

Hello,

Last Thursday, France Telecom-Orange launched its new industrial project, which was presented internally. This morning, I'm going to outline for you the main ambitions and strategic directions of this project.

The project is much more than a response to the crisis that we have undergone during recent months; it's a response to ten years of profound change tied to the opening up of the industry to competition, regulatory pressure and, of course, the digital revolution and the arrival of new players such as Google and Apple.

For us, this marks the beginning of a new era for many reasons which I will address. This is made clear by the way in which we went about building this industrial project using a "co-development" approach that brought together the Group's different countries and business lines. We started in March with meetings of around 50 people who defined its broad outlines. These were then reworked by around 500 managers before they each went back to share these joint deliberations with their teams. Finally, everything converged towards the project presented on Thursday.

The project simultaneously addresses all four of our stakeholders: employees, customers, shareholders and, more generally, the society in which we live. The project is built first and foremost on tangible commitments that are each backed-up by action plans.

Our project, our ambition for 2015, can be summed up in a single word: **conquests** – one word, but in the plural.

Our project was shaped by three major challenges

→ A fast-changing ecosystem:

- a massive increase in image-based uses: 2,000 years of videos on YouTube!
- networks that are increasingly burdened by data
- a proliferation of handsets: 50 billion connected in 2020
- the increasing power of social networks: Facebook is the world's 3rd largest country with 500 million inhabitants
- the migration of the Internet to TV and to all screens / handsets (including tablets)
- new BtoB services: cloud computing, M2M
- new actors offering closed worlds, in contrast to the open world that we offer
- increased demand for security of personal data

→ A tense competitive and regulatory environment:

- intense competition on our domestic market, with SFR, Bouygues and Free
- competition remains intense elsewhere
- the incursion of major Internet players in our market; risk of disintermediation

We've fought and will continue to fight in order to remain or become number 1 or number 2 everywhere!

→ An unprecedented social crisis in France:

- a crisis of meaning: lack of projects
- a crisis of direction: management's need for increased flexibility
- a crisis of the HR function

Finally, it should be noted that the markets have a considerably negative view of our sector: our goal is to show them that we are capable of creating value from the development of the digital economy.

Four strategic directions for 2015

- First conquest: the men and women of Orange
- Second conquest: the networks. The battle of the networks is at hand. Networks are our business, our pride; they are the source of our growth
- Third (re-)conquest: the customer, by conquering trust and providing quality service
- Fourth conquest: international development, the "new frontier". France Telecom was a forerunner in the 90s, and Orange must now be an accelerator

First conquest: the men and women of Orange lie at the heart of our project

→ In France: a new social contract. It should not be assumed that social performance is incompatible with economic performance: winning back the hearts and minds of employees must be our main priority.

- a recruitment policy – especially aimed at young people – to regenerate the Group and attract talent. In France, in addition to the 3,500 new hires already announced for 2010, we will continue on this path in the coming years. We expect to hire a total of 10,000 new people in 2010, 2011 and 2012
- empowered managers, recognized for their achievements: this means managers who are given sufficient flexibility and know their people and their disciplines
- motivating career paths built on competency that is recognized and valued; voluntary mobility; and international opportunities
- renewed quality of life at work, where each employee gets the necessary training, can find the right balance between professional and private life; and is offered a high-quality working environment, premises and organization
- a reinforced Human Resources function, with almost 200 local Human Resources managers
- information systems and processes: these have been identified as a cause of employee and customer suffering. By improving this, we will attain the goals of our social contract and boost our competitiveness (see Google!) We need to concentrate on certain key application, and redevelop them from scratch.

New management also means:

- **Orange campus**, which will rally managers around our strategy from January 2011 in Paris, and then, from the Spring, in Serock (Poland), Madrid, Marseille, Bordeaux, Rennes and Nancy as well as six non-European sites: Nairobi, Dakar, Atlanta, Rio, Singapore and Delhi
- equal opportunities for women and diversity at every level of the company (35% women in the Executive Committee and in the management committees by 2015)
- **Orange Experts**: a new system to ensure knowledge-transfer within the company
- including a social element in decisions regarding compensation: progressive introduction of a social litmus-test to variable compensation
- being socially-minded at Orange also means defending important causes:
 - the **environment**: 50% of all mobiles to be recycled by 2015
 - **security**: protecting individual freedom, customer privacy and personal data; the market is there, we will launch an offer by year-end.
 - the **Orange Foundation**, for which we're in the process of redefining priorities.

The new social contract comes at a cost, and naturally we've included this in our financial forecasts; it represents 900 million euros spread out over 3 years (2010, 2011 and 2012).

Second conquest: the networks

→ **We're proud to be carriers!** – Let's give back to the networks, and the "wizards" who make them work, the recognition that they deserve

→ **Coverage and speed**, both in fixed and mobile networks, whether in mature countries or in emerging countries:

- fiber in France: investment of 2 billion euros by 2015, 40% of all households will have access to the fiber network in all regions by 2012 and in all departments by 2015
- ADSL in Poland: 1.2 million lines by 2012
- 2G and 3G in Africa
- LTE: we must be pioneers, as in previous generations; we're ready, we're just waiting for the green-light from regulators

→ **Service quality**: we must be first in measurable service quality wherever we operate

→ **Monetization of data, particularly mobile**: we haven't fully explored the value of our networks; opportunities exist in tariff models (cf. AT&T, Sprint, etc.).

- Deployment of **smart architectures**, such as IMS (IP Multimedia Subsystem), which will enable us to integrate the services of tomorrow in our networks
- Acceleration of the construction of **data centers**, which are essential for the development of new services in all markets, particularly BtoB and BtoBtoC (storage, cloud computing)
- Continue to deploy **responsible and green infrastructure**, such as the Oryx program (solar-powered mobile base stations) in Africa

Third conquest (or re-conquest): the customer

→ Universal operator, the people's operator, a trusted operator

→ Be the first in "**customer experience**", whether in the consumer market or the enterprise market, in every country: customers get service quality, ease and simplicity along with a genuine customer relationship

- Facilitate digital life for our customers, be their "**digital coach**" (individuals and businesses alike):
 - Orange guides and protects during the development of a digital society: support, troubleshooting, discovery
 - Orange gives customers control over their digital spending
 - simplify and reduce the number of offers; ensure transparency (examine the case for "unlimited" offers)
- **A content strategy based on partnerships**: minority partnerships built on a technological basis
 - content fuels our networks: content is given value and is proliferated by our networks; our networks are made attractive by the content they carry
 - becoming a media or press group is not our calling
 - we already have proof of the validity of this approach in every area of the content industry: discussions with press groups; search for partners in the literary world; Deezer in music; Française des Jeux and PMU (betting); MyTF1 (TV); search for partners for our TV channels, Studio 37, etc.

→ **New services that truly respond to customer needs and build on our competitive advantages are a source of growth:**

- innovation is vital to France Telecom: more than 3,000 researchers, customer-oriented R&D
- broadening of voice and traditional services:
 - RCS services (Rich Communication Suite), HD voice
 - development of the SIM card
 - monetization of mobile data: probably the biggest growth opportunity
 - acceleration of convergence (on all screens)
 - Orange Care (warranty, insurance, online help)
- new services in segments close to our core businesses: health, online advertising, banking services (Orange Money in emerging countries), protection and storage of personal data (commercial offer by year-end)
- new BtoB and BtoBtoC services:
 - video conferencing: goal is to be number 1 in France
 - cloud computing: 500 million euros by 2015
 - Machine to machine (M2M): 10 million M2M SIM cards in 2015

Fourth conquest: international development

This has been a driver for growth and it should become so again.

We're aiming for **300 million customers by 2015!** That would make almost 5% of the planet an Orange customer.

Our strategy:

1. concentrate on emerging countries
2. become number 1 or 2 in each market
3. build on potential in emerging countries for the enterprise segment: 1 billion euros in BtoB revenue in emerging markets by 2015

Conclusion

Put people back in the center of our organization, give back to the networks the recognition they deserve, create value and growth, become a genuine multimedia coach for our customers, and extend our international presence.

These four strategic directions must be backed by excellence in execution. I will take an active role, as will every member of the Executive Committee, in the implementation of this project by making sure that our action plans are fully quantifiable and that they are set on a financial glidepath that will run up to 2015: this is phase 2 of the project, which begins on July 15 and lasts until the fall.

Thank you for your attention.