

Major challenges have fashioned our new industrial project

Mobilizing the entire Group in a collective project

- The Group has just been through an unprecedented crisis in France due not only to a lack of motivating projects but also to the lack of sufficient management flexibility.
- Even so the men and women of the Group have always shown their ability to take on together the most difficult challenges such as globalization or the evolution of the digital economy.
- Now, after this profound crisis, it is time to put together a new and motivating project that brings people together, placing our employees at the core of the company's development.
- This is what the "conquests 2015" project is all about. And in France, this project is combined with our new Social Contract.

Being at the forefront of the "digital ecosystem"

- The year 2010 marks a turning point in the telecoms industry. The volume of data traffic is constantly growing: the 400 million smartphones in circulation now produce as much traffic as the 4.6 billion other mobile phones in the world. Six trillion bytes are exchanged every month on the Internet and by 2020 there will be 50 billion connected devices in the world.
- Broadband and other high-speed networks are becoming the norm and new usages will dominate not only for private individuals (permanent connections, connected TV, social networks, video, etc.) but also for

businesses (cloud computing). And that's only the start.

- This is happening at a time when new players are entering the market and are attempting to lock people into a closed world that contrasts sharply with the open world that we offer our customers.
- The challenge facing our Group today is to keep our place as the preferred entry point into this digital ecosystem and to support our customers (individuals and businesses alike) in their digital experiences by simplifying their lives and providing them with access to new services that meet their needs.

Coming to terms with a tense competitive and regulatory environment

- Competition is already very strong in our domestic market and elsewhere in the world, where we play the role of both incumbent and alternative operator depending on the country.
- In this difficult context, we can now add the upheaval of the digital ecosystem. Media and web players are now competing directly with the traditional telecom players and equipment manufacturers are even striving to establish a direct relationship with customers, effectively bypassing telecoms operators.
- In addition, the regulatory climate is placing strong limits on how the market evolves and must now be adapted to allow genuine competition to flourish and to allow actors the freedom to invest in digital growth.

The digital revolution

- Permanent connections in the home (20 connected devices per home in 2020)
- Smartphones and content applications: the world in your hand
- Catch-up TV, VoD: the TV experience enriched with web access.

An end-to-end experience, at home or on the move, based on four challenges:

- Constant quality of service across all screens
- Pricing plans adapted to needs
- Customized, interactive services
- Security of access and personal data.

“conquests 2015”: making Orange the operator of choice

Orange enters the new decade with its highly ambitious “conquests 2015” project. Through the collaborative effort of the Group’s entire workforce, this aims to make Orange the preferred operator for all stakeholders, and this means changing dimension without losing sight of our values.

An innovative “co-development” methodology

- The project must be motivating for all our operations. This is why Orange resorted to an innovative “co-development” methodology that brought together employees from every country and business line.
- This process kicked-off in March 2010 with meetings involving around 50 people who worked together to lay down a basic framework. These orientations were then refined by around 500 managers representing every country and business line, who then shared these reflections with their teams. It was the point of convergence of all these discussions that led to the final version of the project.
- Between May and June 2010 a total of 27 countries and 14 business lines contributed to this collective thought process, bringing together over 2,000 employees from across the world.

- **our employees:** the men and women that make up Orange lie at the heart of the Group’s development
- **our customers:** the simplicity and reliability of our products and services; innovation; excellence in our customer relations
- **our shareholders:** Orange as a growth value
- **society at large:** societal and environmental commitments have been made in all countries.

Changing dimension

With close to 190 million customers in 2010 and an objective to reach 300 million by 2015, the project is based on an ambitious marketing strategy. To bring about this change in dimension, the Group will rely on building:

- the confidence of its customers through an active loyalty policy
- ambitious marketing plans in emerging markets.

“conquests 2015” is for all Orange stakeholders

The project sets out clear commitments designed to inspire confidence, making Orange the operator of choice for all stakeholders:

“conquests 2015”: four strategic directions

- The men and women that make up Orange
- Our networks (the motor of growth)
- Our customers
- International development.

The project in figures

- 2,000 employees contributed to drawing up the project
- Target: 300 million customers by 2015
- Recruitment: 10,000 in 2010, 2011 and 2012 (including 3,500 in 2010)
- The new Social Contract in France: 900 million euros over 2010, 2011 and 2012.

Orange’s strengths

A solid international presence:

- 32 countries for consumers; 220 countries and territories for business customers
- a balanced portfolio; 50% of revenues outside France

Strong market positions:

- 5th largest operator worldwide in terms of customers
- 2th largest Internet operator and number one IPTV operator in Europe
- 2th largest iPhone distributor in the world

Exceptional R&D resources: 15 research laboratories; more than 3,000 researchers

Solid financial health: reduced debt; the highest ratings within the industry.

conquest 1: the men and women of Orange, our first priority

Putting the human element back at the heart of the Group's development is one of the starting points for the "conquests 2015" project. With its shared targets, the project redefines our business practices as well as the corporate management culture.

Well-being and pride in the workplace

- Each country has made a series of commitments to creating a Group that offers its employees an attractive workplace. These commitments relate to the environment, the tools we work with and how we use them, but they also mean developing a workforce that is balanced both in terms of gender mix and diversity. All these issues will be regularly discussed with staff so as to give a real meaning to everybody's work.
- In France, these discussions have given birth to the new Social Contract (*see sheet 3 b*).

A new management culture

- Managers play a vital role in building good relations with their staff. But this is only possible if they have a sufficient level of flexibility in their job to be able to act.
- With "conquests 2015", they will be given more responsibility and more value – and they will be

supported by a stronger Human Resources presence in the field.

- Over the coming months, a «Management Charter» will set-out the main points of this management culture for the whole Group.

Orange campus and manager networks

- Three manager networks will be created:
 - a community bringing together all managers. This includes a clear "road map" and facilities for sharing and gathering information from the field
 - a group of 1,000 leaders
 - a circle of 300 senior managers.
- The manager community will be built around specific programs as part of **Orange campus**. The first Campus program will be held in Paris in January 2011. Other programs will follow in Poland, Spain and France (Marseilles, Bordeaux, Rennes and Nancy), as well as in six locations outside Europe including Nairobi and Dakar in Africa.

Specific commitments for each country

Each country and support function has drawn up its own commitments to its staff. Here are a few examples:

- Setting up an internal social services network (Group Human Resources)
- Simplification, or even complete redevelopment, of parts of the IT system (Group)
- A social performance indicator built into the variable pay packages for the 1,000 senior managers as of the 2nd quarter 2010 (France)
- Development of "talent sharing" and international job opportunities through cross-mobility with Spain (Dominican Republic)
- Creation of pleasant, comfortable working areas (Poland)
- Meetings every two months to review what has been done and discuss the company's strategy (Bahrain).

A new Social Contract for France Telecom-Orange in France

True to its history, its culture and its values, France Telecom-Orange reaffirms its ambition as an employer. The Group's employment policy is an integral part of its development strategy by redefining and clarifying the terms of the Social Contract that it offers its employees.

Resources to back our ambitions

France Telecom-Orange will take the necessary steps to make sure this Social Contract is implemented for the benefit of all. A total budget of 900 million euros has been allocated for implementing the Social Contract over the period 2010, 2011 and 2012. This does not have any impact on the overall financial targets that France Telecom has set itself.

An active and responsible recruitment policy

In ensuring its development and preparing for the future, the Group is committed to an ambitious recruitment policy: 10,000 new recruits will be hired over the period 2010, 2011 and 2012. This policy will be implemented with due respect to gender equality and diversity, and the induction of new staff will be given significant attention.

Managers who are empowered and valued

Managers play a key role in the new social contract and they must have the means to act and be supported in their duties. They must be able to organize and manage their teams on the basis of relations built on trust and proximity.

- > a manager network driven by Orange campus; a social performance indicator integrated into variable pay; targets based on collective criteria; a "well-being" budget for each manager; a specific training path for new managers...

Motivating career paths over the long term

The Group should offer its staff the means to manage their career over the long term by offering them a wide range of opportunities and providing them with individual support.

- > greater visibility of prospects for each professional skill-set; all vacant jobs to be published on the Intranet; an "individual right to a career plan"; increased value to be placed on career paths through Orange Expert...

Improved quality of life in the workplace

Every employee should have a clear idea of his/her role and duties; they should be made accountable and should benefit from the training they need to do their job. They should work in a well-adjusted workplace that is adapted to avoiding difficulties and providing individual support where necessary.

- > simplified processes; everybody's role to be reviewed by end 2010; 9,000 online training modules available; 20% of the IT budget (€50m) devoted to improved user comfort; €10m for modernizing premises; 11 counseling and support centers...

Fair reward for staff commitment

The Group undertakes to share the value created collectively by offering individual pay that recognizes people's skills, their commitment and their performance.

- > qualitative criteria for collective remuneration; individual pay that rewards commitment and performance; a "social performance" indicator for managers' variable pay packages.

A strengthened Human Resources function that is closer to staff

The Human Resources function is responsible for the respect of the new Social Contract; the function provides support for all employees by maintaining a close relationship with staff and promoting dialog.

- > more than 170 new Human Resources positions.

conquest 2: our networks, a driver of growth

The project gives Orange's core business - fixed and mobile infrastructure, and data transportation - the recognition it deserves. Our networks are the pride of the Group and will continue to be a crucial source of growth in the future with as yet unexploited potential.

Reinforce coverage and increase bandwidth to anticipate the exponential increase in traffic

- In France, our fiber optics program continues to pursue its ambitious targets: the Group will invest 2 billion euros to ensure that the network will cover 40% of households in all regions of the country by 2012, and in all *départements* of mainland France by 2015 (as well as in 3 overseas *départements*).
- The deployment of 2G and 3G networks continues in Western Europe and, in particular, in emerging countries.
- Testing of Long Term Evolution (LTE) technology will open the way to a fourth generation mobile network; the Group will launch a LTE service as soon as regulations make this possible.
- Another source of growth is the continued roll-out of "green networks" and coverage in rural areas

(for example, the deployment of mobile networks in all towns and villages of over 500 people in Mali).

Continued improvement of network service quality

Giving more intelligence, power and reliability to our networks.

This is the triple objective of this part of the project and involves:

- updating our mobile transmission network
- migrating to an all-IP architecture.

Obtaining fair value for data transport with the right pricing model

- As new uses for digital content are introduced, the way in which data is driven through the network and consumed has multiplied and become more diversified.
- Our pricing model should be adapted to the real load on our networks through offers that are adapted to each type of consumption.

Networks for business customers

With "conquests 2015", Orange is preparing for the arrival of new services for businesses. In particular:

- distribution networks for content
- cloud computing and associated services: €500m by 2015.

conquest 3: our customers

By knowing our customers better and reinforcing our capacity to meet their needs, Orange will stand out as the preferred operator that is able to gain the full benefits of digital economy. This means new services, better customer relations, improved data and access security, and the simplification of our offers.

Providing support for our customers in their digital lives

This central commitment covers four aspects:

- **facilitating digital lives:** user-friendly services, simple to use, supporting customers who are new to the digital world
- **protecting customers:** security of data and access, providing visibility and control over spending
- **offering all the richness of the digital world:** providing access to new services, innovating to meet new requirements
- **maintaining a long-term relationship:** excellence in customer relations, recognition of loyalty, multi-channel customer experience.

Enhance existing offerings with content partnerships

- Orange is clearly positioned as aggregator of content and has an approach based on open partnerships; Orange is not as a producer of content. The Group is innovating in order to provide its customers with the best digital content available (e.g. MyTF1, M6replay, Deezer platforms, etc.) and enables its partners to enrich their content both by using the interactivity that our networks provide and the new features offered by the Livebox.

- This clarification of our business can be seen in the Group's policy with regards to online gambling. Orange has chosen not to be a gambling operator – neither as a directly held business nor via a joint venture. However, partnerships have been signed with PMU and Française des Jeux enabling them to integrate their offers into www.orange.fr and on mobiles. Negotiations with other potential partners are ongoing.

Developing new services

- As a continuation of our ambition for growth through innovation, the “conquests 2015” project underlines the importance of developing of new services, all of which leverage the Group's competitive advantages. Examples of these include Orange Care, enhanced voice quality and improved SIM cards.
- Six avenues will be explored in order to develop services that are linked to our core businesses. These are: entertainment, Internet audiences, healthcare (e.g. the «*Tendance santé*» application, a remote diagnosis service in Madagascar, etc.), digital services offering practical assistance, services aimed at emerging markets and services for businesses (e.g. cloud computing, integrated web portals through Orange Business Services, etc.).

Innovating... for the customer

Being a technological leader is not enough. Innovation remains a major source of growth – provided we never lose sight of the customer and his/her current and future needs. In particular innovation should enable us to:

- improve customer experience
- facilitate digital life... and our daily lives
- improve the customer relationship (multi-channel, CRM 360).

conquest 4: international development

300 million customers by 2015!

This goal is based first and foremost on our new-found spirit of conquest, which will allow Orange to reinforce its role in the international arena.

An ambition to conquer markets with high growth potential

- The “conquests 2015” project includes an ambition to strengthen the Group’s presence in emerging markets, especially in Africa and the Middle East, which will be the main drivers of economic and social development for the new decade.
- Orange is already present in 18 emerging market countries and plans to double revenues to 7 billion euros over the next 3 to 5 years.
- There are four sources of growth that will enable us to achieve this goal:
 - organic growth (5 to 6% on average)
 - the acquisition of new licenses
 - taking stakes in existing operators
 - the acquisition of assets from existing business portfolios.

Strengthening operations in Western Europe

- The consolidation of the sector in Europe continues. In the UK, the joint venture Everything Everywhere (which brings together Orange UK and T-Mobile UK) heralds the arrival of a new leader on the UK market, with 30 million customers and a 37% market share.
- In addition, the Group has reaffirmed its long-term commitment to the market in Switzerland where 700 million Swiss francs will be invested by 2015.

A responsible presence in all markets

- Our international expansion will be backed up with targeted Corporate Social Responsibility initiatives in all markets concerned.
- By doing this, the Group can capitalize on initiatives taken by the Orange Foundation by focusing on the foundation’s main areas of concern: healthcare and the handicapped, education and culture.

Submarine cables and solar power to extend our networks

- 900 solar-powered mobile base stations have been set-up in 13 African countries to improve coverage in rural areas. With its **Oryx project**, Orange is improving national network coverage at the same time as developing “green telecoms”. The benefits are threefold: improved service quality, reduction in overheads and sustainable development.
- The 17,000 km-long **ACE (Africa Coast to Europe) submarine cable** will be operational in early 2012. It was initially supposed to link France with Gabon but has been extended right down to South Africa and will provide over 20 countries along the west coast of Africa with a broadband connection to Europe, America and Asia.

“conquests 2015”: key success factors

It is time now for action in every country and in all our corporate entities. Our “conquests 2015” project will be a success thanks to the involvement of the men and women who make up the Group, and, in particular, by meeting the following key items:

1 - Excellence in execution

Orange seeks to provide its customers with the best possible experience thanks to “excellence” with regards to staff, products and services. By remaining loyal to our core businesses, Orange will measure up to the challenges of the new decade.

2 - Flexible management

Following on from a phase of centralized control that has enabled the restoration of the company’s financial health, “conquests 2015” will give managers more flexibility to take action themselves.

3 - Operations will be the main driving force

To best account for the operational reality of a company, the cash flow indicator, which is often adopted by companies in times of crisis as the main strategic driver, can be complimented by other more operational indicators such as market share, EBITDA, return on invested capital... For France Telecom, cash flow objectives remain unchanged (8 billion euros) but should be seen as the result of actions carried out as part of the above four strategic directions.

The ideals shared by all of us at Orange

The «co-development» process gave rise to four fundamental ideals that are shared across the Group:

- a group that **keeps its promises**, with clear communication and an exemplary service attitude
- an **operator that inspires confidence**, that is recognized for its quality, reliability and social responsibility
- a capacity to **innovate for the benefit of the customer**
- **pride** in working for an organization that recognizes talent amongst a diversity of staff.