



cautionary statement

- 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 results achieved include, among other things, changes in the telecom market's regulatory environment, competitive environment and technological trends, the success of the NEXt plan 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 is subject to 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 French Autorité des Marchés Financiers and in the Form 20-F filed with the U.S. Securities and Exchange Commission.
- market share figures at June 30, 2007 included in this presentation are France Telecom estimates, pending release of official figures for the period from national regulatory authorities.
- First half 2007 financial statements are the subject of a limited review by statutory auditors. Figures on a comparable basis are not reviewed

agenda

part 1: group highlights for 1H07

part 2: focus on regional performance

part 3: outlook

3

1H07 Group Highlights

4

highlights

GOM stabilized in 1H with an improving revenue situation in most activities, especially in 2Q

on track to reach 2007 guidance and 2006-2008 stable organic cash-flow

2H action plan should sustain 2007 performance and lay the foundation for 2008

5

1H07 key financial achievements: delivering business transformation benefits

	1H06*	1H07 actual	Δ06/07	key points
in million of euros				
revenues	25,422	25,913	+1.9%	▪ 2Q growth at +2.1%, after +1.8% in 1Q
GOM	9,236	9,416	+1.9%	▪ GOM rate stabilisation confirmed in 2Q
<i>in % of rev</i>	36.3%	36.3%		
net income**				
- released	2,346	3,308	+41.0%	
- comparable terms***	2,237	2,416	+8.0%	
CAPEX	3,053	2,967	-2.8%	▪ Capex on track with full year guidance
<i>in % of rev</i>	12.0%	11.4%	-0.6 pt	▪ even with seasonality effect in 1H
organic cash flow	3,122****	3,260	+4.4%	▪ organic cash flow in line with FY objective
net debt / GOM*****	2.49	2.25		▪ stabilisation of net debt/GOM ratio in 1H vs. FY06 due to dividend payment

⁶ *on a comparable basis, i.e. adjusted from forex and perimeter impact, ** Net Income Group share, ***see adjustments page 15, **** actual restated from Pages Jaunes, ***** GOM over 12 months on historical basis

1H07 key operational achievements: all activities are contributing to the Group development

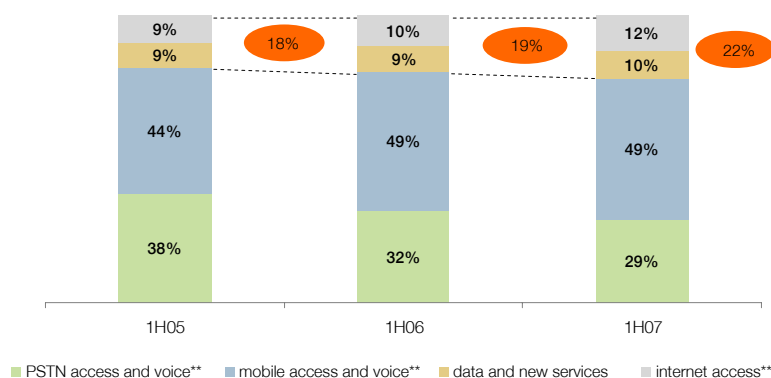
In thousands	1H07 actual	△06/07	key points
total group customers o/w Orange branded	163,327 108,497	+9%*	• 67% of total customer base rebranded
mobile customers o/w broadband customers	102,543 8,940	+15%* +206%	• sustained double digit growth of mobile customer base yoy
ADSL Broadband subscribers o/w with Livebox	10,524 50%	+23% +79%	• maintaining European leadership in ADSL with a strong progression of multiplay offers
o/w VoIP customers	35%	+110%	
o/w IPTV clients	8%	+185%	
enterprise			
Business Everywhere (France)	525	+19%	• continued development of ICT services and success of Business Everywhere
IP/VPN accesses	273	+20%	
ICT services revenues	-	+16%*	

7

* on a comparable basis

NExT: continuous evolution of Group business model in mature markets towards internet, data and new services

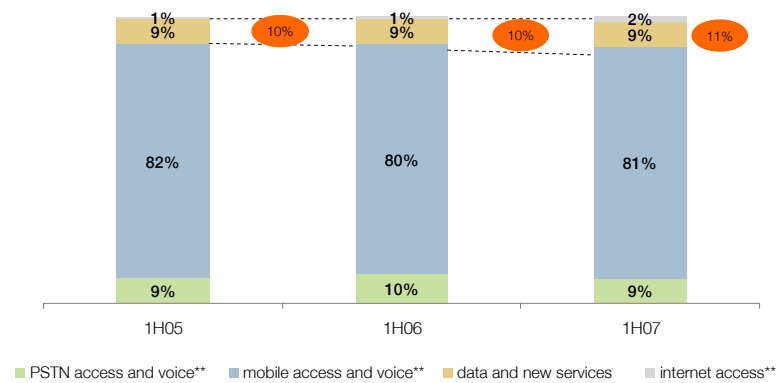
*evolution of mature markets*** revenues* by usage (base 100)*



8 * equipment sales and Orange Business Services excluded, Enterprise revenues on data excluded ** wholesale included, *** see glossary

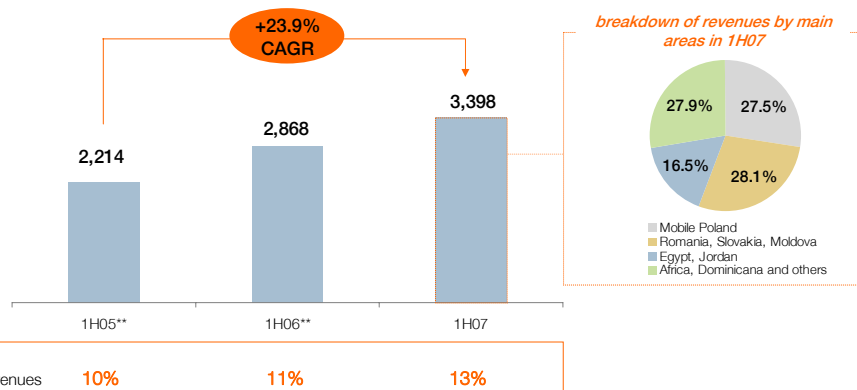
NExT: growing markets still driven by mobile and progressively moving to data, new services and internet

*evolution of growing markets*** revenues* by usage (base 100)*



increasing weight of growing markets* from 10% to 13% in total Group revenues in 2 years

evolution of revenues in growing markets (in million of euros)*

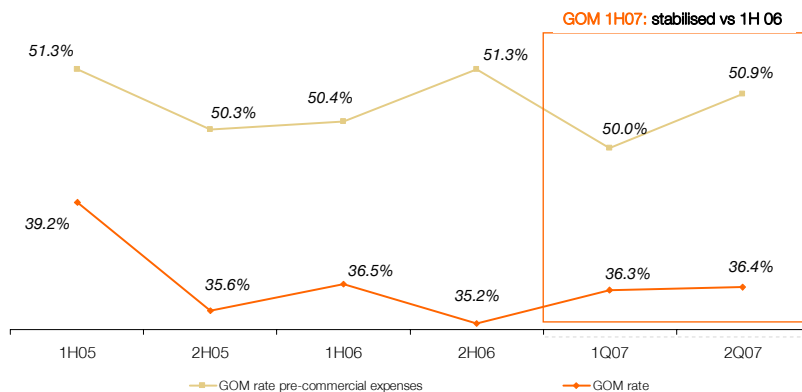


10 * see glossary; ** historical basis

1H07 Gross Operating Margin

stabilised at 36.3% despite stronger commercial investments in 2Q

evolution of margin by semester on comparable basis

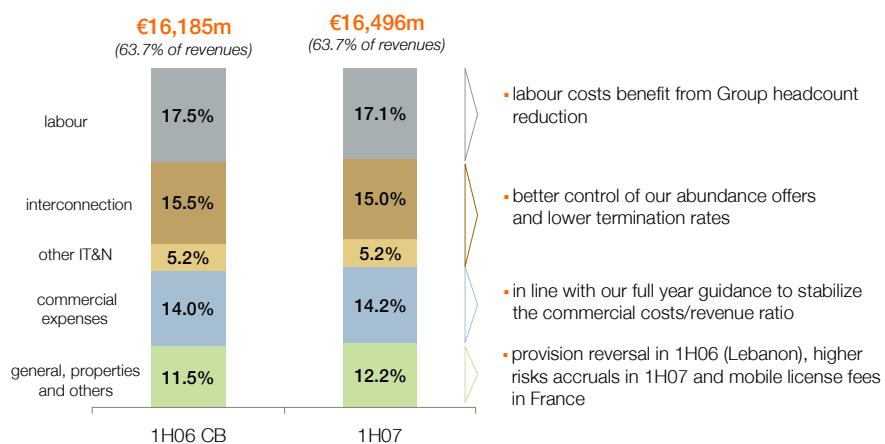


- as announced while increasing commercial expenses in 2Q, GOM has been stabilized in 1H07 vs 1H06 at 36.3% of revenues

11

cost base under control contributed to margin stabilization for the period

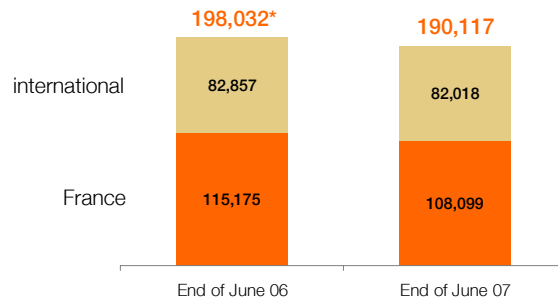
evolution of opex (in % of revenues)



12

headcount evolution pursuing headcount reduction especially in France

headcount evolution

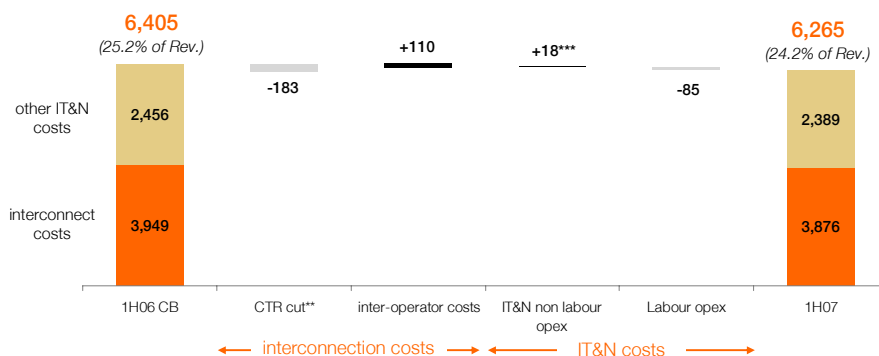


- headcount down by 7,915 people, i.e -4.0% vs 1H06 on a comparable basis
 - in France, 1,571 net departures** in 1H07, ~ 60% of our 2006-2008 forecast achieved in 18 months
- labour costs decreased on a comparable basis by 0.4pt in % of revenue, and by 0.2% in absolute value vs 1H06:
 - price impact: +4.2% / volume decrease: -4.1% / mix effect: -0.3%

¹³ * excluding Pages Jaunes and other perimeter impacts in 2006; ** permanent headcount

interconnect & IT&Networks costs €140m improvement in 1H07, ie -2.2% yoy

interconnect & IT&N costs* evolution (in million of euros)



- interconnection costs net improvement of €73m with pro-active management of abundance offers
- deployment of customers' service platforms and ongoing rollout of networks led to IT&N non labor opex increase, partly offset by savings from transformation activities. Network sharings will deliver new savings starting 2H07
- IT&N labor opex has declined due to ongoing rationalization actions including synergies between fixed and mobile networks

¹⁴ * including labour costs related to IT&N, ** cut in call termination rate (Mobile operators only), *** net of capitalized costs

profit & loss account

increase of operating income and net income

in million of euros	1H06	1H07	
gross operating margin (GOM)	9,258	9,416	o/w employees free of charge share program (128m)
employee profit sharing	-140	-159	
share-based payment	-19	-137	
depreciation & amortization	-3,832	-4,007	increased investment in mobile in growing markets
impairment of assets	-131	-15	
disposal of assets	92	409	
restructuring costs	-106	-45	disposal of: - Tower part. (TDF): 307m - Eutelsat: 104m
associates	17	1	
operating income	5,139	5,463	
financial results	-1,298	-1,296	
tax	-1,214	-543	recognition of deferred tax
discontinued activities	132	-	
minorities	-413	-316	
net income Group share	2,346	3,308	
<i>main elements impacting the comparability</i>			
• gain on asset disposals and result of discontinued activities	-133	-409	
• employees free share program	-	128	
• exceptional on deferred tax & financial expenses	-76	-611	
• impairment of goodwill	100	-	
net income Group share on comparable terms	2,237	2,416	

15

cash flow statement

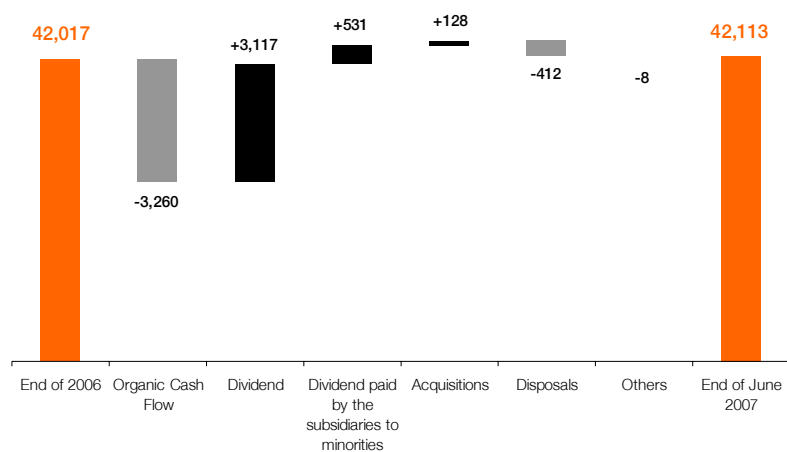
organic cash flow in line with the FY guidance

in million of euros	1H06*	1H07
gross operating margin (GOM)	9,258	9,416
net interest expense cash out	-1,596	-1,459
income taxes cash out	-304	-467
early retirement plan cash out	-497	-523
employee profit sharing cash out	-349	-346
change in Working Capital Requirement	68	-35
others (restructuring costs, non cash items)	-129	-36
net cash provided by operating activities	6,450	6,552
capex and licenses**	-3,400	-3,343
proceeds from sale of tangible and intangible assets	71	51
organic cash flow*	3,122	3,260

16 * figures without Pages Jaunes in 2006, ** Capex, licenses, including fixed asset suppliers variation

evolution of net debt strong organic cash flow generation in 1H07

net debt changes (in million of euros)



17

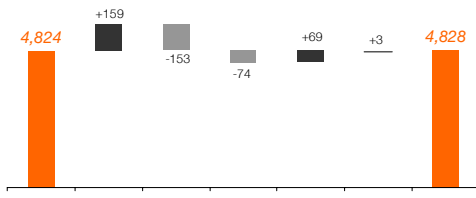
1H07 regional performance

18

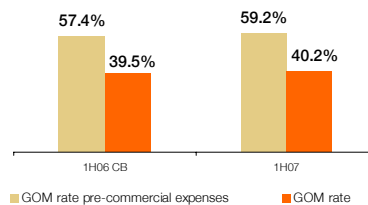
1H07 personal France stable revenue and GOM increase

revenues: +0.1% yoy on a comparable basis
(+3.4% yoy excl. CTR)

(in million of euros)



GOM: +2.1% yoy on a comparable basis

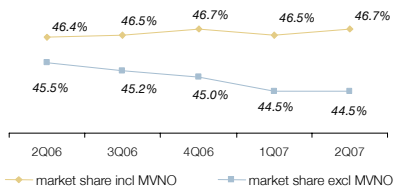


- back to revenue growth in 2Q (+0.3% yoy on CB) vs 1Q (-0.1% yoy on CB) benefiting from:
 - faster increase of the customer base at 23.4 million (+4.5% yoy)
 - limited impact so far of number portability
 - voice revenues decline compensated by non voice revenues growth
- GOM rate increased by 70 bp yoy
 - 9.1% savings on interconnect costs thanks to lower termination rates
 - higher commercial costs (+6.2% yoy) focused on retention

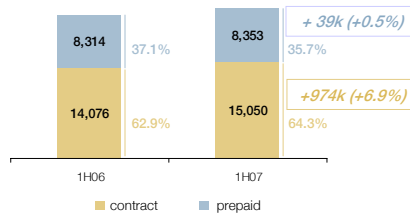
19

1H07 personal France quarterly stabilization of market share excl. MVNOs, and increase including MVNO customers

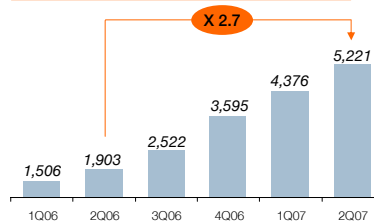
Orange market share evolution*



customer base mix (000s)



broadband development customers (000s)



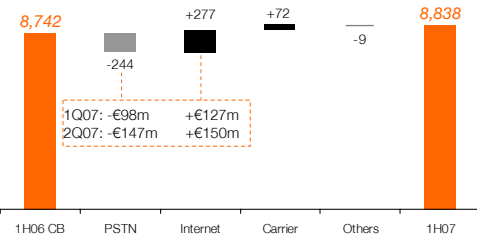
- 135k net adds in 1H07, thanks to a stronger 2Q
- 1.1m MVNO customers (x2.6 in 1 year)
- pursuing value strategy with improving contract mix
- slowdown of ARPU decline at the end of June 07 at €403 (-3.2% vs 1H06 and -0.9% excl. CTR impact)
- strong momentum on broadband base

20 * company estimates

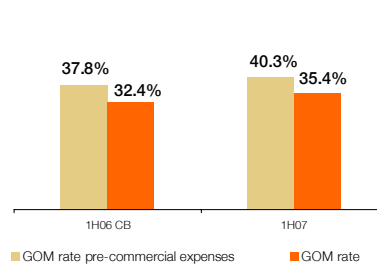
1H07 home France strong GOM growth in a transformed business model

revenues : +1.1% yoy on a comparable basis

(in million of euros)



GOM: +10.3% yoy on a comparable basis

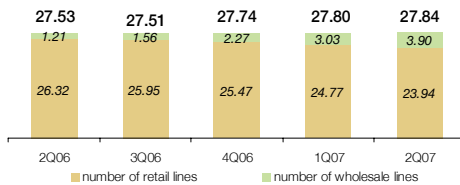


- revenue growth in 1H07 mainly driven by Internet revenue growth compensating PSTN revenue decline
- still strong domestic wholesale revenues + 9.6% in 1H07 yoy (LLU, WLR, naked ADSL)
- GOM benefiting from :
 - revenue increase and improvement of offers profitability
 - lower costs driven by NEXt business model transformation (call centers, IT service platforms, new offers)
 - general improvement of quality of service, and intervention costs under control

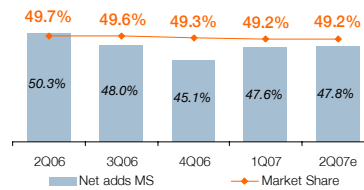
21

1H07 home France ADSL base growth continued to be driven by multiplay access

total number of fixed lines (in million)

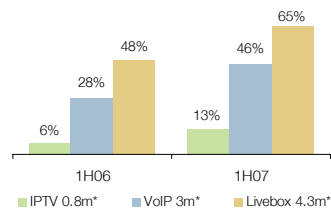


ADSL market share* (%)



* Company estimates

DSL base features (in % of ADSL cust)



* at the end of June 07

- increase of total number of fixed lines driven by broadband demand
- market share maintained at 49.2%
- successful use of Orange naked ADSL offers : 316k customers at the end of June mainly in dense areas
- improvement of quarterly broadband ARPU from 27.2€ in 2Q06 to 30.1€ in 2Q07 (+11% yoy)
- new offers: VoIP (more unlimited fixed calls) and VOD paying acts (x5 yoy)

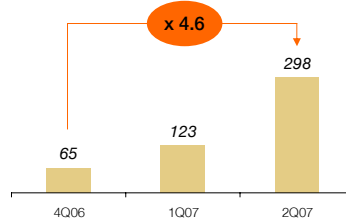
22

1H07 France

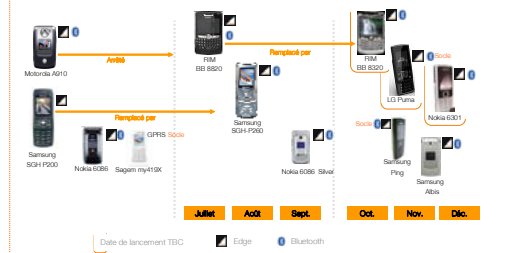
Unik: strong take-off in 1H07 with an increased product range

- accelerate sales in 2H07:
 - handset sales will increase in 2H from 259k in 1H
 - net & Unik offer launch in 2H
- UNIK, the only real convergent offer:
 - UNIK available at home and elsewhere (30 000 Orange Wi-Fi hot spots + via friends' Livebox)
 - unlimited calls towards fixed phones, Orange mobiles
 - UNIK compatible with all Orange contracts

UNIK development in France (handset sold)



Roadmap Orange Unik 2H07



23

1H07 France

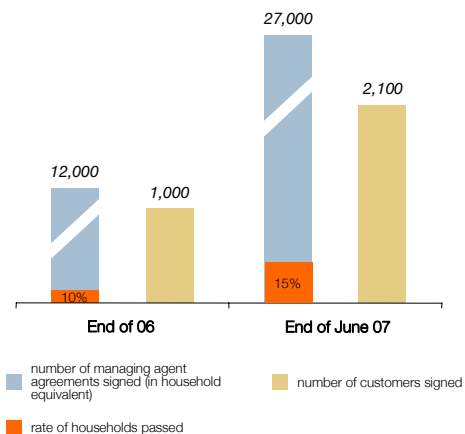
FTTH deployment is on track

la fibre

une expérience du très haut débit

- in 1H07, FT is the only player to propose a FTTH offer
- deployment launched in Paris, suburbs and in 10 cities before the end of the year (5 cities in 1H07)
- regulation on FTTH should be settled by 2H07
- capex spending reached €10m in 1H07

FTTH deployment indicators



24

France: priorities and action plan for 2H07

personal

- maintain volume and value market share
- continue development of loyalty programs and commercial expenses management to mitigate number portability consequences in 2H07
- enhance MVNOs and licenses agreements
- cost reduction to offset roaming impacts

home

- continue to improve customer satisfaction and quality of service
- subscription fee increasing by €1 VAT included from July 07
- selected and localised promotions to boost sales
- acceleration of "Net" (Orange Naked ADSL) offers in dense areas
- boost "optimales" offers in PSTN base to reduce fixed churn
- pursue FTTH deployment

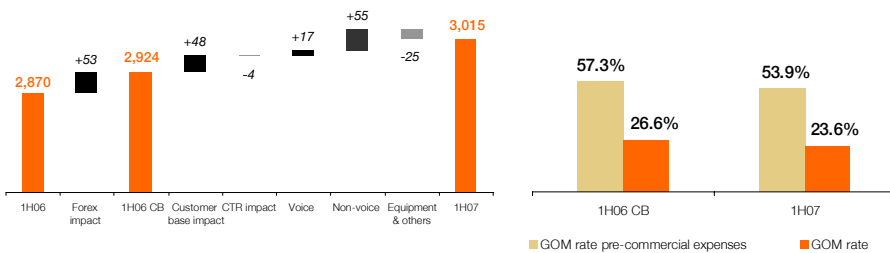
25

1H07 personal UK

value strategy delivering +3.1% yoy revenue growth

revenues: +3.1% yoy on a comparable basis
(in million of euros)

GOM: -8.6% yoy on a comparable basis



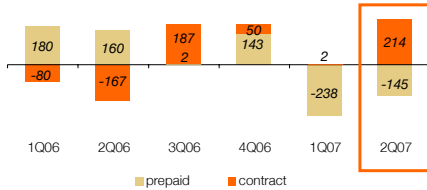
- growth acceleration in 2Q07 (+5.5% yoy) thanks to:
 - improved quality and volume of new contract customers
 - increased data usage and new national roaming revenue from H3G
- GOM pre-commercial expenses drop by 3.4 points with 2.1 points due to bundled broadband offers and dealer revenue sharing, used to enhance customer acquisition
- GOM margin stable compared to FY06 (23.4%)

26

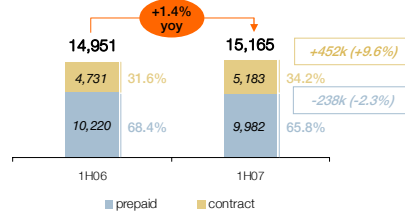
1H07 personal UK

strong performance of quarterly contract recruitment in 2Q07

net adds by quarter (000s)

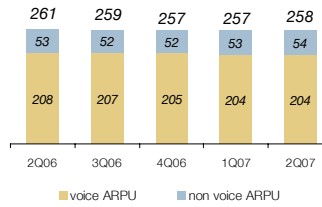


customer base mix (000s)



- improved customer mix with 34.2% contract at the end of 1H07 (and over 90% new consumer customers signing for 18 months contract)
- over 5 million contract subscribers:
 - best 2Q since 2001 for contract net adds (+214 k)
 - contract churn falling to 24.4% in 1H07 versus 29.1% in 1H06
 - market leading contract ARPU at 562£ (stable yoy in a very competitive market)
- actions initiated to reboost prepaid acquisition

ARPU evolution in £

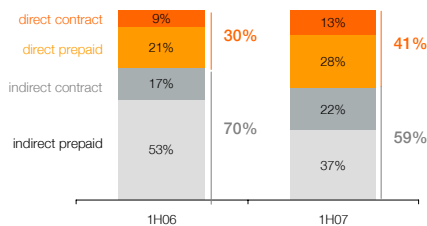


27

1H07 personal UK

improving control and value guidance through all distribution channels

Gross adds per distribution channel *



- increasing direct distribution to drive profitable customer growth
 - retail : increased number of Orange shops to 337 by end of 1H07 (+40 shops yoy) and develop new store format showing 30% increase in sale volume
 - web : revamped Orange online portal and created "web only" offers
- optimising indirect distribution to enhance customer value
 - redesigned relationship to improve customer quality and lifetime (adapted commissioning and revenue sharing)

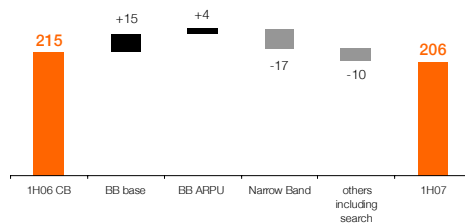
* acquisitions only. If we consider both acquisition & retention, direct channel gather 53% of sales in 1H07 (vs. 43% in 1H06)

1H07 home UK

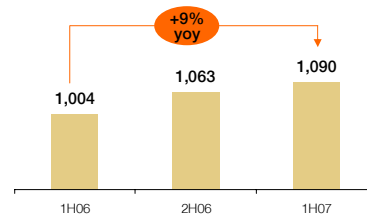
ADSL base increase in a challenging market environment

revenues : - 4% yoy on a comparable basis

(in million of euros)



closing base ADSL (000s)



- 4% annual revenue decline :
 - driven by a managed drop of narrowband base (selective migration to broadband) in a fast shrinking narrowband market
 - partially offset by the broadband revenue growth (+18% yoy)
- 9% broadband subscribers growth yoy:
 - 27% shared-base subscribers with mobile (295k subs.)
 - stable broadband ARPU at 16£ per month
 - 1H07 focused on QoS and LLU coverage now at 39% of population (20% in 1H06)

29

UK: priorities and action plan for 2H07

personal

- recover in prepaid market through targeting volume share in high value groups to fit with global value strategy
- maintain contract loyalty progress, and extend across segments
- continue drastic business transformation to reduce cost base
- enhance new wholesale revenue streams

home

- raise awareness of Orange as a broadband and home services provider (TV campaign in 3Q07)
- enhance customer experience of Home products and services with an improved network (stability and quality)
- exploit lead ISP status within DSG retail footprint
- extend portfolio of offerings
 - line rental and primary line voice bundle
 - IP TV trial in 2H07
 - content offering

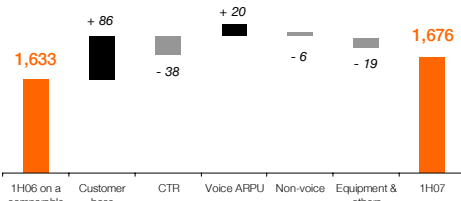
30

1H07 personal Spain

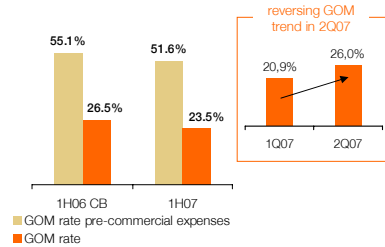
delivering 2.6% revenue growth and improving GOM trend from 2Q07

revenues: +2.6% yoy on a comparable basis (+5.1% excluding CTR impact)

(in million of euros)



GOM: -9% yoy on a comparable basis



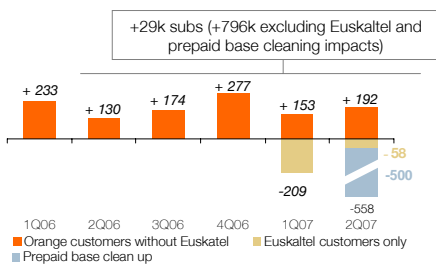
- contract focused strategy delivering 2.6% yoy revenue growth:
 - strong improvement of customer mix and contract ARPU
 - stable number of customers despite a cleaning of prepaid inactive base and Euskaltel effect
 - contained ARPU decrease by -2% despite CTR cut from April 07 (slightly increasing excl. CTR effect)
- GOM:
 - 9% decrease yoy mainly due to higher interconnect and commercial costs to fuel contract growth
 - improving trend in 2Q07 through adapted abundance offers

31

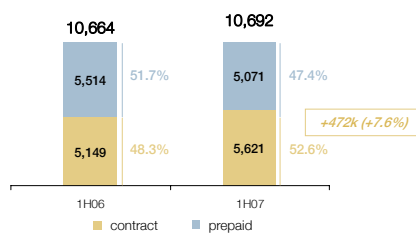
1H07 personal Spain

increasing contract customer base and value

net adds by quarter (000s)

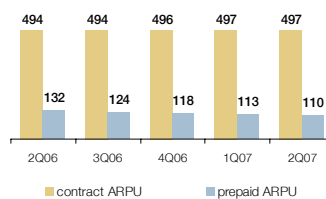


Customer base (000s)



- stable customer base yoy with 10,692k customers at the end of 1H07 despite :
 - cleaning of prepaid inactive customer base (-500k subs in 2Q07)
 - Euskaltel impact of 267k customers of which 58k in 2Q07
- success of contract strategy: +31% yearly contract gross adds
- contract ARPU increase at €497 confirms the validity of our value strategy

ARPU evolution in €



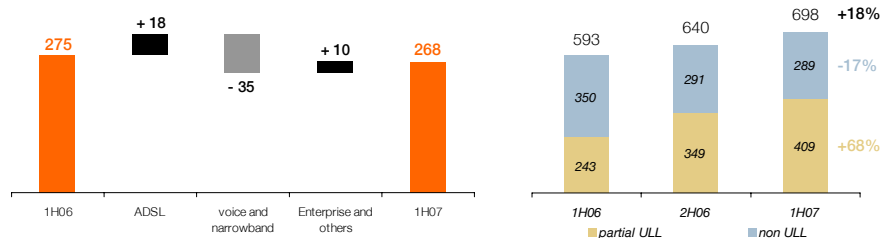
32

1H07 home Spain continued strong growth in broadband in a tough unbundling environment

revenues: - €7m yoy (-2.5% on a comparable basis)

+ 18% in Broadband subscriber base (000s)

(in million of euros)



- revenues decline in 1H07, due to ADSL growth (+18% yoy) not fully compensating voice PSTN and narrowband decrease.
 - From 2Q07, ADSL growth together with enterprise and services (IPTV and VoD) reverse the declining trend
- in a very competitive environment, ADSL subscriber base increased to 698 K subscribers with :
 - a sharp monthly churn reduction yoy from 4.9% to 3.1% in 1H07
 - a higher weight of ULL over our ADSL base yoy from 41% to 59% in 1H07

33

Spain: priorities and action plan for 2H07 a new management committed to enhance profitable growth

personal

- keep momentum in contract (retail and business)
- increase 3G customer base and data product services
- reinforce anti-churn strategy
- Improve prepaid business model
- develop MVNOs operations

home

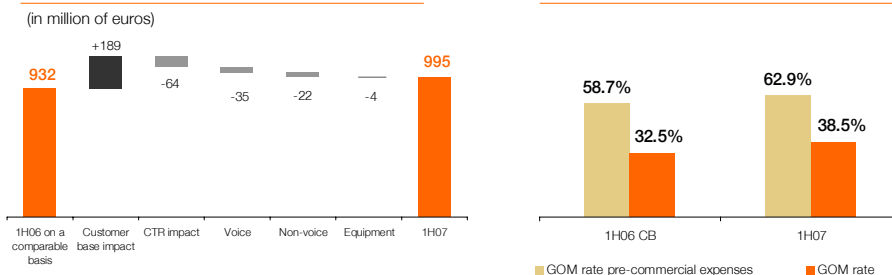
- reinforce ADSL market share through
 - introduction of full ULL offers
 - enhance anti-churn program
- leverage on Ya.com acquisition
 - closing on July 31st 2007
 - common marketing plan from 3Q07
- reengineering distribution with specific focus on convergent home and personal distribution root

34

1H07 personal Poland leadership maintained in a slowing market

revenues: +6.8% yoy on a comparable basis
(+14.6% excluding CTR impact)

GOM: +26.6% yoy on a comparable basis



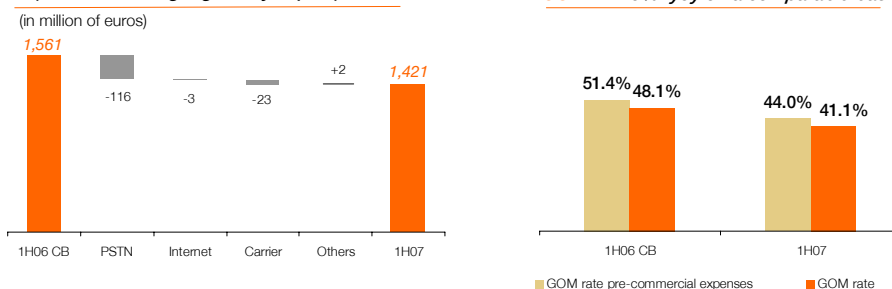
- strong customer base growth of 17.3% at 13.1m customers, with prepaid and contract base up respectively by 16.3% and 18.9%
- leadership maintained in term of value market share at 34.3% vs 34.0% in 1H06
- ARPU: balanced mix effect with volume increase compensating adverse price effect
- GOM rate up by 6pts yoy on a comparable basis driven by significant revenue growth and lower interconnect costs related to termination rates cuts

35

1H07 home Poland solid TP position in a highly competitive and regulatory environment

revenues: -9% yoy on a comparable basis
(-4.5% excluding regulatory impact)

GOM: -22.3% yoy on a comparable basis



- fixed voice traffic market share increased at 80.2% in 1H07 vs 78.9% in 1H06 despite negative impacts of regulatory decisions and fixed-to-mobile substitution
- broadband market share improvement at 42.5% in June 07 vs 42% in June 06 thanks to the 32% customer base yoy growth despite the high level of churn
- GOM rate at 41%, was mainly impacted by :
 - revenue decline not fully compensated by savings in inter-operator and commercial costs
 - negative impact of risk assessment provisions

36

Poland: priorities and action plans for 2H07

personal

- continue to sustain customer base growth above the market growth
- increase mobile broadband customers by developing the best content offer
- keep on-net traffic under control by pushing unlimited offers
- pursue MVNO agreements

home

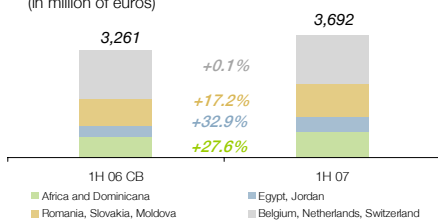
- grow broadband penetration and protect fixed market share with promotions & new tariff plan
- increase ADSL ARPU by launching the highest speed offer of the market at 15 Mb
- improve multiplay services & loyalty by equipping new customers with a livebox as a default modem
- improve time to market execution

37

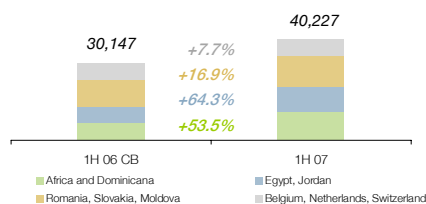
1H07 personal ROW sustained and profitable growth

revenues: +13.2% yoy on a comparable basis (+16.2% excl. CTR)

(in million of euros)

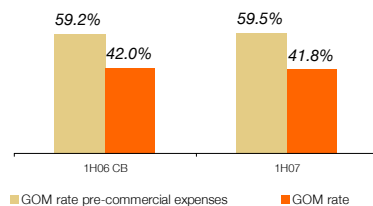


customer base (000s): +33.4% yoy on comparable basis



- sustained revenue growth in 1H07 (+13.2% vs +14.1% in 1H06), supported by ongoing strong customer growth
- revenue growth slowdown in 2Q07 vs 1Q07 mainly due to CTR cuts in Belgium and Switzerland combined with an intensive competition in Ivory Coast
- GOM rate maintained at a high level thanks to cost control programs

GOM: +12.6% yoy on a comparable basis

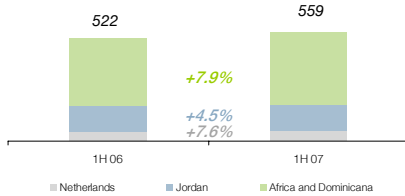


38

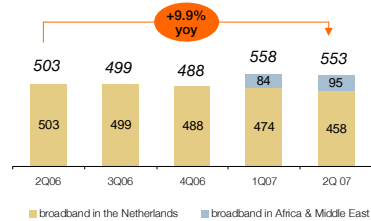
1H07 home ROW* ongoing development of Internet

revenues: +7.0% yoy on a comparable basis

(in million of euros)



broadband customer base (Netherlands, Ivory Coast, Senegal, Jordan, Mauritius) (000s)



- revenue growth mainly driven by
 - wholesale in Jordan
 - Internet growth
 - partly compensated by PSTN decline
- internet base development thanks to growth of ADSL offers in Africa and Middle East (+67% yoy on a comparable basis)

39 * home ROW excluding UK and Spain

Row: priorities and action plan for 2H07

personal

- maintain growth momentum
 - further customer growth
 - development of Internet (WiMax in Romania) and non-voice revenues
 - Orange Bissau launched in 2Q07 and launch of Orange Guinea and Central Africa planned in 2H07
- cost control everywhere:
 - western Europe: further outsourcing in 2H07
 - special action plan in Ivory Coast: QoS improvement, marketing offers, loyalty program and strong cost reduction plan
- rebranding of Jordan fixed and mobile assets planned in 2H07
- disposal of Orange NL in process

home

- extension and deployment of multiplay offers
- continue broadband development
 - launch in August of FTTH in Slovakia
 - development of Internet business: WiMAX based broadband access offers (Botswana, Cameroon, Madagascar)

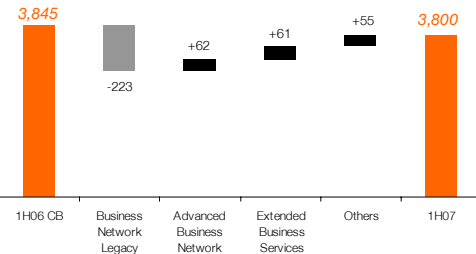
40

1H07 enterprise

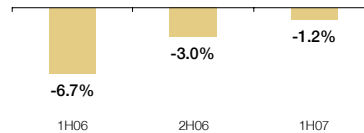
better containment of the decrease in traditional revenues whilst services revenues continue to grow above market

revenues : - 1.2 % yoy on a comparable basis

(in million of euros)



revenue evolution yoy on a comparable basis

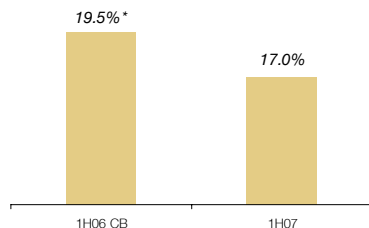


- ongoing improvement of revenue trend for the 4th consecutive quarter
 - contained decrease in Business Network Legacy both in voice France and in data revenues
 - slowdown of Advanced Business Network revenue growth as migration towards IP is well under way while uptake of new growth areas:
 - IP VPN accesses up 19.6% yoy (273k accesses)
 - Business Everywhere: 525k end users in France, up 18.7% yoy
 - ICT service revenue growth +15.5% yoy in 1H07, above market trend, strengthened by selected acquisitions
- 41
- ICT service represent 24.3% of total Enterprise external sales

1H07 enterprise

impact of business transformation on GOM

GOM: -13.5% yoy on a comparable basis



- GOM rate reduction was 2.5 points on a comparable basis reflecting:
 - erosion of connectivity margin, driven by IP transformation and a continued competitive pressure on international data prices
 - transformation of our business mix
- slight GOM erosion expected in 2H07 vs 1H07, as already observed in 1H07 vs 2H06 CB

42 * GOM rate adjusted for service prices changes between Enterprise and Home France

enterprise: priorities and action plan for 2H07

- continue actions to secure business network legacy revenues
- pursue enhancement of our portfolio on VoIP/ToIP
- continue streamline cost base
- further master the profitability of ICT growth
- accelerate commercial development in the emerging areas (Russia and Asia Pacific)

43

outlook

44

key trends for 2H07

- ▶ level of revenue performance in 2H should be consistent with 1H
- ▶ confirmation of 2007 guidance despite higher impact on 2H GOM of known regulatory decisions (roaming, portability, Poland, etc)
- ▶ ongoing portfolio rationalization, focus on emerging countries and strengthen position in selected businesses

45

outlook guidance confirmed after 1H07 solid performance

- ▶ near stabilization of the gross operating margin rate in 2007
- ▶ capex rate in % of revenues around 13%
- ▶ maintain organic cash flow at €6.8Bn in 2007 and 2008

46

appendices

47

glossary ⁽¹⁾

ADSL market share	<ul style="list-style-type: none"> sum of 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).
ARPU (Average Revenues Per User)	<ul style="list-style-type: none"> for HCS segment: average monthly revenues on the basis of the last twelve months divided by the weighted average number of customers over the same period. for PCS segment: revenues of the network generated over the last twelve months (excluding revenues from mobile virtual network operators – MVNO) divided by the weighted average number of customers over the same period. for Internet: connectivity revenues divided by the weighted average number of Internet customers during the same period.
AUPU (Average Usage Per User)	<ul style="list-style-type: none"> for PCS segment: total minutes used over the preceding 12 months (outgoing, incoming and roaming calls, excluding the traffic of Mobile Virtual Network Operators) divided 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)	<ul style="list-style-type: none"> tangible and intangible investments excluding GSM and UMTS licenses and investments through finance lease.
C.B. (Comparable Basis)	<ul style="list-style-type: none"> data presented with comparable methods, consolidation and exchange rates are presented for the preceding period.
Churn Rate	<ul style="list-style-type: none"> 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 divided by the weighted average number of customers over the same period. <ul style="list-style-type: none"> for Personal UK, migrations between contract and prepaid products are included in individual product churn but not in overall churn. Disconnections occurring either during the money-back guaranteed 14-days trial period or due to fraudulent connections are not included in churn. Prepaid customers are considered churned if they have not made any outgoing calls or received less than 4 incoming calls in the last 3 months. for Personal France, churn includes migrations between contract and prepaid products and those customers upgrading their handsets via an indirect channel as well as prepaid customers are treated as having churned after eight months if they do not recharge their account during this eight-month period.
GOM Gross Operating Margin	<ul style="list-style-type: none"> 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.

48

glossary ⁽²⁾

Net Financial debt	• gross financial debt (converted at the year end closing rate), less (i) derivative instruments carried in assets for trading, cash flow hedges and fair value hedges, (ii) cash collateral paid on derivative instruments, (iii) cash and cash equivalent and financial assets at fair market value, and (iv) certain deposits paid on specific transactions, and adjusted for the impact of the effective portion of cash flow hedges.
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.
Mature markets	• France, UK, Spain, Netherlands, Switzerland, Belgium, Poland Fixed
Growing markets	• Poland mobile, Botswana, Cameroon, Dominican Republic, Egypt, Equatorial Guinea, Ivory Coast, Jordan, Madagascar, Mauritius, Mexico, Moldova, Romania, Slovakia, Senegal, Vanuatu, Vietnam, other countries
SACs Subscriber Acquisition Costs	• for PCS segment: Sum of the acquisition costs for the handsets sold and the commissions paid to retailers from which are deducted the revenues received from the sale of handsets, for each new customer.
SRC Subscriber Retention Costs	• for PCS segment: sum of the acquisition costs for the handset sold and the commission paid to retailers from which are deducted the revenues received from the sale of handset for each customer renewing his contract.
Commercial costs	• external purchases including purchase of handset and other products sold, retail fees and commissions and advertising, sponsoring and brand costs
IT&N costs	• external purchases including services fees and inter-operator costs, outsourcing fees relating to technical operation and maintenance and IT expenses
Labour costs	• wages and employees benefit expenses excluding employee profit sharing and share based compensation costs – net of capitalized costs.

49

1H07 revenue growth

sustained revenue growth in Personal and good performance of Home France

in million of euros	1H06*	1H07	Change 1H07/1H06*	
			€m	%
group revenues	25,422	25,913	+491	1.9%
total personal	13,473	14,107	+633	4.7%
personal France	4,824	4,828	+5	0.1%
personal UK	2,924	3,015	+91	3.1%
personal Spain	1,633	1,676	+43	2.6%
personal Poland	932	995	+63	6.8%
personal ROW	3,261	3,692	+431	13.2%
total home	11,223	11,168	-55	-0.5%
home France	8,742	8,838	+96	1.1%
home Poland	1,561	1,421	-140	-9.0%
home UK	215	206	-9	-4.0%
home Spain	275	268	-7	-2.5%
home other ROW	518	554	+36	6.9%
total enterprise	3,845	3,800	-45	-1.2%
eliminations	-3,120	-3,162	-42	1.3%

50 * on a comparable basis, ie adjusted from forex (-52M€) and perimeter and other impact (+103M€)

1H07 Gross Operating Margin GOM stabilisation driven by domestic performance

in million of euros	1H06*	in % of revenues	1H07	in % of revenues	Δ%	Δ in % pts
group GOM	9,236	36.3%	9,416	36.3%	1.9%	-
total personal	4,788	35.5%	4,974	35.3%	3.9%	-0,2 pt
personal France	1,903	39.5%	1,943	40.2%	2.1%	+0,7 pt
personal UK	779	26.6%	712	23.6%	-8.6%	-3,0 pts
personal Spain	432	26.5%	393	23.5%	-9.0%	-3,0 pts
personal Poland	303	32.5%	383	38.5%	26.6%	+6,0 pts
personal ROW	1,371	42.0%	1,544	41.8%	12.6%	-0,2 pt
total home	3,701	33.0%	3,795	34.0%	2.5%	+1,0 pt
home France	2,836	32.4%	3,129	35.4%	10.3%	+3,0 pts
home Poland	752	48.1%	584	41.1%	-22.3%	-7,0 pts
home ROW	113	11.2%	82	8.0%	-27.4%	-3,2 pts
total enterprise	749	19.5%	648	17.0%	-13.5%	-2,5 pts

51 * on a comparable basis, ie adjusted from forex (-€29m) and perimeter & other impacts (+€7m)

1H06: from historical to comparable basis results

in million of euros	1H06 Historical results	perimeter ^(*) and others	exchange rate impact	1H06 proforma
Revenues	25,371	+103	-52	25,422
GOM	9,258	+7	-29	9,236
Capex	3,047	+13	-7	3,053

(*) impact of Jordan full consolidation, Silicomp, Neocles and Diwan entries and FTMSC sale

Exchange rate impact by currency

	PLN	USD	GBP	EGP	Others
average rate 1H06	3.888	1.228	0.687	7.061	
average rate 1H07	3.843	1.329	0.675	7.566	

52

balance sheet ⁽¹⁾

	Note	Period ended June 30, 2007	Year ended December 31, 2006
ASSETS			
goodwill, net		31,122	31,517
other Intangible assets, net		17,634	18,713
property, plant and equipment, net		27,586	28,222
interests in associates		325	360
assets available for sale		307	338
other non-current financial assets and derivatives		1,162	987
deferred tax assets		7,856	8,250
total non-current assets		85,992	88,387
inventories, net		804	844
trade receivables, net		6,502	6,756
other current assets		1,691	1,788
current tax assets		89	247
prepaid expenses		722	580
other current financial assets and derivatives		434	599
cash and cash equivalents	7	3,257	3,970
total current assets		13,499	14,784
assets held for sale	4	1,265	-
TOTAL ASSETS		100,756	103,171

53

balance sheet ⁽²⁾

	Note	Period ended June 30, 2007	Year ended December 31, 2006
EQUITY AND LIABILITIES			
share capital		10,436	10,427
additional paid-in capital		15,215	15,179
retained earnings (deficit)		(4,198)	(5,171)
net income for the year		3,308	4,139
translation adjustment		2,273	2,220
equity attributable to equity holders of France Telecom SA		27,034	26,794
minority interests		4,362	4,844
total equity	8	31,396	31,638
exchangeable or convertible bonds (non-current)	7	29,136	30,829
other non-current financial debt and derivatives	7	6,793	7,234
non-current employee benefits		546	534
other non-current provisions		2,344	2,206
other non-current liabilities		1,371	1,494
deferred tax liabilities		1,631	1,749
total non-current liabilities		41,821	44,046
exchangeable or convertible bonds, and other current financial debt and derivatives	7	9,754	8,057
accrued interest payable	7	993	1,240
current employee benefits		1,495	1,606
current provisions		1,269	1,816
trade payables		8,197	9,015
other current liabilities		2,112	2,110
current tax payables		314	466
deferred income		3,153	3,177
total current liabilities		27,287	27,487
liabilities included in assets held for sale	4	252	-
TOTAL EQUITY AND LIABILITIES		100,756	103,171

54

cash-flow account ⁽¹⁾

	Note	Period ended June 30, 2007	Period ended June 30, 2006	Year ended December 31, 2006
OPERATING ACTIVITIES				
net income attributable to equity holders of France Telecom SA		3,308	2,346	4,139
adjustments to reconcile net income/(loss) to funds generated from operations				
depreciation and amortization		4,007	3,838	7,833
impairment of non-current assets		15	131	105
impairment of goodwill		-	-	2,800
gain on disposals of assets	5	(409)	(92)	(3,079)
change in other provisions		(520)	(521)	(847)
share of profits (losses) of associates		(1)	(17)	(24)
income tax	6	543	1,285	2,302
interest income and expense		1,226	1,359	3,004
minority interests	8	316	413	629
foreign exchange gains and losses, net		(148)	(433)	(796)
derivatives		225	366	1,038
share-based compensation		137	21	34
change in inventories, trade receivables and trade payables				
decrease/(increase) in inventories (net)		30	87	1
decrease/(increase) in trade accounts receivable		220	215	82
increase/(decrease) in trade accounts payable		(399)	(285)	(318)
other changes in working capital requirements				
decrease/(increase) in other receivables		(9)	(104)	15
increase/(decrease) in other payables		(63)	19	235
dividends and interest income received		114	69	164
interest paid and interest rates effects on derivatives, net		(1,573)	(1,657)	(2,848)
income tax paid		(467)	(390)	(606)
net cash provided by operating activities		6,552	6,650	13,863

55

cash-flow account ⁽²⁾

	Note	Period ended June 30, 2007	Period ended June 30, 2006	Year ended December 31, 2006
INVESTING ACTIVITIES				
purchases/sales of property, plant and equipment and intangible assets				
purchases of property, plant and equipment and intangible assets		(2,967)	(3,337)	(7,039)
increase/(decrease) in amounts due to fixed asset suppliers		(376)	(70)	228
proceeds from sales of property, plant and equipment and intangible assets		51	71	105
cash paid for investment securities, net of cash acquired				
Amena		-	(109)	(113)
Silcomp	3	(89)	-	-
other payments for investment securities		(39)	(103)	(142)
proceeds from sales of investment securities, net of cash transferred				
PagesJaunes	4	-	-	2,697
Tower Participations	5	254	-	-
Bluebirds	3 - 5	110	-	-
other proceeds from sales of investment securities		48	59	112
decrease/(increase) in marketable securities and other long-term assets		164	(29)	(539)
net cash used in investing activities		(2,844)	(3,518)	(4,691)

56

cash-flow account ⁽³⁾

	Note	Period ended June 30, 2007	Period ended June 30, 2006	Year ended December 31, 2006
FINANCING ACTIVITIES				
issuances				
bonds convertible, exchangeable or redeemable into shares	7	2,856	935	928
long-term debt		26	555	585
redemptions and repayments				
bonds convertible, exchangeable or redeemable into shares	7	(2,581)	(2,605)	(3,895)
long-term debt	7	(1,236)	(1,278)	(1,997)
equity portion of hybrid debt		(8)	-	(42)
increase/(decrease) in bank overdrafts and short-term borrowings	7	576	1,044	(1,117)
decrease/(increase) in deposits and other debt-linked financial assets (including cash collateral)		(191)	158	192
exchange rates effects on derivatives, net		(35)	(664)	(724)
purchase of treasury shares	8	(229)	(8)	(10)
capital increase	8	39	16	54
minority shareholders' contributions		-	-	(50)
dividends paid to minority shareholders	8	(531)	(484)	(593)
dividends paid by France Telecom SA	8	(3,117)	(2,602)	(2,602)
net cash used in financing activities		(4,431)	(4,933)	(9,271)
net change in cash and cash equivalents		(723)	(1,801)	(99)
effect of exchange rates changes on cash and cash equivalents and other non-monetary effects		18	(35)	(28)
cash and cash equivalents at beginning of period/year		3,970	4,097	4,097
cash and cash equivalents at end of period/year (*)		3,265	2,261	3,970

(*) Includes cash and cash equivalents related to assets held for sale (see note 4).

additional cash-flow disclosure:

France Telecom has offset, with VAT payments of May and June 2007, various income tax receivables for a total amount of 178 million euros.

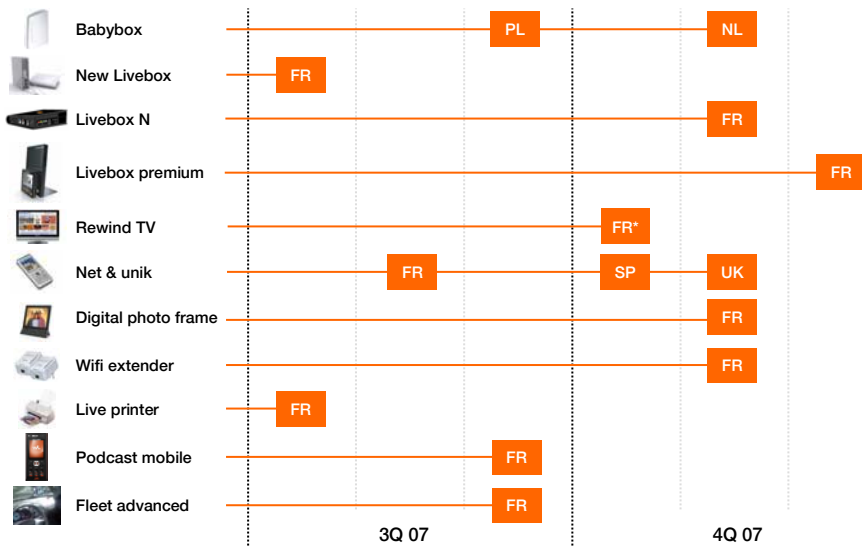
57

profit & loss account

	Note	Period ended June 30, 2007	Period ended June 30, 2006	Year ended December 31, 2006
Revenues	2	25,913	25,371	51,702
external purchases	2	(11,030)	(10,933)	(22,809)
other operating income	2	236	284	473
other operating expense	2	(1,276)	(1,078)	(2,235)
labour expenses:				
- wages and employees benefit expenses	2	(4,427)	(4,386)	(8,592)
- employee profit sharing	2	(159)	(140)	(346)
- share-based compensation	2	(137)	(19)	(30)
depreciation and amortization	2	(4,007)	(3,832)	(7,824)
impairment of goodwill		0	0	(2,800)
impairment of non-current assets		(15)	(131)	(105)
gains (losses) on disposal of assets	5	409	92	97
restructuring costs	2	(45)	(106)	(567)
share of profits (losses) of associates	2	1	17	24
operating income		5,463	5,139	6,988
interest expense		(1,240)	(1,248)	(3,155)
foreign exchange gains (losses)		1	20	26
discounting expense		(57)	(70)	(122)
finance costs, net		(1,296)	(1,298)	(3,251)
income tax	6	(543)	(1,214)	(2,180)
consolidated net income after tax of continuing operations		3,624	2,627	1,557
consolidated net income after tax of discontinued operations	4	-	132	3,211
consolidated net income after tax		3,624	2,759	4,768
net income attributable to equity holders of France Telecom SA		3,308	2,346	4,139
minority interests	8	316	413	629

58

a steady innovation rythm for 2H07 boosted by the summer collection



59 * pre-launch