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France Telecom
corporate ageing

Laurent Zylberberg

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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.

- PSTN access & voice: 26%
- Mobile access & voice: 12%
- Internet access: 9%
- Data & new services: 53%

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

**Commercial costs**
- in million of euros as a % of revenues
  - FY05 CB: 7,258 (14.2%)
  - FY06: 7,780 (15.0%)

**IT&N and interconnexion costs**
- in million of euros as a % of revenues
  - FY05 CB: 12,805 (25.1%)
  - FY06: 12,955 (25.1%)

**Labour Costs**
- in million of euros as a % of revenues
  - FY05 CB: 8,596 (16.8%)
  - FY06: 8,592 (16.6%)

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**2007 objective:**
- Stabilisation in % of revenues
  - Between EUR500 - 800m savings by 2008
  - 17,000 net headcount reduction over 2006-2008 (of which 49% achieved in 2006)
Groupe FT resources permanent headcount EoY 2006

- **France**: >100,000
- **Rest of W Europe**: >22,500
  - UK: >13,000
  - Spain: >3,000
- **Eastern Europe**: >35,000
  - Poland: >32,000
- **Africa/ M East**: >13,000
  - Egypt: <4,000
  - Jordan: <3,000
  - Senegal: <2,000
  - I Coast: <2,000
- **USA, Canada**: <2,000
- **Rep Dominicana, Bresil, Argentina**: >15,000
- **India**: <1,000
- **Singapor, HK, China, Australia**: <1,000
A global headcount reduction equation embedded in our current NeXT Transformation plan

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

Recruitments + 2,400

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**
**A**nticipation 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)
France Telecom strong corporate choice of avoiding massive lay-off

Challenge 1:
Productivity gain commitment
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ACT
Anticipation and Competencies for the Transformation
Our action plan over 3 years
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 Personnel 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

<table>
<thead>
<tr>
<th>In K€</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early retirement plan</td>
<td>200</td>
<td>NA</td>
</tr>
<tr>
<td>Mobility to civil services</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Driven personal project</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Other departures</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Weighted average cost of departure</td>
<td><strong>130</strong></td>
<td><strong>40</strong></td>
</tr>
<tr>
<td>Part time before departure</td>
<td>NA</td>
<td>15</td>
</tr>
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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 Competencies for the Transformation
Our action plan over 3 years
Challenge 2: 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 : A tremendous need for reskilling

Evolution of reskilled people in France

- 2006: 306
- 2007: 1,490
- 2008: 1,820

Minimum reskilling program is 1.5 month
Challenge 2 : A tremendous need for training

Investment in training increased by 25%

<table>
<thead>
<tr>
<th>2005</th>
<th>2006 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,100 Mhours</td>
<td>2,350 Mhours</td>
</tr>
<tr>
<td>34 M€ external expenses</td>
<td>45 M€ external expenses</td>
</tr>
<tr>
<td>300 professionalisation career paths</td>
<td>1500 professionalisation career paths</td>
</tr>
</tbody>
</table>

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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