

france telecom

December 2008



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France Telecom Team :

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agenda

1 strong 9m08 results fully on track with full year objectives

2 in a challenging economic environment, FT is structurally advantaged

3 debt profile

a transformed leader with strong momentum

	from 2004...	...to Sept. 2008	
annual revenues	▪ EUR 47.2 bn	▪ EUR 52.9 bn*	more international
subscribers outside France	▪ 63 million	▪ 110 million	
number of countries of presence, consumer	▪ 19 countries	▪ 33 countries	
subscribers with Orange brand	▪ 48 million	▪ 119 million	more unified
global products	▪ not relevant	▪ >100	
 livebox** deployed	▪ 264,000	▪ 7.5 million	more customer centric / convergent
unique visitors to Orange portals***	▪ 30 million/month	▪ 61 million/month	

* 2007 full year revenues

** France Telecom's home gateway

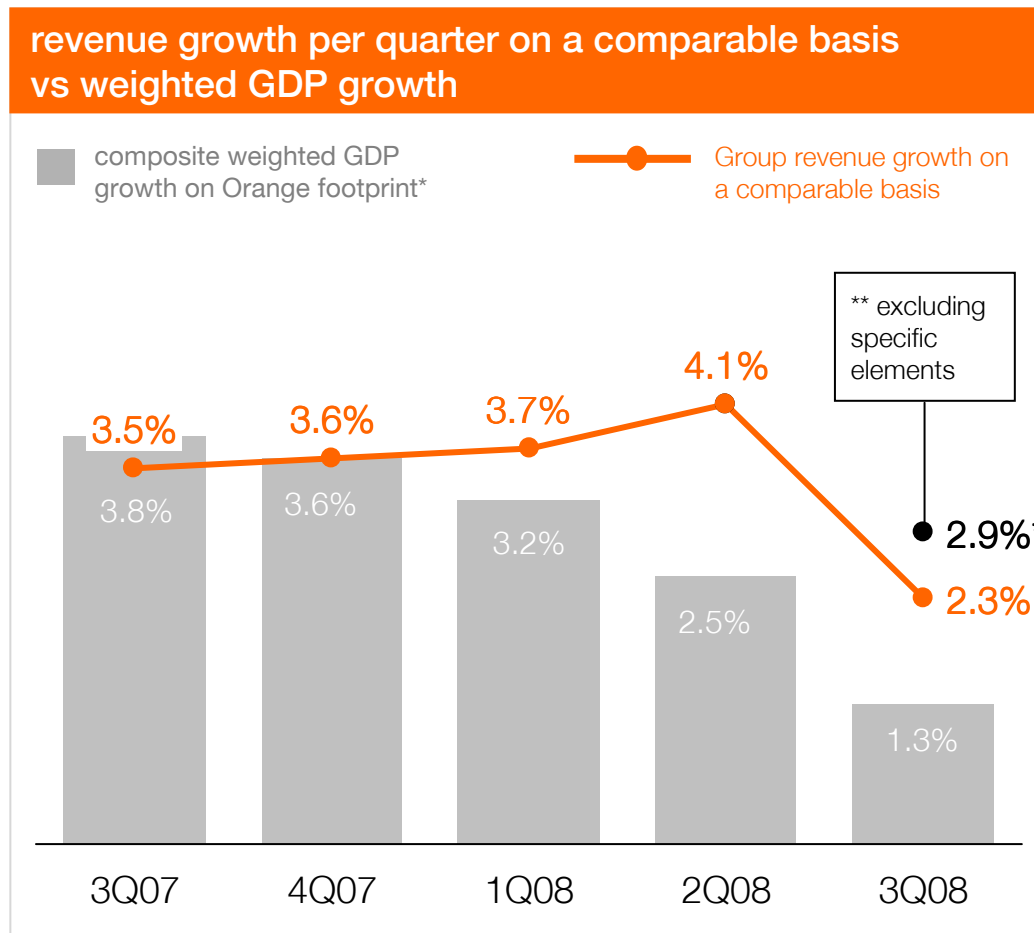
*** source: Comscore, March 2008, worldwide perimeter

9m08 key financial achievements in line with announced trends and full year guidance

in millions of euros	9m07 comparable basis	9m08 actual	change comparable basis	key points
revenues	38,562	39,854	+3.4%	<ul style="list-style-type: none"> as expected, 3Q08 growth in line with market trends evolution
GOM*	14,295	14,766	+3.3%	<ul style="list-style-type: none"> GOM growth in line with revenue leading to stabilization of the GOM rate
<i>in % of rev</i>	37.1%	37.1%	-	
CAPEX*	4,400	4,617	+4.9%	<ul style="list-style-type: none"> stable capex ratio in 3Q08, with higher level expected in 4Q due to seasonality
<i>in % of rev</i>	11.4 %	11.6%	+0.2pt	
GOM - Capex	9,895	10,149	+2.6%	<ul style="list-style-type: none"> on track to increase organic cash flow in 08 vs 07

*see glossary

revenue: strong resilience vs GDP growth slowdown



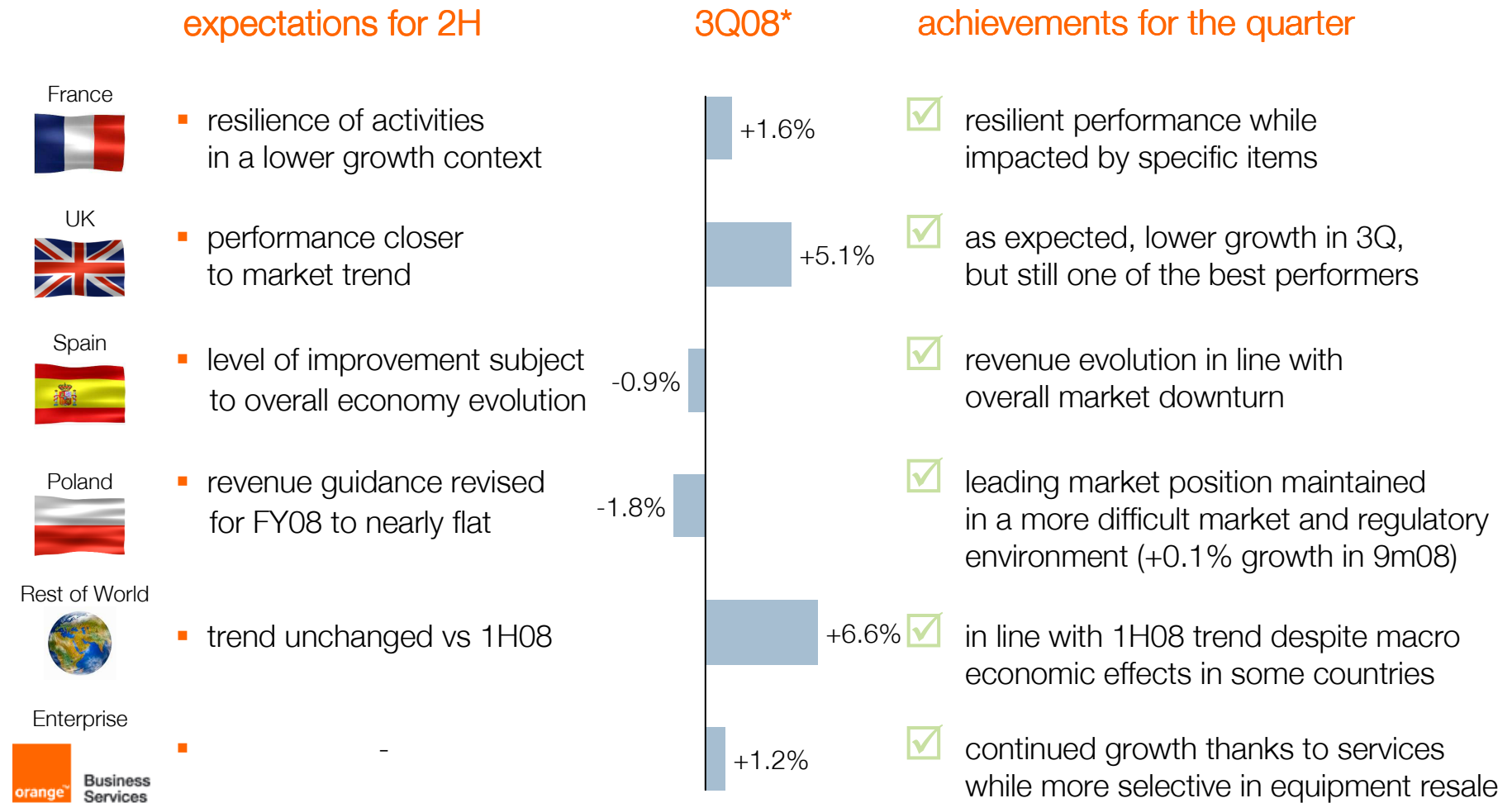
* France Telecom estimates

insight

- after 4 quarters of strong growth, 3Q08 growth continues to be resilient
- some specific elements impacted 3Q in France, weighting for 0.6pt in revenue growth:
 - end of subscription fee increase (i.e. €1 in July 07)
 - Chatel law (free waiting time for hotlines)
 - wholesale DSL price cuts in July 08

revenue growth snapshot per country

in line with end of July expectations for 2H



9m08 results fully on track with full year objectives

indication	2008		
	market trend	achievement for 9m08	
revenue growth	2-3%	3.4%	✓
guidance	FY target	achievement for 9m08	
GOM rate*	stabilization	stabilized	✓
CAPEX to sales ratio*	around 13%	11.6%	✓
organic cash flow*	> €7.8bn	€3.65bn in 1H08	✓

insight

- group FY08 revenue trend should be at the **high end of average market growth** evolution in spite of expected slowdown in some countries
- **no major trend change** foreseen in 4Q08 vs 3Q08

insight

- **stable margin rate expected in 4Q08** YoY to reach our FY guidance
- **identified savings** in current transformation programs and opex control in order to offset regulatory and commercial investment impacts

*see glossary

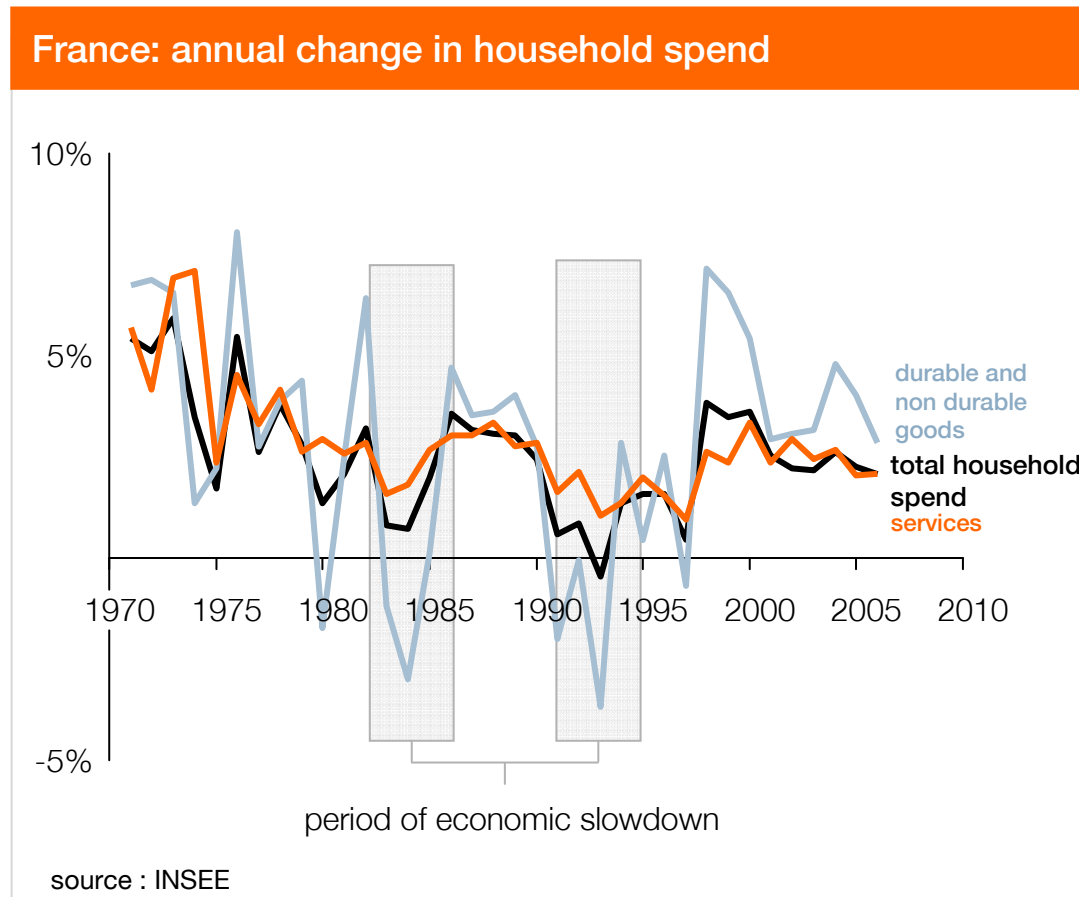
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3 debt profile

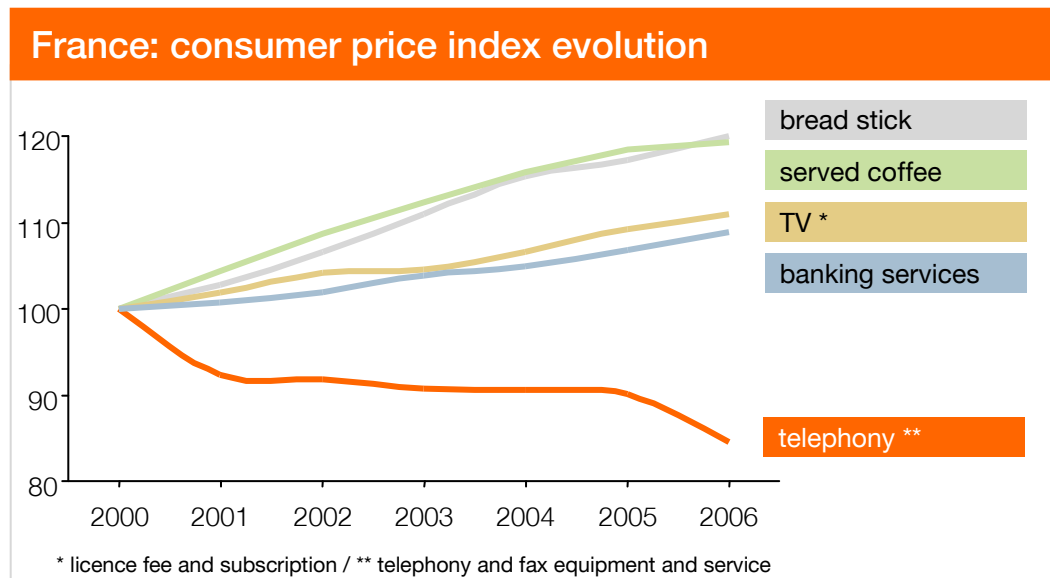
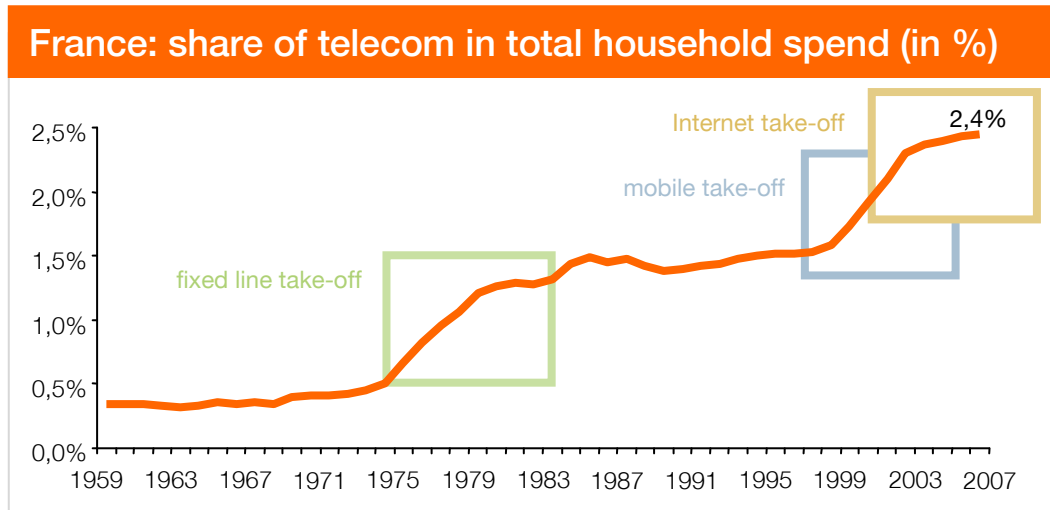
in difficult times, households cut on spend, but not uniformly across categories



insight

- while not immune from economic slowdown, **services** tend to be less impacted than other spend categories
- among services, predominantly pre-committed spend such as **telecom services, housing and food** (partly obliged and partly discretionary) tend to resist better

among services, telecoms have built a very robust position over time



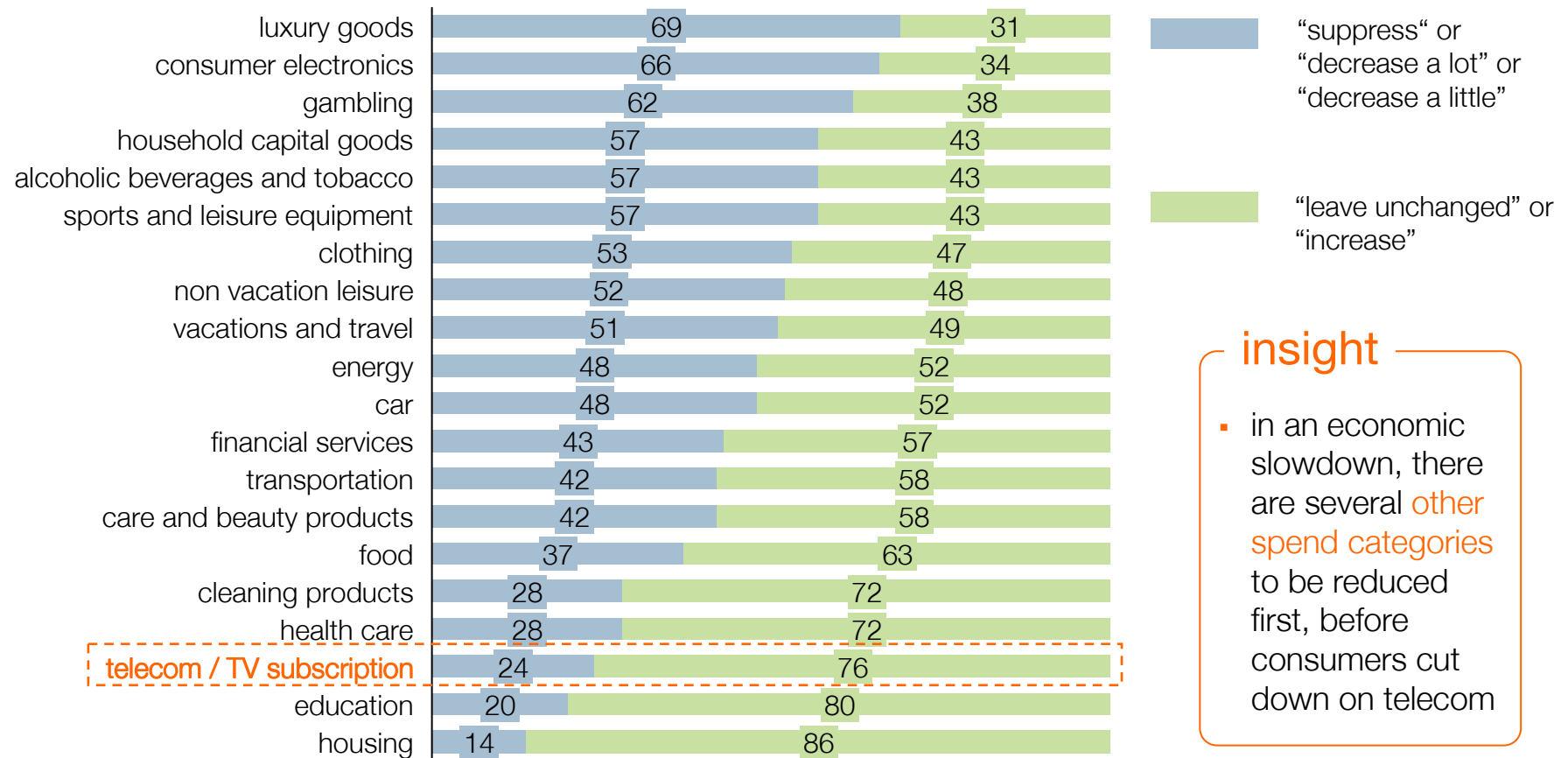
insight

- telecom services have captured a growing share of customers' wallet over 3 successive waves of technology
- this position is all the more robust that consumer have received more value for money compared to other necessities

source : INSEE

today, most households intend to maintain their spend on telecom services

question : how will you manage your spend compared to last year ? (in %)

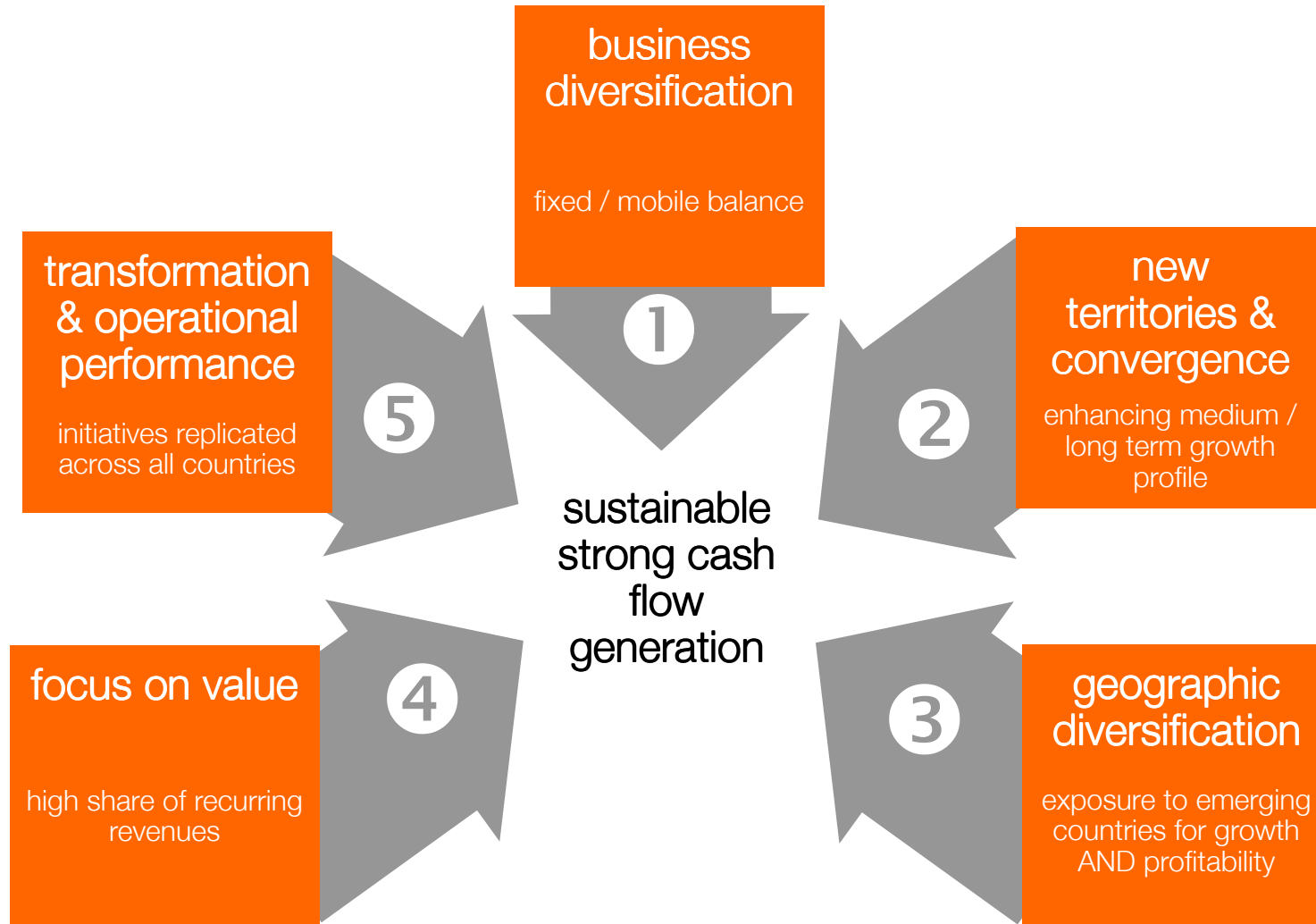


insight

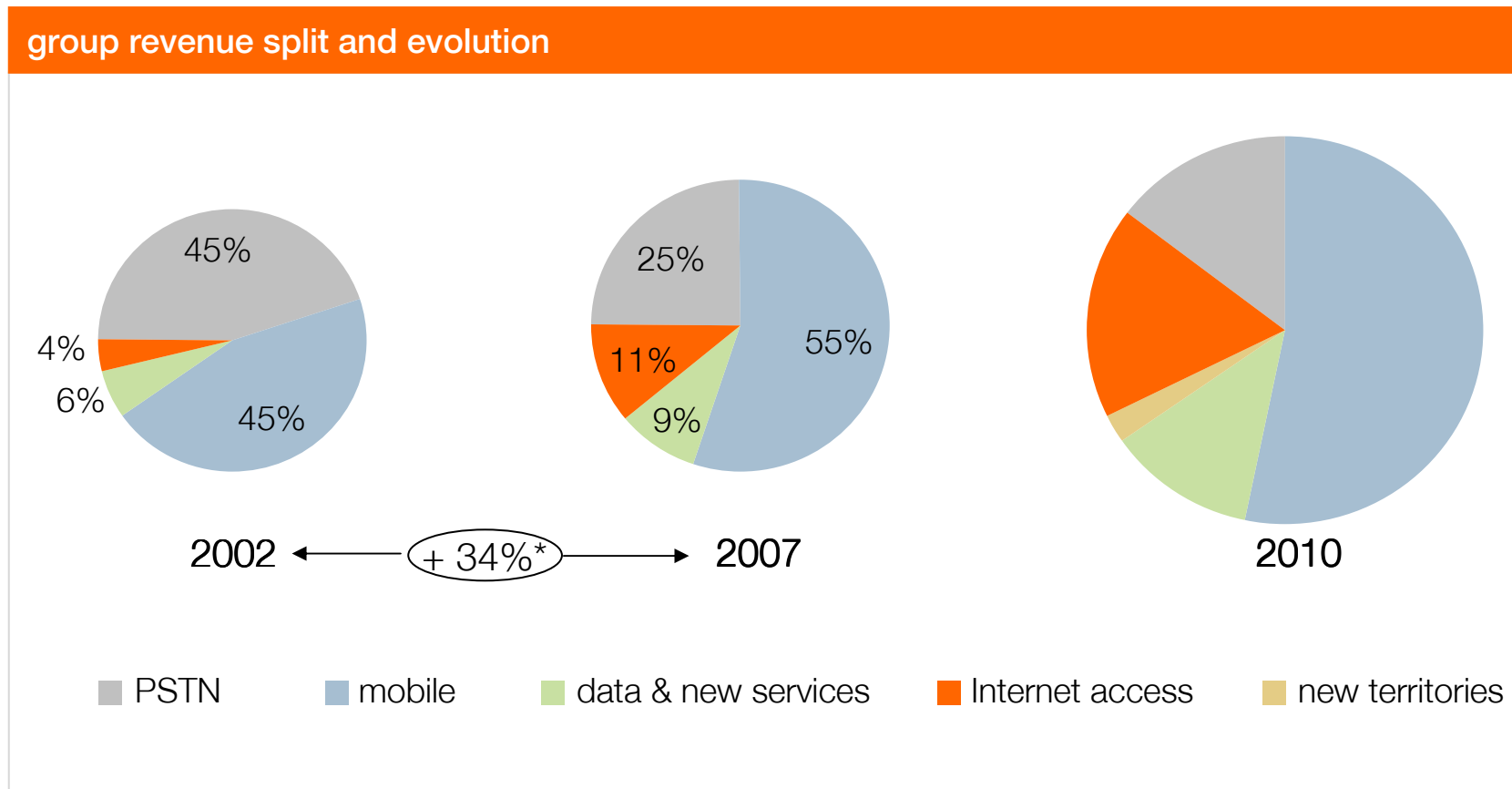
- in an economic slowdown, there are several **other spend categories** to be reduced first, before consumers cut down on telecom

source : OTO Research, 1.064 respondents in France , computer aided web interview, from 13 to 15 October 2008

France Telecom has five drivers to sustain a strong cash flow generation



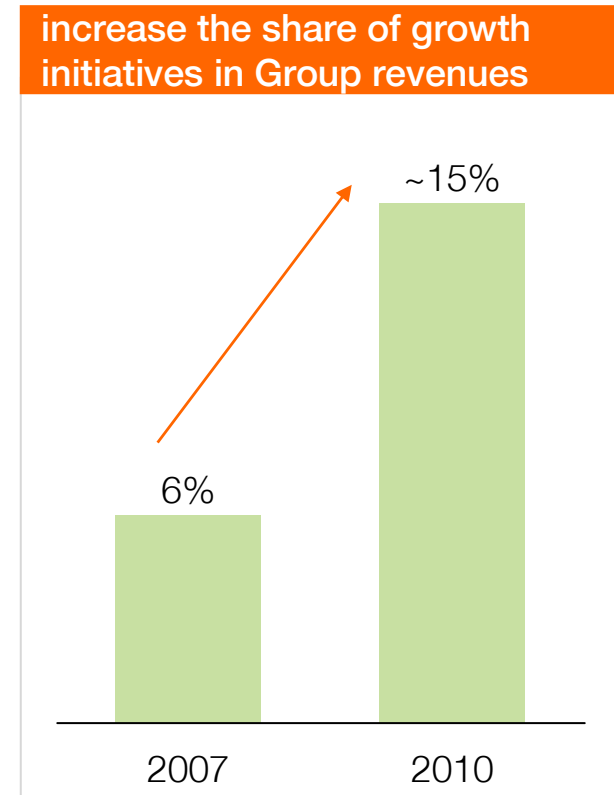
1 NExT plan has enhanced business mix diversification ...



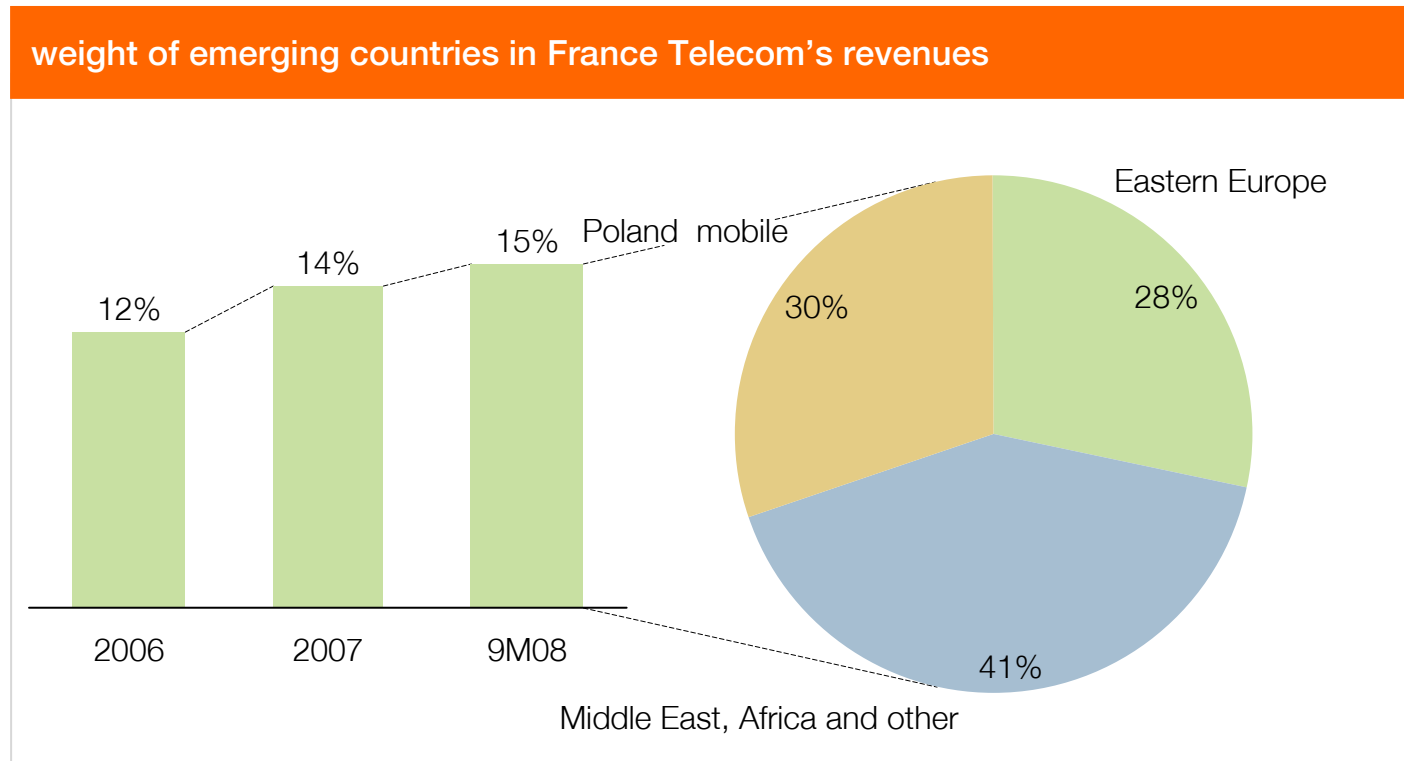
* actual growth rate, excluding Orange Business Services

2 entry into adjacent new territories is enhancing medium / long term growth profile

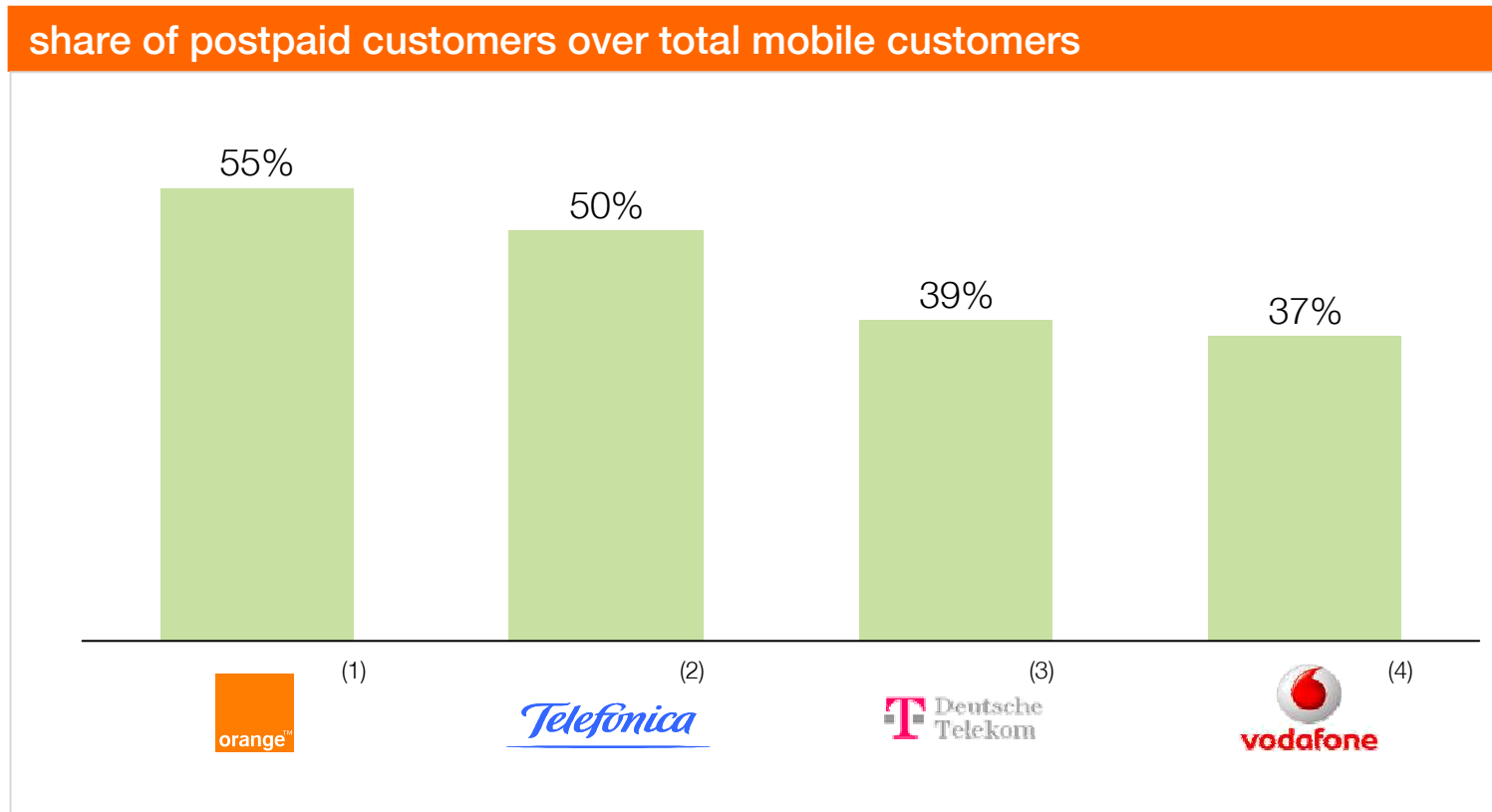
content	
audience	
e-health	



3 increasing involvements in emerging countries for growth AND profitability



4 among peers, France Telecom has the highest share of postpaid mobile in Western Europe



source : company figures, end of June, 2008

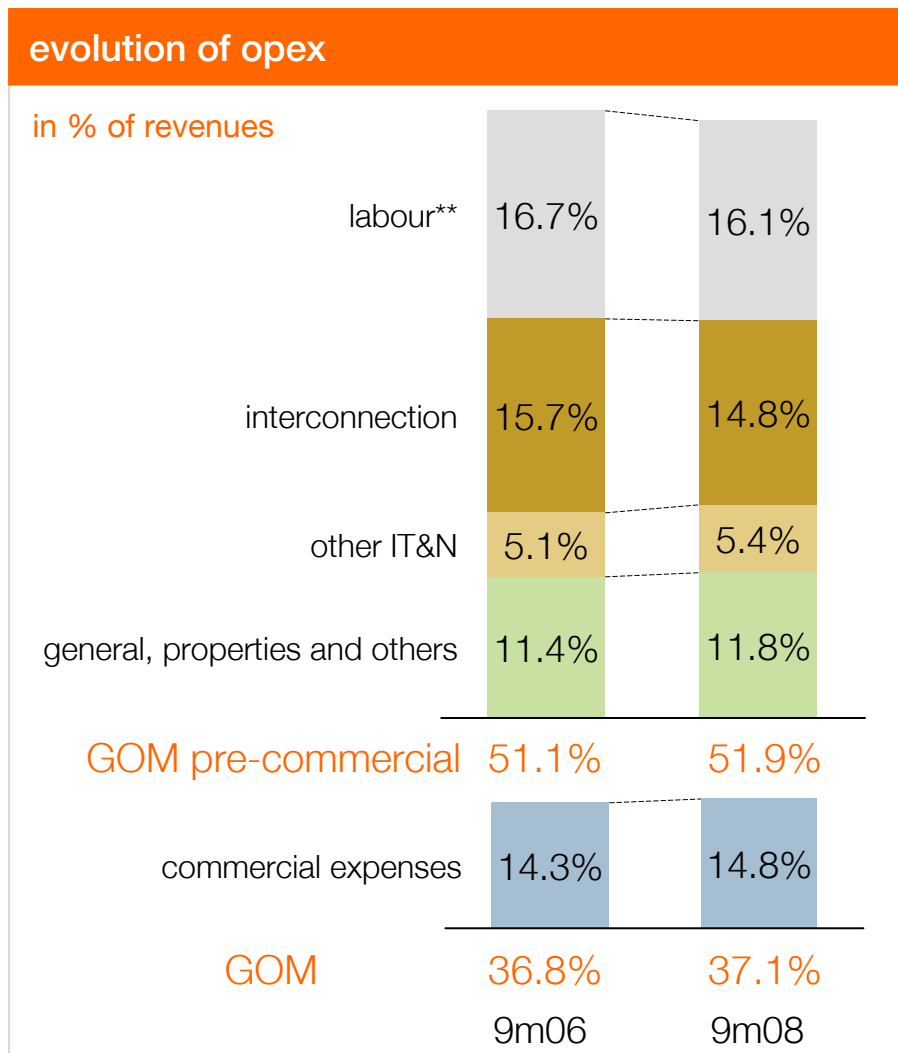
¹ France, Spain, UK, Belgium, Switzerland

² Spain, UK, Ireland, Germany

³ Germany, UK, Austria, Netherlands

⁴ Germany, Italy, Spain, UK, Greece, Ireland, Malta, Netherlands, Portugal

5 on OPEX*, we strive for continuous operational improvement and cost management



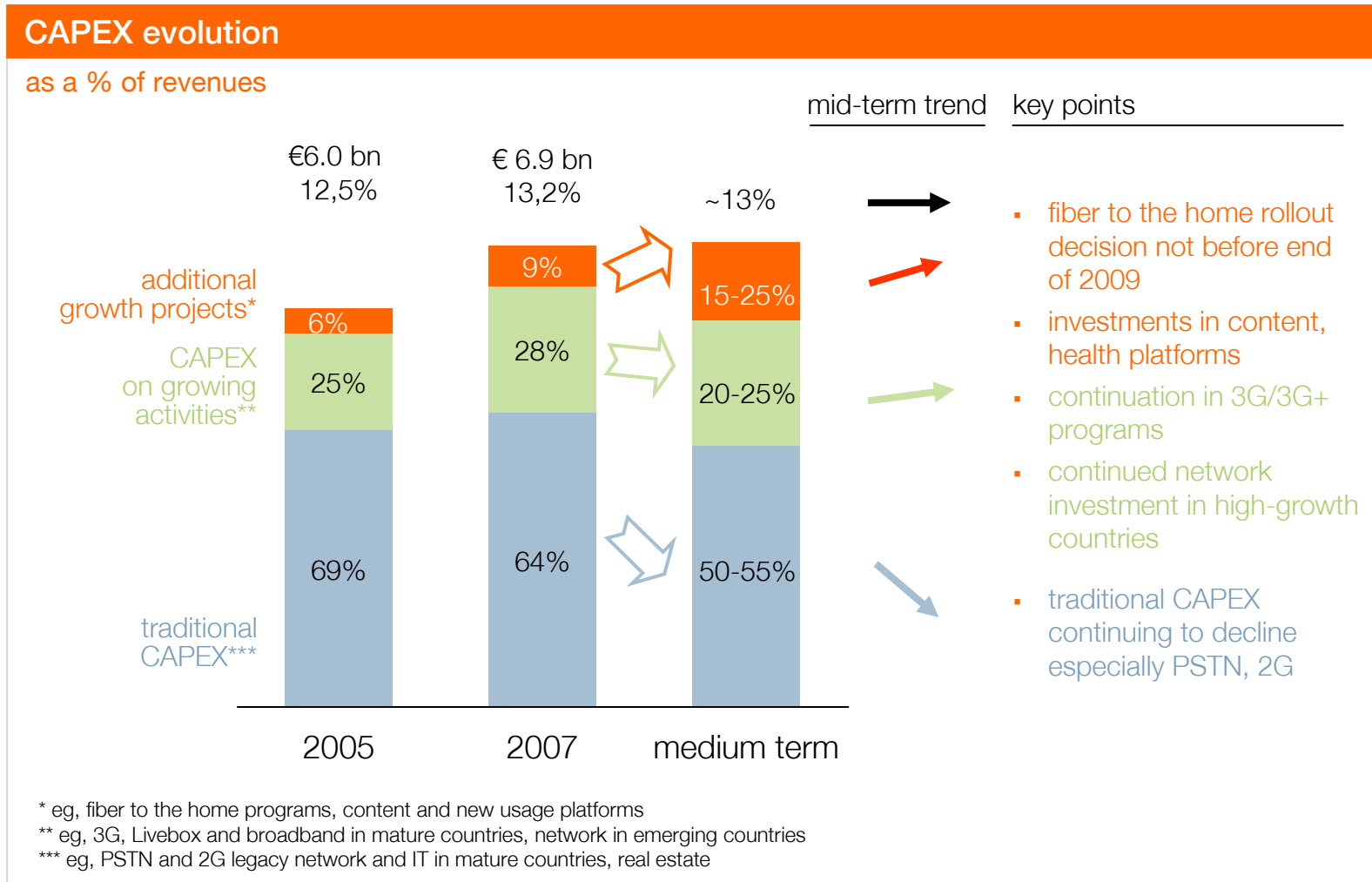
achieved

- ~92% of 06-08' headcount reduction guidance of 16,000 permanent staff in France achieved as of 30/09/08
- control of abundance offers and MTR cuts
- new offers launch
- start-up costs for new operations
- tight control on expenses
- content rights increase
- +0.8 pt
- higher commercial investment to support revenue & market share
- 3G iPhone subsidized

outlook

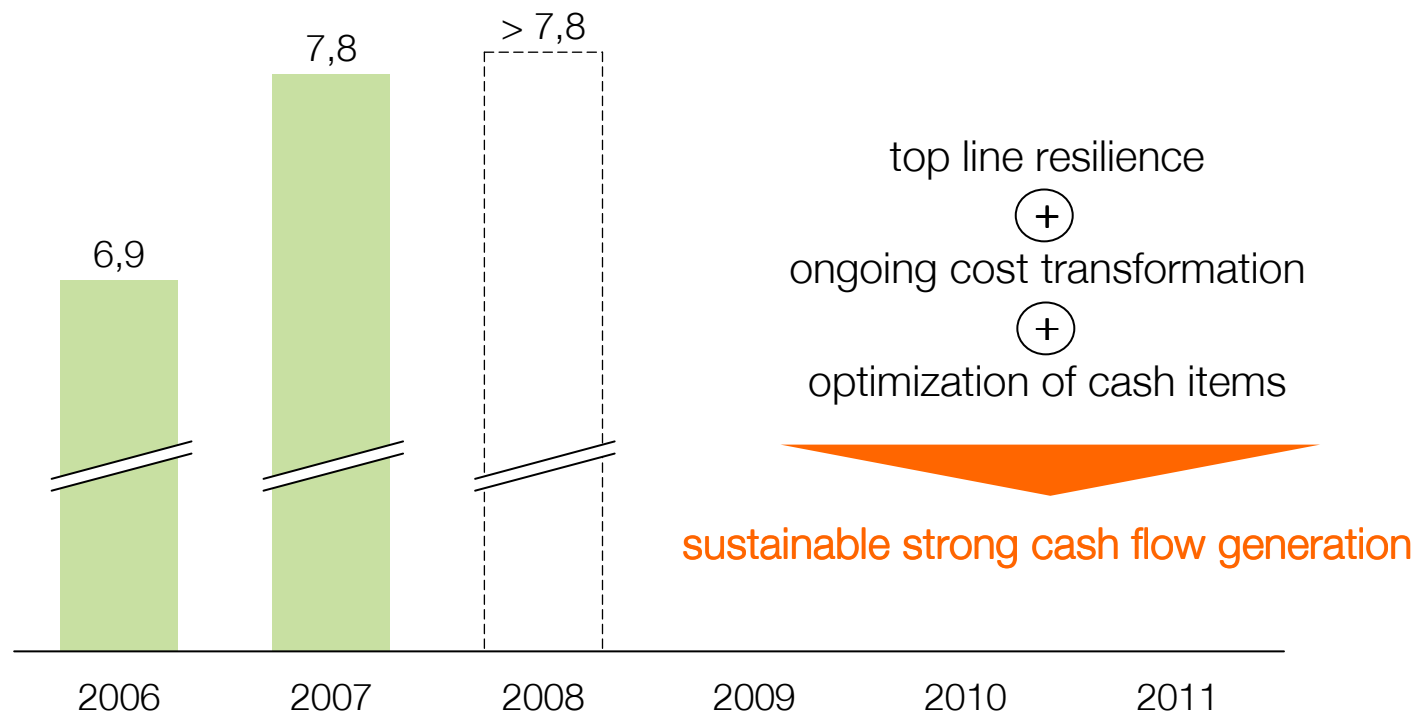
- on track to achieve 06-08' guidance of 17,000 net reduction at Group level
- further control of abundance offers
- pursue LLU migration
- network sharing agreements
- plans to reduce IT
- further improve customer relations efficiency
- real estate optimization
- improve distribution model
- optimize SAC / SRC

5 CAPEX maintained at around 13% of revenues to invest in new sources of growth



as a result, FT should deliver strong resilience in its organic cash flow*

FT organic cash flow, in €bn



*see glossary

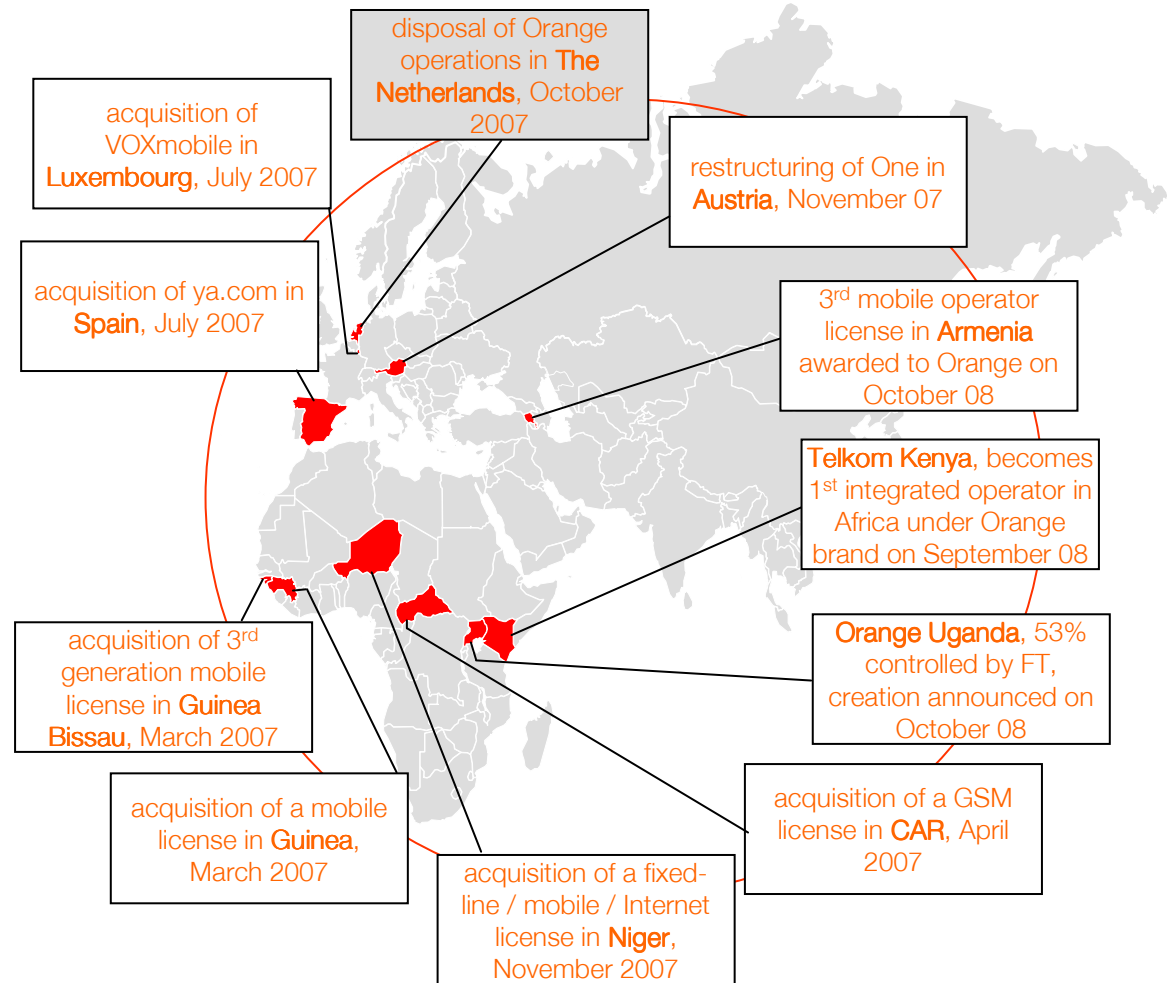
M&A policy and 07 / 08 achievements

3 main objectives

reinforce our footprint on emerging markets

strengthen our positions in some specific activities in Western Europe

develop our competencies



dividend policy unchanged

while keeping in the medium term a net debt to GOM ratio below 2 under current market conditions

- possibility for the Board to distribute above 45% of organic cash flow vs. 40-45% before
 - change in ordinary dividend payment terms with the establishment of an interim dividend

- in addition, the Board will consider annually additional remuneration depending on cash flow projections and investment plans
 - additional remuneration to be examined in March 09

- €0.6 per share of interim ordinary dividend was paid September 11, 2008
- FY08 ordinary dividend indication confirmed to be above €1.3/share to be decided on March 3, 2009

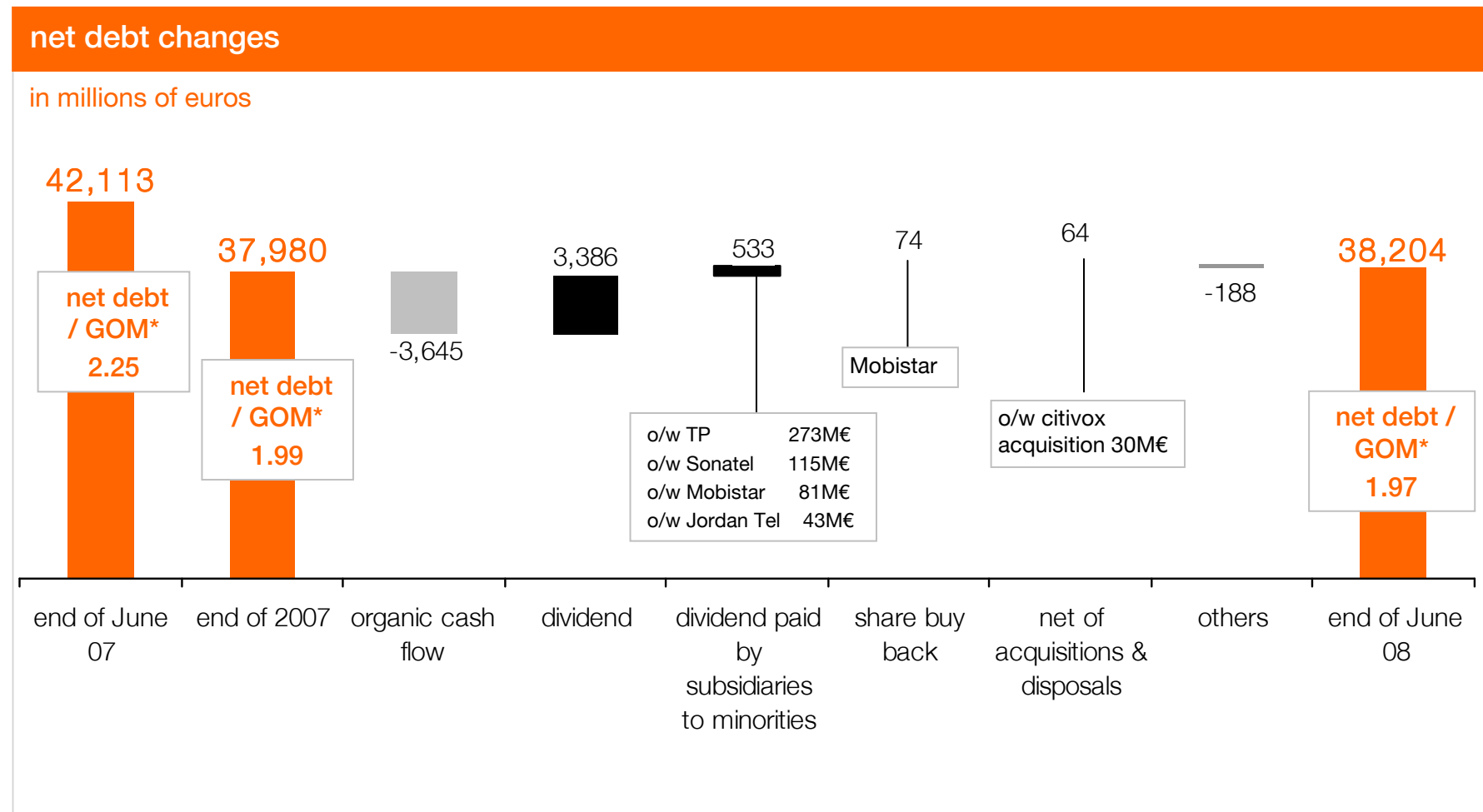
agenda

1 strong 9m08 results fully on track with full year objectives

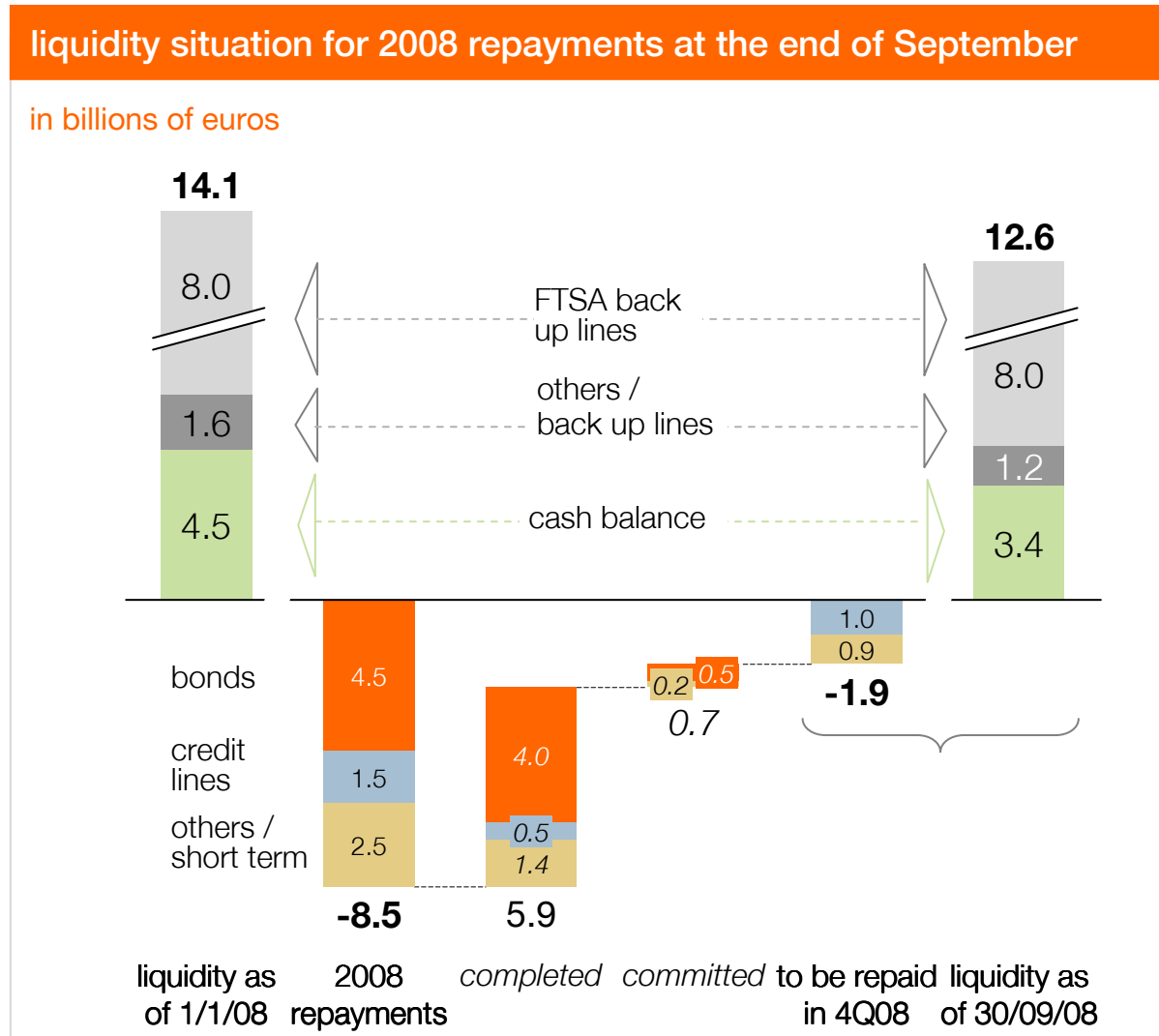
2 in a challenging economic environment, FT is structurally advantaged

3 debt profile

1H08 net financial debt decrease yoy: net debt/GOM ratio drop from 2.25 to 1.97



debt management: France Telecom has a strong liquidity position

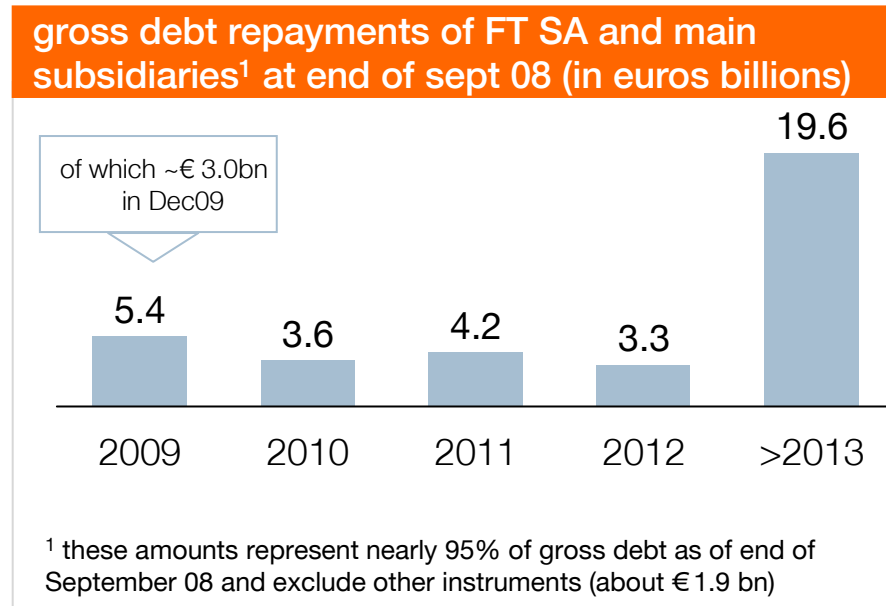


insight

- strong liquidity position as of end of sept 08: €12.6bn
 - €8bn of back-up line on FT SA with no material adverse change clauses maturing in 2012
- debt refinancing mostly **completed** in 1H08 with attractive conditions
- €0.7bn of additional bank commitments
- €1.9bn still **to do** with available cash or recurrent refinancing (securitization & credit lines renewal)

sound financial structure

next years repayments at a reasonable level compared to our cash flow generation

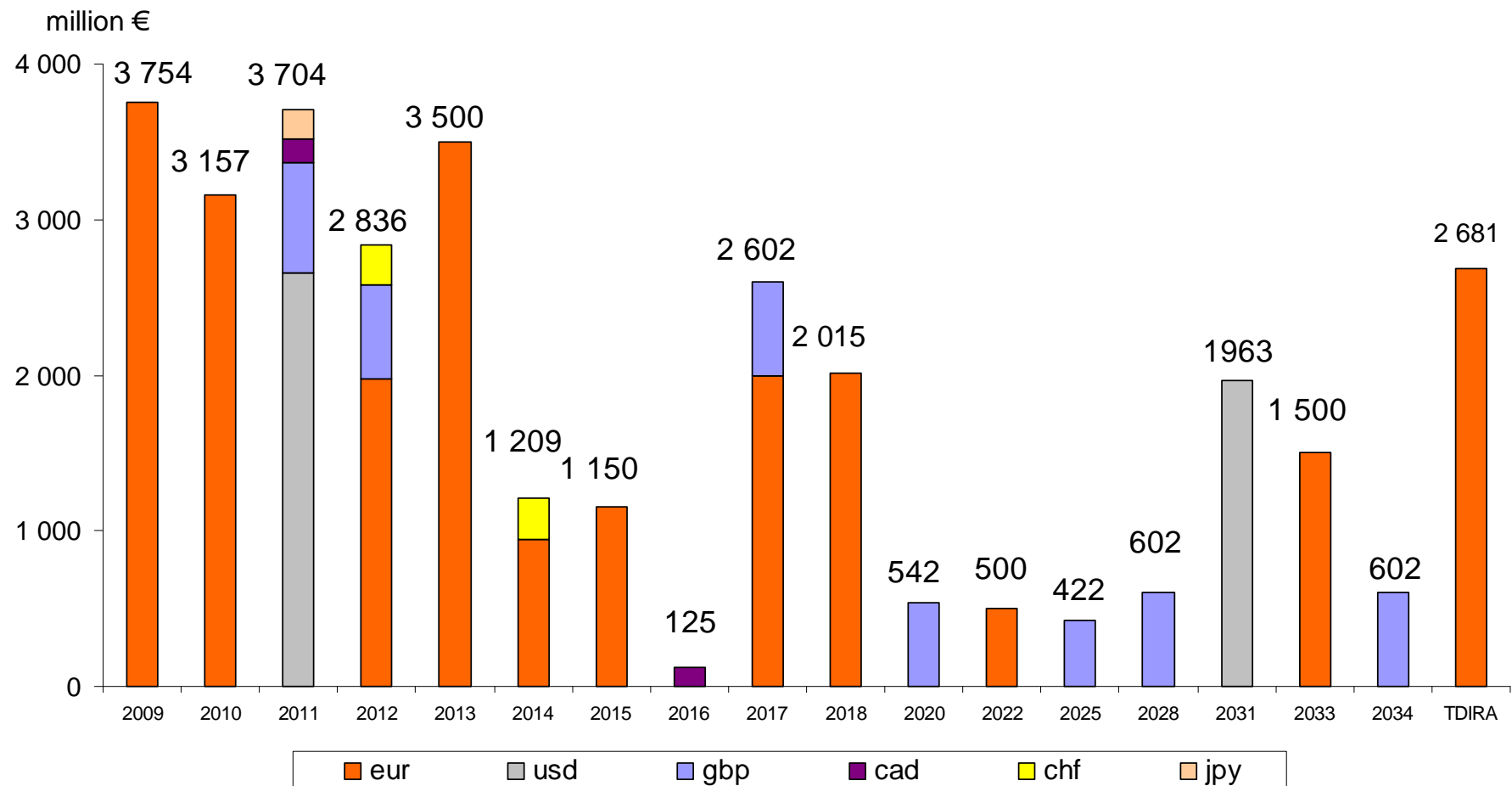


following interim dividend payment in 3Q08, net debt as of end of sept. 08 is stable vs end of June

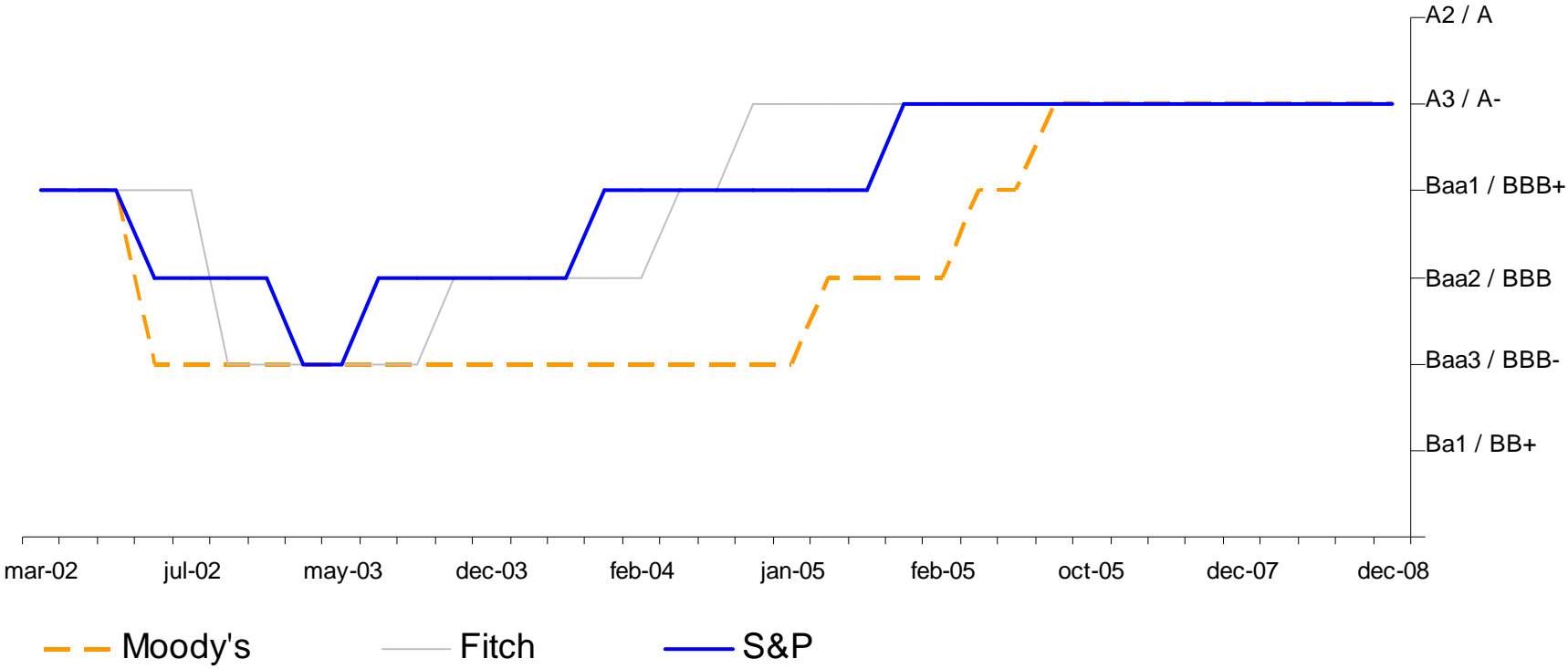
gross debt structure as of end of September 08

Moody's/S&P rating	A3/A-
% of debt with a fixed rate	95%
% of debt in €	80%
average maturity	7.1 years
average cost of debt for 9m08	6.5%

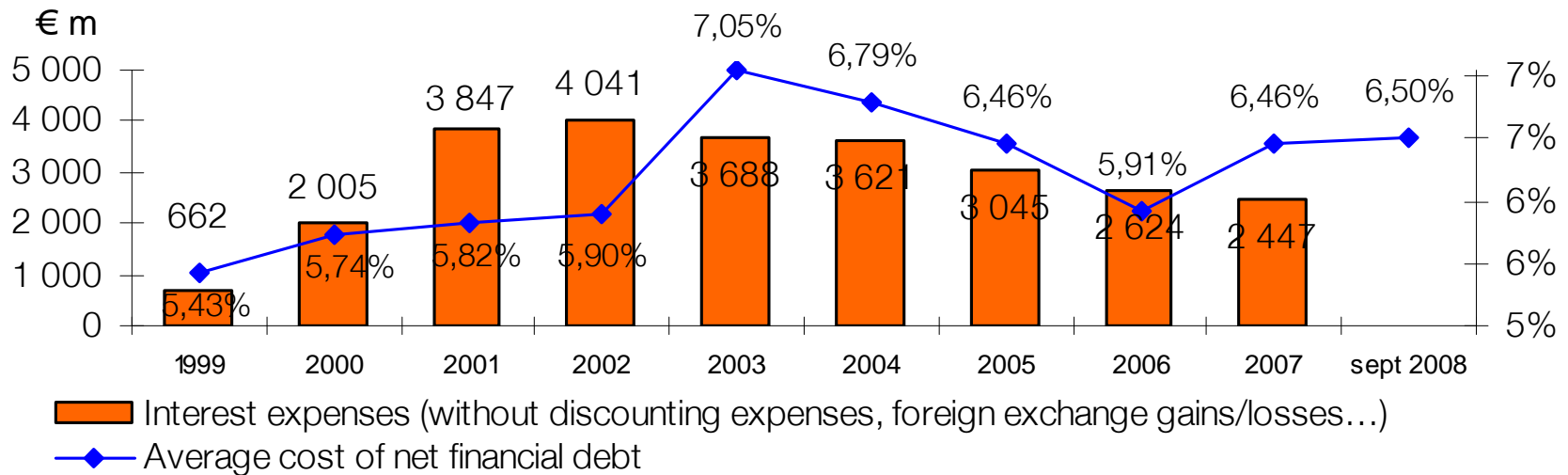
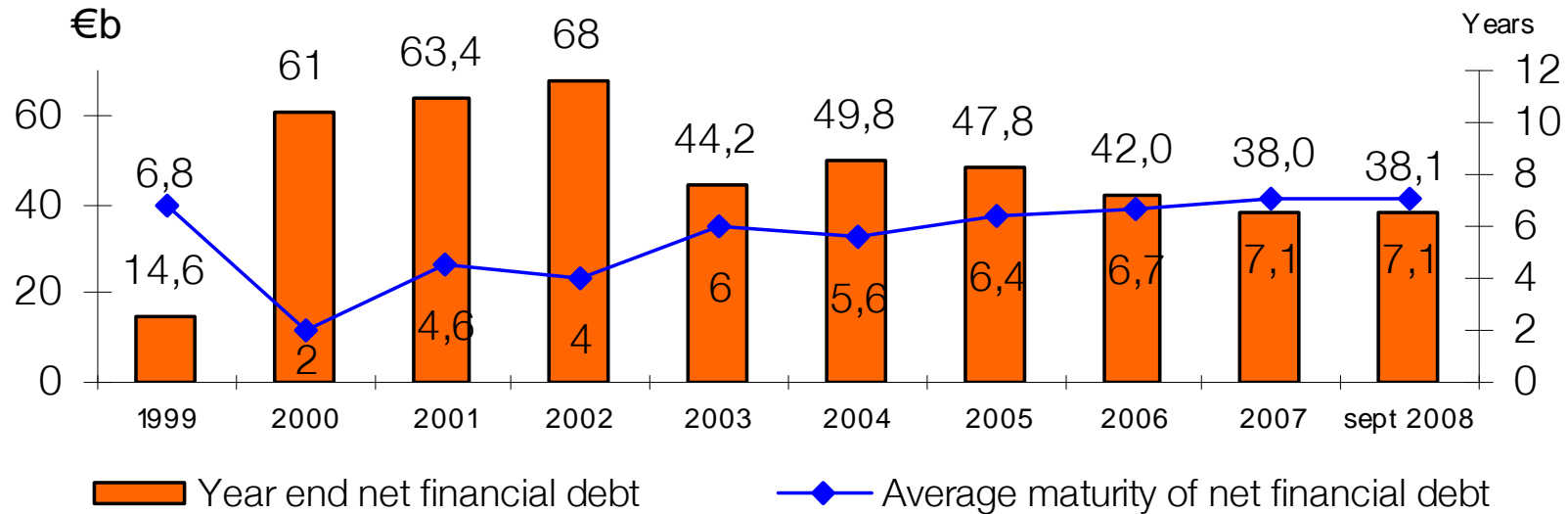
France Telecom SA Bond Debt Distribution as of 11-30-2008



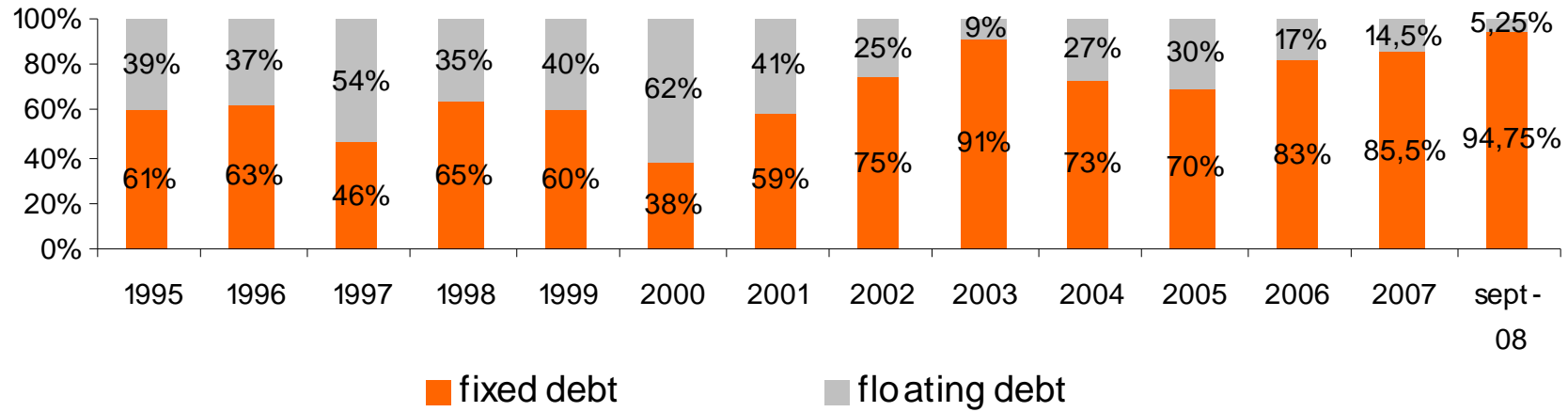
S&P, Moody's and Fitch Ratings



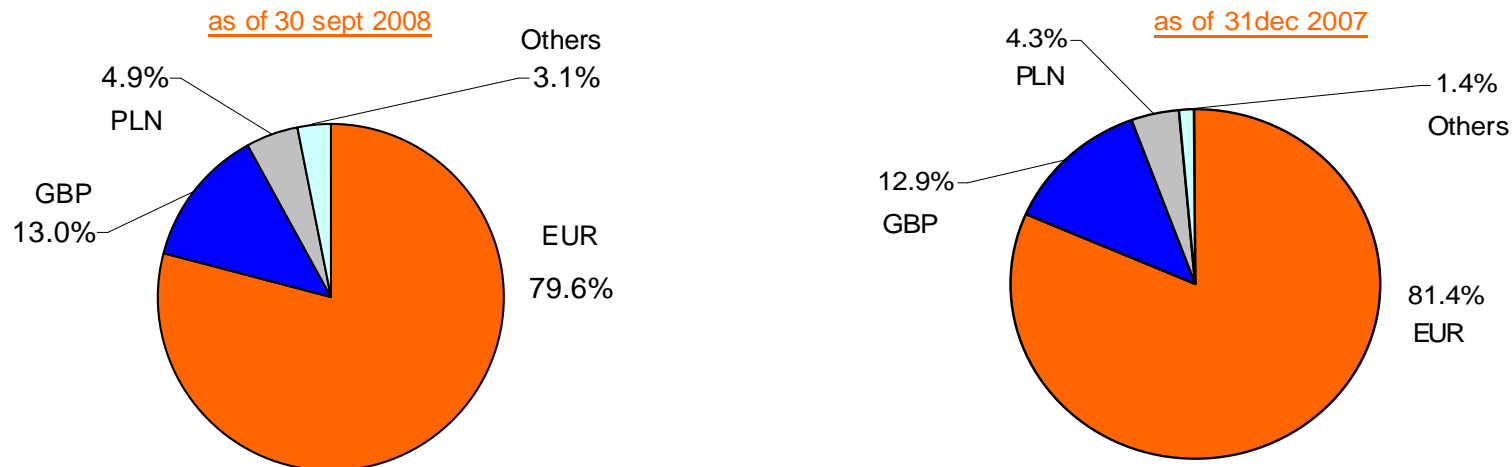
Net Financial Debt Evolution



Net Financial Debt Allocation: Fixed - Floating - by Currency (after derivatives)



Majority of Outstanding Debt is Euro Denominated (after swaps)



2008 Funding - 4.15 Billion € raised including :

➤ Bond re-opening in April :

- EUR 225 million tap of the 4.750% notes due 21 February 2012
- EUR 150 million tap of the 3.625% notes due 14 October 2015
- EUR 400 million tap of the 4.750% notes due 21 February 2017

➤ Benchmark in May :

- EUR 750 million 5.250% notes due 22 May 2014
- EUR 1 250 million 5.625% notes due 22 May 2018

➤ Inflation-linked bond in August :

- EUR 350 million 3.000% inflation-linked notes due 25 July 2018

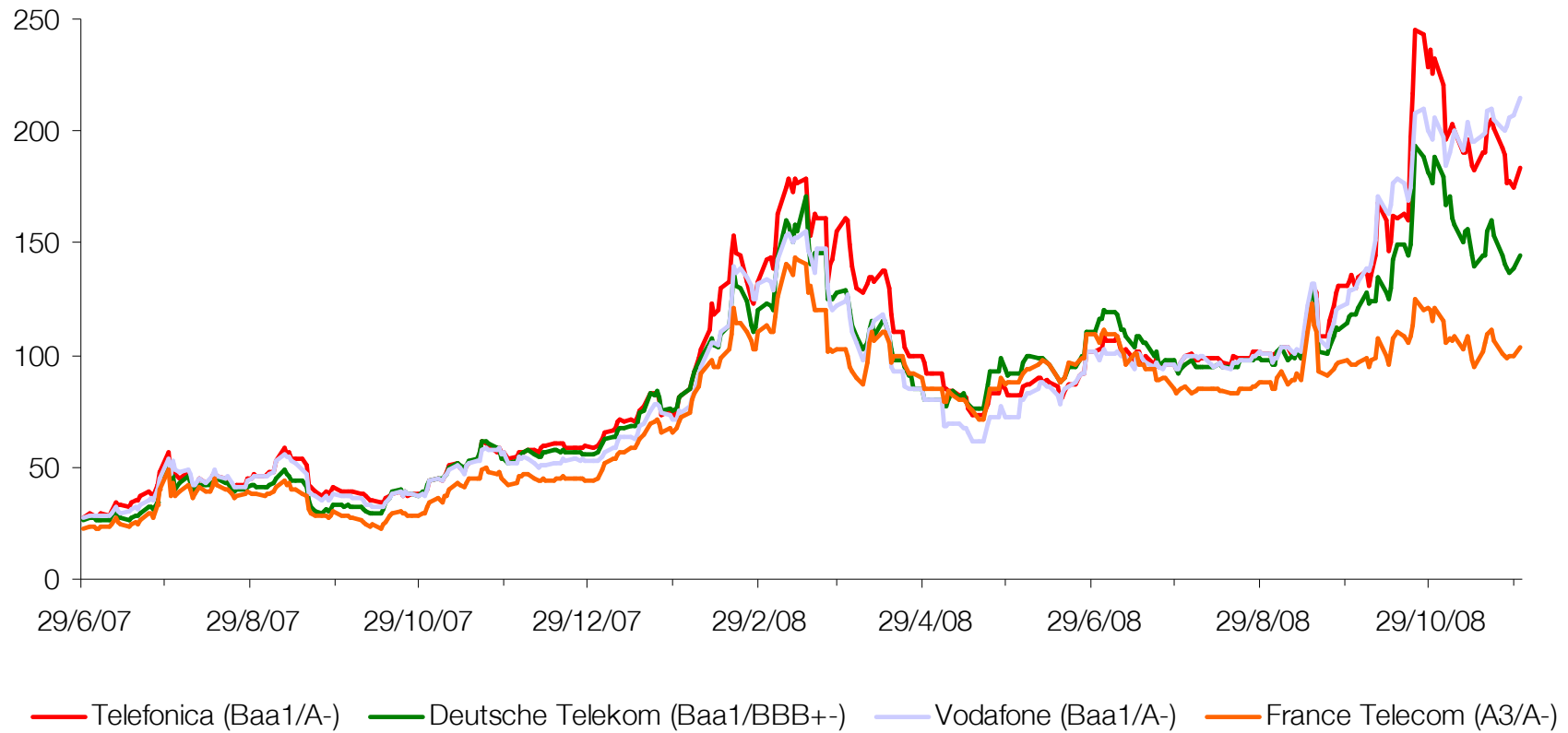
➤ Bond re-opening in November :

- EUR 300 million tap of the 5.625% notes due 22 May 2018
- EUR 115 million tap of the 3.000% inflation-linked notes due 25 July 2018

➤ Benchmark in November :

- GBP 500 million 8.125% notes due 20 November 2028

5yr CDS Evolution of main European Telecom Companies



Source: Markit

glossary

- **CAPEX:** capital expenditures on tangible and intangible assets excluding telecommunication licenses and excluding investments financed through finance leases
- **GOM:** Gross Operating Margin. Revenues less external purchases, other operating expenses (net of other operating income) and labor expenses (wages and employee benefit expenses). The labor expenses (wages and employee benefit expenses) presented in the GOM do not include employee profit-sharing or share-based compensation.
- **Net financial debt:** 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). The Group has set up derivatives that are eligible for cash flow hedge and net investment hedge accounting. The underlying items hedged by these derivatives (future cash flows, net investment) are not included in the calculation of net financial debt, whereas, their market value is included in the calculation. The lines "effective portion of cash flow hedges" and "unrealized portion of net investment hedges" are added to net financial debt in order to offset this temporary timing difference.
- **Organic cash flow:** net cash provided by operating activities, minus purchases of property, plant and equipment and intangible assets (net of the change in amounts due to fixed asset suppliers) plus proceeds from sales of property, plant and equipment and intangible assets.