France Telecom Orange

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& france telecom

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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 annual report on Form 20-F filed with the U.S. Securities and Exchange Commission. Except to the extent required by law, in particular Articles 223-1 et seq. of the General regulation of the *Autorité des marches financiers*, France Telecom does not undertake any obligation to update forward-looking statements.

agenda

1 your concerns

2 our environment is improving

3 Conquests 2015 ambition

4 Conquests 2015 guidance

1 your concerns

current market valuation of FT-Orange share is driven by misperceptions regarding the group

"increased competition in France will undermine FT-Orange's capacity to stabilise EBITDA in 2013 "	Orange France EBITDA will reach its lowest point in 2012
" FT-Orange is not able to adjust its cost base to market standards "	FT-Orange targets at least €3bn in gross savings by 2015 vs. 2010 cost base
"additional regulatory pressure will cripple FT-Orange's performance "	the current asymmetric regulation cycle on FT-Orange is coming to a close
"marginal value creation from recent and future M&A "	positive operating free cash flow from assets acquired since 2005
"FT-Orange is not looking hard enough at its asset portfolio for possible divestitures "	FT-Orange is rigorously managing its asset portfolio for better value & faster improvement in ROCE
"as a partly state-owned operator, FT-Orange is not fully pursuing its best business interests "	key business decisions combine all stakeholders' long-term interests

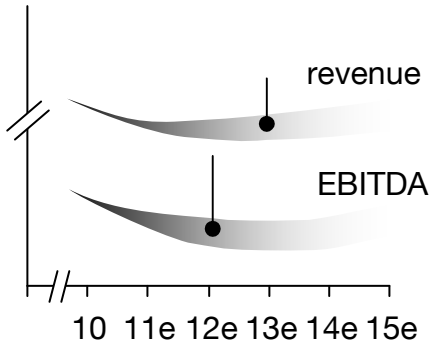
1 Orange France EBITDA will reach its lowest point in 2012

1

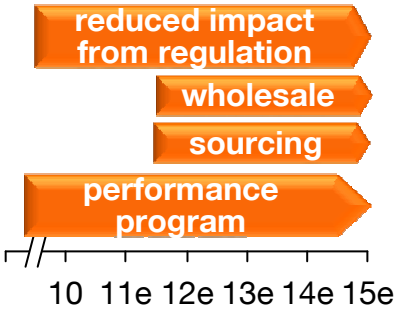
while competition is increasing in France, FT-Orange is best positioned to preserve value, thereby stabilising EBITDA in 2013

- capacity to react: regain momentum in broadband and stabilise mobile market share
- proactive investment in 2011 and 2012 to maintain leadership and differentiation
- positive EBITDA levers
- upside from mobile data monetisation and clear market share leadership ambition

France EBITDA will reach its lowest point in 2012



structural performance drivers will positively impact EBITDA



2 FT-Orange targets at least €3bn in gross savings by 2015 vs. 2010 cost base

2

building up on its 2009-2010 savings program, FT-Orange targets €3bn in gross savings by 2015 vs. 2010 cost base

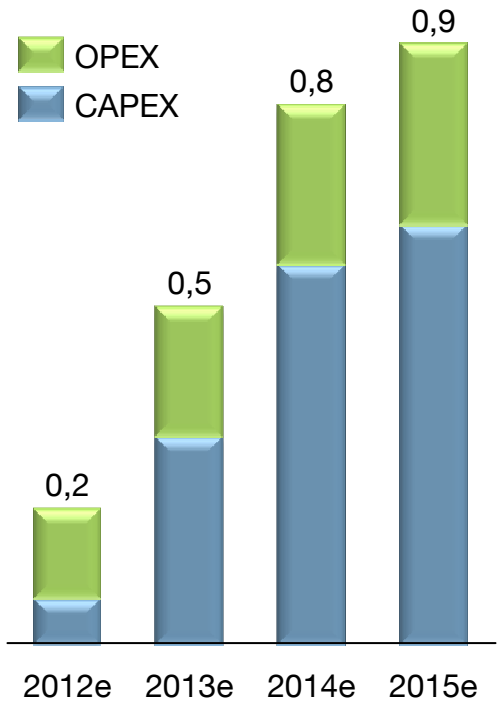
- FT-Orange has experience in designing and implementing group-wide cost savings initiatives
- 2009-2010 gross savings objectives were fully achieved

- FT-Orange has redesigned and extended its performance program extending over 2011-2015

- significant OPEX and CAPEX savings from procurement JV with DT ramping up to 2015

OPEX and CAPEX expected savings from procurement JV

in €bn



3 the current asymmetric regulation cycle on FT-Orange is coming to a close

3

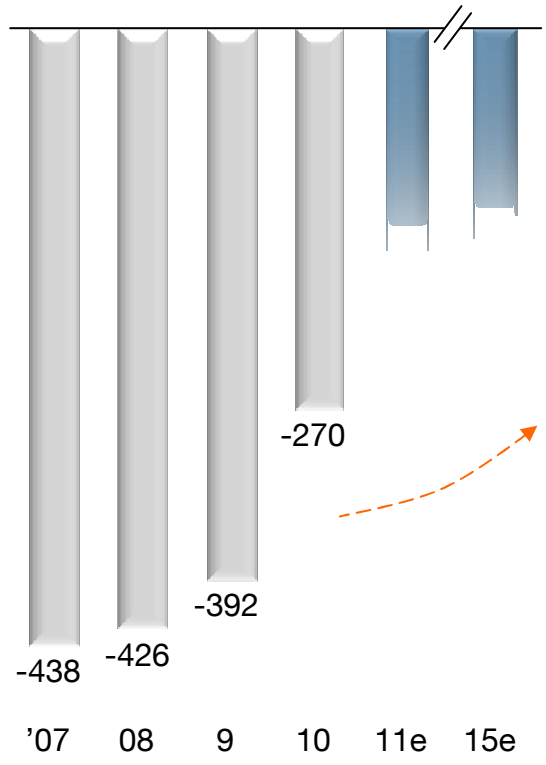
the current asymmetric regulation cycle on FT-Orange is coming to a close

- clear voice & SMS MTR glide path with floor level approached in 2013
- MTR asymmetry coming to an end

- no termination rate on data
- opportunities to monetize data from large Internet players

- regulators, especially in France, are expected to better balance focus on intra-sector competition with investment incentives

regulatory impact on Group EBITDA (m€)*



*excluding UK

4 positive operating cash flow from assets acquired since 2005

4

the operating cash flow from assets acquired since 2005 has turned positive in 2010

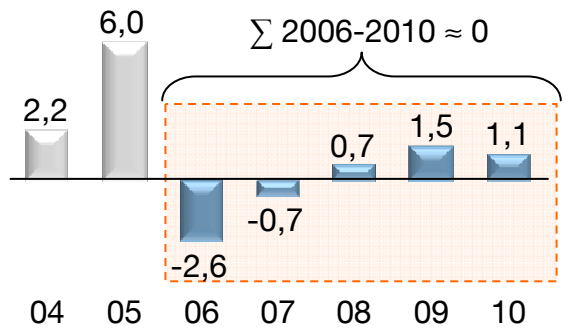
- post acquisition of Amena, in 2005, cumulated net acquisition balance was almost nil
- including the Korek transaction, strategic objective to double revenues in emerging countries by 2015 almost achieved

- all participations are either consolidated or on the path to consolidation
- only a few minority positions held with no operational involvement by FT-Orange

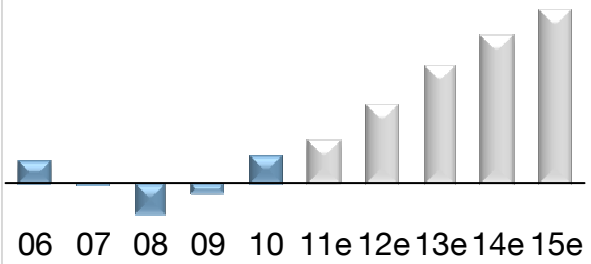
- new funds invested are a minimal fraction of yearly dividend streams to FT S.A.
- in-market consolidation operation delivering synergies

post acquisition of Amena, net acquisition was quite limited

2004-2010 acquisitions minus divestitures in €bn



operating cash flow from assets* acquired since 2005



* total statutory operating free cash flow from Spain, Guinea-Bissau, Guinea, Niger, Kenya, Central African Rep., Uganda, Luxembourg, Armenia

5 FT–Orange is rigorously managing its asset portfolio

5

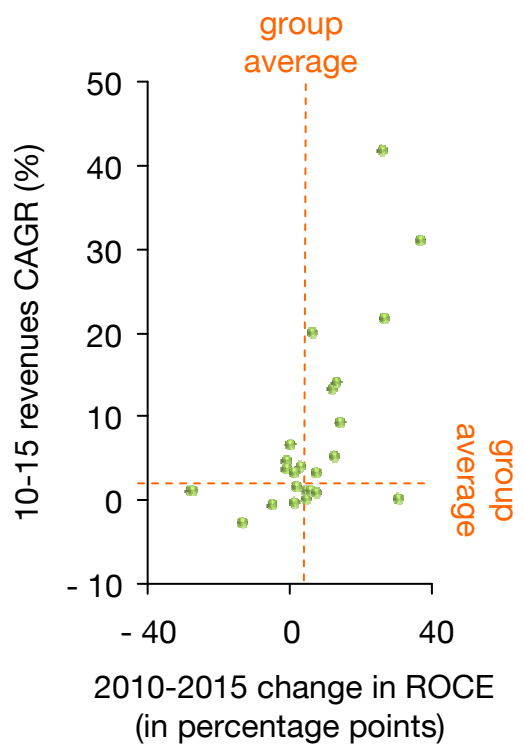
FT–Orange is rigorously managing its asset portfolio for better value & faster improvement in ROCE

- FT-Orange is currently assessing its foreign asset portfolio for strategic fit and financial contribution

- value creation factors:
  - intrinsic value creation from each asset (ROCE, growth)
  - synergies across the whole portfolio

- Emitel divested in 2011
- other assets in Europe and AMEA under review

ongoing assessment of value creation potential



6 key business decisions meet all stakeholders' long-term interests

6

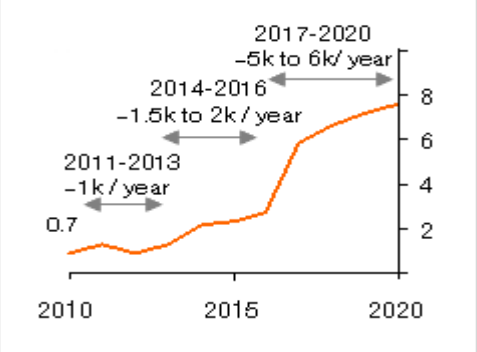
corporate governance ensures that key business decisions combine all stakeholders' long-term interests

- FT-Orange governance not different from its European peers'

- French State has 20% of directors corresponding to 27% of FT-Orange capital
- 2011-2012 commitment on dividend floor of €1.4 / share

- unlike other European incumbents, FT-Orange has inherited from its past in France

around 30% of French employees will retire by 2020



- our incumbent status will allow us to keep our nationwide market leadership

- best-in-class coverage everywhere we operate
- leader in future very high broadband networks
- best customer service

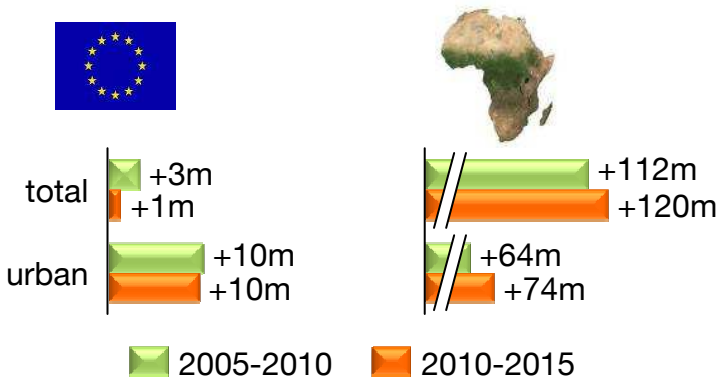
conversely, FT-Orange has key strengths widely acknowledged by investors

- balanced mature vs. emerging country portfolio with high quality assets
- superior network coverage with adequate capacity to absorb traffic
- ability to “develop once, rollout many” : animals segmentation, Orange Money, IPTV, VoIP
- good strategic mobility as evidenced by fast repositioning in content
- capacity to execute swift turnarounds such as in Spain

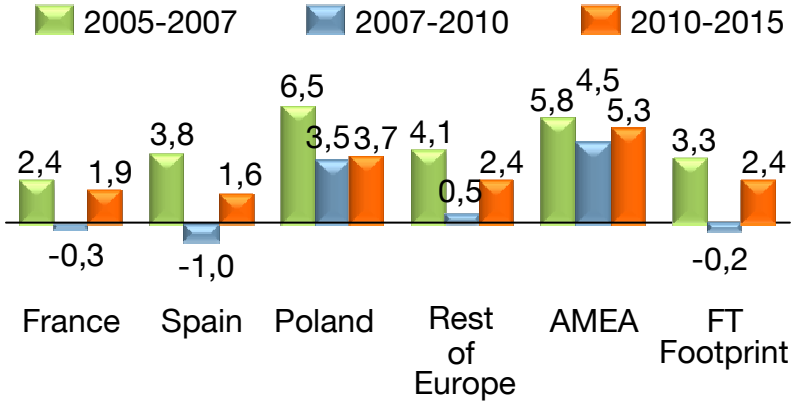
2 our environment is improving

the economy should recover over 2011-15, with 2.4% GDP CAGR on FT-Orange footprint

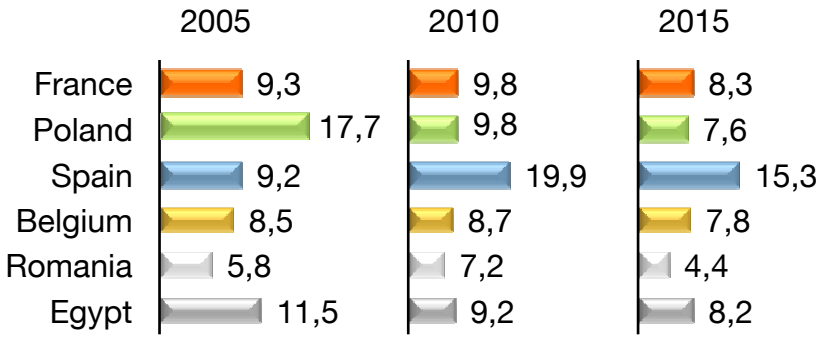
strong demographics (population increase)



recovering GDP (CAGR %)



unemployment rates (%)



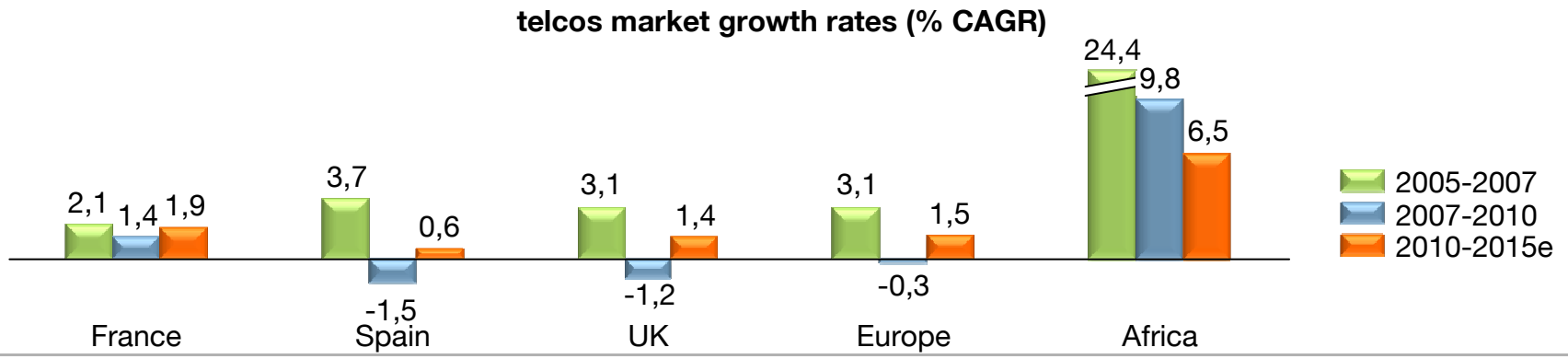
〉insight

- strong demographics, especially in emerging markets
- unemployment rates are stabilizing or improving, except in Spain
- recovery on all footprint markets

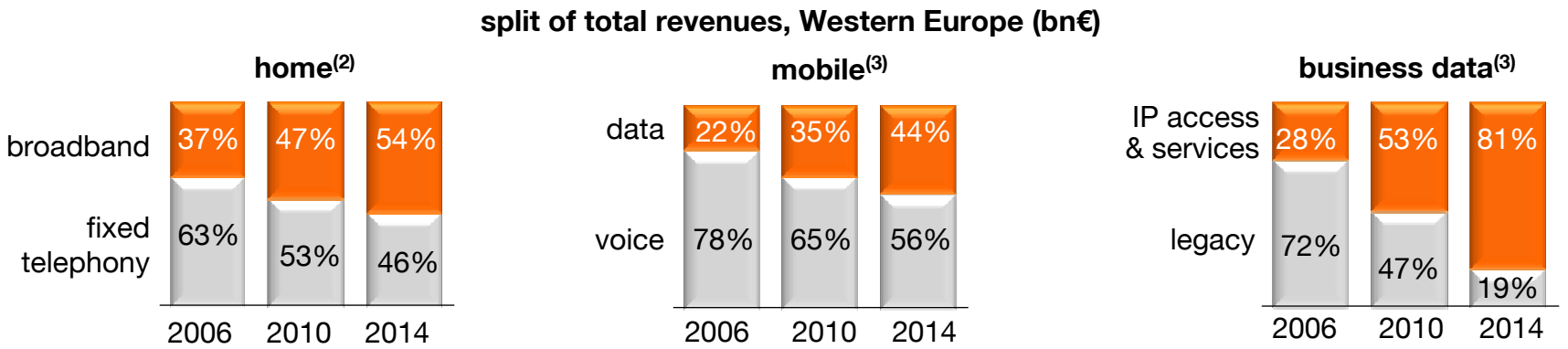
sources : UN 2009, IMF April 2011

telecom markets are expected to bounce back to growth over 2011-15, with a changing business mix

the overall telecom market is expected to bounce back in Western Europe and keep on growing strongly, albeit at a slower pace, in Africa…

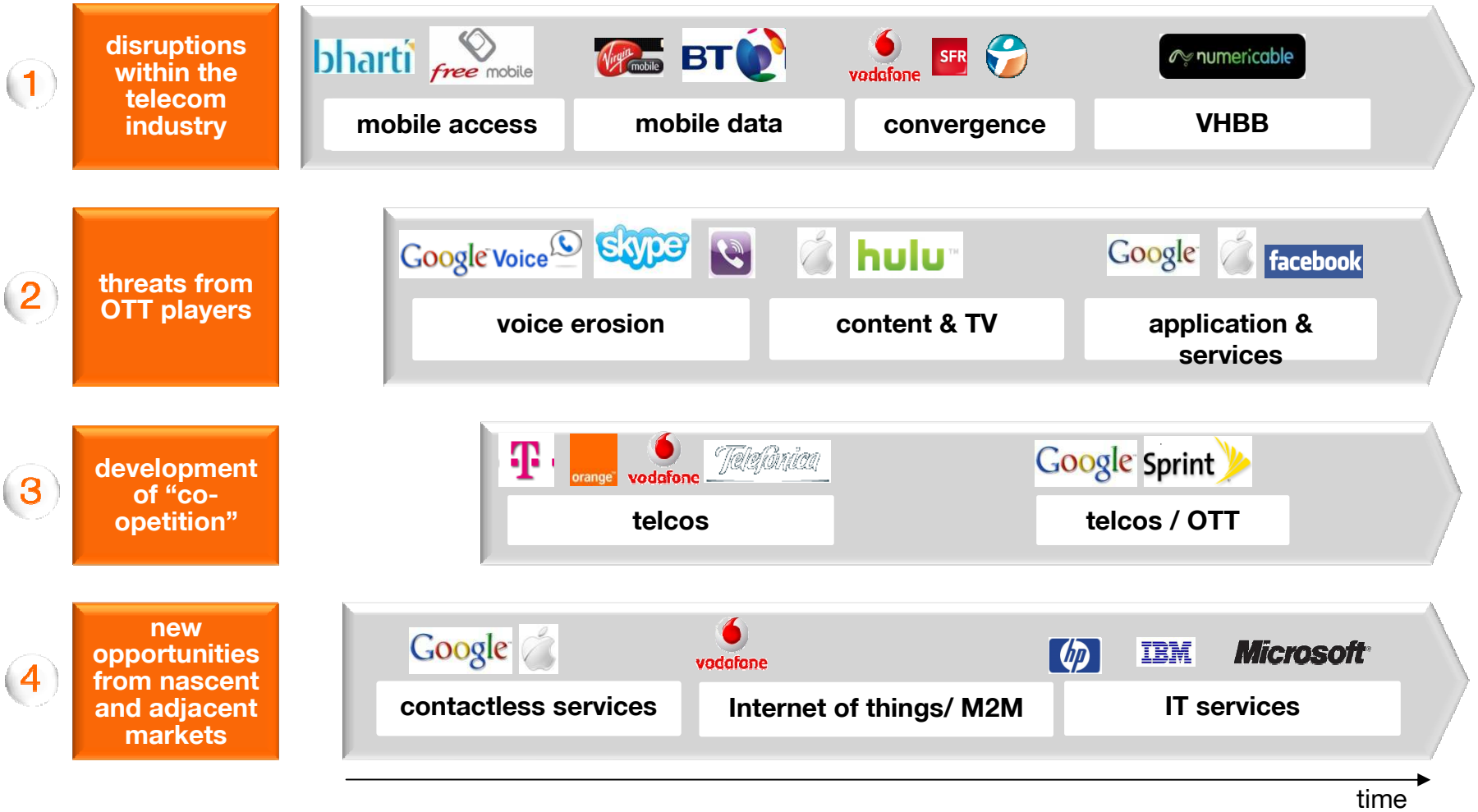


…with an accentuation of previous changes in business mix



sources: (1) World Telecom Service Market (Idate) (2) Idate (3) Yankee Group

furthermore, aggressive competition and threats from OTT are requiring a revision by telcos in the way they conduct business



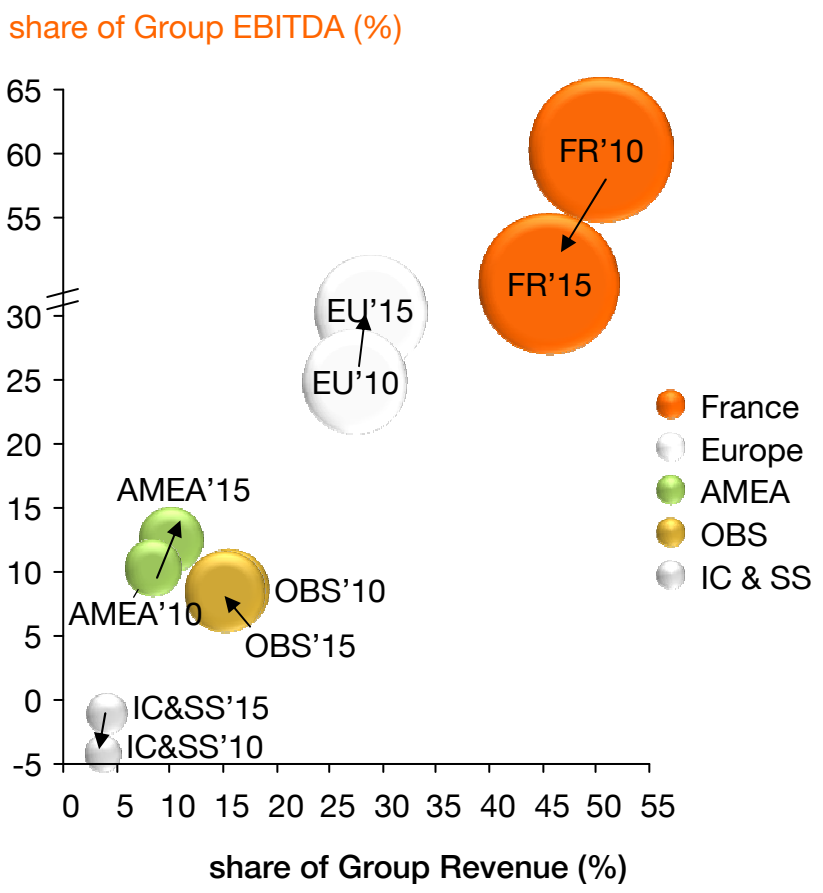
3 Conquests 2015 ambition

Enterprise & France are back to growth, with Europe & AMEA maintaining their solid growth contribution

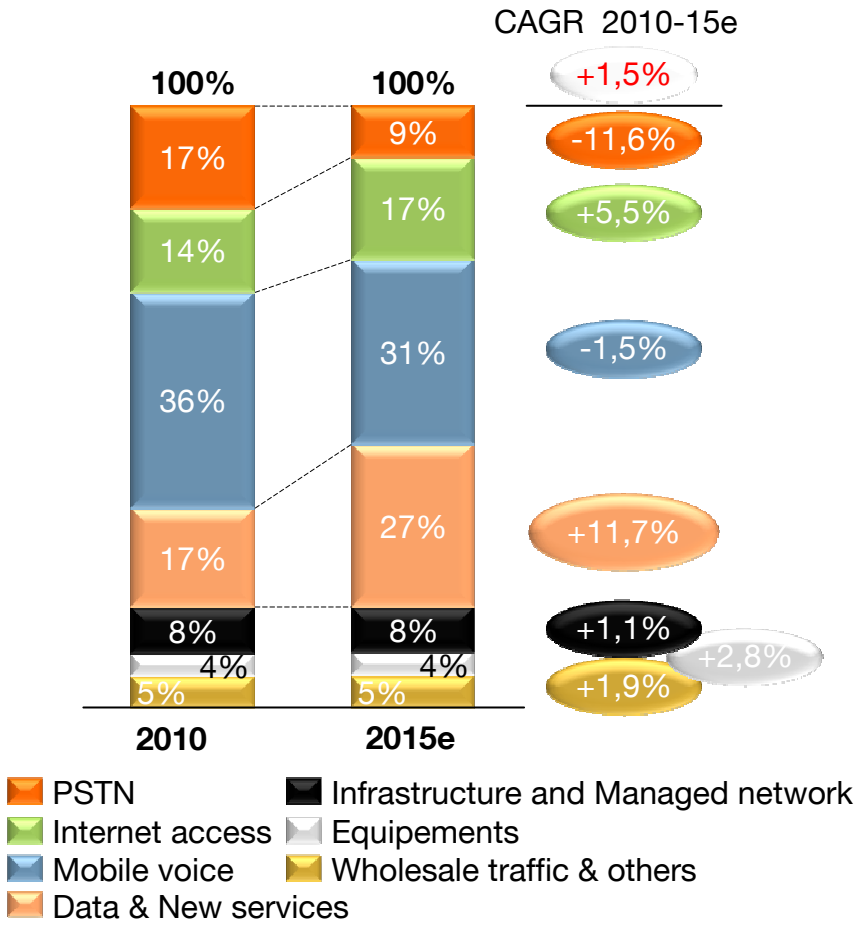
	adapt	conquer
	2010-2013 revenues CAGR	2013-2015 revenues CAGR
France	-1.3%	+0.5%
Europe	+2.0%	+3.7%
AMEA	+5.1%	+5.8%
Enterprise	-1.2%	+4.1%
Group	+0.6%	+2.7%

FT-Orange's country and business mix will be more balanced in terms of revenues and EBITDA

rebalancing in revenues & EBITDA mix*



changes in revenues mix parallel to market



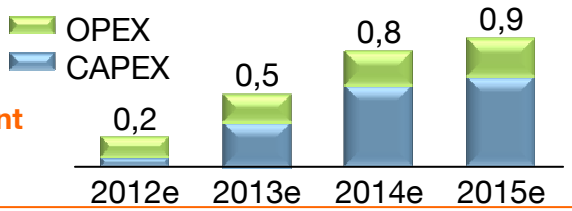
* size of disk is proportional to revenues

including benefits from the procurement JV, FT- Orange targets at least €3bn in annual savings by 2015

performance program and procurement JV benefits (€bn)

annual savings in €bn	2010 actual vs. 2008 cost base*	2015 planned vs. 2010 cost base
France	0.36	0.9-1.1
Europe	0.55	0.9-1.1
AMEA	-	0.1-0.2
OBS	0.17	0.2-0.3
ICSS	0.16	0.1-0.2
total group	**1.2**	**2.5, of which more than 60% by 2013**

savings from procurement JV with DT



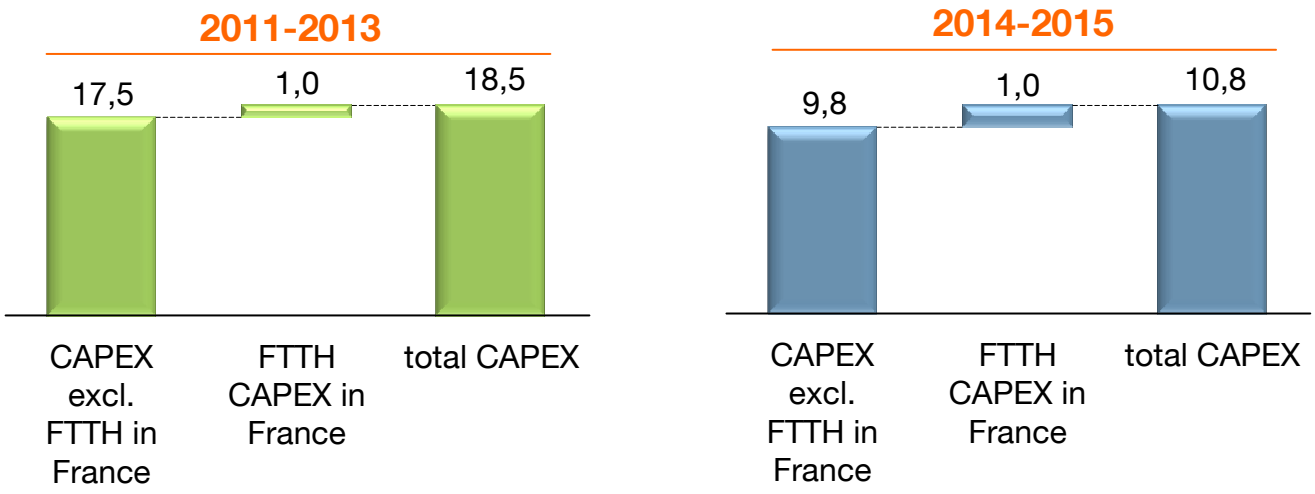
2011-2015 performance levers

France	▪ customer experience improvement ▪ operational excellence ▪ IT improvement ▪ channels automation ▪ content business model change
Europe	▪ RAN & network sharing ▪ near-shoring ▪ customer care transformation ▪ IT renewal & optimisation
AMEA	▪ services platform mutualisation / industrialisation policy ▪ synergies within the zone ▪ customer journey excellence
OBS	▪ international network profitability ▪ sales performance improvement ▪ G&A improvement
IC & SS	▪ productivity gains on labour costs

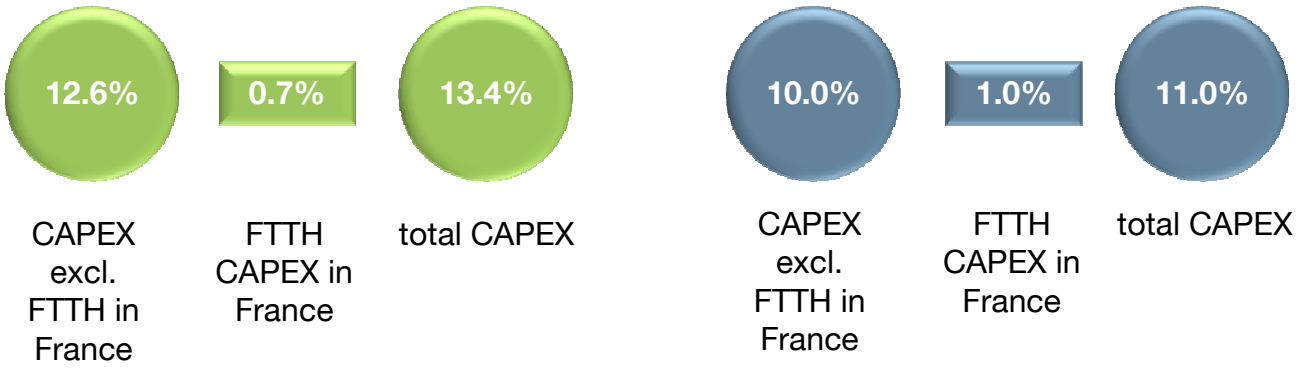
* original performance program was targeting €1.5bn savings over 2009-2011

CAPEX at the core of our leadership strategy in customer experience, future networks and growth

cumulated CAPEX (€bn)

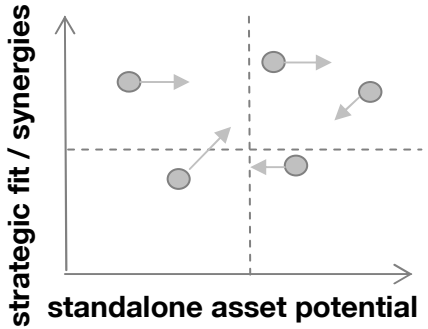


average CAPEX /sales(%)

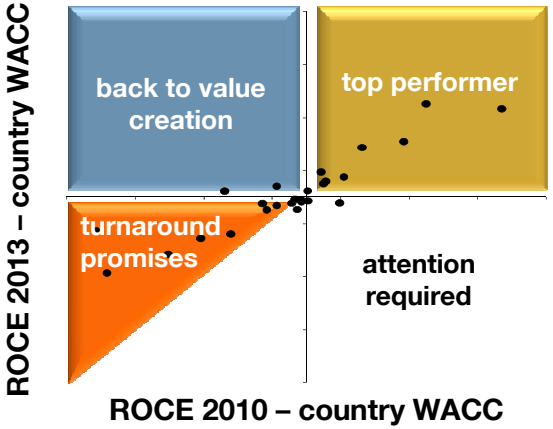


consistent strategic & financial discipline applied to portfolio management

dynamic strategic analysis



dynamic value creation



dynamic value analysis

- assess market value, as seen by investors, and asset value for other potential owners of the asset
- make own estimate for asset value, including synergies with rest of FT-Orange, and assess scenarios for change

proactive actions to country and other business assets

- operations: implement restructuring, repositioning, breakthrough synergies, etc.
- corporate : consolidation, disposal, swap, partnerships, etc

in summary, our Conquest*s* 2015 ambition*

OpCF (EBITDA – CAPEX)

adapt	conquer
∑ 2011-2013	2013-2015
~€27bn guidance (excl. exceptional items)	9% CAGR

revenues

adapt	conquer
2010-2013	2013-2015
0.6% CAGR	2.7% CAGR

EBITDA

adapt	conquer
∑ 2011-2013	2013-2015
~€45 bn	3.4% CAGR

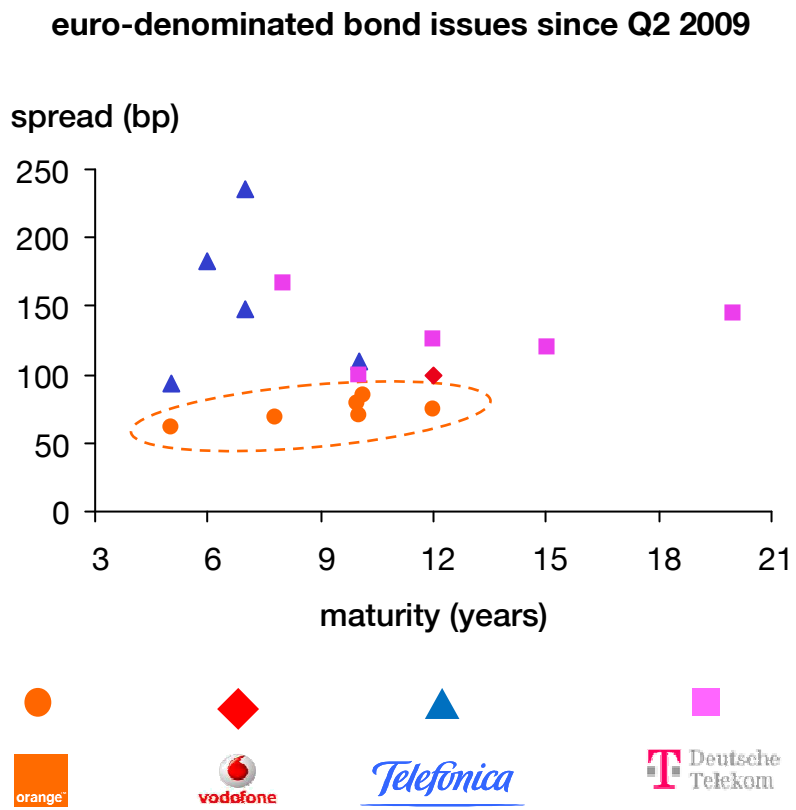
CAPEX

adapt	conquer
∑ 2011-2013	∑ 2014-2015
~€18.5bn (12.6% excl. FTTH in France)	~€10.8 bn (10.0% excl. FTTH in France)

* only those slides entitled "guidance" comprise our formal guidance; all other figures are extracted from the Conquests 2015 operating plan which was completed recently; operating plans evolve continuously and are presented as an indication, not as a further guidance

stable balance sheet policy over time, allowing best in class credit profile and financing conditions

best in class credit profile used to capture longer term maturities and better pricing than peers



› insight

- continued balance sheet policy of net debt to EBITDA at approx. 2x in the medium term
- combined with a long-term relationship with debt investors, such policy allows to capture better debt conditions

4 Conquests 2015 guidance

FT-Orange is migrating to a more operations-oriented medium-term guidance

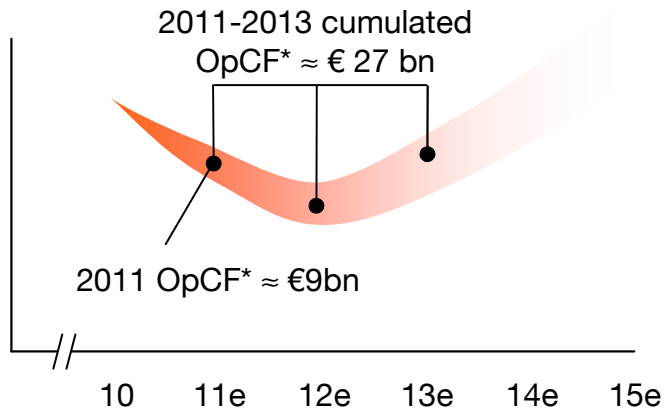
from annual organic CF guidance to cumulated operating CF guidance

	in €bn	2009a	2010a	2011	20 11-2013 cum.
previous guidance	organic cash flow	8.2	8.1	8	-
new guidance	OpCF* (EBITDA – CAPEX)	10.8	10.1	-	≈ 27

new guidance

1. fully aligned with management scorecard and incentives
2. better adapted to transition from “adapt” to “conquer” growth business profile
3. capacity to strike the right balance between short-term competitive response and long-term company value

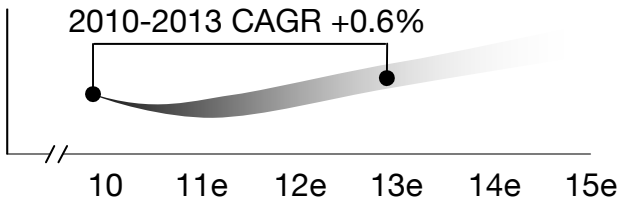
OpCF* guidance



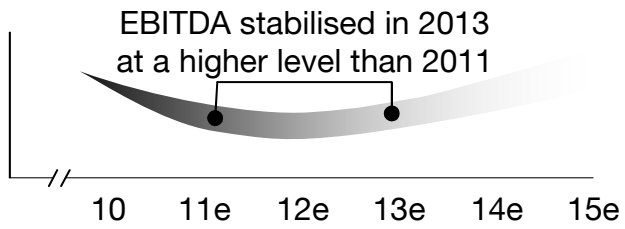
* OpCF (EBITDA – CAPEX) excluding exceptional items

2011-2013 cumulated OpCF guidance is supported by underlying trends

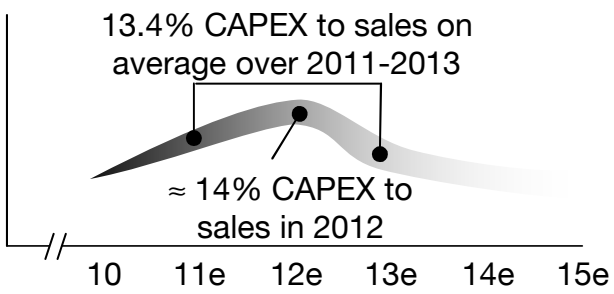
revenues trend



EBITDA trend



CAPEX to sales trend



* OpCF (EBITDA – CAPEX) excluding exceptional items

FT-Orange's use of cash policy will support the full capture of this potential

France Telecom Orange

Q&A

Gervais Pellissier
Deputy CEO & CFO

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