investor day 2007

increasing cash flow generation

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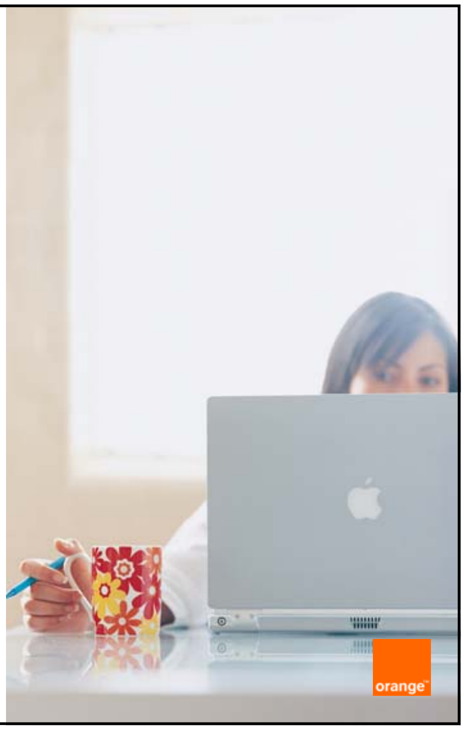
CFO France Telecom

Paris, December 5, 2007



key messages

1 delivering on our guidance

2 2007: first benefits of business transformation

3 guidance 2008 and beyond: robust outlook

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delivering on our guidance

orange

1

we are delivering on our commitments

	2006			2007	
commitment	target	achievement		target	achievement
GOM rate	-1/-2 pts	-1.4 pt vs 2005 GOM rate	✓	upgraded from "near stabilization" to "stabilization"	on track to achieve 2007 upgraded guidance
CAPEX to sales ratio	around 13%	13%	✓	around 13%	
organic cash flow	€6.8bn*	€6.9bn*	✓	upgraded from €6.8bn to €7.5bn	
dividend	40-45% of org. CF	€1.2 or 44% of org. CF	✓	40-45% of organic CF	
M&A	disciplined M&A	Neocles, Diwan Silicomp …	✓	disciplined M&A	
debt to GOM ratio	below 2x by end of 08	2.27x end of 06	on track	on track to reach "below 2x by end of 08"	

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* excl. Pages Jaunes disposal

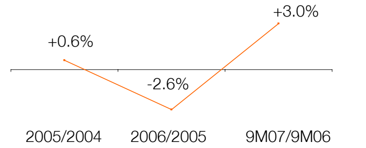
1 momentum regained after 2005/2006 change of guidance

revenues

organic yoy growth rate on a comparable basis*

GOM

GOM yoy growth rate on a comparable basis*



CAPEX

in % of revenues

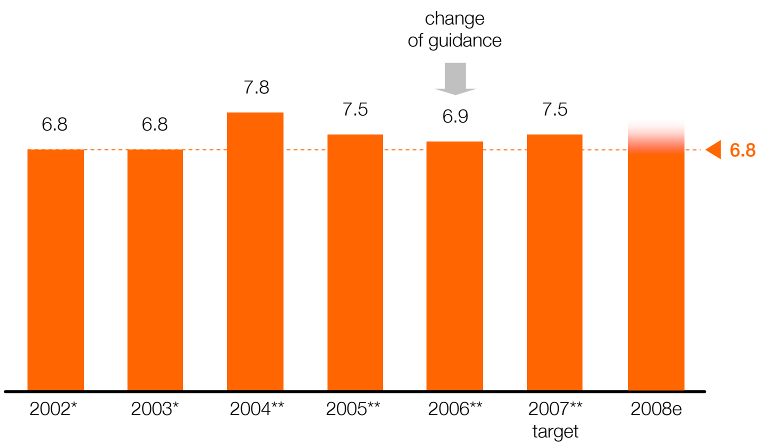
highlights

- 2006: turbulent environment, transformation ramp up
  - France: full unbundling, triple play and VoIP
  - UK: aggressive competition
  - Spain integration
  - enterprise: legacy migration and competition
- 2007: early benefits from transformation
  - stabilized operations on multi-play (e.g., Livebox)
  - inflexion point on broadband in France
  - improved situation in Spain and the UK

5 * comparable perimeter, i.e., excluding PagesJaunes, including Amena (for 2 months only for the 2005/2004 revenue and GOM growth)

1 despite deep change experienced in telecom market, we are maintaining a high level of organic cash flow …

organic cash flow evolution, € bn



* French GAAP with PagesJaunes (for the year 2004, value is also 7.8)

** IFRS without PagesJaunes and with Amena

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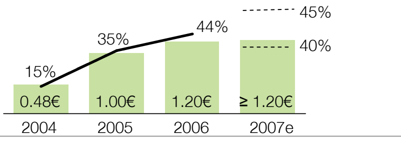
1 … allowing us to increase shareholders remuneration, while still doing selective M&A and keeping debt down

shareholders remuneration

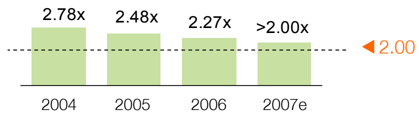
dividend (€/share) and pay-out (in % of organic cash flow)



continuous increase of shareholders remuneration

debt reduction

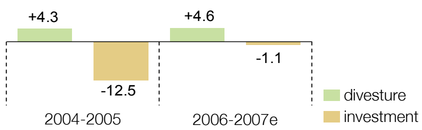
net debt / GOM ratio



on track to meet our guidance of a ratio below 2 by end of 2008

net M&A investment

€ bn



ongoing disciplined M&A policy

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2 2007: first benefits of business transformation

2 | our business is facing fundamental transformation

new activities with growing margin

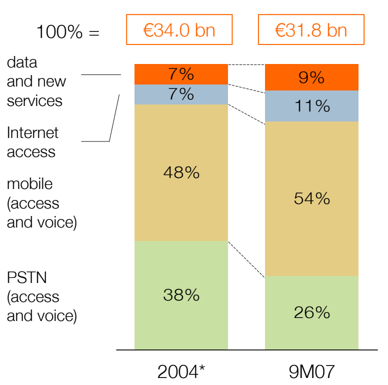
- multi-play, VoIP, content, audience, ICT in Enterprise
- deployment across new geographies

declining legacy activities with high margin

- PSTN erosion (access and traffic)

2 | as we are developing new activities, our service mix is deeply shifting…

revenue mix by segment for consumer business (home, personal)



underlying trends

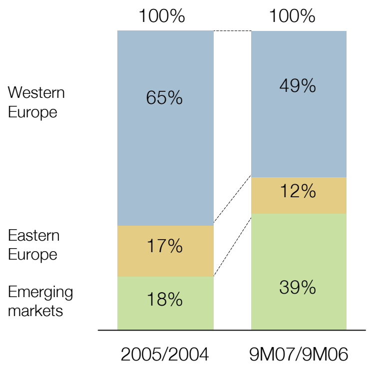
- uptake of unbundling and "naked DSL"
- VoIP substituting for PSTN
- mass broadband Internet adoption with multi-play becoming the norm
- continued mobile penetration and 3G emergence
- new breed of multimedia services on broadband platform

* on an actual basis, excluding equipment sales and Orange Business Services and Enterprise revenues on data

2 | … and so is our geographical mix

contribution of geographies to revenue growth (excluding Enterprise)

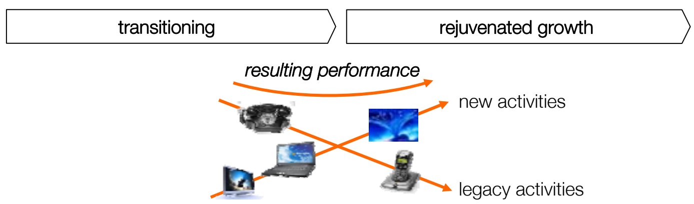
on a comparable basis, in %



underlying facts

- disciplined footprint evolution (sales of Netherlands, new licenses in Guinea, Guinea-Bissau, Niger and Central African Republic)
- stronger contribution of emerging markets to group growth
- remaining pockets of penetration in Western and Eastern Europe and usage growth

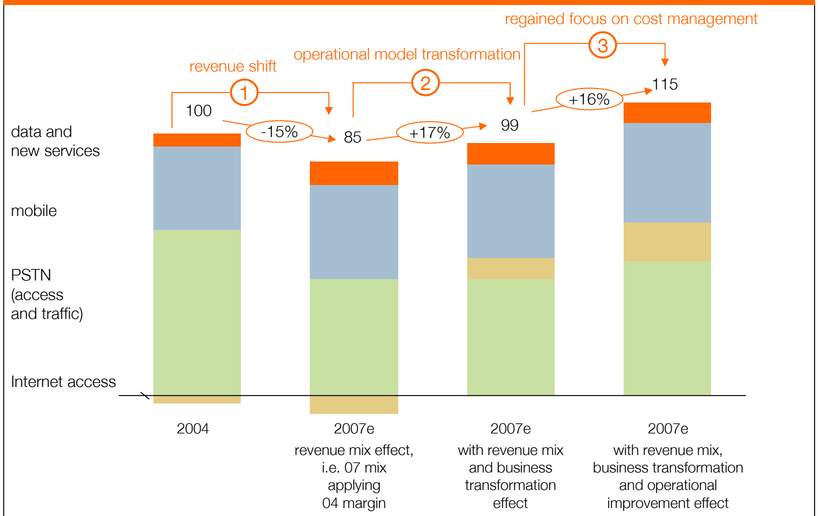
2 | shift in revenue mix requires operating model transformation and excellence in execution…



1 revenue shift	new revenue streams still modest	▶	• usages booming • dissemination across footprint
2 operating model transformation	significant transition costs (e.g., sales, call-center, installation)	▶	• cost of acquisition under control • new infrastructure investment, customer on own network • scale effect
3 regained focus on cost management	from TOP… from cost cutting …	▶	• … to transformation • … to business process reengineering

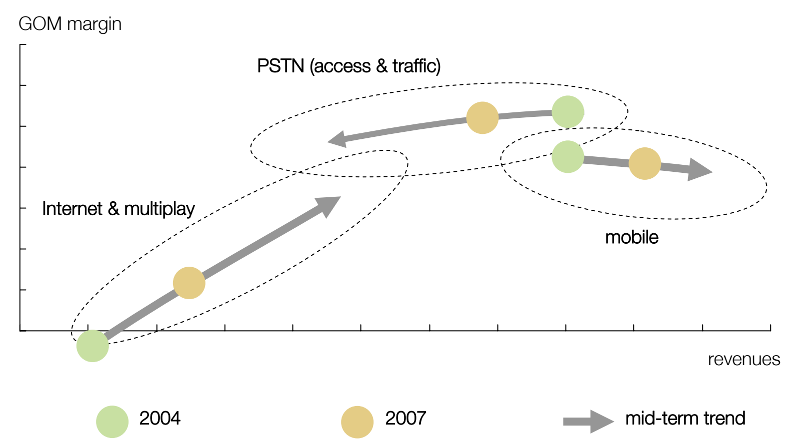
2 ...to sustain solid profitability...

evolution of GOM France, indexed to 100 in 2004



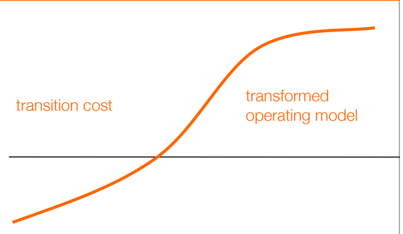
2 ...and we will continue to anticipate transformation of our business mix

business evolution (2004–2010e)



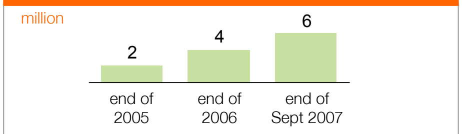
2 | transforming the operating model accelerates profitable development of new revenue streams

broadband Internet GOM margin evolution

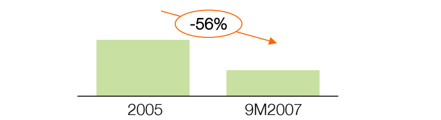


▪ training sales	▪ trained sales
▪ SAC in “land grab” phase	▪ cross-selling on base
▪ massive service installation	▪ regular activity level
▪ Livebox reliability not yet stable	▪ bug resolved and remote upgrade

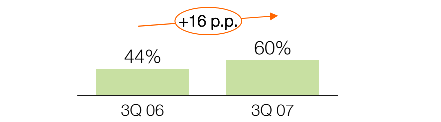
number of livebox installed in Europe (end of period)



evolution in the number of livebox returns



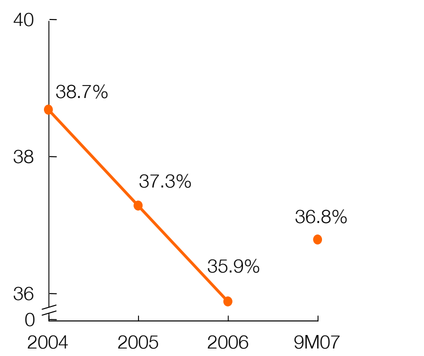
LLU customers in % of broadband customers



* without ya.com

2 | we will continue to relentlessly improve our operations…

GOM margin rate

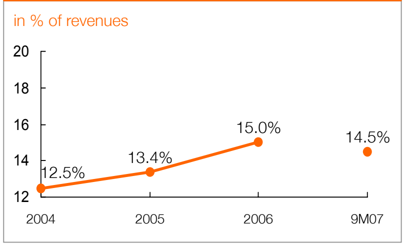


highlights

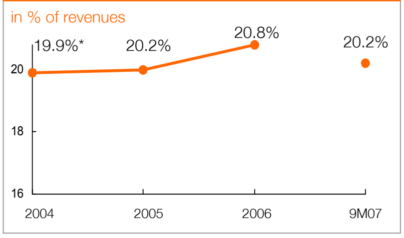
- on track to achieve our 2007 cost reduction objectives
  - reduce labor costs
  - decrease IT&N
  - master interconnect costs
  - stabilize commercial costs
- continued efforts onwards
  - network sharing agreements
  - direct distribution in the UK and Spain
  - balance between acquisition and retention costs

2 | ... acting upon all core components of cost base

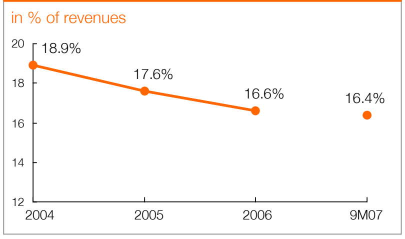
evolution of commercial costs



evolution of interconnect and other IT&N costs



evolution of labor costs



highlights

- 2006-08 headcount reduction on track: 64% achieved in Sept 07
- skill renewal/deployment program
- SAC/SRC: net additions/cost control trade-off
- increased direct distribution
- network sharing agreements
- IT network reengineering
- master our abundance offering
- pursue LLU migration

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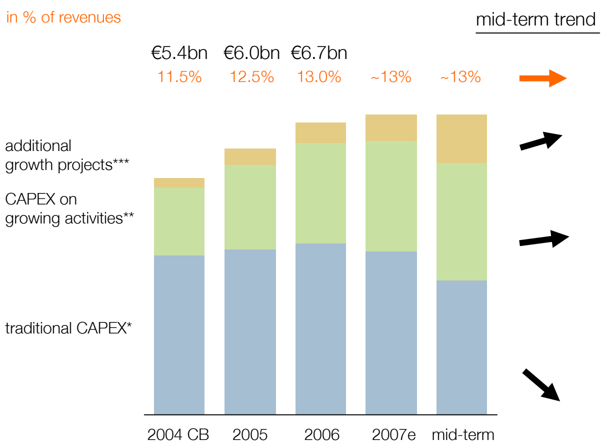
*excl. the impact of the exit from the Bill&Keep system

2 | we will maintain CAPEX at around 13% of revenues to invest in new sources of growth

CAPEX evolution



key points

- FTTH rollout taking off beyond 2008
- investments in content, health platforms
- continuation in 3G/3G+ programs
- continued network investment in high-growth countries
- traditional CAPEX continuing to decline especially PSTN, 2G

* eg, PSTN and 2G legacy network and IT in mature countries, real estate
** eg, 3G, Livebox and broadband in mature countries, network in emerging countries
*** eg, FTTH programs, content and new usage platforms

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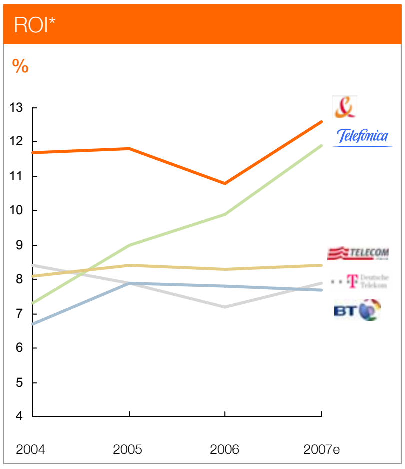
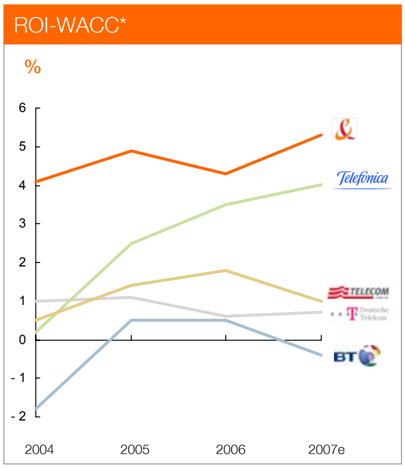
2 | in summary, our risk-return profile is first among peers





* ROI is Credit Suisse HOLT CFROI expressed in nominal terms; WACC is Credit Suisse market-derived Discount Rate expressed in nominal terms; 2007 figures based on IBES consensus estimates for EPS

source: Credit Suisse HOLT Value search, November 2007

3 | guidance 2008 and beyond: robust outlook

3 | guidance 2008 in line with our transformation plan

group revenues should keep pace with market growth in the footprint

GOM rate	▪ stabilization
CAPEX rate	▪ around 13% of revenues
organic cash flow	▪ at least 7.5 € bn

3 | home 2008: incumbent business resilient

revenues	▪ stability in France thanks to Internet and new services development ▪ decrease in Poland contained thanks to new product lines related to broadband and content ▪ increase for Rest of the World operations
GOM rate	▪ nearly stabilized in France ▪ expected improvement in Spain and the UK ▪ pressure on profitability linked with commercial investment in broadband
CAPEX rate	▪ ramp-up of FTTH program in France as planned ▪ increasing investment in the Rest of the World to prepare broadband development

3 | personal 2008: continuation of profitable growth

revenues	▪ France: slight increase due to new usages in spite of lower MTR and roaming ▪ continued improvement in Spain and the UK ▪ solid growth in Poland and Rest of the World although at a slower pace
GOM rate	▪ full year effect of roaming tariff decrease ▪ improvement in Spain and the UK ▪ cost optimization programs to preserve margin in the Rest of the World
CAPEX rate	▪ ongoing reduction of investment on 2G network ▪ network sharing agreements

3 | enterprise 2008: connectivity business still faces large transformation

revenues	▪ limited decrease thanks to containment of voice legacy decline ▪ strong service revenue growth (1.5 higher than market trend) ▪ active development in high-growth countries (Russia, Middle East, India, etc.)
GOM rate	▪ margin improvement in services ▪ business mix impact ▪ continuous challenge on international data
CAPEX rate	▪ stable CAPEX with higher investment in high-growth countries ▪ services improving their CAPEX ratio ▪ from 2009 onwards, overall declining CAPEX to revenue ratio

3 | mid term ambition

		main business trends
revenues	▪ improved growth trend	▪ strong increase of new usages (content, services, ...) ▪ mobile voice revenue increase in emerging markets ▪ broadband access will continue to grow ▪ enterprise should reach its inflexion point
GOM	▪ GOM increase, within a stable GOM rate	▪ additional growth mainly coming from mobile ▪ PSTN drop should be compensated by new activities ▪ cost reduction program will be pursued
CAPEX rate	▪ globally stable	▪ increase of growth CAPEX (FTTH, services platform, HSUPA, etc.) ▪ lower CAPEX after peak in 3G/3G+ in 2008 ▪ decrease of maintenance (PSTN, 2G, etc.)
organic cash flow	▪ ongoing increase	▪ increase mainly due to GOM progression and reduction of other items (early retirement plan, etc.)

3 | the main items of the cash-flow statement should improve on the mid term

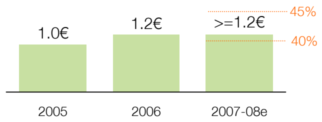
	main trends 2008-2010
gross operating margin (GOM)	increase with a stable GOM rate
net interest expense cash out*	ongoing debt reduction, average rate around 6%
income taxes cash out	between € 0.8-1.0 bn
early retirement plan cash out	in reduction*
restructuring	slight increase to pursue cost base improvement
employee profit sharing	globally stable
change in WCR	some flexibility to improve WCR
capital expenditures	CAPEX ratio globally stable
proceeds from asset sales	limited
organic cash flow	ongoing increase

* € 940bn in 2007, €670bn in 2008, €490bn in 2009 and €300bn in 2010

3 | use of cash policy unchanged until end of NExT 2006-08 plan

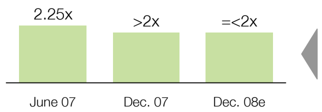
shareholders remuneration

- distribution between 40% and 45% of organic cash flow



debt reduction

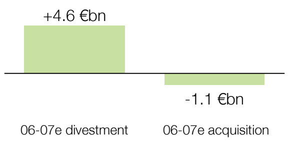
- debt/GOM ratio below 2 by the end of 2008



1st half cash flow mostly allocated to dividend payment

net M&A investment

- selective and cautious M&A with a focus on fast growing markets



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3 | M&A: only used in selective cases

reinforce our footprint on emerging markets

strengthen our positions on some specific activities in Western Europe

develop our competencies

Western Europe

- targeted acquisitions for scale effect and better cost efficiency
- complement organic implementation of convergence
- partnership is favored when appropriate

Central and Eastern Europe

- reviewing opportunities in countries with low penetrations
- increase our stake in equity in some specific cases

Africa, Middle East, Asia and Caribbean

- low penetration rate countries
- incumbents with a mobile license
- privatization / "equitization" process is privileged
- differentiation on operating experience rather than price

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