

France Telecom

FY 2006 results & 2007 outlook

March 6th, 2007



cautionary statement

this presentation relates to France Telecom's results for 2006 which are still in the process of being reviewed by the statutory auditors. This presentation contains forward-looking statements and information on France Telecom's objectives, in particular for 2007. Although France Telecom believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties and there is no certainty that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could result in material differences between the objectives presented and the actual achievements include, among other things, changes in the telecom market's regulatory environment, competitive environment and technological trends, the success of the NEXt program and other strategic initiatives based on the integrated operator model as well as France Telecom's financial and operating initiatives, and risks and uncertainties attendant upon business activity, exchange rate fluctuations and international operations.

the financial information in this presentation is based on international financial reporting standards (IFRS) and presents specific uncertainty factors given the risk of changes in IFRS standards.

more detailed information on the potential risks that could affect France Telecom's financial results can be found in the Document de Référence filed with the Autorité des Marchés Financiers and in the Form 20-F filed with the U.S. Securities and Exchange Commission.

France Telecom Group 2006 performance



2006: financial commitments achieved

organic cash flow	EUR 7.15 Bn	<ul style="list-style-type: none">more than 7 Bn euros FY06 targeted (6.95 Bn euros including Pages Jaunes until sale closing)
GOM	EUR 18.54 Bn, 35.9% GOM rate -1.4/-1.6 point*	<ul style="list-style-type: none">in line with guidance (-1/-2 points versus 2005 GOM rate)
capex	EUR 6.73 Bn, 13% of revenues	<ul style="list-style-type: none">in line with objective

* excluding Lebanon reserve reversal in 2Q05 (+€199m) and provision for fine in 4Q05 (-€256m), 2005 GOM margin is 37.5%

on track to become the reference European telecom service provider

159 million customers

of which 2/3 under Orange brand

97.6 million mobile subscribers
(N°3 on European footprint)

of which 5,8 million mobile broadband subscribers
(N° 3 in Europe)

48.7 million fixed PSTN lines
(N°3 worldwide / N° 1 Europe)

9.7 million ADSL broadband clients
(N°4 worldwide / N° 1 Europe)



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a confirmed leadership on innovation and convergence



4.1 million
Livebox in Europe



658k Business Everywhere
end users
1 worldwide

**1st incumbent
to deploy
FTTH in Europe**

N°1 IPTV provider in
Europe
with **590k** clients
(N°2 worldwide)



64k Unik phones sold
in France in 2 months

sources: Canalys, DittBerner

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agenda

- **Consolidated Results**

- *Gervais Pellissier, CFO*

- **Operational highlights**

- Spain - *Belarmino Garcia, Executive VP, Orange Spain*
- United Kingdom - *Bernard Ghillebeart, Executive VP, Orange UK*
- France - *Louis-Pierre Wenes, Senior Executive VP, France operation*

- **France Telecom at the beginning of 2007**

- *Didier Lombard, Chairman & CEO*

- **Q&A**

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2006 consolidated results



2006 key figures: preliminary results confirmed

in million of euros	Actual* FY05	FY05 Comp. Basis	FY06	Actual % change	Comparable Basis % chg
revenues	48,082	51,105	51,702	+7.5%	+1.2%
Gross Operating Margin	17,953	19,039	18,539	+3.3%	-2.6%
<i>as a % of revenues</i>	37.3%	37.3%	35.9%	-1.4pt	/ -1.6 pt**
net Income, Group share	5,709		4,139		
net Income, Group share on comparable terms***	3,992		4,152		
CAPEX	6,033	6,503	6,732		
<i>as a % of revenues</i>	12.5%	12.7%	13.0%		
organic Cash Flow	7,481		7,157		
org. Cash Flow, without Pages Jaunes consolidation	7,229		6,894		
net Debt / GOM	2.48		2.27		

* restated from Pages Jaunes disposal; ** Excluding Lebanon reserve reversal in 2Q05 (EUR199m) and provision for fine in 4Q05 (EUR256m), 2005 GOM margin is 37.5%, *** adjusted for main exceptional items

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group revenue growth driven by Personal, Home & Enterprise are under control

in million of euros	FY05 Comp. basis	FY06	Change EURm	Change comp. Basis %
Group revenues	51,105	51,702	597	1.2%
total Personal	26,381	27,745	1,364	5.2%
personal France	9,780	9,882	101	1.0%
personal UK	5,850	5,874	25	0.4%
personal Spain	3,222	3,353	132	4.1%
personal Poland	1,650	1,934	285	17.2%
personal ROW	6,086	6,920	834	13.7%
total Home	22,931	22,487	-444	-1.9%
home France	17,835	17,657	-178	-1.0%
home Poland	3,246	3,048	-198	-6.1%
home UK	426	426	0	0.1%
home Spain	658	558	-100	-15.2%
home other ROW	935	1,021	85	9.2%
total Enterprise	8,046	7,652	-394	-4.9%
eliminations	-6,253	-6,182	71	-1.1%

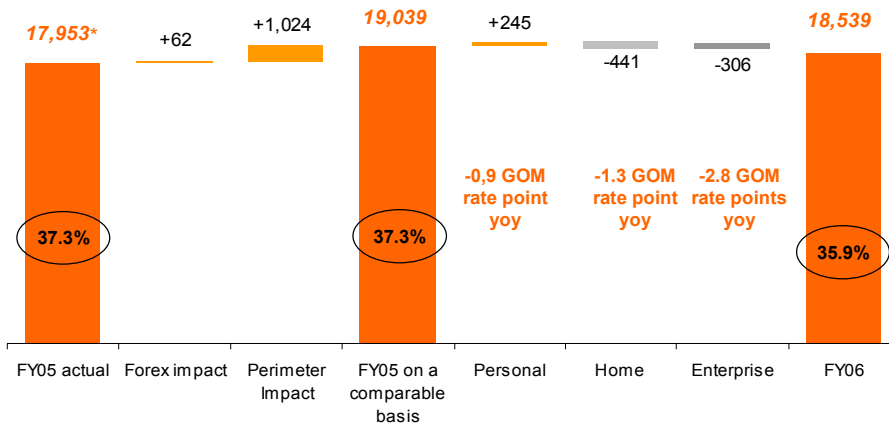
- personal revenue growth driven by the strong trend in emerging markets
- home revenue trend stabilized in 2H thanks to Home France with a confirmation of a slowdown in decline in France in 4Q
- enterprise business improved in second half, with ICT services revenue growth above market growth and lower decline of legacy businesses

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GOM rate down by 1.4 point yoy, in line with guidance

2006 Gross Operating Margin: EUR18,539m /+3.3% actual* /-2.6% on a comp. basis

in million of euros



- GOM rate down by 1.6 point adjusted for 2005 exceptionals**

* restated from Pages Jaunes disposal; ** Excl. Lebanon reserve reversal in 2Q05 (+EUR199m) and fine provision in 4Q05 (-EUR256m), 2005 GOM margin is 37.5%

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personal 2006: GOM rate evolution driven by increased price pressure and higher commercial costs

GOM rate in %	FY05 CB		FY06	
	GOM Before Com expenses	GOM	GOM Before Com expenses	GOM
total Personal	59.6%	35.8%	59.2%	34.9%
France	55.7%	37.2%*	58.5%	38.8%
UK	61.5%	28.3%	56.9%	23.4%
Spain	61.0%	31.1%	58.3%	27.8%
RoW+Poland	60.5%	40.7%	60.1%	40.1%

- personal GOM increased by 2.6% on a comparable basis driven by continued strong margin in ROW and in France
- GOM rate decrease due to price pressure and increase of commercial expenses
- increase of commercial expenses especially in France, UK and Spain due to intensive competition, rebranding and the launch of convergent offers

12 * including €256m fine (excluding fine GOM rate is 39.8%)

home 2006: GOM rate evolution driven by transformation costs and increase of commercial expenses

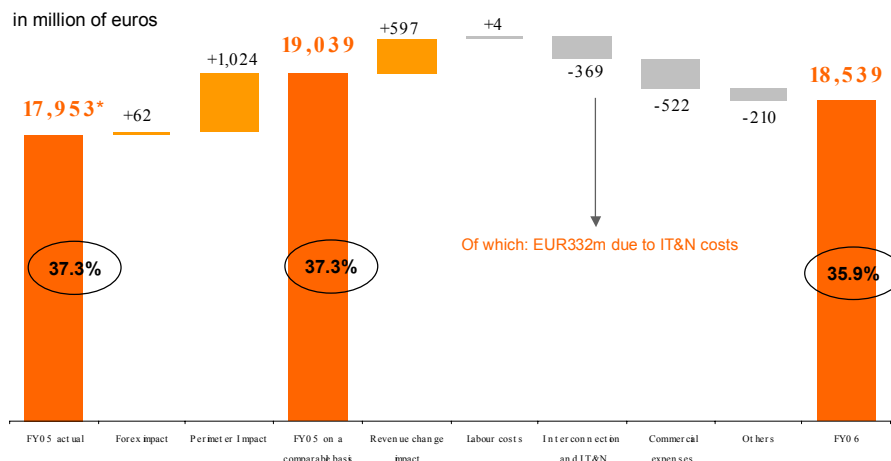
GOM rate in %	FY05 comp. basis		FY06	
	GOM Before Com expenses	GOM	GOM Before Com expenses	GOM
total Home	38.5%	33.6%	37.6%	32.3%
France	38.3%	33.5%	37.1%	32.0%
RoW+Poland	37.9%	33.0%	37.5%	32.0%

- GOM rate down by 1.3 pt vs 2005 on a comparable basis mainly driven by:
- France: slight GOM rate deterioration mainly due to the business model transformation costs
- Spain: rebranding, commercial promotions & migration towards LLU

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GOM rate down by 1.4 point yoy, in line with guidance

2006 Gross Operating Margin: EUR18,539m /+3.3% actual* /-2.6% on a comp. basis



- GOM rate down by 1.6 point adjusted for 2005 exceptionals**

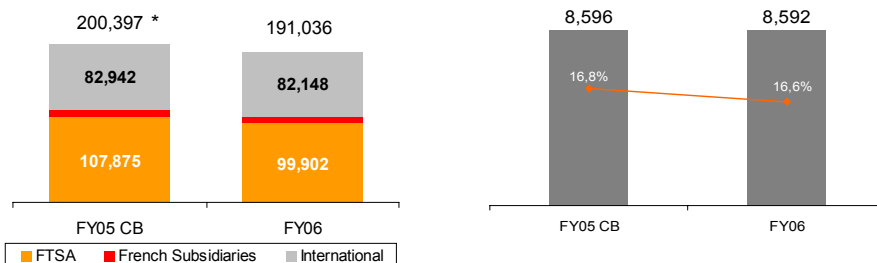
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headcount evolution on track with our forecast

group headcount, end of period

labour costs, in million of euros
& as a % of revenues



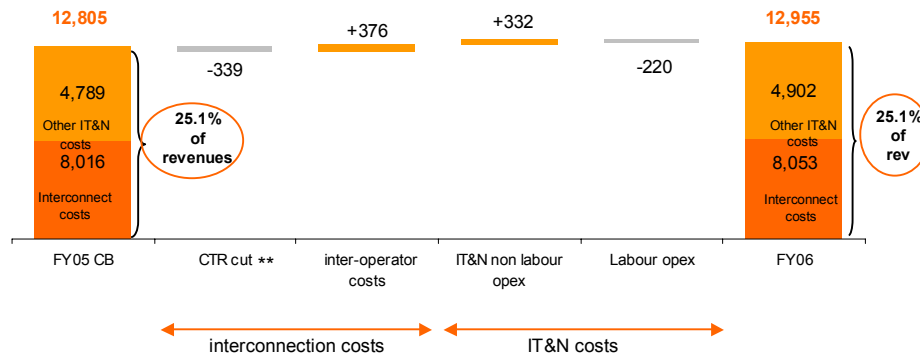
- headcount down by 9,361 people, i.e. -4.7% vs 2005 on a comparable basis
 - In France, 7,886 net departures**, ~ 49% of our 2006-2008 forecast achieved
- labor costs stable yoy: price impact : +2.9% / volume decrease : -3.2% / mix effect : +0.3%

15 * Excluding PagesJaunes and other perimeter impacts in 2006; ** permanent headcount

IT&N costs to revenue ratio stabilized

interconnection and IT&N costs*: +1.2%

in million of euros

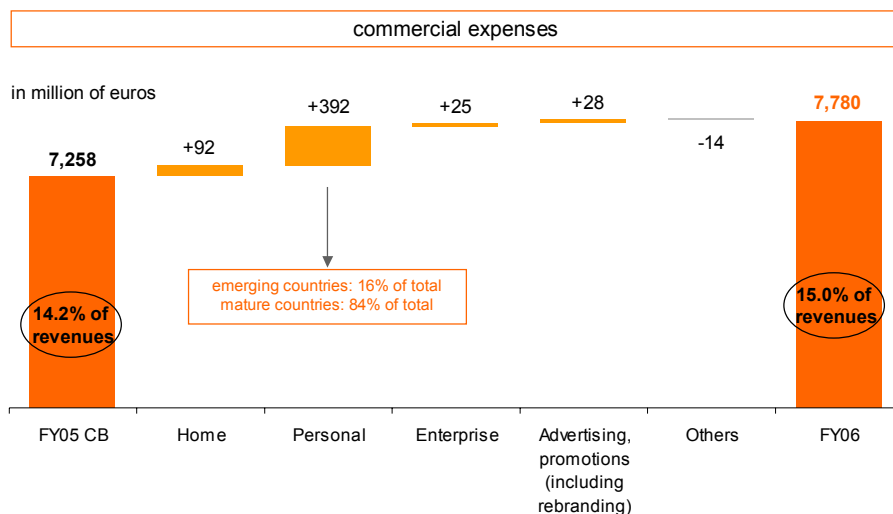


- interconnection costs stabilized with CTR cuts offset by traffic and revenue increase
- IT&N non labour opex increase mainly due to the deployment of customers' service platforms and to the ongoing roll-out of networks (field intervention costs)

→ 2008 objective to reduce IT&N costs by EUR500-800 millions vs FY05 CB confirmed

16 * including labour costs related to IT&N; ** cut in Call Termination Rate

increase in commercial costs mostly driven by intense competitive environment in mature countries



→ objective to stabilize commercial expenses as a % of revenues in 2007/08 reiterated

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operating income: main variations vs 2005 due to goodwill impairment and accounting methodology for asset disposals

in million of euros

	2005	2006	06/05 change
gross operating margin	17,953	18,539	586
employee profit sharing	-349	-346	3
share-based payment	-158	-30	128
depreciation & amortization	-7,024	-7,824	-800
impairment of goodwill	-11	-2,800	-2,789
impairment of assets	-568	-105	463
disposal of assets	1,089	97	-992
restructuring costs	-454	-567	-113
associates	20	24	4
operating income	10,498	6,988	-3,510
discontinued activities	648	3,211	2,563
operating income excl. exceptionals	9,988	9,796	

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2006 impairments mainly due to a tougher competitive environment in the UK and regulatory environment in Poland

in million of euros	2005	2006
total impairments of goodwill	-11	-2,800
personal UK	-	-2,350
Poland	-11	-275
personal Netherlands	-	-175

- **UK and Netherlands:** change in impairment test rules, with goodwill now allocated at the country segment level and not at the segment level only
- **Poland:** goodwill impairment concerns the whole business with higher WACC (11.3% vs 9.5% before for the fixed and 10.5% for the mobile) to reflect tougher regulatory environment

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slight increase of net income on comparable terms

in million of euros	2005	2006
operating Income	10,498	6,988
total financial result	-3,367	-3,251
income taxes	-1,419	-2,180
discontinued activities	648	3,211
net Result	6,360	4,768
minority Interests	-651	-629
net income group share	5,709	4,139
gain on asset disposal and result of discontinued activities	-1,737	-3,308
impairment net of tax	+468	+2,800
exceptionals on deferred tax & financial expenses	-448	+522
net income group share on comparable terms*	3,992	4,152

* adjusted for main exceptional items

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average cost of debt decreased from 6.46% in 2005 to 5.91% in 2006

in million of euros	2005	2006
financial result	-3,367	-3,251
ow financial gain	194	163
ow interest expenses	-3,238	-3,063
ow financial assets depreciation	-14	-255
ow foreign exchange gain (losses)	-147	26
ow discounting expenses	-162	-122

- TDIRA buy-back of EUR645m in 2006 vs EUR243m in 2005
- debt refinancing on 6 February 2007 of EUR2.5Bn:
 - spread of 26bps for the 5-year tranche of EUR1Bn
 - spread of 51bps for the 10-year tranche of EUR1.5Bn

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income taxes: optimization of deferred taxes assets

in million of euros	2005	2006
balance sheet		
deferred taxes	7,300	6,501
reconciliation between P&L and cash flow statement		
P&L Income Taxes	-1,419	-2,180
<i>deferred taxes charge (income)</i>	883	1,588
ow FTSA Tax Group	1,247	1,258
ow Spain	-134	326
<i>other (change in tax payable/ receivable, Directories cash income Taxes)</i>	-274	-14
cash out Income Taxes	-811	-606

→ effective cash tax payments of EUR800m and EUR1Bn expected each year between 2007 and 2010

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2006 net cash: lower interest expenses and cash taxes and WCR stabilisation

in million of euros	2005	2006
gross operating margin (GOM)	17,953	18,539
net interest expense cash out *	-3,074	-2,684
GOM from discontinued activities	463	361
income taxes cash out	- 811	- 606
early retirement plan cash out	- 918	- 993
employee profit sharing	- 349	- 346
employee profit sharing from discontinued activities	- 33	- 8
change in Working Capital Requirement	997	15
others (restructuring costs, non cash items)	- 854	- 415
net cash provided by operating activities	13,374	13,863

*net financial charges excluding discounting, disposal/provision on financial assets and foreign exchange (gain/loss)

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organic cash flow ahead of objectives

in million of euros	2005	2006
net cash provided by operating activities	13,374	13,863
purchase of tangible and intangible assets, net of change in fixed asset vendors	- 6,108	- 6,811
ow capex	-6,033	-6,732
proceeds from sale of tangible and intangible assets	215	105
organic cash flow *	7,481	7,157

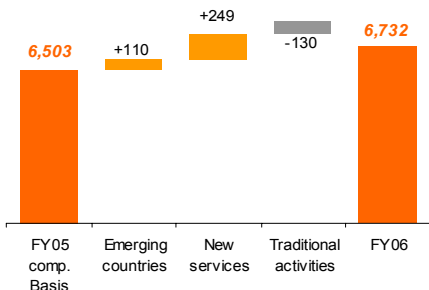
* see glossary in appendix 1

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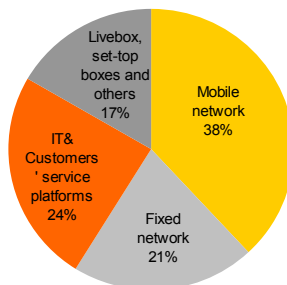
capex increased by 3.5% on a comparable basis to support growth in emerging markets and to develop new services

2006 group Capex evolution

in million of euros



2006 capex by key items

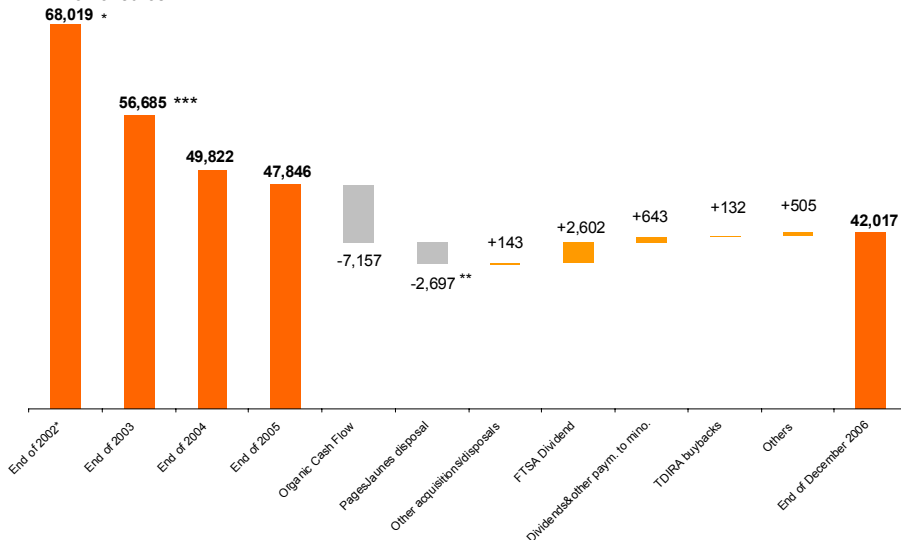


→ capex are reallocated from traditional business to emerging countries and new services (Livebox, customers' services platforms, set-top boxes, 3G, DSL, IP, content rights, ...)

net debt reduction at the end of 2006: on track to reach 2008 target

net debt changes

in million of euros



*French Gaap; ** Net amount of Pages Jaunes disposal, after EUR600m net cash reimbursement; *** 2003 net debt increased by EUR8.9bn due to change to IFRS

rating S&P: France Telecom is one of the best rating of the sector

	Rating	Spread janv-06	Spread janv-07	change
France Telecom	A3/A-	49	25	-24
Telekom Austria	Baa2/BBB	38	25	-13
Tele Polska	Baa2/BBB+	48	26	-22
Vodafone	A3/A-	37	27	-10
Telefonica	Baa1/BBB+	56	32	-24
Deutsche Telekom	A3/A-	49	32	-17
British Telecom	Baa1/BBB+	50	42	-8
TeliaSonera	A2/A-	44	48	+4
KPN	Baa2/BBB+	83	57	-26
Telecom Italia	Baa2 /BBB+	59	59	0
Portugal Telecom	Baa2/BBB-	47	117	+70

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operational
trends
2006-2007



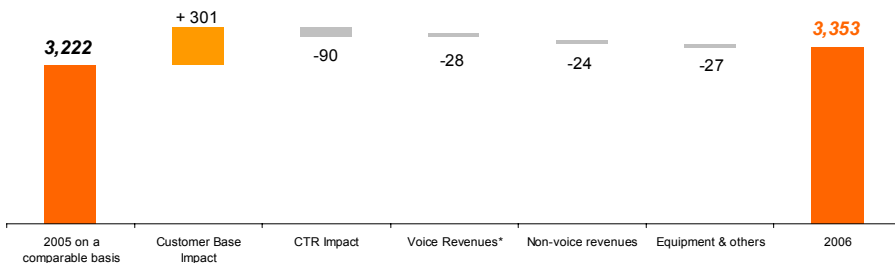
Spain operations

Belarmino GARCIA
executive VP, Orange Spain

personal Spain 06: strong customer base growth

personal Spain 2006 revenues: EUR3,353m / +4.1% on a comparable basis

in million of euros

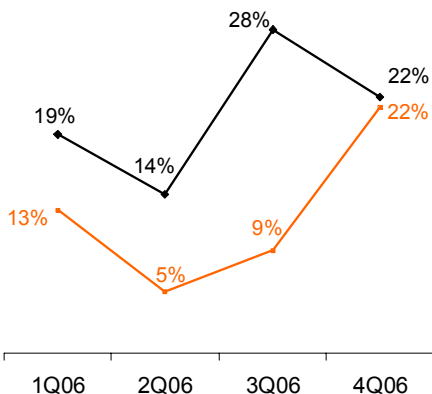


- + 11.1m customers (+7.9% yoy on a comp. basis)
 - 278k net adds in 4Q06, of which 197k contract net additions
 - improvement of contract mix from 48.5% at the end of 05 to 48.8% at the end of 06
 - 422k broadband customers (+180k vs 3Q06)
- underlying growth: +7.1% pre CTR
- blended ARPU at €301, almost stabilized in 4Q06 vs 3Q06
- first contracts signed with MVNOs in the market (Carrefour, Phone House)

personal Spain 2006: strong rebound in 4Q with an improvement of customer mix

evolution of net adds market share*

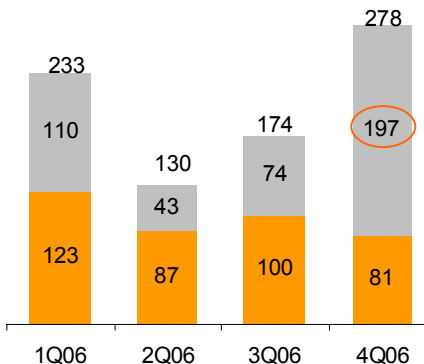
- postpaid trend improved in 4Q



—●— Orange Net Adds Market Share
—●— Orange Postpaid Net Adds Market Share

net additions evolution (000s)

- strong take up of contract net additions in 4Q following the rebranding: from 47.1% in 1Q06 to 70.8% in 4Q06



■ prepaid ■ postpaid

³¹ * France Telecom estimates

personal Spain 2007: outlook and priorities

environment

- highly competitive environment with 4th entrant Yoigo and MVNOs development
- mobile termination rate still regulated, although better visibility expected in 2007
- implementation of per second billing

priorities and action plan

- leverage the successful rebranding and new offers launched in 4Q06
- accelerate 3G handsets penetration
- focus on postpaid
- launch the loyalty point program and reduce mobile churn
- implement infrastructure sharing agreement with Vodafone

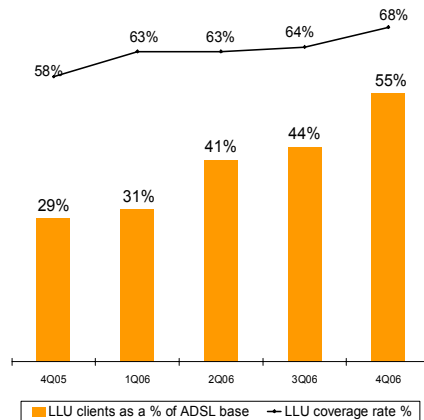
³²

home Spain 2006: accelerated migration from PSTN to ADSL and LLU

Home Spain revenues: -13.7% actual / -15.2% on a comparable basis

- a customer base increasingly broadband, multiplay and subscription based
- 640k ADSL subscribers and 349k LLU subscribers, ie 55% of ADSL base
- TV over ADSL take off
- 20% of ADSL gross adds in Dec'06 through mobile distribution channel
- rebranding achieved in 4Q, with the launch of converged offers (Family talk, Numero Plus or Unico), significant churn reduction in the quarter

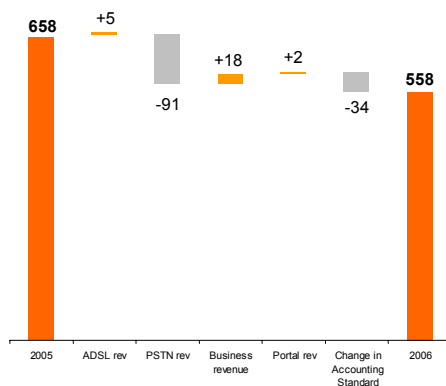
strong increase of LLU clients as a % of Orange ADSL base



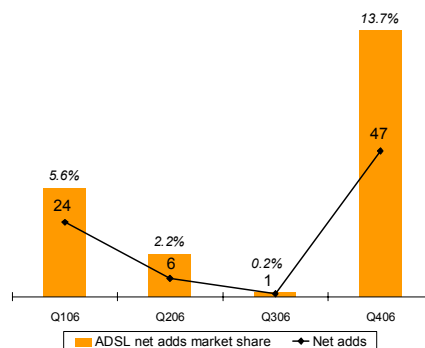
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home Spain 2006: strong rebound in 4Q in ADSL

Home Spain revenues



Orange net adds (000s) & net adds market shares



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home Spain 2007: outlook and priorities

environment

- price pressure on broadband will continue
- multiplay offers will consolidate as the standard in the market
- regulatory opportunities with 20% wholesale broadband price reduction and with naked ADSL being included in wholesale regulation

priorities and action plan

- leverage the successful rebranding and new offers launched in 4Q06
- accelerate acquisition in ADSL, especially in LLU, leveraging on mobile distribution channels
- develop direct channels and web channel
- churn reduction in the ADSL business

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UK operations

Bernard GHILLEBAERT
Executive VP, Orange UK

progress on our strategy as announced in 4Q 2006

developing customer loyalty

- maintaining highest PAYM ARPU in the market: over 80% of new customers taking 18 month contract
- monthly PAYM churn down by 5 points in Dec 06
- ~200k shared broadband and mobile customers achieved and continuing to grow in 2007

increasing new revenue streams

- non-messaging data revenues up 15% yoy (total non voice revenue up 5.9 % yoy)
- 3 national roaming wholesale deal started in December 2006

business transformation to compete more efficiently

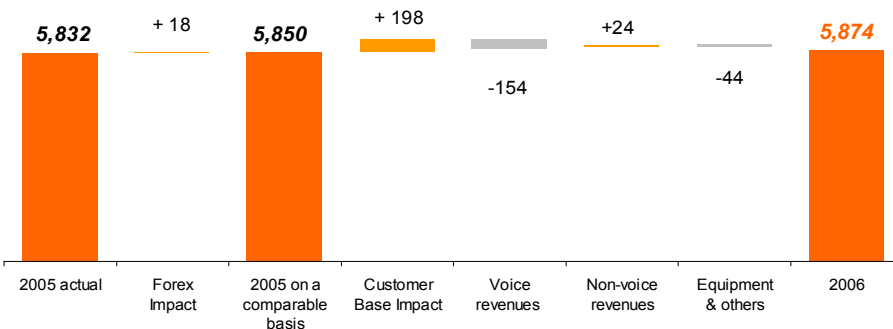
- activities started in 2006 will deliver 7% headcount cost savings in 2007
- 3G radio network sharing deal with Vodafone announced
- 47 stores acquired from The Link: direct PAYM retail sales up 17% yoy
- ongoing synergies being realised across broadband and mobile

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personal UK 2006: revenue slightly increased thanks to a better 2H

personal UK 2006 revenues: EUR5,874m / +0.7% actual / +0.4% on a comparable basis

in million of euros



- 15.3m mobile customers, +3.2% yoy (with 237k PAYM 2H net adds highest since 2002)
- strong PAYG mobile performance with base up by 4.9%, and revenue up 6.2% yoy
- leadership maintained on mobile contract ARPU at £561 at the end of 06
- doubled revenues from business mobile Blackberry and 3G data card services

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personal UK 2007: outlook and priorities

environment

- market expected to remain highly competitive
- early 1Q 2007 market sales and churn indicators suggest the “washing machine” could be slowing down
- Ofcom should rule on termination rates cut in March / April (impacts included in Group forecasts)

priorities and action plan

- **developing customer loyalty**
 - build on differentiated segmented tariff position in the market, with a strong focus on retention activity
- **increasing new revenue streams**
 - continue seeking suitable new wholesale partnerships following the 3 national roaming deal
 - drive mobile data revenue growth with innovative new services
 - full market launch of Unique Phone
- **business transformation to compete more effectively**
 - drive ongoing synergies across broadband and mobile, including network backhaul and marketing
 - implement 3G network sharing agreement with Vodafone to optimise opex and capex savings

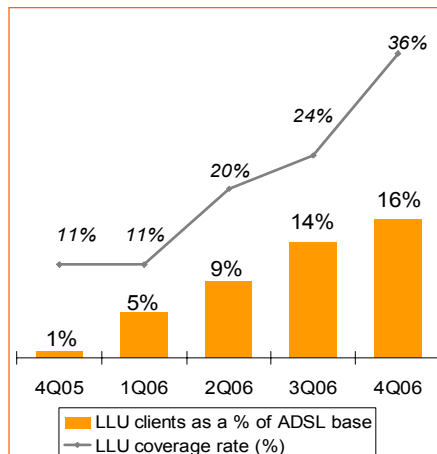
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home UK in 2006: broadband revenues grew despite a tough market

revenues: +0.4% actual / +0.1% on a comparable basis

- **broadband revenues grew 27% year on year** (decline of narrowband revenues offset despite falling market prices)
- **deployment of unbundling** in line with FY objective (485 local exchanges at the end of 2006 and 36% coverage)
- **rebranding**, with the “Togetherness” mobile & broadband marketing campaign
- **growth in VOIP** with outbound chargeable minutes growing four-fold during 2006

LLU customers as a % of ADSL base

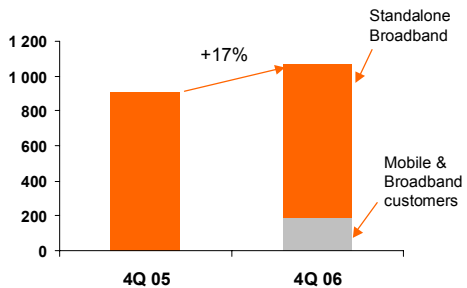


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UK in 2006: shared broadband and mobile base is a platform for future growth

- **over 250k shared broadband and mobile customers** and continuing to grow
- **greater value benefits**
 - shared broadband and mobile customers showing higher ARPU
 - since end of 3Q 2006 around 50% taking “unlimited” paid option
- **higher tenure**
 - indicative lower churn than mobile only customers
 - all shared customers take 18 month mobile contracts
- **basis for future growth**
 - shared base are target customers to upsell future converged services

Orange UK broadband subscriber base (k)



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home UK 2007: outlook and priorities

environment

- market expected to remain extremely competitive
 - new entrants with aggressive above-the-line marketing campaigns
 - incumbent keen to maintain market share
- further pricing pressure due to bundled broadband offers from many players
- possible further market consolidation

priorities and action plan

- **strengthen the customer base**
 - leverage Orange rebranding to increase brand awareness and consideration
- **increasing new revenue streams**, through product enhancement
 - completion of a competitive multi play portfolio
 - new converged services
 - develop partnerships to strengthen content portfolio
- **business transformation**
 - accelerate migration of customers to shared LLU and continually improve network quality
 - reduce Livebox cost per unit and total cost to serve

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UK in 2006: **business transformation to compete more efficiently**

- **in distribution** with 47 new stores purchased (340 stores in total at the end of 06) and direct PAYM retail sales up 17% yoy Dec 06 v. Dec 05
- **in the network** with the 3G radio access network sharing deal with Vodafone
 - 20% Opex and Capex reduction expected in mid term
- **in operational costs** :
 - focus on maximising headcount efficiency : activities commenced in 2006 will deliver 7% headcount cost savings in 2007
 - improved sourcing efficiencies for wireless routers and 3G handsets
 - sharing core network, systems and processes across mobile and broadband
 - joint marketing activity across all services

expecting to continue identifying and driving further cost efficiency initiatives in the business in 2007

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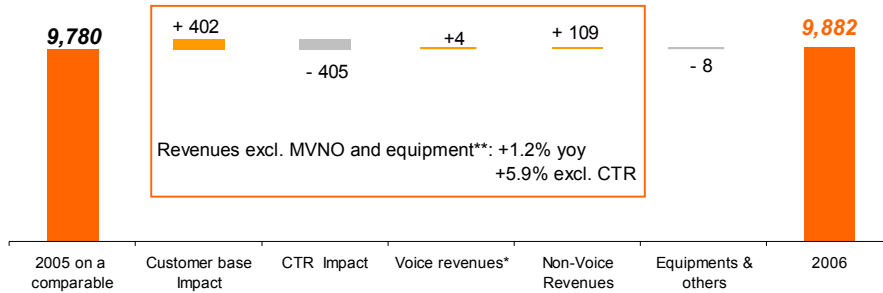
France operations

Louis Pierre WENES
Senio Executive VP,
Group transformation and French operations

personal France 06: increase of network revenue

personal France 2006 revenue: EUR9,882m / +1.1% actual / +1.0% on a comparable basis

in million of euros



- strong customer base growth: 23.268m – excl. MVNOs -, +3.7% yoy
 - 725k net addition in 4Q06, of which 361k contract net additions (contract mix reinforced to 63.2%)
 - attractive offers and promotions with a positive impact on contract churn (decrease to 12.2% in 4Q06)
- Orange mobile Broadband takeoff (x 3,4 vs end 2005)
- non-voice revenues and ARPU up
- MVNO's successful strategy confirmed: 841k MVNO's customers (+ 224k vs 3Q06), >55% of market share

⁴⁵ * excluding CTR; ** Network ARPU revenue

personal France 2007: outlook and priorities

environment

- number portability phase 2 due by May 21st, 2007
- potential fourth 3G licence allocation mobile
- continuing growth of MVNO's market penetration
- ARCEP has just completed its 05-07 plan on CTR and is engaged in preparing decisions for the 2008-2010 period

priorities and action plan

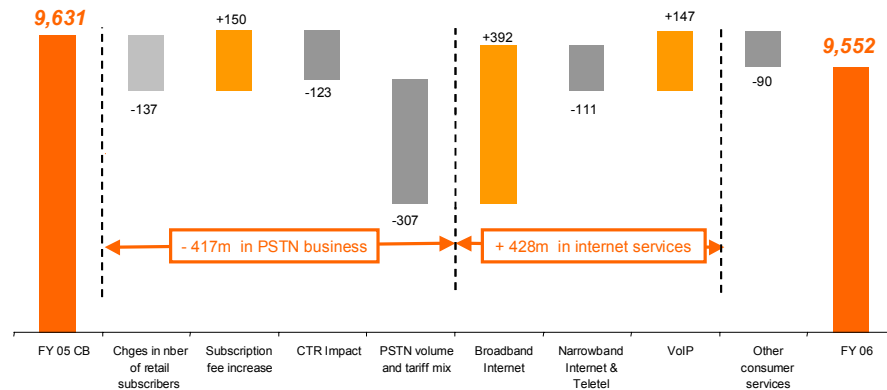
- reduce churn and face mobile number portability phase 2 by developing more agile and pro-active loyalty programs
- use the mobile broadband customer base growth to develop non-voice revenue
- take advantage of the group convergence offers in retail and enterprise market : unik, business everywhere, fix & mobile SME bundles... ..
- keep taking advantage of the wholesale market growth and remain a strong leader

⁴⁶

home France 2006: revenues broadly stable yoy thanks to internet services

Home France consumer services 2006 revenues: -1.3% actual / -0.8% on a comparable basis

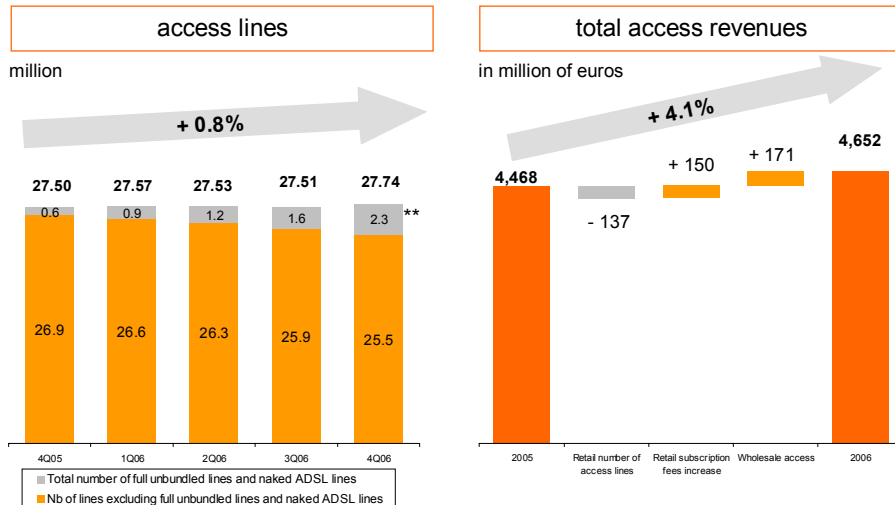
in million of euros



- full impact in 2H of the subscription fee increase
- continued broadband internet growth

47 * based on ARCEP methodology

home France in 2006: total number of lines stabilized with an increase in total access revenues* (retail + wholesale)

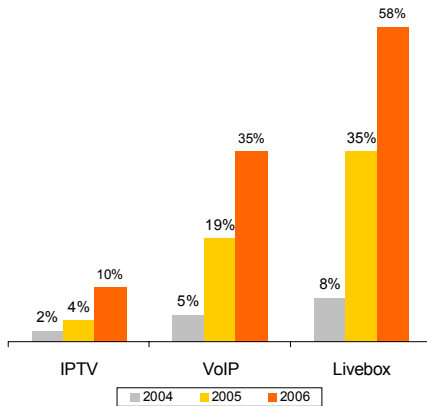


* definition: revenues from retail subscription fees and wholesale access, including full & shared unbundling, naked ADSL and wholesale line resale; ** of which 2,1 full unbundling lines and 0.2 wholesale Naked ADSL lines

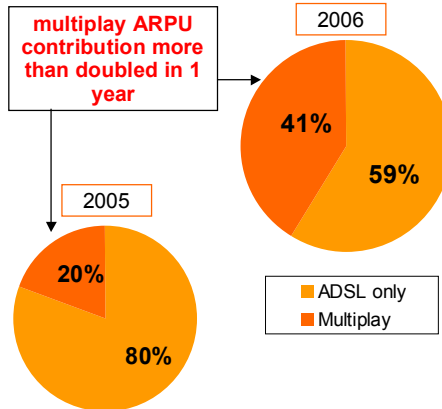
48

home France: increased penetration of dual & triple play services and takeoff of IPTV

Livebox, VoIP customers and IPTV over our DSL customer base



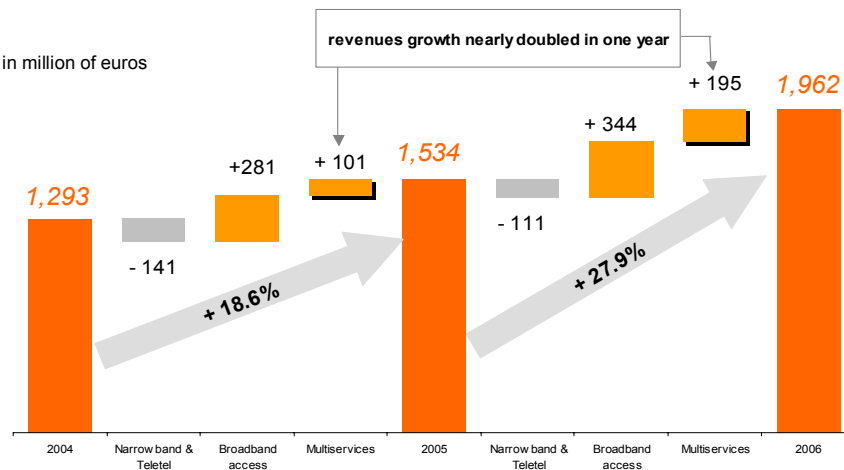
multiplay* as % of total ADSL ARPU



49 *: including internet DSL connectivity of multiplay customers, VoIP, IPTV, Livebox rental.

home France internet in 2006: acceleration of growth linked to ADSL broadband

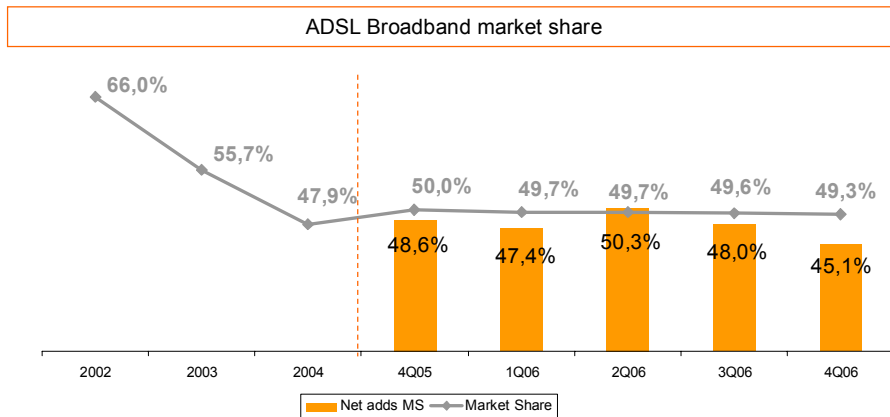
in million of euros



- strong growth of multi-equipped ADSL customers with IPTV and VoIP development:
 - number of IPTV customers nearly tripled (577k)

50

home France broadband 2006: Orange market share stabilizing around 49%



- Orange growth on ADSL customer base : +33% yoy
- 4Q performance is mainly due to delay in the launch of new ADSL offers

51 source: FT calculations based on Arcep figures

home France 2007: outlook and priorities

environment

- strong take up of naked ADSL offers
- stable or increasing access prices, with line rental increase of EUR0,84 by July 2007 (VAT excl.)
- deregulation of retail fixed telephony market initiated by ARCEP
- FTTH: authorities position in favor of investment

priorities and action plan

- leverage on naked ADSL offers to enlarge broadband penetration
- keeping control churn rate via QoS, customer experience and launch of new loyalty program
- secure access revenues thanks to "all included" offers
- leverage convergence with innovative offers
- increase ARPU with multiplay propositions and Livebox penetration

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France Telecom in 2007

Didier Lombard
Chairman & CEO



our key business priorities ⁽¹⁾

France

- maintain ADSL market share
- pursue leadership on mobile thanks to partnerships and MVNO strategy
- strengthen leadership in convergence and content
- decrease opex base

UK

- pursue the increase of shared broadband and mobile customer base
- accelerate LLU migration
- improve distribution strategy

Spain

- improve global market share thanks to QoS, churn reduction
- leverage rebranding and accelerate convergence
- increase revenues in both mobile and fixed businesses

our key business priorities (2)

Poland

- leverage on customer base growth (mobile and BB)
- maintain leadership on innovation
- focus on convergence with "integrated offers" (Unik, Business Everywhere, Livebox, IPTV...)
- revenue approx -1% and a GOM rate between 42-44%

other European countries and emerging markets

- increase or maintain market share
- develop internet and convergent offers
- continue to deliver a strong growth of revenue

Enterprise

- accelerate ICT services revenue growth, faster than market
- keep the leadership in IP transformation
- limit network legacy business revenue erosion

55

2007 transformation objectives

continuous focus on cost reduction

headcount reduction

49% of 06-08 forecast achieved in 2006

commercial expenses

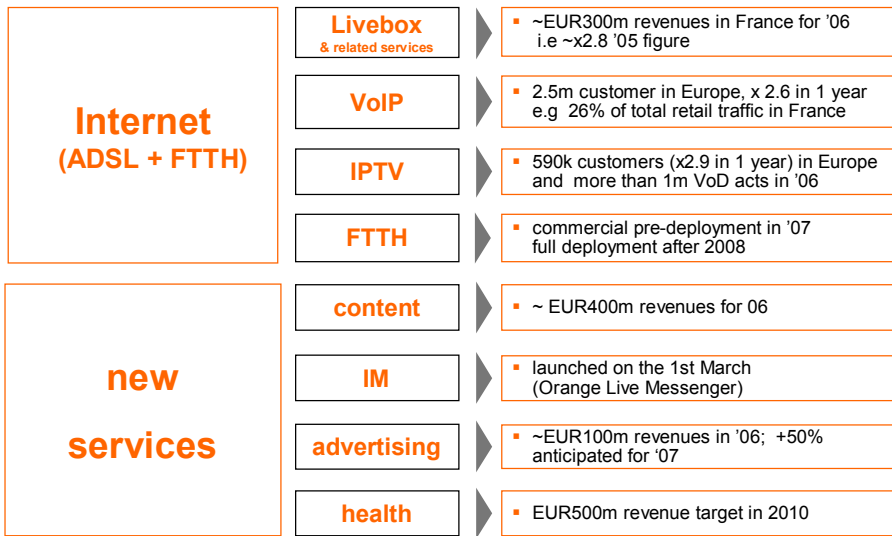
stabilization in % of revenue

IT & networks integration

between EUR500-800 m savings over 07-08
reduce field operation costs

56

fuelling today's & tomorrow's growth

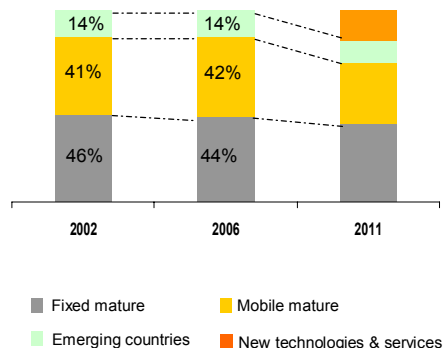


57

capex decrease in mature fixed & mobile markets allows to fuel new growth areas

- capex intensity in emerging countries will reduce as markets mature
- lower requirements for 3G coverage plus network sharing will reduce capex in mature mobile markets
- capex to sales ratio should remain in average around 13% of revenue over 2007-2012

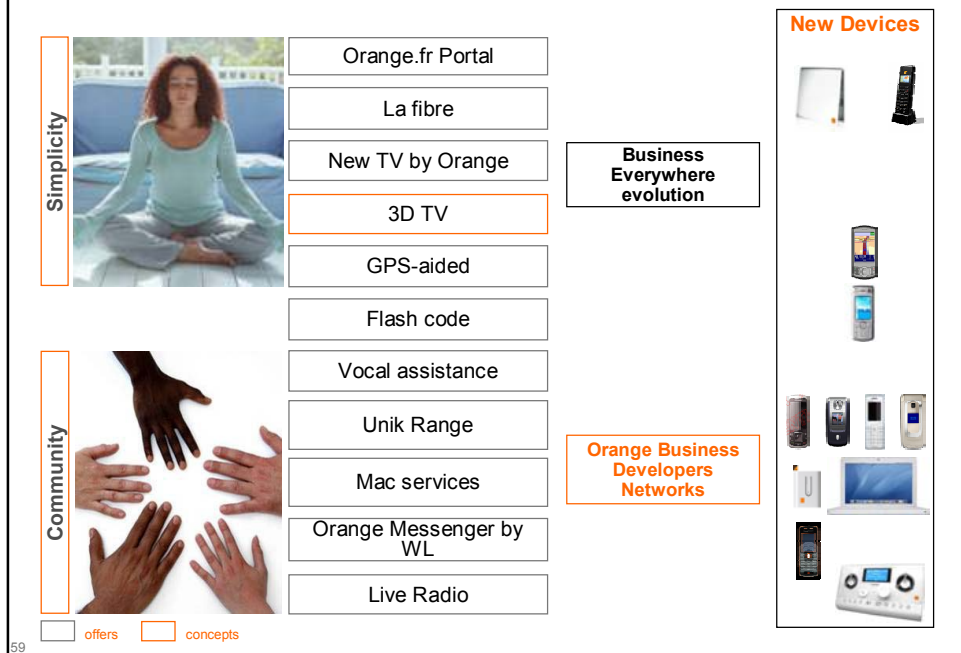
Evolution of capex split (base 100)



→ as soon as 2009, around EUR1.0 billion each year will be reallocated from current activities to new growth areas (e.g. FTTH)

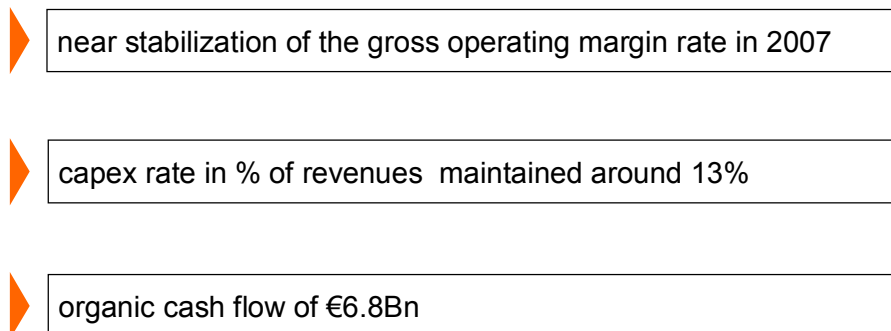
58

Orange's innovation allows 3 new collections a year



2007 guidance

- in moderate Western European markets growth:



FY 2006 dividend confirmed

EUR1.2 dividend for FY2006

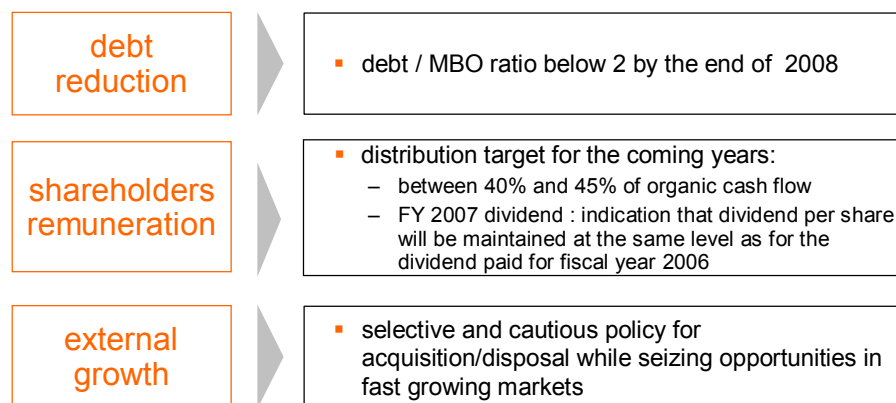
will be proposed to the shareholder meeting
of May 21st, 2007

to be paid on June 7th, 2007

→ i.e 44% of organic cash flow

61

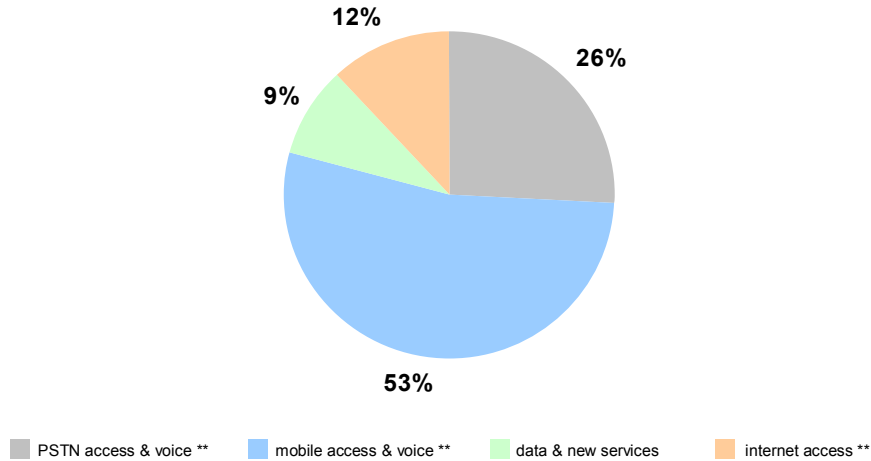
overall use of cash policy confirmed



62

Group business mix in 2006

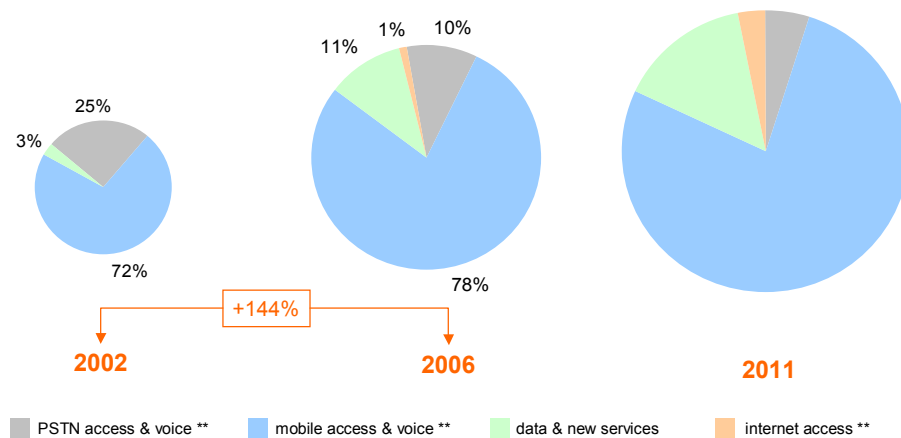
group 2006 revenue* split



63 * equipment sales and Orange Business Services excluded, ** wholesale included

in emerging countries, strong mobile development will continue while data and services will take up

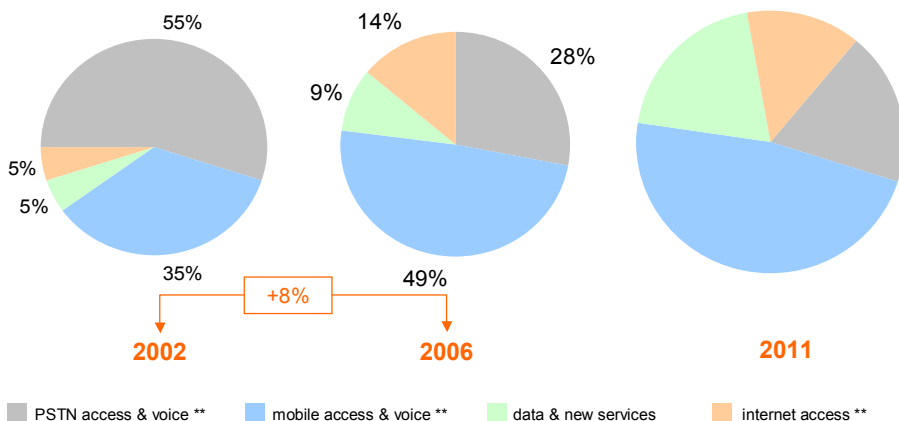
emerging markets revenue* evolution



64 * equipment sales and Orange Business Services excluded, ** wholesale included

in mature countries, convergence will drive growth thanks to the ramp up of content, services and the continuing broadband expansion

mature markets revenue* evolution



65 * equipment sales and Orange Business Services excluded, ** wholesale included

thank you

appendices

appendix 1: glossary ⁽¹⁾

- **ARPU – Consumer Fixed Services (HCS segment):** average annual revenue per line for the Consumer Fixed Services is calculated by dividing the average monthly revenues on the basis of the last twelve months by the weighted average number of customers over the same period. The weighted average number of customers is the average of the monthly averages during the period in question. The monthly average is the arithmetic mean of the number of customers at the start and end of the month.
- **ARPU – Personal ARPU (PCS segment):** average annual revenue per user (ARPU) is calculated by dividing the revenues of the network (see that definition) generated over the last twelve months (excluding revenues from mobile virtual network operators – MVNO) by the weighted average number of customers over the same period. The weighted average number of customers is the average of the monthly averages during the period in question. The monthly average is the arithmetic mean of the number of customers at the start and end of the month. ARPU is expressed as annual revenue per customer.
- **AUPU – Personal AUPU (PCS segment):** average monthly usage per user (AUPU), calculated by dividing the total minutes used over the preceding 12 months (outgoing calls, incoming calls and roaming, excluding the traffic of mobile virtual network operators – MVNO) by the weighted average number of customers over the same period. AUPU is expressed in minutes as a monthly usage per customer.
- **CAPEX:** capital expenditures on tangible and intangible assets excluding GSM and UMTS licenses and excluding investments through finance lease.
- **Commercial expenses:** external purchases including purchase of handsets and other products sold, retail fees and commissions and advertising, promotional and sponsoring expenses.
- **Data on a comparable basis (cb):** data with comparable methods, consolidation and exchange rates are presented for the preceding period. This transition from data on an historical basis to data on comparable basis consists of keeping the results for the period ended and restating the results for the corresponding period of the preceding year for the purpose of presenting, over comparable periods, financial data with comparable methods, scope of consolidation and exchange rates. The method used is to apply to the data of the corresponding period of the preceding year the scope of consolidation for the period ended as well as the average exchange rate used for the income statement for the period ended.

appendix 1: glossary ⁽²⁾

- **French Retail ADSL Market Share (ARCEP definition):** starting from 1Q06, quarterly French ADSL market share presentation will be based on ARCEP High-speed Internet Observatory methodology. Until the end of 2005, the figures published by France Telecom covered intermediate markets (such as private networks for business companies and "Turbo DSL" offers) that did not automatically result in high-speed subscriptions on the retail market. They also included ADSL access not used for Internet connection (MaLigne TV and MaLigne Visio Mono-play offers without high-speed Internet access).
- From 1Q06, estimation of total ADSL market figures published by France Telecom will be built by adding up to 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). This estimation is very close to ARCEP publications based on data received from major IAPs.
- **GOM (Gross Operating Margin):** 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.
- **Impact of Pages Jaunes disposal on consolidated accounts:** In accordance with International Accounting Standards (IFRS 5), an entity shall classify an activity as a non-current asset held for sale, if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The directory activity of France Telecom corresponds to this definition, as an active programme for the finalization of the disposal of Pages Jaunes Group to KKR existed at closing date. Therefore, the assets, liabilities, cumulative revenues and expenses of PagesJaunes Group are presented separately from those corresponding to the activities held and used by France Telecom as if Pages Jaunes Group was not consolidated any more. In accordance with IAS, this format of presentation is used both for the financial data of the current accounting period and for the data of the previous accounting periods provided for comparison. Furthermore, the information presented on the face of the simplified consolidated P&L does not take into consideration the elimination of the intercompany flows between PagesJaunes Group and the other companies of France Telecom.
- **Internet ARPU (ARPU: Monthly Average Revenue Per User):** calculated by dividing year-to-date connectivity revenues by the weighted average number of Internet customers during the same period. The weighted average number of Internet customers during a period is the monthly average customer base for the period. The monthly average customer base is calculated as the sum of the opening and closing number of customers for the month divided by 2.
- **Labour expenses:** labour expenses included in the determination of the GOM do not include employee profit sharing or share-based compensation costs. Those costs are part of the costs included between GOM and operating income. Labour expenses are net of the capitalized labour expenses.
- **Market Share of fixed line telephony in France:** calculation based on traffic on the network or interconnected to the network of France Telecom.

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appendix 1: glossary ⁽³⁾

- **Non labour expenses:** operating expenses excluding labour expenses. Operating expenses excluding labour expenses included in the calculation of GOM, include external purchases and other operating expenses (net of other operating income). Non labour expenses are net of capitalized costs.
- **Number of employees (active employees at end-of-period):** number of persons working on the last day of the period, including both permanent and fixed-term contracts.
- **OPEX:** operating expenses included in the determination of the GOM include labour expenses and non labour expenses.
- **Personal churn rate (PCS segment):** a measure of the number of customers leaving the PCS network. Churn rate is calculated by dividing the 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 by the weighted average number of customers over the same period.
Customers migrating between contract and prepaid products are included in individual product churn but do not impact overall churn as they remain on the PCS network.
Prepaid customers are treated as having churned if they have not made any outbound chargeable events and less than 4 inbound chargeable events within a 3-month period.
For Personal France, prepaid customers are treated as having churned six months after the end of their recharge (7 days to 5 months) if they do not recharge their account during this six-month period.
- **Personal network revenues (PCS segment):** network revenues represent the revenues (voice, data and SMS) generated by the use of the wireless network. It includes the revenues generated by incoming and outgoing calls, network access fees, roaming revenues from customers of other networks, revenues from value-added services and revenues from mobile virtual network operators (MVNO). It represents the recurring income most relevant to the wireless business and is directly correlated with the business indicators.
- **Personal non-voice service revenues (PCS segment):** revenues from non-voice services equal network revenues from wireless services, excluding revenues generated by voice (excluding MVNO revenues). For example, they include the revenues generated by sending SMS (text messages), MMS (multimedia messages), data (WAP, GPRS and 3G) and content revenues from customers (downloading ring tones, sports results, etc.).
- **Statutory figures:** statutory figures means data before elimination of inter-segment transactions.
- **Growing markets:** Poland mobile, Botswana, Cameroon, Dominican Republic, Egypt, Equatorial Guinea, Ivory Coast, Jordan, Madagascar, Mauritius, Mexico, Moldavia, Romania, Slovakia, Senegal, Vanuatu, Vietnam, other countries

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appendices financial results

appendix 2: capex by segment / under control at 13% of revenues

in million of euros	FY05 Comp. basis	FY06	Change comp. Basis %
group capex	6,503	6,732	3.5%
total Personal	3,553	3,581	0.8%
personal France	946	1,011	6.9%
personal UK	584	481	-17.5%
personal Spain	549	554	0.9%
personal Poland	319	281	-12.0%
personal ROW	1,156	1,254	8.5%
total Home	2,592	2,721	5.0%
home France	1,829	1,928	5.4%
home Poland	463	489	5.8%
home ROW	301	304	1.2%
total enterprise	362	430	19.0%

- increase of Capex in France both in Internet services (Livebox and set-top box and new convergent applications) and mobile
- main population coverage has been completed for 3G in the UK

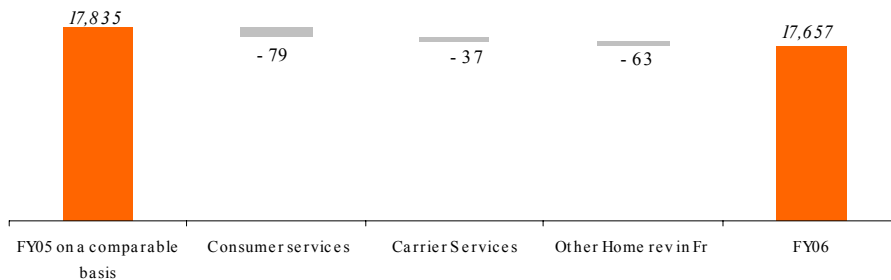
appendices

operational trends

appendix 3: home France 2006, success of our broadband & multiservices based strategy

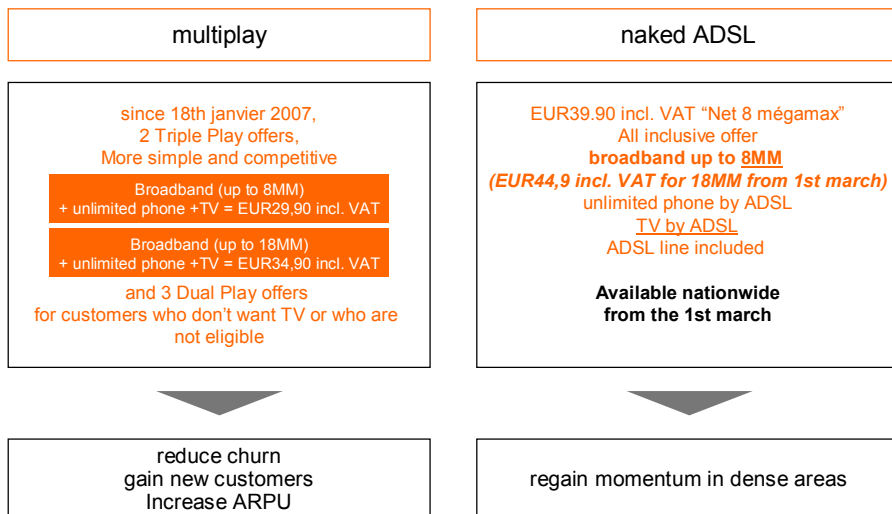
home France revenues: EUR17,657m / -0.3% actual / -1.0% on a comparable basis

in million of euros



- **consumer services:** the traditional business decline is partly offset by the success of broadband and multiservices and the increase of subscription fee
- **carrier services & other home revenues:** wholesale revenues (strong acceleration of full unbundling base: x3.5 in a year) compensate the decline of other carrier services

appendix 3: home France in 2007: a renewed and more competitive offer...

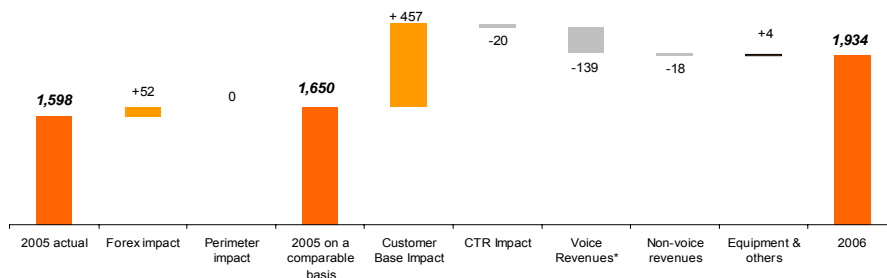


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appendix 4: personal Poland 2006: leadership maintained

2006 revenues: EUR1,934m / +21.1% actual/ +17.2% on a comparable basis

in million of euros



- strong growth of mobile customers: 12.52 million, with more than 2.6 million net additions in 2006
- ongoing leadership in mobile broadband thanks to available content
 - richest 3G offer in the Polish market with video calls, Live TV, VoD and music downloads
 - introduction of an unlimited TV offer and pay per minute for TV content
 - HSDPA commercial deployment already started in December 2006
- leadership in innovation with 100 new offers and promotions in 2006 aligned to customer needs

* excluding CTR

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appendix 4: personal poland 2007

environment

- highly competitive market implying risks of price war and increase of retention and acquisition costs.
 - new mobile operator to enter the market (Project 4)
 - virtual players arrival (mBank, Polsat Cyfrowy, Avon ...)
- technology evolution : HSDPA, Wimax and other broadband wireless access

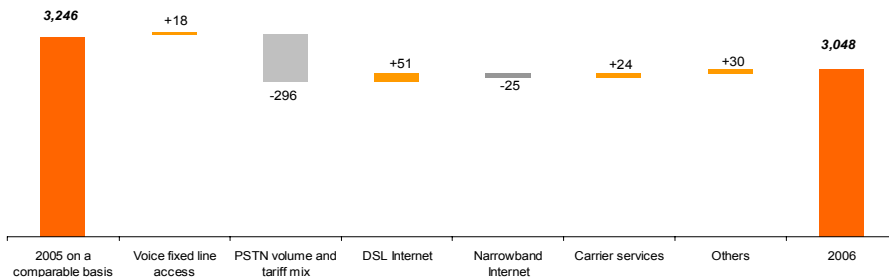
priorities and action plan

- enhancing our mobile content offer and "nomadity" solutions by leveraging on UMTS and HSDPA technologies
- new MVNO agreements to be signed in 2007 to complete our current portfolio
- increase of our customer base up to 13.5 million customers in 2007
- increase cross selling services to leverage our customer bases and to maximize value

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appendix 4: home Poland 2006: slowdown of the decline

Home Poland Revenues: EUR3,048m/ -3.0% actual /-6.1% on a comparable basis



- negative impact of CTR reduction on voice traffic partially offset by broadband and carrier services growth
 - access market share maintained at around 90% in 2006 in a declining fixed market (11.4m fixed lines vs 11.9m in 2005)
- strong progress in broadband customer base at 1,71 million customers at the end of 06, increasing by 46,8% yoy or over 540k over the year
 - livebox customer base of almost 150k
 - IP TV available for 1.5m potential customers
 - market share increase from 41.2% in 2005 to 43.4% at the end of 2006
- introduction of innovative and convergent products and services all year long like VoIP, common mail box for fixed and mobile, VPN Business Everywhere, Videostada (IP TV) and Video on demand

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appendix 4: home Poland 2007

environment

- service providers entering from different markets (TV, telecom, broadband)
- commoditization of bundled offers with more and more double and triple play offers now available
- pricing pressure with aggressive pricing policy of new entrants, unlimited offers and VoIP acceleration
- regulatory pressure: TP required to sell DSL with 51% discount from standards price and WLR with 47% discount, resulting in an increasing number of new players (Tele2, Netia, Energis, ...)

priorities and action plan

- strong push on broadband development: guidance of more than 2.2 million broadband customers (bandwidth increase to develop content and triple play)
- reassessment of TP's portfolio of offers towards "integrated offer" concept
- commercial launch of Unik phone in 2007

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appendix 5: personal ROW 2006, the Group's main growth engine

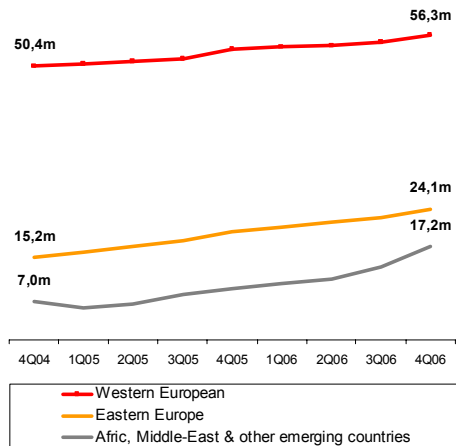
revenues: EUR6,920m/+13.7% on a comparable basis

- **35.4m ROW mobile customers, +29.7% yoy on a comparable basis**

- Egypt: 6.6 million subscribers (+38.4% yoy)
- Romania: 8.0 million subscribers (+17.9% yoy)
- Slovakia: 2.7 million subscribers (+6.8% yoy)

- 25.6% revenue increase in Romania
- 11.6% revenue increase in Slovakia

total Orange mobile customers, +15.1% yoy on a comparable basis



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appendix 5: personal ROW 2007

environment

- increasing regulatory pressure on CTR cuts in Europe
- new competitors in Egypt, Slovakia, Romania and Dominican Republic
- possible deregulation in Senegal
- increasing competition esp. in Ivory Coast and Cameroun still some strong customer growth potential, ARPU deflation
- QoS and country coverage are key to maintain leadership

priorities and action plan

- grow market share in maturing Western European markets (e.g. via resellers/MVNO) while maintaining high level of profitability (transformation programmes)
- explore new growth relays with convergence (ADSL in Belgium, FTTH in Slovakia, Unik in the NL)
- maintain growth, profitability and market share leadership in emerging markets
- pan african marketing plan and reshuffling of the distribution network in progress
- development plan begun end of 06 in Ivory Coast and Cameroun

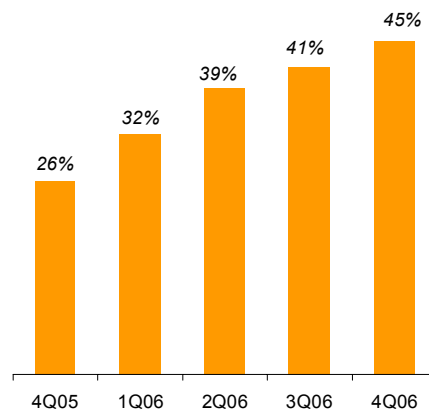
81

appendix 5: home ROW 2006: sustained growth in emerging countries and ongoing migrations to LLU in the Netherlands

revenues: EUR1,021*/+9.2% on a comparable basis

Netherlands: LLU clients as a % of ADSL base

- **sustained growth in emerging markets: +7.8% revenue growth yoy**
 - with **Senegal** (+17.8%) and **Ivory Coast** (+4.8%)
 - total Internet subscribers up by 58%
- **in the Netherlands: +24.5% revenue growth yoy.** ARPU dynamism was driven by **migrations to LLU and VoIP**
 - **148k LLU subscribers** by the end of 2006 (+72% yoy), ie **45% of total ADSL base**
 - 199 local exchanges (53% coverage)
- **rebranding** completed in the Netherlands (June 2006), Senegal, Ivory Coast and Guinea (November 2006)



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* Home ROW excluding UK and Spain

appendix 5: home ROW 2007

environment

- small demand for fixed line and internet market
- new competitors with VoIP or ToIP solutions at a lower price
- possible deregulation could challenge our fixed line business in Senegal

priorities and action plan

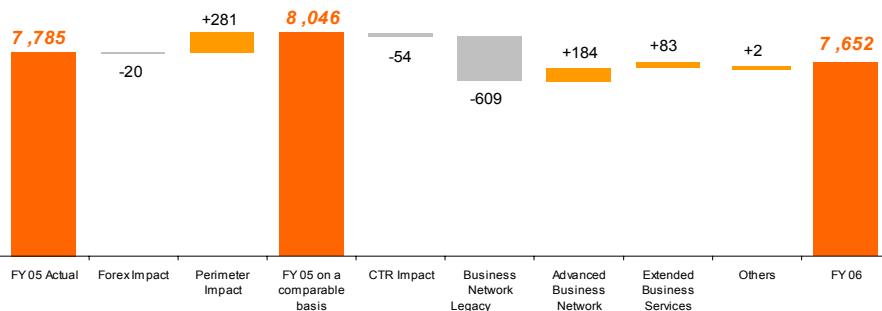
- develop Internet demand with adapted offers in a convergent approach with our mobile businesses to grow potential
- continue to adapt productivity in Ivory Coast and take advantage of synergy program with the mobile
- take benefit of convergence and integration
- continue fixed broadband rollout in Senegal and in new countries (Cameroun, Mali, ...)
- use rebranding and VoIP solutions when we are challenger

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appendix 6: enterprise 2006, ICT services revenues growth above market growth

enterprise 2006 revenues: EUR7,652m / -1.7% actual / -4.9% on a comparable basis

in million of euros

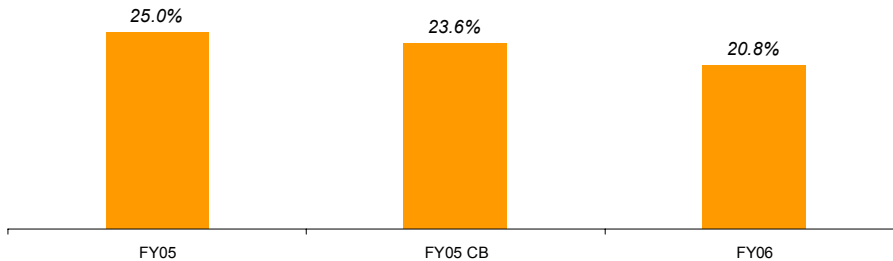


- organic service growth: +11.8% on a comparable basis, outpacing market growth
- acquisitions completed with Diwan, Neocles and Silicom
- convergent offers with the launch of Business Together and Unik for business
 - Business Everywhere extension: +19% users in France
- new offers launched: M2M fleet management ITIL consulting
- small office solutions DSL extensions:
 - leadership in IPVPN (+39% in connections with 256k customers in 146 countries), DSL coverage in 50 countries, partnership with China Telecom

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appendix 6: enterprise 2006: GOM evolution still driven by DSL migration and IP transformation

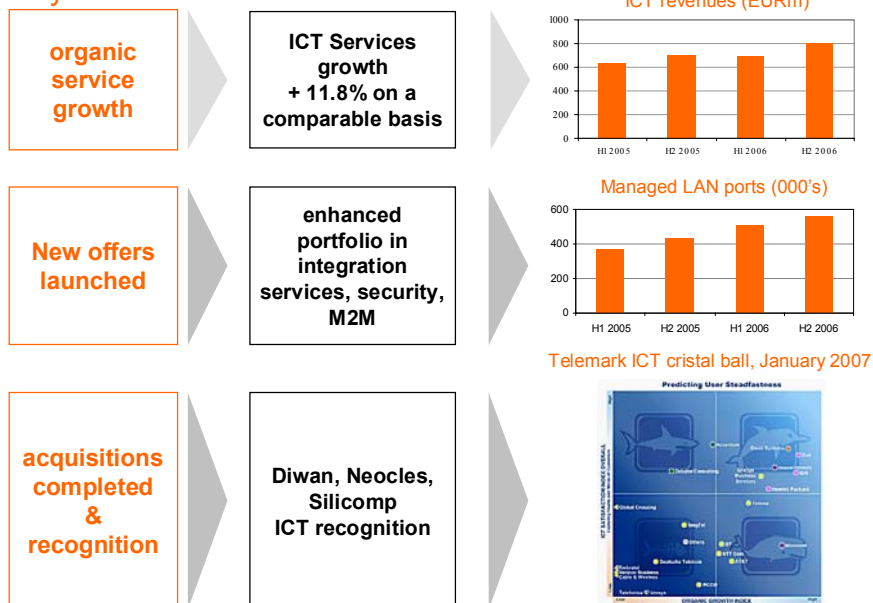
2006 enterprise Gross Operating Margin rate



- the GOM rate reduction reached 2.8 points on a comparable basis, reflecting:
 - pressure on the margin of network activities, driven by DSL migration, IP transformation and fierce competition in the international landscape,
 - transformation of our business mix (reduced weight of the historical operator activities)

85

appendix 6: enterprise, transformation towards services under way



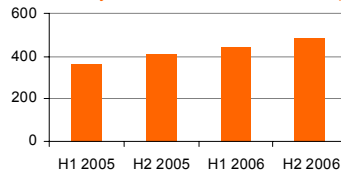
86

appendix 6: using convergence and coverage as key differentiator in enterprise division

convergent offers

**Launch of Business together and Unik for business
Business Everywhere extension**

Business everywhere end-users in France (000s)



industry recognition

**best global operator
best mobile operator
carrier Ethernet Best in Business 2006**



METRO Ethernet Forum

coverage

**small office solutions
DSL extension
leadership in IP VPN**

- DSL coverage in 50 countries
- Partnership with China Telecom
- +39% growth in IP VPN connections, with 256,000 customer sites in 146 countries