France Telecom

1H10 results

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

france telecom

cautionary statement

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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

1H10 highlights

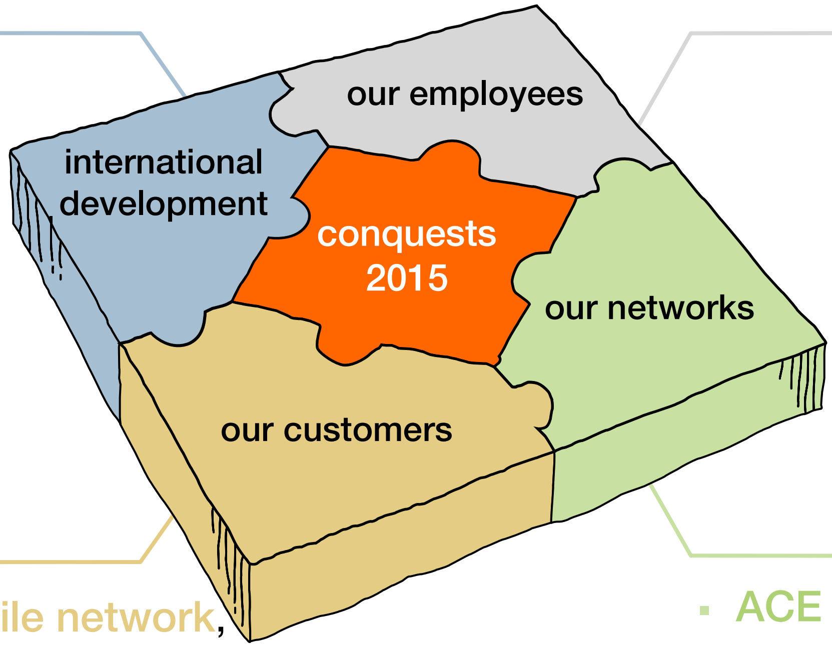
robust H1 while building conquests 2015

- 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

*49% FT stake, **40% FT stake

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

*out of 27

**49% customer base

revenue trend progresses in key geographies

organic revenue growth excluding regulatory impact (yoy in %)		3Q09	4Q09	1Q10	2Q10	expected 2H trend
France		1.0%	+0.5%	+0.3%	+0.4%	
Spain		-0.2%	1.9%	+2.0%	+2.9%	
Poland		-4.3%	-6.0%	-4.8%	-2.0%	
ROW	European countries	-5.1%	-2.9%	+1.2%	+0.6%	
	Africa & Middle East	+4.6%	+6.8%	+8.1%	+7.9%	
Enterprise		-5.1%	-5.4%	-7.0%	-4.9%	

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%	▪ 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%	▪ 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%	▪ 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%	▪ 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

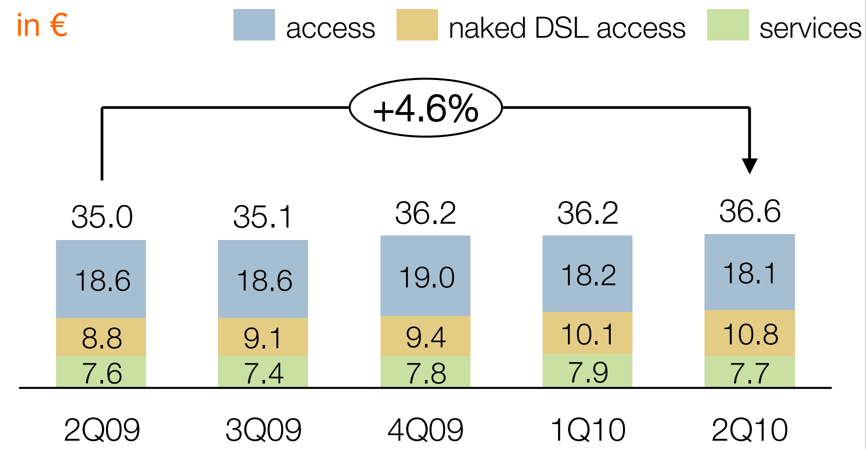
1H10 key financials*
(revenue +0.3% excl. regulatory impacts)

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

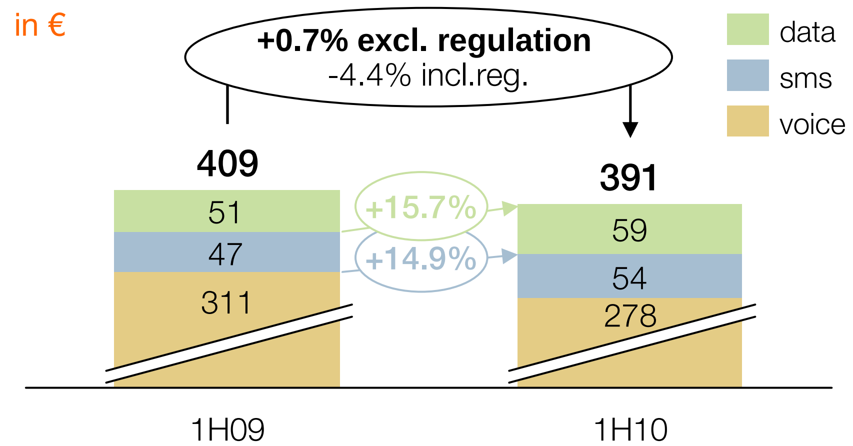
insight

- 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

quarterly broadband ARPU momentum



annual rolling mobile ARPU** evolution



* yoy on CB, ** ARPU excluding Machine to Machine (revenue and customer base) and insurance revenue added

Customer attractiveness momentum renewed in broadband

broadband	mobile
best enriched adsl offer in the market (incl. 1h call to mobiles)	new services and usages smartphone & tablets propagation boosting data usages
limited edition on fiber	27% 3G/smartphone penetration* ability to absorb increasing data capacity needs
46.5% ADSL market share growing ARPU	**47.1% network market share almost 70% of contract mix**

- **new enriched 3P, priced at 34,9€ since July**
- **"Open", successful Quad. play offers launched mid-august**
- **cross selling campaigns**
- **improving quality of service**

through a convergent marketing segmentation

*of customer base, and excluding 3G dongles

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

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

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

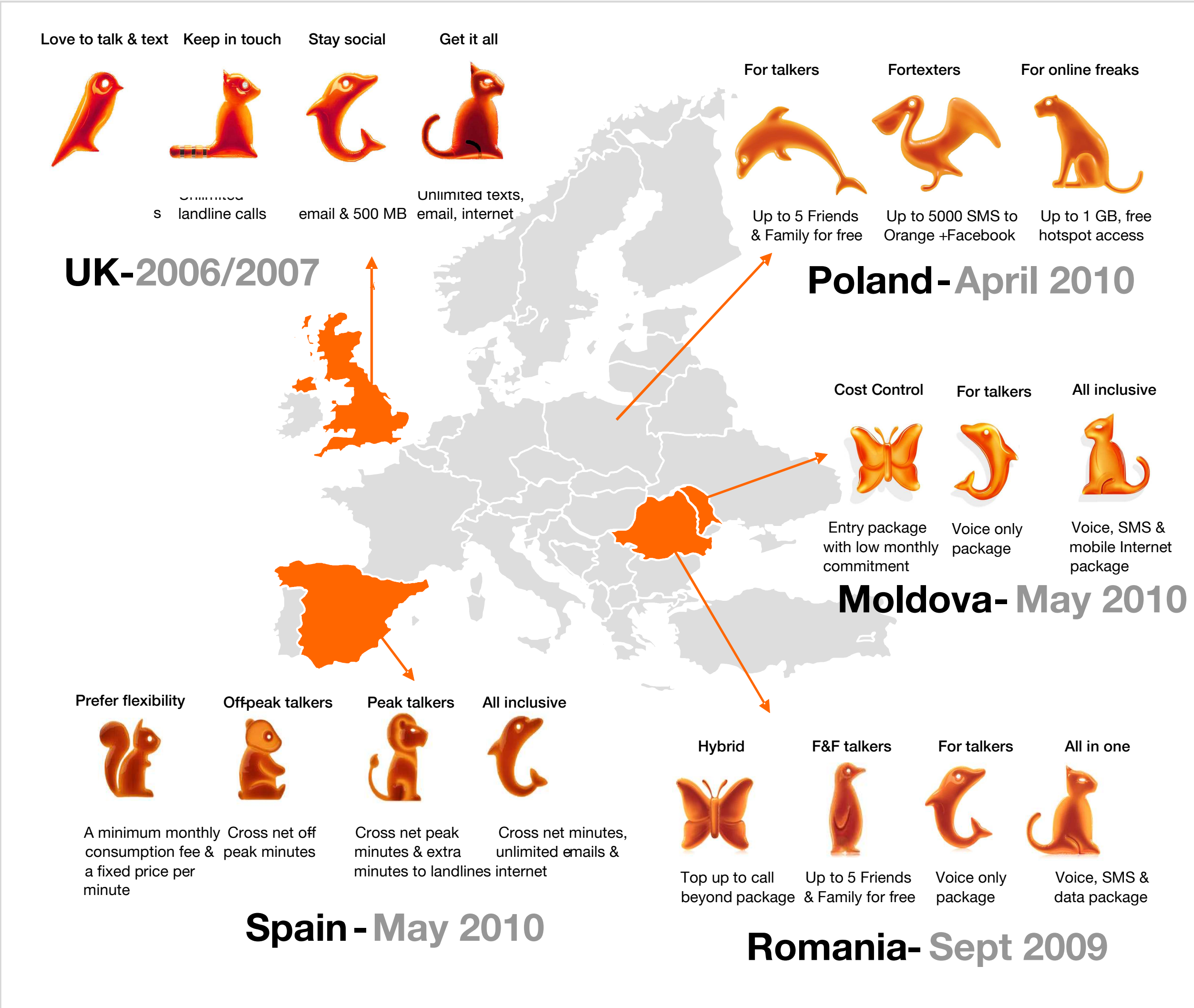
- revenue decrease in **Romania** (-8.8%) and Slovakia (-8.0%), better performance in 2Q, preservation of value leadership
- sustained strong performance of **Mobistar** (+3.9%) and **Moldova** (+11.1%).

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

* yoy on CB

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

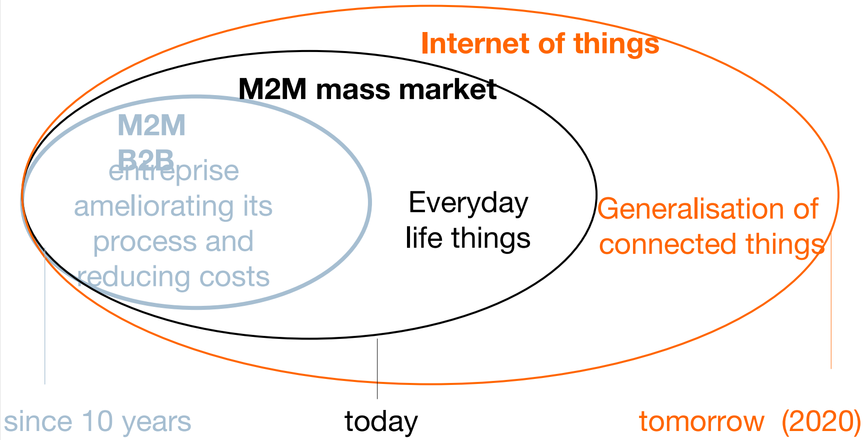
1H10 key financials*

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

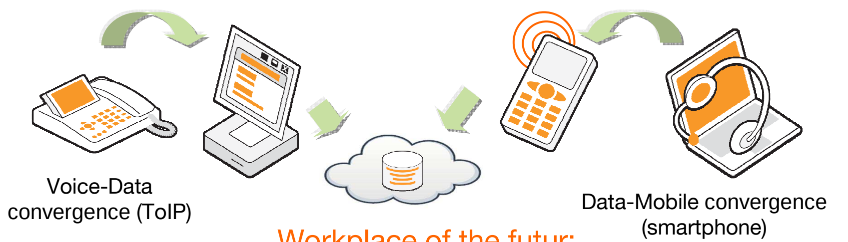
insight

- 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 €1billion revenues in emerging countries in 2015

M2M +40% growth / year in Europe



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



Workplace of the futur:
- multi-terminal
- communicating and mobile
- cloud-ready

* yoy on CB

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

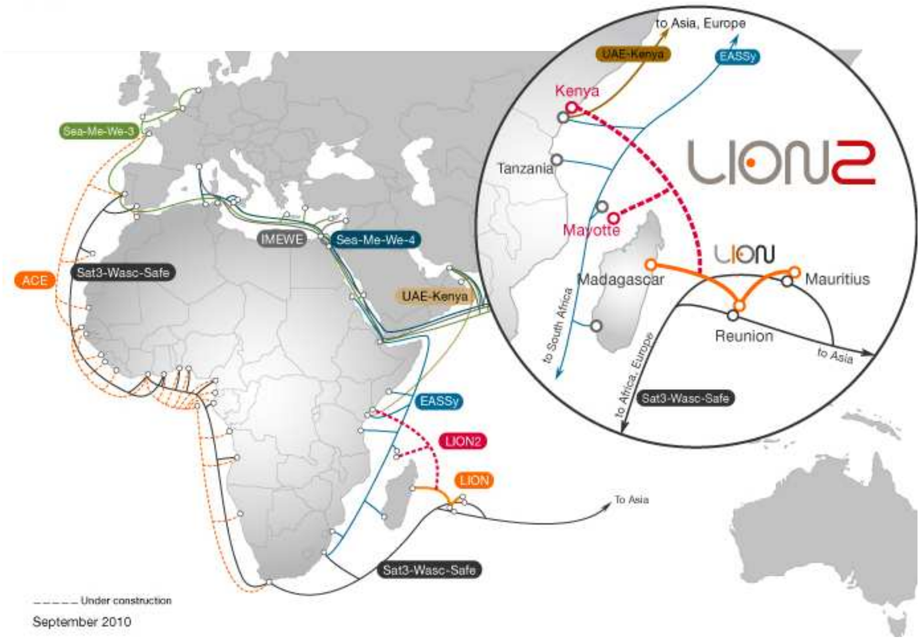
- *Significant benefits and the most innovative services for UK consumers and sector ecosystem*
- *Recognised market leadership in all relevant dimensions*
- *Free cash flow accretive from 2010 onwards*
- *EPS accretive from 1^{st} full year of operation (2011)*
- *90% of free cash flow returned to parents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

growth potential

networks
the future needs of our customers are being anticipated

2010 Highlights

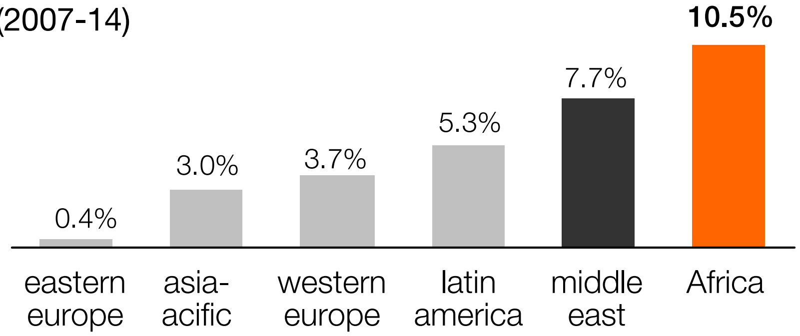
- Mobile data capacities managed 1 year in advance
- FTTH roll out restarted in France
- fixed broadband coverage in Poland
- 3G/3G+ capacity and performance enhancements in Europe
- 3G+ launch in selected AMEA countries
- new submarine cables
- building best in class Data Centers



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

better than the average world growth

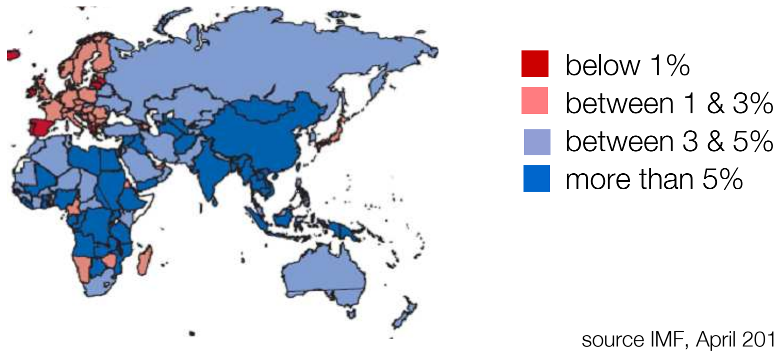
regional CAGR of mobile revenues (2007-14)



source Ovum, 11/2009

stronger growth than Europe in 2010 & 2011

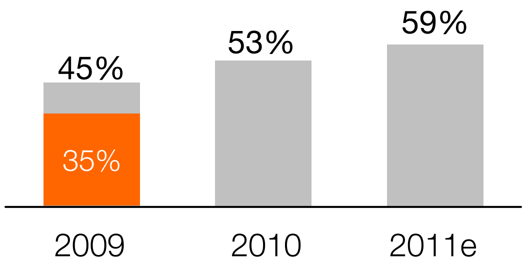
2009 GDP growth vs 2003-08 average growth



source IMF, April 2010

Africa’s penetration rate leaves plenty of room for growth

mobile sim penetration rate in Africa,



user penetration rate is 35% only in 2010, due to multi sim activity

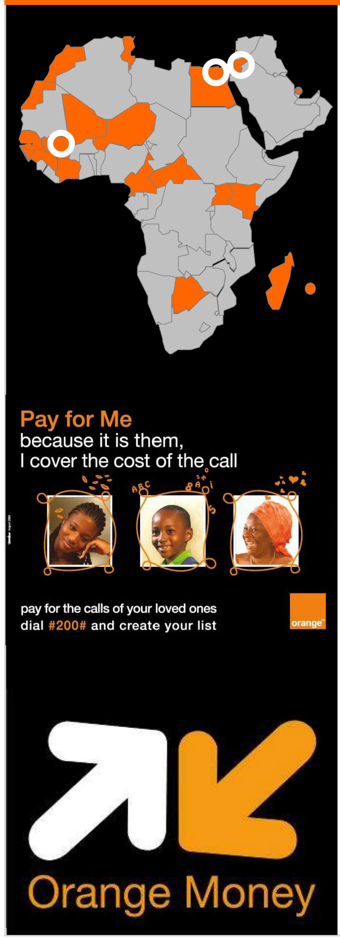
source Informa 04/2010

insight

- higher forecasted growth for telco market in Africa and Middle-East than in other emerging markets
- only ½ 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



- 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%

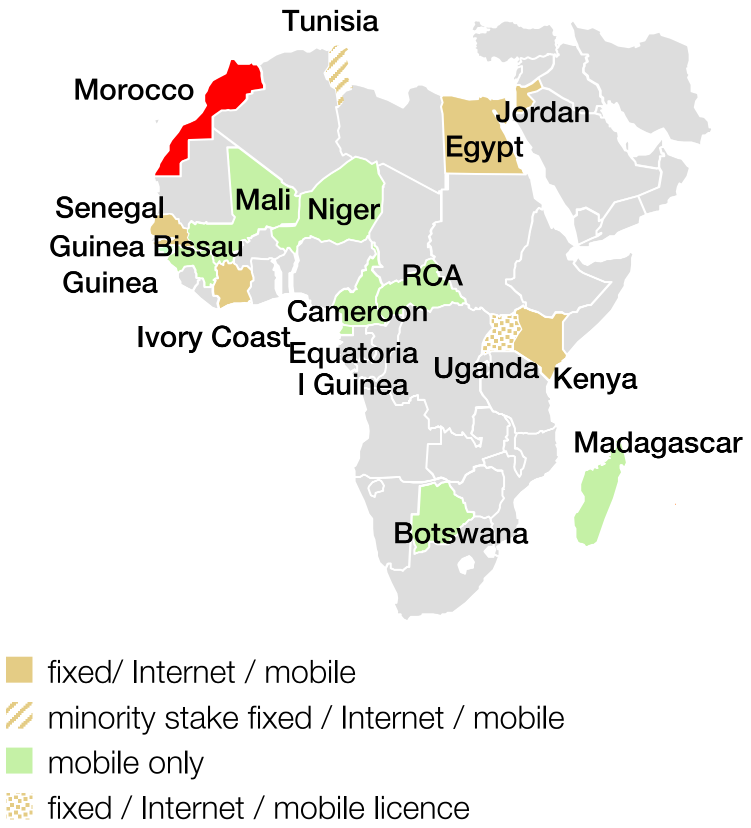
in m€	2Q10	var	1H10	var
Africa & Middle East	615	+6.4%	1,201	+6.8%

- 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	▪ underlying trend will be flat ▪ expected regulatory measures will impact revenue by almost €1bn	☑
EBITDA margin	▪ -1pt max of EBITDA margin erosion	☑
CAPEX rate	▪ around 12% of revenue	☑
organic cash flow	▪ 2010 & 2011 €8bn guidance confirmed ▪ €8bn guidance in 2010: – 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

- conquests 2015 collective ambition defined
- 1H10 solid financial and commercial results

- social contract in place
- new shareholder contract (€1.40 dividend for next 3 years)

- 2011-2014 new strategic plan

- 3Q10 results: October 28th

first half 2010

second half 2010