



## Sterling bond issue – November 2005

### Agenda

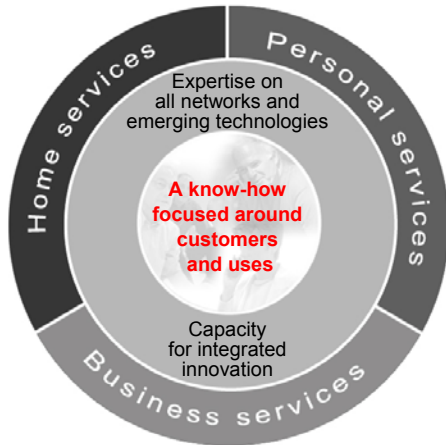


Strengths of France Telecom

NExT strategic plan presentation

H105 and Q3 05 results

## A player solidly positioned in its businesses



Presence in 220 countries & territories

130.7 million customers worldwide <sup>(1)</sup>

2004 Revenues: €46.16 billion <sup>(2)</sup>

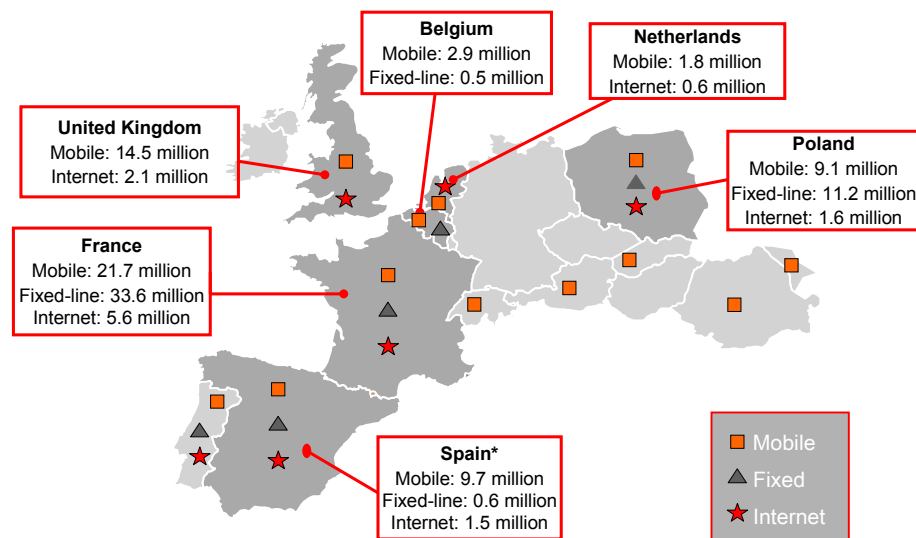
199,557 employees <sup>(1)</sup>

A world leader in telecommunications R&D

The leader on its key markets

<sup>(1)</sup> At 09/30/05  
<sup>(2)</sup> IFRS standards

## Leading positions in Europe



Number of customers as of September 30, 2005.

## Agenda



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H105 and Q3 05 results

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## NExT Vision



Offer our customers a **New Experience in Telecom services**



“A new generation of telecom services  
to change our everyday live”

Change to enrich and simplify

Move from “access to networks” to “access to services”

**NExT: Give access to a new world of services**

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## The NExT transformation



### Areas of transformation

- Integrate networks and IT
- Boost the Group's innovation and marketing
- Unify and ease customer relations
- Simplify brand architecture



### Drivers

- Harness skills
- Strengthen operational performance

Simplicity, innovation, performance

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## Agenda



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## H105 results: From Revenues to Gross operating margin

<u>Euros in millions</u>	1H04 actual	1H04 Pro-forma	1H05	Actual % change	Proforma % chg
<b>Revenues</b>	22,655	23,139	23,665	+4.5%	+2.3%
<b>Non labour costs as a % of revenues</b>	9,372 41.4%	9,762 42.2%	9,876 41.7%	+5.4%	+1.2%
<i>Of which external purchases as a % of revenues</i>	8,657 38.2%	9,034 39.0%	9,326 39.4%	+7.7%	+3.2%
<b>Labour costs as a % of revenues</b>	4,528 20.0%	4,530 19.6%	4,489 19.0%	-0.9%	-0.9%
<b>Gross Operating Margin as a % of revenues</b>	8,755 38.6%	8,847 38.2%	9,300 39.3%	+6.2%	+5.1%

Balance between growth and profitability confirmed

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## H105 results: From Gross Operating Margin to Net Result Group Share

<u>Euros in millions</u>	1H04	1H05	% change	Proforma % chg
<b>Gross Operating Margin</b>	8,755	9,300	+6.2%	+5.1%
Employee Profit Sharing	-107	-166	+55.0%	+ 54.7%
Share-based payment	-55	- 34	- 36.9%	- 36.1%
Amortization	- 3,932	- 3,462	- 11.9%	- 9.3%
Impairment of goodwill	-534	0	ns	ns
Impairment of assets	90	-196		
Disposal of assets	131	1,171		
Restructuring costs	-39	-174		
Associates	13	40		
<b>Operating Income</b>	4,322	6,479	+49.9%	
Total Financial Charges, net	-2,027	-1,827		
Income taxes	-1,138	-1,018		
<b>Net result</b>	1,157	3,634		
Minority Interests	-115	-271		
<b>Net Result Group Share</b>	1,042	3,363		

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## 1H05 financing: From GOM to Net cash provided by operating activities



Euros in millions

	1H04	1H05
<b>Gross Operating Margin</b>	<b>8,755</b>	<b>9,300</b>
Interest Expense, net*	- 1,696	- 1,447
Cancellation of Forex impact included in GOM	- 16	-9
Income Taxes	- 166	- 475
Early Retirement Plan	- 405	- 448
Employee Profit Sharing	- 107	- 166
Others ow restructuring costs & TDIRA	- 181	- 852
Change in Working Capital requirement (inventories + receivables - payables)	-99	81
Change in Working Capital requirement (others)	-215	-116
<b>Net Cash provided by operating activities</b>	<b>5,870</b>	<b>5,868</b>

Impact of 2003 and 2004 TDIRA interest charges payment

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

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## Financing in 1H05



Euros in millions

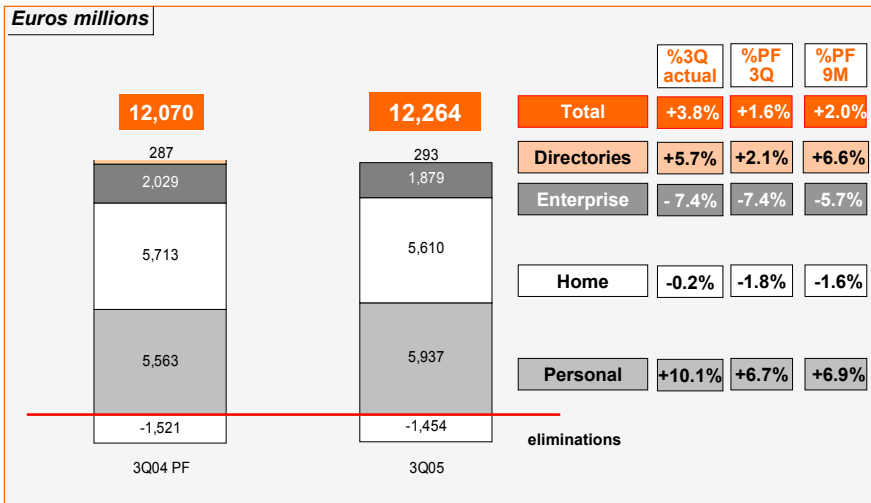
	1H04	1H05
<b>A - Net Cash provided by operating activities</b>	<b>5,870</b>	<b>5,868</b>
<b>B - Net cash used for investing activities</b>	<b>- 3,387</b>	<b>- 2,423</b>
ow Capex	- 2,578	- 2,959
<b>C - ow Disposals of financial investments</b>	<b>+ 18</b>	<b>+ 1,529</b>
<b>D - Impact of investment in short term marketable securities</b>	<b>- 1,477</b>	<b>0</b>
Free Cash Flow* excl. disposals (A+B-C+D)	988	1,916
<b>E - Minorities buy out</b>	<b>2,276</b>	<b>999</b>
<b>Cash Flow excl. disposals &amp; minorities (A+B-C+D+E)</b>	<b>3,264</b>	<b>2,915</b>
<b>F - Tele Invest acquisition ("Kulczyk Put") (**)</b>	<b>0</b>	<b>- 350</b>
Cash Flow, excl. disposals & minorities, after payment of "Kulczyk Put"(A+B-C+D+E+F)	3,264	2,565
<b>G - Change in scope of consolidation, capital Increase, exchange rates, new accounting standards &amp; others ow dividends paid to FT shareholders ow carryback</b>	<b>- 981</b>	<b>472 -1,184 1,324</b>
<b>= Decrease in net Debt (A+B+D+F+G)</b>	<b>25</b>	<b>3,567</b>

(\*) : See glossary

(\*\*) : "Kulczyk Put has been accounted for as debt repayment

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## 3Q 05 Group Consolidated Revenues by segment €12,264m / + 3.8% actual / + 1.6% pro-forma

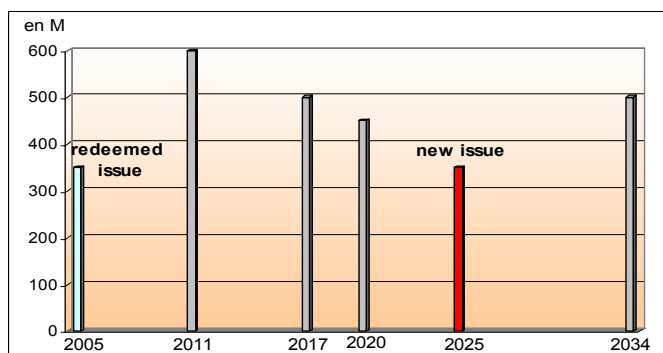


Higher growth expected in Q4

## Conclusion



## Outstanding issues in Sterling



- Redemption on November 10, 2005 of £ 350 million
- New issue for the same amount on 20 years

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## Indicative terms and conditions for France Telecom Sterling issuance



<b>Issuer</b>	France Telecom
<b>Rating</b>	A3/A-/A- (stable/positive/stable)
<b>Ranking</b>	Senior unsecured
<b>Pricing date</b>	Expected 23 November 2005
<b>Settlement date</b>	5 December 2005
<b>Amount</b>	GBP Benchmark
<b>Maturity</b>	5 December 2025
<b>Format</b>	Fixed rate
<b>Listing</b>	Luxembourg
<b>Documentation</b>	€ 30bn EMTN programme dated 19 September 2005
<b>Denoms</b>	50K+1K
<b>Bookrunners</b>	DrKW, HSBC, RBOS
<b>Use of proceeds</b>	Refinance £350mio 7% bonds due November 2005 and general corporate purposes

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