



June 1st, 2005

***France Telecom Home
Broadband update and strategy***

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Cautionary Statement



This presentation contains forward-looking statements, in particular relating to France Telecom's outlook for 2005. Such statements are not historical facts and include expressions about management's confidence and strategies and management's expectations about new and existing programs, opportunities, technology and market conditions. Although France Telecom believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties. These statements should not be regarded as a representation that anticipated events will occur or that expected objectives will be achieved. Important factors that could cause actual results or performance to differ materially from the results anticipated in the forward-looking statements include, among other things, the success of the FT 2005 plan, including the TOP LINE and TOP programs, France Telecom's other strategic initiatives (based on the integrated operator model) as well as financial and operating initiatives, changes in the competitive environment and the telecom market regulatory environment, and risks and uncertainties attendant upon exchange rate fluctuations, technological trends, business activity and international operations. In addition, these forward-looking statements and the other information relating to France Telecom's 1Q 2005 revenues and key operational indicators as presented in accordance with International Financial Reporting Standards (IFRS) are subject to additional specific risks and uncertainties relating to the possibility of changes in IFRS standards prior to December 31, 2005. More detailed information on the potential risks that could affect France Telecom's financial results is found in the *Document de Référence* filed with the AMF on March 2, 2005 and in filings made with the U.S. Securities and Exchange Commission.

The forward-looking statements contained in this document speak only as of the date of this presentation and France Telecom does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.



Today's agenda

Home in Europe: Country Market environment

in France, UK, Spain, The Netherlands

Current offers: abundance and innovation

Internet and ADSL

TV over DSL and Multiplay

Livebox®

Home main issues

Livebox® and home networking

LLU

Conclusion



France Telecom is the Voice and Broadband Access Leader in Europe

Among the main challengers

- Internet Subscribers : 2,4 millions
- Of which Broadband Subs. : 0,7 million
- Proportion of Broadband Subs. : 30.4%
- Global ISP market share : 15.7% *
- VoIP launched in March 05

1st challenger

- Internet Subscribers : 0,64 million
- Of which Broadband Subs : 0,48 million
- Proportion of Broadband Subs. : 75.2%
- Global ISP market share : 12% *
- VoIP launched in November 04

Incumbent / Leader

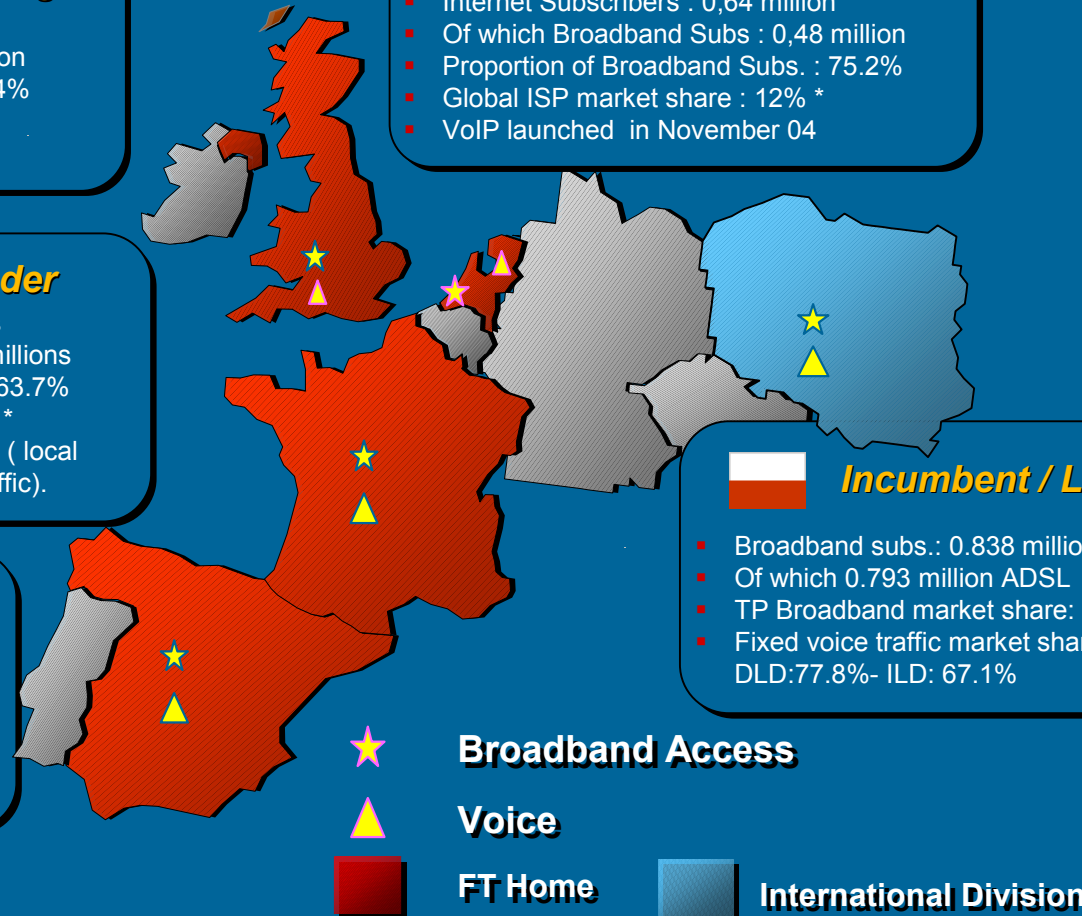
- Internet Subscribers : 5.2 millions
- Of which Broadband Subs : 3.3 millions
- Proportion of Broadband Subs. : 63.7%
- Global ISP market share : 41.4% *
- Fixed Voice market share: 70.9% (local traffic), 58.1% (Long Distance traffic).

1st challenger

- Internet Subscribers : 1.5 millions
- Of which Broadband Subs : 0.49 million
- Proportion of Broadband Subs. : 32.5%
- Global ISP market share : 24.2%*
- Fixed customers: 0.63M

Incumbent / Leader

- Broadband subs.: 0.838 million
- Of which 0.793 million ADSL
- TP Broadband market share: 72.5% (est.)
- Fixed voice traffic market share: DLD:77.8%- ILD: 67.1%



5.9 million broadband subscribers, with 42% of base outside France with superior growth potential

Data as of March 31th, 2005, *as of dec. 2004
Source: FT & Idate

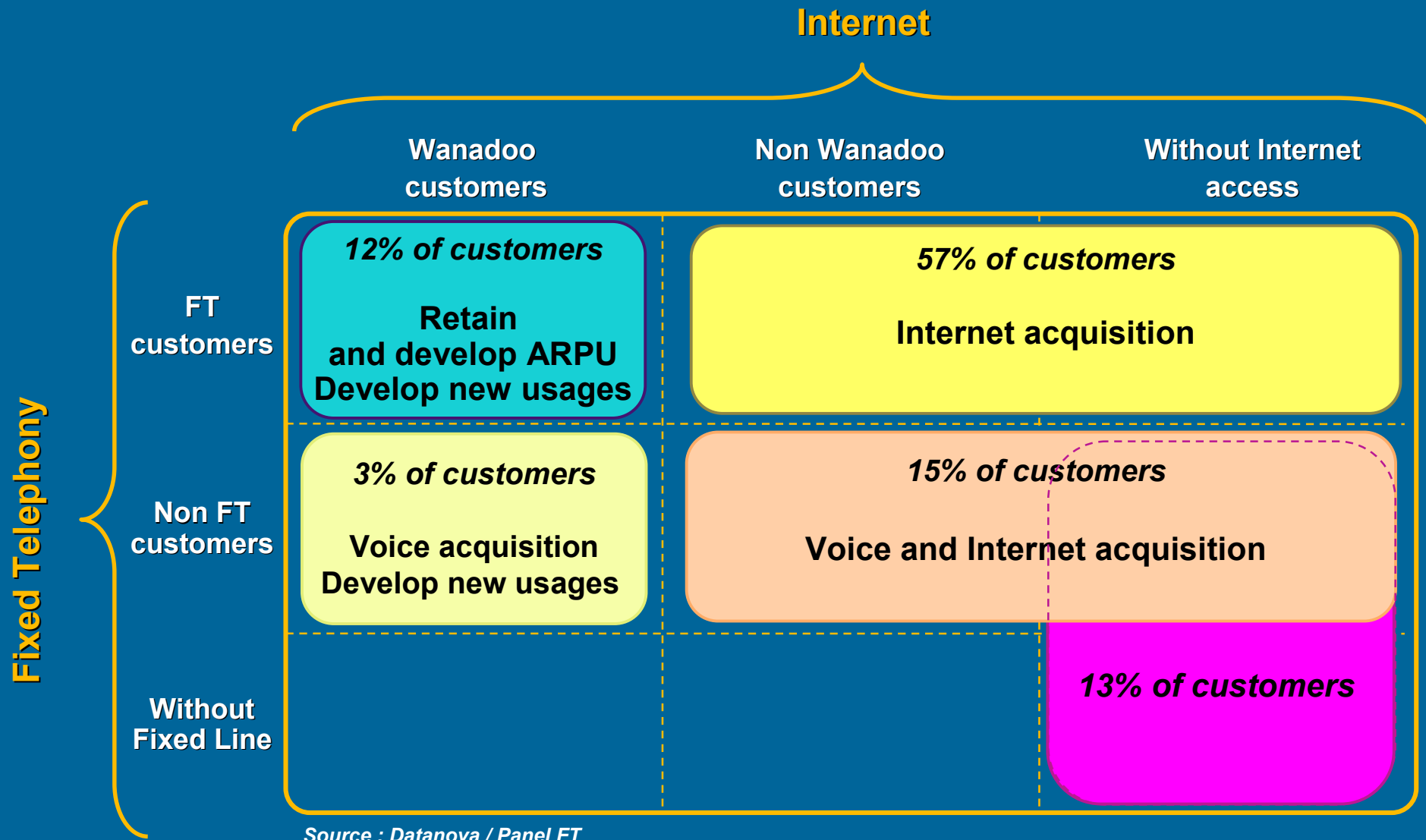


Country market environments



France

France: Home market typology

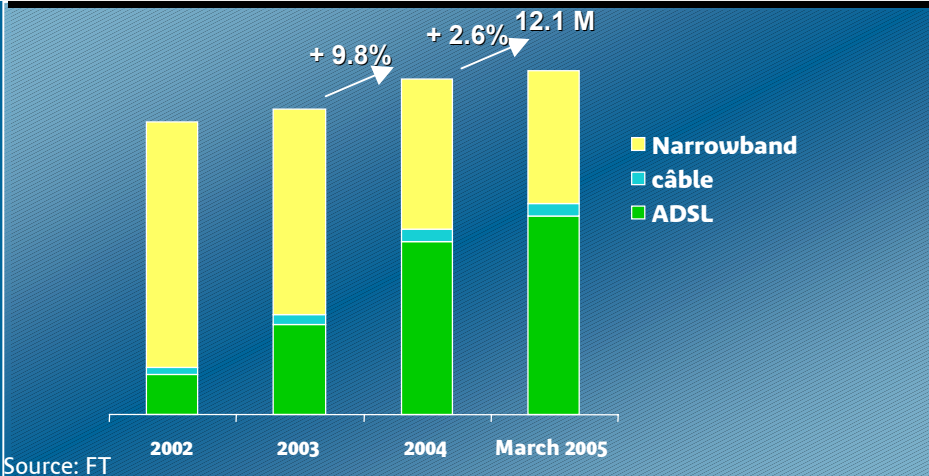


A large untapped market for FT Home products

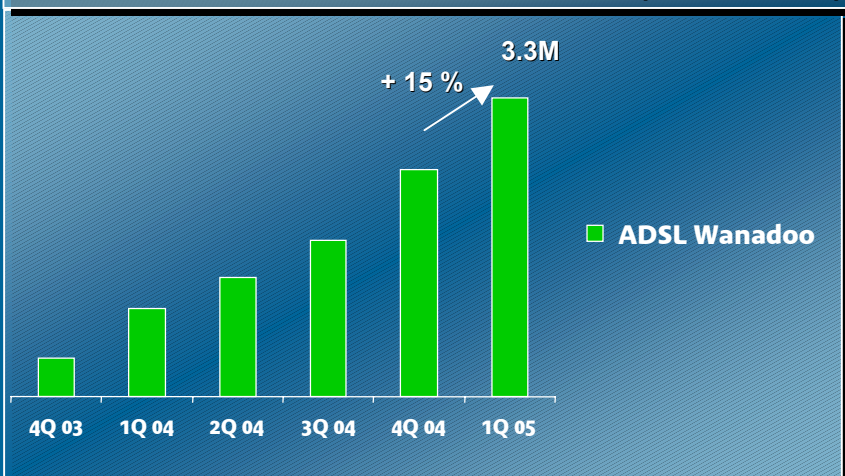
France : Internet market



Internet Market (million customers)

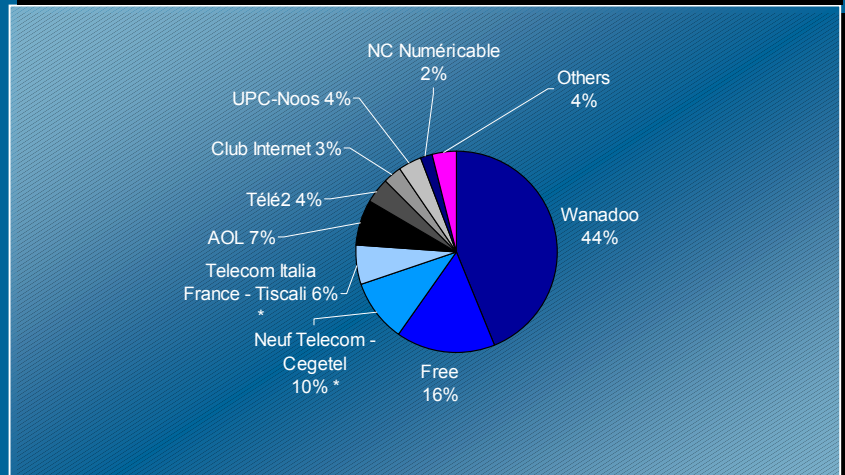


Wanadoo ADSL customers (in millions)



- End of March 2005, ADSL is 94% of Broadband
- 92% of population covered by ADSL, end of Q1 2005
- Competition increasingly based on access speed
- Wanadoo regains market shares with 49% net adds MS in 1Q 05
 - ✓ “Débit Max” already available on each ADSL line (< 8 Mb/s , depending on length of line)
 - ✓ ADSL2+ launched in Paris (End 04) and in 13 other cities (May 05) (< 18 Mb/s)
- Consolidation of the market has started: TI acquired Tiscali, Neuf Telecom and Cegetel merger

Broadband market shares in France



Source: IDATE, end of 2004

ADSL driving Internet growth, at still higher speeds

France : Regulatory environment - Broadband



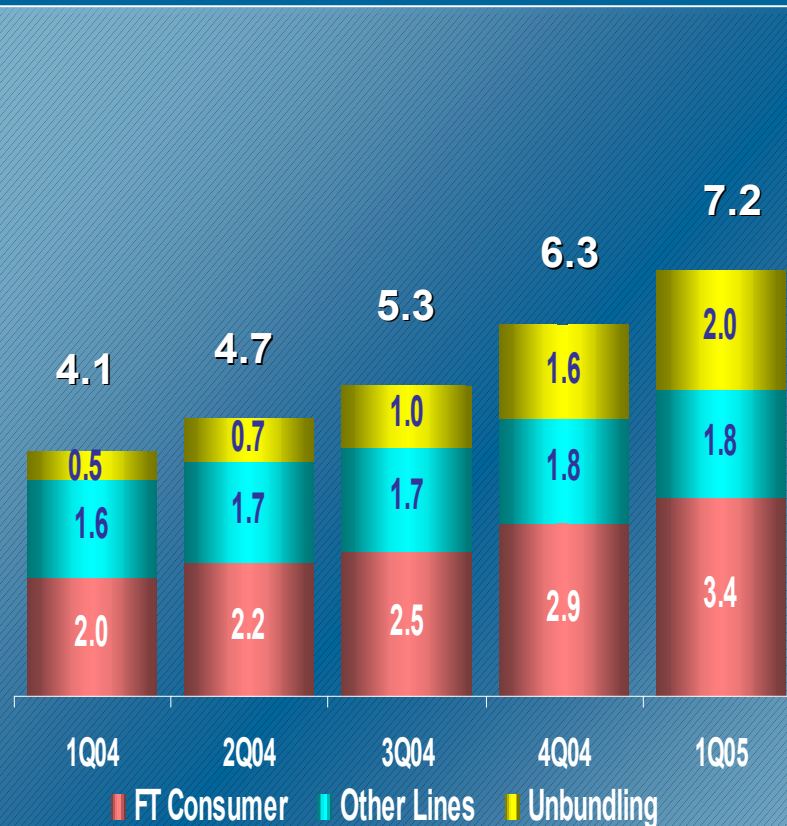
Key themes

- The ART is promoting competition through a wide range of regulatory levers:
 - ✓ LLU (Option 1)
 - ✓ Bitstream access (Option 3)
 - ✓ Wholesale (Option 5)

... resulting in

- **Fast roll out of LLU**
 - ✓ 2,033M unbundled lines (1Q05)
Partial: 1,882M
Full: 151K
- **A fast development of the ADSL Market**
 - ✓ France, the biggest broadband market in Europe (ECTA march, 22nd 2005) (>7M users)

Number of ADSL subscribers (in millions)



Holding ground in one of the most fiercely competitive environment

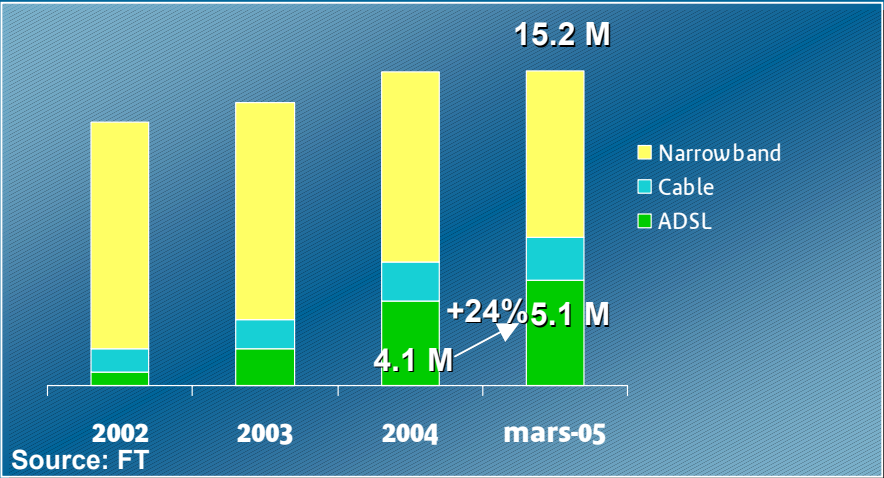


Rest of Europe

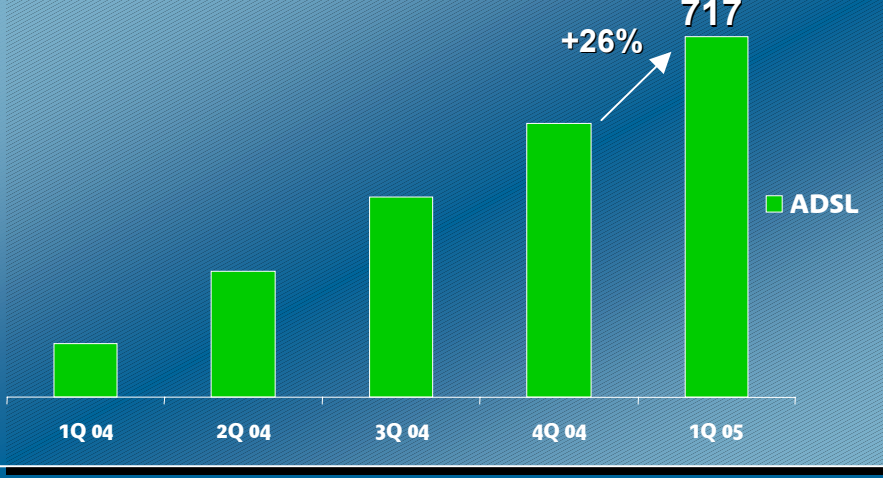
UK: Internet market



Internet Market (million lines)



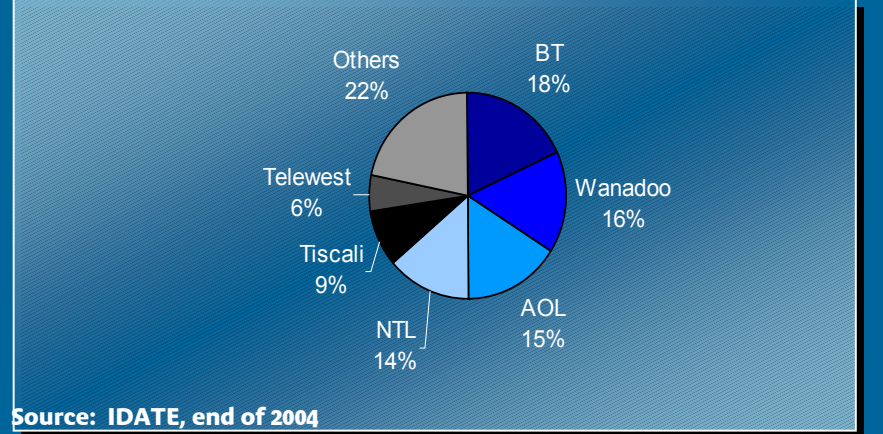
Wanadoo ADSL subscribers (000s lines)



Key themes

- High level of Internet penetration (54% end of Q1 05) with over 50% of narrowband.
- Late take-off of ADSL, now growing fast.
- Many actors on the BB market and new LLU players favoring the take-off of the broadband market.
- Wanadoo ADSL market share: 14.1% in March 05

Internet market shares in the UK

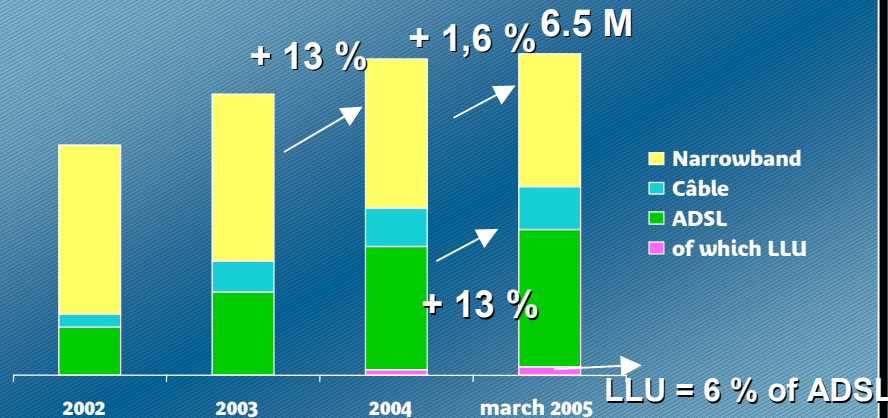


UK market is moving to broadband very fast

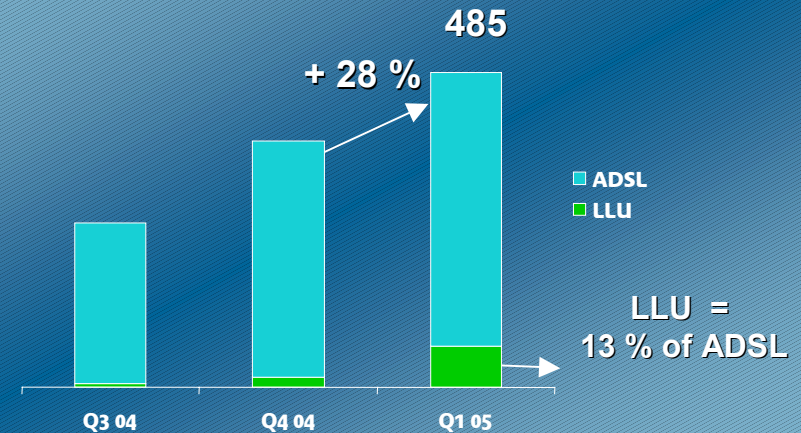
Spain: Internet market



Internet Market (million lines)



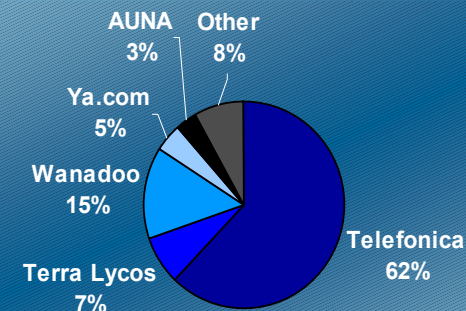
Wanadoo Broadband subscribers (000s lines)



Key themes

- Strong upside opportunities, as Internet penetration is low (33%)
- ADSL momentum continues on 'dual-play' offers proliferation
- Wanadoo ADSL market share : 16.4% in March 05
- Shared LLU take-off in March 2005 (Wanadoo as main actor)

ADSL market shares in Spain

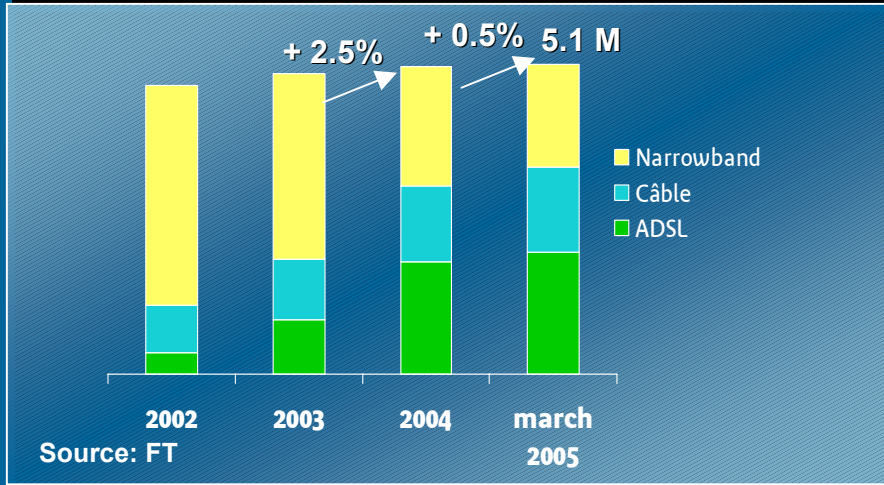


Wanadoo consolidates its #1 challenger position on Broadband

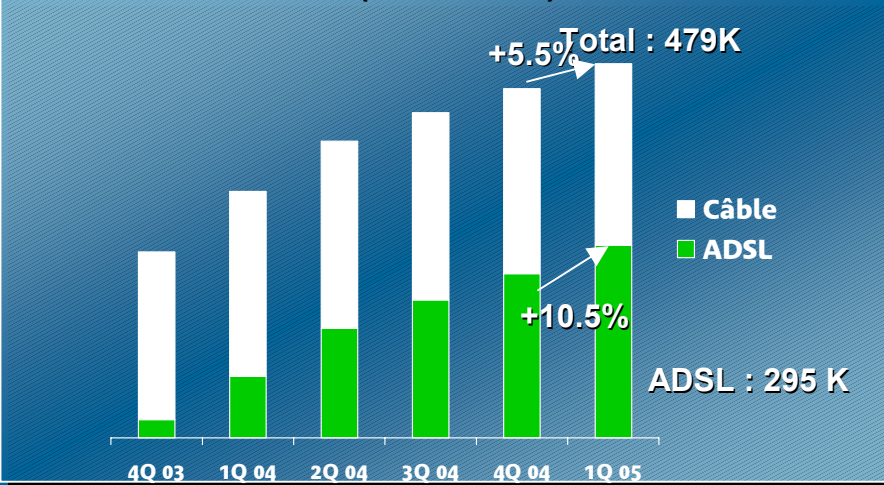
The Netherlands: Internet market



Internet Market growth (million lines)



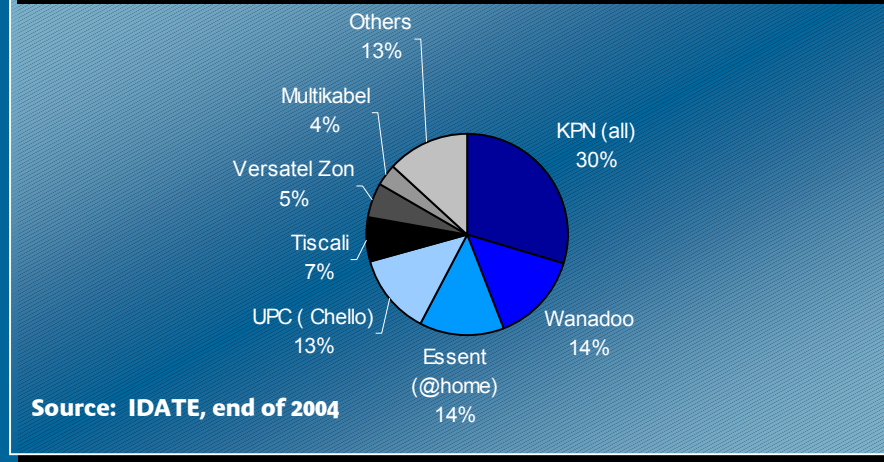
Wanadoo Broadband subscribers (000s lines)



Key themes

- Among the highest Internet penetration (65% in March 2005)
- High share of Broadband (66,7%)
- Very strong acceleration of ADSL (growth X 2 in 2004)
- Wanadoo well positioned through its ADSL offers

Broadband market shares in Netherlands



Wanadoo NL has leading position in leading BB market in Europe



Current offers
Abundance & innovation

ADSL in France: bandwidth, pricing and new offers



- New range of offers including:
 - up to 8 Mbps eXtense Débit Max1 offer, launched in November 2004
 - up to 18 Mbs in 14 towns (eXtense DébitMax 2) , launched in May 2005 (ADSL2+), already available in Paris end of 2004.

- Wanadoo Phone: VOIP offer as a secondary line
(jul. 04 consumers, apr.05 professionals)

Current Tariff

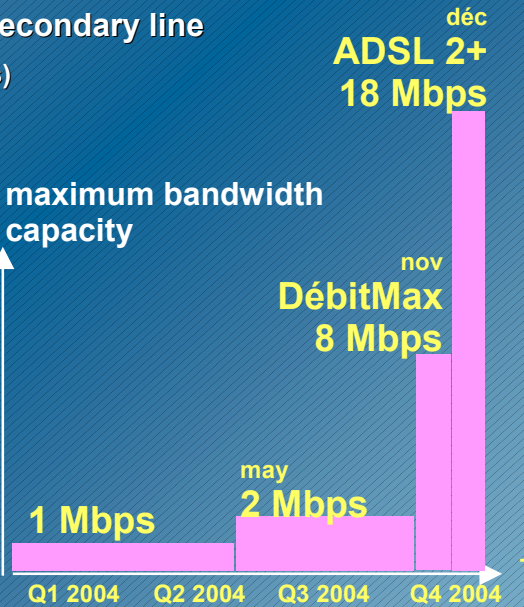
eXtense

- From 512 Kbps 5Gb
19,90 €
- To Débit Max up to 8Mbps
29,90 € (*)
- eXtense Débit Max2 up to 18Mbps in 14 towns, **34.90 € (*)**

Wanadoo Phone Illimité

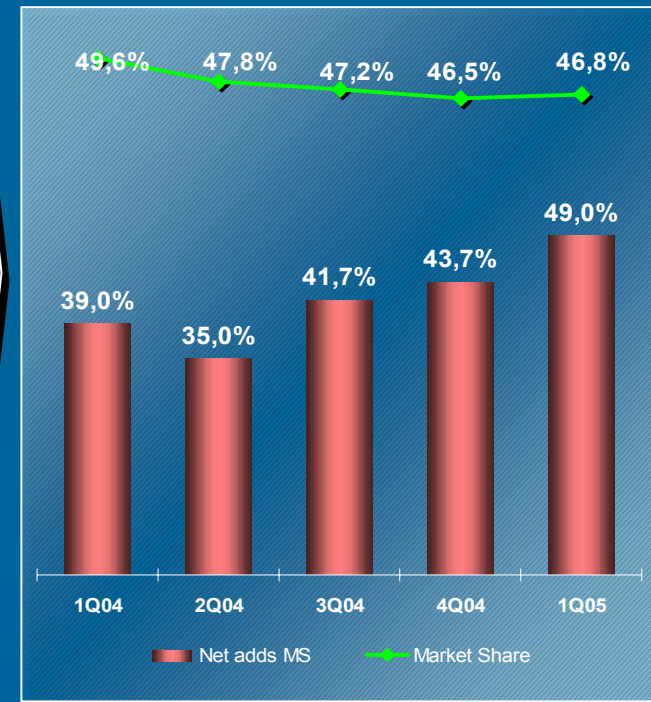
- **10,00€ (*)**
unlimited towards national fixed
(*)discount offer

maximum bandwidth capacity



- More services included in Débit Max offer:
 - Anti-virus mail, anti-spam plus
 - Free livebox installation by a technician, at home

Wanadoo share of market and net adds



Regaining market shares for the very first time thanks to attractive offers

ADSL in UK: abundance and bandwidth capacity



- UK best value Broadband offer (Tariff vs Speed) when launched in August 2004 as a standard offer, now replicated by competitors

£ 17.99 per month

- 1 Mbps, 2 Gb cap
- Free modem
- Free connection
- McAfee security features

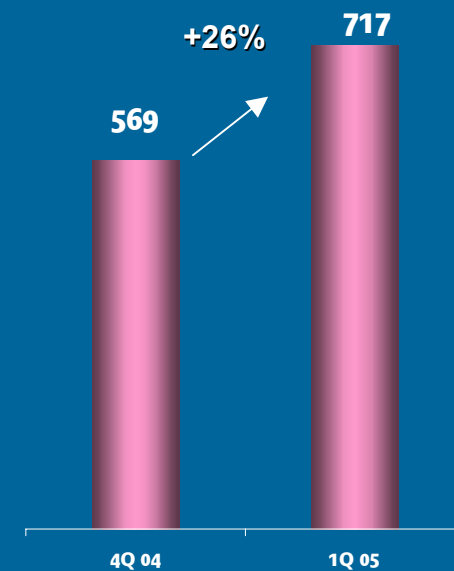


- “Wanadoo Wireless & Talk”, a very competitive dualplay offer using VoIP launched 9 March 05 (secondary line)

£ 4.0 per month

- Free on loan wireless Livebox
- Free evening & WE calls to UK landlines
- Free calls to other Wanadoo W&T customers

Wanadoo ADSL customer base (in 000s)



Wanadoo introduced 1 Mbps at other competitors' price for 512 Kbps without increasing the cost structure

Spain Dual-Play: Focus on 'Naveghable' range after Q4 04 success, both in narrowband and broadband



Naveghable range offer (Q1 2005)

Highlights

- **ADSL Naveghable:**
 - same product (24h 512 Kbps standard + unlimited calls to fixed numbers 24h -local & national modalities-)
 - Minimum advertising expense (overall FT Spain sectorial TV 'share of voice' < 6% in Q1)
- **NB flat rates repositioning on price**
 - Targeted to newbies and PAYG users

- After Q4 04 success, dual-play has become a standard of the industry in just three months

- With little advertising efforts we have achieved 30% of market share from ADSL growth

- More than 60% of ADSL and 25% of dial-up flat rate customers are 'dual-play'

Naveghable dial-up flat rate

No esperes más

Internet 24h
+
Llamadas locales y nacionales 24h

19€/mes
Precio definitivo

wanadoo.es Llama gratis al 1414 wanadoo

Naveghable ADSL

¿Quieres más? Quieres Wanadoo

ADSL 512 kb 24h
+
Llamadas locales y nacionales 24h

36€/mes
Precio definitivo

Alta gratis y módem incluido.
Precio compartido y definitivo.
Sin coste de establecimiento de llamada, sin trunco.
10 cuentas de correo de 100 Mb y 50 Mb de espacio Web.
3 meses de Antivirus + Firewall gratuitos.

Llama gratis al 1414 wanadoo.es wanadoo positive generation

'Naveghable' range is a reference for the industry and the ADSL market growth



A large market potential

- 24 million households with TV, of which 17 million with only 6 channels
- With the deployment of MaLigneTV in a further 100 new cities, close to 40% of population or 10m households will be covered at the end of 2Q05.

MOVIE SYSTEM

TF1

ROISSY FILMS

CANAL+ PAR ADSL
NUMERIQUE

CANAL SATDSL

Lobster

francetélévisions

TPSL

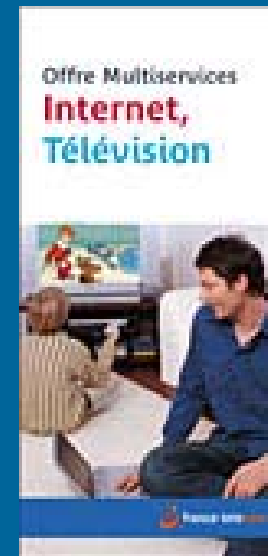
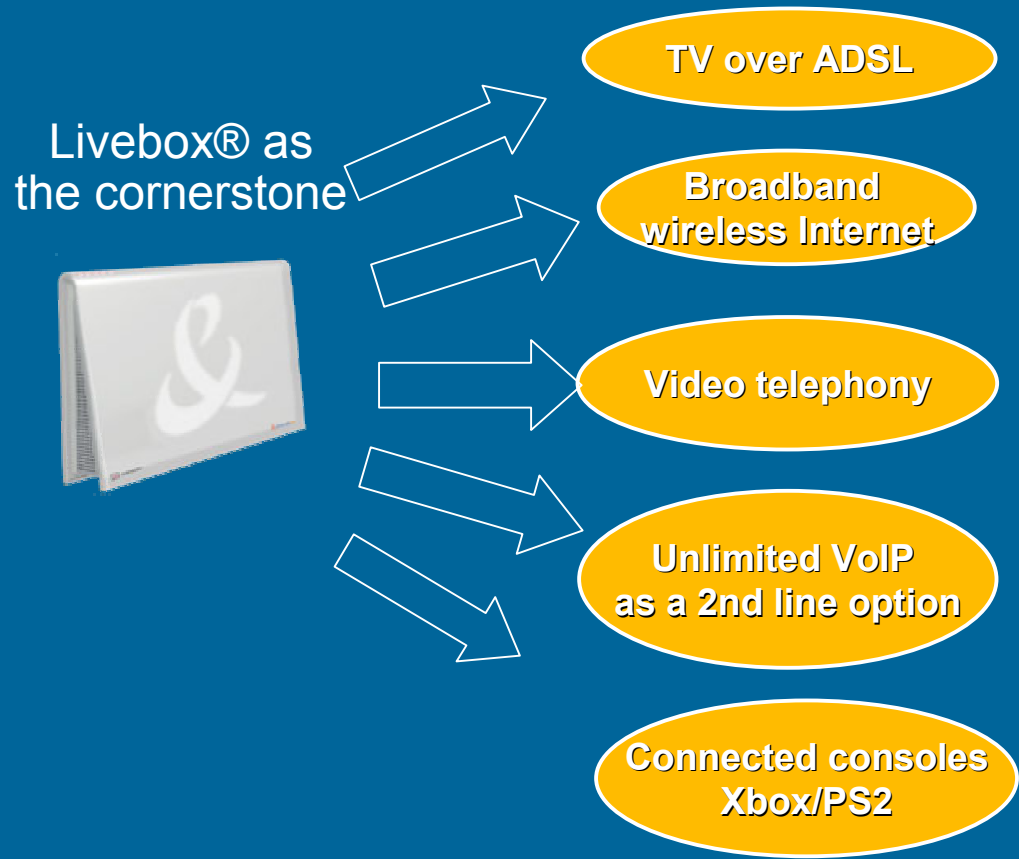
An advanced ADSL-TV platform supporting delivery of both major satellite bouquets and VOD with multiple independent partners

- A high quality of service from end to end
 - Video and audio compression → MPEG-2
 - Control of network / platform / services → Dedicated architecture
 - Security → VIACCESS Encryption, line identification

France: Multiplay is taking off



- Reshaping of the multiservice range of offers (summer 05)
- Giving choice to our customers depending on their usage profile

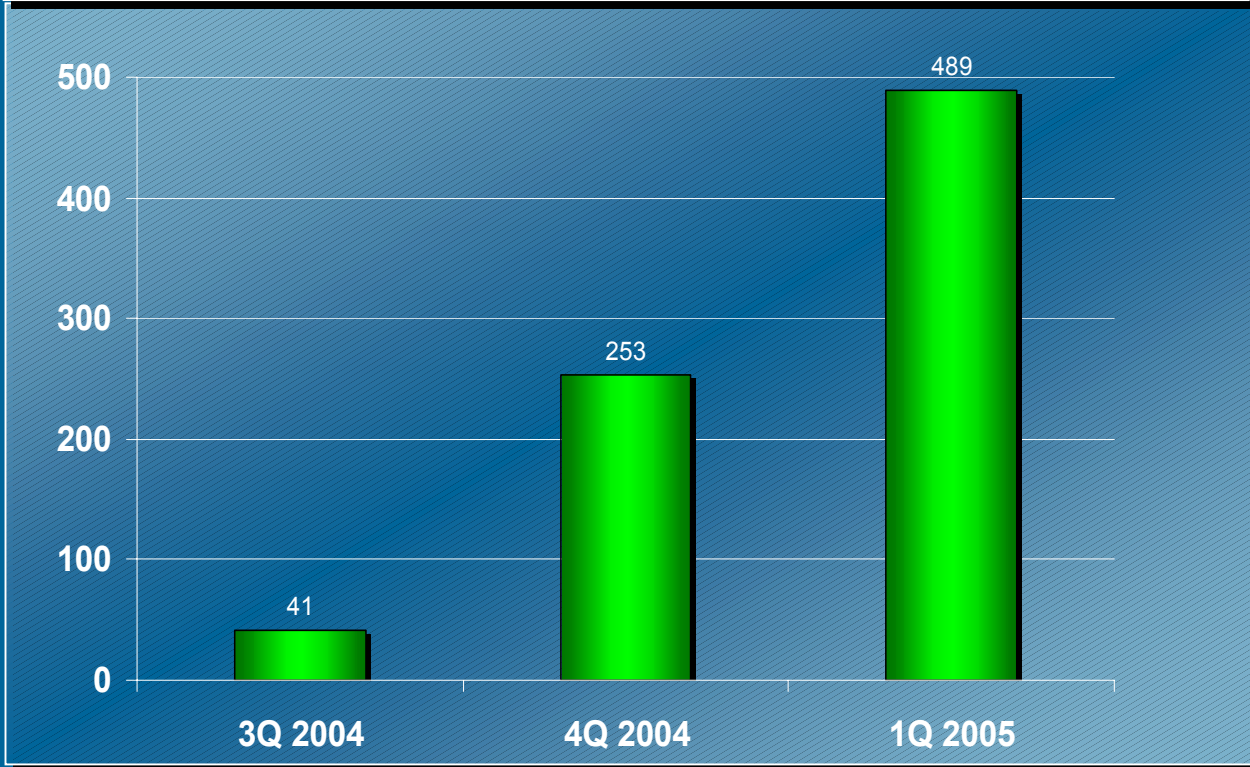


A range of offers starting at:
21,90 €/mth (Internet 512kbps/5Go , VOD)
+ TV “Bouquet”
(3 months free with TPS, then 11€/mth or Canal+Le Bouquet at 20 €/mth for One year)

The launching of the Livebox® has been a full success



All over Europe, the number of Livebox is growing fast (000s lines)



Quality of service no longer an issue



Home main issues

Home 2005: ambition



Position France Telecom as the European leader in Home networking and multiplay offers

- Develop elementary building blocks (used for assembling offers), that are common to all country operations
- Share
 - Technologies and equipments (e.g. VoIP platform)
 - Know-how (Marketing expertise, Customer service, etc.)
- Build in each country the multiplay operator, while adapting to the local market environment

On the way to build the integrated operator model

Home: Develop a new business model for Broadband



Network
Connectivity

Livebox[®] : At the heart
of the Home broadband strategy



Content
and services

In-House
Networking



Livebox is not simply a **VoIP** and **TV over ADSL** enabler, or an **Internet Wi-Fi router**,

... it will also enable **new Home usages** such as **Photo, Music, Home watching, directory management**, etc.

- ✓ ...related to different Home equipments
- ✓ ... which are not necessarily PC, nor fixed device or mobile devices

The European leader in multiplay offers, nearly 490 000 livebox sold or rented

LLU strategy all across Europe



- Leverage on FT **experience as an operator to deploy an operator strategy** abroad
- Better **control of the network** (cost, capacity, quality)
- **Enable higher bandwidth offer.**
- Enable VOD and triple play offers (Voice, Internet, TV), online gaming, videotelephony, etc.
- A prerequisite for launching **flexible offers**, fine-tuned to customer segments' usages

Coverage target: between 50% and 65% in each country, by 2 to 3 years



Conclusion

Home France: towards "Home Networking"



Abundance Offers on voice



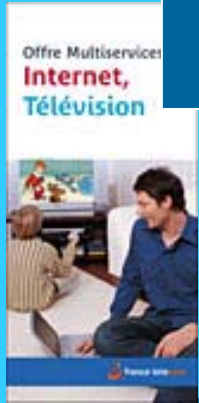
VoIP



VOD

Maligne tv

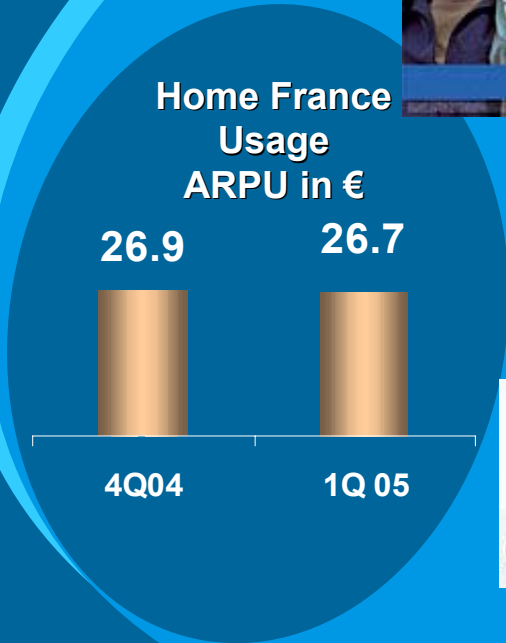
Multiplay Offers



VisioTelephony



Music Games



More and more services per customer compensate decrease in market share

France Telecom is well on-track to become the multiple-play leader in Europe



Product portfolio per country by the end of 2005

| | Internet Narrow Band | Internet Broad Band | Voice | TV over ADSL | Video Telephony | Fixed/ Mobile Convergence |
|-----------------|----------------------|---------------------|-------|---------------|-----------------|---------------------------|
| France | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| UK | ✓ | ✓ | ✓ | ✓ H2 2005* | ✓ Over PC | ✓ |
| Spain | ✓ | ✓ | ✓ | ✓ H2 2005 | ✓ Over PC | |
| The Netherlands | ✓ | ✓ | ✓ | ✓ H2 2005* | ✓ Over PC | ✓ |

*: Friendly User Test

A unique rollout accross Europe



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