

france telecom

FY 2006 preliminary results

February 1st, 2007



cautionary statement

this presentation relates to France Telecom's preliminary results for 2006 which are still in the process of being reviewed by the statutory auditors. France Telecom's 2006 financial statements, which will be published on March 6, 2007, may differ from these preliminary results, particularly if certain post balance sheet events occur that are not yet known by France Telecom.

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.

2006: financial commitments achieved

organic Cash Flow	EUR 7.15 Bn	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 points*	in line with guidance (-1/-2 points versus 2005 GOM rate)
capex	EUR 6.73 Bn, 13% of revenues	in line with objective

unaudited preliminary figures

* excluding Lebanon reserve reversal in 2Q05 (+€199m) and provision for fine in 4Q05 (-€256m), 2005 GOM margin is 37,5%

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2006: major operational achievements

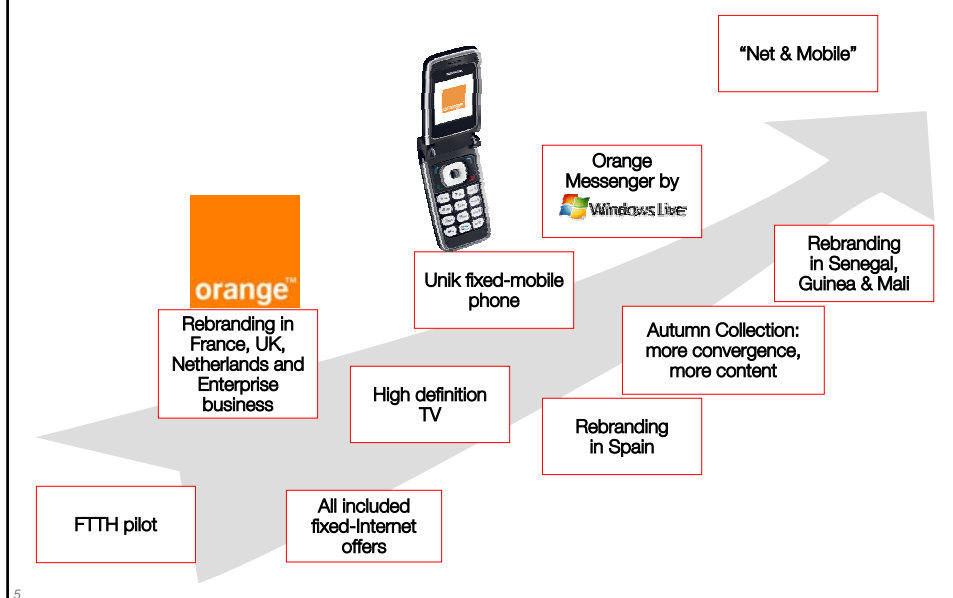
97.6 million mobile subscribers (+15.1% yoy)	5.8 million mobile broadband subscribers in Europe (+269% yoy)	4.1 million Livebox in Europe (o/w 3.4m in France, ie 58% ADSL customers equipped)
486k Business Everywhere end users in France (+19% yoy)	577k IPTV clients in France, IPTV launched in Spain and in Poland	64k Unik phones sold in France in 2 months

* estimated

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2006: key milestones

Orange leadership confirmed on innovation and convergence



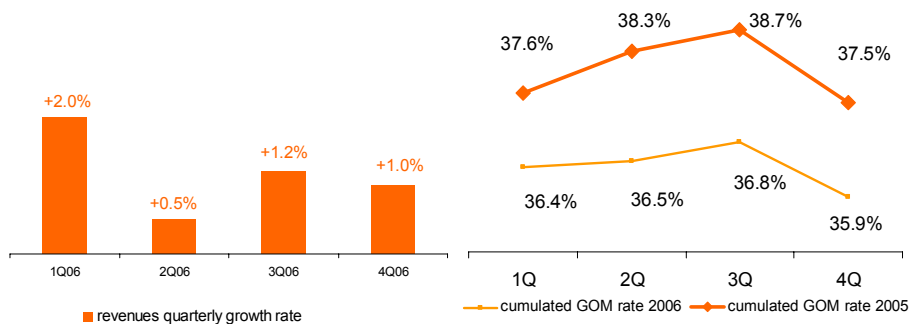
2006: key figures

unaudited preliminary figures (in euro billions)	Actual* FY05	FY05 Comp. Basis	FY06	Actual % change	Comparable Basis % chg
revenues	48.1	51.1	51.7	+7.5%	+1.2%
gross Operating Margin	18.0	19.0	18.5	+3.3%	-2.6%
as a % of revenues	37.3%	37.3%	35.9%	-1.4pt / -1.6 pt**	
net Income, Group share	5.7		4.0 – 4.2		
net Income, Group share on comparable terms	3.9		3.9 – 4.1		
CAPEX	6.0	6.5	6.7		
as a % of revenues	12.5%	12.7%	13.0%		
organic Cash Flow	7.48		7.15		
org. Cash Flow, without PagesJaunes consolidation	7.21		6.89		
net Debt / GOM	2.48		~2.27		

* restated from Pages Jaunes disposal; ** Excluding Lebanon reserve reversal in 2Q05 (€199m) and provision for fine in 4Q05 (€256m), 2005 GOM margin is 37,5%

2006: group quarterly trend

2006 quarterly revenues growth and cumulated GOM growth rate (on a comparable basis) trend



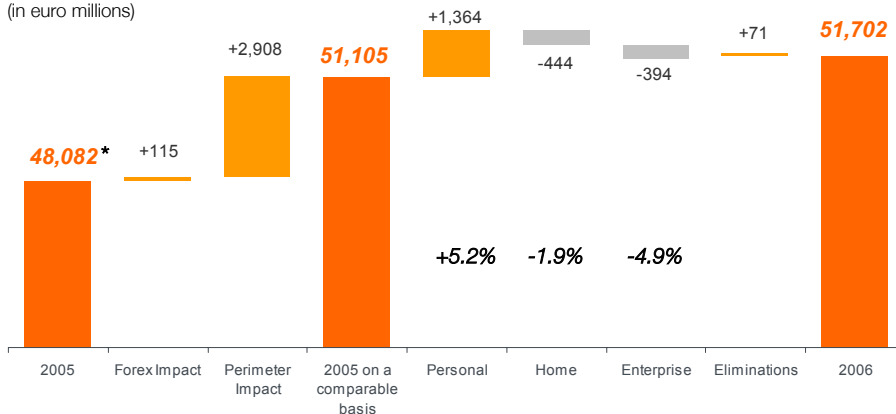
- revenue trend confirmed in 4Q06
- full year GOM objective achieved: - 1.6 point* vs FY05

* excluding Lebanon reserve reversal in 2Q05 (+€199m) and provision for fine in 4Q05 (-€256m), 2005 GOM margin is 37,5%

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2006: group revenues by segment: +1.2% growth on a comparable basis

unaudited preliminary figures
(in euro millions)



- €51,702m / +7.5% actual* / +1.2% on a comparable basis

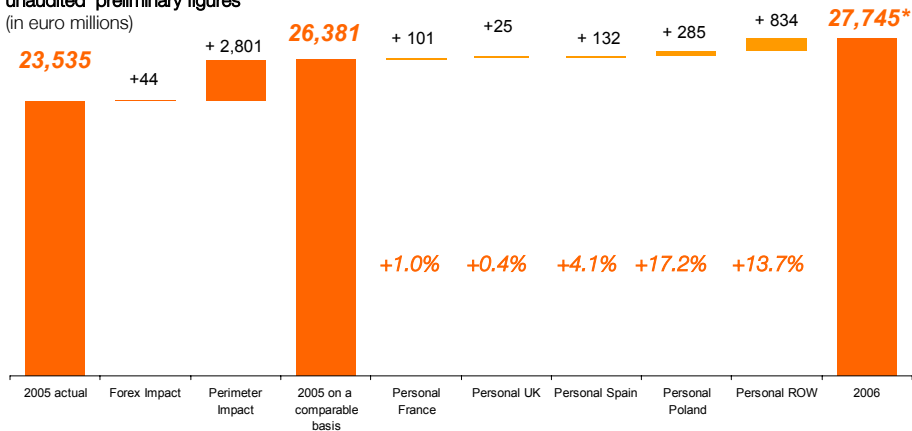
* restated from Pages Jaunes disposal

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personal 2006: sustained performance in maturing countries and strong growth in emerging countries

2006 revenues analysis

unaudited preliminary figures
(in euro millions)



• €27,745m / +17.9% actual / +5.2% on a comparable basis

* after -EUR12m of changes in intragroup eliminations

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personal 2006: main achievements

broadband

strong take up of Broadband subscribers base in Europe

- 3.6 million subscribers in France (3x since the end of 2005)
- 931k subscribers in the UK (3x since the end of 2005)
- 422k subscribers in Spain (5x since the end of 2005)

churn

containment of churn level

- relatively flat blended churn rate in France in 4Q06 thanks to the improvement of the contract churn (12.2% vs 12.3% in 3Q06)
- decrease of blended churn for the fourth consecutive quarter in the UK, to 24%

high value customers

improvement of customer mix

- contract mix reinforced in France to 63.2% in 4Q06
- strong contract net adds in Spain leading to a balanced mix in 4Q06

data

continued increase of data share

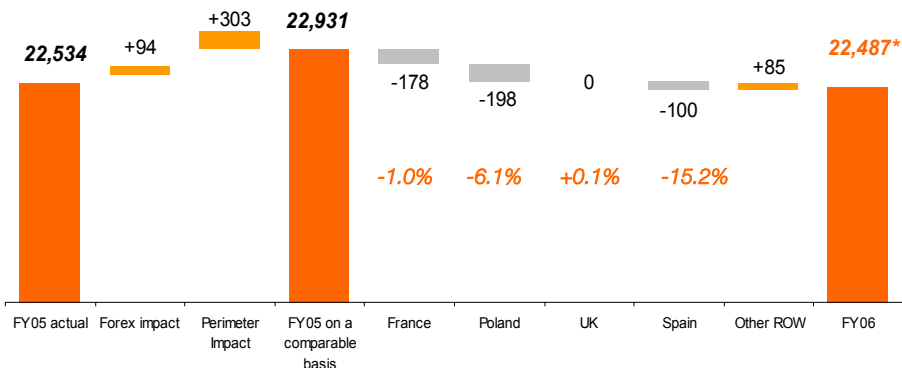
- UK non voice revenues: 21.3% of network revenues in 4Q06
- France non voice revenues: 15.4% of network revenues in 4Q06

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home 2006: fair performance in France thanks to ADSL development

2006 revenues analysis

unaudited preliminary figures
(in euro millions)



▪ €22,487m / -0.2% actual / -1.9% on a comparable basis

* after -EUR54m of changes in intragroup eliminations

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home KPI's 2006 (1)

ADSL
in France

strong ADSL customers growth

- 5.9 million Orange ADSL customers in France (estimated market share around 49.5%)
- 385K net additions in 4Q06
- 1.46 million net additions in FY06

fixed lines
in France

total number of lines up to 27.74 million in 2006 (+1% yoy)

- total number of FT/Orange lines : 25.47 million
- full Unbundling : 2.08 million lines
- wholesale Naked ADSL: 0.19 million lines

consumer
services
ARPU
in France

increase by 3.6% at 28.0€ in 2006

- on line and Internet services ARPU (+32.3%)
- Calling services ARPU (-10.7%)
- Subscription fees ARPU (+3.7%)

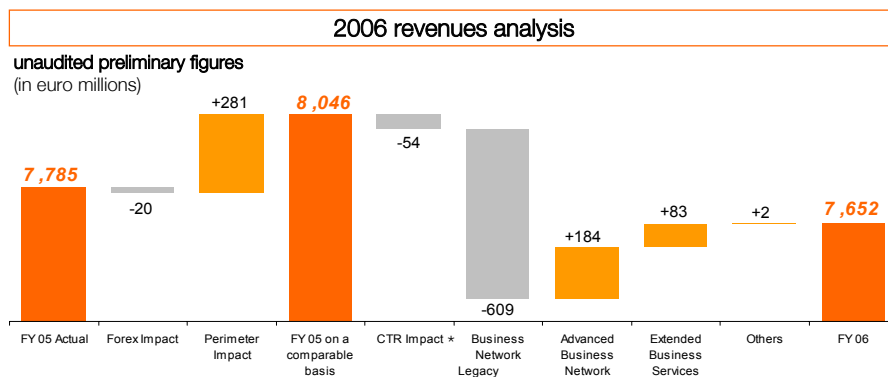
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Home KPI's 2006 (2)

<p>continued deployment of LLU in mature countries</p>	<p>Spain: ongoing migration from PSTN to ADSL and LLU:</p> <ul style="list-style-type: none"> • 640k ADSL customers • 350 local exchanges unbundled at the end of 2006 (68% coverage); 55% of total ADSL base are LLU subscribers; <p>UK: Deployment of unbundling in line with FY objective</p> <ul style="list-style-type: none"> • 485 local exchanges unbundled (36% coverage); 16% of total ADSL base is LLU <p>Netherlands: 199 local exchanges (53% coverage); 148k LLU subscribers by the end of 2006 (+ 72% yoy); 45% of total ADSL base</p>
<p>multiplay- oriented customers</p>	<p>France: 58% of ADSL customers equipped with Livebox; 2.1m VoIP customers at the end of 2006</p> <p>UK: 33% of ADSL customers equipped with Livebox; 332k VoIP customers at the end of 2006</p>
<p>success of rebranding and converged strategy</p>	<p>rebranding completed in France and in the UK (June 1st 2006), Netherlands (June 2006), Spain (October 2006), Senegal, Ivory Coast and Guinea (November 2006)</p> <p>Unik fixed-mobile phone available in France, Spain, UK and Netherlands</p> <p>TV over DSL launched in France, Spain, Mauritius and Senegal</p>
<p>growth in emerging markets</p>	<ul style="list-style-type: none"> • +7.8% revenue growth year-on-year • Total Internet subscribers up 58% yoy

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enterprise 2006: ICT services revenues growth above market growth



business Network Legacy revenues

- slower traffic decline of voice / continued price decrease
- accelerated data migrations partly offset by IPVPN growth

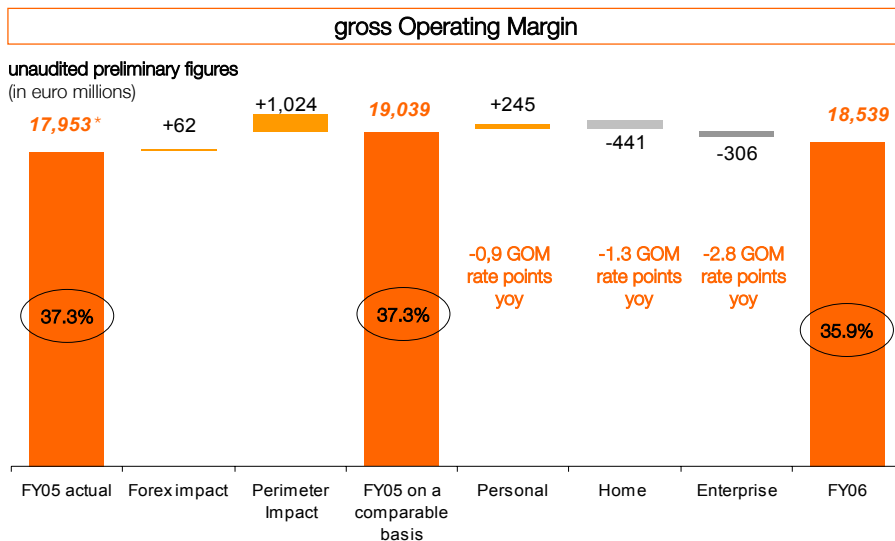
advanced Business Networks revenues

- IP VPN accesses up 39% yoy in 06 (256k accesses)
- business Everywhere: 486k end-users in France, 19% yoy in 06

▪ **€7,652m / -1.7% actual / -4.9% on a comparable basis**

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2006: group Gross Operating Margin by segment

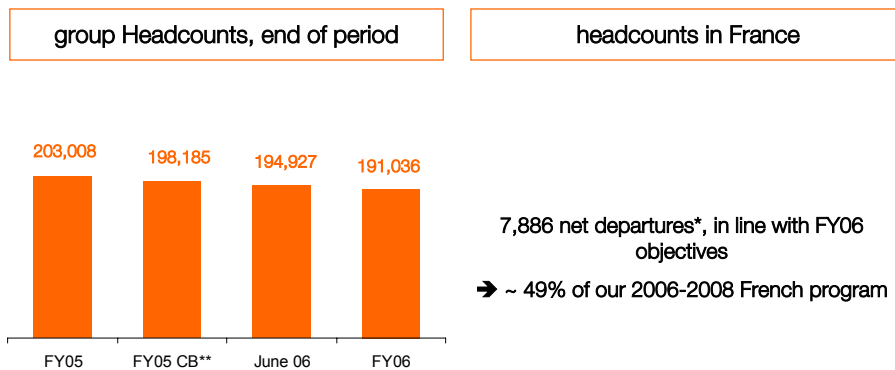


- GOM rate down by 1.4 point yoy (1.6 point adjusted from 2005 exceptionals**), in line with guidance

* restated from Pages Jaunes disposal; ** Excl. Lebanon reserve reversal in 2Q05 (+€199m) and fine provision in 4Q05 (-€256m), 2005 GOM margin is 37.5%

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2006: headcounts



- headcounts down by 3.6% vs 2005 on a comparable basis**

* permanent headcount; ** Excluding Pages Jaunes

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2006: stability of net income group share on comparable terms

unaudited preliminary figures (in euro billions)	2005	2006
net income group share on comparable terms	3.9	3.9 / 4.1
Main elements impacting the comparability:		
gain on asset disposal and result of discontinued activities	+1.8	+3.3
impairment net of tax (mainly the UK)	-0.5	-2.7
exceptionals on differed tax & financial expenses	+0.5	-0.5
net income group share released	5.7	4.0 / 4.2

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2006 financing: organic cash flow is slightly ahead of expectations

unaudited preliminary figures (in euro billions)	2005	2006
organic Cash Flow	7.48	7.15
of which Gross Operating Margin	17.95*	18.54
of which Working Capital Requirements	+ 1.00	0.02
of which capex	- 6.03*	- 6.73
of which Early Retirement Plan and employee Profit Sharing	-1.30	- 1.35

- 2006 Net Debt/GOM ~ 2.27 versus 2.48 in 2005

* restated from Pages Jaunes disposal;

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2007 trends confirmed

- In a moderate market growth on main western European markets:



nearly stabilisation of the gross operating margin rate in 2007



capex rate in % of revenues maintained around 13%



organic cash flow of €6.8Bn excl. Pages Jaunes confirmed

- end of 2006 Net Debt / GOM: ~ 2.27 → objective of 2.0 confirmed in 2008
- €1.2 dividend proposal to the shareholder meeting confirmed (44% of Organic Cash Flow)

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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 a 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.

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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 resulted 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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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 Orange 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 Orange network.
The Company also excludes from churn those connections which, in its view, do not result in active customers, including those as a result of prepaid handset upgrades or the removal of handsets.
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):** personal 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 all 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