

FAIRE presentation

France Telecom corporate ageing

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cautionary statement

- this presentation contains forward-looking statements and information on France Telecom's objectives, in particular for 2007. Although France Telecom believes that these statements are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties and there is no certainty that anticipated events will occur or that the objectives set out will actually be achieved. Important factors that could result in material differences between the objectives presented and the actual achievements include, among other things, changes in the telecom market's regulatory environment, competitive environment and technological trends, the success of the NExT plan and other strategic initiatives based on the integrated operator model as well as France Telecom's financial and operating initiatives, and risks and uncertainties attendant upon business activity, exchange rate fluctuations and international operations.
- the financial information in this presentation is based on international financial reporting standards (IFRS) and presents specific uncertainty factors given the risk of changes in IFRS standards.
- more detailed information on the potential risks that could affect France Telecom's financial results can be found in the Document de Référence filed with the Autorité des Marchés Financiers and in the Form 20-F filed with the U.S. Securities and Exchange Commission.



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France Telecom situation



France Telecom is amongst the firsts European telecom service providers

161 million customers

of which 2/3 under Orange brand

100.1 million mobile subscribers
(N°3 on European footprint)

of which 7.2 million mobile broadband subscribers
(N° 3 in Europe)

48.5 million fixed PSTN lines
(N°3 worldwide / N° 1 Europe)

10.2 million ADSL broadband clients
(N°4 worldwide / N° 1 Europe)



Figures as of 30/03/07

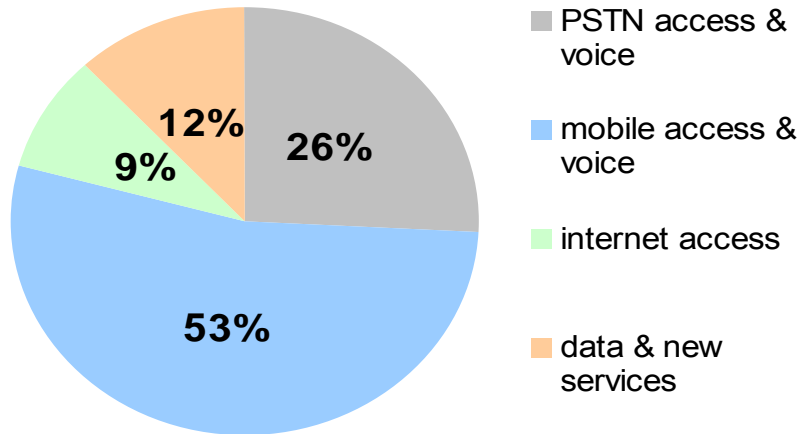


France Telecom financials in 2006

Revenues

France Telecom generates € 51,7 billion

- with a balanced mix of activities



- 2006 growth rate : +1.2% comp. basis

Gross Operating margin

France Telecom generates €18,5 billion (€17.3 billion in 2003)

- with a GOM margin at 35.9% of revenues in 2006
- GOM margin declining -1.4 points over 2006

Guidance for 2007 :

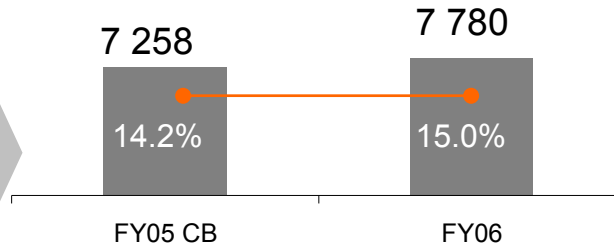
- near stabilization of the gross operating margin rate in 2007
- capex rate in % of revenues maintained around 13%
- organic cash flow of EUR6.8Bn



continuous focus on cost reduction

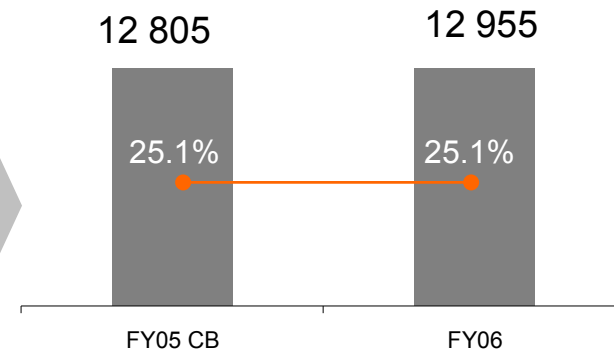
2007 objective :

Commercial costs
in million of euros
as a % of revenues



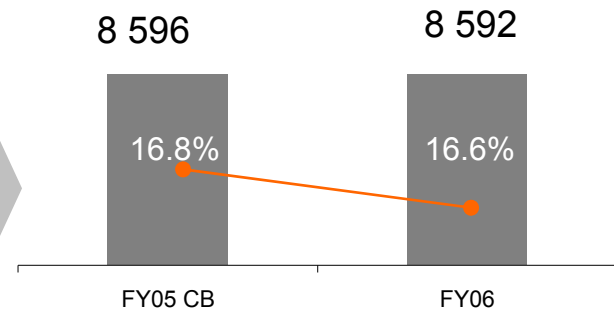
Stabilisation in % of revenues

IT&N and interconnexion costs
in million of euros
as a % of revenues



Between EUR500 - 800m savings by 2008

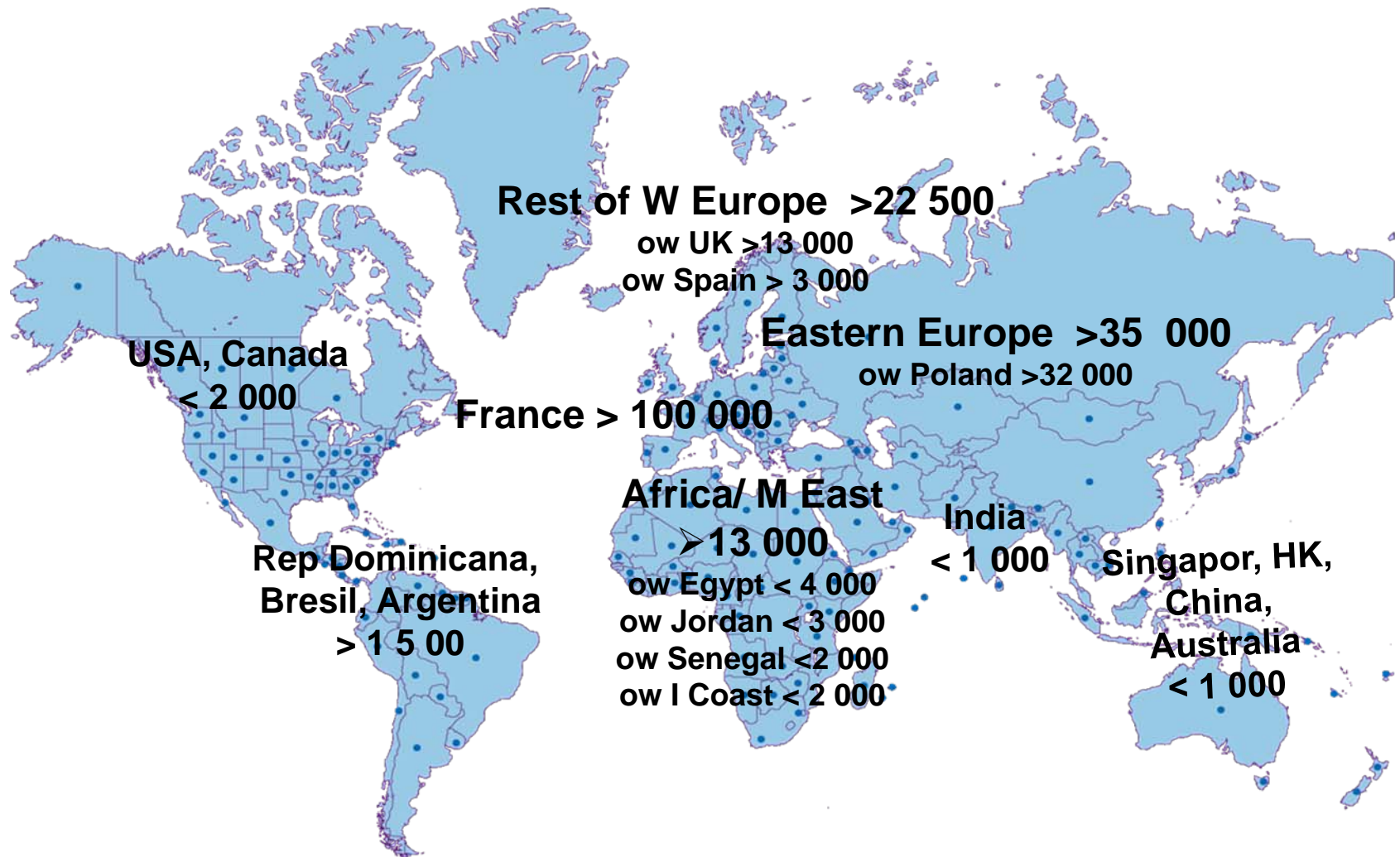
Labour Costs
in million of euros
as a % of revenues



17 000 net headcount reduction over 2006-2008 (of which 49% achieved in 2006)

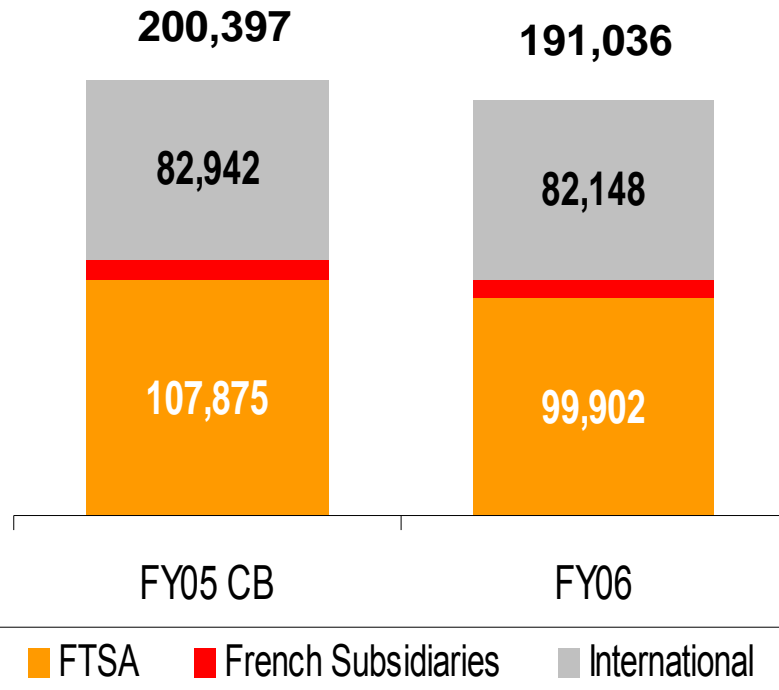


Groupe FT resources permanent headcount EoY 2006



A global headcount reduction equation embedded in our current NeXT Transformation plan

group active headcount, end of period



2006 achievement in France

Departures	- 10 300
ow retirements	- 2 200
ow early retirement plan	- 5 400

Recruitments	+ 2 400
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7,900 net departures*, i.e ~49% of our 06-08 NExT program

* Permanent headcount

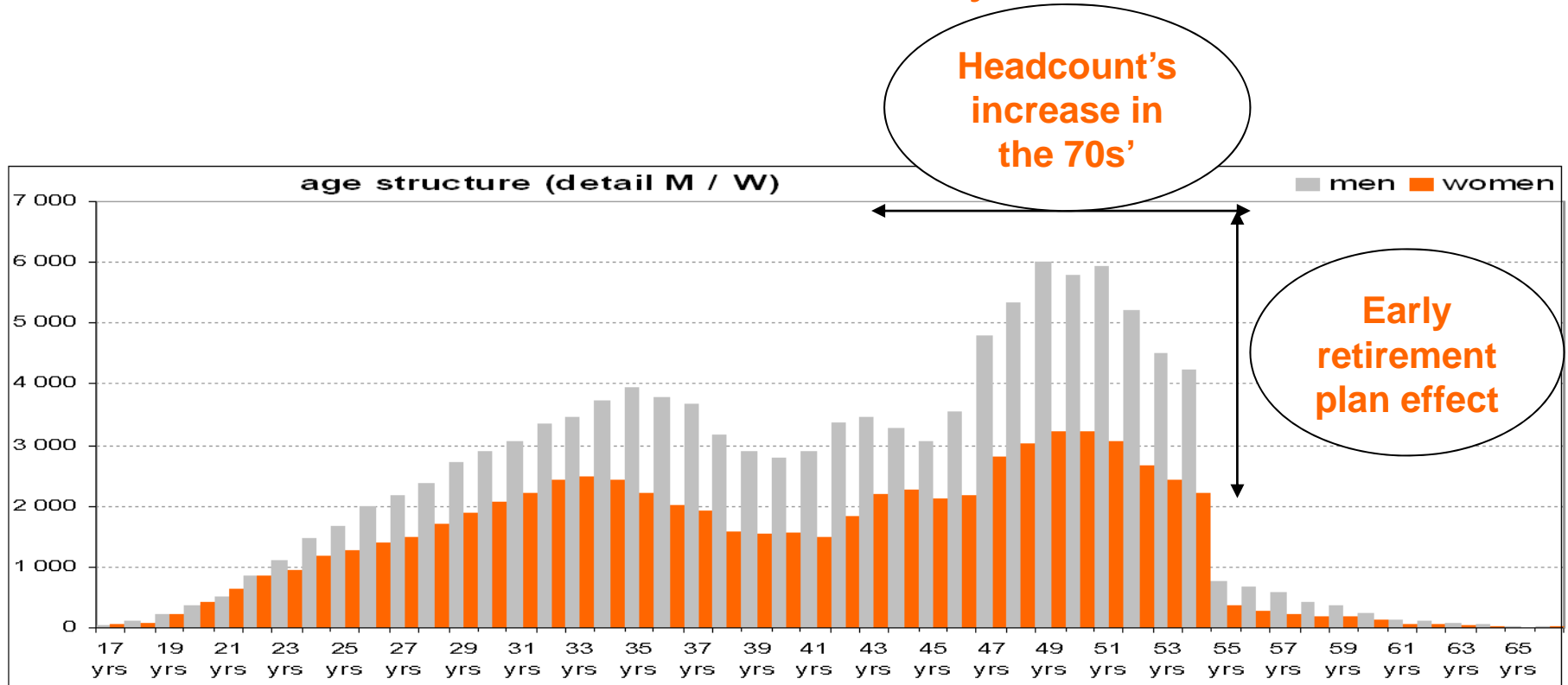


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France Telecom 's HR
perspective for France



45% of headcounts between 46 & 54 years old in France



Strong distortion due to

- a long established company with strong hiring in the 70s' to build the network (technical + administrative persons),

- A 10 years very successful Early retirement plan – ended in 2006



France Telecom strong corporate choice of avoiding massive lay-off

Challenge 1:

Productivity gain commitment

**Overall headcount directly
linked to operational needs**

Challenge 2:

Dramatic business
transformation

**A tremendous need for hiring,
reskilling, and training**

ACT

Anticipation and **C**ompetencies for the **T**ransformation
Our action plan over 3 years



ACT governs our RH management for 2006/2008

Principle:

- Give to every employee the visibility on the perspectives of jobs, competencies and geography of the activities of the Group (Opportunities)
- Enable employees to build his professional project in coherence with the strategy of the Group (Development)
- Stepping up management involvement (Management)
- Enable each employee to implement his professional project and to valorize his experiences through adapted solutions (Solutions)



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Challenge 1 : New measures to ensure competency renewals

Part time contract before retirement

- For people 1, 2 or 3 years before retirement – 3 formulas
- 2 formulas : half-time work 50 % paid 70 % - 1 formula : half-time work 70 % paid 70 %
- retirement contribution on 100 % basis (additional cost) paid by FT when possible

Spin-offs or Personal driven projects

- To create or take over a company (Spin Off) / or other type of project (association, new job evolution,...)
- open to any Group employee with at least 3 years' seniority, whatever the project
- average cost : 12 months of salary per employee (bonus, training, logistics, working hours before leave, ...)

Mobility to civil services

- More than 3,000 cumulated gross departures to a Civil Service from the launching of the programme at end 2003

10,000 job offers during 2006: +10% vs 2005



Challenge 1 : Cost of new measures

cost per capita should decrease over the coming years

In K€	2006	2007
Early retirement plan	200	NA
Mobility to civil services	60	60
Driven personal project	45	45
Other departures	20	25
Weighted average cost of departure	130	40
<i>Part time before departure</i>	NA	15



France Telecom strong corporate choice of avoiding massive lay-off

Challenge 1:

Productivity gain commitment

Overall headcount directly linked to operational needs

**Challenge 2:
Dramatic business transformation**

A tremendous need for hiring, reskilling, and training



ACT

Anticipation and **C**ompetencies for the **T**ransformation

Our action plan over 3 years



Challenge 2 : ① A tremendous need for hiring

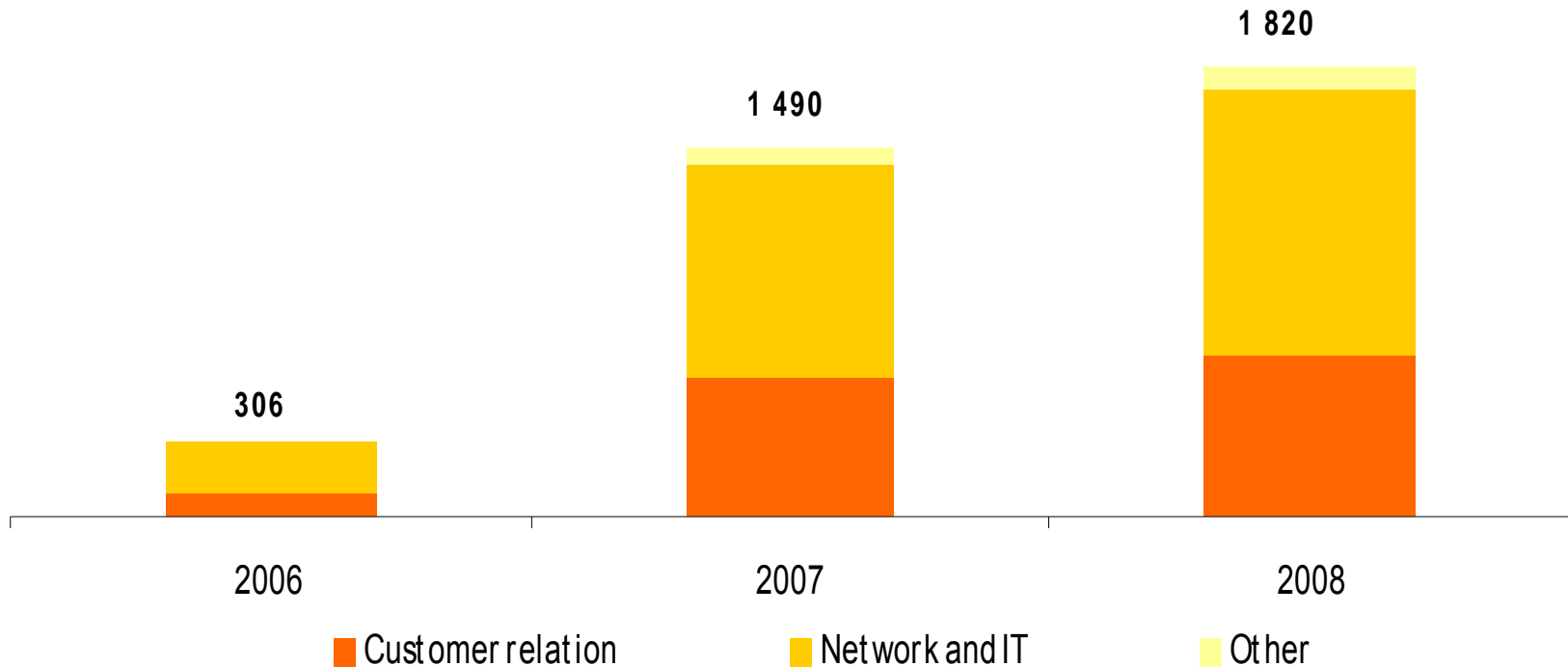
External recruitments in France (2005 + 2006)

- **Focused on priority sectors** (Total: 6 100 persons)
 - 4 500 in customer relations
 - 800 in IT and Network
 - 300 in Innovation
 - 250 in Professional Services
 - 100 in Content
- Plus 2,000 internal moves to Customer relations



Challenge 2 : ② A tremendous need for reskilling

Evolution of reskilled people in France



→ Minimum reskilling program is 1,5 month



Challenge 2 : ③ A tremendous need for training

Investment in training increased by 25 %

France investment in training

▪ 2005

-
- 2,100 Mhours
 - 34 M€ external expenses
 - 300 professionalisation career paths

▪ 2006 (estimated)

-
- 2,350 Mhours
 - 45 M€ external expenses
 - 1500 professionalisation career paths

Internal training solutions :

- FT Group University, FT Management Schools,
- 17 Profession Schools



Conclusion

- **Corporate aging is a crucial human resources theme for France Telecom**
 - Current NeXT plan (2006/2008) has embedded headcount reduction without lay-off
 - Technological and competitive landscapes lead to strong re-skilling needs
- **Innovative and coherent ACT plan is showing its results**
 - Almost half of our 3 years program quantitative objective achieved in the first year
 - Strong momentum for the new measures implemented allows recruitments
 - recruitment in selected fields to gain flexibility and expertise
- **Leading to Diversity improvement**



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France Telecom

