

# France Telecom

## 1H08 results

July 31<sup>st</sup> 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.

# 1H08 highlights



## 1H08 key financial achievements

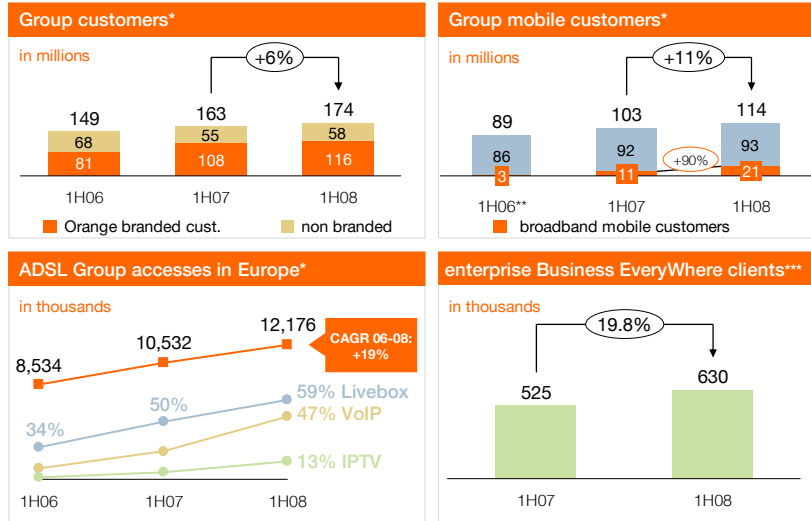
another strong semester in revenue and GOM performance

in millions of euros	1H07 CB	1H08 actual	var. comp basis	key points
<b>revenues</b>	25,310	<b>26,304</b>	<b>+3.9%</b>	<ul style="list-style-type: none"> <li>stronger growth in 2Q08 (+4.1%) after 1Q08 (+ 3.7%) due to mature countries performance</li> <li>emerging countries maintained a sustained growth</li> </ul>
<b>GOM</b>	9,237	<b>9,675</b>	<b>+4.7%</b>	
<i>in % of rev</i>	36.5%	<b>36.8%</b>	<b>+0.3pt</b>	<ul style="list-style-type: none"> <li>GOM increase thanks to revenue growth and opex control</li> </ul>
<b>CAPEX</b>	2,980	<b>3,134</b>	<b>+5.2%</b>	<ul style="list-style-type: none"> <li>stable capex rate</li> <li>on track with full year guidance with a different phasing over the year vs. 07</li> </ul>
<i>in % of rev</i>	11.8%	<b>11.9%</b>	<b>+0.1pt</b>	
<b>Org. Cash Flow</b>	3,260	<b>3,645</b>	<b>+11.8%</b>	

on track to achieve full year guidance

## 1H08 key KPIs

continued customer base growth, particularly in mobile and fixed broadband

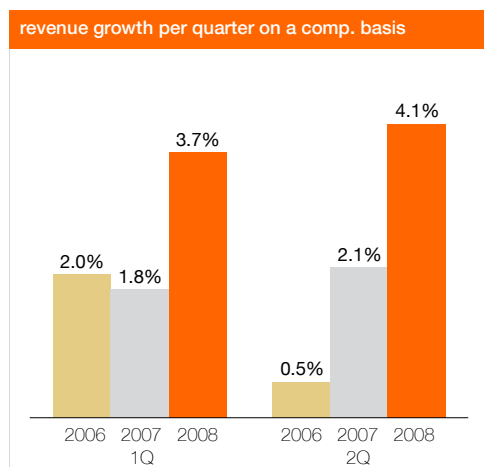


5

\* actual basis, \*\* published, \*\*\*in France

## 2Q08: strong quarter, above expected market growth

2Q revenue growth at 4.1%



### insight

- 1H08 Group growth is above expected market trend which was estimated for 08-10 between 2% and 3%
- 4<sup>th</sup> consecutive strong quarter
- growth build-up of 3.9% in 1H08

6

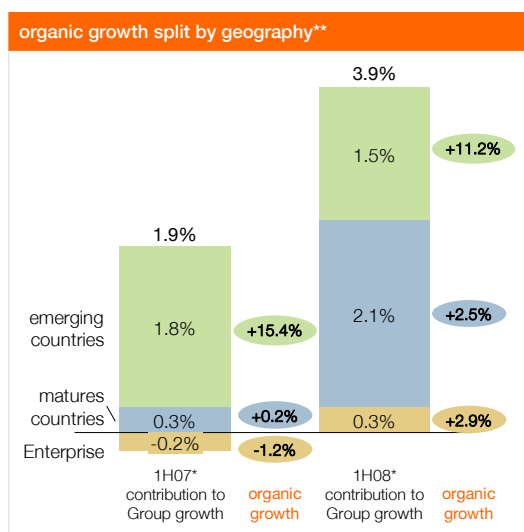
## 2Q08 stronger growth in all segments

in millions of euros	1Q08	△%*	2Q08	△%*	1H08	△%*
<b>Group revenues</b>	<b>13,027</b>	<b>+3.7%</b>	<b>13,276</b>	<b>+4.1%</b>	<b>26,304</b>	<b>+3.9%</b>
<b>total personal</b>	<b>7,064</b>	<b>+6.8%</b>	<b>7,317</b>	<b>+7.3%</b>	<b>14,381</b>	<b>+7.0%</b>
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%
<b>total home</b>	<b>5,649</b>	<b>0.0%</b>	<b>5,722</b>	<b>+0.7%</b>	<b>11,370</b>	<b>+0.3%</b>
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%
<b>total enterprise</b>	<b>1,902</b>	<b>+2.0%</b>	<b>1,938</b>	<b>+3.9%</b>	<b>3,840</b>	<b>+2.9%</b>
eliminations	-1,587		-1,700		-3,287	-

7

\* yoy variation on a comparable basis, ie adjusted for forex (-336M€) and perimeter and other impact (-267M€) for 1H08

## France and other mature countries performance contributed to growth rate improvement in 1H08



### insight

- strong resilience of mature countries activities above market trends, especially in France & Poland
- continuous strong mobile performance in the UK driven by high level of contract acquisitions
- stronger Enterprise performance thanks to lower legacy decline and services development
- slight revenue growth slowdown in emerging markets vs 07 as expected

8

\*yoy variation on comparable basis, \*\*in weighted percentage

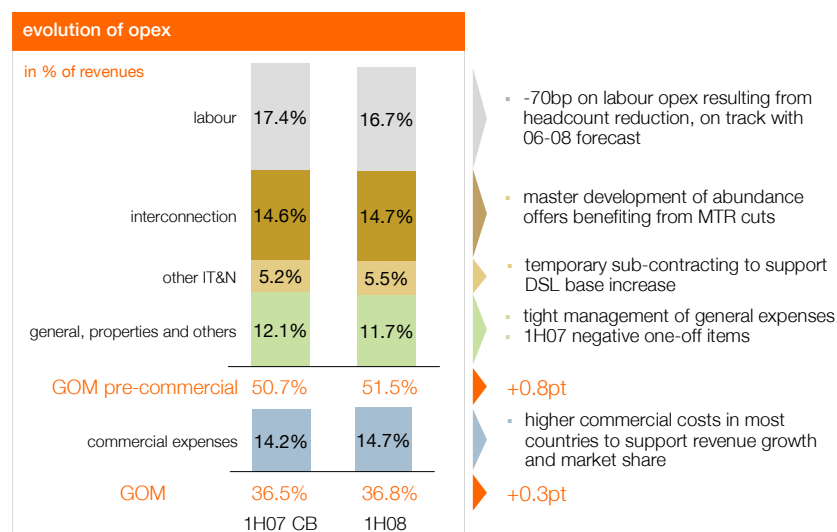
## GOM increased by 4.7% especially driven by mobile and enterprise activities

in millions of euros	1H07*	in % of revenues	1H08	in % of revenues	Δ%	Δ in % pts
<b>Group GOM</b>	<b>9,237</b>	<b>36.5%</b>	<b>9,675</b>	<b>36.8%</b>	<b>4.7%</b>	<b>+0.3pt</b>
<b>total personal</b>	<b>4,794</b>	<b>35.7%</b>	<b>5,054</b>	<b>35.1%</b>	<b>5.4%</b>	<b>-0.6 pt</b>
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
<b>total home</b>	<b>3,815</b>	<b>33.7%</b>	<b>3,875</b>	<b>34.1%</b>	<b>1.6%</b>	<b>+0.4 pt</b>
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
<b>total enterprise</b>	<b>629</b>	<b>16.9%</b>	<b>746</b>	<b>19.4%</b>	<b>18.7%</b>	<b>+2.5 pts</b>

9

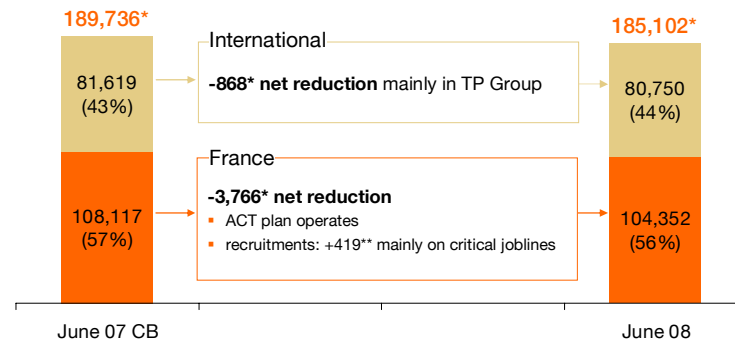
\* on a comparable basis, ie adjusted from forex (-57M€) and perimeter & other impacts (-122M€) for 1H08

## ongoing improvement of cost structure cost rebalancing to enhance market positions



10

## 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

11

\* active headcount end of period \*\* permanent headcount on NEXt perimeter

## operating income stable yoy

in millions of euros	1H07	1H08	
<b>gross operating margin (GOM)</b>	<b>9,416</b>	<b>9,675</b>	
employee profit sharing	-159	-146	1 less accelerated depreciation in 08
share-based payment	-137	-41	
depreciation & amortization	-4,007	-3,841	2 07 disposals of TDF and Eutelsat
impairment of goodwill	-15	22	
disposal of assets	409	10	
restructuring costs	-45	-202	3 more restructuring actions in Spain and UK
associates	1	-6	
<b>operating income</b>	<b>5,463</b>	<b>5,471</b>	

12

## +4.4% of net income Group share on comparable terms

in millions of euros	1H07	1H08	
<b>operating income</b>	5,463	5,471	
financial results	-1,296	-1,209 <sup>1</sup>	1 financial charges decrease in accordance with net debt reduction
tax	-543	-1,266 <sup>2</sup>	
minorities interest	-316	-321	
<b>net income Group share</b>	3,308	2,675	
gain on asset disposals and result of discontinued activities	-409	-10	2 lower deferred tax assets recognition in 08 without cash impact
exceptional on deferred tax	-611	-170	
accrual for employees free share program	128	27	
<b>net income Group share on comparable terms*</b>	2,416	2,522	+4.4%

13

\* adjusted for main elements impacting the comparability

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

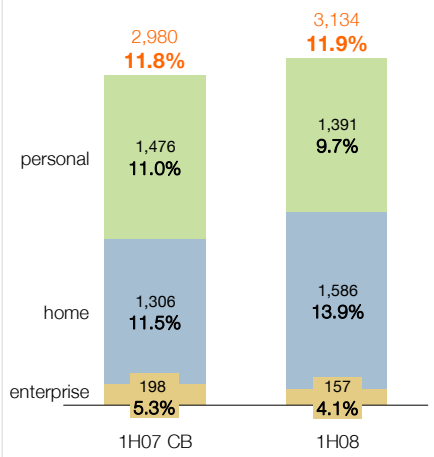
in millions of euros	1H07	1H08	
<b>gross operating margin (GOM)</b>	9,416	9,675	+2.8%
net interest expense cash out	-1,459	-1,360	
employee profit sharing cash out	-346	-359	
income taxes cash out	-467	-445	
early retirement plan cash out	-485	-351	
restructuring costs cash out	-134	-160	
change in Working Capital Requirement	-34	137	
others (other cash out and non cash items)	61	89	
<b>net cash provided by operating activities</b>	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	
<b>organic cash flow, consolidated</b>	3,260	3,645	+11.8%
<b>o/w organic cash flow, part of the Group</b>	2,945	3,434	+16.6%

14

## 1H08 capex on track with FY guidance

### CAPEX evolution and trend

in millions of euros and % of revenue



#### 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:

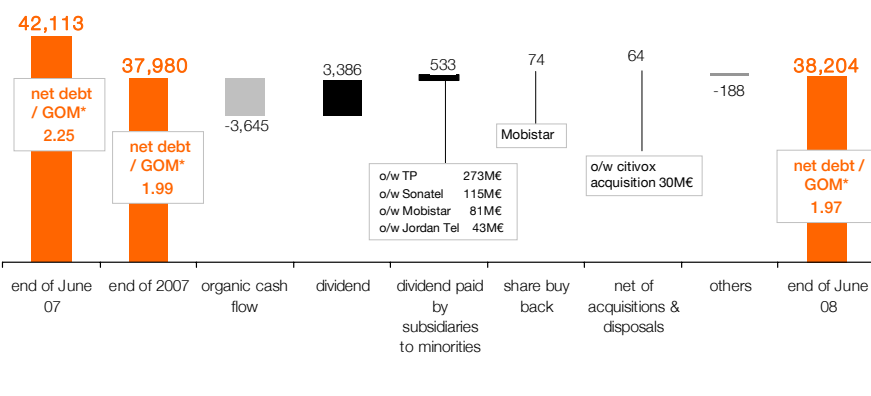
- lower equipment renewals required vs 07

15

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

### net debt changes

in millions of euros



16

\* net debt to GOM ratio, GOM basis on 12 months rolling

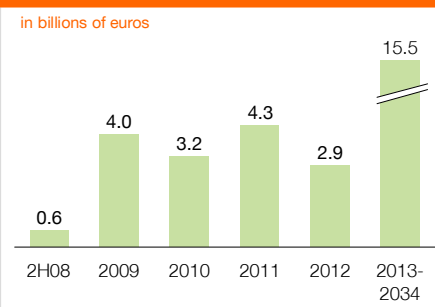


## financial structure optimization pursued in 1H08

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

<b>June 08 net debt</b>	<b>€38.2Bn</b>	<b>YE07 S&amp;P rating</b>	<b>A3/A-</b>
June 08 gross debt*	€43.1Bn	1H08 average cost of debt	6.41%
% of debt with a fixed rate**	86%	spread***: among the lowest of the sector	
% of debt in €**	78%		
average maturity	7.2 years		

#### FT SA. bonds repayment schedule as of June 08\*



#### 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

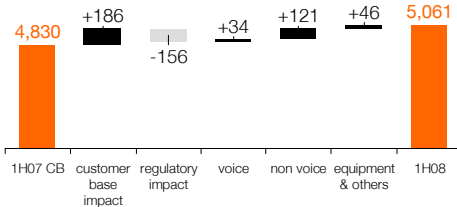
\* the difference with the gross debt as of June 08 is due to other debt element such as subsidiaries debt, perpetual bonds mandatory redeemable in shares (TDIRA) securitization, leasing, accrued interests, liquidity mechanism and minority put, etc. \*\* after swap and including accrued interest \*\*\*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

## 1H08 business performance

## 1H08 personal France strong revenue performance in 2Q and 1H08

revenues: +4.8% yoy\*

in millions of euros

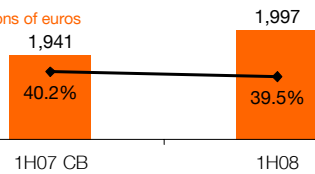


- customer base increase (+3.9% yoy) with 66.5% of contract customers
- positive voice revenue impact driven by a higher voice traffic (minutes of usage at 200mn/month/subs\*\* (+2.6% yoy))
- strong take up of non voice revenues (19.4% of network revenues in 2Q08)
  - 31 sms/month per subs (+16% yoy)
  - 4.33 MB/month per subs (+75% yoy)

\* excluding regulatory impacts revenue growth of 8% ; \*\* annual rolling AUPU

GOM: +2.9% yoy

in millions of euros

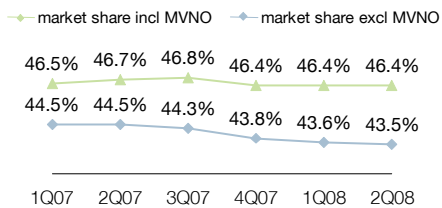


- GOM in absolute value benefiting from revenue increase
- commercial costs increase slightly weighted on GOM rate

19

## 1H08 personal France stable market share with continuous development of contract base

Orange volume market share evolution\*



insight

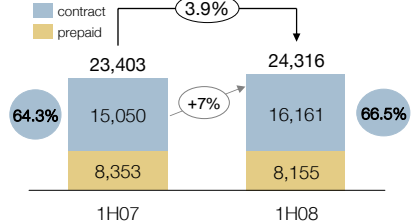
- Orange market share maintained
- strong success of "Origami" voice and data bundles launched in April (+400k subscribers in 2Q)
- continuous growth of contract base +7% yoy
- strong contract churn reduction: 9.3% in 2Q08 vs 11.4% in 2Q07
- data development driven by non sms usages and Internet Everywhere dongles (+40k in 1H08)

20

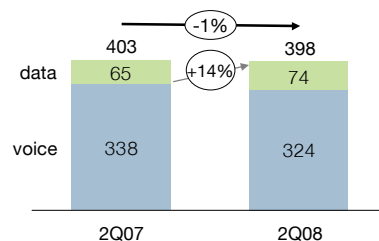
\* company estimates

customer base mix

in thousands

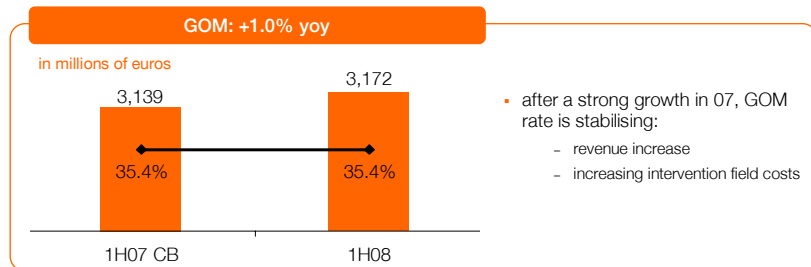
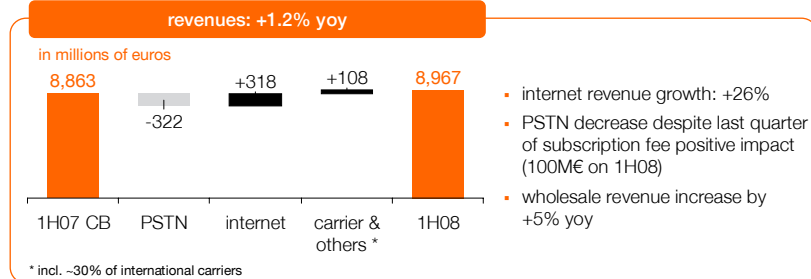


annual rolling ARPU evolution



## 1H08 home France

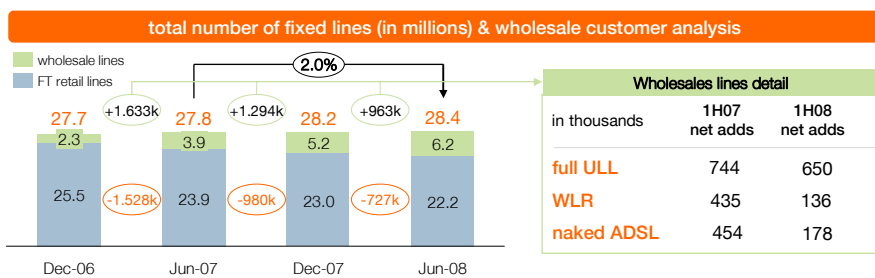
retail revenue stable with successful migration from FT PSTN to Orange multiplay



21

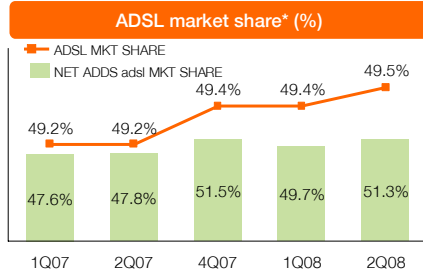
## 1H08 home France

number of fixed lines continues to increase: +2% yoy



### insight

- +2% of total fixed lines yoy with strong slowdown of FT retail lines losses
- 7.8M ADSL clients end of June (+19% yoy)
  - 75% equipped with a Livebox
  - 64% using VoIP (35% of voice traffic)
- 2Q08 broadband ARPU: 33€ (+10% yoy)
- 2.2M VOD paying acts in 1H08 (x 2 yoy)



22

\* company estimates

## 1H08 France focus content everywhere strategy deployment



23

## France: priorities and action plan for 2H08

### country level

- ongoing cost control to cope with a possible market growth slowdown
- improve Orange QoS to reduce churn and maintain premium
- develop convergent offers & services
- development of the content everywhere strategy

### personal

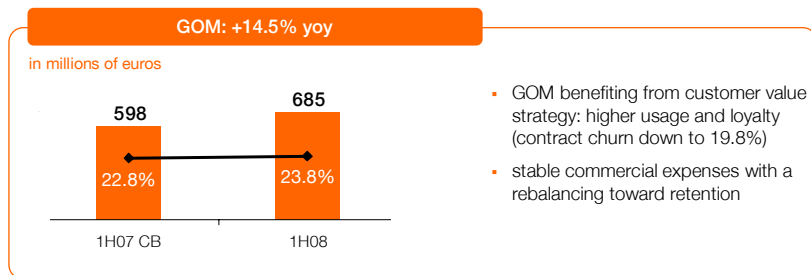
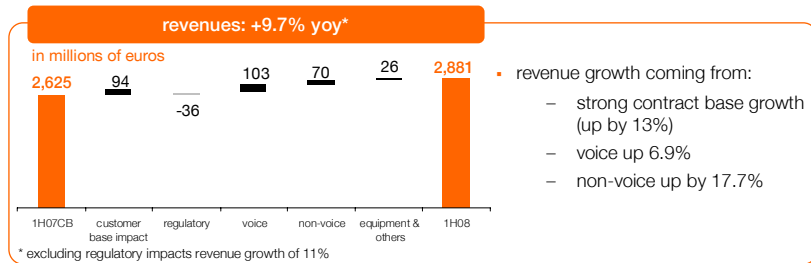
- maintain market leadership thanks to attractive & multi segmented offers
- focus on mobile multimedia usages (iPhone, 3G and Origami range...)
- pursue MVNO strategy
- monitor closely commercial expenses

### home

- continue to master PSTN decrease
- maintain ADSL market share in a competitive broadband environment
- launch of music & TV exclusive content
- continued FTTH pre-deployment while waiting for regulation

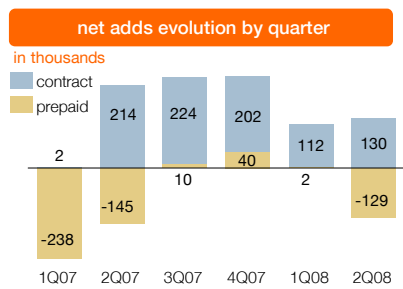
24

## 1H08 personal UK consistent strong revenue growth



25

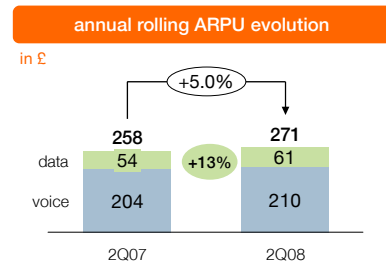
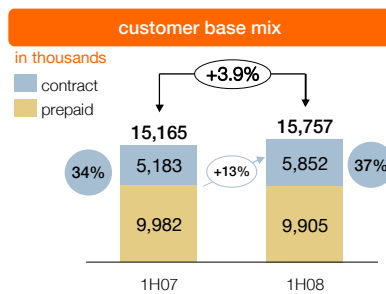
## 1H08 personal UK consistent performance delivering value and growth



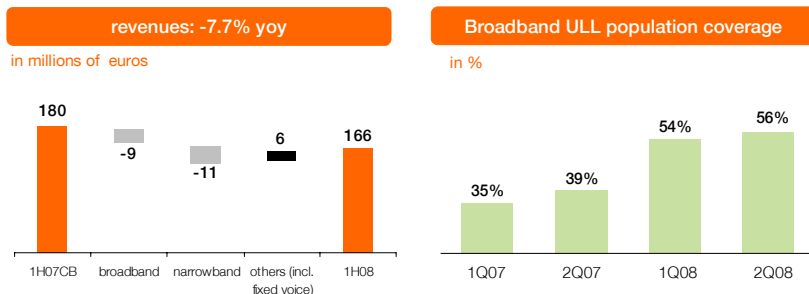
### insight

- subscriber mix improves quarter on quarter with contract customers now representing 37% of the base
- extended channels to market with a focus on direct distribution
  - direct distribution recruited 44% of contract net adds vs. 36% in 1H07
- data ARPU growth (+13% yoy), was supported by an increased mobile broadband base: 2.5M subs. (x1.8 yoy) representing 16% of the base

26



## 1H08 home UK quality and service improvement



- focus on network improvement and quality of service:
  - ULL customers increase from 23% of the broadband base in 1H07 to 40% in 1H08
  - improvement at call center level
- launch of fixed voice and improving customer loyalty are offset by low new connections and reduced market prices
- home marketing team now fully integrated with mobile

27

## UK: priorities and action plan for 2H08

### country level

#### new management in 1H, focus on:

- customer experience
  - reorganisation to be more customer focused (to complete in Q3)
  - customer service: processes improvement and geographic optimization
  - extend retail distribution to 400 shops under own property and branding
  - new segmented propositions
- network improvement both on mobile and broadband
- brand refresh launched July 08
  - biggest integrated campaign since inception, continuing into 2009

### personal

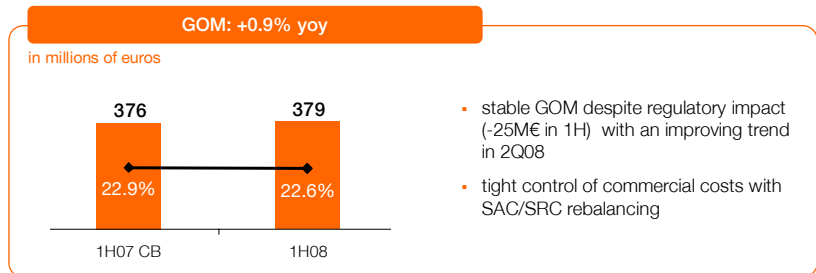
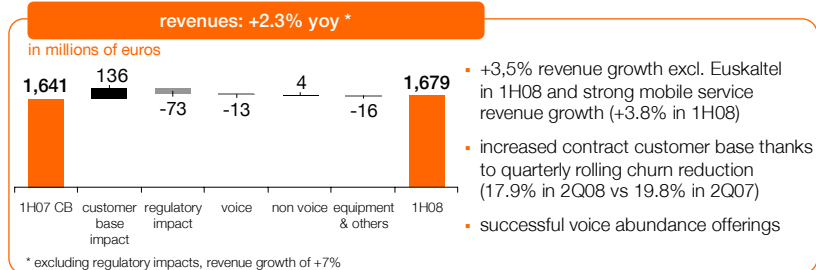
- extend 2G footprint by 450 sites
- accelerating investment in high speed 3G network

### home

- continue targeted LLU rollout
- continue to improve network performance (QoS and speed)

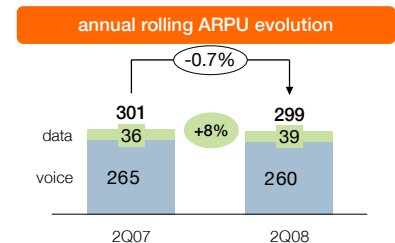
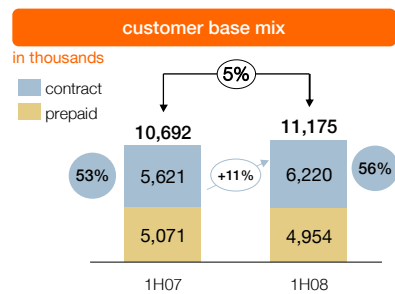
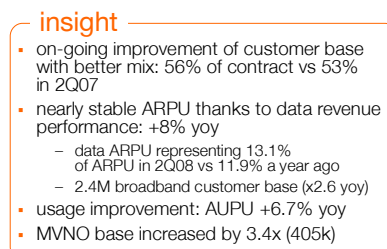
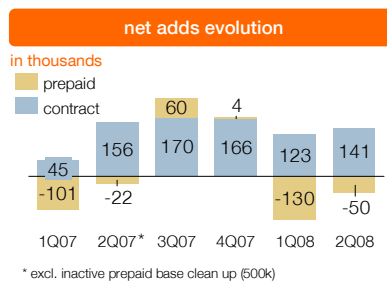
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## 1H08 personal Spain 2.3% growth in a rapidly slowing market



29

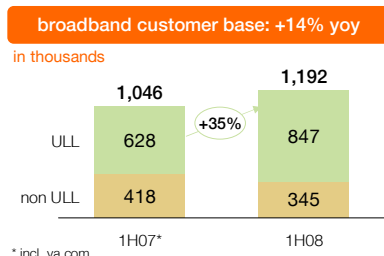
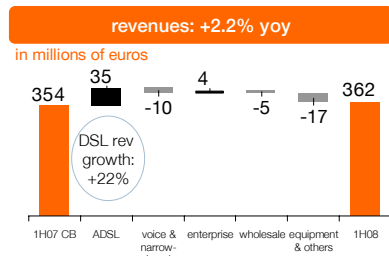
## 1H08 personal Spain consolidating market share and value of the customer base



30

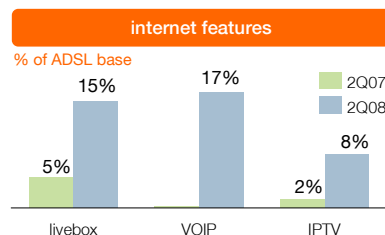
## 1H08 home Spain

strong DSL growth compensating for other activities decline for the first time since 2006



### insight

- strong continuous double digit growth of DSL revenues (+22%)
- "All in one": good level of YTD gross adds (above FY07) but high level of churn due to provisioning and regulatory issues
- increased broadband ARPU thanks to multiplay offerings: 28.7€ in 1H08, +3% yoy



31

## Spain: priorities and action plan for 2H08

### country level

- in a slowing market, the objective remains to consolidate value market share and to optimize cost structure:
  - distribution channel restructuring
    - Orange will open 300 stores in Spain over the next two to three years (30 to 40 stores by year end)
    - focus on aggressive growth of the online distribution channel
  - further optimisation of commercial costs through rebalancing of acquisition and retention
  - headcount reduction

### personal

- maintain momentum in contract growth with new offers, leveraging on customer mix to benefit from data ARPU growth
- pursue development of 3G base and dongle offers
- further increase MVNO business with new agreements

### home

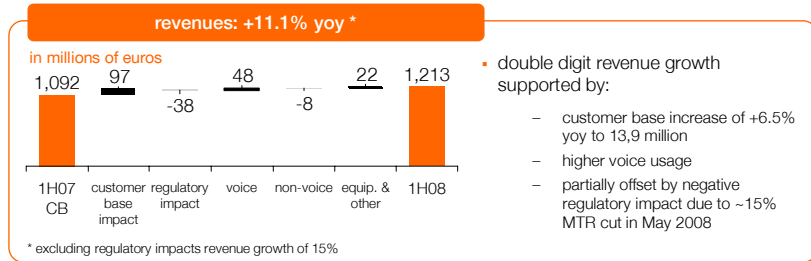
- improve triple play provisioning performance
- push ULL strategy through the rollout of new MDFs
- keep leadership in innovation, launch new convergent offers and develop content and SVOD

32

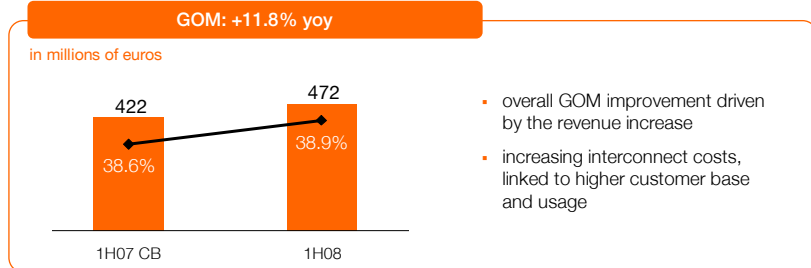


## 1H08 personal Poland

### revenues supported by growth in customer base and usage

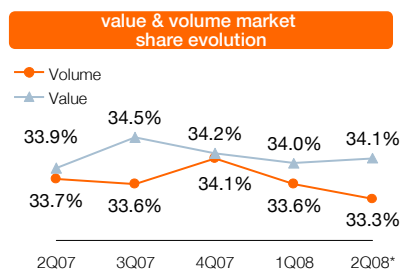


33



## 1H08 personal Poland

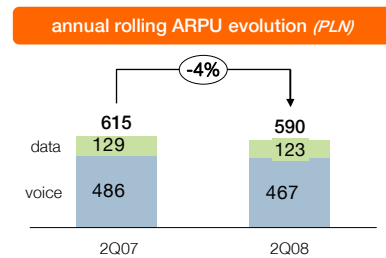
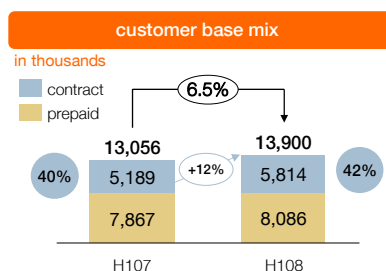
### leadership position maintained in both value & volume



- insight**
- 5% growth in voice usage (average usage per user\*\*)
  - continuous growth in mobile broadband customer base with non voice revenues staying above 20% of network revenues
  - decrease in annual rolling ARPU of 4% due to the MTR decrease of ~15% in May and SMS price erosion & cost netting

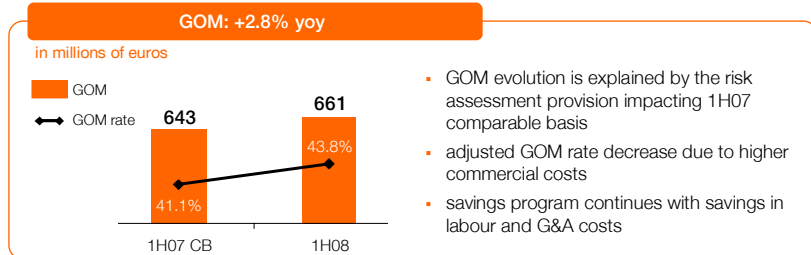
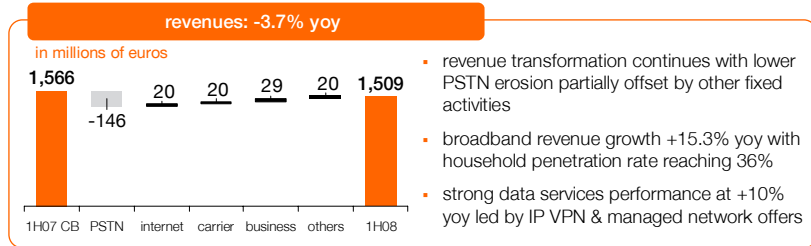
34

\* company estimates, \*\* annual rolling



## 1H08 home Poland

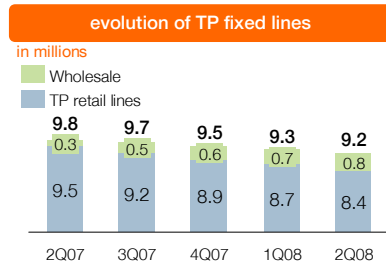
### lower PSTN erosion vs 1H07 thanks to broadband & other activities ramp-up



35

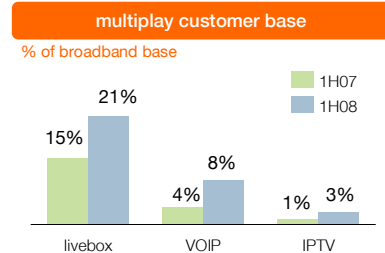
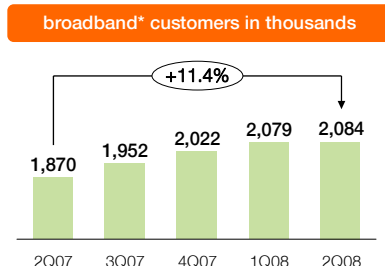
## 1H08 home Poland

### broadband value market share leadership at 50% in H1



#### insight

- fixed line evolution is mainly driven by fixed to mobile substitution
- retail broadband subscriber base (+11%) impacted in Q2 by new provisioning system stabilisation period
- flat broadband ARPU benefiting from innovative multiplay and content offers



36

\* retail ADSL + SDI

## Poland: priorities and action plan for 2H08

### country level

- revenue guidance revised from -1% to flat
- continue with cost reduction plans and asset optimisation programs
- extend the usage of the Orange brand
- launch new content services

### personal

- push sales in data services (including laptops & iPhone)
- greater focus on customer retention through SIM card activation rather than handset upgrades
- further increase the market share of the Orange FreeDom Bit Stream Access based ADSL service

### home

- stabilise broadband provisioning and launch of the "Babybox"
- increase the internet penetration in the business segment and IP VPN Managed services
- adopt a more aggressive approach concerning PSTN retention plans including the Wireless Broadband (CDMA) offer

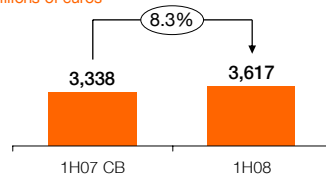
37

## 1H08 personal ROW

### sustained growth in more penetrated markets

revenues: +8.3% yoy\*

in millions of euros

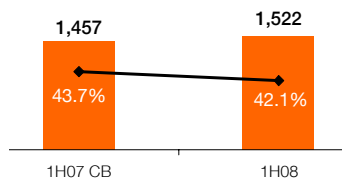


\* excluding regulatory impacts revenue growth of 13%

- strong H1 performance
- growth driven mainly by Egypt, Dominican Republic, Senegal, Ivory Coast and Romania
- progressive maturing of other European countries

GOM: +4.4% yoy

in millions of euros

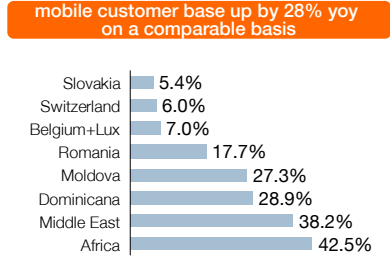
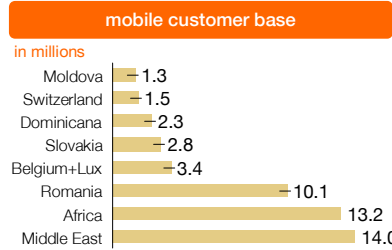


- GOM increase driven by strong margins kept in the Middle East & Europe
- increased commercial costs in some markets and start-up costs in new geographies (Guinea, Niger, ...)

38

## 1H08 personal ROW

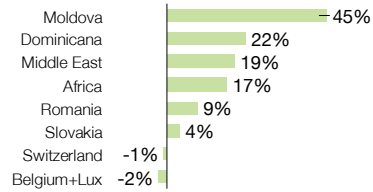
overall customer base up to 49 million, 43% of group base



### insight

- Africa: significant continued growth mainly coming from Madagascar, Mali & the Ivory Coast, despite difficult global economic situation
- Middle East: strong growth with 38% customer base increase to above 14 million customers
- Europe: growth coming from Eastern countries

### organic revenue growth up by 8.3% yoy



39

## 1H08 home ROW



- +5.8% yoy revenue growth in Middle East & Africa on a comparable basis
- growth in broadband in specific markets

40

## focus on new operations

### Orange Guinea

- 398 k customers at the end of H1 and 23% market share after only 8 months
- recent launch of 5<sup>th</sup> operator



### Orange Niger

- successful launch of GSM network on the 30<sup>th</sup> of June
- recent sign-up of customer number 100,000

### Orange Bissau

- need to continue to extend coverage and improve our distribution channels to compete more effectively

### Telkom Kenya

- financial integration in consolidated group accounts expected in Q4
- fixed operations ongoing and expecting to start GSM mobile operations in H2

41

## RoW: priorities and action plan for 2H08

### regional level

- develop home activities with specific organisation and more integrated distribution channels
- work on customer satisfaction in order to reduce churn (especially in mature markets) and gain new clients (especially in emerging markets)
- develop growth relays such as m-payment
- increase operational efficiency through outsourcing when appropriate (especially in mature markets)

### personal

- pushing mobile broadband/data usage, including Flybox & iPhone sales, especially in mature markets
- increase the importance of direct & online sales channels
- maintain & improve QoS levels
- launch of Business Everywhere (dongles) in emerging markets and launch of 3G network in Egypt

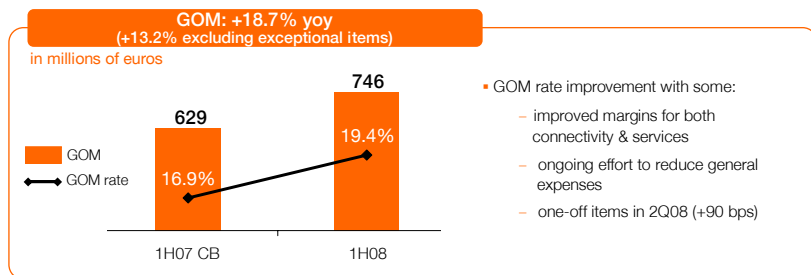
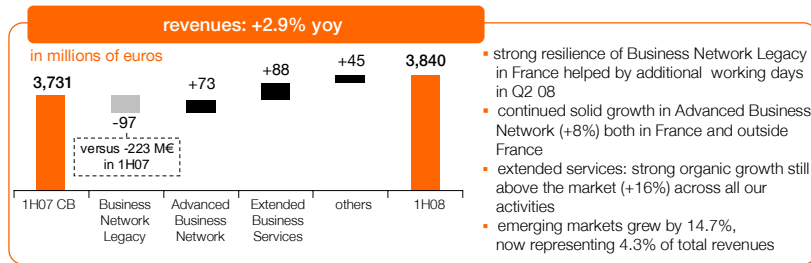
### home

- further progress in broadband roll-out in appropriate emerging markets where bandwidth is available / affordable
- greater use of existing customers and sales channels to generate further growth
- continue with fixed broadband initiatives including FTTH and Wimax pilots in Slovakia, Switzerland, ...

42

## 1H08 enterprise

### Q1 growth trend confirmed in Q2 over all our portfolio



43

## 1H08 enterprise:

### priorities and action plan for 2H08

#### overall

- increase our business while preserving our level of profitability, through a strong management of operations:
  - develop network related services and continue to improve margin of services (real-time business)
  - further streamline costs base through reengineering of our critical processes
  - strengthen our leadership in quality of service

#### international

- consolidate our presence in Russia and India and continue to grow in other emerging markets
- in an increasingly competitive market, continuously optimize administrative and operational costs (in particular access costs)

#### France based companies

- leverage IP convergence services for end-users to consolidate our core network business
- preserve our connectivity margin

44

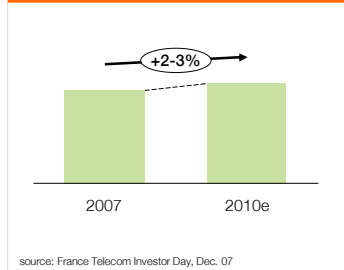
# outlook



## 2008 outlook

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

market growth forecast  
as of December 07



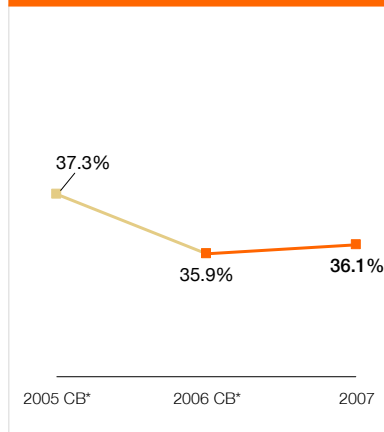
### main 2<sup>nd</sup> half business trends

- 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

#### evolution of GOM rate



#### 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

47

## full year 2008 guidance is confirmed

#### GOM rate

- stability

#### CAPEX to sales

- around 13%

#### organic cash flow

- higher than € 7.8 bn

48



## 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

49

\* record date: market before payment date, ex-dividend date: 3 days before payment date

# appendices

## glossary <sup>(1)</sup>

<b>ADSL market share</b>	<ul style="list-style-type: none"> <li>sum of France Telecom ADSL access on the retail market (excluding monopoly usage without high-speed Internet access), the unbundling and ADSL wholesale offers sold to third party operators and Internet access providers (IAPs).</li> </ul>
<b>ARPU</b> (Average Revenues Per User)	<ul style="list-style-type: none"> <li><b>for HCS segment:</b> average monthly revenues on the basis of the last twelve months divided by the weighted average number of customers over the same period.</li> <li><b>for PCS segment:</b> revenues of the network generated over the last twelve months (excluding revenues from mobile virtual network operators – MVNO) divided by the weighted average number of customers over the same period.</li> <li><b>for Internet:</b> connectivity revenues divided by the weighted average number of Internet customers during the same period.</li> </ul>
<b>AUPU</b> (Average Usage Per User)	<ul style="list-style-type: none"> <li><b>for PCS segment:</b> total minutes used over the preceding 12 months (outgoing, incoming and roaming calls, excluding the traffic of Mobile Virtual Network Operators) divided by the weighted average number of customers over the same period. AUPU is expressed in minutes as a monthly usage per customer.</li> </ul>
<b>CAPEX</b> (CAPital EXpenditures)	<ul style="list-style-type: none"> <li>tangible and intangible investments excluding GSM and UMTS licenses and investments through finance lease.</li> </ul>
<b>C.B.</b> (Comparable Basis)	<ul style="list-style-type: none"> <li>data presented with comparable methods, consolidation and exchange rates are presented for the preceding period.</li> </ul>
<b>Churn Rate</b>	<ul style="list-style-type: none"> <li>total number of customers who disconnect or are considered to have disconnected from its network, voluntarily or involuntarily (excluding money-back return and fraudulent connections) for the previous 12 months divided by the weighted average number of customers over the same period.                             <ul style="list-style-type: none"> <li>for Personal UK, migrations between contract and prepaid products are included in individual product churn but not in overall churn. Disconnections occurring either during the money-back guaranteed 14-days trial period or due to fraudulent connections are not included in churn. Prepaid customers are considered churned if they have not made any outgoing calls or received less than 4 incoming calls in the last 3 months.</li> <li>for Personal France, churn includes migrations between contract and prepaid products and those customers upgrading their handsets via an indirect channel as well as prepaid customers are treated as having churned after eight months if they do not recharge their account during this eight-month period.</li> </ul> </li> </ul>
<b>GOM</b> Gross Operating Margin	<ul style="list-style-type: none"> <li>revenues less external purchases, other operating expenses (net of other operating income) and labour expenses. Labour expenses presented in GOM do not include employee profit-sharing or share-based compensation.</li> </ul>

51

## glossary <sup>(2)</sup>

<b>Net Financial debt</b>	<ul style="list-style-type: none"> <li>gross financial debt (converted at the year end closing rate), less (i) derivative instruments carried in assets for trading, cash flow hedges and fair value hedges, (ii) cash collateral paid on derivative instruments, (iii) cash and cash equivalent and financial assets at fair market value, and (iv) certain deposits paid on specific transactions, and adjusted for the impact of the effective portion of cash flow hedges.</li> </ul>
<b>Number of Employees</b>	<ul style="list-style-type: none"> <li>active employees at end-of-period: number of persons working on the last day of the period, including both permanent and fixed-term contracts.</li> </ul>
<b>Mature markets</b>	<ul style="list-style-type: none"> <li>France, UK, Spain, Switzerland, Belgium, Luxembourg, Poland Fixed</li> </ul>
<b>Growing markets</b>	<ul style="list-style-type: none"> <li>Poland mobile, Botswana, Cameroon, Dominican Republic, Egypt, Equatorial Guinea, Ivory Coast, Jordan, Madagascar, Mali, Mauritius, Mexico, Moldova, Romania, Slovakia, Senegal, Vanuatu, Vietnam, other countries</li> </ul>
<b>SACs</b> Subscriber Acquisition Costs	<ul style="list-style-type: none"> <li>for PCS segment: Sum of the acquisition costs for the handsets sold and the commissions paid to retailers from which are deducted the revenues received from the sale of handsets, for each new customer.</li> </ul>
<b>SRC</b> Subscriber Retention Costs	<ul style="list-style-type: none"> <li>for PCS segment: sum of the acquisition costs for the handset sold and the commission paid to retailers from which are deducted the revenues received from the sale of handset for each customer renewing his contract.</li> </ul>
<b>Commercial costs</b>	<ul style="list-style-type: none"> <li>external purchases including purchase of handset and other products sold, retail fees and commissions and advertising, sponsoring and brand costs</li> </ul>
<b>IT&amp;N costs</b>	<ul style="list-style-type: none"> <li>external purchases including services fees and inter-operator costs, outsourcing fees relating to technical operation and maintenance and IT expenses</li> </ul>
<b>Labour costs</b>	<ul style="list-style-type: none"> <li>wages and employees benefit expenses excluding employee profit sharing and share based compensation costs – net of capitalized costs.</li> </ul>

52

## appendix 1

### 1H07 from historical to comparable basis results

in millions of euros	historical in local currency	data weight. avg rate H107	in MEUR	comparable weight. avg rate H108	basis forex impact	perimeter impact	in MEUR
<b>revenues</b>			<b>25,913</b>		-336	-266	<b>25,310</b>
EUR	18,050	1,00000	18,050	1,00000	0		
GBP	2,152	1,48232	3,190	1,29071	-417		
PLN	8,881	0,26021	2,311	0,28670	235		
other			2,362		-154		
<b>GOM % of rev</b>			<b>9,416 36.3%</b>		-57	-122	<b>9,237 36.5%</b>
<b>capex % of rev</b>			<b>2,967 11,4%</b>		-13	26	<b>2,980 11,8%</b>

53

## appendix 2

### 3Q07 historical basis results – indication of perimeter impact

in millions of euros	historical in local currency	data weight. avg rate Q307	in MEUR	comparable weight. avg rate Q308	basis forex impact	perimeter impact (*)	in MEUR
<b>revenues</b>			<b>13,508</b>			-141	<b>13,367</b>
EUR	9,347	1,00000	9,347				
GBP	1,125	1,49667	1,684				
PLN	4,603	0,26372	1,214				
other			1,262				
<b>GOM % of rev</b>			<b>5,094 37.7%</b>			-27	<b>5,067 37.9%</b>
<b>capex % of rev</b>			<b>1,434 10.6%</b>			-36	<b>1,398 10.5%</b>

54

\* mainly: negative impact of Orange Netherlands disposal, positive impact of Ya.com and VoxMobile acquisition  
Kenya acquisition not taken into account

### appendix 3

#### 4Q07 historical basis results – indication of perimeter impact

in millions of euros	historical in local currency	data weight. avg rate Q407	in MEUR	comparable weight. avg rate Q408	basis forex impact	perimeter impact (*)	in MEUR
<b>revenues</b>			<b>13,539</b>			-46	<b>13,494</b>
EUR	9,293	1,00000	9,293		<b>TO BE ESTIMATED</b>		
GBP	1,213	1,39218	1,689				
PLN	4,606	0,27358	1,260				
other			1,297				
<b>GOM % of rev</b>			<b>4,605 34.0%</b>			-4	<b>4,601 34.1%</b>
<b>capex % of rev</b>			<b>2,578 19.0%</b>				<b>2,578 19.0%</b>

55

\* Kenya acquisition not taken into account

### appendix 4

#### 2007 historical basis results – indication of perimeter impact

in millions of euros	historical in local currency	data weight. avg rate Q407	in MEUR	comparable weight. avg rate Q408	basis forex impact	perimeter impact (*)	in MEUR
<b>revenues</b>			<b>52,959</b>			-452	<b>52,507</b>
EUR	36,690	1,00000	36,690		<b>TO BE ESTIMATED</b>		
GBP	4,490	1,46160	6,563				
PLN	18,091	0,26450	4,785				
other			4,921				
<b>GOM % of rev</b>			<b>19,116 36.1%</b>			-154	<b>18,692 36.1%</b>
<b>capex % of rev</b>			<b>6,979 13.2%</b>			-9	<b>6,970 13.3%</b>

56

\* mainly: negative impact of Orange Netherlands disposal, positive impact of ya.com and VoxMobile acquisition  
Kenya acquisition not taken into account

## appendix 5

### enterprise positioning on emerging markets: a key asset to build growth

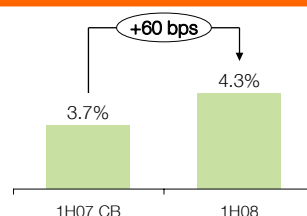
#### key facts

- the best footprint for enterprise with the extension of Ethernet Links international coverage: 21 countries on 4 continents (incl. India and Morocco)
- presence in sizeable growth potential areas with high end value services offers (IP Network solution & Integration Services)
- emerging markets revenues grew by 14.7% yoy on a comparable basis

#### 1H08 main events

- India: acquisitions & long distance telephony licence
- Vietnam: expansion of our partnership with Vietnam Datacommunication Company
- Russia: licence for long-distance telephony operated since February 08
- key contract won:
  - Airbus: TolP\*\* in China
  - Tiens: global network in China

#### contribution to enterprise revenues\*



#### emerging markets footprint



57

\* excluding Globecast

\*\* Telephony over IP

## appendix 6 - balance sheet (1)

(in millions of euros)

	Note	Half year ended June 30, 2008	Year ended December 31, 2007
<b>ASSETS</b>			
goodwill, net		31,631	31,389
other Intangible assets, net		16,009	16,658
property, plant and equipment, net		27,751	27,849
interests in associates		321	282
assets available for sale		515	518
non-current loans and receivables	5	2,234	1,960
non-current financial assets at fair value through profit or loss	5	104	54
non-current hedging derivatives assets	5	10	42
other non-current assets		34	63
deferred tax assets		6,228	7,273
<b>total non-current assets</b>		<b>84,837</b>	<b>86,088</b>
inventories, net		837	1,068
trade receivables, net		6,239	6,556
current loans and other receivables	5	99	81
current financial assets at fair value through profit or loss, excluding cash equivalents	5	78	534
current hedging derivatives assets	5	14	12
other current assets		2,123	2,035
current tax assets		53	111
prepaid expenses		831	673
cash and cash equivalents	5	3,880	4,025
<b>total current assets</b>		<b>14,154</b>	<b>15,095</b>
<b>TOTAL ASSETS</b>		<b>98,991</b>	<b>101,183</b>

58

## appendix 7 - balance sheet (2)

(in millions of euros)

	Note	Half year ended June 30, 2008	Year ended December 31, 2007
<b>EQUITY AND LIABILITIES</b>			
share capital		10,459	10,457
additional paid-in capital		15,324	15,317
retained earnings		1,791	2,532
translation adjustment		1,783	1,747
equity attributable to equity holders of France Telecom SA		29,357	30,053
minority interests		4,021	4,470
<b>total equity</b>	6	<b>33,378</b>	34,523
non-current trade payables		515	435
non-current financial liabilities at amortized cost, excluding trade payables	5	34,009	32,532
non-current financial liabilities at fair value through profit or loss	5	592	154
non-current hedging derivatives liabilities	5	955	955
non-current employee benefits		570	535
non-current provisions		1,341	1,657
other non-current liabilities		747	870
deferred tax liabilities		1,303	1,539
<b>total non-current liabilities</b>		<b>40,032</b>	38,677
trade payables		9,356	9,580
current financial liabilities at amortized cost, excluding trade payables	5	6,701	8,694
current financial liabilities at fair value through profit or loss	5	708	730
current hedging derivatives liabilities	5	431	353
current employee benefits		1,493	1,881
current provisions		1,622	1,592
other current liabilities		2,267	1,837
current tax payables		256	331
deferred income		2,747	2,985
<b>total current liabilities</b>		<b>25,581</b>	27,983
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>98,991</b>	101,183

59

## appendix 8 - cash-flow account (1)

(in millions of euros)

	Note	Half year ended June 30, 2008	Half year ended June 30, 2007
<b>OPERATING ACTIVITIES</b>			
consolidated net income after tax		2,996	3,624
adjustments to reconcile net income/(loss) to funds generated from operations			
depreciation and amortization		3,841	4,007
impairment of non-current assets		(22)	15
gain on disposals of assets		(10)	(409)
change in other provisions		(213)	(520)
share of profits (losses) of associates		6	(1)
income tax	4	1,266	543
interest income and expense		1,064	1,226
foreign exchange gains and losses, net		(443)	(148)
derivatives		581	225
share-based compensation		41	137
change in inventories, trade receivables and trade payables			
decrease/(increase) in inventories (net)		204	30
decrease/(increase) in trade accounts receivable		185	220
increase/(decrease) in trade accounts payable		300	(399)
other changes in working capital requirements			
decrease/(increase) in other receivables		(494)	(9)
increase/(decrease) in other payables		(271)	(63)
dividends and interest income received		154	114
interest paid and interest rates effects on derivatives, net		(1,514)	(1,573)
income tax paid		(445)	(467)
<b>net cash provided by operating activities</b>		<b>7,226</b>	6,552

60

## appendix 9 - cash-flow account (2)

(in millions of euros)

	Note	Half year ended June 30, 2008	Half year ended June 30, 2007
<b>INVESTING ACTIVITIES</b>			
purchases/sales of property, plant and equipment and intangible assets			
<i>purchases of property, plant and equipment and intangible assets</i>		(3,328)	(2,967)
<i>increase/(decrease) in amounts due to fixed asset suppliers</i>		(287)	(376)
<i>proceeds from sales of property, plant and equipment and intangible assets</i>		34	51
cash paid for investment securities, net of cash acquired			
<i>purchase of treasury shares by Mobistar</i>	3	(74)	-
<i>Silicomp</i>		(5)	(89)
<i>other payments for investment securities</i>		(95)	(39)
proceeds from sales of investment securities, net of cash transferred			
<i>Tower Participations</i>		-	254
<i>Bluebirds</i>		-	110
<i>other proceeds from sales of investment securities</i>		36	48
decrease/(increase) in marketable securities and other long-term assets			
<i>Escrow account deposit</i>		(56)	-
<i>Other</i>		411	164
<b>net cash used in investing activities</b>		<b>(3,364)</b>	<b>(2,844)</b>

61

## appendix 10 - cash-flow account (3)

(in millions of euros)

	Note	Half year ended June 30, 2008	Half year ended June 30, 2007
<b>FINANCING ACTIVITIES</b>			
issuances			
<i>bonds convertible, exchangeable or redeemable into shares</i>	5	2,775	2,856
<i>long-term debt</i>	5	690	26
redemptions and repayments			
<i>bonds convertible, exchangeable or redeemable into shares</i>	5	(4,007)	(2,581)
<i>long-term debt</i>	5	(152)	(1,236)
<i>equity portion of hybrid debt</i>		(5)	(8)
<i>increase/(decrease) in bank overdrafts and short-term borrowings</i>		953	576
<i>decrease/(increase) in deposits and other debt-linked financial assets (including cash collateral)</i>		(230)	(191)
<i>exchange rates effects on derivatives, net</i>		(147)	(35)
<i>purchase of treasury shares</i>	6	22	(229)
<i>capital increase</i>	6	10	39
<i>minority shareholders' contributions</i>	6	19	-
<i>dividends paid to minority shareholders</i>	6	(552)	(531)
<i>dividends paid by France Telecom SA</i>	6	(3,386)	(3,117)
<b>net cash used in financing activities</b>		<b>(4,010)</b>	<b>(4,431)</b>
net change in cash and cash equivalents		(148)	(723)
effect of exchange rates changes on cash and cash equivalents and other non-monetary effects		3	18
cash and cash equivalents at beginning of period/year		4,025	3,970
<b>cash and cash equivalents at end of period/year (*)</b>		<b>3,880</b>	<b>3,265</b>

(\*) includes cash and cash equivalents related to assets held for sale.

62

## appendix 11- profit & loss account (in millions of euros)

	Note	Half year ended June 30, 2008	Half year ended June 30, 2007
<b>revenues</b>	2	<b>26,304</b>	25,913
external purchases	2	(11,263)	(11,030)
other operating income	2	202	236
other operating expense	2	(1,167)	(1,276)
labour expenses:			
- wages and employee benefit expenses	2	(4,401)	(4,427)
- employee profit-sharing	2	(146)	(159)
- share-based compensation	2	(41)	(137)
depreciation and amortization	2	(3,841)	(4,007)
impairment of non-current assets	2	22	(15)
gains (losses) on disposal of assets		10	409
restructuring costs	2	(202)	(45)
share of profits (losses) of associates	2	(6)	1
<b>operating income</b>		<b>5,471</b>	5,463
interest expense		(1,156)	(1,240)
foreign exchange gains (losses)		4	1
discounting expense		(57)	(57)
<b>finance costs, net</b>		<b>(1,209)</b>	(1,296)
income tax	4	(1,266)	(543)
<b>consolidated net income after tax</b>		<b>2,996</b>	3,624
net income attributable to equity holders of France Telecom SA		2,675	3,303
minority interests	6	321	316

63

## appendix 12 1H08 personal ROW

country	H108 revenues (M€)	% var yoy cb	1H08 subscribers (000s)	% var yoy cb
Belgium+Lux	747	-2,4%	3 423	7,0%
Switzerland	399	-0,9%	1 527	6,0%
Romania	628	8,8%	10 088	17,7%
Slovakia	388	3,5%	2 847	5,4%
Moldova	58	45,2%	1 267	27,3%
Dominicana	208	22,2%	2 288	28,9%
Egypt*				
Jordan				
Botswana	35	36,4%	620	31,6%
Cameroon	104	4,0%	1 827	12,2%
Central Africa	2	n/s	70	n/a
Equatorial Guinea**	15	10,4%	102	39,7%
Guinea	10	n/s	398	n/a
Guinea Bissau	1	n/s	41	n/a
Kenya				
Ivory Coast	153	13,5%	2 826	35,0%
Madagascar	45	18,3%	1 655	88,1%
Mali	121	11,7%	2 367	57,7%
Mauritius**	13	12,3%	224	12,6%
Niger				
Senegal	214	22,3%	3 042	26,7%

\* consolidated at 71,25%

\*\* consolidated at 40%

64



## appendix 13

### H108 home ROW

country	H108 revenues (M€)	% var yoy cb	H108 fixed line subscribers (000s)	% var yoy cb	H108 ADSL subscribers (000s)	% var yoy cb
Jordan	113	-2,8%	529	-12%	79	94%
Ivory Coast	96	5,3%	262	7%	26	87%
Mauritius*	22	5,9%	133	-1%	6	30%
Senegal	209	7,1%	255	-10%	44	26%

\* consolidated at 40%