france telecom

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ODDO SECURITIES - TMT Forum

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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 achievements 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 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.

- market share figures at March 31, 2007 included in this presentation are France Telecom estimates, pending release of official figures for the period from national regulatory authorities.

france Telecom key financial results: on track to achieve 2007 guidance

(in million of euros)	Full Year 2006			First Quarter 2007		
	FY 2005 C.B. *	FY 2006 Actuals	△ 05/06	1Q06 C.B. *	1Q07 Actuals	△ 06/07
revenues	51,105	51,702	+ 1,2%	12,617	12,844	+1,8%
GOM	19,039	18,539	- 2,6%	4,566	4,657	+ 2,0%
in % of rev	*37,3%*	*35.9%*		*36.2%*	*36.3%*	*+ 0.1 pt*
CAPEX	6,503	6,732		1,387	1,232	
in% of rev	*12,7%*	*13%*		*11.0%*	*9.6%*	
GOM - CAPEX	12,536	11,807		3,179	3,426	

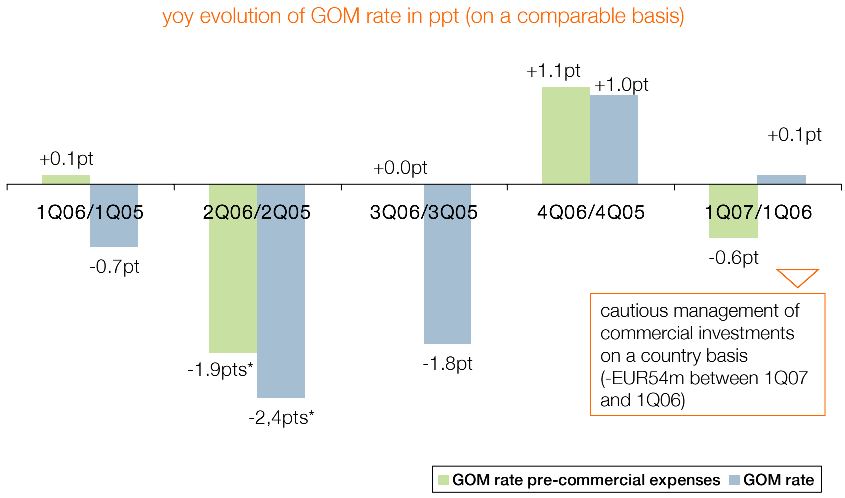
* Comparable Basis, i.e adjusted from forex impact and perimeter impact

revenues : continuous growth driven by Personal with an improved control of Home and Enterprise

(in million of euros)	Full Year 2006			1 Quarter 2007		
	FY 2005 *	FY 2006		1Q06 *	1Q07	
Group revenues	51,105	51,702	+ 1.2%	12,617	12,844	+ 1.8 %
total Personal	26,381	27,745	+ 5.2%	6,643	6,931	+ 4.3%
personal France	9,780	9,882		2,391	2,388	
personal UK	5,850	5,874		1,478	1,489	
personal Spain	3,222	3,335		803	821	
personal Poland	1,650	1,932		446	479	
personal ROW	6,086	6,920		1,573	1,801	
total Home	22,931	22,487	- 1.9%	5,597	5,574	- 0.4%
home France	17,835	17,657		4,367	4,405	
home Poland	3,246	3,048		776	707	
home UK	426	426		107	107	
home Spain	658	558		143	136	
home other ROW	935	1,021		247	274	
total Enterprise	8,046	7,652	- 4.9%	1,928	1,890	- 2.0%
eliminations	-6,253	-6,182		-1,551	-1,551	

* on a comparable basis, ie adjusted from forex and perimeter impact

GOM rate evolution: on track with “near stabilization” FY guidance



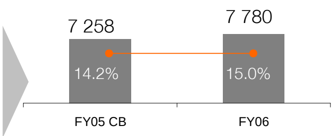
* adjusted for the EUR199m Lebanon reserve reversal in 2Q05

Beyond growth, continuous focus on cost reduction

2005 and 2006 :

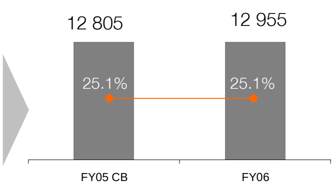
2007 objective :

Commercial costs
in million of euros
as a % of revenues



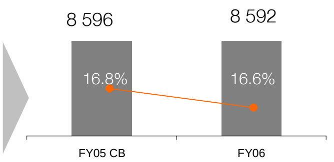
Stabilisation in % of revenues

IT&N and interconnexion costs
in million of euros
as a % of revenues



Between EUR 500 -800 m savings by 2008

Labour Costs
in million of euros
as a % of revenues



17 000 net headcount reduction over 2006-2008 (of which 49% achieved in 2006)

french operations

1Q07 highlights of French operations

main achievements

Personal

- stabilization of market share (incl. MVNO) at 46.5% in a competitive environment
- improvement of contract mix: from 62.1% in 1Q06 to 63.9% in 1Q07
- contract churn rate down from 12.0% in 1Q06 to 11.7% in 1Q07
- ongoing success of MVNO strategy: more than 1 million customers at the end of 1Q07

market challenges:

- development of abundance offers at home
- Continuous growth of MVNOs market penetration
- 10 days number portability starting May 21st

actions:

- maintain market share with even more attractive offers including loyalty programs
- pursue MVNO and licenses partner strategy

Home

- for the third consecutive quarter, internet services revenues more than compensate the PSTN decline
- ADSL net adds market share increased from 45.1% in 4Q06 to 47.6% in 1Q07
- strong contribution of Orange multiplay offers in quarter net adds: +479k Livebox and +168k IP TV
- national launch of Orange Naked ADSL offer

market challenges:

- development of competitors naked ADSL offers
- wholesale impact of the sector consolidation

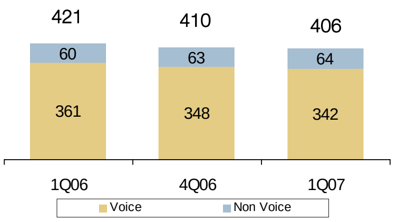
actions:

- maintain ADSL market share at around 49% thanks to our leadership in IPTV
- develop offers for newbies ADSL customers
- focus marketing on very dense areas
- higher ARPU with new multiplay services

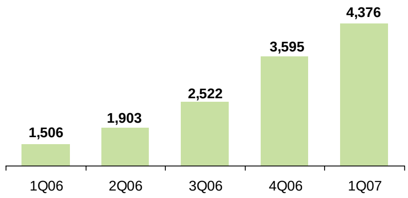
8

personal France: growth dynamics

ARPU (EUR)



mobile broadband customers (000)



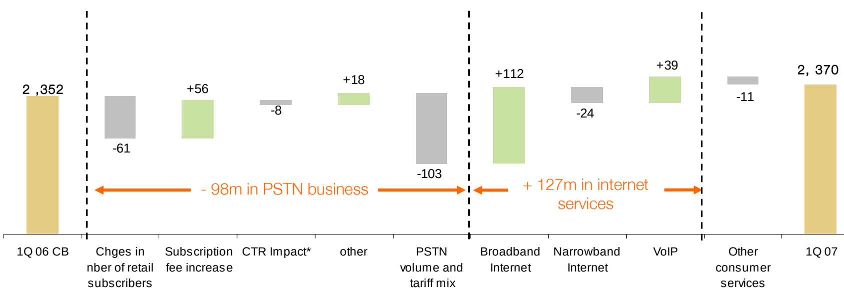
- 23.2 m customers (excl. MVNOs) at the end of 1Q07 +3.4% yoy
  - with a contract mix reinforced to 63.9% (vs. 62.1% in 1Q 06)
  - including 4.4 m of broadband customers : multiplied by 2.9 yoy (+22% vs 4Q06)
- Orange leadership with 1 million MVNO's customers (+160 k vs. 4Q06)
- 1Q07 ARPU decreased by -3.5% vs. 1Q06 due to CTR impact. 2006 ARPU evolution vs. 2005 was -3.3% for Orange France but the annual decrease was -6.2% for SFR and -6.7% for Bouygues Telecom

9

home France 1Q07: for the 3rd consecutive quarter, broadband internet revenue growth more than compensate PSTN decline

consumer services 1Q07 revenues:
EUR2,370m / +0.5% yoy actual / +0.8% yoy on a comparable basis

(in million of euros)



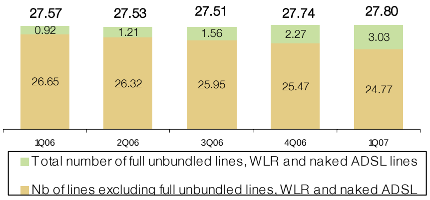
- consumer services ARPU: up by 5.5% yoy at EUR28.6 (+2.1% vs 4Q06)
  - on line and Internet services ARPU (+33.3%)
  - calling services ARPU (-9.8%)
  - subscription fees ARPU (+4.7%)

10

* call termination rate

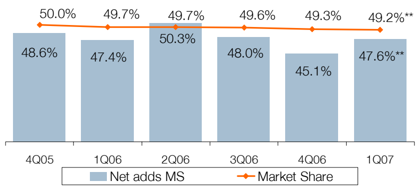
home France 1Q07 KPI's: fixed lines base increasing thanks to ADSL growth

total number of fixed lines (in million)



- increase of market access lines (+0.8% yoy)
- FT wholesale lines quarterly increase (+761k) :
  - 442k Full ULL lines (2,504K end of 1Q07)
  - 254k naked ADSL lines (442k end of 1Q07)
  - 65k WLR (80k end of 1Q07)
- **both consumer services and domestic wholesale revenues grew respectively by +0.8% and +8.7%**

ADSL market share *(%)



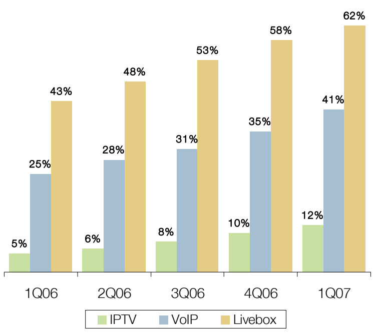
- since 1st of March 07, naked ADSL offer available at national level
  - wide advertising campaign started
- more competitive tariffs on triple play offers

11

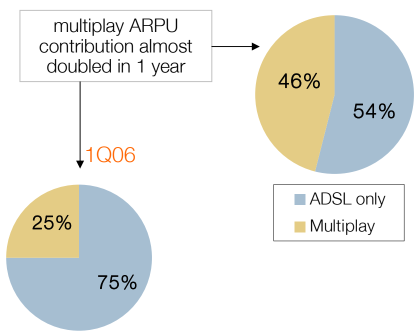
* based on ARCEP methodology; ** FTE estimates

...placing convergent and multiplay offers at the heart of our strategy

Livebox, VoIP and IPTV customers over our DSL base



multiplay* as % of total ADSL ARPU



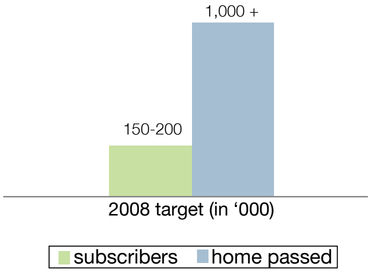
- increased penetration of dual and triple play services and takeoff of IP TV

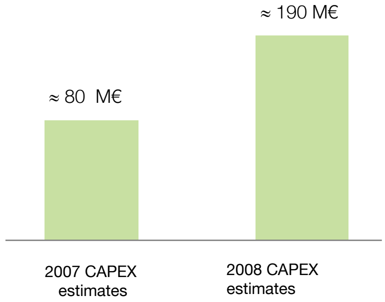
12

* including internet DSL connectivity of multiplay customers, VoIP, IPTV, Livebox rental

update on FTTH: entering pre-deployment phase (2007-08)

- after a successful pilot completion (phase 1):
  - 14 000 homes passed
  - 900 agreements with managing agents for collective buildings ("syndics")
- we are launching from March 07 the pre deployment phase (phase 2) with a pragmatic, focused tactical roll out





- mass market roll out (phase 3) expected to start from 2009, when regulatory environment will be clarified

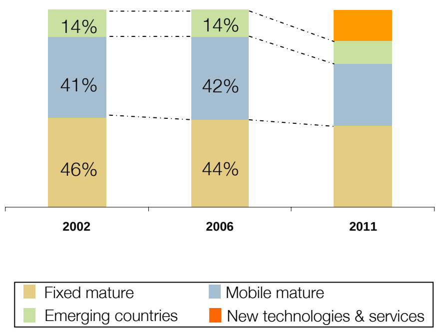
13

capex decrease in mature fixed & mobile markets allows to fuel new growth areas

- lower requirements for 3G coverage plus network sharing will reduce capex in mature mobile markets
- capex intensity in emerging countries will reduce as markets mature

  - capex to sales ratio should remain in average around 13% of revenue over 2007-2012
  - as soon as 2009, around EUR1.0 billion each year will be reallocated from current activities to new growth areas (e.g. FTTH)

evolution of capex split (base 100)



14

Operations in other countries

1Q07 highlights of UK operations

main achievements

Personal

- strengthened contract customer base:
  - 91% of new customers took 18 months contract in 1Q07
  - contract churn rate down from 28.8% in 4Q06 to 27.6% in 1Q07
- continued growth of data revenues to 21.7% of network revenue in 1Q07

market challenges:
- competitors "new deal" with indirect distribution channel

actions:
- come back to net adds market share in line with actual market share
- on going focus on high value customers
- regain prepaid momentum

Home

- ADSL revenue growth compensated narrowband decline
- 1,095k ADSL customers ,+11% yoy
  - LLU customers: 21% of ADSL base
  - 412k Livebox installed (+18.7% vs 4Q06)
  - 254k multiplay customers, 23% of total base

market challenges:
- increased focus on multi-play offers
- lack of efficiency of Openreach to open LLU market

actions:
- completion of a competitive multi play portfolio
- increase awareness as a broadband provider
- increase LLU coverage and utilisation

16

1Q07 highlights of Spanish operations

main achievements

Personal

- 11.1m customers, +7.7% yoy excl Euskaltel effect (ow +10.6% for contract base)
- successful focus on contract customers:
  - 198k contract net adds in 1Q07 excl. Euskaltel effect
  - improvement of contract mix evolution at 49.4% in 1Q07 vs 48.5% in 1Q06

market challenges:
- regulation: per second billing and CTR* cut
- data revenue growth

actions:
- reinforce supply chain and distribution channel
- continue churn rate reduction with reinforced loyalty programs
- boost data offers through 3G base development

Home

- 681k ADSL subcribers (+16% yoy), 64% of ADSL gross adds in 1Q07 on LLU
- monthly churn rate reduction of 20% in 1Q07 vs 1Q06
  - commercial initiatives: eg Numeros Plus offer
  - ongoing improvement of our distribution mix:
    - 9% of ADSL acquisitions via Orange shop (4% in 4Q06 and 0% in 1Q06)
    - 12,5% via Large department store channel in 1Q07 vs 6% in 4Q06

market challenges:
- lack of efficiency in the opening the market (full LLU): full LLU to be launched in 2H07
- concentration in the sector

actions:
- launch new enhanced multiplay offers
- leverage on full LLU launch to
  - enable the take-off of IP TV
  - launch of VoIP
- contribute to reinforce the proactivity of the regulator to balance TEF lobbying

17

* call termination rate

1Q07 highlights of Polish operations

main achievements

Personal

- 1Q07 revenue growth of 7.4% vs 5.5% for the market thanks to customer base growth
- value market share increased at 34.7% vs 34,5% end of 2006 and 34.1% end of 1Q06
- strong growth of customers: 12.8m (+23% yoy) and +260 k qoq

market challenges
- intensifying competition (Play entrance)
- MVNO development

actions:
- pursue ongoing negociations with MVNOs
- launch new promotions on SMS, voice bundle, multimedia
- boost 3G development and coverage

Home

- retail TP access market share is stabilizing
- broadband small quarter acquisition (+55k) due to the "grace periode" decided by UKE (Polish regulator)
- +33.9% yoy increase of BB customers at 1.8m customers end of 1Q 07
- development of multiplay with 219k Livebox end of March (+48% vs 4Q06)

market challenges
- new promotions introduced by main cable TV operators
- fixed to Mobile substitution
- bitstream and WLR development

actions:
- broadband promotions focused on acquisition with increasing lenghts of contracts
- fixed voice promotion targeted on retention to offset F2M substitution increase
- pursue cost improvement and efficiency

18

1Q07 highlights of Personal Row operations

main achievements

Personal

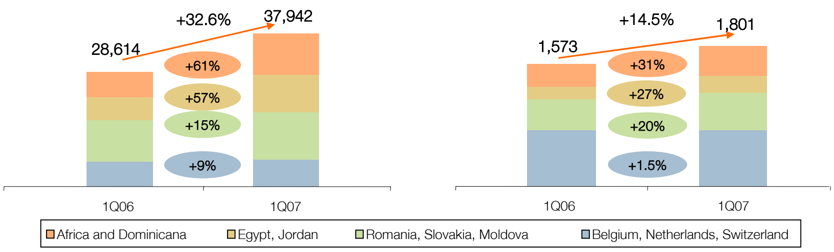
- strong subscriber base growth (+32.6% vs 1Q06) delivering 37.9m customers at the end 1Q07 and supporting sustained revenue growth (+14.5%)
- footprint: 3 licenses acquired in Africa: Guinea, Bissau Guinea and Central African Republic

market challenges:
- subscribers growth vs ARPU dilution
- regulatory issues in major countries (Belgium, Switzerland & Netherlands)

actions:
- maintain growth momentum
- reinforce our footprint
- extend mobile coverage in Cameroon, Ivory Coast and Jordan

RoW Personal Customer Base

RoW Personal Revenues (EURm)



19

1Q07 highlights of Home Row operations

main achievements

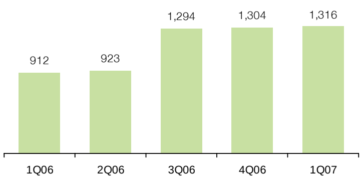
Home

- high growth of internet base boosted by ADSL offers (despite limited PC equipment)
- FTTH in Slovakia: decision to deploy a fiber optic network

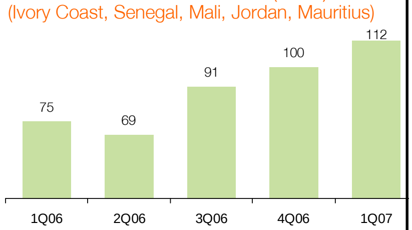
market challenges:
- market consolidation towards convergence
- fixed-to-mobile substitution

actions:
- extension and deployment of multiplay offers
- continue broadband development
- launch fiber in Slovakia (EUR32m capex expected to cover almost 200k households in 10 cities by end of 07)

fixed line customer base (000s)
(Ivory Coast, Senegal, Mali, Jordan, Mauritius)



internet customer base (000s)
(Ivory Coast, Senegal, Mali, Jordan, Mauritius)



20

1Q07 highlights of Enterprise

main achievements

- slowdown of the decreasing trend in Business Network Legacy revenues
- continued Advanced Business revenues growth:
  - IP VPN accesses up 25% yoy (266k accesses)
  - Business Everywhere: 505k end-users in France, up 20% yoy
- continued ICT revenues growth, up 16% on a yoy basis:
  - Extented Business Services (up 12% on a yoy basis)
  - strong impact of Equipment resale (in "Others revenues")

market challenges:

- pace of VoIP uptake
- continued competitive pressure on data international prices

action

- continue to enhance our portfolio on VoIP/ToIP
- streamline cost base
- continue to grow ICT at high speed

outlook: on track to meet our 2007 guidances

- in moderate Western European markets growth:

near stabilization of the gross operating margin rate in 2007

capex rate in % of revenues maintained around 13%

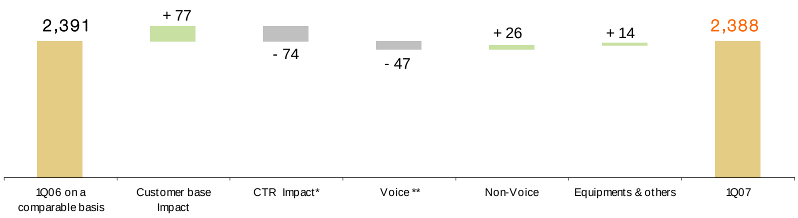
organic cash flow of EUR6.8Bn

Appendices

personal France 1Q07: customer base growth compensated CTR* impact on revenues

1Q07 revenue: EUR2,388m / -0.1% yoy on an actual and comparable basis

(in million of euros)



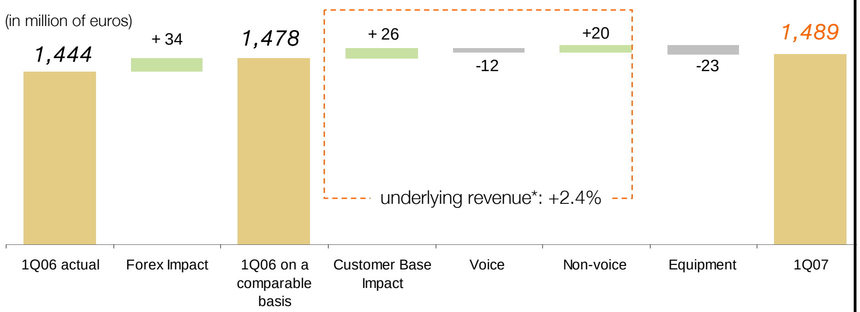
- revenues impacted by CTR* cuts: -0.1% in 1Q07 yoy (and +3% excl. CTR* Impact)
- solid customer base with 23.226m (excl. MVNOs), +3.4% yoy
  - contract mix reinforced to 63.9% with 129k net additions in 1Q07
  - confirmation of improving contract churn at 11.7% in 1Q07 vs 12.2% in 4Q06
- successful MVNO's strategy with 1 million MVNO's customers (+160k vs 4Q06), confirming Orange leadership

24

* call termination rate; ** excluding CTR

personal UK 1Q07: underlying revenue growth of +2.4% yoy

1Q07 revenues: EUR1,489m / +3.1% yoy actual / +0.8% yoy on a comparable basis

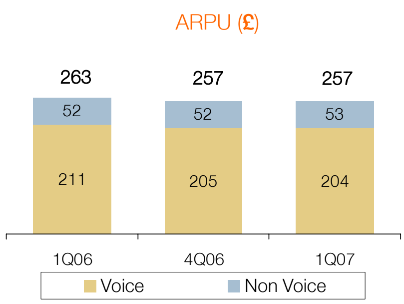


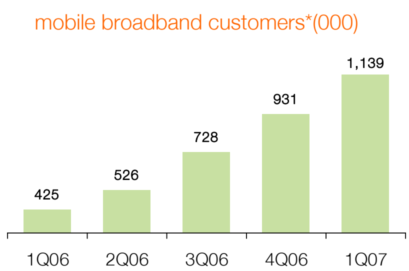
- revenues +0.8% yoy, but underlying revenues +2.4% yoy
- 15.1m customers, +0.9% yoy
  - contract: stable customer base, churn rate improvement for the 2nd consecutive quarter to 27.6%
  - prepaid: customer base declined by 239K over the quarter but grew by +0.7% yoy and strong revenue growth (+5% yoy)
- first MVNO agreement with Blyk and partnership with Bebo
- "3" National roaming agreement now in operation

25

* underlying revenue is defined as total revenue excluding equipment revenue

personal UK 1Q07: sustained growth of 3G customer base





- blended ARPU –2.3% yoy driven by tariffs decrease linked with competition pressure, but stable vs 4Q06
  - non voice ARPU increase by 2% with mobile broadband development and ongoing growth of data revenues: 21.7% of network revenue in 1Q07 vs 21.3% in 4Q06, and vs 20.2% in 1Q06
  - leadership maintained among the big four operators on contract ARPU at £561 despite significant pricing pressure
- sustained growth of 3G base with more than 1.1m customers: +208k net adds in the quarter (n°3 on the market with around 93% of coverage rate)

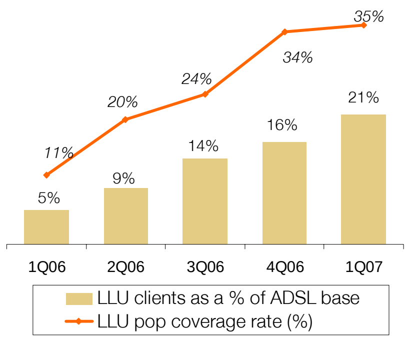
26

* 3G customers only

home UK 1Q07: focus on multiplay

- ADSL revenues grew by 17.5% yoy
- 1,095k ADSL subcribers (+11% yoy)
  - of which 254k are on a 18 months contract mobile-broadband bundle
  - 227k LLU subscribers, ie 21% of ADSL base
  - 412k Livebox installed

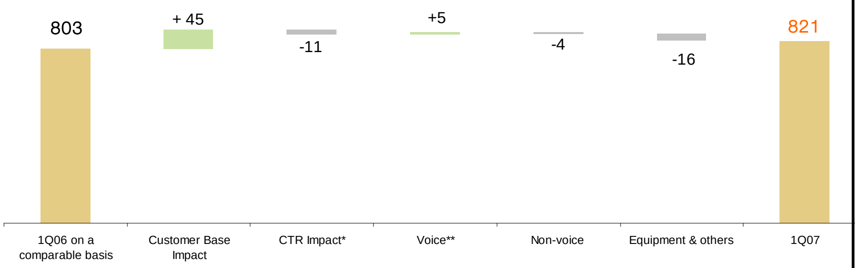
LLU customers as a % of ADSL base



personal Spain 1Q07: +2.3% revenue growth despite CTR* and Euskaltel customer migration

1Q07 revenues: EUR821m / +2.3% yoy on an actual and comparable basis

(in million of euros)

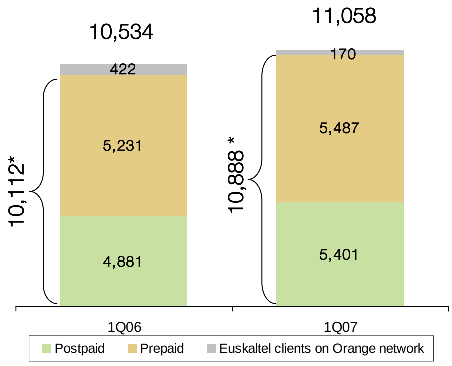


- revenue growth of +2.3% thanks to the increase of Orange contract high value customers
  - revenue growth of +3.7% pre CTR* and +6% pre CTR* and equipment
  - Revenue growth of 8.0% pre CTR*, equipment and Euskaltel impacts
- customer base growth: +5% yoy at 11.1 million customers at the end of March 07

* Call Termination Rate; ** excluding CTR

personal Spain 1Q07: customer base increase despite Euskaltel effect

customer base evolution (000)

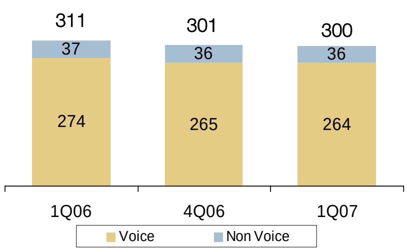


- 170k Euskaltel customers remaining on Orange network at the end of 1Q07 vs 379k Euskaltel subscribers at the end of 4Q06
- 1Q07 net adds of - 56 k split between
  - 209k disconnections of Euskaltel customers
  - 153k net adds for the rest of Orange Spain
- excl Euskaltel, Orange customer base grew by 8% vs 1Q06 and 1,4% vs 4Q06
- Orange focus on contract customers in 1Q 07:
  - contract: + 198k (excl Euskaltel)
  - prepaid: -45 k (excl Euskaltel)

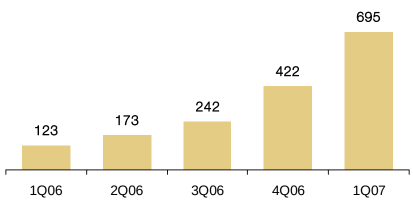
* excluding Euskaltel

personal Spain 1Q07: mobile broadband customers growth of +65% vs 4Q06

ARPU (EUR)



mobile broadband customers**(000)



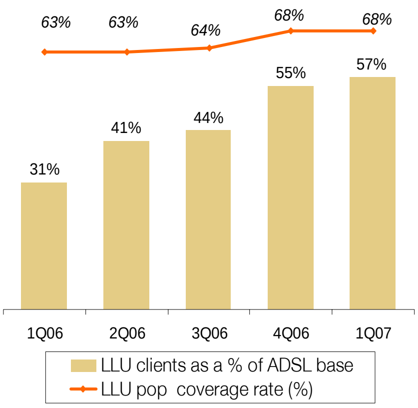
- blended ARPU at EUR300, stabilized in 1Q07 vs 4Q06
- -9.2% CTR* cut will impact Orange Spain in 2Q07
- 695k broadband customers (+273k vs 4Q06): 6.3% of total customer base

* Call Termination Rate; ** 3G customers only

home Spain 1Q07: continued migration from PSTN to ADSL and LLU

- 8% growth in ADSL revenues vs 1Q06 is still not compensating the PSTN decline
- 11%* ADSL share of conquest over 1Q07 ; market share maintained above 12%*
  - a customer base increasingly broadband and multiplay with 681k ADSL subcribers at end of march (+16% yoy)
- 68% of population covered by Orange LLU: 57% of our ADSL base is on our LLU network
- monthly churn rate reduction of 20% in 1Q07 vs 1Q06

LLU customers as a % of ADSL base



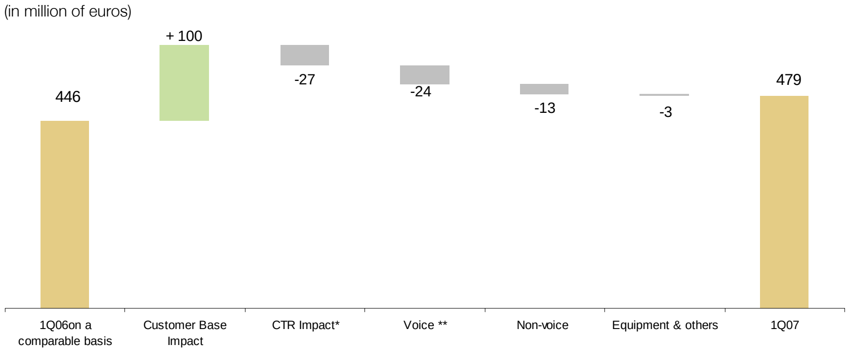
31

* company estimates

1Q07 personal Poland: leadership maintained

1Q07 revenues: EUR479m / 5.9% yoy on actual / 7.4% yoy on a comparable basis

(in million of euros)



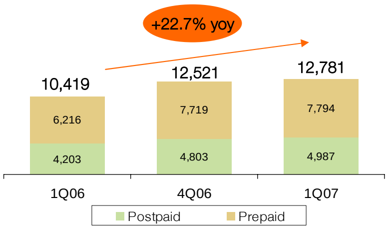
- revenues growth of 7.4% yoy on a comparable basis, +14.3% yoy excluding CTR* impact
- 12.8m mobile customers, +22.7% yoy
- leader in value market share at 34.7%, up from 34.5% at the end of 2006

32

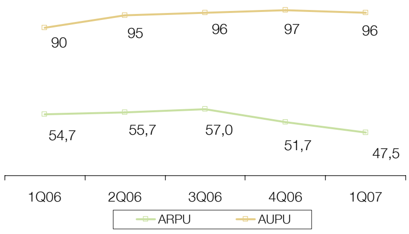
* Call Termination Rate; ** excluding CTR

1Q07 personal Poland: strong annual growth of customer base

customer base evolution (000)



quaterly blended ARPU (PLN) and AUPU (mins)



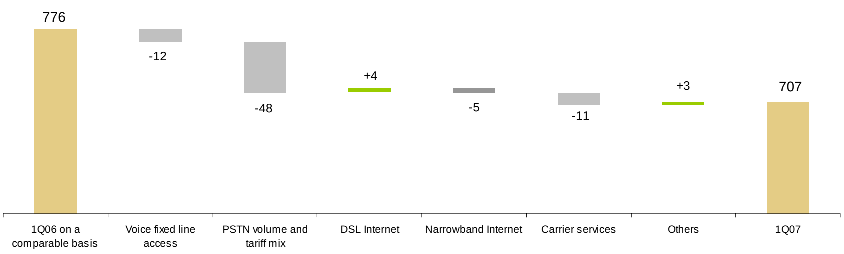
- continuous customer base growth :
  - strong growth of prepaid customer base (+1.6 million yoy)
  - despite removal of inactive customers in the base realised in 1Q07
- blended ARPU down by 8% vs 4Q06 due to CTR* reductions in 4Q06 partially offset by AUPU increase (90 mins in 1Q06 to 96 mins in 1Q07) due to continuing migrations of customers to unlimited offers
- continued growth of broadband** customer base (x3.6 yoy) with 97% coverage in Edge and ongoing 3G deployment
- ongoing growth of data revenues: 22.1% of network revenue in 1Q07 vs 21.7% in 1Q06

33

* Call Termination Rate; ** 3G + Edge customers

1Q07 home Poland: fixed voice revenues decline mainly due to regulation

revenues: EUR707m / -10.2% yoy actual /- 8.9% yoy on a comparable basis



- negative growth of traditional business not fully compensated by broadband growth
  - significant decrease of voice revenues due to lower customer base strengthened by WLR introduction since January 2007 (161k as of March 07) and lower fixed line ARPU (with CTR* cuts and new tariff plans)
  - broadband revenues slightly up : decreasing ARPU, increasing customers base, despite negative effect of the "grace period"
  - reduction of carrier services revenues due to regulatory decision decreasing RIO prices (-41% since Sept 06)
- strong progress in broadband with 1.8 million customers at the end of march 07 (+33.9% yoy)
  - livebox customer base of 219k ie 12% of broadband base vs 1% one year ago
  - IP TV softly launched in 1Q07 (available for 1.5m potential customers)

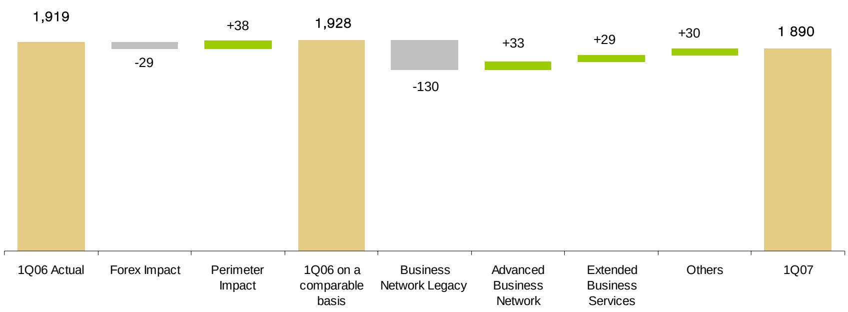
34

* Call Termination Rate

enterprise 1Q07: continued ICT services revenues growth above market growth, slower decline of traditional business

1Q07 revenues analysis

(in euro millions)

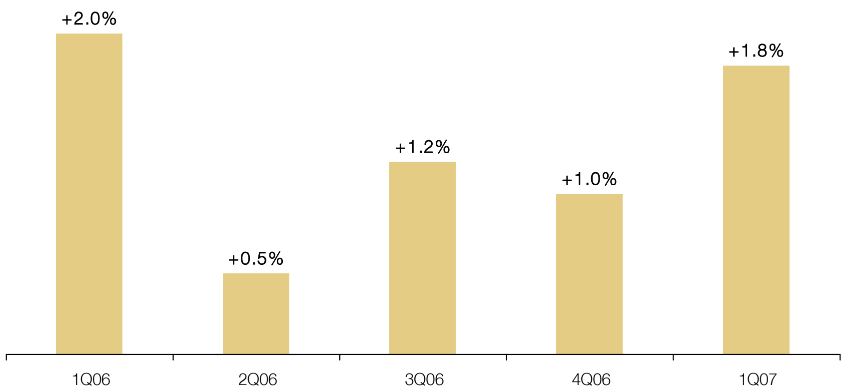


- continued ICT services revenues growth(+16% yoy) above market growth, slower decline of traditional business

35

revenue growth recovery in 1Q07

quaterly evolution of yoy revenue growth (on a comparable basis)



36