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SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

1-14712

FORM 6-K



02026542

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

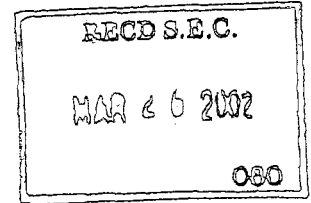
For the month of March 2002

**FRANCE TELECOM**

(Translation of registrant's name into English)

6, place d'Alleray, 75505 Paris Cedex 15, France

(Address of principal executive offices)



(Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F)

Form 20-F  Form 40-F

(Indicate by check mark whether the Registrant, by furnishing the information contained in this Form, is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934)

Yes  No

(If "Yes" is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b): 82- \_\_\_\_\_)

PROCESSED

APR 05 2002

P THOMSON FINANCIAL

Enclosures:

Analysts' Presentation of Annual Results 2001 dated March 21, 2002, as posted on France Telecom's website.

# Presentation


10 years of activity

Annual results 2001

france tele



This presentation, including the sections in "Outlook", contains forward-looking statements based on forecasts, estimates and current assumptions. These forward-looking statements are subject to risks and uncertainties and may differ materially from actual future results, performance or events. The risks and uncertainties include, among other things, changes in the competitive and regulatory framework, changes in exchange rates, including particularly the exchange rate of the euro to the US dollar or the euro to the pound sterling, changes in economic or technological trends, customers and market concentration, risks and uncertainties attendant to our international operations, and other market factors. We assume no obligation to update such statements.



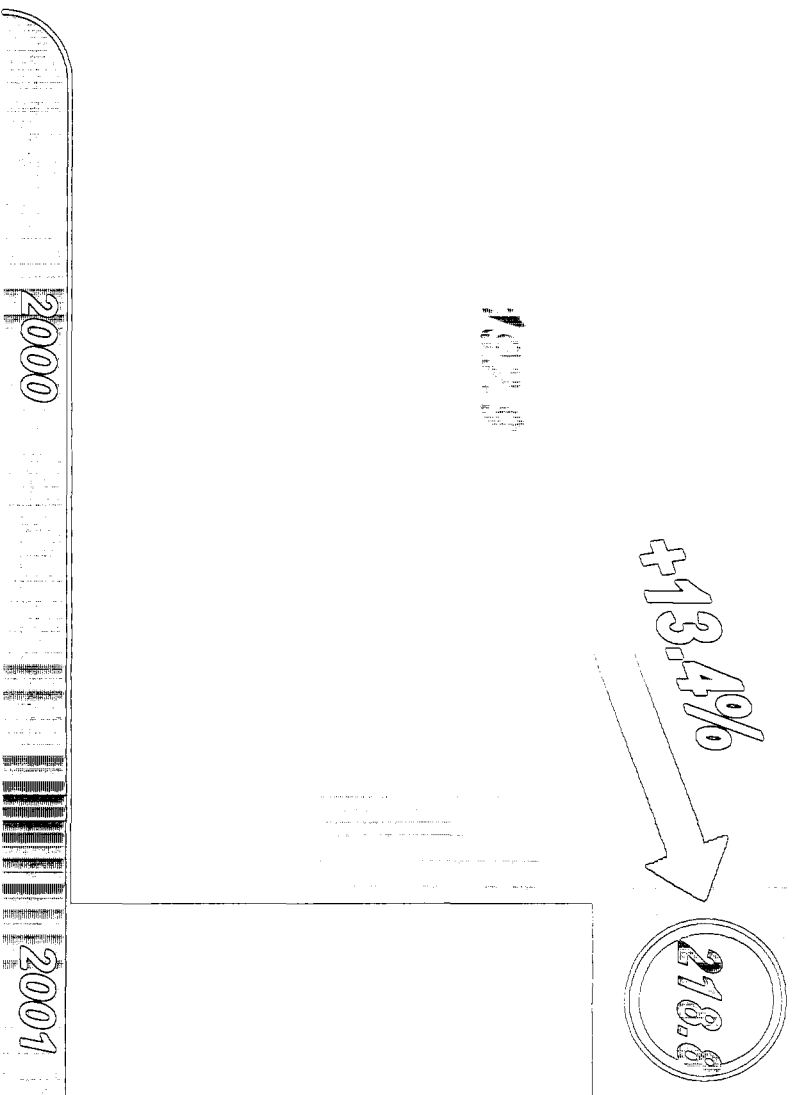
Good operating  
performance

*France Telecom*  
wins new customers

France 06-78

# Total France Telecom traffic

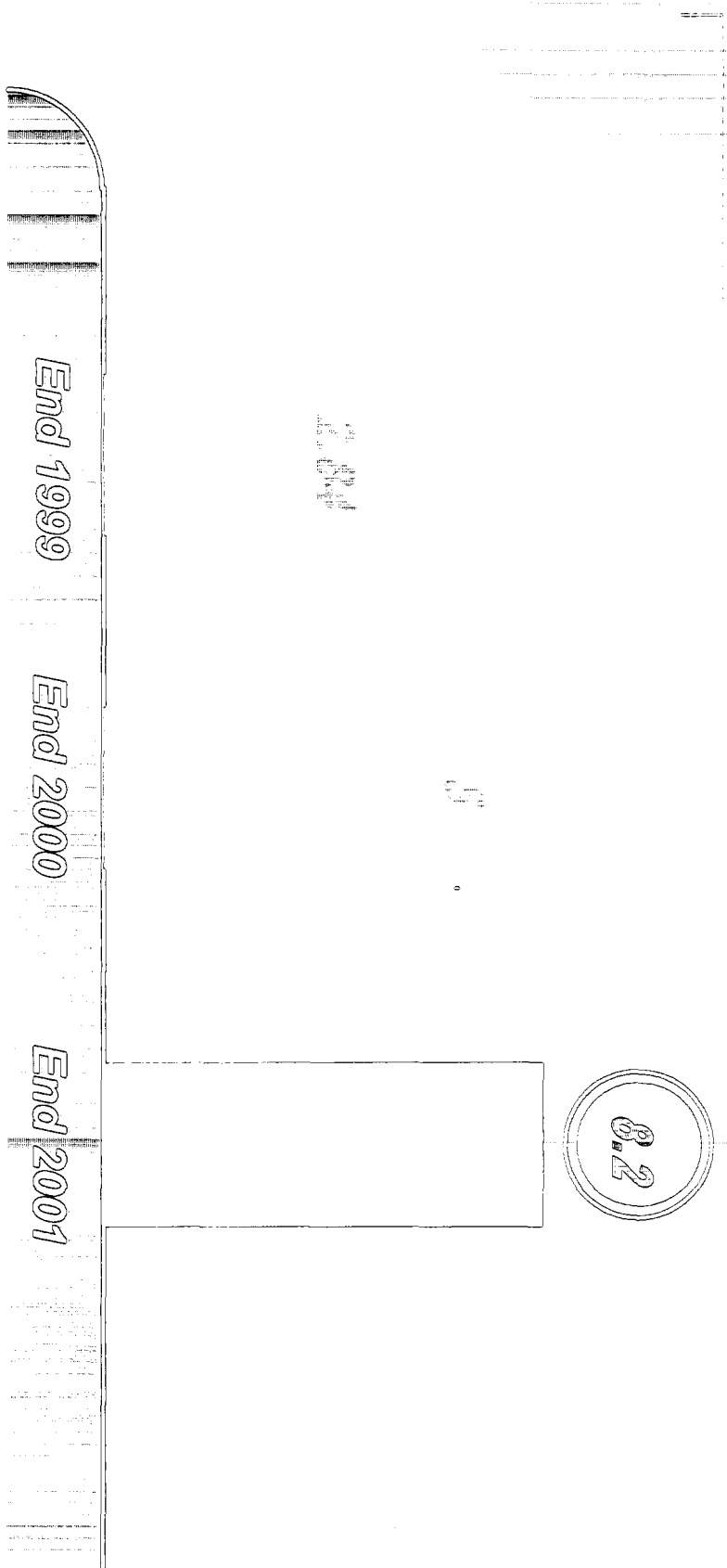
in billions of minutes



Strong growth in voice telephony traffic

# Internet market growth in France

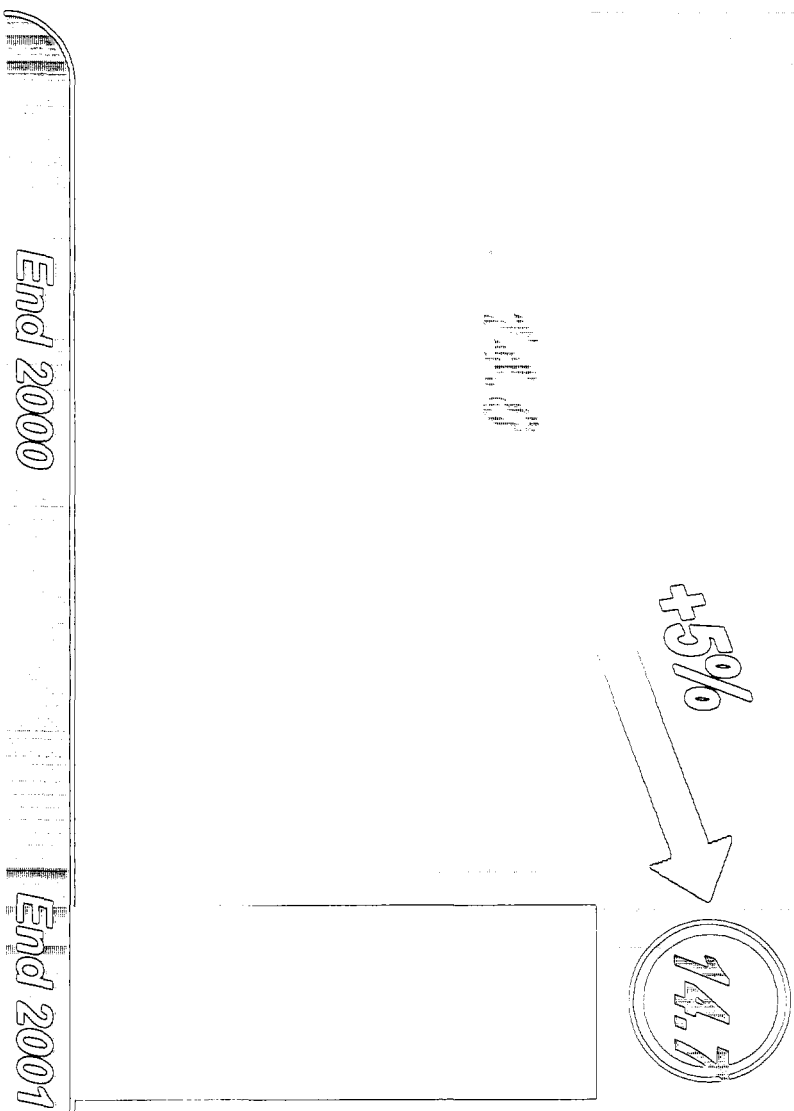
In millions of Internet-connected households



Faster pace: more than 3.2 million additional households connected in 2001

# Growth in mobile phone sales, France 2000-2001

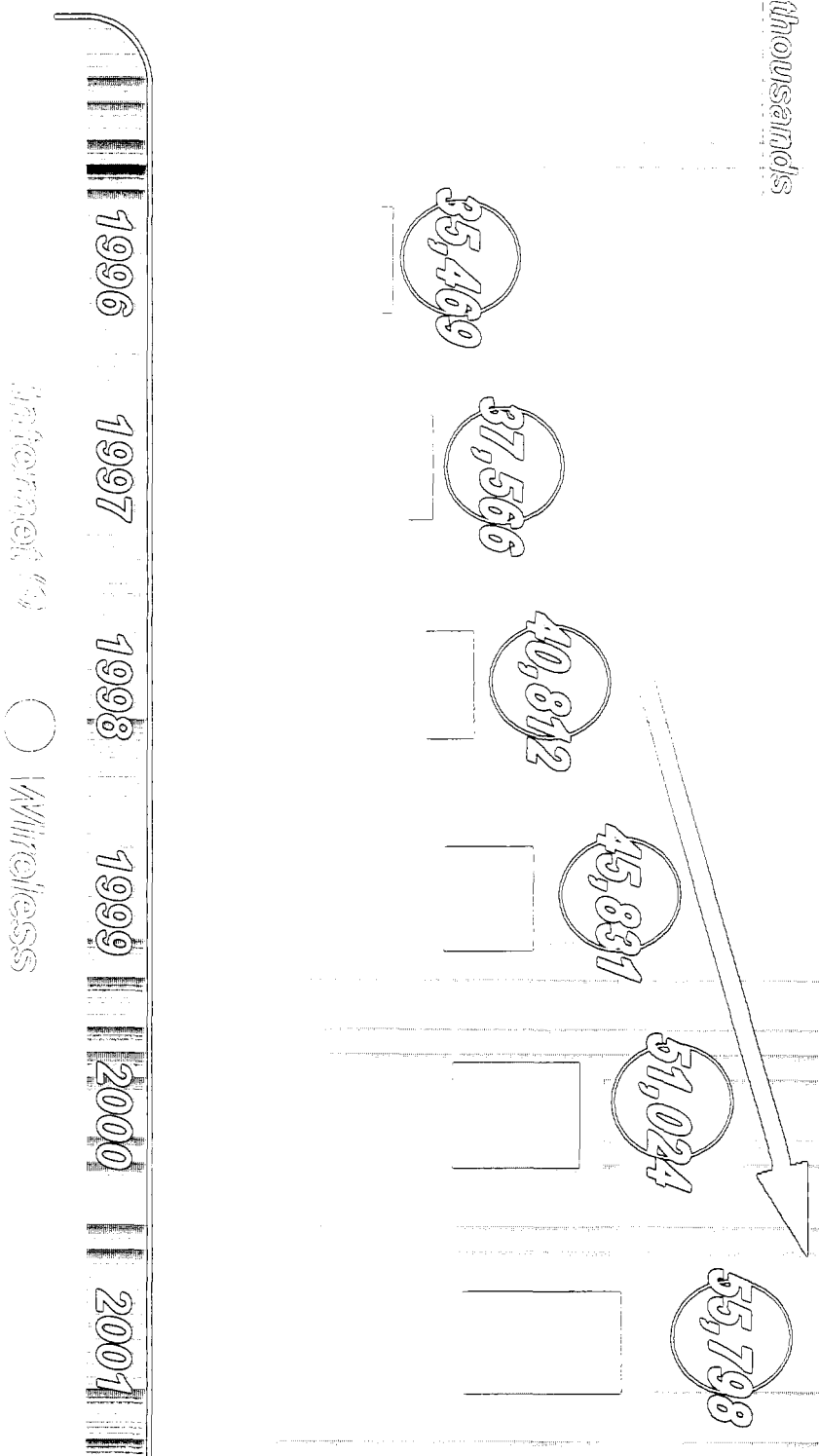
*In millions of units sold*



*More mobile handsets sold than in 2000*

# France Telecom's expanding customer base in France

In thousands



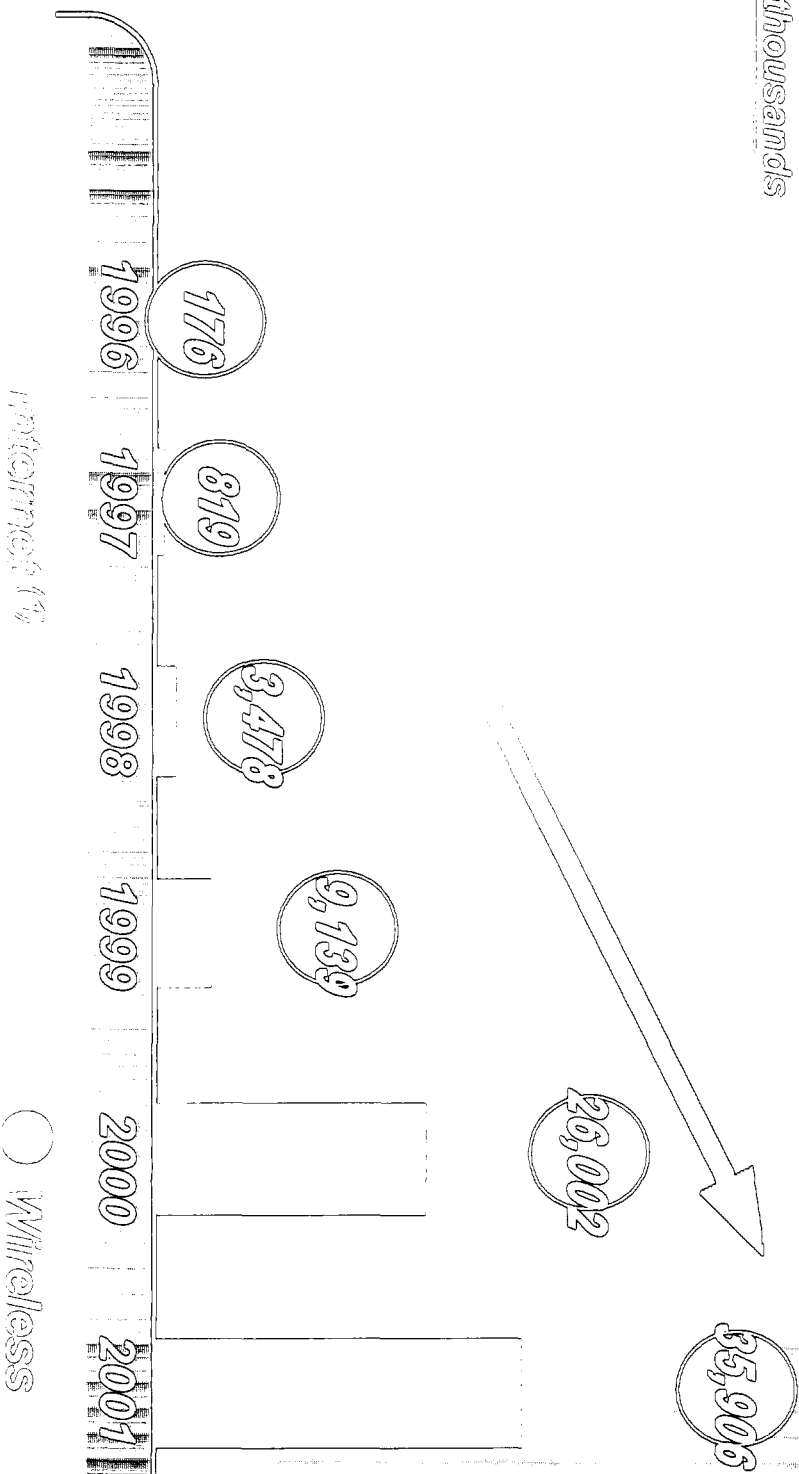
(1) Subscribers registered during the years prior to 1999 and active customers from 1999

Nearly 5 million more customers in one year



# France Telecom's expanding customer base outside France

In thousands

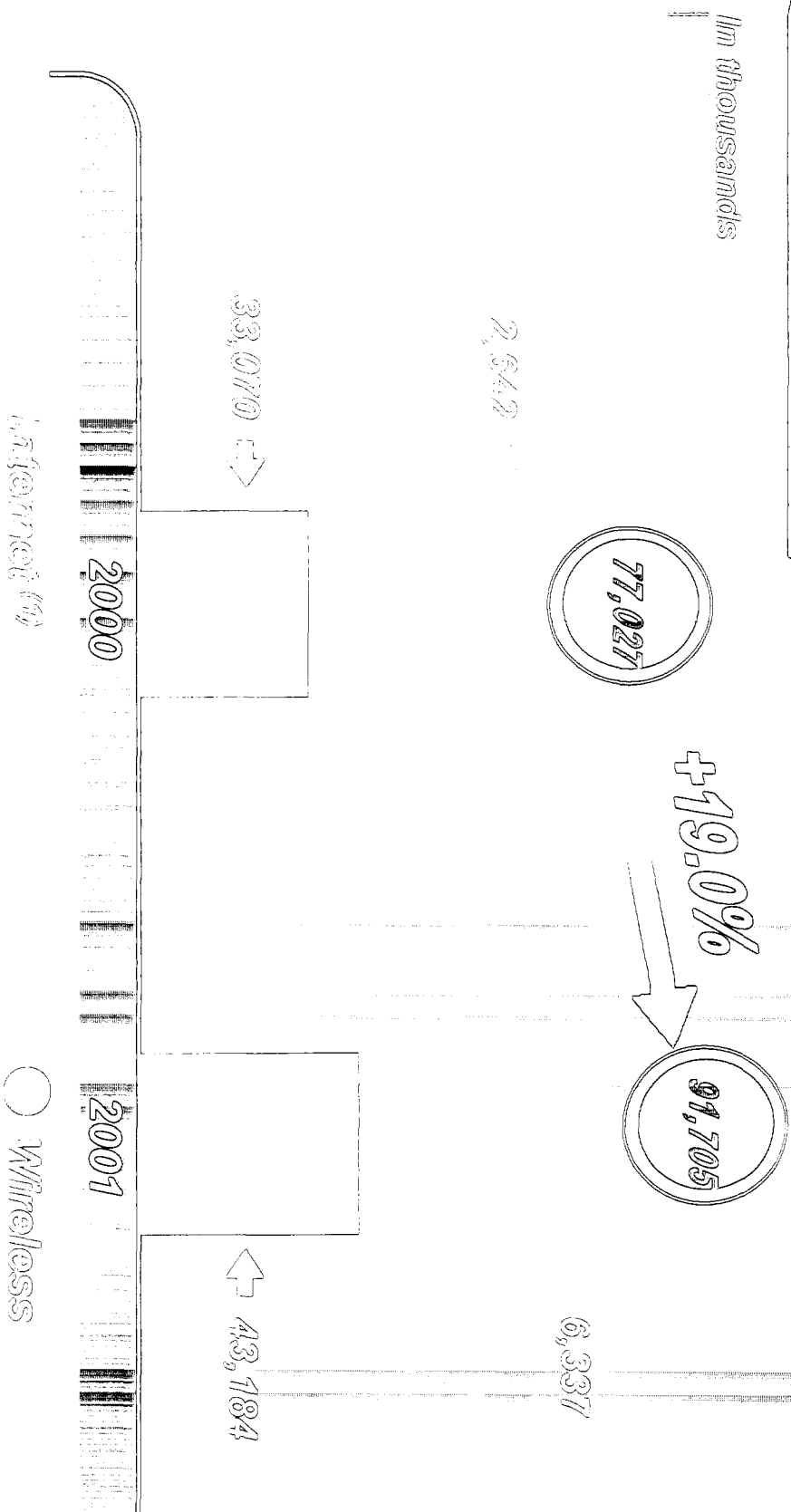


(1) Subscribers registered during the years prior to 1999 and active customers from 1999

36 million—more than the Group's entire customer base in 1996

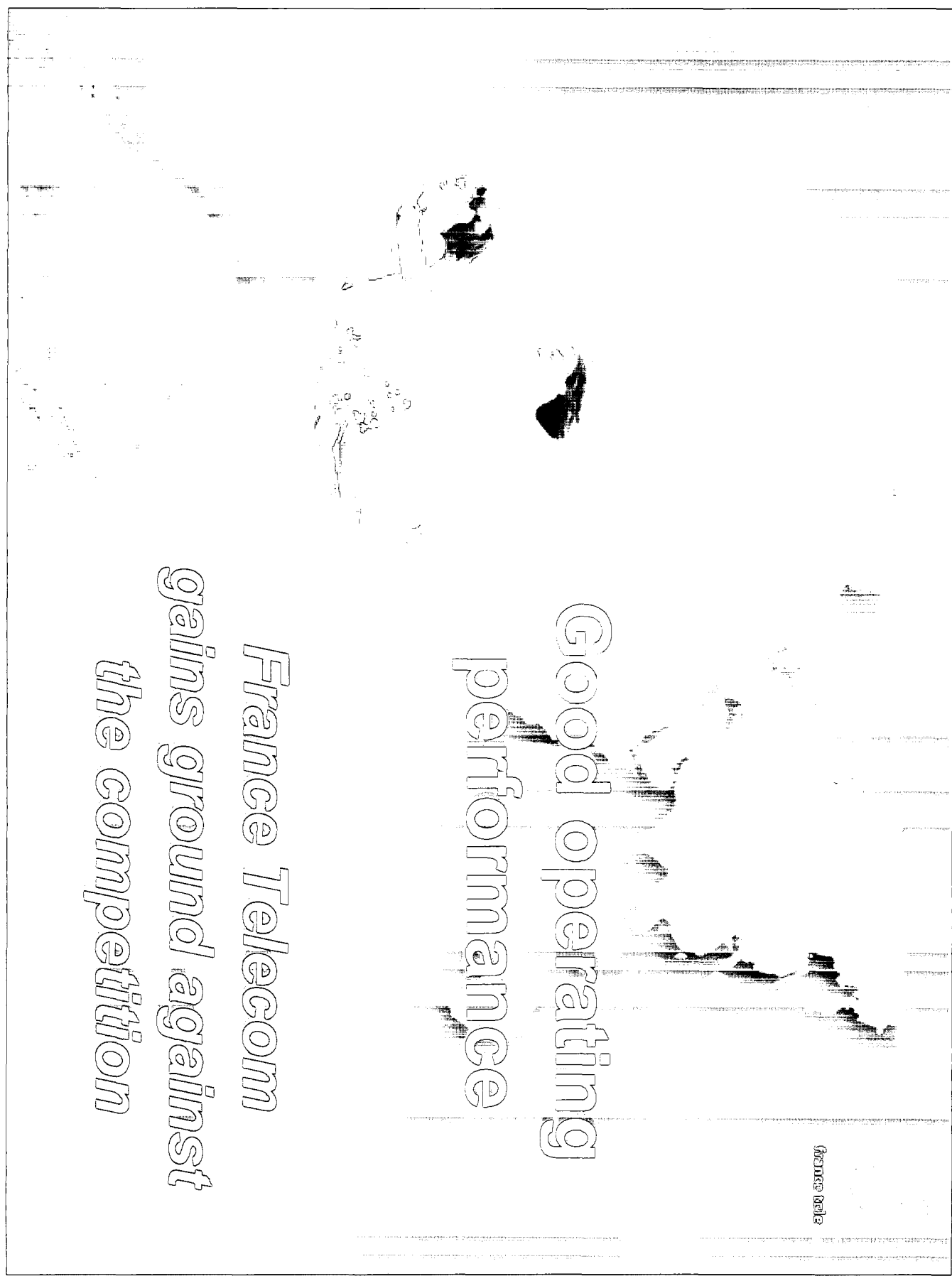
# France Telecom Group's expanding customer base

In thousands



(1) Active customers

Nearly 92 million customers in controlled companies



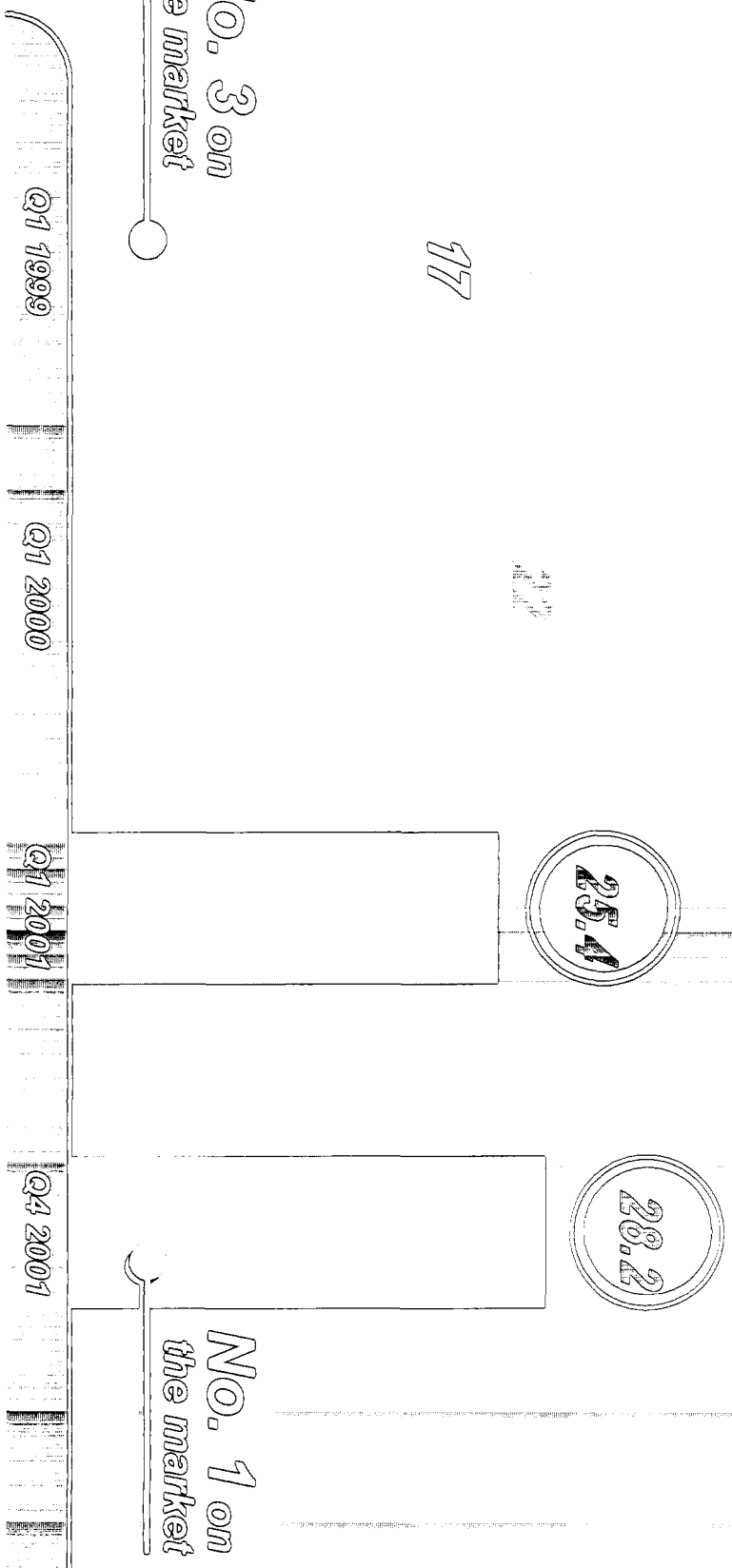
France 02/12

# Good operating performance

*France Telecom gains ground against the competition*

# Orange, Number 1 in the UK

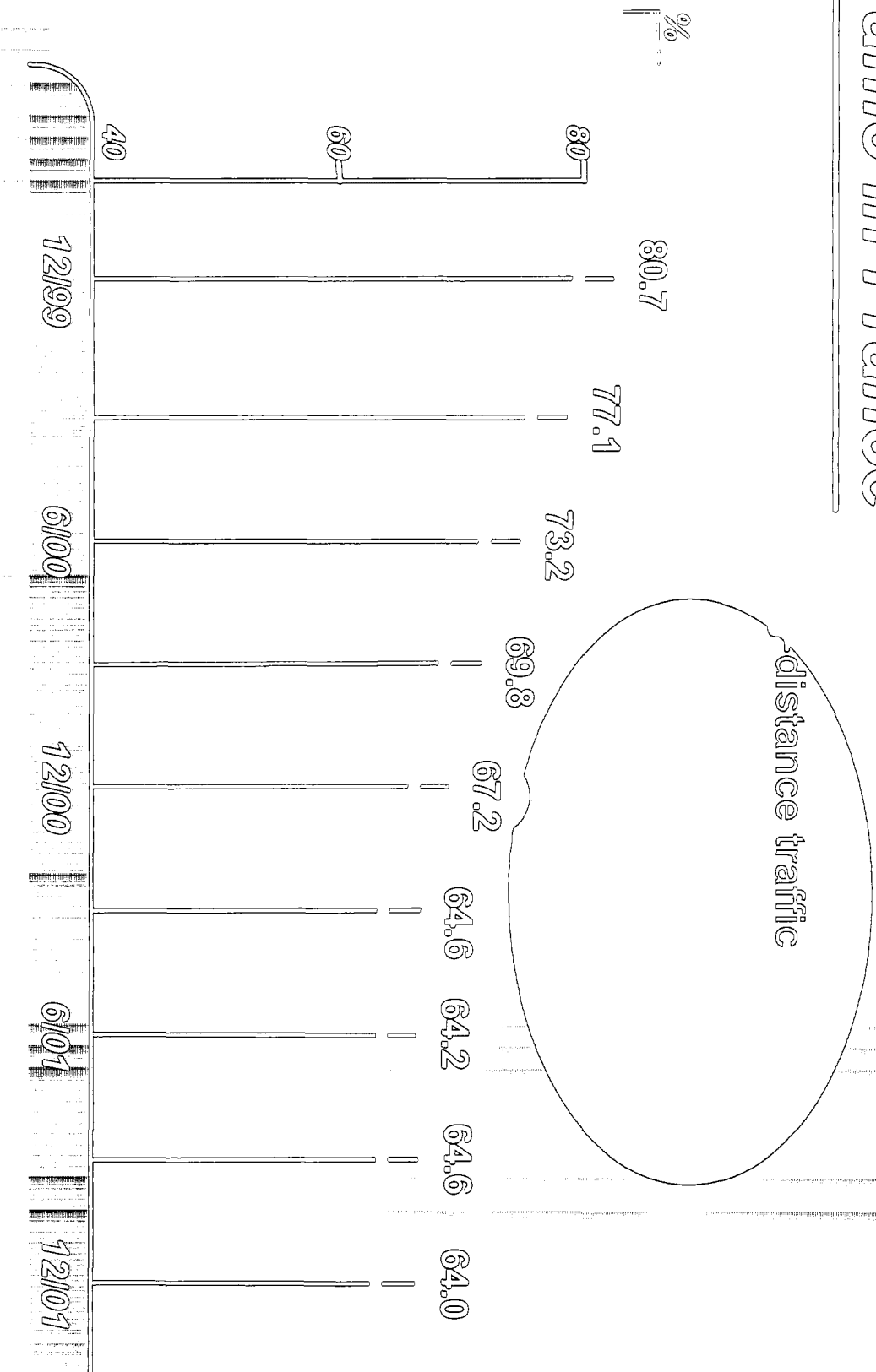
Market share % (\*)



(\*) based on the estimated number of active customers

From 3rd to 1st rank in the UK

# Stable market share in long-distance traffic in France



A competitive offering



Good operating  
performance

*Synergies/Productivity*

franco 1972

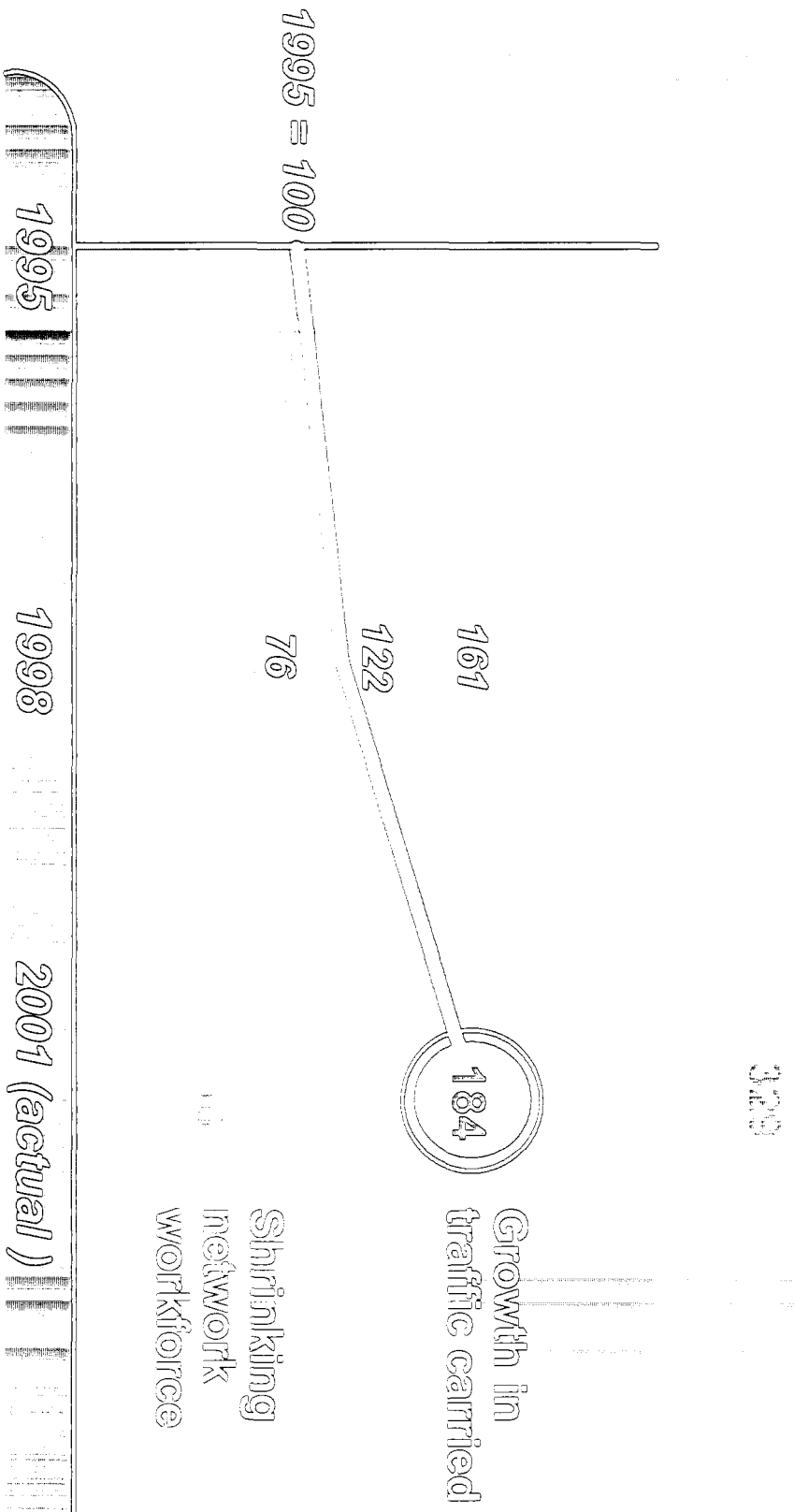
# *Global One/Equant Synergies*

100 million dollars from merger  
in 2001

200 million dollars a year in CAPEX  
as of 2002

350 million dollars a year in operating  
expenses as of 2003

# Rising network productivity





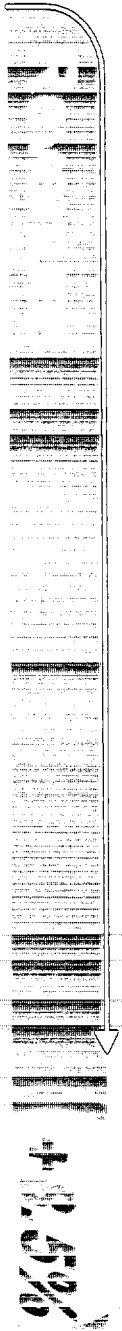


Good operating  
performance

Sound operating figures

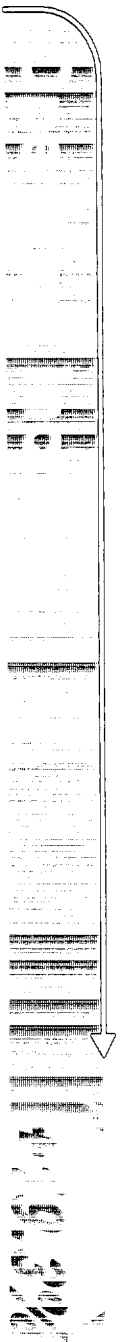
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*Pro forma accounts:  
robust, profitable growth*



**EBITDA**

**+12.5%**



*Strong operating performance in 2001*

**+9.3%**

# Group highlights (1)

Euros in billions

	2000	2001	%01/00
Revenues	33.67	43.03	+ 27.8
EBITDA	10.81	12.32	+ 14.0
Operating income	4.86	5.20	+ 7.1

Income

before amortization of goodwill  
& non-recurring provisions

4.75

4.99

+ 5.7

# Group highlights (2)

Euros in billions

	2001
Income before amortization of goodwill & non-recurring provisions	5.02
Amortization of recurring goodwill	- 2.53
Amortization of non-recurring goodwill	- 0.56
Income before non-recurring provisions	1.93
Non-recurring provisions	- 10.21
Net income	- 8.28



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France Telecom  
accounts  
are healthy

*Non-recurring  
provisions*

# Telecom Argentina

On December 21, 2001, the Argentine government decided to end parity between the peso and the US dollar.

The inevitable debt restructuring (debt equity swap) will lead France Telecom and Telecom Italia to loose control on the business and must therefore account for Telecom Argentina under the equity method. (\*)

In view of the risk of dilution of France Telecom's holding, it is considered prudent to write down the total value of the company in the accounts:

- Amortization of goodwill: ~ 0,2 bn euros
- Equity value: ~ 0,2bn euros

(\*) France Telecom holds 50% of Nortal and 14% of Telecom Argentina

*Consequences of the devaluation of the peso*

# Equant (CVR)

When it acquired Equant, France Telecom issued CVRs to minority shareholders to compensate for not having purchased the entire capital stock

In July 2004, France Telecom will repay the difference, up to a maximum of 15 euros, between 60 euros and the Equant share price

As a prudent accounting measure, France Telecom is now taking a charge that covers maximum risk (2.1bn euros)

*Emphasis on caution, although the fall in Equant's share price is clearly excessive*

# NTL (1)

New strategic  
shareholder  
emerges

Cash injection  
+ synergies

Debt  
reduction

Negotiation  
with the  
bondholders

New  
shares

Restructured NTL

New shares  
(debt/equity swap)

Cash flow high and rising  
Debt greatly reduced

Strong potential for recovery  
in value of NTL

France Telecom should benefit from a potential return  
to better fortunes through the new securities  
which it will obtain after restructuring



# NTL (2)

Total write-down of NTL ordinary shares

Value of convertible preferred shares adjusted to market value (35%)

Overall net impact on France Telecom's accounts: 4.6bn euros (0.8bn euros in H1 2001 and 3.8bn euros in H2 2001)

Residual exposure: 1.8bn euros on a company de-leveraged and whose income is growing strongly

*NTL: prospects for recovery*

# MobilCom (1)

France Telecom has undertaken to support Mobilcom in its financing, if required, for its UMTS operations until the commencement of UMTS

The "fundamental matters" of this agreement must be approved by Orange:

- ↳ Business plan
- ↳ Budget
- ↳ Investments
- ↳ Articles of incorporation, etc.

In the event of continuing disagreement between Orange and G. Schmidt, on any of the fundamental matters, Orange is entitled, after a mediation process, to impose its solution

In this case, G. Schmidt has the right to sell his shares to Orange at a price determined by independent experts

*An agreement geared toward 3G*

# MobilCom (2)

Since the agreement was signed with MobilCom in March 2000, the German wireless market has changed considerably:

- 6 players, 2 of which currently control 80% of the market
- It will be very difficult for the 4 other players, holding the remaining 20%, to achieve a reasonable level of profitability
- this makes consolidation inevitable, resulting in a market of 3 or 4 players within 2 years

France Telecom therefore believes it is in MobilCom's interests:

- to fulfil its investments to resetting the minimum obligations under the license, pending consolidation in the industry
- to sign a network sharing agreement with the other operators
- to participate actively in the consolidation process by initiating discussions with the other operators

*An inevitable consolidation process*

# MobilCom (3)

Status quo (Orange retains its 28.3% stake):

- ↳ Change in top management
- ↳ Adoption of a strategic vision suited to market realities

G. Schmid agrees with our interpretation and exercises his put option:

- ↳ France Telecom/Orange include MobilCom in their consolidated accounts
- ↳ France Telecom/Orange apply the same strategic vision (minimum investment, active pursuit of market consolidation)

Continuing dispute over how to interpret the agreements between France Telecom/Orange and G. Schmid:

- ↳ France Telecom/Orange refer the case to the courts
- ↳ Agreements suspended during the proceedings

*France Telecom/Orange will not finance an unapproved business plan*

# MobilCom (4)

France Telecom/Orange believe that their maximum debt risk would be in the region of 6 to 7 billion euros

This exposure corresponds to MobilCom's current debt and to minimum investments over the next 18 months, pending consolidation of the German market

Whatever the final scenario, the way the potential charge is to be shared between France Telecom and Orange will be decided in a fair manner by independent investment banks appointed by the non-executive members of both Boards of Directors ( "fairness opinion ")

If the sector undergoes consolidation, the shareholders of MobilCom, including France Telecom/Orange, will be diluted in a vast, more viable entity

*France Telecom/Orange's exposure on MobilCom is limited to 6 to 7 billion euros*

# MobilCom (5)

Book value of securities (Oranges accounts):

3.3bn euros

Write-downs (Group share):

Proportional to Oranges stake (84 .2%)

2.7bn euros

France Telecom shareholder loan

0.5bn euros

3.2bn euros

Taking the UMTS situation  
in Germany into account

# Non-recurring provisions

Euros in billions

MobilCom	- 3.19
NTL	- 4.58
Equant (CVG)	- 2.08
Telecom Argentina	- 0.36

Total

- 10.21

# Goodwill

When a company is bought out, its assets and liabilities are included in the accounts of the acquiring company

The excess of the purchase price of the securities over the fair value of the acquired company's net assets is recorded in the consolidated accounts as "goodwill" in the case of fully or proportionately consolidated companies.

Goodwill is generally amortized over a period of 20 years

The consolidated accounts regularly compare the value of the acquired company to its fair value.

The following criteria are used to determine fair value

- ↳ discretionary cash flow
- ↳ if the various other advantages expected at the time of the acquisition, such as synergies made possible by incorporating the acquired company into the consolidated group's operations

If the fair value turns out to be lower, a special amortization provision is charged to the accounts

*France Telecom  
applies common European accounting standards*



# From income before non-recurring provisions to net income

Euros in billions

**2007**

Income before goodwill amortization & non-recurring provisions **5.0**

Amortization of recurring goodwill **-2.5**

Amortization of non-recurring goodwill **-0.6**

Income before non-recurring provisions **1.9**

MobilCom **-3.2**

NTL **-4.6**

EQUANT (CVR) **-2.1**

Telecom Argentina **-0.4**

All other **-1.3**

Assets readjusted to fair value


# 2001 Dividend

The France Telecom Board Meeting of March 20, 2002 adopted a draft resolution (to be put to the Annual General Meeting on May 28th) offering shareholders the option of receiving dividends either in shares or in cash

Payment in shares will be made through a capital increase confined to this operation

The French State has indicated that it will be opting for share dividends and will be keeping its new shares

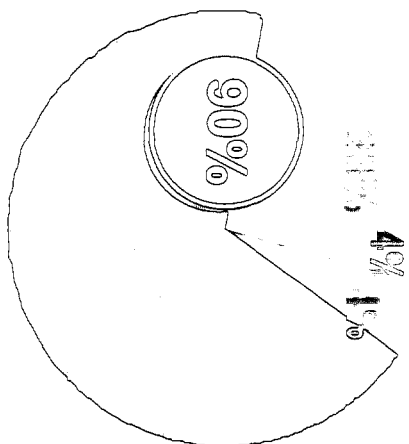
*Dividend maintained at 1euro per share*



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# France Telecom in 1996



## Business areas

- Orange
- Wanadoo
- Fixed-line, voice & data services outside France
- Fixed-line, voice & data services in France
  - of which, fixed-line telephony (67%)

800m euros

## International

- International revenues
- Revenues France

1996 revenues  
22.9bn euros

A Group focused on France and fixed-line telephony

## *Our strategic aims*

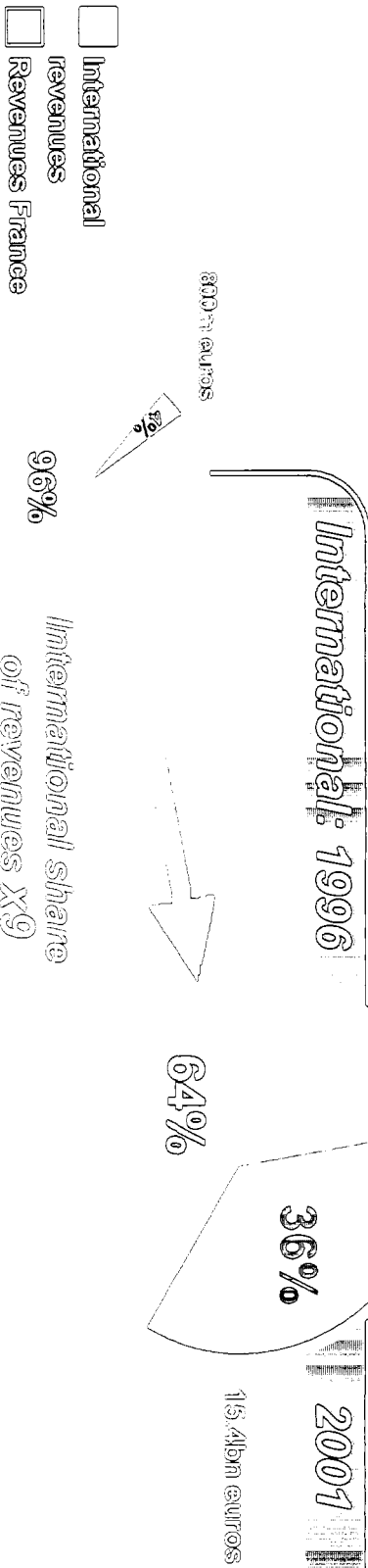
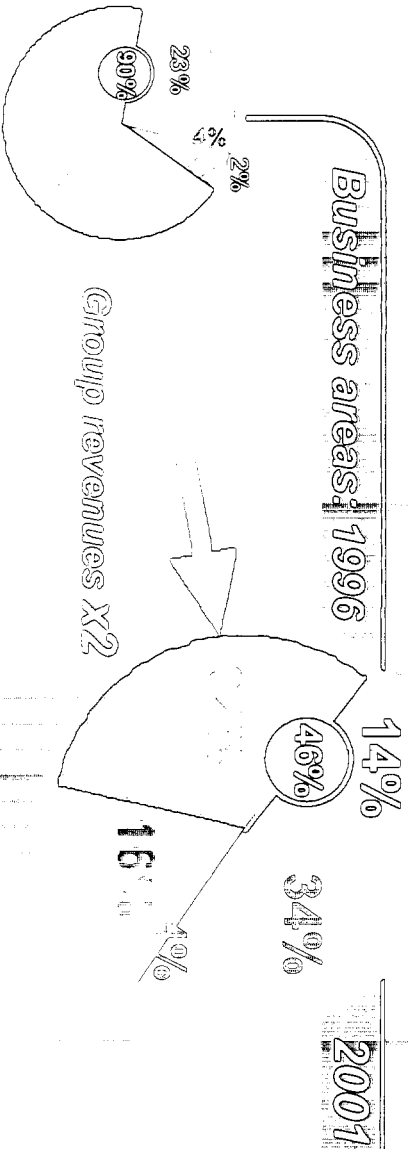
Achieve growth by focusing on the new telecom segments (wireless, Internet)

Become a pan-European operator in those new business areas

Provide global services to multinational corporations

# Transformation of France Telecom

- Orange
- Wanadoo
- Fixed-line, voice & data services outside France
- Fixed-line, voice & data services in France of which, fixed-line telephony



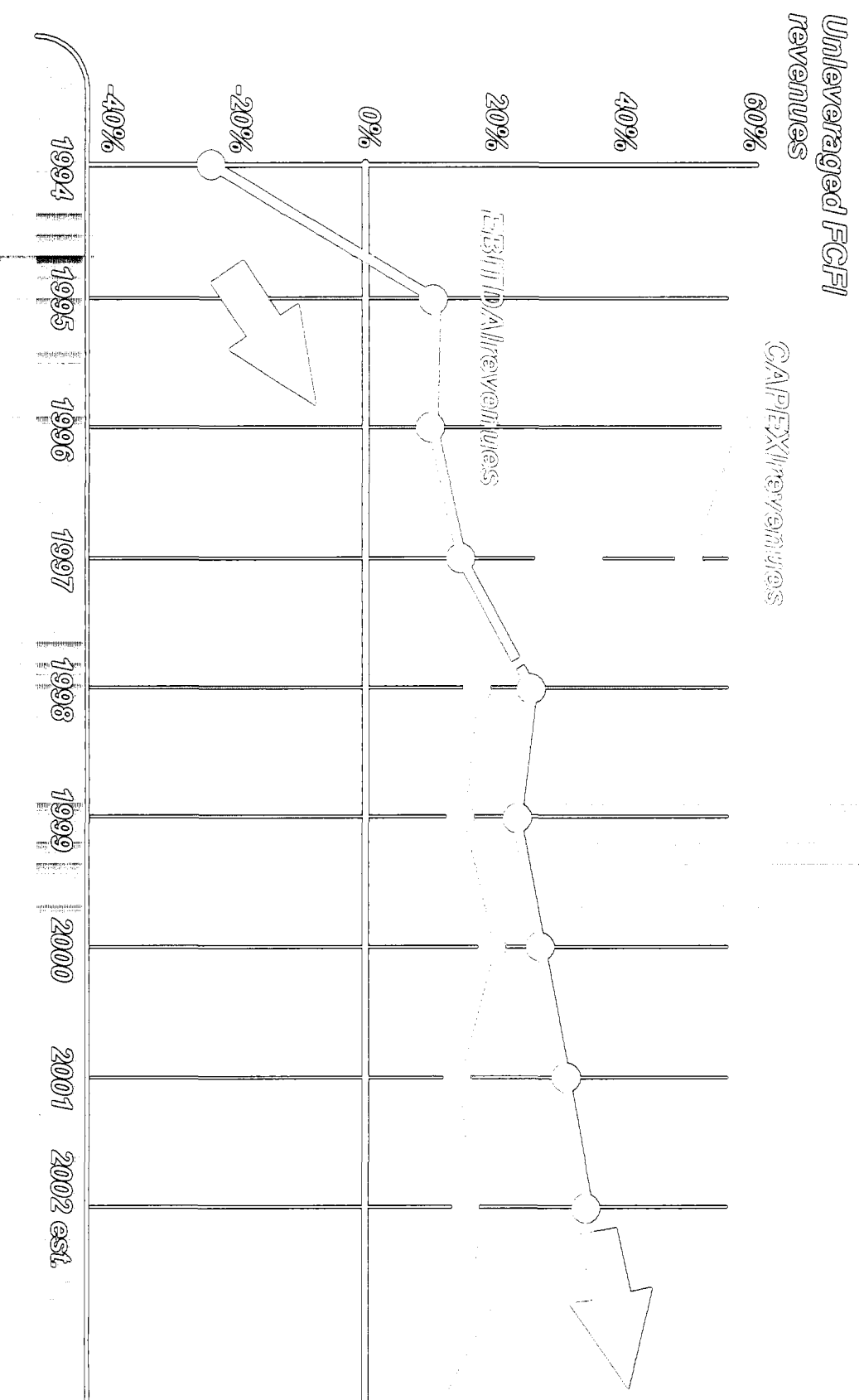
The portfolio of the Group has been renewed within 5 years

# France Telecom: the best placed operator among its peers

Telephony (and other)

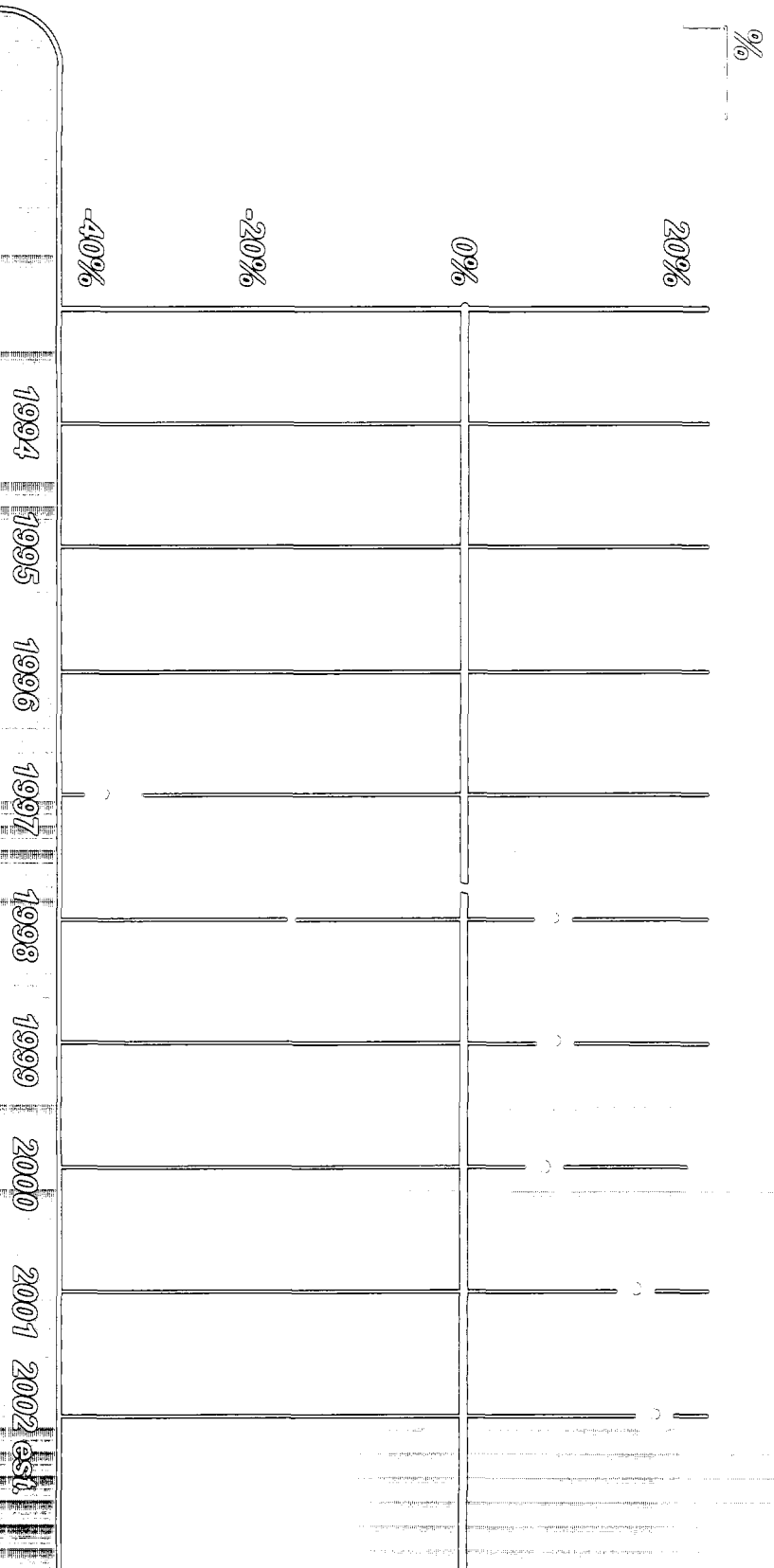
Year	France Telecom	Average for peers (BT, DT, TEF, TI)
1999	1999	1999
2000	2000	2000

# Business model in one of the new areas: Orange France





# Business model in one of the new areas: Orange France



# Transformation of France Telecom

Telephony in France

New fixed-line offerings  
in France

New business areas  
(France and international)

- Wireless
- Internet

A stronger performer than the other  
European incumbents

# A stable base for free cash flow: fixed-line services in France

**REVENUES**

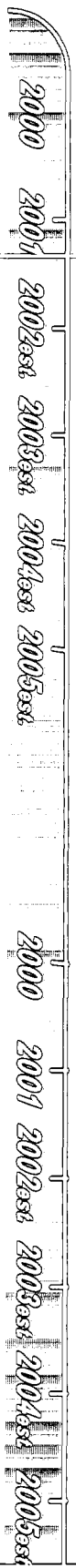
Euros  
In billions

Growth of new business areas  
High incremental  
profitability

ADSL access  
in data

Productivity

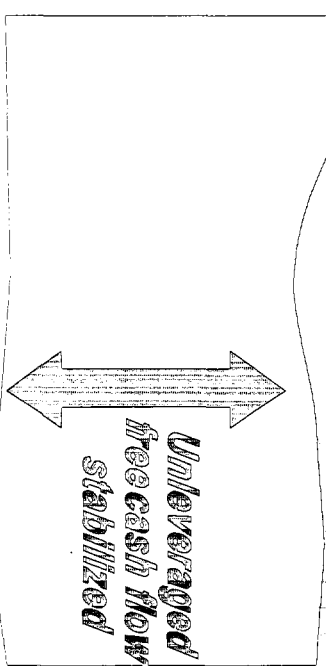
Profitability maintained due  
to gains in productivity  
and network streamlining



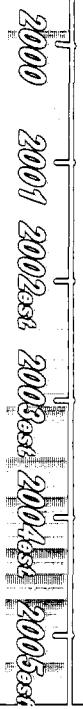
**FIXED-LINE &  
OTHER SERVICES IN FRANCE**

In %

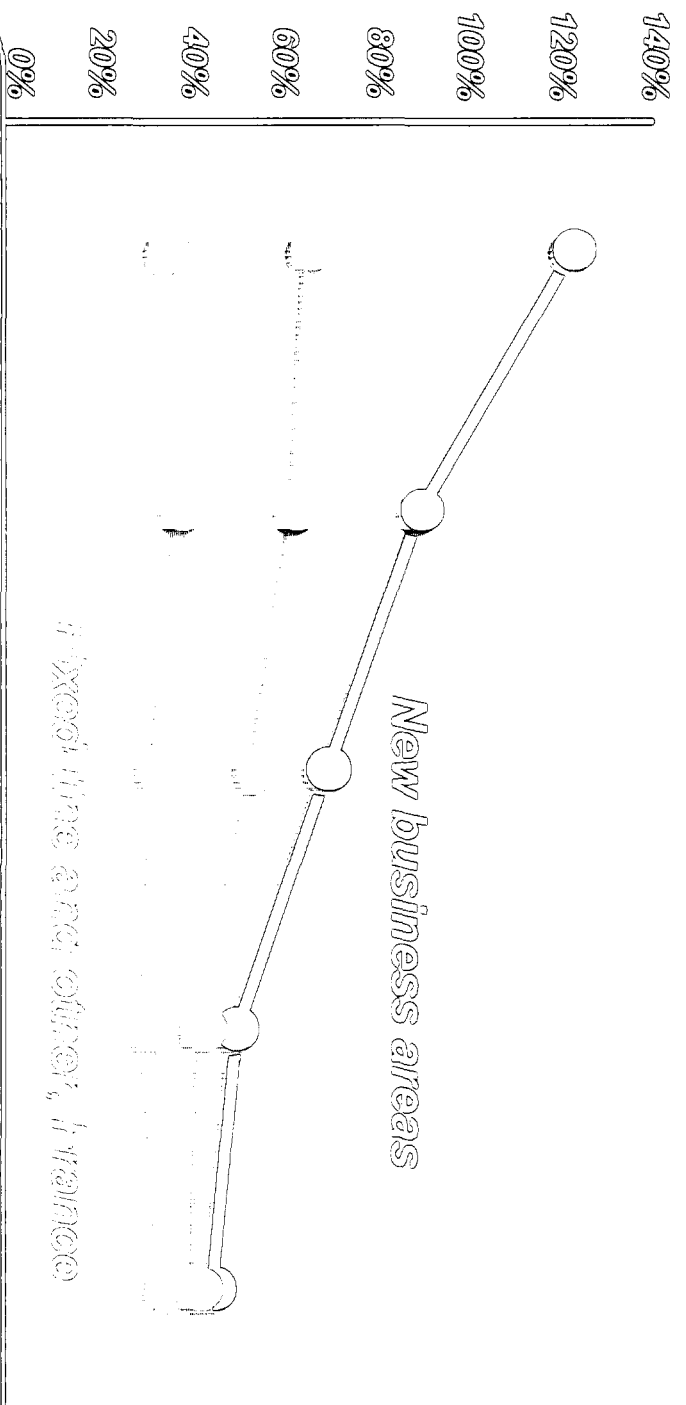
EBITDA/revenues



Unleveraged  
free cash flow  
stabilized

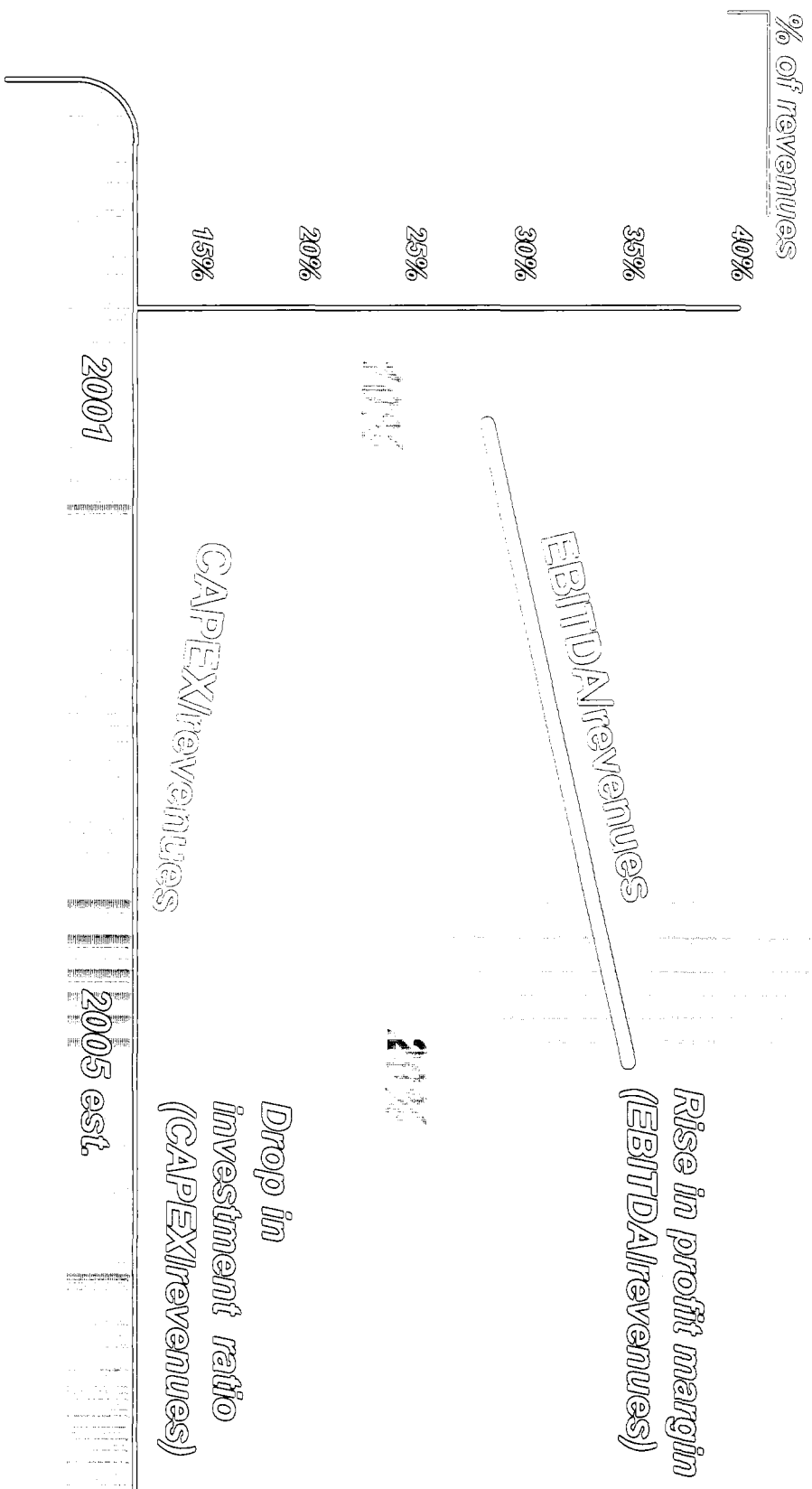


*Our new business areas, at maturity, generate substantial unleveraged free cash flow*



*CAPEX/EBITDA ratio: new areas converging with fixed-line business*

*Our new business areas, at maturity, generate substantial unleveraged free cash flow*

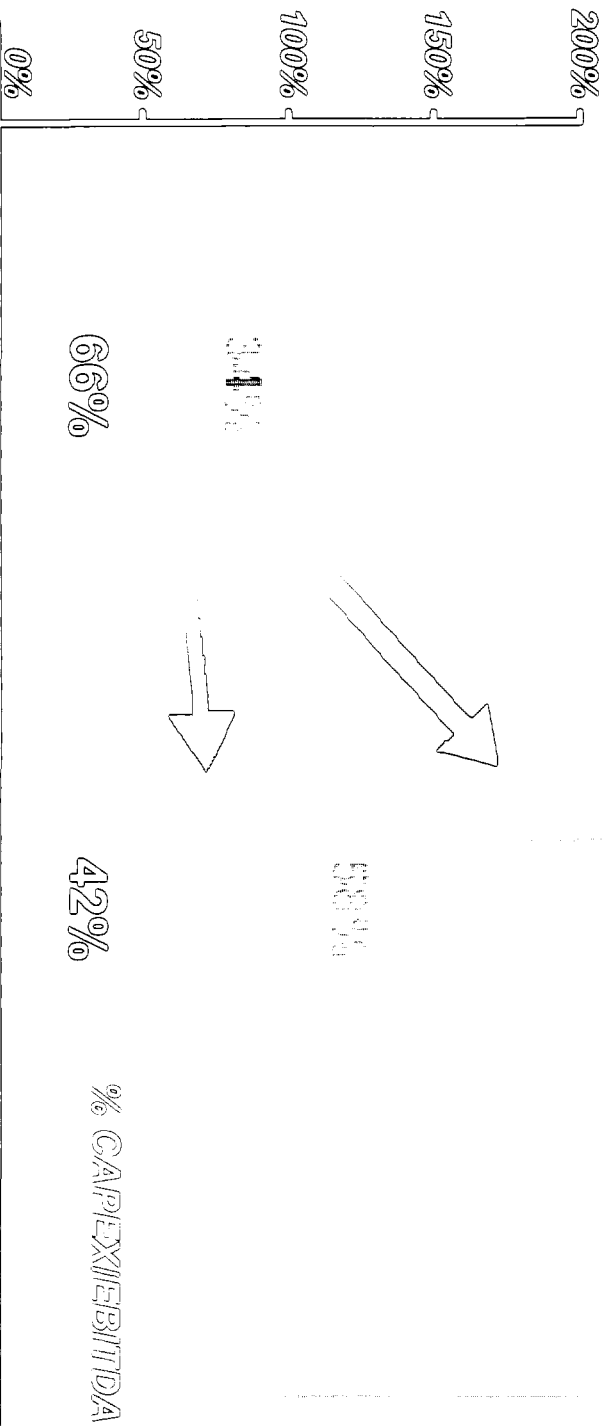


*Rise in profit margin (EBITDA/revenues)*

*Drop in investment ratio (CAPEX/revenues)*

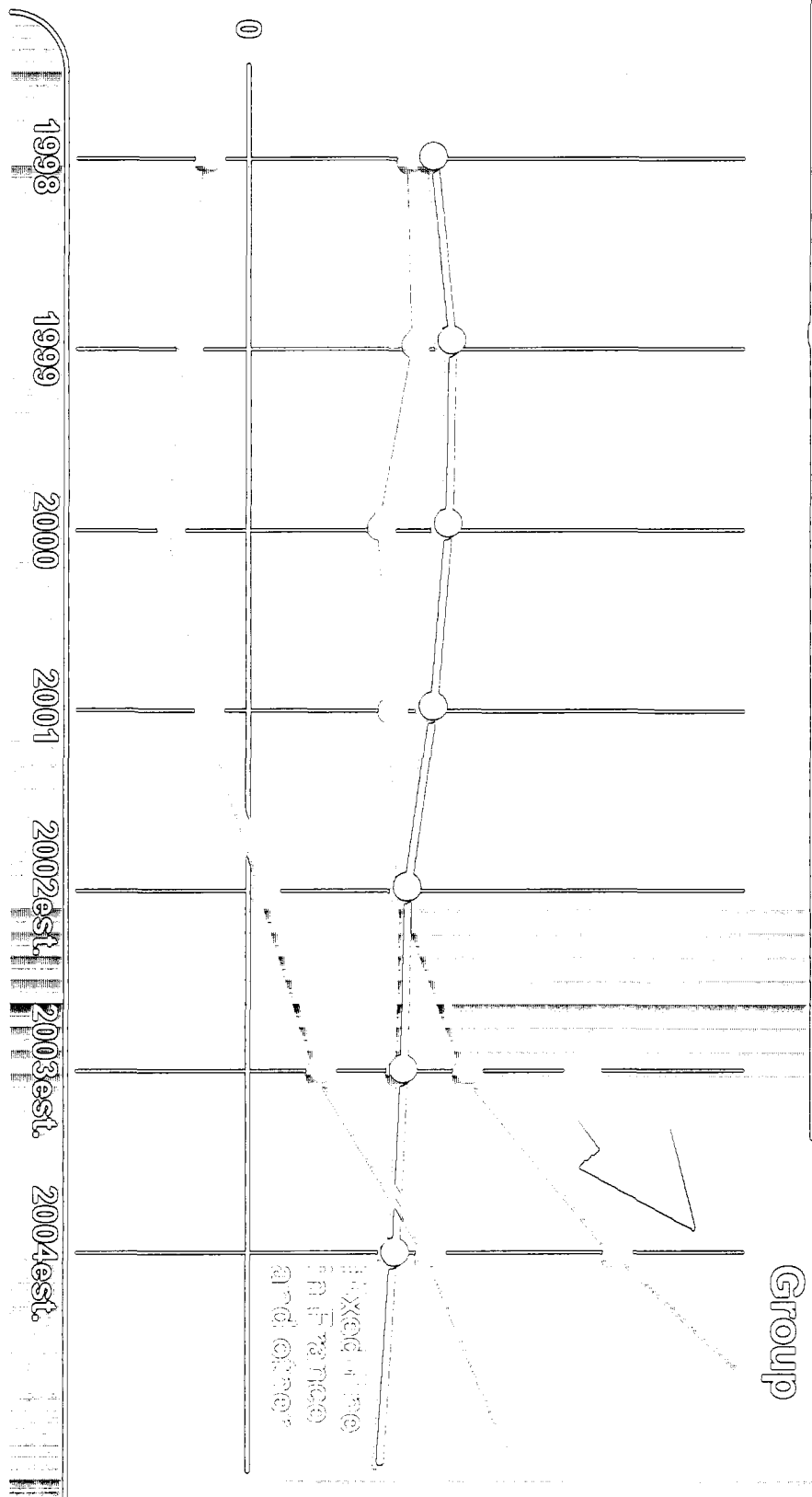
*The profit margin rises, while the CAPEX ratio decreases*

# Strong growth in unleveraged FCF: a powerful boost to financing



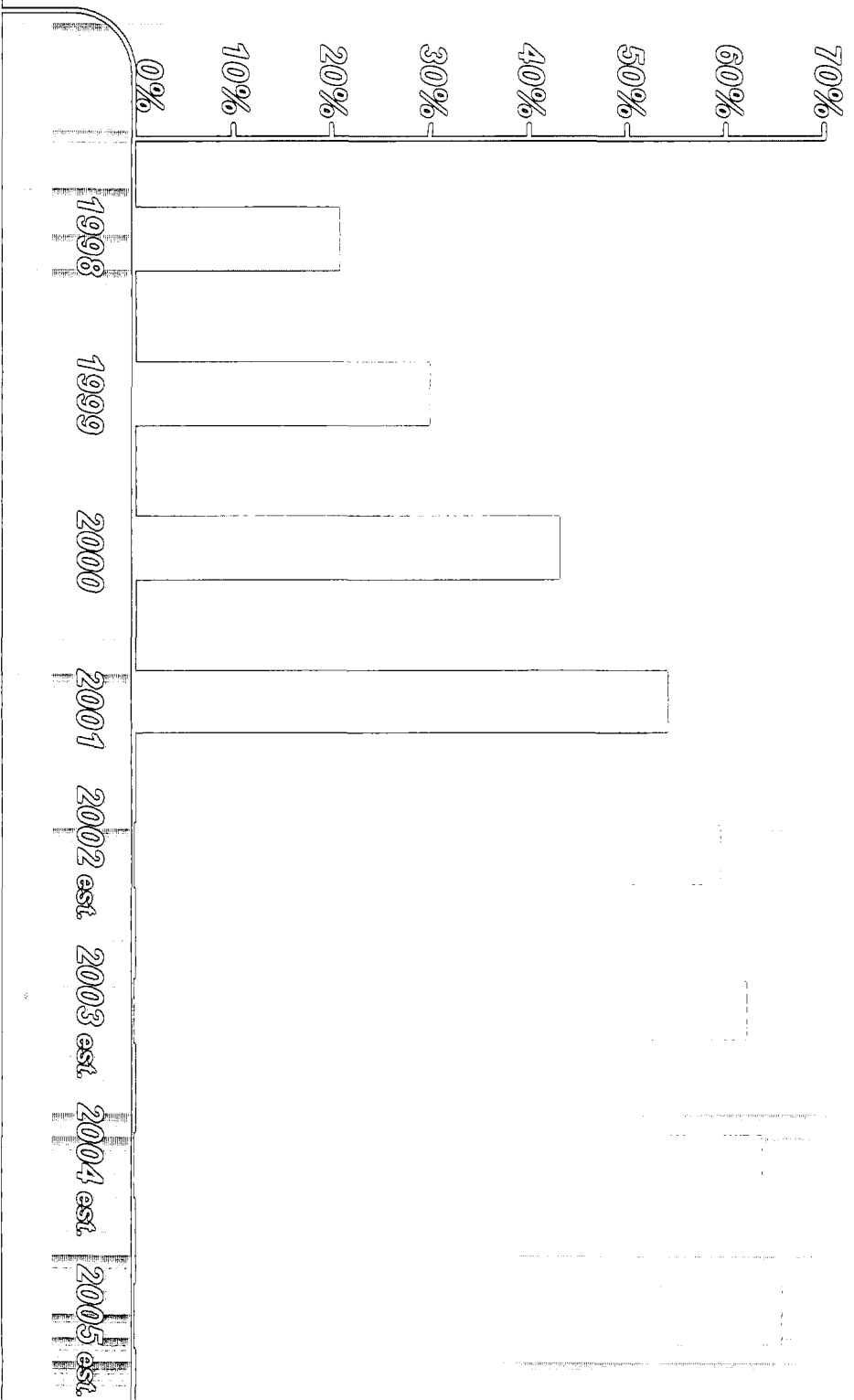
Substantial medium-range improvement in unleveraged FCF

# Surge in unleveraged free cash flow

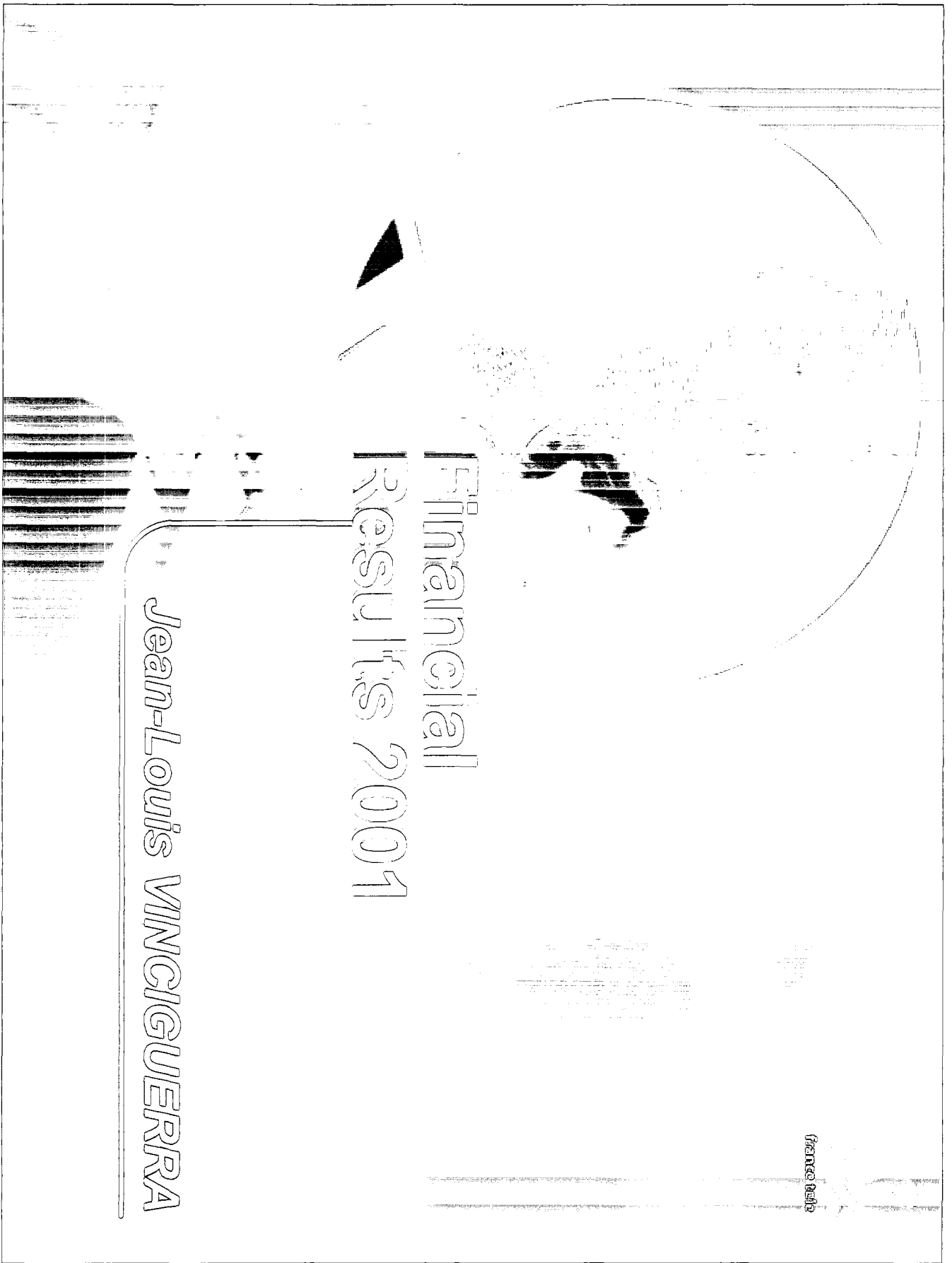


Faster pace from 2002, thanks to new business areas

# *New business areas now the largest component in revenues*







# Financieel Result's 2001

*Jean-Louis VINCIGUERRA*

Financo Bank

# Group highlights

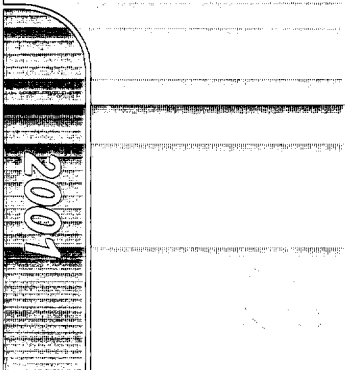
Euros in billions

	2000	2001	% 01/00
Revenues	33.67	43.03	+27.8
EBITDA	10.81	12.32	+14.0
Operating income	4.86	5.20	+7.1
Income before amortization of goodwill & non-recurring provisions	4.75	5.02	+5.7

EBITDA growth in line with forecasts

# Group highlights

Euros in billions



Income before amortization of goodwill & non-recurring provisions

5.02

Amortization of recurring goodwill

-2.53

Amortization of non-recurring goodwill

-0.56

Income before non-recurring provisions

1.93

Non-recurring provisions

-10.21

Net income

-11.28

Assets readjusted to fair value



# Business Segment analysis

FRANCO ROLLO

# Business segment analysis in 2001

	Euros in billions		Fixed-line voice & data in France	Fixed-line, voice & data outside France	Consolidated Group
	Orange	Wanadoo			
Revenues from the segment (*)	15.09	1.56	23.23	7.38	43.03
EBITDA	3.20	-0.06	7.50	1.17	12.32
Operating income	1.44	-0.15	4.46	-0.25	5.41
CAPEX (**)	3.36	0.11	2.72	1.91	8.10
Unleveraged free cash flow	-0.07	-0.17	3.14	-0.15	4.22
UMTS licenses	0.87				0.87

(\*) Before intra-Group eliminations

(\*\*) Excluding UMTS licenses

Considerable FCF maintained in "Fixed-line, voice and data services in France," first positive free cash flow for Orange



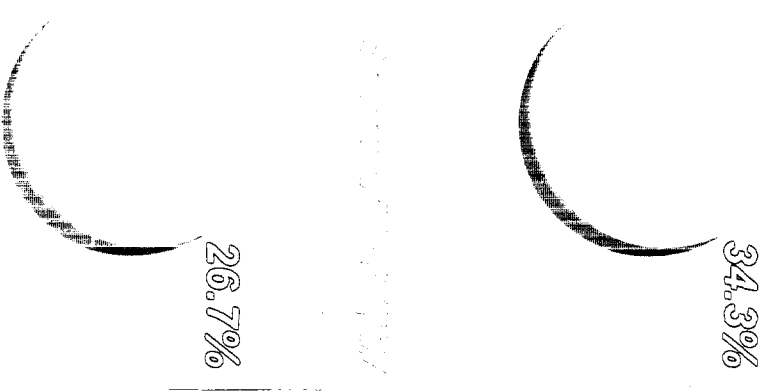
# Business segment analysis

ORANGE

Orange beta

# Orange - historical highlights for the segment

Share of revenues  
after intra-Group  
eliminations



Euros in billions

	2000	2001	% change
Revenues	9.03	15.09	+67.2%
EBITDA	1.07	3.29	+97.1%
D & A	-1.04	-1.85	+78.6%
Operating income before special items	0.63	1.44	+127.5%
CAPEX excluding licenses	2.45	3.36	+37.0%
Undeveloped cash flow	-0.78	-0.07	
Licences UMTS (*)	7.07	0.87	ns
(*) Fees paid			

Strong growth in EBITDA and operating income

# Orange – pro forma highlights for the segment

Share of revenues  
of other Orange Group  
operations

34.3%

Euros in billions

Revenues  
of which, network revenues

EBITDA

of which, SAGs as a % of  
network revenues

D & A

Operating income  
before special items  
as a % of network revenues

CAPEX  
excluding licenses

UMTS licenses

UMTS licenses

	2000	2001	% change
Revenues	12.06 10.23	15.09 13.43	+25.1% +31.3%
EBITDA	4.77 4.1%	6.29 4%	+36.3%
of which, SAGs as a % of network revenues	23%	15%	
D & A	1.38	1.85	+33.7%
Operating income before special items as a % of network revenues	0.39 4%	1.44 11%	+276.0%
CAPEX excluding licenses	3.36	3.36	ns
UMTS licenses	7.07	0.87	-87.6%

An increase of 7 points in pro forma EBITDA margin



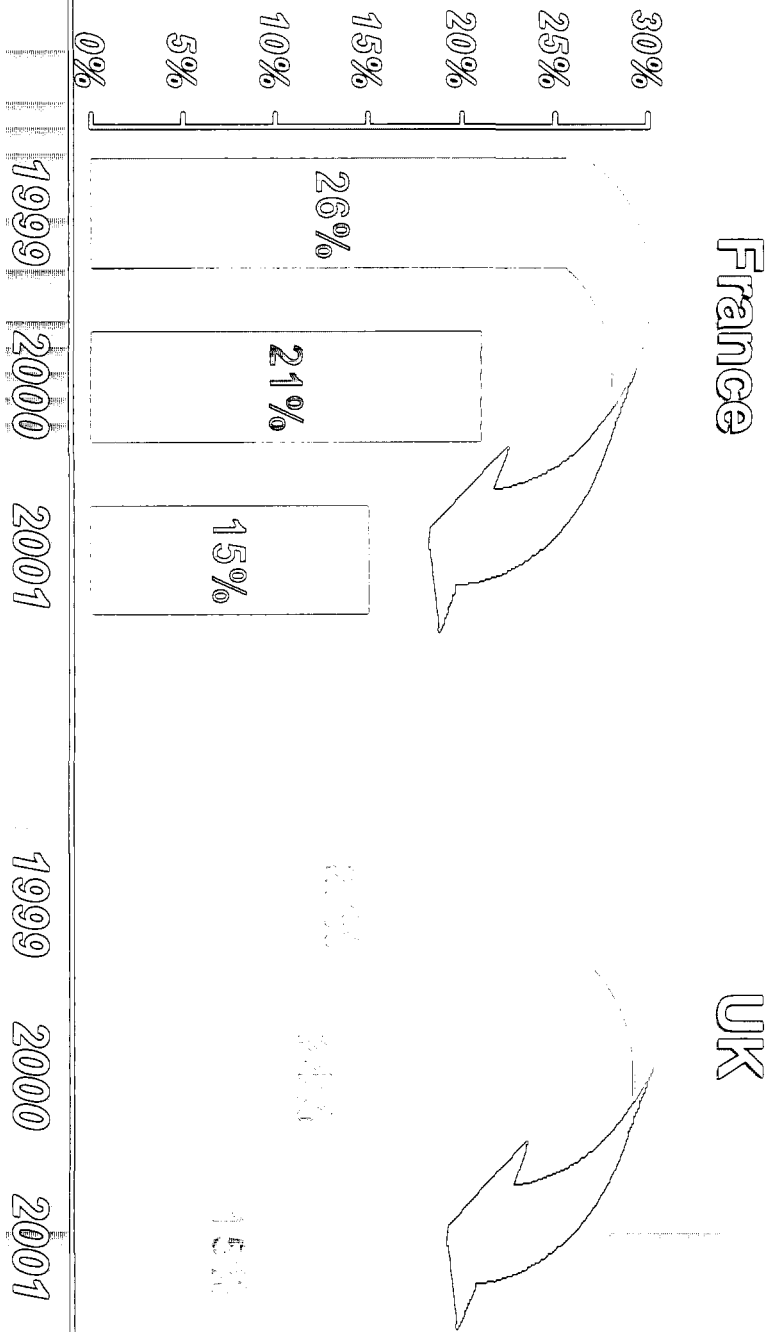
# Orange - EBITDA margin by business sub-segment

Euros in billions

	France	UK	Rest of World (*)
Revenues	6.88	5.34	2.87
of which, network revenues	6.23	4.59	2.01
EBITDA	2.14	1.28	0.17
as a % of network revenues	35%	28%	7%
SAGS of which, SAGS as a % of network revenues	0.92 15%	0.70 15%	0.41 18%
D & A	0.56	0.67	1.02
Operating income before special items as a % of network revenues	1.62 26%	0.61 13%	0.00 0%
CAPEX, excluding licenses	0.83	1.27	1.31
Depreciation and amortization	1.11	0.01	1.47
UMTS licenses	0.62	0	0.23
(*) Including structure costs			

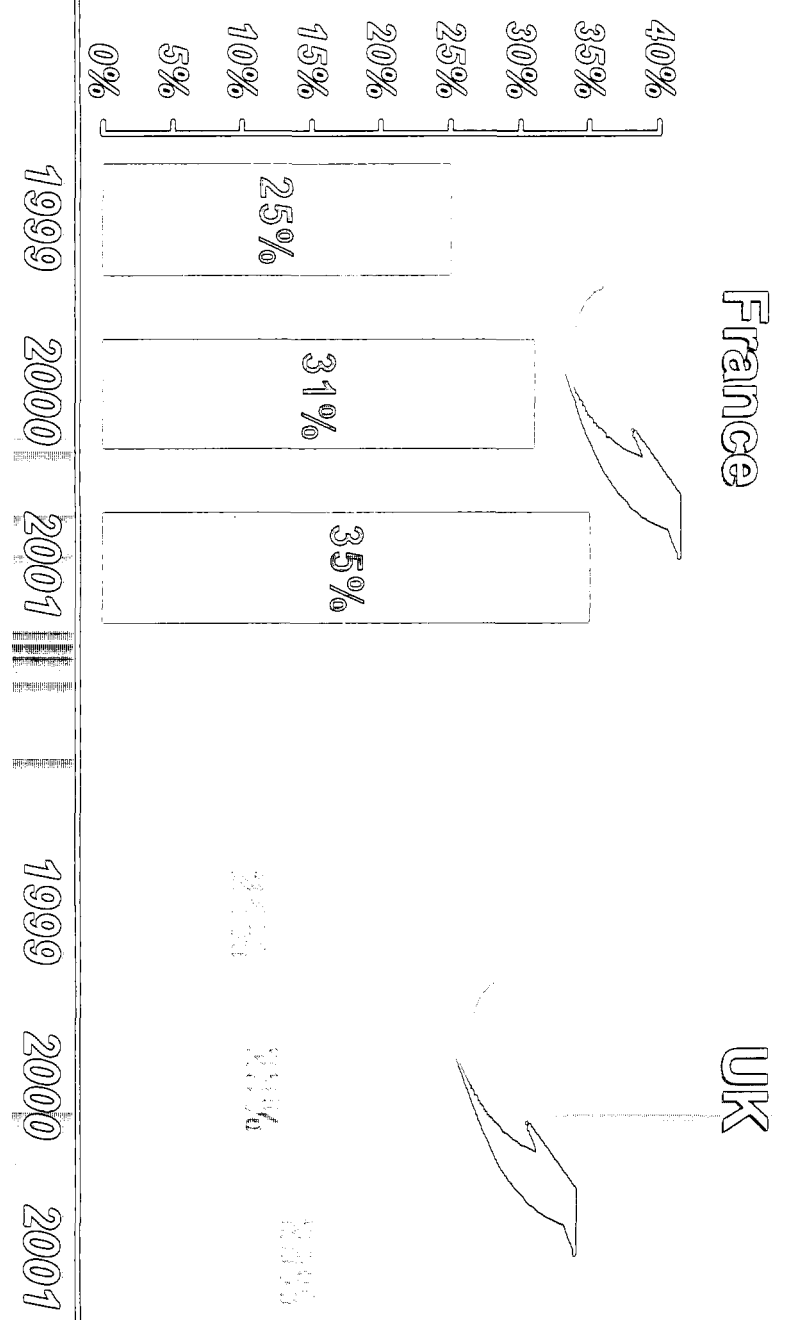
35% EBITDA margin in France, positive FCF in France & UK

# Orange - EBITDA margin by major business sub-segment



Steeply declining SACs

# Orange - EBITDA margin by major business sub-segment



Rising profit margins (France & UK)

GEORGE BENT

# Business segment analysts

# WANADOO

# Wanadoo - historical highlights for the segment

Share of revenues after linear Growth optimizations

3.4%

Euros in billions

Revenues

EBITDA

As a % of revenues

D & A

Operating income before special items  
As a % of revenues

CAPEX

Share of revenues from  
fixed line

	2000	2001	% change
Revenues	1.11	1.56	+40.7%
EBITDA	-0.07	-0.06	+14.4%
As a % of revenues	-5%	-4%	
D & A	-0.06	-0.09	-43.4%
Operating income before special items	-0.13	-0.15	-18.8%
As a % of revenues	-12%	-10%	
CAPEX	0.10	0.11	+15.4%
Share of revenues from fixed line	-0.11	-0.15	

-0.5%

Towards positive EBITDA in 2002

# Wanadoo - Leading business indicators

Division	Indicator	2000	2001	%
Access (1), (2)	Active customers (millions)	2,440	6,067	+149%
of which, broadband	ADSL and cable (thousands)	143	545	+281%
Portals (3)	Pages viewed (millions per month)	528	1,288	+144%
e-Merchant	Orders per month on alapage.com	83,000	201,833	+143%
Directories	Advertisers on pagesjaunes.fr	135,000	201,660	+49%

- Consolidation scope includes France, Belgium, Morocco, Netherlands and Spain at December 2000, plus the UK as of December 2001
- Includes Freeserve subscribers active in the previous 30-day period
- Portals in France excluding kompass.fr and Ridlingzone in December 2000 and including the UK as of December 2001

Sharp increase in the number of active customer



# Business segment analysis

*Fixed-line, voice and  
data services in France*

france bells

# Fixed-line, voice and data services in France

## Historical highlights for the segment

Share of revenues  
after intra-Group  
eliminations

46.1%

Euros in billions

Revenues

	2000	2001	Var. %
Revenues	20.79	23.23	+11.7%

EBITDA

As a % of revenues  
As a % of previous revenues

EBITDA	3.44	7.30	-2.0%
As a % of revenues	31%	31%	
As a % of previous revenues	34%	34%	

D & A

D & A	-3.52	-3.45	-2.0%
-------	-------	-------	-------

Operating income  
before special items

As a % of revenues

Operating income before special items	4.63	4.46	-3.7%
As a % of revenues	22%	19%	

CAPEX

CAPEX	2.36	2.72	+15.0%
-------	------	------	--------

64.1%

Unleveraged free  
cash flow

Unleveraged free cash flow	5.73	8.77	
----------------------------	------	------	--

EBITDA margin stable



# Fixed-line, voice and data services in France Revenues after intra-Group eliminations

Euros in billions	2000		2001		Comparable figures (*)
	2000	2001	% change		
Fixed-line telephony	13.15	13.84	+5.3%	-5.0%	
Corporate networks	2.43	2.68	+10.6%	+10.6%	
On-line services	0.79	0.93	+18.4%	+18.4%	
Broadcasting and cable TV	1.01	1.06	+4.8%	+4.8%	
Other	1.29	1.32	+2.6%	+2.6%	

Total fixed-line telephony and  
data services in France

13.00

13.83

+6.4%

+6.4%

(\*) After restatement of license reversion

Decline in fixed-line telephony offset by expanded  
business from corporate networks and on-line services

# *Fixed-line, voice and data services in France: growth boosters*

## Transformation of corporate Information Systems

### Extremely strong growth in data and IP networks

→ +19% in revenues in 2001; +207% in volume

### Surging bandwidth

→ 75% growth in broadband-enabled sites  
(from 65,000 to 115,000)

→ Target: twice as many in 2002

### Internet data services spreading among SMEs

→ SMEs: 81% of work stations connected to Internet (65% at end 2000)

## *Data services as growth booster*

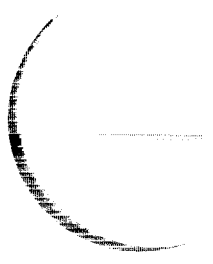
# Business Segment analysis

*Fixed-line, voice  
and data services  
outside France*

# Fixed-line, voice and data services outside France Historical highlights for the segment

Share of revenues after intra Group eliminations

16%



Euros in billions

Revenues

	2000	2001	% Change
Revenues	5.94	7.38	+24.4%

EBITDA

As a % of revenues

EBITDA	1.04	1.17	+12.6%
As a % of revenues	17%	16%	

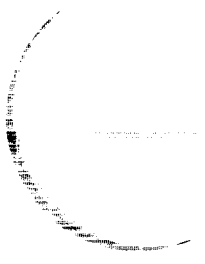
D & A

D & A	-1.07	-1.42	+31.8%
-------	-------	-------	--------

Operating income before special items  
As a % of revenues

Operating income before special items	-0.03	-0.25	ns
As a % of revenues	-1%	-4%	

9.5%



CAPEX

CAPEX	2.34	1.91	-18.5%
-------	------	------	--------

Adjusted EBITDA  
As a % of revenues

Adjusted EBITDA	-1.30	-0.75	
As a % of revenues	-22%	-10%	

Expanding business and improved unleveraged FCF

# Fixed-line, voice and data services outside France

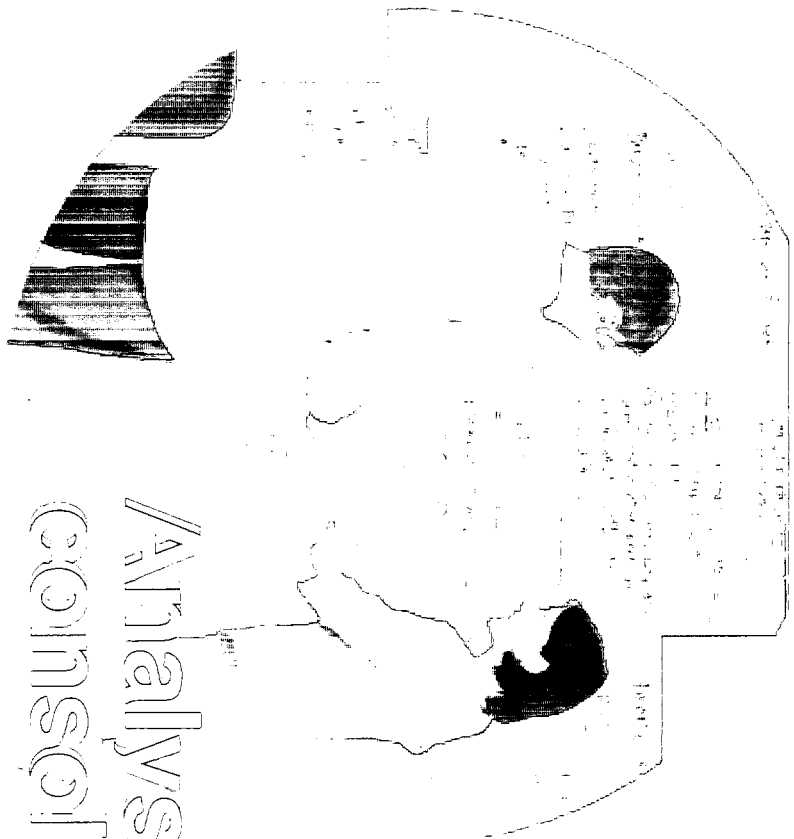
Euros in billions

	2000	2001	Var. %
Revenues	2.73	3.06	+12.1%
EBITDA, adjusted (*) As a % of revenues	-0.18 -7%	-0.01 0%	ns
D & A	0.34	0.45	+34.8%
Operating income, adjusted (**) As a % of revenues	-0.51 -19%	-0.46 -15%	-10.4%

(\*) Excluding expenses related to the employee profit-sharing plan, non-recurring and special items

(\*\*) Pro forma = Global One and Equant on a full-year basis

Strong growth in EBITDA (positive as of Q4 2001)



*Analysis of  
consolidated results*

FRANK BELL

# Pro forma operating figures (\*)

Euros in billions

	2000	2001	% change
Revenues	39.66	43.03	+8.5%
COGS	-16.79	-17.62	+4.9%
As a % of revenues	42.3%	40.9%	
SG & A	-11.54	-12.52	+8.5%
As a % of revenues	29.1%	29.1%	
R & D	-0.43	-0.57	+32.8%
As a % of revenues	1.1%	1.3%	
EBITDA	10.90	11.34	+4.1%
As a % of revenues	27.5%	26.3%	
Depreciation	-6.32	-6.91	+9.4%
As a % of revenues	15.9%	16.1%	
Special items	-0.22	-0.21	-6.7%
As a % of revenues	0.6%	0.5%	

Operating profits  
As a % of revenues

4.3%

5.2%

+20.3%

(\*) Figures for 2000 recalculated based on the consolidation scope at 31/12/2001

Operating income has grown twice as fast as revenues

# From EBITDA to operating income on a historical basis

Euros in billions

	2000	2001	Var. %
<b>EBITDA</b>	10.81	12.32	+14.0%
As a % of revenues	32.1%	28.6%	
<b>D &amp; A</b>	-5.73	-6.91	+20.7%
<b>Special items</b>	-0.22	-0.21	-6.7%

<b>Operating income</b>	4.86	5.20	+7.1%
As a % of revenues	14.7%	14.1%	

Higher depreciation due to the entry of high-growth businesses into our consolidated accounts



# From operating income to net income, before non-recurring provisions

Euros in billions

	2000	2001
<b>Operating income</b>	<b>4.9</b>	<b>5.2</b>
Net interest expense	-2.0	-3.8
Changed actuarial cost of early retirement plan	-0.2	-0.2
Exchange losses, net	-0.1	-0.3
Other non-operating income, net	+4.0	+3.5
Income tax	-1.3	+1.4
Employee profit-sharing	-0.1	-0.1
Equity in net income of affiliates	-0.3	-0.7
Minority interest	-	0.2
<b>Income before goodwill and non-recurring provisions</b>	<b>+4.0</b>	<b>+3.3</b>

Net income before goodwill and non-recurring provisions has remained stable

## *From operating income to net income, before non-recurring provisions*

### **Pre-tax gains and losses on disposal of assets**

- ↳ STMicroelectronics (4.4%): 1.07 bn euros
- ↳ Real estate: gain of 0.71 bn euros
- ↳ SEMA Group (16.9%): gain of 0.40 bn euros
- ↳ Sprint From (9.9%): gain of 0.2 bn euros (net of foreign currency translation adjustment)

### **Profits from equity dilution**

- ↳ Wamadoo: 1.09 billion euros (stock purchase of Freserve)
- ↳ Wind: 0.93 billion euros (Infostrada acquisition-merger with Wind stock)

**Over 2 billion euros in gains on disposal of assets**

*From operating income to net income,  
before non-recurring provisions*

*Euros in billions*

**2007**

Current Group taxation

-0.8

Carry-back

+1.6

Deferred Group taxes

+0.6

Total before tax effect of  
non-recurring provisions

-1.4

Tax effect of non-recurring provisions

+1.5

Total

+0.1

*Sharp drop in current taxes*

# From operating income to income before non-recurring provisions

Euros in billions

	2000	2001
Wind	-0.25	-0.36
MobilCom	-0.04	-0.18
Bitco		-0.06
Intelig	-0.10	-0.05
FT1CI / STMicroelectronics	+0.18	
Others	-0.07	-0.06

Total

Start-up of new business areas

# From income before non-recurring provisions to net income

Euros in billions

2007

Income before goodwill amortization & non-recurring provisions	5.0
Amortization of recurring goodwill	-2.5
Amortization of non-recurring goodwill	-0.6
Income before non-recurring provisions	1.9
MobilCom	-3.2
NTL	-4.6
EQUANT (CVR)	-2.1
Telecom Argentina	-0.4
Non-recurring provisions	-3.3

Assets readjusted to fair value

## *Amortization of recurring goodwill*

Orange UK and subsidiaries (Wind, Mobicom, OCSA)

→ 1.6 billion euros

Equant/global One

→ 0.4 billion euros

Manadoo and subsidiaries (Freaserve, etc.)

→ 0.2 billion euros

TPSA

→ 0.1 billion euros

**Overall impact: 2.5 billion euros**



# Financing and debt in the second half of 2004

Franko Kelle

# Financing in H2 2001

Euros in billions

H2 2001

Funds from operations		+1.9
CAPEX (incl. licenses), net		-4.2
Change in working capital requirement		+0.1
From Cash Flow		+0.8
Financial investments		-3.6
Disposal of assets		+2.0
Effect of changes in scope of consolidation and exchange rates		+2.4
Disposal of real estate		+2.7
Financial result		+1.3

After disposal of real estate, debt reduced to 60.7 billion euros



# *Divestitures in H2 2001*

## **Disposal of equity interests**

↳ 4.3% of STM - proceeds: 1.4bn euros

## **Other operations:**

↳ Sale of receivables - net proceeds: 0.6bn euros

↳ Disposal of real estate - debt reduction: 2.7bn euros

## **Carry-back**

↳ The carry-back realized had a 1.3bn euros impact on working capital requirements

## **Monetization of non-core assets**

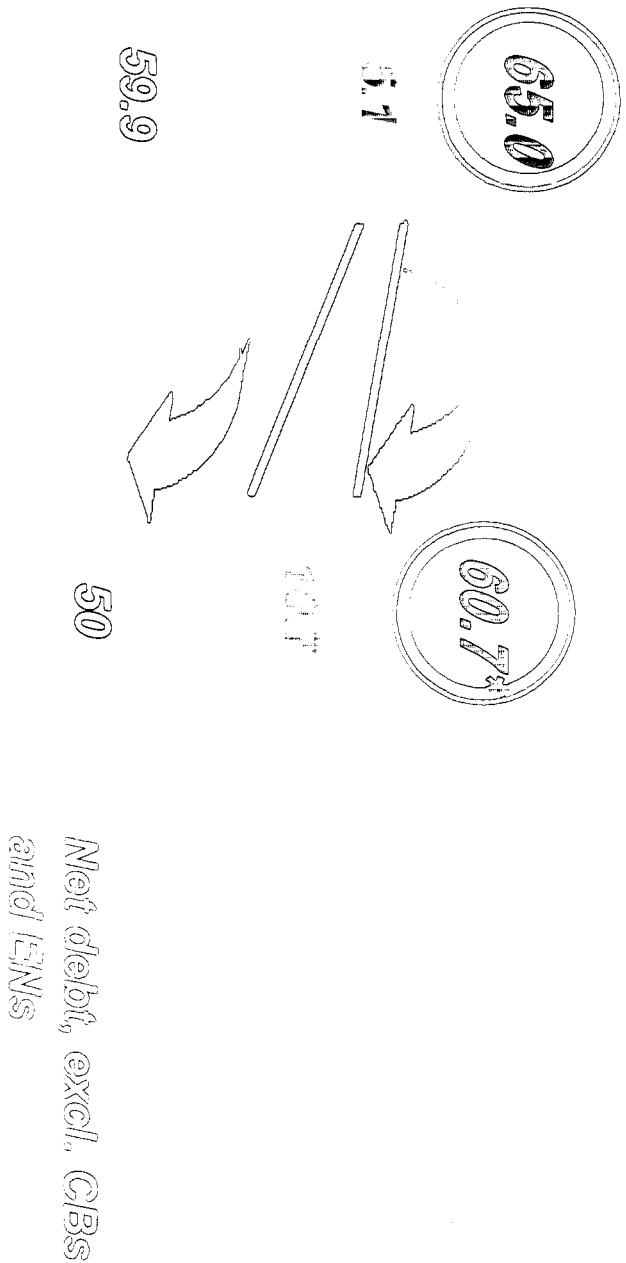
↳ FT exchangeable notes: 3.5bn euros

↳ STM exchangeable notes: 1.5bn euros

*Implementation of the announced divestiture plan*

# Decrease in net debt

Euros in billions



06/30/01

12/31/01

(\*) incl. disposal of real estate in 2001 (proceeds in 2002)

Net debt at December 31, 2001, not including CBS & IENS: 50 billion euros

# Description of convertible bonds and exchangeable notes

Euros in billions

	Amount	Strike price	Maturity
Exchangeable/Orange	3.1	12.7	02/16/03
Convertible/FT	2.0	80.0	01/01/04
Exchangeable/Panafon	0.6	14.3	11/29/04
Exchangeable/STM	1.5	50.8	12/17/04
Exchangeable/FT	3.5	72.0	11/29/05

Footnote

407

Potential debt reduction of 10.7bn euros

**Potential impact of the "soft mandatory clause" applying to the year-end 2001 exchangeable notes**

Market price is not as high as the strike price, France Telecom is entitled to exchange the notes for underlying shares at the current market price

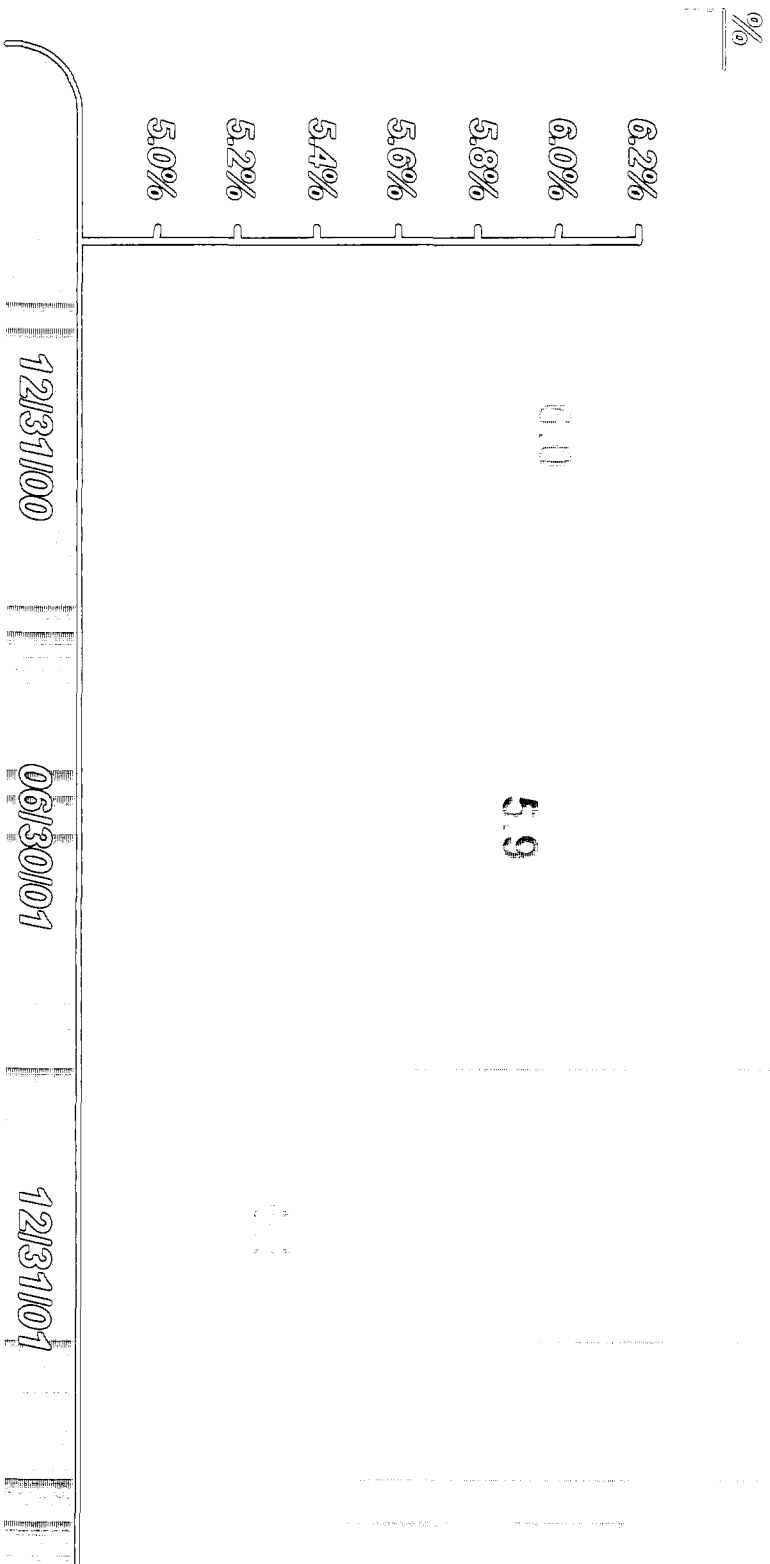
In such a case, the difference between the strike price and the market price is paid in cash ("cash top-up")

	Unit value (*)	Equity Value In bn euros
FT ENS	32 euros	1.6
STM ENS	38 euros	1.1

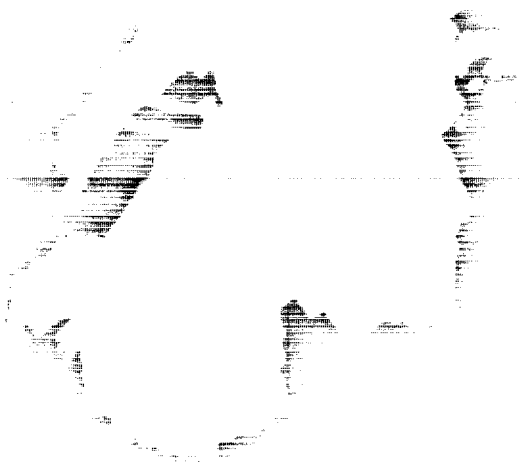
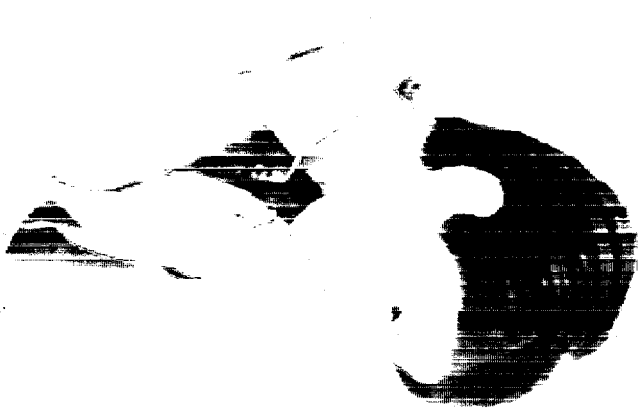
(\*) market value of underlying stock in March 2002

Potential impact on debt reduction: 2.7bn euros

# Lower net interest rate



Weighted average interest down  
0.7 points at end of period



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Medium Form

diabet reduction plan

# *Foundations of the debt reduction plan*

*Sustained growth in EBITDA  
and unleveraged free cash flow*

*Ongoing disposal of non-core assets*

*Two-pronged plan to reduce debt*

## Point One of the debt reduction plan

France Telecom's business plan will give tremendous impetus to cash flow:

→ When the new business areas reach maturity, they will bring about:

- a sharp rise in EBITDA ratio (EBITDA/revenues)
- a marked decline in investment rate (CAPEX/revenues)

→ As a result, unleveraged FCF will increase considerably

An increasingly powerful "cash-flow machine"



## *Point Two of the debt reduction plan*

Ongoing disposal of non-core assets as planned:

→ STIM, Sprint PCS, FT treasury stock, TPS, Caserma, Noos and Numerical, residual real estate, sale of receivables

**Decision to sell other unlisted assets:**

→ Wind, TDF, satellite consortiums  
These assets, which currently account for only a modest share of EBITDA, would have a market value of roughly 8 billion euros if sold.

*Pragmatic approach to the disposal of non-core assets*

# Value of non-core listed assets

Current valuation assumed to be maintained up to 2004-2005

Euros in billions

	Unit value (*)	2002-2003	2004-2005	Total
STM stock (2.9%)	38 euros	1.0		1.0
STM ENS (soft mandatory)	38 euros		1.1	1.1
FT treasury stock	32 euros	1.6		1.6
FT ENS (soft mandatory)	32 euros		1.6	1.6
Sprint PCS stock (5.6%)	11 dollars	0.7		0.7

Total Market Value: 2.7  
 (\*) assumption: March 2002 market value

About 6bn euros in disposable listed assets

# Value of non-core unlisted assets

## Divestitures already planned

Casema, Noos, Numerical & others

3bn euros

## New divestitures decided

Wind, TDF, satellite consortiums

8bn euros

## Total divestitures

11bn euros

Nearly 11bn euros in disposable unlisted assets

# Resources in the period 2002-2005

Shift from disposal of assets to free cash flow generation as major source of funds

Euros in billions

	Unleveraged free cash flow (*)		Total	
	2002-2003	2004-2005	2002-2003	2004-2005
Free cash flow (FCF) (**)	4	10	14	24
Disposal of listed assets (***)	3.3	2.7	43	37
Disposal of unlisted assets	10	1		
Sale of real estate and receivables	3			
Investments	-1	-1		
<b>Total</b>	<b>10.3</b>	<b>13.7</b>	<b>57</b>	<b>61</b>

(\*) Unleveraged FCF = EBITDA - CAPEX

(\*\*) FCF = Unleveraged FCF - (Interest expense, tax, dividends and change in working capital)

(\*\*\*) assumption: market value in March 2002

Over 30bn euros in resources over a 4-year period

# Maximum additional debt arising from off-balance-sheet commitments

Worst-case scenario: all off-balance-sheet commitments (including MobilCom risk) would have to be met in the period at market conditions

	Euros in billions		Total	
	2002-2003	2004-2005	2002-2003	2004-2005
Vodafone put option	5.0		5.0	
Eon put option (net value)	0.2		0.2	
DT call option (net value)	0		0	
CableCom (NTL) preferred	1.3		1.3	
Kulzcyk (TPSA) put option		2.0		2.0
Equant CVRs		2.1		2.1
<b>MobilCom risk</b>	<b>6.5</b>	<b>6.5</b>	<b>13.0</b>	<b>13.0</b>
<b>Maximum additional debt</b>	<b>13.0</b>	<b>13.0</b>	<b>26.0</b>	<b>26.0</b>

17bn euros in risk (including MobilCom) in the period 2002-2005

# Resources and uses of funds in the period 2002-2005 (worst-case scenario)

In each of the 2 sub-periods, the net surplus is situated between 5bn and 10bn euros

Euros in billions

	2002-2003	2004-2005	Total
Total resources	19.3	12.7	32.0
Maximum off-balance-sheet risk	-13	-4.1	-17.1
Surplus of resources over uses	6.3	8.6	14.9

Surplus of almost 15bn euros in the period 2002-2005

# Group debt 2002-2005 (worst-case scenario)

Significant reduction in debt by 2005 owing to large surpluses

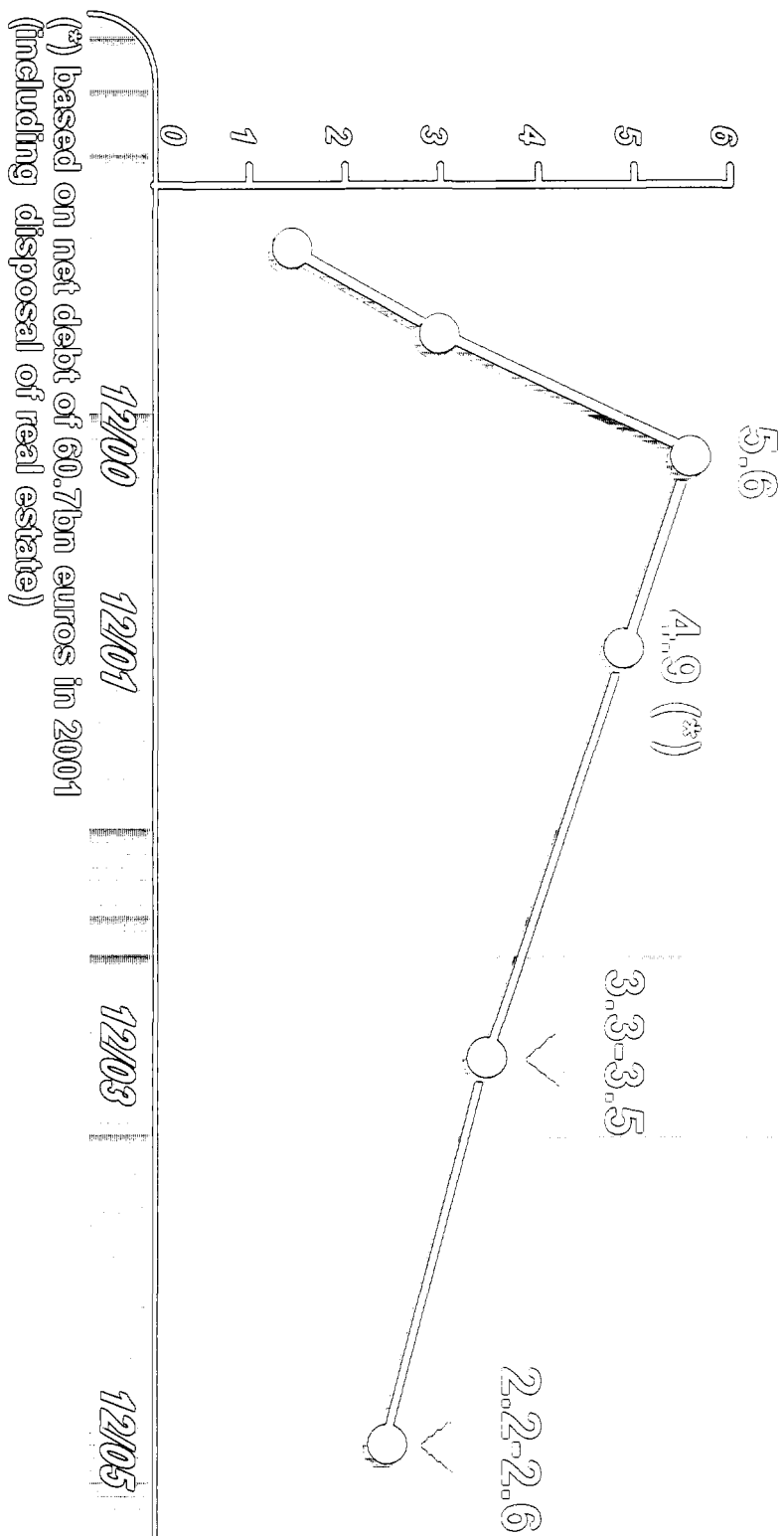
Euros in billions

	2002-2003	2004-2005
Debt beginning of period	50.7	58.3
- surplus of resources over uses	-6.3	-8.6
+ TPSA debt (*)	3.9	
Debt end of period	47.3	49.7
Net consolidated debt	21.14	20.06

(\*) Inclusion in consolidated accounts

Return to a balanced financial situation

# Significant improvement in balance-sheet ratios (worst-case scenario)



Return to a balanced financial situation by end 2003 and to a positively healthy one by end 2005



# Group debt 2002-2005 (best-case scenario)

MobilCom not consolidated and gradual market recovery leading to further debt reduction

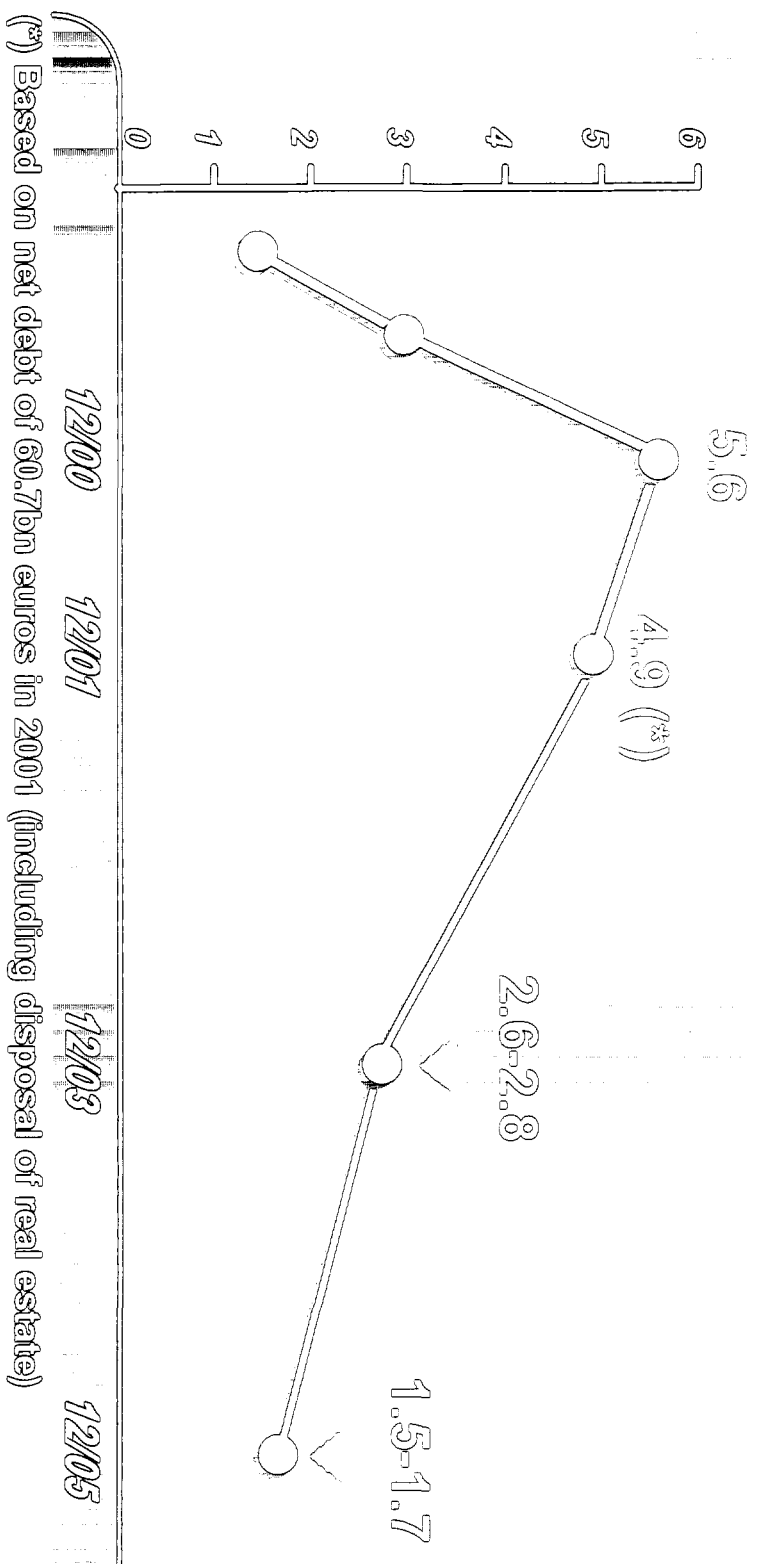
- Conversion of CBs/ENs: 8bn euros
- Sale of FT treasury stock at 70 euros: 2bn euros

Euros in billions

	2002-2003	2004-2005
Debt, beginning of period	60.7	44.0
Surplus of resources over uses	-6.3	-8.6
MobilCom not consolidated	-6.5	
CB/EN conversion and sale of treasury stock	-7	-3
+ TPSA debt	+3.9	
Debt, end of period	44.3	35.4
Debt, beginning of period	20.2	15.7

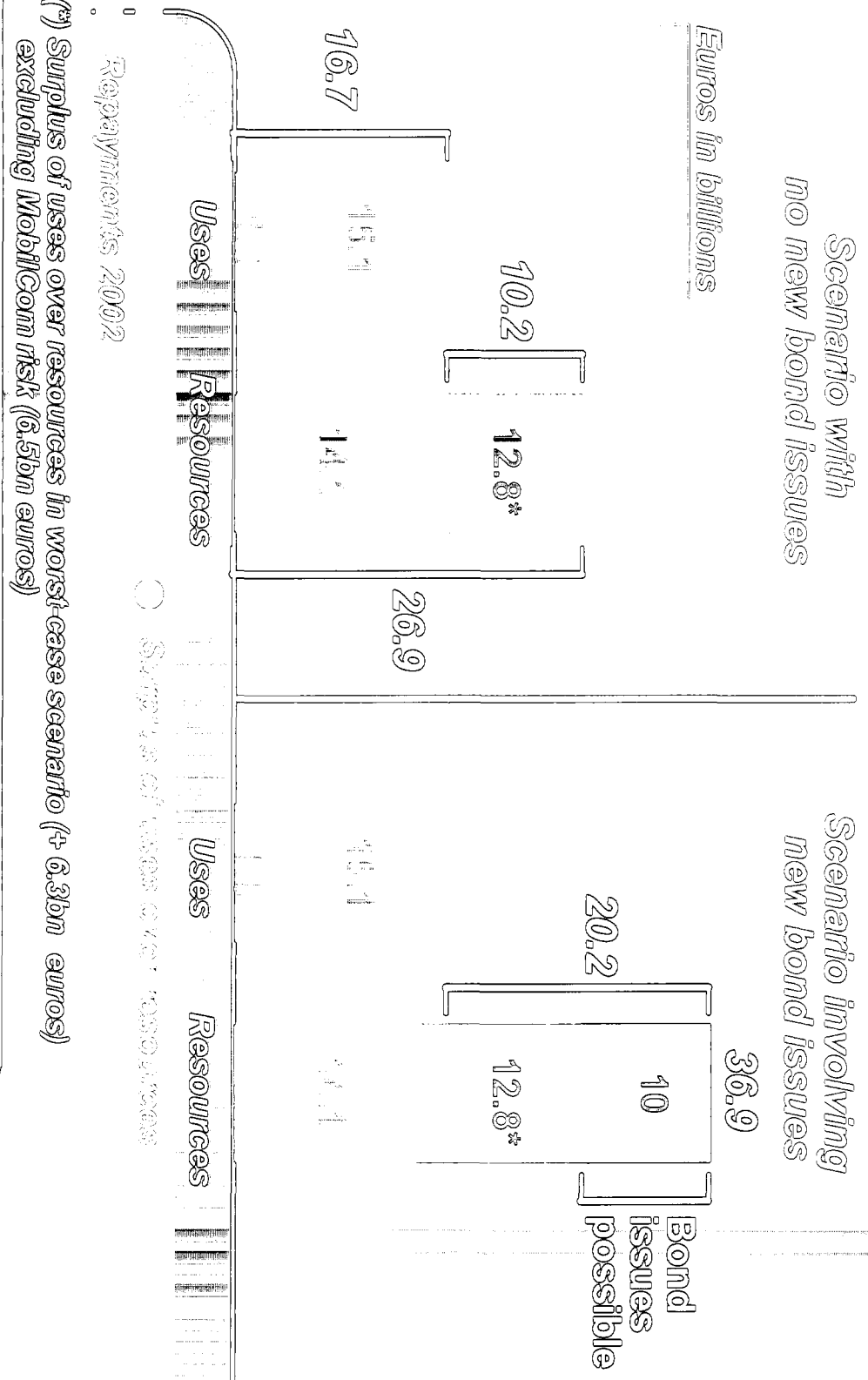
Substantial improvement in ratios if stock market bounces back and MobilCom is not consolidated

# Ratios in the best-case scenario



Return to a balanced financial situation  
by end 2003

# Anticipated cash surplus (worst-case scenario) excluding MobilCom risk (cumulative, 2002-2003)



No liquidity issues, even in the worst-case scenario



Finance Info

# Outlook for 2002

*Michel Bom*

# Operating and financial objectives: Orange

Stable ARPU and steadily declining  
acquisition costs

## Improvement in financial outlook

- In 2002, more than 30% increase in EBITDA and positive unleveraged free cash flow
- For 2003/2004, the targeted profit margin is 40% in France and 35% in the UK

# *Operating and financial objectives: Wanadoo*

Reach the 8-million active subscriber mark on a pro-forma basis:

→ of which, 1.3 million broadband

Win market share for all products in all countries

Continue to improve financial results:

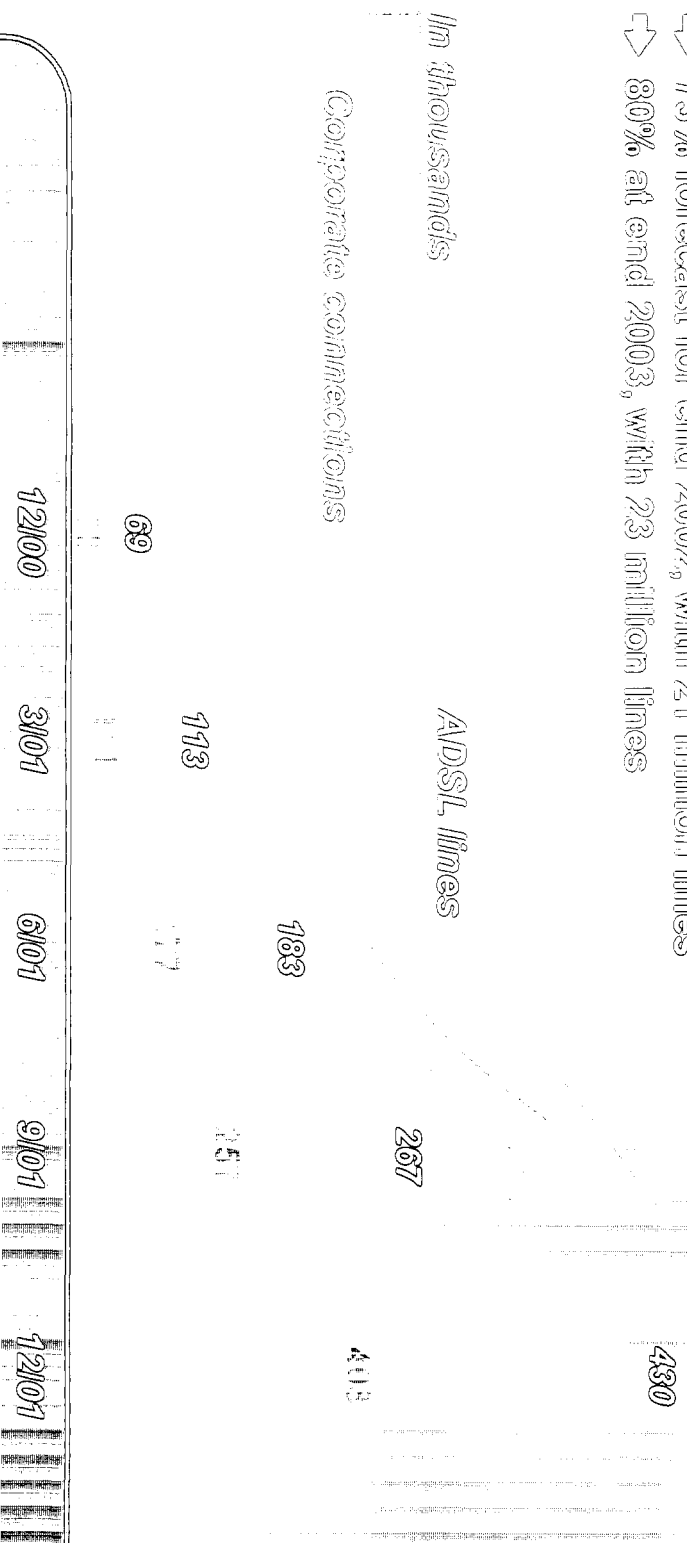
→ 30% growth in consolidated revenues

→ Positive consolidated EBITDA for the full year

# Fixed-line, voice and data services in France: growth boosters

## Reach rate:

- 66% by end 2001, with 18 million lines
- 73% forecast for end 2002, with 21 million lines
- 80% at end 2003, with 23 million lines



ADSL lines multiplied by 6.2 in one year  
France second in Europe

# *Operating and financial objectives: Equant*

Target revenues of 3.4 billion dollars,  
assuming an improved business climate

200 million dollars in EBITDA in 2002

Unleveraged free cash flow positive by 2004



## *Confidence in France Telecom's future*

As its business plan comes into full swing, France Telecom will be generating FCF at an increasingly rapid pace; disposal of non-core assets will also contribute heavily to debt reduction

In the medium term, France Telecom will move toward a sounder balance-sheet structure

Therefore, in order to reduce its debt, and as long as market prices have not picked up significantly, France Telecom:

- will not be selling its treasury stock
- has no intention of either issuing shares or selling the Orange or Wanadoo shares it currently holds

*A robust business plan*

## *Favorable outlook for 2002*

Double-digit revenue growth

Even faster growth in gross profit (EBITDA)  
and operating income (EBIT)

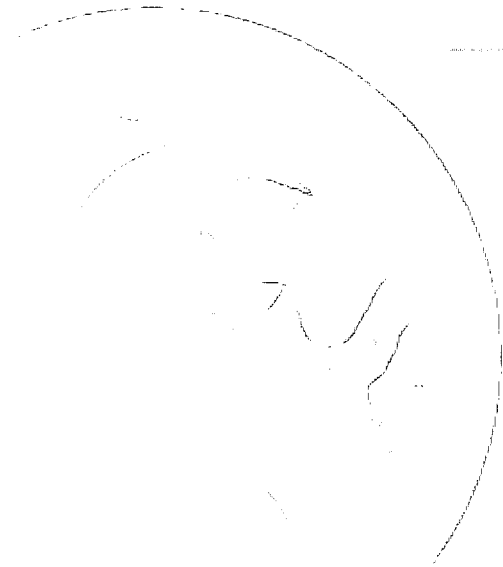
Considerable resources available  
(unleveraged free cash flow)

Further reduction  
in net debt/EBITDA ratio

# Presentation

EUROPEAN COMMISSION

Annual results 2001



france tele



## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FRANCE TELECOM

Dated: March 26, 2002

By: 

Name: Jean-Claude Grynberg

Title: Director, Investor Relations