

France Telecom

Roadshow Japan

October 2008



cautionary statement

- this presentation contains forward-looking statements about France Telecom's business, in particular for 2008. 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 telecom markets, the effectiveness of the integrated operator strategy including the success and market acceptance of the "NExT" plan, 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 to update forward-looking statements.

France Telecom Team :

Jean-Michel Thibaud : Group Treasurer


Hervé Labbe: Head of Dealing Room

Charlotte Labroue: Investor Relation

introduction: group positioning



a transformed leader with strong momentum

	from 2004...	...to 2007	
revenues	<ul style="list-style-type: none"> ▪ EUR 47.2 bn 	<ul style="list-style-type: none"> ▪ EUR 52.9 bn 	more international
subscribers outside France	<ul style="list-style-type: none"> ▪ 63 million 	<ul style="list-style-type: none"> ▪ > 100 million 	
number of countries of presence, consumer	<ul style="list-style-type: none"> ▪ 19 countries 	<ul style="list-style-type: none"> ▪ 28 countries 	
subscribers with Orange brand	<ul style="list-style-type: none"> ▪ 48 million 	<ul style="list-style-type: none"> ▪ 115 million 	more unified
global products	<ul style="list-style-type: none"> ▪ not relevant 	<ul style="list-style-type: none"> ▪ >100 	
 livebox** deployed	<ul style="list-style-type: none"> ▪ 264,000 	<ul style="list-style-type: none"> ▪ > 6,000,000 	more customer centric / convergent
unique visitors to Orange portals*	<ul style="list-style-type: none"> ▪ 19 million/month 	<ul style="list-style-type: none"> ▪ 31 million/month 	

* France, UK, Spain / ** home gateway
Source : Nielsen, August 2007

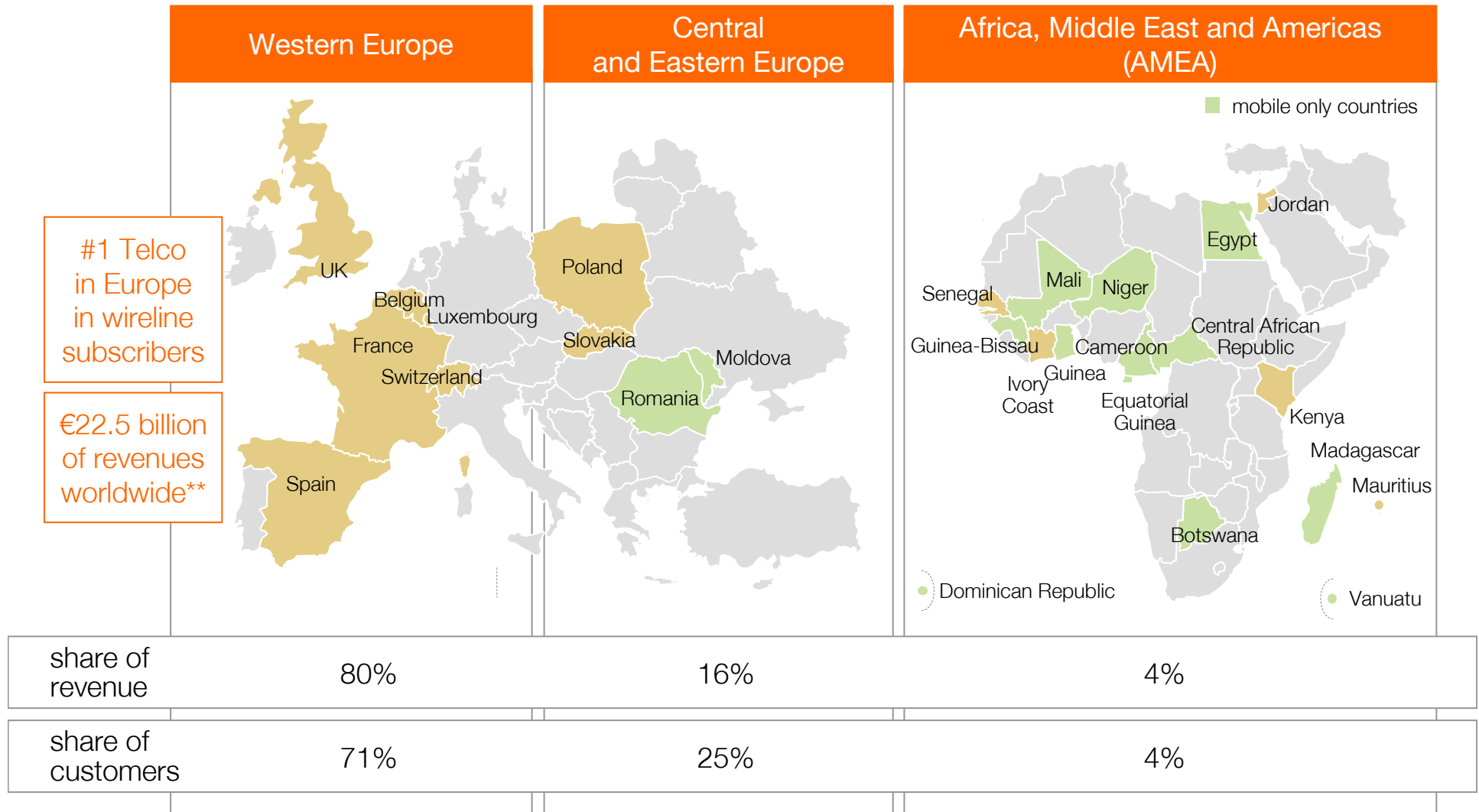
guidance over-achieved in 2007

	2006			2007		
commitment	target	achievement		target	achievement	
GOM rate	-1/-2 pts	-1.4 pt vs 2005 GOM rate*		upgraded from "near stabilization" to "stabilization"	+0.2 pt vs 2006 GOM rate*	
CAPEX to sales ratio	around 13%	13%		around 13%	13.2%	
organic cash flow	€6.8bn**	€6.9bn**		upgraded from €6.8bn to €7.5bn	€7.8bn	
net debt / GOM	<2 in 2008	2.27		<2 in 2008	1.99	

* comparable basis: see glossary

** excl. PagesJaunes disposal

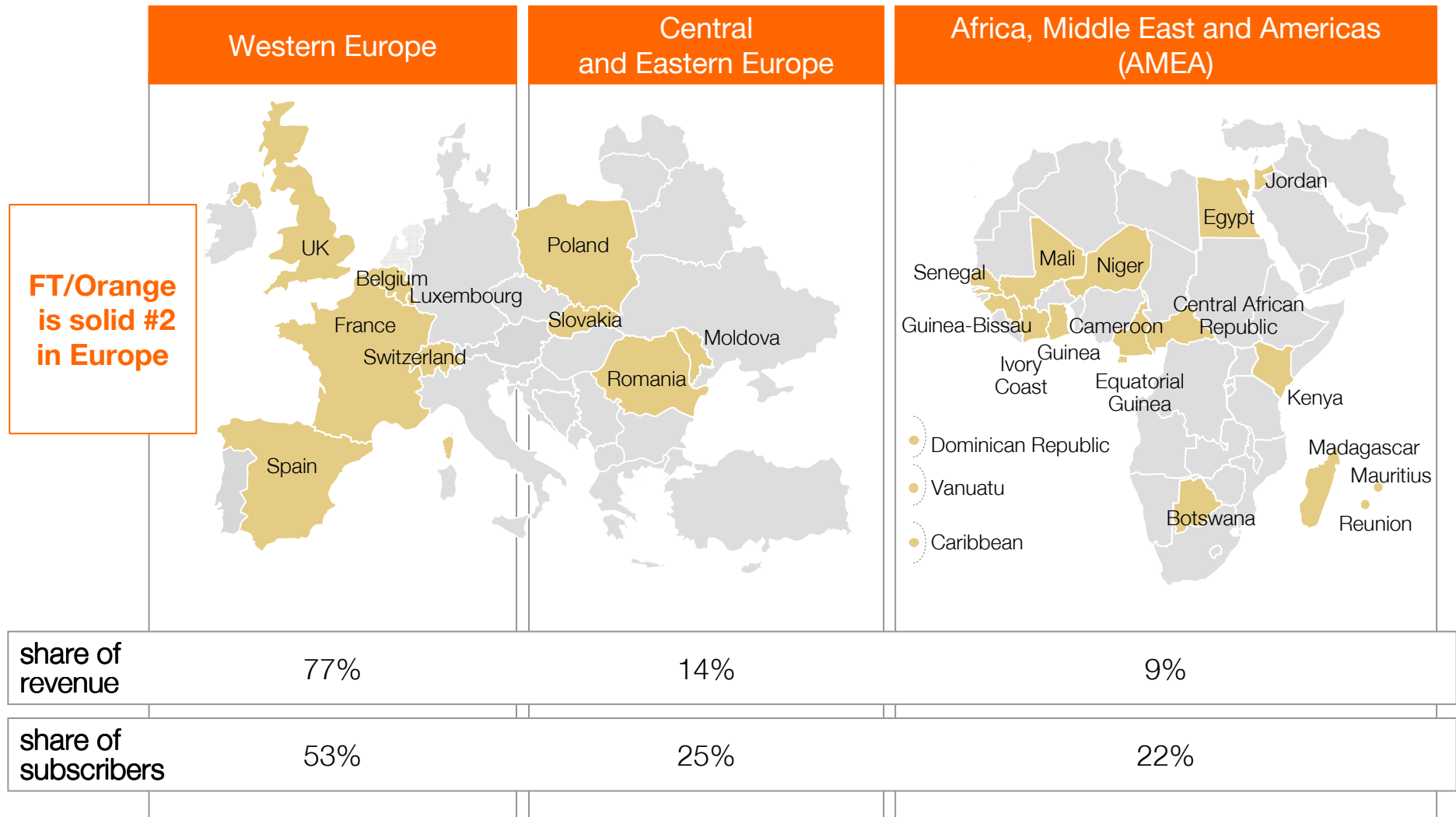
home serves 37 million retail customers in 13 countries* in 2007



* mobile only countries excluded, consumer market only

** as of December 31, 2006; €16.8 billion as of September 30, 2007 (9 months)

mobile presence in 28 countries with 110 million customers in 2007

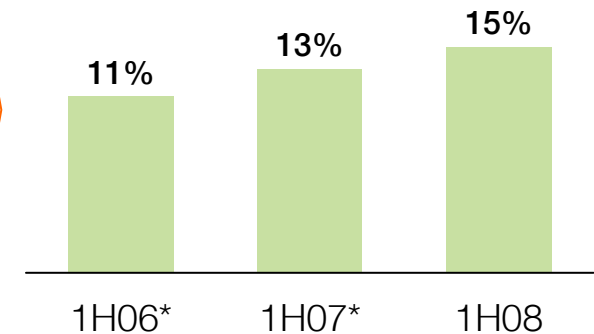


growth momentum sustained by the strategy implemented since 2005

geographical diversification

- presence in 30 countries with a growing share of emerging countries
 - recent acquisition of license in Guinea, Guinea-Bissau, Niger and an operator in Kenya
 - balanced presence between mature and emerging countries

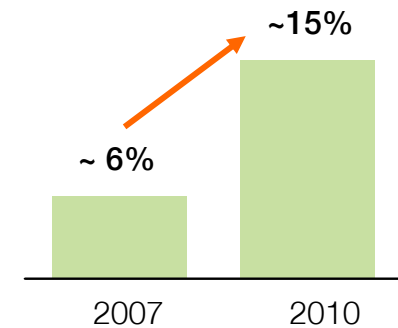
emerging countries contribution in Group revenues



activity diversification

- FT: an internet and convergent services provider
- new sources of revenues :
 - content services
 - audience and advertising
 - health

growth initiatives share in Group revenues



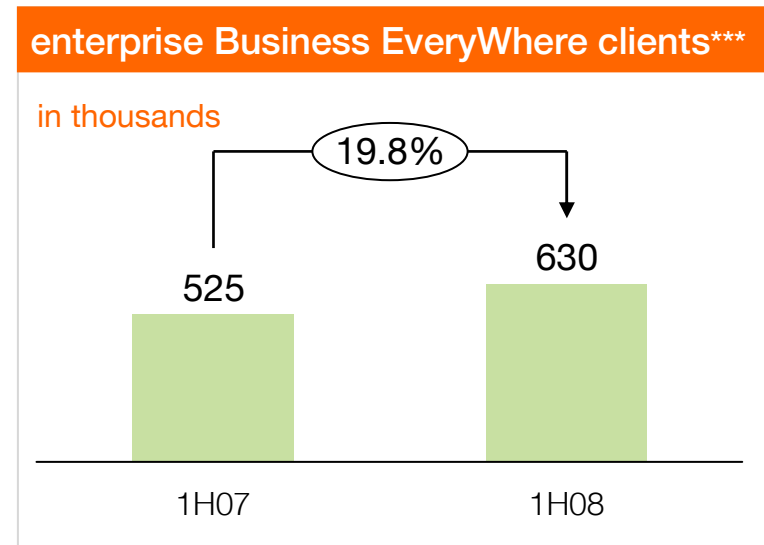
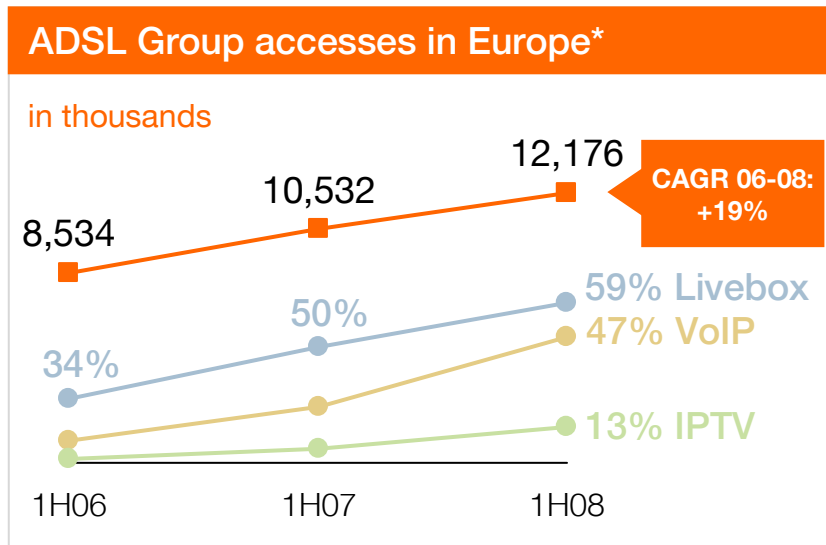
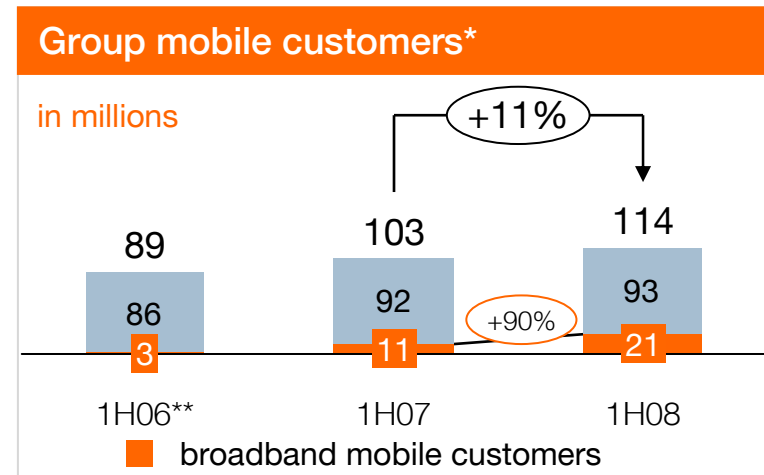
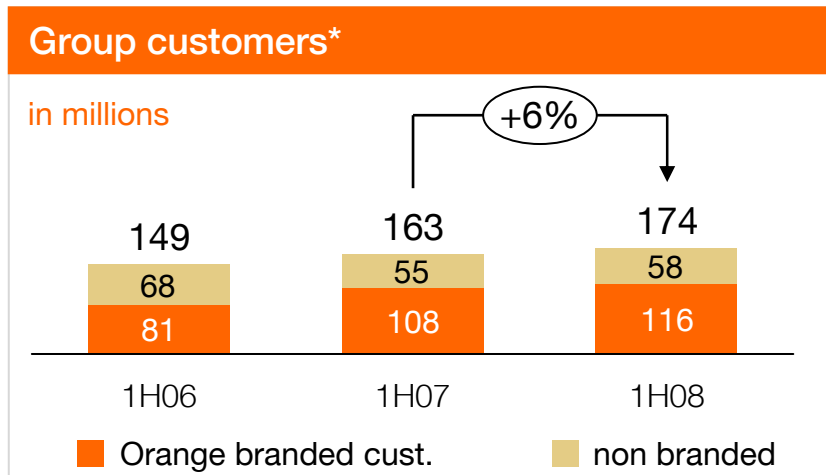
1H08 highlights : on track to
achieve full year guidance

1H08 results on track to achieve full year guidance

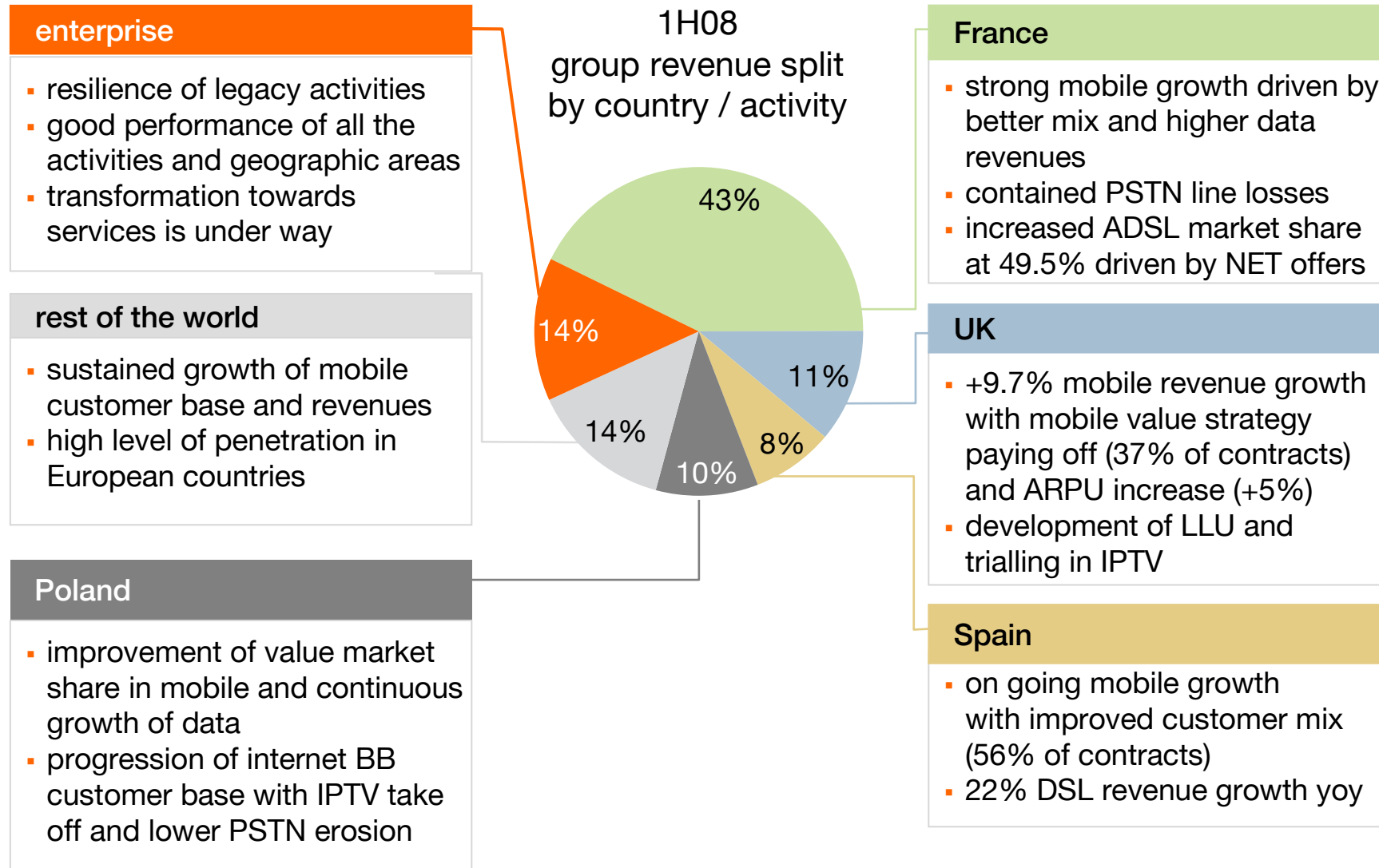
revenues	<ul style="list-style-type: none">▪ strong performance in 1H08 at 3.9%<ul style="list-style-type: none">– +4.1% in 2Q08 after +3.7% in 1Q08– mature countries performance (+2.5%)– emerging countries maintained a sustained growth (+11.2%)
GOM	<ul style="list-style-type: none">▪ GOM growth (+4.7%)<ul style="list-style-type: none">– thanks to revenue growth and opex control– +0.3pt for the GOM rate to 36.8% in 1H08
organic cash flow	<ul style="list-style-type: none">▪ growth of 11.8% to € 3.6 Bn▪ GOM increase and positive contribution of working capital
net debt	<ul style="list-style-type: none">▪ stable in the first half at 38 Bn€▪ net debt to GOM ratio at 1.97

1H08 key KPIs

continued customer base growth, particularly in mobile and fixed broadband



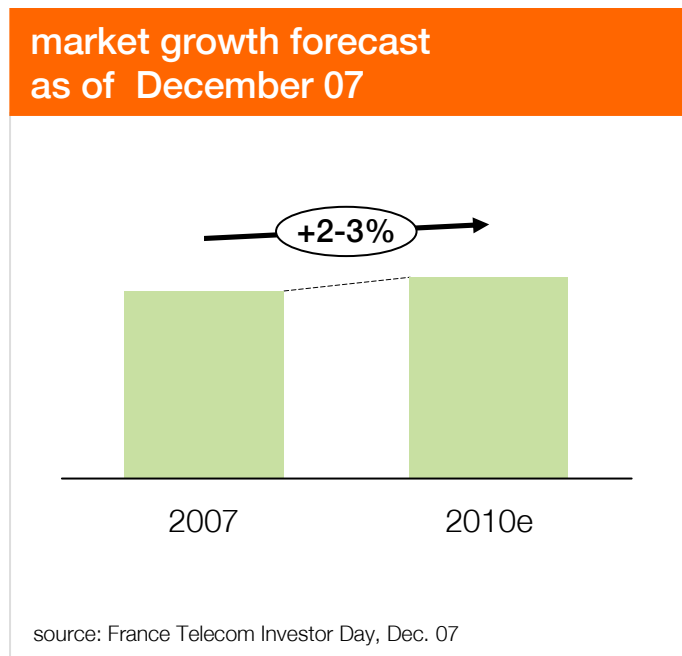
all activities posted revenue growth in 1H08



outlook

2008 outlook

Group FY08 revenue trend should remain above average market growth in spite of expected market growth slowdown in some countries

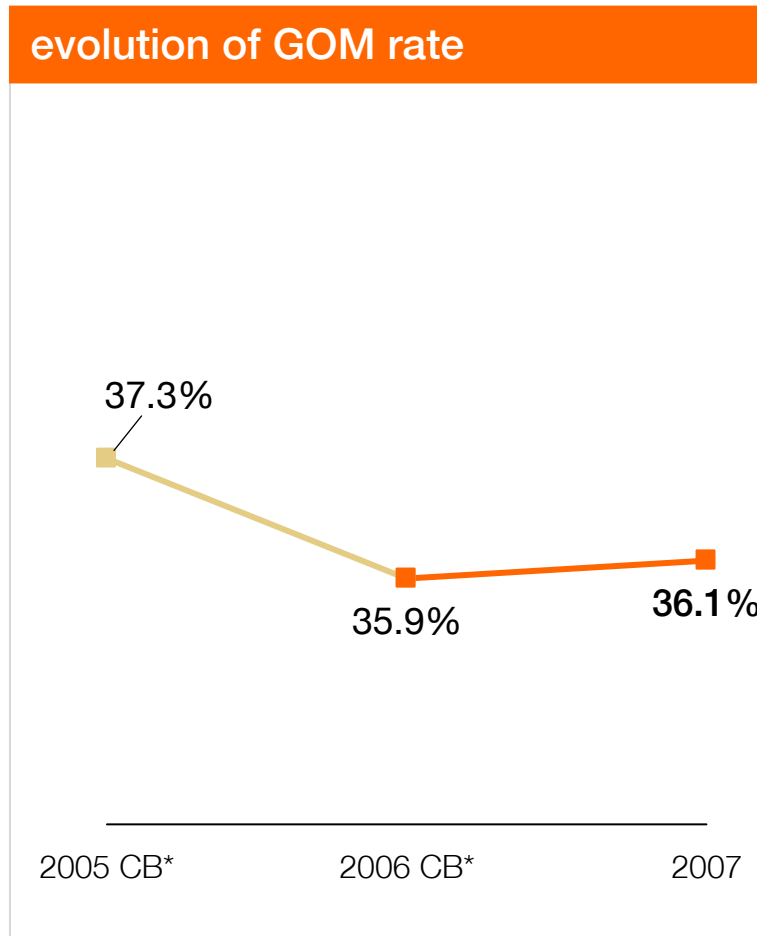


main 2nd half business trends

- France: resilience of activities in a lower growth context
- UK: performance closer to market trend
- Poland: revenue guidance revised from ~ -1% to nearly flat
- Spain: level of improvement subject to overall economy evolution
- emerging countries: trend unchanged vs 1H08

2008 outlook

guidance on GOM stabilization is unchanged



GOM rate stability for FY 2008 vs 2007 CB*

- free hotline regulation impact (Chatel law**) for both retail and enterprise activities in France
- keep room of manoeuvre in commercial costs to face increasing competition on mobile markets
- iPhone 3G customer investment and accounting of content rights purchased in 1H08 in France
- continued control on labour and non labour costs

•comparable basis, see appendix 4

** Chatel law in France enforced free of charge waiting time for hotlines

full year 2008 guidance is confirmed

**GOM
rate**

- **stability**

**CAPEX
to sales**

- **around 13%**

**organic
cash flow**

- **higher than € 7.8 bn**

M&A policy

M&A policy for non transformational deals

- reinforce footprint on emerging markets
- strengthen when appropriate activities in Western Europe
- acquire complementary competencies in some key businesses



M&A criteria for transformational opportunities

strategic criteria

- positive contribution to growth
- reinforced exposure to emerging markets
- strengthened positions in new products and services
- compatibility of business models and/or strategic alignment

financial criteria

- synergy potential / ability to implement
- consistency with financial criteria set for the group:
 - leverage: maintain 2.0x medium-term net debt to GOM ratio
 - shareholder value creation
 - maintain current dividend distribution policy

dividend policy unchanged

the Board has decided to distribute an ordinary interim dividend of €0.6 per share

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

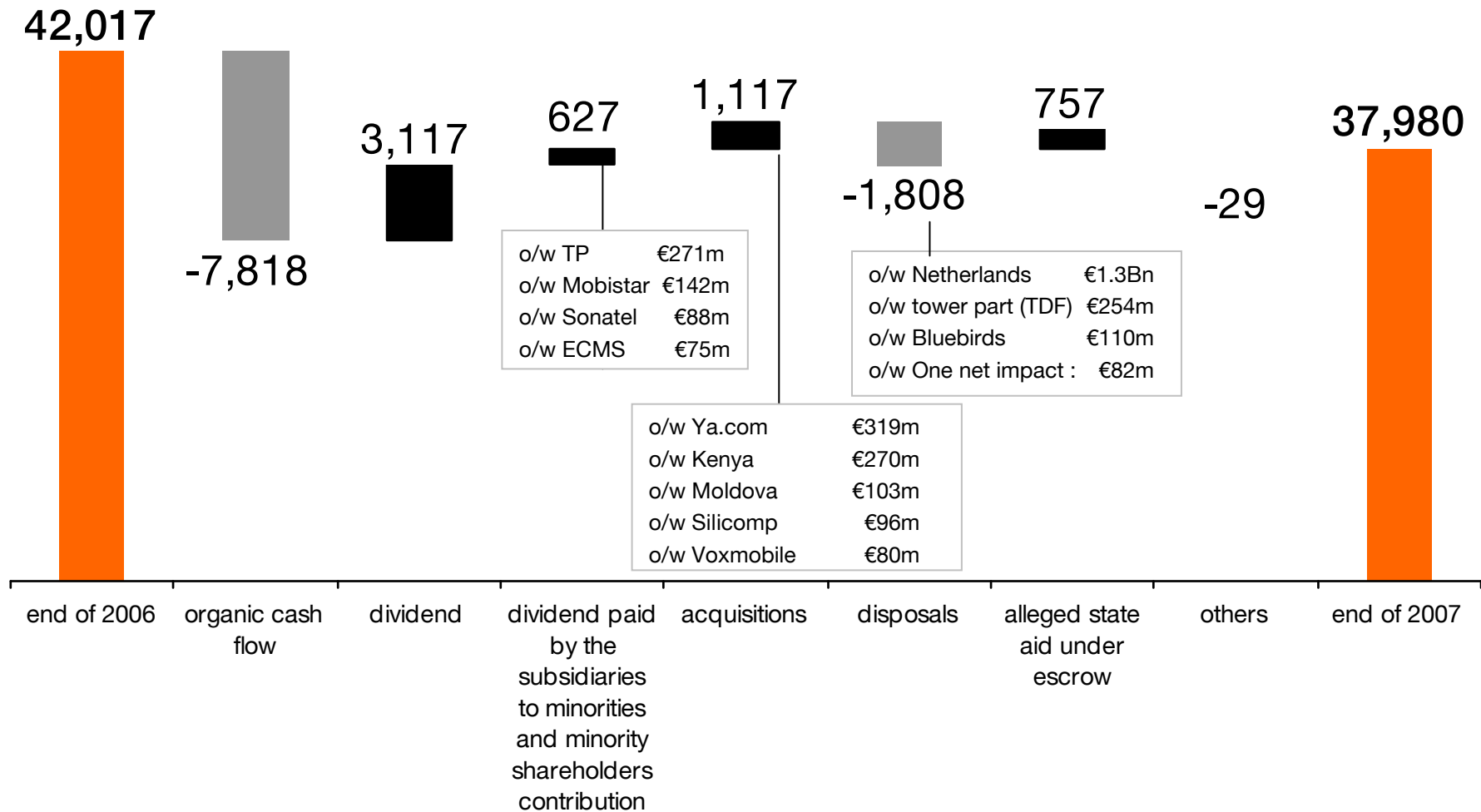
→ additional remuneration to be examined in Feb 09

- decision to distribute €0.6 per share of interim ordinary dividend to be paid as of September 11, 2008*
- FY08 ordinary dividend indication confirmed to be above €1.3/share to be decided in Feb 09

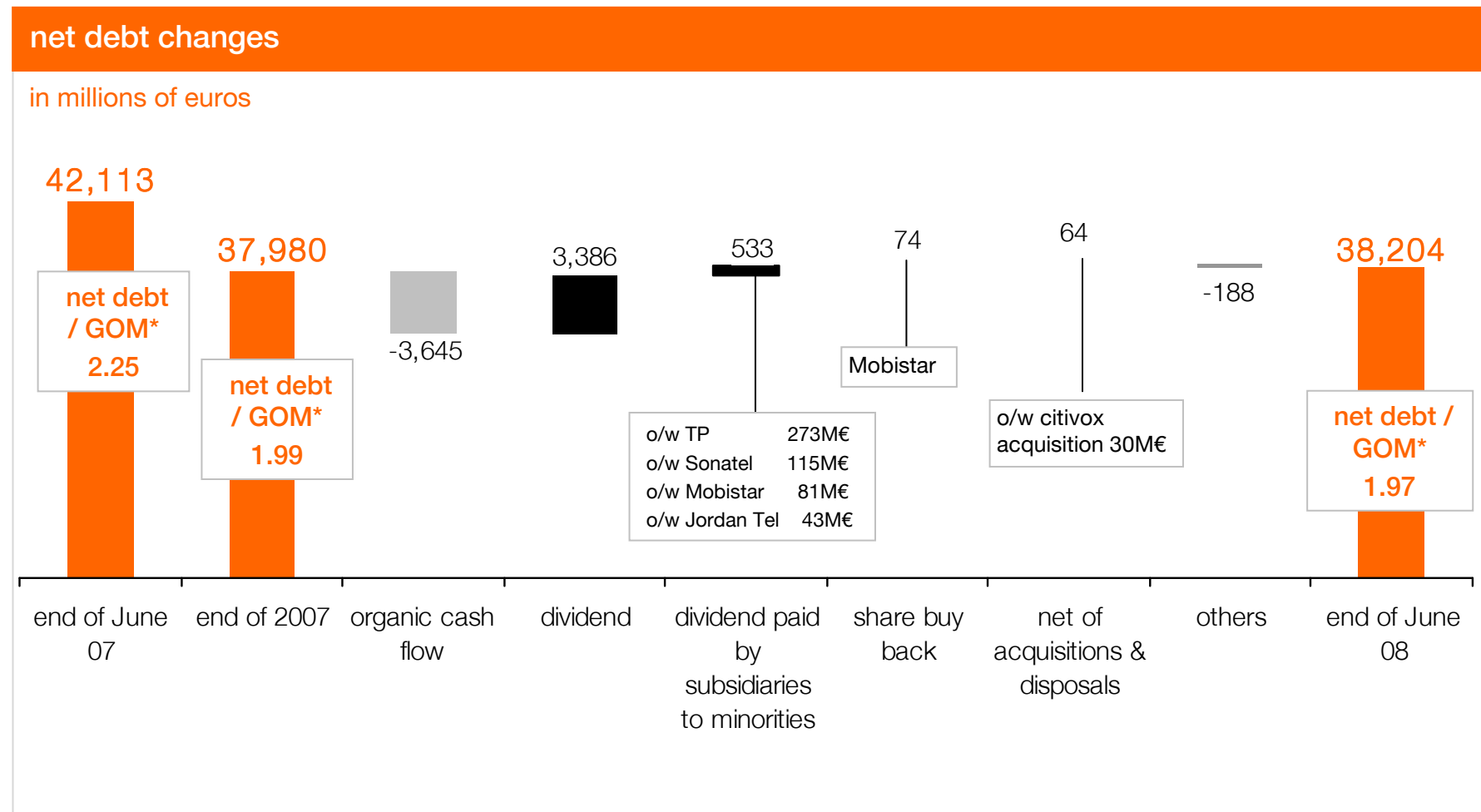
debt profile

net debt: 2008 target achieved in advance thanks to high organic cash flow generation and divestments

net debt changes (in million of euros)



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



financial structure optimization pursued in 1H08

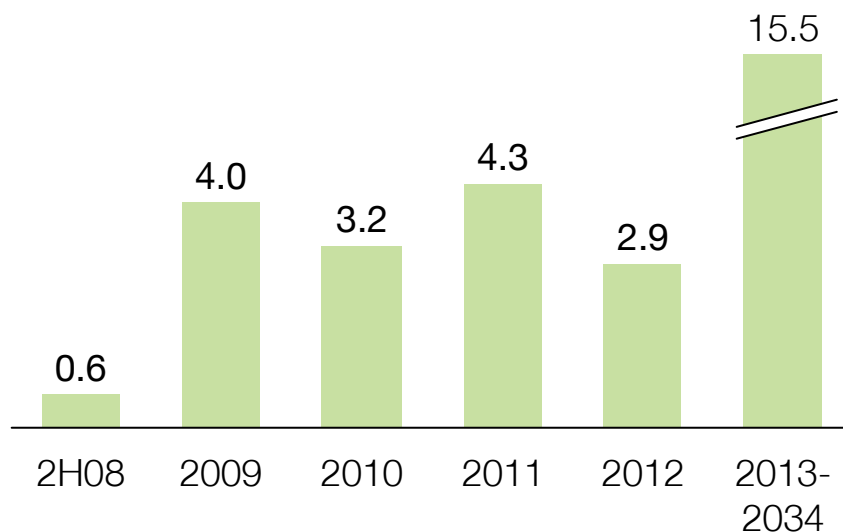
France Telecom keeps attractive financing conditions in a general context of interest rate increase

June 08 net debt	€38.2Bn
June 08 gross debt*	€43.1Bn
% of debt with a fixed rate**	86%
% of debt in €**	78%
average maturity	7.2 years

YE07 S&P rating	A3/A-
1H08 average cost of debt	6.41%
spread***: among the lowest of the sector	

FT SA. bonds repayment schedule as of June 08*

in billions of euros

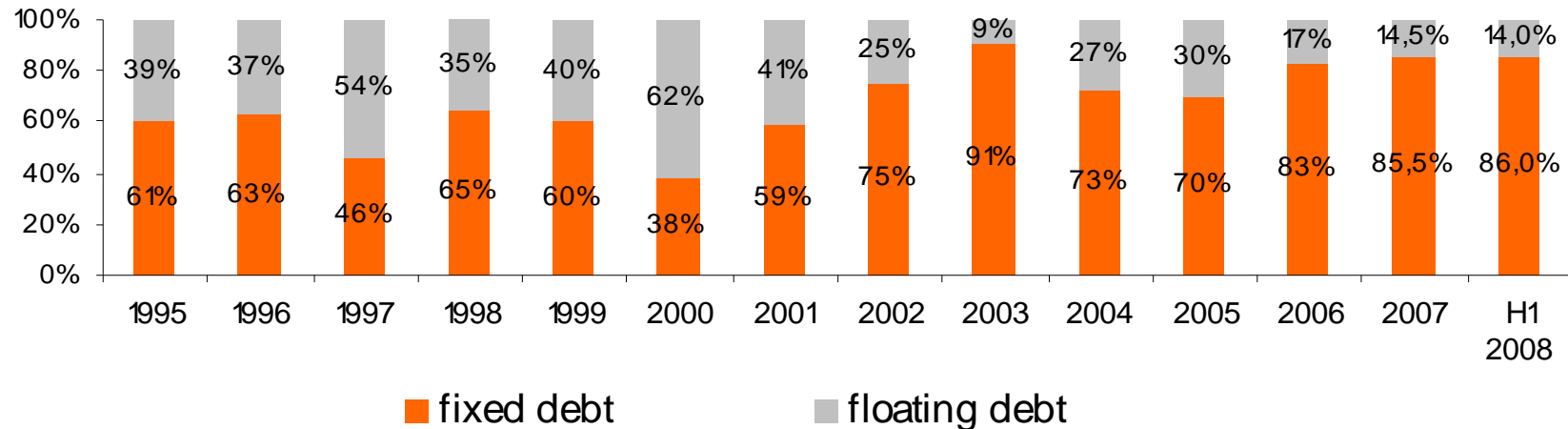


insight

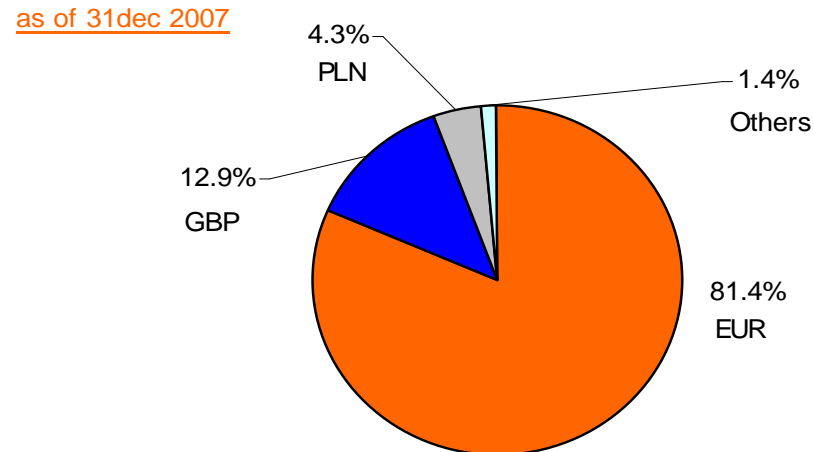
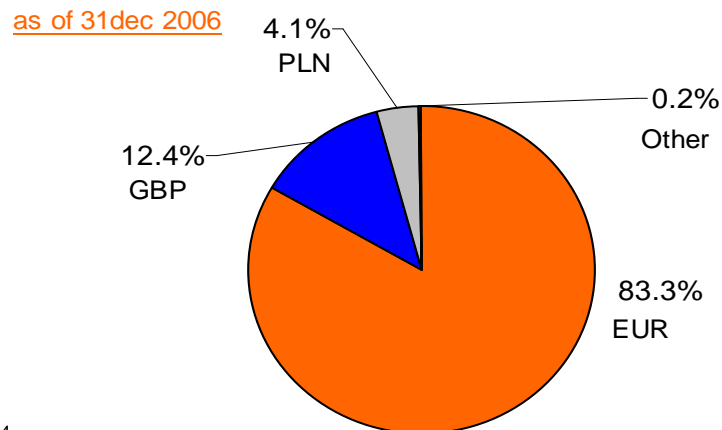
- debt repayment almost fully refinanced for 08 with attractive conditions, below average cost of debt:
- TDIRA buy back of 609M€ in March and July resulting in:
 - financial costs savings
 - 0.7% potential dilution eliminated

* the difference with the gross debt as of June 08 is due to other debt element such as subsidiaries debt, perpetual bonds mandatory redeemable in shares (TDIRA) securitization, leasing, accrued interests, liquidity mechanism and minority put, etc. ** after swap and including accrued interest *** measured by Credit Default Swap

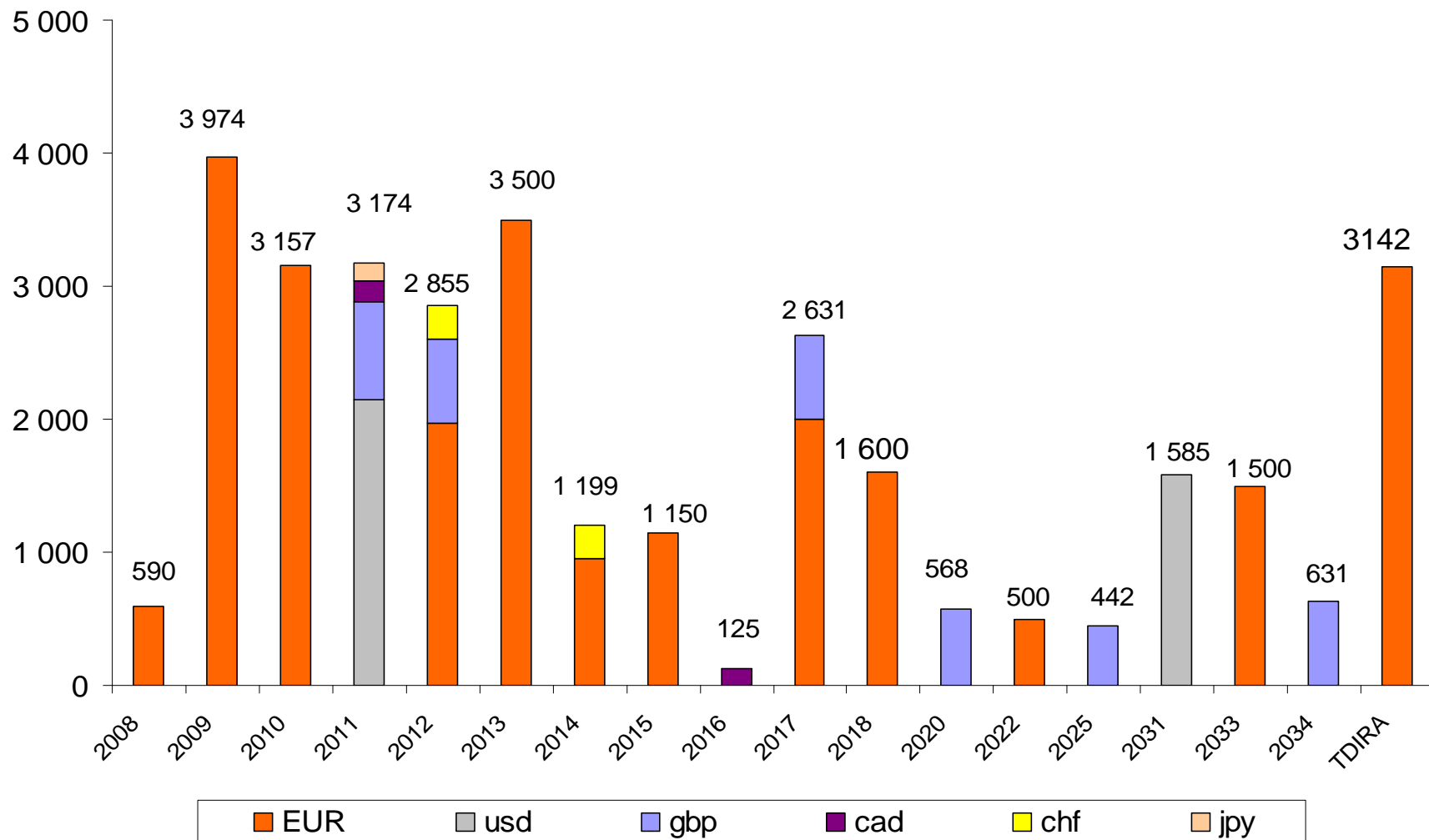
Net Debt Allocation: Fixed - Floating - by Currency (after derivatives)



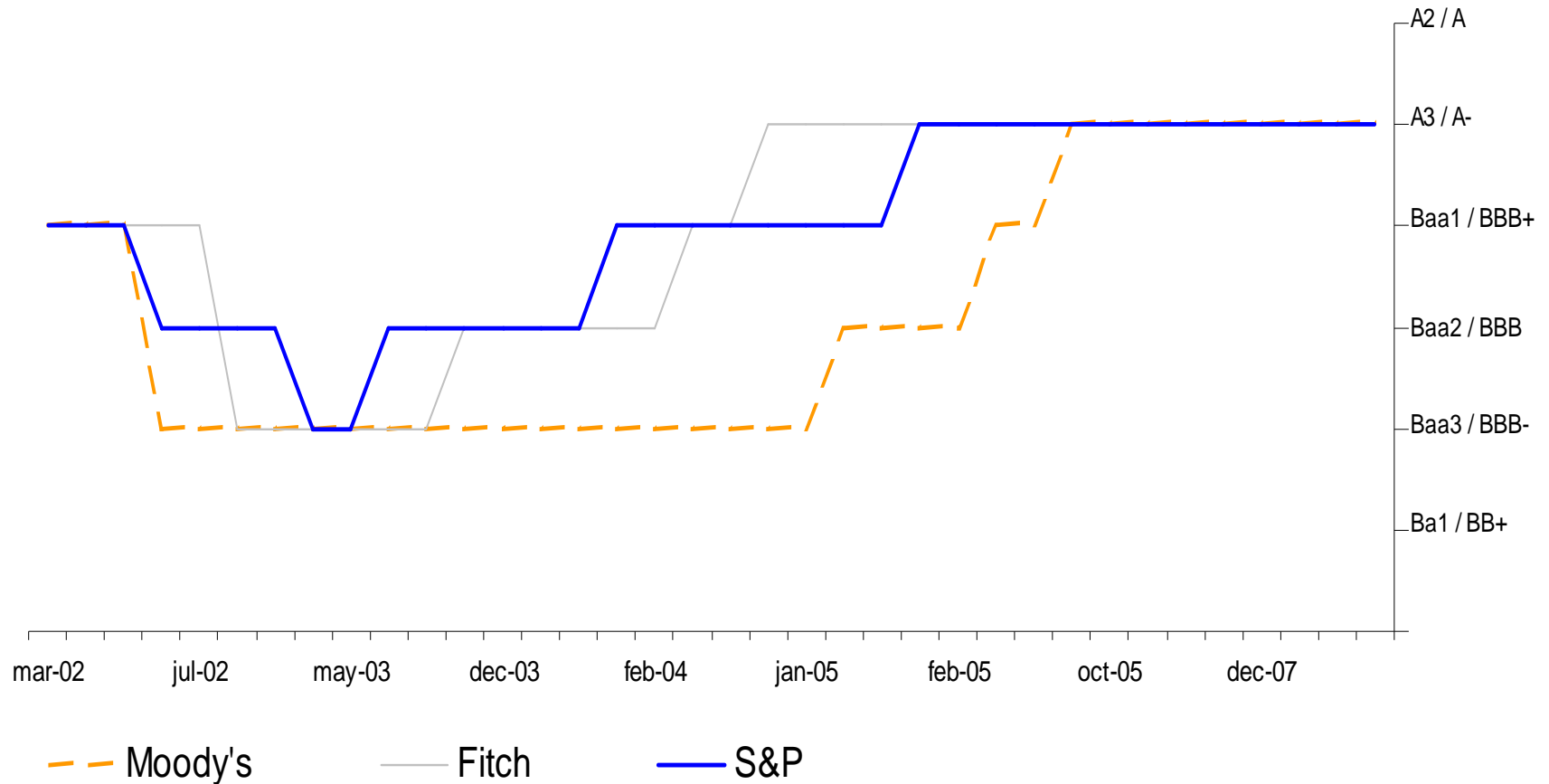
Majority of Outstanding Debt is Euro Denominated (after swaps)



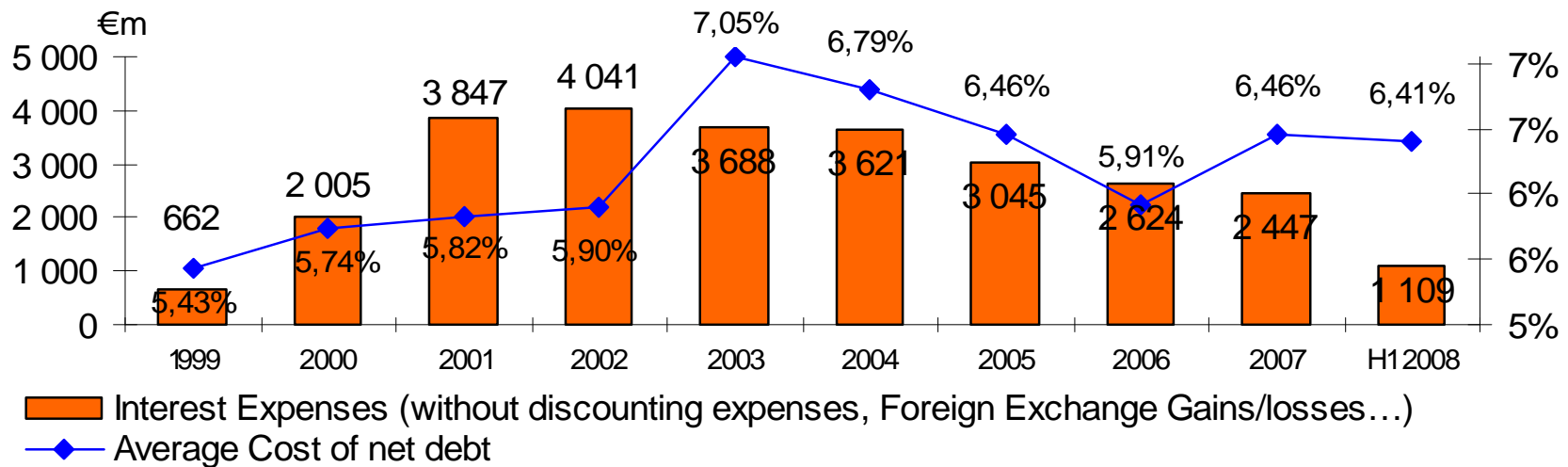
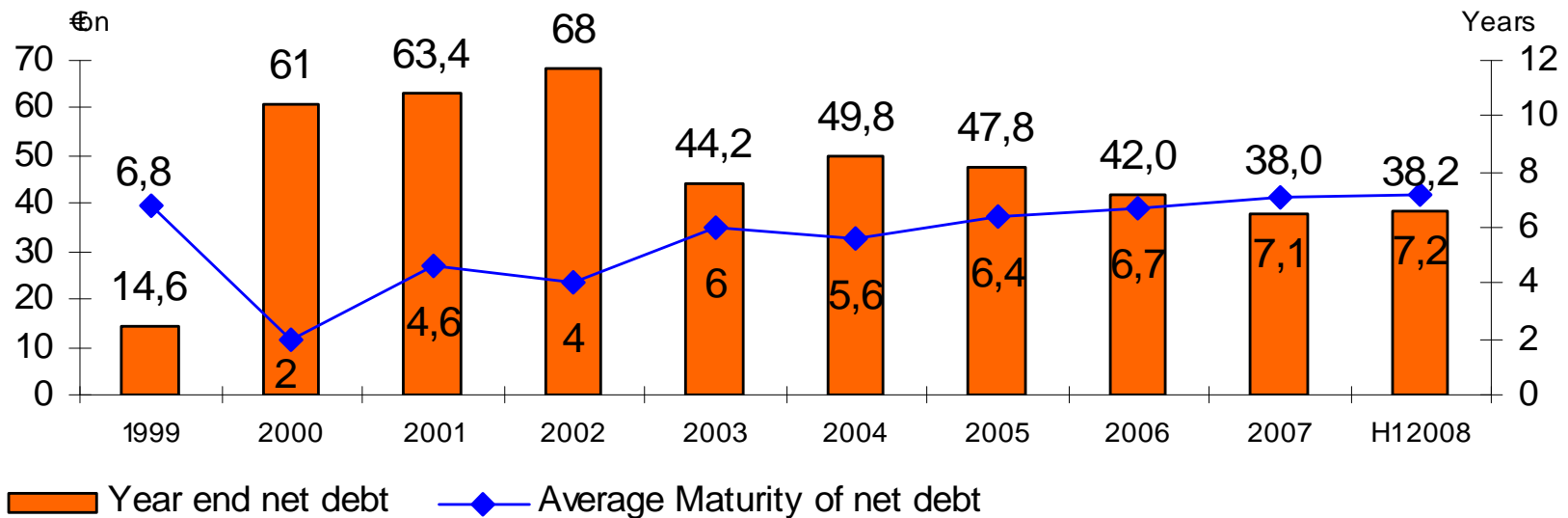
France Telecom SA Bond Debt Distribution as of 30-06-2008 (including inflation-linked bond)



S&P, Moody's and Fitch Ratings



Net Debt Evolution



2008 Funding policy - 3.3 Billion € raised including :

➤ Tap in april :

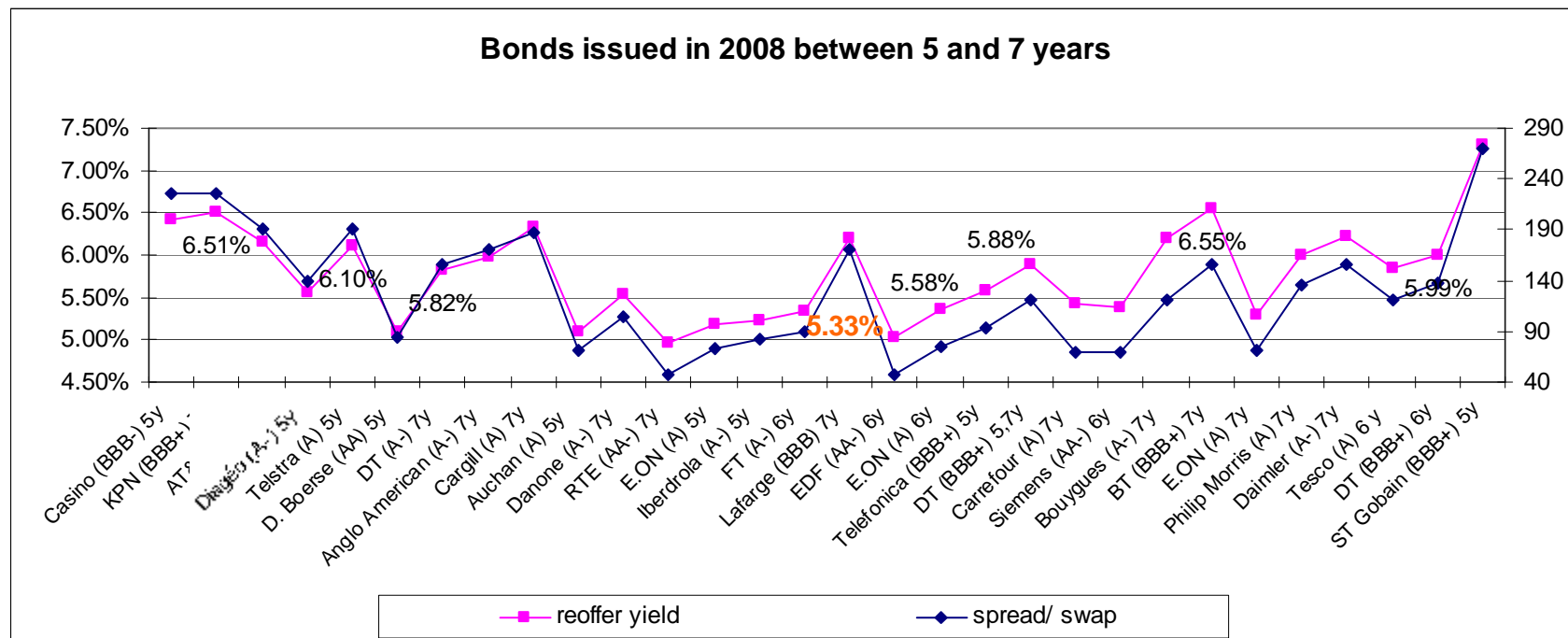
- EUR 225 million, due 21 february 2012 with a 4,75% coupon
- EUR 150 million due 14 october 2015 with a 3,625% coupon
- EUR 400 million due 21 fébruary 2017 with a 4,75% coupon

➤ Benchmark in may :

- EUR 750 millions due 22 may 2014 with a 5,25% coupon (ms +90 bp)
- EUR 1 250 million due 22 may 2018 with a 5,625% coupon (ms +110 bp)

➤ Inflation-linked bond in august :

- EUR 350 millions due 25 july 2018 with a 3%+inflation coupon



5yr CDS Evolution of main European Telecom Companies



appendice: performance in 1H08

2Q08 stronger growth in all segments

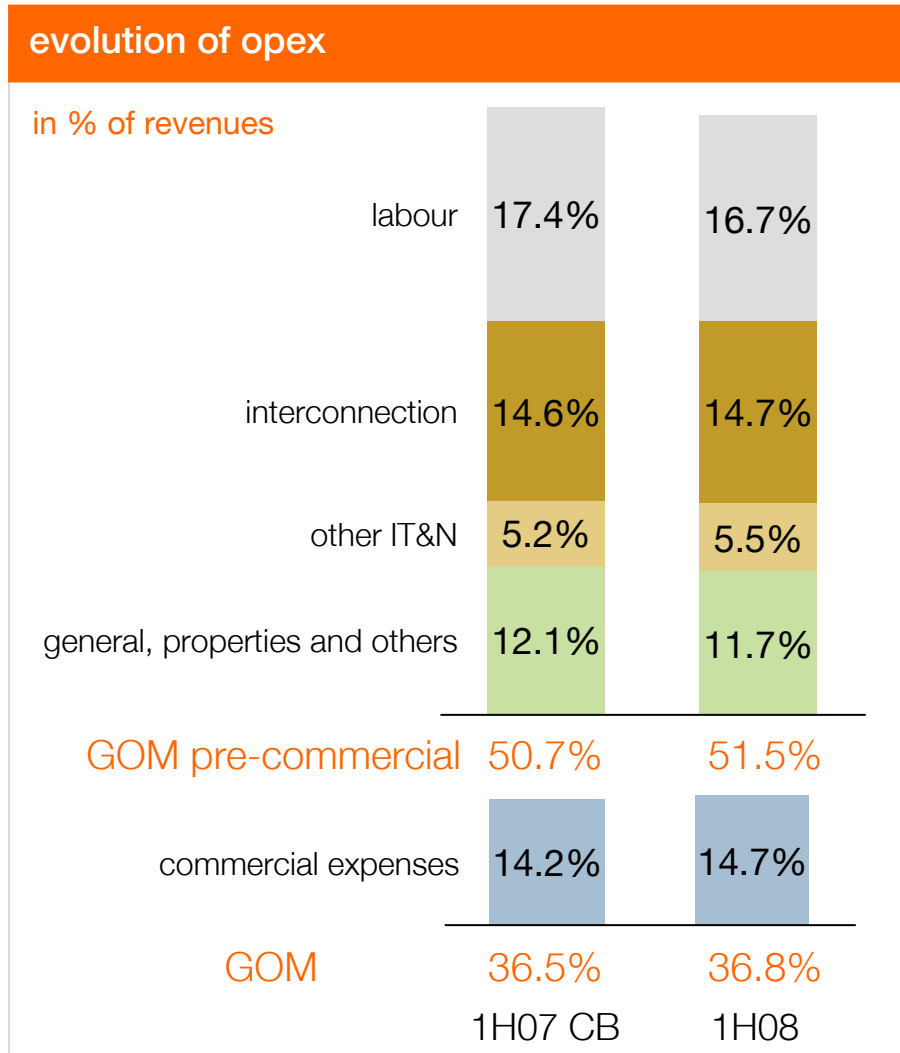
in millions of euros	1Q08	△%*	2Q08	△%*	1H08	△%*
Group revenues	13,027	+3.7%	13,276	+4.1%	26,304	+3.9%
total personal	7,064	+6.8%	7,317	+7.3%	14,381	+7.0%
personal France	2,468	+3.3%	2,594	+6.3%	5,061	+4.8%
personal UK	1,443	+9.5%	1,438	+10.0%	2,881	+9.7%
personal Spain	827	+2.9%	852	+1.7%	1,679	+2.3%
personal Poland	586	+13.0%	627	+9.4%	1,213	+11.1%
personal ROW	1,775	+8.9%	1,842	+7.8%	3,617	+8.3%
total home	5,649	0.0%	5,722	+0.7%	11,370	+0.3%
home France	4,478	+1.3%	4,490	+1.0%	8,967	+1.2%
home Poland	740	-3.7%	769	-3.6%	1,509	-3.7%
home Spain	167	-6.2%	195	+10.6%	362	+2.2%
home UK	88	-7.3%	78	-8.1%	166	-7.7%
home other ROW	248	+3.9%	267	+7.6%	515	+5.8%
total enterprise	1,902	+2.0%	1,938	+3.9%	3,840	+2.9%
eliminations	-1,587		-1,700		-3,287	-

GOM increased by 4.7% especially driven by mobile and enterprise activities

in millions of euros	1H07*	<i>in % of revenues</i>	1H08	<i>in % of revenues</i>	△%	△ in % pts
Group GOM	9,237	36.5%	9,675	36.8%	4.7%	+0.3pt
total personal	4,794	35.7%	5,054	35.1%	5.4%	-0.6 pt
personal France	1,941	40.2%	1,997	39.5%	2.9%	-0.7 pt
personal UK	598	22.8%	685	23.8%	14.5%	+1.0 pt
personal Spain	376	22.9%	379	22.6%	0.9%	-0.3 pt
personal Poland	422	38.6%	472	38.9%	11.8%	+0.3 pt
personal ROW	1,457	43.7%	1,522	42.1%	4.4%	-1.6 pt
total home	3,815	33.7%	3,875	34.1%	1.6%	+0.4 pt
home France	3,139	35.4%	3,172	35.4%	1.0%	-
home Poland	643	41.1%	661	43.8%	2.8%	+2.7 pts
home ROW	33	3.2%	41	4.0%	26.9%	+0.8 pt
total enterprise	629	16.9%	746	19.4%	18.7%	+2.5 pts

ongoing improvement of cost structure

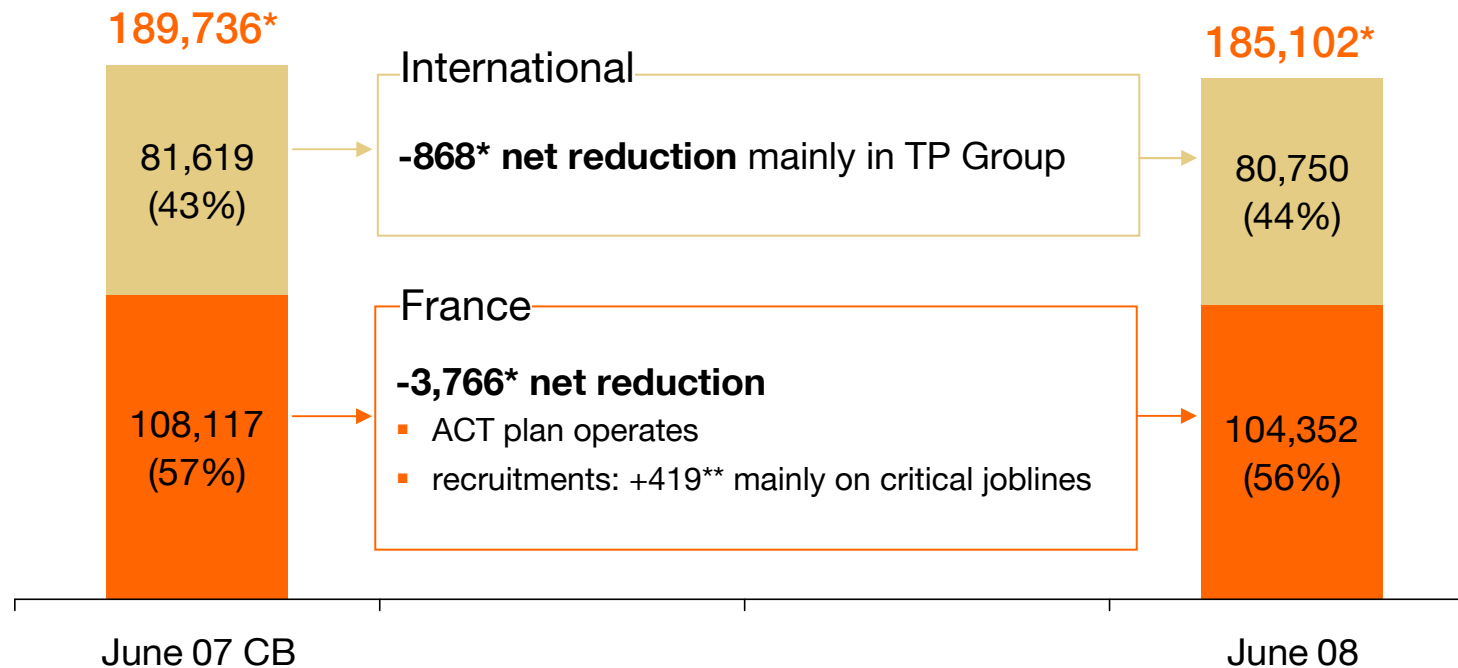
cost rebalancing to enhance market positions



- 70bp on labour opex resulting from headcount reduction, on track with 06-08 forecast
 - master development of abundance offers benefiting from MTR cuts
 - temporary sub-contracting to support DSL base increase
 - tight management of general expenses
 - 1H07 negative one-off items
- +0.8pt**
- higher commercial costs in most countries to support revenue growth and market share
- +0.3pt**

headcount evolution

on track to achieve Group 06-08 forecast



- Group headcount down by 4,634 people, ie -2.4% vs 1H07 on a comparable basis
- in France, 1,923 net departures** in 2008: 87% of our 06-08 forecast achieved in 2.5 years
- 1H08 variation in line with forecast, leading to reduced labour costs by 0.7 pt in % of revenue

+4.4% of net income Group share on comparable terms

in millions of euros

	1H07	1H08
gross operating margin (GOM)	9,416	9,675
depreciation & amortization	- 4,007	- 3,841 ¹
disposal of assets	409 ²	10
restructuring costs	- 45	- 202 ³
operating income	5,463	5,471
financial results	- 1,296	- 1,209 ¹
tax	- 543	- 1,266 ²
minorities interest	- 316	- 321
net income Group share	3,308	2,675
<i>gain on asset disposals and result of discontinued activities</i>	<i>- 409</i>	<i>- 10</i>
<i>exceptional on deferred tax</i>	<i>- 611</i>	<i>- 170</i>
<i>accrual for employees free share program</i>	<i>128</i>	<i>27</i>
net income Group share on comparable terms*	2,416	2,522

¹ less accelerated depreciation in 08

² 07 disposals of TDF and Eutelsat

³ more restructuring actions in Spain and UK

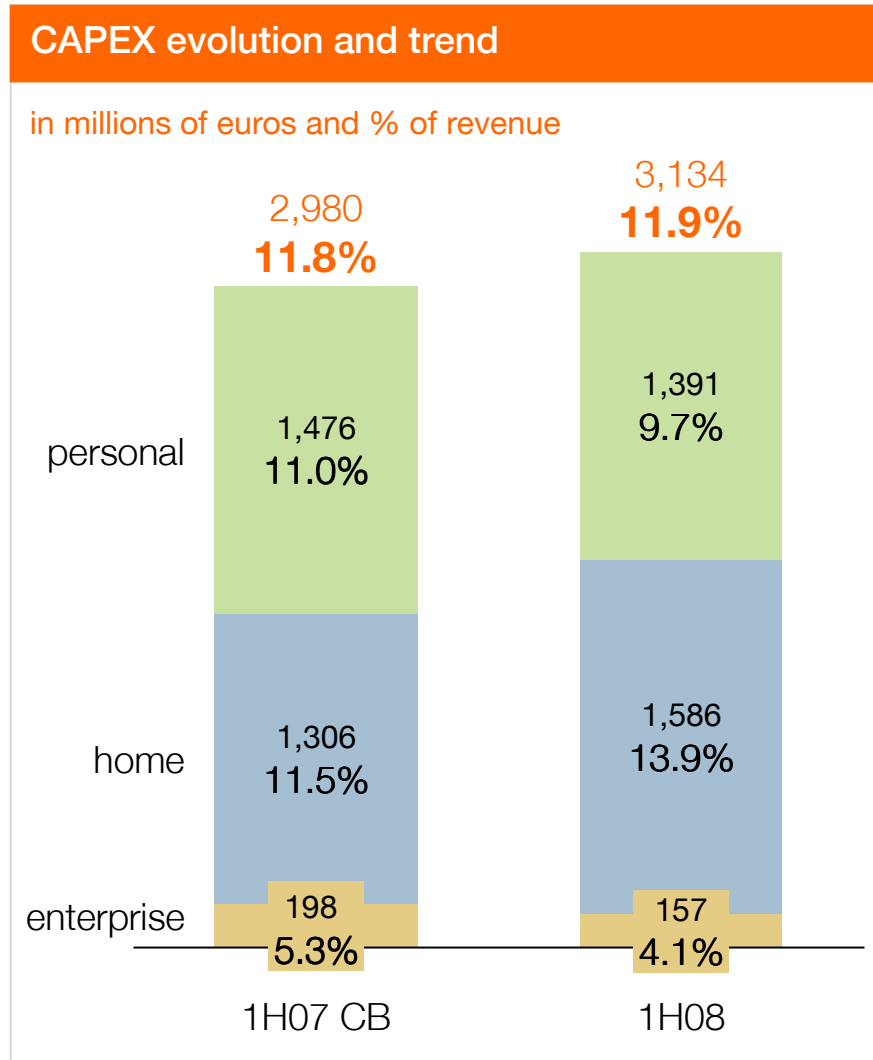
¹ financial charges decrease in accordance with net debt reduction

² lower deferred tax assets recognition in 08 without cash impact

organic cash flow increasing by 11.8% yoy, on track with FY guidance

in millions of euros	1H07	1H08	
gross operating margin (GOM)	9,416	9,675	+2.8%
net interest expense cash out	-1,459	-1,360	
employee profit sharing cash out	-346	-359	
income taxes cash out	-467	-445	
early retirement plan cash out	-485	-351	
restructuring costs cash out	-134	-160	
change in Working Capital Requirement	-34	137	
others (other cash out and non cash items)	61	89	
net cash provided by operating activities	6,552	7,226	+10.3%
capex	-2,967	-3,134	
licences	-	-194	
increase or decrease due to fixed asset suppliers	-376	-287	
proceeds from sale of tangible and intangible assets	51	34	
organic cash flow, consolidated	3,260	3,645	+11.8%
<i>o/w organic cash flow, part of the Group</i>	<i>2,945</i>	<i>3,434</i>	<i>+16,6%</i>

1H08 capex on track with FY guidance



personal capex slowdown:

- main 3G roll out completed in mature countries
- first benefits from network sharing agreements
- continuous investments and network deployment in emerging countries

home capex increase:

- platform services and IT investments
- real estate operation on technical buildings for 163M€
- FTTH roll out (73M€ for the Group)

enterprise capex decrease in line with business model evolution:

- lower equipment renewals required vs 07