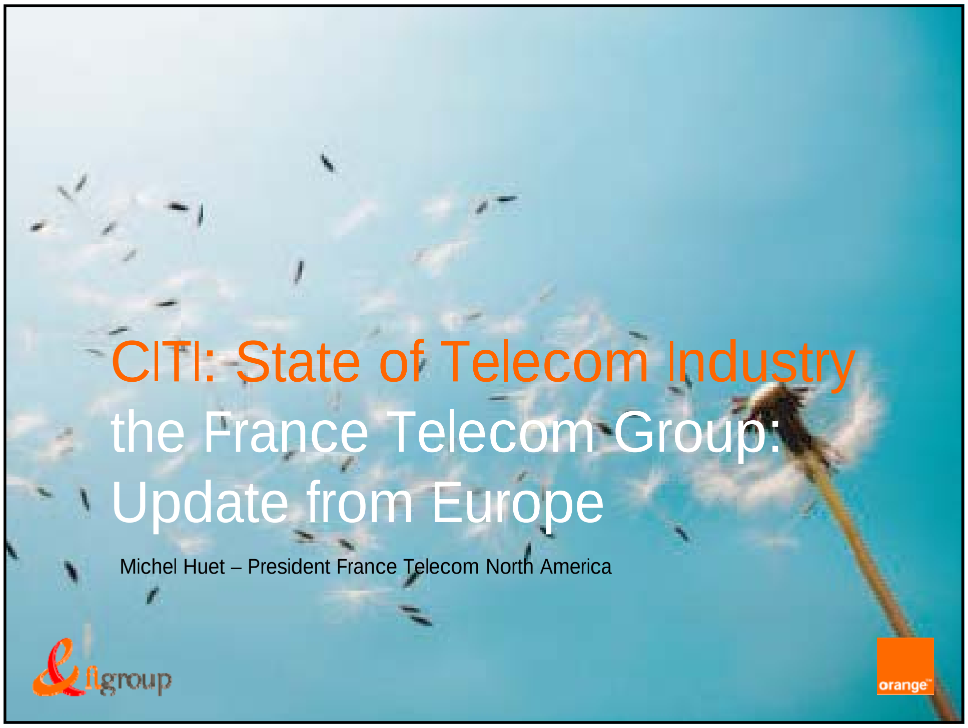



## the France Telecom Group worldwide

- 161 million customers
- in 220 different countries
- 51.7 billion euros in revenue (2006)
- the group is present in all telecom sectors: fixed and mobile telephony and the Internet
- both business and consumer solutions
- 191,000 employees

## first-rate positions

mobile

# 102.5

fixed line

# 48

broadband

# 10.5

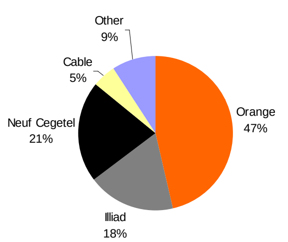
million customers worldwide

Number of customers of controlled companies, as of June, 2007

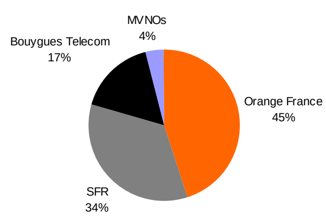


## FT faces strong competition in France

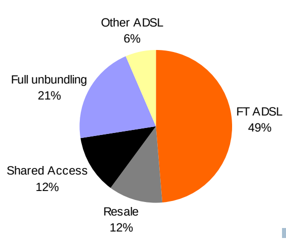
*Broadband 14.25m subs*



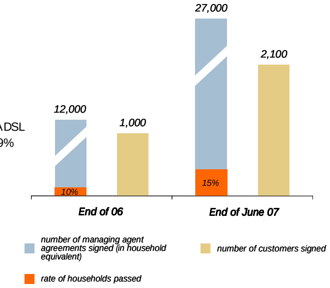

*Mobile 52.12m subs*




*Wholesale DSL 13.55m lines*




*FTTx deployment by FT*



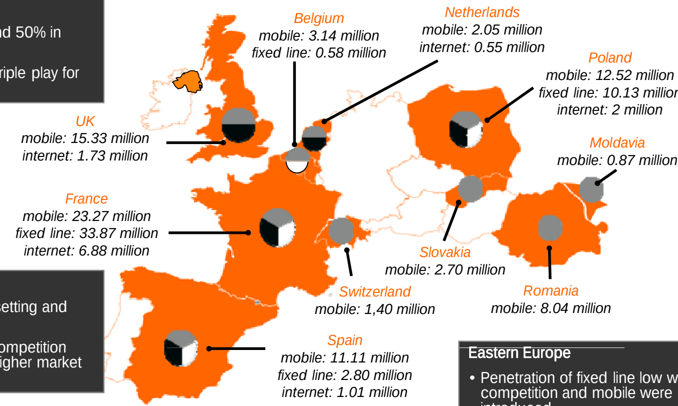

- High level of unbundling in fixed
  - Over 50% of DSL lines are unbundled
  - France Telecom maintains its market share through product innovation and bundling
- Mature mobile market and high penetration of 82.7% (including MVNOs)
- Greenfield competition has emerged in FTTx
  - Competitors such as Free (Iliad), Neuf Cegetel, and Numericable have

    announced FTTX plans
  - By 1H07 FT is only operator to offer FTTx and plans to have 1m housholds connected by 2008

*source: Company reports, Merrill Lynch*

## presence in Europe

**North Western Europe**
- High level of competition
- Level of unbundling around 50% in France & UK
- Strong pricing pressure (triple play for 30)




**Southern Europe**
- Regulators were slow in setting and enforcing new rules
- As a result there is less competition and incumbents have a higher market share

**Eastern Europe**
- Penetration of fixed line low when competition and mobile were introduced
- Difficult to offer converged services as DSL penetration still low

Differing level of competition and type of challenges across European markets

mobile internet fixed line



Client base in consolidated companies, as of Dec. 31, 2006

## challenges in Europe

- Difference in regulation across countries
  - FT would like to see some harmonization
  - However a single EU regulator can be problematic
    - Bureaucracy due to a two tier system
    - Wrong decisions can translate into poor economic results across the continent
- Consolidation in Europe is expected but can bring only limited advantages
  - Differing culture, language, content, accounting principles etc. across borders
  - Cross border mergers cannot translate into strong cost synergies
- Consolidation in the mobile market can be more rational
  - Mobile is less regulated and no adherence to the past

## facing a challenging environment FT is investing in the value chain

5.2 million
Livebox in Europe

Over 658k Business Everywhere
end users
# 1 worldwide

1st incumbent
to deploy
FTTH in Europe

300k Unik phones sold
in France within 7 months

N°1 IPTV provider in Europe
with **837k** clients
(N°2 worldwide)

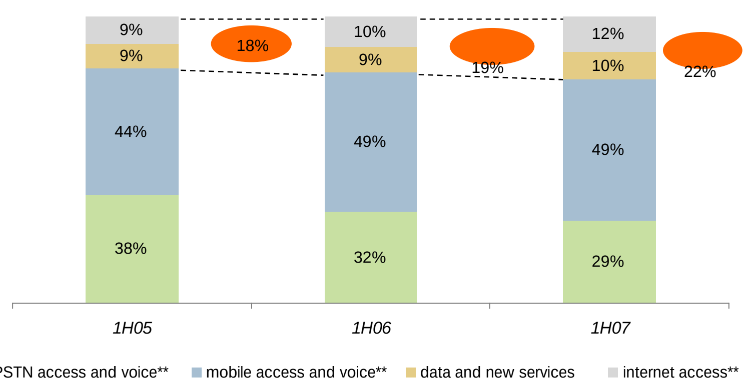
400m in content services
revenue (2006)

*sources: Canalys, DittBerner*



## a continuous evolution of FT's business model in mature markets towards internet, data and new services

*evolution of mature markets*** revenues* by usage (base 100)*




* equipment sales and Orange Business Services excluded, Enterprise revenues on data excluded ** wholesale included, *** see glossary

# Thank you!