

france telecom

Morgan Stanley TMT conference

Barcelona, November 16th 2007



cautionary statement

- this presentation contains forward-looking statements and information on France Telecom's objectives, in particular for 2007. Although France Telecom believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties and there is no certainty that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could result in material differences between the objectives presented and the actual results achieved include, among other things, changes in the telecom market's regulatory environment, competitive environment and technological trends, the success of the NEXt plan and other strategic initiatives based on the integrated operator model as well as France Telecom's financial and operating initiatives, and risks and uncertainties attendant upon business activity, exchange rate fluctuations and international operations.
- the financial information in this presentation is based on international financial reporting standards (IFRS) and is subject to specific uncertainty factors given the risk of changes in IFRS standards.
- more detailed information on the potential risks that could affect France Telecom's financial results can be found in the Document de Référence filed with the French Autorité des Marchés Financiers and in the Form 20-F filed with the U.S. Securities and Exchange Commission.
- market share figures at September 30, 2007 included in this presentation are France Telecom estimates.
- financial data for the third quarter 2006 and the third quarter 2007 are unaudited.

3Q07 results

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3Q07 highlights

strong 3Q07 results led us to upgrade FY07 guidance

in million of euros	3Q07	9m07	Δ 3Q07 /3Q06*	Δ 9m07 /9m06*
Revenues	13,508	39,420	+3.5%	+2.5%
GOM	5,094	14,510	+5.1%	+3.0%
<i>in % of rev</i>	37.7%	36.8%	+0.6pt	+0.3pt
Capex	1,434	4,401	-6,2%	-4,0%
<i>in % of rev</i>	10.6%	11.2%	-1.3pt	-0.7pt

main performance drivers:

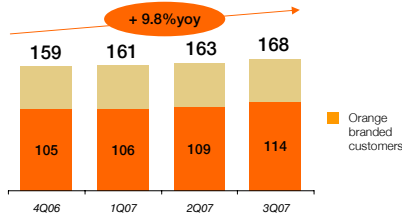
- continuing good resilience of French activities (incl. wholesale) and a strong summer season
- higher mobile revenue growth both in Spain and in the UK
- sustained performance in growing markets
- enterprise growth thanks to a slower pace in legacy voice decrease
- cost base kept under control as announced

4 * on a comparable basis

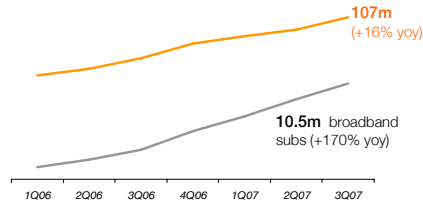
3Q07 highlights

main operational KPIs are improving

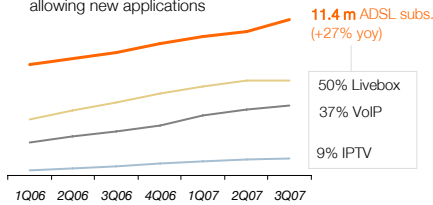
group customers (in million)
68% of our customer base is Orange branded



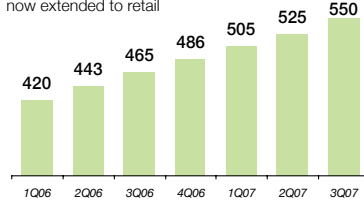
mobile customers
continuous growth with strong development of Broadband



ADSL customers
strong growth while our box strategy is expanding, allowing new applications



Business Everywhere customers (in 000)
successful expansion of our BEW product now extended to retail

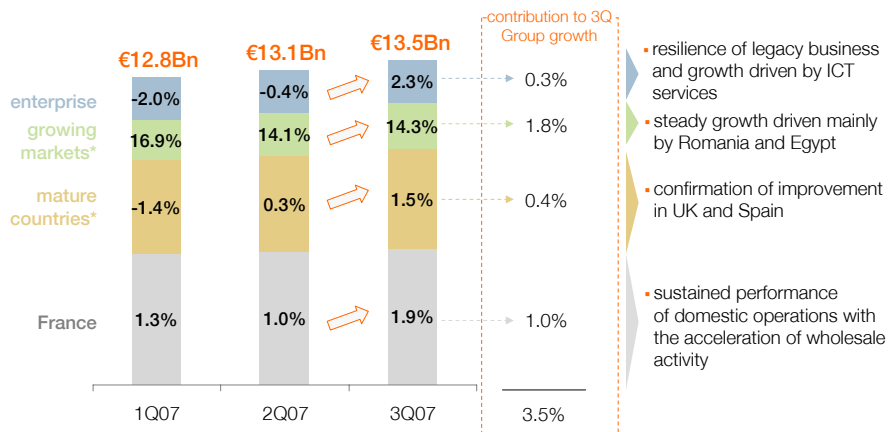


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3Q07 revenue growth

all businesses are contributing to Group growth

evolution of revenue growth by quarter on a comparable basis

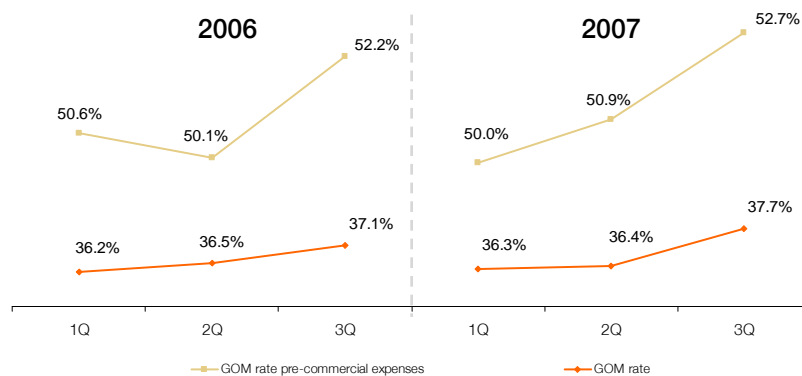


6 * see glossary

3Q07 Gross Operating Margin

improvement over 3Q06 with stable commercial costs in 3Q07

evolution of margin by quarter on comparable basis



GOM drivers in 3Q07:

- roaming regulation impact from September
- subscription fee increase in France (July 3rd, 2007)
- stable wholesale tariffs in France
- improved control over operational costs (-0.6 pt yoy as a % of revenues)

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outlook

operational performance for FY 07 is expected to be in line with the results for the first 9 months

	previous	new
GOM margin rate	▪ near stabilization	▪ stabilization
capex	▪ around 13% of revenues	▪ around 13% of revenues
organic cash flow	▪ €6.8bn	▪ €7.5bn
dividend	▪ 40% to 45% of organic cash flow	▪ 40% to 45% of organic cash flow
debt/GOM ratio	▪ below 2 by the end of 2008	▪ below 2 by the end of 2008

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france telecom's priorities in a fast changing ecosystem

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the new telco eco-system

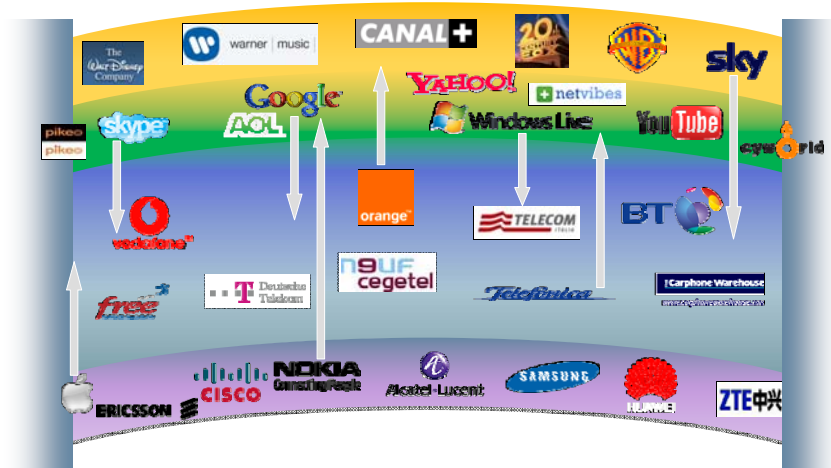
Telecoms, IT and Media were slowly converging ...



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the new telco eco-system

... but today all the players struggle to capture the entire relationship with the customer which becomes the heart of the network



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our priorities in a fast changing ecosystem are clear

objectives

- preserve or increase our market shares
- increase the ARPU
- develop our footprint on growing markets
- adapt our processes and costs structure to new activities
- maintain high organic cash flow level

priorities

innovation in products, content and services

develop broadband infrastructures to support data expansion

quality of service becomes a key differentiator

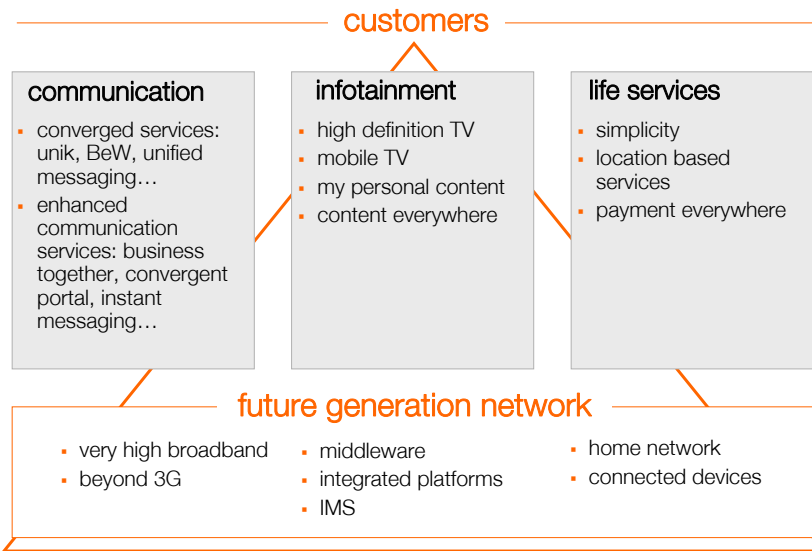
focus on cost reduction

disciplined M&A

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innovation

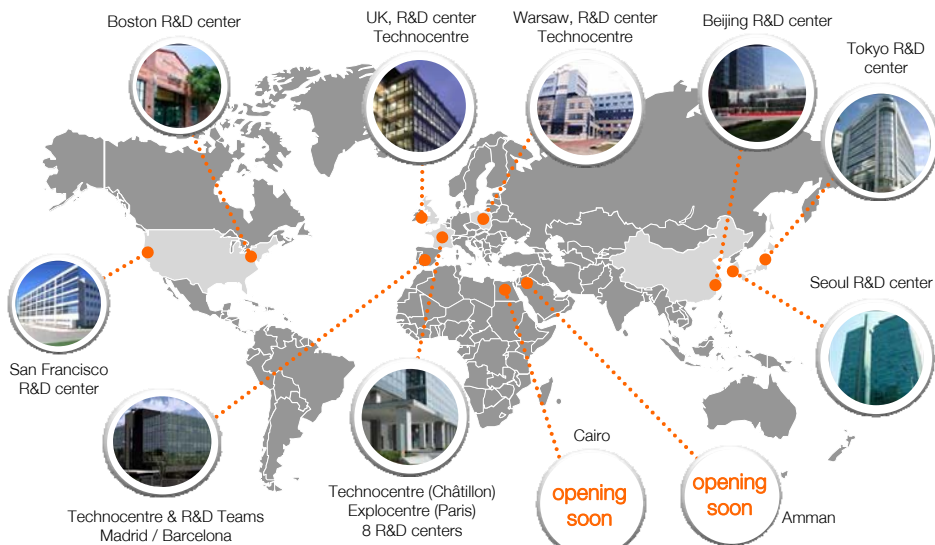
a customer centric approach based on convergence



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innovation

our Orange Labs capture trends & innovations on worldwide basis

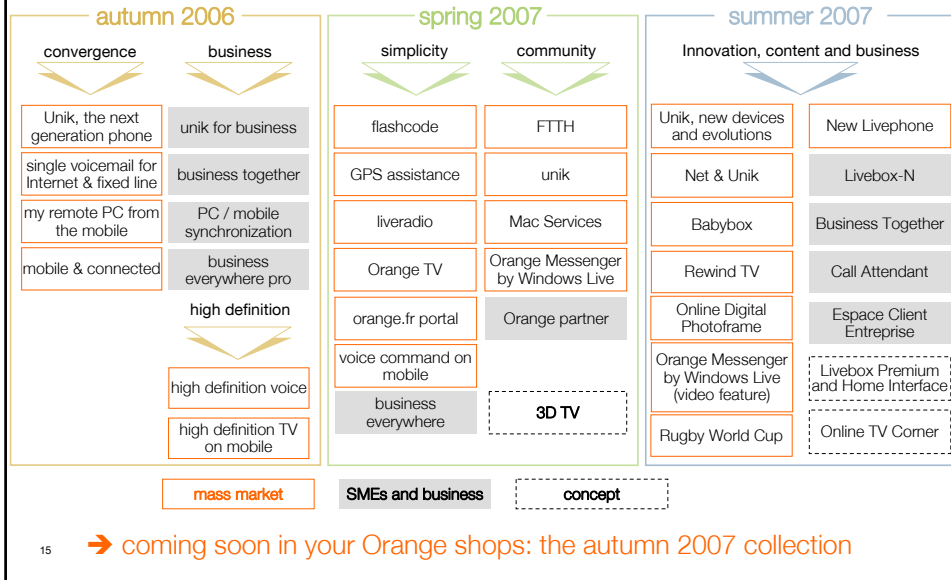


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→ R&D spending was 856 M€ in 2006, ie 1.6% of revenues

innovation

close interactions between R&D and Marketing allows to launch 3 new collections a year



innovation

preview of next Autumn collection : Livebox HSDPA

a multi-play offer to the widest number



- just a power supply needed and broadband connection is ready through the mobile network !
- features
 - BB internet connection
 - A fixed phone line (mobile or fixed number)
- for our "mobile only countries" to quickly position on multiplay and convergent offers
- for fixed/mobile countries with a specific positioning (ADSL white zones, multi-homes...)

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innovation

preview of next Autumn collection : Reach Everyone

- Open a new tab
- Change category
- Send an e-mail
- Send by e-mail
- Geolocalisation
- Instant Messaging
- Create Web Conference
- Make a call
- Send SMS
- Send Fax
- Display attributes
- Refresh

also available on mobile

- all Orange communication services integrated in an intuitive and simple interface
- initiate any contact with your business network, with a simple drag & drop or right click

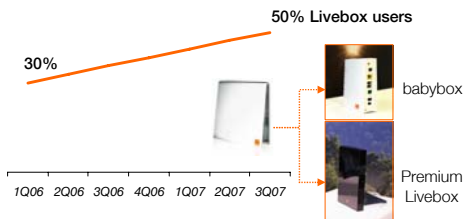
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innovation

new products and services support revenue growth

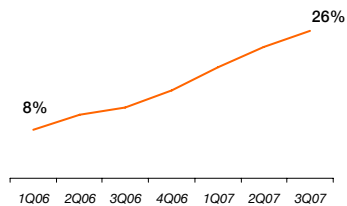
% of FT ADSL customers using a Livebox

Livebox becomes the cornerstone of our ADSL development



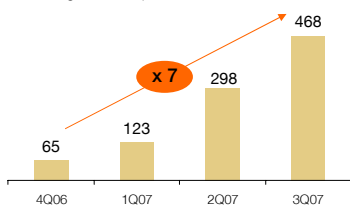
VoIP in France

acceleration of VoIP traffic in % of total FT traffic



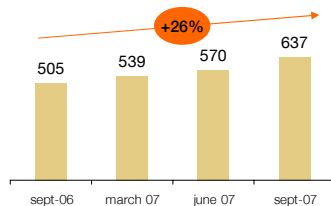
Unik handsets sold in France ('000)

convergent UNIK phones are a success



TV on mobile users in France ('000)

TV on mobile takes off with 100k unlimited users*



* in thousands

* paying a 10 to 12 € option

quality of service a key differentiator

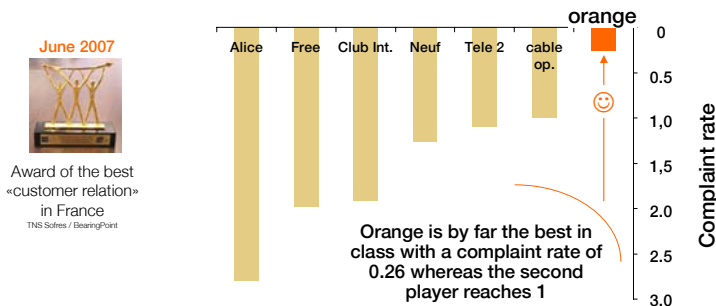
actions

- polls on a monthly basis
- regular benchmark
- quality of service department in each entity

benefits

- churn reduction
- pricing premium
- increase brand awareness

complaints rate for ADSL market in France



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develop broadband infrastructures FTTH pre deployment plan is on track

FTTH projects

- France
 - pre-deployment until end of 08 in 10 major and medium cities
 - FT's Fiber offer launched at €44,9 / m
 - Objectives
 - 1 million home passed with 150k/ 200k active customers at end of 2008
 - capex plan: ~ €270 million over 07-08

→ full deployment depends upon regulation condition

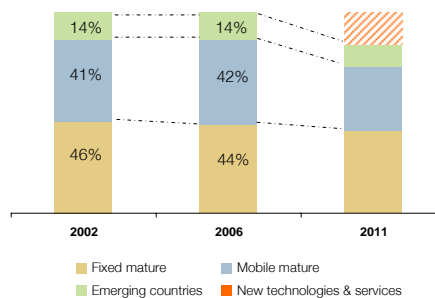
outside France

- Slovakia has been launched

Financing

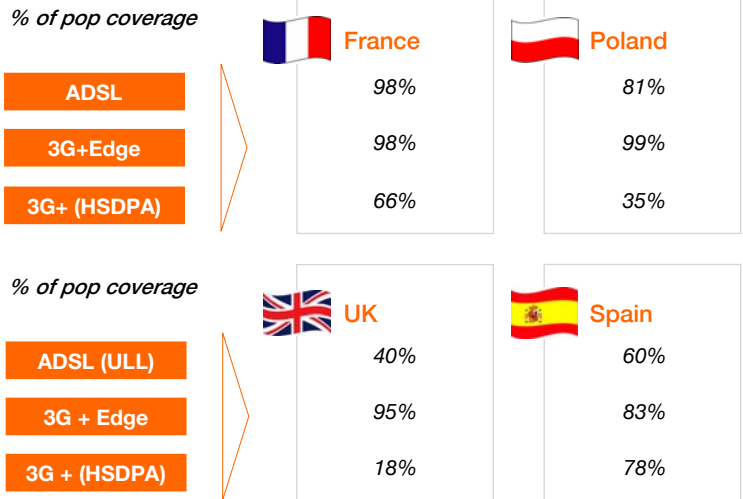
- financing can be done while keeping our capex to sales ratio around 13% over 2007-2012
- from 09, around €1Bn each year will be reallocated to new growth areas (FTTH ..)

evolution of Group capex split (base 100)



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develop broadband infrastructures
our broadband coverage is constantly improving

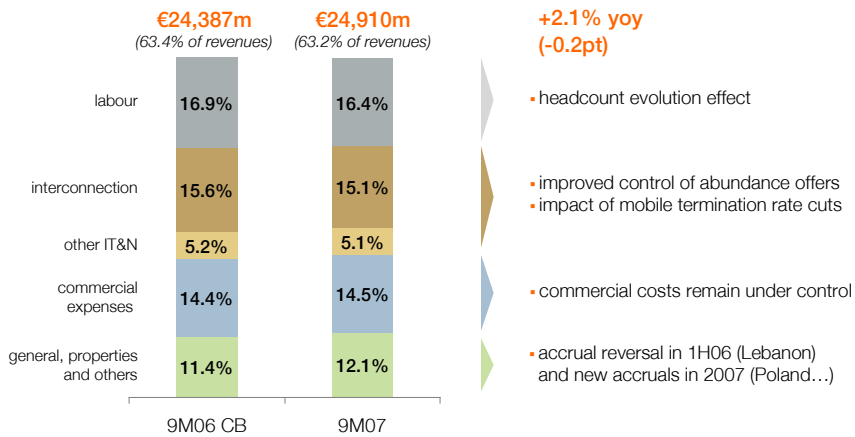


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➔ HSUPA deployment starting in 08 in most of the footprint

focus on cost reduction
ongoing improvement of cost structure

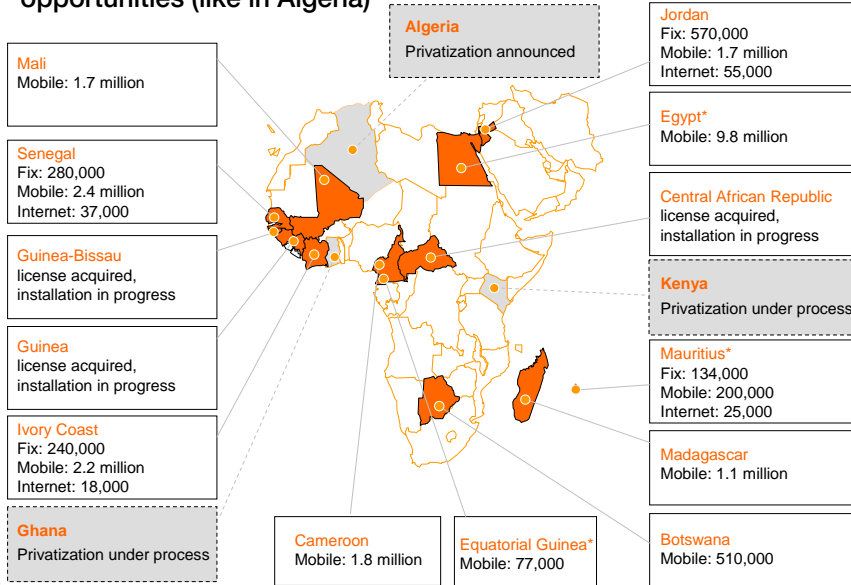
evolution of opex (in % of revenues)



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disciplined M&A: increase emerging countries' presence

FT is a significant player in Africa / Middle East, and reviews opportunities (like in Algeria)

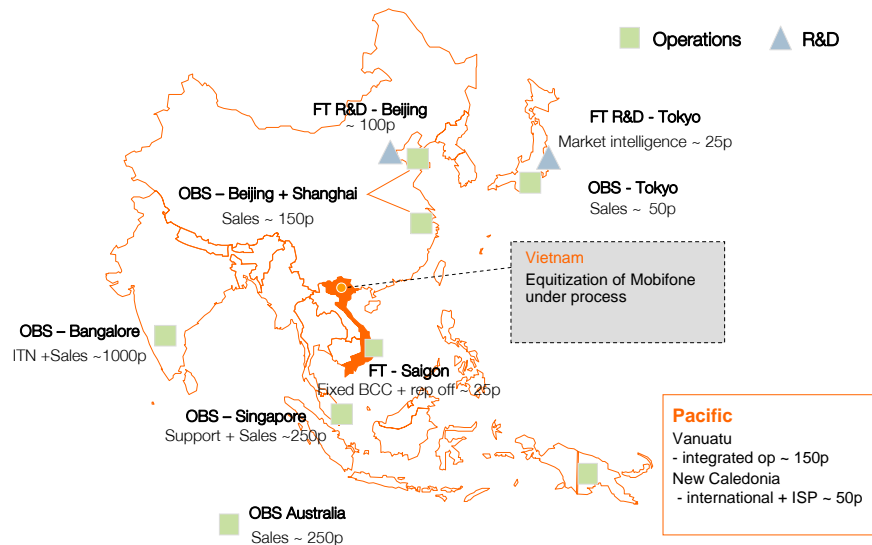


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* Egypt is consolidated at 71.25%, Equatorial Guinea and Mauritius at 40%

disciplined M&A: increase emerging countries' presence

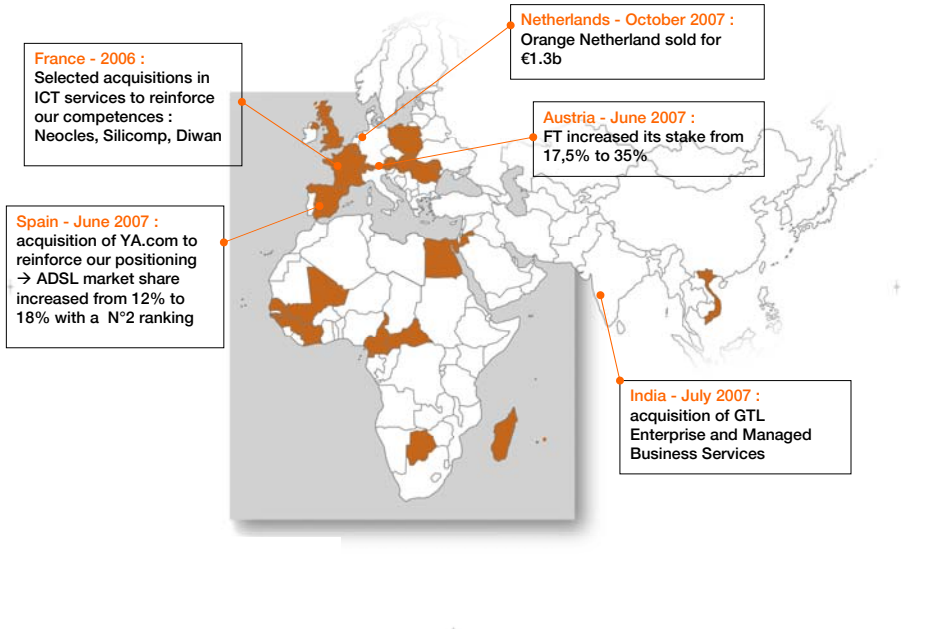
FT is seeking to develop its footprint in Asia through high growth opportunities like in Vietnam



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disciplined M&A

in Western Europe targeted acquisition and portfolio rationalization



NExT plan is delivering expected results

- we demonstrate our ability to manage the transformation of our business in France
- our performance in Spain and UK has significantly improved
- cost structure is under control
- projects are launched to capture more growth

→ will be detailed in our December 5th Investor Day

Innovation, proactivity and rigorous execution
are the key to our future