

FRANCE TELECOM
Annual Results 2009
25 February 2010

Mr Didier LOMBARD

Welcome to the presentation of our 2009 full year audited results, as approved by the France Telecom Board of Directors, yesterday evening. Then you have the traditional slide, I hope you have already read it. Then the Agenda, which is very classical, and now we jump to the matter itself. I know that you have already received the slides, so that you know almost all of what is pointed out on this slide. I would like nevertheless to recall some of the highlights of the past year.

First of all, we are very satisfied about our commercial performance, as our broadband base is up by 4.9% and our mobile customer group by 8.8%, with a good level of commercial acts in Q4, all over our footprint. This is at the same time a good proof of the good behaviour of the company and, what is more important, a good start for the next year.

Our EBITDA margin is under control, the deterioration being limited to 0.6 points, and it shows that we have controlled a lot of parameters to achieve this performance. The main guidance which we used to indicate, which is organic cash flow, we have reached it and we have done a little bit better than the guidance, at €8.35 billion organic cash flow, in 2009. Once more it shows that we control the parameters to reach our commitment.

What is of prime interest for the shareholders is the level of the dividend. The Meeting of Shareholders will be proposed a €0.4 dividend for 2009 in line of course with the commitment we have made throughout the year. The balance due is €0.80 and will be paid in cash, in mid June, Gervais will tell you exactly the date.

Concerning the M&A strategy, we confirm our disciplined behaviour, and in 2009 we made two moves. Probably you were not waiting for some of them. The first was the joint venture in the UK. It was the view for some time that the UK market needed to be consolidated, if one player buys another, it's too expensive, and it works for the other.

So we found, with my friend René, this solution, which is to merge our two assets in the UK and we are awaiting the final agreement from the European Commission, probably (cross-fingers!) next week.

In the same type of problem of restructuring the market in a country where the commercial behaviour is difficult, we have moved in Switzerland with project of merger with Sunrise, which is on its way. It's a step which allows us in fact to be in a better situation in front of Swisscom, which is very strong. And if we want really to do good business in Switzerland, we have to be bigger, and we have found, with our colleagues, the owners and shareholders of Sunrise, this solution of merging the two assets.

Finally, and of course we don't have to forget it, because if we want the operations to be safe, we need to have a peaceful social atmosphere, and we are working on the Contrat Social in France. We have already announced a part-time senior plan in November 2009, which has been supported by most of the unions, and the negotiations for the follow-up are on their way and we are waiting probably next week or the following weeks, the final signature of one or two agreements which will show to everybody that we are on the way of coming back to a peaceful situation.

Let's now examine the commercial performance, country by country. I'm sure you know that commercial battle has been tough as always, in all our geographies. In Q4 most of our operations developed quite well, increasing our customer base by 5.7% year on year. In France, our Mobile customer base reached 26.3 million and our network market share remained flat at 47%. Fixed broadband share of conquests remains below 30% but is slightly recovering over the last two quarters. And of course we are working to improve that. In Poland, we succeeded in focusing on value customers with a net gain of 456,000 contract customers in a very difficult market. In UK, even if we have this big merger project, we continue our contract value policy and of course, the end of the year was marked by the extreme success of iPhone launch, which gave us a positive impact for 2010. It's good for 2009, but it's also a good start for 2010.

In Spain, which is a very difficult country due to the shape of the global economy in Spain, we have better dynamic than our peers, with a very good result in Mobile net adds, of course, with these macro-economic conditions which are not so kind. In all the other countries, we have a dynamic activity for the Mobile activity and we also have some encouraging share of conquests in Fixed. Gervais will go into more details concerning this.

This is a very traditional curve we have already shown several times, which shows the way our revenue evolved in respect of the GDP of the area covered by France Telecom. After the slowdown recorded each quarter since first quarter 2008, GDP in our areas showed resilience since the third quarter 2009. There is a good recovery let's say, a

modest recovery. In Q409, the group revenue excluding regulatory impact recovered and still out-performed the weak GDP evolution on our footprint by 0.6 points, which is a continuation of the previous statement we made, which was we have always a positive difference with the evolution of the GDP on our footprint.

The weight of regulation has increased in H209 compared to H109. For example, in France, the Mobile termination rate has been cut in July by 30%, which is not so small, and in Poland, for example, Mobile termination rates in March has been cut by 30% and in July by 22%. Usually we never talk about this regulatory pressure, because the growth of the group absorbs the difference. But in a period where there is globalisation of the economy, and when the Regulator considered to cut the termination rate, there is a kind of impossibility, to compensate for the regulation effect with revenues which are not growing anymore. That is the reason why we have mentioned it in detail this time. Concerning financial performance, as you know, they have been above expectations. We stated excluding the regulatory effect our revenues grew by 0.2%, close to €51 million. For the first time, organic growth was not sufficient enough to compensate regulatory impacts. EBITDA reached €17.25 billion driving margins to 33.9%. We managed to limit in H2 the erosion, essentially thanks to the cost management we have made. We have adjusted our capex spending all along the year to our customer needs. Mobile, 3G and new operations benefited from increased investment, during the period where the investments in 2G are no more necessary at the same level. In absolute terms, FT group capex amounts to €57 billion. Organic cash flow, as I mentioned earlier, stands at €835 billion, slightly above our €81 billion commitment, due to a Q4 capex phasing.

A word about the decision which has been taken yesterday evening. I have proposed to the Board of Directors to separate the function of Chairman and of CEO, and this has been accepted, and so I will serve as Chairman of the Board beginning 1st March, next Monday, with a special role defined by the Board concerning in particular the technological strategy and the meetings with the partner customers and big partners of the group.

Stéphane Richard will become CEO of the group, and in a few minutes he will be here and will announce his team. So it's a good occasion to make some win back about what I have done during, or we have done with the group, during the five last years, it's exactly the anniversary, because I have been nominated on 27th February 2005, and we have some key achievements. I will not give you many figures, just a short summary. We have added 69 million new customers, growing our customer base by 9% per annum. I think it's a really key parameter. 68% of our customer base is now under the Orange brand and as you know it's very powerful in term of strength in the market. In Mobile, we managed to capture the exclusive sector growth by adding 70 million mobile customers. We also got a substantive share of the mobile data opportunity, adding 27

million mobile broadband customers. And as I will mention as a conclusion later on, I really think that 2010 will be a kind of big step in the direction of mobile data. Growth of mobile data will be the key parameter of our future, so it is very important to be there and to capture a majority of new customers in this field.

In addition we have added 8 million ADSL customers, providing them a full range of multimedia and communications services, in line with our strategy of convergence within the context of continually expanding customer recruitment, fixed line telephony, broadband internet, television and mobile. And of course, we will have to improve in the future this behaviour, to try to be more, let's say, more integrated than ever. Last but not least, we have grown our non-legacy enterprise revenues by 10% per year, which is very strong, offering services of ADSL, fibre, IP networks, mobility solutions and more advanced services such as integration and outsourcing of critical communication applications.

Then we adopted earlier than peers new IP technologies, allowing us to effectively compete with emerging alternative network operators. As a result, we have the first largest voice over IP base, and the first Pay TV subscriber base in Europe. If you remember, in 2006, it was one of the key moves we have done, which was to accept that the majority of our customers will choose voice-over IP for their telephony, instead of the normal PSTN. I think it was a good choice, because we keep the customers with us. We spearheaded the convergence of networks which were previously separated by application: voice, data, television and radio. Now everybody uses that, but at the very beginning it was not really the majority

Orange provides an increasing number of services on the same network, in the same audiovisual context on all three screens. And this is also a major move. We have seen that in the last Las Vegas show. It is a main priority of all the manufacturers, the Telco's and all the internet players is to do that, provide the same content on all the screens. And the event of last week, which was the announcement of IPaD introducing a new type of terminal in between the big screen and the iPhone, and all these types of new screen will add something to the convergence strategy.

We launched one Convergence it's the Livebox product range for the French, Flybox, unique Business Everywhere and Internet Everywhere. Our track record on innovation is based on an industrialised process linking R&D and techno-centre to our local markets. It liberates OrangeLab networks across the USA, Asia, Europe and the Middle East.

Something which we have not published previously, but which is important, over the 2005-2009 period we have significantly improved the compensation and training offered to our employees. At group level, the average employee pay grew by 13% over the

period, which means 3.1% per year on average. 3.1% is also the annual growth rate for the average employee pay in France, to be compared with a 1.5% annual inflation on average. Incentive pay in France grew by 13.3% over the period which means 3.3% per year, in average. And this is excluding exceptional incentive pay and share base compensation which were awarded on top.

And the last point, which is perhaps more important, concerns training. Annual investment was multiplied by 1.8 and training hours per employee were multiplied by 2.3. This is very important, because as you know, our technology is moving very fast and if we wish to be efficient, we have to be sure that our employees get the appropriate information and the appropriate training to follow the new technologies we are providing to our customers.

Concerning international development, we have been, as you know, very prudent. We have what we call a selective acquisition policy, focused on fast-growing markets, growing our customer base by 46% per annum, and our revenue by 19% per annum, in this part of the footprint. This performance has come as a result of our strategy of being number 1 or number 2 in all the countries where we operate, mostly using our business strengths to grow our market position as opposed to buying out existing players.

In fact, it's cheaper and more efficient. It is a little bit more time, but I really think it's more efficient. At the same time, we have disposed of non strategic assets. I think the majority of people may have forgotten, but we sold our activities in the Netherlands to Deutsche Telecom. And we sold Pages Jaunes, which was a former group directory subsidiaries, in excellent conditions. And this has given us the margin on the other part of the Group, which is to invest in developing countries. As shown on this slide. Over the period 2006-2009, we have divested more from non strategic assets than invested in new operations, licenses or skills.

Finally, what about the financial performance? We have generated the highest return on capital among the European large cap telecom incumbents, showing our ability to extract value from our investments. This is based on our external source, where FT achieves nearly 13% return, just ahead of Telefonica, when the bulk of the other telephone operators are in the range of 6% to 9%. We have stabilised or increased our organic cash flow up to €8 billion annually, allowing us to reduce net debt by 34%, down to €2.9 billion, and we have raised annual dividends by 24%, up to €14, which is the dividend proposed this year.

To conclude my presentation, we have a look at how our financial performance translated into shareholder value. We have drawn the curves between the first of January 2007 and now, and this shows that the total shareholder return for France Telecom stock overperformed the CAC40 index and matched the STOXX Telecom index. This period

demonstrates the better resilience of the telecoms sector to the downturn and is also the proof that France Telecom's valid strategy in the Telecom sector at large, including both incumbents and alternative operators.

Final words of conclusion. I will pass over Chair of CEO to my friend Stéphane in two days from now. I think the group is in good shape. 2010 will probably be a year of important change in the telecoms sector, because the integration between the content, internet provider, the Telco's and the manufacturers. All these players will continue to fight, in fact to disintermediate us in the relationship with the customer. And it's extremely important that we focus on the quality of service, and we have to adapt to this new situation during this year.

I think this will be a part of the project which we have prepared with Stéphane, which will be announced during the Spring period, he will give you some details later on. I think now it is a good time to pass the Chair on to Stéphane, because in the life of big companies, you have periods. We have had together a marvellous five year period, and the personnel of France Telecom is really outstanding, they support me and I am very happy to have been successful during this period and the follow-up will be a different one!

We have to adapt to new problems, to new structures, and this will be done under the leadership of Stéphane. And I am particularly happy to pass over the CEO position to Stéphane, staying during one year as Chairman, to help everybody adapt to the economic situation, which will be, of course, probably difficult. But we have shown, previously that we can overcome all these difficulties, as a very powerful and engaged group.

Now I will pass the floor to Gervais, who will give you all the details about our financial results. Gervais, the floor is yours.

Mr Gervais PELLISSIER

Thank you, Mr Chairman. So as I go through a little more figures, just to help you to wake up, it's the middle of the afternoon. Stéphane will comment the French figures, in his role as head of the French operations. So I will go on to the other fields in the group consolidated figures.

A first indication, I guess you have seen in, a caveat, it's a little more elegant than warning, to use the Latin. As a preliminary statement to our figures, just to explain that because of the particular situation of the UK where, according to the accounting principles, the UK being under a transaction situation, is now considered as a discontinued activity, both in the set of figures for 2009 but also in the set of figures for

2008. So the official figures reported for the company do not include the UK until EBITDA line. We take the UK for its contribution in terms of net results, and its contribution to the cash flow of the company. However, I think I do not need to remind you that we have not changed the real substance of the Group, in that, first of all, until the closing, we still own the UK, and even after the closing, we will own 50% of the new entity.

So regarding the revenues. If we compare the situation after a couple of elements. One we sometime forget, but which has its importance in 2009, this is the forex situation. €5 billion revenue lost because of the depreciation of the British pound and the Polish zloty. We can hope that this will not be case in 2010. When we look at the other figures, we have also a strong regulatory impact, which was commented by Didier just a minute ago, which is more than €1 billion, actually €1 billion, and this is just the tariff cuts in terms of termination rate cuts, roaming cuts or wholesale price cuts in the different geographies.

This is translated into the figures of the countries, where there are two or three important points, when we look at our detailed figures. First of all, there is some recovery, I will not say a full recovery, a slight recovery, in Q4 compared to the situation before. At group level, where the revenue is just eroding by 0.2 compared to a year ago, before regulatory impact, whereas it was eroding by 0.9% in Q3, and this comes from a better situation in the UK and Spain, but also from the good performance of Africa and the Middle East, and some resilience on the French market, even if the last quarter is slightly below.

Poland, other European countries and enterprises are suffering more, with a still difficult situation, especially for enterprise in Poland, in this last quarter of the year. Regarding the EBITDA evolution. Just to comment that, in spite of those difficulties, in spite of the regulatory impact we have already been commenting, we have had a good situation eroding, but better than what we expected, with an erosion limited to 0.6 points over the year, and 0.3 points in the last quarter of 2009.

Commercial performance has been sustained and quite good. It has been already commented. Just may be two major comments. One, this is the fact that we continue to push to get more contracts, pay monthly customers, in our customer base. This has been the case, clearly, in France, where the balance between pre-paid and post-paid is with a lot of post-paid. This is the structure of the French market. By the way, sometimes put into question by the consumer associations, who think that we push too much the customers in terms of long term commitments. I just remind you that in France, commitments are now limited to 12 months, plus 3 months' notice period, whereas in the UK now, people are signing contracts of 36 months. Most of the contracts are now above 24 months, but now there are contracts of 36 months. So you see the different picture. And I don't think in the UK there is more freedom for the consumers than what we have

in this country here.

Regarding broadband: again, more customers in broadband, in fixed broadband, as much as 7% in France in spite of the challenge on the market. This is quite a good increase, with now nearly 9 million customers, and also some growth in Poland and in other countries, where the situation has remained quite difficult in the UK, but also in Spain in the course of 2009. In Spain, let's be clear, the market has not been very booming, with the overall situation, including in terms of numbers of constructions, where there has been some decrease in terms of global installations.

If, and I will come back on that when I look at the different countries, just here you have the global picture of the revenue evolution. As I said, -1.8% in terms of revenue for the group perimeter, without the UK, -1.9% including the UK, with again, the strong resilience of France, and also the very good performance of emerging markets, in the rest of the world line, whereas again, as we said, UK, Spain, Poland and to certain extent, Orange business services, have been impacted much more by the economic situation.

In terms of EBITDA, one or two points.

First of all, there are a few countries where EBITDA has been eroding but remains quite strong. I would like to mention, for instance, Poland, where we are still at a very high EBITDA rate, at 38%, one of the highest within the group, and even if there has been an erosion of 3 points, this remains a very high rate. If I take the rest of the world, so all the other countries except the big countries, so this is a mix between emerging markets and quite major markets in Western Europe, in all this portfolio, the EBITDA rate to revenues is also at 39%, which is a very good performance, when you look at it. Whereas UK and Spain are more challenging. These are the most challenging markets for us, with EBITDA at 18%. Maybe one difference between the two. In Spain, we have improved by 3 points, whereas there is still some pressure in the UK, by the way mainly linked with the sales and commercial investment which has been made, especially in the second half of the year, with the launch of the I-phone in the UK.

And in the Enterprise Division, EBITDA looks weak compared to the consumer market, at 20%. Just to remind you that this is the best, or one of the best, among our peers, in terms of B2B activity, and that it has been steady. You see that it is slightly improving, in spite of the revenue. If we look at the performance of the group not in the transversal mode by geographies, but looking at the global, P&L and cost structure this is the other part of the metrics. We have seen the geographical lines and now we look at the overall cost structure. One or two comments. First of all we have continued to push down some of the costs we can push down, especially the G&A, the cost to operate the business. Whereas some lines have been under pressure, either because of the external events or also because we did not want to touch them so much. There has been some cost

improvement within the group in spite of all that has been said, including on the social climate or social structure within the company. Labour costs are slightly up but not very much, and they represent 18.6% of our costs.

Interconnection had been decreasing, but there in fact it is the result of two different phenomena. One is the decrease of the regulated cost, which is positive effect, but not big enough to offset the increase of interconnect linked with the increase of the abundance offer especially on the SMS part of the business. Voice offers were already very rich in terms of unlimited or partly unlimited usage. This has now extended to non voice, especially to SMS. Other IT network costs are still impacted by the launch of new operations, but this is investment for the future, whereas G&A are showing the first benefits of our performance improvement programmes, that were launched last year, and this in spite of taking into account the new TV tax in France, a cost in the Chatel Law for an actual cost of €178 million.

As regards the commercial and content costs, you see that we have been able to accommodate the increase in content cost by reducing the commercial services within the company. This line remains stable in absolute terms and slightly increasing in percentage to revenues. This explains how we kept the EBITDA erosion limited to 0.5%.

I just commented the fact that we continued to push our performance plans to improve efficiency in the cost structure of the company. If we had done nothing we would have eroded our EBITDA a little more around €1 billion, if you take into account what would have been the EBITDA before cost improvements, it would have reached €15.8 billion, which is more or less €1 billion less than we have achieved a year ago, because of the regulatory pressures, the interconnect costs and the content costs. The performance programme that we already described in the previous quarters has been, according to us, about or a little more than €500 million improvement and this will continue in the course of the year. And we see there is still a margin of manoeuvre on all the lines of cost of the group, even excluding the labour costs.

Regarding the financial results of France Telecom now, and to conclude with the group global performance with the P&L. Operating income is down to €786 billion, mainly due to the EBITDA drop. Again the EBITDA drop being explained by operations as was described but also by the two extraordinary items we have already mentioned, which is on the one hand the cost of the litigation on the French Taxe Professionnelle for a little less than €1 billion and the accrual, restructuring accrual for senior part-time programme in France for €70 million. And also some goodwill impairment especially in Poland for €400 million that we took this year, to take into consideration the drop of the share price and the competitive situation or competitive pressure on the British market.

This negative impact has been partly offset by better financial results. Financial results,

a real improvement linked with the decrease of the debt and the decrease of the cost of the debt and another part linked with the fact that you may remember that in 2008 we had taken the cost of about €800 million for the liquidity clause for the minority owners of Orange Spain, which was accounted for into the financial cost line, this accrual, and this doesn't come again this year, so it's an improvement between the two years.

Net income of discontinued operations related to the UK is down, mainly due to the fact that we are paying income tax in the UK. We had credits in 2008 of 100 million, we have now a cost of 43 million. And restated from all those exceptional effects, our comparable net income would have amounted to €48 billion, slightly below what was achieved in 2008. In published terms, so our net income amounts to a little less than €3 billion.

Capex. There's been a question all year whether we have reduced our capex too much. It is true that we have reduced our capex. We have reduced in a couple of areas. First of all we didn't buy any real estate which was what we did a year ago when we bought for €160 million of technical buildings in France where we had the opportunity to buy some buildings where we knew we would stay for long, for more than two or three decades.

Another point, and this is what appears on the right part of the slide. We have decreased our investment in 2G, mainly in Estonia, but also in terms of 2G capacity in Eastern Europe, Egypt and Dominican Republic to adjust to the traffic evolution. We have also increased our investment in capex for ADSL in dense areas, including in France, and we have stopped the FTTH programme because of the situation of the regulatory framework.

On the contrary, we have continued to increase in some areas. 150 million more for new operations. 60 million more for 3G capacity. 40 million more for submarine cables. We know how important it is to have submarine cables for coverage especially in emerging markets and how it's key in order to prepare for the future growth of data transfer.

Content platforms capex has also increased by €40 million and infrastructure in the core network to support the traffic growth, €90 million and also some investment into the shops, that will continue in 2010.

Cash flow, if you take all those figures into account, our EBITDA minus capex, including the UK, is down by €400 million and there has been some improvement. We have spent much less interest in expenses in 2009 than 2008, and on top of that, by rearranging some of our debts structure, especially the famous TDIRA that we have been able to buy back at a very cheap price, has brought us additional cash flow for about €500 million, €563 million, and there has been a decrease of the interest paid.

Regarding working capital, you see an improvement, but let's be clear this improvement is artificial. In fact our working capital has been deteriorating by €200 million. Why do I say that, because within the improvement of €275 million which appears on this slide,

you have in fact within the balance sheet the debt vis à vis the French government for the Taxe Professionnelle, the end of the litigation, in the Luxembourg courts which has been paid, in fact. So if you count the cost in the P&L in 09 and if we pay in 10 this creates artificially an improvement in the working capital of 2009.

Other elements have been positive and this brings the level of cash flow to €8135 billion, slightly above what was achieved a year ago. We take the opportunity of this meeting to answer some questions that are put on the table by most of you regarding the tax profile of the group, both regarding income tax, but also some tax in France.

Regarding income tax, we can confirm today that we don't expect to cash out more than what we are cashing out today, between €600 and €700 million for 2010 and 2011. We expect to pay tax in France again in 2012. And if we pay the full rates of tax in 2012 it will be around €2 billion, we hope, and we are working to try to get this down. But this is more or less what we should pay because we have benefited from tax credit now for a couple of years, and we still, fortunately, we make a profit in France, so one day we will have to pay tax, but we are working to postpone that as much as we can. Regarding French Taxe Professionnelle, you know that it has been replaced by two new taxes with a neutral impact on us in the short term. Not such a positive impact in the medium term, whereas Taxe Professionnelle would have progressively decreased over the years, but we are currently seeing whether, and I guess some of the French press has been reporting that, whether we can get some relief of those costs by slightly increasing the wholesale prices, especially on the fixed network.

Regarding the TV tax, so as I said, it's a yearly cost for France of €150 million. This is under scrutiny by the European Commission and as regards the Spanish situation, now the implementation of the tax is still blocked by local judiciary decisions.

Regarding the debt of France Telecom, we are quite happy to remain more conservative than some of our peers, but at least as conservative as the best of our peers, with a decrease of our net debt from €35.9 billion down to €32.9 billion, and this by paying the dividends, dividend for minority shareholders, and I guess that some of you are also shareholders of Mobistar or TP group and also by having been able to buy back the minority shares in Spain and to do few other operations. So debt management has remained as conservative in 09 as it was in 08 with a good liquidity position at the end of the year. Now, a debt repayment schedule where there is no annual instalment above €4 billion and you see the biggest is in 2013, and we are continuing to extend the duration of our debts. The average maturity is more than seven years. We have the new debt which was raised in 2009, at an average cost of 4.7%, which we think is quite a good performance and what we have achieved since the beginning of the year, is at an even lower rate, and we have, as I said, tried to optimise the long term cost of debt of

France Telecom by repurchasing €24 billion of debt out of which €4 billion TDIRAs, which were very costly. And we continue to enjoy the best rating in the sector with A- A3 rating.

As regards the future. You know my reluctance and our reluctance to predict the future. we are not better predictors than you, probably worse predictors than you. So we don't commit very much, especially on the operational indicators, especially with the uncertainties on the markets and on the overall economy. However, with the few signals we have had since the end of the year, we think that we should be able to keep our revenues flat before impact of regulatory price cuts and we think that those regulatory price cuts will still represent an impact of around €1 billion on our revenues, and also some impact on our EBITDA margin. We expect also a regulatory impact on EBITDA margin of around €500 million, as we had in 2009. So, pressure on the EBITDA will continue because of regulation and we think that even if we continue to improve our efficiency as well as our performance program. It will not be enough to avoid the pressure on the margin. We will however spend a little more in capex, there is the fibre plan in France, and the preparation or the extension of capacity on 3G to accommodate the mobile broadband business, which is growing, as described by Didier a minute ago, and we have to prepare for that. And so our capex to revenue ratio should be around 12% in 2010.

With all these figures, we see that we can confirm our 2009-2011 cash flow mission, which was to reach 3 times €8 billion, and we confirm, as a guidance, €8 billion for 2010, excluding licence and spectrum. This is something we don't know when we have to pay for it and which amount. But if you remember, we gave a few months ago an overall picture that we would have to spend between €1 and €2 billion in terms of licence and spectrum for all Europe in the next two to three years. This is what was said last year. We don't see any reason to change this global picture of what we would spend, and it's also excluding the litigation on the French *taxe professionnelle* which has been paid in January and which was already taken out from our debt situation two years ago.

This allows us to confirm our financial policies. Our dividend policy is confirmed with shareholder remuneration approved the Board, of €4 for 2009, the balance of €180 being paid on June 17th, interim dividend will be as usual, decided in July, depending on first half results. As regards to M&A, we have tried to convince you that we are more careful than what you think, sometimes. There is no transformational deal contemplated by the management team, even the management team after March 1st and there is clearly a focus on in-market consolidation. There are maybe few other opportunities after the UK and Switzerland. If you ask the question, why one? I don't know. But there are a few we can look at, and clearly a strong focus on emerging markets, especially in Africa and the Middle-East. And as regards to debt, we think that it's not the time to change our

perspective and our cautious approach on that.

I go very rapidly through the countries. I think that you have a lot of pages on the countries. I will just comment one page by country, but you have figures and you can raise questions and my colleagues from the countries are here with me, Olaf, Maciej, Jean-Marc and Jean-Yves, to answer the questions on the countries, as I go through.

UK, I think I already commented on the partial figures. Maybe just an update on the JV, as it is on page 38. Regulation, we expect, as we said, we have done all we could with Deutsche Telecom to fulfil the requirement of the European regulator, but also the British regulator, and we should get an answer from the Commission next week. We expect it to be positive. But who knows. But this is our expectation, and in that case we could be able to close the transaction before H1, if we can. The earlier the better.

As regards the business, we are prepared. We have constituted the first parts, the high level of the management team. We will continue, we will have meetings with our German colleagues and British colleagues in the next two weeks, to work on the new JV management team, and there is also the Day 1 preparation and we can confirm today, after having worked on the potential remedies that could be requested by the regulators, that you can confirm today the €5 billion of synergies on this transaction.

As regards to Spain, my only point is that we are quite happy with two points. One is the positive situation in terms of market share, the growth of the contract base and the strong improvement of the EBITDA margin, even if Spain is still below the average and the benchmark we expected. We have been suffering a little more on the broadband business, but we think we will improve over the next year.

Poland. Our colleagues from TP have published their results two days ago, and Maciej is with us to answer on them. I would say, besides the business figures, I think one very important achievement in 2009 is the agreement which has been reached with the Polish regulator. I just remind you that we were under the threat of functional separation of the network. It was a request, a strong request from the Polish regulator. We have been involved to convince the regulator and the political authorities in Poland that it was not such a good idea, and we reached an agreement where we have committed to further invest in the network in Poland, to the benefit of our competitors, but also to our benefit, in exchange for the relief on this decision for the time to come. We should also mention in Poland the good penetration of IP-TV, which is quite a success, below the French figures, up to now, but we think that it is a very good performance.

If you look at the other countries, I have already mentioned the high growth of Africa, Middle East and Asia, and I think, I will not comment on it, maybe just commenting page 46, if I can get it. And you see here the customer-based growth, with very impressive rates of growth, for Egypt, Senegal, but also in Mali. But also very good growth in some

other countries, to reach in total 16.5% growth for those countries. Maybe another interesting data is on the right part of the slide, the fact that there is now a real existence of data revenue on the mobile networks, including a country like Egypt, where it represents 7% of the service revenues. So it's not so bad. Data revenue is a trigger for not only major markets, but also now in emerging markets.

The last slide is on the enterprise division, where you see that the pressure on revenues comes mainly from the situation on the legacy business, with a strong decrease of PSTN voice and traditional voice, but also leased lines, at the profit of IT networks. This is also some business we take on the other side. But the economic crisis has been the occasion for most of the companies to rationalize their telecom infrastructure more quickly than it would have been done without the economic crisis. Thank you very much. And now the floor is to Stéphane.

Mr Stéphane RICHARD

Good afternoon to all. I would like now to comment on the performance of our operations in France in 2009, and share with you my views about 2010. As you know, I took over France head of operations in late October, in a particularly difficult context. Still as I visited the different sites in France, to meet the staff, I realised that the social crisis has not shaken the motivation of our teams, which remained totally committed to the success of the company.

As an evidence of this unchanged ambition, we had a strong Q4 in France, with a good commercial performance. We also had a better profitability than was expected. The French market is probably one of the most resilient markets in Europe, and in this market, Orange has kept a strong leadership. The revenues in France increased by 1.6% if we exclude regulation, which is an outstanding performance. Our active marketing policy, in the mobile area, bore fruit, since revenues are up by 2.6% and even 5% if we exclude regulation effects. This is thanks to a successful marketing approach, based on segmentation, with the launch of Origami offers in 2008. We thus managed to increase our customer base by 4.4% and the non-voice revenue by 20%. 4th quarter revenues, excluding regulatory impact, grew by 4.3%, in line with the trend of the 3rd quarter. As to the fixed revenues, we kept them stable in 2009, excluding regulation effects. Besides the steady increase of broadband revenues is offsetting PSTN revenue decline. We also managed to maintain EBITDA in France at the outstanding level of 41%, this thanks to the tight monitoring of G&A, IT&N costs and commercial expenses. This is obviously essential for us because it balances the new audiovisual tax and also the content investments.

If we look a little closer to the mobile area, as I said before, 2009 was a good year in

terms of general performance in terms of mobile. Thanks to our marketing policy, MVNOs and licence agreements, we increased our market share, which reached 47% at the end of the year. In Q4 09, particularly in December, we recorded the highest level of commercial acts since 2000, with 1.8 million acts, we attracted a huge number of pre-paid customers, while keeping the focus on contracts. Our market share has increased from 46.4% at the end of the 3rd quarter, to 47% at the end of the year. The second major achievement of this year has been the ARPU growth of 1.6% excluding regulation, mainly due to the continued improvement of non-voice revenues. It represents, in the 4th quarter, 28% of our service revenues, versus 23% last year. The number of mobile broadband users grew by 23% and reached 13.6 million at the end of last year. Clearly the I-Phone was, as you know, a tremendous success in France, and a strong driver for us, with a little more than one million handsets sold in 2009. We are the second seller of I-Phones in the world. And we have now 70% of the I-Phone base in France. In spite of a specific loss last year, we kept the leadership in France in I-Phone net ads. And clearly we intend to maintain this strong momentum and leadership in the market, with a set of new, attractive offers to be launched soon.

In the home market, and after a strong customer acquisition in 2008, as we anticipated, 2009 was a more difficult year, with a highly competitive market: this for three main reasons. First, we suffered from a price premium of between €5 to €10 on our product because of regulation constraints. Second, we have clearly an aggressive peers policy, especially on cross-marketing. And thirdly, SFR's leveraging of Neuf acquisition on its distribution network, produced significant impact on the market. In spite of this, we succeeded in resisting the competitive pressure on broadband, with conquest stabilised around 30% at the end of the year. Our aim is now to regain a better share conquest, thanks to a more segmented approach, with a set of new offers to be launched in 2010. These offers will include new services designed for broadband and fibre. In Q4 09, ARPU has reached €35, one of the highest ARPUs in the sector, thanks to new services, such as Pay TV or Video on Demand.

And last, in 2008, the number of copper lines continued to grow by 2%, and we are currently reducing the trend of PSTN line decrease, which is clearly a favourable factor for us.

Let me give you briefly a few thoughts about the French telephone markets in 2010, at least as we can see it today. We identify four main trends. First the economy. The global economy is slowly recovering and we can expect a positive trend in consumption and the French Telco market should be, or should remain resilient as compared to other European markets. Second, Mobile growth should be maintained at around 2-3%, mainly driven by data and multimedia usages. Data traffic has been multiplying by 2.5 in 2009 and should at least double in 2010 thanks to smart phones and 3G dongles development.

Third, in the fixed broadband, competition will continue to be strong as the market is becoming mature and is more driven by churn and less by newcomers. And fourth, we can expect that quadruple play packages combining fixed and mobile broadband will meet with growing success. That is the reason why we are going to launch our own quadruple play offer in a few months.

Let's see now the main priorities in our marketing approach for the coming year. 2010 will be clearly a crucial year to prepare to Orange to the mid-term market changes as we see them. We will optimise our marketing approach and positioning thanks to three key marketing gears, which are also the landmarks to customer choice on the French market.

First, a range of offers will be redesigned both in mobile and broadband. In 2010 we will enlarge our segmented approach with new offers such as low price mobile packages, which is also a way to prepare to the fourth player arrival in mid-2011 and also family packages. This segmented approach, which has already proved successful, will be extended to the broadband side. Second, we are going to update the range of handsets and boxes in order to better fit with customer needs and foster on new services, and also in order to optimise the return on commercial investments and subsidies.

Third, service, which is what really makes the difference for the customer choosing Orange, will be reinforced and improved, especially around the Orange Care programme, a new end-to-end portfolio of care services, which covers insurance with data backup services and recycling for the handset. This programme has proven very successful in the UK and we are going to develop it in France.

A few words now about the fibre to the home programme. As you know, one of our priorities in 2010 and beyond will be the launching of the fibre programme. With the clarification of regulations and customers' growing demand for more bandwidth, it is now the right time for France Telecom to launch a very high broadband plan. With this investment in fibre, our objectives are clear. First, to develop services and content usage to create a new source of revenue. Second, to retain and win back customers, especially in very dense areas, or to improve customer retention, to stabilize or increase retail access revenues.

By mid-year, a new offer for fibre will be unveiled that will encourage our customers to migrate from ADSL to fibre. It will include such options as multi-screen TV or on-line data backup and storage. And in the lower dense area we hope that further clarification of regulations will allow us to upgrade the network and provide our customers with a higher bandwidth.

Fibre is one of our major ambitions in the coming years. More precisely, €2 billion are going to be invested under this plan, covering 45 urban areas by 2015. This should enable the group to bus 9 million homes by the end of 2015. We will give preference to

investment sharing with other operators and local authorities with external contributions to the investment burden, potentially amounting to 10-20% of FT's overall capex.

I would like now to come back briefly to the social situation in France, and comment the different actions we put in place at the beginning of October to restore the social dialogue in our country.

First we launched, with the support of the audit firm Technologia, a questionnaire to identify the main weaknesses in management. As you know, 80% of our staff, a little bit more than 100,000 people in France, answered this questionnaire. Second, we set up what we called Les Assises de la refondation, which consists in listening to our employees so as to get direct feedback on what could be improved. And our staff was really eager to find solutions to end the social crisis.

Third, unions and management are currently discussing six main items around the issue of stress at work. More precisely, the mobility question, which is a crucial question, work/life balance, work conditions, the revision of employee representative governance, which is also a heavy issue within the group, and working practices. Those discussions are still going on and we have good hopes that by the beginning of March, the two first major agreements on mobility and work/life balance will be signed by a majority of unions.

At the same time the French executive committee has firmly addressed these issues by both looking into the necessary changes and starting a series of concrete measures including for instance the nomination of 150 local Human Resource Managers and a set of measures to improve work conditions immediately, especially in our call centres such as the twenty minutes time every day to enable our employees to login and delogin their work position.

A few figures and words about a very important issue for the group which is the natural attrition issues that will accelerate in the coming years. In France, as a matter of fact, we are at a cross-roads. The average age is about 46 years and half the staff will retire between now and 2020. We therefore face one challenge and one opportunity. The challenge is to keep senior workers motivated until they retire. It has been one of the major purposes of the senior part-time plan that was signed in November 09. This plan should concern 10,000 people in France, and, as you know, we have set aside €570 million in provision to this end.

The opportunity is to design a new recruitment policy, to bring new skills and attract young professionals. To this end we have started in 2009 an ambitious part-time training policy. We have today 5,000 people that have been enrolled so far. This is an increase of 30% compared to 2008. This new social context that we are looking for, will bring a lot, and very soon, of positive effects on our business.

First, more responsibilities will be given to the teams directly dealing with customers. Operating modes will be made simpler and easier. This higher responsibility level will increase reactivity and improve the quality of service. Second, we are also improving work conditions to make our employees feel better at work and therefore more committed and efficient. Third, we are working towards renovating social dialogue in order to keep on adapting to the major business changes by making sure everyone has his say. Last, as I mentioned before, we need to make skilled young professionals want to join France Telecom and thus become one of Europe's employers of choice within the next few years. This is what I wanted to tell you about the French situation.

Let me now introduce you the new organisation of the group and the new team that is going to work around me. This new organisation was designed to serve the best interests of the company and more specifically to enhance the efficiency of the decision-making and better repartition of responsibilities. I tried to strike a fair balance between experienced people who have known and worked relentlessly for the group within the past few years and some new people joining the team today and who have also proved by their experience so far that they could be a real appreciation to our group.

This new organisation matches two main objectives that will be crucial in the near future.

First, the team will be responsible for setting up the new project of the company that is currently in the making. Namely, one of our ambitions in the project is to achieve an optimised quality of service and reliability for our customers. To this purpose I decided to appoint a director in charge of quality and service, Jean-Philippe Vanot to make sure this promise is kept.

Second, we want to simplify and rationalise the organisation of the group to make the interaction easier between the operating level and the top management. For example, Jean-Yves Larrouturou will supervise our international operations. Another example, Jean-Paul Cottet will head a new marketing function made up of various marketing units that were so far scattered in different sections. Thus, I had decided to largely renew the team with nine new members of the Executive Committee coming from the group and also three persons coming from outside, two high professionals coming the media industry, namely Christine Albanel, the former French Minister for Culture and Pierre Louette who is going to take the function of Secretary General and a top level specialist of Human Resources, Bruno Mettling. This is roughly speaking what I wanted to tell you about this new team. Of course, I will be pleased to answer any questions that you might have on that subject.

I would like now to conclude this speech by two elements. First I would like to give you a few rendez-vous in our agenda. The beginning of March will be, as I mentioned, the deadline for the first signature of the social agreements, the first two elements of the

social contract that are offering to build in France. At the end of March, Delphine and I—Delphine who is going to supervise the French operations with me—will announce the major measures that we are going to launch for France, to draw the conclusions of what we understood as the main improvements to bring to our French organization. Beginning of April, this new organization will take effect and before the summer, the project of the group will be presented with a press conference, and a series of internal road shows in France and in Europe. This project will be presented to investors, probably in the 3rd quarter of 2010.

If I wanted to summarize what is our approach for this company, in a nutshell, I would tell you that we are going to try to do, is to work our best at Orange, to address the needs of all our stakeholders, and create value for each and every one of them. First, for customers, we want to provide the best network, the most efficient access and the best services, to achieve a top quality customer experience for all our customers. For shareholders, we strive to maintain a solid balance sheet, we make sure we get return value on their investments.

Let me take this opportunity to tell you that I will, personally, invest in the title for an amount of one year of my salary, in the next days, just to show you how confident I am in our future. For employees, our aim is to attract and retain the highest skilled people and make them work with us. Our policy is to associate all the staff to the success of the firm they contribute to achieve and make sure they have a share in all the benefits of this success. And that's for civil society, which supports and contributes to the advancement of developing countries. We take an active part in environmental concerns, and we fully commit to corporate social responsibility. This is our ambition at Orange.

Thank you.

Mr Didier LOMBARD

Now we are ready to answer your questions.

Nicolas Cote-Colisson, HSBC

I've got two questions. The first one is, I would like you to add a bit more colour or an update on your 2012 transformation plan. I would like to know if you are still committed to the €15 billion savings in terms of cash flow by then. The second question is on your fixed line operation in the UK and in Spain. I was wondering what kind of churn rate are you experiencing in these two countries. And beyond that, what is the fixed line strategy in these two countries, UK and Spain. Could acquisitions be a solution or not?

Mr Didier LOMBARD

Gervais is going to answer the first question, and Olaf the second.

Mr Gervais PELLISSIER

So, on the Orange 2012 transformation. We have been reassessing all this, and by the way have already commented on the fact that we already reached a little more than €500 million savings in 2009. We will work, I think in the frame of the project, performance improvement and the performance plan will be part of it, and we'll re-evaluate all this. Don't forget that this was done even before, as the economic crisis impacts. This was designed before the economic impact. However, I guess you have noticed that we confirm, not only the objective for the 2010 cash flow, but also the ambition for the 2011 cash flow. This means that, whatever the needs, whatever will be the transformation project or the performance project, we will need the performance project to reach these figures. I leave maybe Olaf to answer on the UK and Spain, their home situation. Just keep in mind on the UK that the fixed business is part of the JV and the future of this business will be now a common decision between Deutsche Telekom and France Telecom.

Mr Olaf Swantee

So just starting with Spain. Maybe two points. In terms of our strategy for 2010, we will continue to work like you have seen Gervais demonstrate, to work on the P&L, which has significantly improved in 2009. The underlying fundamentals, the cost base has been one of the key reasons that we were able, in the P&L overall in Spain, to get 3.7 points of improvement in 2009. For 2010, the focus is to continue to do that. We have started in the middle of last, a programme called FIM, to transform further the economics of the business, but in addition we are of course going to drive more sales and accelerate the number of net additions that we can make in 2010. So that is, in a nutshell, the strategy for Spain. For the UK, maybe two points. First of all, similar to Spain, we want to continue to address the issue of the cost base and the P&L. The performance of the home P&L, as you have seen, was negative for 2009, but what you didn't see is that the 2nd half was significantly less negative compared to the first half. So we're on a trend to improve the underlying P&L for home in the UK, and we believe that, if we look at the number of multiplay customers in the UK, that it is essential to continue to work really hard to improve the sales and to get this business improving better.

Thierry Cota, Société Générale

I would have two questions here, if I may. First on the issue of regulation in France, where do you stand on the cross-selling bundled offers, with cross-subsidization, as your competitors are doing. And I think you're looking into that as well. When do you think you'll be able to do the same, or have your competitors prevented from doing it. And secondly, I'm not sure I saw the reiteration of the minimum 45% of free cash flow to be distributed to shareholders going forward. Is that something that is being maintained?

Mr Stéphane RICHARD

Concerning the cross-selling approach, we clearly have some different regulatory constraints, different than our competitors, but we are trying to do the same, in fact, and we have begun to do the same, first on relatively small samples of our customers. But clearly, we asked the competition authority about the distortion that we suffer from the cross-selling approach coming from our competitors, while we are not in a position to do the same, and we are ready now, clearly, to practice the cross-selling in order to compete on the home market.

Mr Didier LOMBARD

In fact, the precise point is that the competition council decided to consider the question, which is not the conclusion, but a major step in the direction of what Stéphane said. The second question I think Gervais will answer.

Mr Gervais PELLISSIER

On the second question, if you come back on the slide, we said we confirmed the dividend policy. Why didn't we confirm exactly the 45? Because this year, if you had applied strictly the 45%, you would have got €□43 or €□44, in precise figures. If we confirm the cash flow, and if we confirm the dividend policies, this means that the €□40 is the expected flow for the years to come.

Mr Antoine Pradayrol, BNP PARIBAS

I have two questions. The first one is just a clarification on what you say for the mobile revenue in France. Your guidance or perspective for 2010. You talk about 2 to 3% growth, for the French mobile market in 2010, is it before or after regulation? And the second question is on the unbundling of the local loop and the wholesale rates in

France. You say that you have made an application to increase that. How confident are you that you can get an approval?

Mr Gervais PELLISSIER

On the first one, on the market growth, we said between 2 and 3%, and we intend to grow like the market, which means excluding regulation impacts.

Mr Stéphane RICHARD

Maybe for the second question, we can ask Jean-Yves to answer?

Jean-Yves Larrouturou

Thank you very much. So regarding the wholesale tariff, we are a bit early to give to you a precise answer. If I remember correctly, last year it was just at the end of May, I think 29th May, I think we were in the position to give the tariff for the full year 2009. We just transmitted, a few days ago, our fully audited regulatory accounts to the ARCEP, and we are now in discussion, which will be under way for the coming weeks, regarding the precise level of our rights. It's clear that in the context created by the new regulation, by the new law, and by the impact on the regulation, the ARCEP wants to have some room for discussion before a conclusion. I am confident we will have a clear position, let's say before the end of March, regarding the tariff, which if it's the case, will also be earlier than last year. So we wait for the decision.

Guy Peddy, from MacQuarie Capital

Hallo, just one question. A couple of years ago, when we were last here, we were hearing about a scenario where CAPEX to sales ratio was 13% sustainable, we're now looking at an environment where you're arguing perhaps 12% is sustainable. I'd be interested to know what has changed, given that, in the past two years, the requirement for mobile data capacity has expanded dramatically. You've announced further fibre plans, etc., both of which would imply more capex rather than less. Thank you.

Mr Didier LOMBARD

We have given some information on the different items on which we have spent the capex, as you have seen on the slide. Due to the crisis, we have made a very precise analysis of the different chapters of expense, and we come to a period of time when a lot of investment on the previous network, like 2G, is now fully terminated, in most

countries, and we have focussed all the investment on the new geographies, the 3G coverage and we have made an overall evaluation. We think that 12% is sufficient to accommodate the needs for the reasonable FTTH plan which we have, which needs a lot of, you know it will start again all the mechanism to install FTTH is not a simple story and we have to gain productivity on this process, because even if we had made experiments since 2006, we continue to have to improve our efficiency. So we will start in 2010 with the numbers you have seen on the slides and we'll be very reasonable on this matter, even if we think that it's a good tool to regain market share in big cities. On top of that, we have to complete the coverage on 3G plus the markets in Africa. But what is shown now in our competition is that 12% is sufficient to cover all our needs. The only change which may happen, but not next year, probably one or two years later is when we will start to invest in LTE technology in the main centres of big town and things like that. But at that time, the 3G+ will be over. So it's a kind of mechanism where you substitute continuously new investment to the investment you have already done on technologies which are fully installed. So the 13% was a figure which corresponded to the state of the art, let's say, two years ago and I think now 12% is really sufficient due to the state of our networks and of our business. So I am very confident about that. I can tell it because now, as you know, I will, from the Chairmanship of the Board, I will check that this investment is appropriate for the development of the business. Thank you.

Frédéric Doussard, ODDO

Three questions. The first question regards the net debt to EBITDA guidance. So you rate the rates or guidance on net debt to EBITDA below 2 in the mid-term not for 2010 so, in the press release. So I don't know if just something you forgot or if you reiterate the net debt ratio below 2. Yes, for 2010 as well?

Mr Gervais PELLISSIER

We reiterate it with one caveat, if there is, we say no transformation deal. But if we do a deal if €2 billion at the end of the year, I'm not sure we completely reach the two. We could be slightly above it. But let's reiterate around 2 for the end of year and clearly below 2 for the medium term. Then it's perfectly in line with what we think.

Frédéric Doussard, ODDO

Then two small questions on operations. For France, Mobile in France, you guide for 2 or 3% growth. While in H2 the growth was only 0.8%, so you expect an improvement. How do you explain that? What makes you confident on this point?

Mr Stéphane RICHARD

We expect this mainly due to a non voice revenue growth. As I mentioned, in 2009 we had more than 20% growth on non-voice revenues and we expect this trend will keep on in 2010. This is the main reason why we assess the trend in the market around 2-3%.

Frédéric Doussard, ODDO

The next question regards the market shares in UK and Spain. Obviously, you recover strongly these two subsidiaries in UK and Spain in market shares. How do you explain that? And do you think it's sustainable over the coming quarter of 2010?

Mr Olaf Swantee

Indeed where the teams in the UK and Spain have done a very strong job in particular in the second half, if you look at the numbers in terms of our commercial performance and on the back of that, the market shares we have enjoyed. We have seen on the Mobile side that we typically were running between 25-30% market share in the UK at around 25% in Spain. So indeed very solid. Now the question was "Why are we performing well?" You can say, what is similar between the two operations is, and there are of course many differences, but one is a significant effort in 2009 on our routes to market. One to develop more controlled routes to market, like on-line, franchisees, franchised stores and own retail stores. In both markets, we have significantly expanded our own distribution efforts. The second one, which is more in the UK and less so in Spain, is the Smartphone portfolio. Of course with the Apple and in Spain we had other Smartphones, but the Apple iPhone is certainly, in the second half, has helped. We did, to give you an idea, we did 222,000 units in just a few weeks, which is quite a phenomenal performance. In fact it resulted in the highest contract quarter we have ever had in the UK. But certainly also in Spain we have worked very hard on the device portfolio and we believe that for the first half of this year we have a very, very strong portfolio to continue our momentum. And thirdly, again this is similar, but especially strong in Spain, is the fact that the teams have worked very, very hard on the cost base to be able to just be more competitive from a cost perspective and pass that on partially to the market in terms of offerings and products and services.

Dimitri Kallianiotis, Citibank

I have two questions. The first one on your strategy for broadband in France, to regain market share. You talk about segmentation. What sort of impact do you expect on the

ARPU? Is it just going to mean more discounts for some lower end offers? And my second question is on the new project. I know you will talk about that in the third quarter, but could that translate into any changes in terms of your long term free cash flow guidance of €8 billion? Thank you.

Mr Stéphane RICHARD

For the first question. First, I can tell you that our target in terms of conquest share for 2010 is 35%. As you have noticed, in 09 we have been at the end of the year, around 29-30%, which means that we clearly have the target to regain conquest market share during 2010. As I explained to you, we suffered mainly in 09 from a gap in price in our offers, compared to the competition and the segmented approach in marketing is clearly aimed to cover the market and the demand both by the low price offer that we launched a few days ago, family packages and also the high end of the market. At the same time, we are going to work on improving the ARPU for the broadband revenues by launching new services. I mentioned the VOD services. We are going to enrich our offers in VOD and to prepare also a new offer for fibre in the mid-year.

Mr Gervais Pellissier

I think if we reiterated the ambition for 2011, this means that it is done after for sure consensus between previous management and new management, myself being in the middle of both, so I think there is no doubt of this. So 2011 is an addition. Let's say, beyond 2011, for sure we would like to reach that, but I remind you one point is that in 2012 we will pay tax. So, by definition, even if you reach the same operational cash flow, if you pay tax in France, by definition the cash flow should be lower, but I guess that a lot of analysts have already embedded that into their calculations that we should pay tax in 2012, even with the same operating cash flow.

Mr Stéphane RICHARD

Of course, I should have mentioned this from the beginning of this meeting, that Gervais is going to remain the CFO of the company, so everything he said in the previous years will be still valid in the future.

Jonathan Dann, Barclays Capital

You mentioned the 45% pay out of the €8 billion. What would actually have to happen to make you increase the dividend?

Mr Gervais Pellissier

I think, again, you know I guess, some of you, are probably considering we are rather conservative. I am not sure for instance, that it's a very good thing to do in a company to increase the dividend when you have a perspective to decrease the cash flow. Some of our peers are announcing that. I'm not sure, I think then you invest into the company, you take your dividend and try to get out immediately after. OK. And so I think it's not, for me, it's not a real good sign given to the financial community. First of all, and I think this is one thing where France Telecom has remained consistent over the period, is that debt remains no longer an issue, but remains something we have to take care of. I see what has happened on the financial markets, on the debt markets at the beginning of the year with the sovereign debt, is not so, let's say, good for the future in terms of access to funding in the years to come. And I think, if I discuss with my colleagues, with a lot of people in the financial community, when we see the huge amounts to be raised by the different states in 2011-2012, there are a few questions on the access to funding in the years to come. So to remain carefree in terms of debt, I think it is important for the sake of the company.

The second point is I think something which has been mentioned by Stéphane, this company, if it wants to grow its cash flow per share needs to look after growth, non-organic growth through mergers, through acquisitions in emerging markets, may be a few additional mergers, operations in market consolidations which require a few funds, but also some organic growth. We know that what we are discussing in France, for instance, is a way to generate organic growth with the same customer base, increasing slightly the market share, but increasing even more the ARPU as much as we can on the different markets. So these are things that will require some funding if you want to have a growth engine in the company. Taking this into account, what is the split between keeping money for inorganic growth, debt coverage and then shareholder remuneration, the balance of 45% has been designed on the current level of cash flow with also the idea that we don't pay tax in France. This is why we are, to a certain extent, below the average of our peers, who distribute more than us. I think if you want to maintain the dividend at the same levels as today beyond 2012, you would have to increase the payout. The decision has not been made, which will have to be discussed and proposed by the general management and made by the Board afterwards, this is a question in front of us. But this is clearly the real question, I would say, beyond 2010, and especially for 11 and 12, to be decided upon.

I think it's a little premature to ask it. But again, we have tried for the last years to keep a consistent strategy in terms of dividend policy, trying to increase the dividend year

after year, or to keep it stable when the cash flow was not drastically increasing.

Matthew BLOXHAM, Deutsche Bank

Two questions please, one on in-market acquisitions. Are there more realistic opportunities to do more in 2010? Or is it something we might have to wait a bit longer for? And then secondly, just on a change in accounting treatment for things like ECMS, on which you'll take divided rather than proportionate cash flow? Does that have any material impact in how much cash you get from those assets? Or is it relatively small?

Mr Gervais Pellissier

On the second question, it has very little impact on the cash, the impact is very minor. There is impact of the revenues, but by the way, there has been no question on Egypt, but our hope is to be able to consolidate Egypt again at the end of the game. And then to have a full consolidation, and not just proportional integration. Regarding in-market M&A, there'll be a few operations, but I think that they are a little more difficult than the ones we have been doing. Because we don't see so many mobile-to-mobile consolidation opportunities, I think. Some of these opportunities would be more complex to operate, and if you work on them, we will speak on them. Just to remind you that we have been preparing Switzerland for three years, before announcing it, and we were able not to speak about it for 2 years and a half.

Mr Stéphane RICHARD

Thank you to all of you, bye bye.