NExT

June 29, 2005

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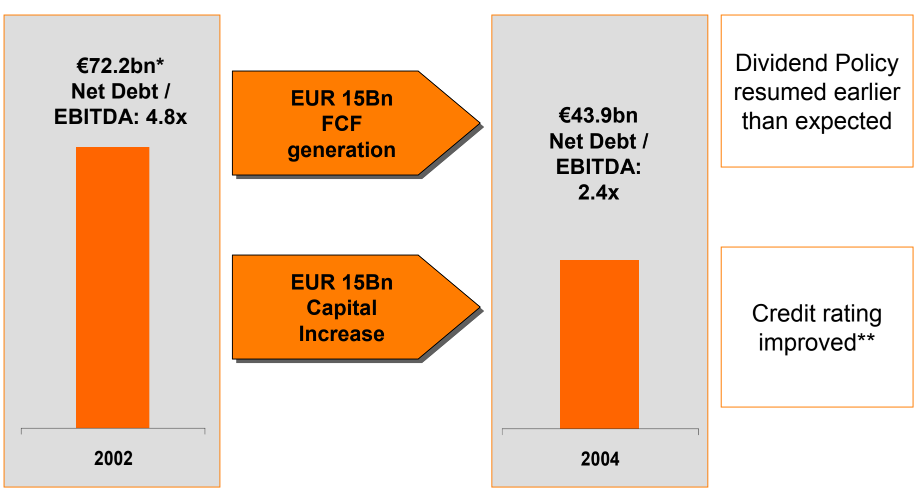
June 29th Investor's day

A new phase for France Telecom

- **INTRODUCTION**
- **PART A: Strategic assessment**
  - Success of Ambition 2005
  - Changes to come, challenges and opportunities, our main assumptions
  - Why integration is best
- **PART B: NExT : A New Experience in Telecom services**
  - NExT principles
  - Key objectives for the whole group
  - Delivering NExT's revenue growth initiatives
- **PART C: NExT's operational and financial objectives**
  - How NExT translates into KPI objectives
  - The next phase of TOP
  - Financial objectives
- **CONCLUSION**

Success of Ambition 2005

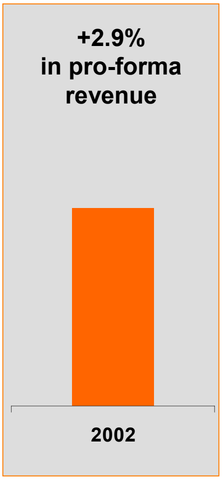
FT Ambition 2005:
a recovery in financial balance



*: Net Debt + Equant CVR and Kulczyck Put/ **:S&Ps from BBB- to A-, Moodys from BAA1 to A3 and Fitch from BBB+ to A- .
All figures in French Gaap

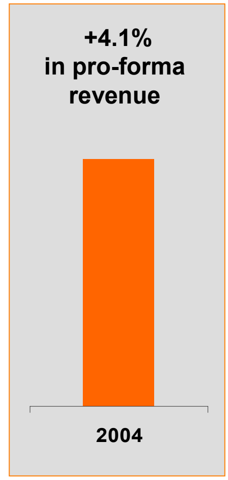
➔ Commitment to reduce net debt by EUR30bn* achieved

FT Ambition 2005:
a recovery in top line growth



Sustained mobile and broadband growth

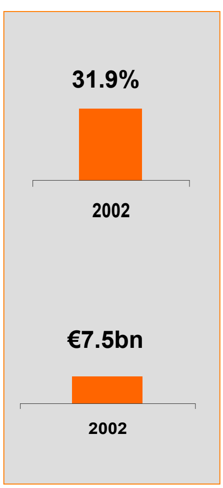
Fixed Line inflexion point reached



→Top line growth enhanced

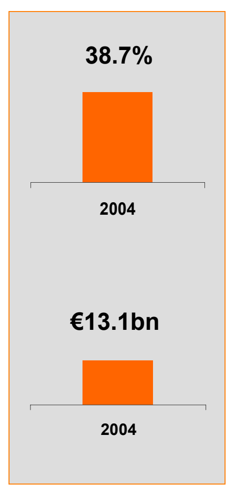
All figures in French Gaap

FT Ambition 2005:
a recovery in operational performance



Strong increase in profitability (EBITDA margin)

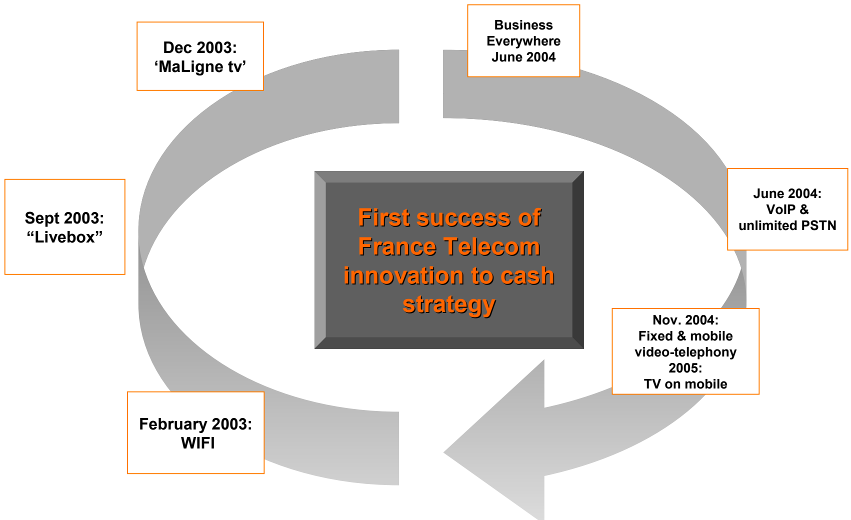
EBITDA-Capex nearly doubled



→Untapped operational performance revealed, success of first Wave of TOP program

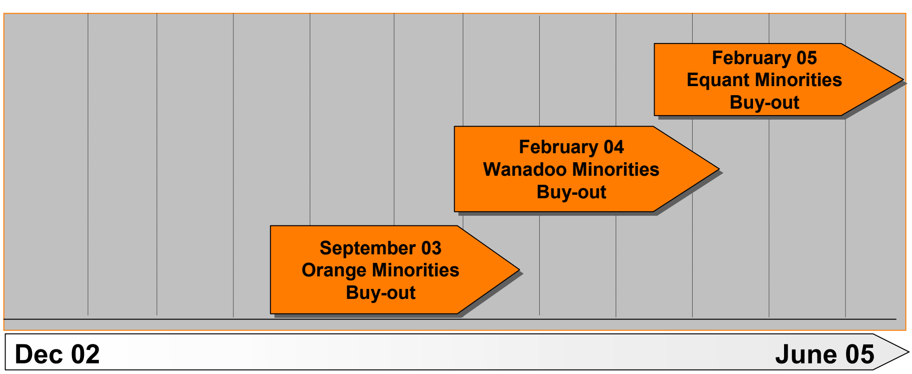
All figures in French Gaap

FT Ambition 2005:
a recovery in innovation potential



➔FT nominated by Forrester as the most innovative Telco for 2004

FT Ambition 2005: Paving the way for the integrated operator



Building the structure of the integrated group

- ➔ **Integrated management**
- ➔ **Setting the bases for integrated IT&N and Customer facing program**
- ➔ **Integrated services building blocks developed**
- ➔ **Disposals to rationalize activities portfolio**

FT today: strong momentum in fast growing markets

Over 126 m clients worldwide

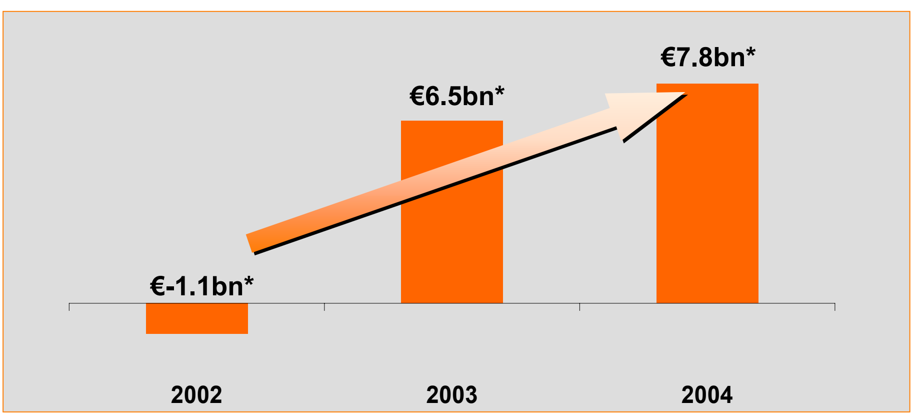
Over 64 m mobile customers

Over 6 m Broadband customers

Over 340,000 Business Everywhere end users
134,000 IP-VPN access

➔Focus on customer base investment preparing for future growth

France Telecom today: strong improvement of organic cash generation



* Cash Flow excluding Equant CVR payment and excluding Disposals and Minorities buy out (Kulczyck put not included)

All figures in French Gaap

2005 targets confirmed

- Pro forma revenue growth between + 3 and + 5%
- EBITDA over EUR 18.5bn
- Capex to sales ratio high end of 10 to 12% range
- Net debt to EBITDA ratio below 2.5

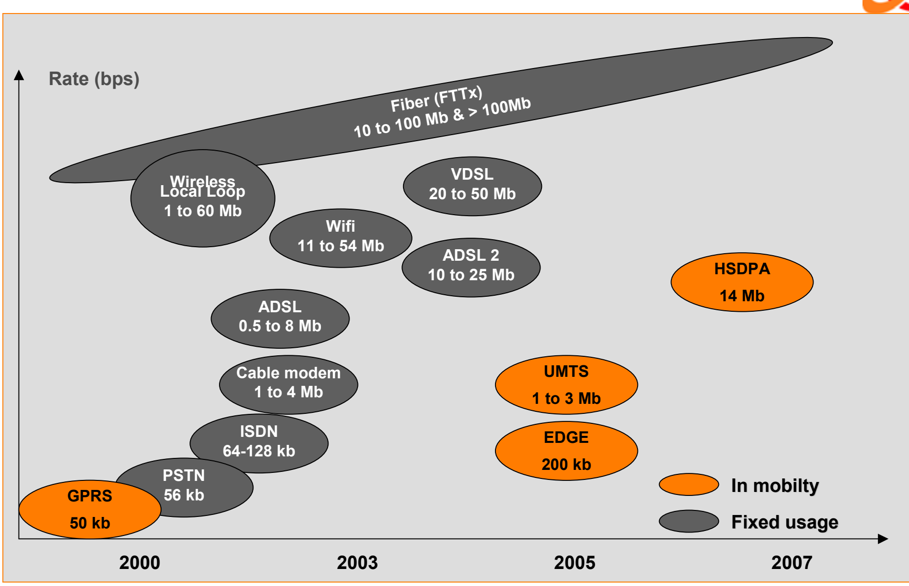
All figures in IFRS

2003-2005: value creation

- Stock price up over 40% since Ambition 2005 announcement
- Dividend re-installed
- Strong and sustainable free cash flow generation
- Financial rebalancing and debt ratings improvements
- FT business model is leading the way

Changes to come

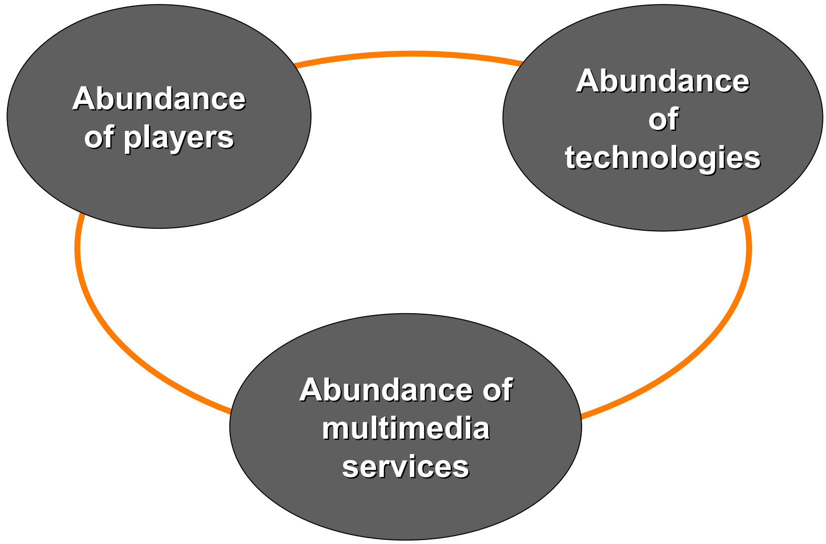
Broadband & IP everywhere



➔Technological options proliferating

Source: Idate

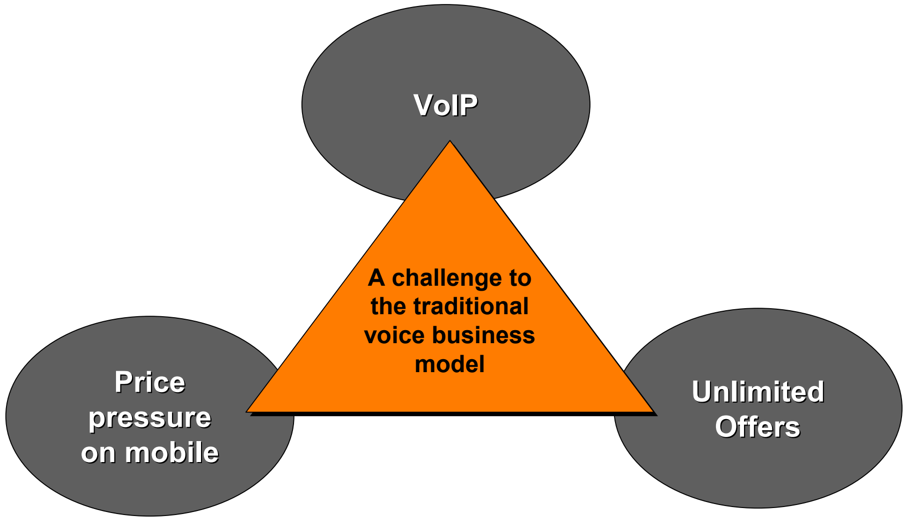
A new context for customers



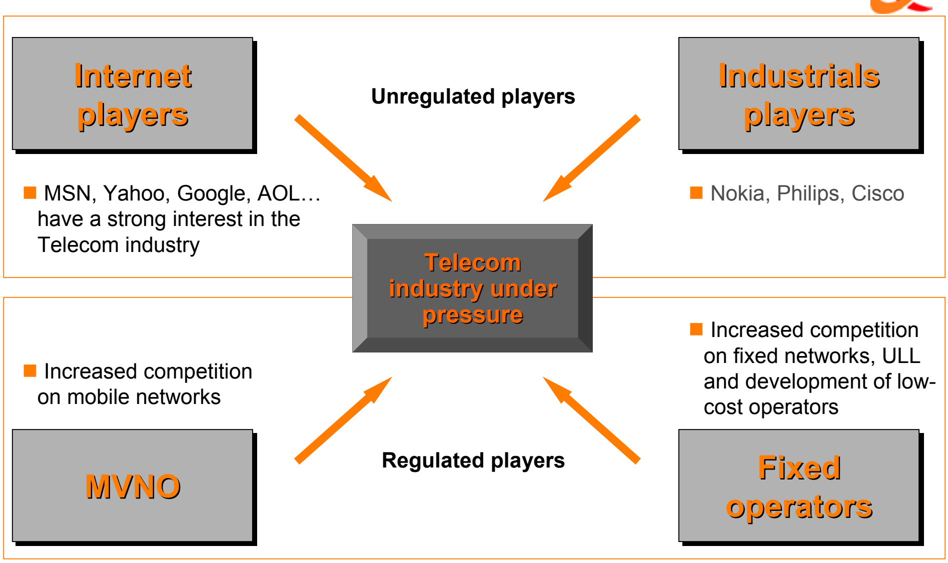
➔ From a customer acquisition policy to a retention & value strategy

Challenges

Voice commoditisation?



Aggressive new entrants on each market

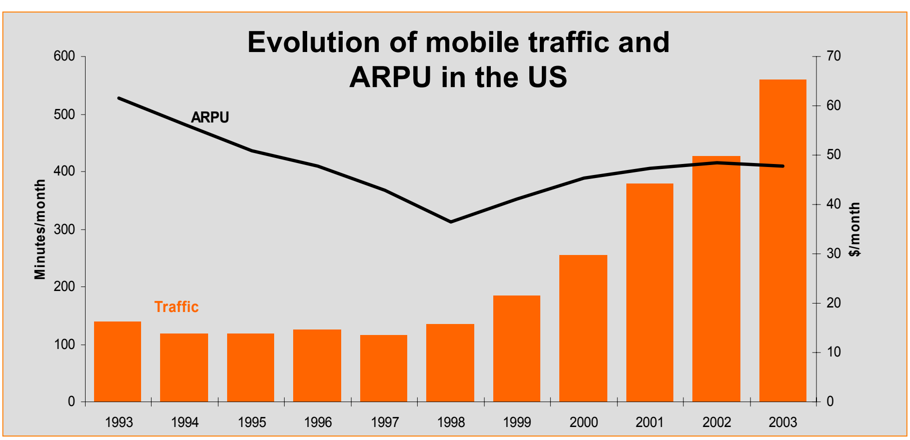


→New competitors, new business models, new customer facings strategy

Opportunities

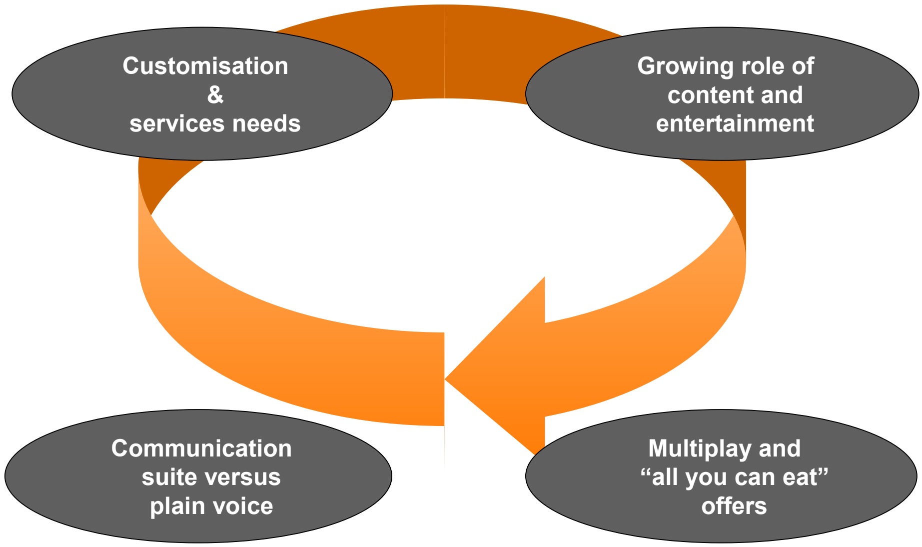
Untapped potential

➔ Elasticity remains for voice: the US mobile example



Source: FCC & CTIA

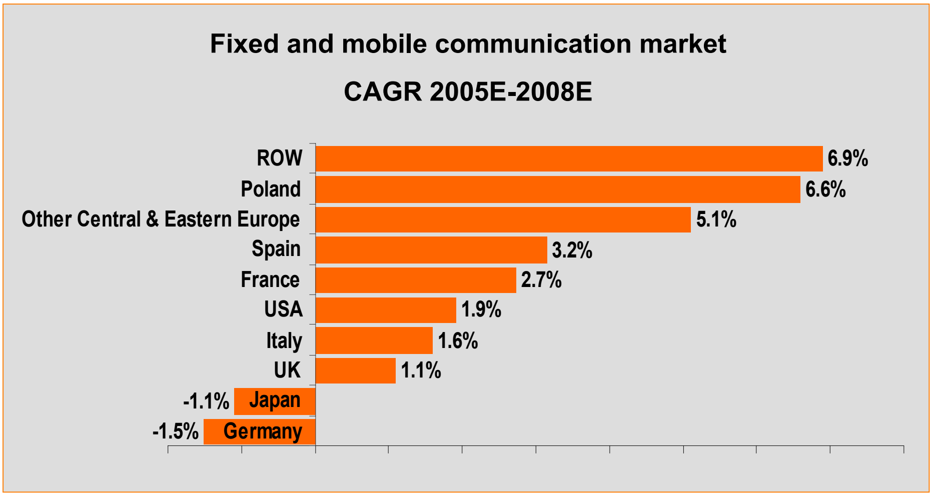
New usage patterns



Our main assumptions

Telecom markets

➔ Growth to continue, especially in developing countries



Source: Idate

Broadband expansion in Europe

➔ Gradual move to NGN

➔ Towards more than 60% level for retail Broadband Penetration in main European countries* by 2008

➔ More than 35m data UMTS subscribers in main European countries* by 2008

➔ Over 20m VoIP residential customers in main European countries* by 2008

➔ TVDSL subscribers x4 between 2005 and 2008

➔ Between 2004 and 2008 :

- Music market nearly x3
- Games market x6

Source: Idate, CSFB, Jupiter Research

* France, Germany, Italy,, Spain UK

Trends in regulation

- ➔ **European regulatory convergence**
- ➔ **Pragmatic approach on integrated & innovative products**

Stabilized model in France

- ➔ Visibility on LLU prices, Subscription fee, Mobile termination rate
- ➔ Limited impact of naked DSL
- ➔ MVNO model clarified

Why integration is best

User friendly interfaces and portals

➔Unified "look & feel"

- Faster and better adoption of new communication tools
- Easier implementation of customisation options
- Spurs content usage
- Key enabler for multi-play

➔Design your own device

- Provide the best device to each customer segment

Best customer experience through unified customer facing function and networks

➔Single customer support

- One stop shop for communication tools support and customisation
- Consistent approach for multi-play offers
- Seamless customer experience

➔Network agnostic

- Use the best network or technology for communication suite
- Allows the best content delivery in each situation
- Allows more abundant usage and capacity optimisation

Better flexibility to serve customers

➔ Price packaging flexibility

- Seamless communication suite offers more pricing options
- More choice or simplicity for customer
- Trans-networks price packages possible for content access
- A key support for multi-play offers

➔ End to end control

- Allow best implementation of seamless communication tools
- Easier implementation of customisation options
- Better DRM control for content
- Easier implementation of multi-play offers

More value creation

➔ Embed value added services

- Much more than packaged offers

➔ Leverage knowledge of customer to drive revenue growth

- Better knowledge of full usage pattern to offer better service
- segmented approach to convergent offers

➔ Drive churn reduction

- Loyalty points program to boost structurally lower churn

➔ Built-in convergence to drive costs down

- Networks natively convergent will support value creation

N E x T

A new experience in telecom services

NExT in a nutshell

"Telecommunication Everywhere" *Clients communicate, We manage the networks*	**Major initiative for multi access portal Build an integrated customer experience**	• Integrated communication suite and devices • Integrated offers • Seamless approach of IT&N • New branding policy
"Contents Everywhere" & Life services *Enrich the experience*	**Develop TV, music and games entertainment on all platforms. Develop a full range of Services for everyday life**	• Pick selected exclusivity • Aggregate & distribute all major digital contents • Leverage on group innovation and customer base
"Business Everywhere" *Leader on the Enterprise market*	**Build a major European and global player for enterprises clients**	• Leverage our expertise on IPVPN to provide all set of IP multimedia communication services • Grow ICT* revenues in critical applications & transform group know-how expertise
"Services Everywhere" *Best in class customer care*	**Differentiate through customer care & professional services**	• "A vos cotés, aujourd'hui et demain" and "With you, all the way" : supporting a new client promise for residential • "Nous serons là" / "We will be there" for Enterprises

➔ Becoming the leading telecom services company in Europe

*: ICT: Information and Communication Technologies

The **NExT** customer experience (1)

Integrated & seamless experience

- Integrated portal is the best one stop shop
- Orange-FT signature devices are user friendly
- Orange-FT offer attractive and simple community plans
- Orange-FT offer simple integrated communication features (consumer & business)
- “Life services” are making my “real life” easier
- “Business Everywhere is Multimedia”

➔ Integration for simplicity, versatility and customer satisfaction

➔ Integration is a plus for some clients but at no expense for the others

The **NExT** customer experience (2)

Entertainment & other

- The most comprehensive & versatile entertainment platform
- Simple and clear billing
- The most trusted content provider
- A rising player in e-commerce intermediation

Services

- Best in class customer support, QoS and self-care
- On site services are generating additional loyalty
- Provide ICT services for business customers
- Design, build and operate critical business applications

➔ Integration for simplicity, versatility and customer satisfaction

The NExT business model

Toward a new business model for revenue streams

- Flat fee for access to NExT services
- Flat fees for the plain telecom suite and basic content offering
- Specific features, customized options
- Premium content access
- “Support or on site” services
- Life services

Pay per use, flat fee or shared revenues, license fees and advertising

➔ A progressive change from current business model

The NExT transformation path

Adapting to clients needs for growth

- New branding policy
- Toward a country based approach
- Developing convergent offers
- Services "charter"

Enter adjacent territories

- Leverage on services on all customer segments
- Differentiate in contents
- New business models including Low cost & MVNO
- Develop ICT services

Building the communication services factory

- Integrated Customer facing function
- Integrated innovation & marketing
- Unified IT&N

➔ Leveraging on partnerships, innovation and people

NExT :

Key objectives

NExT 's objectives for 2008

Every reporting segment supports…

Home – **Grow the business Into 2008**
- Over 12m BB clients
- Overall revenues increase 2008 vs 2005

Personal – **Sustained profitable growth**
- More than 85m clients in 2008
- Over 6% 05-08 CAGR revenues growth
- Slight improvement on margins

Enterprise – **transform and affirm leadership**
- Slight decrease in 2008 revenues vs 2005
- ICT services revenues CAGR around 15%

… clear targets for 2008

➔ Supporting the case for 3 to 5% pro forma revenue growth revenues trend and sustained free cash flow generation

The **NExT** use of cash policy

Debt **Maintaining targets and discipline**	**Continue debt reduction into 2008**	■ Debt / EBITDA ratio below 2 before end 2008
Dividend **Sharing value of Cash generation**	**Grow dividend Distribution toward Sector benchmarks**	■ Proposed 2005 dividend at EUR1 per share ■ 2006-2008 dividend per share evolution to take into account organic FCF growth & sector benchmark
Growth	**Pick selected growth opportunities**	■ Any expansion to be consistent with FT debt targets ■ No impact on distribution potential

➔All stakeholders to benefit from NExT

N E x T :

Delivering revenue growth initiatives

The NExT roadmap to success

Delivering the best communication services for our clients

Branding
- Orange is selected as FT international brand to support mobile, broadband and multiplay offers
- Orange is selected for all enterprise business
- In incumbent countries : pragmatic approach with legacy brands and Orange

Converged offers
- Launch of family talk
- Launch of Homezone
- Business Everywhere Multimedia and Business Talk

Portal
- Launch a multi-access portal including full seamless communication suite

Devices
- Develop a full range including convergent & IP phones

Contents
- Grow on music, games & TV,sport and film distribution and develop seamless content usage

New services
- First initiatives launched from today
- Enlarging our addressable market through innovation

Support services
- Develop “on site” (maintenance or installation services)
- Migration to ToIP for business

Partnerships
- Reinforce our model with key partners

Branding: research findings

- ➔ Brand architecture should be clarified and simplified to support the integrated operator model
- ➔ In France, Poland and other countries where we are incumbents, the strong relationship between legacy brands and the customers will be sustained in the long term
- ➔ Orange has more potential (stretching) than any of our other brands
- ➔ For enterprise business, a single brand approach could be implemented globally

Branding: decisions and objectives

- ➔ In incumbent countries we will deploy a pragmatic approach leveraging both legacy brands and Orange
- ➔ Orange is selected as France Telecom international brand to support mobile, broadband and multi-play offers where applicable
- ➔ Orange is selected for all Enterprise businesses
- ➔ New architecture to be fully deployed by end of 06
- ➔ Economics:
  - Upfront cost circa EUR 200m before end 2006
  - Cumulated impact neutral end 2007
  - Savings for 2008 and onwards circa EUR 200m on a full year basis

First converged offers from FT

Different needs	Different FT/Orange solutions
Fixed and Mobile Voice	"Family Talk"
Mobile + Broadband	"Mobile and Connected"
Full convergence	"Home Zone"
Convergence for Enterprise	Business Everywhere Multimedia, Business Talk

➔ Strong appeal for high users segments

Family Talk

➔ The family members phone lines are included in a Closed User Group:

- 1 fixed line PSTN
- Up to 3 Orange mobiles
  - ✓ All post-paid bundles

€39*
Promotional offer: €29

➔ Each line, both fixed and mobile get unlimited calls to other members

➔ Launched in June 05

➔ New versions to come

*: Price for 1 fixed line and 1 – 3 mobile lines (same price regardless if 1, 2 or 3 lines included)

➔ A convergent closed user group paid by the head of family

Mobile & Connected

- ➔ Address fixed-line substituted customers packaging mobile, naked ADSL and convergent services
- ➔ Broadband Internet + Mobile
  - Converged services (email, IM, SMS, Photo album)
  - Mobile contract offer
  - Naked ADSL offer
- ➔ Launch expected H1 2006

« Home Zone »

- ➔ A full converged offer for fixed-line, mobile and Internet with one single device
  - Access fixed and mobile messages from a single number
  - Attractive tariffs at home whatever the device is used
  - Connection of mobile devices to DSL to benefit from flat rate and high speed
  - Easy-to-use and seamless communication tools accross PC and mobile
- ➔ Launch expected H106

Business Everywhere Multimedia

- Extend Business Everywhere to PDA

- Enrich Business Everywhere with push mail, unified messaging, IM, VoIP, Visio, softphone

Business Talk

- **An integrated fixed-mobile voice offer as a first step**
- **Integration of VoIP environment**
- **Optimization of telecommunication costs**
- **Simplification of telephony management**
- **One single number**
- **Unified voice messaging**

Converged offers: Objectives

June 2005 | 2006 | 2008

And others….

Family Talk

Business Talk

Home Zone (France & Belgium)

Mobile & Connected (France, Belgium, NL)

Business Everywhere Multimedia extension

Objectives for 2008

Between 5% to 10% of total group revenues for all offers

Portal

➔ Deploy a fully converged portal with an integrated communication services suite

- Optimised for all devices on any network
- Single sign-on
- Same "look & feel"
- Same customer interface

➔ Fully adaptable for non-converged clients

➔ A better proposition for third parties and suppliers

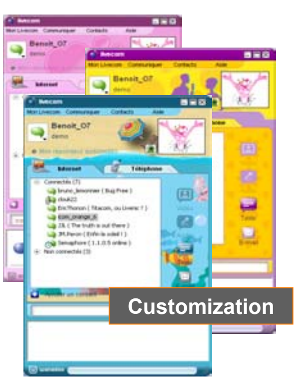
➔A major move for integration bringing together mobile broadband and the internet

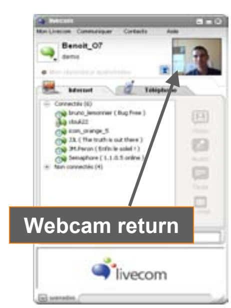
Portal

➔ Seamless use is an option, mono play usage remains

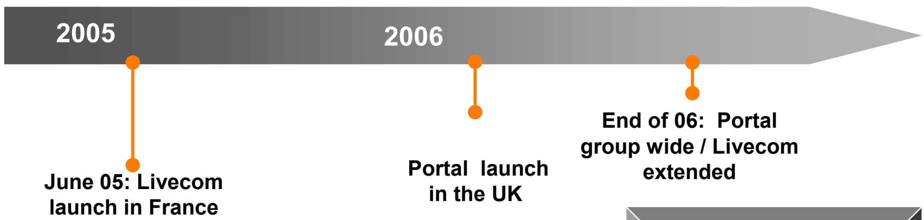
Communication Suite: LiveCom

- ➔ The first Communication Suite integrating voice, video-telephony and Instant Messaging on PCs, mobile and Visio-phones.
- ➔ Specific skins including customization and webcam return





Portal: objective



Objective for 2008

Portal available for 100% of the European base

➔ A key enabler to improve operational performance

Devices

➔ Develop a strong base for our clients' experience

➔ Signature device strategy to expand

- Launch of Signature in Poland
- Livephone (IP-phone) project launch

➔ Toward a continuous offer range between pure fixed and mobile devices

➔ Improve segmentation approach to devices design and distribution

Devices: objectives for 2008

30% of mobile base for signature devices in 2008

Over 60% of new sales with signature mobile devices end 2007

2m IP-phones end 2008

Content

➔ Become a leading distributor of digital content

➔ Dual objective for content strategy

- Support and enhance value of access

-> Content to spur broadband usage

- Develop stand-alone profitable new business models

-> Address all clients to gain a share of value

➔ Content strategy to be focused on aggregation and partnerships.

- Develop selected exclusivity

➔ Leverage on billing and DRM control

- Allow secure and seamless use of content across networks and devices

➔ Develop ecosystem for client self produced content

Content: objective for 2008

➔ Become a major player for on-line games

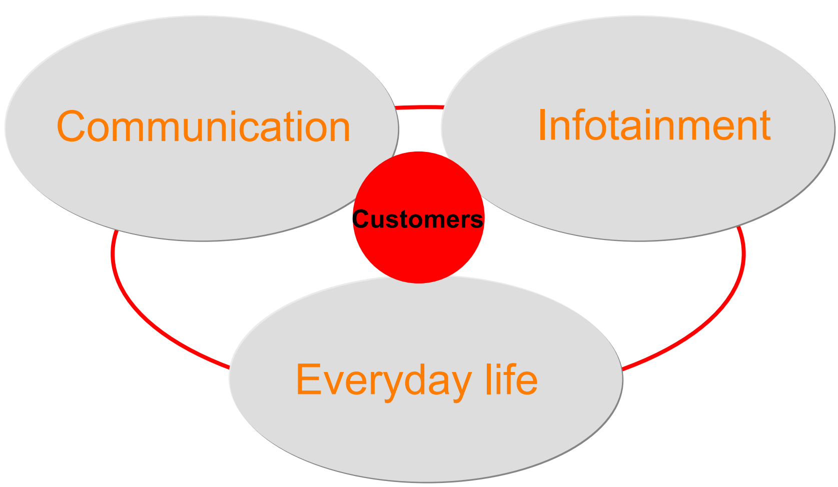
➔ Launch TV over DSL in the UK, Spain, the Netherlands and Poland before mid 2006

Objective for 2008

Over EUR 400m direct paid content revenues in 2008

➔Become one of the first digital content delivery platform in the future

New services



New services : communication

Consumers

Mail on the move
- My mail on the move pushed on my handset (Orange Mail) (2005)

Dynamic address book
- Simplified address book to choose always the best way to reach somebody

Business

Business Livebox
- Enabler for IP communication services including security, voice (fixed-mobile), data, Internet mobile, video (inc. Telesurveillance and electronic banking service)

Business Everywhere Multimedia
- Multi-access Enterprise Services allowing to connect to intranet and internet whatever the network
- Extension to PDA in 05-06

New services : infotainment

Photo transfer
- Send photos from mobile to your favourite photoblog

Live music
- Wireless music transmission from PC to Hifi sound system through Livebox transmission. Allow for access to music downloaded on the PC and IP radios

Music everywhere
- Enabling FT clients to access ringtones, full length music tracks and music videos either through their internet access or to their Orange mobiles, or their TV set or their fixed phones across all FT territories.
- Partnership with Warner to develop innovative services and investigate new business model

Football
- 100% French first league offer

TV Live on Mobile
- With UMTS/EDGE/DVBH
  Roll out in every European country from 2005-2007

Video on demand
- The most comprehensive and complete streaming video offer with exclusive rights on sport (French Premier League/Chelsea/Tour de France), cinema (Star Wars) and music (2005)

New services : Every day life

Live zoom
- Wifi camera for home monitoring connected to the Livebox
- Access from remote PC or mobile

Live Tele surveillance
- Associated home surveillance service in partnership with EPS

Local search on mobile
- I'm able to localize closest points of interest (Gas station, wifi hot spots, Orange dealers), find map and directions, have information on traffic and parking zone and click to call

Home care
- Visio based service to help senior to remain at home

Support services

- Initiative focused on people intensive services
- Leverage on productivity gains to create new activities
- For residential, assist our customers to use devices connected to our network
- For Business segment, help migrate towards ToIP and provide integrated critical business applications linked with the network.
  - ToIP audit
  - Needs & usage assessment
  - Migration management

Objective for 2008

Over EUR400m revenues by 2008 (over +50% vs 2004)

→ A new promise: "A vos cotés, aujourd'hui et demain", " We will be there"

Partnerships

M@Home (Ericsson)

- A convergent OnePhone service: “When I am in my Homezone, there is no difference between my mobile phone and my fixed line and I take advantage of the home ADSL high speed data transmission”
- Planning : Test in a pilot zone near Paris in H205.

VideoLyra (Thomson)

- A communicating portable multimedia player with a Wifi connection, an Internet Browser and access to e-mail from the Livebox or any hotspot.
- Planning : Launch expected for Christmas

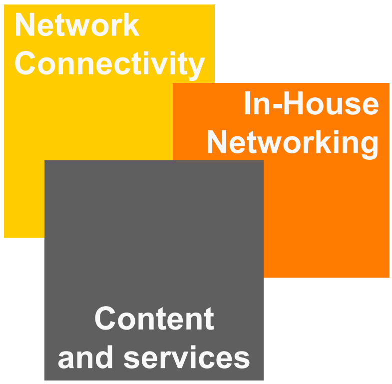
Microsoft

- Partnership agreement for the joint development of multimedia products and services to produce interactive services on increasingly intelligent and interconnected terminals, as well as products and services enabling genuine fixed-mobile convergence,
- Businesses and consumers.
- Planning : first results in early 2006

The NE T operational & financial objectives

ADSL Broadband roll-out & objectives for 2008

Livebox®: At the heart of the Home broadband strategy

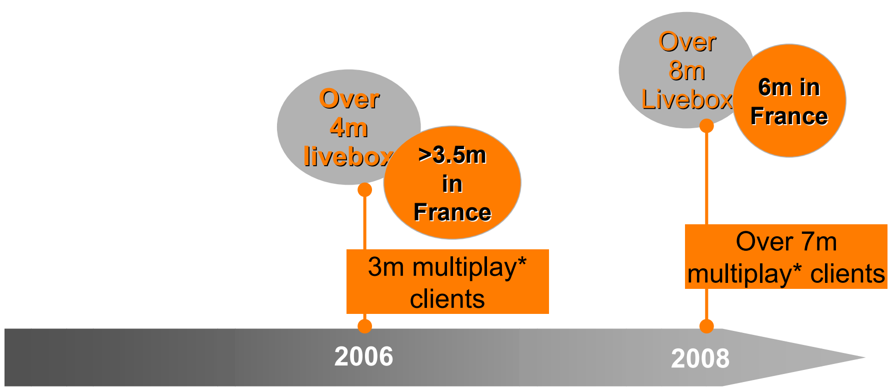


➔ Not simply a **VoIP** and **TV over ADSL** enabler, or an **Internet Wi-Fi router**

➔ but also **photo, Music, Home watching, directory management**, etc.

ADSL Broadband roll-out & objectives for 2008

Livebox®: At the heart of the Home broadband strategy



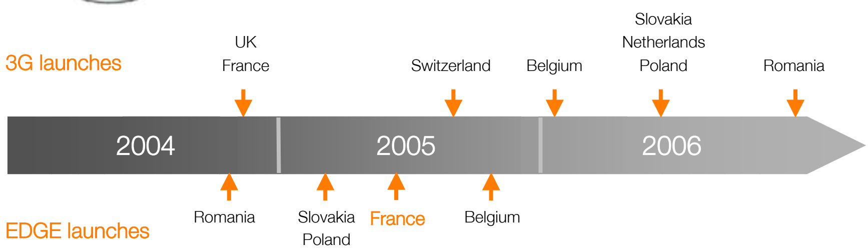
➔ Position FT as the European leader in Home networking and multi-play offers

* At least dual play

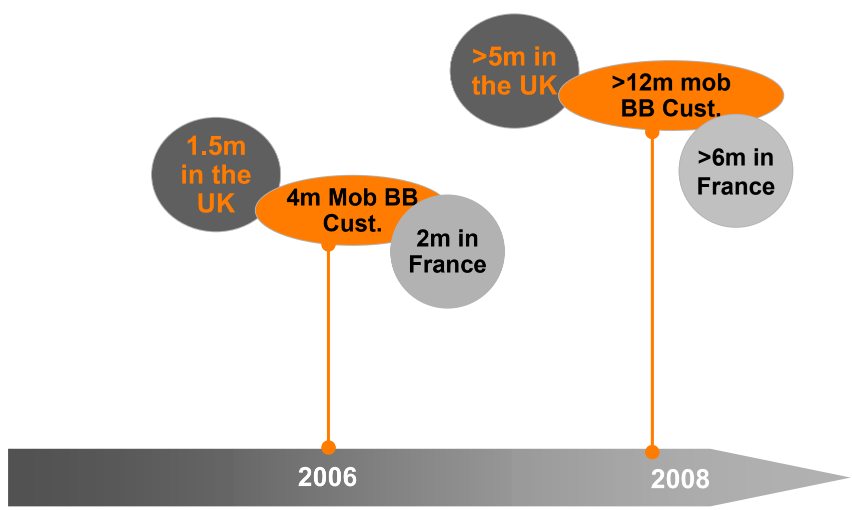
Mobile Broadband roll-out & objectives for 2008

- EDGE deployed to provide a richer experience to as many customers as possible
- UMTS deployed across footprint to compete in key areas (large cities), address high value segments and satisfy regulatory constraints

Orange mass-market launches



Mobile Broadband* roll-out & objectives for 2008

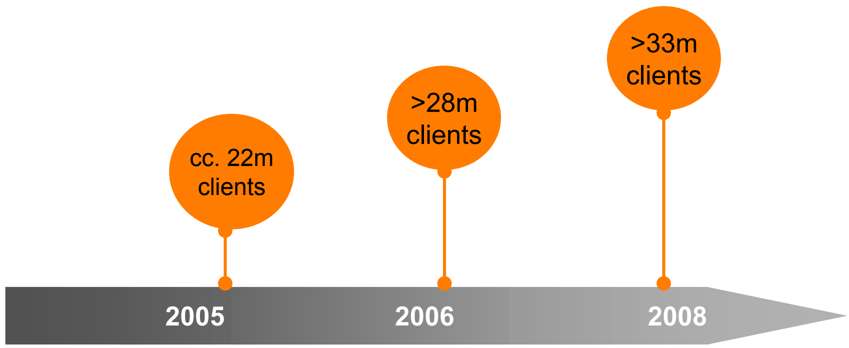


*: UMTS & EDGE

Develop ROW markets:
objectives for 2008

➔ **On mobile footprint: organic growth of our ROW operations**

- Personal ROW EBITDA CAGR close to 10% for 2005-2008



Enterprise: roll-out & objectives for 2008

➔ Expand “business everywhere” success over the footprint

➔ Extend our footprint in Europe in the SME market

➔ Leverage on the new Orange branding

➔ Develop more services (ICT services) towards existing customers

➔Become a clear leader on the enterprise market

Enterprise: roll-out & objectives for 2008

Over EUR 2bn revenues in ICT services by '08,

Over 30% of total enterprise revenues

And over EUR 800m revenues in outsourcing by '08

x2.5 vs 2005 base

Over 1 000,000 Business Everywhere customers by 2008

X2.5 vs 2005 base

➔Strong move toward services, change of business model

A new phase for TOP program

➔ Resources optimisation for 2006-2008

- Sourcing and support functions :cumulated gain over EUR2bn
- General expenses : from 5% to 4.5% of sales
- WCR : EUR500m additional gain

➔ Support key transformation initiatives to build an integrated factory

- Innovation & marketing
- IT&N
- Customer facing program
- Support functions

➔ Optimise integration of each geography

➔Supporting resources optimisation but also group transformation, TOP program now fully embedded in FT model

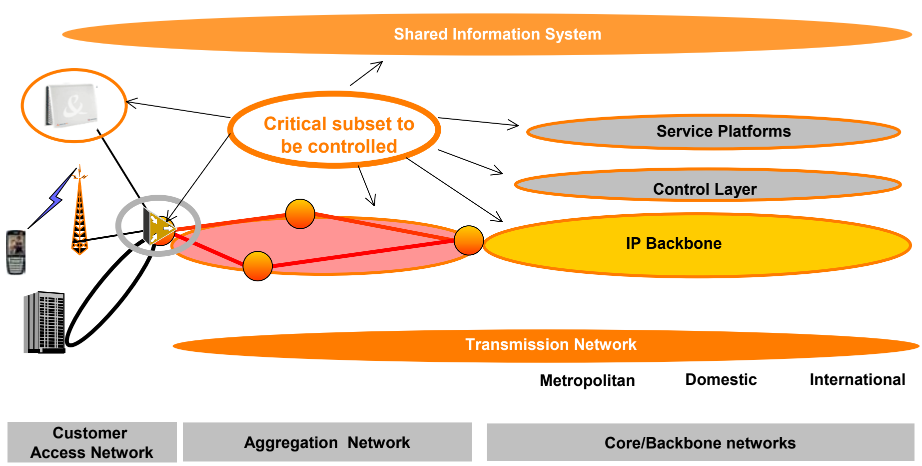
One FT IT & Network (1)

- One unified group structure for IT&N management
- End to end service supervision
- Fixed-mobile common elements in each countries
- Group Capex to sales (including IT&N Capex) to remain around 12%
  - Technology, sourcing and integration gains
- Pragmatic NGN and fiber development

Objective for 2008
Network opex savings representing up to 2pp of EBITDA margin

- Better cost effectiveness and ability to deliver best service

One FT IT & Network (2)



- No need to own everything for end to end control

Customer Facing : an integrated customer relation

- ➔ A multi channel strategy, operational by end 2006 per country
- ➔ Integrated processes and organizations by end 2007 per country
- ➔ One-CRM for mass market and for business customers by 2008 with major steps by end 2006
- ➔ Improve QoS in France up to 85%* by 2008
- ➔ Launch loyalty programs to control SRC & SAC

Objective for 2008

20% of contact with self-care

➔A key integrated operator asset

*: % of satisfied or very satisfied customers

One marketing and innovation

- ➔ Build a group product factory and an exploration center
- ➔ Focus on convergent projects
- ➔ Improve time to market

Objective for 2008

Up to 2% revenues for R&D and innovation(ow 15% for exploration)

➔Keeping the innovation edge, boosting integration

Optimise integration in each geography

➔ UK to be the first major geography with full integration potential from 2006

- Single brand for consumer and business
- Converged networks and customer care
- Multi access portal

UK: A first case for integration

Unique Multi-access portal

Unique Brand

orange™

2006

2008

1.7m broadband DSL clients

>5m mobile UMTS broadband clients

Stabilise churn despite increased competition

➔ Key differentiator for converged clients

France: objectives for 2008

➔ Home

- Broadband retail market share increase through innovation
- over 6m broadband internet customers for FT
- 2008 overall retail ARPU equal or over 2005

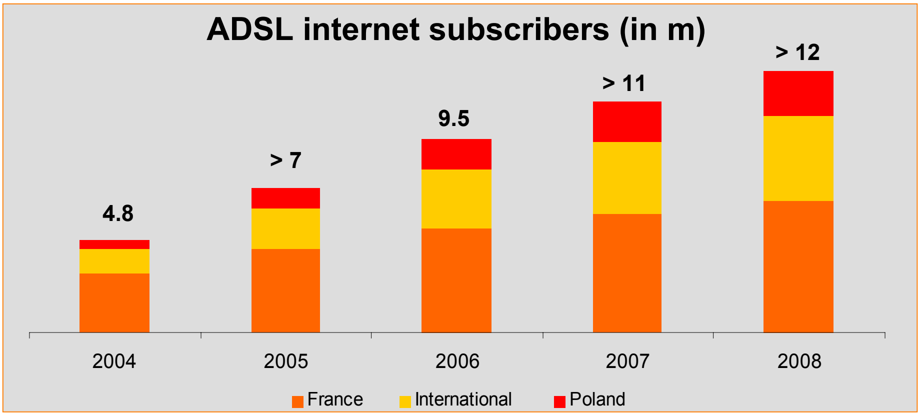
➔ Personal

- Maintain revenue market share around current level
- Over 23.5m customers
- 30% of contract base broadband mobile
- Grow data ARPU around 8% per year

Financial objectives

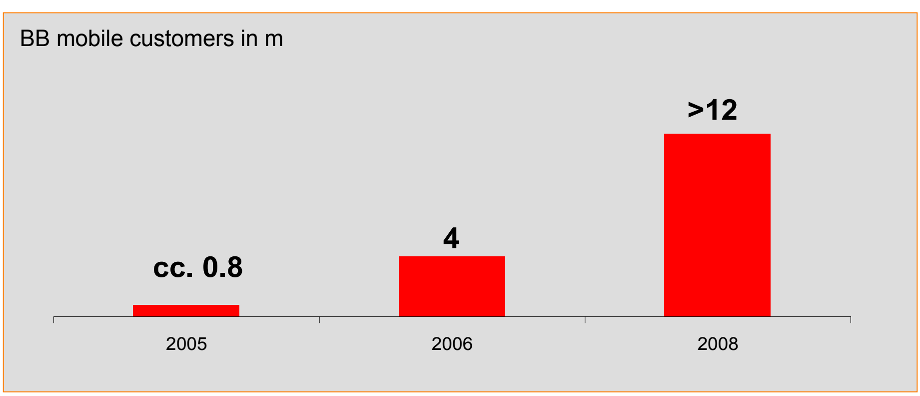
Home 2005 - 2008

→ Revenues	→ Slight growth
→ EBITDA margin	→ Almost stable



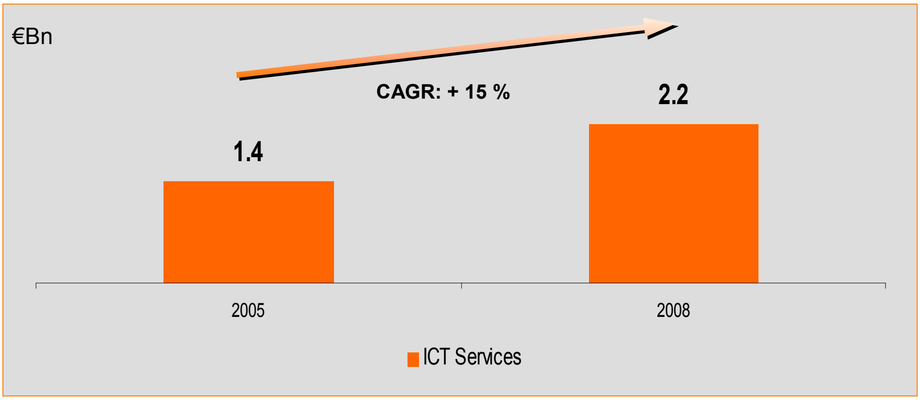
Personal 2005 - 2008

→ Revenues	→ Over 6% CAGR
→ EBITDA margin	→ Slightly improving



Enterprise 2005 - 2008

➔Revenues	➔Slightly decreasing
➔EBITDA margin	➔Decreasing



Group objectives & guidance

- ➔ **Pro forma revenue growth between +3 and +5% 06-08**
- ➔ **Objective of EBITDA growth slightly above revenue growth**
- ➔ **Capex to sales around 12%**

Use of cash

The NExT use of cash policy

Debt Maintaining targets and discipline	Continue debt reduction into 2008	→ Net debt to EBITDA ratio below 2
Dividend Sharing value of Cash generation		→ Net debt to EBITDA ratio below 2.5 end 2005 confirmed
Growth		

The NExT use of cash policy

Debt
Maintaining targets and discipline

Dividend
Sharing value of Cash generation

Growth

Grow dividend
Distribution toward
Sector benchmarks

- EUR 1 per share proposed* for 2005
- 2006-2008 dividend per share increase to take into account organic free cash flow evolution and sector benchmarks
- Major buy backs not envisaged currently
- FT is converging toward sector benchmarks

*Subject to Board of Directors decision and shareholers meeting approval

The NExT use of cash policy

Debt
Maintaining targets and discipline

Dividend
Sharing value of Cash generation

Growth

Pick selected growth opportunities

- Minority buy-back: no more “unavoidable” moves
- External growth
  - Consistent with NExT’s strategy
  - Enhance growth profile
  - FCF per share is the main criteria
  - Consistent with debt targets
  - No negative impact on dividend policy
- Disposals: achieve portfolio optimisation

CONCLUSION

12 key objectives for NExT

Develop a wide range of Every day life services	Convergent offers 5% to 10% of group revenues in 2008	Grow people intensive services rev. by over 50% by '08	Slight decrease of revenues for enterprise with over 30% in ICT services
Achieve re-branding by the end of 2006	Over 30% mobile signature devices by 2008	Operate convergent portal & communication suite by '06	Over EUR400m in direct pay content by 2008
EUR 2bn cumulated gain on sourcing & support functions	20% of contact with self-care	Unified IT&N from '06 and up to 2 margin point gain	Boost Innovation with 2% of revenues on R&D

CONCLUSION

- ➔ **2005 objectives confirmed**
- ➔ **Dividend and use of cash policy clarified**
- ➔ **Major growth & transformation initiatives for the NExT phase**
  - Developing new services to change everyday life and extract value out of new market opportunities
  - Aggressive broadband roll-out to support new services take up
  - Acceleration of group transformation for best efficiency
  - Sustained growth, margin and free cash flow generation

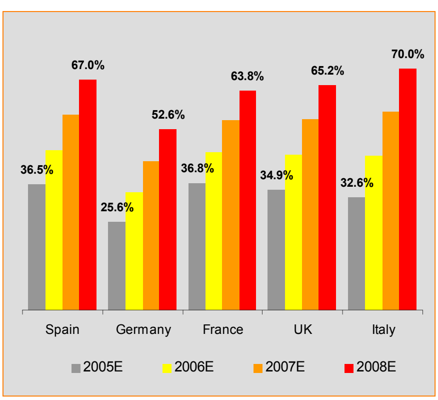
thank you

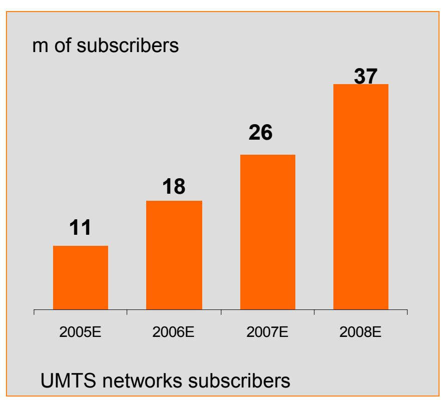
Back up slides

European broadband indicators '08

➔ Towards more than 60% level for retail Broadband Penetration* in main European countries

➔ 37m UMTS data services subscribers in Western Europe** by 2008





Source: Idate

*: ADSL & Cable / Number of households

**: 15 ECC + Switzerland + Norway

European networks trends 2008

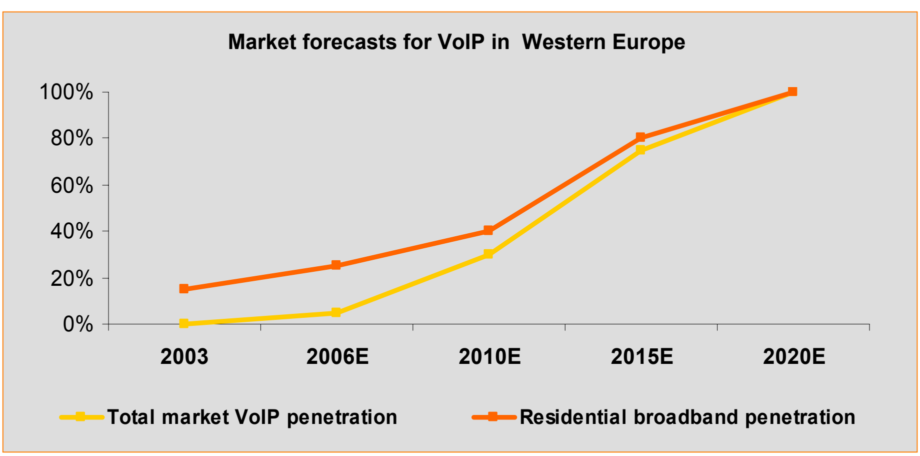
- ➔ Peak commercial DSL bandwidth at 100mb in VDSL2
- ➔ Slow development of fiber
- ➔ Gradual move to NGN

In France :

- ➔7Mb on copper for 65% lines
- ➔ NGN gradually starting from late 2007 early 2008
- ➔ Mobile broadband coverage at 98% in 2008

VOIP

➔ 20.2m VoIP residential customers in Western Europe by 2008*



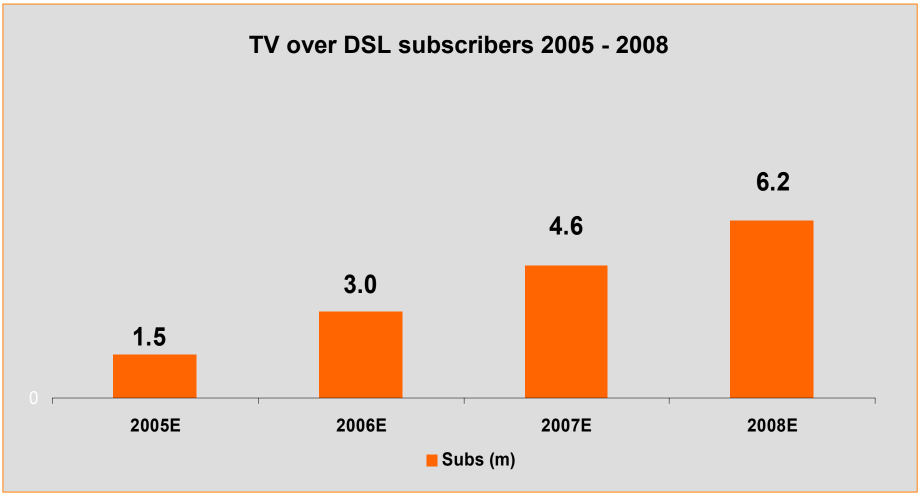
Source: Idate

*Germany, Spain, Italy, France, UK

➔Stronger impact expected in France

DSL TV in Europe by 2008

➔ Revenue opportunity for TVoDSL in Europe

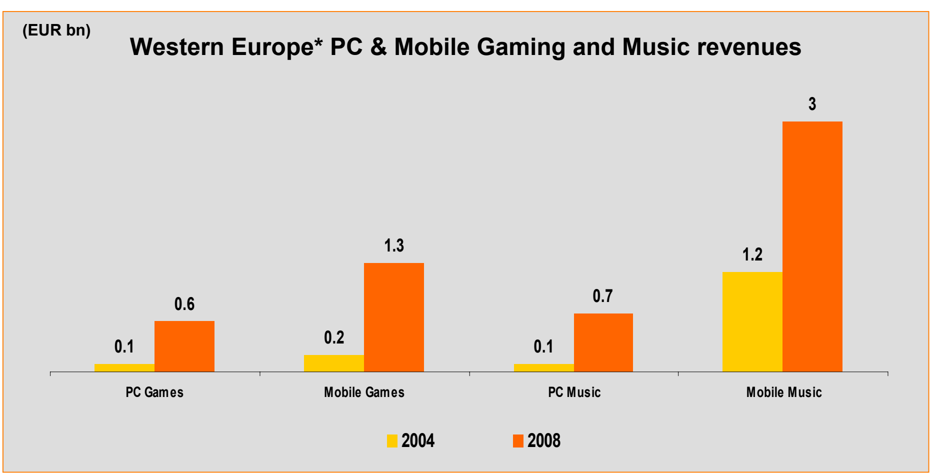


Source : CSFB

*: 15 ECC

On-line entertainment

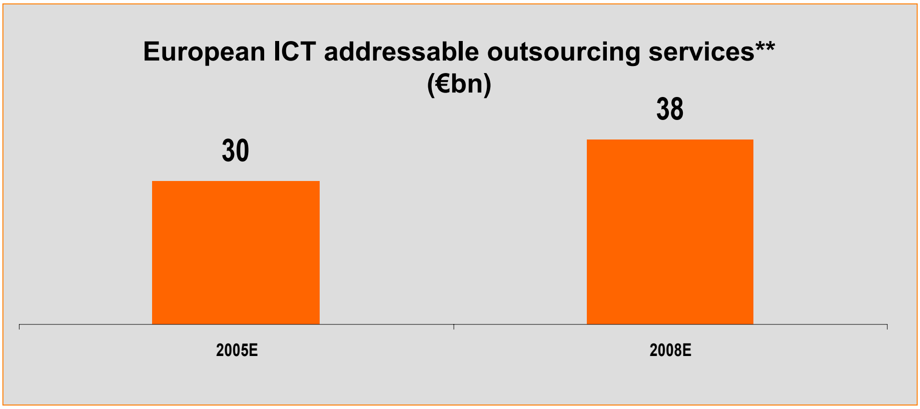
➔ Fixed & mobile On-line gaming and Music downloading revenues in Europe



Source: Jupiter Research - 2005

*: 15 ECC + Switzerland and Norway

Major changes on the Enterprise market



*: Western Europe Poland + MNC ROW

Source:PAC (Pierre Audouin Conseil)

➔Change in customer-supplier relations, towards more services