1H 2006 results

July 27th, 2006

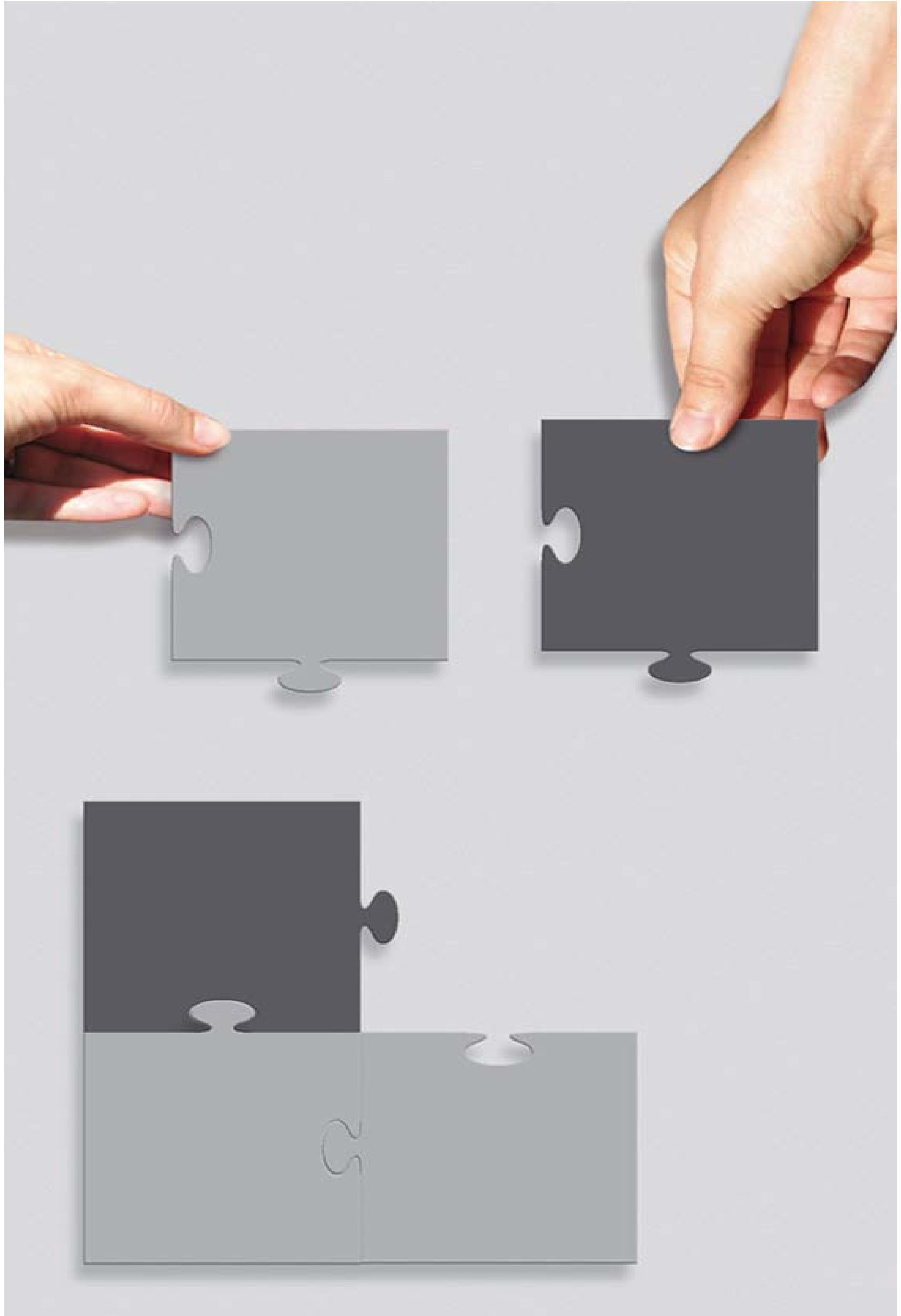
H1 Definitive Results to be released on September, 14th 2006

Cautionary statement

This presentation relates to France Telecom’s preliminary results for the first half of 2006 which have been reviewed by the board of directors but are still in the process of being reviewed by statutory auditors. France Telecom’s first half 2006 financial statements, which are expected to be published on 14 September, may be impacted if certain significant events occur before such date. First half 2006 financial statements are the subject of a limited review by statutory auditors. Figures on a comparable basis are not reviewed. 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 results achieved 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 specific uncertainty factors given the risk of evolution 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. For all the definitions refer to the glossary

1H 2006

Towards integration



1H06: major operational achievements

High penetration rate and highly competitive markets: a fair balance between market share and profitability	Confirmed leadership in ADSL in France: 49.8%* retail market share Sustained value share for mobile in France : +247k MVNOs clients in 1H Value focus on UK mobile (26.6% GOM rate)
High growth markets: sustained growth and high profitability	+ 18% mobile revenue in Poland + 19% revenue and 51% gross operating margin rate for emerging countries** + 24 % mobile revenues in Romania + 28 % revenues in Senegal

* Company's estimates / ** see glossary

1H06: Convergence becomes a reality

One brand one team	**Rebranding** achieved in France, UK and the Netherlands **Full integration of Amena** on June 30th
First launches from the product factory	**“les Optimales”** Orange and France Telecom New ADSL offers with **free TV bouquet / high definition** IPTV **Broadband-mobile** offers in the UK with free broadband for mobile contract customers
Announced for 2H	**High definition** VoIP **"everyday life"** services **Unik** converged fixed-mobile phone

1H06: priority to sustainable organic FCF

euro millions	Actual 1H05	Comparable Basis – 1H05	1H06	Actual % change	Comparable Basis - % chg
Revenues	23,665	25,487	25,855	*9.3%*	*1.4%*
Gross Operating Margin	9,300	9,950	9,467	*1.8%*	*-4.9%*
as a % of revenues excluding Lebanon reserve reversal in 1H05	*38.5%**		*36.6%*		
Net Income, Group share	3,363**		2,346		
CAPEX	2,713	2,953	3,055		
as a % of revenues	11.5%	11.6%	11.8%		
Organic Cash Flow	3,005		3,314		
Net debt /G.O.M.	FY05 2.48		2.49		

***: 1H05 actual GOM margin: 39.3%**

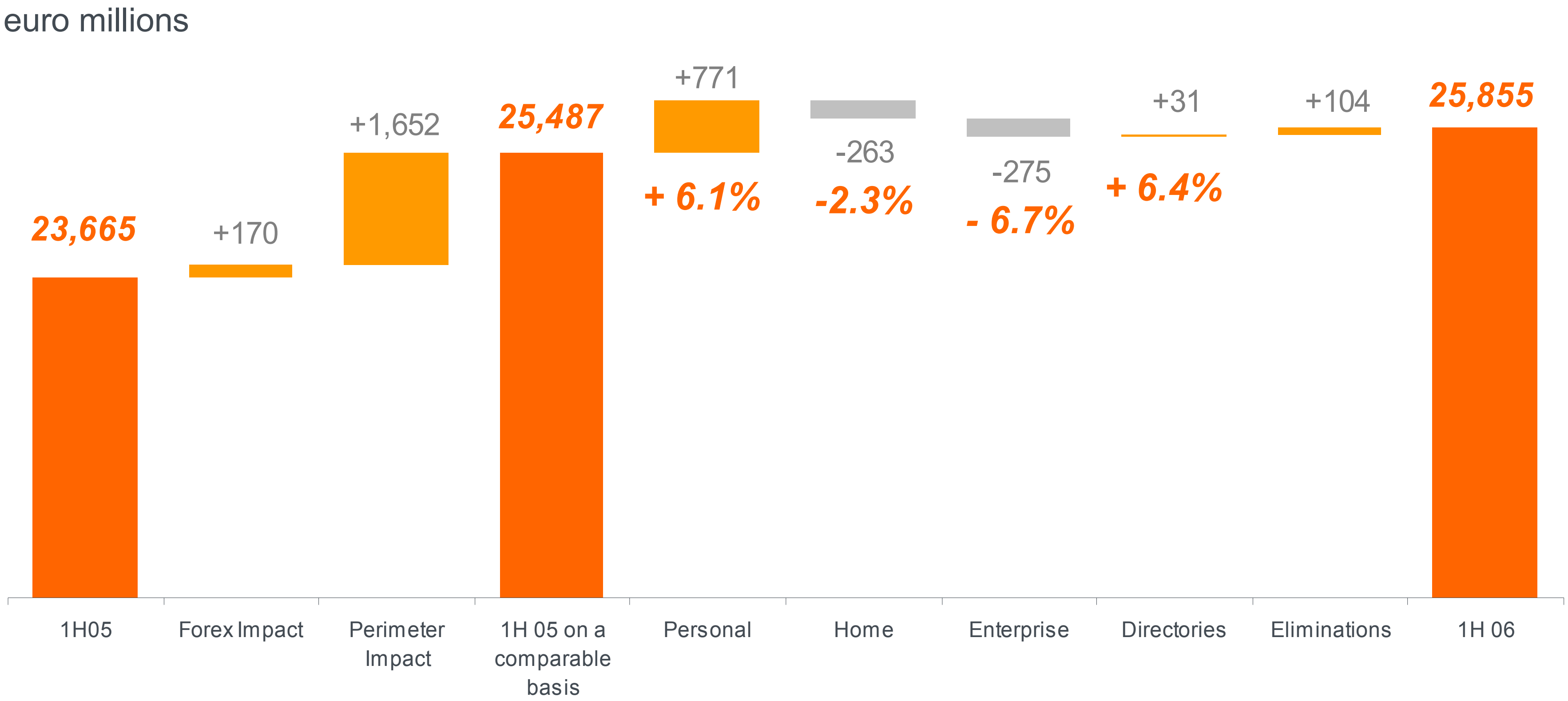
****: of which 1,17 billion euros disposal of assets**

1H 2006

Revenues and gross operating margin analysis

1H06: Group revenues by segment

€25,855m / +9.3% actual / +1.4% on a comparable basis



1Q 06 vs 1Q05 : +10.3% actual, +2.2% on a comparable basis

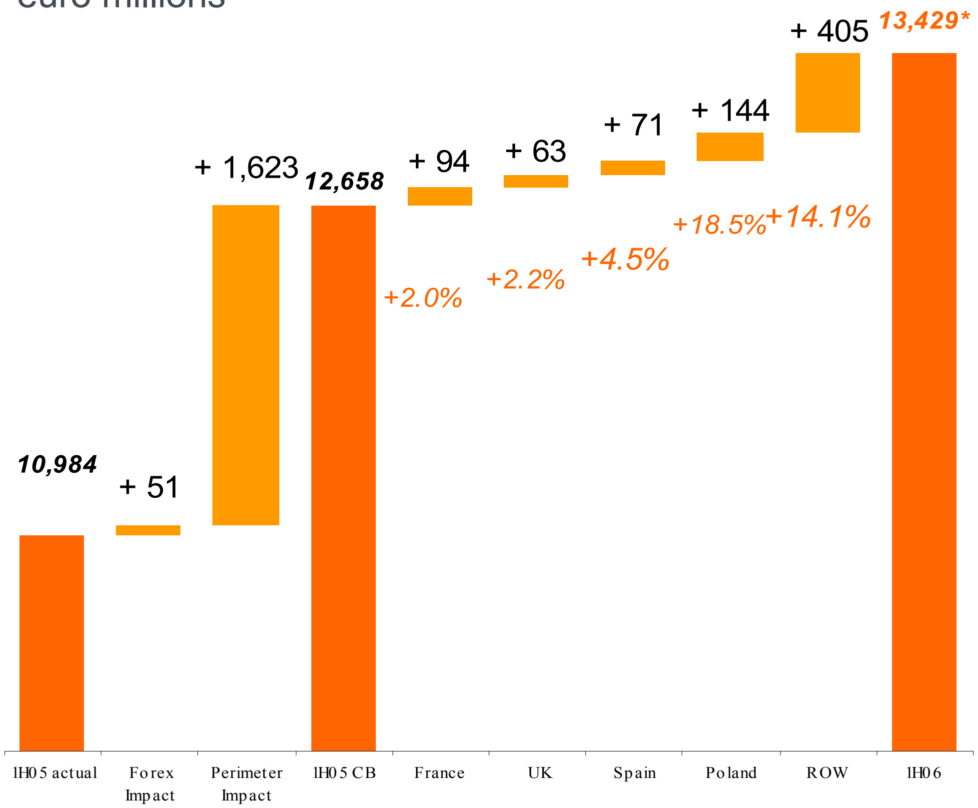
2Q 06 vs 2Q05 : +8.3% actual, +0.8% on a comparable basis

Personal 1H06

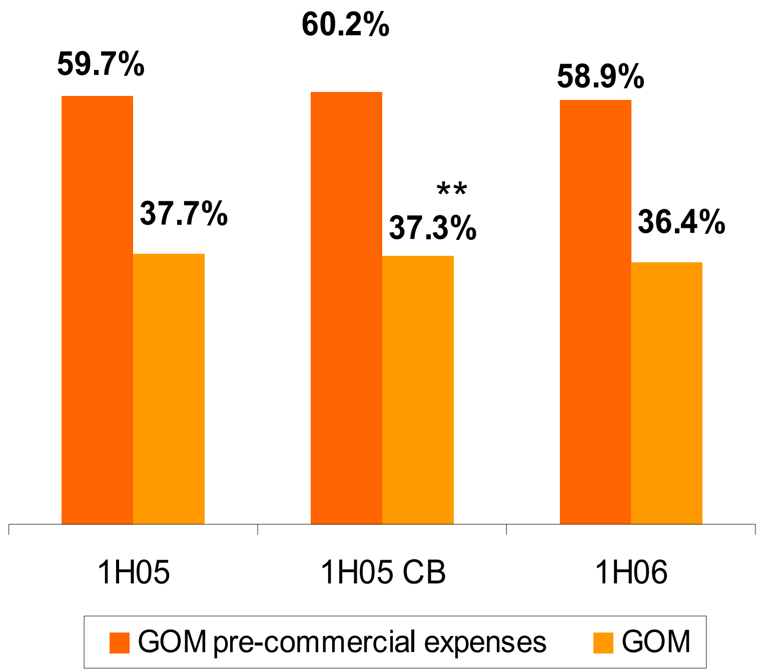
Revenues

+22.3% actual / +6.1% on a comparable basis

euro millions



Gross Operating Margin rate



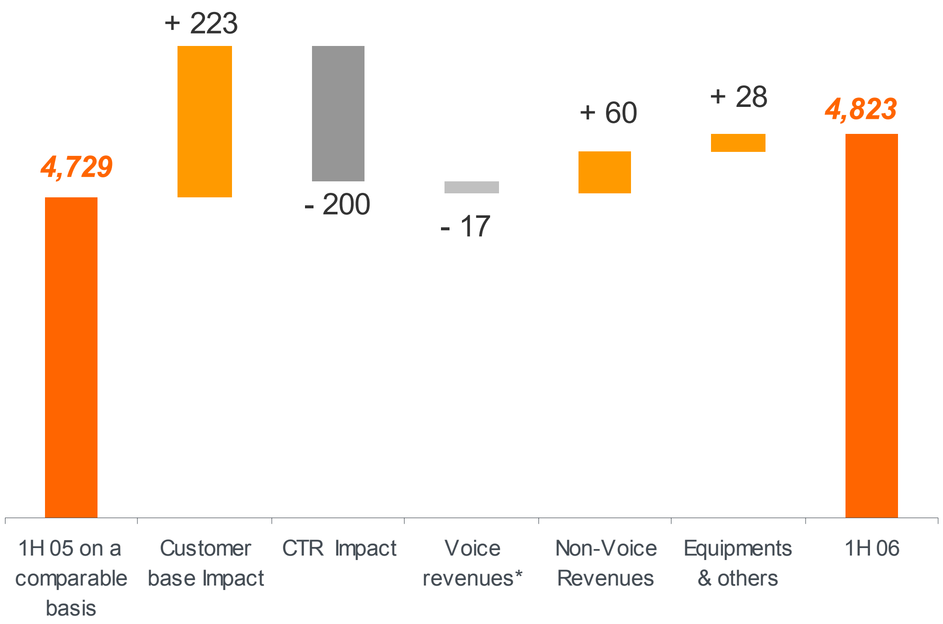
* After –EUR6m of changes in intragroup eliminations; ** on a comparable basis

Personal France 1H06

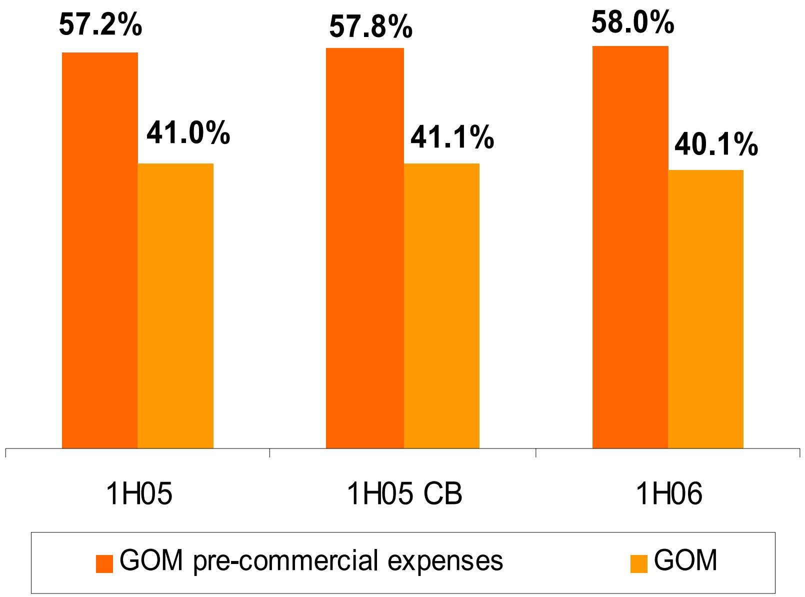
Revenues

+1.8% actual / +2.0% on a comparable basis

euro millions



Gross Operating Margin rate



Successful MVNO strategy

22.4m customers (excluding MVNOs), +4.4% yoy / 431k MVNOs' customers (+ 247k vs end 05)

1.9m mobile broadband customers (+0.4m vs 1Q06)

Underlying revenue growth: **+ 6.5% pre CTR**

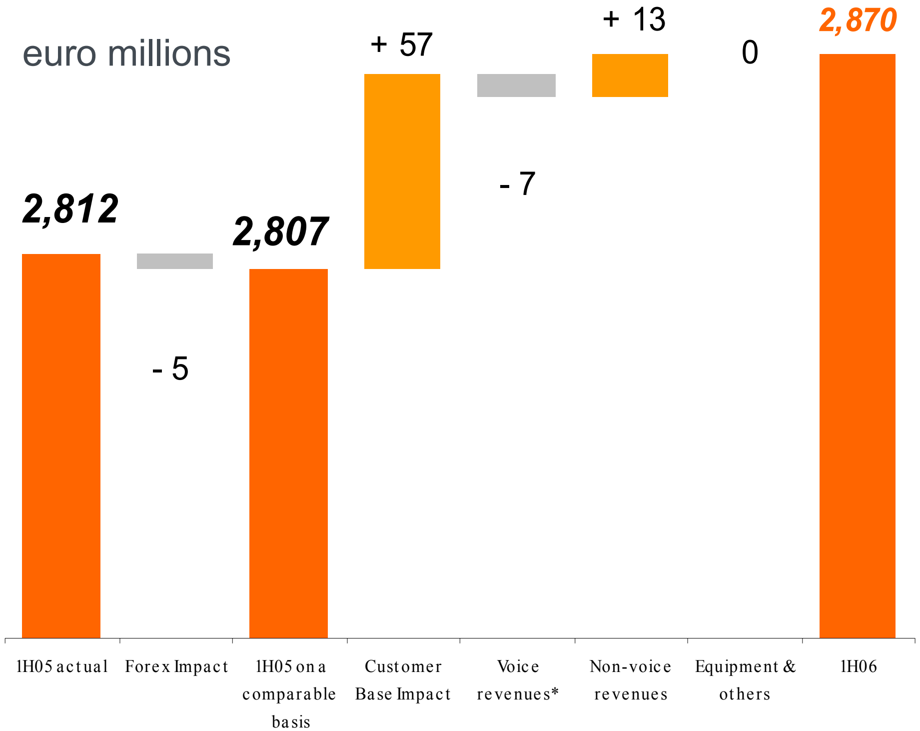
Improvement of GOM pre-commercial expenses

* Excluding CTR

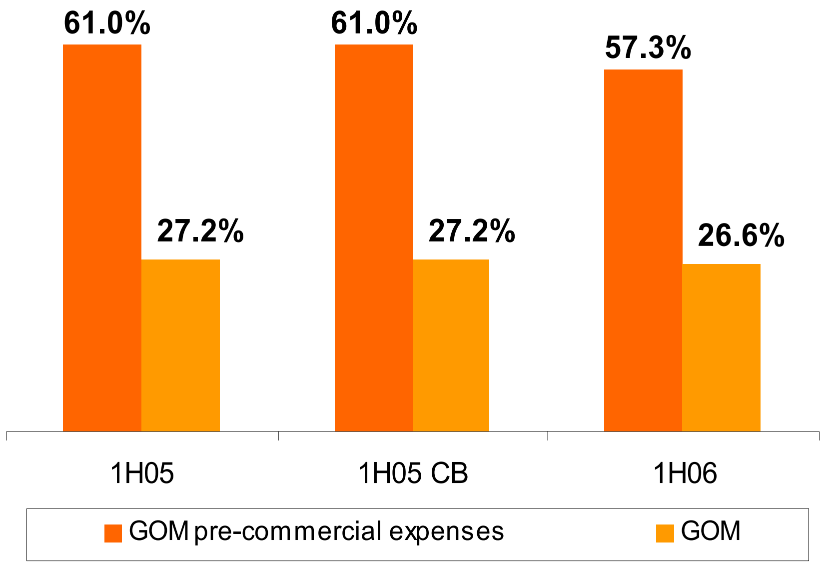
Personal UK 1H06

Revenues

+2.1% actual / + 2.2% on a comparable basis



Gross Operating Margin rate



14.95m customers, +3.4% yoy

Focus on prepaid customer base growth (340k net adds in 1H06)

Innovative converged offers launched in June **to increase loyalty of high end contract customers** (market leading contract ARPU (£563))

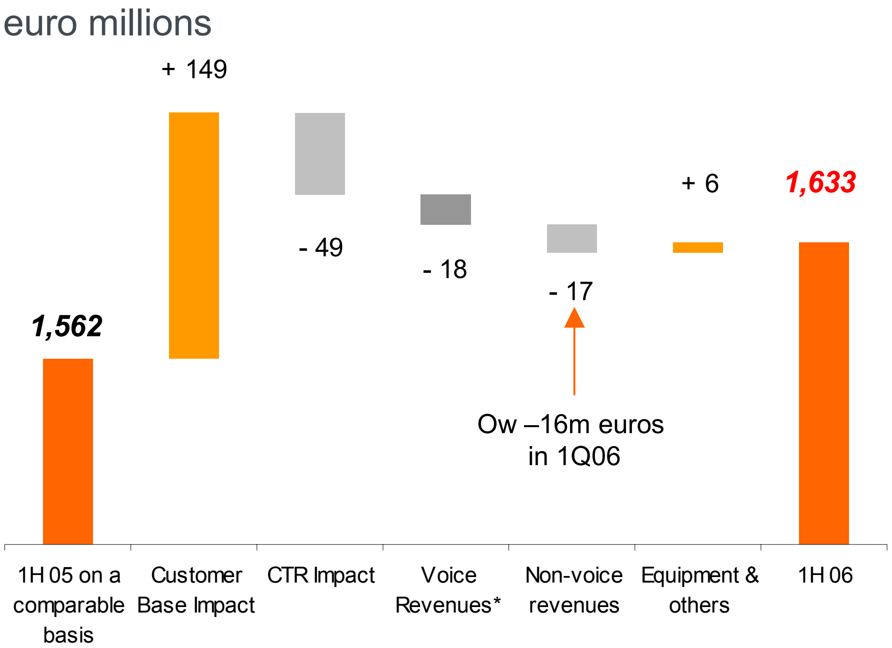
Action plans implemented to **adjust cost structure**

* Excluding CTR

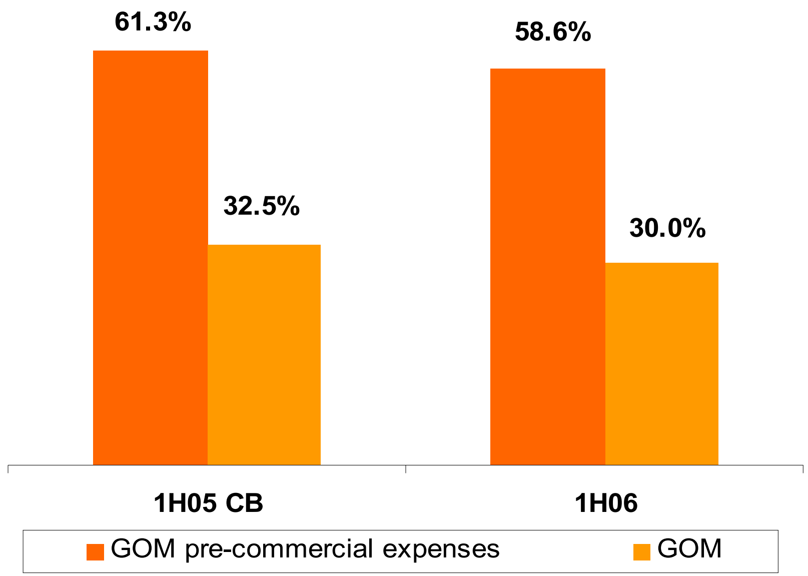
Personal Spain 1H06

Revenues

+4.5% on a comparable basis



Gross Operating Margin rate



10.7m customers, +10.0% yoy,

363k net adds in 1H06 / Improvement of contract mix

Underlying revenue growth: + 7.6% pre CTR

Adverse effect of product mix fixed in 2Q

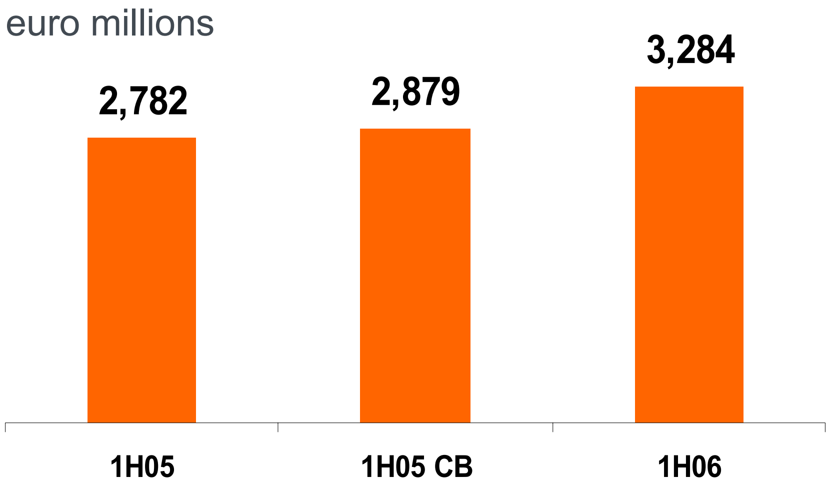
Rebranding to come in **2H**

* Excluding CTR

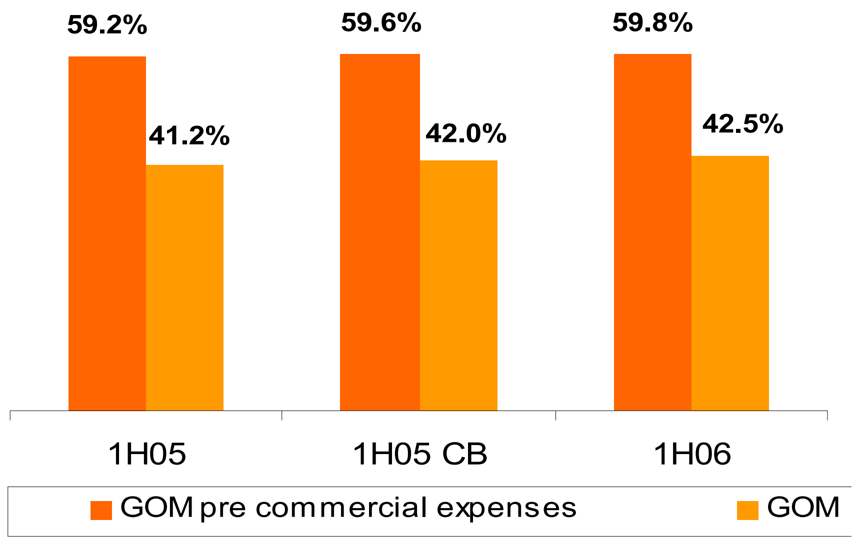
Personal ROW 1H06

Revenues

+14.1% on a comparable basis



Gross Operating Margin rate



29.5m ROW mobile customers, **+28.4% yoy** on a comparable basis

Romania: 7.2m customers (+26% yoy) – Broadband deployment

Egypt*: 5.2m customers (+40% yoy) – Success of low cost offer

Continuous increase of margins

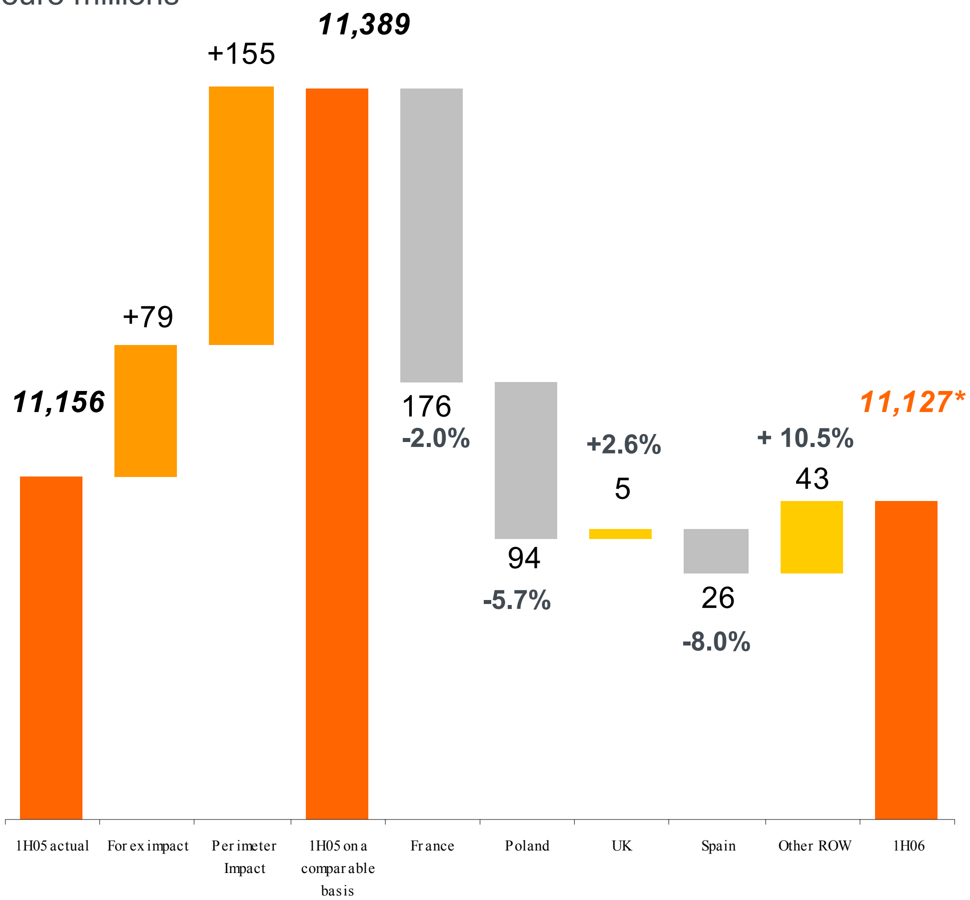
* Proportionate figures (71.25% of company's revenues)

Home 1H06

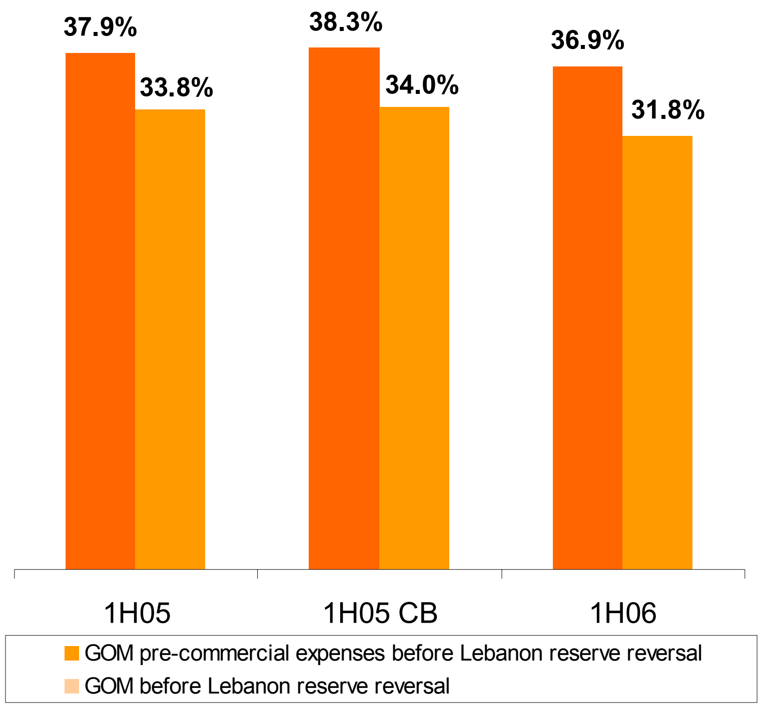
Revenues

-0.3% actual / -2.3% on a comparable basis

euro millions



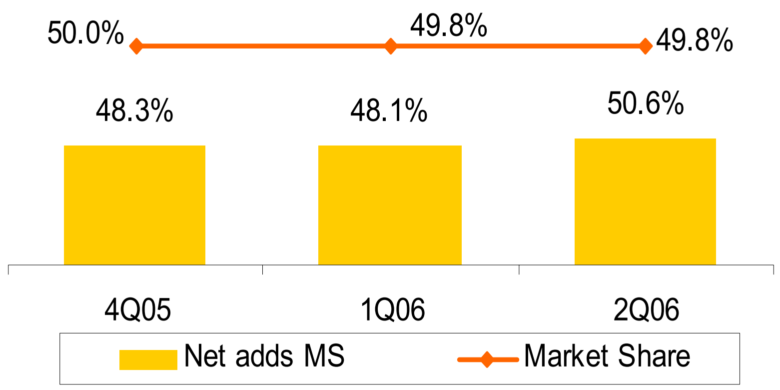
Gross Operating Margin rate



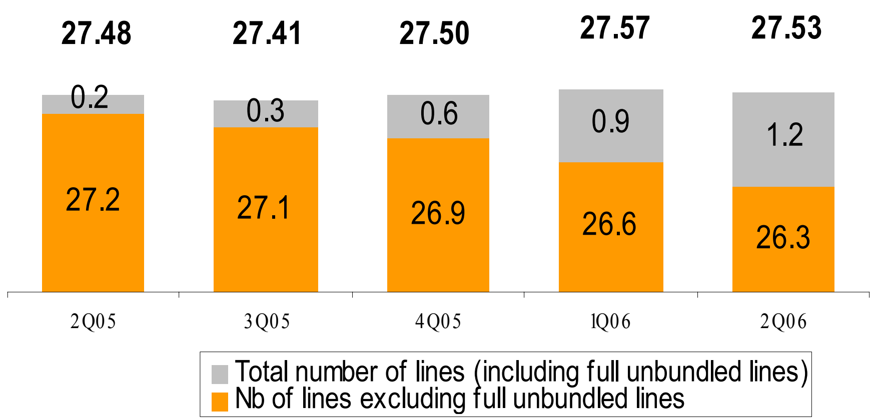
* After –EUR15m of changes in intragroup eliminations

Home France 1H06 KPI's

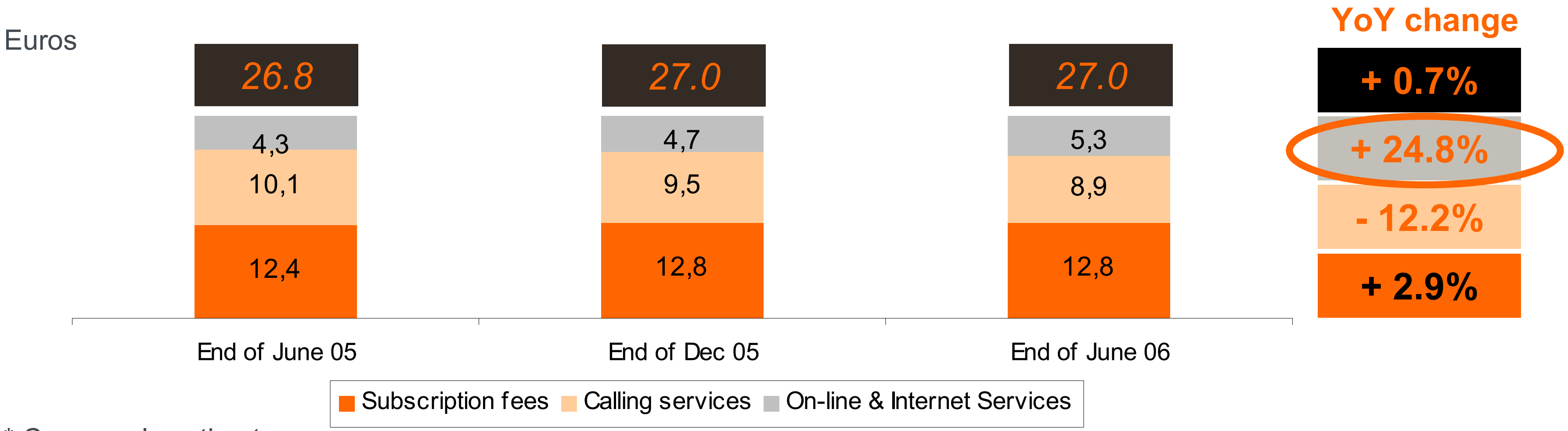
ADSL market share %*



Number of fixed lines (000)



Consumer Services ARPU

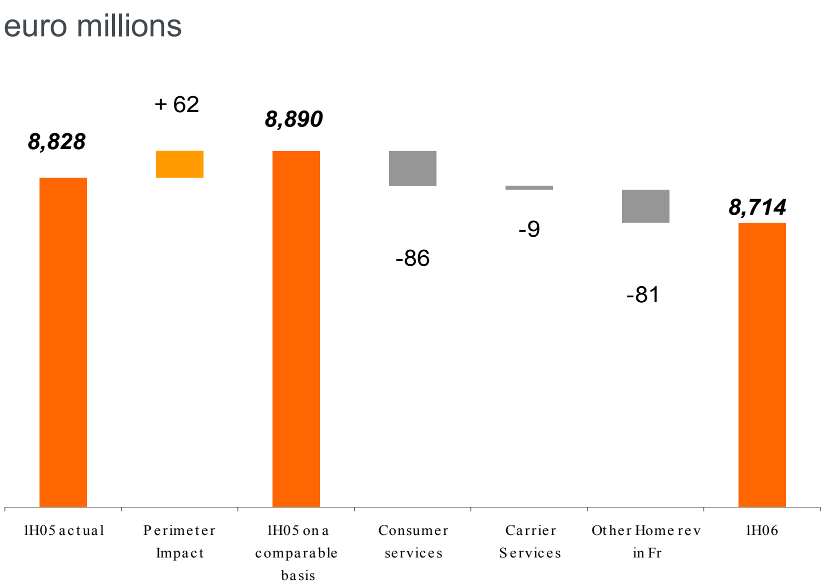


* Company's estimates

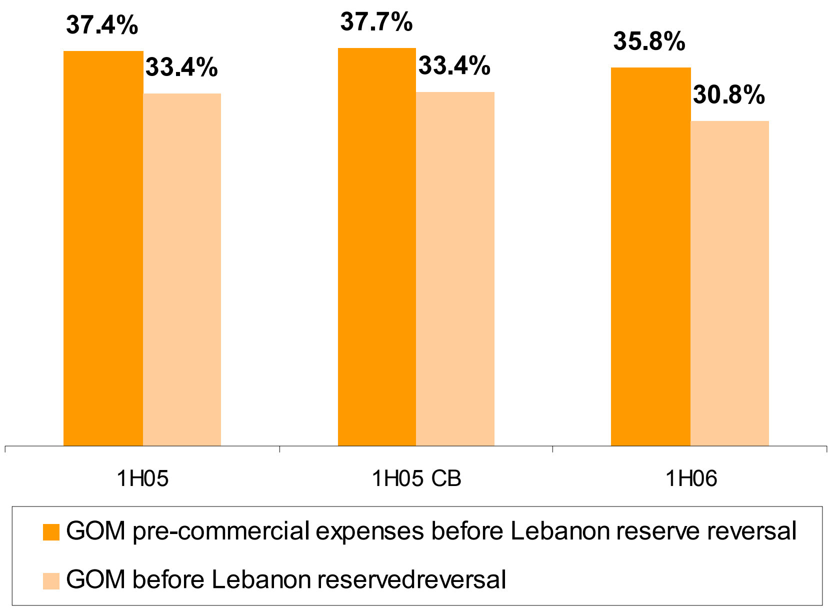
Home France 1H06

Revenues

-2.0% on a comparable basis



Gross Operating Margin rate



Transformation is on track

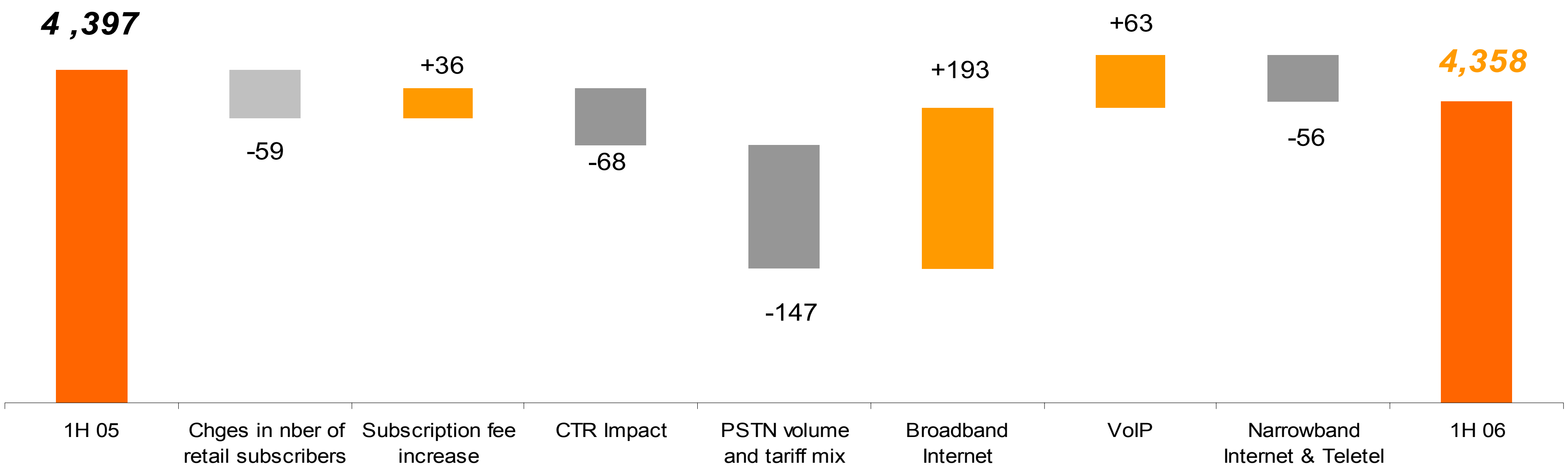
Revenue trends under control

As anticipated, ramp-up costs of new offers explain GOM rate decline

Home France consumer services 1H06 focus on home usage revenues

-0.9% actual / -0.9% on a comparable basis

euro millions



No monthly **line rental fee increase in 2Q06**

1 euro (+7.2%) increase from July 4th (15 euros VAT included) will support 2H06

PSTN revenue decrease compensated **by broadband Internet growth**

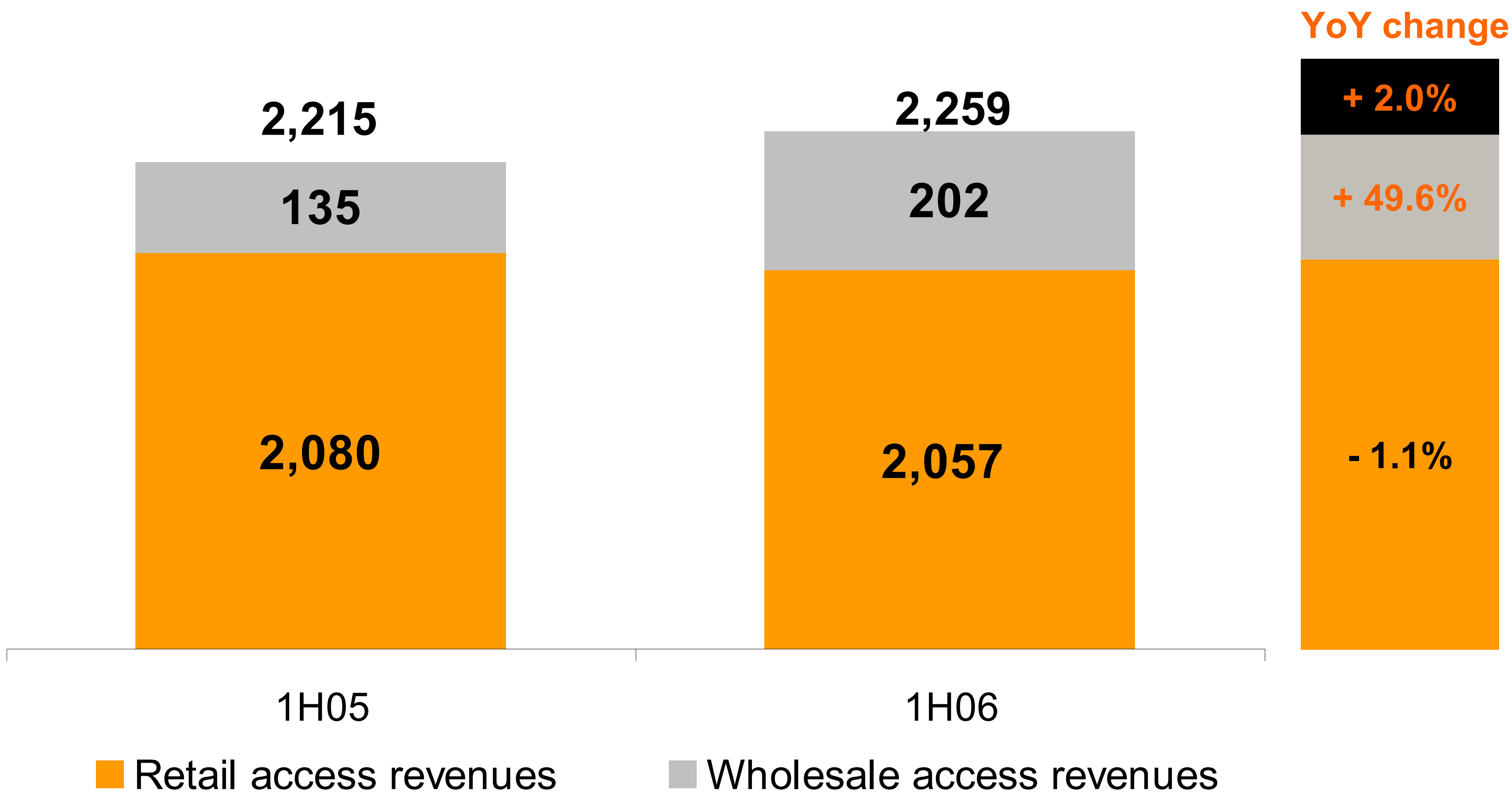
5.2m ADSL clients at the end of 1H06 / **49.8% market share (50.6% share of conquest in 2Q)***

2.5 m Livebox, supporting development of new usages with around 48% of ADSL customer base equipped

Increase in VoIP customers: 1.5m customers (28% of total broadband customers at the end of June 06 vs 25% at the end of March)

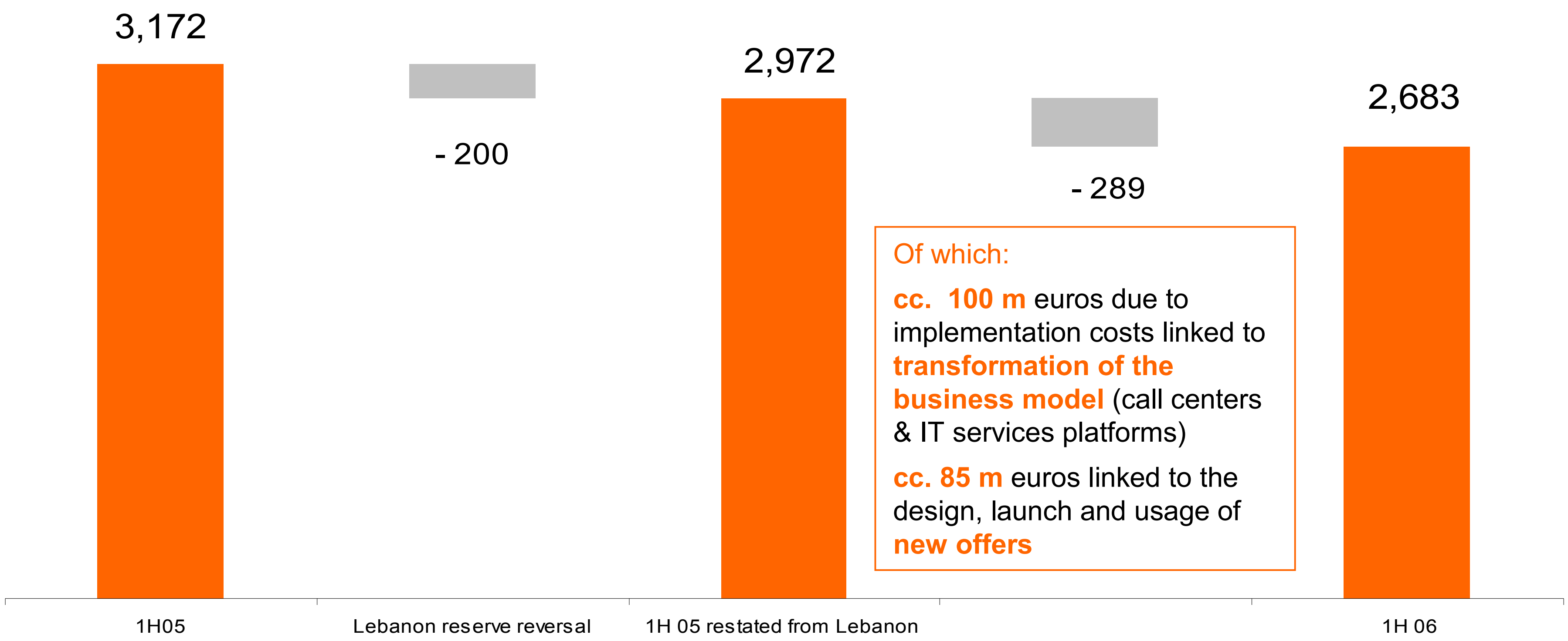
*: Company's estimates

Home France 1H06
total retail and wholesale access line revenue



Access network revenues up despite change in mix

Home France 1H06
focus on Gross Operating Margin



Home ROW 1H 06 revenues

€959m / +14.6% actual /+2.3% on a comparable basis

Spain

-6.3% actual /
-8% on a comparable basis

A customer base increasingly broadband, multiplay and subscription based

- PSTN voice & narrowband revenue -24%
- Broadband revenues +27.6%

ADSL ARPU maintained above EUR30

IPTV services launched in May

Rebranding to come in 2H

UK

+2.4% actual /
+2.6% on a comparable basis

First mover and leader on VoIP

- customer base at 177k at the end of June

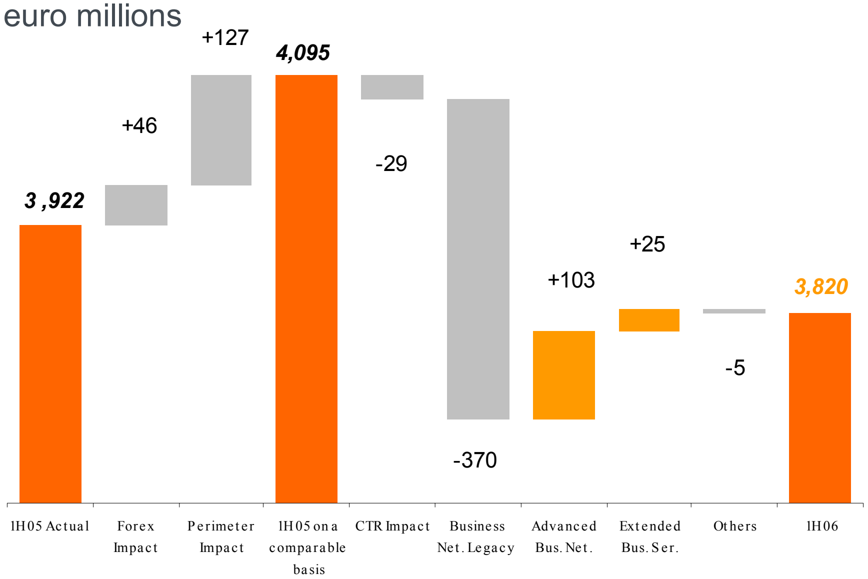
Continous deployment of unbundling with 278 local exchanges at the end June (20% coverage)

Rebranding, including launch of converged offers

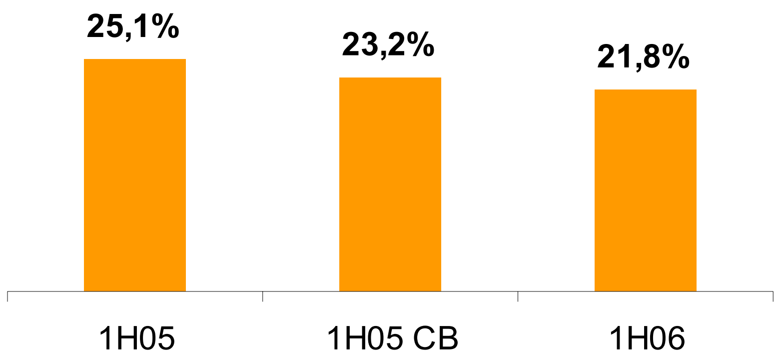
Enterprise 1H 06

Revenues

-2.6% actual / -6.7% on a comparable basis



Gross Operating Margin rate



Business Network Legacy revenues

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

Advanced Business Networks revenues

IP VPN accesses up 50% yoy in Q2 06 (228k access)

Business Everywhere: 443k end-users in France, up 22% yoy in Q2 06

ICT Services revenues up 9% in 1H 06 vs 1H 05 on a comparable basis, slightly above market growth

Rebranding completed

orange Business Services

1H 2006

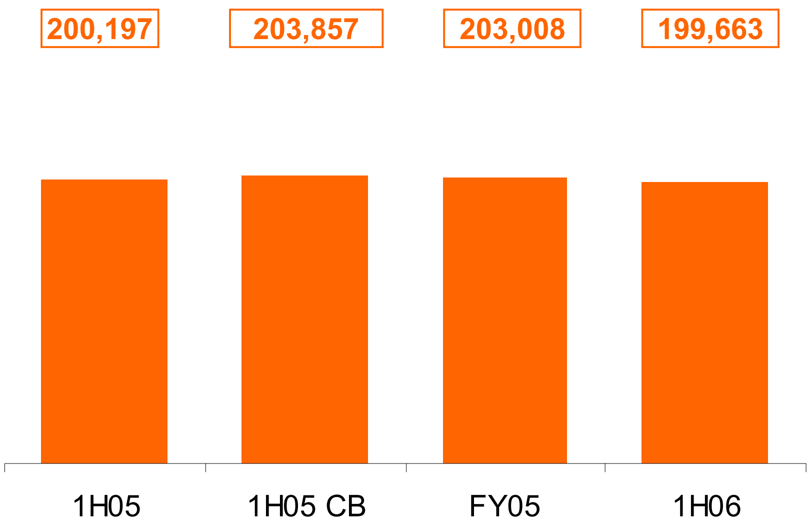
Consolidated figures

1H06: Gross Operating Margin

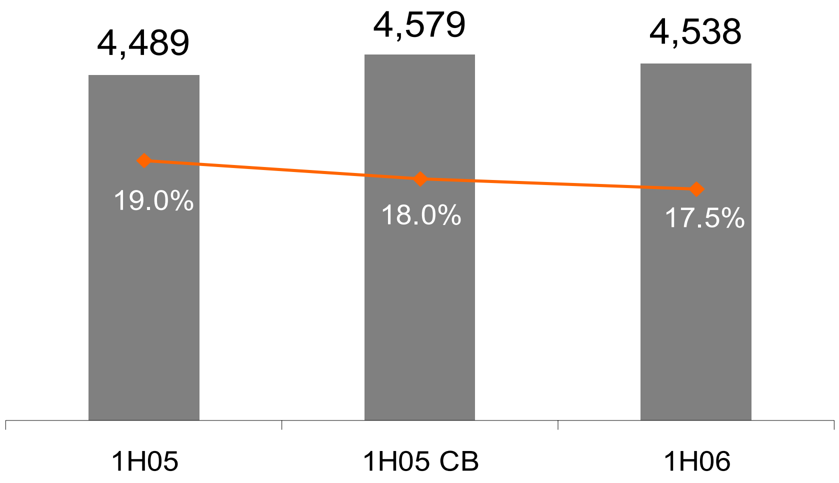
euro millions	Actual 1H05	Comparable Basis – 1H05	1H06
Revenues	23,665	25,487	25,855
non labour expenses	9,876	10,958	11,850
as a % of revenues	*41.7%*	*43.0 %*	*45.8 %*
of which commercial expenses	*2,836*	*3,349*	*3,585*
as a % of revenues	*12.0%*	*13.1%*	*13.9%*
labour expenses	4,489	4,579	4,538
as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

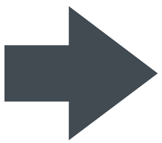
1H06: headcount and labour costs

Headcounts, end of period



Labour costs, Euro millions & as a % of revenues



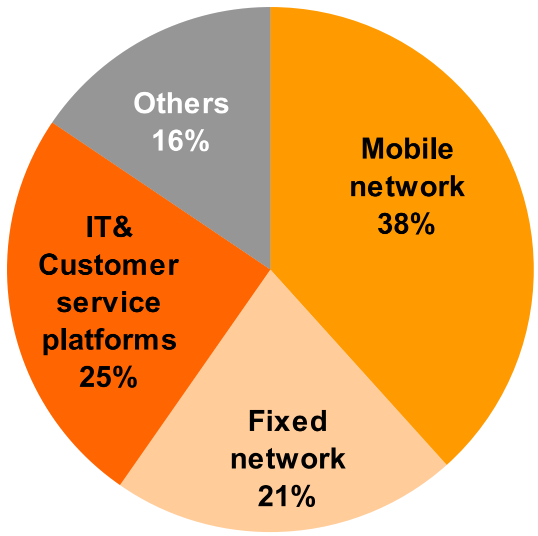


In line with NExT objectives

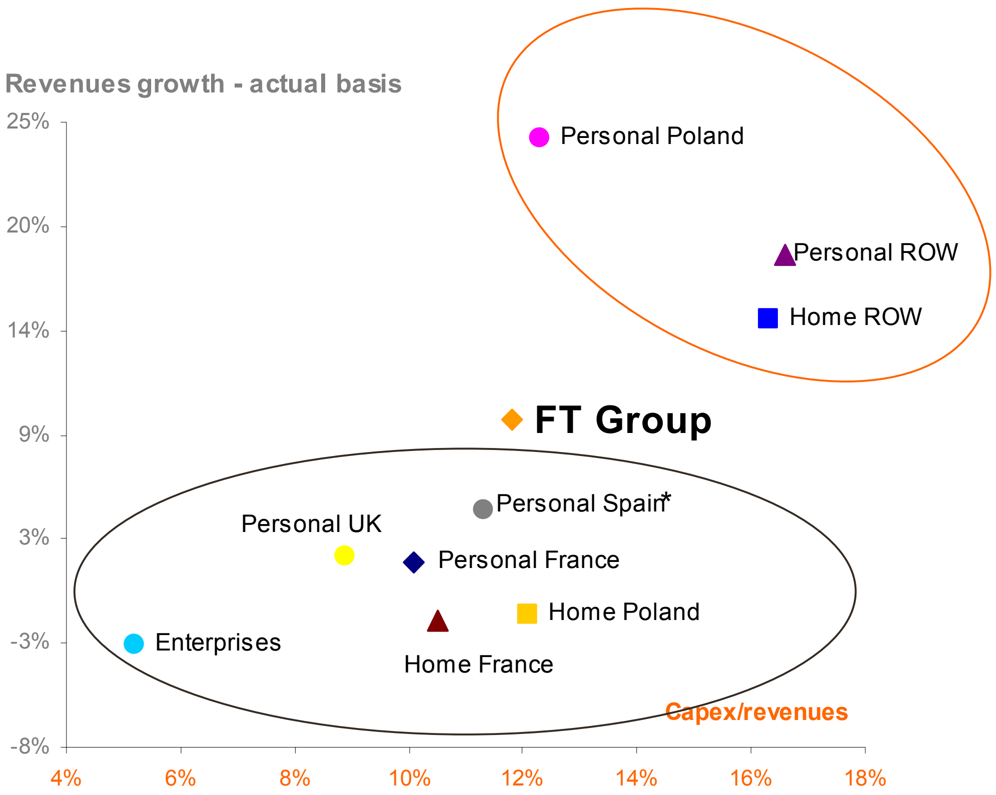
1H06: Capex

€3,055m / +3.5% on a comparable basis

CAPEX by key items



CAPEX allocation



* comparable basis

Implementation of a specific allocation process from 1H06

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

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

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

1H06 organic Cash Flow

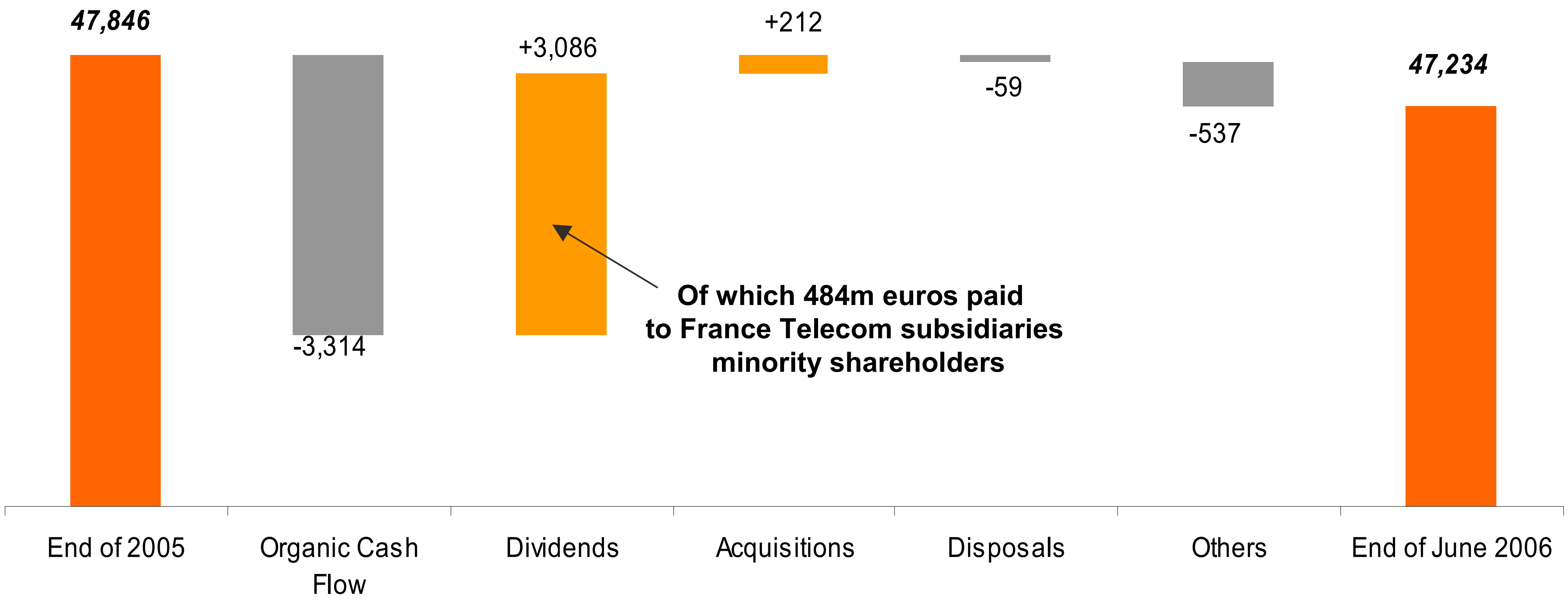
euro millions	1H05	1H06
Net Cash provided by operating activities	**5,868**	**6,650**
Purchase of tangible and intangible assets, net of change in fixed asset vendors	**- 2,959**	**- 3,407**
ow Capex	**-2,713**	**-3,055**
Proceeds from sale of tangible and intangible assets	**96**	**71**
Organic Cash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

* See glossary

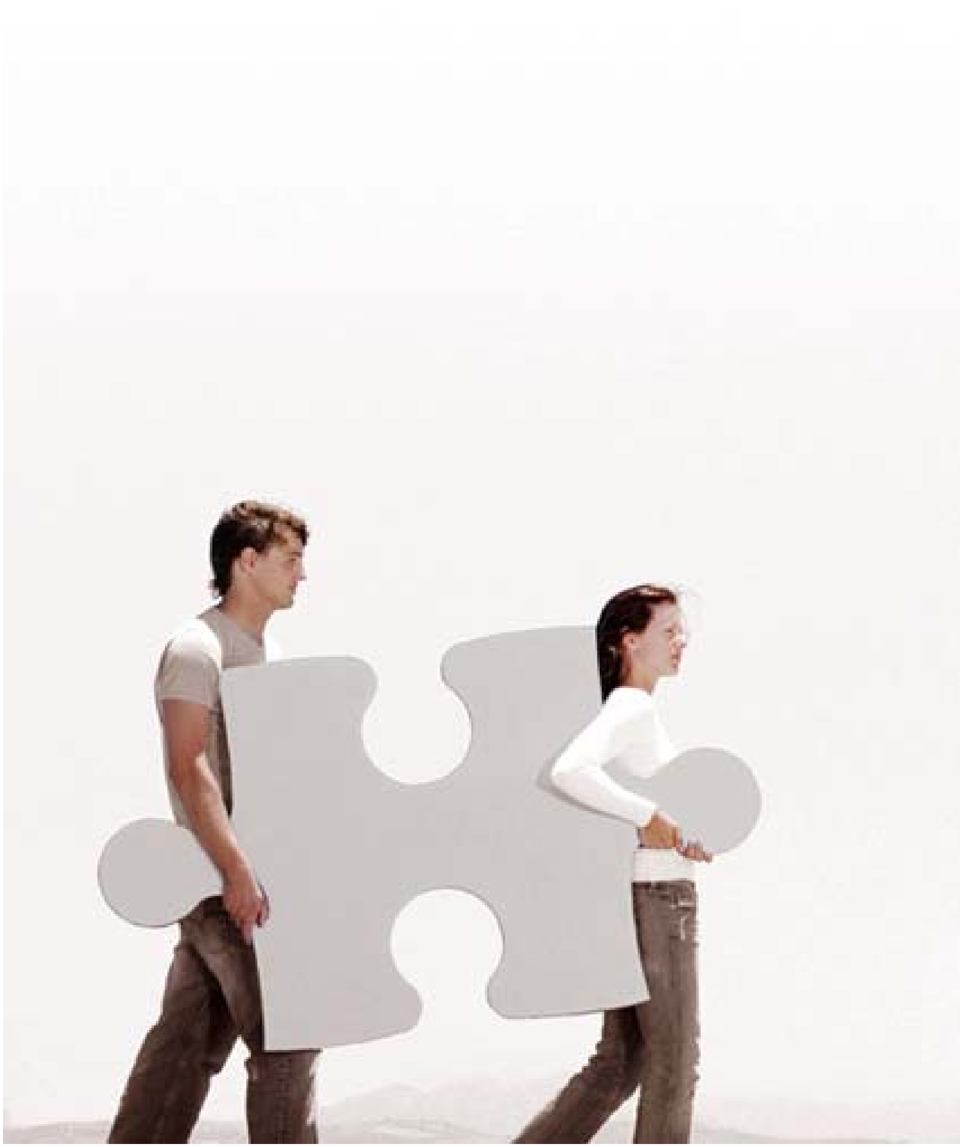
Net Debt – end June 2006

Net debt changes

euro millions



Milestones and objectives



france telecom

7bn organic Cash Flow generation target confirmed for 2006

Group transformation on track …	**Implement a customer centric country based organization** **Promote and deploy Orange single brand** **Launch converged fixed-mobile offer (UNIK, …)** **Develop new sources of revenues (everyday life services, content, …)**
… while adapting to local market evolution	**In highly competitive markets, manage a balance between growth and profitability through value-added services and cost control ➔ decrease of GOM rate between 100 and 200 basis points confirmed for 2006** **Leverage growth potential in developing markets** **Optimize capex allocation and return in all geographies**

1H 2006 results

July 27th, 2006

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.

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 monoplay 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 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.

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.

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 include 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.

Emerging countries: Botswana, Cameroon, Dominican Republic, Egypt, Equatorial Guinea, Ivory Coast, Jordan, Madagascar, Mauritius, Mexico, Moldavia, Romania, Slovakia, Senegal, Vanuatu, Vietnam, other countries

Net Debt / GOM: Net Debt end of the period / (GOM 2H05 + GOM 1H06) with 12 months of Amena’s GOM