



France Telecom investor day, June 10th 2004:

Building the integrated broadband communication services Group



Network & IT

Why a new Network, Carriers & IT Division?



- **Recent and future changes in technology**
 - Predominance of IP
 - Increasingly tight integration of Networks and IT
- **Network and IT skills becoming more and more similar**

Clear opportunities to further develop synergies
between Network & IT

Networks, Carriers & IT Division established



Responsibilities

- Defining development policies and managing **Networks**, regardless of technologies
- Developing and maintaining all Group **IT**
- **Selling** services to other Carriers

Objectives

- Enhance **customer** experience
- Deliver Network and IT additional **savings**, starting in 2004
- Lay the foundations for “**one FT**”

A new Network and IT governance in place

Network & IT transformation: 6 "TOP chantiers"



	Enhance customer experience	Deliver additional savings	"One FT"
1. IT for Global business processes	++	++	++
2. Customer services platforms	+++	+	+++
3. IT integration for Home	+++		+
4. IT Infrastructure rationalization		+++	+
5. Network and field operations	+	++	++
6. Network capacity & traffic spend		++	+

N°1: IT for global business processes (1/4)



Home

➤ ADSL service flow-through

- 92 % orders fully automated in April 2004 vs. 86 % in Nov. 2003
- Delivery time is 1.8 days in dense areas in April 2004 vs. 3.2 days in Nov. 2003

Personal

➤ Web and Voice Portal self-services contacts

- 55 % customer contacts fully automated as of today in France (vs. 50 % in July 2003)

Enterprise

➤ Time-to-bill

- 15 days Dec. 2003
- 13 days today
- 11 days Dec. 2004

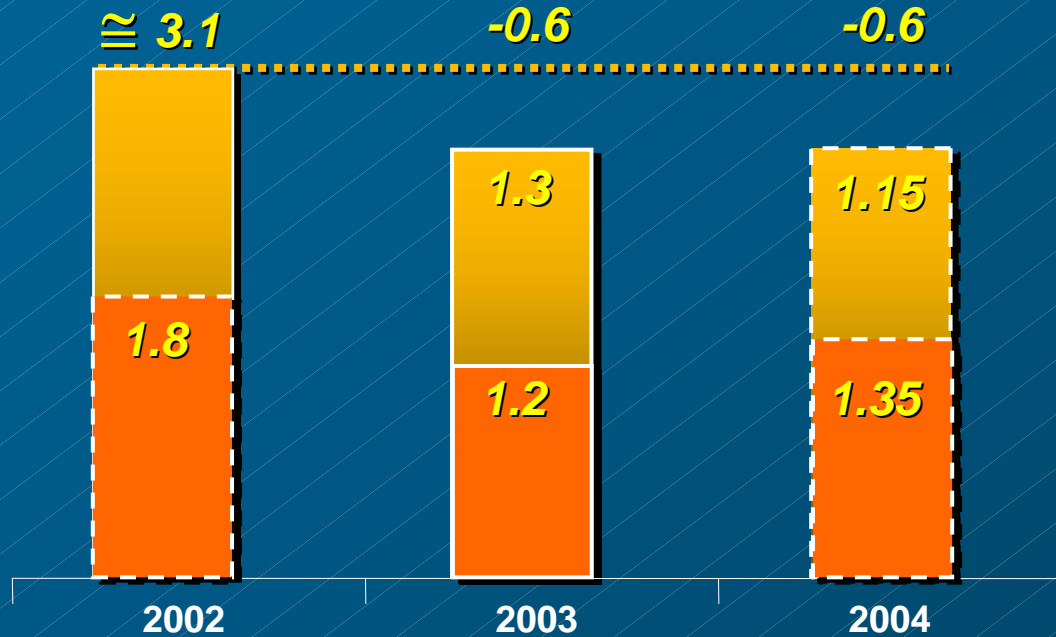
Process performance: 2003 commitment delivered

N°1: IT for global business processes (2/4)



Bn euros

IT Expenses (CAPEX + OPEX)



Production

IT applications
architecture,
design &
development

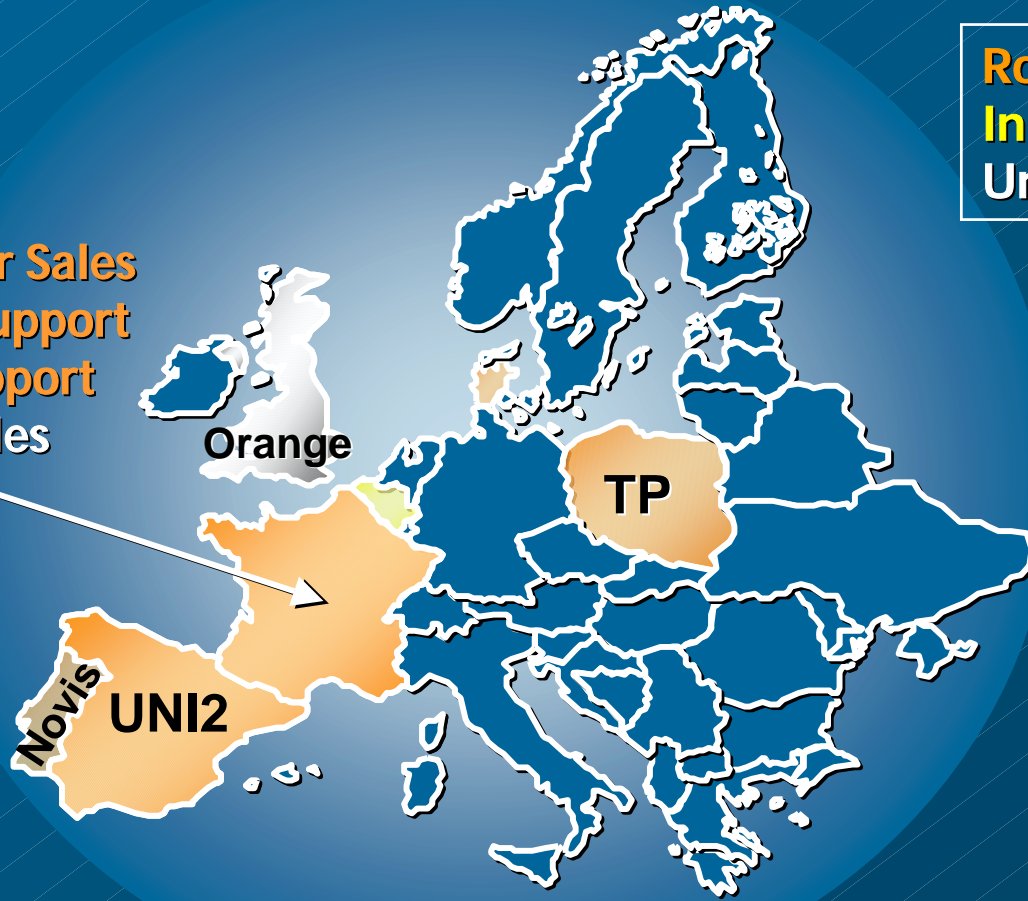
2003 savings commitment delivered (Eur 600 M)
2004: further savings in production, reinvested in IT applications

N°1: IT for global business processes (3/4)



Peoplesoft-based CRM footprint in June 2004

Corporate Customer Sales
Mobile Customer Support
Fixed Customer Support
Home Customer Sales

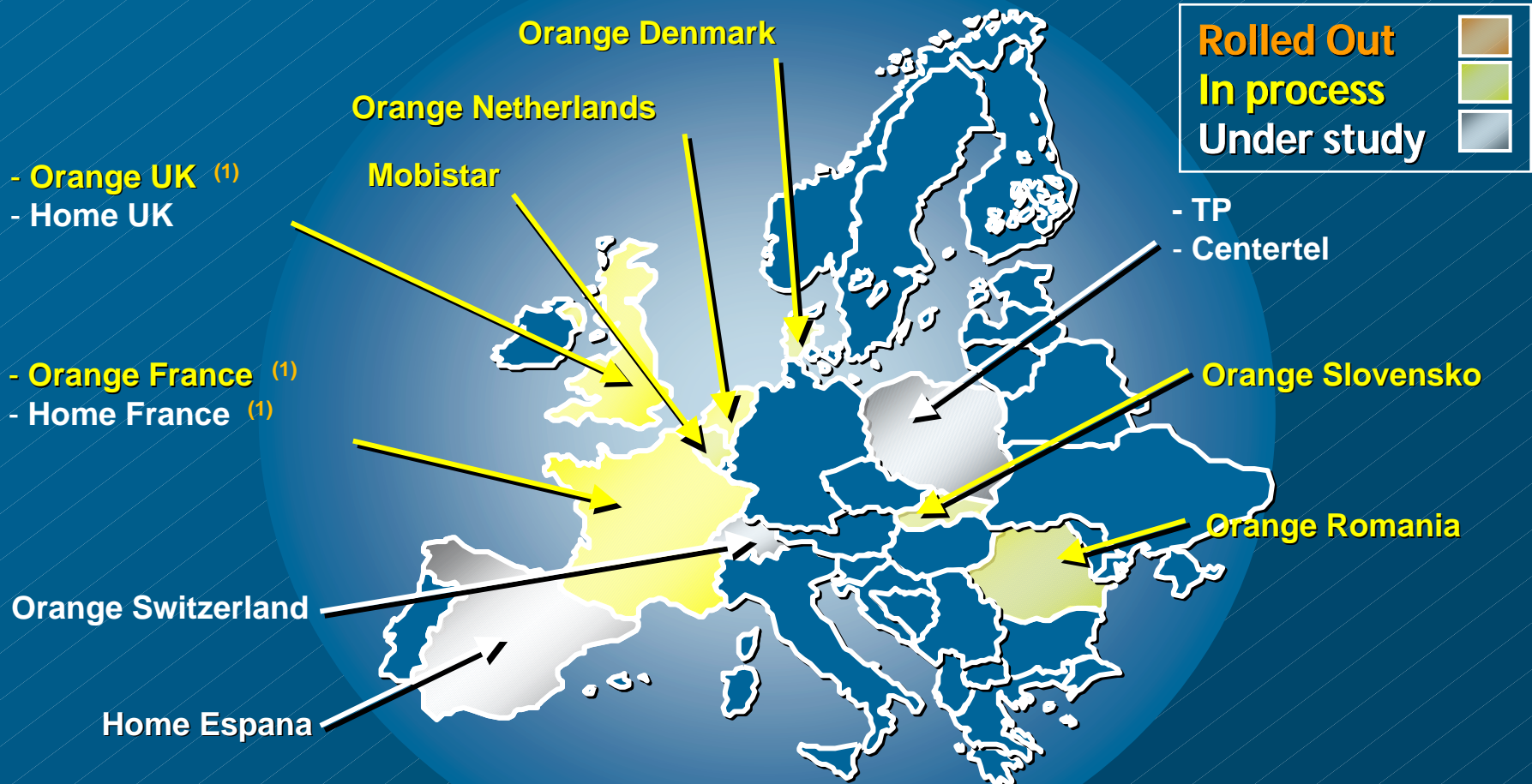


Peoplesoft-based CRM: on track to meet commitments

N°1: IT for global business processes (4/4)



Data & Content Billing: current situation



(1) Simple Content Billing already in place

On track to meet commitments

N°2: Customer services platforms (1/3)

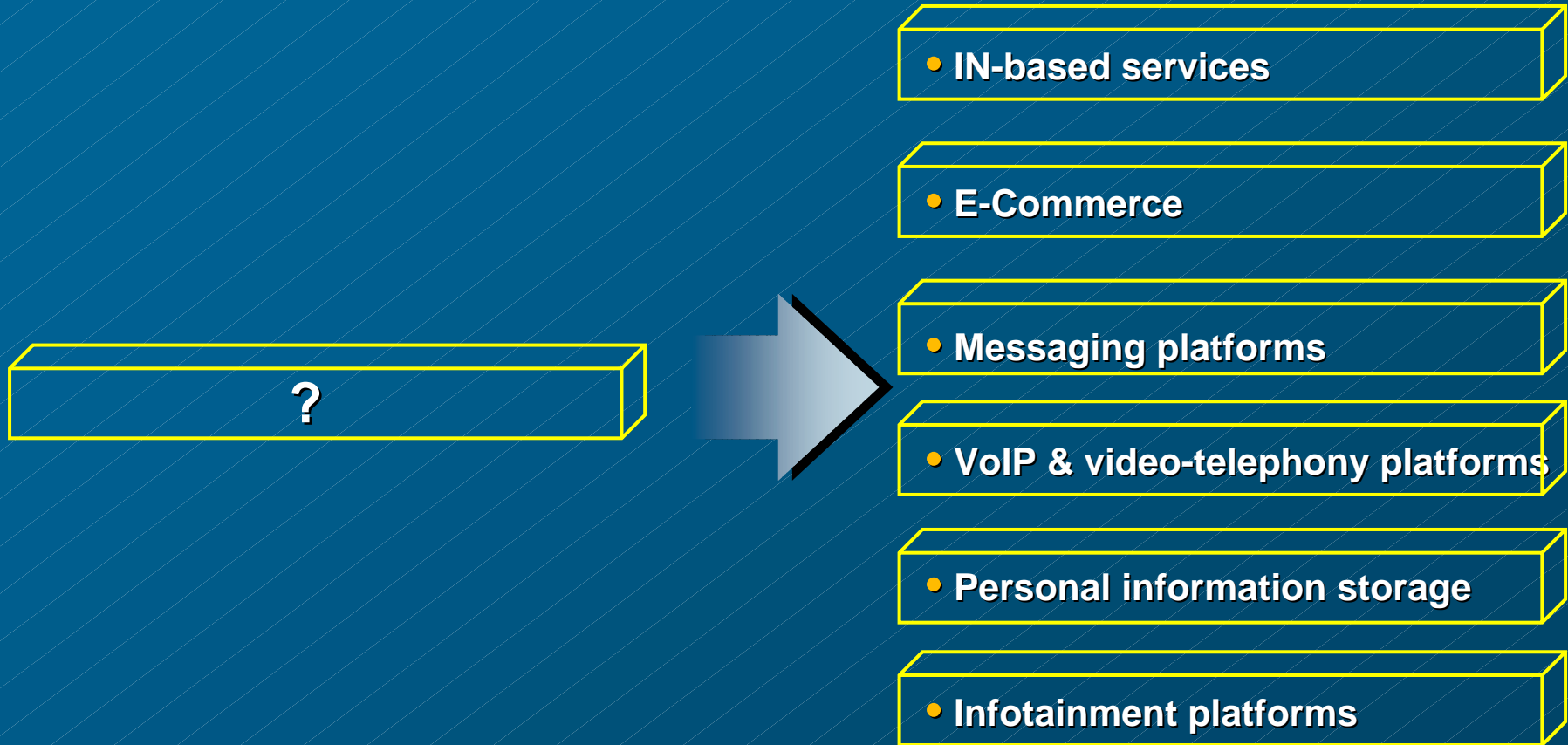


- **Unified VPN offers for Fixed and Mobile in France (Q2 2004)**
- **Group Single Sign-On: interoperability Home – Personal (Q3 2004)**
- **One single Multimedia Data Service Platform for Orange Group (Q1 2005)**
- **Shared use of the Group Mail System (Q1 2005)**

Building on existing initiatives



N°2: Customer services platforms (2/3)



From unstructured service platform developments
to Group-wide categorisation



New initiatives

- Quick wins on gaming platform for Fixed and Mobile
- MMS interconnect
- Extend parts of Mobile multimedia platform to Fixed
- Fixed-Wanadoo video-telephony interconnect at launch
- Define and reuse common enablers: Service provider interconnect, content management, cross-division home gateway

Enhancing customer experience through "One FT"



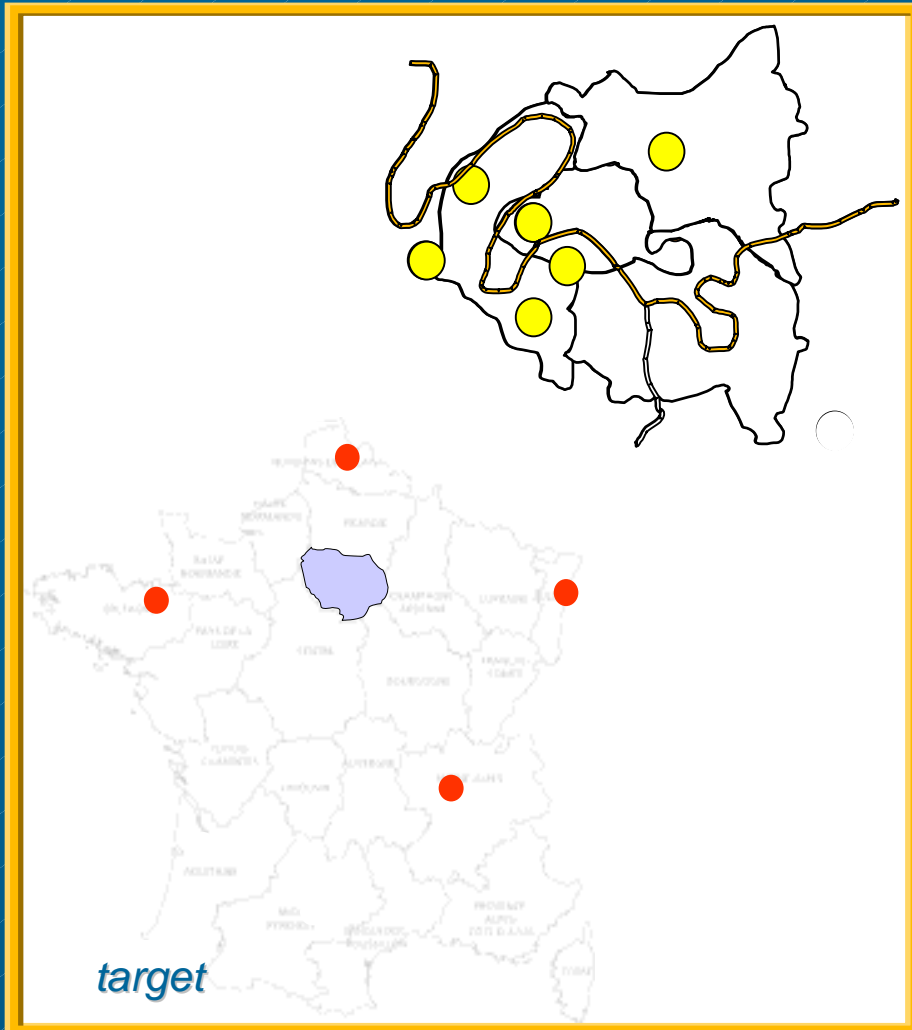
N°3: IT integration for Home



- **Single CRM kernel supporting sales, contact management and order management for ADSL multi-service customers (TV, Video-telephony, VoIP, Internet)**
- **Seamless support for multi-play service customers**
- **Under study: single bill for PSTN and ADSL customers (upon customer request)**

Moving forwards for the benefit of Home customers

N°4: IT Infrastructure rationalization (1/3)



➤ **January 2003:**

- 100 Production Data Centres
- 60 Operations Teams

➤ **2003 year end forecast**

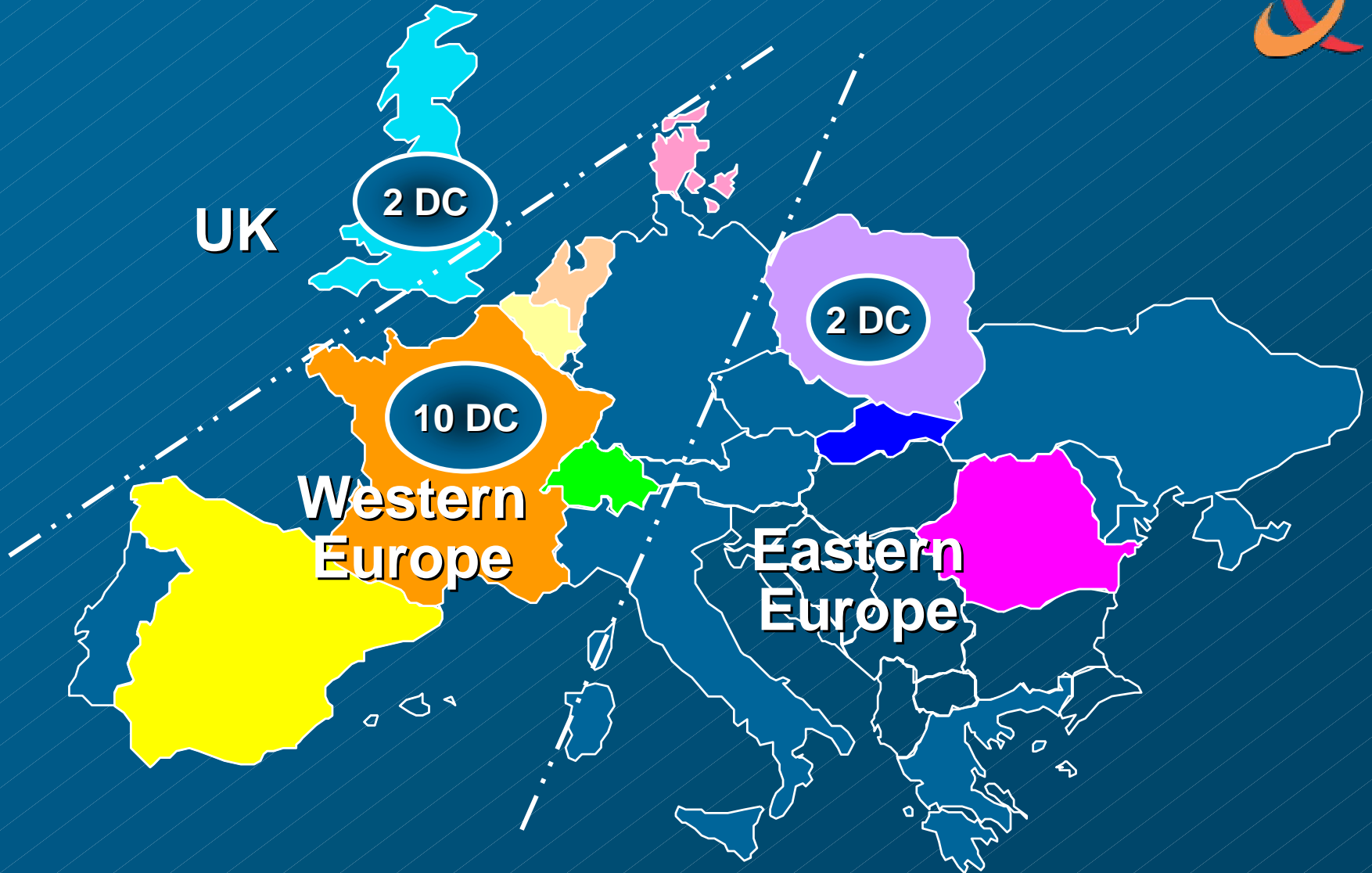
- 36 Production Data Centres
- 27 Operations Teams

➤ **2003 achieved**

- 27 Production Data Centres
- 17 Integrated Operations Team

Data Centre consolidation: 2003 commitments delivered

N°4: IT Infrastructure rationalization (2/3)



Extension of rationalization to Europe: 14 Data Centres planned by end 2006

N°4: IT Infrastructure rationalization (3/3)



- **Standardized desktops for all FT SA employees**
 - 2004 year end target: 100,000 standardized desktops in France (down from 115,000)
 - Desktop unit price: savings of 20 % per year over 2004-2005

- **Servers' rationalization: on-demand computing**
 - first on-demand computing data centre by Q1 2005
 - Target: 1 professional for 10 servers (currently 1 for 5)

- **Business Process Outsourcing of non core operations outside France** (e.g. Facility Management)
 - RFP envisaged in H2 2004

2003 cost baseline for Chantier N° 4 is Eur 1,300 M

N° 5: Network and field operations (1/2)



Objectives

- Network Labour Opex reduction
- QoS and reactivity improvement

Main levers

- Network Operation Centers (NOCs) optimization
 - NOC consolidation
 - Across geographies and entities
 - Common processes and tools for supervision
- Implementation of “Lean Management”
 - All Field Technicians in France
 - All Project leaders in Regional Network Units
 - Extension outside France
 - Improve transversal processes between Regional Network and Service Units

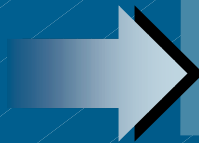
N° 5: Network and field operations (2/2)



2003 achievements

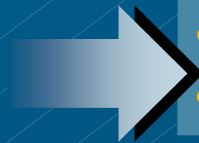
➤ Transformation of field activities in Fixed Network Units

- New processes
- New organization
- Lean management



- headcount \approx 9,800 end 2002
- 13 % headcount reduction in 2003

➤ Decrease of the total number of Switching/Traffic Supervision / Transmission NOCs



- headcount \approx 3,500 end 2002
- 15 % headcount reduction in 2003

2004 key targets

- Common Fixed Network/Orange supervision during non-office hours in France
- Acceleration of this transformation in France
- Blueprint for Groupwide NOC consolidation

2003 cost baseline for Chantier N° 5 is \approx Eur 1.7 Bn

N° 6: Network capacity & traffic spend (1/2)



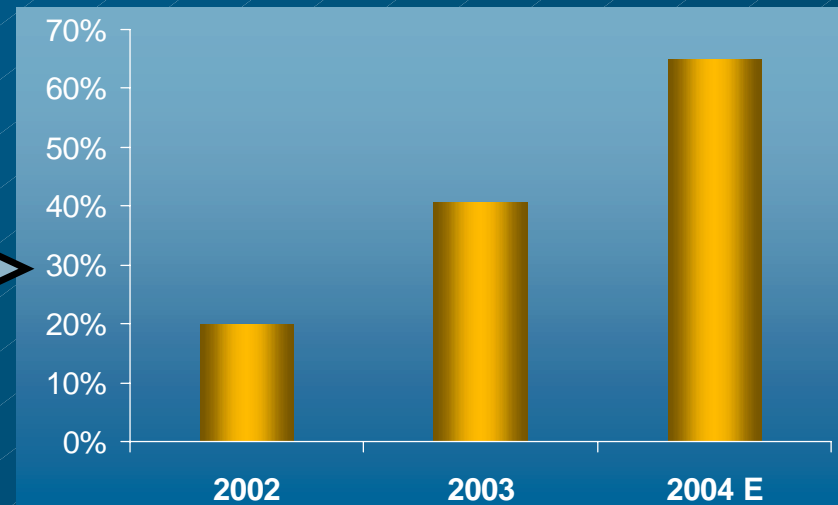
Objectives

- Develop and implement detailed improvement measures to reduce inter-operator spend for FT Group as a whole

2003 achievements

- International traffic in-sourcing

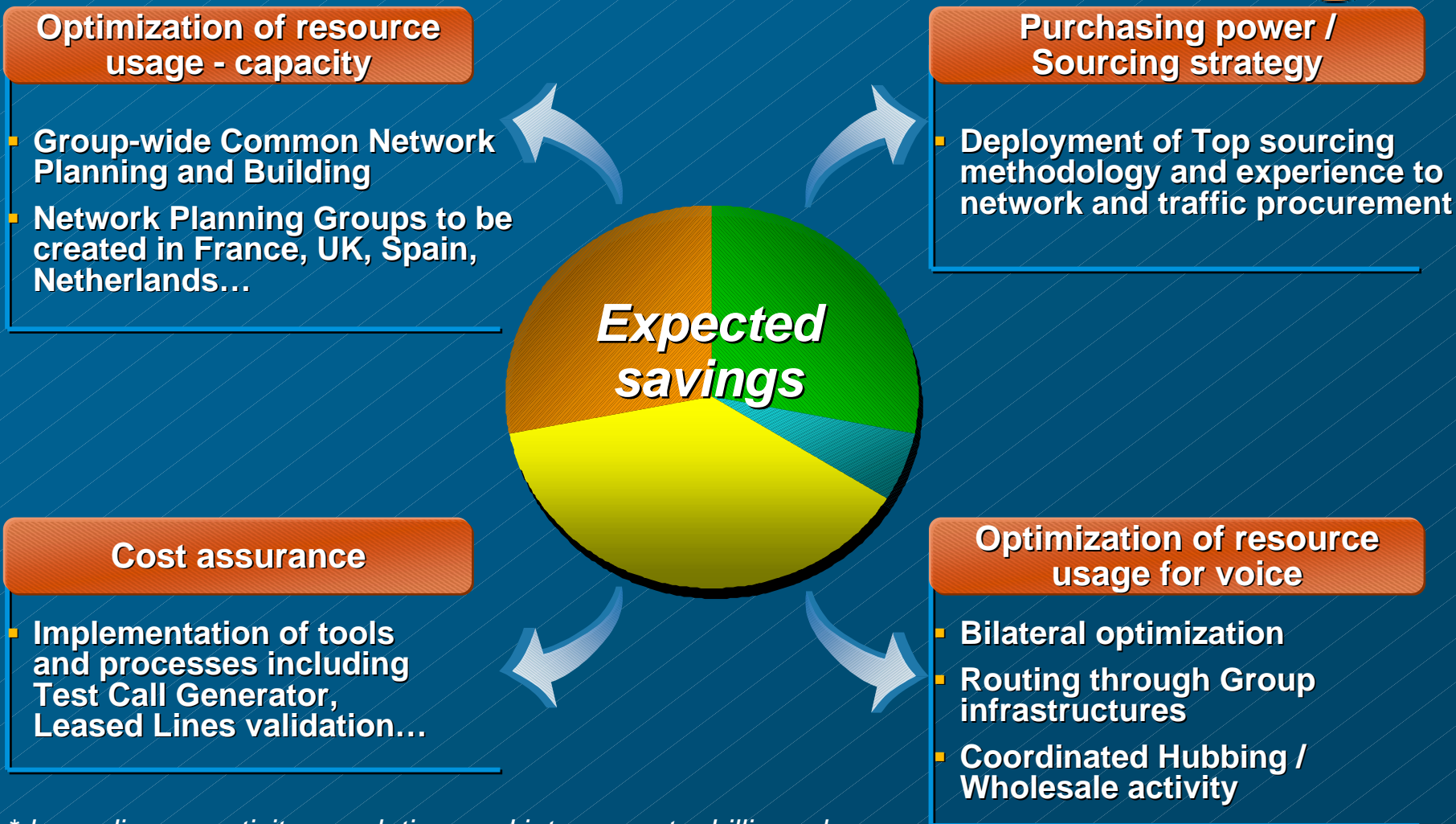
% of Affiliates' voice traffic carried by NC & IT Division in Europe



- Network capacity in-sourcing

- FT European Backbone Network (EBN) uses TP's infrastructure in Poland
- TP uses FT's European IP Backbone
- Equant uses Mobistar's SDSL capacities in Belgium
- Wanadoo, Equant and EBN use Uni2 capacities in Spain

N° 6: Network capacity & traffic spend (2/2)



**depending on activity, regulation, and inter-operator billing rules*

2003 FT Group's external inter-operator cost base is Eur 7 Bn*

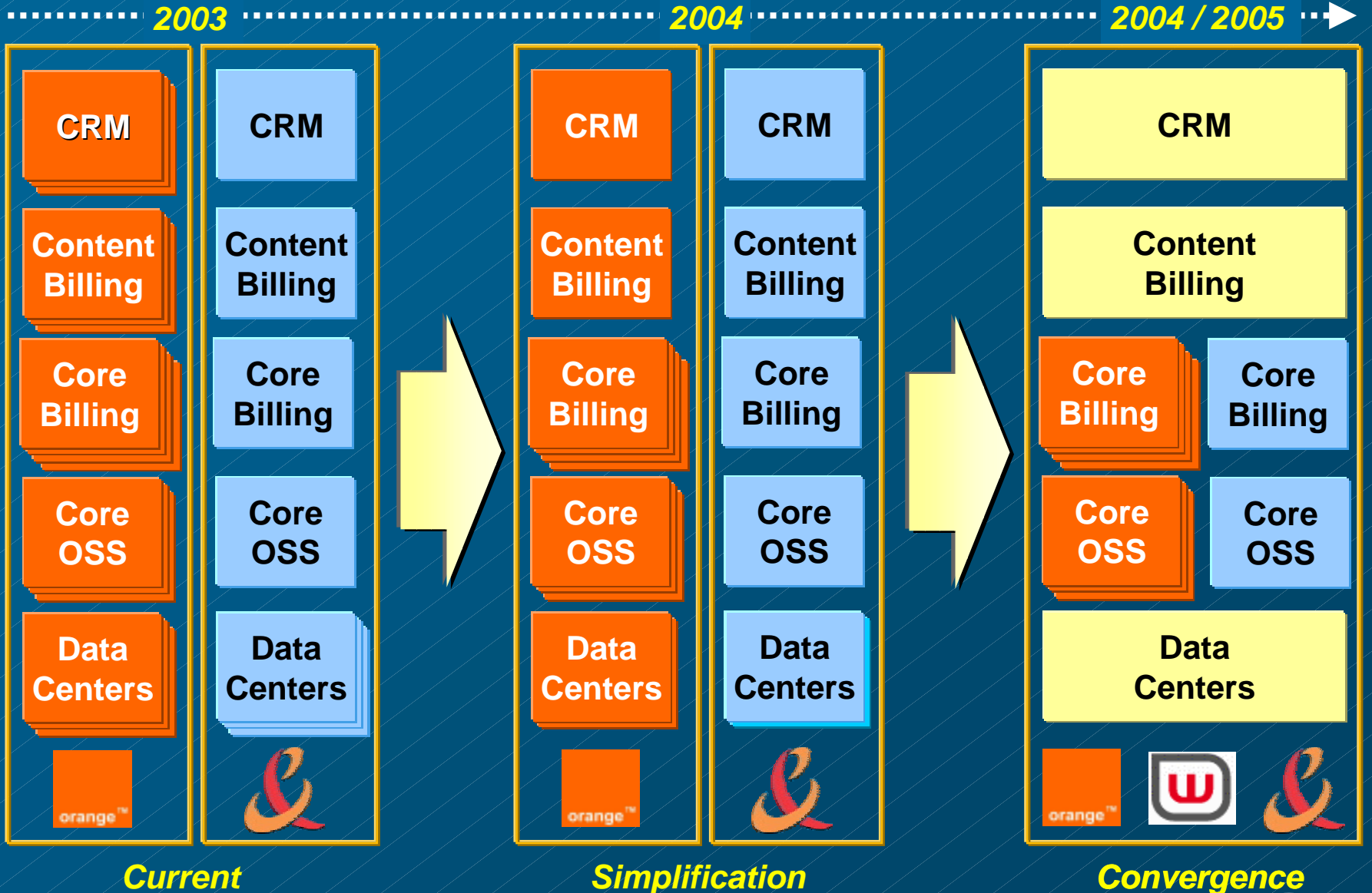
Top savings from the 6 Network & IT "TOP chantiers"



	Cost Base in 2003	Full year savings
Chantiers n° 1 and 2 o/w OPEX o/w CAPEX	1.2 0.8 0.4	> 5% > 10%
Chantier n°4 o/w OPEX o/w CAPEX	1.3 0.6 0.7	~ 20%
Chantier n°5 (OPEX) Chantier n°6 (OPEX)	1.7 7.0	~ 10% > 1%
Total 6 TOP Chantiers IT&N	11.2	> 3.9%

Reaping the benefits from the integrated carrier model

One Orange within One FT





- **Centralised Mobile Data Services Platform**
 - Centralised multimedia service delivery platform
 - Consistent roll out of global multimedia services
- **Standardised Content Billing solution**
 - Homogenous and flexible charging architecture for data, messaging and content offers
 - Support global product roll out
- **Data Centre Consolidation**
 - Migration to optimised data centre environment
 - Capital and operating costs to be reduced by 20% per country
- **Standardised Customer Relationship Management environment**
 - Standardised Orange Peoplesoft Customer Management (OPCM) software
 - Centralised cross country datamart

4 key projects to support the move to a common infrastructure





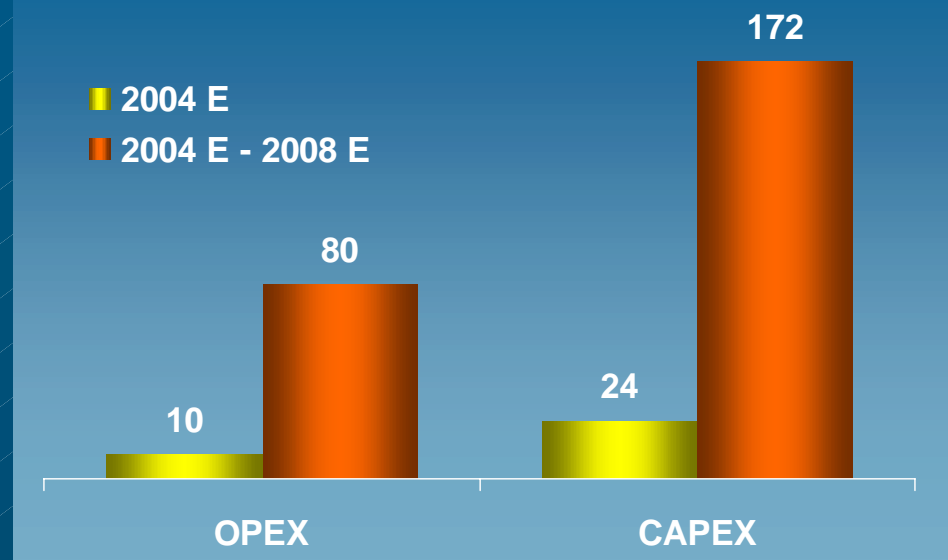
Centralised Mobile Data Services Platform

- Faster time-to-market by creating services only once
- Improved customer experience based on needs-based portal design
- Greater efficiency due to removal of duplication
- Developing 3rd party relationships through consistent group-wide APIs

- Scope of services

- E-mail
- PIM
- Chat
- Portal

Savings relative to multi-build scenario (€m)



Savings and revenue upside from integrated group approach