

ISR presentation

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11 June 2007, presentation to FAIRE



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.

agenda

- section 1 France Telecom & sector
- section 2 Environmental issues
- section 3 Social issues
- section 4 Governance issues

agenda

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| section 1 | France Telecom & sector |
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| section 2 | Environmental issues |
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| section 3 | Social issues |
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| section 4 | Governance issues |
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Telecommunication sector : strong sustainable positioning

- dematerialization = - CO2 + productivity + competitiveness
 - « k bit instead of km, gigabit instead of giga watt », video conferencing, telecommuting, electronic invoicing, e-learning, cooperative working sessions, etc...

- innovation
 - marketing for health products
 - marketing for Green « live box »

- links between people and reinforcement of communities
 - enrich knowledge, improve understanding, increase geographical or physical inclusion
 - Ex : connecting distant areas, Orange Foundation - dealing with autism, visually impaired, girls education in developing countries.

Drastic change in the telco market over a decade

- large deployment of internet with content and new services
- Convergence becomes a reality

- PSTN revenue erosion
- mobile growth slow down in matures areas
- internet strong development

- strong market growth due to mobile continuous equipment
- rather stable PSTN lines revenues
- internet mass-market take-off

- ICT bubble
- large acquisitions leading to debt and goodwill increase



France Telecom is amongst the first European telecom service providers

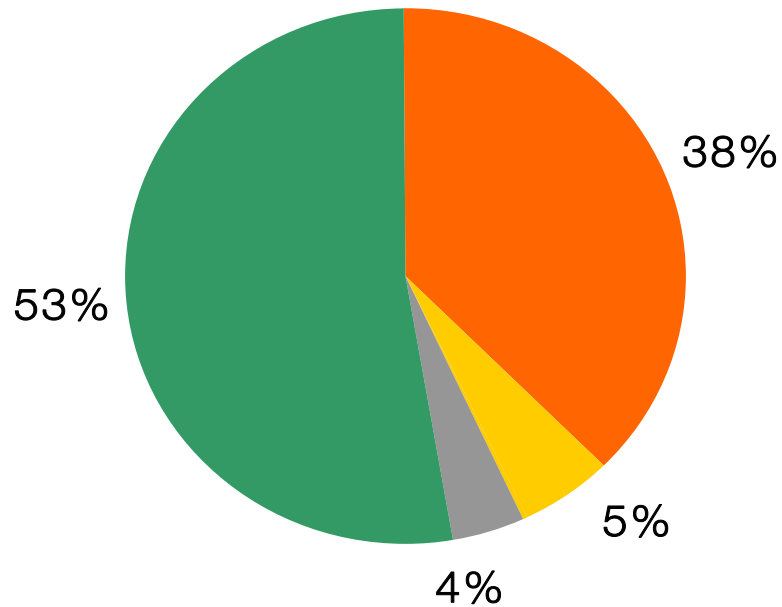
- 161 million customers
of which 2/3 under Orange brand
- 100.1 million mobile subscribers
(N°3 on European footprint)
- of which 7.2 million mobile broadband subscribers
(N° 3 in Europe)
- 48.5 million fixed PSTN lines
(N°3 worldwide / N° 1 Europe)
- 10.2 million ADSL broadband clients
(N°4 worldwide / N° 1 Europe)



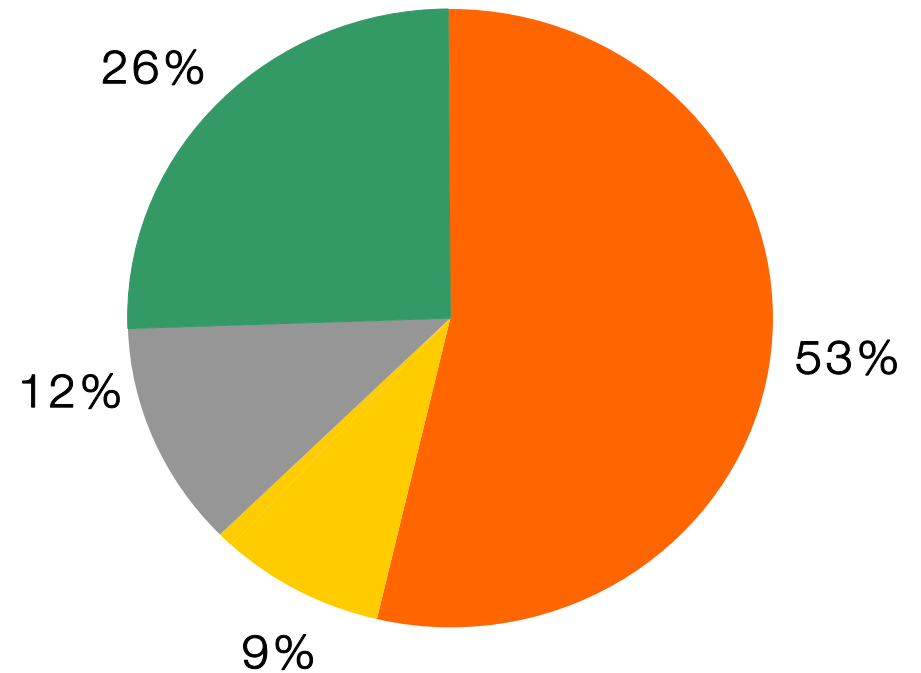
Figures as of 30/03/07

France Telecom group : a balanced revenue mix*

2002 group revenue
46 630 million euros



2006 group revenue
51 702 million euros



2006 key figures

| in million of euros | Actual* FY05 | FY05 Comp. Basis | FY06 | Actual % change | Comparable Basis % chg |
|---------------------------|-----------------|---------------------|--------|-----------------------|---------------------------|
| revenues | 48,082 | 51,105 | 51,702 | +7.5% | +1.2% |
| Gross Operating Margin | 17,953 | 19,039 | 18,539 | +3.3% | -2.6% |
| <i>as a % of revenues</i> | 37.3% | 37.3% | 35.9% | -1.4pt / -1.6 pt** | |
| CAPEX | 6,033 | 6,503 | 6,732 | | |
| <i>as a % of revenues</i> | 12.5% | 12.7% | 13.0% | | |
| org. Cash Flow | 7,229 | | 6,894 | | |
| <i>net Debt / GOM</i> | 2.48 | | 2.27 | | |

outlook: our 2007 guidances

near stabilization of the gross operating margin rate in 2007

capex rate in % of revenues maintained around 13%

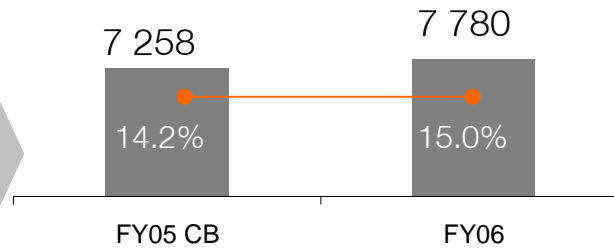
organic cash flow of EUR6.8Bn

* without Pages Jaunes consolidation; ** Excluding Lebanon reserve reversal in 2Q05 (EUR199m) and provision for fine in 4Q05 (EUR256m), 2005 GOM margin is 37.5%

continuous focus on cost reduction

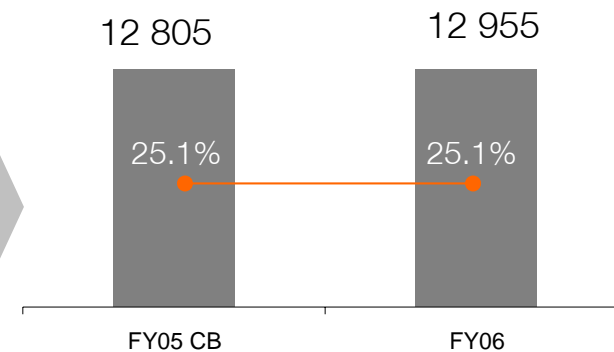
2007 objective :

Commercial costs
in million of euros
as a % of revenues



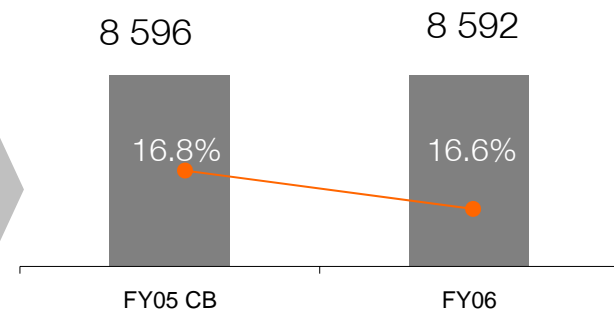
Stabilisation in % of revenues

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



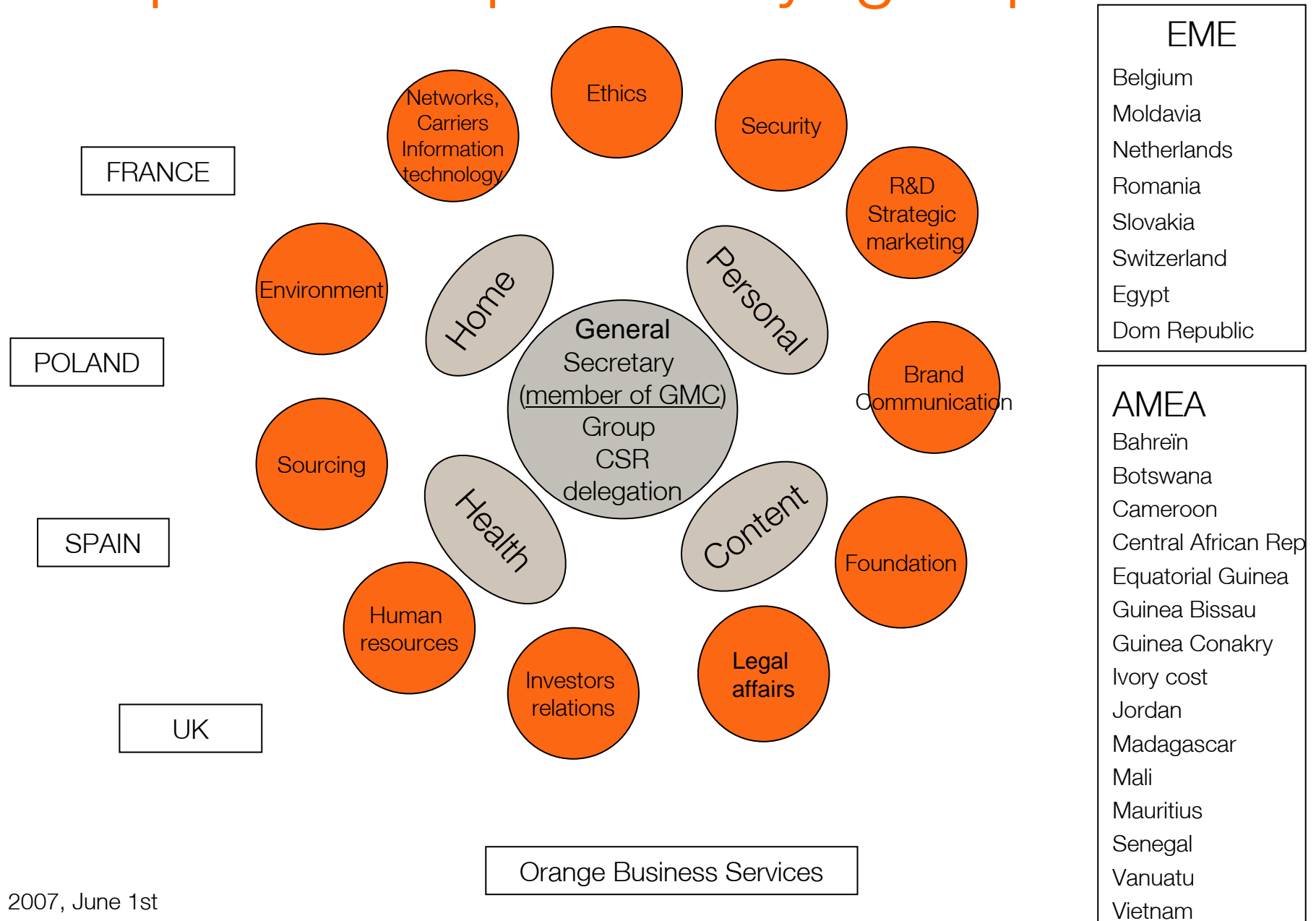
17 000 net headcount
reduction over 2006-
2008 (of which 49%
achieved in 2006)

France Telecom and Social responsibility commitment

- Sustainable development issues are incorporated into our strategy and policies to leverage our overall performance.
 - Managing risks effectively
 - Safeguarding quality of life
 - Innovating to serve society
 - Mobilizing all skills

- Key dates for our sustainable development commitment
 - 1996 : ETNO Environmental Charter signed
 - 2000 : signed up for the Global Compact
 - 2001: Orange Group corporate responsibility strategy drawn up
 - 2003 : France Telecom Group Code of Ethics and corporate responsibility policy formalized
 - 2004 : ETNO Sustainable Development Charter signed
 - 2005-2006: ethical program ramped up to cover the entire Group
 - 2006 : fully audited report at the Group level

Corporate responsibility group chart



agenda

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sustainability model : a proper balance



our concern : to find an equilibrium

Environmental issue

- Though telecommunication sector is not a polluting one, France Telecom is implementing EMS throughout the group

- main issues
 - Energy
 - Increase us of green energy
 - Decrease CO² emissions
 - Waste
 - WEEE
 - Office waste
 - EMF

Environmental issue: energy

- **Using renewable energies**

- In 2006, 7% of the energy consumed by the Group came from renewable sources, preventing 152.120 tons of CO² emissions.
- In the UK, our mobile activities use 100% renewable energy supplies.

- **Monitoring our energy consumption**

- energy consumption analysis (network, buildings)
- Modernized vehicle fleet
- Cutting emissions linked to business trips

Environmental issue : WEEE

- Mobile collection initiatives made it possible to collect almost 700,000 mobiles in six of our main European subsidiaries over 2006.
 - The collected mobiles have been reconditioned and resold in various countries in Eastern Europe, Asia and Africa at highly accessible prices.
- 92% of the collected mobile handsets have been reused or recycled
 - Any units that are out of order are dismantled and their components recycled

Environmental issue : electromagnetic fields (EMF)

- According to the World Health Organization (WHO) (July 2005, may 2006) no negative health effects have ever been detected from base stations and wireless networks; no health risks have been identified for mobile , but further scientific research is recommended.
 - Various measurements carried out show that the actual levels to which people living and working near to relay antennae are exposed represent only a few hundredths of maximum values for general public exposure set by the ICNIRP* and recommended by the European Commission
 - Despite these arguments, public opinion still worries about EMF
-
- **Expertise built up by the Group**
 - individual dosimeter developed to measure the intensity of waves issued in the environment
 - software designed to visualize electromagnetic fields in 3D (EMF Visual), making it possible to determine the safety zone required around a relay antenna.
 - **Member of renowned research organisations**
 - In France, ADONIS project and COMOBIO program launched to conduct dosimetric analyses of third-generation mobile telephone systems, member of the Santé Radiofréquence Foundation recognized as a public service in January 2005.
 - In the UK, Mobile Telecommunications Health Research program since 2001.

Environmental issue – Roadmap for 2007 / 2008

| Roadmap for 2007-2008 | |
|---|-------------|
| Objectives | Deadline |
| Environmental management | |
| Continue deploying the environmental management system within the Group in line with ISO 14001. | 2007-2008 |
| roll out “green gesture” awareness-building actions in our main European business units | 2007 |
| greenhouse gas emissions | |
| continue with efforts to reduce consumption: network, vehicles, transport, buildings | 2008-2012 |
| paper consumption | |
| continue with efforts underway to reduce paper consumption | 2007-2008 |
| products at the end of their lifecycle | |
| develop and set up Group guidelines for waste management | 2006-2008 |
| environmental performance of products | |
| test a first range of green products in our distribution channels | End of 2007 |
| | |

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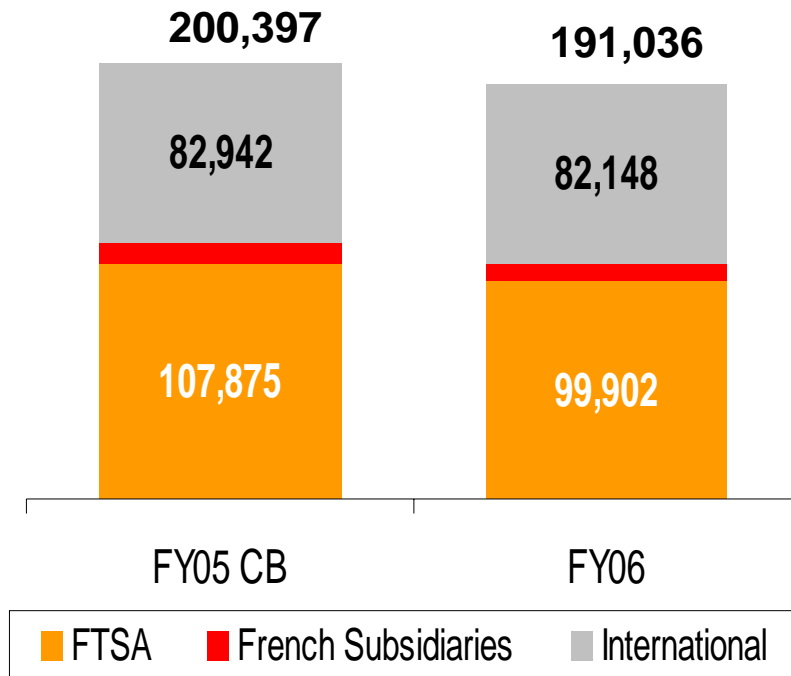
HR issues

- HR is one of the key aspects of CSR for FT

- 4 main drivers
 - Social dialogue (EWC, UNI-FT Agreement...)
 - Diversity and gender equality (taking into account the local specificities)
 - Increasing our training efforts for our employees
 - Health and Safety first (common base for a shared policy, audit wherever possible)

Social issues : RH management

group active headcount, end of period



strong corporate choice
of avoiding massive lay-off



Productivity gain
commitment
Overall headcount
directly linked to
operational needs

dramatic business
transformation
A tremendous need
for hiring, reskilling,
and training

Social issues : HR management

Allowing for competencies renewal (France)

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

Social issues – Skills development

- **Skills mapping**
 - 23 fields and 395 professions identified within the Group
 - staff can check out the overall trend for changes in their field, as well as the career development paths open to them within this field.

- **“Development spaces” for individual follow-up**
 - 12 “development spaces” in France and five in Poland, one the UK
 - 15,000 employees have been accompanied in these new development spaces
 - this concept is gradually being rolled out in the countries in which the Group is implementing its integrated operator strategy and will eventually be adapted to the local context in order to provide the best solutions to accompany the employees.

- **Training**
 - 2006: +25% hours in France / +11% in the rest of the group
 - investments are up by nearly 5% for France Telecom SA and 13% for the rest of the Group
 - 2006: 28 professionalization pathways
 - qualifying programs, 800 employees from France Telecom SA
 - Business School / e-training courses

Social issue – Social Dialogue

- 400 staff representative bodies within the Group
- The Group European works' council
 - 18 countries are represented within this council, with 32 staff representatives: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Ireland, Luxembourg
- Agreement signed with Union Network International (UNI).

Impact on society – Main issues

privacy:

data protection, anti spam, location based services

child protection:

content, contact and commercialism

digital divide:

urban/rural divide,
e skills,
access for disabled, or elderly people

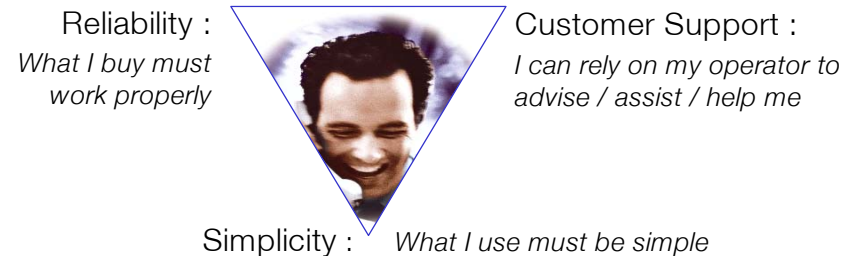
Socio-economic impact:

mobile banking,
e health

Social issue – Quality of Service

We must deliver to our customers
« best in class » Quality of Service

- This a NExT strategic objective
- Quality of Service is first of all the one perceived by customers
- The virtuous QoS triangle is based on :



- QS is a major factor for customer loyalty / market differentiation
- By improving QoS, we are increasing customer satisfaction but also decreasing our operational costs :
- QoS is a pillar for **SUSTAINABLE DEVELOPMENT**

Governance issue : responsible purchase

a tool for our suppliers' performance

self evaluation for our suppliers :

Quality

Responsiveness- Relationship

Ethics - environment

Delivery

Innovation

Costs - invoicing



our suppliers' answers allow comparison and classification

in 2006, 86 % of group purchase were subjected to the procedure,
527 contracts were reviewed at least one

HR issues - Review of 2006

| Objectives set at end of 2005 | Deadline | Status |
|---|-----------|--------|
| HR management | | |
| measuring quality of service for HR | 2006-2008 | ? |
| continuing to deploy the health and safety at work management system | 2006-07 | ☺ |
| labor relations | | |
| setting up staff representative bodies in Slovakia and Romania | 2006 | ☺ |
| skills development | | |
| rolling out development spaces within the Group | 2006-08 | ✓ |
| rolling out a profession mapping process for each country | 2006-08 | ✓ |
| setting up a management school | 2006 | ✓ |
| gradually systematizing professional pathways | 2006-08 | ✓ |
| increasing the overall training effort by 25% | 2006-08 | ✓ |
| setting up a compliance e-learning course for all Group staff in English and French | 2006 | ✓ |
| multiplying exchanges by four in connection with the Talent Sharing initiative | 2006-08 | ✓ |

Social issues – Roadmap for 2007 / 2008

| Roadmap for 2007-2008 | |
|---|-----------|
| Objectives | Deadline |
| HR management | |
| strengthening our commitment to diversity | 2007-2008 |
| labor relations | |
| strengthening social dialog within the Group | 2007-2008 |
| skills development | |
| pursuing the commitment to increase the overall training effort by +25% over 2006-2008 | 2006-2008 |
| health and safety | |
| strengthening exchanges of best practices between subsidiaries on health and safety at work | 2007 |
| raising staff and management awareness on the importance of health and safety issues | 2007-2008 |
| community responsibility – promoting correct use of services | |
| deploying our manuals on children's use of mobile phones in all our European companies | 2007 |
| responsible marketing | |
| making sure that our responsible marketing guides are taken into consideration in the conception of new products and services | 2007 |

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section 1 France Telecom & sector

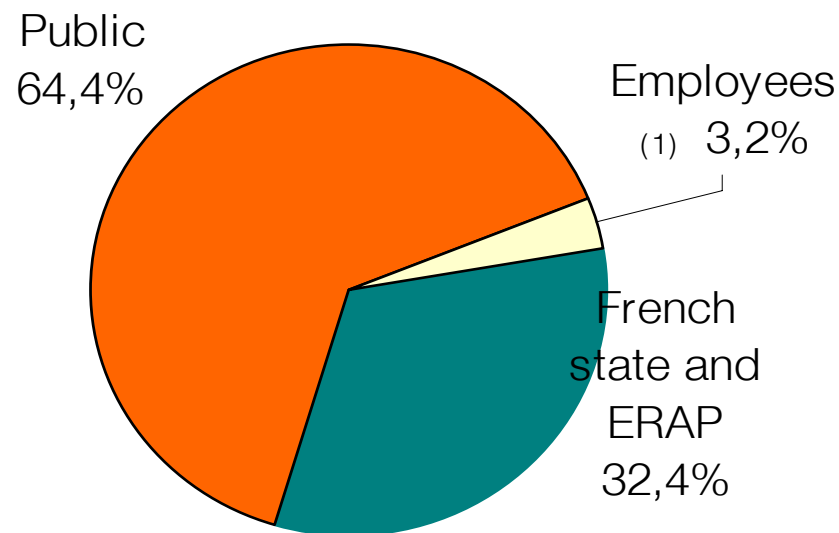
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Corporate governance issue : shareholders relations

- 1 share = 1 vote
- The main shareholders in France Telecom do not have voting rights different from those of the other shareholders.



- a webzine offers the best multimedia information to all shareholders interested in the Group.
- dialog with individual shareholders notably through the Inter@ction advisory circle, and 10 10 toll free number (xx call last year)
- dozens of open meetings in the French main cities.
- Permanent investor roadshows with executive management, strategic and quaterly financial presentation

(1) Concerns only the shares held directly by employees or former employees in registered form or in a company savings plan as well as shares purchased under the offering by the French State reserved for employees and non-transferable until November 7, 2008 or entitling the holder to bonus shares in January 2008.

Corporate governance issue : Board of directors

- At the latest AGM (21/05/07), the composition of the Board of Directors was as follows:
 - 8 directors elected by the Shareholders' Meeting
 - Ow 6 are independant according to the criteria of the Medef/AFEP Report.
 - 4 representatives of the State;
 - 3 directors representing employees;
 - 1 director representing employee shareholders.

The Board of Directors met eleven times in 2006. An evaluation report is done once a year by enquiry of each member

- Committees of the Board of Directors are
 - Audit Committee
 - Compensation, Nominating and Governance Committee
 - Strategy Committee

Governance / Economic issues – Review 2006

| Objectives set at end of 2005 | Deadline | Status |
|--|------------|--------|
| quality of service | | |
| creation of unique teams responsible for networks, service platforms and information system infrastructures: Domestic Network Factories (DNF) in France, the UK, Spain, Poland and the Netherlands | 2006 | ✓ |
| frame of reference for Group commitments, reflecting the customer promise, validated by consumer associations | 2006-2007 | ✓ |
| shareholder relations | | |
| complete analysis of the control environment after the close of accounts for 2006 | Early 2007 | ✓ |
| shareholders' letter written with Inter@ction members | 2006 | ✓ |
| Responsible purchases | | |
| 600 supplier contracts assessed using the QREDIC system and improvements made to the corporate responsibility and sustainable development questionnaire | 2006 | ✓ |
| development of a procurement risk map for each category of purchases and action plans | 2006 | ✓ |
| taking into account the RoHS* directive in framework agreements with suppliers | 2006-2008 | ✓ |

✓ Objective met

⊖ Project underway ⊖ Objective not met

Economic issue - Roadmap for 2007

| Objectives | Deadline |
|--|-----------|
| quality of service | |
| improve our customer satisfaction in our different markets | 2007 |
| and define target action plans for areas which need to be improved | 2007 |
| security | |
| deploy a security management system in line with international norms | 2007 |
| | |
| shareholders relations | |
| strengthen the dialogue with the ISR in the context of regular meetings | |
| | |
| responsible purchases | |
| structure our approach in the main countries where we operate to extend out corporate responsibility and sustainable development approach and deploy it on a significant number of local suppliers | 2007-2008 |
| adapt local contracts to effectively manage the risks inherent to each country's context and in line with local policy and strategies. | 2007-2008 |
| follow up on action plans implemented further to the risk map drawn up for purchases | 2007-2008 |
| implement progress plans with suppliers located in the Far East | |
| ensure that the main products at the end of their lives are covered locally by collection and treatment contracts in line with the regulations in force, or otherwise make any corrections needed. | 2007-2008 |
| integrate requirements relating to waste electrical and electronic equipment (WEEE) into country contracts as the WEEE directive is transposed | |
| contact suppliers concerning the REACH directive to understand the consequences of these regulations on our products and ensure that our suppliers are compliant with them. | 2007-2008 |
| Solutions serving sustainable development | |
| in 2007, launch a new range of solutions for the remote management of chronic illnesses | 2007 |
| continue to adapt our offers and our distribution networks for disabled and elderly customers. | 2007-2010 |
| network deployment | |
| strengthen the deployment of very high-speed residential connections over fiber optics in France and Slovakia. | 2007-2008 |

Our ambition : to be recognized as the CR leader amongst telecommunications' operators by 2011

"it's not a sprint,
it's a marathon"





thank you

