

Business model transformation and financial stakes

Gervais Pellissier
Senior Executive Vice President
Chief Financial Officer



3rd quarter results confirm full year objectives

	9M 2006	2006 objective
Revenues	+1,2% organic growth	
G.O.M rate	GOM rate : 36,8% -1,7 pp vs 9M05	full year guidance confirmed
Capex	11,9% of sales	full year guidance confirmed
2006 organic cash flow	€ 7 bn: confirmed*	

* Adjusted from Pages Jaunes disposed at the end of 2006, pro forma organic cash flow is €6,8 bn

drastic change in the telco market

Western Europe Market trend

FT's position

< 2002	<ul style="list-style-type: none"> ▪ ICT bubble ▪ large acquisitions leading to debt and goodwill increase 	<ul style="list-style-type: none"> ▪ sustained revenue growth ▪ cash crisis
2002-2004	<ul style="list-style-type: none"> ▪ strong market growth due to mobile continuous equipment ▪ rather stable PSTN lines revenues ▪ internet mass-market take-off 	<ul style="list-style-type: none"> ▪ sustained revenue growth ▪ continuous increase of GOM margin ▪ financial credibility restored
2005-2006	<ul style="list-style-type: none"> ▪ acceleration of PSTN revenue erosion ▪ mobile growth slow down in matures areas ▪ internet strong development ▪ 3 play offers become a standard 	<ul style="list-style-type: none"> ▪ lower sales growth and GOM rate decline ▪ business model transformation ▪ debt reduction and dividend increase ▪ Purchase of AMENA
2007-2008	<ul style="list-style-type: none"> ▪ PSTN erosion is slowing down ▪ intense competition on mobile market ▪ large deployment of internet with content and new services ▪ Convergence becomes a reality 	<ul style="list-style-type: none"> ▪ leading the industry transformation ▪ focus on shareholder return and reach our debt-to-GOM target ratio

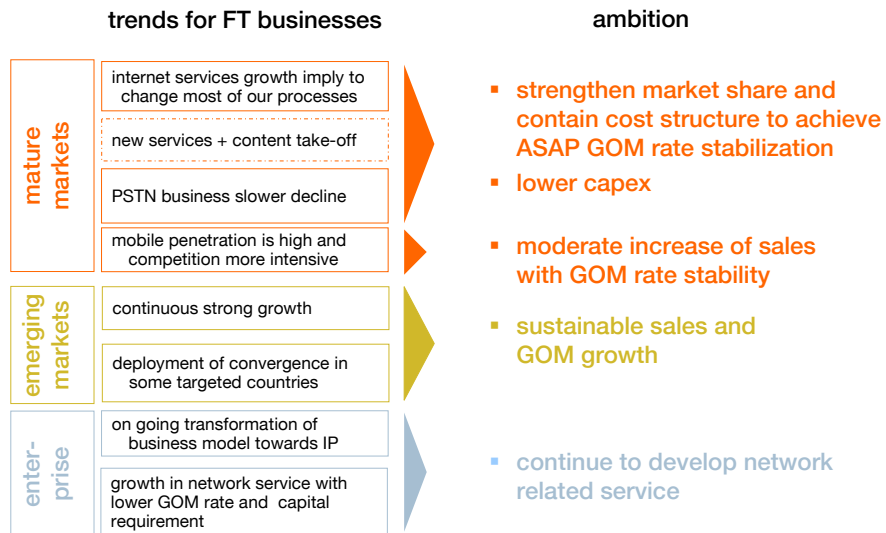
3

NExT has anticipated these changes

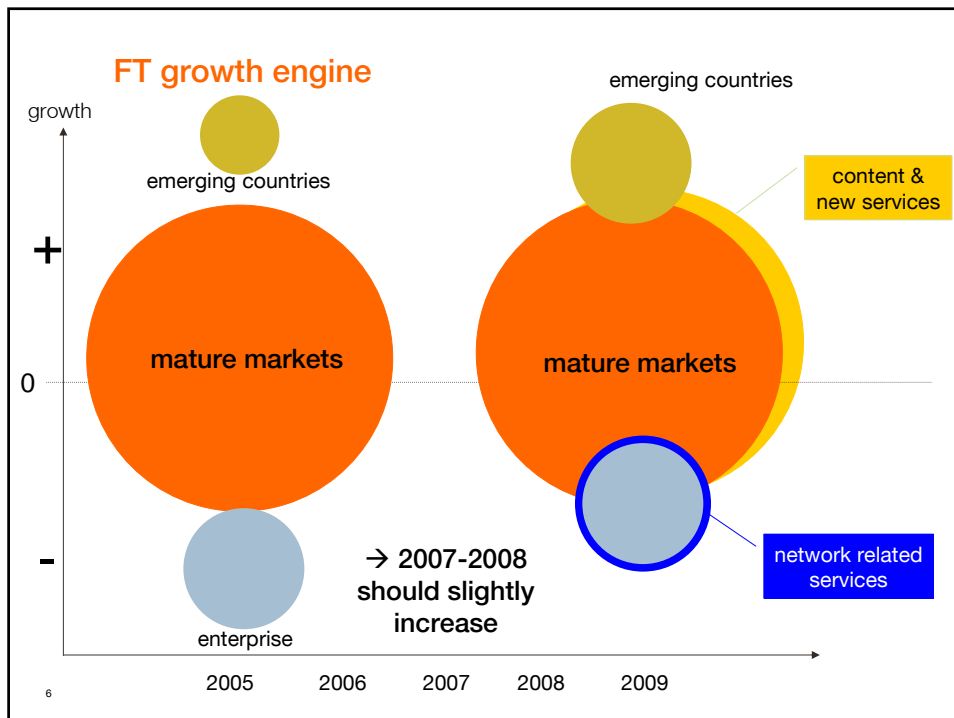
- **1st phase (June 2005) : the vision**
 - build an integrated customer experience
 - develop contents & services
 - build a global player for enterprises
 - differentiate through customer care & professional services
- **2nd phase (February 2006) : organize and optimize**
 - setting-up a worldwide and matrix-based organization with strong country focus
 - adapt cost structure
 - improve marketing effectiveness through single brand and a ww service development platform

4

the group is at the edge of its businesses transformation



5



6

major transformation of the cost structure is needed to stabilize GOM

9M 2005* group opex & capex : € 27,7b
(without Pages Jaunes)

9M 2006 group opex & capex € 28,9b
(without Pages Jaunes)

△
9M05-9M06



* Comparable basis

7

3 reasons for costs increase in 2006

3 reasons for costs containment in 2007-2008

interconnection costs stable despite price decline because of offers structure (abundance, bundles, etc.)



design-to-cost to optimize operators fees

additional costs due to internet and new businesses mass market (field operation, hot lines, etc.)



reduction of customer facing costs, offer rationalization, processes improvement,

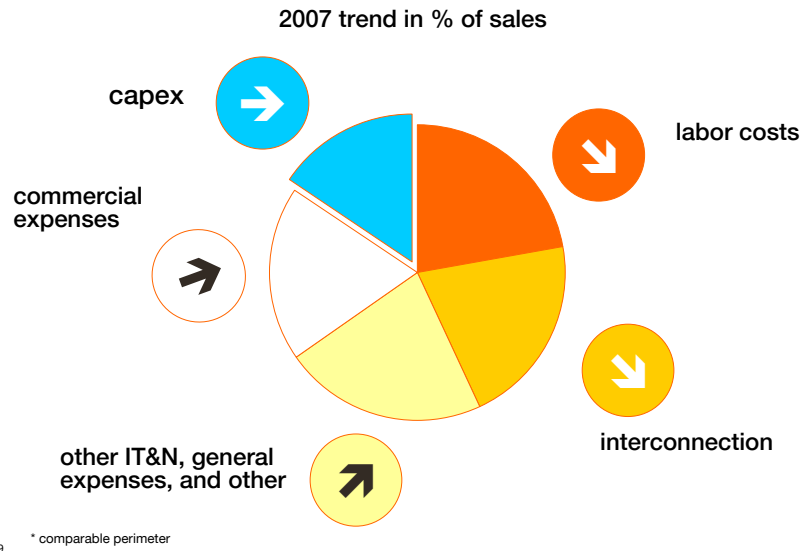
commercial costs in a more intensive competition



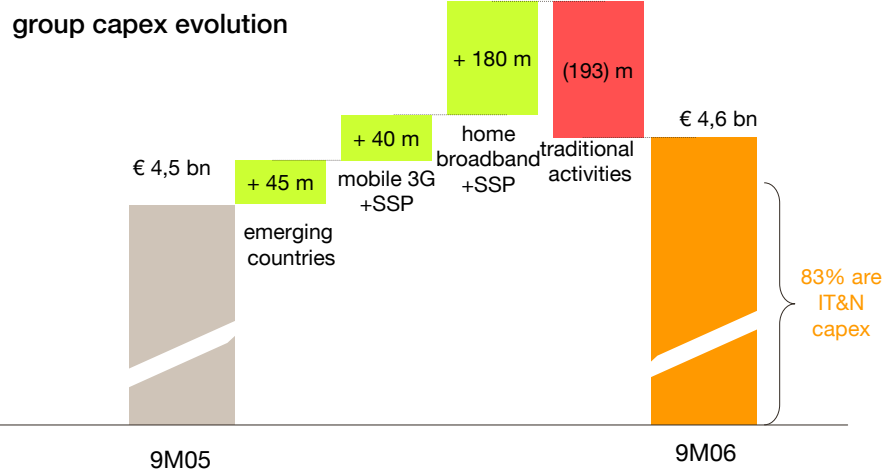
targeted allocation in conjunction with market potential, increase of direct channels

8

measures impact on cost containment for 2007



optimizing capex is key to free additional resources and do more with same amount



2007 objectives

G.O.M rate

nearly stabilize Gross Operating Margin rate thanks to cost containment

capex

capex rate maintained

2007
organic
cash flow

€ 6,8 bn confirmed*

* without Pages Jaunes sold at the end of 2006