



Introduction

Transform France Telecom to deliver NExT

2005 results and 2006 trends

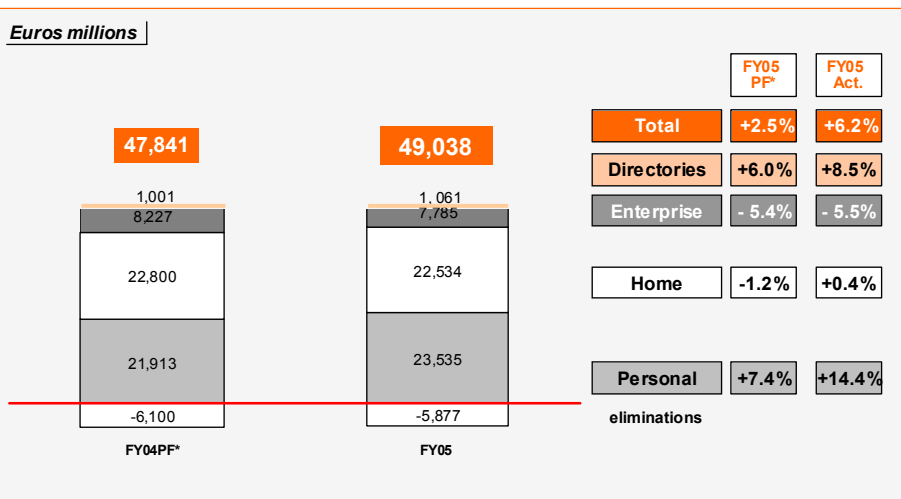
2005 results

Use of cash and conclusion

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2005 Group Consolidated Revenues by segment

€49,038m / + 6.2% actual / + 2.5% pro-forma*



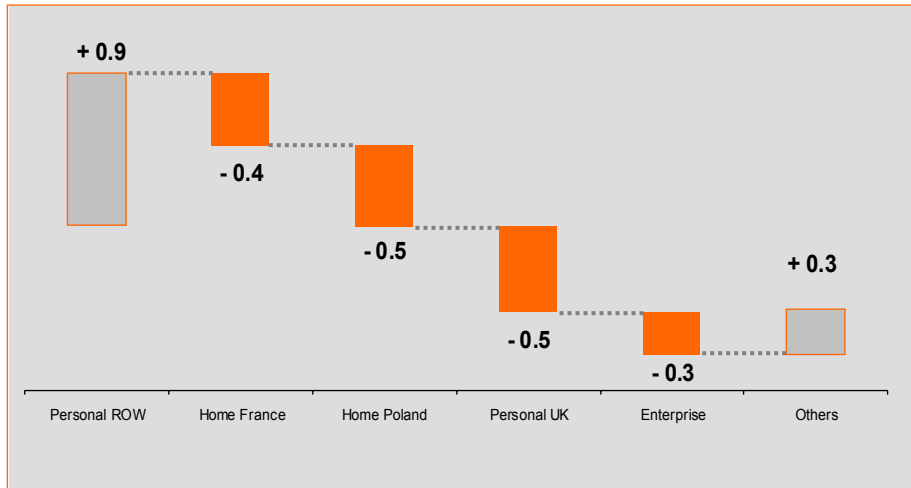
* See glossary

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2004 -2005 GOM rate changes analysis



Organic changes



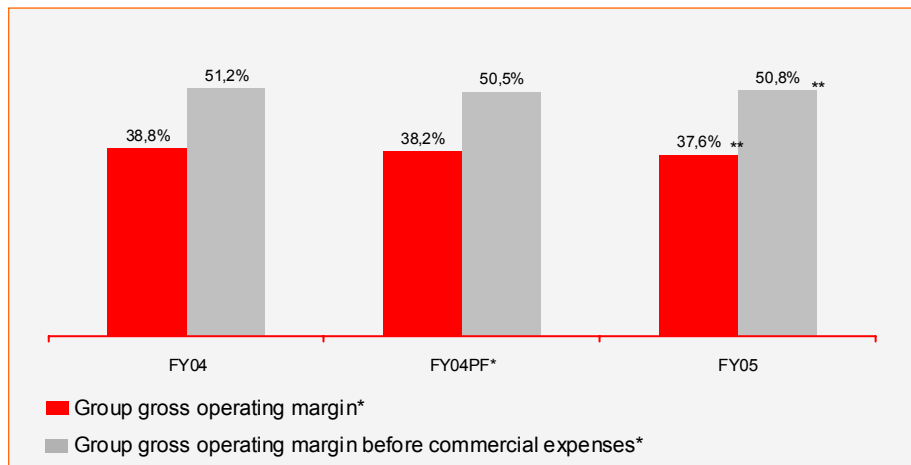
* GOM margin rate excluding mobile fine and Lebanon reversal provision

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2005 Operating margins



Sustained GOM margins

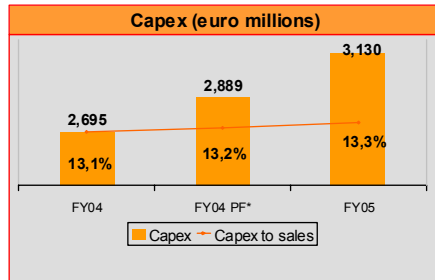
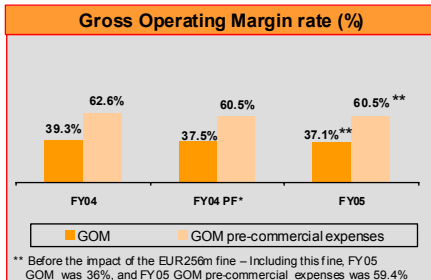
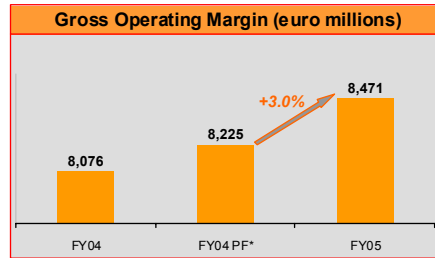
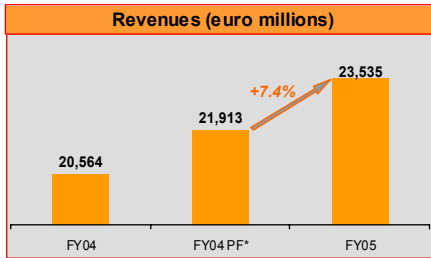


* See glossary ;

** After the impact of the EUR256m fine – Excluding the EUR256m fine, FY05 GOM was 38.1% and FY05 GOM before commercial expenses was 51.4%

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Personal in 2005: sustained revenue growth



* See glossary

Personal in 2005:



- Sustained pro-forma**** revenue growth in 4Q05: +7.0% yoy pre CTR*** cut
- 22.430m customers, +5.6% yoy, contract mix increase from 60.6% to 61.8%
- 184K MVNO's customers* (more than 50% mobile wholesale market share)
- Confirmation of mobile broadband** success: 1,040k customers end of 2005
- ARPU: -0.9% at €424
 - Voice ARPU (-2.4%) impacted by CTR*** cut, growth of data ARPU (+9.3%)
 - Blended ARPU: +0.6% yoy pre CTR*** cut

* Not included in subscribers figures - ** 3G+Edge - *** Call Termination Rate - **** see glossary

Personal in 2005:



UK

- Revenue growth +5.1% pre CTR*** for FY05, strong growth in 4Q05: +5.6% yoy pf****
- 14.858m customers, +4.5% yoy
 - 343k prepaid net adds in 4Q05
- ARPU: -4% at £263, +0.3% yoy pre CTR *** cut
- Leading UK mobile operator in terms of contract ARPU at £563.

Spain

- 10.301m customers, +11.1% yoy
 - 449K net adds in the 2 last months of 2005, ahead of the 2 last months of 2004 – pro forma* (227K)
 - Strong net adds market share in Q405 (38% est.)

* Not included in subscribers figures - ** 3G+Edge - *** Call Termination Rate - **** see glossary

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Personal in 2005:



Poland

- Increase of Polish mobile market: 76.7% penetration rate at the end of December
- Substantial increase of customer base: +33.3% yoy at 9.9m customers
- Increase of overall market share: 33.9%, versus 32.2% in Q404
 - 41.3% overall net adds market share in Q405

ROW

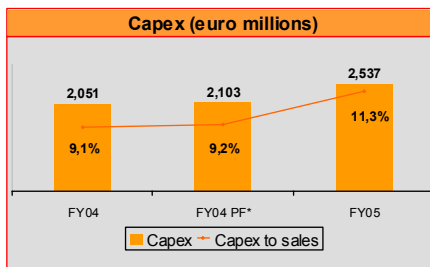
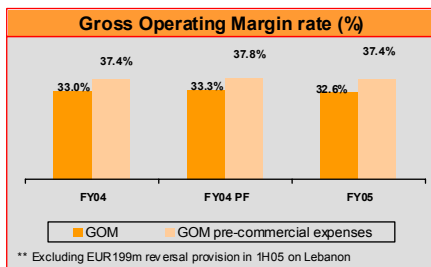
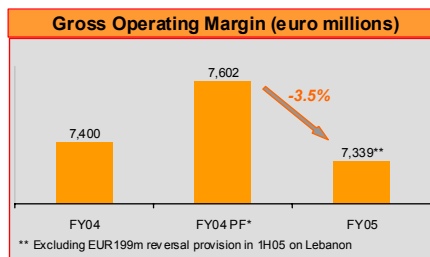
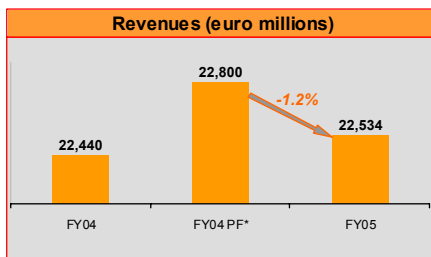
- 26.8m ROW mobile customers, +31.3% yoy PF*
 - Substantial growth of Egypt, Ivory Coast and Romania customer base with respectively +66.7%, +50.0% and +38.2% yoy
- Strong growth of Personal RoW revenues (+15.9% yoy pf*) combined with an improvement of profitability
 - Sustained dynamic growth of Romania revenues (+39.2% yoy pf*), Senegal (+46%)
 - Overall ROW GOM up 22%pf*

* See glossary

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Home in 2005:

Resilience of market share but pressure on margins



* See glossary

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Home France in 2005:

Leadership on broadband improved in a competitive market



Consumer Services	<ul style="list-style-type: none"> → Sequential ARPU increase for the third consecutive quarter at 27.0€ → Quasi stabilisation of total number of lines at 27.5m (-0.2% yoy) → Increase of monthly rental fee impact: + EUR178m → Success of access related services confirmed: 10.4m (+13.0% yoy)
	<ul style="list-style-type: none"> → Calling services <ul style="list-style-type: none"> • Positive impact of new offers on market shares confirmed • Negative impact of fixed to mobile cuts on revenues: - EUR168m on FY05 → On line services <ul style="list-style-type: none"> • Improvement of ADSL market share confirmed in 2005 at 47.5% (+1pt vs 04) • 1,559k Livebox rented with ongoing enriched offers • Acceleration of VOIP since 3Q05: 830k customers at the end of 2005
Carrier Services	<ul style="list-style-type: none"> → Increase of unbundling, IP ADSL access & Data services in Domestic carrier services offset by volume and price impact on Other Carrier Services

* See glossary

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Home in 2005:



Poland

- Migrating traffic revenues to access revenues: monthly fee representing 46% of fixed voice revenues (vs 40.5% in 1Q05)
- Strong development of New Tariff Plans base (3.5m activated customers) to respond to fixed to mobile substitution
- Drop of local call market share (from 99.7% in 4Q04 to 82.3%) due to the introduction of Closed Numbering Plan
- Continued increase of ADSL customer base: 1.14m customers, +81.2% yoy

ROW

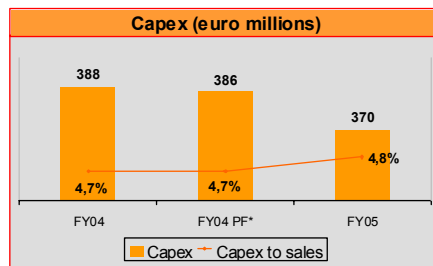
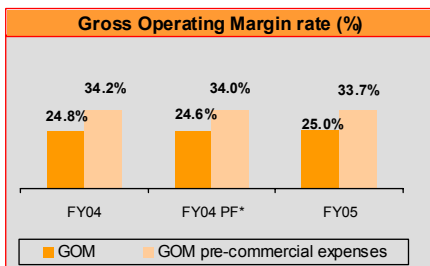
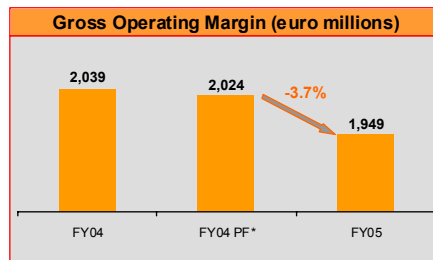
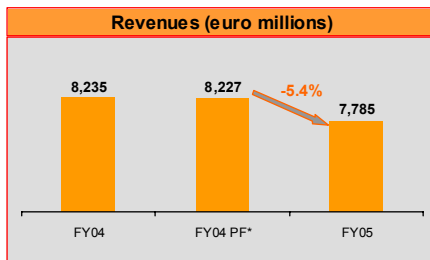
- Total ROW DSL customer up by 48% yoy at 1.8m customers, re-acceleration of net adds growth in Q405 (138k vs 67k in Q305)
- Strong pro-forma* revenue growth of 9.9% yoy
- **UK :**
 - Success of VOIP with 80k customers and more than 100k Livebox rented or sold. Market share under pressure due to increased competition
- **Spain :**
 - Share of conquest maintained around 20% despite aggressive response from competition.
 - ARPU increase thanks to Naveghable dualplay offers
- **Netherlands :**
 - 506K Broadband customers with 111k Livebox rented and 60k VOIP customers

* See glossary

Entreprise in 2005:



In line with expectations – Margin rate maintained in spite of revenue decline



* See glossary

Entreprise in 2005



Voice

→ Slowdown of voice revenues decline in 4Q05 in France despite:

- Competitive pressure,
- Regulatory pressure on voice revenues due to fixed to mobile tarification cut in France in January 2005

Business Networks

→ Continued development of IP convergence : +57% IP-VPN access in 2005

→ Fixed-mobile convergence : +27% Business Everywhere end-users yoy in France

- Extension of Business Everywhere for PDAs in France
- Launch of Business Everywhere in Poland & UK
- Launch of Business Talk offers in France

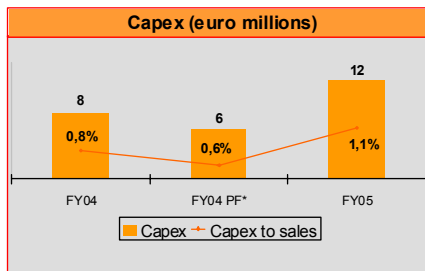
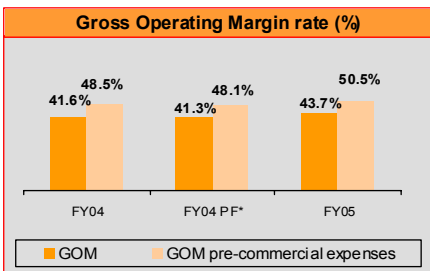
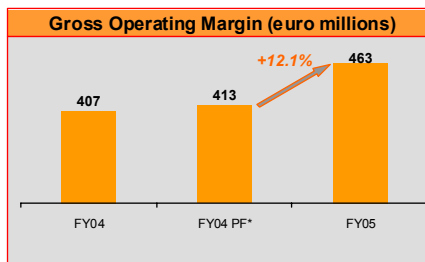
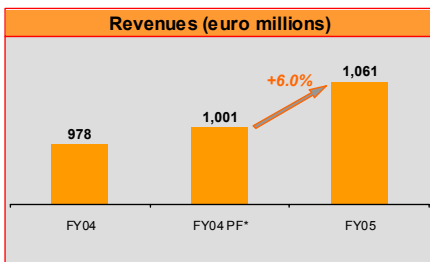
→ Technological shift confirmed with continued DSL development and acceleration of migrations towards IP in France

- DSL connections now represent for 67% of Enterprise access in France vs 51% in 2004

→ Continued growth of outsourcing activity and advanced services

Directories in 2005:

Acceleration of recruitment of new advertisers



* See glossary

Directories in 2005:



→ Increased market penetration:

- +6.1% yoy in PagesJaunes total advertisers base in France (619.5 K)

→ Effective trade up strategy primarily through Internet:

- pagesjaunes.fr ARPA* up 23.5% and number of advertisers up 10.3% YoY

→ No print/online substitution:

- 65% of clients are printed and online directories advertisers

*Average Revenue Per Advertiser

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From Revenues to Gross operating margin



<i>Euro millions</i>	FY04 actual	FY04 Pro-forma*	FY05
Revenues	46,158	47,841	49,038
Non labour costs as a % of revenues	19,385 42%	20,669 43.2%	21,860 44.6%
Of which external purchases as a % of revenues	17,870 38.7%	19,169 40.1%	20,149 41.1%
Labour costs as a % of revenues	8,850 19.2%	8,908 18.6%	8,762 17.9%
Gross Operating Margin as a % of revenues	17,923 38.8%	18,264 38.2%	18,416 37.6%

* See glossary

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CAPEX analysis



CAPEX* by key item

<i>Euro millions</i>	FY04 pro forma*	FY05 actual	FY05/FY04 pro forma*
Total Group CAPEX	5,384	6,045	+12.3%
<i>% of revenues</i>	<i>11.3%</i>	<i>12.3%</i>	
Mobile Network	2,099	2,206	+5.1%
<i>o/w 2G - 3G and radio access network</i>	<i>1,575</i>	<i>1,635</i>	<i>+3.8%</i>
Fixed Network	1,286	1,438	+11.8%
<i>o/w ADSL</i>	<i>212</i>	<i>213</i>	<i>+0.7%</i>
IT & Customers' services	1,363	1,506	+10.5%
Platforms			
Others	636	895	+40.7%
<i>o/w Livebox</i>	<i>38</i>	<i>179</i>	<i>+371%</i>

* See glossary

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From Gross Operating Margin to Operating Income



<i>Euro millions</i>	FY04	FY05	Chge in EURm	Proforma* % chg
Gross Operating Margin	17,923	18,416	+ 493	+0.8%
Employee Profit Sharing	- 280	- 382	- 102	
Share-based payment	- 399	- 178	+ 221	
Amortization	- 7,990	- 7,034	+ 956	
Impairment of goodwill	-534	-11	+ 523	
Impairment of assets	-179	-568	- 389	
Disposal of assets	922	1,475	+ 553	
Restructuring costs	- 181	-454	- 273	
Associates	30	20	20	
Operating Income	9,312	11,284	+ 1,972	+40.8%

* See glossary

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From Operating income to net income



<i>Euro millions</i>	FY04	FY05
Operating Income	9,312	11,284
Total Financial Charges, net	-3,625	-3,356
Income taxes	-2,477	-1,568
Net result	3,210	6,360
Minority Interests	-193	-651
Net Result Group Share	3,017	5,709

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FY05 financing: From GOM to Net cash provided by operating activities



<i>Euro millions</i>	FY04	FY05
Gross Operating Margin	17,923	18,416
Interest Expense, net* (cash)	-3,078	-3,074
Cancellation of Forex impact included in GOM	-20	-15
Income Taxes (cash)	- 762	-811
Early Retirement Plan (cash)	-791	-918
Employee Profit Sharing (P&L)	- 280	- 382
Others (ow restructuring costs)	- 864	- 839
Change in Working Capital requirement (inventories + receivables - payables)	796	783
Change in Working Capital requirement (others)	-227	214
Net Cash provided by operating activities	12,697	13,374

*Net Financial charges excluding discounting, disposal/provision on financial assets and foreign exchange (gain/loss)

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Financing in FY05

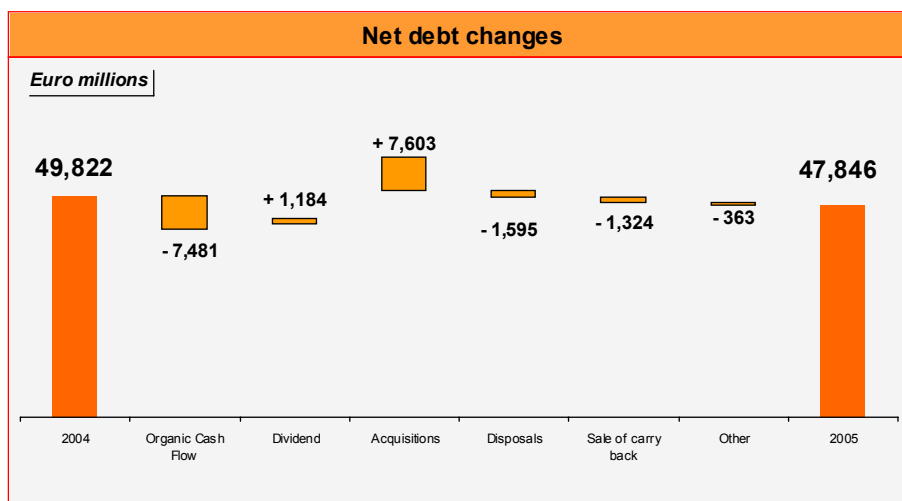


<u>Euro millions</u>	FY04	FY05
Net Cash provided by operating activities	12,697	13,374
Purchase of tangible and intangible assets, net of change in fixed asset vendors	- 5,208	- 6,108
ow Capex	-5,134	-6,045
Proceeds from sale of tangible and intangible assets	199	215
Organic Cash Flow *	7,688	7,481

* See glossary

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Net Debt – end of 2005



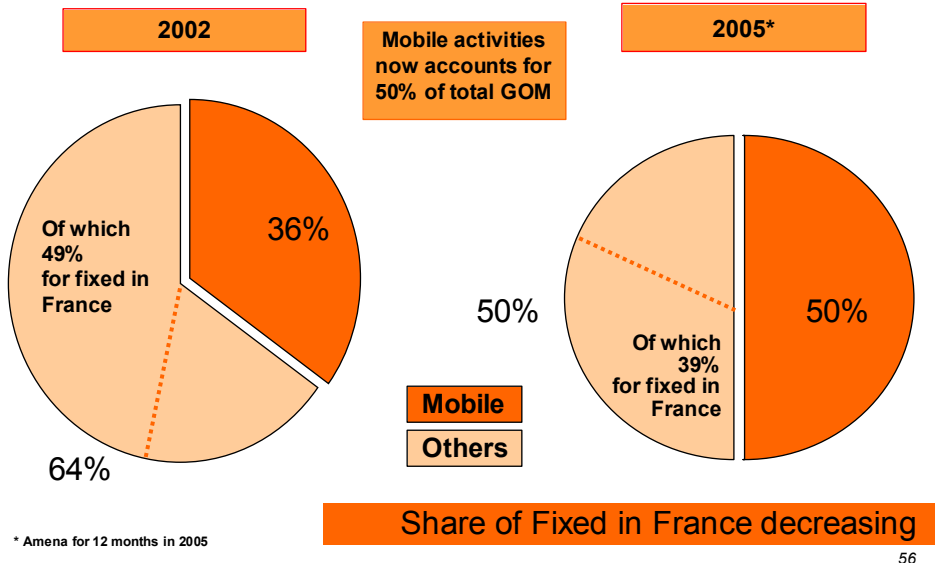
* See glossary

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France Telecom GOM 2002 – 2005



Mobile vs other activities



Delivering NEXt



Introduction

Transform France Telecom to deliver NEXt

2005 results and 2006 trends

2006 trends

Use of cash and conclusion

2006 – France / Personal



Main challenges ...

- **Regulatory pressure**
 - Cut on mobile Voice Termination Rate (-24% on 01/01/2006)
 - ➔ more than €350m negative impact on revenues
 - Cut on SMS Termination Rates
 - New 2G licence fee
- **Market growth driven by MVNOs**

... and opportunities

- **Maintain leadership on MVNOs with an increase of wholesale market share**
- **2.5m Orange Broadband customers** by the end of 2006 ➔ leverage on Broadband to increase data usage
- **Integrate the “NExT dimension”** in the Orange experience to improve loyalty & usage

Main operational objective



Maintain revenue market share

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2006 – France / Home



Main challenges ...

- **Access**
 - Retail: number of retail lines impacted by full unbundling and wholesale line rental
 - Wholesale: FULL price decrease (9.3 euros vs 9.5 euros)
- **Voice**
 - Impact of CTR cut: cc. EUR-180m
 - Continuous increase of VoIP (30% to 40% of total traffic by the end of 2006)
 - Estimated negative net impact in 2006: cc. EUR -150m on rev.
- **ADSL**
 - Ongoing Price pressure from competitors

... and opportunities

- **Monitor Fixed/Internet convergence through the overall ARPU on Home usages**
- **Access**
 - Retail: positive impact subscription fee (+ 1 euro in July)
 - Wholesale : Increase in volumes (over FULL 1.4m est. end of 06)
- **PSTN offers**
 - Take benefit from the attraction of the new PSTN voice offers (ATOUT) and enfaour customers' migration.
- **Broadband partially compensate PSTN revenue decrease with broadband multiservices offers, including VoIP**
 - Take benefit of VoIP attractiveness to :
 - increase FT's market shares on VoIP
 - maintain ADSL market share in a still growing market
 - Develop new innovative added services with Livebox

Main operational objective



Sustain retail ADSL market share

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2006 - UK / Personal



Main challenges ...

- A 110% penetrated market
 - Competitiveness on PAYM offers
 - Mix of direct & indirect distribution

... and opportunities

- Market leadership as an **UK integrated operator**
- **Continue** momentum in the PAYG market
- **Strengthen** PAYM position
- Continue **infrastructure investment** in 3G and CRM capabilities

Main operational objective



Maintain profitability while growing the business

60

2006 - UK / Home



Main challenges ...

- Adverse competitive environment**
- Strong brands coming into the DSL market: Talk-Talk, Sky, Tesco, ...
 - Market prices will continue to drop (£14.99 to become the norm)

... and opportunities

- **Capitalize in VoIP offering**
 - Main line vs second line
 - Quality
- **Launch of TV over DSL**
 - Positive impact on ARPU and loyalty
- Leveraging rebranding to increase market share
- Exploit cross-selling opportunities with Orange
- Leverage off speed advantage of ULL

Main operational objective



Accelerate DSL's customers migration to ULL

61

2006 - Spain / Personal



Main challenges ...

High level of competition...

- Impact of number portability
- Introduction of MVNO's, Xfera to be seen ... and adverse regulatory environment ...
- Cut on Voice Termination Rate impact (-10%)

... and opportunities

- Market Leadership in Spain integrated business model
- Leverage Amena's strong position on consumer postpaid and SoHo and indirect channel capability
- Increase value of prepaid base (segmented offers)
- Leverage rebranding Amena into Orange
- Reduce churn through loyalty and retention efforts

Main operational objective



Increase net adds market share

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2006 – Spain / Home



Main challenges ...

Worsened competitive environment ...

- Price erosion driven by consolidation among fixed alternatives (T-Online/Albura, Tele2/Comunitel, Cable operators)
- Incumbent pushing triple-play
- Unbundling practices by the incumbent still below European standards

... and opportunities

- Take advantage of the broadband market growth (30% forecasted)
 - France Telecom Spain is the most relevant alternative operator
- Focus on ULL strategy
 - Launch innovative services
 - IPTV and VOD
 - ADSL2+: the largest coverage among altnets
- Improve profitability as an integrated business
- Capture the synergies of the merger with Amena

Main operational objective



Increase DSL market share and global customer base

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2006 – Poland / Personal



Main challenges ...

- High level of competition**
- 4th operator operational in 2H06
- Regulatory environment**

... and opportunities

- Successful **rebranding** of Centertel into Orange
- Confirm **leadership on wireless broadband thanks to Edge / Wifi coverage competitive advantage and 3G roll-out**
- Launch and extension of **innovative content propositions** (music, video, TV) and **convergent products** (Voice mail, Business Everywhere)

Main operational objective



Orange to become volume and value market leader
Strong growth in customer base:
More than 11.5 million customers

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2006 – Poland / Home



Main challenges ...

- Competitive pressure**
- Wimax, VoIP
 - Fixed to mobile substitution

Regulatory pressure

... and opportunities

- **Accelerate ADSL access penetration**
 - Capitalizing on Poland's relatively low broadband penetration
- Introducing innovative and convergent products (Livebox, VoIP, TV over DSL, VOD, Business Everywhere)

Main operational objective



More than 1.6m broadband customers by the end of 2006

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2006 - ROW / Personal



Main challenges ...

- Unfavourable cut on Voice Termination Rate impact
- Increasing competition in all European markets
 - Switzerland, Belgium, Netherlands, Romania

... and opportunities

- Maintain market leadership in Central European markets and grow market share in maturing Western European markets
- 3G launch in the Netherlands, Romania and Slovakia
- Improved distribution channel in Europe
- Emerging markets to become the main growth driver

Main operational objective



Maintain growth and profitability

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2006 – ROW / Home



Main challenges ...

- Emerging countries
 - Increase in competition in major countries (Ivory Coast, Jordan, ...)

... and opportunities

- Emerging countries
 - Deploy adapted services (prepaid voice in Ivory Coast and Senegal)
 - Take the benefit of convergence & integration
 - Continue fixed broadband roll-out (Senegal)

Main operational objective



Continue to leverage strong emerging markets growth potential

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2006 - Enterprise



Main challenges ...

- **Traditional voice access decline** partially offset by data access growth as a result of IP migrations in France
- **Pressure on data ARPA**, restricted by increased bandwidth and more value-added services in France
- **Continued regulatory pressure** with fixed to mobile tariffication cut in France in January 2006

... and opportunities

- **Innovative roadmap on IP transformation**
- **Development of Abundance offers in France**
- **Push of voice/data/mobile convergence offers** in Europe (Business Livebox)
- **Mobility solutions – Business Everywhere**: extension of footprint and associated technologies
- **Consolidation of our customers loyalty** through integrated customer support
- **Leverage on IT and Telecom convergence** to push outsourcing, professional services and IT services

Main operational objective



Confirm our leadership in IP transformation by providing new convergence and IT services

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Main country objectives for 2006



France

Improve cost structure, enhance commercial strength and launch innovative services

UK

Leverage rebranding and convergence to face increased competitive mobile and broadband markets

Spain

Successfully manage integration

Poland

Implementing Integrated Operator Strategy

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2006: guidance

As released on January 11th, 2006



**Organic
Cash Flow**

7 bn Euros

Revenues



Above 7% actual growth*

G.O.M rate



**Between - 1 and - 2 points related
to revenues**

Capex



Around 13% of revenues

** Around + 2% on a comparable basis*

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Delivering NExT



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Use of cash and conclusion

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→ Execution risk under control

- Transformation teams, strategic marketing, streamlined management team and financial tracking of 2006 budget

→ Clear financial objectives

- 2006 guidance confirmed
- 2007-2008 outlook to support sustainable organic cash generation

Towards the leading Telecommunication services company in Europe

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Use of cash policy



Debt reduction target maintained

→ Debt / EBITDA ratio below 2 by the end of 2008

Strong increase in shareholders remuneration

- EUR1 confirmed for the 2005 dividend paid in 2006
- Distribution target for the coming years: between 40% and 45% of organic cash flow.
- Dividend per share for financial year 2006 paid in 2007: indication of EUR1.2
- Very selective use of France Telecom shares

External Growth

- Very selective and cautious strategy for acquisition policy
- France Telecom will examine opportunities in fast growing countries

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NExT:

Strong assets to keep lead



- ▶ A strategic vision: convergence and integration**
- ▶ Strong positions (ADSL, Mobile Broadband, Livebox)**
- ▶ A TV content strategy on all our networks**
- ▶ A “Product factory” for the right offer at the right time**
- ▶ A state of the art integrated network**
- ▶ A strong and unique commercial brand**
- ▶ A solid international footprint to leverage on growing markets**
- ▶ Respecting multi-year financial trajectory**