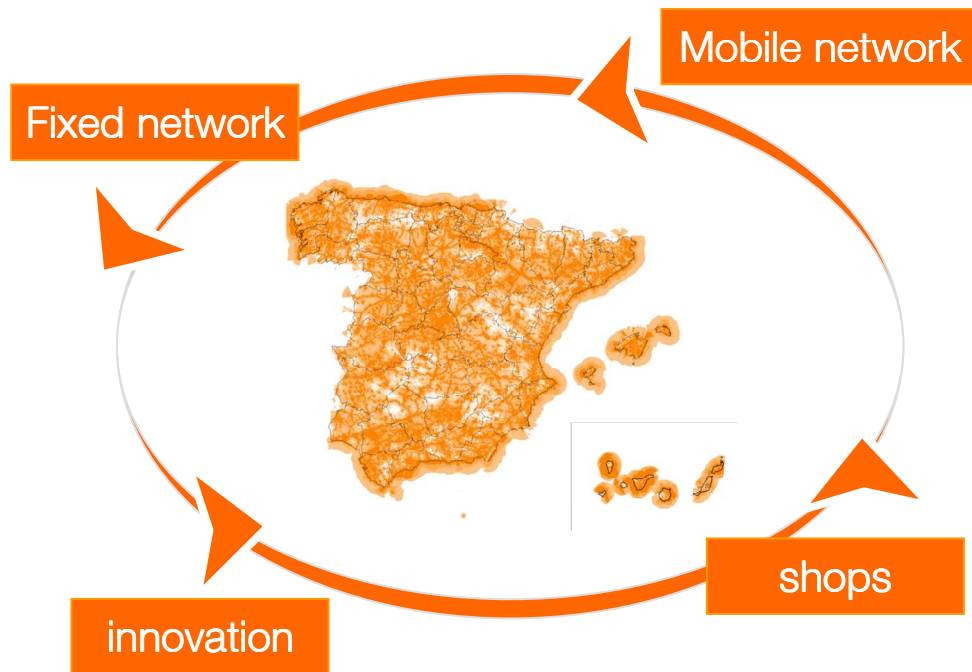
\*\* excluding M2M lines, MVNO and Orange Austria

note: operating cash flow stands for EBITDA-CAPEX



# 5 focus on Orange Spain

# Orange in Spain



As of today, Orange in Spain is:

- a reference alternative operator in Spain: mobile / internet / fixed / TV.
- the third mobile operator and second in ADSL.

- As at 1Q'11, Orange in Spain has **13.2 million customers**
  - 12.1m mobile and 1,1m fixed
  - 654k voice over IP
  - serving 1,3m MVNO customers
- In 2010, Orange revenues amounted to **3.821 millions €**
- **3.177 employees** in 22 cities, also generating 14.000 indirect jobs
- **2.970 points of sales** (exclusive channel, non exclusive, own shops and franchises)
- **Leader in convergence and innovation**
  - Dual-play, triple-play and fixed-mobile convergent offers.
  - Flat rates, high definition voice on handsets, Gigabit Ethernet services, etc.

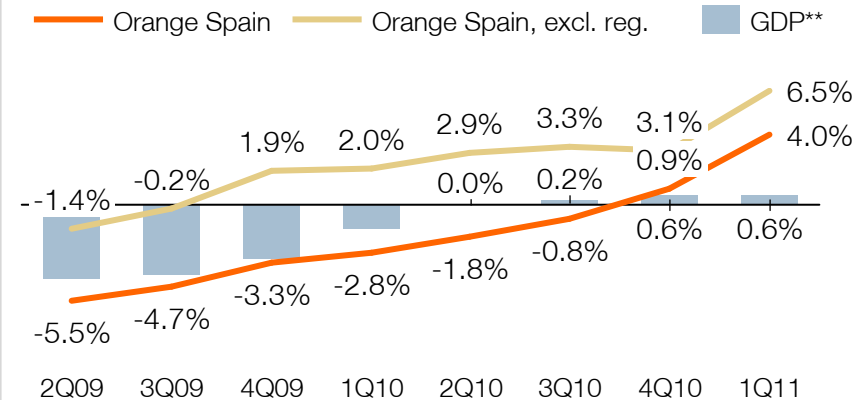
# 1Q11 Spain financials

## acceleration of revenue growth

1Q11 Spain revenue\*: +4.0%  
(+6.5% excl. regulatory impacts)

in €m	1Q10 cb	1Q11	var in cb
<b>total Spain</b>	<b>923</b>	<b>959</b>	<b>+4.0%</b>
personal	759	789	+4.0%
home	164	170	+4.1%

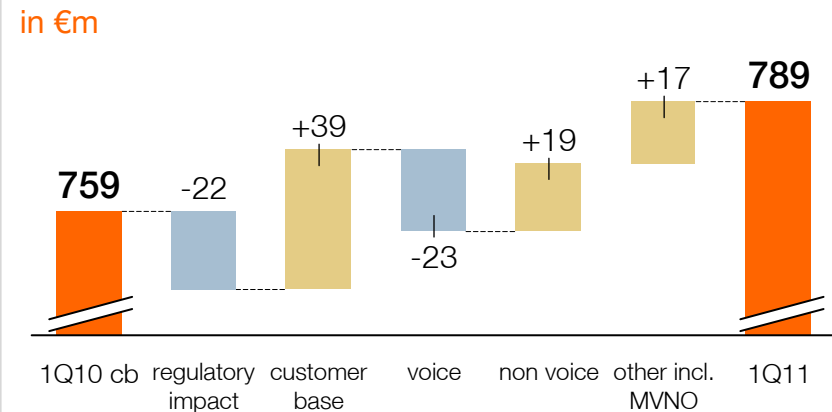
### revenues growth confirmed outperformance\*



### insight

- acceleration of revenue recovery
- revenue growth at +6.5% excluding regulation
  - personal revenue growing by +7.0% excluding regulation, driven by **mobile customer base increase**, data revenue take-off and MVNO
  - home revenue +4.1% driven by **sustained ADSL base expansion** and ARPU growth

### 1Q11 mobile revenue\*: +4.0% (+7.0% excl. regulatory impacts)

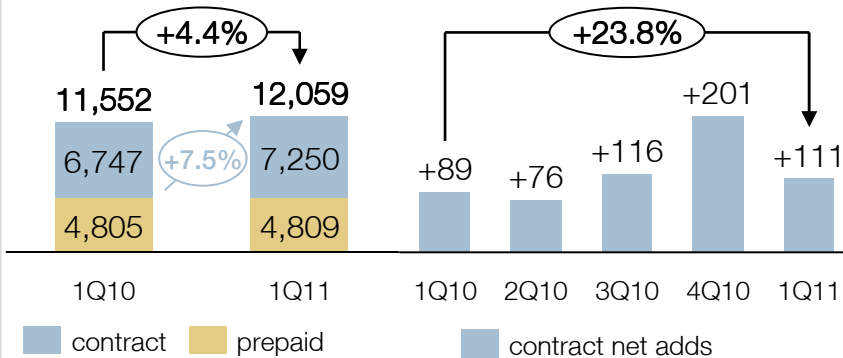


# 1Q11 Spain KPIs

sustained commercial momentum in mobile, improving trend in ADSL

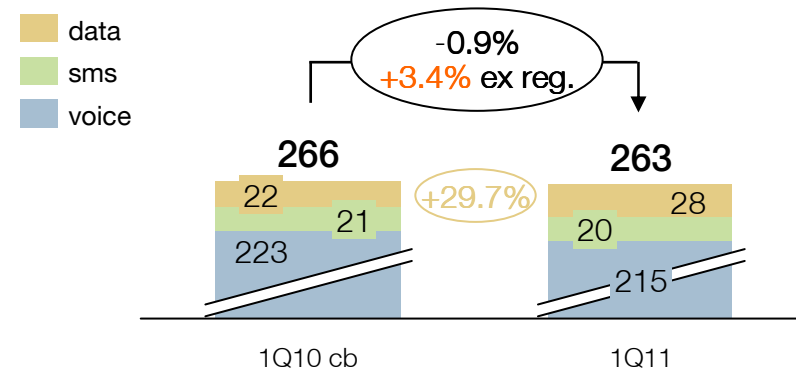
## strong increase of contract net adds

in thousands



## mobile annual rolling ARPU evolution

in €

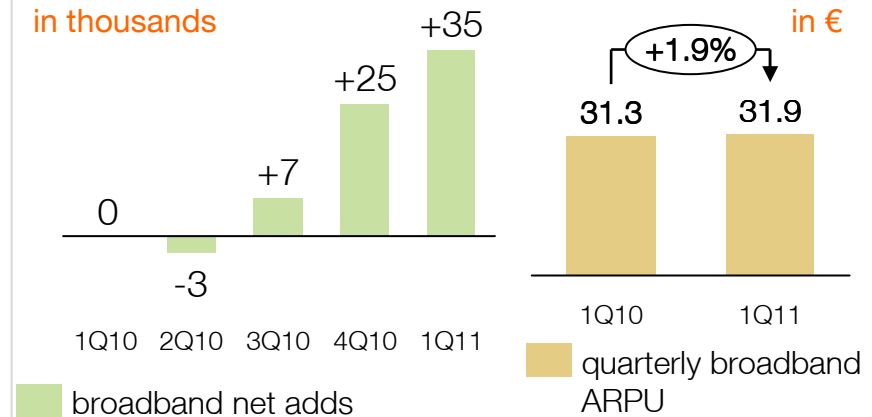


### insight

- mobile customer base increased by +4.4% driven by animals offers and smartphones:
  - strong sales performance with positive portability balance and leadership in iPhone sales
  - contract churn continuous improvement
- mobile ARPU +3.4% excluding regulatory impact
  - Improving customer mix
  - data ARPU increase by +29.7% thanks to mobile browsing penetration and data take-off
- ADSL positive net adds for the third quarter in a row and broadband ARPU increase of +1.9% pushed by VoIP penetration

## broadband ARPU and net adds strongly improving

in thousands



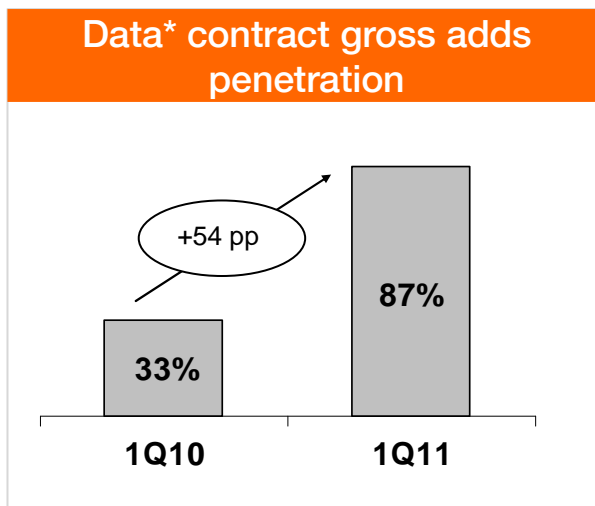
# OSP leverages its abundance tariffs and smartphone penetration

✓ success in data adoption driven by:

- abundance
- value for money
- simplicity

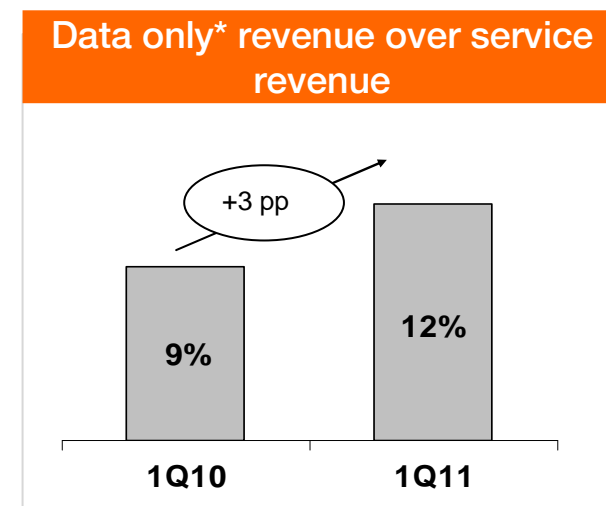


✓ strong smartphones sales



\* Datacards and mobile browsing tariffs

✓ data revenue growth



\* Excluding messaging

# Orange Spain is ready to tackle its top line challenge over 2011-15 period

- 2007-2010, 3 years of deep transformation
- Strong resilience capacity in an unfavourable economic environment
  - gain of value market share
  - improved profitability and cash
- A company now ready to tackle a phase of profitable growth, especially thanks to
  - a capacity to leverage exploding mobile data / internet usage
  - adequate and timely investments in network and distribution
    - flexible mobile access
    - convergent and unique core
    - robust transport
    - innovative service network
  - a focus on customer experience and satisfaction

# France Telecom Orange

## Q&A

**Jean-Marc Vignolles**  
CEO Orange Spain

Santander Annual TMT Conference  
June 21<sup>st</sup>, 2011

