

## APPLICABLE FINAL TERMS

17 November 2008

### FRANCE TELECOM

**Issue of €115,000,000 3.00 per cent. Notes indexed to the unrevised Harmonised Index of Consumer Prices, excluding tobacco, for the Euro-zone due 2018 (the Notes) to be consolidated with the issue of €350,000,000 3.00 per cent. Notes indexed to the unrevised Harmonised Index of Consumer Prices, excluding tobacco, for the Euro-zone due 2018 (Tranche 1) issued on 4 September 2008 under the EUR 30,000,000,000**

### Euro Medium Term Note Programme

### PART A- CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated 6 November 2007. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated 12 November 2008 which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated 6 November 2007 and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 12 November 2008 and the Base Prospectus dated 6 November 2007. Copies of such documents are available for inspection at [www.bourse.lu](http://www.bourse.lu) and from the head office of the Issuer and the specified offices of the Paying Agents.

- |    |                                   |   |
|----|-----------------------------------|---|
| 1. | Issuer:                           | France Telecom  |
| 2. | (a) Series Number:                | 102   |
|    | (b) Tranche Number:               | 2   |
|    |                                   | The Notes will be consolidated and form a single series with Tranche 1 (the <b>Existing Notes</b> ) not less than 40 days after the Issue Date upon certification of non-US beneficial ownership which is expected to be on or after 29 December 2008 (the <b>Exchange Date</b> ) |
| 3. | Specified Currency or Currencies: | Euro ( <b>EUR</b> )   |
| 4. | Aggregate Nominal Amount:         |   |
|    | (a) Tranche:                      | EUR 115,000,000   |
|    | (b) Series:                       | EUR 465,000,000   |
| 5. | Issue Price:                      | 87.639 per cent. of the Aggregate Nominal Amount plus 75 days accrued interest  |
| 6. | (a) Specified Denominations:      | EUR 50,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 99,000. No Notes in definitive form will be issued with a denomination above EUR 99,000.   |

- (b) Calculation Amount: EUR 1,000
- 7. (a) Issue Date: 18 November 2008
- (b) Interest Commencement Date: 4 September 2008
- 8. Maturity Date: 25 July 2018
- 9. Interest Basis: Index Linked Interest  
(further particulars specified at paragraph 18 below and Annex 1)
- 10. Redemption/Payment Basis: Index Linked Redemption. (See Annex 1)
- 11. Change of Interest Basis or Redemption/Payment Basis: Not Applicable
- 12. Put/Call Options: Not Applicable
- 13. (a) Status of the Notes: Senior
- (b) Date of *Président's* decision to issue the Notes: 14 November 2008
- 14. Method of distribution: Syndicated

**Provisions Relating to Interest (if any) Payable and to Index Linked Redemption**

- 15. Fixed Rate Note Provisions: Not Applicable
- 16. Floating Rate Note Provisions: Not Applicable
- 17. Zero Coupon Note Provisions: Not Applicable
- 18. Index Linked Note Provisions:
  - (a) Index/Formula: Applicable. See Annex 1
  - (b) Calculation Agent: Merrill Lynch International Bank Limited
  - (c) Party responsible for calculating the redemption amount (Index Linked Redemption Notes) and/or interest (Index Linked Interest Notes) due (if not the Agent): Merrill Lynch International Bank Limited
  - (d) Provisions for determining Coupon (Index Linked Interest Notes) and/or redemption amount (Index Linked Redemption Notes) where calculation by reference to Index and/or Formula is impossible or (See Annex 1)

impracticable:

- (e) Specified Period(s)/Specified Interest Payment Dates: 25 July in each year from (and including) 25 July 2009 to (and including) the Maturity Date. There will be a short first Specified Period from (and including) 4 September 2008 to (but excluding) 25 July 2009.
- (f) Business Day Convention: Following Business Day Convention
- (g) Additional Business Centre(s): Not Applicable
- (h) Minimum Rate of Interest: Not Applicable
- (i) Maximum Rate of Interest: Not Applicable
- (j) Day Count Fraction: Actual/Actual – ISDA (unadjusted)

19. Dual Currency Note Provisions: Not Applicable

#### **Provisions Relating to Redemption**

- 20. Issuer Call: Not Applicable
- 21. Investor Put: Not Applicable
- 22. Final Redemption Amount: See Annex 1
- 23. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(e)): See Annex 1

#### **General Provisions Applicable to the Notes**

- 24. Form of Notes:
  - (a) Form: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event
  - (b) New Global Note: Yes
- 25. Additional Business Centre(s) or other special provisions relating to Payment Dates: Not Applicable
- 26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No
- 27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment: Not Applicable

is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

28. Details relating to Instalment Notes: Not Applicable
29. Redenomination applicable: Not Applicable
30. French Taxation for Notes which are not *obligations* under French law or *titres de créances négociables* within the meaning of the ruling 2007/59 (FP) of the French tax authorities dated 8 January 2008 or other debt securities considered by the French tax authorities as falling into similar categories: Not Applicable
31. Other final terms: Not Applicable

### Distribution

32. (a) If syndicated, names of Managers: Barclays Bank PLC  
Merrill Lynch International  
Natixis
- (b) Date of Subscription Agreement: 17 November 2008
- (c) Stabilising Manager(s) (if any): Not Applicable
33. If non-syndicated, name of relevant Dealer: Not Applicable
34. U.S. Selling Restrictions: Regulation S Category 2 TEFRA D
35. Additional selling restrictions: Not Applicable

### PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the regulated market of the Luxembourg Stock Exchange and if relevant, listing on the official list of the Luxembourg Stock Exchange of the Notes described herein pursuant to the EUR 30,000,000,000 Euro Medium Term Note Programme of France Telecom and to be consolidated with the Tranche 1 Notes.

### RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of France Telecom:

By: **Jean-Michel Thibaud**  
Group Treasurer

Duly authorised 

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and, if relevant, listing on the Official List of the Luxembourg Stock Exchange, with effect from the Issue Date and form a single issue with the Existing Notes that are already admitted to trading on the regulated market of been listed on the Luxembourg Stock Exchange from 4 September 2008.
- (ii) Estimate of total expenses relating to admission to trading: EUR 900

### 2. RATINGS

The Notes to be issued have not been rated

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to the Dealer(s), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: See "*Use of Proceeds*" wording in Base Prospectus
- (ii) Estimated net proceeds: EUR 100,940,871.88 (including 75 days accrued interest amounting to EUR 707,153.22)
- (iii) Estimated total expenses: EUR 900

### 5. YIELD (Fixed Rate Notes Only)

Indication of yield: Not Applicable

### 6. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING (*Index Linked Notes Only*)

Applicable. See Annex 2

The Issuer does not intend to provide post-issuance information, except if required by any applicable laws and regulations.

### 7. PERFORMANCE OF RATE[S] OF EXCHANGE

Not Applicable

## 8. OPERATIONAL INFORMATION

- (i) ISIN Code: Temporary number XS0398860907 will apply until the exchange Date, and from such date, permanent number XS0386025513
- (ii) Common Code: Temporary number 039886090 will apply until the Exchange Date, and from such date, permanent number 038602551
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): Not Applicable
- (iv) Delivery: Delivery against payment
- (v) Names and addresses of Additional Paying Agent(s) (if any): Not Applicable
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: Yes
- (vii) Names and addresses of additional Paying Agent(s): Not Applicable
- (viii) Address and contact details of France Telecom for all administrative communications relating to the Notes: 6, place d'Alleray  
75505 Paris Cedex 15  
Telephone: (+33) 1 44 44 91 60  
Telex: 202520  
Facsimile: (+33) 1 40 43 04 52  
Attention: Direction du Financement et de la Trésorerie

## ANNEX 1

### INDEX LINKED PROVISIONS

#### 1 Calculation of Final Redemption Amount and Early Redemption Amount

The Final Redemption Amount or Early Redemption Amount, as the case may be, payable in respect of each Specified Denomination on the Maturity Date, or on the relevant date of any early redemption (the "**Early Redemption Date**"), as the case may be, will be an amount equal to the greater of (i) the nominal amount of each Specified Denomination and (ii) an amount in euro (rounded, if applicable, to the nearest fifth decimal place, 0.000005 being rounded upwards) determined by the Calculation Agent in accordance with the following formula:

$$\text{Specified Denomination} \times \text{Redemption Date Inflation Index Ratio}$$

where,

"**Redemption Date Inflation Index Ratio**" means the Inflation Index Ratio (as defined in paragraph 2 below) as determined in respect of the Maturity Date, or Early Redemption Date, as the case may be.

For the avoidance of doubt, for the purposes of the provisions of Condition 4(b)(i), if the Notes fall to be redeemed for whatever reason before the Maturity Date, accrued interest on the Notes, if any, will be calculated by the Calculation Agent in respect of the period from, and including, the immediately preceding Interest Payment Date or, as the case may be, the Interest Commencement Date to, but excluding, the Early Redemption Date at a rate per annum equal to a rate per annum calculated by the Calculation Agent on the basis, *mutatis mutandis*, of the provisions of paragraph 2 below and Conditions 4(b)(i) except that, for such purposes, the relevant Interest Determination Date shall be the fifth Business Day prior to the relevant Early Redemption Date.

#### 2 Calculation of Rate of Interest

The Rate of Interest applicable in respect of each Interest Period will be a rate, expressed as a percentage (rounded, if applicable, to the nearest fifth decimal place, 0.000005 being rounded upwards) determined by the Calculation Agent on the relevant Interest Determination Date in accordance with the following formula:

$$3.00\% \times \text{Inflation Index Ratio}$$

where,

"**Base Daily Inflation Reference**" means the Daily Inflation Reference as determined by the Calculation Agent in respect of 4 June 2008 (being 108.524);

"**Business Day**" means a day on which the TARGET System is operating;

"**Daily Inflation Reference**" means, in respect of any date, the value of the Index for such date as determined by the Calculation Agent on the relevant Index Determination Date in accordance with the provisions for the calculation of the Daily Inflation Reference as set out in paragraph 3 below and appearing on Reuters page "OATEI01" or on Bloomberg page "TRES3" or such replacement page as selected by the Calculation Agent;

"**Eurostat**" means the statistical office of the European Communities in Luxembourg;

"**Index**" means, subject to the provisions of paragraph 4 below, the Harmonised Index of Consumer Prices (**HICP**) excluding tobacco, for the Euro zone as calculated by Eurostat;

"**Index Determination Date**" means, in respect of any date for which the Daily Inflation Reference is required to be determined, the fifth Business Day prior to such date;

"**Inflation Index Ratio**" means the ratio between (i) the Daily Inflation Reference in respect of the relevant Interest Payment Date, Maturity Date or Early Redemption Date, as the case may be, and (ii) the Base Daily

Inflation Reference. The Inflation Index Ratio will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards;

“**Interest Determination Date**” means the fifth Business Day prior to the relevant Interest Payment Date.

For the avoidance of doubt, interest on overdue amounts in respect of the Notes (after the Maturity Date or, as the case may be, the relevant Early Redemption Date) shall accrue at a rate per annum equal to a rate per annum calculated by the Calculation Agent on the basis, *mutatis mutandis*, of the provisions of this paragraph 2 and Condition 4(e) except that, for such purposes, the relevant Interest Determination Date shall be deemed to be the fifth Business Day prior to the Relevant Date.

### 3 Calculation of the Daily Inflation Reference<sup>1</sup>

The Daily Inflation Reference (“**Id**”) for day *d* of month *m* is the linear interpolation of the Index in respect of months *m-3* and *m-2*, expressed relatively to the same basis of 100 (or such other revised basis as may be adopted from time to time by Eurostat).

Hence:

$$I_d = HICP_{m-3} + \frac{nb d}{q_m} \times (HICP_{m-2} - HICP_{m-3})$$

where:

**HICP**<sub>*m-2*</sub>: Consumer Price Index for month *m-2*

**HICP**<sub>*m-3*</sub>: Consumer Price Index for month *m-3*

**nbd**: Actual number of days between date *d* (included) and the first day of month *m* (excluded);

and

**q<sub>m</sub>**: Actual number of days in month *m*.

### 4 Fall-back provisions

#### 4.1 Change in the Sponsor of the Index

If the Index is not calculated and/or disseminated by Eurostat, but is calculated and/or disseminated by another relevant authority approved by the European Union (the “**New Sponsor**”), then the Index as so calculated and/or disseminated by the New Sponsor shall be used for the purpose of calculating (i) the relevant Rate of Interest and/or (ii) the Final Redemption Amount or, as the case may be, the Early Redemption Amount, in respect of the Notes.

#### 4.2 Successor Index

If the Index is replaced by a successor index using the same or a substantially similar formula and method of calculation as used in the calculation of the Index and such successor index is reasonably acceptable to the Calculation Agent, the relevant Index for the purpose of calculating (i) the applicable Rate of Interest and/or (ii) the Final Redemption Amount or, as the case may be, the Early Redemption Amount, in respect of the Notes, shall be the successor index (the “**Successor Index**”).

#### 4.3 Substitute Index

If the Index is not published for a given month, for any reason, or ceases to be published, for any reason, the Calculation Agent shall, for any month where the Index is not published, either find a Successor Index or determine, in consultation with the Issuer, a substitute index (the “**Substitute Index**”), such substitute index comprising as far as practicable the same components as the Index, which shall be adopted for the Notes.

<sup>1</sup> extrapolated from the French Bond Association (CNO) document entitled “Inflation-linked bonds” published in 1997

#### **4.4 Changes in calculation method or basis of the Index**

In the event that Eurostat or, as the case may be, any New Sponsor changes the base of the Index at any time while any of the Notes are still outstanding, then for the purpose of calculating (i) the relevant Rate of Interest and/or (ii) the Final Redemption Amount, or, as the case may be, the Early Redemption Amount, in respect of the Notes, the value of the Index following such change in base shall be determined in accordance with the methodology published by Eurostat or, as the case may be, the relevant New Sponsor following such change. In the event that no such methodology is published, then the Calculation Agent shall make such calculation as it, in its reasonable discretion, deems appropriate to determine the relevant Index.

## ANNEX 2 INFORMATION RELATING TO THE HARMONISED INDEX OF CONSUMER PRICES OF THE EUROZONE EXCLUDING TOBACCO

The following information relating to the Index has been accurately extracted or summarised from publicly available information, the sources of which are stated herein. The Issuer accepts responsibility only for the accuracy of such extraction or summarisation but accepts no further responsibility in respect thereof. In particular, the Issuer is not responsible for the content of such information or for evaluating whether such information is in itself sufficient for the purposes of deciding whether to invest in the Notes.

The reference index is the eurozone Harmonised Index of Consumer Prices ex-tobacco ("**HICP**"), as calculated and published by EUROSTAT.

The HICP measures the level of prices for market goods and services consumed by households in the eurozone. The eurozone HICP is the aggregate of the Member States' HICPs, and the eurozone is considered as an entity regardless of the elements of which it is composed. Each country first publishes its own HICP in conjunction with its own consumer price index ("**CPI**"). Germany amended the methodology for the calculation of its own national CPI in 2003<sup>2</sup>.

Following each country's publication of its CPI, Eurostat aggregates these and publishes an HICP for the eurozone, as well as a breakdown by item and by country.

In year N, each country's weight in the eurozone HICP equals the share that such country's final household consumption constitutes within that of the eurozone as a whole for the year N-2. These weights are re-estimated every year in the January publication of the eurozone HICP.

The HICP is said to be **harmonised** because the methodology and nomenclatures for the index of prices are the same for all of the countries in the eurozone and the European Union (as required by article 121 of the European Union Treaty). This makes it possible to compare inflation among different Member States of the European Union. Emphasis is placed on the quality and comparability of the various countries' indices.

The HICP is calculated as an **annual chained-index**, which makes it possible to change the weights every year.

This also makes it easy to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in the year N, it is included in the eurozone HICP starting from January of year N. The new Member State's weight is included in the annual revaluation of the HICP. This will not in any way hinder the indexation.

### **Coverage**

The HICP covers almost all eurozone household consumption (99.1% of the theoretical coverage). The principal difference from national CPI indices lies in the treatment of health spending. Thus, for example, the French CPI covers all health spending whether or not it is reimbursed by Social Security, whereas the HICP covers only health spending that is not repaid by Social Security. As a result, France's health spending constitutes 9.0% of its CPI and only 3.2% of HICP.

The lower weight of health spending in the HICP explains why the inflation measured by HICPs was higher (by 0.1 or 0.2 points) than that measured by CPIs. Indeed, this automatically entails that the weight of other sectors is greater in the HICP than in the CPI.

### **WHEN AND WHERE CAN THE CONSUMER PRICE INDEX BE FOUND?**

#### **Release dates**

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<sup>2</sup> This has resulted in the publication of a further HICP series, restated from 1996 in respect of the amended German methodology. However, the reference index is HICP reflecting the amended German methodology from 2003 only.

The harmonised index of consumer prices ex-tobacco is published every month on Eurostat's internet site, according to a pre-determined official timetable. The internet site of Eurostat is <http://europa.eu.int/comm/eurostat>. Publication generally occurs around the 16th-18th day of the following month (for example, the March HICP is published around 16-18 April). If a revision is made, it is published with the HICP of the following month.

#### **The media through which the index is made public**

The series of unrevised eurozone HICPs ex-tobacco is available on Reuters screen page "OATEI01" or on Bloomberg page "TRES3".

The daily inflation reference, calculated by linear interpolation of the two latest monthly inflation indices published by Eurostat, will always be available through major international information networks. This reference can be accessed through AFT pages on such networks.

#### **THE IMPACT OF A BASE YEAR CHANGE IN THE CONSUMER PRICE INDEX ON INFLATION INDEXED NOTES**

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a new consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. The index value for the year in which the new base is introduced is set at 100.

As far as we know, Eurostat has not yet changed the HICP's base, since its base is still recent (100 = 1996). A new base, however, is expected to be introduced in the next few years.

A base year change entails resetting the base for daily inflation references, but it does not affect the indexation coefficient.

#### **EUROZONE HICP EX-TOBACCO HISTORICAL DATA**

The HICP is published monthly. The following table gives the monthly HICP for the last two years:

| <b>Date</b>  | <b>HICP</b> | <b>Date</b>  | <b>HICP</b> |
|--------------|-------------|--------------|-------------|
| September 08 | 108.42      | September 07 | 104.59      |
| August 08    | 108.22      | August 07    | 104.19      |
| July 08      | 108.38      | July 07      | 104.14      |
| June 08      | 108.54      | June 07      | 104.41      |
| May 08       | 108.14      | May 07       | 104.31      |
| April 08     | 107.46      | April 07     | 104.05      |
| March 08     | 107.11      | March 07     | 103.39      |
| February 08  | 106.04      | February 07  | 102.70      |
| January 08   | 105.67      | January 07   | 102.38      |
| December 07  | 106.12      | December 06  | 102.96      |
| November 07  | 105.69      | November 06  | 102.55      |

Source: Eurostat

## **DISCLAIMER ON BEHALF OF THE SPONSOR**

The Notes are not in any way sponsored, endorsed, sold or promoted by Eurostat. The Index is compiled and calculated solely by Eurostat. Eurostat has no obligation to take the needs of Bondholders into consideration in composing, determining or calculating HICP (or causing HICP to be calculated). In addition, Eurostat makes no warranty or representation whatsoever, express or implied, as to the results to be obtained from the use of HICP and/or the level at which HICP stands at any particular time on any particular day or otherwise, and shall not be liable, whether in negligence or otherwise, to any person for any error in HICP or under any obligation to advise any person, including, without limitation, the Issuer, the Calculation Agent or Bondholders of any error therein.