

France Telecom

1H09 results

July 30th, 2009



cautionary statement

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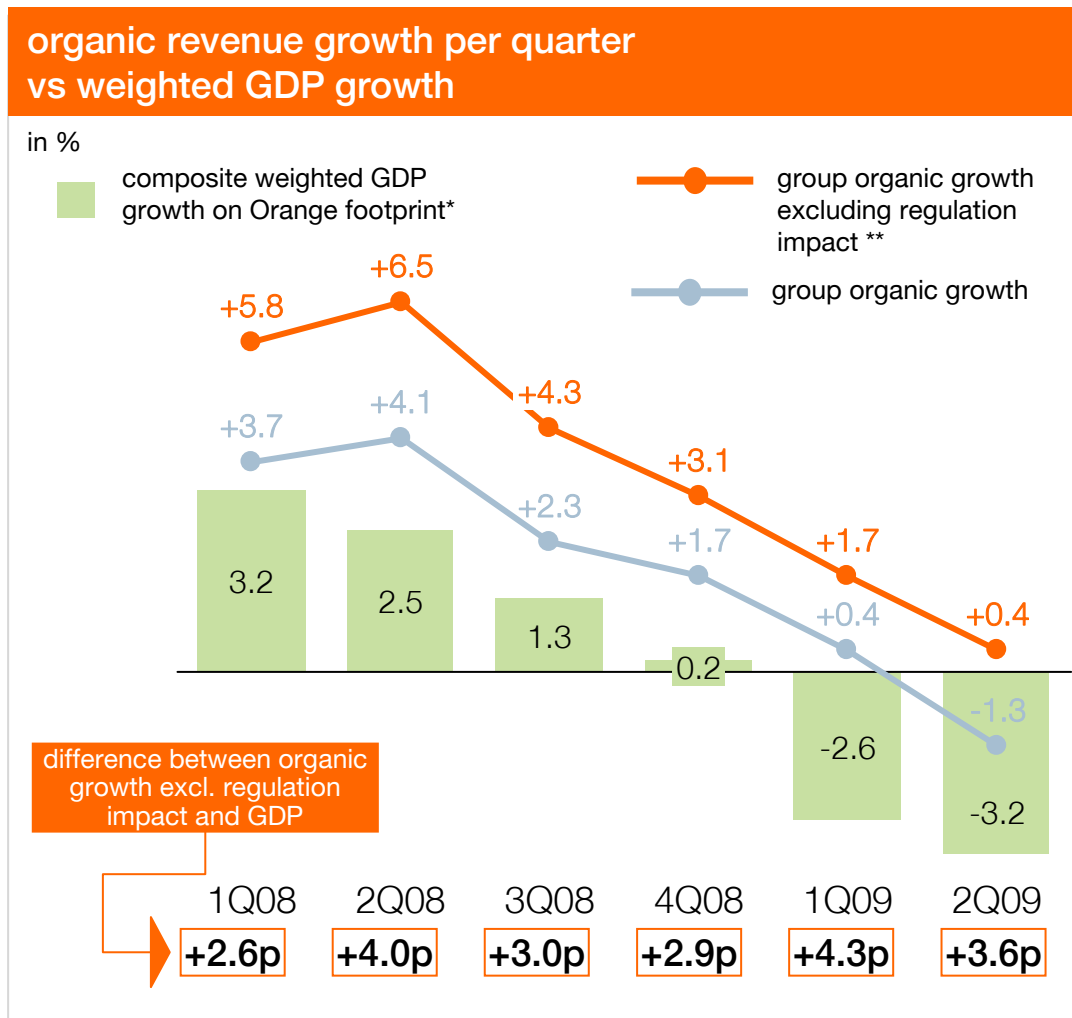
1H09 highlights

1H09 key financial achievements

resilient revenues and organic cash flow on track with FY guidance thanks to tight management of opex and capex

in millions of euros	1H08 comp basis	1H09 actual	var. comp basis	key points
revenues	25,581	25,458	-0.5%	<ul style="list-style-type: none"> ▪ further slowdown in 2Q in most regions due to economic deterioration ▪ Group revenue trend remains above GDP evolution
EBITDA	9,058	8,821	-2.6%	<ul style="list-style-type: none"> ▪ tighter control of cost base ▪ improvement of EBITDA margin in 2Q (+0.2pt yoy) vs 1Q (-1.7pts)
in % of rev	35.4%	34.7%	-0.7pt	
CAPEX	3,069	2,528	-17.6%	<ul style="list-style-type: none"> ▪ capex reduction implemented to adjust to the level of activity ▪ -13% yoy excluding real estate investment in 1H08 (€163m)
in % of rev	12.0%	9.9%	-2.1pts	
organic cash flow	3,645	4,096	+12.4%	<ul style="list-style-type: none"> ▪ 1H09 cash flow on track to achieve full year guidance ▪ ahead of last year due to different phasing from one semester to another

France Telecom Orange revenues continued to outperform GDP evolution on its footprint



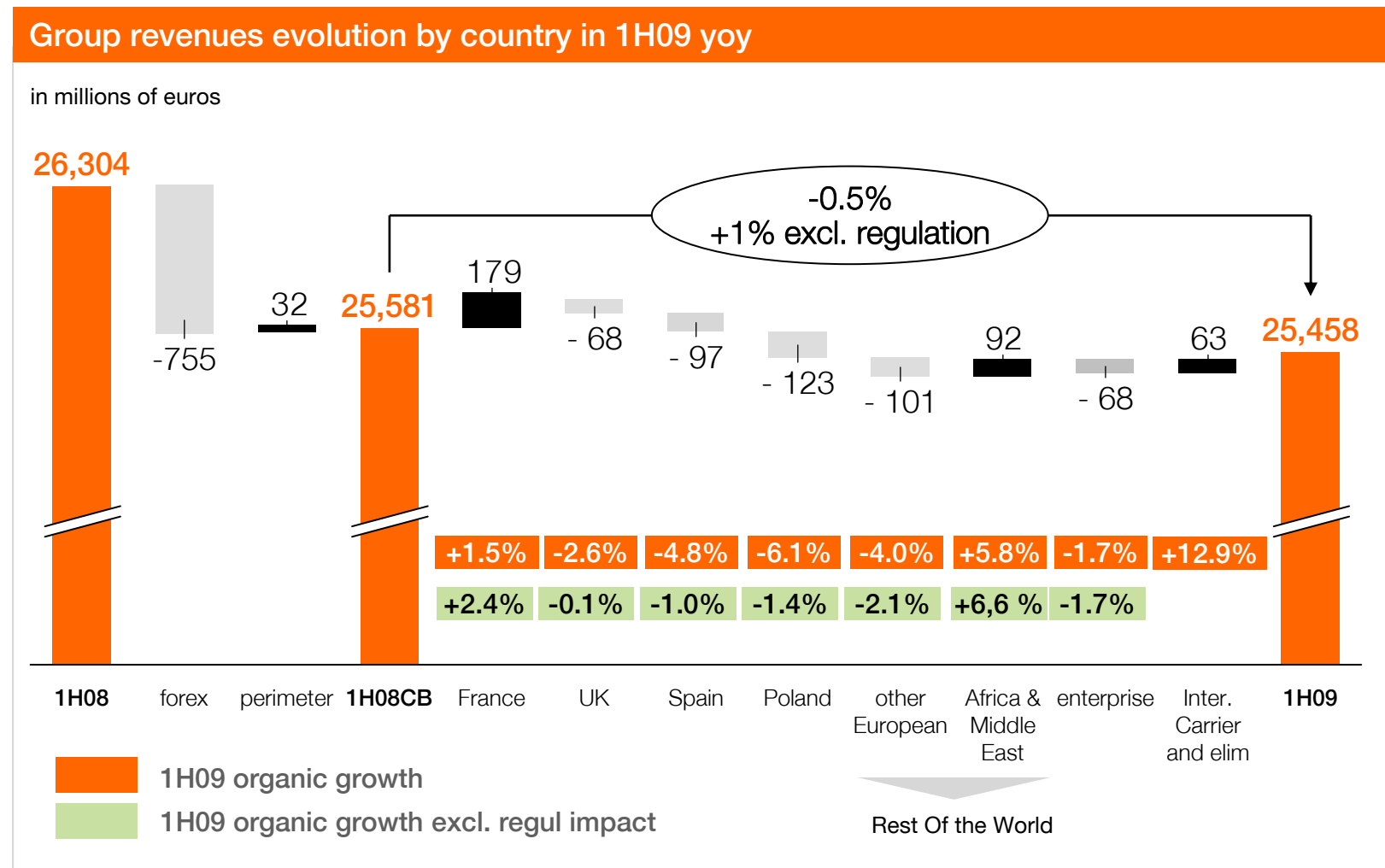
insight

- most of Orange's countries have been facing further economic deterioration in 2Q09
- France, Africa and Middle East continue to remain positive and to be more resilient than others
- Spain, UK and some Eastern European countries are suffering to a larger extent from the economic slowdown

* source: IMF, France Telecom estimates

** Regulatory impact: Mobile Termination Rate decrease, wholesales prices

revenue growth in France, Africa & Middle East and international carrier, nearly offsetting decline in other regions

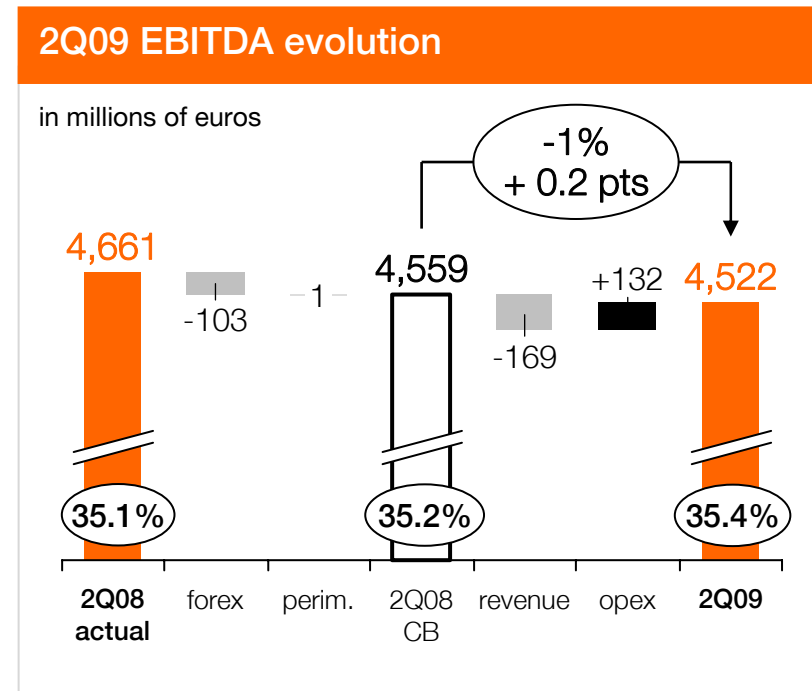
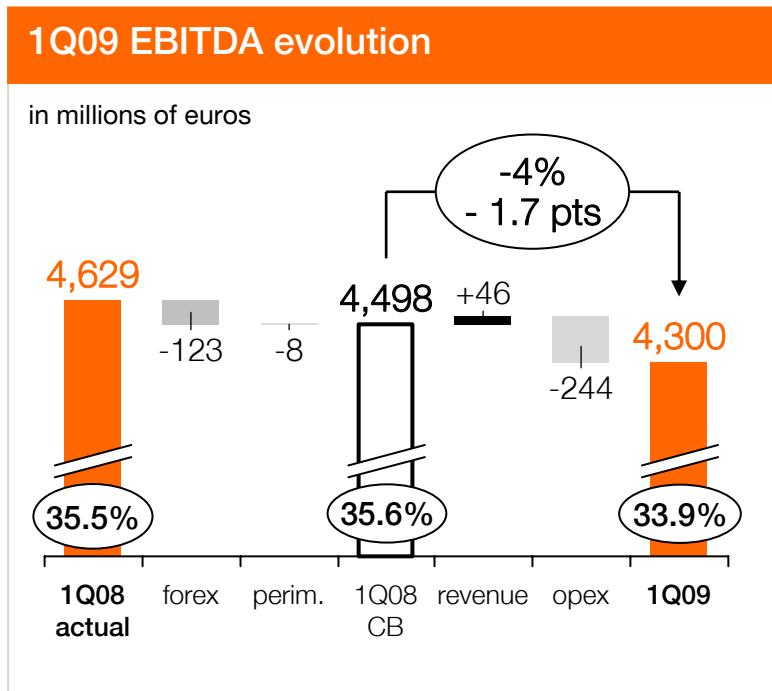


revenue evolution by region

in a continued depressed environment, trends changes reflect MTR cuts*, except for Enterprise

in millions of euros	1Q09	YoY var on comp. basis	2Q09	YoY var on comp. basis
Group revenues	12,685	+0.4%	12,773	-1.3%
France	5,912	+2.1%	5,928	+1.0%
personal	2,645	+7.4%	2,728	+5.5%
home	3,559	-1.2%	3,514	-1.7%
eliminations	-292		-314	
UK	1,253	-0.6%	1,288	-4.5%
personal	1,208	+0.4%	1,243	-4.0%
home	60	-18.3%	60	-15.5%
eliminations	-14		-15	
Spain	954	-4.1%	966	-5.5%
personal	783	-5.4%	795	-5.6%
home	171	+2.4%	171	-5.3%
Poland	960	-4.7%	940	-7.4%
personal	445	-4.5%	439	-8.4%
home	575	-1.8%	563	-3.3%
eliminations	-60		-62	
ROW	2,028	-0.4%	2,084	0.0%
Enterprise	1,926	+0.4%	1,910	-3.8%
International carrier & SS	337	+12.3%	350	+13.5%
eliminations	-686		-694	

in spite of lower revenues, strong cost control leading to EBITDA margin recovery in 2Q



insight

- improvement of EBITDA margin in 2Q09 reflecting lower restructuring (+€67m yoy) and cost monitoring in spite of:
 - lower level of activity
 - additional content costs (-€67m yoy)
 - TV tax and Chatel law impact (-€49m yoy)

EBITDA margin improvement in Spain and sustained profitability for Enterprise, mobile in France and in the UK

in millions of euros

	1H09		organic variation YoY*	
	<i>M€</i>	<i>% of rev.</i>	<i>M€</i>	<i>in % pts</i>
Group EBITDA	8,821	34.7%	-236	-0.7pt
France	4,913	41.5%	-46	-1.0pt
UK	499	19.6%	-19	-0.2pt
Spain	349	18.2%	+77	+4.7pts
Poland	721	38.0%	-171	-6.1pts
ROW	1,677	40.8%	-62	-1.4pts
Enterprise	781	20.4%	-8	+0.2pt
International carrier & SS	-119	-17.3%	-8	-0.9pt

strong cost control with lower G&A and commercial expenses

in millions of euros
& % of revenues

	1H08 CB	1H09
revenues	25,581	25,458
labour costs	(4,501) 17.6%	(4,487) 17.6%
o/w profit sharing & share base payments	(186)	(174)
interconnection	(3,727) 14.6%	(3,809) 15.0%
other IT&N	(1,406) 5.5%	(1,436) 5.6%
general, properties, and others	(3,073) 12.0%	(2,995) 11.8%
o/w restructuring	(201)	(118)
o/w disposals of assets and assoc.	(4)	4
EBITDA pre com. & content	12,875 50.3%	12,731 50.0%
commercial expenses & content costs	(3,817) 14.9%	(3,909) 15.4%
EBITDA	9,058 35.4%	8,821 34.7%

- ▶ regulatory impact of -€383m
- ▶ excl reg. activity level increases by €260m
- ▶ labour costs contained thanks to headcount reduction in 08
- ▶ **regulatory price decrease (+€229m)** absorbed by higher usage and development of unlimited off-net offers (-€306m)
- ▶ increasing costs of new operations in emerging markets
- ▶ higher energy prices in UK, Poland and Africa
- ▶ **TV tax and Chatel law impact (-€81m)**
- ▶ lower restructuring (+€83m)
- ▶ contingency plan bearing fruit: lower consultancy, subcontracting, interim costs
- ▶ tight commercial expenses management
- ▶ full effect in 1H09 of content investment in soccer & cinema rights (-€156m)

▼

1H09 EBITDA decrease due to global regulatory* impact of - € 235m

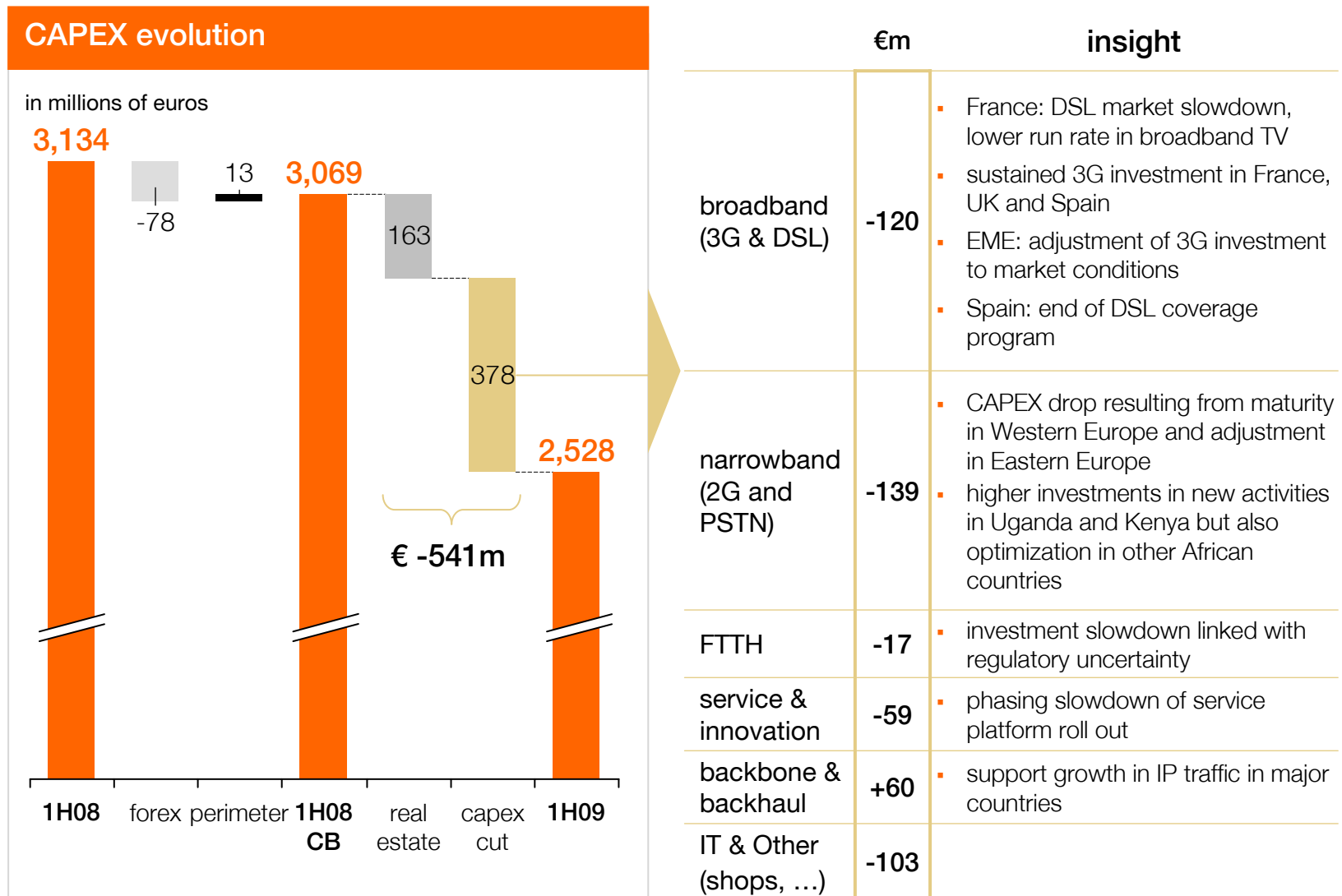
stable net income due to lower depreciation & amortization and financial interest

in millions of euros	1H08 actual	1H09 actual
EBITDA	9,290	8,821
depreciation & amortization	-3,841	-3,598 ¹
impairment of goodwill & assets	22	-14
operating income	5,471	5,209
financial results	-1,209	-1,137 ²
tax	-1,266	-1,269
minority interests	-321	-244
net income Group share	2,675	2,559
gain on asset disposals	-10	18
impairment of goodwill	0	-36
exceptional on deferred tax	-170	9
accrual for employees free share program	27	29
net income Group share on comparable terms*	2,522	2,579

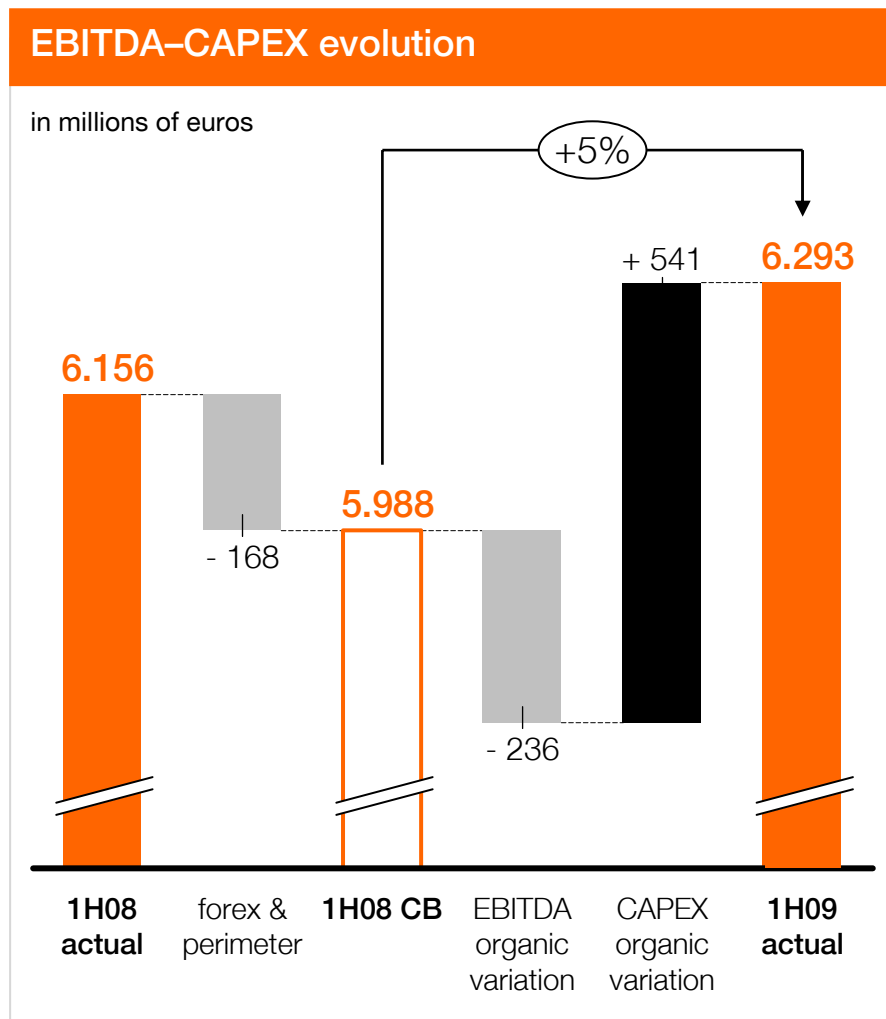
- 1**
- lower depreciation & amortization benefiting from forex for €162m
 - lower depreciation of fixed and mobile assets in France

- 2**
- interest charges benefited from lower net debt level compared to 1H08
 - cost of debt reduced to 6.61% vs. 6.66% end of 08

limited impact of capex reduction on growth capacities, thanks to tight prioritization and following strong investment levels over the last 3 years



EBITDA - CAPEX increased by 5% and above 1H08 level

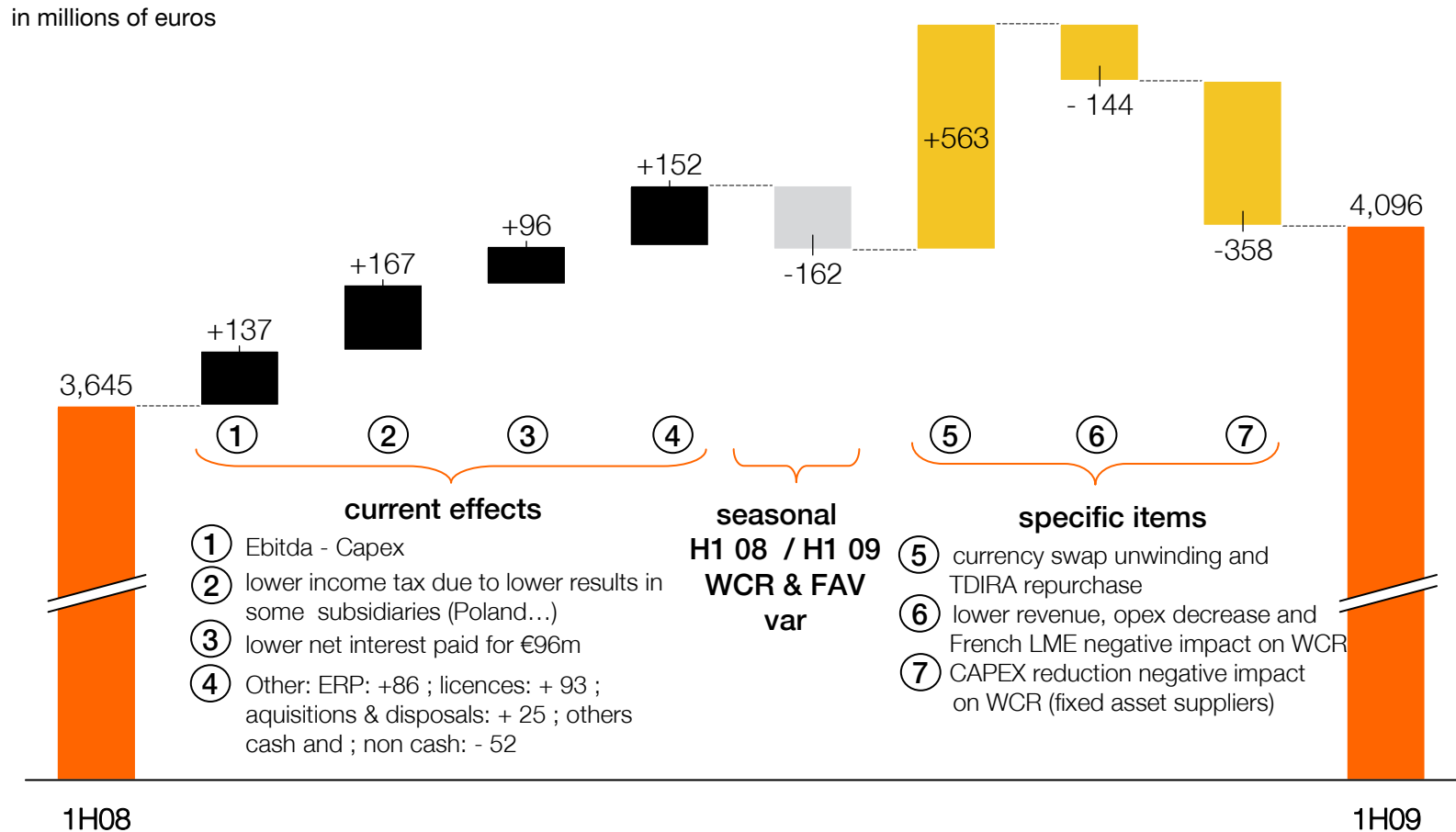


insight

- significant forex impact net of hedging on Sterling and Zloty
- EBITDA-CAPEX increases by 5% on a comparable basis
 - lower EBITDA mainly due to additional content costs, TV tax and regulation
 - offset by tight and adapted to our needs capex management
- EBITDA-CAPEX increases by €137 m vs. 1H08 actual

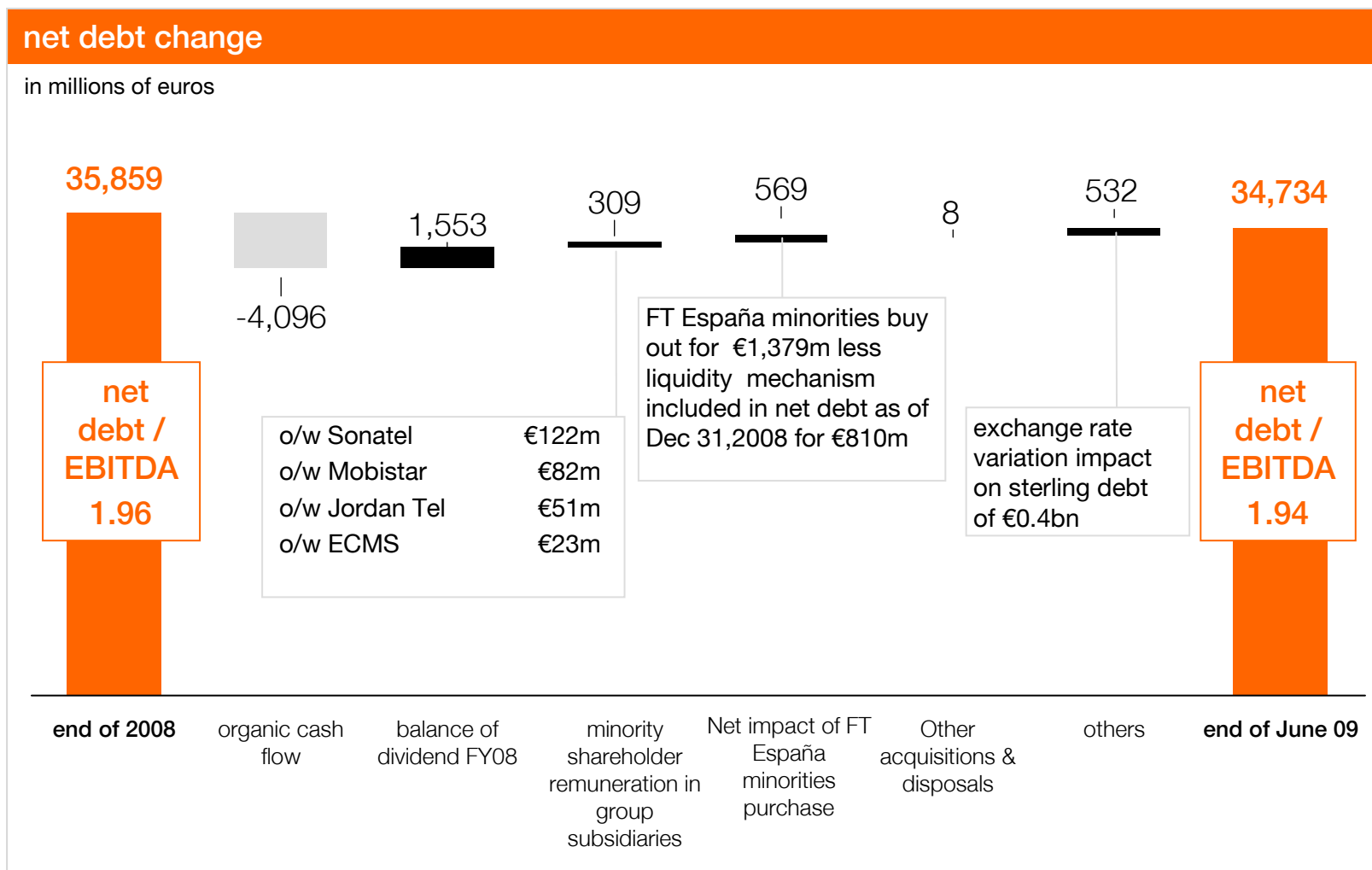
1H09 cash flow ahead of last year due to different phasing: on track to achieve full year guidance

1H08-1H09 organic cash flow variation detail



one-off specific items totaled + € 61m impact on 1H09 organic cash flow

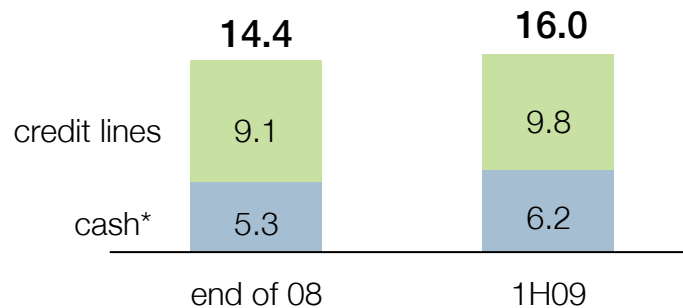
cash flow generation in line with expectations allowing net debt decrease



debt management: France Telecom continues to optimize its debt and to enjoy a strong liquidity position

Group liquidity position

in billions of euros



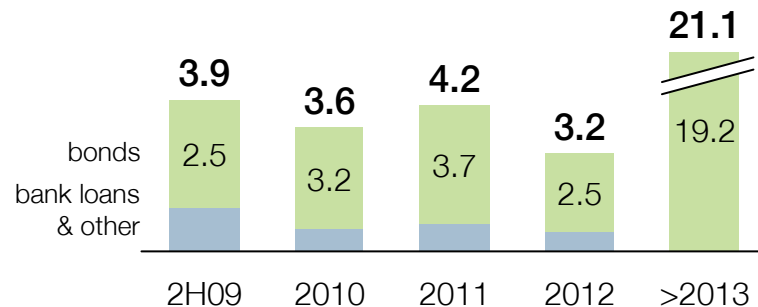
* including bank overdrafts

insight

- **stronger liquidity position at €16bn**
- **best-in-sector refinancing conditions**
 - €4.8bn raised in 1H at a 4.9% average cost
 - good diversification : 66% of 1H bonds raised in bonds denominated in other currencies than €
- **debt optimisation**
 - €1.4bn TDIRA bought back in 1H (1.5% potential future dilution saved)

gross debt* repayments at the end of June

in billions of euros



* gross debt excluding TDIRA and excluding current refinancing (about €2.5bn of commercial papers, securitization and bank overdrafts) and derivatives

debt structure

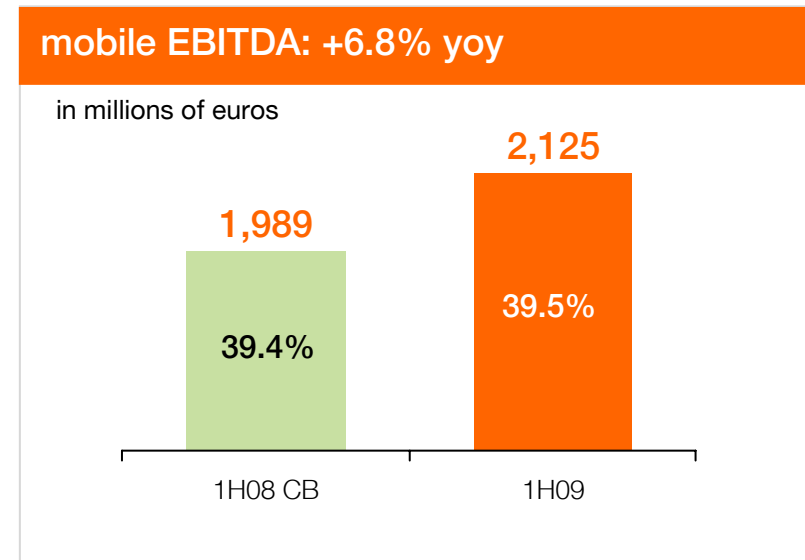
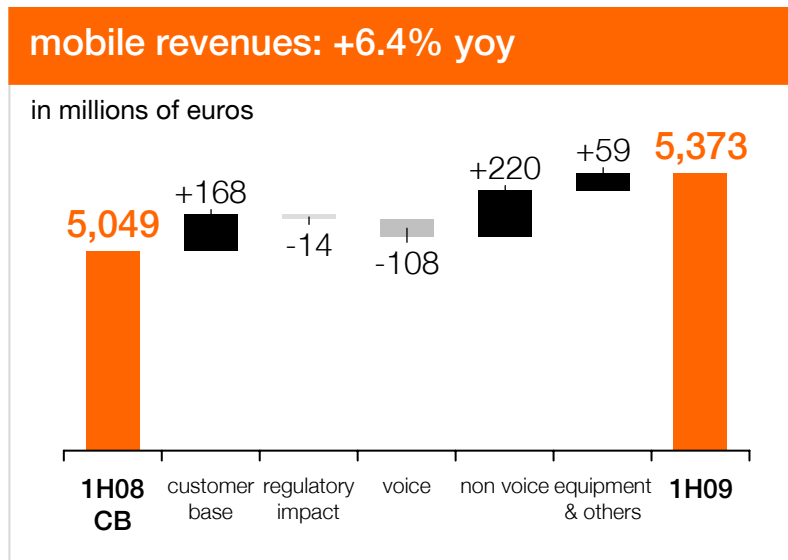
Moody's / S&P rating	A3/A-
% of net debt with a fixed rate	83%
% of net debt in €	78%
% of gross debt in bonds	82%
average maturity of net debt	7.2 years
average cost of debt for 1H09 (vs. 6.66% for 2008)	6.61%

1H09 business performance

NB : the information provided on a per country basis presented below include information published by TP group as well as additional information concerning mobile and fixed services contributions to the EBITDA of France, Spain and the UK used by the market in order to help with comparatives

1H09 personal France financials

strong revenue growth and cost control preserving profitability



insight

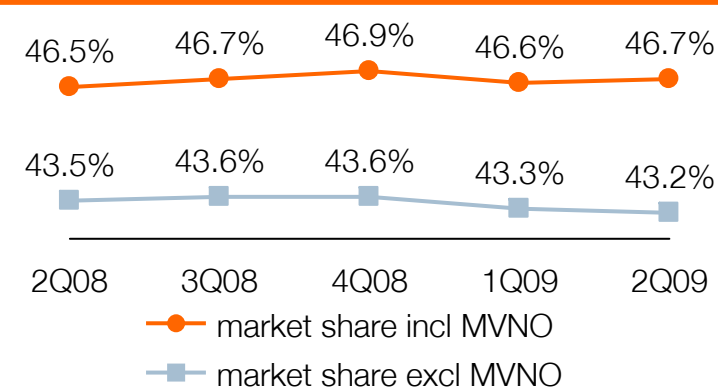
- revenue growth +6.4% yoy driven by customer base and non voice increase
 - customer base growth +4% yoy boosted by continued increase of contract base
 - non voice development: data revenue growing by 26% driven by mobile broadband customers (+34% yoy) and data ARPU (+27% yoy)
 - slight negative impact due to roaming tariffs decrease
- mobile contribution to France EBITDA (€+136 m) driven by:
 - profitable revenues growth
 - efficient management of general expenses and commercial costs, more than offsetting mobile soccer rights increase and interconnection costs growth and so far compensating TV tax

mobile

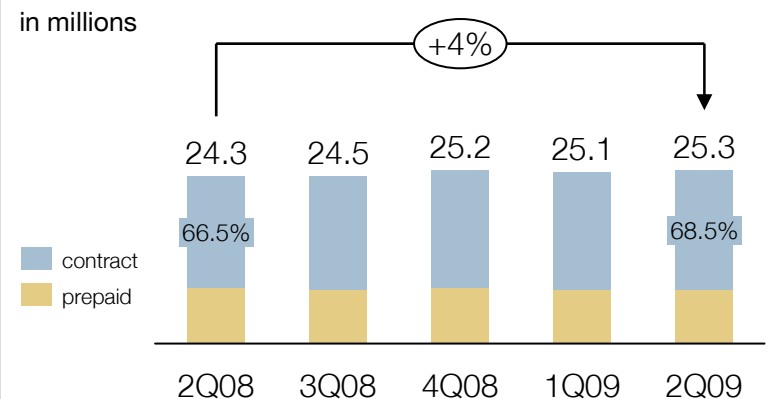
1H09 personal France KPIs

stable market share thanks to value strategy focused on contract and MVNO

Orange market share evolution*



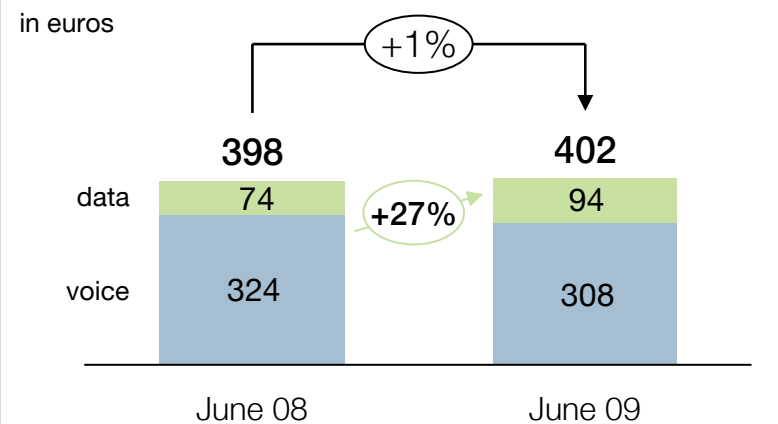
customer base and mix



insight

- +211k net additions in 2Q09 (o/w 213k contract)
- market share incl MVNO increasing with 2m MVNO customers
- 24.2% of non-voice revenues** with:
 - sms still performing (traffic +75% yoy)
 - non sms revenues boosted by browsing and streaming usages
- contract mix improvement thanks to origami and iPhone performance

annual rolling ARPU evolution

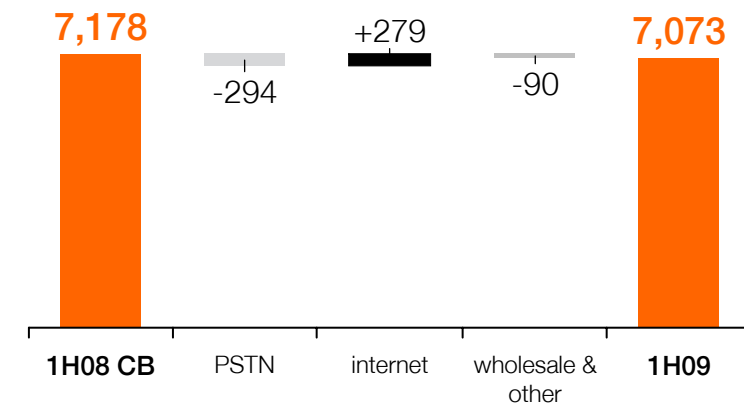


1H09 home France financials

internet growth continues to balance PSTN decline but strong regulation impacts EBITDA

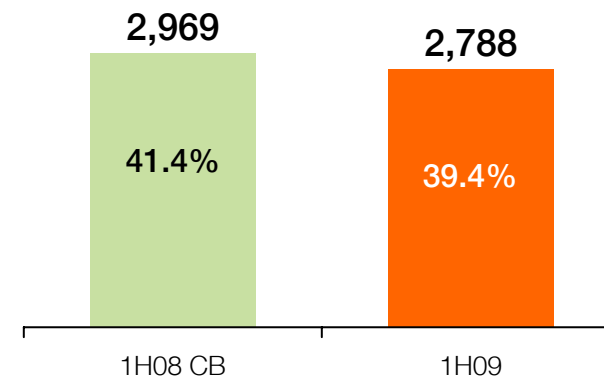
fixed revenues: -1.5% yoy
(-0.3% excl. regulatory impact)

in millions of euros



fixed EBITDA: -6.1% yoy
(-4.1% excl. regulatory impact)

in millions of euros



insight

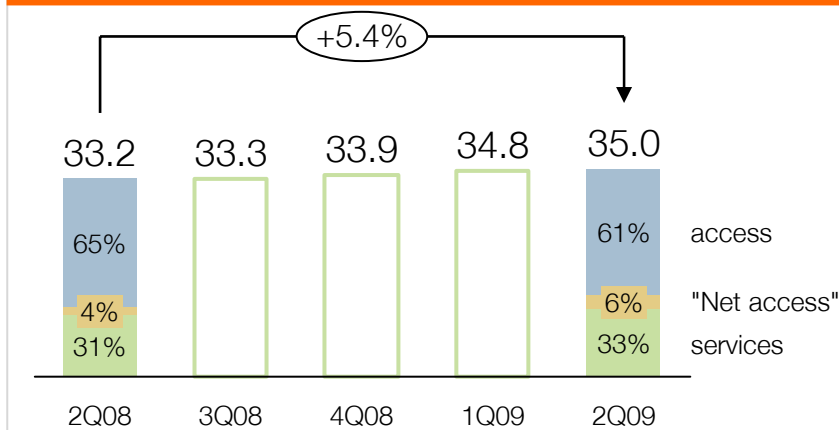
fixed

- revenues decreasing by -1.5% yoy
 - PSTN decline continue to be balanced by internet revenue growth
 - revenue decrease mainly due to wholesale DSL access tariff cuts and Chatel law impact (-€99m)
- decreasing contribution to France EBITDA by - €181m:
 - regulatory impacts (including TV) : - € 90m
 - content costs (FY effect) : - € 97m

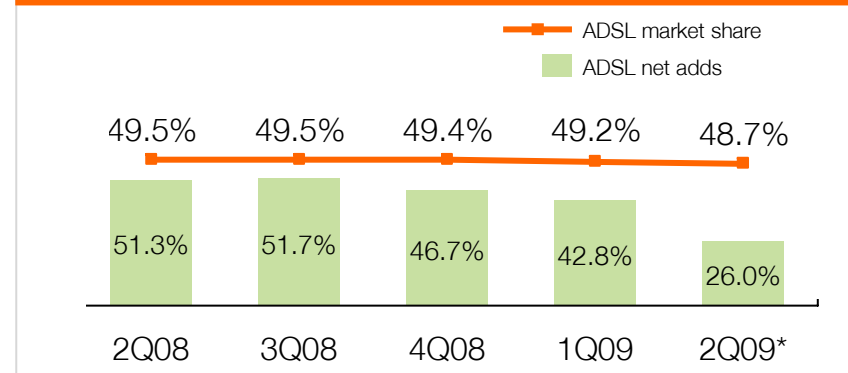
1H09 home France KPIs

broadband ARPU continues to grow despite a tougher environment for ADSL

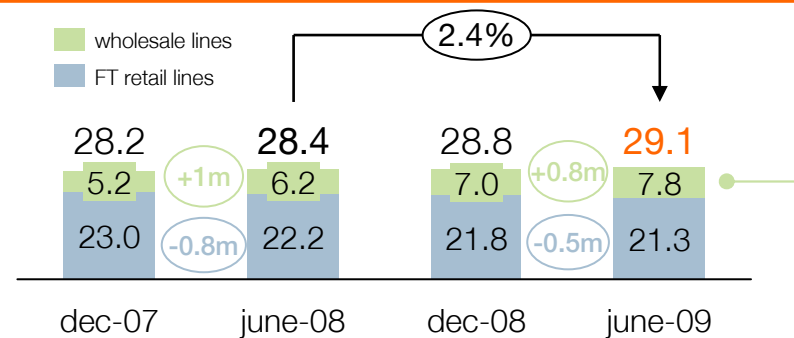
quarterly broadband ARPU (in euros)



ADSL market share



fixed line market



wholesale net adds

	1H08	1H09
full ULL	650	716
WLR	136	17
naked ADSL	178	73
total	964	806

insight

- lower net adds ADSL market share in 2Q due to:
 - price premium reflecting regulatory constraints
 - competitors direct distribution and cross selling ramp up
- broadband ARPU growing by 5% yoy at 35€
 - mix evolving with more "Net" customers
 - 73% of broadband customers using VoIP
 - IPTV base at 2.3m boosted by TV sat and content strategy (Orange Cinema Series + Orange Sport totalized ~400k subs.)
- fixed line market still growing at 2.4% with continuous slowing down of FT retail lines loss

fixed

France: priorities and action plan for 2H09

deeper segmentation strategy in mobile and revamping of fixed broadband “Net” offerings

market context

- market is now price-sensitive and tends to become increasingly a retention market
- strong data take-off in mobile
- **continuous pressure on fixed** broadband with a reduced “new comers” market due to a higher equipment rate
- **polarization of mobile market** between low-end and high-end tariffs and devices
- **MTR cuts of 30% on July 1st, 2009**

country level action plan

- continued cost reduction program
- action plan to ensure a level of regulatory playing field between competitors and the Group

personal action plan

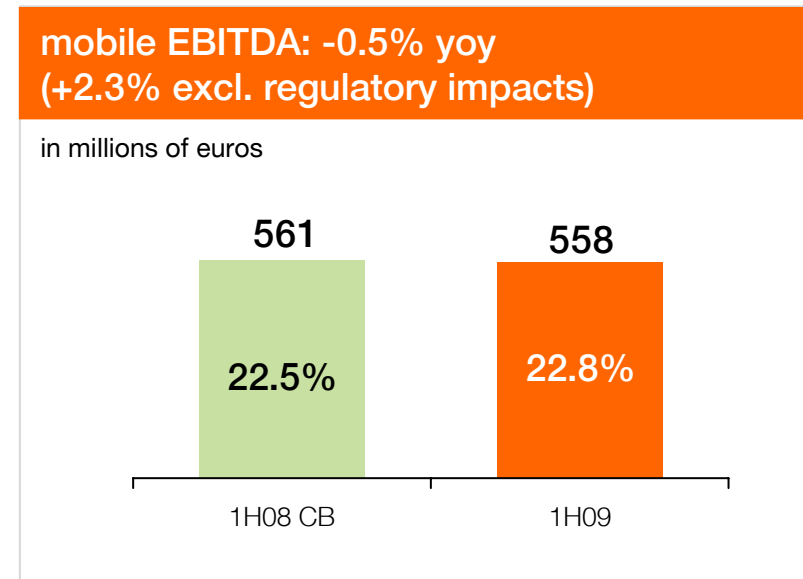
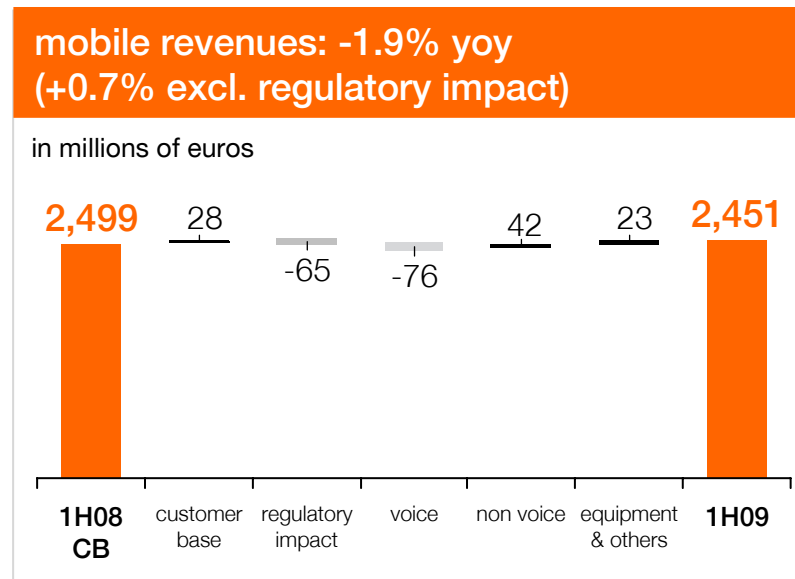
- launch of segmented offers on prepaid
- **Increase tenure of contract customer base** through optimized plan on handset renewals and better offers
- continuous low-end segmented offers through MVNOs

home action plan

- **revamp triple play offers** to increase competitiveness
- launch of **additional voice services on VoIP** (including simultaneous calls)

1H09 UK financials

increasing mobile EBITDA margin while revenues impacted by MTR cuts

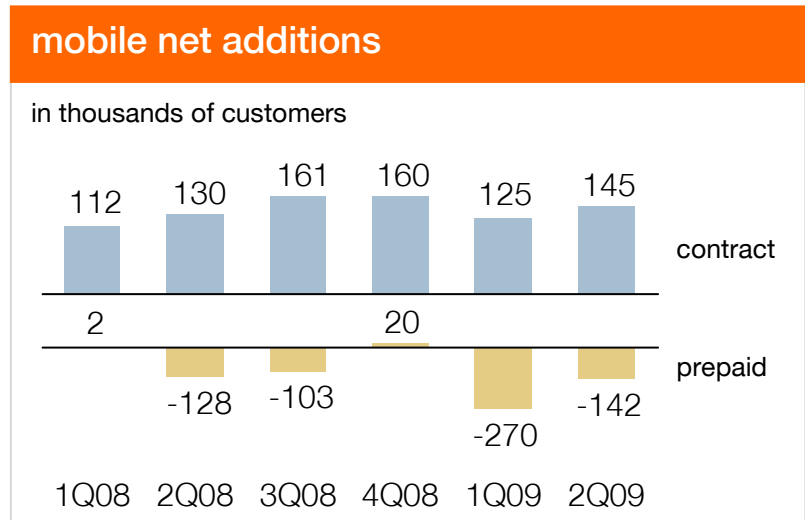
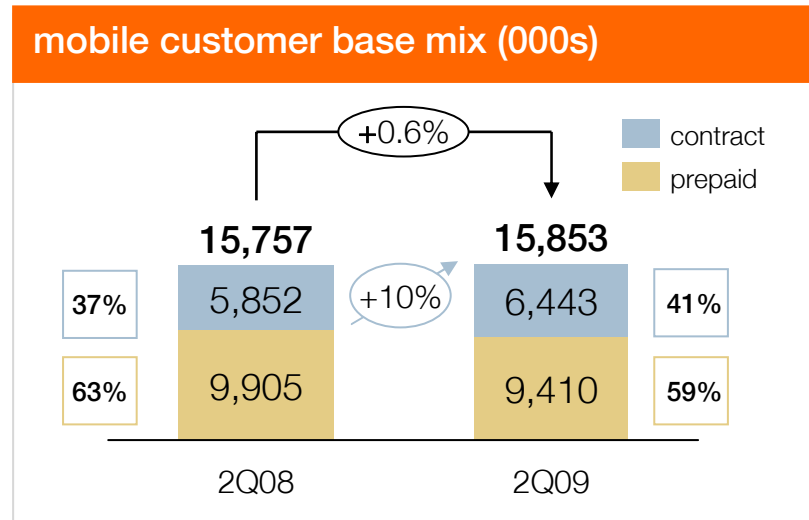


insight

- mobile
 - 2Q09 revenue growth (-4,0% yoy) impacted by MTR cuts implemented since April 1st
 - no trend change excl. regulation : +0,1% in 2Q09 vs +0.4% in 1Q09
 - non voice revenues up 5% yoy helping to offset lower voice revenues due to economic deterioration and lower tariff plans
 - slight increase of EBITDA margin thanks to contained commercial costs and more direct distribution
- fixed
 - 45% of fixed broadband base on LLU vs 40% in 2Q08 with broadband customer base stabilizing at around 1m

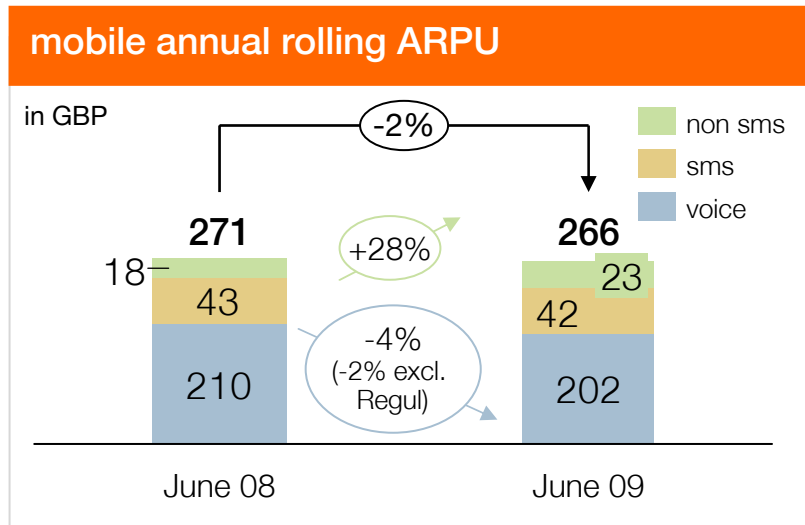
1H09 UK KPIs

good commercial performance in a challenging market



insight

- improvement of base mix with 41% of contracts:
 - consistently N°1 or N°2 in contract sales*
 - lower priced & longer tenure offers launched
 - 48% of 2Q09 sales on 24months vs 11% in 4Q08
- 277k contract dongles vs. 102k in 2Q08
- voice ARPU mainly impacted by MTR cuts



UK: priorities and action plan for 2H09

continue strong market performance through launching new mobile offers aimed at increasing multimedia adoption

market context

- high competitive pressure:
 - strong and effective impact of the iPhone
 - aggressive price promotions
 - mobile broadband and SIM only continue to grow

country level action plan

- execution of business transformation eg network outsourcing, headcount restructuring and service centre improvement
- further development of balanced distribution strategy (increase in retail stores, HMV and Barclays partnerships)

personal action plan

- innovative value based offers given the recessionary economic environment (new 36-month contract offer from £5 a month)
- launch of new propositions including multimedia services, eg Monkey Music

home action plan

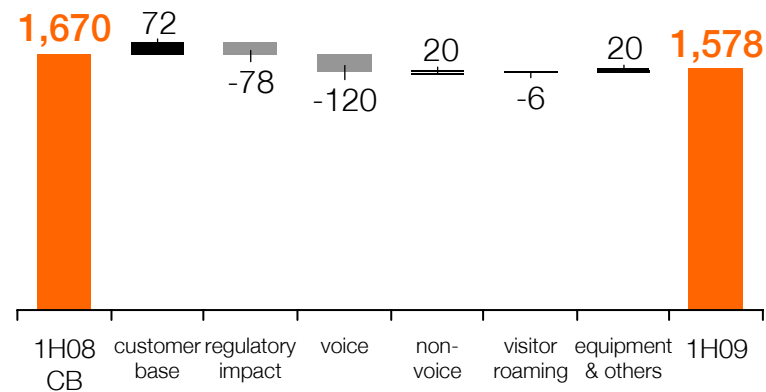
- launch of 20Meg service (ADSL2+)
- continue to improve quality of service

1H09 personal Spain financials

strong profitability increase in a difficult environment

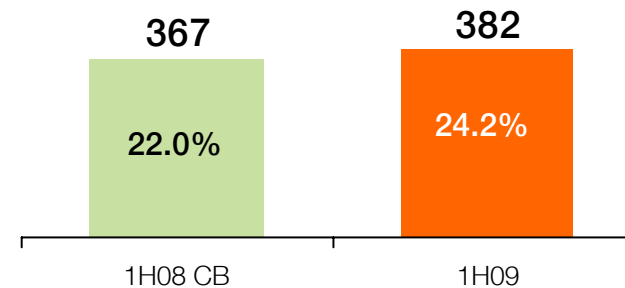
mobile revenues: -5.5% yoy
(-0.9% excl. regulatory impacts)

in millions of euros



mobile EBITDA: +4.1% yoy
(+10.1% excl. regulatory impacts)

in millions of euros



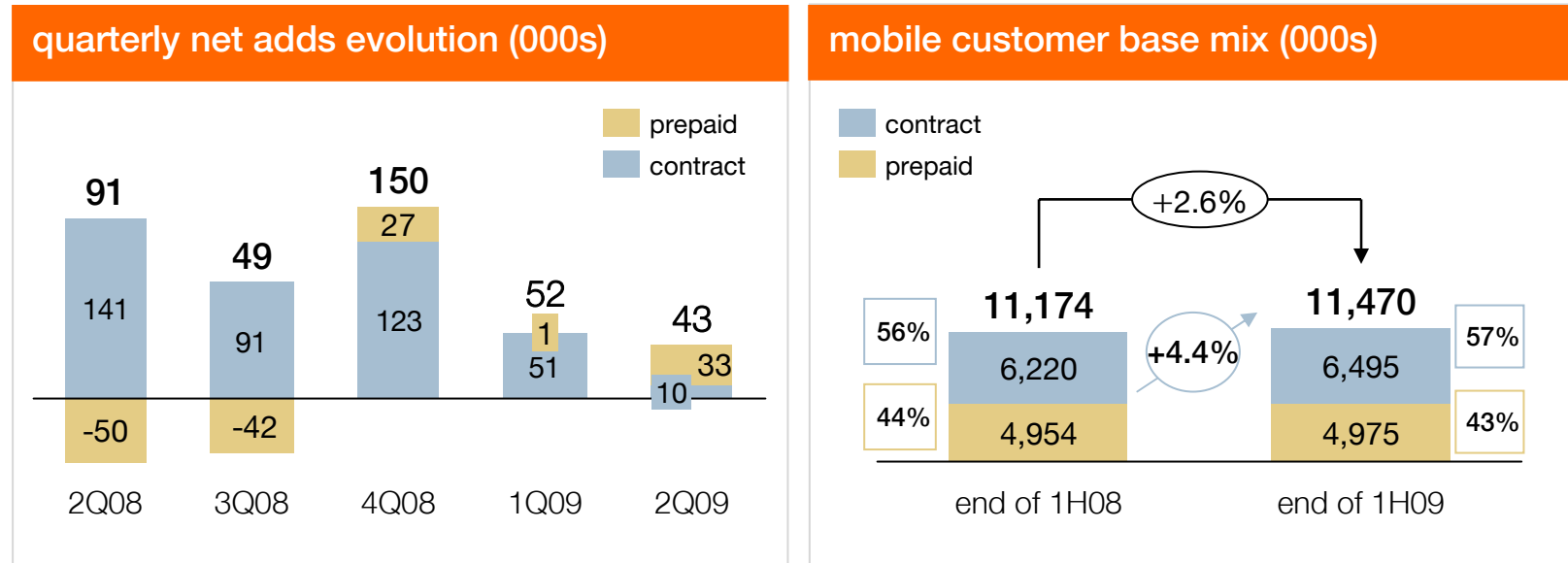
insight

mobile

- in a slowing market, revenue decline stabilized in 2Q09
- revenues affected by MTR cuts and voice price reduction adapting offers to market and to customer needs
- continuous strong data performance with total non voice revenues growing by +9% in 1H
- blended ARPU decreasing by -7.1% annual rolling, (excl. regulation, ARPU down -2.7%) is supported by data growth and usage increase (AUPU + 3.5%)
- EBITDA growth driven mainly by commercial costs optimization as well as transformation programs impact

1H09 personal Spain KPIs

customer base increase with a shift since Q1 from contract to prepaid



insight

mobile

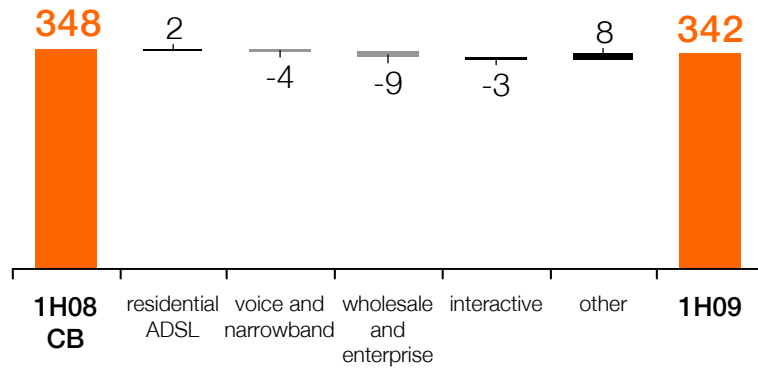
- 294k customer base increased yoy driven by contract performance (94% of net adds)
- improved prepaid acquisition in 2Q driven by successful new offer launched in April
- mobile broadband base x 1.7 yoy (4.2m end 1H09) and IEW base x 2.2 (246 k end 1H09)
- Orange leads the MVNO market with 650k subscribers (x 1.6 yoy) through 7 MVNOs hosted

1H09 home Spain

profitability improvement programs are paying off

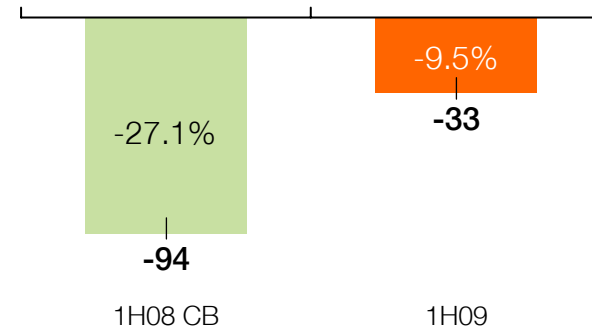
fixed revenues: -1.6% yoy

in millions of euros



fixed EBITDA: +€62m

in millions of euros

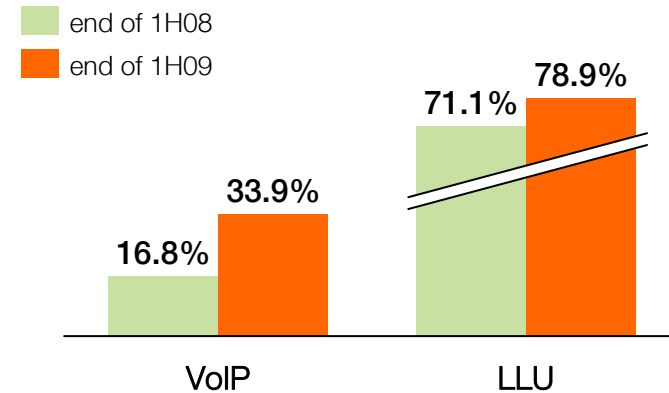


insight

fixed

- growth of ULL base allowed Orange to increase BB revenues by 1%
- VoIP services increased by +93% yoy driven by growth in ULL customer base
- crisis impacting particularly wholesale and enterprise segments
- EBITDA up by +€62m thanks to the execution of transformation programs and better operational processes with the incumbent

internet features as a % of ADSL base



Spain: priorities and action plan for 2H09

focus on value growth and profitability improvement

market context

- personal and home markets strongly impacted by economic downturn with more customer focus on their telecom spending
- shift of mobile market growth from contract to prepay
- commercial actions aiming at increasing data revenues to compensate voice revenues decrease

country action plan

- continue successful execution of transformation programs
- focus on customer experience and satisfaction improvement

personal action plan

- continuous focus on value growth
- leverage loyalty program to improve churn performance
- enrich low-end offers portfolio
- revamp of data offers to provide richer experience with new services

home action plan

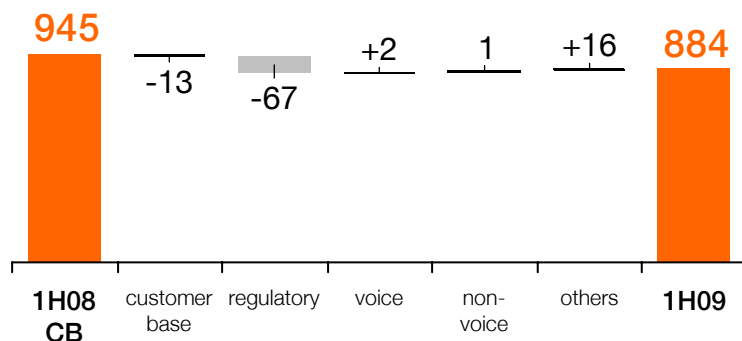
- recover market share of net adds and increase 3P penetration and usages through launch of new services
- further improve quality of service and customer experience

1H09 personal Poland financials

mobile price drop and MTR cuts hitting revenues and margin level

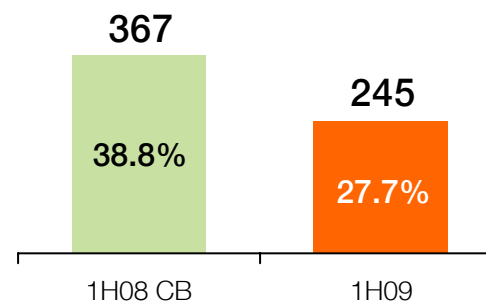
mobile revenues: -6.5% yoy cb
(+0.7% excl. regulatory impacts)

in millions of euros



mobile EBITDA: -33% yoy cb
(-27% excl. regulatory impacts)

in millions of euros



insight

- -6.5% drop in revenues was mainly driven by
 - regulatory cuts in MTRs in May '08 and in March '09, impacting 2Q ARPU down by -8.3% (excl. regulatory cuts ARPU up by +0.4%)
 - subsequent price war in the prepaid segment initiated by competitors, leading to usage increase (quarterly AUPU +21% yoy) due to price elasticity
- the drop in EBITDA is mainly coming from:
 - higher interconnect costs (- €54m excl. regul effects) due to higher backhaul costs
 - regulatory effects (-€30m)
 - higher commercial costs (-€23m, mainly forex related)

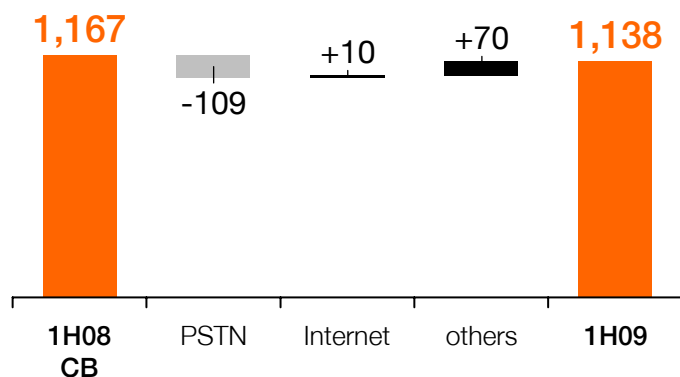
mobile

1H09 home Poland financials

growth in broadband, wholesale and business networks nearly offsets price cuts and fixed line losses

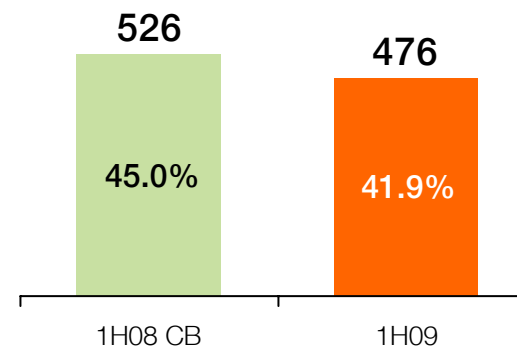
fixed revenues: -2.5% yoy cb

in millions of euros



fixed EBITDA: -9.4% yoy cb

in millions of euros



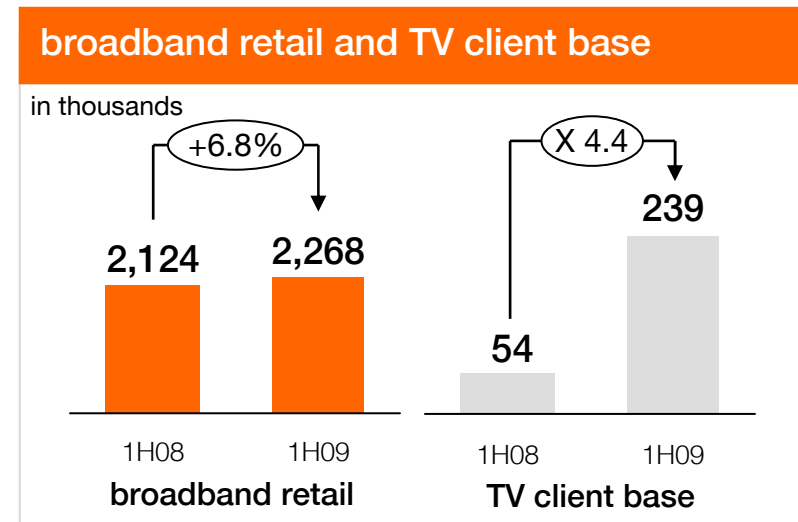
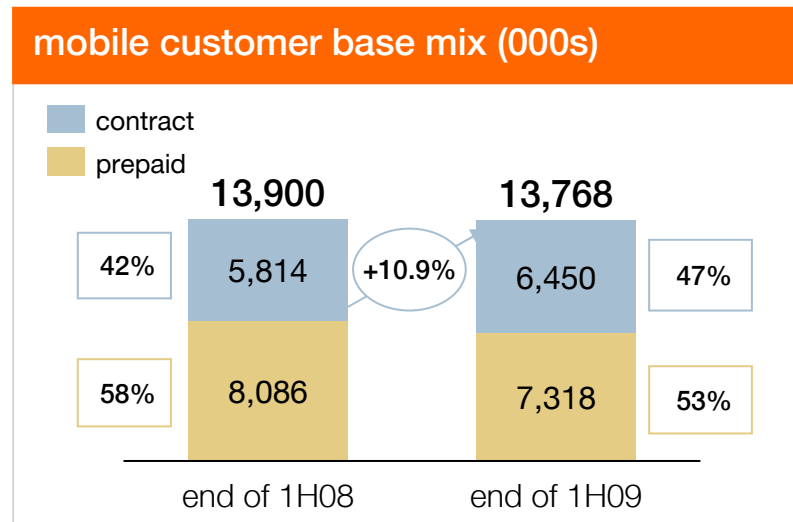
insight

fixed

- the €-109m drop in PSTN-derived revenues is mainly driven by lower traffic volumes (-15.3%) and lower prices (F2M down by -33% since 1Q08)
- broadband revenue* up by +12.6%, with an increasing customer base (+6.8%)
 - retail internet revenues up by 10m€ sustained by customer base increase (+2%) and ARPU up by 9.5%
- increasing trend in other revenues comes from both wholesale (WLR, BSA & transit revenues) & B2B activities
- the drop in revenues combined with higher property costs were the main drivers pushing down the EBITDA, with EBITDA margin down -3.1 pts at 41.9%

1H09 Poland KPIs

contract mix improved for mobile customer base and downward pressure on the number of fixed lines

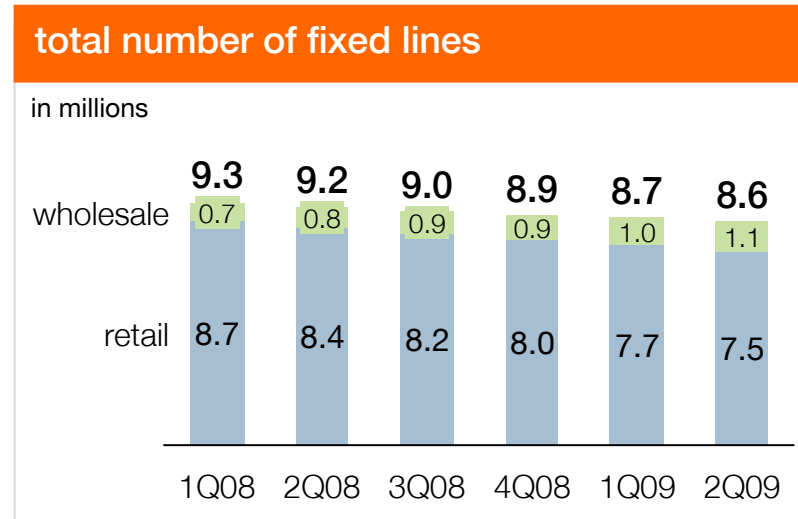


insight

mobile

fixed

- +11% increase in contract customers reflecting our value strategy (47% contract)
- retail broadband accesses continue to increase driven mainly by the Orange bit stream offer
- positive impact of the inclusion of TV (both IPTV & DTH) as part of all ADSL offers
- the price war in the personal prepaid segment has resulted in increased fixed-line churn



Poland: priorities and action plan for 2H09

adapt mobile and fixed offers in an increasingly competitive context

market context

- prepaid price war: competitors launched aggressive mobile tariffs plans towards the end of 1Q09
- 4th MNO continues to expand its network and a new 5th MNO has recently started operations
- broadband market up but with strong competition from cable operators in big cities and increasing competition from Bit Stream Access based operators.

country action plan

- launch of transformation projects & implementation of revised product roadmap

personal

- handset subsidy optimization in order to offer extra bonuses for the same offer price
- cost optimization by offering better retention offers as an alternative to handset replacement and push SIMO offers
- secure our volume position on prepaid market by leveraging our offers and introducing “Orange surprises” campaign

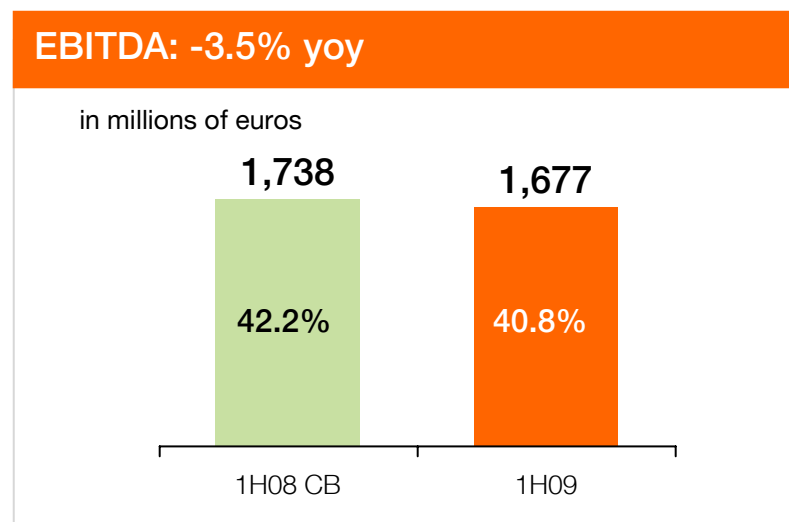
home

- minimize churn from PSTN customers by launching attractive loyalty offers
- continue the very successful roll-out of TV services to our broadband base
- increase bundled offers of PSTN and BB and cross-sell / up-sell activities to increase ARPU

1H09 Rest Of the World financials

stable revenues driven by sustained growth in Africa & Middle East offsetting a significant slowdown in Romania

revenues: -0.2% yoy			
in millions of euros	1H08 CB	1H09	var
total ROW	4,121	4,112	-0.2%
<i>total ROW excl. Romania</i>	<i>3,494</i>	<i>3,582</i>	<i>+2.5%</i>
▪ Africa & Middle East	1,601	1,694	+5.8%
▪ European countries	2,286	2,197	-3.9%
▪ others countries	275	268	-2.4%
▪ eliminations	-41	-46	

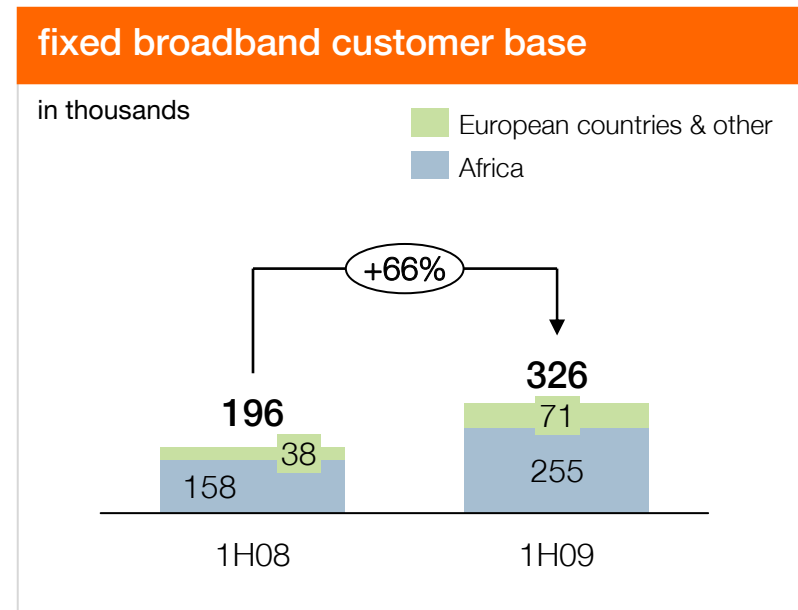
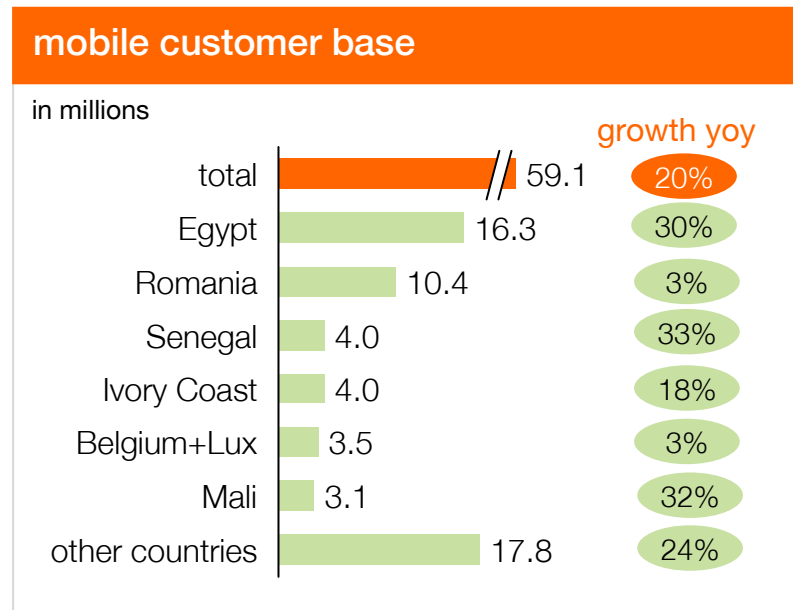


insight

- **Africa & Middle East:** growth of +5.8% yoy driven by double digit revenue growth in Egypt, Mali and Botswana, offset by revenue contraction in Madagascar (recent political instability)
- **European countries:** slowdown in revenues of -3.9% yoy impacted by both regulatory effects as well as the difficult economic situation:
 - revenues down by -15.4% yoy in Romania driven by the local economic situation (revenues down by -6.0% when the currency pricing/billing effect is neutralised)
 - revenue growth in Moldova and at Mobistar offsetting slightly lower revenues in Switzerland & Slovakia
- despite ongoing cost reduction, EBITDA margin down -1.4pts driven mainly by regulatory effects (~-30m€), downturn in Romania (~-40m€*) and by start-up costs at new operations (Kenya, Uganda, Armenia, ...)

1H09 Rest Of the World KPIs

double digit growth in mobile subscriber base and continued strong growth of broadband customer base

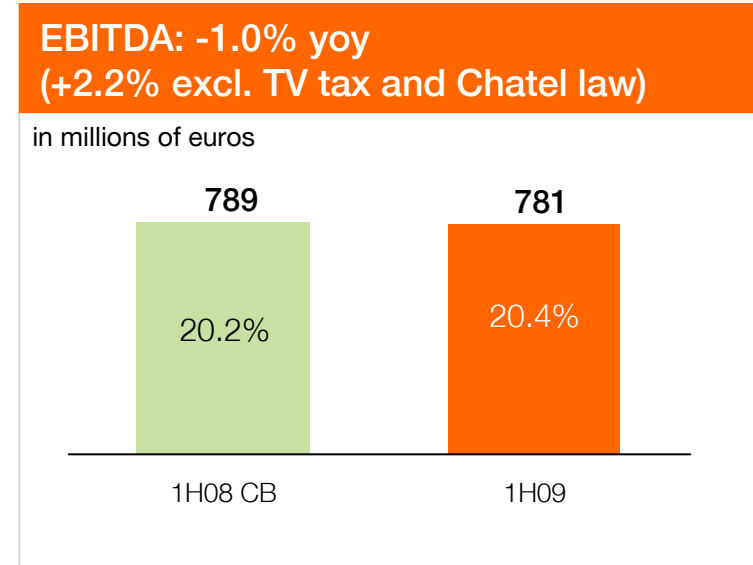
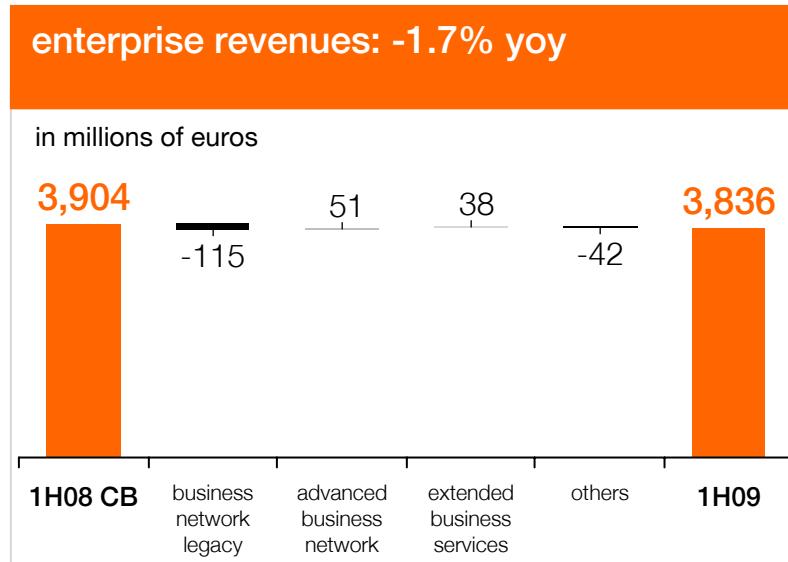


insight

- strong growth in the customer base driven mainly by non-European operations such as Egypt, Sonatel Group, Kenya & the Ivory Coast
- new services: already 30k customers for “Orange Money” in the Ivory Coast and launch of the “Sesolo Zone” service by Orange Botswana
- ongoing uptake of ADSL offers aided by new optical cable connections to the international backbone in both Madagascar (operational) & Kenya (to become operational in H2)
- new operations: Orange Uganda launch in Q1, Orange Armenia on-track for launch in Q4 & new license obtained in Tunisia with local partner

1H09 enterprise financials

stabilization of EBITDA in spite of more difficult business conditions impacting revenue trends



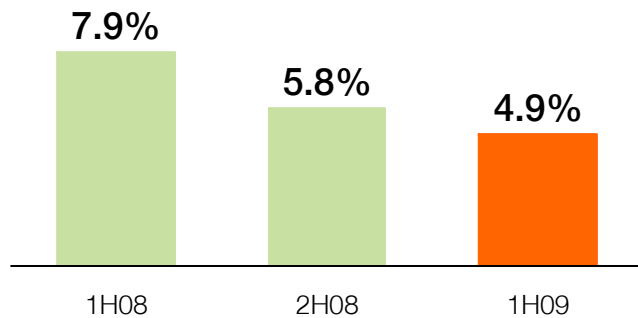
insight

- revenue decrease of -1.7% yoy (-0.4% excluding equipment resale) due to an accelerated market deterioration in 2Q09
 - legacy: accelerated decline of voice, contained data decrease
 - advanced: good level of growth despite price pressures in maturing market
 - extended: growth well above the industry range but slowing as a consequence of project delays and exit from unprofitable contracts
- EBITDA margin rate increase for the 3rd semester in a row, despite new TV tax, thanks to improved services margins and focus on OPEX reductions

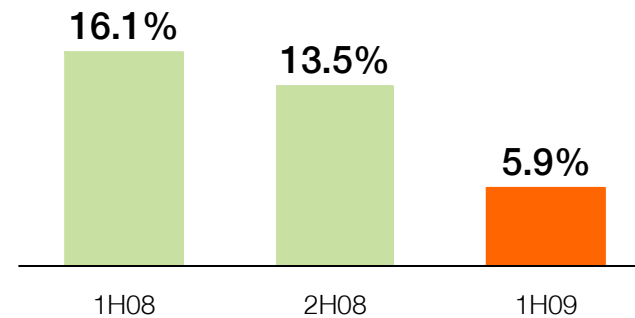
1H09 enterprise KPIs

value added services still growing in a tougher market context

advanced business network revenue growth*

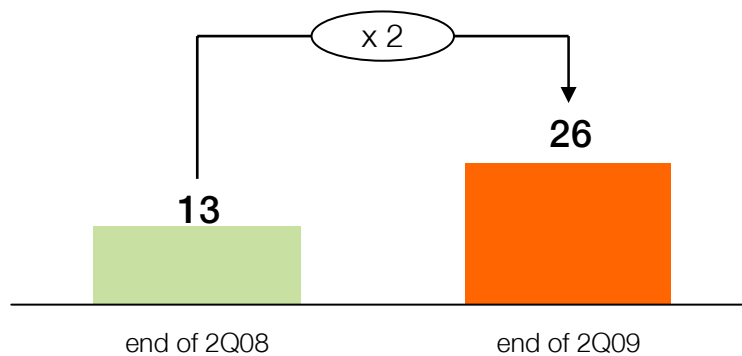


extended business services revenue growth*



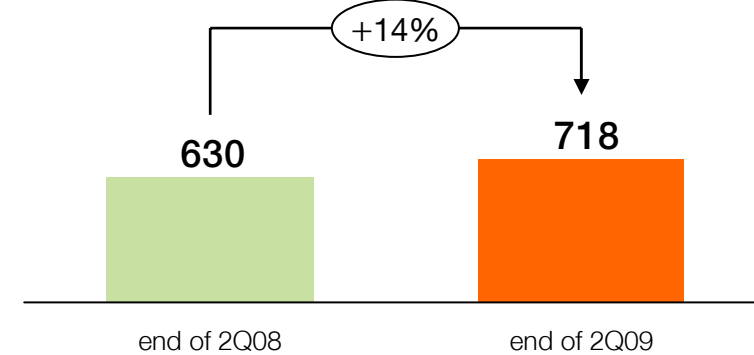
XoIP connections in France

in thousands



business everywhere end users in France

in thousands



enterprise: priorities and action plan for 2H09

preserve profitability through a strong management of operations

division level

- help our customers reduce their cost base (video-conference, collaborative tools...) and improve their productivity by delivering new ways of doing business in a challenging environment (real-time business, M2M)
- strongly develop network related services with continuous focus on margin improvement
- maintain our leadership in quality of service to our customers
- ensure operational efficiency by implementing transformation plans to contain costs

international

- grow our market share for data (IP VPN) and develop our presence in CRM and IT services
- continue to enhance our voice and video services portfolio leveraging our network capabilities

France

- limit erosion of core business revenue by pursuing development of convergent offers and supporting customers migration towards IP
- push for additional value added services (real-time business, M2M...)

outlook

France Telecom is adapting its marketing to economic downturn

main impact from economic downturn on sector

- **low end and high end segments gaining importance**
- **sustained appetite for new usage and innovative products & services**
- **lower roaming traffic**
- **slower handset renewal**
- **higher price pressure** in some countries (Poland, Romania, ...)
- **customers optimizing usage**, with less out of bundle usage
- **business customers pressuring for contract renegotiation** (mobile, legacy system, ...)

France Telecom Orange market plan

- **new segmented approach** to attract new customers and retain existing ones (capped contract and SIM only offers)
- **innovation** oriented toward simplicity of offers and services (Hello, livebox 2, Orange Money...)
- **extension of unlimited offers** in voice, data and sms
- **development of Orange Care program**, for France:
 - €40 cash for customers postponing handset renewal for one year +€5 for WWF
 - first mobile offer for “RSA” recipients (Earned Income Supplement) at €10/month
- selling **second-hand handsets** in France and some other countries
- **pro-active approach with business customers**, with extended payment terms and optimized offers

business trends for 2H09

the group is well equipped to continue to limit economic downturn impact taking into account intensifying regulatory pressure

pressure on revenue

- IMF expectations: GDP -2,6% in 2H09 vs -2.9% in 1H09 on the Orange footprint
- regulatory impact on revenue should be twice the level of 1H mainly due to MTR cuts mainly in France (-30%), Poland (-23%) and Spain (-11%)
- excluding MTR cuts, activity level should be slightly down given the expected GDP trend and consumption indicators

limited EBITDA margin erosion

- despite tougher regulation pressure, measures to limit EBITDA margin deterioration are in place:
 - contingency plan has been launched since 1Q09
 - **Orange 2012 transformation** action plan is ramping up in 2009 and beyond

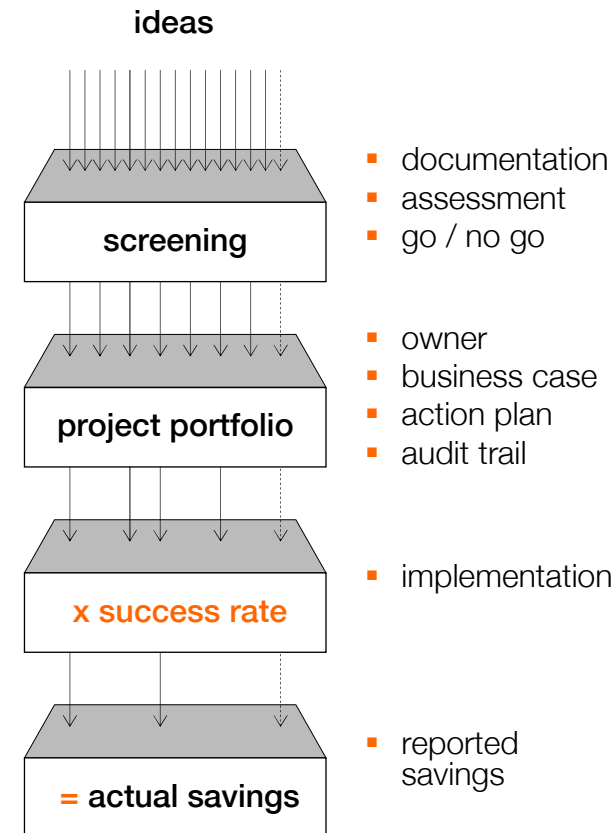
tight CAPEX management

- higher level of capex expected in 2H09 due to seasonality but level of reduction comparable to 1H09
- process in place to manage capex while preserving future growth

Orange 2012 transformation plan: current situation makes €1.5 bn savings over 2009-2011 achievable

governance & principles

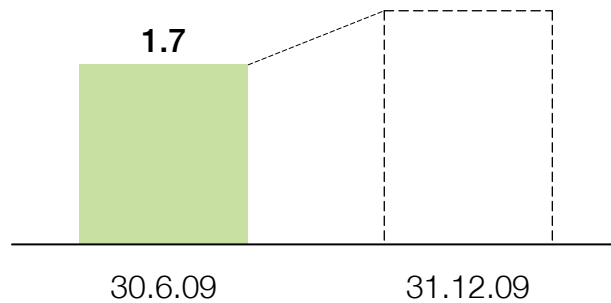
- transformation plan **managed at Group level** with dedicated **country teams**
- monthly **review by Group management committee**
- **transformation is beyond cost cutting**, and is translated by a structural change of processes for long term benefit
- **OPEX and CAPEX savings** measured against **2008 actual base** (costs, volumes and mix) and **net of transformation costs**



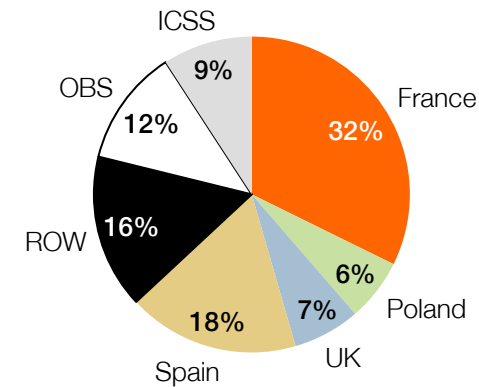
over time, processes are in place to increase portfolio of savings projects

savings by 2011 in current portfolio (pipe)

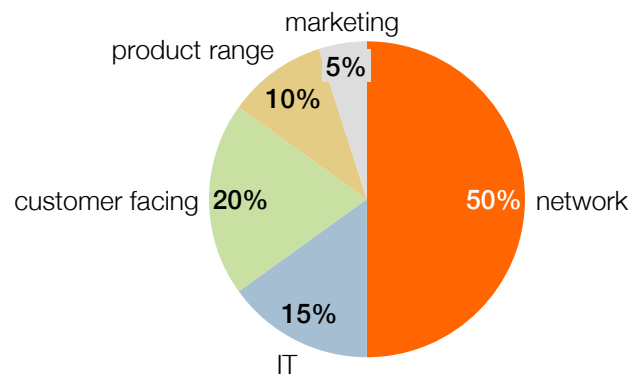
in billions of euros



share of segments in current portfolio



type of savings in current portfolio



insight

- ongoing working groups to feed the project portfolio in different domains such as: product pruning, device rationalization, etc.
- savings expected are opex for about 80%
- significant savings are expected in 2009

2009 cash flow guidance confirmed and interim dividend payment of €0.6 per share will be paid on September 2nd

organic cash flow guidance

- maintain the level of 2008 organic cash flow: 8bn€ (before possible spectrum acquisition)
- capex to sales ratio should be slightly below 12%

dividend

- stable interim dividend of €0.6 per share will be paid on September 2nd 2009
 - record date: September 1st, 2009
 - ex-dividend date: August 28th, 2009
- in early 2010 the Board will decide the total dividend for the fiscal year 2009

net debt

- continue to reduce debt with a net debt/EBITDA ratio below 2 in order to preserve the Group's financial independence and flexibility
- proactive refinancing to decrease cost of debt

appendices

glossary (1)

ADSL market share	<ul style="list-style-type: none"> number of France Telecom's DSL Internet customers divided by the number of DSL Internet customers in the market
ARPU (Average Revenues Per User)	<ul style="list-style-type: none"> for mobile: revenues of the network generated over the last twelve months (excluding revenues from mobile virtual network operators – MVNOs) divided by the weighted average number of customers over the same period. for fixed: total fixed line revenues of the quarter divided by the weighted average number of customers over the same period. for Internet broadband: monthly average broadband revenues of the quarter divided by the weighted average number of customers over the same period.
AUPU (Average Usage Per User)	<ul style="list-style-type: none"> for mobile: total minutes used over the preceding 12 months (outgoing, incoming and roaming calls, excluding the traffic of Mobile Virtual Network Operators - MVNOs) divided by the weighted average number of customers over the same period. AUPU is expressed in minutes as a monthly usage per customer.
CAPEX (CAPital EXpenditures)	<ul style="list-style-type: none"> capital expenditures on tangible and intangible investments excluding GSM and UMTS licenses and investments through finance lease.
C.B. (Comparable Basis)	<ul style="list-style-type: none"> data presented for the preceding period based on comparable methods, with consolidation scope and exchange rates used as for the current period.
Churn Rate	<ul style="list-style-type: none"> total number of customers who disconnect or are considered to have disconnected from its network, voluntarily or involuntarily (excluding money-back return and fraudulent connections) for the previous 12 months divided by the weighted average number of customers over the same period. <ul style="list-style-type: none"> – for UK Personal, migrations between contract and prepaid products are included in individual product churn but not in overall churn. Disconnections occurring either during the money-back guaranteed 14-days trial period or due to fraudulent connections are not included in churn. Prepaid customers are considered churned if they have not made any outgoing calls or received less than 4 incoming calls in the last 3 months.
EBITDA (operating income before depreciation and amortization)	<ul style="list-style-type: none"> corresponds to operating income before depreciation and amortization and before impairment of goodwill and non-current assets.

glossary (2)

net financial debt	<ul style="list-style-type: none">▪ total financial liabilities excluding liabilities linked to operations (converted at the year-end closing rate), less i) derivative instruments carried in assets for trading, cash flow hedges, fair value hedges and net investment hedges, ii) cash collateral paid on derivative instruments, iii) cash and cash equivalents and financial assets at fair value, and iv) deposits paid on certain specific transactions (if the related debt is included in gross financial debt)
headcount	<ul style="list-style-type: none">▪ number of persons working on the last day of the period, including both permanent and fixed-term contracts
Subscriber Acquisition Costs (SACs)	<ul style="list-style-type: none">▪ for mobile: sum of the acquisition costs for the handsets sold and the commissions paid to retailers from which are deducted the revenues received from the sale of handsets, for each new customer.
Subscriber Retention Costs (SRCs)	<ul style="list-style-type: none">▪ for mobile: sum of the acquisition costs for the handset sold and the commission paid to retailers from which are deducted the revenues received from the sale of handset for each customer renewing his contract.
commercial expenses & content costs	<ul style="list-style-type: none">▪ external purchases including the purchase of handsets and other products sold, retail fees and commissions, and advertising, sponsoring and brand costs.▪ content costs
IT&N costs	<ul style="list-style-type: none">▪ external purchases including services fees and inter-operator costs, outsourcing fees relating to technical operation and maintenance and IT expenses
labour expenses	<ul style="list-style-type: none">▪ includes wages and employee benefits expenses, employee profit sharing and share-based compensation costs.