



Press Release

Alcatel and SaskTel sign MOU to develop advanced software applications

Paris, June 29, 2006 — Alcatel (Paris: CGEP.PA and NYSE: ALA) and SaskTel, one of Canada's most progressive full service communications companies, today announced that they have signed a Memorandum of Understanding (MOU) to conduct joint research and development. Once finalized, the agreement will lead to the creation of approximately twenty new R&D positions to be based in Saskatchewan and jointly funded by Alcatel and SaskTel. Robert Watson, President and CEO of SaskTel, the Honourable Lorne Calvert, Premier of Saskatchewan, Serge Tchuruk, CEO and Chairman of Alcatel and Hubert de Pesquidoux, Executive Vice President and President of Alcatel North America attended the signing ceremony held today at Alcatel's Paris headquarters.

R&D activity resulting from the MOU will focus on the development of advanced software applications to address global market needs. Products and services resulting from the collaboration will be distributed worldwide utilizing the extensive market reach of Alcatel's global sales presence in conjunction with SaskTel International, a wholly owned subsidiary of SaskTel offering global telecommunications consulting services.

"My government is focused on building a better future for Saskatchewan people and this agreement between SaskTel and Alcatel supports our vision," Premier Lorne Calvert said. "We're extremely pleased that this MOU will result in the creation of high tech jobs and contribute to economic development in our province."

"Alcatel has been a valued SaskTel supplier for many years as we have aggressively delivered advanced and exciting new service to our business and residential customers across Saskatchewan," said Robert Watson, President and CEO of SaskTel. "This MOU is a natural evolution of that relationship and will enable us to leverage our combined experience to develop the applications needed to drive the next wave of innovation for the global communications market."

"SaskTel has been a pioneer in the delivery of advanced communications and entertainment services in North America and Alcatel has worked closely with the

company to help them realize their ambitions," said Hubert de Pesquidoux, Executive Vice President and President of Alcatel's North America activities. "With this MOU we are deepening our business relationship by harnessing the innovative power of two industry leaders to develop new products and services to continue to move our industry forward."

The agreement is expected to be finalized and staffing initiated in second half of 2006.

About SaskTel

SaskTel employs over 3,800 people in communities throughout Saskatchewan and is the leading full service communications provider in the province. It offers competitive voice, data, internet, entertainment and multimedia services, web hosting, text and messaging services over a state-of-the-art digital network. The Corporation also provides cellular and wireless data services, security monitoring services, directory services, in-room communications services to the healthcare sector through Hospitality Network, telecommunications consulting service through SaskTel International and national communications services through Navigata Communications. Visit SaskTel at www.sasktel.com.

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About Alcatel

Alcatel provides communications solutions to telecommunication carriers, Internet service providers and enterprises for delivery of voice, data and video applications to their customers or employees. Alcatel brings its leading position in fixed and mobile broadband networks, applications and services, to help its partners and customers build a user-centric broadband world. With sales of EURO 13.1 billion and 58,000 employees in 2005, Alcatel operates in more than 130 countries. For more information, visit Alcatel on the Internet: <http://www.alcatel.com>

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