



France Telecom
Non deal roadshow

November 2006



Agenda

- 1 France Telecom overview
- 2 Telecom industry revolution or how Broadband & IP are leading to a new ecosystem
- 3 NExT: France Telecom strategic framework or how to answer to those changes
- 4 Financials





France Telecom overview



Telecom industry revolution or how Broadband & IP are leading to a new ecosystem



NExT: France Telecom strategic framework or how to answer to those changes

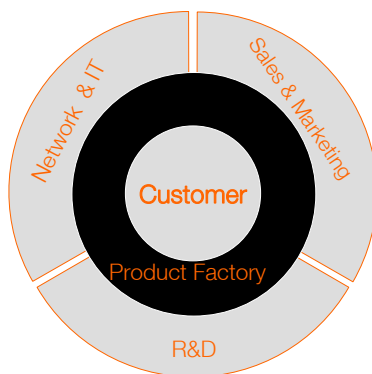


Financials

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A player solidly positioned in its businesses



Presence in 220 countries & territories

147 million customers worldwide ⁽¹⁾

2005 Revenues: €49 billion ⁽²⁾

203,008 employees ⁽²⁾

A world leader in telecommunications R&D

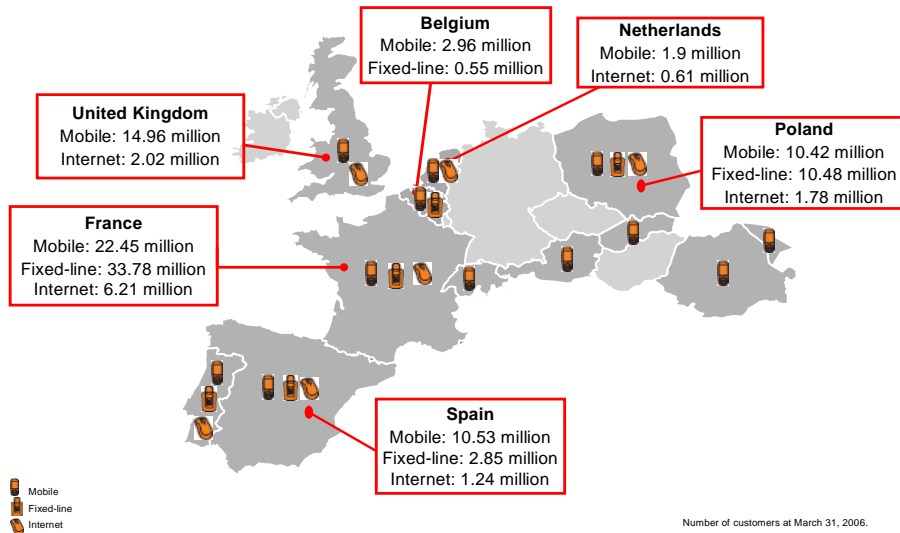
A leader on its key markets

⁽¹⁾ At 03/31/06
⁽²⁾ At 12/31/05

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Following the Acquisition of Amena, Europe's leading integrated operator...



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Broadband & IP are leading to a new ecosystem

The new world: Telecoms, IT and Media are slowly converging

Indirect relation with customers (audience) through



Direct relation with customers based on access



A more complex & competitive world but more opportunities for telcos

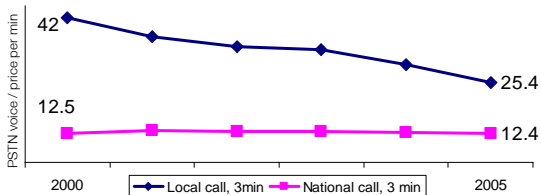


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Consequences on traditional access revenues

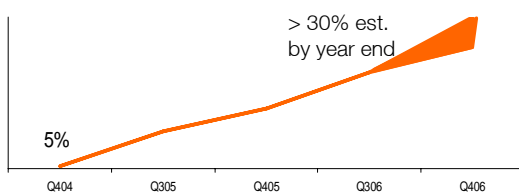
Decrease of voice prices

National call EU 25 weighted average



Traditional voice, the former corner stone of Telco's, has unit price decreased by 60% since 2000...

VoIP in France (as % of total traffic)



...whilst Voice over IP takes off sharply since Q4 '05.



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Consequences on our networks

Need for integration and capacity

Towards single networks...



... with increased capacity & QoS

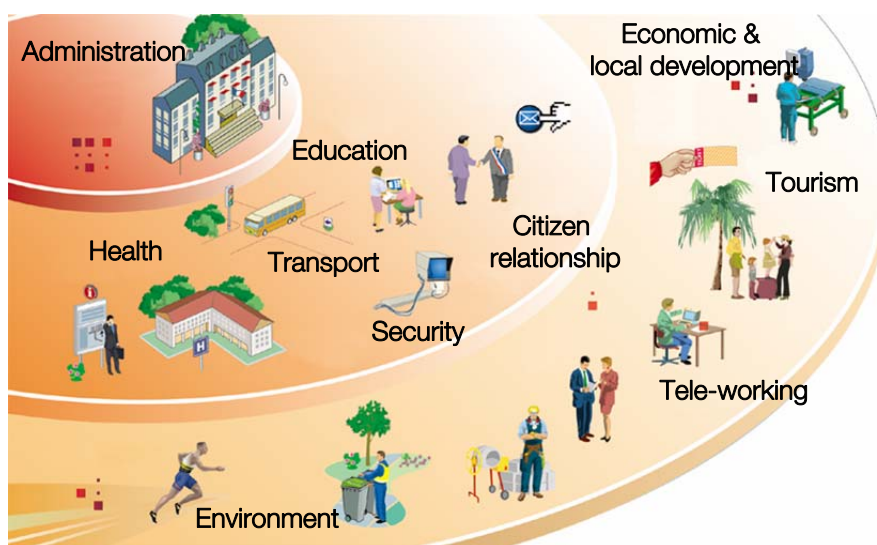
TV	5 Mbits/s
TV-HD	10 Mbits/s
VOD	5 Mbits/s
Video Games	0.2 Mbits/s
Music	2 Mbits/s
Photo	2 Mbits/s
Blogs	2 Mbits/s
E-commerce	2 Mbits/s

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Many new services opportunities

Explosion of volumes and new usages emerging



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Source: Bain analysis



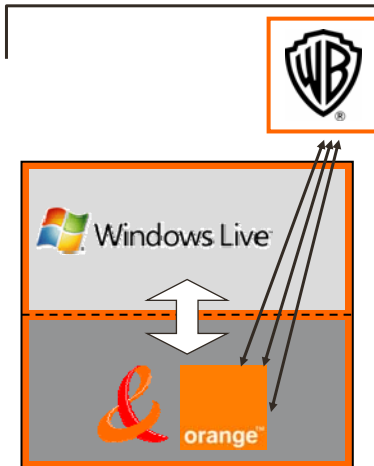
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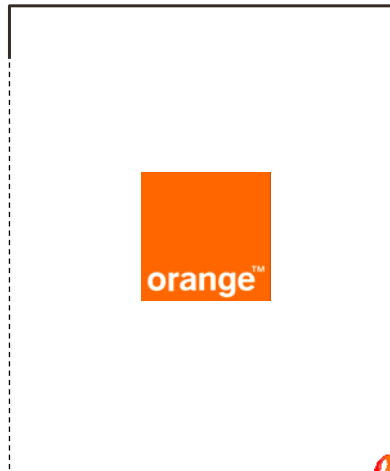
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Through NExT, Orange will deliver the best end-to-end customer experience

Integrate the best portfolio of in-house or partners' services ...



... to provide the best end-to-end experience to our customers



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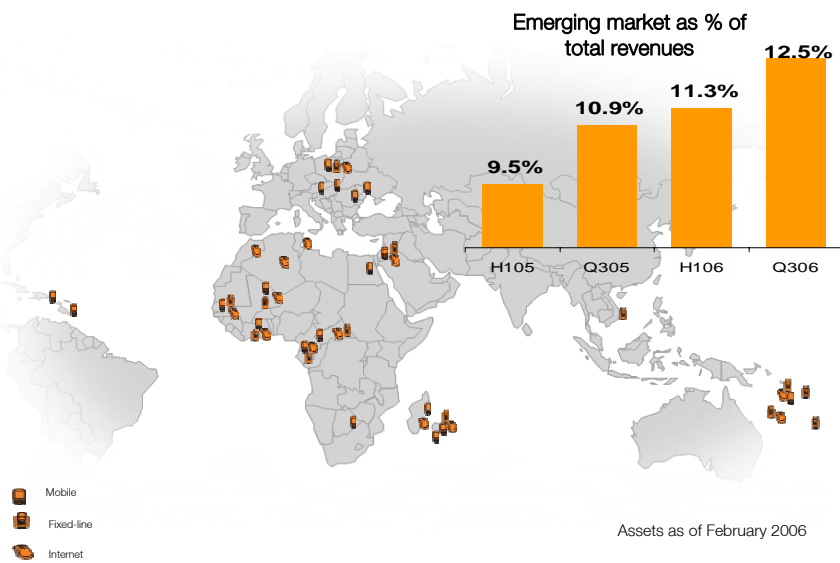
NEXT is about new usages



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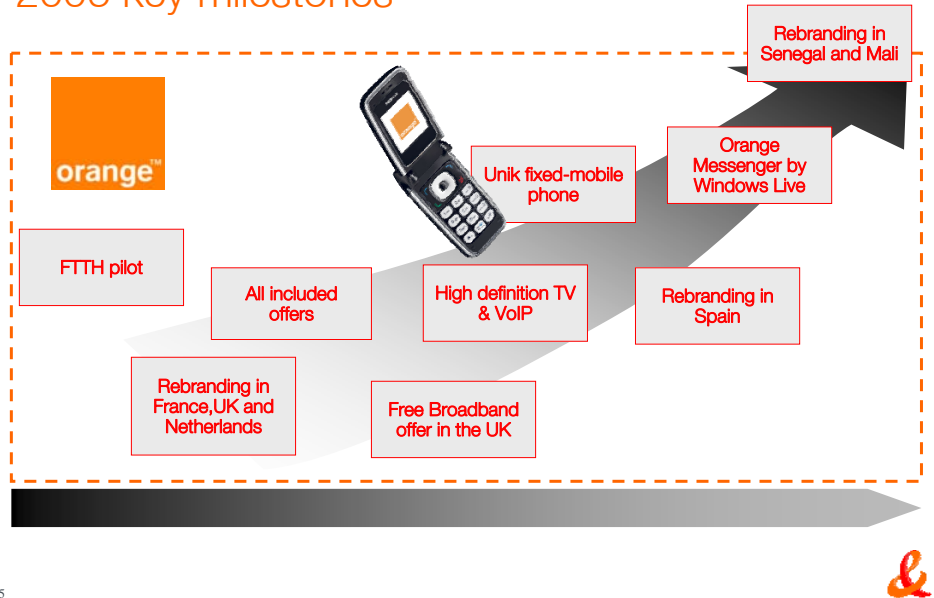
NEXT is about growth in emerging countries



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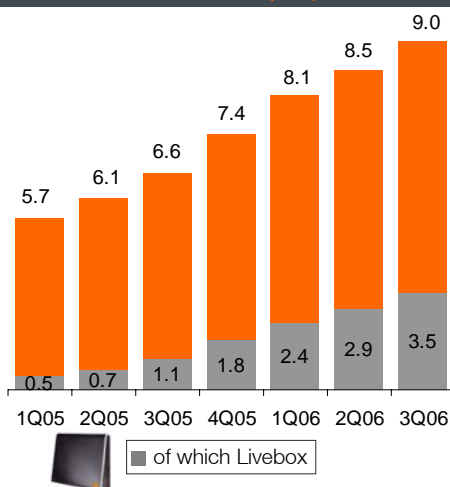


Implementing NEXT 2006 key milestones



Implementing NEXT ADSL strategic positions

Evolution of ADSL Broadband
Subscribers (000)



* Company's estimates

France

→ Rebranding and new offers in France

- 50.3%* retail ADSL market share at the end of September
- 53% Livebox penetration on ADSL customer base

→ Resilience of total number of fixed lines (27.5m)

→ Favourable mix impact on Consumer Services ARPU, maintained at 27.5 euros

Outside France

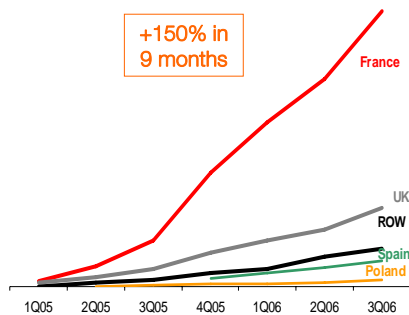
→ 3.5m ADSL subscribers

→ Continuous deployment of unbundling in the UK, Spain and Netherlands



Implementing **NEXT** Mobile strategic positions

3.9m mobile broadband customers in Europe



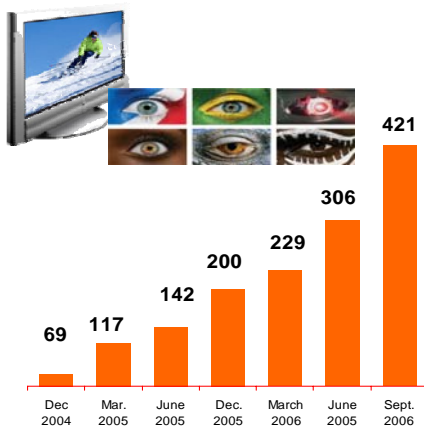
- In France, **positive impact of MVNO strategy** and of Orange customers base growth on mobile revenue
 - 46.4% market share
- Following product line refreshment, **187k contract net additions in Orange UK mobile**
- **10.8m mobile customers in Spain**, +10.3% yoy on a comparable basis,
- **Leadership maintained on mobile in Poland** (+20.5%** revenues growth) and strong increase of mobile broadband customer base (+221% vs Dec 2005)
- **32.3m ROW mobile customers**, +29% yoy on a comparable basis



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Implementing **NEXT** Content Strategy

Number of French IPTV customers (000)



- Simplified **customer friendly VOD portal**
- Introducing **PVR for high-end set up boxes**
- Unlimited TV and sports on mobile
- **High definition TV**



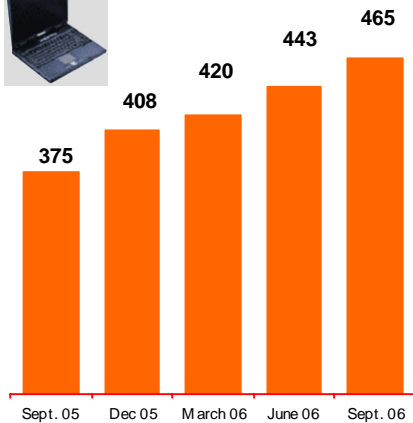
- Specific **subsidiary dedicated to cinematographic investments**



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Implementing NEXT Enterprise

Business Everywhere end users in France (000)



→ Continuous decline of voice and data legacy partially offset by the development of IPVPN access and Business Everywhere

→ Development in services related business with a focus in

- mobility (Business Everywhere)
- IP communication solutions and communication network integration services including outsourcing
- integration services and hosting applications

→ ICT Services revenues up 9% at the end of September 2006 vs September 2005

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Implementing NEXT

Euro millions	9M06	% change 9m06 vs 9m05 Comp. Basis
Revenues	38,441	1.2%
Gross Operating Margin	14,141	-4.5%
as a % of revenues	36.8%	-1.7 pts**
G.O.M before commercial expenses	19,640	-0.9%
as a % of revenues	51.1%	-1.1 pts
CAPEX	4,567	1.5%
as a % of revenues	11.9%	
G.O.M - CAPEX	9,575	-7.1%

→ 9 months figures in line with full year guidance

** Excluding Lebanon reserve reversal in 1H05

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7bn euros Organic Cash Flow Generation target confirmed for 2006



In maturing and highly competitive markets, **manage a balance between market share and profitability** through dynamic cost optimization and driven opex and capex allocation
→ Full year GOM in line with guidance
decrease of GOM rate between -100 and 200 basis points



In growing markets, continue to fuel the strong profitable growth with the right level of resources

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1H06: Gross Operating Margin

euro millions	Actual 1H05	Comparable Basis – 1H05	1H06
Revenues	23,665	25,487	25,855
non labour expenses	9,876	10,958	11,850
<i>as a % of revenues</i>	<i>41.7%</i>	<i>43.0 %</i>	<i>45.8 %</i>
of which commercial expenses	2,836	3,349	3,585
<i>as a % of revenues</i>	<i>12.0%</i>	<i>13.1%</i>	<i>13.9%</i>
labour expenses	4,489	4,579	4,538
<i>as a % of revenues</i>	<i>19.0%</i>	<i>18.0%</i>	<i>17.5%</i>
Gross Operating Margin	9,300	9,950	9,467
<i>as a % of revenues excluding Lebanon reserve reversal in 1H05</i>	<i>38.5%</i>		
<i>as a % of revenues</i>	<i>39.3%</i>	<i>39.0%</i>	<i>36.6%</i>

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1H06: from Gross Operating Margin to Operating Income

euro millions	1H05	1H06	chge in EURm	actual % chg
Gross Operating Margin	9,300	9,467	167	+1.8%
Employee Profit Sharing	-166	-146	20	
Share-based payment	-34	-21	13	
Depreciation & amortization	-3,462	-3,838	-376	
Impairment of goodwill	0	0		
Impairment of assets	-196	-131	65	
Disposal of assets	1,171	92	-1,079	
Restructuring costs	-174	-106	68	
Associates	40	17	-23	
Operating Income	6,479	5,334	-1,145	-17.7%



Operating income excluding disposal of assets stable year on year



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1H06: from Operating Income to Net Income

euro millions	1H05	1H06
Operating Income	6,479	5,334
Total Financial result	-1,827	-1,290
Income taxes	-1,018	-1,285
Net Result	3,634	2,759
Minority Interests	-271	-413
Net Result Group Share	3,363	2,346

➔ Net Result Group Share excluding disposal of assets stable year on year



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1H06 financing: From GOM to Net cash provided by operating activities

euro millions	1H05	1H06
Gross Operating Margin	9,300	9,467
Interest Expense, net* (cash)	-1,877	-1,588
Income Taxes (cash)	- 475	-390
Early Retirement Plan (cash)	-448	-497
Employee Profit Sharing (P&L)	- 166	- 146
others (ow restructuring costs)	- 430	- 128
change in Working Capital requirement (inventories + receivables - payables)	81	17
change in Working Capital requirement (others)	-117	-85
net Cash provided by operating activities	5,868	6,650

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

➔ Net cash provided by operating activities up 782 million euros



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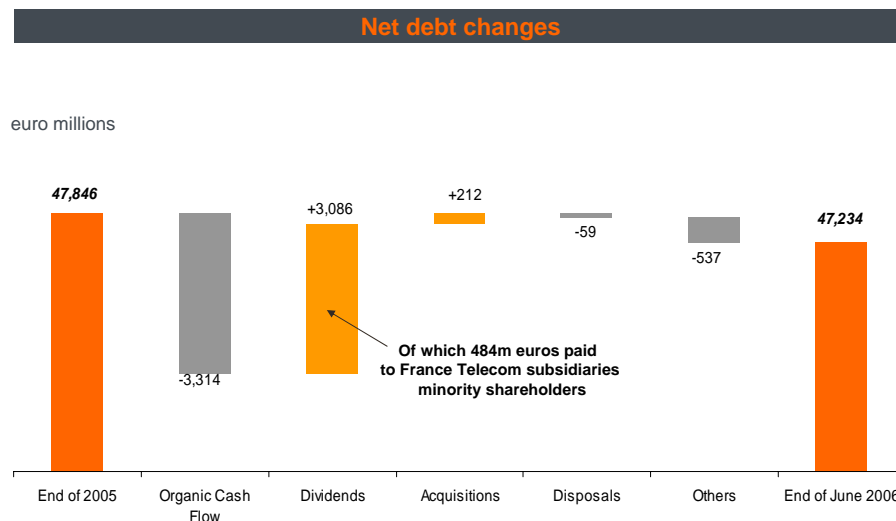
1H06 organic Cash Flow

euro millions	1H05	1H06
Net Cash provided by operating activities	5,868	6,650
Purchase of tangible and intangible assets, net of change in fixed asset vendors	- 2,959	- 3,407
ow Capex	-2,713	-3,055
Proceeds from sale of tangible and intangible assets	96	71
Organic Cash Flow *	3,005	3,314

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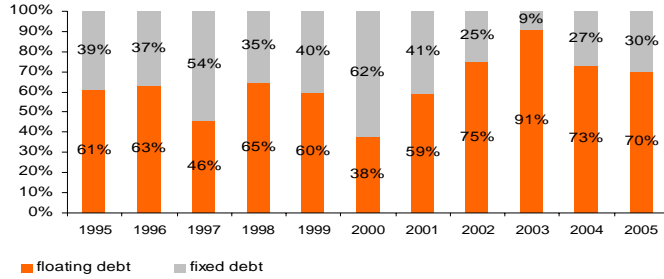
Net Debt – end June 2006



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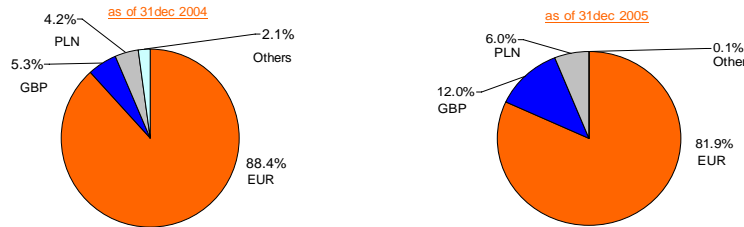


Net Debt Allocation: Fixed - Floating - by Currency (after swaps)



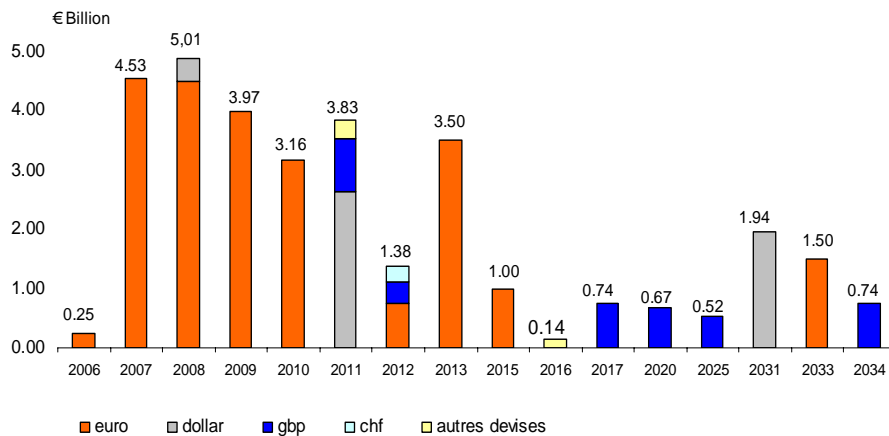
A share capital increase of over €14.8bn explains the increase of fixed debt in 2003

Majority of Outstanding Debt is Euro Denominated



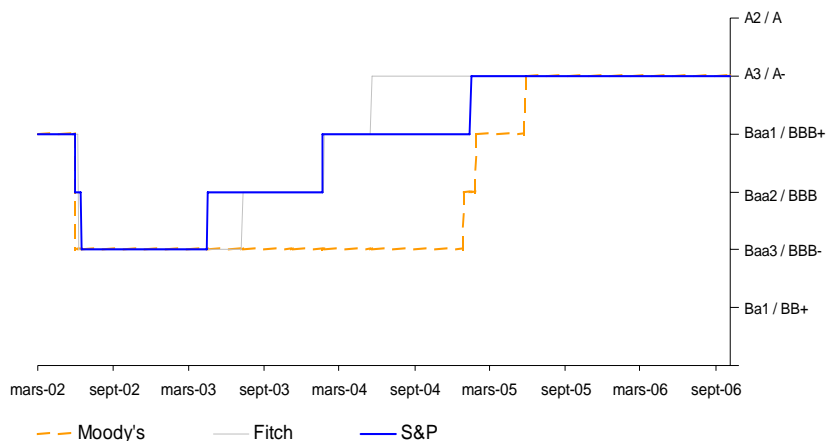
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France Telecom SA Debt Distribution



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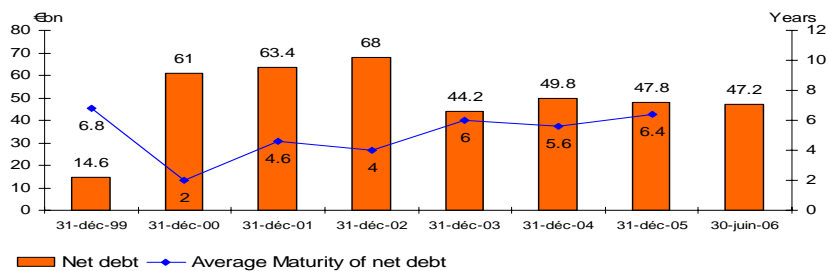
S&P, Moody's and Fitch Ratings



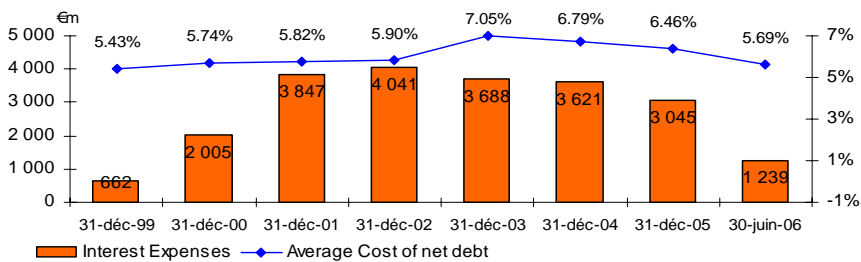
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Net Debt Evolution (IFRS on and after 2004)



2004 figures include 4,2bn Euro of perpetual debt (TDIRA) which previously accounted as equity (excepted for the average maturity of net debt)



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