

France Telecom Orange

Roadshow in Tel Aviv

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June 2012



Agenda

- 1 introduction to France-Telecom Orange,
one of the global leaders in Telecoms
- 2 a clear strategic and industrial vision
- 3 « conquest 2015 » strategic plan: a path to
shareholder value creation
- 4 latest results and main financials

France Telecom-Orange : key highlights

A Global Leader in Telecoms

226m customers, 35 countries

One of the Most Solid Capital Structure in the Sector

2x net debt/EBITDA

Attractive Yield Supported by Fundamentals

40-45% OCF payout / OCF 2012
guidance: €8bn

Clear Strategic and Industrial Vision in Changing Environment, both in France and Globally

driving new business models

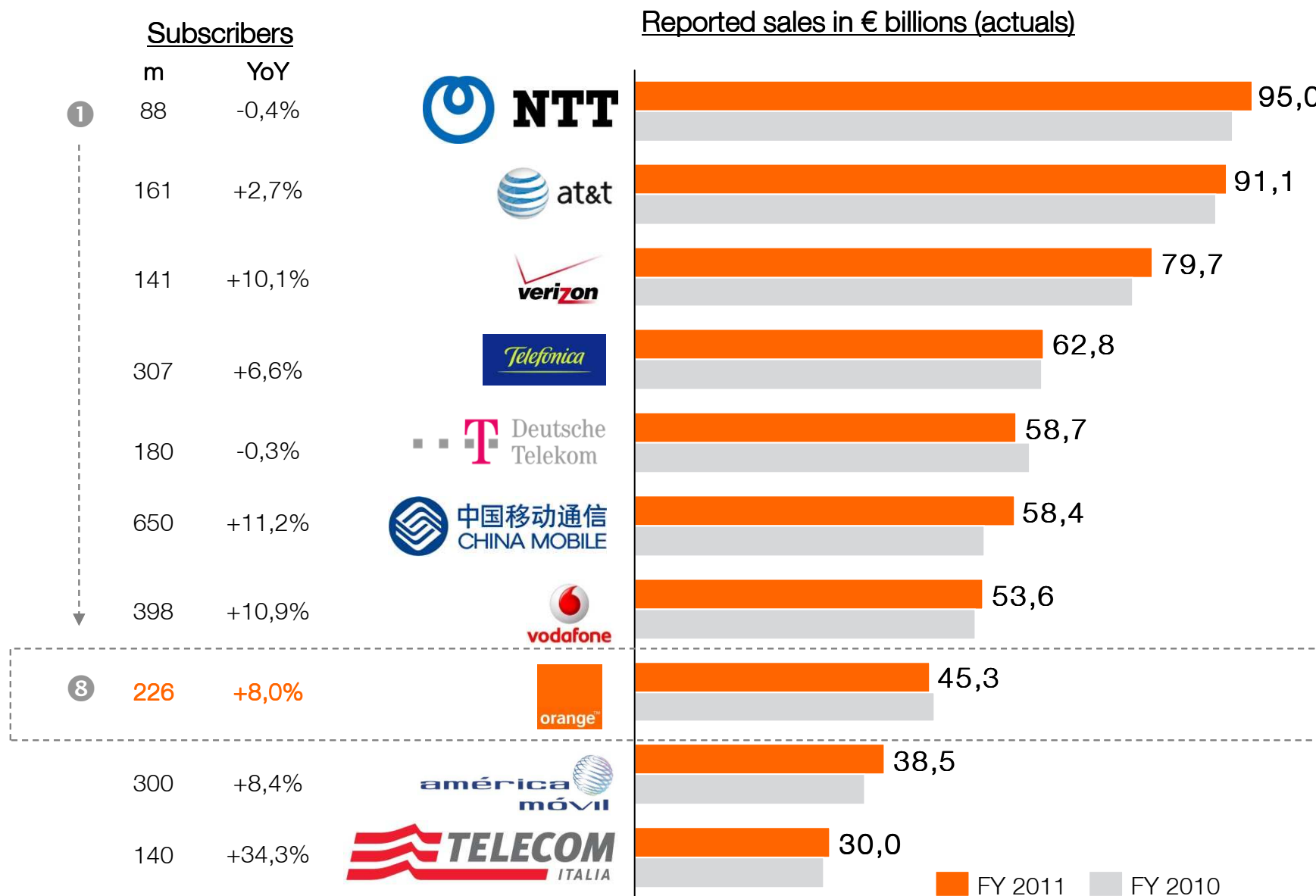
Conquest 2015: a Roadmap Focused on Shareholder Value Creation

execution on track

1

introduction to France-Telecom Orange,
one of the global leaders in Telecoms

France-Telecom Orange is one of the major telecom companies around the world



it serves 226 million customers in 35 countries ...



our Group provides services for residential customers in **35 countries**
and for businesses in **220 countries** and **territories**

... with 172k employees delivering 4 key business lines

mobile



- 35 countries
- 157 million customers worldwide

businesses



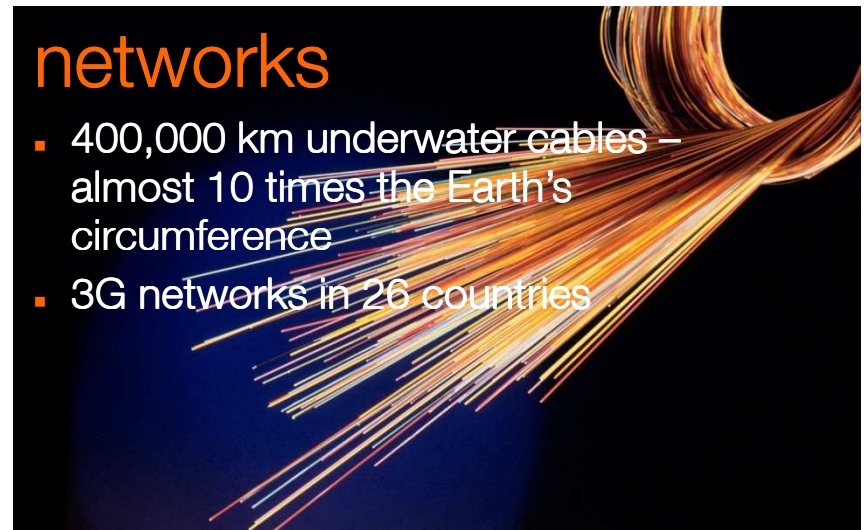
- 3,750 multinationals
- 2.7 million professionals and small, medium and large businesses in France
- 28 dedicated customer service centres

internet and fixed-line



- 9.2 million Liveboxes
- 8.3 million internet telephony customers
- 4.1 million internet TV customers

networks



- 400,000 km underwater cables – almost 10 times the Earth's circumference
- 3G networks in 26 countries

the Group has a diversified portfolio of activities and a footprint with complementary dynamics

€45.3 billion

revenue

€15.1 billion

restated EBITDA

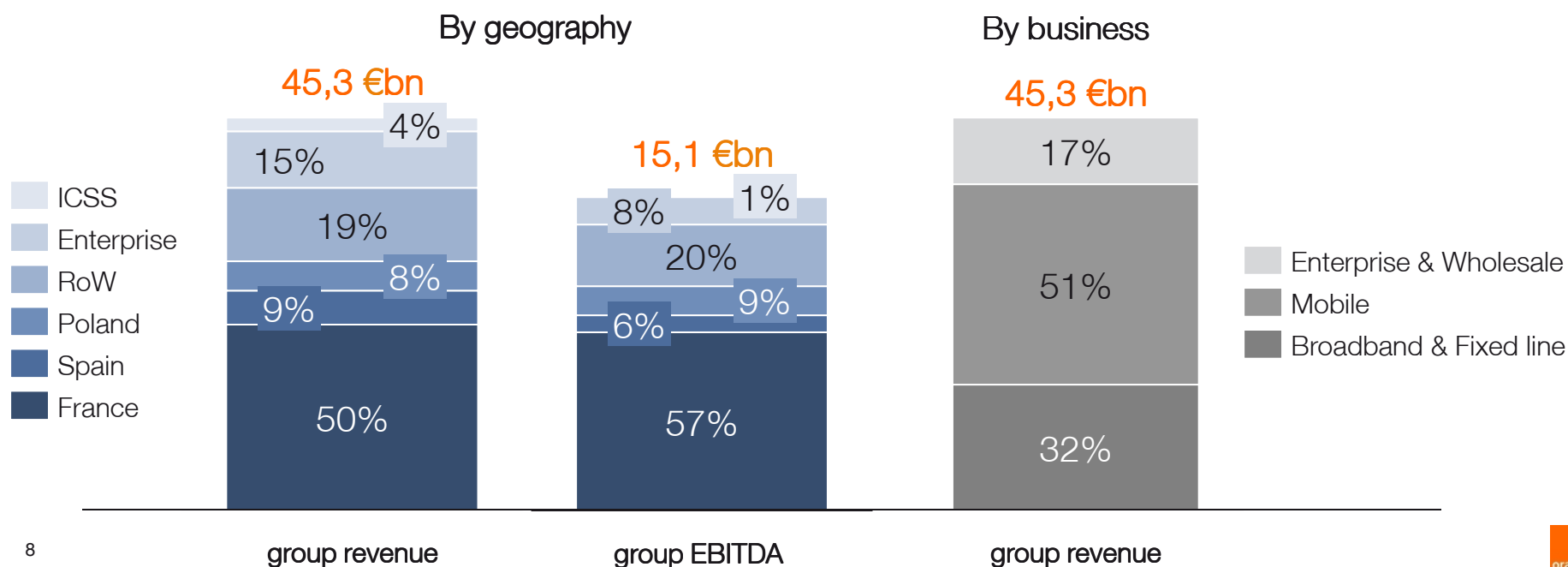
€5.8 billion

capital expenditure

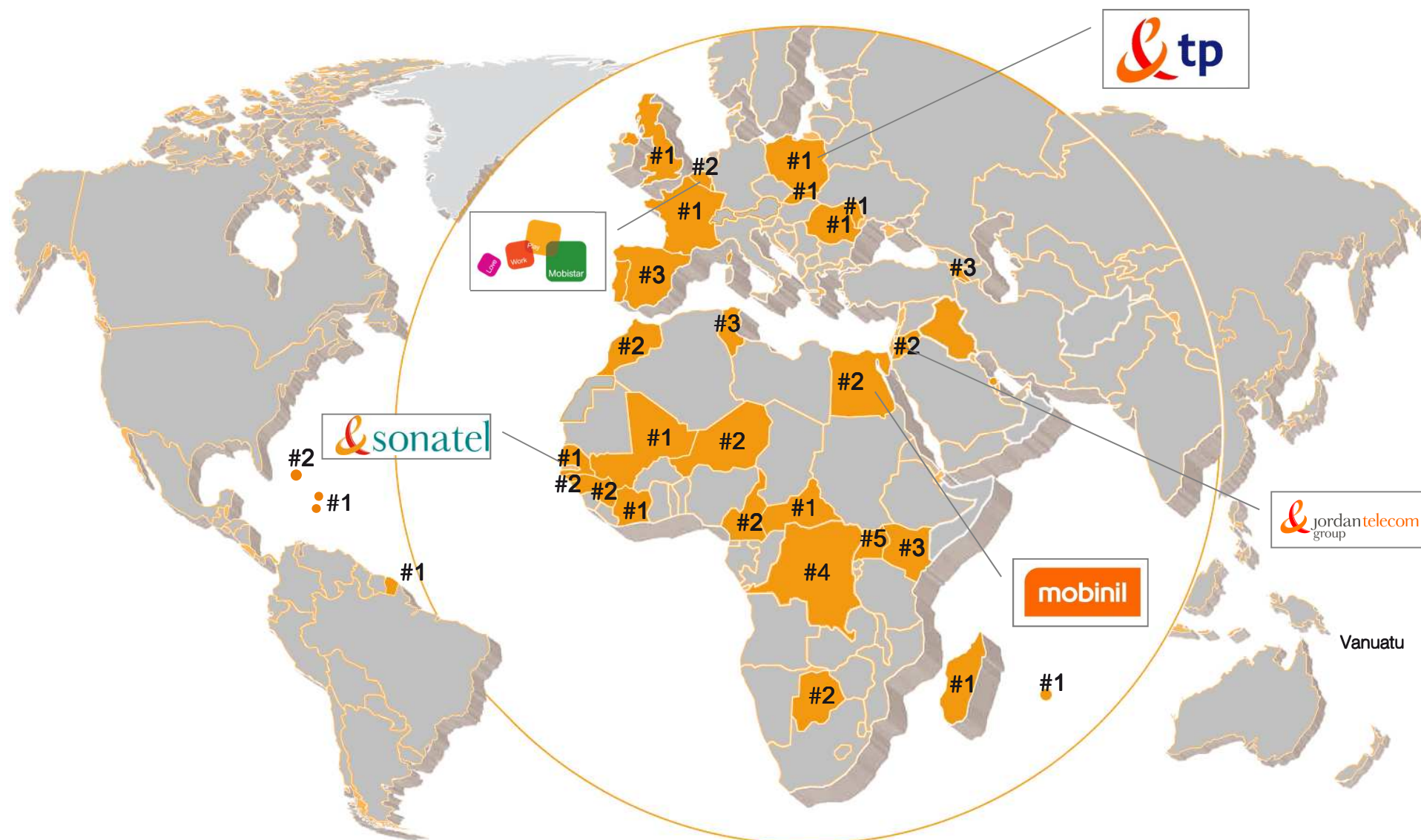
€9.3 billion

operating cash flow

Overview on 2011 financials



managing strong market positions across the footprint

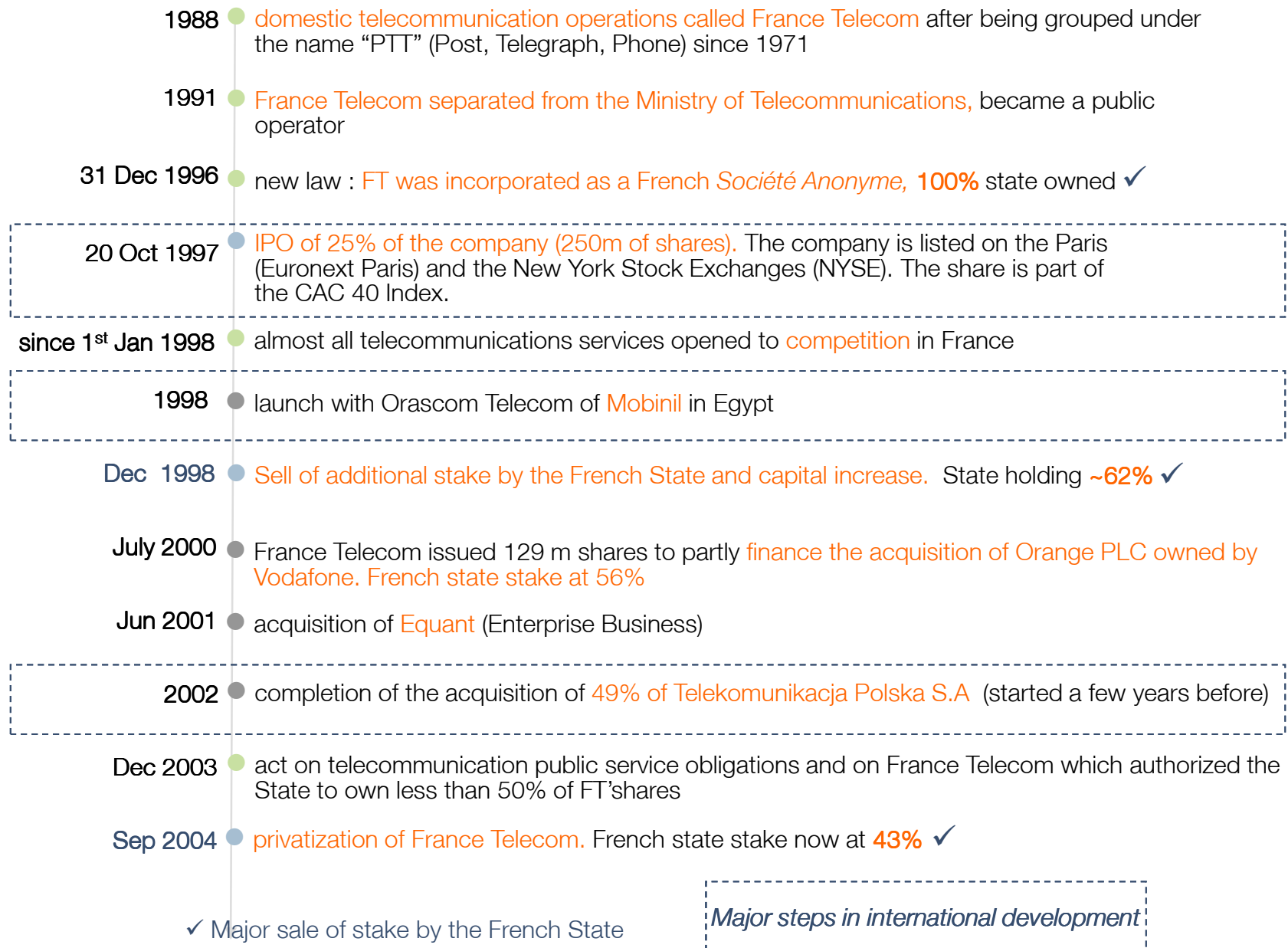


■ Countries where we provide services for residential customers

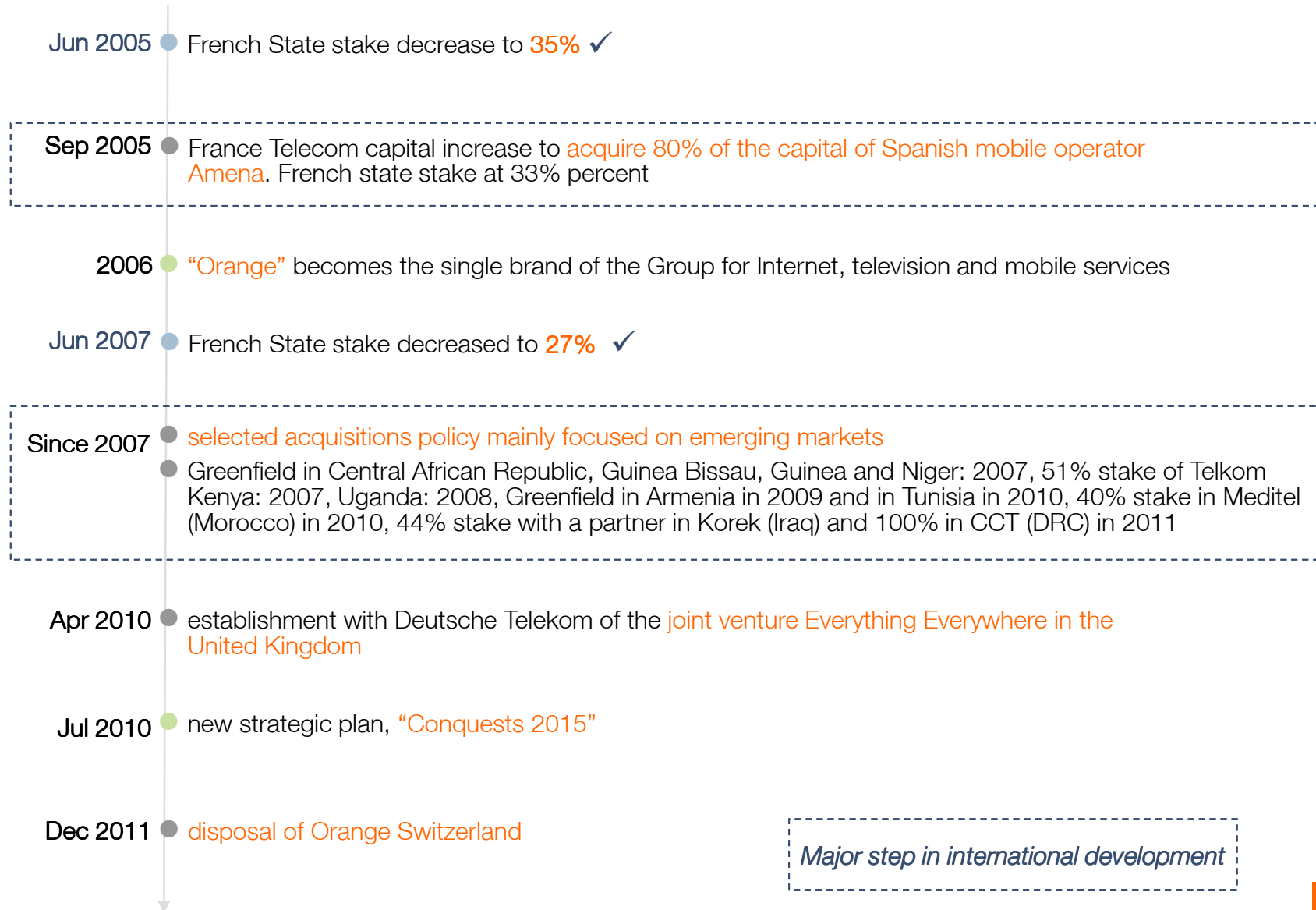
Main listed subsidiaries



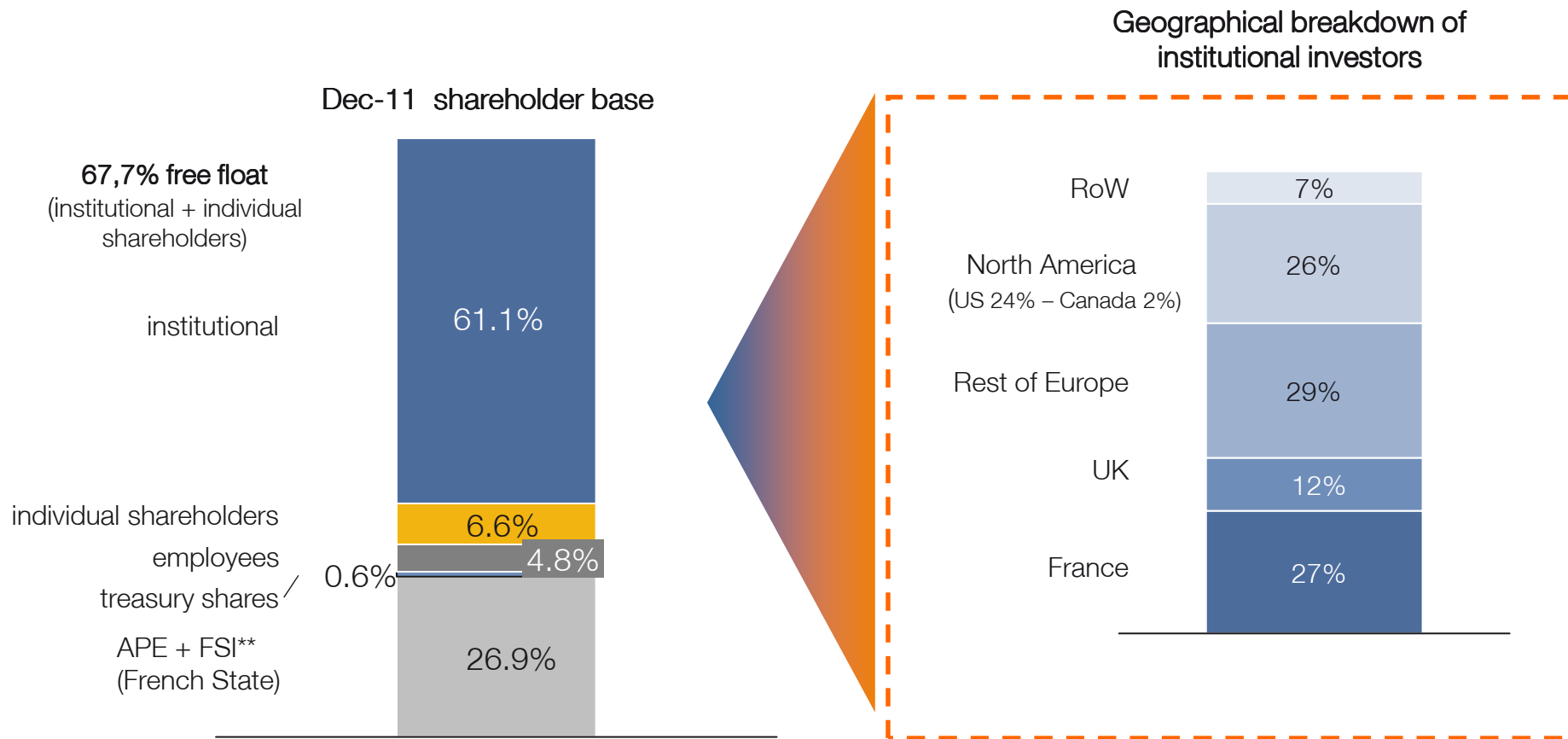
since French market opening to competition in 1998, France Telecom has proactively kept growing in an increasingly global context



in 15 years, France Telecom has expanded globally and built leading positions over a balanced footprint



France Telecom is now a major telecom group, listed in Paris and New-York* and benefiting from a robust and diversified shareholders base



* Around 100 millions ADR share

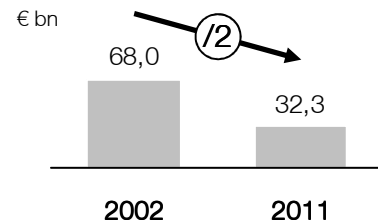
** o/w 13.4% owned by APE (Agence de Participations de l'Etat),
12 13.5% owned by FSI (French sovereign fund)

Number of shares
31st December 2011 : **2 648 885 383**

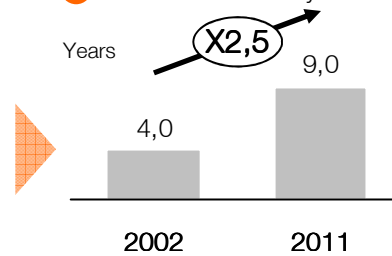
since 2002, France-Telecom Group has managed to restore a strong balance sheet while maintaining investment and remunerating shareholders

strengthening
balance sheet

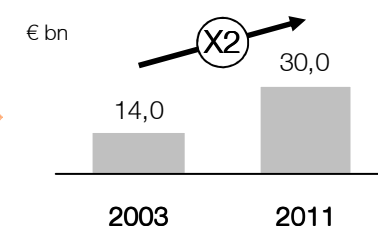
1 Debt divided by two



2 Increased maturity

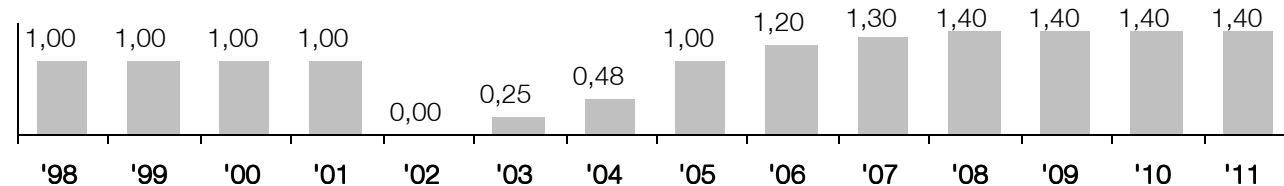


3 Equity doubled



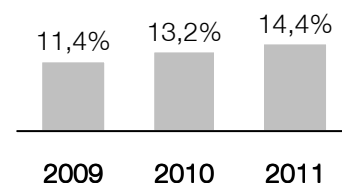
delivering attractive
shareholder
remuneration

DPS (in €)



maintaining the right
level of investment

CAPEX (spectrum included)
/revenue (%)



- Despite revenue pressure, **CAPEX maintained at the appropriate level** to continue delivering performance
- Domestic market shares at the end of 2011 close to 40% on mobile and above 45%

France Telecom has secured a solid liquidity position at very attractive conditions

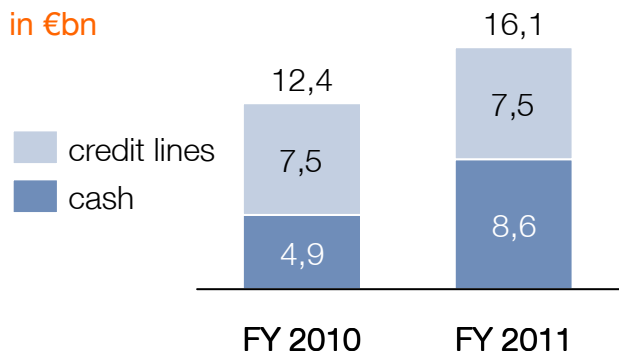
insight

- €6.1bn debt raised since January 2011(1) with a wide diversification: 10 different markets tapped in total
- very attractive cost of funding at 3.82%
- 96% of the €6bn back up line successfully extended by 1 year to January 2017, demonstrating continued strong support from a wide range of 29-core banks
- very strong liquidity position at approx. **€16bn**
- low dependence on bank funding with 88% of outstanding debt directly from debt capital markets

(1) including \$ 900m + JPY 7.5bn in January 2012

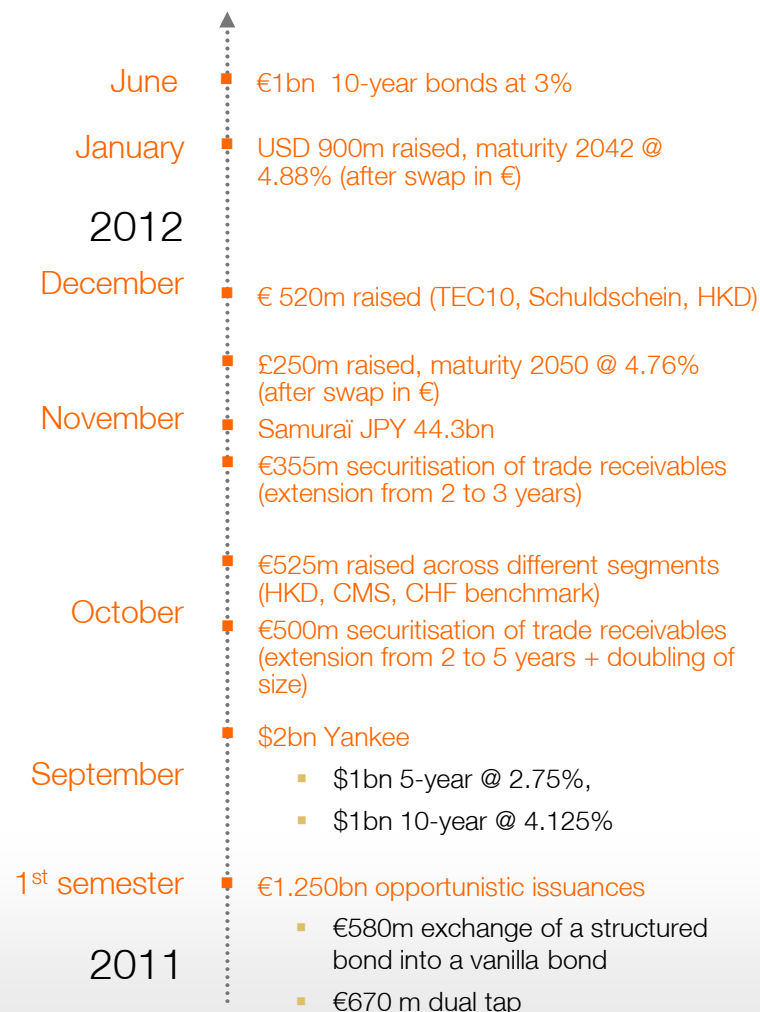
Group liquidity position

in €bn



* including bank overdrafts; **with new €6bn back-up facility vs. €14.4bn as of 31st December 2010 with previous €8bn facility

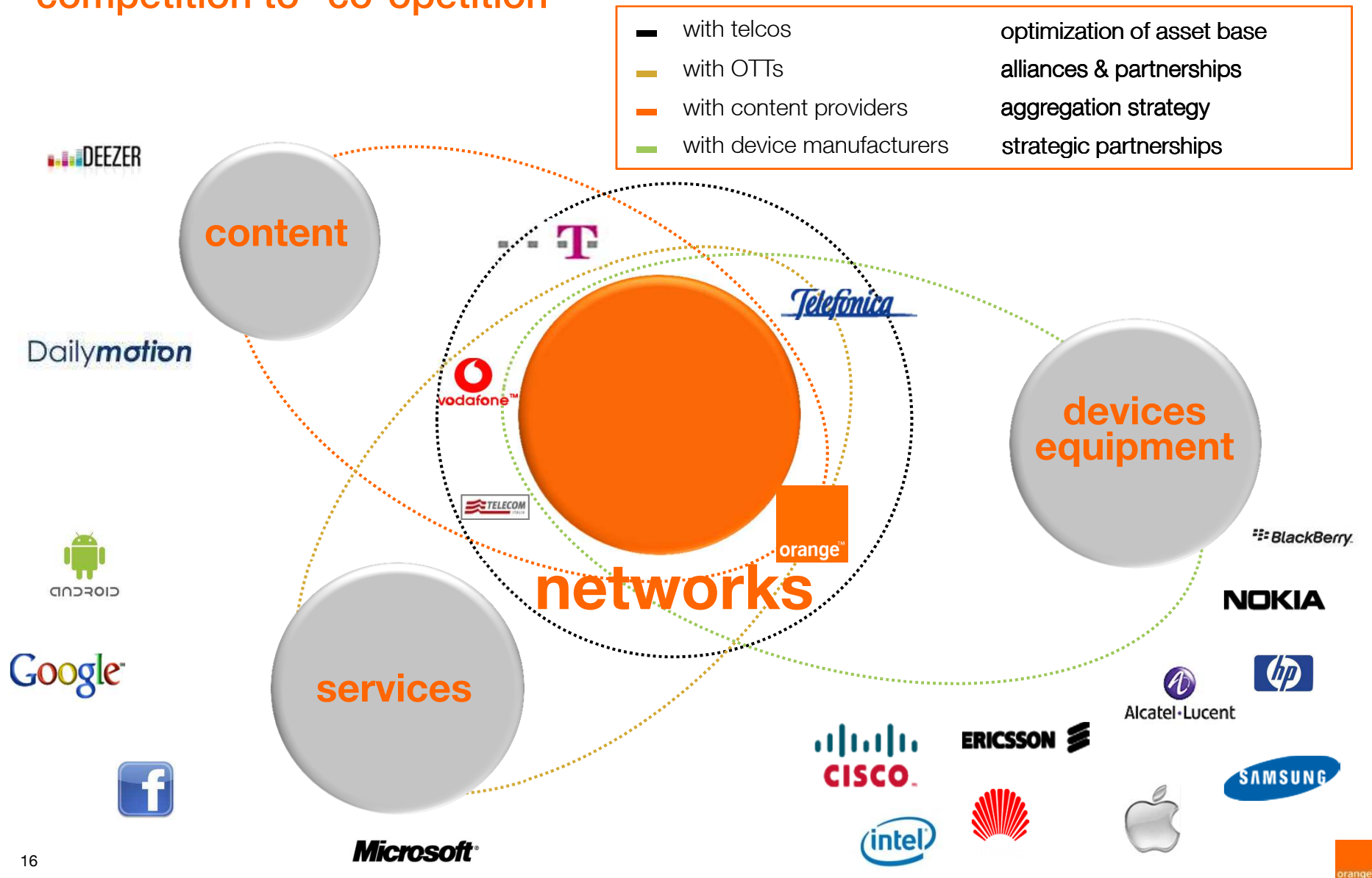
main debt raising transactions in 2011 and early 2012



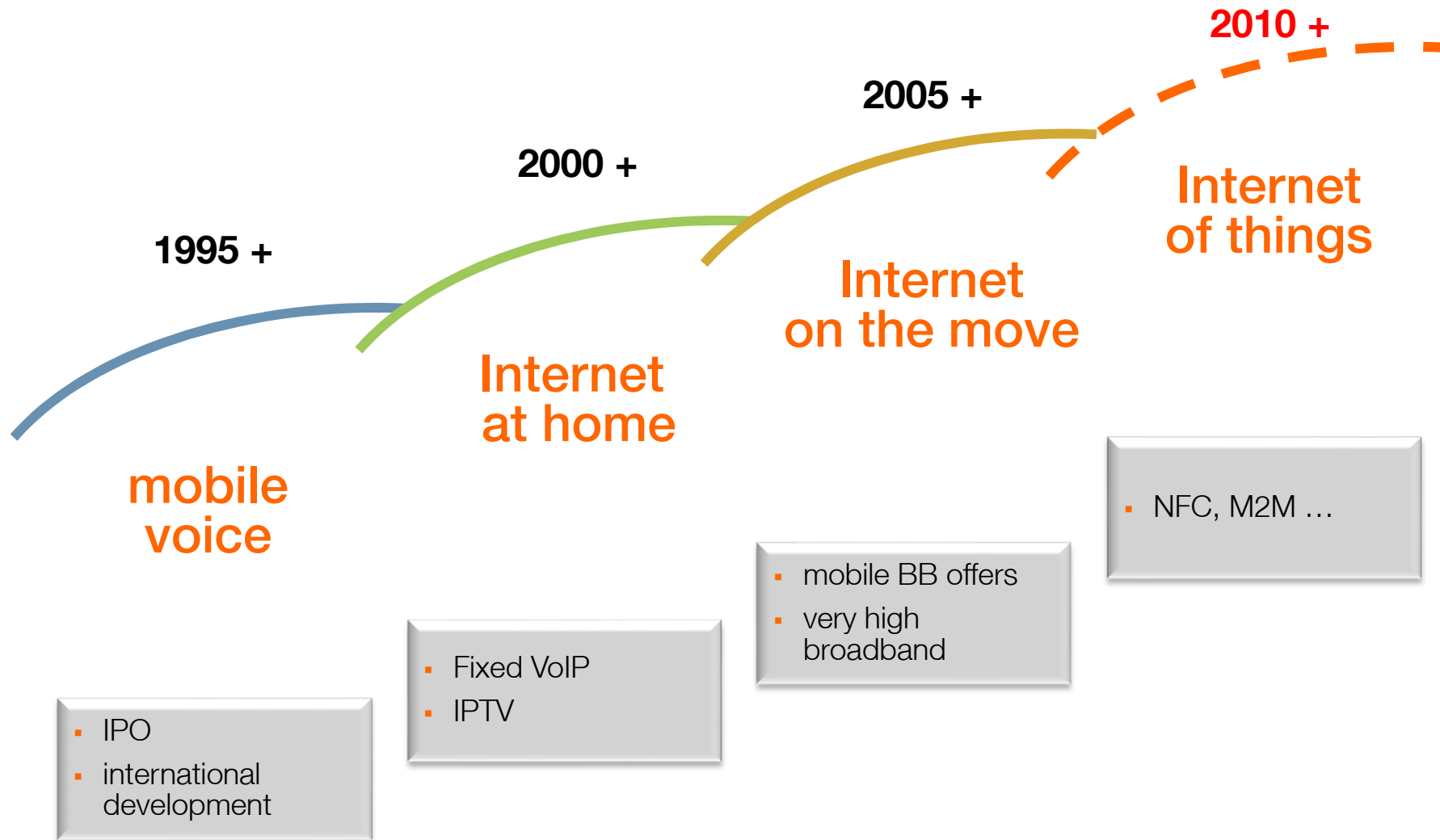
2

a clear strategic and industrial vision

telco operators benefit from a central position between OTT players, hardware and software providers : convergence calls for shift from competition to “co-opetition”

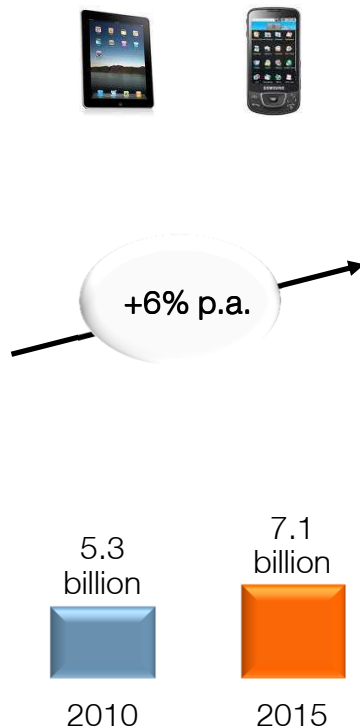


France Telecom-Orange has demonstrated its ability to adapt to its rapidly changing environment

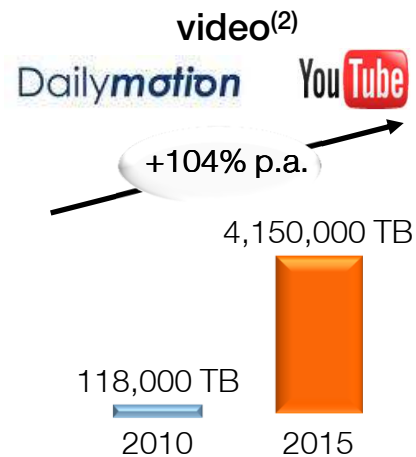


booming customers appetite for data traffic generates significant monetization opportunities...

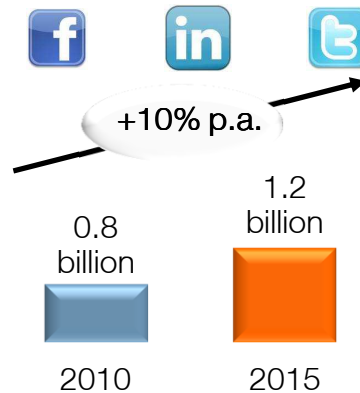
connected terminals⁽¹⁾



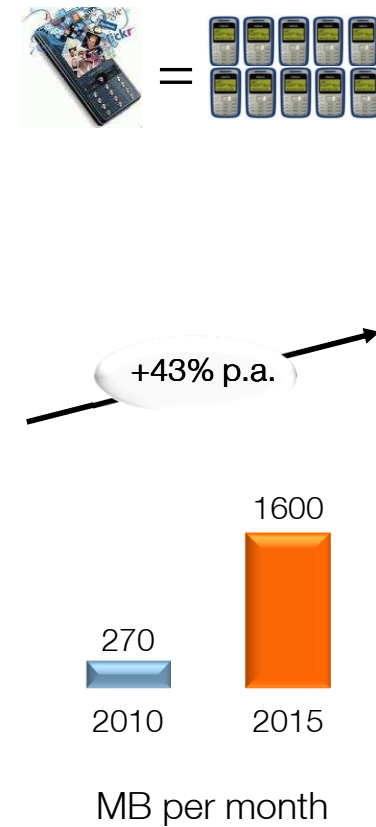
usage



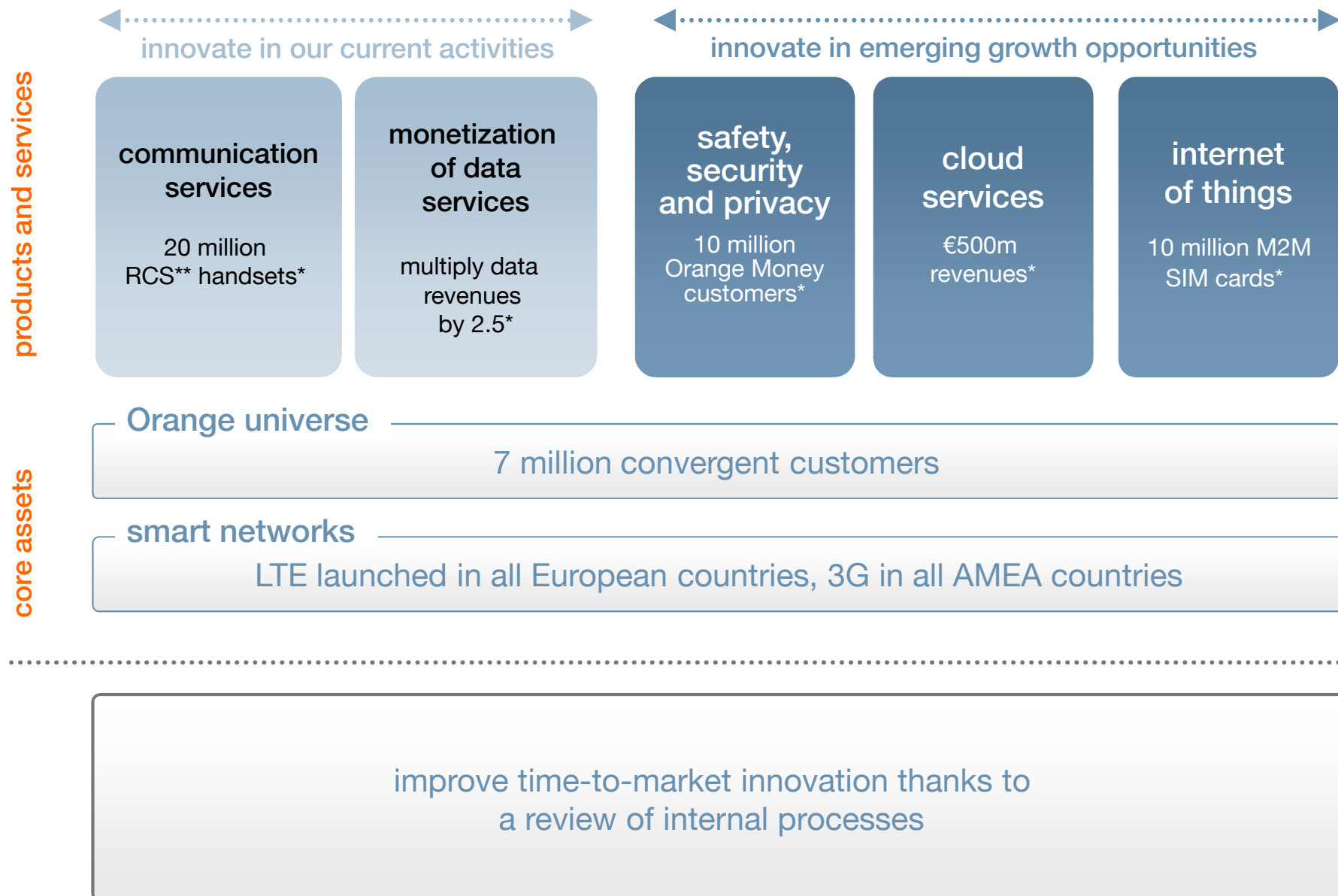
social networks⁽³⁾...



data traffic per mobile broadband subscriber⁽⁴⁾



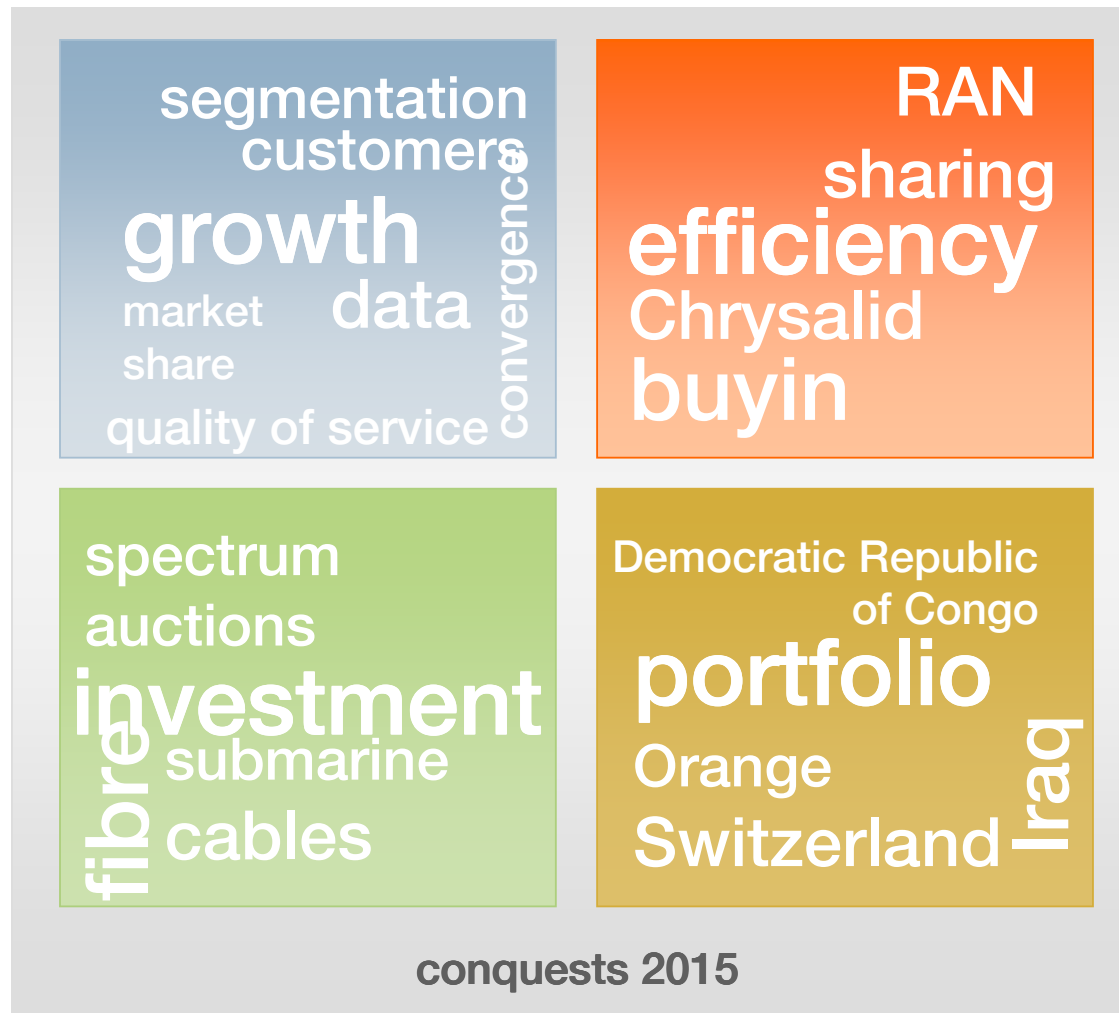
... as new business territories translate into new business models



3

« conquest 2015 » strategic plan: a path to shareholder value creation

four key levers to tackle today and tomorrow's challenges



translating into geography-specific strategies

france: best customer offering to defend leadership



best offers

cross selling

new segmentation/price
mix strategy

quad-play (i.e. Open)

best content in music & video
(Deezer, Dailymotion)



best networks

best mobile network following
ARCEP

98% 3G+ coverage of
population by end of 2011

fibre rollout



best service

1,200 shops nationwide

flagships in large cities

39,000 frontline employees
in France

growth

efficiency

investment

portfolio

orange

europe, AMEA & Enterprise: attractive growth prospects

strong prospect in Europe

be n°2 in Spain
triple our mobile data revenues by 2015
double our fixed broadband revenues by 2015

+12%

fixed broadband
subscribers
(2010-13 CAGR)

growth in AMEA

double our revenues by 2015
be the n°1 or n°2 everywhere by 2015
capture growth in rural areas
accelerate 2G/3G mobile coverage

+8%

customer accesses
(2010-13 CAGR)

develop new areas in Enterprise

develop new growth areas: cloud, video
generate 1/3 of our revenues in services in 2015
double our emerging market revenues by 2015
enable digital society through partnerships

€ 1bn

Enterprise emerging
markets revenues
in 2015

growth

efficiency

investment

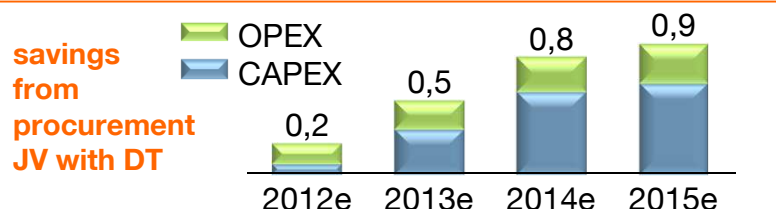
portfolio

orange

focus on operational performance: at least €3bn in annual savings by 2015, boosted by the procurement JV

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



2011-2015 performance levers

- | | |
|--------------------|---|
| France | <ul style="list-style-type: none"> customer experience improvement operational excellence IT improvement channels automation content business model change |
| Europe | <ul style="list-style-type: none"> RAN & network sharing near-shoring customer care transformation IT renewal & optimisation |
| AMEA | <ul style="list-style-type: none"> services platform mutualisation / industrialisation policy synergies within the zone customer journey excellence |
| OBS | <ul style="list-style-type: none"> international network profitability sales performance improvement G&A improvement |
| IC & SS | <ul style="list-style-type: none"> productivity gains on labour costs |

growth

efficiency

investment

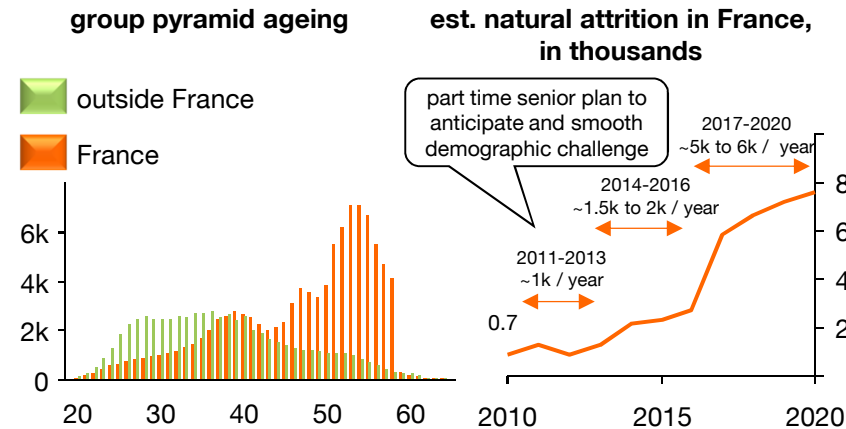
portfolio

orange

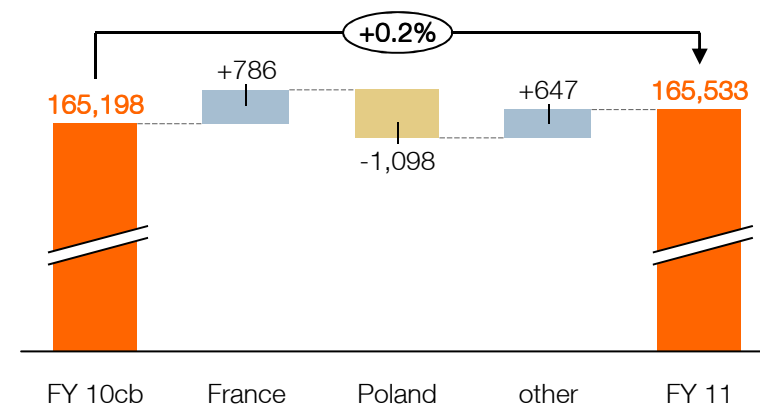
* original performance program was targeting €1.5bn savings over 2009-2011

quasi-stabilisation of workforce in France and at group level by 2015

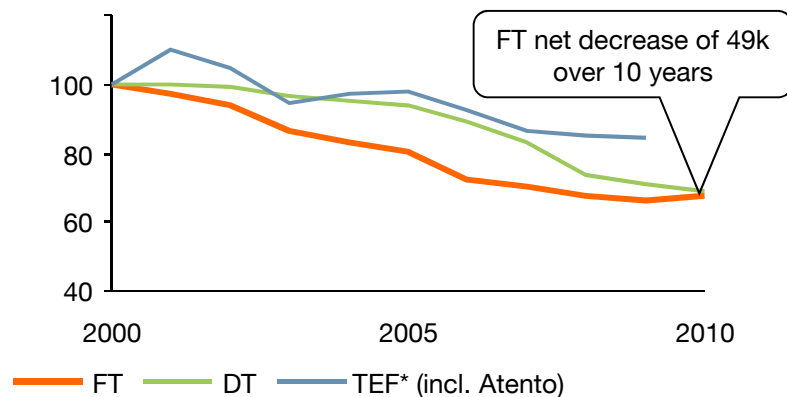
an acceleration of retirements in France



group headcount evolution (FTE)**



the most steady decrease of employees on domestic markets



> insight

- France average age is 46.8 years while Group's is 43.2 years
- 30.4k cumulative estimated departures in France due to retirement over 2011 to end 2020
- part time senior plan (TPS): a cumulative estimated decrease of around 6.5k FTE over 2010-2015
- structural headcount changes already done over the last few years with a -32% net decrease in France between 2000 and 2010
- slight reduction of headcount (FTE) at group level and in France in 2010

*estimated in 2000; ** full time equivalent

capex under control and focused on growth: customer satisfaction and next generation network

priorities

invest in customer satisfaction

IT, networks capacity & modernisation, front-line

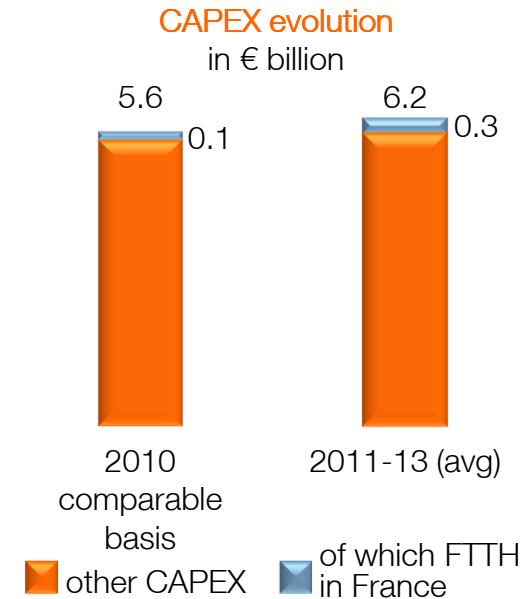
proactive leadership in VHBB networks

with expectation of more predictable regulation

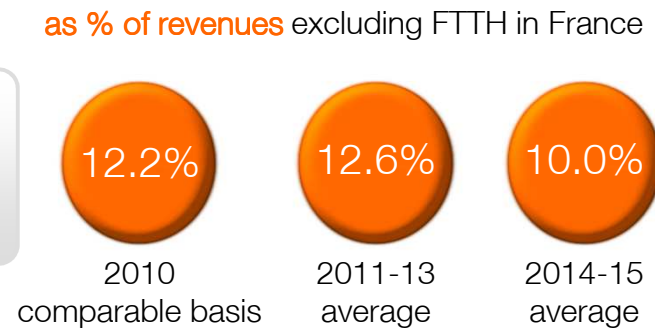
tight management of CAPEX

CAPEX optimization program

joint sourcing with DT, swap 2G/3G, network sharing, etc.



CAPEX to peak in the 2011-13 period



growth

efficiency

investment

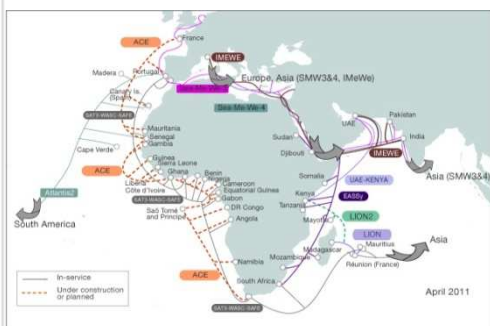
portfolio

orange

fixed and mobile networks : our main asset to generate value

deploying networks in the AMEA zone

accelerate 2G and 3G mobile coverage
 +12% 2G sites per year (CAGR 2010-2013)
 X 2,5 3G sites between 2010- 2013



open up African
continent to
develop
broadband...

contributing to economies development through fibre deployment – France

11 millions homes passed by 2015

€2bn CAPEX plan over 2010-2015

ambition to be **#1**

developing infrastructure to extend coverage of fixed and mobile networks across the footprint

population
coverage
end of 2010

	France	Europe excl. France	AMEA
2G	~100%		>66%
3G+	95% of which	74%	3G launched in most countries
HSPA+	55% with HSPA 14.4	from HSPA 7.4 to HSPA+42	
MDF DSLAM coverage	100%	99% in Poland	> 600k fixed broadband users
		ULL in Spain and Belgium	
IP TV / DSL coverage	62%	57% in Poland	

> Orange mobile and fixed networks at the forefront of competition which will accelerate with LTE and FTTx transformations

highly selective and flexible M&A policy (2011 achievements)

core
business


acquisitions disposals

-  Congo: 100% stake in CCT, 21st AMEA country, price: €153m
-  Iraq, partnership with Agility to take a 44% stake in Korek Telecom, path to control by 2015, price: €177m
-  KOREK
-  February 2012: Egypt, on-going negotiation with OTMT for an early buy-out of their shares and on a new shareholding structure.

-  Orange Switzerland, €1.6bn enterprise value
-  February 2012: Austria, announcement of sale to Hutchinson, €70m net proceeds expected



non-core
business

-  Emitel, gain on disposal €197m and cash proceeds €410m

content strategy focused on partnerships, aggregation and distribution



- acquisition of 49% Dailymotion
- OCS change in business model, agreement with Canal+ taking a 33% stake



- no bid on soccer rights
- ~€200m cash savings on a full year basis

growth

efficiency

investment

portfolio

orange

4

latest results and main financials

strong set of results in 2011 despite most challenging environment

FY11

in €m	FY10 cb	FY11 actual	var. comp basis	key points
revenue	46,020	45,277	-1.6%	<ul style="list-style-type: none"> regulation impact: -€748m FY excl. regulation: +0.0% yoy
restated EBITDA*	15,846	15,083	-4.8%	<ul style="list-style-type: none"> regulation impact -€227m impacts from VAT in France + Egypt & Ivory Coast crisis -€288m
in % of rev	34.4%	33.3%	-1.1pts	<ul style="list-style-type: none"> limited erosion thanks to management of commercial costs in H2
CAPEX	5,584	5,770	+3.3%	<ul style="list-style-type: none"> CAPEX ratio ramp-up in FY11 in line with 2011-2013 trends
in % of rev	12.1%	12.7%	+0.6pts	
operating cash flow (restated EBITDA – CAPEX)	10,261	9,313	-9.2%	<ul style="list-style-type: none"> double adverse effect: lower EBITDA and higher CAPEX in FY11 than in FY10
net debt (net debt/EBITDA)	31,840 1.95x	32,331** 2.09x**		<ul style="list-style-type: none"> mid-term target leverage ratio of ~2x

resilient group revenue thanks to international portfolio contribution & strong commercial dynamics in a transforming French market

- sustained mobile and fixed broadband acquisitions in a transforming French market
 - high level of mobile gross adds (+1% yoy)
 - data-only revenues at 20.7% of mobile service revenues, +10% yoy (i.e +2.2pts)
 - fixed broadband share of net adds maintained at ~20%
- continuous financial and commercial outperformance of Orange Spain
 - leader in mobile portability at +110 k
 - revenue growth of +2.3%
- European countries revenue growth ex reg (+0.4%) & emerging countries back to growth
 - positive swing in Romania (ex reg)
 - +6.3%* growth in emerging countries with notable recoveries in Egypt and Ivory Coast
- EBITDA margin erosion of -1.7 pts*
 - initial impact of our roaming hedge in France
 - tight control of commercial and content costs, flat at group level and opportunistic management between acquisition and retention
- pursuing CAPEX trend to pave future growth, despite macro-economic headwinds
 - launch of H+, upcoming experimentation of 4G & FTTH deployment in France
 - ongoing 3G deployment elsewhere: Spain, Egypt...
- preserving balance sheet strength
 - M&A focus on footprint consolidation: increasing stake in Egypt under better financial conditions than previously agreed, with no impact on balance sheet
 - continuously demonstrating a solid liquidity position and an attractive credit profile

summary of 1Q 2012 achievements

1Q12 achievements

in €m	1Q11 cb	1Q12 actual	var. comp basis	key points
revenue	11,124	10,922	-1.8%	<ul style="list-style-type: none"> regulation impact: -€195m Q1 excl. regulation: -0.1% yoy vs -0.2% in Q4 11
restated EBITDA*	3,689	3,432	-7.0%	<ul style="list-style-type: none"> regulation impact -€54m
in % of rev	33.2%	31.4%	-1.7pts	
CAPEX	1,073	1,097	+2.2%	<ul style="list-style-type: none"> CAPEX in line with our anticipation
in % of rev	9.6%	10.0%	+0.4pts	
operating cash flow (restated EBITDA* – CAPEX)	2,616	2,335	-10.7%	<ul style="list-style-type: none"> coherent with our FY guidance

balance sheet position as of March 2012

€9.4bn of cash

covering more than
2012 & 2013 debt
redemptions

€16.9bn

liquidity
position


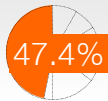

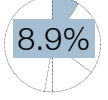

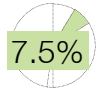

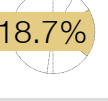

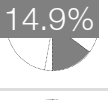


9 years

net debt average maturity as
of Year End 2011, again extended
thanks to 900mUSD raised on
January 2012 with a 30 years maturity

5.3%

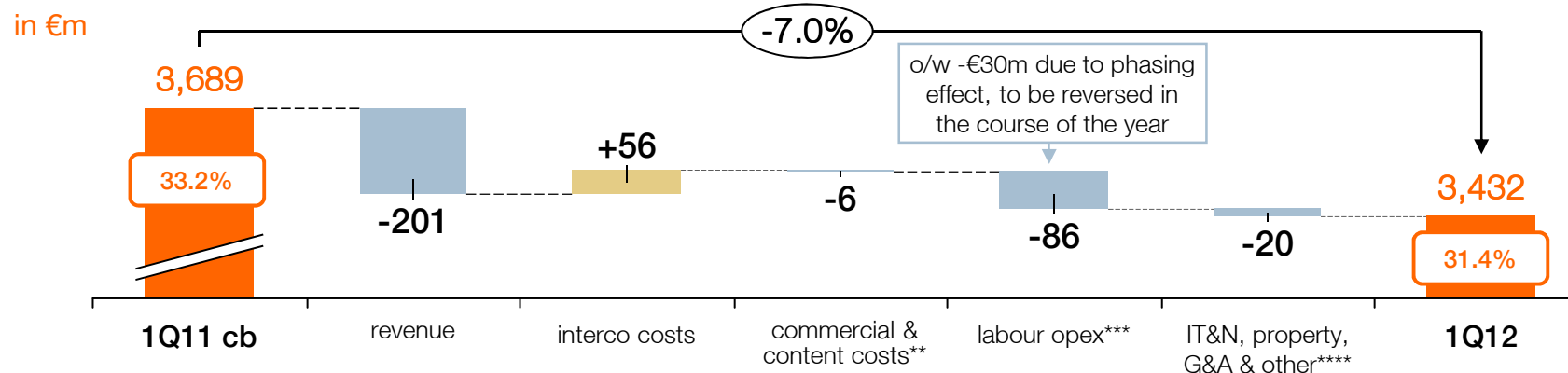
weighted average
cost of debt in
bonds**

flat revenue ex. regulation thanks to international portfolio contribution

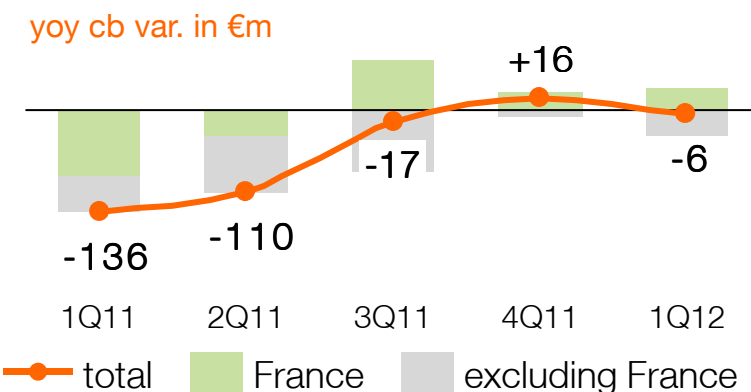
in €m	1Q12 actual	Δ vs 1Q11cb	Δ vs 1Q11cb excl. reg.	1Q12 segment contribution to group revenue yoy* evolution, excluding regulation, in €m		% of Group revenue**	yoy* Δ
France	5,401	-4.2%	-1.7%	 -93		 47.4%	-1.0pt
Spain	981	+2.3%	+4.5%	 +42		 8.9%	+0.4pt
Poland	832	-3.4%	-2.3%	 -20		 7.5%	-0.1pt
ROW	2,134	+2.0%	+3.1%	 +65 o/w +€63m from Africa & ME		 18.7%	+0.7pt
Enterprise	1,734	-3.1%	-3.1%	 -56		 14.9%	-0.2pt
ICSS	410	+10.2%	+10.2%	IC&SS +38		 2.6%	+0.3pt
eliminations	-569	-3.0%	-3.0%	eliminations +18			
Group revenue	10,922	-1.8%	-0.1%	 -7			

pressure on EBITDA mainly coming from revenue decrease

restated EBITDA* evolution in 1Q12



commercial & content costs quasi flat since 2H11 without impacting sales performance



insight

- the increase in labour opex, ex one-off, is coming
 - from an underlying 2011 price effect
 - and from recent recruitments (social commitment)
- in France
 - the recently agreed 2012 salary increase is below the 2011 level, in-line with our wage-restraint policy
 - no "exceptional" profit sharing expected for employees in 2012
 - since the beginning of 2010 : ~ 6,000 employees have entered the TPS

*see slide 24 for restatements **o/w €59m of content provision used in 1Q12 ; *** o/w TPS provision of €37m used in 1Q12 ;

****o/w €18m of content provision used in 1Q12

focus on france : successful commercial counter-attack & wholesale hedge ramping-up

commercial success of our reactive offers...



... demonstrated by strong consumer contract gross adds in the 2nd half of the quarter

first half of the quarter: **-19% yoy**
second half of the quarter: **+31% yoy**

wholesale: 2G/3G roaming agreement

- a **strategic and pragmatic financial decision**: it represents a partial hedge vs. Free mobile retail impact
- contract is technically effective since the 10th of January 2012
- contract is covering voice & data roaming with a **security cap in usages**. Orange guarantees the QoS of its network
- first revenue estimate (at contract signing as of March the 3rd, 2011): **€1bn over 6 years**
- revenue estimates* after two months of contract implementation: **could increase to above €1bn over 3 years**
- traffic from Free mobile customers **could be substantially higher than expected, without harming the QoS for Orange customers**

focus on france : portability requests back to pre-4th entrant launch level

impact of 4th mobile entrant on net adds

Orange net adds

from the 1st of January to the 15th of February 2012

+ 837k
new customers

-1,038k
churners

i.e. **-201k**
net customers losses

Orange net adds

from the 16th of February to the 31st of March 2012

+ 860k
new customers

-1,274k
churners mostly due to January portability requests backlog & prepaid

i.e. **-414k**
net customers losses

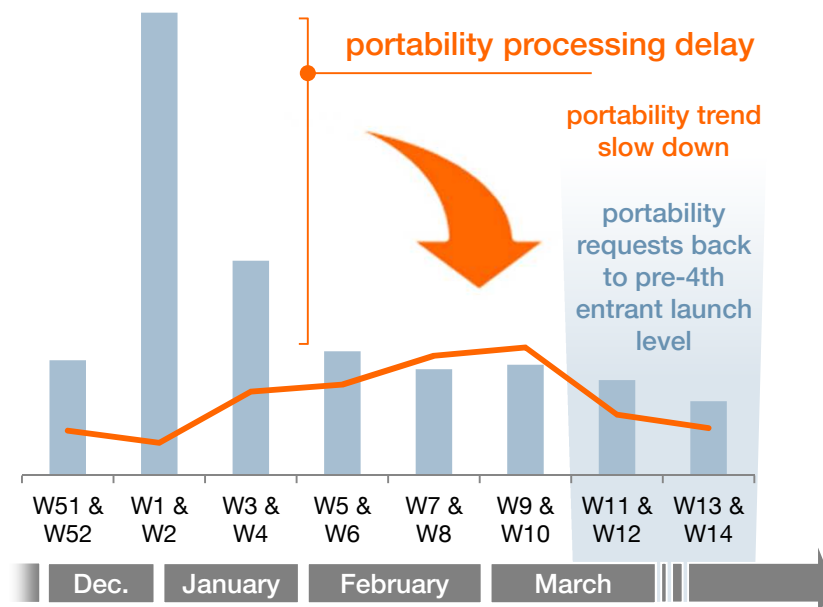
► Orange net adds in Q1

+ 1 697k
new customers

-2 312k
churners

i.e. **-615k**
net customers losses,
(equal to -2,3% of customer base)

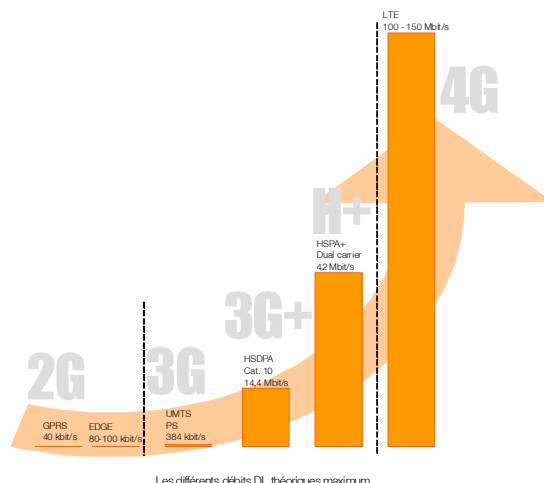
contract churn impacted by massive portability requests in January & early Feb.



- portability requests
- disconnections from portability requests (more than **54%** of the total quarter portabilities result from January requests)

CAPEX to sales ratio at 10.0% in 1Q12, up +0.4pt yoy investing for differentiation & value

en route towards new generation access in France for a new customer experience



- Orange triples the speed of its 3G+ network by moving to HSPA+ (H+) technology at 42 Mb/s for an additional fee of 10€
- > 50 % of the population covered with H+ since 24 November 2011, including 40 major urban cities
- acceleration of LTE investments in France
- Marseille first pilot city for 4G starting in June 2012
- continued ramp up in FTTH investments & in customer acquisitions: more than 100k so far.

insight



Spain

- higher investments due to RAN renewal



Poland

- investments on fixed broadband program on track as agreed with Polish regulator
 - 912 k lines cumulatively delivered



RoW

- coming back to a normal level after a strong activity on 3G and submarine cables in Africa
 - LION2 cable launched on April 12th
 - ACE expected to be launched in 2012

1Q12 France financials

mobile revenue down as anticipated, but successful counter-attack

1Q12 France revenue*: -4.2%
(-1.7% excl. regulatory impacts)

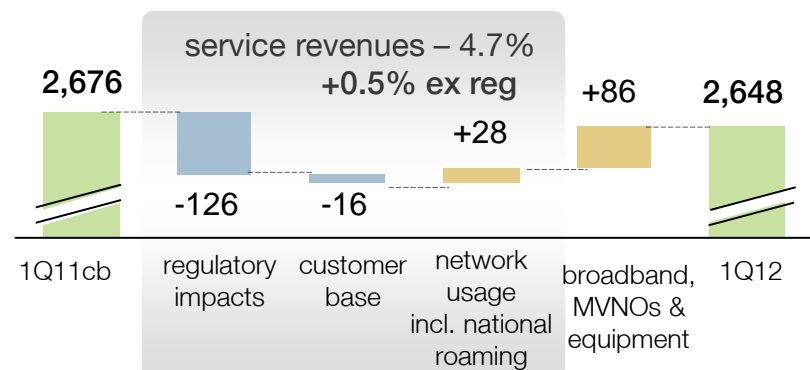
in €m	1Q11 cb	1Q12	var cb
revenue	5,636	5,401	-4.2%
personal	2,676	2,648	-1.1%
home	3,250	3,112	-4.2%
eliminations	-290	-359	

insight

- as anticipated, personal revenue down -1.1%*, in a strong competitive market
 - increasing regulation weight (up 29%*) only partially compensated by positive effects such as:
 - national roaming agreement** partially hedging the negative retail impact (personal service revenue growth ex-reg)
 - Open broadband revenue driving «BB, MVNOs & equipment» revenue
- annual broadband revenue growth recovery at +5.6%, +3.7pt yoy
 - end of the negative 2011 reprice effect
 - sustained broadband customer growth at +3.9%, fuelled by Open

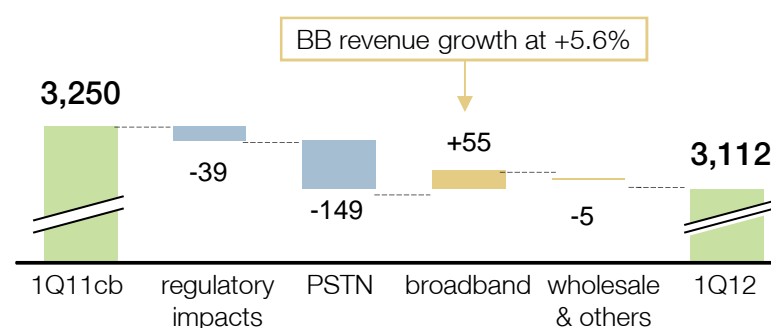
1Q12 personal revenue *: -1.1%
(+3.8% excl. reg.)

in €m



1Q12 home revenue*: -4.2%
(-3.1% excl. regulatory impacts)

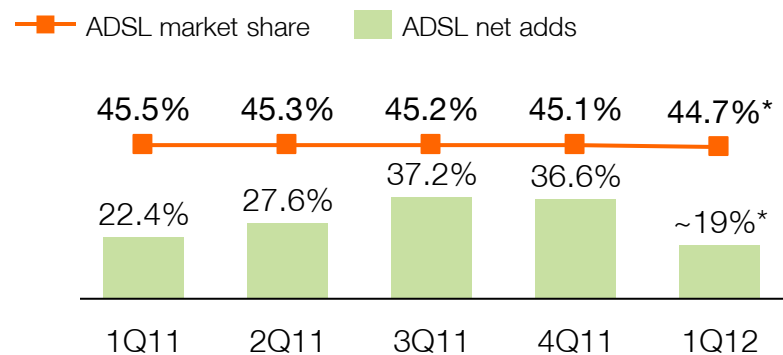
in €m



1Q12 France home KPIs

good commercial performance confirmed

ADSL market & conquest shares



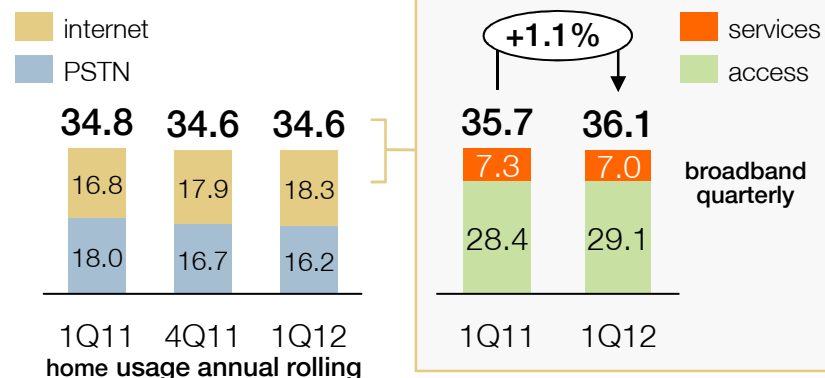
ARCEP market figures

insight

- strong commercial performance with **+60 k net adds**; **~19% share of net adds** thanks to churn control
- strong contribution of Open (**+312k net adds**) to our BB gross adds (30% of gross adds), an efficient weapon facing other bundled offers attractiveness
- broadband **ARPU at €36.1**, **+€0.4 yoy** driven by a favorable access mix effect
- decreasing PSTN line loss trend thanks to marketing actions

ARPU home usage driven by better broadband mix

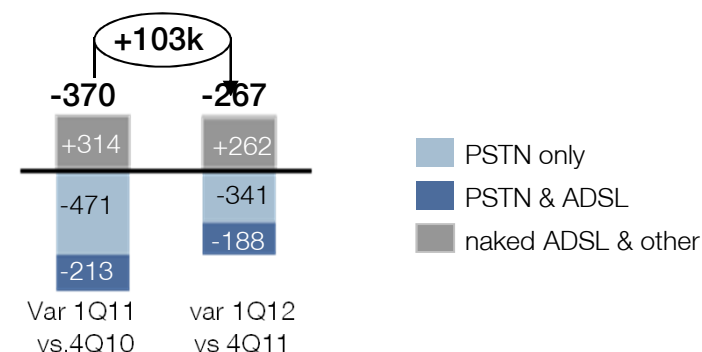
ARPU, in €/month



PSTN line losses slowing down

net copper quarterly loss reduced by 28% yoy

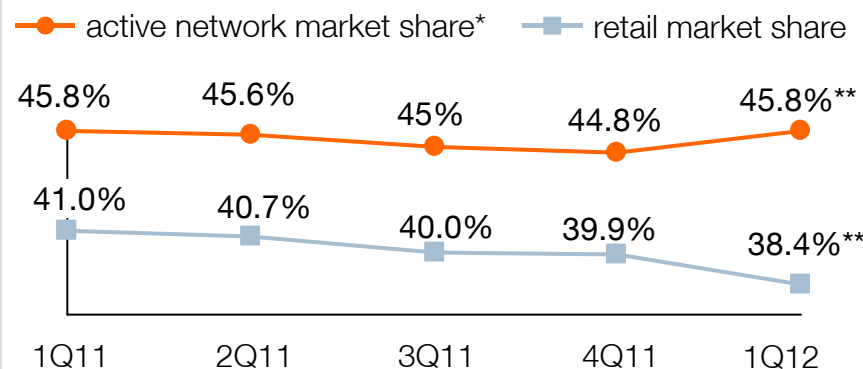
variance in thousands of lines



1Q12 France personal KPIs

robust mobile gross adds

network market share growth



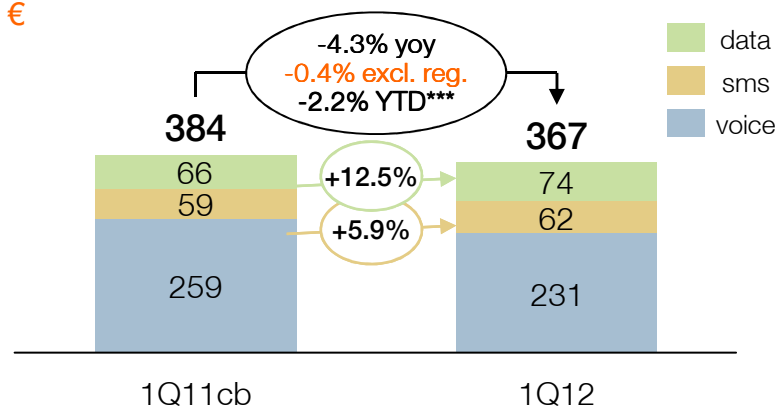
ARCEP market figures

insight

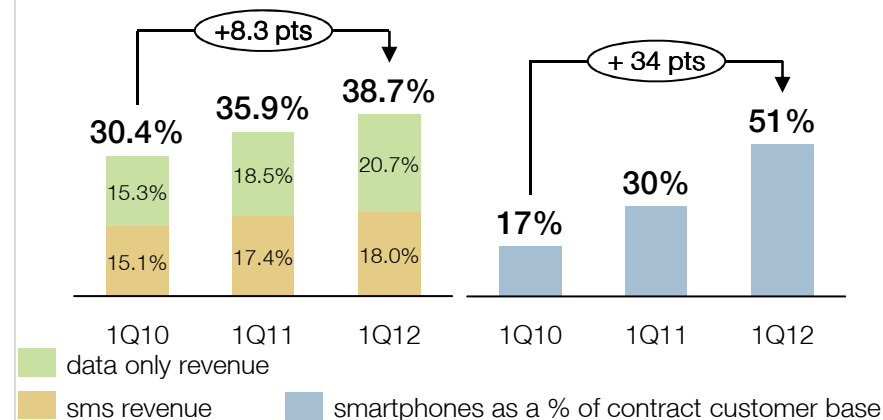
- marketing strategy to protect value-customer base
 - strong commercial performance in a very active market led by Open, limited editions and Sosh offers
 - 1.5pt of market share o/w 0.5pt linked to double SIM equipment & prepaid losses
 - contract customers mix +1.1 pts yoy
 - 81% of voice contract customers under commitment
- 0.4% ARPU variation yoy excl. regulation: thanks to a **managed reprice effect**
- 2.2% sequential ARPU***, -0.3% excl. regulation
- data ARPU continues to grow driven by smartphone penetration

annual rolling ARPU evolution

in €



data revenue growth & smartphone penetration



1Q12 Spain

top line growth driven by commercial performance despite economic environment

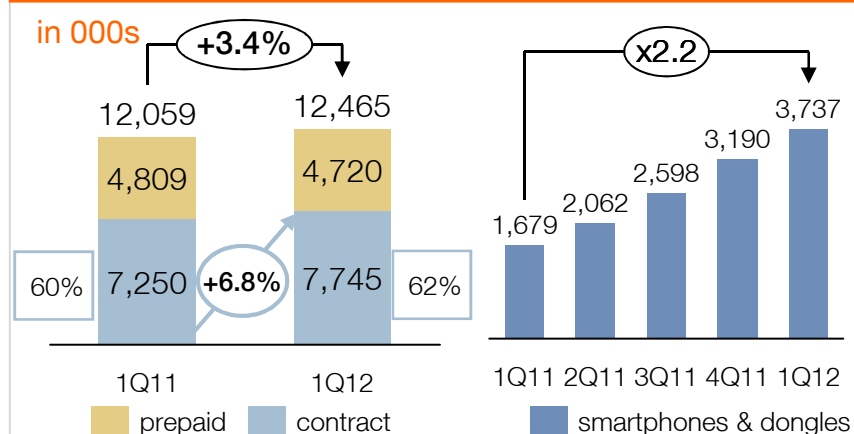
1Q12 Spain revenue*: +2.3%
(+4.5% excl. regulatory impacts)

in €m	1Q11 cb	1Q12	var cb
revenue	959	981	+2.3%
personal	789	797	+1.0%
home	170	184	+8.6%

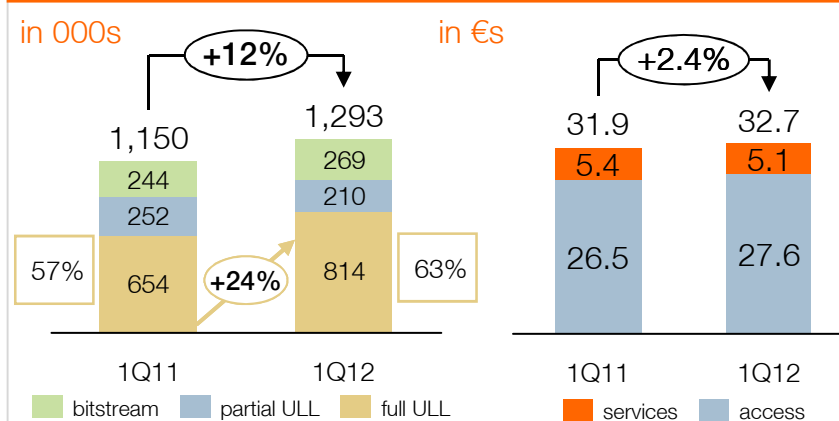
insight

- mobile revenue up +3.5% ex-reg. driven by contract customer base increase & data revenue
 - contract churn down to 19.7% (-0.6 pts yoy) and mobile data customers up by x2.2
 - continued leadership in mobile portability in Q1'12
- home revenue up +8.6% with fixed broadband revenues up +17%
 - driven by ADSL base expansion and ARPU growth, with 63% of VoIP customers

strong contract customer base growth driven by the success of mobile data offers



improving ADSL customer base, access mix & ARPU



1Q12 Poland

revenue driven by mobile and promising commercial indicators in BB

1Q12 Poland revenue*: -3.4%
(-2.3% excl. regulatory impacts)

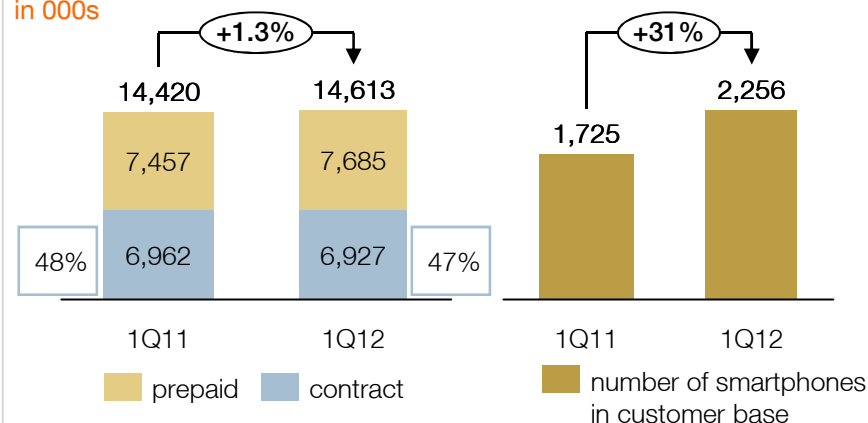
in €m	1Q11 cb	1Q12	var cb
revenue	862	832	-3.4%
personal	439	440	+0.3%
home	481	455	-5.4%
eliminations	-58	-63	

insight

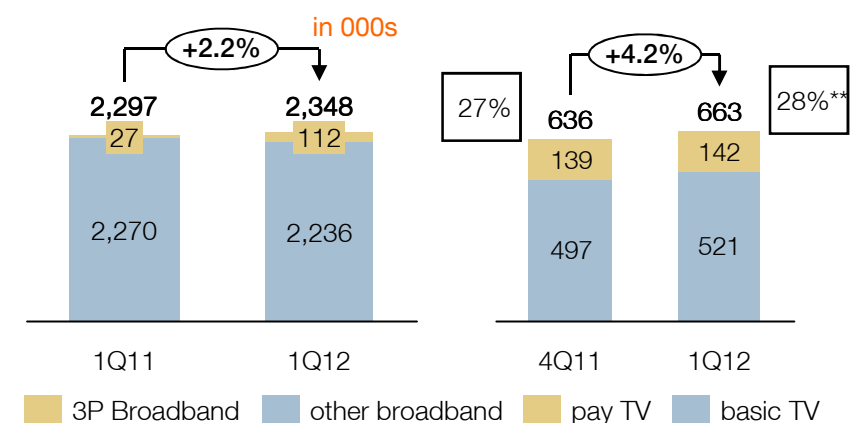
- mobile revenue up +2.6% ex-reg. with a +1.3% increase in the customer base
 - focus on defending our #1 value market share position (30%***)
 - +31% yoy increase of smartphones in the base helping to drive contract data ARPU up +20%
- home revenue down -5.4% with ongoing decline in PSTN due to lower usage & fixed-to-mobile substitution partially offset by improving trends in broadband
 - new 3P offer driving fixed broadband growth: +57 k net adds in Q1 and +4.2% qoq growth in TV customers

smartphone base up +31% yoy driving
a +20% increase in contract data ARPU

in 000s



increase in the customer base brings
broadband revenues back to growth



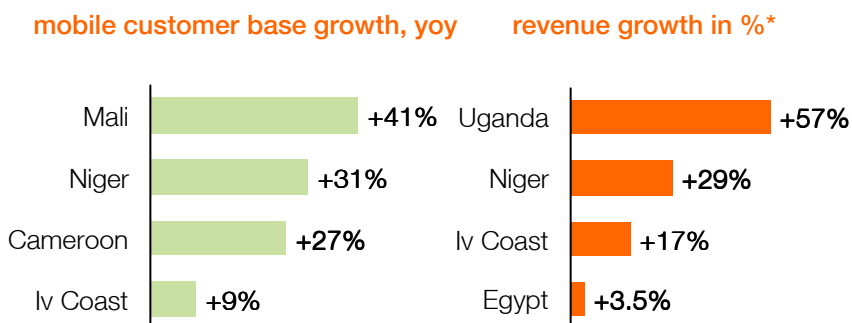
1Q12 Rest of the World

growth fuelled by emerging countries including IC & Egypt

1Q12 revenue* : +2.0% (+3.1% excl. reg.)

in €m	1Q11cb	1Q12	var cb
total ROW revenue	2,091	2,134	+2.0%
European countries	1,009	994	-1.5%
Africa & Middle East	941	1,001	+6.3%
<i>o/w Egypt</i>	308	319	+3.5%
other countries	144	142	-1.6%

growth coming from Africa and Middle East



insight

- **European countries:** revenue up +0.4% excl. reg.
 - **Belgium:** revenue up +2.3% ex-reg
 - following aggressive competition
 - objective of re establishing market position following the recent launch of Animals offers
 - **Romania:** swing to revenue growth +0.1% excl reg
 - good commercial momentum on prepaid
 - **Moldova & Armenia:**
 - contract customer base increase fuelling revenue growth
- **Africa & Middle East countries:** revenue back to growth (+6.3%*) after 4 quarters in a row of stability due to political headwinds
 - region's mobile customer base increased by +16%**
 - revenue growth helped by recovery trend in Egypt (+3.5%*) & Ivory Coast (+17%*)
 - strong contribution of Cameroon (+14%*) and operations in countries such as Uganda (+57%*) & Niger (+29%*)
- **Egypt:** growing customer base up +7.5%*
 - high level of gross adds (+44%*) even if high churn
 - increasing penetration of smartphones and rising demand for internet and data services underpinning revenues

1Q12 enterprise

solid IPVPN and growing networks performance but impending phasing-out of some legacy networks

1Q12

1Q12 enterprise revenue* : -3.1 %

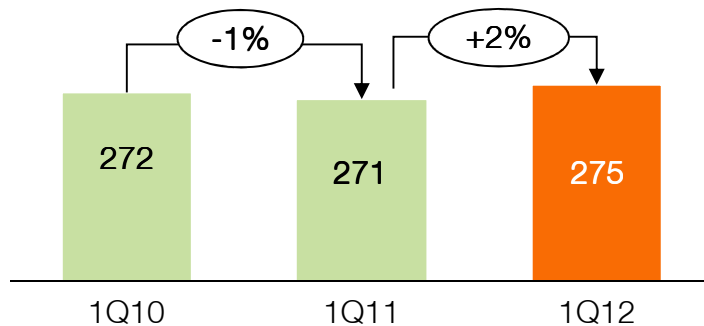
in €m	1Q11cb	1Q12	var cb
total enterprise	1,790	1,734	-3.1%
legacy networks	576	497	-13.8%
mature networks	704	709	+0.7%
growing networks	88	97	+11.0%
services	423	431	+2.0%

insight

- **legacy networks:** sharper decline in legacy data as some products (e.g. x25 product) are about to be phased-out
- **mature networks:** IPVPN supported by robust demand in international markets, compensating the termination of analogue broadcasting
- **growing networks:** growth driven by VoIP and satellite accesses
- **services:** growth driven by customer contact solutions and integration services, while market activity for large IT projects has slowed down

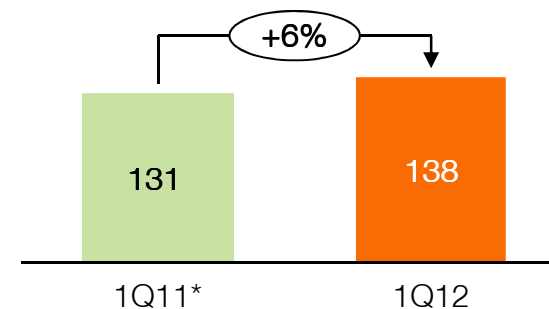
mature networks: IPVPN accesses in France

in thousands



revenues with emerging markets still growing

in €m

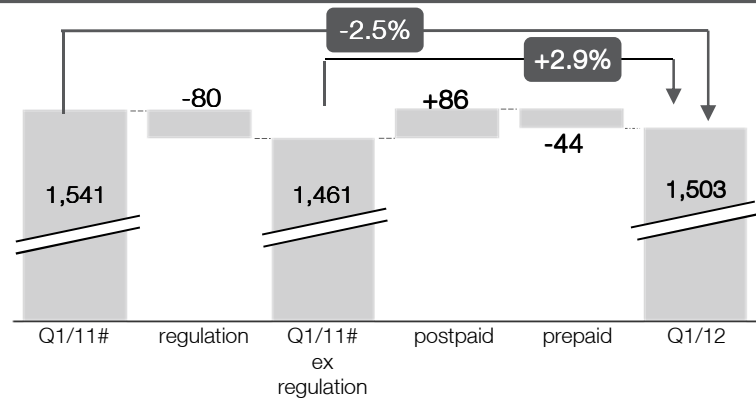


*yoy cb



EE: solid share of postpaid net adds and industry leading postpaid churn

Mobile service revenues +2.9%* ex regulation, £m



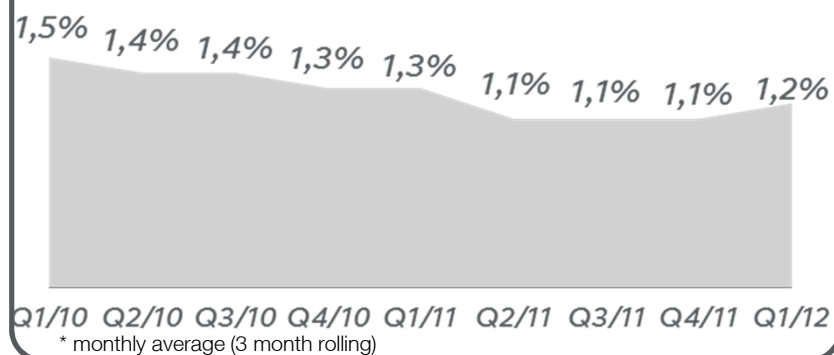
Insights

- Underlying mobile service revenue driven by growth in postpaid base, 886k net adds in last 12m
- Postpaid, focus on retention as market slows after very active Q4/11
- Investing in future value; 77% (Q1/11: 63%) of postpaid base on 24m contracts

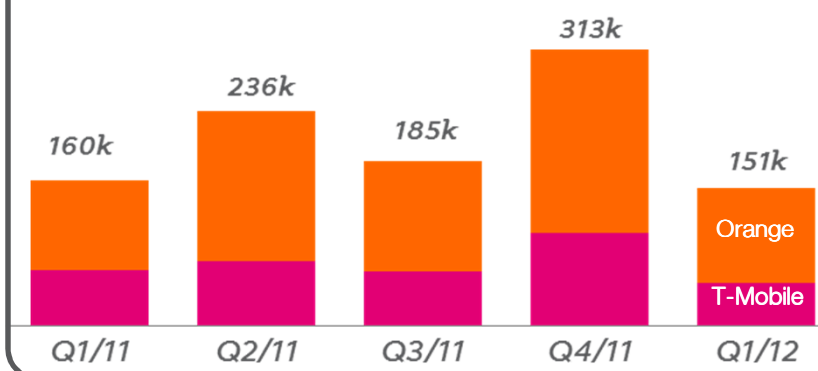
Initiatives

- More network improvements with 3G "Smart Signal" giving Orange & T-Mobile customers seamless use of both networks, and rollout of 3.5G (HSPA+ 21Mb/s)
- Strong brand differentiation; T-Mobile Full Monty launch and Orange Swapables promotion

Industry-leading postpaid churn*



Solid market share of postpaid net adds



accounting for bundled fixed broadband revenues and service provider revenues changed in Q1/12, Q1/11 restated on a comparable basis, see EE press release appendix for details

* Using revised accounting for Q1/12 and Q1/11, +2.6% on the previous basis

financial objectives summary

France Telecom-Orange will continue to implement a strict financial policy in order to preserve its balance sheet

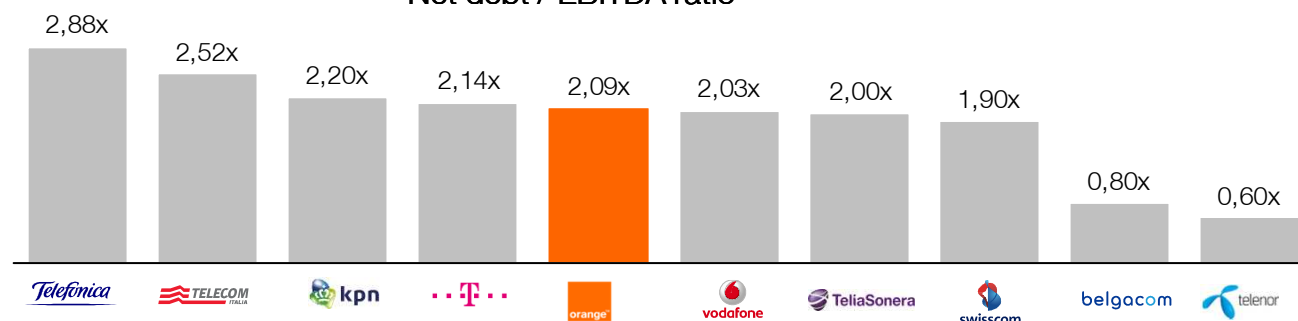
France Telecom

... has a debt ratio at the lowest and a debt maturity at the longest of the European ...

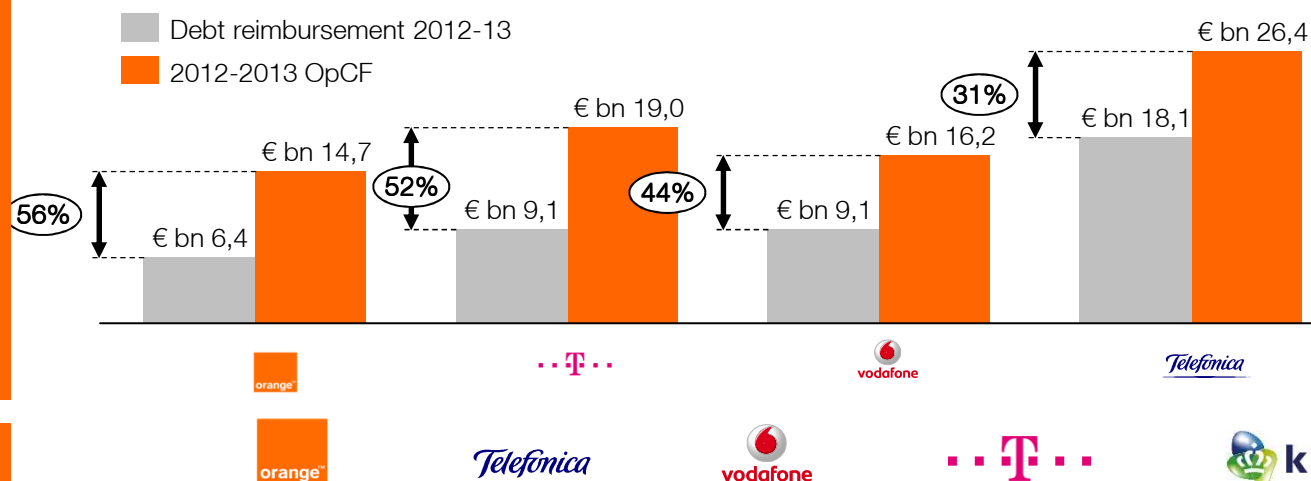
...maintain a solid liquidity position ...

...and enjoy the highest rating in the sector ...

Net debt / EBITDA ratio ⁽¹⁾



Debt reimbursement and cumulated Operating Cash-Flows ⁽²⁾



Moody's	A3	Stable	Baa1	Négatif	A3	stable	Baa1	stable	Baa2	négative
S&P	A-	Stable	BBB+	Négatif	A-	stable	BBB+	stable	BBB	stable
Fitch	A-	Négatif	BBB+	Stable	A-	stable	BBB+	stable	BBB	négative

OpCF en \$: DT (23,7bn\$), Vod (28,2bn\$), TEF (36,1)

Légende:

Actions des agences de notation depuis décembre 2011

Source :

(1) Latest published ratio (FY11), Telenor excepted (1Q12)

47 (2) OpCF en \$: DT (23,7bn\$), Vod (28,2bn\$), TEF (36,1)



France Telecom-Orange will continue to implement a strict financial policy in order to preserve its balance sheet

France Telecom

... has a debt ratio at the lowest and a debt maturity at the longest of the European ...

...maintain a solid liquidity position ...

...and enjoy the highest rating in the sector ...

Debt reimbursement and cumulated Operating Cash-Flows ⁽²⁾

France Telecom-Orange will continue to implement a strict financial policy in order to preserve its balance sheet

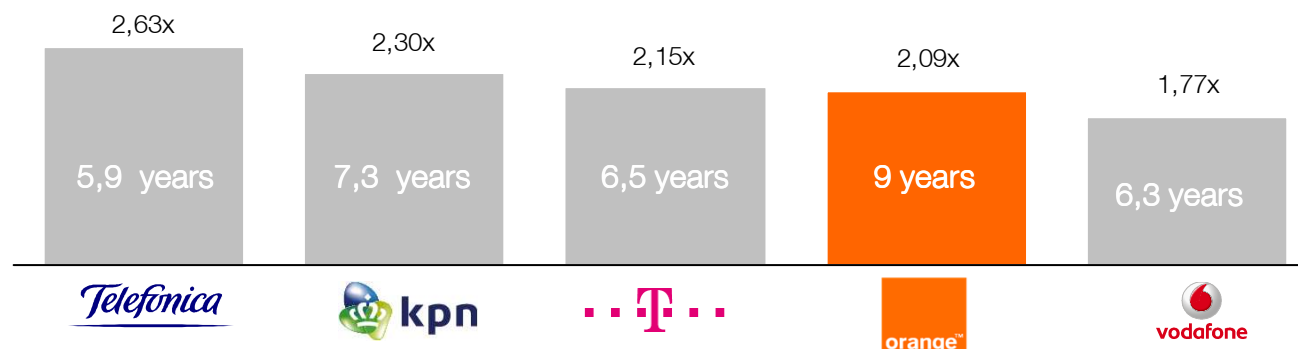
France Telecom

... has a debt ratio at the lowest and a debt maturity at the longest among European peers...

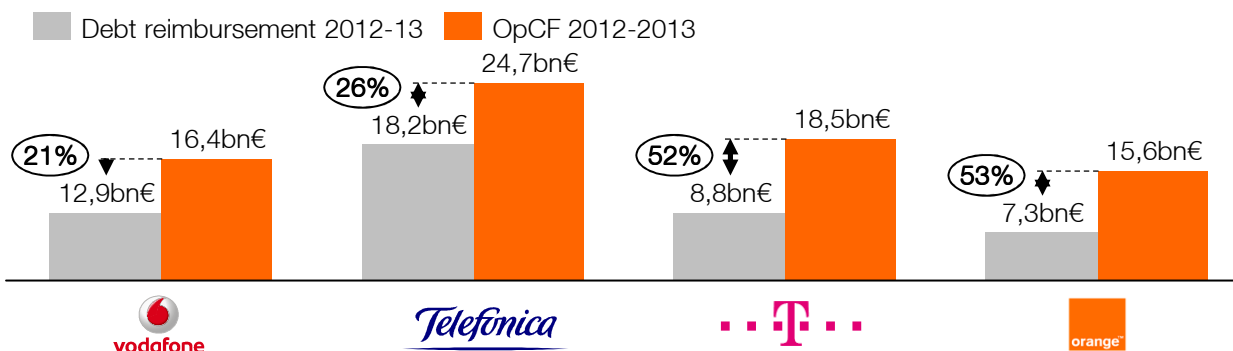
...maintain a solid liquidity position ...

...and enjoys the highest rating in the sector ...

Net debt / EBITDA ratio ⁽¹⁾ and average maturity⁽¹⁾



Debt reimbursement and cumulated Operating Cash-Flows 2012-13 ⁽²⁾



	orange	Telefonica	vodafone	Deutsche Telekom	kpn	
Moody's	A3 Stable	Baa1 Negative	A3 stable	Baa1 stable	Baa2 Negative	
S&P	A- Negative	BBB Negative	A- stable	BBB+ stable	BBB stable	
Fitch	A- Negative	BBB+ Stable	A- stable	BBB+ stable	BBB Negative	

Legend:
Rating changes since January 2012

Source :

(1) S&P Telecoms Investor Event 2012 Paris, May 22nd 2012, end of december 2011 data (except Vodafone, september 2011) – average maturity of bonds as of 31/12/11 (source: Bloomberg)

(2) OpCF FT (FT consensus) – OpCF other operators (ThomsonOne)

49 (3) Source Bloomberg



the Group has reinvested credit quality into the extension of the average maturity and the reduction in cost of debt

insight

- debt raised since January 2011 with 11.7 years average maturity
- emblematic series of 3 transactions placed since November 2010 for €1.3bn at 30-40 years maturity with 4.75% average rate ⁽¹⁾
- best in class average maturity of 9.0 years (and 11.3 years with TDIRA ⁽²⁾)

(1) return swapped back into €

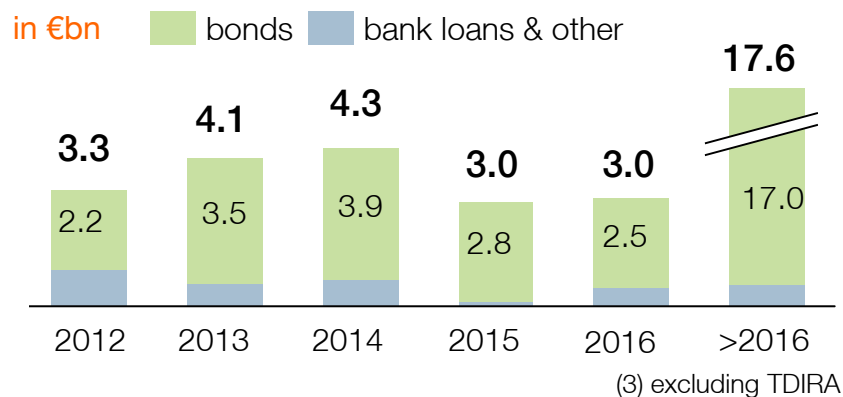
(2) when assigning a 50 years maturity assumption to this perpetual convertible debt

debt structure

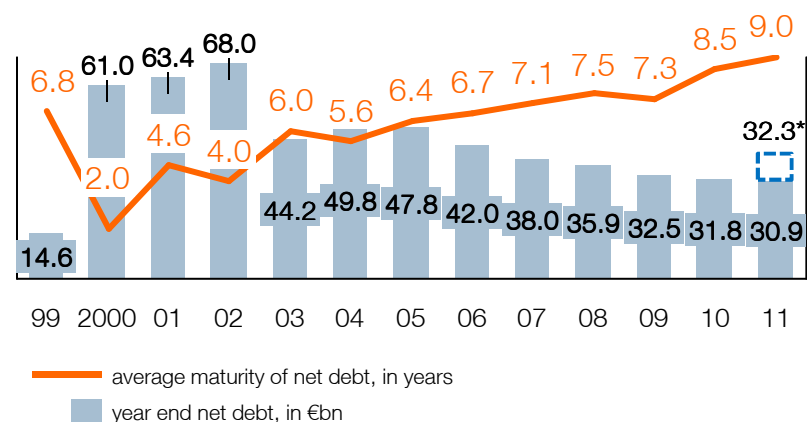
Moody's / S&P / Fitch rating	A3/A-/A-
% of net debt with a fixed rate	113%
% of bond debt in €* (*after derivatives)	87%
% of gross debt in bonds	88%
average maturity of net debt end 2011	9.0 years
average maturity of net debt end 2010	8.5 years
average weighted cost of debt in bonds **	
- end of 2011	5.28%
- end of 2010	5.59%

**source Bloomberg

Bonds⁽³⁾/bank loans/leases repayments end of 2011

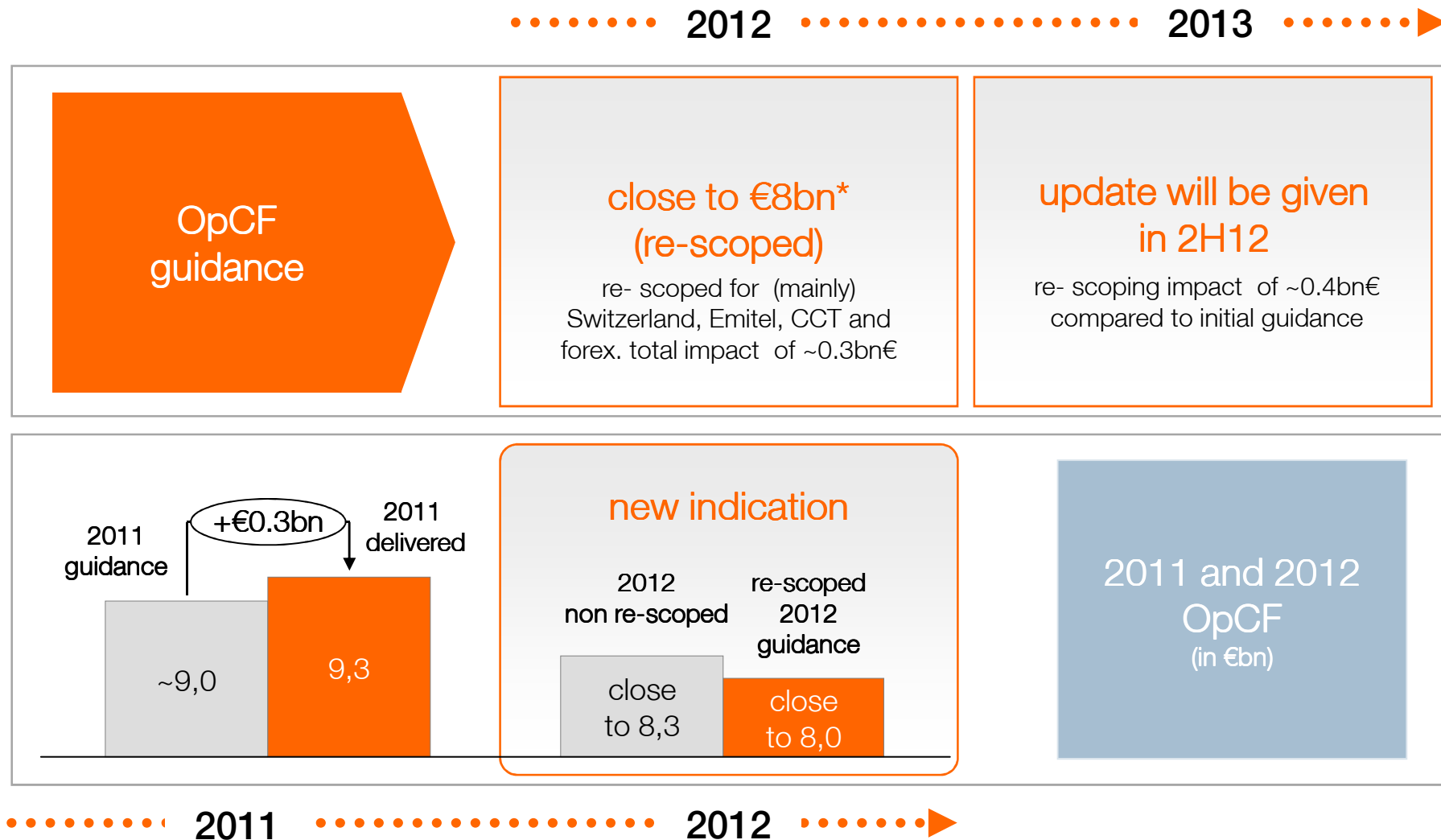


average maturity ⁽⁴⁾ and net debt evolution



(4) TDIRA: € 1.8bn outstanding of perpetual convertible bonds, not included in average maturity of net debt. if assigned a 50 years maturity, net debt average maturity including TDIRA would be 11.3 years * Net debt as of year end 2011 incl DPTG and 800 Mhz spectrum cash out

adapt to conquer phasing reiterated: 2012 will remain the low point in terms of OpCF



the shareholder return policy has become flexible to preserve a strong balance sheet

dividend policy	2011	2012	2013
	guidance met leverage 2.09x return confirmed	uncertain environment priority to financial structure variable return based on performance	
	1.4€ DPS FY 2011 dividend balance of 0.8€ paid in June 2012	40 to 45% OpCF pay-out Interim 2012 payment of 0.6€ to be paid in September 2012	40 to 45% OpCF pay-out

in a deteriorated macro and financial market environment,
our priority is to preserve a safe leverage ratio, i.e.
~2x net debt/EBITDA in the medium term.
The Group does not intend to make
any share buy-back in 2012

appendix






France-Telecom Orange – Investors' Checklist

Potential Concerns	Mitigants	FT-Orange specifics
« France » Risk?	<ul style="list-style-type: none"> France has proven resilient since 2009 with no quarter of GDP contraction⁽¹⁾ Strong consumer defensive characteristics: reduced household leverage and relatively stable unemployment rate 	<ul style="list-style-type: none"> No more than 50% of revenues from France France Telecom Orange is more resilient than “France Sovereign” and its CDS is lower
Telecom Sector Under Structural Threat?	<ul style="list-style-type: none"> Digital technologies usage is booming with data traffic rising, tablets, globalization Telecom network operators hold the key to these consumer-driven evolutions 	<ul style="list-style-type: none"> FT-Orange keeps increasing its subscribers Usage of FT-Orange services keeps growing FT-Orange balanced geographic footprint and complete product offering will allow it to drive and fully benefit from these evolutions
Euro is at risk? Or Overvalued?	<ul style="list-style-type: none"> Euro currency and Eurozone stability have held up despite several quarters of risks, news and Greek crisis development Consensus EUR/USD forecasts stable at around 1.29⁽²⁾ 	<ul style="list-style-type: none"> FT is not 100% Euro exposed

(1) Based on OECD statistics

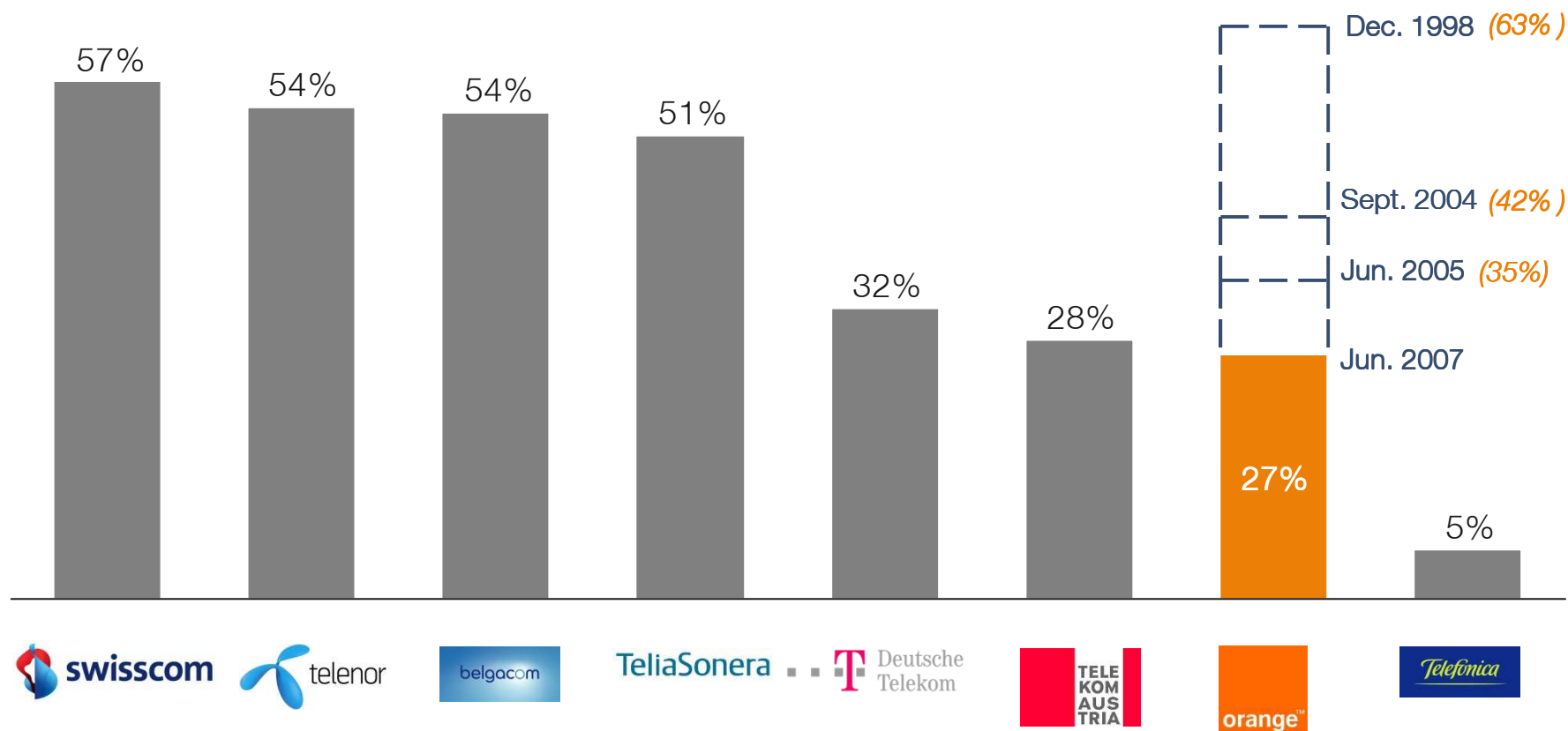
54 (2) Bloomberg consensus as at 02 May 2012

benchmark on guidance and shareholders' remuneration

	2011	2012	Dividends / OpCF	
	<ul style="list-style-type: none"> £6.0-6.5 bn FCF £6.8bn share buy back (on £15bn China Mobile and SFR disposals) 7% growth in DPS 	<ul style="list-style-type: none"> £5.5 – 6.5 bn FCF 7% growth in DPS special £2bn dividend (re. Verizon Wireless) 	2011a	52%
			2012e	81%
	<ul style="list-style-type: none"> adj. EBITDA of ~ €19.1 bn (constant forex) stable to slightly growing FCF from €6.5 bn in 2010 €3.4 bn remuneration / year for 2011-2012 with a minimum DPS of €0.70 and the rest via SBB 	<ul style="list-style-type: none"> adj. EBITDA ~ € 18 bn (constant forex) FCF ~ € 6 bn €3.4 bn remuneration and €0.7 minimum DPS execution and timing of SBB not yet decided by the management 	2011a	29%
			2012e	31%
	<ul style="list-style-type: none"> EBITDA growth Capex < € 2bn FCF growth DPS at least € 0.85 new €1bn SBB 	<ul style="list-style-type: none"> EBITDA € 4.7 - 4.9bn Capex € 2.0 - 2.2bn FCF € 1.6 - 1.8bn DPS € 0.90 no SBB in 2012 	2011a	38%
			2012e	48%
	<ul style="list-style-type: none"> revenue growth up to 2% OIBDA margin in the upper 30s, with limited erosion yoy ~€9 bn CAPEX €1.60 DPS 	<ul style="list-style-type: none"> revenue growth >1% (constant forex) lower OIBDA margin decline than in 2011 similar CapEx/sales as in 2011 € 1.30 DPS SBB € 0.20 / share 	2011a	51%
			2012e	47%
	<ul style="list-style-type: none"> slight increase in adjusted net income excluding NBC Universal maintain a high cash dividend 	<ul style="list-style-type: none"> 12% to 15% decrease in EBITDA* CFFO close to €1.7bn cash dividends to represent ~45% to 55% of adjusted net income from 2012 onwards 	2011a	34%
			2012e	32%

stake owned by French state in the Group ranks lowest among European operators

stake owned by domestic state
(domestic state & domestic sovereign fund)



Month. Year (xx%): sale of FT stake by the French stake / xx% representing the state's stake after sale

France Telecom-Orange share main features on the stock market

Market Cap	
2009	45,783
2010	40,426
2011	37,594
2012	29,725

Top 5 market cap in the Stoxx Telecom index	
Vodafone	32,35%
Telefonica	13,16%
Deutsche Telekom	10,26%
BT Group	8,84%
France Telecom	8,03%

	Index Weight	Position
CAC 40	3,20%	10
Stoxx Telecom	8,03%	5
Euro Stoxx 50	1,47%	28

Dividend	
2011	1,40 €
2012	1,40 €

Dividend yield	
2011	9,86%
2012	12,48%

a responsible governance support

Stéphane Richard, Chairman and CEO

Gervais Pellissier, CEO delegate and CFO

board of directors

15 board members*

7 independent members

3 employee representatives

3 representing the French State

1 representing the employee shareholders

3 board committees

audit committee

governance & CSR committee**

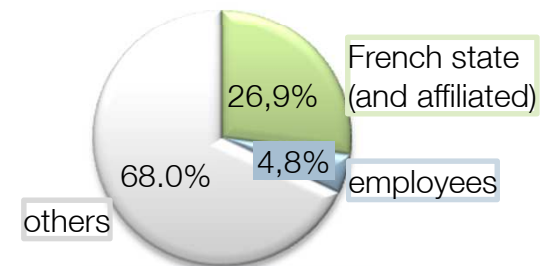
strategy committee

executive committee

13 executive members***

7 main governance committees

> shareholding structure



> insight

- renewal and feminisation at the heart of our governance strategy
- 5 women board members
- active governance in 2011 with:
 - 10 board of directors meetings
 - 8 audit committee meetings
 - 9 governance & CSR** committee meetings
 - 1 strategy committee meetings

thank you