



1 Q 2006

April 27th, 2006

Cautionary Statement

- This presentation contains forward-looking statements and information on France Telecom's objectives, notably for 2006. 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.
- All the financial information in this presentation is based on international financial reporting standards (IFRS) and present additional 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.
- All figures refers to definition detailed in the glossary on pages 22, 23 and 24.



1Q06: our environment

- **Confirmation of increased pressure in major European markets, with aggressive new offers from competitors**

- **Mobile:** more aggressive abundance voice offers from sub-scale and non-integrated players (France, UK)
- **Internet:** Aggressive triple-play (France, Spain)

**More cost
for the same
market share**

- **Cut in mobile termination rates continuing in Europe**

- **France:** -24% (January 2006)
- **Switzerland:** -10.7% (January 2006)
- **Belgium announced for 2H**

**Total CTR
impact on France
Telecom group
in 1Q06:
188m euros**



3

1Q06: on-going business transformation, as anticipated

France Telecom leadership confirmed on broadband

49.8%
retail ADSL market share
in France

2.2 m
Mobile Broadband
Customers
(+45% since Dec. 2005)

Evolution of usage towards IP & increased competition

1.2 m VoIP
France Telecom customers in
France

Total Group Commercial expenses:
+ 9%
yoy on a comparable basis



4

1Q06: key figures

Euro millions	Actual 1Q05	Comparable Basis - 1Q05	1Q06	Actual % change	Comparable Basis - % chg
Revenues	11,621	12,542	12,813	10.3%	2.2%
Gross Operating Margin	4,376	4,668	4,671	6.7%	0.1%
As a % of revenues	37.7%	37.2%	36.5%		
G.O.M. before commercial expenses	5,766	6,343	6,499		
As a % of revenues	49.6%	50.6%	50.7%		
CAPEX	1,157	1,242	1,390		
As a % of revenues	10.0%	9.9%	10.8%		
GOM - CAPEX	3,220	3,426	3,281		



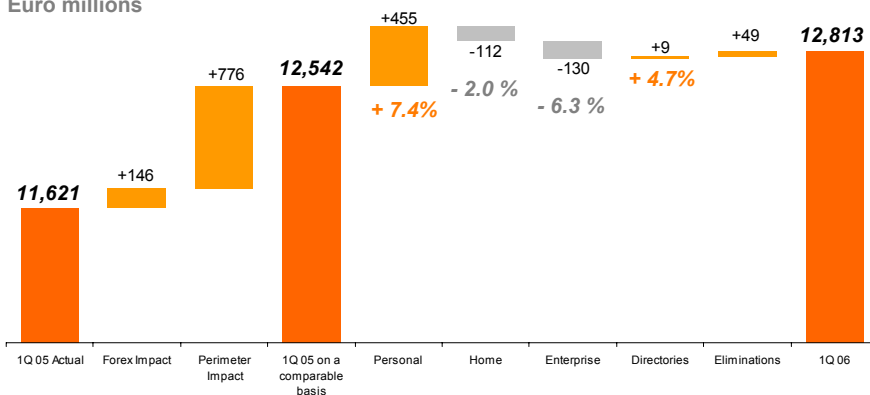
5

1Q06: Group revenues by segment

€12,813m / 10.3% actual / 2.2% on a comparable basis

1Q05 - 1Q06 revenues analysis

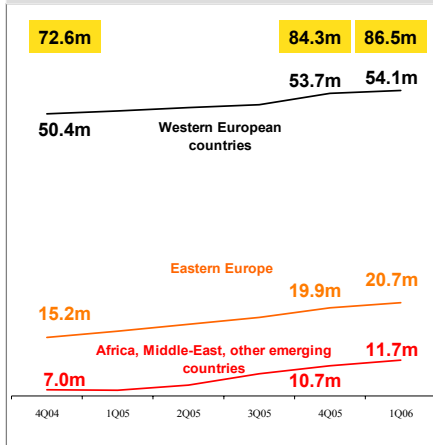
Euro millions



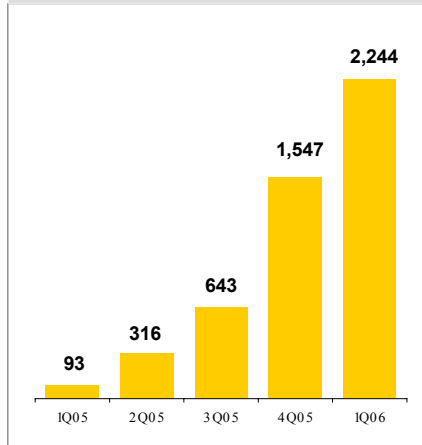
6

1Q06 revenues: Personal

Total France Telecom mobile customers*



Total France Telecom broadband mobile customers (000)



* On a comparable basis and including Amena



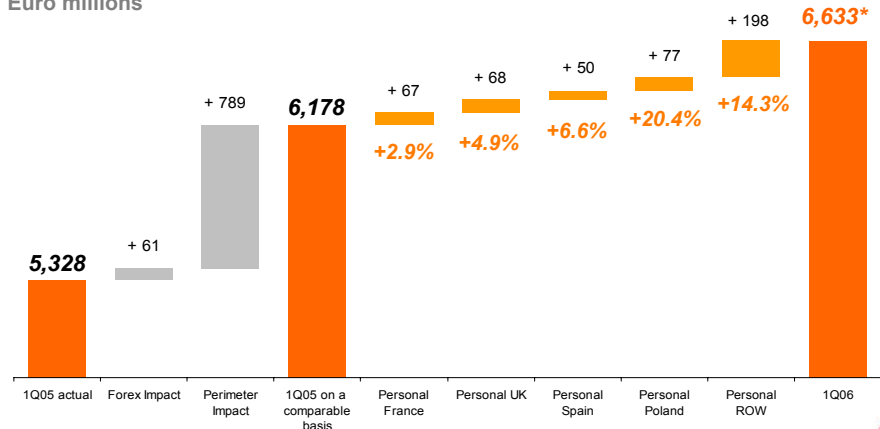
7

1Q06 revenues: Personal

€6,633m / 24.5% actual / 7.4% on a comparable basis

1Q05 - 1Q06 revenues analysis

Euro millions



* After -EUR5m of changes in intragroup eliminations



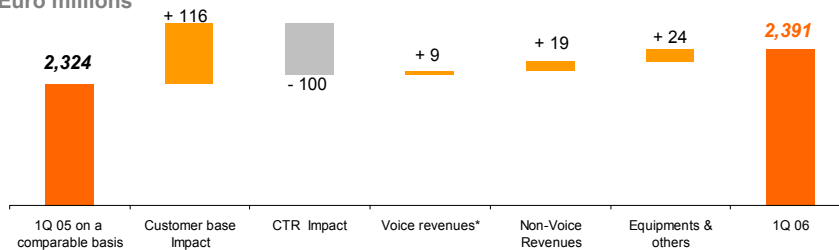
8

1Q06 revenues: Personal France

€2,391m / 2.7% actual / 2.9% on a comparable basis

1Q05 - 1Q06 revenues analysis

Euro millions



- 22.5m customers (excluding MVNOs), +5.4% yoy
 - improved contract mix from 60.9% to 62.1%
- 1.5m broadband customers (+0.5m vs 4Q05)
- 259k MVNO's customers (+ 75k vs 4Q05)
- Underlying growth : + 7.5% pre CTR

*: excluding CTR



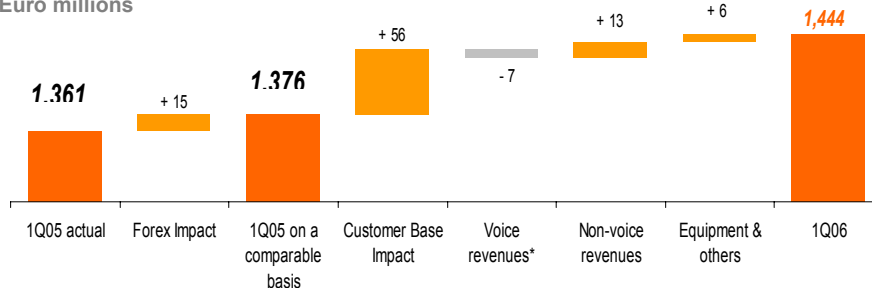
9

1Q06 revenues: Personal UK

€1,444m / 6.1% actual / 4.9% on a comparable basis

1Q05 - 1Q06 revenues analysis

Euro millions



- 14.96m customers, +4.3% yoy.
 - 179k prepaid net additions in 1Q06
- Contract offers positioning has been addressed with the launch of a new range of simplified, better value and segmented tariffs in early April

*: excluding CTR



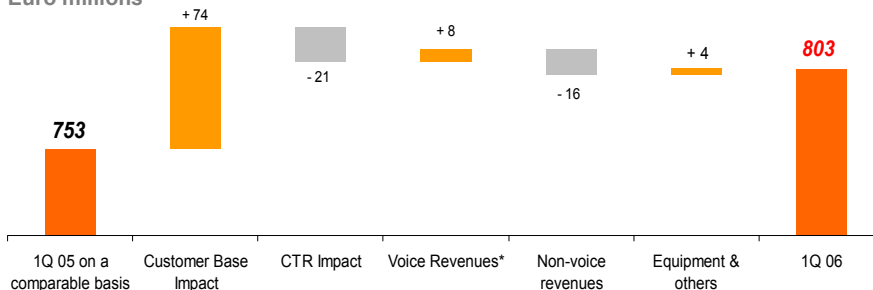
10

1Q06 revenues: Personal Spain

€803m / 6.6% on a comparable basis

1Q05 - 1Q06 revenues analysis

Euro millions



- 10.5m customers, +10.3% yoy,
 - strong growth of contract customer base
- ARPU at €311, negatively impacted by CTR cut in December 2005
- Underlying growth : + 9.7% pre CTR

*: excluding CTR



11

1Q06 revenues: Personal Poland & ROW

Euros millions	1Q05 actual	1Q06	Actual changes	Comparable basis changes
Poland				
Total Number of customers (000)	8,021	10,419	29.9%	29.9%
Total revenues (EURm)	357	452	26.5%	20.4%
ROW				
Total Number of customers (000)	20,734	28,098	35.5%	30.8%
Total revenues (EURm)	1,325	1,592	20.2%	14.3%
Main countries revenues (EURm)				
Belgium	338	364	7.7%	7.7%
Netherlands	148	147	-0.6%	-0.6%
Switzerland	203	214	5.4%	6.4%
Romania	178	239	34.4%	23.3%
Slovakia	127	149	17.1%	14.5%
Egypt*	120	145	21.2%	9.0%

- Personal Poland revenues
 - Increased market share at 34% (estimated) versus 1Q05 (32.6%)
 - On-going mobile broadband development
- 28.1m ROW mobile customers, +30.8% yoy on a comparable basis
 - Romania: 7.1m customers (+34% yoy) – Broadband deployment
 - Egypt*: 5.0m customers (+57% yoy) – Success of low cost offer
- Switzerland: revenue growth impacted by CTR



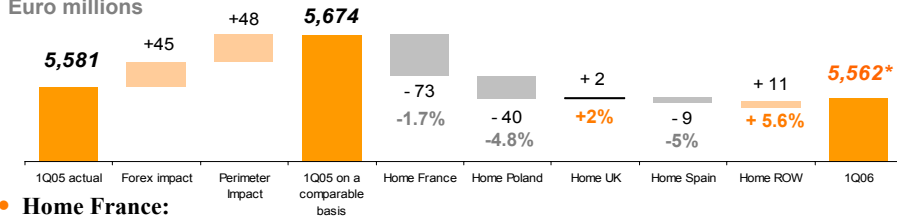
12 * Proportionate figures (71.25% of company and revenues)

1Q06 revenues: Home

€5,562m / - 0.3% actual / -2.0% on a comparable basis

1Q05– 1Q06 revenues analysis

Euro millions



- **Home France:**

- Carrier Services : increase of domestic carrier services revenues, driven by unbundling, IP ADSL access and Data services, offset by volume and price impact on Other Carrier Services

- **Poland:**

- Voice: decline of fixed line traffic driven by F-M substitution and VoIP; access revenues account for 48% of fixed voice revenue; over 4m customers signed for New Tariff Plans
- Data: Broadband customer base of 1.3m, +57% yoy

- **ROW:**

- Spain: re-orientation of voice business from CPS (pre-selection) to ULL / Maintained leadership among ADSL alternative carriers
- UK: impact of narrowband Internet revenues decrease / ADSL customers up 8.8% since Dec. 2005

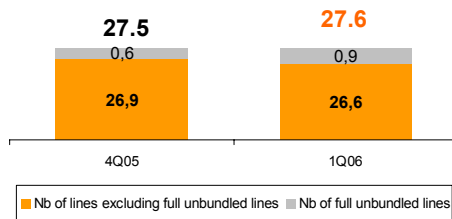
* After -EUR3m of changes in intragroup eliminations



13

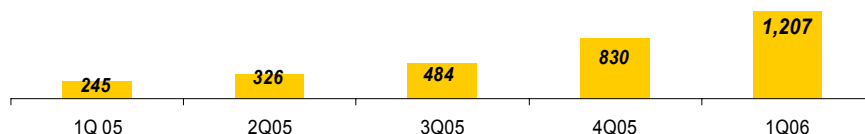
1Q06 revenues: Home France

Number of lines (million)



- Slight increase of total number of access lines (retail + wholesale)
- Decrease by 0.3m of retail lines

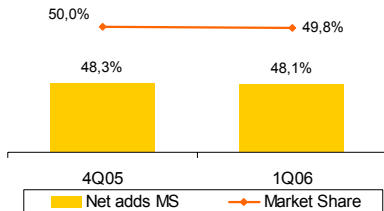
France Telecom VoIP clients (000)



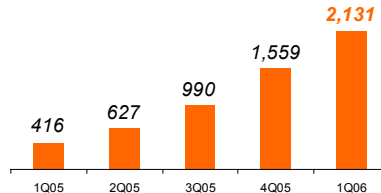
14

1Q06 revenues: Home France

ADSL market share %

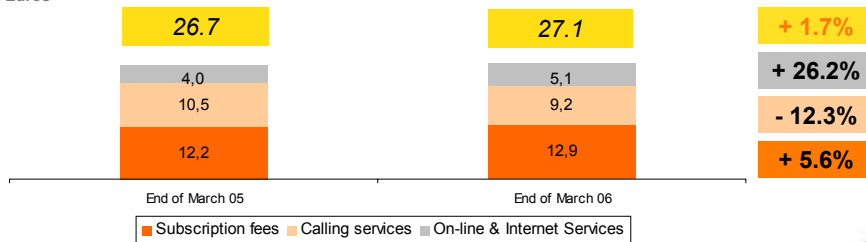


Number of Livebox (000)



Consumer Services ARPU

Euros



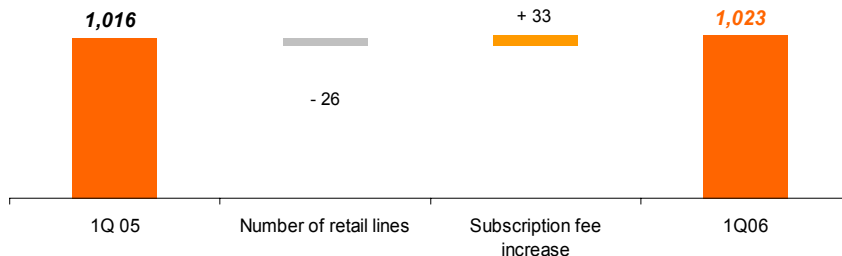
15

1Q06 revenues: Home France - Consumer Services - Subscription fees

€1,023m / +0.7% on a comparable basis

1Q05 - 1Q06 revenues analysis

Euro millions



- 2-months positive impact of the monthly line rental fee increase, effective 3rd March 2005
- Full unbundling:
 - Over 1Q06, FT lost 284k lines while full ULL increased by 349k
- Wholesale Line Rental launched in April 2006

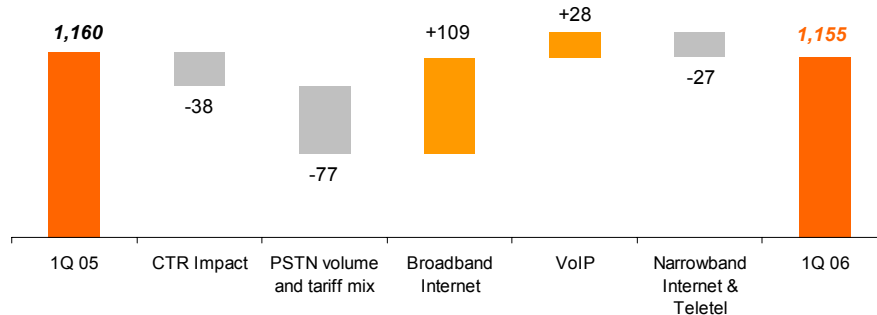
16

1Q06 revenues: Home France - Consumer Services - Calling Services and Internet Access

€1,155m / -0.5% on a comparable basis

1Q05 - 1Q06 revenues analysis

Euro millions



- PSTN volume and tariff decrease compensated by broadband Internet growth
 - 4.9m ADSL clients at the end of 1Q06
 - Livebox supporting development of new usages (VoIP, TV, ...)



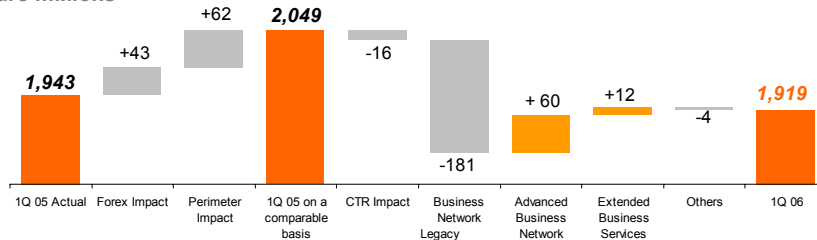
17

1Q06 revenues: Enterprise

€1,919m / -1.2% actual / -6.3% on a comparable basis

1Q05 - 1Q06 revenues analysis

Euro millions



- **Business Network Legacy**
 - Revenues impacted by voice traffic decline in France and legacy data migrations towards advanced managed networks
- **Advanced Business Networks**
 - Continued expansion of DSL in France (from 56% of total access in 1Q 05 to 75% in 1Q 06)
 - IP VPN revenues growth with IP VPN access up 59% in 1Q 06 (213k access)
 - Continued development of Business Everywhere end-users up 23% in 1Q 06 (420k end-users in France)
- **Extended Business Services**
 - Total Enterprise Outsourcing revenues : + 30% in 1Q 06 vs 1Q 05 on a comparable basis



18

1Q06: Gross Operating Margin

Euro millions	Actual 1Q05	Comparable Basis - 1Q05	1Q06
Revenues	11,621	12,542	12,813
Non labour expenses	4,941	5,520	5,857
<i>as a % of revenues</i>	<i>42.5%</i>	<i>44.0%</i>	<i>45.7%</i>
<i>Of which commercial expenses*</i>	1,390	1,675	1,828
<i>as a % of revenues</i>	<i>12.0%</i>	<i>13.4%</i>	<i>14.3%</i>
Labour expenses	2,303	2,354	2,284
<i>as a % of revenues</i>	<i>19.8%</i>	<i>18.8%</i>	<i>17.8%</i>
Gross Operating Margin	4,376	4,668	4,671
<i>as a % of revenues</i>	<i>37.7%</i>	<i>37.2%</i>	<i>36.5%</i>

* See glossary



19

1Q06: Capex

CAPEX by key item

Euro millions	1Q05 on comp. basis	1Q06	1Q05/1Q06 on comp. basis
Total Group CAPEX	1,242	1,390	+11.9%
<i>% of revenues</i>	<i>9.9%</i>	<i>10.8%</i>	
Mobile Network	524	493	-5.9%
Fixed Network	280	301	+7.5%
IT & Customers' services platforms	290	355	+22.4%
<i>o/w customers' services platforms</i>	<i>42</i>	<i>81</i>	<i>+92.9%</i>
Others	148	240	+62.2%
<i>o/w LiveBox & Set-top-boxes</i>	<i>38</i>	<i>90</i>	<i>+136.8%</i>



20

Conclusion

- **A tough but anticipated environment**

- Mobile maturing markets spurring competitive pressure
- Home broadband market consolidation not achieved
- No favorable change in regulatory context and pending uncertainties

- **Leadership confirmed on new fast growing Telecom markets**

- Since December 2005
 - + 737k fixed broadband subscribers
 - + 697K mobile broadband subscribers

**1Q 2006
in line with
full year
guidance**

- **NExT major milestones from Q2**

- Re-branding campaign
- New products and services launch

**Investing
to support
NExT's
long term
objectives**

- **Tightened cost management**
- **Reinforced control of CAPEX**

**Managing
Organic
Cash Flow
generation**



21

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 – Orange 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 – Orange 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.
- **Contributive consolidated revenues:** consolidated revenues excluding intra-group transactions.
- **Data on a comparable basis (cb):** data with comparable methods, consolidation and exchange rates are presented for the preceding period. This transition from data on an historical basis to data on comparable basis consists of keeping the results for the period ended and restating the results for the corresponding period of the preceding year for the purpose of presenting, over comparable periods, financial data with comparable methods, scope of consolidation and exchange rates. The method used is to apply to the data of the corresponding period of the preceding year the scope of consolidation for the period ended as well as the average exchange rate used for the income statement for the period ended.



22

Glossary (2)

- **French Retail ADSL Market Share (ARCEP definition):** starting from 1Q06, quarterly French ADSL market share presentation will be based on ARCEP High-speed Internet Observatory methodology. Until the end of 2005, the figures published by France Telecom covered intermediate markets (such as private networks for business companies and “Turbo DSL” offers) that did not automatically result in high-speed subscriptions on the retail market. They also included ADSL access not used for Internet connection (MaLigne TV and MaLigne Visio Mono-play offers without high-speed Internet access).
From 1Q06, estimation of total ADSL market figures published by France Telecom will be built by adding up to France Telecom ADSL access on the retail market (excluding monopoly usage without high-speed Internet access), the unbundling and ADSL wholesale offers sold to third party operators and Internet access providers (IAPs). This estimation is very close to ARCEP publications based on data received from major IAPs.
- **GOM (Gross Operating Margin):** Revenues less external purchases, other operating expenses (net of other operating income) and labour expenses. Labour expenses presented in GOM do not include employee profit-sharing or share-based compensation.
- **Internet ARPU (ARPU: Monthly Average Revenue Per User):** calculated by dividing year-to-date connectivity revenues by the weighted average number of Wanadoo customers during the same period. The weighted average number of Wanadoo 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.
- **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.



23

Glossary (3)

- **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 includes labour expenses and non labour expenses.
- **Orange 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.
For Personal UK, 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 UK network. Customer disconnections that occur either during the money-back guaranteed 14-day trial period or due to fraudulent connections are not included in churn. 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 from the UK market. Prepaid customers are treated as having churned if they have not made any outgoing calls and have received less than four incoming calls in the last three months.
For Personal France, churn includes those customers leaving the Orange network, migrations between contract and prepaid products and those customers upgrading their handsets via an indirect channel. Prepaid customers are treated as having churned after eight months if they do not recharge their account during this eight-month period.
- **Orange network revenues (PCS segment):** Orange network revenues represent the revenues (voice, data and SMS) generated by the use of the wireless network, including both the traffic generated by Orange subscribers and the traffic generated by mobile virtual network operators (MVNO). 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.
- **Orange non-voice service revenues (PCS segment):** revenues from non-voice services equal all revenues from wireless services, excluding revenues generated by “voice”. For example, they include the revenues generated by sending SMS (text messages), MMS (multimedia messages), data (WAP, GPRS and 3G) and the costs invoiced to the customer to purchase content (downloading ring tones, sports results, etc.), telemetry, mobile portals and their content.
- **Statutory figures:** statutory figures means data before elimination of inter-segment transactions.



24



1 Q 2006

April 27th, 2006