

investor day

CEO presentation

Orange 2012:
simple
agile
sustainable

Didier Lombard
Chairman and CEO

march 4 & 5, 2009



cautionary statement

- this presentation contains forward-looking statements about France Telecom's future business performance. 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 integrated operator strategy including the success and market acceptance of the Orange brand 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.

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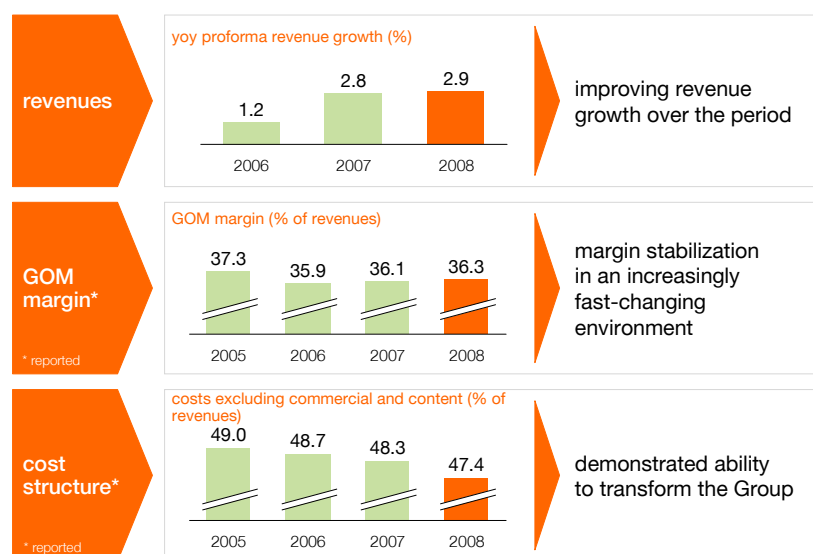
1 NExT: an effective transformation delivering on commitments

2 a proven strategy, a new operating mode

3 financial ambition

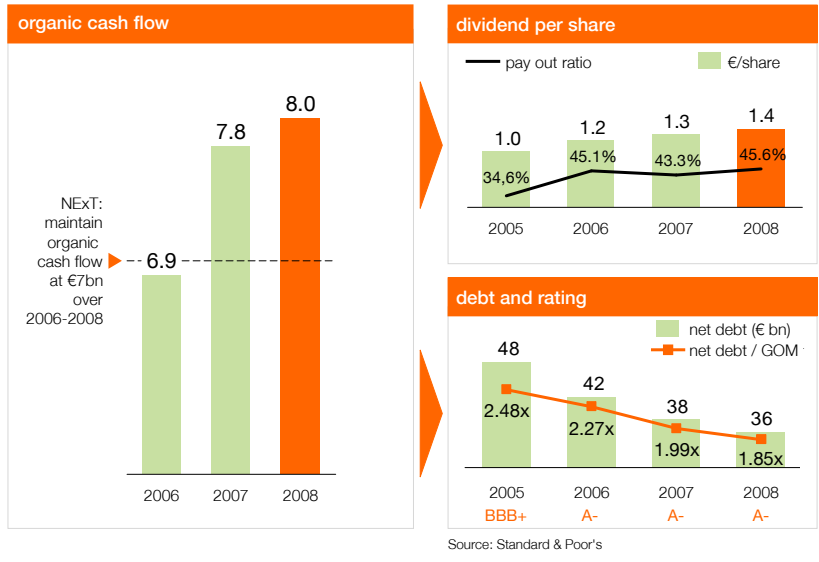
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1 | NExT transformation has re-established fundamentals







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1 | NExT 06-08: above expectation cash flow generation, higher dividend, solid financial structure



1 | continuously delivering value for our stakeholders

employees	<ul style="list-style-type: none"> increased compensation per employee (+3.3% on average for 2008) fostered training programs 	
territories	<ul style="list-style-type: none"> increased ADSL penetration (98.4% in France) extended 3G coverage (up to 74% of French population; up to 93% of UK population) 	
environment	<ul style="list-style-type: none"> reduction of energy consumption (virtual datacenters, solar stations) management of vehicle fleet environmental labelling of handsets 	
philanthropy	<ul style="list-style-type: none"> Orange Foundation (~500 projects per year in around 30 countries) 	

6 source: Informa Telecom, IDATE Broadband (2008)

1 | our strategy pursued since 2006 has delivered results

convergence	<ul style="list-style-type: none"> integrated organization convergent products unified brand
IP transformation	<ul style="list-style-type: none"> #1 broadband internet provider in Europe #1 in IPTV in Europe 7.8 m Livebox deployed in Europe
growth and innovation initiatives	<ul style="list-style-type: none"> successful launch of growth initiatives, e.g. content, online advertising and e-health revenue share from growth and innovation initiatives from 6% in 2007 to 9% in 2008
internationalization	<ul style="list-style-type: none"> presence in 30 countries* customers in emerging markets from 14% of total in 2005 to 29% in 2008

7 * without Orange Business Services

1 | our new balance of businesses: a solid basis for the future

international diversification	fixed broadband asset																																	
<p>share of actual revenues generated outside of France and share of emerging countries (in %)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Total Share (%)</th> <th>Emerging Countries (%)</th> </tr> </thead> <tbody> <tr> <td>2002</td> <td>41</td> <td>6</td> </tr> <tr> <td>2005</td> <td>43</td> <td>7</td> </tr> <tr> <td>2008</td> <td>47</td> <td>11</td> </tr> </tbody> </table>	Year	Total Share (%)	Emerging Countries (%)	2002	41	6	2005	43	7	2008	47	11	<p>incumbent market share evolution in domestic ADSL market (2005-08, p.p.)</p> <table border="1"> <thead> <tr> <th>Country</th> <th>Market Share Evolution (p.p.)</th> </tr> </thead> <tbody> <tr> <td>France</td> <td>3.1</td> </tr> <tr> <td>Italy</td> <td>-8.6</td> </tr> <tr> <td>Germany</td> <td>0.5</td> </tr> <tr> <td>Spain</td> <td>6.4</td> </tr> </tbody> </table> <p>source: broker report, January 2009</p>	Country	Market Share Evolution (p.p.)	France	3.1	Italy	-8.6	Germany	0.5	Spain	6.4											
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8 * including Armena and excluding Orange NL in 2005, excluding mobile handset revenues

1 | integrated operator model delivers more value for both investors and customers

convergent organization

- unified commercial brand
- integrated fixed/mobile operations
- multi-country service platforms
- global innovation network
- centralized sourcing & supply chain
- common brand and leadership values

convergent products & services

- Livebox: voice, Internet and TV – deployed in 8 countries
- Business Everywhere
- Internet Everywhere – deployed in 23 countries
- unik
- three screen Orange TV
- music store on mobile and web portal – deployed in 9 countries

organizational environment to deliver Group synergies

innovative and added value propositions to consumers

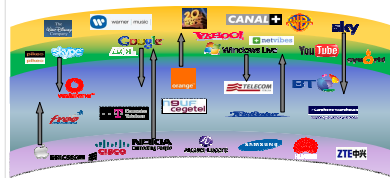
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1 | proven strategy continues in an increasingly uncertain environment

a proven strategy

- convergence
- IP transformation
- growth and innovation initiatives
- internationalization

accelerated ecosystem transformation



stabilized financial and business performance

- re-established fundamentals
- business mix sustaining growth

uncertain economic climate

- negative GDP growth expected in 2009
- unclear timing of economy recovery
- nevertheless, telecom have proven their resilience to downturn

pursue our strategy, adapt our operating mode to achieve our ambitious objective of cash generation

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2 | a proven strategy, a new operating mode



- simple



- agile



- sustainable

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2 | customers seeking simplicity



simple

customer painpoints

- complexity is the first reason for not using internet
(source: Arcep, France, March 2007)
- 85% of the people frustrated by the number of steps to access mobile services and applications
(source: relaxnews, US, UK, January 2009)

our value proposition

- towards an era of "pacified technology"
- help our customers to find their way throughout the profusion of technologies
- make services "accessible" to a broader share of population

useful

relevant
most wanted



working

reliable
trusted
hassle free

easy

to find
to install
to use

operational and financial implications


- growth in service adoption and usage
 - greater loyalty and customer satisfaction
 - lower call rates, # interventions, device return rates
- ARPU growth
 - churn improvement
 - OPEX savings

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2 | towards an era of "pacified technology"



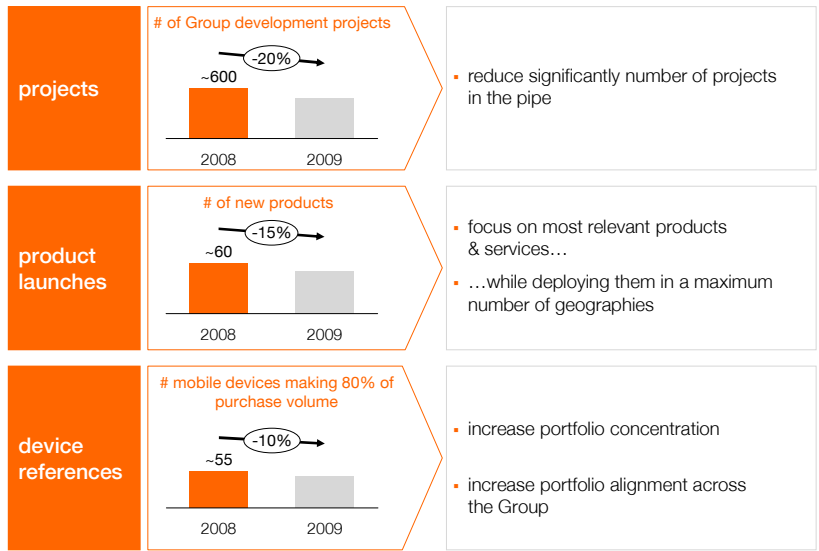
simple

example: Livebox	simplicity levers	examples
 <ul style="list-style-type: none"> modular casing easy pairing distinct power status indicator auto-diagnostic tool on PC <p>"keep complexity behind the curtain"</p>	steering innovation towards simplicity	<ul style="list-style-type: none"> R&D patents focus on "simplicity"
	user centric design	<ul style="list-style-type: none"> planning a "Design & Usability" team customer test centers generalization
	increased service quality throughout customer journey	<ul style="list-style-type: none"> improved customer follow-up In-shop device testing e-care / e-support / e-billing Orange care

a scoring method to assess our product and service simplicity ambition
any product to reach a minimum threshold at launch

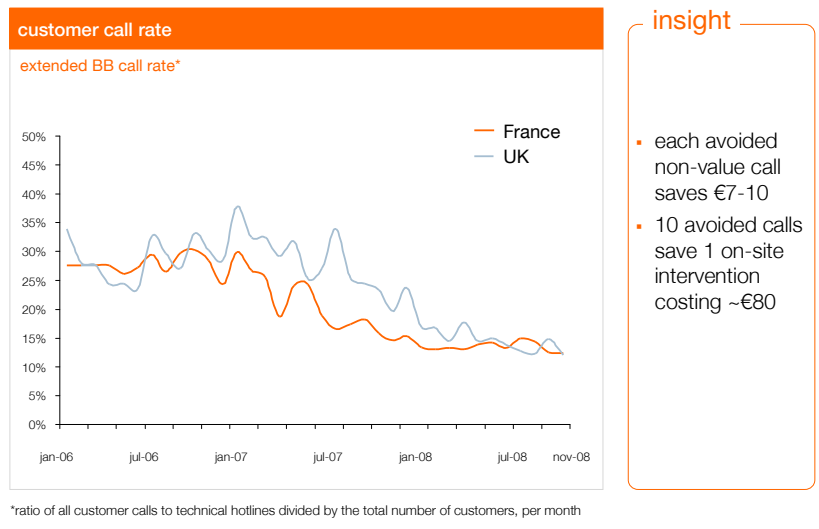
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2 | focusing our product offering



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2 | increasing customer satisfaction, reducing costs






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2 | thinking and behaving faster – examples



agile

Orange satellite TV	Internet Everywhere	RAN sharing
<p>La TV d'Orange ADSL avec Satellite </p> <ul style="list-style-type: none"> bringing eligibility of Orange TV to 100% of French population time to market of nine months only, including the first hybrid set-top box 200k customers in 6 months 	<p>mobile broadband from €9.79 a month </p> <ul style="list-style-type: none"> free broadband usage free and 3G compatible no hardware or connection charges choose your colour: black, white or pink <ul style="list-style-type: none"> offering mobile broadband to consumer market with plug-and-play installation and postpaid/prepaid offers fast move from business to consumer market in 23 countries 1.1m customers in 18 months 	 <ul style="list-style-type: none"> sharing deployment of 3G sites and equipment to reduce capex & opex and to boost mobile coverage started in 2007 between Orange and Vodafone in Spain approx. € 75m cumulated savings in the first 2 years

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2 | thinking and behaving faster – levers and actions



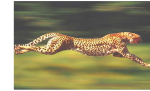
agile

agility levers	actions
dynamic and consistent product portfolio management	<ul style="list-style-type: none"> categorize offers according to their potential return preserve flexibility in launching depending on market opportunities and leverage platforms perform the portfolio management along the whole value chain, from innovation to IT, sales and customer care
adjustable cost structure and capex	<ul style="list-style-type: none"> increase flexibility on commercial costs focus on partnership invest progressively in line with market needs
open innovation	<ul style="list-style-type: none"> develop start-up flexibility with the back-up from a strong Group: Orange Valley leverage developer community: Orange Open API

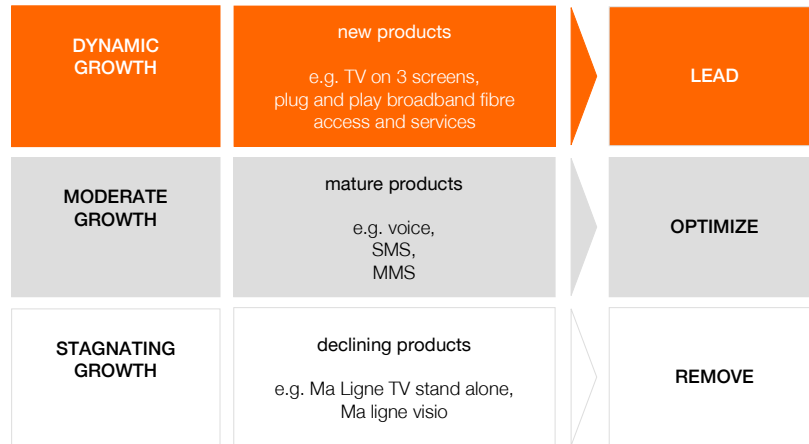
responsive organization and adaptive cost structure

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2 | managing rapidly and consistently product portfolio throughout the marketing organization and the information system



agile



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2 | adapting costs to the next challenges and the environment



agile



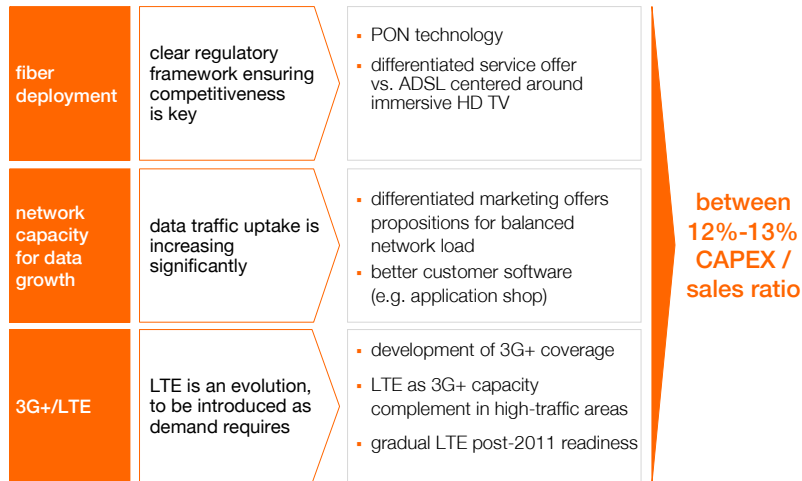
* non-labour

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2 | deploying key technologies according to market readiness



agile



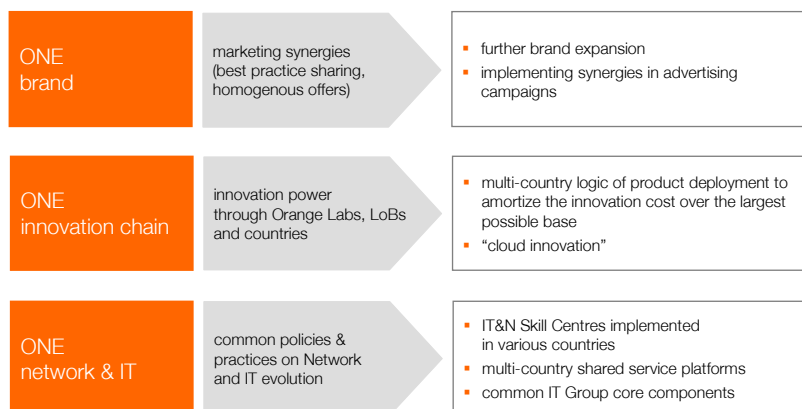
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2 | fostering Group synergies and cohesion



sustainable

ONE strategy built on convergence and innovation



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2 | becoming an employer of choice by 2011



sustainable

training, re-skilling and diversity

- pursue training momentum with current bodies and entities
 - Orange University
 - Orange Management schools
 - Orange Global Business schools
- reallocate skills in priority areas
 - customer relations
 - innovation & content
- pursue internal and external mobility programs
- attract and retain
 - brand
 - CSR and diversity
 - talent and career path management



getting prepared for future challenges

- prepare the future, anticipate the demographic challenge and the need of new talents by
 - increasing by 25% the number of apprentices (*contrats d'apprentissage*) at France Telecom-Orange in France to reach the level of 4,500 apprentices as of 2009...
 - ... and giving them **priority** on our recruitments of young talents in priority areas



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2 | becoming the Corporate Social Responsibility leader among telcos by 2012



sustainable



key principles

- Corporate Social Responsibility (CSR) is an integrated part of our **core business**
- as a global telco, Orange has a key **responsibility** and **assets** to meet the challenge of CSR
- we must encompass all our **stakeholders** in this dynamic (employees, suppliers, customers)

key actions

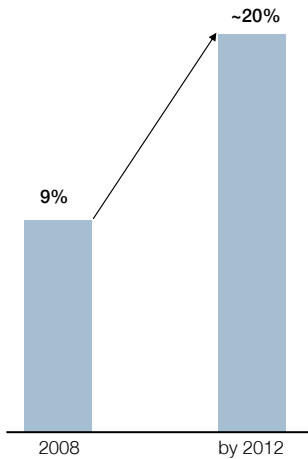
- **accelerate digital inclusion**, e.g.
 - access for all in Africa
- **act in favour of our environment**, e.g.
 - 20% reduction of CO₂ emissions by 2020
- **turn risks into opportunities**, e.g.
 - include elderly and disabled
 - privacy solutions
 - child protection in the digital world

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2 | our ambition is to consolidate our growth initiatives and get ready for the economic recovery



revenue share ambition



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...of which 3 key growth initiatives

content

- premium content to increase TV customer base and mobile usage uptake
- increase "delinearized" usage

on-line advertising

- leveraging growth of mobile / interactive TV advertising
- leveraging differentiated targeting capabilities

e-health

- trained B2B sales force (Connected Hospital)
- assistance propositions for the elderly and the disabled in consumer market
- leverage tele-monitoring expertise

2 | orange content experience satisfies new consumers' preferences and is supported by differentiating assets



Orange evolution towards content

- from mono-usage-only media...
- ... to interactive multi-screen digital services and connected consumer electronics
- supported by Orange new technological revolutions:
 - broadband ubiquity
 - on the move and on-demand new usages

evolving consumer preferences

- increasing time spent on Internet
- social networks
- content proliferation on TV, PC & Mobile



new TV experience

- delinearization of content
- interactivity
- premium content
- social recommendations

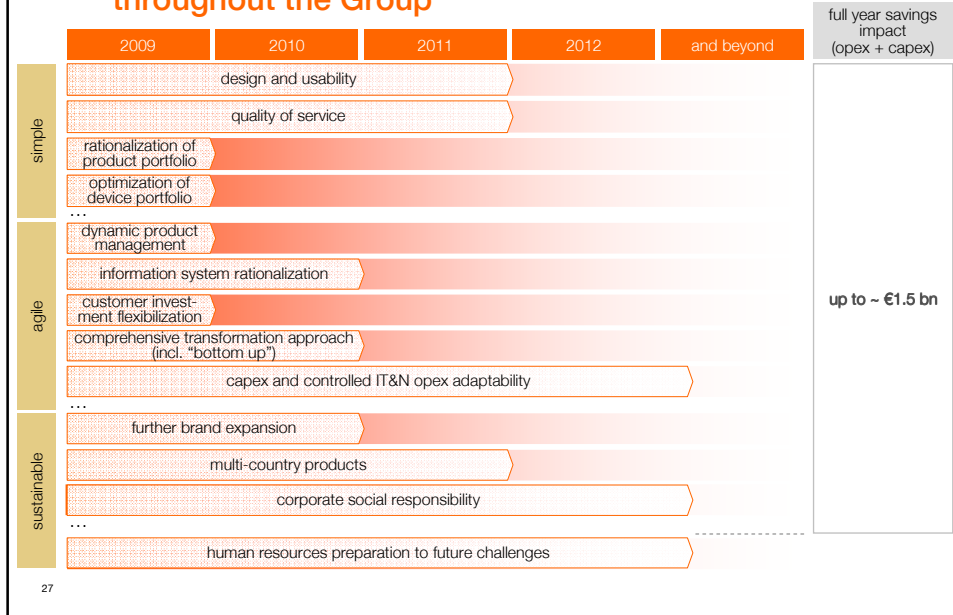


Orange has strong assets to differentiate in the ecosystem

- network and technology
- three-screen strategy
- customer relationship

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2 | multiple workstreams in action implemented throughout the Group



2 | adaptations of the organizational structure to sustain the streams of action

...a rationalized innovation and marketing portfolio	<ul style="list-style-type: none"> Jean-Philippe VANOT, Group Innovation and Marketing Georges PENALVER, Group Strategy and Development Vivek BADRINATH, Group Networks and Carriers
...a rationalized information system	<ul style="list-style-type: none"> Gervais PELLISSIER, also taking charge of Information System
...a Chief Corporate Social Responsibility Officer	<ul style="list-style-type: none"> Marc FOSSIER, reporting to Jean-Philippe VANOT
...an increased consistency	<ul style="list-style-type: none"> Olaf SWANTEE, also taking charge of Spain Raoul ROVERATO, also taking charge of e-Health Line of Business
...3 Deputy CEO	<ul style="list-style-type: none"> Jean-Yves LARROUTUROU Gervais PELLISSIER Louis-Pierre WENES

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3 | ambition 2009-2011 in line with our transformation plan: cash flow generation maintained at € 8 bn

group revenues

- resilient in downturn
- growth and innovation initiatives positioned to enhance revenue growth when economy recovers

organic cash flow

- cash flow maintained at 2008 level -€ 8 billion- over 2009-2011 based on current economic outlook and excluding spectrum acquisition
- ongoing transformational programs to absorb identified and potential adverse factors
- capex to sales ratio in the range of 12-13% of revenues and remaining a variable to adjust cash flow generation

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3 | mid-term use of cash policy

preservation
of a solid
balance sheet

- continue to reduce debt with a net debt/EBITDA ratio below 2
- secure a strong rating and access to funding

attractive
shareholder
remuneration

- maintain a level of distribution above or equal to 45% of organic cash flow
- additional return of cash will depend on market environment, future performance and investment needs

disciplined M&A

- 2 key principles:
 - support organic growth
 - create value ourselves through our expertise
- permanent review of portfolio assets to optimize value for shareholders
- no transformation deal contemplated

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investor day CEO presentation

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Chairman and CEO

march 4 & 5, 2009

 france telecom



Investor Day cont'd

March 4 th PM		March 5 th AM	
<i>lunch & demos</i>	12:30 – 13:30	▪ networks	08:30 – 09:10
▪ results FY 2008	13:30 – 14:15	▪ Q&A	09:10 – 09:30
▪ Q&A	14:15 – 14:45	▪ France	09:30 – 10:00
<i>pause and demos</i>	14:45 – 15:15	▪ Q&A	10:00 – 10:20
▪ CEO	15:15 – 16:00	<i>pause and demos</i>	10:20 – 10:50
▪ CFO	16:00 – 16:30	▪ UK	10:50 – 11:10
▪ Q&A	16:30 – 16:50	▪ Spain	11:10 – 11:30
▪ transformation, CSR, people	16:50 – 17:30	▪ Q&A	11:30 – 12:00
▪ regulation	17:30 – 17:50	▪ AMEA, EME	12:00 – 12:30
▪ Q&A	17:50 – 18:35	▪ enterprise	12:30 – 12:50
<i>free time or demos</i>	18:35 – 20:30	▪ Q&A	12:50 – 13:20
		<i>lunch and demos</i>	13:20 – 14:30

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