

abc 2011

Reinvented our annual report
from a to z to share the
highlights of 2011 with you.

**the ABCs of digital life
by Orange**





editorial

Our annual report this year presents the Group from a fresh, innovative perspective. All the way from “at sign” to “zoom”, this 2011 annual report proposes an informative “a to z” of our objectives, our vision and the telecommunications sector in general.

Before you begin reading, I first want to highlight some of the keywords that marked last year.

First, our 2011 results were solid and in line with the objectives we set, despite a particularly difficult economic environment. Consolidated revenues were 45.3 billion euros, stable excluding the impact of regulatory measures. Our operating cash flow was 9.3 billion euros, exceeding the initial target. These results reflect a successful first full year for our conquests 2015 strategic project, energised by strong commercial momentum, rigorous financial and operational management, coupled with an unyielding commitment to marketing and technology innovations.

We improved our market positions and now count 226 million **customers** worldwide, a year-on-year increase of 8%. In **Europe**, where competition is intense, our combative commercial strategy has paid off. In **France**, we reached a nearly 40% share of new broadband customers in the fourth quarter, the highest level in three years. In **Spain**, revenues advanced 7% (excluding regulatory impact) compared with the previous year despite an extremely challenging economic environment. In **Africa and the Middle East**, our key growth region, we continued to expand, recruiting 16 million new customers and strengthening our commercial positions despite political instability in several of our host countries and constantly rising competition. In the enterprise segment, we recorded excellent momentum in international markets, notably 11.3% growth in emerging countries. Last year was also marked by the success of the Group's flagship offers, each of which attracted over a million customers, including **Open** and Deezer in France and **Orange Money** in Africa. Other developments of note included the acquisition of operations in Iraq and the Democratic Republic of Congo, and the successful divestment of our Swiss subsidiary, optimising our portfolio of international assets.

This good performance is supported by long-term **investments**, which increased 3.3% in 2011 to 5.8 billion euros, corresponding to 12.7% of revenues. Over half of this amount is devoted to the **networks** of the future. We deployed 3G in four new countries in Africa and the Middle East, acquired **4G licenses** in France and Spain, and doubled our investments in **fiber** in France. The **quality** and excellence of our mobile network were in fact recognised by the French regulator (ARCEP).

“Our 2011 results were solid and in line with the objectives we set, despite a particularly difficult economic environment.”

These achievements are the result of the work of our 172,000 employees, who each day apply their talents to make Orange the preferred operator. I want to take this opportunity to say **thank you** to each of them.

We can expect 2012 to be even more difficult than 2011. We face fierce competition in our main **markets**, which are already mature, especially in the French mobile market, which represents nearly 25% of our revenues. In 2011, we began preparing for the arrival of a fourth operator in this market. In the retail market, we countered with a powerful commercial strategy using effective customer loyalty and acquisition offers such as **Open** or **Sosh**. In the wholesale market, we signed a **roaming** agreement with the new operator. The greater than anticipated revenues from this agreement will partially offset the decline in revenues from the retail market.

In 2012, we will focus on making **innovation** the cornerstone of our differentiation and of our future growth. We have made significant investments in promising areas such as **cloud computing**, contactless technology (**NFC**) and the Internet of things (**M2M**). We are also actively developing **partnerships**, in fields such as content or fiber roll-out. What's more, our procurement joint venture with Deutsche Telekom (**JV Buyin**) allows us to accelerate our operational efficiency programmes.

In 2012, we are also pursuing our objective of becoming employer of choice, through the **Orange People Charter** which we are deploying across the Group. We will continue to move forward in this area in France with the new social contract. Of the 158 commitments which it covers, 81% have been implemented, and between 2010 and 2012, we will meet our 10,000 employees hiring target.

Lastly, we have reaffirmed our policy of rigorous financial management to preserve our strong balance sheet. Our objective is to maintain our net debt/EBITDA ratio at around 2 in the medium term. With a projected operating cash flow of close to 8 billion euros in 2012, and a dividend payout of 40% to 45% of this cash flow, our shareholder remuneration policy will remain attractive.

With **conquests 2015**, we have the roadmap that will lead us to success on all fronts. I am confident in our people and in our strengths. As always, we will succeed while remaining faithful to our values, those of a **committed** and responsible company that is building the digital world of tomorrow.

Stéphane Richard,
Chairman and Chief Executive Officer

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hello alo

喂 wǔn

allo

alo halô

pronto

halo aló

алло

hallo ألو



at sign

This cryptic sign has changed our digital lives, making it possible to write, respond, share and work instantly, from anywhere.

Thank you Ray Tomlinson, who rescued the @ from obscurity and used it in the first electronic message in 1971. The adventure continues today...



a

Africa and the Middle East

Orange has been active in these continually expanding markets for twenty years and now counts over 76 million customers. 2011 was a year of fresh momentum, along with turbulence.

3.7

billion euros in revenues,
8.3% of Group revenues

76

million mobile, fixed and
Internet customers

800

million euros in investments
(CAPEX)

21

countries in the region



long-term commitments

the market

The Africa/Middle East region counts over a billion inhabitants, but has the world's lowest penetration in terms of telecommunications services. With a population expected to double by 2050, this region thus represents tremendous growth potential for telecoms operators. The market is already valued at over \$100 billion (source: Idate). Africa is now the second-largest mobile market in the world in number of lines, behind only Asia, and also the region with the highest growth rate. Despite significant economic and social disparities between countries, the telecommunications market is characterized by the size and dominance of the mobile segment, along with a marked preference for prepaid services, robust growth in mobile Internet, sharing of services, swapping of SIM cards from different operators and the predominance of voice and text messaging services.

Orange in Africa and the Middle East

Orange has been active in the region for several decades and already serves over 76 million customers with innovative products and services aligned with the needs of local populations. The Group has made massive investments to deploy networks – especially cables and 3G mobile – as it expands into new countries. At the end of 2011 the Group was present in 21 countries and is the leading or number two operator in most of them. Our experience brings us a major competitive advantage in the region, enabling us to ensure

service continuity amidst crises and pursue steady development.

In 2011, the Group began operating in two new countries: the Democratic Republic of Congo, (acquiring 100% of CCT), where mobile penetration is below 20%, and Iraq, through the joint acquisition with Agility of 44% of Korek Telecom.

Despite the impact of the global economic and financial crisis and political instability, the Group recorded revenue growth of 6.1%, excluding Egypt and Côte d'Ivoire, where revolution and civil war seriously impacted business.

Growth was led by dynamic business in Cameroon (12.1%) and Senegal (3.7%), plus new operations in the Central African Republic, Guinea, Niger and Uganda (which posted 36% growth).

Orange has strengthened its unrivalled presence in the region, serving the enterprise segment through Orange Business Services. The recent opening of a new office in Saudi Arabia is part of the Group's growth strategy in emerging markets.

mobile

The Africa/Middle East region harbours significant growth potential for telecoms operators, with an estimated potential of over 800 million mobile phone users. In 2011 alone, the mobile installed base increased 14%, reflecting the scarcity of fixed telephone infrastructure (the fixed penetration rate is just 7% – source: Informa) and a youthful population, 40% of whom are under 15. This creates major

potential for mobile phones, which have a penetration rate of roughly 70% and under 50% in 6 of the 21 countries where Orange operates. In fiercely competitive markets, the Group recruited over 15 million new mobile customers in 2011, an increase of 26%.

The Group recorded robust growth in recently launched operations in Guinea, Niger and Uganda, as well as Cameroon and Mali. In Côte d'Ivoire, Orange retained its leadership position thanks to a major network rebuilding operation. In Egypt, Mobinil retained its 40.2% – market share thanks to intensive marketing efforts.

Internet

Providing Internet access for populations in this region is one of the top priorities for the coming years. The penetration of broadband Internet is currently less than 3%, leaving tremendous growth headroom. Orange is making massive investments to develop networks, especially in submarine cables. Landing installations began in 2011 for the African Coast to Europe, or ACE cable, which will enter partial service in late 2012. The Lower Indian Ocean network 2 (LION 2, see page 182), now rings Africa to connect the continent to the rest of the world.

The Group is also driving 3G broadband service, which is essential to bring Internet to this vast region where fixed infrastructure is largely non-existent. The Orange 3G network currently covers 13 countries, four of which were added in 2011 (Niger, Senegal, Kenya and Guinea). In one year, the number of mobile broadband customers more than doubled to 1.3 million. To develop mobile Internet use, Orange signed several partnerships with leading Internet players in 2011, including Google (Gmail), Wikipedia and Facebook, which is expanding rapidly in the region.

innovation and commitment

Africa and the Middle East are also fertile markets for the Group's innovation. In 2011, a new Technocentre was inaugurated in Abidjan

in the Côte d'Ivoire, joining the Technocentre in Amman, Jordan and Orange Labs in Cairo, Egypt. Specialized in multimedia and mobile financial transactions, the latest centre will develop services tailored for basic phones, notably to facilitate access to social networks and create an ecosystem for future project developers.

Innovation is a major growth driver in the Africa/Middle East region, revolving around four objectives:

- democratization of voice and SMS access despite barriers created by illiteracy, geographic isolation and poverty. Examples include the Community Phone, which brings telephone service to remote villages, and Call Me Back, a service that lets the recipient pay for the call. A service enabling advance payment of call credit to a phone was also successfully introduced during the year;
- easy access to the Internet and other services thanks to new products and services like Surf and Pay, a shared Internet access and rebilling solution for hotels and Internet cafés, or the Football Fan Club, a mobile community platform for football fans that counted more than 1.5 million fans in ten countries at the end of 2011;
- development of mobile payment services like Orange Money, a flagship Orange product now available in ten African countries that has topped 3.2 million users. Thanks to partnerships, Orange Money continues to introduce convenient daily services, from money transfers to bill paying (see page 146);
- support for small business development and the local economy with services like My Office and Internet Everywhere.

Orange also launched the first Social Venture Prize in 2011 in conjunction with the prestigious Africacom Awards, recognizing young entrepreneurs who develop innovative social services thanks to new information technologies.

b

b

buzz



Buzz means getting people to talk about an event, a product or a service, even before the launch. More broadly, it means media coverage of an event, especially since the advent of the Internet.

Orange highlights in 2011



14 March 2011

Group expands into Iraq

France Telecom-Orange and Agility acquired a 44%– stake in Iraqi mobile operator Korek Telecom, the leader in the country's Kurdistan region. The company will extend its coverage to the entire country.

7 October 2011

Orange Spain celebrates fifth anniversary

With 13.8 million customers, Orange Spain is the leading alternative operator in the country and No. 3 in the mobile segment. In 2011, the brand turned in an impressive performance despite the crisis, recording revenue growth of 7% (excluding regulatory impact).

11 October 2011

ACE submarine cable lands

The African Coast to Europe submarine cable completed its landing at the tip of Brittany in France in 2011. The 17,000 – km cable will ultimately link 20 countries between South Africa and France along the West coast of Africa. Partial service will begin in 2012.

20 October 2011

Democratic Republic of Congo, a new Orange country

The Group announced the acquisition of 100% of Congo Chine Telecom (CCT) in the Democratic Republic of Congo. With over 70 million inhabitants, the country has the fourth-largest population in Africa, but a mobile penetration rate of under 20%.

29 February 2012

Orange divests Swiss subsidiary

The Group signed an agreement with Apax Partners to sell its Orange Switzerland subsidiary for 1.5 billion euros. The transaction constitutes a significant step in the plan to optimize the Group's portfolio of assets, announced in May 2011.



25 January 2011

Orange acquires 49% stake in Dailymotion

By becoming a shareholder in the world's second-largest video sharing site, Orange is positioned to develop a complete multi-screen video offer. The acquisition is emblematic of Orange's content strategy, which establishes the Group as an aggregator and broadcaster of content through value-added partnerships with major players in different areas. The agreement brings customers access to videos across all screens via "cloud video", where Dailymotion is a major player.

3 March 2011

Free Mobile and Orange sign 2G roaming agreement with plans to include 3G

Estimated revenue generated from the agreement was revised in May 2012 to more than €1 billion over three years.

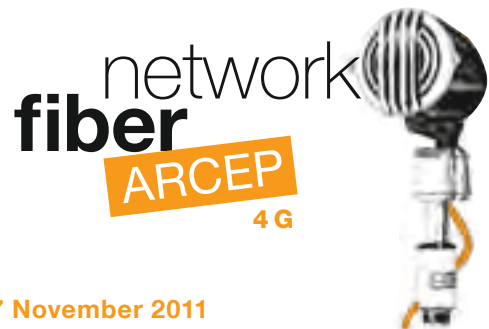
15 July 2011

Canal+ and Orange announce content, marketing and technology partnership for Orange Cinéma Séries TV package
Canal+ acquired a 33.33% – minority interest in Orange Cinéma Séries. The agreement ensures content production continuity for the five channels in the Orange Cinéma Séries package, coupled with wider distribution for a more balanced business model.

5 September 2011

France Telecom-Orange and Deutsche Telekom create "Buyin"

France Telecom-Orange and Deutsche Telekom formed a 50/50 – procurement joint venture called "Buyin" to pool their purchasing power for customer terminal devices, mobile communications networks and a significant share of their fixed-network equipment and service platforms.



7 November 2011

Orange again named best mobile network by French regulator
French telecom regulator ARCEP named Orange first or tied for first in the vast majority of its quality measurement criteria. Orange stepped up deployment of its 3G/3G+ coverage in France in 2011, increasing coverage from 95% to 98% by the end of the year.

15 November 2011

Orange and SFR announce agreement to deploy optical fiber beyond densely populated areas

Of the 11 million households outside very densely populated areas covered by Orange and SFR, 9.8 million are in cities where the two operators have overlapping deployment plans. The agreement designates a lead operator for deployment in each city to optimize the schedule and ensure optimal coverage.

22 November 2011

4G licenses awarded

Orange did very well in France's spectrum auction, obtaining an initial block of 2x20 MHz in the 2.6 GHz – band and a 2x10 – MHz block in the 800 – MHz-band. The Group scored a two-fold success: technically, by acquiring more bandwidth capacity than its competitors (a total of 2x30 – MHz), and financially, by winning more and better quality spectrum at a cost closest to the reserve prices set.

17 January 2012

Orange and Bouygues Telecom form partnership for deployment of fiber-optic networks

Orange will share fiber-optic infrastructure with Bouygues Telecom in areas with very high population density for the horizontal segment leading to the foot of buildings, thus optimizing costs.



4 April 2011

three new Board members

Helle Kristoffersen, Muriel Pénicaud and Jean-Michel Severino have joined the Board of Directors. These three appointments reflect the Group's commitment to renew the board makeup, appointing more members with an international profile and more women.

5 December 2011

Orange People Charter

In conjunction with the fifth anniversary of Orange Spain, the Group introduced the "Orange People Charter", the iteration of the social contract for employees outside France. Signed by all members of the Executive Committee, the Orange People Charter formally expresses the long-term relationship anchored in confidence between the company and its employees.

7 December 2011

inauguration of Abidjan Technocentre

The new Technocentre is specialized in mobile multimedia and mobile financial transactions. It will develop services and content for basic mobile phones to facilitate access to social networks and create an ecosystem for developers in Africa.

22 February 2012

full-year results reported

The Group achieved all its financial and business objectives in 2011 despite a difficult economic environment. Revenues were 45.3 billion euros, stable compared with 2010 on a comparable basis and excluding the impact of regulatory measures. At 9.3 billion euros, operating cash flow exceeded the initial target.

20 March 2012

10 commitments to Europe's Digital Agenda

At a meeting in Brussels with over 350 representatives of the European Commission, the European Parliament, member States, industry associations and other organisations, Stéphane Richard presented the Group's ten commitments in key areas, spanning ultra-fast communications, rich services and responsible behaviour.

C

care center

In the heart of Bucharest, Romania, Orange opened an innovative facility to make life easier for smartphone owners, regardless of their operator, the model and the type of problem, taking the concept of service to a new level.

service à la carte

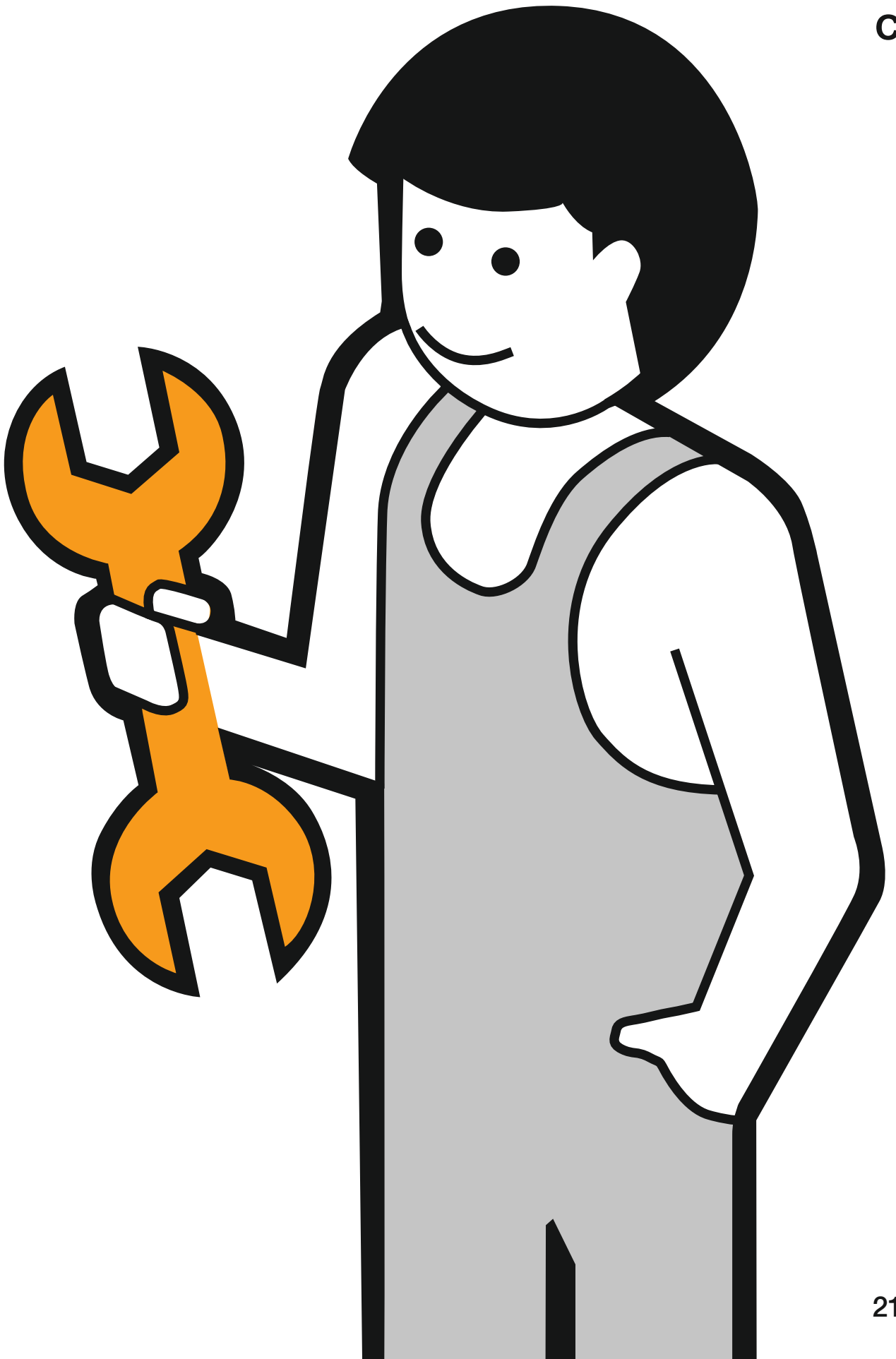
The Care Center is a groundbreaking customer service and sales concept that lets all smartphone owners (see page 176) come in and initialize, charge or repair their device. Staff help them learn how to use features, troubleshoot problems, save data and more. Plus, people can surf the Web for free or enjoy a coffee while the technician works on their phone.

instant success

Inaugurated at the beginning of November 2011, the Care Center quickly became a fixture in Romania's telecom world, welcoming over 10,000 visitors a month and delivering a 70% – success rate in resolving issues.

For more complex procedures, the mobiles are sent to a technical centre and 90% are repaired within 48 hours. The Care Center has transformed Orange Romania into a valued digital coach for customers, strengthening loyalty. Other centres will replicate this success around the country, where Orange Romania already counts over a thousand points of sale.

Orange is the leader in Romania's mobile market with a share of nearly 39%. Over 10.2 million customers have chosen Orange, which provides both residential and mobile phone services. The offering includes the Animals range, tailored to every need, profile and use of voice and data services.



C

Cinéday

Purchase one ticket,
get a second free.
Orange invites customers
to invite a friend to the cinema.
In France, in the UK with
Orange Wednesdays and
in four other countries.

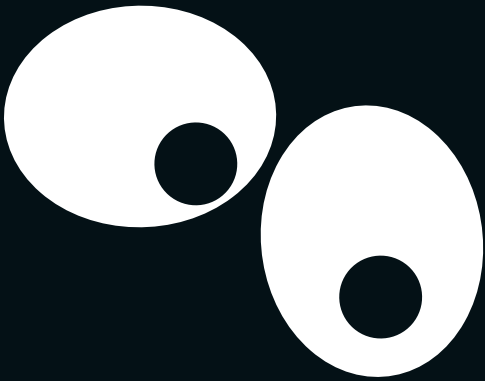
cinema rhymes with generosity

Every Tuesday in France, Orange invites customers to enjoy a film with the person of their choice, offering a free entry for each entry purchased for the same film and same screening. Customers simply send a text message to order a Cinéday code using the free Cinéday mobile app, or connect to www.cineday.fr. The offer is available to all Orange fixed, Internet, Open and mobile customers.

international success and customer loyalty

In France, Orange gave away over half a million tickets in 2011, meaning that over a million people enjoyed a Cinéday.

In the UK, where the initiative is called “Orange Wednesdays”, several million customers have enjoyed films since 2004. Cinema lovers in other countries including Armenia, Poland, the Dominican Republic and Romania can also take advantage of free tickets. As a loyal partner to cinema, Orange is proud of this success, which adds another chapter to its long love story with the movies. In addition to its Studio 37 production subsidiary, Orange broadcasts films on all digital media via the “Orange Cinéma Séries” package.



C

click

The little noise that is part of the
soundtrack to our daily lives...

formerly known as beep





C

cloud computing

Data is in the cloud. And service is at the centre of the Orange Business Services strategy.

Cloud computing is both a technology and a service. It provides remote, on-demand access to IT resources such as software or data storage. For businesses, this is a cost-effective way to optimize information system performance. For users, cloud computing is an elastic solution offering exactly the resources needed, plus a money-saving per-use billing model.

big ambitions

As an operator with powerful network resources, the Group is naturally a leader in this market. Orange Business Services is targeting revenues of 500 million euros by 2015.

Orange and the cloud in 2011

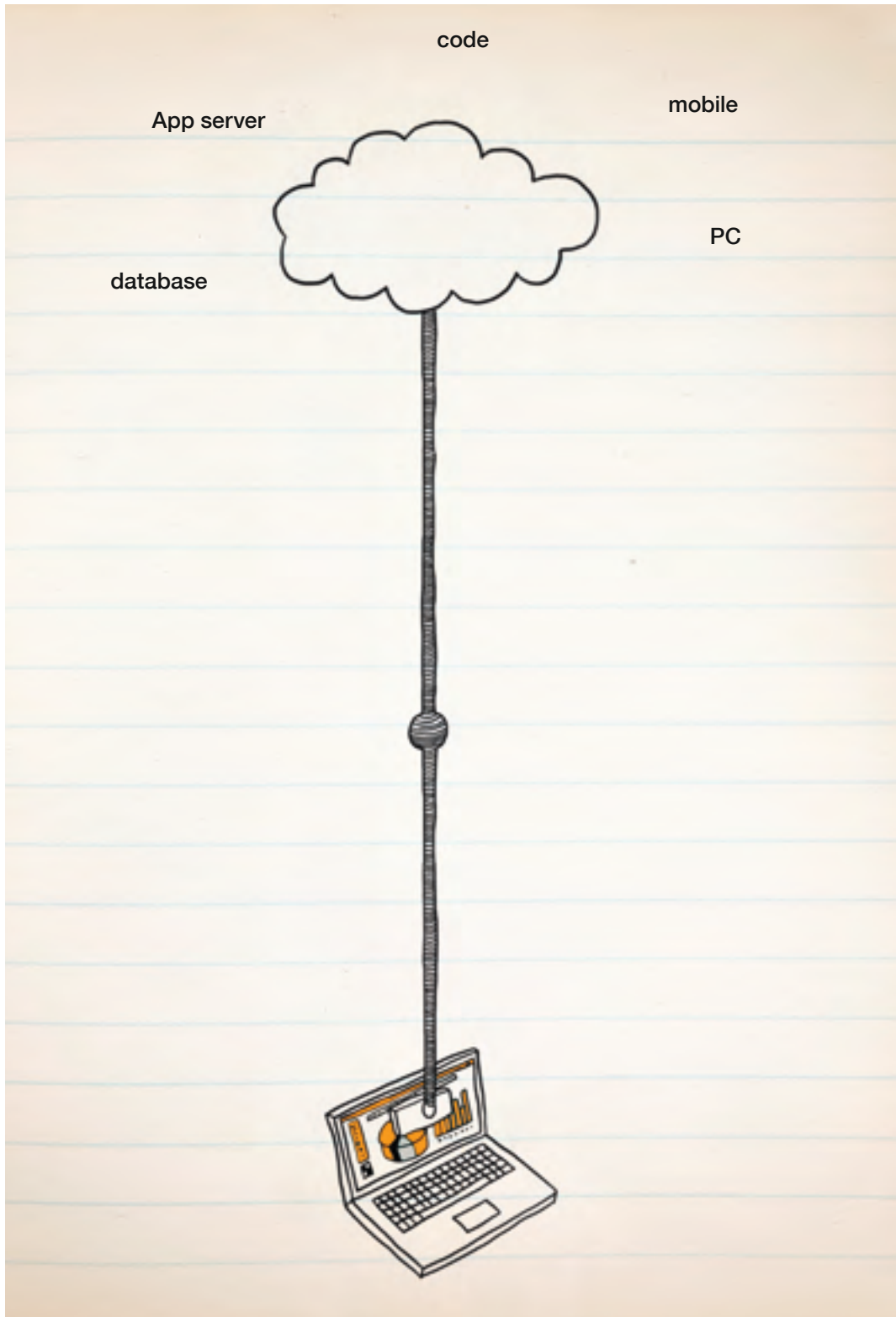
The Orange customer franchise grew significantly in 2011, counting 3,600 business

customers. Work began to build a global cloud computing infrastructure, and the portfolio of cloud solutions expanded.

Two offers were especially successful:

- designed for small businesses, Cloud Pro is a suite of online services for collaboration, desktop applications, management and CRM;
- Flexible Computing Express gives users access to a secure Web portal to reconfigure infrastructure in just minutes.

Cloud services benefit consumers too. Over two million Orange customers now use the cloud to back up their address books, and over 1.2 million store files on the cloud, enabling access from any device. The signature of a partnership with Evernote in 2011 will further expand this offering.



C

commitment

As a socially-responsible enterprise, France Telecom-Orange recruits and supports employees around the world with a positive, outward-facing vision.

By 2015, France Telecom-Orange aims to be recognized as a preferred employer in all the main countries where it operates. This is a natural objective for a responsible employer that believes strongly that social and economic performance are intimately linked. Because the diversity of our teams is an invaluable source of wealth, creativity and versatility, we welcome people of all origins, including people who have been left on the margins of the employment market such as seniors, young people or people with disabilities.



promoting diversity

Diversity is a source of wealth for companies and sharpens their competitiveness. This is especially true for a Group with 172,000 people of myriad origins, cultures and professional backgrounds. As a company that serves more than 226 million customers around the world, this diverse workforce is a tremendous asset. France Telecom-Orange believes that diversity makes us more innovative and forges closer links with our customers. Diversity is also essential to attract the most talented people at every level of the company.



opportunities to gain initial work experience

Each year, we enable thousands of young people to gain invaluable training during work/study schemes. In 2011, we welcomed 5,100 young people as part of work/study or skills acquisition programmes. The Group's initiatives have been widely recognized. In November 2011, we received the Business and Diversity Initiative award from the president of the French National Assembly for the "Capital Filles" programme, designed for girls from high schools in disadvantaged neighbourhoods to facilitate their integration in companies. During their three years of high school, they take courses to become familiar with the world of business and prepare for apprenticeships. We are also an active partner to numerous associations that provide bridges between companies and young people from modest backgrounds, notably by inviting our employees to become mentors, including "Énergie Jeunes" for middle-school students, "Passeport Avenir" for high-school graduates in prep schools and "Nos Quartiers ont des Talents" for recent graduates. In Africa, the Group launched the African Social Venture

prize, which recognizes young entrepreneurs who develop new information technology projects with a social dimension.



concrete initiatives to promote gender equality

The Group has set a goal of 35% women in senior management positions by 2015 and takes initiatives to attract more women to scientific and technical professions. In 2011, the Group was among the top three blue chip companies in France in terms of gender equality according to the Capitalcom ranking and No. 1 in the 2011 survey by the magazine *Challenges*. We are also one of the first major French companies to take social performance criteria into account – including the number of women in top management positions – in calculating the variable portion of compensation for 1,100 top managers (internal source – 2011 HR report). A new agreement on gender equality was signed in June 2011. It reaffirms the Group's commitment to this fundamental issue and constitutes an important step in deployment of the social contract.



Orange awarded European Gender Equality label

In June 2011, France Telecom-Orange was awarded Gender Equality – European Standard certification. Created under the aegis of the European Commission by the Arborus Foundation, this is Europe's first standard for gender equality in the workplace. France Telecom-Orange is one of the few French companies to receive this certification. The Group was lauded for its ability to initiate and coordinate a policy at the European level, as were several individual entities: Orange Business Services, Orange France, Orange Spain, and Mobistar in Belgium.



facilitating employment of people with disabilities

The Group has long taken many actions to support employment for people with disabilities:

- Orange counts nearly 3,400 disabled employees and invests 17 million euros each year for purchasing of goods and services from the sheltered sector, along with over 1 million euros to adapt workstations and tools, and 2 million euros to ensure access to Group offices;
- in 2011, France Telecom-Orange signed a new three-year agreement whose objectives include attaining a rate of 5% disabled employees Group-wide by the end of 2013. The agreement reaffirms France Telecom-Orange's commitments to support and integrate people with disabilities at the workplace;
- a lack of awareness of disabilities can lead to inappropriate behaviour and raise legitimate issues. To help its managers, France Telecom-Orange deploys a range of tools to help them better address disability issues, including the annual "Disability Employment Week".

For more about Orange's commitments, see the "Orange Foundation" section on page 144.



C

conquests 2015

The conquests 2015 strategic project aims to make France Telecom-Orange the preferred partner of all stakeholders. Introduced in 2010, the project is based on four pillars: our people, our customers, our networks and our international development.

ambitious vision

The conquests 2015 project was co-developed by countries and corporate teams. It defines the roadmap and objectives for the Group based on four pillars: our people, our networks, our customers, our international development. The project has two fundamental goals:

1. ensure that people understand how they contribute to the success of the Group, regardless of their level of responsibility or job;

2. prepare the Group to meet business, competitive and technological challenges in a complex, changing environment.

In 2011, the Group moved forward with its corporate vision with a strategic plan called “adapt to conquer”, which establishes specific targets and operational programmes within the conquests 2015 framework.

The objectives are to:

- **ensure the professional development of Orange employees:** the Orange People Charter (“Charte Employeur Orange” in French-speaking countries in the AMEA region, see page 148) was deployed across the Group in 2011, reflecting a commitment to be a preferred employer around the world;
- **develop new growth paths:** customer-centric innovation figures at the heart of conquests 2015. Innovation is the

key to tapping fresh growth opportunities and developing our assets and strengths. The Nova+ programme defines three principles governing the Group’s research and innovation efforts: mutual commitments between countries/regions and corporate teams, an integrated project mode with a single project manager, and a clear distinction within the organisation between research, anticipation projects and design/roll out projects.

In conjunction with this programme, the Group has defined five fields of innovation for products and services, plus two fields to develop and transform our assets and strengths. Among the strategic priorities, six programmes will benefit from an accelerated push: “Orange user interface”, “content aggregation”, “seamless wireless access”, “payment and contactless”, “smart cities” and “smart networks for wholesale”;

- **leverage more efficient, shared operating models:**

– the Chrysalid programme aims to improve sharing of operational best practices and innovative business models to accelerate their deployment throughout the Group. This will help contain the increase in expenses (limited to 3.5 billion euros by 2015 compared with 6 billion euros at present, without any action by the Group);

– introduced in 2011, the “Customer Experience 2015” programme aims to make Orange the leader in customer experience in all its markets. This initiative draws expertise from every level of the Group to enhance quality of service, simplify and segment offers, facilitate customer relations for sales and support teams across all channels, guarantee seamless support for Orange

customers at every stage in the relationship, and secure customer loyalty.

people

The Orange People Charter is the cornerstone of a new relationship between the Group and its employees. The charter was deployed worldwide in 2011. In France, it led to a “new social contract” in 2010



(see page 148), the fruit of broad collaboration between employees and management (including a major meeting to re-establish solid foundations and numerous work groups). The People Charter is based on six commitments:

1. be an ethical and socially responsible employer;
2. offer career and development opportunities;
3. provide a work environment for outstanding customer satisfaction;
4. empower managers and hold them accountable for progress and success;
5. provide a positive quality of life at work;
6. recognize and reward employees for their individual and collective contributions to our success.

Several concrete initiatives have been taken to achieve these objectives:

- **a proactive employment policy**

characterized by continuous dialogue with employee representatives. This dialogue aims to anticipate the skills that will be needed tomorrow and support all employees to prepare the Group under optimal conditions to play a leadership role in the ongoing digital revolution;

- **a revamped work environment**

thanks to improved day-to-day quality of life at work, including closer local relations with management, encouraging feedback and simplifying IT applications. In France, 50 million euros were invested to improve the ergonomics of IT applications and 10 million euros on improving workplace facilities;

- **increased responsibility and recognition for managers**, who play a pivotal role in the

new relations between the Group and its employees. Orange France was reorganised beginning in 2011, creating 11 Orange departments at the regional level to give local teams greater margins of manoeuvre and autonomy.

In 2011, France Telecom-Orange formalised its commitments in four fundamental areas (see page 110):

1. social performance, notably with the launch of the Orange People Charter across the Group;
2. skills development, with the signing of a Strategic Workforce Planning agreement in March 2011;
3. management, with Orange Campus;
4. internal recognition, including a new free-share award plan.

networks

In an increasingly connected world where data exchanges continue to grow at an accelerated pace, networks (see page 132) are a fundamental resource. The relentless rise in the number of connected devices, spurred by higher speeds for broadband Internet services in developed countries and burgeoning mobile phone penetration, notably in emerging markets, all drive higher volumes of data traffic. New digital applications – especially exchanges of bandwidth-hungry multimedia content – are further accelerating this revolution.

As a major global network operator, France Telecom-Orange deploys a comprehensive

array of resources to support this digital revolution. Because, without these powerful and reliable networks, innovation and the customer experience are both limited. Networks are also central to the issues of the digital divide and geographic coverage to allow the largest possible number of people to enjoy access to services that transform their daily lives.

Networks are thus the heart of our business and our core expertise. Our network strategy centres on three major objectives:

1. expand coverage and increase bandwidth to anticipate and support explosive growth in usage;
2. continually improve the quality of service;
3. leverage the value of data transport services by aligning offers and rate structures and developing a consistent portfolio of digital products and services.

France Telecom-Orange continued to enhance its networks throughout 2011:

- network investments totalled 3.2 billion euros, an increase of 2%, representing 55% of Group investments;
- deployment of fiber, with 2 billion euros in investments planned by 2015 and the signature of infrastructure sharing agreements with major operators in France;
- successful bids for 4G frequencies in the auction organised by ARCEP in France;
- landing of the ACE (African Coast to Europe) submarine cable, which will connect 20 countries from South Africa to France, along the West coast of Africa.

customers

The Group deploys major efforts to recruit new customers and build loyalty, making Orange the preferred brand. In a fiercely competitive market subject to stringent regulation, especially in European markets, the Group establishes a competitive difference by supporting customers at every stage in their digital lives. This support takes into account changing needs, familiarity with digital technologies, and budgets. The emphasis is always on simple offers and optimal service quality to make France Telecom-Orange the standard of excellence in customer experience at every level, proposing solutions tailored to individual needs and local contexts. This customer-centric strategy applies for consumers, small businesses and multinationals alike. The Group's customer strategy is based on three imperatives:

1. support our customers in their digital lives;
2. enrich our content offering through agreements with partners;
3. develop new services by leveraging our capacity for innovation.

Noteworthy customer-oriented initiatives in 2011 included:

- opening of eight megastores in France (see page 70);
- successful offers that won over millions of customers, such as Orange Money (see page 146) in Africa and the Middle East, Open (see page 138) and Orange Deezer Premium (see page 60) in France;
- successful launch of the Web-only Sosh offer (see page 180);
- opening of a new Technocentre in Abidjan specialised in the development and marketing of mobile multimedia offers.

international development

France Telecom-Orange aims to serve 300 million customers by 2015, with an emphasis on international development (see page 80), the fourth pillar in the conquests 2015 project.

This strategy places priority on emerging markets with strong growth potential (in the Africa Middle East Asia zone, AMEA). The Group aims to double its revenues in these markets by 2015 and drive robust expansion in the enterprise segment as well.

International growth is mainly driven by:

1. focus priority on Africa and the Middle East, where the Group is an established, recognized player, leveraging synergies across markets that share key features;
2. in mature European markets, consolidating assets and deepening fixed/mobile convergence;
3. growth in new directions, helping develop telecommunications services and new technologies for populations in emerging regions.

The Group enjoyed robust international growth in 2011, marked by the acquisition of 100% of the operator CCT in the Democratic Republic of Congo, acquisition of an equity interest in Iraqi operator Korek, and the signature of a strategic partnership with China Telecom in the enterprise segment.

C

Côte d'Ivoire

The Côte d'Ivoire was torn by a serious conflict in 2011. Amidst this dramatic situation, Orange demonstrated steady commitment and remarkable tenacity, reflecting the Group's values.

Orange Côte d'Ivoire was severely hit by the civil war that wracked the country. Networks were largely destroyed and stores ransacked amidst a conflict that left numerous victims and shut down the economy.

rising to the challenge with commitment

Orange Côte d'Ivoire mobilized at three levels: service, technical and human. The crisis underlined the courage of our teams who, in the midst of chaos, did everything necessary to protect our activities. Under these circumstances, their courageous actions were particularly admirable. Some personally paid guards to protect facilities even as banks were unable to continue operating. Others joined together to restore service at strategic sites, taking cover in vehicles amidst combat in the

streets. The Orange "country transfer" service enabled some customers to receive call credit on their mobile phones sent by family and friends in Europe. Support was also forthcoming at the human level as the company found solutions to pay staff salaries throughout the crisis, even though banks were closed and security was difficult to assure.

Once the chaos had subsided, Orange technicians demonstrated their professionalism and extraordinary engagement, throwing their energies into rebuilding portions of the network that had been destroyed, with support from Group teams.

The inauguration of the Abidjan Technocentre on 7 December 2011 is elegant testimony to the Group's confidence in the future of the country.



C

CSR

France Telecom-Orange's corporate social responsibility (CSR) policy centres on being the preferred operator while pursuing balanced growth and creating value for all stakeholders.

progress only has meaning when everyone shares it

At France Telecom-Orange, we believe that our corporate social responsibility (CSR) policy is a cornerstone of our future success and a source of value creation for all our stakeholders. The Group has long pursued the goal of being the benchmark for CSR in the telecommunications sector. France Telecom-Orange signed the ETNO (European Telecommunications Network Operators) Environmental Charter in 1996, and in 2000 was also one of the first companies to sign the United Nations Global Compact.

ambitious CSR strategy

A cornerstone of our conquests 2015 project, our CSR policy is firmly anchored in the Group's strategy. Our corporate governance is a concrete illustration of the importance we place on CSR and our head of CSR reports directly to the Executive Committee. In order to implement our CSR policy Group-wide, CSR sponsors reporting to the highest organizational level have been appointed in each Group function and entity operating in all the markets in which the Group is active. They ensure the implementation of the strategic guidelines defined upstream within the framework of constant dialogue with stakeholders.

four fundamental commitments

1. Recognise and support our employees by fostering their employability and responding to the major challenges facing society such as equal opportunity. Orange was awarded Gender Equality – European Standard Certification in 2011.

2. Ensure transparency, quality and security for our customers by becoming the leader in service quality and promoting the safe and responsible use of our products and services, especially among children. We also implement rigorous measures for the protection of privacy and personal data. In Slovakia, a team of 10 psychologists visit 300 schools each year and have educated more than 10,000 pupils to date in the correct use of the Internet.

3. Share the benefits of the digital world with the greatest possible number of people by promoting the economic and social development of countries in which the Group operates and strengthening the Group's leadership in accessibility solutions and their distribution. In Spain, the "Esencial" offer facilitates mobile phone use for seniors.

4. Find innovative solutions for a greener world by launching eco-designed products, encouraging the collection and recycling of mobile handsets and reducing our energy consumption. In France, mobile handsets collected are recycled by Les Ateliers du Bocage and proceeds from their resale go to the Emmaüs International charity. The money raised has helped to fund a mobile waste collection network in Africa. At end-2011, more than 31 tonnes of waste had been collected (the equivalent of 210,000 handsets) and 18 jobs had been created in Burkina Faso, Benin and Madagascar. Most of the waste was shipped to France to be processed in a specialized plant.

Visit www.orange.com to read the Group's CSR Report.

C

customers

226 million of them around the world prefer us!

Individuals, small businesses and multinationals have all chosen our Group as the partner in their digital lives.

Customers are one of the pillars of our conquests 2015 project.





Sarah and Cinéday

2011 was definitely a blockbuster year for French cinema! And a great year for Sarah too, because every Tuesday, Orange Cinéday gives her as a French customer an opportunity to invite someone to come with her to the movies, absolutely free. She just sends a text message to get her Cinéday pass using the Cinéday app on her mobile or www.cineday.fr. In September, she even got to see a sneak preview of *The Artist*. Orange gave away half a million cinema tickets to its mobile customers in 2011.



Baptiste and Sosh

Middle school means having a mobile for today's kids. In France, thanks to Sosh and his first plan with 120 minutes of call time, plus unlimited text and MMS messages, Baptiste can stay in touch with all his friends. Sosh is much more than a phone, it's a real community. Members can "like" the Sosh Facebook page, join the forum and share ideas on how to make the offer even better. Plus, Sosh customers can also get free Cinéday cinema tickets. Over 200,000 customers have already chosen Sosh.



Marie and the Orange App Shop

Marie has transformed her smartphone into a kind of digital Swiss army knife. She loves great apps and finds everything she wants on the Orange App Shop.

She listens to her favourite station with "Liveradio", finds a trendy bar nearby with Orange Maps, compares prices in stores by scanning barcodes with the "Shopping" app, checks breaking news with "Revue Orange Actu" and more.

With the Orange App Shop, everything is fun, simple and always right at your fingertips!



Ignacio and access for everyone

Ignacio's smile has returned since he's been able to watch live TV again despite his disability. He found the solution he needed in the "C at logo de productos y servicios accesibles", the Orange Spain catalogue of applications that make life easier for people with disabilities.



Driss and Orange Money

Mobile phones are a window to the world in African villages. Thanks to Orange Money, phones also become a bank account, letting Driss deposit or withdraw funds, pay bills, send money or receive funds from another country and, of course, top up his mobile phone credit. Over 3.2 million people across Africa and the Middle East already benefit from Orange Money services.



Amina and “la TV d’Orange”

When Amina wants to reconnect with her native country from France, she turns on “la TV d’Orange”, choosing her favourite programme from the Arabic-language package of channels. “La TV d’Orange” offers a choice of 150 channels, 19 in HD, plus an array of optional themed channels: cinema, family, sport, international, kids, music and more. There are also on-demand programmes and, above all, content is available on computers, smartphones or tablets. In short, a complete programme for everyone!

Orange service, our core priority, today and tomorrow

three words define our strategy

Simplicity, service and segmentation, to bring the best possible experience to all our customers:

- **simplicity, to add convenience to daily life**

In particular this means reducing the number of offers to make choices simpler and easier to understand. For example, all-in-one solutions like Open combine Internet, television, residential fixed-line phone and mobile plans. Simplicity is also a priority for the innovation process, with a focus on innovations that make things easier for all customers, at home, at work or on the move. NFC “contactless” technology, for instance, harbours great promise;

- **service, to be the standard of excellence in customer relations**

Orange is committed to delivering quality at every stage in the customer experience. Before the sale, customers can choose from offers that are simple and instantly understandable. During the sale, they benefit from demonstrations and advice, especially at Orange stores and the Group’s websites.

Then, after-sales support includes installation of equipment, answering questions, and help to resolve any problems. Equally important, the customer process is streamlined. Twenty-one countries have adopted an initiative to deploy 80 simplified “customer fulfilment paths”;

- **segmenting ensures that each customer’s needs are met with personalised, tailored offers**

Sosh, for example, is a Web-only mobile offer introduced in France in 2011, while Orange Money has become one of the most ubiquitous mobile payment services in Africa, with over 3.2 million customers to date.

quality makes the difference

To satisfy existing customers and win new ones, the Group makes quality of service a key competitive asset in all its markets.

This major initiative to enhance the customer experience spans three levels:

- **quality networks** thanks to recognised expertise in the backbone of telecommunications infrastructure. In France,

a significant share of the 2.6 billion euros in investments made in 2011 targeted improvements to existing networks and deployment of the infrastructure of tomorrow. The Group also makes substantial investments to deploy state-of-the-art (3G) networks in Africa and the Middle East. Thirteen countries have been covered, including Niger, Senegal, Guinea and Kenya in 2011;

- **quality offers**, thanks to powerful innovation capabilities spearheaded by the Group's Technocentre and Orange Labs around the world, along with 20 customer test centres. Three new test centres opened in 2011 in Morocco, Moldova and Cameroon to analyse customer opinions of new products ahead of launch;


- **quality customer relations** through a network of stores, call platforms and websites. This broad suite of complementary channels provides diversified points of contact with customers at every step in their Orange experience. To become the standard of excellence for a positive customer experience, the Group makes processes more fluid, streamlines the commercial portfolio and guarantees reliable and responsible use of its products and services. A good example is Orange Care, a range of services that provides protection for phones, secure data storage and online assistance.

quality of service at every level

- numerous "real world" tests in all countries to measure and improve the performance of mobile networks;
- competency centres that bring together experts in designated areas, ready for remote intervention or onsite assignments to address specific needs;
- Service Management Centers, sophisticated control rooms that track service quality 24/7 with a technical interface that covers all the players in the chain, including call centres and distribution networks;
- robust international support to guarantee continuity of service for enterprises, even under extreme conditions due to exceptional political or climatic events, such as those in Japan, Tunisia or Egypt in 2011. Orange Business Services demonstrated its capacity to maintain the level of service promised to customers, leveraging the strengths of its four Major Service Centers in Asia, Africa and Latin America to provide real 24/7 "follow-the-sun" service;
- in France, the Group counts 1,200 stores, 43 million visits and contacts per year, 260 service corners, 200 customer support centres and 16 flagship stores, all available to accompany customers in their digital lives;
- optimized processes and better management of calls to the technical assistance centre in 2011;
- the best mobile network in France (source: ARCEP, the French telecommunications regulator), two to five times faster than competitors for downloads in 90% of cases;
- network speeds were increased for four million fixed-line customers with no change to their phone bill.







Irina and Business Everywhere

Irina's job frequently takes her back and forth across Europe. With Business Everywhere, her laptop becomes her mobile office. Her data plan lets her download even large files, take part in a videoconference or work on a document in collaborative mode. With Orange, she knows she can easily work – with complete security – wherever her work takes her.



Simon and fiber

Simon loves his fiber connection. He can share photos in real time and download a DVD-quality film... in just six minutes! Simon is ultra-connected: he can also watch high-definition TV, play online games, or stream music. At 100 megabits per second, connections flow freely at the nearly speed of light.



The Dubois family and Open

Computers, mobile phones, fixed-phone, tablet, connected TV... With the entire family under one roof, the home is packed with a lot of equipment and a lot of connections, that can add up to a lot of subscriptions, bills and customer help line numbers. The Open offer makes everything simple: one bill per family, an easy-to-manage budget, one customer-support contact... and an infinite range of services. The Dubois are among the more than 1.7 million households in France that have opted for the Open quadruple play solution.

d

data

Data is the nexus of all the challenges created by burgeoning consumption of content via the Internet.

Broadband internet and mobile and a plethora of connected devices continue to drive a seemingly boundless surge in data consumption, putting increased pressure on networks, even as voice and text message traffic tends to drop. To support these new video, online gaming, music and other uses, France Telecom-Orange makes huge investments in superfast fixed and mobile infrastructure. This raises two issues in particular. The first is establishing the value created from transporting all this data and the second is how to equitably share this value between service providers – who make massive use of network infrastructure given the traffic volumes they generate – and the operators that build the networks. The Group believes that solutions must respect three basic principles: open access, interoperability and network security.

An equally important data consumption issue is increasingly intensive use by customers. With the ubiquity of smartphones and now tablets, mobile data has become a mass-consumption product. Following the introduction of unlimited offers to develop these new uses, the time has come for tailored-rate offers aligned with data consumption and bandwidth. This enables efficient management of networks while enabling customers to benefit from services matched to their preferences and needs. This is the strategy behind the segmented offers introduced by Orange like the Animals and Origami ranges, both of which have proved very popular with customers.

3 Go



e

ecological footprint

Our three-fold strategy puts priority on consuming less, designing products and services that better respect the environment and helping customers reduce their own carbon footprint.

proactive initiatives to reduce the Group's carbon footprint

Climate change could have a profound impact on ecosystems and indeed life on Earth, dictating urgent action. Major global companies such as France Telecom-Orange must play an essential role, which is why we have set very ambitious, proactive goals. As new uses continue to emerge and data traffic volumes skyrocket upwards, France Telecom-Orange has committed to reducing its CO₂ emissions by 20% by 2020 and its energy consumption by 15% compared with 2006. The Group has carried out carbon footprint assessments (Bilan Carbone®) in France and Belgium and the process was launched in Spain in 2011.

three complementary levers to reduce the Group's carbon footprint:

1. reduce the energy consumption of networks, information systems and buildings

- Networks and information systems alone account for over 66% of the Group's total energy consumption. In 2010, the Group signed two codes of conduct to guide reduced energy consumption for its networks and data centres. In 2011, 24 countries representing over 95% of the energy used by the Group for technical facilities implemented related actions, saving an estimated 225 GWh in 2011. Special efforts are being made to optimize air conditioning to reduce network energy consumption.





By the end of 2011 an additional 3,000 sites had been equipped with optimised ventilation by replacing or enhancing existing systems.

Optimized ventilation systems have thus been installed at a total of 15,400 sites Group-wide. The Group is also optimizing its data centres to limit their impact, consolidating facilities and innovating with virtualised servers as part of the Ecocenter programme.

- Buildings account for approximately 29% of energy consumption. In five pilot countries that alone represent 84% of total energy consumption (Belgium, Egypt, France, Poland and Spain), the Group has begun a major five-year renovation programme for construction and operation of “high environmental quality” buildings conform to the HQE standard.

2. deploy solutions with renewable energy sources

By the end of 2011, the Group had installed 2,065 solar-powered base stations in 14 countries in Africa, the Middle East, the Dominican Republic, Vanuatu and Armenia, including 1,413 mobile base sites (BTS) that help bring service to remote rural populations around the world. This initiative earned the Group an award for Best Mobile Technology for Emerging Markets at the 2011 Global Mobile Awards in February 2011.

3. reducing emissions from company vehicles

Vehicles used by Group employees account for 4.5% of total energy consumption and over 9% of its total greenhouse gas emissions. The Group is optimizing its fleet of company vehicles, reducing the number and replacing ageing vehicles with cleaner models, including investments in the acquisition of electric vehicles.

waste recycling

Optimized waste management is a core priority in Orange's environmental policy, starting with recycling of mobile handsets. Of the 8 billion mobile phones manufactured, only 5 billion are in use, and only 5% are recycled. Recovering older phones is a priority to give them a second life or reduce their impact on the environment and health by processing their components. In addition to rare materials that can be recovered (gold, silver, nickel, palladium, etc.), phones contain substances that are dangerous for the environment like lead, cadmium or mercury. The Group plays a lead role by deploying more than 2,000 mobile recycling points in its stores. Over a million mobile phones were recovered in Europe in 2011, a year-on-year increase of 100%. In Africa, the Group works with Emmaüs International and Les Ateliers du Bocage to develop and structure a recycling channel, creating workshops across the continent. At the end of 2011, over 31 tons of mobile waste had been collected in Africa for recycling in France. The process creates jobs in Africa and helps preserve the environment.

In developed countries, France Telecom-Orange has introduced a proactive policy to increase the rate of mobile-phone collection, including regular customer-awareness campaigns, repurchase of used phones by seven Group entities in Europe, and the sale of used phones in France since 2009, an initiative that could be rolled out in other countries as well.

eco-designs let customers consume less

France Telecom-Orange pursues an exacting eco-design approach, working with experts across the innovation chain for products, services and applications. The Livebox 2 allows users to switch off the Wi-Fi signal, for example. The Group has also pioneered environmental labelling for the phones it markets. This initiative encourages manufacturers to develop greener phones while heightening consumer awareness. Group products also encourage eco-responsible behaviour by users. These range from the telepresence facilities used by businesses to sector-specific solutions. In 2011, France Telecom-Orange received the Digital Green Growth Award from the French Association for Communications and Information on Sustainable Development for its virtual medical imaging platform. With this solution, X-ray, scanner and MRI images are digitized and shared online between healthcare establishments.



e

entertainment

Digital tablets, smartphones, computers, connected TVs, eBooks... people have more and more devices connected to broadband networks as new convergent offers unleash explosive growth in content consumption.

uses changing at the speed of light

Listening to music online with Deezer, watching a film in catch-up mode, checking Dailymotion from a tablet... the digital experience is above all about content. Massive consumption of content, sharing and enriching of content, jumping from one screen to another via Internet, Wi-Fi or 3G.

partnering with the best to offer the best content

Orange aggregates and broadcasts content thanks to partnerships with major publishers

and innovative TV, music, video games and transmedia enterprises to deliver the quality content that customers expect.

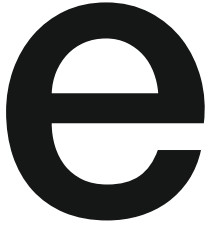
- In August 2010, Orange and Deezer introduced Deezer Premium, integrating music with Orange mobile and ADSL offers in France (1.2 million subscribers at end-2011).
- Orange acquired 49% of Dailymotion, the world's second-largest online video site, enabling development of a multi-screen video offer for customers. In November 2011, the two partners created a Web channel with 3D content.



- Orange also teamed with French networks TF1 and M6 to expand its TV package (Extra TV package for families and the Sport package).
- In early 2012 Orange signed a major partnership with TCL, the leading Chinese LCD TV manufacturer, to launch the Orange portal on all new TCL smart TVs in Europe.
- Orange initiated a partnership with UEFA to develop the official mobile app for the Euro 2012 football championship in Poland and Ukraine.

greater viewing comfort

Orange introduced the new “TV d’Orange” in late 2011, providing a simpler, richer customer experience thanks to new design, content and services. The multi-screen concept lets eligible triple play customers enjoy TV services on any screen connected to their Livebox via WiFi. For example, they can watch TV channels or on-demand TV simultaneously on their tablet or mobile.



Europe and other countries

Orange continued to grow in a region impacted by the economic crisis and increasingly restrictive regulations.

4.9

billion euros in revenues

9

countries in the region⁽¹⁾

25.1

million mobile customers⁽¹⁾

(1) at 31 December 2011, including Switzerland and Austria



focus on customer loyalty and service quality

contrasting market conditions

The “Europe and other countries” zone now comprise seven countries (Belgium, Luxembourg, Moldova, Romania, Slovakia, Armenia and the Dominican Republic). In 2011, most of these countries felt the effects of the economic crisis and strong regulatory pressures. France Telecom-Orange made the strategic decision to withdraw from the Swiss and Austrian markets in order to strengthen its portfolio. The challenge now is to meet growing customer demand for competitive prices, greater data usage and converged offers, especially in Belgium, Slovakia and Romania.

Orange market positions

Among these seven countries, five account for 97% of Orange customers, confirming its solid position. In these five markets, Orange ranks either first or second in terms of market, share value. The Group has over 25 million customers in all seven markets, with more than 10 million in Romania alone. Orange sustained resilient performance in 2011, despite a 2.3% – decline in revenues (excluding the Dominican Republic). Excluding regulatory effects, revenues edged up 0.8%. Revenue growth was driven mainly by Belgium, Moldova and Armenia, where Orange won new customers. Overall, customer numbers grew by 2.1%, with a substantial increase (7.6%) in the number of

contract customers, who now account for 46.4%. In all our businesses, Orange remained committed to constantly improving quality of service in order to build brand loyalty.

Armenia

Since launching in Armenia in November 2009, Orange has captured 18% of the mobile market, operating through a very dense network of 75 stores and 850 distributors. Business activity was very brisk throughout the year, and the Group continued its network investments with 52 additional mobile base sites coming on stream.

Belgium

Orange operates under the Mobistar brand in Belgium, the country’s second largest mobile provider with 32.7% of the market and 3.5 million customers. Building on the strength of packages such as Starpack, which combines fixed and mobile telephone, Internet and HD satellite TV, the brand continued to expand its converged service offering. The “Happy Customer” initiative has significantly boosted the brand’s image as a caring operator that listens carefully to its customers. In the machine-to-machine (M2M) market, Mobistar signed major contracts with Coca-Cola and SITA in 2011. Between the start and the end of the year, Mobistar doubled the number of SIM cards activated from 193,000 to 417,000.

Luxembourg

Operating through the wholly-owned Mobistar subsidiary Orange Communications Luxembourg, the brand maintained its position as the country's third largest mobile provider. The company again expanded its sales network in 2011 with the opening of two new sales outlets (Mersch and Echternach), together with a flagship store in the city of Luxembourg.

Moldova

Orange Moldova is the country's No. 1 mobile provider with 1.8 million customers and 60% of the market. Despite the economic crisis, which was exacerbated by political instability and fierce competition, Orange succeeded in expanding its customer base by 5.6% and increasing revenues by 3.2% in 2011. Orange Moldova launched a breakthrough loyalty initiative called "magic zone" (see page 120) targeting prepaid customers. Depending on local network capacity, customers who join the plan receive a real-time message inviting them to take advantage of reduced call rates to other Orange numbers. This new option attracted a large number of customers, who benefited from an average 29% – discount. Combining price cuts for customers with optimized network load for Orange, magic zone represents an attractive win-win solution.

Dominican Republic

A wholly-owned Orange subsidiary, Orange Dominicana is the country's second largest mobile provider with 3.1 million customers and 37.7% of the market. Excluding depreciation of the peso, the company's revenues advanced 2.3% in 2011, and its customer base grew by 7.7% over the year, despite stiff competition. New offers were introduced to develop voice and data uses, including free minutes of calls during the Christmas and New Year holiday period and special offers to take advantage of low network load. Investments were made

in network capacity in order to accommodate burgeoning data traffic growth (up 238% over the year). In 2011, the brand established its green credentials with an extensive investment programme in solar mobile base stations (see page 178).

Romania

Romania has the brand's largest customer base in this group of countries. Orange Romania is the leader, with approximately 39% of the national mobile market. Despite a difficult first quarter, Orange Romania strengthened its leadership. Revenues dropped by 3.7% in 2011, a more modest decline than in 2010. Orange launched a groundbreaking customer care centre in the capital Bucharest in 2011, offering while-you-wait service and speedy repairs to all mobile phone owners (see page 20). The Group intends to leverage this success with the launch of similar centres in other cities.

Slovakia

Orange Slovakia is the country's leading mobile operator with almost 49% of the market and more than 2.9 million customers, despite stiff competition. Annual revenue per user remained high thanks to segmented offers and the highly successful Orange Garancia service introduced in 2010, which guarantees customers that they have the plan best suited to their needs on the basis of a detailed analysis of their consumption over the previous three months. In 2011, Orange Slovakia launched another new breakthrough service to reward loyal customers with a "retroactive subsidy" for the purchase of a new phone when they reach the end of their contract period, without the obligation to renew their subscription.

f

fan

Forget bedroom walls plastered with posters: today's Y generation shares their interests and ideas, likes and dislikes via Twitter, Facebook and other social networks. From favourite rock band to the latest sports craze – and even our innermost thoughts and feelings – social media is the way to go!

Facebook

4.8 million

Orange Facebook page fans worldwide

1.8 million

exchanges on Orange Facebook pages in 2011

Top three Orange Facebook pages created in 2011

1. Orange Poland

www.facebook.com/orangepolska

with **662,000 fans**

2. Orange Tunisia

www.facebook.com/orange.tn

with **404,000 fans**

3. Meditel (Orange in Morocco)

www.facebook.com/meditel

with **381,000 fans**

Twitter

www.twitter.com/#!/orange

8,794 followers

Orange has 84 official Twitter accounts with 597,000 followers worldwide and has published 250,469 tweets to date.

Live Orange blog

www.live.orange.com

A live blog of Orange events, launched in 2011, with over 83,000 pageviews to date.

The Tour de France, le Web 2011 and the Cannes Film Festival all attracted record audiences in 2011.



fiber

Fiber optic networks are the future. This superfast infrastructure accelerates the revolution in usage for both individuals and businesses. Deployment is a top priority for France Telecom-Orange.

essential for society and economic competitiveness

Fiber opens the door to uses that quite simply change daily life, whether at home or the office. With fiber, people can watch high-definition TV, make phone calls over the Internet, play 3D games, watch unlimited numbers of videos, share photos and videos, take part in a videoconference, or work and receive training from anywhere. Fiber accelerates exchanges, eliminates distance and ushers in exciting new possibilities, bringing businesses a major competitive edge.

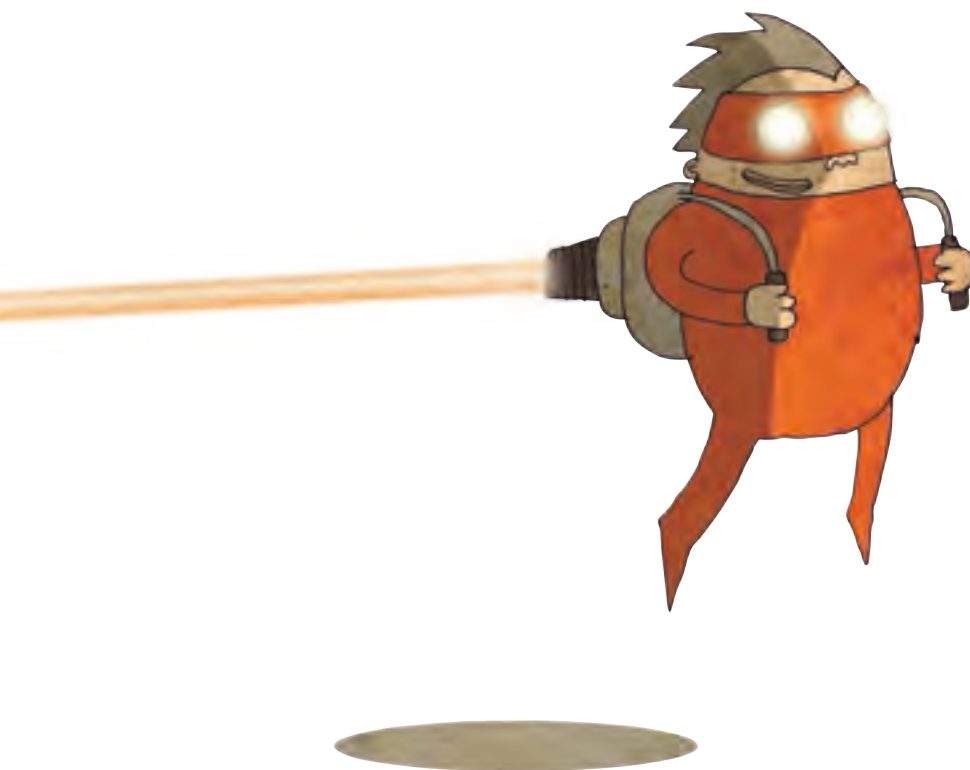
ambitious fiber plans

France Telecom-Orange plans to bring fiber to all major cities and mid-sized towns in France by 2015, providing access to 10 million French households in 3,600 municipalities. This

represents an investment budget of 2 billion euros by 2015. In 2011, Orange deployed fiber-to-the-home (FTTH) in France's 20 largest cities. Following a clarification of regulations in early 2011, Orange began roll-out in mid-size towns with a programme covering more than 60 conurbations during the 2011-2012 period.

open to partnerships

On 19 July 2011, France Telecom-Orange submitted its wholesale rates for fiber optic networks to the regulatory agency ARCEP and the main FTTH operators. The offer is based on pooling of networks outside very densely populated areas, creating win-win partnerships. Operators enjoy lower deployment costs and customers have a choice of service provider. France Telecom-Orange has already signed agreements with the three main operators in



France: Iliad in mid-2011, SFR at the end of 2011 (9.8 million households covered by the combination of these two networks) and Bouygues Telecom in early 2012. The partnership with Bouygues Telecom includes roll-out of fiber in high-density areas with shared access to the network segment serving buildings (covering 1.7 million households), as well as in less dense areas. France Telecom-Orange is also working closely with local municipalities, including agreements with France's Auvergne and Brittany regions. Alongside deployments by private operators, the Group is open to collaboration with public led projects, such as those in Laval, in the Mayenne region of central France. Orange is also playing a lead role in government pilot projects to bring fiber to rural areas such as Issoire in the Auvergne region or Mareuil in the Vendée region.

fiber means business

Very-high-speed connections bring businesses the benefits of IP services including increasingly ubiquitous video, telepresence and cloud computing solutions, with no bandwidth barriers. In late 2011, Orange introduced the "Fiber Pro" offer for sole traders and small businesses, giving them 5 times faster download speeds and up to 100 times faster outbound speeds compared with conventional ADSL. With the dedicated Fiber-to-the-Office infrastructure, Orange also offers high network availability and quality guarantees. These offers are part of the standard catalogue in the 4,500 cities where 75% of French companies with 20 or more employees are located.



flagship store

Orange continued to inaugurate 400-square-meter megastores in city centres, taking the customer relationship into a new dimension.

Marseille, Lille, Bordeaux... Launched in 2008, the megastore concept continued to be deployed at a sustained pace, with eight openings in 2011 and new stores planned for 2012. Sixteen megastores have joined the network of 1,200 Orange stores across France. These new-generation stores dedicate two thirds of their space to customer presentations and advice, and one third to after-sales support, introducing a fresh style of customer relations.

In a world where technologies and hardware are advancing at the speed of light, Orange megastores are places where people can discover and test solutions to find the right match with their needs. There are Innovation Spaces for a hands-on look at the technologies of tomorrow, "service bars", where Orange experts help customers set up a new device, plus "private lessons". Results have been extremely encouraging since all the megastores rank among the most popular stores in France, thanks to an unprecedented focus on customer service and assistance.





France

France is the Group's largest market and accounts for nearly 50% of its revenues. Despite increasing fierce competition and strong regulatory pressures, Orange remained solidly on course.

27.1

million mobile customers

22.5

billion euros in revenues, 47.6%
of consolidated Group revenues

18.5

million fixed-line subscribers

8.6

billion in EBITDA

9.6

million broadband customers



number 1

in every market segment

a mature, highly competitive market

The French telecommunications market is driven by renewal of products and services, with stiff competition in every segment. 2011 was impacted by the emergence of mobile virtual network operators (MVNOs), rising regulatory pressures and the anticipated arrival of a fourth mobile operator. The new operator launched services in January 2012, offering very aggressive rates. The French market is also extremely dynamic, led by explosive growth in digital usage, largely offsetting the steady decrease in prices.

Orange, the leader in every segment

Despite a 3.3% – decline in revenues in France, the Group proved very resilient thanks to the commercial success of various offers that all topped a million customers (Open, Deezer, Livebox Star). Orange is also energized by a dense distribution network, powerful and reliable networks, and quality of service. With a three-pronged customer strategy anchored in simplicity, segmentation

and service. Orange aims to be the benchmark for excellence in customer relations with plans, products, services and advice tailored to each customer. Orange also enjoys multiple contacts with customers thanks to a very dense network of stores, customer call centres and a range of Web portals. The goal is to nurture customer loyalty with high-performance, optimized offers (more bandwidth, complementary services, etc.), innovative services (like Cinéday cinema tickets, see page 22) and a significant improvement in service quality.

mobile

In a market with a penetration rate of over 105% (source: ARCEP), Orange is the leader with a network market share of 44.9%. Despite the offensive by virtual operators in the third quarter, Orange's share of the consumer market stabilised at the end of the year at approximately 40%. The fourth quarter saw dynamic performance with the addition of 197,000 new contract customers in France.

At end-2011, Orange had over 27.1 million mobile customers, including nearly 19.5 million with contracts. Mobile revenues increased 4.3% in 2011, excluding the impact of regulatory measures. This rise reflects the combined success of segmented offers like Open and the increased use of smartphones, which reached a penetration rate of 41% in 2011. Thanks to smartphones, the share of data services rose significantly to 36.1% of mobile revenues. Average revenue per user (ARPU) was 375 euros, excluding regulatory impact, showing the combined impact of rises in data services and text message revenues.

competitive assets: service quality and customer relations

On 15 February 2012, Orange provided transparent reporting of the impact of the new operator in the French mobile market. Although Orange had lost 200,000 customers at that date, approximately 0.7% of its customer base, it had anticipated this new factor by concluding a six-year roaming agreement with the new arrival. Estimated revenue from this agreement, revised upwards in May 2012 to over 1 billion euros in three years, will partially offset the drop in revenues in the consumer mobile market. Orange also launched competitive offers:

- the Web-only Sosh brand in October 2011, featuring three offers with no commitment (see page 180). Sosh was immediately successful, signing up over 200,000 customers;
- a new version of the Open quadruple play offer (see page 138), which had 1.7 million customers at 3 May 2012.

Internet and fixed telephony

Orange delivered very good performance in this segment in 2011. Revenues declined 4% on a comparable basis, excluding regulatory impact, due to a 13.4% – drop in conventional telephone services. Orange was especially

dynamic in the ADSL broadband segment, where it maintained a market share of over 45%. Revenues from Internet services increased 2.2%, including the impact of VAT and lower rates. Orange captured 30.5% of new ADSL customers during the year, a percentage that reached 38.4% for the fourth quarter, the highest level in three years. This performance was linked directly to the success of the Open offers and new segmented triple play plans. Orange added 391,000 net new fixed broadband customers during the year. The number of IPTV customers also continued to increase, reaching 4.4 million for year-on-year growth of 25%.

number 1 in service quality

In an extremely competitive environment, Orange is differentiated by superior quality networks and customer service quality.

Customers who choose Orange enjoy:

- the best mobile network in 2011, according to ARCEP;
- 24/7 emergency assistance;
- personalised advice and budget management;
- home installation and getting started training;
- access to a network of 1,200 stores, 260 service corners and 200 customer support call centres.

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g

game story

Orange has for many years promoted relations between the digital world and culture. In partnership with the "Réunion des Musées Nationaux Grand Palais" in Paris, Orange was a partner of the exhibition "Game Story", which ran from late 2011 to early 2012. This partnership, in collaboration with Ubisoft, invited visitors to experience augmented reality and interact with the celebrated Raving Rabbids.





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geometry

France Telecom-Orange is a continually evolving international group. Its footprint moves with new operations and regions as more networks and services become available for all customers around the world.

two new countries for Orange in Africa and the Middle East

The Group continues to consolidate its international development, moving into new markets with strong potential. The roadmap calls for revenues in emerging markets to double by 2015. Two strategic operations advanced along this path in 2011. In the Middle East, Orange and its partner Agility acquired a 44%-stake in the third Iraqi mobile telephony operator Korek Telecom. Korek has a national mobile telephony license in the country, which is rebuilding its economy. Expansion continued in Africa too as the Group acquired 100% of Congo Chine Telecom in the Democratic Republic of Congo, the four-largest country in Africa in terms of population (over 70 million), and a mobile penetration rate of under 20%, well below that of neighbouring countries, thus offering considerable potential.

In early 2012, France Telecom-Orange and Orascom Telecom Media and Technology Holding SAE announced they had entered into discussions regarding a change in the shareholders' agreement signed in 2010. These discussions relate to their interests in ECMS and Mobinil in Egypt.

optimising the portfolio

As part of moves to optimise its portfolio of assets, the Group's strategy is refocused on markets that offer the greatest growth potential. In 2011, TP SA in Poland disposed of its distribution subsidiary Emitel. In 2012 the Group finalized the sale of its mobile subsidiary in Switzerland for over 1.5 billion euros and announced the impending sale of its 35% interest in Orange Austria. The Group also reviewed its content strategy to concentrate on its position as aggregator by establishing strong partnerships.

Sofrecom spearheads international presence

A wholly-owned subsidiary of France Telecom, Sofrecom is a world leader in telecommunications consulting and engineering services, with over 45 years of experience and 10 local operations. Sofrecom is on the cusp of the sector. Nearly 1,400 consultants and experts anticipate changes, identify opportunities and support players in the global telecommunications industry. A specialist in operator transformation programmes, Sofrecom is currently managing major contracts on several continents.

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governance

The Board of Directors oversees the efficient management of the Group. The Executive Committee is responsible for operational management of the company under the authority of the Chief Executive Officer.

These two bodies constitute the main pillars of the Group's governance.

Stéphane Richard has been Chairman of the Board of Directors and Chief Executive Officer since 1 March 2011.

Board of Directors

role

The Board of Directors is a collective decision-making body whose members are directors of the company. It is responsible for overseeing senior management decisions, establishing the strategic orientations of the company and ensuring that it functions efficiently. The Board approves financial statements and financial information, ensures that operational objectives are achieved and that they comply with applicable legislation and regulations. It presides over all major strategic, economic, human resources, financial and technological decisions and ensures application of decisions by Group senior management, whose members compose the Executive Committee. It does not directly manage the Group's day-to-day business operations.

composition of the Board of Directors

Board members are elected by the Shareholders' Meeting, by employees or appointed by the French government. They are voluntarily selected to ensure a diversity of profiles: active managers, executives who have retired from major companies or institutions, or senior public officials. They represent a variety of sectors, including finance and economy, telecommunications, technology and development. Their diversity and exchanges of viewpoints provide a rich source of perspectives for the Group. In 2011, the Board of Directors of France Telecom met 10 times, in addition to the meetings of the three specialized board committees. The Group is also committed to greater internationalisation and to balanced representation of women on the Board. The Board of Directors currently has a total of five women, one third of the 15 members elected by shareholders or employees.

appointment of Board members

The number of Board members is established by French law or by the company bylaws.

At 31 March 2012, the Board of Directors of France Telecom was composed of 15 members who serve for a four-year term. The Board members receive attendance fees. Of the 15 Board members:

- > 8 are elected by the Shareholders' Meeting;
- > 3 are designated by the French government;
- > 3 are elected by employees;
- > 1 is elected by the Shareholders' Meeting to represent employee shareholders.

In the course of 2011, the following changes occurred in the Board's composition:

- during its meeting on 23 February 2011, the Board of Directors took formal note of Didier Lombard's decision to resign as director, and therefore as Chairman, and, on the recommendation of the Governance and Corporate Social Responsibility Committee, appointed Stéphane Richard as Chairman and Chief Executive Officer, effective on 1 March 2011;
- on 7 June 2011, the Shareholders' Meeting elected as independent directors Helle Kristoffersen, Muriel Pénicaut, and Jean-Michel Severino, to replace, respectively, Marcel Roulet, Henri Martre and Jean Simonin, whose terms of office had expired;
- in addition, the Shareholders' Meeting of 7 June 2011 reappointed Bernard Dufau as independent director.

role of Board members

Board members receive a detailed agenda and related documents for each item prior to each meeting of the Board. During the meetings they ask questions and share comments. They review different stages in the company's functioning, in particular the half-year and annual financial statements, as well as the budget. The Board of Directors convenes Shareholders' Meetings, approves the financial statements and the annual management report.

deliberations

After the Board members have deliberated, discussed their viewpoints, asked questions and heard the answers or additional information provided by management, the Chairman of the Board of Directors may request a vote on a given deliberation. To be approved, the deliberation must receive a majority of the votes. Matters deliberated include, for example, payment of an interim dividend, awarding of free shares to employees or certain major transactions by the Group. In 2011, the Board reviewed strategic development opportunities, including a procurement partnership with Deutsche Telekom, the acquisition of a telecommunications operator in the Democratic Republic of Congo, as well as transactions involving content such as the partnership with Canal+ and the acquisition of 49% of Dailymotion.

responsibilities of Board members

Members of the Board of Directors are subject to:

- **the duty of confidentiality**

Board members must strictly comply with the obligation of confidentiality regarding discussions of the Board and its committees, as well as all information presented during these meetings;

- **the duty of independence**

In the exercise of their responsibilities, Board members must act independently of all interests other than those of the company. Board members are required to inform the Chairman of any situations that might create a conflict with the interests of the company or any Group subsidiary;

- **a duty of diligence**

In accepting their appointment, Board members explicitly commit to doing their utmost to fulfil all their responsibilities.

principles and rules for determining attendance fees

In accordance with the law, the maximum amount of attendance fees that can be paid annually to directors is set by the Annual Shareholders' Meeting. The resolution approved remains valid until a new resolution is adopted. The Annual Shareholders' Meeting of 27 May 2008 set this sum at 600,000 euros. Within this limit, and on a proposal from the Governance and Corporate Social Responsibility Committee, the Board of Directors decides at the start of each year on the amount of attendance fees that it will allot to its members for the past year and their allocation rules.

Since 2006, the directors have received a fixed amount annually, which is now set at 10,000 euros, and a variable amount based on their attendance at Board and Board's committees meetings, and on the functions that they perform within the committees.

Directors receive no other compensation besides attendance fees, with the exception of the Chairman and Chief Executive Officer and the directors representing the employees and employee shareholders (who themselves are employees).

composition of the Board of Directors at 31 March 2012

directors appointed by the Annual Shareholders' Meeting

Stéphane Richard

Chairman and Chief Executive Officer
Date appointed: 9 June 2010
Term ending: 2014⁽¹⁾

Bernard Dufau

Former Chairman and Chief Executive Officer of IBM France
Independent director
Date appointed: 25 February 2003
Term ending: 2015⁽¹⁾

José-Luis Durán

Chairman of the Management Board of Devanlay
Independent director
Date appointed: 5 February 2008
Term ending: 2012⁽¹⁾

Charles-Henri Filippi

Chairman of Citigroup France
Independent director
Date appointed: 5 February 2008
Term ending: 2012⁽¹⁾

Claudie Haigneré

Chairman of Universcience
Independent director
Date appointed: 21 May 2007
Term ending: 2012⁽¹⁾

Helle Kristoffersen

Director of Strategy and Economic Intelligence of the Total group since January 2011
Independent Director
Date appointed: 7 June 2011
Term ending: 2015⁽¹⁾

Muriel Pénicaud

Group Director of Human Resources, member of the Executive Committee and in charge of CSR at Danone
Date appointed: 7 June 2011
Term ending: 2015⁽¹⁾

Jean-Michel Severino

Director of Investisseur et Partenaire Conseil
Independent director
Date appointed: 7 June 2011
Term ending: 2015⁽¹⁾

director elected by the Annual Shareholders' Meeting representing employee shareholders

Marc Maouche

Director of relations with Seine-Saint-Denis local authorities
Date appointed: 9 June 2010
Term ending: 2014

directors representing the French State

Jean-Dominique Comolli

Commissioner for State Holdings and Director General of French Government Shareholding Agency
Date appointed: 15 September 2010
Term ending: 14 September 2014

Pascal Faure

Vice-Chairman of France's High Council for the Economy, Industry, Energy and Technology (CGIET)
Date appointed: 14 September 2009
Term ending: 13 September 2013

Pierre Graff

Chairman and Chief Executive Officer of Aéroports de Paris
Date appointed: 14 December 2010
Term ending: 13 December 2014

directors elected by employees

Caroline Angeli

Corporate networks manager
Date appointed: 3 December 2009
Term ending: 2 December 2013

Ghislaine Coinaud

Support Function
Date appointed: 3 December 2009
Term ending: 2 December 2013

Daniel Guillot

Director of relations with local authorities
Date appointed: 3 December 2009
Term ending: 2 December 2013

Thierry Franchi attends meetings of the Board of Directors in his capacity as representative of the Central Works Committee.

⁽¹⁾ Term of office ends at the Shareholders' Meeting to be convened to approve the financial statements for the previous year.

Appointments to new terms submitted for approval by the Annual Shareholders' Meeting on 5 June 2012

The Board of Directors will propose to appoint Claudie Haigneré, José-Luis Durán and Charles-Henri Filippi for new four-year terms.

committees of the Board

The Board of Directors is supported by expertise from three specialized Board Committees, which provide informed input for the Board's discussions and assist in preparing its decisions. These committees meet as often as is necessary. Their functioning and their areas of responsibility are set out in the Internal Guidelines of the Board of Directors, which were established in 2003 and amended several times since then. In line with the recommendations of the Afep-Medef code of corporate governance for listed companies, independent directors are given significant responsibilities. France Telecom also believes that each committee should benefit from the presence of at least one member who represents the French government and at least one member who is an employee representative.

The Audit Committee meets regularly with senior management and executives of the Group's Finance Department. The Committee met eight times in 2011. It comprises at least three members appointed, for an indefinite term, by the Board of Directors on the recommendation of the Governance and Corporate Social Responsibility Committee. The Chairman of the Audit Committee is chosen from the independent directors.

The Governance and Corporate Social Responsibility Committee comprises at least three members appointed by the Board of Directors on the recommendation of its Chairman. The Governance and Corporate Social Responsibility Committee met nine times in 2011. Among the issues examined were compensation of directors and corporate officers, recommendations for potential Board members, examination of corporate social responsibility policy and the allocation of free shares.

The Strategy Committee met once in 2011 in order to examine changes to spectrum resources in the Group's main geographic areas. It comprises at least three members appointed by the Board of Directors on the recommendation of its Chairman.

An ad hoc committee made up of independent directors met four times and supported Corporate Management in the preparation of responses to calls for applications for the award of spectrum frequencies.

Lastly, a one-day seminar was attended by the members of the Board of Directors and the Executive Committee.

Group management

The Board of Directors appointed Stéphane Richard as Chairman and Chief Executive Officer, effective 1 March 2011. He had been Chief Operating Officer and a corporate officer since 1 January 2009 and then Chief Executive Officer of France Telecom, effective 1 March 2010. In October 2011, upon the recommendation of the Governance and Corporate Social Responsibility Committee, given the size and significance of the Group, the Board of Directors appointed a second corporate officer to represent the company. On the recommendation of Stéphane Richard, the Board of Directors appointed Gervais Pellissier Chief Executive Officer Delegate as from 1 November 2011. Mr. Pellissier retained his responsibilities as Executive Director in charge of Finance and Information Systems.

With effect from that same date, Stéphane Richard appointed three new Deputy CEOs:

- Delphine Ernotte Cunci, Executive Director of Orange France;
- Pierre Louette, Executive Director in charge of the General Secretariat, the France Operators Division and Group Purchasing;
- Bruno Mettling, Executive Director in charge of Group Human Resources.

Along with Jean-Philippe Vanot, France Telecom now has four Deputy CEOs.

Executive Committee

Placed under the authority of the Chairman and Chief Executive Officer, the Executive Committee has 13 members. With effect from 1 November 2011, the members are the Chief Executive Officer Delegate, the four Deputy CEOs and the seven Group Executive Directors in charge of divisions and Group functions. The Executive Committee coordinates the implementation of strategic orientations. It oversees the achievement of operational, labour relations and technical objectives, as well as those relating to the allocation of financial resources. The Executive Committee meets weekly.



Delphine Ernotte Cunci, Deputy CEO, Senior Executive Vice-President, Orange France
Stéphane Richard, Chairman and Chief Executive Officer
Christine Albanel, Senior Executive Vice-President, Communication, Philanthropy and Contents Strategy



Gervais Pellissier, *Chief Executive Officer Delegate, Group Finance, Information Systems*
Élie Girard, *Senior Executive Vice-President, Group Strategy and Development*



Bruno Mettling, *Deputy CEO, Group Human Resources*
Jean-Philippe Vanot, *Deputy CEO, Quality and Corporate Social Responsibility*



Thierry Bonhomme, *Senior Executive Vice-President, Orange Labs, Networks & Carriers*
 Pierre Louette, *Deputy CEO, Group General Secretary,
 French Wholesale Activities, Group Sourcing and Supply Chain*



Benoît Scheen, *Senior Executive Vice-President, Europe*
 Marc Rennard, *Senior Executive Vice-President, International, Africa, Middle East and Asia*



Jean-Paul Cottet, *Senior Executive Vice-President, Marketing Innovation and New Growth Activities*
Vivek Badrinath, *Senior Executive Vice-President, Enterprise Communication Services*



h

hello demain

An exhibition showcasing uses that transform the way we live at home and in public spaces. Orange welcomed tomorrow in 2011.

entertainment

“ Computers and consoles will make unprogrammed, typically human errors during the game, because of distraction, ignorance or even to show off...” ”

Jean José

During a four-day event in June 2011, Orange showcased the best innovations from the Group and its partners at the Museum of Science and Industry in Paris. The “hello demain” (hello tomorrow) exhibition invited visitors on a discovery tour of the latest digital applications, guided by none other than the Group’s employees, who perfectly

played their role of digital coach. Inside the exhibition were areas dedicated to the connected home and “intensive entertainment”. Outside, a vast “Smart City” park immersed visitors in future-facing uses. Among the most popular exhibits were an interactive living room table that displayed enriched, interactive TV programming, the



“ No more children’s illnesses and diseases
– a future without vaccinations! ”

Laetitia

“ Cities with a real sense of community, where people
come together, share experiences and respect each
other or simply get to know each other better. ”

Pierre

“One concept” family of connected devices for a tangible sensory experience with music, communication and entertainment, the automated digital home, and connected bus stops proposing an array of information about the city and the neighbourhood. The stars of the exhibition were a holographic theatre that teletransported

visitors and created their digital double, along with the “future tree”, a collective digital work designed in collaboration with Bernard Werber, inviting visitors and participants on the Internet to share their vision of the future.







h

health

Healthcare providers must address pressing needs for telemedicine solutions, medical records security and improved overall efficiency for healthcare systems. Orange is helping key players leverage technology to create future-facing solutions.

critical challenges

According to a survey by Marketresearch.com in September 2011, the e-health sector is expected to grow by 13% per year. Orange is playing a leading role in France and around the world to meet new needs. Convergence between the healthcare industry and communications providers is driven by fundamental trends in society, including longer life expectancies, burgeoning healthcare costs – related in particular to chronic disease (e.g., diabetes, renal

disease) – the impending global shortage of doctors and the need for governments to optimize healthcare provision.

Orange spearheads e-health

Orange was one of the first global operators to form teams dedicated to healthcare solutions. Among the Group's pioneering initiatives is a Health Help Centre deployed in partnership with the Bhutan Ministry of Health in 2011, enabling people across the country to access healthcare services.

Orange expertise spans three main areas:

- **services for healthcare professionals**

Connected Hospital is an integrated healthcare communications platform that is purpose built to improve patient care and comfort, ease communications among medical staff, ensure the safety and security of people and equipment, and reduce the burden of daily administration tasks. In 2011, Orange implemented several of the building blocks developed as part of the Connected Hospital solution, including the Multimedia Terminal, at the Metz-Thionville regional hospital. In another pioneering initiative, Orange developed France's first-ever Shared Medical Imaging platform. Introduced in the greater Paris region, the system allows healthcare establishments and GPs to transfer, store and retrieve digital medical images, ensuring better communications and patient coordination between care providers. As well as helping to curb healthcare costs and provide completely secure data storage and sharing, the system also reduces environmental impact.

- **telehealth services**

Many healthcare systems face spiralling costs due to aging populations and an increase in chronic diseases. E-health initiatives enable patients – and the elderly – to receive care in the comfort of their own homes, resulting in substantial cost savings. Remote monitoring solutions developed by Orange significantly improve patient well-being and reduce hospitalisation rates. In Grenoble, for example, Orange worked closely with several partners, including the university hospital, to develop a trial version of a remote patient monitoring system for people with chronic renal disease. Patients

are provided with a tablet device, connected over the conventional telephone network, allowing them to send their physicians regular updates on their condition. In Spain, Orange signed a strategic agreement with Sanofi to develop a dedicated communications platform for diabetes sufferers.

- **preventive services**

Orange is playing a leading role in developing preventive healthcare, especially in Africa, where the Group is engaged in a wide range of programmes and initiatives. In Kenya, where counterfeit drugs account for up to 30% of the market, Orange launched a medicine authentication service in partnership with a local NGO. Consumers simply send the serial number on a medicine packet (found under a scratch-off label) via text message to find out whether the drug is genuine or not. Capitalizing on its extensive presence in Africa, the Group is supporting the healthcare community in its efforts to provide “care for everyone” and improve the efficiency of local facilities by developing mobile applications and telemedicine solutions that broaden access to healthcare services. In 2011, Orange developed a mobile medical data application to improve the monitoring of infant health in Mali.

i



innovation



A dimly lit room, possibly a study or office, with a desk in the foreground. On the desk is a lamp and some papers. The wall behind the desk is covered with many small photos and papers. A chair is visible in the background.

simple, accessible,
surprising, useful, fun,
alive... innovation today
is for everyone



the DNA of the Group

Innovation is a strategic priority because it is the key that unlocks our future growth and a powerful differentiator with our competitors.

France Telecom-Orange has always been a trailblazer in the technological revolutions that have marked the history of telecommunications, from the first telematics services to GSM to IPTV. Orange believes that innovation is only truly meaningful if it is available to everyone and focused on customers to make their lives simpler and more fun, at home, at work or on the move. Beyond the technology side of innovation, our job is to be a “digital coach” for our customers, helping them get the most out of new digital devices and services. This dynamic vision is supported by a robust investment policy: in 2011, the Group devoted over 800 million euros to research and innovation and filed over 300 patent applications. With more than 5,000 researchers, engineers, technicians, designers and marketers on five continents, Orange deploys an integrated, end-to-end innovation chain.

7 innovation priorities

The Group has identified seven priority areas for research and innovation.

Five centre on products and services: communication services (RCS, VoIP, instant messaging, etc.), monetisation of data services, safety – security and privacy –, cloud services and Internet of things, and two fields to develop and transform its assets and strengths: the Orange universe (multi-screen, multi-access experience) and smart networks.

rethinking the innovation chain

The Nova+ programme reaffirms France Telecom-Orange's leadership in innovation. The programme strengthens the effectiveness of research and innovation to better align efforts with the vast diversity of customer needs around the world. Nova+ is based on close upstream involvement of countries and regions to cascade needs in order to deploy the most relevant innovations with minimal lead time. This approach underpins the design of products and services that are closely matched to local characteristics. Three timeframes have been defined for these efforts. Design and roll-out of projects meeting the short-term needs of countries are integrated in their roadmap, while anticipation projects lay the foundations for the next roadmaps within an eighteen-month horizon. Lastly, research projects anticipate major disruptive technologies and guide the Group's long-term strategy.

innovation today and tomorrow

Orange innovation already impacts numerous aspects of daily life, from high-definition voice and multimedia tablets, to multi-screen TV, 4G or fibre optic networks. The development of mobile Internet, especially in emerging countries, encourages the development of electronic payment solutions like Orange Money or Surf and Pay, as well as access to public services (e-health). Orange has the capacity to help customers manage growing volumes of data traffic in a secure environment and is already positioned to tap into three major technology trends for the coming years: cloud computing, a business service that is increasingly available to consumers, the Internet of things, with concrete illustrations in the field of machine-to-machine (M2M), contactless technology (NFC). Contactless solutions will soon be a part of our daily lives for purchases at retailers using public transportation, or for paperless tickets to everything from films to football matches. Other innovations will transform our lives tomorrow. Homes will be connected, video games will be more intense and immersive, and the city will become smart. Thousands of visitors to Orange's "hello demain" exhibition in June 2011 enjoyed an advanced preview of these and other exciting innovations.

investments

Each year, the Group invests to prepare for the future, anticipate and satisfy customer needs and expectations.

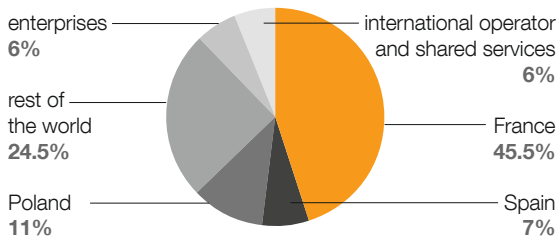
5.8

billion euros CAPEX in 2011

+3.3%

increase in CAPEX year-on-year

geographic breakdown



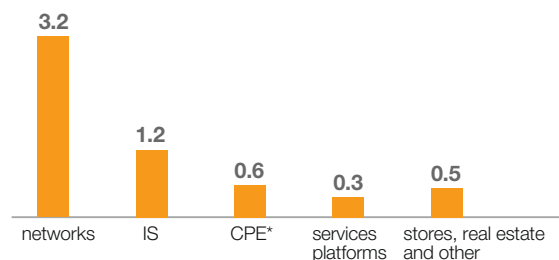
12.7%

of revenues

55%

of CAPEX in networks

sector breakdown (in billions of euros)



* Customer premises equipment.

France Telecom-Orange made total investments of 5.8 billion euros in 2011, equal to 12.7% of revenues. This amount reflects the Group's development ambitions and leading role in the telecommunications industry. Capital expenditure (CAPEX) rose 3.3% over 2010, despite a difficult economic environment. These investments establish foundations for future growth and boost productivity.

Investments target four main areas: information systems (spending increased 4% in 2011), customer premises equipment, particularly for fixed broadband equipment, leading to an increase of 16%, commercial networks, especially in France and Spain, with investments up 10%, and of course, networks.

Capital spending on networks, the core asset of a telecommunications operator, represented 55% of total CAPEX.

These investments were used to develop and modernize networks to cover the broadest geographic footprint and deliver the best quality of service to customers. Spending on network improvements rose 2% in 2011 to 3.2 billion euros. The majority of investments were targeted to mobile networks in Europe to support equipment upgrades, along with deployment of 3G mobile infrastructure in Africa, submarine cables to link Africa to the rest of the world, and deployment of fibre in France.



investors

France Telecom remains committed to the quality of information provided for the financial community.

the share in 2011

Stock markets declined sharply in 2011 (except for the US), amidst fears and then signs of a global economic slowdown. This negatively impacted the performance of cyclical industries in particular. The euro-zone debt crisis and government austerity measures further dampened the growth outlook. Volatility was comparable to that seen in 2008, reflecting a crisis in confidence in the European market.

France's CAC 40 index ended the year down 16.95%, and 34 of the 40 stocks in the index ended below their January levels. The hardest hit were bank and cyclical stocks and utilities. The European

telecommunications sector (DJ Stoxx Telecom index) ended the year down 6.21%, better than the 11% – drop in the DJ Stoxx general index. The decline was especially steep in August when the cycle of worsening economic outlooks began. Among the 21 stocks in the telecommunications industry index, only 3 ended the year above their levels at the start of the year. The France Telecom share was impacted by this environment and ended the year down 22%. Including dividend reinvestment, this performance was in line with that of the CAC 40, representing a decrease of 13.93%, compared with 13.42% for the broader CAC index.

share information

Markets: Eurolist A – Euronext, New York Stock Exchange

ISIN code: FR0000133308

Stock code: FTE

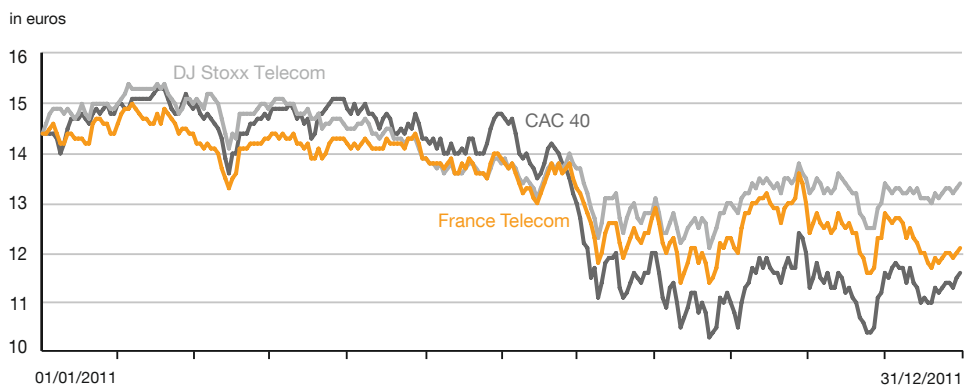
Par value: 4 euros

Included in the following indices: CAC 40, Euronext 100, DJ Stoxx Telecom, FTSEurofirst 100, FTSEurofirst 80, SBF 120, MSCI Euro Index, FTSE Eurotop 100 Index

Eligible for deferred settlement service (SRD) and investment savings accounts (PEA)

Number of shares at 31 December 2011: 2,648,885,383

France Telecom share price



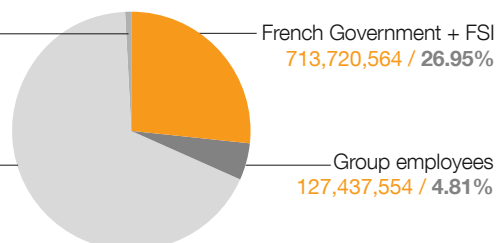
distribution of share capital

at 31 December 2011

number of shares / in %

treasury shares
15,456,045 / 0.58%

float
1,792,271,220 / 67.66%



total – 2,648,885,383 / 100%

investors

The France Telecom Investor Relations team maintains ongoing dialogue with the investment community (analysts and fund managers), responding to questions on strategy and providing details regarding financial information published.

This dialogue is punctuated by the regularly scheduled announcement of financial results:

- full-year results (announced on 22 February in 2012) are presented at a conference during which the Chairman and Chief Executive Officer, members of the Executive Committee and senior managers answer questions from analysts and investors;
- first-quarter results (3 May 2012), half-year results (end of July 2012) and third-quarter results (end of October 2012) are announced during conference calls.

At the end of May 2011, the Group hosted an Investors Day, presenting the “adapt to conquer” strategic plan for the period 2011-2015.

Results announcements are followed by road-shows in France and other countries, maintaining close relations with institutional shareholders and major fund management firms. In 2011, the Group expanded contacts with investors in key regions, notably Asia. France Telecom also regularly takes part in business and telecom industry investment conferences hosted by major banks, providing an opportunity to maintain regular contacts with shareholders and reach new potential shareholders. Private meetings are also scheduled at the request of analysts

and investors throughout the year. In 2011, the Group met with over a thousand investors during 450 meetings in 25 cities around the world.

individual shareholders

France Telecom nurtures close relations with nearly a million shareholders through regular information, dialogue and local events.

Shareholders can choose from a variety of information channels, from text message alerts to in-depth analyses, including videos, the “2 minutes” leaflet (a recap of key figures), plus face-to-face meetings for personal contacts. Each year, shareholders are invited to the Annual General Meeting in Paris (5 June 2012), which is webcast live and available from tablets or mobile phones via www.orange.com. A dozen local shareholder meetings are scheduled across France, and over 150 events (sports, culture, leisure, tours of facilities) are proposed to Shareholders’ Club members.

France Telecom of course provides comprehensive information via digital channels. In addition to www.orange.com, there is a quarterly webzine, idClub, text message or e-mail alerts on Group news and local events. The shareholder newsletter and annual report round out this information suite.

employee shareholders

The Group encourages employee engagement through different savings plans and ownership of direct registered shares. Some 175,000 employees (including former and retired employees) currently benefit from these schemes. In France, employees have access to a company savings plan (PEG: in France) and a collective retirement savings plan (PERCO: in France) in which they can

invest all or part of their profit-sharing and incentive bonus, or make voluntary payments to the plans. The Group provides various levels of matching funds for these plans. A new free share award plan was introduced for all employees in 2011. Shares will be awarded to employees in 2015 on an equal basis, subject to achievement of collective performance criteria confirmed in the reporting of 2013 full-year results. France Telecom provides clear and regularly updated information for employees concerning these different measures via an intranet and a special hotline. Online training for employee shareholders was introduced in 2011 as well.

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j

jobs

A new human resources policy was introduced in 2010 within the framework of the conquests 2015 plan and deployed worldwide in 2011. The objective is to inspire fresh momentum.

welcome to Orange

With the conquests 2015 project, France Telecom-Orange completely rethought its human resources policy and established a roadmap based on four priorities: social performance, skills development, management and recognition of performance. In early 2012 this momentum helped earn the “Top Employers 2012” label for Orange in France from the CRF Institute, recognizing the company’s human resources policy, best practices and innovative initiatives.

balance business and social performance

Only satisfied employees can deliver customer satisfaction. This is especially true for a company that counts 172,000 employees, a considerable number of whom have direct daily contact with customers. This truth also figures at the heart of the social contract established in 2010 and now deployed across the entire Group through the Orange People Charter programme (see page 148).

talents

training
conviviality
support
initiatives
welcome
anticipation
culture
itinerary
best
practices
experience
development
employees



France Telecom-Orange has taken proactive measures to improve social performance, including a range of metrics introduced in 2011 to track and analyse progress:

- **an employee satisfaction survey to measure** how the Group's people perceive the quality of their working environment and identify discrepancies between commitments made and day-to-day realities. Two surveys have been carried out each year in France since June 2010, showing positive results in terms of quality of life at work. An international version of the survey was launched in late 2011, covering nearly all the Group's host countries;

- **tools and services to create stronger links** between the company and its employees. Since 2010, the Group has worked to re-establish dialogue and renew the confidence of its employees. Regular meetings are scheduled and budgets have been allocated to equip convivial break rooms where people can enjoy informal contacts. Investments have also been made in collaborative facilities and applications such as "Plazza", the new company social network, available in four languages. Less than a year after its launch, Plazza counts over 30,000 users and 1,000 communities. Plazza is now stretching beyond borders with local versions in Romania, Jordan, Poland, Spain and the Dominican Republic;

- **stronger social dialogue at the Group level**, embodied by the formation of a

Worldwide Works Council, representing 22 countries. The Council met for the first time on 12 May 2011. In addition to elections of employee representatives, there are also different forums and surveys. The participation rate for elections in France was 74% in 2011, underlining strong interest among staff in designating their representatives.

developing skills

Anticipating skills and jobs is essential to prepare the company to meet future challenges. France Telecom-Orange is actively committed to a long-term, responsible approach to anticipate evolving needs and support the professional growth of all employees.

- **the Group guarantees access to training for all employees** and encourages professional development through professional certifications and accreditation of workplace learning. In 2011, Orange recognized 215 technicians who earned a State certified degree thanks to this accreditation process;

- **the Forward-Looking Employment and Skills Management Programme agreement signed in March 2011** in France provides a framework to ensure respect for this commitment. Under the terms of the agreement, all employees have access to global, consistent and actionable information on job opportunities and skills development, providing opportunities to pursue professional development with support for fulfilling career

itineraries. This encompasses collective support for information on fundamental trends in employment (intranet, team meetings, forums and information meetings), as well as individual support from managers and Orange Avenirs career advisors.

a dynamic new management culture

Managers play a front line role in establishing a new relationship between the company and its people. The Group's 22,000 managers are pivotal to deployment of the social contract and in making Orange a preferred employer. This is why the Group has implemented significant resources to create a dynamic "made in France Telecom-Orange" management culture. The Orange Campus is the cornerstone of the "new" France Telecom-Orange that is being constructed. It welcomed over 10,000 managers in 2011, with an emphasis on eliminating internal barriers and fostering diversity. The programme included meetings, conferences and both standard and custom-tailored training to aid managers in meeting their business and personnel management goals. In 2011, Orange Campus came to Poland too, opening a centre near Warsaw, as well as Spain, with a location in Madrid.

recognizing and rewarding performance

Employee satisfaction and loyalty also require recognition of both collective contributions and individual engagement. France Telecom-Orange has introduced a range of initiatives to ensure that the largest number of people share in the success of the company, including:

- a new free share award plan ("Let's Share") available to 80% of employees in 92 countries;
- signature of an agreement for an addition to the profit-sharing plan for France Telecom SA in 2011;
- the wages agreement signed in April 2011 calls for a 2.5% – increase in wages for employees of France Telecom SA, with guaranteed increases for all staff and specific emphasis on employees with the lowest salaries.

For complete information on diversity and professional equality, see page 28.

Job and internship offers are posted on www.orange.jobs

j

Joint Venture Buyin

In April 2011, France Telecom-Orange and Deutsche Telekom created Buyin, a joint venture to pool their purchasing activities.

double the power

In April 2011, France Telecom-Orange and Deutsche Telekom announced the creation of an equally-owned joint venture called Buyin. The company will take charge of procurement for the two groups for mobile handsets and network equipment, as well as a significant share of spending on fixed-network equipment and service platforms. The objective is to save 1.3 billion euros annually on purchasing after three years of implementation. Based in Brussels with operating units in Paris and Bonn, Buyin was launched in October 2011.

efficiency first

Like the Chrysalid operational efficiency programme launched in 2011, Buyin is one of the Group's responses to the need for enhanced performance. France Telecom-Orange expects the joint venture to flow through to savings of 900 million euros in OPEX and CAPEX by 2015. This partnership with the German operator could also be broadened as the partners explore cooperation possibilities to better serve their customers in the areas of radio access networks, Wi-Fi roaming, standardized equipment or machine-to-machine services.



k

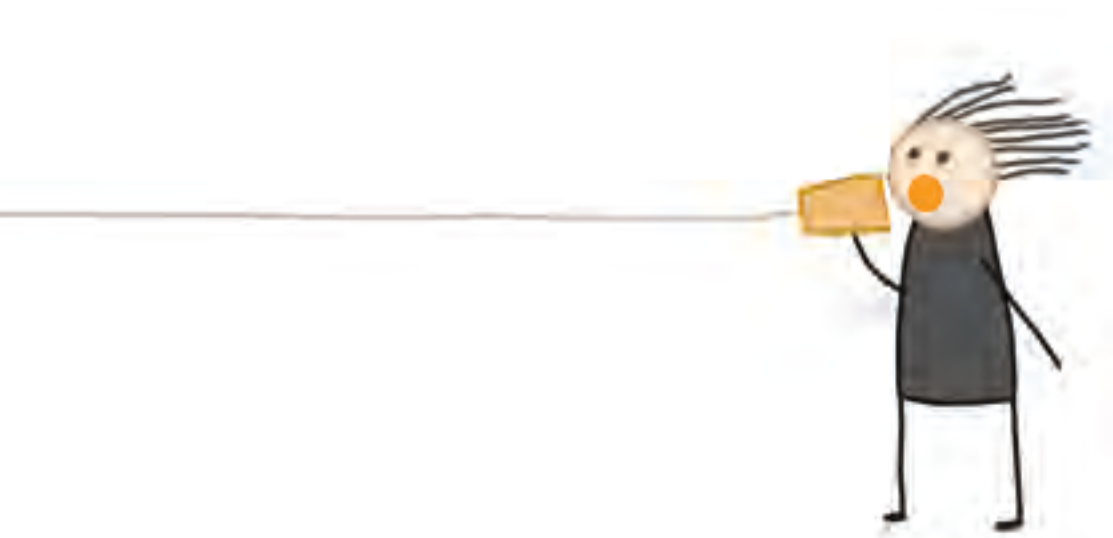
kit for handsfree

Orange launched an international design competition in 2011 challenging design students to create the handsfree earpiece of the future.



Always on the cusp of innovation, Orange has long been committed to leveraging design to bring customers truly differentiated solutions. Reflecting the brand's core values of creation, innovation and exemplary corporate citizenship, the "Orange whispers in your ear" design competition launched in late 2010 challenged students at leading art and design schools in France and the UK to dream up the earpiece of the future. The key criteria in the Group's first international design contest were ease-of-use, style and comfort to encourage mobile users to adopt and use the kit in their everyday lives.

A total of 71 projects were submitted by 83 talented young designers from ESAA Duperré, Strate collège, ENSCI Les Ateliers and Central Saint Martin College of Art and Design. The best four designs were awarded prizes, and all of the projects were featured in a special exhibition at the Lieu du Design industrial design centre in Paris. In 2012, Orange is holding a second design competition entitled "Orange gives you the keys", focusing this time on connected solutions for the home.





license (4G)



The allocation of fourth-generation licenses marks the beginning of a new era in mobile telephony, with exciting new services and an unprecedented user experience.

double success!

In 2011, the French State, via telecommunications regulator ARCEP, auctioned 4G licenses in two stages, first for the 2.6-GHz band in September and then for 800 MHz in December. France Telecom-Orange bid on both blocks, winning two 20-MHz channels in the 2.6-GHz band and two 10-MHz blocks in the 800-MHz spectrum. These results represent a two-fold success for the Group. On the technical side, it acquired more and better quality frequencies than competitors (2 x 30 MHz total) and from a financial perspective, the Orange bids were very close to the reserve prices. The licenses represent a total investment of 1.2 billion euros for France Telecom-Orange, which aims to be the leading 4G operator in France, rolling out commercial offers from 2013.

After deployment of high-capacity mobile broadband networks covering several sites in the Paris area for trials throughout 2010 and 2011, Marseille will become the first 4G pilot city in June 2012. 4G service will subsequently be deployed in four other cities as well. Spain also launched 4G deployment in Valencia and Barcelona, as did Armenia, Moldova and Belgium.

4G, game-changing technology

After 2G, 3G and 3G+ and H+ technologies, 4G (also known as Long Term Evolution, or LTE) is ready for prime time. Thanks to a tenfold increase in speeds, faster response times and more capacity, superfast broadband opens up a world of possibilities for mobile services. Users will be able to download videos or surf the Internet, or watch high-definition video programming, all at blazing speeds. Developers will introduce new applications that spawn novel uses like “mobile cloud” services, networked cloud games or augmented reality.

m

magic zone

In May 2011, Orange Moldova introduced an ingenious new offer for prepaid customers. Depending on the time of day and where they are, customers can take advantage of huge discounts of up to 99% on calls to other Orange numbers. A text message lets customers know when discounts are available, calculated according to network capacity at a given time in a particular call zone. If customers happen to be in a “magic zone” at that time, they get to call at great low rates! The brand enjoyed a huge success with this new offer, with large numbers of customers already signed up and enjoying an average discount of 29%. For Orange Moldova, the offer is a key driver for brand loyalty as well as allowing it to optimize real-time network load.

Orange in Moldova

Out of a total population of 3.6 million, more than 1.8 million people have chosen Orange Moldova, making it the no. 1 mobile brand with 60% of the market. Despite the economic crisis, exacerbated by political instability and fierce competition, Orange Moldova succeeded in expanding its customer base by 5.6% and increasing revenues by 3.2% in 2011.



m

market

Global demand for telecommunications services rose at a more sustained pace in 2011 than the two previous years, despite the still unfavourable macro-economic climate. Market value climbed 3% thanks to the continued robust growth in mobile penetration in emerging countries, and the acquisition of multiple devices by users in industrialised countries, spurred by high-speed fixed network applications and mobile Internet services.

in 2011

6

billion mobile customers
worldwide (ITU)

x2

global mobile data traffic in 2011
(Cisco)

2

billion Internet users worldwide
(ITU)

7%

global Internet traffic generated
by Google in 2011 (Arbor Networks)

5

billion devices connected to the Internet
(Ericsson)

4

billion videos watched every day
(YouTube)

3

million French people
watched television on their mobile
phone in 2011 (Comscore)

845

million Facebook subscribers worldwide,
with 483 million logging on every day**renewed global market growth in 2011**

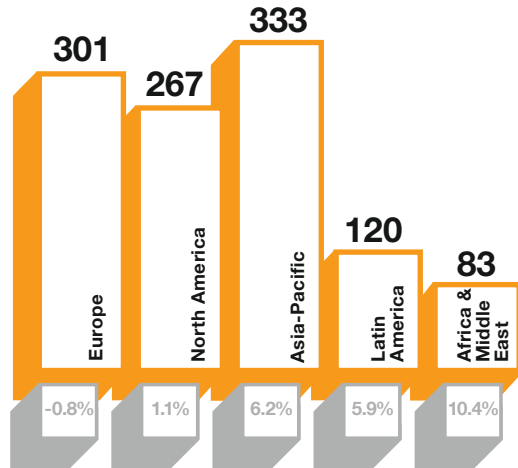
The global market for telecommunications services amounted to 1,105 billion euros in value in 2011, an increase of 3.2%, compared with 2.3% in 2010 and 1.2% in 2009. The return to a more sustained pace of growth, which started in 2010, came against the backdrop of a flat economic environment. Global GDP grew by just 3.8% in volume terms in 2011, versus 5.2% in 2010 (IMF). Mobile services were the leading driver of growth worldwide (rising 6.2% in value in 2011) and accounted for nearly 60% of total market revenues. Fixed services – Internet and data transmission for businesses – continued to grow (up 5.2% in value), partly offsetting the decline in fixed telephony services which began several years ago.

uneven regional performance

Growth in the global market masks major regional disparities; economic climates, market conditions and the maturity of demand for telecommunications services vary in each region of the world. In Europe and the United States, the telecommunications services market did not develop at the same pace as their economies: growth was 1.1% in North America (compared with economic growth of 1.8%) and contracted by 0.8% in Europe (versus 1.4% growth in the euro zone). This trend was the opposite in regions that encompass emerging countries.

global market for telecommunications services in 2011

2010-2011 growth rate (%) and in value (billions of euros)



In Asia-Pacific, the market grew by 6%. Growth was even higher in Africa and the Middle East (10%), which is the Group's main area of focus after Europe. Key markets there include, for instance, Senegal, Mali, Côte d'Ivoire, Botswana, Egypt, Jordan and Cameroon. Furthermore, the Group strengthened its positions in 2011 in Democratic Republic of Congo and Iraq.

widespread connectivity

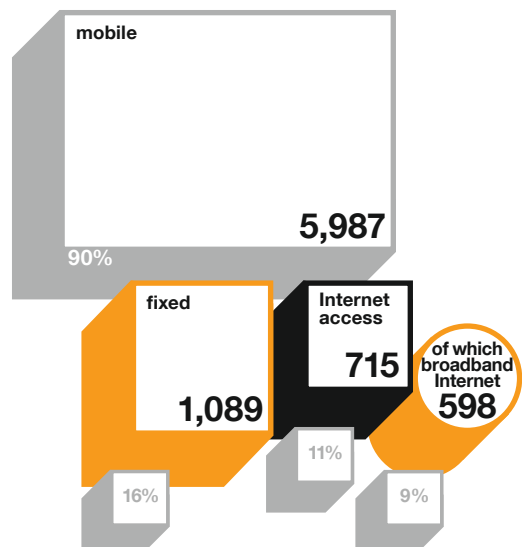
Today, 90% of the world's population has access to telecommunications services, compared with 70% in 2009. In 2011, there were nearly 6 billion mobile users, 2 billion Internet users and 1.1 billion fixed accesses globally.

The rapid spread of telecommunications services is largely driven by the continued rise in mobile penetration. This segment recorded the highest growth in 2011, with a 14% – increase in the number of mobile users worldwide and more than 1,000 new SIM cards activated each minute. The mobile

market can rely on the huge potential of emerging countries, particularly in Africa. This continent's mobile penetration rate was still just 53% in 2011 (ITU). More than 100 million users are expected to have access to mobile broadband Internet by 2015 ("Mobile Africa 2011" report). Demand for fixed-line Internet services also remained high in 2011, especially in Europe. Broadband and high-capacity broadband were the main market drivers in France and the rest of Europe, growing by 7% in volume in 2011. In this sector, deployment of optical fibre networks and LTE (Long Term Evolution) mobile networks, which boost transmission capacity, have spurred market growth. Widespread connectivity has also been fuelled by the diversification and increasing availability of higher-end handsets, particularly in the most advanced markets.

global telecommunications services in 2011

in millions of accesses and penetration as a % of the population



Smartphones accounted for nearly 35% of mobile sales in Europe in 2011 and 142 million units were bought (Informa). Smartphones are becoming the norm among mobile users and the smartphone penetration rate is expected to double within the next five years. Meanwhile, touch-screen tablets are increasingly popular, with more than 60 million sold in 2011—triple the number sold in 2010 (Gartner). Lastly, domestic fixed equipment followed this same trend, spurred by the launch of Internet television.

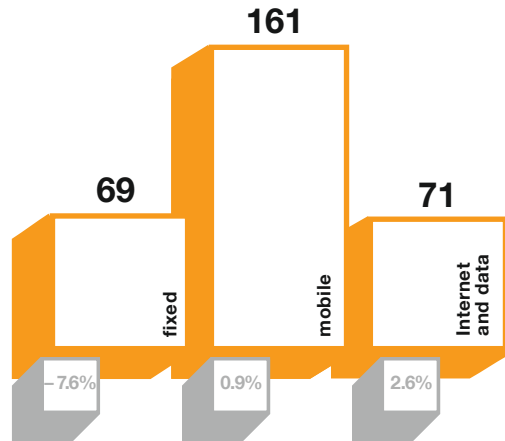
dynamic services

With the increasing digitization of content and the transition to online transactions, telecommunications services continued to penetrate all sectors of the economy and our society as a whole. For businesses, 2011 marked the development of cloud computing, which makes it possible to access and share IT resources and applications, including data processing and storage, via telecommunications networks. Interpersonal communications services expanded in 2011, buoyed by the ongoing boom in social networks, which now rank fourth among Internet uses in Europe. Mobile payment services developed in 2011, especially in Africa (3.2 million Orange Money customers), and the large-scale deployment of contactless mobile payment solutions was launched.

At the same time, online commerce continued to expand, with one third of Europeans regularly using e-commerce (Forrester). Lastly, access to Internet television increased, reaching over one third of the French population (Credoc), and catch-up TV and video on demand continued to prove popular. These services are expected to account for nearly one quarter of the audience in Europe by 2015.

European market for telecommunications services in 2011

2010-2011 growth rate (%) and in value (billions of euros)



networks driving the digital economy

France Telecom-Orange aims to play a leading role in the fast-evolving telecommunications sector. We have invested in high-capacity broadband infrastructure for fixed and mobile services which is essential for the rollout of new offers. We have also continued to deploy our networks in emerging countries. What's more, we guarantee the interoperability of networks and openness of services regardless of the supplier, as well as the security of applications. And we are committed to innovation in our services for the benefit of all consumers.

Unless otherwise mentioned the source of all data is Idate.

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Mobo

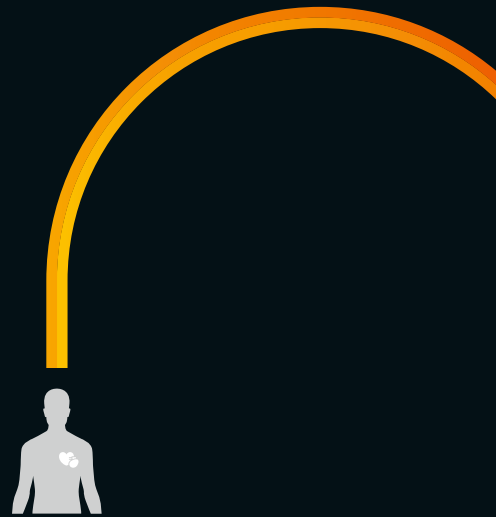
"I'm perfectly attuned to today's world. I care about the planet and I contribute to social solidarity initiatives. I'm here to take your old mobile phone and recycle it to give it a second life."



m

M2M

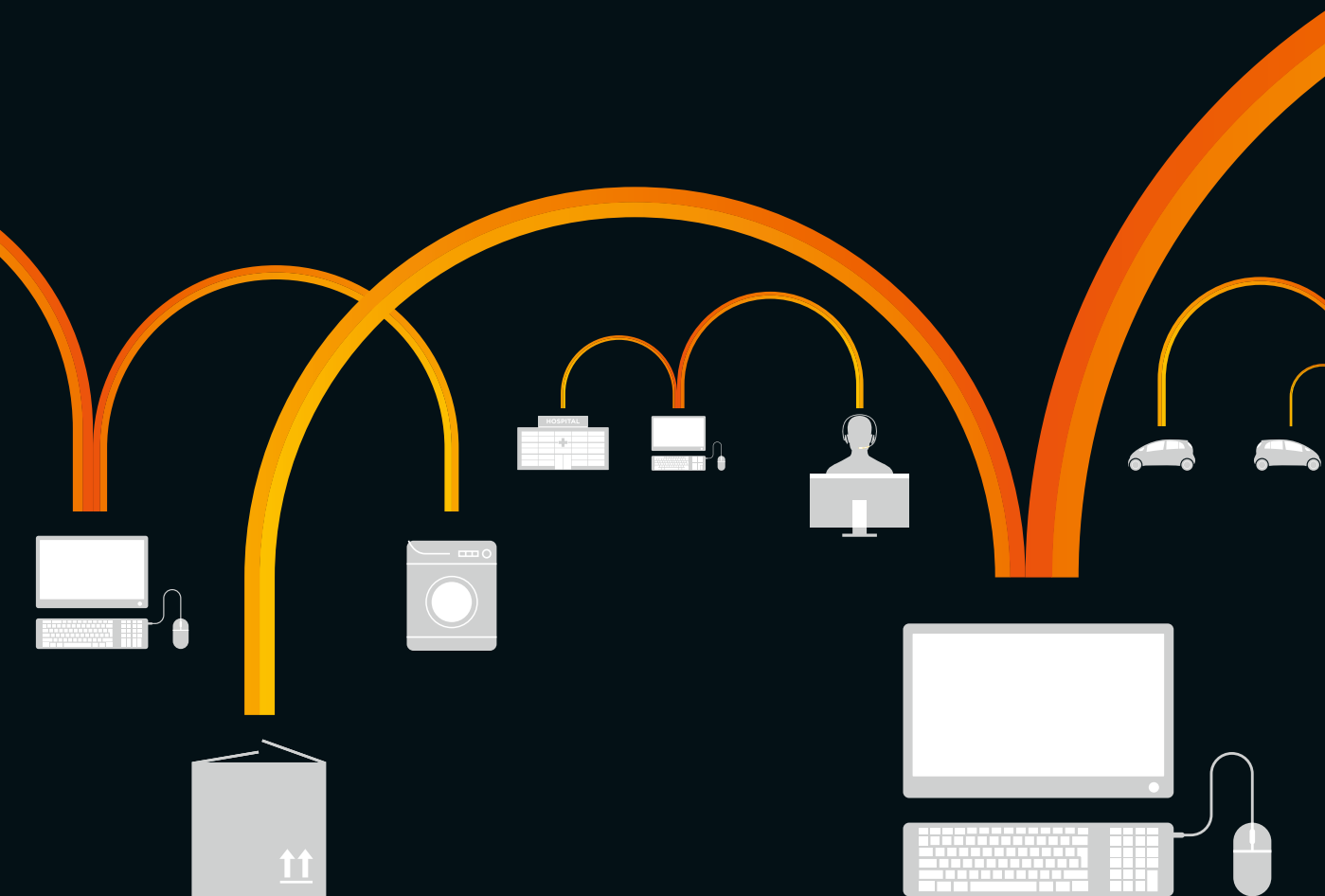
Orange holds strong positions on the highly promising machine-to-machine (M2M) market.



When machines communicate with each other, businesses gain in productivity. M2M applications are boundless and have already become part of our everyday lives, spanning a range of solutions such as automatic water and gas meter reading, remote patient surveillance (see page 98) and vehicle fleet management. The future will see millions of smart devices paving the way for an “Internet of things”, a new world of opportunities. M2M-capable SIM cards and networks enable devices to communicate among themselves and/or with people. Orange Business Services has big plans for the M2M market and boasts a number of major assets, notably the availability and exceptional reliability of its international M2M roaming services thanks to cooperation agreements with Deutsche Telekom and,

in 2011, with TeliaSonera.

We also offer a portfolio of services which set the market benchmark, plus strong internal competencies backed by an international centre of expertise in Brussels and complementary capabilities as an operator and an integrator. 2011 was a milestone year for the development of the installed base of M2M solutions. Orange Business Services launched the M2M Europe offer to support its European customers. These flat-rate M2M plans include data traffic between Europe's 27 member States. We also enhanced our Self-diagnostics solution for remote monitoring of machines with the introduction of an alarm system which is triggered if a machine is functioning abnormally.



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net security

Privacy, data security and child protection are all fundamental Internet security challenges. Orange takes a proactive stance on all these issues.

protecting children

An exciting window to the world and a unique source of freedom, the Internet offers incredible possibilities for sharing, learning and exploring. At the same time, however, the proliferation of digital uses, in particular blogs and social networking, also entails risks, especially for children. Parents, many of whom find it hard to keep up with their tech-savvy children, are eager for support and guidance on how to protect against the potential dangers online. France Telecom-Orange has an obligation to help parents and their children enjoy new digital services safely and responsibly. In addition to practical guidelines on Internet safety – first published several years ago – Orange has made formal and public commitments to government and health authorities and has conducted a number of studies to measure expectations in this area and develop appropriate responses. The Group has established three core principles. First of all, develop applications and educational material, such as parental controls to block access to inappropriate online content and keep track of the time children spend on the Internet. Second, actively promote safe and responsible use through clear, jargon-free information that cascades recommendations made by government bodies and health authorities. At the same time, we organise events to raise public awareness about the responsible use of online technology and mobile phones at home and in schools. Third, educate parents and teachers on developing the right habits and using the tools provided. In early 2012, Orange supported Safer Internet Day with concrete initiatives across Europe to empower and protect children online. In France, Orange organized the first-ever live video chat on this topic in February 2012 on www.orange.com. Parents were able to put

their questions directly to a panel of experts and get advice on helping youngsters to enjoy the Internet without putting themselves at risk. In addition, Orange ensures that staff keep up to date on the latest issues through regular workshops on Net safety. More than 600 employees at 49 sites had attended sessions by early 2011.

A special section on the Orange Web portal provides practical information on child protection and digital parenting, including how to avoid spam and phishing, configure parental control tools, and protect personal data.

data protection, access control and content storage

Empowering customers to get the most out of their digital lives by protecting them every step of the way is another top priority. Orange closely tracks developments in network security and delivers tailored responses as needs evolve. Furthermore, the Group has implemented stringent measures and made formal commitments in all countries to ensure optimum privacy and data protection for customers. These are supported by a set of guidelines entitled “Confidential Code” (available in eight languages), as well as contractual agreements signed by all employees regarding the protection of customer data privacy. In addition, Orange offers a range of services for business and residential customers such as “Orange Care” to protect data stored on phones and other mobile devices. At the end of 2011, Orange joined forces with Evernote to roll out a new service that lets customers save data and content on a computer, mobile or tablet and then retrieve it from any device. This new offer joins Orange’s range of cloud services, which include “Mes contenus” (“My Content”) and “Sauvegarde de contacts” (“Contact Backup”).



n

networks

Networks are the core of France Telecom-Orange's business and a key success driver for the Group, because networks are the backbone of the ongoing revolution in usage.

highways for the digital revolution

People and machines are more connected than ever and data volume continues to expand exponentially, making networks a critical resource. The sheer volume of connected equipment and devices is growing relentlessly, energised by broadband in industrialized countries, the spread of mobile phones in emerging markets and above all the surge in multimedia content as smartphones and connected TV sets become affordable for everyone. Without networks, none of these communications flows would be possible, and innovation would stall. Networks not only bring the

digital revolution to homes, offices and people on the move, they also help reduce economic and social inequalities. This is true in developed countries as well as emerging nations in Africa, where networks help end the isolation of entire regions and link millions of people to the rest of the world.

unrivalled expertise

This new digital paradigm puts the core expertise of France Telecom-Orange in the spotlight. Since its founding, the Group has enjoyed continued development thanks to the expertise and innovations of its technicians and engineers. Today, this expertise and



these infrastructures represent much more than assets, becoming major growth drivers. This is why networks are a core priority in the conquests 2015 project. This roadmap calls for development of networks that offer high-performance, convergence and sharing. The Group's networks strategy aims to achieve three objectives: increase coverage and bandwidth to anticipate explosive growth in usage, continually improve network quality of service, and monetise the value of data transport services. The keys to this are adapting our offers and rate structures and developing a coherent range of digital products and services.

major investments

CAPEX on networks represented 55% of total Group CAPEX in 2011, an increase of 2% compared with 2010. France Telecom-Orange invested 3.2 billion euros in its infrastructure:

- in mobile in most European countries to upgrade the radio access network (RAN);
- in Africa to accelerate deployment of 3G in four new countries in 2011 (Niger, Senegal, Kenya and Guinea), giving Orange 3G coverage in 13 African countries;
- in submarine cables, for cable laying and maintenance as well as major projects like the ACE and LION 2 systems (see page 182);

- in fiber (see page 68), with the ramp-up of the fiber-to-the-home (FTTH) programme in France as part of plans to invest over 2 billion euros by 2015;
- in very high broadband thanks to the two-fold technical and financial success of the Group's bid for 4G frequencies in France (see page 118).

These investments have already delivered tangible results. In 2011, French regulator ARCEP ranked the Orange mobile network as the best in France – the Group's largest market – with network speeds two to five times faster than those of competing networks. This is a major plus to deliver the best possible customer experience. Networks are also a source of revenue and a key asset in an increasingly competitive market.



In France, Orange signed a roaming agreement with new mobile operator Free Mobile. As announced in May 2012, the accord is expected to generate more than a billion euros in revenues for the Group over three years.

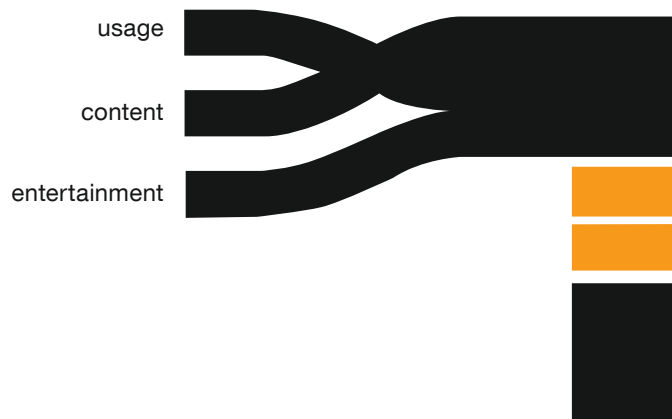
ever better quality of service

Network performance is the ultimate weapon for winning the battle of customer loyalty and satisfaction. One key to optimising network quality is sharing expertise internally. Centers of Expertise have been created to ensure that all countries benefit from cutting-edge know-how and support. The Mobile Service Quality centre of expertise brings together 30 specialists who assist countries for complex mobile quality of service issues (voice and data) related to the development of customer usage. To drive continual improvements in quality of service, roving teams perform numerous “real-world” tests each year. In addition, France Telecom-Orange pools networks with other operators, including agreements for fibre infrastructure reached in 2011, or the Polish-network joint-venture agreement with T-Mobile. This cooperation both reduces costs and optimises networks.

greener networks

Networks and information systems account for over 66% of the Group’s total energy consumption. France Telecom-Orange has launched numerous initiatives to build networks that consume less energy, notably by installing optimised ventilation systems. The Group also develops alternative energy solutions such as mobile network base

stations powered by solar panels. In 2011, Orange won the award for Best Mobile Technology for Emerging Markets at the Global Mobile Awards. The award recognised the Orange solar-station programme, which each year saves 25 million litres of fuel, avoids the equivalent of 67,000 tons of CO₂ emissions, and supplies 13 GWh of solar power across the entire Africa-Middle East region network.





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NFC

Contactless mobile services are a truly disruptive technology, revolutionising our daily habits and transforming our mobile phone into an interactive device.

2011 saw the large-scale launch of contactless mobile solutions. Orange distributed some 500,000 NFC handsets and this figure is expected to reach 3 million by the end of 2012.

Near Field Communication (NFC) is short-range wireless technology that allows users to interact with their immediate environment. When incorporated within handsets, NFC chips can exchange information securely between SIM card applications and payment terminals, mass transit e-ticket readers, smart tags or other NFC-enabled handsets. By integrating voice and mobile Internet services, contactless mobile solutions create a host of new opportunities for mobile telephony. For businesses, NFC offers new ways of creating interaction between the physical world and the digital world, opening

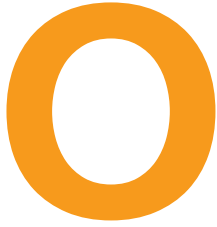
paths to exciting services and innovative customer relationship marketing. For individuals, NFC brings convenience and simplicity to daily life. People can safely store payment details, transport tickets, loyalty cards or even theatre tickets conveniently in their handset's SIM card and carry the information with them wherever they go.

mass deployment

Orange is building an open solution with other operators to boost the adoption of contactless mobile services and is working closely with handset manufacturers to ensure that all new models are NFC-compatible. Orange has rolled out its first NFC offers in the cities of Nice, Caen and Strasbourg in France and in the UK. Deployment in Spain and Poland will follow shortly.



mobile payments accepted



Open

Our groundbreaking new quadruple play offer strikes a chord with consumers, attracting over 1.7 million customers.

four services in a single subscription, with one bill and one customer service contact

Convergence is being redefined with the brand's Open offer. Introduced in France in 2010, these simple and very competitive solutions have already attracted over 1 million customers. Behind this quadruple play, success is an all-in-one formula that combines Internet, TV, a fixed home line and mobile telephone services. Rapid consumer take-up of Open offers has enabled Orange to increase its Internet market share to almost 40%.

a mobile plan for every budget

In 2011, the Open range was extended to include a family offer comprising up to four mobile plans at attractive prices. These new

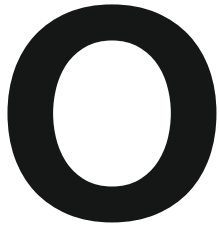
packages were developed specifically to meet strong demand among Open customers for solutions that include several different mobile plans. Furthermore, with the new Livephone application, the whole family can use the home line and Internet telephone line by connecting their smartphone, tablet or PC to the Wi-Fi network via the Orange Livebox. "My Content" is a secure service that lets Open customers store and share up to 10 Go of photos, videos, music, documents and other content for free on the orange.fr portal. In addition, they can access personal content from their iPhone with the "My Content" application, downloadable for free from the Apple Store. This application also became available on Android Market in early 2012.



tailored to customer needs

The Open quad play offer owes its success to a winning combination of simple, all-in-one, convergent plans. As Internet-enabled devices such as mobile phones, tablets and IPTV become a ubiquitous feature in many households, the Open offer enables convergence across these different terminals with a very competitive all-in-one solution. Last year saw the addition of a choice of different mobile plans as well as fiber versions of the Open packages as the brand continues to expand and develop the offering. Faced with increased competition following the arrival in early 2012 of a fourth mobile operator in France, the Open quadruple play offer represents a key lever for building brand loyalty.





Orange Business Services

Orange Business Services is the partner of leading companies in France and multinationals around the world for business communication and IT services. With a presence in over 160 countries, Orange Business Services has the world's largest seamless network.

7.1

billion euros in revenues
(Enterprise business segment)

over **2**

million small business and enterprise
customers in France

1.3

billion euros in EBITDA
(Enterprise business segment)

over **3,000**

multinational customers outside France



no. 1 in France

and a world leader

the market

The growth of information and communications technologies has transformed the world of business. This new paradigm has changed the way employees work – both with a myriad of mobile resources and inside the company – and has changed the very nature of businesses, whose information systems have become powerful competitiveness drivers. Players in the modern economy need reliable, secure solutions that simplify day-to-day operations, support their growth and energize their performance. In France, the migration to voice-over-IP and advanced solutions like IP VPN or Ethernet continues in order to meet the growing needs of multinationals.

Orange and enterprises

Orange Business Services is the leading provider of communications services for enterprises in France and a world leader. It serves businesses of all sizes in France and multinational corporations in over 160 countries. By helping companies and their employees collaborate more effectively and operate

more efficiently, Orange Business Services contributes to their growth and lets them engage better with their customers. In addition to dense network coverage and reliability, Orange Business Services provides a suite of IT, mobility, unified communications and customer relationship products, plus sector-specific solutions for healthcare, finance and transport business. It combines the highest levels of security and respect for the environment, earning the leading position in the Green Quadrant on Sustainable Telecoms in Europe published by Verdantix.

8 growth paths

With a focus on innovation and investment, Orange Business Services is pursuing eight growth paths. In addition to **cloud computing** (see page 26) and **Internet of things** (see page 128), both at the core of the Group's strategy, it is concentrating efforts on:

- **very high speed networks**

France Telecom-Orange has the world's largest seamless network, reaching 220 countries and territories and 900 cities.

It is also no. 1 in connectivity, with 317,000 IP VPN accesses and 25,000 customers connected. The Group is moving into the future with deployment of a very-high-capacity all-IP network ready to accommodate tomorrow's applications. This infrastructure will offer more bandwidth for more services and high security. The Business Ethernet solutions, for example, provides nationwide coverage of over 3,000 cities, while International Ethernet Link for multinationals and large businesses is available in 75 countries;

- **videoconferencing**

Images play an increasingly important role in business today. The Group aims to be no. 1 in videoconferencing in France and among the top three worldwide. Orange Business Services makes access to these solutions simple and ensures the interoperability of equipment and networks. In 2011, it forged key interoperability partnerships with British Telecom, Tata Communications and Telefonica, and developed easy-to-deploy customer solutions like Open Videopresence, a practical videoconferencing solution that lets outside partners join the conversation, regardless of their equipment or network. Coverage is now available in 106 countries;

- **desktop of the future**

More and more people use their own devices for both work and personal applications, and nomadism continues to expand. Orange Business Services supports this trend by making the workspace available anytime, from any communicating device, including outside the office or on the move;

- **mobile device management**

The ubiquity of new work practices means that companies must rethink the way they manage mobile devices. Device Management solutions from Orange

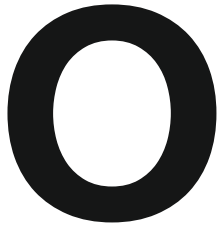
Business Services let businesses manage multi-vendor and multi-operator fleets of smartphones, tablets or other devices, enabling employees to securely install business applications on their personal phones;

- **customer relationship solutions**

As the leading operator for 360° customer relationship management, Orange Business Services offers a complete range of solutions and products spanning contact (public access numbers, Web portals, social networks, mobile applications, QR codes and more) to fully-fledged contact centres and interactive voice response (IVR). The suite also includes multimedia communication (text and voice messages, email, etc.) and onsite solutions (payment, dynamic signage, NFC, etc.). Over 230,000 businesses use at least one customer relationship solution from Orange Business Services. Two particularly innovative solutions were rolled out in 2011: Managed Contact Center, a turnkey, easily customised multi-channel contact centre for SMEs, and Contact+, the first multimedia support solution – phone, chat and videoconference – with per-use billing;

- **security**

Protecting data flows across the company is a business-critical priority. In 2011, some 400 Orange Business Services experts developed solutions to protect the growing volume of mobile devices and network applications deployed by its customer enterprises. The Flexible SSL solution from Orange Business Solutions allows secure access by remote workers to the company network and data from a laptop, smartphone or tablet.



Orange Foundation

The Orange Foundation pursues corporate philanthropy programmes through 13 corporate foundations in 30 countries around the world to help people communicate better and enjoy fulfilling lives.



a proud history of engagement

In phase with our mission to offer world-class communication solutions, the Orange Foundation's philanthropic endeavours centre on four priority areas: health – notably our long-standing support for people with autism – education, employment and culture. In 2011, the Foundation provided 20 million euros in funding for initiatives around the world aimed at improving the position of women and facilitating access to digital technology, both key enablers of social engagement. Actions are pursued in close collaboration with local organisations, often including the active involvement of Orange employees, to provide concrete solutions that improve the lives of underserved communities.



actively engaged staff

Employee involvement is a pillar of these efforts. Orange staff provide personal support for initiatives in Côte d'Ivoire, Slovakia and France and are also behind volunteer programmes like "Orange Solidarité Numérique" (Digital Solidarity) and an initiative to improve care facilities for children in Polish hospitals. Several times a year, the Foundation issues a call for projects among current and retired staff who are engaged in community work. In 2011, over 500 projects were submitted, of which 180 were selected for funding. When a global emergency arises, such as the food crisis in Kenya, Orange employees are always ready to move into action. In addition, as part of the Group's Senior plan, more than 100 mature employees share their skills with community groups.



four priority areas

• health

Health is a precious commodity, but not everyone has the same access to healthcare. The Orange Foundation works to reach out to those who find themselves excluded. One of its strongest areas of focus is autism. For over two decades, the Foundation has provided funding for more than 1,700 projects to help improve the daily lives of people with autism and to deepen learning and understanding in this area. Improving access to healthcare in Africa is another main priority, with support channelled into a wide range of initiatives, including an ophthalmologic screening programme covering 8,000 people in Côte d'Ivoire, the distribution of thousands of mosquito nets in Senegal and telemedicine services launched in Kenya, with plans to extend them to the whole of West Africa. The Foundation also works in partnership with the French Hospitals Foundation to improve digital access and nurture social contacts at four hospitals in Senegal.

• education

More than 120 million people worldwide are deprived of an education, most of them girls. The Foundation provides funding for projects to educate girls and other excluded communities, such as the disabled or children in remote rural areas. It is particularly active in Asia and Africa, where Orange funding has helped set up several hundred schools since 2005. In Madagascar, Orange meets the costs of sending 11,300 children to 722 literacy classes and also ensures training for 575 teachers. In Côte d'Ivoire, Niger and Madagascar, thousands of PCs have been provided for school children in some of the most deprived areas.

• reintegration into the workplace

Also high on the agenda is helping women set up their own micro-enterprise by facilitating access to training. The Foundation supports

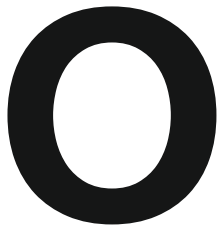
initiatives in Cameroon, Egypt and the Central African Republic aimed at increasing women's social and economic well-being.

In Madagascar and Morocco, efforts focus on improving the social and economic status of craftswomen by marketing their goods. In France, the Force Femmes association provides training to help women re-enter the workforce.

• culture

Music is a universal language and singing its simplest expression. The Orange Foundation's commitment to vocal music for more than a quarter of a century is a powerful symbolic reflection of its values. A rich variety of singers at some twenty annual music festivals, along with talented young conductors and over 100 choirs and orchestras, have all flourished thanks to funding from the Orange Foundation. Endorsing this commitment, 1,000 Orange employees are members of 28 choirs across France. The Group is now seeking to broaden its philanthropic endeavours in the cultural arena. This includes embracing world music, including the Fiesta des Suds festival in Marseille and the Les Orientales festival in Saint-Florent-le-Viel, jazz and contemporary music, and also reaching out to new audiences by supporting cinemas that open their screens to opera and ballet.

Cinema, one of today's most popular art forms, should be accessible to everyone. Orange is helping to achieve this goal by supporting associations like Cinémadifférence and Cinéma pour tous, which organise screenings and related events for people with sensory disabilities as well as people from underprivileged communities.



Orange Money

Rolled out in Côte d'Ivoire in late 2008 and in ten more countries since then, the Orange Money electronic payment service has already won more than 3.2 million customers in Africa and the Middle East.

custom-tailored solution

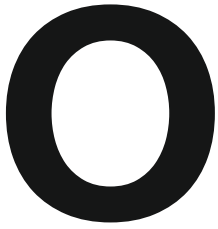
Fewer than 10% of Africans have access to bank branches. Orange Money addresses this need, allowing 74.6 million Orange mobile customers in Africa and the Middle East to easily and securely perform financial transactions using their phone, including transfers, paying bills, topping up mobile phone airtime and accessing other financial services, such as insurance payments. Opening an account is free and there are no fees for paying money into an account, purchasing call credit or buying goods and services using a mobile.

With exponential growth in transactions and a three-fold increase in customers last year, Orange Money is proving to be a powerful tool for building brand loyalty.

wider deployment and new services

Orange Money is soon to be extended to other countries in the region, including Uganda and Guinea. The Group has also developed several new services enabling customers to make online payments, withdraw cash from ATMs and receive international money transfers directly on their mobile phones. This latter service is especially popular, as fund transfers to countries in Africa and the Middle East amount to almost 25 billion euros each year. Additional services are in the pipeline for 2012.





Orange People Charter

The new social contract was a response to the crisis that impacted the Group in France in 2009. Today these measures have been deployed internationally with the Orange People Charter.

relations
well-being
listening
commitment
proximity
fairness
vision
confidence
recognition
dialogue
social
sharing



new framework, fresh momentum

The social contract formulated in 2010 provided a foundation to re-establish dialogue, rebuild confidence and address specific concerns of France Telecom-Orange staff in France. It establishes a framework for new, positive relations between the Group and its employees, providing a basis for fruitful social dialogue. This policy helped the Group earn the “Top Employers 2012” label from the CRF Institute, recognising best practices and an innovative human resources policy in France.

1 contract, 158 commitments

To underline its determination to tangible change and to balancing economic and social performance, the Group made 158 very tangible commitments to employees:

- 111 commitments dealt mainly with the situation in France, including a Forward-Looking Employment and Skills Management Programme agreement and accords on mobility, promotions and the Orange Avenir career support programme;
- 47 specific local commitments addressed issues such as induction of new employees, workplace quality and appraisal interviews.

significant progress

Although the deployment schedule for measures stretches until 2015, many commitments have already been respected. By the end of 2011, three quarters of the measures had been launched within the scope of action plans and local adaptations. Certain are already effective, including an end to compulsory job mobility. The target of 10,000 new hires by the end of 2012 was already 78% – achieved by December 2011, and local human resources managers have

been posted. A new organization has been implemented in France to restore local autonomy for teams. Other measures are advancing with a longer-term horizon such as simplifying tasks, procedures for setting objectives and career development opportunities.

improved work environment

An employee-satisfaction survey by an independent outside firm and several themed surveys have confirmed progress in certain areas. Some 88% of employees believe that their quality of life at work is equal to or better than that at other companies. What’s more, the percentage who believe it is worse has dropped by half since October 2010.

launch of the Orange People Charter

The Orange People Charter aims to build a new relationship with the Group’s employees. Deployed in 2011 outside France following the introduction of the “new social contract” in France in 2010, the initiative is the fruit of broad collective discussions (“Rebuilding” meetings, work groups, labour agreements, etc.).

concrete illustrations for the six drivers of the new social contract

1. A proactive, motivating and socially-responsible employment policy. The company regularly informs employees and their representatives of employment and skills development opportunities. When they reach the age of 45, employees benefit from career interviews with an Orange human resources specialist to review their path and objectives. Guarantees are provided that all employees have access to information on changes in their skills category and bridges between different jobs.

2. An organisation that recognises the contribution of each individual. Employees have a clear vision of their mission, role and responsibilities, and their contribution to the organisation. Collective sessions are organised for all employees at least once a year.

3. A community of managers to support the Orange People Charter. New appraisal criteria have been defined for management, taking into account business performance, service quality and management practices. Orange Campus events bring managers together at least every two years around a specific theme. Managers have been given greater autonomy to adapt their actions to local contexts.

4. Improved quality of life at work. Investments totalling 10 million euros have been made to improve offices and equipment. Entity managers have been given a “team-building” budget for events that nurture stronger ties among staff. Site managers have been appointed for all locations with more than 400 employees.

5. Equitable rewards for collective and individual contributions. Over 80% of employees in 92 countries are eligible for a new free-share award plan called “Let’s Share”. Profit-sharing that exceeds legally required amounts reflects a continued policy of sharing value based on results. Other measures ensure greater recognition of individual contributions to collective and qualitative objectives.

6. More direct support from Human Resources. Local HR managers build direct relations with employees and managers at sites. Special intranet access has been created for people working off-site or outside their department to ensure regular contact with the company.

p

partnerships

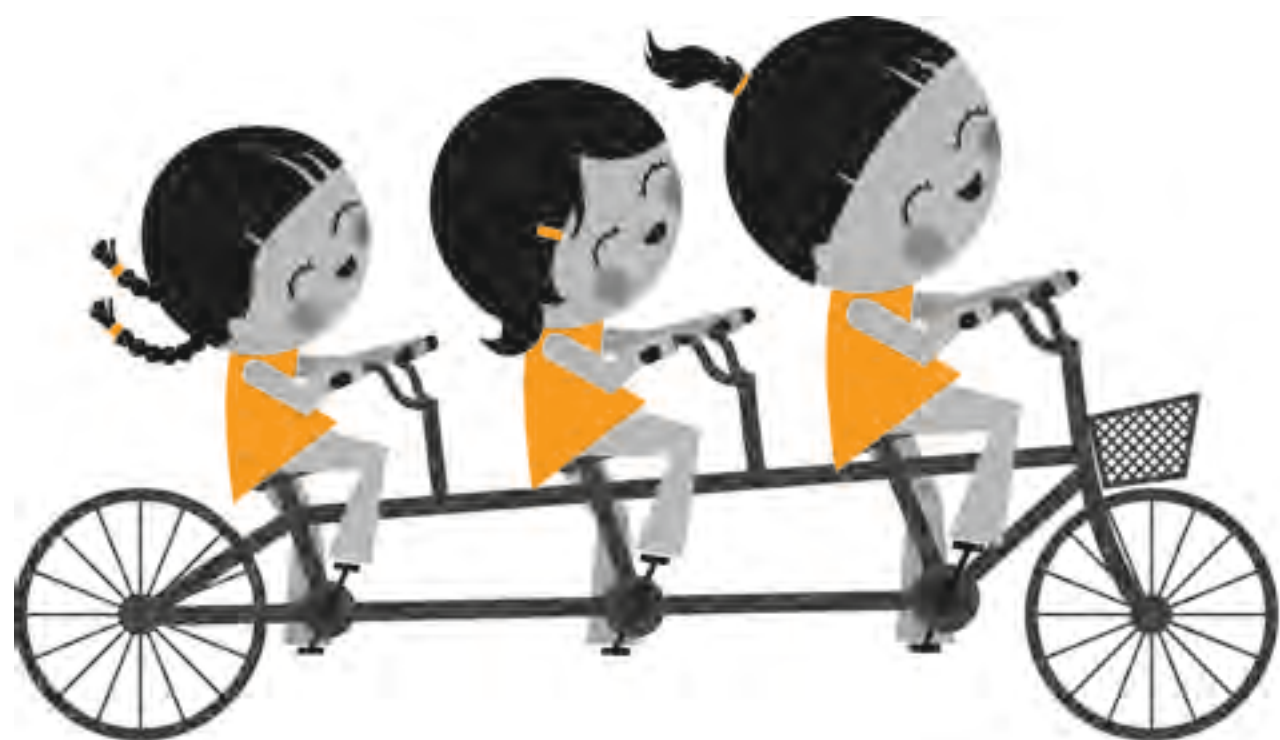
Teaming with experts to offer a rich array of quality content.

aggregating content

Content figures at the heart of today's digital experience. With multiple devices becoming the norm and burgeoning mobile services, customers expect seamless, convenient access to all their content from any screen. As both broadcaster and aggregator, Orange strives to offer the very best content, working with leading producers and publishers in television, video, music, video games and transmedia content.

dynamic partnership strategy

Orange has established agreements with industry leaders such as Canal+ for the Orange Cinéma Séries package, TF1 for access to the group's popular channels on "TV d'Orange", and Dailymotion, in which Orange acquired a 49% – interest to develop a complete multi-screen video offer. It has also joined forces with Deezer, the European leader in online music. In late 2011, Orange teamed with Microsoft to market Orange TV on the Xbox 360, bringing customers an unprecedented experience. To the delight of football fans, Orange Poland helped UEFA develop the official mobile application for the Euro 2012 competition.



p

Poland

Operating through its subsidiary Telekomunikacja Polska, France Telecom-Orange is Poland's leading mobile and broadband operator, and a top digital TV provider.

3.6

billion euros in revenues

14.7

million mobile customers

1.3

billion euros in EBITDA

5.6

million fixed-line subscribers

627

million euros in CAPEX

2.3

million fixed-broadband customers



present in all high-growth segments

the market

The Polish telecom market is characterised by a highly restrictive regulatory framework and fierce competition. While the three main operators, including Orange, hold close to 90% of the mobile market, the Internet market is split among a large number of very diverse players, including telecoms operators and cable operators.

Poland is also attracting new players delivering entertainment services. Last year saw consolidation in the Polish market and a stabilisation in revenues following a decrease in 2010. The mobile business achieved strong performance, to the detriment of fixed-line activity, which continued its steady decline. To counter this trend and stave off competition from cable operators, Poland's leading players are developing converged multi-device offers matched to growing data consumption requirements.

Orange in Poland

France Telecom-Orange is the main shareholder with a 50.21% – stake in Telekomunikacja Polska (TP Group).

TP is Poland's leading operator on both markets, broadband and mobile. It is also one of Poland's premier pay – TV providers and is the undisputed leader in all segments of the enterprise market. In 2011, the brand experienced a 4.1% – drop in revenues in Poland (on a comparable basis) following a decline in the fixed-line sector. The company's cost-optimisation plan and good performance in the mobile market helped contain the erosion of margins.

mobile

In 2011, despite strong competitive pressure and ongoing consolidation of the market, TP strengthened its leadership in the mobile market with a value share of 30.2%, thanks largely to the success of its segmented offers. At the end of 2011, the company had a total of 14.7 million customers, an increase of 300,000 (2.3%) over the previous year. The number of prepaid customers in particular grew by 4.1% over the year, topping 7.7 million. Despite recruiting fewer new contract customers than in 2010, TP focused its efforts on strengthening their

loyalty. Mirroring trends in other countries, penetration of smartphones continued to accelerate, advancing 13 points to 35% of all contract customers by the end of the year. Smartphones account for three in every ten mobile terminals sold in Poland, translating into a steady increase in data use. The brand launched a new converged package in 2011 called Orange Combo which allows customers to combine up to four services, choosing from fixed and mobile telephony and fixed and mobile broadband access. This highly flexible offer lets customers pick and choose their subscription features “à la carte” to match their own personal requirements.

fixed and Internet

TP focused on containing and offsetting the structural erosion in residential fixed-line business, which dropped 11.4% in 2011. While this decline led to a 6.6% – decrease in total revenues in the fixed and Internet segment (on a comparable basis), the number of broadband customers rose 2.6% to 2.3 million in one year. These good results are attributed to the successful launch in 2011 of new broadband offers, such as the FunPack multiplay package, which covers television, fixed telephony and Internet options. This breakthrough offer includes unlimited fixed calls, high-definition TV, broadband up to speeds of 80 Mb/s, plus a choice of 1,000 videos on demand (VOD).

digital TV

TP is a major player in the digital TV-market. Its dynamic strategy helped expand the IPTV and satellite customer base by 17% in 2011. This strong performance was fuelled partly by the agreement signed in 2011 with TVN to create a platform allowing the two partners to enrich content and share costs, significantly enhancing the appeal of TP’s multiplay offer. The company had 636,000 digital TV subscribers at the end of 2011.

three major events in 2011

- Orange and TP became official technology partners of UEFA Euro 2012, which will be co-hosted by Poland and Ukraine in June 2012. Orange has been chosen by UEFA to develop a mobile application that will allow football fans everywhere to follow this major sporting and media event and to share their passion with friends and family.
- On 21 July 2011, PTK Centertel (TP’s mobile subsidiary) and Polska Telefonia Cyfrowa (which operates in Poland under the T-Mobile brand) signed an agreement to share radio access networks (RAN). As well as optimising cost structures, this historic deal will enable Orange to provide more extensive mobile coverage and faster speeds.
- TP successfully launched new 40 – and 80 – Mb/s VDSL services to better meet customer requirements and fend off competition from cable operators in Poland’s largest cities.

Before the end of the second quarter 2012, Orange will also become TP’s main commercial brand.

q

QR code

The QR codes on pages throughout this report let you access videos and more information.



**Capture the codes with
your mobile phone.**



q

q

quality

**Quality is our top
priority every day,
everywhere in the
world.**

**To find out more,
see page 40.**



r

RCS-e

Rich Communication Suite-enhanced is a new mobile communications standard revolving around three services, scheduled for launch in 2012.

Rich Communication Suite-enhanced (RCS-e) is a new international standard, a new technology and a suite of three services that lets users:

- chat with one or more people;
- transfer all types of files;
- share multimedia content (video) during a call.

In addition to offering enriched services, the key strength of RCS-e is the interoperability between different operators and native integration in all phones (just like SMS), without any need to download applications or enter a password. What's more, the mobile address book indicates which contacts have an RCS-e handset.

Developed with the support of the GSM Association (the mobile industry's global association and standardisation body whose members include major mobile operators and handset makers), RCS-e is the mobile telecom operator community's response to mobile Internet providers.

Orange played an instrumental role in developing the new standard, which will be marketed as "joyn".

Orange España will be the Group's first country to launch "joyn", in summer 2012.



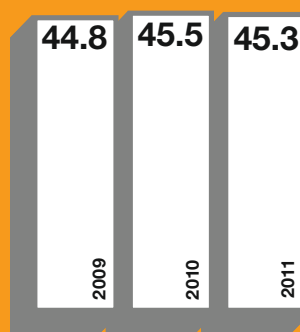
start the conversation

r

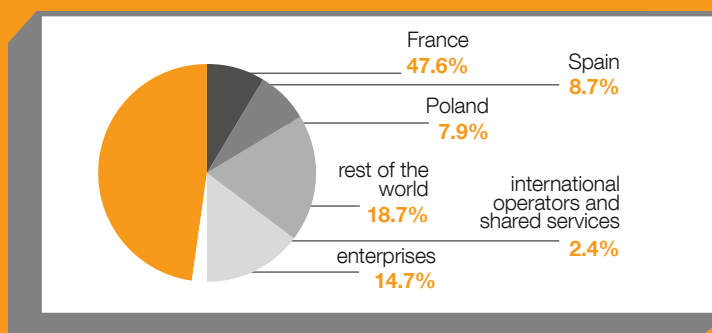
2011 results

key financial figures

consolidated revenues
in billions of euros

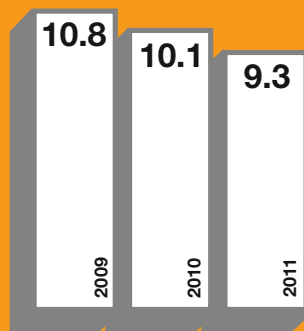


breakdown of revenues
by geographic zone



operating cash flow⁽¹⁾

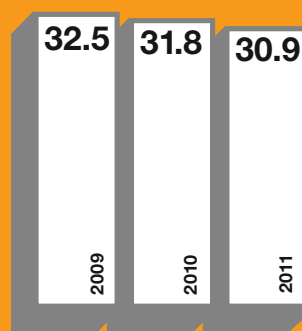
in billions of euros



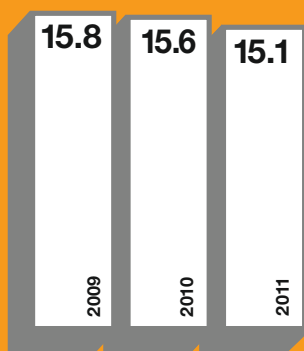
(1) EBITDA restated – CAPEX.

net financial debt

in billions of euros, historical basis

**EBITDA, restated**

in billions of euros

**net income Group share**

in billions of euros

3.9

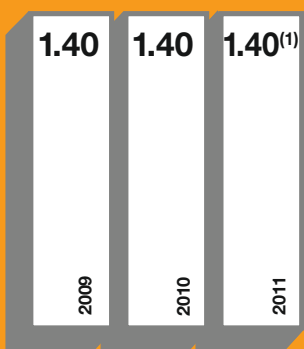
net income per share

in euros

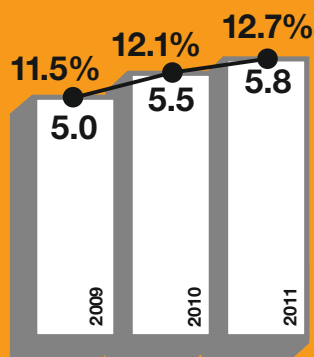
1.46

dividends

in euros per share

**capital expenditures**

in billions of euros and % of revenues, excluding licenses



(1) Proposed to Annual General Meeting of Shareholders on 5 June 2012.

operational key figures

(in thousands)	2011	2010	2011/2010
Group customers			
total customers	226,322	209,571	8%
including customers of Orange brand	147,482	139,656	5.6%
mobile customers			
France	27,090	26,929	0.6%
Spain	12,478	11,940	4.5%
Poland	14,658	14,332	2.3%
Rest of the world	99,741	83,626	19.3%
United Kingdom (50% of customer base consolidated)	13,417	13,607	-1.4%
total mobile customers (excluding MVNO)	167,384	150,433	11.3%
customers of Mobile Virtual Network Operators (MVNO)	5,614	4,629	21.3%
residential customers			
total lines (copper and fibre)	44,265	45,069	-1.8%
Internet customers	14,672	14,068	4.3%
of which Europe			
Livebox customers	9,538	9,191	3.8%
VOIP customers	9,149	8,288	10.4%
IPTV customers	5,138	4,118	24.8%
enterprises			
IP VPN accesses	317	319	-0.6%
Business Everywhere users	1,613	1,520	6.1%

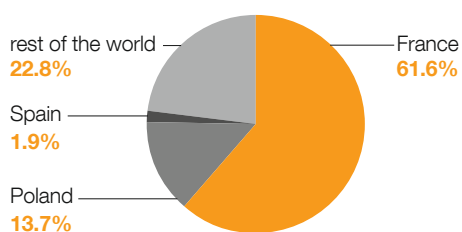
172,000

employees worldwide, including 67,000 outside France

extra-financial key figures

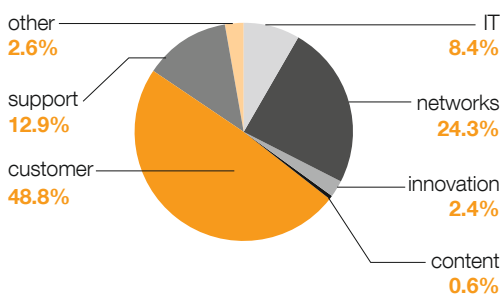
breakdown of Group workforce

by geography



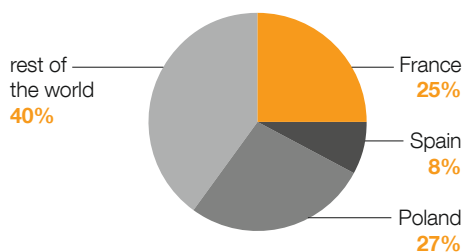
breakdown of Group workforce

by job category



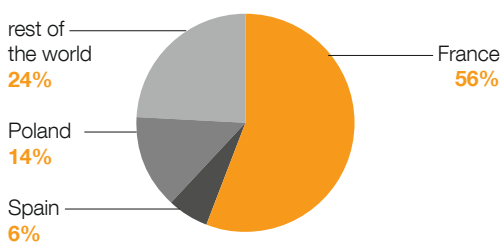
CO₂ emissions

1.4 million tonnes of CO₂

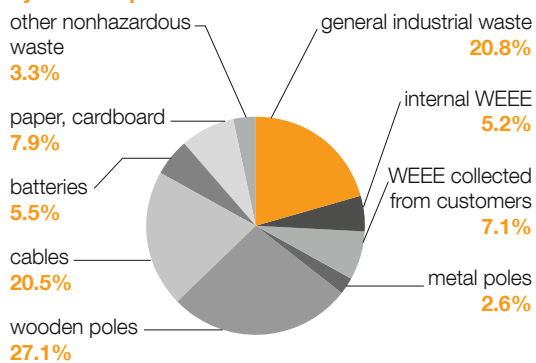


energy consumption

1.2 million tpe (tonnes petroleum equivalent)

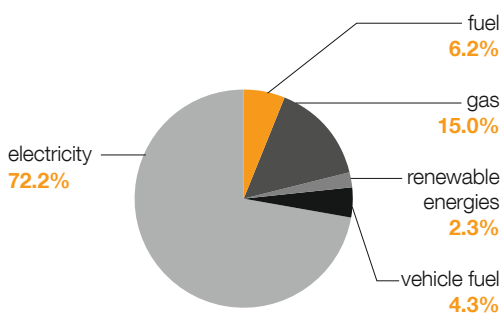


main waste categories recovered by the Group



energy consumption

by type of energy



consolidated statement balance sheet

assets

(in millions of euros)	31/12/2011	31/12/2010	31/12/2009
Goodwill	27,340	29,033	27,797
Other intangible assets	11,343	11,302	9,953
Property, plant and equipment	23,634	24,756	23,547
Interests in associates	7,944	8,176	937
Assets available for sale	89	119	220
Non-current loans and receivables	994	891	2,554
Non-current financial assets at fair value through profit or loss	114	96	199
Non-current hedging derivatives assets	428	328	180
Other non-current assets	94	21	32
Deferred tax assets	3,551	4,424	3,775
Total non-current assets	75,531	79,146	69,194
Inventories	631	708	617
Trade receivables	4,905	5,596	5,451
Current loans and other receivables	1,165	775	1,093
Current financial assets at fair value through profit or loss, excluding cash equivalents	948	758	91
Current hedging derivatives assets	66	72	18
Other current assets	2,284	2,346	1,828
Current tax assets	124	124	142
Prepaid expenses	368	323	407
Cash equivalents	6,733	3,201	2,911
Cash	1,311	1,227	894
Total current assets	18,535	15,130	13,452
Assets held for sale⁽¹⁾	2,017	–	8,264

Total assets	96,083	94,276	90,910
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(1) Orange Switzerland in 2011 and Orange in the United Kingdom in 2009.

The accompanying notes are an integral part of the consolidated financial statements*. They can be viewed on the www.orange.com and are available on request from the company.

* See pages 168 to 173.

equity and liabilities

(in millions of euros)	31/12/2011	31/12/2010	31/12/2009
Share capital	10,596	10,595	10,595
Additional paid-in capital	15,731	15,731	15,730
Retained earnings	1,246	2,775	539
Equity attributable to the owners of the parent	27,573	29,101	26,864
Non-controlling interests	2,019	2,448	2,713
Total equity	29,592	31,549	29,577
Non-current trade payables	380	466	411
Non-current financial liabilities at amortized cost, excluding trade payables	33,933	31,617	30,502
Non-current financial liabilities at fair value through profit or loss	259	2,175	614
Non-current hedging derivatives liabilities	277	250	693
Non-current employee benefits	1,688	1,826	1,223
Non-current provisions	991	1,009	1,009
Other non-current liabilities	487	528	565
Deferred tax liabilities	1,264	1,265	1,043
Total non-current liabilities	39,279	39,136	36,060
Current trade payables	8,151	8,274	7,531
Current financial liabilities at amortized cost, excluding trade payables	5,440	4,525	6,230
Current financial liabilities at fair value through profit or loss	2,019	366	73
Current hedging derivatives liabilities	3	18	1
Current employee benefits	1,829	1,816	1,687
Current provisions	1,506	1,546	1,217
Other current liabilities	2,277	2,105	2,629
Current tax payables	2,625	2,353	282
Deferred income	2,322	2,588	2,443
Total current liabilities	26,172	23,591	22,093
Liabilities related to assets held for sale⁽¹⁾	1,040	–	3,180

Total equity and liabilities	96,083	94,276	90,910
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(1) Orange Switzerland in 2011 and Orange in the United Kingdom in 2009.

consolidated income statement

amounts in millions of euros (except for per share data)	2011	2010	2009
Revenues	45,277	45,503	44,845
External purchases	(19,638)	(19,375)	(18,748)
Other operating income	658	573	568
Other operating expense	(2,463)	(2,532)	(2,211)
Labor expenses	(8,815)	(9,214)	(9,010)
Gain (losses) on disposal of businesses and assets	246	62	(3)
Restructuring costs and similar items	(136)	(680)	(213)
General Court of the European Union ruling of 30 November 2009	–	–	(964)
Depreciation and amortization	(6,735)	(6,461)	(6,234)
Remeasurement resulting from business combinations	–	336	–
Reclassification of cumulative translation adjustment from liquidated entities	642	–	–
Impairment of goodwill	(611)	(509)	(449)
Impairment of fixed assets	(380)	(127)	(69)
Share of profits (losses) of associates	(97)	(14)	138
Operating Income	7,948	7,562	7,650
Cost of gross financial debt	(2,066)	(2,117)	(2,232)
Income and expense on net debt assets	125	120	129
Foreign exchange gains (losses)	(21)	56	(42)
Other financial income and expense	(71)	(59)	(61)
Finance costs, net	(2,033)	(2,000)	(2,206)
Income tax	(2,087)	(1,755)	(2,242)
Consolidated net income after tax of continuing operations	3,828	3,807	3,202
Consolidated net income after tax of discontinued operations	–	1,070	200
Consolidated net income after tax	3,828	4,877	3,402
Net income attributable to owners of the parent	3,895	4,880	3,018
Non-controlling interests	(67)	(3)	384
Earnings per shares (in euros)			
Net income of continuing operations attributable to owners of France Telecom SA			
– basic	1.47	1.44	1.06
– diluted	1.46	1.43	1.06
Net income of discontinued operations attributable to owners of France Telecom SA			
– basic	–	0.40	0.08
– diluted	–	0.39	0.08
Net income attributable to owners of France Telecom SA			
– basic	1.47	1.84	1.14
– diluted	1.46	1.82	1.14

statement of comprehensive statement

(in millions of euros)	2011	2010	2009
Consolidated net income after tax	3,828	4,877	3,402
Actuarial gains and losses on post-employment benefits	(46)	(117)	(64)
Income tax relating to items that will not be reclassified	(3)	57	14
Share of other comprehensive income in associates that will not be reclassified	(2)	29	0
Items that will not be reclassified to profit or loss (a)	(51)	(31)	(50)
Assets available for sale	(10)	(16)	32
Cash flow hedges	(3)	106	(173)
Net investment hedges	(14)	(80)	–
Exchange differences on translating foreign operations	(1,053)	619	(266)
Income tax relating to items that may be reclassified	9	5	62
Share of other comprehensive income in associates that may be reclassified	(9)	1	(0)
Items that may be reclassified subsequently to profit or loss (b)	(1,080)	635	(345)
Other comprehensive income for the year of continuing operations (a)+(b)	(1,131)	604	(395)
Cash flow hedges	–	(0)	(54)
Exchange differences on translating foreign operations	–	1,093	441
Other comprehensive income for the year of discontinued operations	–	1,093	387
Consolidated other comprehensive income for the year	(1,131)	1,697	(8)
Total comprehensive income for the year	2,697	6,574	3,394
<i>Total comprehensive income attributable to owners of the parent</i>	<i>2,868</i>	<i>6,522</i>	<i>3,011</i>
<i>Non-controlling interests</i>	<i>(171)</i>	<i>52</i>	<i>383</i>

consolidated statement of cash flows

(in millions of euros)	31/12/2011	31/12/2010	31/12/2009
Operating activities			
Consolidated net income	3,828	4,877	3,402
<i>Adjustments to reconcile net income (loss) to funds generated from operations</i>			
Gains (losses) on disposal of assets	(246)	(62)	5
Gain on disposal of entities in the United Kingdom	–	(960)	–
Depreciation and amortization	6,735	6,461	6,921
Change in other provisions	(339)	764	(41)
Remeasurement resulting from business combinations	–	(336)	–
Reclassification of cumulative translation adjustment from liquidated entities	(642)	–	–
Impairment of goodwill	611	509	450
Impairment of non-current assets	380	129	69
Share of profits (losses) of associates	97	14	(138)
Operational net foreign exchange and derivatives	44	1	102
Finance costs, net	2,033	2,001	2,203
Income tax	2,087	1,779	2,285
Share-based compensation	21	14	41
<i>Change in inventories, trade receivables and trade payables</i>			
Decrease (increase) in inventories, net	43	(13)	232
Decrease (increase) in trade receivables, gross	596	228	242
Increase (decrease) in trade payables	(41)	(3)	(625)
<i>Other changes in working capital requirements</i>			
Decrease (increase) in other receivables	(60)	(319)	131
Increase (decrease) in other payables	(169)	425	(173)
General Court of the European Union's ruling of 30 November 2009 ⁽¹⁾	–	(964)	964
<i>Other net cash out</i>			
Dividends and interest income received	693	629	201
Interest paid and interest rates effects on derivatives, net	(1,771)	(2,051)	(1,692)
Income tax paid	(1,021)	(535)	(576)
Net cash provided by operating activities⁽²⁾	12,879	12,588	14,003
of which discontinued operations – United Kingdom	–	87	941
Investing activities			
<i>Purchases (sales) of property, plant and equipment and intangible assets</i>			
Purchases of property, plant and equipment and intangible assets ⁽³⁾	(6,711)	(6,102)	(5,454)
Increase (decrease) in amounts due to fixed asset suppliers	39	150	(423)
Proceeds from sales of property, plant and equipment and intangible assets	74	64	92
<i>Cash paid for investment securities, net of cash acquired</i>			
Congo China Telecom	(153)	–	–
Compagnie Européenne de Téléphonie	(61)	–	–
ECMS	–	(152)	–
LINK dot NET and Link Egypt	–	(41)	–
Other	(3)	(104)	(28)
<i>Investments in affiliates, net of cash acquired</i>			
Korek Telecom	(305)	–	–
Dailymotion	(66)	–	–
Medi Telecom	(3)	(744)	–
Orange Tunisie	–	–	(95)
Compagnie Européenne de Téléphonie	–	–	(20)
Other	(18)	(24)	–
<i>Proceeds from sales of investment securities, net of cash transferred</i>			
TP Emitel	410	–	–
Other proceeds from sales	42	(19)	11

(in millions of euros)	31/12/2011	31/12/2010	31/12/2009
<i>Decrease (increase) in securities and other financial assets</i>			
Securities at fair value	(67)	(645)	596
Escrow deposit related to the General Court of the European Union's ruling ⁽¹⁾	–	964	–
Partial redemption of loan granted to Everything Everywhere	511	706	–
Other	3	(4)	(76)
Net cash used in investing activities	(6,308)	(5,951)	(5,397)
of which discontinued operations – United Kingdom	–	(107)	(406)
Financing activities			
<i>Issuances</i>			
Bonds	3,870	3,948	4,638
Other long-term debt	461	405	421
<i>Redemptions and repayments</i>			
Bonds	(1,345)	(6,413)	(4,963)
Other long-term debt	(372)	(575)	(2,248)
Equity portion of hybrid debt	–	–	(97)
<i>Other changes</i>			
Increase (decrease) in bank overdrafts and short-term borrowings	(570)	238	(1,253)
Decrease (increase) in deposits and other debt-linked financial assets	2	778	(590)
Exchange rates effects on derivatives, net	(238)	(149)	(360)
Purchase of treasury shares	(275)	11	(8)
Changes in ownership interests with no gain/loss of control			
of which Orange Botswana	–	(38)	–
of which FT España	–	–	(1,387)
of which others	(8)	(8)	1
Capital increase (decrease) – owners of the parent company	1	1	2
Capital increase (decrease) – non-controlling interests	–	3	2
Dividends paid to non-controlling interests	(683)	(612)	(571)
Dividends paid to owners of the parent company	(3,703)	(3,706)	(3,141)
Net cash used in financing activities	(2,860)	(6,117)	(9,554)
of which discontinued operations – United Kingdom	–	66	(554)
Net change in cash and cash equivalents	3,711	520	(948)
<i>of which discontinued operations – United Kingdom</i>	<i>–</i>	<i>46</i>	<i>(19)</i>
Effect of exchange rates changes on cash and cash equivalents and other non-monetary effects	(78)	103	59
<i>of which discontinued operations – United Kingdom</i>	<i>–</i>	<i>6</i>	<i>(11)</i>
Cash and cash equivalents at beginning of period	4,428	3,805	4,694
<i>of which cash</i>	<i>1,227</i>	<i>894</i>	<i>928</i>
<i>of which cash equivalents</i>	<i>3,201</i>	<i>2,911</i>	<i>3,766</i>
<i>of which discontinued operations</i>	<i>–</i>	<i>–</i>	<i>30</i>
Cash and cash equivalents at end of period	8,061	4,428	3,805
<i>of which cash</i>	<i>1,311</i>	<i>1,227</i>	<i>894</i>
<i>of which cash equivalents</i>	<i>6,733</i>	<i>3,201</i>	<i>2,911</i>
<i>of which operations held for sale – Orange Suisse</i>	<i>17</i>	<i>–</i>	<i>–</i>

(1) Following the General Court of the European Union's decision of 30 November 2009 on the French business tax (*taxe professionnelle* – see note 15), an expense of 964 million euros was recognised, with no effect on net cash flow provided by operating activities in 2009. This entire amount had been deposited into an escrow account. The transfer of the amount in escrow to the government on 7 January 2010 did not affect cash flow, as the 964 million euros impact on net cash flow provided by operating activities was offset by a positive impact of 964 million euros on net cash used in investing activities, associated with the balance of the escrow account.

(2) In 2011, net cash flow provided by operating activities includes 339 million euros in change in other provisions, mainly due to a 248 million reversal for the television publishing operations.

It also includes a 494 million euros dividend received from the Everything Everywhere joint venture.

(3) Investments in property, plant, equipment and intangible assets financed through finance leases amounting to 180 million euros (157 million euros at 31 December 2010 and 170 million euros at 31 December 2009) have no impact on the statement of cash flows at the time of acquisition.

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roaming

In mobile telephony, **roaming** means using another operator's network, for example to make or receive calls in another country using the local operator's network. Operators sign roaming agreements to guarantee seamless service for their subscribers and propose specific offers.

In March 2011, for example, France Telecom-Orange and Free Mobile (Iliad group) signed a nationwide 2G and 3G roaming agreement in France. The agreement took effect in January 2012 once French regulator ARCEP confirmed that Free Mobile (which is committed under the terms of its license to deploy its own network covering at least 90% of the population by 2018) had covered at least 25% of the population.

S

smartphone

The digital intelligence of smartphones has ushered in a revolution in usage by democratising mobile Web access.

Today, more and more people have a fully-fledged computer right in their pocket. Smartphones have become the norm on almost every continent. All estimates concur that these new-generation mobiles will continue to expand everywhere, especially in the Asia-Pacific region, as well as Africa (see page 12). In Europe, smartphone users grew to 57% of the Group's 16.2 million customers at the end of 2011.

Beyond the numbers, these devices have triggered a sea change in usage, notably an explosion in data services (see page 54) and massive use of applications. Both will soon be joined by contactless (NFC) services (see page 136). These trends will be further amplified by the deployment of superfast mobile networks and LTE (4G) technology. In addition to HD voice – an Orange

exclusive – operators will introduce advanced mobile services such as HD video calls, cloud data storage (see page 26), mobile online games and more. Several battles are taking shape behind this wave, starting with telecom operators' strategies to monetise the huge volumes of data consumed by smartphones. Equally critical is the battle of operating systems. Heavyweights Android, Apple, BlackBerry and Microsoft each pitch ecosystems that are open or closed to varying degrees, replete with a rich array of apps. Orange is on the front lines, forging partnerships with numerous partners to directly integrate mobile apps in its phones – including "TV d'Orange" and music with Deezer – plus a catalogue of feature rich devices designed to meet every type of need and customer profile.





solar

Across Africa and from the Dominican Republic to Vanuatu or Armenia, Orange uses solar energy to build out its network and connect isolated populations.

France Telecom-Orange has now deployed 2,065 solar-powered stations around the world, including 1,413 mobile base sites (BTS). This programme contributes to the Group's objective of reducing CO₂ emissions by 20% and energy consumption by 15% by 2020 versus 2006 levels. In the Dominican Republic, Orange has taken exemplary steps to promote renewable energies. The company's first green building is equipped with a hundred solar panels, saving the equivalent of nearly 50 tons of CO₂ emissions each year. Orange Dominicana has already deployed 95 mobile base sites in rural areas, providing broader coverage for remote rural populations while at the same time reducing CO₂ emissions by 3,500 tons.

Orange in the Dominican Republic

A wholly-owned subsidiary of France Telecom-Orange, Orange Dominicana is the country's second-largest mobile operator, with 3.1 million customers for a market share of 37.7%. Despite intense competition, Orange Dominicana increased its customer base by 7.7% in 2011. It also introduced new offers to develop voice and data services, including free minutes at the end of the year and promotional offers during periods when excess capacity is available on the network.



Sosh

Sosh is the new Orange mobile brand launched in October 2011. Available only in France, the groundbreaking 100%-Web offer shakes up the traditional approach to mobile call plans.

With Sosh, Orange became the first operator to compete head-to-head with the fourth mobile player in France. Available exclusively via the Web, Sosh is more than just low prices. The 100%-Web brand comes with no commitments and a community mindset to win over young, ultra-connected customers who are extremely active on the Web and social networks. The participative approach of this new generation is what drives the new brand, which cultivates a “Sosh spirit” with catchy initiatives like the “Sosh Bus”, which criss-crosses France to promote events and unveil new surprises. Sosh is also a sponsor of popular surfing and board sports.

swift success

Sosh counts over 200,000 customers, more than 160,000 Facebook fans and over 12,000 Twitter followers. There are three “SIM only” Sosh plans to meet every need. The first offers 120 minutes of call time plus unlimited SMS/MMS and unlimited access to Facebook and Twitter. The second also provides 120 minutes, unlimited SMS/MMS, plus 1 Go of Internet access per month. The last plan includes calls, unlimited SMS/MMS, plus Internet access capped at 2 Go.



**J'FAIS
ÇA À
MA
SOSH**

PRENEZ UN MOBILE (OU PAS !)
ET PAYEZ-LE EN 1, 12 OU 24 FOIS SANS FRAIS*

Sosh.fr
REJOIGNEZ LA MOBILE SOSHIETY
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**LES
MAINS
DANS
LES
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PROFITEZ D'UN FORFAIT MOBILE
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S'KEEP
IN
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ET LA COMMUNAUTÉ
RÉPONDENT À VOS QUESTIONS

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**QUI M'AIME
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RESTEZ CONNECTÉ
AVEC TOUTE VOTRE COMMUNAUTÉ

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submarine



Some 400,000 kilometers of fiber optic submarine cables connect the world across the ocean floors. France Telecom-Orange is a pivotal player in building this global high-speed network.

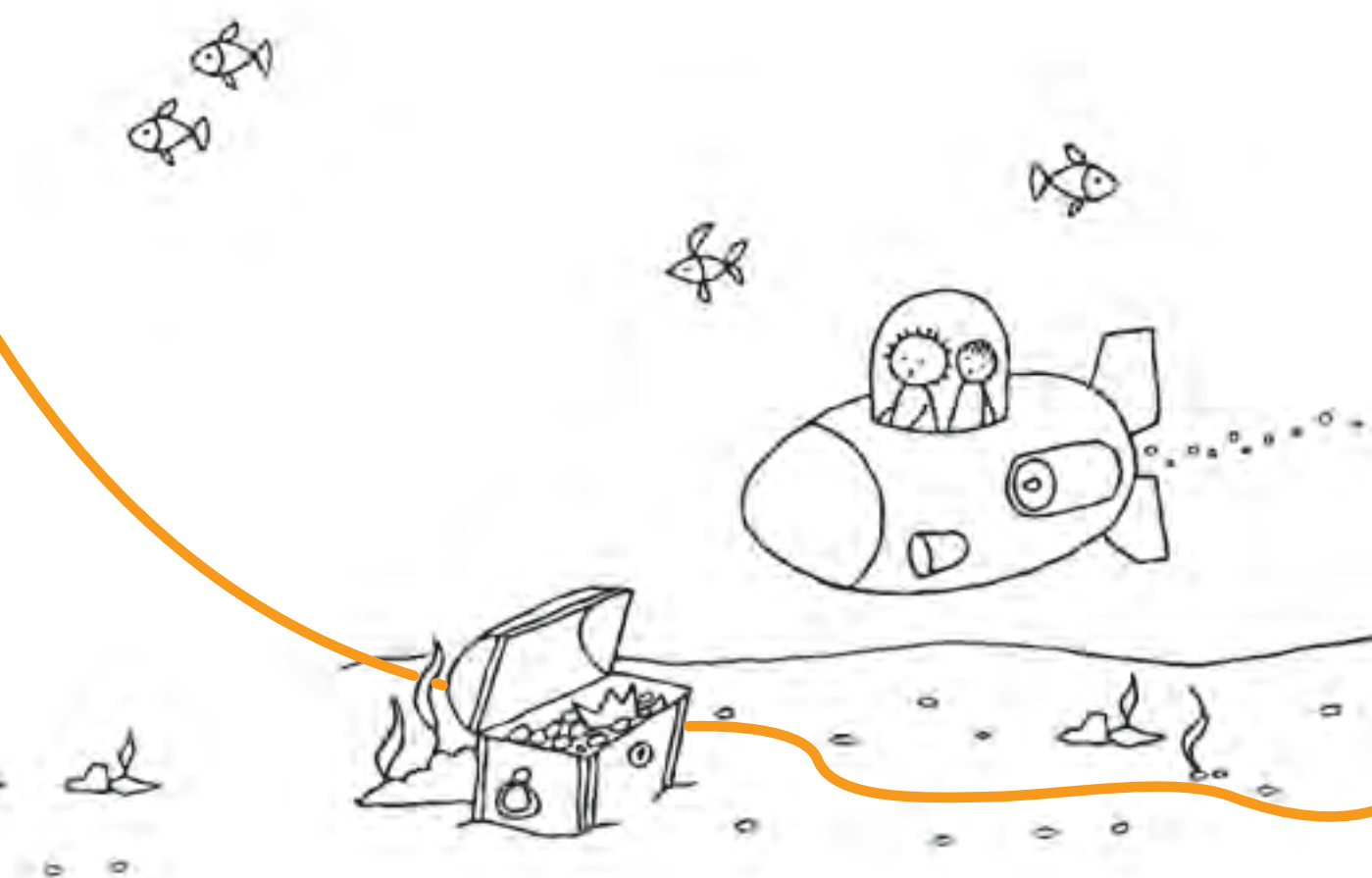
unrivalled expertise

Each year, robots labour hundreds of metres below the surface of the sea to perform maintenance on thousands of kilometres of fibre submarine cables, linked to their mother ships by umbilical cords. With its France Telecom Marine subsidiary, the Group is a global leader in submarine systems. Its fleet of six cable ships carries out an average of 40 operations a year for telecommunications operators around the world. Their infrastructures link contents and enable data to circulate around the globe at blazing speeds. Distance disappears as an incredible diversity of digital applications flourishes.

connecting Africa

During the past two years, the Group has invested in several major systems. In late 2010,

the iMeWe high-capacity cable system entered service, linking Marseille in France to Mumbai in India via the Middle East. 2011 saw the deployment of the ACE and LION2 cables which connect Africa and the Indian Ocean to the rest of the world. The first, African Coast to Europe, landed at the tip of Brittany in France in 2011. Upon completion, the 17,000-kilometre cable will link 20 countries, from South Africa to France along the west coast of Africa. Partial service launch is planned for late 2012. The LION2 system stretches 2,700 kilometres to link islands in the Indian Ocean to Africa, bringing broadband Internet to Mayotte and strengthening Kenya's connectivity to international networks. These cables open up exciting new horizons and services for millions of people in the Indian Ocean and Africa.



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Spain

Orange is the third-largest mobile and fixed-line broadband operator in Spain. It also markets integrated fixed, mobile, Internet and television solutions.

3.99

billion euros in revenues
+4.5% in 2011

12.5

million mobile customers
+4.5% in 2011

839

million euros in EBITDA

1.3

million ADSL broadband customers
+13.5% in 2011



4.5% increase in revenues in 2011

market

In a difficult economic and social environment marked by the highest unemployment rate in Western Europe and declining household consumption, which dropped 2.2% in 2011, the telecommunications sector saw intensified competition among operators. A price war broke out in the low cost segment and operators subsidized a significant portion of smartphone purchases, leading to a 3.4% increase in total number of mobile customers. As in other European markets, customers continued to increase data consumption, spurred by the penetration of smartphones and 3G dongles for laptops. The Internet market increased 4.8% in total customers, 80% of whom have ADSL and 20% cable. Convergent offers from operators gained a growing share of this segment.

Orange in Spain

Orange recorded revenue growth of 4.5% in 2011, well outpacing GDP growth, which is estimated at 0.7%. Excluding regulatory impact, growth was a robust 7%. Orange achieved this success in particular thanks

to the line of Animals mobile offers, coupled with an increase in fixed-broadband market share. The Group continued to improve its profit margins, recording an EBITDA ratio of 21%, an increase of one point over 2010. CAPEX were up 2% to 405 million euros, mainly for build-out of the 3G mobile network to support growing usage (data traffic) and continued renewal of the mobile access network. Orange 3G service in Spain reaches over 91% of the population.

mobile

Orange enjoyed sustained activity in the mobile telephony market as revenues rose 7%, excluding regulatory impact. It is the third-largest mobile operator in the country with a market share of 20% at end-2011, a 0.1 point rise.

The increase in revenues reflects dynamic commercial performance as the portfolio of mobile customers rose 4.5% to nearly 12.5 million. The increase in contract customers was an even higher 6.7% (477,000 net sales) thanks to the success of data offers and the Animals line. With its Leon, Panda, Delfin, Ardilla and other offers,

Orange has solutions tailored to all individual needs, including precise budget management. Data revenues increased 24.1%, reflecting the rapid expansion of mobile Internet. Orange had over 2.4 million customers with Internet package at end-2011, up from just 737,000 in 2010. The number of subscribers with smartphone and 3G dongle services more than doubled in one year, and the number of subscribers to virtual operators (MVNOs) using Orange networks surged 24%.

Internet

Orange is the third-largest fixed telephony and Internet operator in Spain, with an 11.5% – market share. It markets services under the Orange brand, as well as the Ya.com low-cost brand. Despite the morose Spanish economy, Orange recorded dynamic business levels in the fixed telephone and ADSL markets. Revenues rose 6.6% in 2011 (on a comparable basis), and the company gained 0.9 points in market share during the year. This solid business performance reflects growth in fixed-broadband services as the number of ADSL customers rose 13.5% in 2011, coupled with an increase in average revenue per customer (ARPU) of 1.9%. This rise was driven by the acceleration of total unbundling and IP telephony.

networks

Orange made massive investments to strengthen networks that must accommodate ever higher volumes of mobile Internet traffic and to establish the brand as the benchmark for service quality in Spain. Orange invested 569 million euros in 2011 to acquire additional mobile frequencies, enabling it to compete with other operators on an equal footing. Orange also continued to deploy fibre, connecting 60,000 new homes as part of public and private partnerships.

reducing the digital divide

Orange pursued numerous initiatives in Spain to facilitate access to new technologies everyone, especially seniors and young people:

- The “Cátalogo de productos y servicios accesibles” is a catalogue of products and services designed for people with disabilities (hearing, visual, speech, motor or intellectual). CERMI, the Spanish committee that represents people with disabilities, saluted and certified this initiative by Orange.
- Orange has partnered with Carlos-III University and the Spanish subtitling centre to develop a system for real-time synchronization of image, audio and subtitles, enabling people with hearing disabilities to follow live IPTV programmes.

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tablet



35%

of tablet owners
in France use
it to watch TV

66 million

tablets sold in 2011
(source: Strategy Analytics)

60%

of tablet owners in France
have used it at least once
for e-shopping

Tablets are somewhat of an “unidentified digital object”, marking a disruptive shift in uses at home, as well as the office and on the move, using either Wi-Fi or mobile broadband connections.

And tomorrow? Beyond the obvious challenges for print media and books, tablets will impact three areas in particular. They compete with television today, but will offer a complementary alternative in the future. People will be able to start watching a film on their tablet, before switching to another screen. For education, tablets become digital school bags and media for everything from language learning to virtual reality experiments. Lastly, handheld videoconferencing offers a myriad of possibilities for businesses.

intuitive and practical

Most importantly, tablets are a perfectly cross-generational device, ideal for e-mail, watching videos, listening to music, reading a book, group role-play games or interactive children's video books thanks to the touchscreen.

For businesses, tablets combine the features of a laptop with the ultralight mobility of a smartphone. Tablets are not just for management either, since they provide an efficient new tool for sales representatives, service technicians or customer advisors at points of sale. Professionals can check their e-mail, verify stocks, present a catalogue or use an endless array of business-specific applications. For the company, tablets thus sharpen efficiency. Adoption by businesses is smoothed thanks to the recent “bring your own device” trend, authorising employees to use their personal devices for work-related tasks.

t

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tweet

Twitter is an online social networking and microblogging service. Users send and read text-based posts of up to 140 characters, known as “tweets”.





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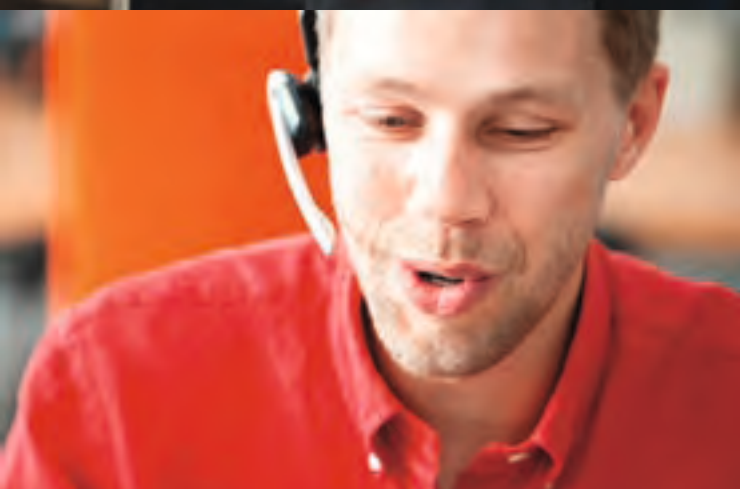
thank you

Because they are available every day to assist you. Because they provide you with support everywhere in the world, at every stage in your digital experience. Thank you to all the people who apply their skills in hundreds of different jobs to make sure you always prefer Orange!















thank you
to the Group's
172,000
employees



u

U

url

A uniform resource locator, or URL, is a specific character string that refers to a website. Orange invites you to surf one of its numerous sites!

Orange.com
Hello Demain
Orange Business Services
StarAfrica
Orange Api
Orange innovation TV
Orange Jobs
Le Collectif
Video party
118 712
Deezer
Weather forecasts
Blog live

France
UK
Spain
Poland
Armenia
Austria
Belgium
Luxembourg
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v

v

virt

v

v

virtual

The interactive version of
our annual report is available
at www.orange.com/2011ar

V



98%



orange™

W

wholesale

Little known to the general public, the Domestic Operators and International Operators units play an essential role in routing voice, Internet and data traffic between countries, providing services for our fixed and mobile operator customers.

26,000

00,000

a key business, an immense market

Without the wholesale market and the network access it provides, international calls could not be completed. Wholesale solutions allow operators to guarantee roaming services for their customers by routing calls over other networks. The principle is quite simple. The Group sells millions of minutes of wholesale capacity in blocks to other domestic operators who then bill these minutes at retail rates to consumers and business customers. This same model is applied to wholesale Internet access for Web traffic. France Telecom-Orange is part of the elite club of the top 5 global operators, transporting over 26 billion minutes annually. International wholesale generated 1.3 billion euros in revenues in 2011, with an increase of over 8% in wholesale voice.

quality networks and innovation make the difference

The wholesale business leverages the Group's powerful networks, especially 400,000 kilometers of submarine cables. The Group provides state-of-the-art solutions for 1,000 international fixed, mobile and ISP operators. The Roaming Hub offer, for example, simplifies roaming agreements among mobile operators. In 2011, this business won the Network and Voice Value Award for the quality of the network and customer service. The innovative International Airtime Hub solution took the prize for Best New Product Launch at Telecoms World Middle East in Dubai. The product makes it easy to top up prepaid accounts in a foreign country.

400,000

a multitude of products for a diverse customer franchise

France Telecom-Orange offers an extensive range of wholesale solutions in France, enabling other operators to serve their customers. These services include interconnection for fixed and mobile operators, broadband access (such as local loop unbundling or wholesale subscriptions), plus very-high-speed services (fiber optic networks). For mobile operators France Telecom-Orange provides a suite of MVNO and roaming solutions, as well as domestic roaming for the fourth mobile operator.

leader in the domestic operators market

France Telecom-Orange is the leader in the wholesale segment, serving 11.4 million fixed lines and 3.3 million MVNO customers. In 2011, the Group signed a six-year 2G/3G roaming agreement with Free Mobile, as well as major agreements with France's three main operators (SFR, Free and Bouygues) to structure deployment of fiber-to-the-home (FTTH).

France Telecom-Orange figures at the hub of the contactless mobile services ecosystem, leading deployment of Cityzi in Nice, Strasbourg, Caen, Marseille and Bordeaux.



5th-largest global wholesale operator

France Telecom-Orange provides over 26 billion wholesale international voice minutes annually.



world awards 2011

A panorama of awards and recognition received by the Group.

ARCEP

"Best Mobile Network"
Orange France

Mobile Entertainment Awards

"Best Operator"
France Telecom-Orange

Capitalcom 2011 CSR Ranking

Top 5 in CSR and Top 3 in
Gender Equality among CAC 40
companies
France Telecom-Orange

World Communication Awards

"Best Mobile Operator"
France Telecom-Orange

"Best New Service" for VPN

Galerie service
Orange Business Services

"New Frontiers" Award

Orange Business Services

L'Observateur du Design 12

Design Star
France Telecom-Orange

ISO Certifications

Orange Business Services

AfricaCom Awards

"Best New Service"
Orange Africa

Top Employeurs

Top Employeurs 2012 Label
for human resources policy
Orange France and Orange
Poland

Best place to work

Orange among top four
companies considered
"great place to work"
Orange Spain

"Brand of the Year" competition

Golden Mercury Award
in "social responsibility" category
Orange Moldova

Via Bona Slovakia Awards

CSR and corporate
philanthropy award
Orange Slovakia

**French Association for
Communications and
Information on Sustainable
Development (ACIDD)**

"Environmentally-Committed
Digital Enterprise Award"
France Telecom-Orange

Frost and Sullivan

European Innovation Price
France Telecom-Orange

Ocean⁸² benchmarking report:

**"Voice of the Customer:
Global DataVPN"**

"World Class" rating
Orange Business Services

Mobile Money Summit

"Best Mobile Money Launch"
Orange Madagascar

Global Mobile Awards 2011

Award for best technology
in emerging countries
France Telecom-Orange



x

X

xie xie

“Thank you”, in Chinese

在中国的战略合作伙伴关系

strategic partnership in China

Orange and China Telecom signed a strategic partnership framework agreement in October 2011. The agreement aims to facilitate the international development of the two companies' enterprise customers by leveraging cooperation in three areas:

- improved access to services for Orange business customers in China and China Telecom's customers in Europe;
- cooperation in developing and deploying the two entities' international cable networks;
- Wi-Fi roaming services for their customers.

With over a billion mobile customers and nearly 500 million Internet users, China has become a major telecommunications market. The Group intends to take advantage of this growth and establish balanced relations with Chinese companies, aligned with its values. In 2011, Orange celebrated 25 years in China, including Orange Labs in Beijing, created in 2004. The Group has built partnerships with other leading players such as Baidu, the main Chinese search engine, as well as China Mobile, and provides business customers with access to seamless networks covering 200 cities in the country.

2011年10月, Orange电信与中国电信达成商业战略合作伙伴关系。该战略合作伙伴关系旨在通过以下三种途径为双方客户的国际发展提供便利:

- 改善Orange电信公司在中国的入网及提供的服务以及中国电信在欧洲的入网和提供的服务。
- 加强双方在国际有线网络开发和部署方面的合作。
- 为双方各自客户提供Wi-Fi漫游业务服务。

中国拥有超过十亿移动手机用户和近5亿网络用户, 业已成为主要的电信业务市场。

Orange电信公司希望能够把握市场迅速增长的机会, 在尊重中方利益的前提下与之结成平等互利的合作伙伴关系。2011年, Orange电信公司迎来了其在华开展业务的第25个年头, 包括2004年在北京成立了Orange电信实验室。Orange电信还与中国主要搜索引擎百度、中国移动等其他公司结成了合作伙伴关系, 并向中国200多个城市的企业客户提供无缝网络服务。



Y generation

Y generation were born in a digital world. They cannot imagine living without a mobile phone or the Internet. Their lifestyle is all about being hyper-connected.

Children are discovering the Internet at increasingly young ages, first with games, then as a conduit for personal expression when they become adolescents. This generation is multi-tasking on multiple devices – interactivity is a lifestyle. They do everything at the same time, working simultaneously on two screens while listening to Internet radio and talking on their mobile. Above all, they are intensive users of social media and instant messaging, because socialising means everything to young people.

Huge consumers of new technologies and digital content, the 15-30 age group listens to more music and plays more games online, including on mobile devices, than other segments of the population. They also watch TV on all their different screens. Their TV and radio preferences are increasingly shifting to on-demand consumption too. Keenly aware of their digital identity, they often have several Facebook profiles. They are constantly connected and always on the cusp of emerging trends. For example, this generation was the first to own smartphones so they could surf the Net from their mobile and download apps, with a clear preference for free applications.





zoom

Welcome to Orange TV!

new-generation TV

Orange has been a pioneer in developing TV and VoD for broadband and mobile networks, offering a rich line-up of diverse content, available any time. Orange TV goes everywhere, on TV sets, computers, mobile phones or tables, creating an unprecedented multi-screen experience.

an offer for everyone

Orange TV provides a huge portfolio of contents:

- a package of up to 150 TV channels (French, digital terrestrial and themed);
- up to 19 HD channels in the basic package plus a selection of HD video-on-demand programmes;
- a rich on-demand TV offer including all the

major channels: MyTF1, Pluzz, M6Replay, W9Replay and more;

- up to 7,000 videos on demand available each month;
- 3 premium packages: Extra, Sport and Orange Cinéma Séries;
- 3D: the 3D channel (channel 333 in France) and a selection of 3D VoD films;
- Deezer and Dailymotion available on TV with the “on the Web” service with the new-generation Orange TV.

Orange TV is also expanding internationally and now counts 5.14 million subscribers in Europe (an increase of 1 million in one year), including 4.4 million in France, plus more than 1.5 million people who watch Orange TV on their mobile phone each month.



global presence

at 31 December 2011

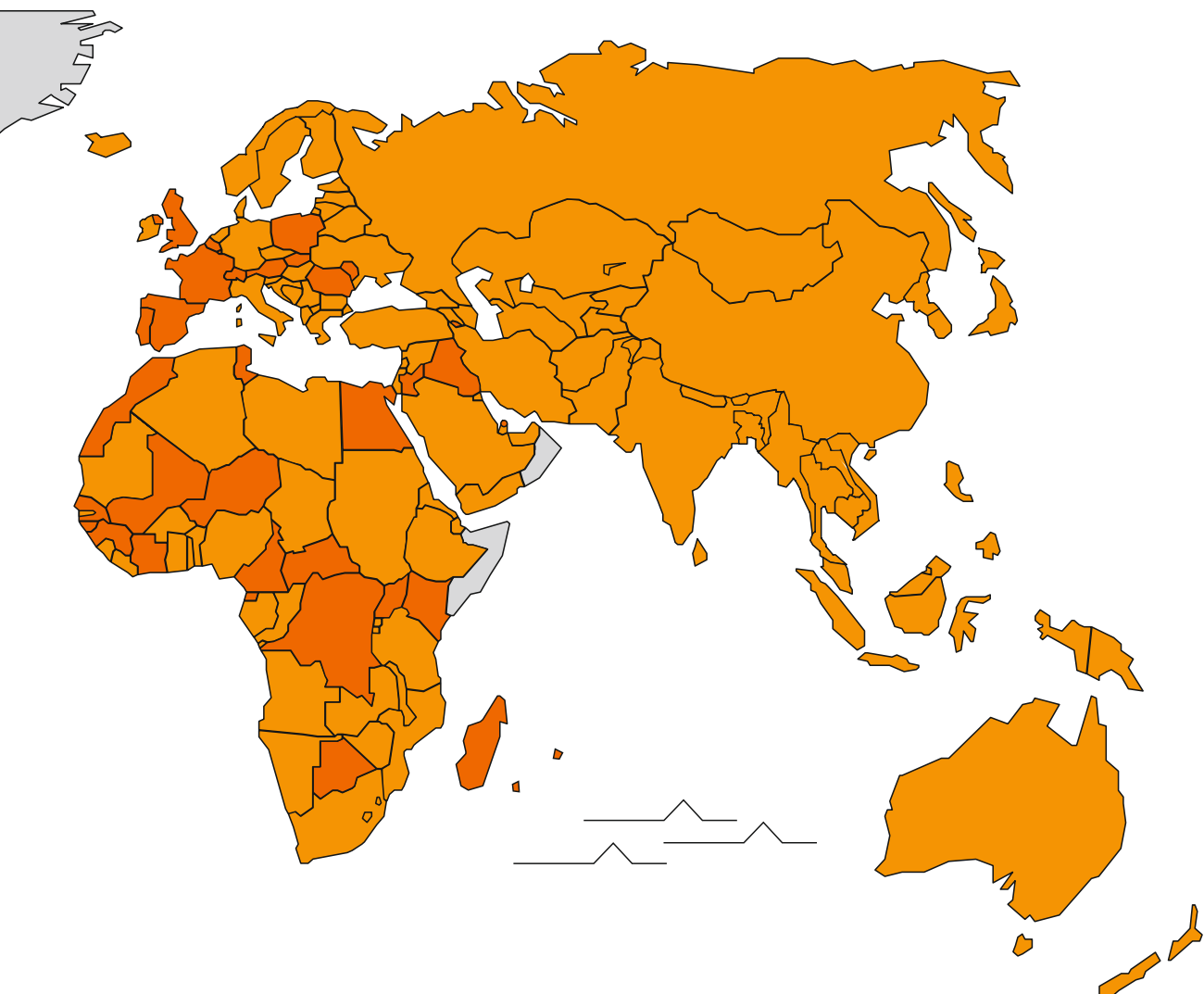
■ enterprise business

local presence in 160 countries and territories
seamless network in 220 countries and territories

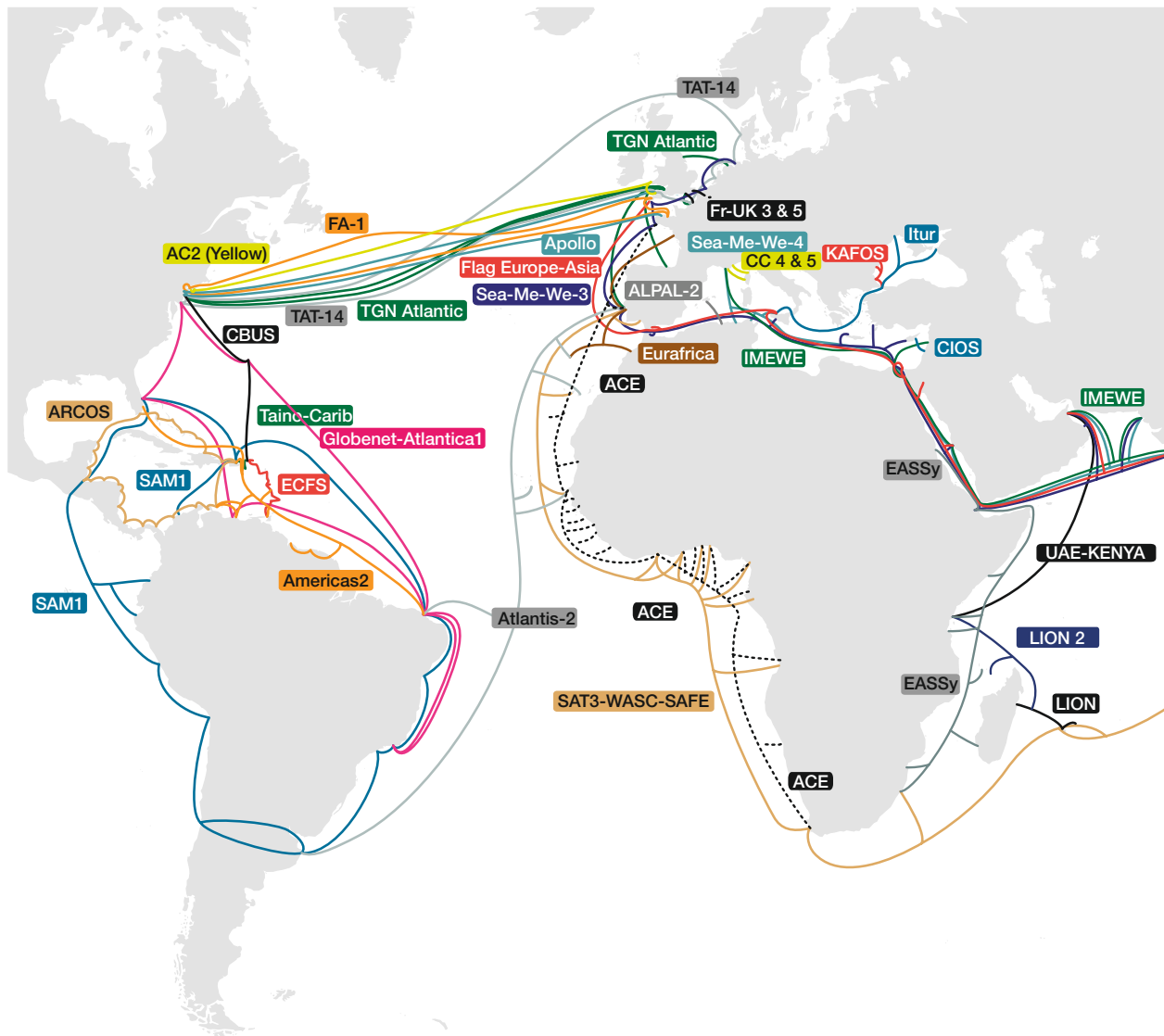
■ consumer/enterprise business

Armenia – Austria – Bahrain – Belgium – Botswana – Cameroon –
Central African Republic – Côte d'Ivoire – Democratic Republic
of Congo – Dominican Republic – Egypt – Equatorial Guinea –
France – Guinea – Guinea Bissau – Iraq – Jordan – Kenya –
Liechtenstein – Luxembourg – Madagascar – Mali – Mauritius –
Moldova – Morocco – Niger – Poland – Portugal – Romania –
Senegal – Slovakia – Spain – Switzerland – Tunisia – Uganda –
United Kingdom

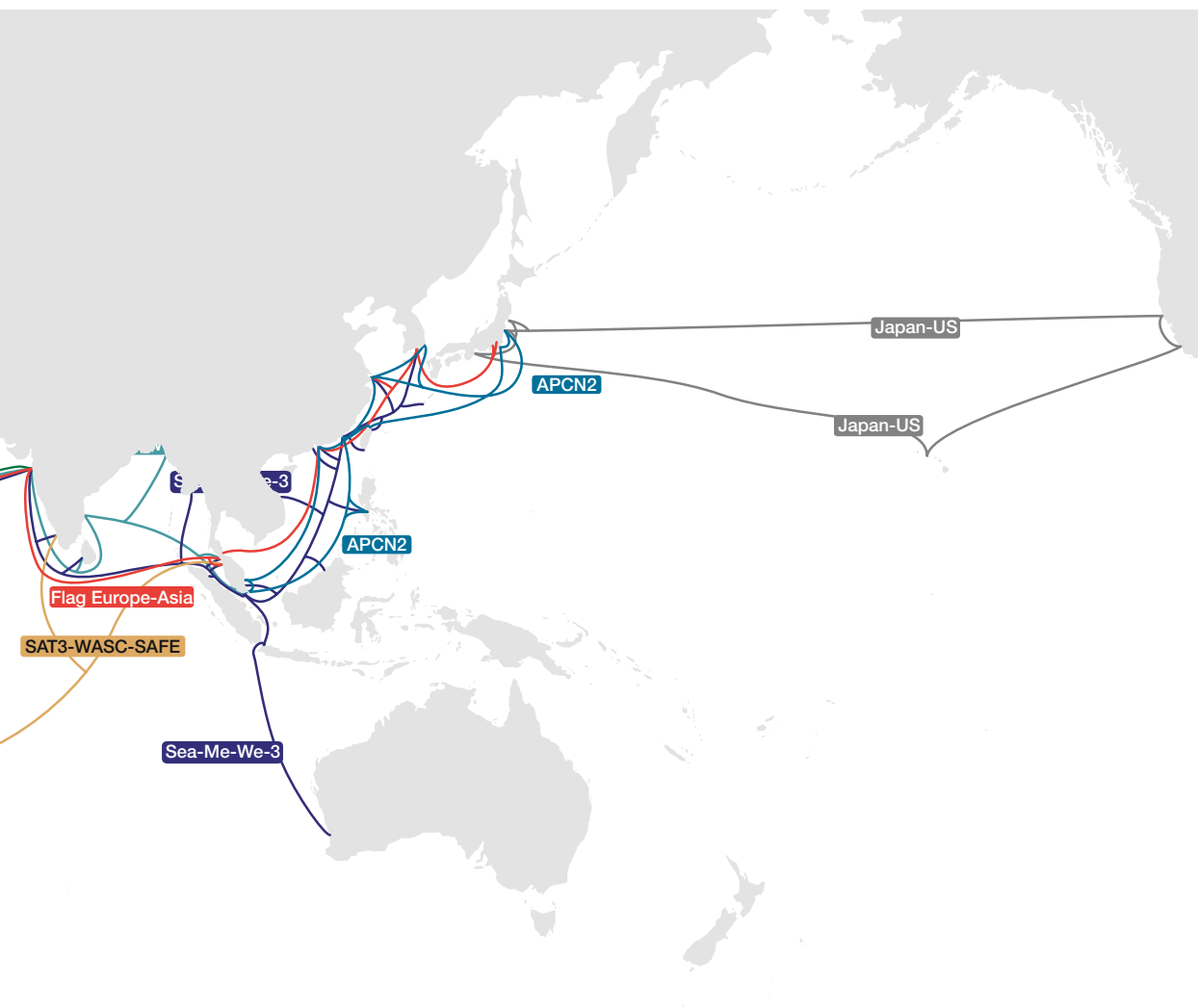




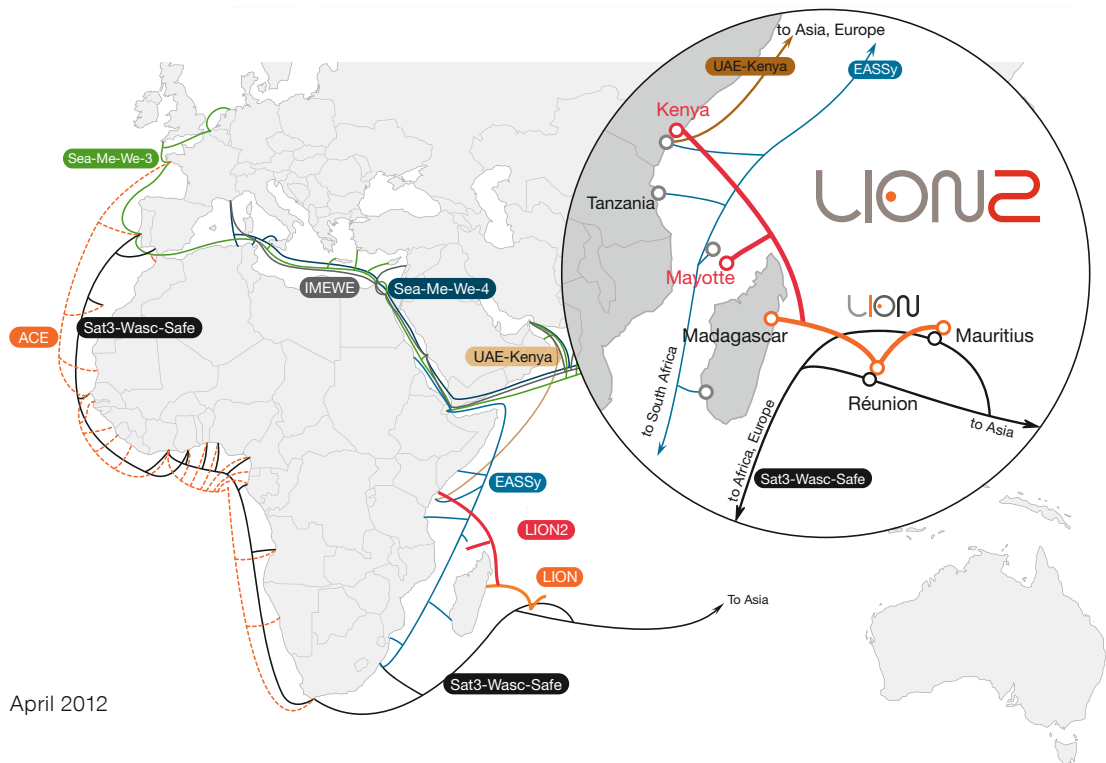
France Telecom-Orange optical fiber submarine network



Submarine cable systems are either owned by France Telecom-Orange or co-owned under indefeasible right of use (IRU) agreements – April 2012.



LION2 submarine cable system



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