



France Telecom
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France Telecom : an attractive investment case

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An attractive investment case



1

Strategic framework

A solid strategic framework ...

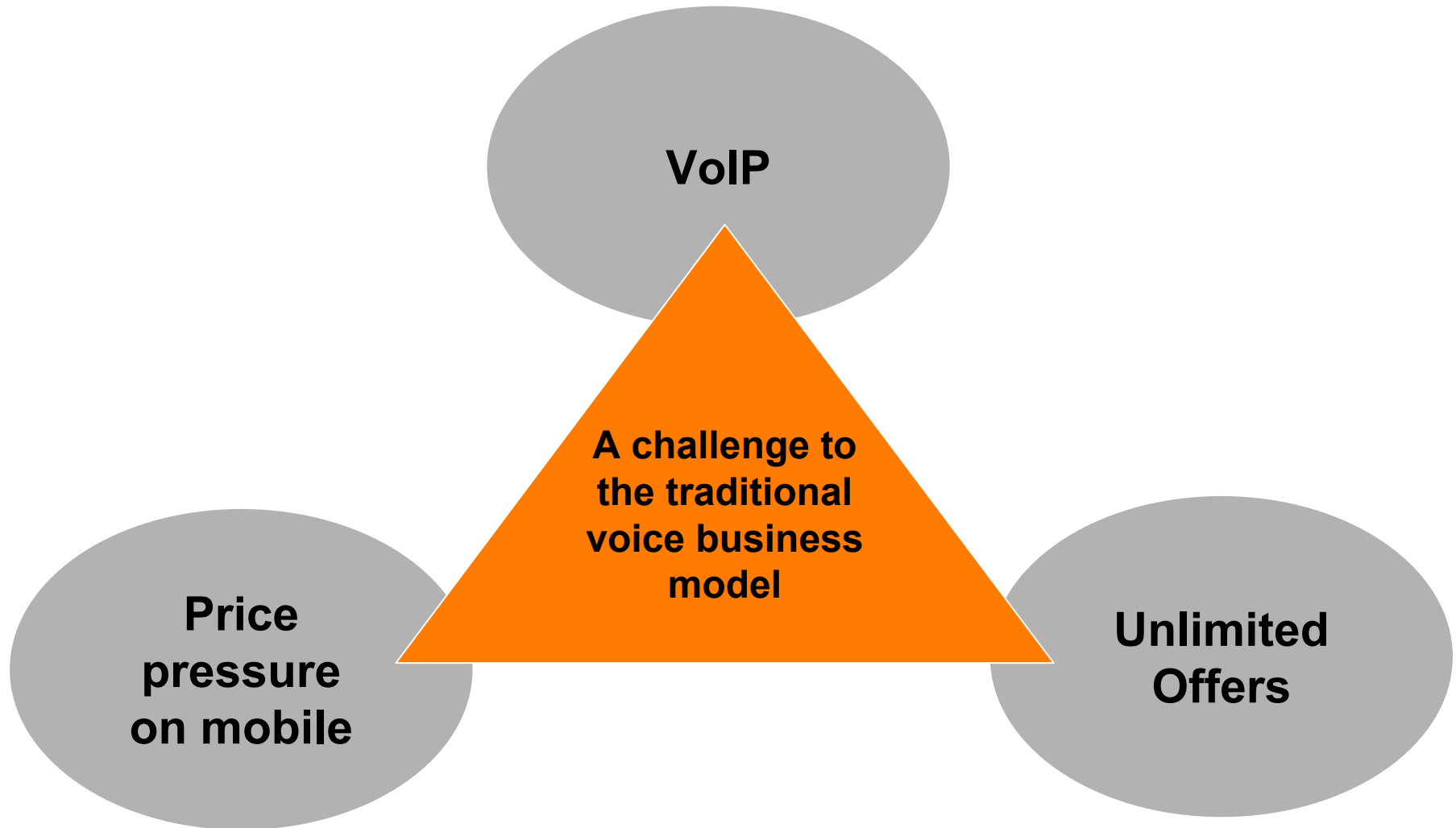


NEXT

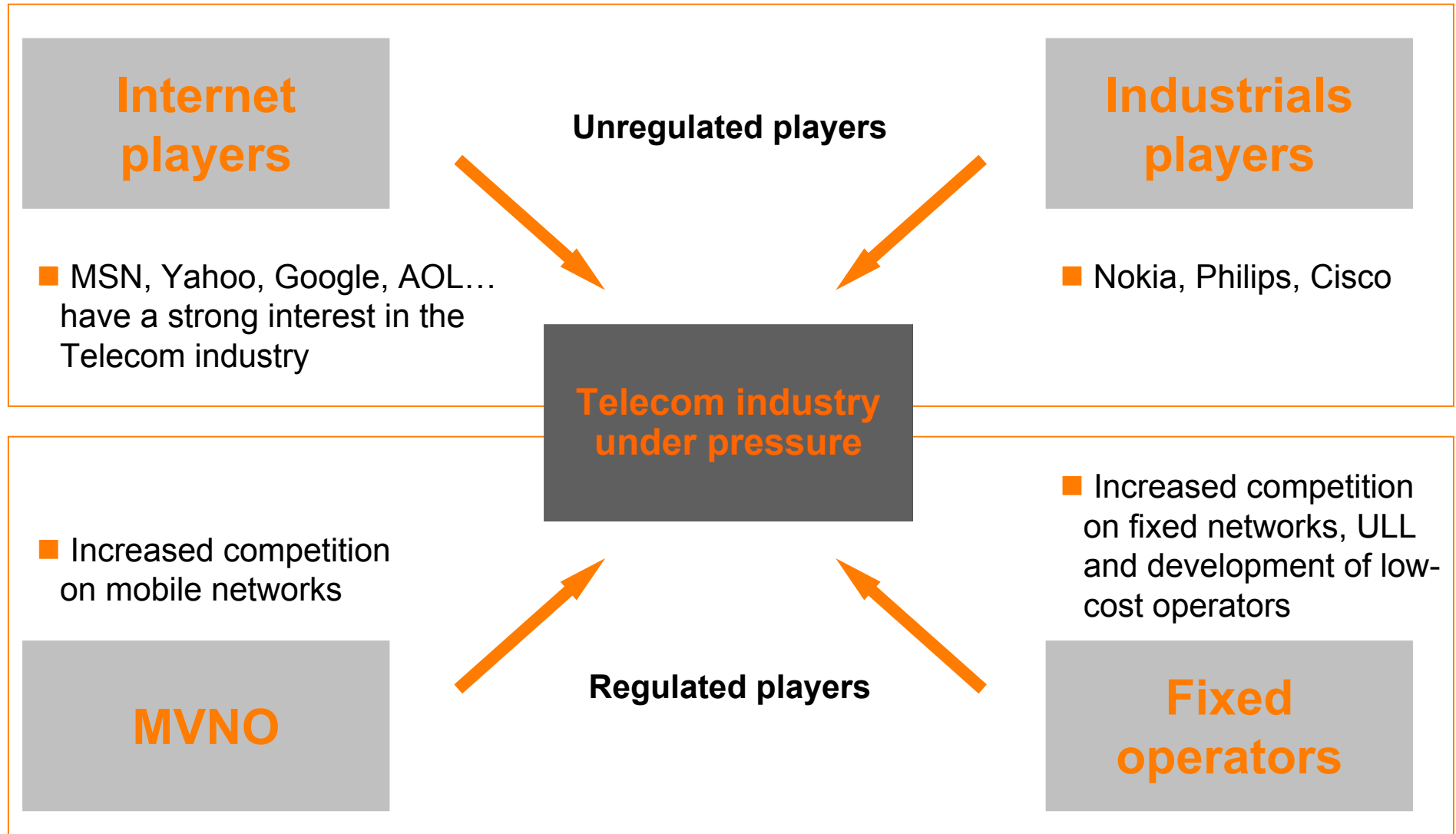
... to answer to industry changes and new entrants plans

... to anticipate new usage patterns

To answer to industry changes ...



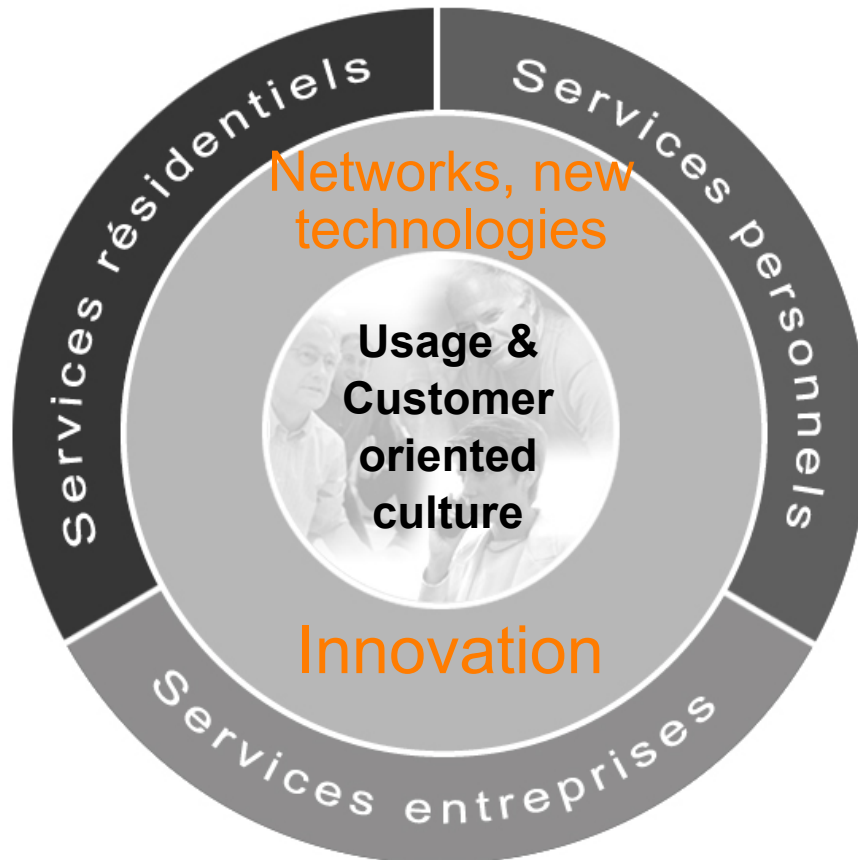
... and to aggressive new entrants on each market ...



...we will leverage integration



An integrated, customer oriented and innovative strategy



State of the art networks to anticipate new usage

A genuine integrated strategy

- cc. 80% of revenues are made in « integrated countries »

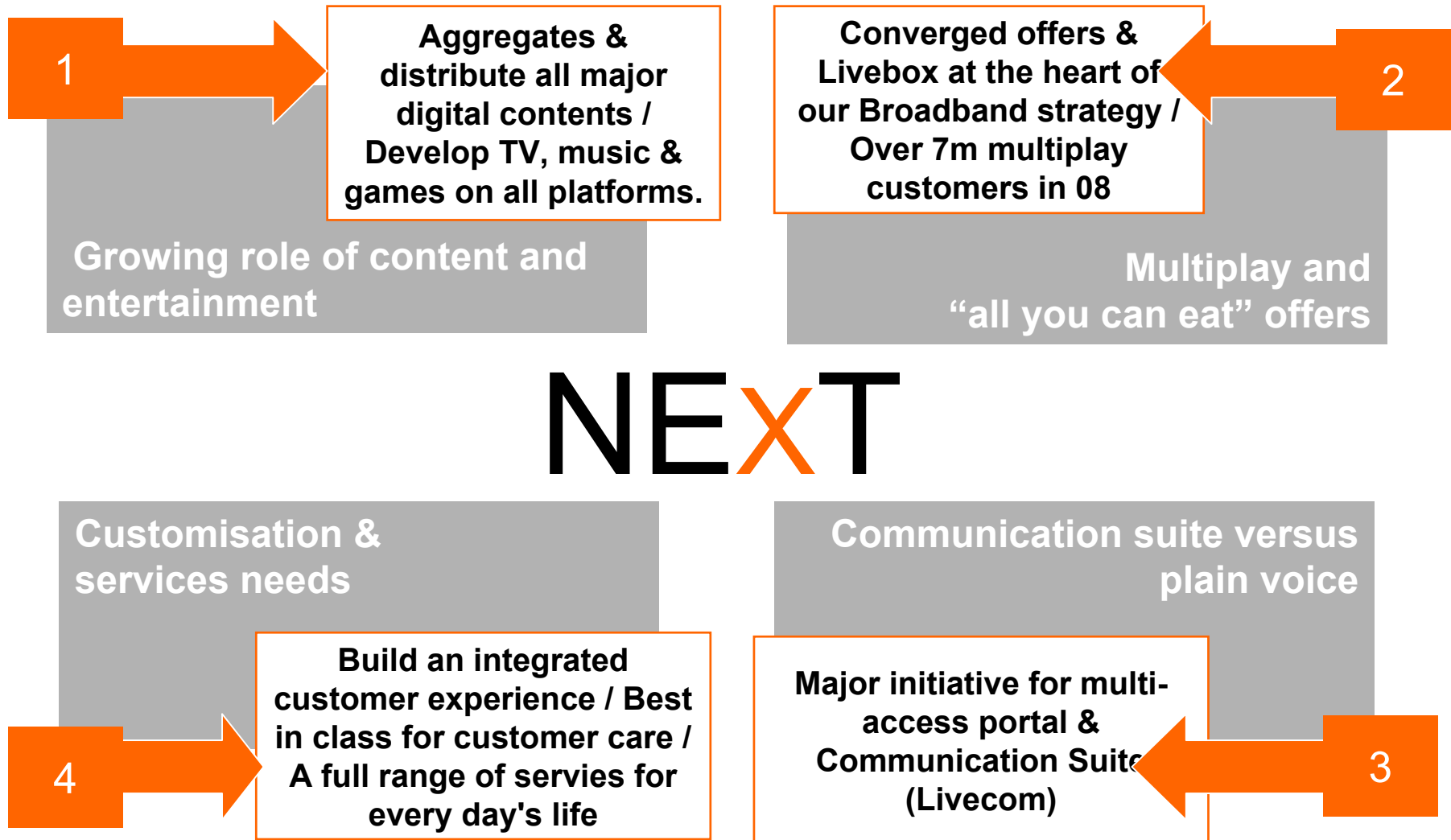
A focus on innovation

→ 1.5% of revenues in 2005

A rebranding on its way

→ An answer to industry changes

To answer to new usage patterns ...we built an ambitious strategic plan



→ NExT is the best way to anticipate industry's transformation



Become a leading distributor of digital content and a major player for on-line games

Dual objective for content strategy

- Content strategy to be focused on aggregation and partnerships.
- Leverage on billing and DRM control

Develop ecosystem for client self produced content

- Leverage the success of our mobile broadband offers (TV live, Video, Music)
- Launch TV over DSL in the UK, Spain, the Netherlands and Poland before mid 2006
- Develop Video on Demand

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



Converged offers

June 2005 : Family Talk &
Business Talk IP

2006: Home Zone (France &
Belgium)
Mobile & Connected (France,
Belgium & NL)

2007: Business Everywhere
Multimedia extension

Livebox: at the heart of the Home broadband strategy

2006

Over 4m Livebox (3.5m in France)
3m multiplay clients

2008

Over 8m Livebox (6m in France)
Over 7m multiplay clients

- A major move for integration bringing together mobile broadband and the internet
- Position FT as the European leader in Home networking and multi-play offers



Multi-access portal

- Deployment of a fully converged portal with an integrated communication services suite
- Fully adaptable for non-converged clients
- A better proposition for third parties and suppliers



Communication Suite

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

- Major move for integration bringing together mobile broadband and the internet


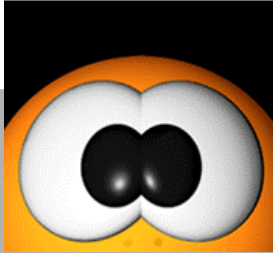

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A full range of services for everyday life



Communication

- Mail on the move
- Dynamic address book





Infotainment

- Photo transfer
- Live music
- Football
- Music everywhere
- Video on demand
- TV Live on Mobile

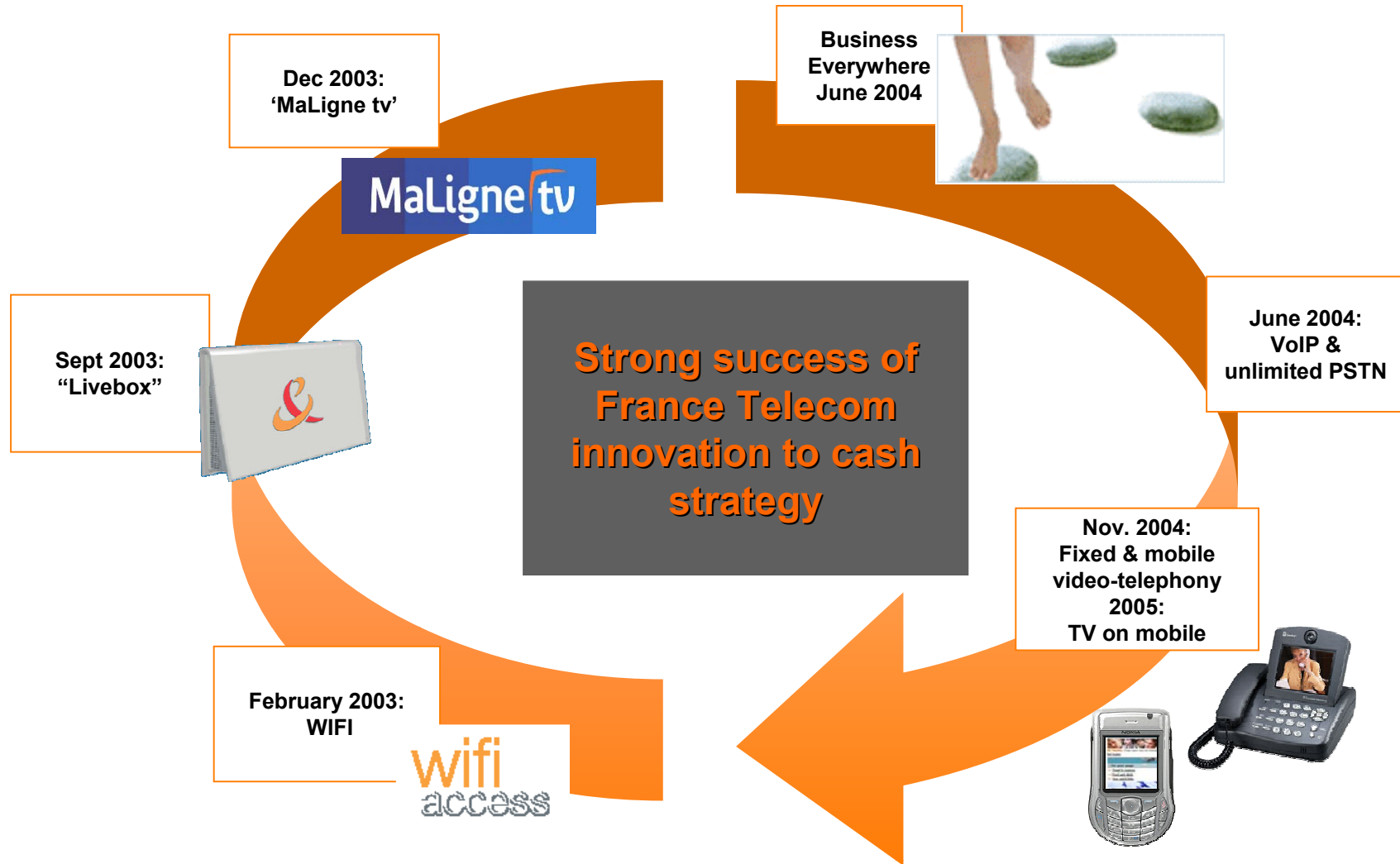
Everyday life

- Live Tele surveillance
- Local search on mobile
- Home care
- Live zoom



➔ Leverage on Group innovation and customer base

We are already in motion



➔ A culture of anticipation rather than reaction

Our Entreprise business is at the forefront of the transformation



Expand “business everywhere” success over the footprint

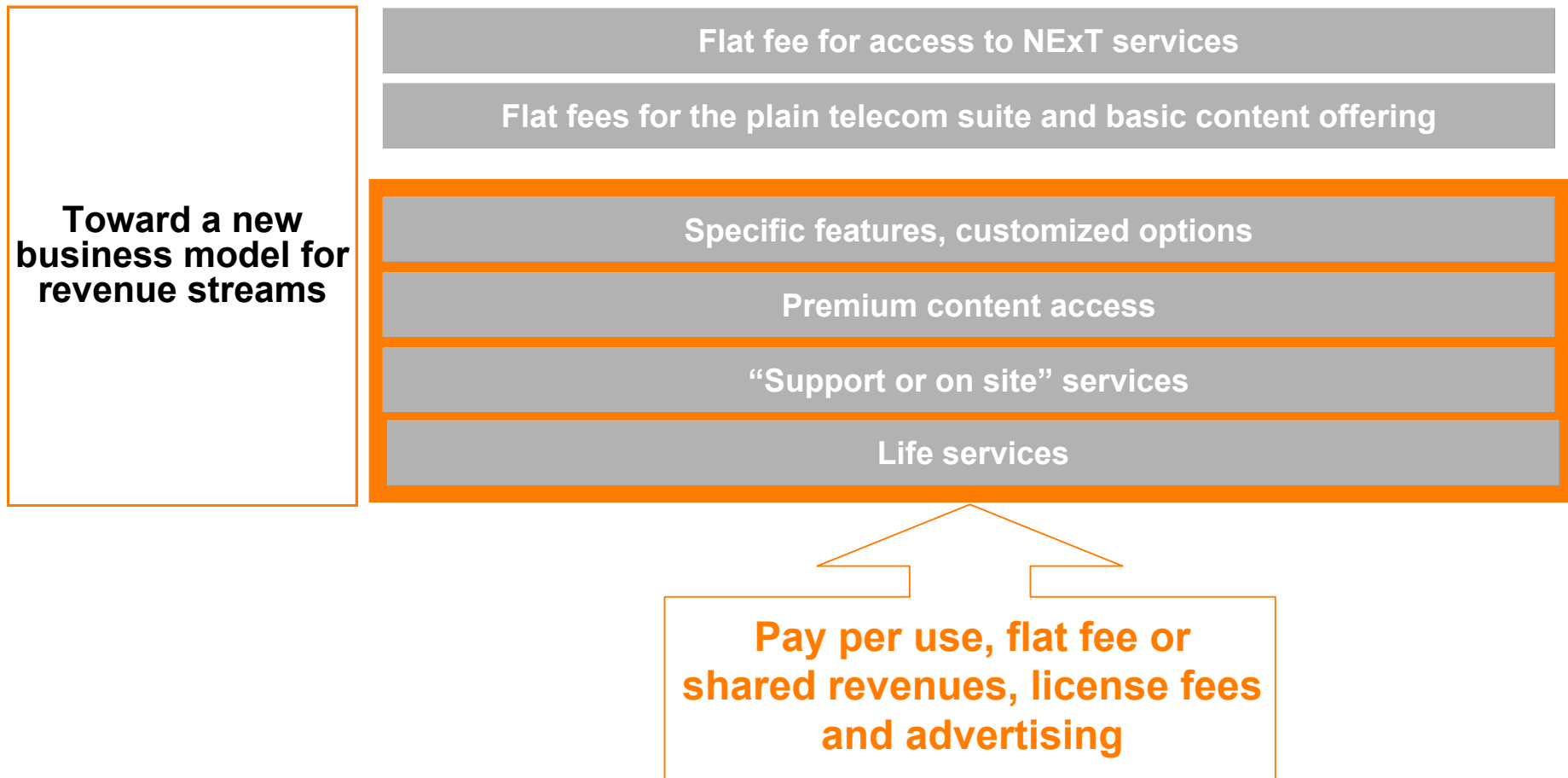
Extend our footprint in Europe in the SME market

Leverage on the new Orange branding

Develop more services (ICT services) towards existing customers

→ Strong move toward services, change of business model

Our business model is evolving



→ A progressive change from current business model

An aerial photograph of a construction site. A wide, grey-tiled path runs diagonally from the top left towards the bottom right. To the right of the path is a large, sandy area. In the sandy area, there are two workers. One worker, wearing a blue shirt and dark pants, is kneeling and working on the sand. Another worker, wearing a dark blue shirt and dark pants, is also kneeling and working on the sand. There are some white papers or bags on the sand near the second worker. The overall scene is a construction site with a mix of paved and unpaved areas.

An attractive investment case

2

Amena's acquisition

Why Amena ?



- 9.7m clients as of end of June 05
- 24% market share, the best in Europe 5 years after launch
- Attractive and improving client mix (47,4% post paid in 2004, 50.2% expected in 2005)
- Attractive and stable ARPU (over EUR27 in 2004 and 2005e)
- Over 30% Gross Operating Margin rate



- 2m voice and internet clients
- 526k ADSL lines, 16% of ADSL market, over 26% share of net adds in the last 9 months. 50% ULL coverage.
- 73% of ADSL clients are dual play
- 14% revenue growth
- Positive and growing Gross Operating Margin
- Management expertise in the Spanish market and strong track record in innovation

→ One of the best third mobile operators in Europe + the N°2 ADSL player in Spain

Amena + France Telecom Spain: a clear N°2 in Spain



	FT Spain 2005 (e) Pro forma	FT Spain 05-08(e) CAGR / targets
Subscribers	> 11.8m	> 14m
Revenues	EUR 4.1bn	+7 to +8 %
GOM	Circa EUR 1.2bn	+11 to +15 %
Capex	Circa EUR 750m	Decreasing

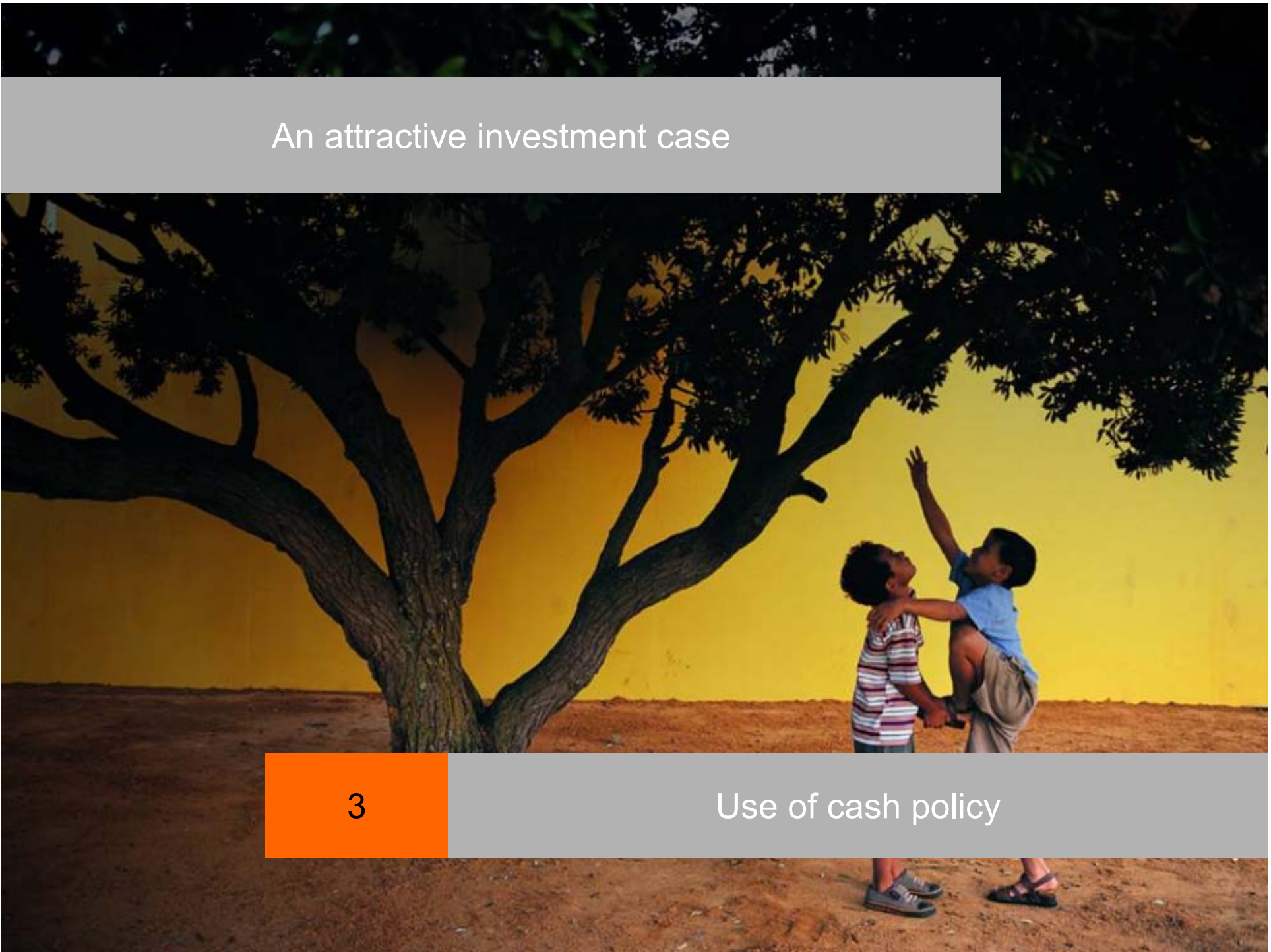
Circa EUR1.1bn NPV in identified synergies, Circa EUR 130m FCF positive impact in 08

→ **FT Spain represents around 17% of the Spanish telecom sector**

An attractive investment case

3

Use of cash policy



A clear use of cash policy



**Continue debt
reduction into
2008**

→ Debt / EBITDA ratio below 2 before end 2008

**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
- Share buyback envisaged

**Pick selected growth
opportunities**

- 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

→ All stakeholders to benefit from NExT

Pick selected growth opportunities



No need for “mega mergers” in Europe today

No synergies to expect from legacy networks and IT infrastructure

No synergies to extract given current technologies

Strong cultural challenges

NGN & new technologies potential cost advantage too far away

→ France Telecom European footprint overall fulfilled

Pick selected growth opportunities



NExT

A “**G**rowth **A**t **R**easonable **P**rice”

**Sustain Long Term Cash Generation
potential**

→ Focus on targeted profitable growth

Conclusion: NExT financial guidance



	2006-2008
Pro forma Revenue growth	+3% to 5%
Gross Operating Margin	Growth slightly above revenue growth
CAPEX to sales	Around 12%
Net debt to Gross Operating Margin	Below 2 end of 2008



France Télécom

A Vision

An Ambition

An innovative and service oriented strategy

**→ Profitable growth will be sustained through
innovation and development**





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