

france telecom's

corporate responsibility: a responsible growth

Gentiane Weil – Group corporate responsibility director
SRI presentation - November 22nd, 2007



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 performance
- section 2 corporate responsibility policy as an asset
- section 3 strong governance
- section 4 act: our program for social issues
- section 5 satisfying customers and connecting people
- section 6 managing our environmental footprint
- section 7 our ambition

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section 1 france telecom performance

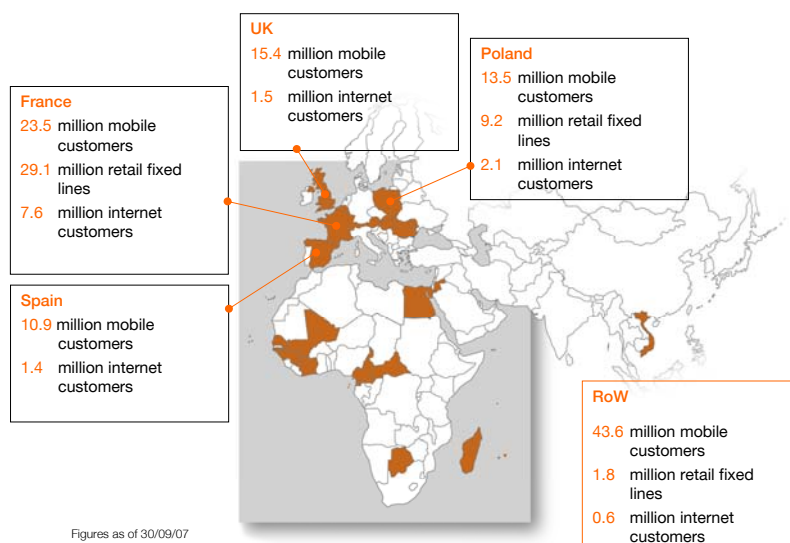


france telecom: a strong sustainable positioning

- 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

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france telecom has a strong focus in Western Europe and some presence in fast growing countries

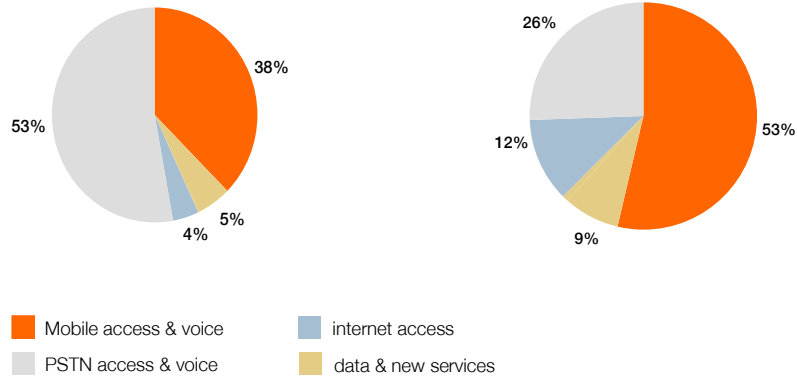


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france telecom group: a balanced revenue mix*

2002 group revenue 46,630 million euros

2006 group revenue 51,702 million euros

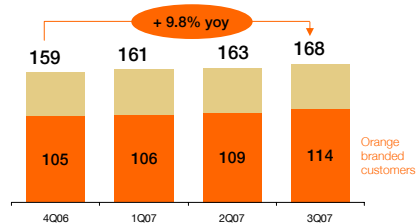


7 * equipment sales and Orange Business Services excluded ** wholesale included

france telecom is amongst the first European telecom service providers

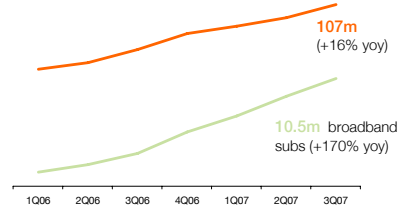
group customers (in million)

68% of our customer base is Orange branded



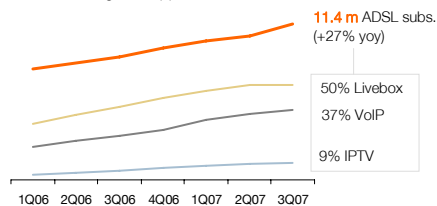
mobile customers

continuous growth with strong development of Broadband



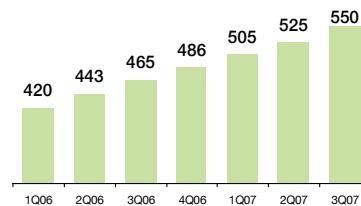
ADSL customers

strong growth while our box strategy is expanding, allowing new applications



Business Everywhere customers (in 000)

successful expansion of our BEW product to be extended to retail



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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 <i>as a % of revenues</i>	17,953 37.3%	19,039 37.3%	18,539 35.9%	+3.3% -1.4pt	-2.6% /-1.6pt**
CAPEX <i>as a % of revenues</i>	6,033 12.5%	6,503 12.7%	6,732 13.0%		
org. Cash Flow	7,229		6,894		
net Debt / GOM	2.48		2.27		

outlook: our 2007 guidances

- stabilization of the gross operating margin rate in 2007
- capex rate in % of revenues maintained around 13%
- organic cash flow of EUR 7.5 Bn

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

france telecom strategic issues

- **preserve our market shares as an incumbent**
 - thanks to broadband infrastructure
 - through convergence and innovative services
- **increase our market share as an alternative operator**
 - replicate our successful models
 - differentiate through convergent services
- **develop our footprint on growing markets**
 - sensible M&A strategy with African privatization processes under review
- **adapt our processes and cost structure to new activities**

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france telecom and Corporate Responsibility commitments

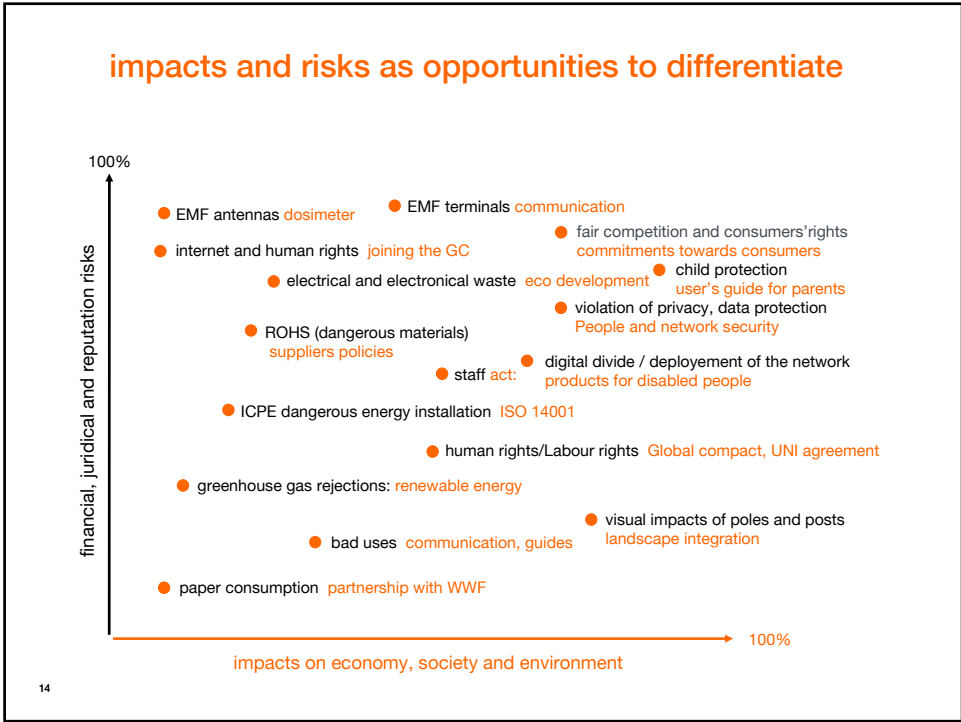
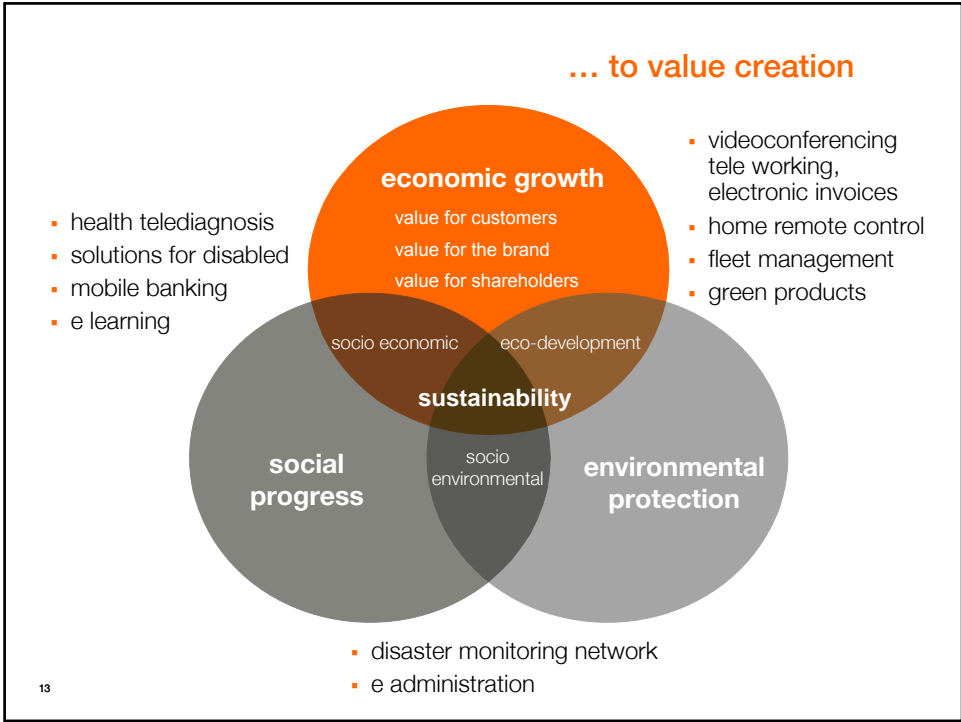
- sustainability issues incorporated into our strategy and policies to leverage our overall performance
 - managing risks effectively
 - safeguarding quality of life
 - innovating to serve society
 - mobilizing all skills
- key dates for our sustainable development commitment
 - 1996: ETNO Environmental 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: France Telecom and the **Worldwide Trade Union Alliance-UNI** sign a worldwide agreement on fundamental social rights in the Group

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section 2

corporate responsibility policy as an asset





our stakeholders' priorities

rank	Africa	Europe	France	Poland	UK
1	appropriate services	privacy	clients satisfaction	"responsible" pricing	"responsible" content
2	digital divide	child protection	societal impact	clients satisfaction	clients satisfaction
3	freedom of expression	environmental management	"responsible" pricing	economic added value	privacy
4		clients satisfaction			health / EMF
5		"responsible" pricing			child protection

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france telecom group and the rating agencies

rating agency	VIGEO	EIRIS	SAM	accountability
rating	one of the leading companies of the sector		75 (best score = 82)	42 nd out of the world's 100 largest companies (Fortune)
index	ASPI EUROZONE	FTSE4GOOD	DJSI	
france telecom rated	since 2006	since 2002	2008 ?	October 2007

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section 3

strong governance



corporate governance issue: board of directors

- the composition of the Board of Directors is as follows:
 - 7 directors elected by the Shareholders' meeting
ow 5 are independent according to the criteria of the Medef/AFEP Report.
 - 3 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

▪ board of Directors committees

- audit committee
- Compensation, nominating and governance committee
- strategy committee

▪ group management committee

- 9 members incl. Chairman & CEO

▪ internal committees

- internal and Risk control committee
- deontology committee

▪ internal control

- risk assessment
- internal audit

▪ quality of public information

- disclosure committee

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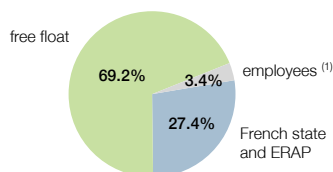
corporate governance framework

- france telecom insures proper governance by complying to
 - Sarbanes-Oxley act (US, Aug 2002), as a US listed company
 - financial security bill (France, loi de sécurité financière - LSF, Aug 2003)
- risk management and risk mapping
 - the risk map is used by each entity (business units, or functional divisions):
 - to acquire a global vision of its risks
 - to prioritize them and to allocate resources based on their importance
 - designate ownership,
 - implement and follow-up action plans and findings regarding the evolution of the level of risk,
 - to orientate the internal audit plan in line with the most important risks

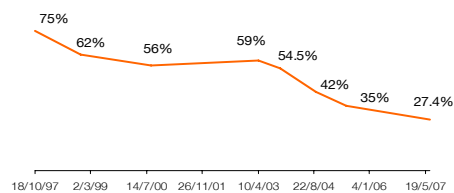
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shareholding and shareholder rights

shareholding



French State shareholding



- 1 share = 1 vote
- since the privatization (sept 2004) specific procedures for the control of france telecom by the French State no longer apply
- the State does not hold any “golden share” or any other special advantage
- French State currently has 3 representatives out of 14 members of the board of Directors

(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.

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section 4

act: our program for social issues



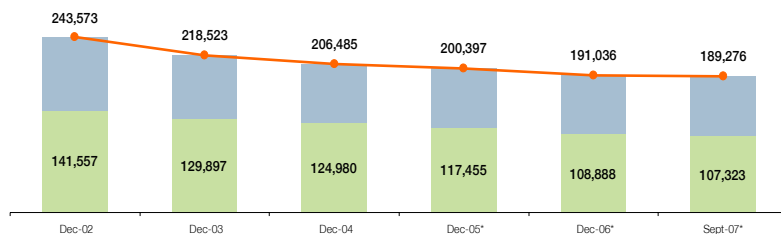
act: governs our group human resources management for 2006/2008

- 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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Group headcount reduction: strong corporate choice of departure in a controlled framework

group active headcount, end of period



- NEXt plan for headcounts reduction (between end of 2006 and end of 2008)
- -17,000 for the Group
- -16,000 for France, with -22,000 departures and +6,000 hirings
- **on track with our 3-years plan of headcount reduction in France by 2008 with 64% achieved at the end of 3Q07**

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departure in a controlled framework

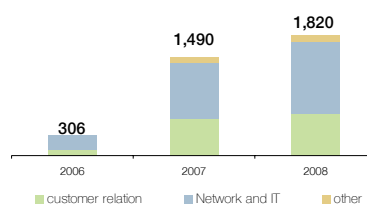
- **early retirement plan ended in 2006**
 - 40,000 persons benefited from the early retirement plan from 1996 to 2006 in France
- **new measures currently in place are**
- **part time contract before retirement**
 - for people 1, 2 or 3 years before retirement – 3 formulas
 - 2 formulas: half-time work 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

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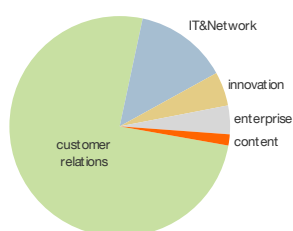
hiring & reskilling with strong focus on priority sectors

total Group	2006	9m 07
external recruitments	14,428	10,775

evolution of reskilled people in France



external recruitments in France (2005 & 2006)



2,000 internal moves to Customer relations for 2005 + 2006

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skill development

training	2005	2006
% of headcounts benefiting from training	76%	83%
training hours per employee (yearly average)	19.9	26.2
% of pay roll dedicated to training	4.47%	5.10%

- training
 - 2006: +25% hours in France / +11% in the rest of the Group
 - 2006: 28 professionalization pathways
 - Business School / e-training courses
- skill 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 5 in Poland, 1 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

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social dialogue

- one social dialogue body in each European subsidiary over 50 employees
- a dynamic European Works Council
 - 18 countries are represented within this council, with 32 staff representatives
- agreement signed with Union Network International (UNI) in 2006
 - implemented in the whole group: Upholding fundamental human rights, Implementing a dynamic employment policy,
 - applying ethical principles in dealings with suppliers and subcontractors
- discussion opened for a possible Group-wide social dialogue

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section 5

satisfying customers and connecting people



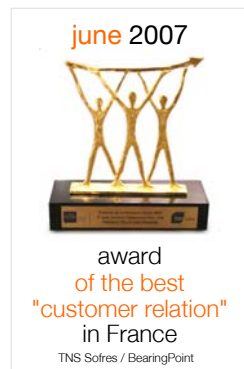
quality of service, a priority

actions

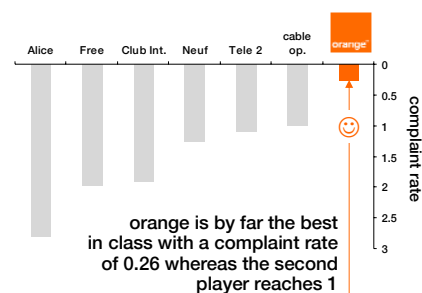
- polls on a monthly basis
- regular benchmark
- quality of service department in each entity

benefits

- churn reduction
- pricing premium
- increase brand awareness



complaints rate for ADSL market in France



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Source: AFUTT report June 2006 (French Association of Telco Users)

meeting the expectations of our customers through our products and services

- **innovate to better serve our customers and society**
 - design products that can be used by all, and by developing risk prevention and warning systems
 - develop solutions helping safeguard the environment
- **mobilize our resources in emergency situations**
 - february 2007: after Reunion was hit by Cyclone Gamède, our teams set 70 out of 112 mobile relays back online in less than five hours and 80% of telephone lines operating again the day after the disaster
- **offer secure solutions**
 - security is a key: information ownership, brand image, expertise on advanced technologies, financial gains, our customers' trust, etc
- **meet the medical world's new expectations**
 - we have created innovative solutions adapted to the new challenges facing the medical world: home-based hospitalization, telemedicine, networking of health establishments (autonomie visio, Columba bracelet)

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developing solutions for specific needs

- **disability solutions for elderly and disabled customers**
 - develop a “design for all” strategy, aiming to take specific requirements into account when designing residential products and services
 - help dependent people continue to live at home
- **child protection**
 - raise awareness of parents and children (protection filters)

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enhancing partnership with our suppliers

- **monitor our suppliers' performance:**
 - in 2006, 86% of purchases made at the level of the Group were subjected to our QREDIC procedure (74% in 2005), 527 contracts were reviewed at least once a year
- **enforce FT Group policy for suppliers at local level**
 - add an ethic and environmental clause in all our local contracts
 - inform our suppliers of the UNI Agreement

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contributing to the economic development

- **facilitate access to communication solutions**
 - **ADSL deployment, a priority**
 - in France, at the end of 2006, 100% of our connection points were equipped and 98% of the population was covered by ADSL* services
 - for populations in areas with no ADSL access, alternative solutions
 - **mobile telephony: extension of coverage and new uses**
 - in France, 98% of the population is covered by the Orange GSM network
 - **public telephony: suitable solutions for remote areas**
 - in Senegal, we are installing community phone booths free of charge in certain villages, which then operate them.
 - in Romania, we are committed to facilitating access to information and communication technologies in rural areas
- **make life easier for communities**
 - **Point Visio Public** enables citizens to contact administrative services remotely
 - **TP: Internet Republic project**, this ambitious project aims to reduce the digital divide in the poorest rural areas of Poland by encouraging the use of Internet and information technologies in the fields of education, development and tourism

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promoting solidarity

- **the Orange Foundation promotes all forms of communication that build a stronger bond between people**
- **it donates to initiatives in three areas:**
 - **health and disability**
 - since 1991, the Foundation supports research on autism and improves the quality of life of autistic people and their families
 - the Foundation helps visually and aurally deficient people gain access to culture and information
 - **education**
 - in France, the Foundation fights illiteracy
 - in developing countries, it works with UNICEF to get girls to school as soon as possible and keep them there
 - **culture**
 - since its creation, the Foundation encourages the practice of collective signing

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electromagnetic fields (EMF)

EMF polemics depend on scientific research up to now scientists agree

"to date, all experts reviews on the health effects of exposure to RF fields have reached the same conclusion: there have been no adverse health consequences established from exposure to RF fields at level below the international guidelines on exposure limits published by the international Commission on Non-ionising Radiation Protection (ICNIRP 1998)".
The World Health Organisation, June 2005

- scientific bodies:
 - WHO (World Health Organisation)
 - ICNIRP (International Commission on Non Ionising Radiation Protection)
 - European Commission
 - expert reports of state agencies
 - AFSSET (France)
 - HPA (UK)
 - HCN (Netherlands)
 - SSI (Sweden)
 - other (Spain, Canada...)

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electromagnetic fields (EMF)

- handsets
 - all mobile phones distributed by Orange in Europe are rated with an SAR, which may not exceed the maximum of 2W/kg set by ICNIRP (mostly between 0.5 and 1.5 W/kg)
 - specific recommendations for parents given in "Family guide"
- base stations
 - 1,428 measurements in France in 2006 provided by independent bodies; measurement are displayed on www.cartoradio.fr in France, www.sitefinder.ofcom.org.uk in the UK
 - cooperation with local communities: public meetings or discussions with communities

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electromagnetic fields (EMF)

- we have a strong expertise on the subject
 - individual dosimeter developed to measure EMF exposure
 - software designed to visualize electromagnetic fields in 3D (EMF Visual), making it possible to determine the safety zone required around a relay antenna
- we are member of renowned research organizations
 - we contribute to independent research programs:
 - in France €730,000 for the “Santé Radiofréquence” Foundation (recognized as a public service in January 2005)
 - in the UK, £500,000 for Mobile Telecommunications Health Research program since 2001
- we have set up a dedicated team that is rolling out the EMF Group policy

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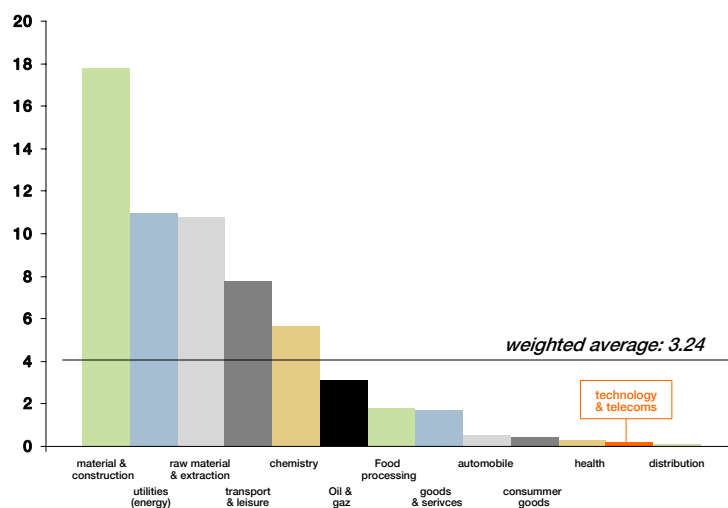
section 6

managing our environmental footprint



telecom sector has limited impact on CO₂ emissions

CO₂ emissions in ton equivalent per EBITDA in 000s euro



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CR program to manage out environmental footprint

- reduce the energy consumption and monitor waste management for us and our clients
 - develop green products, and inform on our products and services' performance
 - argue about sustainability to gain corporate customers
 - control our energy footprint and CO₂ rejection due to equipments and transport
 - roll out a Environmental Managing System (ISO 14001 compliant) in all markets
 - control our waste management in 12 main fields, particularly hazardous waste, even if no legal requirements
 - decrease our visual impacts

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environmental issue: energy

- use 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
 - solar energy in African markets
- monitor our energy consumption
 - energy consumption analysis (network, buildings)
 - modernized vehicle fleet
 - cutting down emissions linked to business trips

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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

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section 7 our ambition

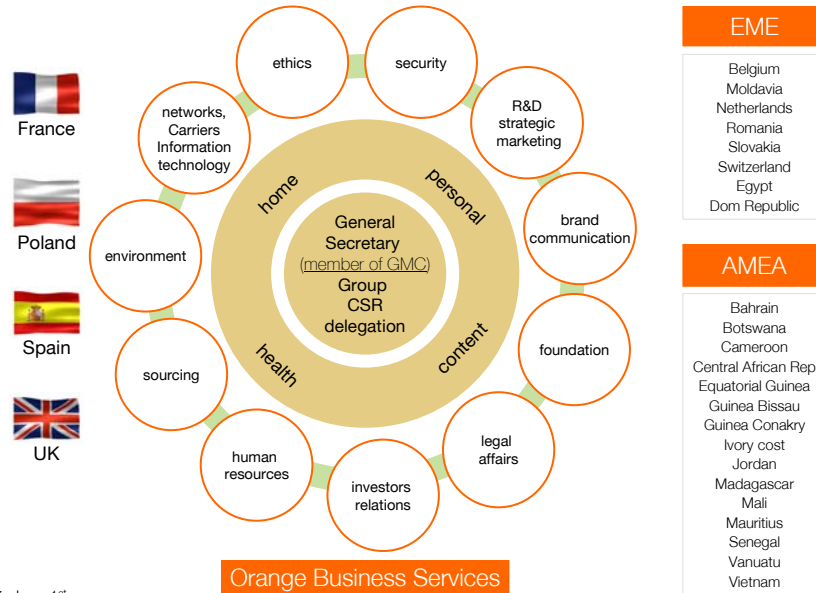


our ambition:
to be recognized as
the CR leader amongst
telecommunications'
operators by 2011

How will we do?



corporate responsibility group chart



45 2007, June 1st

involving all our employees

- reinforce the appropriation of the code of ethics – e learning
- empower employees with the sustainability principles
 - ie: 2007 challenge: "Caring for the future"
 - 16 countries
 - 12,000 members of the staff worldwide ranked 139 projects to choose their 49 favourites
 - 1 jury met on June, 27th
 - 5 categories
 - 1 award per category + 1 special jury prize
 - 3 special mentions and 2 other prizes, to reward even more projects

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caring for the future

celebrating all our corporate responsibility activity



le palmarès



work on permanent progress...

- roll on CR **improvement process** in all group functions
- engage in various **partnerships** to help us improve
- value our results through **external communication**
- reinforce **stakeholders' dialogue** in every market...
... and with ISR specialists ☺

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