

France Telecom

1H10 results

Roadshows Deutsche Bank – Munich & Frankfurt
5th & 6th October 2010



cautionary statement

this presentation contains forward-looking statements about France Telecom's business, in particular for 2010 and 2011. Although France Telecom believes these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including matters not yet known to us or not currently considered material by us, and there can be no assurance that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could cause actual results to differ materially from the results anticipated in the forward-looking statements include, among others, overall trends in the economy in general and in France Telecom's markets, the effectiveness of the "Conquests 2015" Action Plan and other strategic, operating and financial initiatives, France Telecom's ability to adapt to the ongoing transformation of the telecommunications industry, regulatory developments and constraints, as well as the outcome of legal proceedings and the risks and uncertainties related to international operations and exchange rate fluctuations.

more detailed information on the potential risks that could affect France Telecom's financial results can be found in the Registration Document filed with the French *Autorité des Marchés Financiers* and in the Form 20-F filed with the U.S. Securities and Exchange Commission. Except to the extent required by law, France Telecom does not undertake any obligation to update forward-looking statements.

agenda

- 1.** 1H10 highlights
- 2.** strenghtened position in mature markets
- 3.** growth potential
- 4.** outlook and conclusion

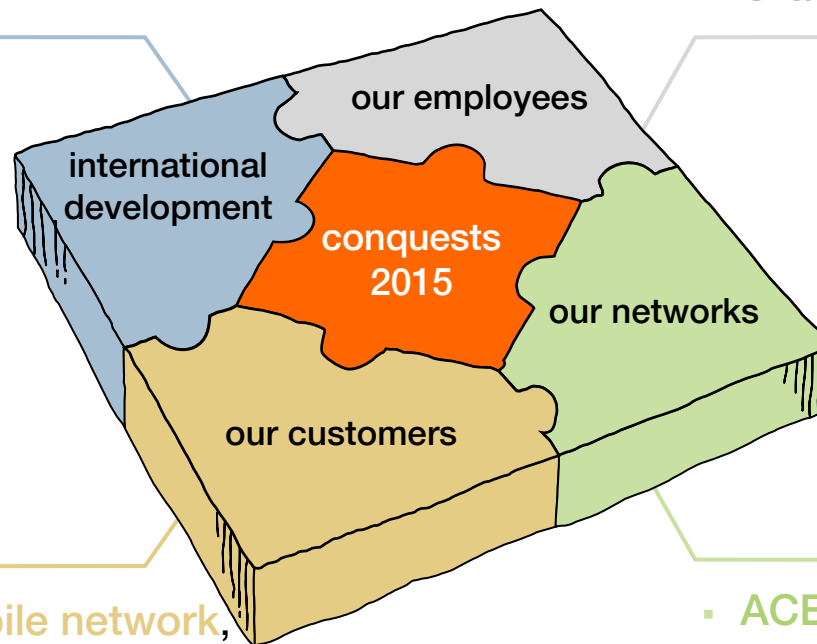
1H10 highlights

robust H1 while building conquests 2015

- 1H10 results **in line** with Group's FY expectations
- underlying **improvement** on revenue trend
- margin erosion **contained**
- **solid** commercial performance throughout the Group
- 2010 & 2011 €8bn OCF guidance **confirmed**
- financial policy **unchanged**
- strong Board commitment to a **3 year** shareholder remuneration policy: €1.40 per share for 2010-2012

the first evidences of conquests 2015

- new shareholder agreement in Egypt, +17 million new customers from 3Q10
- successful launch in Tunisia: 300k customers*
- partnership with Meditel in Morocco: 10m customers**
- social contract sent to all employee in France
- Orange campus



- **Orange, the best mobile network**, according to ARCEP
- **mobile segmented offers** in Spain & Poland / Quad Play offers **OPEN** in France
- **ACE & LION2**
- TV launched by Mobistar
- HD voice

1H10 solid commercial performance throughout the Group

182 million customers
 123 m personal customers
 59 m home customers

almost **30 million**
 mobile 3G customers

13 million
 home broadband customers

3.6 million
 IP TV customers

21*
 ROW operations
 in #1 or 2 position

% yoy

+4%
 customers
 +7% mobile,
 +17% Africa & Middle East,
 already 300k in Tunisia**

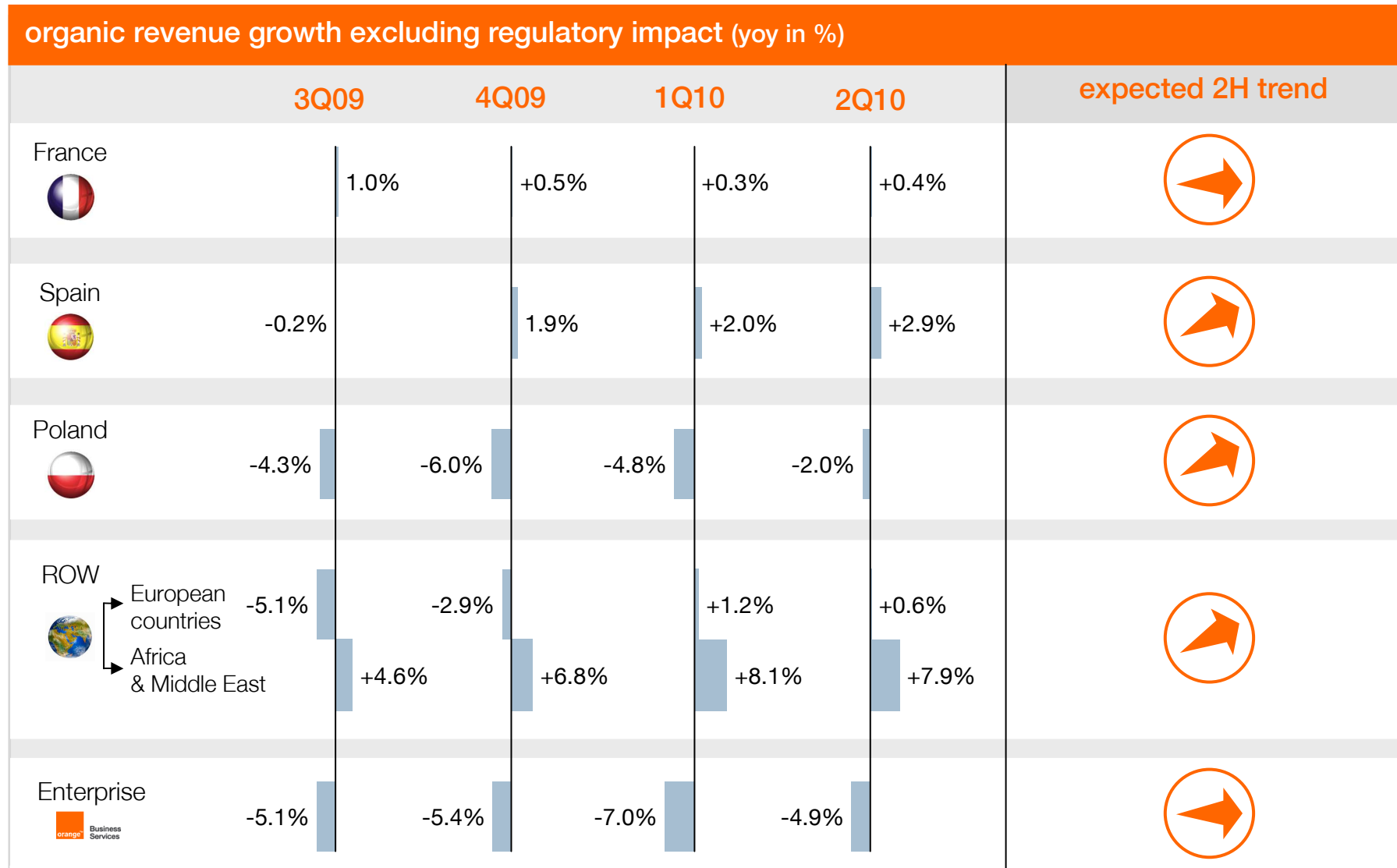
+30%
 mobile 3G customers
 32% of
 French customer
 base

+2%
 home broadband customers

+34%
 IPTV customers

+2
 ROW operations
 in #1 or 2 position
 Regained
 mobile value
 leadership
 in Poland

revenue trend progresses in key geographies



1H10 financials fully on track with FY guidance

in m€	1H10 actual	1H09 comp basis	var. comp basis	key points
revenue	22,144	22,645	-2.2%	<ul style="list-style-type: none"> 1H flat excluding regulation with better trend in 2Q at +0.3%, confirming FY expected trend France still resilient, improvement in Spain and Enterprise
EBITDA	7,745	8,115	-4,6%	<ul style="list-style-type: none"> EBITDA margin improving trend in 2Q (-0.7pt), confirming FY expected trend
in % of rev	35.0%	35.8%	-0.9pt	
CAPEX	2,114	2,285	-7,5%	<ul style="list-style-type: none"> CAPEX catch-up in 2Q (+0.8pt yoy at 11.1%) after 1Q impacted by weather constraints
in % of rev	9.5%	10.1%	-0.6pt	
adjusted organic cash flow	3,989	4,069	-2.0%	<ul style="list-style-type: none"> 1H10 cash flow on track with full year guidance

H1 focus on efficiency results in €300m savings vs 2009

cost efficiency €76m	distribution & sales €46m	marketing & advertising €7m
G&A €32m	Group performance €300m o/w OPEX: €270m o/w CAPEX: €30m	customer care €20m
real estate €14m	IT €31m	network €74m

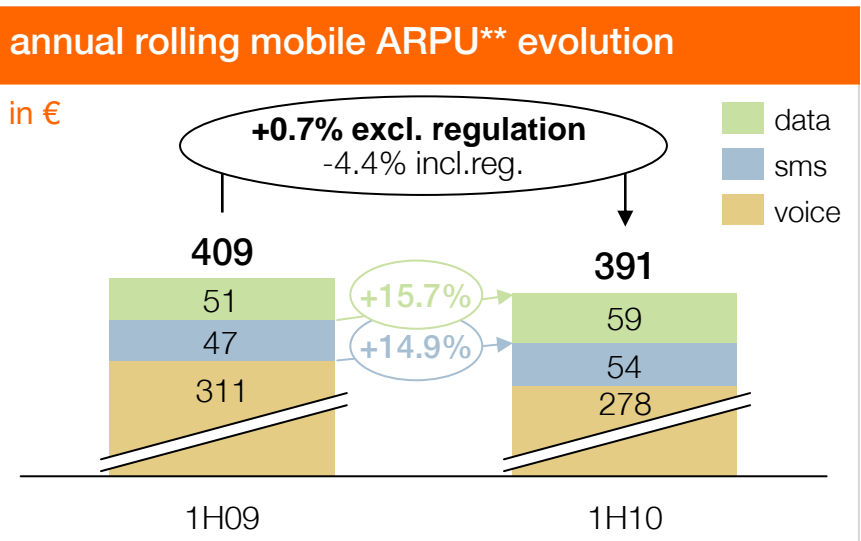
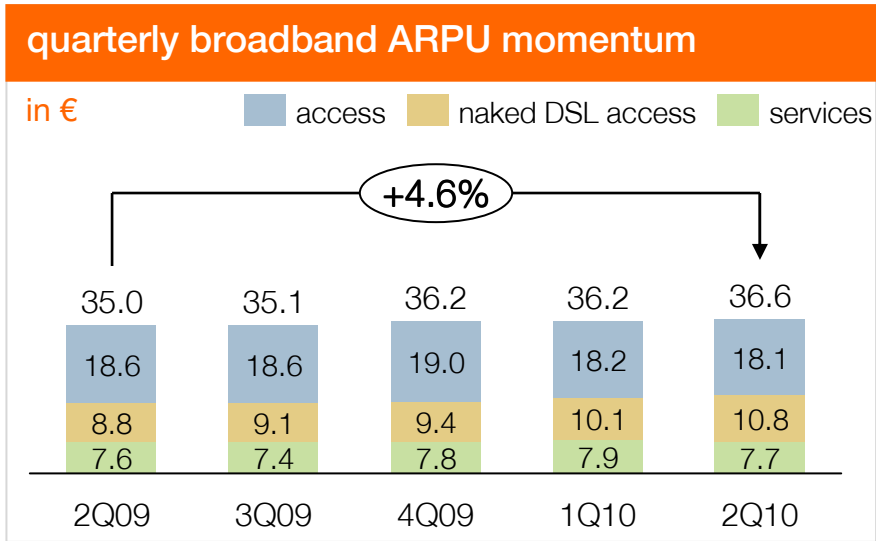
strengthened position
in mature markets

1H10 France: still resilient and value driven

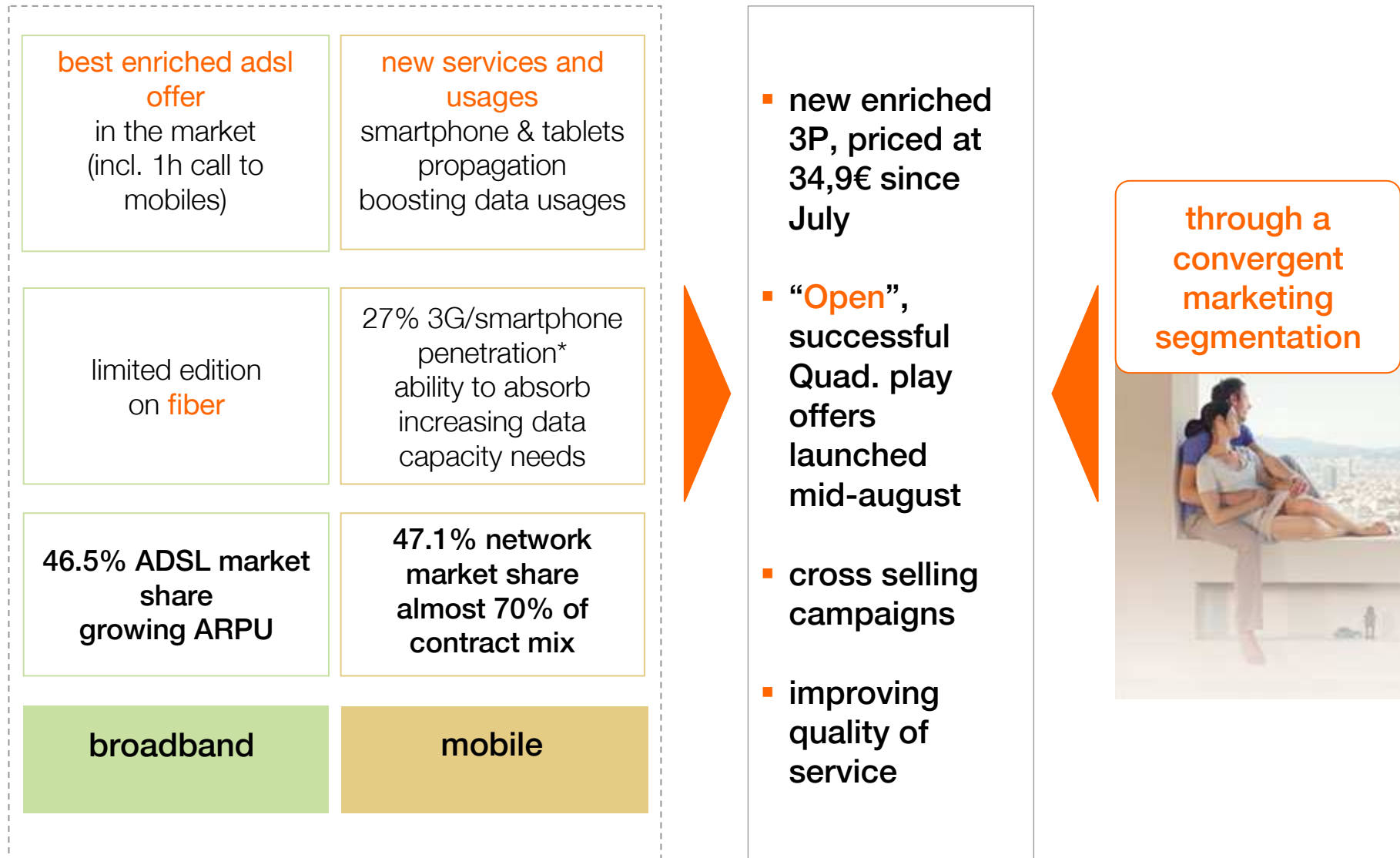
1H10 key financials*				
(revenue +0.3% excl. regulatory impacts)				
in m€	2Q10	var	1H10	var
revenue	5,816	-1.8%	11,590	-2.0%
personal	2,691	-1.5%	5,315	-1.2%
home	3,399	-2.4%	6,808	-2.8%
EBITDA margin			40.2%	-1.6pt
personal			38.9%	-0.6pt
home			38.1%	-2.2pts

insight

- EBITDA margin above 40% despite regulation
- broadband target: recover around 30% share of net adds during 2H10 – **Open** 4P first results higher than expected
- mobile target: increase value market share
 - pursue customer tenure improvement
 - offer best customer experience
 - develop multi-device strategy on smartphone and digital tablets



Customer attractiveness momentum renewed in broadband



Spain, Poland and rest of Europe: better overall trend in the last quarter

Spain 1H10 key financials* (revenue +2.5% excl. regulatory impacts)

in m€	2Q10	var	1H10	var
revenue	945	-1.8%	1,867	-2.3%
personal	777	-1.8%	1,536	-2.2%
home	168	-1.7%	331	-2.9%
EBITDA margin			19.6%	+1.3pt
personal			24.5%	+0.2pt
home			-3.5%	+5.9pts

Rest of Europe 1H10 revenue*: -1.2% (€2,134m) (revenue +0.9% excl. regulatory impacts)

- revenue decrease in **Romania** (-8.8%) and Slovakia (-8.0%), better performance in 2Q, preservation of value leadership
- sustained strong performance of **Mobistar** (+3.9%) and **Moldova** (+11.1%).

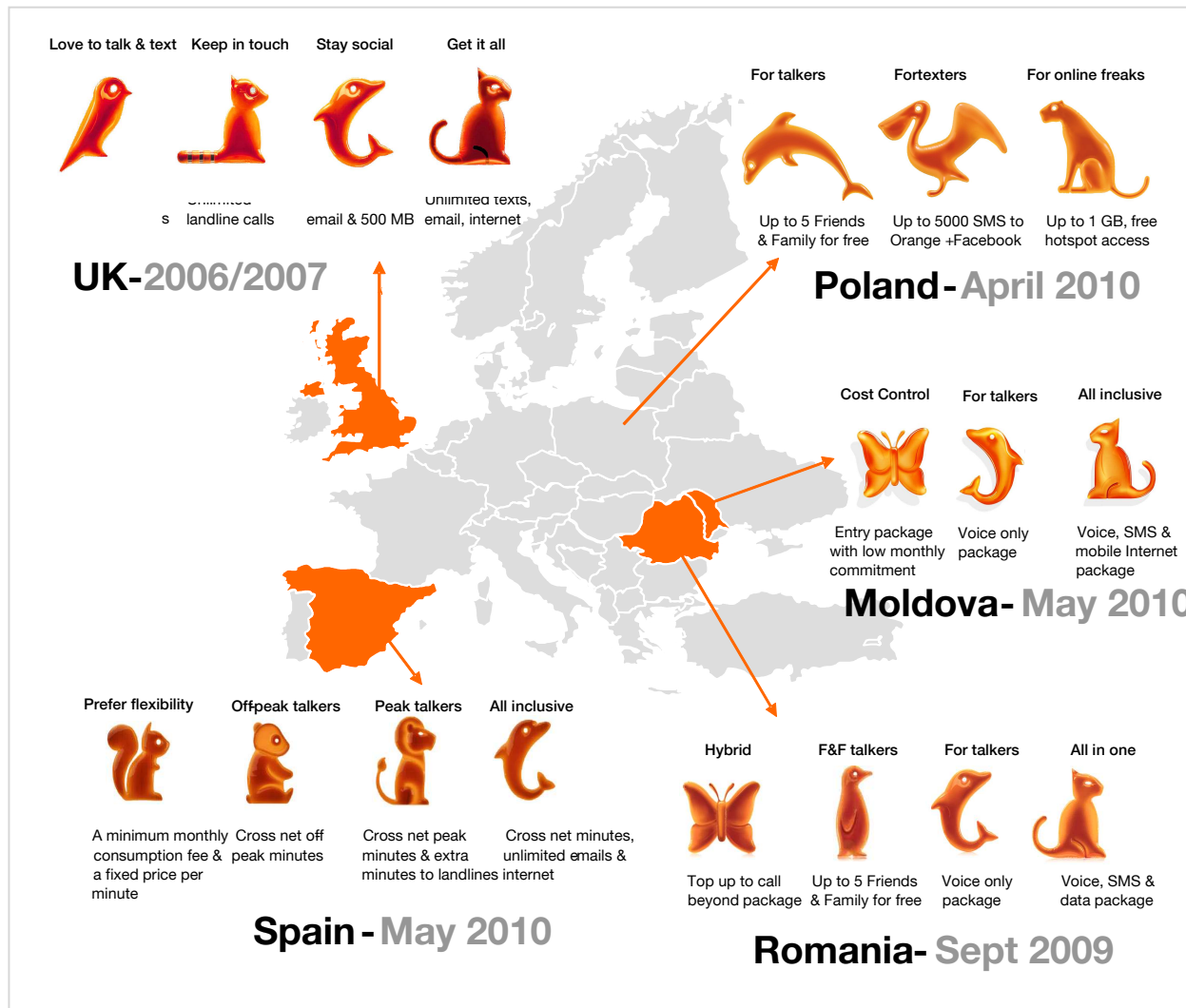
Poland 1H10 key financials* (revenue -3.4% excl. regulatory impacts)

in m€	2Q10	var	1H10	var
revenue	993	-4.7%	1,963	-7.5%
personal	486	-0.2%	941	-4.7%
home	570	-8.7%	1,149	-9.6%
EBITDA margin			36.8%	-1.2pt
personal			29.5%	+1.7pt
home			38.7%	-3.2pts

insight

- Spain:** restoring good momentum: mobile contract customers base increase +5.1%, better home 2Q ARPU +3.9% and EBITDA breakeven in 2H
- Poland:** personal revenue trend improvement in 2Q v 1Q, success of new “animals” offers, home revenue trend improved slightly, helped by a lower rate of line losses

replicating 'animals' mobile postpaid tariffs segmentation



insight

- **Romania:**
 - value share increased by 1.4% between Q4 2009 and Q1 2010
- **Poland:**
 - ARPU of acquired customers significantly above previous offers.
- **Spain:**
 - over 40% of acquired customers on high value or multimedia price plans

Orange Business Services

better revenue trend, profitability maintained

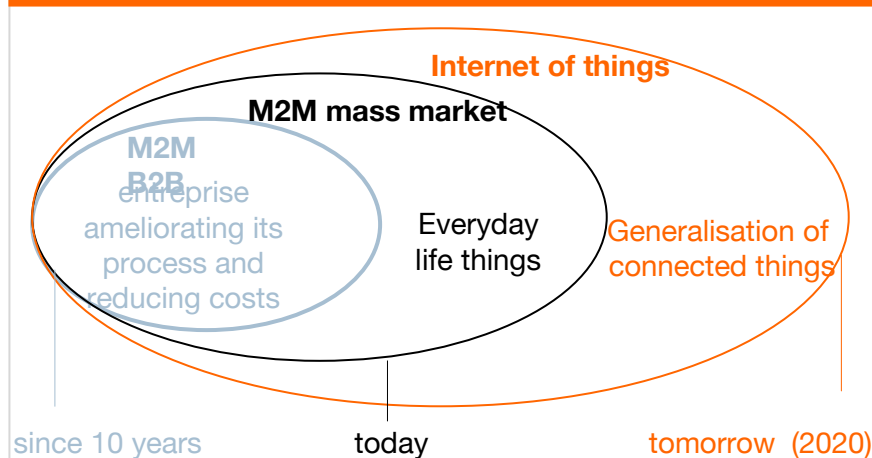
1H10 key financials*

in m€	2Q10	var	1H10	var
total enterprise	1,806	-4.9%	3,576	-6.0%
legacy	664	-11.8%	1,341	-12.7%
others, incl. ERS	217	+3.0%	410	-3.2%
advanced	576	-0.7%	1,149	+0.6%
extended	349	-2.0%	675	-3.6%
EBITDA margin			19.2%	-0.2pt

insight

- 4 strategic objectives as growth drivers for 2015
- **cloud computing**: generating €500M by 2015
- **M2M market**: selling 10 million SIM cards by 2015
- **videoconferencing**: becoming number one in France and on the top 3 in the rest of the world
- **emerging countries**: generating €1 billion revenues in emerging countries in 2015

M2M +40% growth / year in Europe



cloud computing: to be a partner in the companies transformation process



Everything Everywhere designed to become the leading UK mobile business and maximise value and cash flow for its shareholders

- *Significant benefits and the most innovative services for UK consumers and sector ecosystem*
- *Recognised market leadership in all relevant dimensions*
- *Free cash flow accretive from 2010 onwards*
- *EPS accretive from 1st full year of operation (2011)*
- *90% of free cash flow returned to parents as dividends*

everything
everywhere



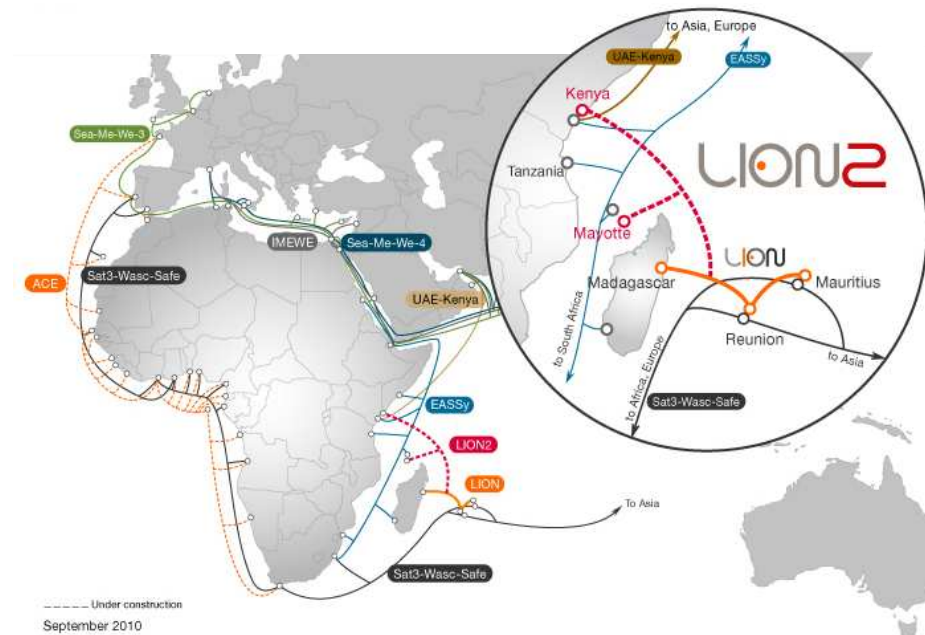
growth potential

networks

the future needs of our customers are being anticipated

2010 Highlights

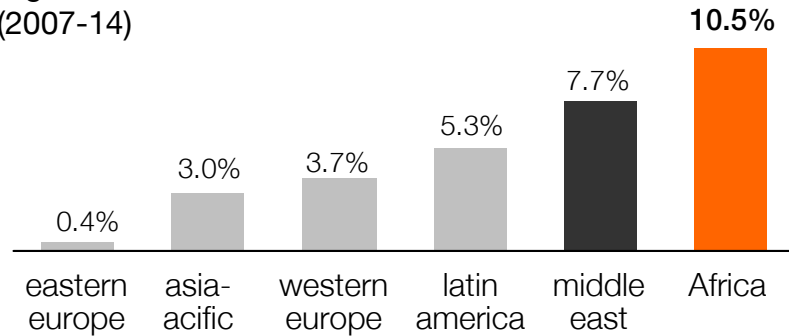
- Mobile data capacities managed 1 year in advance
- FTTH roll out restarted in France
- fixed broadband coverage in Poland
- 3G/3G+ capacity and performance enhancements in Europe
- 3G+ launch in selected AMEA countries
- new submarine cables
- building best in class Data Centers



a huge growth potential to be captured in Africa & Middle East

better than the average world growth

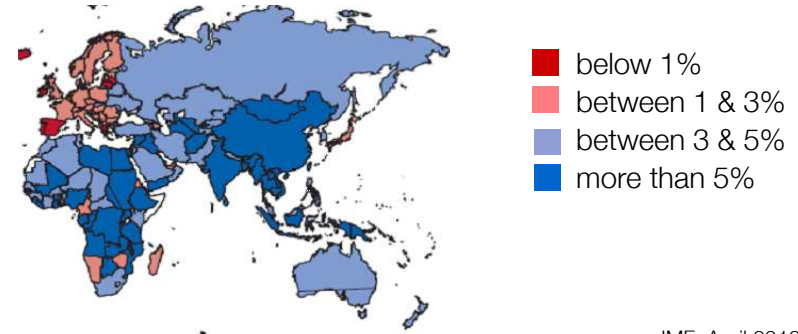
regional CAGR of mobile revenues (2007-14)



source Ovum, 11/2009

stronger growth than Europe in 2010 & 2011

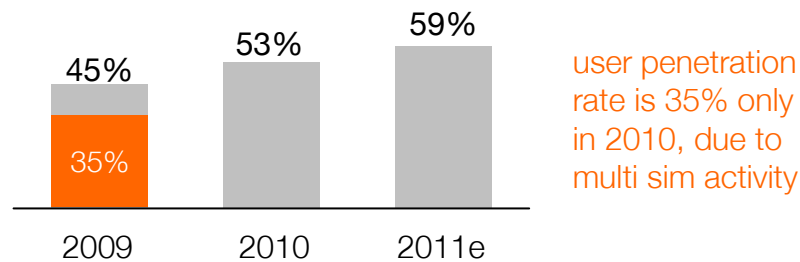
2009 GDP growth vs 2003-08 average growth



source IMF, April 2010

Africa's penetration rate leaves plenty of room for growth

mobile sim penetration rate in Africa,



source Informa 04/2010

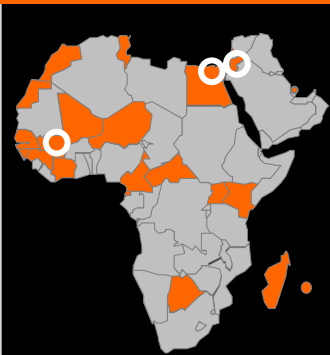
insight

- higher forecasted growth for telco market in Africa and Middle-East than in other emerging markets
- only 1/2 African population will be connected in 2014
- internet may give a significant upside in the coming years

innovation that fits customer segments

developing strong Group synergies

design specific innovation for emerging markets



Pay for Me
because it is them,
I cover the cost of the call



pay for the calls of your loved ones
dial #200# and create your list



- Group focus on Emerging Markets with Orange Labs in Cairo and Amman
- Group synergies through common set of services and platform mutualization
- Specific services tailored for bottom of the Pyramid users:
 - E-Recharge, Pay for Me
 - Voice Flash, Bonus Zone
 - USSD portal
 - ultra low cost handsets
- Focus on Orange Money, launched in already 5 countries with support of Bamako skill center

best of breed innovation for Africa & Middle East elites



- iPhone in all countries



- BlackBerry with prepaid & postpaid tariffs plans



- Internet Everywhere with 3G+ access



- More than 100k LiveBox, either with WiMax or DSL access, with triple play offers in 3 countries

- innovation costs and partnerships shared within a larger footprint

1H10 revenue* : +6.8%

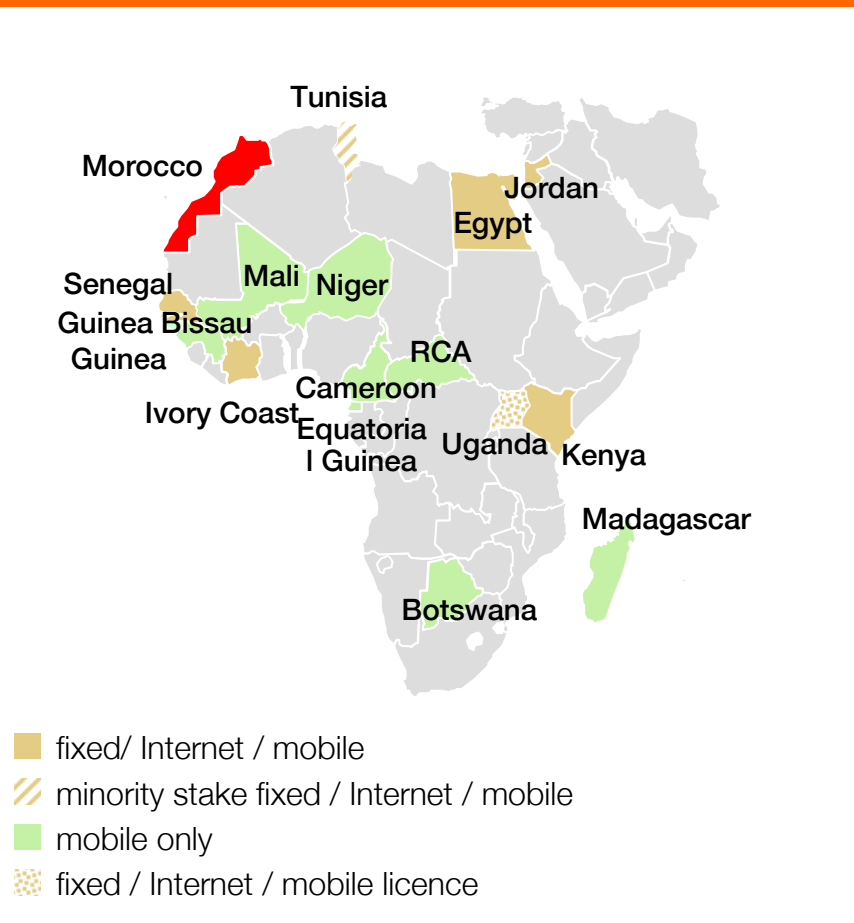
in m€	2Q10	var	1H10	var
Africa & Middle East	615	+6.4%	1,201	+6.8%

- growth driven by Western Africa countries (Ivory Coast, Mali, Cameroon), and by new operations (Niger, Uganda)

* yoy on CB

Meditel: to enter a new market with strong potentials

Morocco to become the 17th country in France Telecom Africa/Middle-East footprint







Meditel is a solid player in an attractive market...

- a strategic partnership with support from **two long-term and influential shareholders**, FinanceCom and CDG
- initial 40% stake acquired by France Telecom into Meditel for a **total consideration of €640m**, additional 9% stake to be acquired by January 1st, 2015 leading to full consolidation in FT accounts. Meditel to be soon listed in the Casablanca stock exchange
- Meditel is the **2nd Moroccan operator**
 - with 3G and fixed licences,
 - more than 10 m customers
 - 37% share of mobile market (in volume),
 - approx. €500m revenues and 40% EBITDA margin expected for 2010
- 96% of Meditel retail customers are mobile prepaid, with a significant potential for ARPU growth

outlook and conclusion

confirmed 2010 business trends & guidance

revenue	<ul style="list-style-type: none">▪ underlying trend will be flat▪ expected regulatory measures will impact revenue by almost €1bn	
EBITDA margin	<ul style="list-style-type: none">▪ -1pt max of EBITDA margin erosion	
CAPEX rate	<ul style="list-style-type: none">▪ around 12% of revenue	
organic cash flow	<ul style="list-style-type: none">▪ 2010 & 2011 €8bn guidance confirmed▪ €8bn guidance in 2010:<ul style="list-style-type: none">– excluding licenses & spectrum– excluding litigation on “Taxe Professionnelle” and other exceptional items	

use of cash policy for 2010-2012: 3 year commitment to shareholders

- **commitment of a €1.40 dividend per share for each fiscal year 2010 to 2012**
 - dividend for fiscal year n to be paid in year n+1, with interim dividend paid in year n
 - subject to GA approval and board resolution
 - consistent with organic cash flow generation and leverage targets
 - new employees shareholder program
- **stable interim dividend of €0.6 per share has been paid on September 2nd, 2010**
- **the resulting room for manoeuvre created will be used for disciplined / value creative M&A while maintaining our medium term target of 2x net debt to EBITDA ratio**

M&A policy: to increase the weight of growth assets in corporate portfolio

- two focus areas:
 - **emerging markets**, with focus in AMEA to capitalize on existing footprint
 - target is to double revenues within 3-5 years (FY09 revenues were €3.4bn including Egypt)
 - revenues growth within current perimeter assumed 5-6% CAGR
 - approx. €2.5bn of new revenues acquired externally for a net total €5-7bn consideration
 - consolidation in **markets where we already operate** (consumer and enterprise markets)
- **neither transformational nor equity deal** envisaged
- market leadership objective of **#1 or #2 position** throughout the Group

towards a compelling equity story

