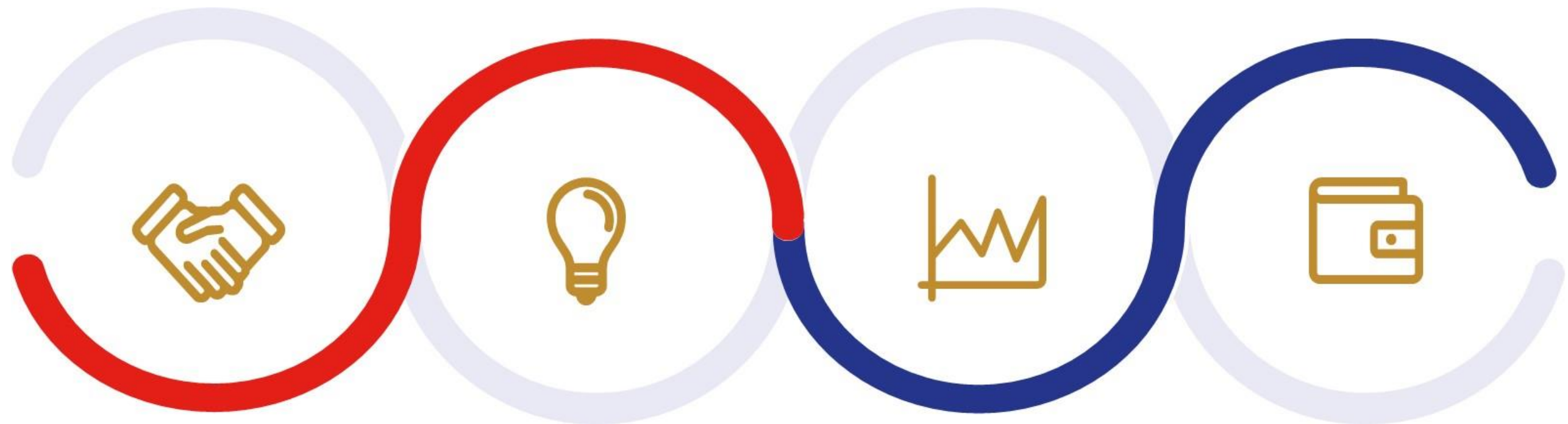


THE ONGOING REFORM AGENDA

A STRAIGHTFORWARD PRO-BUSINESS AGENDA

“France is witnessing reform at a rate never seen before”

FINANCIAL TIMES – MAY 17, 2018



GREATER FLEXIBILITY AND PREDICTABILITY

Flexible legal
framework to make
**businesses more
receptive and resilient**
to economic change

FOSTERING HUMAN CAPITAL

**Better education
and training**
to prepare the workforce
for technological
breakthroughs

PROMOTING INVESTMENT

**Reduced taxation on
businesses and capital**
to promote
job creation

INVESTING IN FUTURE INDUSTRIES

**Innovation,
artificial intelligence,
digital and
ecological transition**

TRANSFORMING FRANCE'S SOCIAL MODEL: **GREATER FLEXIBILITY AND PREDICTABILITY**



LABOR MARKET REFORM

(Executive orders of September 2017):

- More flexible rules adapted to the size and diversity of companies
- Enhanced social dialogue within companies
- More flexible and legally secure framework for recruitment and redundancies
- Simpler framework for restructuring

- **Rules defined at the company level**
- **A single employee consultation committee: The Social and Economic Council**
- **A mandatory scale of damages to limit the impact of potential disputes**
- **One-year limit to appeal against a dismissal, facilitating voluntary departure plans (voluntary redundancy plan)**
- **Dismissals on economic grounds: Evaluation of the financial difficulties of the company on a national scope**

TRANSFORMING OUR SOCIAL MODEL: INVESTING IN HUMAN CAPITAL

Apprenticeship and vocational training reform

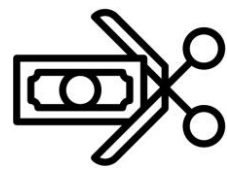
- **Skills Investment Program:** €15 billion => 2 million people to be trained within five years
- **Adapting the workforce's training** to the needs of companies
- **Reforming the unemployment insurance scheme:** Stricter controls, stronger incentives
- **Simpler procedures** for companies to hire apprentices

Measures promoting talents

- Student Guidance and Success Act – Parcoursup (March 2018)
- **“Bienvenue en France” program** (welcoming 500,000 international students in France by 2027)
- Improvement of international school offer

BUSINESS TAX STRATEGY

Decreased nominal
corporate tax rate:



33.3% in 2017

31% by 2019 (revenues < €250 million)

28% by 2020

26.5% by 2021

25% by 2022

Reduced employer social security
contributions

Business-friendly tax authorities,
introduction of a new “right to amend errors”

- Support takes precedence over penalties
- Partnership-oriented relationship, separate from audit functions, between companies and French tax authorities
- A one-stop-shop for filing and processing requests

**Supplementary depreciation allowance
for SMEs**

Covering 40% of the cost price of certain
investments made in 2019 and 2020

PERSONAL TAX STRATEGY

A single tax rate
on capital gains

More competitive
personal tax



30%

flat tax on all capital gains
from 2018

Abolition of the solidarity wealth tax
for all non-real estate assets, to foster
investment in innovation and
corporate investments

Individuals are now only liable for
their real estate properties

All other investments are exempt from
this tax for real estate assets

GROWTH FOR ALL SHARED OPPORTUNITIES

**Concrete and immediate
measures to increase
the value of work
and to bolster purchasing power**



**Overtime hours exempt from tax and social
security contributions**

A rise of the activity bonus for
low-income workers

A year-end bonus free of taxes,
paid at employers' discretion

In 2018: **€1 billion** paid to two million
employees

Decreased income tax for
15 million tax households, for a
total amount of €5 billion in tax
cuts, effective January 1, 2020

Exemptions for housing tax for
eight out of 10 tax households

Equality between territories:

High-speed and very high-speed internet
across France in 2020, promoting
mobility of people

Helping young people:

Easy access to housing (Housing Act)

PACTE ACT



A clear ambition

Free, better funded,
more innovative
and fairer companies



Administrative simplification:

- **Revision of social thresholds, with three new levels set at 11, 50 and 250 employees**
- **Creation of an online platform designed to be the single interface for business formalities**
- **Reinforcement of the scheme to attract talent: Exemption from pension contributions for employees who relocate to France (for a period of three years, renewable once)**

PACTE ACT



A package of economic liberalization measures aimed at boosting business performance



A positive impact leading to an increase in GDP of 0.3 points by 2025



Fostering innovation and promoting competitiveness

- **Rethinking Paris as an attractive financial center** by simplifying initial public offerings
- **A new legal ICO (Initial Coin Offerings) framework**, based on blockchain technology
- **A €10 billion disruptive innovation fund**

BUSINESS ENVIRONMENT: BETTING ON ARTIFICIAL INTELLIGENCE (AI)

Bringing together corporations, startups, investors, researchers and public authorities around the development of artificial intelligence in France



March 2018, “Villani report”: Seven strategic propositions to boost the French AI sector

=> November 2018: Creation of the first four “AI Institutes” in Toulouse, Grenoble, Paris and Nice

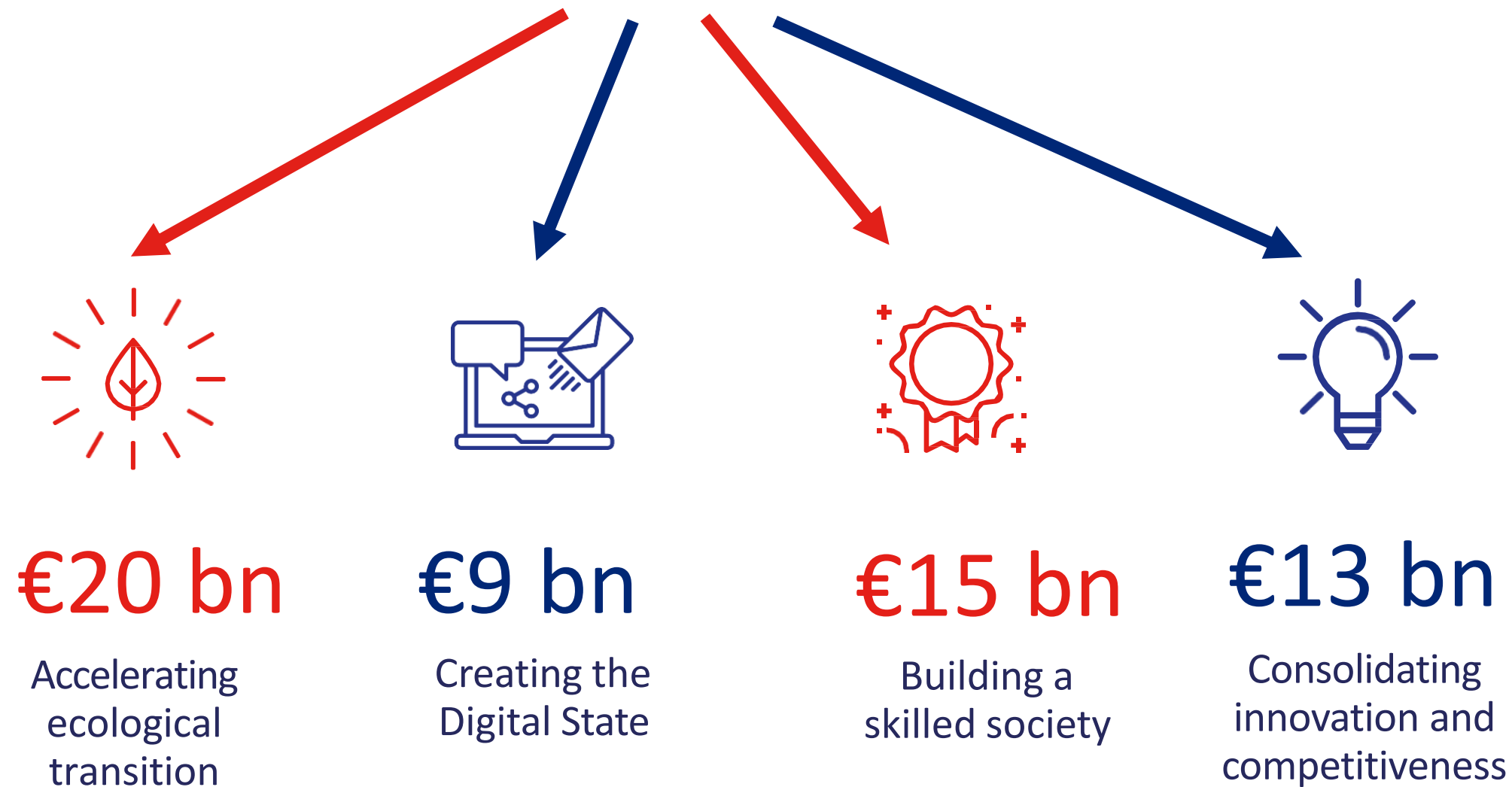


Creation of a dedicated platform: “France AI”, to bring together AI startups and initiatives, and participate in creating a vibrant AI scene in France

CHOOSE FRANCE SUMMIT 2018: Several GAFA announced new investments in AI in France

A MAJOR PUBLIC INVESTMENT PLAN TO FUND TRANSFORMATIONS

€57 billion from 2018 to 2022



“PUBLIC ACTION 2022” PLAN

An ambitious program to overhaul the role of the public sector



- For users: **Improving public service quality**
- For taxpayers: **Decreasing public expenditure** (with a target of -3% in GDP by 2022)
- For public servants: Providing a modernized working environment






**Rewriting a new model for carrying out public policies
by using:**

- **Digital technologies**
- **Innovation**
- The transformation of **public action fund** (€700 million)

**FIRST EFFECTS OF REFORMS
CONDUCTED SINCE MAY 2017**




FIRST MACROECONOMIC EFFECTS

Sustained growth:

			
2018	1.7%	1.5%	1.4%
2019 (estim.)	1.4%	0.8%	1.2%
2020 (estim.)	1.4%	1.2%	1.0%

According to the **OECD**, reforms in France could boost GDP per capita by 3.2 percentage points in only 10 years

French exports increased in 2018 ... and will strengthen:

			
2019 (estim.)	2.4%	0.9%	1.8%
2020 (estim.)	2.7%	2.4%	1.6%

500,000 jobs created since 2017

Unemployment of 8.7% in Q1, 2019 (vs. 10% end of 2016)

+14% of permanent contracts (CDI) since May 2017

Reduction in caseloads in Labor Courts

Use of collective termination agreements

Public deficit below 3% in 2017 and 2.5% in 2018

Public spending controlled

BENEFICIAL RESULTS FOR BUSINESSES

Labor costs managed
thanks to lower
social security contributions

In 2019, hourly labor cost
for minimum wage earners
was lower in France (€10.40)
than in Germany (11€)

**Sustained investment
by French businesses**

+3.9% in 2018, leading to a
gain in competitiveness

**Profit share of non-financial
corporations: 31.2%**
in 2018 (29.7% in 2013)

**An attractive “French Tech” for
funds and talents**

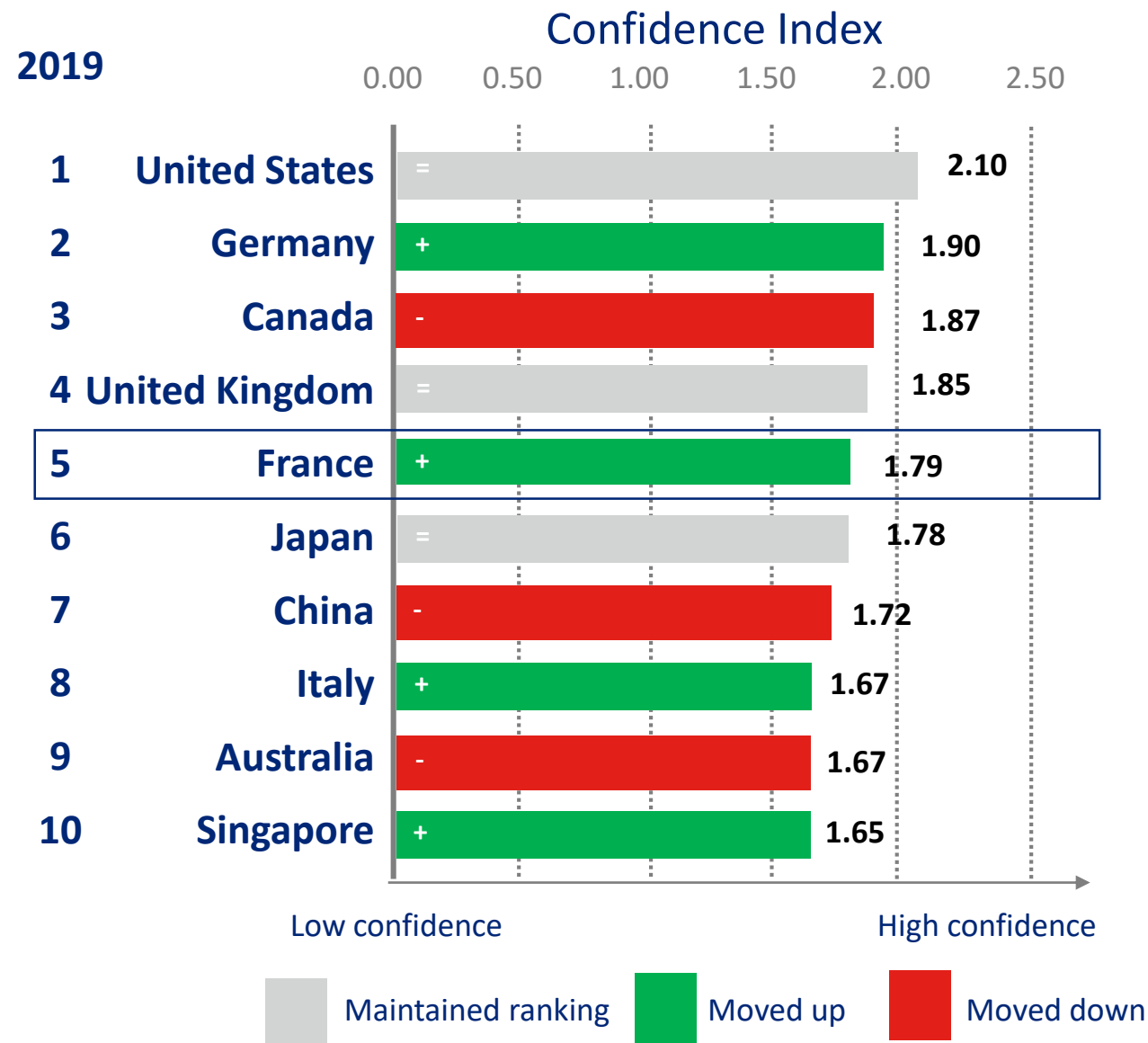
€3.6 billion invested in
startups in 2018 (up 41%)



**Towards improved performance of
the rail system (SNCF)**

Act passed in June 2018 in
preparation for the opening to
competition in 2020 (TGV)

A RISE IN INTERNATIONAL RANKINGS



Foreign investors' renewed interest in France's attractiveness:

1,323 foreign investment projects in 2018 (new record over the last 10 years)



France is making strong progress in international rankings:

Jumping five places, in the 2019 WEF Competitiveness Report (from 22nd to 17th place)



Fifth place (+2) in the top 10 most attractive countries in the world for the next three years (A.T. Kearney, 2019)



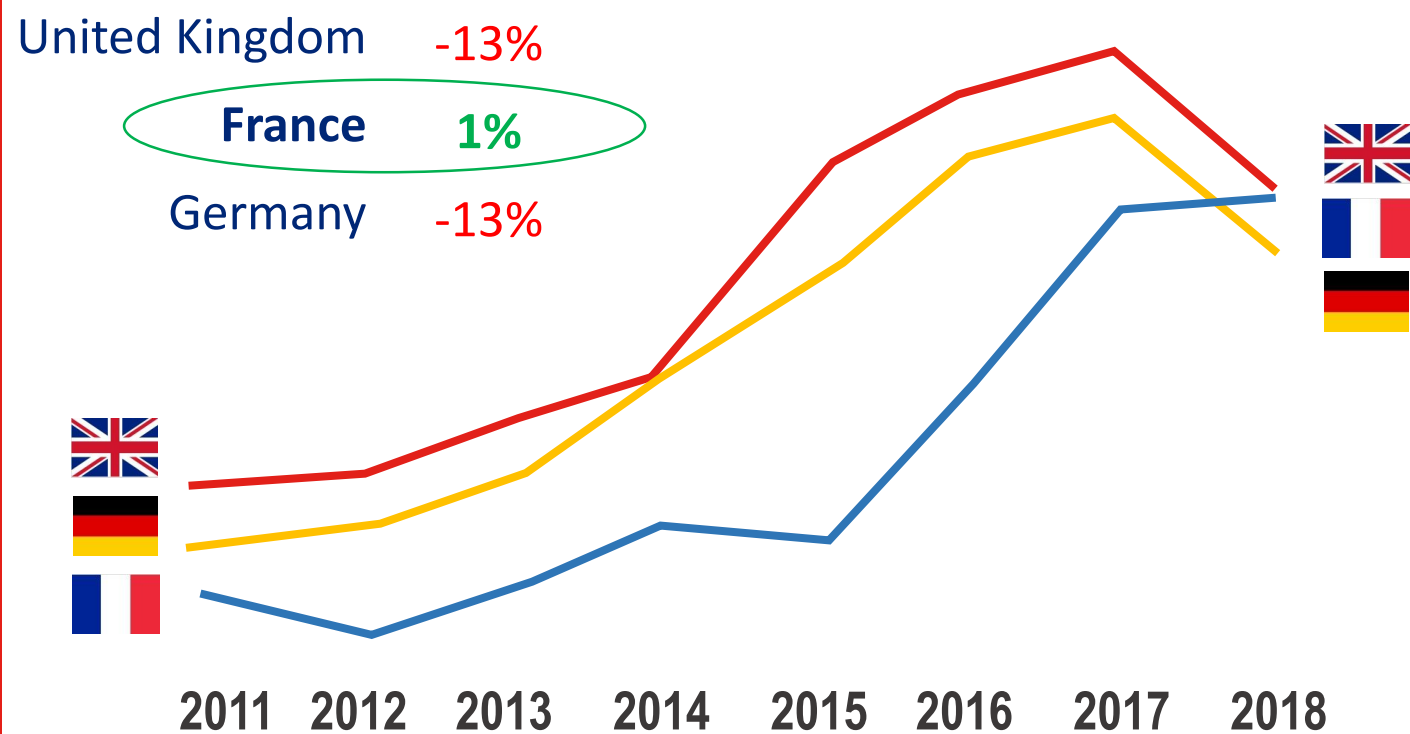
The 2019 A.T. Kearney Foreign Direct Investment Confidence Index®

HEC and INSEAD in the top three of the European Business School Rankings 2018

A RISE IN INTERNATIONAL RANKINGS

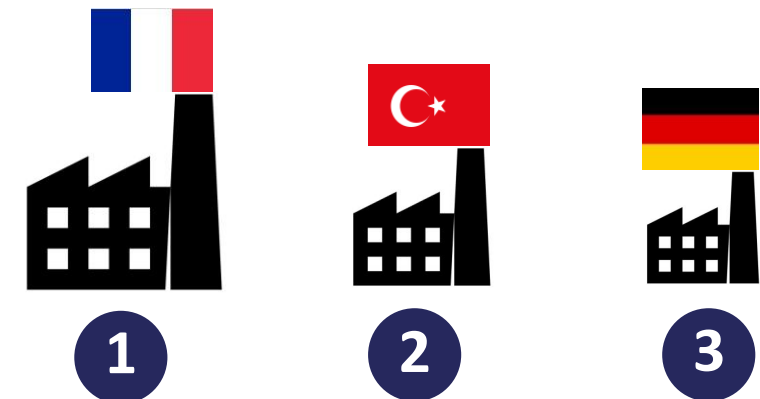
EY Investment Attractiveness Report 2019:

Slowdown in Europe and in the UK,
France (2nd) ahead of Germany,
 and not far from taking on leadership



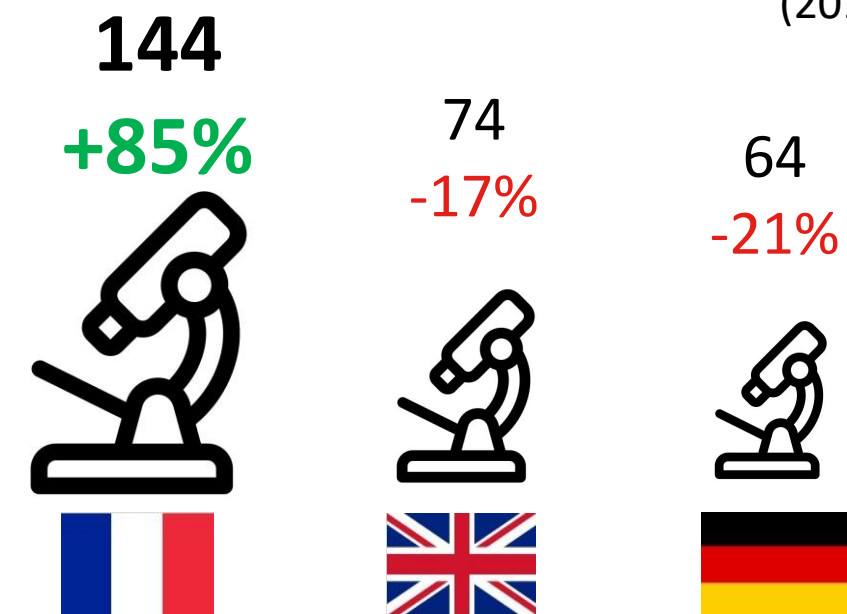
Source: EY, France Investment Attractiveness Report 2019

France remains the European leader for **international industrial investments...**



... and is becoming the most attractive country in **innovative investments**

Top three host countries of R&D centers in Europe (2017-2018)

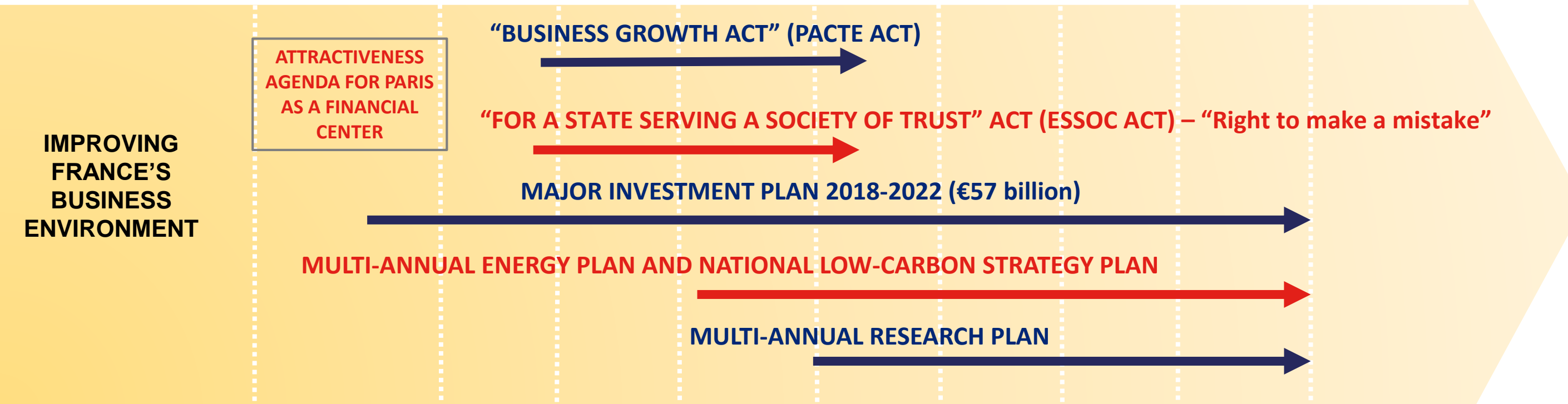
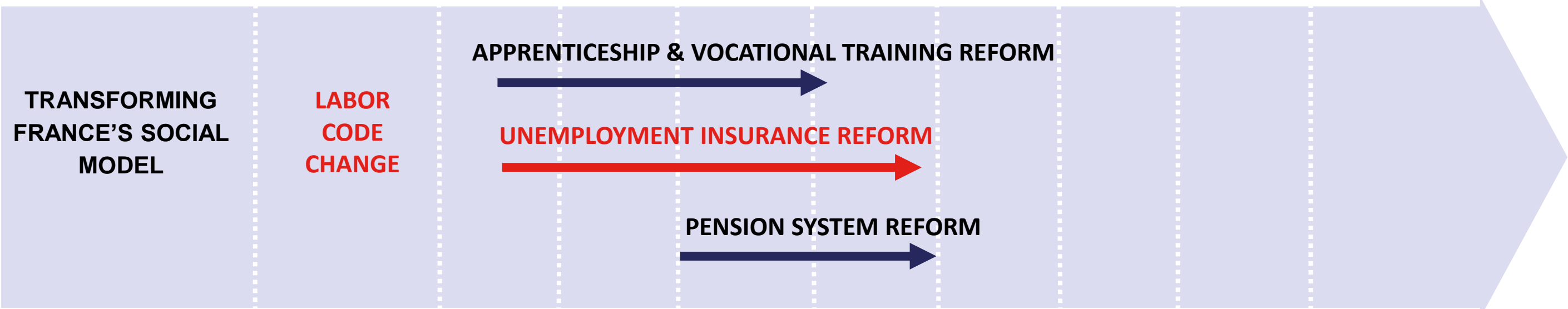


REFORM AGENDA

A DETAILED AND TRANSPARENT REFORM AGENDA

AGENDA

May-Aug 2017 Sept 2017 Late 2017 Spring 2018 Late 2018 Late 2019 Late 2020 Late 2021 Late 2022



A DETAILED AND TRANSPARENT REFORM AGENDA

AGENDA

May-Aug 2017 Sept 2017 Late 2017 Spring 2018 Late 2018 Late 2019 Late 2020 Late 2021 Late 2022

